

Multi-Sector Holdings, Sweden

Industrivärden

Worth holding in a weak market

- NAV declined by 17% in Q1, but outperformed the market by 1 p.p.
- Low gearing provides security and opportunity
- Target price down to SEK 220 (250); reiterate HOLD

Still room to manoeuvre

We estimate that Industrivärden's gearing (net-debt-to-total-assets) is now 5%. Given the target of 0-10%, we calculate that Industrivärden has available capital of around SEK 4.9bn and is well placed to deal with challenges and seize any emerging opportunities. Having reviewed the portfolio, we continue to believe this is a share that will withstand a weaker global economy. We stick to HOLD, but lower our target price to SEK 220 (250).

Q1 in a nutshell

At the end of the quarter, Industrivärden's NAV was SEK 216 per share. This represents a 17% decline, including reinvested dividends, outperforming the total Return Index (SIXPRX) by 1 p.p. The outperformance is mainly attributable to holdings in SCA, Essity and Ericsson. During the quarter, Industrivärden invested a total of SEK 662m, of which 51% went into SCA and 49% to Sandvik. Due to uncertainty caused by the COVID-19 outbreak, the board decided to withdraw its dividend proposal, in line with many of its holdings. However, if circumstances change, an extra general meeting may be held this autumn to decide on a dividend.

Weather the storm

On our estimates, Industrivärden's NAV per share is currently SEK 211, which implies that the share is trading at a 4.5% discount to NAV on yesterday's closing, somewhat below its three-year average of 12%. We note that only a week ago the discount was 11%, so there is no denying the high market volatility. Yet, with its low gearing, we believe this is a share worth holding in case market conditions deteriorate further.

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[Company page on Handelsbanken's REON](#)

SEKm	Value	Value per share (SEK)
Total assets	96 751	222.3
Net cash/debt	-4 802	-11.0
Net asset value (NAV)	91 949	211.3
Discount C-shares (%)		4.5
Discount A-shares (%)		3.7
Net debt/assets ratio (%)		-5.0
SEK	2019	2020e
Dividend per share	0.00	6.25
Yield (%)	0.0	3.1

Source: Handelsbanken Capital Markets

Target price change



Sell



HOLD



Buy

Results Comment Q1 2020

April 07, 2020, 16:41 CET

Share price (SEK) Apr 07, 15:29 CET	211.3
Market cap (EURm)	8,386
Market cap (SEKm)	91,960
No of shares (m)	435
Free float (%)	58.3
Avg daily volume ('000)	794
Avg daily value (EURm)	15
Bloomberg	INDUC SS
Reuters	INDUC.ST

Web address:	Link to company website
IR web address:	Link to IR website

12m target return

Target price, inc. div. (SEK)	220
Expected total return (%)	4.1
Expected total dividend yield (%)	2.8

2020-04-07	Votes (%)	Capital (%)
Lundbergs related	29.2	20.3
Handelsbanken related	26.5	17.3
SCA related	12.6	8.3
Robur	1.8	3.3
Vanguard	1.8	2.1
Number of A-shares (m)		167.0
Number of C-shares (m)		167.0
Total number of shares (m)		435.2
Free float (%)		50.0

Absolute and relative performance



Share performance (%)	-1m	-3m	-12m
Absolute:	-3.7	-8.0	2.5
Absolute EUR:	-7.0	-11.7	-2.5
Relative DJStoxx:	8.4	18.0	21.4
52w range (SEK):		253.3 / 169.3	

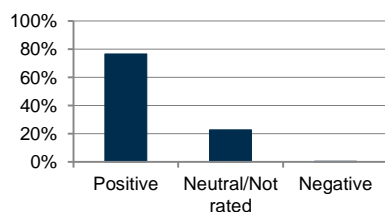
Source: FactSet

Table 1: Portfolio

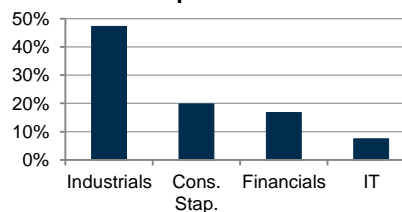
SEKm	Rec	Sector	Value	Weight	Interest (%)		/share
				(%)	cap.	votes	
Sandvik	Buy	Industrials	21 855	22.6	12.6	12.6	50.2
SHB	Hold*	Financials	16 212	16.8	10.2	10.4	37.3
Volvo A	Buy	Industrials	18 676	19.3	6.7	22.0	42.9
Volvo B	Buy	Industrials	436	0.5	0.2	0.2	1.0
SCA A	Buy	Materials	3 284	3.4	9.5	29.7	7.5
SCA B	Buy	Materials	3 684	3.8			8.5
ESSITY A	Acc*	Cons. Stap.	9 758	10.1	9.5	29.8	22.4
ESSITY B	Acc*	Cons. Stap.	9 410	9.7			21.6
SSAB A	Hold	Materials	964	1.0	11.4	18.2	2.2
SSAB B	Hold	Materials	0	0.0			0.0
Ericsson A	Buy	IT	7 164	7.4	2.6	15.1	16.5
Skanska	Hold	Industrials	4 854	5.0	6.9	23.9	11.2
Other assets			454	0.5			1.0
Total assets			96 751	100.0			222.3
Net Cash/Debt			-4 802	-5.0			-11.0
Net asset value (NAV)			91 949				211.3

* Consensus estimates

Portfolio view

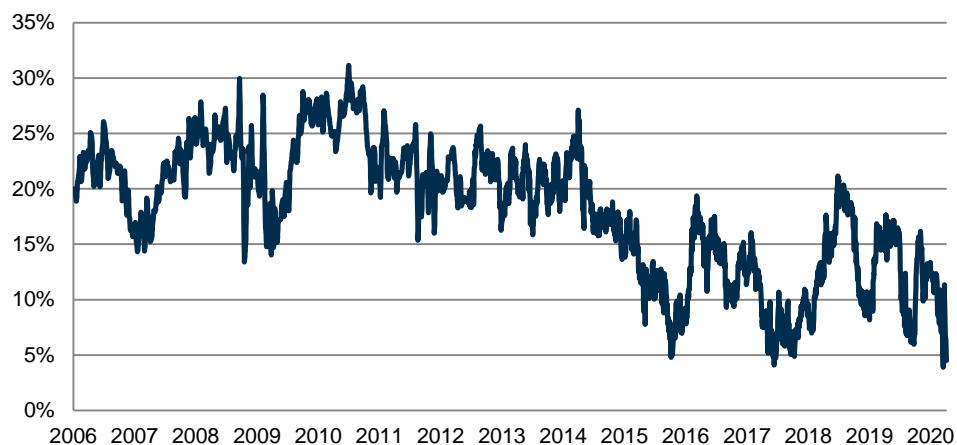


Portfolio composition



Source: Handelsbanken Capital Markets

Figure 1: Discount history



Source: Handelsbanken Capital Markets

Ownership structure

2020-04-07	Votes (%)	Capital (%)
Lundbergs related	29.2	20.3
Handelsbanken related	26.5	17.3
SCA related	12.6	8.3
Robur	1.8	3.3
Vanguard	1.8	2.1
Number of A-shares (m)		167.0
Number of C-shares (m)		167.0
Total number of shares (m)		435.2
Free float (%)		50.0

Source: Handelsbanken Capital Markets

Investment case summary

Attractive for the long-term investor

Industrivärden offers exposure to a listed and geared portfolio that is relatively cyclical. A majority of the holdings have a clear international presence benefiting from global growth.

Good play on improving macro

In our view, Industrivärden should outperform the sector and the OMXS30 index as global growth improves, given the geared and relatively cyclical portfolio.

Core holdings make for rather static portfolio

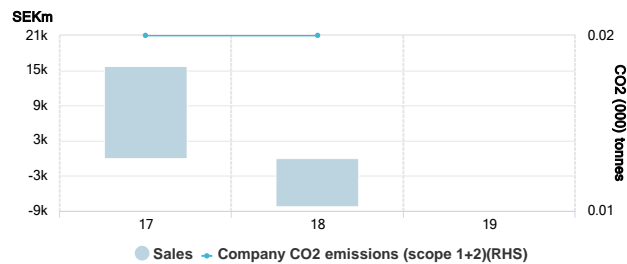
Industrivärden's control structure confines its flexibility in terms of portfolio alterations. This may limit manoeuvrability to seize growth opportunities in new sectors

Source: Handelsbanken Capital Markets

Dividend (ordinary) and 10-year bond yield %



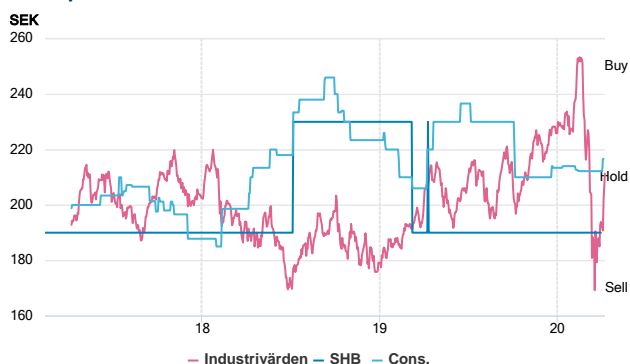
ESG analysis, environmental



Source: Company data, Handelsbanken Capital Markets

Momentum

Share price and recommendation



Target and share price



Source: Handelsbanken Capital Markets and FactSet

Opportunities

- Industrivärden offers exposure to a number of international blue-chip companies
- Holdings are spread across a number of sectors, so the portfolio is well diversified

Source: Handelsbanken Capital Markets

Risks

- Exposure to general stock market volatility
- Cyclical portfolio with gearing

Source: Handelsbanken Capital Markets

Peer group valuation

	CCY	Price (SEK)	Mcap (EURm)	Tot. div. yield (%)
				2020e
Bure	SEK	160	1,010	1.7
Eastnine	SEK	105	213	2.7
Industrivärden	SEK	211	8,386	2.8
Investor	SEK	454	31,515	3.3
Kinnevik	SEK	174	4,385	0
Latour	SEK	142	8,309	1.9
Lundbergs	SEK	404	9,132	0.9
Ratos	SEK	21.1	613	11.5
Svolder*	SEK	95.7	223	2.3
Öresund	SEK	100	415	6.6
Average		184		3.4
Median		142		2.5
Average excl. Bure		187		3.6
Median excl. Bure		124		2.7

Source: Handelsbanken Capital Markets and FactSet

Per share data

m	2015	2016	2017	2018	2019	2020e	2021e	2022e
Nr of shares, year-end	395.7	435.2	435.2	435.2	435.2	435.2	435.2	435.2
Nr of shares, average	462.7	415.5	435.2	435.2	435.2	435.2	435.2	435.2
DPS - ordinary (SEK)	5.0	5.3	5.5	5.8	-	6.0	6.3	6.5

Source: Handelsbanken Capital Markets

Management

CEO	Helena Stjernholm
CFO	Martin Hamner
IR	Sverker Sival
Phone number	+46 666 64 00

Company profile

Industrivärden is one of the largest investment companies in the Nordic region. It aims to be a long-term owner of a concentrated portfolio of Nordic listed companies.

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HCM rating	R _{TP} is expected to be ¹	HCM Universe ²	IB services ³
Buy	above 10%	49%	11%
Hold	between 0% and +10%	36%	20%
Sell	below 0%	16%	16%

¹ R_{TP} is defined as the expected share price appreciation or depreciation including dividends over the next 12 months

² Percentage of companies under coverage within each recommendation

³ Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

Source: Handelsbanken Capital Markets, as per 7/4 2020

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Industrivärden

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Apr 07, 2020:

Industrivärden

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On 2019-04-11 the recommendation Accumulate, which was set on 2019-04-10 at the share price of SEK 212, was changed to the current recommendation Hold at a share price of SEK 212.

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