

Ensuing Bidding War?

Stockholm (HedgeNordic) – **Chelonia Market Neutral**'s fourth-largest holding is subject to a public takeover bid. On Thursday morning, Norway's biggest bank DNB announced an agreement to buy its smaller peer Sbanken for a cash consideration of NOK 103.87 per share at a premium of about 30 percent over the closing price of NOK 80 on April 14. This represents the third takeover offer on Chelonia Market Neutral's larger holdings over the past three years, besides Swedish healthcare company Capio and Danish telecom TDC.

DNB Bank has reached an agreement with Sbanken ASA to launch a recommended voluntary cash tender offer for all Sbanken shares for a total consideration of about NOK 11.11 billion or about €1.1 billion. The cash consideration of NOK 103.85 per share represents a premium of 49.8 percent over the average volume-weighted share price adjusted for dividend during the last six months. The cash tender offer is expected to be completed in the third quarter of 2021 following receipt of regulatory approvals.

Sbanken was established in 2000 as the first pure-play digital bank in Norway and was listed on the Oslo Stock Exchange in 2015. Sbanken is one of the leading digital retail banks in Norway with 476,000 retail customers at the end of 2020. Sbanken's Board of Directors recommends the offer. Shareholders representing a total of approximately 29 percent of the outstanding shares have, on certain terms and conditions, undertaken to accept the offer, including the largest shareholder, private equity firm Altor, which holds about 25 percent of the outstanding shares.

More Bids to Come?



Anders Palmqvist

The team running Chelonia Market Neutral says that other takeover offers cannot be ruled out, referring to Sbanken's external communication to its customers that says, *"in takeover processes like this, there may also be offers from others."* Anders Palmqvist, CEO and CIO at Archipelago Investments, tells HedgeNordic that "we believe the DNB bid floors the stock, and the very low-risk mortgage book could warrant a higher P/E, as DNB's logic may apply for many other potential buyers as well."

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The team also emphasizes that the bid implies a price-to-earnings ratio of 12-13x on Sbanken's

consensus earnings-per-share of NOK 8.16 for 2022. “In our view, this seems low for a leading digital retail bank in Norway that is also transforming into capital-light revenues with record quarters within long-term savings and inflow market share of 26 percent in 2020,” says Palmqvist. “Not exactly comparable due to different capital requirements, but as a reference, Swedish digital bank Avanza is valued at P/E (22e) of some +40x.”

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“Other broker analysts seem to share our view. One broker suggests a bidding war could start, as Sbanken fit any Nordic bank with corporate presence but lacking Norwegian retail banking,” adds Palmqvist. A research analyst from SEB even initiated coverage on the stock after the bid was announced, putting forward a price target of NOK 122, which implies an additional 17 percent-upside, according to Palmqvist.

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Norwegian internet bank Sbanken was among the largest positive contributors to Chelonia Market Neutral’s performance already in the month of March, alongside Byggmax, a do-it-yourself (DIY) retailer of construction materials, and security company Securitas. The equity market-neutral hedge fund founded by seasoned fund manager Magnus Angenfelt (*pictured*) and Anders Palmqvist gained 1.5 percent in March to end the first quarter of 2021 up 7.1 percent. Angenfelt, who co-founded Brummer-backed market-neutral hedge fund Manticore, has been running Chelonia Market Neutral by applying the so-called GARP (growth at a reasonable price) investing approach under the umbrella of investment manager Archipelago Investments since 2017.