

# Risks

- **Glencore - GLEN.L:** Variance in commodity prices or operating currencies from expectations are key risks to our earnings and valuation forecasts. On the downside, weaker commodity prices would have a significant negative sentiment impact and provide a deterrent to a re-rating. Glencore's key growth assets are in less politically stable regions than most - such as the Democratic Republic of Congo (DRC) and Equatorial Guinea - which introduces a higher degree of sovereign risk. Risks for zinc include increasing marginal production.
- **Infineon Technologies - IFXGn.DE:** Key downside risks include: FX (every 1c change in EUR /\$ impacts revenues by ~0.5% and earnings by ~1%); Cyclical and inventory de-stocking; Large dependence on Automotive; Potentially value destructive M&A
- **Informa PLC - INF.L:** Downside risks include potential earnings dilution from the sale or closure of non-core businesses. The business may require additional investment on top of the announced plan. Informa intends to expand via acquisition in the events industry, where there is competition for assets and where growth is cyclical. The Academic division has high exposure to print books, including textbooks, which could suffer from structural declines.
- **Kingspan - KSP.I:** Slower global growth, especially in large markets for Kingspan such as the UK; Slower innovation or penetration growth; Euro strength causing negative translation effect; Poor cost inflation pass-through; Inability to complete targeted M&A in the Light & Air division.
- **KPN - KPN.AS:** Key downside risks include an (i) aggressive push from Tele2 as the new network operator in the market; (ii) continued weakness in Business due to the economy and IP migration and (ii) restructuring costs which could weigh on the FCF generation of KPN.
- **Linde - LING.DE:** Risks include weaker global GDP, lower retention of the cost cutting/efficiencies from Praxair merger, FX, Praxair merger falling apart and aggressive competition from peers for new on-site contracts.
- **Prudential - PRU.L:** The group's balance sheet is negatively exposed to higher US and UK corporate bond spreads, lower US and UK bond yields and weaker US equity markets. Earnings growth could be further impacted by any strengthening in Sterling given that 86% of earnings are non-GBP, or a weaker than expected outlook for Asian economies. Other downside risks include worse than anticipated political or regulatory changes either to solvency requirements or market practices in its principal territories. For the former, we note especially developing GSII capital rules, guarantee risks in its US life back book and proposed NAIC changes to the US capital regime. On the latter, we highlight the possibility of further regulatory restrictions on mainland China sales into HK or a failure by the new US administration to modify the previously planned DOL changes.
- **Royal Mail - RMG.L:** Upside risks include faster execution of the transformation plan, better pricing in UK parcels, higher parcel volumes than forecast, no industrial action and a successful sale of its surplus properties
- **Renault SA - RENA.PA:** Downside risks include: i) failure of the new product campaign in Europe, which could result in market share loss and in pricing pressure; ii) a tougher European market environment, likely leading to further pricing and volume erosion where, usually on the downside, OP leverage could be as high as -50%; and iii) worse-than-expected emerging market performance.