



European Small Cap Equities

Monthly update, May 2022

BANK INVEST

Agenda

Performance comments

Performance

European small caps valuation

Portfolio characteristics

Performance and market comments (I)

- **May return -0.7%, performance +1.0%**
- **YTD return -25.2%, performance -12.2%**
- The leading economic indicators signaled declining growth momentum in the eurozone again in May, although business activity is still above the growth-neutral 50-line

Performance and market comments (II)

Performance		
Portfolio	Benchmark	Excess return
-0.7%	-1.7%	+1.0%

Top 5 contributors (in %-points)		
Antares Vision	Health Care Equip.	0.60
Aker BP	Oil & Gas	0.30
Tinexta	Professional Services	0.24
Lundin Energy	Oil & Gas	0.22
Rubis SCA	Gas Utilities	0.22

Bottom 5 contributors (in %-points)		
Digital Value	Software	-0.27
Nolato AB	Industrial Conglomerates	-0.24
Leaddesk	Software	-0.19
Recordati SpA	Pharmaceuticals	-0.17
Hilton Food Group Plc	Food Products	-0.16

Source: BankInvest, 31.05.2022. Notes: Return is gross of fees.

Comments and relevant news	
+	Antares Vision , a leading provider of traceability solutions for the pharmaceutical industry, increased revenues by 15% driven by growth in all business areas
+	Aker BP and Lundin Energy , both oil E&P companies, delivered another record-breaking results driven by high oil and gas prices
+	Tinexta , provider of digital solutions, delivered slightly better-than-expected Q1 results. Revenues rose 7% organically with an EBITDA margin of 20%. Management confirmed its full-year guidance
÷	Nolato , a manufacturer of products in polymer materials for customers in the medical equipment, pharmaceutical, electronics and general industries, is hit by a number of external factors. Two of its segments are impacted by component shortages and in the third a customer has started dual sourcing. Before Nolato was the sole supplier to this customer
÷	Hilton Food Group , a leading distributor of processed meat to retail, announced that year-to-date developments are in line with expectations, but that higher commodity prices are a challenge for future purchases

Performance

Return in 2022



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2022	2021	2020	2019	2018 ⁽¹⁾	2017	Cum.	
Portfolio	-10,5%	-11,2%	-1,4%	-3,9%	-0,7%								-25,2%	28,2%	28,4%	37,7%	-12,4%	26,3%	88,0%	
Benchmark	-6,7%	-4,0%	0,7%	-1,9%	-1,7%								-13,0%	23,7%	4,2%	31,6%	-15,4%	19,2%	47,0%	
Excess return	-3,8%	-7,3%	-2,1%	-2,0%	1,0%								-12,2%	4,5%	24,3%	6,1%	3,0%	7,1%	41,0%	
Cum. return	-3,8%	-10,1%	-11,9%	-13,2%	-12,2%															

Portfolio Benchmark Excess return Cum. return

Source: BankInvest & SEB, 31.05.2022. Notes: Gross return before fees. 1) Responsibility for the SEB fund until 30.11.2018, where YTD 2018 return and excess return was respectively -7.5% and +1.9%.

European small caps valuation

Small caps trade below the average premium to large caps

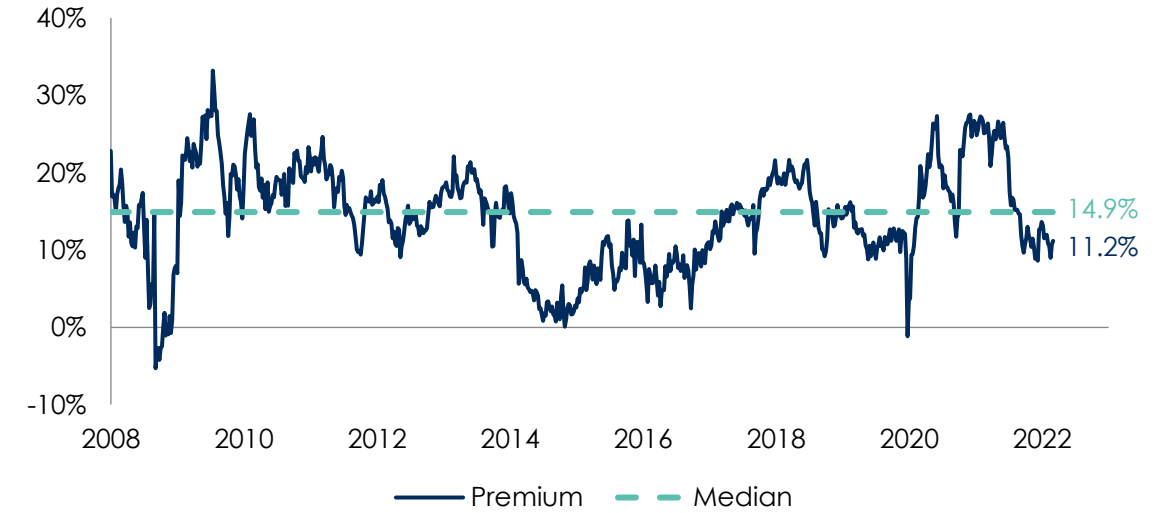
Valuation for small and large caps

12-month forward P/E



Small cap premium

Based on small and large cap 12-month forward P/E



- Earnings estimates rose 36% in Europe (measured on STOXX 600) in 2021 and has been flat overall YTD with major differences across sectors with Energy and Basic Materials in the lead and Consumer Discretionary, IT and Healthcare experiencing the largest negative estimate revisions

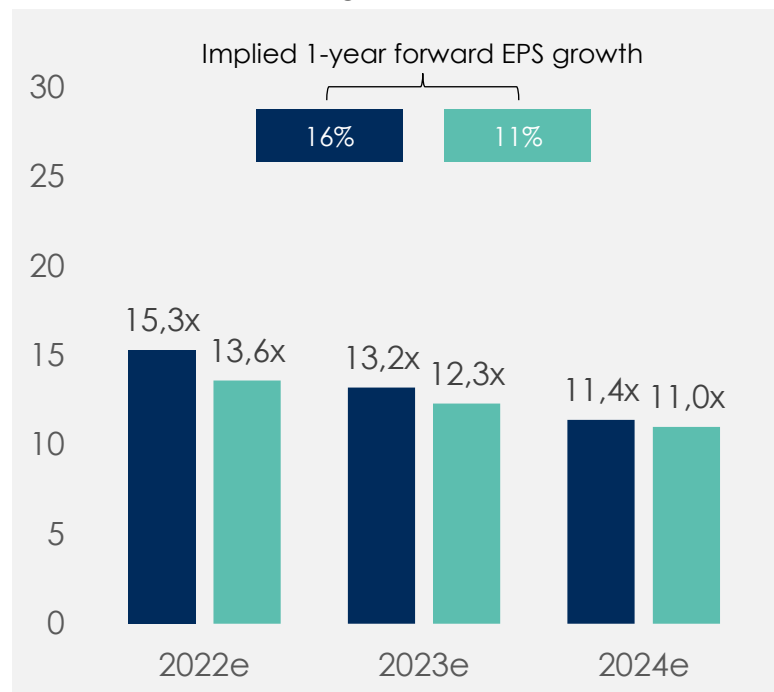
Source: BankInvest, MSCI, Bloomberg, 31.05.2022.

Portfolio characteristics

Higher quality and growth at slightly higher valuation with lower financial leverage (risk)

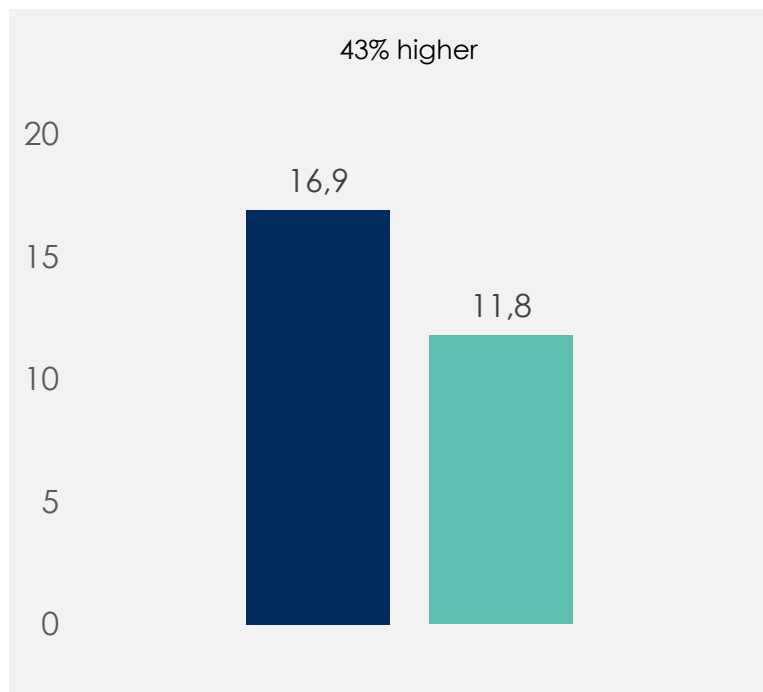
Valuation

Forward Price/Earnings⁽¹⁾



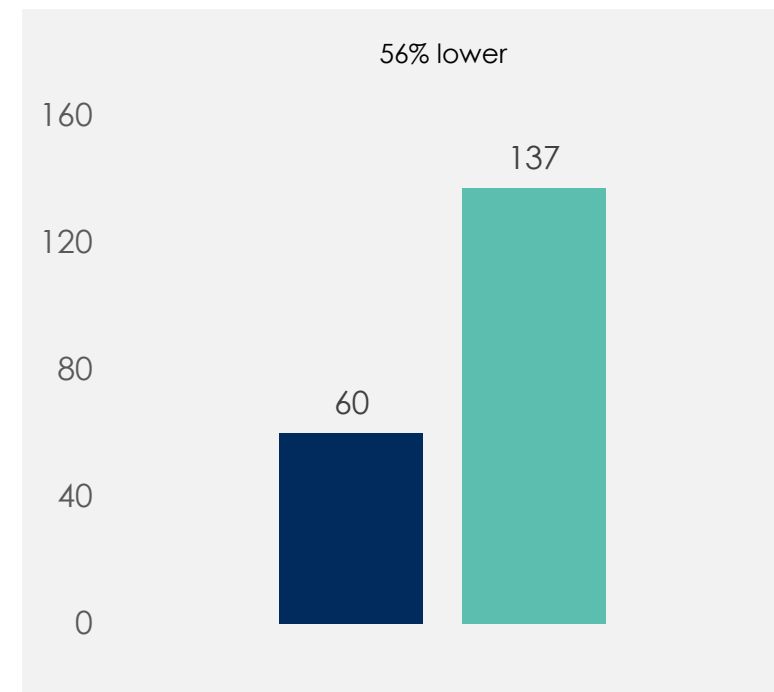
Returns

LTM Return on Equity %



Financial leverage

Debt/Equity %



■ Portfolio ■ MSCI Europe Small Cap

Source: BankInvest & Bloomberg, 31.05.2022.

Notes: 1) Forward Price/Earnings is defined by using the consensus estimate of the 1-year forward earnings.

Top 10 positions

Balanced portfolio, concentrated positions

Company	Description	Investment case	%	Country
Jetpak AB	Express delivery	Asset-light provider of express delivery via air and roads using its proprietary software platform connecting transport partners	4.4%	Sweden
Harvia Oyj	Sauna and spa products	Market leader in a structurally growing market with limited cyclicalty and best-in-class profitability	3.6%	Finland
Crayon Group Holding	IT service and software	End-to-end IT service provider that assists companies in optimizing ROI on their IT investments	3.3%	Norway
OEM International AB	Trading company	Outstanding track record of capital allocation.	3.1%	Sweden
Ringkjoebing Landbobank A/S	Private-banking focused regional bank	Driving growth and margins through a mix shift to the lower end of the private banking market. This segment represents a large addressable market for the bank	2.9%	Denmark
Hexpol AB	Polymer compounding	Global leader in polymer compounding used in a long range of applications in the auto industry, general industry, construction as well as green energy areas	2.7%	Sweden
Antares Vision SpA	Inspection systems	Market leader track-and-trace inspection systems to the life science, food and cosmetics industries, where traceability requirements are especially high	2.7%	Italy
GN Store Nord A/S	Medical equipment	Group comprising two divisions - Audio and Hearing - characterised by high barriers to entry and structural growth	2.6%	Denmark
Rubis SCA	Energy storage & logistics	Leading provider of liquefied petroleum gas for both retail and commercial customers in France, Caribbean and Africa. Distribution includes a network of gas stations	2.5%	France
Royal Unibrew A/S	Beverages	Multi-beverage brand company with best-in-class organic growth, track record of creating value through acquisitions and profitability	2.5%	Denmark

30.4%

Source: BankInvest & Bloomberg, 31.05.2022.

Portfolio activity



Balanced portfolio comprising defensive and cyclical stocks as well as quality and value stocks

Source: BankInvest, 31.05.2022.

Investment cases

Quality brand developer with temporary problems

Case type: High quality at an attractive price

Profile

AG Barr

Market cap: GBP 600mn (May 2022)
 Norm. FCF yield: 6%
 P/E FY FY23e: 16x
 Norm. ROIC: 20%

Description

A. G. Barr sells sodas, fruit juices, energy drinks and ready-to-drink cocktails. The company's main product IRN-BRU has a strong market position in Scotland and acts as a cash cow for the development of other product areas

Investment case

1 Track record for creating value...

- In the period 2004-2019, A. G. Barr has increased EPS by 9% p.a.
- A ban on energy drinks as well as an increased sugar tax in the UK reduced revenues since then

2 ... and through brand development...

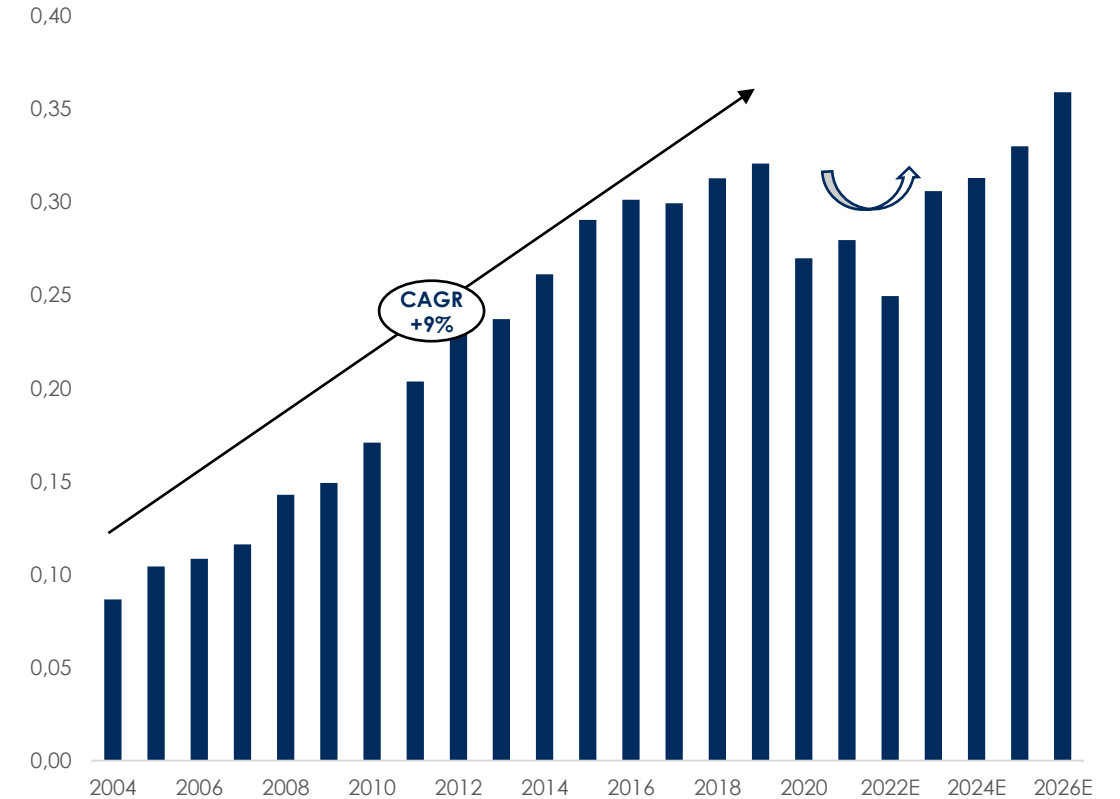
- The company has proven its ability in developing new brands across categories. Ready-to-drink cocktails is some of the company's most promising category

3 ... the company is expected to get back on its growth path

- A. G. Barr is expected to be back on its growth path in 2023
- Its business model with a 17% return on capital and a reinvestment need of 25% enables both dividend payments and acquisition of additional brands

Getting back on the growth path

Diluted EPS (GBP)



Source: BankInvest, company reports, Bloomberg, 31.05.2022. Profile figures are at time of purchase.

Investment cases

Stable compounder with strong market shares and opportunities in premium categories

Case type: High quality at an attractive price

Profile



Market cap: GBP 2.2bn (May 2022)
 Norm. FCF yield: 7%
 P/E FY FY23e: 14x
 Norm. ROIC: 15%

Description

Britvic is a global soft drinks company with leading positions in the UK, Ireland, France and Brazil. In addition, it has an exclusive bottling agreement with PepsiCo in the UK

Investment case

1 Stable compounder

- Britvic has increased EPS by 8% p.a. from 2005 to 2019 – 2020 and 2021 were negatively impacted by Covid-19

2 Strong market shares

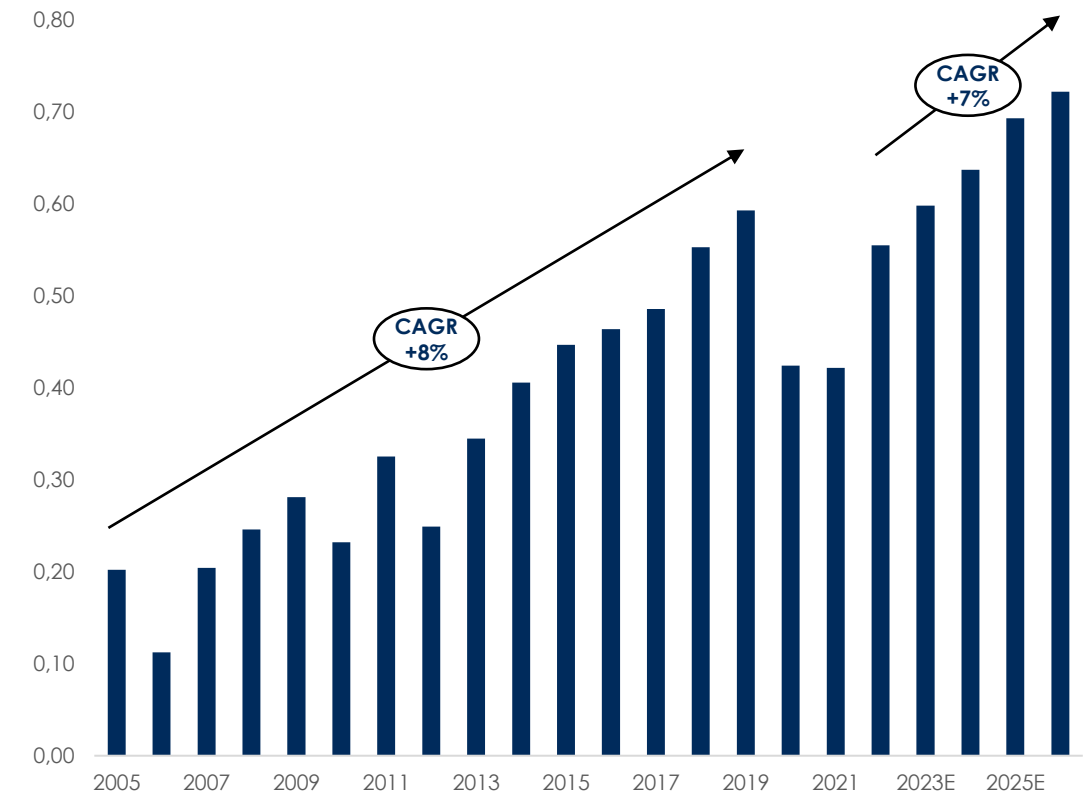
- Britvic's products have 30-70% market shares depending on category and region

3 Opportunities in premium categories

- Britvic has increased its focus on satisfying the demand in the high-end segment such as tonic water and sodas at premium bars which are higher margin areas

Continuing forward after Covid-19 lockdowns

Diluted EPS (GBP)



Source: BankInvest, company reports, Bloomberg, 31.05.2022. Profile figures are at time of purchase.

Investment cases

Integrated partnership model with opportunities to expand to additional categories

Case type: High quality at an attractive price

Profile



Market cap: GBP 950mn (May 2022)
 Norm. FCF yield: 6%
 P/E FY FY23e: 16x
 Norm. ROIC: 20%

Description

Hilton Food Group is a leading distributor of processed meat to retail chains such as Tesco in the UK, Albert Heijn in the Netherlands, Woolworths in Australia and Coop in Denmark. HFG supplies beef, pork, lamb, fish and vegan meat under the retail chains' brands

Investment case

1 Strong track record of value creation...

- Hilton Food Group has increased EPS by 11% p.a. from 2007 to 2021 with a return on capital of 20%

2 ... in a market with long customer relationships...

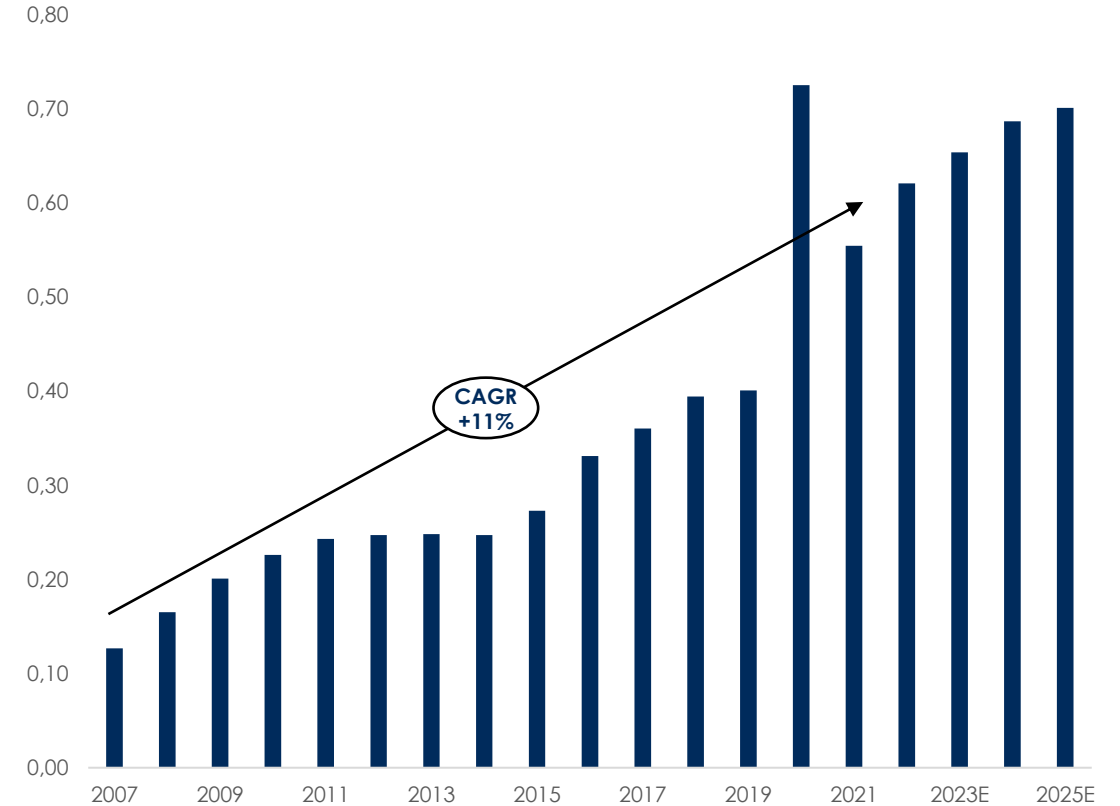
- The market is characterized by long customer relationships, a defensive nature and a high level of integration between supplier and customer. As an example, HFG has supplied Tesco for 25 years and since 2019 it delivered 100% of its red meat

3 ... and with untapped potential to expand to additional categories

- Through out the company's history it has expanded from red meat to pork, lamb, fish and vegan meat and have plans to take on dairy operations

Strong track growth record to continue

Diluted EPS (GBP)



Source: BankInvest, company reports, Bloomberg, 31.05.2022. Profile figures are at time of purchase.

Investment cases

Structurally stable market with cyclically strong demand and margin expansion

Case type: High quality at an attractive price

Profile



Market cap: EUR 2.6bn (May 2022)
 Norm. FCF yield: 7%
 P/E FY 23e: 13x
 Norm. ROIC: 15%

Description

Krones is a global leader in the design and production of machines and robots for manufacturing and packaging for the beverage industry. The company produces systems for cleaning, filling, marking, sorting and packing plastic and glass containers.

Investment case

1 Stable and consolidated market...

- Krones have market shares of 30-40% in developed countries in markets that grow in line with GDP

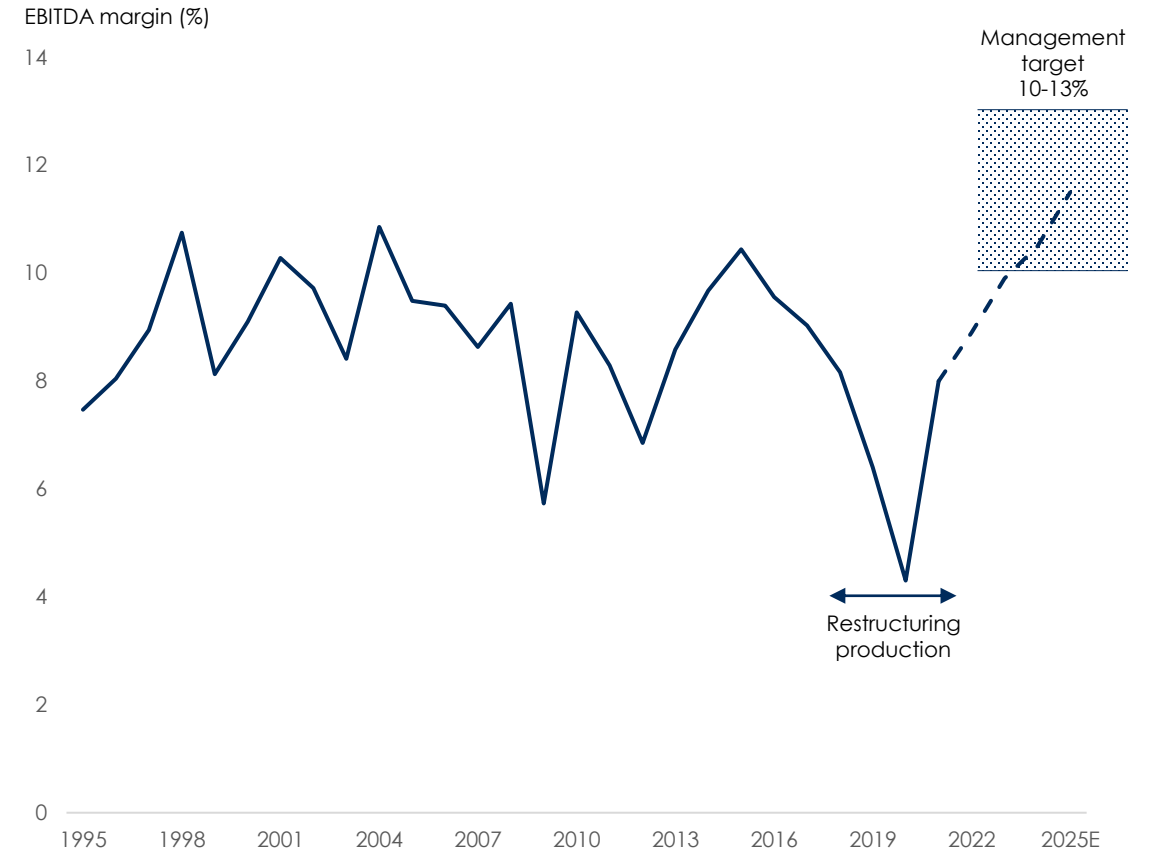
2 ... with growth potential in emerging markets...

- The company has increased its market shares in emerging markets from a low base over the past ten years and there continues to be a large potential

3 ... and cyclically strong demand

- In Q1 '22 Krones showed a 45% increase in its order intake and expect a 2x than normal growth rate in sales. At the same time, Krones has restructured its production thus expecting EBITDA to grow more than proportional to sales until 2025

Margin expansion from past restructuring



Source: BankInvest, company reports, Bloomberg, 31.05.2022. Profile figures are at time of purchase.

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