



# Portfolio Update + Industry Updates

February 19<sup>th</sup>, 2024



# Weekly Meeting Agenda



## 01

### **Portfolio Update**

The Fund Administration team will be giving a brief update about our portfolio.

## 02

### **Industry Updates: Industry Teams**

Our five industry teams will provide industry updates and re-evaluation of current holdings.



# Portfolio & Macro Update

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**Σ**igma  
Investments

# Fund Facts



Over the last 3 years, Sigma returned an annualized return of 7,15%; outpacing the Euro 600 but lagging the S&P 500



A YTD performance of 4,80%



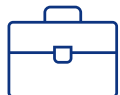
30 holdings



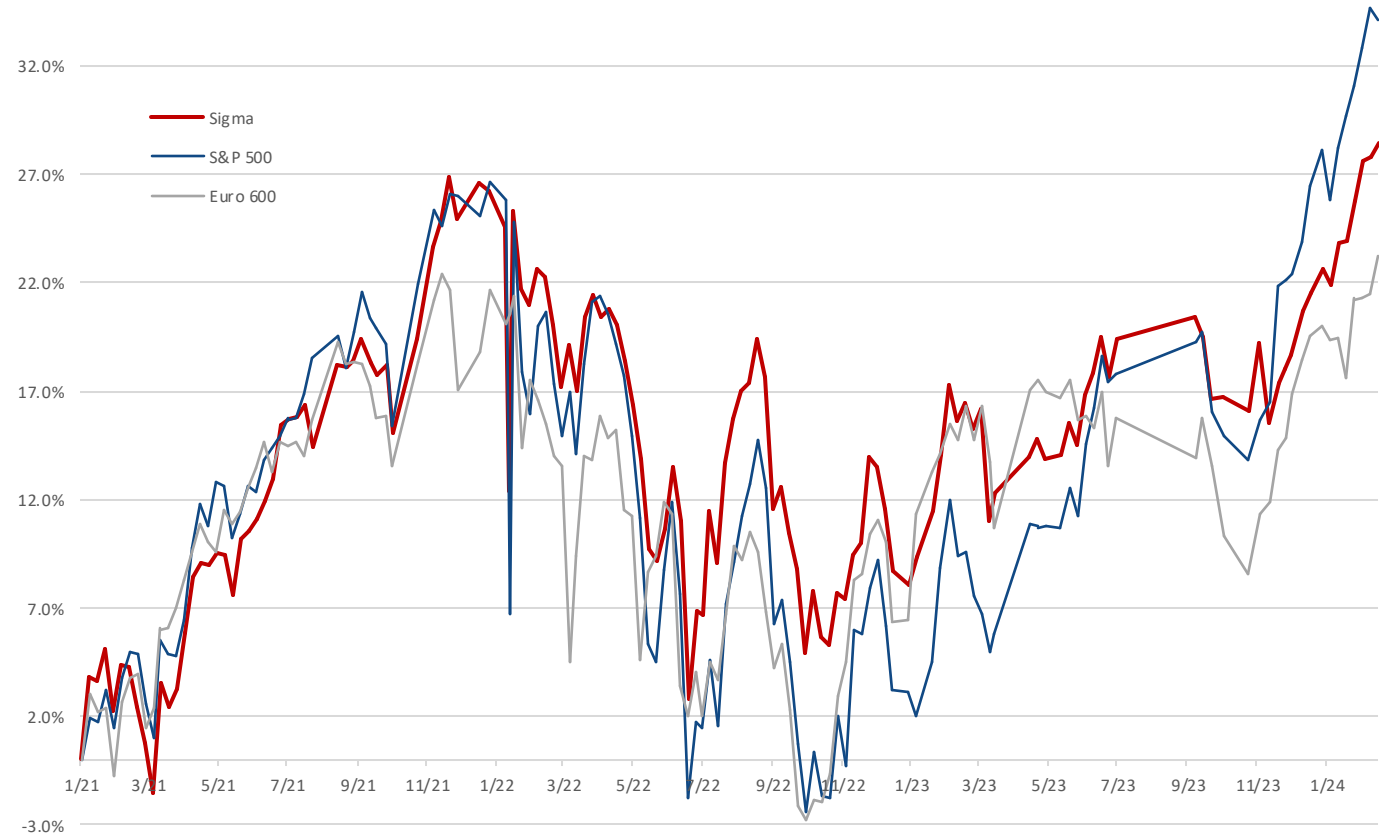
An equity value of €40,683.59



A cash balance of ~ € 2,907.35

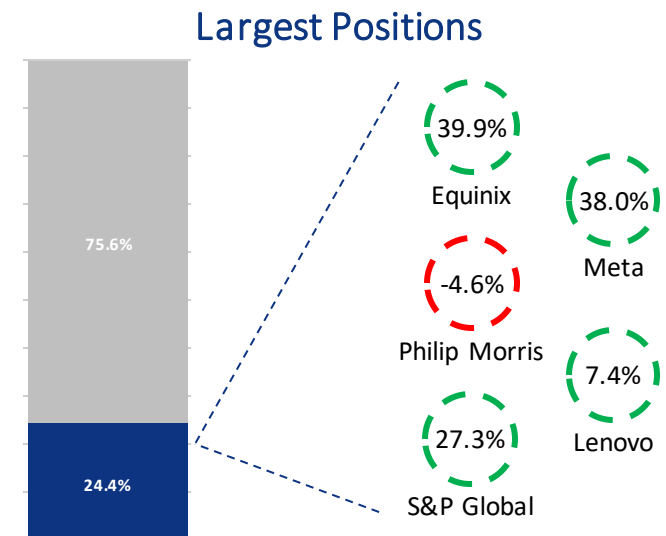
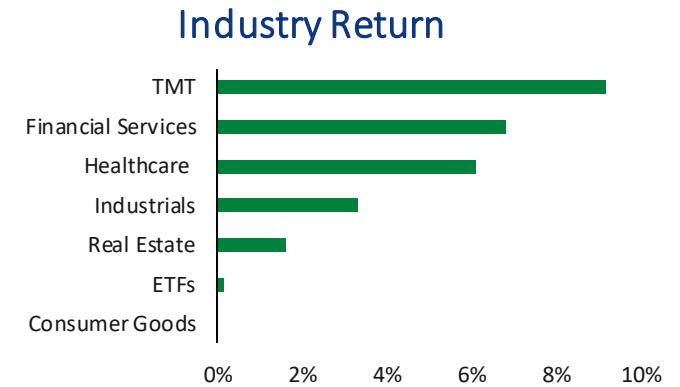
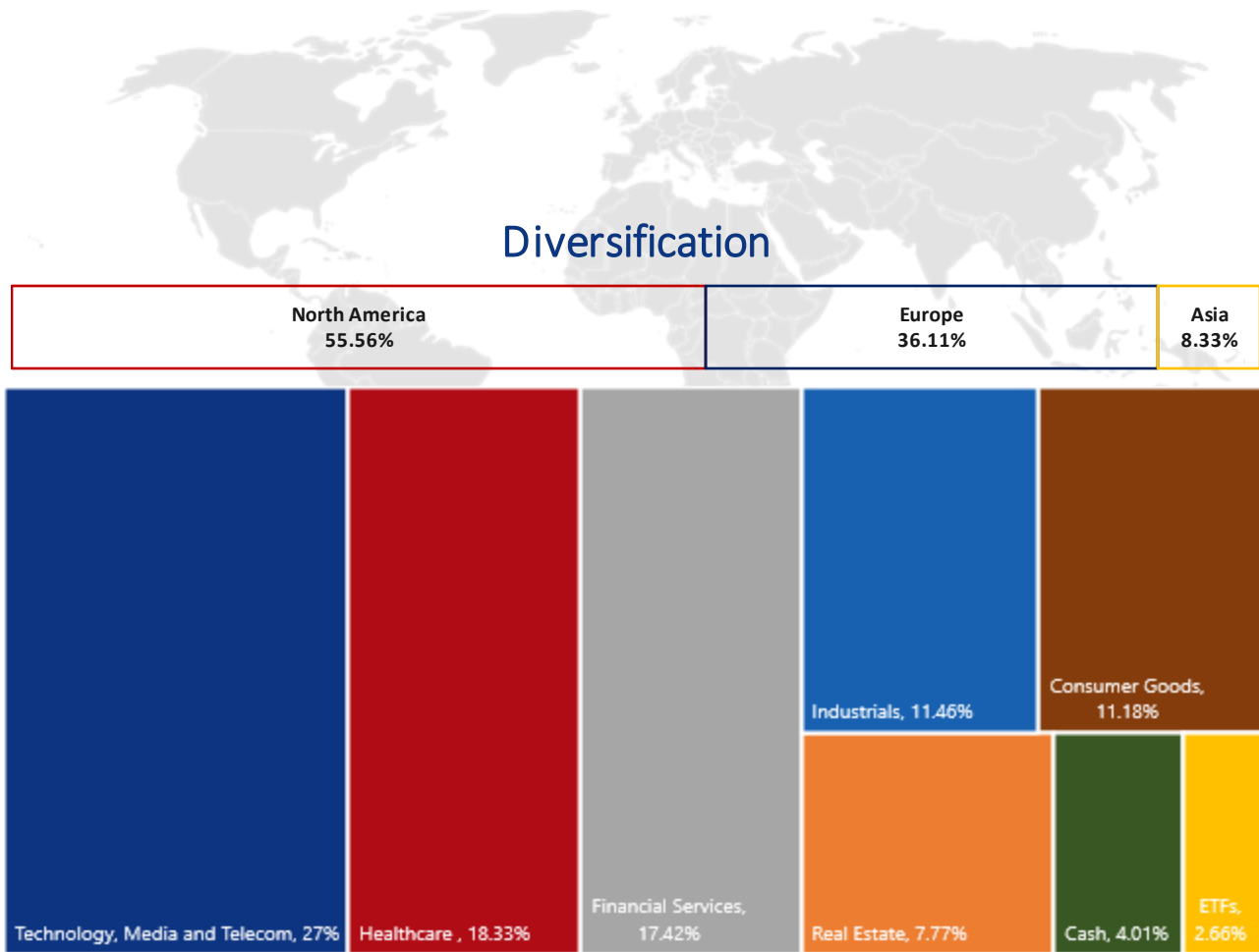


3313.2 shares outstanding at €13.16



# Fund Composition

Well-balanced portfolio has led to strong returns and moderate volatility.

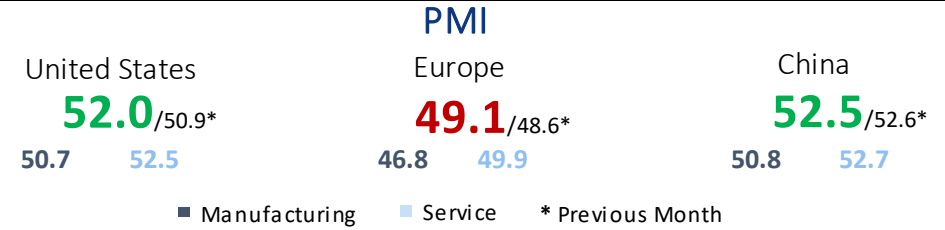


# Macro Outlook

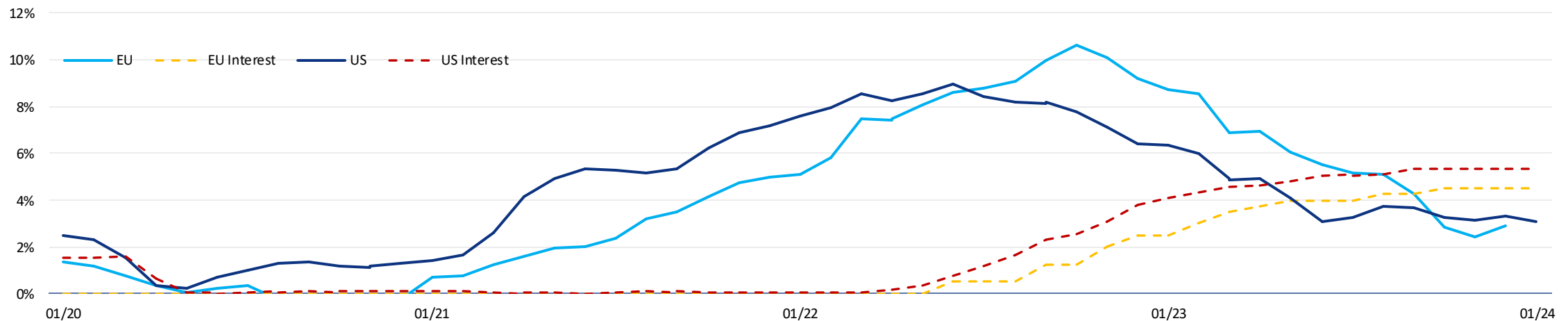


*Fears of recession have faded, but overly-optimistic markets call for caution.*

- 1 Global Economy Beat 2023 Expectations
- 2 Non-Zero Interest Rate Economy
- 3 China – Deflation, Decoupling & Divide
- 4 Increasing Government Debt
- 5 2024 Election Year – US, EU, UK & Russia
- 6 Geopolitical Tensions – Eastern EU & Middle East



## US & EU Inflation Cycle



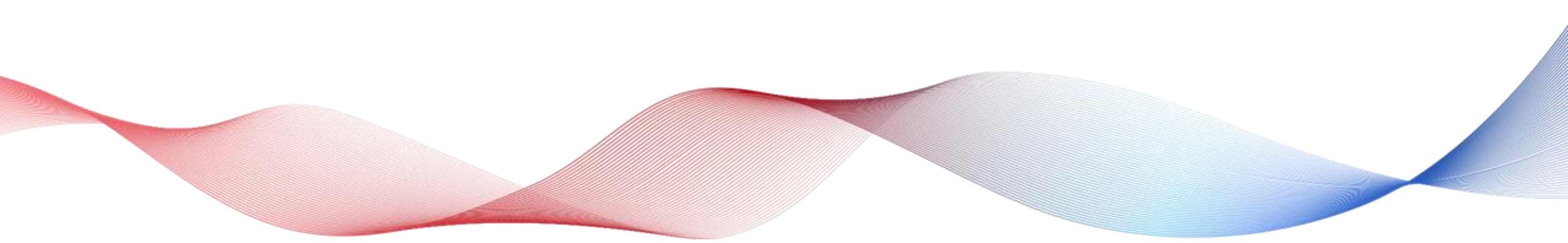




# Industry Updates

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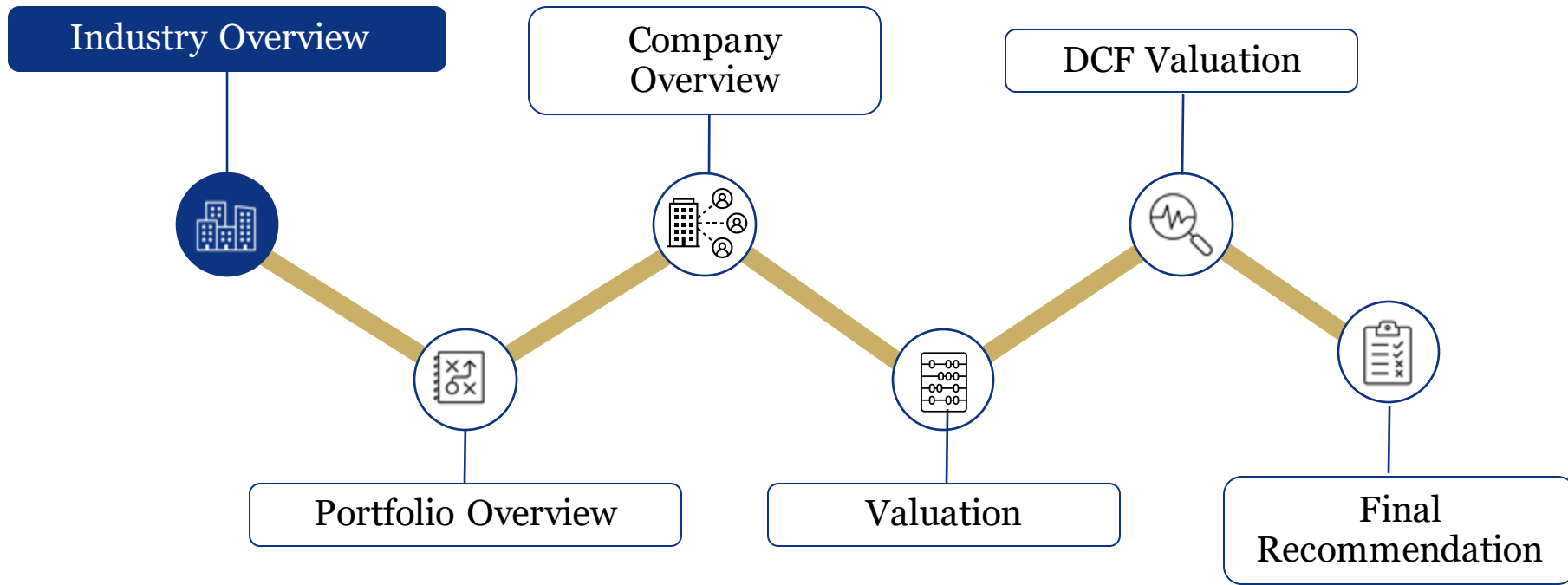


Healthcare

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# Industry Overview



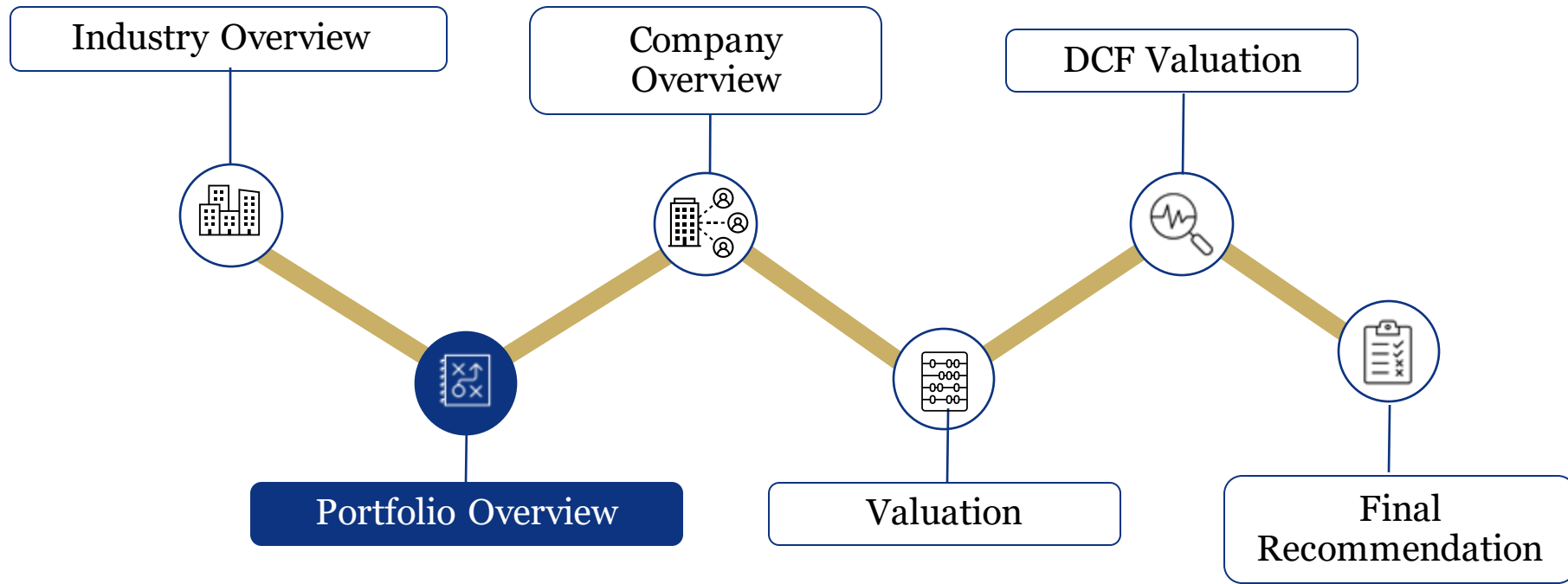
How is the Healthcare industry performing?

## Healthcare shows great potential

- Accelerated improvements by new technologies are expected (mRNA, AI, Telemedicine, Healthcare Analytics, Genomics)
- Optimistic growth rate predicted in the next years (expected CAGR of 9% till 2030)
- Profit margins are expected to grow on average by 4%
- M&A activity is expected to rise substantially in 2024
- Fast growth in Emerging Markets (India primarily)



Index 1 YR return + 6,31%



# Stocks Overview



- Deviation from target price **-67%**
- Monsanto's Glyphosate Scandal
- Hold, see re-valuation



- Deviation from target price **22%**
- Anti-obesity drug "Wegovy"
- Sell partially, it shows promising potential for further growth

**Medtronic**

- Deviation from target price **-35%**
- Hold, below target



UnitedHealth Group®

- Deviation from target price **-10%**
- Hold, below target



- Deviation from target price **-29%**
- Hold, below target



- Deviation from target price **3%**
- Sell, target has been reached

**REGENERON**

- Deviation from target price **8%**
- Sell, target has been reached



- Deviation from target price **-8%**
- Hold, below target

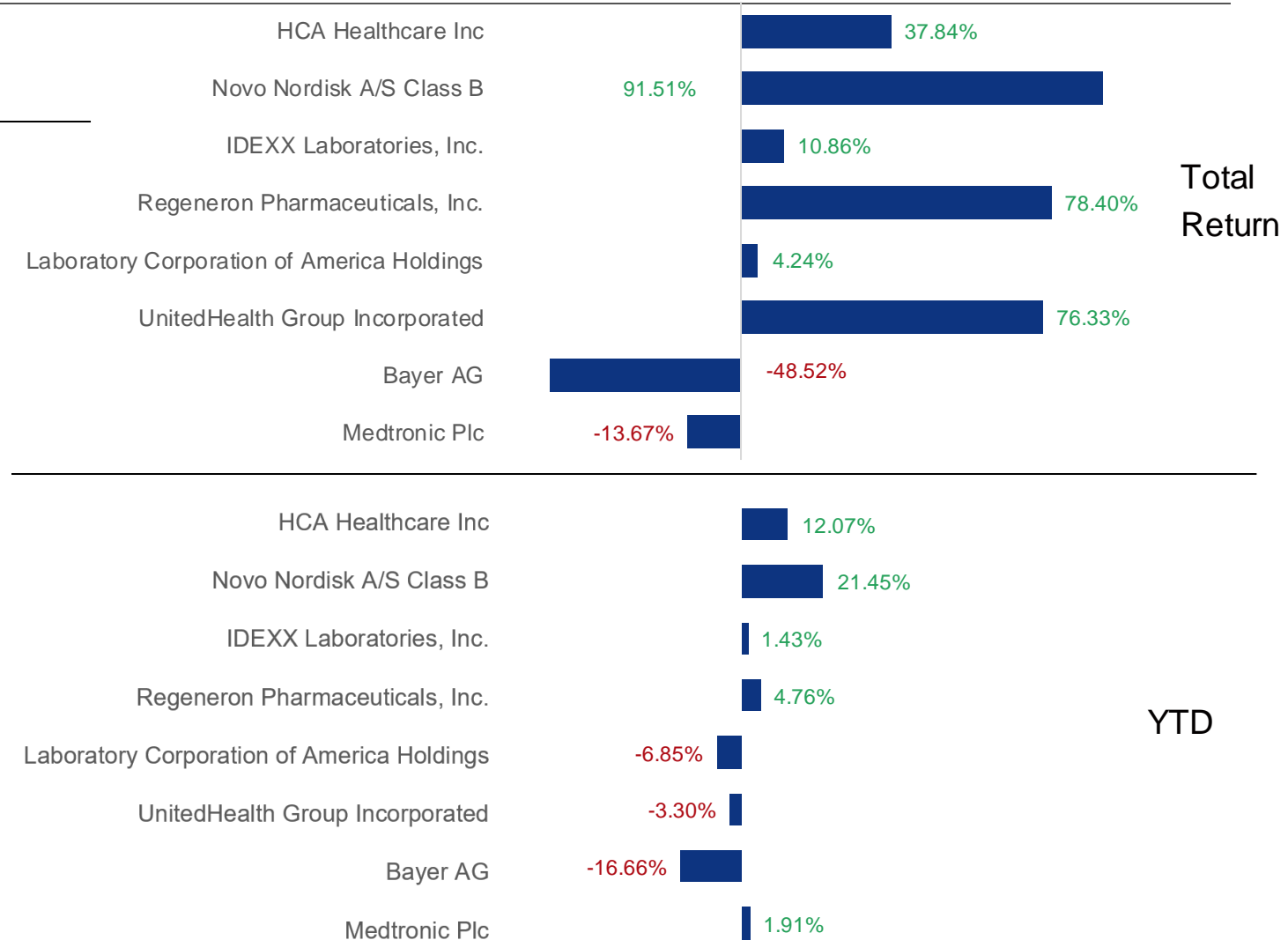
# Portfolio Overview

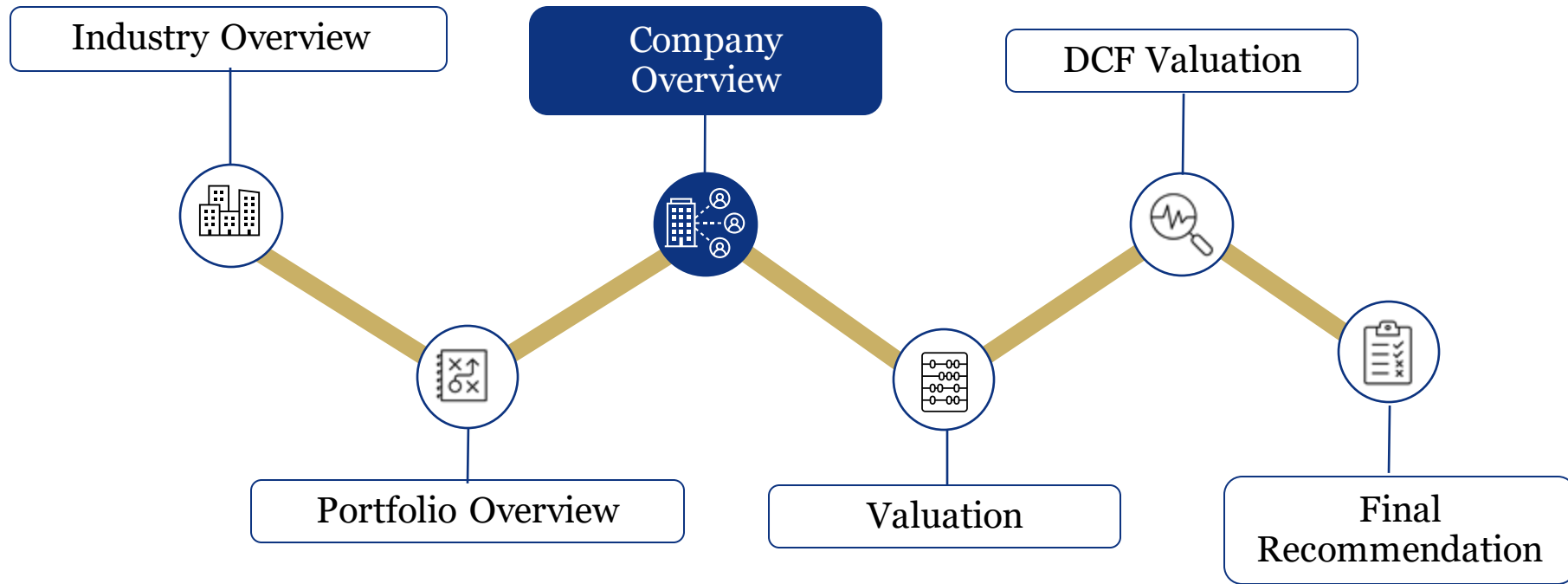


Healthcare portfolio return weighted by fund's portfolio position size

**0,75% Gain YTD – 6,12% Gain Overall**

- Overall positive trend but partially offset by individual underperformances
- Bayer AG** and **Medtronic Plc** have shown major underperformance
- Novo Nordisk A/S Class B** has been the main driver of gains
- Most recent addition, **Bayer AG** has lost -48,52%









**Bayer AG  
Re-evaluation**



# Company Overview



Bayer: Driving innovation to enhance health and well-being globally

## Profile of Bayer AG

- Bayer AG functions as a **global life science** company, operating across the **Pharmaceuticals, Consumer Health, and Crop Science** sectors on a worldwide scale
- Despite the **controversy** surrounding **Monsanto's Glyphosate Scandal**, the market sentiment suggests that the stock is presently **undervalued**, with a broker consensus of **\$48.43** per share.
- Nevertheless, despite the promising outlook, some **concerns** persist, particularly regarding **rising leverage** and **credit costs**.

## News

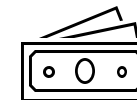
- **Fewer managers** wanted: **restructuring of the new CEO** in full swing.
- **11/2023: another defeat** in the **Glyphosate litigation** in the USA and **serious setback** as a result of the drug's hopeful **Asundexian's** ineffectiveness in research
- **06/2023: new CEO Bill Anderson**



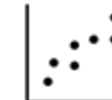
— Price — Previous Target Price



Market Cap  
\$ 29.510B



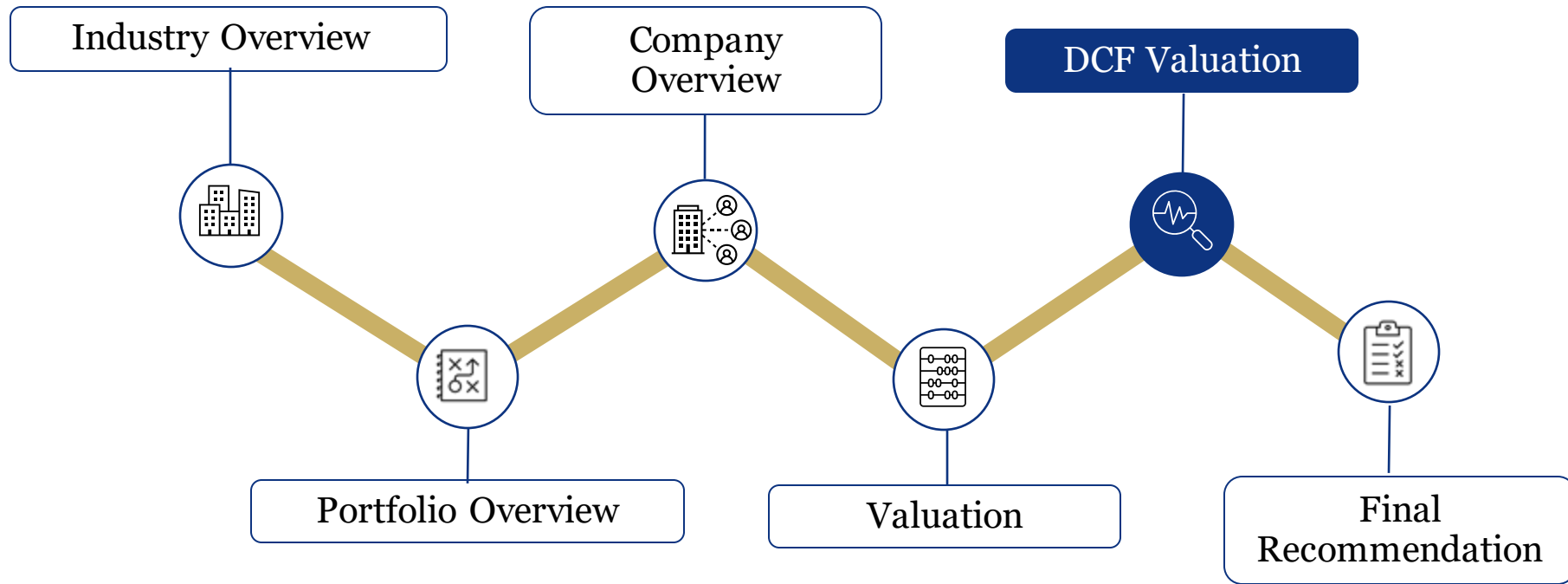
EV/EBIT  
10,20



52 Week Beta  
0.895



Current Ratio  
1.06



# Free Cash Flow Projection



Drop in glyphosate-based product sales volume justifies Revenue contraction, EBIT growth justified by cost-efficiency measures

| DCF                 |              | 2020            | 2021            | 2022           | 2023            | 2024            | 2025          | 2026           | 2027           |
|---------------------|--------------|-----------------|-----------------|----------------|-----------------|-----------------|---------------|----------------|----------------|
| Revenue<br>% growth | Conservative |                 |                 |                |                 | 50.193<br>-1,5% | 49.691<br>-1% | 50.188<br>1%   | 51.443<br>3%   |
|                     | Base         | 47.195<br>-3,2% | 52.103<br>10,4% | 53.325<br>2,3% | 50.958<br>-4,4% | 51.307<br>0,7%  | 52.309<br>2%  | 54.663<br>4,5% | 57.396<br>5%   |
|                     | Optimistic   |                 |                 |                |                 | 52.741<br>3,5%  | 55.906<br>6%  | 59.819<br>7%   | 63.109<br>5,5% |

|                    |              |             |              |                |                |                |                |                |                |
|--------------------|--------------|-------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EBIT<br>% of sales | Conservative |             |              |                |                | 7.886<br>15,7% | 8.191<br>16,5% | 7.868<br>15,7% | 8.065<br>15,7% |
|                    | Base         | 14<br>0,08% | 9.373<br>18% | 8.659<br>16,2% | 7.236<br>14,2% | 8.318<br>16,2% | 8.884<br>17%   | 8.843<br>16,2% | 9.285<br>16,2% |
|                    | Optimistic   |             |              |                |                | 8.702<br>16,5% | 9.504<br>17%   | 10.169<br>17%  | 10.729<br>17%  |

\*All figures in millions of USD

# Share Price



## Summary

| DCF                 | Conservative | Base    | Optimistic |
|---------------------|--------------|---------|------------|
| WACC                | 6,2%         | 5,9%    | 5,8%       |
| TGR                 | 1,7%         | 1,8%    | 2%         |
| Implied share price | \$12,24      | \$40,31 | \$81,75    |

## Model Assumptions

- TGR represents the 10YR US GDP growth rate
- Conservative WACC variation reflects a potential upsurge in the cost of debt
- Recovery of the *Crop-Science Department* is the main motivator of Revenue Growth in the Optimistic Case

**Current share price**

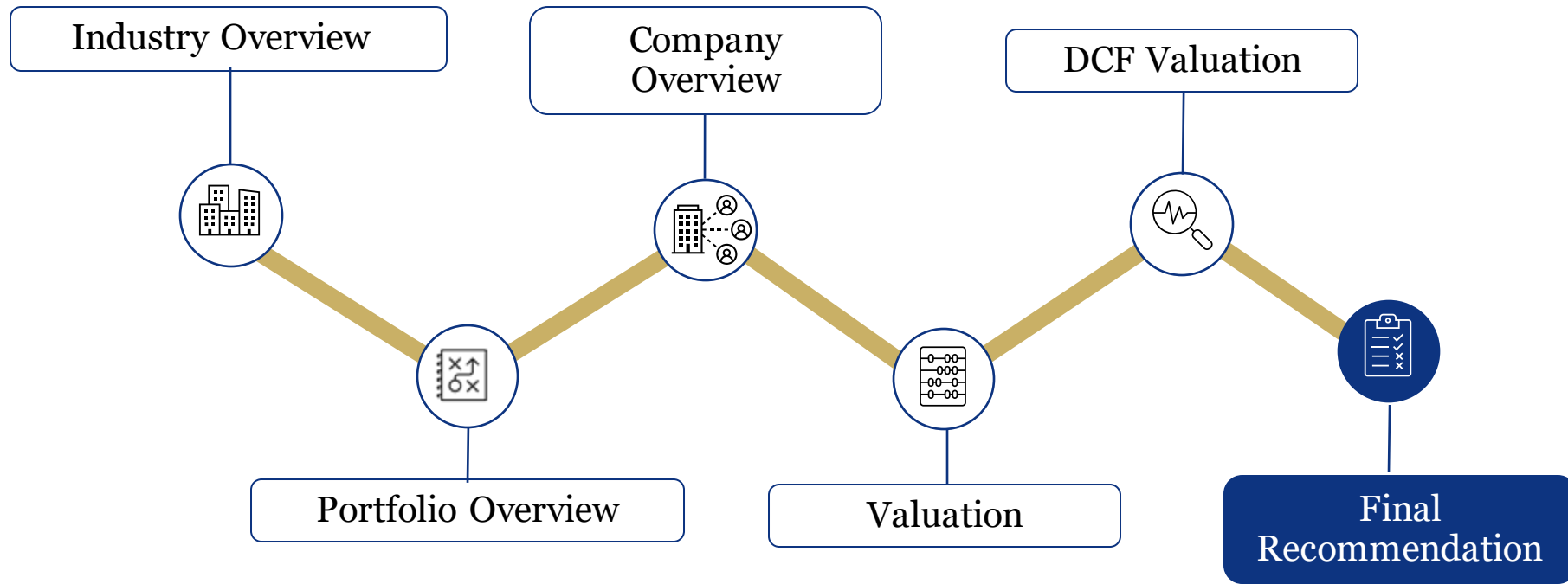
**\$28.62**

**Current target price**

**\$85.00**

**Implied upside**

**41%**





# Final Recommendation



Hold with the intention to replace with higher quality company in the future

## Summary

### Business Outlook

- **Uncertainty** regarding the **development** of future cash-cow drugs
- **Lower prices** and **sales volumes** for glyphosate-based products affect **Crop Science's** division revenue growth

### Risks

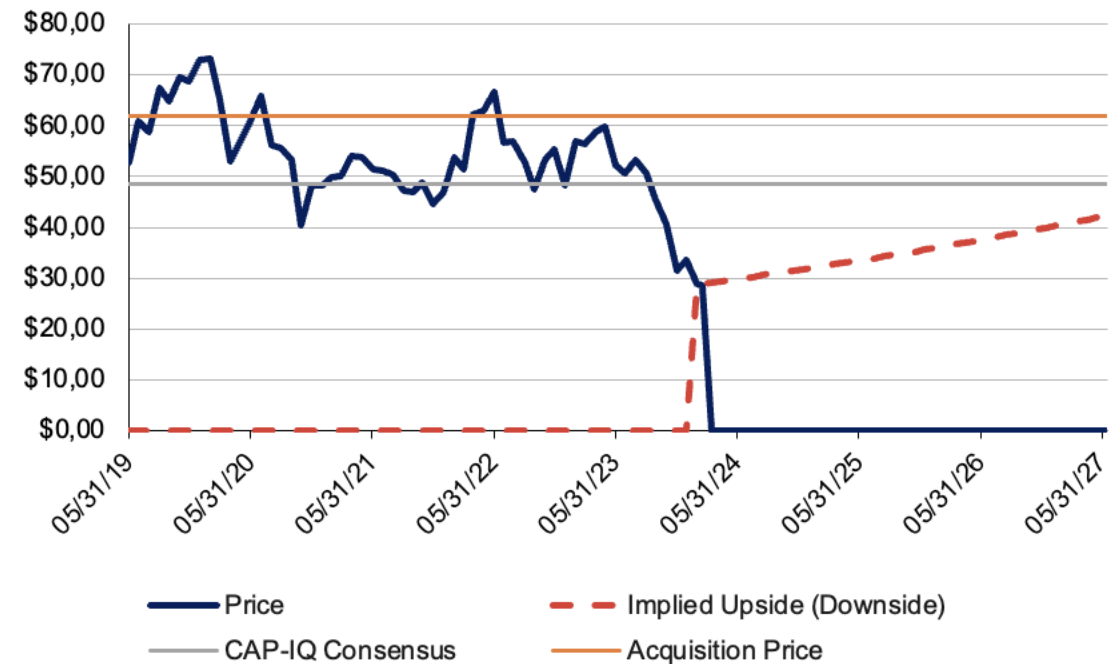
- **Rising leverage** and **credit cost** in the short to medium-run
- Settlement regarding **Monsanto's lawsuit** threaten profitability and cash-flows

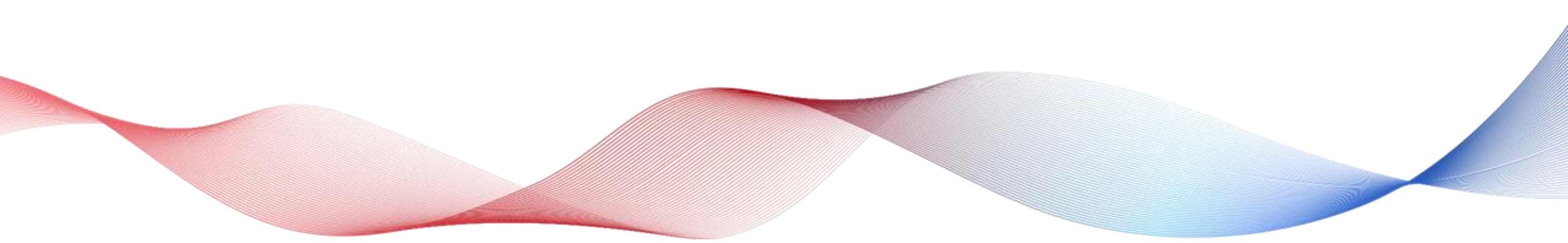
## Final Recommendation:

We recommend to **Hold**, however Shareholders should consider:

- **Buy:** Decrease average buy-in price
- **Hold:** Market consensus **\$48,43**, valuation indicates positive return in the long run
- **Sell:** Frees up cash to be more efficiently allocated elsewhere

## Price Forecast

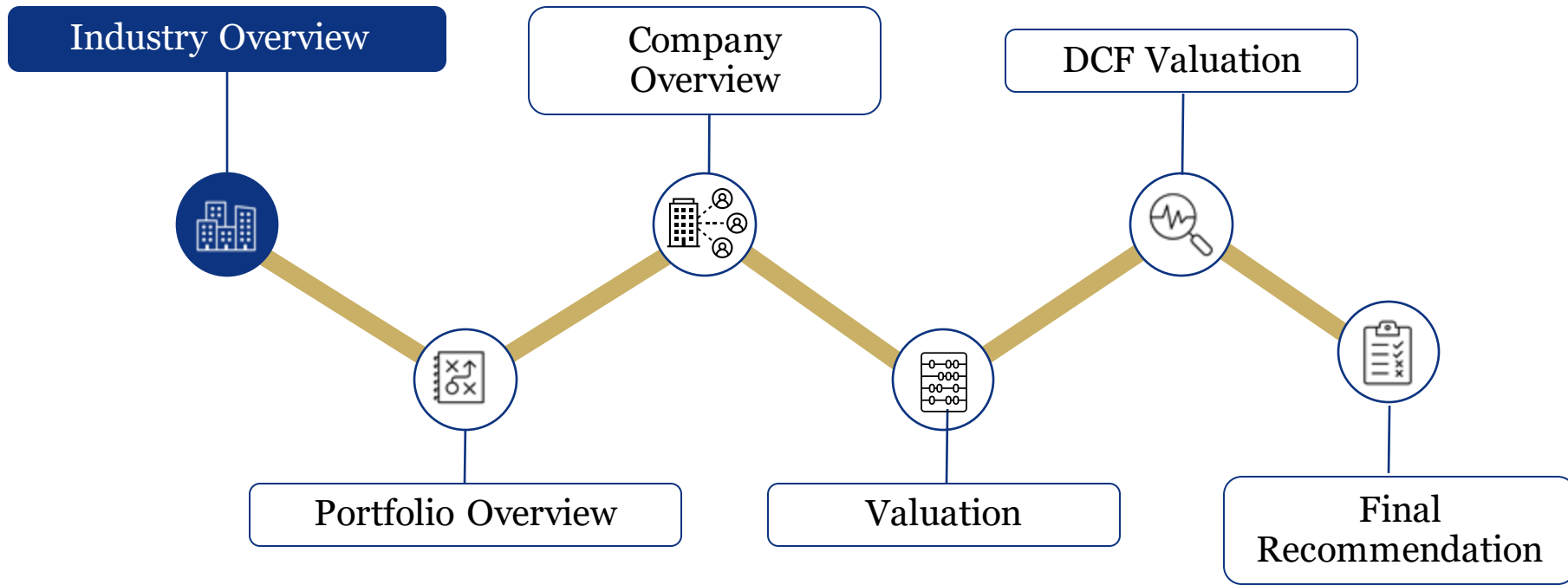




## Financial Services & Real Estate

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**Σ**igma  
Investments



# Industry Overview

Financial Services



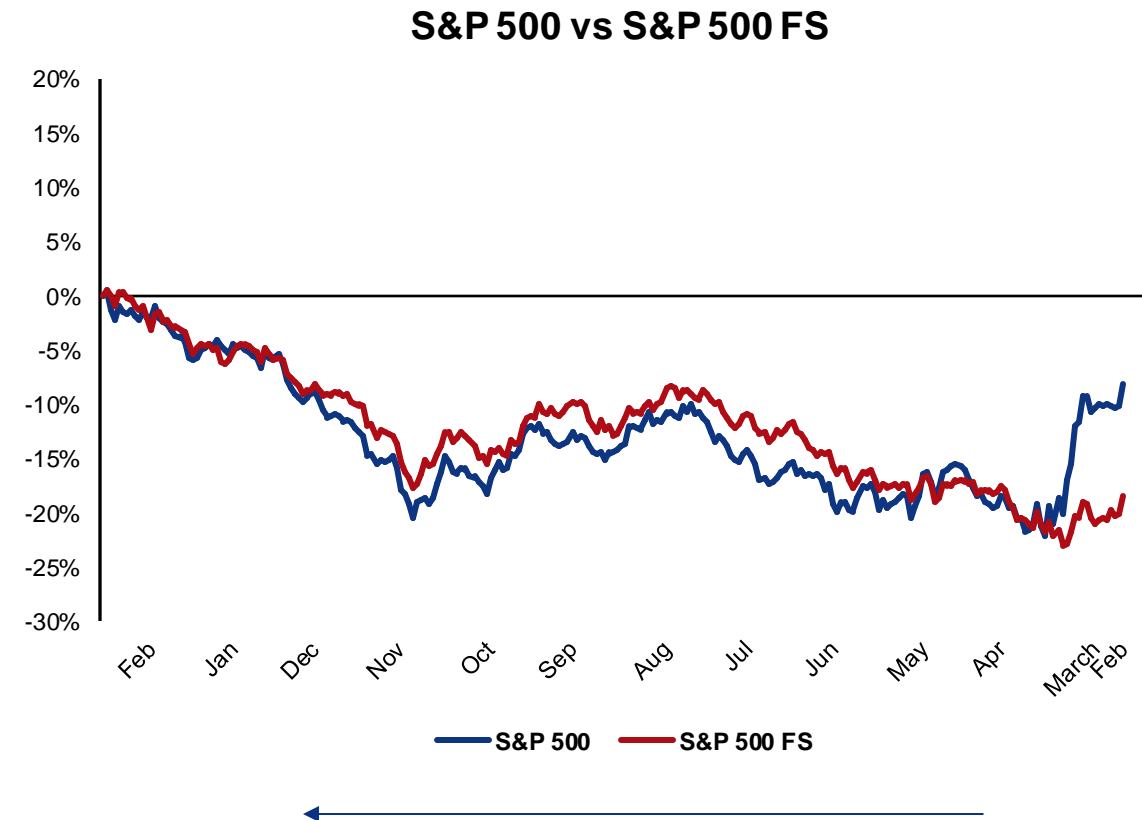
## Market

- Technological turbulence: Generative AI, Fraud and Cyber risk.
- Evolution of customer behavior towards cashless.
- Key priority of ESG outcome for investors (Greenwashing).
- Rise of crypto-assets regulation: EU, US & UK
- Adjustments to bank solvency due to 2023 bank failures (SVB, CS, FR)

## Our Exposures and Strategies:

- **Exposure:** Technological & Regulatory disruptions, Interest rates
- **Strategy:** **HOLD** strong market performers during the upcoming expansion
- **Sell:** Divest/Close out positions which have reached a fair value and re-invest in undervalued firms

## S&P 500 vs S&P FS



# Industry Overview



Real Estate

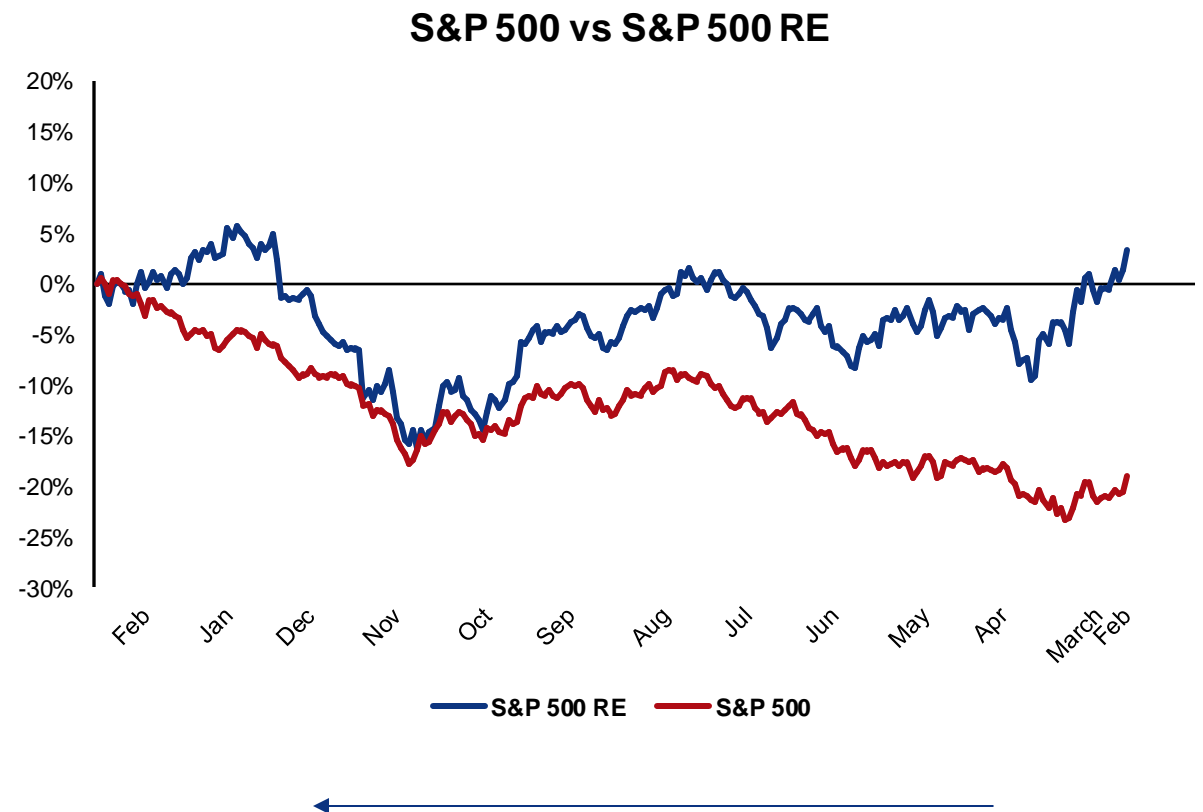
## Key Points

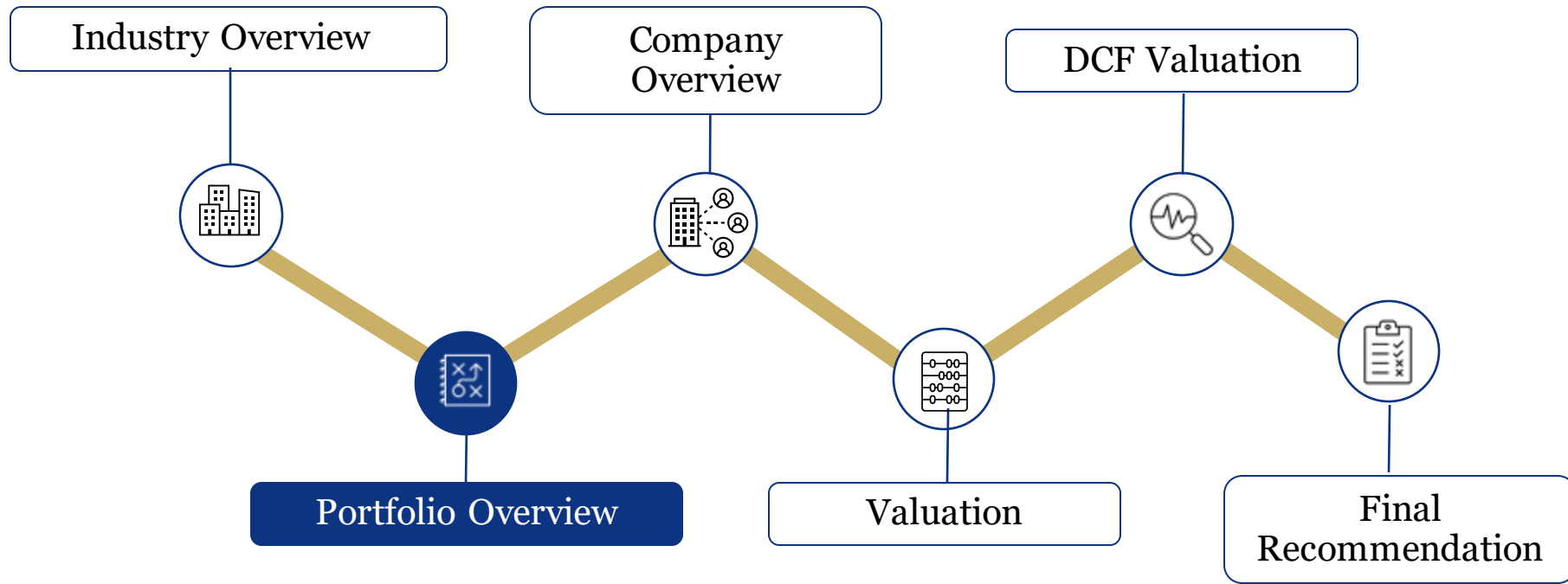
- Interest rate uncertainty and the rise of inflation caused a decline in investments
- The ECB and Moody's raised «significant concern over the stability of the European commercial real estate ». Nov 2023
- Prices need to be readjusted according to current market conditions
- 2024 is projected to be a weak growth year, but stronger than 2023
- Market leaders are now looking for stronger ESG agendas

## Our Exposures and Strategies:

- **Exposure:** Inflation and Interest rates
- **Strategy:** Revalue the current stock and keep the exposure in the RE sector.
- **Sell:** No selling should be involved but rather a revaluation and increase in diversity in our portfolio

## S&P 500 vs S&P 500 RE







# News Overview Financial Services



- Total return: **64,78%**
- Last meeting change: **-0,89%**
- Placement of subordinated bonds with total principle of 1bn \$
- **Buy**



- Total return: **52,89%**
- Last meeting change: **3,77%**
- KKR acquires a stake in healthcare technology company Cotiviti
- **Buy**



- Total return: **25,63%**
- Last meeting change: **1,96%**
- Radical changes in portfolio: Sells 10mn Apple shares (nearly 2bn)
- **Buy**



- Total return: **15,40%**
- Last meeting change: **0,45%**
- Report reveals unexpectedly strong financials with revenue of 5.6bn
- **Hold**



- Total return: **31,72%**
- Last meeting change: **2,24%**
- **Buy**



- Total return: **32,10%**
- Last meeting change: **-2,09%**
- TUI will leave LSE in favour of FSE
- **Buy**

# News Overview Real Estate



EQUINIX

- Total return: **35,89%**
- Last meeting change: **4,59%**
- Quarterly cash dividend of \$4.26 on common stock
- **Buy**



- Total return: **-16,22%**
- Last meeting change: **-1,70%**
- Completion of 10 projects in Q4 2023
- Investment into 6 new care residences in the Netherlands
- **Hold**

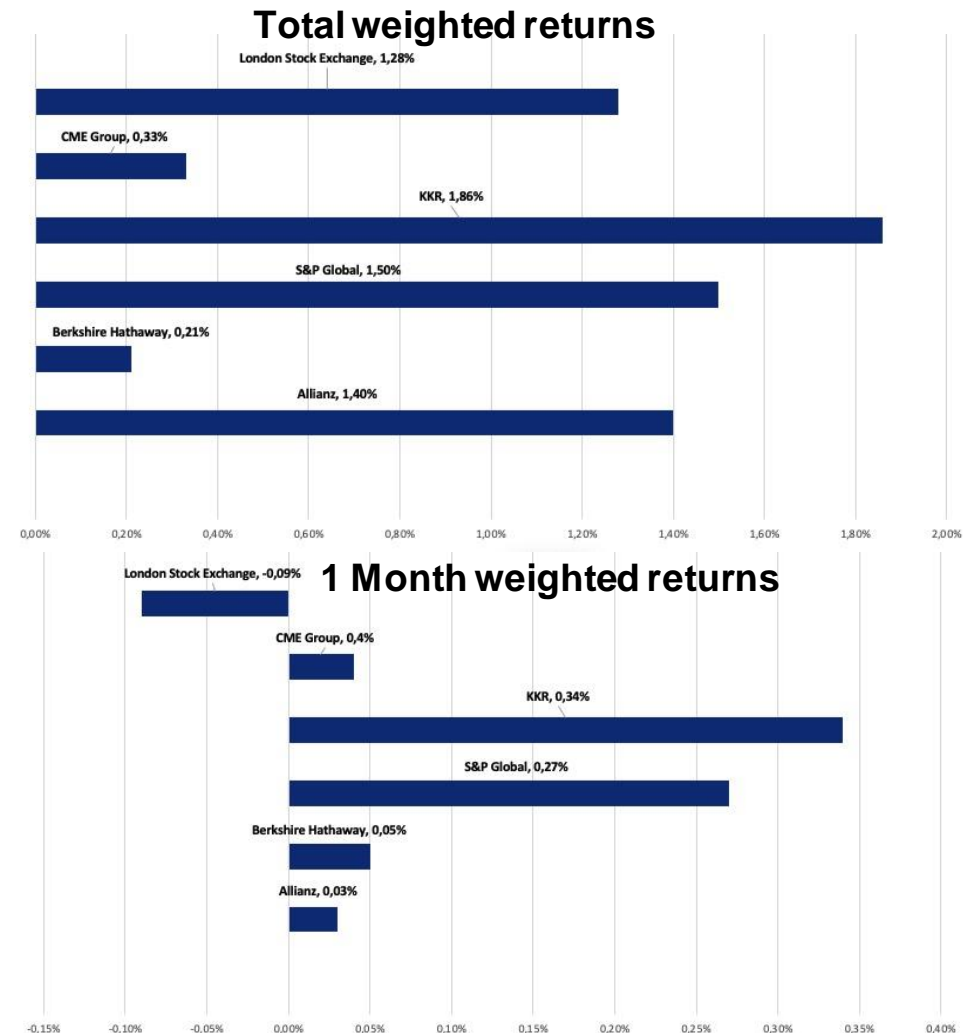
# Portfolio Overview Financial Services



With returns weighted by portfolio position size

Total: 6,4% 1 Month: 0,64%

- Only positive performances in the financial sector
- Spread of returns indicate well managed diversification within the sector
- S&P Global and KKR with highest returns



# Portfolio Overview Real Estate

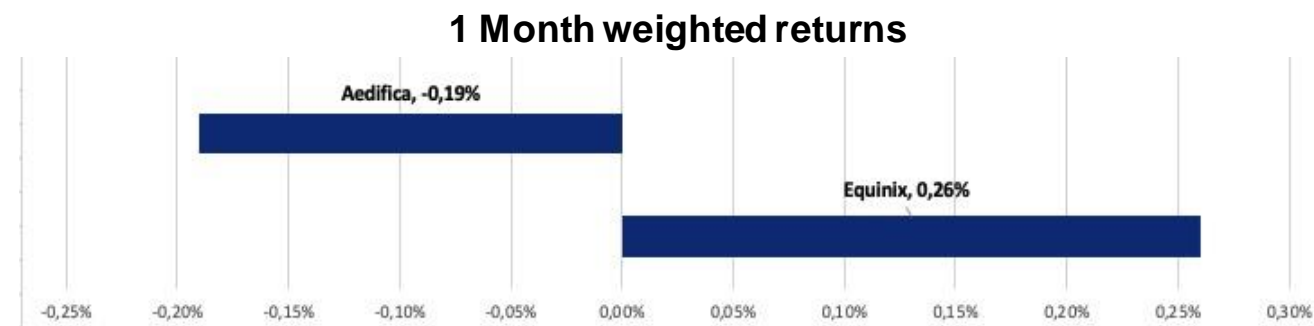
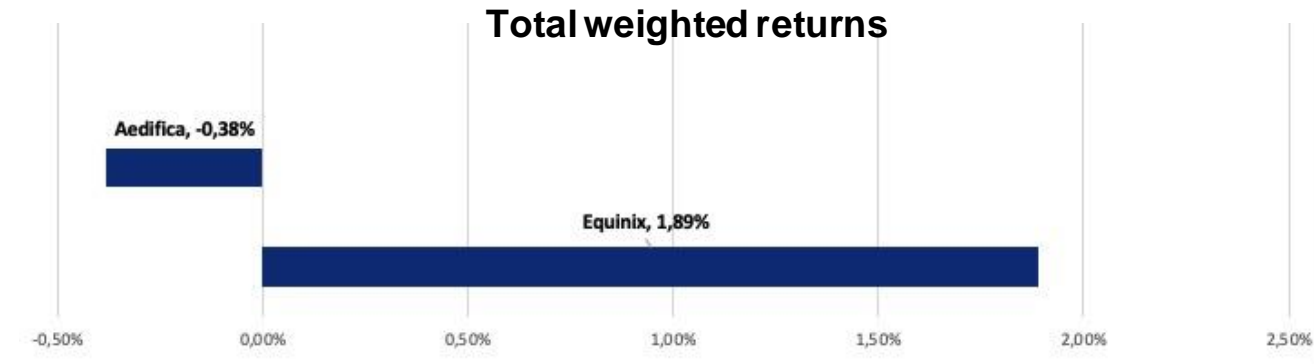


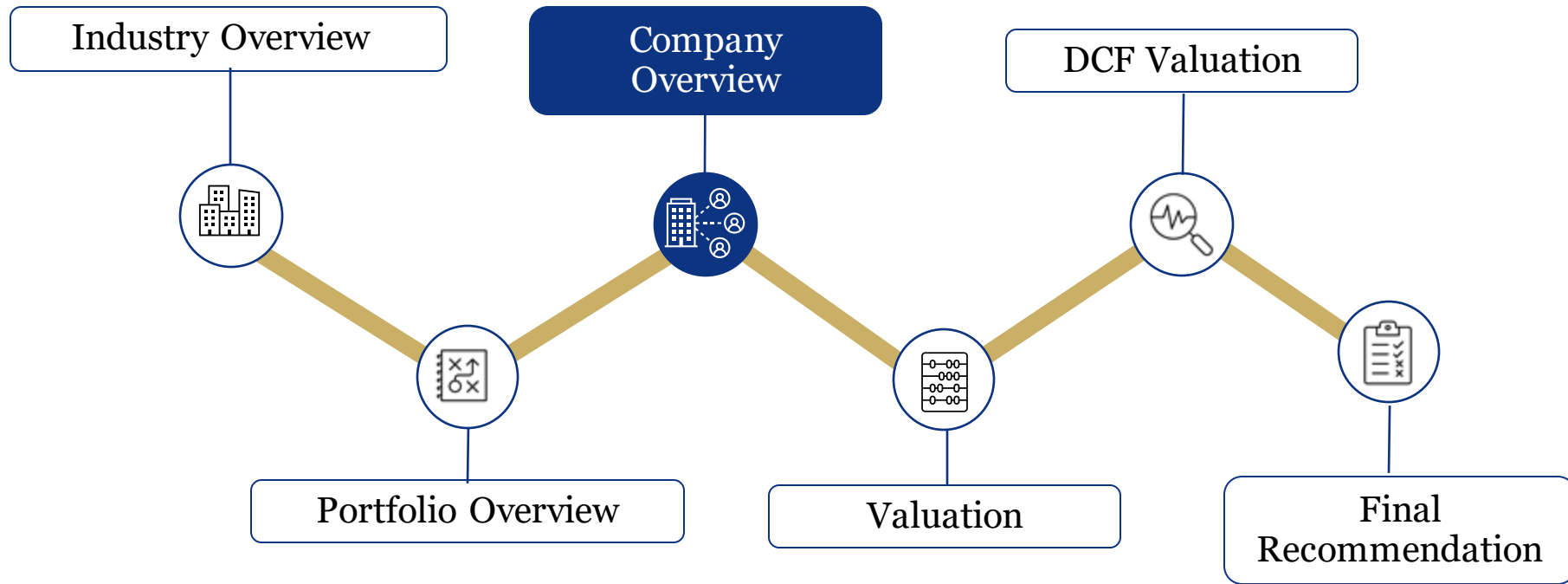
With returns weighted by portfolio position size

Total: 1,51% 1 Month: 0,07%

- Equinix has demonstrated strong performance in the long term while also sustaining positive growth in the short term

- Continuous negative trend for Aedifica
- Low real estate exposure





aedifica

The logo for 'aedifica' features the word in a dark blue, lowercase, sans-serif font. To the right of the text is a graphic composed of three overlapping, stylized rectangular shapes. The top shape is dark blue, the middle one is red, and the bottom one is also red. These shapes are arranged in a way that they appear to be stacked or overlapping, with the top one being the largest and the bottom one being the smallest.

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**Σigma**  
Investments



# Company Overview



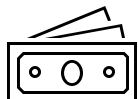
“Housing with care”

## Profile of Aedifica

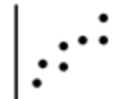
- Real Estate development, acquisitions, maintenance
- Elderly healthcare (i.e., nursing homes, senior housing, etc.) and child day-care centers
- Primarily in Belgium, Germany, UK, Finland and Netherlands
- Leading investor in Dutch healthcare Real Estate
- Buy-in Price: € 70.90 | Current Price: € 55.90



Market Cap  
\$ 2.67 B



P/E Ratio  
56.59

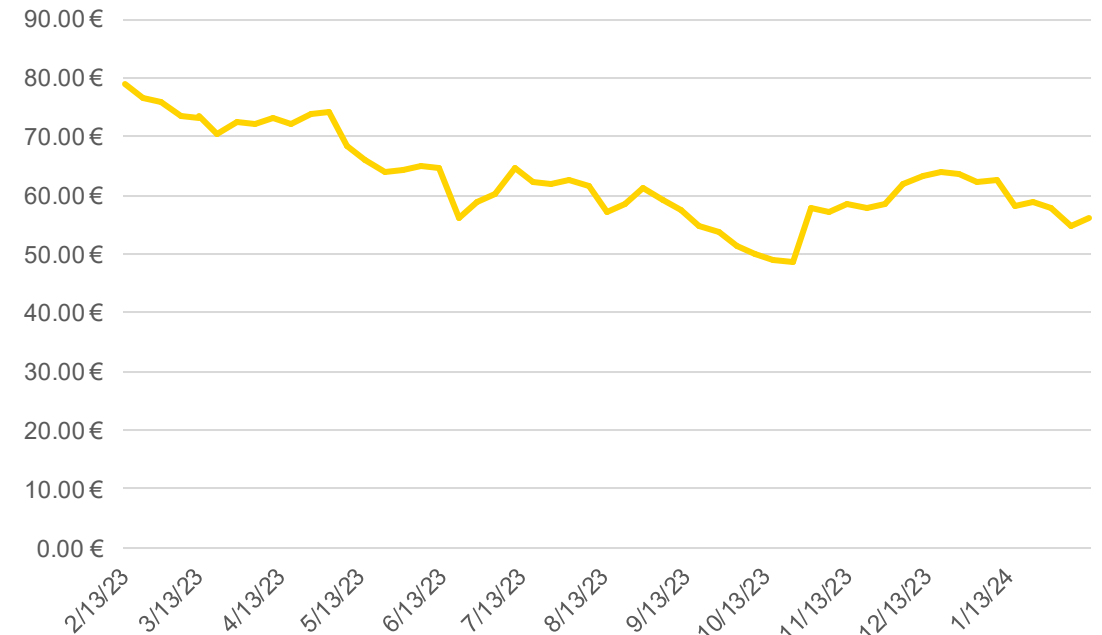


52 Week Beta  
0.81



Current Ratio  
0.36

## Share Price Development



Source: Yahoo Finance



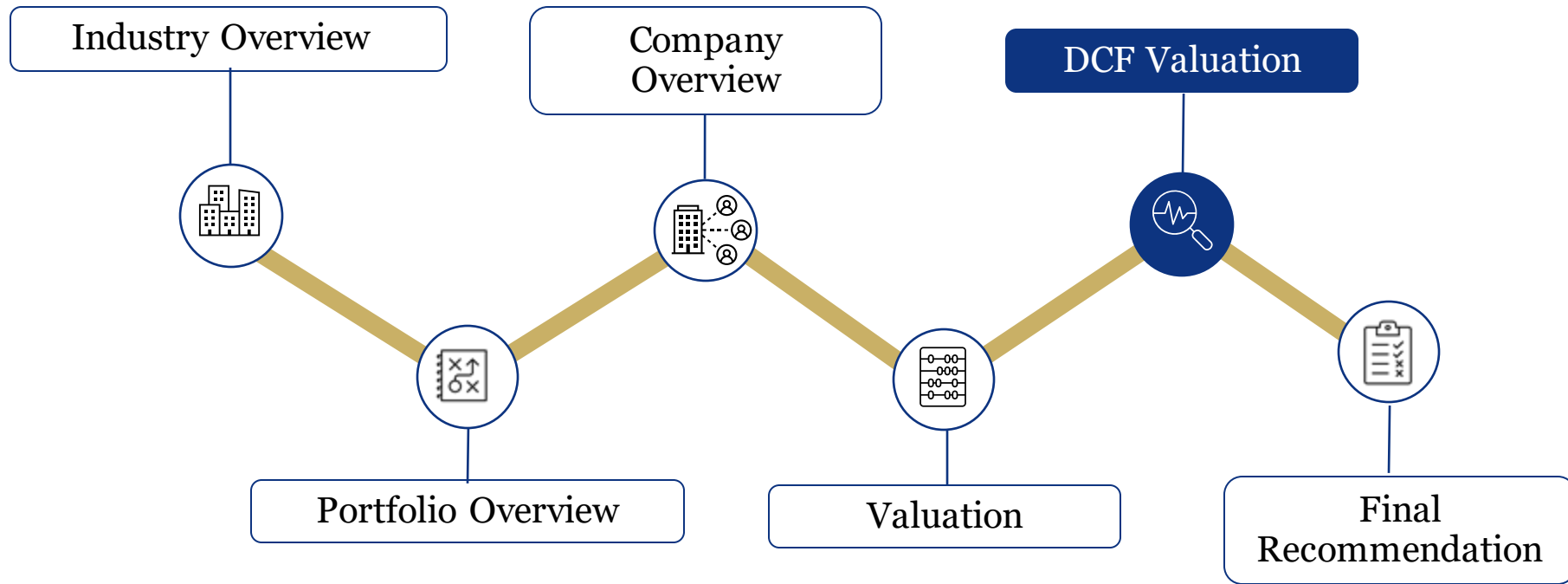
## Expansion into the

### Netherlands

- Investments into 6 new care residences to further increase European market share

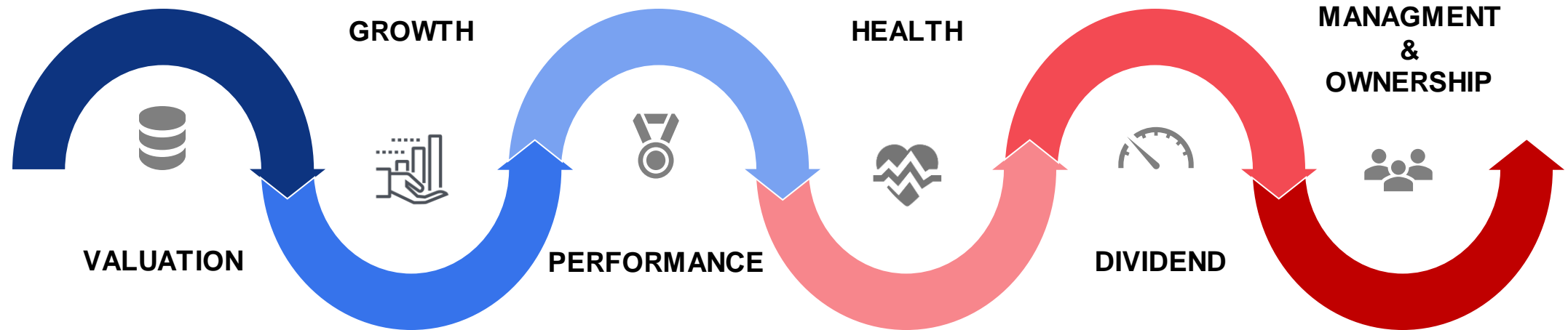
### Completion of Projects

- Aedifica completed 10 projects in Q4 2023 reflecting their expansion strategy also in uncertain



# Analysis

## Valuation Approach



# Valuation & Growth



## Major assumptions of the model

*in millions, fiscal year ending December 31*

| 1) Year                | Historical period |       |       |       |       | Projection period |      |      |      |      |     |
|------------------------|-------------------|-------|-------|-------|-------|-------------------|------|------|------|------|-----|
|                        | 2018              | 2019  | 2020  | 2021  | 2022  | 2023              | 2024 | 2025 | 2026 | 2027 |     |
| <b>Revenue</b>         | 94                | 121   | 191   | 238   | 277   | 305               | 330  | 356  | 377  | 400  |     |
| <i>Growth rate (%)</i> | n/a               | 28,6% | 57,6% | 24,4% | 16,7% | 10%               | 8%   | 8%   | 6%   | 6%   | 32% |

1) Healthcare Real Estate growth prediction estimated at 15% for the next three years (BNB Paribas, 2023), however we see a more realistic approach

|  |      |      |      |      |      |      |      |      |      |      |     |
|--|------|------|------|------|------|------|------|------|------|------|-----|
| <b>EBIT</b>                                | 77   | 97   | 152  | 193  | 230  | 271  | 293  | 316  | 335  | 355  |     |
| <i>EBIT margin (%)</i>                     | 82%  | 80%  | 79%  | 81%  | 83%  | 89%  | 89%  | 89%  | 89%  | 89%  |     |
| 2) Interest Expense                        | (10) | (13) | (21) | (23) | (30) | (31) | (30) | (28) | (30) | (32) |     |
| <i>Interest % of revenue</i>               | 11%  | 11%  | 11%  | 10%  | 11%  | 10%  | 9%   | 8%   | 8%   | 8%   | 11% |
| 3) Other Income (Expense)                  | (2)  | (7)  | 1    | (4)  | (18) | (10) | (11) | (12) | (13) | (14) |     |
| <i>Other Income (Expense) % of revenue</i> | 2%   | 6%   | 1%   | 2%   | 7%   | 3%   | 3%   | 3%   | 3%   | 3%   | 3%  |
| <b>Pretax income</b>                       | 65   | 76   | 132  | 166  | 181  | 230  | 252  | 275  | 292  | 309  |     |
| <i>Pre-tax margin (%)</i>                  | 69%  | 63%  | 69%  | 70%  | 65%  | 75%  | 76%  | 77%  | 77%  | 77%  |     |

2) Strong reasons to believe that interest rate's will start to fall due to ECB cuts keeping expense low

3) Recessionn 2019 & 2022 caused an anomaly in expense but a 3% rate should be justified



# Valuation & Dividend

## Historical Data Dividend Growth

### Historical Dividend Growth

| Year                      | 2014 | 2015  | 2016  | 2017  | 2018   | 2019   | 2020  | 2021   | 2022  | Average |
|---------------------------|------|-------|-------|-------|--------|--------|-------|--------|-------|---------|
| Dividend per share        | 2,00 | 1,50  | 2,10  | 2,25  | 2,50   | 2,80   | 3,07  | 3,40   | 3,70  | 2,64    |
| Year-on-year Growth       |      | 5,26% | 5,00% | 7,14% | 11,11% | 12,00% | 9,64% | 10,75% | 8,82% | 8,72%   |
| Dividend Payout Ratio (%) | 60%  | 69%   | 52%   | 74%   | 77%    | 42%    | 45%   | 49%    | 52%   | 57,71%  |

### Dividend Growth Rates

|                   | Growth Rate | Weight |
|-------------------|-------------|--------|
| Historical Growth | 9,0%        | 40%    |
| Projected Growth  | 4,6%        | 60%    |
| Weighted Average  | 6,38%       |        |

|                            |        |
|----------------------------|--------|
| Stable Period Payout Ratio | 58,00% |
| Stable Period ROE          | 9,30%  |
| Stable Period Growth Rate  | 3,91%  |

### Adjustments

Payout Ratio: Looking to stabilize along the industry average of 50% (theoretically 90%) as the company matures

Weighted Average Growth Rate: Could be underestimated as the cost of borrowing will be cheaper, new project might create unprecedented growth

Risk Free Rate: Looking to lower with upcoming ECB changes

### Dividend Discount Model

#### Cost of equity

|                     |        |
|---------------------|--------|
| Risk free rate      | 4,27%  |
| Market risk premium | 5,48%  |
| Levered beta        | 1,20   |
| Size premium        | 0,00%  |
| Cost of Equity      | 10,85% |

**WACC** **6,03%**

| Year               | 2023 | 2024 | 2025 | 2026 | 2027 | Terminal |
|--------------------|------|------|------|------|------|----------|
|                    | 1    | 2    | 3    | 4    | 5    | 5        |
| Projected Dividend | 3,94 | 4,19 | 4,45 | 4,74 | 5,04 | 75,46    |
| PV of Dividend     | 3,71 | 3,72 | 3,74 | 3,75 | 3,76 | 56,31    |

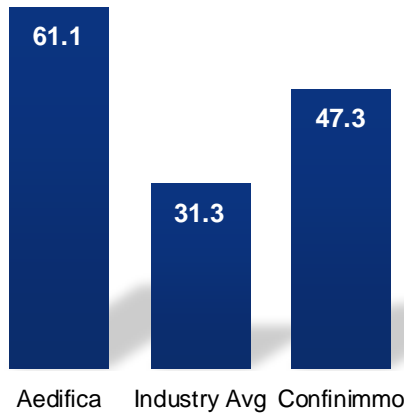
|                     |        |
|---------------------|--------|
| Implied Share Price | 74,99  |
| Current Share Price | 56,07  |
| Implied Upside      | 33,74% |

# Performance & Health



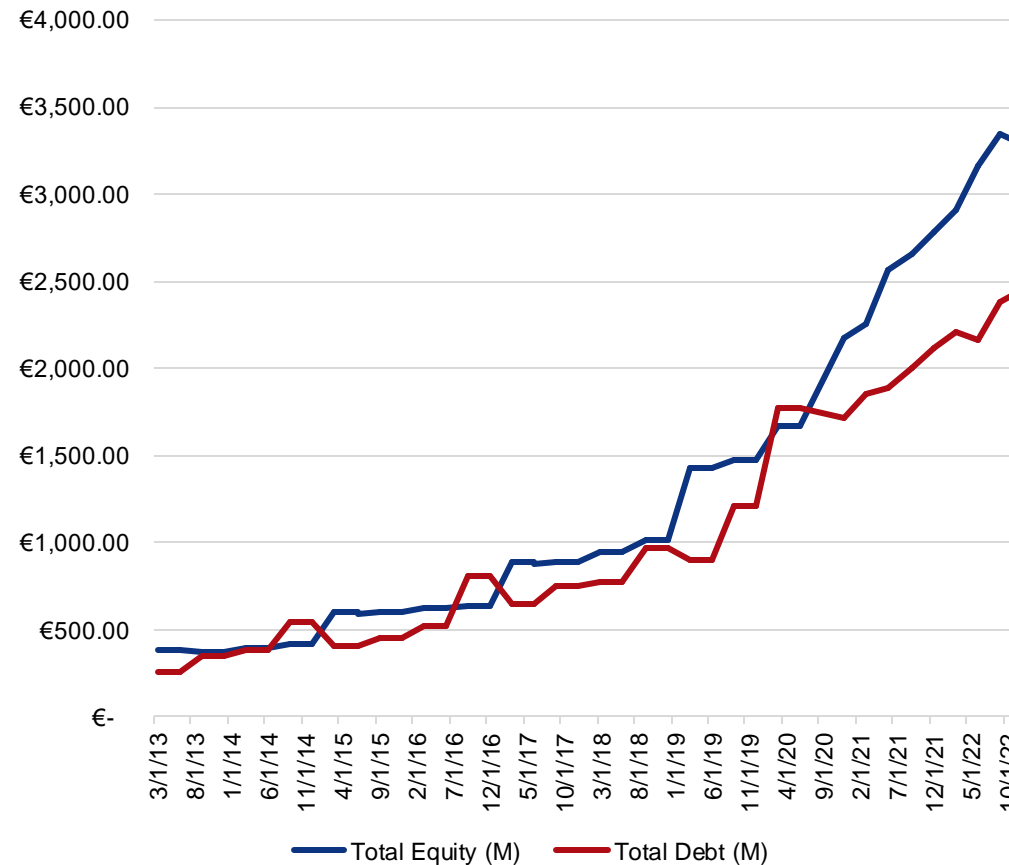
## Analysis

P/E Ratio



- Depreciation accounting results in lower earnings.
- Higher risk perception not compensated by earnings.

Debt to Equity



- AED's net Debt to Equity ratio (74.4%) is considered high
- Debt to Equity ratio has reduced from 94.6% to 62.6% over the past 5 years
- AED's interest payments on its debt are well covered by EBIT (7.3x coverage).

# Management & Ownership

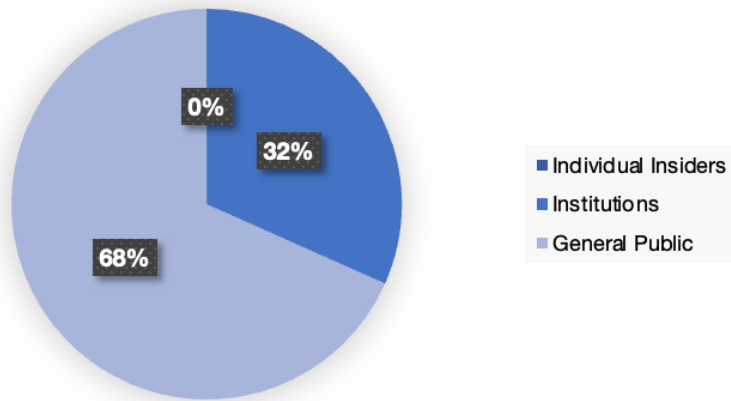


## Analysis

### Top 25 shareholders own 26.97% of the company

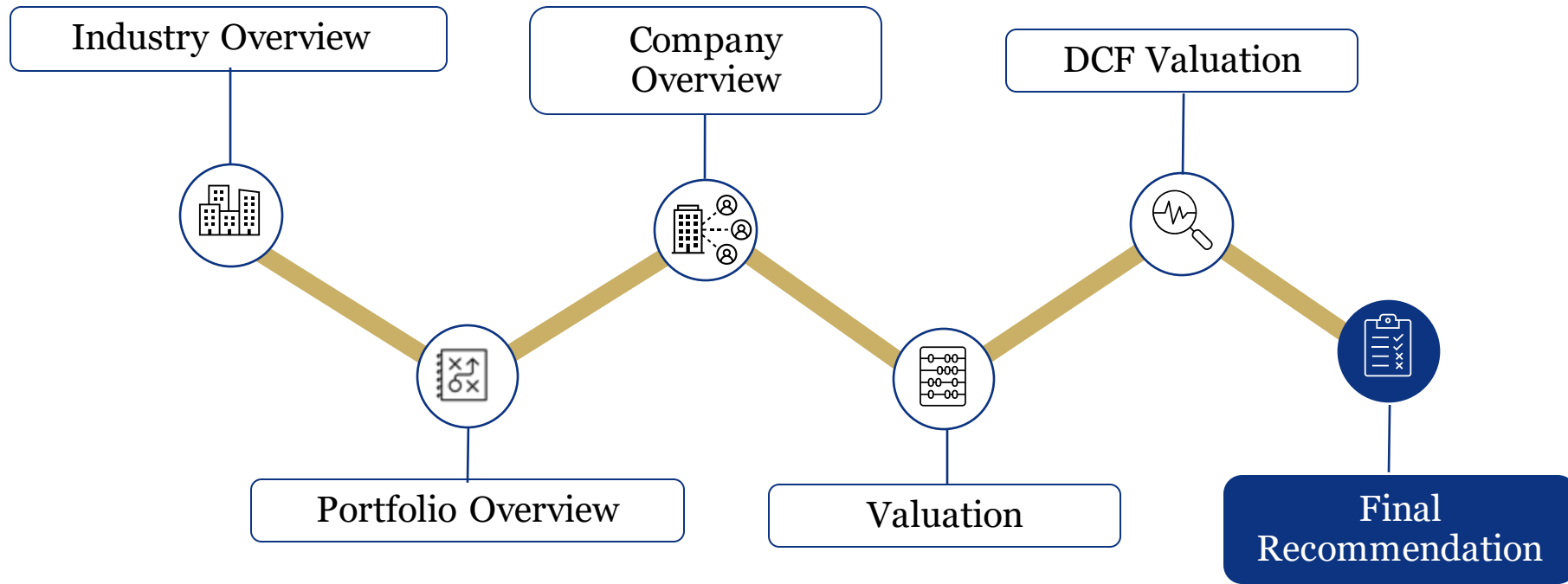
| Holder  | Shares  | % Out | Value (M)  |
|---|---------|-------|------------|
| Vanguard International Stock Index-Total Intl Stock Indx        | 643,194 | 1.35% | 35,825,906 |
| DFA Investment Dimensions-DFA Int'l Real Estate Securities      | 459,057 | 0.97% | 25,569,475 |
| Vanguard Tax Managed Fund-Vanguard Developed Markets Index Fund | 378,022 | 0.79% | 21,055,825 |

### Ownership of Shares



- Shareholders have been diluted in the past year, with total shares outstanding growing by 19.3%.
- AED's management team is seasoned and experienced (6.3 years average tenure)
- AED's board of directors are considered experienced (5 years average tenure).





# Final Recommendation



Hold with a possible new entry

## Summary

### Business Outlook

- Strong strategy and expansion plans
- Questionable finances
- Economic environment could prove beneficial

### Risks

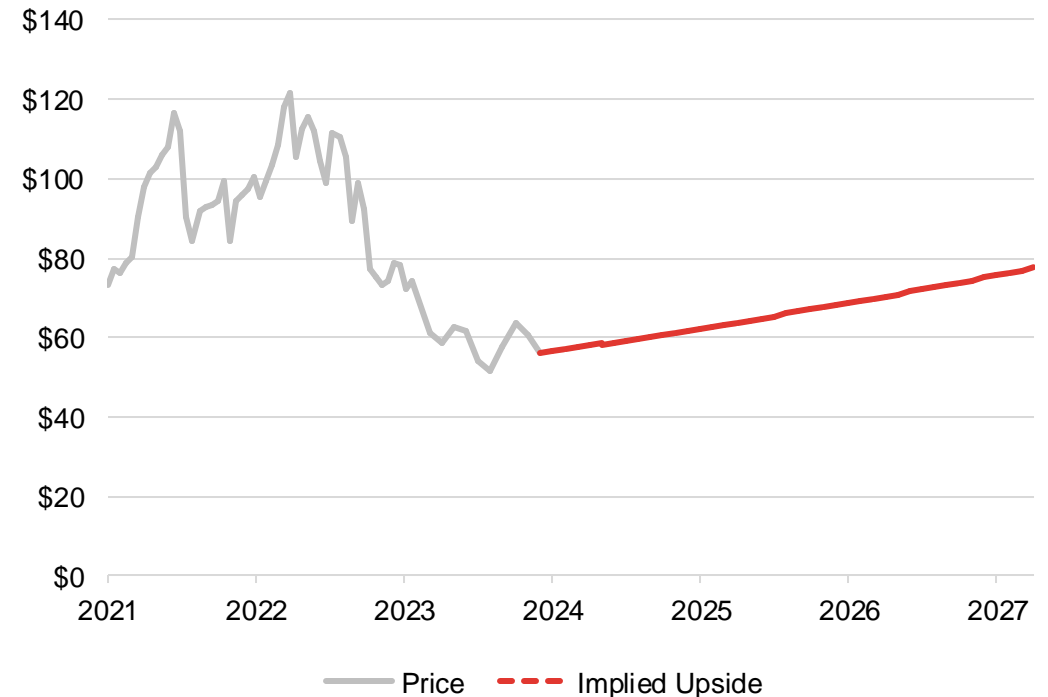
- The companies high PE and Debt to Equity might lead to further drop in price, better entry in the future
- Slower growth as the company matures

## Final Recommendation:

We recommend to **Buy/Hold**; however, Shareholders should consider:

- **Outlook:** Change the target price from 93 to 74 and look to meet next 1-2 years amid favorable economic conditions.
- **Buy:** Potential additional share to increase margin at a discount and decrease buy in.
- **Hold:** To keep presence in real estate and maybe await an entry point.

## Price Forecast

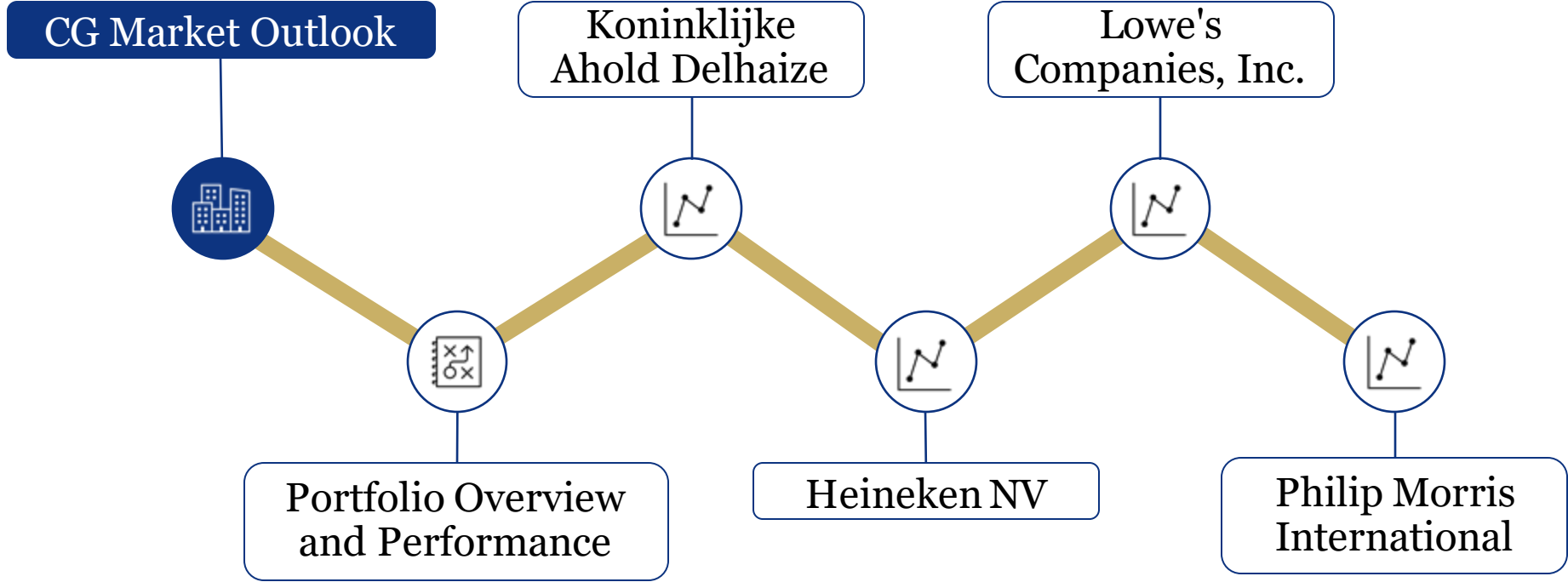




Consumer Goods

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# 2024 Market Outlook – Consumer Goods



Aspiring to be “Profitable Growers” – the price-focused era is likely over

## What sets “Profitable Growers” apart:

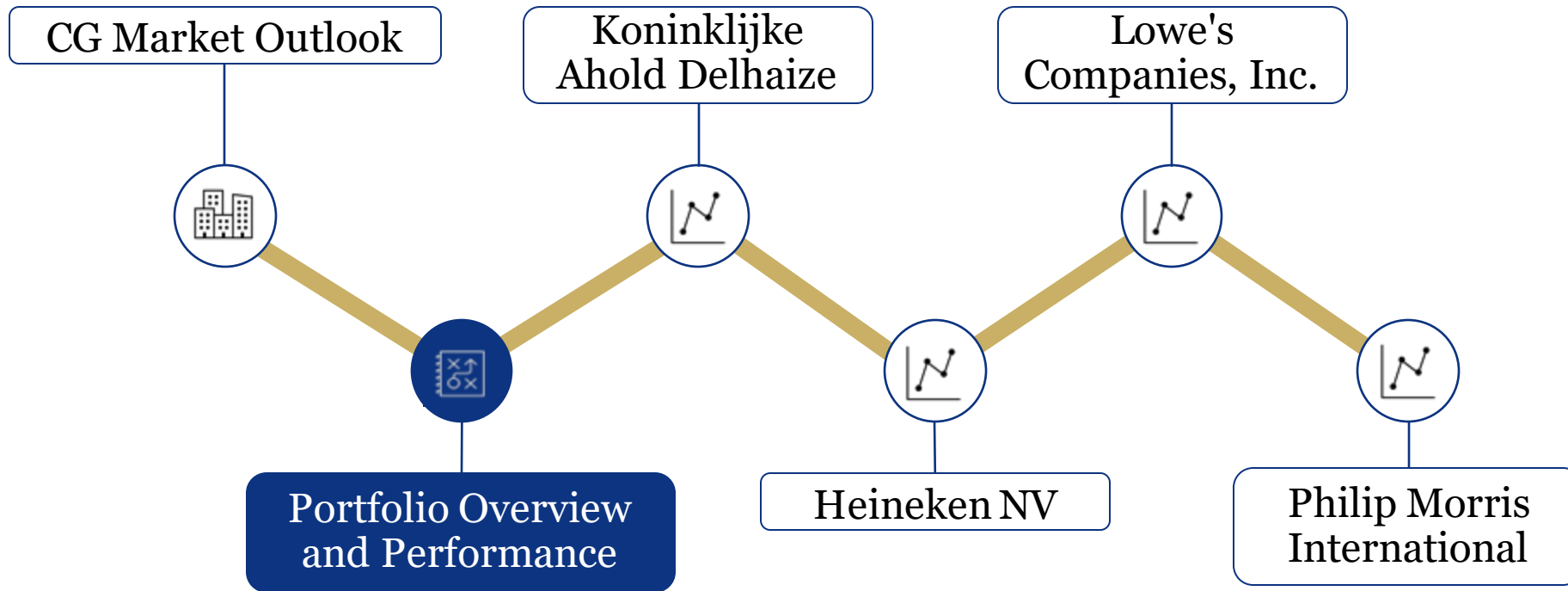
- 
**More pricing power:** rising prices as much as or more than other companies while better maintaining volume and increasing profits.
- 
**More investment in core brands:** to gain pricing power.
- 
**Improved Revenue Growth Management systems:** to help set pricing and to give analytics to adjust their price-pack architecture.
- 
**Embrace a product innovation-driven strategy:** to support pricing and margins.
- 
**Focus on supply chain stability.**
- 
**Perpetual Portfolio Transformation:** quickly divesting underperformers.

## Sales grew in all departments with beverages leading the way

| CG Departments      | % Change vs 2022 | FY Volume |
|---------------------|------------------|-----------|
| Beverages           | 19.1%            | \$12bn    |
| Deli Prepared       | 17.3%            | \$5.9bn   |
| Refrigerated        | 17.1%            | \$47.4bn  |
| Liquor              | 15.6%            | \$62bn    |
| General Food        | 14.0%            | \$38.6bn  |
| Floral              | 13.5%            | \$883m    |
| Bakery              | 12.6%            | \$8.4bn   |
| Produce             | 11.9%            | \$13.5bn  |
| Deli Meat           | 10.3%            | \$1.7bn   |
| General Merchandise | 9.0%             | \$27.7bn  |
| Frozen              | 8.2%             | \$17.7bn  |
| Deli Cheese         | 5.5%             | \$754m    |
| Meat                | 5.1%             | \$26.6bn  |
| Health              | 3.1%             | \$17.6bn  |
| Beauty              | 2.7%             | \$3.7bn   |
| Home Care           | 2.1%             | \$2.7bn   |
| Tobacco             | -10.9%           | \$67m     |

Source: Private Label Manufacturers Association, IRI Unify

Note: Data provided to PLMA by IRI Unify is for 52 weeks ending January 1, 2024. Some results may have been rounded up



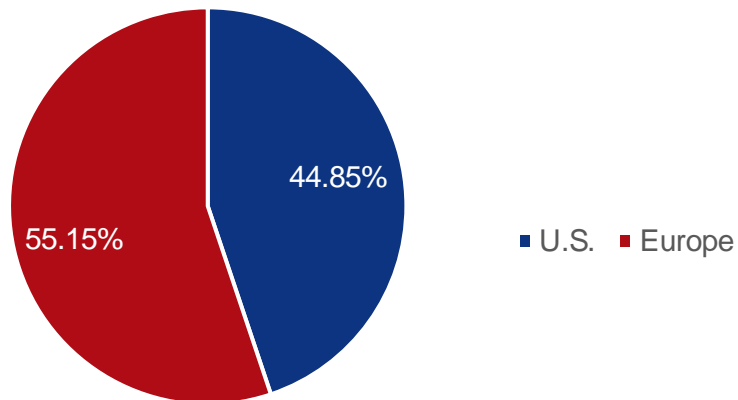
# Industry Overview



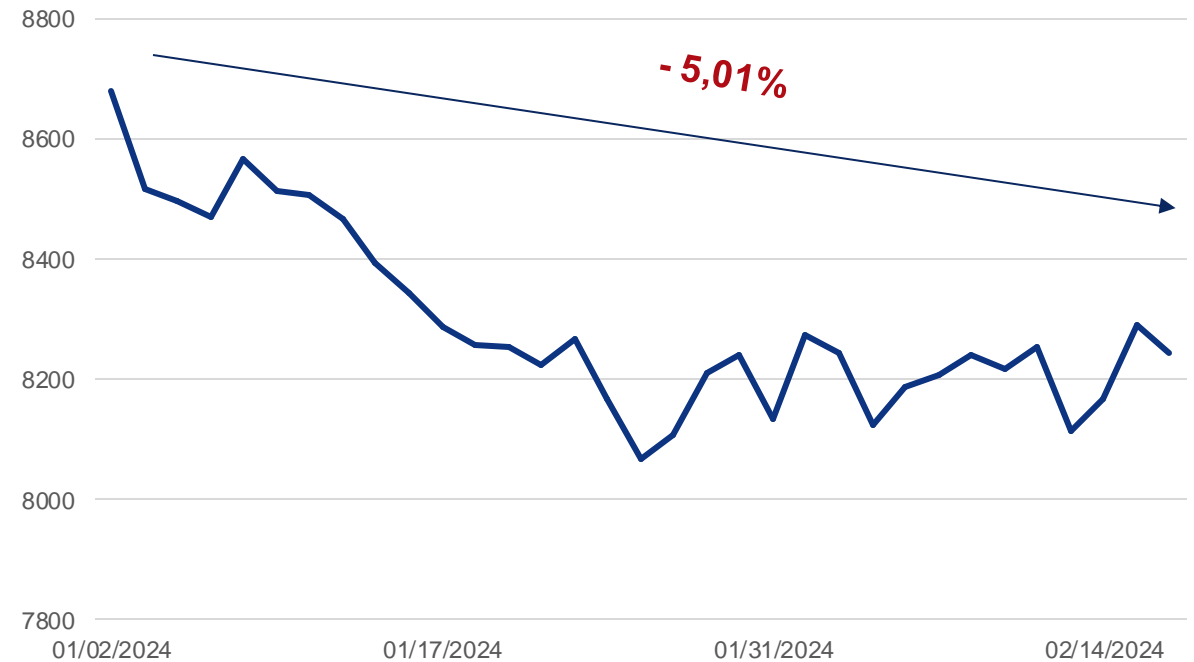
Not a great start for Consumer Goods in 2024

## 2024 is expected to be a difficult year for the sector

- Slower economic growth and low consumer spending growth
- Price increases led to higher price sensitivity and adjustments in spending habits
- Even Geo distribution between U.S. and European companies
- Dow Jones Consumer Goods index is a good proxy for the consumer goods portfolio
- 63,5% of Ahold's revenue comes from the U.S.
- The U.S. is the largest market for Heineken



Dow Jones U.S Consumer Goods Index YTD



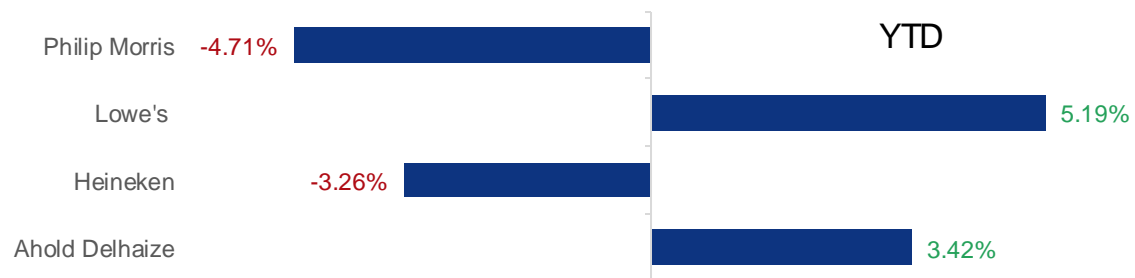
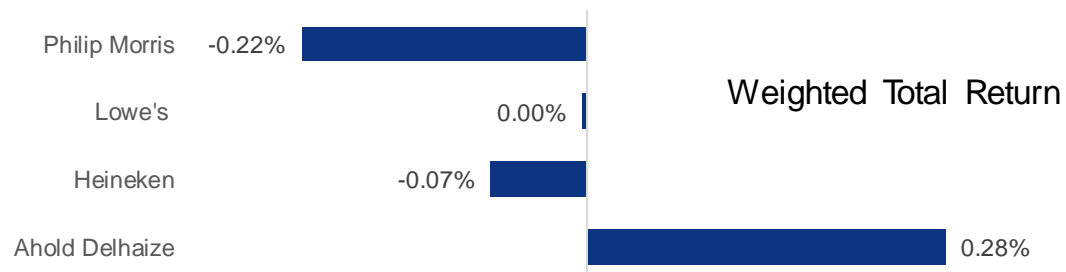
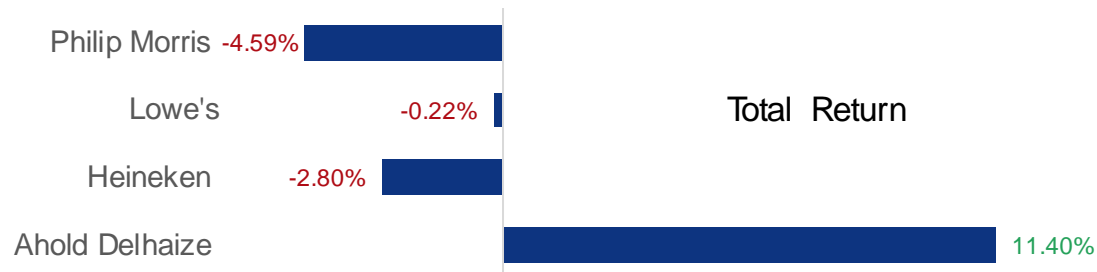
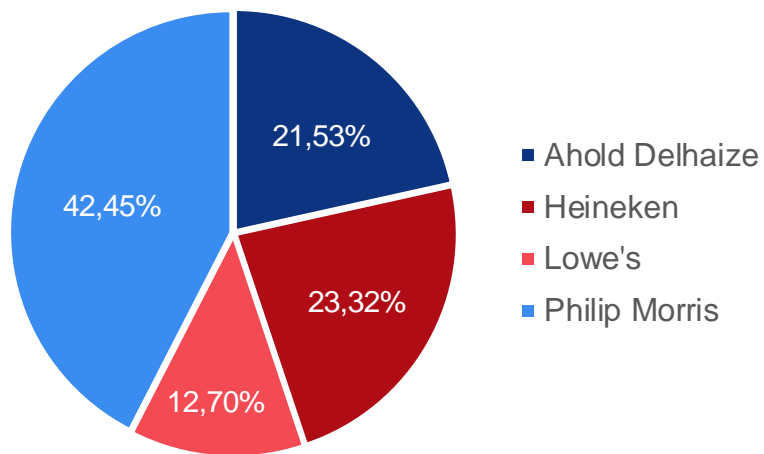
# Consumer Goods Portfolio Overview



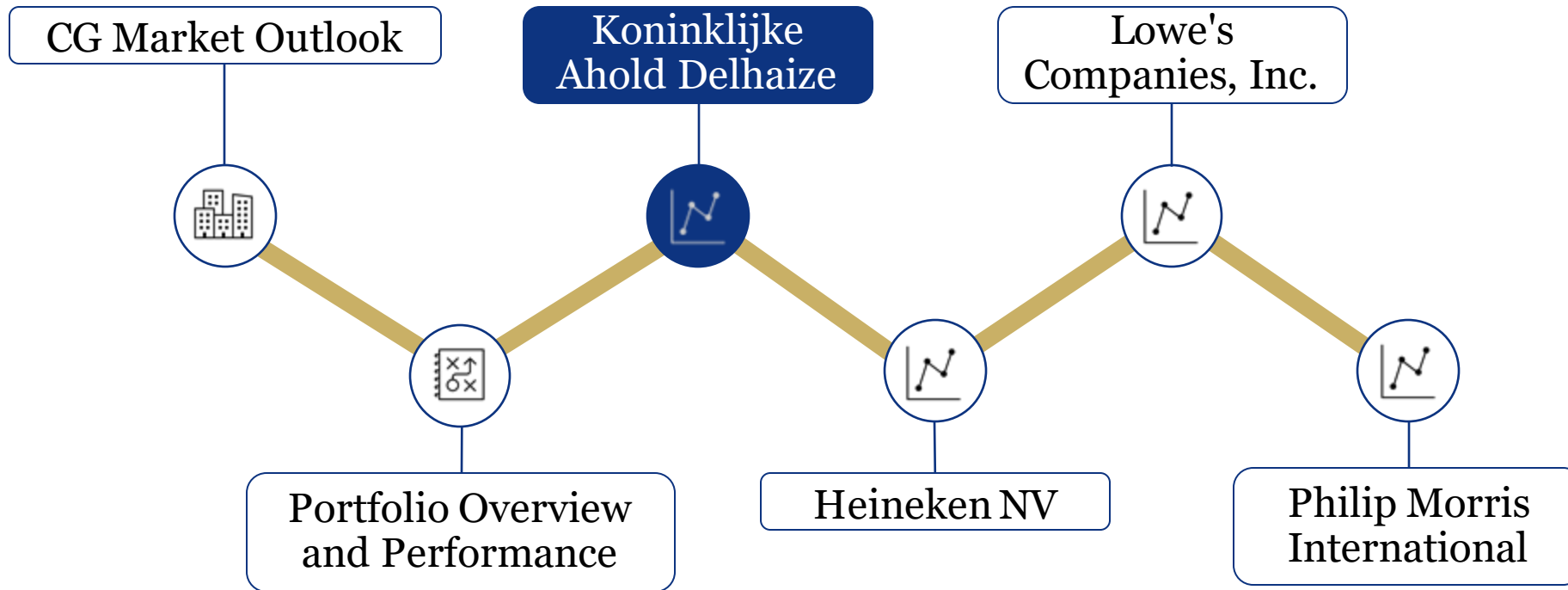
With returns weighted by portfolio position size

**-0,15% Loss YTD**  
**-0,2% Loss Overall**

- Overall Bearish Trend
- Our looser is Philip Morris
- Our winner is Ahold Delhaize
- The latest addition Heineken, is underperforming (-16% below target price)









# Ahold Delhaize reassures investors with cost cuts



Pressure on food retailer as inflation slowing down

## Company Profile

- One of the largest food retail groups
- Including brands such as: Lion Food, Albert Heijn, Stop & Shop
- Business operations in Europe and US

## News

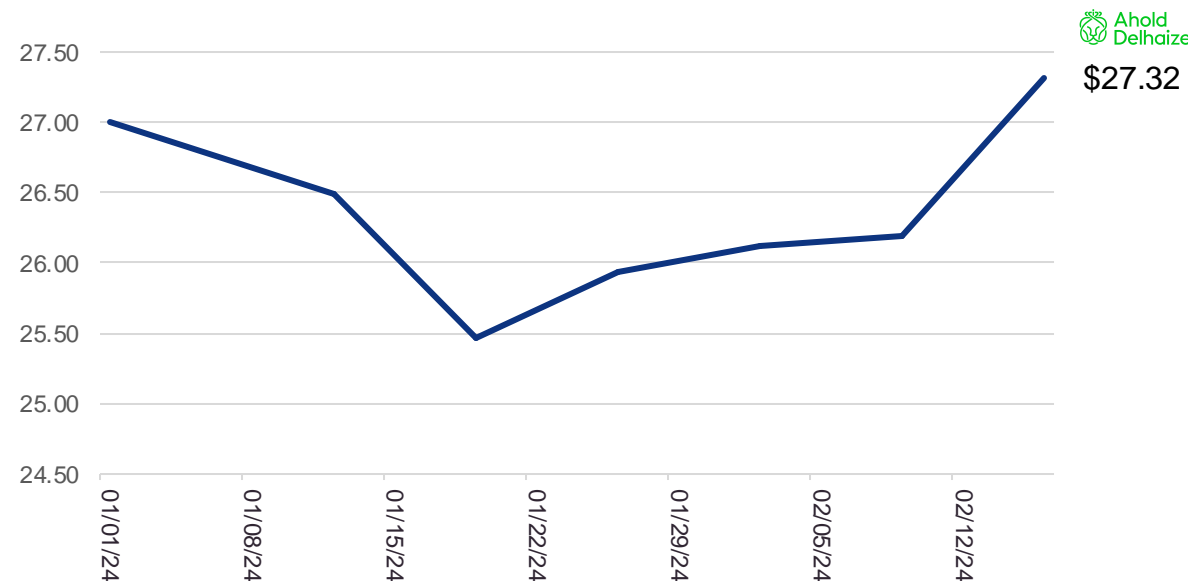
### Q4 2023 report:

- Net sales: +6.5% in Europe; -1% in US
- Underlying operating margin: 4.3%
- Net operating income: 685 million

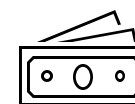
### 2024 outlook:

- 1 Billion shares buyback program
- Free cash flow of around €2.3 bn
- Net capital expenditures €2.2 bn

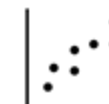
## Price Action 2024



Market Cap  
€ 26.03 bn



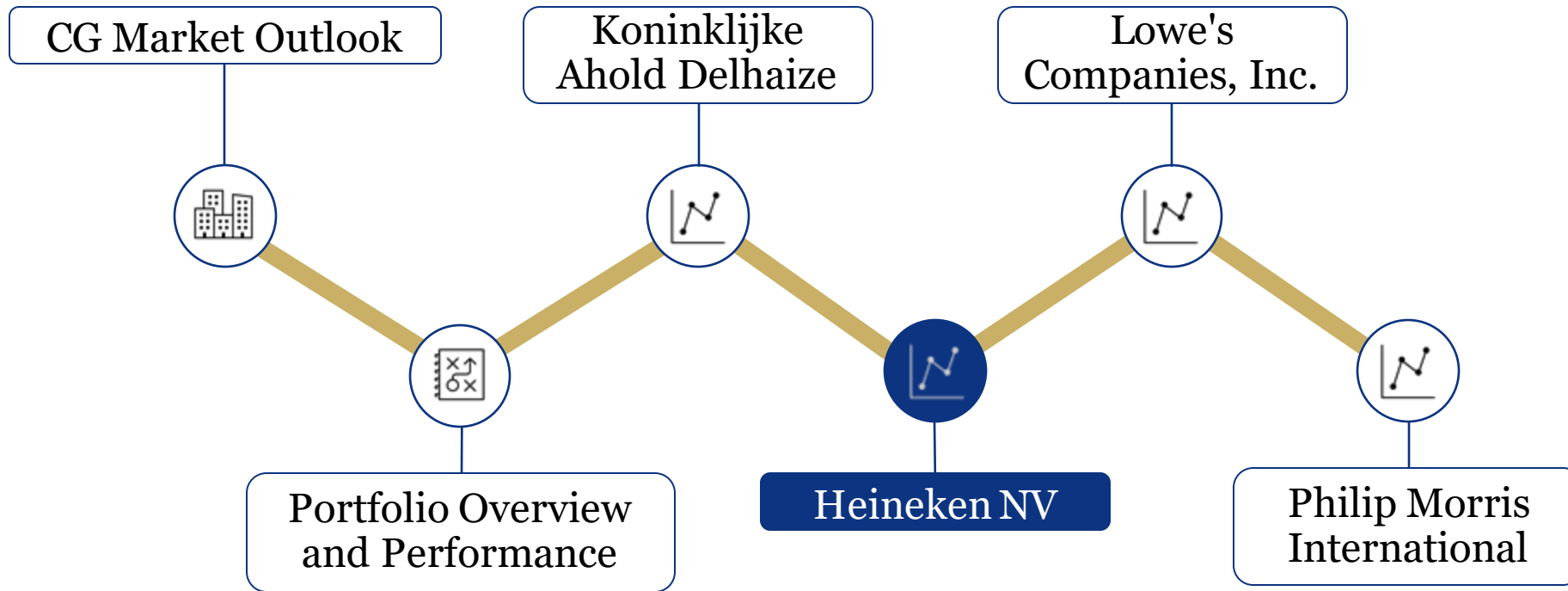
P/E Ratio  
11.9



Beta  
0.35



Dividend Yield  
4.0%



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# Heineken aims to restore volume growth, while continuously facing external challenges.



## Company Profile

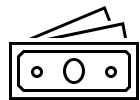
- Manufacturing and distribution of alcoholic and non-alcoholic beverages
- Including brands such as: Amstel, Desperados, Birra Moretti or Tiger
- Current **target price**: €99.60

## News

- Heineken reports full-year results: - Revenue **+4.9%**  
- Beer Vol. **-4.7%**
- Outlook: - Restoring Vol. growth through investments  
- Increase in variable costs due to inflation and currency devaluations



Market Cap  
€ 51.1 bn



P/E Ratio  
21.8



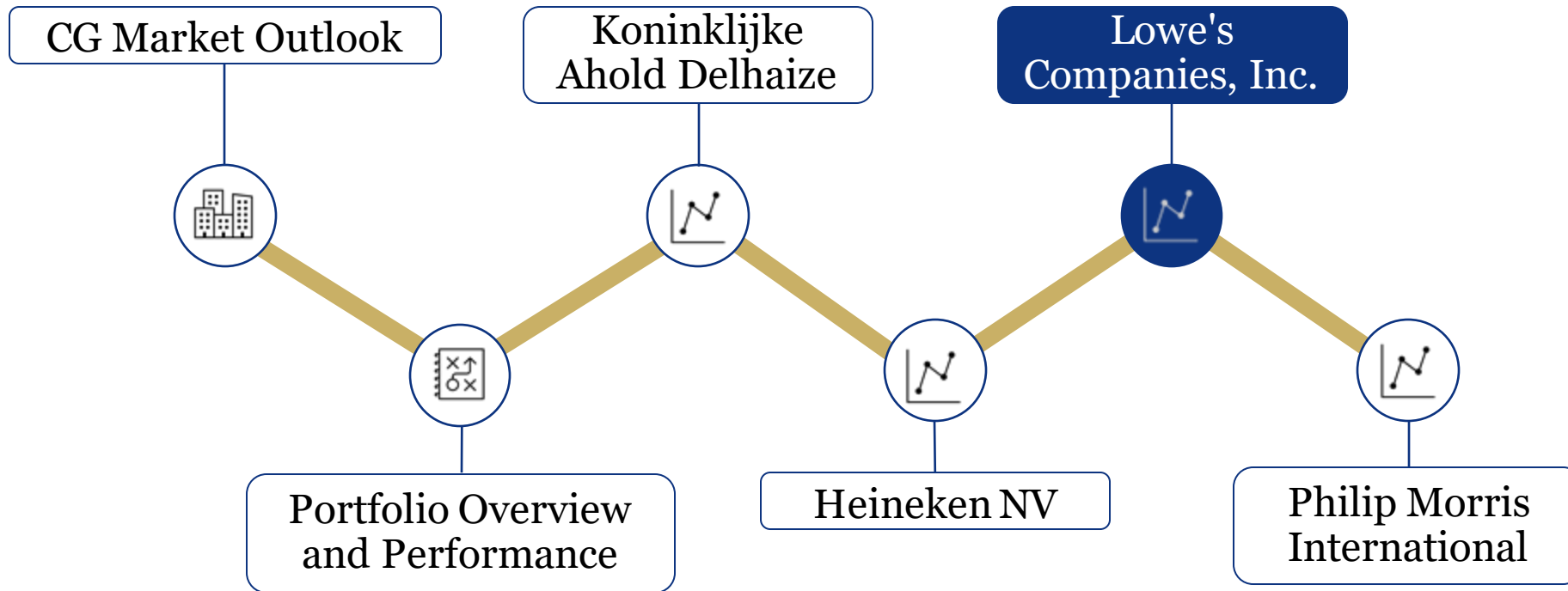
Beta  
0.64



Dividend Yield  
1.9%

## Price action LTM









# Lowe's focuses on digital innovation and operational efficiency to foster growth.



## Company Profile

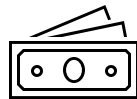
- **Second largest** home improvement retailer NAM
- Sells a wide assortment of **building materials and appliances**
- **95% of Revenue from the US**
- Current **target price**: €233.69

## News

- '\$100 million hometown grant program'
- 'Launch of Lowe's Style Studio for Apple Vision Pro'



Market Cap  
€ 130.5 bn



P/E Ratio  
17.40

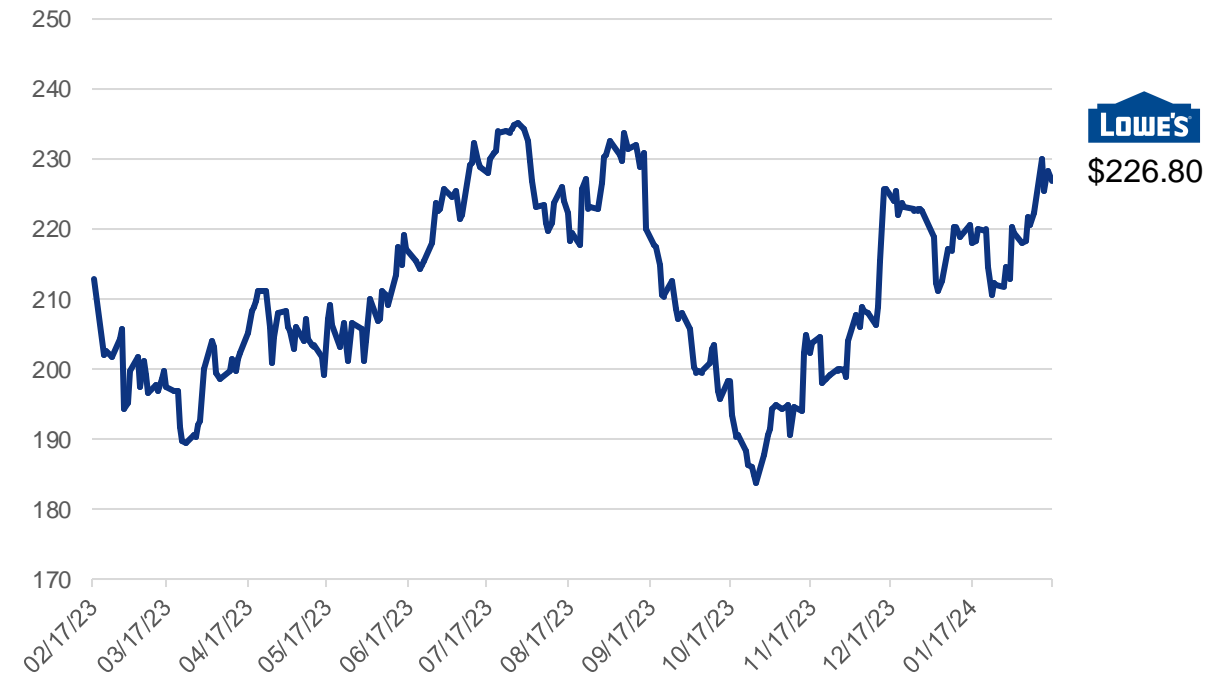


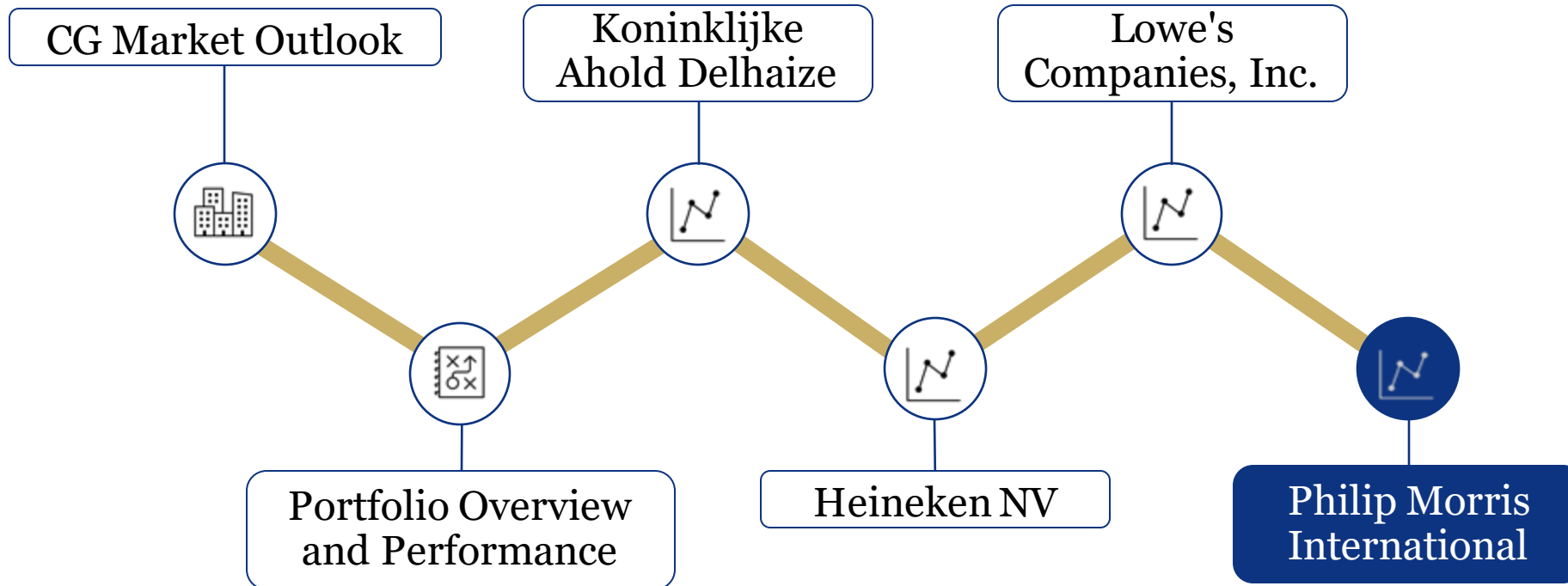
Beta  
1.11



Dividend Yield  
1.9%

## Price action LTM





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# Philip Morris' Q4 disappointment



Weak IQOS shipments drive Philip Morris' stock price down

## Company Profile

- American multinational tobacco company
- Leading company in delivering free-smoke products.
- Distinct trading pattern
- Target price: **€108**

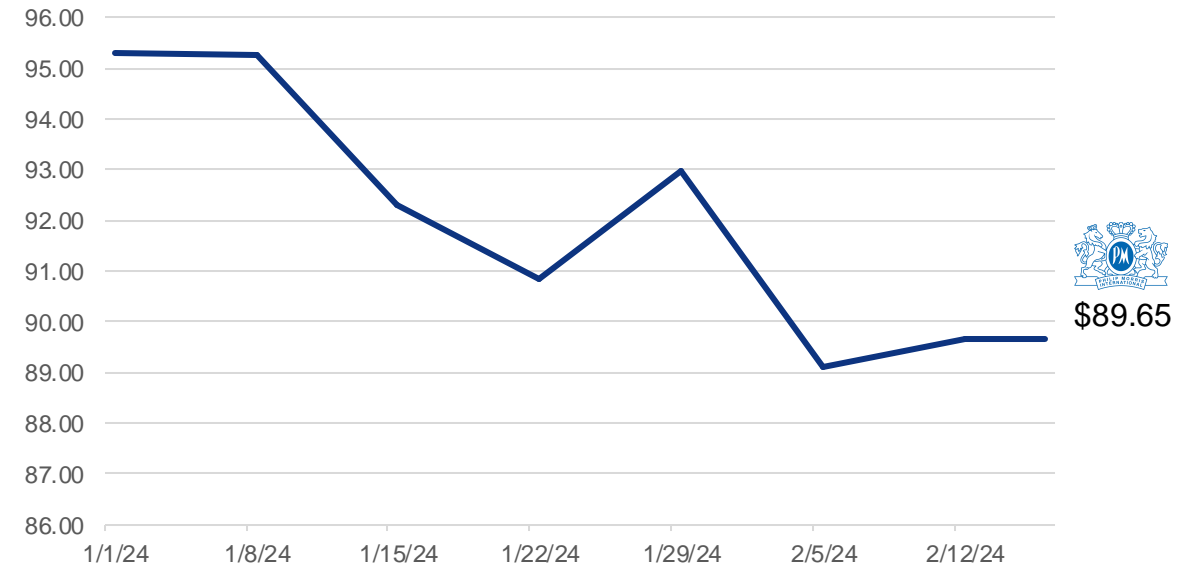
## News

- Smoke-free products accounted for 39.3% of total revenue
- Reported fourth-quarter adjusted profit of \$1.36 per share, missing analyst expectations
- PMI insiders sold their stock over the past year

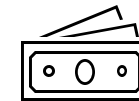
## 2024 outlook:

- Progress on sustainability initiatives
- Launch of the new ILUMA
- Buy back considered in 2026

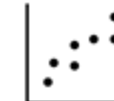
## Price Action 2024



Market Cap  
€ 139.2 bn



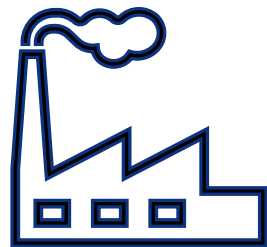
P/E Ratio  
17.9



Beta  
0.7



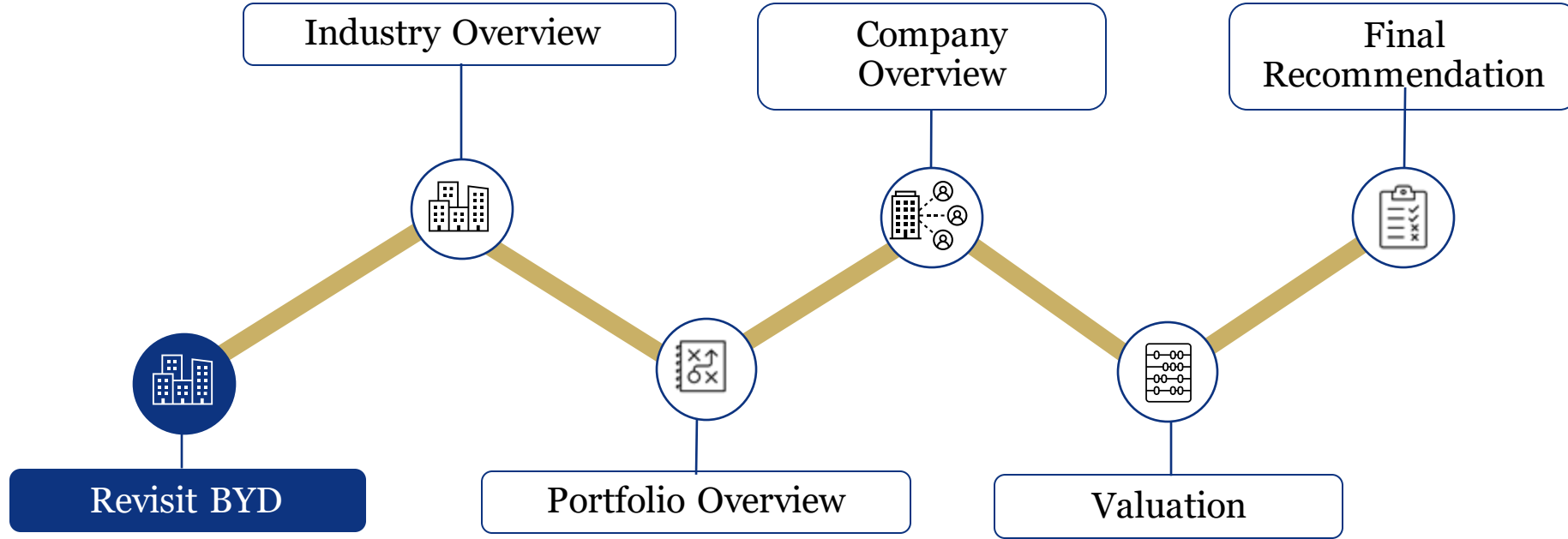
Dividend Yield  
5.8%



## Industrials & Energy

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BYD

## Recap Investment Thesis

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$\Sigma$ igma  
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# Investment Thesis



BYD stands out with enormous EV sales and a technology advantage in a high growth market

## Main Points

- Overtook Tesla as the largest seller of EV's globally in 2023
- Officially entered the European market recently
- Low prices allow expansion into Emerging markets
- 7+4 strategy to replace fossil fuels in the whole road transportation field
- High vertical integration allows for an efficient expansion

## Current Concerns

- Low profit margins on Vehicles → Exposure to price wars





# Valuation Changes



Still high upside in both the base and optimistic cases

| DCF                 | Conservative    | Base             | Optimistic        |
|---------------------|-----------------|------------------|-------------------|
| WACC                | 8.40%           | 8.34%            | 8.30%             |
| WACC (old)          | 8.7%            | 8.7%             | 8.7%              |
| TGR                 | 2.8%            | 3.0%             | 3.2%              |
| Implied share price | 22.89\$<br>(5%) | 37.66\$<br>(57%) | 53.44\$<br>(123%) |

## Model Assumptions

- Slight upward adjustment for revenue forecasts from 2025 onwards
- Decreased EBIT expectations by ~ 2%
- Higher Taxes from European expansions
- Increases in D&A and CapEx due to expansions
- Lower WACC implied by lower market cap and lower risk-free rate

# Final Recommendation



BYD's EV Triumph: Strategic Brilliance à la Bonaparte

## Summary

- Not much has changed from our assumptions since the initial pitch
- Potential to penetrate foreign markets with high levels of vertical integration
- First European facility in Hungary is a first step into the European market

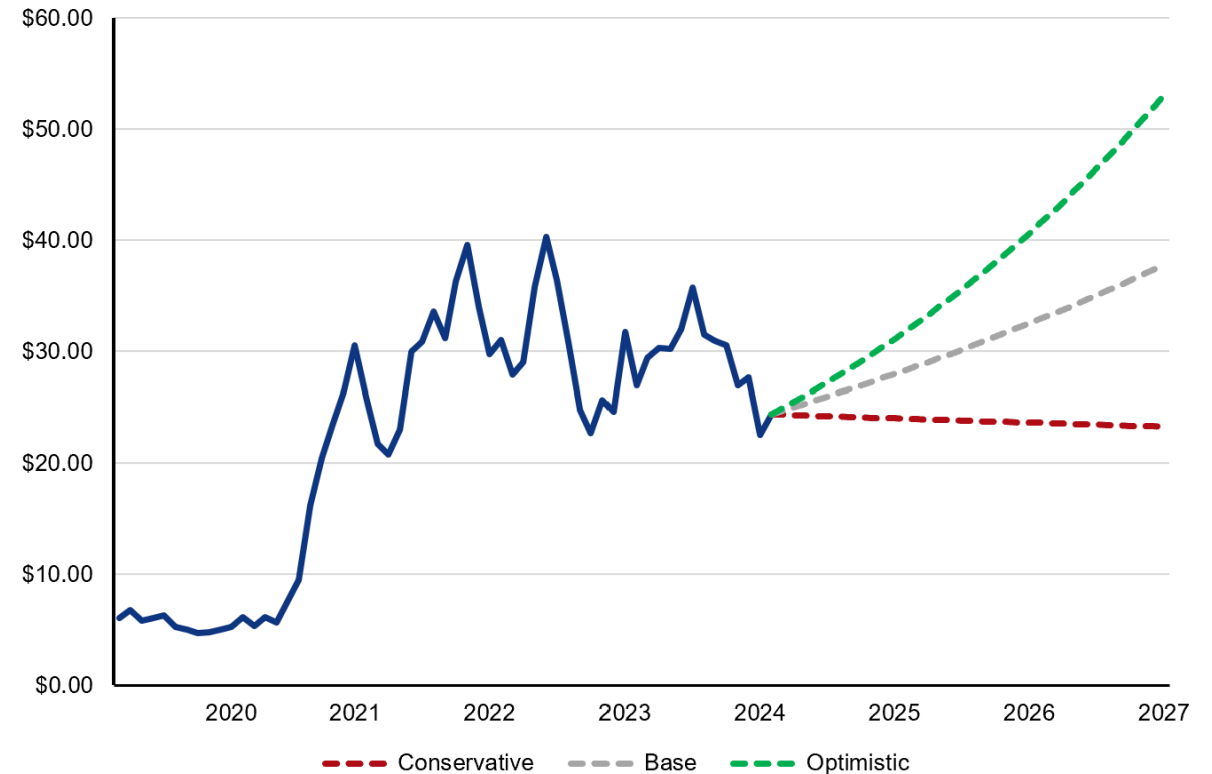
## Final Recommendation

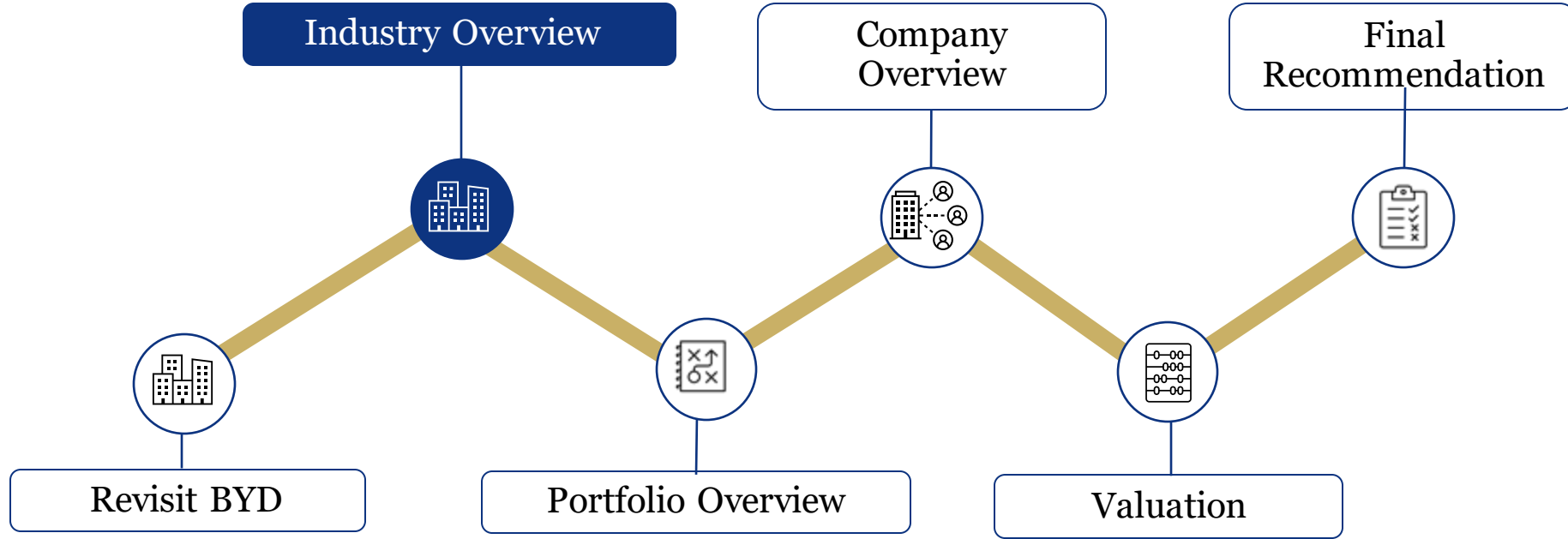
We strongly recommend to **BUY** the stock but:

- Monitor geopolitical tensions between Europe, the U.S. and China
- Price wars could endanger profit margins

## Forecasted Share Price Development

- Valuation suggests implied upside of **+57%**





# Industry Overview



Set to shine?

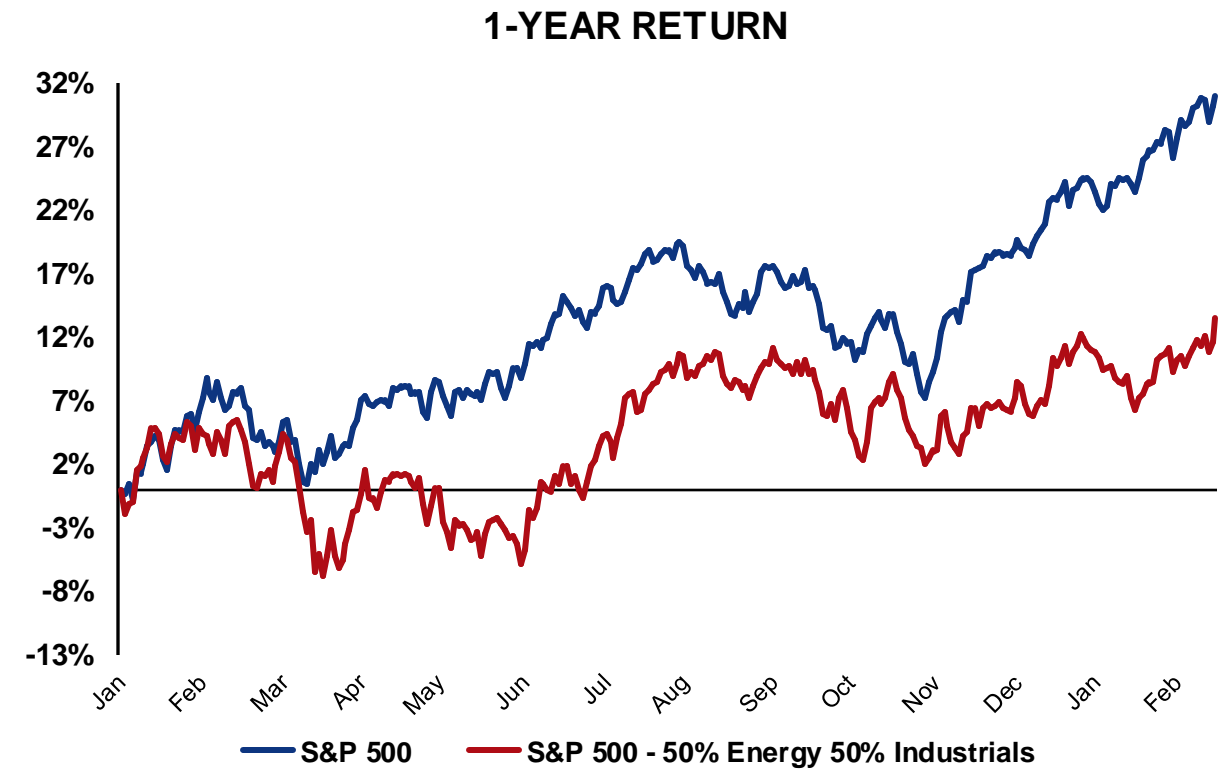
## Performance and Outlook

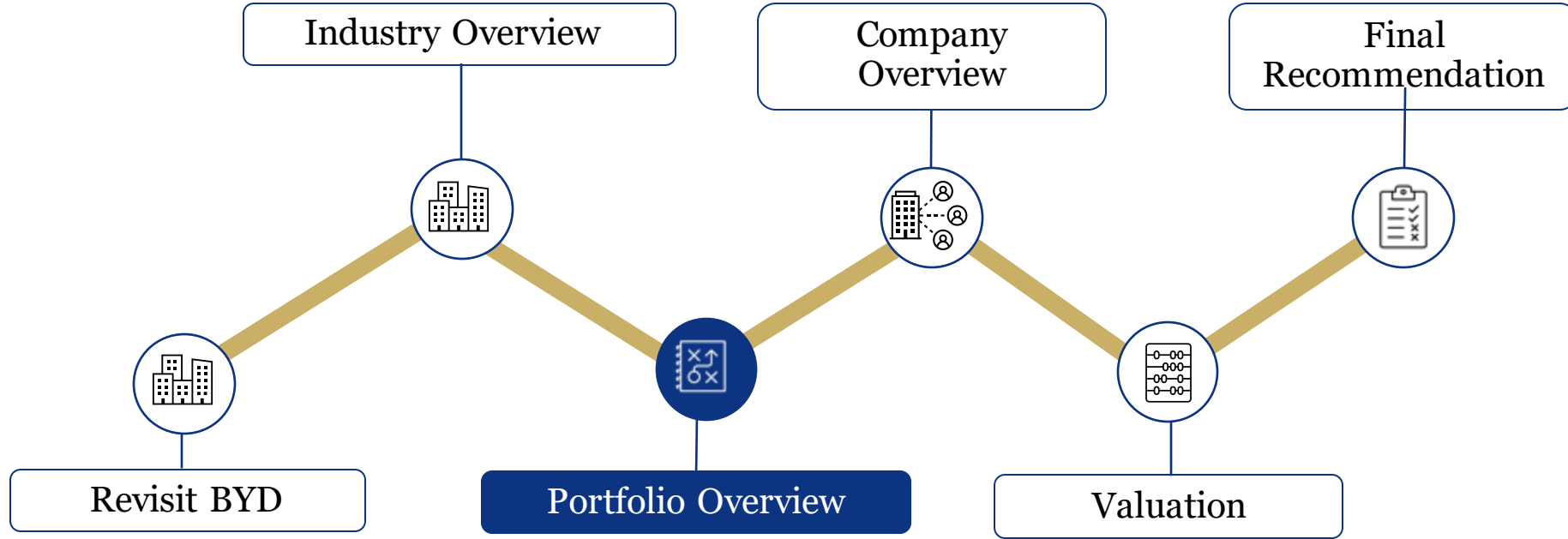
- The advantages of greater US self-sufficiency
- S&P 500 Industrials **+3.48%** and S&P 500 Energy **+1.49%** YTD
- Oil prices are likely to remain elevated in 2024 due to constrained supply, heightened geopolitical risk, and growing demand

## What to watch?

- Energy equipment and services stock
- Two scenarios, two reactions

## S&P 500 vs S&P 500 I&E





# Portfolio Update



Patience and Reactiveness

## News



Last Month: 14,4%  
Total Return: 17,71

- The BoD declared a quarterly common stock cash dividend of 1.68 dollars per share
- Cash flow risks



Last Month: 22,6%  
Total Return: 29,33%

- Earnings on 15 Feb, since then +8%
- AM beat expectations
- Commitment to chipmaking in India



Last Month: (12,7%)  
Total Return: (25%)



Last Month: (5,57%)  
Total Return: 50,63%

- Good analyst sentiment
- Earnings on March
- Calling for an energy masterplan for Europe's



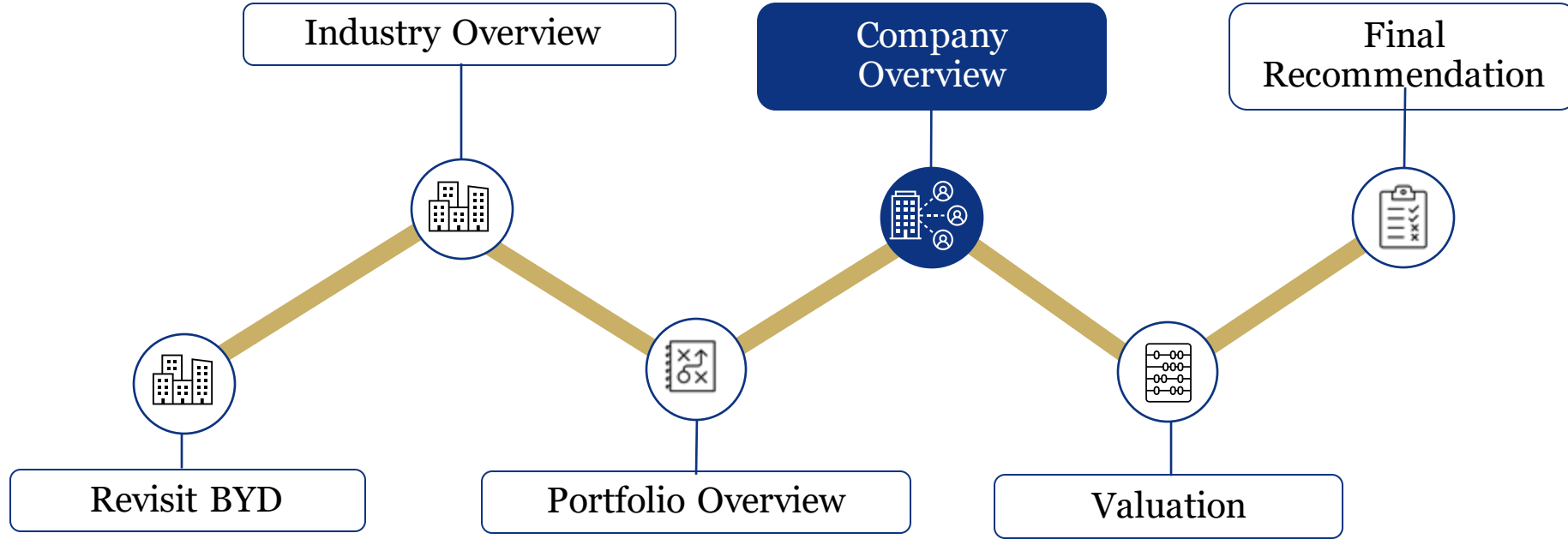
Last Month: 11,92%  
Total Return: 70,92%

- Around its ATH
- From IFRS to GAAP
- Strong M&A integrations skills



Last Month: (3,7%)  
Total Return: 15,85%

- Germany cuts stake in a privatization push
- Red sea disruptions
- Analyst estimation





**Air Products & Chemicals**





# Air Products & Chemicals



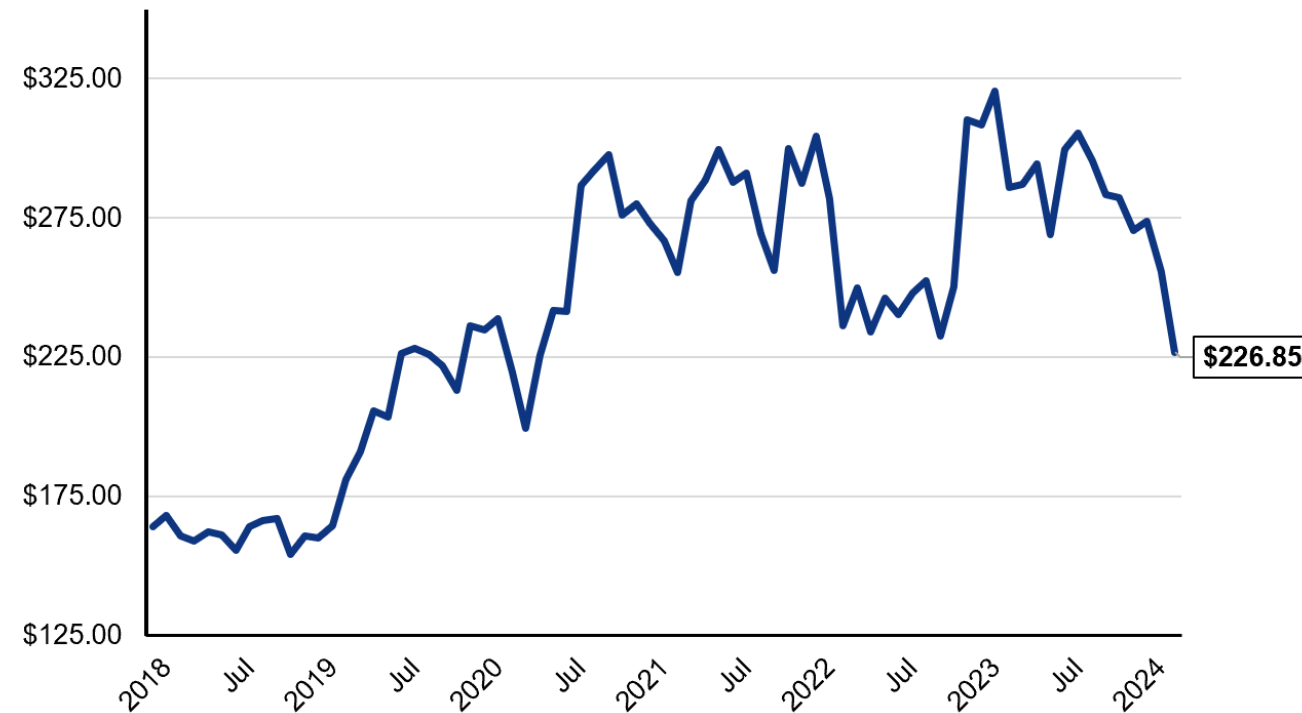
Global atmospheric gases manufacturer and distributor.

## Profile:

- **Earnings missed** (Revenue came in at \$2.99 billion, below analyst estimates of \$3.20 billion. Adjusted EPS also fell short at \$2.82 versus expectations of \$3.01)
- Company's 42nd consecutive annual dividend increase
- Recently signed the PPA for renewable energy with Eneco
- **Manufacturing slowdown** in China as a key factor behind the weak quarterly performance
- Decreased helium demand
- Shipping cost

## Share Price Development

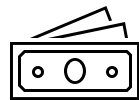
Share Price



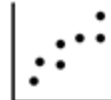
Market Cap  
\$ 48,37 (B)



Current Price  
\$ 226.85



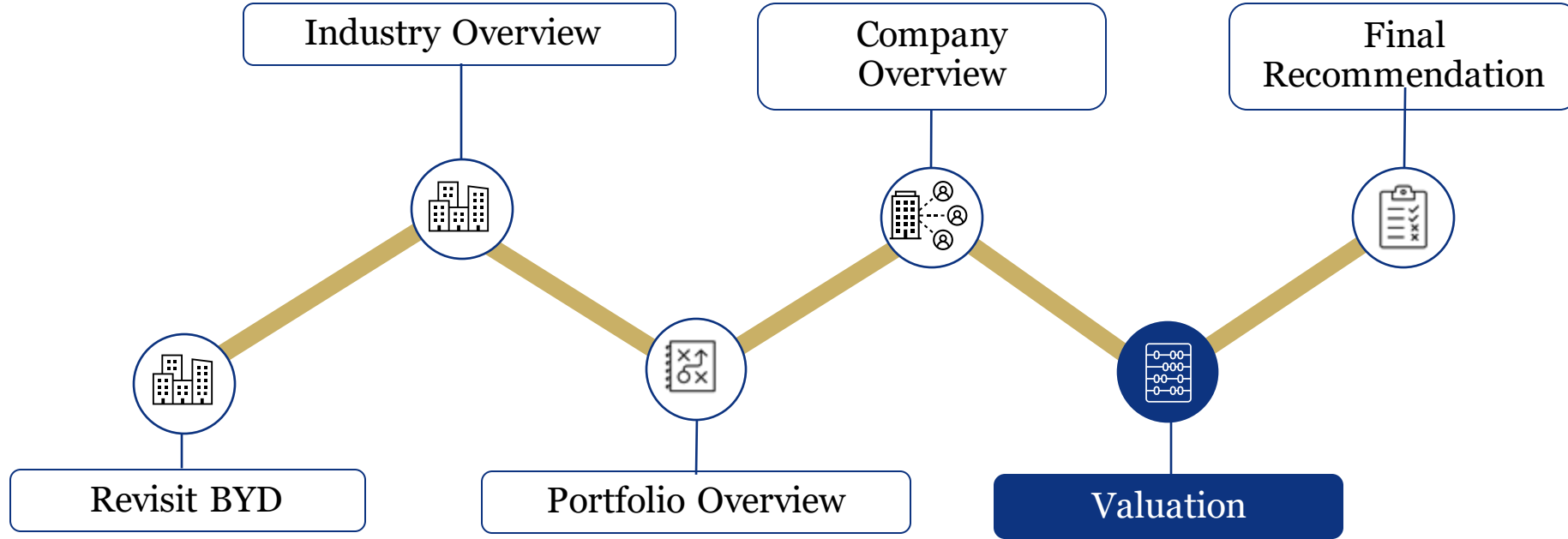
P/E Ratio  
28,81



52 Week Beta  
0,99



Current Ratio  
1,81



# Free Cash Flow Projection



Revenue Growth trajectory faces geopolitical assessment and new gas demand

| DCF     |              | 2020            | 2021            | 2022            | 2023             | 2024           | 2025            | 2026            | 2027            |
|---------|--------------|-----------------|-----------------|-----------------|------------------|----------------|-----------------|-----------------|-----------------|
| Revenue | Conservative |                 |                 |                 |                  | 13.355<br>6,0% | 14.290<br>7,0%  | 15.576<br>9,0%  | 17.290<br>11,0% |
|         | Base         | 8.856<br>(0,7%) | 10.322<br>16,6% | 12.699<br>23,0% | 12.599<br>(0,8%) | 13.607<br>8,0% | 14.832<br>9,0%  | 16.389<br>10,5% | 18.356<br>12%   |
|         | Optimistic   |                 |                 |                 |                  | 13.355<br>9,0% | 15.141<br>10,3% | 16.966<br>12,3% | 19.418<br>14,3% |

|      |              |                |                |                |                |                |              |                |                |
|------|--------------|----------------|----------------|----------------|----------------|----------------|--------------|----------------|----------------|
| EBIT | Conservative |                |                |                |                | 2.738<br>20,5% | 3.001<br>21% | 3.388<br>21,8% | 3.890<br>22,5% |
|      | Base         | 2.137<br>24,1% | 2.231<br>21,4% | 2.357<br>18,6% | 2.709<br>21,5% | 2.790<br>20,5% | 3.115<br>21% | 3.606<br>22%   | 4.222<br>23%   |
|      | Optimistic   |                |                |                |                | 2.815<br>20,5% | 3.180<br>21% | 3.782<br>22,3% | 4.563<br>23,5% |

\*All figures in millions of USD

# Free Cash Flow Projection



Enhancing Depreciation following projects completion, Tax benefit with carbon Credit 45Q

| DCF       |              | 2020         | 2021         | 2022         | 2023         | 2024         | 2025         | 2026         | 2027         |
|-----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Taxes     | Conservative |              |              |              |              | 589<br>21,5% | 645<br>21,5% | 728<br>21,5% | 836<br>21,5% |
|           | Base         | 478<br>22,4% | 463<br>20,9% | 501<br>21,2% | 550<br>20,3% | 600<br>21,5% | 670<br>21,5% | 757<br>21,0% | 887<br>21,0% |
| % of EBIT | Optimistic   |              |              |              |              | 591<br>21,0% | 668<br>21,0% | 756<br>20,0% | 913<br>20,0% |

|            |              |              |              |              |              |                |                |                |                |
|------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|
| D&A        | Conservative |              |              |              |              | 2.431<br>47,7% | 2.592<br>47,7% | 1.943<br>55,7% | 2.284<br>56,2% |
|            | Base         | 1.185<br>47% | 1.321<br>54% | 1.338<br>46% | 1.386<br>26% | 2.441<br>48,2% | 2.620<br>48,2% | 1.919<br>56,2% | 2.405<br>57,0% |
| % of CAPEX | Optimistic   |              |              |              |              | 2.451<br>48,7% | 2.647<br>48,7% | 1.928<br>57,7% | 2.566<br>58,7% |

\*All figures in millions of USD

# Free Cash Flow Projection



CF from Investing remain robust till completion of projects, concentration of long term debt in 2028

| DCF                   |              | 2020           | 2021           | 2022         | 2023           | 2024           | 2025           | 2026           | 2027           |
|-----------------------|--------------|----------------|----------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Capex<br>% of Revenue | Conservative |                |                |              |                | 5.093<br>40,3% | 5.432<br>40%   | 3.488<br>23,5% | 4.063<br>23,5% |
|                       | Base         | 2.509<br>28,0% | 2.464<br>24,0% | 2.927<br>23% | 5.238<br>42,0% | 5.061<br>40,0% | 5.432<br>40,0% | 3.413<br>23,0% | 4.222<br>23,0% |
|                       | Optimistic   |                |                |              |                | 5.030<br>39,8% | 5.432<br>40%   | 3.339<br>22,5% | 4.369<br>22,5% |

|                          |              |                |            |                 |                 |                  |                  |                  |                  |
|--------------------------|--------------|----------------|------------|-----------------|-----------------|------------------|------------------|------------------|------------------|
| Δ In NWC<br>% of Revenue | Conservative |                |            |                 |                 | (167)<br>(1,25%) | (164)<br>(1,15%) | (163)<br>(1,05%) | (103)<br>(0,60%) |
|                          | Base         | (40)<br>(0,5%) | 17<br>0,2% | (116)<br>(0,9%) | (457)<br>(3,6%) | (183)<br>(1,35%) | (237)<br>(1,60%) | (180)<br>(1,10%) | (110)<br>(0,60%) |
|                          | Optimistic   |                |            |                 |                 | (199)<br>(1,45%) | (257)<br>(1,7%)  | (203)<br>(0,70%) | (135)<br>(0,70%) |

\*All figures in millions of USD

# WACC Estimation



Most financed with debt at very low interest rate, upcoming maturity could higher the Cost of debt

|              |               |
|--------------|---------------|
| Debt         | <b>16,342</b> |
| % Debt       | <b>51,1%</b>  |
| Cost of Debt | <b>4,3%</b>   |
| Tax Rate     | <b>22,5%</b>  |

|                     |               |
|---------------------|---------------|
| Equity Value        | <b>15,660</b> |
| % Equity            | <b>48,9%</b>  |
| Cost of Equity      | <b>9,5%</b>   |
| Risk Free Rate      | <b>4.3%</b>   |
| Beta                | <b>1,13</b>   |
| Market Risk Premium | <b>4,6%</b>   |

## Key Considerations

- WACC in line with Analyst expectations
- FED cut negative impact on debt
- High Volatility due to dependence on energy market

## Cost of Capital

**6,35%**

# Valuation Summary



Negative CF due higher Investing activity and shrinkage in Gas prices. Growth in line with overall chemical market

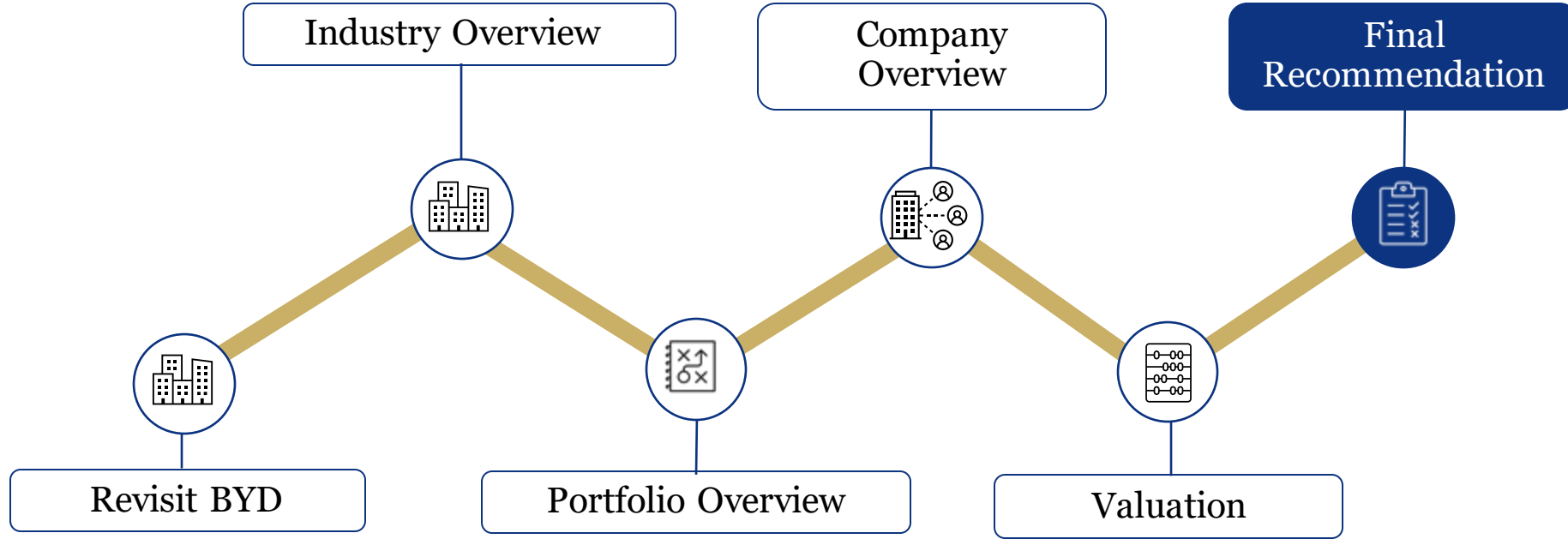
| FCF           | 2024  | 2025  | 2026  | 2027  |
|---------------|-------|-------|-------|-------|
| Unlevered     | (247) | (130) | 1.534 | 1.628 |
| Present Value | (232) | (115) | 1.274 | 1.271 |

Share price: **\$226,85**  
Update 16/02

## Model Assumption

| DCF                 | Conservative | Base       | Optimistic |
|---------------------|--------------|------------|------------|
| WACC                | 6,9%         | 6,4%       | 5,9%       |
| TGR                 | 3,2%         | 3,7%       | 4,2%       |
| Implied share price | \$177,52     | \$249,17   | \$307,98   |
| Upside (Downside)   | <b>(22%)</b> | <b>10%</b> | <b>36%</b> |

- Carbon credit Tax 45Q
- Activity in M&A increasing Revenue from commodities
- High Volatility in the Energy Market
- Geopolitical assessment, restore supply chain





# Final Recommendation



Air Products: Be wary when the wind shifts

## Summary

### Business Outlook

- Short-term obstacles as AP faces China Slowdown and decreased gas demand
- Successful carbon capture project can set AP up for solid long-term growth

### Risks

- Pressure on US Energy Sector leads to lower cashflows for longer
- Delays in Carbon Project pose significant risk in the long-term

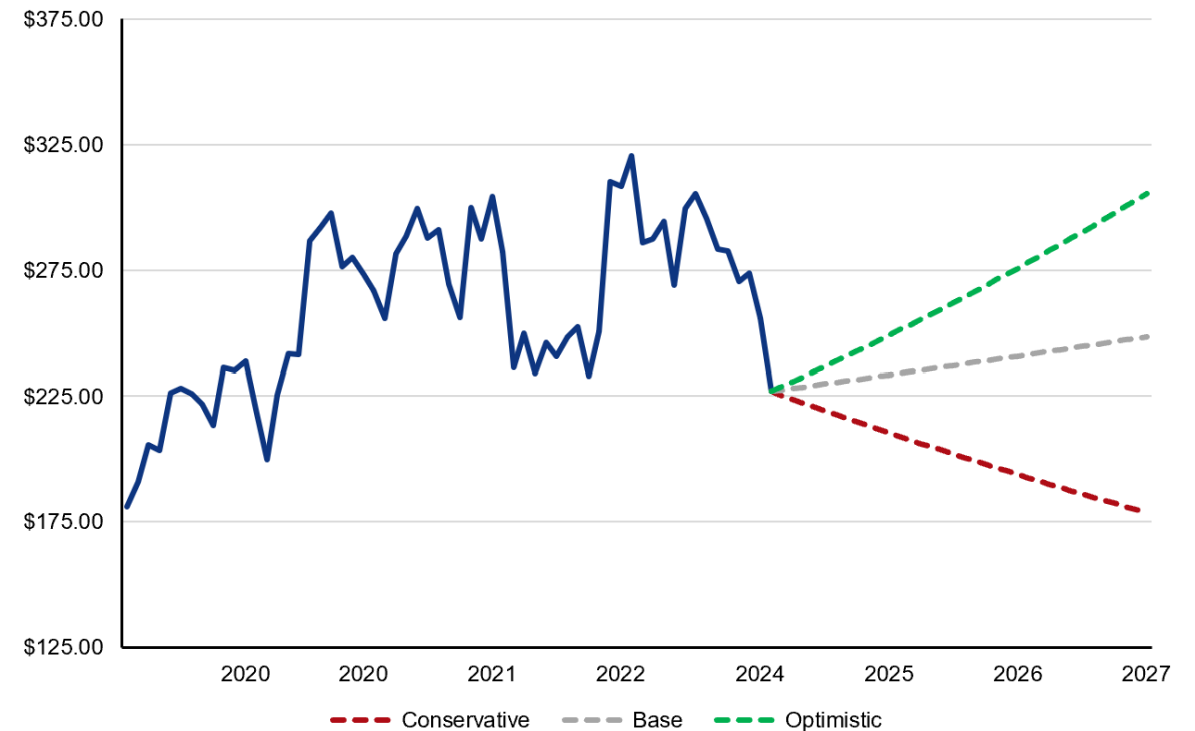
## Final Recommendation:

We recommend to **Hold** in the Short-Term **but:**

- Closely monitor the development of US Energy sector
- **Sell** if stock price drops below \$200

## Price Forecast

- Implied Return ranges from **-22%** to **+36%**

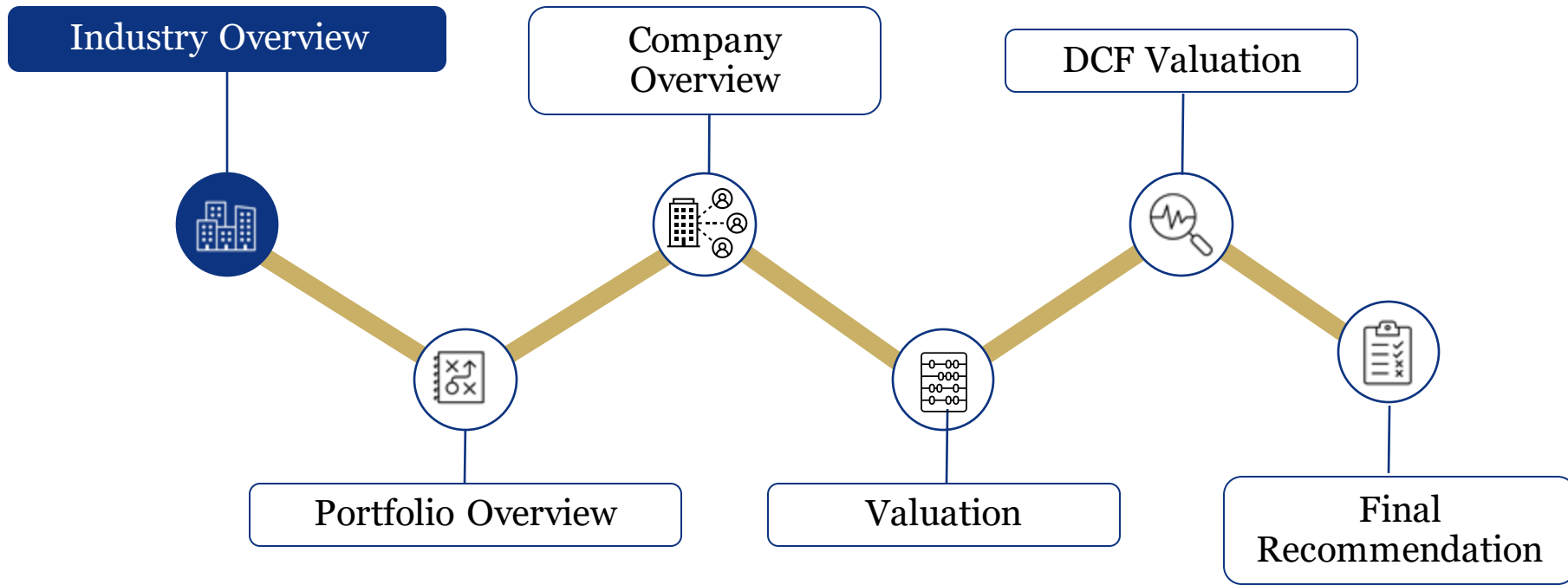




Technology, Media & Telecom

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**Σ**igma  
Investments



# Industry Overview

Market synthesis for the Technology, Media and Telecom sector



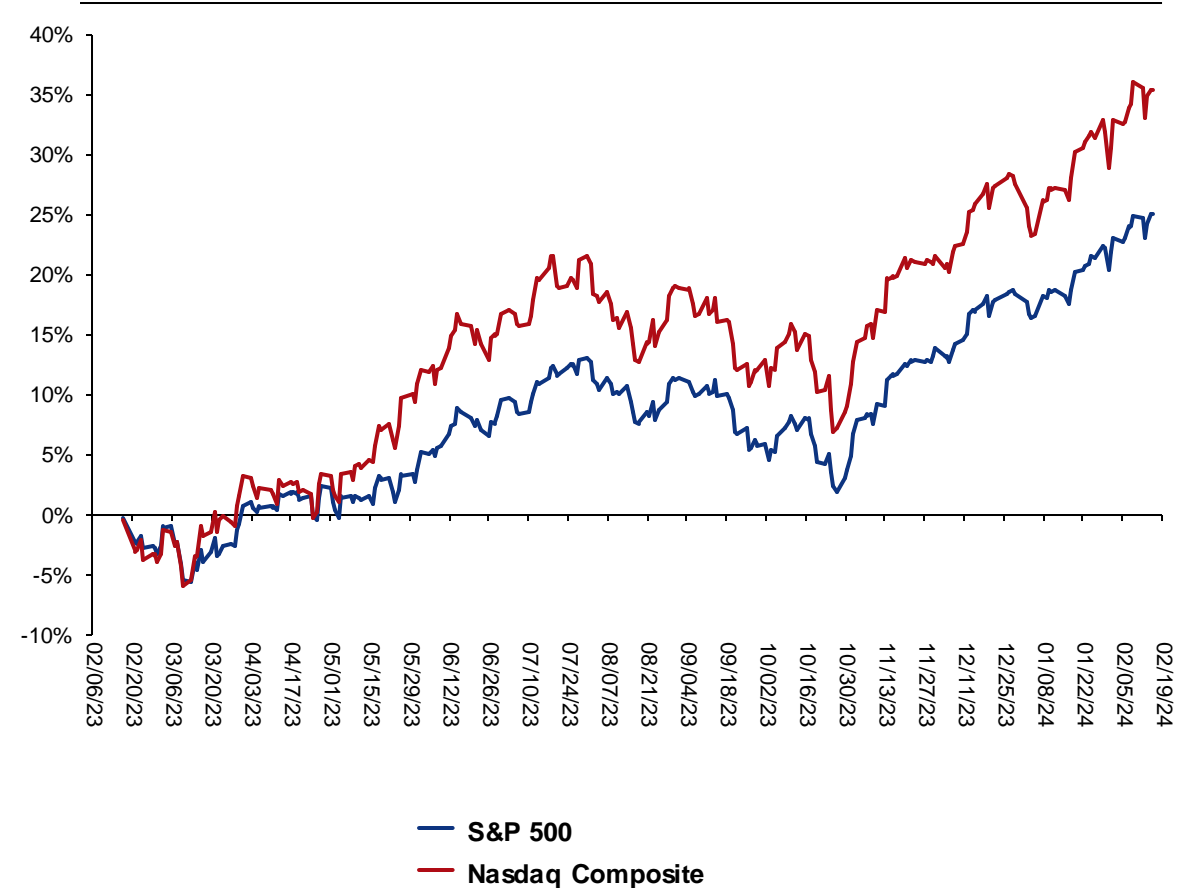
## Industry performance

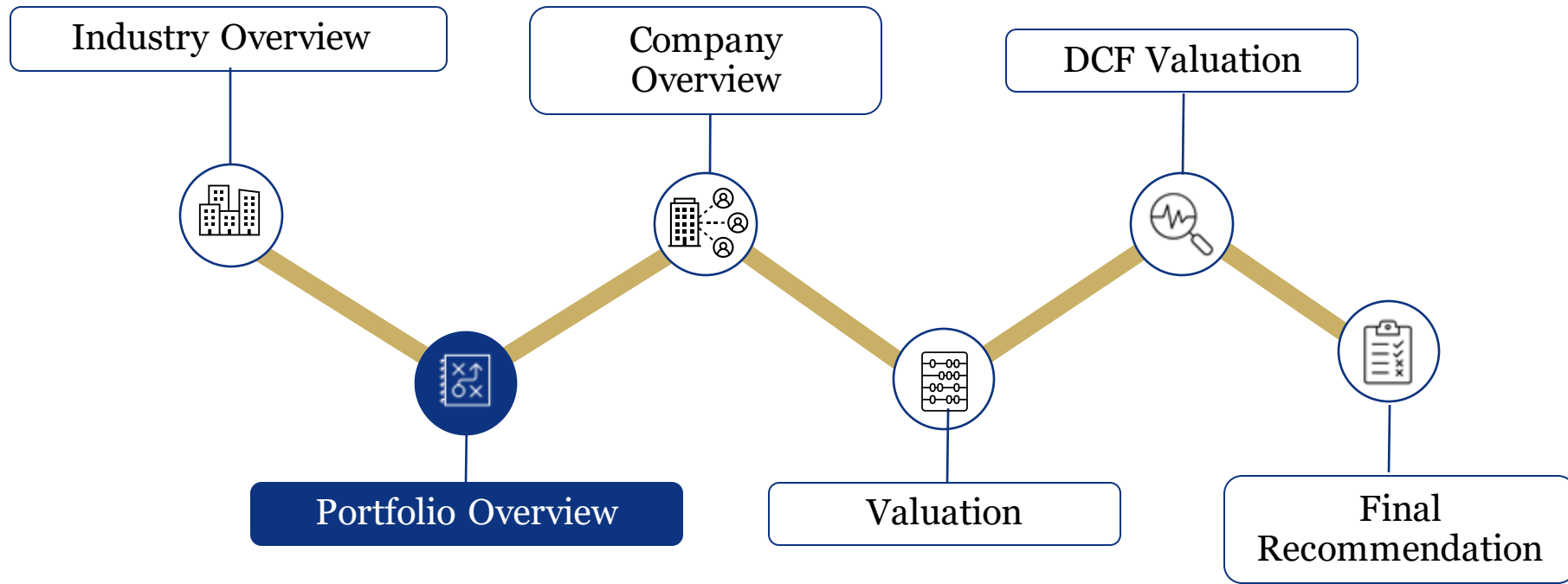
- 1 Year Performance of 34.15% compared to 24.37% S&P 500
- 'Magnificent 7' significantly contribute to momentum
- Valuations are driven by high future earnings expectations in connection with future AI enabled efficiencies
- Cloud, AI and cybersecurity are expected to enable significant growth

## Our Exposures and Strategies:

- **Uncertainty Factors:** Economic situation, government policies
- **Strategy:** Hold

Total Return comparison





# News Overview (3M)



 **Meta**

+41.63%

- Company announced first dividend in its history
- Dividend of US\$ 0.50 per share (Class A and B)

  
Technologies

+14.42%

- Extension of Nokia partnership, to advance cloud network transformation and 5G

**ASML**

+40.07%

- 2024 will be a transition year with no growth in revenue

**Tencent 腾讯**

-10.16%

- Economic uncertainty and slower growth in China

**NETFLIX**

+25.06%

- Strong Q4 results and largest ever fourth quarter subscription growth

**Lenovo**

-13.07%

- Revealed AI computer portfolio & partnership with Anaconda
- Shares fell after intel flagged a tepid sales outlook



+20.30%

- Announced € 2bn job restructuring program Q1&Q2 2024

- Deutsche Telekom: +2.92%
- Sony: +2.04%

# Portfolio Overview

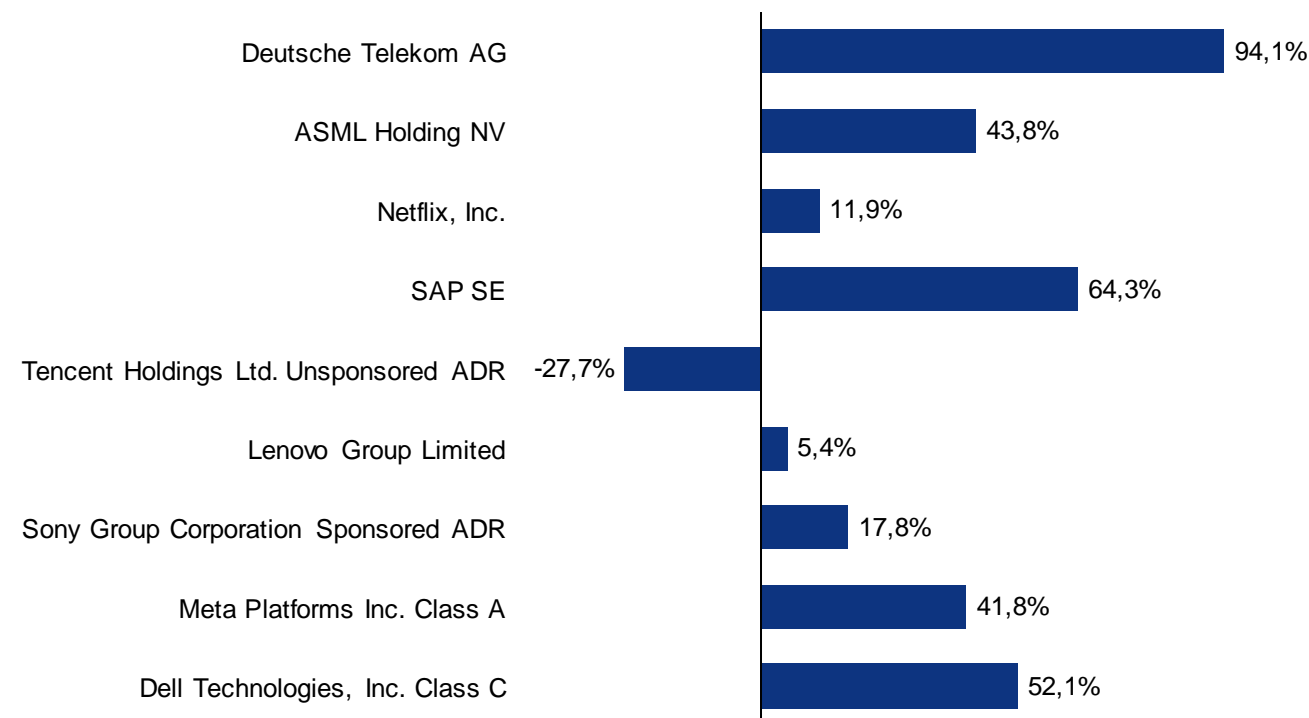


Strong total return numbers of TMT stocks

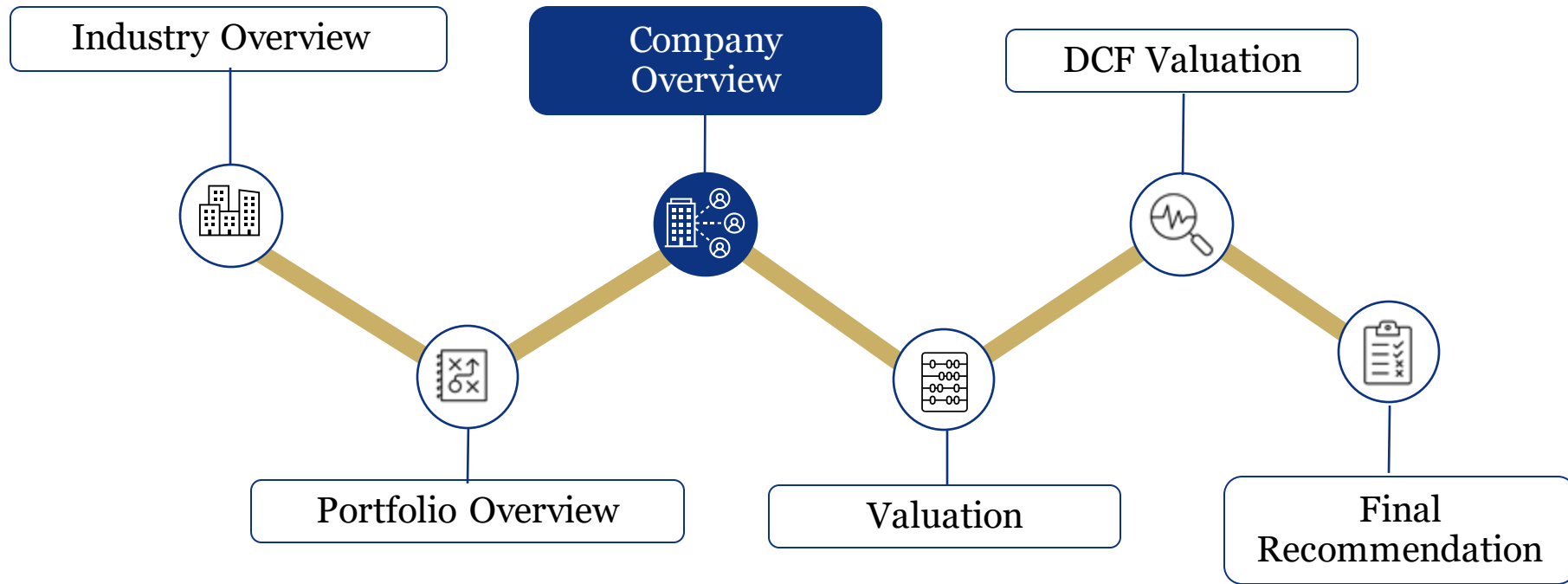
## Sentiment / Rationale

- Outlook: Deloitte announces stable growth projections for the Tech sector in general for 2024
- Research reports announce Increasing Importance of AI applications until now and also in future
- Continuous upwards trend in cloud services
- Strict Chinese regulations can drastically harm growth, see Tencent
- Decrease in 5G investments -> important for Deutsche Telekom perspective

## Total return TMT



Note: Total return







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**Σigma**  
Investments

# Company Overview



SAP: World leader in Cloud solutions

## Profile of SAP

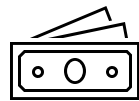
- German company and market leader in enterprise application software for SMEs and large corporations
- SAP launched several new Business AI feature in 2023
- #1 in Down Jones Sustainability index
- Price up 61% since buy-in back in February 2021
- Currency adjusted operating profit expected to increase 17%-21%
- Cloud revenue up 20% YoY with over 280M subscribers
- Ongoing Share repurchase program for a volume of up to € 5B and a term until December 31<sup>st</sup>, 2025



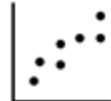
Market Cap  
\$ 207.5 (B)



Current Price  
\$177.82



P/E Ratio  
26.67

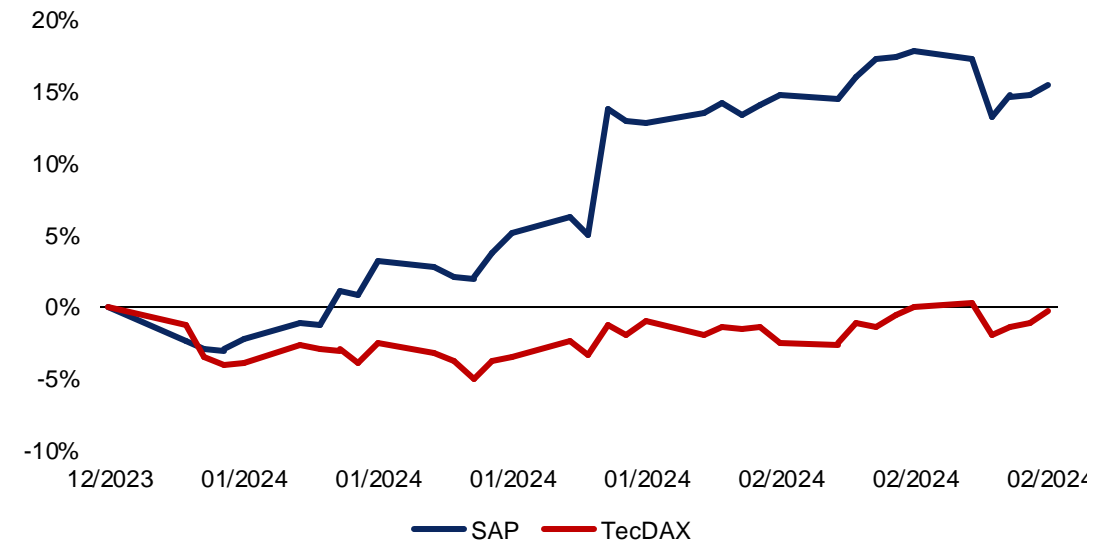


52 Week Beta  
0.67



Current Ratio  
1.2

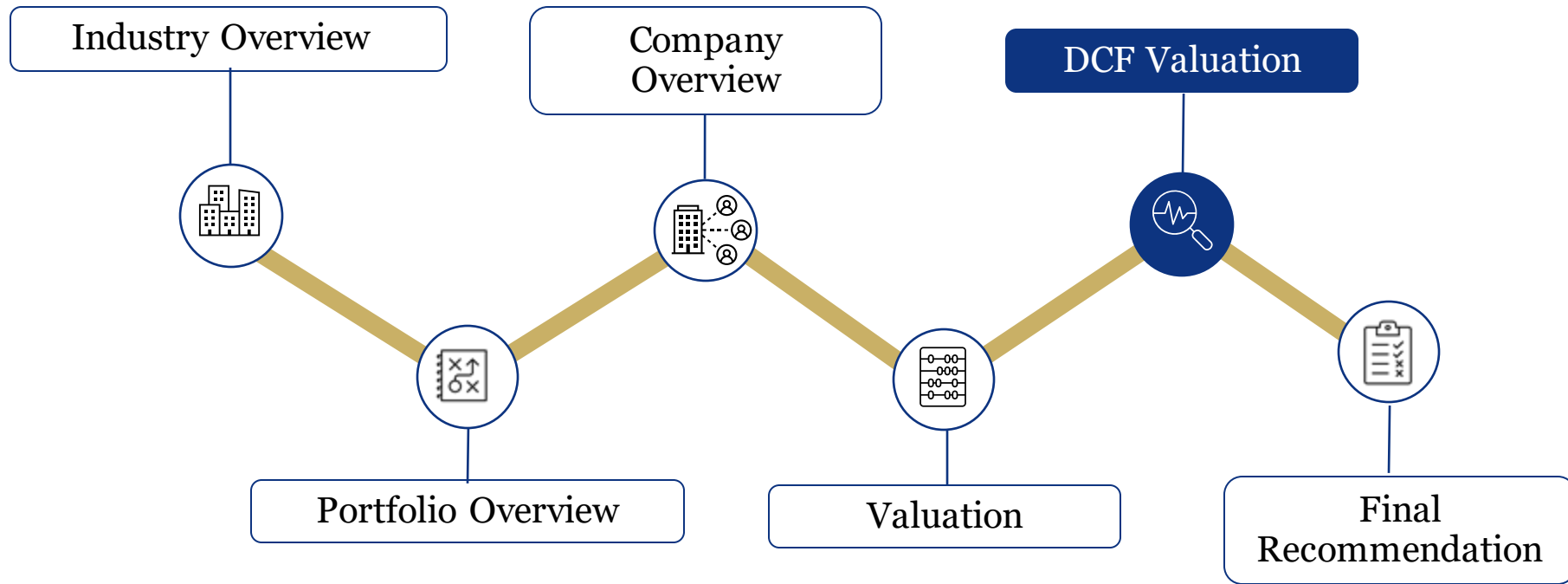
## Share Price Development



- Target price: \$ 128.00 (2021)
- Current price: \$ 177.82

- YTD SAP: +15.41%
- YTD Tec DAX: -0.4%

-> 32% over target price



# WACC Estimation



WACC SAP

|              |     |
|--------------|-----|
| Debt         | 9   |
| % Debt       | 4%  |
| Cost of Debt | 10% |
| Tax Rate     | 33% |

|                     |       |
|---------------------|-------|
| Equity Value        | 227   |
| % Equity            | 96%   |
| Cost of Equity      | 8.4%  |
| Risk Free Rate      | 4.27% |
| Beta                | 0.97  |
| Market Risk Premium | 4.6%  |

## Key Considerations

- Tax Rate from 20F Statement
- In line with Street estimates

## Cost of Capital

8.7%

# Free Cash Flow KPI's



Sufficiently strong outlook for SAP

| DCF                 |              | 2020 | 2021 | 2022 | 2023 | 2024   | 2025   | 2026   | 2027  |
|---------------------|--------------|------|------|------|------|--------|--------|--------|-------|
| Revenue<br>% growth | Conservative |      |      |      |      | 8.8 %  | 7.6 %  | 6.4 %  | 5 %   |
|                     | Base         | 1 %  | 6 %  | -1 % | 4 %  | 9.8 %  | 9.6 %  | 9.4 %  | 8.5 % |
|                     | Optimistic   |      |      |      |      | 10.8 % | 10.8 % | 10.4 % | 10 %  |

|                    |              |      |      |      |      |      |        |      |      |
|--------------------|--------------|------|------|------|------|------|--------|------|------|
| EBIT<br>% of sales | Conservative |      |      |      |      | 22 % | 22.5 % | 23 % | 23 % |
|                    | Base         | 20 % | 26 % | 19 % | 20 % | 23 % | 23.5 % | 24 % | 24 % |
|                    | Optimistic   |      |      |      |      | 24 % | 24.5 % | 25 % | 25 % |

# Share Price



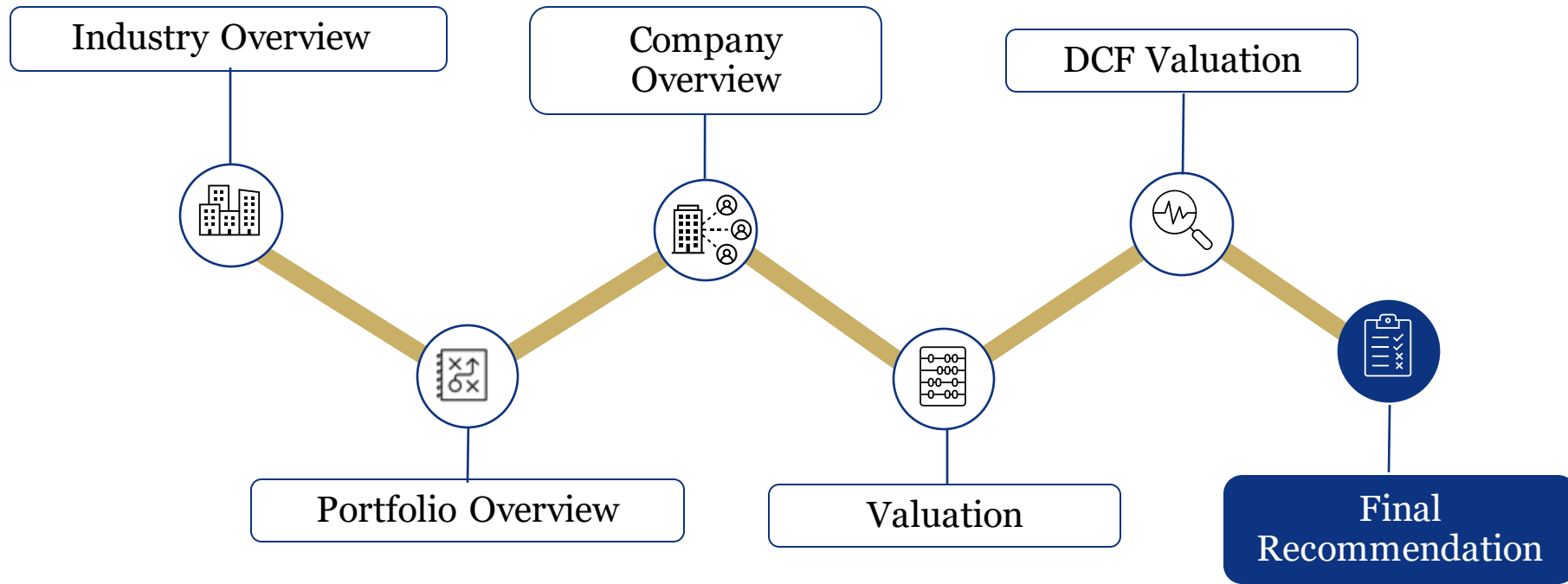
Strong revenue outlook for SAP

| DCF                 | Conservative | Base      | Optimistic |
|---------------------|--------------|-----------|------------|
| WACC                | 9.7%         | 8.7%      | 8.2%       |
| TGR                 | 2.0%         | 2.5%      | 3.0%       |
| Implied share price | \$126.06     | 188.30\$  | \$243.53   |
| Upside (Downside)   | <b>(28)%</b> | <b>8%</b> | <b>39%</b> |

## Model Comments

- Revenue assumptions depends mainly on cloud-based activities
- Strong Market outlook for Cloud solutions

|      |           | TGR   |       |       |       |       |       |       |
|------|-----------|-------|-------|-------|-------|-------|-------|-------|
|      |           | 1,75% | 2,00% | 2,25% | 2,50% | 2,75% | 3,00% | 3,25% |
| WACC | \$ 188,30 |       |       |       |       |       |       |       |
|      | 7,50%     | 216,8 | 223,1 | 230,1 | 237,8 | 246,2 | 255,6 | 266,1 |
|      | 7,90%     | 200,8 | 206,1 | 211,9 | 218,2 | 225,2 | 232,8 | 241,3 |
|      | 8,30%     | 186,8 | 191,3 | 196,1 | 201,4 | 207,2 | 213,5 | 220,4 |
|      | 8,70%     | 174,4 | 178,3 | 182,4 | 186,8 | 191,7 | 196,9 | 202,7 |
|      | 9,10%     | 163,5 | 166,8 | 170,3 | 174,1 | 178,2 | 182,6 | 187,4 |
|      | 9,50%     | 153,7 | 156,5 | 159,6 | 162,8 | 166,3 | 170,0 | 174,1 |
|      | 9,90%     | 144,9 | 147,4 | 150,0 | 152,8 | 155,8 | 159,0 | 162,4 |



# Final Recommendation



Holding the Future of ERP

## Summary

### Business Outlook

- Increase in adaptation of SAP cloud technologies
- Integration of SAP application services in the telecom sector
- Market leader

### Risks

- High cost of SAP application services may affect market growth

## Final Recommendation:

We recommend to **Hold**:

- Strictly monitor future revenue estimates as there are a main driver of the model
- Dominates peers in comps valuation
- Highest market cap pares with healthy and competitive multiples

## Price Forecast





# Attendance and Voting!



Attendance



Voting

