

Preaching to the Converted—Weekly Comment

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Mirabaud - Convertible Bonds Europe (MCBE) | Mirabaud - Convertible Bonds Global (MCBG)

Key Messages

Positioning and Views



GMO Payment Gateway 0% 29/06/2023 (¥)

The largest provider of e-commerce payment services in Japan achieved stronger-than-expected progress in all segments.

Under its major strategies, president Issei Ainoura plans to start shipping Stera terminals from late March for the next-generation payment platform with Sumitomo Mitsui Card and Visa and hopes to get a payment processing platform for utilities up and running in autumn 2020.



Knowles 3.25% 01/11/2021 (\$)

The US global leader of MEMS microphones (~50-60% share) for consumer electronics and hearing health, accounting for over 80% of revenues, reported weaker than expected 4Q19 results driven by weaker smartphone demand and higher cost related to the palladium.

The wide guidance range for 2020 takes into account uncertainty related to the Coronavirus, from a demand side as well as the ability to supply customers in microphones as well as capacitors for the industrial end market.



Telekom Austria (Citigroup) 0.5% 04/08/2023 (€)

The largest telecommunications company in Austria reported higher numbers than consensus, driven mainly by strong international operations in Serbia and Belarus, handset sales in Bulgaria and reduced advertising costs in Croatia.

Nevertheless, management's guidance of 1-2% revenue growth versus consensus' 1.6% is cautious, as Austria (56% of revenue) is pressured by the fixed segment.



VOYA Financial (JP Morgan) 0% 01/05/2023 (\$)

The US diversified retirement company disclosed 4Q19 results below consensus and gave disappointing 1Q20 guidance, after considering some higher seasonal expenses and moderation of the strong 4Q19 performance fees in Investment Management.

The biggest miss was due to Corporate, where ~\$32mn of stranded overhead costs, related to the sale of the Individual Life business, and a negative impact from an incentive compensation accrual negatively impacted results.



Yaoko 0% 20/06/2024 (¥)

The Japanese retailer announced 3QFY3/20 strong results partly because of an increase in cost cutting and an excellent use of its strategy to lock in customers using the Yaoko card (which accounts for roughly ~80% of sales).

The company beefed up promotions in a successful bid to compete with rivals that have benefited from the Japanese government's reward points program for cashless payments.

Source: Mirabaud Asset Management

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MCBG holds ~3% (Out of benchmark).

We believe the fundamental prospects are among the strongest in the industry, with a superior business mix of retirement, investment management, and employee benefits, after the sale of its legacy annuities business as well as its announced sale of individual life business. .

MCBG holds 3% (Out of benchmark).

We are confident that GMO PG can solidify new payment services that serve customers, such as major electric utilities trying to make their invoicing more efficient, while the increasing likelihood of the new payment platform business will be a key factor for revenue growth in areas other than e-commerce.

MCBG built a ~3% position on weakness (Out of benchmark).

We believe Knowles is positioned to benefit from solid content growth opportunities in balanced armature including products for Amazon, Anchor, Huami and OnePlus. Moreover, we think that Knowles could see their revenues increasing if their customers roll out 5G handsets in the second half of 2020 given that Apple and Samsung made ~19% and ~10% of Knowles's revenues in 2018.

MCBE/MCBG hold 2.4%/1.5% (Overweight).

We expect further resilience in Austria thanks to T-Mobile's exit from promotions for Magenta offers and Telekom Austria's accelerated efforts to stabilize the broadband base with hybrid solutions, even though there is still some risk on spectrum auctions over 2019-20 (~€215m).

MCBG holds ~1.5% (Overweight).

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MCBG holds ~3% (Out of benchmark).

We are upbeat on Yaoko as it successfully built a dominant position in the suburbs of the Tokyo metropolitan area and plans to continue its program of spending on major renovations of existing stores. It makes strong progress towards its 31st straight year of profit and sales growth, despite growing labour costs and competition.

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