HARDMAN&CO.

THE MONTHLY

September 2019

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Board Effectiveness

The next lever of value creation

By Dr Sabine Dembkowski, Better Boards Ltd

The challenges associated with value creation drive all investors. Any investment professional is eager to make their mark by picking organisations that are able to deliver superior returns. Increasingly investors look into how organisations are governed and how effective the top decision-making bodies of organisations really are.

In this white paper, we shed light on research findings and reveal the seven hallmarks of effective boards. The seven hallmarks are proven to create more effective boards and are set to be the next lever in the value creation process. Better Boards has created advanced board evaluation tools designed to motivate and inspire and above all, contribute to superior value creation.

What could boards achieve if they **unleash the talent** around the table?

Given that those at the top of an organisation are the key enablers and drivers of value creation, it is quite surprising how little effort is presently put into the systematic development of governing and managing boards/teams.

Board evaluations and reviews could provide a sound foundation to kick-start the development process. However, we found that many board evaluation on offer are ill-suited. For board evaluations and development programmes to provide a return on investment and a positive impact on value creation, it is vital that they focus on the variables that are proven to have an impact on the effectiveness of the board.

When we analysed the final reports of board evaluation programmes we found that all too often they rely on variables that proved to be relevant in different contexts but no evidence exists that they are relevant in boardrooms, make boards more effective and

contribute to the value creation process. More than that, some board evaluation programmes integrate psychometric tests that were developed for different contexts and yet are integrated into the design of board evaluation programmes. These efforts might produce "interesting results" that can be discussed and look impressive but will have little impact when the aim is to create more effective boards.

Recent research conducted by Better Boards has shown that effective boards share common traits that cut across size, geography and sector, providing a useful bellwether for investors wishing to optimise board performance. The traits apply equally to governing and managing boards such as those common in countries who have a two-tier board structure like Germany, as well as unitary boards and management teams popular in the United States and the United Kingdom.

Our conversations with investors also revealed that they call for a different approach to board evaluations and reviews. There is a universal dislike of box-ticking exercises which are viewed as time-consuming, a waste of monies and irrelevant. What's urgently needed is a collaborative tool that helps boards focus and align around top priorities in the value creation process, while fostering greater agility and speed in decision-making. To create value amid complexity, boards need new guiding principles and practical tools derived from research and hard data going beyond observations, and anecdotes.

Investors **call for a different approach to board evaluations and reviews.**

Unleashing the potential of boards for the value creation process means equipping members of boards and management teams with insights into the variables that really matter; insights that provide the foundation for the flexibility to respond appropriately and constructively to ever-changing threats and opportunities.

The Seven Hallmarks of Effective Boards

Hallmark 1: Composition of the board

Engaged and effective boards are a complementary mixture of different skills, expertise, business experiences, perspectives, personalities, and behavioural styles. They've shed the homogeneity that leads to groupthink and reinforces shared biases. Adequate for simpler times, socially insular boards lack the versatility to handle complex new challenges. But our research confirms that diversity should go beyond adding women or minority group members to the board. Equally important is diversity of professional experience, subject-matter expertise, and "role behaviours," i.e. how an individual behaves in a group setting.

Source: Better Boards Limited

Hallmark 2: Ability to use the strengths of all members

Boards perform better when they take full advantage of each member's distinct strengths and personality traits. That means each member of a governing board and management team must understand what he or she brings to the table, and how it fits in with the strengths and behavioural roles of all the others. Effective boards conduct exercises to discover the traits and talents of each member, a process that reveals capability gaps and helps determine who should focus on which board activities.

In our practise, we've seen how this process energises a board and even spills over into management. Board members who know their unique capabilities and understand their specific roles show greater confidence in their decision-making and embrace new opportunities more readily. Boards that capitalise on the strengths of each member can execute strategy more effectively, and achieve better results in ambitious value creation programmes.

Boards that **capitalise on the strengths of each member** execute strategy more effectively and achieve **better results in value creation programmes.**

Recently, we worked with a high-profile board that was frustrated by the organisation's inability to resolve repeated customer service failures that were generating bad publicity and hammering the company's stock. Try as they might, an organisation couldn't bring their worldclass capabilities to bear in a meaningful way. We advised breaking down the challenges into discrete components and identified the board members who could help managers solve each discrete component. We created a strength matrix that provided insights into who was best placed to resolve each separate issue. Within nine months customer satisfaction improved by over 60%.

Hallmark 3: Clarity of roles and responsibilities

Ill-defined roles and unclear responsibilities—all too common among today's boards—leave members of boards unprepared to act effectively and unable to ensure that strategy is translated into execution and value-creation. An engaged and effective board assigns clear roles and responsibilities to every member, consistent with their distinctive strengths, abilities, and characteristics. A member of the board with overseas business experience might take responsibility for overseeing a company's foreign operations, while a technologist might help management develop a digital strategy.

Boards should re-evaluate assignments regularly and revise or add roles as changing conditions dictate. Duties also change when members join or leave the board. For example, when a top-flight financial executive joined the board of a leading company, she was assigned to lead the audit committee. The previous audit chair, an experienced HR executive, took on a new role helping the company develop a new philosophy on restructuring.

Hallmark 4: Joint vision

Most boards will tell you that they have a common strategic vision for the organisation. Ask each member to articulate that vision, however, and you'll likely get as many different versions as there are members of boards. A board that doesn't agree on where it's going will have a hard time getting anywhere. In a recent assignment, we found that incompatible interpretations of strategic goals were preventing the board and management team from reaching agreement on certain important issues. As a result, they lost valuable time and missed important milestones of the value creation plan.

Effective boards allow no such strategic ambiguity. They align around a single vision and spell it out enough to guide board decisions and spur management teams to action. They make sure the vision is understood not only by all board members but also by managers and executives at least two levels down the organisational chart.

Hallmark 5: Ability to resolve conflicts between board and management

Conflicts inevitably arise between the boards and the management team they oversee. Often these conflicts erupt during a crisis—a strike by company workers, perhaps—that calls for a rapid, unified response. If the board and management can't coalesce quickly, the situation may spiral out of control. Effective boards establish ground rules and mechanisms for resolving conflicts with management. Often, they designate a board member with proven conflict resolution skills and relevant experience.

Consider the case of a large company hit by a strike that interrupted deliveries and angered customers who relied on the company for daily service delivery. After the labour impasse had dragged on for several months, two directors with proven conflict resolution skills began working with management to find a solution. Within weeks, a settlement was on the table.

Hallmark 6: Structure and organisation of the work of the board

Well-designed organisational structures and working processes enable boards to act efficiently and effectively, while poor structures and working processes can lead to paralysis. Effective boards understand that organisational effectiveness starts with a smooth operating relationship between the company secretary, the chairperson, and the CEO. They lay out a detailed road map for the year, a clear agenda for each meeting, and ground rules for interactions in the boardroom. They also thoughtfully schedule board work and meetings, aligned with the strategy, the value creation plan and challenges facing the organisation.

Hallmark 7: Regular reviews and reflection about the work

Simply adopting a new set of operating principles won't assure consistently superior board performance over the long term. Effective boards take stock of themselves regularly, scheduling formal sessions to measure their performance against agreed-upon goals and benchmarks. They discuss what works and what doesn't, and consider new ways of improving their performance. Equally important are informal gatherings, where board members can connect on a personal level and gain perspective on their work.

Changing the dynamics of a board room can be a daunting task. While the Seven Hallmarks provide a positive framework within which to begin the conversation, a board will also need to devise an overall action plan to achieve ambitious value creation plans and secure superior returns for their investors.

A Five-Step Action Plan for better boards

- **Step 1. Integrate board development programmes into the value-creation processes.**

  Successful board evaluation programmes start with an in-depth understanding of the company's strategy and value creation plans. These broader imperatives guide a fit-for-purpose board design tailored and aligned to value creation plans. In working with clients, we have seen first-hand how integrating board development in the value creation process, and strategic execution can accelerate change and deliver superior value.

- **Step 2: Get the evidence.**

  Evidence-based board evaluation programmes require data and not opinions. Board evaluation programmes that don't gather enough data on the issues most pertinent tend to create structures and processes that don't improve performance. Evidence-based board evaluation programmes, by contrast, collect all the relevant data needed to build engaged and effective boards that achieve results and have a significant impact on the value creation process.

- **Step 3: Provide directors with real insight.**

  Directors are time-pressed executives with little patience for undifferentiated, time - consuming data collection and abstract analysis. Board evaluations that distil evidence down to key data points that lead to concrete, specific, and actionable insights relevant to the role of each member of the board attract attention and get the buy-in of the board members.

- **Step 4: Provide individual feedback.**

  Directors welcome constructive feedback in a neutral and confidential environment. In our experience, directors appreciate confidential, data-driven feedback on their performance and the board's overall effectiveness. A frank, confidential, and neutral exchange helps directors reflect on how they can increase their level of impact in the boardroom, add greater value and strengthen the board as a whole.

- **Step 5: Persevere.**

  Agree on a framework and work at it. Use consistent data collection mechanisms to track progress and evolving patterns over time. This longitudinal insight forms a foundation for continuous learning by directors and senior management.

About Better Boards

Better Boards www.better-boards.com is an independent Professional Service firm in London that focuses on creating more effective management and supervisory boards.

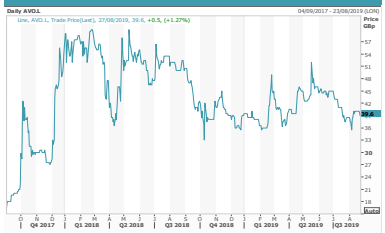
In the last few years, Dr Sabine Dembkowski has focused on creating more effective boards and top leadership teams. She is credited with having identified the 'Seven Hallmarks of Effective Boards' and having developed an innovative online audit tool. The seven hallmarks have been peer-reviewed and published in the US, the UK and across Europe. Sabine works with leading investors, listed organisations and growth companies to apply the principles of her research and achieved tangible results.

Contact Sabine Dembkowski: sabine.dembkowski@better-boards.com

Company research

Priced at 23 August 2019 (unless otherwise stated).

Healthcare Equipment & Services



Source: Refinitiv

Market data

EPIC/TKR	**AVO**
Price (p)	**38.0**
12m High (p)	55.1
12m Low (p)	32.4
Shares (m)	236.7
Mkt Cap (£m)	89.9
EV (£m)	77.9
Free Float*	65%
Market	AIM

**As defined by AIM Rule 26*

Description

Advanced Oncotherapy (AVO) is developing next-generation proton therapy systems for use in radiation treatment of cancers. The first system is expected to be installed in Daresbury for CE marking. Meanwhile, Harley Street, London, is progressing to plan and will be operated via a JV with Circle Health.

Company information

Exec. Chairman	Michael Sinclair
CEO	Nicolas Serandour
	+44 203 617 8728
	www.advancedoncotherapy.com

Key shareholders

Board & Management	9.6%
Liquid Harmony	19.0%
P Glatz	6.6%
DNCA Investments	5.1%
Brahma AG	3.3%
Barrymore Investments	3.3%

Diary

Sep'19	Interim results
2H'19	Delivery of LIGHT

Analysts

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ADVANCED ONCOTHERAPY

Interim results due September

AVO's goal is to deliver an affordable and novel proton beam therapy (PBT) system, based on state-of-the-art technology developed originally at the world-renowned CERN. 2018 was characterised by the achievement of a number of technical milestones, including successful integration and validation of all the module types that constitute the LIGHT accelerator, thereby de-risking the project. AVO is delivering on its schedule to have the first LIGHT machine set up in Daresbury (Cheshire) ready for treating first patients by the end of 2020, while completing the final building stage at the Harley Street site.

- **Strategy:** AVO is developing a compact and modular PBT system at an affordable price for the payor, financially attractive to the operator, and generating superior patient outcomes. AVO benefits from technology know-how developed by ADAM, a spin-off from CERN, and relies on a base of world-class suppliers.
- **LIGHT update:** At its AGM, management highlighted that the Daresbury site would be used not only for the integration and assembly of LIGHT, but also for the verification and validation process, which entails the treatment of a small cohort of patients. Meanwhile, Harley Street is being handed over to AVO for fit-out.
- **Financing update:** AVO has announced a Subscription of new Ordinary shares at 40p per share to raise £14.4m (gross), of which £11.0m is new capital, together with a new £4.0m loan facility from a significant shareholder. The new funds (£18.4m) will be used for progressing the verification and validation of LIGHT.
- **Risks:** What started off as a long-term vision to have a modular and affordable PBT system, based on the latest technology, is getting ever closer, with the end now in sight. While execution and commercial risks remain, the increasing probability of a successful outcome is attracting worldwide attention.
- **Investment summary:** AVO's market capitalisation of ca.£90m equates only to the amount invested into LIGHT to date, which reflects neither the enormous technical challenges that have been overcome, nor the market potential. A DCF analysis of the LIGHT prospects generates an NPV of at least 239p per share (fully-diluted). The disconnect between fundamental and market valuations offers an investment opportunity, which will reduce as AVO completes its financing plan.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019E	2020E	2021E	2022E
Sales	0.0	0.0	0.0	21.5	65.5	111.5
Gross profit	0.0	-1.9	0.0	1.9	11.4	27.6
Administration costs	-12.9	-15.7	-15.4	-15.8	-16.1	-16.4
EBITDA	-14.1	-21.4	-19.6	-17.3	-9.1	5.1
Underlying EBIT	-14.5	-21.8	-20.0	-20.0	-11.8	2.5
Statutory EBIT	-14.5	-21.8	-20.0	-20.5	-11.1	4.1
Underlying PTP	-16.5	-21.9	-20.7	-21.5	-13.7	0.6
Statutory PTP	-16.5	-21.9	-20.7	-22.0	-13.0	2.2
Underlying EPS (p)	-17.6	-14.0	-9.8	-7.9	-4.9	0.7
Statutory EPS (p)	-18.9	-13.4	-9.8	-8.1	-4.7	1.3
Net (debt)/cash	-9.2	-2.0	-1.1	-9.0	-15.3	-13.8
EV/EBITDA (x)	-7.0	-4.3	-4.7	-5.7	-11.6	20.4

Source: Hardman & Co Life Sciences Research

Financials

Source: Refinitiv

Market data

EPIC/TKR	**AJB**
Price (p)	**382**
12m High (p)	482
12m Low (p)	162
Shares (m)	408
Mkt Cap (£m)	1,558
EV (£m)	1,500
Free Float*	36.5%
Market	LSE full listing

**As defined by LR 6.14 of the Listing Rules*

Description

AJ Bell is one of the largest investment platforms in the UK. It serves both DIY and advised customers, and offers SIPPs, ISAs and general accounts. It aims to be easy to use and very competitively priced.

Company information

CEO	Andy Bell
CFO	Michael Summersgill
Chairman	Les Platts

+44 345 40 89 100

www.ajbell.co.uk

Key shareholders

Invesco Perpetual	25%
Andy Bell	25%
Management and other	23%
Michael Spencer	3%

Diary

24 Oct	4Q trading update
05 Dec	FY19 results

Analyst

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AJ BELL

Platform for growth

AJ Bell is one of the largest and fastest-growing investment platforms in the UK. It serves both the adviser market and the DIY investor. Having transitioned to updated technology in 2014, it is well placed to ride the growth in the market and pick up disaffected clients from competitor platforms that are only now upgrading. We anticipate strong profit growth on the back of higher revenues and positive operational gearing. The 3Q trading update confirmed the positive trading in the interim results, which were accompanied by a very confident outlook statement.

- **Strategy:** AJ Bell intends to be the easiest platform for investors and advisers to use, and to offer exceptional value – but not at the expense of service levels. It charges noticeably less than many of its competitors, putting it in a strong position as charges take a higher profile.

- **Plenty of scope for platform expansion:** Investment platforms are an obviously good way to concentrate the administration and custody of investments in one place, while offering a huge variety of investment choice, and freeing investors and advisers to focus on what they do best. There are still plenty of assets not yet corralled, as well as significant underlying growth.

- **Valuation:** We value the business on a DCF basis. At the current price, it is effectively assuming a discount rate of 7.2%, putting it over the top end of our wide range. Our central valuation of £953m would put it on a FY19E PER of 33x, which compares with Transact at 35x and Hargreaves Lansdown at 36x.

- **Risks:** There are inevitably market risks – revenue is linked to the value of assets and, to a lesser extent, the amount of trading on the platform. The business is also sensitive to tax and savings policies, which can have major impacts on investors' behaviour. The robustness of the technology is critical too.

- **Investment summary:** AJ Bell is a very attractive business, in our view. It is well positioned to benefit from the expected continuing growth in savings and the ever- higher proportion of those savings held on platforms. The business is highly cash-generative and holds significant net cash. These positive characteristics would seem to be well reflected in the current price.

Financial summary and valuation

Year-end Sep (£m)	2016	2017	2018	2019E	2020E	2021E
AuA (£bn)	32	40	46	49	55	61
Revenue	64.5	75.6	89.7	104.0	116.0	130.0
Net finance income	0.0	-0.1	0.1	0.0	0.0	0.0
PBT	16.8	21.7	30.1	37.0	41.0	47.0
Tax	-3.5	-4.2	-5.7	-6.7	-7.4	-8.5
Net profit	13.3	17.5	22.6	28.5	33.6	38.6
No. of shares (fully-diluted, m)	394	396	402	408	408	408
EPS (fully-diluted, p)	3.4	4.4	6.1	7.4	8.2	9.5
DPS (p)	2.7	2.9	3.7	4.5	5.4	6.1
PER (x)	113.2	86.4	62.9	51.4	46.4	40.4
Dividend yield	0.7%	0.8%	1.0%	1.2%	1.4%	1.6%
Dividend cover (x)	1.3	1.5	1.6	1.6	1.5	1.5

Source: Hardman & Co Research

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data

EPIC/TKR	**AGY**
Price (p)	11.5
12m High (p)	29.0
12m Low (p)	7.3
Shares (m)	636.2
Mkt Cap (£m)	73.2
EV (£m)	49.0
Free Float*	39%
Market	AIM

**As defined by AIM Rule 26*

Description

Allergy Therapeutics (AGY) provides information to professionals related to prevention, diagnosis and treatment of allergic conditions, with a special focus on allergy vaccination. The emphasis is on treating the underlying cause and not just the symptoms.

Company information

CEO	Manuel Llobet
CFO	Nick Wykeman
Chairman	Peter Jensen

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www.allergytherapeutics.com

Key shareholders

Directors	0.7%
Abbott Labs	37.8%
Southern Fox	22.7%
SkyGem	15.6%
Invesco	4.5%

Diary

25 Sep	Final results
1H'20	Start Phase 1 Polyvac Peanut trial
2H'20	Start Phase III Grass Trial

Analysts

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ALLERGY THERAPEUTICS

Final results due 25 September

AGY is a long-established specialist in the prevention, diagnosis and treatment of allergies. The Pollinex Quattro (PQ) platform, an ultra-short-course subcutaneous allergy immunotherapy (SCIT), continues to gain market share despite its availability in the EU on a 'named-patient' (NP) basis only. Several products are in clinical development, with the aim of moving the platform to full registration under the new regulatory framework. AGY has issued a positive trading update, highlighting the strong operating performance of the group. Also, it has reached a successful settlement of an ongoing legal dispute with one of its third-party R&D contractors.

- **Strategy:** AGY is a fully-integrated pharmaceutical company focused on the treatment of allergies. There are three parts to its strategy: continued development of its European business via investment or opportunistic acquisitions; the US PQ opportunity; and further development of its pipeline.

- **Trading update:** Fiscal 2019 sales were close to forecasts, rising 8.7% to £74.0m (£68.3m). While further Brexit costs (-£0.5m est.) dented any prospect of gross margin improvement, this was more than offset by lower spend on marketing (+£1.0m), G&A (+£1.0m) and R&D (+2.0m), resulting in an upgrade to forecasts.

- **Legal settlement:** AGY has settled a legal dispute with Inflamax Research Inc (Inflamax) regarding the inconclusive US Phase II Grass MATA MPL trial. Inflamax has paid AGY $7.4m/£6.0m in full settlement of the dispute. In addition, Inflamax has agreed to pay a 'substantial portion' of AGY's legal costs.

- **Risks:** AGY's primary risk lies in the timings of the regulatory approval process, mostly outside of its control, related to the PQ Birch immunotherapy and the European TAV process for full approval. Ongoing trials do represent a risk, but this is limited by the products' use on an NP basis.

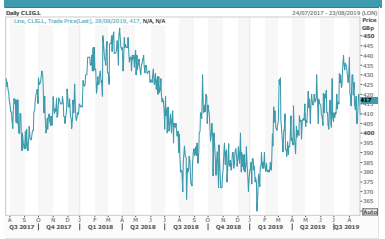
- **Investment summary:** The share price continues to recover from the overly pessimistic view of the PQ Birch trial primary endpoint failure in March, and the positive trading update and news that the legal dispute has been settled will help. Despite some recovery to date, AGY is trading on EV/sales of only 0.68x 2019E, down to 0.63x 2020E – well below the multiples commanded by its direct competitors.

Financial summary and valuation

Year-end Jun (£m)	2016	2017	2018	2019E	2020E	2021E
Sales	48.5	64.1	68.3	74.0	80.3	88.7
R&D investment	-16.2	-9.3	-16.0	-14.0	-17.0	-15.0
Underlying EBIT	-12.3	-2.9	-6.4	-3.6	-6.2	-2.0
Reported EBIT	-12.5	-2.6	-7.4	1.4	-7.2	-3.0
Underlying PBT	-12.5	-3.0	-6.5	-3.7	-6.5	-2.3
Statutory PBT	-12.2	-2.7	-7.5	1.3	-7.4	-3.3
Underlying EPS (p)	-2.4	-0.5	-1.1	-0.6	-1.1	-0.5
Statutory EPS (p)	-2.3	-0.4	-1.3	0.2	-1.2	-0.6
Net (debt)/cash	20.0	18.8	12.5	24.2	15.5	-14.5
Equity issues	11.0	0.0	0.0	10.4	0.3	0.3
P/E (x)	-5.0	-25.0	-10.7	-20.1	-10.4	-23.5
EV/sales (x)	1.0	0.8	0.7	0.7	0.6	0.6

Source: Hardman & Co Life Sciences Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	**CLIG**
Price (p)	410.0
12m High (p)	440.0
12m Low (p)	360.0
Shares (m)	26.6
Mkt Cap (£m)	108.9
EV (£m)	90.2
Market	LSE

Description

City of London (CLIG) is an investment manager specialising in using closed-ended funds to invest in emerging and other markets.

Company information

CEO	Barry Olliff
CFO	Tracy Rodrigues
Chairman	Barry Aling

+44 207 860 8346

www.citlon.com

Key shareholders

Directors & staff	16.8%
Blackrock	10.0%
Cannacord Genuity	8.0%
Eschaton Opportunities Fund Management	4.8%
Polar Capital	4.1%

Diary

16 Sep	Preliminary results statement
9 Oct	1Q FUM announcement
10 Oct	Ex-div. date for final
14 Jan	2Q FUM announcement

Analyst

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CITY OF LONDON INVESTMENT GROUP

Summer doldrums

August was a weak month for global equity markets, and emerging markets were no exception. The MSCI Emerging Markets Index was down ca.4%, which is broadly in line with other major markets. It is not hard to find reasons for these movements. Despite President Trump's claims to the contrary, the further escalation in the trade war between China and the USA will be bad for both countries, and increasingly looks like having consequences for others too. Chinese and US economic data also indicate a slowing down, with concerns that an inverting yield curve suggests a recession is coming.

- **Employee Benefit Trust:** The company's Employee Benefit Trust continued to purchase shares, adding 25,000 at 407p. The trust now holds 1,548,048 shares, or 5.8% of the issued share capital.
- **Valuation:** The 2020E P/E of 9.8x is at a discount to the peer group. The historical yield for the ongoing dividend of 6.6% is attractive and should, at the very least, provide support for the shares in the current markets.
- **Risks:** Although emerging markets can be volatile, City of London has proved to be more robust than some other EM fund managers, aided by its good performance and strong client servicing. Further EM volatility could increase the risk of such outflows, although increased diversification is also mitigating this.
- **Investment summary**: Having shown robust performance in challenging market conditions, City of London is now reaping the benefits in a more supportive environment. The valuation remains reasonable. FY'17 and FY'18 both saw dividend increases and, unless there is significant market disruption, more should follow in the next few years.

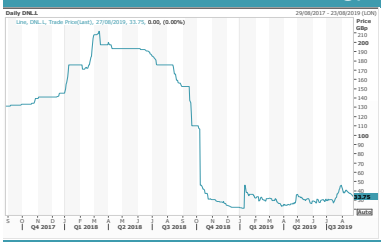
Financial summary and valuation

Year-end Jun (£m)	2016	2017	2018	2019E*	2020E	2021E
FUM ($bn)	4.00	4.66	5.11	5.39	5.79	6.21
Revenue	24.41	31.29	33.93	31.98	35.41	37.56
Statutory PTP	7.97	11.59	12.79	11.40	13.09	14.16
Statutory EPS (p)	23.3	36.9	39.5	34.9	41.9	45.3
DPS (p)	24.0	25.0	27.0	27.0	27.0	27.0
Special dividend				13.5		
P/E (x)	17.6	11.1	10.4	11.7	9.8	9.1
Dividend yield	5.9%	6.1%	6.6%	9.9%*	6.6%	6.6%

Source: Hardman & Co Research

**2019 figures include a special dividend of 13.5p*

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**DNL**
Price (p)	**34.0**
12m High (p)	157.5
12m Low (p)	21.0
Shares (m)	84.5
Mkt Cap (£m)	28.7
EV (£m)	21.9
Free Float*	40%
Market	AIM

**As defined by AIM Rule 26*

Description

Diurnal (DNL) is a UK-based specialty pharma company targeting patient needs in chronic, potentially life-threatening, endocrine (hormonal) diseases. Alkindi is DNL's first product in the market in Europe for the paediatric population, with first sales already started in key countries, while Chronocort is in Phase III trials.

Company information

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Chairman	Peter Allen
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	www.diurnal.co.uk

Key shareholders

Directors	2.4%
IP Group	40.7%
Finance Wales	13.6%
Polar Capital	7.8%
Richard Griffiths	5.5%
Oceanwood Capital	3.7%

Diary

24 Sep	Final results
4Q'19	Alkindi US NDA subm.
4Q'19	Chrono. EMA MAA subm.

Analysts

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Grégoire Pavé	020 7194 7628
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DIURNAL GROUP

2019 final results due 24 September

DNL is a commercial-stage specialty pharmaceutical company focused on diseases of the endocrine system. Its two lead products are targeting rare conditions where medical need is currently unmet, with the aim of building a long-term 'Adrenal Franchise'. The first product, Alkindi®, is being launched in key EU markets, and was expected to be followed by the adult version, Chronocort®. The forthcoming results meeting will provide the first full year of sales of Alkindi, through the rollout of additional European countries. Our 2019 forecast indicates sales of £1.1m. Management will also update on progress for the US NDA submission for Alkindi.

- **Strategy:** DNL aims to create a valuable 'Adrenal Franchise' that can treat patients with chronic cortisol deficiency diseases from birth through to old age. Once Alkindi and Chronocort are established in the EU and the US, the long-term vision is to expand DNL's product offering to other related conditions.

- **Alkindi 2019 sales forecast:** Our forecast indicates direct sales of Alkindi of £1.1m. Despite being a centralised EU authorisation, there is a staged rollout of Alkindi, influenced by the timetable for agreeing pricing with the relevant authorities in each country.

- **Upcoming newsflow:** At the results meeting, management will provide an update on the New Drug Application submission for Alkindi in the US, expected in 4Q'19. DNL also expects to submit the market authorisation application in Europe for Chronocort around the end of the year.

- **Risks:** Concerns about the US prospects for Chronocort have been allayed by the positive EMA outcome, which has allowed DNL to change the US Phase III protocol. However, it has added extra time into the US development process and delayed the point at which DNL is expected to become cashflow-positive.

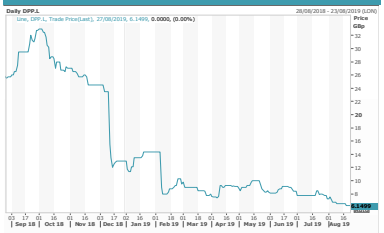
- **Investment summary:** Alkindi, a cortisol replacement therapy designed for children under 18 years of age, is DNL's first drug on the market. It is expected to be followed by Chronocort for adults – a larger market – which now has a clear regulatory pathway in both Europe and the US. Despite this, the share price is still languishing well below valuations determined by peer group and DCF (225p) analyses, possibly due to the need for more capital later in 2019.

Financial summary and valuation

Year-end Jun (£m)	2016	2017	2018	2019E	2020E	2021E
Sales	0.00	0.00	0.07	1.14	2.14	5.56
SG&A	-1.99	-3.23	-6.21	-5.50	-7.12	-8.76
R&D	-3.89	-8.34	-10.02	-10.00	-10.85	-10.31
EBITDA	-5.87	-11.56	-16.16	-14.52	-16.03	-14.06
Underlying EBIT	-5.88	-11.56	-16.17	-14.53	-16.05	-14.07
Reported EBIT	-6.99	-12.08	-16.98	-15.38	-16.94	-15.01
Underlying PBT	-5.95	-11.64	-16.30	-14.45	-16.03	-14.09
Statutory PBT	-7.06	-12.16	-16.91	-15.30	-16.92	-15.03
Underlying EPS (p)	-12.48	-17.05	-25.68	-19.81	-12.76	-10.94
Statutory EPS (p)	-15.02	-18.04	-26.78	-21.19	-13.59	-11.81
Net (debt)/cash	26.88	16.37	17.28	4.23	-4.60	-18.04
Equity issues	24.52	0.05	13.40	0.00	5.57	0.00

Source: Hardman & Co Life Sciences Research

Consumer & Leisure



Source: Refinitiv

Market data

EPIC/TKR	**DPP.L**
Price (p)	6.3
12m High (p)	34
12m Low (p)	6
Shares (m)	250
Mkt Cap (£m)	16
EV (£m)	14
Free Float*	64%
Market	AIM

**As defined by AIM Rule 26*

Description

DP Poland (DPP) has the master franchise for Domino's Pizza in Poland. It has 67 stores, of which 43 are corporately owned. It is rolling out steadily and trialling a partnership with takeaway.com.

Company information

CFO	Maciej Jania
Chairman	Nicholas Donaldson

+44 20 3393 6954

www.dppoland.com

Key shareholders

Directors	5.2%
Cannacord Genuity	13%
Pageant Holdings	17%
Fidelity	10%
Octopus Investments	5%

Diary

24 Sep	Interim results

Analyst

Jason Streets 020 7194 7622

js@hardmanandco.com

DP POLAND

Like-for-like growth resumes

The company reported system sales up 10% in 1H'19, with 80% online orders. Like-for-likes resumed positive growth in 2Q, after negatives in 1Q. Two new sub-franchisees were signed up, and they will take on three corporate stores between them. A further three were taken under contract by an existing sub-franchisee. The growth focus will be on splitting territories and larger cities. There was no update on the trial with takeaway.com.

- **Strategy:** DPP spent its first few years proving the Domino's Pizza model in Poland. It has scope to double the number of operations in the next few years. As stores mature, it should see success in reported profits. It aims to be smarter in marketing than its competitors, using digital media, rather than expensive display advertising.
- **Competitive market:** The new food delivery aggregators have money to spend and are impacting DPP's above-the-line promotional activity, with aggressive (and possibly unsustainable) marketing activity. DPP is now trialling a partnership with takeaway.com. It allows DPP full control of product, service and delivery, while piggy-backing on its marketing spend. Early signs are positive.
- **Valuation:** With no reported profits expected in the next few years, we value DPP on a per-store basis. In our initiation note (18 September 2018), *Fully proven model rolls out*, we derived a ca.£80m central value, to reflect the delay in the maturing of the business; we now discount that for a further year, to £72m, or 29p per share.
- **Risks:** The biggest short-term risk is the deep pockets of the new disruptors: the food delivery aggregators. This has already impacted DPP's growth, as it struggles to get its message across, with competitors' spend 20x or even 25x that of DPP.
- **Investment summary:** DPP has a powerful retail consumer franchise in a fast-developing economy. A Domino's Pizza franchise takes time to reach profitability, leaving management with a choice between growth and short-term losses. Disruptive competitive activity pushes the path to profitability further into the future, but also grows the delivery market. The model remains sound, in our view.

Financial summary and valuation

Year-end Dec (£m)	2016	2017	2018	2019E	2020E
Revenue	7.6	10.4	12.4	12.7	16.3
Store EBITDA	1.5	0.7	0.7	0.4	0.6
Group EBITDA	-1.6	-1.8	-1.9	-2.1	-1.6
EBIT	-2.5	-2.7	-3.9	-3.2	-2.8
Finance costs	0.1	0.1	0.1	0.0	0.0
PBT	-2.5	-2.6	-3.8	-3.2	-2.8
PAT	-2.5	-2.6	-3.8	-3.2	-2.8
EPS (p)	-1.9	-1.9	-2.5	-1.4	-1.1
EPS (adjusted, p)	-1.8	-1.9	-2.6	-1.4	-1.1
Net cash	6.0	4.1	1.7	3.2	-0.2
Shares issued (m)	129	142	150	230	250
EV/sales (x)	3.6	2.6	1.1	1.1	0.8

Source: Hardman & Co Research

Support Services

Source: Refinitiv

Market data

EPIC/TKR	**FLTA**
Price (p)	169
12m High (p)	282
12m Low (p)	164
Shares (m)	29
Mkt Cap (£m)	49
EV (£m)	46
Free Float*	33%
Market	AIM

**As defined by AIM Rule 26*

Description

Filta Group (Filta) provides cooking oil filtration, fryer and drain management services in North America and Europe to commercial kitchens.

Company information

CEO	Jason Sayers
CFO	Brian Hogan
Chairman	Tim Worlledge

+44 1788 550100
www.filtaplc.com

Key shareholders

Directors	67%
Gresham House	12.5%
Blackrock	5.6%
Ennismore FM	5.0%
Cannacord Genuity	3.7%

Diary

9 Sep	Interim results
Apr'20	Preliminary results

Analyst

Jason Streets 020 7194 7622
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FILTA GROUP

Strong and transformative year in 2018

Filta provides cleaning services to commercial kitchens in North America, the UK and, more recently, mainland Europe. In addition to buying in the European master franchise, it has made a major step in acquiring Watbio, which will increase the company-owned operations and reinforce the UK side of the business. At the AGM, the company reported that the integration of Watbio would lead FY19 profits to be more 2H-weighted than usual. This was in line with our expectations. Revenues should prove both consistent and persistent, and there is scope for growth for many years, we believe.

- **Strategy:** Filta provides a professional service, via franchisees, to kitchens to filter their cooking oil – improving taste and saving money. Grease emanating from commercial kitchens also causes problems and needs managing. There is scope for Filta to become the major player in the UK grease management business.

- **FY18 results and outlook:** Filta delivered adjusted EBITDA of £2.64m, up 25% on the previous year and broadly in line with our expectations. Adjusted EPS was up 7%, at 5.4p, and the full-year dividend rose 26% to 1.64p. FY19 is said to have started well, with growth in all core businesses.

- **Valuation:** Filta has no directly comparable companies. We have used a DCF to derive a value range of 226p to 282p per share, using a 10% discount rate and a mid-term (2021-25) growth rate of between 6% and 12%. Our central estimate is 262p. No account is taken of future added-value acquisitions.

- **Risks:** In addition to normal commercial risks, Filta is dependent on the behaviour of its franchisees, which it cannot control but can help to influence by means of thorough training. It has also recently made a sizeable acquisition, the integration of which will inevitably involve managing some unknowns.

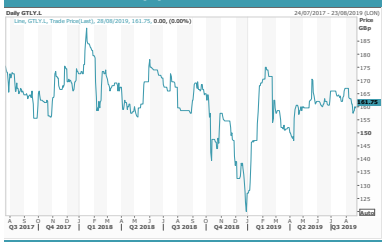
- **Investment summary:** Filta is an attractive business, in our view, combining the capital-light franchise model in North America and Europe with company-owned operations in the UK. With only a tiny proportion of the market currently served and with little or no competition, we see potential for years of profitable growth ahead. Please see our initiation report *here*, published on 3 April 2019.

Financial summary and valuation

Year-end Dec (£000)	2015	2016	2017	2018	2019E	2020E
Revenue	7,925	8,469	11,547	14,213	26,363	29,626
EBITDA	594	1,193	2,116	2,642	4,850	5,350
Underlying EBIT	450	1,011	2,059	1,941	4,000	4,550
Reported EBIT	450	-249	1,699	1,782	3,850	4,350
Underlying PTP	376	932	1,968	1,900	3,750	4,300
Statutory PTP	376	-329	1,608	1,742	3,600	4,100
Underlying EPS (p)	1.39	3.66	5.05	5.39	9.88	11.25
Statutory EPS (p)	1.39	-1.51	3.85	4.88	9.37	10.57
Net (debt)/cash	-619	3,271	2,992	2,040	2,723	5,289
Shares issued (m)	22	23	27	27	29	29
P/E (x)	121.7	46.2	33.4	31.3	17.1	15.0
EV/EBITDA (x)	62.9	29.4	20.4	16.8	9.6	8.2

Source: Hardman & Co Research

Business Support Services



Source: Refinitiv

Market data

EPIC/TKR	**GTLY**
Price (p)	**161**
12m High (p)	177
12m Low (p)	118
Shares (m)	110.8
Mkt Cap (£m)	178
EV (£m)	182
Free Float*	>40%
Market	AIM

**As defined by AIM Rule 26*

Description

Gateley provides legal services predominantly through its UK offices. In 2015, it was the first, and remains the only, full-service commercial law firm to float.

Company information

CEO	Michael Ward
Finance Director	Neil Smith
Chairman (non-exec.)	Nigel Payne

+44 121 234 0000
www.gateleyplc.com

Key shareholders

Executive Directors	4.9%
Liontrust	10.3%
Unicorn	5.8%
Miton	4.4%

Diary

Sep '19	AGM
Nov'19	Trading update
Jan'20	Interim results

Analyst

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GATELEY (HOLDINGS) PLC

Excellent results – continued progress

Last month, Gateley reported another strong set of final results, again beating market expectations, underlining its consistent and predictable performance. A broad-based, legal and professional services group, Gateley is a leader in serving the UK mid-market. It continues to deliver on its pre-IPO plan, growing revenue, profit, breadth of service offering and geographical footprint since flotation. Strong cash generation and organic revenue growth were highlights, with 11% of revenues coming from acquisitions. Gateley made two strategic acquisitions last year, for shares and cash, which are adding to the excellent organic growth. A recent placing improved liquidity.

- **Current trading:** Results were strong, with EPS of 11.8p, up 7%, vs. our 11.3p forecast, accompanied by a generous 14.3% dividend hike. The outlook comment was extremely positive – "the Group is well positioned to make even greater progress in the current financial year" – this after a 20% revenue growth year!

- **News:** Since the results, the company has announced the £0.25m (sub-£100k in cash) complementary acquisition of Persona Associates, one of the UK's longest-established and leading land referencing consultancies. This fits well with Gateley Hamer and the group's residential development and legal real estate practice.

- **Sector:** The legal sector is growing profitably, with more firms (notably DWF recently) coming to the market, following Gateley's lead. A larger sector is a positive, improving investor understanding and ability to compare. It should favour Gateley (48th to 44th in latest industry rankings), for which we forecast continued growth.

- **Valuation:** The 2020E P/E is 12.3x, falling to 11.3x in 2020E, on hopefully conservative numbers. We forecast a 2020E dividend yield of 5.5%, which should continue to grow. Professional service companies like this have limited capital expenditure, with working capital the main element of cash outflow, as the business grows, allowing the creation of strong returns and high free cashflow generation – an attractive combination.

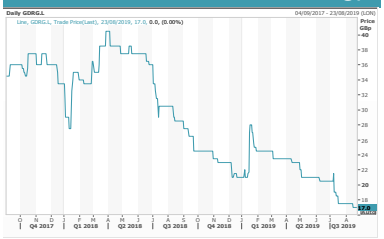
- **Investment summary:** Gateley is a fully invested, consistent performer in a new and exciting space, which is likely increasingly to attract investor attention. It is a high-quality professional services group with significant growth potential, an excellent track record of delivery, a strong management team, and a strategy to diversify further in complementary professional services.

Financial summary and valuation

Year-end Apr (£m)	2017	2018	2019	2020E	2021E
Sales	77.6	86.1	103.5	111.2	120.1
EBITDA*	14.9	16.5	19.1	21.3	22.9
PBT (adjusted)	13.8	14.1	16.0	17.7	19.3
EPS (adjusted, p)	9.4	10.6	11.8	13.0	14.2
DPS (p)	6.6	7.0	8.0	8.8	9.7
Net cash	-4.8	-0.7	-3.2	2.0	4.6
P/E (x)	17.1	15.2	13.6	12.3	11.3
EV/EBITDA (x)	11.9	10.5	9.5	8.3	7.6
Dividend yield	4.1%	4.3%	5.0%	5.5%	6.0%

**Pre-share-based costs; Source: Hardman & Co Research*

Pharmaceuticals & Biotechnology



Source: Refinitiv

Market data

EPIC/TKR	**GDR**
Price (p)	**17.5**
12m High (p)	31.9
12m Low (p)	16.3
Shares (m)	34.0
Mkt Cap (£m)	6.0
EV (£m)	9.4
Free Float*	52%
Market	AIM

**As defined by AIM Rule 26*

Description

Genedrive is a disruptive platform designed to bring the power of central laboratory molecular diagnostics to the point-of-care/need setting in a low-cost device, offering fast and accurate results, initially for diagnosis of serious infectious diseases such as hepatitis.

Company information

CEO	David Budd
CFO	Matthew Fowler
Chairman	Ian Gilham
	+44 161 989 0245
	www.genedriveplc.com

Key shareholders

Directors	1.7%
Calculus	19.4%
M&G	15.2%
BGF	12.8%
Odey	5.5%
River & Merc.	5.4%

Diary

Oct'19	Fiscal 2019 results
1H'20	WHO decision on HCV-ID prequalification

Analysts

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Dorothea Hill	020 7194 7626
	dmh@hardmanandco.com
Grégoire Pavé	020 7194 7628
	gp@hardmanandco.com

GENEDRIVE PLC

Hepatitis C market frustrations

genedrive plc (GDR) is a commercial-stage company focused on point-of-care molecular diagnostics. Its Genedrive® molecular diagnostic platform is at the forefront of this technology, offering a rapid, low-cost, simple-to-use device with high sensitivity and specificity in the diagnosis of infectious diseases. Rapid analysis of patient samples greatly aids clinical and public health decision-making, particularly in remote areas of developing countries. However, despite the clear utility of the HCV-ID kit for diagnosis of hepatitis C virus (HCV) infections, the frustrating nature of the HCV market has led to little HCV-ID sales growth in 2019.

- **Strategy:** Now that the Genedrive technology platform has received CE marking, management has completely re-focused the company onto the commercialisation pathway for gene-based diagnostics in Hepatitis C, tuberculosis, Bio-threats and Antibiotic-Induced Hearing Loss (AIHL), after divesting its Services unit in 2018.

- **Trading update:** Sales grew 25.6% to £2.4m (£1.9m) in the 12 months to June, the first full year without the services business. The mix of sales was considerably more balanced than prior periods, with product sales of ca.£1.0m (£0.1m), which included ca.£0.9m from the US Department of Defense (DoD).

- **HCV product:** Management has been very open on the difficulties encountered in commercialisation of the HCV-ID kit. The process for obtaining in-country registrations has been slower than anticipated, and uptake in registered countries has been frustrated by low demand due to a lack of funding for HCV drugs.

- **Risks:** Genedrive platform technology has been validated by the CE marking of its assay for detection of HCV infection and by recurrent work from the US DoD. The main risks are commercial, given that it often takes time for new technologies to be adopted. Partnering with major global and local experts reduces this risk.

- **Investment summary:** Genedrive technology ticks all the boxes of an 'ideal' *in vitro* diagnostic that satisfies the need for powerful molecular diagnostics at the point of care/need. The hepatitis C market is a very large global opportunity, and, should market factors improve, the HCV-ID test has excellent potential. With strong partners being signed for different countries, such as the NHS (UK), and several product lines in development, GDR has a solid growth strategy in place.

Financial summary and valuation

Year-end Jun (£000)	2016	2017	2018	2019E	2020E	2021E
Group sales	5,063	5,785	1,938	2,434	3,040	5,089
Underlying EBIT	-5,259	-4,812	-5,276	-4,559	-4,177	-1,871
Reported EBIT	-5,426	-7,292	-7,375	-3,944	-4,207	-1,914
Underlying PBT	-5,828	-5,316	-5,794	-5,171	-5,019	-2,737
Statutory PBT	-6,497	-7,487	-7,788	-4,232	-5,050	-2,780
Underlying EPS (p)	-49.8	-23.1	-26.9	-16.3	-13.0	-6.6
Statutory EPS (p)	-56.2	-34.9	-31.9	-12.9	-13.1	-6.7
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0
Net (debt)/cash	-3,877	-70	-2,096	-3,370	-6,740	-8,033
Equity issues	0	6,023	0	3,318	0	0
P/E (x)	-0.4	-0.8	-0.7	-1.1	-1.4	-2.8
EV/sales (x)	1.9	1.7	5.0	4.0	3.2	1.9

Source: Hardman & Co Life Sciences Research

General Retailers

Source: Refinitiv

Market data

EPIC/TKR	**KOOV**
Price (p)	**7.3**
12m High (p)	12
12m Low (p)	5.9
Shares (m)	359
Mkt Cap (£m)	26
EV (£m)	23
Free Float*	40%
Market	AIM

**As defined by AIM Rule 26*

Description

Koovs is an online retailer of fashion across India. It has an experienced management team, growing brand awareness and the highest Net Promoter Score (NPS) in its vertical.

Company information

CEO	Mary Turner
CFO	Rob Pursell
Chairman	Waheed Alli

+44 20 7151 0170

www.koovs.com

Key shareholders

Waheed Alli (Dir.)	11%
Future Lifestyle Fashion	26%
Hindustan Times Media	11%
Dragon Asia	7%
Michinoko	5%
Anant Nahata	3%

Diary

Sep'19	AGM
Dec'19	Interim results

Analyst

Jason Streets 020 7194 7622

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KOOVS PLC

Koovs refinanced for the future

Trading since the company secured its additional financing saw Gross Order Value (GOV) up 104% in 1Q20: Koovs is once more showing the sort of growth associated with online success. FY19 itself was a lost year, as the company conserved cash while it successfully sought new investors; they eventually arrived – not only with money but with important synergistic benefits too. The GOV data are a function of being able to finance growth again. The benefits of the Future Lifestyle (FLFL) tie-up are still to come in additional distribution and improved buying.

- **Strategy:** Koovs' plan to become the ASOS of India is back on track. The impact of the lack of resources in FY19 showed up in the low growth in reported revenue (+9%). With the tap turned back on, GOV has doubled in 1Q20, and web traffic is up 148% (and this not achieved at the expense of the trading margin: up to 21%).

- **Forecasts:** We have, effectively, shifted our forecasts one year later. The expected revenue in FY20 is roughly what we were anticipating for FY19, had the funding arrived straightaway. The base is slightly lower, but we would expect that the benefits from the FLFL tie-up should accelerate growth prospects.

- **Valuation:** Our valuation has changed – under the old estimates, the value should have risen, as the growth came through and the discount unwound. By delaying for a year, this has not happened, and there has been some dilution. Our central estimate of value suggests that Koovs is worth £300m today, or 74p per share.

- **Risks:** We see the two key risks as being slower uptake of e-commerce in India than we forecast, and damaging discounting by Koovs' direct and indirect competitors. Koovs also needs to manage the relationship with FLFL successfully to optimise its benefits. It will need further funding in FY21 to achieve its plans.

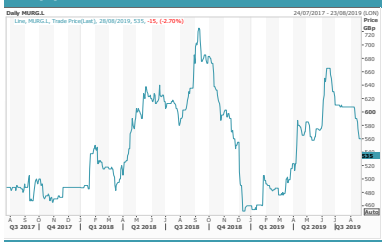
- **Investment summary:** With the money raised and the new partners on board, Koovs becomes an exciting way to play the last big world retail market to move online. The prize, if it gets it right, is a billion-pound company and more. It is likely to be a bumpy, exciting ride, but investors have the reassurance of a highly experienced management team in charge, and the backing of two major Indian corporations straddling both retail and media.

Financial summary and valuation

Year-end Mar (£m)	2018	2019	2020E	2021E	2022E	2023E
Visits (m)	66	76	100	160	260	340
Conversion	1.37%	1.14%	1.40%	1.70%	2.50%	3.00%
No. of orders (m)	0.91	0.86	1.40	2.72	6.50	10.20
AOV (£)	16.37	14.99	14.90	15.00	15.50	16.00
GOV (£m)	14.5	12.8	22.6	49.0	135.2	249.8
Net sales	9.6	8.5	13.8	30.4	85.9	159.9
Weighted margin	47%	49%	52%	57%	61%	62%
Trading profit	1.2	0.1	3.3	10.3	39.0	73.9
Trading margin	11%	1%	24%	34%	45%	46%
EBITDA	-14	-14	-18	-18	1	21
No. of shares (m)	175	313	359	359	359	359
EV/sales (x)	1.0	1.7	1.6	0.7	0.3	0.1

Source: Hardman & Co Research

Support Services



Source: Refinitiv

Market data

EPIC/TKR	**MUR**
Price (p)	560
12m High (p)	730
12m Low (p)	450
Shares (m)	9.0
Mkt Cap (£m)	50.4
EV (£m)	48.3
Free Float*	53%
Market	AIM

**As defined by AIM Rule 26*

Description

Murgitroyd offers a global service to clients on patents, trademarks, etc. It operates from 15 offices worldwide, and over 50% of its revenues are from the USA.

Company information

CEO	Edward Murgitroyd
CFO	Keith Young
Chairman	Ian Murgitroyd

+44 141 307 8400
www.murgitroyd.com

Key shareholders

Directors (total)	31.0%
Ian Murgitroyd (director)	26.7%
Liontrust Inv.	11.3%
Schroder Inv.	11.0%
Close Brothers	5.0%
G. E. Murgitroyd (director)	4.3%

Diary

Sep'19	Final results
Oct'19	AGM

Analyst

Mike Foster 020 7194 7633
mf@hardmanandco.com

MURGITROYD

Global market and global presence

Final results are due shortly. Murgitroyd's largest geographical region is the USA. We will be looking for modest organic growth in local currencies, but with exchange rates benefiting through translation. The margins should – we anticipate – continue modestly to recover. Underlying recovery is somewhat faster than the overall figures show. This is because growth is skewed to the services division, which offers greater expansion scope and acts as a funnel for a range of services being supplied. Margins are, however, lower by their nature. We see long-term scope for a range of growing applicants, as artificial intelligence and emerging major economies expand.

- **Strategy**: Murgitroyd invests strongly in business development and in expanding the range of services supporting its client relationships. The skill is matching the patent attorneys' input with a wider suite of services. The skill also involves matching costs and geographical footprint to the market as it evolves.
- **Market growth**: This company has a long record of unbroken dividend rises, sells into a generally stable and global market and is well resourced with good cashflow. The US is the top country of origin, at 25% of total filings, but the Murgitroyd exposure is double that – which is a positive factor.
- **Valuation:** Although the recent pace of DPS growth per share may slow, this is about secure growth, and hence we believe the dividend yield will return into most attractive territory. Note that we anticipate to likely re-instate forecasts before the company's AGM in October.
- **Risks:** The offer of a broad suite of services to a broad customer base, in focused markets, balances the group. This is a reasonably stable, growing global market, with some pricing pressure ongoing. This is not new, and Murgitroyd's global strategy is designed around this given feature, delivering cash well.
- **Investment summary:** Four years of significant investment in the pan-European footprint, software and business development, as well as back-office efficiencies, have put Murgitroyd in a strong position for both client-service (the fuller-suite range of services) and productivity (a value-engineered proposition).

Financial summary and valuation (NB forecasts under review)

Year-end May (£m)	2014	2015	2016	2017	2018
Sales	38.4	39.8	42.2	44.3	43.9
EBITDA	4.6	4.5	4.6	4.2	4.5
PBT (adjusted)	4.2	4.2	4.3	3.9	4.1
EPS (adjusted, p)	33.6	34.8	35.3	28.7	30.8
DPS (p)	13.3	14.8	16.0	17.0	21.0
Net (debt)/cash	-0.4	0.7	2.8	2.2	2.8
Net debt/EBITDA (x)	0.1	cash	cash	cash	cash
P/E (x)	16.5	15.9	15.3	19.4	17.9
EV/sales (x)	1.4	1.3	1.3	1.2	1.2
EV/EBITDA (x)	10.5	10.7	10.5	11.3	10.7
FCF yield	5.9%	5.5%	6.8%	5.8%	5.5%
Dividend yield	2.3%	2.5%	2.7%	2.9%	3.7%

Source: Hardman & Co Research

Financials

Source: Refinitiv

Market data

EPIC/TKR	**NSF**
Price (p)	38.0
12m High (p)	75.0
12m Low (p)	32.45
Shares (m)	312.0
Mkt Cap (£m)	119
EV (£m)	371
Free Float	99%
Market	Main

Description

In the UK non-standard lending market, Non-Standard Finance (NSF) has the market-leading network in unsecured branch-based lending, is number two in guarantor loans and number three in home credit.

Company information

CEO	John van Kuffeler
CFO	Nick Teunon
Exec. Dir.	Miles Cresswell-Turner

+44 20 38699026

www.nonstandardfinance.com

Key shareholders

Invesco	28.7%
Woodford Inv. Mgt. (08/07/19)	23.9%
Aberforth Partners	13.1%
Marathon Asset Mgt.	12.7%
Tosca Fund	3.9%

Diary

Nov'19	Trading statement

Analyst

Mark Thomas 020 7194 7622

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NON-STANDARD FINANCE

Turning point in strategic development

As we outlined in our results note, *"Now is the time for profit"*, NSF has reached the turning point in its strategic development. Having invested heavily in infrastructure, controls and people, it has substantially built the franchise. From here, the pace of further investment is expected to slow, and payback from historical investment will be more visible. We, and consensus, see profit growth accelerating sharply, driven by wider revenue and costs jaws in the branch business and guarantor loans, efficiency improvements in home collect, and improving credit. Assuming NSF is successful in securing additional lower-cost funding, we expect funding costs to relatively reduce, and the funding mix to improve.

- **1H'19 highlights:** Normalised revenue was up 12% to £88.3m (1H'18: £78.9m). Normalised operating profit rose 28% to £19.5m. Normalised PBT increased 12% to £6.3m. Exceptional charges were £25.3m (around half bid fees and half a goodwill writedown). DPS was up 17% to 0.7p.

- **Outlook:** Management says current trading is in line with market expectations, which implies a sharp acceleration of profit growth in 2H'19. We believe such an acceleration is credible and that NSF has multiple levers at its disposal to achieve this. Delivery on these forecasts may re-establish the share rating.

- **Valuation:** Our approaches now indicate a 92p-109p range (previously 96p-109p). The highest valuation is from the Dividend Discount Model, which is unchanged given unchanged estimates. Our Gordon Growth Model has reduced with lower tangible equity. The peer-rating-driven Sum-of-the-Parts is 67p.

- **Risks:** Credit risk remains the biggest threat to profitability (although this is mitigated through high risk-adjusted margins), and NSF's model accepts higher credit risk where a higher yield justifies it. Regulation is a market issue; management is taking appropriate action to mitigate this risk.

- **Investment summary:** Substantial value should be created, as: i) competitors have withdrawn; ii) NSF is well capitalised, with committed debt funding until 2023; iii) macro drivers are positive; and iv) NSF has a highly experienced management team, delivering operational efficiency without compromising the key F2F model. Targets of 20% loan book growth and 20% EBIT RoA appear credible, and investors are paying 6.7x 2019E P/E and getting a yield of 8.4%.

Financial summary and valuation

Year-end Dec (£000)	2017	2018	2019E*	2020E*	2021E*
Reported revenue	121,682	168,128	189,346	216,831	247,048
Total impairments	-28,795	-42,688	-45,767	-52,511	-59,796
Total costs	-67,706	-87,792	-94,666	-101,776	-110,400
EBITDA	25,181	37,648	48,913	62,543	76,852
Adjusted PBT	13,203	14,769	21,744	30,163	38,872
Statutory PBT	-13,021	-1,590	-13,913	27,034	37,341
Pro-forma EPS (p)	3.44	3.70	5.64	7.97	10.34
DPS (p)	2.20	2.60	3.20	4.00	5.00
P/adjusted earnings (x)	11.1	10.3	6.7	4.8	3.7
P/BV (x)	0.5	0.6	0.6	0.6	0.5
P/tangible book (x)	1.6	2.1	2.3	1.8	1.3
Dividend yield	5.8%	6.8%	8.4%	10.5%	13.2%

** IFRS9 basis; Source: Hardman & Co Research*

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data

EPIC/TKR	OXB
Price (p)	625
12m High (p)	1,029
12m Low (p)	581
Shares (m)	76.8
Mkt Cap (£m)	479.8
EV (£m)	436.6
Free Float	59%
Market	LSE

Description

Oxford Biomedica (OXB) is a UK-based biopharmaceutical company specialising in cell and gene therapies developed using lentiviral vectors – gene-delivery vehicles based on virus particles. In addition to vector development and manufacture, OXB has a pipeline of therapeutic candidates and undertakes innovative pre-clinical R&D in gene-medicine.

Company information

CEO	John Dawson
CFO	Stuart Paynter
Chairman	Lorenzo Tallarigo
	+44 1865 783 000
	www.oxfordbiomedica.co.uk

Key shareholders

Directors	0.3%
Vulpes	15.2%
M&G	15.1%
Novo Holdings A/S	10.1%
Canaccord Genuity	5.2%
Hargreaves Lansdown	4.7%

Diary

4 Sep	Interim results

Analysts

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OXFORD BIOMEDICA

Interim results due 4 September

OXB is a specialist, advanced therapy, viral-vector biopharma company. It offers vector manufacturing and development services, while developing proprietary drug candidates, with its LentiVector® platform. 2018 saw significant growth in gross income, the majority through licensing deals. A new R&D collaboration deal with Santen, coupled with the recent equity financing and debt repayment, demonstrate OXB's deal-making ability and its strategy to secure future, long-term potential. Near term, this R&D arrangement will provide modest additional profit, adding confidence to OXB's new net cash status in 2019.

- **Strategy:** OXB has four strategic objectives: i) delivery of vector development services that embed its technology within partners' commercial products; ii) bioprocessing and commercial manufacture of vector; iii) out-licensing of proprietary candidates; and iv) investment in R&D and the LentiVector platform.

- **Interim results:** The traditionally weaker first half is expected to be seen again in 1H'19, driven, in part, by the January manufacturing shutdown for cleaning. Although biomanufacturing sales from Novartis are likely to increase, royalties look set to be lower than forecast because of the slow market uptake of Kymriah.

- **Equity investment:** OXB recently signed an agreement with Novo Holdings A/S for an equity investment of £53.5m, at 690p/share, representing 10.1% of OXB's enlarged share capital. This greatly strengthens the balance sheet, with OXB repaying in full its debt facility with Oaktree Capital on 28 June 2019.

- **Risks:** OXB's mid-term sales model is dependent on successful progress of partners' clinical trials and commercialisation of LentiVector-enabled products. OXB is investing heavily in infrastructure for manufacturing capacity and in personnel, which could potentially affect the bottom line, depending on deal flow.

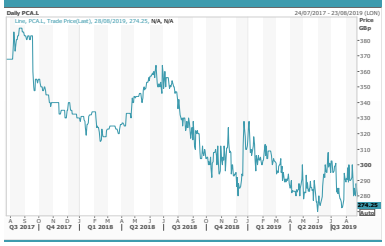
- **Investment summary:** OXB is an exciting company with market-leading technology, which has been validated extensively through large deals with leading (bio)pharmaceutical partners and through grants from the UK government. Forecasts are dependent on OXB closing further licensing deals by the end of the year. This, coupled with the expected weak 1H'19 numbers, is putting pressure on the shares.

Financial summary and valuation

Year-end Dec (£m)	2016	2017	2018	2019E	2020E	2021E
Gross revenue	30.78	39.36	67.84	83.47	104.60	123.04
EBITDA	-6.78	-2.63	13.54	14.63	18.53	30.40
Underlying EBIT	-10.45	-7.00	9.18	9.84	13.27	25.16
Reported EBIT	-11.32	-7.97	7.93	8.50	11.82	23.62
Underlying PBT	-15.34	-16.38	4.57	7.67	13.66	25.71
Statutory PBT	-20.31	-11.76	5.01	5.93	12.21	24.16
Underlying EPS (p)	-21.00	-21.99	10.88	13.68	24.35	43.08
Statutory EPS (p)	-29.95	-14.56	11.57	11.27	22.17	40.75
Net (debt)/cash	-19.05	-22.54	-8.91	34.80	43.82	64.93
Equity issues	17.50	0.39	19.81	52.43	0.10	0.10
P/E (x)	-	-	57.4	45.0	25.7	14.5
EV/sales (x)	-	-	-	8.1	5.5	4.9

Source: Hardman & Co Life Sciences Research

Real Estate



Source: Refinitiv

Market data

EPIC/TKR	**PCA**
Price (p)	280
12m High (p)	350
12m Low (p)	270
Shares (m)	45.9
Mkt Cap (£m)	128.4
EV (£m)	225.0
Market	Main, LSE

Description

A real estate investor, diversified by sector (office, industrial predominate) and location, but not in London and with minimal exposure to retail. There is an emphasis on city-centre locations. The York development site comprises 6% of assets.

Company information

Chairman	Stanley Davis
CEO	Neil Sinclair
CFO	Stephen Silvester
Executive director	Richard Starr

+44 20 3301 8330
www.palacecapitalplc.com

Key shareholders

AXA	7.7%
Miton	7.4%
J.O.Hambro	7.3%
Stanley Davis (Chairman)	3.6%

Diary

Nov'19	Interim results
Jun'20	Final results

Analyst

Mike Foster 020 7194 7633
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PALACE CAPITAL

A range of strong opportunities

We expect a covered dividend next year, ahead of the large, FY22 York development benefits. Capital is being put profitably to use but is not reflected in current EPRA earnings. So, the rating is attractive – buoyed by the recent REIT conversion – but dragged down by the sector ratings. The major exposure is to regional offices – an attractive segment of the market, and supply-constrained. In the meantime, EPRA EPS rises are anticipated, with the FY20 and FY21 dividends well covered. Palace Capital is well placed strategically and through its value-added management of assets.

- **Positive refinancing:** On 7 August, Palace Capital announced a new secured £40m revolving credit facility with a maturity of five years, to replace the current £29.4m facility with the same bank. The Group is currently £106.2m drawn (a 34% LTV), with facilities now of £154.6m.
- **Hudson Quarter development, central York:** The Hudson Quarter sales suite has just opened, upon physical commencement of the site. FY22 will see these apartment sales proceeds and also an income stream from the commercial development on this site.
- **FY22E:** We anticipate launching FY22 estimates in the coming weeks. That fiscal period will see profits and cash from the York mixed-use development, boosting reported returns significantly in that year. Returns thereafter will be boosted as and when the freed development cash is reinvested in yielding assets.
- **A track record of outperformance**: The property return was strong in FY19 – beating the benchmark, as did rents. A number of refurbishment, redevelopment and tenant-enhancement projects are under way. EPRA profits will grow significantly further in FY22E with the completion of Hudson Quarter, central York.
- **Risks:** The normal risks of real estate apply. The weighted average length of unexpired lease to break is 4.5 years. Generally, covenants are good. Retail exposure (bar Wickes and Booker) is minimal. Gearing, at 34% LTV, is conservative and, although expected to rise as the York development progresses, management has previously stated an intention to keep it below 40%.

Financial summary and valuation

Year-end Mar (£m)	FY17	FY18	FY19	FY20E	FY21E
Net income	12.2	14.9	16.4	19.2	16.8
Finance cost	-3.0	-3.4	-4.6	-4.0	-4.0
Declared profit	12.6	13.3	6.4	11.2	14.8
EPRA PBT (adj. pre-revaluation)	6.4	7.5	8.6	11.2	8.8
EPS reported (diluted, p)	36.5	35.8	11.3	25.4	33.3
EPRA EPS (p)	21.2	18.7	16.5	23.6	19.1
DPS (p)	18.5	19.0	19.0	19.0	19.0
Net cash/debt	-68.6	-82.4	-96.5	-108.6	-123.1
Dividend yield	6.3%	6.4%	6.4%	6.4%	6.4%
Price/EPRA NAV	63.2%	67.5%	68.8%	68.0%	65.9%
EPRA NAV (p)	443.0	414.8	406.6	411.8	425.0
LTV	37.3%	29.9%	33.8%	36.3%	38.5%

Source: Hardman & Co Research

Real Estate

Source: Refinitiv

Market data

EPIC/TKR	**PHP**
Price (p)	134
12m High (p)	139
12m Low (p)	106
Shares (m)	1,136
Mkt Cap (£m)	1,520
EV (£m)	2,670
Market	Premium, LSE

Description

Primary Health Properties (PHP) is a REIT acquiring and owning modern primary medical properties in the UK, and is expanding into the Republic of Ireland (RoI).

Company information

CEO	Harry Hyman
CFO	Richard Howell
Chairman	Steven Owen

+44 20 7451 7050
www.phpgroup.co.uk

Key shareholders

Directors	1.0%
Blackrock	6.7%
CCLA	5.3%
Investec Wealth	5.0%
Vanguard Group	2.7%
Troy Asset	2.3%

Diary

Feb'20	Final results
Apr'20	AGM

Analyst

Mike Foster 020 7194 7633
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PRIMARY HEALTH PROPERTIES

Secure at the higher levels

PHP's portfolio now consists of a total of 484 assets with a gross value of £2.35bn, and with a contracted rent roll of just under £126m. Occupancy consistently exceeds 99%. We are confident investors will continue to seek out REITs that have a strong asset-class focus, particularly categories that provide security of rising income. PHP achieves all this, and its DPS growth rate is accelerating as a result. The March 2019 merger with MedicX Fund was a major milestone. This is not simply as regards the potential for earnings (and assets) per share growth – but also in liquidity in the shares and the cohort of investors likely to participate in the PHP journey.

- **What PHP invests in**: PHP purchases modern standing stock, and forward-funds repeat development partners. The UK or Republic of Ireland (RoI) governments back 91% of PHP's income. As noted, occupancy consistently exceeds 99%. It is important to note that – unlike many sectors in the UK currently – rents are rising here.
- **Growth in 2019 sees step-jump expansion:** PHP's 14 March 2019 merger with complementary MedicX Fund effectively adds well over £800m of investment assets of as high a quality as PHP's, at nil stamp duty cost, bringing synergy efficiencies and taking PHP's investor offering to a new level.
- **Security:** PHP does 'what it says on the tin'. The assets present strong, long-term leases and covenants and, as noted above, UK or RoI governments back 91% of PHP's income. Yield compression is ongoing, but we have outlined in other research reports that there are multiple drivers to EPRA EPS growth.
- **Risks:** No development risk is taken on the forward-funding, and the strategy focuses tightly on this one sector. 2018 DPS cash cover was more than 100%, and grew that year. Undrawn facilities exceed £200m. PHP states a 2.7% marginal interest cost, vs. a 3.9% average cost in 2018, so yield pick-up continues to trend upwards.
- **Investment summary:** In addition to 23 years of unbroken dividend growth, expansion into higher cash-generating RoI assets and a falling debt cost enhance EPRA EPS. Incremental management fees are below portfolio averages. Given these items, the enlargement through the merger, and the asset yield, recent acquisitions have been EPS-accretive. The merger led to strong forecast upgrades.

Financial summary and valuation

Year-end Dec (£m)	2016	2017	2018	2019E	2020E
Income	66.5	71.3	76.4	118.0	135.5
Finance costs	-32.5	-31.6	-29.7	-44.9	-50.3
Declared profit	43.6	91.9	74.3	-52.2	112.2
EPRA PBT (operating)	26.7	31.0	36.8	60.5	72.2
EPS reported (p)	7.8	15.3	10.5	-5.1	9.8
EPRA EPS (diluted, p)	4.7	5.1	5.2	5.9	6.3
DPS (p)	5.12	5.25	5.40	5.60	5.85
Net debt	-663.2	-726.6	-670.2	-1,212.3	-1,333.5
Dividend yield	3.7%	3.9%	4.0%	4.1%	4.3%
Price/EPRA NAV (x)	1.48	1.34	1.28	1.26	1.21
NAV per share (p)	83.5	94.7	102.5	105.0	108.8
EPRA NAV per share (p)	91.1	100.7	105.1	106.8	110.6

Source: Hardman & Co Research

Food Producers

Source: Refinitiv

Market data

EPIC/TKR	RE.
Price (p)	134.5
12m High (p)	317.0
12m Low (p)	90.0
Shares Ord (m)	40.4
Shares Prefs (m)	72.0
Mkt Cap Ord (£m)	54.3
Mkt Cap Prefs (£m)	49.7
EV (£m)	336.4
Free Float	30%
Market	MAIN

Priced at 29 Aug 2019

Description

R.E.A. Holdings (REA) is engaged in the operation and further development of palm oil plantations in East Kalimantan, Indonesia. The group also owns stone quarrying rights and concessions, and coal mining concessions that are being contracted out to third-party operators.

Company information

Managing Director	Carol Gysin
Chairman	David Blackett

+44 207 436 7877

www.rea.co.uk

Key shareholders

Directors	28.6%
M & G Investment Mgt.	15.0%
Alcatel Bell Pension Fund	10.1%
Artemis UK	8.8%
Aberforth Partners	7.3%

Diary

Sep'19	Interim results

Analyst

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R.E.A. HOLDINGS

Small rebound in commodity prices

August saw a small rebound in the palm oil price from its lowest 2019 level of $480/mt CIF Rott on 16 July. The average CPO price for August (1-23) was $531/mt, 7% up from July 2019, but was still lower versus the $596/mt average price for 2018. Palm oil is the largest feedstock for biodiesel production. Oil World estimates that a total of 17.5m mt will have been used in 2019 production, a 6.5m mt increase from 2017. Despite the higher demand boost from biodiesel enforced by the Indonesian government and the low stocks:usage ratio, the current low price trend still surprises many. REA continues to focus on improving its oil extraction efficiency, with an average OER of 22.9% to May 2019.

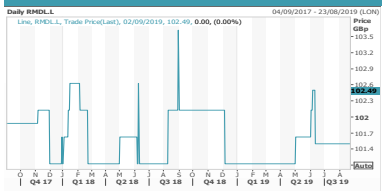
- **Production:** So far, weather patterns have been stable and good for crop production, and the group continues to see a yield rise from the increased fertiliser regime, which started in 2H'16. REA is expecting FFB production of ca.900,000mt in FY'19; our expectation is slightly lower, at 870,096mt.
- **Preference share dividend suspended:** Owing to the continuous weakness in commodity prices, REA has implemented a series of cost-saving measures. It announced that it would defer the half-yearly dividend payment of its preference shares pending a CPO price improvement as part of a cash conservation measure.
- **Financing:** The management team recognises the need to deleverage REA's indebtedness. Net debt, with the sale of PBJ, was $189.6m at end-FY'18, compared with $211.7m in FY'17. Net debt to equity was 72.5%, down from 76.5% in FY'17. A further reduction in cost of borrowings should help reduce some funding risk.
- **Sector valuation:** A weak palm oil price has dampened the results of most operators in Asia. The Asian Palm Oil Plantation Index has fallen 20.9% since January 2018, while the Asian palm plantation sector saw a 17.0% valuation decrease, ending June 2019 at $11,181/planted ha, vs. $13,468/planted ha at end-December 2017.
- **Investment summary:** For investors attracted by palm oil assets, now could be an opportunistic time to review this sector, with the sector valuation down ca.12.8% since the beginning of 2017. We expect REA to have ca.33,423 mature ha by end-2019, as well as stronger agricultural production across the estates, and the plantations to be fully planted by end-2025.

Financial summary and valuation

Year-end Dec ($m)	2016	2017	2018	2019E	2020E	2021E
Sales	79.3	100.2	105.5	133.4	158.1	167.4
EBITDA	16.8	20.7	12.8	29.4	58.7	66.6
Reported EBIT	-5.0	-2.2	-10.7	4.9	32.9	39.8
Adjusted PTP	-18.4	-18.3	-20.3	-13.8	14.5	22.9
EPS (c)	-48.2	-67.7	-54.4	-53.6	4.4	21.6
DPS (p)	0.0	0.0	0.0	0.0	0.0	0.0
P/E (x)	-	-	-	-	30.8	6.2
Net (debt)/cash	-205.1	-211.7	-189.6	-227.4	-214.7	-194.9
Planted hectares (ha)	42,846	44,094	36,500	36,700	36,700	36,700
Adj. EV/planted ha ($/ha)*	6,823	6,614	7,768	7,630	7,562	7,521
CPO production (mt)	127,697	143,916	217,721	246,847	254,021	269,003

**EV/planted ha includes mkt. cap. of 9% pref. shares; Source: Hardman & Co Research*

Premium Equity Closed-Ended Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	**RMDL/RMDZ**
Price (p)	**101.5/106**
12m High (p)	104.0
12m Low (p)	100.2
Shares (m)	112.20
Mkt Cap (£m)	114
NAV p/shr. (p)	98.00
Free Float	100%
Market	LSE Equity Inv. Instrmt.

Description

RM Secured Direct Lending (RMDL) aims to generate attractive and regular dividends through investment in debt instruments that are backed by real assets, led by exceptional management teams, and that usually demonstrate high cashflow visibility.

Company information

Chairman	Norman Crighton
NED	Guy Heald
NED	Marlene Wood
Inv. Mgr.	RM
CIO	James Robson
Co. Manager	Pietro Nicholls
AIFM	IFM

(RM) +44 131 6037060
http://rmdl.co.uk

Key shareholders

CCLA	18%
Quilter	18%
MerianGlobal	13%
Brooks MacDonald & Hawksmoor	5%
CG AM & Jupiter	4%
Sarasin & Charles Taylor & PAM & Seneca & Blankstone Sington	3%
RM (Inv. Mgr.)	1%

Diary

Mid'Sept	August Factsheet

Analyst

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RM SECURED DIRECT LENDING

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The investment adviser for RMDL's assets is RM Funds. RM Funds is a specialist in fixed income, being part of RM Capital, a diversified fixed-income firm. Headquartered in Edinburgh, with offices in London, RM Funds has a team of analysts focused on bottom-up, bespoke credit and lending work, with a focus on secured lending over physical assets or contracted cashflows. RM Funds provides both public and private strategies to allow investors to participate in secure debt investments, aiming to provide above-average returns on a risk-adjusted basis.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for RMDL can be accessed through our website, *Hardman and Co Research*. Our initiation report, published on 5 June 2019, can be found on the same site.

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data

EPIC/TKR	**STX**
Price (p)	**182.0**
12m High (p)	202.0
12m Low (p)	27.0
Shares (m)	117.1
Mkt Cap (£m)	213.3
EV (£m)	203.5
Free Float*	33%
Market	AIM

**As defined by AIM Rule 26*

Description

Shield Therapeutics (STX) is a commercial-stage pharmaceutical company delivering innovative specialty pharmaceuticals that address patients' unmet medical needs, with an initial focus on anaemia associated with renal and gastrointestinal disorders.

Company information

CEO	Carl Sterritt
CFO (Interim)	Tim Watts
Chairman	James Karis
	+44 207 186 8500
	www.shieldtherapeutics.com

Key shareholders

Directors	9.0%
W. Health	47.8%
MaRu AG	10.7%
R. Griffiths	6.8%
C. Schweiger	4.8%
USS	4.4%

Diary

4Q'19E	Accrufer deal
Apr'20	2019 final results
Mid-2020	Accrufer launch

Analysts

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Dorothea Hill	020 7194 7626
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Grégoire Pavé	020 7194 7628
	gp@hardmanandco.com

SHIELD THERAPEUTICS

FDA approval ushers in a new era

Shield Therapeutics (STX) is a commercial-stage pharmaceutical company delivering specialty products that address patients' unmet medical needs, with an initial focus on treating iron deficiency (ID) with Feraccru®/Accrufer®. FDA approval of Accrufer with a broad label in the US opens up a current market worth over $1bn in intravenous iron alone. This event will transition the company from the early growth stage illustrated by its 2019 interim results into a global company by 2020. STX is in ongoing discussions with a number of potential partners for US commercialisation – a deal that represents the next major valuation inflection point.

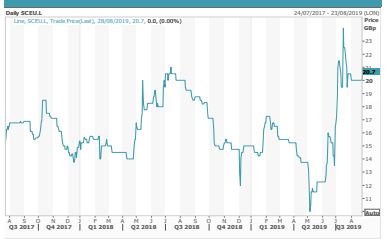
- **Strategy:** STX's strategy is to out-license the commercial rights to its products to partners with marketing and distribution expertise in target markets. These deals allow STX to retain its intellectual property (IP) and to keep investing in its R&D pipeline, while benefiting from immediate and long-term value.
- **Interims:** Results for 1H'19 were broadly as expected, with royalties of £0.3m received from Feraccru sales in Europe, where the product is launched in England and Germany. At £6.6m, cash on 30 June 2019 was slightly under forecasts; however, even in the absence of a US deal, STX's cash runway is into 2020.
- **Valuation:** Following FDA approval of Accrufer, our sum-of-parts valuation was increased to £208m/178p. Minor adjustments following interims have resulted increased this to £221m/189p. The US commercial deal will be the next major inflection point when will upgrade our model to allow for the agreed deal terms.
- **Risks:** All drug companies carry development risk. However, the risks with STX are limited because of Feraccru/Accrufer's simplicity and clinical profile. Given the FDA approval, the main risk is achieving the most appropriate commercial partner and executing on its global commercialisation strategy.
- **Investment summary:** The approval of Accrufer reinforces our view that STX is at an exciting juncture. It has delivered on all goals set at the time of its IPO in 2016. Feraccru/Accrufer has been validated by regulatory approval in both the EU and the US, and the commercial deal in Europe looks set to be repeated in the US. Announcement of its commercial partner, together with the terms of any deal, represent the next valuation inflection point.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019E	2020E	2021E
Gross revenues	**0.64**	**11.88**	**2.93**	**2.15**	**3.15**
Sales	0.64	0.86	0.63	2.15	3.15
R&D	-4.71	-4.30	-3.31	-4.64	-3.89
Other income	0.00	11.03	2.30	0.00	0.00
EBITDA	-18.48	-2.47	-5.45	-9.19	-8.68
Underlying EBIT	-18.90	-3.26	-6.24	-9.98	-9.47
Reported EBIT	-20.95	-5.17	-8.15	-11.89	-11.38
Underlying PBT	-18.91	-3.26	-6.24	-10.02	-9.51
Statutory PBT	-20.99	-5.16	-8.14	-11.93	-11.42
Underlying EPS (p)	-15.58	0.09	-4.49	-7.96	-7.62
Statutory EPS (p)	-17.43	-1.55	-6.12	-9.58	-9.25
Net (debt)/cash	13.30	9.63	6.20	-1.27	-8.46

Source: Hardman & Co Life Sciences Research

Automotive



Source: Refinitiv

Market data

EPIC/TKR	**SCE**
Price (p)	20
12m High (p)	24
12m Low (p)	9
Shares (m)	136
Mkt Cap (£m)	27.2
EV (£m)	25.3
Free Float*	86%
Market	AIM

**As defined by AIM Rule 26*

Description

Surface Transforms is 100% focused on the manufacture and sale of carbon ceramic brake discs. It has recently announced a number of OEM contracts.

Company information

Non-Exec Chair.	David Bundred
CEO	Dr Kevin Johnson
Finance Director	Michael Cunningham

+ 44 151 356 2141

www.surfacetransforms.com

Key shareholders

Directors	14.0%
Canaccord	14.8%
Unicorn	12.3%
Richard Gledhill esq. (director)	9.9%
Richard Sneller esq.	8.2%
Hargreaves Lansdown	4.5%

Diary

Early Sep'19	Final results
Oct'19	Capital markets day
Dec'19	AGM

Analyst

Mike Foster 020 7194 7633

mf@hardmanandco.com

SURFACE TRANSFORMS

A profitably busy time

Final results are due next week. We will re-cast our estimates post that announcement. In June, a new contract of £6m lifetime revenues to a UK OEM was announced. In July, a "game-changing" contract for series supply to OEM 5 was announced. This first model starts series production in October 2021. These contracts will take the company to cashflow-breakeven, then moving to cashflow-positive at the end of our forecast period. An announcement on 15 August confirmed a planned year-end change to 'normalise' to a December year-end. Ahead of the results, we maintain the estimates we last published. Clearly, these are of the May (not the now-proposed December) year-end.

- **Pole position in this large market**: These are early stages of dramatic growth for Surface Transforms, the only alternative to the current near-monopoly supplier, sales of which are ca.€180m. It is substantially owned by the family behind BMW. Lead times for any new competitors are many years, and none are foreseen.
- **Change of year-end to December**: This is not reflected in the table below, as the reporting of FY19 (May) results is imminent. We will update our estimates to reflect this change, but note that the profits and cashflow calendar 2021 should exceed those of the 12 months to May 2021 significantly.
- **Capacity allocation model**: Production capacity in place facilitates £17m or more in annual sales. Current revenue derives from important but modest retrofit and near-OEMs. The new contracts should generate well over 60% gross margins, dropping to the bottom line and requiring no significant capital expenditure.
- **Risks:** OEM new model timelines are long, and so investment has come ahead of firm orders and well ahead of profit. Surface Transforms receives revenue from a number of sources, but is still in cash burn until mid-calendar 2020. Having both OEM 6 and OEM 5 contracts materially de-risks this situation.
- **Investment case:** This is a large, growing market, 99%-supplied by one player. Surface Transforms and its new clients, OEM 6 and OEM 5, are beginning to address this anomaly. As the company moves towards operational cash breakeven during 2020, its risk/reward will be transformed by the move into cashflow-positive during the life of these two contracts, which run though until the late 2020s.

Financial summary and valuation

Year-end May (£m)	2017	2018	2019E	2020E	2021E
Sales	0.70	1.36	1.00	1.85	3.70
EBITDA	-2.38	-2.00	-1.95	-2.15	-0.60
EBITA	-2.53	-2.30	-2.55	-2.65	-1.30
PBT	-2.53	-2.30	-2.55	-2.65	-1.30
PAT	-2.18	-1.83	-2.05	-2.10	-0.75
EPS (adjusted, p)	-2.42	-1.66	-1.65	-1.54	-0.55
Shareholder funds	3.91	5.55	6.70	4.70	4.00
Net (debt)/cash	1.53	0.62	1.87	0.30	0.30
P/E (x)	loss	loss	loss	loss	loss
EV/sales (x)	36.10	18.60	25.30	13.70	6.80
EV/EBITDA (x)	loss	loss	loss	loss	loss
DPS (p)	nil	nil	nil	nil	nil

Source: Hardman & Co Research

Note: proposed change of year-end not reflected in table above

Pharmaceuticals & Biotechnology

Source: Refinitiv

Market data

EPIC/TKR	**TRX**
Price (p)	**3.9**
12m High (p)	10.7
12m Low (p)	3.1
Shares (m)	1,172.0
Mkt Cap (£m)	45.7
EV (£m)	42.5
Free Float*	45%
Market	AIM

**As defined by AIM Rule 26*

Description

Tissue Regenix (TRX) is a medical device company focused on regenerative medicine. Patented decellularisation technologies remove DNA, cells and other material from animal/human tissue and bone, leaving scaffolds that can be used to repair diseased or worn-out body parts. Its products have multiple uses.

Company information

CEO (interim)	Gareth Jones
CFO	Mike Barker
Exec. Chairman	John Samuel
	+44 330 430 3052
	www.tissueregenix.com

Key shareholders

Directors	4.3%
Invesco	28.7%
Woodford Inv. Mgt.	22.2%
IP Group	13.7%
Baillie Gifford	6.0%

Diary

Sep'19	Interim results
2H'19	Potential EU approval of OrthoPure XT

Analysts

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	dmh@hardmanandco.com
Grégoire Pavé	020 7194 7628
	gp@hardmanandco.com

TISSUE REGENIX

Interim results due September

TRX has a broad portfolio of regenerative medicine products for the biosurgery, orthopaedics, dental and cardiac markets. It has two proprietary decellularisation technology platforms for repair of soft tissue (dCELL) and bone (BioRinse). Following the acquisition of CellRight in the US in 2017, TRX embarked on a revised commercialisation strategy, underpinning sales growth of 47% in 2018. In August, management successfully secured additional manufacturing capacity in Texas, in response to meeting the increasing US demand in the medium term. Despite losing its respected CEO, a strong interim management team is in place.

- **Strategy:** TRX is building an international regenerative medicine business with a product portfolio using proprietary dCELL and BioRinse technology platforms, underpinned by compelling clinical outcomes. It aims to expand its global distribution network, via strategic partnerships, to drive sales momentum.

- **Management team:** Steve Couldwell has taken the decision to step down as CEO in order to concentrate on his health following a recurrence of his illness. Steve took a temporary leave of absence earlier in 2019, when a strong interim management team was formed. This same team will now resume, providing stability.

- **Capacity:** To keep pace with growing US demand, TRX has signed a lease for a 21,000 sq.ft. facility that will include offices and distribution/warehouse space, and which, in time, will house additional production facilities. New clean rooms will be built in the existing facilities, boosting production capacity from 2H'20.

- **Risks:** TRX is exposed to many of the risks common to medical device companies, including the regulatory hurdles associated with human tissue products, and the commercial risks of operating in a highly competitive market. Along with many other UK biotechs, TRX shares are suffering from stock overhang.

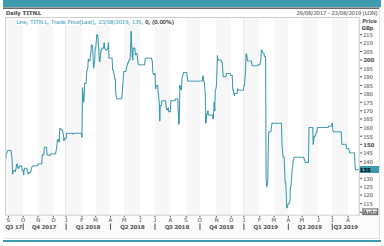
- **Investment summary:** TRX has three near-term value drivers: sales of BioSurgery products in the US; expansion of CellRight and TRX technologies into the orthopaedics/spine and dental markets; and preparation for the EU launch of OrthoPure XT in 2019. Management has been prudent in securing a timely US dollar loan, which will relieve some of the working capital pressure during this growth period, and which will be non-dilutive for shareholders.

Financial summary and valuation

Year-end Dec (£m)	*2016	2017	2018	2019E	2020E	2021E
Sales	1.44	5.23	11.62	16.24	21.43	27.66
EBITDA	-10.55	-8.98	-7.15	-6.01	-3.53	-0.34
Underlying EBIT	-10.85	-9.69	-8.32	-7.20	-4.75	-1.59
Reported EBIT	-11.06	-10.82	-8.69	-7.14	-4.70	-1.54
Underlying PBT	-10.74	-9.64	-8.51	-7.51	-5.65	-2.52
Statutory PBT	-10.95	-10.77	-8.88	-7.45	-5.59	-2.47
Underlying EPS (p)	-1.28	-0.90	-0.67	-0.61	-0.42	-0.14
Statutory EPS (p)	-1.30	-1.02	-0.70	-0.61	-0.41	-0.13
Net (debt)/cash	8.17	16.42	7.82	-3.72	-6.77	-14.69
Equity issues	0.00	37.99	0.00	0.00	7.00	0.00
P/E (x)	-	-	-	-	-	-
EV/sales (x)	-	6.7	3.0	2.2	1.6	1.3

**11 months to December; Source: Hardman & Co Life Sciences Research*

Construction & Materials



Source: Refinitiv

Market data

EPIC/TKR	**TON**
Price (p)	135.0
12m High (p)	208.0
12m Low (p)	112.5
Shares (m)	11.1
Mkt Cap (£m)	15.0
EV (£m)	13.3
Free Float*	97%
Market	AIM

**As defined by AIM Rule 26*

Description

Titon designs, manufactures and supplies a comprehensive range of passive and powered ventilation products; plus, handles, hinges and locking for doors and windows. "The home of domestic ventilation systems and door and window hardware".

Company information

Executive Chairman	Keith Ritchie
Chief Executive	David Ruffell

+44 1206 713 800

www.titonholdings.com

Key shareholders

Rights & Issues IT	11.4%
MI Discretionary UF	7.2%
Chairman	8.9%
Other Directors	7.9%
Founder/NED	15.7%
Family	6.8%

Diary

30 Sep	Year-end
Dec'19	Preliminary results

Analyst

Tony Williams 020 7194 7622

tw@hardmanandco.com

TITON HOLDINGS PLC

Beatior futura annis

30 September is Titon's year-end and it will be pleased to see the back of fiscal 2018-19. It was non bonam annos singulos i.e. not quite horribilis but 'not a good year' either. The primary issues were in South Korea, which had previously been the magnus canis. However, alacritous action has been taken here and domestic GDP growth remains strong (The Bank of Korea says 2.2% this year and 2.5% in 2020). At the same time, the UK remains remarkably sound amid the Brexit cacophony, while continental Europe and the US should move from loss to profit. 'Happier years in the future'.

- **Unus:** On 14 February, Titon issued a trading statement in respect of South Korea (two-thirds of PBT in fiscal 2018). There had been a slowdown in the new-build housing market and a structural shift in product preference. Thus, the full-year trading performance was to be substantially lower than forecast.

- **Duo:** On 19 March, the group announced that certain costs associated with products sold by Titon Korea in earlier accounting periods, up to and including 30 September 2018, had, unintentionally, not been wholly taken into account in the relevant periods. This was a book-keeping issue and a restatement ensued.

- **Tribus:** On 15 May, Titon promulgated its half-year figures, which were impressive. EBITDA rose 29% to £1.35m whilst EBIT margins widened from 4.9% to 6.9% and underlying PTP surged 26% to £1.30m – prior to a £181,000 exceptional debit relating to an acquisition that did not proceed. Note, too, the comparatives were flattered by the above restatement.

- **Quattuor:** the business life graph does not always go from bottom-left to top-right; and, yes, fiscal 2018-19 has been a testing time for Titon. But it has passed with flying colours. Indeed, it has been around since 1972 and possesses proven acumen to deal with the troughs – and the peaks. Expect gentle progress in fiscal 2020 with momentum building in 2021.

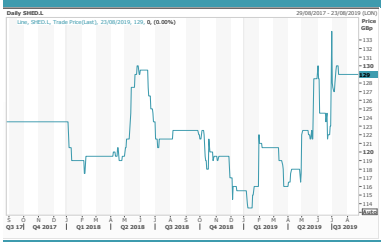
- **Quinque:** The Hardman UK Building Materials Sector is 23 companies worth £7.9bn and 8.5x EV/EBITDA on a trailing 12-month basis (priced on 23 August); or 12.3x Latin weighted by market capitalisation. Titon is on just 5.0x (albeit rising to 5.7x in 2019E). At the same time, the Sector's Total Shareholder Return (TSR) over 12 months is -5% actual or +8% weighted. Titon is some way adrift at -27% but having returned an average +31% p.a. in 2016, 2017 and 2018. Veni, vidi, vici.

Financial summary and valuation

Year-end Sep (£m)	2018	2019E	2020E	2021E
Net revenue	29.9	28.3	30.1	31.8
EBITDA	2.67	2.42	2.47	2.75
Underlying EBIT	2.02	1.71	1.69	1.89
Underlying PBT	2.77	2.21	2.30	2.60
Underlying EPS (p)	18.2	16.1	16.7	18.9
Statutory EPS (p)	18.2	14.5	16.7	18.9
Net (debt)/cash	3.4	3.0	3.7	4.5
Shares issued (m)	11.1	11.1	11.1	11.1
P/E (x)	7.4	8.4	8.1	7.1
EV/EBITDA (x)	5.0	5.7	5.3	4.5
DPS (p)	4.75	4.75	5.00	5.50
Dividend yield	3.5%	3.5%	3.7%	4.1%

Source: Hardman & Co Research

Real Estate



Source: Refinitiv

Market data

EPIC/TKR	**SHED**
Price (p)	129
12m High (p)	133
12m Low (p)	113
Shares (m)	87.8
Mkt Cap (£m)	114
EV (£m)	176
Market	AIM

Description

Urban Logistics (SHED) focuses on strategically-located (e.g. urban "last-mile"), smaller (typically ca.70,000 sq. ft.), single-let industrial and logistics properties, servicing high-quality tenants. The market is in strategic under-supply.

Company information

CEO	Richard Moffitt
Chairman	Nigel Rich

+44 20 7591 1600
www.urbanlogisticsreit.com

Key shareholders

Directors	1.2%
Allianz	11.8%
Rathbone	11.0%
Janus Henderson	10.5%
Sir John Beckwith	8.0%
Premier	7.9%
GLG	4.4%

Diary

Nov'19	Interim results
May'20	Final results

Analyst

Mike Foster 020 7194 7633
mf@hardmanandco.com

URBAN LOGISTICS

6% dividend yield, plus rising NAV

SHED invests in UK-based industrial and logistics properties. These are "mid-box", "last-mile" distribution warehouses – an asset class with excellent sectoral prospects. Supply is strictly constrained by the as yet undervalued nature of the assets, many of which trade at below replacement cost, even in good locations. Supply is significantly lower than the "big-box" sector (which is also seeing good demand). This asset class is placed to benefit consistently from engrained market trends in logistic requirements. This is a strongly-placed, focused REIT, with reversionary upside and assets yielding sector premium, illustrating that NAV is well underpinned, underpinning the share value, we suggest.

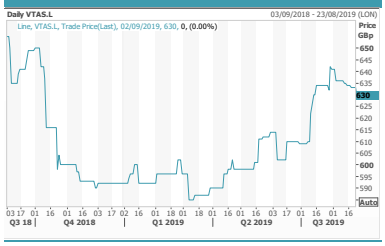
- **EPS dynamics:** 20% of SHED's space is let on relatively short leases. Market rents have risen and continue to do so; therefore, significant reversionary upside is present in these assets. It has demonstrated excellent returns through assets it holds and also through assets sold very profitably, to recycle capital.
- **Sector dynamics:** We consider that investors may be overlooking the change in dynamics in the sector over the past decade. Demand growth for logistics space from online (or multichannel) retail is far from the only driver here. SHED's assets are predominantly in distribution, modern and with strong reversionary upside.
- **Valuation:** The share price valuation, at a discount to EPRA NAV, appears illogical. An asset was sold in May for £9.2m, vs. a book value (end-March) of £8.43m and a much lower initial cost – illustrative of a conservative NAV. Strong reversionary upside is clear and present. Yet the rating discount remans wide.
- **Risks:** 5.5-year leases mean that there are reversionary rent rises to come, but also that new leases must be secured. In the past ca.20 years, aggregate rent rises have been minimal. So, once rents and values rebase to higher levels and omni-channel retail growth tails off, new macro drivers need to be found.
- **Investment track record:** SHED has a £185m portfolio of warehouses, generating annualised NAV and dividend returns of 17.7%. Market rents have risen to ca.25% above SHED's current £4.83 sq. ft. level. With plenty more to go, the dynamics here are totally different from the broader property market. This high visibility is mirrored by other REITs, which enjoy higher ratings.

Financial summary and valuation

Year-end Mar (£m)	2017	2018	2019	2020E
Rental income	2.28	5.56	10.80	12.40
Finance costs	-0.60	-0.93	-2.20	-2.80
EPRA operating profit	1.76	4.06	8.30	10.00
Declared profit	4.89	9.86	18.88	18.00
EPS reported (p)	34.12	19.50	22.29	20.52
EPRA EPS (diluted, pre-LTIP, p)	7.82	6.12	7.20	8.21
DPS (p)	6.23	6.32	7.00	7.50
Net debt	16.52	44.39	61.64	67.23
Dividend yield	4.8%	4.9%	5.5%	5.9%
Price/EPRA NAV (x)	1.13	1.07	0.94	0.88
NAV per share (p)	118.23	123.64	137.37	147.54
EPRA NAV per share (p)	116.11	122.49	138.18	148.00

Source: Hardman & Co Research

Financials



Source: Refinitiv

Market data

EPIC/TKR	**VTA .NA, VTA.LN VTAS LN***
Price (€)	6.90/6.89/633p
12m High (€)	7.32/7.28/655p
12m Low (€)	6.44/6.52/585p
Shares (m)	36.6
Mkt Cap (€m)	252
Trail 12-mth. yield	9.0%
Free Float	70%
Market	AEX, LSE

**Listing 03 September 2018*

Description

Volta Finance is a closed-ended, limited liability investment company that pursues a diversified investment strategy across structured finance assets (primarily CLOs). It aims to provide a stable stream of income through quarterly dividends.

Company information

Independent Chairman	Paul Meader
Independent Non-Executive Directors	Graham Harrison Stephen Le Page Atosa Moini Paul Varotsis
Fund Managers AXA IM Paris	Serge Demay A Martin-Min François Touati
Co. sec. /Administrator	BNP Paribas Securities Services SCA, Guernsey Branch

BNP: +44 1481 750853

www.voltafinance.com

Key shareholders

Axa Group	30.4%

Diary

Mid' Sep	August estimated NAV

Analyst

Mark Thomas 020 7194 7622

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VOLTA FINANCE

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Volta is a closed-ended, limited liability company registered in Guernsey. Its investment objectives are to seek to preserve capital across the credit cycle and to provide a stable stream of income to its shareholders through dividends that it expects to distribute on a quarterly basis. The rolling 12-month dividend is €0.62 per share (with €0.15/€0.16 per share paid quarterly). The assets in which Volta may invest, either directly or indirectly, include, but are not limited to, corporate credits, sovereign and quasi-sovereign debt, residential mortgage loans, commercial mortgage loans, automobile loans, student loans, credit card receivables, leases, and debt and equity interests in infrastructure projects. The current underlying portfolio risk is virtually all to corporate credits. The investment manager for Volta's assets is AXA Investment Managers Paris, which has a team of experts concentrating on the structured finance markets.

On 11 December 2018, Volta announced that, after due enquiry, it was the opinion of the Board that the company's shares qualified as an "excluded security" under the rules; the company is therefore excluded from the FCA's restrictions that apply to non-mainstream pooled investments (NMPIs). The Board believes, therefore, that independent financial advisers can recommend the company's shares to retail investors, although financial advisers should seek their own advice on this issue.

Given the regulatory restrictions on distributing research on this company, the monthly book entry for Volta Finance can be accessed through our website (*Volta Finance Ltd Research*). Our initiation report, published on 5 September 2018, can be found on the same site, as can our notes on the manager's March and June presentations, as well as links to our Directors Talk interviews on the company.

Personal Products

Source: Refinitiv

Market data

EPIC/TKR	**W7L**
Price (p)	56.5
12m High (p)	274.8
12m Low (p)	48.3
Shares (m)	76.7
Mkt Cap (£m)	43.4
EV (£m)	42.0
Free Float*	36.1%
Market	AIM

**As defined by AIM Rule 26*
Priced at 29 Aug 2019

Description

Warpaint is a UK-based colour cosmetics specialist that sells creative, design-focused and high-quality cosmetics at affordable prices. The company comprises of two divisions: own-brand (W7, Retra and others) and close-out. It has a presence in more than 67 countries.

Company information

Joint CEO	Sam Bazini
Joint CEO	Eoin Macleod
CFO	Neil Rodol
Chairman	Clive Garston

+44 1753 639 130
www.warpaintlondonplc.com

Key shareholders

Directors	51.1%
Schroders	12.9%
Blackrock	4.8%
BI Asset Mgt.	4.6%
Canaccord	3.1%

Diary

Sep'19	Interim results

Analyst

Yingheng Chen 020 7194 7638
yc@hardmanandco.com

WARPAINT LONDON PLC

Trading update; reduced revenue forecast

In its August trading update, Warpaint stated that it still sees encouraging international sales growth, while trading conditions in the UK retail market remain challenging, particularly in the high street, with a reduction in footfall to bricks-and-mortar stores. Warpaint also sees an increase in brand awareness, particularly in the EU and the US. However, because of the geographical mix of sales and adverse exchange rate movements, it anticipates group sales to be ca.£50m, down from our previous expectation of £52.7m, and PBT in the range of £6m to £7m for FY'19. Management continues to focus on implementing its growth strategy, particularly in the US.

- **Strategy:** In the near term, Warpaint will continue to focus on developing the own brands, W7 and Technic, and on optimising operations in both Retra and LMS. The group believes that further synergies are still possible. It will also concentrate on increasing its product offerings and raising brand awareness across the globe.

- **LMS integration:** Since the LMS acquisition (August 2018), Warpaint has opened a new showroom in Manhattan, which will showcase a full range of W7 and most Technic products. It has also opened a fulfilment centre in the US to shorten the lead time to customers in the Americas.

- **Valuation:** Warpaint remains profitable and cash-generative, despite a challenging trading environment in the UK. It has never made a loss and has a healthy profit margin, although we expect the gross margin to be slightly lower for FY'19, due to a change in the sales mix. The group has a progressive dividend policy.

- **Risks:** The biggest short-term risk for Warpaint is the ongoing decline in the retail market, particularly in the bricks-and-mortar stores in the UK, given that the UK is the company's biggest market at present, with 48.2% of sales in FY'18.

- **Investment summary:** The Warpaint story is quite simple. The group's flagship brand, W7, was created to fulfil the ever-increasing demand for creative, design-focused and high-quality cosmetics at affordable prices. The company deploys a similar strategy to its other own-brand products, with a quick product development time and on-trend products, meaning that Warpaint is well positioned for growth in a fast-growing colour cosmetics sector. Warpaint's RoE appears attractive.

Financial summary and valuation

Year-end Dec (£m)	2016	2017	2018	2019E	2020E
Sales	22.5	32.5	48.5		
EBITDA (adjusted)	6.3	8.0	8.9		
Operating profit (adjusted)	6.2	7.3	5.3	Forecasts	Forecasts
PBT (adjusted)*	6.1	7.7	8.2	under	under
Basic EPS (adjusted, p)*	7.9	9.6	9.1	review	review
DPS (p)	1.5	4.0	4.4	pending	pending
P/E (x)*	7.2	5.9	6.2	guidance	guidance
EV/EBITDA (x)	6.7	5.3	4.7		
Dividend yield	2.7%	7.1%	7.8%		
RoE	-	20.0%	8.8%		

**adjusted for amortisation relating to acquisitions, exceptional costs and acquisition-related impairments*
Source: Hardman & Co Research

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