NAXS

Reason: Post-results comment

Quiet but solid quarter

Company sponsored research

Not rated

- NAV up by 3%, discount up by 1pp
- Well positioned to act with 35% net cash
- 22% NAV discount vs. historical average of 15%

Share price (SEK)	25/04/2019	48.0
Multi-Sector Holdings, Sweden		
NAXS.ST/NAXS SS		
MCap (SEKm)		572
MCap (EURm)		54.3
No. of shares (m)		11.9
Free float (%)		*46.0*
Av. daily volume (k)		0.8
Next event		Q2 report: 16 Jul

Stable Q1 after outperformance in Q4

At the end of Q1, NAVPS was SEK 63.75, a 3.1% increase q-o-q. Meanwhile, the NAV discount ticked up by 1pp to 24%. TSR was +1%, which was lower than the performance of the SIXRX benchmark (+13%). It is, however, worth noting that NAXS outperformed the SIXRX by 11pp in Q4. With regard to the direct investments, Awilco Drilling and Scout Gaming Group, posted TSRs of +16% and -16%, respectively. In Q4, NAXS proposed a maximum DPS of SEK 2.80, as the actual dividend was to depend on the amount of buybacks in Q1. As a result, it now proposes a DPS of 2.78 for 2018, corresponding to a 5.8% yield.

Little portfolio activity

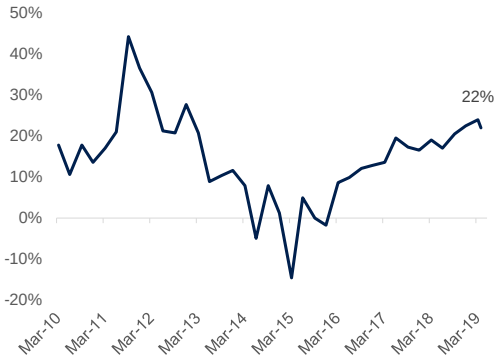
NAXS increased its holding in Awilco Drilling, as it acquired additional shares in a private placement in March. It also carried out buybacks amounting to SEK 0.2bn. The underlying funds made one new investment and two exits. NAXS expects activity and valuations in the private equity space to be volatile over the coming quarters. Regardless, the company stands well positioned to act on new opportunities with its 34% net cash position.

Valuation below historical average

NAXS currently offers exposure to eleven funds from eight different managers and three direct investments. The NAV discount has widened by 8pp over the last two years and presently stands at 22%, which compares to the historical average (2010-) of 15%. We expect the share buybacks to resume, and the dividend yield amounts to 5.8%. Moreover, we believe that a further lowering of the substantial cash position would act as a catalyst for reducing the NAV discount, and we consider continued buybacks in combination with new investments an adequate deployment of capital.

Lead analyst: Derek Laliberté

ABGSCe NAV discount



Share price (-1Y)



SEKm	2017	2018	2019e	2020e	2021e
DPS	2.53	2.78	2.50	2.50	2.50
Dividend Yield (%)	*5.0*	*5.8*	*5.2*	*5.2*	*5.2*

Source: ABG Sundal Collier, Company data

NAV data	
NAV Per Share	61.6
NAV Discount (%)	*22%*
Reported NAV discount (%)	*22%*
Target NAV discount (%)	*na*
Net debt/Assets (%)	*55%*

Source: ABG Sundal Collier, Company data

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Opportunities

Sustained strong portfolio performance (including a higher valuation of the current holdings), increased portfolio activity (including successful exits and auspicious acquisitions), investment or distribution of excess cash, and higher level of shareholder remuneration (dividends or buybacks).

Risks

Weaker performance in key assets and the private equity funds in particular, including developments of investee companies, interest rates and the general market environment, competition, funding issues and timing aspects. Other risks include the dependency on the investment advisor and FX.

Company description

NAXS is an investment company that primarily invests in private equity funds with a Nordic focus, but may also make direct investments or co-investments alongside private equity or other alternative assets funds. In addition, NAXS may, to a limited extent, make other types of investments. NAXS has a distribution policy that in the long-term aims to return 50-75% of profits after tax.

ABG SUNDAL COLLIER

Investment Research

25/04/2019

NAXS Sponsored

Price B:	48.00	NAV discount:	22%	Target discount:	N/A
NAVPS:	61.6	Reported Discount:	22%	Fair value:	N/A

Holding	Number of shares (m)	Price	NAX's NAV (m)	NAXS's NAVPS	ABGSC NAV (m)	ABGSC NAVPS	Of total assets	Interest Cap/Votes	ABGSC Rating
Awilco Drilling	0.83	34.08	28	2.4	28	2.4	6.0%	1/1	Buy
Scout Gaming Group	0.38	26.60	10	0.8	10	0.8	2.1%	3/3	-
Jackel bond			29	2.4	29	2.4	6.0%	-	-
Total listed assets			**67**	**5.6**	**67**	**5.6**	**14.1%**		

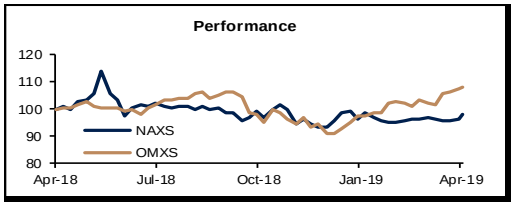
Holding	Year of initial investment	Initial commitment	NAX's NAV (m)	NAXS's NAVPS	ABGSC NAV (m)	ABGSC NAVPS	Of total assets	Fund size	Fund type
Apax Europe VII	2007	EUR 15m						EUR 11bn	Buyout
FSN Capital III	2008	EUR 10m						EUR 375m	Buyout
Herkules Private Equity Fund III	2008	NOK 40m						NOK 6bn	Buyout
Intera Fund I	2007	EUR 7m						EUR 125m	Buyout
Intera Fund II	2011	EUR 7.25m						EUR 200m	Buyout
JAB Consumer Fund - GCB II	2018	-						USD 5bn	Buyout
Mimir Invest	2017	SEK 50m						SEK <500m	Special situations
Nordic Capital Fund VII	2008	EUR 20m						EUR 4.3bn	Buyout
Nordic Capital CV1	2018	EUR 4m						EUR 2.5bn	Buyout
Valedo Fund I	2007	SEK 60m						SEK 1bn	Buyout
Valedo Fund II	2011	SEK 65m						SEK 2bn	Buyout
Total private equity funds			**407**	**34.2**	**407**	**34.2**	**85.9%**		
Net debt (-) / cash (+)			259	21.8	259	21.8	54.8%		
NET ASSET VALUE			**733**	**61.6**	**733**	**61.6**			

Net debt calculation (m)		
Reported net debt	31/03/2019	260
Accrued interest expense		0
Overhead costs (SEK -14m p.a.)		-1
Cash flow subsidiaries		0
Dividends		0
Other transactions		0
Net debt (-) / cash (+)		**259**

Shareholders	Capital	Votes
QVT Financial	54.0%	54.0%
Tardus Intressenter	5.3%	5.3%
Global Endowment Management	4.6%	4.6%
Familjerna Ljungberg & Holmström	2.5%	2.5%
Svenska Handelsbanken for PB	16%	16%
Free float	46.0%	46.0%

Equity data	
# Shares (m):	11.9
Mcap (SEKm):	572
Traded vol/day (-1m, k):	1
High/low (-12m):	60.4/45
Bloomberg code:	NAXS SS
Datastream code:	W:NAXS
Reuters code:	NAXS.ST

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Performance	-1w	-1m	-3m	-1y
Absolute performance	3.5%	-0.6%	-12%	-5.1%
Relative OMXSE	2.4%	-6.4%	-13.3%	-13.2%
Change in discount	na	na	na	na
	-3m	**-1y**	**-5y**	**-10y**
Average reported discount	na	na	na	na

	2014	2015	2016	2017	2018
DPS	2.30	2.50	0.00	2.53	2.78
Yield	4.6%	4.6%	0.0%	5.0%	5.8%

Source: Company report, Reuters, FactSet estimates for all listed assets, ABGSC calculations

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