Welcome to the May edition of Edison Insight. We now have c 400 companies under coverage, of which 133 are profiled in this edition. Healthcare companies are covered separately in Edison Healthcare Insight. Click here to view the latest edition.

This month we open with a strategy piece by Alastair George who notes that the much-anticipated resolution to the US/China trade dispute has failed to materialise. Furthermore, the likelihood of any resolution in the near term appears modest at best. His earlier more positive views on equities for 2019 were contingent on a US/China trade resolution by mid-year and his outlook has therefore become more cautious. A downward turn in survey data and consensus earnings forecasts has been re-established and ebbing global earnings momentum during the past four weeks consistent with softer PMI indices and slowing trade data. Short- and long-term bond yields have fallen in recent weeks, reflecting market expectations of a slowdown. A steady build-up of debt in the corporate sector of China and the US will become a greater issue if the economy slows. Therefore, he believes investors should now focus on balance sheet quality in equity investments at this point in the cycle. He moves to a cautious view on global equities from neutral. Given the still significant rally since the year-end, there is time to reposition portfolios and he believes investors should focus on specific companies with lower than average exposure to cyclical factors and trade headwinds, given the cautious outlook.

This month we have added ADMIE Holding, Canacol Energy, Gemfields Group and Riber to the company profiles.

Readers wishing for more detail should visit our website, where reports are freely available for download (www.edisongroup.com). All profit and earnings figures shown are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

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We welcome any comments/suggestions our readers may have.

Neil Shah
Director of research
Global perspectives: Prepare for the long game

- The anticipated resolution to the US/China ‘trade’ dispute has failed to materialise. The likelihood of any resolution in the near term appears modest at best and at this point it is closer to an economic conflict, encompassing national security and political desires for economic supremacy. An analysis based on economic considerations and the net benefit to both parties of a resolution may therefore miss the point. Our earlier, more positive views on equities for 2019 were contingent on a US/China trade resolution by mid-year and our outlook has therefore become more cautious.

- A downward turn in survey data and consensus earnings forecasts has been re-established. There has been a reduction in global earnings momentum during the past four weeks consistent with ebbing purchasing managers’ indices (PMI) and slowing trade data. Short and long-term bond yields have fallen in recent weeks, reflecting market expectations of a slowdown. If a US/China trade deal had been reached, this data would have been less of a concern - but cannot now be ignored.

- A steady build-up of debt in the corporate sector of China and the US becomes a greater issue if the economy slows. While the warnings from central bankers in respect of leveraged loans have thus far gone unheeded, we believe investors should now focus on balance sheet quality for equity investments at this point in the cycle.

- We move to a cautious view on global equities from neutral. Given the still significant rally since the end of 2018, there is time to reposition portfolios. Investors should focus on specific companies with lower than average exposure to cyclical factors and trade headwinds, given the cautious outlook.

Analyst

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Prepare for the long game

Shifting trade politics should not be ignored

Following the breakdown in US/China trade negotiations in early May, US and Chinese actions since then point to a protracted period of tariffs and economic conflict, in our view. While Trump has placed additional tariffs on Chinese goods, China has allowed the renminbi to depreciate markedly since 10 May. Furthermore, Trump’s announcement of restrictions on telecoms suppliers, it is assumed aimed indirectly at Huawei, indicates that the probability of a trade deal in the short term is remote. Investors should, in our view, prepare for a longer period of political negotiation. In the event of a structural shift away from the long-standing consensus that cooperation on trade is beneficial for all sides, this would ultimately have long-term ramifications for the evolution of the global economy.

In our opinion it is becoming increasingly likely that the breakdown in US/China trade negotiations is serious and will take some time to resolve. There appears to be disagreement in principle in respect of any enforcement mechanism. Press reports indicated an unacceptable redrafting of the text of the agreement by China, yet others referred to US demands for an enforcement mechanism closer to that of economic sanctions, which China would be unlikely to agree to. This is likely to weigh on markets where the prevailing consensus still holds out hope for some kind of deal in the short term.

However, the actions of the parties since negotiations broke down are not encouraging. A Chinese delegation sent to Washington left with no schedule for further talks. Since then, the Chinese renminbi, which represents the most direct riposte to new US tariffs, has been allowed to decline sharply, Exhibit 1. Following the breakdown in talks, Trump has followed through with new tariffs on China. In addition, the US executive order implicitly targets the Chinese telecoms firm Huawei by shutting it out of US markets. This is no small matter and cuts straight to the heart of the question of global technological leadership, with the company the second most prolific European patent filer of 2018 after Siemens.

Reports that intelligence-led briefings are being held at US companies detailing China’s threat to the US technology sector are also unhelpful. We suspect the actions of the US will have caused significant antagonism within China’s administration and have created an environment hostile to any formal agreement.

Exhibit 1: China has allowed renminbi to decline which will offset US tariffs

![Graph showing renminbi fluctuations from Jan-18 to Apr-19](source: Refinitiv)

While financial markets may have moved on from the global financial crisis of 2008, echoes continue to be heard in the political domain in developed markets in the context of populism. Political shifts which have had a much longer time-lag compared to monetary or fiscal dynamics are only now starting to bite the real economy, with the primary example being the pivot in US trade...
policy and consequent recent increases in US tariffs. In another example of the lagged impact of populism, the UK is still attempting to negotiate its way out of the free trade area of the EU, following the referendum result of 2016. Although investors may have become inured to talk of tariffs the effects, with the expected lag, are now becoming evident in the data. Global trade volume growth is currently softening at a rate not seen since the global financial crisis, Exhibit 2.

Exhibit 2: World trade volume growth has slowed sharply during 2019

Being such a recent phenomenon, there is little direct quantitative evidence linking the slowdown in trade to the re-imposition of tariffs. Over many decades, worldwide tariffs have been carefully and technically dismantled, under the auspices of global organisations such as the World Trade Organisation (WTO). The rapid re-imposition of US tariffs therefore represents a dramatic reversal in US trade policy, compared to recent decades of trade liberalisation.

US/China tariffs have now reached a level which will interrupt supply chains in our view as rates of 25% are difficult to absorb in profit margins or by the US consumer. It is unfortunate that in some respects, the success of central banks in engineering an aggregate recovery through innovative monetary policy (albeit with some politically important distributive effects) has created space for sub-optimal government policy on trade. It appears the lack of political ‘ownership’ of the global recovery by governments has created the well-known hire-car risk of not cherishing it.

We believe policy uncertainty in respect of US/China trade in combination with actual tariffs imposed to date are responsible at least in part for a slowdown in global trade. This slowdown may have been masked by the relative resilience of global financial markets during 2019. Markets have been driven by easier monetary policy globally and modest fiscal stimulus measures in China. However, with developed market valuations now significantly above levels prevailing earlier in the year, a resolution to the US/China trade dispute was in our view a prerequisite to maintaining the relatively high level of optimism and confidence implied in financial market prices.

However, the improvement in survey data since the beginning of the year cannot disguise the relatively poor mood amongst global manufacturers and the difficult environment for industrial commodities such as metals. Trade-related profit warnings continue to impact markets. Agricultural machinery manufacturer Deere in a recent trading update blamed ongoing trade uncertainties for causing a much more cautious environment amongst US farmers for equipment purchases, for example.

Current mid-single digit projections for 2019 earnings growth are not, in our view, sufficiently compelling to keep investors in equities regardless of political risks. We have noted the stabilisation of earnings forecasts during Q119 but the very recent data suggest that earnings forecasts are starting to edge lower once more. This is consistent with the poor relative performance of cyclical sectors over the last six weeks and the slowdown evident in the trade statistics. A few weeks’ data may not make a trend but it is discouraging to see profits momentum ebb so quickly.
It is not just in respect of China where the US administration has radically shifted its position on the benefits of global trade. The designation of US car imports as a threat to national security is, on the face of it, barely credible but opens the door to the imposition of tariffs on US auto imports, even if a six-month delay has been ordered. The immediate reaction of the auto industry in the face of this uncertainty will be to slow investment spend. Should tariffs be imposed on a permanent basis, supply chains will have to be re-established within country borders and the absence of skill, cost and scale advantages are likely to lead to inflation in prices for consumers.

Given the Trump administration’s increasingly entrenched position on China, we believe a decline in the US stock market or US economy, sufficiently large for it to impinge on the prospects for the 2020 US Presidential election, may be necessary to create sufficient pressure for further negotiation. We would prefer to be in a position to take advantage of this potential trading opportunity and are therefore becoming increasingly cautious on the equity outlook at this stage.

The idea of a market swoon followed by an agreement on trade is in some respects a least bad outcome. A re-acceleration of global growth even as tariff conflicts escalate is of course possible but is difficult to visualise. We also believe the probability of a much longer trade stand-off is rising, given the political ‘prisoner’s dilemma’ dynamics of trade negotiations and the muddling of genuine trade concerns with the long-term strategic position of the US and China in the geopolitical order. Trump’s steady drumbeat of criticism of US Federal Reserve monetary policy could even represent a harbinger of further political interference in monetary policy, should the economy slow because of US government policy.

Adding to the risks on trade, we note the recent escalation of tensions in respect of Iran, which are also unhelpful for global sentiment, including the sending of an aircraft carrier to the Persian Gulf, US embassy evacuations and evidence of alleged Iranian provocations. It is unclear how much of this activity merely represents psychological pressure on Iran’s regime, but later comments by John Bolton, the US national security advisor, suggests that this may have been the case. Any actual intervention may distract public attention from the difficulties of resolving the US/China conflict but would only add to the risk premium for global equities.

**Brexit: New Conservative leader a deckchair on the Titanic?**

We believe the choice of a new UK Prime Minister by the incumbent Conservative and Unionist Party is likely to achieve little as the previously insurmountable challenge of breaking the UK parliamentary deadlock on Brexit remains in place. That there is a total split on the way forward in the UK’s Parliament is probably the only certainty, having been confirmed by the process of indicative votes earlier in the year. In addition, the new Conservative leader is likely to be constrained by a leadership election that prioritises the scenarios of no-deal or a hard Brexit, to counter the alarmingly rapid rise of Nigel Farage’s six week-old Brexit party in the polls. The rise of the Brexit party has contributed to the sharpest fall in election polls for the Conservative Party in the last 20 years.

It would be a remarkable political achievement for any new Conservative leader to amass a parliamentary majority for no-deal given the current composition of Parliament. Such a scenario is therefore in our view unlikely. However, a new UK leader could entertain the thought of an election in order to implement such a policy. While it is perhaps too early to speculate, failure of the “remain” Change UK party to garner any meaningful support in the recent European elections may open the door to a Brexit/Conservative alliance that could consider the option of no-deal. The very poor performance of Change UK also highlights the depth of feeling amongst Brexit supporters, who have felt compelled to switch away from both the traditional Labour and Conservative parties by their views on this single issue.

In terms of market expectations, we believe the relative weakness of sterling will continue due to the persistent uncertainty. Regardless of the choice of a Conservative leader, the UK government
remains in a precarious position due to Brexit policy paralysis and a general election later this year cannot be ruled out, nor a further extension to Article 50 in October. UK economic activity has surprised to the upside in 2019 so far but this has in part been attributed to no-deal stockpiling, which is necessarily one-off in nature. In the absence of a decisive government stimulus, we would not anticipate further positive surprises for the UK economy as 2019 unfolds.

**Debt burdens rising in the non-financial corporate sector**

Ultra-low interest rates and the demand for less volatile income streams have in recent years led to strong demand for US corporate debt. We believe this increased debt burden should be on investors’ radars, given the increasing likelihood of further market volatility and declining global economic momentum as the US/China trade war continues without any prospect of resolution.

In particular, US non-financial corporate leverage has reached peak levels of US GDP, Exhibit 3. Other regions where corporate debt loads have risen markedly during this decade include China (Hong Kong) and France. However, nations such as Spain and Portugal have seen corporate debt burdens decline following the excesses of the prior cycle.

**Exhibit 3: US non-financial corporate debt/GDP**

Source: Bank of International Settlements

For the US, in addition to the increase in the debt burden as a percentage of GDP, the riskiest segments of the investment grade market have seen the strongest increases in issuance. We believe this is due in part to low-investment grade debt hitting the sweet spot for investors, in terms of offering an appreciable pick-up in yield while still maintaining a sufficient credit rating to qualify for inclusion in lower-risk portfolios.

As highlighted recently by the US Fed however, this clustering of issuance in the lower tiers of investment grade credit risks a rapid increase in the number of “fallen angels” (bond issues which have been downgraded to below investment grade) in the event of any downturn in corporate profits.

In addition to the evident risks for investors in corporate credit, we believe equity investors should pay attention to the possibility the tide may be turning away from highly leveraged corporate structures as central banks start to pay attention to this type of lending. The risk is that company managements return to equity finance, either by cutting dividends as Vodafone has recently done, issuing equity or a combination of the two. Given the rise in corporate leverage and at this point in the economic cycle, we would therefore be favouring companies with stronger than average balance sheets.

**Consensus earnings forecasts for 2019 back on a downward trend**

We have to acknowledge that the easing of downward pressure on consensus earnings forecasts appears short-lived. Despite a period of stabilisation during Q1, global profits expectations are
again being scaled back outside the US, Exhibit 4. Short-run market performance is often closely
linked to the direction of earnings forecasts and this data should not be ignored in our view.

Falling profits expectations are also consistent with declining global trade volumes and a declining
global manufacturing purchasing managers’ index. We also note that the oil price has moved lower
since it became clear a US/China trade deal was an unlikely short-term prospect; industrial metals
have also moved modestly lower in recent weeks.

Exhibit 4: 2019 earnings forecasts slipping outside US

Separately, one-year ahead consensus revenue forecasts are now hovering close to the lows of the
last 15 years. We believe it is an under-reported statistic that for both US and European stock
markets, median public company revenue growth has effectively fallen 50% from the pre-crisis era
of 2005–08, or from close to 10% to below 5%. For equities, a significantly lower growth trajectory
has to be made up with higher returns from dividends or dividends plus buybacks to deliver the
same level of return to investors. Following the snap-back in valuation metrics earlier in the year,
we believe equity valuations are now rather high in the context of a much lower growth trajectory
for revenues and consequently corporate profits.

The problem for public equity investors is that the decline in median revenue growth leaves the
genuine growth stock as something of a rarity. As Exhibit 5 shows, in 2005 75% of US large cap
stocks had revenue growth projections in excess of 5% and 50% were expected to benefit from
revenue growth of over 10% over the coming year. In 2019, the picture is very different. Less than
50% of US larger companies are expected to achieve 5% revenue growth in the coming year and
only one in five are expected to achieve more than 10% growth. Similar reductions in investors’
‘growth’ universe can be observed in the UK and Europe.

Exhibit 5: Genuine growth stocks have become much rarer in US public markets

The reasons for this decline in forward revenue growth include the late-cycle nature of the current
economic expansion and the rise of the unicorn private company phenomenon where public
markets are eschewed in favour of private capital until growth rates have slowed. However, the reduction must also be a reflection of slowing growth rates within developed markets, in-line with the reduction in long-term nominal bond yields compared to the previous cycle. When interpreting valuation metrics, investors should, in our view, take into account not only lower funding costs but also the offsetting factor of lower growth prospects for the market as a whole.

Conclusion

At the start of the year, we viewed both the US/China economic conflict and the Brexit process as potentially resolvable by mid-2019. Our view on the timing on both these issues now looks rather over-optimistic. However, they were – and remain – key to sustaining the global equity rally into H219. Furthermore, the substantial rally in both equities and credit since December is now behind us and this has pushed yields and valuations to levels which are much less compelling compared to the start of 2019.

In our view the early signs of slowing economic momentum in trade and PMI data, together with an easing of consensus profits forecasts, are consistent with the continued lack of resolution of the US/China economic conflict. Over recent weeks the political conflict has escalated significantly rather than diminished and technology supply chains – including software and IP – can no longer be taken for granted. Such a fracture of economic activity, combined with the persistence of trade tariffs, is qualitatively likely to act as a drag on growth.

We believe there is still time for investors to re-appraise portfolio risk given the strong start for global equities in 2019. Due to the increased likelihood of a longer period without resolution of the US/China economic conflict, we believe underweight positions are warranted in sectors exposed to global trade. The ebbing of profits forecast momentum also suggests that a lower allocation to cyclical sectors is warranted, even following recent relative underperformance. We continue to believe that a highly targeted approach to equities is key to portfolio outperformance at present as benchmark indices may come under further pressure if there is increased evidence of a trade-induced slowdown.

While we recognise that the current US administration remains especially unpredictable, at present there is insufficient market pressure on President Trump to change tack. It is therefore not in our view tenable to ignore the increasing evidence of an impending slowdown at current equity valuations. We move from a neutral to cautious outlook on global equities.
**1Spatial (SPA)**

**INVESTMENT SUMMARY**

1Spatial made good progress on its transition plan during FY19. It increased both revenue and EBITDA margins, divested Enables IT, raised capital and shifted to a subscription licensing model. Investment in innovative 3D, LMDM and mobile projects should begin to bear fruit in FY20 and ensure that this progress continues. The recent acquisition of Geomap-Imagis (GI) further enhances its capability with Esri platforms and boosts its market presence and scale.

**INDUSTRY OUTLOOK**

The GIS industry is large and growing – P&S Market Research estimates the global GIS software, services and hardware market at US$9.0bn, forecasting a 10.1% CAGR to reach US$17.5bn by 2023. Software is estimated to account for around half of this market at present, with growth forecast at c 9% through 2023, whereas the revenue opportunity for services is expected to grow more rapidly – at c 12% from around US$3.5bn at present.

<table>
<thead>
<tr>
<th>Y/E Jan</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd) (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
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<tr>
<td>2018</td>
<td>16.9</td>
<td>0.4</td>
<td>(1.5)</td>
<td>(2.30)</td>
<td>N/A</td>
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<td>2019</td>
<td>17.6</td>
<td>1.2</td>
<td>(0.9)</td>
<td>(1.06)</td>
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<td>N/A</td>
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<td>2020e</td>
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<td>0.8</td>
<td>0.74</td>
<td>43.9</td>
<td>90.2</td>
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<td>2021e</td>
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<td>2.7</td>
<td>1.4</td>
<td>1.02</td>
<td>31.9</td>
<td>10.9</td>
</tr>
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</table>

**Sector: Technology**

Price: 32.5p
Market cap: £33m
Market: AIM

**Company description**

1Spatial’s core technology validates, rectifies and enhances customers’ geospatial data. The combination of its software and advisory services reduces the need for costly manual checking and correcting of data.

**Price performance**

<table>
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<th>%</th>
<th>1m</th>
<th>3m</th>
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<tr>
<td>Actual</td>
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<td>(3.0)</td>
<td>(3.0)</td>
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<tr>
<td>Relative*</td>
<td>1.3</td>
<td>(4.1)</td>
<td>3.4</td>
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* % Relative to local index

Analyst

Dan Gardiner

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**4imprint Group (FOUR)**

**INVESTMENT SUMMARY**

4imprint’s recent AGM statement outlined good further progress in the first four months of FY19, buoyed by the additional brand support marketing. Order intake was up by 14% and revenues ahead by 16%, as the increasing quantity of apparel in the mix moves the average order value ahead. The group continues to be well placed to carry on growing its market share in the substantial and fragmented promotional goods sector, on margins that should edge ahead. The group has strong cash conversion (100%) and a cash rich balance sheet. Interim figures are scheduled for 31 July.

**INDUSTRY OUTLOOK**

The PPAI, an industry body, estimates the value of the US promotional products distribution market at US$25bn. 4imprint is the largest distributor in this large and diverse market, yet has market share of less than 3%. The market is reportedly growing at around 5% for FY18 and 4imprint has consistently grown faster than the market, building share through its reputation for quality, reliability and customer service. There are no direct comparators, as the other larger players have differentiated business models.

<table>
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<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
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<tr>
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<td>627.5</td>
<td>45.1</td>
<td>42.5</td>
<td>107.7</td>
<td>31.8</td>
<td>21.5</td>
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<td>2018</td>
<td>738.4</td>
<td>48.8</td>
<td>46.4</td>
<td>132.3</td>
<td>25.9</td>
<td>21.1</td>
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<td>812.3</td>
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<td>147.0</td>
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<td>2020e</td>
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<td>60.5</td>
<td>57.4</td>
<td>159.5</td>
<td>21.5</td>
<td>16.0</td>
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7digital Group (7DIG)

INVESTMENT SUMMARY

7digital has sold its Danish assets to TDC for €1.375m, of which €1.0m was received at completion, removing £1.6m of losses. A third-party investor has bought both outstanding loan notes and has entered into a standstill agreement until the end of June. This, however, does not change the issue that by that date the business requires “material further equity and/or debt funding” (which would be at a discount to the market price) to be deemed a going concern. No date has yet been set for the publication of the FY18 accounts.

INDUSTRY OUTLOOK

Streaming has revived the music industry and with only 2% of the world’s adult population paying for such services the opportunity remains significant. The market is dominated by a few global platforms, but there are many other opportunities for music to reach audiences, such as via connected devices. 7digital provides the back-end technology and catalogue to companies that may want to act as alternatives to these major platforms.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
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<td>2016</td>
<td>11.2</td>
<td>(4.3)</td>
<td>(5.6)</td>
<td>(4.9)</td>
<td>N/A</td>
<td>N/A</td>
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<td>2017</td>
<td>16.8</td>
<td>(1.6)</td>
<td>(3.8)</td>
<td>(2.3)</td>
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<td>2.6</td>
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<td>2018e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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AAC Microtec (AAC)

INVESTMENT SUMMARY

Following the purchase of Clyde Space, AAC Microtec is at the forefront of the rapidly growing and revolutionary market for small satellites. As nanosatellite build rates and deployments rise sharply over the next decade, increasing systems supply and platform revenues should be enhanced by operational and service revenues. The new, experienced CEO needs to steer AAC through the ramp up phase. The upgraded listing to the Premier segment of the Nasdaq FN market should improve access to investors. The company has announced a 2 for 5 rights issue at SEK3 per share to raise gross proceeds of up to SEK82.5m and position the company to take advantage of opportunities in new space as they arise.

INDUSTRY OUTLOOK

Of over 1,000 nanosatellites launched since 1998, AAC Clyde is represented on 30–40%. Over the next five years around 3,000 nanosatellites should be launched as technology development extends the applications for low earth orbit (LEO) constellations, especially for communications. AAC Clyde has the capacity in Glasgow and Sweden to facilitate such expansion as well as develop a “satellite as a service” offering, while increasing sales of subsystems to third-party satellite providers.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Net Sales (SEKm)</th>
<th>EBITDA (SEKm)</th>
<th>PBT (SEKm)</th>
<th>EPS (öre)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
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<td>2017</td>
<td>13.3</td>
<td>(21.4)</td>
<td>(27.3)</td>
<td>(86.17)</td>
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<td>N/A</td>
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<td>2018</td>
<td>77.9</td>
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<td>(37.2)</td>
<td>(55.34)</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>2019e</td>
<td>120.8</td>
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<td>(8.5)</td>
<td>(11.68)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>200.4</td>
<td>33.6</td>
<td>27.5</td>
<td>35.92</td>
<td>11.4</td>
<td>11.2</td>
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Accsys Technologies (AXS)

INVESTMENT SUMMARY

FY19 performance at the Arnhem Accoya facility has been robust with successful delivery of higher volume from raised capacity. The expected commissioning of the new Hull Tricoya facility, and its associated revenue generation, has been pushed back around six months into Q121 owing to the need for reinforcement work previously unforeseen by the main contractor. Although we raised our Arnhem volume assumptions beyond FY19 to reflect this run rate, a higher Tricoya mix and slightly lower Tricoya volume overall (see below) caused us to moderate the rate of EBITDA increase for the next two years. FY19 results are due to be announced on 25 June.

INDUSTRY OUTLOOK

Accsys has a technically proven process and wide international market acceptance for its modified wood output. As well as successful capex execution, the sales and marketing challenge is to pull through demand to absorb newly available capacity and develop licence partners. Management has previously stated long term market potential of 1m m3 pa of Accoya wood and 1.6m+ m3 of Tricoya panel products.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
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<tbody>
<tr>
<td>2017</td>
<td>56.5</td>
<td>(1.5)</td>
<td>(4.5)</td>
<td>(5.47)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>60.9</td>
<td>(3.5)</td>
<td>(8.8)</td>
<td>(6.78)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>72.4</td>
<td>2.0</td>
<td>(6.0)</td>
<td>(4.29)</td>
<td>N/A</td>
<td>202.8</td>
</tr>
<tr>
<td>2020e</td>
<td>87.5</td>
<td>4.7</td>
<td>(4.0)</td>
<td>(4.11)</td>
<td>N/A</td>
<td>28.0</td>
</tr>
</tbody>
</table>

ADMIE Holding (ADMIE)

INVESTMENT SUMMARY

ADMIE Holding offers exposure to growth in the Greek electricity transmission grid IPTO, a regulated utility with significant growth opportunities from investments in new transmission lines. IPTO’s underleveraged balance sheet (0.9x adj net debt/EBITDA at the end of 2018) sustains a c €4bn investment plan, which we estimate will result in a regulated asset base (RAB) CAGR of 11% in 2018–27. Although we believe the regulatory allowed rate of return is set at a level in line with cost of capital and the company has strong growth potential, its current share price implies a c 40% discount to 2019 equity RAB (including work in progress) and a more than 20% discount to EU regulated utilities’ P/E multiples.

INDUSTRY OUTLOOK

IPTO has launched large projects for the interconnection of the Greek islands, to reduce costs for consumers, improve security of supply and environmental sustainability. Most Greek islands rely on expensive and polluting fuel-oil-fired plants (often close to tourist areas); currently the extra costs of running these plants is shared among all Greek consumers (representing 4–12% of a retail consumer’s bill). The construction of interconnections should allow for the replacement of these plants with renewables and imports from the mainland, lowering both costs for consumers and carbon emissions.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.0</td>
<td>25.1</td>
<td>25.1</td>
<td>10.84</td>
<td>15.9</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>0.0</td>
<td>36.2</td>
<td>36.4</td>
<td>15.68</td>
<td>11.0</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>0.0</td>
<td>36.2</td>
<td>36.4</td>
<td>15.67</td>
<td>11.0</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>0.0</td>
<td>39.7</td>
<td>39.8</td>
<td>17.18</td>
<td>10.0</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**AJ Lucas Group (AJL)**

**INVESTMENT SUMMARY**

AJ Lucas offers investors exposure to the most advanced UK shale appraisal programme. Current activity is focused at Preston New Road where AJL became the first operator to have flowed gas from a horizontal shale gas well in the UK. Recovered gas had a 96% CH4 content, no H2S and minimal CO2. Gas flowed at a peak rate of 0.2mmcfd with only two of the 41 stages fully fractured. AJL estimates that a 2.5km horizontal well, with all stages fractured, would have a potential initial production rate of 3–8mmcfd. Our last valuation stands at A$0.94/share. Given current uncertainty around Bowland shale type curves, well costs, rig availability and gas prices, we use a probabilistic approach to valuation.

**INDUSTRY OUTLOOK**

AJ Lucas has investments in the exploration and commercialisation of shale gas in the UK through licence equity interests and a stake in Cuadrilla. Central government supports the exploitation of shale gas resource in order to increase domestic energy security and to support intermittent renewable energy sources.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (fd)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>122.6</td>
<td>(3.8)</td>
<td>(36.3)</td>
<td>(6.7)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>127.1</td>
<td>15.4</td>
<td>(16.7)</td>
<td>(1.1)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>140.9</td>
<td>18.3</td>
<td>(9.5)</td>
<td>(1.6)</td>
<td>N/A</td>
<td>4.1</td>
</tr>
<tr>
<td>2020e</td>
<td>143.7</td>
<td>17.3</td>
<td>(8.1)</td>
<td>(1.4)</td>
<td>N/A</td>
<td>7.9</td>
</tr>
</tbody>
</table>

**Alkane Resources (ALK)**

**INVESTMENT SUMMARY**

Alkane Resources is a well-funded gold production and exploration company with A$72.4m in cash and no debt. It is seeking to leverage its cash balance and extensive expertise in gold mining and exploration through a strategy of investing in junior gold companies and projects that meet its investment criteria, alongside continued exploration around its existing mining operation. The company is also transitioning from treating the mid-grade stockpile to underground mining at its Tomingley gold project and is pursuing the finance required to develop its Dubbo polymetallic project.

**INDUSTRY OUTLOOK**

At Tomingley, we forecast the mine to produce an average of 35,000oz Au pa for the period 2019–23 and generate an average EDITDA of A$44m pa. The cash flow from Tomingley will fund ongoing exploration to potentially extend the mine life, corporate overheads and could contribute to the development of the Dubbo project. Recent assay results at Tomingley defined gold mineralisation at three prospects, located within 7km of the processing plant, and could extend the mine life. The continued escalation in international trade disputes may bode well for the REE market, with shovel-ready rare earth projects, such as Alkane’s Dubbo Project, potential beneficiaries.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (fd)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>117.8</td>
<td>49.3</td>
<td>6.6</td>
<td>2.23</td>
<td>12.1</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>130.0</td>
<td>68.6</td>
<td>31.5</td>
<td>4.87</td>
<td>5.5</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>85.1</td>
<td>29.9</td>
<td>23.5</td>
<td>3.45</td>
<td>7.8</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>57.3</td>
<td>21.0</td>
<td>10.6</td>
<td>(0.07)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Allied Minds (ALM)**

**INVESTMENT SUMMARY**

Allied Minds is an IP commercialisation (IPC) company focusing on early-stage companies within life sciences and technology. Its portfolio companies are spin-outs from US federal government laboratories and universities. Following a strategic review, Allied Minds has further concentrated its strategy around its three most promising investments. The shares still trade at a material discount to our estimate of FY18 NAV and, with clear milestones for the core assets in 2019, we are hopeful that the long downgrade cycle may now be set to reverse.

**INDUSTRY OUTLOOK**

Investor sentiment towards the IPC sector in general has remained negative with stocks typically trading at a meaningful discount to NAV. In 2019, investor frustration at a lack of material exits/value realisation across the sector are only likely to intensify leading to greater differentiation between stocks that offer the potential for meaningful exits in a realistic timeframe and those that do not.

**Y/E Dec Revenue EBITDA PBT EPS P/E P/CF**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5.0</td>
<td>88.4</td>
<td>101.2</td>
<td>27.88</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>5.6</td>
<td>77.5</td>
<td>55.3</td>
<td>19.67</td>
<td>5.0</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Amur Minerals (AMC)**

**INVESTMENT SUMMARY**

Amur’s updated pre-feasibility study (PFS) on the toll smelt option at Kun-Manie calculated an NPV of US$614.5m and an IRR of 29.3% at a nickel price of US$8.00/lb (US$17,640/t). Its updated PFS on the low grade matte option calculated an NPV of US$987.4m and an IRR of 34.7%. Initial capex is estimated at US$570.4m and US$695.0m, respectively and C1 cash costs at US$3.87/lb and US$2.34/lb, putting both in the second lowest cost quartile globally.

**INDUSTRY OUTLOOK**

Amur’s published NPVs imply a prima facie valuation for the company of US$60.8m (or 8.7c per share) for the toll smelt option and US$97.8m (or 14.0c per share) for the low grade matte option. However, given their relatively high project IRRs, these could increase to as much as US$79.9m (or 11.4c per share) and US$157.0m (or 22.5c per share), respectively - which compare with discounted dividend valuations (fully diluted at a share price of 2.61p) of 8c and 12c, based on a US$7.17/lb nickel price. NB All NPVs calculated at a 10% discount rate.

**Y/E Dec Revenue EBITDA PBT EPS P/E P/CF**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.0</td>
<td>3.8</td>
<td>3.8</td>
<td>0.7</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2017</td>
<td>0.0</td>
<td>1.9</td>
<td>1.9</td>
<td>0.3</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018e</td>
<td>0.0</td>
<td>2.2</td>
<td>2.7</td>
<td>0.4</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>0.0</td>
<td>3.8</td>
<td>3.9</td>
<td>0.6</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Attica Bank (TATT)**

**INVESTMENT SUMMARY**

After cleaning up the balance sheet and cutting costs, Attica Bank’s key aim now is to grow into its cost base with normalised impairments while refocusing on the SME sector. Attica will have to be mindful of capital (fully loaded end-2018 CET1 is 8.9%, statutory is 13.5%), but liquidity looks comfortable (loan/deposit 69% and no more ELA) and unlikely to slow it down. We have reduced forecasts due to weaker than expected 2018 results and now expect ROTE 2020 of 3.2% (4.2% before). Attica is trading on a 2018 P/NTA of 0.2x, and our valuation remains at 0.28x (€0.27/share).

**INDUSTRY OUTLOOK**

Attica intends to focus on its SME business banking activity to exploit attractive margins and an existing 2% market share. Rebuilding profitability will be achieved through: voluntary retirement schemes; pricing leverage as the major Greek banks review their product offerings; and normalisation of impairments facilitated by reduced exposure to the collateral underpinning impaired loans, and an economy anticipated to grow 2% pa with declining unemployment. We expect Attica will be achieving a 3.2% return on tangible equity in 2020 and 4.7% in 2021.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>166.6</td>
<td>N/A</td>
<td>1.1 (0.01)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>128.0</td>
<td>N/A</td>
<td>4.7 (0.01)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>92.7</td>
<td>N/A</td>
<td>5.2</td>
<td>0.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>104.2</td>
<td>N/A</td>
<td>21.5</td>
<td>0.03</td>
<td>700.0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Auriant Mining (AUR)**

**INVESTMENT SUMMARY**

After five years of gold production via gravitational and heap leach recovery methods, Auriant’s Tardan plant is now being remodelled to a single carbon-in-leach (CIL) process flow route, which is anticipated to improve metallurgical recoveries by c 31% and halve total cash costs to c US$523/oz from July 2019. Simultaneously, Auriant is completing a definitive feasibility study (DFS) on Kara-Beldyr. Combined, the two are expected to achieve management’s goal of 3t (or 96,453oz) of gold output per year from FY22 (cf 809.5kg in FY17 and 423.4kg in FY18).

**INDUSTRY OUTLOOK**

Auriant raised US$7.1m via the exercise of warrants in 2018. On the basis that management raises an additional US$13.8m in cash via equity at a price of SEK2.14/share, we estimate that Auriant is capable of generating average cash flows of US$37.3m pa, average earnings of US$31.2m and average EPS of 20.0 cents in the period FY25–33. Discounted at 10% pa, we value the resulting stream of dividends to shareholders at US$0.82/share. FY19 forecasts remain under review.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>33.5</td>
<td>8.8</td>
<td>(3.1)</td>
<td>(5.7)</td>
<td>N/A</td>
<td>0.9</td>
</tr>
<tr>
<td>2018</td>
<td>17.4</td>
<td>(1.6)</td>
<td>(10.2)</td>
<td>(10.8)</td>
<td>N/A</td>
<td>5.5</td>
</tr>
<tr>
<td>2019e</td>
<td>45.1</td>
<td>19.7</td>
<td>9.7</td>
<td>7.6</td>
<td>3.1</td>
<td>1.7</td>
</tr>
<tr>
<td>2020e</td>
<td>45.1</td>
<td>21.2</td>
<td>12.9</td>
<td>8.2</td>
<td>2.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>
Avon Rubber (AVON)

INVESTMENT SUMMARY
Avon is delivering growth validating the new business strategy to grow the core, add selective product development and make value-enhancing acquisitions to accelerate growth. At H119, guidance was maintained after a slow start. Recent major multi-year mask orders commence delivery in H219, accelerating Avon Protection’s growth and more than compensating for the weaker than expected milkrite | InterPuls performance. Success at Protection is flowing from the enhanced product portfolio as orders build visibility. The recent multi-year contracts are receiving initial supply orders that will boost H219 Military revenues and build momentum into FY20.

INDUSTRY OUTLOOK
Avon’s long-standing, multi-level relationship with the US DoD is important to the group and the end market backdrop is supportive. The active dialogue for the M50 replenishment phase should extend the programme for at least another 15 years, plus a focus on higher price sophisticated mask systems provides a further opportunity. Meanwhile, growth has been encouraging in Farm Services, building greater visibility into the business. We maintain our view that Avon has the market position, product portfolio and strategic ambition to further accelerate its growth through organic and inorganic means.

BCA Marketplace (BCA)

INVESTMENT SUMMARY
BCA Marketplace (BCA) offers unique access to each stage of the vehicle lifecycle. Dominant in the UK used car vehicle exchange, the company has built up its presence in vehicle buying through We Buy Any Car. BCA also provides exchange and buying services across Europe and its Automotive Services division provides transport, storage and technical expertise. The company aims to develop its market-leading positions through its range of physical and digital (‘phygital’) offerings and services in the UK and Europe. FY19 results on 26 June should confirm the resilience of BCA in the face of still challenging UK car markets. The recent refinancing provides a solid footing to further pursue the growth strategy.

INDUSTRY OUTLOOK
BCA is not involved in the sale of new cars and light commercial vehicles, although it does supply services such as transportation and inspection to the segment. However, there are clearly some trends that flow from new car markets to used vehicle supply such as part-exchange, lease contract expirations and personal contract plans (PCPs). In fact, BCA provides a unique “dock to de-fleet” through-cycle support proposition in the UK vehicle market.
BCI Minerals (BCI)

INVESTMENT SUMMARY

BCI’s strategy is to deploy positive cash flow from Iron Valley, in conjunction with A$35.4m in cash (as at March 2019), to develop its flagship Mardie salt and potash project. An optimised pre-feasibility study (PFS) on Mardie demonstrated a project IRR of 20% and a pre-tax NPV of A$560m (at a 10% discount rate) - equivalent to A$1.40/share - a 67.2% increase over last year’s PFS. This reduces to 9.76c/share to reflect Mardie’s PFS stage of development. However, it increases back to c 30.46c in the event that the DFS comes to the same conclusions as the PFS.

INDUSTRY OUTLOOK

Considering all of BCI’s assets, namely Iron Valley, Mardie and Buckland along with cash and corporate items, we value BCI at 37.56c/share. In the meantime, BCI has appointed a trio of respected consultants to contribute to its DFS (expected in Q4 CY19), while the decision to build a port at Mardie increases BCI’s chances of concessional debt funding via Australia’s NAIF. It is also a major beneficiary of the current strength in iron ore prices.

Y/E Jun

<table>
<thead>
<tr>
<th></th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>64.3</td>
<td>9.1</td>
<td>6.0</td>
<td>1.9</td>
<td>10.5</td>
<td>5.3</td>
</tr>
<tr>
<td>2018</td>
<td>33.0</td>
<td>(14.4)</td>
<td>(16.9)</td>
<td>(4.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>60.7</td>
<td>(4.2)</td>
<td>(7.0)</td>
<td>(1.4)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

bet-at-home (ACXX)

INVESTMENT SUMMARY

bet-at-home (BAH) is a long-established European sports betting brand, successfully cross-selling into gaming. Regulatory risks are high, as witnessed by IP blocking in Poland and Switzerland and the company is guiding to a c 10–20% decline in EBITDA for FY19. Nonetheless, BAH has consistently produced strong operating cash flow and its ability to pay high dividends is very attractive. H119 results are expected on 29 July.

INDUSTRY OUTLOOK

According to H2 Gambling Capital (H2GC), the European online sports betting and gaming market is expected to grow 6.5% CAGR between 2018 and 2023 to c €33bn. Across Europe, there are a myriad of different regulatory frameworks in place, for both e-gaming and sports betting. BAH operates in "grey" markets (no formal regulation but not illegal). These notably include Germany (36% of gross win), Austria (30% of gross win) and Eastern Europe (19% of gross win).

Y/E Dec

<table>
<thead>
<tr>
<th></th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>145.4</td>
<td>36.4</td>
<td>36.6</td>
<td>481.22</td>
<td>13.1</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>143.4</td>
<td>36.2</td>
<td>35.0</td>
<td>464.68</td>
<td>13.5</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>136.9</td>
<td>31.6</td>
<td>29.6</td>
<td>388.59</td>
<td>16.2</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>140.3</td>
<td>32.1</td>
<td>30.2</td>
<td>395.31</td>
<td>15.9</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Boku (BOKU)

INVESTMENT SUMMARY

Boku’s capital markets day highlighted the strength of the company’s platform, the growth drivers for the direct carrier billing business and outlined the progress of the newer identity services business. The recent trading update confirmed that the company is on track to meet our FY19 estimates, and recent contract announcements with DAZN and GrabPay provide further support to the company’s growth outlook.

INDUSTRY OUTLOOK

Direct carrier billing is an alternative payment method that uses a consumer’s mobile bill (pre-paid credit or post-paid monthly bill) as the means to pay for digital content or services such as games, music or apps. Growth in the underlying digital content markets as well as the increasing penetration of smartphones is expected to drive growth in DCB transactions. Its identity verification service enables merchants to sign up and transact with users while meeting regulatory requirements and avoiding fraud.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24.4</td>
<td>(2.3)</td>
<td>(6.4)</td>
<td>(3.22)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>35.3</td>
<td>6.3</td>
<td>4.3</td>
<td>1.55</td>
<td>121.8</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>53.0</td>
<td>9.5</td>
<td>6.0</td>
<td>1.99</td>
<td>94.8</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>70.0</td>
<td>22.3</td>
<td>19.5</td>
<td>6.06</td>
<td>31.1</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Analyst:
Katherine Thompson

Borussia Dortmund (BVB)

INVESTMENT SUMMARY

Three prominent player signings immediately post-season are a marker of Borussia Dortmund’s (BVB) resolve to improve even on a campaign that clearly exceeded expectations (narrowly beaten to Bundesliga title) with a new head coach and a developing squad. That player spend (total estimated c €75m) is almost covered by the proceeds from January’s bumper transfer of Pulisic to Chelsea, while Transfermarkt.de’s recent €45m upgrade in squad valuation, highlighted by Sancho (19) as most valuable Bundesliga player (€80m), highlights BVB’s substantial hidden reserves. Q3 saw an impressive 18% rise in pre-transfer revenue, driven by a step-change in TV marketing income from participation in the Champions League knockout stage.

INDUSTRY OUTLOOK

Unsustainable spend on wages and transfers is increasingly being penalised by UEFA Financial Fair Play requirements. A ‘break-even requirement’ obliges clubs to spend no more than they generate over a rolling three-year period. Sanctions vary from a warning to a ban from UEFA competition, fines and a cap on wages and squad size.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>405.7</td>
<td>74.1</td>
<td>61.1</td>
<td>56.4</td>
<td>16.0</td>
<td>7.0</td>
</tr>
<tr>
<td>2018</td>
<td>536.0</td>
<td>126.6</td>
<td>111.2</td>
<td>102.7</td>
<td>8.8</td>
<td>5.1</td>
</tr>
<tr>
<td>2019e</td>
<td>495.0</td>
<td>105.0</td>
<td>94.0</td>
<td>86.8</td>
<td>10.4</td>
<td>6.6</td>
</tr>
<tr>
<td>2020e</td>
<td>508.0</td>
<td>110.0</td>
<td>100.0</td>
<td>92.4</td>
<td>9.8</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Analyst:
Richard Finch
**Brady (BRY)**

**INVESTMENT SUMMARY**

In a brief AGM trading update, Brady said that trading to the end of April 2019 is in line with management’s expectations and the new sales pipeline is building. Our forecasts are unchanged. In FY18, revenue grew by 5% at constant currencies to £23.2m, which was a respectable performance given the focus was on account management rather than winning new clients. Carmen Carey took on the CEO role in February and we are expecting the results of her review of the business and new strategy to be outlined at the time of the interim results in September. The market opportunity is substantial and we believe Brady is well positioned to benefit from the significant sector consolidation.

**INDUSTRY OUTLOOK**

Brady provides trading, risk and connectivity software solutions to the global commodity and energy markets – mining and oil companies, fabricators, traders, banks etc. The global E/CTRM market was worth c $1.65bn in 2016 (Comtech) and is forecast to grow at c 6% CAGR 2016–2020. Brady has a strong position in niche areas including commodity logistics, credit risk, metals (number one globally) and European energy, yet has a relatively modest market penetration overall (we estimate 1.2%).

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>22.2</td>
<td>(2.6)</td>
<td>(3.0)</td>
<td>(5.7)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>23.2</td>
<td>0.7</td>
<td>0.3</td>
<td>0.0</td>
<td>N/A</td>
<td>48.1</td>
</tr>
<tr>
<td>2019e</td>
<td>24.3</td>
<td>1.3</td>
<td>1.0</td>
<td>0.9</td>
<td>64.2</td>
<td>14.9</td>
</tr>
<tr>
<td>2020e</td>
<td>25.5</td>
<td>2.4</td>
<td>2.0</td>
<td>1.8</td>
<td>32.1</td>
<td>10.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>156.6</td>
<td>130.2</td>
<td>(116.4)</td>
<td>(84.95)</td>
<td>N/A</td>
<td>8.1</td>
</tr>
<tr>
<td>2018</td>
<td>204.5</td>
<td>138.6</td>
<td>7.3</td>
<td>(12.32)</td>
<td>N/A</td>
<td>5.7</td>
</tr>
<tr>
<td>2019e</td>
<td>243.2</td>
<td>196.6</td>
<td>86.0</td>
<td>33.06</td>
<td>9.1</td>
<td>3.2</td>
</tr>
<tr>
<td>2020e</td>
<td>321.8</td>
<td>269.0</td>
<td>140.3</td>
<td>54.82</td>
<td>5.5</td>
<td>2.4</td>
</tr>
</tbody>
</table>

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**Canacol Energy (CNE)**

**INVESTMENT SUMMARY**

Canacol Energy is an oil and gas company involved in the exploration and production of hydrocarbons with operations in South America. The company intends to focus on continuing to grow its Colombia natural gas business and reach 215mmscfd production by June 2019. High exploration and appraisal success rates (historically above 80%) and over 2.6tcf of unrisked prospective resource should enable reserve life expansion. Low well costs, excellent reservoir quality and high-unconstrained flow rates combined with largely fixed gas pricing provide visibility of free cash flows. Our 2P + risked exploration NAV stands at C$6.28/share.

**INDUSTRY OUTLOOK**

The Colombian, Caribbean Coast gas market is expected to move into gas deficit in the absence of LNG imports, incremental piped gas or the development of recent deepwater discoveries. We expect Canacol’s market share to increase materially in 2019 and 2020, with management expecting production to ramp-up to 215mmscfd by mid-2019.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
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<td>(84.95)</td>
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<td>8.1</td>
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<tr>
<td>2018</td>
<td>204.5</td>
<td>138.6</td>
<td>7.3</td>
<td>(12.32)</td>
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<td>269.0</td>
<td>140.3</td>
<td>54.82</td>
<td>5.5</td>
<td>2.4</td>
</tr>
</tbody>
</table>
**Carbios (ALCRB)**

**INVESTMENT SUMMARY**

Carbios's FY18 results were slightly ahead of our estimates. While revenues were in line with expectations, lower costs and a larger research tax credit than we had anticipated led to net losses of €3.1m (FY18e €3.9m). Carbios confirmed that it expects to receive royalty payments from Carbiolice from 2020 (commercial launch). In addition, post the year end, Carbios disclosed that it had produced PET-bottles from 100% biorecycled plastic waste and also announced the signing of an agreement with major industrial partners to bring its PET recycling technology to market. Year-end FY18 cash was €5.15m and Carbios now believes it has sufficient resources to pursue current developments for the next 12 months. However, current developments do not include the financing of the PET bio recycling demonstration plant for which additional funding will have to be sought.

**INDUSTRY OUTLOOK**

Growing focus on sustainability provides an attractive market opportunity for Carbios’s technology.

**Company description**

Carbios develops enzyme-based processes for biodegradation and bioproduction of plastics, with a long-term aim of displacing current recycling and production practices.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>6.3</td>
<td>4.4</td>
<td>9.9</td>
</tr>
<tr>
<td>Relative*</td>
<td>11.3</td>
<td>9.9</td>
<td></td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Graeme Moyse

**Company description**

Carbios is a specialist in high-precision plastic moulding principally in healthcare, optical and automotive applications. Its two main end markets are high volume medical consumables and low volume, very high value automotive lighting.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>48.1</td>
<td>(27.6)</td>
<td>(64.1)</td>
</tr>
<tr>
<td>Relative*</td>
<td>50.2</td>
<td>(31.9)</td>
<td>(62.8)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Anne Margaret Crow

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**Carclo (CAR)**

**INVESTMENT SUMMARY**

As discussed in our January update, during H119 LED divisional profitability was hit by starting all of the new lighting production programmes for the year during the period. This situation worsened during Q3 as production ramped up. Although action has been taken to bring additional machine capacity on stream and adopt more effective scheduling techniques, the costs of scrap, freight and production labour remained at higher than expected levels through Q419.

**INDUSTRY OUTLOOK**

The other two divisions performed as an anticipated during FY19. Importantly, the trading statement notes that ongoing initiatives to improve margins in the Technical Plastics division have supported the anticipated second half recovery and year-on-year improvement in divisional operating profit.

**Company description**

Carclo is a specialist in high-precision plastic moulding principally in healthcare, optical and automotive applications. Its two main end markets are high volume medical consumables and low volume, very high value automotive lighting.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>48.1</td>
<td>(27.6)</td>
<td>(64.1)</td>
</tr>
<tr>
<td>Relative*</td>
<td>50.2</td>
<td>(31.9)</td>
<td>(62.8)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Anne Margaret Crow
Carr's Group (CARR)

INVESTMENT SUMMARY
Carr’s diversified model has enabled it to deliver profit growth during H119 despite well-publicised issues in the UK agriculture sector. Pre-exceptional PBT grew by 4.5% to £11.4m as a flat result from the Agriculture division was enhanced by a year-on-year performance improvement in Engineering. Group H119 revenues rose by 3.0% year-on-year to £206.2m, reflecting commodity price inflation and sales from Animax, which was acquired in September 2018. Net debt rose by £7.9m during the period to £23.3m. As well as the seasonal increase in working capital, there was £4.7m (net) paid out for Animax.

INDUSTRY OUTLOOK
Second-half performance is typically dominated by the Engineering division, as farmers require less feed and other inputs during the summer. Prospects here are positive as the order books for the UK manufacturing and US Engineering businesses are at record levels. Looking further out, the $8.5m contract won by the German engineering business in the US bodes well for awards from the US in the future and underpins capacity utilisation during FY20.

<table>
<thead>
<tr>
<th>Y/E Aug</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>346.2</td>
<td>13.9</td>
<td>11.9</td>
<td>9.4</td>
<td>16.5</td>
<td>9.4</td>
</tr>
<tr>
<td>2018</td>
<td>403.2</td>
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<td>17.7</td>
<td>15.2</td>
<td>10.2</td>
<td>9.4</td>
</tr>
<tr>
<td>2019e</td>
<td>418.8</td>
<td>21.0</td>
<td>18.1</td>
<td>15.3</td>
<td>10.1</td>
<td>9.5</td>
</tr>
<tr>
<td>2020e</td>
<td>425.5</td>
<td>21.5</td>
<td>18.9</td>
<td>16.0</td>
<td>9.7</td>
<td>8.9</td>
</tr>
</tbody>
</table>

China Aviation Oil (Singapore) (G92)

INVESTMENT SUMMARY
CAO operates as a physical jet fuel supplier as well as trader, while a healthy dividend income from the fuel supply JV at Shanghai’s rapidly expanding Pudong Airport provides the bulk of earnings. FY18 revenues grew 27% to a record US$20.6bn reflecting higher oil prices and despite lower trading volumes. The associates profit grew modestly as increased Shanghai Pudong refuelling volumes offset declines in other associates. Strong air transport growth in China continues to support modest growth in FY19, as reflected in a flat Q119 performance. Our forecasts are under review. The healthy balance sheet positions the group to pursue development of its global supply chain infrastructure.

INDUSTRY OUTLOOK
As the sole licensed importer and supplier of jet fuel to China’s civil aviation industry, CAO is a direct play on the rapidly rising demand for air travel in China, with growth augmented by both international and product expansion. Air transport is widely acknowledged to be an industry in a period of structural growth. International travel from China is increasing four times faster than the global average, so CAO is exposed to a sweet spot in the market.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>16268.0</td>
<td>23.7</td>
<td>87.6</td>
<td>9.9</td>
<td>9.1</td>
<td>34.3</td>
</tr>
<tr>
<td>2018</td>
<td>20612.0</td>
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<td>96.7</td>
<td>10.9</td>
<td>8.2</td>
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<tr>
<td>2019e</td>
<td>20750.0</td>
<td>31.2</td>
<td>105.0</td>
<td>11.8</td>
<td>7.6</td>
<td>9.8</td>
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<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
China Water Affairs Group (855)

INVESTMENT SUMMARY

CWA’s record of generating growth for its shareholders is impressive, with a CAGR in EPS and DPS of 30% and 36% respectively (2013–18). We expect CWA to achieve further growth in the period 2018–21 (CAGR for EPS of c 17% and DPS c 20%) through a mixture of volume increases, tariff increases and acquisitions. The recent acquisition of 29.5% Kangda International for HK$1.2bn will help CWA strengthen its position in the expanding waste water sector. The business was acquired at a c 15% discount to book value and CWA believes it can, over time, enhance earnings and reduce KIEG’s high level of indebtedness. Applying peer group average multiples would indicate a valuation of c HK$11.4 per share for CWA. At c HK$8.2 per share, CWA trades on a PEG ratio of only 0.6x, versus 1.6x for its peers.

INDUSTRY OUTLOOK

Water supply in China remains fragmented. The central government encourages local governments to deleverage their own balance sheets with private–public partnerships. This trend remains positive for CWA.

Circle Property (CRC)

INVESTMENT SUMMARY

In a trading statement ahead of reporting full year results to 31 March 2019 (FY19) in June, Circle reports further strong valuation and NAV growth. The end-FY19 independent valuation of the regional office portfolio was £124.6m (+9.2% y-o-y) and the unaudited NAV per share was 277p (+20.4% y-o-y). The company’s ability to create value by acquiring and asset managing well located assets is demonstrated by a strong NAV total return of c 95% since IPO in February 2016, or a compound annual average of c 26%. Since end-FY19, the letting of the remaining space at Kents Hill Business Park, at above ERV (estimated rental value), has added more than £350k to rent roll and will support valuations further. The FY19 comments and further letting progress appear consistent with our forecasts to end-FY20 and we will review these with the full year results. Management plans to replenish the refurbishment pipeline with accretive investment represents potential upside to our forecasts.

INDUSTRY OUTLOOK

The supply demand balance for regional office and industrial property remains generally firm and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.
Claranova (CLA)

INVESTMENT SUMMARY
Claranova has reported another strong quarter - reported revenues grew 69% y-o-y in Q319. Organic constant currency revenue growth of 33% y-o-y was maintained at a similar rate to H119. Geographic and product expansion are driving PlanetArt growth, while the recent acquisitions by Avanquest have reinvigorated the division. We have revised our revenue forecasts up to reflect stronger than expected growth, although this has a minimal impact at the EBITDA level.

INDUSTRY OUTLOOK
The digital photo printing business is benefiting from the growth in smartphone photography as well as geographical expansion. The consumer software business recently acquired a group of Canadian businesses to accelerate growth and is looking to leverage website traffic. The IoT business is targeting the SME space with its myDevices platform, which provides a simple and effective way to deploy IoT applications.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>130.2</td>
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<td>(6.6)</td>
<td>(1.79)</td>
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<td>N/A</td>
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<tr>
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<td>3.1</td>
<td>0.67</td>
<td>126.9</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>253.9</td>
<td>18.0</td>
<td>14.6</td>
<td>2.95</td>
<td>28.8</td>
<td>N/A</td>
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<tr>
<td>2020e</td>
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<td>30.0</td>
<td>26.7</td>
<td>5.01</td>
<td>17.0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Cohort (CHRT)

INVESTMENT SUMMARY
Cohort has seen continued excellent order intake in H219 with £65m of multi-year orders confirmed in February for MASS and MCL. The strengthening order backlog further underpins sales for H219 and the longer term. Chess Technologies extends both geographic reach and product range and should enhance growth. The purchase for up to £41.9m was financed through cash and the renewed bank facility. The £3m contract from Liteye to supply electro optical tracking and control systems for counter UAS solutions for the US DOD confirms the bridgehead Chess provides for Cohort into the US market.

INDUSTRY OUTLOOK
Cohort is heavily influenced by activities in defence and security (89% of FY18 sales). These markets require highly differentiated technologies and services with high barriers to entry based on customer relationships, regulation and high-level security clearances. The UK government’s commitment to spend at least 2% of GDP on defence provides greater confidence, as does the parliamentary approval for the replacement of Trident.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
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<th>EPS (p)</th>
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<tbody>
<tr>
<td>2017</td>
<td>112.7</td>
<td>15.7</td>
<td>14.5</td>
<td>27.9</td>
<td>14.7</td>
<td>69.0</td>
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<td>2018</td>
<td>111.0</td>
<td>16.4</td>
<td>15.2</td>
<td>29.5</td>
<td>13.9</td>
<td>10.6</td>
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<tr>
<td>2019e</td>
<td>125.9</td>
<td>17.8</td>
<td>16.3</td>
<td>32.3</td>
<td>12.7</td>
<td>40.7</td>
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<td>2020e</td>
<td>150.8</td>
<td>21.1</td>
<td>18.9</td>
<td>36.1</td>
<td>11.4</td>
<td>9.3</td>
</tr>
</tbody>
</table>
CREALOGIX Group (CLXN)

INVESTMENT SUMMARY

H1 recurring revenue grew by 48% reflecting an ongoing shift to SaaS and the acquisition of Elaxy BS&S. However, we cut our forecasts due to some uncertainties over the timing of new contracts and the magnitude of the shift to SaaS. In May, VZ Depotbank went live with CREALOGIX Mobile Application Platform, which enables VZ to entrain mobile banking, asset management, stock exchange trading and current financial news on one platform. The digital banking industry dynamics remain attractive and pure-play CREALOGIX has a strong pipeline. In our view, CREALOGIX is uniquely positioned in this industry.

INDUSTRY OUTLOOK

CREALOGIX develops and implements software that enables digital banking for “the digital bank of tomorrow”. The solutions are most often used by traditional banks to enable their journey to digitalisation, through the provision of a sophisticated, modern omni-channel offering to their clients. The group’s products are front-end solutions that integrate with customers’ back-end systems. The technology has won many awards, including three consecutive awards at FinovateEurope in London - this year CREALOGIX TimeWarp was voted a “Best of Show” product. In December, Forrester named CREALOGIX a leader for Digital Banking Engagement Platforms.

Custodian REIT (CREI)

INVESTMENT SUMMARY

Custodian REIT (CREI) continued to produce positive returns through Q419 despite continuing weakness in high street retail capital values outweighing gains elsewhere, including from accretive asset management. The Q419 EPRA NAV total return was 0.6%, taking the annual return to 5.9%, and was entirely income driven, with EPRA NAV per share reducing slightly to 107.1p. With occupancy maintained at a good level (95.9%), income continued to grow, benefitting from accretive acquisitions and rental growth, and EPRA EPS for FY19 increased to 7.3p (FY18: 6.9p). FY19 dividend cover was 1.11x and CREI's current year target for aggregate fully covered DPS has been increased by 1.5% to 6.65p, barring unforeseen circumstances. Fully covered dividends represent 77% of the NAV total return, a compound 6.8% pa generated since the IPO in 2014. With a year-end LTV of 24.1%, and continuing equity issuance, at a premium to NAV, the company is well positioned for further property acquisition opportunities.

INDUSTRY OUTLOOK

The supply demand balance for regional office and industrial property remains generally firm and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.
DeA Capital (DEA)

INVESTMENT SUMMARY

31 March 2019 (Q119) alternative AUM was c €11.9bn, up from €11.6bn at end-Q118 and at a similar level to end-Q418. Commission income was a strong €16.9m compared with €14.4m in Q118, benefitting from performance-related fees. Fund launches have continued, with the DeA Capital Alternative Funds managed DeA Endowment fund, aimed specifically at banking foundations, and the group has acquired the remaining minority in DeA Capital Real Estate. The holding company’s financial position remains strong, at EUR 92.5m, or c 20% of NAV, ahead of the c EUR 31m dividend distribution later in May, substantially matched by c EUR 23m of dividend upstreaming from the AAM business. Shareholders have approved the cancellation of 40m treasury shares, with effect from July. This will have no impact on liquidity, NAV, or EPS. NAV per share was €1.82 (end-Q418: €1.84).

INDUSTRY OUTLOOK

Low interest rates support demand for alternative assets, while fund maturities and other divestments are supporting cash flow for reinvestment and distributions to shareholders, even after meeting outstanding investment commitments.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>72.8</td>
<td>N/A</td>
<td>(25.9)</td>
<td>(4.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>102.9</td>
<td>N/A</td>
<td>47.1</td>
<td>4.4</td>
<td>29.3</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>20.0</td>
<td>5.8</td>
<td>22.2</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

discoverIE Group (DSCV)

INVESTMENT SUMMARY

discoverIE has acquired two high-margin design & manufacturing (D&M) businesses for initial consideration of £15.9m, and raised £28m net from the issue of 7.3m shares at 400p per share. The acquired businesses (Hobart Electronics and Positek) strengthen discoverIE’s position in the magnetics and sensor markets, increase presence in North America and open up organic growth opportunities in the group’s target markets. The placing brings the group’s gearing down and provides headroom for further acquisitions.

INDUSTRY OUTLOOK

discoverIE Group is a designer, manufacturer and supplier of customised electronics to industry with operations throughout Europe and increasingly outside Europe. The company is focused on growing the percentage of higher-margin specialist product through organic growth and acquisition. Its key markets (more than 50% of sales) are medical, renewables, transportation and industrial connectivity, all of which are good growth markets.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>338.2</td>
<td>24.3</td>
<td>17.8</td>
<td>19.9</td>
<td>21.6</td>
<td>13.7</td>
</tr>
<tr>
<td>2018</td>
<td>387.9</td>
<td>29.3</td>
<td>22.6</td>
<td>23.0</td>
<td>18.7</td>
<td>14.0</td>
</tr>
<tr>
<td>2019e</td>
<td>438.5</td>
<td>35.8</td>
<td>27.0</td>
<td>26.9</td>
<td>16.0</td>
<td>11.2</td>
</tr>
<tr>
<td>2020e</td>
<td>465.4</td>
<td>39.7</td>
<td>30.6</td>
<td>27.6</td>
<td>15.6</td>
<td>12.6</td>
</tr>
</tbody>
</table>
Diversified Gas & Oil (DGOC)

INVESTMENT SUMMARY

Diversified Gas & Oil (DGOC) is a natural gas and oil producer with all of its production in the US onshore. The company possesses long-life, low operational cost, mature producing assets. DGOC is now the largest conventional gas producer in Appalachia and the largest AIM-listed producer. DGOC’s acquisition-led strategy has enabled it to amass a net acreage over 7.8m acres and a 1P PDP 474mmboe net reserve base by the end of FY18. Our base case valuation was updated to 166.3p/share following the acquisition of HG Energy announced on 28 March 2019 which is expected to add 92mmboe of PDP reserves. Management expects the transaction to be accretive with the potential to increase annual dividend to $0.16/share. DGOC’s latest Q119 operational update is broadly in line with our latest note estimates.

INDUSTRY OUTLOOK

DGOC’s ability to maximise shareholder returns will be driven by its proficiency in managing lease operating expense and the deferment of abandonment costs through extended well life as production declines. Regional gas pricing has seen support from additions to Appalachian pipeline capacity, LNG demand and gas exports to Mexico.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>41.8</td>
<td>17.5</td>
<td>(1.5)</td>
<td>(3.1)</td>
<td>N/A</td>
<td>29.4</td>
</tr>
<tr>
<td>2018</td>
<td>289.8</td>
<td>146.2</td>
<td>71.0</td>
<td>2.7</td>
<td>62.5</td>
<td>7.4</td>
</tr>
<tr>
<td>2019e</td>
<td>515.4</td>
<td>299.9</td>
<td>174.8</td>
<td>19.6</td>
<td>8.6</td>
<td>3.7</td>
</tr>
<tr>
<td>2020e</td>
<td>509.2</td>
<td>296.0</td>
<td>165.1</td>
<td>17.4</td>
<td>9.7</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Ebiquity (EBQ)

INVESTMENT SUMMARY

With the disposal of Ad Intel completed, Ebiquity is now focused on building its business as an independent adviser to global advertisers on measuring and optimising their media spend. The recently strengthened management team aims to improve margins from FY18 levels, but the need to adjust overheads to suit the size of the continuing operations will weigh on current year profitability. The unbundling should, however, set up the group for stronger progress thereafter. The balance sheet is significantly stronger, and the share price has lifted from lows, but the rating is not fully recognising the improved investment case.

INDUSTRY OUTLOOK

The marketing sector continues to undergo considerable change, driven at least in part by issues of accountability and transparency, with both marketers and agencies finding their business models challenged. A new (January 2019) ANA study found that only 29% of their 400-plus member marketers surveyed ranked the current level of trust between client-side marketers and advertising agencies as “high”. Ebiquity’s positioning as a leading independent media and marketing consultancy looks increasingly compelling.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>64.2</td>
<td>10.8</td>
<td>7.9</td>
<td>6.2</td>
<td>8.3</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>69.4</td>
<td>7.8</td>
<td>5.2</td>
<td>3.5</td>
<td>14.7</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>75.0</td>
<td>7.5</td>
<td>5.4</td>
<td>4.1</td>
<td>12.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>81.2</td>
<td>8.4</td>
<td>6.5</td>
<td>5.0</td>
<td>10.3</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Eddie Stobart Logistics (ESL)**

**INVESTMENT SUMMARY**

Recent strategic acquisitions have transformed Eddie Stobart Logistics (ESL) into a full end-to-end logistics provider. This strategy has resulted in strong FY18 revenue (+35% y-o-y, of which +18% y-o-y organic growth) and earnings growth (EBIT +14% and EPS +15%), reflecting the strength of its pay-as-you-go model and its ability to achieve synergies. We expect ESL to focus on margin improvement and cash flow generation in FY19 and now forecast a 13% EPS CAGR in FY18–20. Following recent share price weakness, the stock offers >7% dividend yield for FY19 with 5% growth in FY20, on our estimates. ESL continues to trade at a large discount to logistics companies in the UK and Europe on P/E multiples.

**INDUSTRY OUTLOOK**

The trend for customers deciding to outsource logistics to achieve savings continues to provide a tailwind for growth, especially in the consumer and retail sectors where there are revenue and cost pressures. In our view, the outsourcing opportunity is large, with 45–80% of logistics and supply chain services in the UK and Europe still performed in house (according to EU Commission estimates). Furthermore, the shift to e-commerce and the high UK logistics market fragmentation offer medium-term growth opportunities for ESL.

<table>
<thead>
<tr>
<th>Y/E Nov</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>623.9</td>
<td>55.3</td>
<td>37.8</td>
<td>9.8</td>
<td>8.6</td>
<td>9.2</td>
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<td>2018</td>
<td>843.1</td>
<td>62.9</td>
<td>49.2</td>
<td>11.4</td>
<td>7.4</td>
<td>38.8</td>
</tr>
<tr>
<td>2019e</td>
<td>969.9</td>
<td>74.7</td>
<td>60.7</td>
<td>13.1</td>
<td>6.5</td>
<td>4.8</td>
</tr>
<tr>
<td>2020e</td>
<td>1034.9</td>
<td>81.7</td>
<td>67.9</td>
<td>14.7</td>
<td>5.7</td>
<td>4.4</td>
</tr>
</tbody>
</table>

**Egdon Resources (EDR)**

**INVESTMENT SUMMARY**

Egdon Resources retains several value catalysts that encompass both its conventional and unconventional assets and include exploration and appraisal as well as the Wressle development (subject to planning consent). IGas has released an initial update on drilling activity at Springs Road, with over 250m of hydrocarbon bearing shale encountered. Pressurised core samples were shown to release gas at atmospheric pressure. We re-visited our conventional valuation post interim results and Schlumberger’s resource assessment for Resolution. As a result, our RENAV was reduced by 1.2p/share to 11.5p/share. The valuation of shale resource remains uncertain but in our view has the potential to be worth a risked c 100p/share based on current expectations of well cost, type curves and forward gas prices.

**INDUSTRY OUTLOOK**

The UK government’s stance towards shale varies by party. However, current central government appears to be supportive of unconventional gas development, attracting sector investment from the likes of Centrica and Ineos.

<table>
<thead>
<tr>
<th>Y/E Jul</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.0</td>
<td>(1.2)</td>
<td>(2.2)</td>
<td>(0.7)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>0.8</td>
<td>(2.2)</td>
<td>(1.7)</td>
<td>(0.8)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>2.2</td>
<td>(0.5)</td>
<td>(2.1)</td>
<td>(0.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>2.7</td>
<td>0.1</td>
<td>(1.8)</td>
<td>(0.8)</td>
<td>N/A</td>
<td>22.9</td>
</tr>
</tbody>
</table>
EMIS Group (EMIS)

INVESTMENT SUMMARY

EMIS has sold its Specialist & Care business to Northgate Public Services (UK) for an initial cash consideration of £14m and a contingent consideration of £0.9m. The £14m cash received includes £5m inter-company debt recently settled by EMIS, so will have a positive net cash impact of £9m. The disposal removes a non-core, low-margin business from the group and provides funds that can be directed towards the recently unveiled technology roadmap. We have cut our EPS forecasts by c 4% per annum, while operating margins are around two percentage points higher in FY20e and FY21e. At its recent AGM, the company noted it was trading in line with expectations.

INDUSTRY OUTLOOK

EMIS is the leading software supplier to the UK GP market, with a greater than 50% market share. It has a strong position in community pharmacies, community health, A&E and hospital pharmacies. The EMIS-X platform is being developed to promote greater interoperability between NHS departments, in line with the NHS Long Term Strategy.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>160.4</td>
<td>49.2</td>
<td>35.2</td>
<td>43.1</td>
<td>28.0</td>
<td>15.5</td>
</tr>
<tr>
<td>2018</td>
<td>170.1</td>
<td>51.4</td>
<td>35.1</td>
<td>42.7</td>
<td>28.2</td>
<td>15.2</td>
</tr>
<tr>
<td>2019e</td>
<td>162.8</td>
<td>54.6</td>
<td>40.9</td>
<td>52.5</td>
<td>23.0</td>
<td>14.4</td>
</tr>
<tr>
<td>2020e</td>
<td>165.1</td>
<td>58.2</td>
<td>44.3</td>
<td>56.8</td>
<td>21.2</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Endeavour Mining (EDV)

INVESTMENT SUMMARY

Since new management was engaged in late-2015 and its strategy reset, Endeavour has built itself into the largest gold producer in the Côte d’Ivoire and one of the top three in Burkina Faso, offering immediate cash flow from production and near-term growth from projects, to which end it has instigated a major exploration programme, expending c US$45m pa with the aim of expanding its resources by c 10–15Moz over five years.

INDUSTRY OUTLOOK

EDV’s exploration programme holds out the possibility of maintaining and extending near-term production rates into the foreseeable future. In valuing Endeavour, we have opted to discount forecast cash flows back over four years and then to apply an ex-growth multiple to terminal cash-flows consistent with a 10% discount rate, which results in a value for EDV of c US$27.58/share currently. In the meantime, Q119 production and cost results were both better than our prior expectations and the Ity CIL project has achieved commercial production around three months ahead of schedule.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>652.1</td>
<td>201.2</td>
<td>49.3</td>
<td>(6.0)</td>
<td>N/A</td>
<td>5.7</td>
</tr>
<tr>
<td>2018</td>
<td>752.0</td>
<td>264.8</td>
<td>70.5</td>
<td>(8.0)</td>
<td>N/A</td>
<td>5.5</td>
</tr>
<tr>
<td>2019e</td>
<td>785.1</td>
<td>317.3</td>
<td>61.2</td>
<td>(5.0)</td>
<td>N/A</td>
<td>5.1</td>
</tr>
<tr>
<td>2020e</td>
<td>979.2</td>
<td>513.0</td>
<td>256.6</td>
<td>128.0</td>
<td>11.1</td>
<td>3.2</td>
</tr>
</tbody>
</table>
Entertainment One (ETO)

INVESTMENT SUMMARY

eOne’s full year results showed strong growth in underlying EBITDA, +21%, broadly in line with market and our estimates. The Family & Brands division is benefiting from the higher margins from advertising and streaming video on demand (AVOD and SVOD), with underlying EBITDA up 28%. Film, TV & Music’s performance reflects the completion of the transition in film and the shift in mix toward TV, with an improvement in underlying EBITDA margin from 11.6% to 14.6%. Our revised forecasts show the positive impact of the recent Audio Network acquisition (and the boost from IFRS16), diluted at the EPS level by the additional shares.

INDUSTRY OUTLOOK

SVOD is rapidly gaining share, growing at a reported 20% CAGR. Competition between platforms is driving the requirement for premium content and, despite the proliferation of non-linear distribution channels, there is still a tendency for the audiences to gravitate towards particular hits. This is driving a trend to high production values, with the real underlying competition to grab and maintain audience attention. eOne’s platform-agnostic stance allows it to take good advantage of the market vacillations.

Epwin Group (EPWN)

INVESTMENT SUMMARY

FY18 results matched our expectations with respect to earnings and year-end net debt levels in subdued market conditions. Epwin did post both volume and price uplifts in underlying terms for the ongoing businesses and both divisions recorded increased profitability from these operations in H2. Some successful restructuring actions were taken during the year, although the effects of client losses in the prior year, together with input cost pressures, pared back headline revenues and underlying EBIT. We expect growth to resume this year with a small contribution from PVS (acquired after the year end). It is too soon to call a significant uptick in market conditions but AGM comments confirm that the start to FY19 has been encouraging.

INDUSTRY OUTLOOK

Epwin is exposed to both RMI (c 70% revenue) and newbuild (c 30%) in the UK housing market. Newbuild activity is clearly still growing, while RMI demand has been more patchy. Referencing potential post Brexit consumer confidence, industry commentators have expressed near term caution.
**EQS Group (EQS)**

**INVESTMENT SUMMARY**

Q119 revenue growth of 9% was a little less than expected due to the lack of IPOs and corporate announcements, but the good pace of corporate sign-ups leaves full year revenue guidance unchanged. EBITDA guidance is also unchanged, but now includes the uplift arising from the application of IFRS 16. The group’s investment phase has required higher specialist staffing. Personnel costs (up 22% in Q119 to €6.4m) are now expected to stabilise, with the cost of freelancers (shown within cost of services) now past the peak requirement. As in previous years, meeting the full year expectations will rely on a strong Q4 performance. EQS’s positioning as a provider of cloud-based IR and compliance services for corporates, with growing (recurring) SaaS revenues, remains attractive.

**INDUSTRY OUTLOOK**

Gartner estimates the governance, risk and compliance segment at over US$5bn, growing at a CAGR of over 13%. 2019/20 should see a further raft of regulation on issues such as whistleblowing and increasing corporate transparency, following on from the benefits from regulation such as MiFIDII. These all increase corporate administrative loads and carry heavy penalties for non-compliance, providing a positive backdrop for sales.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30.4</td>
<td>2.3</td>
<td>0.8</td>
<td>16.4</td>
<td>414.6</td>
<td>48.2</td>
</tr>
<tr>
<td>2018</td>
<td>36.2</td>
<td>0.3</td>
<td>(1.4)</td>
<td>(18.5)</td>
<td>N/A</td>
<td>33.5</td>
</tr>
<tr>
<td>2019e</td>
<td>41.8</td>
<td>3.6</td>
<td>0.0</td>
<td>(1.9)</td>
<td>N/A</td>
<td>25.8</td>
</tr>
<tr>
<td>2020e</td>
<td>49.2</td>
<td>6.8</td>
<td>3.2</td>
<td>130.8</td>
<td>52.0</td>
<td>13.9</td>
</tr>
</tbody>
</table>

**ERM Power (EPWX)**

**INVESTMENT SUMMARY**

At H1 results, ERM Power announced a c 30% FY19 dividend hike, a A$3c/share special dividend for FY19 and A$60m reserved for growth investments. We believe this shows that the balance sheet and cash flow generation are strong and ERM is confident in its outlook. We estimate total free cash flow of A$190m for FY19–21 (before growth capex), which is c 40% of the market cap. We expect cash flow to be used for shareholder remuneration and growth initiatives. The recent investor day confirmed the opportunities we see for ERM Power from an evolving energy market, which we expect will create medium-term growth potential, especially for the Energy Solutions business.

**INDUSTRY OUTLOOK**

While electricity supply activities in Australia remain very competitive with limited growth opportunities, ERM Power has experienced significant positive momentum leading to several upgrades to Australian medium-term profit guidance over the last two years. The energy market in Australia (and globally) is undergoing significant transformation as a result of the energy transition, the emergence of new technology and customer demand for higher energy efficiency and sustainable solutions. We expect the growing Energy Solutions business to take advantage of these changes.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3127.0</td>
<td>78.4</td>
<td>14.7</td>
<td>(10.5)</td>
<td>N/A</td>
<td>2.9</td>
</tr>
<tr>
<td>2018</td>
<td>2047.0</td>
<td>97.5</td>
<td>43.1</td>
<td>12.0</td>
<td>15.3</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>1966.0</td>
<td>90.6</td>
<td>35.4</td>
<td>10.1</td>
<td>18.1</td>
<td>4.0</td>
</tr>
<tr>
<td>2020e</td>
<td>2047.0</td>
<td>105.6</td>
<td>50.3</td>
<td>14.5</td>
<td>12.6</td>
<td>4.6</td>
</tr>
</tbody>
</table>
**Esker (ALESK)**

**INVESTMENT SUMMARY**

Esker has reported another record quarter for revenues, with Q119 constant currency revenue growth of 14% year-on-year for the group and 17% for SaaS-related revenues. The value of orders received in Q1 was 79% higher than a year ago and, combined with 80% recurring revenues, gives the company good visibility for its double-digit FY19 revenue growth target. We maintain our forecasts.

**INDUSTRY OUTLOOK**

Esker's DPA software operates across five areas: document delivery, accounts payable, accounts receivable, procurement and sales order processing. Competitors are different for each business process and consist of business process outsourcers and specialist DPA software companies. Customers move to using DPA software to reduce paper-related costs and errors in processing, to speed up the cash conversion cycle, to improve process visibility within the enterprise and to improve customer service.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>76.1</td>
<td>16.4</td>
<td>10.7</td>
<td>132.0</td>
<td>60.3</td>
<td>24.4</td>
</tr>
<tr>
<td>2018</td>
<td>86.9</td>
<td>18.5</td>
<td>12.2</td>
<td>164.0</td>
<td>48.5</td>
<td>23.4</td>
</tr>
<tr>
<td>2019e</td>
<td>99.1</td>
<td>21.0</td>
<td>14.4</td>
<td>181.0</td>
<td>44.0</td>
<td>20.8</td>
</tr>
<tr>
<td>2020e</td>
<td>112.7</td>
<td>24.8</td>
<td>17.8</td>
<td>219.0</td>
<td>36.3</td>
<td>19.0</td>
</tr>
</tbody>
</table>

**Euromoney Institutional Investor (ERM)**

**INVESTMENT SUMMARY**

Euromoney’s H119 results show the positive impact of management’s strategy, particularly in Pricing, Data and Management Intelligence (PDMI), where underlying subscription revenues grew 8%. Challenges remain in Asset Management and we have lowered our FY19e and FY20e group revenue and earnings forecasts by 6% and 5%, respectively. The DMGT share distribution has ‘normalised’ the register and ERM now trades as a fully independent FTSE 250 company. With the liquidity constraint lifted, the rating better reflects ERM’s attractive cash flow and high quality earnings.

**INDUSTRY OUTLOOK**

There is another good year in prospect for PDMI. Events are unlikely to show as much progress as they did in 2018, simply through having had such a good year. The larger question remains over the performance of Asset Management, with a combination of internal and external factors hampering performance. MiFID II and Brexit continue to overshadow, but renewal rates have held up relatively well. Vote share revenues have fallen away as these institutional budgets have been pared, but management has also identified shortcomings in the new business approach, which it is now rectifying.

<table>
<thead>
<tr>
<th>Y/E Sep</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>428.4</td>
<td>110.3</td>
<td>106.5</td>
<td>76.4</td>
<td>17.5</td>
<td>12.7</td>
</tr>
<tr>
<td>2018</td>
<td>414.1</td>
<td>112.9</td>
<td>109.2</td>
<td>81.3</td>
<td>16.4</td>
<td>13.2</td>
</tr>
<tr>
<td>2019e</td>
<td>398.0</td>
<td>102.2</td>
<td>99.0</td>
<td>73.5</td>
<td>18.1</td>
<td>12.3</td>
</tr>
<tr>
<td>2020e</td>
<td>418.0</td>
<td>108.2</td>
<td>105.0</td>
<td>77.9</td>
<td>17.1</td>
<td>12.9</td>
</tr>
</tbody>
</table>
**Evolva (EVE)**

**INVESTMENT SUMMARY**

Nootkatone US EPA approval in pest control is delayed as the EPA seeks clarification on one study. Evolva is collaborating with the EPA on the matter. Evolva's FY18 results were very encouraging: the first EverSweet royalty - albeit small - was received in Q418, the geographical and product footprint continues to expand, and the pipeline remains robust. Evolva's aim is to reach cash break-even by FY21/23.

**INDUSTRY OUTLOOK**

Food and health ingredients continue to be in the sweet spot as consumers demand healthier products with cleaner labels without compromising on taste or convenience. Evolva’s fermentation platform aims to deliver these benefits while reducing production costs.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (CHFm)</th>
<th>EBITDA (CHFm)</th>
<th>PBT (CHFm)</th>
<th>EPS (CHFc)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.8</td>
<td>(37.6)</td>
<td>(40.9)</td>
<td>(7.0)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>8.9</td>
<td>(23.4)</td>
<td>(25.4)</td>
<td>(3.0)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>11.5</td>
<td>(14.5)</td>
<td>(15.2)</td>
<td>(1.6)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>18.8</td>
<td>(9.4)</td>
<td>(9.9)</td>
<td>(1.0)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Company description**

Evolva is a Swiss, high-tech fermentation company. It has a proprietary yeast technology platform, which it uses to create and manufacture high-value specialty molecules for nutritional and consumer products.

<table>
<thead>
<tr>
<th>Price performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
</tr>
<tr>
<td>Actual</td>
</tr>
<tr>
<td>Relative*</td>
</tr>
<tr>
<td>% Relative to local index</td>
</tr>
</tbody>
</table>

**Analyst**

Sara Welford

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**Expert System (EXSY)**

**INVESTMENT SUMMARY**

Expert System announced on 23 April that it had placed 3.89m shares at €1.80 per share with ERGO S.r.l (a group of private investors), raising gross proceeds of €7m. We have revised our forecasts to reflect this placement. Our normalised EPS forecasts reduce by 7.0% in FY19 and 9.8% in FY20. We forecast a reduction in net debt from €11.9m to €4.9m by the end of FY19e and from €9.3m to €2.3m by the end of FY20e. Proceeds will be used to accelerate the growth of sales in the medium-term.

**INDUSTRY OUTLOOK**

Ever-increasing amounts of data are being produced, 80% of which are estimated to be unstructured. The need to derive useful insights from this growing body of data is driving the demand for cognitive computing and smarter artificial intelligence solutions, such as those offered by Expert System. Allied Market Research estimates that the global text analytics market could be worth as much as US$6.5bn by 2020, growing at a CAGR of 25.2% from 2014, with North America expected to be the largest regional market.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (fd) (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>27.8</td>
<td>1.7</td>
<td>(5.4)</td>
<td>(18.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>30.5</td>
<td>4.6</td>
<td>(0.6)</td>
<td>(1.4)</td>
<td>N/A</td>
<td>34.0</td>
</tr>
<tr>
<td>2019e</td>
<td>34.8</td>
<td>7.6</td>
<td>1.3</td>
<td>3.0</td>
<td>81.7</td>
<td>13.6</td>
</tr>
<tr>
<td>2020e</td>
<td>38.9</td>
<td>9.8</td>
<td>3.1</td>
<td>7.1</td>
<td>34.5</td>
<td>10.9</td>
</tr>
</tbody>
</table>

**Company description**

Expert System has developed and patented technology that extracts useful information from unstructured text using semantic-based techniques and applies it to verticals such as enterprise search, customer experience management and big data analytics.

<table>
<thead>
<tr>
<th>Price performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
</tr>
<tr>
<td>Actual</td>
</tr>
<tr>
<td>Relative*</td>
</tr>
<tr>
<td>% Relative to local index</td>
</tr>
</tbody>
</table>

**Analyst**

Katherine Thompson
**Findel (FDL)**

**INVESTMENT SUMMARY**

Studio continued to trade strongly in the fourth quarter of FY19. Categories that performed particularly well included garden ranges, boosted by good weather in early February, and homewares. Similarly, education enjoyed a solid final quarter with an acceleration in customer recruitment and ongoing improvement in online ordering levels. We upgrade our underlying PBT forecast by 5.6% for FY19e, mainly reflecting a strong sales performance and continued margin improvement in Studio across the year. We further upgrade our FY20e PBT forecast by 1.0%, representing year-on-year earnings growth of 3.5%. We value the shares at 348p.

**INDUSTRY OUTLOOK**

In the three months to March 2019, UK retail sales (excluding fuel) grew 5.0% y-o-y by volume and 5.4% by value. However, online sales rose 12.9% in the same three months y-o-y, creating additional tailwinds for Studio which trades at c 80% online. The squeeze on schools' budgets continues to restrain the education supply sector.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>457.0</td>
<td>40.8</td>
<td>22.2</td>
<td>20.4</td>
<td>9.6</td>
<td>13.8</td>
</tr>
<tr>
<td>2018</td>
<td>479.0</td>
<td>46.6</td>
<td>26.8</td>
<td>25.9</td>
<td>7.6</td>
<td>14.8</td>
</tr>
<tr>
<td>2019e</td>
<td>507.0</td>
<td>51.3</td>
<td>28.5</td>
<td>27.7</td>
<td>7.1</td>
<td>5.9</td>
</tr>
<tr>
<td>2020e</td>
<td>540.4</td>
<td>54.1</td>
<td>29.5</td>
<td>28.5</td>
<td>6.9</td>
<td>5.8</td>
</tr>
</tbody>
</table>

**Fluence Corporation (FLC)**

**INVESTMENT SUMMARY**

Fluence has enjoyed exceptional bookings in FY19 so far. Aside from the US$188m CES (custom engineered solution) win in Ivory Coast, it has also secured a $20m contract in Egypt, a $10m desalination contract in Brazil and a further ITEST deal. Meeting FY19 forecasts requires y-o-y growth to accelerate but they are now substantially underpinned by this order book and expectations that ‘smart product solutions’ will double. Despite growing evidence of execution, in our view the company’s exceptional long-term growth prospects are not factored into the current valuation.

**INDUSTRY OUTLOOK**

Fluence’s ‘plug and play’ solutions can cost-effectively boost the performance of existing centralised treatment plants and address underserved, greenfield rural populations. Aspiral and SUBRE are based on a proprietary technology (MABR) that offers both superior treatment and lower energy costs. We see rising government spending on rural wastewater treatment in China as a particularly large opportunity.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>33.2</td>
<td>(23.6)</td>
<td>(21.7)</td>
<td>(7.0)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>101.1</td>
<td>(8.5)</td>
<td>(10.5)</td>
<td>(2.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>152.0</td>
<td>(2.3)</td>
<td>(4.6)</td>
<td>(0.8)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>266.5</td>
<td>23.0</td>
<td>20.6</td>
<td>3.8</td>
<td>8.6</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Focusrite (TUNE)

INVESTMENT SUMMARY

Against a challenging macro backdrop and record prior year comps, Focusrite delivered H119 revenue growth of 4.1% and PBT growth of 22.6%. Continued strong demand for Clarett and Scarlett led to 12% growth in the Focusrite division, more than offsetting a 14% decline in the Novation division which is being addressed with a pipeline of new products over the next 18 months. The company is actively looking for acquisition opportunities to invest surplus cash (H119: £26.2m).

INDUSTRY OUTLOOK

Focusrite’s products connect with a home-based leisure movement that is outpacing overall consumer expenditure. The global music instrument and pro audio wholesale market was £2.7bn in 2013 (source MTM) but is highly fragmented. Management estimates its addressable market at US$575–850m. Currently, it estimates a 55% share of the mass interface market, 12–14% of the semi-professional Thunderbolt market and 2% of the commercial market, with Novation, maker of the Launghpad, also ranking highly in its markets.

Freegold Ventures (FVL)

INVESTMENT SUMMARY

Tetra Tech’s preliminary economic assessment of Golden Summit demonstrated a post-tax internal rate of return of 20% and a net present value (NPV) of US$188m (US$0.99 per existing Freegold share) at a gold price of US$1,300/oz. Fully diluted, we estimate that the NPV of the stream of dividends to Freegold’s shareholders from the development of the Golden Summit project (at a 10% discount rate) is US$0.131/share. However, this valuation increases to c 18.8c/share in the event that Freegold is able to double its oxide resource to 1.2Moz.

INDUSTRY OUTLOOK

In the meantime, FVL (as operator) has commenced exploration at Shorty Creek where South32 is earning in up to a 70% interest in return for US$30m of investment, which will allow it to be explored and validated with no further dilution to Freegold shareholders. Significantly, the exploration programme will be focusing on the outlying areas of the project (in addition to those already drilled) with the intention of proving up its district scale potential.
Game Digital (GMD)

INVESTMENT SUMMARY

Despite UK retail headwinds, GMD delivered a solid H119 performance. GTV reduced by 1.4% while like-for-like GTV and the gross margin remained broadly flat. This, combined with further material operating cost savings, drove EBITDA growth of 21.7% to £25.8m. We reduce FY19e and FY20e EBITDA by c 8%, primarily reflecting current market headwinds and the slower near-term roll-out of BELONG. Compared with our expectation for 20 new arenas in FY19, only two were opened in H1. The market values GMD’s shares at less than net cash of 54p per share, while we value them at 69p.

INDUSTRY OUTLOOK

The UK and Spanish console markets (hardware, software, accessories and console digital) are worth c US$2.2bn and US$1.2bn, respectively. The traditional cycle that has peaked every six years since 2000 seems to be moving to shorter intervals. This could signal structural changes analogous to the mobile and PC markets. In addition, the global esports market, currently US$1.1bn, is forecast to grow to US$1.8bn by 2022.

Games Workshop Group (GAW)

INVESTMENT SUMMARY

Games Workshop’s focus on international multi-channel expansion, customer engagement and product innovation, alongside its openness to exploring ways in which to leverage its rich intellectual property to generate royalty income is continuing to deliver outstanding results. Strong trading across all regions and sales channels since the half year, and new licensing agreements, lead us to upgrade our FY19 and FY20 earnings forecasts by c 14%. The company is highly cash generative and delivers impressive returns on capital, supporting a c 4% yield and the scope for further cash distributions, in line with company policy.

INDUSTRY OUTLOOK

Games Workshop is the global leader for tabletop miniature gaming, a market it created and the fastest-growing segment of the global non-digital games market, which is expected to grow at a CAGR of 9% between 2017 and 2023 and reach a value exceeding $12bn.
GB Group (GBG)

INVESTMENT SUMMARY

GB Group’s year-end trading update confirmed that the business saw strong trading in H219 to finish the year ahead of our and consensus expectations for revenue and adjusted operating profit. Net debt was also better than forecast, closing the year at £66.3m versus our £71.6m estimate. The recent acquisitions have integrated and performed well, providing much of the upside to forecasts. We have upgraded our FY19 normalised EPS forecast by 15.8% to reflect the better trading performance in H2 and reduced our net debt forecasts for FY20 and FY21. FY19 results are scheduled for 5 June.

INDUSTRY OUTLOOK

Globalisation and the growth in internet trading have also resulted in the need for higher compliance standards in light of the rising scope and financial impact of cybercrime. This, in turn, is driving the demand for more complex and comprehensive solutions for the verification of personal data.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>87.5</td>
<td>18.7</td>
<td>16.5</td>
<td>9.9</td>
<td>61.8</td>
<td>49.4</td>
</tr>
<tr>
<td>2018</td>
<td>119.7</td>
<td>28.7</td>
<td>25.8</td>
<td>13.5</td>
<td>45.3</td>
<td>29.1</td>
</tr>
<tr>
<td>2019e</td>
<td>143.3</td>
<td>34.4</td>
<td>30.8</td>
<td>15.1</td>
<td>40.5</td>
<td>40.0</td>
</tr>
<tr>
<td>2020e</td>
<td>192.8</td>
<td>46.9</td>
<td>40.3</td>
<td>16.1</td>
<td>38.0</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Gemfields Group (GML)

INVESTMENT SUMMARY

Gemfields Group (Gemfields) provides investors with exposure to major producing coloured gemstone mines at Montepuez or MRM (rubies) and Kagem (emeralds,) with additional value upside from the potential turnaround of Fabergé and its investments in Sedibelo Platinum Mines. Gemfields recently announced the sale of its minority stake in Jupiter Mines and plans to declare a special dividend of US$0.0175/share on receipt of the first tranche of sale proceeds in early June. Our sum-of-the-parts (SOTP) valuation of Gemfields totals ZAR5.01/share.

INDUSTRY OUTLOOK

The coloured gemstone market is significantly smaller than the world diamond market at US$2–3bn pa in rough gemstone production, putting Gemfields’ current market share at just under 10% of world supply. Per carat prices for emeralds and rubies can exceed white diamond prices and while firm data on the fragmented coloured gemstone market are limited, all available evidence including the trend in coloured gemstone prices at auctions points to increased demand and a strongly growing market (with some commentators seeing total market sales growth of >20% pa).

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>81.7</td>
<td>30.5</td>
<td>55.8</td>
<td>3.9</td>
<td>3.1</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>206.1</td>
<td>58.9</td>
<td>(22.5)</td>
<td>(2.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>211.9</td>
<td>47.8</td>
<td>21.3</td>
<td>(0.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>225.0</td>
<td>53.9</td>
<td>24.8</td>
<td>(0.1)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Globalworth Real Estate Investments (GWI)

INVESTMENT SUMMARY

GWI’s dynamic growth continues in 2019. The c €500m issue of 55m new shares at €9.10 per share, a slight premium to the end-FY18 EPRA NAV per share of €9.04, has completed with the proceeds directed at funding continued portfolio investment and the acquisition of the outstanding minority in its Polish subsidiary. Further acquisitions with a value of c €283m and a blended yield of 7.8% have been reported. Growthpoint has reinforced its position as GWI’s largest shareholder (29.8%) and Aroundtown, one of Europe’s largest listed real estate companies, is a new core shareholder with 18.1%. Although reduced in per share terms, our updated multi-year analysis to FY22e continues to look for strong further growth, driven by acquisitions, developments and rental growth, with a compound annual average NAV total return of 10.9% per year to FY22. Not in our forecasts, there is scope for Romanian yields to tighten, which would further benefit NAV.

INDUSTRY OUTLOOK

The Romanian and Polish economies continue to perform well, which should support occupier and investment demand for commercial property assets.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>51.1</td>
<td>N/A</td>
<td>26.2</td>
<td>17.9</td>
<td>50.8</td>
<td>83.3</td>
</tr>
<tr>
<td>2018</td>
<td>133.4</td>
<td>N/A</td>
<td>115.3</td>
<td>46.0</td>
<td>19.8</td>
<td>15.0</td>
</tr>
<tr>
<td>2019e</td>
<td>154.3</td>
<td>N/A</td>
<td>205.4</td>
<td>50.1</td>
<td>18.2</td>
<td>15.9</td>
</tr>
<tr>
<td>2020e</td>
<td>185.8</td>
<td>N/A</td>
<td>263.0</td>
<td>59.6</td>
<td>15.3</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Greggs (GRG)

INVESTMENT SUMMARY

Greggs has delivered exceptional 11.1% like-for-like sales growth in the first 19 weeks of FY19, a further improvement on impressive growth of 9.6% in the first seven weeks of the year. We upgrade our FY19 and FY20 underlying PBT forecasts by 9%. The company is highly cash generative and is expected to distribute surplus cash in excess of £40m (FY19e: £102.6m) in the form of a special dividend in addition to the H119 dividend.

INDUSTRY OUTLOOK

Greggs enjoys an expanding market. The Project Café2017UK report (Allegra World Coffee portal) valued the UK coffee shop market in 2016 at £8.9bn, +12% y-o-y, with branded outlets accounting for £3.7bn. Allegra estimates it could reach £16bn by 2025. In August 2018 Costa was sold to Coca-Cola for 16.4x EBITDA. The squeezed consumer is a potential concern, although Greggs is well placed for the value switch after widespread refurbishments and extended customer options as it moves to widen its market.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>960.0</td>
<td>135.7</td>
<td>81.8</td>
<td>64.5</td>
<td>33.1</td>
<td>16.0</td>
</tr>
<tr>
<td>2018</td>
<td>1029.3</td>
<td>145.7</td>
<td>89.8</td>
<td>71.1</td>
<td>30.0</td>
<td>14.1</td>
</tr>
<tr>
<td>2019e</td>
<td>1159.5</td>
<td>223.5</td>
<td>107.7</td>
<td>84.8</td>
<td>25.2</td>
<td>13.2</td>
</tr>
<tr>
<td>2020e</td>
<td>1234.2</td>
<td>240.8</td>
<td>116.6</td>
<td>92.7</td>
<td>23.0</td>
<td>12.3</td>
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</tbody>
</table>
Hellenic Petroleum (ELPE)

INVESTMENT SUMMARY

We see several moving parts affecting benchmark margins in 2019, including highly anticipated changes to marine fuel standards (IMO 2020), crude price volatility, Iranian crude sanctions and associated waivers, as well as c 2mmbd of new global refining capacity additions. ELPE’s bias towards middle-distillate yield ensures that it is well placed to take advantage of increased demand for low sulphur shipping fuels and to remain competitive versus emerging competition. Edison’s blended valuation stands at €9.22/share.

INDUSTRY OUTLOOK

European refining will likely face continued challenges in the coming years as demand falls and refinery systems elsewhere (Asia/US) hold structural advantages. To offset this, changing regulations should put complex, middle distillate-orientated refiners such as ELPE’s in a strong position.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF

<table>
<thead>
<tr>
<th></th>
<th>(€m)</th>
<th>(€m)</th>
<th>(€m)</th>
<th>(c)</th>
<th>(x)</th>
<th>(x)</th>
</tr>
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<tbody>
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<td>2017</td>
<td>7995.0</td>
<td>833.0</td>
<td>502.0</td>
<td>121.0</td>
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<td>5.7</td>
</tr>
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<td>9769.0</td>
<td>730.0</td>
<td>388.0</td>
<td>95.0</td>
<td>8.8</td>
<td>5.1</td>
</tr>
<tr>
<td>2019e</td>
<td>9941.0</td>
<td>746.0</td>
<td>393.0</td>
<td>96.0</td>
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<td>9960.0</td>
<td>847.0</td>
<td>516.0</td>
<td>127.0</td>
<td>6.6</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Hurricane Energy (HUR)

INVESTMENT SUMMARY

Hurricane Energy is a UK-based E&P focused on hydrocarbon resources in naturally fractured basement reservoirs. Hurricane’s CPRs ascribe 2P reserves + 2C contingent resources of 2.6bn boe (gross) across all assets. With the introduction of hydrocarbons to the FPSO at the Lancaster field, early production system (EPS) first oil is expected shortly. Introduction of hydrocarbons is the final stage of commissioning and marks the beginning of the EPS start-up phase, which will be concluded with simultaneous flow from both wells for 72 consecutive hours. First oil will be followed by a ramp-up period to a gross plateau of 20kbd; once stabilised, focus will shift to data gathering to enhance reservoir understanding. Successful confirmation of modelling parameters will aid in the de-risking of full field development. Hurricane’s 2019 three-well drilling programme commenced with the spudding of Warwick Deep on 16 April 2019. This accelerated GWA programme is being made possible by Hurricane’s 2018 farm-out to Spirit Energy. Our valuation stands at 102.3p/share.

INDUSTRY OUTLOOK

The Lancaster EPS development is forecast to generate a point-forward IRR of c 40% based on our US$70/bbl long-term Brent commodity price assumption.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF

<table>
<thead>
<tr>
<th></th>
<th>(US$m)</th>
<th>(US$m)</th>
<th>(US$m)</th>
<th>(c)</th>
<th>(x)</th>
<th>(x)</th>
</tr>
</thead>
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<td>0.0</td>
<td>(14.6)</td>
<td>(7.0)</td>
<td>(0.4)</td>
<td>N/A</td>
<td>N/A</td>
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<td>2018</td>
<td>0.0</td>
<td>(12.6)</td>
<td>(18.5)</td>
<td>(2.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>109.4</td>
<td>24.2</td>
<td>(21.5)</td>
<td>(2.5)</td>
<td>N/A</td>
<td>458.5</td>
</tr>
<tr>
<td>2020e</td>
<td>345.8</td>
<td>209.3</td>
<td>109.6</td>
<td>12.9</td>
<td>5.6</td>
<td>7.6</td>
</tr>
</tbody>
</table>
**IQE (IQE)**

**INVESTMENT SUMMARY**

Noting softness in the global handset market, management expects the FY19 recovery to be second-half weighted. This is supported by ramp ups on new VCSEL programmes. Volume production on some of these, including shipments to companies in the Android supply chain, has already started. Following an extensive qualification process, IQE’s leading existing VCSEL customer has placed its first mass production order from the new Newport Mega Foundry. This order is supportive of our estimates which are unchanged. Qualification of further tools is in progress and is expected to complete over the coming months. In addition to the qualification with this customer, further VCSEL product qualifications are at advanced stages with more than 10 other customers, two of which are expected to reach a successful conclusion over the next few weeks.

**INDUSTRY OUTLOOK**

Management notes that the Newport Mega Foundry is the largest outsource epi facility for advanced compound semiconductors globally. It currently has 10 large-scale production MOCVD tools installed, with space for up to an additional 90 tools. The first ten tools are dedicated to 6” VCSEL production.

**Jersey Electricity (JEL)**

**INVESTMENT SUMMARY**

The H1 results from JEL were broadly in line with our forecasts for FY19. As expected, after record unit sales in FY18, H119 unit sales declined (-3%). Despite the reduction in volumes, revenues in the core Energy business rose £0.2m thanks to a tariff rise in June 2018.

Overall, however, Energy business profits declined by £0.5m, as rising costs (particularly imported energy from France) depressed profits. The Energy business dictated the overall trend for the business which suffered a £0.4m reduction in profits. The interim DPS rose by 5.7% (Edison FY19e +5%) and net debt fell by a further £2.2m, to £12.1m. JEL’s financial position remains strong, it continues to offer relatively cheap power and high standards of service to its customer and remains well placed to deliver further returns for its shareholders. Our forecasts remain under review.

**INDUSTRY OUTLOOK**

Supplying secure, affordable and sustainable electricity, JEL is well positioned to withstand any changes to its regulatory regime.
John Laing Group (JLG)

INVESTMENT SUMMARY

JLG posted strong growth in FY18, with the principal benchmark, NAV per share, up 15% (18.2% including dividends paid). The growth in the NAV per share was achieved thanks to a strong increase in the fair value (72p/share) boosted by continuing growth in ‘embedded value’ (29p/share) and by a significant rise in ‘value enhancements’ to the portfolio (+27p/share) derived from the above book value disposal of Intercity Express Programme Phase I and the subsequent impact on IEP Phase 2. JLG can now point to a compound growth rate in NAV per share (with dividends) of 15.8% since its IPO in 2015. Appetite for infrastructure assets remains strong and we believe JLG’s balance sheet, track record and geographic capabilities should allow it to exploit these opportunities. JLG currently trades at a premium to our FY19e NAV per share of 360p.

INDUSTRY OUTLOOK

Predicted population growth and a drive for increased renewable energy generation create a favourable outlook for investment in infrastructure projects.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF
£m (£m) (£m) (p) (x) (x)
2017 196.7 138.1 126.0 31.9 12.2 N/A
2018 397.4 331.9 296.6 63.1 6.1 N/A
2019e 312.7 247.9 233.4 47.7 8.1 N/A
2020e 349.9 283.8 264.6 53.1 7.3 N/A

JPJ Group plc (JPJ)

INVESTMENT SUMMARY

JPJ is the leading player in the UK bingo-led market and is also expanding rapidly in other markets. With regulatory burdens in the UK, growth has been driven by the Vera&John division and, in Q119, the UK comprised less than 50% of revenues (after the divestment of Mandalay). Cash generation remains strong and adjusted net debt/EBITDA has now fallen to less than 2.5x. Management will update the market regarding its intentions to return cash to shareholders at Interim results in August.

INDUSTRY OUTLOOK

In the UK, the government has raised the remote gaming duty from 15% to 21%, with implementation from April 2019. Sweden has also introduced a gaming tax of 18% from FY19. The total impact of these increased taxes is estimated at £15m for FY19.
KEFI Minerals (KEFI)

INVESTMENT SUMMARY

KEFI has now raised equity, mandated the placing of US$160m of listed infrastructure bonds and expanded its binding agreement with local investors to sell an effective 26% project-level stake for US$38m (cf US$30m for 23% previously). As such, it has assembled the full funding consortium necessary to progress Tulu Kapi, while all outstanding government consents have been granted (with the single exception of that relating to the project finance structure from the central bank) ahead of community resettlement and construction later this year.

INDUSTRY OUTLOOK

Prior to its last fund-raising, we calculated that Tulu Kapi will generate free cash flow of c£41.7m pa, which we valued at 7.21p/share in FY19 (at a 10% discount rate) or 5.27p/share assuming full conversion of its convertible loan facility and 5.26p with the expanded local participation in the project. However, this increased to c10p in the event that KEFI is successfully able to leverage Tulu Kapi’s cash flow into other assets in the region.

Y/E Dec | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (p) | P/E (x) | P/CF (x)
---|---|---|---|---|---|---
2016 | 0.0 | (2.3) | (2.5) | (1.6) | N/A | N/A
2017 | 0.0 | (3.5) | (3.6) | (1.2) | N/A | N/A
2018e | 0.0 | (3.2) | (3.8) | (0.9) | N/A | N/A
2019e | 0.0 | (3.4) | (11.6) | (0.9) | N/A | N/A

KEF Minerals

Company description

KEFI Minerals is an exploration and development company focused on gold and copper deposits in the highly prospective Arabian-Nubian Shield – principally the Tulu Kapi project in Ethiopia and, to a lesser extent, the Jibal Qutman project in Saudi Arabia.

Keywords Studios (KWS)

INVESTMENT SUMMARY

Keywords’ proven strategy, with organic growth supplemented by M&A, has delivered a five-year EPS CAGR of 53%. With an expected M&A pipeline of €40–80m in 2019, we see no reason why this formula should not continue to deliver. As with prior years, as Keywords executes its strategy, investors should get better visibility of the company’s continuing growth potential. We therefore expect the company to continue to trade at a premium to peers.

INDUSTRY OUTLOOK

Keywords Studios operates in the global games sector, an industry where change and innovation are the norm. Despite a period of weakness in the games industry in H218, including the sell-off in the shares of a number of market-leading companies, we believe that the dynamics of the industry remain attractive and that the share price weakness was a reflection of expectations getting ahead of themselves. Looking ahead, we see sustained industry growth (c 9%), driven by strategic investment in the sector, and a continuing shift towards outsourcing.

Y/E Dec | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (c) | P/E (x) | P/CF (x)
---|---|---|---|---|---|---
2017 | 151.4 | 26.6 | 23.1 | 30.0 | 64.4 | 53.0
2018 | 250.8 | 44.2 | 37.9 | 45.8 | 42.2 | 32.3
2019e | 298.9 | 51.3 | 44.1 | 54.3 | 35.6 | 37.3
2020e | 334.7 | 57.3 | 49.4 | 60.9 | 31.7 | 34.7

Keywords Studios

Company description

Keywords Studios is now the largest and most diverse supplier of outsourced services to the games industry. Through regular acquisitions, the company is building its scale, geographic footprint and delivery capability.

Price performance

% 1m 3m 12m
Actual 8.4 51.2 (5.9)
Relative* 17.1 43.8 1.6
* % Relative to local index
Analyst Dan Ridsdale
**La Doria (LD)**

**INVESTMENT SUMMARY**

The consumer environment remains challenging across the board. The business plan includes an industrial plan that entails significant investment in the business over three years to boost capacity in the higher-margin products and structurally reduce costs in the longer term. This should set the business in good stead to remain competitive in future. The upcoming seasonal campaigns will determine the shape of H219 and more importantly H120.

**INDUSTRY OUTLOOK**

La Doria’s strategic objectives, published as part of its three-year plan, are broadly unchanged: the priority is to expand the higher margin and less volatile parts of the business to reduce the dependence on the more unpredictable ‘red line’. The economic backdrop remains challenging.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>669.1</td>
<td>60.1</td>
<td>39.7</td>
<td>98.1</td>
<td>8.5</td>
<td>7.3</td>
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<td>2018</td>
<td>687.9</td>
<td>52.8</td>
<td>33.1</td>
<td>88.2</td>
<td>9.5</td>
<td>5.4</td>
</tr>
<tr>
<td>2019e</td>
<td>690.0</td>
<td>53.0</td>
<td>35.0</td>
<td>82.4</td>
<td>10.1</td>
<td>6.3</td>
</tr>
<tr>
<td>2020e</td>
<td>717.6</td>
<td>58.7</td>
<td>39.7</td>
<td>93.5</td>
<td>8.9</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**Leclanché (LECN)**

**INVESTMENT SUMMARY**

At the AGM earlier this month, management noted that the 22MW/34MWh Cremzow lithium-ion storage facility in Germany was about to be commissioned, that it had signed an agreement to supply electric vehicle charging stations in the UK with pilot tests schedule to start by end FY19, as well as an agreement for a large solar and storage project in the Caribbean with delivery to be completed in Q320. The group has a firm order book of CHF42m for e-marine projects for delivery in FY19 and FY20. It has recently delivered modules for 35 e-Buses battery packs to Ashok Leyland in India through a master supply agreement with Sun Mobility.

**INDUSTRY OUTLOOK**

Looking ahead to FY20, management notes a strong pipeline and recurring orders from the e-transport segment of more than 135MWh/CHF54m and more than 90MWh/CHF45m from the stationary solutions segment. Management expects FY19 revenues to reach CHF55-60m. It will update this guidance in September as the final 2019 revenues depend on the delivery and implementation schedule of the Caribbean which is currently in final negotiations. We place our estimates under review.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (CHFm)</th>
<th>EBITDA (CHFm)</th>
<th>PBT (CHFm)</th>
<th>EPS (fd) (CHFc)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>18.0</td>
<td>(31.1)</td>
<td>(37.8)</td>
<td>(68.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>48.7</td>
<td>(36.9)</td>
<td>(47.8)</td>
<td>(61.5)</td>
<td>N/A</td>
<td>N/A</td>
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<td>2019e</td>
<td>89.2</td>
<td>(25.9)</td>
<td>(29.5)</td>
<td>(22.7)</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>2020e</td>
<td>141.5</td>
<td>(11.3)</td>
<td>(15.1)</td>
<td>(10.7)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Lepidico (LPD)

INVESTMENT SUMMARY

Lepidico’s L-Max® technology recovers lithium from less contested minerals such as lepidolite. The process has been shown to work in stable and continuous operation in large-scale lab tests and a 2017 pre-feasibility study (PFS) estimated C1 cash costs of lithium carbonate production near zero net of by-products for a 3ktpa operation. Engineered design for a larger 7tp/h (or 5ktpa LCE) plant is underway as part of a feasibility study at the same time that a pilot plant is being tested to reduce scale-up risk.

INDUSTRY OUTLOOK

In February, LPD announced that it had acquired the rights to LOH-Max technology to produce lithium hydroxide rather than lithium carbonate for a reduced capital cost, which caused us to increase our value for Lepidico to A$0.0684/share, based on a 7tp/h Phase 1 plant (but excluding any other development options). Since then, LPD has announced the acquisition of Desert Lion, an alliance with Gulf Fluor and a 1 for 9 rights offer to raise A$10.9m, which have put this valuation under (positive) review.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
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<tr>
<td>2017</td>
<td>0.1</td>
<td>(0.8)</td>
<td>(5.4)</td>
<td>0.0</td>
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<td>N/A</td>
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<td>2018</td>
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<td>(7.2)</td>
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<td>N/A</td>
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<tr>
<td>2019e</td>
<td>0.0</td>
<td>(5.9)</td>
<td>(5.9)</td>
<td>0.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>19.9</td>
<td>5.6</td>
<td>2.5</td>
<td>0.0</td>
<td>N/A</td>
<td>44.2</td>
</tr>
</tbody>
</table>

Analyst
Charles Gibson

Liquefied Natural Gas Limited (LNGL)

INVESTMENT SUMMARY

Liquefied Natural Gas Limited’s (LNGL) Magnolia LNG development project is looking to take advantage of the expected rebalancing of the LNG market in 2022–23. With low capex/opex/gas prices, the project has the potential to be very lucrative for partners selling to Europe/Asia. We expect LNGL to sign offtake agreements and move towards FID in 2019, with first gas in 2023/24. In June 2018, LNGL completed a fund-raise of A$28.2m and our valuation now stands at A$1.01/share (US$3.18/ADR). On a longer-term basis, this valuation should increase as the project is de-risked by offtake agreements, financial close, construction and moves towards first LNG production.

INDUSTRY OUTLOOK

A significant opportunity exists to take advantage of the arbitrage between North American gas prices (Henry Hub and AECO), Asian spot LNG prices and European gas prices (TTF).

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
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<tr>
<td>2017</td>
<td>0.6</td>
<td>(26.8)</td>
<td>(26.7)</td>
<td>(0.1)</td>
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<td>N/A</td>
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<td>2018</td>
<td>1.9</td>
<td>(21.7)</td>
<td>(21.5)</td>
<td>0.0</td>
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<td>N/A</td>
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<tr>
<td>2019e</td>
<td>0.0</td>
<td>(24.8)</td>
<td>(25.0)</td>
<td>0.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Analyst
Sanjeev Bahl
London Stock Exchange Group (LSE)

INVESTMENT SUMMARY

LSE’s Q119 trading update in May showed total income (includes net treasury income) ahead 4% y-o-y on a constant currency basis. Within this, revenues for Information Services were +3%, Post Trade-LCH +14%, and Technology +9%. Market headwinds meant Post Trade-Italy and Capital Markets were both 9% lower. CEO David Swimmer, who took over in August last year, has previously signalled continuity in the group’s strategic direction with a focus on developing the three core areas of activity (Capital Formation, Information Services and Post Trade and Risk Management Services).

INDUSTRY OUTLOOK

At the FY18 stage LSE indicated that it has prioritised investment in the interest of longer-term growth. Increased costs will mean missing two of the June 2017 financial targets (expense growth 4% pa and an EBITDA margin of 55%). Others remain in place and LSE has a positive view of the opportunities for growth despite near-term macro uncertainties. The Q119 update signalled an improving IPO environment in Q2 and further new product developments.

Lookers (LOOK)

INVESTMENT SUMMARY

Lookers continued to strengthen its position in the UK auto retail market in FY18 despite the various headwinds and is now the second largest new car retailer. FY19 is likely to remain challenged but the strategy looks appropriate as a period of high organic investment comes to an end, improving cash flow from FY20. We believe the generation of two thirds of gross profit from used cars and aftersales also provides a more resilient stream of profits. We expect an update with the AGM on 31 May and will review our forecasts thereafter, but Lookers remains rated for a major contraction of earnings, with no allowance for any market improvement.

INDUSTRY OUTLOOK

Market dynamics favour larger motor dealership groups against smaller independent groups, which still command c 60% of the franchise market. Global manufacturing overcapacity still points to OEM support, although market and buyer confidence is undermined by Brexit concerns, negative sentiment on diesel and PCP finance and new car supply disruption. Lookers is pursuing its strategy of focusing on the right brands in the right locations supported by appropriate levels of investment.
Low & Bonar (LWB)

INVESTMENT SUMMARY

Many of the subsector trends from the end of the prior year have continued in FY19 to date. The 20 May update specifically referenced softness in its automotive and flooring demand – in the US and also China – while European roofing markets remain competitive. Progress is evident with previously highlighted internal manufacturing issues at Coated Technical Textiles (CTT), although this is not yet translating to improved sales. Our estimates are under review.

INDUSTRY OUTLOOK

Key strategic medium-term financial targets are revenue growth 1-2% above regional weighted GDP, 10% operating margins, a 12%+ return on capital employed and an average dividend payout equal to 40% of PAT.

Marshall Motor Holdings (MMH)

INVESTMENT SUMMARY

MMH has established a strong track record as it has transformed and grown to rank seventh among UK automotive retailing groups. Strong brand coverage, excellent relationships with major manufacturers and a strong balance sheet continue to support strategic development. FY18 was another record for the continuing businesses. The outlook for FY19 remains challenging not least due to Brexit uncertainty with modest market declines likely. Management displayed confidence with ongoing investment and a 33% increase in the dividend, providing a healthy yield.

INDUSTRY OUTLOOK

Market dynamics favour larger motor dealership groups against smaller independent groups, which still command c 60% of the franchise market. Global manufacturing overcapacity still points to OEM support, although market and buyer confidence is undermined by Brexit concerns and negative sentiment on diesel with ongoing new car supply disruption due to the new WLTP emissions testing regime. The large rating discount to the FTSE All-Share General Retailers Index fails to recognise defensive qualities across a sector where used vehicle and aftersales activities account for the majority of profits.
**Medserv (MDS)**

**INVESTMENT SUMMARY**

Medserv’s strategy to expand its geographic reach and range of services is bearing fruit. FY18 results met revenue and company-defined adjusted EBITDA guidance. The Suriname offshore base management contract is a prime driver of major improvement in FY19, with group revenues set to double. Even in other territories underlying progress is occurring, notably in Egypt, Cyprus and Malta, with potential for additional new orders this year for both ILSS and OCTG. The major shareholders’ intentions to sell to a strategic partner has progressed and the market backdrop is supportive for all elements.

**INDUSTRY OUTLOOK**

Medserv operates in the upstream oil & gas segment, providing onshore bases in the Mediterranean, the Middle East and the Americas for onshore and offshore exploration and production customers. The acquisition of METS in February 2016 added onshore OCTG services to the historical integrated offshore services offered in Malta and Cyprus. As new territories are brought on stream, the potential for substantial revenue growth for the FY19–FY21 period is becoming more tangible.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>28.8</td>
<td>3.7</td>
<td>(3.6)</td>
<td>(5.55)</td>
<td>N/A</td>
<td>33.1</td>
</tr>
<tr>
<td>2018</td>
<td>36.2</td>
<td>6.3</td>
<td>(3.4)</td>
<td>(6.76)</td>
<td>N/A</td>
<td>9.0</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Mercia Technologies (MERC)**

**INVESTMENT SUMMARY**

Mercia Technologies is an investment group focused on the identification, creation, funding and scaling of innovative technology businesses with high growth potential from the UK regions. £375m of managed funds are used predominantly to support early-stage activity, while providing meaningful revenue to offset group operating costs. At its interims in December, the company reported that key portfolio companies had continued to deliver against milestones, leaving Mercia well positioned for further progress in 2019. The shares continue to trade at a discount to NAV. FY19 results are due on 8 July.

**INDUSTRY OUTLOOK**

Investor sentiment towards the IPC sector in general has remained negative with stocks typically trading at a meaningful discount to NAV. In 2019, investor frustration at a lack of material exits/value realisation across the sector are only likely to intensify leading to greater differentiation between stocks that offer the potential for meaningful exits in a realistic timeframe and those that do not.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.7</td>
<td>(2.4)</td>
<td>2.8</td>
<td>1.26</td>
<td>26.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>10.2</td>
<td>(0.4)</td>
<td>3.5</td>
<td>1.17</td>
<td>28.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
MOD Resources (MOD)

**INVESTMENT SUMMARY**

MOD Resources is a copper-silver exploration and development company with a substantial ground holding in the Kalahari Copper Belt, Botswana. The company has been very successful with its regional exploration concept, which has led to the discovery and drill-out of 60Mt at a grade of 0.98% Cu and 13.9g/t Ag T3 copper-silver deposit and 2.5Mt at a grade of 1.80% Cu and 45g/t Ag T1 copper-silver deposit.

**INDUSTRY OUTLOOK**

The feasibility study (FS) for the T3 deposit has demonstrated robust operational metrics with average copper production per annum increasing by 22% to 28,000tpa. While the LOM all-in sustaining cost (AISC) post silver credits increased by 15% to US$3,439/t Cu, the development capex intensity over the LOM decreased by 22% to US$571.6/t Cu. The FS resulted in a 31% increase in the unfinanced pre-tax NPV8 to US$368m versus US$281m in the pre-feasibility study (PFS). The pre-tax IRR has decreased by 15% to 33% in the FS, from 39% in the PFS.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (A$m)</th>
<th>EBITDA (A$m)</th>
<th>PBT (A$m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.0</td>
<td>(2.5)</td>
<td>(2.3)</td>
<td>(1.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>0.0</td>
<td>(5.7)</td>
<td>(5.4)</td>
<td>(2.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>0.0</td>
<td>(4.0)</td>
<td>(5.4)</td>
<td>(1.8)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>0.0</td>
<td>(4.2)</td>
<td>(5.6)</td>
<td>(1.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
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</table>

Mondo TV (MTVI)

**INVESTMENT SUMMARY**

Mondo TV’s Q119 figures were as flagged, tracking to its December 2018 business plan, and our revenue and earnings numbers were unchanged. YooHoo to the Rescue is now airing globally on Netflix, giving a strong start to group ambitions to broaden geographic revenue spread. Mondo TV has settled with three of the four Asian customers that withdrew in H218, but remains in dispute with one. It also disclosed that it is subject to a further tax investigation, to the value of €1.1m (plus any penalties plus interest), well below the figure of €13.5m indicated earlier. Previous tax enquiries found in Mondo’s favour and no provision has been made. The valuation remains at a deep discount to peers and the DCF.

**INDUSTRY OUTLOOK**

The market for children’s entertainment has been reinvigorated with the growth of VOD platforms looking for multi-territory content. With Disney withdrawing its content from Netflix for its own streaming service, Netflix is looking to the market to fill the gap. Animations travel well and, as seen from the success of eOne’s Peppa Pig, brands that travel have the potential to yield significant returns. Smaller players can also be very profitable, particularly when, like Mondo, they have a flexible cost base and high share of revenues from licensing and merchandising sales.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (fd)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>32.0</td>
<td>23.7</td>
<td>15.4</td>
<td>43.0</td>
<td>2.3</td>
<td>N/A</td>
</tr>
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<td>2018</td>
<td>18.9</td>
<td>11.2</td>
<td>(30.1)</td>
<td>(56.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>20.8</td>
<td>13.9</td>
<td>6.0</td>
<td>11.0</td>
<td>8.9</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>27.8</td>
<td>18.6</td>
<td>7.8</td>
<td>14.0</td>
<td>7.0</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Mytilineos (MYTI)**

**INVESTMENT SUMMARY**

Mytilineos leverages its strong competitive positioning to generate robust cash flow, supporting both dividends (c 4% FY18 yield with 13% CAGR) and large growth investments with potentially double-digit returns, which could boost current EBITDA by c 50% (in addition to our current forecasts). The stock trades at more than a 40% discount to other European diversified industrial companies on P/E and EV/EBITDA and at more than a 40% discount to a SOTP based on international peers’ multiples.

**INDUSTRY OUTLOOK**

Although Mytilineos operates in highly competitive international markets, it has leveraged the synergies between the three divisions to build a portfolio of assets that have in common a low-cost, competitive positioning. Cost leadership is the key feature the three businesses have in common. In particular, the highly efficient gas-fired plants and the access to cheap natural gas allow the Power & Gas business to achieve high load factors and higher-than-average margins. Production costs for both alumina/aluminium allow Metallurgy to be profitable and strongly cash flow generative. The EPC business has a track record of stable and relatively high margins.

**Company description**

Mytilineos operates three main businesses: metallurgy (aluminium/alumina production), power & gas (power production/supply and gas trading) and large-scale infrastructure EPC. It operates in 29 countries across Europe, the Middle-East and Africa and has 2,700 employees.

**Price performance**

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1527.0</td>
<td>299.0</td>
<td>175.0</td>
<td>102.04</td>
<td>9.4</td>
<td>6.4</td>
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<tr>
<td>2018</td>
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<tr>
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<td>5.6</td>
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<tr>
<td>2020e</td>
<td>2356.0</td>
<td>344.0</td>
<td>248.0</td>
<td>136.64</td>
<td>7.0</td>
<td>5.8</td>
</tr>
</tbody>
</table>

**Analyst**

Dario Carradori

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**Nanoco (NANO1)**

**INVESTMENT SUMMARY**

Nanoco hit all the key milestones for its US customer during H119, including completing the build and fit out of the expanded Runcorn facility dedicated to the production of nanomaterials. It therefore earned the contracted milestone revenues in full and secured a contract extension reaching to December 2019 to commission and stress test the facility to be ready to commence volume production in calendar H219. H119 revenues were £3.2m compared with £0.2m in H118. £2.9m of this was service revenues from the US customer. Adjusted EBITDA loss reduced from £4.2m to £2.5m. After investing £1.7m to complete the Runcorn facility expansion, the costs of which were funded by the US customer, net cash reduced by £4.6m during the period to £5.7m.

**INDUSTRY OUTLOOK**

The contract extension runs from January 2019 to December 2019 with limited deferrals, contingent or milestone payments. This gives contracted orders for delivery in H219 of £3.4m, which completely underpins our FY19 estimates. Our FY20 forecast is predicated on a firm contract for full-scale commercial production from the US customer the timing of which depends on a complex supply chain and cannot be predicted with any certainty.

**Company description**

Nanoco is a global leader in the development and manufacture of cadmium-free quantum dots and other nanomaterials. Nanoco’s platform includes specialist manufacturing lines and over 650 patents. Focus applications are advanced electronics, displays, lighting and bio-imaging.

**Price performance**

<table>
<thead>
<tr>
<th>Y/E Jul</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.3</td>
<td>(9.4)</td>
<td>(10.6)</td>
<td>(4.46)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>3.3</td>
<td>(6.2)</td>
<td>(7.1)</td>
<td>(2.63)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>6.7</td>
<td>(4.2)</td>
<td>(4.8)</td>
<td>(1.67)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>13.0</td>
<td>(0.8)</td>
<td>(2.1)</td>
<td>(0.74)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Analyst**

Anne Margaret Crow
**Norcros (NXR)**

**INVESTMENT SUMMARY**

FY19 ended in line with management’s expectations and sales momentum in the UK and South Africa appears to have been good in H2. In the UK (+13.6% actual, -0.2% LFL) Merlyn has implicitly achieved slightly higher revenue in H2 versus H1 while referencing ‘new listings’ back to the H1 results suggests that Abode and Croydex have performed well in H2 also. The South African division (+3.7% actual, +7.5% in constant currency) saw underlying sales progress pick up slightly from already healthy H1 levels, especially in the context of a sluggish local economy. Momentum here is to be supplemented by the post-year-end acquisition of RAP Plumbing Supplies which enhanced our FY20 and FY21 earnings estimates by 3%. FY19 results are scheduled for 12 June.

**INDUSTRY OUTLOOK**

In the UK, the residential new-build sector has performed well and there is impetus for this to continue. RMI spending has not recovered at the same rate. The South African economy is currently facing a number of challenges; wider distribution of wealth and an emerging middle class should benefit consumer spending over time. Norcros’s management has set new 2023 financial targets for the group: to attain £600m revenue with a balanced UK/overseas split and to sustain a ROCE of 15%+

<table>
<thead>
<tr>
<th>Y/E Sep</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>130.1</td>
<td>36.0</td>
<td>38.3</td>
<td>25.9</td>
<td>10.5</td>
<td>7.4</td>
</tr>
<tr>
<td>2018</td>
<td>136.0</td>
<td>30.9</td>
<td>31.6</td>
<td>23.0</td>
<td>11.8</td>
<td>6.9</td>
</tr>
<tr>
<td>2019e</td>
<td>117.6</td>
<td>19.3</td>
<td>18.1</td>
<td>12.7</td>
<td>21.4</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Company description**

Norcros is a leading supplier of showers, enclosures and trays, tiles, taps and related fittings and accessories for bathrooms, kitchens, washrooms and other commercial environments. It has operations in the UK and South Africa, with some export activity from both countries.

**Analyst**

Toby Thorrington

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**Numis Corporation (NUM)**

**INVESTMENT SUMMARY**

As foreshadowed in Numis’s March update, H119 trading was affected by the uncertain UK political background and equity market volatility. Compared with H118, overall revenues were down 25% within which investment banking was down 24% and Equities 28%. The adverse background did not stop further growth in the franchise with the corporate client count increasing by a net six companies to 214. A reduction in variable compensation allowed the compensation ratio to be held stable. Even so, underlying operating profit was 58% lower and pre-tax profit was down 64% to £7.1m. Diluted EPS was 5.0p vs 14.6p, while the interim dividend was unchanged at 5.5p.

**INDUSTRY OUTLOOK**

The timing and nature of an eventual resolution of the Brexit impasse should be a key driver of a revival in earnings for Numis and its peers. It does seem plausible that there is a significant level of deferred corporate activity that will eventually be released as confidence returns. Even without this there is evidence in the first half that Numis’s investment in supporting its service delivery is helping limit the impact of reduced activity levels, especially in equity capital markets.

<table>
<thead>
<tr>
<th>Y/E Sep</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>130.1</td>
<td>36.0</td>
<td>38.3</td>
<td>25.9</td>
<td>10.5</td>
<td>7.4</td>
</tr>
<tr>
<td>2018</td>
<td>136.0</td>
<td>30.9</td>
<td>31.6</td>
<td>23.0</td>
<td>11.8</td>
<td>6.9</td>
</tr>
<tr>
<td>2019e</td>
<td>117.6</td>
<td>19.3</td>
<td>18.1</td>
<td>12.7</td>
<td>21.4</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Company description**

Numis is one of the UK’s leading independent corporate advisory and stockbroking groups, offering a full range of research, execution, equity capital markets, corporate broking and advisory services. At the end of March 2019 it had 214 corporate clients.

**Analyst**

Andrew Mitchell
OnTheMarket (OTMP)

INVESTMENT SUMMARY

OTM continues to build market share and improve its brand recognition with agents and the public, with the renewed TV campaign (running through May) helping boost website visits, in turn pushing more leads to agents. At end January, OTM had over 12,500 agency branches under listing contracts (67% share). The challenge now is to convert those on free introductory trials to paying clients. This process should be helped by the launch of a range of tools, including a free Market Appraisal Guide, and paid products such as differentiated on-site advertising options to increase a property's visibility. In April, OTM announced it had over 1m users for its property alert service compared with Rightmove’s ‘over 2m’ in 2018. We continue to model OTM moving into profit and becoming cash flow positive in FY21. On an EV/revenue basis, backed by DCF modelling, the shares have good potential upside.

INDUSTRY OUTLOOK

Historically, the UK online property market was dominated by two portal providers, Rightmove and ZPG, the former being the clear market leader. While they generate high traffic, prices charged to participating agencies have risen, with no respite in sight prior to OTM’s arrival. The upcoming ban (from 1 June) on letting fees for tenants will put further pressure on agents’ marketing budgets.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>15.6</td>
<td>3.3</td>
<td>1.0</td>
<td>(1.4)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>13.5</td>
<td>5.4</td>
<td>2.7</td>
<td>7.4</td>
<td>13.3</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>15.0</td>
<td>(14.4)</td>
<td>(16.0)</td>
<td>(27.4)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>32.0</td>
<td>(7.8)</td>
<td>(9.4)</td>
<td>(12.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Analyst
Fiona Orford-Williams

OPAP (OPAP)

INVESTMENT SUMMARY

OPAP is Europe’s only listed gaming operator with 100% pre-paid exclusive retail licences, providing significant barriers to entry. Despite softness in Greek retail spending, management has successfully defended profits through product enhancements and cost controls. OPAP is over halfway through its 2020 Vision plan to create a leading gaming entertainment company and further momentum is underway with full deployment of video lottery terminals (VLTs), as well as a move into online. The business is highly cash generative, with the bulk of free cash flow (FCF) paid out as dividends (this equated to over 100% of FCF in 2018).

INDUSTRY OUTLOOK

The Hellenic Gaming Commission estimates that the total legal Greek gaming market amounted to €1.9bn in 2017, of which OPAP comprised €1.37bn gross gaming revenues (including horse racing and Hellenic Lotteries). Land-based casinos comprised an estimated €254m from casinos, with online amounting to c €280m.
**Orège (OREGE)**

**INVESTMENT SUMMARY**

Orège’s proprietary and patented SLG technology reduces sludge treatment costs for utilities by up to 80%, with a strong investment case for clients (payback period <3 years) and large environmental sustainability advantages. We estimate a €439m annual addressable market for SLG technology in North America, UK, Germany and France. FY18 results showed a significant revenue pick-up (6x restated 2017 revenues) and EBITDA and net income were marginally ahead of our forecasts. The ytd order ramp-up implies Orège is on track to reach our FY19 forecast of €6.3m revenues (2.8x FY18). The share price is close to our bear case, skewing risks significantly to the upside in our view. Key catalysts are continued orders ramp-up and successful completion of the capital increase, required by end FY19.

**INDUSTRY OUTLOOK**

SLG offers a technological innovation to a market characterised by well-established and consolidated technologies. Frost&Sullivan estimates the market for the business areas where Orège operates generates $9.5bn revenues pa (excluding services associated with the equipment sale, which we estimate represent 50–100% of the equipment business). Global Water and Intelligence estimates the global wastewater market is growing 5–6% pa.

**Company description**

Orège is a clean-tech company founded in 2006 and listed on Euronext in 2013. It has developed an innovative, patented technology (SLG) to significantly reduce sludge treatment costs and improve environmental sustainability of the treatment process.

**Company description**

UK-based Osirium Technologies designs and supplies subscription-based cyber security software. PxM includes privileged access management, privileged task management, privileged session management and privileged behaviour management. It recently launched Opus for secure process automation.

**Osirium Technologies (OSI)**

**INVESTMENT SUMMARY**

Osirium reported FY18 revenues and operating loss slightly ahead of our forecasts. Although bookings intake was lower than expected in H218, the increase in proofs of concept underway and the number of customers using PxM Express support accelerating bookings growth in FY19. By broadening the product offering with the recently launched secure IT process automation solution, Opus, and the soon to be launched endpoint privilege management (EPM) solution, Osirium is growing its addressable market and creating upsell opportunities for its ‘land and expand’ strategy.

**INDUSTRY OUTLOOK**

The market for privileged account management (PAM) software was worth US$690m in 2015 and is forecast to grow to US$2.27bn by 2020 (source: Gartner), with demand driven by regulation, the shift to the cloud and adoption spreading to smaller organisations. The complexity of established solutions means fewer mid-market businesses use PAM software than enterprises, so this is a market ripe for development.
OTC Markets Group (OTCM)

INVESTMENT SUMMARY

OTC Markets Group’s first quarter figures were affected by the one-off costs of its headquarters move and investment in additional headcount and IT infrastructure, in part supporting incremental acquisitions. Gross revenue was up 7% versus Q118 including 10% growth in Corporate Services, within which OTCQX Best market benefited from 16% corporate client growth, particularly encouraging indicator. Market Data Licensing and OTC Link were 4% and 7% ahead, respectively. Operating expenses rose 15%, including one-off HQ move costs of c $0.5m, leaving pre-tax profits down 11% and diluted EPS, after a reduced tax charge, down 6%. Excluding one-off costs, net income would have risen 7%. The quarterly dividend was maintained at $0.15.

INDUSTRY OUTLOOK

OTCM continues to focus on improving the transparency and regulatory recognition of its markets and, reflecting the progress made to date, we expect further gains on this front to benefit the reputation of its markets. In future, this could mesh with the development of online fund-raising, which may create a larger pool of companies interested in the cost-effective secondary trading platforms offered by OTCM.

Palace Capital (PCA)

INVESTMENT SUMMARY

Ahead of results for the year to 31 March 2019 (FY19) on 4 June, Palace has confirmed that FY19 independent property valuations are marginally up on the prior year, although adjusted earnings will be lower than previously expected, reflected in our updated forecasts. This is due to the deferral of some near-term lettings, as part of its asset management-driven total return strategy. Unlike a REIT, Palace has a total return strategy with a parallel focus on increasing capital values in addition to long-term income. It has built a strong track record of value creation over several years, primarily driven by corporate acquisitions. With a strong cash position and the LTV a comfortable c 33%, management has reiterated its commitment to the current level of dividends. The company expects asset management initiatives, including the flagship Hudson Quarter development in York, expected to complete by end-FY21, to deliver future income and capital growth.

INDUSTRY OUTLOOK

The supply demand balance for regional office and industrial property remains generally firm, and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.
Pan African Resources (PAF)

**INVESTMENT SUMMARY**

Earnings and output in H1 were consistent with our prior FY19 expectations, with a 54.2% increase in gold produced from continuing operations and a 23.1% decline in AISC combining to result in a 116.7% increase in EPS in GBP. Compared to H218, Barberton, the BTRP and the ETRP all recorded substantial cost improvements and a Q3 operational update has reconfirmed production guidance for FY19 of 170koz, rising to 185koz in FY20, which will propel EPS towards c 2p/share.

**INDUSTRY OUTLOOK**

Additional near-term opportunities include the the Fairview sub-vertical shaft project (adding 7–10koz to production pa), the Royal Sheba project (c 30koz pa), the 8 Shaft pillar project (US$19.4m pre-tax NPV) and Egoli (optimised 34% IRR and ZAR1.04bn pre-tax NPV). As a result, our all-in valuation of PAF has risen to 17.69p/share plus the value of c 19.2m underground Witwatersrand oz (which could add a further 0.17–4.05p/share). In addition, PAF remains cheaper than its peers on at least 70% of common valuation measures.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>167.8</td>
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<tr>
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<td>1.60</td>
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<td>8.1</td>
<td>3.1</td>
</tr>
<tr>
<td>2020e</td>
<td>180.2</td>
<td>76.0</td>
<td>54.1</td>
<td>1.72</td>
<td>5.3</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**paragon (PGN)**

**INVESTMENT SUMMARY**

Despite challenges for the auto market, FY19 guidance is for sales and EBIT growth of c 25% driven primarily by electromobility and digitalisation, with all operating segments contributing. paragon's continued organic investment augmented by strategic M&A, positions it to take advantage of identified growth trends. Having delivered FY18 and despite tempering our forecasts modestly for FY19, guidance still indicates strong growth, especially at Voltabox. Q119 results do nothing to deflect the expectation. On our new lower estimates, the rating fails to reflect the growth potential.

**INDUSTRY OUTLOOK**

We believe paragon's identification of, and investment in, solutions to address megatrends in global automotive and electromobility markets is understood by the capital markets. It is growing substantially faster than its markets due to innovative products that are driving changes in customer perceptions, creating new growth engines for the group.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>124.8</td>
<td>18.3</td>
<td>5.9</td>
<td>(8.52)</td>
<td>N/A</td>
<td>146.3</td>
</tr>
<tr>
<td>2018</td>
<td>187.4</td>
<td>30.3</td>
<td>14.8</td>
<td>144.58</td>
<td>18.0</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>240.2</td>
<td>38.6</td>
<td>18.8</td>
<td>241.14</td>
<td>10.8</td>
<td>2.5</td>
</tr>
<tr>
<td>2020e</td>
<td>295.3</td>
<td>47.0</td>
<td>24.3</td>
<td>299.33</td>
<td>8.7</td>
<td>3.4</td>
</tr>
</tbody>
</table>
Park Group (PARK)

INVESTMENT SUMMARY
Ahead of results for the year to 31 March 2019 (FY19) due 12 June, management has indicated that trading in the year exceeded its expectations, driven by the Corporate business, with the Consumer business ‘broadly stable’ and growth particularly strong in higher-margin cards. It expects similar trends in the current year. IFRS 15 will defer some of the profitability benefit to future reporting periods and FY19 and FY20 will be negatively affected by costs associated with implementing the strategic business plan, with little of the benefit expected until FY21 and beyond. Park has a debt-free balance sheet and cash-generative business model to support this investment phase, and our DPS forecasts are unchanged. We expect management to provide more details of the potential for enhanced growth and efficiency with the full-year results, including its plans for a new product to further penetrate the consumer market, a £2bn+ market opportunity.

INDUSTRY OUTLOOK
The market is estimated at c £6bn by the UK Gift Card & Voucher Association, and is fragmented, providing significant opportunities for growth.

Y/E Mar Revenue EBITDA PBT EPS P/E P/CF
(£m) (£m) (£m) (p) (x) (x)
2017 119.6 10.4 11.9 5.1 13.5 N/A
2018 111.1 12.7 12.6 5.5 12.5 N/A
2019e 111.2 12.4 12.5 4.9 14.1 N/A
2020e 117.5 11.6 11.7 5.1 13.5 N/A

PetroMatad (MATD)

INVESTMENT SUMMARY
Petro Matad’s acreage combines high-impact exploration and low-risk targets across three blocks and multiple basins. 2018’s two-well programme did not yield a discovery, but the resulting data already highlighted three new structures in Block V. One of the three identified Block V ‘Raptor’ prospects is likely to be drilled in 2019, with the alternative 200mmbbl Fox prospect remaining an option. Three wells will also be drilled in the low-risk Block XX analogous to producing fields to the northeast, including the more material 48mmbbl Red Deer prospect in the south-west of the block.

INDUSTRY OUTLOOK
Petro Matad’s prospect inventory benefits from low well costs, simple development concept and attractive fiscal terms. Despite some uncertainty around offtake options, our analysis suggests an attractive risk/reward incentivising exploration. Even small Block V oil discoveries (c 10mmbo) generate positive returns at US$70/bbl Brent.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF
(US$m) (US$m) (US$m) (c) (x) (x)
2016 18.9 11.1 10.8 0.4 15.5 9.9
2017 0.2 (9.7) (9.9) (0.3) N/A N/A
2018e 0.0 (4.0) (4.0) (0.1) N/A 390.8
2019e 0.0 (4.0) (4.0) (0.1) N/A N/A
Picton Property Income (PCTN)

INVESTMENT SUMMARY
Picton reported good results for the year to 31 March 2019 (FY19) with an EPRA NAV total return of 6.5%. This comprised a 2.6% increase in EPRA NAV per share to 93p and aggregate quarterly DPS paid of 2.5p. Dividends were covered 1.22x by EPRA earnings. The company aims to be one of the consistently best performing diversified UK-focused property companies on the Main Market of the LSE. It has outperformed the MSCI Quarterly Property Index over one, three, five and ten years, delivering an FY19 ungeared property total return of 7.5% compared with the Index return of 4.6%. Returns are benefiting from an overweighting of industrial and offices properties and an underweighting of retail and leisure, with no shopping centre exposure. The current year will see a focus on asset management projects aimed at capturing strong reversionary rent potential, temporarily reducing income until complete. Given the strength of dividend cover we expect no impact on DPS. Our forecasts are under review.

INDUSTRY OUTLOOK
The supply demand balance for regional office and industrial property remains generally firm, and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.

Y/E Mar Revenue EBITDA PBT EPS (fd) P/E P/CF

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>38.4</td>
<td>N/A</td>
<td>23.1</td>
<td>4.19</td>
<td>23.5</td>
<td>20.8</td>
</tr>
<tr>
<td>2019</td>
<td>38.3</td>
<td>N/A</td>
<td>23.4</td>
<td>4.25</td>
<td>23.2</td>
<td>21.0</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2021e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Piteco (PITE)

INVESTMENT SUMMARY
Piteco’s traditional corporate treasury business returned to growth in FY18 after a flat FY17, with growth accelerating in H2 and momentum continuing in FY19. Juniper Payments, the group’s US payments software business, recorded solid FY18 results while Myrios, acquired late in 2018, made an impressive initial contribution. In February, Myrios Switzerland was established to target European corporates with the group’s software solutions. Given Piteco’s attractive growth profile and strong margins, we believe the shares look attractive on c 11x our FY20e earnings.

INDUSTRY OUTLOOK
Piteco is the leading player in the Italian treasury management systems (TMS) market. TMS are software solutions used by corporate treasuries and finance departments to manage transactions and support their decision-making. The software and ICT solutions market in Italy is valued at €6.3bn (Assinform 2016). A small slice of this (Piteco suggests c 5%) represents the market for treasury and financial planning software. IDC forecasts the worldwide treasury and risk management applications market to grow by 4.9% to reach $2.7bn in 2022.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (c)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>17.0</td>
<td>6.5</td>
<td>5.6</td>
<td>30.3</td>
<td>17.2</td>
<td>16.6</td>
</tr>
<tr>
<td>2018</td>
<td>20.2</td>
<td>8.3</td>
<td>7.5</td>
<td>38.8</td>
<td>13.4</td>
<td>13.0</td>
</tr>
<tr>
<td>2019e</td>
<td>25.0</td>
<td>10.7</td>
<td>9.5</td>
<td>45.5</td>
<td>11.4</td>
<td>8.6</td>
</tr>
<tr>
<td>2020e</td>
<td>27.3</td>
<td>11.7</td>
<td>10.6</td>
<td>49.7</td>
<td>10.5</td>
<td>7.9</td>
</tr>
</tbody>
</table>
Polypipe (PLP)

INVESTMENT SUMMARY

The 2018 trading year was characterised by weather affected H1 trading and improved underlying y-o-y revenue performances in H2 in both divisions, each of which also absorbed an acquisition towards the end of the period. Underlying profitability improved marginally, though would have been stronger but for some production inefficiencies at higher volumes in certain lines. The Manthorpe and Permavoid acquisitions both appear to have settled quickly into the group. They were responsible for net debt increasing to c £164m at the year-end with good recurring underlying cash flow characteristics also in evidence. Exits from manufacturing operations in France and the Middle East were also completed during the year. AGM comments point to an 8% y-o-y revenue uplift (+3% underlying) for FY19 to the end of April and, broadly speaking, both reporting divisions have progressed by this extent.

INDUSTRY OUTLOOK

Construction Products Association estimates currently project modest overall growth in output from the UK construction sector in 2019. Private housebuilding is expected to continue to grow while commercial building activity is currently expected to be lower.

PPHE Hotel Group (PPH)

INVESTMENT SUMMARY

In keeping with its strong record of asset development, PPHE is actively repositioning itself at the corporate level. The introduction of EPRA reporting highlights the company’s success from a property perspective (EPRA NAV per share of £24.57 at December 2018), while share liquidity and broadening of the investor base should benefit from the recent secondary placing and move to a Premium Listing. Operationally, progress is robust with resilient trading (8% gain in Q1 like-for-like RevPAR and revenue), continued material investment payoff and abundant asset acquisition opportunities. We believe PPHE’s shares offer an attractive way to access hotel property markets, both in terms of capitalisation yield and a SOTP valuation

INDUSTRY OUTLOOK

Security and Brexit uncertainty are concerns, but the London hotel market has shown admirable resilience (YTD RevPAR +2.6%, per STR) and benefits from increased tourism owing to sterling weakness. Greater measurable worries are room supply, which is above its long-term trend, slower economic growth and rising operating costs. GL, London’s largest hotel owner/operator, continues to “maintain a cautious outlook”, while, per pwc, 2019 market RevPAR gain may be marginal.
Premier Technical Services Group (PTSG)

INVESTMENT SUMMARY

FY18 results were in line with our estimates with good organic growth rates generally - especially in Electrical Services and Fire Solutions - and this was supplemented by acquisition contributions in those two divisions. The new businesses appear to have settled in well and management has ambitious plans to build on the enhanced platforms created by the additions of Guardian Electrical Compliance (acquired October 2018) and, subsequent to the year end, Trinity (January 2019). An improving debtor collection profile was the other notable feature of FY18 results and year-end net debt stood at £14m (or pro forma c £25m including Trinity), equivalent to just over 1x FY19e EBITDA. Our FY19 estimates were substantially unchanged and we nudged up FY20e PBT by c 4%. As a result, our three-year EPS CAGR (rolled forward to include FY21e for the first time) is now almost 12%. PTSG’s AGM will be held on 27 June.

INDUSTRY OUTLOOK

Core markets are the provision of specialist services in the UK and demand is substantially underpinned by regulatory compliance in the construction and ongoing usage of buildings and structures and the safety of people in those environments. General and specific requirements are contained in wide-ranging legislation, regulation and guidelines.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>52.9</td>
<td>12.3</td>
<td>10.2</td>
<td>9.73</td>
<td>7.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>69.1</td>
<td>17.1</td>
<td>14.3</td>
<td>11.86</td>
<td>6.2</td>
<td>17.4</td>
</tr>
<tr>
<td>2019e</td>
<td>124.5</td>
<td>23.2</td>
<td>19.7</td>
<td>13.55</td>
<td>5.5</td>
<td>7.0</td>
</tr>
<tr>
<td>2020e</td>
<td>136.6</td>
<td>27.0</td>
<td>23.2</td>
<td>15.22</td>
<td>4.9</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Primary Health Properties (PHP)

INVESTMENT SUMMARY

The all-share merger with MedicX has been well received by investors. It brings together two high quality portfolios, creating the leading primary healthcare investor in the UK and Ireland. In addition to cost efficiencies the merger creates a scale platform, well placed to profitably address the substantial investment needs of the primary healthcare sectors in both countries. The targeted near-term cost savings are highly deliverable, primarily based on contracted management fee arrangements, and the increased scale of the group offers further strong potential in the medium term. This includes enhanced access to funding, both debt and equity, leaving PHP well positioned for further profitable growth. Not included in our forecasts, a significant medium-term refinancing opportunity exists as the larger group benefits from improved borrowing terms.

INDUSTRY OUTLOOK

Healthcare planning, with broad political support, suggests strong underlying demand for modern healthcare properties in both the UK and the Republic of Ireland. In addition to providing investment opportunities, this seems likely to support rental growth.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>71.3</td>
<td>62.6</td>
<td>31.0</td>
<td>5.2</td>
<td>25.7</td>
<td>13.4</td>
</tr>
<tr>
<td>2018</td>
<td>76.4</td>
<td>66.5</td>
<td>36.8</td>
<td>5.2</td>
<td>25.7</td>
<td>13.8</td>
</tr>
<tr>
<td>2019e</td>
<td>115.6</td>
<td>103.8</td>
<td>59.3</td>
<td>5.6</td>
<td>23.9</td>
<td>18.3</td>
</tr>
<tr>
<td>2020e</td>
<td>131.9</td>
<td>119.6</td>
<td>68.1</td>
<td>6.0</td>
<td>22.3</td>
<td>12.9</td>
</tr>
</tbody>
</table>
**Raven Property Group (RAV)**

**INVESTMENT SUMMARY**

FY18 operational performance showed strong improvement against the backdrop of a strengthening Russian economy and warehouse market, with high levels of demand. Warehouse occupancy increased from 81% to 89% over the year, and reached 90% soon after, and acquisitions are making a significant contribution to income while prime rents are firming. In underlying rouble terms, rental income grew from RUB7.2bn to RUB7.7bn and the portfolio value increased by 8%. Although both were lower in sterling terms, as currency moves continued to have a negative impact (the rouble weakened 13% versus sterling), much progress has been made in eliminating the mismatch between increasingly rouble-denominated rents and legacy US dollar debt. A final distribution of 1.75p will be made by way of a tender offer buyback of two shares in every 51 at 45p. We are currently reviewing our numbers for the results and switch to sterling reporting.

**INDUSTRY OUTLOOK**

Russian economic growth continues, although tax increases may slow the rate in 2019 while increasing inflation. A continuing positive demand-supply balance is forecast in warehouse sector, a positive indicator for rents and vacancy.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>129.7</td>
<td>N/A</td>
<td>68.3</td>
<td>6.54</td>
<td>6.4</td>
<td>2.8</td>
</tr>
<tr>
<td>2018</td>
<td>118.3</td>
<td>N/A</td>
<td>(114.9)</td>
<td>3.12</td>
<td>13.5</td>
<td>2.8</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Sector: Financials**

**Price:** 30.1p  
**Market cap:** £60m  
**Market:** LSE

**Company description**

Record is a specialist independent currency manager that provides a number of products and services, including passive and dynamic hedging, and a range of currency for return strategies, including funds and customised segregated accounts.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(1.5)</td>
<td>(3.5)</td>
<td>(33.7)</td>
</tr>
<tr>
<td>Relative*</td>
<td>1.7</td>
<td>(4.6)</td>
<td>(26.5)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Andrew Mitchell

**Record (REC)**

**INVESTMENT SUMMARY**

Record's Q419 trading update (to end March) showed AUME down 0.9% in the quarter to $57.3bn, or -3.1% in sterling terms. There were total net outflows of £3.4bn relating to Dynamic Hedging (tactical changes that realised gains for the client) and terminations of Passive Hedging mandates, which were largely in line with previous announcements. There was a positive market effect of $3.0bn and a $0.1bn negative for FX and changes on mandate volatility targeting. With no material performance fee crystallised in the quarter, the full year total remains £2.35m. Investment performance in the currency for returns strategies was positive and the longest running Multi-Strategy mandate has recorded a since-inception, ungeared return of +1.02% pa.

**INDUSTRY OUTLOOK**

The group continues to work on enhancing its products and client service while the diversity of its product offering and customer base is helpful in mitigating fluctuations in demand for currency management and competitive pressures. The performance fee generated in FY19 underlines the point that mandates capable of earning such fees have the potential to offset the lower management fees they carry. Record is due to release its FY19 results on 13 June.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>23.0</td>
<td>7.9</td>
<td>7.9</td>
<td>2.90</td>
<td>10.4</td>
<td>9.2</td>
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<tr>
<td>2018</td>
<td>23.8</td>
<td>7.4</td>
<td>7.3</td>
<td>2.98</td>
<td>10.1</td>
<td>22.6</td>
</tr>
<tr>
<td>2019e</td>
<td>24.7</td>
<td>7.9</td>
<td>7.5</td>
<td>3.02</td>
<td>10.0</td>
<td>9.0</td>
</tr>
<tr>
<td>2020e</td>
<td>21.4</td>
<td>5.3</td>
<td>5.1</td>
<td>2.08</td>
<td>14.5</td>
<td>12.5</td>
</tr>
</tbody>
</table>
**Regional REIT (RGL)**

**INVESTMENT SUMMARY**

RGL performed strongly in the year to 31 December 2018 (FY18), generating a 16.6% EPRA NAV total return, including 9% growth in EPRA NAV and a continuing strong contribution from dividends, up c 3% in the year to 8.05p. In its AGM statement the group says that FY19 trading in line with its expectations, which include a return to full dividend cover. A Q119 DPS of 1.90p has been declared, a further increase of 3%. The statement provides details on the progress of a number of asset management initiative, including several significant lettings at rents well above previous levels. Since IPO the company has successfully grown the portfolio through acquisitions, and says that its potential deal pipeline is very healthy and diverse. On 17 May, RGL said that that it is considering an equity fundraise to take advantage of its growing near-term pipeline of opportunities with any funds raised being deployed in line with its investment policy with a view to delivering further value to its shareholders.

**INDUSTRY OUTLOOK**

The supply demand balance for regional office and industrial property remains generally firm, and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd) (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>45.8</td>
<td>36.4</td>
<td>25.8</td>
<td>8.6</td>
<td>12.5</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>54.4</td>
<td>36.8</td>
<td>28.5</td>
<td>7.5</td>
<td>14.3</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>55.2</td>
<td>44.9</td>
<td>31.7</td>
<td>8.5</td>
<td>12.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>55.7</td>
<td>44.9</td>
<td>32.1</td>
<td>8.6</td>
<td>12.5</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Renergen (RENJ)**

**INVESTMENT SUMMARY**

2018 activity was slower than planned for Renergen as its expected funding of the Virginia LNG/helium project in South Africa was delayed due to a long period of economic and political volatility. However, with a recently completed rights issue that unlocks a pre-agreed debt facility, Renergen can now start to order key equipment. The macro environment is more favourable, with helium prices potentially higher after the cessation of public auctions of the US strategic helium reserve. Renergen has provided details of its planned listing on the Australian Stock Exchange (ASX). The replacement prospectus was published on 8 May with the company looking to raise A$5m gross at an offer price of $0.8 per CHESS depository interest (CDI). The new CDIs are expected to start trading on 31 May.

**INDUSTRY OUTLOOK**

Renergen is targeting the heavy-duty LNG truck market which is a rapidly evolving market globally. Meanwhile helium prices are likely to remain buoyant following the shutdown of the US strategic reserve in 2018.

<table>
<thead>
<tr>
<th>Y/E Feb</th>
<th>Revenue (ZARm)</th>
<th>EBITDA (ZARm)</th>
<th>PBT (ZARm)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2.9</td>
<td>(22.0)</td>
<td>(21.7)</td>
<td>(0.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>3.5</td>
<td>(26.9)</td>
<td>(27.1)</td>
<td>(0.3)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>3.5</td>
<td>(35.5)</td>
<td>(37.1)</td>
<td>(0.4)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>26.8</td>
<td>(37.0)</td>
<td>(23.5)</td>
<td>(0.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Renewi (RWI)

INVESTMENT SUMMARY

FY19 was a mixed year for Renewi with variable portfolio performances and two particular external challenges faced (at ATM and Derby). Despite this, the company still delivered profitability in line with the prior year. Net debt reduction and operational improvements will be key focus areas for FY20 and beyond and these remain key near-term sentiment drivers in our view. Our PBT estimates are unchanged and point to lower group earnings in FY20 before recovering strongly thereafter, with ATM modelled to return to meaningful profitability on the assumption the permitting issues are resolved.

INDUSTRY OUTLOOK

The Dutch waste market, accounting for the largest single business within Renewi, has returned to growth as the economy has recovered, boosted in particular by stronger construction activity.

Y/E Mar | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (c) | P/E (x) | P/CF (x)
--- | --- | --- | --- | --- | --- | ---
2017 | 779.2 | 81.6 | 26.0 | 3.7 | 11.2 | 8.0
2018 | 1779.1 | 176.3 | 59.1 | 5.5 | 7.5 | 2.3
2019e | 1792.3 | 186.8 | 62.3 | 5.8 | 7.1 | 3.2
2020e | 1799.4 | 184.0 | 49.2 | 4.6 | 9.0 | 2.5

Riber (RIB)

INVESTMENT SUMMARY

Riber is the global leader in MBE equipment which is used to develop and manufacture compound semiconductor materials used in fibre-optic networks, electronic device displays and sensors for autonomous vehicles. Demand should be supported by exposure to key trends such as demand for faster data, next generation displays and the proliferation and evolution of sensors to support greater automation and intelligence. The shares trade at a substantial discount to Riber’s larger peers who share similar growth drivers.

INDUSTRY OUTLOOK

While FY18 profitability was affected by several one-off factors, management is confident of a full recovery in FY19. This is based on the strength of the end March order book, with 14 MBE machines already scheduled for delivery during FY19 and FY20 compared with deliveries of seven units in FY18 and five in FY17. Some of these units are destined for volume production of fibre-optic chips in Asia and in Europe, which is rising, necessitating more capacity. Others will be used for R&D, where demand for MBE equipment is steady.

Y/E Dec | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (fd) (c) | P/E (x) | P/CF (x)
--- | --- | --- | --- | --- | --- | ---
2017 | 30.5 | 5.9 | 4.0 | 12.82 | 11.3 | N/A
2018 | 31.3 | 3.3 | 2.0 | 6.56 | 22.1 | N/A
2019e | 37.7 | 5.5 | 4.6 | 14.87 | 9.8 | N/A
2020e | 35.9 | 5.4 | 4.5 | 15.02 | 9.7 | N/A
**Rockhopper Exploration (RKH)**

**INVESTMENT SUMMARY**

We believe the current share price implies a c 20% chance of success for Sea Lion Phase 1 at $70/bbl long-term oil price (excluding any value for further phases of Sea Lion). Given recent progress with the award of letters of intent (LOIs) for key project components and with more than 60 people working on the development, we are more positive on the chance of success. In our view, key outstanding risks are project funding and politics. H119 has the potential to be eventful, with more definitive guidance on the availability of export credit funding. As recently stated by the operator, Premier Oil, a formal application and project information memorandum for senior debt is expected to be submitted in Q219. The Ombrina Mare arbitration hearing took place in Paris with an outcome expected in late Q319. The company believes it has strong prospects of recovering significant monetary damages. Our valuation stands at 78.9p/share.

**INDUSTRY OUTLOOK**

Sea Lion JV is considering export credit and vendor/contractor finance as alternatives for field development. Contractor selection and finalising of LOIs to underpin the provision of vendor funding for $400m is progressing.

<table>
<thead>
<tr>
<th>Y/Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>7.4</td>
<td>(15.2)</td>
<td>(21.8)</td>
<td>(13.4)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2017</td>
<td>10.4</td>
<td>(2.4)</td>
<td>(12.6)</td>
<td>(4.5)</td>
<td>N/A</td>
<td>79.1</td>
</tr>
<tr>
<td>2018e</td>
<td>10.8</td>
<td>(1.1)</td>
<td>(12.7)</td>
<td>(12.0)</td>
<td>N/A</td>
<td>17.4</td>
</tr>
<tr>
<td>2019e</td>
<td>10.0</td>
<td>3.0</td>
<td>(9.6)</td>
<td>(13.3)</td>
<td>N/A</td>
<td>34.2</td>
</tr>
</tbody>
</table>

**Company description**

Rockhopper is a London-listed E&P with fully funded development of Sea Lion, a 500+mmbbl field in the Falklands as well as the potential of a similar size discovery to the south. It also holds production and exploration assets in the Mediterranean.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(12.3)</td>
<td>(6.6)</td>
<td>(43.3)</td>
</tr>
<tr>
<td>Relative*</td>
<td>(11.8)</td>
<td>(2.5)</td>
<td>(41.7)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**
Sanjeev Bahl

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**Rubicon (RBC)**

**INVESTMENT SUMMARY**

Rubicon (RBC) is now a pure-play, advanced forestry genetics business with leading positions in large international markets for its seedlings and its maiden first-half report (to September) with this corporate structure contained good updates on operational and commercial initiatives in the seasonally quieter section of the year. For the record, the company generated revenue of US$10m and a US GAAP EBITDA loss of US$5m (before restructuring costs of US$2m) in the period. Rubicon should be able to clearly demonstrate its business model characteristics in H2 through notably stronger revenue, EBITDA and positive cash flows although it did acknowledge (on 24 January) that US weather events around the end of H1 has resulted in a revised FY19 target EBITDA of c US$6m (previously approaching US$7m). FY19 results are expected to be released in June.

**INDUSTRY OUTLOOK**

The economic growth outlook in each of its core countries being the USA, Brazil, New Zealand and Australia is either good or improving, according to OECD data. Consequently, the primary end-markets served by its plantation forestry customer base (being construction, and the pulp and paper industries) are in a positive cyclical phase.

<table>
<thead>
<tr>
<th>Y/Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6.0</td>
<td>(6.0)</td>
<td>(1.0)</td>
<td>(0.2)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>35.0</td>
<td>6.0</td>
<td>4.0</td>
<td>1.2</td>
<td>9.9</td>
<td>14.4</td>
</tr>
<tr>
<td>2019e</td>
<td>50.0</td>
<td>5.0</td>
<td>5.0</td>
<td>1.1</td>
<td>10.8</td>
<td>9.6</td>
</tr>
<tr>
<td>2020e</td>
<td>59.0</td>
<td>9.0</td>
<td>10.0</td>
<td>2.0</td>
<td>5.9</td>
<td>6.4</td>
</tr>
</tbody>
</table>

**Company description**

Rubicon is an NZX-listed investment company whose ArborGen subsidiary is the world’s largest integrated developer, commercial manufacturer and supplier of advanced forestry seedlings with operations in the US, Brazil and Australasia.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(7.2)</td>
<td>(13.8)</td>
<td>(35.4)</td>
</tr>
<tr>
<td>Relative*</td>
<td>(8.4)</td>
<td>(20.1)</td>
<td>(43.0)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**
Toby Thorrington

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S&U (SUS)

INVESTMENT SUMMARY

S&U’s May AGM trading update was encouraging, reporting motor finance receivables in the period to 22 May up 3% y-o-y to £263m or approaching 2% compared with the end of FY19. While muted, this was positive in the context of the slowdown in transactions in H219 reflecting a tightening in credit criteria and competition. Loan applications are at a record 108,000 per month and early indicators of credit quality are encouraging. Aspen property bridging continued to grow with its loan book standing at £22m compared with £18m at the year end. Group borrowing rose from £108m to £114m, but there is good headroom given the recently increased funding facilities of £160m.

INDUSTRY OUTLOOK

The pricing and credit discipline at Advantage that have led to a slower rate of growth are positive for future profitability and while returns may be lower than in earlier years, the ROCE in this business remains healthy at over 15%. While still relatively small, Aspen provides an diversifying source of growth.

SCISYS Group (SSY)

INVESTMENT SUMMARY

The group’s Space division continues to excel, securing two further orders from Thales Alenia Space France. The new orders, which underpin our forecasts, are for the development and implementation of security-relevant elements within the Galileo Ground Segment. These orders are in addition to two initial orders valued at €3m announced on 24 December 2018. The total value of these additional orders is €9.7m for the delivery of both the Galileo Security Monitoring Centre (GSMC-U) and the Point of Contact Platforms (POCP-U) elements. Noting management’s new goal to achieve revenue of £75m and operating profit of £7.0m by end FY22, we believe the stock is attractive on c 15x our maintained FY20e EPS.

INDUSTRY OUTLOOK

SCISYS is a specialist provider of high-value IT solutions, focusing on specialist markets of space, media and broadcast, and defence sectors, along with other public and private sector enterprises. In recent years, weakness across the group’s significant public sector customer base has been offset by strong performances from space and defence. The acquisition of ANNOVA Systems in 2016 added critical mass to the Media & Broadcast activities while extending the previous radio-focused offering into television and online.
SDX Energy (SDX)

INVESTMENT SUMMARY

2019 will be an active year for SDX with the focus on delivery of first gas at South Disouq, ahead of a return to the drill bit. An eight- to nine-well programme targets both oil and gas prospectivity in Egypt and appraisal/development locations in Morocco. In Morocco, SDX has an 87% success rate of discovering gas at Sebou based on calibrated 3D seismic. At South Disouq, the development lease has been approved and construction of the pipeline and central facility have commenced. First gas is now expected in Q419. Our updated risked valuation now stands at 86.5p/share, reflecting the delay at South Disouq. Combined, Morocco and South Disouq make up 63% of our core valuation with contracted sale volumes not levered to the oil price.

INDUSTRY OUTLOOK

SDX remains open to adding to its portfolio and sees Egypt as a natural market for consolidation, given the large number of small players. Its acquisition of Circle Oil's Egyptian and Moroccan assets in early 2017 show that it is able to negotiate and complete transactions efficiently.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>39.2</td>
<td>21.9</td>
<td>32.8</td>
<td>14.1</td>
<td>2.2</td>
<td>2.9</td>
</tr>
<tr>
<td>2018</td>
<td>53.7</td>
<td>35.5</td>
<td>7.1</td>
<td>3.8</td>
<td>8.1</td>
<td>1.5</td>
</tr>
<tr>
<td>2019e</td>
<td>57.8</td>
<td>37.0</td>
<td>24.6</td>
<td>11.2</td>
<td>2.7</td>
<td>1.0</td>
</tr>
<tr>
<td>2020e</td>
<td>79.3</td>
<td>55.1</td>
<td>36.3</td>
<td>17.1</td>
<td>1.8</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Secure Trust Bank (STB)

INVESTMENT SUMMARY

STB’s May AGM trading update provided further evidence supporting its changes in asset mix to focus on segments where the risk-reward pricing is more attractive. The retail and motor finance segments (both with net revenue margins above 10%) have been doing well and earnings are slightly ahead of management expectations in the first four months of this year. We are not changing our forecasts, but may revise them if interims in July confirm the good news.

INDUSTRY OUTLOOK

STB is targeting further strong growth in 2019 and is investing in areas such as a new motor finance platform, treasury and risk management to underpin this. The benefits of this are expected to flow through over a number of years. The bank's proven flexibility should help it adapt to opportunities and challenges that may occur in the macro and political environment. Management remains open to M&A opportunities should they arise.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>129.5</td>
<td>N/A</td>
<td>27.0</td>
<td>116.4</td>
<td>13.2</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>151.6</td>
<td>N/A</td>
<td>36.7</td>
<td>162.0</td>
<td>9.5</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>167.8</td>
<td>N/A</td>
<td>42.0</td>
<td>183.7</td>
<td>8.4</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>185.0</td>
<td>N/A</td>
<td>52.2</td>
<td>225.1</td>
<td>6.8</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Severfield (SFR)

**INVESTMENT SUMMARY**

Higher order books in the UK and India were a positive way to end FY19, which concluded in line with previous guidance. The reported year-end order book of £274m is Severfield’s highest in the UK since November 2016, up from £230m at the interim stage. New project work in the Netherlands represents c £10m of this and traction in one of three highlighted new growth areas is to be welcomed. At £149m, the Indian JV order book has climbed to another record level (a further material increase from £124m at the H119 stage), reinforcing confidence in capacity expansion. This is underway (adding c 30,000 tonnes or c 50% to fabrication capacity), with completion expected around the end of FY20. The FY19 results announcement is expected on 19 June.

**INDUSTRY OUTLOOK**

The primary strategic aim is to maintain Severfield’s position as the leading UK structural steelwork supplier. An Indian JV (established in 2010) is fully operational and targeting similar sectors to those served in the UK. Management has valued the Indian construction market at c £100bn pa, with a very low penetration of steel structures currently.

<table>
<thead>
<tr>
<th>Y/E Dec / Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>262.2</td>
<td>25.7</td>
<td>20.3</td>
<td>5.7</td>
<td>12.8</td>
<td>8.0</td>
</tr>
<tr>
<td>2018</td>
<td>274.2</td>
<td>29.0</td>
<td>24.0</td>
<td>6.5</td>
<td>11.2</td>
<td>9.6</td>
</tr>
<tr>
<td>2019e</td>
<td>279.2</td>
<td>30.2</td>
<td>25.0</td>
<td>6.8</td>
<td>10.7</td>
<td>8.5</td>
</tr>
<tr>
<td>2020e</td>
<td>285.9</td>
<td>32.9</td>
<td>27.3</td>
<td>7.4</td>
<td>9.9</td>
<td>7.1</td>
</tr>
</tbody>
</table>

**Company description**

Severfield is a leading UK structural steelwork fabricator operating across a broad range of market sectors. An Indian facility currently undertakes structural steelwork projects for the local market and is fully operational.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>4.0</td>
<td>5.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Relative*</td>
<td>1.5</td>
<td>5.3</td>
<td>6.6</td>
</tr>
</tbody>
</table>

* % Relative to local index

Analyst  
Toby Thorrington

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Share plc (SHRE)

**INVESTMENT SUMMARY**

Share’s Q119 trading update in May signalled a resilient performance against the background of subdued London Stock Exchange trading (number and value of trades -27% and -24% respectively y-o-y). Share revenues were up 2% y-o-y while peers were down 3%. Market share vs peers increased from 3.54% to 3.70%: q-o-q this was down modestly from 3.90%. Following on from a profitable H218, Q119 also saw an operating profit as benefits of the spending on IT and acquisitions came through, as we have assumed in our estimate for the full year. On 3 May, Share announced that it had had a preliminary approach from Interactive Investor (II) and early-stage discussions took place. However, on 9 May a further announcement indicated that II would not make an offer for its own reasons (we note that it is still in the process of dealing with the Alliance Trust Savings acquisition), although discussion could be resumed with Share board approval.

**INDUSTRY OUTLOOK**

H219 will see some contribution from increases in Share’s fixed account admin fee and other charges. Longer term, and leaving aside thoughts of consolidation and market fluctuations, the full benefits of Share’s digital transformation and its acquisition strategy are set to become evident.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>18.7</td>
<td>(0.4)</td>
<td>0.4</td>
<td>0.27</td>
<td>122.2</td>
<td>40.1</td>
</tr>
<tr>
<td>2018</td>
<td>21.0</td>
<td>0.5</td>
<td>0.7</td>
<td>0.45</td>
<td>73.3</td>
<td>111.2</td>
</tr>
<tr>
<td>2019e</td>
<td>22.3</td>
<td>1.7</td>
<td>1.3</td>
<td>0.75</td>
<td>44.0</td>
<td>29.1</td>
</tr>
<tr>
<td>2020e</td>
<td>23.0</td>
<td>1.9</td>
<td>1.5</td>
<td>0.86</td>
<td>38.4</td>
<td>22.0</td>
</tr>
</tbody>
</table>

**Company description**

Share plc’s main subsidiary is The Share Centre, which is a self-select retail stockbroker that also offers share services for corporates and employees.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>16.8</td>
<td>33.3</td>
<td>26.9</td>
</tr>
<tr>
<td>Relative*</td>
<td>20.2</td>
<td>31.9</td>
<td>35.3</td>
</tr>
</tbody>
</table>

* % Relative to local index

Analyst  
Andrew Mitchell
Shore Capital Group (SGR)

INVESTMENT SUMMARY

In March SGR reported FY18 numbers showing revenue +3.7%, costs +8.4% as selective counter-cyclical investment was made to strengthen the business and pre-tax profits were down 11.1%. After a lower tax charge, diluted EPS were down just 3% to 12.5p and the dividend of 10p was unchanged. Capital Markets revenue was 6.5% lower reflecting the weak Q4 in equity markets. Asset Management revenue was up 23% reflecting higher AUM (+6% to £920m), particularly within the private client, tax efficient investments area.

INDUSTRY OUTLOOK

SGR’s outlook comments were positive while acknowledging the uncertain current market backdrop. The Stockdale acquisition completed at end March, bringing in c 50 SME corporate clients. The initial cash consideration was £4.9m with a maximum deferred payment of £4.0m. Even on the maximum payment the price to book and earnings multiples (FY18 numbers) would be 1.6x and 7.5x. The enlarged group will benefit from scale, increased client diversity and, we assume, some cost synergy. Successful integration should benefit both returns and the valuation. Notable among recent transactions in May was SGR's role as joint broker, co-bookrunner and underwriter for Marks & Spencer's £601m rights issue.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF
(£m) (£m) (£m) (p) (x) (x)
2017 41.9 6.9 4.6 12.8 16.8 N/A
2018 43.3 5.5 4.1 12.5 17.2 N/A
2019e N/A N/A N/A N/A N/A N/A
2020e N/A N/A N/A N/A N/A N/A

SNP SE (SHF)

INVESTMENT SUMMARY

Q1 results indicated that SNP is turning the corner after the FY17/FY18 dip, with a return to growth in North America and the jump in bookings in the DACH region. The momentum has continued into Q2 with a major order in low double-digit-millions of euros from a prominent Swiss energy and high-tech company for software and services. The customer announced the sale of one of its business units last year and consequently the implementation of this transaction requires a division of the underlying commercial SAP systems. We are reviewing our forecasts.

INDUSTRY OUTLOOK

SNP helps businesses tailor and improve their ERP landscapes and its goal is to become the global standard for data transformations. Its proprietary software includes the only off-the-shelf transformation product in SNP Transformation Backbone with SAP Landscape Transformation Software (T-B), which automates the process of combining, upgrading or carving out data from ERP systems. SNP continues to benefit from favourable structural growth drivers, a partnership with SAP and an elevated profile in the wake of the landmark Hewlett-Packard deal of 2015.

Y/E Dec Revenue EBITDA PBT EPS P/E P/CF
(€m) (€m) (€m) (c) (x) (x)
2016 80.7 8.1 6.0 100.4 28.5 122.6
2017 122.3 6.9 3.8 61.9 46.3 N/A
2018e 131.0 2.0 (2.5) (36.4) N/A 114.4
2019e 147.5 10.4 5.5 53.6 53.5 19.6
**StatPro Group (SOG)**

**INVESTMENT SUMMARY**

We maintain our forecasts following the AGM update, which revealed that trading remains in line. Management’s two key priorities for FY19 are to improve EBITDA margins in all areas of the business and to ensure the Delta integration is a success. Longer term, margins stand to benefit from increasing scale and costs dropping out as three software platforms are consolidated over the next few years. In our view, the shares look attractive, given the group’s c £56m recurring revenue book and the declining rating (c 15x FY20e), especially in light of the active M&A backdrop in financial software. Axioma, a StatPro competitor in the risk space, was recently acquired by Deutsche Börse for $850m or c 8.5x sales.

**INDUSTRY OUTLOOK**

StatPro’s products are targeted at the global wealth management industry. The outlook for fund managers has been showing improvements. PwC estimated global AuM were $98.1tn in 2017 and are expected to rise to $145.4tn in 2025 (5.0% CAGR). Asset managers have a reputation for being slow to adopt digital technology, but StatPro believes this is now changing. It says that many clients are transforming their technology and the middle office, where StatPro is strong, is part of this process. StatPro is the first cloud-based analytics platform targeting the sector and is therefore well-placed to address the market.

<table>
<thead>
<tr>
<th>Y/E</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>49.3</td>
<td>6.8</td>
<td>3.3</td>
<td>5.8</td>
<td>22.7</td>
<td>8.0</td>
</tr>
<tr>
<td>2018</td>
<td>54.8</td>
<td>9.0</td>
<td>5.0</td>
<td>7.3</td>
<td>18.0</td>
<td>6.7</td>
</tr>
<tr>
<td>2019e</td>
<td>58.0</td>
<td>9.5</td>
<td>6.2</td>
<td>8.0</td>
<td>16.4</td>
<td>5.5</td>
</tr>
<tr>
<td>2020e</td>
<td>61.0</td>
<td>10.5</td>
<td>7.4</td>
<td>9.1</td>
<td>14.5</td>
<td>5.1</td>
</tr>
</tbody>
</table>

**Stride Gaming (STR)**

**INVESTMENT SUMMARY**

Stride Gaming is a leading UK online gaming operator. During 2018, the company faced a number of regulatory headwinds (rising taxes, regulatory fines etc) but we believe Stride is well positioned to take market share in a disrupted industry. The company has confirmed that it is currently reviewing its strategic options, which includes consolidation possibilities. In April 2019, Stride further announced that H119 revenues will be c 5% lower than previously expected - full H119 results are due in May 2019.

**INDUSTRY OUTLOOK**

Regulatory burdens are increasing, with POCT on free bets (from 2017) and a rise in remote gaming duty from 15–21% being implemented from April 2019. Operators need to comply with other measures including social responsibility, source of funds, GDPR, AML etc. The recent £7.1m fine for procedural failures from the Gambling Commission is evidence of the stricter regulatory environment.

<table>
<thead>
<tr>
<th>Y/E</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>89.9</td>
<td>20.2</td>
<td>18.9</td>
<td>25.8</td>
<td>4.5</td>
<td>5.5</td>
</tr>
<tr>
<td>2018</td>
<td>89.0</td>
<td>16.1</td>
<td>14.8</td>
<td>19.2</td>
<td>6.1</td>
<td>5.9</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Sureserve Group (SUR)**

**INVESTMENT SUMMARY**

FY18 was a year of transition for Sureserve as it divested its Contracts and Property maintenance operations to focus on Compliance and Energy support services. The prospective P/E of c 7x warrants investor attention. The investment thesis is that the group will continue to benefit from being more focused, its remaining divisions have strong regulatory drivers underpinning revenue growth and there remains potential to improve margins and scope for growth through the consolidation of a fragmented industry. The outlook statement references a strong order book and a strong start to FY19. The next catalyst is likely to be the interim results expected at the end of June.

**INDUSTRY OUTLOOK**

Growing corporate and government awareness around safety and energy efficiency create an attractive backdrop to Sureserve’s compliance and energy services business, where strong regulatory drivers have the potential to deliver substantial medium-term EBITA growth. The management team appointed in July 2016 to reverse the decline in performance is taking bold decisions.

**Company description**

Sureserve Group (previously Lakehouse) is engaged in asset and energy support services, focused on customers in the outsourced public and regulated sectors in the UK. The group comprises two divisions: compliance and energy services.

**Price performance**

<table>
<thead>
<tr>
<th></th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>0.0</td>
<td>(13.3)</td>
<td>(35.6)</td>
</tr>
<tr>
<td>Relative*</td>
<td>2.3</td>
<td>(15.0)</td>
<td>(31.2)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Neil Shah

---

**Target Healthcare REIT (THRL)**

**INVESTMENT SUMMARY**

Target’s portfolio continued to perform well during the three months ended 31 March (Q319), with RPI-driven rental growth, increased property valuations and progress with the forward-funded development of pre-let, high-quality, purpose-built homes. EPRA NAV per share increased 0.4% to 107.3p and including dividends paid the EPRA NAV total return was 2.0%. This takes the cumulative return in the first nine months of FY19 to 6.1%. The portfolio value increased to £477.1m during the period, with growth driven by continuing investment in the forward-funded developments (two completed in the period and five under construction) and underlying valuation gains. The latter were driven by rental growth, with modest yield tightening in the period. Although there were no acquisitions completed in Q319, £6.9m has since been deployed and the pipeline remains strong. We continue to forecast a fully covered dividend in FY20.

**INDUSTRY OUTLOOK**

The UK population over the age of 85 is expected to increase by 140% from 2014 to 2039 which, combined with a current shortage of high-quality care homes, suggests a strong investment demand in years to come.

**Company description**

Target Healthcare REIT invests in modern, purpose-built residential care homes in the UK let on long leases to high quality care providers. It selects assets according to local demographics and intends to pay increasing dividends underpinned by structural growth in demand for care.

**Price performance**

<table>
<thead>
<tr>
<th></th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(0.5)</td>
<td>(1.1)</td>
<td>6.6</td>
</tr>
<tr>
<td>Relative*</td>
<td>2.5</td>
<td>(0.5)</td>
<td>14.2</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Martyn King
**Telford Homes (TEF)**

**INVESTMENT SUMMARY**

Telford Homes represents a pure play on London’s clear requirement for the delivery of more good-quality, new build homes. Management is continuing to orient development activities towards the more robust build to rent (BTR) subsector – including the recent announcements of two strategic partnerships - although there will be a near-term dip in earnings as the pipeline transitions, factoring in isolated other project delays and current market conditions also. Regaining and sustaining historic profit levels would warrant a share price significantly ahead of the present valuation. FY19 results were published on 29 May and we are reviewing our forecasts.

**INDUSTRY OUTLOOK**

Citing a chronic housing shortage, the Mayor of London’s office has a clear agenda to raise new home building rates to c 65,000 per year over the next 10 years compared to a recent average of less than a third of that level. Medium- and long-term population and household growth expectations further underpin this demand. The tenure mix is expected to continue to move towards a higher proportion of private rental homes.

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>291.9</td>
<td>39.8</td>
<td>34.1</td>
<td>36.6</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>2018</td>
<td>316.2</td>
<td>53.8</td>
<td>46.0</td>
<td>49.4</td>
<td>5.7</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>349.2</td>
<td>48.8</td>
<td>40.3</td>
<td>41.3</td>
<td>6.8</td>
<td>29.2</td>
</tr>
<tr>
<td>2020e</td>
<td>385.9</td>
<td>33.3</td>
<td>25.0</td>
<td>26.4</td>
<td>10.7</td>
<td>8.1</td>
</tr>
</tbody>
</table>

**Thin Film Electronics (THIN)**

**INVESTMENT SUMMARY**

Thinfilm’s recent investor update provided details on how its revised strategy, focused on driving market adoption of its NFC solutions, will potentially take the company to break-even in FY21. It intends to accelerate adoption of its NFC solutions by leading with brand protection rather than mobile marketing as then products will need to be shipped with NFC tags throughout the year, not just for specific campaigns. It is addressing three verticals where counterfeiting is a major issue and where it already has proven capability: wine and spirits; health and beauty; and over-the-counter pharmaceuticals, representing a collective serviceable market of 6–9bn tags per annum.

**INDUSTRY OUTLOOK**

Management hopes to sign-up six or seven channel partners by 2020, each with the potential to deploy 100m tags annually, with Tapi and Bericap already on board. It notes the average selling price of a tag integrated into its CNECT software programme is US$0.13, so deliveries of 500m tags in FY21 (<10% of serviceable market) would generate potential revenues of c US$65m. Management continues to seek additional finance. Our estimates remain under review.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (US$m)</th>
<th>EBITDA (US$m)</th>
<th>PBT (US$m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5.9</td>
<td>(50.9)</td>
<td>(57.5)</td>
<td>(6.6)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>3.4</td>
<td>(49.3)</td>
<td>(54.5)</td>
<td>(4.6)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**Tinexta (TNXT)**

**INVESTMENT SUMMARY**

Tinexta provides IT solutions, information and consulting services in niche markets predominantly to corporate clients. It has leading positions in its domestic Italian markets. In aggregate, we believe the company is capable of 6% organic revenue growth through our forecast period while expanding EBITDA margin, cash flow conversion and ROIC. There is likely to be further M&A in order to increase geographic coverage, client reach or expand the product offer. Q119 results were strong: 10% organic revenue growth and 32% organic EBITDA growth with profit growth across all three divisions. Management retained guidance for FY19, which appears conservative.

**INDUSTRY OUTLOOK**

Tinexta is exposed to favourable growth trends including the transition to a digital world and the requirement for enhanced online security. Starting from a purely domestic Italian focus, the company is exploiting these trends internationally. In particular, given recent regulatory changes, in Digital Trust the group is leveraging its Italian expertise to expand on an EU-wide basis with a unified legal base across the region. At the same time, Tinexta is likely to make acquisitions in Italy and Europe that will further expand its addressable markets, and seek cross-selling opportunities between the business units.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>174.8</td>
<td>40.6</td>
<td>30.5</td>
<td>46.04</td>
<td>28.5</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>238.7</td>
<td>66.0</td>
<td>48.6</td>
<td>73.90</td>
<td>17.8</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>256.5</td>
<td>70.2</td>
<td>52.6</td>
<td>77.74</td>
<td>16.9</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>272.9</td>
<td>75.7</td>
<td>57.4</td>
<td>84.73</td>
<td>15.5</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Company description**

Tinexta has three business divisions: Digital Trust – solutions to improve digital security; Credit Information & Management – information services to help manage corporate credit; and Innovation & Marketing Services – consulting services to help clients develop and/or grow their businesses.

**Price performance**

- %: 20.8, 51.0, 117.5
- Relative*: 29.0, 52.6, 140.3

* % Relative to local index

**Analyst**

Russell Pointon

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**Town Centre Securities (TOWN)**

**INVESTMENT SUMMARY**

H119 saw continued progress with unlocking value from the development pipeline, particularly focused on offices and residential assets. Underlying operational performance was robust with a challenging retail environment well managed. Occupancy increased to 96%, a 0.9% increase in like-for-like rent roll, and a c 14% increase in car parking operating profits. However, EPRA earnings reduced by 8.8% y-o-y to £3.7m (H118: £4.0m, H218: £3.9m), and EPRA EPS to 6.9p, due to the negative effect of a number of specific items. Weaker property asset values, particularly in retail, resulted in NAV per share falling 6% to 361p (end-FY18: 384p). TCS has a strong focus on dividend returns and has increased or maintained DPS in each of the last 58 years, while investing for growth. The unchanged 3.25p interim DPS remained well covered and we expect full cover for the year. Our multi-year estimates capture only a small part of the development pipeline opportunity that is available within the current portfolio, subject to funding.

**INDUSTRY OUTLOOK**

The supply demand balance for regional office and industrial property remains generally firm, and a positive yield spread between the regions and London offers potential for further narrowing. Parts of the retail sector are displaying clear signs of stress.

<table>
<thead>
<tr>
<th>Y/E Jun</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>19.4</td>
<td>13.8</td>
<td>7.0</td>
<td>13.2</td>
<td>15.2</td>
<td>5.9</td>
</tr>
<tr>
<td>2018</td>
<td>19.3</td>
<td>13.6</td>
<td>6.9</td>
<td>13.0</td>
<td>15.4</td>
<td>7.5</td>
</tr>
<tr>
<td>2019e</td>
<td>20.1</td>
<td>13.4</td>
<td>6.4</td>
<td>12.1</td>
<td>16.5</td>
<td>7.4</td>
</tr>
<tr>
<td>2020e</td>
<td>20.4</td>
<td>13.6</td>
<td>6.6</td>
<td>12.4</td>
<td>16.1</td>
<td>7.2</td>
</tr>
</tbody>
</table>
**TransContainer (TRCN)**

**INVESTMENT SUMMARY**

TransContainer continued to grow strongly in Q1 with 20% y-o-y revenue growth and net income more than doubling to RUB2.6bn. The revenue growth in Q1 is above the trend we forecast for FY19 (+13% y-o-y). Integrated Freight Forwarding and Logistics Services remains the key growth engine (up 18.5% y-o-y in Q1); on a geographical basis, sales to customers located in China posted particularly strong growth (up 3x y-o-y). TransContainer continues to trade at a substantial discount to international peers, both in emerging markets and developed markets.

**INDUSTRY OUTLOOK**

Containerisation is a structural trend for the Russian market and should support revenue and profit growth for TransContainer, in our view. Currently, only 7.2% of Russia’s potentially containerisable rail cargo is transported in containers and, although this figure rose from 2.2% in 2001, it is still much lower than in the US (18%), India (16%) and Europe (14%).

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (RUBm)</th>
<th>EBITDA (RUBm)</th>
<th>PBT (RUBm)</th>
<th>EPS (fd) (RUB)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>27782.0</td>
<td>10252.0</td>
<td>8147.0</td>
<td>448.2</td>
<td>14.9</td>
<td>8.7</td>
</tr>
<tr>
<td>2018</td>
<td>31288.0</td>
<td>13342.0</td>
<td>10263.0</td>
<td>560.9</td>
<td>11.9</td>
<td>6.5</td>
</tr>
<tr>
<td>2019e</td>
<td>34352.0</td>
<td>16138.0</td>
<td>11617.0</td>
<td>660.5</td>
<td>10.1</td>
<td>5.5</td>
</tr>
<tr>
<td>2020e</td>
<td>37833.0</td>
<td>18065.0</td>
<td>13056.0</td>
<td>742.3</td>
<td>9.0</td>
<td>4.9</td>
</tr>
</tbody>
</table>

**Company description**

TransContainer owns and operates rail freight assets across Russia. Its assets comprise rail flatcars, handling terminals and trucks, through which it provides integrated end-to-end freight forwarding services to its customers.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>6.1</td>
<td>33.9</td>
<td>34.7</td>
</tr>
<tr>
<td>Relative*</td>
<td>3.3</td>
<td>26.7</td>
<td>16.0</td>
</tr>
</tbody>
</table>

* % Relative to local index

Analyst

Dario Carradori

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**Treatt (TET)**

**INVESTMENT SUMMARY**

Treatt has transformed itself from a commodity-based ingredients trading house into a supplier of value-added ingredients and ingredient solutions. The previous strategy was delivered three years ahead of target, following a stellar FY17, and the current strategy builds on the strong momentum in the business, which has seen five consecutive years of earnings above company expectations. There will be a full site relocation for the UK business over the next three years or so and expansion of the US site has now been completed.

**INDUSTRY OUTLOOK**

Treatt is migrating its business from that of a pure supplier to the food and beverage industries to being a valued partner in the development of new ingredients. Citrus and tea flavours and sugar reduction are core areas of focus, with the latter undergoing a structural growth trend.

<table>
<thead>
<tr>
<th>Y/E Sep</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>101.3</td>
<td>15.0</td>
<td>12.8</td>
<td>18.5</td>
<td>21.8</td>
<td>45.0</td>
</tr>
<tr>
<td>2018</td>
<td>112.2</td>
<td>16.6</td>
<td>13.8</td>
<td>20.3</td>
<td>19.9</td>
<td>64.1</td>
</tr>
<tr>
<td>2019e</td>
<td>113.8</td>
<td>15.7</td>
<td>14.0</td>
<td>18.1</td>
<td>22.3</td>
<td>15.9</td>
</tr>
<tr>
<td>2020e</td>
<td>116.1</td>
<td>18.4</td>
<td>14.7</td>
<td>19.0</td>
<td>21.3</td>
<td>14.0</td>
</tr>
</tbody>
</table>

**Company description**

Treatt provides innovative ingredient solutions from its manufacturing bases in Europe, North America and Africa, principally for the flavours and fragrance industries and multinational consumer goods companies, particularly in the beverage sector.

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(3.8)</td>
<td>(7.6)</td>
<td>(16.0)</td>
</tr>
<tr>
<td>Relative*</td>
<td>(1.0)</td>
<td>(7.5)</td>
<td>(10.8)</td>
</tr>
</tbody>
</table>

* % Relative to local index

Analyst

Sara Welford
**Tungsten Corporation (TUNG)**

**INVESTMENT SUMMARY**

Tungsten’s FY19 trading update in May has signalled its first full-year EBITDA profit and a move into cash generation in the second half, both important and encouraging milestones for the group. The update indicated an expected y-o-y revenue increase of 6% to £35.3m, an EBITDA profit of £2.5m (vs £3.3m loss) and net cash of £2.8m (vs £6.4m last year and £2.0m at the end of first half). These revenue and EBITDA figures exclude Tungsten Network Finance (TNF), which is being sold with the disposal expected to take place in the first half of FY20. Including TNF, the indicated EBITDA profit is £0.6m (vs £4.6m loss).

**INDUSTRY OUTLOOK**

Looking ahead, the group’s operating review has given a clearer sense of purpose with its identification of differentiating strengths in the business and initiation of partnerships to improve access to market opportunities. There is a sense that the business is set on the path to sustainable profitability and cash generation.

**Y/E Apr Revenue EBITDA PBT EPS P/E P/CF**

<table>
<thead>
<tr>
<th></th>
<th>(£m)</th>
<th>(£m)</th>
<th>(£m)</th>
<th>(p)</th>
<th>(x)</th>
<th>(x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>31.3</td>
<td>(11.8)</td>
<td>(12.7)</td>
<td>(9.9)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>33.7</td>
<td>(4.6)</td>
<td>(12.7)</td>
<td>(9.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(11.3)</td>
<td>(14.1)</td>
<td>(28.0)</td>
</tr>
<tr>
<td>Relative*</td>
<td>(5.3)</td>
<td>(13.2)</td>
<td>(20.4)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Andrew Mitchell

---

**TXT e-solutions (TXT)**

**INVESTMENT SUMMARY**

With the acquisition of Assioma, TXT continues to deploy its substantial cash pile. The deal doubles the size of its financial institution-focused software testing business and is earnings accretive. The company announced strong Q119 revenue and net income growth, with a particularly good performance from the Aerospace, Aviation & Automotive business. We have revised our forecasts to reflect the acquisition and Q1 results, with EPS upgrades of 31% and 22% in FY19 and FY20 respectively.

**INDUSTRY OUTLOOK**

TXT Next is a beneficiary of the trend to outsource elements of IT and engineering, which gives the customer greater flexibility on cost and better access to specialist skills. Its main focus is on the aerospace and aviation market, where the rapid pace of innovation, combined with increasing regulation, drives growth in R&D. It also serves the Italian banking market, where the emergence of fintech companies is driving innovation, and regulation is increasing the need for software quality assurance.

**Y/E Dec Revenue EBITDA PBT EPS P/E P/CF**

<table>
<thead>
<tr>
<th></th>
<th>(£m)</th>
<th>(£m)</th>
<th>(£m)</th>
<th>(c)</th>
<th>(x)</th>
<th>(x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>35.9</td>
<td>3.5</td>
<td>3.0</td>
<td>18.59</td>
<td>44.3</td>
<td>810.2</td>
</tr>
<tr>
<td>2018</td>
<td>40.0</td>
<td>4.1</td>
<td>1.5</td>
<td>10.28</td>
<td>80.2</td>
<td>47.3</td>
</tr>
<tr>
<td>2019e</td>
<td>54.3</td>
<td>5.5</td>
<td>5.2</td>
<td>30.64</td>
<td>26.9</td>
<td>27.3</td>
</tr>
<tr>
<td>2020e</td>
<td>61.2</td>
<td>7.3</td>
<td>5.9</td>
<td>34.46</td>
<td>23.9</td>
<td>15.7</td>
</tr>
</tbody>
</table>

**Price performance**

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>(11.3)</td>
<td>(14.1)</td>
<td>(28.0)</td>
</tr>
<tr>
<td>Relative*</td>
<td>(5.3)</td>
<td>(13.2)</td>
<td>(20.4)</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Katherine Thompson

---
**Tyman (TYMN)**

**INVESTMENT SUMMARY**

In the first four months of FY19, Tyman’s headline revenue increased by 15% y-o-y and was flat in underlying terms (excluding FX and acquisition effects). While activity levels were slightly lower than management expected, full year guidance and our estimates are unchanged. No specific reference was made to individual acquisitions; an additional two months or so of Ashland Hardware (USA/AmesburyTruth) at the start of the year will have been the most significant contributor, with lesser benefits in the UK/ERA (Zoo Hardware, Profab, Y-Cam) and RoW/SG (Reguitti) also.

**INDUSTRY OUTLOOK**

Leading North American and European markets are expected to grow modestly and the new-build sector has generally continued to be firmer than RMI spend which has been more patchy.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>522.7</td>
<td>91.7</td>
<td>68.3</td>
<td>26.7</td>
<td>9.3</td>
<td>6.5</td>
</tr>
<tr>
<td>2018</td>
<td>591.5</td>
<td>98.5</td>
<td>72.7</td>
<td>27.5</td>
<td>9.0</td>
<td>5.6</td>
</tr>
<tr>
<td>2019e</td>
<td>625.8</td>
<td>111.8</td>
<td>83.8</td>
<td>31.1</td>
<td>8.0</td>
<td>4.9</td>
</tr>
<tr>
<td>2020e</td>
<td>642.5</td>
<td>119.9</td>
<td>92.0</td>
<td>34.1</td>
<td>7.3</td>
<td>4.2</td>
</tr>
</tbody>
</table>

**Company description**

Tyman’s product portfolio substantially addresses the residential RMI and building markets with increasing commercial sector exposure following acquisitions. It manufactures and sources window and door hardware and seals, reporting in three divisions.

**Price performance**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>2.4</td>
<td>2.3</td>
<td>25.5</td>
</tr>
<tr>
<td>Relative*</td>
<td>0.3</td>
<td>1.8</td>
<td>20.9</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Toby Thorrington

---

**UmweltBank (UBK)**

**INVESTMENT SUMMARY**

UmweltBank (UBK) is a play on Germany’s ongoing transition towards a low-carbon, resource-efficient economy. Its long-term asset and earnings growth should continue to be driven by regulatory and public support of green construction and renewable energy (RE) projects. In this context, UBK recently raised €45m of new tier 2 capital and is considering a new share issuance to further improve the CET1 ratio. UBK is one of the most profitable listed banks in the German-speaking region due to its low cost base and high credit quality. Its shares trade at a P/BV 2019e of 1.3x, which compares with our FY19e ROE expectations of 10.1%.

**INDUSTRY OUTLOOK**

UBK’s focus on financing sustainable projects should continue to facilitate the bank’s growth in the long term, with Germany’s ambitious target to generate more than 80% of electricity from RE sources by 2050 (vs 40% in 2018). In the short term however, the recently introduced auction system aimed at encouraging more competition and cost effectiveness has led to some market uncertainty. The trend towards sustainability is also reshaping the German real estate industry and is becoming one of the key drivers of UBK’s new lending volumes.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>PBT (€m)</th>
<th>EPS (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>55.1</td>
<td>N/A</td>
<td>40.3</td>
<td>99.4</td>
<td>10.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>53.8</td>
<td>N/A</td>
<td>37.3</td>
<td>90.0</td>
<td>11.7</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>54.0</td>
<td>N/A</td>
<td>35.5</td>
<td>85.1</td>
<td>12.4</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Company description**

UmweltBank is a specialised lender with total assets of €3.7bn, providing financing of renewable energy projects, as well as loans for new construction or renovation of sustainable residential, community and commercial real estate.

**Price performance**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>6.4</td>
<td>19.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Relative*</td>
<td>8.5</td>
<td>13.3</td>
<td>15.9</td>
</tr>
</tbody>
</table>

* % Relative to local index

**Analyst**

Milosz Papst
Vermilion Energy (VET)

INVESTMENT SUMMARY

Vermilion Energy’s defensive qualities include asset and commodity diversification, low financial leverage, high margins and low finding and development (F&D) costs. Management’s commitment to providing shareholders a sustainable dividend is supported by a deep and diverse portfolio of assets resilient to a volatile commodity price environment. Vermilion ranks highly for ESG performance and was named to the CDP climate leadership level A- in 2018. Our base case valuation stands at C$47.5/share and the share price is well supported by a c 8.1% yield.

INDUSTRY OUTLOOK

Vermilion’s operations are in OECD countries and predominantly onshore; political, operational and subsurface risk is well spread. Vermilion benefits from realisations based on a number of regional commodity prices including Brent, WTI crude and Henry Hub, TTF, NBP and AECO gas.

Walker Greenbank (WGB)

INVESTMENT SUMMARY

The headline FY19 revenue drivers were well trailed with the pre-close statement with normalised PBT (-25% y-o-y) and EPS (-27% y-o-y) in line with our revised estimates at that time. Higher licence and international revenues were bright spots but weak UK demand proved to be a significant headwind, most visibly affecting Brands’ profitability. Free cash flow improved significantly vs the prior period and contributed to a modest net funds position at the end of the year. Increased focus in developing individual brands and international markets has been highlighted previously by management. We expect board changes to result in further refinements to strategy, led by new CEO Lisa Montague, who brings experience in premium consumer brands backed by manufacturing operations.

INDUSTRY OUTLOOK

The UK interior furnishings industry has experienced uncertainty for many years under the influence of economic shifts and fashion changes. Many brands have failed to grow, while significant production capacity has been closed down, with manufacture for the volume segment largely moved overseas. Success continues to be delivered by businesses able to differentiate themselves from competition by consistently offering innovative and high-quality design and products.
WANdisco (WAND)

INVESTMENT SUMMARY

WANdisco made substantial strategic progress in FY18, deepening both its partnerships with major cloud providers and broadening its product base. With discussions over a strategic deal with a major cloud vendor still ongoing, and FY19 off to a good start (Q1 revenue up 38% y-o-y), our forecasts, which imply over 80% y-o-y growth, look achievable. In our view the company’s exceptional growth prospects and potential strategic value justify a premium rating.

INDUSTRY OUTLOOK

WANdisco’s core Fusion product enables clients to move large amounts of data over large distances while still using it. This capability means that the company is exceptionally well placed to benefit from the rapid shift of data to the cloud (both for pure cloud and hybrid environments) and potentially Blockchain as well.

Wheaton Precious Metals (WPM)

INVESTMENT SUMMARY

WPM’s Q119 results were closely in line with our prior expectations, with the exception of a large gold inventory drawdown, which offset a silver inventory increase to result in net earnings that were within 3.5% of our prior forecasts. Probably more importantly, in December, WPM reached a settlement with the Canada Revenue Agency to the effect that foreign income on earnings generated by WPM’s international subsidiaries will remain exempt from tax in Canada in the future.

INDUSTRY OUTLOOK

Assuming no purchases of additional streams, we forecast a value for WPM of US$33.41/share (C$45.03/share) in FY20. Concerns that operations at Salobo could be affected by Vale’s iron ore tailings dams problems appear without foundation. In the meantime, WPM is trading on near-term financial ratios that are cheaper than its royalty/streaming peers on 91% of common financial measures and the miners themselves on 41% of the same measures, despite being associated with materially less operating and cost risk.
Windar Photonics (WPHO)

INVESTMENT SUMMARY

Windar has entered into an exclusive agreement with The Technical University of Denmark (DTU) to incorporate software from DTU that can deliver extreme load reductions on turbines of 5–10% and thus increase the expected operational lifetime of a turbine by the same amount. This improvement can be achieved without requiring changes to be made to existing controller systems. Windar anticipates that the new software will be launched during 2020, complementing its existing yaw alignment optimisation technology. Windar has also announced the appointment of a chief operations officer and a sales manager with a primary focus on Vestas.

INDUSTRY OUTLOOK

Management is confident that the global distribution agreement with Vestas announced in June 2018 will help deliver further revenue growth in FY19. Vestas is the largest maintenance provider in the industry with, we estimate, around 31,000 turbines under service. Management also expects continued demand from its Asian partners for retrofit applications and continues to work on turbine integration projects with OEMs, some of which are in the final verification stages.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (fd) (c)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.2</td>
<td>(2.4)</td>
<td>(3.0)</td>
<td>(7.6)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2017</td>
<td>2.2</td>
<td>(1.2)</td>
<td>(2.1)</td>
<td>(5.0)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2018e</td>
<td>3.5</td>
<td>(0.4)</td>
<td>(0.8)</td>
<td>(1.5)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>6.0</td>
<td>0.6</td>
<td>0.2</td>
<td>0.4</td>
<td>136.7</td>
<td>58.8</td>
</tr>
</tbody>
</table>

XP Power (XPP)

INVESTMENT SUMMARY

XP’s Q1 revenues reflect varying performance by end market: encouraging growth from industrial, healthcare and technology customers was offset by the expected decline in demand from the semiconductor sector. Order intake was higher on a year-on-year and quarter-on-quarter basis, resulting in a book-to-bill of 1.16x for Q1. Net debt reduced from £52.0m at the end of FY18 to £49.1m at the end of Q119. XP announced a 17p quarterly dividend, in line with our forecast. With management’s full-year expectations unchanged, we maintain our forecasts.

INDUSTRY OUTLOOK

XP supplies four end-markets: Healthcare, Industrial, Semiconductors and Technology, across Europe, North America and Asia. The Industrial segment is relatively fragmented, but the company sees demand across various applications. The Healthcare business continues to gain market share, with corporate approvals from the major suppliers in place. The Semiconductor segment is the most cyclical, tracking the capex requirements of semiconductor manufacturers.

<table>
<thead>
<tr>
<th>Y/E Dec</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E (x)</th>
<th>P/CF (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>166.8</td>
<td>41.7</td>
<td>36.1</td>
<td>147.0</td>
<td>16.0</td>
<td>N/A</td>
</tr>
<tr>
<td>2018</td>
<td>195.1</td>
<td>49.2</td>
<td>41.2</td>
<td>172.8</td>
<td>13.6</td>
<td>N/A</td>
</tr>
<tr>
<td>2019e</td>
<td>210.3</td>
<td>52.9</td>
<td>43.9</td>
<td>184.2</td>
<td>12.8</td>
<td>N/A</td>
</tr>
<tr>
<td>2020e</td>
<td>220.0</td>
<td>55.8</td>
<td>46.0</td>
<td>192.4</td>
<td>12.2</td>
<td>N/A</td>
</tr>
</tbody>
</table>
YouGov (YOU)

INVESTMENT SUMMARY

As indicated at January’s trading update, YouGov had a strong H119. 18% revenue growth (10% underlying) blends +34% from Products & Services with +4% from Custom. More notable, though, is the step up in adjusted operating margin from 16% in H118 to 19% as the syndicated data model starts to show its value. Management has outlined ambitious new, five-year targets; looking to double group revenue and operating margin and achieve a CAGR of over 30% for EPS. With the continuing investment requirement, we expect stronger progress towards these targets in the second half of the period. Nevertheless, they underpin the valuation.

INDUSTRY OUTLOOK

Global MR continues to go through an extended period of change, fuelled by vast quantities of data leading to a proliferation of tools to manipulate it. This has brought influential new players to the market, some from the tech angle, but also global consultancy majors, and from in-house teams at client companies. The GDPR has altered the system of consumer consent. YouGov’s highly permissioned, first party data model provides a competitive advantage, including over tech companies such as Facebook and Google.

<table>
<thead>
<tr>
<th>Y/E Jul</th>
<th>Revenue (£m)</th>
<th>EBITDA (£m)</th>
<th>PBT (£m)</th>
<th>EPS (p)</th>
<th>P/E</th>
<th>P/CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>107.0</td>
<td>17.2</td>
<td>17.9</td>
<td>10.5</td>
<td>50.2</td>
<td>29.2</td>
</tr>
<tr>
<td>2018</td>
<td>116.6</td>
<td>24.6</td>
<td>26.9</td>
<td>15.6</td>
<td>33.8</td>
<td>23.5</td>
</tr>
<tr>
<td>2019e</td>
<td>137.0</td>
<td>26.2</td>
<td>27.2</td>
<td>16.2</td>
<td>32.5</td>
<td>22.1</td>
</tr>
<tr>
<td>2020e</td>
<td>150.0</td>
<td>30.2</td>
<td>30.5</td>
<td>18.7</td>
<td>28.2</td>
<td>20.8</td>
</tr>
</tbody>
</table>

Fiona Orford-Williams

Company description

YouGov is an international data and analytics group offering a data-led suite of products and services including YouGov BrandIndex, YouGov Profiles, YouGov Omnibus and custom research.

Price performance

<table>
<thead>
<tr>
<th>%</th>
<th>1m</th>
<th>3m</th>
<th>12m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>17.1</td>
<td>11.9</td>
<td>20.5</td>
</tr>
<tr>
<td>Relative*</td>
<td>21.8</td>
<td>9.9</td>
<td>29.2</td>
</tr>
</tbody>
</table>

* % Relative to local index
## Edison dividend list

<table>
<thead>
<tr>
<th>Company name</th>
<th>FY0 period end</th>
<th>Currency</th>
<th>DPSFY0</th>
<th>DPSFY1</th>
<th>DPSFY2</th>
</tr>
</thead>
<tbody>
<tr>
<td>4imprint Group</td>
<td>2018/12</td>
<td>USD</td>
<td>70.0</td>
<td>80.0</td>
<td>87.5</td>
</tr>
<tr>
<td>Avon Rubber</td>
<td>2018/09</td>
<td>GBP</td>
<td>16.0</td>
<td>20.8</td>
<td>27.1</td>
</tr>
<tr>
<td>BCA Marketplace</td>
<td>2018/03</td>
<td>GBP</td>
<td>8.6</td>
<td>9.4</td>
<td>10.2</td>
</tr>
<tr>
<td>Borussia Dortmund</td>
<td>2018/06</td>
<td>EUR</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Carr's Group</td>
<td>2018/08</td>
<td>GBP</td>
<td>4.5</td>
<td>4.7</td>
<td>4.9</td>
</tr>
<tr>
<td>China Aviation Oil (Singapore)</td>
<td>2018/12</td>
<td>USD</td>
<td>3.3</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>China Water Affairs Group</td>
<td>2018/03</td>
<td>HKD</td>
<td>23.0</td>
<td>30.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Circle Property</td>
<td>2018/03</td>
<td>GBP</td>
<td>5.6</td>
<td>6.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Cohort</td>
<td>2018/04</td>
<td>GBP</td>
<td>8.2</td>
<td>9.2</td>
<td>10.1</td>
</tr>
<tr>
<td>CREALOGIX Group</td>
<td>2018/06</td>
<td>CHF</td>
<td>25.0</td>
<td>75.0</td>
<td>125.0</td>
</tr>
<tr>
<td>De La Rue</td>
<td>2018/03</td>
<td>GBP</td>
<td>25.0</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>DeA Capital</td>
<td>2018/12</td>
<td>EUR</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>discoverIE Group</td>
<td>2018/03</td>
<td>GBP</td>
<td>9.0</td>
<td>9.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Ebiquity</td>
<td>2018/12</td>
<td>GBP</td>
<td>0.7</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Eddie Stobart Logistics</td>
<td>2018/11</td>
<td>GBP</td>
<td>6.3</td>
<td>6.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Entertainment One</td>
<td>2019/03</td>
<td>GBP</td>
<td>1.5</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Epwin Group</td>
<td>2018/12</td>
<td>GBP</td>
<td>4.9</td>
<td>5.0</td>
<td>5.3</td>
</tr>
<tr>
<td>EQS Group</td>
<td>2018/12</td>
<td>EUR</td>
<td>0.0</td>
<td>0.0</td>
<td>35.0</td>
</tr>
<tr>
<td>ERM Power</td>
<td>2018/06</td>
<td>AUD</td>
<td>7.5</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Esker</td>
<td>2018/12</td>
<td>EUR</td>
<td>36.0</td>
<td>39.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Euromoney Institutional Investor</td>
<td>2018/09</td>
<td>GBP</td>
<td>32.4</td>
<td>34.0</td>
<td>35.5</td>
</tr>
<tr>
<td>Focusrite</td>
<td>2018/08</td>
<td>GBP</td>
<td>3.3</td>
<td>3.6</td>
<td>3.7</td>
</tr>
<tr>
<td>GB Group</td>
<td>2018/03</td>
<td>GBP</td>
<td>2.7</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Globalworth Real Estate Investments</td>
<td>2018/12</td>
<td>EUR</td>
<td>54.0</td>
<td>54.0</td>
<td>58.0</td>
</tr>
<tr>
<td>Gregggs</td>
<td>2018/12</td>
<td>GBP</td>
<td>35.7</td>
<td>44.2</td>
<td>48.5</td>
</tr>
<tr>
<td>John Laing Group</td>
<td>2018/12</td>
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