CREDIT SUISSE

First Edition
Summary Europe: 1 June,2021

1 June 2021
Credit Suisse Europe Product Marketing

Themes

Estimates/Target Price Changes

Company Updates

Industry Updates

Product Marketing | Product Marketing Theme

28 May 2021

Top of the Charts - A review of the week's best reads

In this weekly report, we seek to zoom in on the most read reports published by the Securities Research department in the EMEA region, while highlighting the most insightful chart from each report.

Sectors and stocks covered this week include: European Online Takeaway, Standard Life Aberdeen, easyJet, Royal Dutch Shell, Kuehne+Nagel.

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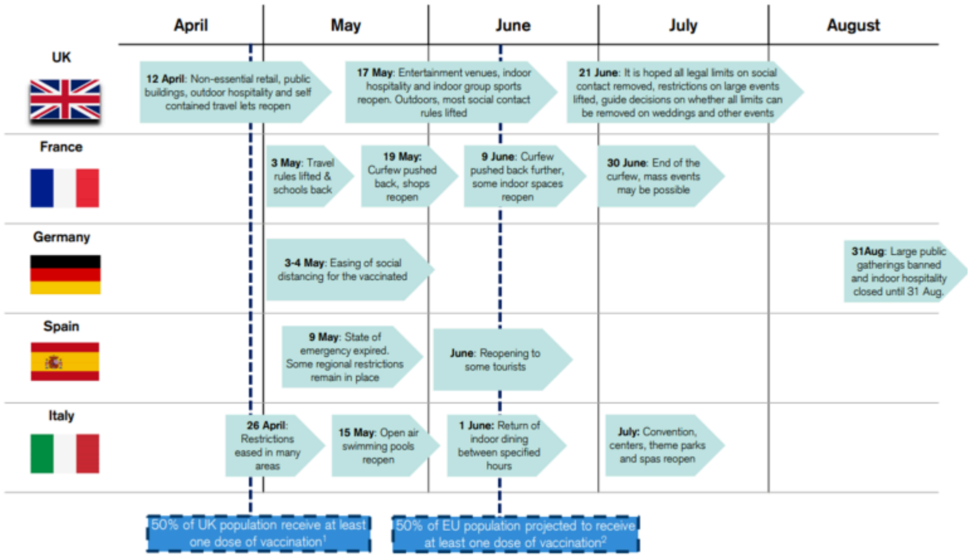
State of play: Possible reopening roadmaps across Europe



Note: As of 11 May 2021; 1.) Our World in Data 2) CS European Pharma Team research projections (16 Apr 2021)

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Credit Suisse Events, May/June 2021

Conferences

- **Chemicals & Agriculture, Packaging & Cement Series – Jun 2-3**
- **China Renewable Day – Jun 3-4**
- **Asia Consumer Virtual Conference – Jun 2-4**
- **2021 HOLT Conference – Jun 7-10**

Expert and roadshow events

- **ASCO 2021 Expert Call Series: Breast – Weds 9 June 15:00 (BST)**
- **ASCO 2021 Expert Call Series: Lung – Weds 9 June 16:30 (BST)**
- **Group call and Q&A with S4 Capital Executive Chairman Sir Martin Sorrell – Thurs 10 June 14:30 (BST)**
- **ASCO 2021 Expert Call Series: Prostate – Thurs 10 June 14:30 (BST)**

Full Report

Date of Production: 28-May-2021 16:59:02 UTC Date of Dissemination: 28-May-2021 17:08:33 UTC

CREDIT SUISSE

ESTIMATES/TARGET PRICE CHANGES

Home Entertainment Software | Decrease Target Price

01 June 2021

CD Projekt SA [CDR.WA]

Q1 21: significant miss. All eyes on timing of restoration to Sony Playstation store

UNDERPERFORM

Rating	UNDERPERFORM
Price (31 May 21, zł)	168.74
Target price (zł)	(from 155.00) 140.00
Market Cap (zł m)	16,998.7
Enterprise value (zł m)	15,998.6

Target price is for 12 months.

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- **Q1 21 missed consensus expectations significantly. Reducing FY21 estimates**. Q1 21 sales were far lower than we or consensus expected, on weaker sales for Cyberpunk. Total sales were zl197.6m, 42% below VA cons. of zl340m and 37% lower than CSe. We think this implies c.0.7-0.8m Cyberpunk units vs cons and CSe c.1.3m, although neither units nor the ASP were disclosed. Operating profit was zl43.2m, 76% below VA cons. and 72% below CSe and -56% yoy. For FY21 we now assume c.7m units for Cyberpunk, down from 8.6m. Our FY21E revenue is reduced by 13.8% and FY22E by 4.3%. FY21E operating profit is reduced by 19.9% and FY22E by 8.5%. FY21E EPS is reduced by 19.1% and FY22E by 8.0%. Our TP falls to zl140 from zl155 and we maintain our Underperform rating.
- **All eyes on timing of restoration to Sony Playstation store**. Playstation removed Cyberpunk in late December 2020 due to poor quality. Since the company patched the game, lowering the crash rate and reducing the number of bugs it has been in discussion with Sony about restoring the game, as well as with Microsoft about withdrawing a warning message (although the game can still be purchased on X-Box). Back in 2019 c.25-30% of overall sales used to come from Playstation (c.47% from all consoles) so coming back to the store could add a few hundred thousand units per quarter. Despite poor Q1 results downside could be tempered by an expectation restoration to the store is close. Such an announcement is likely to have a positive (if temporary) impact on the share price.
- **Catalysts** lower than expected sales for Cyberpunk, failure to restore Cyberpunk to the PlayStation Store, longer development cycles for new games. **Risks to our rating:** Faster than expected restoration to the Sony store, success the Spokko's mobile game or M&A.
- **Valuation**: Our TP is based on a DCF using a WACC of 10% and terminal growth of 3%. Based on our new estimates the FY22E P/E is 28.8x, a premium of c.25% to the peer average, which we believe is not justified by the uncertainty on Cyberpunk and the low number of franchises the company owns.

Full Report

Date of Production: 31-May-2021 20:41:52 UTC Date of Dissemination: 01-Jun-2021 03:01:14 UTC

Bodycote Plc [BOY.L]
Well set-up for on a multi-year recovery path

OUTPERFORM

Rating	OUTPERFORM
Price (27 May 21, p)	860.00
Target price (p)	(from 820.00) 920.00
Market Cap (£ m)	1,609.3
Enterprise value (£ m)	1,647.5

Target price is for 12 months.

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- **Raising estimates slightly, TP up to 920p.** We increase our EPS estimates by c1% on average across 2021-2023 given a slightly better-than-expected start to 2021 and continuing recovery trends and raise our TP to 920p (from 820p) to reflect rolled-forward DCF valuation. We continue to see an attractive investment story in Bodycote based on near-term recovery in its key end-markets such as short-cycle Automotive and General Industrial but also increasingly prominent scope for Civil Aerospace recovery that we expect to drive further healthy double-digit earnings growth in 2022. We believe Bodycote created a structurally better track record over the last downturn with profitability troughing out at 12.6% in 2020 (vs <1% in 2009), which warrants re-rating. Reiterate Outperform.
- **Estimates drivers.** We expect continuation of positive momentum in Automotive and General Industrial Division with a recovery to within 3% of 2019 level in 2021 (c8% off peak 2018 level) and fully to 2019 level in 2022. For Aerospace, Defence and Energy, we forecast a relatively muted recovery in H2 2021, leaving our FY21 revenue estimate c20% below 2019 level but expect 10% pa growth over subsequent two years with recovery to 2019 level in 2023. We see some upside to our ADE estimates based on experience of internal travel recovery in China and recently in the US but see current inventory levels across the value chain (OEMs and suppliers) as the key uncertainty. At operating profit level, we forecast underlying operational gearing of 50%, which is boosted further by a positive balance of cost savings (£20m in 2021 and £10m in 2022) vs rising discretionary costs and variable remuneration (c£18m in 2021 and £3m in 2022).
- **Valuation.** Bodycote is the cheapest short-cycle stock in Europe under our coverage, trading on 2022E P/E of 17.5x and EV/EBIT of 12.8x, representing an average discount of c25% to its Pan-European Short-Cycle and UK Industrials peer groups.
- **Catalysts.** H1 results July 2021, monthly data points on industrial and civil aerospace markets. Risks. Pandemic resurgence impacting air travel; component shortages and other supply chain constraints limiting customers' build rates; execution on volumes ramp-up.

Full Report

Date of Production: 28-May-2021 15:03:34 UTC Date of Dissemination: 01-Jun-2021 03:00:13 UTC

Logitech [LOGN.S]
Long-term solid demand

OUTPERFORM

Rating	OUTPERFORM
Price (28 May 21, SFr)	110.80
Target price (SFr)	(from 121.00) 133.00
Market Cap (SFr m)	19,180.2
Enterprise value (SFr m)	17,483.6

Target price is for 12 months.

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- **Outperform – demanding base does not drag down:** Logitech faces a tough year-on-year comparison in FY22 as its business surged last year. But the company expects flat revenue in FY22 at the midpoint of its guidance range (+/-5%). Logitech even has raised its FY22 guidance by about 7% with its FY21 earnings release as Logitech reiterated its FY22 guidance despite the better performance in FY21 than initially guided. Importantly for us, the FY21 revenue gains will not disappear and furthermore management continues to expect long-term revenue growth between 8% and 10%, thanks to several secular growth trends such as 1) working from anywhere, 2) transition from audio to video, 3) increasing custom content creation, and 4) moving from niche to mainstream in gaming. Third-party research reports also point to this, forecasting growth between 8-20% in various product areas over the next four to six years. We have raised our forecast (FY2022-23) by 8% in revenue and cautiously by 3% in non-GAAP EBIT, driven by increasing post-pandemic promotions and higher marketing spend. As the year progresses, as in the past (guiding low and overdelivering), operating profit may be better than expected. Logitech thus remains a solid growth stock. In combination with the rollover (DCF), we raise our price target by 10% to SFr 133.
- **Ongoing positive market news flow:** In addition to the confident market forecasts that are currently being published on an ongoing basis (IDC is reportedly planning a new report on PC peripherals), Q1 calendar results in the industry were also convincing, mostly in combination with a guidance increase (including Corsair, Poly between the lines and Best Buy).
- **Catalysts and Risks:** 1Q22 between mid and end of July. Possibility that Logitech may be included in the SMI in September. Active share buy back. Risks - pandemic effect only partially compensated by structural demand and major FX volatility
- **Valuation:** We value Logitech at SFr133 per share using the DCF methodology.

Full Report

Date of Production: 31-May-2021 06:47:16 UTC Date of Dissemination: 01-Jun-2021 04:00:55 UTC

Construction Materials | Top Picks

01 June 2021

Taylor Wimpey [TW.L]

Recent underperformance provides an entry opportunity

OUTPERFORM

Rating	OUTPERFORM
Price (28 May 21, p)	171.40
Target price (p)	212.00
Market Cap (£ m)	6,249.3
Enterprise value (£ m)	5,731.3

Target price is for 12 months.

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- TW has underperformed the sector by 10% since its mid-April peak, something we believe stems from perceived risks around both build cost inflation and cladding remediation costs. TW remains our top pick and our unchanged TP of 212p implies 27% potential upside. We expect the stock to outperform in the near term, as these concerns prove misplaced.
- **We think sector wide build cost risk is lower than it's perceived to be, and TW risk is now no higher than average:** Accelerating inflation reported by suppliers through Q1 has resulted in concerns over housebuilding margins, despite builders reporting being relaxed, saying that while build cost inflation has increased YTD (to c.3%), so has HPI (to c.4%). Last time we saw a price/cost headwind was in 2019, when HPI was c.0%, cost inflation was low single digit and TW's margin fared worse than average. In our view, TW's 2019 experience was exacerbated by its LFL volume driven strategy, which we think led to both underperformance on price and extra cost pressure. Given that this is no longer the strategy, we see margin risk as no higher than average.
- **Large cladding provision reflects prudence, rather than higher risk:** TW sold off last week on a news story claiming fire safety costs may not be covered by its £165m provision. While this subject is complicated, and likely to remain an overhang for the sector for some time, in our view, TW appears to have taken a prudent stance in its provisioning to date.
- **Catalysts:** We expect build cost inflation to remain manageable, particularly given that we remain positive on the HPI outlook. **Risks include:** a material slowing in HPI/inc. in cost.
- **On our estimates, the stock now trades at 1.5x 2021 p/tNAV (vs. the sector on 1.8x)** and is the cheapest stock in the sector on '22E EV/EBIT on just 6.5x (sector: 8.8x). We view these discounts as unjustified, given that a) we see the risk to ests as weighted to the upside, for both TW and the sector, b) we forecast higher than average earnings growth for TW post '22, as recent spend starts to filter through to growth (11% in 23 vs. an av of 7%) and we forecast higher than average RotNAV (15% vs. 14% for the sector in '21).

Full Report

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Gjensidige Fors [GJES.OL]

Recent share-price performance despite strong results presents attractive buying opportunity

OUTPERFORM

Rating	OUTPERFORM
Price (27 May 21, Nkr)	191.20
Target price (Nkr)	216.00
Market Cap (Nkr m)	95,600.0

Target price is for 12 months.

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- We reiterate our Outperform rating following the recent pullback in Gjensidige's share price. We think any M&A concern is overdone and we still expect positive earnings momentum to continue given pricing looks to be materially ahead of claims inflation in key lines. We also believe it is a key play on inflation in the insurance sector given its very strong pricing power.
- **Underlying improvements set to continue and soft comps in 2Q:** We calculate earned premium growth (proxy for pricing) as materially ahead of claims inflation guidance in its key lines of private motor and private property. We thus expect attritional loss ratio improvements to continue and highlight soft comps in 2Q20 which saw no attritional loss ratio improvement. We are 8% ahead of consensus's underwriting result for 2021E.
- **Highest gearing to highest pricing trends in Norwegian Commercial:** Earned premium development has hit its highest level of growth in over 5 years at 11.3% as pricing measures continue and Gjensidige also gains volume. Given competitors continue to increase prices, we see no reason why Gjensidige shouldn't benefit in the short term from both volume and increased pricing.
- **M&A concern overdone:** We believe investors have been somewhat hesitant given a Finans Watch report on 22/01/21 of the interest in RSA's Danish business now co-owned by Tryg and Intact. However, if the report is correct, we would expect the size of a deal to be much less than Tryg's RSA acquisition, and, in a scenario assuming a purchase price of NOK c15bn, we forecast an equity raise of only c4% of market cap relative to Tryg's c70%. Furthermore, we see an acquisition in Sweden as more likely given Gjensidige's strong organic growth in Denmark and recent small bolt-on deal in Denmark.
- **Recent pullback unwarranted:** Gjensidige's has seen one of the most positive earnings revisions in the sector year-to-date with a 5% increase in 2022E consensus EPS but seen a 1% decline in its share price, underperforming an average of Nordic peers by 11%.
- **Catalysts and Risks:** 2Q21 results on 14 July, developments in COVID-19 lockdowns or M&A are the next catalysts. Risks come from customer churn and ill-advised bolt-on M&A.
- **Valuation:** Gjensidige currently trades at 16.7x 2021E earnings and at a DY of 4.1% for 2021 but a DY of 5.2% when we include our forecast of a NOK 2 special.

Full Report

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INDUSTRY UPDATES

Wireless Telecommunication Services | Quarterly

01 June 2021

Q1 21 Euro Mobile review

Growth slows, but set to reaccelerate next quarter

- **Headline Euro mobile service revenue (MSR) growth deteriorated in Q1 21 by 60bps to -2.3% y/y.** The Q1 21 MSR trends worsened in most markets as more lockdowns were enforced across Europe, impacting commercial activity. The only markets that remained broadly flat were the Netherlands, France, Germany and Finland, while the worst performers during the quarter were Italy, the UK, Ireland and Switzerland. Q1 21 is likely the last quarter when roaming was a drag on mobile performance, so we anticipate improvements in MSR trends from Q2 21 as COVID-19 impact is annualised. Vodafone Q1 21 MSR exceeded incumbents' MSR growth in its markets by +2.8pp (+0.7pp in Q4 20).
- **Capex on the rise:** We have observed around a 3-4pp increase in capex-to-sales ratios across Europe (see Figure 49), caused by rising capex requirements for operators. In Q1 21 a few operators have guided to higher capex, including BT (£400m p.a. extra), Vodafone (€400m extra including Vantage) and an unspecified increase at Iliad. Most of the higher capex comes from continued rollouts of 5G networks, as well as fixed fibre investments, which is also used for mobile backhaul.

Mobile data usage growth is slowing (+27% y/y in Q1 21 vs +35% in Q4 20 and +38% in Q1 20). This is being negatively impacted by working from home, but could reaccelerate post-COVID-19. Finland remains the market with the largest data consumption (due to a high percentage of mobile-only households) at c.31GB/mth per user, almost double that of France, the second-largest consumer of mobile data in Europe at c.16GB/mth per user.

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Full Report

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Pan-European Capital Goods
Friday Nuts'n'Bolts – Cranes/ Automation/ Gas Turbines

This week, we have:

- Summarized the read-across from Columbus Mckinnon’s results for Konecranes
- Published detailed piece on global warehouse automation
- Looked into recent trends in the Gas Turbines Market

What to look for: Japan IP on Mon 31st; PMI Mfgs of China (Mon 31st), Euro-Zone France, Germany and UK (Tue 1st); Total Vehicle Sales on Wed 2nd and Factory Orders on Fri 4th

What else is inside? Macro indicators dashboard (Page 6), detailed event calendar (page 9), CS Industrial World Tracker (page 11) and Global comp sheet by end market (page 16).

Chart of the week:

Full Report

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European Diversified Financials
CS Div Fins: Inflation, Brazil & Other Stories

In this ad hoc CS Div Fins periodical we consider topical themes, sector newsflow and recent CS research, and include a sector valuation snapshot on page 11.

- **Inflation:** CS Equity Strategists argue the recent rise in inflation is more than transitory ("Inflation – a bit more of an issue… market consolidation to continue" – 14 May 2021). Over the long term Asset Management stock prices are usually positively correlated with inflation expectations. Recent periods of divergence (e.g. Jul-18 to Oct-19) have subsequently reverted. Since early May, this correlation has once again weakened. DWS appears to have seen the greatest divergence from the usual correlation, presenting the most interesting and significant tactical share price opportunity in our view.
- **Brazil:** CS ISP economists have highlighted a Covid-19 3rd wave risk in Brazil. ("Brazil Economics: COVID-19 Analysis – Third wave?" - 25 May 2021.) With this in mind we revisit our EM country-specific exposures analysis for **Ashmore Group**. We estimate top exposures in its EM Debt portfolio at end March 2021 were: 9% China, 7% Brazil, 6.5% Mexico, 5% Russia, 4% Indonesia and 3.5% Ecuador. Ashmore held an EM briefing for analysts on 26 May, and we include our key highlights in this note.
- **3i - Re-opening trade:** We see 3i as a clear beneficiary of European re-opening post Covid-19. It should benefit from rising earnings growth across its portfolio: both due to recovery in adversely affected travel / industrials sectors but also continued growth in high quality healthcare, ecommerce and discount retail portfolio investments. For more, see Reiterate Outperform: Constructive outlook for FY22E, Action on track, 17 May 2021.

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Full Report

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European Food Retail

Something to chew on: The news, the reminders and the invites: Gorillas to launch in the US + Tesco's on-demand delivery trial

This week, we hosted a call with Getir management, discussing its business model and addressable market, whilst I-grocery competitor Gorillas has announced it will be launching operations in the US this weekend. We will be hosting an NDR with Ahold management team in the US on the 7-8th June.

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Highlights from this week's news flow

Gorillas' Ten Minute Grocery Delivery to Launch in the U.S. (Source: Bloomberg)

Our Take: Gorillas is a 10 minute grocery delivery start-up which will be launching in New York City on 30 May. The I-grocer is already active in Germany, France, Netherlands, the UK and Italy. Continuing with its rapid expansion plans, Gorillas is looking to enter other major US cities and, in June, add new delivery locations in New York City.

Gorillas launching in New York City creates additional competition for Ahold Delhaize where AD's FreshDirect and Stop & Shop brands are present. Whilst I-grocery presents the greatest risk to the convenience format, feedback from our call with Getir management suggests the addressable market for I-grocery could be as much as 50% of total grocery (see our note E-Food retail disruption series Getir management call feedback). Other major cities on the East Coast where AD could be at risk from I-grocery disruption are Philadelphia, Boston, and Washington D.C.

Tesco trialling one-hour delivery service Whoosh (Source: The Grocer)

Our Take: In response to customer demand, Tesco has been trialling a one-hour delivery service from an Express store in Wolverhampton. The trial currently consists of delivery from just one store, allowing Tesco to gain experience and understand how best to further roll out a 1-hour delivery service. The service has a flat delivery fee of £5, minimum spend of £15 (or additional £2 fee) and last mile delivery will be made by the on-demand logistics and courier company, Stuart (also partnered with Ocado for on-demand delivery by Zoom). Tesco's Whoosh is similar to Sainsbury's Chop Chop, which also has a 60 min delivery time, £5 fee and £15 minimum spend.

The delivery fee + minimum spend of Sainsbury's and Tesco's on-demand delivery services are more expensive vs what we have seen from on-demand grocery start-ups so far (see our note UK Food Retail From Q(uick) to I(mmediate) grocery delivery). High delivery fees and relatively long delivery times (60 mins vs <15mins) could make the roll-out less successful in cities where I-grocery competitors have a presence (London, Manchester, Bristol, Birmingham, Leeds, Liverpool, Newcastle and Brighton with potential further expansion to new cities). We also highlight Getir management noted that its business model is entirely self-managed because using 3rd parties limits the ability to optimise the business and achieve rapid delivery times.

Research Recap

E-Food retail disruption series: Getir management call feedback: Tech+ online+ logistics: 10 minute delivery = happy customer (Link): We hosted a call with Getir's Chief Strategy Officer, Derya Erdemli, and the General Manager of Getir UK, Turancan Salur. Getir is the ultrafast delivery pioneer which revolutionized last-mile delivery in 2015 with its 10-minute grocery delivery proposition. Key takeaways from the call: i) Getir is planning to further expand in the UK and may not be as limited to the largest cities as we previously thought given a flexible business model; ii) The I-grocer expects an addressable market of up to 50% of total grocery, impulse buys provide incremental sales which would not have been fulfilled without 10-minute delivery; and iii) Getir's business model is entirely self-managed: through managing everything from supply and demand to finding dark store locations, they are able to optimise all parts of the chain and provide a <10 minute delivery time.

Ahold Delhaize: Raising forecasts: Higher sustained demand and potential for online margin improvement (Link): We revise our model assumptions following strong Q1 results and raise our FY21 sales and underlying operating income forecasts due to higher sustained demand in both the US and Europe. We slightly increase our 2022-23e US margin forecasts to account for improvements in online profitability, a shift to Click & Collect, and higher operating leverage from sustained at-home consumption and share gains from online. AD reported 36% underlying EPS growth in Q1 vs 2019 and given there will be easier comps in Q2 due to the Stop & Shop strike, we are now forecasting underlying FY21 EPS growth of 16% vs 2019, the upper end of AD's new guidance range of low-mid teen growth vs 2019. We maintain our Neutral rating and raise our TP to €23.

UK Food Retail Short Take on Kantar data: Discounters leading on easier comps, Tesco outperforms Big4 (Link): Looking at Kantar's total grocery data for the 4-weeks to 14 May we highlight the following key points: i) Total market has decelerated from 3.8% in April to -4.8% in May; ii) All of the Big 4 lost share, including Morrisons which outperformed the market in April. Tesco relatively outperformed the Big4 with a deceleration just slightly below the total grocery market; and iii) Discounters have seen positive absolute growth with Aldi seeing the strongest performance (the leader last month as well). Discounter market share gains continue to be supported by a low base from the previous year.

Full Report

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