cityconfidential
sorting the bulls from the bears

Issue 246
5th February 2020

Market Indices at 4 February 2020

FTSE 100	7,439.82
FTSE 250	21,439.93
FTSE All Share	4,136.76
FTSE AIM All Share	960.37
Dow Jones Ind Av	28,807.63
S & P 500	3,297.59
Nikkei 225	23,319.56

Interest Rates		Currency Rates	
UK:	0.75%	£/$:	1.31
ECB:	0.0%	£/€:	1.18
US:	1.75%	€/$:	1.10
		£/A$:	1.93

Commodity Prices

Oil (Brent Crude):	$53.86bbl
Gold:	$1,550oz
Copper:	$5,650/tonne

10-year government bond yields

US	1.63%
UK	0.60%
Germany	(0.38)%
Japan	(0.05)%

People Power

AIM-listed recruitment business Prime People (96p) has recently returned £2m of cash to shareholders, the equivalent of 16p per share. The shares have subsequently slipped back below 100p and now look good value once again. Although there are perhaps more exciting companies on the market, this is a solid and dependable business which has delivered consistent profitability over the years.

Prime People operates as a specialist recruitment business for professional and technical staff working in the Real Estate & Built Environment, Energy & Environmental and Technology, Digital & Data Analytics sectors. The company has offices in London, Manchester, Hong Kong, Singapore, Dubai, Johannesburg and Frankfurt.

Results for the half-year ended 30 September 2019 revealed a profit before tax for the period of £1.73m (2018: £1.59m) on revenue of £13.17m (2018: £12.57m). Group Net Fee Income was £8.80m (2018: £7.99m). In the UK segment of the business profit before tax was £0.48m versus £0.62m a year earlier. The Asia business, which covers activities in Hong Kong and Singapore, generated a profit before tax before adjustment for minority interest of £1.24m, up from £0.95m a year earlier. The newly established business in Germany, disclosed under Rest of the World, reported a small profit and is showing good potential for growth. Basic earnings per share for the period were 9.33p (2018: 10.95p). As at 30 September 2019 cash was £3.04m versus £1.79m a year earlier and £2.31m as at 31 March 2019. An interim dividend of 1.80p per share was paid in December.

Interestingly at the time of the company's interim results announcement it noted that it continues to seek opportunities to create shareholder value through both organic and non-organic growth. Having recently returned some cash to shareholders, an acquisition could be a shrewd use for more of the spare funds available. Even as the company currently stands the shares are good value. BUY.

Oil giant BP due a bounce

Recent results from BP (471.55p) were better than expected, despite the fact they came in below the prior year. Rival Royal Dutch Shell has also reported a fall in profits and it is clear that trading conditions in the sector have been challenging. However, this has been factored into the share price, which now stands at a low level by historic standards.

Underlying replacement cost profit for the fourth quarter and full year 2019 was US$2.6bn (2018: US$3.5bn and US$10.0bn (2018: US$12.7bn) respectively, reflecting the impact of the weaker environment. Reported profit was US$19m for the fourth quarter and US$4.0bn for the full year. Full-year operating cash flow, excluding Gulf of Mexico oil spill payments, was US$28.2bn, including a US$0.3bn working capital release (after adjusting for net inventory holding gains). Gulf of Mexico oil spill payments for the year totalled US$2.4bn on a post-tax basis and are expected to be less than US$1bn in 2020. Full-year organic capital expenditure of US$15.2bn was at the bottom of the guided range. The announced share buyback programme was completed last month.

The company has continued to make progress with a divestment programme and announced transactions since the start of 2019 have been US$9.4bn in total. This means BP is ahead of its target of US$10bn of proceeds by the end of 2020 and it now plans a further US$5bn of agreed disposals by mid-2021. Net debt fell by US$1bn in the fourth quarter and this helped support an increase in the quarterly dividend to 10.5c per share, up 2.4% on the previous quarter.

BP has warned of the potential impact of the coronavirus on the oil market as it blamed weak crude prices for a sharp fall in its annual profits. Finance Director Brian Gilvary has commented that a global economic slowdown caused by the coronavirus could reduce consumption by 300,000 to 500,000 barrels per day, the equivalent of around 0.5% of demand. This is a high quality business and we believe that the shares could soon rebound, making them a TRADING BUY.

Leaders & Laggards

22 January 2020 - 4 February 2020

The best and worst performing of our recent tips:

1. Avacta Group	24.9p + 37.4%
2. LPA Group	114p + 21.9%
3. Belvoir Group	174.5p + 18.7%
1. Zytronic	192.5p - 18.1%
2. Anpario	300p - 11.8%
3. Saga	42.28p - 9.8%

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

UP Global Sourcing Holdings (UPGS) - 77.4p

SECTOR – HOUSEHOLD GOODS & HOME CONSTRUCTION
RECOMMENDATION – SPECULATIVE BUY

UP Global Sourcing Holdings, commonly known as Ultimate Products, has seen its share price slip significantly since the turn of the year. The shares almost reached 100p in the last few trading days of 2019 but the outbreak of novel coronavirus that was first reported from Wuhan, China on 31 December has caused understandable concern. The company is heavily reliant on China and disruption to the supply chain could have a major impact on its operations. This is clearly an issue which needs to be considered but it also means that those willing to take a longer term view and accept this risk factor are buying in at a tempting level.

Ultimate Products owns, manages, designs and develops several well-known brands focused on the home. It has six product categories, Audio, Heating and Cooling, Housewares, Laundry, Luggage and Small Domestic Appliances. Brands include Beldray for laundry, floor care, heating and cooling, Intempo for audio, Salter kitchenware, Constellation luggage, and Progress cookware and bakeware. Products are sold to a broad range of large national and international multi-channel retailers, as well as smaller national retail chains. This covers discount retailers, supermarkets, general retailers and online retailers. The best-selling products include items such as frying pans, mugs and speakers.

The company was founded in 1997 and is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. There are also offices and showrooms in Guangzhou, China and in Cologne, Germany. Ultimate Products employs almost 300 staff and sells to over 300 retailers across 38 countries.

Full year results for the year ended 31 July 2019 were released on 5 November. Total revenue increased by 40.8% to £123.3m (2018: £87.6m) driven by growth across discounters, supermarkets, online platforms and international customers. Sales to discounters grew by 41.2% with strong growth internationally, predominantly in mainland Europe. Overall sales to UK discounters were down but returned to growth in the second half. Supermarket revenue increased by £8.0m or 66.5%, with the key drivers being the Salter and Beldray brands. The online segment showed continued growth, with revenue up £4.4m or 63.2%. Online accounted for 9.2% of overall revenue (2018: 7.9%) versus a long-term target of at least 20%. The international business generated revenue growth of £24.5m or 101.8% compared to the prior year. International sales grew to 39.4% of total revenue (2018: 27.4%) with the Beldray, Russell Hobbs and Progress brands performing particularly well.

Underlying EBITDA was up 53.4% to £9.9m (2018: £6.5m), underlying profit before tax was up 50.5% to £8.5m (2018: £5.6m) and underlying earnings per share were 8.2p (2018: 5.4p). Net debt at the period end amounted to £14.4m versus £12.8m a year earlier. Total dividends for the full year were up 50.2% to 4.085p per share (2018: 2.72p). There is a clearly stated dividend policy of distributing 50% of adjusted profit after tax. A final dividend of 2.925p per share (2018: 1.89p) was paid on 30 January 2020. The yield is an attractive feature which should not be ignored.

The company's balance sheet strengthened significantly during the last financial year, with net assets increasing by £3.1m to £11.8m. Free cash flow was £2.5m, dividends of £2.4m were paid (2018: £3.6m) and the company's Employee Benefit Trust purchased shares to the value of £1.6m. Overall, this resulted in an increase in net bank debt of £1.6m to £14.4m. However, the net debt/underlying EBITDA ratio fell from 2.0x to 1.5x.

The company announced last month that it has agreed terms on a lease extension at Manor Mill, its head office in Oldham, Greater Manchester. This move is ahead of planned improvements to the site. The property is owned by Berbar Properties Limited, owned by Barry Franks, a Non-Executive director of Ultimate Products. The lease extension is for a period of 10 years, with the annual rent maintained at the current rate of £180k. Manor Mill is a 200,000 sq. ft. facility containing offices for the sales, accounting, buying, design, marketing and support functions, as well as a customer showroom. Manor Mill also acts as an overflow facility to Heron Mill, a 240,000 sq. ft. warehousing facility which is also located in Oldham.

At the time of the final results announcement in November the company noted that market conditions for general merchandise remain challenging in the UK and there was an uncertain environment for consumers, retailers and suppliers. Trading was said to be in line with expectations and the full year order book was moderately ahead of the same time last year. The potential impact of Brexit was also highlighted. Products are generally sourced from China under WTO trade rules and less than 5% of the company's business is conducted over a UK/EU border. The main potential impact of Brexit is therefore mainly limited to the adverse effect of any material devaluation in Sterling and the consequences this may have on volume, margins and wider sentiment in the UK.

Last year there was a trading update on 11 February ahead of the release of interim results on 29 April so an update on trading may not be far away. There will be some reference to the current situation in China but the impact of this is already factored in to some extent. In the near term this is likely to lead to volatility and it is difficult to predict where the share price will move in the immediate future. However, forecasts for the full year are undemanding given the performance delivered in the last financial year. There is plenty of fear already factored into the equation and although there is justification for the recent weak share price, the negative factors in play should ease in the coming months. There is a lack of better alternatives for those willing to accept a higher risk opportunity with the potential for a significant capital gain. The shares are a SPECULATIVE BUY.

Share Price: 77.4p
Market Capitalisation: £63.6m
2019/20 Share Price Range: 98p/38.25p
Website: www.upgs.com

Year Ending 31 July	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2019	123	8.2	8.2	9.4	4.085	5.3
2020 (est)	129	8.7	8.5	9.1	4.250	5.5
2021 (est)	136	9.3	8.9	8.7	4.450	5.7

NEWS UPDATE

cityconfidential
sorting the bulls from the bears

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

COMPANY

Alliance Pharma - 87.5p	The healthcare group has announced a trading statement for the year to 31 December revealing that revenues were 15% ahead of the prior year with pre-tax profits likely to be in line with market expectations at around £32.5m for earnings per share of 5.1p. Net debt at the company continues to fall, with it being around £59.2m at 31 December compared with £74.1m last June. Prospects for the company remain good and the shares remain a LONG-TERM BUY.
Anpario - 300p	The animal feed additives group has issued a trading statement for the year to 31 December stating that revenues and EBITDA should be in line with market expectations, although the increase in the value of sterling has impacted the overall results. Sales in the second half of the year improved, helped by strong performances in Latin America and the Middle East and a welcome recovery in Asia. Gross margins have also improved whilst costs are also being closely controlled. Year-end cash balances were higher than a year ago at £13.8m (2019: £12.9m) and the shares remain GOOD VALUE.
Avacta Group - 24.9p	The company has issued a trading update for the 17-month period to 31 December, with revenues doubling to £5.5m (£2.8m in 12 months to 31 July 2018). This is ahead of market expectations and further progress is likely in 2020. Cash at the end of the period was £8.7m (31 July 2018: £5.2m) and this was also ahead of forecasts. This is clearly good news for the company and we continue to rate the shares as a BUY.
Belvoir Group - 174.5p	The UK's largest property franchise group saw another year of growth in 2019, with revenue up 43% to £19.5m (2018: £13.7m) and profit before tax will be comfortably ahead of management's expectations. Net debt as at 31 December 2019 had reduced to £6.9m (2018: 9.6m). Although the shares have had a strong run, they continue to look good value and remain a BUY.
DWF Group - 135.95p	The company has announced that it is to acquire leading legal and managed services business Mindcrest Inc for US$18.5m (£14.2m) in cash and shares. The transaction will deliver significant synergies, with a range of new revenue opportunities and recurring cost savings. Mindcrest will bring approximately 360 new employees, mainly based in India, but there are also offices in Chicago, New York and London. The shares remain a BUY.
Empresaria - 54.25p	The specialist staffing group has provided a trading update for the year ended 31 December 2019 with results set to be in line with market expectations. Net fee income was up 3% from the prior year and 2% in constant currency. Adjusted profit before tax should be in line with market expectations at £9.3m (2018: £11.4m) with the reduction due to the impact of the material declines in the UK Engineering business along with the impact of Brexit in the UK and the slowdown of the German automotive sector. Adjusted net debt as at 31 December 2019 was £19.1m. We feel that there is scope for recovery, although there is a high level of risk. The shares are a SPECULATIVE BUY.
Hargeaves Services - 307p	Interim results covering the six months ended 30 November 2019 saw revenue fall to £124.7m (2018: £167.9m), with profit before tax being £5.2m (2018: loss of £6.0m). Basic underlying earnings per share from continuing operations were 6.4p (2018: 5.4p). The interim dividend was held at 2.7p and net debt at the year-end was £40.3m. Full year results are set to be slightly ahead of expectations due to the benefit of ongoing trading with British Steel, which is expected to continue until at least the end of February 2020. We keep our BUY rating, particularly for those willing to invest for the long term.
LPA Group - 114p	The LED lighting and electro-mechanical system supplier has announced annual results to 30 September, and these revealed a decline in sales to £19.5m (2018: £28.0m) with a loss before tax of £0.24m (2018: profit of £2.0m) being reported. This was clearly a very challenging year due to project delays across rail markets in both the UK and overseas. Despite this, the dividend for the year was maintained at 2.9p due to the improving prospects for the company which received record orders last year of £27m. The upturn in the order book has continued in the first quarter of the current financial year and the group therefore looks to the future with confidence. We believe the shares remain a BUY.
Mortgage Advice Bureau - 742p	A trading update covering the year to 31 December 2019 showed that revenue for the year increased by 16% to £143m helped by the acquisition of First Mortgage Direct Limited in July. Profit before tax for the year was in line with expectations. As at 31 December 2019, there was a cash position of £21m, including £7m of unrestricted cash balances. The company has clearly been making solid progress, but the share price is well up with events. TAKE PROFITS.
Saga - 42.28p	A trading update covering the period from 1 August 2019 to 27 January 2020 has been released with full year underlying profit before tax due to be in line with previous guidance. We feel that the market is taking too pessimistic a view on the company. BUY.
Town Centre Securities - 223p	The property group has announced a trading statement revealing that the company is continuing its policy of repositioning its portfolio, disposing of ex-growth retail assets and re-investing elsewhere in its property portfolio. We believe that the shares, which are yielding 5.3%, remain GOOD VALUE.
Zytronic - 192.5p	At its AGM the company revealed that trading in December and January had remained subdued and well behind last year. However, the order intake in January was strong and although this is unlikely to help the first half, prospects for the second half are more encouraging. The company has significant cash balances and based on last year's dividend of 22.8p, the shares yield 11.8%. BUY.

Aggressive Growth Portfolio VII

The recent weakness in the stockmarket, caused by concerns over a slowing global economy as a result of the coronavirus, has been reflected in declines in both benchmark indices. However, it is pleasing to report that the Portfolio has bucked this trend, rising in value by 0.2% over the last fortnight, helped by the performance of Avacta which has risen in value by 37.4%.

There have been announcements during the period from Hargreaves Services, Town Centre Securities, Anpario, DWF Group, Saga and Avacta. These are covered on page 3 as usual.

We have lost the holding of Cineworld as the share price fell through the stop-loss limit of 180p. The sale of 1,275 shares at 180p raised net proceeds of £2,272 for a loss of £593. To raise additional funds for the portfolio we have also decided to sell the holding of 1,000 Wynnstay at 280p. This raised net proceeds of £2,772 for a loss of £233.

No dividends have been received during the period and after purchasing shares in the two companies featured in this issue there is £889 left on deposit pending investment.

PERFORMANCE SUMMARY

	4 February 2020	21 January 2020	Gain/(Loss) %
Portfolio Value	£60,782	£60,636	0.2
FTSE 100 Share Index	7,439.82	7,610.70	(2.2)
FTSE All Share Index	4,136.76	4,223.35	(2.1)

	SECURITY	BUYING PRICE (p)	TOTAL COST (£)	CURRENT PRICE (p)	VALUE (£)	STOP-LOSS LIMIT (p)
7,500	Vertu Motors	37.35	2,829	36.3	2,723	36
1,075	Equiniti	223.4	2,437	215.2	2,313	180
1,250	Morrison (Wm) Supermarkets	199.25	2,528	180.45	2,256	170
2,000	Marshall Motor Holdings	140	2,828	156.5	3,130	120
1,250	Hargreaves Services	259	3,269	307	3,838	215
1,750	Town Centre Securities	186	3,304	223	3,903	190
6,000	Duke Royalty	44.1	2,672	46.9	2,814	37
1,000	Anpario	330	3,333	300	3,000	275
500	Keller Group	603	3,060	844	4,220	775
5,000	Speedy Hire	64.2	3,258	79.4	3,970	55
2,500	DWF Group	118	2,995	135.95	3,399	95
1,500	G4S	207.2	3,154	196.3	2,945	170
800	D S Smith	383.1	3,111	352.4	2,819	330
6,000	Saga	50.9	3,100	42.28	2,537	40
17,500	Avacta Group	17.5	3,094	24.9	4,358	14
8,750	Lamprell Group	34.6	3,072	32.6	2,853	28
1,250	Everyman Media Group	209	2,638	227	2,838	165
3,850	UP Global Sourcing	77.4	3,025	77.4	2,980	60
1,800	Premier Miton Group	166.5	3,027	166.5	2,997	130
£889	Cash	-	-		889	
				TOTAL	**£60,782**	

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

Premier Miton Group (PMI) - 166.5p

SECTOR - AIM - FINANCIAL SERVICES
RECOMMENDATION - BUY

The merger of Premier Asset Management Group and Miton Group created Premier Miton Group on 14 November 2019. Combined assets under management at the time were £11.2bn and by the end of 2019 this figure had risen to £11.6bn. The enlarged entity has plenty going for it and based on fundamentals we believe that the share price is currently too low.

The company describes itself as being focused on delivering good investment outcomes for investors through relevant products and active management. It has an offering which is designed to meet the investment objectives and preferences of different clients. This covers a broad range of multi-asset, equity, absolute return and fixed income investments. The merger in November brought together the capabilities of two companies which we were already impressed with and undoubtedly added value for shareholders.

Final results for the last financial year were released on 28 November and an update on assets under management was provided on 10 January. The latter was effectively an update on the company's fortunes in the three months to 31 December 2019, the first quarter of the current financial year. In the three month period net outflows were £222m versus net inflows of £65m in the same period a year earlier. The company noted that it believes that 2020 will be a year in which investor confidence will improve, with political uncertainty lifting in the UK. Results for the year to 30 September 2019 represented a period when Premier Asset Management Group and Miton Group were trading independently. Alignment of operating platforms is expected to result in recurring run-rate pre-tax cost synergies of approximately £7m per annum. Given the scale of operations this is clearly a meaningful saving.

The shares trade on a low multiple of both historic and prospective earnings. The dividend translates into a very healthy yield and payments are expected to rise modestly in the coming years. Premier Miton Group also has a strong balance sheet and net cash should grow moving forwards. As well as significant cost synergies, the merger has also created some diversification and means the company is not overly reliant on any one fund or fund manager. We rate the shares as a BUY.

Share Price: 166.5p
Market Capitalisation: £263m
2019/20 Share Price Range: 238p/153p
Website: www.mitongroup.com

Year Ending 30 September	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2018	48.6	19.0	16.0	10.4	10.5	6.3
2019 (est)	74.3	26.3	14.1	11.8	10.7	6.4
2020 (est)	78.9	31.8	16.3	10.2	10.9	6.5