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sorting the bulls from the bears

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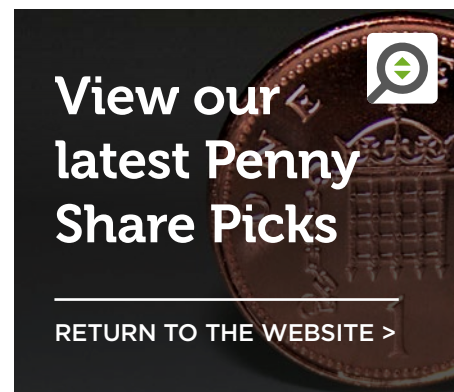
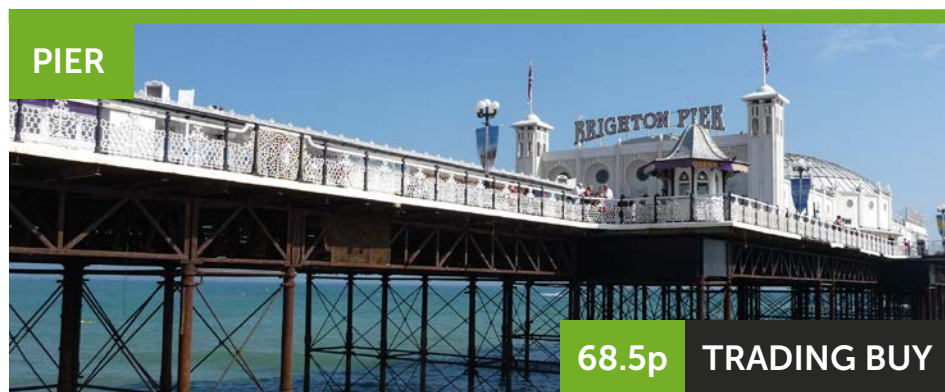
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Fun times ahead for Brighton Pier shareholders?

AIM-listed **The Brighton Pier Group (68.5p)** has given notice that results for the 52 week period ended 27 June 2021 will be released on 1 November, with the Annual General Meeting scheduled for 15 December. A trading update was released on 8 October and although this saw the share price move higher, we believe that the valuation placed on the company remains modest.

The company is a diversified UK leisure business which, as its name suggests, owns and trades Brighton Palace Pier. It also operates nine premium bars, eight indoor mini golf sites and the Lightwater Valley theme park in North Yorkshire. The latter was acquired in

June for up to £5m in cash. The Brighton Pier Group was admitted to AIM in November 2013. It was originally known as Eclectic Bar Group but changed its name after the acquisition of Brighton Pier and its re-admission to AIM in April 2016.

The recent trading update revealed that Business Interruption Insurance claims totalling £5m had been settled with insurers. The claims relate to losses incurred to the end of June 2021, which means that earnings for the 52 weeks to 27 June 2021 are now expected to be £2m higher than market expectations. The first 13 weeks of the new financial year had also started strongly. All four

divisions were mostly open throughout the 13 week period and total net sales were £15.9m. This was 145% more than in the same period in 2020 and 44% above the same period in 2019. Revenue and earnings for the 52 weeks to 26 June 2022 are set to be significantly ahead of market expectations at the time.

The trading update was very encouraging and although there was some reaction in terms of share price movement there could be further upside in the near future, particularly on the day when results are announced. We believe that the shares are a **TRADING BUY**, with a chance of potentially banking a quick profit.



Keep the Wolff from the door

Formerly Portland Gas, then subsequently InfraStrata until last month, AIM-listed **Harland & Wolff (25.5p)** is an interesting proposition. The multisite fabrication company operates in the maritime and offshore industry through commercial, cruise and ferry, defence, energy and renewables markets. Its offering covers technical services, fabrication and construction, decommissioning, repair and maintenance, in-service support and conversion. Its Belfast yard is one of Europe's largest heavy engineering facilities. The acquisition of Harland & Wolff (Appledore) in August 2020 means that the company has been able to capitalise on opportunities in the ship-repair and shipbuilding markets. In

February 2021, the company acquired the assets of two Scottish-based yards. Now known as Harland & Wolff (Methil) and Harland & Wolff (Arnish), these facilities will focus on fabrication work within the renewables, energy and defence sectors. The Islandmagee gas storage project, which is expected to provide 25% of the UK's natural gas storage capacity, is also under development.

On 19 October it was announced that Harland & Wolff (Arnish) has been awarded a contract for the fabrication of four suction piles for a sub-sea template of an energy project in the Black Sea. The contract is relatively small and forms part of the expected pipeline for this

year. However, the contract win bodes well for the Arnish facility. It commences immediately and will last for approximately four and a half months. The company has also bid for several additional contracts that management believes will flow through Arnish in the near future. Specialist large diameter rolling equipment is in place at Arnish.

This is obviously a niche business but one which could reward shareholders well. The current market capitalisation is just £31m and the value of the business could multiply over the long term. Now looks a very appealing time to buy in but there are obvious risks and we therefore put forward a **SPECULATIVE BUY** rating.

GETB

66p SPECULATIVE BUY

GetBusy

SECTOR – AIM – SOFTWARE AND COMPUTER SERVICES

As a business which looks likely to incur losses in the coming years, **GetBusy** is somewhat different from the opportunities which we would usually identify. The company has also been around for some time and joined AIM over four years ago so it is far from being a start-up. Changes in working practices brought about by the Covid-19 pandemic highlighted the potential value of GetBusy's offering and the company's share price surged between March 2020 and February 2021. However, it has since eased back to a level which represents a tempting entry point. We believe that the medium to long term outlook for the company looks very encouraging and given the niche offering, it could prove to be an attractive target for a larger player at some point.

AIM-listed GetBusy offers a suite of software applications which streamline complicated administrative tasks. Its services enable enhanced productivity and security. Virtual Cabinet document management and client portal software is used in a number of industries. Clients include 27 of the top 100 accounting firms in the United Kingdom and 22 of the top 100 accounting firms in Australia and New Zealand. At the time of its last results announcement the company noted that it is the leader in specialist document management software for accountants. Virtual Cabinet is a widely-respected and established hybrid solution with deep integrations into a number of leading tax and practice management providers.

Smart Vault document management & portal software is highly rated and useful features include online signatures and document management capabilities. SmartVault is growing quickly and is a highly scalable pure SaaS product. Hence, GetBusy has the opportunity to capture a significant share of the accounting market and the GetBusy app also helps to organise teams with clear tasks.

There is a focus on realising the company's growth potential over the next 3 to 5 years. The first NetSuite channel partner for GetBusy has provided an opportunity to expand into a new product segment, opening substantial new addressable markets.

The most recent financial results available are interim results for the six months to 30 June 2021, which were released on 28 July. Group recurring revenue grew by 12% at constant currency and 9% at reported currency to £6.9m (2020: £6.4m). This was attributed to strong new customer growth in SmartVault and a solid performance from Virtual Cabinet. Total revenue was 10% higher at £7.5m, with higher non-recurring revenue from electronic signatures in SmartVault offsetting lower consulting and upfront licence revenues in Virtual Cabinet. Annualised recurring revenue as at 30 June 2021 was £14.0m, an increase of 13% at constant currency versus 30 June 2020.

Gross margin was 91.6% (2020: 93.1%), which reflects the increase in the revenue contribution of SmartVault. As a pure SaaS product, SmartVault operates at lower gross margins than Virtual Cabinet.

An adjusted loss before tax of £0.5m was incurred (2020: £0.3m) reflecting additional overhead investments. The basic loss per share was 1.50p.

Cash at the period end was £2.0m, which was £0.3m lower than as at 31 December 2020. The usual deferred revenue reduction, which relates to the timing of customer renewals, was £0.3m. This was added to the adjusted loss of £0.5m but cash outflows were offset by the receipt of research and development tax credits of £0.6m, with other working capital movements offsetting £0.2m in capital expenditure.

On 19 October the company released a trading update and details of two acquisitions within SmartVault. In terms of trading, this was said to have remained robust since the half-year, with progress made in all elements of

the company's strategy. The recurring revenue growth rate from the first half, which was 12% at constant currency, was sustained in the third quarter. Net cash as at 30 September 2021 was up £0.3m to £2.3m.

Turning to corporate activity, two bolt-on technology acquisitions have been completed within SmartVault, DocDown and Quoters. DocDown uses online web forms, web hooks and APIs to automate the population of forms and templates, removing the need for the manual transfer of information and eliminating errors. Quoters automates proposals and quotes, simplifying a core part of the client workflow for accountants and financial services professionals. GetBusy is paying a non-material amount of upfront cash for each asset, with a cash earn-out payment in early 2023 of 1x annualised recurring revenue from the acquired products as at 31 December 2022. The respective earn-out payments are capped at US\$0.5m each, with the total potential consideration being funded from the existing cash resources.

The short-term investment in development and commercialisation following the acquisitions detailed above is not expected to be material. However, both products are expected to start to contribute to revenue during 2022. The founders of both businesses will be retained to accelerate integration. The total available market in the core US accounting and bookkeeping market for SmartVault is estimated to exceed US\$800m in annual recurring revenue. SmartVault is also developing a foothold in the broader US financial services sector having launched its Certified Vault product earlier in 2021. The acquisitions will contribute to the strategy of accelerating penetration of these adjacent markets, which are thought to be significantly larger than the core accountancy market.

Following the announcement above it was revealed that Paul Haworth, Chief Financial Officer, bought 5,000 shares at a price of 67.00p each. Although this was only a modest purchase in isolation, it took his beneficial interest in the company to 100,000 ordinary shares, representing 0.2% of the shares in issue.

The shares peaked at 105p earlier this year and a return to that price would represent a return of 59% from the current level. This would translate into a market capitalisation of £52m. The company should have sufficient cash resources to absorb the losses anticipated over the next couple of years but cash outflows are a concern given the size of the business and stage of its development. There is likely to be some volatility ahead and factoring this in we rate the shares as a **SPECULATIVE BUY**.



	Year Ending 31 December	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 66p	2020	14.2	(1.1)	0.7	94.3	-	-
Market Capitalisation: £32.7m	2021 (est)	15.1	(1.2)	(1.5)	-	-	-
2020/21 Share Price Range: 105p/48.5p	2022 (est)	16.2	(1.1)	(1.2)	-	-	-
Website: www.getbusy.com							



Aggressive Growth Portfolio VIII

There was some disparity between returns from the FTSE 100 and those from indices covering smaller companies over the last month. Whilst the top end of the market performed well, AIM saw a fall in value. Given that we have few FTSE 100 constituents in the portfolio it is, therefore, promising to report a positive return of 1.6% despite mixed fortunes for the individual holdings and some volatility.

Shares in **Shield Therapeutics** hit the stop-loss limit of 35p and we therefore sold 7,500 shares for proceeds of £2,599 and a somewhat disappointing loss of £847. The holding was always going to be high risk but it is far from ideal to have breached the stop-loss level so soon after the

company was featured.

We have also decided to sell the holding of 1,550 shares in **Mears** at 196.5p per share. This crystallises a modest gain of £73 having received net proceeds of £3,015 from the sale. We will also qualify for the interim dividend of 2.5p per share which is payable on 28 October, equating to a payment of £39.

Announcements have been made by **Senior**, **Investec** and **Barratt Developments**. These have been covered in News Highlights or on the website in the normal way.

The portfolio received a dividend of £21 from **Serco**. After purchasing shares in both companies featured in this issue, there is £873 left on deposit pending investment

Performance summary

	19 October 2021	21 September 2021	Gain/(Loss) %
Portfolio Value	£60,044	£59,124	1.6
FTSE 100 Share Index	7,217.53	6,980.98	3.4
FTSE All Share Index	4,119.18	4,029.01	2.2
FTSE AIM All Share Index	1,239.90	1,260.09	(1.6)

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)	
3,160	ITV	109.15	3,500	105	3,318	80
500	Hargreaves Services*	264	1,334	468	2,340	280
725	Tandem Group	480	3,515	620	4,495	450
9,575	Lloyds Banking Group	36	3,498	49.4	4,730	33
2,600	Serco Group	125.4	2,209	129.4	3,364	105
450	Clinigen	750.5	3,411	645.5	2,905	575
1,075	Essentra	298	3,251	257	2,763	240
2,000	Funding Circle	157	3,187	163	3,260	115
1,850	Premier Miton	163.5	3,054	178.5	3,302	130
2,350	Senior	149.3	3,562	162.2	3,812	115
1,100	Investec	295.8	3,303	334.2	3,676	250
500	Barratt Developments	679.2	3,447	680	3,400	595
1,500	Virgin Wines	205	3,106	181.5	2,722	180
12,000	Renold	25.1	3,042	27.3	3,276	20
2,700	Kier Group	121.2	3,321	115.8	3,127	100
350	Polar Capital	832	2,941	825	2,887	700
4,500	GetBusy	66	3,000	66	2,970	50
1,000	QinetiQ	282.4	2,866	2.824	2,824	220
£873	Cash	-	-	-	873	-
TOTAL				£60,044		

Start date: 19 January 2021 with £50,000. Cash includes dividends received of £619 *after part disposal.

QQ

QINETIQ GROUP

282.4p

SECTOR - AEROSPACE AND DEFENSE

A recent trading update from **QinetiQ Group**, a leading science and engineering company which operates mainly in the defence, security and critical infrastructure markets, was reassuring. With interim results due to be released on 11 November, now is a good time to consider investing. The results should hold few surprises but this is a high quality business which should deliver solid returns to patient shareholders.

The trading update released on 14 October noted that half year performance was in line with market consensus expectations. Order intake was £700m, 25% higher than the first half of the last financial year. Operating cash flow has been good and net cash as at 30 September 2021 was approximately £140m. Technical and supply chain issues on a large complex programme were highlighted and the company is working towards keeping the impact of this to less than £15m. Medium to long-term guidance is for mid-single digit percentage annual organic revenue growth over the next 5 years, with strategic acquisitions

potentially adding to this. Operating profit margin of between 12% and 13% is being targeted but in the short-term margins are likely to be closer to 11%. Capital expenditure should be between £90m and £120m per annum for the next two years.

Results for the year ended 31 March 2021 were released in May. Orders in the year totalled £1,151.0m (2020: £972.1m) and revenue was up 19% to £1,278.2m (2020: £1,072.9m), assisted by acquisitions. Underlying profit before tax increased 13% to £149.9m (2020: £132.2m). Underlying basic earnings per share were 22.1p (2020: 20.0p) and basic earnings per share including specific adjusting items were 21.9p (2020: 18.7p). A final dividend of 4.7p per share (2020: 4.4p) took the full year dividend to 6.9p (2020: 6.6p). As at 31 March 2021 net cash was £164.1m.

Performance in the first half of the current year was strong overall. The company has a healthy balance sheet with net cash, which provides firepower for acquisitions as and when opportunities arise. Sustained organic growth is also very much on the cards. On balance, with a range of significant contract wins filtering through, now looks a good time to pick up a holding. We recommend the shares as a **LONG TERM BUY**.

	Year Ending 31 March	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 282.4p	2021	1,278	149.9	21.9	12.9	6.9	2.4
Market Capitalisation: £1,634m	2022 (est)	1,321	148.7	21.7	13.0	7.3	2.6
2020/21 Share Price Range: 388p/236p	2023 (est)	13,80	160.5	23.4	12.1	7.6	2.7
Website: www.qinetiq.com							

News Highlights

Audioboom



1040p TAKE PROFITS

As subscribers will know, we update the website with news that involves the companies that we follow, but we have highlighted what we regard as the most important news here.

Audioboom – 1040p

The AIM-listed podcast company has issued a trading update covering the three months to 30 September and the group had record revenues in the quarter of US\$16.9m, up 161% over the same period in 2020. This has taken total revenues for the year to date to US\$39.7m, more than double the US\$18.3m recorded in the same period last year. Average global monthly downloads increased to 99.1m, up 27% on Q3 2020, with a record 107.7m podcasts downloaded in September alone. The increase in revenues has allowed the group to record positive adjusted EBITDA for every month in 2021. Forecasts for the year have been increased as a result of the update with adjusted pre-tax profits likely to exceed £1.6m for the year for earnings per share of around 10p. This puts the shares on a very high rating and although it benefits from a high level of operational gearing, which will mean that increases in revenue will have a greater effect on profitability, this now seems high. Although there may be further to go in the share price in the short term given the positive momentum we believe that those readers who purchased shares following our tip at 652p last April may wish to **TAKE PROFITS**.

Coral Products – 13.5p

The specialist plastic products group has announced its annual results for the year to 30 April 2021 and these have shown strong growth as expected. Group revenue on continuing activities rose to £10.7m (2020: £8.7m) with underlying pre-tax profits coming in at £756k (2020: £230k). Earnings per share on the same basis were 1.00p (2020: 0.38p) and, as previously indicated, a total dividend of 1p was declared for the year. It was obviously a transformational year for the company following the disposal of both Coral Products (Mouldings) and Interpack in February. This generated £7.8m and has allowed the company to pay off debt and also acquire Customised

Packaging Limited in March for £1.2m. Net assets at the year end were £12.7m or around 15p per share. The recently announced sale of the group's property in Haydock will bring in an additional £3.5m in cash to add to the cash reserves of £3.8m at the year end. The company has stated that after paying the final dividend of 0.5p per share cash reserves will be around £6.5m. The company is only valued at £10.8m and so the level of cash is significant - the current financial year has started well and we believe that the shares are too cheap. **BUY**.

Barratt Developments – 680p

The company has issued a positive trading update for the new financial year, being the period from 1 July 2021 to 10 October, to coincide with its AGM. Trading has continued to be strong despite the ending of the stamp duty holiday and reduction in Help to Buy reservations. The company therefore remains on track to meet its medium term targets and is seeing over 280 net private reservations per week. It has completed 3,699 homes during this period. This is an encouraging statement and with average house prices increasing, a strong balance sheet and significant forward sales already booked, the outlook remains very positive. The shares remain a **BUY**.

Marston's – 76.6p

The pub operator and brewing group has announced a trading update for the year to 2 October 2021 which has revealed that trading has continued to improve as expected following the lifting of lockdown restrictions. Overall trading since 12 April has been at 94% of 2019 levels as the economy continues to return to more normal levels of activity. During the financial year, the group's pubs were only open for 54% of trading days due to the impact of the lockdown and yet revenues for the period were 78% of last year. The group does continue to suffer from some supply chain issues whilst there is also some difficulty in attracting staff especially in city centres. The agreement to operate a portfolio of pubs from SA Brain in Wales is proving successful

with these outlets performing well and ahead of expectations. Shares in the company have fallen back of late and now stand just above the 2021 low of 70p. The share price reached 100p back in the spring and with the group now making positive progress a move back towards that level looks likely. We rate the shares as a **BUY**.

Vertu Motors – 63p

Interim results covering the six months ended 31 August 2021 have been released, with revenue of £1.9bn. Record results were delivered and adjusted profit before tax was £51.8m, up from £4.7m in the same period a year earlier and £16.9m two years earlier. Cash flow performance was excellent with Free Cash Flow of £63.6m in the period, resulting in net cash of £57.3m at the period end, up from £36.5m a year earlier. Net tangible assets per share as at 31 August 2021 were 61.5p (28 February 2021: 50.2p). The company has returned to the dividend list and an interim dividend of 0.65p per share has been declared. Record trading performance was achieved in the key month of September, with a trading profit of £20.0m. Although there is a cautious view of the rest of the financial year, adjusted profit before tax is now expected to be at least £65m for the full year. This is an extremely strong year which will be difficult to replicate but the shares must be a **BUY**.



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