KW CAPITAL PARTNERS

Daily Roundup # Lion Chips, Tiger Pharma, and Bear Retail **June 8**

Today's Daily Roundup will focus on three of our 'watched' stocks that have made significant moves today. Nvidia (NVDA, $159.94) moved on renewed sentiment on the strength of their chips business. We believe in their strength and view this jump up as a reaffirmation that bolsters our previous case. Valeant Pharmaceuticals (VRX, $13.26) has completed their sale of its Australian iNova Pharmaceuticals for $930 million to pay down their debt. As mentioned before, with the divestiture of assets, the potential for Valeant to dig itself out of the massive debt burden becomes more likely. Lastly, Nordstrom's (JWM, $44.63) has vocalized sentiment to seek a 'go private' route. This has echoed our belief that much of the retail sector is seeks to exit the public markets for fear of the impending results. What remains to be seen is how viable these exits are and what value should be attached?

- **Nvidia, our Juggernaut pick, continues to pick up steam.** Nvidia Corporation (NVDA, $159.94) has again picked up followers based on their strength in their data center business and autonomous driving units based in their faster chipsets. This reiterated our previous belief that Intel Corporation (INTC, $36.48) signaled insecurity in these burgeoning fields with the purchase of Mobileye (MBLY, $62.15). The central tenet is that these industries, which include AI and AR/VR along with autonomous driving, will require faster chipsets for greater amounts of processes. Nvidia which developed its products as premium video gaming chips strategically stands at a valuable location for these nascent offshoots. Despite the high price, we continue to believe in the value of their products.

- **Valeant, the next contestant for the biggest loser.** Valeant Pharmaceutical (VRX, $13.26) well off the three-year high price of over $200, has shed another asset to paydown the long-tem debt burden of over $30B. Based on Valeant's large asset base, including 33 acquired companies since 2009, Valeant has ability to shed weight and still be a substantial revenue and profit sized company. Obviously, management will shed the assets of lesser value to the company strategically, however concern remains in the pricing and negotiation power of a firm which all parties know they are in desperate need of a sale. What remains to be seen is can the managers strike a good deal with the vultures circling overhead? We continue to believe that based on the residual value of the company and assets remaining, there is significant upside for the company with each subsequent announcement of a sale.

Trimmed Acquistions by Valeant (since 2016)

Salix (11/16)	Takeda	$10B
CeraVe, AcneFree, AMBI (1/17)	L'Oreal	$1.3B
Dendreon (1/17)	Sanpower	$820M
iNova (6/17)	Carlyle	$930M

Source: KWCP Research

- **Private Equity, the savior for retail?** Nordstrom's (JWN, $44.63) stock is up today based on it's announcement that it is seeking private equity buyer and potential exit from the public markets. We believe that a suitable buyer at a solid upside price remains to be seen, and while the stock is up, this signals weakness ahead for the company. Upon earlier downward pressure on the stock, Macy's (M, $21.77), once the kingpin in department store retail, announced the desire to find a 'buyer' (non-descript in strategic or financial) prompting the stock to surge above $30. While this solicited a temporary short-squeeze to stem pricing pressure, it also amounted to be a huge head fake with no potential acquirers. Macy's then precipitously drizzled off dollars and cents to the current price of just over $20. With J. Crew, Claire's, and Toys 'R Us struggling with even the best private equity managers (financial acquirers) and Macy's so far thus unable to find a buyer (strategic or otherwise), although Nordstrom's has a stellar reputation and very different pricing and customer, we believe the signal of weakness is more of a harbringer of danger ahead than a beacon of hope.