

Equity Research

Strategy

Internal growth in EU and China main upside for 2025

US valuation the main risk

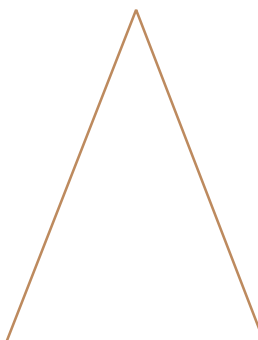
Lead Analyst: bengt.jonassen@abgsc.no +47 22 01 60 98

05 February 2025

Strictly Private & Confidential

This document is for the use of the recipient only and should not be copied or distributed to any other person or entity.

Please refer to important disclosures at the end of this presentation.



ABG
SUNDAL COLLIER

Scenarios

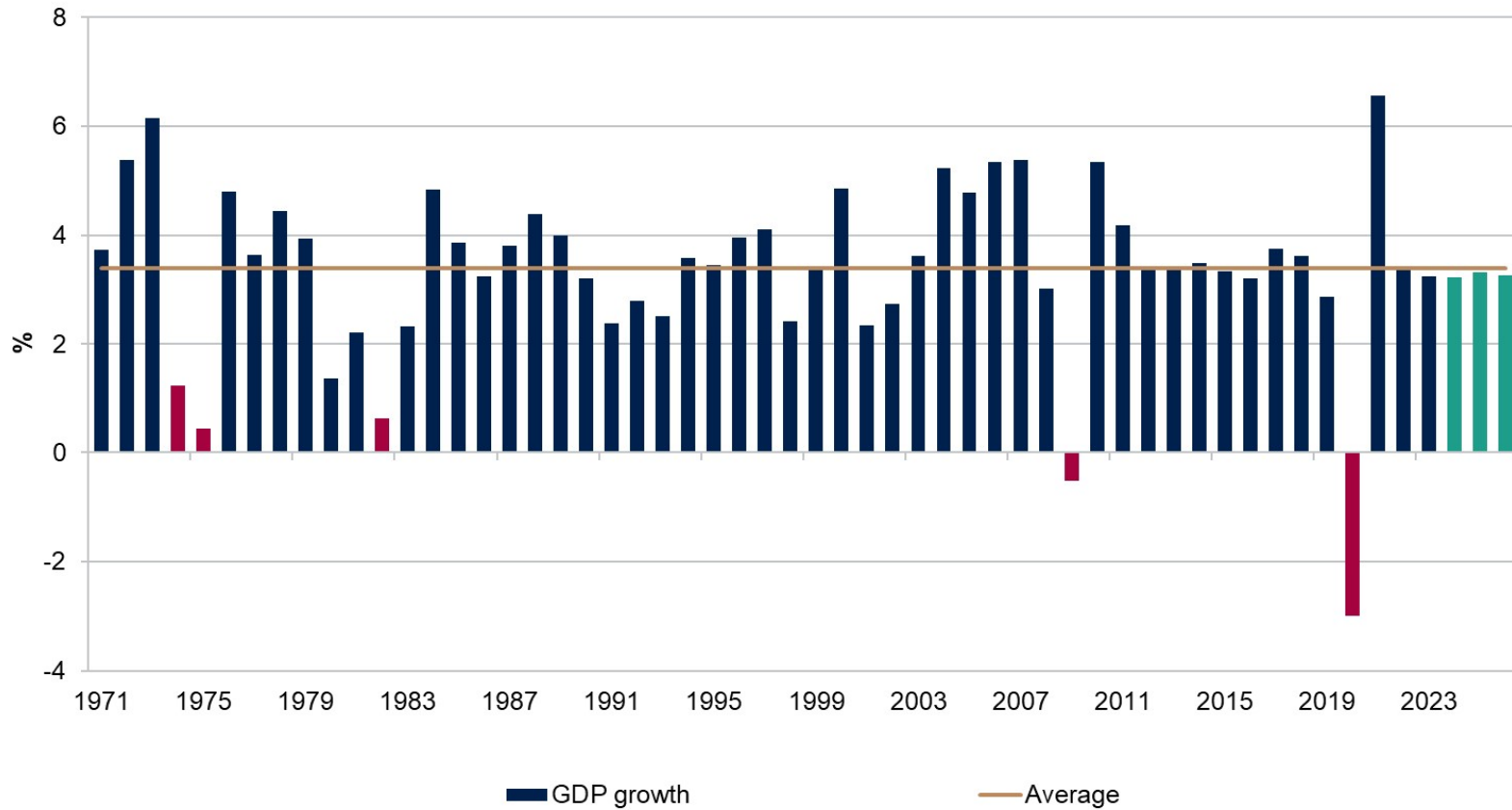
		OSEBX Scenarios								
		12m forward EPS Change								
		-40%	-30%	-20%	-5%	0%	5%	10%	20%	30%
12m forward PE ratio	8	686	801	915	1,087	1,144	1,201	1,258	1,373	1,487
	9	772	901	1,030	1,223	1,287	1,351	1,416	1,544	1,673
	10	858	1,001	1,144	1,359	1,430	1,502	1,573	1,716	1,859
	11	944	1,101	1,258	1,494	1,573	1,652	1,730	1,888	2,045
	12	1,030	1,201	1,373	1,630	1,716	1,802	1,888	2,059	2,231
	13	1,115	1,301	1,487	1,766	1,859	1,952	2,045	2,231	2,417
	14	1,201	1,401	1,602	1,902	2,002	2,102	2,202	2,402	2,603
10y Government bond yield		2.50-3.50			3.50-4.00			4.00-4.75%		
Economic environment		Recession			Soft landing no acceleration			Acceleration of growth		

Sector OW Q1'25	Sector N Q1'25	Sector UW Q1'25
Oil & Gas	Financials	Industrials
Seafood	Oil Services	Telecom
	Real Estate	Health Care
	Materials	
	Consumer	
	IT	

Source: ABGSC

Global GDP: Current expectations

World: GDP growth



Source: OECD, ABG Sundal Collier

Retail sales: gradual improvements after slow summer

Global retail sales cycle (China, U.S., EU)

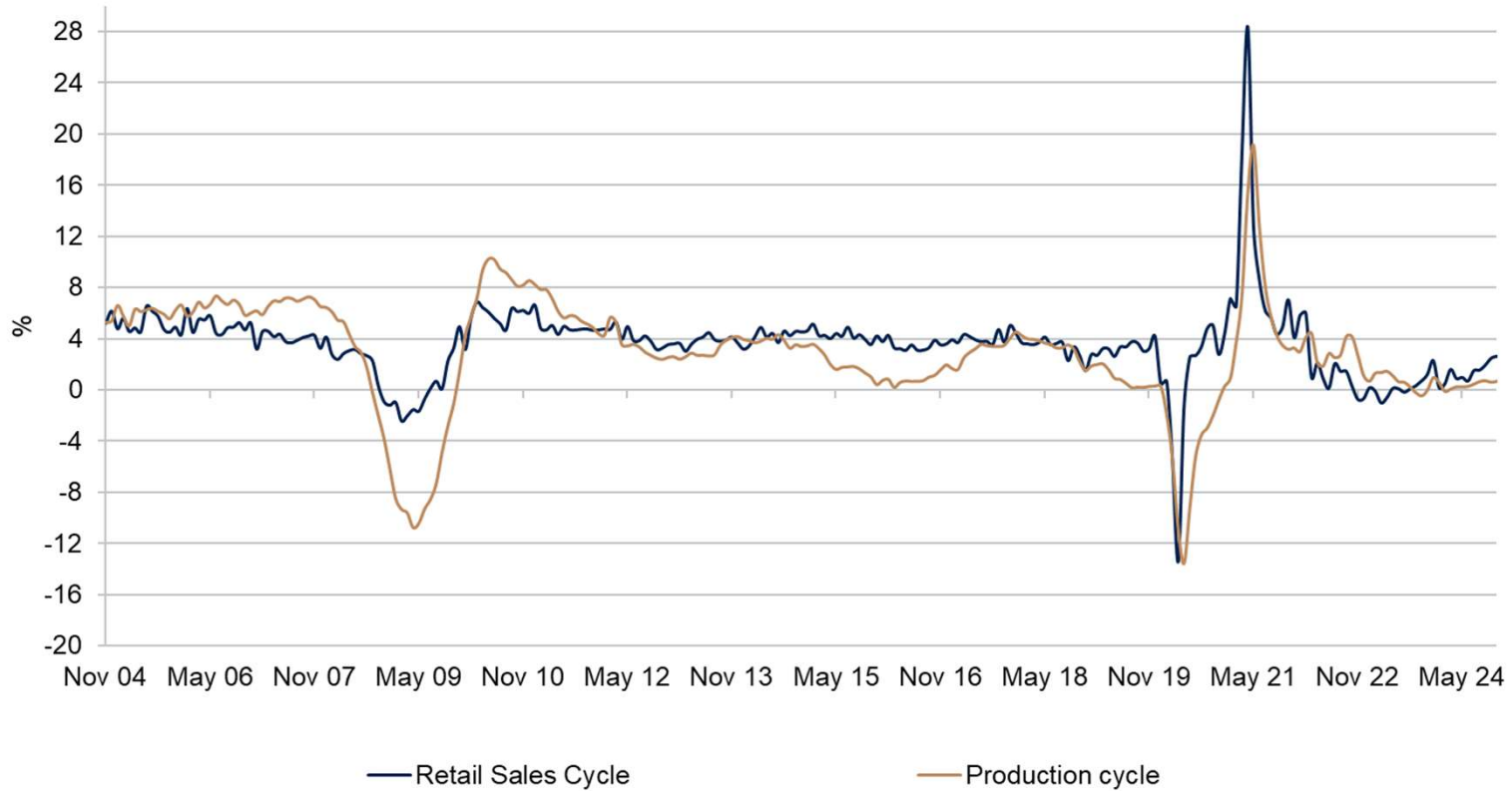


Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

Retail sales: gradual improvements after slow summer

Global retail sales cycle and industrial production cycle (China, U.S., EU)

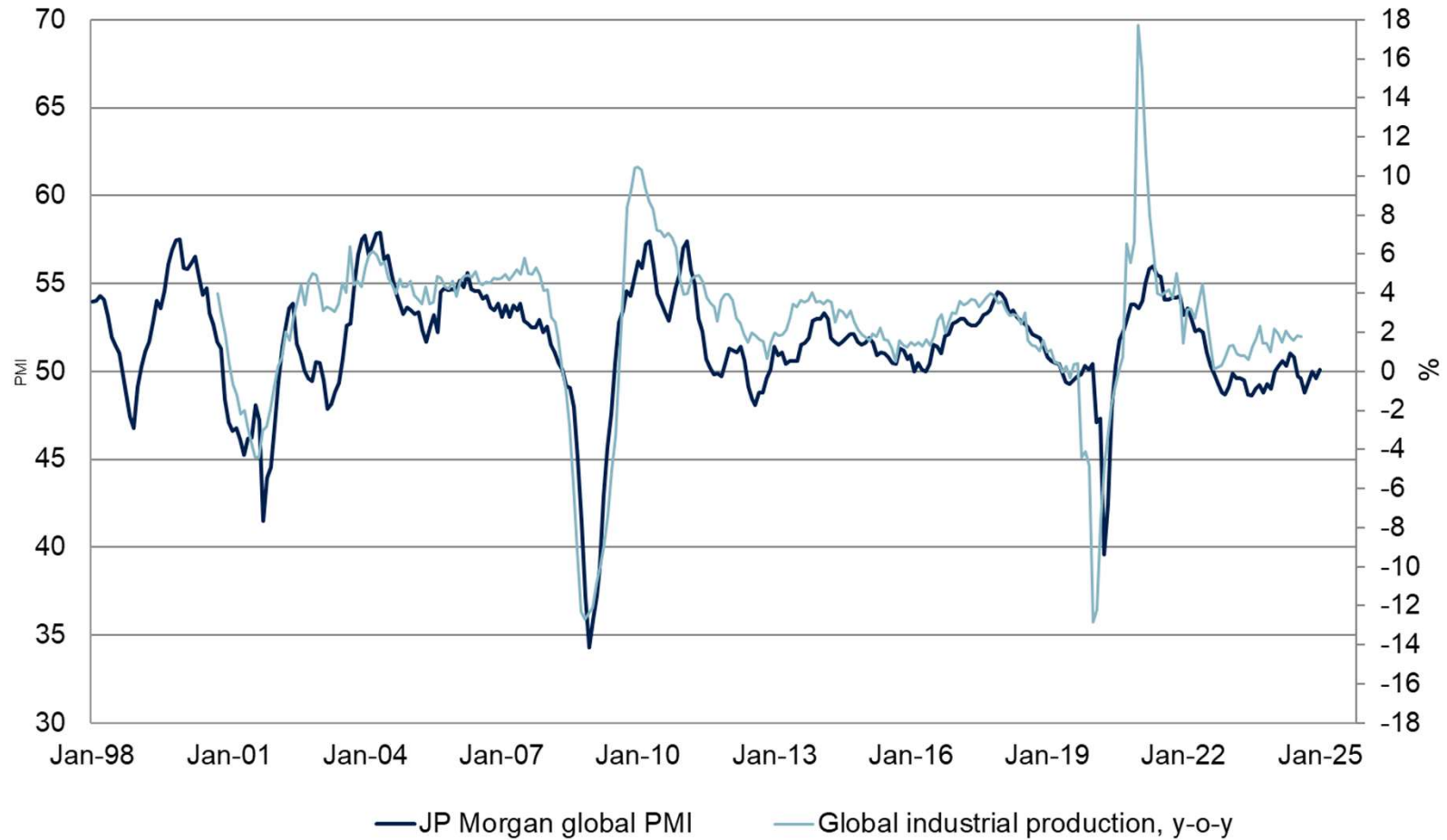


Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

PMI hoovering around 50

Global PMI



Source: ABG Sundal Collier

Income growth high

US: Private sector aggregated income growth



Source: ABGSC, Macrobond

Germany - Income Proxy



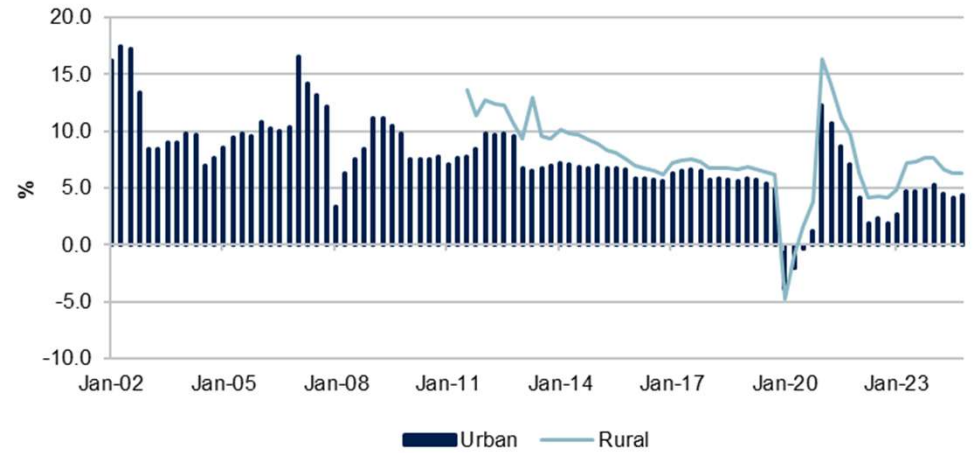
Source: ABG Sundal Collier

Japan - Income Proxy



Source: ABG Sundal Collier

China y-o-y growth disposable income

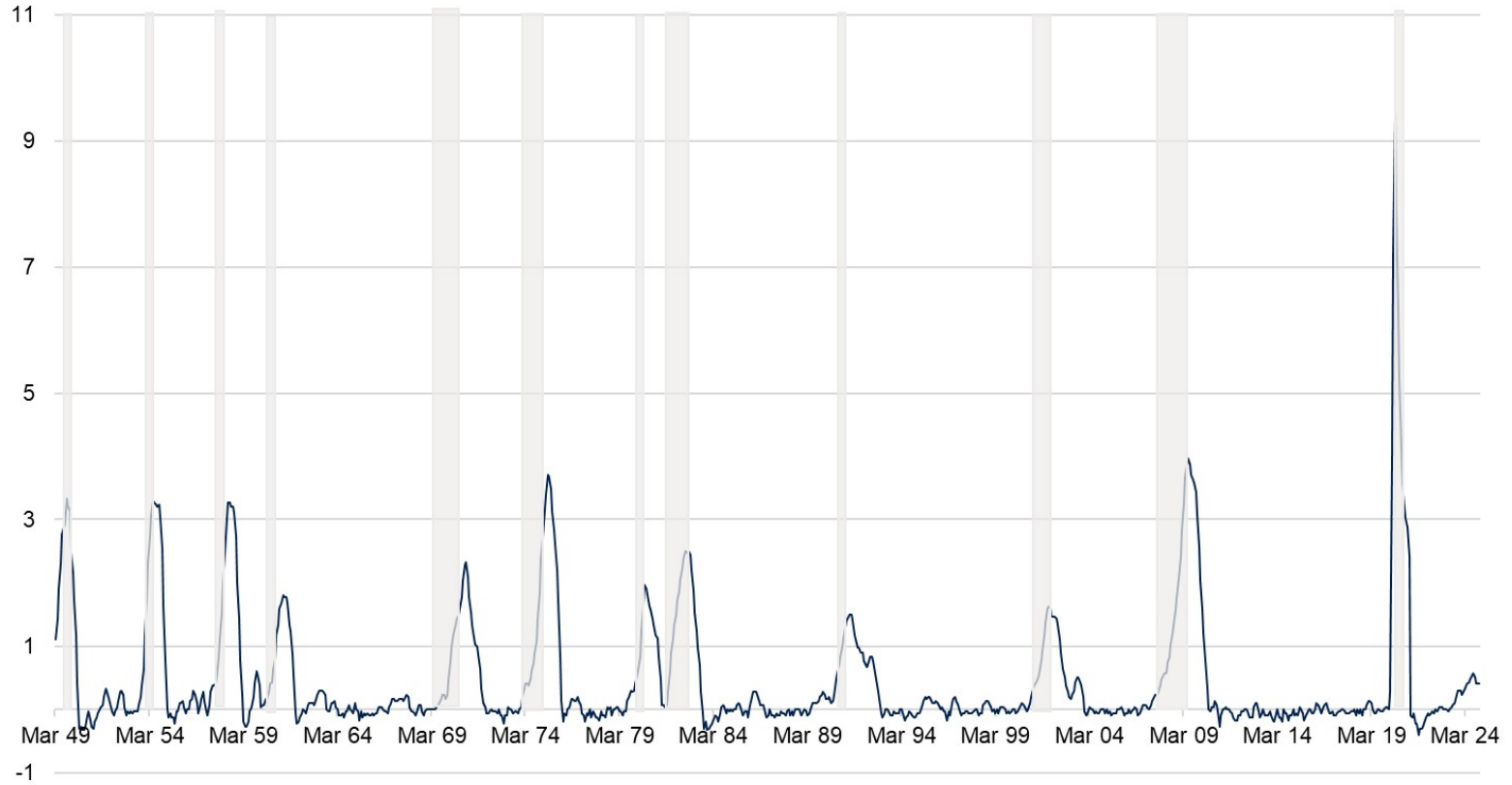


Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

US labour demand

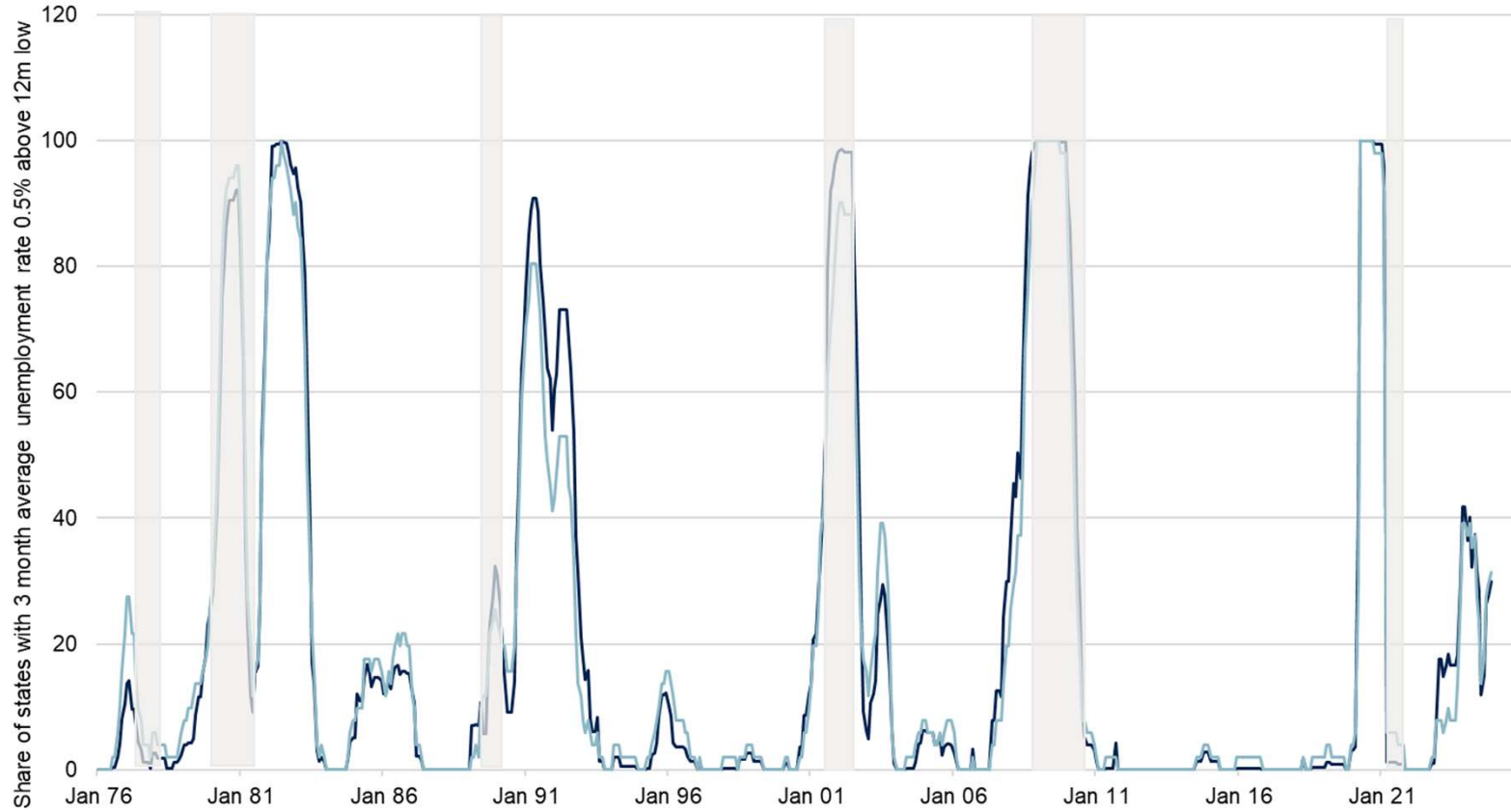
US: Sahm's Rule (shaded area - recessions)



Source: Macrobond, ABG Sundal Collier

US labour demand

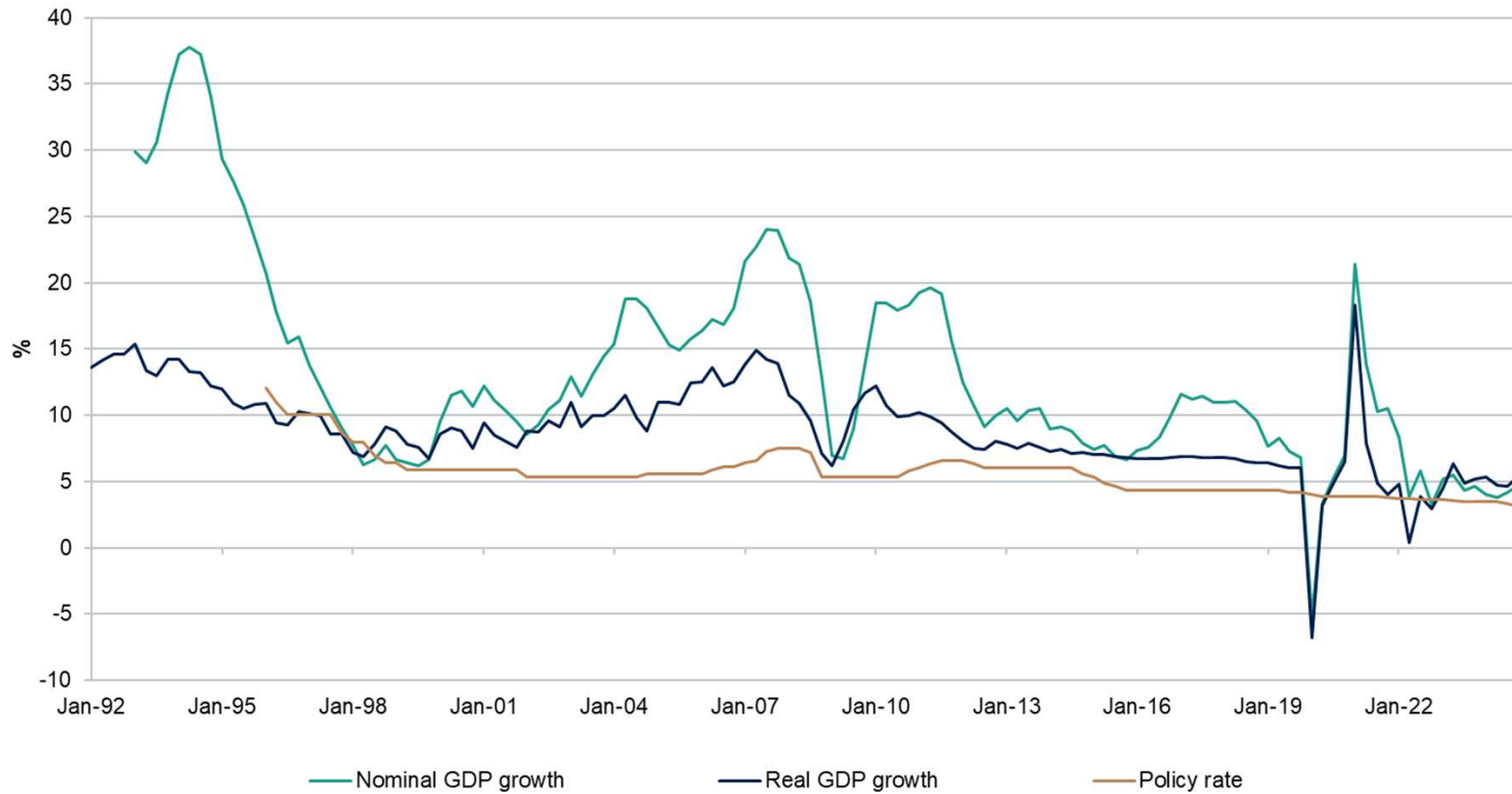
US: Sahm's rule on state level



Source: Macrobond, ABG Sundal Collier

China – Structural challenges

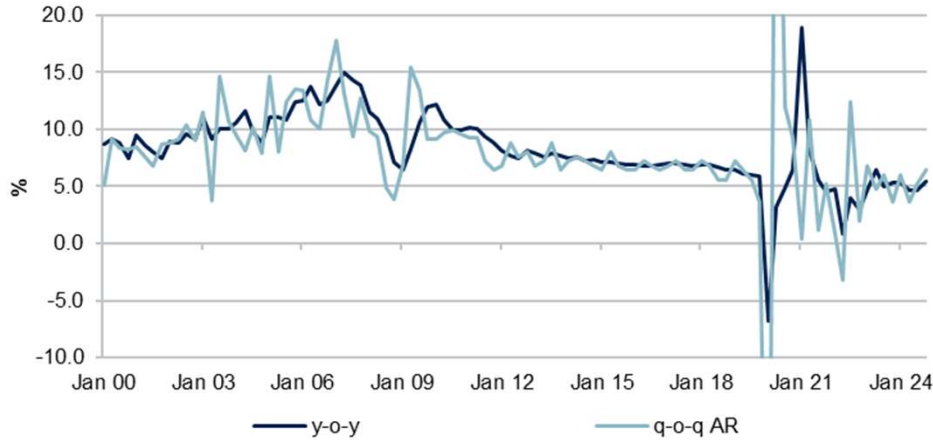
China growth and interest rates



Source: ABG Sundal Collier

Age of thrift?

China: GDP y-o-y and q-o-q AR



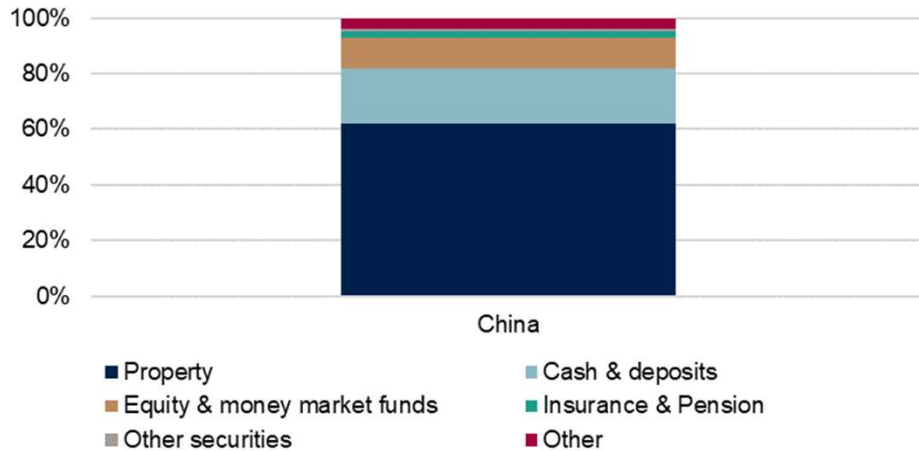
Source: ABG Sundal Collier

China: Households increased savings, pent up demand



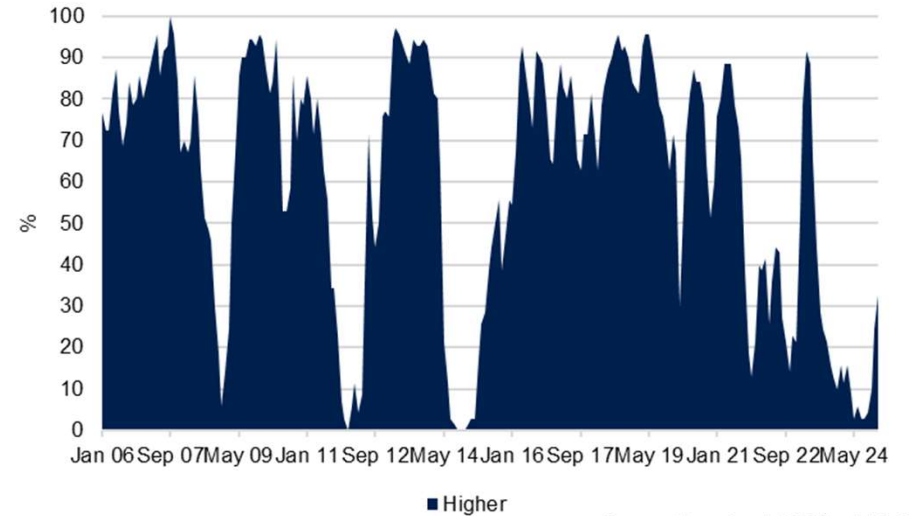
Source: Macrobond, ABG Sundal Collier

Composition of Household assets



Source: Various

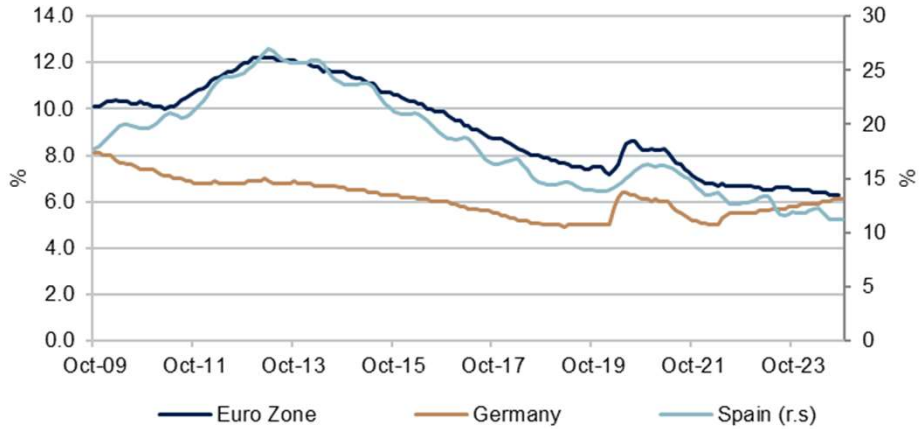
China: Real estate prices - 70 largest cities - m-o-m change



Source: Macrobond, ABG Sundal Collier

Europe: Better than consensus?

Unemployment rates



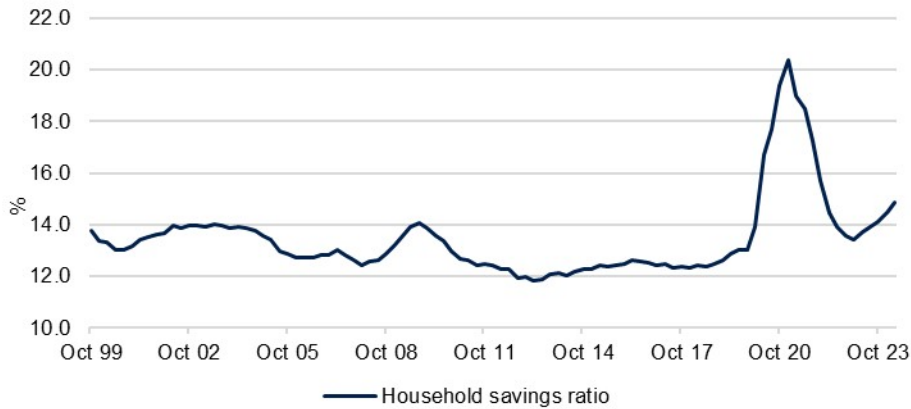
Source: ABG Sundal Collier

EU Real Wages



Source: Macrobond, ABG Sundal

EU Savings ratio



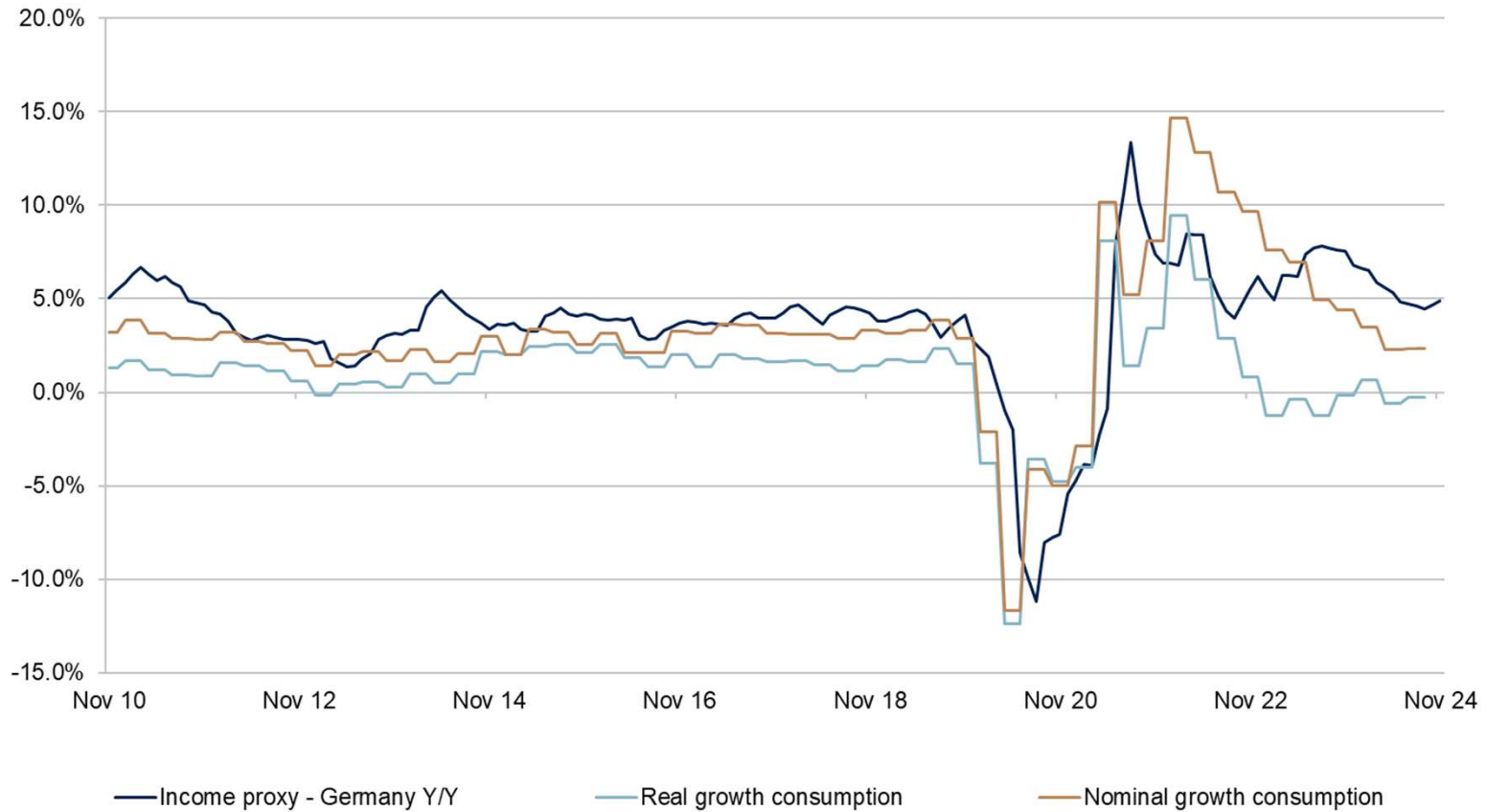
Source: Macrobond, ABG Sundal

EU: Retail sales and y-o-y growth



Germany: Income growth vs. Consumption

Germany - Income Proxy vs consumption

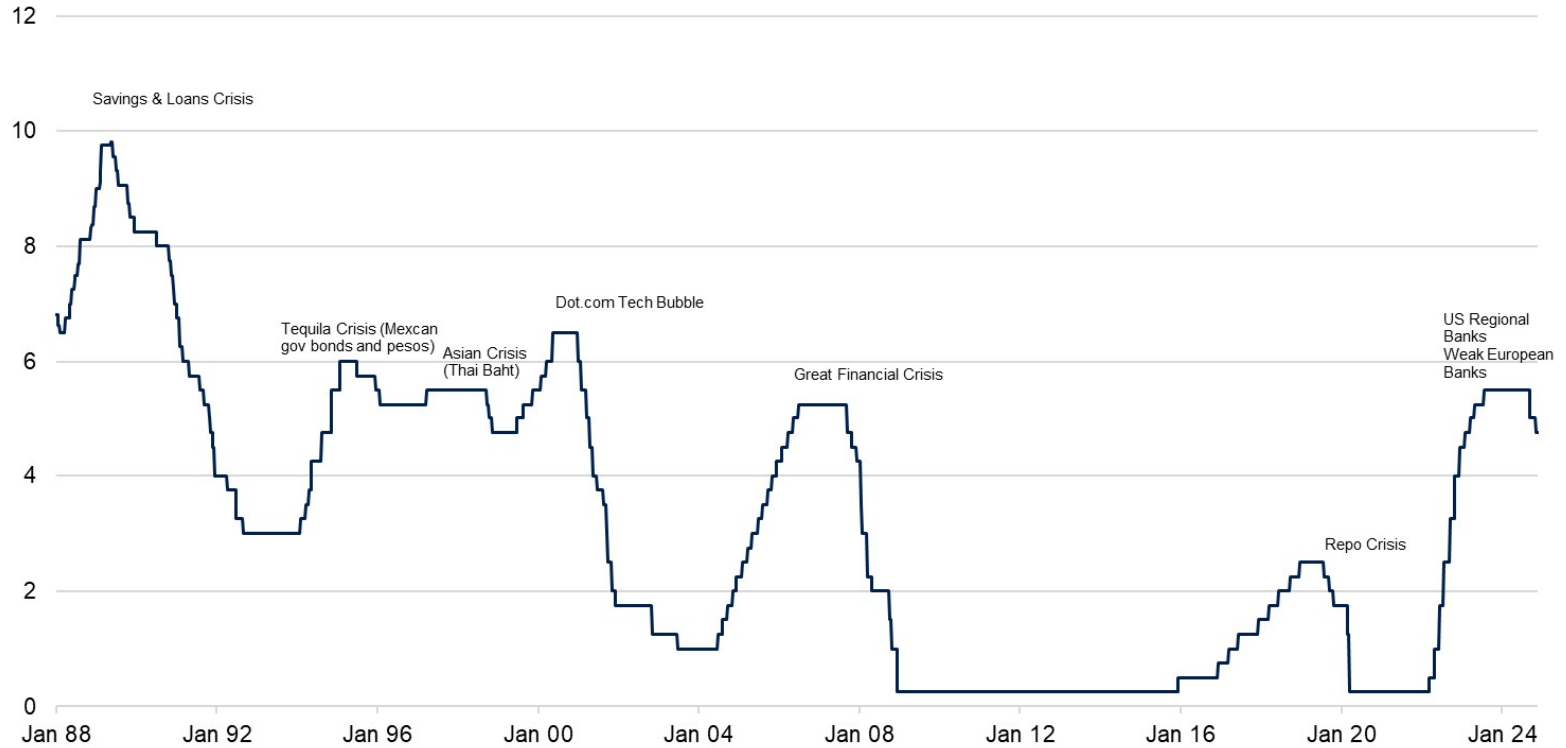


Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

Federal reserve: First cuts

US: FED policy Rate

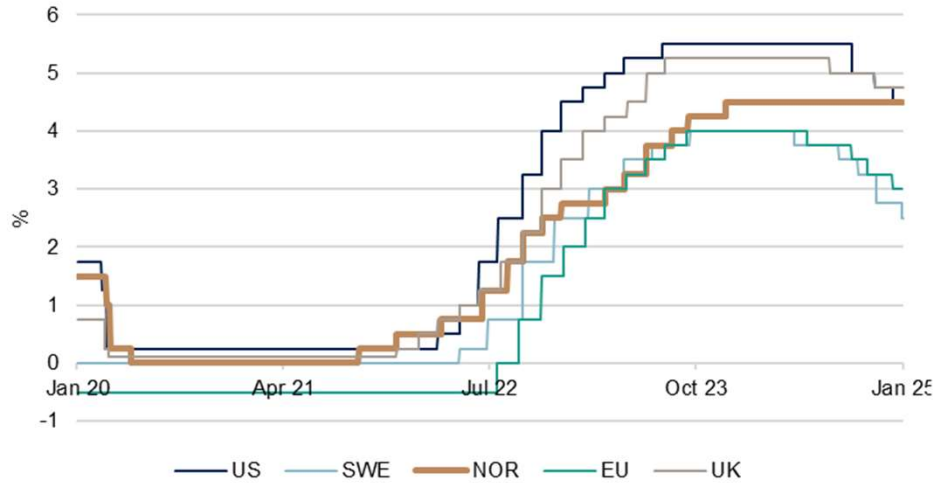


Macrobond, ABG Sundal Collier

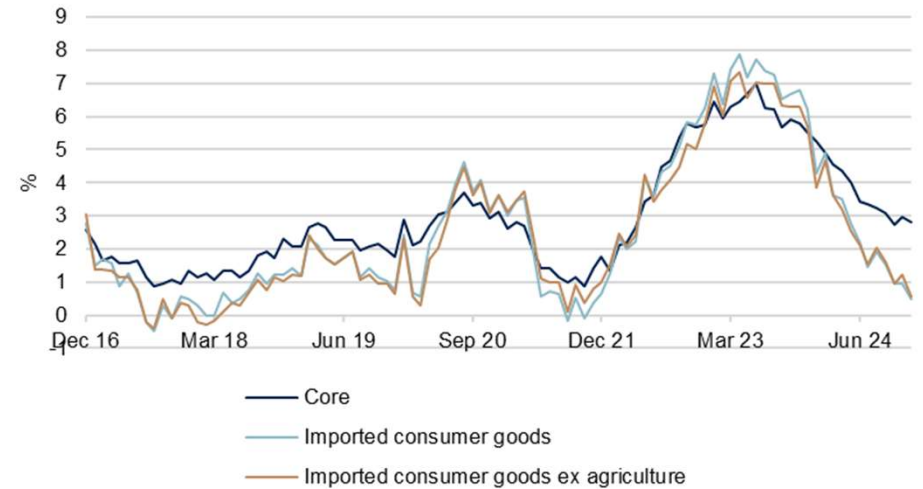
Source: Macrobond, ABG Sundal Collier

What about Norway? Nothing different in data...

Policy rates



Norway: CPI



	First cut	CPI, t-1	CPI core, t-1	Change in unemployment rate last 12 months, pps	Target
SWE	May-24	3.90%	2.30%	0.4	2%
EU	Jun-24	3.40%	3.90%	-0.2	2%
UK	Aug-24	2.20%	3.30%	0.4	2%
US	Sep-24	2.60%	3.30%	0.5	2%
NOR	?	2.20%	2.70%	0.2	2%

Source: Macrobond, ABG Sundal Collier

10y government bond rates

Global: Long term interest rates

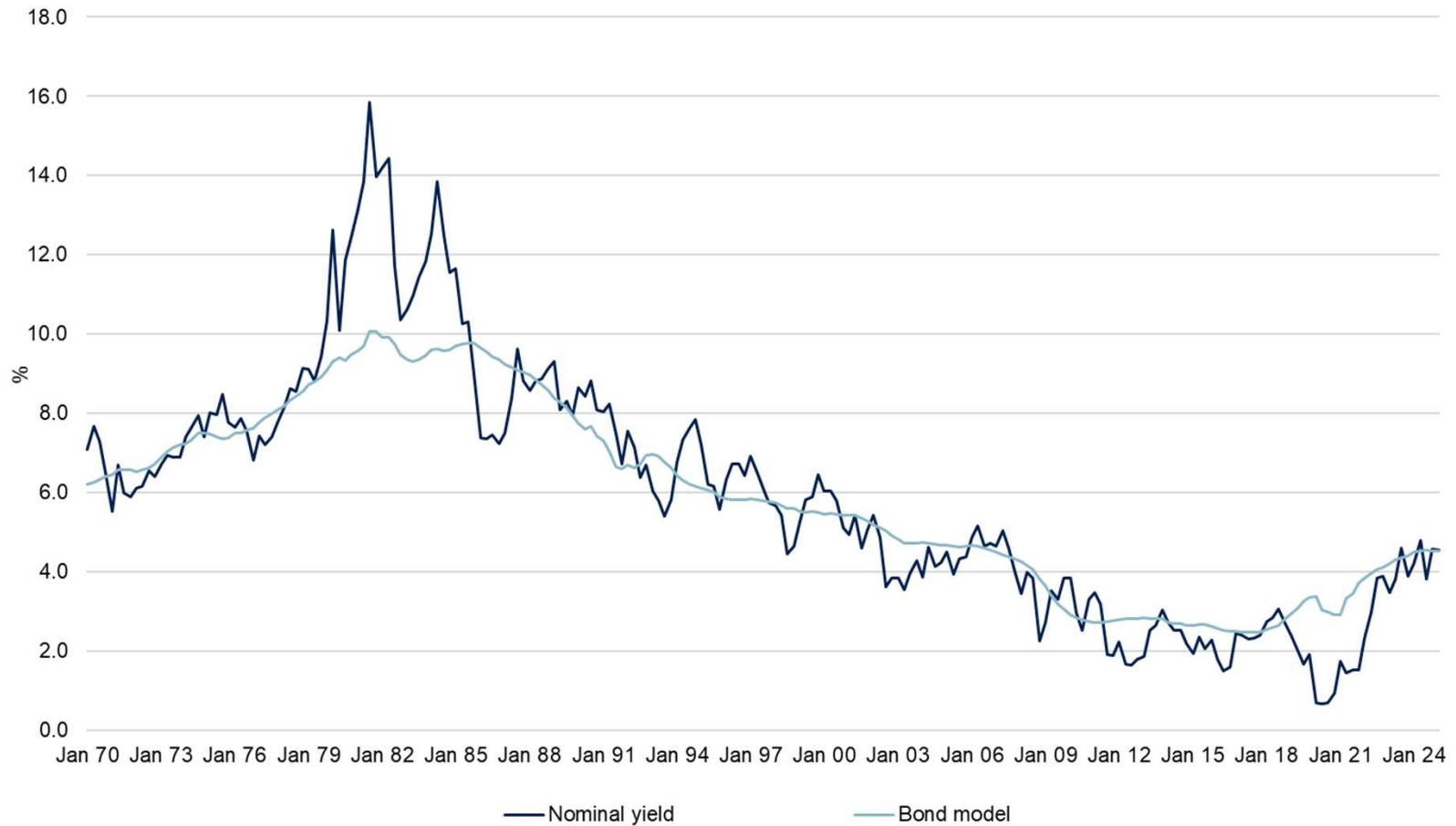


Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

Bond model vs. actual 10y nominal yield

US: Long term rate vs. Bond model

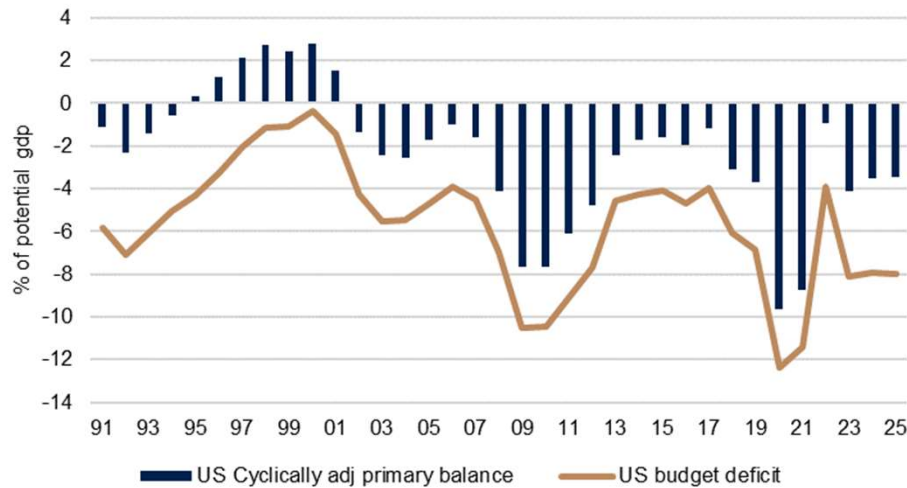


Source: NBER, ABG Sundal Collier

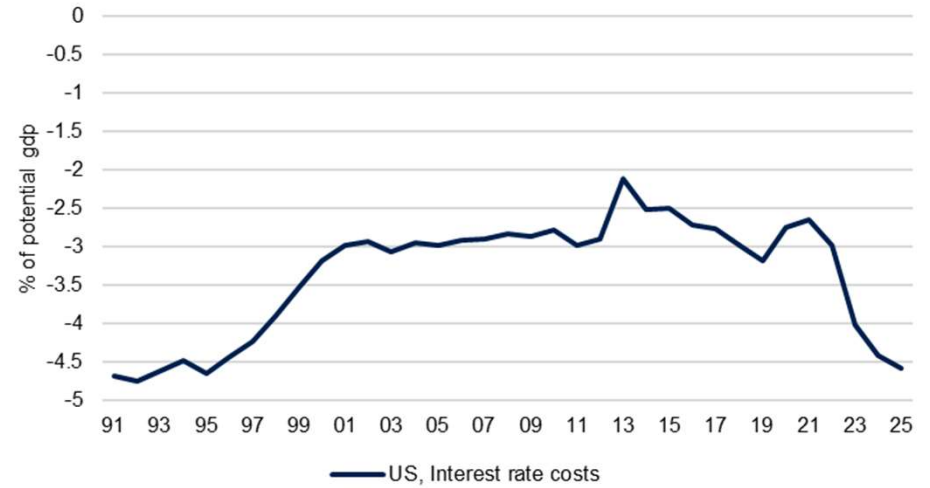
Source: Macrobond, ABG Sundal Collier

Presidential candidate and impact on budget deficit

US: Budget deficit



US: Budget deficit



Spending and revenue effects of the Harris and Trump Plans (% of GDP)					
	Primary				
	Spending	Total Spending	Revenue	Total Deficit	Debt
Harris (2035)	21.8%	26.2%	18.1%	8.1%	133%
Trump (2035)	21.0%	25.7%	16.1%	9.6%	142%
Current Fiscal year	20.1%	23.5%	17.0%	6.5%	102%

Source: Macrobond, www.crfb.org, ABG Sundal Collier

US: Taxes and immigrants

Candidate	Proposal	S&P 500 EPS impact	Current 12m forward EPS	New EPS	PE 25e Now	PE 25e if implemented
Harris	Corp tax rate up for 21% to 28%	-5%	267	255	21.9	23.0
Trump	Domestic corporate tax rate cut to 15% from 21%	4%	267	278	21.9	21.1

Source: Harris' tax plan may cut corporate profits by 5%, says Goldman Sachs | Reuters

Civilian labour force 2017		Immigrants			
Sector	Total	U.S. Born	Legal	Unauthorized	Share
Mining	760	670	65	25	3.3%
Agricultural	2,060	1,470	300	30	1.5%
Durable Manufacture	8,180	6,605	1,100	463	5.7%
NonDurable Manufacture	8,180	6,605	1,100	463	5.7%
Services	143,520	118,930	18,425	6,240	4.3%
Total	162,700	134,280	20,990	7,221	4.4%

Source: PWE Research Centre

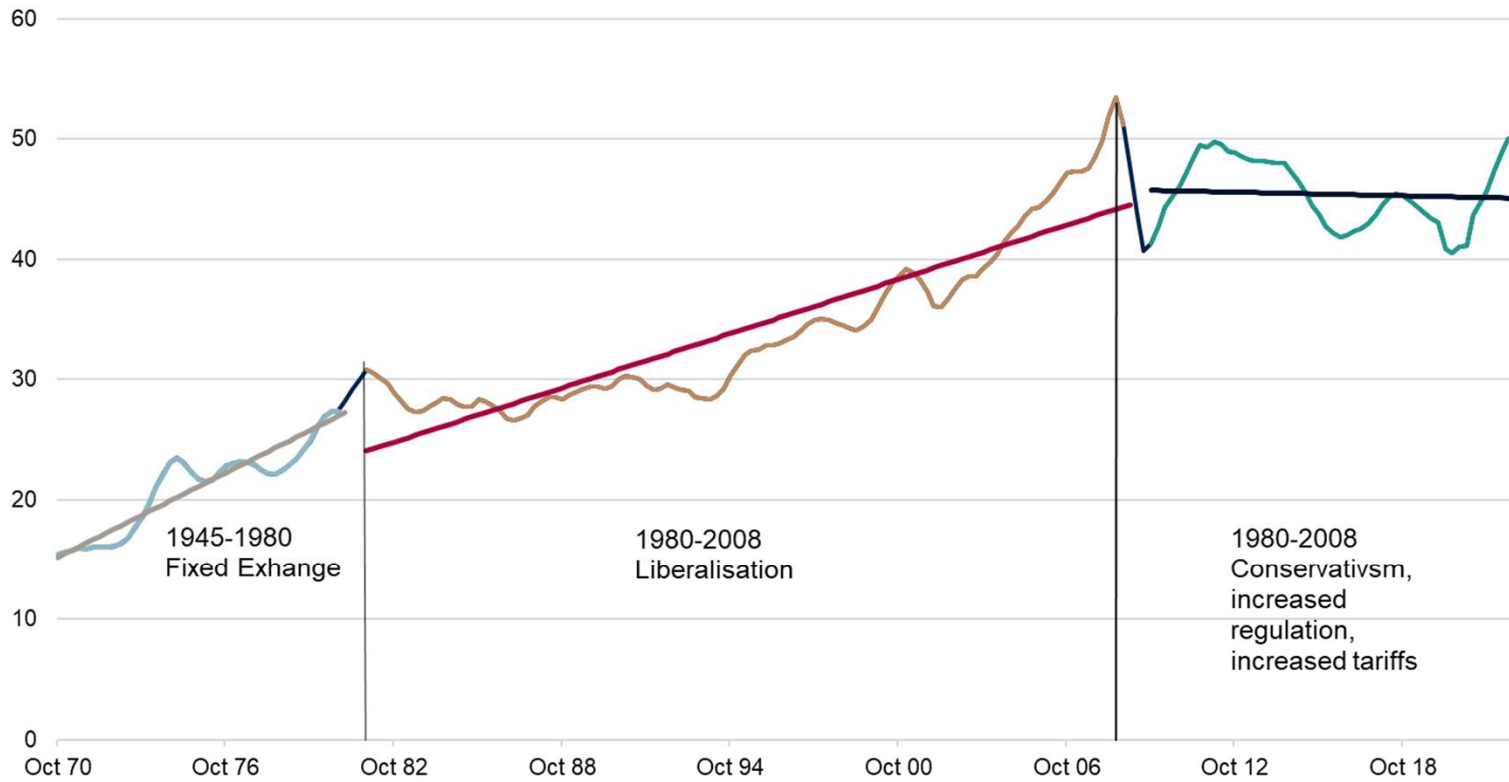
Three year cumulative changes vs. base line	1.5m worker deportation scenario	7.5m worker deportation scenario
Real GDP	-2.1%	-12.0%
Inflation	1.3%	7.4%
Hours Worked	-1.4%	-8.1%

Source: Peterson institute for international economics

Source: Peterson Institute for international economics., ABG Sundal Collier

Global: Trade as share of GDP

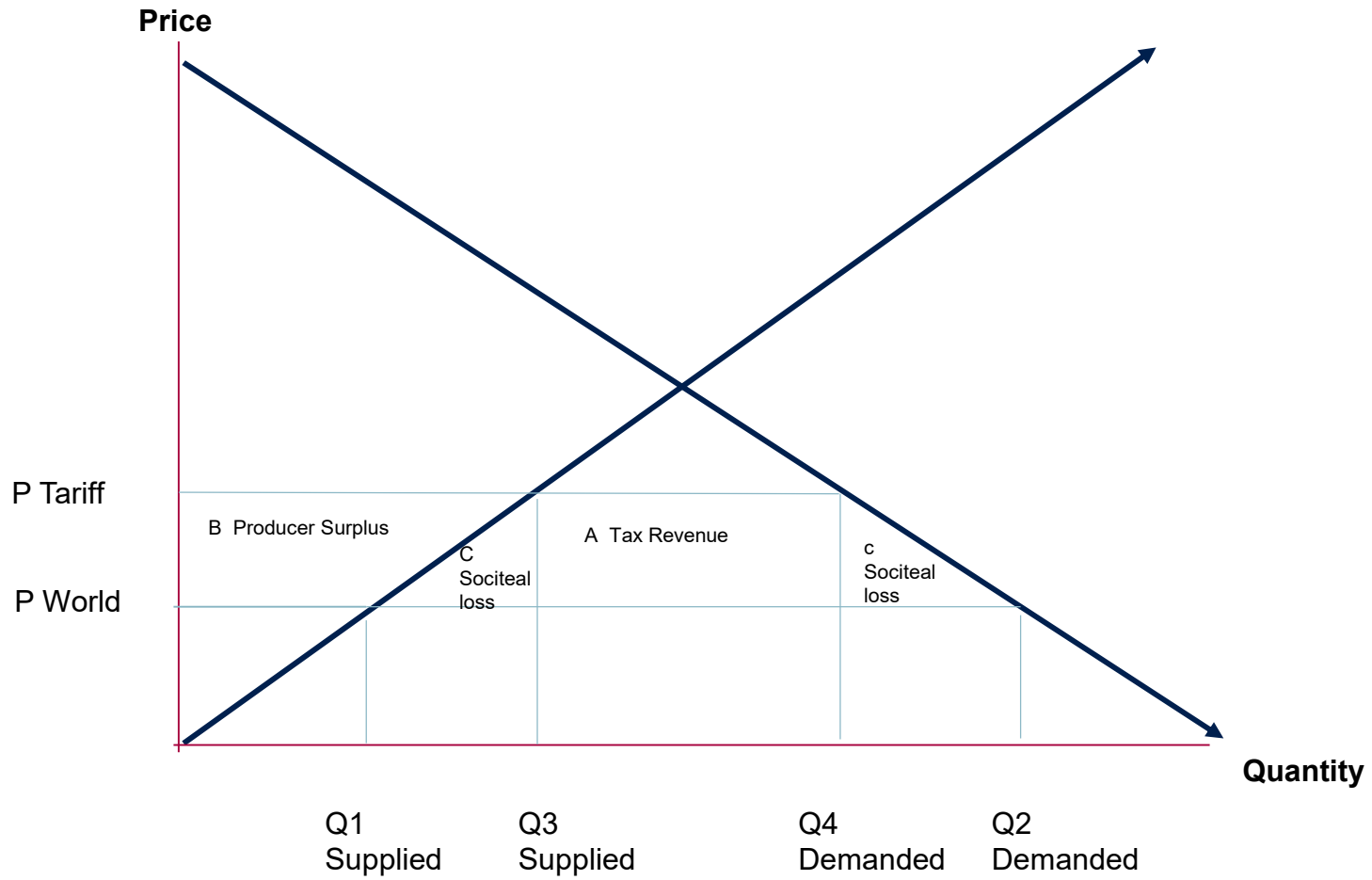
Global trade share of global GDP



Source: IMF, UNCTAD, ABGSC

Source: Macrobond, ABG Sundal Collier

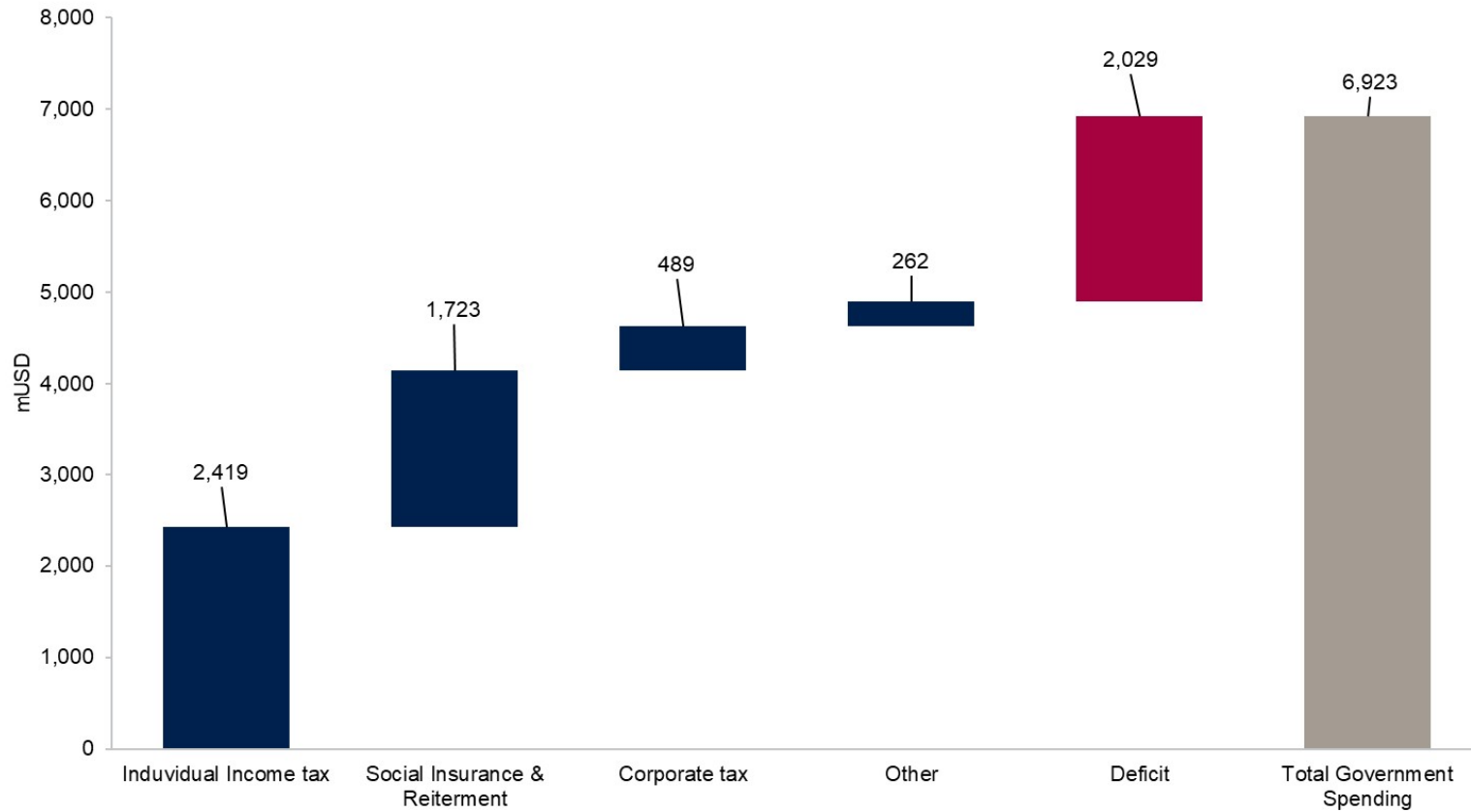
The Theory



Source: Macrobond, ABG Sundal Collier

US: Government spending and income

US: Government receipts vs outlays (past 12m)



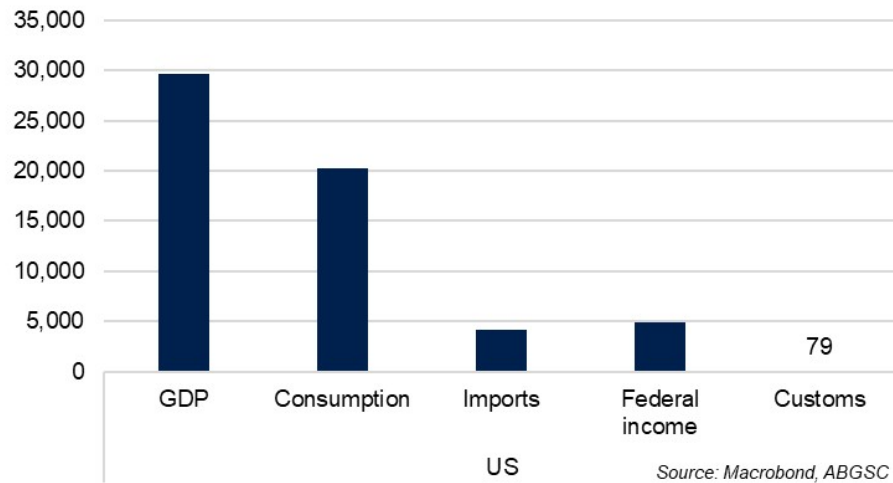
Source: Yara, ABGSC

Source: Macrobond, ABG Sundal Collier

US: Tariff vs. headline data

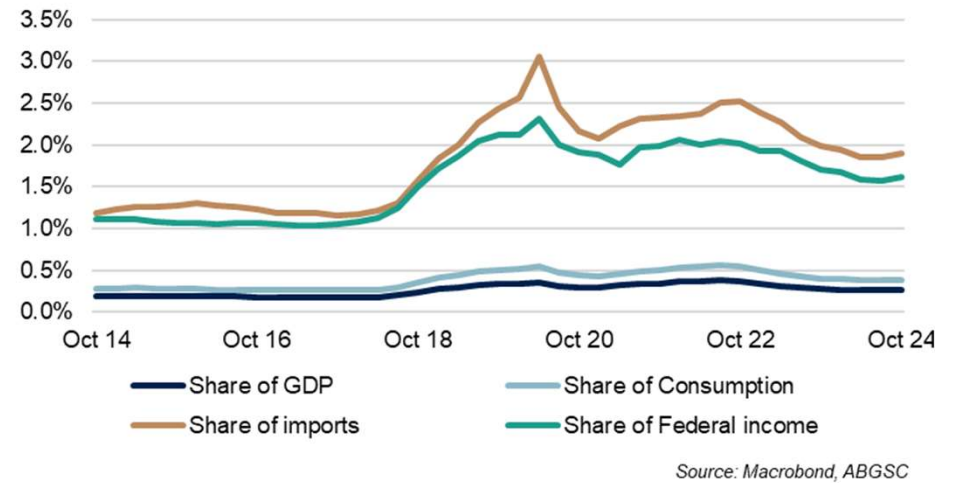
US: GDP, consumption, imports, federal income and duties

US: Headline data



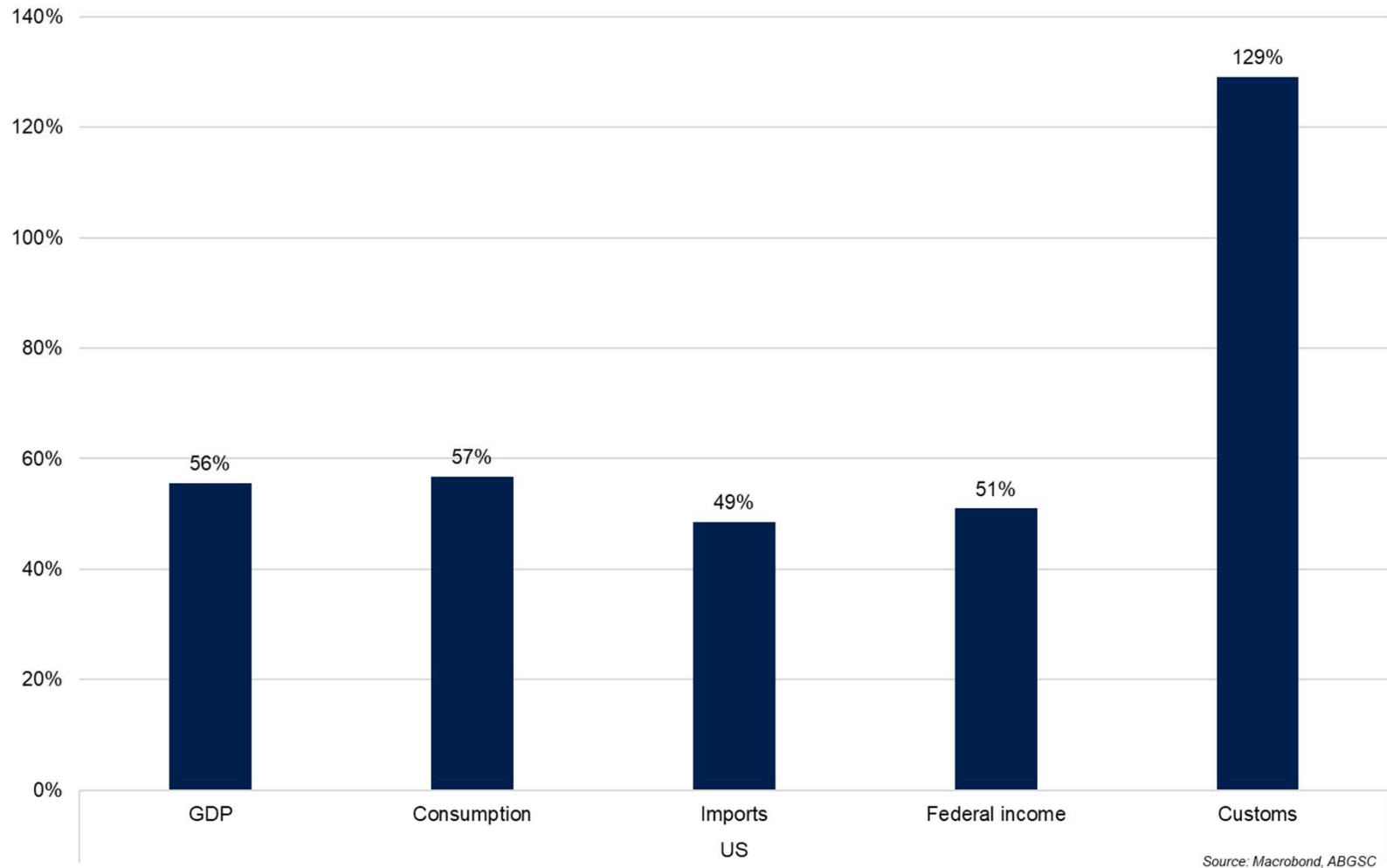
Duties as share of headline data

US duties in relation headline data



US: Tariff vs. headline data

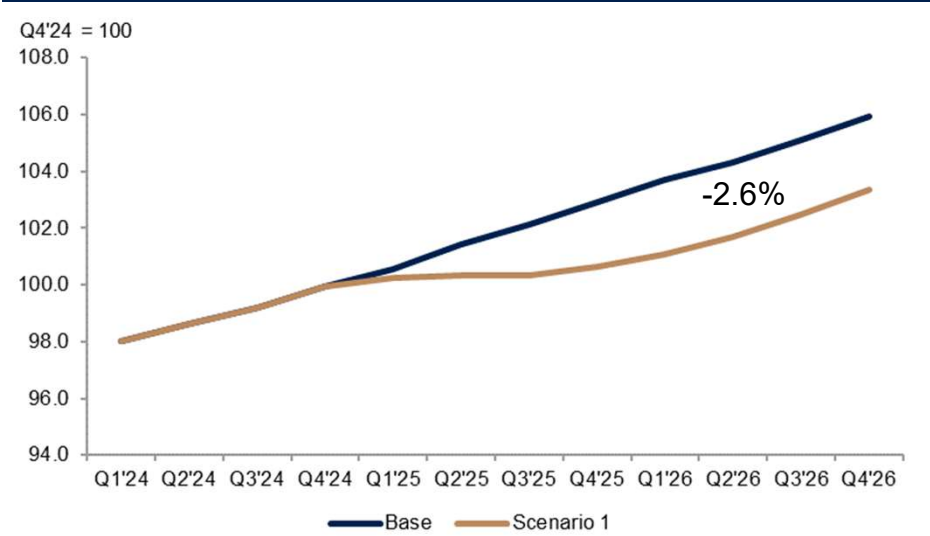
US: Headline data growth since Q4'16



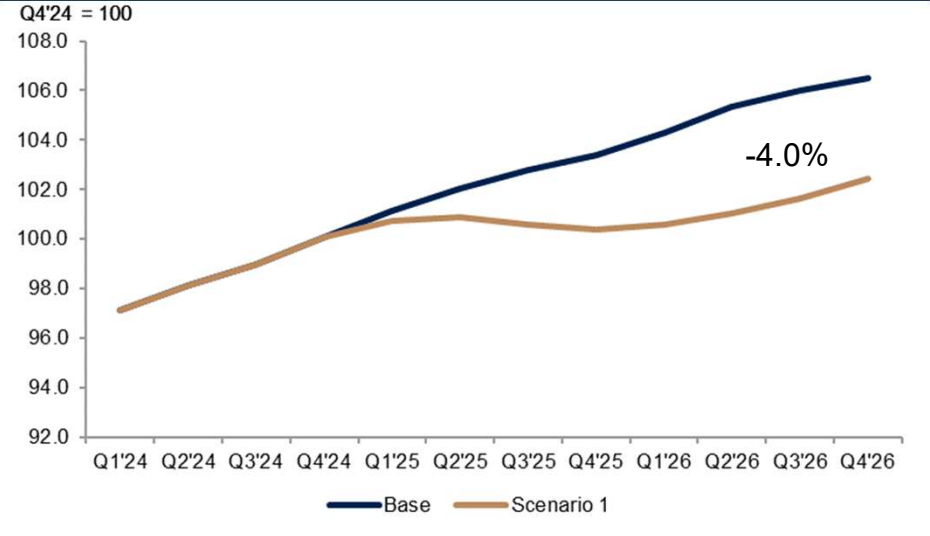
Source: Macrobond, ABG Sundal Collier

Trade war: Impact on GDP and IP

Impact on GDP



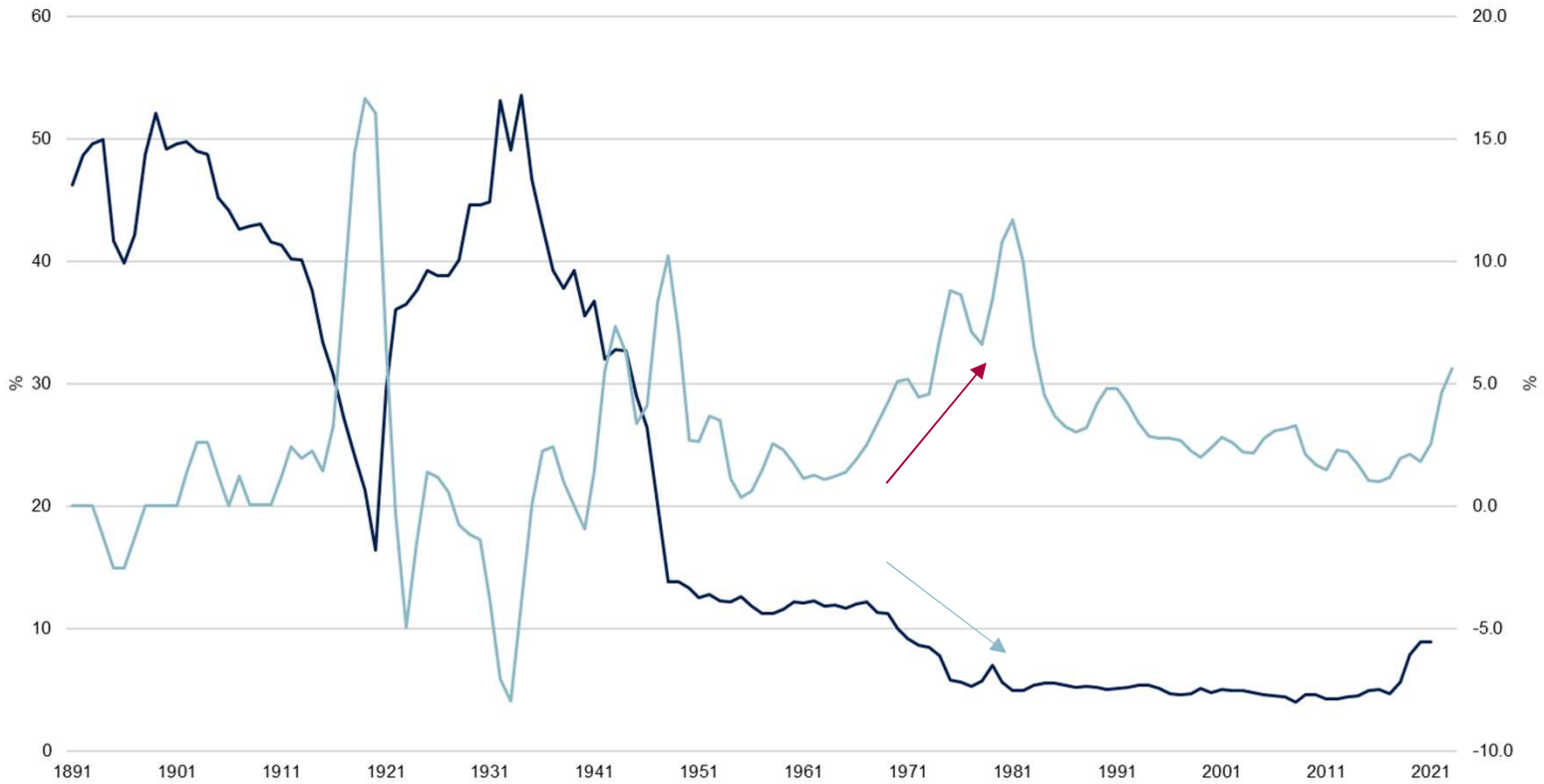
Impact on IP



Source: Oxford Economics, ABG Sundal Collier

Tariffs vs. inflation

US: ratio of duties collected to dutiable imports vs. 3y rolling CPI

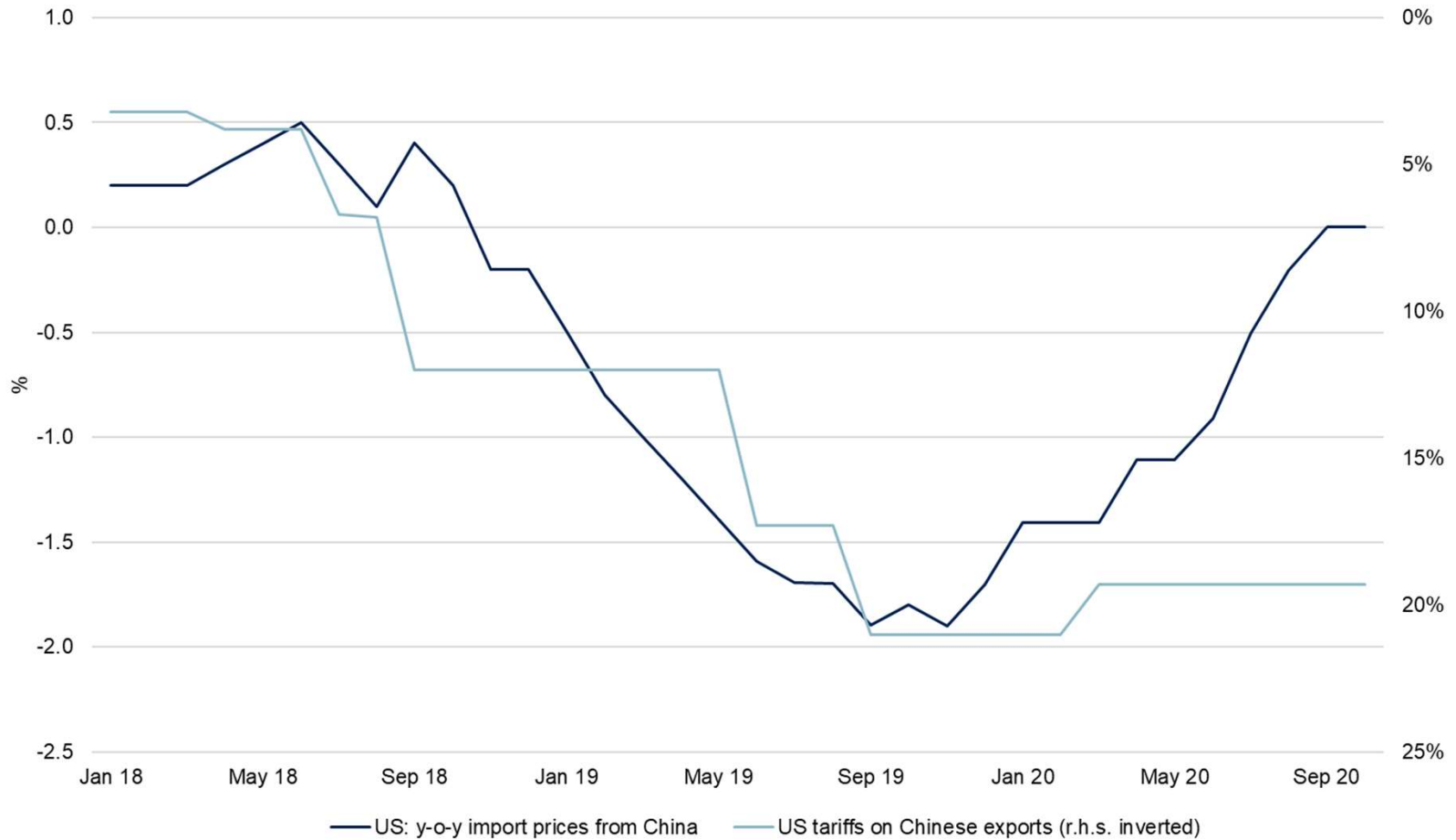


Source: United States International Trade Commission, Macrobond

Source: Macrobond, ABG Sundal Collier

Tariffs vs. inflation

US: Import prices from China y-o-y vs US tariffs on Chinese exports

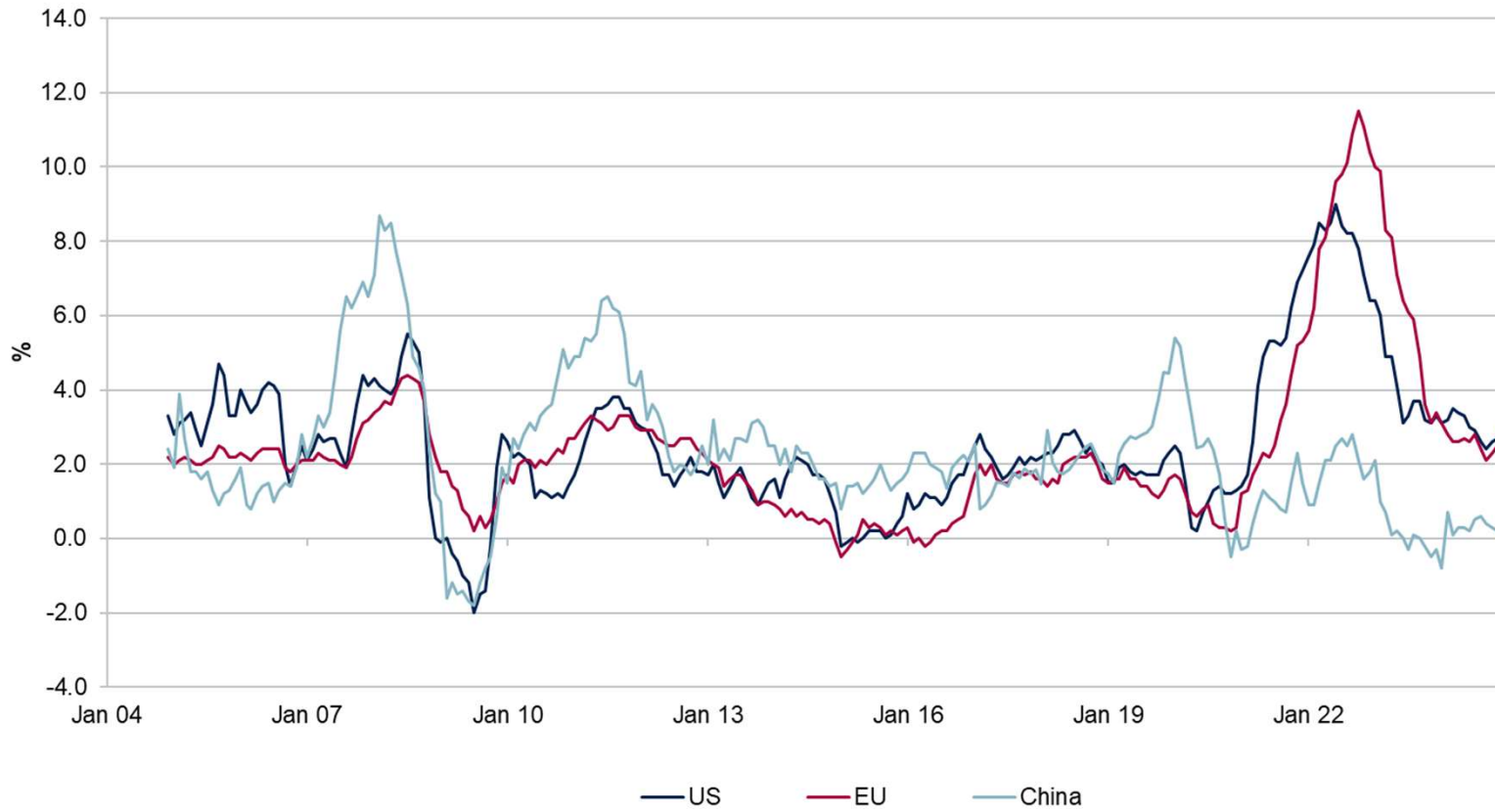


Source: Peterson institute for international economics, Macrobond, ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

CPI US, EU and China

US, EU, China: Inflation



Source: Macrobond, ABG Sundal Collier

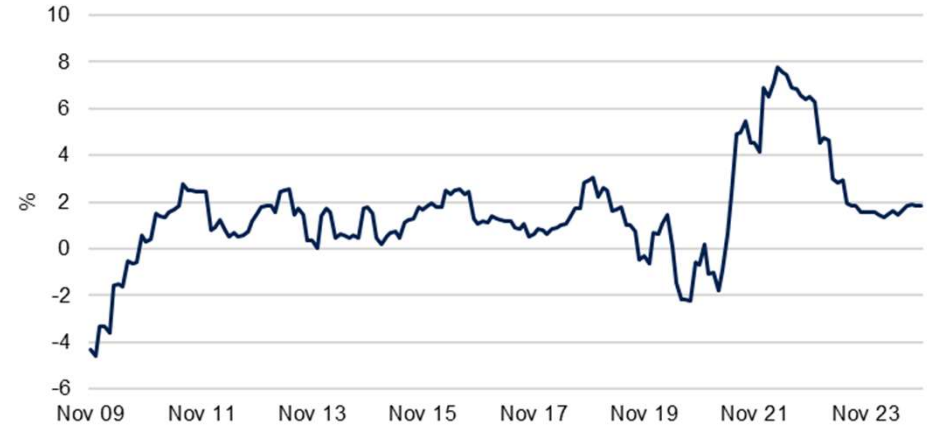
US: Inflation current cycle

US: Median wage growth and posted wages in ads



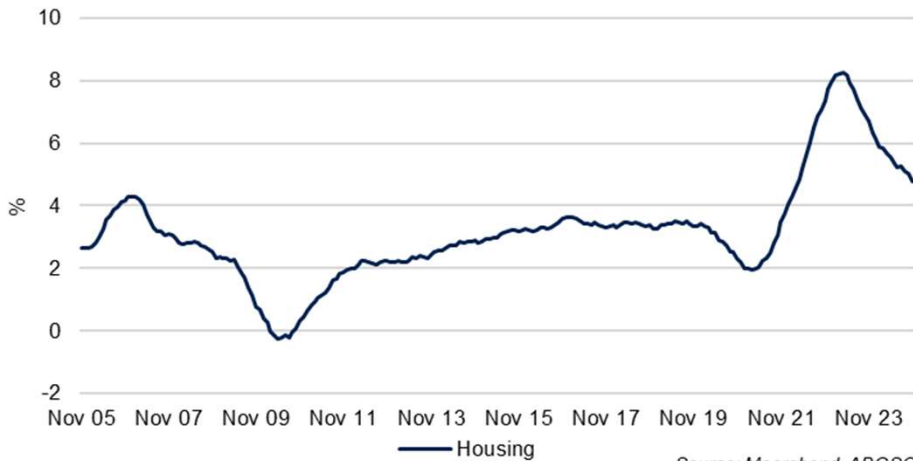
Source: Macrobond, ABGSC

US: Wage growth - Productivity



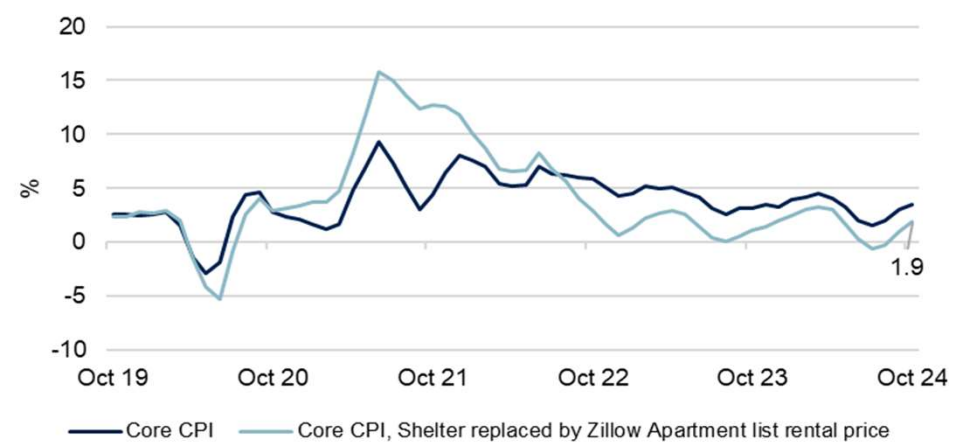
Source: Macrobond, ABGSC

US: Core PCE



Source: Macrobond, ABGSC

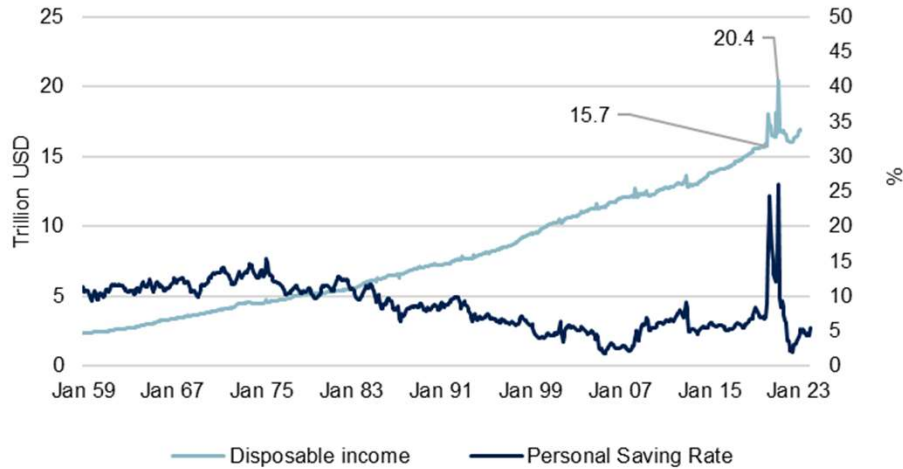
US CPI



Source: Macrobond, ABGSC

What did explain inflation in 2021-2024?

US: Disposable income and savings rate



Source: Macrobond

European gas prices



Source: ABG Sundal Collier

Global: Supply chain pressure



Source: Macrobond,

US: Core PCE

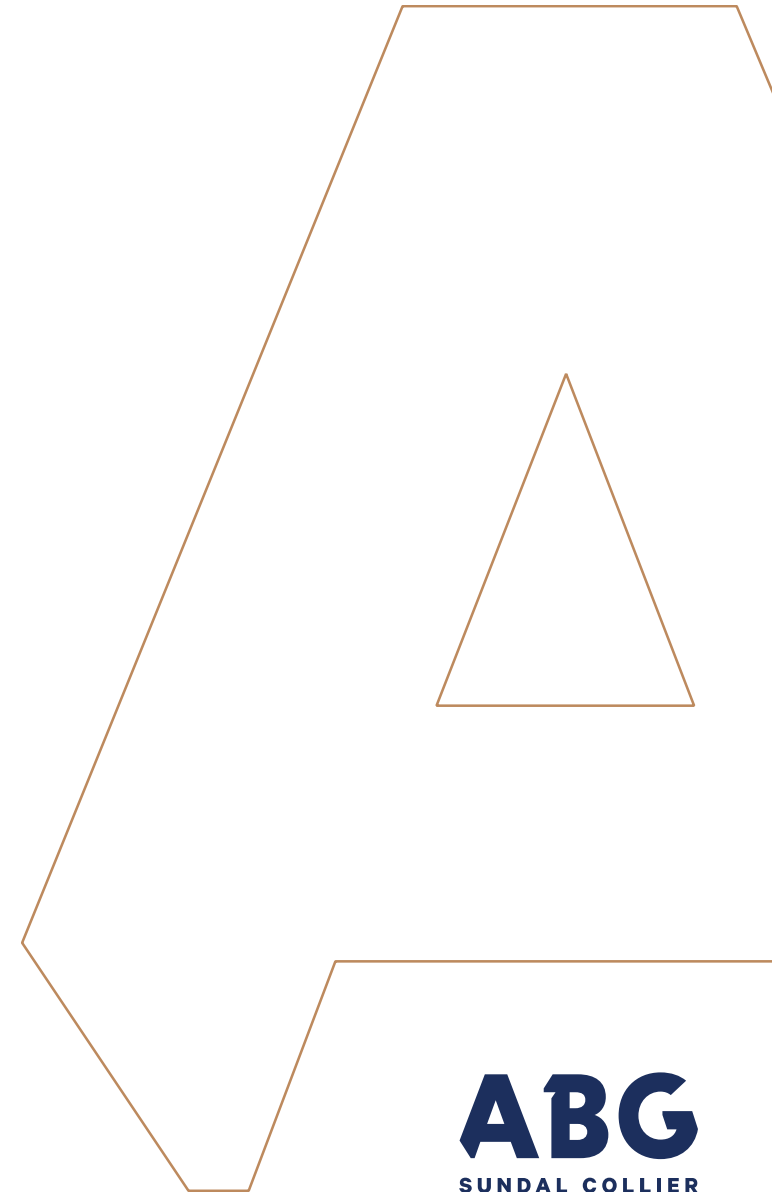


Source: Macrobond, ABGSC

Stock market

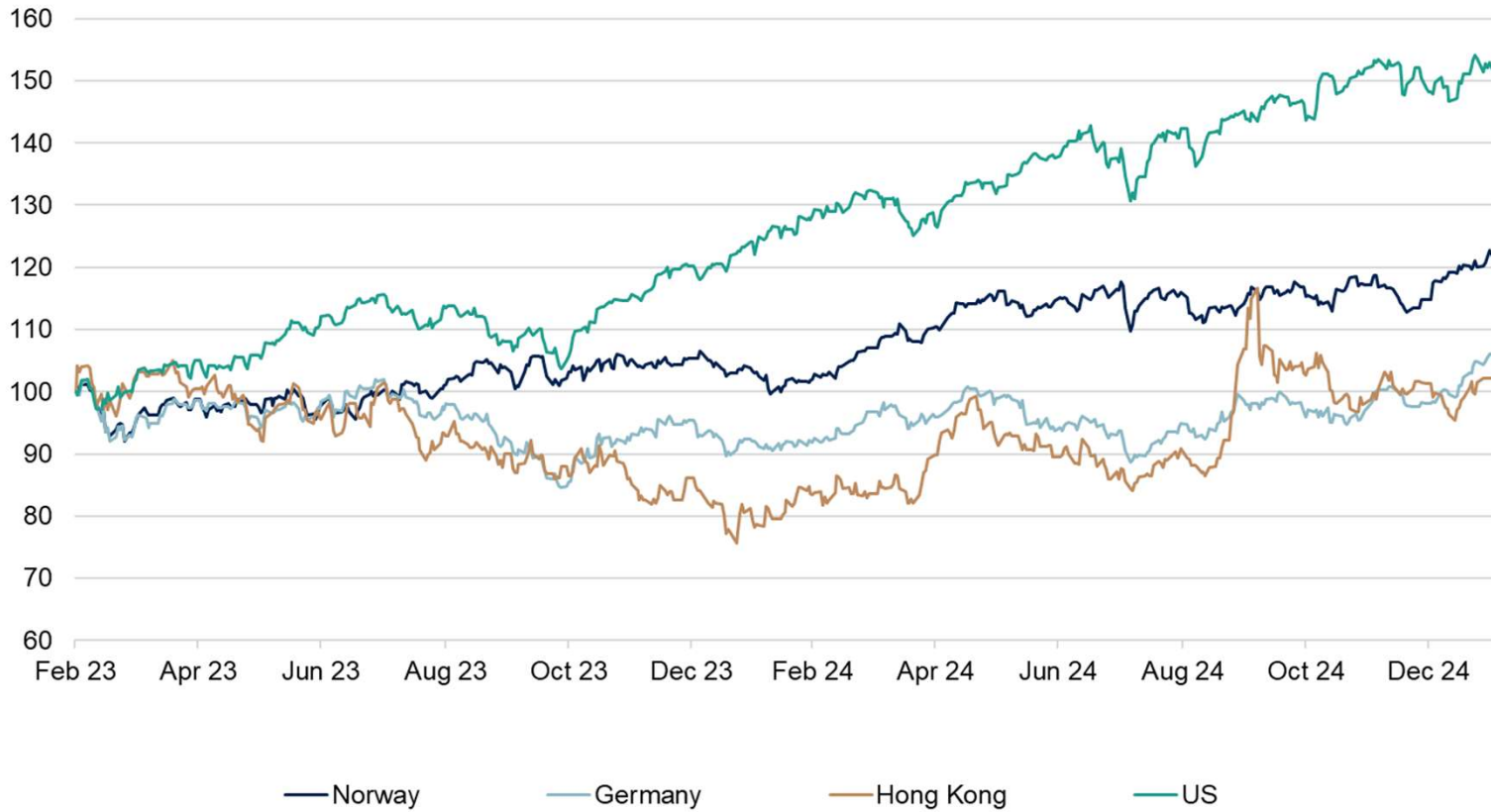
US valuation extreme

12m forward EPS should turn down



Global stock markets, last two years

Global stock market last 24 months



Source: ABG Sundal Collier

Source: Macrobond, ABG Sundal Collier

Germany: DAX

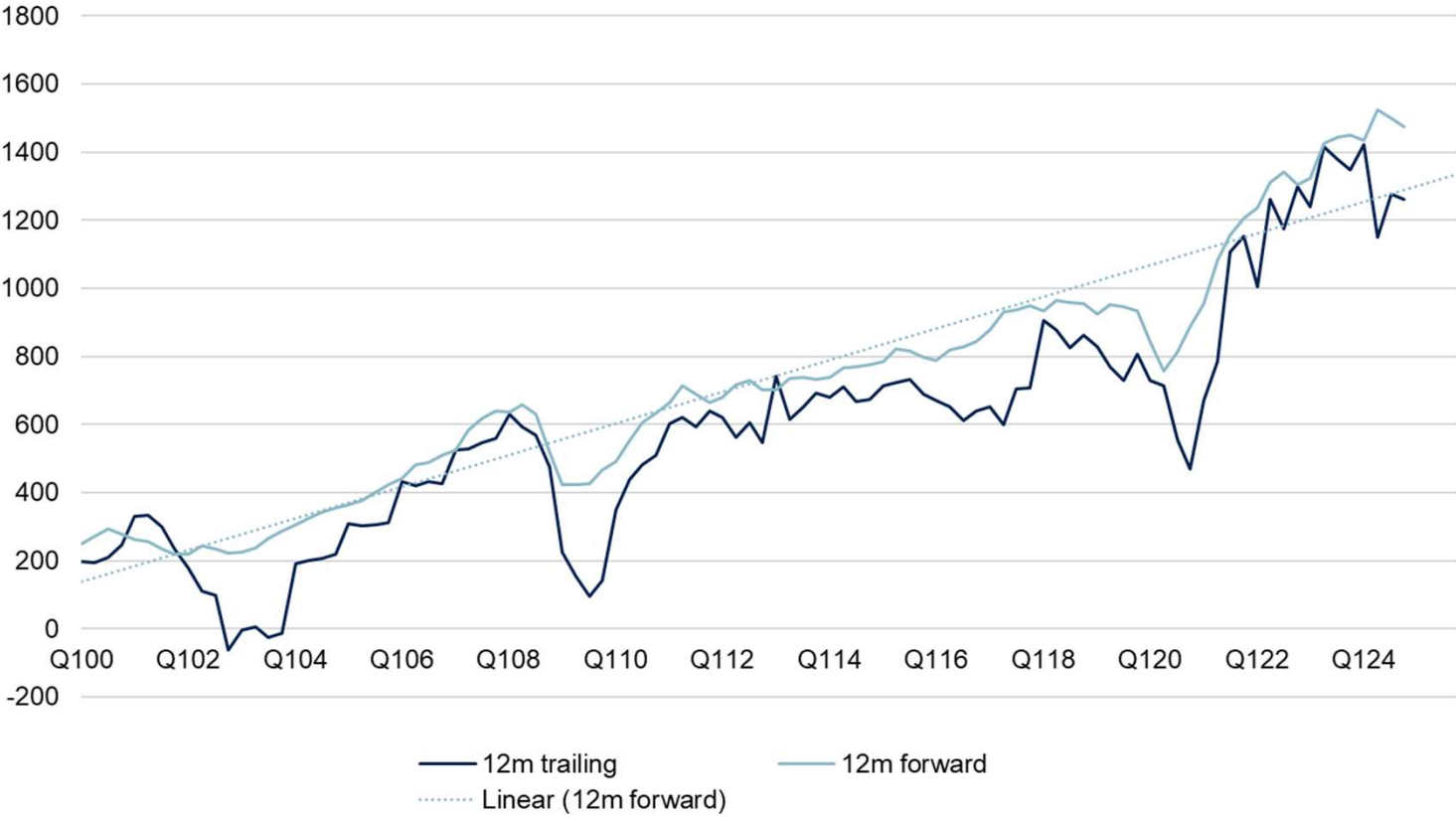
DAX: 12m forward PE



Source: Factset, ABG Sundal Collier

Germany

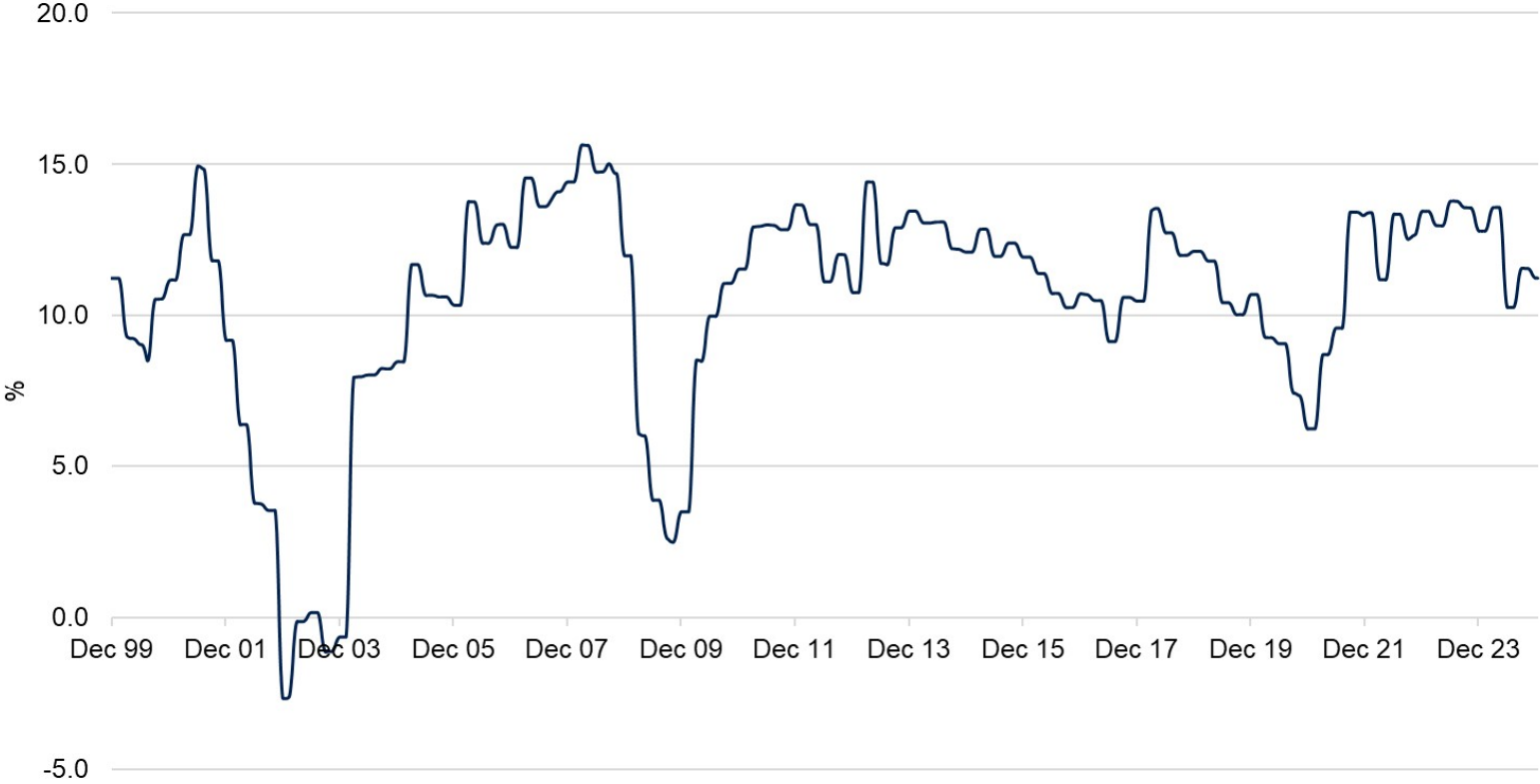
DAX: Earnings



Source: Factset, ABG Sundal Collier

Germany

DAX: ROE



Source: Factset, ABG Sundal Collier

US: S&P 500

S&P 500 - 12m forward PE

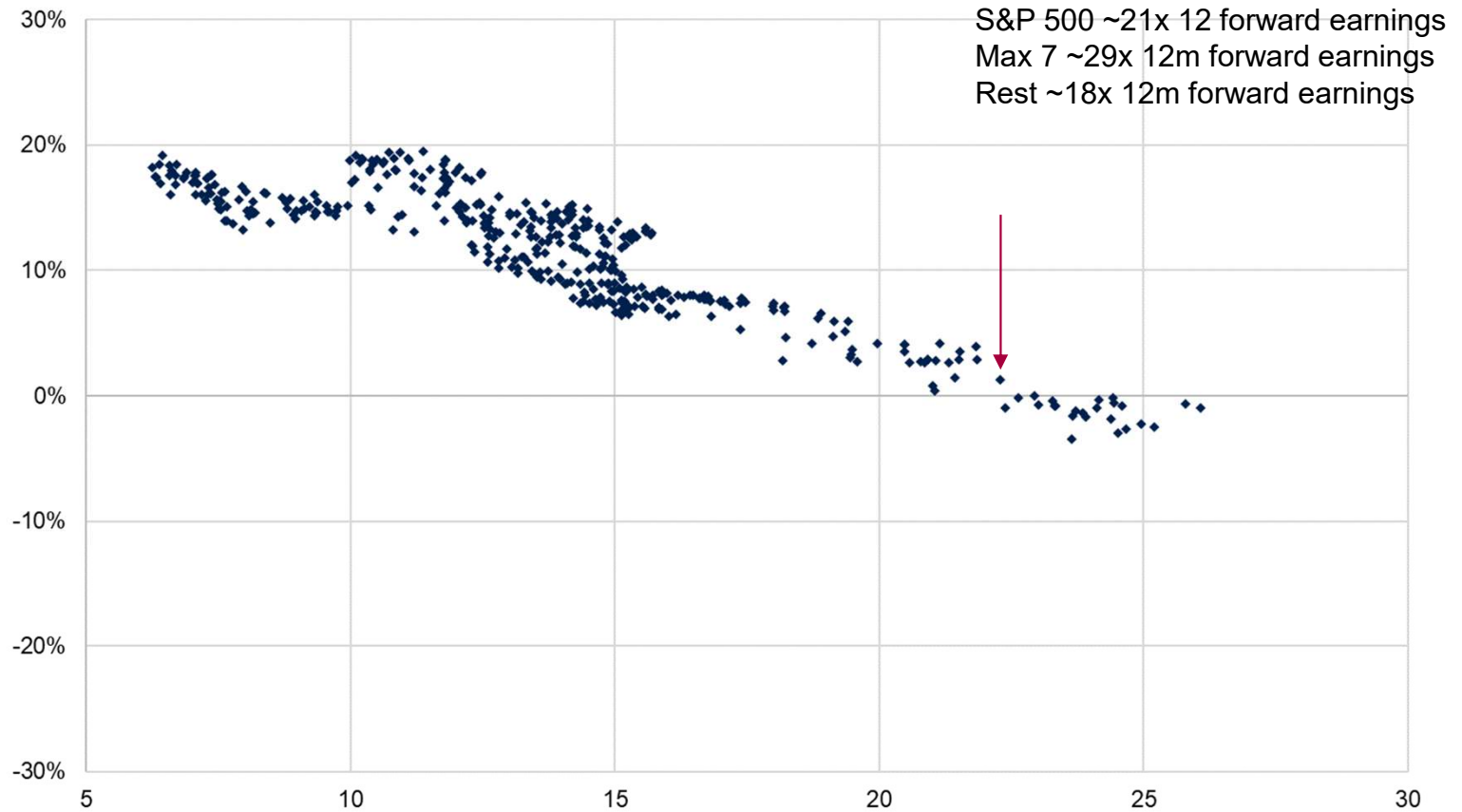


Source: Macrobond, Factset, ABG Sundal Collier

Source: Macrobond, S&P, ABG Sundal Collier

US: S&P 500

12m Forward PE and 10y Subsequent return

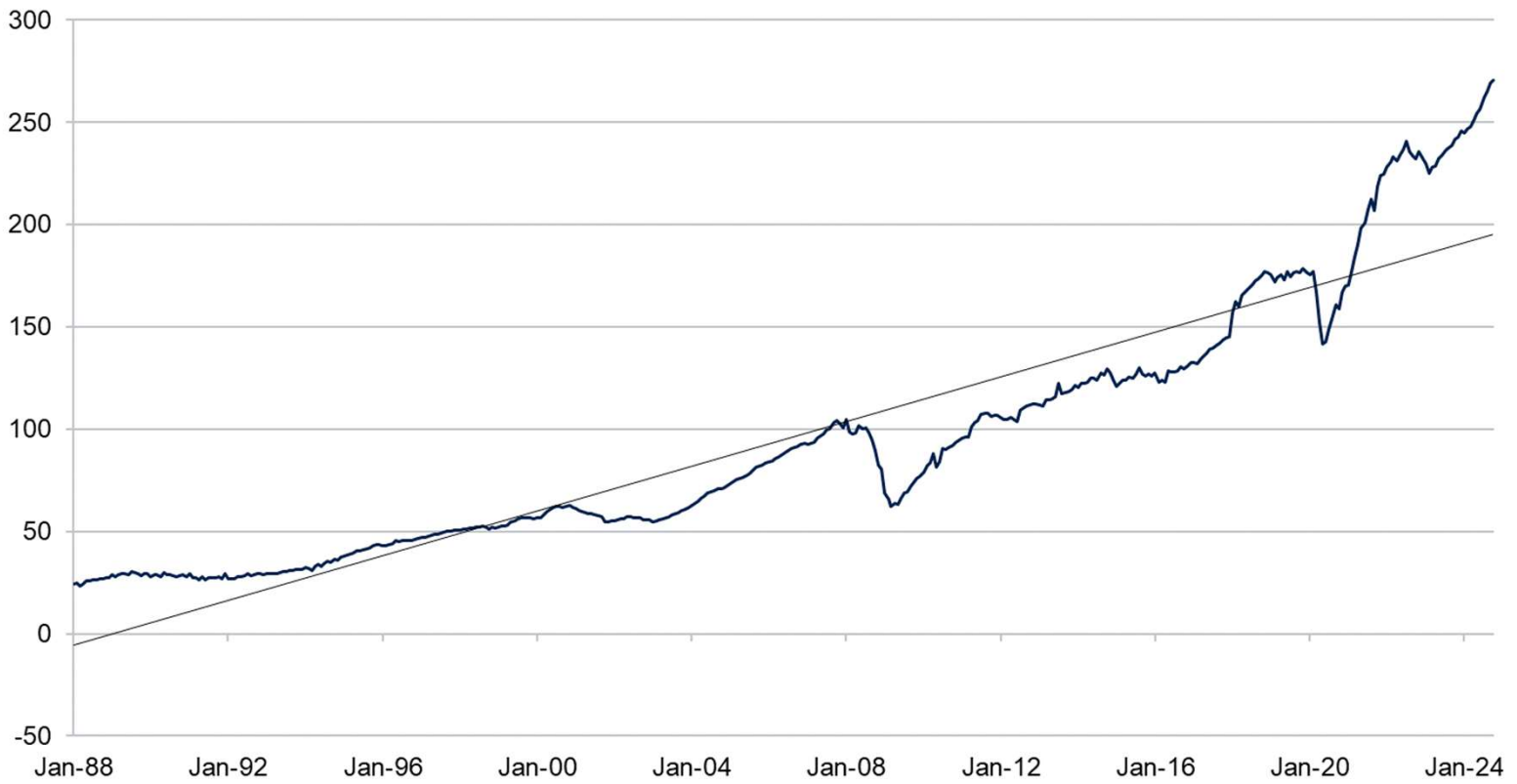


Source: Macrobond, ABGSC

Source: Macrobond, S&P, ABG Sundal Collier

US

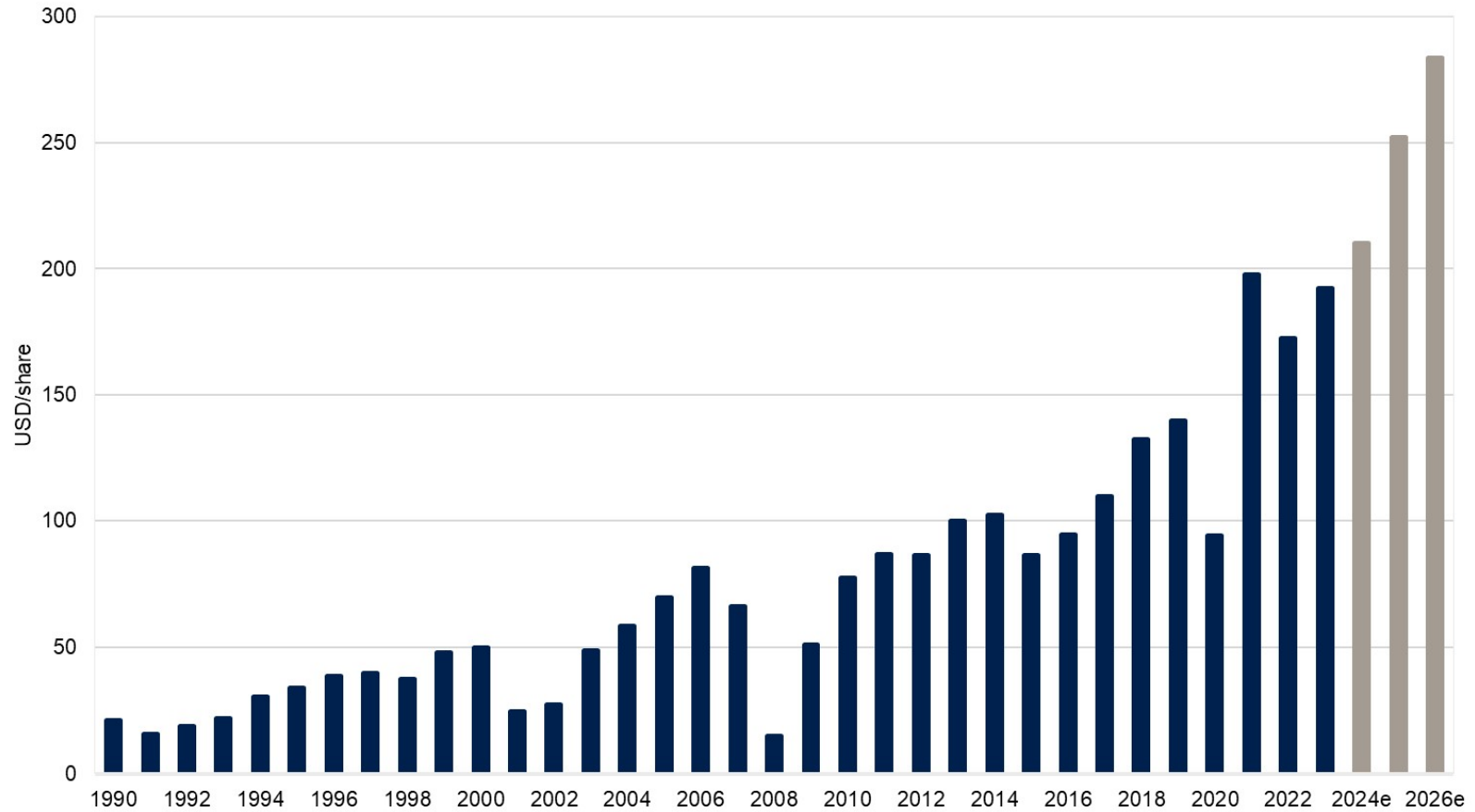
US: 12m forward EPS (S&P 500)



Source: S&P, ABG Sundal Collier

US: S&P 500: 10% growth expected for 24e, 20% for 25e

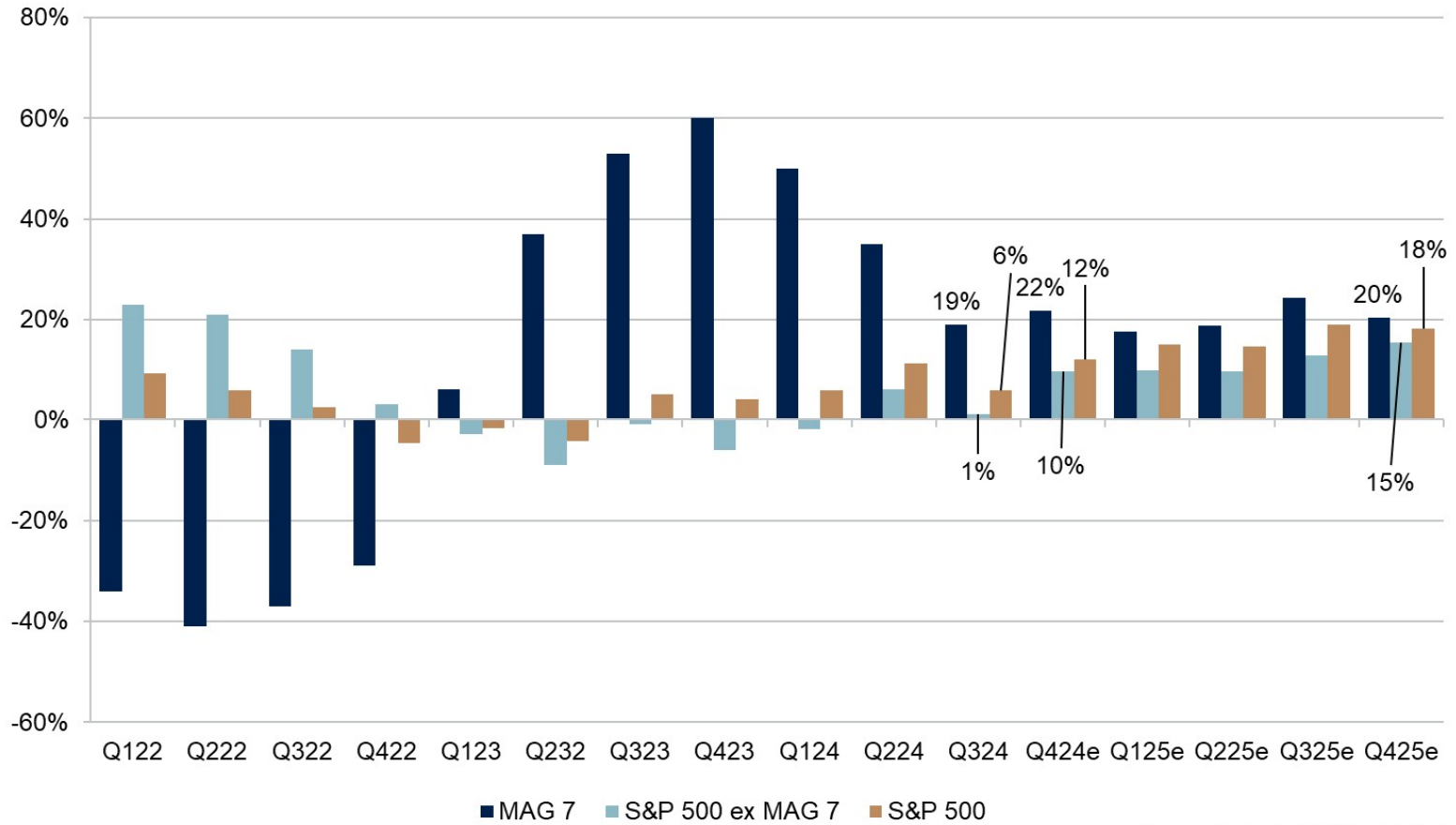
S&P 500: EPS and forecasted EPS 2023-2025e



Source: Factset, S&P, ABG Sundal Collier

US: S&P 500 Mix

S&P 500 Quarterly Earnings (Non-GAAP)

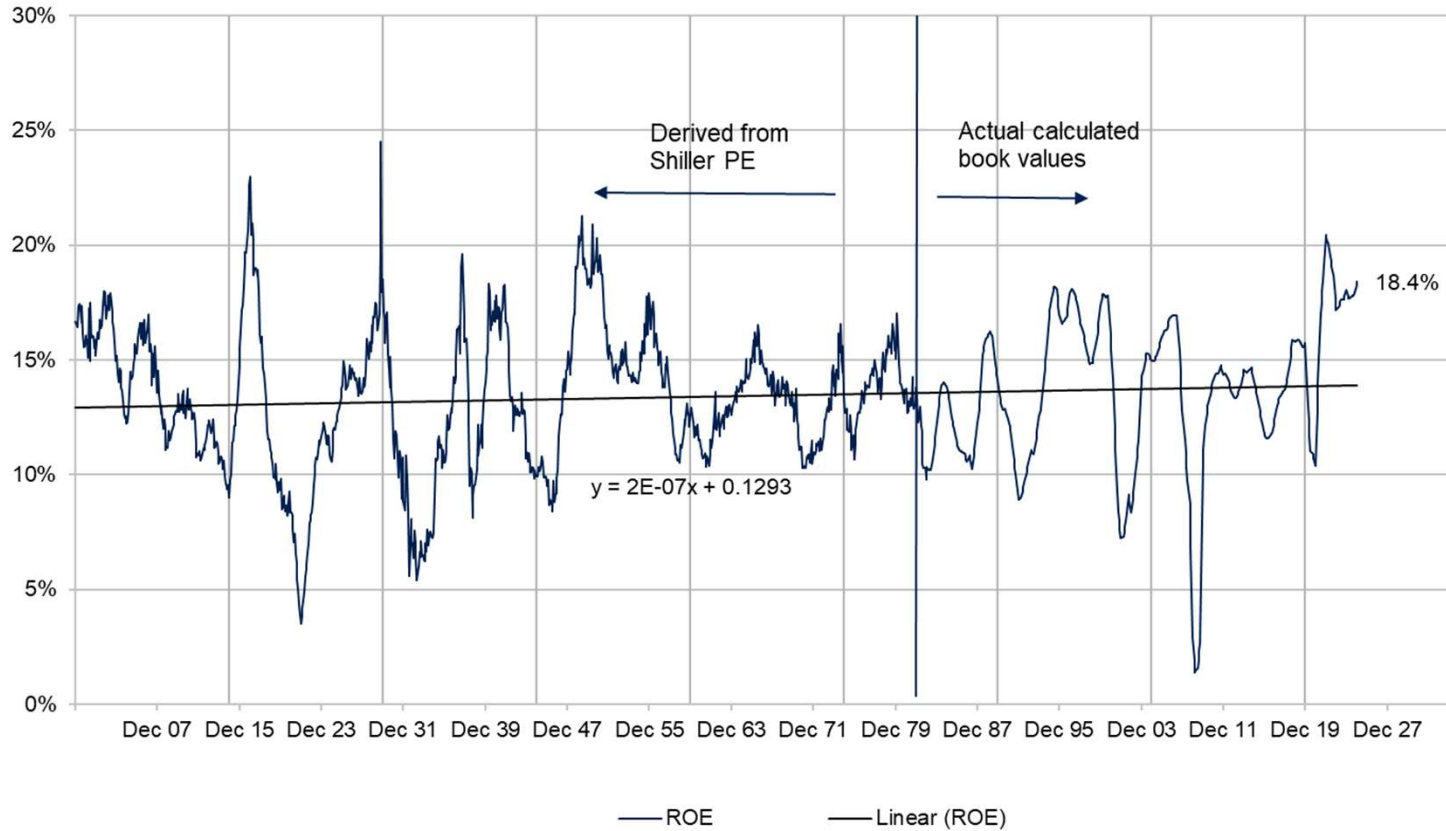


Source: Factset, ABG Sundal Collier

US: S&P 500

S&P 500 - Return on Equity

Average 1900-2023: 13.0%

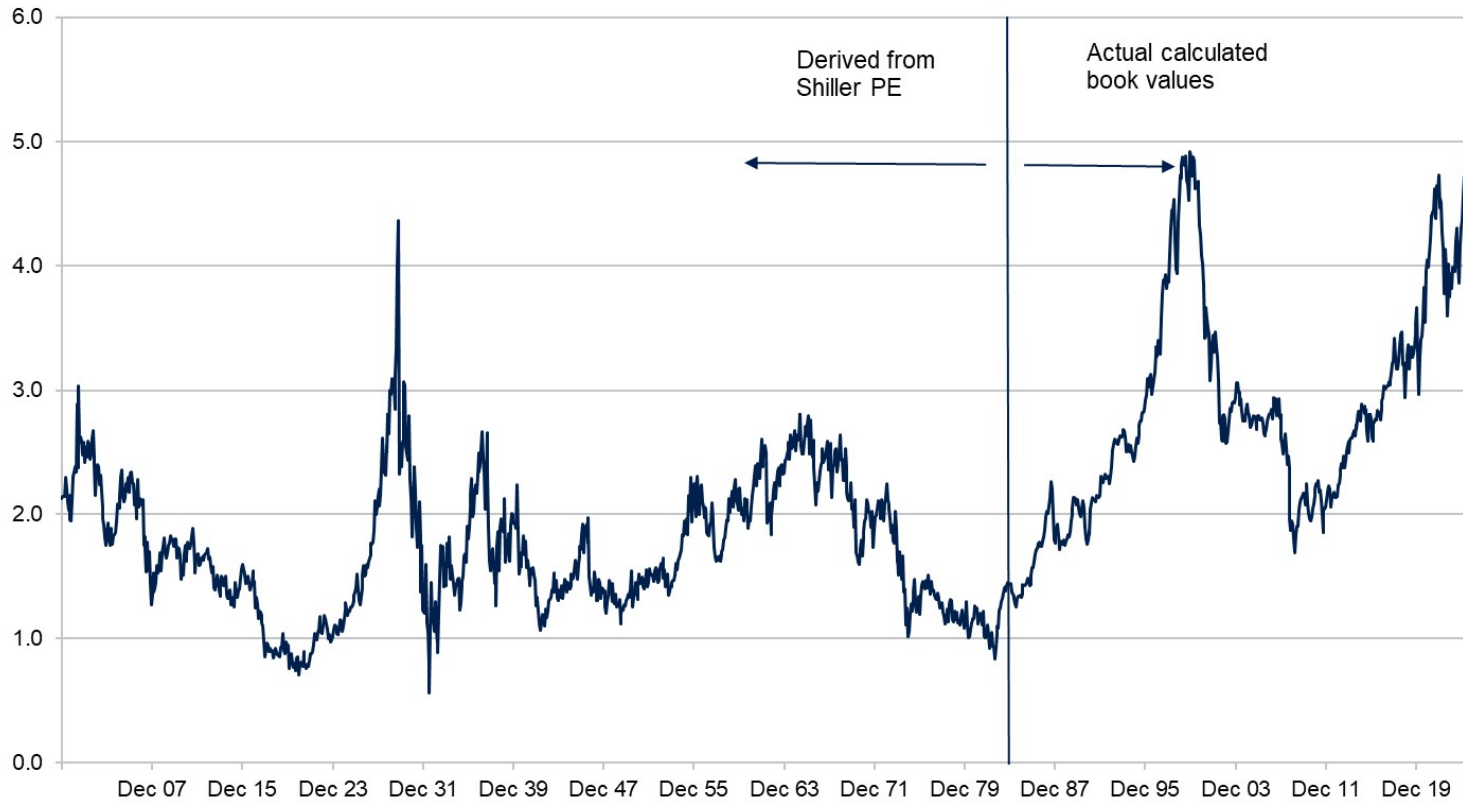


Source: Robert Shiller, IBES, Bloomberg, S&P, ABG Sundal Collier

Source: Macrobond, S&P, ABG Sundal Collier

US: S&P 500

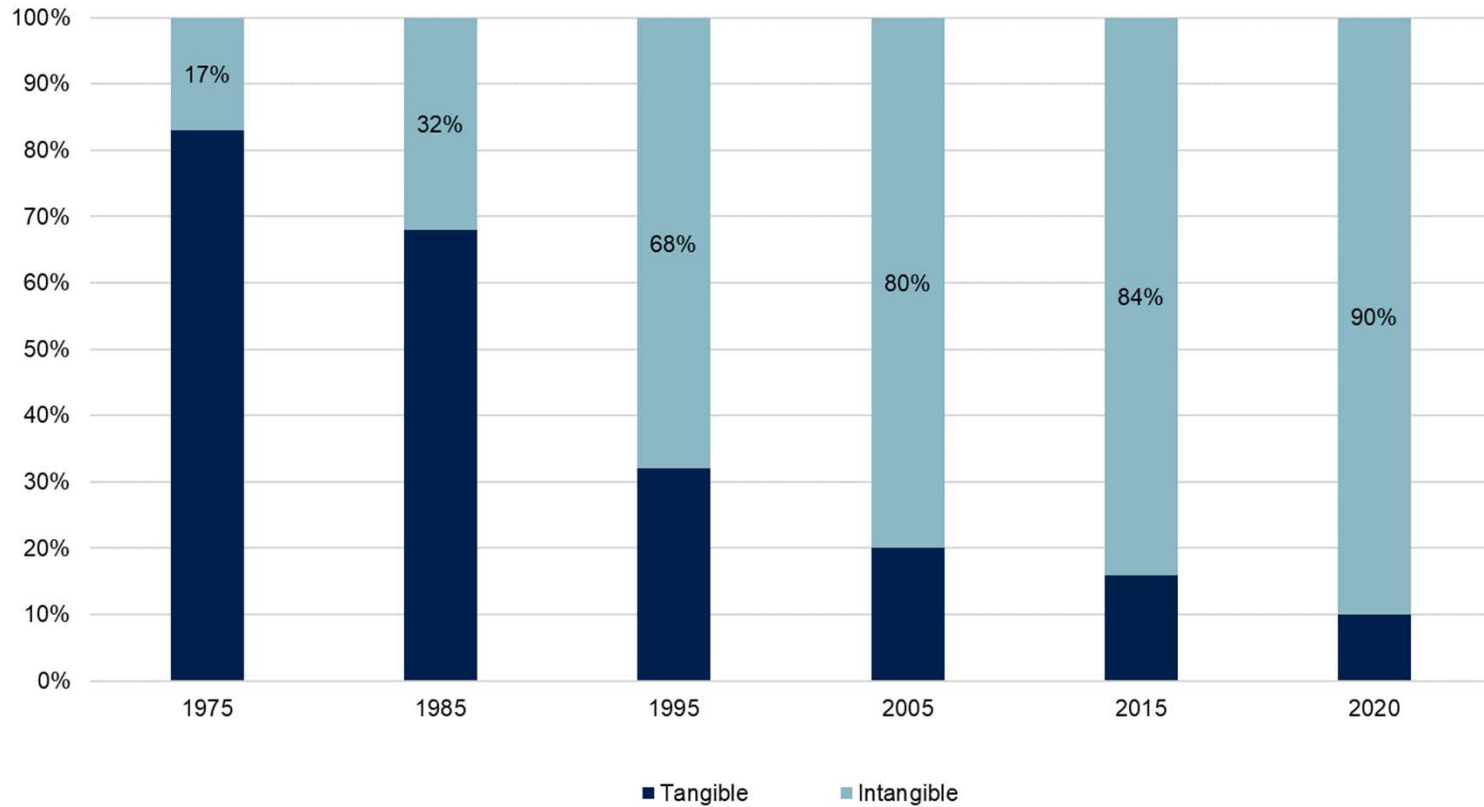
S&P 500 - PB



Source: Robert Shiller, Bloomberg, S&P, ABG Sundal Collier

US: S&P 500

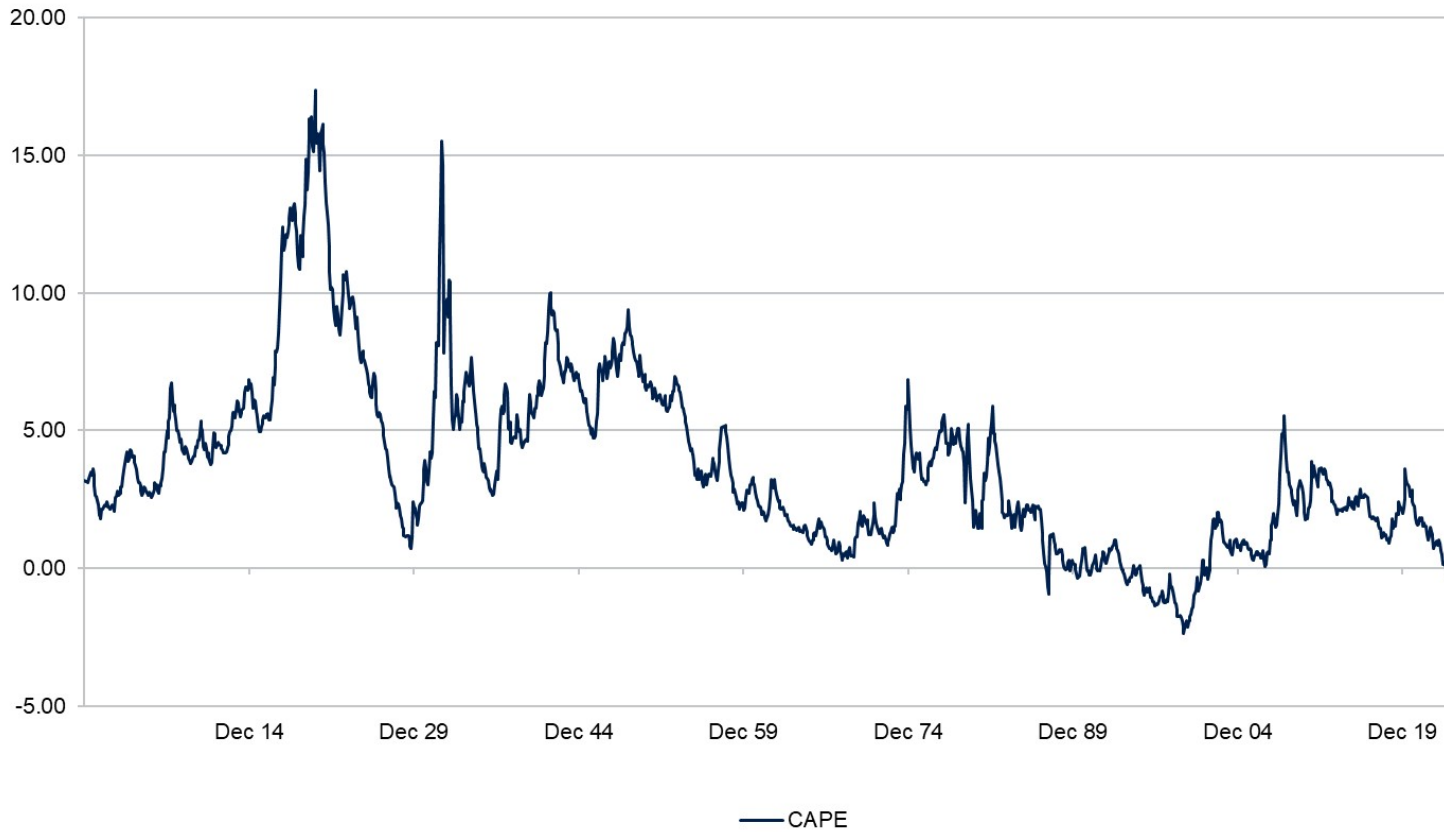
S&P: Intangible share of total assets



Source: Ocean Tomo Intangible Asset Market Study

US: S&P 500

S&P 500 - Implied Risk Premium based on CAPE

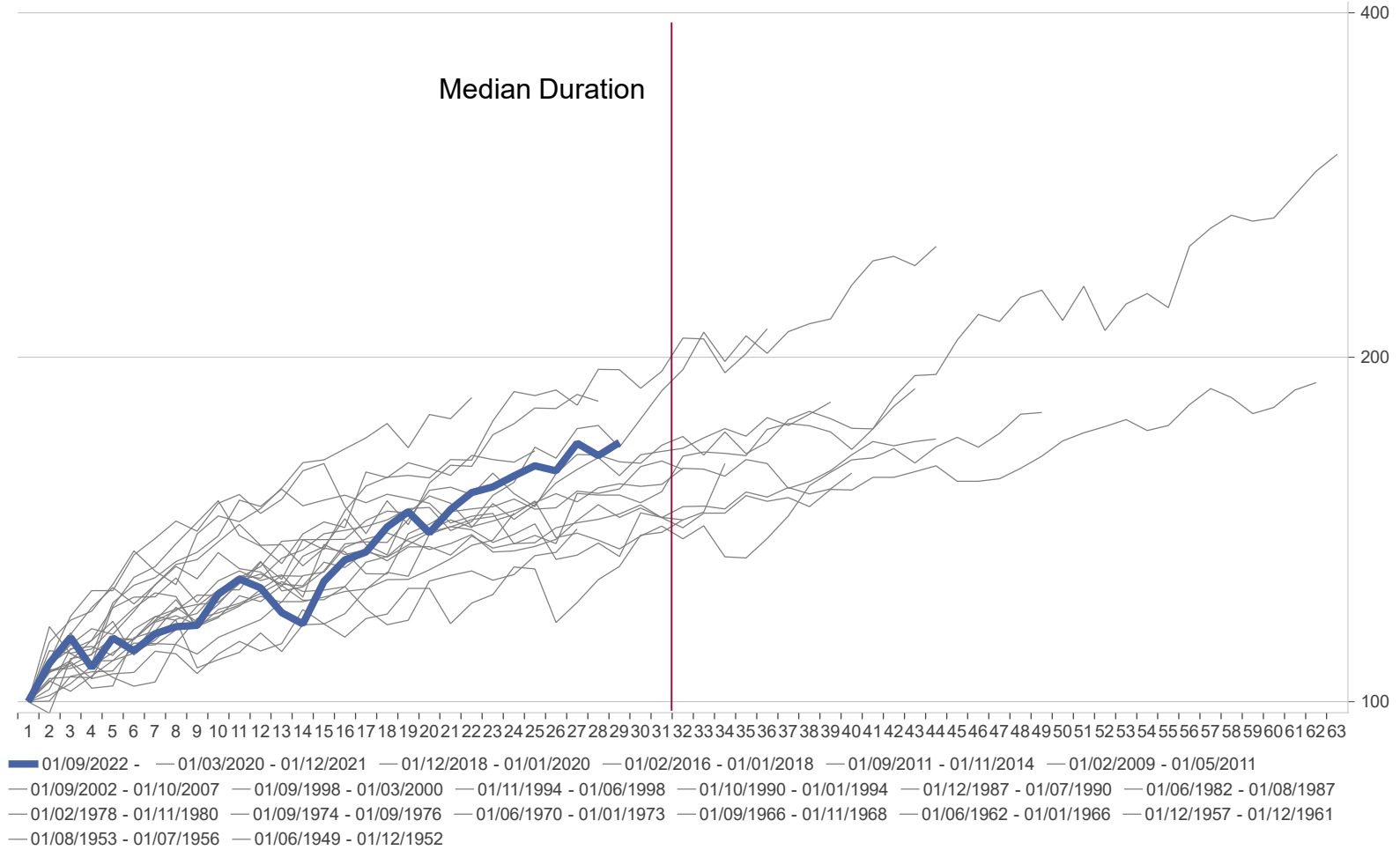


Source: Robert Shiller, ABG Sundal Collier

Source: Macrobond, S&P, ABG Sundal Collier

US: S&P 500

S&P 500 Bull markets 1945-2024



MACROBOND

Source: Macrobond, S&P, ABG Sundal Collier

OSEBX: Earnings

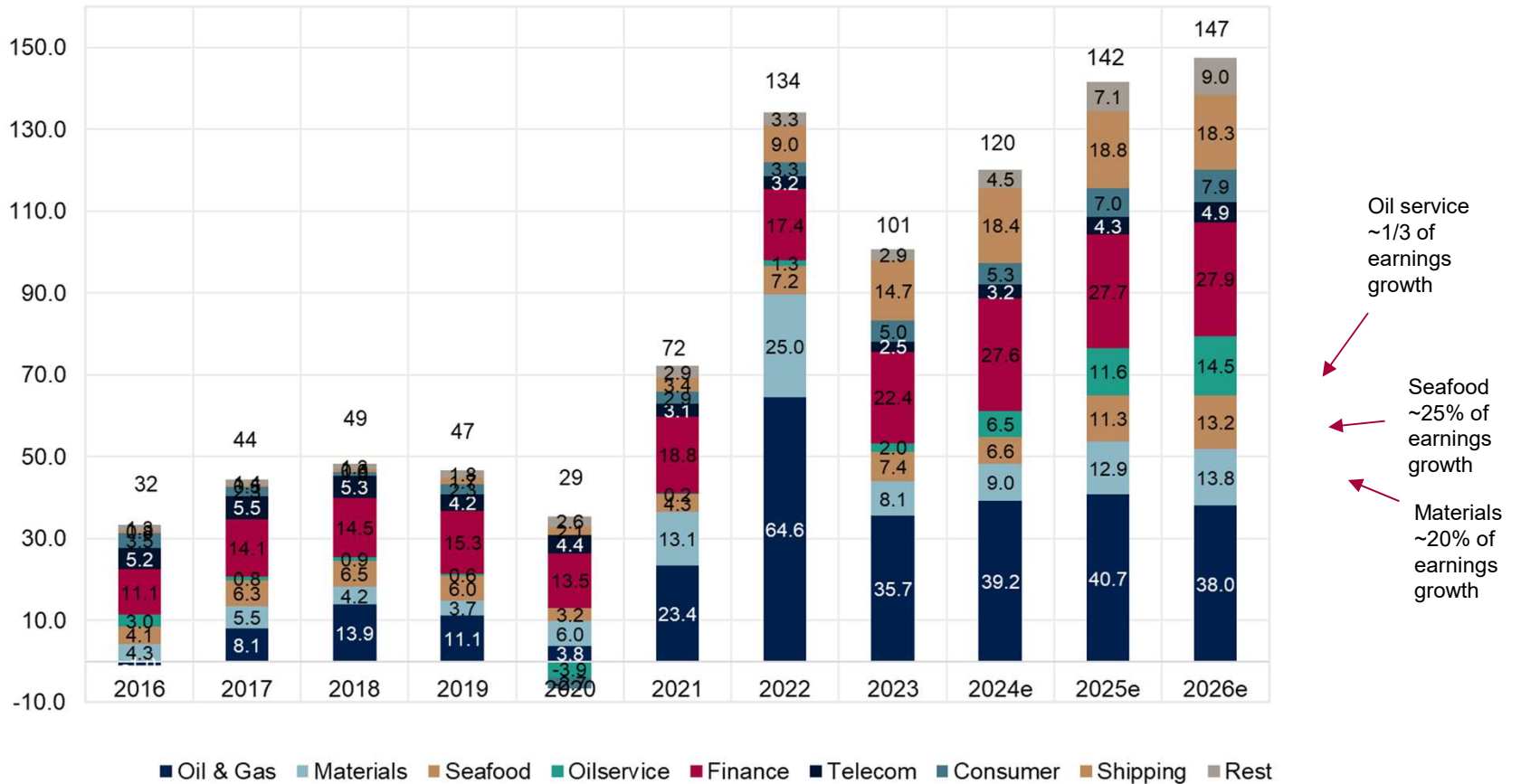
OSEBX: 12m forward EPS



Source: Datastream, Factset, Oslo Børs, ABG Sundal Collier

OSEBX: EPS

EPS contribution sectors OSEBX

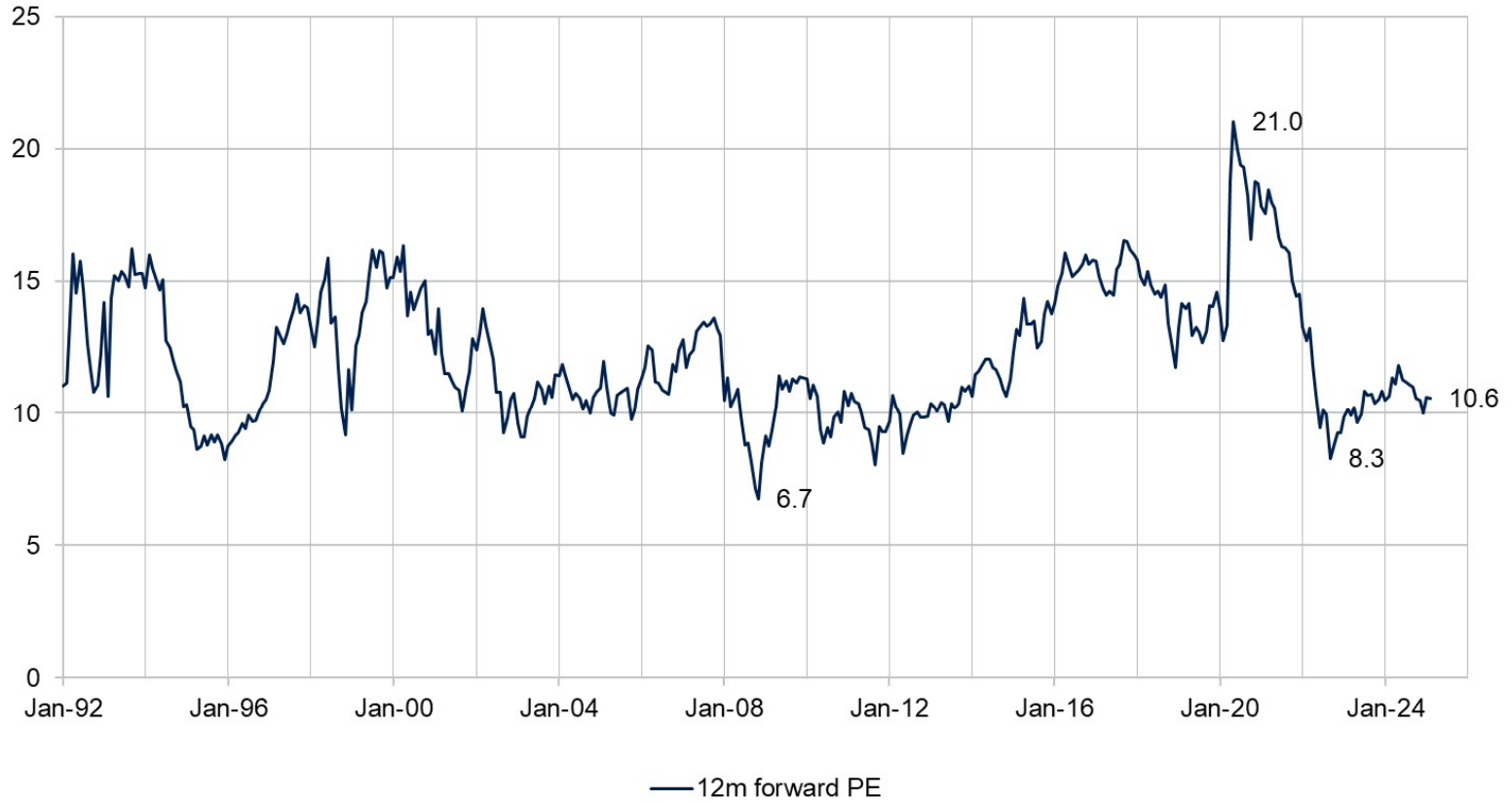


Source: Factset, ABG Sundal Collier

Source: Factset, ABG Sundal Collier

OSEBX: Valuation

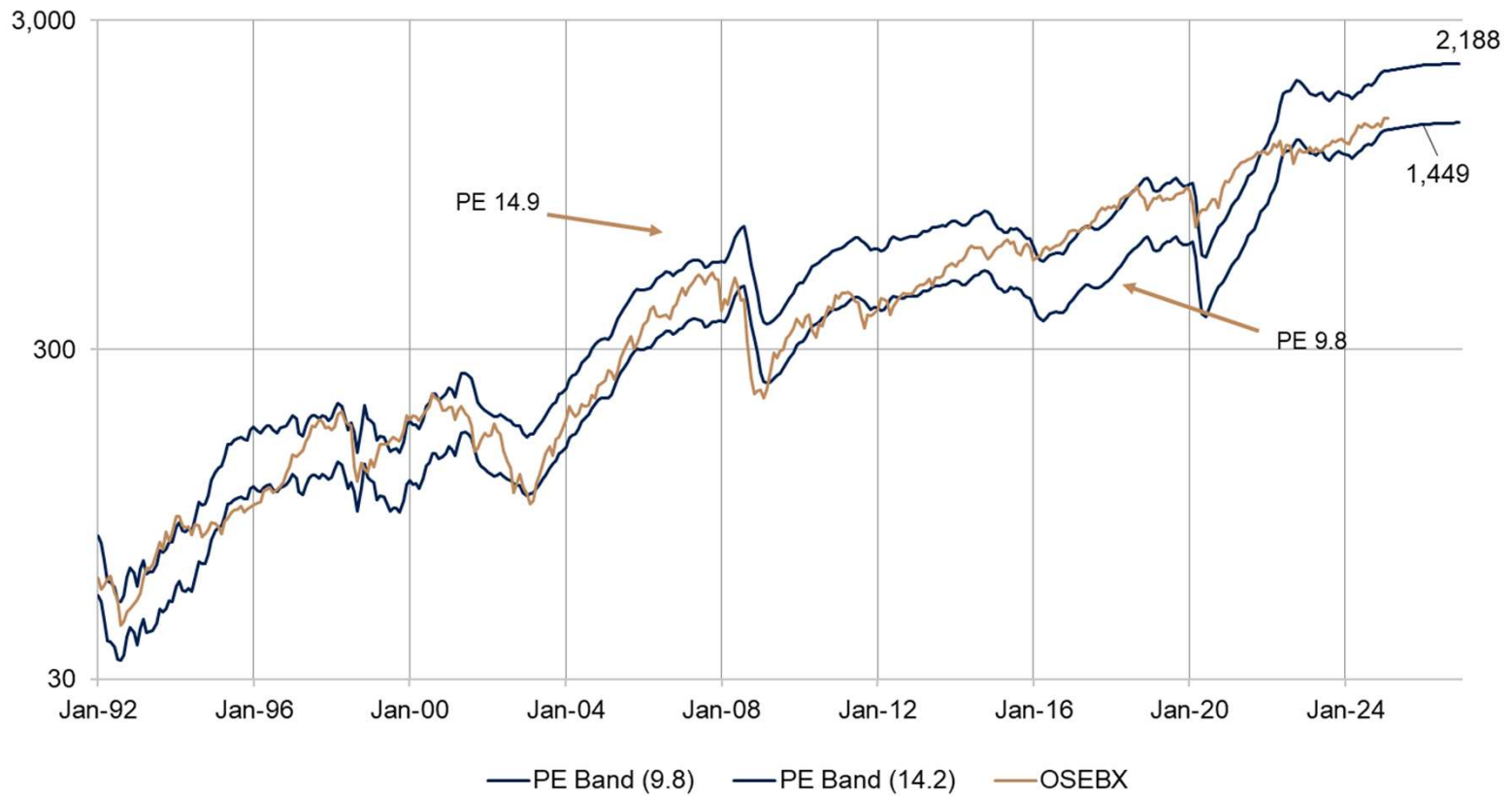
OSEBX: 12m forward PE



Source: Datastream, Factset, Oslo Børs, ABG Sundal Collier

OSEBX: Valuation

OSEBX: 12m forward PE Band (1 st.dev)



Source: Datastream, Factset, Oslo Børs, ABG Sundal Collier

OSEBX: Valuation

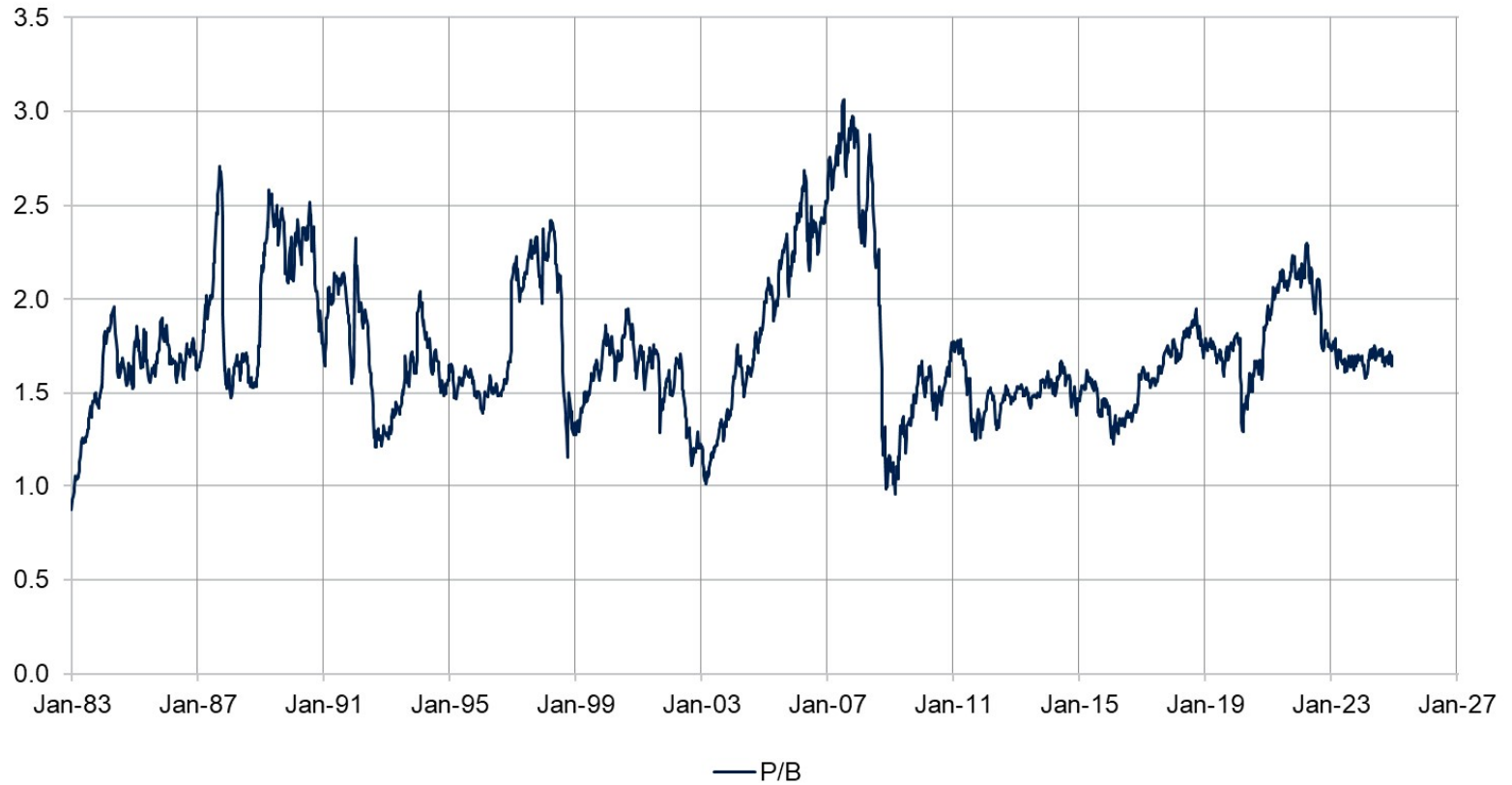
OSE: 12m forward PE



Source: Factset, ABG Sundal Collier

OSEBX: Valuation

OSEBX: P/B



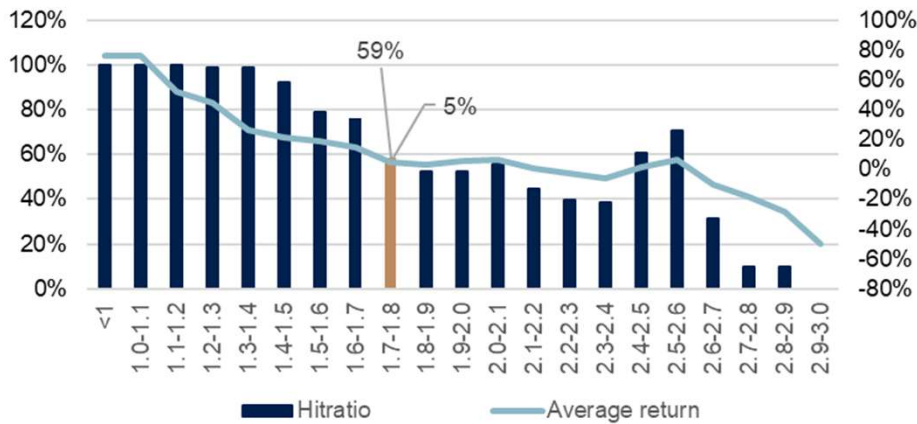
Source: NHH School of Economics, Oslo Børs, ABG Sundal Collier

OSEBX: Back-testing return using P/B model

Risk-reward below normal

Returns and hit ratio in different valuation ranges

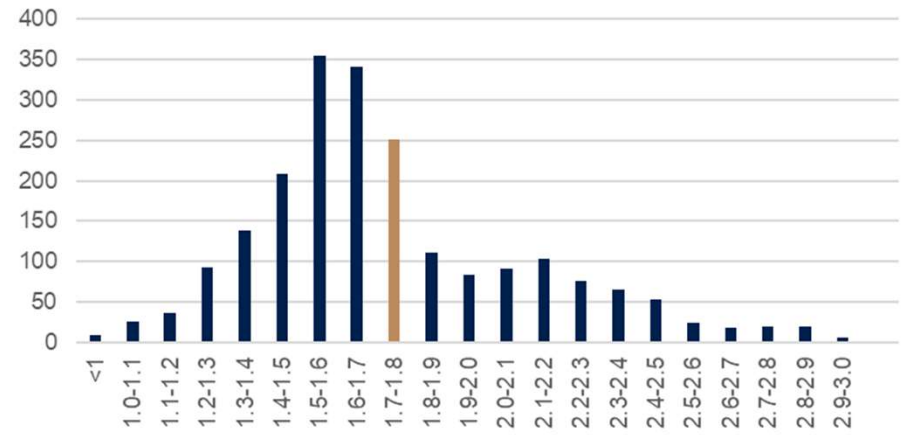
OSEBX: Test of P/B valuation



Source: ABG Sundal Collier

Number of weekly pricing observations

Number of weekly observations



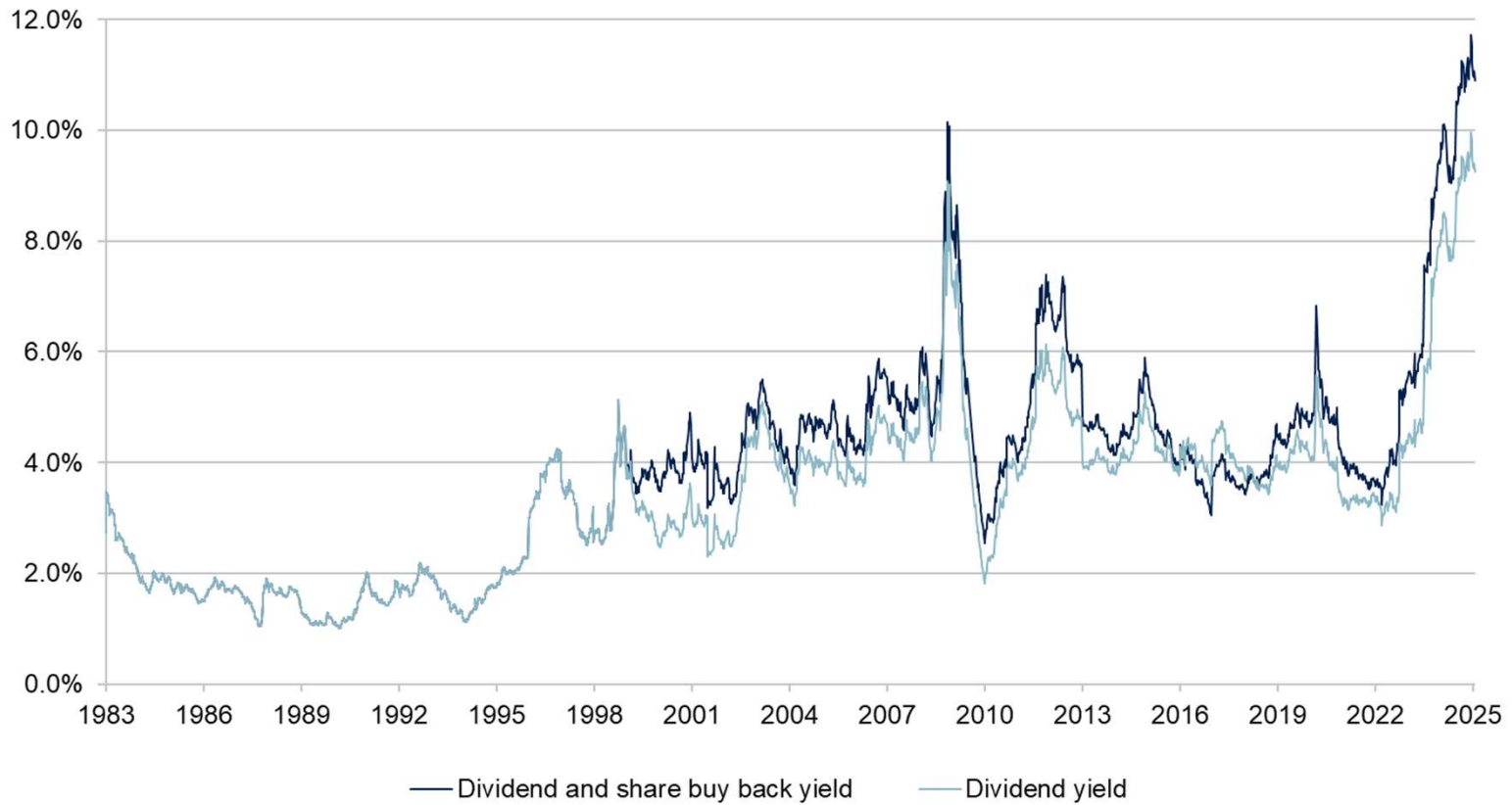
Source: ABG Sundal Collier

OSEBX Current Valuation range	1.7-1.8
Number of observations	251
Number of observations with positive return next 12 months	147
Number of observations with negative return next 12 months	104
Hit ratio	59%
Average return (expected return)	5%
Variation in return	20%

Source ABG Sundal Collier

OSEBX: Valuation

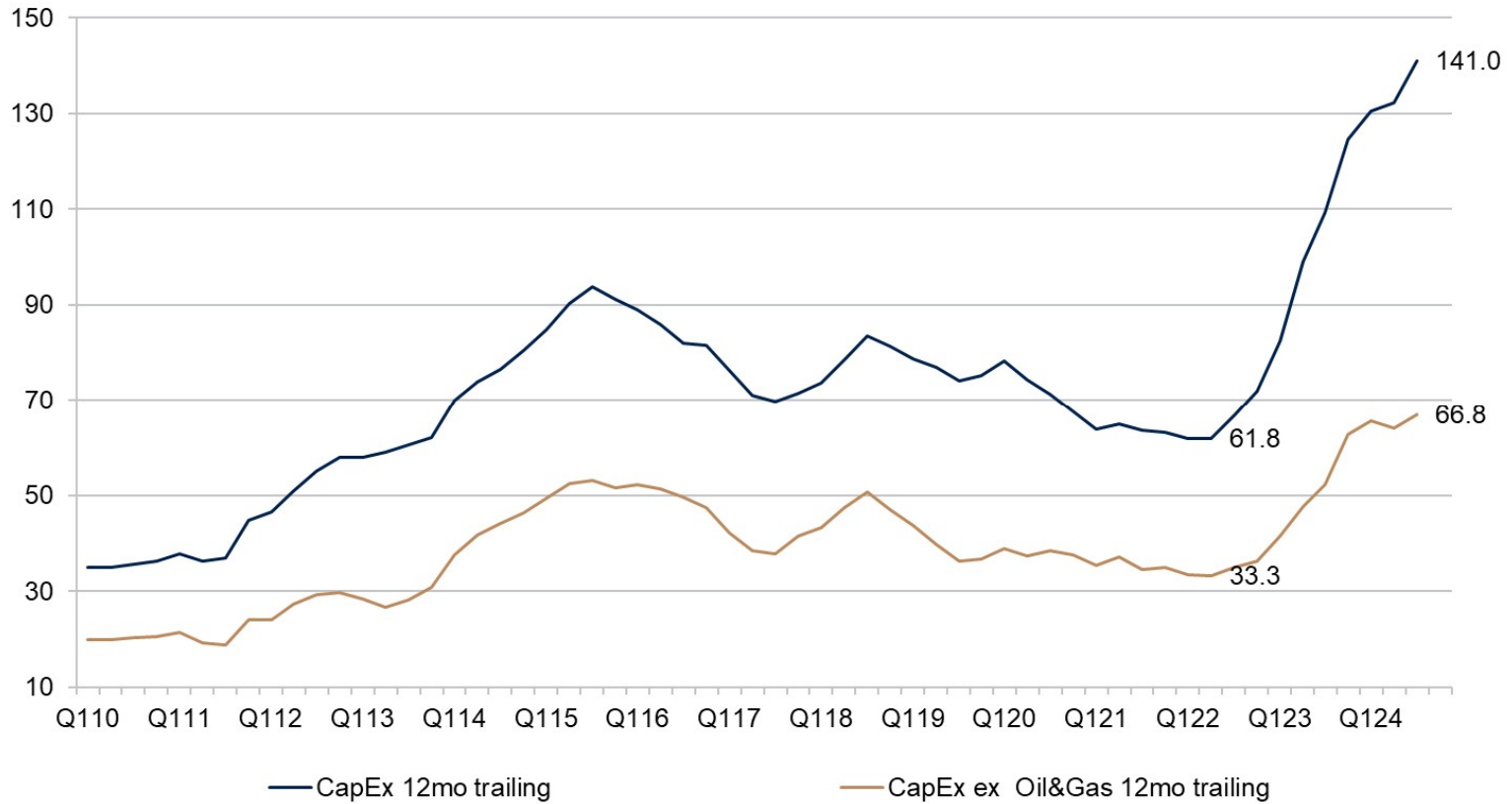
Dividend and share buyback yield



Source: http://finance.bi.no/~bernt/wps/empirics_ose_basics/, comany data, ABG Sundal Collier

OSEBX: CapEx

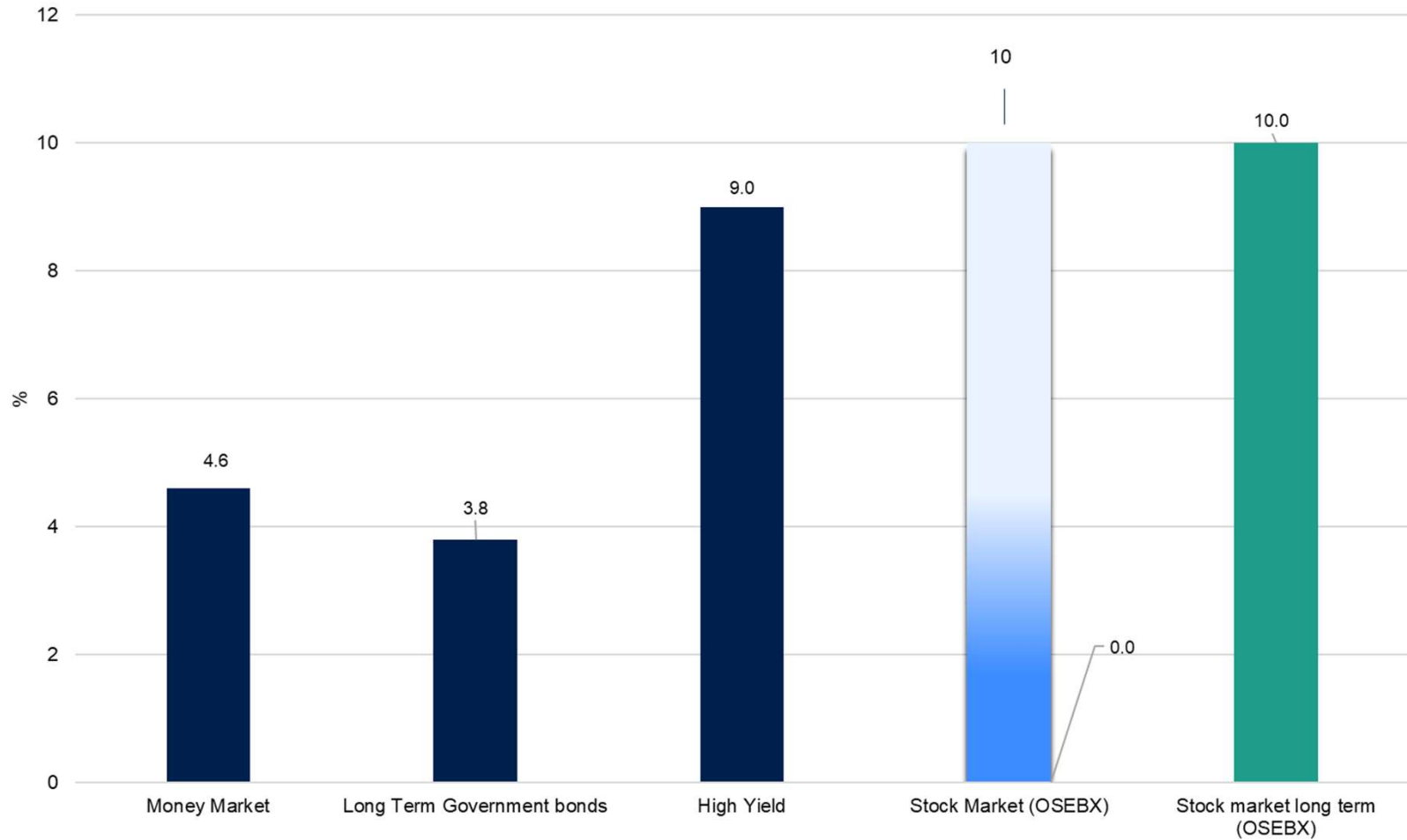
OSEBX: CapEx per share



Source: ABG Sundal Collier

Summary – expected returns

Expected return asset classes



Source: ABG Sundal Collier

Unless disclosed in this section, neither ABG Sundal Collier nor any of their affiliated or associated companies and their directors, officers, representatives, and employees have any required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier and/or its affiliates, ownership in ABG Sundal Collier Holding ASA by the company(ies) to whom the recommendation(s) refer(s) to, liquidity provision/market making agreement, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

All prices are as of market close on 28 October, 2024 unless otherwise noted.

Disclaimer

This report has been prepared by ABG Sundal Collier ASA, ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge, ABG Sundal Collier AB and/or ABG Sundal Collier Limited and any of their directors, officers, representatives and employees (hereinafter collectively referred to as "ABG Sundal Collier"). This report is not a product of any other affiliated or associated companies of any of the above entities.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. The recommendation(s) in this report is (are) has/have no regard to specific investment objectives and the financial situation or needs of any specific recipient. ABG Sundal Collier and/or its affiliates accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier and/or its affiliates make no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier ASA, ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge and/or ABG Sundal Collier AB is seeking or will seek investment banking or other business relationships with the companies in this report.

The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and/or its affiliates and any shareholders, directors, officers, or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier and/or its affiliates rely on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet)

Denmark: ABG Sundal Collier Denmark, filial af ABG Sundal Collier ASA, Norge, is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet) and the Danish Financial Supervisory Authority (Finanstilsynet)

Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen)

UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Limited, authorised and regulated by the Financial Conduct Authority in the conduct of its business.

US: This report is being distributed in the United States (U.S.) in accordance with FINRA Rule 1220 by ABG Sundal Collier Inc., an SEC registered broker-dealer and a FINRA/SIPC member which accepts responsibility for its content and its compliance with FINRA Rule 2241. Research reports distributed in the U.S. are intended solely for "major U.S. institutional investors," and "U.S. institutional investors" as defined under Rule 15a-6 of the Securities Exchange Act of 1934 and any related interpretive guidance and no-action letters issued by the Staff of the U.S. Securities and Exchange Commission ("SEC") collectively ("SEC Rule 15a-6"). Each major U.S. institutional investor and U.S. institutional investor that receives a copy of this research report, by its acceptance of such report, represents that it agrees that it will not distribute this research report to any other person. This communication is only intended for major U.S. institutional investors and U.S. institutional investors. Any person which is not a major U.S. institutional investor, or a U.S. institutional investor as covered by SEC Rule 15a-6 must not rely on this communication. The delivery of this research report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. Any major U.S. institutional investor or U.S. institutional investor receiving this report which wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte. Ltd, which is not licensed under the Financial Advisors Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

Canada: This report is being distributed by ABG Sundal Collier ASA in Canada pursuant to section 8.25 of National Instrument 31-103 or an equivalent provision and has not been tailored to the needs of any specific investor in Canada. The information contained in this report is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering or an offer to sell the securities described herein, in Canada or any province or territory thereof. No securities commission or similar regulatory authority in Canada has reviewed or considered this report, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. Under no circumstances is this report to be construed as an offer to sell such securities or as a solicitation of an offer to buy such securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada may only be made in accordance with applicable securities laws and only by a dealer properly registered under such securities laws, or alternatively, pursuant to an applicable dealer registration exemption, in the Canadian jurisdiction in which such offer or sale is made.

This report may not be reproduced, distributed, or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies, details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2024 ABG Sundal Collier ASA

UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Limited, authorised and regulated by the Financial Conduct Authority in the conduct of its business.

US: This report is being distributed in the United States (U.S.) in accordance with FINRA Rule 1220 by ABG Sundal Collier Inc., an SEC registered broker-dealer and a FINRA/SIPC member which accepts responsibility for its content and its compliance with FINRA Rule 2241. Research reports distributed in the U.S. are intended solely for "major U.S. institutional investors," and "U.S. institutional investors" as defined under Rule 15a-6 of the Securities Exchange Act of 1934 and any related interpretive guidance and no-action letters issued by the Staff of the U.S. Securities and Exchange Commission ("SEC") collectively ("SEC Rule 15a-6"). Each major U.S. institutional investor and U.S. institutional investor that receives a copy of this research report, by its acceptance of such report, represents that it agrees that it will not distribute this research report to any other person. This communication is only intended for major U.S. institutional investors and U.S. institutional investors. Any person which is not a major U.S. institutional investor, or a U.S. institutional investor as covered by SEC Rule 15a-6 must not rely on this communication. The delivery of this research report to any person in the U.S. is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. Any major U.S. institutional investor or U.S. institutional investor receiving this report which wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte. Ltd, which is not licensed under the Financial Advisors Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

Canada: This report is being distributed by ABG Sundal Collier ASA in Canada pursuant to section 8.25 of National Instrument 31-103 or an equivalent provision and has not been tailored to the needs of any specific investor in Canada. The information contained in this report is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering or an offer to sell the securities described herein, in Canada or any province or territory thereof. No securities commission or similar regulatory authority in Canada has reviewed or considered this report, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. Under no circumstances is this report to be construed as an offer to sell such securities or as a solicitation of an offer to buy such securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada may only be made in accordance with applicable securities laws and only by a dealer properly registered under such securities laws, or alternatively, pursuant to an applicable dealer registration exemption, in the Canadian jurisdiction in which such offer or sale is made.

This report may not be reproduced, distributed, or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies, details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2024 ABG Sundal Collier ASA