



# TERRA

Morning Presentation

11 May 2010

# Trading Ideas 11.05.2010

## TEL – Trading Buy

- We view TEL as still highly undervalued and underleveraged cash generation machine with target price at NOK 100 (20% upside).
- Peer index was up almost 6% yesterday with Vimpelcom Ltd's stock soaring 9%.
- With its Q1 report last week, TEL brought a clear message of strong results and high dividend potential going forward (ex-dividend on May 20), which should keep the positive mood around the stock for a while.

*The trading recommendations, Trading Buy and Trading Sell, are based on a 1 to 5-day horizon. Trading Buy (Trading Sell) recommendation is given when the analyst believes the stock will rise (fall) on an absolute basis during a 1 to 5-day period. Trading Buy and Trading Sell recommendations may not coincide with our Buy and Sell recommendations given in the company reports on a six-month basis. There will not necessarily be any updates to the trading recommendations.*

## Telenor – Q1 update yesterday

- **Solid Q1 numbers:**
  - EBITDA and adj. EPS above our and the consensus estimates
  - Main strength in Scandinavia and Asia, while CEE was OK
- **Better guidance:**
  - EBITDA margin of 28% (27-28%); CAPEX/Sales at 13-14% (14-16%)
- **India lagging behind plan due to political and organizational reasons:**
  - Measures taken to improve situation
  - Investment case targets stay firm
- **Strong dividend potential** – highly underleveraged, strong CF, lower CAPEX
- **Conclusion – highly positive stance maintained, target at NOK 100**

NOKm	2010e			2011e			2011e		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	99 667	98 348	-1,3%	104 990	104 943	0,0%	111 026	111 345	0,3%
EBITDA	27 317	27 616	1,1%	29 843	30 284	1,5%	32 453	32 988	1,6%
EBITDA margin, %	27,4%	28,1%	0,7%p	28,4%	28,9%	0,5%p	29,2%	29,6%	0,4%p
EBIT	11 065	11 217	1,4%	13 472	13 925	3,4%	16 309	16 849	3,3%
EBIT margin, %	11,1%	11,4%	0,3%p	12,8%	13,3%	0,5%p	14,7%	15,1%	0,4%p
EPS adj. (NOK)	5,93	6,00	1,1%	8,20	8,27	0,8%	9,81	9,91	1,0%

# Trading Ideas 11.05.2010

## NPRO – Trading Buy

- Solid properties with long-term leases have features of bonds. The recent loan package unveiled by European policy makers should end a sovereign debt crisis and translate into the recovery of bonds values.
- Today's share price indicates a yield of 7,1% on the 2011e net rental income and we believe it should fall going forward.
- Our target price stands at NOK 13,00 per share currently. It is our NAV, based on a 6,75% yield applied on the 2011e net rent income, with a 10% discount.
- Our positive view is supported by the massive insider buys last week.

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## ***STL: pricing remains attractive***

- No significant changes to our estimates based on Q1 report
- Oil price estimate lowered from USD 87,5/b to 84/b (avg. 12 m. fwd)
- 12 m. fwd. EPS NOK 16,65.
- Target 170 (175)
- Attractive pricing, dividend 6,00 with ex-date May 20 (4,3% yield) – **BUY**
- **Consensus:**
  - 12 m. fwd. EPS 15,77 (FactSet)
  - Up 6,6% during 1 month
  - Target 166 (prior to Q1 report, SME)

# STL: sensitivity

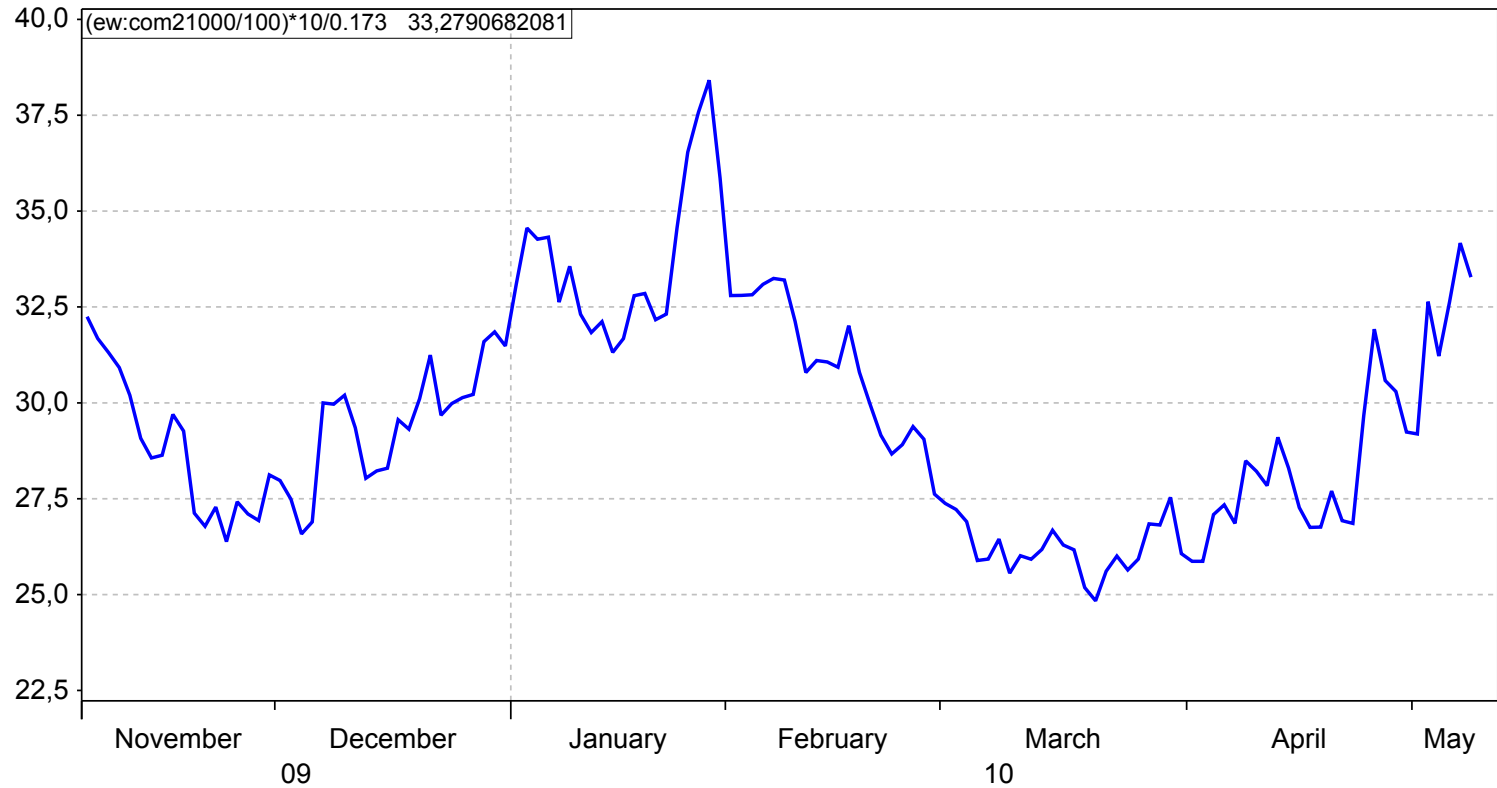
12-month forward EPS adj.		Brent oil price, avg 12m fwd (USD/barrel)								
		65,0	70,0	75,0	80,0	84,0	85,0	90,0	95,0	100,0
USD/NOK	5,80	10,38	11,79	13,20	14,61	<b>15,74</b>	16,02	17,43	18,84	20,25
	5,90	10,54	11,98	13,41	14,85	<b>15,99</b>	16,28	17,71	19,15	20,58
	6,00	10,71	12,16	13,62	15,08	<b>16,25</b>	16,54	18,00	19,45	20,91
	6,10	10,87	12,35	13,83	15,31	<b>16,50</b>	16,79	18,28	19,76	21,24
	<b>6,20</b>	<b>11,03</b>	<b>12,53</b>	<b>14,04</b>	<b>15,55</b>	<b>16,75</b>	<b>17,05</b>	<b>18,56</b>	<b>20,07</b>	<b>21,57</b>
	6,30	11,19	12,72	14,25	15,78	<b>17,00</b>	17,31	18,84	20,37	21,90
	6,40	11,35	12,90	14,46	16,01	<b>17,26</b>	17,57	19,12	20,68	22,23
	6,50	11,51	13,09	14,67	16,25	<b>17,51</b>	17,83	19,40	19,40	22,56
	6,60	11,67	13,27	14,88	16,48	<b>17,76</b>	18,08	19,69	21,29	22,89

STL fair value*, NOK/share		Brent oil price, avg 12m fwd (USD/barrel)								
		65,0	70,0	75,0	80,0	84,0	85,0	90,0	95,0	100,0
USD/NOK	5,80	104	118	132	146	<b>157</b>	160	174	188	203
	5,90	105	120	134	148	<b>160</b>	163	177	191	206
	6,00	107	122	136	151	<b>162</b>	165	180	195	209
	6,10	109	123	138	153	<b>165</b>	168	183	198	212
	<b>6,20</b>	<b>110</b>	<b>125</b>	<b>140</b>	<b>155</b>	<b>168</b>	<b>171</b>	<b>186</b>	<b>201</b>	<b>216</b>
	6,30	112	127	142	158	<b>170</b>	173	188	204	219
	6,40	113	129	145	160	<b>173</b>	176	191	207	222
	6,50	115	131	147	162	<b>175</b>	178	194	194	226
	6,60	117	133	149	165	<b>178</b>	181	197	213	229

\*Applying 12-month forward P/E of 10

# STL: good development in gas price

UK natural gas price, 1m futures, USD/boe



Source: Reuters EcoWin

## Sevan Marine – Q1 preview

(USDm)	Q1 2010e	Consensus	Q4 2009
Revenues	58,6	64,2	53,8
EBITDA	6,2	7,2	-10,1
Operating profit	-15,9	-9,6	-31,1
Pretax profit	-25,6	-23,6	-46,6
EPS adjusted (NOK)	-0,34*	-	-0,42

*\*Adjusted for the estimated currency gain of USD 7,6m*

- Q1 report tomorrow, 12 May.
- Anticipated positive EBITDA due to zero contribution from the Voyager FPSO and the kick-off of Goliat contract.
- Focus on:
  - Start-up of Driller 1 rig (expected shortly)
  - Progress of Driller Brazil rig construction (delivery guided in Q1 2012)
  - Financing of Voyager modification (expected by new loan)
  - New contract awards
- BUY, SOTP-based TP NOK 13,50.

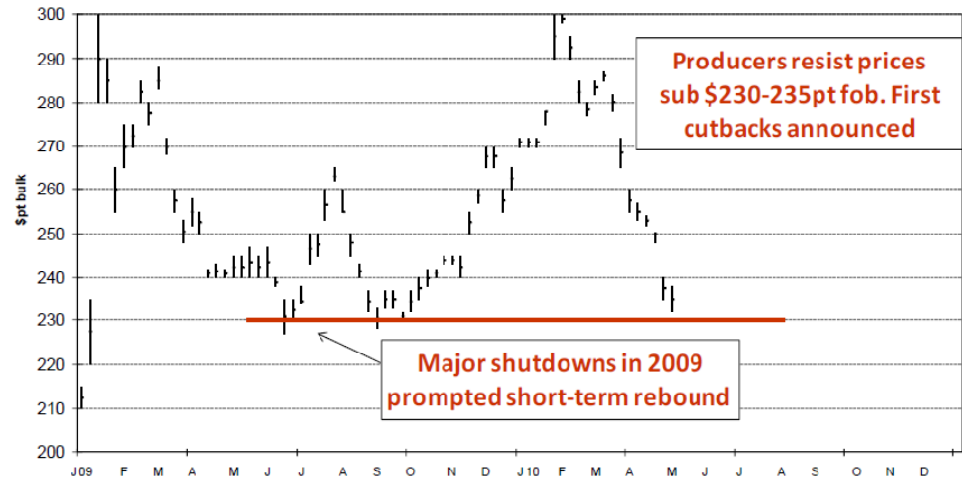
## Aker Solutions – why Buy?

- Our valuation of AKSO is highly attractive:
  - Company's historical average 12M fwd EV/EBITDA applied to 2011e and discounted returns NOK 126 fair value (+29%)
  - Peer 2010 EV/EBITDA-based SOTP points to NOK 105 per share fair value (+7%)
- We see an upside in estimates for 2010.
- Present oil price of \$70/b+ entails a further upside potential in estimates for AKSO through higher oil industry's investments.
- We expect more contract awards to be announced in the coming months.

# Yara

- Urea market flat to soft
  - Yuzhnyy below USD 240pt fob
  - Capacity closing in Ukraine
  - Indian tender delayed
- Mixed situation in nitrates
  - UAN holds on, AN down
- K+S:
  - “Sales volumes for nitrogen fertilizers should increase significantly”
  - “Moderately positive results should be possible this year”
- Yara’s DCF-based fair value at NOK 230 per share
- Triggers:
  - May 11 – USDA Grain report
  - May 12 – Yara ex-dividend date (NOK 4,5/share)

Yuzhnyy Prills: Weekly Ranges



## Shipping update – tankers

- Softening rates (VLCC ~USD 40 000/day, Suezmax ~USD 25 000/day)
- Seasonally slower activity, less cargo expected in May
- Soft near-term sentiment, rates are likely to slide further down

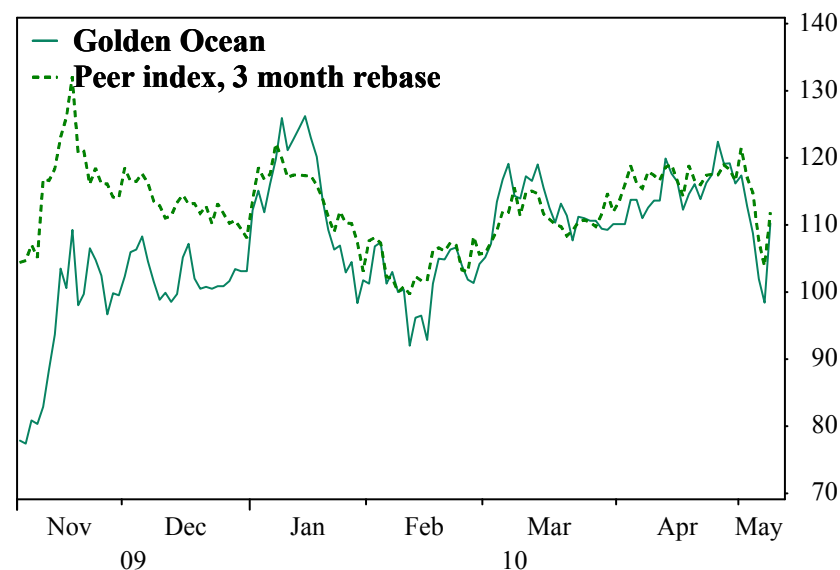
Changes in VLCC freight rates	2010 EPS, NOK	2010 P/E
20 000	2,01	>100
25 000	5,48	37,4
30 000	8,95	22,9
35 000	12,42	16,5
USD 40 000/day (spot)	<b>15,89</b>	<b>12,9</b>
USD 46 000/day (estimate)	<b>20,25</b>	<b>10,1</b>
50 000	22,83	9,0
55 000	26,30	7,8
60 000	29,77	6,9
65 000	33,24	6,2
70 000	36,71	5,6

Changes in VLCC freight rates, 2010-2012	NAV	
	NOK	Change
20 000	72,34	-70 %
25 000	103,38	-58 %
30 000	134,42	-45 %
35 000	165,46	-32 %
40 000	196,50	-19 %
USD 46 000/day (estimate)	<b>243,30</b>	<b>0 %</b>
50 000	258,57	6 %
55 000	289,61	19 %
60 000	320,65	32 %
65 000	351,68	45 %
70 000	382,72	57 %

## Shipping update – dry bulk

- Increasing dry bulk spot rates (Capesize ~USD 46 200/day, Panamax ~USD 33 000/day)
- Near-term sentiment remains positive; rates are likely to move further up, supported by robust Chinese demand for coal & iron ore (encouraging factors are drought in southwest China, still high port congestion, declining Chinese steel stockpiles)

Changes in Panamax freight rates	2010 EPS, NOK	2010 P/E
20 000	0,97	11,7
25 000	1,01	11,2
30 000	1,05	10,7
35 000	1,10	10,3
<b>USD 38 100/day (estimate)</b>	<b>1,13</b>	<b>10,0</b>
40 000	1,14	9,9
<b>USD 46 200/day (spot)</b>	<b>1,19</b>	<b>9,5</b>
50 000	1,23	9,2
55 000	1,27	8,9
60 000	1,31	8,6
65 000	1,35	8,3



Source: EcoWin, Terra Markets

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### Company reports

Terra Markets' recommendations are based on a six-month time horizon and absolute performance adjusted for risk. Near-term dividends are included into return. The table below shows our general guidelines for determining our recommendations:

Risk	Buy / Strong Buy	Hold	Reduce / Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 30%	5% - 30%	< 5%

The percentages are defined as an upside to our price target plus eventual dividends within six months. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on the analyst's conviction in the case.

Price targets are based on a combination of several valuation methods. The most frequently used are the Discounted Cash Flow (DCF), Sum Of The Parts (SOTP) and relative valuation methods, depending on the nature of the company.

Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) the absolute earnings level and trend and 5) estimate risk.

### Recommendation distribution as of April 8, 2010

Company reports	Strong Buy	Buy	Hold	Reduce	Sell
Total	5	75	27	9	4
% of total	4%	63%	23%	8%	3%
Corporate clients	1	20	4	0	0
% of total	4%	80%	16%	0%	0%

The table above shows recommendation distribution for all company reports issued during the last three months.

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### Recommendation distribution as of April 8, 2010

Weekly Casebook	Strong Buy	Buy	Hold	Reduce	Sell
Total	8	70	42	15	1
% of total	6%	51%	31%	11%	1%
Corporate clients	2	16	5	2	0
% of total	8%	64%	20%	8%	0%

## Trading recommendations

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