Pareto Securities

den store Selskapskvelden - SMB
Aksje Norge
OSLO BØRS

Hvordan bygge en portefølje med Biotech og SMB

Karl Oscar Strøm

Hvorfor bygge en portefølje med Biotech og SMB?

Tradisjonell oppfatning:

SMB-aksjer gir høyere avkastning enn «large cap» aksjer

Ofte kalt *«Small Firm Premium»*

Journal of Financial Economics 9 (1981) 3–18. North-Holland Publishing Company

THE RELATIONSHIP BETWEEN RETURN AND MARKET VALUE OF COMMON STOCKS*

Rolf W. BANZ

Northwestern University, Evanston, IL 60201, USA

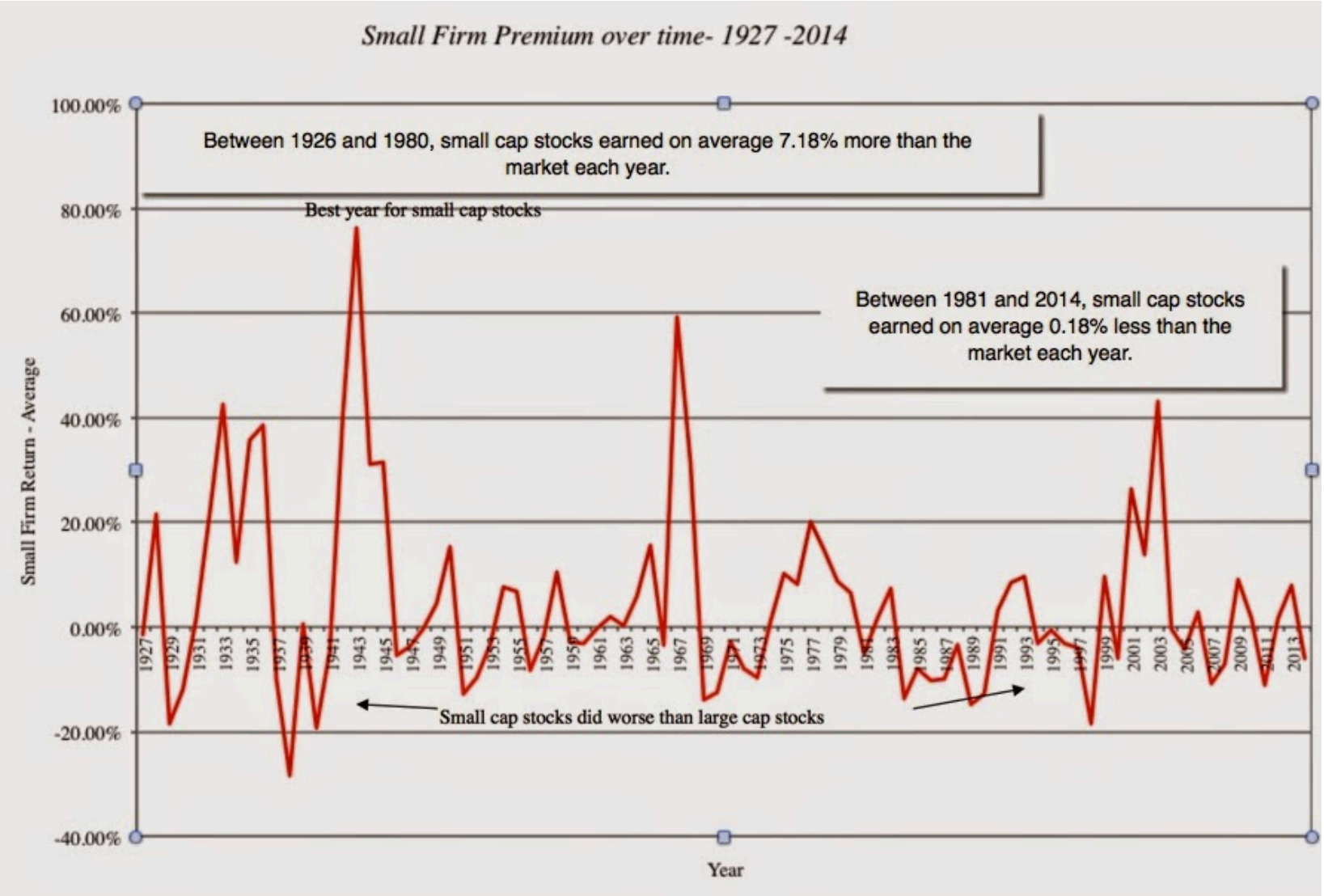
Received June 1979, final version received September 1980

This study examines the empirical relationship between the return and the total market value of NYSE common stocks. It is found that smaller firms have had higher risk adjusted returns, on average, than larger firms. This 'size effect' has been in existence for at least forty years and is evidence that the capital asset pricing model is misspecified. The size effect is not linear in the market value; the main effect occurs for very small firms while there is little difference in return between average sized and large firms. It is not known whether size *per se* is responsible for the effect or whether size is just a proxy for one or more true unknown factors correlated with size.

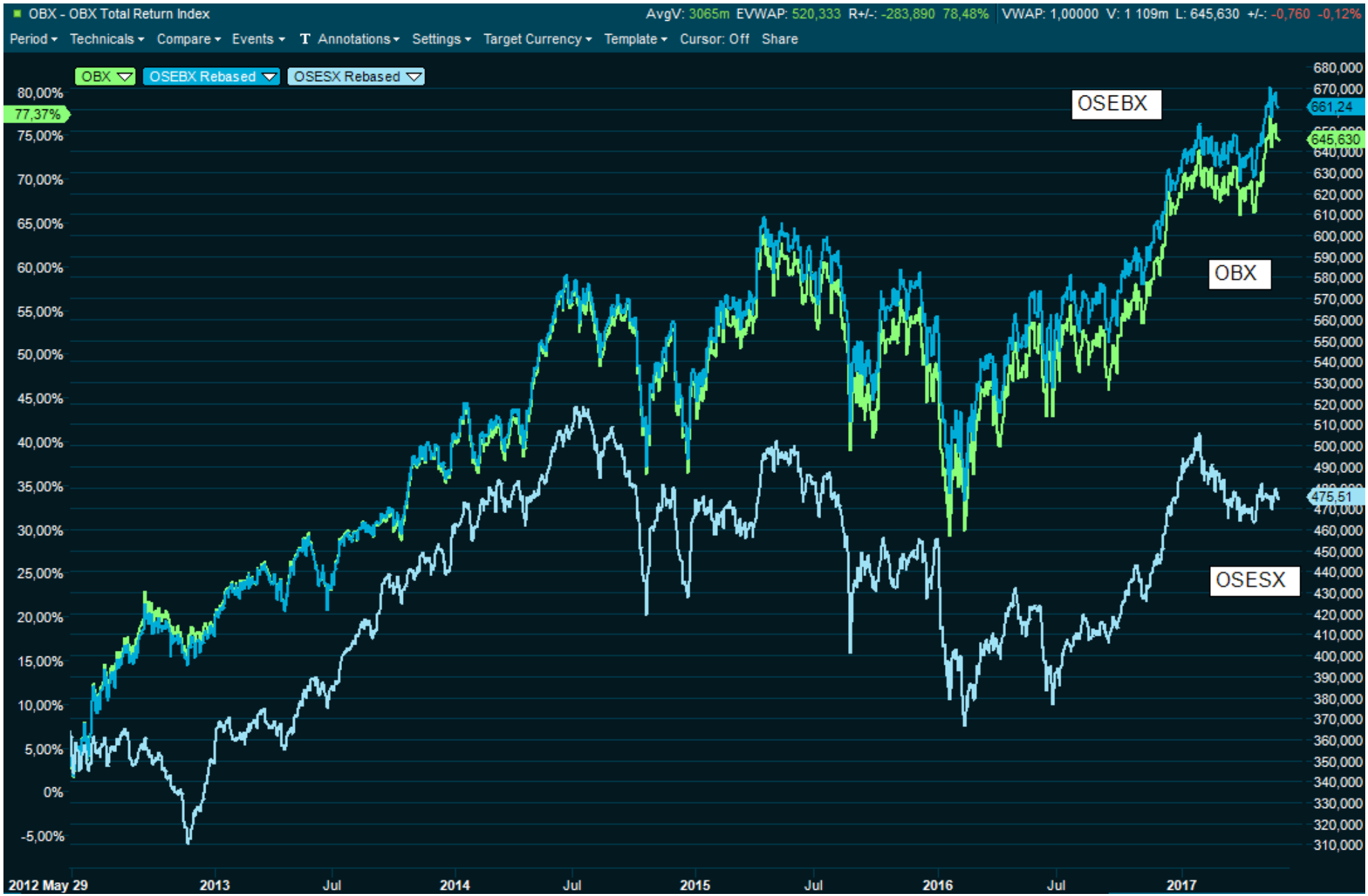
5. Conclusions

The evidence presented in this study suggests that the CAPM is misspecified. On average, small NYSE firms have had significantly larger risk adjusted returns than large NYSE firms over a forty year period. This size effect is not linear in the market proportion (or the log of the market proportion) but is most pronounced for the smallest firms in the sample. The effect is also not very stable through time. An analysis of the ten year subperiods show substantial differences in the magnitude of the coefficient of the size factor (table 1).

There is no theoretical foundation for such an effect. We do not even know whether the factor is size itself or whether size is just a proxy for one or more true but unknown factors correlated with size. It is possible,



- Senere studier gir faktisk *motsatt konklusjon, selv uten justering for «survivorship bias»*


OBX - OBX Total Return Index
AvgV: 3065m EVWAP: 520,333 R+/-: -283,890 78,48% VWAP: 1,00000 V: 1 109m L: 645,630 +/-: -0,760 -0,12%
Period Technicals Compare Events Annotations Settings Target Currency Template Cursor: Off Share
OBX
OSEBX Rebased
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	Selskaper	Uten oms.	Snitt spread*	Snitt ATR**
OSE Smallcap	121	18 %	1,70 %	5,39 %
OSE Benchmark	62	0 %	0,41 %	3,20 %
OBX-Index	25	0 %	0,11 %	2,81 %

* På de som er handlet

** ATR = Average True Range = Snitt kursbevegelse daglig

	I år %	1 år %	Beste 1 år	Verste 1 år	Median	Gjennomsnitt
OSE Smallcap	-1,7 %	12,4 %	363 %	-99 %	-0,5 %	19,6 %
OSE Benchmark	5,0 %	16,0 %	363 %	-85 %	7,5 %	19,5 %
OBX-Index	4,5 %	16,2 %	82 %	-85 %	6,1 %	7,3 %

Så hva vet vi?

- SMB-aksjer som gruppe er **ikke** generelt bedre enn store selskaper
- SMB-aksjer har **økt risiko** mhp svingninger og likviditet
- Faren for å «gå på en smell» er større i SMB-aksjer enn i store selskaper (event risk)
- **Men** det er blant SMB-aksjene du finner **flest av de aksjer** som går/kan gå flere hundre prosent!

Så **hvordan bygge og drifte** en portefølje av SMB-selskaper?

Husk målet for en som investerer:

Øke sin egenkapital

Så ved kjøp av SMB og Biotech…

1. **Struktur** – Diversifiser mer enn vanlig

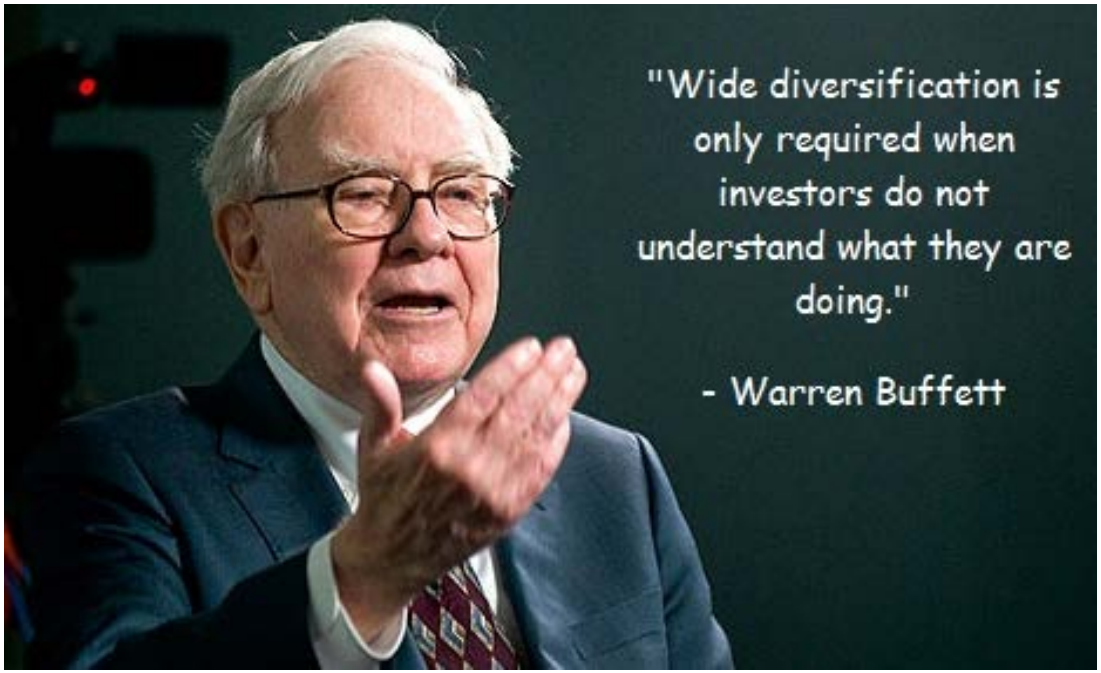
De proffe begynner her

Spørreundersøkelse på Facebook-gruppen «Norske Aksjer». 682 svar.

38% 1-3 aksjer

37% 4-6 aksjer

25% oppgav å ha mer enn 7 aksjer i porteføljen, og kun 7,6% over 10.



Så hvor diversifisert er hans investeringsselskap Berkshire Hathaway?

- **46** *noterte* selskaper
- Største poster er 18% i Kraft Heinz Co og 16% i Wells Fargo
- «Orkla og DnB»

2. Vær kresen på **hva** du skal eie

- Fundamentalt, teknisk, kvantitativt

- Hva er din tidshorisont?
- Har du spesiell kjennskap til visse bransjer?
- Hva slags type selskap ser du etter, og i hvilken fase?

3. Vær selektiv på **når** du eier aksjene

- Unngå aksjer i nedtrend, eller med fundamentale problemer. Vær forsiktig med uhåndterlig «event risk».

Event 1

Positivt utfall

Negativt utfall

4. Ha en klar «**plan B**»

(stop-loss, sikring)

- Husk at aksjer er lett og billig å kjøpe og selge
- Sammen med diversifisering er stop-loss avgjørende for å begrense hvor mye du kan tape på en enkelt investering

*Tommelfingerregel: Ikke risiker å tap mer enn **max 1%** av din kapital på en enkelt investering*

Aktuelle SMB aksjer nå

1. *Scatec Solar – SSO @ 41,70 – Mål 55*

- En portefølje av solkraft i fremvoksende markeder
- Med åpenbar klimafordel er sol en billig, enkel og rask måte å sikre lands innenlandske kraftproduksjon
- Ordrebacklog vil bidra til å firedoble selskapets produserende kapasitet de kommende to årene
- SSO selvfinansierer i stor grad veksten gjennom å bygge parkene som en del av deres EK-bidrag

Pareto Securities AS Equity Research

Scatec Solar
Quarterly Review
5 May 2017

Buy reiterated post Q1 report

We make minor estimate revisions for Scatec Solar after its Q1'17 report, and reiterate our Buy recommendation and TP of NOK 55. Management's comments with regards to the progress of its 1,131 MW backlog were encouraging, and we expect financial close and subsequent construction start for several projects the next months.

Q1'17 results in line with expectations

Scatec Solar reported revenues for Q1'17 of NOK 276m, in line with consensus' and our estimates at NOK 277-278m with production at 156 GWh in line with guidance. EBITDA came in at NOK 222m, in line with expectations. With limited construction activity in the quarter, free cash flow to SSO equity for the quarter was NOK 7m, similar to our estimate.

Limited estimate changes on unchanged outlook guidance

The company reiterated its outlook statements, anticipating production for 2017 of 640 GWh and cash flow to SSO equity from Power Production (PP) and Operations & Maintenance (O&M) in the range of NOK 170-190m. Thus, we make minor estimate revisions following Scatec Solar's Q1'17 report. Furthermore, it stated that it is on track for the ambition of 1,300-1,500 MW in operation / under construction by year-end 2018, and that it is fully funded for these projects with NOK 665m of free cash at the end of Q1'17.

Encouraging backlog progress comments – BUY, TP NOK 55

We reiterate our Buy recommendation and NOK 55 target price for Scatec Solar. Management provided encouraging comments relating to the backlog progress, having now received the interregional interconnection permit for phase 1 (35 MW) of the Honduras project (total 50 MW). Furthermore, the new finance minister in South Africa (Upington 258 MW) has been supportive regarding the country's renewable program, as well as the Mozambique (40 MW) project should approach financial close with subsequent construction start.

Buy
Hold
Sell

Target price (NOK)	55
Share price (NOK)	40

Forecast changes

%	2017e	2018e	2019e
Revenues	(0)	(1)	(1)
EBITDA adj.	0	(1)	(1)
EBIT	(1)	(1)	(1)
EPS reported	(3)	(1)	(1)
EPS adj.	(3)	(1)	(1)

Source: Pareto

Ticker	SSOL OL, SSO NO
Sector	Power & Renewable Energy
Shares fully diluted (m)	103.2
Market cap (NOKm)	4,128
Net debt (NOKm)	6,504
Minority interests (NOKm)	578
Enterprise value 17e (NOKm)	11,209
Free float (%)	50

Performance

2. *Odfjell Drilling – ODL @ 19,70 – Mål 28*

- Attraktiv flåte med 3 moderne høyspesifikasjonsrigger
- Utnyttelsesgraden for slike rigger er allerede 90% og det er her vi forventer først rateoppgang
- 1 eldre rigg (på kontrakt med Statoil), som nå har lengst ordrereserve av de gamle riggene
- ODL eier også en attraktivt «asset light» plattform boring og brønnservice virksomhet

Pareto Securities AS Equity Research

Odfjell Drilling
Update
15 March 2017

Rig desirability highlighted

The recent contract win for Deepsea Stavanger with Total off South Africa at "above market" dayrate and John Fredriksen's decision to acquire newbuild West Mira from HHI demonstrate the desirability of Odfjell Drilling's high spec, harsh environment (HS/HE) deepwater semis. We lift our TP further to NOK 28 (20) and re-iterate our BUY recommendation.

Two new contract awards

6th gen HE semi Deepsea Stavanger was awarded a one-well contract by Total off South Africa last month. The contract commences in direct continuation of its charter with Winterhall on the NCS ending in late October 2018 the earliest. The average dayrate during the committed period, incl. ~16 weeks mob/demob (slightly higher opex), is ~USD 285-320'/day. The strong rate reflects that the deepwater job requires HE capabilities and engineering expertise, limiting the number of contenders. In Norway, 1983-built 3rd gen semi Deepsea Bergen has received a 100 day LOI for a one-well exploration charter starting in Q1'18. While economics are likely near break-even, this increases the probability that the rig could survive the downturn with the advantage of continuing drilling operations longer than other legacy rigs in Norway (i.e. more competitive for short-term contracts in 2018 and beyond).

Fredriksen's rig purchase supports improving outlook for HS/HE semis

John Fredriksen's Seatankers has purchased 6th gen HE semi West Mira from Korean shipyard HHI. According to Tradewinds, the purchase price is ~USD 365m or ~55% of all-in cost with Fredriksen having been granted an option to purchase Bolsta Dolphin for USD 400m. Given Mr. Fredriksen's proven track record in timing rig acquisitions, the purchase indicates that a trough is near. The transaction also highlights the difference between a brand new flexible HS/HE deepwater semi (of which there are few) and a stacked 2011-built drillship (of which there are many) which could have been acquired for considerably less. While ~5 years old on average, Odfjell's three 6th gen HE semis belong to the top ten harsh environment rigs (including newbuilds) in our view, and are well positioned to capitalise on the future market recovery - with firm backlog for the first two rigs until 1H'2019 (w/potential follow up work).

Buy
Hold
Sell

Target price (NOK)	28
Share price (NOK)	17

Forecast changes

%	2017e	2018e	2019e
Revenues	-	3	0
EBITDA	(1)	(9)	3
EBIT adj	(3)	(1)	11
EPS reported	NM	(27)	NM
EPS adj	(80)	(19)	NM

Source: Pareto

Ticker	ODL.OL, ODL NO
Sector	Rig
Shares fully diluted (m)	195.1
Market cap (USDm)	401
Net debt (USDm)	1 109
Minority interests (USDm)	0
Enterprise value 17e (USDm)	1 509
Free float (%)	29

Performance

3. *BW LPG – BWLPG @ 32 – Mål 54,1*

- Vi venter svake rater ***i sommer***, og aksjen bør kjøpes på dette før ventet bedring til høsten.
- US gassproduksjon øker betydelig
- Flåtevekst fortsatt høy i '17, men svært lav videre
- Etterspørsel ventes vokse raskere enn tilbud allerede neste år

Pareto Securities AS Equity Research

BW LPG Ltd.
Quarterly Review
30 May 2017

Time to be brave

BW LPG delivered better than expected in Q1, demonstrating both a well operated spot fleet as well as continued improvements on the cost side. Guidance is kept as it was, with a very open 2018 coming nearer by the day. BWLPG has managed to steer through this downturn without any significant net losses so far, which deserves a lot of credit. While the market will be difficult near term, and there potential downside 2018 estimates we are seeing some positive glimmers, most notably related to US NGL production. It is time for investors to be brave and dive into BWLPG, which at its 0.66x NAV valuation provides solid long term value. We reiterate BUY, TP NOK 54

Another quarter of quality-demonstration

BWLPG delivered a break-even result (adj. for USD 7m sales gain), above our street high net loss estimate of USD 4.1m. EBITDA of USD 42m was some 12% above PAS and 37% above consensus, and while revenues were marginally higher than expected, solid cost control is the main explanation for the beat. The number of COA days used was slightly higher than we expected, yet overall guidance going forward is unchanged. Still there has not been booked any COA-coverage for next year; we doubt that Charterers are in any rush to book at levels that currently are satisfactory for BW (mid USD 20,000/day?).

Q2 estimates up – Q3 down. 2018 coming closer…

As Q2 has developed better than expected, we make some minor positive adjustments. We reduce our spot rate assumption for Q3/Q4 to USD 13-11.5k/day though, which means that the overall impact on 2017 numbers is marginally negative. The positive cost development means that our 2018/19 estimates are increased– yet we emphasize that the USD 25,000/day of spot rate could be a bit on the high side.

Timing is crucial – but BWLPG deserves all the credit it can get

As BW-management says, VLGC spot rates are likely to be soft over the next few months, in a pattern that resembles the disturbing 2016. BWLPG is steering through these two years with a negligible net loss, which is nothing short of brilliant. With rising US NGL production the outlook for VLGCs is promising, and with a strong balance sheet and

Buy
Hold
Sell

Target price (USD)	6.40
Share price (USD)	4.08

Forecast changes

%	2017e	2018e	2019e
Revenues	(4)	0	(1)
EBITDA	(7)	5	4
EBIT adj	(40)	16	9
EPS reported	(2)	18	10
EPS adj	(25)	18	10

Source: Pareto

Ticker	BWLPG.OL, BWLPG NO
Sector	Shipping
Shares fully diluted (m)	141.9
Market cap (USDm)	579
Net debt (USDm)	1 293
Minority interests (USDm)	4
Enterprise value 17e (USDm)	1 875
Free float (%)	45

Performance

Aksjehandel hos Pareto

Lave priser

Ledende handelsteknologi

Bred analysedekning

(og snart lanserer vi fondshandel)

www.paretosec.no