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Today's MM | Published Today | Key Changes | JPM Events | Upcoming Earnings

Today's Morning Meeting

ESGQ (Khuram Chaudhry / Ayub Hanif, PhD / William Summer / Vivek G Shah)

ESG Investing - Assessing the impact of Inflation & Carbon Intensity on ESG stock selection

This research note provides stock selection preferences for the top 250 global companies based on JPM's ESGQ metric. After a period of negative L/S ESG strategy returns (-7.3% -12mths), we believe there are signs that this period may now be passing, and the backdrop appears more suited to positive returns in H2. Similarly, valuations extremes that existed over the past year (P/E rel. 1.6x to 1.2x) also appear to be derating, and the fundamental backdrop is starting to look more encouraging. In this quarter's research, we have taken the opportunity to assess the impact of rising Inflation expectations on ESG returns, and additionally discuss the role Carbon Intensity plays on ESG stock selection models.

Global Alt Energy (Akash Gupta / Mark Strouse, CFA / Alan Hon)

Mid-year outlook and top picks into H2'21

We turn incrementally positive on global alternative energy sector into H2'21, as we believe the rest of the year will be a catalyst-rich period supporting sentiment (vs. limited catalysts in H1), with inflationary pressure likely to stabilize or ease going forward. The catalysts include (but not limited to) deployment of green deal funds and subsector renewable targets in the EU, likely extension of PTC/ITC, and progress on the Biden infrastructure plan in the US, COP26 summit in the UK, upgrades to German renewable targets, UK CFD auction and easing polysilicon tightness later in the year. While our preference for solar/offshore wind over onshore wind is unchanged, a rising tide on sentiment will likely lift all boats. We upgrade Vestas to Neutral from UW. Our top picks into H2 are RUN and NOVA in the US; SGRE and Prysmian in Europe; Sungrow, Flat-H, LONGi, XYE and Longyuan in Asia.

▲ **Vestas** (N, PT Dkr190.00) (Akash Gupta)

Upgrade to Neutral - catalysts in H2 to support share price despite weak onshore fundamentals

After ~35% YTD underperformance vs. SXNP, we upgrade Vestas to Neutral and roll forward our price target to Dkr190 for Dec'22 at vs. Dkr136 for Dec'21. While there is no change to our fundamental view and our target price shows >15% downside, we believe the share price is unlikely to underperform in the rest of the year due to several likely catalysts, leading to the stock continuing to trade above our fair value. We trim our 2021-22 margin forecast to account for input cost headwinds and update our sales assumption with Wood Mac Q2'21 forecasts. We are 4%/10%/27% below company consensus Q2/21/22 Adj EBIT forecast as we now look for flat group margins in 2022 vs. 2021.

EDP Renovaveis (OW, PT €23.50) (Javier Garrido)

Fundamentals continue to improve and news flow should be more supportive in H2. PT up to €23.5

EDPR shares had to digest in H1 the market rotation out of renewables and a €1.5bn capital raise. Meanwhile, management continued to execute its business plan, locking in a 300bp spread over WACC for 32% of capacity adds to 2025E, implying 53% more value creation vs the minimum target of 200bp. Higher spreads drive our PT rise to €23.5. New projects' IRRs should be buoyed by strong power prices in H221/2022E (due to gas and CO2), offsetting pressure from higher raw material prices. Besides, we expect positive news flow on regulation, PPAs and asset rotations in H2.

Technip Energies (OW, PT €16.20) (James Thompson)

US Energy Conference Takeaways: Decarbonizing LNG, Hydrogen opportunity & FTI overhang

We hosted a fireside chat with Technip Energies' CEO Arnaud Pieton on June 22 at our J.P. Morgan Energy Conference. Audio playback is available here. The conversation was preceded by our EU OFS: Taking Stock note, where we see OFS gain momentum going into 2022 as a result of favourable macro conditions that's generating excess cash flow for Oil companies, a portion of which will likely flow to capex, in our view. Our key takeaways from the interview (i) long tail of opportunities in LNG, particularly in the core regions of

Qatar, Russia and the US, with TE already working on concept studies for Qatar LNG beyond NFE, (ii) increasing likelihood of LNG continuing to be decarbonized through CCS and usage of H2 in power generation, (iii) that TE is actively involved in tender process on a brace of green Hydrogen projects, which could yield an EPC contract in FY21. Overall, we see TE as well placed; current projects are all on schedule, order intake continues to be strong, it offers good value. We see potential for shares to improve and better reflect underlying value as the FTI overhang continues to unwind (with catalyst potentially near term given latest lock-up expiry), and we see potential for further re-rating as the hydrogen opportunity crystallizes with EPC awards at scale.

Also Published Today

Company Research

ABB (N, PT CHF28.00) Model Update ahead of Q2: Expect a beat driven by Electrification and Discrete/Robotics (Andreas Willi)

Ambev and ABI Estimating the Impact of a Potential Brazil IOC Tax Benefit Termination (Lucas Ferreira / Celine Pannuti, CFA)

Davide Campari-Milano NV (OW, PT €12.50) Q2 2021 preview: A toast to re-opening - 2-3% upgrades (Fintan Ryan)

Kion Group (N, PT €72.00) Q2'21 preview - expect a strong quarter before raw material headwind impacts margins in H2 (Akash Gupta)

Royal Unibrew (N, PT Dkr750.00) Q2 2021 preview: 2-3% EPS upgrades on favourable re-opening momentum (Fintan Ryan)

Sartorius Group (OW) 2Q'21 Preview: We expect another strong set of numbers and a FY'21 guidance raise (Richard Vosser)

Schaeffler AG (OW, PT €9.00) Q2 2021 preview: expect another strong print in a challenging quarter (Jose M Asumendi)

Siemens Gamesa (OW, PT €33.00) Q3'21 preview - this year's guidance is likely secure but trim 2022 forecasts on input cost headwinds (Akash Gupta)

Temenos (N, PT CHF150.00) Model Update (Stacy Pollard)

UCB (N) 1H'21 Results Preview: Expect strong results and reiteration of guidance (Richard Vosser)

WPP PLC (OW, PT 1,200p) Preview: Strong H1 to drive consensus upgrades. Raise FY organic growth to 8% & EPS by 5% (Daniel Kerven)

Sector Research

European Airlines & Aerospace DATA-Driven: "Express Check In" (June 28, 2021) (David H Perry, CFA)

Strategy, Macro & ESG

The J.P. Morgan View Stay in cyclicals and reflation beneficiaries (Marko Kolanovic, PhD)

In Case You Missed It… Trending in the Last Month

AFL Global Investment Banks The Future of Investment Banking (Kian Abouhossein / Delphine Lee / Raul Sinha)

Royal Dutch Shell Top pick: JPMe 2Q CFFO $13bn, ND to $67bn; Buyback and dividend increase in focus (Christyan F Malek)

AFL Saint-Gobain (OW, PT €75.00) Knocking on the doors of a re-rating (Elodie Rall)

BBVA (OW, PT €6.60) Capital talks - excess capital of c€8bn or over 20% of market cap; upgrade to OW (Sofie Peterzens)

▲ British Land (OW, PT 600p) DATA-Driven: Upgrading to OW (Neil Green, CFA)

▲▼ Landsec and Klepierre Landsec due a catch up - upgrade to OW against peaking sentiment for Klepierre - downgrade to UW (Tim Leckie, CFA)

▲ Air Liquide (OW, PT €170.00) Entering the sweet spot. Upgrade to OW (Chetan Udeshi, CFA)

Key Changes

Rating Changes

Company	Rating New	Rating Old
▲ **Increases**		
Vestas	N	UW

Price Target Changes

Company	Rating	Price Target New	Price Target Old
▲ **Increases**			
ABB	N	CHF28.00	CHF27.50
Davide Campari-Milano NV	OW	€12.50	€11.15
EDP Renovaveis	OW	€23.50	€22.00
Royal Unibrew	N	Dkr750.00	Dkr700.00
Vestas	N	Dkr190.00	Dkr136.00
WPP PLC	OW	GBp1,200	GBp1,160
▼ **Decreases**			
Petrofac	N	GBp120	GBp130
Siemens Gamesa	OW	€33.00	€34.00

EPS Estimate Changes

Company	Current EPS	Current Change	Next EPS	Next Change
▲ **Increases**				
ABB	$1.42	+1.3%	$1.59	+1.2%
Davide Campari-Milano NV	€0.24	+2.2%	€0.28	+3.0%
EDP Renovaveis	€0.65	+14.6%	€0.65	+8.5%
Kion Group	€3.91	+2.2%	€4.62	+0.3%
Royal Unibrew	Dkr26.21	+1.6%	Dkr27.92	+2.1%
WPP PLC	£73.42	+5.1%	£84.55	+3.9%
▼ **Decreases**				
Petrofac	$ 0.14	-15.3%	$ 0.11	-18.9%
Siemens Gamesa	€0.22	-12.8%	€0.52	-26.4%
Vestas	€0.66	-6.7%	€0.59	-8.8%

Source: J.P. Morgan estimates.

Note: EPS Changes > +/- 1%.

Note: Numbers and companies above may differ from the corresponding numbers or companies in the individual notes inside the FTM.

JPM Events:

Details of all JPM Events can be found here. Please contact your Sales representative to register your interest.

Analyst Conference Calls

Date	Event Name
29 Jun	Global Alternative Energy Mid-Year Update | Akash Gupta, Paul Coster, Mark Strouse & Alan Hon

Expert Access

Date	Event Name
29 Jun	Peter Attard Montalto: How Powerful is 100MW Self-Generation? Are there more Reforms to Follow? with Peter Attard

29 Jun	SA Commercial Property Market – Update on Trends from Commercial Broker & Consultant Hugo Moller
30 Jun	Societe Generale | Head Global Banking & Investor Services
7 Jul	CIO Series | Long Term Strategy on us Fiscal Policy, Inflation and Bubbles with Jan Loeys

Company Marketing

Date	Company	Marketing Cities
08 Jun-06 Jul	Zooplus	London - United Kingdom
22 Jun-05 Jul	D S Smith	London, Virtual - United Kingdom
30-30 Jun	Royal Dutch Shell	London, Virtual - United Kingdom
30-30 Jun	BNP Paribas	Luxembourg
20-20 Jul	Shaftesbury	Virtual - United Kingdom
26-27 Jul	Signify	London - United Kingdom
29 Jul-03 Aug	Spectris	Edinburgh, London, Virtual - United Kingdom
29 Jul-04 Aug	Elementis	Virtual - United Kingdom
12-12 Sep	Riverstone Credit Opportunities Income	Virtual – United Kingdom
31 Aug-01 Sep	Valeo SA	London - United Kingdom
07-15 Sep	BB healthcare Trust	Virtual - United Kingdom
09-09 Sep	Barings Emerging EMEA Opportunities	Virtual - United Kingdom
13-13 Oct	BB healthcare Trust	Virtual - United Kingdom

Stock Deep Dives

Date	Company	Analyst
29 Jun	EDP Renovaveis	Javier Garrido
06 Jul	Linea Directa	Ashik Musaddi
08 Jul	Jeronimo Martins	Borja Olcese
12 Jul	Lloyds	Raul Sinha
13 Jul	Reckitt Benkiser	Celine Pannuti
15 Jul	Ageas	Ashik Musaddi
20 Jul	BBVA	Sofie Peterzens
27 Jul	Travis Perkins	Rajesh Patki
05 Aug	Carlsberg	Fintan Ryan
12 Aug	Atlas Copco	Andrew Wilson
17 Aug	DS Smith	Sam Bland
09 Sep	Adevinta	Marcus Diebel

Conferences

Date	Conference Name	Location
30 Aug-02 Sep	MENA Opportunities Investment Forum	Virtual
08–10 Sep	European High Yield & Leveraged Finance	Virtual
21–23 Sep	12th Annual U.S. All Stars	Virtual

21–23 Sep	Emerging Markets Credit	Virtual
22–23 Sep	European Tech Stars	Virtual
29–29 Sep	European All Stars	Paris
01-01 Oct	Italian	Milan
08-09 Nov	Global Energy	London
06-08 Dec	South Africa Opportunities	Virtual

Upcoming Earnings

Details of all upcoming reporters, key metrics and JPM previews can be found here.

Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
28 Jun	29 Jun	30 Jun	1 Jul	2 Jul
Petrofac	Hunting PLC Ignitis Group		Hennes & Mauritz ABF AO World	Nordnet
5 Jul	6 Jul	7 Jul	8 Jul	9 Jul
Repsol	Sainsbury Ocado Purplebricks Group	Ferrexpo Plc Vistry Group	OMV Persimmon Chr. Hansen Entain PLC B&M	Victrex Senior

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PDF Format

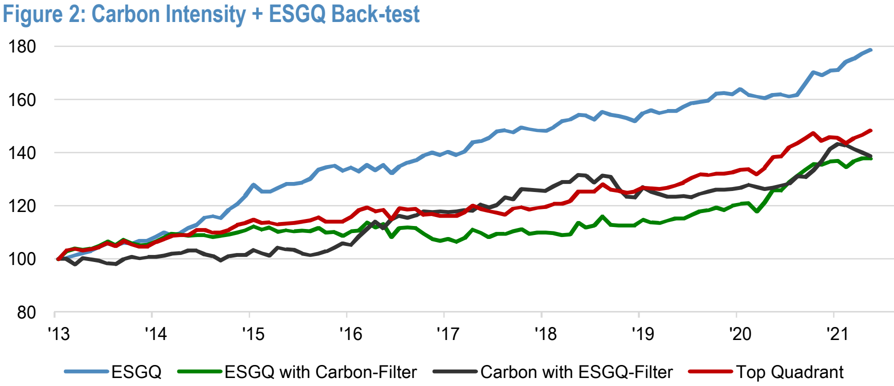
ESGQ

ESG Investing - Assessing the impact of Inflation & Carbon Intensity on ESG stock selection

This research note provides stock selection preferences for the top 250 global companies based on JPM's ESGQ metric.

- **ESGQ Returns start to recover, valuations are no longer stretched for L/S.** After a period of negative L/S ESG strategy returns (*-7.3% -12mths*), we believe there are signs that this period may now be passing, and the backdrop appears more suited to positive returns in H2. Similarly, valuations extremes that existed over the past year (*P/E rel. 1.6x to 1.2x*) also appear to be derating, and the fundamental backdrop is starting to look more encouraging. In this quarter's research, we have taken the opportunity to assess the impact of rising Inflation expectations on ESG returns, and additionally discuss the role Carbon Intensity plays on ESG stock selection models.
- **ESGQ and Inflation.** Investors seem to be perplexed about the path of rising inflation expectations, and now a 'school of thought' is developing that rising inflation may negatively impact ESG strategies. On page 4, we assess the rising inflation backdrop and its impact on ESG investing. Using a selection of inflations measures, we find there is little tangible evidence (*apart from style and sector composition*) that makes ESG strategies more vulnerable to sharp swings in inflation expectations.
- **ESGQ with GHG Emissions Overlay.** On page 6, we have run an analysis that shows how adding a low carbon overlay to ESGQ will impact returns. We formulate three strategies in which we combine both ESGQ and Carbon Intensity data (Scope 1 & 2). The quadrant approach (*which takes the intersection of top 50% ESGQ and top 50% low Carbon Intensity*) yields the best results with an annualized excess return of +4.8%, volatility of 4.1%, and a Sharpe Ratio of 1.2. It should be noted, that ESGQ alone continues to show much stronger returns versus any of three carbon-related strategies. However, performance is just one side of the equation and evaluating the reduction in emissions of these strategies suggests there is real value in adopting such approaches with the view of balancing returns against material impact.

Figure 2: Carbon Intensity + ESGQ Back-test



Source: J.P. Morgan Quantitative and Derivatives Strategy

European Equity Quantitative Strategy

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JPMorgan ESGQ
JPM's ESGQ is a proprietary stock selection metric that helps investors pick stocks in a responsible way. For a more detailed introduction please see our note from [March 2018](#).

Figure 1: JP Morgan's ESGQ

Source: J.P. Morgan Macro QDS

Global Alt Energy

Mid-year outlook and top picks into H2'21

We turn incrementally positive on global alternative energy sector into H2'21, as we believe the rest of the year will be a catalyst-rich period supporting sentiment (vs. limited catalysts in H1), with inflationary pressure likely to stabilize or ease going forward. The catalysts include (but not limited to) deployment of green deal funds and subsector renewable targets in the EU, likely extension of PTC/ITC, and progress on the Biden infrastructure plan in the US, COP26 summit in the UK, upgrades to German renewable targets, UK CFD auction and easing polysilicon tightness later in the year. While our preference for solar/offshore wind over onshore wind is unchanged, a rising tide on sentiment will likely lift all boats. We upgrade Vestas to Neutral from UW. Our top picks into H2 are RUN and NOVA in the US; SGRE and Prysmian in Europe; Sungrow, Flat-H, LONGi, XYE and Longyuan in Asia.

- **US Alternative Energy.** Near-term, supply-chain issues have varying impacts depending on end-market and company, but are broadly viewed as transitory and unlikely to impact demand, which seems like a speed bump in the multi-decade shift to renewables, in our view. We believe long-term investors willing to look through near-term supply issues can add to positions given that trading multiples have fallen since the beginning of the year. Our top picks for 2H21 are residential installers Sunrun (RUN/OW) and Sunnova (NOVA/OW), which both have above-average inventory levels that we believe positions each company to meet 2H21 demand.
- **European wind and cable sector:** Wind shares have seen YTD weakness as investor focus shifted to raw materials, supply chain and COVID-19 headwinds in the absence of other catalysts in H1. These input cost headwinds will likely have a significant impact on onshore margins in 2022 (given hedging measures protecting 2021), while raw-materials are generally a pass through in offshore. While we expect inflationary pressure to stabilize or ease somewhat in H2, we still see downside to 2022 consensus margin forecasts for both Vestas and SGRE. However, with several catalysts in H2, we believe, the focus could shift again towards longer-term growth potential. As result, we turn positive on the EU wind and cable space for the rest of the year. We upgrade Vestas to Neutral from Underweight (see note). Our top picks for the H2 are OW rated Siemens Gamesa and Prysmian.
- **China Renewable**. Polysilicon px has doubled ytd. We expect current poly tightness to prove short-lived, with capacity increasing ~30% in FY22E. We recommend investors look past 2HFY21 & accumulate quality names along the solar value chain that can gain market share and deliver strong growth in the post-poly tightness era. We like Sungrow (300274 CH), Flat-H (6865 HK), LONGi (601012 CH), and pure-play solar farm XYE (3868 HK). For China wind, we prefer wind farm over equipment maker. Longyuan is our preferred pick on a stronger operating track record and a more committed capacity growth plan. We also like its A-share backdoor listing exercise.

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Vestas

Upgrade to Neutral - catalysts in H2 to support share price despite weak onshore fundamentals

▲ **Neutral**
Previous: Underweight

VWS.CO, VWS DC
Price (25 Jun 21): Dkr233.90

▲ **Price Target (Dec-22): Dkr190.00**
Prior (Dec-21): Dkr136.00

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After ~35% YTD underperformance vs. SXNP, we upgrade Vestas to Neutral and roll forward our price target to Dkr190 for Dec'22 at vs. Dkr136 for Dec'21. While there is no change to our fundamental view and our target price shows >15% downside, we believe the share price is unlikely to underperform in the rest of the year due to several likely catalysts, leading to the stock continuing to trade above our fair value. We trim our 2021-22 margin forecast to account for input cost headwinds and update our sales assumption with Wood Mac Q2'21 forecasts. We are 4%/10%/27% below company consensus Q2/21/22 Adj EBIT forecast as we now look for flat group margins in 2022 vs. 2021.

- **Upgrade to Neutral – it's all about catalysts.** We believe the headwinds on raw materials and limited onshore growth in the medium term are still not reflected in consensus estimates but are well understood by investors. As we head into H2, we expect several positive catalysts to support a stock price above our fair value. The catalysts include deployment of green deal funds and subsector renewable targets in the EU, likely extension of PTC/ITC and progress on the Biden infrastructure plan in the US, COP26 summit in the UK, upgrades to German renewable targets and UK CFD auction.
- **No change to fundamental view.** There is no change to our fundamental view that onshore wind is on the wrong side of energy transition at present, given the strong growth outlook for offshore and solar while, we believe onshore marks are at peak. That said, Vestas is a well-managed company and despite competitors narrowing the technology gap, it can weather the current headwinds in onshore markets better than the competition. We do not think Vestas's 10% Adj EBIT medium-term margin forecasts are achievable and we forecast 6.2%/6.2%/7.0% in 2021/22/23 vs. consensus of 6.8%/8.3%/8.8%.
- **Q2'21 preview.** We look for Q2 onshore orders of 4.8GW (17% above consensus), sales of €3.9bn (1% above consensus) and Adj EBIT of €230mn vs €241mn consensus. We expect Vestas to reiterate margin guidance but also highlight incremental risk given the logistics and COVID-19 related headwinds. The key downside risk to margin guidance is potential liquidated damage due to project delays and that will not be clear until the end of the year.
- **Model update/valuation.** We update our revenue forecast for Wood Mac Q2 outlook and trim our margin expectation to account for raw-material headwinds, which will have a bigger impact in 2022 vs. '21. We forecast 6.2% Adj EBIT margin in both 2021 and 2022. We trim our 2021/22 Adj EPS by 7%/9%. We update our target multiple to ~20x EBIT from ~17.5x to account for improved long-term outlook from likely subsidy extension in the US and demand from green hydrogen.

Key Changes (FYE Dec)

	Prev	Cur
Revenue - 21E (€ mn)	16,677	16,474
Revenue - 22E (€ mn)	15,374	16,424
Adj. EPS - 21E (€)	0.70	0.66
Adj. EPS - 22E (€)	0.64	0.59

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	97	60	51	14	79
Growth	43	83	89	66	36
Momentum	86	26	11	84	21
Quality	13	16	16	11	10
Low Vol	50	67	25	78	78
ESGQ	11	-	-	-	-

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

EDP Renovaveis

Fundamentals continue to improve and news flow should be more supportive in H2. PT up to €23.5

Overweight

EDPR.LS, EDPR PL

Price (28 Jun 21): €19.09

▲ **Price Target (Dec-22): €23.50**
Prior (Dec-22): €22.00

EDPR shares had to digest in H1 the market rotation out of renewables and a €1.5bn capital raise. Meanwhile, management continued to execute its business plan, locking in a 300bp spread over WACC for 32% of capacity adds to 2025E, implying 53% more value creation vs the minimum target of 200bp. Higher spreads drive our PT rise to €23.5. New projects' IRRs should be buoyed by strong power prices in H221/2022E (due to gas and CO2), offsetting pressure from higher raw material prices. Besides, we expect positive news flow on regulation, PPAs and asset rotations in H2.

- **Stronger-than-expected IRR-WACC spreads.** Post Q1 results, EDPR CEO made clear that the company had locked in a 300bp spread on the first 6.4GW of capacity secured for 2021-25 out of the 20GW target. A 100bp higher spread on 6.4GW of capacity is equivalent to c. €830m incremental value creation. If EDPR delivers 100bp spreads above market expectations for 100% of the 2025 targets, incremental value creation would amount to €2.6bn or 14%+ of the current market cap.

- **Higher power prices underpin future PPA prices.** Investors seem to be over-cautious though about future spreads due to the rise in raw material costs likely feeding through to the cost of turbines and solar panels for future projects. However, we believe the market is ignoring that the significant rise in power prices YTD should facilitate the signing of new PPAs with more attractive conditions. We estimate that EDPR needs PPA prices €2-2.5/MWh higher to offset a 10% rise in project capex; European power prices are up €15/MWh+ YTD.

- **We expect supportive news flow, both top down and company-specific.** On 14 July, the European Commission will unveil the "Fit for 55" legislative package, which should provide support to a high CO2 price. In August, the Next Generation EU funds should start to flow to the countries, with at least 37% spent in climate investments. COP26 in November should bring multiple climate pledges from corporates and governments. Besides, EDPR should be announcing at least two additional asset rotation deals to crystallise value in the next few months.

- **Stay OW, PT increased to €23.5.** We have upgraded our PT to assume incremental value creation in the pipeline that we expect to be built in the next 10 years: a (still conservative) 250bp spread over WACC in projects to 2025E and a 200bp spread thereafter.

European Utilities

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Key Changes (FYE Dec)

	Prev	Cur
Adj. EBITDA - 21E (€ mn)	1,652	1,641
Adj. EBITDA - 22E (€ mn)	1,734	1,730

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	97	93	96	97	97
Growth	41	14	13	1	
Momentum	73	1	26	87	69
Quality	70	57	53	76	79
Low Vol	9	83	20	3	35
ESGQ	50	-	-	-	-

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

Technip Energies

US Energy Conference Takeaways: Decarbonizing LNG, Hydrogen opportunity & FTI overhang

Overweight

TE.PA, TE FP

Price: €11.68

28 Jun 2021

Price Target: €16.20

PT End Date: 31 Dec 2021

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J.P. Morgan Securities plc

We hosted a fireside chat with Technip Energies' CEO Arnaud Pieton on June 22 at our J.P. Morgan Energy Conference. Audio playback is available here. The conversation was preceded by our EU OFS: Taking Stock note, where we see OFS gain momentum going into 2022 as a result of favourable macro conditions that's generating excess cash flow for Oil companies, a portion of which will likely flow to capex, in our view. Our key takeaways from the interview (i) long tail of opportunities in LNG, particularly in the core regions of Qatar, Russia and the US, with TE already working on concept studies for Qatar LNG beyond NFE, (ii) increasing likelihood of LNG continuing to be decarbonized through CCS and usage of H2 in power generation, (iii) that TE is actively involved in tender process on a brace of green Hydrogen projects, which could yield an EPC contract in FY21. Overall, we see TE as well placed; current projects are all on schedule, order intake continues to be strong, it offers good value. We see potential for shares to improve and better reflect underlying value as the FTI overhang continues to unwind (with catalyst potentially near term given latest lock-up expiry), and we see potential for further re-rating as the hydrogen opportunity crystallizes with EPC awards at scale.

- **Key Conference Takeaways. (i) Spin.** Both FTI (takeaways from our interview with FTI CEO Doug Pferdehirt here), and TE are happy with share performance since the spin (initiation), with the market backing the strategic move. **(ii) LNG.** LNG continues to be the driving force in the business (supported this year by the \$6.5bn Qatar NFE EPC award). TE believes that LNG will be a transition fuel, helped by the successful efforts to decarbonize liquefaction (CCS and Solar on Qatar NFE is reducing Scope 1 & 2 emissions by at least 25%), with scope for further reductions through the introduction of other renewable energy sources (such as Hydrogen for use as a fuel in gas turbines). **(iii) Hydrogen.** TE has leading market share in Grey Hydrogen, c.35% of installed base, with a number of sites having the potential for CCS (15 of 270). Earlier this year TE launched Blue by T.EN, which brings its blue hydrogen carbon intensity close to that of green, while being almost as economic as grey hydrogen. Finally on Green Hydrogen, we look for TE to establish itself through the award of an EPC contract in the space, as 'proof of concept' in the space. Potential projects in Europe have been tendered which could come to award in 2021. **(iv) Technology.** TE stresses its proprietary technology, and technology partnerships are key to securing E&C awards, this has historically been the case in LNG and downstream (Shell ethylene award), and is expected to be the case in the Energy transition, particularly in hydrogen but also in sustainable chemistry and ethylene.