cityconfidential
sorting the bulls from the bears

Issue 245
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Market Indices at 21 January 2020

FTSE 100	7,610.70
FTSE 250	21,745.41
FTSE All Share	4,223.35
FTSE AIM All Share	962.01
Dow Jones Ind Av	29,196.04
S & P 500	3,320.79
Nikkei 225	24,031.35

Interest Rates

UK:	0.75%
ECB:	0.0%
US:	1.75%

Currency Rates

£/$:	1.30
£/€:	1.18
€/$:	1.11
£/A$:	1.91

Commodity Prices

Oil (Brent Crude):	$63.85bbl
Gold:	$1,558oz
Copper:	$6,158/tonne

10-year government bond yields

US	1.79%
UK	0.63%
Germany	(0.25)%
Japan	(0.00)%

Learning fast

A recent trading update from AIM-listed Learning Technologies Group (157p) has revealed profit and cash 'comfortably ahead of expectations' and although the shares are already on a premium rating they are very much in demand. Final results for 2019 are due to be released on 24 March and we believe it is likely that the share price will test new highs between now and then.

Learning Technologies Group is involved in the workplace digital learning and talent management market. It offers end-to-end learning and talent solutions including strategic consultancy, a range of content and platform solutions and analytical insights that enable corporate and government clients to close the gap between current and future workforce capability. The company is headquartered in London and has offices in Europe, North America and Asia-Pacific.

Group revenues are expected to have risen to around £130m in the year to 31 December 2019 (2018: £93.9m). Recurring revenues increased to approximately 73% (2018: 68%). This performance was driven by strong ongoing performance in the Software & Platforms division as well as a full year contribution from PeopleFluent and Watershed. BreezyHR was also acquired in April 2019. PeopleFluent delivered revenues of around US$93.0m in 2019, ahead of previously announced expectations of US$91.0m, supported by a significantly improved retention rate for its software licences and a good sales performance by Affirmity. Adjusted EBIT is expected to be comfortably ahead of market expectations at not less than £41.0m (2018: £26.0m) due to a continued trend of improved margins and synergies being realised from the successful integration of acquisitions. Net cash as at 31 December 2019 was £3.8m versus net debt of £11.5m a year earlier. This was better than anticipated due to substantial cash generation in the second half.

There is said to be an active pipeline of attractive international acquisition opportunities in both Software & Platforms and Content & Services. The company aims to further consolidate the high growth corporate learning and talent market and this explains the fact that that the shares trade on a relatively high multiple of historic earnings to some extent. We feel that the shares are likely to attract further interest in the coming weeks and put forward a TRADING BUY recommendation.

Acquisitions set to be given the green light

Premier Oil (115.05p) has received permission from a court to buy oil and gas fields in the North Sea worth roughly US$871m, on the condition that it gets creditors' support to extend the repayment date of its US$2.7bn debt from 2021 to 2023. A creditors' meeting is expected to be held on 12 February to discuss the debt extension plan, then a hearing to sanction the decided schemes will take place in March. Most of the creditors have come out in full support of the proposed action so this is now looking as though it is just a formality and it is likely that there will also be an equity placing.

Premier Oil is engaged in oil and gas exploration, development and production. It operates in the North Sea, Asia, Pakistan, Mauritania and the Falkland Islands. The company is also developing assets in Mexico and Brazil.

The objective behind the proposed purchases is to strengthen Premier Oil's financial position. The acquired assets are expected to generate US$1bn of additional free cash flow by the end of 2023, allowing debt to be paid down quickly. Premier Oil needs support from at least 75% of its creditors in order to proceed with the deal. The main opposition appears to have come from Asia Research and Capital Management, which holds 15% of the company's debt but also has a short position on Premier Oil shares.

It was announced on 16 January that the level of support from creditors has continued to increase. At this time 86.03% of Super Senior Commitments and 75.15% of Senior Commitments had agreed to vote in favour of the proposed schemes at the creditor meetings. The schemes must be approved by a majority in number and 75% in value by total drawn and undrawn commitments of scheme creditors in each class attending and voting at those creditor meetings. Now looks an opportune time to BUY.

Leaders & Laggards

8 January 2020 - 21 January 2020

The best and worst performing of our recent tips:

1. STM Group	31.2p + 30.0%
2. Personal Group	393p + 17.3%
3. Keller Group	843p + 8.5%
1. Coral Products	7.25p - 25.6%
2. Flowtech Fluidpower	106p - 16.9%
3. Cineworld Group	193.2p - 12.7%

Read more on our website
www.cityconfidential.co.uk

Lamprell (LAM) - 34.6p

SECTOR – OIL EQUIPMENT & SERVICES
RECOMMENDATION – SPECULATIVE BUY

We covered Lamprell in January 2018 at a far higher price and with the benefit of hindsight we were too early with our recommendation. Shareholders have had a tough time of it since then waiting for recovery in the sector but the share price has now rebounded strongly from the low seen last month and those with an appetite for risk should consider giving the company a second chance.

Lamprell has been involved in the oil & gas and renewable energy markets for over 40 years, having been started in 1976 in the United Arab Emirates when members of the Lamprell family relocated to Dubai. The company initially focused on small offshore energy sector projects ranging from repair and modification of drilling rigs, accommodation modules and land camps to the overhaul of cranes, winches and other rig machinery. It commenced its first accommodation jackup rig conversion in 1989 and the refurbishment of its first jackup drilling rig in 1992. Lamprell has now established itself as one of the leading fabrication yards.

The company is a leading builder of drilling rigs and multi-purpose vessels for the international market. It has invested in the installation of an automatic panel line, which improves the efficiency of construction of rig hulls. It also provides a full suite of refurbishment services for jackup rigs including re-certification, conversions and major upgrades. It builds and refurbishes land rigs from facilities in the United Arab Emirates and provides field and drilling equipment refurbishment services across the Middle East. Lamprell provides a range of solutions from design engineering to detailed and construction engineering, delivered by a team of experienced multi-discipline engineers and designers.

The company provides value-driven purchasing solutions and volume leveraged pricing. Construction and fabrication are core service offerings and Lamprell provides efficiency and automation through highly sophisticated yards. It is fully equipped with an API certified mechanical workshop, a T-beam fabrication system, automated beam cutting systems and the latest modern welding equipment. There is a new state-of-the-art pipe shop for both carbon and stainless steel pipe fabrication, complete with testing, blasting and painting facilities. The company partners with leading installation service providers to submit bids on a collaborative basis. The site services segment of the business covers smaller business streams including Sunbelt Safety and minor E&C services. The Operations & Maintenance team has a proven record of high-quality performance and service, with a core workforce including tradesmen and administrative staff. Operations & Maintenance provides manpower, equipment and material services to a wide customer base including oil & gas and petrochemical facilities, plants, drilling rigs, offshore facilities, marine docks and marine vessels.

Financial performance in 2018 reflected ongoing pressure in the oil & gas industry and revenue slumped to US$234.1m from US$370.4m in 2017. The gross loss for the year was US$9.1m but this represented an improvement versus the gross loss for 2017 of US$50.2m. Group EBITDA from continuing operations amounted to a loss of US$35.1m (2017: loss of US$70.5m). Lower revenue levels, as well as a modest deterioration in the margin performance on the East Anglia project in 2018, resulted in a loss attributable to equity holders of US$70.7m (2017: loss of US$98.1m) and the fully diluted loss per share for the year was 20.67c (2017: loss per share 28.70c). In 2018 cash and bank balances decreased by US$196.6m to US$99.8m. Net cash as at 31 December 2018 was US$80.0m, down from US$257.0m as at 31 December 2017.

On 19 January the company announced the formal award for the fabrication and delivery of two jackup drilling units. This followed a Letter of Intent from the International Maritime Industries on 27 December 2018. The two rigs will be built collaboratively between IMI and Lamprell, with Lamprell's share of project value being approximately US$350m. The rig design will be based on the Super 116E, and it is expected that the vast majority of the work will be performed at Lamprell's facilities in the United Arab Emirates, with final commissioning works to be performed in Saudi Arabia. The work is to be completed in just over two years for the first rig with the second rig being delivered three months later.

The project is expected to commence with immediate effect including a 25% downpayment to Lamprell amounting to US$87.9m due in late January. The downpayment puts the group in a stronger net cash position, even when taking into consideration a US$25.8m equity contribution to the IMI investment which is expected in the first quarter of 2020. This will bring Lamprell's total equity investment in IMI to US$84.8m from a total commitment of US$140m. The award is against a backdrop of a continued difficult newbuild jackup market, which means that gross margin contribution will be very modest. However, jacking kits which will be used for the project have already been paid for and are currently held in inventory, which is expected to result in the conversion of approximately US$70m of inventory into cash over the duration of the project.

A trading update was released on 16 January. Subject to audit, revenue for 2019 is expected to be US$276m, at the bottom end of the previously announced guidance range. Net cash reduced to US$41.5m. Backlog stood at US$466m at the time of the announcement (30 June 2019: US$441m). The bid pipeline was in line with six months earlier at US$6.2bn. Major project flow in the sector continues to be slow, but there are signs that there could be wider sector recovery. Revenues for 2020 are expected to be in the range of US$350m to US$450m.

Although trading conditions have not been ideal for some time, the corner may well have been turned now. If everything goes to plan the shares trade on a modest multiple of prospective earnings for 2021 and once results for 2019 have been reported this trading period will not be too far away. Some positive momentum already appears to be building and there is potential for significant capital gains in a matter of months. We put forward a SPECULATIVE BUY rating.

Share Price: 34.6p
Market Capitalisation: £118m
2019/20 Share Price Range: 68.2p/20.6p
Website: www.lamprell.com

Year Ending 31 December	Turnover (£m)*	Adjusted Pre-Tax Profit (£m)*	Adjusted Earnings Per Share (p)*	P/E Ratio	Net Dividend (p)*	Net Yield (%)
2018	180	(53.4)	(15.9)	-	-	-
2019 (est)	212	(45.5)	(17.3)	-	-	-
2020 (est)	288	(19.0)	(7.2)	-	-	-

***£1 = $1.30**

For more details on the announcements below please see our website.

COMPANY

Coral Products - 7.25p	Interim results covering the six months to 31 October 2019 revealed both revenue and gross profits below the same period a year earlier. Reported revenue was £12.1m (2018: £13.1m) and underlying EBITDA was £1.34m (2018: £1.75m). Underlying profit before tax decreased to £485k (2018: £1.01m). Profit before tax after taking a number of exceptional items into account was £25k (2018: £582k). Underlying basic earnings per share fell from 0.87p to 0.26p. Net debt increased to £8.63m (2018: £6.87m) due mainly to the adoption of IFRS 16. We rate the shares as a SPECULATIVE BUY.
Flowtech Fluidpower - 106p	The company has issued a profit warning for the year to 31 December 2019, with disappointing trading in the last quarter of the year having a negative impact on results. Underlying pre-tax profit for the year is expected to be not less than £9.0m, a decline on last year's £10.7m. Expectations for 2020 have also been reviewed and although the group will benefit from investments made in 2019, the challenging trading conditions which are being experienced will make the first half of the year difficult. Looking further ahead the company is well placed and the fall in the share price after the statement has probably been overdone. The shares are a SPECULATIVE BUY.
IndigoVision - 190p	The company has issued a trading update covering the year to 31 December and revealed that sales for the year were US$50.1m, a 9% increase over the prior year. Gross margins have been maintained at the same level as 2018 and helped by tight cost controls the company expects to report results in line with expectations. The shares remain a BUY.
LPA Group - 93.5p	LPA Group, the high reliability LED lighting and electro-mechanical system manufacturer, has announced contract selection for a world leading smart LED lighting system for a prestigious European-wide Inter City rolling stock project and a further contract award for electro-mechanical assemblies, for the UK rail sector. An update on trading confirmed that the year to 30 September 2019 was very challenging but record order entry of £27.0m was achieved and expectations should at least be met. The timing of this announcement, with results due in the very near future, is slightly unsettling. We keep our LONG TERM BUY rating but would suggest that readers wait for upcoming results before investing.
Northern Bear - 76.5p	The acquisition of J Lister, an electrical contracting business based in York which was established in 1973, has been announced. J Lister has an established customer base and offers significant growth potential, via both organic expansion of the existing business and cross selling with other Northern Bear businesses. For the year ended 31 March 2019, J Lister achieved revenue of £2.5m and profit before tax of £0.28m. The acquisition is set to be earnings enhancing for Northern Bear, with the initial and deferred consideration being a modest £0.95m including the issue of £0.1m in ordinary shares in Northern Bear. There will be a further earn-out payment of up to £0.3m in cash, dependent on profits in excess of historical levels. The shares offer exceptionally good value looking at fundamentals and must rank as a BUY.
Parity Group - 10p	The company has issued a positive trading update for the year to 31 December with results likely to be in line with expectations. Strong cash collections in December mean that the group is likely to end the year with a positive net cash position as opposed to net debt of £1.1m at 31 December 2018. We continue to rate the shares as a BUY.
Personal Group - 393p	Trading for the year to 31 December has been in line with expectations. The company looks well placed to benefit from the continued growth and development of the employee services market and the attractive dividend yield will attract investors seeking income. However, for those investors looking for growth there may be better opportunities elsewhere and following the recent spike in the share price now may be an opportune time to TAKE PROFITS.
Ramsden Holdings - 247.5p	The diversified financial services group has issued a very positive trading update and has announced that results for the year to 31 March will be comfortably ahead of market expectations. Each of the group's business segments performed ahead of the prior year with jewellery performing well both in store and on line helped by a higher gold price. The pawnbroking and foreign currency segments also produced good results. Although the shares have had a good run they remain ATTRACTIVE.
Surgical Innovations - 2.25p	The company has issued a positive trading statement covering the year to 31 December stating that profits will be in line with expectations. The second half of the year produced revenues that were 10% up on the first half whilst the last quarter of the year saw important contractual relationships extended. Full year results will be announced towards the end of March and we maintain our recommendation of BUY.
Tricorn Group - 12p	The group is proposing to raise £1.49m before expenses through a placing and open offer of shares at 10p. Some 10m shares will be issued to new and existing shareholders through a placing whilst there will also be an open offer to qualifying shareholders on the basis of 1 new share for every 7 shares held. The funds raised will be used to strengthen the group's balance sheet, provide additional working capital for growth opportunities and to help fund some capital expenditure in the USA. We believe the shares are a good recovery play and suggest that any shareholders TAKE UP THE OFFER.
Vertu Motors - 37p	The automotive retailer has announced the acquisition of the trade and assets of four Volkswagen Passenger car dealerships in West Yorkshire from Goodman Retail Limited, a trading subsidiary of Sytner Group Limited. Total consideration is expected to be approximately £8.8m and the acquisition should be earnings enhancing in the first full year of ownership, the year ending 28 February 2021. The purchase of the leasehold dealerships in Leeds, Huddersfield, Harrogate and Skipton represents further expansion of the Group's Vertu Volkswagen brand and complements 13 existing outlets in Yorkshire, which includes Nissan, Renault, Jaguar, Land Rover, Vauxhall and Honda brands. Vertu operated 5 Volkswagen Passenger car dealerships prior to the deal. For the year ended 31 December 2018 the combined management accounts of the dealerships acquired showed that they achieved revenues of £112m and a profit before tax of £0.6m. There have also been some other portfolio changes recently. On 20 December 2019 the Volvo franchise in Derby was transferred to a subsidiary of Marshall Motor Holdings plc. The premises were retained by the Group and are currently being refurbished with a new franchise operation due to commence in the coming months. In January 2020 two new Hyundai franchise outlets have been opened in the North East of England. The shares continue to look significantly undervalued. BUY.

Aggressive Growth Portfolio VII

After the very strong performance from the portfolio reported in the last issue, it comes as no surprise that this has now consolidated at its higher level. In fact, it is encouraging that the portfolio has retained its gain and not succumbed to profit taking.

There have only been two announcements over the last fortnight, from Vertu Motors and Personal Group. These are covered on page 3 as usual.

The positive trading update from Personal Group has seen the share price rise strongly, moving up 17.3% since the last issue. We believe that at this level the shares are now fully valued and have therefore decided to sell the holding. The disposal of 850 shares at 393p has raised net proceeds of £3,308 and realised a net gain of £303.

To raise additional funds for the portfolio we have also decided to take the gain on XPS Pensions Group. We have sold 2,500 shares in the company at 145p to raise net proceeds of £3,589 for a gain of £481. At the current price we believe these shares are fully valued and the increase in the share price of over 18% since the recommendation in November makes this a more than useful short-term profit.

Dividends have been received from Vertu Motors (£45), Duke Royalty (£45), Cineworld (£37) and Speedy Hire (£35) and after purchasing shares in the two companies featured in this issue there is £1,897 left on deposit pending investment.

PERFORMANCE SUMMARY			
	21 January 2020	7 January 2020	Gain/(Loss) %
Portfolio Value	£60,636	£60,422	0.4
FTSE 100 Share Index	7,610.70	7,573.85	0.5
FTSE All Share Index	4,223.35	4,209.34	0.3

	SECURITY	BUYING PRICE (p)	TOTAL COST (£)	CURRENT PRICE (p)	VALUE (£)	STOP-LOSS LIMIT (p)
7,500	Vertu Motors	37.35	2,829	37.6	2,820	36
1,075	Equiniti	223.4	2,437	220	2,365	180
1,250	Morrison (Wm) Supermarkets	199.25	2,528	187.35	2,342	170
2,000	Marshall Motor Holdings	140	2,828	156	3,120	120
1,000	Wynnstay	297.5	3,005	292.5	2,925	245
1,250	Hargreaves Services	259	3,269	302	3,775	215
1,750	Town Centre Securities	186	3,304	222	3,885	190
6,000	Duke Royalty	44.1	2,672	49.5	2,970	37
1,275	Cineworld Group	221.4	2,865	193.2	2,463	180
1,000	Anpario	330	3,333	340	3,400	275
500	Keller Group	603	3,060	843	4,215	525
5,000	Speedy Hire	64.2	3,258	73	3,650	55
2,500	DWF Group	118	2,995	128.05	3,201	95
1,500	G4S	207.2	3,154	208	3,120	170
800	D S Smith	383.1	3,111	358	2,864	330
6,000	Saga	50.9	3,100	46.88	2,813	40
17,500	Avacta	17.5	3,094	18.125	3,172	14
8,750	Lamprell Group	34.6	3,072	34.6	3,027	28
1,250	Everyman Media Group	209	2,638	209	2,612	165
£1,897	Cash	-	-		1,897	
				TOTAL	**£60,636**	

Start date: 2 January 2018 with £50,000. Cash includes dividends received of £3,801.

Everyman Media Group (EMAN) - 209p

SECTOR - AIM - MEDIA
RECOMMENDATION - BUY

Everyman Media Group released a trading update last week and this demonstrated ongoing progress. Although the shares have never looked cheap it is clear that sustained growth is likely to continue in the coming years and the long term picture looks promising. We believe that the company has a niche offering which it should be able to roll out further, both in the UK and potentially overseas.

The company operates as an independent cinema group. The business model is to further build the portfolio of venues whilst successfully growing the existing estate by bringing together great food, drink, atmosphere, service and film, to create exceptional experiences for customers. The Everyman brand is positioned at the premium end of the UK leisure/cinema market. New venues can be part of a large new developer-led complex, the refurbishment of an old existing traditional cinema or conversion of small existing spaces. There are currently 33 venues, with 5 new venues opened in the final quarter of the last financial year in Cardiff, Clitheroe, London Broadgate, Manchester and Wokingham. The total number of screens now operated is 110. Together with Horsham and Newcastle, which were opened in the first half of the year, the total number of venues opened in 2019 was seven.

The recent trading update covered the 52-week period ended 2 January 2020. Group sales were a record £65.0m (2018: £51.9m), representing an increase of 25%. The average ticket price increased to £11.37 (2018: £11.26) and spend per head increased to £7.13 (2018: £6.30). Market share was 3.1% (2018: 2.5%) and pre-IFRS 16 EBITDA is expected to be approximately £12.0m, an increase of 30% on 2018. This is the equivalent post-IFRS 16 EBITDA of approximately £15.7m.

Looking ahead, there are plenty of opportunities for further investment. Since interim results were published in September lease agreements have been signed for new venues in Aberdeen, Exeter and London Kings Road. Including these the company has commitments in place to open a further 12 venues by 2022, with openings confirmed for 2020 in Dublin, Lincoln, London Kings Road, and Plymouth. Total UK box-office admissions fell by 1.9% in 2019, which means that the company's offering is clearly in demand. BUY.

Share Price: 209p
Market Capitalisation: £154m
2019/20 Share Price Range: 222p/167.5p
Website: www.everymancinema.com

Year Ending 31 December	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2018	51.9	2.7	2.9	72.1	-	-
2019 (est)	65.0	2.6	2.8	74.6	-	-
2020 (est)	83.7	5.1	5.4	38.7	-	-

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