July 2015 Monthly

Feature Article: Reconstructing the UK Building Materials Sector

By Tony Williams & Keith Hiscock, Hardman & Co

We recently published a note on building materials, entitled ‘Material World - Experience has made me rich’.

The building materials sector was once a closely watched sector in the FTSE Indices. It was pored over by analysts and economists, looking not just for clues about the performance of particular building sub-sectors but for signs about the direction of the economy as a whole. It was discontinued by FTSE some years ago, mainly the result of a rampant decade or two of mergers and acquisitions i.e. piece by piece, since 1997, household names, FTSE 100 constituents and behemoths have been acquired by largely continental European suitors. The list includes Aggregate Industries, Baggeridge Brick, Blue Circle, BPB, ECC, Foster Yeoman, Hanson, Hepworth, Ibstock, Marley, Meyer, Pilkington, Redland (the first big one), RMC, Rugby (to RMC) and Tarmac.

Most of what was left of the old building materials sector was incorporated into the new ‘Construction & Materials’ sector. However, this is a very different beast in terms of characteristics because it, as the name suggests, has a large smattering of construction stocks, which have very different financial characteristics.

If the sector existed today we suspect that analysts and investors would be excited by its prospects. UK GDP is moving along nicely, Europe is at last recovering (albeit with some risks related to Greece) and UK construction activity is strong. Confidence in the UK housing market is high, commercial activity is flying and there are a number of substantial public projects – Crossrail may be past its peak, but construction of the £4bn Thames Tideway Tunnel is scheduled to start soon to be followed by the £16bn Hinckley Point C nuclear power station. This means it is particularly relevant to investors, to see a 'reconstruction' of the old sector, consider how it has performed and how it might in the future.

Admittedly the choice as to which companies would be included in the sector is ours, rather than the result of prolonged discussions among a carefully selected group of senior market practitioners. Nevertheless, our building analyst, Tony Williams, has 30 years of sector experience, having been highly ranked at major investment banks for much of his career, so we think we are probably very close to what the outcome would have been. We have also eschewed distributors, namely SIG, Travis Perkins and Wolseley plus the Irish-domiciled hat-trick of CRH, Grafton and Kingspan, together with newcomer hybrids Tyman and Volution.

Table 1: Hardman's Building Materials sector July 2015

Name	Ticker	Year end	No of employees	Revenue £m	PBT £m	NAV £m	Net debt £m
ALUMASC	ALU	June	775	113.4	6.3	17	7.7
BILLINGTON	BILN	Dec.	284	45.1	1.9	14.3	-3.5
BREEDON	BREE	March	1,106	269.7	21.1	167.2	66.3
ENSOR	ESR	Dec.	241	30.6	1.5	9.6	0.3
EPWIN	EPWN	Dec.	2,268	259.5	18.6	62.8	-1.1
JAMES HALSTEAD	JHD	June	829	223.5	41.8	98.6	-38.3
SAMUEL HEATH	HSM	July	132	11	0.6	4.3	2
JAMES LATHAM	LTHM	March	330	163.1	8.7	58.1	-9.1
LATCHWAYS	LTC	March	255	38.5	6.8	34.6	-10.3
LOW & BONAR	LWB	Nov.	2,044	410.6	25.3	190.5	88
MARSHALLS	MSLH	Dec.	2,132	358.5	22.4	181.9	30.5
MICHELMERSH	MBH	Dec.	278	28.5	2.9	46.7	2.1
NORCROS	NXR	March	1,663	218.7	14.6	65.5	26.9
POLYPIPE	PLP	Dec.	2,228	327	37.6	237.7	76.9
SUPERGLASS	SPGH	Aug.	158	23.5	-5.5	17.1	0.4
SWP	SWP	June	113	20.3	1.5	14.9	2
F W THORPE	TFW	June	514	62.9	12.4	77.3	-38.3
TITON	TON	Sept.	189	19.3	1.3	10.7	-2.1
TOTALS			**15,539**	**2,624**	**220**	**1,309**	**200**

Source: Company report & accounts

The 'Hardman' building materials sector of July 2015 comprises 18 companies with total revenue of £2.6 billion, net assets of £1.3 billion and more than 15,500 employees.

Table 2 shows the market capitalisation of these companies, their activities and the sector in which they fall in the today's official indices.

Table 2: Market caps, activities and current sectors

Name	Ticker	Share price p	Market cap. £m	Activity	Current sector
ALUMASC	ALU	145.5	51.2	Roofing, walls, solar, rainwater and metal engineered products	Construction & Materials
BILLINGTON	BILN	237	30.6	Structural steel and construction safety products	Construction & materials
BREEDON	BREE	46.5	482	Aggregates	Construction & materials
ENSOR	ESR	89	26.6	Drainage, roofing membranes and slates	Support Services
EPWIN	EPWN	135	182.3	Extrusions, mouldings and fabricated low maintenance building products	Construction & materials
JAMES HALSTEAD	JHD	390	808.4	Vinyl flooring	Construction & materials
SAMUEL HEATH	HSM	225	5.7	Taps, showers, bathroom accessories and architectural hardware	Construction & materials
JAMES LATHAM	LTHM	705	137.1	Timber and timber products	Support Services
LATCHWAYS	LTC	787.5	88.5	Fall protection systems to individuals working at height	Support Services
LOW & BONAR	LWB	74.75	245.4	Yarns, fabrics and fibres	Construction & materials
MARSHALLS	MSLH	310.5	619.1	Hard landscape products in concrete	Construction & materials
MICHELMERSH	MBH	81.5	66.2	Bricks, land development and landfill	Construction & materials
NORCROS	NXR	17	101.5	Showers, taps, bathroom accessories, tiles and adhesives	Construction & materials
POLYPIPE	PLP	273.5	545	Plastic pipes and systems	Construction & materials
SUPERGLASS	SPGH	3.75	5.7	Glass fibre insulation	Construction & materials
SWP	SWP	7.75	15.1	Rainwater products, metal staircases and insulation	Construction & materials
F W THORPE	TFW	169.5	201.6	Lighting	Electronic & Electrical Equipment
TITON	TON	83.5	8.8	Ventilation products/controls and window/door hardware	Construction & materials
TOTAL			**3,620.10**		

Source: London Stock Exchange, close 23/6/15

Highlights

Our work highlights the following features of this 'shadow' sector in the latest fiscal year:

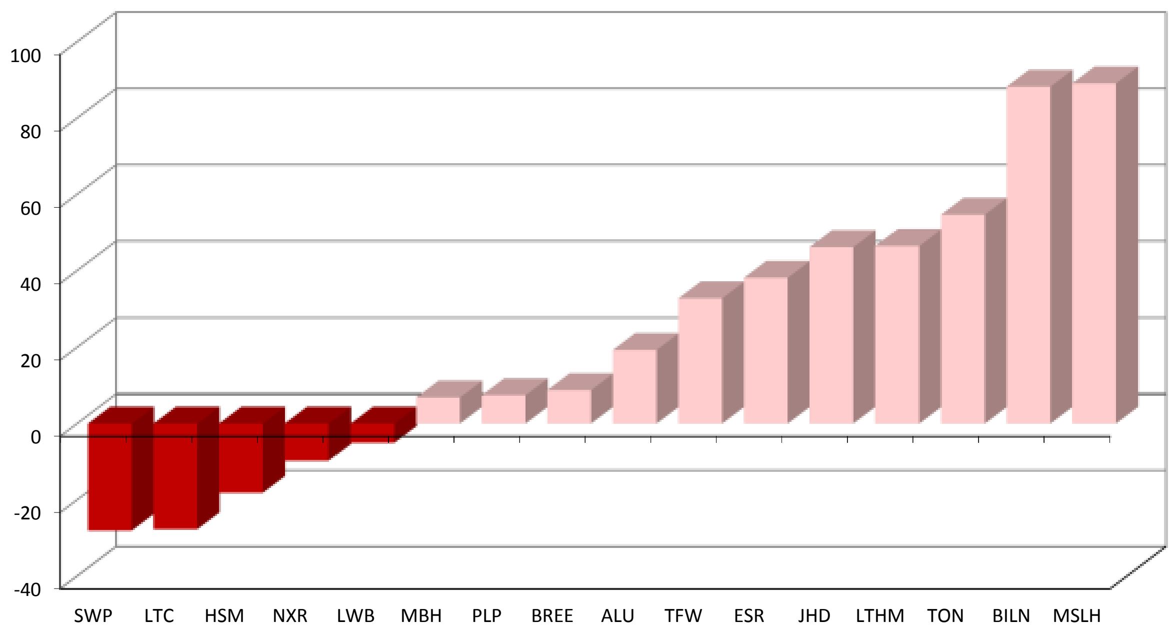
- It has grown revenue by 9.4% and gross profit by 12.3%.
- Gross margins are a tidy 29.5%.
- EBITDA has done even better with 21% annual growth - and profitability at 11.7%.
- The sector is in rude financial health, too, with average Return on Net Assets of 18.1%, Net Asset Turn of 2.4x and a Quick Ratio of 1.60; gearing is also minimal and there was positive cash flow last year.
- Total Return to shareholders in the 12 months to 5 June 2015 is an excellent 21.8%.
- Market Capitalisation/EBITDA and EV/EBITDA are 10.2x and 10.3x historic respectively.
- The average adjusted PER is 14.4x historic, falling to 12.8x in prospective Year 1 and 11.7x in prospective Year 2; meantime the prospective yield is around 3.0%.
- 74% of revenue is generated from the UK and 26% internationally (largely Continental Europe). In fact, only four companies - Latchways, SWP, James Halstead and Low & Bonar (94%) - have a majority of revenue in international markets

Total Return

Total Return is calculated from both share price appreciation and dividend income and the average for the sector, in the 12 months to 5 June 2015, is an excellent 21.8%. The data comes from Bloomberg and excludes newly floated Epwin (which has not been around for 12 months) and Superglass which has had a calamitous year. Note, too, that two stocks (Billington Structures and Marshalls) are clear of 80% whilst, at the other extreme, SWP and Latchways are negative to the tune of 25%.

Total Return to Shareholders (TSR): 12 months to 5 June 2015 (%)

- average TSR 21.8%; ex EPWN & SPGH; sourced from Bloomberg -



Source: Bloomberg, Hardman & Co.

The most interesting companies

Based on potential earnings growth and the evolution of the PERs, we believe five stocks look most interesting: Alumasc, Billington, Marshalls, Michelmersh and Polypipe.

Table 3: Earnings growth and Price/earnings ratios.

Ticker	Earnings Growth Forecast Year 1	Earning Growth Forecast Year 2		PER Year 1	PER Year 2
EPWN	3.7	2.0		11.1	10.8
NXR	-34.1	4.7		8.9	8.5
ALU	30.1	5.2		8.2	7.8
JHD	4.6	5.7		24.5	23.2
LTHM	7.0	8.1		17.8	16.5
LWB	4.0	11.3		13.2	11.8
BILN	24.0	12.9		15.3	13.5
PLP	12.2	17.4		15.1	12.9
MBH	36.0	18.9		22.0	18.5
MSLH	30.8	23.9		23.4	18.9
BREE	20.7	24.7		23.5	18.8
LTC	-33.1	53.4		23.2	15.1

If your appetite is whetted, the full note is available here:

http://www.hardmanandco.com/sites/default/files/research_papers/Material%20World-%20UK%20Building%20Materials%20June%202015.pdf.

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About Hardman & Co

Connecting interesting companies with interested investors

Our experience and research expertise allow us to add insights to both companies and investors. We provide the bridge to enable interesting companies to connect with interested investors. Our reputation for integrity and authority has been established over nearly 20 years.

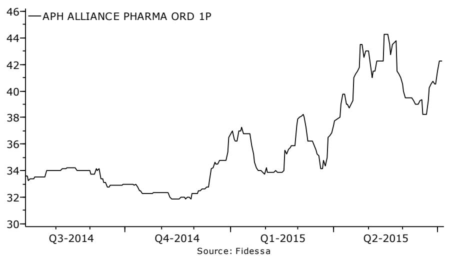
Our services

- ***Corporate research***: Covering quoted and unquoted companies, both published and privately commissioned. Our published research uses a 'distribution-max' model, reaching institutions, family offices, wealth managers and retail investors. Investors access our work through email, our website, Twitter, Thomson Reuters, CapitalIQ, Bloomberg and Factset
- ***Investor Engagement:*** We have a unique solution to bridge the gap between companies and investors through roadshows and retail investor forums
- ***Corporate Advisory:*** We provide support for fundraisings as well as execution services
- ***Specialist Valuation Service:*** A broad span of clients from leading corporate lawyers to Ivy League foundations use our expertise in valuations

Company Highlights & Events

- **Alliance Pharma (APH)** trading update due 13th July.
- **Futura Medical (FUM)** results are due this month.
- **Grafenia (GRA)** results were announced 8th June.
- **R.E.A Holdings (RE.)** last month saw share placing and AGM.
- **Real Good Food (RGD)** results are due at the end of this month.
- **Sanderson (SND)** reported 9th June.

Alliance Pharma (APH)



Price (p)	**42.3**
Mkt cap (£m)	98.2
Shares (m)	232.4
Sector	Pharma and Biotech
Market	London AIM
Broker	Numis Securities
Website	www.alliancepharma.co.uk

Description: Alliance Pharma acquires, markets and distributes mature pharmaceutical brands, generating relatively predictable cash flow.

A specialty pharmaceutical company based on a 'buy-and-build' model. Developed since 1998 through a series of 27 deals, it has built up a portfolio in excess of 60 products. APH is profitable, cash generative, has low gearing and progressive dividend policy.

Return to growth: The Company will provide a trading update for the 6 months ending June 2015 on 13th July. We are estimating sales of £22.8m, an increase of 6.6% over H1 2014, which includes 5 month-contribution from MacuShield. Excluding this sales are expected to be broadly flat; key brand contributors are expected to be Hydromol (£3.3m, +12%) and Lypsyl (£0.6m, +14%) offset by declines in Nu-Seals (£1.0m, -25%) and Buccastem (£1.2m, -15%). Ashton & Parsons is expected to be flat at c.£0.7m as await marketing review.

Outlook: The return of ImmuCyst (bladder cancer treatment) is expected in Q3 2015, with registrations to MHRA having been submitted by Alliance. Whilst timing of its reintroduction is out of company's control, the supply problems facing its competitor, however, are still expected to benefit Alliance Pharma. ImmuCyst is entering a UK market estimated to be worth c.£7m per annum.

Risks: Although full generic competition to Nu-Seals is factored into our forecasts (-60% in H2 2015), the Irish regulator (HPRA), as of 30 June 2015, has yet to determine whether this is the case.

Investment summary and share performance: The share price is flat over the month, having fallen 6% at one point, due in part to the broader market concerns of a Grexit but also with some limited profit taking. However, the recognition that the company is about to enter period of sustained growth, underpinned by strong cashflows and a progressive dividend policy should underpin the shares. Trading on FY15 prospective PE of 12.4x with a 2014-2018 EPS CAGR estimate of 10% - with a 2.7% yield and 3.3x cover. Management commented at time of AGM that deal flow and evaluation thereof is strong and with additional borrowing capacity, further value-enhancing deals could arise during 2015.

Dec Year End	FY13	FY14	FY15E	FY16E	FY17E	FY18E
Sales (£m)	45.3	43.5	47.6	51.0	54.4	57.5
EBITDA (£m)	14.6	12.5	14.1	15.3	16.3	17.3
Operating profit (£m)	13.3	11.2	12.0	13.1	14.2	15.2
PBT (£m)	12.0	10.2	11.3	12.5	13.6	14.9
EPS (p)	3.7	3.2	3.4	3.7	4.1	4.5
DPS (p)	0.9	1.0	1.1	1.2	1.3	1.5
Net (debt)/cash (£m)	(25.2)	(21.1)	(20.5)	(17.5)	(12.1)	(4.0)
Net debt/EBITDA (x)	1.7	1.7	1.5	1.1	0.7	0.2
P/E (x)	11.5	13.0	12.4	11.4	10.3	9.4
EV/Sales (x)	2.7	2.7	2.4	2.2	2.1	1.9
EV/EBITDA (x)	8.2	9.3	8.2	7.4	6.9	6.4
FCF Yield (%)	12.7	8.6	9.7	10.7	11.8	12.8
Dividend Yield (%)	2.2	2.4	2.6	2.8	3.1	3.5

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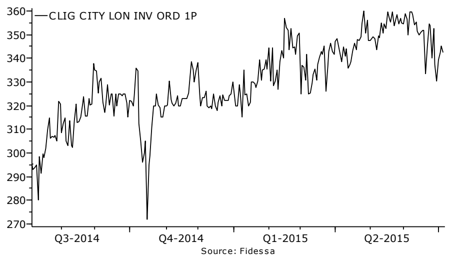
City of London Investment Group

(CLIG)



Price (p)	**342.4**
Mkt cap (£m)	92.2
Shares (m)	26.9
Sector	Financial Services
Market	London Full List
Broker	Canaccord Genuity
Website	www.citlon.co.uk

Description: City of London is an investment manager specialising in using closed end funds to invest in emerging markets.

The last month has been very unsettled for emerging markets. Greece continues to dominate the headlines. After many months of stressed negotiations and supposed deadlines that weren't, it is clear that the crunch time is imminent.

Elsewhere strong economic news remains thin on the ground. Ukraine continues to have severe difficulties and Russia has not yet bounced back. The larger emerging markets have not produced any significant headlines.

With this backdrop it is probably no surprise that the MSCI Emerging Markets Index has been weak, falling almost 7% since the end of April. City of London's funds under management fell back a little bit in May from their April peak, probably reflecting the market movements.

May/June Year End *	FY13	*FY14	FY15E	FY16E	FY17E
Sales (£m)	29.4	24.2	24.8	29.0	33.1
EBITDA (£m)	8.6	7.2	9.2	11.9	14.7
Operating Profit (£m)	8.4	7.0	9.0	11.7	14.6
PBT (£m)	8.9	7.2	9.2	11.8	14.6
EPS (p)	24.9	20.7	26.8	34.4	42.7
DPS (p)	24	24	24	24	30
Net (debt)/ Cash (£m)	10.1	10.2	12.3	14.3	16.3
Net cash/EBITDA (x)	1.2	1.4	1.3	1.2	1.1
P/E (x)	13.7	16.5	12.8	10.0	8.0
EV/Sales (x)	2.8	3.4	3.2	2.7	2.3
EV/EBITDA (x)	9.6	11.4	8.7	6.5	5.1
FCF Yield (%)	6.9	8.8	8.7	10.9	0.0
Dividend Yield (%)	7.0	7.0	7.0	7.0	8.8

**Note: Financial year end changes from 31 May to 30 June in 2014, so FY14 is 13 months*

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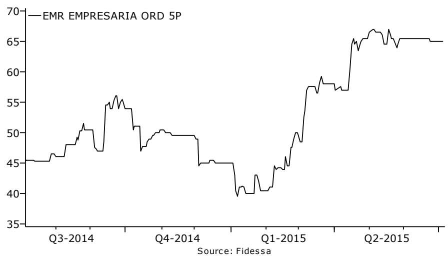
Empresaria (EMR)



Price (p)	**65.0**
Mkt cap (£m)	29.8
Shares (m)	45.8
Sector	Recruitment
Market	London AIM
Broker	Shore Cap
Website	www.empresaria.com

Description: Multi-brand international recruitment agency, with 100 offices in 19 countries, with focus on specialist segments of the market.

Empresaria, continues to make good progress towards its strategic aim of being the leading international, specialist group delivering a quality service to its customers resulting in sustainable growth in earnings per share. Empresaria's prelims confirmed that its strategy is now delivering good results and the Q1 IMS promised more progress to come. Empresaria's share price has risen by c45% in the last six months, yet it continues to be valued at a material discount to its peers. We would expect this discount to narrow assuming Empresaria continues to deliver as (or better than) expected.

Improvements coming through: Empresaria typically makes 60% of its profits in the second half, as temporary employment demand is stronger in the summer. The Q1 IMS revealed that Empresaria is making good like-for-like growth with all regions and business segments profitable and growing and is 'on course' to meet market expectations for the full year. Currency moves make for some uncertainty but any impact is translation rather than transaction. Sterling has strengthened verses the euro this year but Asian currency movements have largely offset this to date.

Cash flow is growing: Empresaria's improving cash flow is increasing its ability to grow the business. Total debt fell to £9.8m at end 2014 from £15.2m in 2013 and this leaves Empresaria well placed to invest further. Empresaria has just announced that it has increased its holding in PT Monroe by 10bps to 90% for £0.3m and we would expect further activity as the year unfolds. During 2014 Empresaria opened new offices in Manchester, Hong Kong, Malaysia, Chile and Mexico and acquired a 75% stake in Ball and Hoolahan in December for an initial cash payment of £1.0m.

Attractive valuation: The three large, mid-cap UK quoted staffers (Hays, Page and SThree) are trading on forward PERs of 22.6x (CY14E, unweighted average). The small cap staffers (Harvey Nash, Hydrogen, Matchtech, Robert Walters and Staffline) are trading on 14.2x (FY14E, unweighted average). Empresaria is trading on a prospective PER of 7.3x for FY15E.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (£m)	194.3	194.4	187.9	193.3	200.6
Net Fee Income (£m)	43.9	42.6	44.6	48.0	50.1
Operating profit (£m)	5.4	6.0	6.6	7.6	8.4
PBT (£m)	4.6	5.4	6.1	7.1	7.8
EPS (p)	5.6	6.2	8.0	8.9	9.7
DPS (p)	0.4	0.4	0.7	0.7	0.7
Net (debt)/cash (£m)	(14.5)	(15.2)	(9.8)	(9.5)	(8.6)
Net debt/EBITDA (x)	2.3	2.2	1.3	1.1	0.9
P/E (x)	11.6	10.5	8.1	7.3	6.7
EV/NFI (x)	1.0	1.1	0.9	0.8	0.2
EV/EBITDA (x)	7.0	6.5	5.4	4.7	0.9
FCF Yield (%)	(2.7)	12.1	15.8	14.1	14.1
Dividend Yield (%)	0.6	0.5	1.1	1.1	1.1

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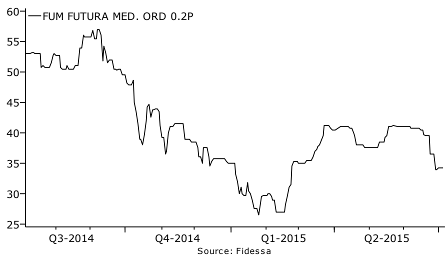
Futura Medical (FUM)



Price (p)	**34.3**
Mkt cap (£m)	33.9
Shares (m)	99.0
Sector	Pharma and Biotech
Market	London AIM
Broker	N+1 Singer
Website	www.futuramedical.com

Description: Development of drugs and medical devices and their commercial exploitation; products includes condoms, erectile dysfunction, enhanced sexual control, pain relief and delivery technology.

Futura Medical has proprietary transdermal technology which can be incorporated into formulations of well characterised drugs to improve performance and extend their uses. The roll-out of extensive newsflow of the development and commercialisation of its products in 2015 has already begun. Results from the on-going pain portfolio trial, due mid-July, could produce a significant value inflection point and attract the pharmaceutical majors.

CSD500/blue diamond: Successful on-line launch in Holland and Belgium has been followed by entry into the retail market in Holland through 600 drug stores. Work on extending the shelf-life towards the two-year industry norm is largely complete and regulatory filings are expected towards the end of this year.

Trials: The pain portfolio clinical trial has progressed well. Two of the three cohorts have been completed and the third cohort, methyl salicylate, is expected to complete imminently. Results are expected to be announced in the middle of July. A pivotal 192 patient trial with MED2002 for erectile dysfunction commenced in June with the study expected to report in 1H 2016.

Valuation: Accelerated R&D spend brings our DCF value in at 110p per share, which still provides considerable uplift potential. Trial results could produce a significant value inflection point.

Risks: Clinical trials always carry risk, but with the 1o end-point being 'non-inferiority', these risks have been minimised. The commercial risk for CSD500 has diminished following the Benelux launch and partners are more confident of success elsewhere. Greatest risk is commercial, where any delay impacts the time to cashflow breakeven and profitability.

Investment summary: Following a rebound in the share price earlier in the year, the stock has paused for breath awaiting the pain trial results. The pain portfolio trial provides the opportunity for a significant value inflection point and a successful outcome will greatly attract the attention of major pharmaceutical companies.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (£,000)	75	371	44	200	300
Royalties (£,000)	-	-	-	600	1,750
EBITDA	(2,325)	(2,386)	(3,345)	(3,797)	(3,833)
Operating profit	(2,327)	(2,390)	(3,350)	(3,802)	(3,837)
PBT	(2,308)	(2,381)	(3,302)	(3,604)	(3,719)
EPS (p)	(2.7)	(2.7)	(3.3)	(3.2)	(3.0)
DPS (p)	-	-	-	-	-
Net (debt)/cash	2,817	991	9,492	6,306	3,172
P/E (x)	(15.0)	(15.4)	(12.6)	(13.0)	(13.5)
EV/Sales (x)	503.8	101.9	858.7	188.9	125.9
EV/EBITDA (x)	(16.3)	(15.8)	(11.3)	(10.0)	(9.9)
FCF Yield (%)	n/a	n/a	n/a	n/a	n/a
Dividend Yield (%)	n/a	n/a	n/a	n/a	n/a

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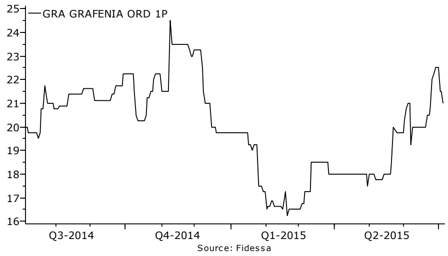
Grafenia (GRA)



Price (p)	**21.0**
Mkt cap (£m)	9.9
Shares (m)	47.1
Sector	Support Service
Market	London AIM
Broker	N+1 Singer
Website	www.grafenia.com

Description: Printing for SMEs via franchise offices and online. 63% UK, 37% overseas primarily Holland.

Results were announced on 8th June. As anticipated, Group sales fell 12.6% to £17.0m. EBITDA contracted 4.9% to £2.52m but operating profit rose 7.4% to £0.87m (2014: £0.81m). Profit before tax increased by 13.2% to £0.86m (2014: £0.76m). We anticipate FY17E sales and profit to rise, but for FY16E the trend is likely to be sideways, though with a strong cash generation and cash rich balance sheet, we are confident of dividend growth.

During FY16, Marqetspace and Nettl were launched. The former business line exited last FY at a rate of £1m annualized sales. During the current year we expect sales to exit at a run rate of £3m pa. Grafenia states: “We believe that the scope exists to develop Marqetspace into a £10m channel over a time period of approximately three years.” The other new business line of FY15 was Nettl, established to capture web design and digital media. Print revenue from the Printing.com (including W3P) network in the UK and Ireland was £7.2m (2014: £8.8m), with 184 franchisees at year end (228). For the Netherlands and Belgium, Grafenia at the results stated: “We are mindful of the increasingly competitive nature of the Dutch markets within which we operate and will explore strategic partnerships and other options in this regard.”

Gross Profit increased as a percentage of sales from 56.1% to 58.7%, although it reduced in monetary terms to £10.0m (2014: £10.90m) in line with the decrease in revenue. The year showed a marginal decrease in EBITDA to £2.52m, being a 14.8% margin (2014: £2.65m, 13.6%). Operating Profit increased to £0.87m (2014: £0.81m). The Group recorded a pre-tax profit of £0.86m (2014: £0.76m), being 5.1% (2014: 3.9%) of Group revenue. Staff costs decreased in the year to £4.54m (2014: £4.80m). This decrease was despite establishing new sales channels. There has been significant development effort at Grafenia in recent years and we see scope for staff costs reducing as a percentage of turnover in future years.

March Year End	FY12	FY13	FY14	FY15	FY16E
Sales (£m)	21.8	20.7	19.4	17.0	17.0
EBITDA (£m)	3.4	2.6	2.6	2.5	2.5
Operating profit (£m)	1.3	0.9	0.8	0.9	0.9
PBT Adj. (£m)	1.3	1.1	0.8	0.9	0.9
EPS Adj. (p)	2.3	2.1	1.8	1.8	1.8
DPS (p)	2.6	2.6	1.3	1.5	1.6
Net (debt)/cash	1.8	1.4	1.4	1.3	1.3
Net debt/EBITDA (x)	cash	cash	cash	cash	cash
P/E (x)	9.1	10.0	11.7	11.7	11.7
EV/Sales (x)	0.4	0.4	0.4	0.5	0.5
EV/EBITDA (x)	2.4	3.3	3.3	3.4	3.6
FCF Yield (%)	18.2	8.1	9.1	9.1	10.6
Dividend Yield (%)	12.1	12.4	6.2	7.1	7.6

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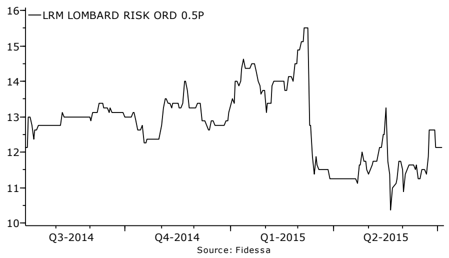
Lombard Risk Management (LRM)



Price (p)	**12.1**
Mkt cap (£m)	31.9
Shares (m)	263.4
Sector	Software & Services
Market	London AIM
Broker	Charles Stanley
Website	www.lombardrisk.com

Description: Lombard Risk provides financial software to banking and asset management clients. Solutions are focused on collatoral and risk management, and regulatory and transaction reporting.

Lombard is expanding and the 21st May results illustrated a Group order backlog up 15% at £5.9m. The FY15 sales rise of only 5.4% was in part the result of revenue which was in the end booked in FY16 period. One of the strong areas in FY15 was the US. There were multiple drivers to this, but it is noteworthy that a senior salesman was appointed in the US two years ago. Lombard Risk has indicated that this has led to positive impact and that the senior sales function is one being emphasised progressively in other non-UK parts of the Group.

Lombard Risk is a global business servicing overseas financial institutions in UK and in overseas markets. An example of this global cross-over is Sumitomo Mitsui Trust Bank Limited ("SuMi TRUST"). We note the announcement of 12th June that its London branch has successfully gone live with Lombard Risk REPORTER for Bank of England / FCA regulatory reporting. This is a cross-fertilised business line in that SuMi TRUST already uses Lombard Risk REPORTER in Singapore and New York to meet local regulatory demands. The client pointed to the success in implementing the Lombard Risk solution in these other overseas locations, so there is a strong basis upon which Lombard Risk is selling more product to existing clients.

The expansion is also to new clients, and this is why there has been emphasis on Partners who have deep financial client senior sales function. As stated by Lombard Risk Management on 11th March "The alliance partner program is looking extremely promising for the next 12 months, despite not achieving the anticipated level of recognized revenue in the current financial year." We anticipate newsflow on this front in the coming months.

March Year End	FY12	FY13	FY14	FY15	FY16E
Sales (£m)	12.8	16.8	20.4	21.5	
EBITDA (£m)	3.0	5.3	6.0	4.4	
Operating profit (£m)	2.5	4.0	4.5	2.3	
PBT (£m)	2.5	3.9	4.4	2.3	
EPS (p)	1.1	1.7	2.1	0.9	No
DPS (p)	0.055	0.065	0.075	0.080	Estimates
Net (debt)/cash (£m)	(2.4)	0.2	2.3	2.2	At Present
Net debt/EBITDA (x)	nm	(0.0)	(0.4)	(0.5)	
P/E (x)	11.3	7.1	5.8	13.5	
EV/Sales (x)	2.7	1.9	1.5	1.4	
EV/EBITDA (x)	11.4	6.0	4.9	6.8	
FCF Yield (%)	(5.3)	4.1	(1.6)	0.3	
Dividend Yield (%)	0.5	0.5	0.6	0.7	

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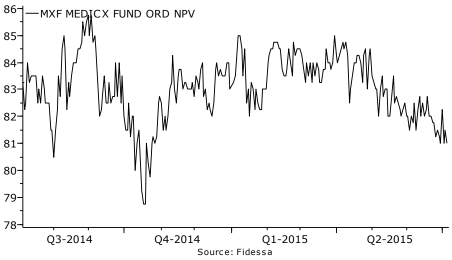
MedicX Fund (MXF)



Price (p)	**81.0**
Mkt cap (£m)	294.4
Shares (m)	363.4
Sector	Real Estate
Market	London Full List
Broker	Canaccord Genuity
Website	www.medicxfund.com

Description: Investing and holding modern UK medical property (eg. doctors' surgeries)

A £2.9m acquisition was made on 5th June – acquired under the ongoing 2013 framework agreement with the developer GPI. This is a property under development, with completion due in ten months.

The MedicX Fund's total property portfolio now comprises 142 properties of which eight are under construction. The annualised rent roll for all properties is now £34.0m.

We commented on the 22nd May results in the last Monthly and we highlighted the importance of the rise in dividend cover to 67% (48%). Also of importance is the rise in operating margins to 80.9% from 73.6%. This is due to the rise in investment advisory fees being lower than the rise in rental income, driven by tiered percentages of fees charged, linked to the portfolio size. Investment advisory fee costs in 1H15 totalled 11.1% of rent, compared to 11.9% 1H14.

There is modest potential scope to upgrade FY15E operating profits in as our current estimates assume 78.8% operating margins (80.9% achieved H1). We shall review this, with a possibility of upgrade, as the year progresses.

Additionally, the market for the assets the fund holds is steadily tightening. Valuation advances are steady rather than dramatic, driven by ongoing confidence in long term interest rates remaining low for some while and the arbitrage between the yield on primary medical property assets and government index linked gilts remains attractive. Of course, with rental increases during each period, there is a positive revaluation bias even without any further tightening of capitalization yields. So too does the minor element of continual improvement through asset management such as lease extensions.

Sept Year End	FY12	FY13	FY14	FY15E	FY16E
Income (£m)	16.6	25.5	29.5	33.9	38.4
Operating profit (£m)	12.2	20.2	21.8	26.7	30.6
Interest (£m)	(7.1)	(11.0)	(13.0)	(13.9)	(15.8)
Declared profit	2.6	9.7	20.4	25.8	24.8
PBT Adj.(i.e. pre revaln) (£m)	5.0	9.4	8.8	12.8	14.8
EPS Reported (p)	1.1	3.6	5.9	7.0	6.2
EPS Adj. (p)	2.1	3.3	2.5	3.5	3.7
DPS (p)	5.6	5.7	5.8	5.9	6.0
Property acquisitions	145.2	95.0	65.0	50.0	80.0
Net (debt)/cash (£m)	(190.0)	(246.7)	(255.2)	(291.0)	(341.0)
Dividend Yield (%)	6.9	7.0	7.2	7.3	7.4
Price/NAV	1.28	1.28	1.23	1.17	1.13
NAV (p)	63.5	63.1	65.8	69.0	71.8

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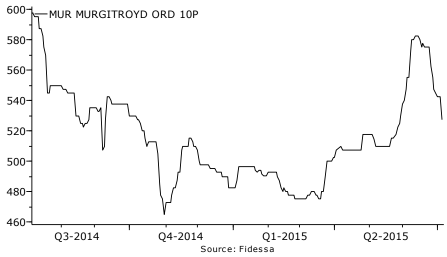
Murgitroyd (MUR)



Price (p)	**527.5**
Mkt cap (£m)	47.1
Shares (m)	8.9
Sector	Support Services
Market	London AIM
Broker	N+1 Singer
Website	www.murgitroyd.com

Description: Murgitroyd is a leading firm of patent attorneys. It is based in Glasgow, with a network of offices around the UK, Europe and the US.

We anticipate a trading update shortly. Results are anticipated for early September.

We would look to initiate FY16E and emphasise that the profit driver is more margin enhancement than sales growth, though we do anticipate expansion, especially in the USA whilst Europe remains difficult for macro-economic reasons. Murgitroyd has in the past commented on addressing “European contraction country by country”. The interim statement referred to growth in revenue from US clients and we would very much expect this to have continued. Pricing pressures remain, impacting margins. Demand, especially in Patent and Trade Mark filing numbers reported in the market remains reasonable. Clients continue to seek to benefit from the efficiencies which Murgitroyd is achieving whilst this poor macro backdrop persists. This continues to drive the evolution of operational processes and Murgitroyd is continuing its efficiency drive.

As outlined before by the Board, the dividend is an important part of the equation. The yield on the shares is modest but the Interim Statement provided strong guidance on the future positive "direction of travel" as regards the dividend. We anticipate this to be also a reflection of good ongoing cash generation in this ungeared business.

May Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (£m)	35.7	36.0	38.4	40.0	41.0
EBITDA (£m)	4.7	4.8	4.4	4.6	4.9
Operating profit (£m)	4.5	4.6	4.1	4.2	4.4
PBT (£m)	4.4	4.5	4.1	4.2	4.4
EPS (p)	36.1	37.0	32.5	34.0	35.0
DPS (p)	12.0	12.5	12.9	14.0	15.5
Net (debt)/cash (£m)	(4.6)	(3.2)	(1.3)	0.7	1.0
Net debt/EBITDA (x)	1.0	0.7	0.3	(0.2)	(0.2)
P/E (x)	14.6	14.3	16.2	15.5	15.1
EV/Sales (x)	1.4	1.4	1.3	1.2	1.1
EV/EBITDA (x)	10.9	10.5	11.0	10.1	9.4
FCF Yield (%)	3.6	4.8	4.2	4.9	5.3
Dividend Yield (%)	2.3	2.4	2.4	2.7	2.9

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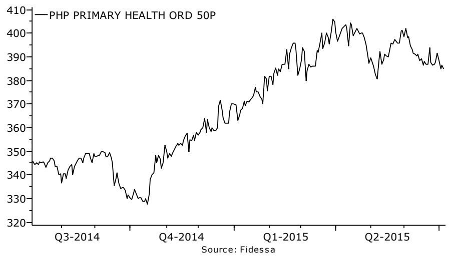
Primary Health Properties (PHP)



Price (p)	**385.0**
Mkt cap (£m)	428.4
Shares (m)	111.3
Sector	Real Estate
Market	London Full List
Broker	Numis Securities/Peel Hunt
Website	www.phpgroup.co.uk

Description: PHP lets out GP surgeries to GP partnerships on long term leases. The rent GPs pay is reimbursed by the public sector.

2014 saw strong profit growth driven by lowered costs and expansion in assets held. Most cost reductions came during 1H14, so growth 1H15 vs 1H14 will be greater than 2H15 vs 2H14. Our estimates assume no major portfolio purchase, which should leave modest scope for upgrade.

Even with relatively steady growth, full dividend cover is restored during 2016. In 2014 only £43m was committed to new property purchase and development and we see an acceleration in 2015, though to date the rate remains modest. At the 22nd April AGM update, PHP stated it saw an “Attractive pipeline of acquisition opportunities.” £16m assets were acquired in 2015 up to that update and there have been no acquisition announcements since. Portfolios are available and PHP is taking care to secure those on attractive price levels. It has several long term partner developers with whom it transacts to forward fund and acquire new built assets. We do anticipate an acceleration of purchase as the year progresses and a fundamental rise in the pace of new development in the UK but there are no signs as yet.

Values are rising and – as the shares trade at a premium to EPRA NAV, the stockmarket valuation implies a further valuation gain, ahead of the independent year-end valuation. EPRA NAV pps rose from 300p end 2013 to 319p at end 2014 and we would anticipate a lesser rise to 325p end June 2015. PHP’s assets are valued by Lambert Smith Hampton and in 2014 a £29.2m gain was registered. This showed a tightening of yields to 5.52% versus 5.65% in the previous year.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Income (£m)	33.1	42.0	60.0	65.3	71.7
Operating profit (£m)	27.9	35.5	52.5	57.3	63.1
Interest (£m)	(21.8)	(26.9)	(35.5)	(36.2)	(38.7)
Declared profit	1.1	20.2	36.9	31.1	34.4
PBT Adj.(i.e. pre revaln) (£m)	7.3	9.5	18.2	21.9	25.2
EPS Reported (p)	1.6	22.7	33.2	27.0	28.2
EPS Adj. (p)	10.0	10.8	16.4	19.0	20.7
DPS (p)	18.5	19.0	19.5	20.0	20.5
Property acquisitions	98.0	291.0	75.0	60.0	80.0
Net (debt)/cash (£m)	(378.0)	(587.0)	(655.0)	697.0	752.0
Dividend Yield (%)	4.8	4.9	5.1	5.2	5.3
Price/NAV	1.64	1.41	1.38	1.36	1.31
NAV (p)	235.0	274.0	278.0	284.0	294.0

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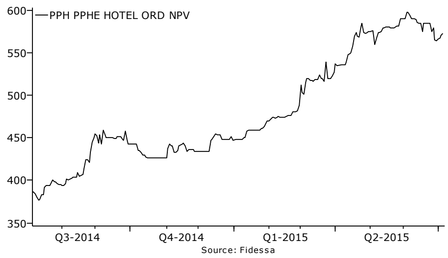
PPHE (PPH)



Price (p)	**572.5**
Mkt cap (£m)	237.8
Shares (m)	41.5
Sector	Travel & leisure
Market	London (Main)
Broker	finncap & Oriel
Website	www.pphe.com

Description: Owns, co-owns, leases, franchises and manages a portfolio of 4* hotels in Europe under the Park Plaza brand.

PPHE, the owner and operator of Park Plaza hotels in Europe, is trading well and making significant progress on its key projects: four projects are on site and the three major refurbishment projects also nearly ready to start. Its share price is up nearly 30% YTD and is near an eight year high but it continues to trade at significant discounts to NAV and to its peers.

Investing for tomorrow: Over the next two years PPHE plan to spend €200m in capex adding 1,000+ rooms, this will take the portfolio to c10,000 rooms by 2019. Work is progressing well on the 494-room hotel, close to Waterloo Station, the 168-room hotel near Park Royal and the 177-room Park Plaza, Nuremberg and the 184-room Riverbank extension. The 352-room Art'otel Hoxton, London is still in planning stage. These are all big projects so we would expect results to come through from FY16. All projects are financed and the group LTV is c.56% (latest valuation).

Large refurbishment projects at existing hotels are due to start later this year at the Park Plaza Victoria, Amsterdam and Park Plaza Sherlock Holmes, London which will impact shorter-term earnings but this is reflected in our forecasts.

Good start to the year: Q1 is the quietest and trickiest quarter to forecast. Looking forward, Sterling strength versus the Euro makes the outlook slightly more uncertain as it could dampen demand for the London hotels but it is too early in the year to adjust forecasts. We do not forecast currency and use the rate of £1:€1.36. Regional UK is performing strongly at present and this should help to offset any London weakness.

Trading on a +20% discount to NAV, 3.5% dividend yield: The investment case continues to gain traction, yet the current share price trades on a PE of 10.6x for FY15 and still represents +20% discount to FY15 NAV per share. The 3.5% dividend yield is attractive, safe (3.0x covered) and should grow.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (€m)	242.1	244.8	270.4	285.5	304.3
EBITDA (€m)	85.6	82.9	94.8	97.0	102.1
Operating profit (€m)	55.1	56.2	67.5	69.5	73.6
PBT (Cont) (€m)	18.4	27.3	41.6	31.1	33.7
EPS (c)	44.0	65.0	98.0	74.0	80.0
DPS (p)	12.0	14.0	19.0	20.0	20.9
Net (debt)/cash (€m)	(460.2)	(483.0)	(483.0)	(555.7)	(585.1)
Net debt/EBITDA (x)	5.4	5.8	5.1	5.7	5.7
P/E (x)	18.0	12.2	8.1	10.7	9.9
EV/Sales (x)	3.3	3.3	3.0	3.1	3.0
EV/EBITDA (x)	9.2	9.8	8.6	9.1	8.9
FCF Yield (%)	12.9%	12.7%	11.6%	12.8%	12.8%
Dividend Yield (%)	2.1	2.4	3.3	3.5	3.7

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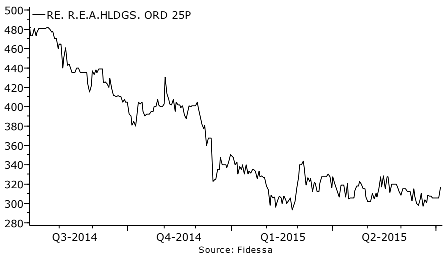
R.E.A. Holdings (RE.)



Price (p)	**317.0**
Mkt cap (£m)	110.8
Shares (m)	35.0
Sector	Food Producers
Market	London Main List
Broker	Mirabaud Securities
Website	www.rea.co.uk

Description: R.E.A. is engaged in the operation and further development of a single site palm oil plantation in East Kalimantan, Indonesia. It has also acquired rights in respect of two small coal mining concessions, also in East Kalimantan

REA's FFB harvested to May 2015 was 230,000 mt compared to 258,000 mt same period last year, down 10.9%. The lower FFB production was mainly due to unusually dry weather patterns across in Kalimantan and Borneo in the 4th Quarter of 2014. A return to more normal cropping patterns is possible as the year develops. Key points in REA's June AGM statement are:

- CPO production for the period was down 10.3%, to 61,000mt.
- Both CPO and CPKO extraction rates are down to 21.4% and 34% respectively (2014: 21.6% and 38.4%).
- REA has completed the refurbishment of three out of the four boilers in the company's two older mills. This along with the exceptionally dry weather during September and October last year, contribute to the lower extraction rates.
- In REA's FY14 statement, the company noted that it was upgrading the FFB loading ramp at the Perdana Mill. This has now been completed, which will enable REA to grade all 3rd party FFB that it purchases. These developments should enable an increase in the CPO extraction rate; we are targeting 22.5% for the full year.
- Good progress has been made in REA's PBJ estate, 80% of the bunding required is now complete and circa 1,000 ha has been cleared in preparation for planting. Clearing of land on the CDM estate has also started.

Since the June AGM statement, REA has also completed the placing of 4.221m new preference shares at a price of 120p per share. As a result of the new issue, the company's issued share capital will comprise of 35.09m ordinary shares and 63.64m of 9% cumulative preference shares.

On 16 June, the Indonesian government announced that it will start imposing a levy on CPO or its derivative products shipped abroad from 1st July. However the exact figure is yet to be established, but estimates place the amount between \$10 - \$50/mt. This levy is not a double tax. The current export tax which varies between 7.5% and 22% is implemented whenever CPO prices are in excess of \$750/mt.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (\$m)	124.6	110.5	125.9	124.2	154.3
EBITDA (\$m)	45.0	38.8	42.7	44.9	59.3
Operating profit (\$m)	37.8	28.1	32.1	33.5	46.6
PBT (\$m)	30.6	25.2	23.7	24.7	37.0
EPS (c)	33.9	15.8	40.3	21.6	36.6
DPS (p)	7.00	7.25	7.75	8.75	9.75
Net (debt)/cash (\$m)	(140.5)	(164.4)	(179.2)	(149.1)	(151.3)
Net debt/EBITDA (x)	3.1	4.2	4.2	3.3	2.6
P/E (x)	13.8	29.5	11.6	21.6	12.7
Dividend Yield (%)	2.3	2.4	2.5	2.9	3.2
EBITDA Margin (%)	36.2	35.1	33.9	36.2	38.4
Planted Hectare (ha)	36,794	34,062	34,614	37,614	41,614
EV/Planted hectare* (\$/ha)	11,306.4	12,916.3	13,137.9	11,289.8	10,257.5

** EV includes market cap of preference shares*

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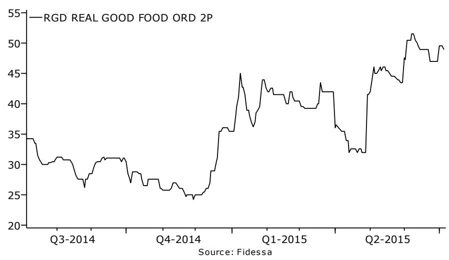
Real Good Food (RGD)



Price (p)	**48.3**
Mkt cap (£m)	33.6
Shares (m)	69.6
Sector	Food Producers
Market	London AIM
Broker	Shore Cap
Website	www.realgoodfoodplc.com

Description: Specialist food manufacturing.

The £34m disposal of Napier Brown in May was a major break with the past, selling a good long term business which however was facing a number of years of uncertainly and potential losses, allied to a significant use of working capital. This price and the strategic change of emphasis to strong margin food manufacturing businesses delivers material upside for Real Good Food.

Circa 80% of operating profits now derive from the Renshaw baking products business, supplemented by the £4m (up to £7.5m) 20th January acquisition. After Renshaw's three years' modest growth in sales and a slight reduction in profits, we estimate a sales acceleration, with margin expansion for FY15E and beyond. This is before the benefit of the January Rainbow Dust Colours acquisition which adds circa £1.7m profits. Sub 1% historic EBITA margins rise to just over 5% in FY16E and we would estimate a further rise in FY17E. Renshaw returned a 10.2% operating margin FY14, estimated to rise to over 12.0% in FY16E. In FY16 it is in a position to benefit from significant brand and other investment of recent years.

There now is a cash positive balance sheet, which brings opportunities to accelerate growth through potential selective acquisitions and the scope to invest within existing operations is excellent. Operating cash flow is estimated at near £8m in the year just begun. Free cash flow per share is estimated at over 8p FY16E, though this does benefit from the reversal of the working capital tied up in Napier Brown. Excluding this, we anticipate positive free cash flow for the Group.

We anticipate results to be announced in the last week of this month.

March Year End	FY12	FY13	FY14	FY15E	FY16E
Sales	305.5	265.7	272.6	232.9	111.0
EBITDA	8.6	10.0	2.7	1.4	7.9
Operating profit	6.2	8.0	0.5	(1.2)	5.7
PBT	4.5	6.5	(1.2)	(2.6)	5.2
EPS (p)	5.3	7.0	(0.4)	(2.9)	5.1
DPS (p)	-	-	-	-	-
Net (debt)/cash (£m)	(28.7)	(25.0)	(31.3)	(30.1)	2.0
Net debt/EBITDA (x)	3.3	2.5	11.6	21.5	(0.3)
P/E (x)	9.1	6.9	n.a.	n.a.	9.5
EV/Sales (x)	0.2	0.2	0.2	0.3	0.3
EV/EBITDA (x)	7.2	5.9	24.0	45.0	4.0
FCF Yield (%)	-18.2%	3.3%	-18.5%	-11.9%	20.0%
Dividend Yield (%)	-	-	-	-	-

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Sanderson (SND)

Price (p)	**65.2**
Mkt cap (£m)	35.2
Shares (m)	54.1
Sector	Software & Computing Services
Market	London AIM
Broker	Charles Stanley
Website	www.sanderson.com

Description: Sanderson Group specialises in multi-channel retail and manufacturing markets in the UK and Ireland.

Sanderson reported interim results on 9th June. Ian Newcombe, formerly CEO of multi-channel has been appointed Group CEO as of 9th June.

1H16 reported an operating profit rise of 13% including 9% organic. Order intake rose 16% of which 5% organic. The order book at the latest results stood at £2.84m, up 14% CAGR in the past seven years. Through extensive use of its own IP (illustrated by its 85% gross margins and £9m R&D spend since 2010), Sanderson provides its customers with software solutions to requirements such as integrating e-commerce and mobile commerce to all that they do. The profit margins on recurring revenue covers 67% of overheads.

Sanderson is efficiently deploying free cash flow (4.2p/share FY14) through (1) well-executed software product investment to address growth markets and (2) complementary acquisitions. We see compelling short- and medium-term growth opportunities residing especially but not exclusively within e-commerce, mobile and omni-channel customers. These latter already comprise c.15% of Group total revenue, and rising. 17.3% operating margins in FY14 (itself up 2% points in two years) are estimated to rise to 18.5% by FY17E. The Sanderson operating margins have improved each year since FY10.

Being highly cash-generative, Sanderson has ample resources to fund bolt-on acquisitions, and execution thus far has been excellent. Cloud-based solution provider One iota, for instance, is already significantly outperforming expectations expressed at the time of its October 2013 acquisition. Proteus, bought in December last year is seeing sales growth and the turnaround plan ultimately towards Group margin parity is proceeding well.

Sept Year End	FY12	FY13	FY14	FY15E	FY16E
Sales (£m)	13.4	13.8	16.4	18.5	19.8
EBITDA (£m)	2.2	2.4	3.2	3.7	4.2
Operating profit (£m)	2.0	2.2	2.8	3.3	3.7
PBT (£m)	1.6	2.2	2.7	3.1	3.4
EPS (p)	3.6	4.1	4.4	4.7	4.9
DPS (p)	1.2	1.5	1.8	1.9	2.0
Net (debt)/cash (£m)	4.1	3.6	6.2	6.6	7.3
Net debt/EBITDA (x)					
P/E (x)	18.1	15.9	14.8	13.9	13.3
EV/Sales (x)	2.3	2.3	1.8	1.5	1.4
EV/EBITDA (x)	14.2	13.2	9.1	7.7	6.7
FCF Yield (%)	2.0	2.8	6.5	7.1	7.7
Dividend Yield (%)	1.8	2.3	2.8	2.9	3.1

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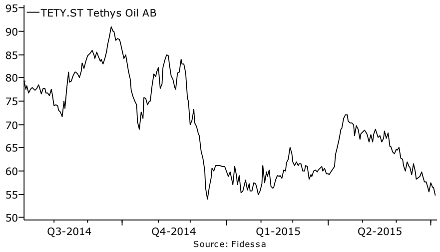
Tethys Oil AB (TETY.ST)



Price (SEK)	**54.8**
Mkt cap (MSEK)	1946
Shares (m)	35.5
Sector	Oil & Gas
Market	First North, Stockholm
Broker	Remium
Website	www.tethysoil.com

Description: Tethys Oil is a Swedish energy company focused on identification and development and production of oil and natural gas assets in the Middle East, North Africa and Europe.

A three well drilling programme on the Raseiniai licence, onshore Lithuania has commenced with the Bedugnis-1 well.

- The well is anticipated to take 45 days, with two more wells to be drilled in this year's campaign.
- The Board of Directors has initiated the share repurchasing program authorised at the AGM.
- Mandatory share redemption procedure is now complete

The Bedugnis-1 well, the first well on the Raseiniai licence, onshore Lithuania, commenced drilling on 16th June with a target vertical depth of 1,100 meters and operations expected to continue for 45 days +/-. This year's drilling programme will consist of three consecutively drilled wells, each targeting Silurian reefs mapped during the 3D-seismic study completed in 2014. The program follows on from the promising Lapgiriai-1 exploration well drilled in 2013 which confirmed the presence of oil in the target formation and from which small amounts of oil were produced to surface.

The mandatory share redemption procedure is now complete with the 35,543,750 redemption shares redeemed for SEK 2.00 of cash consideration per share on the record date of 12th June. With these redeemed, there are once again 35,543,750 shares in issue.

The Board of Directors has, based on the AGM authorization, decided to initiate the share repurchasing program to optimize the capital structure (albeit that repurchased shares may also be used as payment in connection with, or financing of, acquisitions of companies or businesses). As of 23rd June, Tethys Oil held 352,060 shares in its custody.

Dec Year End	FY11	FY12	FY13	FY14	FY15E
Sales (MSEK)	104	584	592	1,046	-
EBITDA (MSEK)	84	509	479	753	-
Operating Profit (MSEK)	83	336	285	404	-
PBT (MSEK)	69	314	240	350	-
EPS (SEK)	2.12	9.11	6.76	9.86	-
DPS (SEK)	-	-	-	-	-
Production, before government take (bbl)	423,469	1,345,854	1,663,069	2,765,654	-
Net sales, after government take (bbl)	147,228	776,248	850,926	1,464,228	-
Average Selling price $/bbl	107.37	110.35	106.63	103.9	-
P/E (x)	25.8	6.0	8.1	5.6	-
Cash TSEK	93	248	295	347	-
Shareholders Equity TSEK	456	860	1,100	1,675	-
Investments TSEK	208	875	289	259	-

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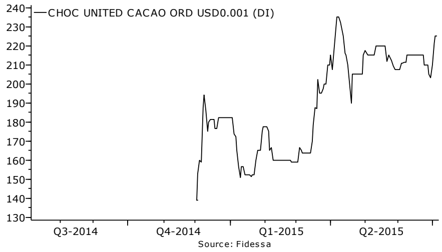
United Cacao Limited SEZC (CHOC)



Price (p)	**227.0**
Mkt cap (£m)	42.2
Shares (m)	18.6
Sector	Food Producers
Market	AIM
Broker	VSA Capital Kallpa Securities SAB
Website	www.unitedcacao.com

Description: UCL is a commercially scaled cocoa plantation located in the Peruvian Amazon, one of the best locations in the tropical belt for the crop. The company aims to produce high quality, sustainable and fully traceable bulk cocoa and Fine or Flavour cocoa with the goal of achieving premiums above the international traded price.

Working to become the largest single producer of cocoa in the world, United Cacao Limited SEZC (UCL) seeks to profit from anticipated deficit in supply out to 2020. Listed on the London AIM on 2nd December, UCL now has more than 1,150ha of cocoa planted, comprising of 70% with the high yielding Ecuadorian variety CCN51, and 30% with aromatic varieties.

At 1,111 trees per ha, this represents almost 1.28m trees now planted. UCL's objective is to complete planting of some 2,000ha by end 2015. The company now owns some 3,760 ha of private, freehold land that is fully zoned and that was pre-approved for agricultural purposes since 1997.

The pre-operating loss at \$2.88m (FY13: \$0.67m) and pretax loss of \$2.98m (FY13: \$0.70m) were larger than our forecast of a pretax loss of \$2.5m. 3rd Party Services were somewhat higher than expected, attributable to the IPO and marketing related processes. Cash was also utilised faster than we expected due to accelerated development and capex in 2H 2014.

Borrowing from the palm oil sector model, UCL is also supporting the development a small farmer programme (PAPEC), possibly up to another 3,250 ha to give local agricultural families an economic stake in the global growth in demand for cocoa.

On 22nd June this year, the company's shares were admitted for trading on the Lima Stock Exchange (Bolsa de Valores de Lima, or "BVL"), Peru, under the trading symbol "BVL:CHOC". The Ordinary Shares are fully fungible between the two exchanges; however, the Ordinary Shares trade in US Dollars on the BVL. The BVL is also a participant of the Mercado Integrado Latinoamericano ("MILA"). Through MILA, the BVL is increasingly integrated with the regional equity markets in Colombia, Chile and Mexico. CHOC is the second listing on the BVL so far this year and is now amongst the Top 75 largest companies by market capitalization on the exchange.

Dec Year End	FY14	FY15E	FY16E	FY17E	FY18E
Sales (\$m)	-	0.0	0.5		
EBITDA (\$m)	(2.9)	(1.5)	(2.9)		
Operating profit (\$m)	(2.9)	(1.5)	(3.0)		
PBT (\$m)	(3.0)	(1.4)	(3.2)		
EPS (c)	(23.0)	(7.5)	(14.5)	No	No
DPS (p)	-	-	-	Estimates	Estimates
Net (debt)/cash (\$m)	7.8	2.5	(8.0)	At	At
Net debt/EBITDA (x)	-	-	-	Present	Present
P/E (x)	-	-	-		
Dividend Yield (%)	-	-	-		
EBITDA Margin (%)	-	-	-		
Planted Hectare (ha)	556	2,000	3,250		

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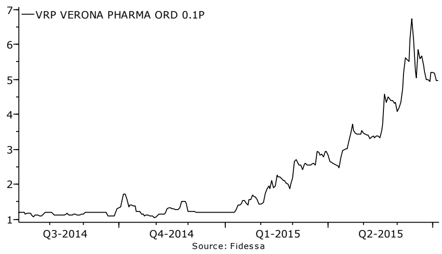
Verona Pharma (VRP)



Price (p)	**4.8**
Mkt cap (£m)	48.7
Shares (m)	1009.9
Sector	Pharma and Biotech
Market	London AIM
Broker	N+1 Singer
Website	www.veronapharma.com

Description: Verona Pharma plc is a UK-based biopharmaceutical company focused on development of innovative prescription drugs to treat respiratory diseases with significant unmet medical needs, such as COPD, asthma & cystic fibrosis.

Verona is developing first-in-class drugs that treat unmet medical needs in respiratory disease. RPL554 is being fast-tracked to commercialisation by focusing on a $3.2bn market segment poorly serviced by existing drugs. Key Phase II trial results are due to be announced 2H'15. There is a significant mis-match between the current EV (£34m) and a potential inflection point on positive Phase II data when considering that median valuations for Phase II respiratory assets have headline valuations of $285m (£190m), or 19p per share.

Products: RPL554, a first-in-class dual PDE3/PDE4 inhibitor with both bronchodilatory and anti-inflammatory activity, is in clinical development for three indications. Initially, as an add-on for acute exacerbations in COPD patients. However, the drug has potential also in the maintenance therapy of COPD patients, and in cystic fibrosis.

Trial update: Following publication of the SAD/MAD phase I safety and tolerability data using the new nebulised formulation, RPL554 has moved into the phase II stage of the trial in COPD patients. In addition, recruitment has commenced for a phase IIa trial in asthma.

Valuation: To date, about £10m has been invested in R&D to get VRP where it is today, compared to an EV of £34m. Positive outcomes from the phase II trial with RPL554 in COPD, due 2H'15, would provide a value inflection point and allow negotiations with potential licensing partners.

Risks: The main risk is that a product fails in clinical trials. Also, even when drugs have completed clinical development there remain regulatory and commercial risks. Rising cash burn on R&D spend and corporate infrastructure over the next three years is likely to require further capital increases.

Investment summary: Historically, efficacy of PDE inhibitors has been positive, but putative drugs have failed due to side effects. Positive safety outcomes, even at high doses, has de-risked the Phase II efficacy part of this COPD trial, where a positive outcome later in 2015 would result in a significant increase in shareholder value.

Dec Year End	FY12	FY13	FY14	FY15E	FY16E
Sales	0	0	0	0	0
Royalties	0	0	0	0	0
Underlying EBIT	-2,585	-2,630	-3,601	-8,308	-4,693
Reported EBIT	-2,653	-2,817	-3,793	-8,510	-4,905
Underlying PTP	-2,565	-2,627	-3,571	-8,264	-4,688
Statutory PTP	-2,633	-2,814	-3,763	-8,466	-4,900
Underlying EPS (p)	-0.8	-0.7	-0.3	-0.7	-0.3
Statutory EPS (p)	-0.8	-0.7	-0.3	-0.7	-0.4
Net (debt)/cash	961	604	9,970	2,567	-1,242
Shares issued	1,002	1,802	13,103	100	100
P/E (x)	-	-	-	-	-
EV/sales (x)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-

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