Quarterly Research Outlook

April 2019

UK Equity Research

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Arden Partners

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Our analysis is built on in-depth research, which values close relationships with the management teams of our research companies, thereby providing added value investment perspectives to our fund manager client base.

Welcome to Arden's Quarterly Research Outlook for Spring 2019

We're just over three months in to 2019 and we've seen a 10% UK market rally, retracing much of the Q4 decline, such is the nature of fickle market sentiment. That said, many of the issues we wrote about three months ago that were impacting markets remain: notably Brexit, trade wars, geopolitics and global monetary policy. The 2019 rally thus far feels somewhat fragile, with competing forces of optimism on a potential trade deal that could underpin the rally, against the deterioration in underlying economic data that could ultimately undermine the recent market gains.

In this context, we look at what the lead indicators and the market are telling us about the industrial cycle and the stocks most exposed to various industrial trends. The Q4 derating in short cycle industrials and autos had been vicious and, while these sectors have seen a more solid footing in 2019, with earnings downgrades being priced in, it will likely take a trough in lead indicators before short-cycle stocks can start to perform again and rerate relative to the market.

Against this market backdrop, in January we published our Best Ideas piece for 2019, with good performances from a number of stocks, notably Asiamet, Macfarlane, Anexo, Cloudcall and Vianet. We continue to see value in these names as we highlight later in this research note.

In addition, we have added 11 further stocks to our overall research coverage in Q1 2019, initiating on the litigation funders Burford Capital, Manolete Partners and Litigation Capital Management, the streaming localisation company Zoo Digital, CyanConnode, Somero Enterprises, Lok'nStore, Plant Health Care, Hydrodec, Phoenix Global Mining and Pantheon Resources. Please revisit these initiations and engage with the team at Arden to discuss.

The Arden Research Team

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Fragile rally or reignited Bull

We're just over three months in to 2019 and we've seen a 10% UK market rally, retracing much of the Q4 decline, such is the nature of fickle market sentiment. That said, many of the issues we wrote about three months ago that were impacting markets remain: notably Brexit, trade wars, geopolitics and global monetary policy. The 2019 rally thus far feels somewhat fragile, with competing forces of optimism on a potential trade deal which could underpin the rally, against the deterioration in underlying economic data that could ultimately undermine the recent market gains.

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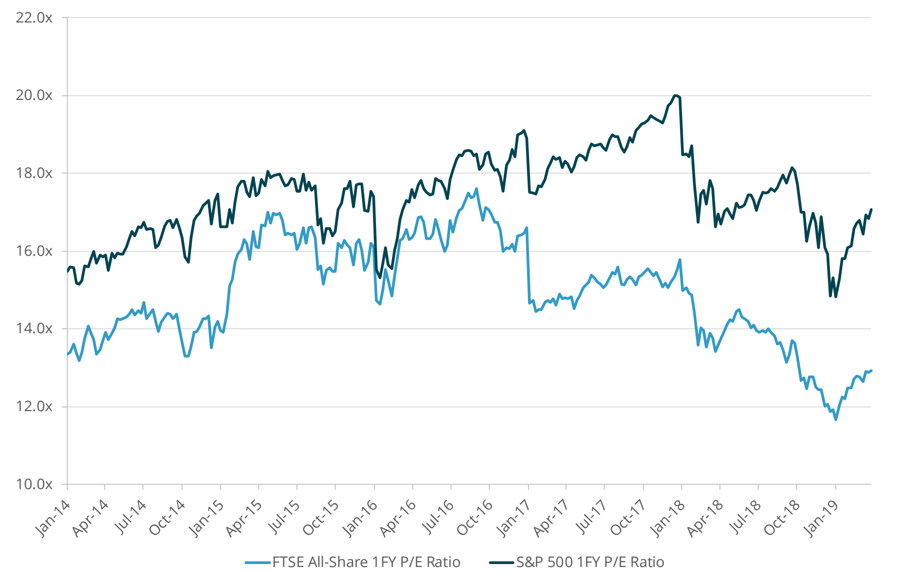
Global equities have rebounded from a tough Q4

The start of 2019 has seen a welcomed rebound in global equity performance following the sharp deterioration in markets in Q4 2018. To expand on this further, UK equities have rallied in Q1 19, with the FTSE All-Share Index up 8.3%, rerating from a 5-year low 11.7x to current levels of 12.9x.

The rebound across the Atlantic has been marginally stronger with the S&P 500 rallying 13.1% in Q1, re-rating from 14.8x to 17.1x. Interestingly, we highlight that the P/E spread between UK and US equities has now widened further.

FTSE All-Share and S&P 500 forward P/E multiples 2014-2019



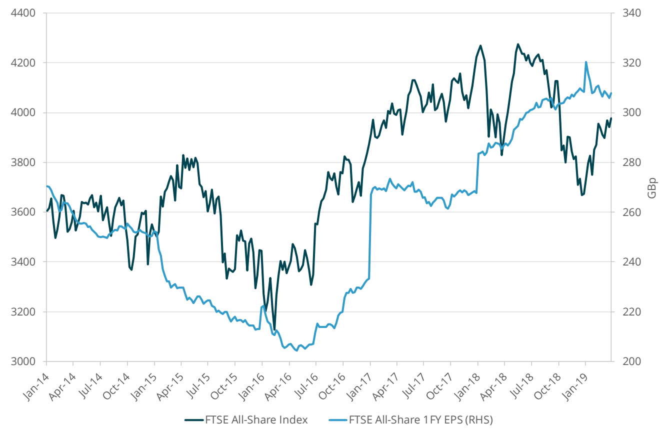
Source: Arden Research, Bloomberg.

That said, many of the issues we wrote about three months ago that were impacting markets remain: notably Brexit, trade wars, geopolitics and global monetary policy.

The 2019 rally YTD feels somewhat fragile, albeit with optimism on a potential trade deal that could underpin the rally. While this might help markets and overall investor sentiment, it's possible that this could delay the inevitable as underlying deteriorating economic data could ultimately undermine the recent market gains.

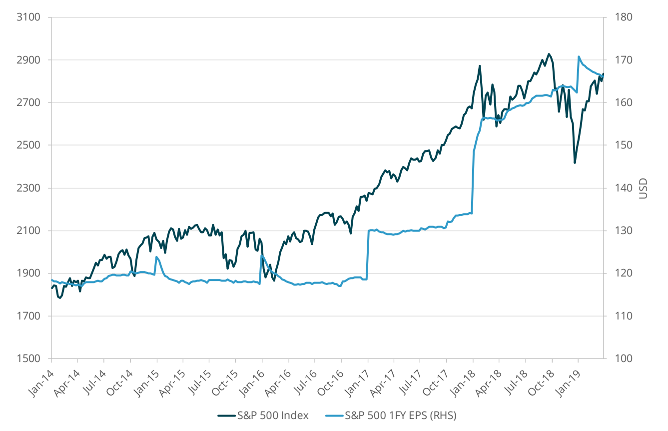
Analysing this in more detail, we note that the Q4 '18 derating and subsequent 2019 re-rating have been driven by a combination of volatile market sentiment, following China slowing and then rebounding and the flip-flopping of the Federal Reserve outlook, while consensus earnings have weakened slightly with the US Q1 earnings season about to kick off.

FTSE All Share Index - Price and Earnings (2014-2019)



Source: Arden Research and Bloomberg.

S&P 500 Index - Price and Earnings (2014-2019)



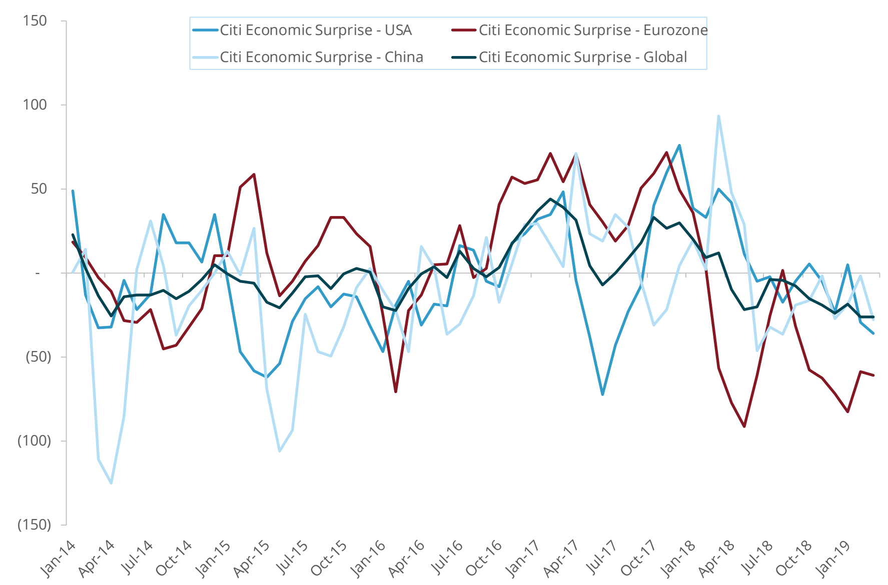
Source: Arden Research and Bloomberg.

Economic surprise indices tell a worrisome story

Despite the equity rally, feedback from investors continues to reiterate a view of caution, particularly in the context of a confluence of political and economic headlines capturing the attention of markets, namely (but clearly not limited to) concerns over the global economy slowing, US-China trade wars, signs of Europe flirting with a recession and, of course, the political drama at Downing Street.

In our view, economic surprise indices provide for an interesting read. As the chart below illustrates, despite positive returns from UK/US equities in Q1 2019, we are still in a phase of *negative* (and perhaps troughing) surprises, albeit not as severe as what has been recorded in previous years. In light of this, we pose the question over whether the start of Q1 19 has in fact been a potential overreaction in equities or an appropriate reversal of Q4 performance with negatives priced in by the turn of 2019.

Citi Economic Surprise Indices (2014-2019)



Source: Arden Research and Bloomberg.

As with all these things, the answer at this stage is "a bit of both" although more recent data suggests caution remains warranted and we would favour more defensive or idiosyncratic (self-help, share gainers, recovery and structural growth) equity stories at this stage of the cycle.

Recent PMI data mixed to say the least

To further assess recent equity performance, we look towards recent PMI/ISM data as an initial guide over whether industry sentiment is supportive of a Q1 rebound.

Beginning with the US, PMI data is suggestive of the expansion phase continuing, with ISM data reinforcing this view. That said, the surveys show "lower highs" more recently, which are likely weighing on investor sentiment.

US PMI Manufacturing & Composite (2014-2019)

Source: Arden Research, Bloomberg and Investing.com.

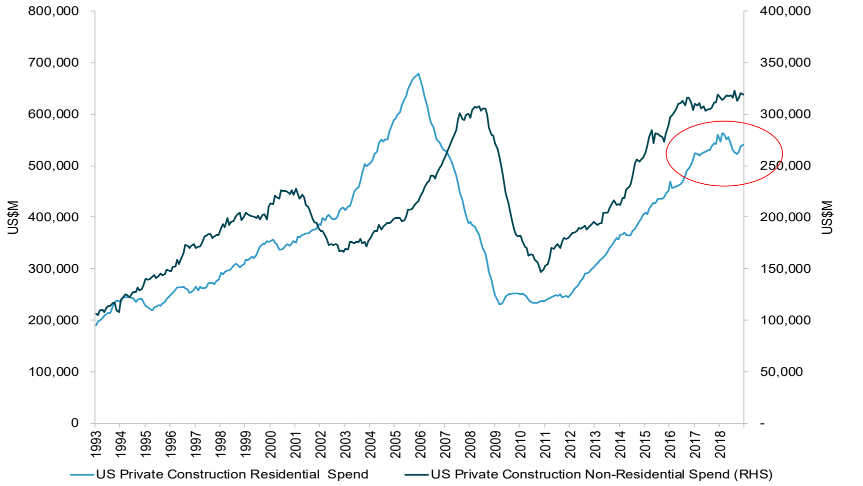
US ISM Manufacturing & Composite (2014-2019)

Source: Arden Research, Bloomberg and Investing.com.

However, concerns around the risk of a recession, a yield curve that is showing signs of inversion, and an unexpected change in the Federal Reserve's outlook for future rate rises, remind us that underlying trends may be hidden. In fact, the nature of current central bank policy and political issues suggest the classic "business cycle" and, therefore, lead indicator data might be rendered moot, such is the reliance on sentiment rather than hard numbers (to which central bank policy reacts).

To reiterate this point, our recent initiation of Somero highlighted the downside risks to earnings from an apparent decline in private residential construction spending in the US – a potential lead indicator for Somero's core market of private non-resi; this is despite PMIs being in expansion territory.

Value of US Private Residential vs Non-Residential Construction Put-in-place

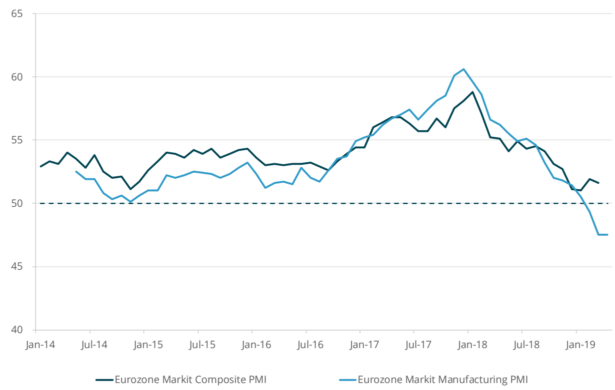


Source: Arden Research, Bloomberg, U.S. Census Bureau.

Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis.

Turning our attention to Europe for a moment the story is somewhat more concerning (as depicted below). Having seen a period of acceleration from mid-2016 to early 2018, the path since has trended downward, with latest manufacturing PMI data reiterating not just a slowdown in growth, but a contraction. With the industrial powerhouse that is the German economy marginally avoiding recession, arguably this should come as no surprise.

Eurozone PMI Manufacturing & Composite (2014-2019)



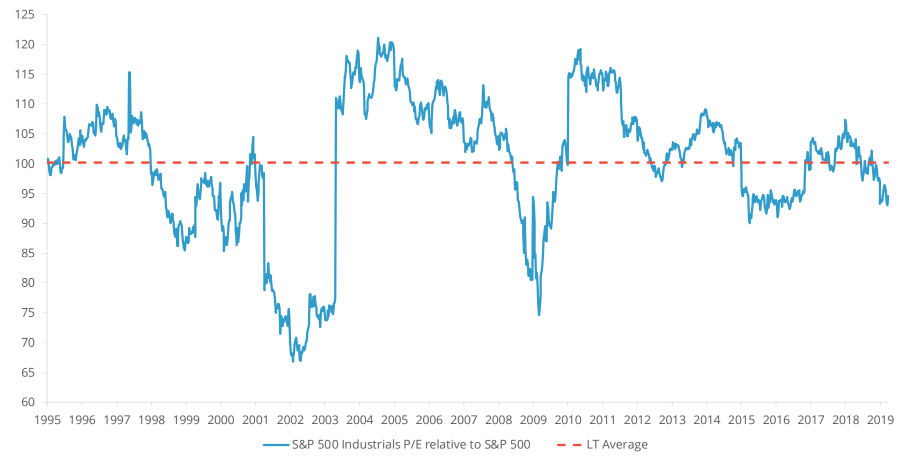
Source: Arden Research, Bloomberg and Investing.com

What does this mean for the industrials sector?

Our focus so far has tried to 'piece' recent equity performance with PMI and economic surprise indices. We now turn our attention to whether recent gains in equities as a whole have fed through into the industrials space and what opportunity remains in this cycle.

We start with the following chart, which suggests US industrials are trading at a relative PE of *c.*5% below their LT average, at similar levels to the general economic slowdown seen in 2016. We highlight that the market discount for US industrials is far from levels seen in previous downturns (2001/2, 2007/8), broadly pricing in a slowdown rather than contraction and arguably to be expected at this stage of the cycle, particularly in early and short-cycle names. It is not immediately clear when a market relative rerating could accelerate and sustain but we expect lead indicators would have to demonstrate a trough in the coming months. Q1 US earnings could provide some catalyst for this, depending upon commentary from US industrials.

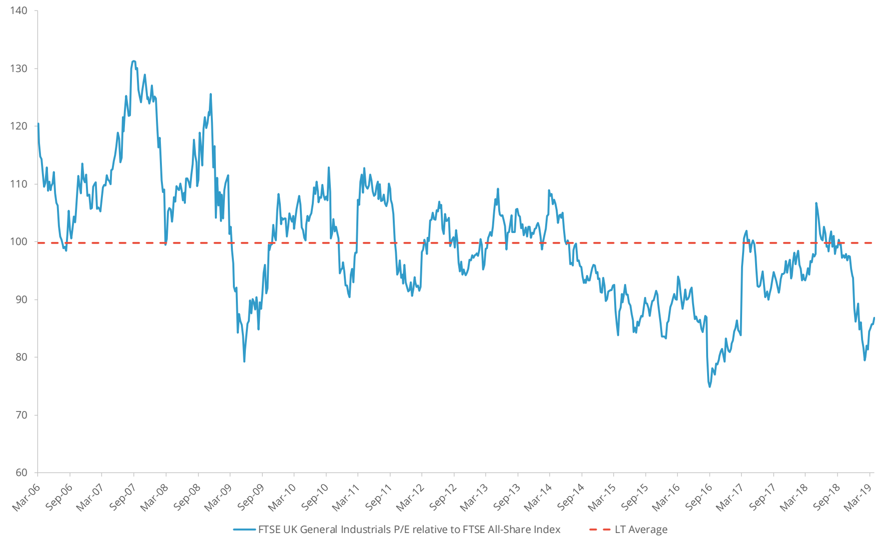
US Industrials – P/E relative to S&P 500



Source: Arden Research, Bloomberg.

In the UK, the picture is somewhat similar, with industrials as a sector showing a severe discount to the market – as illustrated below. UK industrials are currently trading at a P/E of *c.*11x, a near 15% discount to their historical average and to the market (FTSE All-Share) but, more importantly, at levels that are *not* too dissimilar from the last financial crisis, which should indicate some emergence of value. Although we question whether this is a mere reflection of Brexit uncertainty, rather than the effect of a global slowdown, clearly the two are intertwined and investor caution over cyclical sectors is warranted, especially after the stocking phase we have seen heading in to the original March Brexit deadline.

UK Industrials – P/E Relative to the FTSE All-Share Index



Source: Arden Research and Bloomberg.

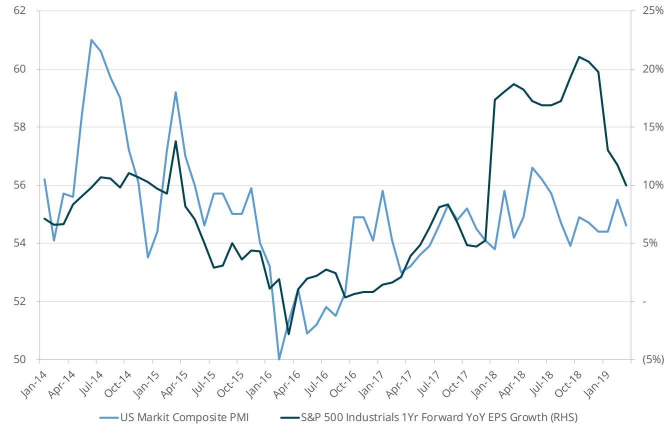
What are lead indicators telling us?

In light of multiples suggesting the end-cycle positioning of industrials, we now turn our attention towards what a number of various lead indicators are suggesting.

We start by re-visiting PMIs comparing these with forward earnings growth. For the US, the last five years have shown forward earnings growth move in line with US PMIs, although the sharp acceleration in earnings growth expectations at the start of 2018 appears to have retraced in Q1 2019, suggesting a slowdown. Given recent market commentary about the impact of US tax reforms giving an additional boost to corporate earnings in 2018, with the effects of this now being fully-washed through, the deceleration in earnings growth is somewhat expected but understanding the impact of a slowing economy is difficult to disaggregate.

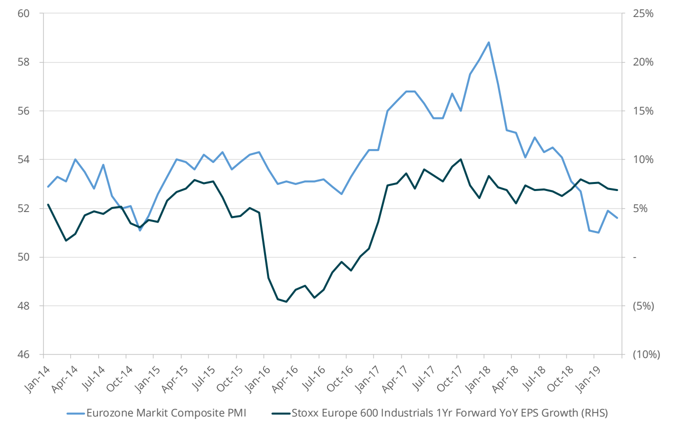
In Europe, the sharp downturn in PMI indices over the past 12-18 months has oddly *not* fed through to earnings expectations, which appear to have held up, growing at between 7% and 8% YoY. While this could be explained by discrepancies between country-specific weightings within PMI and market indices, (e.g. Italy, which has entered into a recession, may have a greater weighting in PMI indices than in the Stoxx 600). Regardless, we expect that the downturn in PMIs may give rise to a moderation in earnings expectations and rebase ahead of a further move higher.

US Composite PMI vs US Industrials Forward EPS Growth (2014- 2019)



Source: Arden Research, Bloomberg.

Eurozone Composite PMI vs European Industrials Forward EPS Growth (2014- 2019)

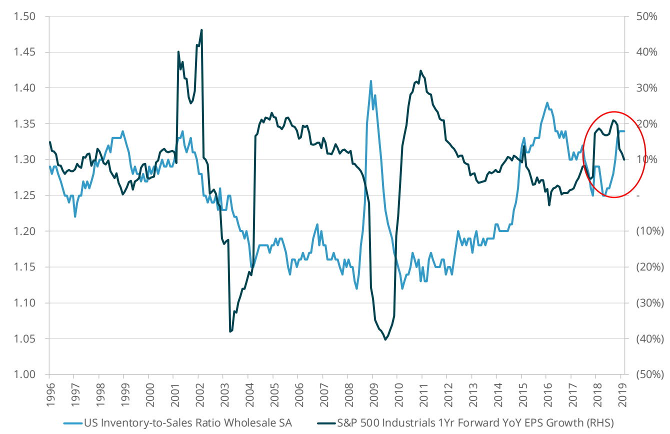


Source: Arden Research, Bloomberg.

In addition, US wholesale inventory-to-sales has risen sharply from a low of 1.25x (in mid-2018) to current levels of 1.34x, coinciding with a slowdown in forward earnings growth from 20% to 10% (as per the chart below on the right) and a relative de-rating in US industrials to discount territory (as shown in the chart below on the left).

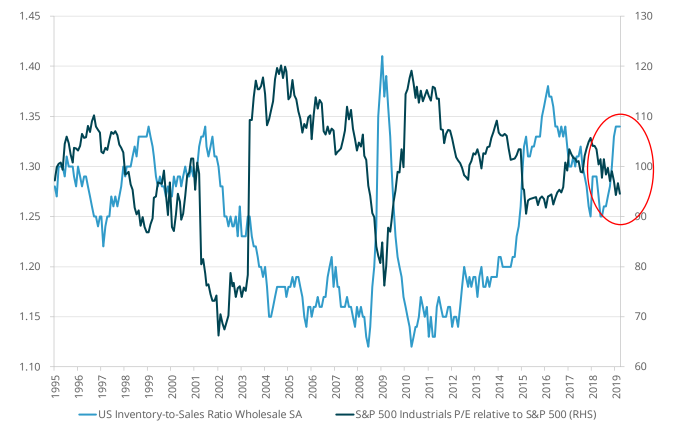
In our view, the wholesale inventory-to-sales ratio exhibits a strong negative correlation with both earnings growth and relative multiples and, with the recent rise in this indicator since mid-2018, this is a key chart that concerns us when considering the health of forward earnings estimates and whether the economy slows or outright contracts.

US Wholesale Inventory-to-Sales vs US Industrials Forward EPS Growth (1996-2019)



Source: Arden Research and Bloomberg.

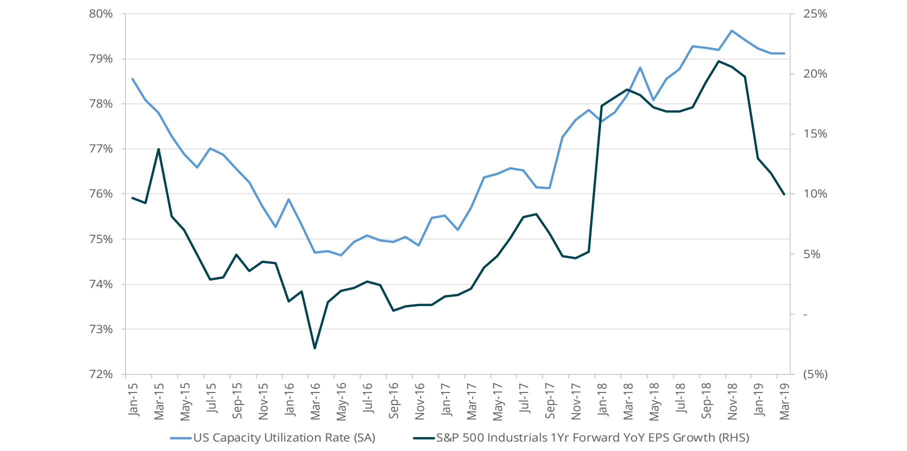
US Wholesale Inventory-to-Sales vs US Industrials P/E Relative to S&P 500 (1996- 2019)



Source: Arden Research andBloomberg.

Following on from this, the last three to four years have seen capacity utilisation in the US closely track forward earnings expectations for US industrials. The last three to six months, however, have seen a sharp deceleration in earnings growth (from *c.*20% to *c.*10%) compared with what has merely been a "tailing off" of capacity utilisation from 79.6% to 79.1%.

US Capacity Utilisation vs US Industrials Forward EPS Growth (2015-2019)



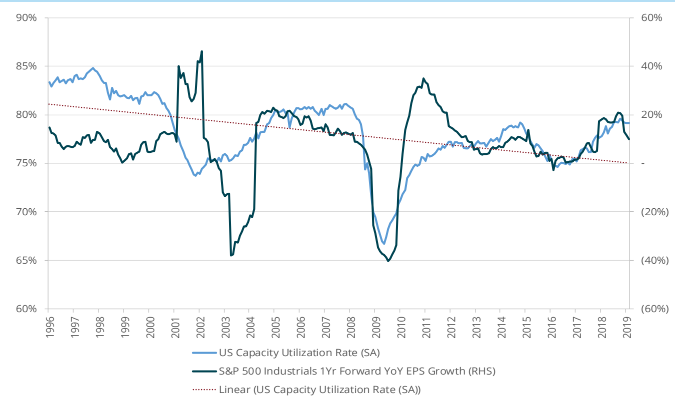
Source: Arden Research and Bloomberg.

Extending our analysis across the last two decades, we see that both forward earnings and relative multiples, have broadly speaking, moved in line with US capacity utilisation rates.

However, from the charts below we draw two conclusions that are noteworthy:

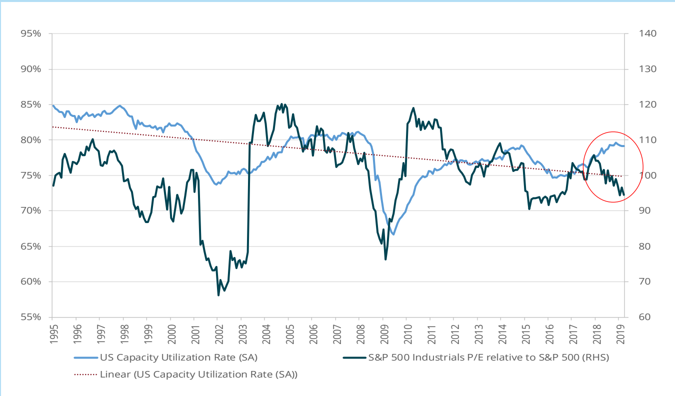
- **Capacity utilisation has trended downwards over time.** First, the current rate of capacity utilisation of *c.*79% is 1%-2% below previous peaks that preceded the last recessions – namely 81% in 2007 and 82% in 2000 – although it is in line with levels in early 2015, 12 months before an economic slowdown in 2016. However, we remain cautious about drawing firm conclusions about the implications this may have for the US economy, given the overall progression in capacity utilisation over the last decade has trended downwards. For reference, utilisation stood at near 85% in 1995 compared with current levels of 79%, likely reflecting a shift in the mix of the US (And global) economy.
- **Recent de-rating despite rising utilisation.** Second, the last 12-18 months has seen a notable divergence in the trend, as illustrated in the chart on the right, where capacity utilisation has peaked but relative multiples have de-rated. It should provide some comfort that the market has priced in a slowdown, although this remains one to watch.

US Capacity Utilisation Rate vs US Industrials Forward EPS Growth (1996 -2019)



Source: Arden Research and Bloomberg.

US Capacity Utilisation Rate vs US Industrials P/E Relative to S&P 500 (1996- 2019)

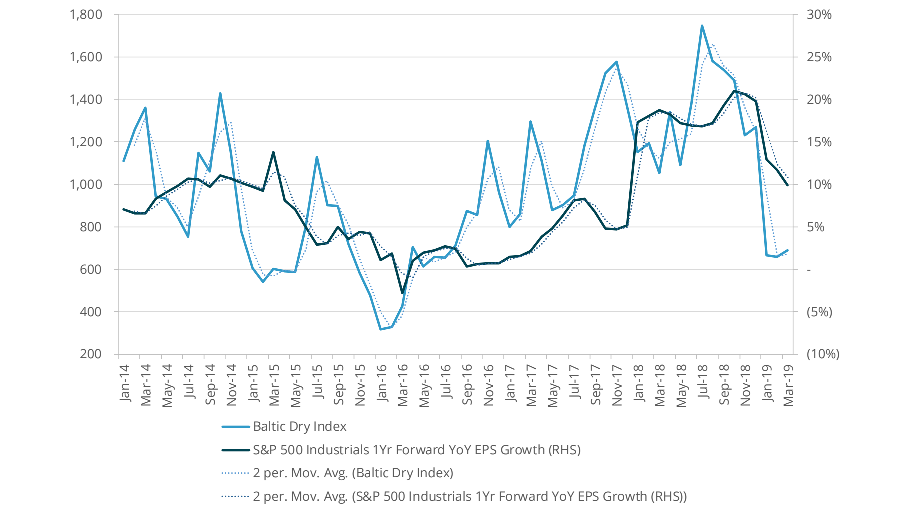


Source: Arden Research and Bloomberg.

Finally, we look towards trade-related data as a potential lead indicator, without doubt relevant, given ongoing US-Sino tensions.

We start with the Baltic Dry Index – a global proxy for shipping market behaviour. Here we note that since July 2018, the Baltic Dry has fallen *c.*62% to lows in early 2019, coinciding with a deceleration in earnings growth expectations from 20% to 10% over the same period. On this basis, any signs of an improving trade deal, which appears to be more likely given recent media commentary, would evidently provide a positive stimulus for earnings expectations, all else equal. Conversely, the current data provides further negative indication of the health (or lack thereof) of global demand.

Baltic Dry Index vs US Industrials Forward EPS Growth (2014- 2019)

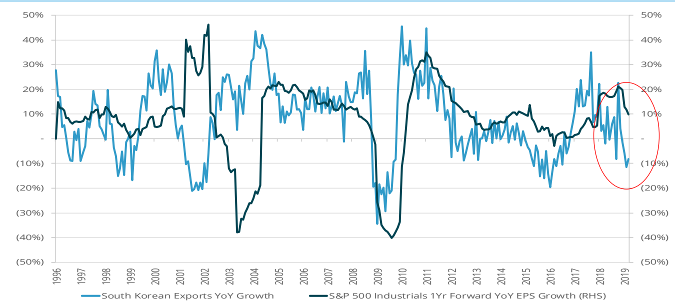


Source: Arden Research, Bloomberg.

Following on from this, the chart below shows that YoY growth in monthly South Korean exports has recently turned negative, falling 10% in recent months. We highlight that this has coincided with US industrials trading at a P/E discount to the market, and EPS growth slowing down.

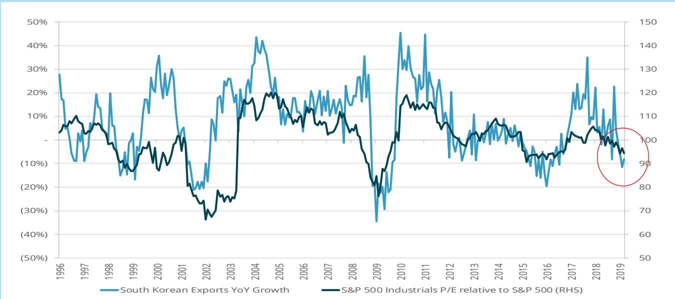
We point out that the 10% decline in South Korean exports in recent months has approached similar levels to 2016. Given South Korea is the fifth largest exporter in the world and an important trading partner of China (25% of exports) and the US (12%), this acts as an important data point for global demand.

South Korean Exports YoY Growth vs US Industrials Forward EPS Growth (1996- 2019)



Source: Arden Research and Bloomberg.

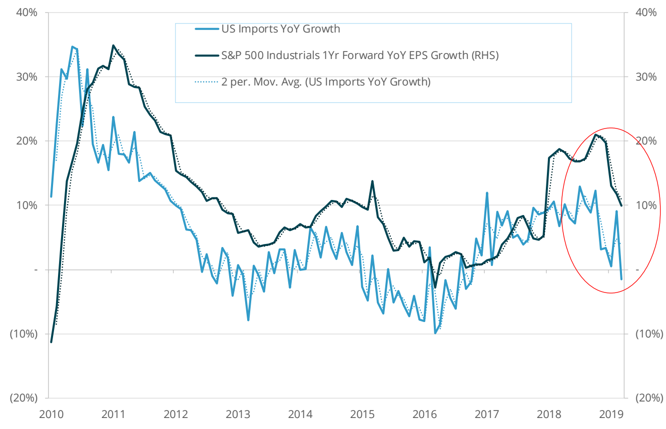
South Korean Exports YoY Growth vs US Industrials P/E Relative to S&P 500 (1996- 2019)



Source: Arden Research and Bloomberg.

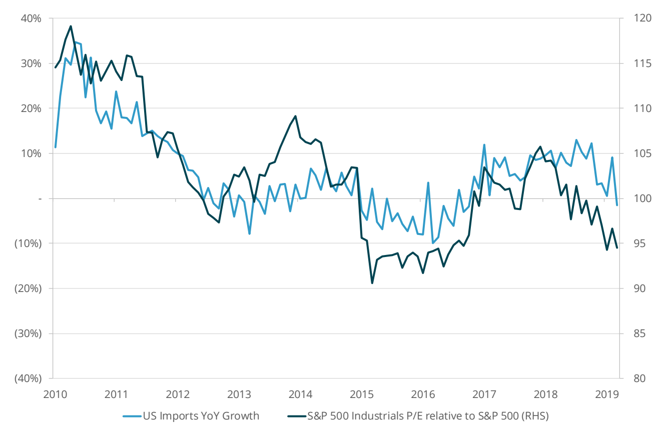
In addition, comparing US import growth against the S&P 500 industrials earnings growth forecasts seems to suggest that i) US import growth is a potential lead indicator for earnings expectations and ii) the deterioration in import growth from *c.*10% to nil in Q4 2018 coincided with a downward revision in earnings growth forecasts. However, we highlight that 2019 has seen a 2% fall in US imports, which suggests that the momentum in US import readings is to the downside; if this is a lead indicator, then this could give rise to adverse implications for US earnings forecasts. Arguably, however, the de-rating in the shares of US industrials has potentially priced this in, as shown in the chart on the left.

US Imports YoY Growth vs US Industrials Forward EPS Growth (1996- 2019)



Source: Arden Research and Bloomberg.

US Imports YoY Growth vs US Industrials P/E Relative to S&P 500 (1996- 2019)



Source: Arden Research and Bloomberg.

Broadly, industrial markets are showing signs of slowdown and performance has lagged but with a relative rerating in 2019 to continue, we need to see the data as the markets' rally already suggests that lead indicators are about to trough. The absence of a turn in lead indicators will likely see further market weakness.

Global industrial bellwethers - How are they faring?

It is well known that 'industrials' is somewhat of an "umbrella term" for a number of sub-sectors, which naturally gives rise to the role of *sub-sector positioning* for investors.

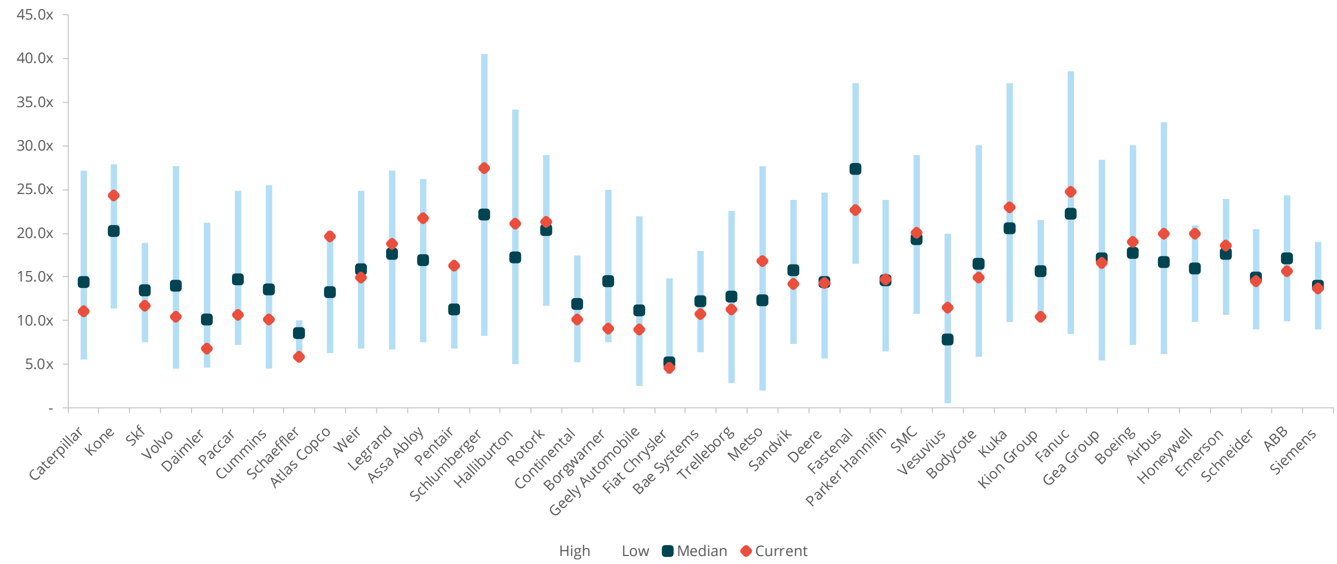
In recognising this, we seek to analyse how the equity market is pricing a selection of large-cap heavyweights, which to some degree are *proxies* of a number of industrial end-markets e.g. autos, construction, engineering, etc. and how it could relate to our industrials coverage.

First, we compare the current P/E multiples of a number of stocks relative to their long-run average (since 2006) as an indication of where they might be in their respective cycles.

At first glance, we note that the *majority* of these stocks are trading at a discount to their LT average, in line with our above analysis, suggesting that we are towards the end of the industrial cycle. Comments from Atlas Copco in its most recent earnings call reaffirms general market softness in most sectors to which it is exposed, particularly across the UK, the US and Germany.

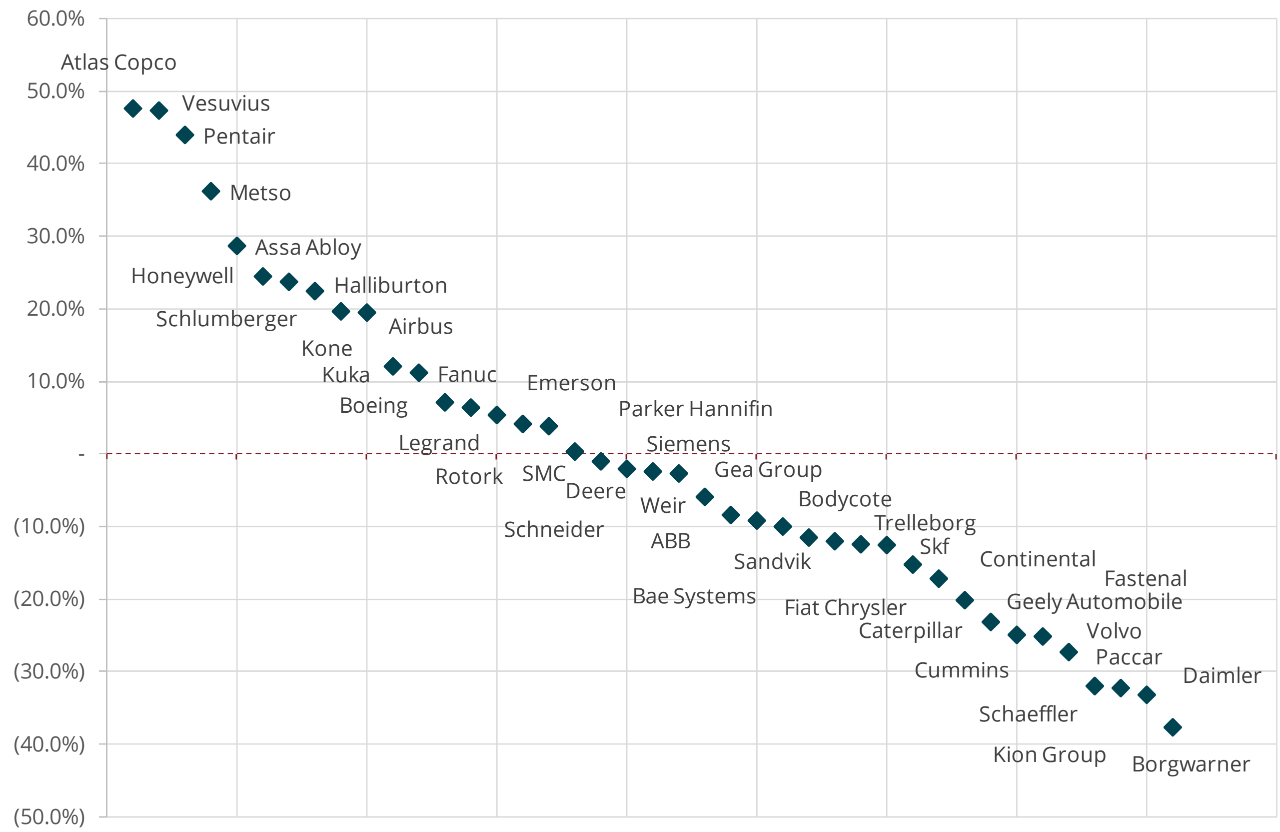
However, on a more detailed review and as noted in the next chart, we note that some sub-sectors are showing signs of premium valuations, which clearly warrants further attention; notably oil and gas services, mining and later cycle elevators/escalators. Additionally, automation exposure, aerospace (i.e. long cycle) and premium return stocks appear well rated relative to history. The flipside is that early and short-cycle names have already derated, such as autos, trucks and construction equipment.

Global Industrial Bellwether stocks - P/E vs historical range and average



Ordering the above stocks in terms of their current P/E premium or discount relative to their LT average provides a more visible picture that some sectors are attractive higher relative valuations, as explained further below.

Large-cap Global Industrials - Current vs Historical P/E (Ordered)

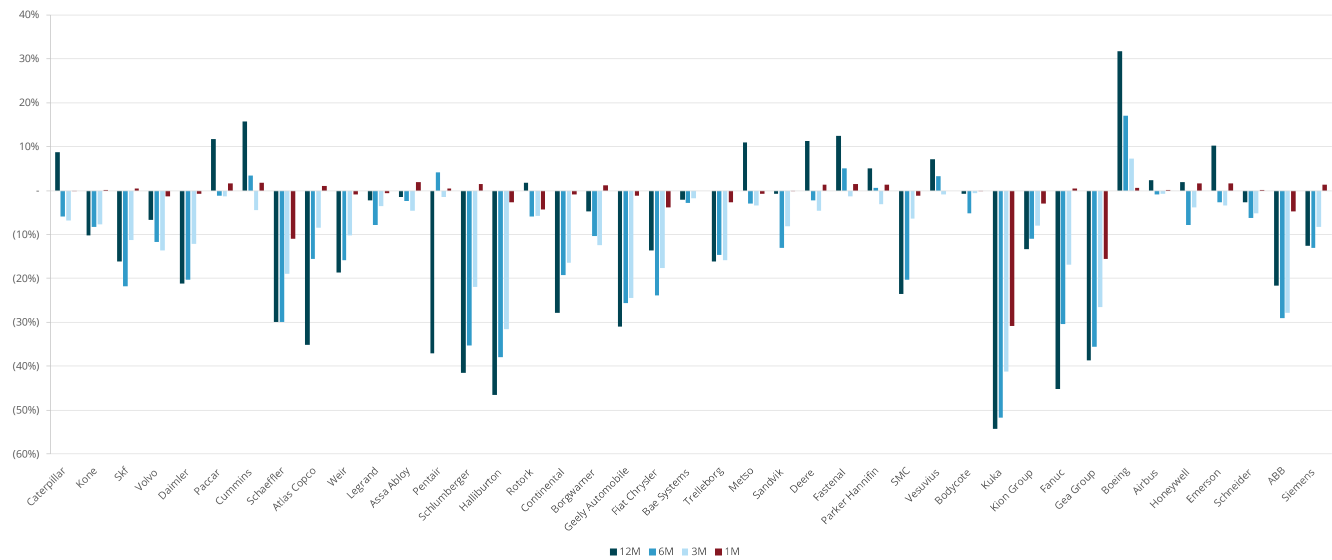


Source: Arden Research & Bloomberg.

Earnings momentum

Second, we assess the direction of earnings momentum across a one-month, three-month, six-month and one-year view, which again shows varying trends amongst the global industrial bellwethers. This reiterates our view of identifying the importance of underlying cycles within the broader industrial cycle.

Large-cap Global Industrials – Earnings Momentum



Source: Arden Research & Bloomberg.

Overall, the above analysis suggests that some sub-sectors (if they can be measured by the selected proxies) are showing signs of premium valuations and positive earnings momentum. We summarise our conclusions as follows:

- **The outlook has turned for oil capex:** Firstly, the likes of Schlumberger and Haliburton are firmly trading at 20%-40% P/E premiums relative to their LT average, having traded at near 20%-30% discounts in 2013, preceding the oil price slump 12 months later. This is suggestive of the market's appreciation of a more positive outlook for the oil capex cycle, which is somewhat consistent with recent oil price stability (between US$60/bbl-US$80/bbl) experienced over the past 12-18 months and the lack of offshore capex over the past five years.

  Our review of Schlumberger's Q4 18 earnings call earlier this year is supportive of this, reporting signs of "growth in international markets since 2014" driven by *"NOCs (National Oil Companies) and independents starting to see the need to invest"* despite reduced drilling activity in the Permian due to pipeline capacity constraints.

- **Tough auto market priced in.** At the other end of the spectrum, we highlight a cluster of companies exposed to autos (e.g. Daimler, Fiat Chrysler, Schaeffler) trading at stark discounts of *c.*30%-40% to historical averages. Fiat Chrysler's earnings call earlier this year highlighted a "difficult year in Asia-Pacific", with expectations that the "industry in China will get bumpy again in H1", in keeping with the current valuation.

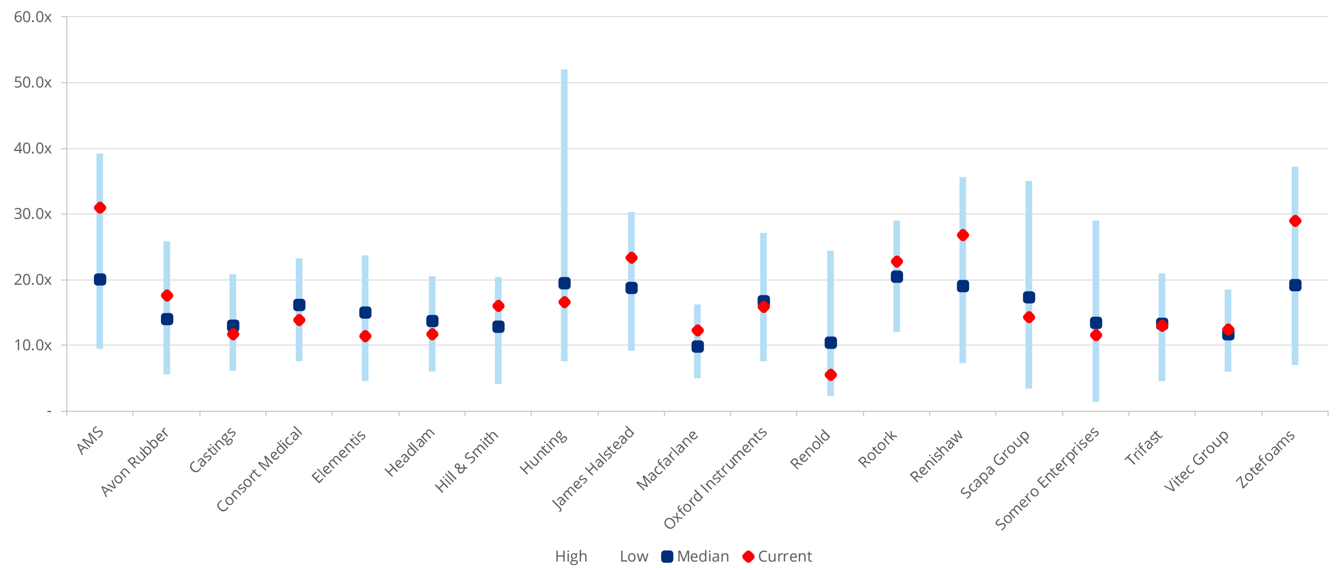
- **Construction exposure is discounted.** Further, we note a selection of companies with construction end-markets (including the likes of Caterpillar, Volvo and Cummins) are being priced at P/E discounts of *c.*30%. We highlight that that this does not represent all-time lows *just yet* – our review of recent earnings calls suggests expectations of increased mining (and oil) CAPEX through 2019, potentially supporting valuations from being near all-time lows. We point towards Metso (predominantly more mining-focused) trading at a *c.*35% premium to its historical performance (vs *c.*30% discounts seen by Caterpillar et al.) as potentially substantiating this view.

Arden diversified industrials - risks and rewards

When considering the impact on our diversified industrials coverage of the analysis we have presented so far, we are cognizant of the fact that large cap names and sector exposure can provide an idea of the market trends that small cap players will also be seeing. Small cap equity stories are likely to be more stock-specifc but the same trends in returns, cash, margins and pricing power are all applicable alongside the industry end market trends.

First, on a P/E basis, we see the majority of our coverage universe trading below historical multiple levels (again in line with the general theme of industrials being towards the end of their cycle) with exception of Advanced Medical Solutions , Avon Rubber, James Halstead, Renishaw and Zotefoams – high-quality, cash generative or specific growth stories.

Arden Diversified Industrial Coverage - Current vs Historical P/E

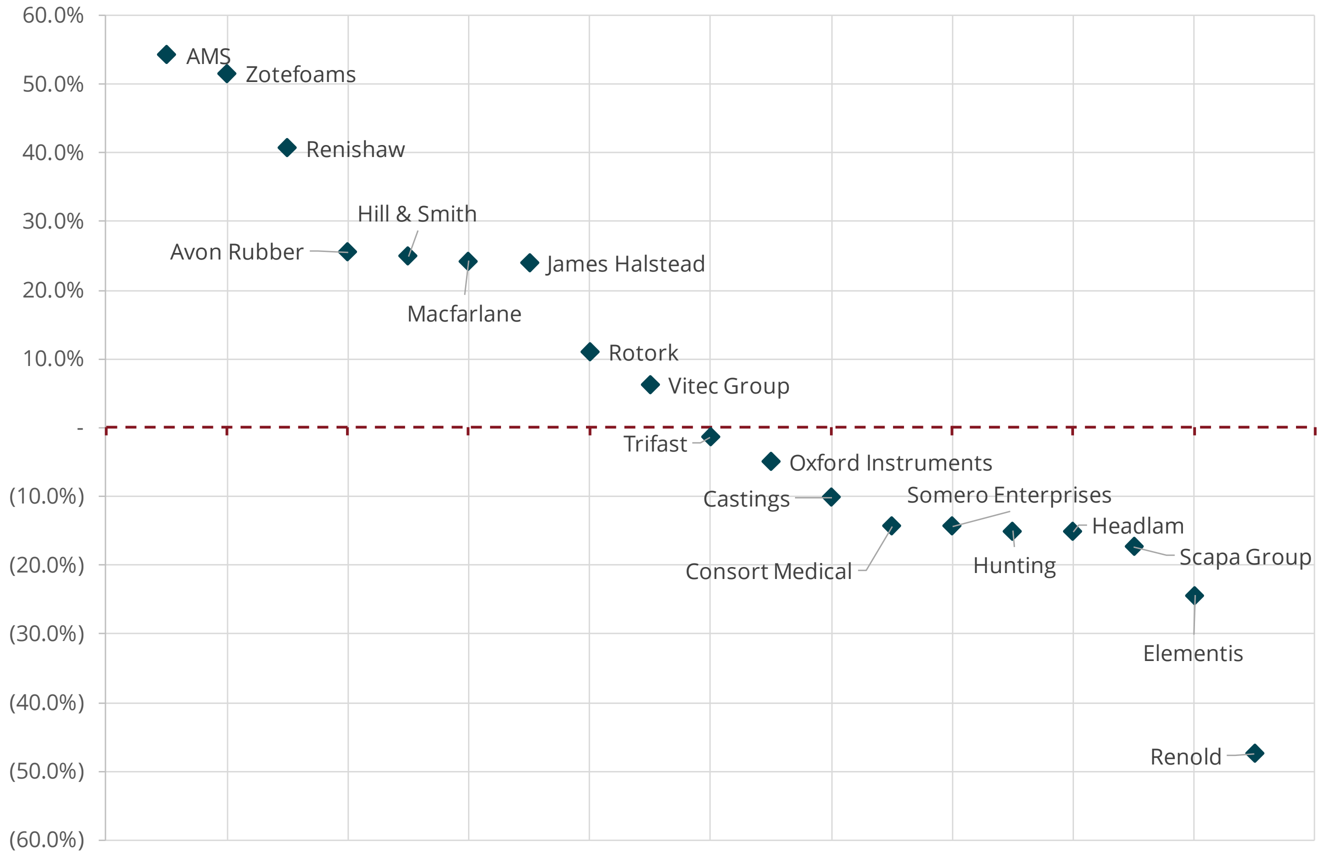


Source: Arden Research and Bloomberg.

Following on from this, and akin to the analysis performed for our selection of large cap heavyweights earlier in this note, we see similar trends emerging in terms of:

- **Construction-related markets priced at a discount.** This is evidenced by the likes of Headlam (predominantly UK residential exposed) and Somero (US non-residential), although the premium valuation for James Halstead (global commercial flooring) does somewhat contradict this, albeit for good reasons (market and geographical diversification and strong ROCE).
- Elsewhere, some stocks have significant non-cyclical exposure or non-traditional cycles. Avon Rubber, Hill & Smith and Advanced Medical Solutions spring to mind while more defensive stocks (Macfarlane), or those with strong cash balances (Castings, AMS and Rotork) or structural growers (Zotefoams andTrifast) should also be supported. Additionally, with Oil and Gas capex and mining capex markets seemingly underpinned, the likes of Rotork, Hunting and Renold should also find more support, albeit recent trends for Hunting and Rotork have been slightly more lacklustre.

Arden Industrial Coverage - Current vs Historical P/E (Ordered)

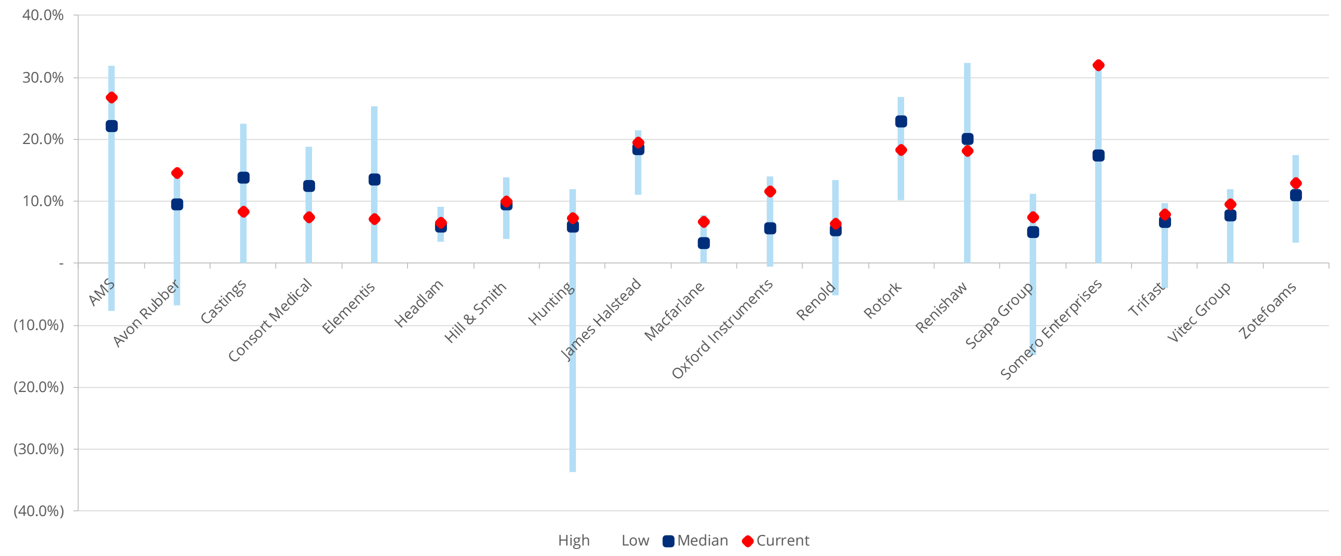


Source: Arden Research and Bloomberg.

Do operating margins support valuations?

The following chart seeks to "marry" trading multiples with operating margin cycles. Our initial takeaway from the below is the extent of the cyclicality of some businesses as illustrated by the max-min range (e.g. Somero, Hunting, Scapa, Renishaw to name a few) versus the resilience of others (e.g. James Halstead, Macfarlane, Rotork and Headlam). While part of this may be explained by underlying operating leverage (rather than end-market exposure being more cyclical for some companies versus others), we think this chart provides a useful reminder of the risk to earnings based upon where we may be in the margin cycle.

Arden Industrial Coverage - Current vs Historical Operating Margins



Source: Arden Research and Bloomberg.

In conclusion, short-cycle end markets appear to be out of favour and lead indicators and company commentary probably need to see some stability before cyclicals start to rerate. The US earnings season could provide some indication of near-term trends but we would expect investors to be cautious at this stage and seek a more defensive positioning or stocks where there are specific catalysts and growth.

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Revisiting our Best Ideas for 2019

Following the publication of our Best Ideas piece in January this year, we seek to explore the YTD performance of our 2019 top picks.

Basket portfolio has outperformed the market through Q1

Firstly, we highlight that an equal-weighted portfolio of our Best Ideas has increased 10.9% YTD, outperforming the FTSE Small Cap. Index, excluding investment trusts, which has seen gains of 5.3%, suggesting a sound start to 2019.

As the chart below shows, the extent of the outperformance has been significantly greater for much of 2019 than the quoted YTD figures. In Q1 alone, Arden's basket portfolio rose 16.7% versus4.7% in the benchmark index.

YTD performance of equal-weighted portfolio of 'Arden Best Ideas 2019' vs. FTSE Small Cap Index (excl. Investment Trusts)

Source: Arden Research and Bloomberg, dated using COP prices on 9 April 2019.

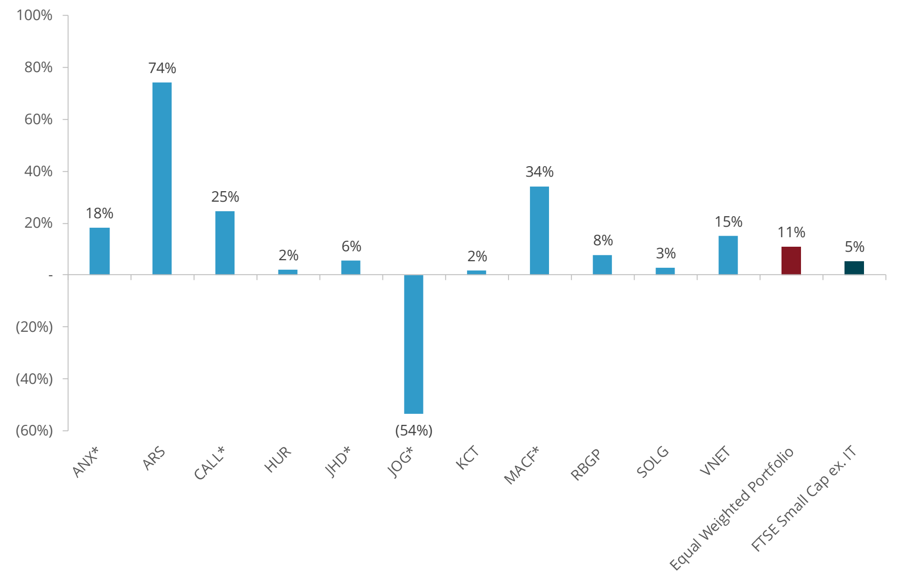
Specific-stock performance

Evidently there are a number of moving parts within our selected portfolio that warrant further analysis. As the chart below illustrates, Asiamet has been a stand-out performer, rising 74% YTD as a result of the solid operational performance and strong fundamentals underpinning the copper price. Another key performer has been Macfarlane, rising 34% YTD driven by continued strategic and financial delivery off an oversold share price.

Other noteworthy performers include CloudCall, Anexo and Vianet (up 25%, 18% and 15% respectively), despite recent weakness in the former.

The disappointing Verbier appraisal well result for Jersey Oil & Gas saw the shares come under pressure at the start of April. While this has given rise to a setback for our 2019 basket, we see room for the shares to recover through 2019 as we expect further catalysts later this year, which alongside potential for 2020 drilling, progression of the wider development, and a strong cash position creates a good buying opportunity at current levels.

YTD Absolute Performance of Arden's Best Ideas 2019



Source: Arden Research and Bloomberg, dated using COP prices on 3 April 2019.

Overall, we continue to see value in a number of these names, and look forward to providing ongoing commentary as we progress through 2019. We also draw investor attention towards 11 new additions made to our research coverage in Q1 19, following initiations on the litigation funders Burford, Manolete and Litigation Capital Management, the streaming localisation company Zoo Digital, CyanConnode, Somero Enterprises, Lok'nStore, Plant Health Care, Hydrodec, Phoenix Global Mining and Pantheon Resources.

We explore a number of these stocks in the next section and strongly encourage investors to engage with the Arden team to discuss further.

Arden

Featured companies

Asiamet

CyanConnode*

Hydrodec*

Litigation Capital Management

Pantheon Resources*

Somero Enterprises

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Arden

11 April 2019

Metals & Mining (AIM) **ARS.L**

Asiamet

Kaliman-can

Buy

Target Price: 23p **Current Price: 7.0p**

Asiamet is an AIM-listed explorer and developer with operations in Central Kalimantan and Aceh, Indonesia. Asiamet is focused on three assets: two are primarily copper, BKM and Beutong, and BKZ, which is a polymetallic (Cu-Pb-Zn-Ag-Au) at the resource stage. BKM and BKZ both sit within the KSK Contract of Work (CoW). Asiamet's strategy is on the near-term development of BKM, BKZ, other exploration targets such as Baroi, and then the development of Beutong, which is currently six times the size of BKM, and is, in our view, the key asset of most interest, which will place Asiamet as a major copper player.

- **Asiamet is developing its BKM deposit in the KSK District tenement area**, which includes BKM and BKZ. BKM is a copper project while BKZ is a polymetallic. Asiamet plans to fund development of BKZ through cash flow from BKM. BKM is planned to go into development in 2020. We currently forecast *c.*16.5kt of cathode production for 2021E, and then *c.*24ktpa of copper cathode from thereon for the remainder of the LoM, eight further years. Asiamet is conducting drilling to convert M&I resources to the mine plan; the Bankable Feasibility Study (BFS) is due in Q2 2019.
- **Low-cost cathode producer; no further processing necessary** and so not subject to any export levy or restrictions put in place by the Indonesian government on unprocessed ore. Asiamet has pledged to help increase beneficiation capacity in Indonesia as a part of recent licence negotiations.
- **Supported by the Indonesian government,** and has local government support. The workforce at KSK is 98% Indonesian and KSK has strong community engagement programmes in place. Asiamet will continue to support the development of local communities in the area and has been supporting all villages in the KSK permit area since 1997.
- **Beutong is the long-term focus for Asiamet.** Beutong is a world-class asset and is currently six times larger than BKM and is likely to grow in size, which recent drill results confirmed. Beutong is comparable in scale to SolGold's Cascabel deposit or First Quantum's Sentinel deposit. It is a classic porphyry, but benefits from being close to the surface and outcrops, leaving it amenable to open pit mining and lower cost than a comparable underground operation. Asiamet is exploring the potential for a starter heap leach operation on the upper 200m at Beutong as it has an oxidised cap; this would deliver early cash flows to develop a far larger project.
- **Buy rating,** with a target price of 23p, at a 10% WACC. Asiamet has a P/NAVPS of 0.2x, highlighting how undervalued we believe the stock is.

Description

AIM-listed copper explorer and developer with assets in Indonesia.

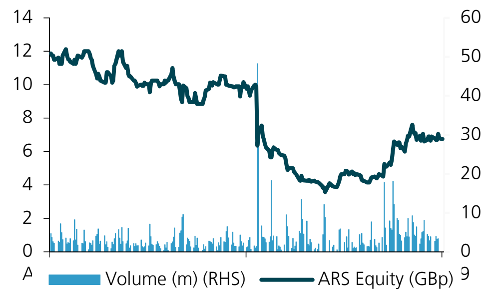
Key Data	
Market Capitalisation	£70.7m
Shares in Issue	1,003m
Free Float	96.3%
Average Daily Volume	4,506,177
12-Months Trading Range	3.9p to 12.1p

Financial Forecasts (US$)

Yr to 31 December	**2017A**	**2018E**	**2019E**
Sales	-	-	-
Operating Profit	($8.3m)	($13.7m)	($8.2m)
Adjusted PBT	($8.3m)	($13.7m)	($9.7m)
Adjusted EPS	(1.0c)	(1.5c)	(0.8c)
EPS Growth	(61.8%)	(39.1%)	63.7%
Net Debt/EBITDA	0.4x	2.2x	(8.7x)
EV/EBITDA	(16.6x)	(28.3x)	(43.3x)
Dividend	-	-	-
FCF	($7.5m)	($16.0m)	($56.8m)
FCF Yield	(9.0%)	(18.0%)	(65.0%)
Net Cash/(Debt)	$3.1m	$0.9m	($37.3m)
Interest Cover	-	-	-

Price Performance	
1 Month	+2.0%
3 Months	+45.4%
12 Months	-40.6%

Price Performance (p)



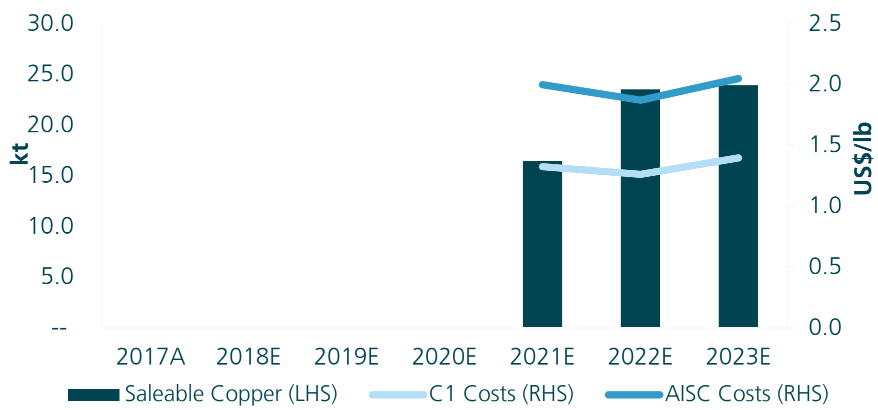
Source: Bloomberg.

Investment case

Asiamet is developing a low-cost, copper cathode-producing operation called BKM in Central Kalimantan, Indonesia, which will provide cash flows to develop the polymetallic portion called BKZ, and unlock the project pipeline in the wider KSK district, which is highly prospective for copper and gold. Both BKM and BKZ will be open pit initially.

These projects are building up to Asiamet's star performance, which is its world-class Beutong asset, comparable in size to SolGold's Cascabel deposit, but it has the advantage of being accessible from the surface and not buried under 500m of overburden; another comparison is First Quantum's Sentinel deposit.

Production Profile vs C1 Cash Costs and AISC



Source: Arden Partners Research, 2019.

Thesis

We forecast Asiamet to be cash flow positive (if the current production plan is followed) by 2021, with a FCF yield of 56% but growing to a FCF yield of *c.*128% by 2022. The operation is low-cost and will be net cash by 2022. Then the focus will switch to developing BKZ and then move on to the main focus for Asiamet, which is Beutong. This will be a significant operation, propelling Asiamet into a major copper producer. Asiamet is now looking to explore the potential for a heap-leach starter operation at Beutong and will conduct metallurgical testing starting in Q2 2019. This will be very positive as it will produce copper cathode and generate cash flows to develop the deeper sulphides at Beutong.

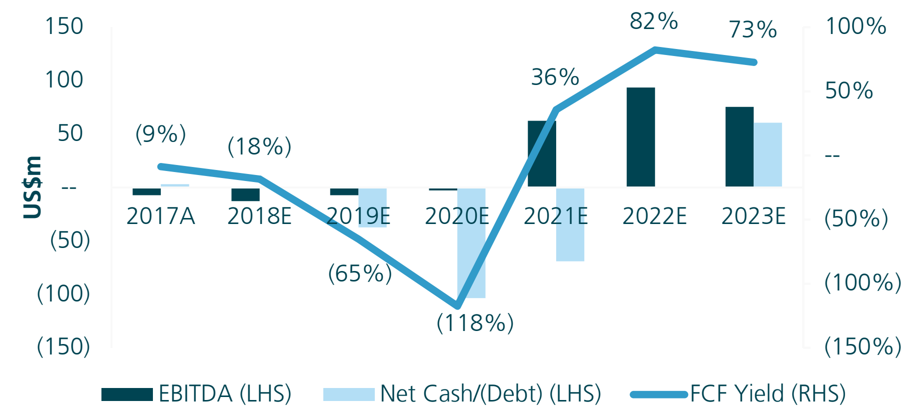
KSK (BKM and BKZ) (100% owned)

The KSK district is located in central Kalimantan and comprises a sixth generation Contract of Work (CoW) tenement of over 390km^2, with two identified projects, BKM and BKZ, and a further 31 highly prospective copper and gold prospects in the CoW.

The CoW for the KSK tenement covers a title for 30 years after the commencement of mining, and the potential to extend for a further 20 years in two 10-year blocks.

ARS believes that the BKM and BKZ deposits are potentially part of the same porphyry system. The BKM copper project, which is partly oxidised with a potential 'feeder zone' from the adjacent BKZ polymetallic Volcanogenic Massive Sulphide (VMS) discovery. BKM is a mesothermal deposit, whilst BKZ has classic VMS-style signatures. Asiamet believes the KSK tenements have district scale mineralisation and it may also have a suite of deep porphyries, and is looking to explore deeper and thinks there is a high probability to extend the metal content and resources due to the high number of projects in the pipeline that the company has available to it.

EBITDA and Net Debt vs. FCF Yield



Source: Arden Research, 2019.

BKM copper deposit (100% owned)

The BKM deposit is oxidised and has the mineralogy that is amenable to heap leaching, and SX/EW processing to produce copper cathodes, which is beneficial, as Indonesian mining law requires that maximum beneficiation is obtained in the country, which was highlighted in January 2014 with concentrate exportation bans for bauxite, nickel and copper, notably at Grasberg. The bans were subsequently relaxed for Freeport, which can export concentrate, but still require an export duty to be paid. All other miners in the country need to have their concentrates smelted before exporting a metal product.

The rocks at the BKM pit area are oxidised and low-acid consuming, which is important as it reduces the amount of acid needed to be applied to the heaps. The project has low capital intensity and is well situated for transport and logistics. The project can be reached by a combination of metalled (three hours) and unsealed (two-and-a-half hours) roads from the regional city of Palangkaraya. Material will be moved by a combination of trucking and barge.

The current 2017 Resources, compared with the 2015 Resources, showed an increase in indicated resources of 91%, and also the creation of 20.5Mt @ 0.7% Cu measured resources. Overall, this has seen a 3% increase in resources from 64.7Mt to 66.9Mt, and at a higher confidence level. Asiamet is conducting a final drill programme to convert some of the inferred resources within the proposed pit shell, which comprise *c*.30% of the resources, up to a measured and indicated category, which would allow their inclusion in the mine plan. BFS is due in Q2 2019.

The project is currently planned to start production in H2 2020, and will produce c.24ktpa of copper cathodes at a C1 cost of $1.43/lb and an AISC of $2.14/lb.

BKZ polymetallic project (100% owned)

BKZ is a polymetallic (Cu-Pb-Zn-Ag-Au) vein system that comprises two main zones: the Upper Polymetallic Zone (UPZ) and the Lower Copper Zone (LCZ). The 2018 maiden resource for the BKZ Project estimates the mineralisation within both the UPZ and the LCZ that defines the project. The estimate incorporates information from six scout diamond holes drilled in 1999 and 36 diamond holes drilled to delineate the extent of the mineralisation in 2017 and 2018.

The deposit remains open in multiple directions and ARS believes further drilling will demonstrate the extent of the system and increase the metal content at BKZ.

BK district exploration

Further to BKM and BKZ exists BK South (BKS) and BK West (BKW), which both remain to be fully evaluated by ARS. Both sit within 1km from BKM and BKZ, which would enable a central processing facility if found to be sulphide-rich, or could be processed through the BKM SX/EW plant if oxide material is dominant. The KSK district is highly prospective: ARS has identified 31 copper and gold prospects in the CoW.

Baroi and Far East Zone (FEZ)

Highly prospective area, last drilled by Freeport with copper grades returned between 1.6% and 11.0%. Freeport was on the hunt for the next Grasberg, the drill results returned a very prospective area for a junior but is unlikely to prove in the size and scale of Grasberg. Asiamet is in the midst of permitting and plans to drill a few holes once a permit is issued.

Beutong (80% ownership)

Beutong is the jewel in the crown for Asiamet and is six times larger than BKM, and is comparable in scale to SolGold's Cascabel deposit or First Quantum's Sentinel deposit. It is a classic porphyry, but benefits from being close to the surface and outcrops, leaving it amenable to open pit mining, unlike Cascabel, which will require underground mining. The deposit is located in Nagan Raya Regency, Aceh, Indonesia and held under a Mining Business Licence for Production Operations "IUP-OP". The mine will not need a large amount of infrastructure spending, especially as it is located 60km from the coast.

The deposit remains open at depth and to the east and west, with an interpreted high grade core (Bornite-chalcopyrite). Recent drill results (29 August 2018) showed mineralisation outside of the current resource base. The current resource is based upon drilling to a depth of 500m; recent drill holes finished at 607m (due to rig capacity) and were still in mineralisation of 0.93% copper. This same hole recorded mineralisation of over 456m.

Current resource is 509Mt @ 0.48% Cu measured, indicated and inferred. Asiamet has plans to expand this resource and do further exploratory drilling into recently identified areas of mineralisation outside of the current resource base. Asiamet expects to see an increase in both copper and gold grades in the deeper potassic zone.

Asiamet plans to run a metallurgical-testing programme to explore the potential to run a heap-leach starter project at Beutong as the upper 200m is oxidised and shares a similar mineralogy to that of BKM, and may be amenable to leaching. This would be very positive for ARS and help with the development of the deeper sulphides through cash flows from the heap leach operation. ARS plans to focus on this once the BKM BFS is out.

Social engagement

Asiamet has been closely engaged with the local community since it first started working in Indonesia in 1997. To date, the not-for-profit foundation Asiamet set up called 'Yayasan Tambuhak Sinta' (YTS) has been providing technical, economic and institutional support to all villages surrounding the KSK tenement, and plans to extend coverage to any village it is not currently engaged with. YTS is involved in many aspects of the village's life and has added value from the start.

Asiamet is currently undertaking a CSR programme at Beutong.

Funding

Asiamet has a few options for funding. The preferred route would be an Indonesian partner, minimising requirement for further equity raising in the project financing stage. Asiamet will likely look to funding options this year, on the back of the BKM BFS due Q2 2019. Asiamet is in multiple discussions with potential strategic partners.

Upcoming catalysts

- BKM Bankable Feasibility Study (BFS) due by Q2 2019;
- Asiamet is in discussions with strategic partners to develop BKM; Asiamet hopes to announce the status of talks alongside the BFS announcement;
- CSR programme underway at Beutong, and Asiamet plans to conduct metallurgical testing to explore a starter heap leach project, met testing will take between six and nine months, Asiamet plans to start in late Q2;
- West of BKM sits Baroi, where Asiamet is in the advanced permitting stage, after which it will start a drill programme, last holes done by Freeport yielded 1%-10% Cu.

Indonesian mining code

Asiamet understands the importance of having a local partner, and not just from the regulatory standpoint. ARS is actively looking for a suitable party to partner with for the development of the BKM asset and the whole KSK CoW, which would satisfy government regulations, and help with funding for the project, thus minimising the dilution at the project financing stage.

Indonesian law states that an Indonesian must own 51% of a mining project after the end of the tenth year of production. This includes the clause that the divestment must be made on commercial terms at fair market value. If no suitable Indonesian partner can be found under these terms then the company retains 100% interest until a suitable local partner can be found.

Of most importance is the ban on the export of unprocessed mineral ores, put in place in January 2014 to help develop the value-added downstream sector in Indonesia. The law seems to have softened due to questions being raised regarding the economic feasibility of processing certain types of minerals in Indonesia at current infrastructure levels (source: EY, 2018). All other miners (bar Freeport) need to have their concentrates smelted before export. ARS may need to do this for BKZ and Beutong depending upon the processing method it decides upon.

The Contract of Work (CoW) system covered Indonesia's unique system to administer Foreign Direct Investment (FDI) in mining and was created in 1967. The CoW system was a way of granting concessions, mining rights and obligations to foreign companies.

A CoW is a comprehensive contract between the government of Indonesia and an Indonesian company. The company can be 100% foreign-owned. However, if the company is 100% foreign-owned, it may be subject to Indonesia's divestment requirements at a later time. Most CoWs have some level of Indonesian ownership.

The CoW sets out the company's rights and obligations with respect to all phases of a mining operation including exploration, pre-production development, production and mine closure. A CoW applies to a specifically-defined geographic area (PWC, 1998).

Asiamet has a sixth generation CoW, which was issued in 1997. Recent legislation came into effect in 2009 replacing the framework for all of Indonesia pre-2009 mining concessions, including all existing CoWs. Asiamet's CoW was recently amended in March 2018 and Asiamet secured a long-term tenure for the BKM copper development.

Risks

Operational

Asiamet is not in development currently, but it is progressing a BFS at BKM, and conducting further drilling at BKM for the BFS. Before development, funding will need to be acquired and the structure defined. Indonesia has a progressive permitting process and ARS has all the necessary permits for the stage it is at currently. BKM is a cathode-producing asset and so conforms to Indonesian legislation on beneficiation. The other two assets are likely to be concentrate-producing operations, which will need further processing before being exported or paying an export levy to the government. This is something that management is aware of and working towards.

Geological

BKM has resources and further drilling is positive, as is exploratory work at BKZ. The deposits appear relatively standard and not out of the ordinary. Beutong is lower risk in some regards as it is a sizeable porphyry open in most directions, including depth, and, importantly, outcrops at surface. So, from a geological point of view, the risk seems low to medium.

Political

The main risk that surrounds Asiamet is due to the Indonesian government and the recent buoyancy in the mining code and how that could change over time. An update to the mining code is due to be released, but volatility in changes regarding ore processing in country and foreign ownership divestment rules have left the environment regarding investment in the Indonesian mining sector challenging. The government is working towards a new draft mining code that is more streamlined that the current code.

Asiamet has worked with the government from the onset and is in discussion with potential Indonesian partners for all of its assets, in order to enable smooth running of permitting and operating in Indonesia.

Sensitivity testing

We conducted sensitivity testing on BKM and saw that the copper price, copper recovery from the heap, copper recovery from the PLS/electrolyte and copper grade affect the project most, highlighting the dependency of heap operations on this part of the copper extraction process. Asiamet's operating costs are relatively low, in the second quartile border for AISCs. This demonstrates the need for Asiamet to focus its efforts on the plant and electrowinning circuit to maximise the copper recovered, which it seems the team is focusing on and holds extensive experience in this field.

Summary

Market Data	
Share Price	6.7p
Market Capitalisation	£66.9m
Shares Out	998.8m
Net Cash/(Debt) - 2017A	US$3.1m
Target Price	**23p**
Current P/NAV	0.3x

Key Assumptions	
Discount Rate	10.00%
Valuation Date	31 Dec 18
LT US$/£	1.30
FY18 Diluted NOSH (m)	998.8
P/NAV Multiple	0.90x
LT Cu Price (US$/lb)	3.00

Asset Locations

Funding Assumptions	
Funding % Debt	60.0%
Cost of Debt	5.0%
Equity Issuance Price	10.1p

Resources Data	Kt	Cu Eq (%)	Cu (%)	Au (g/t)	Ag (g/t)	Mo (g/t)
BKM Resources						
Measured & Indicated	49,200	0.64%	0.64%	n/a	n/a	n/a
Inferred	17,700	0.60%	0.60%	n/a	n/a	n/a
BKM Resources						
Measured, Indicated & Inferred	510,000	0.59%	0.47%	0.13	1.26	123

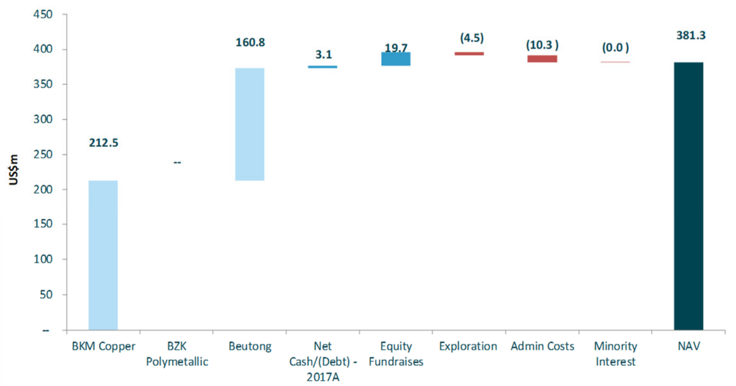
Production Data	2017A	2018E	2019E	2020E	2021E
Tonnes Ore Mined (kt)	n/a	--	--	0	5,186
Copper Ore Grade (%)	n/a	--	--	0.00%	0.79%
Cu Recovery From Heap (%)	n/a	--	--	0.0%	75.0%
Cu Recovery (%)	n/a	--	--	0.0%	80.0%
Recovered Metal (kt)	n/a	--	--	0.0	16.5
Payable Copper Cathode (kt)	n/a	--	--	0.0	16.5
C1 Cash Cost (US$/lb)	n/a	--	--	0.00	1.33
AISC (US$/lb)	n/a	--	--	0.00	2.00

Summary Income Statement (US$m)					
Year to December	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**
Sales	--	--	--	--	118.1
Gross Profit	**--**	**--**	**--**	**--**	**66.7**
Admin Expenses	(2.7)	(2.8)	(2.8)	(2.8)	(4.3)
Expl. & Eval. Costs	(4.6)	(10.0)	(4.5)	--	--
Op. Profit	**(8.3)**	**(13.7)**	**(8.2)**	**(3.8)**	**44.0**
D&A	(0.0)	(0.0)	(0.0)	(0.0)	(17.5)
EBITDA	**(7.3)**	**(12.8)**	**(7.3)**	**(2.8)**	**62.4**
Net Interest	0.0	0.0	(1.5)	(4.5)	(4.4)
PBT (Adj).	**(8.3)**	**(13.7)**	**(9.7)**	**(8.2)**	**39.5**
Tax	--	--	--	--	(5.9)
PAT (Adj).	**(8.3)**	**(13.7)**	**(9.7)**	**(8.2)**	**33.6**
EPS (Adj).	**(1.0c)**	**(1.4c)**	**(0.8c)**	**(0.6c)**	**2.2c**
EPS Growth	(61.8%)	(39.1%)	43.7%	32.2%	494.5%
Avg. No. Shares (Basic)	*772.5m*	*924.6m*	*1,147.7m*	*1,446.8m*	*1,496.4m*
Avg. No. Shares (Diluted)	*772.5m*	*946.4m*	*1,193.3m*	*1,492.4m*	*1,542.1m*

2019 Summary NAV	Asset Location	Interest (%)	Attr. Value (US$m)	Attr. Value (p/share)
BKM Copper	Kalimantan	100%	212.5	14.2
BKZ Polymetallic	Kalimantan	100%	--	--
Beutong	Sumatra, Indonesia	80%	160.8	10.8
CORE NPV			**373.3**	**25.0**
Net Cash/(Debt) - 2017A			3.1	0.2
2018 Equity Fundraise & Exercises			19.7	1.3
Exploration			(4.5)	(0.3)
Admin Costs			(10.3)	(0.7)
Minority Interest			(0.0)	(0.0)
TOTAL NAV			**381.3**	**25.5**

Summary CashFlow Statement (US$m)					
Year to December	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**
EBITDA	(7.3)	(12.8)	(7.3)	(2.8)	62.4
Op C/F	**(7.5)**	**(12.7)**	**(8.8)**	**(7.3)**	**46.6**
CAPEX	(0.0)	--	(49.1)	(98.3)	(18.7)
Investment CF	**0.7**	**(3.2)**	**(49.1)**	**(98.3)**	**(18.7)**
Net Equity Proceeds	8.4	13.8	19.7	39.3	6.6
Net Borrowings	--	--	29.5	59.0	(1.2)
Financing CF	**8.2**	**13.8**	**49.1**	**98.3**	**5.3**
Net Change in Cash	1.3	(2.2)	(8.8)	(7.3)	33.2
Net Cash/(Debt)	**3.1**	**0.9**	**(37.3)**	**(103.6)**	**(69.1)**
Free Cash Flow to Firm	**(7.5)**	**(16.0)**	**(56.8)**	**(102.2)**	**31.1**

2019 NAV Distribution Chart



Summary Balance Sheet (US$m)					
Year to December	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**
PPE	0.0	0.0	49.1	147.4	148.6
Exploration Rights	0.1	0.1	0.1	0.1	0.1
Cash and Equivalents	3.1	0.9	(7.8)	(15.1)	18.1
Total Assets	**3.8**	**1.6**	**42.0**	**132.9**	**177.0**
Borrowings	--	--	(29.5)	(88.5)	(87.2)
Total Liabilities	**(1.2)**	**(1.2)**	**(30.7)**	**(89.7)**	**(92.7)**
Equity to Parent	2.6	0.4	11.3	43.3	84.4
NCI	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Liabilities + Equity	**3.8**	**1.6**	**42.0**	**132.9**	**177.0**
EV/EBITDA	*(11.5x)*	*(6.6x)*	*(11.5x)*	*(29.9x)*	*1.3x*
FCF Yield	*(8.6%)*	*(18.4%)*	*(65.3%)*	*(117.5%)*	*35.8%*
Net Debt/EBITDA	*0.4x*	*0.1x*	*(5.1x)*	*(36.9x)*	*1.1x*
Interest Cover	*--*	*--*	*--*	*--*	*9.9x*

Source: Arden Research, 2019

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11 April 2019

Technology: Hardware & Equipment (AIM) **CYAN.L**

CyanConnode*

Set for a meter-oric rise

Buy

Target Price: 12p **Current Price: 5.8p**

We believe CyanConnode's commercial plan is accelerating. Growth in India is due to build on earlier success in the Nordic markets and drive a transformation of the group. As a result, we forecast a 62% two year sales CAGR and break-even profitability by FY20E (supported by a £4.6m cash position exiting FY18E), alongside unprecedented pipeline visibility. The shares have fallen by *c.*40% YTD and trade on 0.9x FY19E EV/sales. We view the current price as a compelling entry point and reiterate our Buy rating. Our 12m PT, based upon a peer multiple analysis, is 12p.

*As part of our **new Thematic Framework** for Technology we highlight that CyanConnode offers investors exposure to **Efficiency** and **Legacy** themes.*

- **CyanConnode leverages trends in smart cities and data.** We believe increasing adoption of smart IoT solutions will continue on an accelerating trend as governments, cities and power companies seek greater efficiencies by leveraging data and mobile connectivity**.** CyanConnode's smart connectivity solution uses proprietary smart mesh network technology operating over narrowband radio frequencies to provide highly reliable and low power network access to a range of smart city solutions where machine to machine data communication is required. This includes smart metering (electricity, water & gas) and, in the near future, smart lighting.
- **Commercialisation is due to accelerate as India roars to life.** The company won its first Indian order in June 2014 for 5,000 units from Larson & Toubro. Since then, the strength of the company's technology and proven record of execution has led to new client wins and follow-on orders on strong demand growth in the vast Indian power market. In fact, we note the 3,000 order announced on 3 April 2019 as evidence of ongoing momentum in spite of the Indian election. The ramp-up of these contracts in FY19-FY20E supports our forecast for 62% revenue CAGR.
- **Vendor agnostic technology allows broad route to market.** The company's route to market is typically through a tendering process to a private or public utility company in conjunction with a meter manufacturer, system integrator, EPC contractor or mobile operator. CyanConnode's vendor agnostic product means the group can strategically partner with any of the bidding parties.
- **Valuation:** CyanConnode currently trades on 0.9x FY19E EV/sales. Our PT of 12p is set relative to peer group valuations.

Description

CyanConnode is a leading IoT technology firm specialising in communication technology for smart city solutions. The group's speciality is in Narrowband Radio Frequency (RF) Smart Mesh Networks developed from IPv6 LoWPAN technology. The company's key use case is in smart metering for electricity.

Key Data

Market Capitalisation	£10.6m
Shares in Issue	182.4m
Free Float	160.3m (88%)
Average Daily Volume	328,000
12-Months Trading Range	6.0p to 17.8p

Financial Forecasts

Yr to 31 December	**2018E**	**2019E**	**2020E**
Sales	£4.7m	£7.0m	£12.3m
Operating Profit	£(4.7m)	£(2.6m)	£(0.1m)
Adjusted PBT	£(4.7m)	£(2.6m)	£(0.1m)
Adjusted EPS	(3.0p)	(1.1p)	0.2p
EPS Growth	nm	nm	nm
P/E	nm	nm	33.4
EV/EBITDA	nm	nm	15.8
Dividend	na	na	na
Net Cash/(Debt)	£4.6m	£2.5m	£2.4m
FCF	£(3.1m)	£(2.1m)	£(0.1m)

Price Performance

1 Month	-22.1%
3 Months	-37.8%
12 Months	-45.3%

Price Performance (p)

Source: Bloomberg.

***Arden Partners acts as corporate broker to this company**

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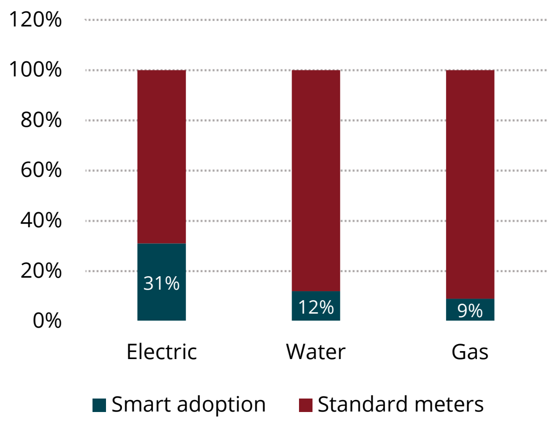
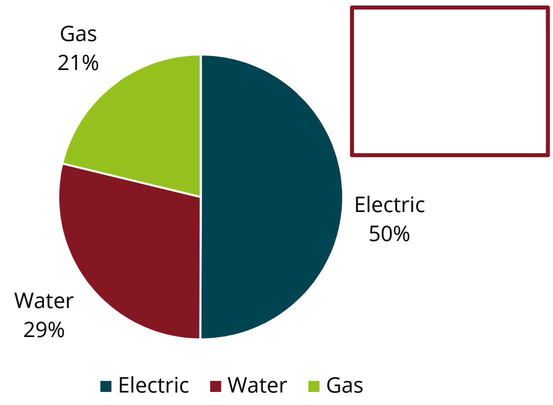
CyanConnode in six charts

1) Smart metering penetration is low…



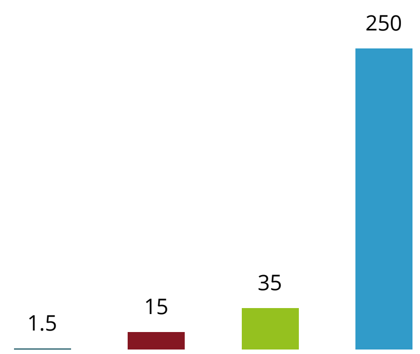
Source: McKinsey, 2017.

2) …and the market is large and growing



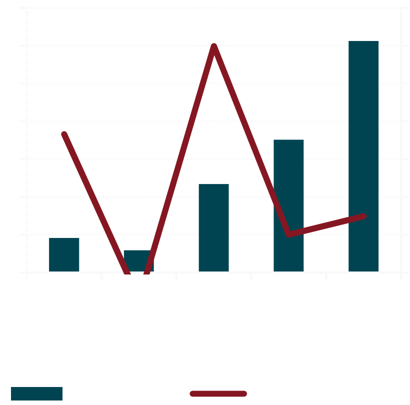
Source: McKinsey, 2017.

3) India is a large power market and hitting an inflection…



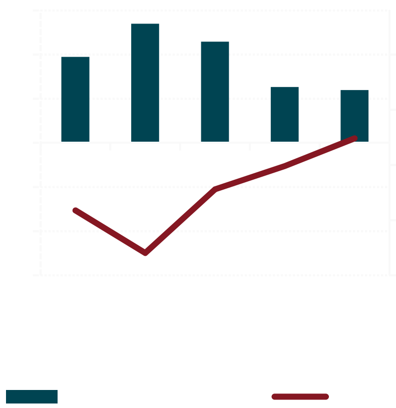
Source: Bloomberg, 2018.

4) …which is due to transform CyanConnode



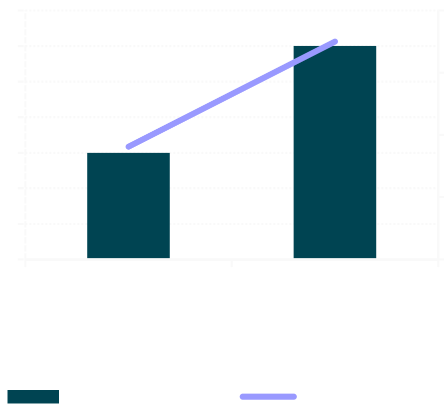
Source: Arden and Company, 2018.

5) CyanConnode is on track to reach breakeven in 20E



Source: Arden and Company, 2018.

6) Valuation upside is substantial



Source: Arden and Company, 2018.

CyanConnode thematic positioning

*We place CyanConnode into the **Efficiency** and **Legacy** categories. CyanConnode operates a B2B business model selling to manufacturers of smart city products with a current focus on smart electricity meters.*

Introducing Arden's Technology Thematic Framework

				Thematic positioning				Execution					
Ticker	Company	Target price	Rating	Consumer	Disruption	Efficiency	Legacy	2 Yr sales growth	Channel partner sales	Recurring revenues	Net cash/ mkt cap	2 Yr Op. CF growth	2Yr EBIT CAGR
				Yes/No	Yes/No	Yes/No	Yes/No	17-19E%	%	%	%	17-19E%	17-19E%
CYAN	**CyanConnode***	12p	BUY			Y	Y	145%	100%	0%	32.9%	55.2%	50.1%
CALL	**CloudCall***	280p	BUY			Y	Y	32.7%	66.0%	89.0%	12.0%	60.9%	64.2%
TIDE	**Crimson Tide***	4.4p	BUY			Y		24.5%	0%	90.0%	1.5%	0.9%	-7.0%
ENET	**Ethernity Networks***	N/A	N/R		Y	Y	Y	n/a	0%	55.4%	n/a	n/a	n/a
FST	**Frontier Smart**	62p	BUY	Y	Y			n/a	0%	0%	-23.7%	n/a	n/a
MNO	**Maestrano***	30p	BUY			Y		-3.9%	100%	7.3%	83.8%	31.9%	42.6%
TRAK	**Trakm8***	48p	NEUTRAL	Y		Y		-7.3%	0%	57.9%	-3.8%	117.7%	-213.1%
VNET	**Vianet Group**	142p	BUY	Y		Y		3.5%	0%	88.0%	4.1%	-0.3%	9.9%
ZOO	**Zoo Digital**	140p	BUY	Y		Y		16.8%	34.0%	0%	2.0%	97.3%	73.5%

Source: Arden. Note: *Arden Partners acts as corporate broker to this company.

- We anticipate a short-term acceleration of revenue growth as contracts in India begin to ramp-up, driving a transformation in scale and visibility;
- The group's routes to market are dependent upon direct agreements with smart meter manufacturers who win tenders from utilities and drive adoption;
- Full details of our thematic screening methodology is available in our **Year Ahead 2019** piece (*link*).

Investment case

We believe CyanConnode's commercial plan is accelerating. Growth in India is due to build on earlier success in the Nordic markets and drive a transformation of the group. As a result, we forecast a 62% two year sales CAGR and break-even profitability by FY20E, alongside unprecedented pipeline visibility. On our estimate, the group has a substantial portion of its expected revenues in FY19E already covered by existing contracts.

The shares have fallen by 38% YTD and trade on 0.9x EV/sales. We view the current price as a compelling entry point and reiterate our Buy rating. Our 12-month PT, based upon a peer multiple analysis, is 12p.

As part of our ***new Thematic Framework*** *for Technology we highlight that CyanConnode offers investors exposure to* ***Efficiency*** *and* ***Legacy*** *themes. See below for details.*

CyanConnode offers last mile communications for smart city infrastructure

CyanConnode is a Cambridge, UK-based IoT technology firm specialising in communication modules. CyanConnode's smart connectivity solution uses smart mesh network technology operating over narrowband radio frequencies (developed from IPv6 LoWPAN) to provide highly reliable and low power network access to a range of smart city solutions where machine to machine data communication is required. This includes smart metering (electricity, water & gas) and, in the near future, smart lighting. Almost one million devices using the group's technology have been installed to date.

The group (in its current form) was established by the acquisition of Connode by Cyan in 2016. CyanConnode's key product is Omnimesh, which from its launch in 2018, has been the key driver of the group's commercialisation to date.

CyanConnode leverages smart city trends; EM exposure helps outpace the market

We believe increasing adoption of smart IoT solutions will continue on an accelerating trend as governments, cities and power companies seek greater efficiencies by leveraging data and mobile connectivity**.**

McKinsey estimates the global market size to be US$12bn, growing at a compound rate of 14% p.a. – with smart meter penetration at a modest 25% relative to a three billion unit installed base. Emerging markets are anticipated to be a particular area of growth with connections due to grow six-fold between 2019 (54 million installed base) and 2023, according to Northeast Group's research.

In our view, CyanConnode is well-positioned to outpace global market growth by virtue of: (1) a long-standing track record in emerging markets (in particular, India – see below); and (2) a technology suite that is inherently suited to the challenging environments of emerging markets.

Commercialisation is due to accelerate as India roars to life

The company won its first Indian order in June 2014 for 5,000 units from Larson & Toubro, a multi-billion US dollar organisation. This order related to a project at Tata Power, a privately-owned utility in Mumbai. Since then, the company has won both follow on orders for this project and further orders, which have increased in size due to demand in the vast Indian power market. The company's vendor agnostic model has led to significant success in recent tenders to win large contracts. The ramp-up of these contracts during FY19-FY20E will support our forecast for 62% revenue CAGR and provides the group with unprecedented visibility. We estimate the group has a substantial portion of our forecast FY19E sales now covered.

Vendor agnostic technology allows multiple routes to market

The company's route to market is typically through a tendering process to a private or public utility company in conjunction with a meter manufacturer, system integrator, EPC contractor or mobile operator. CyanConnode's vendor agnostic product means the group can strategically partner with any of the bidding parties for a given tender, in theory. CyanConnode's current model is to charge per module and gateway, but this may transition into an opex (per meter per month) or IP & royalty model in the future, improving sales visibility.

CyanConnode fits our 2019 idea screens and thematic positioning

CyanConnode screens well on two of the three key idea screens we have previously highlighted for AIM Tech investors in 2019. As per our **Year Ahead 2019** piece (***link***) we favour: (1) exposure to the US (CyanConnode has none at present); (2) revenue visibility (we believe CyanConnode has covered a substantial portion of our £7m revenue estimate for FY19E); and (3) balance sheet strength in the absence of profits (we forecast CyanConnode will exit FY18E with c.£4.6m of cash with sufficient capacity to reach an EBITDA break-even position as of FY20E).

Valuation & rating

We reiterate our Buy rating, given the substantial upside potential, strong visibility on FY19E and CyanConnode's relative valuation. CyanConnode's shares currently trade on a multiple of 0.9x FY19E EV/sales. Our PT of 12p is set relative to peer group valuations.

Valuation multiples for CyanConnode and its broader peer group

Company	Ticker	EV/sales			EV/EBITDA			P/E		
CyanConnode	CYAN LN	1.4x	0.9x	0.5x	nm	nm	15.3x	nm	nm	33.8x
Itron	ITRI US	1.3x	1.3x	1.2x	12.8x	11.2x	9.4x	20.9x	19.3x	14.6x
Landis+Gyr	LAND SW	1.1x	1.1x	1.1x	8.8x	8.3x	8.0x	14.2x	13.6x	12.6x
MTI Wireless	MWE LN	0.5x	0.5x	0.4x	5.2x	4.3x	3.7x	9.8x	7.8x	6.4x
Smart Metering	SMS LN	9.0x	7.6x	6.7x	15.8x	11.5x	9.1x	33.3x	24.4x	20.2x
Median (group ex-CYAN)		**1.2x**	**1.2x**	**1.1x**	**10.8x**	**9.8x**	**8.5x**	**17.6x**	**16.4x**	**13.6x**

Source: Companies, Reuters, Bloomberg Consensus Data and Arden, 2018.

Considering the group's substantially faster growth relative to its stage of development, we ascribe a target multiple of 1.75x FY20E EV/sales. In our view, a premium to its historical range is warranted, given the transformation of growth and improvement in profitability within our forecast horizon. We expect the premium to extend further as management further develops a track record of delivery and short-term geopolitical uncertainties are resolved.

Financials

Income Statement					
Year end March	**2016A**	**2017A**	**2018E**	**2019E**	**2020E**
	£000s	£000s	£000s	£000s	£000s
Revenue	1,823	1,171	4,679	7,023	12,250
Cost of sales	(1,128)	(674)	(1,872)	(3,336)	(5,819)
Gross profit	**696**	**497**	**2,810**	**3,687**	**6,432**
Gross margin	*38%*	*42%*	*60%*	*53%*	*53%*
Operating expenses	(8,634)	(11,650)	(8,181)	(6,971)	(7,254)
Exceptional and non-cash charges	(1,566)	(689)	(689)	(689)	(720)
Adjusted operating profit (Loss)	**(6,373)**	**(10,464)**	**(4,685)**	**(2,595)**	**(103)**
Operating margin	*-350%*	*-893%*	*-100%*	*-37%*	*-1%*
Finance (costs)/income	3	9	9	9	9
Adjusted PBT	**(6,370)**	**(10,455)**	**(4,676)**	**(2,586)**	**(94)**
Tax	819	1,402	600	500	500
Effective tax rate	*13%*	*13%*	*13%*	*19%*	*534%*
Adjusted PAT	**(5,551)**	**(9,052)**	**(4,076)**	**(2,086)**	**406**
Adjusted EPS (p)	**(10.2)**	**(9.5)**	**(3.0)**	**(1.1)**	**0.2**
EBITDA reconciliation					
Adjusted operating profit (loss)	**(6,373)**	**(10,464)**	**(4,685)**	**(2,595)**	**(103)**
Depreciation	(46)	(68)	(69)	(83)	(97)
Amortisation	(210)	(421)	(421)	(421)	(421)
Adjusted EBITDA	**(6,117)**	**(9,975)**	**(4,195)**	**(2,091)**	**415**

Source: Arden Estimates.

Balance Sheet

Year end March	2016A	2017A	2018E	2019E	2020E
	£000s	£000s	£000s	£000s	£000s
Property, plant and equipment	78	83	87	77	53
Intangibles	5,890	5,469	5,047	4,627	4,206
Goodwill	1,930	1,930	1,930	1,930	1,930
Deferred income tax	42	48	48	48	48
Total Non-Current Assets	**7,940**	**7,530**	**7,112**	**6,682**	**6,237**
Inventory	340	1,128	1,170	1,756	2,573
Trade and other receivables	2,677	3,019	3,041	4,565	7,473
Cash and Cash Equivalents	3,893	5,394	4,584	2,530	2,388
Other	-	-	-	-	-
Total Current Assets	**6,910**	**9,541**	**8,796**	**8,851**	**12,433**
TOTAL ASSETS	**14,849**	**17,071**	**15,908**	**15,532**	**18,670**
Borrowings and other fin liab	-	-	-	-	-
Trade and other payables	943	859	859	859	859
Other	-	-	-	-	-
Total Non-Current Liabilities	**943**	**859**	**859**	**859**	**859**
Borrowings and other fin liab	-	-	-	-	-
Trade and other payables	2,205	2,248	2,059	3,669	6,401
Other	-	-	-	-	-
Total Current Liabilities	**2,205**	**2,248**	**2,059**	**3,669**	**6,401**
TOTAL LIABILITIES	**3,148**	**3,107**	**2,918**	**4,528**	**7,260**
Share capital	1,579	2,559	3,369	3,369	3,369
Share premium	52,831	65,565	69,754	69,754	69,754
Other reserves	(359)	(2,067)	(3,276)	(2,486)	(1,766)
Retained earnings	(42,351)	(52,092)	(56,857)	(59,632)	(59,946)
Total Shareholders' Equity	**11,701**	**13,964**	**12,991**	**11,005**	**11,411**

Source: Arden Estimates.

Cash Flow

Year end March	2016A	2017A	2018E	2019E	2020E
	£000s	£000s	£000s	£000s	£000s
Operating cash flow					
ADJ. EBITDA	(6,117)	(9,975)	(4,195)	(2,091)	415
Change in working capital	(8)	(453)	(253)	(499)	(993)
Interest paid	3	9	9	9	9
Tax	580	628	1,402	600	500
Other	(1,516)	102	(2,700)	-	-
Net operating cash flow	(7,059)	(9,688)	(5,736)	(1,981)	(69)
Investing cash flow					
Acquisition/disposal	(4,368)	-	-	-	-
Net capex	(80)	(73)	(73)	(73)	(73)
Other	5	6	-	-	-
Net investing cash flow	(4,443)	(67)	(73)	(73)	(73)
Financing cash flow					
Shares issued	12,954	11,269	5,000	-	-
Borrowing movements	(15)	-	-	-	-
Dividend paid	-	-	-	-	-
Other	-	-	-	-	-
Net financing cash flow	12,938	11,269	2,300	-	-
FX & Other	-	-	-	-	-
Opening cash	**2,489**	**3,925**	**5,439**	**4,630**	**2,576**
Movement	1,436	1,514	(810)	(2,054)	(142)
Closing cash	**3,925**	**5,439**	**4,630**	**2,576**	**2,433**

Source: Arden Estimates.

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11 April 2019

Alternative Energy (AIM) HYR.L

Hydrodec*

Fuelling growth

Buy

Current Price: 64p **Target Price: 100.0p**

Our positive view is predicated on the likely sharp increase in EBITDA and cash flow as working capital inflows from the recent capital raise drive improving capacity utilisation and operating leverage. In our view, the shares currently price very limited operational improvements, if any, and, although we acknowledge that refining is a technically challenging process, we believe the Group's expertise is sufficient to manage the increasing output, driving revenue and EBITDA CAGR of 30% and 92% respectively 2018-21E.

- **Working capital to drive utilisation** – We believe the Group can achieve capacity utilisation of 85% in 2021, which drives 72% 2yr EBITDA CAGR as the benefits of increasing capacity utilisation are realised with increased throughput of working capital in to Hydrodec's US facility. The operating leverage is such that a 1ppt change in capacity utilisation in 2020 can impact EBITDA by 2.6% and EPS by 5%, due to financial leverage. This provides very strong risk-reward for execution, which we believe is not appropriately priced in the shares at current levels.
- **Favourable utility market dynamics** – The demand for transformer oil, particularly in the US exhibits fundamentally strong growth prospects, providing a positive outlook for Hydrodec's SUPERFINE™ oil. Recent and forecasted investment in the US transmission network, along with an increasing need to service an ageing infrastructure, in our view, provides the foundations for this growth with attractive pricing dynamics for Hydrodec in the utility markets.
- **Longer-term capacity expansion** – Hydrodec's proprietary technology and market opportunity suggests high utilisation is possible and strong double digit returns on capital employed for incremental capacity reflect scope for significant value creation for equity investors in the medium-to-long term.
- **Strategic progress** – Hydrodec is already making strategic progress, per its recent trading update, winning new feedstock, negotiating with new suppliers, investing in sales and marketing and raising capacity utilisation. This provides confidence in strategy and execution going forward.
- **Attractive valuation considering growth** – Hydrodec trades on 4.3x EV/EBITDA, 8.8x P/E, 6.1% dividend yield and a 17% FCF yield (all 2020E). Although we acknowledge execution is required through 2019, we believe the existing assets and potential for high cash returns are extremely attractive to equity investors at current levels.

Description

Hydrodec is a clean-tech oil re-refining group using proprietary technology to re-refine used and contaminated waste oil to produce SUPERFINE™ transformer oil and naphthenic base oil.

Key Data

Market Capitalisation	£18.3m
Shares in Issue	28.4m
Free Float	70.6%
Average Daily Volume	8,480
12-Months Trading Range	64p to 185p

Financial Forecasts

Yr to December	2017A	2018E	2019E
Sales	$14.0m	$13.4m	$20.2m
Operating Profit	($2.8m)	($2.1m)	$1.4m
Adjusted PBT	($4.1m)	($3.4m)	$1.0m
Adjusted EPS	(54.7c)	(29.3c)	1.9c
EPS Growth	-	-	(106.5%)
P/E	-	-	44.3x
EV/EBITDA	-	-	20.9x
Dividend	-	-	2.00c
Yield	-	-	2.4%
Dividend Cover	-	-	1.0x
Net Cash/(Debt)	($20.2m)	($7.4m)	($5.9m)

Price Performance

1 Month	-3.7%
3 Months	-6.2%
12 Months	-58.4%

Price Performance (p)

Source: Bloomberg.

Arden Partners acts as corporate broker to this company.

Fuelling growth

Our positive view is predicated on the likely sharp increase in EBITDA and cash flow as working capital inflows from the recent capital raise drive improving capacity utilisation and operating leverage. In our view, the shares currently price very limited operational improvements, if any, and, although we acknowledge that refining is a technically challenging process, we believe the Group's expertise is sufficient to manage the increasing output, driving revenue and EBITDA CAGR of 30% and 92% respectively 2018-21E.

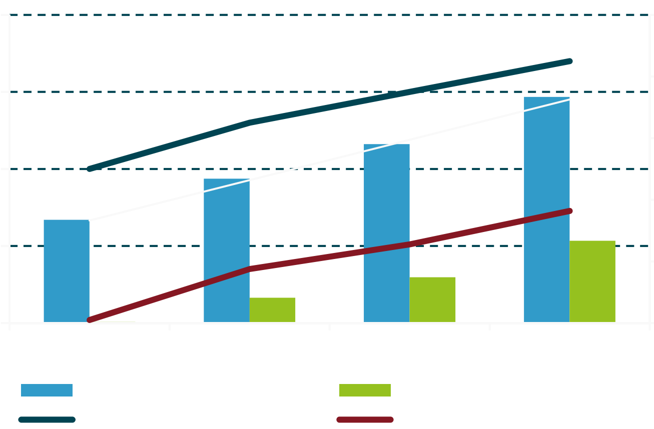
Working capital enhancements

We believe the Group can achieve capacity utilisation of 85% in 2021 which drives 72% 2yr EBITDA CAGR as the benefits of increasing capacity utilisation are realised with increased throughput of working capital in to Hydrodec's US facility. The operating leverage is such that a 1ppt change in capacity utilisation in 2020 can impact EBITDA by 2.6% and EPS by 5%, due to financial leverage. This provides very strong risk-reward for executing on the increase in feedstock availability and therefore plant utilisation, which we believe is not appropriately priced in the shares at current levels.

One of the core tenets of our investment thesis for Hydrodec is that working capital availability, following the equity capital raising, will allow Hydrodec to vastly improve the capacity utilisation at its Canton, OH facility, reducing existing operational payable balances and benefit from significant operating leverage in the business.

The Group raised £11.2m in new equity to help pay down debt and provide working capital to accelerate purchases of used oil feed stock to feed the re-refinery.

Hydrodec Group – financial summary



Source: Arden.

In the chart above, we show our forecast development of revenue and EBITDA based upon increasing capacity utilisation as working capital is put to use to purchase feedstock. The operating leverage is such that a 1ppt change in capacity utilisation in 2020 can impact EBITDA by 2.5% and EPS by 5%, due to financial leverage.

Thus, the increase in capacity utilisation that we forecast, just driven by the availability of working capital, provides a highly compelling proposition in our view and offers 80% EBITDA 2yr CAGR 2019-21 to 85% utilisation and, thus, there remains upside beyond this. In our view, the stock is not priced for such an uplift in EBITDA, cash generation and, therefore, deleveraging.

Through 2018 the facility was able to run at *c*.55% (H1 reported: 48%) due to the limited availability of feedstock, and the core US operations were loss making on such low utilisation. As with most oil refineries, they are designed to run at high utilisation to take advantage of the high initial capital outlay and fixed costs but low ongoing operating costs. Logistical management around feedstock availability and storage is crucial to the effective operation and economics of refineries and Hydrodec is no exception.

Refinery processes are, by their very nature, highly complex and, therefore, it is rarely as simple a fix as driving more feedstock through the systems as increases in utilisation require carefully managed temperature and pressure monitoring. However, given that the plant has achieved higher utilisation at times previously than in 2018, we believe there is sufficient technical and operational expertise on site to manage increased utilisation as feedstock levels improve and the plant is able to consistently run at higher levels of utilisation, ultimately benefiting plant efficiency and product quality – a key element of the Hydrodec commercial offering.

The Canton facility has a name plate capacity of 12 million gallons with maximum utilisation of 90% due to existing equipment limitations, although the capital raise will enable the Group to replace certain pieces of equipment to raise potential utilisation to 100%. However, running at 50% utilisation suggests only 6 million gallons of feedstock have been available or managed through the storage tanks and, thus, the acquisition of a further 3 million gallons of feedstock is required to achieve 75% utilisation.

However, to ensure appropriate consistent operation through the seasonally lower winter months, the Group needs access to further feedstock readily available in storage tanks to ensure that capacity can be managed through the winter months when feedstock is not as readily available. At *c*.$0.8-1/gallon and short payment terms, the likely working capital requirements to fully supply the plant could be $2-3m, hence the capital raise. However, beyond this capital outlay, the attractive economics of the business and operating leverage provide ongoing cash flows, which provide very quick payback on the working capital.

Favourable utility market dynamics

The demand for transformer oil, particularly in the US exhibits fundamentally strong growth prospects, providing a positive outlook for Hydrodec's SUPERFINE™ oil. Recent and forecasted investment in the US transmission network, along with an increasing need to service an ageing infrastructure, in our view, provides the foundations for this growth. We believe Hydrodec has i) the ability to draw this demand through the attractiveness of its carbon credit offering to environmentally-conscious utility providers, and ii) the capability to monetise this through price increases.

Globally, the market for mineral-based transformer oil is set to grow at a CAGR of 7.79% from US$1.8bn in 2015 to US$2.6bn by 2020 *(Markets&Markets).* In particular, we see North America (15% of market share) as being a key player in driving this growth, thereby playing into Hydrodec's revised business strategy to focus its attention on this region.

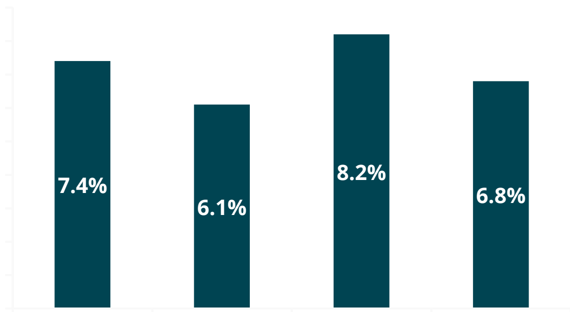
Developing relationships with utilities to fuel growth

We see the market opportunity as being vast, arising from both a growing need for transformer oil amongst utility providers and an environmental push amongst these utilities towards using re-refined oil to service energy consumption.

In our view, we believe the emphasis on forming relationships with the utility providers plays nicely into the synergies that the "closed loop" model offers (whereby used oil from electrical utilities is processed by a re-refiner like Hydrodec to produce a "cleaner" oil, which can then be sold back to the utilities).

Firstly, it is estimated that the pace of growth in demand for transformer oil will be more profound amongst the utilities, at 8.2% CAGR 2015-2020, demonstrating the market opportunity that exists.

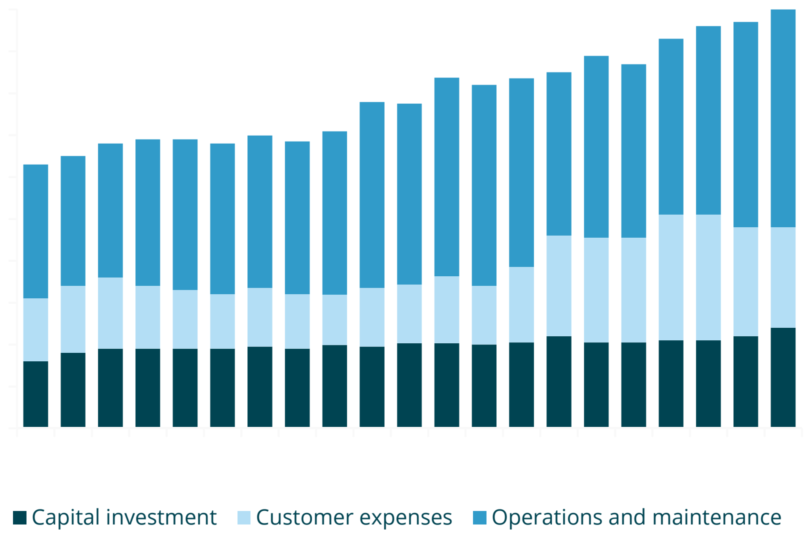
2015-2020 CAGR of global transformer oil market by application



Source: Arden.

Secondly, we point towards the fact that much of this demand is being reflected in recent investments by the utilities. Members of the Edison Electric Institute, which includes the likes of Duke Energy, Avista Corp and the National Grid,are deemed to have invested US$20.8bn in the US electrical transmission infrastructure and are forecast to invest an additional US$90bn through to 2020. Naturally, this investment leads itself to a growing need for transformers, and, thus, transformer oil to support the infrastructure.

Annual electric distribution system costs for major US utilities



Source: US Energy Information Administration.

Thirdly, we highlight the potential for this trend to increase in the medium-to-long term owing to the fact that the average age of "large power transformers" in the US is estimated to be 38-40 years, with 70% of them being 25 years or older. This suggests two things: first, we can expect a greater need to service the ageing transformers by replacing the used oil on a regular basis, providing an opportunity for "closed loop" synergies. Secondly, we anticipate a growing need to decommission transformers, therefore providing valuable feedstock of used oil for Hydrodec through relationships with decommissioners such as G&S Technologies (15% interest in HoNA).

The opportunity this presents is profound

Overall, we believe that the fundamentally strong prospects for transformer oil demand in the US leads itself to two key opportunities for Hydrodec. We believe there is scope to capitalise on this through the quality of the SUPERFINE™ product it sells (as we outline in further detail later in this note), alongside the credibility that is brought about through its carbon credits.

Firstly, we believe that this provides appropriate justification for pricing upside. As noted, current prices for SUPERFINE™ amount to *c.*US$2.30/gallon. Management's view to increase the price of SUPERFINE™ to a price of US$3.25-3.50/gallon appears warranted in the context of the fundamentally supportive market dynamics.

Secondly, we highlight the significant activity that has occurred within the market over the past few years ranging from company expansion to M&A. We highlight this as we believe that this demonstrates increasing levels of activity in the re-refinery market and therefore the potential for Hydrodec to capitalise on this.

Longer-term capacity expansion

Although somewhat beyond the initial scope for the investment case, given the nearer-term execution required to raise capacity utilisation, we highlight the potential for further capacity expansion given the return on investment available at current input cost and utilisation assumptions.

Hydrodec's proprietary technology and market opportunity suggests high utilisation is possible and strong double-digit returns on capital employed for incremental capacity reflect scope for significant value creation for equity investors in the medium-to-long term.

We show in the table below the indicative impact of two further processing trains (2x 2 million gallons for capex of $5m) that could be added to existing capacity from 2022 and highlight the strong cash flow characteristics of the investment and high returns. This is enabled by the highly cash generative nature of the core business once the feedstock limitations are overcome and further working capital is put to work.

Hydrodec – additional processing capacity scenario

Average utilisation	**%**	**70%**	**80%**	**90%**
Plant capacity	m gallons	4	4	4
Plant output	m gallons	2.8	3.2	3.6
Utility mix	%	50%	70%	100%
Utility price	$/gallon	3.5	3.5	3.5
Overall price achieved	$/gallon	2.875	3.125	3.5
Feedstock cost	$/gallon	1	1	1
Variable processing cost (e.g. energy)	$/gallon	0.35	0.35	0.35
Fixed costs per month (rise with capacity)	$k/m gallons	400	400	400
Revenue	**$m**	**8.1**	**10.0**	**12.6**
Feedstock cost	$m	(2.8)	(3.2)	(3.6)
Processing cost	$m	(1.0)	(1.1)	(1.3)
Fixed costs (rising with capacity)	$m	(1.6)	(1.6)	(1.6)
EBITDA	**$m**	**2.7**	**4.1**	**6.1**
D&A	$m	(0.5)	(0.5)	(0.5)
Tax	$m	(0.4)	(0.7)	(1.1)
FCF (assume maintenace capex = depr'ion)	$m	1.7	2.9	4.5
Assumed capex	$m	5	5	5
Annual cash return on investment	$m	**35%**	**57%**	**90%**

Source: Arden.

We show potential sensitivities on capacity utilisation and the pricing mix to highlight the attractiveness of the assets, the high operating leverage and the cash generation.

We have assumed that fixed costs are in line with the current facility in Canton, albeit on a pro rata basis for capacity, and we acknowledge this might prove optimistic depending upon the location (or co-location) of the new processing trains. Additionally, this capex level assumes some existing infrastructure and so is a brownfield location, not greenfield. However, we believe the scenario above should indicate the upside opportunity for Hydrodec as the core business becomes proven and demand from the utility market is developed with the associated strong pricing dynamics.

The potential value creation of $1.7m+ in annual FCF between 2022 and 2023 would be equal to current market cap once discounted so provides strong optionality at the current share price levels, albeit we would not anticipate investors factoring this in just yet.

Financial forecasts

Our forecasts represent 30% revenue CAGR and 92% EBITDA CAGR (pre-central costs), driven by improving capacity utilisation and pricing uplift from utility customers over the next three years.

Hydrodec Group – profit and loss forecasts ($m)

	2017	2018E	2019E	2020E	2021E
Profit and Loss					
Revenue	13.5	13.4	20.2	23.2	29.3
Feedstock costs	4.6	4.8	7.9	8.9	10.1
Variable production costs	2.4	2.1	2.7	2.7	2.8
Fixed operating costs	4.6	4.8	4.4	4.1	4.1
Plant EBITDA	**1.5**	**1.7**	**5.2**	**7.5**	**12.3**
Central Costs	(1.4)	(1.6)	(1.6)	(1.6)	(1.7)
Group EBITDA	**0.3**	**0.1**	**3.6**	**5.9**	**10.7**
Group EBIT	(2.8)	(2.1)	1.4	3.9	8.7
Interest Expenses	(1.3)	(1.3)	(0.5)	(0.5)	(0.5)
Group Adjusted PBT	**(4.1)**	**(3.4)**	**1.0**	**3.5**	**8.3**
Adjusted Net Profit	(4.1)	(3.4)	1.0	3.5	8.3
Minority Charge	0.0	(0.2)	0.4	0.8	1.5
Net Attributable Earnings	**(4.1)**	**(3.2)**	**0.5**	**2.7**	**6.7**
EPS ($c)	**(54.7)**	**(29.3)**	**1.9**	**9.4**	**23.8**

Source: Arden and company reports.

NB Discontinued Losses in Australian business not shown above.

Revenue

Our 30% revenue CAGR reflects the following assumptions:

- 70% capacity utilisation in 2019, rising to 75% in 2020 and 85% in 2021;
- Our pricing assumptions for 2019-2021 reflect the progressive penetration of utility customers within the mix at a price level of $3.3/gallon compared with the existing transformer oil pricing of $2.3/gallon.

These assumptions drive revenue of $20.2m in 2019 (+ 51% YoY), rising to $23.2m (+25% YoY) and $29.3m (+26.4% YoY). However, we believe there could be upside to the progression in utilisation and pricing through 2020 and 2021, which could accelerate earnings and cash flow growth and potentially help to fund further capacity expansion if warranted by the supply-demand picture as the market for re-refined transformer oil develops.

Input costs

In our model, increases in certain input costs, notably feedstock, are likely to be mitigated by decreasing variable production costs as efficiency and plant utilisation improves.

- We forecast an increase in landed feedstock costs on a per gallon basis from $0.8/gallon currently in 2018 to $0.95/gallon in 2019 and $1/gallon in 2020-2021 as the Group acquires feedstock across a broader geographic area, incurring increased transport costs in a temporarily more competitive market;
- Other variable costs should see some benefit from efficiencies through more consistent throughput at the plant so we model a decrease in variable production costs from $0.35/gallon in 2018 to $0.28/gallon in 2021;

For Hydrodec North America, this results in EBITDA at the plant level of $5.2m in 2019, rising to $7.5m in 2020 and $12.3m in 2021, a 92% CAGR over three years;

Our EPS forecasts show a loss of 29.3¢ in 2018 reflecting 50% capacity utilisation through the year, rising to 1.98c 8¢ in 2019, 9.4¢ in 2020 and 23.8¢ in 2021. Alongside this we forecast a dividend of 2¢ per share in 2019 on the assumption that reserves are likely to be restructured at the AGM, following the capital raise and increased capital base.

Cash flow statement

There are several moving parts to the cash flow, given the capital raise and the application of the working capital over the next two years as well as the anticipated sale of the Australian business during 2019.

Hydrodec Group – cash flow forecasts ($m)					
	2017	**2018E**	**2019E**	**2020E**	**2021E**
Cash Flow					
EBITDA	0.3	0.1	3.6	5.9	10.7
Working Capital	1.3	(3.0)	(1.3)	0.1	0.0
Exceptional (Australia)	(0.2)	(3.8)	(1.3)	0.0	0.0
CFO	**1.4**	**(6.7)**	**1.0**	**6.0**	**10.7**
Capex	(0.3)	(0.3)	(1.0)	(1.0)	(1.0)
Acquisitions/Disposals	(0.1)	0.0	2.0	0.0	0.0
Share Issuance	0.0	20.3	0.0	0.0	0.0
Repayment of Borrowings	1.6	(10.6)	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	(0.6)	(1.4)
Interest Expenses	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Finance Lease Repayment	(1.7)	(1.5)	(1.6)	(1.6)	(1.7)
Net Cash Flow	**0.4**	**0.7**	**(0.0)**	**2.4**	**6.2**
Gross Debt	(20.3)	(8.2)	(6.7)	(5.1)	(3.4)
Cash	0.1	0.8	0.8	3.2	9.3
Net Cash/(Debt)	**(20.2)**	**(7.4)**	**(5.9)**	**(1.9)**	**6.0**

Source: Arden and company reports.

The restructuring of the G&S shareholding in Hydrodec North America will result in a working capital outflow consistent with the repayment of trade payables owed to G&S in late 2018, and we forecast a further outflow in 2019 of $1.3m, consistent with the increase in feedstock inventories to boost capacity utilisation and smooth operations through seasonal downturns.

In terms of restructuring the capital base, we include an inflow of $20.25m. This equates to a £10m capital raise, additional open offer of £1.2m and the debt-for-equity swap of £4.5m of Andrew Black's debt. The latter, despite being non-cash, is included for modelling purposes only and is reversed in the next item which is a borrowings outflow. This represents the other side of the debt-for-equity swap, and the actual debt pay-down of £3.7m ($4.7m).

In total, gross debt falls by *c.*$12m in 2018, being the debt-for-equity swap ($5.8m), $4.7m of further debt pay down and $1.5m of finance lease repayments.

As such, we forecast net debt of *c.*$7.4m in 2018, reflecting gross debt of $8.2m and a cash balance of $0.8m. By 2021, we have the Group being net cash positive, helped by FCF conversion of over 100%.

Valuation

Hydrodec trades on high valuation multiples in the current year as the operations move from underutilisation in 2018 to a well-managed and efficient, profitable plant in 2020 through a transition year in 2019.

Hydrodec trades on 4.6x EV/EBITDA, 9.4x P/E, 5.6% dividend yield and a 15% FCF yield (all in 2020E). Although we acknowledge execution is required through 2019, we believe the existing assets and potential for high cash returns are extremely attractive to equity investors at current levels.

Hydrodec Group – valuation multiples

		2018E	2019E	2020E	2021E
Share price (p)	**66**	66	66	66	66
Market Cap	$m	25.1	24.2	24.2	24.2
Enterprise value	$m	32.5	30.1	26.1	18.2
EV/Sales	x	2.4	1.5	1.1	0.6
EV/EBITDA	x	247.2	8.4	4.4	1.7
EV/EBIT	x	-15.3	21.1	6.6	2.1
EV/NOPAT	x	247.2	8.4	4.4	1.7
P/E	x	-7.8	44.8	9.1	3.6
Dividend Yield	%	0.0%	2.3%	5.9%	14.8%
FCF Yield	%	-20.7%	-0.1%	16.2%	31.1%

Source: Arden and company reports.

We base our target price on forward peer multiples, sense checked with a DCF methodology.

The US refining sector broadly trades on a 5x-7x EV/EBITDA and 9x-11x P/E (e.g. Valero, Phillips and Marathon) but we believe Hydrodec can trade at the top end or above this range given the transformative growth on offer and cash flow dynamics.

We set our target price at 100p, which equates to 6.8x EV/EBITDA 2020E (i.e. top of the range) and 14x 2020E P/E. On our forecasts, 2020E represents a strong operational year but with significant earnings upside in to 2021 as further pricing and operating leverage comes through. As such, on 2021E multiples, the stock only trades on 1.8x EV/EBITDA and 3.7x P/E with a 30% FCF yield.

We model a DCF valuation to sense check the numbers. Inevitably, given the large weighting of cash flow in the later forecast years and the terminal value, the DCF provides a valuation of *c.*250p a share although we recognise the execution required over the coming years to crystallise this value.

That said, our view of Hydrodec's assets and strategy leads us to believe there is material upside for investors in this stock and initiate with a Buy rating.

Michael White
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11 April 2019

Financial Services (AIM) **LIT.L**

Litigation Capital Management

Poised for expansion

Buy

Target price: 140p **Current price: 99p**

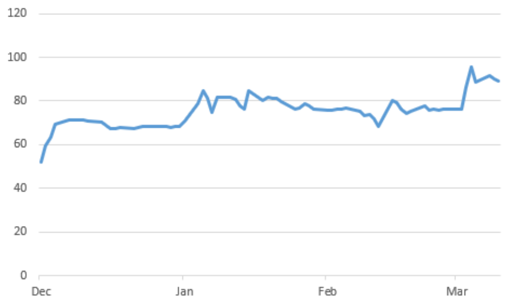
- **Having raised funds on the ASX and AIM the Company now has A$52.6m of cash on its debt-free balance sheet. This will allow LCM to significantly increase deployment and accelerate its ROE (FY21E: 26%). We believe there is substantial potential for a rerating at only 2.5x FY19 P/NAV. Our target price is at 140p.**
- **Track record key:** As at FY18 the Company had a running ROIC on concluded cases of 138% and a success rate of 88%, demonstrating the ability of the team to select not only the cases that win, but those that have high returns.
- **Portfolio funding:** The Company is following a key trend in the litigation finance sector by expanding into funding a portfolio of cases as opposed to single cases. This sees a funder financing a “book” of cases for a corporation or law firm and has the benefits of diversification, speed and lower loss rates. The Company has signed its first portfolio deal with a corporate in October 2018 and on 25/03/19 built upon this by signing another with a global law firm.
- **International expansion:** LCM was founded in Australia in 1998 and has recently expanded into London with a six-person team to originate business in Europe. In November 2018 the Group opened its office in Singapore, a region which is set to show display rapid growth given 2017 regulatory changes.
- **Forecasts:** We expect to see the benefits of increased FY19 deployment to largely come in FY21 given the average time it takes to settle a case. We are forecasting a doubling of ROE from FY19 to FY21. The Company adopts cash accounting on its investments and therefore does not recognise unrealised fair value gains.
- **Valuation:** We value the company on a P/NAV and ROE basis. The stock current trades on 2.5x FY19 P/NAV, which we feel does not adequately capture the potential growth in cash returns. The FY19E ROE of 12% is dampened in the short-term by the equity raise and increased operating costs in anticipation of growth. We believe the growth in returns, as operational leverage is applied, is better reflected in a FY19 P/NAV multiple of 3.5x, or a price of 140p. **Buy.**

Key Data	
Market Capitalisation	97m
Shares in Issue	108.7m
Free Float	87.8%
Average Daily Volume	494,474
12-Months Trading Range	55p to 98p

Financial Forecasts			
Yr to Jun	2018A	2019E	2020E
NGOI	A$15.9m	A$18.4m	$27.3m
Operating Profit	A$13.5m	A$9.5m	$14.8m
Adjusted PBT	A$12.8m	A$9.5m	A$14.8m
Adjusted EPS	-	A6,6c	A10.4c
EPS Growth	-	100%	58.2%
P/E	21.0x	27.9x	17.6x
EV/EBITDA	13.7x	16.0x	10.2x
Dividend	-	A1.1c	A3.1c
Yield	-	1.2%	3.4%
Dividend Cover	-	5.9x	3.4x
Net Cash/(Debt)	A$13.8m	A$47.4m	A$28.1m
Interest Cover	-	-	-

Price Performance	
1 Month	20.7%
12 Months	n/a

Price Performance (p)



Source: Bloomberg.

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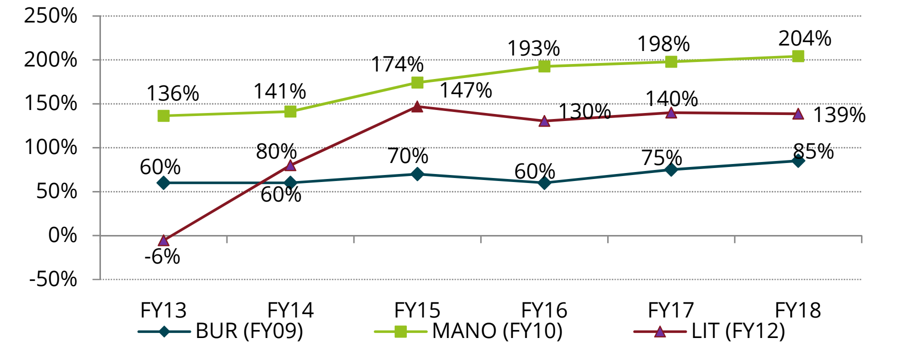
1.Strong track record

In line with the sector, LCM has a track record of high returns on their investments, demonstrating not only Management's ability to select the cases that win, but also those that offer the highest return.

Running return on invested capital (concluded cases)



Source: Company documents & Arden, 2019.

The ability to pick winning cases is reflected in the 86% success rate (as at 31/12/18) below, ahead of its litigation funding peers. To date LCM has mainly funded single cases as opposed to portfolios, so this is the most relevant metric.

Track record – % of profitable litigated cases

	BUR		MANO	LIT
Company	**Single**	**Portfolio**		
Success rate	81%	97%	85.3%	86%
Number of cases	72		173	201

Source: Company documents, 2019.

With a track record based upon single cases, the average case length has historically been longer for LCM vs. its peers, but the high ROIC compensates for this as reflected in the below IRRs. As we detail in the following section, a push towards portfolio funding will see average case lengths reduce.

Average case length (years)

Company	BUR	MANO	LIT
Case length	1.8	0.9	2.3

Source: Company documents, 2019.

Internal rate of return

Company	BUR	MANO	LIT
IRR	30%	127%*	78%

Source: Company documents, 2019.
**Arden calculation based upon: 210% ROIC and 11 months average case length.*

2. Portfolio funding

Portfolio funding, the process whereby a funder finances a "book" of cases on behalf of a corporation or law firm, has become increasingly popular within the industry. This has marked the development of the sector from the David vs. Goliath single cases to a financial product that can be used to manage corporate balance sheet risk.

A significant development occurred in 2016 when Burford agreed to provide $45m of financing to a FTSE 100 company, later widely reported to be BT. **Nick Rowles-Davies was instrumental in originating this deal whilst at Burford and now hopes to bring this experience to LCM.**

LCM signed its first corporate portfolio deal in October 2018 and has a pipeline of 8 more corporations that it is currently working with. This is a material development for LCM and, as well as cost benefits for clients, has several benefits to the funders, outlined below. The Company announced an agreement with an unnamed law firm on 25/03/19, further demonstrating the appeal.

Diversification

The return on investment in a portfolio depends on the performance of several cases. For example, the 100 live investments that Burford has as at 31/12/18 are made up of 1,110 individual claims. This helps to reduce the reliance on the "big wins", a common critique of the industry.

Speed

Building repeat and regular business with a set drawdown framework can reduce the duration of cases. If the institution is given set parameters under which it can draw funds from the litigation funder, which requires more homogenous cases, then the process can be performed significantly faster.

Higher success rate

The spreading of risk between cases means that loss rates are usually lower on a portfolio of cases vs single cases.

Burford loss rates 2017

Source: Burford, 2018.

We believe that the increased adoption of portfolios for the Group will increase recurring revenue, smooth cash flows and reduce exposure to large cases. Successful proof of concept of the October 2018 deal will improve the attraction of the Group's offering to potential customers, improving pipeline execution.

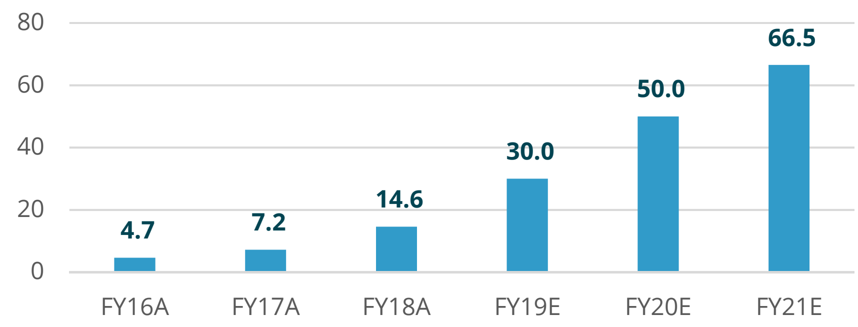
3. Funded for growth

Having raised funds on both the ASX and AIM in the second half of 2018, the Company has A$52.6m of cash on the balance sheet as at 31/12/18. For perspective, the Company invested A$14.6m in new cases during the whole of FY18 (to June), meaning it could accelerate investment by 3.6x. Clearly the Company does not intend to do so all in one go, but this gives it substantial "firepower" to drive growth in the coming years.

FY19 step up in deployment...

LCM has accelerated deployment within the previous three periods and the additional funding will facilitate a marked uptick, as shown below.

Arden forecast deployment schedule (A$m)

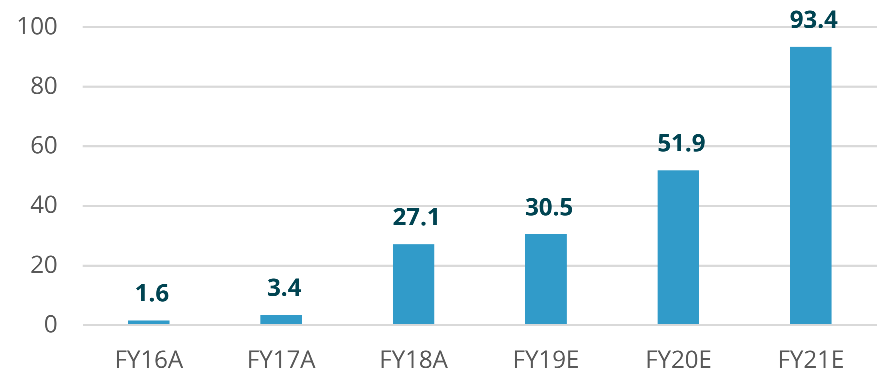


Source: Company documents & Arden forecasts, 2019.

...producing a significant cash return in FY21...

The *c.*2 years duration of cases means that the large share of return on this acceleration of investment comes in FY21, as displayed below. We note that case settlements can fall either side of reporting periods which would alter the below, but we believe a significant increase in settlements in FY21 is reasonable given average settlement time and the increase in deployment above.

Arden forecast cash settlement schedule (A$m)

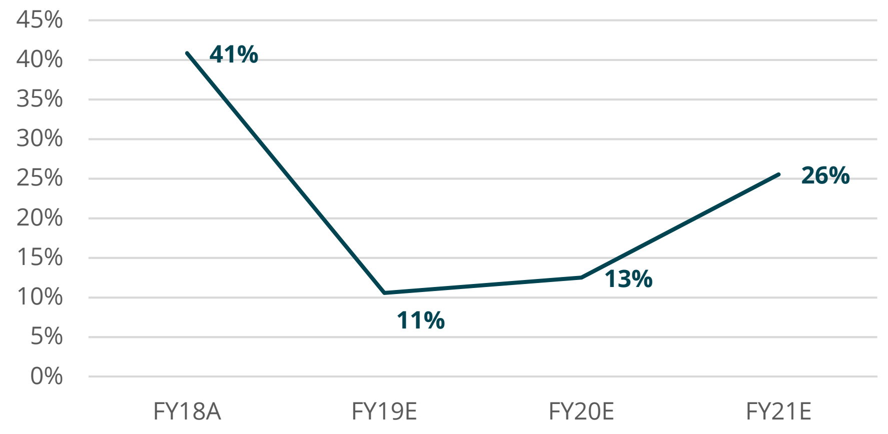


Source: Company documents & Arden forecasts, 2019.

...reflected in ROE

The increased settlements in FY21 achieve a high 26% ROE having been compressed in FY19E by the equity fundraises and large investment within the London team and expansion. We note that this metric, which we view as key when valuing the sector, can increase further to its FY18A peak of 41% once the platform is established and operational leverage can be achieved.

Arden forecast cash settlement schedule (A$m)



Source: Company documents & Arden forecasts, 2019.

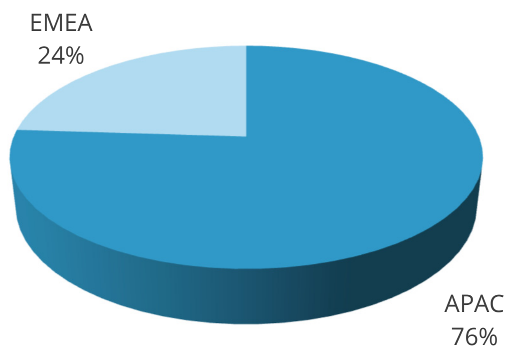
International expansion

Having primarily operated in Australia, the Company now has offices in London and Singapore, providing coverage of some of the largest geographies in the sector.

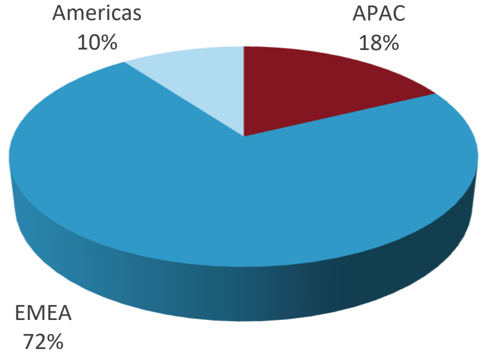
Within the UK the Company recruited a team from Chancery Capital, an existing London-based funder, that will be headed by its CEO Nick Rowles-Davies. In November 2018 LCM opened an office in Singapore which will allow it to access both Singapore and Hong Kong, two exciting growth areas in the sector as we have noted in our "***Litigation funding***" section.

The increased activity in EMEA between current portfolio and pipeline, below, displays the changing focus.

Existing portfolio breakdown (by commitment size)



Pipeline breakdown (by commitment size)

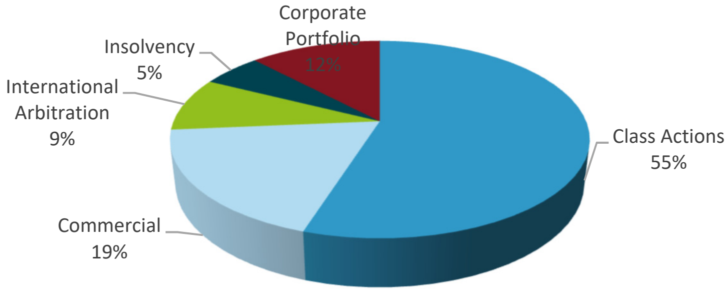


Source: Company documents, 2018.

Pipeline

The existing portfolio is made up of 24 litigation projects that are split across a diverse spread of cases, including the first corporate portfolio, as below. Cash investment into these cases was A$20.7m as at 31/12/18.

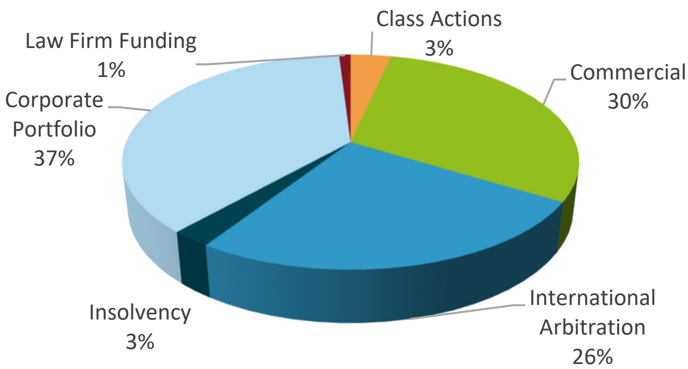
Current portfolio breakdown (by commitment size)



Source: Company documents, 2019.

The pre-qualified pipeline that will likely be funded in the coming periods is made up of a similarly diversified set of cases/portfolios, below, of *c.*A$406m. We note the focus on corporate portfolio and law firm funding, supporting the above model shift towards these avenues.

Pipeline breakdown (by commitment size)



Source: Company documents, 2019.

Forecasts & Valuation

Revenue

As noted in our "***Revenue recognition***" section, LCM differs to Burford and Manolete in that it adopts cash accounting instead of applying fair value to its investments. It also recognises the funds it deploys in its revenue line, to then net them off as a cost of sale, meaning that gross profit is a better representation of the net cash gain on investment. We outline this below.

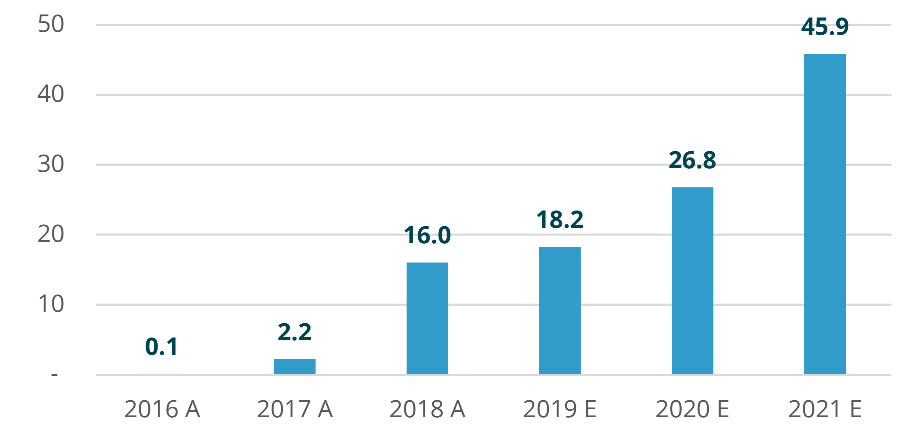
Settlement breakdown

Headline income statement	Breakdown	Description
Revenue	+ Litigation service revenue	Cash deployed into cases within the period
	+ Settlements & judgments	Total settlement from previous investments
	- Expenses	Original funds deployed on the above settlements
	- Write-downs	Amount spent on due diligence of cases which do not proceed
Litigation service expenses	- Litigation service expense	Cash deployed into cases within the period
Gross profit	**Gross profit**	**Net gain on settled investments during the period**

Source: Arden, 2019.

Our gross profit (net cash gain on investment) forecasts are below. We build these using ROIC assumptions based upon funds deployed, above, using a staggered approach to timing of returns.

Arden gross profit forecast (A$m)



Source: Company documents, 2019.

Interim results

The key headlines from H1 results to December were as below:

- A$5.7m gross profit, A$2.7m adjusted PBT;
- A$52.6m net cash, A$20.7m litigation investments;
- A$12.8m capital deployed on litigation investment;
- A$11.0m cash receipts from litigation investments, split across three separate case wins (two on balance sheet, one off balance sheet);
- Interim dividend of 0.506 Australian cents per share.

Recent case win

On 20/03/19 LCM announced the settlement in principle of one of its litigation projects, which is expected to contribute A$8-10m to EBITDA within FY19. The ROIC on this investment was said to be ahead of the last reported ROIC of 117%.

This marks the fourth case win during the period. At the time of the IPO the Company noted that it **expects to settle eight cases in FY19**.

We assume that the impact on gross profit will be of a similar magnitude to EBITDA given the limited variable costs attributable to the case. As such, the A$8-10m provides us with significant comfort with our A$17.4m gross profit forecast when combined with the A$5.7m in H1 and remaining four cases expected to be settled in FY19.

Operating costs

We model a significant increase in operating costs in the current year as the Group takes on its new offices and team in London and Singapore. We model a continuous increase in these costs in the medium term as the Company expands its operations for growth.

Other income

Management have noted their intention to open a third-party fund in calendar year 2019, where the Company will manage funds for a management and success fee. This is in line with others in the sector such as Burford and IMF Bentham that have opened several external funds.

We believe the management fee element provides recurring revenue that will de-risk the reliance on case wins.

Progressive dividend

The Company has a progressive dividend policy and will balance returning funds to shareholders with pursuing returns in litigation assets.

Next news

LCM's year-end is in June so results will be announced in September and we may have a year-end trading update in July. However, given the magnitude of the case wins, we can expect announcements as and when these are settled.

At 2.5x FY19 P/NAV we believe there is significant potential for a rerating as the Group recoups the gains on investments. For full details of how we set our 140p price target, please see our recent note '***Litigation, litigation, litigation***', available on request.

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Arden

11 April 2019

Oil & Gas Producers **PANR.L**

Pantheon Resources*

The call of the wild

Buy

Target Price: 40p **Price: 19p**

Pantheon is an E&P company with assets onshore Alaska and East Texas. Flow testing on the key Alkaid discovery in Alaska recently concluded, with flow established from the ZOI level. There is substantial additional potential in the portfolio across Alaska and East Texas, with the potential for new work programmes to access this and drive newsflow. We have a Buy and 40p target.

- **Alkaid confirmed as a key asset close to infrastructure.** Pantheon's Alkaid discovery in Alaska was recently successfully flow tested at the ZOI level. This offers the potential for substantial new activity going forward on this key asset, with a resource update, farm out and development likely to be targeted.
- **Portfolio depth increases newsflow and controls risk.** Pantheon's assets span the E&P risk spectrum from production to exploration, increasing newsflow and controlling risk by reducing the reliance on any one asset.
- **Exposure to emerging, globally significant Nanushuk and Torok plays in Alaska.** Between 3.4bn bbl and 4.6bn bbl of new oil discoveries have been made in the Nanushuk and Torok plays since 2013, based on stratigraphic traps identified using 3D seismic and modern processing/interpretation techniques. Pantheon's Talitha and Western Blocks assets provide direct exposure to this emerging global exploration hotspot.
- **Talitha turbidite discovery with upside.** Talitha was drilled by Arco in 1988, finding 171mmbbl in slope/basin floor turbidites. Pantheon believes that there is additional potential in both the topset play (updip from oil shows) and deeper Kaparuk (regional oil shows). Future drilling could test all three, with substantial upside potential.
- **East Texas provides cash flow.** Existing cash flow could grow with further drilling: one well currently to be confirmed for summer 2019.
- **Graduation to operatorship.** Post its Great Bear acquisition, Pantheon is now an operator in Alaska and has also assumed operatorship of its East Texas portfolio. This gives the company more control over its work programmes, and the benefit of the addition of the Great Bear team, all of which we will see the impact of going forward.
- **Valuation and recommendation.** Our total risked NAV for Pantheon is 41p, going to 175p unrisked. Based on ongoing newsflow, potential for new work programmes to be announced, the attention we expect the Alaska portfolio to attract, and the level of our NAV, we have a Buy and 40p target.

Description

Pantheon is an E&P company with a portfolio of production, appraisal and exploration assets in Alaska and East Texas.

Key Data

Market Capitalisation	£87m
Shares in Issue	455m
Free Float	94%
Average Daily Volume	2,088,105
12-Months Trading Range	15p-49p

Financial Forecasts

Yr to June	**2018A**	**2019E**	**2020E**
Prod'n mboe/d	0.1	0.1	1.1
Sales	$1.0m	$0.8m	$11.6m
EBITDA	($1.7m)	($4.8m)	$2.2m
Operating Profit	($2.0m)	($5.0m)	$0.6m
Adjusted PBT	($1.9m)	($5.0m)	$0.6m
Adjusted EPS	(0.8c)	(1.2c)	0.1c
EPS Growth	nm	nm	nm
P/E	nm	nm	nm
EV/EBITDA	nm	nm	nm
FCF	($13.0m)	($14.1m)	($2.6m)
Net Cash/(Debt)	nm	nm	nm
Interest Cover	$3.4m	$2.9m	$0.3m

Price Performance

1 Month	-24.0%
3 Months	-9.4%
12 Months	-59.1%

Price Performance (p)

Source: Bloomberg.

[*]Arden Partners acts as corporate broker to this company

Investment case

Alkaid testing has confirmed flow at Campanian ZOI level, potential for development going forward

Flow testing of the Alkaid well in Alaska (Pantheon 75-100%) recently reported 80-100bbl/d from a 6ft perforated interval in the primary target Campanian ZOI (from a total 240ft of net pay), while failing to establish flow at the West Sak and Ugnu levels. The ZOI is currently prognosed to hold 25mmbbl of gross P50 resources, and this could rise in the coming months once the testing results are fully analysed.

The success in the ZOI makes Alkaid the key asset for Pantheon going forward, and we expect a number of things to happen. First, we expect a resource update taking account of the new well data, which could potentially drive P50 expected resources above the 25mmbbl currently estimated. Second, Pantheon holds 75-100% of Alkaid (dependent on the execution of a 25% Halliburton back-in right), which gives the company significant flexibility for a potential farm down. This could come through once the resource update is completed. Third, we will look for announcement of a development programme. The location of Alkaid relatively close to the Dalton Highway and TAPS pipeline should mean development can happen more quickly and at lower cost, but also in smaller phases, making the whole process more manageable and attractive for a smaller company like Pantheon. Indeed, the existing discovery well itself is planned to be suspended as a potential future producer (horizontal section required). Development should also be able to be carried out year round.

We look for further updates on the above going forward, all of which could act as positive catalysts for the shares.

Direct participation in significant emerging Nanushuk and Torok plays onshore Alaska

Beginning in 2013, between 3.4bn bbl and 4.6bn bbl of new oil discoveries have been made onshore Alaska in the emerging Nanushuk topset and Torok turbidite plays. These world-class finds lie amongst other multi-billion barrel fields discovered primarily in the 1960s (principally the giant Prudhoe Bay field), but this new wave of exploration has been based on subtler stratigraphic traps which have been able to be identified using 3D seismic and modern processing/interpretation techniques.

Pantheon is uniquely set amongst UK listed names to provide diverse exposure to both the topset Nanushuk play and in Alaska more widely. First, the Talitha discovery has already found gross P50 recoverable resources of 100-200mmbbl in deeper, slope/floor turbidite reservoir (similar to other historic Alaska discoveries), but oil shows lead Pantheon to believe that there is significant upside potential of 150mmbbl gross P50 recoverable updip in topset reservoir. Second, the company's Western Blocks are targeting the Nanushuk topset and Torok turbidite plays close to the recent Horseshore discovery. The recently drilled Winx well was unsuccessful here, but did have oil shows in the target reservoirs, and integration of the well results with existing data could lead to future drilling. Overall, this gives substantial exposure to the emerging stratigraphic plays in Alaska to complement the more traditional Alkaid discovery and Phecda prospect, with activity already underway and potential room to run in the coming years.

Talitha - an existing discovery with significant additional exploration potential

Talitha has not featured in Pantheon's recent Alaska programme (which was partly driven by short-term work commitments), but it is a very important asset for the company. The Pipeline State #1 well that discovered Talitha was drilled by Arco in 1988 and found 100-200mmbbl (gross P50) across three separate intervals of Campanian turbidite reservoir. This was not followed up as Arco had been looking for a single, thicker payzone, at a time of lower oil prices and when the TAPS pipeline was running near capacity. Pantheon believes that not only could the turbidites now potentially be successfully developed, but that oil shows in shallower, Campanian topset reservoir are indicative of significant upside (150mmbbl gross P50 recoverable) updip in a stratigraphic trap identified on modern 3D seismic. Future drilling would likely target appraisal of the turbidites, exploration of the updip topsets and also exploration of the deeper Kuparuk reservoir (potentially 190mmbbl gross P50 recoverable), which also exhibited oil shows in Pipeline State #1. This will be an important work programme for the stock as and when it comes through, with the potential to fund via farm out.

Diverse portfolio helps increase newsflow and control risk

Pantheon's portfolio spans the E&P risk spectrum, from existing production and potential development drilling in East Texas, through potential development of the Alkaid discovery, potential appraisal of the Talitha discovery, to new exploration potential across the portfolio. Overall, this provides exposure to material upside potential, but with portfolio diversity helping control risk and meaning the company is not completely reliant on any one asset, well or work programme.

Room to run on success

The recent flow testing success at Alkaid should hopefully mean further appraisal and early stage development going forward. The Alaska portfolio then contains the Talitha discovery and several prospects, in particular the 35mmbbl Phecda prospect, which has been de-risked by the Alkaid result. In East Texas, a total of 157mmboe of gross P50 prospective resource (80% gas) has been identified, with six wells to date all encountering hydrocarbons to some extent, and more work to be done on how to consistently find productive reservoir and successfully develop it. As such, there is plenty for the company to do with existing assets post the ongoing work programme, and the potential to build a very substantial portfolio over time.

East Texas portfolio could drive progressive cash flow growth

Pantheon brought the VOS#1 well onstream in East Texas in late 2018, and is also producing limited volumes from the VOBM#1 and VOBM#3 wells post the recent installation of gas compression. The company is also planning the VOBM#1 sidetrack production well for summer 2019, although funding for this is yet to be confirmed post Alkaid testing costs. Assuming the new well is drilled, we forecast this to result in EBITDA of US$2.2m for the 12 months to June 2020. Production in East Texas is sold via two different routes (the Enterprise pipeline system and Kinder Morgan gas plant into TexLa), demonstrating offtake in two areas for Pantheon. While we would expect a period of re-analysis of East Texas now that Pantheon has taken over operatorship, wells here are relatively cheap to drill and complete (<US$5m) and early cash flows could be redeployed to fund ongoing drilling and cash flow growth. This could potentially mean East Texas throws off newsflow while being financially self-supporting, or even providing funding for work in Alaska. We will need to await news of forward plans here, most immediately relating to new VOBM#1 drilling.

Operational growth through addition of Great Bear and East Texas operatorship

Historically, Pantheon has tended to run on an efficient budget, placing a good deal of reliance on East Texas operator Vision to run its assets. This has now changed. The recent acquisition of Great Bear has seen several additions to the board and executive/operational staff of Pantheon. Assumption of operatorship in East Texas has brought Pantheon much greater agency on these assets, but also requires more staff, and we expect the expertise from Great Bear to be deployed here too. Overall, this should give Pantheon much greater control over the pace and content of its work programmes going forward than has been the case historically, meaning we will increasingly get to see the influence of Pantheon itself in how activities are progressed.

Assets in strong locations

All of Pantheon's assets are located onshore, helping control costs and give greater flexibility around the phasing of development and production compared with offshore. Both Alaska and East Texas are well established operating environments for oil and gas activity, with generally supportive regulators and administrative structures (although Alaska does have a history of changing rules and tax regimes, and there is a strong environmental lobby there). Services companies are well experienced in operating in both areas, and there is offtake infrastructure available (the Trans Alaska Pipeline System is only about 25% full at present; in East Texas Pantheon is establishing two offtake routes). This is all positive for the progression of the company's assets and control of costs.

Valuation and recommendation

Our NAV valuation for Pantheon returns a base case risked NAV of 41p, going to 175p fully unrisked. This shows strong upside to the current share price on a risked basis alone, but fully unrisked the upside potential is very material. We have built scenarios based on different oil and gas prices, summarised below, and these demonstrate the robustness of the company's onshore assets to lower prices and the upside on higher prices.

Pantheon valuation scenarios

Scenario	Long-term Brent (US$/bbl)	Long-term WTI (US$/bbl)	Long-term Henry Hub (US$/mcf)	Risked NAV (p/share)	Unrisked NAV (p/share)
Base Case	65	55	3.50	41	175
Downside Case	55	45	2.75	29	124
Upside Case	75	65	4.25	53	225

Source: Arden Research.

Note: We use Brent for our Alaska modelling, although North Slope crude in fact enjoys a small premium.

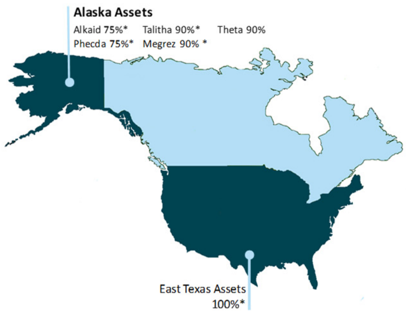
Based on the existing materiality of Alkaid, potential for further positive Alkaid news and subsequent activity, room to run in the portfolio, amount of attention we expect the Alaska portfolio to attract and the level of our NAV, we have a Buy recommendation and 40p price target.

Summary

Market Data

Share Price	19p
Market Capitalisation	£87m
NOSH	557m
Net Cash/(Debt)	US$4.0m
Target Price	**40p**

Asset Locations



Summary Income Statement (US$m)

Year to June	2017A	2018A	2019E	2020E	2021E
Sales	--	1.0	0.8	11.6	11.6
Royalties/Production Taxes	--	(0.2)	(0.2)	(2.9)	(2.9)
OPEX	--	(0.6)	(1.4)	(2.4)	(2.4)
D&A	(0.0)	(0.2)	(0.1)	(1.5)	(1.5)
Admin	(1.8)	(1.9)	(4.0)	(4.1)	(4.2)
Other	--	--	--	--	--
Operating Profit	**(1.8)**	**(2.0)**	**(5.0)**	**0.6**	**0.6**
EBITDA	**(1.8)**	**(1.7)**	**(4.8)**	**2.2**	**2.0**
Net Interest	0.0	0.0	0.0	0.0	0.0
PBT (Adjusted)	**(1.7)**	**(1.9)**	**(5.0)**	**0.6**	**0.6**
Tax	--	--	--	--	--
PAT (Adjusted)	**(1.7)**	**(1.9)**	**(5.0)**	**0.6**	**0.6**
EPS (Adjusted)	(0.8c)	(0.8c)	(1.2c)	0.1c	0.1c

Summary Cashflow Statement (US$m)

Year to June	2017A	2018A	2019E	2020E	2021E
Operating C/F	**(1.6)**	**(2.1)**	**(4.8)**	**2.2**	**2.0**
CAPEX	(17.8)	(11.0)	(9.2)	(4.8)	--
Acquisitions	--	--	(6.0)	--	--
Investment C/F	**(17.7)**	**(11.0)**	**(15.2)**	**(4.8)**	**0.0**
Free C/F	**(19.4)**	**(13.0)**	**(14.1)**	**(2.6)**	**2.0**
Net Share Issue	--	12.1	19.6	--	--
Financing C/F	**--**	**12.1**	**19.6**	**--**	**--**
Net Change in Cash	(19.3)	(1.0)	(0.5)	(2.6)	2.0
Net Cash/(Debt)	**4.4**	**3.4**	**2.9**	**0.3**	**2.3**

Summary Balance Sheet (US$m)

Year to June	2017A	2018A	2019E	2020E	2021E
E&A Assets	55.5	43.5	58.7	60.7	60.7
Development Assets	--	13.7	13.6	14.9	13.4
PPE	0.0	2.2	2.2	2.2	2.2
Cash and Equivalents	4.4	3.4	2.9	0.3	2.3
Total Assets	**60.3**	**63.6**	**78.2**	**78.8**	**79.4**
Total Liabilities	0.6	0.3	0.3	0.3	0.3
Equity	59.7	63.3	77.9	78.5	79.1
Liabilities + Equity	**60.3**	**63.6**	**78.2**	**78.8**	**79.4**

Production and Valuation Data

Year to June	2017A	2018A	2019E	2020E	2021E
WI Oil Production (mbbl/d)	--	0.0	0.0	0.3	0.3
WI Gas Production (mmcf/d)	--	0.6	0.5	4.7	4.4
WI Total Production (mboe/d)	**--**	**0.1**	**0.1**	**1.1**	**1.0**
Average Brent Oil Price (US$/bbl)	50.0	63.7	65.0	65.0	66.3
Average WTI Oil Price (US$/bbl)	48.5	58.6	55.0	55.0	56.1
Average Henry Hub Gas Price (p/therm)	2.97	2.93	3.75	3.50	3.57
OPEX (US$/boe)	--	13.6	44.6	6.2	6.5

Discount Rate	10.0%
LT US$/£	US$1.30
Diluted NOSH	577m
Long-Term Brent Price Assumption (US$/bbl)	65.0
Long-Term WTI Price Assumption (US$/bbl)	55.0
Long-Term Henry Hub Price Assumption (US$/bbl)	3.50

Summary NAV

		Interest (%)	Net Unrisked (mmboe)	Unrisked Value (US$/boe)	Unrisked Value (p/share)	Risked Value (US$m)	Risked Value (p/share)
Production							
VOS#1	East Texas	100%	0.3	2.0	0	1	0
Total Production			**0.3**		**0**	**1**	**0**
Net Cash/(Debt)						15	2
CAPEX/Other						(5)	(1)
Admin Costs						(11)	(1)
CORE NAV					**(0)**	**(1)**	**(0)**
Development & Appraisal							
VOBM#1	East Texas	100%	1.4	9.6	2	11	1
Alkaid ZOI	Alaska	75%	18.8	6.7	17	75	10
Talitha	Alaska	40%	68.4	4.0	37	110	15
Total Development & Appraisal					**55**	**195**	**26**
Exploration							
LP2 Offset Disc.	East Texas	100%	0.2	5.8	0	0	0
West AA Disc.	East Texas	100%	39.3	5.8	30	45	6
Core Offset Prosp.	East Texas	100%	69.0	5.8	53	40	5
Prospect D	East Texas	100%	26.5	5.8	20	15	2
Austin Chalk	East Texas	100%	20.3	5.8	16	12	2
Total Exploration					**120**	**113**	**15**
TOTAL CORE + UPSIDE NAV					**175**	**307**	**41**

Source: Arden Research.

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Arden

11 April 2019

Industrial Goods & Services **SOM.L**

Somero Enterprises

Sell

Downside risks from US cyclical exposure

Target Price: 300p **Current Price: 336p**

Somero Enterprises is a leading manufacturer of advanced concrete placing and levelling equipment that uses proprietary laser-guided technology to serve the global commercial construction industry. We consider the current mid-cycle multiple of *c.*12.7x FY19E P/E as inadequately pricing in the downside risk to earnings, arising from i) the cyclicality of the group's exposure to the US construction industry, which is seeing signs of a slowdown and ii) the heightened probability (25%) of a US recession in 2020, impacting the risk-reward profile for equity investors. We forecast a significant deceleration in earnings (compared to c.19-30% EPS growth FY16-18A) and maintain our Sell rating and 300p PT (*c.*10x P/E).

- **Significant exposure to US non-residential construction industry**. With the majority (*c.*70%) of group revenues derived from North America (predominantly the USA), we consider the outlook for the US economy, and specifically the state of the private, non-residential construction industry as being a key determinant of future equity performance.

- **Potential warning signs from a slowdown.** Our analysis suggests that North American revenues could fall by 10x the rate of decline in US real GDP in a downturn, with potential to grow at a multiplier of 5x in an economic recovery. With a number of indicators pointing towards a potential slowdown in Somero's core market, we remain wary over the underlying cyclicality being skewed to the downside.

- **US recession risk not fully captured in current rating.** While we acknowledge the strong fundamentals behind Somero's operating model, recognising the returns generated for shareholders in recent years, we see material risk to earnings and valuation from a rising probability of a US recession (now 25%). In a bear-case scenario where the US economy contracts by 1%, our findings suggest this could cause a +30% cut to consensus estimates in FY20E.

- **Financial forecasts – bottom end of consensus.** In line with our view, we assume mild 3.1% EPS growth in FY19E, and a 1.7% decline in FY20E, a significant deceleration when compared with *c.*19-30% EPS growth seen across FY16-18A. Our estimates are *c.*1-5% below consensus FY19-20E.

- **Investment thesis and valuation.** At *c.*11.0x FY19E P/E (pricing the shares in line with their historical average and at a minimal discount to the FTSE All-Share), we consider the current rating to be overly-optimistic given our stated concerns over the impact of an economic slowdown and a possible US recession. We see *c.*10x P/E (*c.*25% market discount) as fair value for the shares, exhibiting a more balanced risk-reward profile for investors. **Sell.**

Description

Somero Enterprises is a leading provider of concrete placing and levelling equipment that applies its proprietary laser-guided technology to serve the global commercial construction industry in over 90 countries with a portfolio of 14 patented products.

Key Data

Market Capitalisation	£189m
Shares in Issue	56.3m
Free Float	97.2%
Average Daily Volume	98,682
12-Months Trading Range	280p to 425p

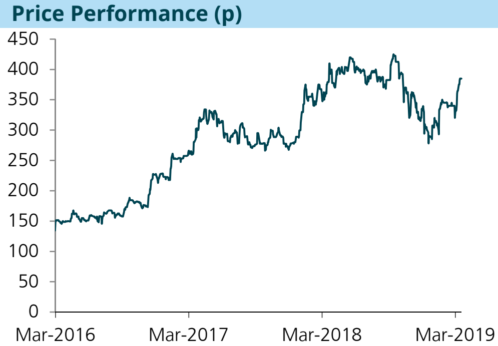
Financial Forecasts (US$)

Yr to 31 December	2018A	2019E	2020E
Sales	$94.0m	$97.1m	$96.9m
Operating Profit	$29.2m	$29.2m	$28.7m
Adjusted PBT	$29.3m	$29.2m	$28.7m
Adjusted EPS	38.4c	39.6c	38.9c
EPS Growth	18.8%	3.1%	(1.7%)
P/E	12.9x	11.0x	11.2x
EV/EBITDA	8.2x	7.1x	7.0x
Dividend	19.0c	20.0c	19.7c
Yield	3.8%	3.9%	3.9%
Dividend Cover	2.0x	2.0x	2.0x
FCF Yield	7.5%	5.6%	7.4%
Net Cash/(Debt)	$28.2m	$24.3m	$29.6m

Price Performance

1 Month	-1.4%
3 Months	+15.2%
12 Months	-2.7%

Price Performance (p)



Source: Bloomberg.

Investment summary

Our investment thesis for Somero is predicated on the downside risk to earnings led by the group's exposure to the North American construction industry, which we believe is seeing signs of a slowdown. Along with a heightened probability of a US recession in the next 12 months, we believe the current mid-cycle multiple of *c.*11x FY19E P/E is not fully reflective of the underlying cyclicality of the group's earnings stream, which is materially skewed to the downside. While our forecasts for FY19-20E are at the bottom end (*c.*1-5% below) of consensus earnings, we see risks of further earnings downgrades should the US economy enter into a recession, and thus maintain our Sell rating and a 300p target price.

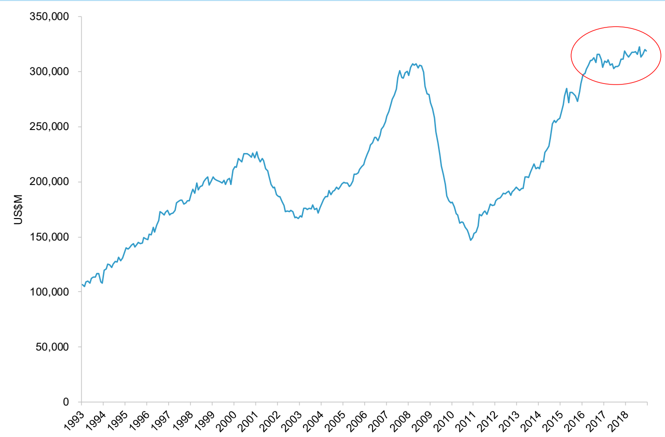
Somero Enterprises is a leading manufacturer of advanced concrete placing and levelling equipment that uses laser-guided technology to enhance surface flatness with increased precision and efficiencies. The group targets the commercial construction market serving customers in over 90 countries with a product portfolio of 14 machines, protected with 63 patents and patent applications.

1. US cyclical exposure presents downside risk

The significance of the North American construction industry for Somero (*c.*70% of group revenues in FY18A) is strongly reflected in the correlation between the group's historical share price (and earnings performance) against non-residential construction spend in the US.

However, a number of economic and market-specific data points indicate a potential industry-wide slowdown both in terms of absolute spend and as a % of GDP, as illustrated below.

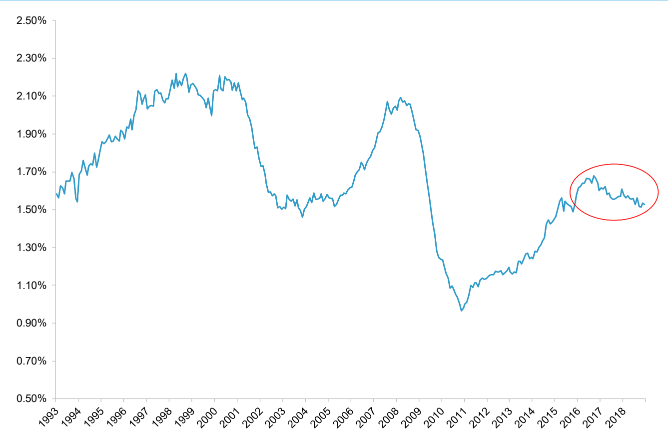
US Annualised Monthly Private Non-Res Construction (1993–Present)



Source: Arden Research, Bloomberg, U.S. Census Bureau.

Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis.

US Annualised Monthly Private Non-Res Construction Spend as a % of GDP (1993–Present)

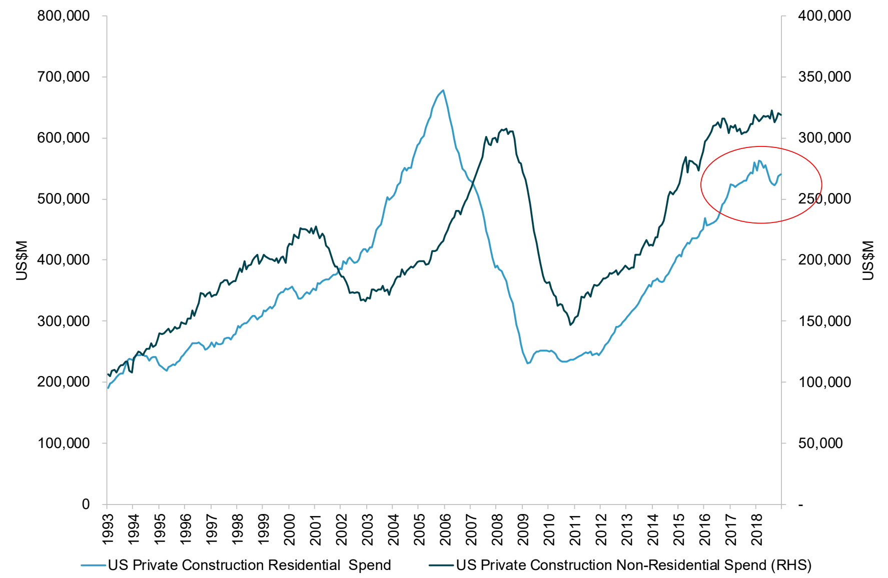


Source: Arden Research, Bloomberg, U.S. Census Bureau.

Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis.

We highlight the slowdown in residential construction activity seen since mid-2016 (a potential lead indicator for the non-residential market), which alongside recent interest rate hikes and a deceleration in revenue growth for various large-cap US construction companies, is suggestive of potential weakness to come.

Value of US Private Residential vs Non-Residential Construction Put-in-Place



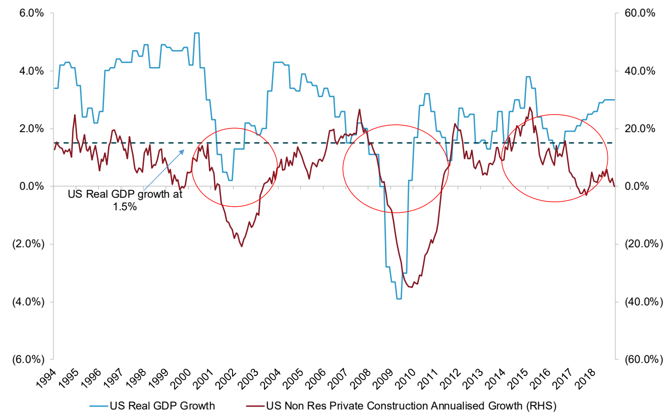
Source: Arden Research, Bloomberg, U.S. Census Bureau.

Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis.

In our view, we see downside to consensus earnings and valuation, driven by two key findings. The first is the fact that over the last 25 years, the US construction **industry has *on average* grown at double the growth rate of the US economy during periods of positive economic growth**. However, in **times of recession**, the construction industry **has contracted at a multiplier of 4.8x the decline in real GDP**, highlighting the severity of a downturn.

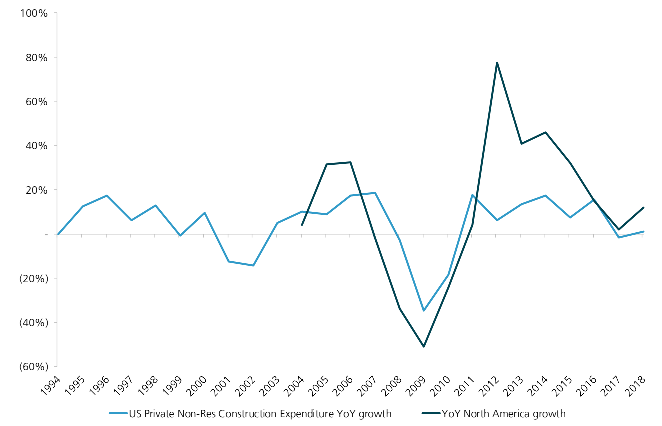
Further, with Somero's product range being more cyclically exposed, we note that the rate of change in **North American revenues has been more than twice the rate of change in the US non-res construction industry (*c.*2-2.4x multiplier)**. In other words, if the US economy declines by 1%, our analysis suggests that the US non-residential construction industry will contract by 4.8%, and Somero's revenues in North America will decline by *c.*10%.

US Real GDP Growth vs YoY growth in Value of US Private Non-Res Construction Put-in-Place (1994-Present)



Source: Arden Research, Bloomberg. Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis. We have then calculated the YoY growth.

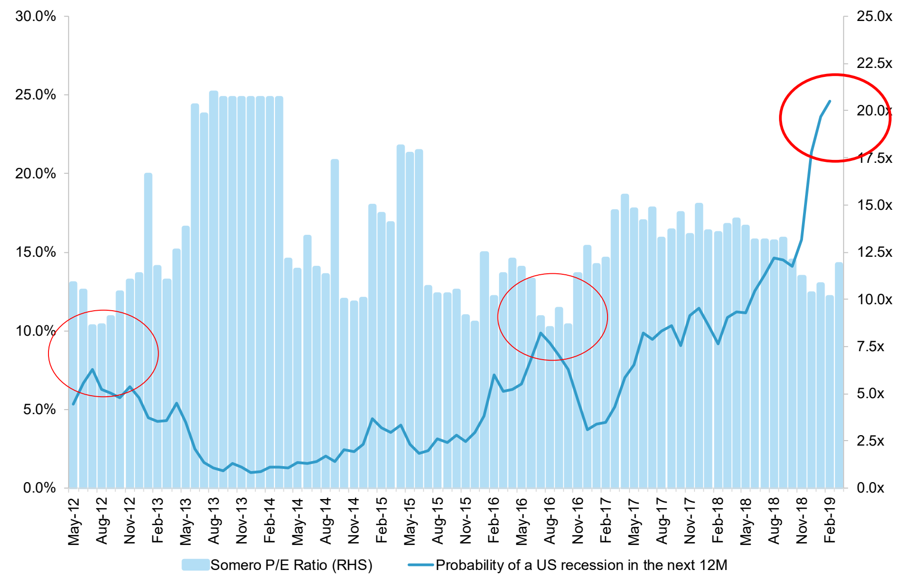
Value of US Private Non-Res Construction Put-in-Place vs Somero North American Sales YoY Growth



Source: Arden Research, Company Accounts. Note that the above industry data points are monthly estimates of the value of construction put-in-place on an annualised basis. We have then calculated the YoY growth.

This follows on to our second point, namely the sharp increase in the **probability of a US recession in the next 12 months to 27%**, impacting Somero's risk-reward profile for investors. As illustrated in the chart below, in mid-2016, when the probability of a US recession was a mere 10%, Somero traded at a multiple of *c.*8.5x, which is *c.*3 turns below its current rating of 11.0x. In our view, this suggests the shares are insufficiently pricing in the heightened risk of another US recession.

Somero P/E vs Probability of a US Recession in the Next 12 Months (2012-2019)



Source: Arden Research, Bloomberg, Federal Reserve Bank of New York.

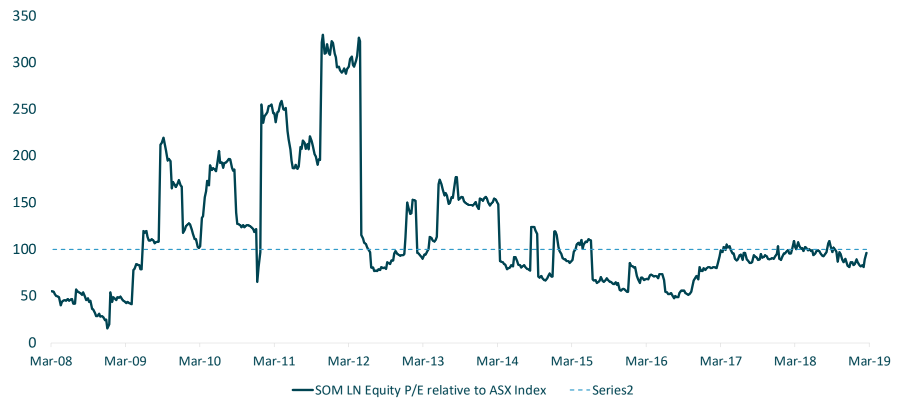
Finally, it is worth noting that the Federal Reserve has revised down its growth estimates in coming years, forecasting real GDP growth of 2.3% in 2019 and 2.0% in 2020 (down from 2.9% recorded in 2018). This implicitly reduces the likelihood of another strong growth phase for the US economy, further validating our analysis which seeks to reiterate the downside risks for Somero.

2. Risk-reward profile insufficiently reflected in current valuation

The shares currently trade at 11.0x FY19 P/E, (having de-rated from *c.*12.7x at the time of our initiation mid-Feb). At this stage of the economic cycle, and with EPS growth slowing down from *c.*19-30% FY16-18A to single-digit growth, we consider this to be overly-optimistic given further downside risk to earnings from an economic and industry slowdown in the US and the inherent cyclicality as discussed above, particularly for a business that has *at worse* traded sub-2x P/E (2008/9), or perhaps more relevantly at *c.*8.5x P/E in mid-2016 (50% market discount).

As such, we believe **fair value for the shares would be better reflected by a 25% market discount**, translating into a FY19 P/E of 9.9x.

P/E Premium/(Discount) to FTSE All-Share Index



Source: Bloomberg and Arden.

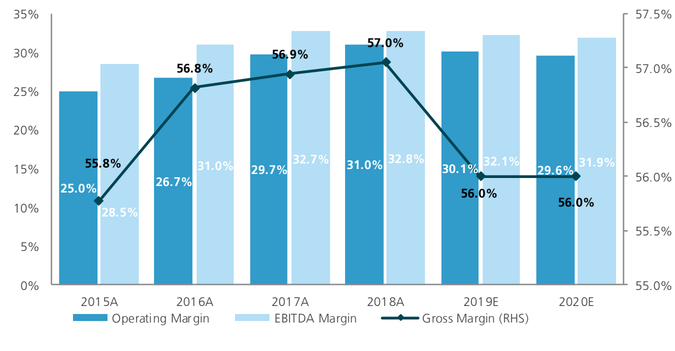
3. Financial forecasts – significant deceleration

In line with our view of a possible slowdown in economic activity, we forecast group revenues of US$97.1m in FY19E (1.2% organic, 3.3% YoY growth), mildly declining by 0.2% to US$96.9m in FY20E. This assumes 1% organic growth in North America in FY19E, followed by a 1% decline in FY20E.

We conservatively allow for a 100bps hit to gross margin from 57% in FY18A to 56% in FY19-20E, reflecting the adverse impact of product mix from weaker sales (as customers defer spend on higher-margin larger machines, instead opting for lower-margin parts and accessories to extend the life of their existing machine).

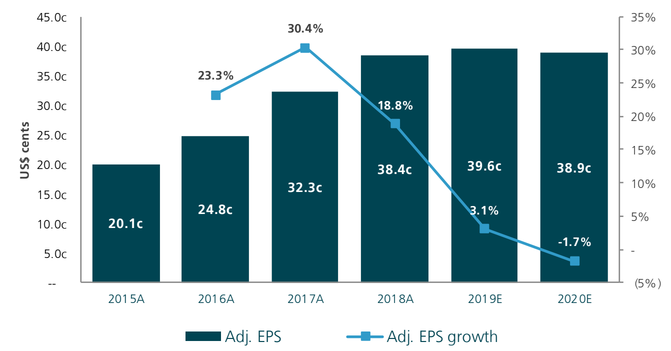
Accounting for a moderate degree of operational leverage (between gross and operating margins), our numbers suggest operating margins will fall from 31.0% in FY18A to 30.1% in FY19E and 29.6% in FY20E, resulting in a mild 3.1% EPS growth from 38.4¢ in FY18A to 39.6¢ in FY19E with a 1.7% decline in FY20E to 38.9¢, insignificant when compared with double-digit EPS growth of *c.*19-30% seen in FY16-18A.

Margin Profile FY15A-FY20E



Source: Company Accounts and Arden.

Adj. EPS (Underlying, Diluted) FY15A-FY20E



Source: Company Accounts and Arden.

Our earnings estimates are *c.*1% below consensus for FY19E, and *c.*4% below for FY20E. However, we stress that our numbers reflect a mere slowdown in the US economy, with the downside risk from a recession being far worse.

In a **bear case** scenario where the US economy contracts by 1%, the construction industry declines by 4.8% (4.8x multiplier), and Somero's North American revenues by *c.*10% (*c.*2x multiplier), we could see a *c.*16% downgrade to consensus estimates for FY20E, all else equal. Extending this further to the possibility of a 600bps contraction in gross margins to 50% (close to what was seen in the last recession), this could give rise to a total **downgrade of *c.*34% to current consensus, pricing the shares on a FY20E P/E of *c.*16x.**

Strong operating model, but downside risk remains

Despite our stated concerns, we fully recognise the core fundamentals of Somero's operating model, and the developments in the business since the last financial crisis, namely:

- Strong underlying cash generation metrics demonstrating earnings quality and efficiencies in working capital management and CAPEX spend (*c.*73% operational, *c.*71% free cash flow conversion FY19E, *c.*75% and 95% respectively in FY20E);
- Sector-leading margins and returns: *c.*30% operating margins and FY19E ROE, ROIC and ROCE of *c.*38-40% following a number of cost-cutting measures, though we see this falling to *c.*33-35% in FY20E as earnings decline;
- Greater sales presence in international markets along with a broader, more diverse product suite;
- Customer-centric approach, along with patent-protected technology, and global reputation creating barriers to entry;
- Net cash position of US$28.2m (Dec 18) with no debt – we highlight this as being a key change in the business over the last decade given the near breach of its financial covenants in 2007/8;

- Well-defined dividend policy in the form of: i) a regular dividend of 50% of earnings, and ii) a supplemental dividend equating to 50% of the excess net cash over a minimum US$15m.

However, while we acknowledge the positive attributes, which should theoretically justify a higher multiple relative to past troughs, we remain of the view that current levels fail to price in sufficient downside risks. Further, we remind investors of the low single-digit returns and operating margins seen in 2012, as the business started to return to profitability following three years of losses.

Having delivered noteworthy returns for investors in recent years, driven by an economic and construction industry boom in the US and a leaner business model, we believe further signs of a weaker economy could have a significant impact on the shares. On a risk-reward basis, we are not convinced that current levels fully capture these concerns, and therefore reiterate our Sell recommendation and a target price of 300p.

Arden

Summary Financials

Market Data	
Share Price	336p
Market Capitalisation	£189m
Shares Out	56.3m
Net Cash/(Debt)	US$28.2m
Target Price	**300p**
Share Price Upside	**(10.7%)**

Summary Income Statement (US$m)					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
Sales	**79.4**	**85.6**	**94.0**	**97.1**	**96.9**
YoY Growth	13.0%	7.9%	9.8%	3.3%	(0.2%)
Gross Profit	**45.1**	**48.8**	**53.6**	**54.4**	**54.2**
Sales, Marketing & Customer Support	(10.1)	(10.4)	(11.1)	(11.4)	(11.6)
Engineering & Product Development	(1.1)	(1.2)	(1.4)	(1.4)	(1.4)
General & Administrative	(12.8)	(11.7)	(12.0)	(12.4)	(12.6)
Op Profit (Adj)	**21.2**	**25.4**	**29.2**	**29.2**	**28.7**
EBITDA	**24.6**	**28.0**	**30.8**	**31.2**	**30.9**
Net Interest	0.2	0.2	0.1	0.0	0.0
PBT (Adj)	**21.4**	**25.6**	**29.3**	**29.2**	**28.7**
Adj. Tax Rate	32.9%	28.6%	25.7%	23.0%	23.0%
PAT (Adj)	**14.3**	**18.3**	**21.8**	**22.5**	**22.1**
EPS (Adj)	**24.8c**	**32.3c**	**38.4c**	**39.6c**	**38.9c**
EPS Growth	23.3%	30.4%	18.8%	3.1%	(1.7%)

Segmental Revenue Split (US$m)					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
North America	**56.6**	**57.8**	**64.7**	**67.3**	**66.7**
Acquisition	--	--	--	2.0	--
Organic Growth	15.0%	2.1%	11.9%	1.0%	(1.0%)
Europe	**8.0**	**12.2**	**13.5**	**13.6**	**13.8**
Organic Growth	40.4%	52.5%	10.7%	1.0%	1.0%
China	**6.4**	**5.5**	**5.3**	**5.3**	**5.3**
Organic Growth	4.9%	(14.1%)	(3.6%)	--	--
Middle East	**2.9**	**2.1**	**2.4**	**2.4**	**2.5**
Organic Growth	7.4%	(27.6%)	14.3%	2.0%	2.0%
Latin America	**1.7**	**2.3**	**1.7**	**1.7**	**1.8**
Organic Growth	70.0%	35.3%	(26.1%)	2.0%	2.0%
Rest of World	**3.8**	**5.7**	**6.4**	**6.6**	**6.9**
Organic Growth	(30.9%)	50.0%	12.3%	3.5%	3.5%

Margins					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
Gross Margin	56.8%	56.9%	57.0%	56.0%	56.0%
Adj. Operating Margin	26.7%	29.7%	31.0%	30.1%	29.6%
Adj. EBITDA Margin	31.0%	32.7%	32.8%	32.1%	31.9%
Adj. PBT Margin	26.9%	29.9%	31.2%	30.1%	29.7%
Adj. PAT Margin	18.1%	21.4%	23.2%	23.2%	22.8%

Summary Cashflow Statement (US$m)					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
EBITDA	24.6	28.0	30.8	31.2	30.9
D&A	2.7	2.1	1.2	1.4	1.6
Share-Based Payments	0.7	0.5	0.5	0.6	0.6
Bad Debt Expense	0.4	0.1	0.2	0.2	0.2
Working Capital	(0.4)	(3.7)	(1.6)	(1.8)	(1.5)
Tax Paid	(7.7)	(5.3)	(5.5)	(6.7)	(6.6)
Op C/F	**17.0**	**20.0**	**23.8**	**22.9**	**23.1**
CAPEX	(4.4)	(2.0)	(0.8)	(5.0)	(1.9)
Acquisitions	--	--	--	(2.0)	--
Disposals	0.1	--	0.0	--	--
Investment CF	**(4.4)**	**(2.0)**	**(0.8)**	**(7.0)**	**(1.9)**
Stock Options settled	(0.5)	(5.3)	(0.6)	--	--
Dividend Payments	(4.2)	(13.9)	(12.3)	(19.8)	(15.8)
Financing CF	**(4.8)**	**(20.3)**	**(13.0)**	**(19.9)**	**(15.8)**
Net Change in Cash	7.8	(2.2)	10.1	(4.0)	5.3
Net Cash/(Debt)	**20.2**	**19.0**	**28.2**	**24.3**	**29.6**
Free Cash Flow to Firm	**13.1**	**15.2**	**21.0**	**15.9**	**21.1**

Valuation Metrics					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
PER	**9.1x**	**11.4x**	**12.9x**	**11.0x**	**11.2x**
PE excl. Net Cash	7.4x	10.3x	11.5x	9.8x	9.8x
EV/Sales	1.3x	2.2x	2.7x	2.3x	2.2x
EV/EBITDA	4.3x	6.7x	8.2x	7.1x	7.0x
Dividend Yield	4.9%	4.2%	3.8%	4.6%	4.5%
FCF Yield	10.4%	7.4%	7.5%	6.5%	8.6%
NAV/Share	63p	64p	73p	80p	90p
Tangible NAV/Share	58p	60p	69p	76p	86p

Dividend Metrics					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
Interim DPS	2.50c	2.75c	5.50c	10.00c	9.82c
Final DPS	8.60c	12.75c	13.50c	10.00c	9.82c
Regular DPS	**11.10c**	**15.50c**	**19.00c**	**19.99c**	**19.65c**
Regular DPS Growth	60.9%	39.6%	22.6%	5.2%	(1.7%)
Dividend Cover	**2.23x**	**2.08x**	**2.02x**	**1.98x**	**1.98x**
Supplemental DPS	*--*	*3.60c*	*11.70c*	*8.24c*	*12.96c*
Total DPS	***11.10c***	***19.10c***	***30.70c***	***28.23c***	***32.61c***
Total DPS Growth	*60.9%*	*72.1%*	*60.7%*	*(8.0%)*	*15.5%*

Summary Balance Sheet (US$m)					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
PPE	11.6	12.3	12.0	17.6	17.9
Intangibles & Goodwill	3.8	2.9	2.9	2.9	2.9
Trade Receivables	6.6	11.1	10.6	10.9	10.9
Inventories	8.8	8.7	10.8	11.8	12.8
Prepayments	2.4	2.5	1.5	1.8	2.1
Cash & Cash Equivalents	21.2	19.0	28.2	24.3	29.6
Total Assets	**57.7**	**58.4**	**67.1**	**70.6**	**77.9**
Trade Paybles	(2.8)	(3.2)	(2.1)	(2.2)	(2.3)
Accruals	(5.3)	(6.1)	(6.4)	(6.5)	(6.5)
Borrowings	(1.0)	--	--	--	--
Total Liabilities	**(9.5)**	**(11.5)**	**(12.0)**	**(12.2)**	**(12.3)**
Equity	48.2	46.9	55.1	58.5	65.6
Liabilities + Equity	**57.7**	**58.4**	**67.1**	**70.6**	**77.9**

Other Metrics					
Year to December	**2016A**	**2017A**	**2018A**	**2019E**	**2020E**
ROCE (pre-tax)	47.8%	52.6%	56.7%	51.0%	45.9%
ROCE (post-tax)	32.1%	37.5%	42.1%	39.3%	35.3%
ROIC	28.9%	38.8%	39.3%	38.4%	33.7%
ROE	33.2%	38.5%	42.7%	39.6%	35.7%
Asset Turnover	8.0x	7.2x	7.7x	6.6x	5.5x
Cash Conversion (EBITDA/Op CF)	69.0%	71.5%	77.3%	73.3%	74.7%
FCF Conversion (FCF / Adj PAT)	91.7%	83.4%	96.6%	70.6%	95.4%
Adj. Current Ratio	4.7x	4.4x	5.9x	5.6x	6.2x
WANOS - Basic (m)	56.2	56.2	56.3	56.3	56.3
WANOS - Diluted (m)	57.9	56.6	56.7	56.9	56.9

Source: Arden.

Stocks added to coverage (since the last Quarterly)

Burford Capital
CyanConnode*
Hydrodec*
Litigation Capital Management
Lok'nStore
Manolete Partners
Pantheon Resources*
Phoenix Global Mining
Plant Health Care*
Somero Enterprises
Zoo Digital

Diary – Forthcoming news expected

Company	Event	Date
Atalaya Mining	Q1 results	April 2019
Central Asia Metals	Full Year Results	April 2019
Dart Group*	Trading Update	April 2019
Deltex Medical*	Full Year Results	April 2019
Hunting	Q1 Update	April 2019
Hydrodec*	Full Year Results	April 2019
Lok'nStore	Interim Results	April 2019
Hunting	Q1 Update	April 2019
Hydrodec*	Full Year Results	April 2019
Lok'nStore	Interim Results	April 2019
Plant Health Care*	Full Year Results	April 2019
Redde	Trading Update	April 2019
Rosenblatt	FY18 Results	April 2019
Scapa Group	Pre-close Trading Update	April 2019
Shanta Gold	Q1 Results	April 2019
Trifast#	Pre-close Trading Update	April 2019
Avon Rubber	Interim Results	May 2019
Crimson Tide*	Full Year 18 Results	May 2019
CyanConnode*	Full Year Results	May 2019
Gateley*	Trading Update	May 2019
Grainger	Interim Results	May 2019
Hill & Smith	Trading Statement	May 2019
Keystone Law	FY19 Results	May 2019
Knights Group Holdings	Pre-close Trading Update	May 2019
Macfarlane Group*	AGM	May 2019
Renishaw	Investor Day	May 2019
Renold*	FY19 Results	May 2019
Rotork	Q1 Trading Update	May 2019
Trakm8*	Full Year Results	May 2019
Vianet	Pre-close Trading Update	June 2019
Abbey*	Trading Update	June 2019
Advanced Medical Solutions	AGM	June 2019
Consort Medical	Full Year Results	June 2019
First Property*	Full Year Results	June 2019
iEnergizer	FY19 Results	June 2019
Manolete Partners	FY19 Results	June 2019
Oxford Instruments	FY19 results	June 2019
Palace Capital*	Full Year Results	June 2019
Park Group*	FY19 Results	June 2019
Somero Enterprises	AGM	June 2019
Zoo Digital	Full Year Results	June 2019
Great Eastern Energy Co*	Full Year Results	Q2 2019
Genel Energy	Trading Update	Q2 2019
Lamprell	Trading Update	Q2 2019
MOD Resources	Funding Status update	Q2 2019
Phoenix Global Mining	Resource Update	Q2 2019
Rambler Metals & Mining	Resource Update	Q2 2019
SolGold	Cascabel PEA	Q2 2019
James Halstead*	Pre-close Trading Statement	July 2019
Harvest Minerals	FY19 Results	Aug 2019
Headlam	Interim Results	Aug 2019
S&U#	Trading Update	Aug 2019
Annexo Group*	Interim Results	Sept 2019
Burford Capital	Interim Results	Sept 2019
Castings*	FY19 Results	Sept 2019
CloudCall	Interim Results	Sept 2019
Frontier Smart Technologies	Interim Results	Sept 2019
Haydale Graphene Industries	FY19 Results	Sept 2019
Litigation Capital Management	FY19 Results	Sept 2019
The Brighton Pier Group*	Full Year Results	Sept 2019

* Arden Partners acts as corporate broker to this company. # This company is a research client of Arden Partners.

Abbey*

Buy 1235p

Continued satisfactory trading

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- Abbey is a house builder with operations in southern England, Ireland and Czechia. In FY18, the Group completed 606 sales (UK: 524, Ireland: 75 and Czechia: 7) up from 586 units in FY17. The UK plant hire business accounts for c.€19m of revenue.
- Abbey reported a positive set of interims reporting a 2.2% YoY increase in operating profit to €23.9m, reflecting over 50% of our full year FY19 estimates. This was driven by 277 sales (UK 239, Ireland 19, Czechia 19) within its house-building division compared to 237 sales in the prior period led by trading in the UK holding up in the last 6 months.
- Further, of significance, the group's strong cash position of €93.4m (FY18: €78.9m) has led to the board declaring a special dividend of 100c/share to shareholders on the register in early Jan. In addition, the board is declaring a regular dividend of 9.00c per share to be paid at the end of April 2019, giving 119c for the financial year.
- The group's current UK forward sales position gives confidence for FY19 although the company naturally remains cautious over making new investments in coming months, led by external economic uncertainty. In our view, with its strong balance sheet, Abbey is well-placed to ride out any period of market weakness. For longer-term, value-orientated investors the shares remain attractive.

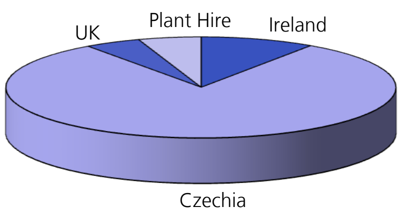
Key Data	ABBY.L
Sector	Home Construction (AIM)
Market Capitalisation	£265m
Shares in Issue	21.4m
Free Float	18.3%
Average Daily Volume	155
12 Month Trading Range	1180p to 1380p

Year to 30/04	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	€216m	€218m	€220m	€222m
EBITDA	€69.2m	€67.1m	€53.1m	€53.7m
Operating Profit	€60.8m	€58.5m	€44.6m	€45.2m
Operating Margin	28.1%	26.8%	20.3%	20.4%
Adjusted PBT	€63.5m	€58.6m	€45.0m	€45.6m
Adjusted Tax Rate	18.3%	19.8%	19.0%	19.0%
Adjusted EPS	241.0c	219.2c	170.0c	172.3c
EPS Growth	4.9%	(9.0%)	(22.4%)	1.3%
Dividend	15.00c	17.00c	20.00c	22.00c
Financial				
Net Cash/(Debt)	€95m	€86m	€107m	€111m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	16.1x	12.9x	8.5x	7.8x
Pension	€0.0bn	€0.0bn	€0.0bn	-
Valuation				
P/E	6.0x	6.6x	8.5x	8.3x
Yield	1.0%	1.2%	1.4%	1.5%
Free Cash Flow Yield	0.8%	(0.9%)	8.1%	8.3%
EV/Sales	1.0x	1.0x	0.9x	0.9x
EV/EBITDA	3.1x	3.3x	3.8x	3.7x
Tangible NAV/Share	1438c	1609c	1761c	1913c

Next News	
Trading Update	June 2019

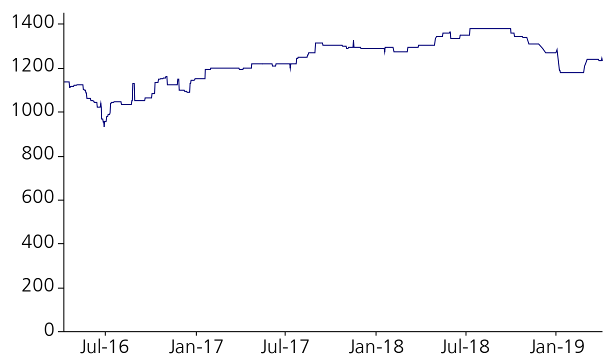
Share Price Performance	
1 Month	-0.4%
12 Months	-5.4%

Divisional Profits Analysis



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Advanced Medical Solutions

Add 323p

Branded products driving growth

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- AMS develops and manufactures advanced woundcare products. The acquisitions of MedLogic (2002), Corpura (2009) and RESORBA (2011) have broadened the portfolio, which includes alginate, foam, hydrocolloid and silver-coated dressings, wound closure adhesives and sealants, sutures and collagen products. AMS distributes through a mixture of direct sales, blue-chip partners and distributors.
- The £55m acquisition of RESORBA in 2011 was transformational, enhancing earnings, broadening the product range, providing AMS with additional direct distribution and took AMS brands to 55% of Group sales. There are continuing opportunities to cross-sell existing products.
- Advanced Medical Solutions has announced 2018 results ahead of consensus with revenue from continuing operations of £102.6m, +6% YoY, 7% at constant currency, adjusted operating profit £28.7m and Adjusted EPS 10.7p. Net cash £76m and dividend 1.3p. Divisionally, Branded revenues performed very strongly, up 13% at constant currency with particular strength in Liquiband (+24% at constant currency) and Fix8 with revenue up 21%.
- We expect good momentum from the existing Branded products and there is a pipeline of further new products. The European approval of LiquibandFix8 is supportive for sentiment albeit with US approval still a couple of years away. With its strong balance sheet, good cash generation and £30m facility, the company has scope to make a large acquisition, which could significantly enhance earnings. With the stock a long way off highs, ex-cash 2019 P/E of 24x and expected continued momentum in the business, we stick with our Add recommendation.

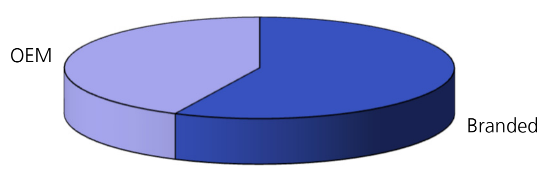
Key Data	AMS.L
Sector	Healthcare (AIM)
Market Capitalisation	£690m
Shares in Issue	213m
Free Float	98.2%
Average Daily Volume	237,898
12 Month Trading Range	260p to 370p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£97m	£103m	£109m	£116m
EBITDA	£28.4m	£30.9m	£31.5m	£33.6m
Operating Profit	£25.4m	£28.7m	£28.5m	£30.5m
Operating Margin	26.2%	28.0%	26.2%	26.4%
Adjusted PBT	£25.4m	£28.9m	£28.7m	£30.7m
Adjusted Tax Rate	21.0%	21.4%	20.0%	20.0%
Adjusted EPS	9.6p	10.7p	10.7p	11.5p
EPS Growth	23.5%	11.7%	0.4%	7.0%
Dividend	1.06p	1.32p	1.45p	1.60p
Financial				
Net Cash/(Debt)	£62m	£76m	£92m	£108m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	9.0x	8.1x	7.4x	7.2x
Pension	-	-	-	-
Valuation				
P/E	33.7x	30.2x	30.1x	28.1x
Yield	0.3%	0.4%	0.4%	0.5%
Free Cash Flow Yield	1.8%	2.3%	2.6%	2.8%
EV/Sales	6.5x	6.0x	5.5x	5.0x
EV/EBITDA	22.1x	19.8x	19.0x	17.3x
Tangible NAV/Share	45.4p	55.5p	66.2p	77.7p

Next News	
AGM	June 2019

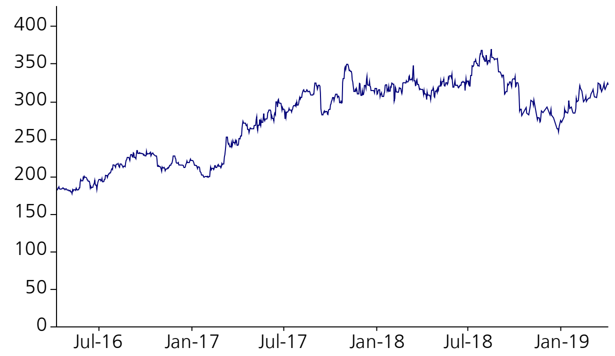
Share Price Performance	
1 Month	+5.4%
12 Months	+4.9%

Segmental Profits



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

Amerisur Resources*

Buy 13.8p

South of the border

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- Amerisur is an E&P focused onshore Colombia. The company has production from its Platanillo and CPO-5 licences, reporting 5.4mbbl/d in 2018, and had US$44m of cash at the end of 2018 (less US$19m subsequent acquisition spend).
- Platanillo (Amerisur 100%) contains 18mmbbl of 2P, and the company has an upcoming programme of workovers and potential drilling, all aimed at keeping production in the current 3-4mbbl/d range. CPO-5 (Amerisur 30%) has production from the Mariposa and Indico fields, with upcoming drilling on Indico targeting production growth.
- Amerisur is moving into a period of significantly increased activity, with up to nine further wells over 2019. These will initially focus on CPO-5, with two appraisal wells on Indico and up to three exploration wells, all of which could be quickly brought onstream. There are then further plans to drill in new assets around Platanillo from H2 2019. This work programme is augmented by a significant recent farm out to Occidental, which brings US$93m of spending on seismic and five new wells.
- Amerisur owns its own pipeline from Platanillo (the OBA) which allows the company to export through Ecuador. This currently has capacity of 9mbbl/d, giving room for assets other than Platanillo and, potentially, third party volumes.
- Core NAV is 19p, risked NAV 35p, using US$65/bbl long-term Brent. The company is well funded from its cash pile and production cash flows, and has an increasingly busy work programme to provide drilling catalysts. New wells are generally brought onstream quickly, contributing further cash flows and increasing their attractiveness as catalysts in our view. The Occidental farm in also provides valuable funding and industry endorsement. Buy, 32p target.

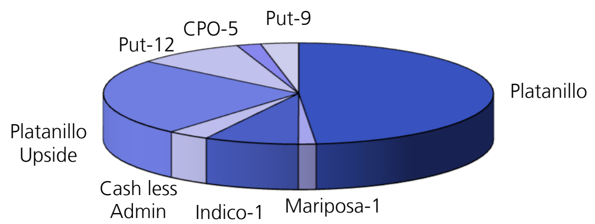
Key Data	AMER.L
Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£168m
Shares in Issue	1,215m
Free Float	75.4%
Average Daily Volume	3,933,319
12 Month Trading Range	9.5p to 20.0p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$85m	$108m	$110m	$125m
EBITDA	$19.8m	$34.0m	$41.6m	$44.3m
Operating Profit	$1.8m	$12.5m	$16.3m	$18.7m
Operating Margin	2.1%	11.6%	14.9%	15.0%
Adjusted PBT	$0.5m	$12.5m	$16.3m	$18.7m
Adjusted Tax Rate	276.3%	15.2%	15.9%	16.1%
Adjusted EPS	(0.1c)	0.9c	1.1c	1.2c
EPS Growth	-	1365%	29%	14%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$41.3m	$44.1m	$26.6m	$27.3m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	20.7x	16.6x	14.5x
Yield	-	-	-	-
Free Cash Flow Yield	(0.5%)	0.3%	0.7%	0.3%
EV/Sales	2.1x	1.6x	1.8x	1.5x
EV/EBITDA	9.0x	5.2x	4.6x	4.4x
Tangible NAV/Share	3.7c	3.1c	5.7c	8.3c

Next News	
New Drilling	Q2 2019

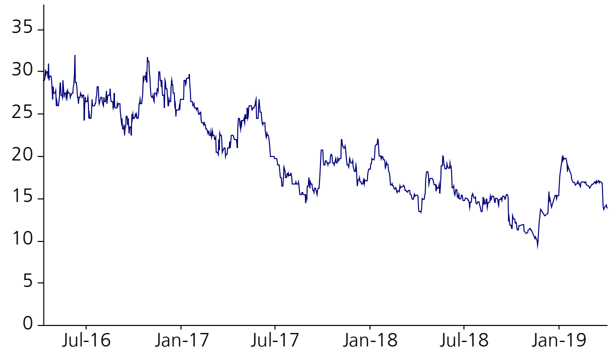
Share Price Performance	
1 Month	-17.6%
12 Months	+0.3%

Total Risked NAV (35p/share)



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

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Anexo Group*

Buy 132.5p

FY18 results ahead, KPIs strong for 2019

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- Results came in marginally ahead of our expectations, having upgraded forecasts in December and January. Perhaps more importantly, though, the trend in KPIs points towards a transformational 2019 for the Group as it drives both divisions in unison, generating significant cash returns on investment in the process. We believe this changing dynamic, above 30% margins and double-digit growth are currently overlooked by the market and not represented in the 9.8x CY19 P/E rating.
- Double-digit growth: The Group has produced maiden results showing a 24.7% increase in revenues, 13.9% increase in adj. operating profits and 10.3% increase in adj. PBT. Cash collections from settlements increased by 7.6% to £58.1m as the Group maintained above 98% success rates.
- Delivering on IPO plan: The Group raised funds in June 2018 to invest in: working capital to improve settlement rates, a new legal office and staff to improve cash collections, and sales and fleet to increase the number of credit hire cases taken on. These results show that Anexo has started to deliver on all of these; settlement rates have increased to 56.3%, fee earners have increased by 34.8% and number of cars on the road has increased by 87.9%. We expect legal revenues and cash collection to scale in 2019 as these fee earners become fully operational having been hired in December 2018.
- Forecast upgrades: We increase our FY19 adjusted PBT forecast by 2% (following our 5% January upgrade) and FY20 adjusted PBT by 4%. This is as a result of growth across both divisions from increased cases taken on and settled.
- Valuation: At 9.8x CY19 P/E and 7.7x EV/EBITDA, Anexo's margins and growth profile continue to be undervalued, in our view. Our TP multiple of 17.3x P/E better reflects the opportunity for high cash returns on investment, with a 98% success rate and diversified across thousands of cases per year.

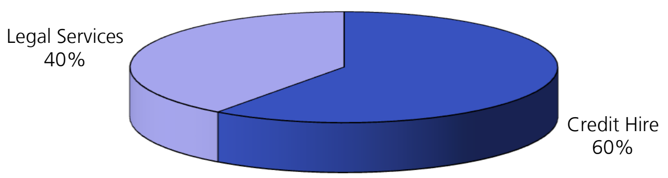
Key Data	ANX.L
Sector	Support Services (AIM)
Market Capitalisation	£146m
Shares in Issue	110m
Free Float	100%
Average Daily Volume	11,958
12 Month Trading Range	100p to 136p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£44.8m	£56.5m	£70.5m	£76.7m
EBITDA	£15.1m	£18.7m	£22.2m	£25.3m
Operating Profit	£14.3m	£17.2m	£19.6m	£21.8m
Operating Margin	31.9%	30.4%	27.8%	28.4%
Adjusted PBT	£14.1m	£16.1m	£18.1m	£20.1m
Adjusted Tax Rate	(18.6%)	(20.2%)	(18.0%)	(18.0%)
Adjusted EPS	11.4p	12.0p	13.6p	15.1p
EPS Growth	28.3%	5.3%	13.2%	10.8%
Dividend	-	1.50p	2.25p	3.00p
Financial				
Net Cash/(Debt)	(£15.0m)	(£17.3m)	(£26.3m)	(£22.2m)
Net Debt/EBITDA	1.0x	0.9x	1.2x	0.9x
Net Debt/Equity	0.3x	0.2x	0.3x	0.2x
Interest Cover	83.0x	15.8x	13.1x	12.8x
Dividend Cover	-	8.0x	6.0x	5.0x
Pension	-	-	-	-
Valuation				
P/E	11.6x	11.0x	9.8x	8.8x
Yield	-	1.1%	1.7%	2.3%
Free Cash Flow Yield	(0.0%)	(7.1%)	(4.2%)	5.5%
EV/Sales	3.6x	2.9x	2.4x	2.2x
EV/EBITDA	10.7x	8.7x	7.7x	6.6x
Tangible NAV/Share	50.6p	68.9p	80.6p	93.1p

Next News	
Interim Results	September 2019

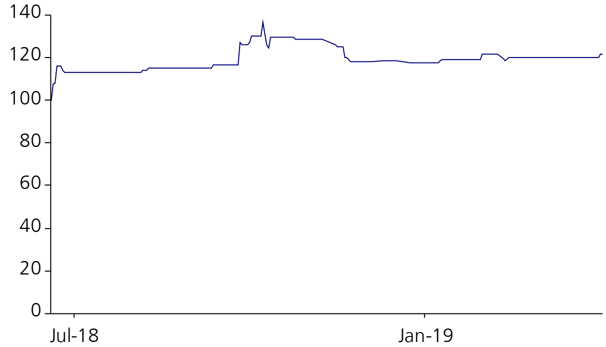
Share Price Performance	
1 Month	+10.4%
12 Months	-

FY18 Revenue Breakdown



Source: Arden.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Arden

11 April 2019

Asiamet Resources

Buy 7.0p

Kaliman-can

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- Asiamet is an AIM-listed explorer and developer with operations in Central Kalimantan, Indonesia. Asiamet is focused on three assets: two primary copper, BKM and Beutong, and BKZ, which is a polymetallic (Cu-Pb-Zn-Ag-Au) at the resource stage, with the potential for a deep copper porphyry. BKM and BKZ both sit within the KSK Contract of Work (CoW). Asiamet's strategy is on the near-term development of BKM, BKZ, other exploration targets, and then the development of Beutong, which is currently six times the size of BKM, and, in our view, the key asset of most interest, which will place Asiamet as a major copper player.
- ARS is developing its BKM and BKZ deposits in the KSK District tenement area. BKM is a copper/gold project, whilst BKZ is a polymetallic. ARS plans to fund development of BKZ through cash flow from BKM. BKM is planned to go into development in 2020. We currently forecast c.16.5kt of cathode production for 2021E, and then c.24ktpa of copper cathode from thereon for the remainder of the LoM, eight further years.
- Low-cost cathode producer; no further processing necessary and so not subject to any export levy put in place by the Indonesian government on unprocessed ore. ARS is supported by the Indonesian government, and has local government support. The workforce at KSK is 98% Indonesian and KSK has strong community engagement programmes in place.
- Beutong is the long-term focus for Asiamet. Beutong is a world-class asset and is currently six times larger than BKM and is likely to grow in size due to recent drill results. Beutong is comparable in scale to SolGold's Cascabel deposit or First Quantum's Sentinel deposit.
- Buy rating, with a target price of 23p, at a 10% WACC. ARS has a P/NAVPS of 0.3x, highlighting how undervalued we believe the stock is.

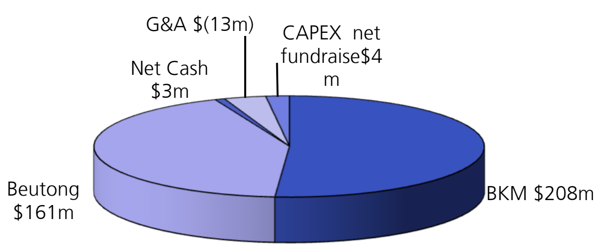
Key Data	ARS.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£70.7m
Shares in Issue	1,003m
Free Float	96.3%
Average Daily Volume	4,506,177
12 Month Trading Range	3.9p to 12.1p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$0.0m	$0.0m	$0.0m	$0.0m
EBITDA	($3.4m)	($7.3m)	($12.8m)	($7.3m)
Operating Profit	($3.9m)	($8.3m)	($13.7m)	($8.2m)
Operating Margin	-	-	-	-
Adjusted PBT	($3.9m)	($8.3m)	($13.7m)	($9.7m)
Adjusted Tax Rate	(0.2%)	0.0%	0.0%	0.0%
Adjusted EPS	(0.6c)	(1.0c)	(1.5c)	(0.8c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$1.5m	$3.1m	$0.9m	($37.3m)
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	3.3x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(3.1%)	(9.0%)	(18.0%)	(65.0%)
EV/Sales	-	-	-	-
EV/EBITDA	-	-	-	-
Tangible NAV/Share	0.2c	0.3c	0.0c	0.7c

Next News	
BKM Feasibility Study	Q2 2019

Share Price Performance	
1 Month	+2.2%
12 Months	-40.6%

Total 2019E NAV, US$381m (23p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Atalaya Mining

Buy 234p

Iberian pyrite

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- Atalaya Mining is an AIM-listed copper producer and developer with assets in Spain. The primary asset is Proyecto Riotinto near Seville. An expansion is under way to increase production by roughly a third, which will raise production to between 50 ktpa and 55 ktpa of copper over LoM. Development of its second asset, Proyecto Touro, which is located in north-west Spain and will produce a high-grade concentrate, will add optionality to the producer and raise production by *c.*28 ktpa.
- Successful expansion to 9.5 Mtpa in 2017, and further expansion approved and underway from 9.5 Mtpa to 15 Mtpa. The 9.5 Mtpa expansion was delivered at 50% lower cost and 30% faster than anticipated in the Feasibility Study (FS). The 15 Mtpa expansion will help reduce processing costs at Riotinto.
- Project pipeline of brownfield development of Proyecto Touro, which will produce a high grade of c.29% very clean, premium concentrate with silver credits, which will help to lower group cash costs. Touro has some parallels with Riotinto and management is confident in its ability to restart it successfully in the same way as it did with Riotinto. Mineralisation remains open to the north, west and south and optionality exists to acquire 100% of the adjacent exploration concessions covering 122.7km2, giving full control over the known belt.
- Zero financial debt. ATYM conducted a very successful raise in 2016 which attracted a strong list of backers – many with technical experience – including Trafigura (22.4%), Xiangguang Copper (22.4%), Liberty Metals & Mining (14.3%), and Orion Mine Finance (13.7%), all of which have non-execs on the board; remaining large holders are Majedie (6.6%).
- Buy rating, with a target price of 354p at a 8% WACC for Riotinto and 10% for Touro and multiple of 0.9x. ATYM has a P/NAVPS of 0.5x.

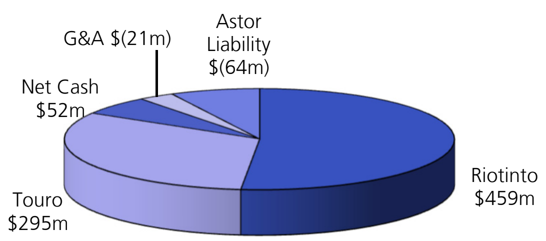
Key Data	ATYM.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£322m
Shares in Issue	137m
Free Float	27.1%
Average Daily Volume	60,072
12 Month Trading Range	190p to 260p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	€98m	€161m	€189m	€218m
EBITDA	€14.9m	€39.5m	€56.3m	€66.2m
Operating Profit	€2.8m	€24.7m	€39.9m	€45.0m
Operating Margin	2.9%	15.4%	21.1%	20.7%
Adjusted PBT	€2.6m	€24.1m	€39.9m	€45.4m
Adjusted Tax Rate	(472.0%)	15.3%	17.8%	28.4%
Adjusted EPS	12.6c	17.1c	23.7c	23.4c
EPS Growth	201%	36%	38%	(1%)
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	(€9.3m)	€42.9m	€33.3m	€22.9m
Net Debt/EBITDA	0.6x	-	-	-
Net Debt/Equity	0.0x	-	-	-
Interest Cover	5.2x	44.3x	219.4x	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	21.6x	15.9x	11.5x	11.6x
Yield	-	-	-	-
Free Cash Flow Yield	(4.6%)	2.2%	(2.7%)	(2.9%)
EV/Sales	3.9x	2.1x	1.8x	1.6x
EV/EBITDA	25.7x	8.4x	6.0x	5.3x
Tangible NAV/Share	113c	153c	144c	159c

Next News	
Q1 Results	April 2019

Share Price Performance	
1 Month	+4.2%
12 Months	+9.8%

Total 2019E NAV, US$721m (400p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Avon Rubber

Buy 1300p

World leader in military respirators and dairy milking point solutions

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- Avon is focused on two world-leading businesses: respirators (70% of profits) and milking point products and services for the dairy industry (30% of profits). Over 80% of Avon's sales are in the US.
- Avon has invested heavily in new products, new services and additional sales resources. The company is seeing the benefits of this in P&D, with new products for the DoD and a broadened base of non-DoD business. In Dairy, Impulse Air and the Cluster Exchange service are driving growth. Strong cashflow has also enabled Avon to broaden its product range and add capability by acquisition.
- Avon's FY18 results came in slightly ahead of market expectations on better margins. Revenue came in at £165.5m, +8.7% at constant currency with operating profit at £27.3m, up 11.8% at constant currency. DPS is up 30% to 16.02p. Net cash is slightly ahead at £46.6m. The Group is seeing continuing demand for M50 masks, and the broader range driving improved mix, as demonstrated by the recent M53 announcement. Protection revenue is up 10.6% at constant currency but the order book is up 31%. Cyclicality in Dairy is starting to show with the AGM statement highlighting some challenges but mitigated by strong performance in defence.
- Whilst the ending of the 10-year DoD M50 production contract in July 2018 creates some uncertainty, new order wins and growth in law enforcement provides some comfort for investors and the recent military win for the M69 mask is evidence of this. We expect good ongoing M50 related demand and the opportunity pipeline is sufficient to support continued growth. The strong balance sheet also provides scope to supplement growth with bolt-on acquisitions. We continue to favour Avon as a strong long-term growth story with an excellent cash profile.

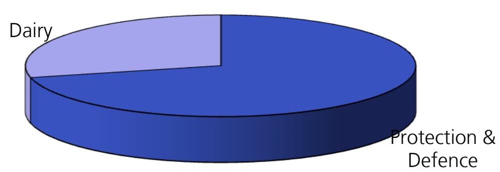
Key Data	AVON.L
Sector	Aerospace & Defence
Market Capitalisation	£403m
Shares in Issue	31.0m
Free Float	99.6%
Average Daily Volume	36,832
12 Month Trading Range	1180p to 1475p

Year to 30/09	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£163m	£166m	£170m	£176m
EBITDA	£36.0m	£38.4m	£40.4m	£41.9m
Operating Profit	£25.8m	£27.3m	£29.4m	£30.9m
Operating Margin	15.8%	16.5%	17.3%	17.6%
Adjusted PBT	£25.6m	£27.2m	£29.5m	£30.9m
Adjusted Tax Rate	1.6%	13.6%	20.0%	20.0%
Adjusted EPS	82.8p	77.0p	77.5p	81.4p
EPS Growth	11.5%	(7.0%)	0.7%	4.9%
Dividend	12.32p	16.02p	20.83p	27.08p
Financial				
Net Cash/(Debt)	£26.5m	£46.6m	£66.9m	£86.7m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	129.0x	-	-	-
Dividend Cover	6.7x	4.8x	3.7x	3.0x
Pension	(£44.1m)	(£42.6m)	(£41.1m)	(£39.6m)
Valuation				
P/E	15.7x	16.9x	16.8x	16.0x
Yield	0.9%	1.2%	1.6%	2.1%
Free Cash Flow Yield	6.7%	5.6%	6.4%	6.6%
EV/Sales	2.3x	2.2x	2.0x	1.8x
EV/EBITDA	10.5x	9.3x	8.3x	7.5x
Tangible NAV/Share	50p	101p	153p	204p

Next News	
Interim Results	May 2019

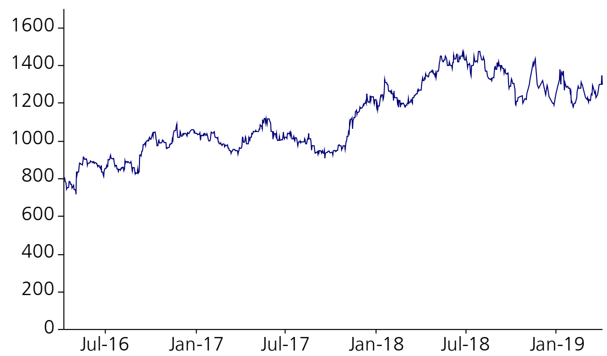
Share Price Performance	
1 Month	+6.6%
12 Months	-2.6%

Segmental Profits



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

Bowleven

Neutral 12.6p

Waiting for news on Etinde FID

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- Bowleven is an E&P focused on Cameroon. Its key asset is a 20% stake in the offshore Etinde permit. We estimate that net cash is c.US$14m post the recent payment of a US$63m special dividend.
- Bowleven has made several liquids-rich gas discoveries on Etinde, resulting in an existing gross 2C resource of 290mmboe. Two appraisal wells were drilled in 2018, with mixed results and unlikely to add material resources overall in our view. Going forward, we expect agreement among the JV as to preferred development concepts over the coming months. These could include use onshore Cameroon (which would likely require new projects), standalone FLNG, or tieback to an existing LNG project (potentially, in our view, the Golar Hilli FLNG vessel in Cameroon or the Marathon LNG plant on Bioko Island in Equatorial Guinea). Subsequent progression could allow FID to be taken in late 2018/early 2019.
- Activist fund Crown Ocean holds a 29% stake in the company, driving the replacement of the entire board in 2017. Company strategy has been redirected to focus on Etinde and cut spending. Recently a special dividend of US$63m (15p/share) has been paid, reducing the cash pile. This is an interesting move for a company approaching FID on a development project, though Bowleven will receive an additional US$25m at FID under the original farm out deal. Funding will be a key question as we approach FID.
- Our core NAV is 7p and total risked NAV 50p. The outlook for the company turns on what is going to happen with Etinde. FID would be likely to be materially positive if achieved, and we await further news on the form of the development, how it would be funded, and Bowleven's planned ongoing participation. We have a Neutral and 30p target while we wait for more detail.

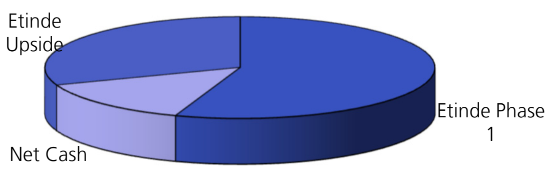
Key Data	BLVN.L
Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£41.3m
Shares in Issue	327m
Free Float	69.8%
Average Daily Volume	983,339
12 Month Trading Range	12.2p to 40.2p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$0.0m	$0.0m	$0.0m	$0.0m
EBITDA	($11.5m)	($4.6m)	($4.5m)	($4.5m)
Operating Profit	($57.3m)	($6.3m)	($4.5m)	($4.5m)
Operating Margin	-	-	-	-
Adjusted PBT	($8.1m)	($5.4m)	($3.7m)	($4.4m)
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(2.5c)	(1.7c)	(1.1c)	(1.3c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$85.8m	$82.3m	$11.6m	$6.2m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(25.9%)	(11.5%)	(13.9%)	(10.3%)
EV/Sales	-	-	-	-
EV/EBITDA	-	-	-	-
Tangible NAV/Share	30.4c	23.0c	6.4c	5.1c

Next News	
Etinde development update	Q2 2019

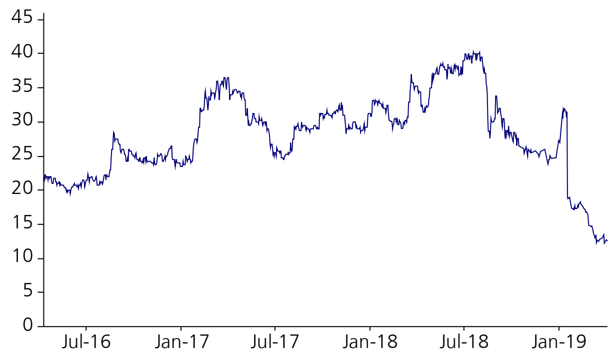
Share Price Performance	
1 Month	-8.1%
12 Months	-60.9%

Bowleven Total NAV (50p)



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

Brighton Pier Group (The)*

Buy 47.5p

Pier-ing cautiously ahead

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- Brighton Pier's recent interims confirm the Group is on track to meet full year expectations of £32.1m revenue and PBT of £3.2m. Forecasts were adjusted down upon release of a January trading update, and the Group is set to come in line with the new full year guidance.
- The Group's mini-golf division generated EBITDA of £0.7m for the period on sales of £2.1m, in line with expectations of £4.6m sales for the full year. The opening of a seventh site in Rushden is expected for April 2019, offering around two months of contribution to FY19E and a full year's contribution in FY20E.
- January's trading update flagged structural issues impacting both the Pier (railways works impeding access to Brighton from London) and the Bar division (delayed re-opening of Le Fez into the Christmas period). H1'19 sales were £7.9m (FY17: £7.8m) and £6.6m (FY17: £8.0m) respectively as a result. The railway works impacting the Pier division are expected to finish in May 2019, whilst Le Fez reopened in December and is confirmed to be trading strongly.
- Having adjusted numbers in January, we expect H2'19 to see some recovery. However, we look to FY20E to enjoy the full performance of the two impacted divisions with expected sales of £14.6m FY20E vs £14.3m FY19E (Pier) and £14.3m FY20E vs £13.2m FY19E (Bars).
- At just 5.0x FY20E P/E, for shares with a heavy-asset backing, a FCF yield of 15.2%, and expected EPS growth of 26% into FY20E, we flag upside. We highlight the one-off, non-recurring nature of issues impacting the Pier and Bar in H1'19, and look to FY20E for full recovery in both divisions, coupled with Golf's strong performance. Our PT of 95p is an unambitious 10.6x FY20 P/E. Buy.

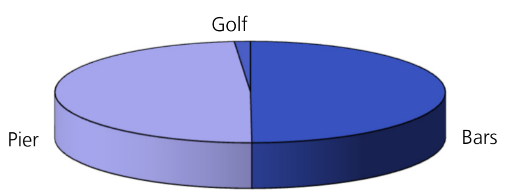
Key Data	Ticker
Sector	Travel & Leisure (AIM)
Market Capitalisation	£16.2m
Shares in Issue	37.3m
Free Float	60.1%
Average Daily Volume	84,071
12 Month Trading Range	35p to 108p

Year to 30 Jun	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£31.3m	£31.7m	£32.1m	£34.4m
EBITDA	£5.2m	£5.2m	£5.5m	£6.6m
Operating Profit	£3.8m	£3.6m	£3.7m	£4.5m
Operating Margin	12%	11%	11%	13%
Adjusted PBT	£3.5m	£3.2m	£3.2m	£4.1m
Adjusted Tax Rate	1%	16%	18%	17%
Adjusted EPS	8.5p	7.6p	7.1p	9.0p
EPS Growth	405%	(11%)	(6%)	26%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	(£7.2m)	(£13.9m)	(£11.4m)	(£8.9m)
Net Debt/EBITDA	1.4x	2.7x	2.1x	1.3x
Net Debt/Equity	0.5x	0.7x	0.5x	0.3x
Interest Cover	12.0x	9.3x	8.1x	11.4x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	5.2x	5.9x	6.3x	5.0x
Yield	-	-	-	-
Free Cash Flow Yield	12.2%	nm	8.6%	15.2%
EV/Sales	0.8x	1.0x	0.9x	0.8x
EV/EBITDA	4.6x	5.9x	5.1x	4.2x
Tangible NAV/Share	35.4p	23.3p	32.2p	40.8p

Next News	
Full Year Results	September 2019

Share Price Performance	
1 Month	+0.0%
12 Months	-53.7%

Divisional Revenue Contribution H1 FY19



Source: Company.

Share Price (p)

Source: Bloomberg.

***** Arden Partners acts as corporate broker to this company.**

Burford Capital

Buy 1709p

Initiation of coverage

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- The Group continues to be the largest player in this rapid growth global market. With an increasingly diversified revenue base and the $1.6bn of additional funding announced in December 2018, we believe Burford is poised to enter the next phase of its development. The shares have pulled back recently despite the consensus beating FY18 results, meaning they now trade at a 2.8x FY19 P/NAV. We believe this undervalues the consistently high ROE and initiate with a Buy rating and 2,300p target price.
- Burford is the most established name in the litigation funding sector, in our view. As a result, the Group has attracted the most funding in the industry and therefore grown net fee income at above 50% per year in recent years. We believe this brand will become even more important as the industry moves from the education process to the mainstream. The December 2018 funding announcement displayed the level of demand for the consistently high ROIC that Burford achieves. The terms of this funding were favourable to Burford such that we can expect upward pressure on the ROIC that the Group has historically achieved (FY18 ROIC: 85%).
- The FY18 results demonstrated how the Group has evolved from large single case wins into a diversified financial services firm with a speciality in the legal sector. The developing share of portfolio cases on the balance sheet (FY18: 62%), should dispel investor concerns over single case exposure. We forecast a continuation of double-digit growth in earnings from FY18A to FY21E as the Group benefits from the significant investments made in FY17A and FY18A. We expect the majority of the benefits of the new funding to come in FY21E given the timing of settlements.
- The stock now trades at 2.8x CY19 P/NAV which we believe does not reflect the over 20% ROE that is expected to grow. We initiate with a target price of 2,300p. Buy.

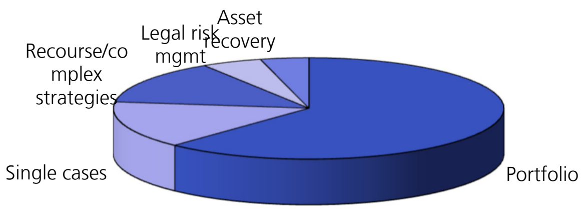
Key Data	BUR.L
Sector	Financial Services (AIM)
Market Capitalisation	£3,737m
Shares in Issue	219m
Free Float	91.8%
Average Daily Volume	601,428
12 Month Trading Range	1676p to 1709p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$341m	$420m	$485m	$613m
EBITDA	$289m	$354m	$400m	$521m
Operating Profit	$289m	$354m	$400m	$521m
Operating Margin	84.7%	84.2%	82.5%	85.0%
Adjusted PBT	$265m	$316m	$356m	$477m
Adjusted Tax Rate	(0.0%)	(4.0%)	6.0%	8.0%
Adjusted EPS	127.0c	155.2c	152.6c	200.2c
EPS Growth	127%	22%	(2%)	31%
Dividend	11.00c	12.50c	14.20c	16.20c
Financial				
Net Cash/(Debt)	($361m)	($371m)	($264m)	($103m)
Net Debt/EBITDA	1.2x	1.0x	0.7x	0.2x
Net Debt/Equity	0.5x	0.3x	0.2x	0.0x
Interest Cover	11.9x	9.2x	9.1x	11.8x
Dividend Cover	11.5x	12.4x	10.7x	12.4x
Pension	-	-	-	-
Valuation				
P/E	17.6x	14.4x	14.6x	11.2x
Yield	0.5%	0.6%	0.6%	0.7%
Free Cash Flow Yield	(3.0%)	(5.4%)	3.4%	4.6%
EV/Sales	15.4x	12.5x	10.6x	8.1x
EV/EBITDA	18.2x	14.8x	12.9x	9.6x
Tangible NAV/Share	224c	426c	534c	676c

Next News	
FY19 Interim Results	September 2019

Share Price Performance	
1 Month	-3.0%
12 Months	+27.0%

Balance sheet portfolio breakdown



Source: Company documents.

Share Price (p)

Source: Bloomberg.

Castings*

Buy 354p

Recovery expected in FY19

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- Interim Group revenue announced in November was £68.3m (FY17: £61.m) with PBT of £5.8m (FY17: £5.9m). Net cash of c. £20m compares to £25m at the full year results, with investment and working capital outflows driving the reduction.
- In Foundry, revenue increased by 11.2% to £65m but profit was down 5.7% to £6.5m. Customer demand remained steady and the division saw output of 23,900 tonnes (2017 – 23,500 tonnes). The revenue growth is driven by mix shift towards more machined parts which result in higher average selling prices and the pass-through of higher raw material input costs on to customers. However, profit fell as there is a time lag passing on input cost increases and also some inefficiencies as new processes were implemented.
- In Machining, revenue at CNC Speedwell was £3.3m, (+0.7% YoY) but with a loss of £0.8m (FY17: £1m loss). The new management team have been in place since March 2018 and have improved output to meet customer demand, although this is reflected in an increase in inventory working capital to £2.2m. The division remains in a period of change with new processes being introduced albeit some gains have been made so far resulting in reduced subcontracting vs. previous levels. An increase in capex in machining is to support increased demand from customers which we believe is an encouraging sign.
- The Group indicates that demand from commercial vehicle customers remains steady and further productivity gains are being sought within the foundry businesses. In Machining, the changes are likely to take some time generate "any significant return" but automation during 2019/20 should enable efficiency gains thereafter. The stock trades on 14.2x FY19E P/E and is trading at five year lows. Whilst Brexit will have caused some uncertainty that is reflected in the share price, the Group increased inventory at H1 in preparation and may benefit from customer stocking.

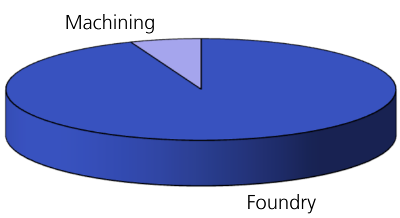
Key Data	CGS.L
Sector	Industrial Engineering
Market Capitalisation	£154m
Shares in Issue	43.6m
Free Float	95.2%
Average Daily Volume	10,619
12 Month Trading Range	347p to 435p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£119m	£133m	£146m	£149m
EBITDA	£22.8m	£20.4m	£22.5m	£25.8m
Operating Profit	£15.5m	£11.8m	£13.4m	£16.9m
Operating Margin	13.1%	8.9%	9.2%	11.3%
Adjusted PBT	£15.8m	£12.0m	£13.5m	£17.0m
Adjusted Tax Rate	18.4%	19.0%	18.0%	18.0%
Adjusted EPS	29.5p	22.2p	25.4p	31.9p
EPS Growth	(18.9%)	(24.7%)	14.4%	25.4%
Dividend	13.97p	14.50p	12.70p	13.02p
Financial				
Net Cash/(Debt)	£27.2m	£24.1m	£28.1m	£43.5m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	2.1x	1.5x	2.0x	2.4x
Pension	-	-	-	-
Valuation				
P/E	12.0x	15.9x	13.9x	11.1x
Yield	3.9%	4.1%	3.6%	3.7%
Free Cash Flow Yield	2.7%	2.0%	6.0%	12.9%
EV/Sales	1.1x	1.0x	0.9x	0.7x
EV/EBITDA	5.6x	6.4x	5.6x	4.3x
Tangible NAV/Share	344p	356p	381p	393p

Next News	
FY19 Results	June 2019

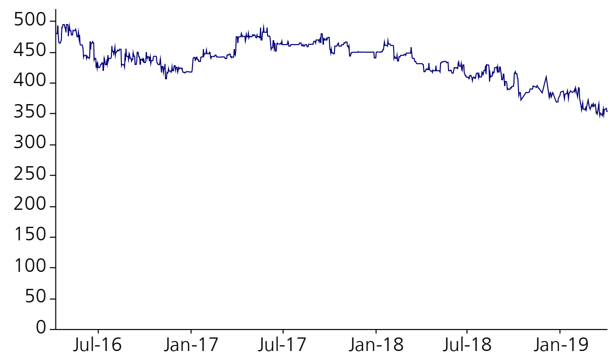
Share Price Performance	
1 Month	-2.2%
12 Months	-15.6%

Revenue Split



Source: Arden Partners, 2018.

Share Price (p)



Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.**

Central Asia Metals

Buy **258p**

Balkan up the dividend

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- Central Asia Metals is an AIM-listed, low-cost copper, zinc and lead producer. In late 2017 it acquired the Sasa lead and zinc mine in Macedonia, which added to its already low-cost copper operation, Kounrad, in Kazakhstan. The assets are geographically diversified offering high margin operations across the base metals space. CAML pays an impressive dividend yield, which is set to continue as CAML has pledged to pay between 30% and 50% of free cash flow in dividend. We see an increase from 7.2% in 2017 to 8.0% in 2020. CAML generates strong FCF, with a yield of 20% in 2018 and 21% in 2020.
- Acquisition of Sasa has turned the successful copper miner into a multi-asset base metal producer with exposure to copper, zinc and lead. CAML is now geographically and commodity diverse with long-life operations: Kounrad is currently out to 2032 and Sasa to 2038. Operations are extremely low cost. Kounrad sits firmly in the first quartile of cash costs and Sasa is just on the first/second quartile border.
- Kounrad produces copper cathode, which is set to have increasing importance resulting from China reducing scrap imports, and thus increasing the need for direct melt copper. CAML is well-positioned to benefit from the uptick expected in copper prices over the next few years into 2021 – and potentially beyond – resulting from the increased electrification from the 'green revolution' and electric vehicle uptake.
- CAML is a dividend-paying machine, at a predicted rate of between 30% and 50% of free cash flow (defined as operating cash flow minus capex), and the dividend yield is set to grow from 7.2% in 2017 to 8.0% in 2020. Upside exploration potential exists at Sasa and from Shuak, which gives CAML growth as well as returns to shareholders. We currently do not assign any value to Shuak. Buy with target price at 325p using a WACC of 8%. CAML has a P/NAV of 0.7x.

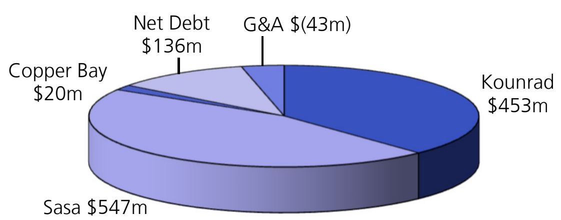
Key Data	CAML.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£453m
Shares in Issue	176m
Free Float	94.5%
Average Daily Volume	202,918
12 Month Trading Range	206p to 328p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$67m	$103m	$193m	$186m
EBITDA	$40m	$66m	$129m	$124m
Operating Profit	$34.8m	$55.5m	$95.8m	$91.7m
Operating Margin	52.2%	54.1%	49.6%	49.3%
Adjusted PBT	$34.7m	$58.7m	$81.5m	$83.0m
Adjusted Tax Rate	19.2%	22.9%	19.1%	15.0%
Adjusted EPS	24.7c	35.3c	36.5c	39.0c
EPS Growth	100%	43%	3%	7%
Dividend	12.50c	15.50c	16.50c	16.40c
Financial				
Net Cash/(Debt)	$40.4m	($136.1m)	($89.4m)	($42.8m)
Net Debt/EBITDA	-	2.0x	0.7x	0.3x
Net Debt/Equity	-	0.4x	0.2x	0.1x
Interest Cover	382.8x	-	6.7x	10.6x
Dividend Cover	2.0x	2.3x	2.2x	2.4x
Pension	-	-	-	-
Valuation				
P/E	13.6x	9.5x	9.2x	8.6x
Yield	3.7%	4.6%	4.9%	4.9%
Free Cash Flow Yield	3.6%	7.0%	17.0%	17.2%
EV/Sales	8.3x	7.1x	3.5x	3.4x
EV/EBITDA	13.8x	11.0x	5.3x	5.1x
Tangible NAV/Share	53c	165c	122c	132c

Next News	
Full Year Results	April 2019

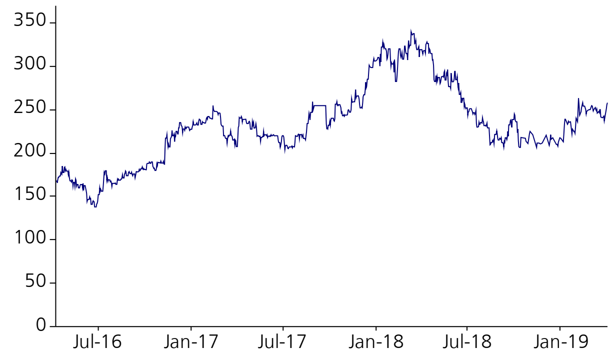
Share Price Performance	
1 Month	+3.0%
12 Months	-18.2%

Total 2019E NAV, US$841m (361p/share)



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

CloudCall*

Buy 84p

Value among the clouds

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- We believe CloudCall's channel partnerships and the rollout of its new architecture have positioned the company to outpace the UCaaS market. In our view, penetration of Bullhorn's customer base and geographic expansion into the US will drive *c.*33% sales CAGR in the mid term, versus the market at 15%. We believe Bullhorn's recent M&A and the prospect of higher prices from new features and an acceleration of Microsoft's expansion in the UK imply upside risk to our forecasts. Our price target implies material upside potential at 270p.
- CloudCall's management intends to deepen its strong relationship with Bullhorn as a key strategic focus. In the short term, we believe the partnership with Bullhorn will assist with market penetration into the US. Longer term, we believe it will be possible to replicate the partnership model in other geographies, given CloudCall has only achieved modest penetration of Bullhorn's global customer base (10% at FY18A) yet contributes *c.*40% of incoming leads.
- Microsoft's penetration of the UK market has accelerated aggressively in recent years with a senior executive at CloudCall's recent CMD highlighting that the partner network has expanded from hundreds to thousands of resellers. Management recognises the opportunity to gain access to the Dynamics 365 platform and has begun to establish a number of commercial relationships with resellers to expand its reach. So far, management feedback indicates that the partner leads have seen strong conversion.
- CloudCall trades on 1.8x FY19E EV/sales. The shares performed well into the FY18 results (>+50% at that stage) then came under pressure as forecasts were rebased to capture accelerated investment for development, the impact of FX movements on top-line performance and a shift of the group's break-even point to FY20E. We believe the current level is a particularly compelling entry point and reiterate our Buy rating.

Key Data — CALL.L

Sector	Technology: Software (AIM)
Market Capitalisation	£22.5m
Shares in Issue	26.6m
Free Float	94.6%
Average Daily Volume	63,270
12 Month Trading Range	72p to 194p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£7.0m	£8.8m	£12.1m	£15.4m
EBITDA	(£2.1m)	(£3.2m)	(£1.8m)	£0.1m
Operating Profit	(£2.6m)	(£3.7m)	(£2.4m)	(£0.6m)
Operating Margin	(36.8%)	(41.9%)	(20.0%)	(4.1%)
Adjusted PBT	(£2.6m)	(£3.8m)	(£2.5m)	(£0.7m)
Adjusted Tax Rate	21.6%	15.7%	16.0%	42.2%
Adjusted EPS	(10.0p)	(12.7p)	(7.9p)	(1.5p)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£4.9m	£0.9m	£0.7m	£0.0m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(12.1%)	(17.9%)	(11.0%)	(3.0%)
EV/Sales	2.5x	2.5x	1.8x	1.5x
EV/EBITDA	-	-	-	221.0x
Tangible NAV/Share	0.0p	0.0p	0.0p	0.0p

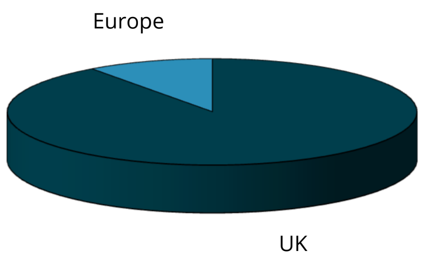
Next News

Interim Results	September 2019

Share Price Performance

1 Month	-21.0%
12 Months	-46.2%

Geographical breakdown of sales (FY18A)



Source: Company.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Consort Medical

Buy 880p

Mylan Delays Progress

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- Consort's Bespak business is a leader in the design, development and manufacture of inhaler devices and valves for the respiratory market, and has a growing auto-injector presence. Aesica (£230m in 2014) added a substantial business in pharmaceutical manufacturing, with a synergistic drug development business.
- Bespak serves mature markets so the Group has been investing heavily to expand the development pipeline but expected launches have been very slow to come through. With Aesica, the Group is able to offer large pharma customers a combined drug/device development outsource capability.
- Interim results showed underlying revenue growth of -0.7% at constant exchange rates and underlying EBIT growth of 3% at constant FX. Net debt of £95m and Net Debt/EBITDA of 1.6x was in line with expectations and the interim dividend increased 2.2%.
- Delays with Mylan for its generic Advair are expected to have an impact on demand, which is a negative. However, there continues to be good progress in the development of Syrina and Vapoursoft which, in the longer term, provide impetus for Bespak and we anticipate Aesica seeing stronger growth, with margins expected to reach "double digits" by 2020. Given the resilience of the business and outlook, the rating is attractive.

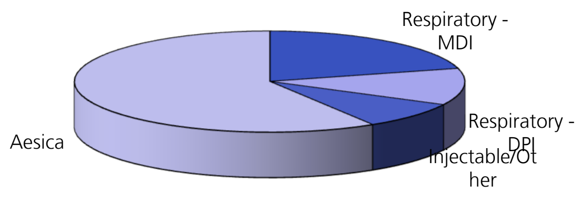
Key Data	CSRT.L
Sector	Healthcare
Market Capitalisation	£434m
Shares in Issue	49.4m
Free Float	97.2%
Average Daily Volume	22,473
12 Month Trading Range	727p to 1287p

Year to 30/04	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£294m	£311m	£309m	£320m
EBITDA	£52.5m	£56.3m	£55.5m	£46.0m
Operating Profit	£40.0m	£42.7m	£43.0m	£46.0m
Operating Margin	13.6%	13.7%	13.9%	14.4%
Adjusted PBT	£35.6m	£38.2m	£38.6m	£41.6m
Adjusted Tax Rate	13.1%	17.3%	20.0%	20.0%
Adjusted EPS	65.1p	64.5p	63.1p	68.0p
EPS Growth	13.0%	(0.8%)	(2.3%)	7.9%
Dividend	20.30p	21.00p	22.35p	23.00p
Financial				
Net Cash/(Debt)	(£92.6m)	(£90.4m)	(£82.3m)	(£58.2m)
Net Debt/EBITDA	1.8x	1.6x	1.5x	1.3x
Net Debt/Equity	0.4x	0.4x	0.4x	0.2x
Interest Cover	13.8x	14.2x	15.4x	16.4x
Dividend Cover	3.2x	3.1x	2.8x	3.0x
Pension	(£44.6m)	(£23.9m)	(£21.9m)	(£21.9m)
Valuation				
P/E	13.5x	13.6x	14.0x	12.9x
Yield	2.3%	2.4%	2.5%	2.6%
Free Cash Flow Yield	5.2%	2.4%	4.3%	8.0%
EV/Sales	1.8x	1.7x	1.7x	1.5x
EV/EBITDA	10.0x	9.3x	9.3x	10.7x
Tangible NAV/Share	58p	95p	128p	165p

Next News	
Full Year Results	June 2019

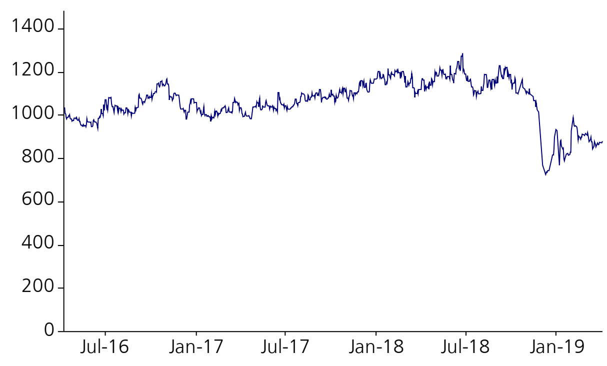
Share Price Performance	
1 Month	+0.1%
12 Months	-20.9%

Sales Analysis



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

Crimson Tide

Buy 2.6p

Awaiting good tidings

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- We believe Crimson Tide's high-visibility model and growth prospects in healthcare and IoT are not fully appreciated by the market. The group has established a track record of sustaining both double-digit growth and a peer-leading EBITDA margin from the sale of its enterprise mobility platform, *mpro5*. Post 18m of investment, we believe the business is now poised for accelerated growth into verticals beyond field worker management and new geographies. Our analysis indicates the opportunity is significant, with potential to tap into a US$47bn market. We expect a re-rating in line with commercial traction.
- Following months of investment, the group reported a demonstrable improvement in its opportunity pipeline: the hopper stood at over 100 qualified leads at the end of H1, around five times its usual level. We believe there are likely to be two large focal points for growth: (1) software for field-based workers – across multiple geographies; and (2) healthcare. In our view, this is a promising start.
- We believe IoT will grow to initially complement then replace many field-based jobs in the medium-term, presenting a compelling opportunity. Crimson Tide is well positioned to exploit the trend in two ways: (1) as of H1'18, the group is prepped to launch its own IoT product; (2) contract structures are moving away from a per-user model, making them immune to a shift in the worker base.
- TIDE trades on *c.*40x FY19E P/E and 3.4x EV/sales, offering a 24% sales CAGR 17A-19E. We set our PT relative to peers, with a premium to reflect Tide's profitability and growth.

Key Data — TIDE.L

Sector	Technology: Software (AIM)
Market Capitalisation	£12.1m
Shares in Issue	454.5m
Free Float	54.1%
Average Daily Volume	250,000
12 Month Trading Range	2.2p to 3.7p

Year to 31/12	2016A	2017A	2018A	2019E
Profit Forecast				
Sales	£1.9m	£2.3m	£2.5m	£3.5m
EBITDA	£0.7m	£0.8m	£0.4m	£0.7m
Operating Profit	£0.4m	£0.4m	£0.1m	£0.4m
Operating Margin	20.9%	22.1%	4.0%	19.2%
Adjusted PBT	£0.4m	£0.4m	£0.0m	£0.3m
Adjusted Tax Rate	1.1%	1.4%	7.0%	10.0%
Adjusted EPS	0.1p	0.1p	0.0p	0.1p
EPS Growth	106%	0%	-88%	618%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£0.1m	£0.1m	£0.3m	£0.6m
Net Debt/EBITDA	0.1x	0.1x	0.7x	0.8x
Net Debt/Equity	2.0%	4.2%	11.5%	17.9%
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	34.7x	34.6x	285.3x	39.8x
Yield	-	-	-	-
Free Cash Flow Yield	-1.8%	0.6%	1.7%	1.9%
EV/Sales	6.6x	5.3x	4.8x	3.4x
EV/EBITDA	17.6x	15.1x	26.5x	16.7x
Tangible NAV/Share	0.0p	0.0p	0.0p	0.0p

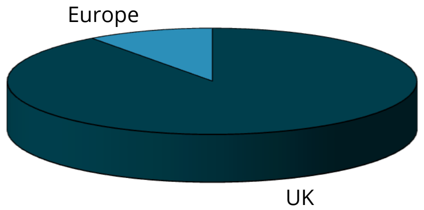
Next News

Full Year Results	May 2019

Share Price Performance

1 Month	-1.8%
12 Months	-5.4%

Geographical Sales Breakdown (FY18A)



Source: Company.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

CyanConnode*

Buy 6.0p

Set for a meter-oric rise

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- We believe CyanConnode's commercial plan is accelerating. Growth in India is due to build on earlier success in the Nordic markets and drive a transformation of the group. As a result, we forecast a 62% two-year sales CAGR and break-even profitability by FY20E (supported by a £4.6m cash position exiting FY18E), alongside unprecedented pipeline visibility. The shares have fallen by 40% YTD and trade on 1.3x EV/sales. We view the current price as a compelling entry point and reiterate our Buy rating. Our 12m PT, based upon a peer multiple analysis, is 12p.
- CyanConnode leverages trends in smart cities and data. We believe increasing adoption of smart IoT solutions will continue on an accelerating trend as governments, cities and power companies seek greater efficiencies by leveraging data and mobile connectivity. CyanConnode's smart connectivity solution uses proprietary smart mesh network technology operating over narrowband radio frequencies to provide highly reliable and low power network access to a range of smart city solutions where machine to machine data communication is required. This includes smart metering (electricity, water & gas) and, in the near future, smart lighting.
- Commercialisation is due to accelerate as India roars to life. The Company won its first Indian order in June 2014 for 5,000 units from Larson & Toubro. Since then, the strength of the company's technology and proven record of execution has led to new client wins and follow-on orders on strong demand growth in the vast Indian power market. The ramp-up of these contracts in FY19-FY20E supports our forecast 62% sales CAGR.
- Vendor agnostic technology allows broad route to market. The company's route to market is typically through a tendering process to a private or public utility company in conjunction with a partner. This positions the group to partner with a range of companies as part of any competitive tender process.

Key Data — CYAN.L

Sector	Technology: Hardware (AIM)
Market Capitalisation	£10.6m
Shares in Issue	160.3m (88%)
Free Float	328,000
Average Daily Volume	6.25p to 17.8p
12 Month Trading Range	182.4m

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	£1.8m	£1.2m	£4.7m	£7.0m
EBITDA	£(6.1m)	£(10.0m	£(4.2m)	£(2.1m)
Operating Profit	-	-	-	-
Operating Margin	0.0%	0.0%	0.0%	0.0%
Adjusted PBT	£0.8m	£1.4m	£0.6m	£0.5m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(10.2)p	(9.5)p	(3.0)p	(1.1)p
EPS Growth	n/m	n/m	n/m	n/m
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£3.9m	£5.4m	£4.6m	£2.5m
Net Debt/EBITDA	-0.6x	-0.5x	-1.1x	-1.2x
Net Debt/Equity	-63.6%	-54.1%	-109.3%	-121.0%
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	n/m	n/m	n/m	n/m
Yield	-	-	-	-
Free Cash Flow Yield	-65.2%	-89.2%	-53.1%	-18.8%
EV/Sales	3.9x	4.7x	1.4x	0.9x
EV/EBITDA	-	-	-	-
Tangible NAV/Share	0.2p	0.1p	0.1p	0.1p

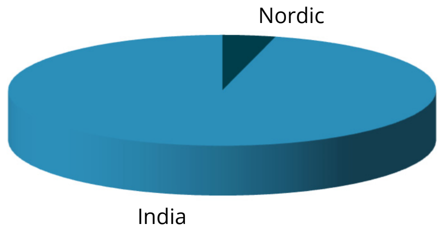
Next News

Full Year Results	May 2019

Share Price Performance

1 Month	-22.1%
12 Months	-45.3%

Geographic Breakdown of Sales (FY18A)



Source: .

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Dart Group*

Buy 809p

Leading the Market

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- Dart Group's main business is Leisure Travel, which provides flights and package holidays from nine UK hubs to a range of European destinations. Fowler Welch (FW) is one of the UK's leading logistics providers (particularly for temperature-controlled distribution).
- FY19 interim PBT came in line with forecasts and underpinned FY19 earnings. The Group had a particularly strong summer '18 season and clearly outperformed competitors that profit warned amongst a host of reasons, notably the World Cup and the UK heatwave. Jet2 operating metrics continue to show a positive trend with load factors rising to 94.4% (2017: 93.2%) and customer numbers increasing 28% for package holidays. Package holidays represent 51% of customers flown with good pricing, up 7%, driving the good operating results. Rising costs reduced FY20 earnings forecasts but Dart Group remains best positioned in the UK leisure travel space.
- The new bases at Birmingham and London Stansted performed well in their first year, with nearly 50% of passengers taking package holidays, and further significant growth in capacity is in the pipeline for 2018/19. Expansion is being supported by the order for 34 new B737-800 aircraft worth $3.3bn at list prices and this will also allow the replacement of some existing smaller B737-300s driving cost benefits, which should support forecasts.
- Dart has a strong balance sheet and a flexible fleet and the recent trading update was strong validation of Dart Group's strategy and expansion plans. We believe the flexibility of the Group's leisure offering and focus on service should continue to differentiate Dart Group vs the competition and position the company well for further growth.

Key Data

Key Data	DTG.L
Sector	Travel & Leisure (AIM)
Market Capitalisation	£1,203m
Shares in Issue	149m
Free Float	59.6%
Average Daily Volume	181,725
12 Month Trading Range	740p to 1017p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£1,729m	£2,392m	£3,062m	£3,415m
EBITDA	£190m	£242m	£328m	£322m
Operating Profit	£103m	£131m	£198m	£181m
Operating Margin	6.0%	5.5%	6.5%	5.3%
Adjusted PBT	£101m	£114m	£173m	£151m
Adjusted Tax Rate	13.3%	20.9%	19.0%	20.0%
Adjusted EPS	59.2p	60.9p	94.3p	81.7p
EPS Growth	(1.8%)	3.0%	54.8%	(13.4%)
Dividend	5.27p	7.50p	9.00p	10.00p
Financial				
Net Cash/(Debt)	£489m	£788m	£890m	£989m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	51.5x	8.0x	7.9x	6.0x
Dividend Cover	11.2x	8.1x	10.5x	8.2x
Pension	-	-	-	-
Valuation				
P/E	13.7x	13.3x	8.6x	9.9x
Yield	0.7%	0.9%	1.1%	1.2%
Free Cash Flow Yield	(11.9%)	0.3%	9.5%	9.3%
EV/Sales	0.4x	0.2x	0.1x	0.1x
EV/EBITDA	3.8x	1.7x	1.0x	0.7x
Tangible NAV/Share	290p	352p	437p	511p

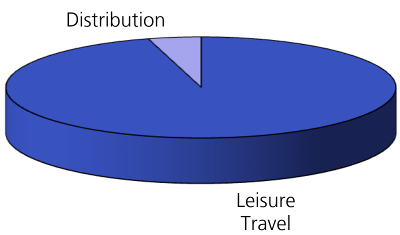
Next News

Trading Update	April 2019

Share Price Performance

1 Month	-2.2%
12 Months	-5.4%

Segmental Operating Profits



Source: Company Accounts.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Arden

11 April 2019

Deltex Medical*

Buy 1.3p

International markets driving growth

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- Deltex designs, assembles and distributes the CardioQ-ODM+, which monitors the haemodynamic status of surgical and intensive care patients. Numerous clinical studies have shown that its use results in a faster and more complete recovery for patients and enables significant cost savings from 30% shorter hospital stays. Deltex has a direct sales force in the UK, the US and Spain and uses distributors elsewhere.
- In 2013, ODM was granted a unique US reimbursement code, initial Premier study data was published and ODM+ gained FDA approval. Deltex has accelerated US investment and now has 33 "platform accounts". The addition of HD-ICG to the monitor, alongside ODM and PPWA, is expected to broaden the market opportunity.
- Interims showed US sales down 9% to £0.82m due to specific customer impacts, while revenue in the UK also fell 26%. The Group has raised new capital and has seen progress in the US and France with its ODM technology in 2018 in terms of customer engagement, and a new management team recently implemented a new strategy to focus on further penetration of existing accounts, using a smaller sales force and resulting in significant cost savings that could see the Group cash breakeven in H2 2018 and into 2019. The pre-close trading statement in January provided further optimism that the new strategy was working, albeit with slightly lower inital revenues, but cash generative in Q4 2018 and likely to be EBITDA positive in 2019.
- With gross margins on probes of c.80%, the key value driver and forecast variable is sales growth, particularly for higher margin direct markets in the US. With a new focused strategy, we anticipate earnings progress for the Group in 2019, driven by improving US trends and international which should provide comfort to investors on the ongoing sustainability and consistency of the Group.

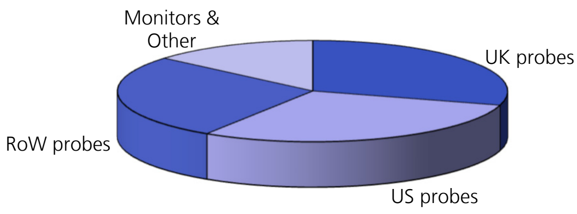
Key Data	DEMG.L
Sector	Healthcare (AIM)
Market Capitalisation	£6.6m
Shares in Issue	501m
Free Float	74.7%
Average Daily Volume	662,290
12 Month Trading Range	0.8p to 1.6p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	£6.3m	£5.9m	£5.4m	£5.6m
EBITDA	(£1.9m)	(£1.5m)	(£0.4m)	£0.6m
Operating Profit	(£2.4m)	(£1.9m)	(£0.9m)	£0.1m
Operating Margin	(37.4%)	(33.0%)	(16.7%)	1.8%
Adjusted PBT	(£2.5m)	(£2.1m)	(£1.0m)	£0.0m
Adjusted Tax Rate	4.0%	9.0%	10.0%	0.0%
Adjusted EPS	(0.9p)	(0.7p)	(0.2p)	0.0p
EPS Growth	-	-	-	(100.0%)
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	(£1.2m)	(£1.6m)	(£0.6m)	(£0.4m)
Net Debt/EBITDA	-	-	-	0.5x
Net Debt/Equity	0.5x	2.4x	0.2x	0.1x
Interest Cover	-	-	-	1.0x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(35.7%)	(18.3%)	(15.3%)	3.8%
EV/Sales	1.2x	1.4x	1.3x	1.2x
EV/EBITDA	-	-	-	10.8x
Tangible NAV/Share	0.8p	0.2p	0.5p	0.5p

Next News	
FY 2018 Results	April 2019

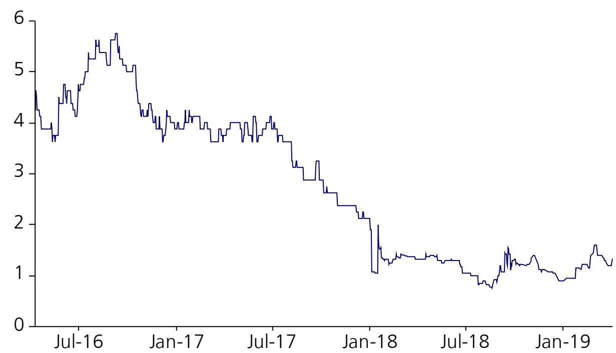
Share Price Performance	
1 Month	-5.4%
12 Months	+0.0%

Sales Analysis



Source: Deltex Medical.

Share Price (p)



Source: Bloomberg.

***Arden Partners acts as corporate broker to this company.**

Empresaria*

Buy 72p

52% dividend increase!

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- The Group recently reported a solid set of results in line with expectations; NFI and Adjusted PBT grew 4% as reported in the January trading statement. Strong cash generation, a diversified model and a renewed focus on organic growth and margin improvement is not currently reflected in a highly modest FY19 P/E of 5.9x. We believe that the Group is well positioned for a re-rating once it demonstrates effective implementation of its strategy to provide additional central support to its niche brands. We re-iterate our Buy rating.
- Despite regulatory changes impacting Continental Europe, NFI still grew following strong results in APAC and Americas, up 16% and 12% respectively. Management noted that the impact of these reforms is now "fully reflected with no further impact expected", so we look to FY19 for a return to growth, albeit from a lower base and it may still be lower than FY18.
- The Group has continued to improve its conversion ratio to a record level, demonstrating the ability to consistently achieve efficiency gains.
- Net debt reduced from £19.5m to £17.1m, just 1.3x net debt/EBITDA. This follows free cash flow generation of £6.7m (20% yield) and is despite the £2m acquisition of Grupo Solimano earlier in the year.
- A reduction in net debt and confidence in Group outlook is reflected in a final dividend of 2.0p (3% yield), 43% ahead of our original forecast and 52% ahead of prior year. We updated our FY19 forecasts in January to reflect additional central costs that the Group has taken on, so make no further changes to NFI, PBT or EPS at this time. We do, however, increase our DPS in-line with the progressive policy. Our revised FY19 DPS provides a dividend yield of 3.0%.

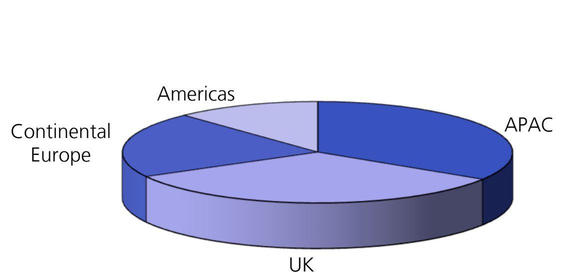
Key Data	EMR.L
Sector	Support Services (AIM)
Market Capitalisation	£35.5m
Shares in Issue	49.0m
Free Float	51.2%
Average Daily Volume	22,147
12 Month Trading Range	66p to 88p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£357m	£367m	£390m	£391m
EBITDA	£12.6m	£13.3m	£13.3m	£13.6m
Operating Profit	£11.6m	£12.3m	£12.3m	£12.6m
Operating Margin	3.2%	3.4%	3.2%	3.2%
Adjusted PBT	£11.0m	£11.4m	£11.6m	£12.0m
Adjusted Tax Rate	(37.7%)	(35.1%)	(35.0%)	(35.0%)
Adjusted EPS	12.5p	12.2p	12.2p	12.5p
EPS Growth	7.2%	(2.8%)	0.6%	2.6%
Dividend	1.32p	2.00p	2.10p	2.20p
Financial				
Net Cash/(Debt)	(£27.0m)	(£17.1m)	(£12.9m)	(£8.2m)
Net Debt/EBITDA	2.1x	1.3x	1.0x	0.6x
Net Debt/Equity	0.6x	0.4x	0.3x	0.2x
Interest Cover	18.4x	13.7x	17.6x	21.0x
Dividend Cover	9.5x	6.1x	5.8x	5.7x
Pension	-	-	-	-
Valuation				
P/E	5.8x	6.0x	5.9x	5.8x
Yield	1.8%	2.8%	2.9%	3.0%
Free Cash Flow Yield	15.7%	9.0%	15.0%	16.3%
EV/Sales	0.2x	0.1x	0.1x	0.1x
EV/EBITDA	5.0x	4.0x	3.6x	3.2x
Tangible NAV/Share	-	0.0p	0.0p	0.0p

Next News	
AGM	May 2019

Share Price Performance	
1 Month	+5.8%
12 Months	-13.2%

Net Fee Income Breakdown



Source: Company documents.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Arden

11 April 2019

First Property*

Buy 49.5p

In Pole position for superior returns

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- First Property (Fprop) is focused on property investment in the UK, Poland and Romania, as a fund manager, a co-investor in its funds and as a direct investor.
- Fprop's interims reported a c.21% increase in adj. NAV to 62.2p and a c.5% increase in dividend to 0.44p. The increase in NAV was mainly attributable to the value-uplift achieved on the refinancing of Krakow Business Park earlier this year, a strong reflection of the company's active approach towards managing its assets.
- Fprop's direct property portfolio provides a strong base of recurring profits. We see attraction in the strong growth in AUM reported during the year, where total AUM was up 32% YoY (to £730m), and AUM held on behalf of third parties increased by 44% (to £551m). We expect this momentum to continue reflecting First Property's ambitions to grow its mandates, generating a steady stream of recurring earnings.
- Following the further sales of its interest in Fprop Opportunities (FOP), its stake has fallen from below 50%, resulting in the deconsolidation of the fund from the group (H2 effect) bringing a simpler balance sheet to the group.
- Overall, we envisage strong earnings from 2020 onwards as the group re-lets properties that have recently become vacant and secures additional mandates, growing its fund management business. With the shares trading near a 20% discount to adjusted NAV and offering a FY19E dividend yield of c.3.3%, we believe that current levels present good buying opportunities for investors.

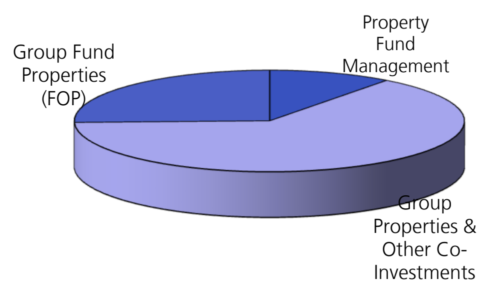
Key Data	FPO.L
Sector	Financial Services (AIM)
Market Capitalisation	£55.1m
Shares in Issue	111m
Free Float	68.5%
Average Daily Volume	49,046
12 Month Trading Range	47.5p to 65.5p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£23.7m	£25.5m	£18.7m	£16.4m
EBITDA	£12.4m	£12.5m	£9.3m	£7.8m
Operating Profit	£11.1m	£11.3m	£7.5m	£5.9m
Operating Margin	46.8%	44.3%	39.9%	36.2%
Adjusted PBT	£8.6m	£9.1m	£6.8m	£6.2m
Adjusted Tax Rate	13.4%	15.2%	15.5%	15.5%
Adjusted EPS	5.6p	5.7p	4.3p	4.6p
EPS Growth	14.0%	0.7%	(23.6%)	6.8%
Dividend	1.55p	1.60p	1.70p	1.79p
Financial				
Net Cash/(Debt)	(£103.7m)	(£103.8m)	(£57.7m)	(£55.5m)
Net Debt/EBITDA	8.4x	8.3x	6.2x	7.1x
Net Debt/Equity	2.6x	2.2x	1.1x	1.0x
Interest Cover	3.7x	3.9x	3.6x	3.3x
Dividend Cover	3.6x	3.5x	2.5x	2.6x
Pension	-	-	-	-
Valuation				
P/E	8.8x	8.7x	11.4x	10.7x
Yield	3.1%	3.2%	3.4%	3.6%
Free Cash Flow Yield	17.9%	10.2%	8.2%	7.1%
EV/Sales	6.7x	6.2x	6.0x	6.8x
EV/EBITDA	12.9x	12.7x	12.1x	14.2x
Tangible NAV/Share	36.5p	44.4p	41.9p	44.9p

Next News	
Full Year Results	June 2019

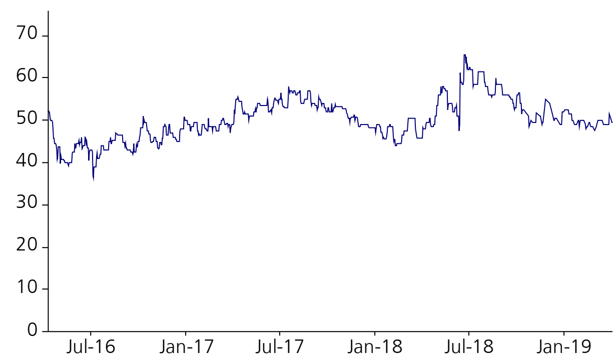
Share Price Performance	
1 Month	-1.0%
12 Months	+1.0%

FY19E Segmental Profits excl. central overheads



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

***** Arden Partners acts as corporate broker to this company.***

Frontier Smart Technologies

Buy 24.5p

No bears on this Frontier

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- Recent FY18 results for FST offered no surprises, following its pre-close trading update in January, which gave guidance on revenues, EBITDA, and net debt and to which we realigned forecasts at the time.
- The Group delivered revenues of $41.8m for the year; EBITDA of $0.8m and net debt of $2.5m were both in line. Notably, the post-balance sheet events confirmed early successes in non-Audio IoT, with the outlook statement suggesting a cautious yet positive view to 2019.
- We remain cautious on Smart Audio and flat-line revenue forecasts due to ongoing pressures from Amazon and Google. For Radio we expect slight growth fuelled by a Q4 ramp-up in sales as Switzerland's 2021 DSO event nears. Expected nascent 2019 NRE revenues in the Group's licensing division are ahead of earlier 2020 guidance, and should contribute $0.9m to the top line. Similarly, the recent Kohler win underlines our forecast of $0.5m revenues in non-Audio IoT.
- Guidance from management acknowledges the challenges faced by Smart Audio. However, it highlights the strategic shift to a licensing model and non-Audio IoT to diversify revenues. The partnership with NXP for licensing appears to be going well, and further exploration of tie-ups with other Silicon providers, in our mind, would make sense. Kohler was a recent, if slightly niche, win. However, it underlines the potential for non-Audio IoT. For Radio, we look to mid-term European initiatives to drive growth.
- On 0.4x EV/Sales we believe the shares are materially undervalued for a company with exposure to a healthy mid-term pipeline of opportunity. We reiterate our PT of 62p (0.8x EV/Sales FY19). Buy.

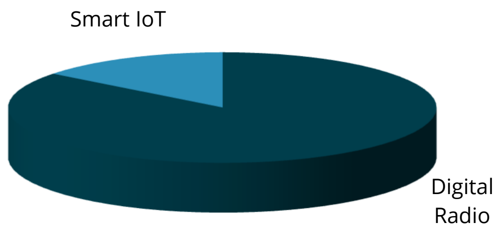
Key Data	FST.L
Sector	Technology, Hardware & Equipment
Market Capitalisation	£13.2m
Shares in Issue	40.7m
Free Float	93.5%
Average Daily Volume	42,393
12 Month Trading Range	28p to 158p

Year to 31 Dec	2016A	2017A	2018A	2019E
Profit Forecast				
Sales	$43.4m	$53.0m	$41.3m	$42.5m
EBITDA	$0.8m	$2.5m	$0.8m	$1.2m
Operating Profit	$(3.8m)	$(1.7m)	$(3.1m)	$(2.8m)
Operating Margin	-8.8%	-3.3%	-7.5%	-6.5%
Adjusted PBT	$(4.3m)	$(2.1m)	$(3.4m)	$(3.1m)
Adjusted Tax Rate	53.4%	-18.8%	0.0%	0.0%
Adjusted EPS	-4.7p	-5.8p	-8.0p	-5.2p
EPS Growth	-65.5%	23.9%	37.6%	-34.6%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$0.1m	$(4.0m)	$2.1m	$1.6m
Net Debt/EBITDA	0.2x	-1.6x	2.8x	1.4x
Net Debt/Equity	0.6%	-18.2%	10.3%	8.9%
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-6.8x	-5.5x	-4.0x	-6.1x
Yield	-	-	-	-
Free Cash Flow Yield	-23.4%	38.8%	-45.5%	3.6%
EV/Sales	0.3x	0.2x	0.4x	0.4x
EV/EBITDA	-183.1x	5.7x	-640.5x	41.6x
Tangible NAV/Share	-	-	-	-

Next News	
Interim Results	September 2019

Share Price Performance	
1 Month	-21.0%
12 Months	-82.8%

Divisional Revenue Contribution (H1'19)



Source: .

Share Price (p)

Source: Bloomberg.

Gateley

Buy 148p

First mover advantage

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- Gateley's interims for FY19E showed strong 20% revenue growth to £46.4m, with EBITDA margins stable at 19.2% - as expected following their interim trading update in November - at which point we upgraded our forecast EPS by 9.4% to 12.8p FY19E and 5.6% to 13.3p FY20E.
- Top-line performance in the first half shows the Group has resilience against an uncertain economic and political outlook. Revenue was split evenly between underlying organic growth and M&A, driven by the acquisition of GCL Solicitors in May and Kiddy & Partners in July. We forecast £102m revenues for FY19E.
- Divisionally, Property grew 10% organically, with a further 21% growth from the acquisition of GCL, to give overall revenue contribution of £19.5m (£14.9m H1'18). Litigation generated £10m of fees across five segments, with fees now representing *c.*25% of overall revenues as the Group continues to invest in long-term cases. Employment saw 10% organic growth (5% H1'18) in the period to £4.8m.
- Net debt has increased to £8.2m since the year end due to additional borrowing to fund acquisitions and payment of dividends, with cash dipping into a £0.3m overdraft facility at the half. Despite this, we see strong cash conversion of 87% and historical second half weighting, which should end the year on £3m net debt (£6.1m gross debt) as guided to by management.
- Gateley's first half performance demonstrates management's continued delivery to plan since IPO. The shares are currently 148p, having been driven down by partner selldown of 4 million shares in February from highs of 175p. At current levels we flag a dividend yield of 5.3% (FY19E).
- We acknowledge the strong performance of the Group against market headwinds, and suggest the shares deserve to trade at least in line with the broader peer group. Our PT of 200p puts the shares on 13.2 FY19E P/E.

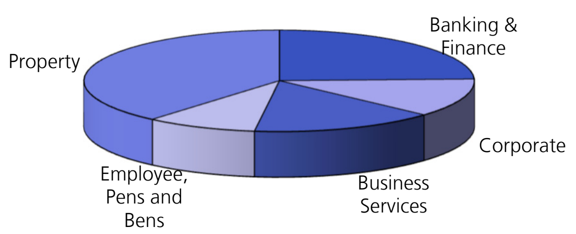
Key Data	GTLY.L
Sector	Support Services (AIM)
Market Capitalisation	£166.3m
Shares in Issue	110.9m
Free Float	65%
Average Daily Volume	4,379
12 Month Trading Range	120p to 178p

Year to 30 Apr	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£77.6m	£86.1m	£102.0m	£107.1m
EBITDA	£14.9m	£16.5m	£19.6m	£20.6m
Operating Profit	£13.8m	£14.8m	£17.5m	£18.5m
Operating Margin	17.8%	17.2%	17.2%	17.3%
Adjusted PBT	£13.6m	£14.3m	£16.2m	£17.0m
Adjusted Tax Rate	22.5%	19.5%	19.0%	19.0%
Adjusted EPS	9.9p	11.0p	12.8p	13.3p
EPS Growth	-	11.8%	16.3%	3.6%
Dividend	6.6p	6.8p	7.9p	8.3p
Financial				
Net Cash/(Debt)	(£4.8m)	(£0.7m)	(£2.9m)	£1.1m
Net Debt/EBITDA	0.3x	0.0x	0.1x	-
Net Debt/Equity	0.3x	0.0x	0.1x	-
Interest Cover	69.3x	82.8x	100.2x	147.9x
Dividend Cover	1.5x	1.6x	1.6x	1.6x
Pension	-	-	-	-
Valuation				
P/E	15.2x	13.6x	11.7x	11.3x
Yield	4.4%	4.5%	5.3%	5.5%
Free Cash Flow Yield	3.6%	6.7%	5.2%	7.8%
EV/Sales	2.2x	1.9x	1.6x	1.6x
EV/EBITDA	11.5x	10.1x	8.5x	8.1x
Tangible NAV/Share	122.6p	177.6p	212.0p	243.6p

Next News	
Trading Update	May 2019

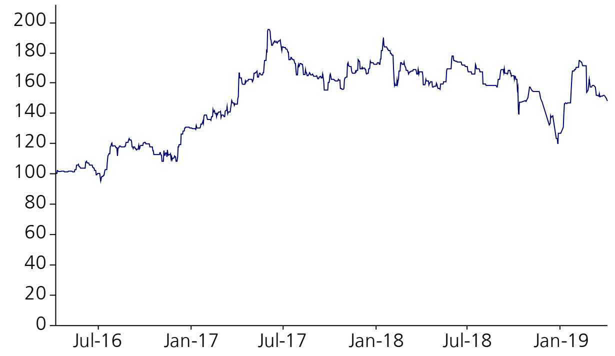
Share Price Performance	
1 Month	-6.3%
12 Months	-7.2%

Divisional Revenue Contribution H1'19



Source: Company.

Share Price (p)



Source: Bloomberg.

Genel Energy

Buy 202p

Strong cash generation being undervalued

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- Genel is an E&P company focused on Kurdistan. It holds 158mmbbl of net 2P in its Taq Taq, Tawke and Sarta assets. Net cash was US$37m, including US$334m cash, at the end of 2018.
- The Taq Taq (44%, joint operator) and Tawke (25%) assets achieved net 33.7mbbl/d in 2018, reaching 37.0mbbl/d in Q4 2018: this level is expected to be maintained over 2019. Payments from the KRG continue to come through reliably, boosted by the 2017 receivables recovery agreement. These are driving strong cash flows even at lower oil prices given the low OPEX onshore Kurdistan - free cash flow was US$164m in 2018. Production has fallen in recent years due to declines at Taq Taq, but this has now stabilised, and very significant new volumes have come through from the Peshkabir field on the Tawke licence. Further drilling on Tawke, Peshkabir and Taq Taq is slated for 2019 and, and this should support existing numbers.
- The company recently farmed into the Sarta and Qara Dagh assets alongside Chevron, extending its Kurdistan position. Genel has booked 10mmbbl of 2P from Sarta, and first oil is planned for 2020, offering production growth. Appraisal drilling on Qara Dagh is also planned for 2020, adding to catalysts. Development of the Bina Bawi and Miran gas assets continues to be pursued, but this looks an increasingly longer term theme.
- At long-term US$65/bbl Brent (real) our core NAV is 293p, total risked NAV 604p (the vast majority of the uplift is Miran/Bina Bawi, which is relatively speculative). Going forward we expect ongoing updates to continue to highlight the cash generation ability of the portfolio, with the potential for catalysts from the ongoing Tawke, Peshkabir and Taq Taq drilling programmes, and from new activity on Sarta and Qara Dagh. The recently announced US$40m/year dividend policy also provides a fillip, in our view. Buy, 290p target.

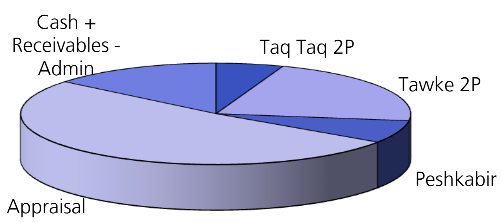
Key Data	GENL.L
Sector	Oil & Gas Producers
Market Capitalisation	£564m
Shares in Issue	279m
Free Float	33.6%
Average Daily Volume	905,484
12 Month Trading Range	155p to 292p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$229m	$355m	$352m	$357m
EBITDA	$178m	$304m	$302m	$303m
Operating Profit	$64m	$168m	$154m	$149m
Operating Margin	28.1%	47.3%	43.6%	41.8%
Adjusted PBT	$6m	$139m	$122m	$118m
Adjusted Tax Rate	17.5%	0.1%	0.0%	0.0%
Adjusted EPS	1.7c	49.8c	43.5c	42.1c
EPS Growth	111%	2855%	(13%)	(3%)
Dividend	-	-	-	14.29c
Financial				
Net Cash/(Debt)	($135m)	$37m	$152m	$247m
Net Debt/EBITDA	0.8x	-	-	-
Net Debt/Equity	0.1x	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	2.9x
Pension	-	-	-	-
Valuation				
P/E	156.7x	5.3x	6.1x	6.3x
Yield	-	-	-	5.4%
Free Cash Flow Yield	13.4%	22.3%	15.6%	12.9%
EV/Sales	3.8x	2.0x	1.7x	1.4x
EV/EBITDA	4.9x	2.3x	1.9x	1.6x
Tangible NAV/Share	91c	138c	169c	185c

Next News	
Trading Update	Q2 2019

Share Price Performance	
1 Month	-4.5%
12 Months	+7.7%

Total NAV (604p/share)



Source: Arden Partners..

Share Price (p)

Source: Bloomberg.

Gordon Dadds*

Buy 136p

Acquisition of Ince and Co

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- Following the Ince acquisition in late December, Gordon Dadds recently announced the deepening of relationships with Ince's international affiliates. Crucially, no consideration has been paid and so our net cash figures move only on P&L upgrades. FY20E EPS moves from 19.6p to 21.2p, putting the shares on a mere 6.0x FY20E EPS - at a material discount to the sector. We reiterate our thoughts that the shares are significantly undervalued. Our PT moved from 280p to 300p. Conviction Buy.
- Management has demonstrated a strong ability to deliver to plan, having now achieved closer alignment of Ince's Hong Kong, Greece, Singapore, Dubai, and Germany offices, with the Ince Gordon Dadds' brand, following due diligence and approval from local regulators. Under the new arrangements the firms remain separate legal entities, yet from an accounting perspective the Group will be able to fully recognise their profits through a service charge mechanism. Management has delivered this in just three months, ahead of our expectation.
- No transfer of ownership or rights means no further consideration paid. Gordon Dadds has used governance agreements without acquiring any ownership interests. This structure enables 100% recognition of international profits into the Group plc structure whilst remaining in line with foreign regulatory guidelines on non-lawyer ownership of legal firms. No further consideration has been paid to capture these profits.
- FY21E EPS increase 18.0% to 26.9p; CAGR (FY18A-FY21E) of 46.8%. We upgrade revenues to reflect the impact of the service charge on GOR's top line although we note that consolidation of the international affiliates' £23m of revenue may be required under IFRS (as in the case of DWF). We stress, however, that the service charge mechanism allows full recognition of their associated profits as of now. New partners hires drives substantial upgrades in FY21E. FY20E EPS moves to 21.2p.

Key Data

Key Data	GOR.L
Sector	Support Services (AIM)
Market Capitalisation	£50.1m
Shares in Issue	37.0m
Free Float	97.2%
Average Daily Volume	106,735
12 Month Trading Range	122p to 192p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£24.9m	£31.2m	£50.7m	£83.2m
EBITDA	£4.3m	£5.2m	£6.6m	£14.0m
Operating Profit	£2.4m	£3.1m	£5.4m	£13.5m
Operating Margin	9.8%	9.9%	10.7%	16.2%
Adjusted PBT	£2.4m	£3.0m	£5.4m	£13.0m
Adjusted Tax Rate	0.0%	0.9%	16.5%	21.9%
Adjusted EPS	8.4p	8.5p	12.5p	21.5p
EPS Growth	0.0%	1.3%	47.5%	71.4%
Dividend	1.70p	4.00p	6.00p	9.00p
Financial				
Net Cash/(Debt)	£4.7m	£8.4m	£0.4m	£1.9m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	16.2x	38.5x	126.5x	28.9x
Dividend Cover	4.9x	2.1x	2.1x	2.4x
Pension	-	-	-	-
Valuation				
P/E	16.1x	15.9x	10.8x	6.3x
Yield	1.3%	3.0%	4.4%	6.6%
Free Cash Flow Yield	(2.0%)	(7.5%)	(33.5%)	9.6%
EV/Sales	1.8x	1.3x	1.0x	0.6x
EV/EBITDA	10.4x	8.0x	7.5x	3.4x
Tangible NAV/Share	(15.3p)	6.1p	(24.1p)	13.1p

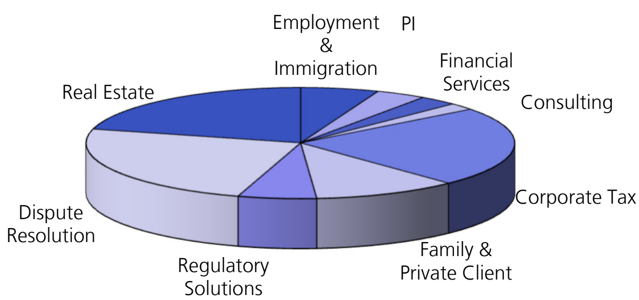
Next News

Full Year Results	June 2019

Share Price Performance

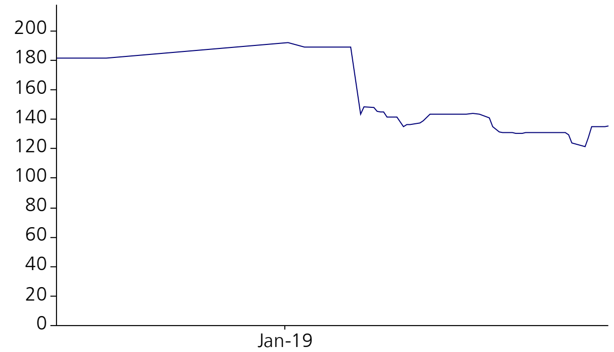
1 Month	+3.4%
3 Months	-28.3%
12 Months	-

FY18 Revenue Analysis



Source: Gordon Dadds.

Share Price (p)



Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.***

Grainger

Buy 243p

A Home for Investors

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- Grainger is the UK's largest listed residential landlord, with a property portfolio of over 8,200 rental homes valued at £2.5bn with a further pipeline of £1.37bn. Its focus is on developing a leading portfolio of private rented sector (PRS) homes.
- Following a strong set of FY18 results announced in November last year and a successful rights issue to majority fund the acquisition of GRIP REIT, FY19 has started well for Grainger with the 4-month AGM statement showing positive rental growth of +3.4% LFL in its PRS segment (97.5% occupancy), sales of regulated tenancy assets progressing well (0.9% ahead of vacant possession value), and good take-up of its latest development schemes.
- Newsflow has been healthy with the company recently confirming the successful appointment as the preferred bidder to deliver 3,000 new homes across 8 London sites in partnership with Transport for London. While still at an early stage, we see this as potentially adding significant scale for Grainger, validating it as a "partner of choice" for future PRS developments.
- Recent levels show the shares trading at 15-20% discount to our FY19E NAV of 287p, an attractive buying opportunity when considering i) the positive outlook for the UK PRS sector, ii) the scale that Grainger has achieved in becoming a leading player in this market, iii) the defensive edge and cash generation capabilities that its legacy regulated tenancy portfolio brings, alongside partnerships with government-type bodies, and iv) strong catalysts set to arise from its ever-increasing investment pipeline. We set our PT of 290p at a moderate 5% NAV premium reflecting our positive stance on Grainger.

Key Data

Key Data	GRI.L
Sector	Real Estate Investment
Market Capitalisation	£1,489m
Shares in Issue	612m
Free Float	97.3%
Average Daily Volume	1,281,584
12 Month Trading Range	206p to 322p

Year to 30/09	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£55m	£59m	£93m	£124m
EBITDA	£87m	£105m	£119m	£145m
Operating Profit	£98m	£110m	£124m	£150m
Operating Margin	180.4%	185.0%	134.0%	120.6%
Adjusted PBT	£74m	£94m	£98m	£121m
Adjusted Tax Rate	(17.2%)	(14.2%)	(17.0%)	(17.0%)
Adjusted EPS	12.9p	16.9p	14.0p	16.3p
EPS Growth	41.3%	30.8%	(17.3%)	16.8%
Dividend	4.26p	4.61p	5.59p	7.51p
Financial				
Net Cash/(Debt)	(£848m)	(£866m)	(£1,176m)	(£1,334m)
Net Debt/EBITDA	9.7x	8.3x	9.9x	9.2x
Net Debt/Equity	1.1x	1.1x	0.9x	1.0x
Interest Cover	3.6x	4.4x	4.6x	4.9x
Dividend Cover	3.0x	3.7x	2.5x	2.2x
Pension	(£0.2m)	-	£0.5m	£1.0m
Valuation				
P/E	18.8x	14.4x	17.4x	14.9x
Yield	1.8%	1.9%	2.3%	3.1%
Free Cash Flow Yield	2.0%	(1.7%)	(0.7%)	(0.2%)
EV/Sales	42.8x	39.8x	28.7x	22.7x
EV/EBITDA	26.8x	22.5x	22.3x	19.4x
Tangible NAV/Share	177p	194p	202p	217p

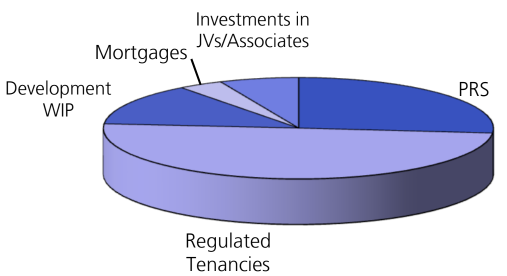
Next News

Interim Results	May 2019

Share Price Performance

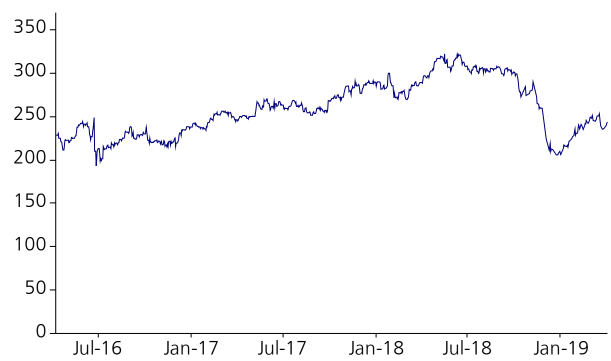
1 Month	-0.8%
12 Months	-17.8%

Market Value Balance Sheet (£m) - FY18A



Source: Arden Partners..

Share Price (p)



Source: Bloomberg.

Great Eastern Energy Co* — Buy — 52p

Focus on ramp up and cash flow

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- GEEC is an Indian integrated gas company focused on ramping up production at its Raniganj block in West Bengal (GEEC 100%, 85mmboe of 2P gas reserves). Key at present is bringing on gas supplies to new customers in order to ramp up cash flow.
- GEEC has 150 wells dewatering/producing gas, driving sales gas of 11.6mmcf/d in H1 FY 2019. GEEC continues to target production gains to help maintain and grow sales gas supply in its local area, where it also owns a dedicated pipeline providing distribution of its gas. Further in the future, a pipeline is to be built by national pipeline operator GAIL connecting Kolkata to India's national pipeline network, and this could potentially allow GEEC access to much larger markets. An "initial understanding" has been reached with GAIL for this access, and the new pipeline could be very important for the company going forward.
- The local gas market is able to support strong pricing as industrial offtakers GEEC targets in West Bengal's steel belt are seeking alternatives to liquid-based fuels. GEEC realised US$10.7/mmbtu in H1 FY 2019, with the fall in INR masking an increase in underlying INR gas pricing. The company currently has 51mmcf/d of gas under contract/MOU, helping to monetise production increases.
- On financing, net debt was US$73.3m at the end of September 2018, down versus March 2018 based on cash generation and restatement for the weaker INR. Our core NAV is 206p/share and total risked NAV is 330p/share. Going forward, increased gas sales to new customers will be key for realising the significant cash flow potential of GEEC's reserves base and distribution capabilities. The new GAIL pipeline could be impactful here.

Key Data

Key Data	GEEC.L
Sector	Oil & Gas Producers
Market Capitalisation	£62.5m
Shares in Issue	119m
Free Float	-
Average Daily Volume	1,446
12 Month Trading Range	50p to 80p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$28.8m	$38.7m	$43.6m	$49.5m
EBITDA	$13.3m	$22.3m	$24.8m	$29.4m
Operating Profit	$9.4m	$18.1m	$18.3m	$22.3m
Operating Margin	32.5%	46.6%	42.0%	45.0%
Adjusted PBT	($1.9m)	$6.8m	$7.9m	$12.0m
Adjusted Tax Rate	0.0%	15.6%	21.0%	21.0%
Adjusted EPS	(1.6c)	5.3c	5.2c	7.9c
EPS Growth	-	433%	(2%)	52%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	($93.5m)	($86.8m)	($69.1m)	($66.4m)
Net Debt/EBITDA	7.0x	3.9x	2.8x	2.3x
Net Debt/Equity	1.2x	1.1x	0.8x	0.7x
Interest Cover	0.8x	1.6x	1.8x	2.2x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	12.9x	13.2x	8.7x
Yield	-	-	-	-
Free Cash Flow Yield	13.1%	26.2%	34.5%	15.8%
EV/Sales	6.1x	4.3x	3.5x	3.0x
EV/EBITDA	13.2x	7.6x	6.1x	5.0x
Tangible NAV/Share	51.6c	51.7c	56.8c	62.9c

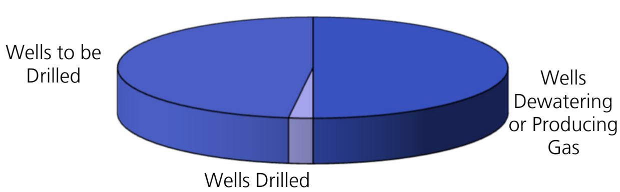
Next News

Full Year Results	Q2 2019

Share Price Performance

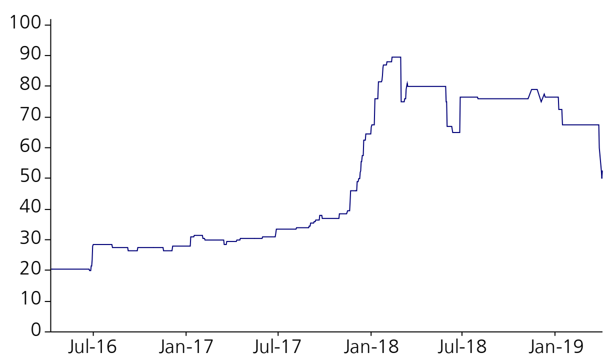
1 Month	-22.2%
12 Months	-34.4%

Raniganj Wells (300 Total)



Source: GEEC.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Hardy Oil and Gas*

Add 4.6p

India-focused E&P

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- Hardy is an India-focused E&P with a number of development and appraisal assets.
- The company has for some time been focusing on a legal process surrounding its CY-OS/2 asset (53%). Hardy won an arbitration process on this in 2013, awarding the company return of the block for a three year appraisal period (principally the 130bcf Ganesha discovery) and a cash award from the Indian government currently worth US$71.6m net. In late 2018 the Indian government won leave to appeal this in the Indian courts, likely pushing out the timeline for realisation of any award by Hardy potentially by an additional three to five years.
- Elsewhere, Hardy continues to pursue progress on its PY-3 and GS-01 blocks. PY-3 (18%) contains 15mmbbl of 2C and a redevelopment plan was submitted at the end of 2017. Hardy lost an arbitration process on PY-3 earlier in 2017, with a gross US$5.1m owed to a contractor (Hardy share US$0.9m). Hardy subsequently took its PY-3 partners to arbitration to recover their share plus costs (US$10m total), and the partners then made a number of counter claims. We expect the result of the arbitration in Q2 2019.
- GS-01 (10%) contains the 83bcf D33 discovery, and Hardy is seeking an increased stake and operatorship in order to potentially pursue development. PY-3 could reestablish revenues for Hardy, and we believe there is value in both assets if they can be progressed on satisfactory terms. This is likely to be a long term process.
- Hardy currently holds US$5.3m of cash (zero debt), and our total risked NAV is 15p for the existing portfolio. Hardy is reaching a point where we are likely to see either progression of the India portfolio, or potentially as much as a full exit from the country. While this is worked through, the cash pile continues to underpin the company.

Key Data — HDY.L

Sector	Oil & Gas Producers
Market Capitalisation	£3.4m
Shares in Issue	73.8m
Free Float	45.7%
Average Daily Volume	108,336
12 Month Trading Range	2.2p to 15.0p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$0.0m	$0.0m	$0.0m	$0.0m
EBITDA	($2.1m)	($5.2m)	($5.5m)	($3.0m)
Operating Profit	($2.0m)	($5.2m)	($5.5m)	($3.0m)
Operating Margin	-	-	-	-
Adjusted PBT	($1.6m)	($4.8m)	($5.4m)	($3.0m)
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(2.2c)	(6.4c)	(6.0c)	(3.3c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$14.5m	$9.2m	$4.0m	$1.6m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(71.0%)	(122.6%)	(119.5%)	(54.1%)
EV/Sales	-	-	-	-
EV/EBITDA	4.8x	0.9x	-	-
Tangible NAV/Share	11.9c	6.9c	3.0c	1.1c

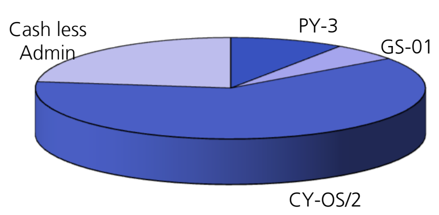
Next News

PY-3 arbitration result	Q2 2019

Share Price Performance

1 Month	-18.6%
12 Months	-67.7%

Total NAV Distribution (p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Harvest Minerals*

Buy 6.4p

Growing Momentum

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- Harvest Minerals is a producer of a unique organic fertiliser product that enables year round soil nourishment, low leachability and enhances the taste and yield of crops. Its primary asset is the Arapuá operation in Brazil's agricultural heartland, the Minas Gerais region.
- Harvest runs a very simple, easily scalable fertiliser processing operation with operating margins of *c.*85% (AIC of *c.*$7.5/t, product sells for *c.*$60/t). It raised £9.7m in June 2018 to add further processing capacity and working capital to the operation. Operations are ramping up and interest is growing in its unique Direct Application Natural Fertiliser (DANF) product called KPfértil.
- Strategically located in proximity to end users. Arapuá is located in the middle of 80k ha of prime coffee plantations, of which Harvest deems one of the principal end markets for its product. 636k ha of potential demand for coffee alone sits within 300km of the Arapuá project. This drives FCF Yield to grow to *c.*21% by 2021, based upon our forecasts of EPS to grow by 169% in 2019 and 157% in 2020.
- Extremely simple processing, 1t mined converts to 1t of product through a simple crushing process and packaging at site. Easily scalable operation, the cost for an extra c.320ktpa of processing capacity costs c.$1m, takes three to four months to install and commission and has the ability to add c.$16m to Harvest's EBITDA. Relative to HMI's 2021 EBITDA the $1m investment increases it by c.120% over three years. Buy rating and target price of 39p at a 1.0x Price/NAVPS multiple and a 10% WACC. HMI has a P/NAV of 0.2x.

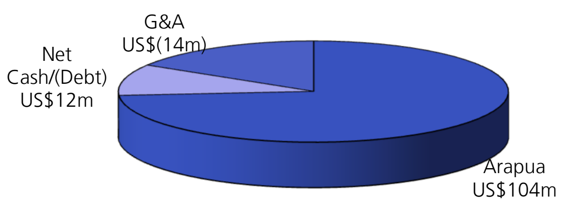
Key Data	HMI.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£11.8m
Shares in Issue	186m
Free Float	74.5%
Average Daily Volume	520,790
12 Month Trading Range	6.4p to 22.8p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	A$0.0m	A$0.0m	A$5.6m	A$9.3m
EBITDA	(A$2.5m)	(A$2.0m)	A$1.2m	A$4.8m
Operating Profit	(A$2.6m)	(A$3.0m)	A$0.2m	A$4.5m
Operating Margin	-	-	3.5%	47.8%
Adjusted PBT	(A$2.6m)	(A$3.0m)	A$0.4m	A$4.5m
Adjusted Tax Rate	0.0%	0.0%	27.5%	27.5%
Adjusted EPS	(2.5c)	(2.3c)	0.1c	1.7c
EPS Growth	-	-	106%	1163%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	A$1.4m	A$15.5m	A$16.0m	A$19.3m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	84.6x	6.7x
Yield	-	-	-	-
Free Cash Flow Yield	(17.3%)	(17.9%)	2.5%	15.3%
EV/Sales	-	-	1.0x	0.2x
EV/EBITDA	-	-	4.5x	0.5x
Tangible NAV/Share	3.9c	10.2c	7.3c	8.3c

Next News	
Full Year Results	August 2019

Share Price Performance	
1 Month	-50.2%
12 Months	-65.7%

Total 2019E NAV, US$102m (39p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Haydale Graphene Industries*

Buy 1.9p

Equity raise, upgrade to Buy

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- We recently upgraded our recommendation from Neutral to Buy. Having raised £5.8m of capital the Group now has, in our view, sufficient funding to achieve cash breakeven. We are confident that Management can continue to make developments within Inks as it has done in the previous six months, whilst further enhancing the cash generation from the SiC business in the US. We believe this top-line expansion will be done with a tighter handling of the cost base to ensure that the Group moves in line with customer demand as opposed to before.
- Following the general meeting, Keith Broadbent has become CEO having previously been COO. Keith and Laura Redman-Thomas (appointed CFO in December) now make up the revised management team and hope to bring their significant industry experience to Haydale.
- Following the £1.64m H1 top-line figure we believe our original £4.2m forecast was overly optimistic and trim this to £3.7m, which would display the same 20% growth rate that has been achieved from H218 to H119. We expect this growth to continue to come from the SiC division which has performed well. Earnings dilution occurs as a result of the fundraise, causing EPS forecast changes.
- At 1.9p the stock trades on a very modest 0.7x FY19 EV/Sales and our target price of 2.8p suggests 47% upside. We apply a high discount rate to reflect some uncertainty on the pace of scale-up but, removing this scepticism, a price of 6.3p could be achievable. Moreover, the Group's EV is currently below the £5.8m tangible assets on its balance sheet, £1.2m of which was purchased within the year.

Key Data — HAYD.L

Sector	Advanced Materials (AIM)
Market Capitalisation	£6.0m
Shares in Issue	318m
Free Float	80.7%
Average Daily Volume	4,195,071
12 Month Trading Range	1.8p to 115.5p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£3.0m	£3.4m	£3.7m	£5.8m
EBITDA	(£4.2m)	(£4.9m)	(£4.9m)	(£1.0m)
Operating Profit	(£5.3m)	(£6.0m)	(£6.1m)	(£2.7m)
Operating Margin	(177.7%)	(177.0%)	(163.9%)	(46.9%)
Adjusted PBT	(£5.6m)	(£6.1m)	(£6.1m)	(£2.9m)
Adjusted Tax Rate	(15.7%)	(13.9%)	(4.9%)	(10.4%)
Adjusted EPS	(27.6p)	(21.3p)	(4.7p)	(0.8p)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£0.8m	£4.2m	£3.2m	£1.4m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	(£1.0m)	(£1.1m)	(£1.1m)	(£1.1m)
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(75.4%)	(84.0%)	(115.9%)	(26.7%)
EV/Sales	1.7x	0.5x	0.8x	0.8x
EV/EBITDA	-	-	-	-
Tangible NAV/Share	24.9p	34.8p	26.9p	33.6p

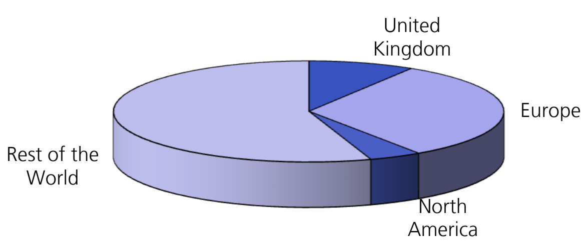
Next News

FY19 Results	September 2019

Share Price Performance

1 Month	-11.9%
12 Months	-98.3%

Regional Sales



Source: Company Accounts.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Headlam

Neutral 443p

Leading UK flooring distributor

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- Headlam's FY18 results in March were in line with expectations following its pre-close trading update in January. Group revenues came in at £708.4m, flat YoY and in line with our numbers and estimates of £709m. This was driven by positive contributions from recent acquisitions of c.£40m, offsetting organic declines at the group level (split between UK down 4.2% and Continental Europe down 1.8%). Underlying PBT was marginally ahead (0.7% YoY) at £43.4m reflecting favourable gross margin mix, offset by higher overheads.
- The group remains committed to their dividend policy, declaring a 25.0p total dividend (1.7x cover and c.5.5% yield). This is underpinned by a strong net cash position of £36.7m, reflecting good cash generation despite £9.1m of acquisition spend, though we anticipate this to fall in coming years driven by higher working capital requirements (additional inventory for "Brexit hedging") and CAPEX spend on the Ipswich distribution centre.
- Having issued a profit-warning in January this year expecting "further weakness during 2019, particularly in the residential sector", which led us to cut our FY19E PBT forecasts by 13% at the time, FY18 results in March suggested a positive start to the year in both the UK and Continental Europe.
- Following the results, we upgraded from Sell to Neutral (and set a 470p target price) as we see current levels offering a more balanced risk-reward profile in light of recent newsflow. Though we continue to believe that there is some downside risk to earnings, we acknowledge the potential for a better-than-expected outlook led by i) a more positive (but still cautious) tone from Kingfisher (owner of B&Q, Headlam's largest customer), ii) recent economic data showing the UK consumer holding steady and iii) concrete evidence from Headlam's FY18 results of the delivery of planned efficiency savings.

Key Data

Key Data	HEAD.L
Sector	Household Goods
Market Capitalisation	£375m
Shares in Issue	84.6m
Free Float	99.1%
Average Daily Volume	113,509
12 Month Trading Range	387p to 507p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	£693m	£708m	£706m	£713m
EBITDA	£48.7m	£49.5m	£45.1m	£48.0m
Operating Profit	£43.8m	£44.3m	£40.0m	£42.2m
Operating Margin	6.3%	6.2%	5.7%	5.9%
Adjusted PBT	£43.1m	£43.4m	£39.2m	£41.4m
Adjusted Tax Rate	18.5%	17.9%	18.2%	18.2%
Adjusted EPS	41.5p	42.2p	38.0p	40.1p
EPS Growth	7.8%	1.6%	(9.8%)	5.4%
Dividend	24.80p	25.00p	25.00p	25.75p
Financial				
Net Cash/(Debt)	£35.3m	£36.7m	£26.8m	£29.0m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	65.8x	50.1x	51.2x	53.9x
Dividend Cover	1.7x	1.7x	1.5x	1.6x
Pension	(£12.7m)	(£5.9m)	(£5.9m)	(£5.9m)
Valuation				
P/E	10.7x	10.5x	11.7x	11.0x
Yield	5.6%	5.6%	5.6%	5.8%
Free Cash Flow Yield	2.9%	7.7%	3.0%	6.3%
EV/Sales	0.5x	0.5x	0.5x	0.5x
EV/EBITDA	7.0x	6.8x	7.7x	7.2x
Tangible NAV/Share	204p	216p	230p	246p

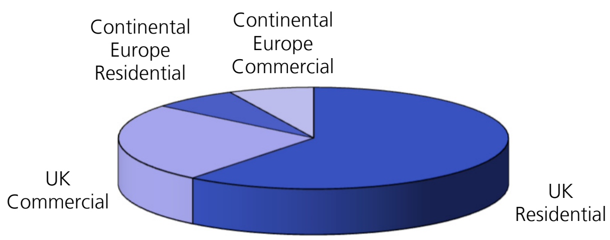
Next News

Interim Results	August 2019

Share Price Performance

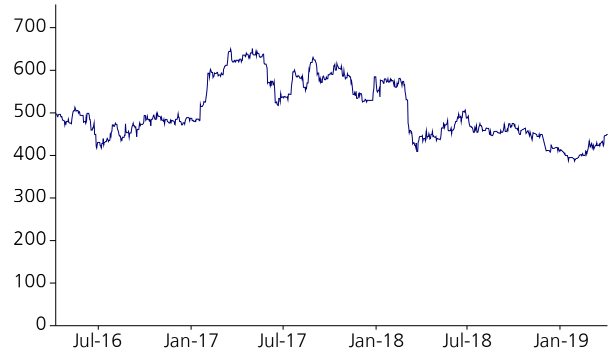
1 Month	+6.8%
12 Months	-1.4%

Revenue Mix



Source: Headlam.

Share Price (p)



Source: Bloomberg.

Hill & Smith

Add 1254p

One for the road!

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- Hill and Smith reported 2018 results slightly ahead of Arden and consensus expectations with revenue £638m (Arden: £625m), 10% constant currency revenue growth, underlying operating profit £80.1m (Arden: £79m) and underlying EPS 77.8p (Arden: 73.7p). The dividend is 31.8p, in line with our forecast. Net debt at £132m represents 1.3x EBITDA.
- Organic growth was 3% for the full year, having been 5% in Q3 after a flat first half, so the second half likely grew 5-6% organically. Underlying margins declined 130bps YoY due to input cost pass through, but the Group has largely managed to pass this through and is reflected in the revenue number being ahead of consensus expectations.
- The outlook statement points to continued short-term uncertainty in the UK but that there is an expectation of progress in 2019. The US seems a very good place to be for Hill and Smith with Federal infrastructure projects likely to provide strong support to their markets more than offsetting some uncertainty in the UK. There is further significant investment in the UK road network through the Road Investment Strategy 2 (RIS2) which provides some visibility over the period 2020-2025, with £25.3bn earmarked for investment, a 66% increase vs. RIS1 which runs from 2015-2020.
- Hill and Smith has strong market positions with good geographical and industry diversification providing attractive characteristics in a defensive market such as infrastructure. These markets are growing due to ongoing drivers such as EM infrastructure growth and DM infrastructure upgrades or replacement, providing good visibility and sustainability of earnings - which we believe should be favoured in the current market.

Key Data

Key Data	HILS.L
Sector	Industrial Engineering
Market Capitalisation	£993m
Shares in Issue	79.2m
Free Float	99.4%
Average Daily Volume	92,061
12 Month Trading Range	914p to 1523p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£585m	£638m	£688m	£738m
EBITDA	£100m	£104m	£108m	£112m
Operating Profit	£81.3m	£80.1m	£89.6m	£92.8m
Operating Margin	13.9%	12.6%	13.0%	12.6%
Adjusted PBT	£78.2m	£76.3m	£85.1m	£88.3m
Adjusted Tax Rate	24.0%	19.5%	22.0%	22.0%
Adjusted EPS	74.8p	77.3p	83.5p	86.6p
EPS Growth	14.7%	3.4%	0.0%	0.0%
Dividend	29.90p	31.80p	33.50p	33.50p
Financial				
Net Cash/(Debt)	(£99m)	(£132m)	(£126m)	(£116m)
Net Debt/EBITDA	1.0x	1.3x	1.2x	1.0x
Net Debt/Equity	0.4x	0.5x	0.5x	0.4x
Interest Cover	26.2x	21.1x	19.9x	20.6x
Dividend Cover	2.5x	2.4x	2.5x	2.6x
Pension	(£4.6m)	(£4.6m)	(£4.6m)	(£4.6m)
Valuation				
P/E	16.8x	16.2x	15.0x	14.5x
Yield	2.4%	2.5%	2.7%	2.7%
Free Cash Flow Yield	4.6%	3.6%	4.9%	5.2%
EV/Sales	1.9x	1.8x	1.6x	1.5x
EV/EBITDA	10.9x	10.8x	10.3x	9.9x
Tangible NAV/Share	167.9p	182.1p	182.1p	-

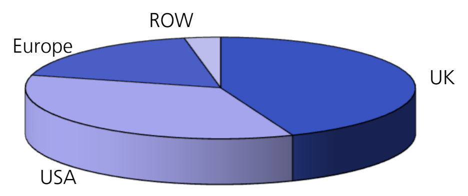
Next News

Trading Statement	May 2019

Share Price Performance

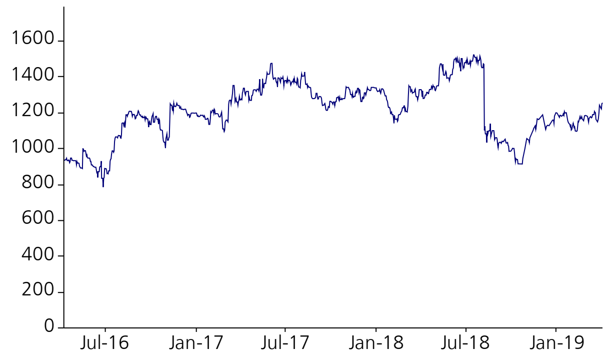
1 Month	+7.4%
12 Months	-2.3%

FY18 Revenue Split



Source: Hill & Smith.

Share Price (p)



Source: Bloomberg.

Hunting

Buy 630p

Shale may moderate, but offshore returning

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- Hunting manufactures and distributes products used by the petroleum industry to help extract oil and gas from the wellbore. The company's facilities are mainly concentrated in North America but it has a presence globally.
- Hunting reported EBITDA of US$33m for Q1 2018, followed by US$40m in Q2. This was based on strong performance from the company's Titan segment, driven by US shale activity. This moderated somewhat in the second half, particularly with the exhaustion of annual drilling budgets and US public holidays in Q4, driving overall EBITDA for the year of US$142m. Titan outlook for 2019 is cautious, with drilling budgets uncertain given recent oil price volatility, and the positive impact of new Permian export pipeline capacity not expected until mid-2019.
- The balance sheet is strong, with US$61.3m of net cash as of end 2018. This shows good working capital management as the company continues to recover, though CAPEX in 2019 is likely to be higher given expansions at Hunting's Pampa and Milford facilities to help give higher capacity for the US shale market. We will need to wait and see exactly when this is required, but 2018 showed us how quickly the US shale sector can react to higher commodity prices, and it will be helpful for Hunting to be in a better position to react just as quickly as and when the market takes off again.
- Hunting has executed an admirable turnaround over the last 24 months as the strong results from its Titan segment, based on the strength of the US shale sector, have created substantial EBITDA recovery. We will need to wait to see how 2019 develops, but 2018 showed us how quickly demand from shale operators can come through. Other parts of the business are also beginning to recover (including, finally, some improvement in offshore), which could also contribute. We expect another year of strong EBITDA and operating cash generation in 2019, and have a Buy and 700p target.

Key Data

Key Data	HTG.L
Sector	Oil Equipment & Services
Market Capitalisation	£1,040m
Shares in Issue	165m
Free Float	83.9%
Average Daily Volume	459,623
12 Month Trading Range	454p to 914p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$725m	$911m	$975m	$1,076m
EBITDA	$56m	$142m	$165m	$177m
Operating Profit	$14m	$105m	$123m	$137m
Operating Margin	2.0%	11.5%	12.6%	12.7%
Adjusted PBT	$12m	$104m	$121m	$137m
Adjusted Tax Rate	8.7%	21.2%	24.0%	23.0%
Adjusted EPS	7.6c	49.7c	52.9c	61.3c
EPS Growth	114%	550%	6%	16%
Dividend	-	9.00c	12.00c	16.00c
Financial				
Net Cash/(Debt)	$30m	$61m	$89m	$112m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	9.5x	149.6x	75.7x	-
Dividend Cover	-	5.5x	4.4x	3.8x
Pension	-	-	-	-
Valuation				
P/E	107.7x	16.6x	15.6x	13.4x
Yield	-	1.1%	1.5%	1.9%
Free Cash Flow Yield	2.4%	2.5%	3.6%	3.5%
EV/Sales	1.8x	1.4x	1.3x	1.2x
EV/EBITDA	23.7x	9.1x	7.7x	7.0x
Tangible NAV/Share	336c	385c	423c	461c

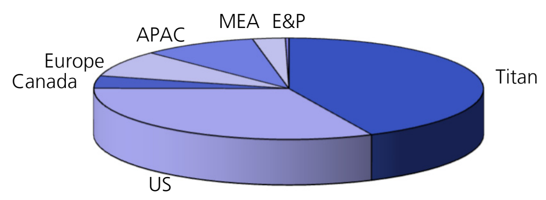
Next News

Q1 Update	April 2019

Share Price Performance

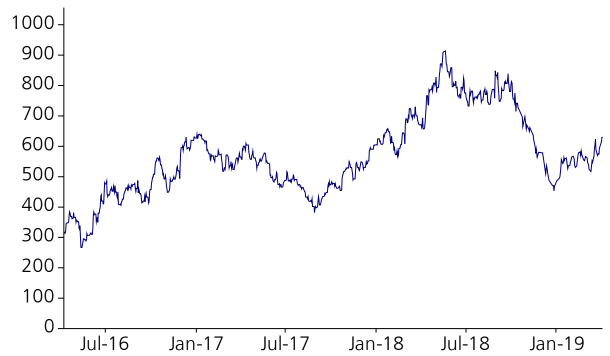
1 Month	+20.0%
12 Months	-4.6%

Forecast 2019 Divisional Sales Breakdown



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

Hurricane Energy

Buy 46.6p

A very busy year in 2019

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- Hurricane is a UK E&P company that has made a series of large discoveries West of Shetland in fractured basement reservoir, which contain gross 2C resources of over 2.5bn boe. Hurricane is undertaking an initial up to 62mmbbl 2P development of its Lancaster field (first oil H1 2019), and appraisal/exploration drilling on Lincoln and Warwick is planned for 2019.
- The Lancaster development will use two existing horizontal wells and a leased FPSO, with production of 17mbbl/d expected in H1 2019 (likely June, in our view). The development is now well progressed, with the FPSO currently being commissioned. Our numbers forecast that the project should throw off around US$220m OCF per year @ US$60/bbl Brent.
- In addition to providing cash flow, the initial Lancaster development should also provide important production data to help prove up the producibility of the rest of Lancaster, and Hurricane's other discoveries. These are all in fractured basement reservoir, and the limited number of global analogues means that, in our view, production data is likely to be required before Hurricane can go about fully monetising its discoveries. Hurricane announced a farm out of 50% of its Lincoln discovery and Warwick prospect to Spirit Energy in September 2018, funding three 2019 appraisal/exploration wells, tieback of one to the Lancaster FPSO and additional development capital. This has augmented and accelerated the forward work programme.
- The size of the prize is large. Lancaster contains gross 551mmboe of 2P+2C, with Hurricane's other discoveries holding another 2.0bn boe of 2C, and a further 935mmboe in the Warwick prospect. Our valuation gets to 134p risked, 456p unrisked, using US$65/bbl. This implies that the shares are currently good value, and shows considerable upside if the resources are proved up. We believe this value, plus ongoing news around Lancaster development and Lincoln/Warwick drilling, makes the shares attractive. Buy, 90p target.

Key Data — HUR.L

Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£914m
Shares in Issue	1,960m
Free Float	74.9%
Average Daily Volume	7,576,302
12 Month Trading Range	37.0p to 60.0p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$0m	$0m	$191m	$380m
EBITDA	($15m)	($13m)	$115m	$242m
Operating Profit	($15m)	($13m)	$68m	$149m
Operating Margin	-	-	35.6%	39.2%
Adjusted PBT	($15m)	($11m)	$51m	$132m
Adjusted Tax Rate	(100.0%)	(100.0%)	(100.0%)	(100.0%)
Adjusted EPS	(0.9c)	(0.6c)	2.6c	6.7c
EPS Growth	-	-	547%	159%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$124.2m	($170.5m)	($186.8m)	($32.0m)
Net Debt/EBITDA	-	-	1.6x	0.1x
Net Debt/Equity	-	0.3x	0.3x	0.0x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	23.5x	9.1x
Yield	-	-	-	-
Free Cash Flow Yield	(23.3%)	(19.4%)	(1.4%)	13.0%
EV/Sales	-	-	7.2x	3.2x
EV/EBITDA	-	-	12.0x	5.1x
Tangible NAV/Share	27.2c	19.0c	18.2c	20.6c

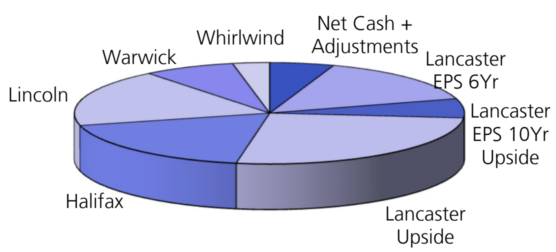
Next News

Warwick Deep Well Spud	April 2019

Share Price Performance

1 Month	+5.1%
12 Months	+25.5%

Risked NAV 134p/share (@US$65/bbl)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Hydrodec*

Buy 66p

Fuelling growth

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- Our positive view is predicated on the likely sharp increase in EBITDA and cashflow as working capital inflows from the recent capital raise drive improving capacity utilisation and operating leverage. In our view, the shares currently price very limited operational improvements (if any) and, although we acknowledge that refining is a technically challenging process, we believe the Group's expertise is sufficient to manage the increasing output, driving revenue and EBITDA CAGR of 30% and 92% respectively 2018-21E.
- We believe the Group can achieve capacity utilisation of 85% in 2021, which drives 72% 2yr EBITDA CAGR as the benefits of increasing capacity utilisation are realised with increased throughput of working capital into Hydrodec's US facility. The operating leverage is such that a 1ppt change in capacity utilisation in 2020 can impact EBITDA by 2.6% and EPS by 5%, due to financial leverage. This provides very strong risk/reward for execution, which we believe is not appropriately priced in the shares at current levels.
- Hydrodec's proprietary technology and market opportunity suggests high utilisation is possible and strong double-digit returns on capital employed for incremental capacity reflect scope for significant value creation for equity investors in the medium-to-long term.
- Hydrodec trades on 4.6x EV/EBITDA, 9.4x P/E, 5.6% dividend yield and a 15% FCF yield (all 2020E). Although we acknowledge execution is required through 2019, we believe the existing assets and potential for high cash returns are extremely attractive.

Key Data

Key Data	HYR.L
Sector	Alternative Energy (AIM)
Market Capitalisation	£18.9m
Shares in Issue	28.4m
Free Float	70.6%
Average Daily Volume	8,687
12 Month Trading Range	66p to 185p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$12.9m	$14.0m	$13.4m	$20.2m
EBITDA	($6.8m)	($2.8m)	($2.1m)	$1.4m
Operating Profit	($6.8m)	($2.8m)	($2.1m)	$1.4m
Operating Margin	(52.8%)	(20.0%)	(15.9%)	7.1%
Adjusted PBT	($7.6m)	($4.1m)	($3.4m)	$1.0m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(1.2c)	(54.7c)	(29.3c)	1.9c
EPS Growth	-	-	-	(106.5%)
Dividend	-	-	-	2.00c
Financial				
Net Cash/(Debt)	($18.5m)	($20.2m)	($7.4m)	($5.9m)
Net Debt/EBITDA	-	-	-	4.1x
Net Debt/Equity	1.3x	1.9x	0.3x	0.3x
Interest Cover	-	-	-	3.2x
Dividend Cover	-	-	-	1.0x
Pension	$0.0bn	$0.0bn	-	-
Valuation				
P/E	-	-	-	45.7x
Yield	-	-	-	2.3%
Free Cash Flow Yield	(20.1%)	4.4%	(28.3%)	(0.1%)
EV/Sales	3.4x	3.2x	2.4x	1.5x
EV/EBITDA	-	-	-	21.4x
Tangible NAV/Share	-	-	-	-

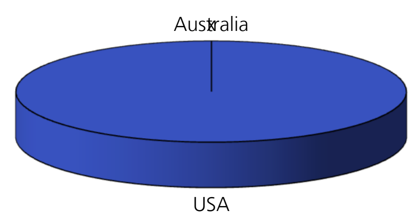
Next News

2018 Full Year Results	April 2019

Share Price Performance

1 Month	-0.8%
12 Months	-57.1%

Revenue by Geography



Source: Company Reports.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

iEnergizer*

Buy 165p

An energized performance

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- iEnergizer's recent trading update confirmed revenue to be ahead of expectations for FY19E and op. profit to be significantly ahead, due to multiple H2'19 contract wins in higher margin work, currency tailwinds and moving outsourced work in-house.
- At the time of announcement, we added *c.*$7m to FY19E revenues ($172.0m) given multi-year contract wins (two years with auto-renewal), an extension of a higher margin client's scope of work, and a one-off project expected to last several months. Recent contract wins increase confidence into FY20E as well and so we increased revenues by 4.4% to $181.9m.
- FY19E EBITDA of $48.0m is significantly ahead of previous estimates, driven substantially by INR depreciation against the USD. Management has also continued to internalise previously outsourced work, driving margin improvement, and recent contract wins at a higher margin reflect the focus on replacing lower margin work with high margin services. Into FY20E we see margins settling nearer a more sustainable, yet market-leading, 27.2% - and so forecast $49.5m.
- Notably, imminent refinancing of the Group's term loan (maturing on 30 April 2019, with two firm offers in place) will support reinstatement of a dividend under relaxed covenants. We expect this to be announced within the month, supported by FCF yield of 10.3%.
- We assign the shares a PT of 200p, or 14x p/e on FY20E EPS of 18.7c. In our view, continued momentum in earnings, market leading margins, and a strong cash profile (FCF yield of 7.5% and gross cash of $40.5m), warrant a mid-teens multiple at least. Expectation of re-financing of the term loan (by 30 April, with firm offers already in place) and subsequent declaration of a H2'19 dividend should see the shares re-rate towards our PT.

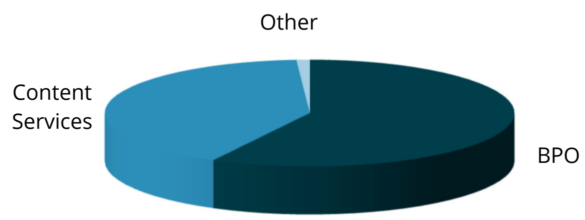
Key Data	IBPO.L
Sector	Support Services (AIM)
Market Capitalisation	£275.7m
Shares in Issue	190m
Free Float	17.3%
Average Daily Volume	32,518
12 Month Trading Range	35p to 145p

Year to 31 Mar	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$147.4m	$156.9m	$172.0m	$181.9m
EBITDA	$34.3m	$38.4m	$48.0m	$49.5m
Operating Profit	$32.5m	$36.5m	$46.0m	$47.4m
Operating Margin	22.1%	23.3%	26.7%	26.0%
Adjusted PBT	$25.8m	$30.9m	$43.3m	$43.9m
Adjusted Tax Rate	29.8%	23.7%	18.0%	18.0%
Adjusted EPS	9.5c	12.4c	18.7c	18.9c
EPS Growth	-12.2%-	30.6%	50.6%	1.2%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	($56.7m)	($26.5m)	($4.3m)	$11.7m
Net Debt/EBITDA	1.7x	1.5x	0.2x	-
Net Debt/Equity	0.6x	0.2x	0.0x	-
Interest Cover	4.8x	6.5x	10.2x	13.5x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	22.6x	17.3x	11.5x	11.3x
Yield	-	-	-	-
Free Cash Flow Yield	5.7%	7.9%	7.5%	8.0%
EV/Sales	3.2x	2.8x	2.5x	2.4x
EV/EBITDA	13.5x	11.3x	9.0x	8.8x
Tangible NAV/Share	-	-	143.4c	356.3c

Next News	
Full Year Results	June 2019

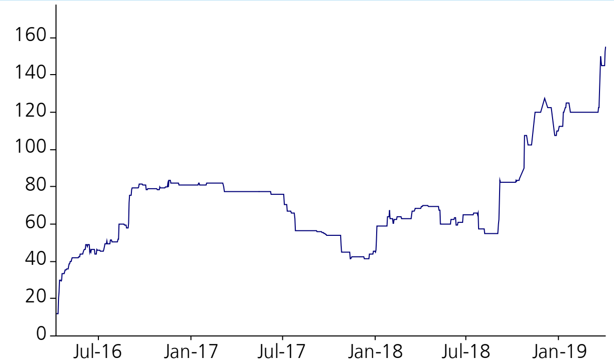
Share Price Performance	
1 Month	+29.2%
12 Months	+121.4%

Divisional Revenue Contribution H1'19



Source: Company.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Indus Gas*

Buy 287p

Development progressing

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- Indus Gas holds a 90% interest in the RJ-ON/6 block in Rajasthan (63% post ONGC back-in), east of Pakistan's well-established Indus-basin gas province, which contains several multi-tcf fields.
- Indus has c.33mmcf/d of gross production capacity from its SGL discovery sold via a GAIL pipeline to a nearby power plant. The drilling of further wells within the SGL field will look to increase production towards the targeted 90mmcf/d.
- Gross unrisked reserves and resources on the block are 6.1tcf of raw gas (20% CO2) based on the 2014 CPR. This demonstrates the resource base established at the Pariwar and Upper B&B levels, which Indus expects to develop alongside SGL. An initial development plan for the wider block was approved in 2017, targeting development of an additional c.1tcf, to produce at 200mmcf/d. This is likely to require a pipeline for connection to and offtake via India's national pipeline network. FY18 results confirmed that bids for laying this pipeline are now being invited and recent interims reported that "the tender process continues to progress".
- H1 FY19 results suggested that the company is in good stead to make our full year P&L forecasts. Looking ahead, we anticipate positive share price catalysts particularly from further updates on development and pipeline project progress - further development of the SGL area and most importantly the wider block is the key to unlocking the value of the company's resource base.

Key Data — INDI.L

Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£525m
Shares in Issue	183m
Free Float	17.4%
Average Daily Volume	1,809
12 Month Trading Range	236p to 361p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$39.1m	$39.8m	$60.6m	$72.1m
EBITDA	$51.9m	$56.9m	$54.9m	$65.4m
Operating Profit	$41.5m	$51.5m	$43.2m	$51.5m
Operating Margin	106.2%	129.4%	71.3%	71.4%
Adjusted PBT	$41.5m	$51.9m	$43.7m	$52.0m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	22.7c	28.4c	23.9c	28.4c
EPS Growth	38.0%	25.1%	(15.8%)	18.8%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	($430m)	($516m)	($594m)	($666m)
Net Debt/EBITDA	8.3x	9.1x	10.8x	10.2x
Net Debt/Equity	3.3x	3.2x	3.4x	3.4x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	16.5x	13.2x	15.7x	13.2x
Yield	-	-	-	-
Free Cash Flow Yield	(1.5%)	(8.8%)	(6.9%)	(5.5%)
EV/Sales	28.6x	30.2x	21.1x	18.7x
EV/EBITDA	21.5x	21.1x	23.3x	20.7x
Tangible NAV/Share	53.9c	67.1c	61.6c	69.6c

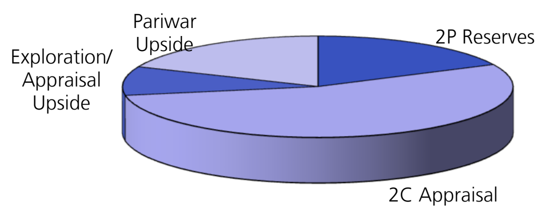
Next News

Full Year Results	Q3 2019

Share Price Performance

1 Month	-1.4%
12 Months	-16.8%

Indus Gas Total NAV Distribution



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

***** Arden Partners acts as corporate broker to this company.**

James Halstead*

Buy 440p

Continuing to Deliver

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- James Halstead is a group of companies that manufacture and distribute durable PVC flooring products mainly for commercial use (offices, schools, shops and hospitals). Group sales are geographically diversified across the UK (33%), Europe & Scandinavia (44%), Australasia & Asia (15%) RoW (8%).
- Interims to December 2018 reported revenues of £126m (flat YoY) reflecting the impact of a weaker-than-anticipated performance in December for the UK (which still saw 3.9% growth in H1 overall) and a 1.7% decline in Central Europe. With the introduction of two new product ranges and the beginning of H2 showing "a return to solid growth," we see the outlook for H2 as being positive.
- Despite a flat sales profile, H1 19 saw operating margins expand by 50bps giving rise to a 2.6%/3.3% increase in op. profit/PBT (to record levels). This was driven by favourable margin mix and plant performance along with relatively controlled raw material inflation demonstrating the robustness of the group's business. In addition, James Halstead declared a record dividend of 4.0p (+3.9% YoY, yield > 3%).
- The group also saw a significant rise in net cash in the last 6m from £50.5m to £62.8m (Dec 18A) driven by strong FCF cash generation (c.88% FY19E) and favourable working capital inflows (which we expect to unwind in H2 due to planned inventory hedging.
- In our view, James Halstead presents a compelling investment opportunity for 2019. Though the stock trades at a premium multiple of c.24x FY19 P/E (c.22.5x excl. net cash), we do not believe this fully captures the quality of the group's earnings and profile, its sector-leading margins and returns, and the low-risk nature of its debt-free balance sheet and dividend-paying capacity, which we believe will find greater merit through 2019 in the context of difficult equity markets. Buy, PT 480p.

Key Data — JHD.L

Sector	Construction & Materials (AIM)
Market Capitalisation	£916m
Shares in Issue	208m
Free Float	81.2%
Average Daily Volume	75,353
12 Month Trading Range	371p to 480p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£241m	£250m	£259m	£262m
EBITDA	£49.8m	£50.5m	£53.6m	£54.8m
Operating Profit	£46.9m	£47.4m	£50.8m	£51.8m
Operating Margin	19.5%	19.0%	19.6%	19.8%
Adjusted PBT	£46.3m	£47.0m	£50.1m	£51.2m
Adjusted Tax Rate	21.8%	21.3%	22.0%	22.0%
Adjusted EPS	17.4p	17.8p	18.8p	19.2p
EPS Growth	3.0%	2.2%	5.6%	2.1%
Dividend	13.00p	13.50p	15.00p	16.00p
Financial				
Net Cash/(Debt)	£52.3m	£50.5m	£56.5m	£60.3m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	70.3x	106.3x	77.4x	81.0x
Dividend Cover	1.3x	1.3x	1.3x	1.2x
Pension	(£21.3m)	(£14.9m)	(£14.7m)	(£14.4m)
Valuation				
P/E	25.3x	24.8x	23.4x	23.0x
Yield	3.0%	3.1%	3.4%	3.6%
Free Cash Flow Yield	3.6%	2.7%	3.8%	3.8%
EV/Sales	3.6x	3.5x	3.3x	3.3x
EV/EBITDA	17.4x	17.1x	16.0x	15.6x
Tangible NAV/Share	53.3p	60.4p	65.4p	69.5p

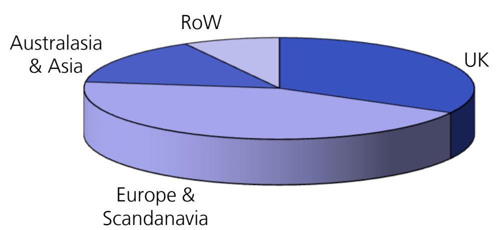
Next News

Pre-Close Trading Statement	July 2019

Share Price Performance

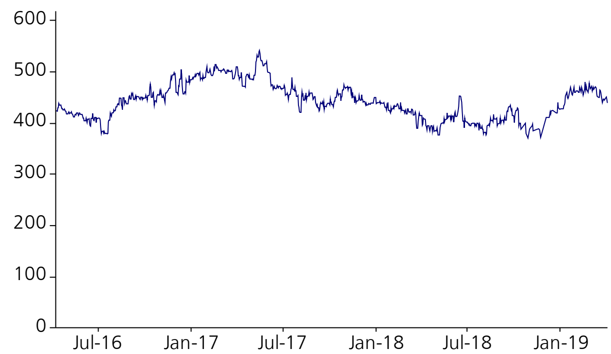
1 Month	-5.6%
12 Months	+8.1%

Geographical Sales Split FY18



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Jersey Oil and Gas*

Buy 84p

Well funded North Sea E&P

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- JOG is a UK E&P company focused on the North Sea. The company holds an 18% stake in the P2170 licence, where it made the Verbier discovery in October 2017. The cash holding leaves the company well-funded for follow-up work on P2170.
- JOG made the Verbier discovery in Upper Jurassic reservoir in 2017 (Equinor operator), with gross 25mmboe proven in the immediate vacinity of the wellbore, but upside to 130mmboe. An appraisal well was recently drilled, but this failed to find reservoir, leading to an update of expected resources to focus on the lower 25mmboe limit. While this makes it likely that Verbier alone would not justify a new standalone development (which we believe would need 60mmbbl), Verbier remains a commercial discovery, and could be developed in conjunction with other discoveries, potentially on P2170 (Cortina prospect could drill in 2020) or more widely. The OGA is currently running a new licensing round in the area, including the Buchan field, which could drive a new area development that Verbier could be part of. Otherwise, Verbier could potentially be tied back to existing infrastructure.
- Going forward, we expect full data from the new 3D seismic shot in 2018 to be available in late Q2 2019, followed by the results of the Buchan area round in October/November, and then potentially confirmation of JOG's 2020 work programme in late 2019. We would hope for this to include new drilling (likely based on the new seismic), potentially the Cortina prospect (97mmboe) or further appraisal of Verbier in the mapped area to the north west. JOG is funded for one further well.
- Modelling 25mmbbl for Verbier returns a company risked NAV of 223p, going to 834p unrisked (US$65/bbl Brent, real). Of this, Verbier risked plus the net cash is 155p, underpinning value in our view. Catalysts remain over 2019 and likely into 2020. We have a Buy recommendation and 230p target.

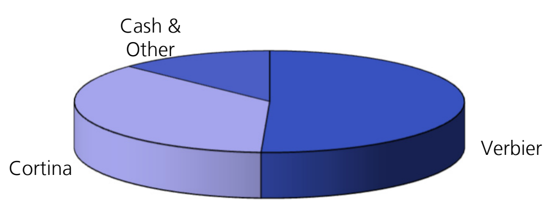
Key Data	JOG.L
Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£18.4m
Shares in Issue	21.8m
Free Float	82.7%
Average Daily Volume	170,082
12 Month Trading Range	84p to 254p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	£0.0m	£0.0m	£0.0m	£0.0m
EBITDA	(£0.8m)	(£1.7m)	(£2.2m)	(£2.5m)
Operating Profit	(£0.8m)	(£1.7m)	(£2.2m)	(£2.5m)
Operating Margin	-	-	-	-
Adjusted PBT	(£0.8m)	(£1.7m)	(£2.2m)	(£2.5m)
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(9.3p)	(14.2p)	(9.7p)	(11.2p)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£1.9m	£25.4m	£19.8m	£11.1m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(5.5%)	4.0%	(30.4%)	(47.1%)
EV/Sales	-	-	-	-
EV/EBITDA	-	4.1x	0.6x	-
Tangible NAV/Share	16p	167p	64p	35p

Next News	
New 3D seismic data	June 2019

Share Price Performance	
1 Month	-62.8%
12 Months	-54.0%

JOG Risked NAV @ US$65/bbl 233p/share



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.**

Keystone Law

Neutral 445p

A stable platform

James Bayliss
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- Keystone is a Top 100 law firm offering a "networked platform model" that acts as an attractive proposition to lawyers looking to operate on a more flexible basis than at traditional firms. The model provides an advanced support network and lends itself to a highly scalable business with a forecast revenue CAGR of 20% (FY18A–FY21E). Cross-selling within the estate and operational leverage support an EBITDA CAGR of 25% (FY18A–FY21E).
- All Keystone lawyers are self-employed, senior individuals who operate under the Keystone brand remotely. In return for 25% of their billings, Keystone provides access to a proprietary technology platform and support network offering a full suite of support services including technology, compliance, finance, insurance and branding. The flexibility offered by this disruptive model appeals to senior individuals no longer interested in the traditional legal model.
- Keystone's platform enjoys a high degree of quasi-fixed costs, with few operating expenses scaling with lawyer onboarding compared with more traditional, centralised models; driving EBITDA margin accretion from 10.3% (FY18A) to 11.7% (FY21E). Cross-fertilisation within the estate as lawyers refer work beyond their practice area, or to support delivery of team-based projects to others on the platform, accounts for *c.*30% of billings, generating revenue synergies on a static base.
- Keystone receives 100% of revenues of which it pays 75% out to lawyers and retains 25% for itself. Keystone runs payouts multiple times a week and operates on a "pay when paid basis", aligning revenues with cash generation. The company's most significant payables balance is to its own network's lawyers and so cash control is high. After adjustments, we calculate cash conversion of 87% for FY18A.
- We have a price target of 460p using an illustrative ten-year DCF on order to acknowledge the scalability of the platform and operating model over the medium to long term.

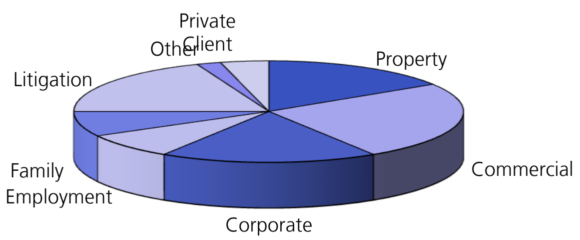
Key Data	Ticker
Sector	Support Services (AIM)
Market Capitalisation	£136.7m
Shares in Issue	31.3m
Free Float	49.1%
Average Daily Volume	4,379
12 Month Trading Range	228p to 492p

Year to 31 Jan	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£25.6m	£31.6m	£40.8m	£47.2m
EBITDA	£2.3m	£3.3m	£4.7m	£5.2m
Operating Profit	£1.9m	£2.9m	£4.3m	£4.8m
Operating Margin	7.5%	9.1%	10.6%	10.2%
Adjusted PBT	£1.8m	£2.9m	£4.8m	£5.3m
Adjusted Tax Rate	27.7%	17.8%	21.0%	21.0%
Adjusted EPS	7.3p	8.3o	9.4p	10.4p
EPS Growth	-	68&	28%	10%
Dividend	-	0.8p	8.2p	9.0p
Financial				
Net Cash/(Debt)	(£6.3m)	£3.6m	£5.1m	£5.9m
Net Debt/EBITDA	2.7x	-	-	-
Net Debt/Equity	4.3x	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	11.5x	1.5x	1.5x
Pension	-	-	-	-
Valuation				
P/E	75.9x	45.2x	35.4x	32.4x
Yield	-	0.2%	1.9%	2.1%
Free Cash Flow Yield	0.8%	1.4%	1.9%	2.5%
EV/Sales	-	4.2x	3.3x	2.8x
EV/EBITDA	62.4x	40.7x	28.2x	25.7x
Tangible NAV/Share	-	205.0p	263.4p	313.6p

Next News	
Full Year Results	May 2019

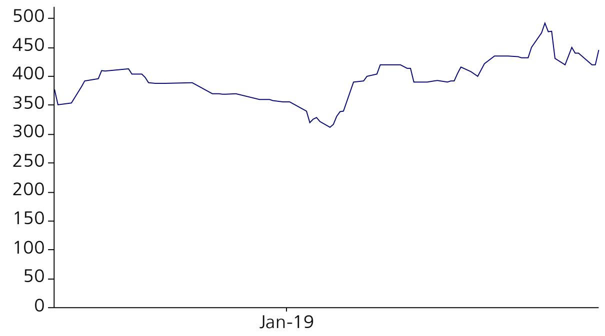
Share Price Performance	
1 Month	+2.3%
12 Months	-

Divisional Revenue Contribution H1'19



Source: Company Accounts, 2018.

Share Price (p)



Source: Bloomberg.

Kin & Carta

Buy 98p

Out with the old, in with the new

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- Kin + Carta is a global digital transformation business that applies creativity, data and technology to service its blue-chip client base. The company's relaunch in October 2018 creates an inflexion point for the shares as its newly-formed operating model seeks to capitalise on the rapid expansion of the digital transformation market. In our view, current levels fail to price in this transition story, creating an attractive proposition for 2019.
- H1 19 interims reported last month showed revenues of £87.2m in line with the prior period on a LFL basis (allowing for 6 fewer billable days in H1 19 vs. H1 18), but down 5% at an aggregate level. This was driven by strong growth within Innovation (+18% LFL) offsetting declines within Strategy and Communications (down 8% and 14% LFL respectively).
- Despite this, the group saw steady progress in terms of seeking higher margin work, expecting to meet current PBT consensus for FY19. On the back of the results, we trimmed our top-line FY19-20E forecasts for 2.4% (to reflect the impact of current political uncertainty on its Communications segment) but upgraded operating margins by 30bps to 11.3-12.3% (FY19-20E), leaving our PBT forecasts unchanged.
- At current levels of c.10.5x P/E, we strongly believe the shares offer sound upside on a risk-reward basis, failing to price in the favourable outlook as the company repositions itself to capitalise on the rapid expansion of the Digital Transformation market.

Key Data — KCT.L

Sector	Support Services
Market Capitalisation	£150m
Shares in Issue	153m
Free Float	99.5%
Average Daily Volume	368,550
12 Month Trading Range	86p to 108p

Year to 31/07	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£163m	£178m	£185m	£203m
EBITDA	£23.3m	£23.5m	£23.6m	£27.6m
Operating Profit	£16.4m	£21.2m	£20.8m	£24.9m
Operating Margin	10.1%	11.9%	11.3%	12.2%
Adjusted PBT	£13.4m	£18.5m	£18.4m	£22.5m
Adjusted Tax Rate	22.6%	19.8%	19.5%	19.5%
Adjusted EPS	7.3p	10.1p	9.4p	11.3p
EPS Growth	0.0%	38.9%	(6.9%)	20.2%
Dividend	1.95p	1.95p	1.95p	2.00p
Financial				
Net Cash/(Debt)	(£54.6m)	(£26.0m)	(£30.0m)	(£19.0m)
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	0.6x	0.3x	0.3x	0.2x
Interest Cover	5.4x	7.9x	8.6x	10.3x
Dividend Cover	3.7x	5.2x	4.8x	5.6x
Pension	(£16.0m)	£1.9m	£4.9m	£7.9m
Valuation				
P/E	13.5x	9.7x	10.4x	8.7x
Yield	2.0%	2.0%	2.0%	2.0%
Free Cash Flow Yield	33.8%	16.3%	8.7%	11.2%
EV/Sales	1.3x	1.0x	1.0x	0.8x
EV/EBITDA	8.4x	6.4x	7.5x	5.9x
Tangible NAV/Share	(38.0p)	(22.7p)	(12.8p)	(1.8p)

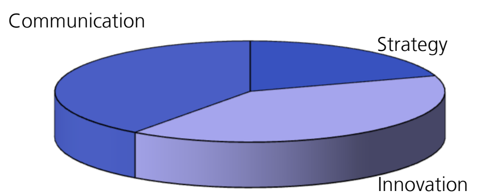
Next News

Full Year Results	October 2019

Share Price Performance

1 Month	+1.7%
12 Months	+11.0%

Revenue by Capability (%) FY18A



Source: Kin + Carta.

Share Price (p)

Source: Bloomberg.

Knights Group Holdings

Neutral 280p

Holding the fort

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- Knights is a regional legal and professional services business with an acquisitive model. Knights transitioned to a corporate model in 2012, and the June IPO allowed for pay down of debt and strengthening of the company's profile, supporting further organic and acquisitive growth.
- The company has a demonstrable record of delivering strong organic growth and executing accretive acquisitions; since its IPO it has made four acquisitions. Revenues for the firm's maiden interims were up 36.6% to £23.9m against full year forecasts of £52.8m; with a second-half weighting, given the timing of the acquisitions.
- External investment in 2012 allowed Knights to overhaul its IT system including installing Tikit – an 'all in one' legal software solution. Combined with financial training, lawyers are empowered to operate far more independently; driving a fee-earner to support ratio of *c.*4.5x compared with a sector average of just 1.8x – management's target is 5.0x, going forward. Recent interims (H1'19) saw a 22% EBITDA margin, and we forecast slight accretion to 22.4% by FY21E.
- We forecast a revenue CAGR of 24% FY19E-FY21E, which includes the impact of the four acquisitions made to date in FY19E. On net debt forecasts of £17.9m (FY20E), the company has already deployed most of its IPO raise proceeds. However, it recently increased its RCF to £27m. We forecast £9m of headroom to deploy against further acquisitions.
- Our PT of 280p puts the shares on an indicative FY20 P/E of 17.4x, at the top end of the sector's range. We believe this is warranted, given high margins, strong cash conversion, and double-digit earnings growth layered upon an acquisitive model. However, with the shares at 280p, they are largely up with events and so we have a Neutral recommendation.

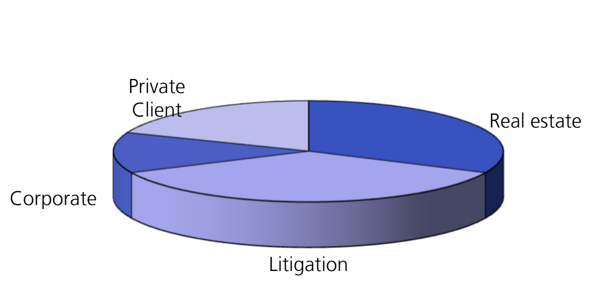
Key Data	KGH.L
Sector	Support Services (AIM)
Market Capitalisation	£207.5m
Shares in Issue	73.3m
Free Float	54.5%
Average Daily Volume	4,379
12 Month Trading Range	175p to 305p

Year to 30 Apr	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£32.1m	£34.9m	£52.8m	£71.9m
EBITDA	£6.5m	£7.4m	£11.1m	£16.1m
Operating Profit	£6.0m	£6.8m	£10.3m	£15.3m
Operating Margin	18.6%	19.4%	19.4%	21.3%
Adjusted PBT	£4.5m	£3.9m	£9.3m	£14.6m
Adjusted Tax Rate	14.3%	26.9%	18.0%	19.0%
Adjusted EPS	-	-	10.7p	16.1p
EPS Growth	-	-	-	50.8%
Dividend	-	-	2.1p	3.2p
Financial				
Net Cash/(Debt)	(£28.8m)	(£26.3m)	(£17.9m)	(£12.3m)
Net Debt/EBITDA	4.3x	3.6x	1.6x	0.8x
Net Debt/Equity	-	-	0.5xx	0.3x
Interest Cover	-	-	-	-
Dividend Cover	-	-	5.0x	5.0x
Pension	-	-	-	-
Valuation				
P/E	-	-	26.7x	17.7x
Yield	-	-	0.8%	1.1%
Free Cash Flow Yield	-	-	-	5.3%
EV/Sales	7.3x	6.7x	4.2x	3.1x
EV/EBITDA	35.9x	31.5x	20.1x	13.9x
Tangible NAV/Share	-	-	56.3p	71.2p

Next News	
Trading Update	May 2019

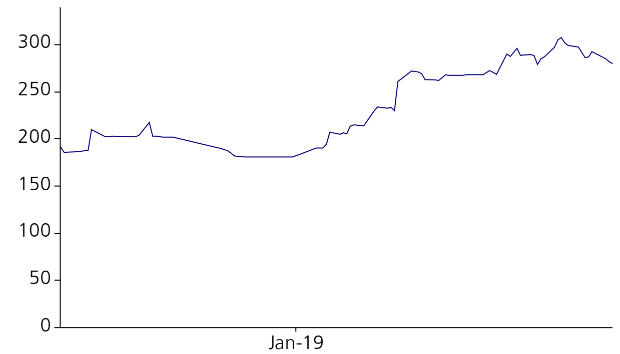
Share Price Performance	
1 Month	-3.0%
12 Months	-

Divisional Revenue Contribution H1'19



Source: Company Accounts, 2018.

Share Price (p)



Source: Bloomberg.

Lamprell

Neutral 61p

New contracts beginning to appear

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- Lamprell is an O&G engineering contractor. The company constructs offshore platforms, newbuild jackups and liftboats, and carries out rig refurb work. It has three facilities in the UAE, one in Saudi Arabia and one in Kuwait.
- Performance in 2018 was within guidance, returning revenue of US$234m and EBITDA loss of US$31.4m. The net cash pile has reduced to US$80m at the end of 2018, but this should be boosted by deposits on the recently won US$200m+ GeoSea contract and newbuild jackup LOI from the Saudi maritime yard. Order book increased to US$540m at the end of December from US$62m at the end of June 2018, reflecting the new wins. This should put Lamprell in a reasonable position to make the lower end of 2019 revenue guidance of US$250-400m, with further contracts required to return to profitability.
- Site construction for the new JV yard in Saudi Arabia continues to advance, and Lamprell continues to expect to fund its full share of CAPEX from existing resources. This is expected to result in contracts for 20 new jackups overall over ten years (Lamprell has 20%), two of which have now come through, alongside significant further work. Lamprell was also recently placed on the Saudi Aramco LTA approved bidder list for additional contracts, which opens up new bidding opportunities of US$3bn per year. All of this could be transformational for Lamprell revenues.
- Lamprell's strong operational capabilities and strategic partnerships are likely to put it in a good position for winning contracts as its markets recover, and the net cash position provides some support. The P&L is likely to remain challenging until significant new work comes through, but the Saudi JV and the push into renewables and EPCI work provide several potential sources, which are already yielding some results. Risks remain, but further positive news on new contracts may appear: we have a Neutral recommendation, and 70p target.

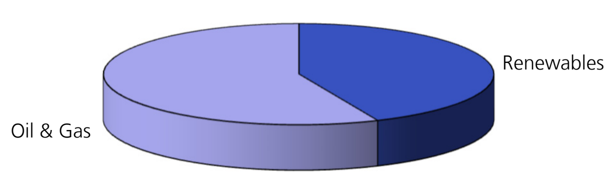
Key Data	LAM.L
Sector	Oil Equipment & Services
Market Capitalisation	£208m
Shares in Issue	342m
Free Float	66%
Average Daily Volume	163,169
12 Month Trading Range	52p to 105p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$370m	$234m	$294m	$382m
EBITDA	($64.0m)	($31.4m)	($12.4m)	($0.2m)
Operating Profit	($90.2m)	($55.4m)	($35.6m)	($26.0m)
Operating Margin	(24.4%)	(23.7%)	(12.1%)	(6.8%)
Adjusted PBT	($97.9m)	($69.5m)	($53.2m)	($44.8m)
Adjusted Tax Rate	(0.2%)	(1.7%)	0.0%	0.0%
Adjusted EPS	(28.7c)	(20.7c)	(15.6c)	(13.1c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$257m	$80m	$12m	($45m)
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	0.1x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(5.4%)	(64.3%)	(21.0%)	(16.6%)
EV/Sales	0.0x	0.8x	0.9x	0.8x
EV/EBITDA	-	-	-	-
Tangible NAV/Share	97.3c	81.7c	71.4c	62.9c

Next News	
Trading Update	Q2 2019

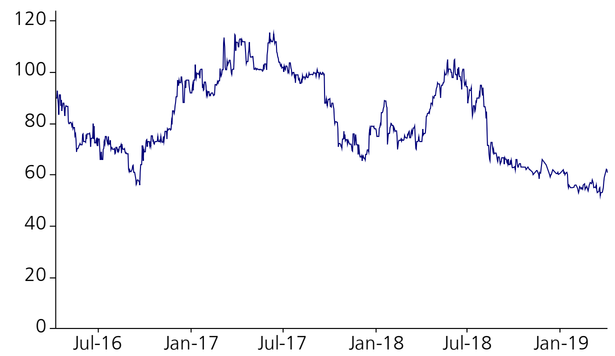
Share Price Performance	
1 Month	+10.9%
12 Months	-20.3%

Order Book end 2018 (US$540m)



Source: Lamprell.

Share Price (p)



Source: Bloomberg.

Litigation Capital Management

Buy 99p

Poised for expansion

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- Having raised funds on the ASX and AIM the Company now has A$52.6m of cash on its debt-free balance sheet. This will allow LCM to significantly increase deployment and accelerate its ROE (FY21E: 26%). We believe there is substantial potential for a re-rating at only 2.3x FY19 P/NAV. We set our target price at 140p and initiation with a Buy rating.
- As at FY18 the Company had a running ROIC on concluded cases of 138% and a success rate of 88%, demonstrating the ability of the team to select not only the cases that win, but those that have high returns. The Company is following a key trend in the litigation finance sector by expanding into funding a portfolio of cases as opposed to single cases. This sees a funder financing a "book" of cases for a corporation or law firm and has the benefits of diversification, speed and lower loss rates. The Company has signed its first portfolio deal with a corporate in October 2018 and on 25/03/19 built upon this by signing another with a global law firm.
- LCM was founded in Australia in 1998 and has recently expanded into London with a six-person team to originate business in Europe. In November 2018 the Group opened its office in Singapore, a region which is set to show display rapid growth given 2017 regulatory changes. We expect to see the benefits of increased FY19 deployment to largely come in FY21 given the average time it takes to settle a case. We are forecasting a doubling of ROE from FY19 to FY21. The Company adopts cash accounting on its investments and therefore does not recognise unrealised fair value gains.
- We value the company on a P/NAV and ROE basis. The stock current trades on 2.3x FY19 P/NAV which we feel does not adequately capture the potential growth in cash returns. The FY19E ROE of 12% is dampened in the short-term by the equity raise and increased operating costs in anticipation of growth. We believe the

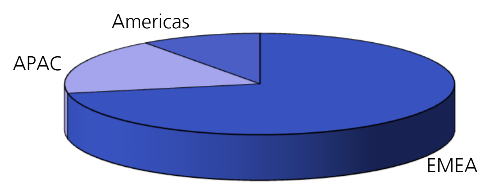
Key Data	LIT.L
Sector	Financial Services (AIM)
Market Capitalisation	£116m
Shares in Issue	113m
Free Float	88.4%
Average Daily Volume	447,406
12 Month Trading Range	103p to 104p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	A$9.4m	A$30.6m	A$48.4m	A$77.3m
EBITDA	(A$0.5m)	A$13.5m	A$9.5m	A$14.8m
Operating Profit	(A$0.5m)	A$13.5m	A$9.5m	A$14.8m
Operating Margin	(5.8%)	44.0%	19.6%	19.2%
Adjusted PBT	(A$2.2m)	A$12.8m	A$9.5m	A$14.9m
Adjusted Tax Rate	23.7%	26.0%	25.0%	24.0%
Adjusted EPS	0.0c	7.9c	5.0c	9.5c
EPS Growth	0.0%	0.0%	0.0%	58.2%
Dividend	-	-	1.11c	3.10c
Financial				
Net Cash/(Debt)	A$1.9m	A$13.8m	A$47.4m	A$28.1m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	2.0x	-	-
Dividend Cover	-	-	4.5x	3.1x
Pension	-	-	-	-
Valuation				
P/E	-	23.9x	37.7x	19.9x
Yield	-	-	0.6%	1.6%
Free Cash Flow Yield	(4.2%)	5.6%	(4.3%)	(7.9%)
EV/Sales	22.6x	6.5x	3.4x	2.4x
EV/EBITDA	-	14.8x	17.5x	12.5x
Tangible NAV/Share	8.3c	12.6c	37.5c	41.5c

Next News	
Full Year Results	September 2019

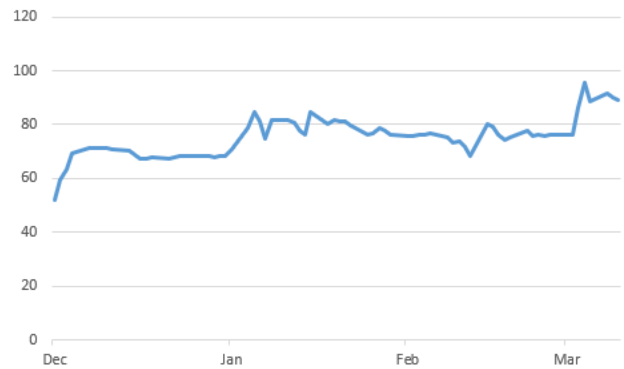
Share Price Performance	
1 Month	+20.7%
12 Months	n/a

Pipeline breakdown (by commitment size)



Source: Company documents.

Share Price (p)



Source: Bloomberg.

Lok'nStore

Buy 495p

Unlocking Returns

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- Lok'nStore is a self-storage company that operates a portfolio of 32 stores predominantly located in southern England. The current development pipeline will look to add another 9 new stores, which will cement the group's status as the fourth largest self-storage provider in the UK.
- We initiated coverage on Lok'nStore in February this year with a Buy recommendation, setting a price target of 500p. We see upside to the shares arising from three key reasons.
- First, we cite strong fundamentals behind the UK self-storage market providing a solid foundation for rental growth, namely increasing desire for flexibility, significant barriers to entry and inherent undersupply of space.
- Secondly, we see scope for material EPS growth in FY21-22E driven by the company's shift towards opening 9 new stores (increasing trading space by c.42% across FY18A-22E). With a portfolio shift towards higher margin stores, we see EBITDA margins growing from 41.1% in FY18 to 44.5% in FY20E.
- Finally, we believe that the historical valuation discrepancy of Lok'nStore (average c.9% NAV discount since mid-2017) relative to peers (c.39% NAV premium) has been exceptionally steep, potentially overlooking the impact that Lok'nStore's non-REIT operating model has on generic return-based metrics. Current levels show Lok'nStore trading mildly (1-2%) ahead of NAV compared to c.50% NAV premiums currently experienced by larger peers.
- Overall, we believe Lok'nStore provides equity investors with compelling exposure to a sound growth strategy that is set to capitalise on favourable market dynamics, all at a modest valuation.

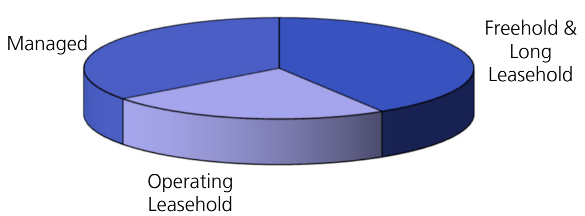
Key Data	LOK .L
Sector	Real Estate Investment (AIM)
Market Capitalisation	£146m
Shares in Issue	29.6m
Free Float	72.9%
Average Daily Volume	34,923
12 Month Trading Range	355p to 495p

Year to 31/07	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£16.7m	£17.8m	£17.9m	£18.4m
EBITDA	£6.5m	£7.3m	£7.8m	£8.2m
Operating Profit	£4.4m	£5.1m	£5.6m	£6.0m
Operating Margin	26.3%	28.8%	31.3%	32.7%
Adjusted PBT	£4.1m	£4.7m	£4.9m	£5.2m
Adjusted Tax Rate	19.4%	19.5%	17.7%	17.0%
Adjusted EPS	11.4p	13.0p	13.5p	14.4p
EPS Growth	(1.9%)	14.0%	3.7%	6.5%
Dividend	10.00p	11.00p	12.00p	13.00p
Financial				
Net Cash/(Debt)	(£17.3m)	(£32.2m)	(£26.6m)	(£38.6m)
Net Debt/EBITDA	2.7x	4.4x	3.4x	4.7x
Net Debt/Equity	0.2x	0.3x	0.2x	0.3x
Interest Cover	14.7x	13.4x	8.1x	7.3x
Dividend Cover	1.1x	1.2x	1.1x	1.1x
Pension	-	-	-	-
Valuation				
P/E	43.4x	38.0x	36.7x	34.4x
Yield	2.0%	2.2%	2.4%	2.6%
Free Cash Flow Yield	(1.5%)	(8.7%)	(0.3%)	(5.2%)
EV/Sales	9.8x	10.1x	9.6x	10.0x
EV/EBITDA	25.2x	24.5x	22.1x	22.5x
Tangible NAV/Share	292p	339p	369p	380p

Next News	
Interim Results	April 2019

Share Price Performance	
1 Month	+4.8%
12 Months	+30.3%

trading stores FY19E



Source: Arden Partners..

Share Price (p)

Source: Bloomberg.

Macfarlane Group*

Buy 96p

Boxing Clever

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- Macfarlane has reported FY2018 results with revenue and operating profit largely in line with expectations, but EPS ahead of expectations due to lower interest and tax than we had in our forecasts. However, the company is continuing to demonstrate strong operational performance with increasing margins and scope for further organic and inorganic growth with 2019 starting well. Revenue was £217m (+11% YoY), pre-exceptional PBT £11.2m and reported EPS (pre-exceptional) of 5.72p (+9.6%). The full year proposed dividend is 2.3p per share, equating to 1.65p for the final dividend. The Group reported net Debt of £13.3m and the pension deficit has also decreased to £9.8m, which we see as a positive reflection of the Group's financial position.
- The group has recently concluded two modest acquisitions of Tyler Packaging (Leicester) and Harrisons Packaging in Leyland. These will bring in incremental revenues of £6m with around £2.5m uplift in FY18 and the incremental £3.5m in FY19. The maximum net cash consideration (including deferred payments) for both acquisitions is c.£3.5m and this equates to an EBITDA multiple of 5x. We adjusted our Packaging Distribution revenue line to reflect the price rises (£5m additional revenue in FY18) and the weighted contribution from the two acquisitions.
- Macfarlane is well set to maintain double-digit earnings trends as industrial and internet retail clients outperform within this market and new business wins build revenues. Additionally, the group has a strong record of delivering earnings enhancing acquisitions and have communicated the strategic ambition of £300m revenues and £20m profit.
- We believe the present valuation of 12.3x 2019E P/E meaningfully understates the quality of earnings and the upside potential of future M&A. Macfarlane is one of Arden's Research Best Ideas for 2019.

Key Data

Key Data	MACF.L
Sector	General Industrials
Market Capitalisation	£152m
Shares in Issue	158m
Free Float	98.8%
Average Daily Volume	208,638
12 Month Trading Range	72p to 112p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£196m	£217m	£228m	£258m
EBITDA	£13.1m	£15.9m	£17.1m	£19.2m
Operating Profit	£8.5m	£9.8m	£10.8m	£18.3m
Operating Margin	4.3%	4.5%	4.7%	7.1%
Adjusted PBT	£10.8m	£13.5m	£14.8m	£16.7m
Adjusted Tax Rate	23.1%	19.6%	19.3%	19.3%
Adjusted EPS	6.1p	7.1p	7.8p	8.8p
EPS Growth	14.6%	16.8%	9.6%	12.9%
Dividend	2.10p	2.30p	2.45p	2.65p
Financial				
Net Cash/(Debt)	(£14.7m)	(£13.3m)	(£8.6m)	(£0.3m)
Net Debt/EBITDA	1.1x	0.8x	0.5x	0.0x
Net Debt/Equity	0.3x	0.2x	0.1x	0.0x
Interest Cover	10.3x	12.1x	16.6x	24.5x
Dividend Cover	2.9x	3.1x	3.2x	3.3x
Pension	(£11.8m)	(£9.8m)	(£7.3m)	(£4.7m)
Valuation				
P/E	15.7x	13.5x	12.3x	10.9x
Yield	2.2%	2.4%	2.5%	2.8%
Free Cash Flow Yield	4.7%	8.7%	8.4%	9.8%
EV/Sales	0.8x	0.8x	0.7x	0.6x
EV/EBITDA	12.7x	10.4x	9.4x	7.9x
Tangible NAV/Share	-	-	-	-

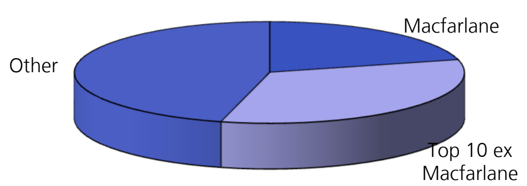
Next News

AGM trading update	May 2019

Share Price Performance

1 Month	-0.5%
12 Months	+21.9%

UK packaging distribution market share



Source: Macfarlane.

Share Price (p)

Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Maestrano

Buy 3.4p

Project setbacks present opportunity

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- Maestrano offers leverage to a theme of growing global SME cloud adoption through its patented data management platform. A recent contract win from a large US bank is due to transform the business and validate its proposition. We forecast a 120% revenue CAGR FY18-20E and EBITDA profitability by FY20E as a result. In our view, the shares' current valuation on a negative EV substantially underestimates its potential.
- Maestrano offers a data sharing platform for enterprises to engage with its SME clients. Once implemented to an enterprise's branding and specification, Maestrano's platform allows SMEs to seamlessly move information between commonly used cloud-based applications, such as accounting and CRM software. The SME saves time, effort and gains efficiency, while the enterprise gains data insights and customer retention.
- Maestrano recently raised £6m to finance growing end-user adoption, expand market penetration and develop software functionality. Since then, the group has seen slightly elevated development costs in completing implementation for a client, and a slower-than-expected roll-out, at its major US banking client, which weighs on earnings' estimates.
- Our multiples-based 12-month price target is 12p. Trading on a negative EV multiple of sales, we believe the shares currently price an overly bearish outcome for the group's major contract. We view the risk-reward balance as compelling and reiterate our Buy rating.

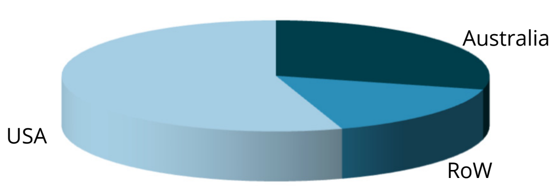
Key Data	MNO.L
Sector	Technology: Software (AIM)
Market Capitalisation	£2.8m
Shares in Issue	80.0m
Free Float	63.6%
Average Daily Volume	202,571
12 Month Trading Range	2.6p to 15.2p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£1.2m	£1.0m	£1.1m	£2.5m
EBITDA	£(1.5m)	£(1.1m)	£(3.0m)	£(1.8m)
Operating Profit	£(1.5m)	£(1.1m)	£(3.1m)	£(1.9m)
Operating Margin	-129%	-111%	-284%	-74%
Adjusted PBT	£(1.7m)	£(1.2m)	£(3.1m)	£(1.9m)
Adjusted Tax Rate	0.0%	-2.5%	0.0%	0.0%
Adjusted EPS	0.0p	-1.6p	-3.8p	-2.3p
EPS Growth	0%	0%	144%	-39%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£(1.7m)	£5.2m	£2.2m	£0.0m
Net Debt/EBITDA	1.2x	-4.9x	-0.7x	0.0x
Net Debt/Equity	108.9%	101.1%	102.8%	11.2%
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	n/a	-2.1x	-0.8x	-1.4x
Yield	-	-	-	-
Free Cash Flow Yield	-68.4%	-54.6%	-117.6%	-82.7%
EV/Sales	3.7x	-2.7x	-1.1x	-0.5x
EV/EBITDA	-2.9x	2.5x	0.4x	0.6x
Tangible NAV/Share	-	-	-	-

Next News	
Full Year Results	September 2019

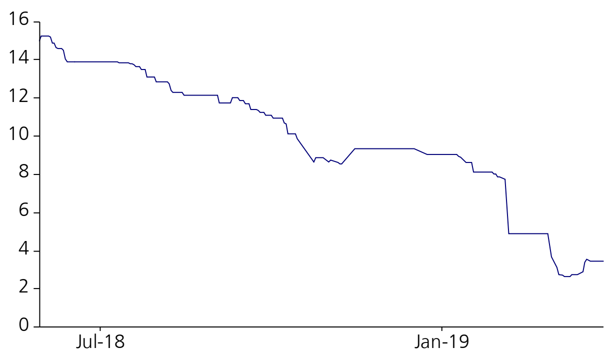
Share Price Performance	
1 Month	-6.1%
12 Months	-

Geographic Breakdown of Sales (FY18A)



Source: .

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Manolete Partners

Neutral 490p

Initiation of coverage

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- Following Manolete's December IPO, it now aims to expand within its insolvency niche by funding an increased number of cases across the UK. The Company has high returns on its invested capital of over 200%, diversified across c.30-40 cases per year. In our view, these returns justify a premium rating, but the shares have more than doubled since the December IPO in anticipation of significant growth. As such, we believe the shares will pause for breath and initiate with a price target of 440p and Neutral rating.
- High ROIC is in part down to the niche in which the Company operates; Manolete can "purchase" insolvency cases from claimants, thereby becoming the claimant and taking greater control over the costs and timing of settlement. This results in 60% operating margins in FY18 which we forecast expanding to 79% in FY21. Manolete has *c.*£15m of funds and £16m headroom on its debt facility to increase the number of cases funded. Having invested £1.3m in cases in FY18 this sum allows the Company to invest 24.4x more than in prior year.
- The Company operates at the smaller end of the market to the largest market players such as Burford, Vannin, Therium and Harbour and therefore does not compete with them. In its highly fragmented core market, it is estimated that Manolete has the largest market share. This can be built upon with the access to funds that the IPO has facilitated.
- We forecast average operating profit growth of 45% from FY19E to FY21E as the Company increases cases funded. The Group adopts fair value accounting on its investments, and we forecast a roughly 50:50 split between unrealised and realised gains. In our view the high margin, diversified growth profile of Manolete justifies a premium rating. However, having doubled since IPO we believe short-term upside is limited and set our target price at 440p. Neutral.

Key Data — MANO.L

Sector	Financial Services
Market Capitalisation	£214m
Shares in Issue	43.6m
Free Float	100%
Average Daily Volume	59,687
12 Month Trading Range	75p to 512p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£3.8m	£6.7m	£9.5m	£12.5m
EBITDA	£2.0m	£4.1m	£6.8m	£9.4m
Operating Profit	£2.0m	£4.1m	£6.8m	£9.4m
Operating Margin	42.0%	38.3%	44.1%	47.1%
Adjusted PBT	£1.8m	£3.7m	£6.6m	£9.1m
Adjusted Tax Rate	23%	12%	18%	18%
Adjusted EPS	0.0p	7.5p	12.3p	17.2p
EPS Growth	(7%)	135%	37%	68%
Dividend	-	-	1.64p	3.44p
Financial				
Net Cash/(Debt)	(£1.5m)	(£2.9m)	£12.6m	£11.5m
Net Debt/EBITDA	0.8x	0.7x	-	-
Net Debt/Equity	0.3x	0.4x	-	-
Interest Cover	9.2x	10.8x	24.4x	33.7x
Dividend Cover	-	-	7.5x	5.0x
Pension	-	-	-	-
Valuation				
P/E	-	65.5x	39.7x	28.5x
Yield	-	-	0.4%	0.8%
Free Cash Flow Yield	(0.8%)	(0.2%)	(0.1%)	0.2%
EV/Sales	44.4x	20.4x	13.0x	10.1x
EV/EBITDA	105.8x	53.2x	29.4x	21.4x
Tangible NAV/Share	10.3p	17.8p	64.8p	79.2p

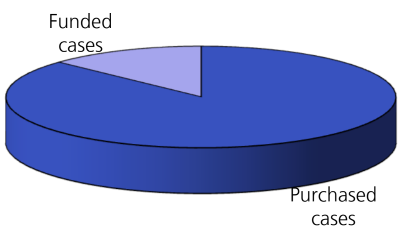
Next News

FY19 Results	June 2019

Share Price Performance

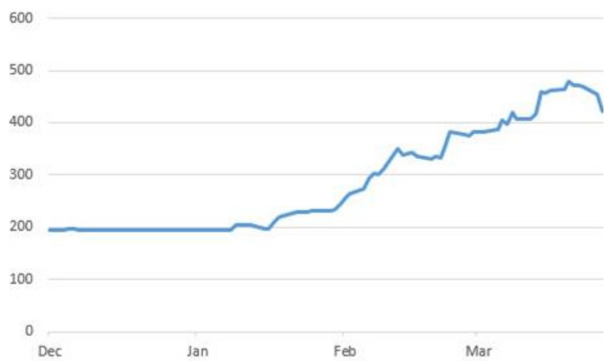
1 Month	+10%
12 Months	n/a

Revenue Breakdown



Source: Company documents.

Share Price (p)



Source: Bloomberg.

MOD Resources

Buy 18.8p

Kalahari copper

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- MOD Resources is an ASX-listed copper developer that listed on London's main market in Q4 2018. MOD is developing its T3 sediment-hosted copper-silver asset in Botswana, which benefits from an extremely high grade concentrate of c.34% and low operating costs, giving an operating margin of c.40%.
- MOD recently announced a deal to increase its ownership in T3 to 100%, but still has a 70% ownership (Metal Tiger 30%) of the remaining 700km2 of permits in the T3 complex, with options to earn-in, post any scoping study. MOD has a 70% interest in a further 8,000km2 of Joint Venture licences.
- The Botswana government is supportive, and MOD has a good relationship with its stakeholders. MOD has conducted a community engagement programme from the start and is hoping to employ the local workforce at the operations. Botswana's government is looking past diamonds and sees growth in copper along the Kalahari Copper Belt.
- Very high grade concentrate, with silver credits, very few impurities and low arsenic content over the LoM. Due to the encouraging drill results in the T3 Dome area there may be potential for multiple ore sources and more than one mine location, as the permit covers an area of 700km2.
- Attractive NAV with current LoM, and an exploration programme is showing huge potential from other domes on the licence area; specifically, A4, A1 and A21 domes, which are likely to be developed via underground mining. MOD is conducting further airborne electromagnetic (EM) surveys at the other targets (seven in total) on site and drilling alongside these studies. Mineralised targets are easy to identify due to dense shale rich caps overlying domes.
- Buy rating, 2019 target price of 52p, taking into account project financing (debt/equity 60/40 split), with a WACC of 10%, Current P/NAVPS of MOD is 0.3x.

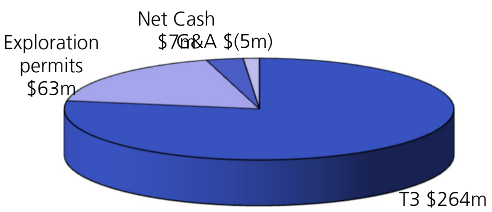
Key Data	MOD.L
Sector	Metals & Mining
Market Capitalisation	£56.9m
Shares in Issue	304m
Free Float	100%
Average Daily Volume	71,520
12 Month Trading Range	14.0p to 23.5p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	A$0.0m	A$0.0m	A$0.0m	A$0.0m
EBITDA	(A$0.9m)	(A$2.5m)	(A$2.5m)	(A$2.6m)
Operating Profit	(A$1.4m)	(A$3.7m)	(A$3.7m)	(A$3.7m)
Operating Margin	-	-	-	-
Adjusted PBT	(A$1.5m)	(A$3.5m)	(A$3.5m)	(A$7.4m)
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(1.1c)	(1.9c)	(1.1c)	(1.4c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	A$4.0m	A$9.5m	A$21.5m	(A$69.8m)
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	0.7x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(5.5%)	(10.8%)	(15.6%)	(134.1%)
EV/Sales	-	-	-	-
EV/EBITDA	-	-	-	-
Tangible NAV/Share	14.0c	16.8c	24.1c	26.7c

Next News	
Funding Status Update	Q2 2019

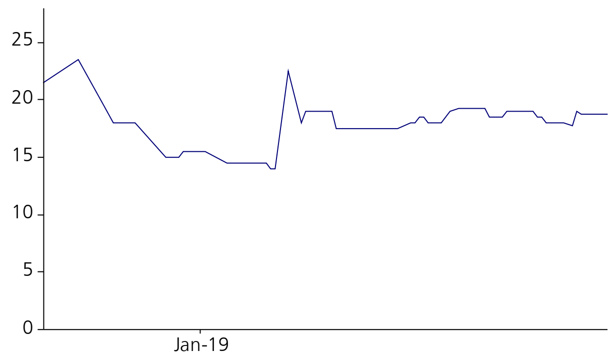
Share Price Performance	
1 Month	+1.4%
12 Months	-

Total 2019E NAV, US$329m (59p/share)



Source: Arden Partners.

Share Price (p)



Source: Bloomberg.

Arden

11 April 2019

Mucklow (A&J)*

Buy 510p

High-quality assets, attractive yield

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- Mucklow is a specialist property REIT with a modern industrial and commercial portfolio focused on the Midlands. The company has historically read the property cycle very well, selling older properties and paying down debt into market strength, and buying attractive, high-yield investment properties when value opportunities arise.
- Interims to December 2018 showed a steady performance with rental income up 4.2% driven by lease renewals, rent reviews, and a noteworthy fall in the vacancy rate to another record low of 2.4% (Jun 18: 2.8%). As a result, underlying PBT increased 6.3% YoY with growth of c.5% at the EPS level. Of significance, EPRA NAV grew by 2.3% (ahead of our expectations) to 572p (Jun 18: 559p) driven by a £8.7m revaluation gain (H1 18: £14.1m) demonstrating ongoing demand for industrial property in the Midlands.
- Although the company is seeing some caution amongst occupiers looking to make longer-term commitments (which may delay take-up of its upcoming development projects at Mucklow Park and i54 Wolverhampton in the short-term), the group expects to achieve further rises in ERV over the next 5-years, led by an active approach towards new lettings, lease renewals and rent reviews. Further, we see attraction in the strength of Mucklow's balance sheet with its LTV at a relatively low 16%.
- We believe that the well-regarded management, strong track record, low cost structure, attractive secure dividend yield and good prospects for long-term rental and capital value growth in the Midlands justify a premium to sector valuations. The shares should continue to appeal to long-term, income-orientated investors and currently offer good value trading at c.10% discount to EPRA NAV of 572p. Buy, Target Price 600p.

Key Data

Key Data	MKLW.L
Sector	Real Estate Inv. Trusts
Market Capitalisation	£323m
Shares in Issue	63.3m
Free Float	66.8%
Average Daily Volume	111,904
12 Month Trading Range	482p to 570p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£24.7m	£25.1m	£25.5m	£25.9m
EBITDA	£19.2m	£18.3m	£20.2m	£20.6m
Operating Profit	£19.3m	£19.0m	£19.9m	£20.2m
Operating Margin	78.1%	75.7%	78.2%	78.1%
Adjusted PBT	£15.9m	£15.7m	£17.2m	£17.5m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	25.1p	24.8p	27.1p	27.6p
EPS Growth	6.0%	(1.3%)	9.4%	1.8%
Dividend	22.12p	22.78p	23.46p	24.16p
Financial				
Net Cash/(Debt)	(£78.5m)	(£71.0m)	(£69.4m)	(£69.6m)
Net Debt/EBITDA	4.1x	3.9x	3.4x	3.4x
Net Debt/Equity	0.3x	0.2x	0.2x	0.2x
Interest Cover	5.7x	5.9x	7.2x	7.3x
Dividend Cover	1.1x	1.1x	1.2x	1.1x
Pension	-	-	-	-
Valuation				
P/E	20.3x	20.6x	18.8x	18.5x
Yield	4.3%	4.5%	4.6%	4.7%
Free Cash Flow Yield	(2.5%)	(3.8%)	(1.0%)	(0.1%)
EV/Sales	16.2x	15.7x	15.4x	15.1x
EV/EBITDA	20.9x	21.5x	19.4x	19.1x
Tangible NAV/Share	469p	557p	577p	593p

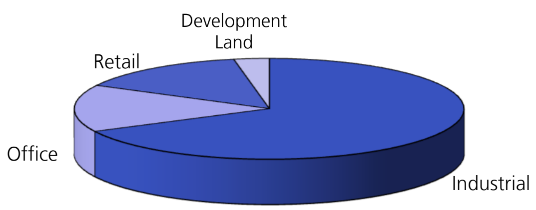
Next News

Finals	September 2019

Share Price Performance

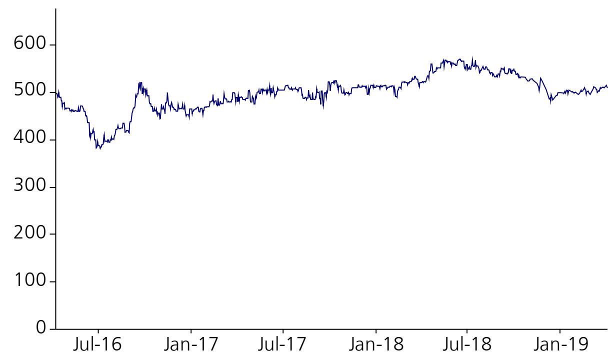
1 Month	-0.4%
12 Months	-2.3%

Property Portfolio Distribution



Source: Mucklow (A&J).

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Oxford Instruments

Neutral 982p

The appliance of science

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- Oxford Instruments is a leader in the supply of high technology instruments for industry (45% of sales) and academic research (55% of sales) for applications including Healthcare & Life Science (31%), Semiconductor & Communications (30%) and Materials (20%).
- Interim FY19 results showed 12% constant currency revenue growth and 11% on a continuing reported basis. Adjusted operating profit was up 11.7% to £21m and margins increased to 14.3%. Adjusted EPS grew 22% to 27.3p. Net Debt dropped to £12.5m and the interim dividend increased 2.7% to 3.8p. There has been continued improvement through the Horizon strategy and expectations for the full year remained unchanged, with the seasonal second half bias anticipated.
- Materials & Characterisation performed well, with underlying sales up 13.2% and profits up 19.7% to £20.1m driven by strong demand from new products. Research & Discovery underlying revenues declined 9.7% and profits fell 36% to £13.8m, reflecting the transition from third-party systems and long lead-time NanoScience orders. Service & Healthcare underlying revenues declined 2.9% to £66.8m, with profits up 4.2% to £12.6m, with strong service demand for the Group's equipment partly offset by lower sales of refurbished MRI systems.
- The company is now focused on less cyclical, higher margin operations. The strategy is to build the business around growing segments where the company has the potential to be a market leader, driving organic growth. The order book is growing and management expect to see an improvement in performance in the coming year.

Key Data — OXIG.L

Sector	Electronic & Electrical Equipment
Market Capitalisation	£563m
Shares in Issue	57.4m
Free Float	94.6%
Average Daily Volume	37,138
12 Month Trading Range	795p to 1096p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£348m	£297m	£313m	£326m
EBITDA	£53.0m	£55.6m	£53.0m	£55.0m
Operating Profit	£42.5m	£46.5m	£49.0m	£51.0m
Operating Margin	12.2%	15.7%	15.7%	15.7%
Adjusted PBT	£36.0m	£42.3m	£43.9m	£46.4m
Adjusted Tax Rate	24.2%	23.9%	20.0%	20.0%
Adjusted EPS	47.8p	56.3p	61.4p	64.8p
EPS Growth	(2.8%)	17.7%	9.1%	5.6%
Dividend	13.00p	13.00p	13.00p	13.00p
Financial				
Net Cash/(Debt)	(£109.3m)	(£19.7m)	(£6.9m)	£7.9m
Net Debt/EBITDA	2.1x	0.4x	0.1x	-
Net Debt/Equity	0.8x	0.1x	0.0x	-
Interest Cover	7.9x	11.1x	10.9x	12.7x
Dividend Cover	3.7x	4.3x	4.7x	5.0x
Pension	(£25.1m)	(£17.2m)	(£10.2m)	(£3.2m)
Valuation				
P/E	20.5x	17.4x	16.0x	15.1x
Yield	1.3%	1.3%	1.3%	1.3%
Free Cash Flow Yield	3.7%	4.7%	3.6%	3.9%
EV/Sales	1.9x	2.0x	1.8x	1.7x
EV/EBITDA	12.7x	10.5x	10.8x	10.1x
Tangible NAV/Share	(84.9p)	(33.3p)	16.0p	68.7p

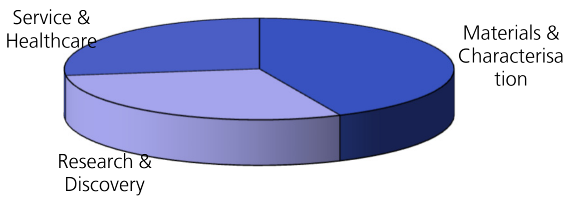
Next News

FY 2019 Results	June 2019

Share Price Performance

1 Month	-4.1%
12 Months	+23.1%

Divisional Profits



Source: Company Accounts.

Share Price (p)

Source: Bloomberg.

Palace Capital*

Buy 282p

Once a Palace, now a Kingdom

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- Palace has made a strong start to 2019 with the focus being the progress made at Hudson Quarter, its flagship development located in the heart of York. In February, the group secured a £26.5m debt facility with Barclays Bank and also signed a £35m construction contract with Yorkshire-based contractor Caddick Construction, both positive steps towards unlocking the potential for NAV accretion. Our analysis suggests that the group could secure c.£11m in development profits (adding c.24p to the NAV in FY21-22), potentially increasing earnings by at least 5pps going forward.
- Elsewhere, Palace also confirmed the acquisition in December last year of One Derby Square, a grade-A, five-storey, 70,000 sq ft multi-let office, retail & leisure building (c.70% offices) in the centre of Liverpool. Paying c.£14m at a 6.75% net initial yield, we view this as a complimentary addition to the group's regional portfolio.
- Interims from last November showed the RT Warren acquisition delivering scale, with gross rental income increasing by 29% YoY to £9.2m and adjusted PBT by 17.5% to £4.4m. FY19 results (to March) are expected in June 2019.
- Overall, Palace's diversified asset base, regional focus, and active asset management approach suggests that the current share price significantly undervalues the company. Along with a high dividend yield for FY19, we rate the shares with a Buy recommendation and a target price of 415p.

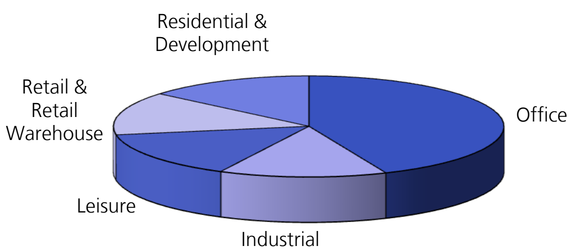
Key Data	PCA.L
Sector	Real Estate Investment
Market Capitalisation	£129m
Shares in Issue	45.9m
Free Float	95.3%
Average Daily Volume	25,869
12 Month Trading Range	282p to 364p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£14.3m	£16.7m	£18.3m	£18.5m
EBITDA	£9.6m	£11.6m	£13.8m	£13.4m
Operating Profit	£9.5m	£11.6m	£13.2m	£13.3m
Operating Margin	66.8%	69.3%	72.1%	72.1%
Adjusted PBT	£6.7m	£8.5m	£9.3m	£9.5m
Adjusted Tax Rate	14.8%	12.5%	14.8%	14.8%
Adjusted EPS	22.1p	21.2p	17.3p	17.6p
EPS Growth	17.2%	(4.1%)	(18.3%)	1.9%
Dividend	18.50p	19.00p	19.00p	19.00p
Financial				
Net Cash/(Debt)	(£69m)	(£82m)	(£87m)	(£113m)
Net Debt/EBITDA	7.2x	7.1x	6.3x	8.4x
Net Debt/Equity	0.6x	0.4x	0.5x	0.6x
Interest Cover	-	-	-	-
Dividend Cover	1.2x	1.1x	0.9x	0.9x
Pension	-	-	-	-
Valuation				
P/E	12.8x	13.3x	16.3x	16.0x
Yield	6.6%	6.7%	6.7%	6.7%
Free Cash Flow Yield	(6.4%)	(57.6%)	(12.1%)	(5.2%)
EV/Sales	13.9x	12.7x	11.9x	13.1x
EV/EBITDA	20.7x	18.2x	15.7x	18.1x
Tangible NAV/Share	434p	400p	405p	406p

Next News	
Full Year Results	June 2019

Share Price Performance	
1 Month	-6.0%
12 Months	-13.2%

Portfolio Distribution



Source: Palace Capital.

Share Price (p)

Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.**

Pantheon Resources*

Buy 19p

The call of the wild

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- Pantheon is an E&P company with assets onshore Alaska and East Texas. The company is carrying out flow testing of its Alkaid discovery, and development planning could follow. We could also see additional Alaska drilling activity going forward on new farm outs, while there may also be new production drilling in East Texas.
- In Pantheon's Alaska portfolio, the Alkaid discovery was recently successfully flow tested at the ZOI level, with further results due from the West Sak and Ugnu. The ZOI success should lead to development planning in due course, while testing results from the other levels represent substantial upside potential. Otherwise, focus in Alaska is on the existing Talitha discovery. Talitha itself needs appraising, but drilling could also explore identified upside in reservoirs above and below this, creating a potential high impact well. Farm out is likely to be required to fund new Talitha drilling.
- In East Texas, the enlarged Pantheon team (post the recent Great Bear acquisition) is carrying out a reanalysis of the assets in order to define a future work programme. Drilling of a new production well at the VOBM#1 location is planned for this summer, and once this is confirmed it will represent the chance to grow company revenues.
- Our total risked NAV for Pantheon is 69p, going to 347p unrisked. Going forward we expect the balance of the Alkaid testing results, followed by confirmation of the forward programme across Alaska and East Texas, and any new farm outs. Based on the asset position and forward newsflow potential we have a Buy recommendation and a 60p target.

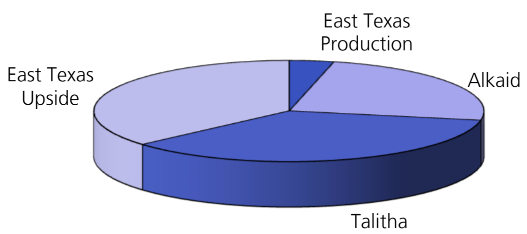
Key Data	PANR.L
Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£87m
Shares in Issue	455m
Free Float	94%
Average Daily Volume	2,088,105
12 Month Trading Range	15p to 49p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$0.0m	$1.0m	$0.8m	$11.6m
EBITDA	($1.8m)	($1.7m)	($4.8m)	$2.2m
Operating Profit	($1.8m)	($2.0m)	($5.0m)	$0.6m
Operating Margin	-	(193.6%)	(641.8%)	5.3%
Adjusted PBT	($1.7m)	($1.9m)	($5.0m)	$0.6m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(0.8c)	(0.8c)	(1.2c)	0.1c
EPS Growth	-	-	-	0.0%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$4.4m	$3.4m	$2.9m	$0.3m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	237.4x
Yield	-	-	-	-
Free Cash Flow Yield	(16.7%)	(11.3%)	(12.2%)	(2.3%)
EV/Sales	-	111.2x	145.7x	10.0x
EV/EBITDA	-	-	-	53.3x
Tangible NAV/Share	1.5c	6.2c	3.7c	2.5c

Next News	
Activity Update	Q2 2019

Share Price Performance	
1 Month	-26.5%
12 Months	-25.1%

Total Risked NAV 41p



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Park Group*

Buy 74p

H119 interims

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- In Q4 the Group produced interim results in line with expectations, with FY19 forecast revisions merely reflecting accounting changes and £0.3m of strategy review costs. Confidence in underlying trading was reflected in a 5% increase in the dividend to 1.05p, in line with our 3.2p forecast for FY19 (4.0% yield). The stock currently trades on 13.5x FY19 P/E and 8.2x FY19 EV/EBITDA which we feel significantly undervalues not only the current proposition from core trading, but also the medium term potential from new management's strategy, driving higher margin products through increasing digitization and use of technology which warrants a materially higher multiple in our view to reflect the shifting dynamics of the business. Our target price is 100p, presenting 33% upside to current levels.
- As per previous interims, the significant H2 weighting in revenues resulted in a pre-tax loss for H1, although we note that operational efficiency gains, mix improvement and timing of despatches reduced the loss to £1.5m (H118: £1.9m loss). Average cash balances continued to increase in line with trading, reaching £175.4m and generating £0.8m of interest income.
- Billings increased 3.3% despite the exit from some low margin business worth £6.3m (remaining billings increased 10.3%). The removal of this particular business had an impact on revenue, which was 17% down to £27.4m.
- Headline billings growth does not reflect the changing product mix and subsequent impact on future revenue and earnings. We note the encouraging trend towards higher margin products that will generate revenue over the life of the voucher as opposed to on despatch, providing upside risk to future margins. We look to full-year results for further detail of this.

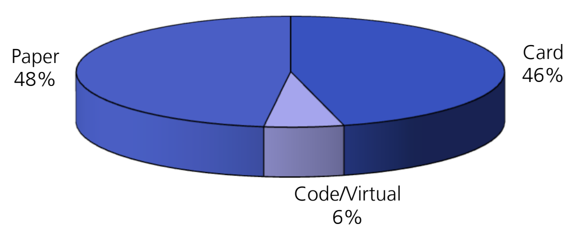
Key Data	PARK.L
Sector	Financial Services (AIM)
Market Capitalisation	£137m
Shares in Issue	186m
Free Float	98.8%
Average Daily Volume	121,937
12 Month Trading Range	71p to 76p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£119m	£111m	£111m	£117m
EBITDA	£11.8m	£12.7m	£13.1m	£14.6m
Operating Profit	£10.4m	£11.3m	£11.7m	£13.1m
Operating Margin	8.7%	10.2%	10.5%	11.2%
Adjusted PBT	£11.9m	£12.6m	£13.0m	£14.5m
Adjusted Tax Rate	(19.9%)	(19.0%)	(19.0%)	(19.0%)
Adjusted EPS	5.1p	5.5p	5.7p	6.3p
EPS Growth	(2.2%)	7.9%	3.6%	11.3%
Dividend	2.90p	3.05p	3.20p	3.40p
Financial				
Net Cash/(Debt)	£31.4m	£34.2m	£39.8m	£44.9m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	1.8x	1.8x	1.8x	1.9x
Pension	-	-	-	-
Valuation				
P/E	14.5x	13.4x	12.9x	11.6x
Yield	3.9%	4.1%	4.4%	4.6%
Free Cash Flow Yield	7.2%	7.5%	9.8%	9.9%
EV/Sales	0.9x	0.9x	0.9x	0.8x
EV/EBITDA	8.9x	8.1x	7.4x	6.3x
Tangible NAV/Share	-	-	-	-

Next News	
FY19 Results	June 2019

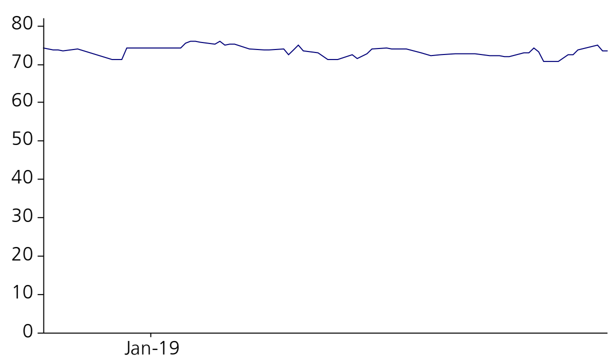
Share Price Performance	
1 Month	+1.0%
12 Months	-

H1 Revenue Mix



Source: .Arden.

Share Price (p)



Source: Bloomberg.

Phoenix Global Mining

Buy 14.5p

Taking flight

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- Phoenix Global Mining is in the process of restarting the Empire copper mine in Idaho. PGM is conducting a BFS, completion due in Q1 2020. The current resource focuses upon the shallow oxides, but PGM believes the real value lies at depth with the sulphides (of which it believes only c.5% of the geological system has been explored). Further upside exists from additional gold, silver, lead and zinc byproducts. PGM stands to benefit from a multi-metal suite and has huge long-term blue-sky upside potential.
- BFS underway and due to be completed in Q1 2020. Focus was initially on an oxide heap-leach operation in the near-term and sulphide operation in the long-term. It is likely now that PGM will go straight to a agitated leach operation, enabling it to benefit from the multi-metal suite. The mine benefits from copper, zinc, lead, gold and silver mineralisation.
- Largely untested geological system – only c.5% has been drilled – and potential sulphide upside exists at depth. Weathered cap has been the focus of historical mining and would be the focus for PGM initially before evaluating the best route forward. PGM has staked 54 adjoining claims, increasing the footprint from 818 to 1,774 acres and 109 claims in total. Recent drilling has confirmed larger system, and PGM are in the process of updating the mineral resource to reflect this.
- The PEA study is not that impressive as it does not benefit from the multi-metal suite. PGM is a long-term play due to all the working parts and the deeper sulphide potential, with the ability to extract zinc, lead, gold and silver after further studies. Exciting drilling was completed on the open pit zone, and exploratory holes into the underlying sulphide zones demonstrated the deeper sulphide potential at Empire. Historical drill core exists of c.27km over 315 holes, used in the current resource calculation. Resource update from the 2018 drill programme is due in Q1 2019.

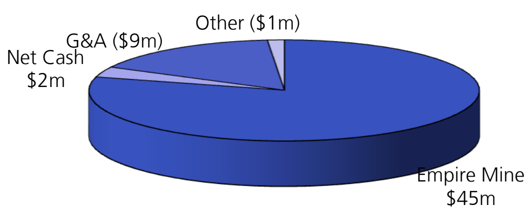
Key Data	PGM.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£5.6m
Shares in Issue	38.7m
Free Float	86%
Average Daily Volume	78,380
12 Month Trading Range	14.0p to 46.5p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$0.0m	$0.0m	$0.0m	$0.0m
EBITDA	($0.2m)	($0.7m)	($4.0m)	($4.0m)
Operating Profit	($0.2m)	($1.1m)	($4.1m)	($4.1m)
Operating Margin	-	-	-	-
Adjusted PBT	($0.2m)	($1.1m)	($4.0m)	($4.0m)
Adjusted Tax Rate	0.0%	0.0%	75.6%	75.1%
Adjusted EPS	(3.8c)	(5.6c)	(2.1c)	(1.6c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$0.0m	$1.9m	$1.6m	($0.3m)
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	0.0x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(11.2%)	(48.4%)	(61.3%)	(61.2%)
EV/Sales	-	-	-	-
EV/EBITDA	-	-	-	-
Tangible NAV/Share	14.0c	28.6c	23.9c	19.9c

Next News	
Resource Update	Q2 2019

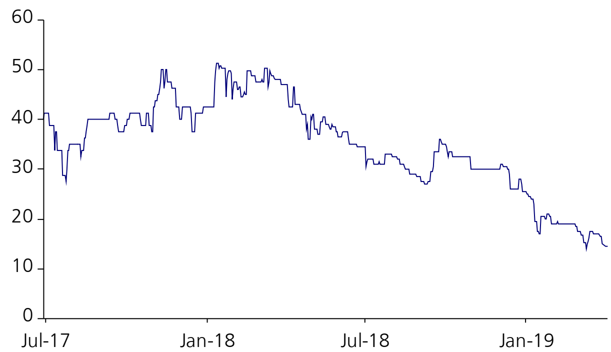
Share Price Performance	
1 Month	-4.9%
12 Months	-65.9%

Total 2019E NAV, US$37m (67p/share)



Source: Arden Partners..

Share Price (p)



Source: Bloomberg.

Plant Health Care*

Buy 6.4p

Start Harpin on about this

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- Plant Health Care is a leading provider of biological products to enhance yields across a variety of crop applications, using proprietary technology to provide significant value to customers and barriers to entry for potential competitors. The Company's Harpin aß-derived commercial products provide a unique proprietary biostimulant to promote innate plant defence systems against agricultural stresses (disease, drought etc) leading to increased yield and grower ROI.
- Growing global population, increasing demand for higher value and quality food and limited additional arable land for agricultural use is driving the need for improved yields on existing crops. Plant Health Care's products play to these global themes and thus demonstrate a potential long runway of growth with strong barriers to entry for competitors.
- Harpin aß products have been growing at c. 20-30% in recent years and we believe this growth rate can accelerate as new product launches in US corn and soybeans, Brazilian sugar cane and coffee provide material markets for further penetration and significant revenue upside. Plant Health Care has also developed new groundbreaking biological technology that uses harpin-derived peptides to strongly stimulate plant growth and resist disease and parasitic nematodes. The Company is trialling this technology and success would provide significant longer-term valuation upside through a potential licencing model with large agchem or distribution partners.
- We set our 14p price target using a sum of DCF parts reflecting a 14p valuation for the current Commercial division and no value for potential New Technology licencing deals. The stock trades on 1.2x 2019E EV/Sales, which we see as an attractive level for a stock with 65% gross margins and 25% revenue growth.

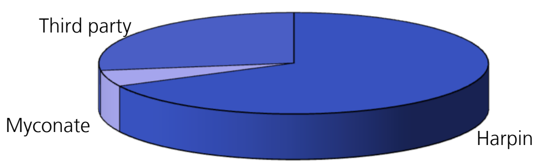
Key Data	PHC.L
Sector	Chemicals (AIM)
Market Capitalisation	£11.1m
Shares in Issue	173m
Free Float	59.1%
Average Daily Volume	229,493
12 Month Trading Range	6.1p to 27.0p

Year to 31/12	2016A	2017A	2018A	2019E
Profit Forecast				
Sales	$6.3m	$7.7m	$8.1m	$10.1m
EBITDA	($11.0m)	($5.4m)	($5.4m)	($2.0m)
Operating Profit	($11.4m)	($5.8m)	($8.0m)	($2.5m)
Operating Margin	(179.3%)	(75.5%)	(98.8%%)	(25.0%)
Adjusted PBT	($11.3m)	($5.7m)	($5.3m)	($2.5m)
Adjusted Tax Rate	0.7%	4.6%	3.1%	7.0%
Adjusted EPS	(11.2c)	(3.7c)	(5.0c)	(1.4c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$4.7m	$3.9m	$4.3m	$2.6m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(66.5%)	(34.6%)	(13.2%)	(11.7%)
EV/Sales	1.5x	1.7x	1.3x	1.2x
EV/EBITDA	-	-	-	-
Tangible NAV/Share	-	-	-	-

Next News	
AGM	June 2019

Share Price Performance	
1 Month	-30.6%
12 Months	-70.9%

Revenue Split



Source: Arden.

Share Price (p)

Source: Bloomberg.

 # Arden Partners acts as corporate broker to this company.

Premier Oil

Buy 97p

Catcher few shares

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- Premier is an E&P company with production in the UK North Sea and offshore Indonesia and Vietnam. The company has development projects in both core areas, alongside large discoveries in the Falklands and offshore Mexico. Production was 80.5mboe/d in 2018 (about 75mboe/d guided for 2019), and net debt was US$2.33bn at the end of December 2018.
- The Premier investment case rests on several themes. First is the steady reduction of net debt, with production cash flows boosted by oil and gas price increases, limited CAPEX and the ongoing ramp up of Catcher. This is creating ongoing improvement in the balance sheet, and should eventually drive a refinancing.
- Second is development experience, and the new development projects. Premier has participated in numerous developments over the last 10 years, mainly as the operator. While its track record is mixed, this has built up a significant level of experience in the company. Premier recently deployed this in its Catcher development, which is currently doing 66mbbl/d gross and is planned to ramp up further on additional tie-ins. The Tolmount and BIG-P projects are ongoing, which will help support production in the coming years. Then there is the Sea Lion project in the Falklands, which could reach FID in late 2019 and would add materially to production and reserves. Third is the drilling programme, with appraisal wells on Zama in Mexico currently drilling and on Tolmount East later in 2019.
- Given the net debt level and significant production element of the portfolio, our valuation is sensitive to oil price. Base case NAV is (15p) core, 125p total risked and 253p total unrisked using US$65/bbl long-term real, but risked NAV rises to 213p using US$75/bbl and falls to 34p using US$55/bbl.
- Over the next 12 months we expect net debt to continue to reduce and development projects to progress, with the potential for upside from Catcher, Sea Lion and Zama. Buy, 125p target.

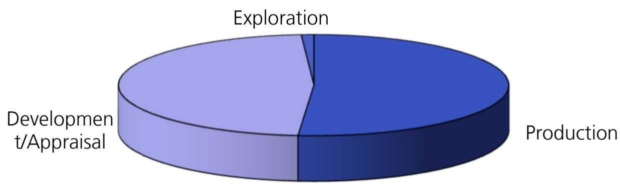
Key Data	PMO.L
Sector	Oil & Gas Producers
Market Capitalisation	£797m
Shares in Issue	822m
Free Float	99.5%
Average Daily Volume	8,704,371
12 Month Trading Range	56p to 144p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$1,043m	$1,398m	$1,497m	$1,365m
EBITDA	$573m	$847m	$904m	$852m
Operating Profit	($95m)	$489m	$462m	$433m
Operating Margin	(9.1%)	35.0%	30.9%	31.7%
Adjusted PBT	($412m)	$116m	$119m	$116m
Adjusted Tax Rate	23.4%	45.8%	37.0%	78.5%
Adjusted EPS	(61.4c)	7.3c	8.7c	2.9c
EPS Growth	-	112%	19%	(67%)
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	($2,724m)	($2,331m)	($2,036m)	($1,870m)
Net Debt/EBITDA	4.8x	2.8x	2.3x	2.2x
Net Debt/Equity	4.4x	2.3x	1.8x	1.6x
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	17.4x	14.6x	43.8x
Yield	-	-	-	-
Free Cash Flow Yield	6.8%	24.2%	28.9%	18.8%
EV/Sales	3.6x	2.4x	2.1x	2.1x
EV/EBITDA	6.6x	4.0x	3.4x	3.4x
Tangible NAV/Share	(67.2c)	20.7c	39.8c	43.2c

Next News	
Zama-2 results	Q2 2019

Share Price Performance	
1 Month	+27.2%
12 Months	+35.8%

Total Risked NAV 125p/share (@US$65/bbl)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Rainbow Rare Earths*

Buy 1.8p

A magnetic opportunity

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- Rare Earth Oxide concentrate producer in Burundi. Strong management team with pedigree in project development and operations in Africa. First concentrate shipped Q4 2017. *c.*300tpm (2,700tpa concentrate) initially ramping up to +600tpm (c.6,000tpa concentrate) in 2020. Low Capex and Opex with significant fixed cost base. Government and locally supported, enabling diversification of largely agricultural reliant economy. Creating jobs in a tough economic climate.
- RBW are ramping up production at its mining areas and targeting 400tpm in calendar year 2019.
- High grade concentrate (62% TREO first two years), long-term 57% TREO. Zero chemicals used in simple efficient gravity separation processing facility. 10-year off-take agreement signed with ThyssenKrupp for 5ktpa of concentrate, and right of first refusal for additional 5ktpa. Theoretical processing capability of plant up to 42ktpa.
- Exposure to strategic metal markets geared to clean technologies including Hybrid and Electric Vehicles. Light Rare Earths found in favourable ratios, Nd 16% and Pr 4% of metal content. Nd accounts for 64% of Revenue and Pr 20%. NdPr key in permanent magnets in electric motors (*c.*25+ electric motors per EV) and generators used in EVs and Wind Turbines.
- FCF Yield of 5.6% in FY2020 with zero debt. Target price of 9p at a 1.1x NAVPS valuation. Ideal M&A Target for strategic investor requiring exposure to the permanent magnet market; EVs and Clean Energy Revolution.

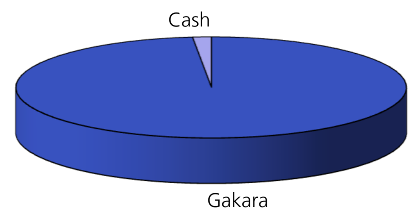
Key Data	RBW.L
Sector	Metals & Mining
Market Capitalisation	£3.5m
Shares in Issue	199m
Free Float	72.1%
Average Daily Volume	606,242
12 Month Trading Range	1.8p to 23.8p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$0.0m	$1.1m	$3.3m	$6.5m
EBITDA	($1.1m)	($2.3m)	($0.4m)	$1.7m
Operating Profit	($1.7m)	($2.8m)	($1.0m)	$1.2m
Operating Margin	-	(256.2%)	(30.0%)	17.8%
Adjusted PBT	($1.4m)	($2.5m)	($1.0m)	$1.2m
Adjusted Tax Rate	0.0%	0.0%	0.0%	0.0%
Adjusted EPS	(0.9c)	(1.5c)	(0.4c)	0.5c
EPS Growth	-	-	-	217%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$3.2m	$0.4m	$0.5m	$1.1m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	$0.0m	$0.0m	$0.0m	$0.0m
Valuation				
P/E	-	-	-	4.6x
Yield	-	-	-	-
Free Cash Flow Yield	(65.4%)	(157.2%)	(40.1%)	14.3%
EV/Sales	-	3.9x	1.2x	0.5x
EV/EBITDA	-	-	-	2.0x
Tangible NAV/Share	0.1c	0.1c	0.1c	0.1c

Next News	
Q3 Production Results	May 2019

Share Price Performance	
1 Month	-20.4%
12 Months	-92.7%

Total 2019 NAV (9p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Rambler Metals & Mining

Buy 1.6p

Copper dynasty

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- Rambler is an AIM-listed copper producer, which operates the Ming mine in Newfoundland. The operation has been going through significant operational improvements in order to decrease operating costs and increase production. Ming has a 20- year mine life and benefits from high-grade ore (*c*.1.5%+ Cu). CE Mining invested in the project in 2016, funding plans to drive improvements and free cash flow.
- Optimisation focus on mine operations to increase productivity and lower operating costs. Study under way on 2,000tpd throughput (currently 1,250tpd), which would decrease AISC by *c*.$0.5/lb to just under $2/lb copper, placing the operation in the second/third quartile border. Excellent processing operations with plant recovery running at between 96% and 98%, due to high-grade ore. Management is looking into moving the plant 44km so that it is adjacent to the mine site and saving *c*.$90m over the life of the mine. The original plant could then potentially be used to process ore from the Little Deer deposit (indicated resource 2.7Mt @ 2.2% Cu; inferred 4.2Mt @ 2.1% Cu).
- 20-year mine life, with production levels increasing until 2025. LoM average production is *c*.15Mlbs per annum. With an upgrade to 2,000tpd, the average production would increase to *c*.27Mlbs per annum over LoM, with 20-year mine life from resource creation from a targeted drilling programme to explore the extent of mineralisation at depth at Ming. Mineralisation extends below modelled resource. RMM recently released drill results proving mineralisation extends outside of current resource and grade improves at depth at Ming.
- Rambler aims to be FCF positive by 2019, FCF yield is set to go from (19.8%) in 2017 to 39.9% in 2019. FCF drops negative again in 2020 due to capital outlay for the paste plant but then averages *c*.$10m per year from 2021. Buy, with a target price of 4p at an 8% WACC. P/NAVPS of 0.4x.

Key Data — RMM.L

Sector	Metals & Mining
Market Capitalisation	£19.5m
Shares in Issue	1258.9m
Free Float	65.7%
Average Daily Volume	96,406
12 Month Trading Range	1.4p to 6.8p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$28.0m	$28.3m	$31.7m	$53.1m
EBITDA	$0.5m	($1.7m)	$4.4m	$18.6m
Operating Profit	($16.1m)	($9.4m)	($2.8m)	$9.7m
Operating Margin	(17.1%)	(33.1%)	(8.9%)	18.3%
Adjusted PBT	($10.2m)	($9.2m)	($3.6m)	$9.0m
Adjusted Tax Rate	(0.8c)	(1.5c)	(0.6c)	1.3c
Adjusted EPS	-	-	62.6%	329%
EPS Growth	-	-	-	-
Dividend	$28.0m	$28.3m	$31.7m	$53.1m
Financial				
Net Cash/(Debt)	($17.1m)	($20.1m)	($17.1m)	$3.7m
Net Debt/EBITDA	31.3x	-	3.9x	-
Net Debt/Equity	0.3x	0.3x	0.2x	0.0x
Interest Cover	-	-	-	12.7x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	0.2x
Yield	($6.0m)	($8.8m)	($5.4m)	$11.0m
Free Cash Flow Yield	(21.9%)	(34.1%)	(21.2%)	42.7%
EV/Sales	1.7x	1.7x	1.5x	0.9x
EV/EBITDA	87.5x	-	10.9x	2.6x
Tangible NAV/Share	22.9c	8.8c	4.9c	5.9c

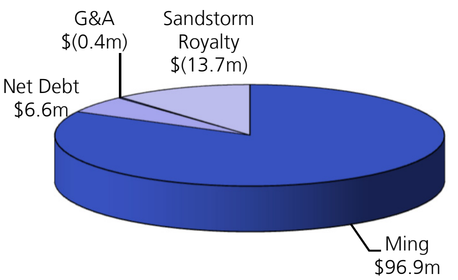
Next News

Resource Update	Q2 2019

Share Price Performance

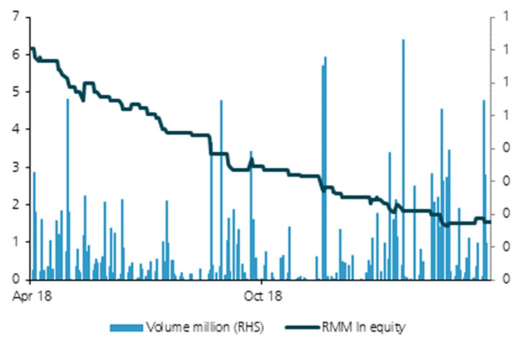
1 Month	-4.6%
12 Months	-

Total 2019E NAV, US$76m (9p/share)



Source: Arden Partners..

Share Price (p)



Source: Bloomberg.

Redde

Neutral 120p

Loss of major contract

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- The Group recently announced the loss of a major hire and repair contract with a large insurer. The impact of this lost contract demonstrates the customer concentration risk that the Group is exposed to and the shares have fallen significantly as a result. We do not currently believe a buying opportunity has been presented because of the risk this has exposed and the slowing of payments from insurers that was referenced in our interims note. We downgraded from Buy to Neutral following the interims and we reiterate our stance.
- We have previously stated our view that the Group's largest customers are Direct Line, Admiral, esure and Hastings. The announcement references the 10-year duration of the relationship and, as such, we rule out Direct Line. We believe that Admiral, as the largest car insurer in the UK, would have more of an impact on the top-line than 18% so therefore believe it is either esure or Hastings.
- The contract will run to the end of FY19 (June) and as such we make no changes to our FY19 figures. Management commented at their interims last week that the Group was in line to meet these forecasts and nothing within this statement suggests this has changed. For FY20, however, Management has guided to a reduction in sales and operating profit of £111.9m and £4.7m respectively, an 18.3% and 9.2% cut to our forecasts. The quantum of these cuts suggests this customer relationship was one of the Group's lowest margin (4.2% vs. FY18 Group operating margin of 8.2%) and we therefore believe it included at-fault as well as non-fault claims.
- This contract loss has demonstrated a) the customer concentration risk that the Group is exposed to and b) the margin pressure involved with being in the insurer supply chain (this contract was only *c*.4.2%). However, the shares are off 46% since pre-interims, now trade at 8.8x FY20 P/E and the Group still has strong existing customer relationships that have continued to drive volumes as demonstrated in interims.

Key Data	REDD.L
Sector	Financial Services (AIM)
Market Capitalisation	£368m
Shares in Issue	307m
Free Float	69%
Average Daily Volume	876,648
12 Month Trading Range	90p to 196p

Year to 30/06	2018A	2019A	2020E	2021E
Profit Forecast				
Sales	£527m	£570m	£500m	£527m
EBITDA	£56.7m	£61.7m	£61.6m	£65.4m
Operating Profit	£46.2m	£49.3m	£48.0m	£50.5m
Operating Margin	8.8%	8.7%	9.6%	9.6%
Adjusted PBT	£46.0m	£49.1m	£47.8m	£50.3m
Adjusted Tax Rate	12.4%	15.0%	16.0%	17.0%
Adjusted EPS	13.1p	13.5p	12.9p	13.5p
EPS Growth	19.4%	3.0%	(3.9%)	4.0%
Dividend	11.50p	12.24p	12.04p	12.60p
Financial				
Net Cash/(Debt)	(£8.5m)	(£37.6m)	(£46.0m)	(£3.4m)
Net Debt/EBITDA	0.1x	0.6x	0.7x	0.1x
Net Debt/Equity	0.1x	0.2x	0.3x	0.0x
Interest Cover	271.7x	289.9x	282.1x	296.8x
Dividend Cover	1.1x	1.1x	1.1x	1.1x
Pension	-	-	-	-
Valuation				
P/E	9.2x	8.9x	9.3x	8.9x
Yield	9.6%	10.2%	10.0%	10.5%
Free Cash Flow Yield	7.7%	3.3%	6.1%	21.7%
EV/Sales	0.7x	0.7x	0.8x	0.7x
EV/EBITDA	6.6x	6.6x	6.7x	5.7x
Tangible NAV/Share	47.8p	46.6p	47.3p	48.6p

Next News	
Trading Update	April 2019

Share Price Performance	
1 Month	+14.3%
12 Months	-29.7%

Revenue breakdown: Arden forecasts

Source: .Arden.

Share Price (p)

Source: Bloomberg.

Renishaw

Neutral 4164p

Near-term challenges

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- Renishaw released an ad hoc trading statement downgrading expectations for 2019 revenue and PBT by c.6% and c.16% respectively, citing the slowdown in demand in Asia that was highlighted at the half year results in January. Renishaw now expects this slowdown in recent order trends and customer feedback to continue for the rest of the financial year to June. The Group now expects Revenue in the range of £595-620m (from £635m-665m) and adjusted PBT of £117-135m (from £140-160m). We reduced our recommendation to neutral reflecting tougher challenges than previously anticipated. Although Renishaw's business is high quality and high margin which we see longer term attractions in, near term trends will prove tough for earnings and the stock, given the gross margins and operating leverage, and await visibility over trends for calendar 2H 2019 for any inflection point
- The potential of the next generation of laser additive 3D manufacturing is tangibly turning into reality. This is a rapidly growing global market – estimated at $3.9bn according to IDTechEx – within which market share growth for automated additive manufacturing will drive ongoing excitement for Renishaw shares.
- Additive Manufacturing (AM) is now contributing to the strong growth along with measurement and automation products lines. This reflects new product introductions including the RenAM 500Q four laser additive manufacturing system. This addresses productivity in AM; four high powered lasers raises productivity so reduces costs of parts and makes economic feasibility for increasing number of parts.
- We believe the group has a huge opportunity to be a leading supplier of customers' manufacturing systems and we believe this will rollout to a long term trend - albeit unpredictable in timing - based upon the new product cycles of global leaders with supply chains in China and South Korea.

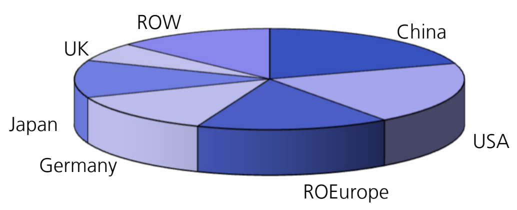
Key Data	RSW.L
Sector	Electronic & Electrical Equipment
Market Capitalisation	£3,031m
Shares in Issue	72.8m
Free Float	46.9%
Average Daily Volume	87,073
12 Month Trading Range	3706p to 5685p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£537m	£612m	£605m	£702m
EBITDA	£148m	£177m	£155m	£208m
Operating Profit	£120m	£148m	£125m	£176m
Operating Margin	22.4%	24.3%	20.7%	25.1%
Adjusted PBT	£109m	£145m	£125m	£176m
Adjusted Tax Rate	13.2%	14.7%	15.0%	15.0%
Adjusted EPS	130.3p	170.0p	146.1p	205.4p
EPS Growth	25.3%	30.5%	(14.1%)	40.6%
Dividend	52.00p	60.00p	52.16p	73.35p
Financial				
Net Cash/(Debt)	£52m	£104m	£109m	£156m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	2.5x	2.8x	2.8x	2.8x
Pension	(£45.0m)	(£40.0m)	(£40.0m)	(£40.0m)
Valuation				
P/E	32.0x	24.5x	28.5x	20.3x
Yield	1.2%	1.4%	1.3%	1.8%
Free Cash Flow Yield	2.5%	2.9%	1.5%	3.0%
EV/Sales	5.5x	4.8x	4.8x	4.1x
EV/EBITDA	20.1x	16.6x	18.8x	13.8x
Tangible NAV/Share	443p	471p	497p	519p

Next News	
Investors' Day	May 2019

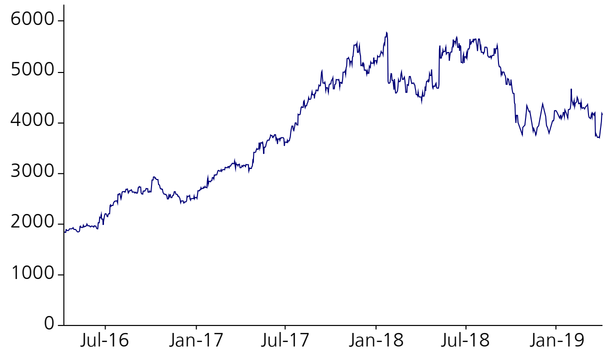
Share Price Performance	
1 Month	+1.4%
12 Months	-8.6%

Largest End Markets



Source: Renishaw.

Share Price (p)



Source: Bloomberg.

Arden

11 April 2019

Renold

Buy 28.8p

Light at the end of the tunnel?

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- Chain (75% of sales) operates at the high end of the power transmission chain sector. Acquisitions and investments have created a global sales and manufacturing footprint. Torque Transmission (25% of sales) is a gears, drives and couplings activity serving markets including mass transit, power generation and materials handling.
- Renold reported good interim results which produced market upgrades for FY19 and indicated that the management had been able to control the impact of commodity price increases following the profit warning early in 2018.
- The Group has made good strategic progress in restructuring and growing the business, but these benefits are offset by continuing FX and commodity pressures. The CEO highlights actions that have improved the Group's resilience which we acknowledge, but the recent share price performance indicates substantial investor frustration.
- In our view, end markets remain supportive at this time, particularly mining, and we have seen upside risk to FY19 earnings and we believe the company is moving in the right direction operationally. With net debt of £28m, the strength of the balance sheet is a concern for investors and the clear opportunities to improve the business are taking longer than expected. That said, stronger H2 performance for FY19 should continue the momentum heading in to FY20.

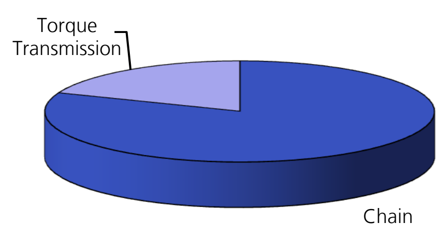
Key Data	RNO.L
Sector	Industrial Engineering
Market Capitalisation	£65.0m
Shares in Issue	225m
Free Float	96.8%
Average Daily Volume	142,774
12 Month Trading Range	22.1p to 40.2p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£183m	£192m	£201m	£205m
EBITDA	£21.3m	£21.4m	£23.5m	£24.3m
Operating Profit	£14.5m	£14.0m	£15.9m	£16.3m
Operating Margin	7.9%	7.3%	7.9%	8.0%
Adjusted PBT	£12.8m	£12.5m	£14.2m	£14.6m
Adjusted Tax Rate	18.3%	20.0%	19.0%	20.0%
Adjusted EPS	4.6p	4.4p	5.1p	5.2p
EPS Growth	(0.4%)	(4.2%)	14.9%	1.9%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	(£17.4m)	(£28.2m)	(£29.6m)	(£28.4m)
Net Debt/EBITDA	0.8x	1.3x	1.3x	1.2x
Net Debt/Equity	1.1x	1.4x	1.1x	0.8x
Interest Cover	9.7x	9.3x	9.3x	9.6x
Dividend Cover	-	-	-	-
Pension	(£102.0m)	(£97.0m)	(£92.0m)	(£87.0m)
Valuation				
P/E	6.2x	6.5x	5.6x	5.5x
Yield	-	-	-	-
Free Cash Flow Yield	10.0%	(14.9%)	(2.2%)	1.9%
EV/Sales	0.4x	0.5x	0.5x	0.5x
EV/EBITDA	3.9x	4.4x	4.0x	3.8x
Tangible NAV/Share	(5.3p)	(3.6p)	(0.7p)	2.9p

Next News	
Trading Update	April 2019

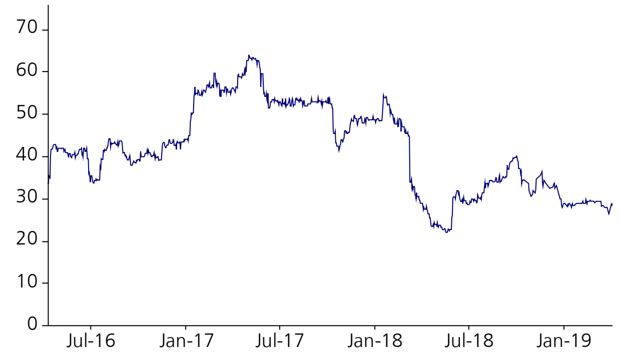
Share Price Performance	
1 Month	-2.0%
12 Months	+4.7%

Profit by Division



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

**** Arden Partners acts as corporate broker to this company.***

Rockhopper Exploration

Buy **26.8p**

Sea Lion remains central

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- Rockhopper is an AIM-listed E&P with its main assets in the Falklands. The company holds 40% in the Sea Lion discovery, which contains gross 2C volumes of 517mmbbl overall. Development funding is being progressed alongside partner Premier, with the potential for project FID towards the end of 2019. The company holds US$35m cash.
- Sea Lion is Rockhopper's main asset. Development of 220mmbbl of resources is planned during Phase 1, with the balance developed subsequently. Project CAPEX has now been reduced to US$1.5bn, and the focus of the JV is on funding. Discussions with government lenders (principally the UK) for export credit finance are targeted to provide US$800m, with a further US$400m hoped to come from contractor fee deferrals (LOIs have been agreed). This would leave US$300m for Premier to fund (under the original farm out deal), which could be achievable depending on Premier cash flows and CAPEX priorities, though may require the introduction of a third partner. We expect application submission for the export debt in Q2 2019, and material progression of Sea Lion, be it funding or FID, would be a materially positive catalyst for the stock.
- Rockhopper has also been active in M&A, acquiring Falklands O&G at the end of 2015, and closing a deal for several assets in Egypt in 2016, including the producing Abu Sennan licence. Rockhopper continues to assess acquisitions, with the potential to add further production assets. A material acquisition could help rebalance the portfolio versus Sea Lion.
- The main catalyst for Rockhopper is Sea Lion sanction, potentially before the end of 2019. In the meantime there is catalyst potential from progress on funding, and potentially new acquisitions. We believe Sea Lion is undervalued by the market, and though there is risk in progression if financing is not forthcoming, on balance we have a Buy, 60p target.

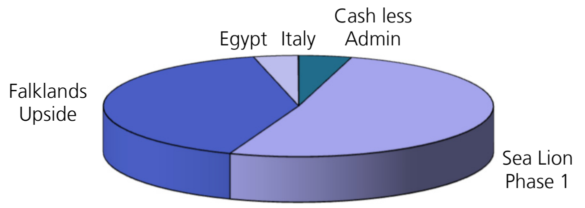
Key Data	RKH.L
Sector	Oil & Gas Producers (AIM)
Market Capitalisation	£123m
Shares in Issue	458m
Free Float	98.9%
Average Daily Volume	940,986
12 Month Trading Range	20.2p to 44.0p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$10.4m	$11.5m	$10.9m	$11.0m
EBITDA	($3.3m)	($4.9m)	$1.4m	$1.3m
Operating Profit	($9.7m)	($7.7m)	($2.7m)	($2.8m)
Operating Margin	(93.3%)	(66.6%)	(24.6%)	(25.2%)
Adjusted PBT	($9.0m)	($7.1m)	($2.5m)	($2.6m)
Adjusted Tax Rate	31.5%	(0.4%)	(35.1%)	(34.0%)
Adjusted EPS	(1.3c)	(1.6c)	(0.7c)	(0.8c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$51.3m	$41.0m	$30.9m	$28.2m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(15.8%)	(6.5%)	(6.4%)	(1.8%)
EV/Sales	10.5x	10.4x	11.9x	12.0x
EV/EBITDA	-	-	93.3x	101.5x
Tangible NAV/Share	(2.0c)	(5.2c)	(5.9c)	(6.4c)

Next News	
Sea Lion Debt Funding Application	Q2 2019

Share Price Performance	
1 Month	+15.5%
12 Months	+16.5%

Total Risked NAV 94p



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Rosenblatt

Buy 84p

A litigious focus

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- We believe 2019 presents substantial upside for Rosenblatt, having retraced significantly from 144p to 73p in a move that we view as unwarranted. The investment case remains strong: market-leading margins, counter cyclicality presented by litigious focus, high cash returns from contingent cases, and a well-managed, debt-free balance sheet. We also view the litigation funding subsidiary (established in September) as an area of particular interest, given the high returns available in this growing sector. Our target price is 120p.
- The Group's market-leading margins (FY19E: 34%) follow the Group's highly litigious focus (FY17: 59% of revenue). Crucially, this is consistently applied across a large number of cases (FY17: 958), reducing reliance upon one particularly large case, and is spread across several different sectors, with a particular expertise in financial services. Additionally, there is a degree of counter cyclicality presented in litigious law; disputes are more likely to follow a period of economic weakness. In the current climate of economic and political uncertainty this provides some additional support to earnings.
- Cases such as CFAs and DBAs present upside to our forecasts, given the high success fees on offer. An 84% success rate to date provides confidence in the abilities of the Group to take on more of these lucrative cases, with the additional capital available from the raise. Similarly, the recently opened litigation finance subsidiary presents an opportunity in a growing sector, and we await further announcements concerning capital deployment in the coming period.
- Following this year's IPO the Group has £11.6m of cash on the balance sheet and is debt free. Moreover, the Group displays strong cash management in a sector that has historically been poor in this area. This cash pile presents opportunity in the acquisitive arena, an area that management has commented it intends to partake in and we believe the sector is ripe for.

Key Data

Key Data	RBGP.L
Sector	Support Services (AIM)
Market Capitalisation	£63.3m
Shares in Issue	80.1m
Free Float	100%
Average Daily Volume	79,034
12 Month Trading Range	72p to 90p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	£14.1m	£15.8m	£12.5m	£22.2m
EBITDA	£1.2m	£5.5m	£4.3m	£7.4m
Operating Profit	£1.2m	£5.4m	£4.0m	£7.2m
Operating Margin	8.4%	34.3%	32.0%	32.3%
Adjusted PBT	£2.8m	£0.5m	£4.8m	£7.2m
Adjusted Tax Rate	-	-	20.0%	20.0%
Adjusted EPS	-	-	4.0p	7.4p
EPS Growth	-	-	-	84.4%
Dividend	-	-	2.80p	4.46p
Financial				
Net Cash/(Debt)	(£3.4m)	(£4.3m)	£14.3m	£14.4m
Net Debt/EBITDA	2.7x	0.8x	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	1.6x	8.8x	-	-
Dividend Cover	-	-	1.4x	1.7x
Pension	(£0.0bn)	-	-	-
Valuation				
P/E	-	-	19.6x	10.6x
Yield	-	-	3.5%	5.6%
Free Cash Flow Yield	8.0%	4.5%	7.7%	6.8%
EV/Sales	4.7x	4.3x	3.9x	2.2x
EV/EBITDA	53.4x	12.3x	11.4x	6.6x
Tangible NAV/Share	-	-	-	0.5p

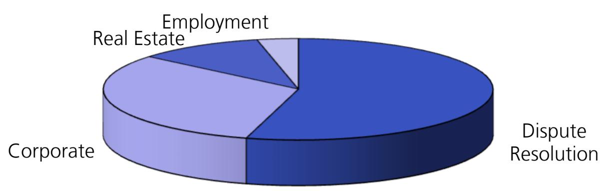
Next News

Full Year Results	April 2019

Share Price Performance

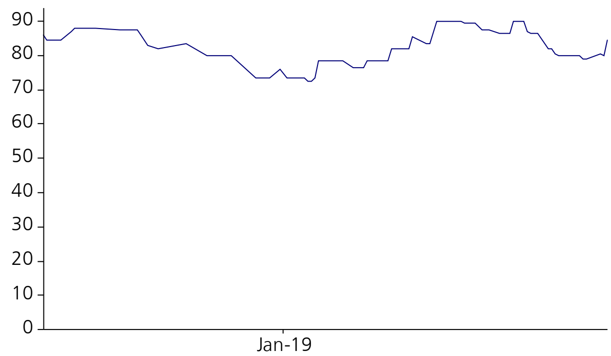
1 Month	-6.1%
12 Months	-

Segmental Revenue FY17A (£m)



Source: Partnership Accounts, 2018.

Share Price (p)



Source: Bloomberg.

Rotork

Neutral 302p

Slowing order rates

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- Rotork reported FY2018 results in line with consensus with Revenue £696m (Arden: £698m, consensus: £697m), operating profit £146m (Arden: £144m, consensus: £144m) and EPS of 12.6p, (Arden: 11.9p, consensus: 12.3p). The dividend is 5.9p and net cash came in at £43.6m following a strong working capital performance. The Group reported a trading update in November indicating that FY2018 results would likely be in line with market expectations.
- Order intake increased 5.4% (OCC YoY) vs +7% at 9 month trading update, so implied Q4 order intake just positive compared to -2% for Q3 and explains the Group's comment that it is planning for slower growth in 2019 with lower H1 sales YoY and only modest OCC sales growth for 2019 overall. Rotork can see variations in timing related to orders which can shift order growth around quarter to quarter, but it has now become clear that this was not a one-off drop in order intake in Q3.
- Earnings have proved resilient relative to sector peers exposed to lower activity levels as the majority of Rotork's revenues are midstream or downstream and locked into longer term spending cycles with 46.7% of revenues outside the oil and gas sector. Ultimately, growth patterns dictated by global energy, water and power infrastructure spend will drive earnings growth. The strategy to grow the Instruments division appears well timed and the exposure to power and water markets adds to Rotork's defensive qualities.
- As organic revenue trends recover – particularly in oil & gas - margins will respond swiftly on the rationalised cost base. This will be particularly exaggerated in Fluid Systems, which has significant scope to achieve a meaningful recovery in coming years, albeit with visibility on order trends and current valuation leaving us on an Neutral recommendation.

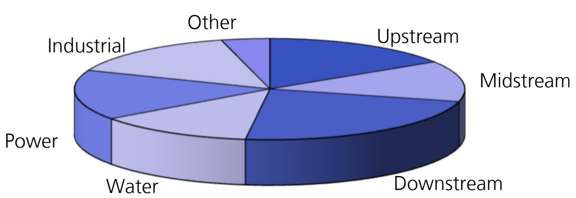
Key Data	ROR.L
Sector	Industrial Engineering
Market Capitalisation	£2,630m
Shares in Issue	872m
Free Float	99.9%
Average Daily Volume	1,411,894
12 Month Trading Range	236p to 361p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£642m	£696m	£711m	£739m
EBITDA	£142m	£158m	£163m	£0m
Operating Profit	£130m	£146m	£150m	£161m
Operating Margin	20.3%	21.0%	21.1%	21.8%
Adjusted PBT	£125m	£144m	£148m	£160m
Adjusted Tax Rate	(26.3%)	(23.7%)	(24.0%)	(24.0%)
Adjusted EPS	10.6p	12.6p	13.0p	14.0p
EPS Growth	5.4%	19.4%	2.7%	7.7%
Dividend	5.40p	5.90p	6.17p	6.65p
Financial				
Net Cash/(Debt)	(£12.3m)	£43.6m	£72.0m	£0.0m
Net Debt/EBITDA	0.1x	-	-	-
Net Debt/Equity	0.0x	-	-	-
Interest Cover	24.2x	67.3x	99.9x	160.8x
Dividend Cover	2.0x	2.1x	2.1x	2.1x
Pension	(£0.0bn)	(£0.0bn)	-	-
Valuation				
P/E	28.5x	23.9x	23.3x	21.6x
Yield	1.8%	2.0%	2.0%	2.2%
Free Cash Flow Yield	3.4%	3.9%	3.0%	0.0%
EV/Sales	4.1x	3.7x	3.6x	3.6x
EV/EBITDA	18.6x	16.4x	15.7x	-
Tangible NAV/Share	45.2p	52.3p	59.4p	-

Next News	
Q1 Trading Update	May 2019

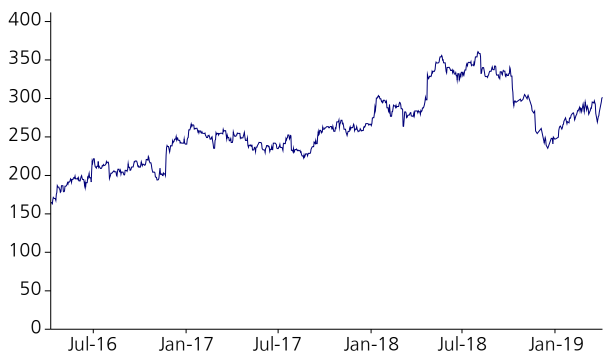
Share Price Performance	
1 Month	+7.7%
12 Months	+7.7%

Sector Split



Source: Rotork.

Share Price (p)



Source: Bloomberg.

Arden

11 April 2019

S&U#

Buy 1800p

Undervalued returns

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- The Group reported another record year of results, broadly in line with our forecasts. PBT increased by 15%, EPS by 14% and DPS by 12%. ROCE was maintained above 15% despite an increase in impairment and a competitive end market. The Group's market leading ROE of c.18% is undervalued at 1.2x FY20 P/B, in our view. We reiterate our target price of £25.50, which is still a modest 1.7x P/B. The valuation is well supported by a 6.9% dividend yield.
- Advantage PBT increased by 11% to £33.6m reflecting the rapid growth in receivables in prior years. A slowdown in loan growth and record cash collections of £181.5m led to net receivable growth of 4%, reflecting the tighter lending criteria and increased competition that have been well flagged to the market throughout the year. In times of potential economic and political uncertainty we believe this cautious approach should prove popular with investors.
- Aspen posted its maiden PBT of £0.8m following the £0.3m start-up loss in FY18. Whilst the contribution of this subsidiary to the Group is initially small, it has traded well, and Management expect revenue to growth by at least 50% per year over the next two years.
- The balance sheet remains strong at only 65% gearing and the Group has increased its banking facility to £160m post year-end, reflecting its ambitions for measured growth during the year.
- We forecast 5.9% EPS growth in FY20 following a pull-back in lending during FY19. We subsequently forecast a return to increasing growth in FY21 as the Group increases lending in the quality end of the market.

Key Data

Key Data	SUS.L
Sector	Financial Services
Market Capitalisation	£216m
Shares in Issue	12.0m
Free Float	32.7%
Average Daily Volume	3,494
12 Month Trading Range	1768p to 2790p

Year to 31/01	2018A	2019A	2020E	2021E
Profit Forecast				
Sales	£80m	£89m	£97m	£102m
EBITDA	£33.3m	£39.5m	£40.9m	£43.6m
Operating Profit	£33.0m	£39.1m	£40.5m	£43.2m
Operating Margin	41.3%	43.8%	41.7%	42.3%
Adjusted PBT	£30.2m	£34.6m	£36.5m	£39.2m
Adjusted Tax Rate	19.0%	19.0%	19.0%	19.0%
Adjusted EPS	203.4p	233.2p	246.6p	264.3p
EPS Growth	20.0%	14.6%	5.8%	7.2%
Dividend	105.0p	118.0p	123.3p	132.2p
Financial				
Net Cash/(Debt)	(£105m)	(£108m)	(£118m)	(£123m)
Net Debt/EBITDA	3.2x	2.7x	2.9x	2.8x
Net Debt/Equity	0.7x	0.7x	0.7x	0.6x
Interest Cover	-	-	-	-
Dividend Cover	1.9x	2.0x	2.0x	2.0x
Pension	-	-	-	-
Valuation				
P/E	8.8x	7.7x	7.3x	6.8x
Yield	5.8%	6.6%	6.9%	7.3%
Free Cash Flow Yield	(20.6%)	4.5%	2.3%	1.3%
EV/Sales	4.0x	3.6x	3.4x	3.3x
EV/EBITDA	9.7x	8.2x	8.2x	7.8x
Tangible NAV/Share	0.6p	67.4p	-	-

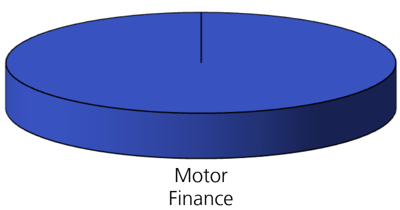
Next News

Next News	
Trading Update	August 2019

Share Price Performance

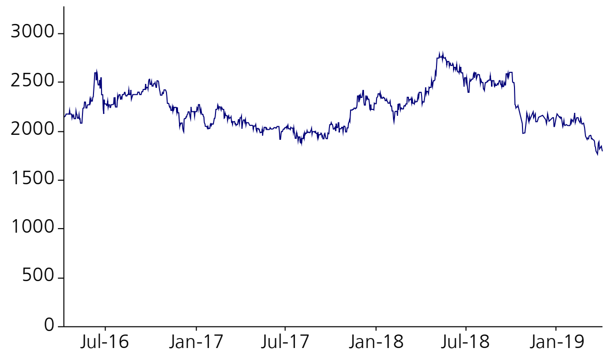
Share Price Performance	
1 Month	-7.8%
12 Months	-23.1%

Revenue split



Source: S&U.

Share Price (p)



Source: Bloomberg.

 # This company is a research client of Arden Partners.

Scapa Group

Sell 306p

H2 weighting

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- Following interims we downgraded our FY19 top-line forecasts, with a knock-on effect on EPS that is compounded by lower margin in Healthcare and a higher effective tax rate. We upgraded our FY20 forecasts to include the effects of the Systagenix acquisition.
- The analyst presentation brought additional detail on the recent technology transfers of the Group, which are one of the key pillars of the strategy over the coming years. Upon reviewing an initial explanation of how the Systagenix deal will be structured we note that a) there are large savings required for this to become profitable in FY20 and b) on a cash basis this will delay progress to the 20% trading profit margin target within Healthcare. An initially proposed cash profit margin of 7% in FY20 will provide margin drag on the division. Additionally there remains an H2 weighting to FY19 forecasts, with Management commenting on soft demand in some end markets.
- The stock now trades at 17.3x FY19 P/E, falling to 14.3x in FY20 following the Systagenix upgrades. However, we note there is a considerable non-cash element of the FY20 EPS that arises from this acquisition (17.1x adj.). Moreover, the acquisition and new Knoxville site require an increase in working capital and capex, resulting in a free cash flow yield of 2.0% and 2.5% in FY19 and FY20 respectively.
- Revision of forecast in terms of earnings and incremental capital intensity that the technology transfers and additional sites require could call into question the ability of the broader business model and strategy to create adequate shareholder value over a typical investor time horizon, especially when considering little dividend yield support, cyclical industrial exposure and weak cash dynamics. Peers have recently reported headwinds in AWC which may provide a headwind for H2, though this may be countered by tailwinds from pre-Brexit customer stocking. We look to the trading update on 11 April for further details on trading conditions.

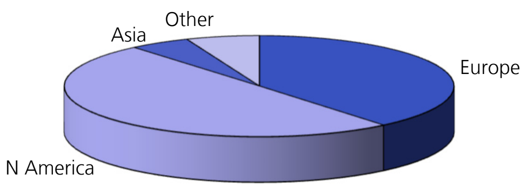
Key Data	Ticker
Sector	Chemicals
Market Capitalisation	£473m
Shares in Issue	154m
Free Float	99.2%
Average Daily Volume	305,607
12 Month Trading Range	275p to 510p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£279.6m	£291.5m	£304.3m	£334.1m
EBITDA	£26.5m	£35.4m	£40.5m	£44.1m
Operating Profit	£21.3m	£29.2m	£34.1m	£37.7m
Operating Margin	8.6%	10.4%	11.6%	12.2%
Adjusted PBT	£20.6m	£28.0m	£33.0m	£36.7m
Adjusted Tax Rate	20.0%	16.2%	23.0%	23.0%
Adjusted EPS	10.6p	14.8p	17.1p	18.8p
EPS Growth	16.0%	40.0%	15.3%	9.8%
Dividend	1.75p	2.00p	2.25p	2.50p
Financial				
Net Cash/(Debt)	(£2.6m)	(£16.1m)	£5.3m	£24.1m
Net Debt/EBITDA	0.1x	0.5x	-	-
Net Debt/Equity	0.0x	0.2x	-	-
Interest Cover	30.4x	24.3x	31.0x	37.7x
Dividend Cover	6.0x	7.4x	7.6x	7.5x
Pension	(£27.5m)	(£31.4m)	(£19.9m)	(£15.5m)
Valuation				
P/E	28.9x	20.6x	17.9x	16.3x
Yield	0.6%	0.8%	0.9%	0.9%
Free Cash Flow Yield	1.1%	3.5%	6.9%	4.7%
EV/Sales	1.9x	1.8x	1.6x	1.5x
EV/EBITDA	18.0x	13.8x	11.6x	10.2x
Tangible NAV/Share	26.9p	24.9p	40.7p	54.1p

Next News	
Year End Update	April 2019

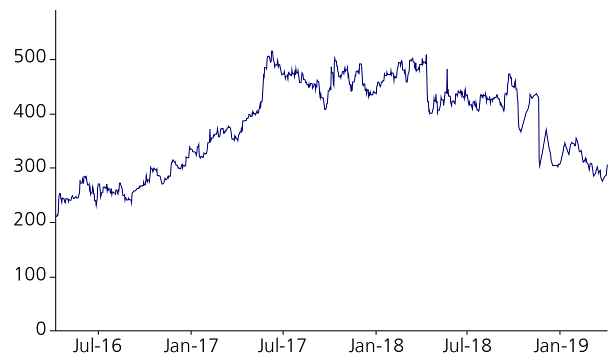
Share Price Performance	
1 Month	+7.3%
12 Months	-37.9%

Divisional Profits



Source: Company Accounts.

Share Price (p)



Source: Bloomberg.

Shanta Gold

Buy 6.3p

Ahead of the herd

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- Shanta Gold is a junior gold producer in Tanzania, which has been operating in the country since 2001. Shanta has consistently worked together with the government and the local population, and benefits from wide ranging support which other miners in Tanzania do not have.
- The Tanzanian government enacted Mining Policy reforms in 2017, Shanta have not been affected by these changes, largely due to their widespread support; evidence of this governmental backing showed in 2017 when Shanta received a VAT refund of $3.4m and a further $19m is still to be returned. Other miners in the country did not receive such sizeable refunds, despite their market caps being multiples of Shanta's.
- A new management team was appointed in 2017 and has quickly taken tough decisions to cut costs and optimise operations, the FY 2017 results reflect this. Savings of c.$9m were identified and implemented, giving rise to a dramatic increase in FCF for 2018E to c.$28.5m. Net debt peaked in Q3 2017, and non-essential capital spending has been differed or cancelled to cut down on debt and prioritise spending on exploration growth surrounding New Luika, Shanta's main asset.
- Shanta is ramping up its underground operations at Luika and Bauhinia Creek, of which further resource remains at depth to be proved up to reserves. Shanta has potential targets at depth at Ilunga as well. 638koz of gold sits outside the revised mine plan and a further c.140koz was recently proved at the Nkuluwisi target. Substantial exploration upside exists as Shanta has c.1,500km2 of permit surrounding the New Luika mine. Singida phase two exploration started in Q3 2018 with detailed project economics to be announced in Q4.
- Buy rating with a target price of 8p at a 8% WACC. Shanta has a 0.8x P/NAV.

Key Data

Key Data	SHG.L
Sector	Metals & Mining (AIM)
Market Capitalisation	£49.6m
Shares in Issue	787m
Free Float	99.8%
Average Daily Volume	2,431,830
12 Month Trading Range	4.1p to 7.2p

Year to 31/12	2016A	2017A	2018E	2019E
Profit Forecast				
Sales	$107m	$103m	$102m	$102m
EBITDA	$50.1m	$40.3m	$43.4m	$36.9m
Operating Profit	$7.3m	$13.3m	$15.6m	$6.3m
Operating Margin	6.8%	12.9%	15.3%	6.2%
Adjusted PBT	($0.1m)	$5.8m	$11.0m	$2.8m
Adjusted Tax Rate	(4978.1%)	10.6%	13.3%	22.6%
Adjusted EPS	(0.7c)	0.9c	1.2c	0.3c
EPS Growth	-	236%	30%	(78%)
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	($44.2m)	($39.5m)	($24.6m)	($1.6m)
Net Debt/EBITDA	0.9x	1.0x	0.6x	0.0x
Net Debt/Equity	0.6x	0.4x	0.2x	0.0x
Interest Cover	1.0x	1.8x	3.4x	1.8x
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	8.8x	6.8x	30.2x
Yield	-	-	-	-
Free Cash Flow Yield	(16.0%)	(6.7%)	32.5%	40.0%
EV/Sales	1.0x	1.0x	0.9x	0.6x
EV/EBITDA	2.2x	2.6x	2.1x	1.8x
Tangible NAV/Share	7.5c	8.3c	8.0c	8.2c

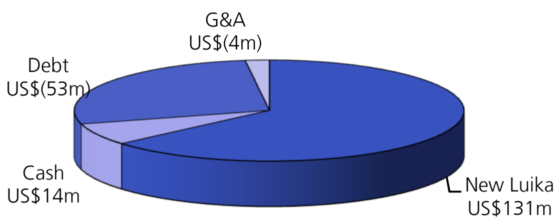
Next News

Q1 Results	April 2019

Share Price Performance

1 Month	+26.0%
12 Months	+26.0%

Total 2019E NAV, US$87m (9p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

SolGold

Buy 37.5p

Copper solution

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- SolGold is an LSE and TSE-listed copper/gold explorer, with assets in Ecuador. SolGold's primary asset is the Cascabel deposit, with indicated resources of 2,050Mt @ 0.60% CuEq and a further 900Mt @ 0.35% CuEq of inferred resources. SolGold is the largest exploration licence holder in Ecuador and is benefiting from first mover advantage. Aside from Cascabel, SolGold has 3,200km2 of permits, with highly prospective drill targets. The recent changes by the Ecuadorean government has made the mining code more supportive of exploration and investment.
- SOLG's flagship project is the Alpala project in the Cascabel licence. Alpala has a bornite rich, high grade core of 1.8% copper. Other highly prospective deposits exist at Cascabel, with huge underground development potential linking up multiple porphyries. A Preliminary Economic Assessment (PEA) is due in Q2 2019. Important shareholders: BHP hold 11.1% and Newcrest holds 15.2% of SolGold.
- Across Ecuador, SOLG is the largest tenement holder and has 11 high priority targets across 3,200km2, which are being covered by 42 geologists operating under four 100% owned subsidiaries. Potential exists for near-term cash flows by developing gold operations at Blanca Nieves and Rio Armarillo to help fund the Cascabel development. 97% of the workforce is Ecuadorean. SOLG have consulted the community at all stages, engaged with local business, and sponsored community enterprises resulting in widespread support for SOLG at a grassroots level.
- Buy rating with a target price of 41p at a multiple of 0.9x. SOLG has a P/NAV of 0.8x. Upside target price potential of 86p and 198p, when Alpala valued at comparable $/lb value for a development or operating asset respectively.

Key Data — SOLG .L

Sector	Metals & Mining
Market Capitalisation	£692m
Shares in Issue	1,846m
Free Float	44.6%
Average Daily Volume	1,271,039
12 Month Trading Range	34.7p to 41.8p

Year to 30/06	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	A$0.0m	A$0.0m	A$0.0m	A$0.0m
EBITDA	(A$4.9m)	(A$9.0m)	(A$9.1m)	(A$9.2m)
Operating Profit	(A$7.2m)	(A$19.7m)	(A$20.0m)	(A$20.3m)
Operating Margin	-	-	-	-
Adjusted PBT	(A$7.3m)	(A$19.0m)	(A$19.8m)	(A$20.2m)
Adjusted Tax Rate	34.3%	24.1%	30.0%	30.0%
Adjusted EPS	(0.4c)	(0.9c)	(1.1c)	(1.1c)
EPS Growth	-	-	-	-
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	A$89.3m	A$81.8m	A$61.8m	A$7.0m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	-	-	-	-
Yield	-	-	-	-
Free Cash Flow Yield	(2.2%)	(6.7%)	(7.8%)	(1.3%)
EV/Sales	-	-	-	-
EV/EBITDA	-	-	-	-
Tangible NAV/Share	4.7c	3.1c	2.3c	0.6c

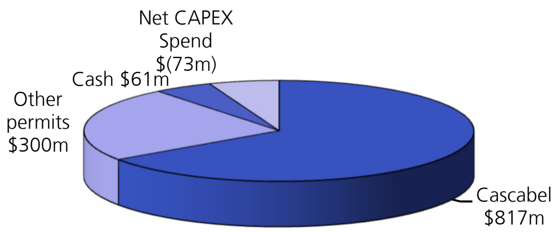
Next News

Cascabel PEA	Q2 2019

Share Price Performance

1 Month	+0.5%
12 Months	-

Total 2019E NAV, US$1,105m (45p/share)



Source: Arden Partners.

Share Price (p)

Source: Bloomberg.

Somero Enterprises

Sell 336p

Risk to the downside

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- Somero Enterprises is a leading manufacturer of advanced concrete placing and levelling equipment that uses proprietary laser-guided technology to serve the global commercial construction industry.
- We recently initiated coverage on Somero with a Sell rating (PT of 300p) with our thesis predicated on the current mid-cycle multiple of c.11x FY19E P/E not adequately pricing in the downside risk to earnings arising from the following factors.
- Firstly, with the majority (c.70%) of group revenues derived from North America (predominantly the USA), we consider the outlook for the US economy, and specifically the state of the private, non-residential construction industry as being a key determinant of future equity performance.
- Secondly, our analysis suggests that North American revenues could fall by 10x the rate of decline in US real GDP in a downturn, with potential to grow at a multiplier of 5x in an economic recovery. With a number of indicators pointing towards a potential slowdown in Somero's core market, we remain wary over the underlying cyclicality being skewed to the downside.
- Finally, while we acknowledge the strong fundamentals behind Somero's operating model, recognising the returns generated for shareholders in recent years, we see material risk to earnings and valuation from a rising probability of a US recession (now 27%).
- We assume mild 3.1% EPS growth in FY19E, and a 1.7% decline in FY20E, a significant deceleration when compared to c.19-30% EPS growth seen across FY16-18A.
- Overall, with the shares trading in line with their historical average/ the FTSE All-Share, we consider the current rating to be overly-optimistic given our stated concerns over the impact of an economic slowdown and a possible US recession. We see c.10x P/E (25% market discount) as exhibiting a more balanced risk-reward profile for investors.

Key Data

Key Data	SOM.L
Sector	Industrial Engineering (AIM)
Market Capitalisation	£189m
Shares in Issue	56.3m
Free Float	97.2%
Average Daily Volume	98,682
12 Month Trading Range	280p to 425p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$85.6m	$94.0m	$97.1m	$96.9m
EBITDA	$28.0m	$30.8m	$31.2m	$30.9m
Operating Profit	$25.4m	$29.2m	$29.2m	$28.7m
Operating Margin	29.7%	31.0%	30.1%	29.6%
Adjusted PBT	$25.6m	$29.3m	$29.2m	$28.7m
Adjusted Tax Rate	28.6%	25.7%	23.0%	23.0%
Adjusted EPS	32.3c	38.4c	39.6c	38.9c
EPS Growth	30.4%	18.8%	3.1%	(1.7%)
Dividend	19.10c	30.70c	28.23c	32.61c
Financial				
Net Cash/(Debt)	$19.0m	$28.2m	$24.3m	$29.6m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	1.7x	1.3x	1.4x	1.2x
Pension	-	-	-	-
Valuation				
P/E	11.4x	12.9x	11.0x	11.2x
Yield	4.2%	3.8%	4.6%	4.5%
Free Cash Flow Yield	7.4%	7.5%	6.5%	8.6%
EV/Sales	2.2x	2.7x	2.3x	2.2x
EV/EBITDA	6.7x	8.2x	7.1x	7.0x
Tangible NAV/Share	60.5c	69.5c	76.0c	85.7c

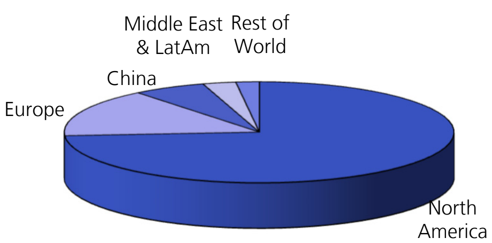
Next News

Next News	
AGM Statement	June 2019

Share Price Performance

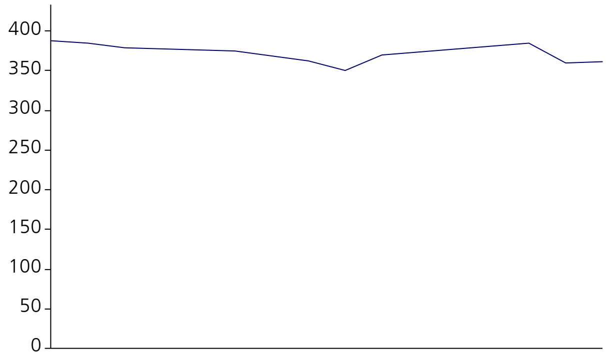
Share Price Performance	
1 Month	-8.6%
12 Months	-14.2%

Geographical Revenues 2018 (US$m)



Source: Somero Enterprises.

Share Price (p)



Source: Bloomberg.

Trakm8*

Neutral 21.0p

Visibility limited; liquidity improved

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- Trakm8 is a data company focused on telematics. The group has developed significant IP in-house through consistent investment in R&D. Its software focus is complemented by upstream integration into the manufacturing of products such as black box vehicle tracking and dashcams. We believe Trakm8's strategic transition and an intensifying focus on the Fleet and Automotive markets will contribute to a reacceleration of growth, long term.
- The group's Q3'19 trading update (on 4 February 2019) implied an encouraging acceleration of orders into the quarter, underpinned by a resumption of shipments to its major Automotive segment customer. However, the group's sales trajectory remained below expectations, partly related to Brexit-driven delays to customer activity.
- A £3m fund raise on 6 December saw the group boost its liquidity for working capital purposes in response to market concerns in the wake of the interim trading update. Notably, Microlise, a privately-held UK-based telematics company with an international presence, bought into the issuance. Microlise now holds 20% of the outstanding shares of Trakm8 and has recently appointed its Group CEO to the Board of Trakm8. The companies are continuing to explore potential cross-selling opportunities in the long term.
- Trakm8 trades on 0.5x FY20E EV/sales, well below its historical range (3-5x EV/sales). However, with visibility currently limited, we retain a Neutral rating.

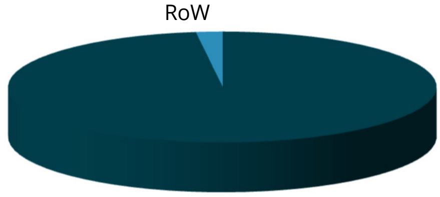
Key Data	TRAK.L
Sector	Technology: Hardware (AIM)
Market Capitalisation	£10.5m
Shares in Issue	50.0m
Free Float	66%
Average Daily Volume	67,306
12 Month Trading Range	15.5p to 108.0p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£26.8m	£30.1m	£20.5m	£25.7m
EBITDA	£2.5m	£4.8m	£0.7m	£3.8m
Operating Profit	£1.1m	£2.7m	£(2.5m)	£1.0m
Operating Margin	4.0%	9.1%	-12.2%	3.9%
Adjusted PBT	£0.9m	£2.8m	£(1.4m)	£1.3m
Adjusted Tax Rate	-85.7%	-14.2%	98.8%	-39.6%
Adjusted EPS	5.5p	8.1p	-1.4p	2.8p
EPS Growth	-51%	47%	nm	nm
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	£(3.9m)	£(3.3m)	£(3.3m)	£(3.3m)
Net Debt/EBITDA	-1.5x	-0.7x	-4.6x	-0.9x
Net Debt/Equity	19.1%	14.9%	16.9%	9.2%
Interest Cover	18.9x	-	6.8x	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	3.7x	2.6x	-15.5x	7.5x
Yield	na	na	na	na
Free Cash Flow Yield	-3.4%	1.0%	-34.9%	15.2%
EV/Sales	4.5x	3.0x	0.7x	0.5x
EV/EBITDA	47.9x	19.0x	19.4x	3.7x
Tangible NAV/Share	-	-	-	-

Next News	
Full Year Results	May 2019

Share Price Performance	
1 Month	-26.3%
12 Months	-77.7%

Geographic breakdown of sales (FY18A)



Source: .

Share Price (p)

Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.**

Arden

11 April 2019

Trifast#

Buy 194p

Leaner, fitter, fastener!

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- In the recent AGM statement, group management referred to solid revenue growth in the first five months across all regions, and the trading performance is "in line with management expectations". Multinational OEMs - which contribute c.70% to annualised sales - are the largest source of growth in the period.
- We increased our FY19 earnings forecasts at the time of the June 2018 final results announcement to reflect the good start to the current year. Alongside the April upgrade, we have increased our FY19 earnings estimate by 6% since the start of the year. We did not change our FY20 numbers at this stage to reflect some increase in the cost base (Arden estimate £0.4m) associated with the rollout of Project Atlas, a major IT infrastructure and business processes upgrade that should generate meaningful improvement in returns, medium term. The interim results in November provided further reassurance over Trifast's positioning in its markets.
- We expect Trifast will be a strategic consolidator in its relevant markets over the next few years financed by a mix of debt and equity, which would provide the firepower to take the target range up to £30m-£40m. The trading update refers to a very encouraging pipeline of opportunities and new business remains across the Group.
- The investment case for Trifast is centred upon the key long-term growth drivers that are supporting organic growth trends; the Group benefits from a broad spread of geographies, with 77% of FY18 EBIT generated outside the UK, providing top-line resilience. Trifast is well-positioned to deliver sustained organic growth, with medium-term returns set to benefit from "Project Atlas", with a stated ambition to drive ROI of over 25% p.a. from this investment by FY23. The recent softness in the share price has widened the discount to sector peers and we view current levels as a buying opportunity.

Key Data

Key Data	TRI.L
Sector	Industrial Engineering
Market Capitalisation	£236m
Shares in Issue	122m
Free Float	91.5%
Average Daily Volume	161,101
12 Month Trading Range	164p to 276p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£186m	£198m	£210m	£218m
EBITDA	£24.0m	£25.7m	£27.2m	£0.0m
Operating Profit	£21.0m	£22.7m	£24.2m	£24.9m
Operating Margin	11.3%	11.5%	11.5%	11.4%
Adjusted PBT	£20.5m	£22.2m	£23.4m	£24.2m
Adjusted Tax Rate	23.6%	23.3%	24.0%	24.0%
Adjusted EPS	12.8p	13.8p	14.4p	14.8p
EPS Growth	28.2%	7.6%	4.5%	3.0%
Dividend	3.50p	3.85p	4.00p	4.15p
Financial				
Net Cash/(Debt)	(£6.4m)	(£7.4m)	(£16.5m)	(£15.7m)
Net Debt/EBITDA	0.3x	0.3x	0.6x	-
Net Debt/Equity	0.1x	0.1x	0.2x	0.2x
Interest Cover	40.4x	47.3x	30.2x	35.6x
Dividend Cover	3.7x	3.6x	3.6x	3.6x
Pension	-	-	-	-
Valuation				
P/E	15.1x	14.1x	13.5x	13.1x
Yield	1.8%	2.0%	2.1%	2.1%
Free Cash Flow Yield	5.5%	4.3%	2.5%	3.3%
EV/Sales	1.3x	1.2x	1.2x	1.2x
EV/EBITDA	10.1x	9.5x	9.3x	-
Tangible NAV/Share	58.3p	61.7p	65.0p	67.5p

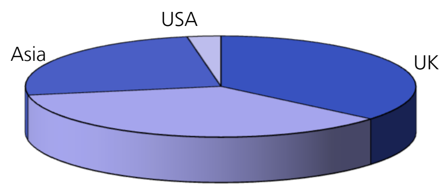
Next News

Trading Update	April 2019

Share Price Performance

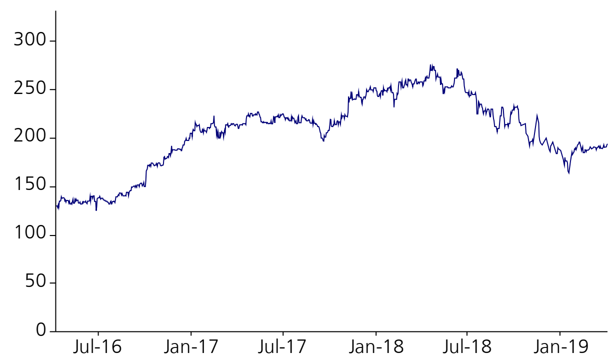
1 Month	+1.4%
12 Months	-26.0%

Geographic Split



Source: Arden Partners' Forecasts..

Share Price (p)



Source: Bloomberg.

 # This company is a research client of Arden Partners.

Vianet

Buy 122p

Time for a top up!

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- We believe this is a company that deserves investor attention, having included it in our Research Best Ideas for 2019. As part of our new Thematic Framework we also highlight Vianet offers exposure to Consumer and Efficiency themes. The recent trading update confirmed FY19E results to meet expectations.
- The Group's Smart Machines division enjoyed 120% revenue growth in the recent interims to £2.3m H1'19, as the Group began to enjoy early success from upselling into the recently-acquired Vendman estate of 200,000 vending machine connections. We forecast a revenue CAGR of 24.3% to £2.9m in FY20E for the division, and management aims to achieve *c*.£4m of revenues in the medium term.
- We further highlight the significant pipeline in a secured coffee company contract; whilst delays in implementation on the customer side have held back revenues – we believe these to now be over, driving further growth. Similarly, a push to move contracts to an annuity basis has pushed revenues of *c*.£500k to the right from the latest half year.
- Whilst we note significant decline in the pub industry in the UK, we are encouraged by the Group's opportunity to upsell services into existing contracts including iDraught sales through its technological refresh platform and through new annuity streams for data & analytics services. We forecast top-line drift from £11.4m (FY18A) to £10.9m (FY20E) although see potential upside from further UK traction resulting from the Group's recent technology investment.
- Year to date Vianet's shares are up 17.5% to 118p (11.6x FY20 P/E). For a net cash stock offering 88% recurring revenues, EBITDA margins over 20% and yielding a 4.7% dividend at current levels, we see our investment thesis as substantially de-risked at the current valuation. Vianet's recent post-close trading update served to reinforce our confidence in the outlook.

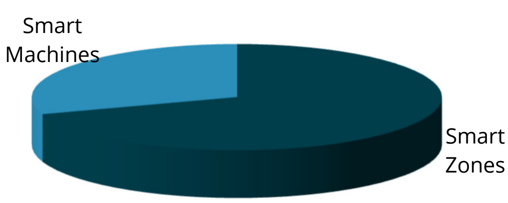
Key Data	VNET.L
Sector	Technology: Hardware (AIM)
Market Capitalisation	£34.5m
Shares in Issue	28.3m
Free Float	80.7%
Average Daily Volume	37,846
12 Month Trading Range	100p to 143p

Year to 30 Jun	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£14.3m	£14.6m	£15.3m	£15.8m
EBITDA	£3.7m	£4.0m	£4.4m	£4.7m
Operating Profit	£3.3m	£3.6m	£4.0m	£4.3m
Operating Margin	23.2%	24.9%	26.2%	27.4%
Adjusted PBT	£2.4m	£2.6m	£2.9m	£3.2m
Adjusted Tax Rate	28.8%	11.7%	9.5%	8.3%
Adjusted EPS	7.3p	8.3o	9.4p	10.4p
EPS Growth	74.4%	14.9%	12.5%	11.7%
Dividend	5.7p	5.7p	5.7p	5.7p
Financial				
Net Cash/(Debt)	£3.5m	£1.3m	£1.4m	£2.0m
Net Debt/EBITDA	-	-	-	-
Net Debt/Equity	-	-	-	-
Interest Cover	-	-	-	-
Dividend Cover	1.3x	1.5x	1.6x	1.8x
Pension	-	-	-	-
Valuation				
P/E	16.7x	14.5x	12.9x	11.6x
Yield	4.7%	4.7%	4.7%	4.7%
Free Cash Flow Yield	8.5%	2.8%	8.1%	10.2%
EV/Sales	2.2x	2.2x	2.1x	2.0x
EV/EBITDA	8.4x	8.2x	7.5x	7.0x
Tangible NAV/Share	80.9p	72.7p	75.0p	80.7p

Next News	
Full Year Results	June 2019

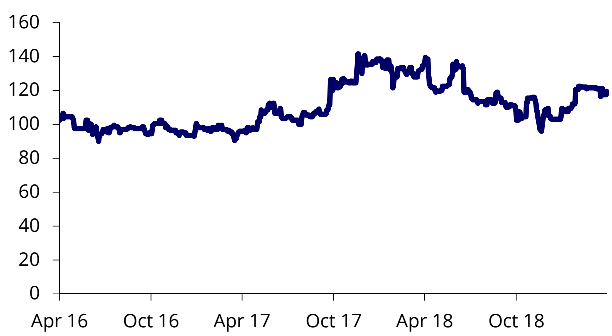
Share Price Performance	
1 Month	-3.3%
12 Months	-9.6%

Divisional Revenue Contribution H1'19



Source: .Company.

Share Price (p)



Source: Bloomberg.

Vitec

Neutral 1115p

A brighter picture developing

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- Vitec is an international group principally serving customers in Broadcast (camera mounts, teleprompters, batteries, LED lighting, specialist cameras, wireless HD video transmitting solutions and HD on camera monitors) and photographic markets (camera tripods and heads, camera bags and LED lights). The Group typically has a number one or two market position in specialised markets in which it operates.
- Full year results were in line with expectations on a continuing basis helped by new product launches, the Winter Olympics and new acquisitions. Group constant currency revenue growth was 10.8% from continuing operations, with good growth in Imaging Solutions of 14.6%, Production Solutions growth of 5.6% and 6.2% growth in Creative Solutions. Margin performance continued to improve, albeit slightly flattered by the Small HD insurance payment, and EPS was ahead of expectations due to a low tax rate. The 20% dividend increase was very well received by the market.
- Vitec's strategy continues to focus on good growth in APAC, and the independent content creator market, with the Group highlighting the 9% annual growth trend in US original scripted series which supports this strategy. Investment in new products and the recent acquisitions provide more exposure to fast growing iphoneography and vlogging markets.
- The strategic acquisitions of Lowepro, JOBY and RT Motion, for a combined cost of £27.1m, are an excellent fit for the Group. Following the acquisition of Amimon, balance sheet capacity has been largely used up. We see upside risk to earnings as the benefits of acquisitions and synergies continue to come through and valuation undemanding at 13x P/E and 6% FCF yield, albeit with challenges in recent CIPA data and lack of near-term catalysts, leaving us with a neutral recommendation.

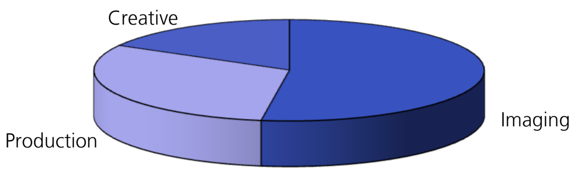
Key Data	VTC.L
Sector	Industrial Engineering
Market Capitalisation	£505m
Shares in Issue	45.3m
Free Float	82.7%
Average Daily Volume	26,897
12 Month Trading Range	1095p to 1415p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£353m	£385m	£410m	£429m
EBITDA	£66.3m	£69.0m	£75.5m	£81.7m
Operating Profit	£45.2m	£53.5m	£58.5m	£63.7m
Operating Margin	12.8%	13.9%	14.3%	14.8%
Adjusted PBT	£42.4m	£51.2m	£54.0m	£58.7m
Adjusted Tax Rate	25.5%	19.1%	25.0%	25.0%
Adjusted EPS	70.5p	91.8p	89.9p	98.3p
EPS Growth	15.5%	30.2%	(2.2%)	9.4%
Dividend	30.50p	37.00p	38.85p	40.79p
Financial				
Net Cash/(Debt)	(£43.0m)	(£82.3m)	(£68.6m)	(£50.3m)
Net Debt/EBITDA	0.6x	1.2x	0.9x	0.6x
Net Debt/Equity	0.3x	0.5x	0.4x	0.3x
Interest Cover	18.1x	23.3x	13.0x	12.7x
Dividend Cover	2.3x	2.5x	2.3x	2.4x
Pension	(£13.0m)	(£13.0m)	(£13.0m)	(£13.0m)
Valuation				
P/E	15.8x	12.1x	12.4x	11.3x
Yield	2.7%	3.3%	3.5%	3.7%
Free Cash Flow Yield	4.7%	6.0%	6.0%	7.1%
EV/Sales	1.6x	1.5x	1.4x	1.3x
EV/EBITDA	8.3x	8.5x	7.6x	6.8x
Tangible NAV/Share	93p	127p	170p	219p

Next News	
AGM Trading Update	May 2019

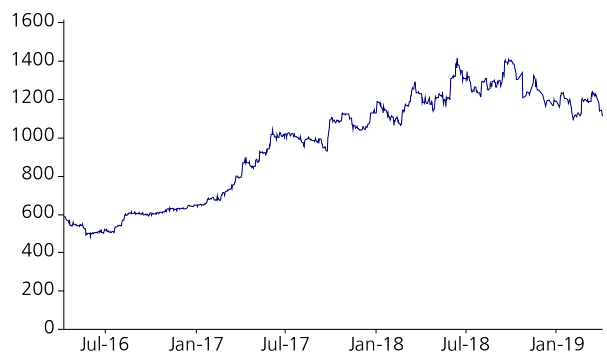
Share Price Performance	
1 Month	-6.3%
12 Months	-5.5%

Divisional Profits Analysis



Source: Vitec.

Share Price (p)



Source: Bloomberg.

Zoo Digital

Buy 50.0p

Shares down 50% YTD; thesis intact

Kartik Swaminathan
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- We believe Zoo offers compelling exposure to secular trends in media consumption through a fast-growing and cash generative business model. Early success in the group's recent expansion into dubbing and an expanding client list underpin our confidence in the group capturing buoyant market growth. The shares have corrected by *c.*50% since peaking in July 2018. We view the current price (-50% YTD) as a very compelling entry point and initiate coverage with a Buy rating. Our 12m PT is 140p.
- Zoo's growth is driven by the globalisation of media content. We believe the global proliferation of on demand video streaming services (such as Netflix and Amazon Prime Video) is laying a strong foundation for the growth of Zoo Digital's subtitling and dubbing businesses in three ways: (1) US streaming services have entered new markets beyond the US domestic market requiring localisation of Western content; (2) they are rapidly absorbing local non-English content which is cross-sold to domestic Western audiences; and (3) streaming services are growing multi-billion dollar budgets to create their own original content. We believe streaming services will continue to grow and cross-sell international content as a strategic imperative to maintain ROI and viewership.
- Dubbing is only beginning to impact numbers. We believe Zoo Digital's entry into dubbing is likely to be a strong growth driver on a mid-term horizon for several reasons. Dubbing constitutes the majority of the *c.*US$2bn EMEA localisation market (66% vs. subtitling at 33%), expanding Zoo's scope and also typically comes with associated subtitling and digital packaging revenues alongside. We believe Dubbing will grow at 44% p.a. in the next two years, rising to 21% of total group sales from an estimated 14% at FY18-end. The group also has significant potential to expand its market by growing its studio relationships from three in FY18.

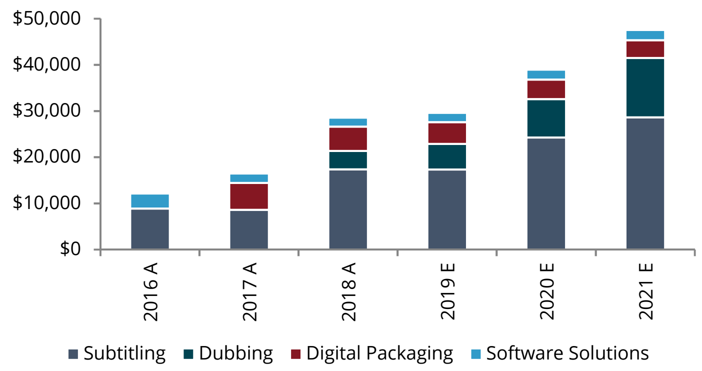
Key Data	Ticker
Sector	Technology: Software (AIM)
Market Capitalisation	£47.2m
Shares in Issue	74.4m
Free Float	62.3m (84%)
Average Daily Volume	509,000
12 Month Trading Range	49.5p to 175p

Year to 31/03	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	$16.5m	$11.6m	$16.5m	$28.6m
EBITDA	$1.8m	$2.4m	$1.0m	$3.6m
Operating Profit	$0.5m	$0.6m	$(0.6m)	$1.9m
Operating Margin	3.0%	5.5%	-3.7%	6.7%
Adjusted PBT	$0.5m	$0.2m	$(1.0m)	$1.5m
Adjusted Tax Rate	-47.9%	5.1%	52.1%	-0.5%
Adjusted EPS	1.9p	0.6p	-0.8p	1.8p
EPS Growth	-198%	-68%	-227%	-336%
Dividend	-	-	-	-
Financial				
Net Cash/(Debt)	$(5.6m)	$(1.9m)	$(2.5m)	$(1.4m)
Net Debt/EBITDA	-3.2x	-0.8x	-2.6x	-0.4x
Net Debt/Equity	-219.5%	-71.6%	-114.4%	-34.6%
Interest Cover	-	-	-	-
Dividend Cover	-	-	-	-
Pension	-	-	-	-
Valuation				
P/E	26.7x	83.4x	nm	27.9x
Yield	-	-	-	-
Free Cash Flow Yield	2.1%	0.8%	-1.2%	2.4%
EV/Sales	3.2x	1.7x	1.7x	1.3x
EV/EBITDA	29.6x	20.5x	51.2x	13.5x
Tangible NAV/Share	-	-	-	-

Next News	
Full Year Results	June 2019

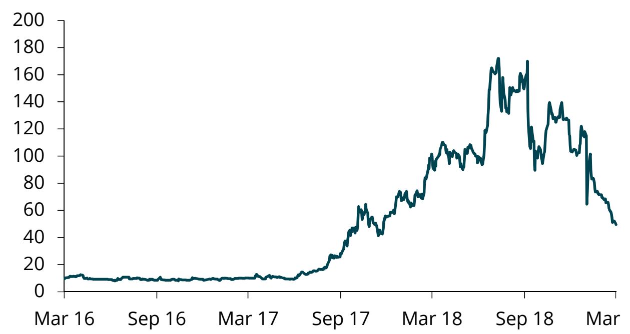
Share Price Performance	
1 Month	-29.0%
12 Months	-51.0%

Divisional breakdown of sales (FY16A-21E)



Source: .Company, Arden forecasts.

Share Price (p)



Source: Bloomberg.

Arden

11 April 2019

Zotefoams*

Buy 604p

"Run" your winners

Andrew Simms
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- Zotefoams manufactures a range of foams using a unique nitrogen expansion process. Azote foams (71% of sales) are used in packaging, sports, transport, healthcare and marine markets and high performance HPP foams (27% sales) in high value specialist applications. MuCell has a different "disruptive" foam technology that can reduce material content for extruded plastic products.
- Zotefoams has reported 2018 results in line with our expectations. The Group reported revenue of £81.1m, adjusted PBT of £11.1m and pre-exceptional EPS of 18.7p with a dividend of 6.1p. Net debt fell to £13m reflecting the equity raise in 2018 and phasing of expansionary capex, which is likely to come through in 2019.
- HPP revenue increased 67% with footwear largely doubling while aviation also returned to growth. Azote outperformed expectations, seeing 9% constant currency growth (6% vols, 2% price/mix). In our view, Zotefoams' ability to deliver a mix of differentiated and value-driven products from proprietary technology across its divisions stands it apart from competitors in the market.
- Growth investments are clearly limiting operating leverage but this suggests the company has a very positive view of the growth outlook. We continue to believe there is material upside risk to 2019 EPS based on our analysis of Zotefoams' capacity expansion plans and the demand for HPP. With management confidence in capacity expansion, we continue to see multi-year upside in the Zotefoams story, even with a 31x 2019E P/E headline valuation.

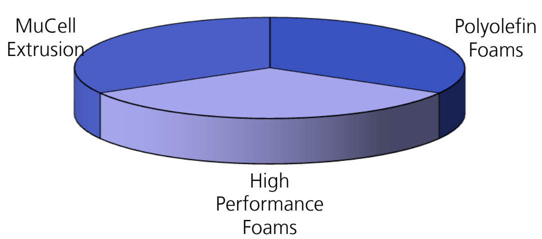
Key Data	ZTF.L
Sector	Chemicals
Market Capitalisation	£292m
Shares in Issue	48.3m
Free Float	84%
Average Daily Volume	25,716
12 Month Trading Range	510p to 706p

Year to 31/12	2017A	2018A	2019E	2020E
Profit Forecast				
Sales	£70m	£81m	£91m	£102m
EBITDA	£12.9m	£16.7m	£19.3m	£23.1m
Operating Profit	£10.0m	£11.0m	£13.8m	£16.2m
Operating Margin	14.3%	13.6%	15.1%	15.9%
Adjusted PBT	£9.1m	£10.8m	£12.5m	£14.8m
Adjusted Tax Rate	16.8%	20.0%	20.0%	20.0%
Adjusted EPS	17.3p	18.7p	20.6p	24.4p
EPS Growth	36.7%	7.7%	10.4%	18.5%
Dividend	5.93p	6.12p	6.31p	6.50p
Financial				
Net Cash/(Debt)	(£17.9m)	(£13.0m)	(£27.6m)	(£33.7m)
Net Debt/EBITDA	1.4x	0.8x	1.4x	1.5x
Net Debt/Equity	0.3x	0.2x	0.3x	0.3x
Interest Cover	19.6x	14.7x	12.8x	13.3x
Dividend Cover	2.9x	3.1x	3.3x	3.8x
Pension	-	-	-	-
Valuation				
P/E	34.9x	32.4x	29.3x	24.7x
Yield	1.0%	1.0%	1.0%	1.1%
Free Cash Flow Yield	(1.1%)	(3.9%)	(4.0%)	(1.0%)
EV/Sales	4.4x	3.8x	3.5x	3.2x
EV/EBITDA	24.0x	18.3x	16.5x	14.1x
Tangible NAV/Share	-	-	-	-

Next News	
AGM Trading Update	May 2019

Share Price Performance	
1 Month	+0.7%
12 Months	+7.5%

Divisional Sales Split



Source: Company Accounts.

Share Price (p)

Source: Bloomberg.

*** Arden Partners acts as corporate broker to this company.**

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