

STRATEGY & MACRO TEAM

Slik investerer du i SMB-selskaper

4 June, 2019

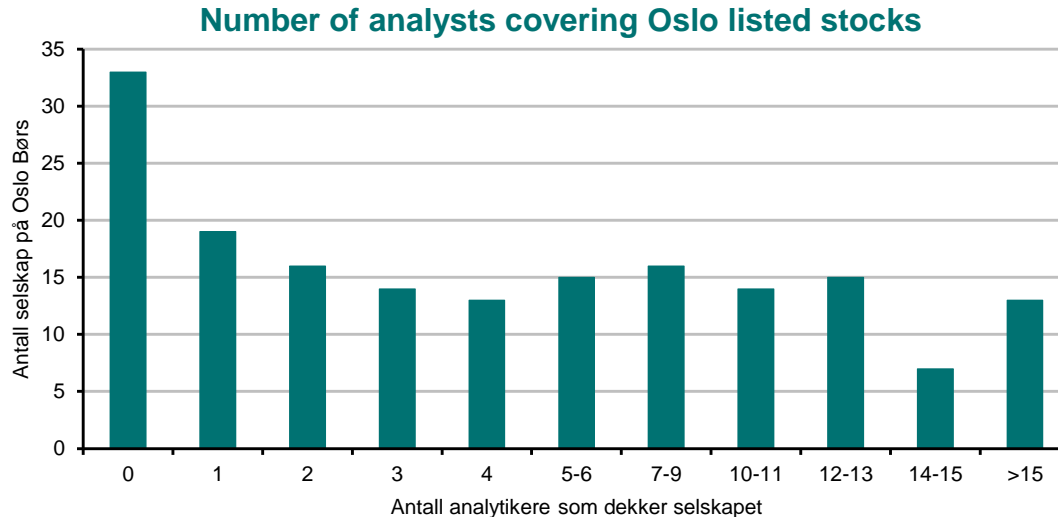
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SME investing requires some work

- Over 30 companies on the Oslo stock exchange have no analyst coverage at all
 - 68 companies are covered by less than three analysts
- This increases the opportunities for finding shares that are incorrectly priced (too low AND too high)
- Lack of analyst coverage can in some cases be a signal in itself
 - Analysts may have done preliminary work on the company and concluded there is not enough upside for it to be interesting



Understand the history of the company

There are two types of interesting SMEs:

- Successful micro-caps



Understand the history of the company

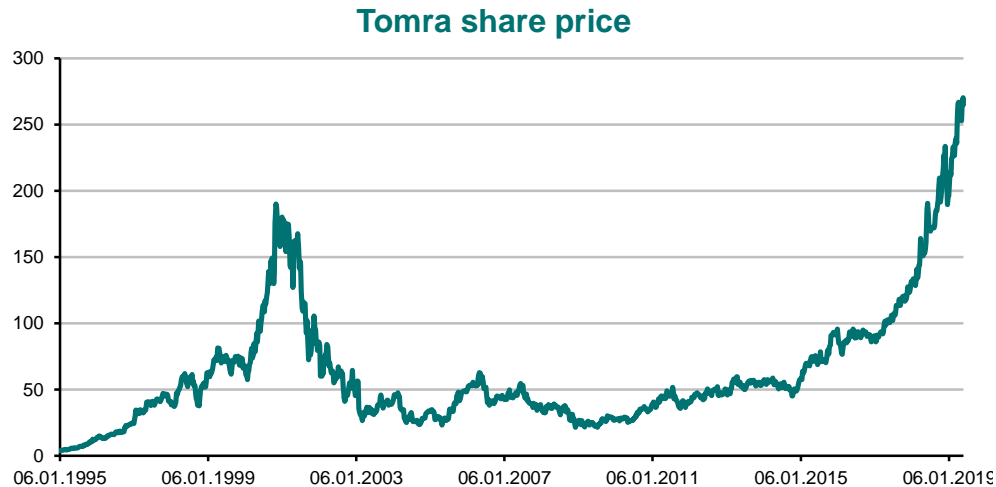
There are two types of interesting SMEs:

- ...and failing large-caps



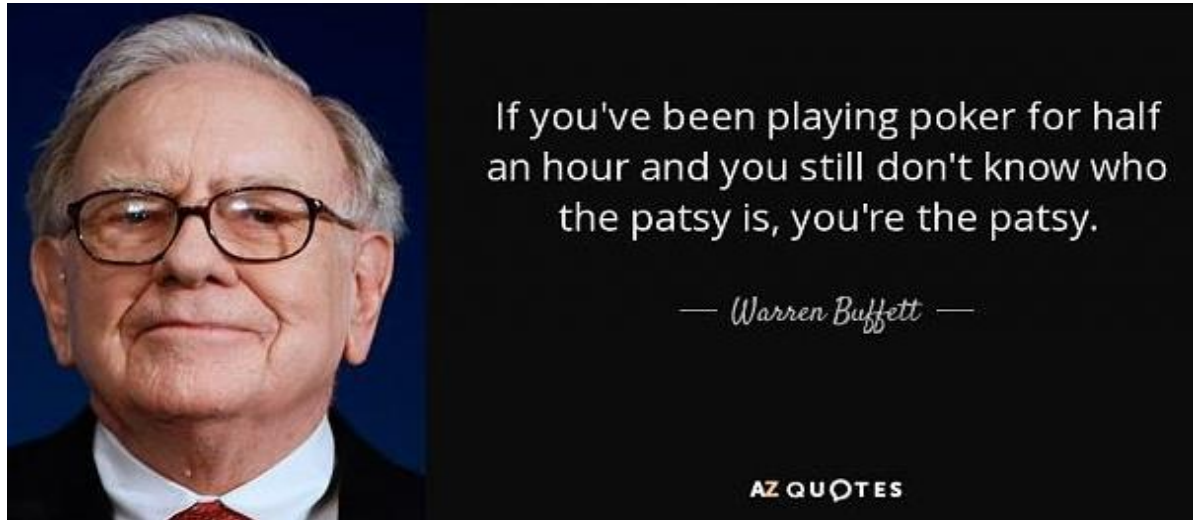
Understand the history of the company

- A growth story is essentially an investment case that the historical trend continues into the future
 - Why has it been successful so far and what can go wrong?
- A 'turnaround' story is essentially an investment case that the historical trend does not continue into the future
 - What went wrong and why is this going to change
 - Be wary of value traps
 - Turnaround situations can become very complicated and often attract sophisticated specialist investors
- If you do not understand the historical share price movements, don't expect to be able to predict future moves



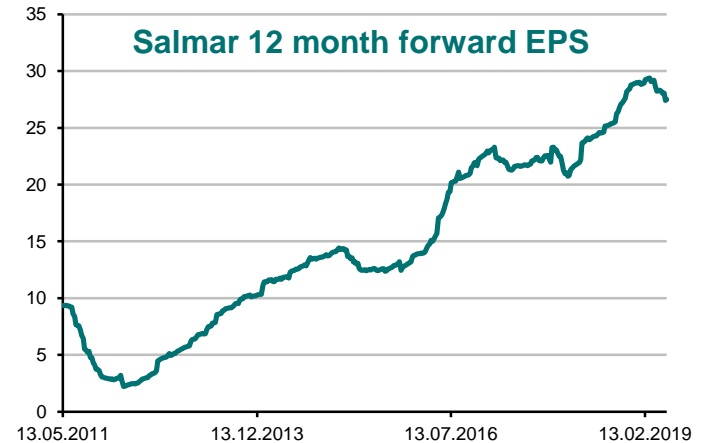
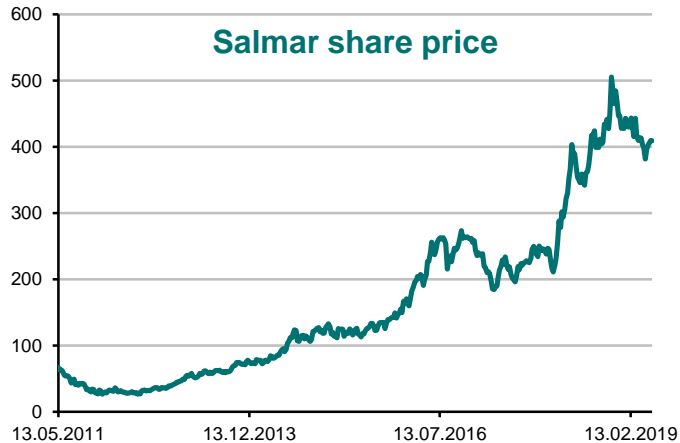
If you are buying, who is selling and why?

- Be very suspicious if management have sold stock over the past year or two
 - Check www.newsweb.no for insider transactions
- Is there a financial investor that may be looking for an exit strategy?
- Is it a company with 'fast money' investors or long-term share holders?
 - 'Fast money' stocks are more likely to over-shoot fair value in both directions
 - Forced selling from leveraged investors can create opportunities but requires careful timing



Listen to the market signals

- The trend is your friend (invest with a tailwind, rather than fighting a headwind)
 - Don't try to time peaks and troughs
- Are analyst's earnings estimates (and your own estimates) trending up or down?
 - Provides a simple illustration of management's track record (under promise and over-deliver or *vice versa*?)
- How are the shares of similar companies performing?
- Define a stop-loss level in advance of entering a trade and stick to it
 - In most cases, the market is more likely to be correct than you are (wisdom of crowds)



Does the company need more capital?

- SMEs have fewer financing alternatives than large cap companies
 - Bond markets are not always an option
 - Investors are less willing to invest in SMEs in periods of market volatility

- Do existing loans need to be refinanced?

- Is additional capital need to finance continued expansion?

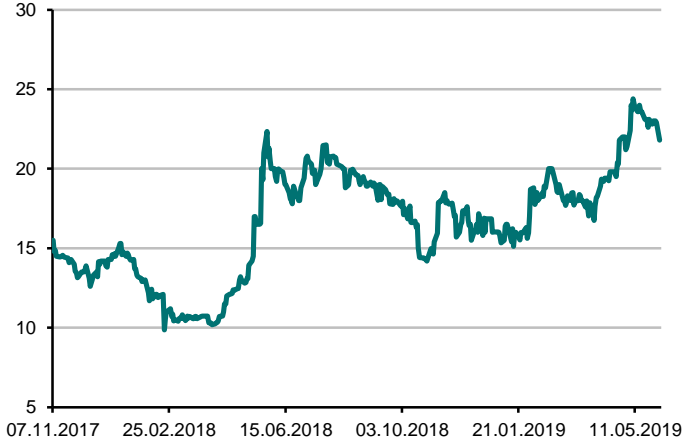
- What are the consequences if capital is not available?
 - Slower growth or bankruptcy?

Gross PPE	50,929,284	16,027,050	344.9%
Accum Depreciation	(11,181,680)	4,010,854	344.4%
Fixed Assets	71,300,717	11,948,402	347.6%
Intangible Assets Gross	0	31,986,350	470.1%
Accum Amort: Intangible Assets	17,825,179	5,093,885,304	33.5%
Long-Term Investments	53,475,538	83,979,200	78.9%
Investment in Subsidiaries	182,348,839	88,445,000	357.8%
Other Long-Term Assets	5,093,885,304	172,000,000	222.0%
Long-Term Deferred Tax Asset	150,241,291	9,209,306	346.3%
Other Assets	404,906,646	4,860,583	364.5%
Assets	555,147,937	14,089,808	4,224.0%
Liabilities	555,147,937	14,089,808	580.2%

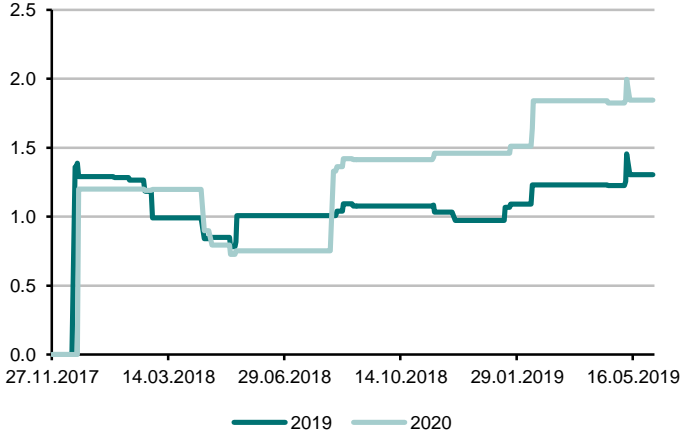
Crayon

- Strong double digit organic growth profile
 - Crayon provides software asset management consulting to help customers reduce software costs
- Attractive valuation at 11.8x 2020 P/E
- Possible takeover candidate
 - Competitors SoftwareONE and Softline have acquired significant stakes in Crayon

Crayon share price



Crayon consensus EPS estimates



Scatec Solar

- Develops, builds, owns and operates solar power plants
- Plants are located in emerging markets
 - Argentina, Brazil, Czech Republic, Egypt, Honduras, Jordan, Malaysia, Mozambique, Rwanda and South Africa
- Market Capitalisation NOK9bn
 - 3rd largest company by free float market cap in the Oslo Small Cap index



Scatec Solar

Improving our future™



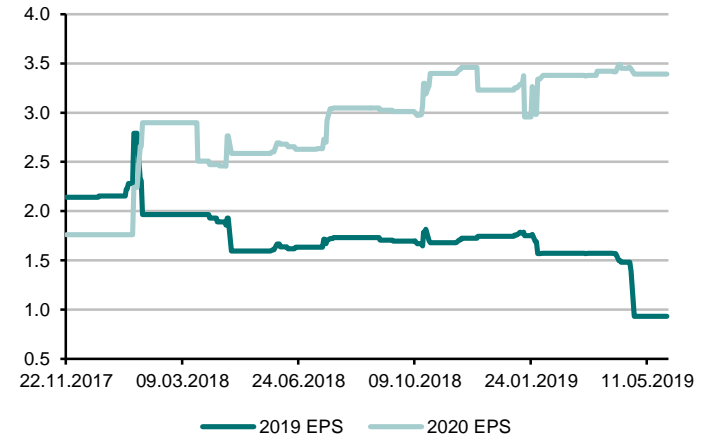
Scatec Solar

- Strong structural demand growth for electricity generation in emerging markets
- Solar power ticks the boxes for investors looking for ESG compliant investment ideas
- The company has a focus on risk management
 - Projects are structured as standalone companies to limit risks for the group
 - Contracts are long-term with inflation adjustments and priced in USD or EUR

Scatec Solar share price



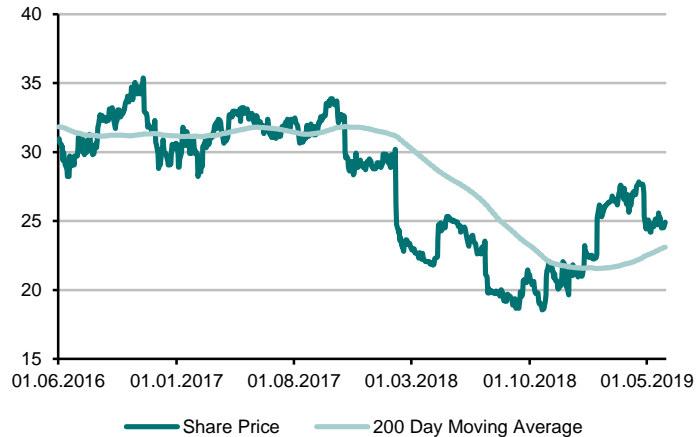
Scatec consensus EPS estimates



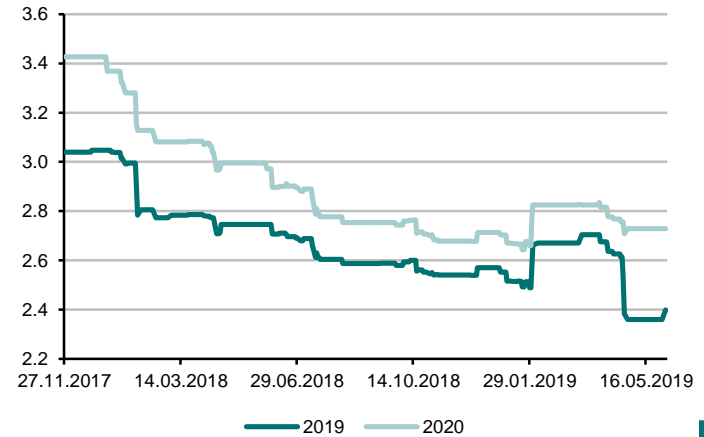
Europris

- Solid underlying growth trends despite disappointing Q1 results
 - Underlying like-for-like growth at around 5% (2020e consensus EPS was only modestly trimmed after Q1)
- P/E multiple of around 10x indicates the market is pricing in further estimate cuts
 - The market is assuming the weak EPS trend from 2017/18 will continue
- Positive share price momentum still intact despite Q1 results disappointment

Europris share price



Europris consensus EPS estimates



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