cityconfidential
sorting the bulls from the bears

Issue 250
15th April 2020

Market Indices at 14 April 2020

FTSE 100	5,791.31
FTSE 250	16,082.57
FTSE All Share	3,200.14
FTSE AIM All Share	754.29
Dow Jones Ind Av	23,949.76
S & P 500	2,846.06
Nikkei 225	19,550.09

Interest Rates		Currency Rates	
UK:	0.10%	£/$:	1.25
ECB:	0.00%	£/€:	1.14
US:	0.00%	€/$:	1.09
		£/A$:	1.97

Commodity Prices

Oil (Brent Crude):	$23.57bbl
Gold:	$1,738oz
Copper:	$5,119/tonne

10-year government bond yields

US	0.68%
UK	0.31%
Germany	(0.43)%
Japan	(0.01)%

Interesting Concepta

Concepta (1.3p) has recently announced plans to raise new funds, including the issue of new shares at 0.8p each. The company is clearly looking to the future with a positive attitude as the cash will be used to develop the business further at a time when most others are seeking to minimise costs wherever possible.

The personalised healthcare company has developed the proprietary self-test platform myLotus. This is said to be the UK's most accurate home-use fertility tracking and pregnancy testing system. The company joined AIM in July 2016 when it was reversed into cash shell Frontier Resources International.

The proceeds of the upcoming fundraising, which is set to be given the green light at a General Meeting on 24 April, will be £1.9m gross and approximately £1.74m net. The cash will be utilised in several ways. Digital marketing will be strengthened and key marketing personnel will be appointed. Strategic commercial contracts are being sought to exploit the myLotus product and technology nationally then internationally. There are plans to invest in developing and extending the Concepta portfolio to capture and provide greater insight into fertility for women and couples to maximise their chance of conception. Finally, the company wishes to continue to develop and improve its internal systems, controls and compliance. This includes digital 'app' developments, software, algorithms and data capture.

On 14 April the company announced that it has agreed to outsource manufacturing for myLotus, reducing overheads and allowing it to focus on product commercialisation. Agreements have been signed with Abingdon Health Ltd for it to acquire Concepta's lateral flow test manufacturing site in Doncaster. Under the agreement Concepta will receive a total cash consideration of approximately £0.3m. There are plenty of recovery opportunities around at the moment but fewer chances to invest in early stage businesses with potential for rapid growth. We rate the shares as a SPECULATIVE BUY.

Appreciate could reward faith from investors

Formerly known as Park Group, Appreciate Group (45.2p), had already fallen out of favour with investors prior to the current situation which has gripped the world. An update on 31 March confirmed that trading for the 11 month period to the end of February had been in line with expectations but the company was unable to give any further guidance and another update is due to be released before the end of April.

The business is highly seasonal with a loss generally incurred in the first half of the financial year, which ends on 31 March. The majority of annual revenues and profit are generated in the second half of the financial year. Hence, the timing of the situation which everyone is currently facing could have been worse for Appreciate Group.

The update at the end of March confirmed the company's decision to temporarily close all offices and fulfilment locations although over 80% of employees are able to work from home. Employees unable to fulfil their role from home are being supported. Trading websites continue to accept and fulfil orders with digital delivery only. There has been a substantial drop in new billings and a small increase in the cancellation rate for Park Christmas Savings. Appreciate Group has a strong balance sheet with no debt. There is £30m of free cash and the nature of the business is such that a short term reduction in billings will mean an increase in available cash. One other key way of preserving cash is the cancellation of the interim dividend of 1.05p per share which was due to be paid on 6 April.

CEO Ian O'Doherty bought 40,000 shares at 34p each on 2 April, which is another positive signal. This is a company which we had lost some enthusiasm for over the course of 2019. However, the share price has fallen to a level which looks far too low and the strength of the balance sheet means that the value placed on the underlying business has slumped to a real bargain basement level. We feel that fair value is around 60p even under current circumstances and therefore rate the shares as a BUY.

Leaders & Laggards

18 March 2020 - 14 April 2020

The best and worst performing of our recent tips:

1. Avacta	60p + 272.7%
2. Xpediator	25.5p + 82.1%
3. Anpario	405p + 80.0%
1. Marshall Motor Holdings	85p - 30.6%
2. Duke Royalty	24.15p - 15.0%
3. DWF Group	90p - 11.8%

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www.cityconfidential.co.uk

PPHE Hotel Group (PPH) - 1240p

SECTOR – TRAVEL AND LEISURE
RECOMMENDATION – BUY

Although PPHE Hotel Group is facing considerable uncertainty for the next few weeks at least, the manner in which the business is managed provides confidence that it will continue to build shareholder value over the longer term. It is also relatively well positioned to ride out the current storm, with an enviable amount of cash at its disposal.

PPHE Hotel Group is an international hospitality real estate company which aims to generate attractive returns from operations and long-term capital appreciation. Through its subsidiaries, jointly controlled entities and associates it owns, co-owns, develops, leases, operates and franchises hospitality real estate. It focuses on full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, as well as hotel, resort and campsite properties in select resort destinations.

The company has an exclusive and perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa. In addition, PPHE Hotel Group wholly owns, and operates under, the art'otel brand and its Croatian subsidiary owns, and operates under, the Arena Hotels & Apartments and Arena Campsites brands.

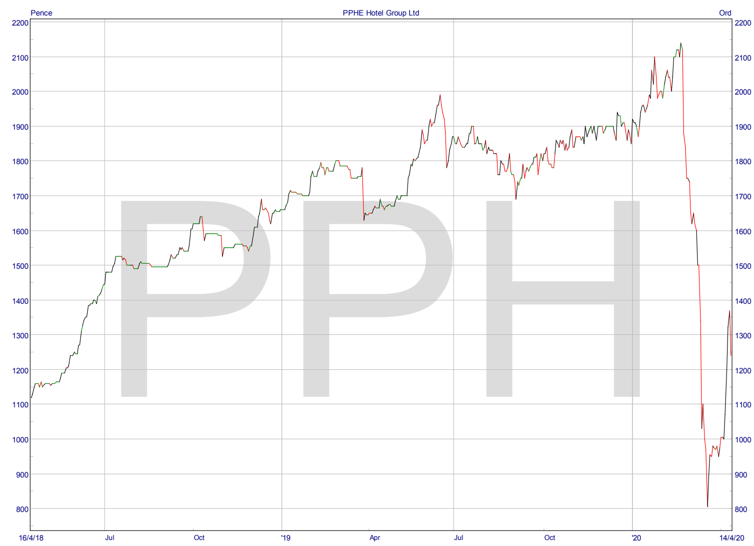
PPHE Hotel Group is one of the largest owner/operators of hotels in central London and its property portfolio has reached 37 hotels and resorts in operation with a total of approximately 8,800 rooms. There are 8 campsites, offering approximately 6,000 units. The development pipeline includes new hotels in London, New York City, Belgrade and Zagreb which are expected to add more than 800 rooms to the portfolio by the end of 2023. The Guernsey registered company also holds a controlling ownership interest in Arena Hospitality Group, whose shares are listed on the Prime market of the Zagreb Stock Exchange.

Final results for the year ended 31 December 2019 were released on 27 February. Like-for-like revenue increased by 5.2% to £355.8m. Like-for-like EBITDA increased by 3.4% to £117.4m. Reported EBITDA increased by 8.6% to £122.9m, driven by an increased average room rate and aided by IFRS 16 changes on accounting for leases. Normalised profit before tax increased by 7.9% to £40.7m (2018: £37.7m). In 2018 reported profit before tax benefited from a one-off revaluation resulting in reported profit before tax falling to £38.5m in 2019 versus £46.4m a year earlier and reported diluted earnings per share slipping to 80p (2018: 90p). A final dividend of 20p per share (2018: 19p) took the dividend for the year to 37p per share, an increase of 5.7%. However, this has subsequently been scrapped to preserve cash in the near term. Real estate assets were independently valued at £1.7bn by Savills and Zagreb nekretnine Ltd, in summer 2019. The EPRA NAV per share was up 3.6% at 2546p (2018: 2457p). Adjusted EPRA earnings per share were up 11.7% to 128p and the total shareholder return was 13.8% in 2019.

On 11 March the company announced a business update following COVID-19 developments. The company confirmed that it was taking necessary actions to minimise the impact on the business. It pointed out that it has a 30-year track record of navigating market and economic cycles. It has a strong balance sheet, a well-invested estate in key gateway cities such as London and Amsterdam and an owner-operator business model which provides some flexibility to respond to changing market conditions.

By 19 March the situation had developed considerably and another update was released. Following the update on 11 March there was a further reduction in demand for international travel resulting in an increase in cancellations and a slowdown in bookings. Some closures were already in place. As at 17 March excess cash and unutilised credit facilities were substantially in line with the amounts previously disclosed in 2019 financial statements. The company stated that it believes that it is well-positioned to withstand a significant decrease in business activity in its markets during 2020. Exceptional operational measures were being put in place in order to significantly reduce costs.. These measures included reduced capacity of hotels in Germany and Hungary, the temporary closure of two hotels in Amsterdam and reduced capacity in the rest of the region. The temporary closure of approximately 2,000 rooms in London, steps to reduce payroll costs and a review into the timing and phasing of the investment programme were all being considered until markets improve.

On 8 April the company announced that it has entered into a syndicated facility agreement arranged by Bank Hapoalim B.M. for a facility of up to £180m to fund the development of art'otel london hoxton on a site located by Old Street, Rivington Street, Great Eastern Street and Bath Place, London EC1. The total aggregate project costs remaining for completion of the hotel are approximately £20m. The company has contributed a material part of its equity commitment for this project and therefore does not expect a significant outflow of cash in respect of this project until July 2022. There is an option to temporarily unlock some of the invested equity of up to £43m, in which case the unlocked equity would then be reinvested in line with the progress of the project. The company has entered into a building contract with Gear Construction UK Limited for the design and construction of the hotel on a "turn-key" basis.



On 15 April a further trading update was provided and this confirmed a 'robust' financial liquidity position. As at 14 April the cash position across the group amounted to £149.9m and there is an undrawn overdraft facility of £3.8m. Due to closures from the middle of March there was a significant impact on trading in the first quarter of the current financial year, which is clearly no surprise to anyone.

In summary, the company is looking to the future with considerable confidence. However, it is taking sensible precautions in the near term and these should ensure that the impact of restrictions on travel on the business is as temporary as possible in the circumstances. We put forward a BUY rating.

Share Price: 1240p
Market Capitalisation: £582m
2019/20 Share Price Range: 2140p/805p
Website: www.pphe.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 (%)
2019	356	40.7	80.0	15.5	17.0	1.4
2020 (est)	256	(10.7)	(24.3)	-	9.25	0.7
2021 (est)	352	35.6	61.2	20.3	24.74	2.0

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

COMPANY

Alliance Pharma - 76.9p	Results for 2019 have been released. In the twelve months ended 31 December 2019 see-through revenues were up 16% at £144.3m (2018: £124.0m). Underlying earnings per share were 5.09p versus 4.54p a year earlier. Strong cash generation meant that leverage fell to 1.48x at December 2019 from 2.33x a year earlier. No final dividend has been declared to prudently preserve cash in light of the pandemic. BUY.
Avacta - 60p	The company has announced that it has entered a collaboration with Cytiva (formerly GE Healthcare Life Sciences) to develop and manufacture a rapid test for Covid-19. This has created significant interest in the shares. It has also raised cash at 18p per share recently providing useful funding. SPECULATIVE BUY.
Belvoir Group - 112.5p	The UK's largest property franchise group has announced final results for the year ended 31 December 2019. Group revenue increased by 43% to £19.3m (2018: £13.4m). Profit before tax was £5.6m (2018: £5.5m including an exceptional credit of £0.6m), with diluted earnings per share edging up from 12.6p to 12.9p. The company has a strong balance sheet with cash of £3.6m at the year end (2018: £1.8m) and net debt reduced significantly to £6.9m (2018: £9.6m). However, in response to Covid-19, the final dividend was scrapped for the current year. HOLD
Character Group - 227.5p	The designer, developer and international distributor of branded toys, games and giftware has provided an update in light of recent developments regarding Covid-19 and although a significant drop in revenue is anticipated the company has a strong balance sheet and is debt-free, with a substantial cash balance. Interim results for the six months ended 29 February 2020 will be issued during the last week of May. BUY.
Clinigen Group - 568p	On 23 March two directors and one of the senior management team purchased shares. Shaun Chilton bought 10,000 shares, Nick Keher 6,200 shares and David Bryant 4,763 shares. These investments provide reassurance at the current time and we rate the shares as a BUY.
Coral Products - 5.15p	Trading for the current financial year ending 30 April 2020 currently remains in line with expectations, despite the very difficult conditions due to Covid-19. LONG TERM BUY.
Hargreaves Services - 211p	The company has provided a trading update and notice of the suspension of the proposed interim dividend due to the Covid-19 pandemic. Since the announcement of interim results on 29 January trading has been in line with expectations. Current bank borrowing facilities of £50m are due to expire on 31 August 2020 but all banking covenants have been met and there are no more measurement points prior to 31 August 2020. BUY.
ITV - 72.5p	Having announced a number of measures to reduce costs and manage its cashflow on 23 March, ITV provided a further update on 3 April. The Directors and Management Board are taking a 20% pay cut and bonus payments have been scrapped. ITV has put in place a recruitment and salary freeze across the company. BUY.
Journeo - 53.75p	Results for the year ended 31 December 2019 have been released by the information systems and transport technical services group, although these are clearly of less relevance than current trading. A HOLD rating is sufficient.
Learning Tech. - 132.7p	Full year results have been delayed until 16 April. A HOLD rating is appropriate for now.
LPA Group - 74p	The high reliability LED lighting and electro-mechanical system manufacturer has reported an update on the impact of Covid-19. A number of UK and export customers have temporarily suspended operations. In response to this LPA Group is reducing current production capacity to match demand, reduce costs, conserve cash and utilising government support initiatives. Gordon Wakeford, who joined the board as non-executive director with effect from 1 April has bought 5,000 shares at 70p each. LONG TERM BUY.
Marshall Motor Holdings - 85p	The company is temporarily closing all of its retail sites across the country but the group believes that it has the financial capacity to withstand the impact of a closure of its sites well beyond the end of June 2020. HOLD.
Norcros - 169p	The company's CEO and Finance Director have added shares, buying 200,000 and 15,000 shares respectively at 121p each. This follows a trading update in light of COVID-19. BUY.
Northern Bear - 53p	The company has provided a detailed update on trading for the year to 31 March 2020, the impact of the Covid-19 pandemic and the renewal of bank facilities. The company's current expectation is that operating profit for the year to 31 March 2020, stated before amortisation and other adjustments will be in the range of £2.2m to £2.3m as reported. The company is facing uncertainties in the near term. BUY.
Pressure Tech. - 95p	Chief Executive Chris Walters has purchased 18,000 shares in the company at 90p following a trading update for the six month period to 26 March which revealed that delays in certain contracts will have a negative impact. HOLD.
Saga - 16.11p	The specialist provider of products and services for those aged over 50 has announced results for the 12 months ended 31 January 2020 and an updated assessment of the potential impact of Covid-19. Although the Insurance business should be resilient, a number of scenarios for extended suspension of Cruise and Tour Operations have been considered and action taken accordingly. SPECULATIVE BUY.
Surgical Innovations - 1.5p	Revenues in the year to 31 December 2019 were £10.73m (2018: £10.97m) and adjusted profit before tax was £0.38m (2018: £1.43m) with adjusted earnings per share 0.05p (2018: 0.21p). Closing net cash was £0.47m (2018: £0.38m). The results have clearly been overshadowed by Covid-19, which is causing a significant reduction in revenues in the near term. We remain confident in the long term potential for the business but believe the shares are a HOLD for now.
Tandem Group - 145p	Results for the year ended 31 December 2019 have been released. This represented a solid period of trading for the company, which has now moved into an ongoing net cash position. Revenue increased by nearly 20% to £38.8m compared to £32.5m in the prior year. Profit before tax prior to exceptional items was £2.85m versus £2.08m in the previous year. Basic earnings per share were 40.5p compared to 32.3p on the same basis a year earlier. Net assets increased during the year from £12.4m to £14.3m. A final dividend of 3.04p per share has been declared versus 2.89p last year and there will also be a special dividend of 2.0p per share, taking total dividends for the year to 6.60p per share. BUY.
Wynnstay Group - 267.5p	Trading in the first four months of the new financial year was subdued. However, this was anticipated and it was broadly in line with management expectations. This reflected generally lower farmgate prices, severe wet weather that limited sowing activities and continued farmer cautiousness. The situation regarding Covid-19 and the financial impact of this on the business is difficult to predict. Wynnstay Group has a strong balance sheet, substantial headroom in banking facilities and broad spread of activities. BUY.
Xpediator - 25.5p	A trading update has been released ahead of final results for the year ended 31 December 2019 being released in April. Turnover should be up 19% to £212m (2018: £179.2m) and profit before tax slightly above £5.0m. Trading in the first three months of 2020 was in line with expectations. BUY.

Aggressive Growth Portfolio VII

As regular readers will have noted, we did not produce cityconfidential on its scheduled date two weeks ago due to the lockdown on the country imposed by the government. This issue therefore covers the last month. It has clearly been a difficult time during this period and we hope that all our readers and their loved ones are safe and well.

Despite the ongoing issues caused by the coronavirus pandemic, equity markets have staged a recovery over the last month although how long this will last remains to be seen. This recovery has not been enough to save two of our holdings which have fallen through their stop-loss limits. We have therefore sold 2,000 Marshall Motor Holdings at 120p to raise net proceeds of £2,376 for a loss of £452 and 1,250 Hargreaves Services at 215p to raise net proceeds of £2,661 for a loss of £608.

As readers will note, the portfolio has benefited this month from the spectacular performance from Avacta which has risen in value by over 272%! This is one of our shares for the year which makes this especially pleasing. However, the sharp rise has left the holding looking very large for the portfolio and so we have taken more profit on the shares, selling 4,000 at 60p to raise net proceeds of £2,376 for a gain of £1,669. This still leaves a holding of 8,500 shares in the portfolio, but we have raised the stop-loss on these to 40p.

No dividends have been received during the period and after purchasing shares in the two companies featured in this issue there is £30,469 left on deposit pending investment. This is clearly a significant sum but given the current trading conditions in the market we feel relatively relaxed about this.

PERFORMANCE SUMMARY

	14 April 2020	17 March 2020	Gain/(Loss) %
Portfolio Value	£54,241	£48,658	11.5
FTSE 100 Share Index	5,791.31	5,294.90	9.4
FTSE All Share Index	3,200.14	2,894.32	10.6

	SECURITY	BUYING PRICE (p)	TOTAL COST (£)	CURRENT PRICE (p)	VALUE (£)	STOP-LOSS LIMIT (p)
8,500	Avacta*	17.5	1,503	60	5,100	40
1,200	Character Group	255	3,091	227.5	2,730	185
1,750	Sainsbury (J)	192	3,417	199.9	3,498	145
5,000	ITV	65.38	3,318	72.5	3,625	45
350	PPE Hotel Group	1240	4,405	1,240	4,340	875
4,000	Vodafone	111.98	4,546	111.98	4,479	90
£30,469	Cash	-	-		30,469	
				TOTAL	**£54,241**	

Start date: 2 January 2018 with £50,000. Cash includes dividends received of £3,801 *after taking some profit.

Vodafone (VOD) - 111.98p

SECTOR - TELECOMMUNICATIONS SERVICES
RECOMMENDATION - BUY FOR RECOVERY

When Vodafone released a trading update in early February there would have been very few people who would have even considered the possibility of the shares dipping below 100p the following month. The update was reassuring and we believe that the share price fall has been overdone, even after the partial recovery which has been seen more recently. For some time a key attraction of investing in the company has been an above average yield and this situation should continue over the mid to long term even if action is taken to preserve cash in the more immediate future.

Vodafone needs little introduction as one of the leading telecoms and technology service providers. It has considerable experience in connectivity, convergence and the Internet of Things, as well as being a pioneer in mobile financial services and digital transformation in emerging markets. The company has mobile operations in 24 countries, partners with mobile networks in 42 countries in addition to these and has fixed broadband operations in 19 markets. As of 31 December 2019 Vodafone had around 625 million mobile customers, 27 million fixed broadband customers and 22 million TV customers including customers in joint ventures and associates.

Interim results were released in November and guidance for the year to 31 March 2020 was updated to reflect the acquisition of Liberty Global's assets in Germany and CEE as well as the sale of Vodafone New Zealand. The company confirmed its expectation that adjusted EBITDA on this basis would be in the range of €14.8bn and €15.0bn, representing organic adjusted EBITDA growth of between 2% and 3% for the year. Free cash flow generation is expected to be around €5.4bn after all capex, before M&A and restructuring costs, based on guidance FX rates.

It goes without saying that the impact of Covid-19 could be significant. However, there are certainly companies facing a far more uncertain future than Vodafone and we believe that the fall in the share price has been more severe than is justified. Sentiment with regards to equities in general could continue to weigh heavy in the near term but we believe that the shares are likely to outperform the broad market. Now looks a good time to invest for those willing to take a long term view, although returns may well come more quickly. BUY FOR RECOVERY.

Share Price: 111.98p
Market Capitalisation: £30,258m
2019/20 Share Price Range: 167.22p/98.02p
Website: www.vodafone.com

Year Ending 31 March	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2019	37,970	2,205	4.57	24.5	7.83	7.0
2020 (est)	39,373	2,849	6.33	17.7	7.99	7.1
2021 (est)	39,368	3,405	8.29	13.5	8.10	7.2

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