January 2016 Monthly

Feature Article: Survey shows underlying strengths in wealth manager business models

By Keith Hiscock, C.E.O.

The survey recently published by ComPeer of wealthy investors has some surprising results. Only slightly more than 10% of those with £1 million plus (high net worths or HNWs) to invest, inherited the money. The young are no better advised than their parents, with 25% of HNWs taking no advice. Wealth managers are attractive to investors for four reasons. First, there are plenty of 'non-advised rich' to target as new clients. Second, wealth managers' assets are very sticky with 74% of 50+ year olds having been with the same manager for at least 5 years. Third, all age groups far prefer face to face meetings, rather than the internet or social media for contact, suggesting commentators overemphasise the threat from new media. Fourth, fees are only the third most important criteria in choosing an advisor. All the more surprising then that these advisors are poor at following relationships through a family; even among those with £1million plus to invest, only 19% get a call from their parents' advisors!

The interviewee sample

In November 2015 ComPeer, the research and survey house, interviewed 1,001 'wealthy' investors. 425 were classed as 'mass affluent' with investible assets of £50k to £250k. A further 421, termed 'affluent' had investible assets between £250k and £1 million. The final cohort had investible assets of more than £1 million and are described as 'high net worths'. In terms of age, 477 respondents we in the bracket of 18-49 and 524 were aged over 50. By geography the South accounted for 47% of the interviewees, the North (including Scotland) 31% and the Midlands 23%. This size sample should give a fairly accurate result; General Election polls typically use a sample size of 1,000, though we have to admit that their reliability has been questioned after the recent election result.

It should be noted that in charts 2, 3 and 4 (pages 2, 4 and 5), the totals for each sub-category (e.g. 18-49 year olds) sum to more than 100% since a respondent was allowed to choose more than one answer.

In February this year The Financial Conduct Authority published its feedback document resulting from its wholesale sector competition review. The FCA has decided to follow this with a market study into investment and corporate banking to identify 'Whether competition is working effectively'. It is obviously of the view that it already knows the answer: and it is 'No'. It says that 'External feedback and our own analysis suggests that competition is not working effectively in this sector'

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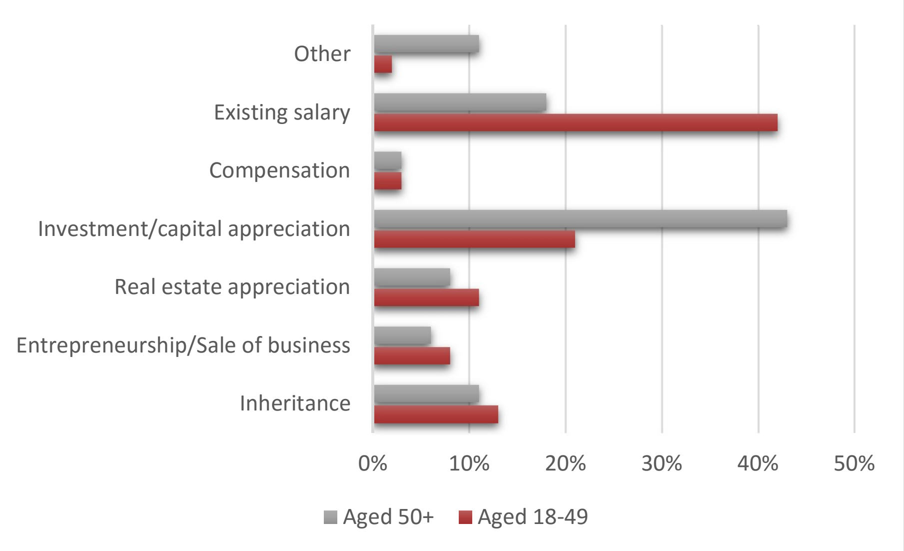
Chart 1: Which of the following would you describe as the main source of your wealth?



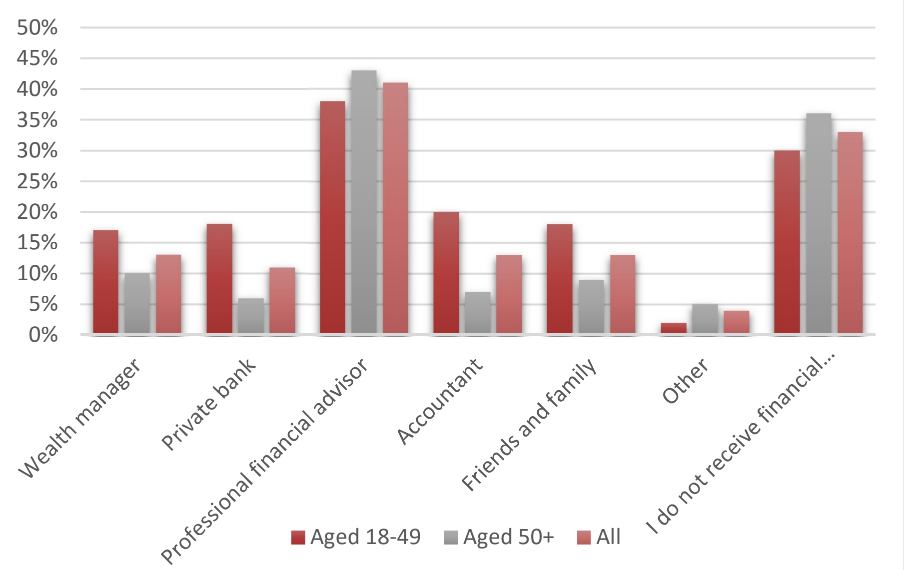
Source: ComPeer Ltd, Hardman & co

Are the young better advised than their parents?

Chart 2 below shows that there are some differences between the generations. The young are much more likely to use wealth managers, private banks and accountants for financial advice than their elders. But what is really striking is how similar they are in that substantial numbers use friends and family, or take no advice at all. In fact more than 30% of both groups in the survey take no advice.

You might expect that looking at those with £1m+ to invest there would produce a much smaller 'non-advised' cohort. That view is correct, but not by as much as you might think. Surprisingly, 25% of those with more than £1m take no advice! Here is a substantial opportunity for growth for advisors.

Chart 2: Which of the following do you use/go to for financial advice?



Source: ComPeer Ltd

Wealth management has a faithful client base

Wealth management should be a good investment itself. There may still be some cyclicality in business driven by commission on stock market trades, but increasingly revenue comes from annual fees which are not related to performance or trading. What makes these businesses particularly attractive is the certainty of revenues driven by client stickiness (and the growth of the mass affluent). The table below measures stickiness over 5 years.

Table 1: Proportion of investors who have either never changed wealth manager / adviser / stockbroker or have been with their existing provider for more than 5 years. These are impressive numbers.

Aged 18-49	Aged 50+	£50-250k assets	£250k- £1m assets	£1m+ assets
48%	74%	60%	61%	66%

ComPeer Ltd

Wealth managers are also enticing investments because fees are not the overriding factor in clients deciding where to place their assets. The table below proves this and shows little difference between the generations.

Table 2: What are the top three key criteria you consider when choosing a wealth manager / adviser / stockbroker?

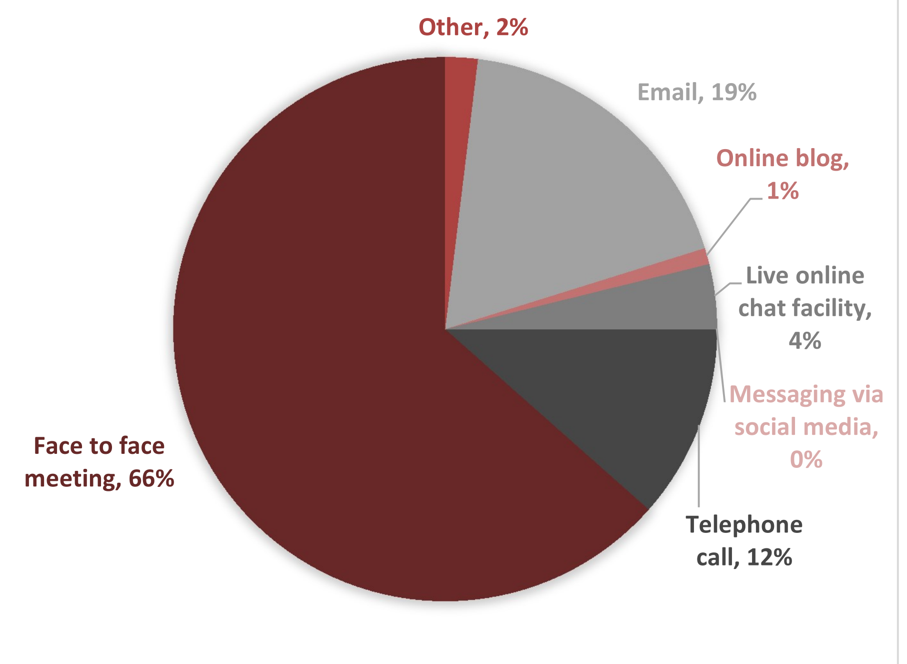
Key criteria	Aged 18-49	Aged 50+
Brand/reputation of the firm	24%	28%
Investment performance	23%	23%
Level of fees	15%	15%

ComPeer Ltd, Hardman & Co

The reader might worry that the internet of things will hit wealth managers. We have seen lots of articles about the new providers such as Nutmeg. The ComPeer data suggest otherwise.

The reader probably expects that the 50+ year old is keener on a face to face relationship than trusting his assets to a virtual one. The data show that 66% prefer face to face contact and 12% a telephone call, total of 78%, just as expected.

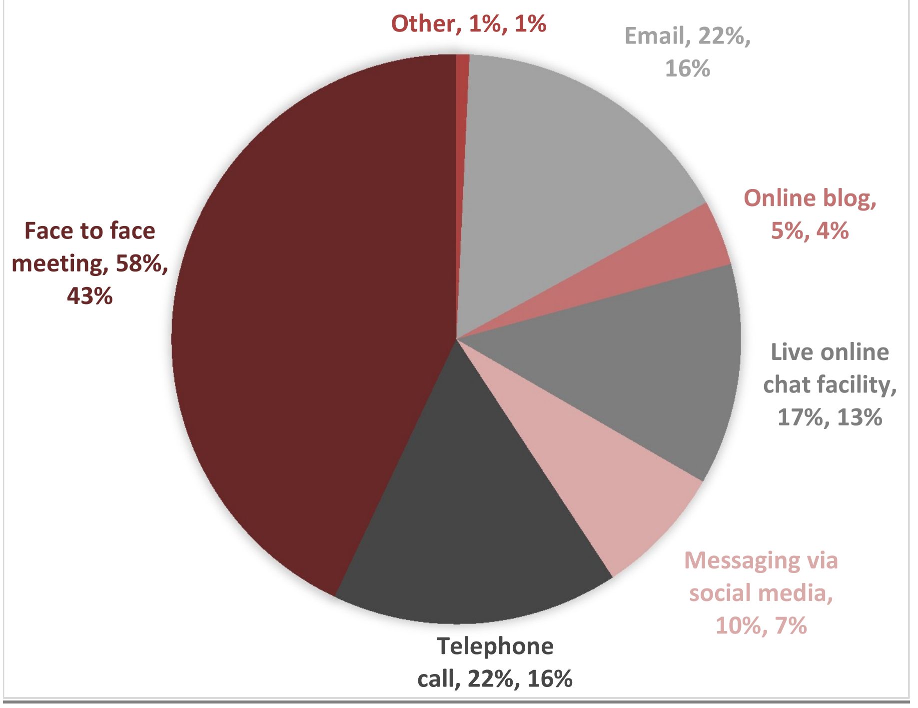
Chart 3: Aged 50+: When engaging with a wealth manager/advisor/stockbroker which of the following would be your preferred method?



Source: ComPeer Ltd, Hardman & Co

What is surprising is it's not that different for the young. 58% of 18-49 year olds want a meeting and 22% a call, a total of 80%!

Chart 4: 18-49 year olds: When engaging with a wealth manager/advisor/stockbroker which of the following would be your preferred method?

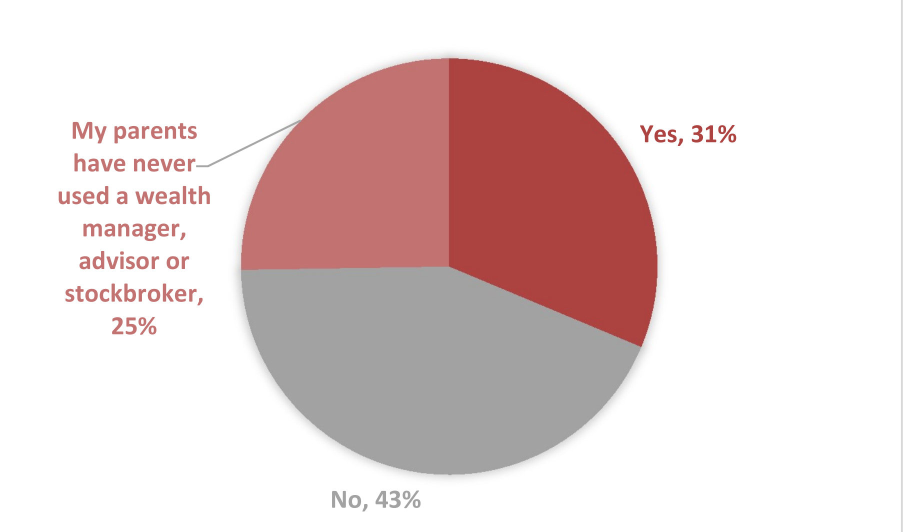


Source: ComPeer Ltd

Do the young stick with their parents' advisors?

Given how sticky money is in the hands of wealth managers, advisers and stockbrokers, you would have thought these advisors would have been geared up to ensure they develop as strong a relationship with the 'young' in a family as the 'old'. The pie chart below suggests that of the 74% whose parents were advised, less than half of the 'youngsters' stuck with the same advisors. The term 'youngsters' can include 50+ year olds since they have/had parents too.

Chart 4: Are you currently using the same wealth management/advisory/execution only service provider as your parents?



Source: ComPeer Ltd

The reason is explained by the astonishing news that most are not even approached by their parents' advisors. Only 25% of 18-49 year olds get a call and 9% of the 50+! Looked at by assets, even the seemingly most attractive investors with more than £1 million to play with aren't deluged with calls; the phone rings in less than 20% of their homes.

Table 3: Of those using a wealth management/advisory/execution only provider that differs to the one their parents use, what proportion were at least approached by the provider used by the parents?

Aged 18-49	Aged 50+	£50-250k assets	£250k- £1m assets	£1m+ assets
25%	9%	14%	18%	19%

Source: ComPeer Ltd

Conclusion

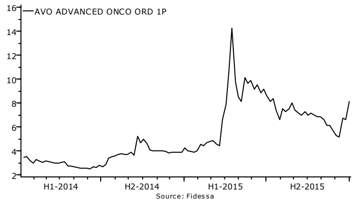
The ComPeer survey suggests that inherited wealth is not as significant as most commentators think. At the same time it shows why wealth managers can be attractive to investors for four reasons. First, there are plenty of 'non-advised rich' to target as new clients. Second, wealth managers' assets are very sticky. Third, all age groups far prefer face to face meetings, rather than the internet or social media for contact, suggesting commentators overemphasise the threat from new media. Fourth, fees are only the third most important criteria in choosing an advisor. All the more surprising then that these advisors do such a poor job at following relationships through a family.

Table of Contents

Company Highlights

- **Alliance Pharma (APH):** Transformational acquisition of the Healthcare Product of Sinclair IS Pharma plc.
- **Burford Capital (BUR):** Burford backed Hausefeld to pursue VW claims.
- **City of London Investment Group (CLIG):** Trading update due shortly.
- **Lombard Risk Management (LRM):** New C.E.O. appointed 1st December.
- **MedicX Fund (MXF):** Results announced 12th December, in line.
- **Purplebricks Group (PURP):** Flotation on 17th December; £58m fund raise.
- **R.E.A. Holdings (RE.):** Issue of £5m of 8.75% sterling notes 2020.
- **Real Good Food (RGF):** Results announced 11th November, update on Napier Brown loan note.

Pharmaceuticals & Biotech



Source: Fidessa

Price (p)	**7.80**
Mkt cap (£m)	110.63
Shares (m)	1418
Market	London AIM
Broker	Panmure Gordon
	www.allergytherapeutics.com

Description: AGY provides information to professionals about prevention, diagnosis and treatment of allergic conditions with special focus on allergy vaccination, a successful treatment that deals with the underlying cause and not just the symptoms!

Advanced Oncotherapy (AVO)

Focused on delivering a more affordable, novel proton-based radiotherapy system, based on a technology originally developed and tested at the world renowned CERN facility in Switzerland. Commercial momentum is building, having secured two purchase orders in China, formed a JV with Circle to operate potentially the first proton therapy facility in the UK (Harley Street, London) and further expanding its order book – now potentially some $480m.

- **Focus on delivering final test in 2016:** Whilst the markets await the final testing and delivery of the complete LIGHT machine, which is expected in late 2016, commercial interest remains high and orders are being made and negotiated.
- **Order book for potentially $480m:** The first purchase order in for a LIGHT system, announced in March 2015 (c.$40m), was followed by a second order in China for c.$75-80m in October. Behind this we expect the joint venture with CircleHealth, set up in October, to announce an order for a third system which will be installed into the Harley Street site in 2016/17. Currently, vendor financing proposals for this purchase are being evaluated and expected to be announced in 1Q 2016.
- **Directors confidence remains high:** Michael Sinclair (executive Chairman) and Michael Bradfield, through Fairford Capital (non-executive director), acquired 0.5m and 2.5m shares in the period 16-18 December, at 5.5p to 6.75p per share, taking their respective holdings to 6.35% and 8.78%.
- **Risks:** Delays to completing LIGHT installation in Harley Street in 2017 and first patient treatment in 4Q 2017 – both mitigated by partnership supplier network, and the small size relative to its principal competitors which impacts potentially on vendor financing capability as well as external perceptions.
- **Investment summary:** AVO is entering a market on the cusp of a steepening adoption curve, not least in China, with a PT solution that is unique with respect to its competitors and addresses the needs of all key stakeholders. The Company has sufficient cash to achieve its near term goal of first patient treatment in 2017.

Financial summary and valuation

Year end Dec (£,000s)	2013	2014	2015	2016E	2017E	2018E
Sales	69	106	1,370	35,484	80,645	137,097
Underlying EBITDA	-2,041	-5,063	-7,517	-4,522	3,547	19,871
Underlying PTP	-2,382	-5,059	-7,754	-4,933	2,362	18,083
Statutory PTP	-,3,970	-7,563	-8,491	-4,933	1,863	18,363
Underlying EPS (p)	-0.59	-0.60	-.0.60	-0.38	0.18	1.27
Statutory EPS (p)	-0.99	-0.89	-0.66	-0.38	0.14	1.29
Net (debt)/cash	-3,042	477	3,038	16,740	-37,752	-46,785
Shares Issued	2,437	10,158	20,127	0	0	0
P/E (x)	-12.0	-11.9	-11.8	-18.6	39.2	5.6
EV/sales (x)	1,509.5	944.8	71.5	3.3	1.7	1.1
EV/EBITDA (x)	-51.0	-19.8	-13.0	-26.0	39.1	7.4

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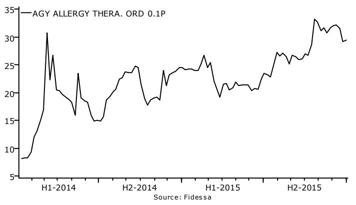
Pharmaceuticals & Biotech



Source: Fidessa

Price (p)	**29.45**
Mkt cap (£m)	160
Shares (m)	545.9
Market	London AIM
Broker	Panmure Gordon

www.allergytherapeutics.com

Description: AGY provides information to professionals about prevention, diagnosis and treatment of allergic conditions with special focus on allergy vaccination, a successful treatment that deals with the underlying cause and not just the symptoms!

Allergy Therapeutics (AGY)

AGY is a long-established specialist in the prevention, diagnosis and treatment of allergies. It has an underlying profitable and cash generative business despite its lead product being available only on a 'Named Patient' basis. However, protocols agreed with EU and US regulators are in place to get Pollinex Quattro approved as a biological. The US opportunity is enormous and only two players have short-course treatments. There is a valuation mis-match between AGY and its peers, which either have no growth or little marketing experience, which provides scope for considerable upside towards our risk-adjusted DCF valuation of 93p per share

- **Completion G102:** AGY completed a small safety study with GrassMATAMPL (GMM; US version of Pollinex Quattro) in 40 patients which demonstrated the safety of two new doses compared to placebo. This study represented the first of three trials agreed with the FDA to get approval as a biological in the US.

- **Initiation G204:** Following successful outcomes in the G102 safety study, AGY announced commencement of the second study with GMM, G204. This trial will be in about 250 patients and run for 4-5 months. The aim of the study is to obtain a significant (min 20%) reduction in symptoms and is due to report 2Q 2016.

- **Valuation:** Based on our forecasts for market share gains in the US, our risk adjusted DCF valuation is 93p per share. This upside potential is supported by an apparent mis-match between the value of AGY with its peers, which have either limited growth opportunities or little commercial experience.

- **Risks:** AGY must undertake some additional clinical trials in order to achieve regulatory approval. However, given that protocols have been agreed with both EU and US regulators and that Pollinex Quattro has been used in 250,000 patients to date, these risks have been minimised.

- **Investment summary:** AGY is a very promising opportunity. Not only does it have a profitable and cash generative underlying business, regulatory approval of Pollinex Quattro would be a transformational event. The market is valuing AGY similarly to its low-growth peers suggesting that little or no value is being afforded PQ in the US which, given the FDA trial agreement, is unrealistic.

Financial summary and valuation

Year end Dec (£m)	2013	2014	2015	2016E	2017E	2018E
Sales	39.28	41.96	43.23	46.06	49.26	53.25
R&D investment	-2.54	-2.96	-3.12	-13.00	-12.00	-10.00
Underlying EBIT	0.85	1.39	2.23	-9.36	-7.61	-4.72
Reported EBIT	0.67	1.21	0.72	-9.86	-7.61	-4.72
Underlying PTP	0.62	1.27	2.16	-9.50	-7.86	-5.02
Statutory PTP	0.43	1.08	0.65	-10.00	-7.86	-5.02
Underlying EPS (p)	0.17	0.20	0.34	-1.81	-1.52	-1.01
Statutory EPS (p)	0.13	0.16	0.02	-1.91	-1.52	-1.01
Net (debt)/cash	0.65	2.25	20.19	8.14	-1.50	-9.15
Shares issued	0.15	0.00	20.08	0.25	0.25	0.25
P/E (x)	170.7	140.3	84.6	-15.8	-18.9	-28.5
EV/sales (x)	3.5	3.3	3.2	3.0	2.8	2.6

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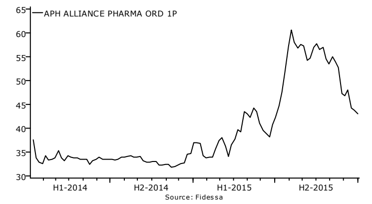

Source: Fidessa

Price (p)	**44.0**
Mkt cap (£m)	102.3
Shares (m)	232.4
Sector	Pharma and Biotech
Market	London AIM
Broker	Numis Securities
	www.alliancepharma.co.uk

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

Alliance Pharma (APH)

A specialty pharmaceutical company based on a 'buy-and-build' model. Developed since 1998 through a series of 28 deals, Alliance has just made a transformational acquisition by the £127.5m acquisition of products and assets from Sinclair IS Pharma. In addition to building up the portfolio to in excess of 87 products, this transformational acquisition provides expansionary opportunities (in-licensing) as well as the platform to accelerate growth of MacuVision and the recently in-licenced Diclectin.

- **£127.5m acquisition:** APH completed its largest acquisition, to date, of 27 products and certain other assets, focused principally on dermatology, from Sinclair IS Pharma for £127.5m, plus c.£4.7m for inventory, on 17th December. The acquisition was satisfied by way of a Vendor Placing at 41p, raising £78.5m, and the draw-down of £54.2m from the newly enlarged £100m debt facility.

- **Strategically significant:** in that it internationalises further the business. In Europe it expands the base in France (including direct sales) and provides more business in Italy, Germany and Spain. Whilst Europe provides over 75% of the sales of the enlarged company, Alliance gains significant business in the fast growing Asia Pacific region. It also gains a foothold in the USA and Brazil. Lead products (Kelo-cote – for hypertrophic scars and Flamma franchise – woundcare) become the group's largest brands with 9-10% of the enlarged proforma sales base - expected to be c.£95m in 2016, versus our pre-acquisition forecast of £49.5m .

- **Financial metrics:** With sales of £43.3m and EBITDA of £9.0m to June 2015 (cost savings of £5m expected from end 2016), APH paid 2.9x sales and 14.2x EV/EBITDA (9.1x prospective EV/EBITDA). The acquisition is expected to be eps-enhancing in 2016 with ROIC exceeding 8% WACC in 2017.

- **Risks:** integration risk and management of international distributor chain. Delivery of £5m cost savings represents c.30% of acquired cost base but extensive review of cost base prior to acquisition mitigates against.

- **Investment summary:** This acquisition should be a transformational one that enhances Alliance's dermatology interests and brings several growth products as well as expanded geographic presence. An updated review, to include the acquisition, is expected to be published shortly.

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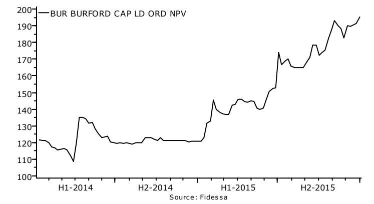
Financials



Source: Fidessa

Price (p)	**191.0**
Mkt cap (£m)	390.6
Shares (m)	204.5
Market	London AIM
Broker	Macquarie Group
	www.burfordcapital.com

Description: Burford Capital is a leading global finance and professional services firm focussing on law. Its businesses include litigation finance, insurance, law firm lending, corporate intelligence and judgement enforcement, bankruptcy litigation funding, advisory and professional services and a wide range of professional activities.

Burford Capital (BUR)

Burford announced last month it was supporting Hausfield, a global claimants' law firm, in its bid to represent those harmed in the recent Volkswagen AG emissions scandal. This follows on from an earlier announcement that it was making available £30m in financing for Hausfield's clients in Germany.

- The state of the legal arena following the Volkswagen scandal is still fluid. It seems likely that many of the claims will coalesce into various class actions and there are several large law firms and funders who have also expressed an interest. So while we would expect Burford to look to have a role in such a large case, there is as yet no certainty as to whether capital will be actually be invested. We do understand that the areas that, as usual, Burford are looking to be involved in supporting commercial clients rather than individuals.
- Consequently we do not see this as an announcement that will affect our estimates for Burford, but it supports our view that there are plenty of opportunities for them to continue to invest and grow.

Financial summary and valuation

Year End Dec	2012	2013	2014	2015E	2016E
Revenue	60.7	82.0	80.6	82.1	92.6
Operating Profit	42.5	60.7	56.0	56.7	66.6
Reported net income	2.6	45.4	45.3	46.3	56.4
Underlying net income	40.1	53.0	45.2	46.3	56.4
Underlying Return on Equity	12%	12%	11%	11%	13%
Underlying EPS ($)	0.20	0.26	0.22	0.23	0.28
Statutory EPS ($)	0.01	0.22	0.22	0.23	0.28
Dividend per share ($)	0.05	0.07	0.08	0.09	0.10
NAV per share ($)	1.7	1.9	2.0	2.1	2.3
P/E (x) (underlying)	14.8	11.2	13.1	12.8	10.5
Price/NAV (x)	1.7	1.6	1.5	1.4	1.2
Yield	1.8%	2.4%	2.8%	3.1%	3.4%

Source: Hardman & Co Research

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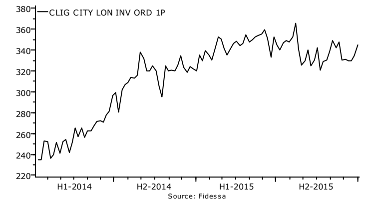
Financial Services



Source: Fidessa

Price (p)	**348.0**
Mkt cap (£m)	93.7
Shares (m)	26.9
Market	London Full List
Broker	Canaccord Genuity
	www.citlon.co.uk

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

City of London Investment Group (CLIG)

Worries about emerging market economies continued during December. The Chinese economy continued to show signs of weakness and expectations for 2016 are steadily being downgraded.

- While concerns elsewhere are not as prominent, the general malaise of the global economy weighs heavily on them. The raising of US interest rates is not significant in itself, but is a sign that capital will generally become a bit more expensive. There are concerns that this may have a stronger effect in emerging markets than elsewhere, but the expected pace of increase suggests the fears may be worse than the facts.
- The MSCI Emerging Markets Index has again been weak, falling 2.5% in December. At the time of writing City of London's funds under management for the quarter end had not yet been released.
- During December City of London bought back 20,000 shares at 330p. The shares will be cancelled.

Financial summary and valuation

Year End Jun	2013	2014	2015E	2016E	2017E
Sales (£m)	29.4	24.2	25.4	22.8	24.4
EBITDA (£m)	8.6	7.2	8.9	8.4	9.5
Operating Profit (£m)	8.4	7.0	8.7	8.2	9.3
PBT (£m)	8.9	7.2	8.9	8.1	9.4
EPS (p)	24.9	20.7	26.4	22.2	27.9
DPS (p)	24.0	24.0	24.0	24.0	24.0
Net (debt)/ Cash (£m)	10.1	10.2	10.2	11.5	12.5
Net cash/EBITDA (x)	1.2	1.4	1.1	1.4	1.3
P/E (x)	14.0	16.9	13.2	15.7	12.5
EV/Sales (x)	2.9	3.5	3.3	3.6	3.3
EV/EBITDA (x)	9.8	11.7	9.4	9.8	8.6
FCF Yield (%)	12.8	7.1	7.7	8.1	7.8

Source: Hardman & Co Research

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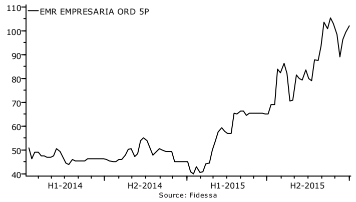
Recruitment



Source: Fidessa

Price (p)	**101.9**
Mkt cap (£m)	46.67
Shares (m)	49
Market	London AIM
Broker	Shore Cap
	www.empresaria.com

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

Empresaria (EMR)

Empresaria's share price was little changed in December, but had a very strong run over the year as a whole. In the latter part of the year, interim results confirmed that the hard work of recent years in simplifying the business and building the platform for growth was working. Adjusted EPS was up 36% with all regions delivering good underlying growth. The share price performance probably reflects both the good results and the depressed share price base. The company continues to be valued at a discount to the peer group and we would expect this discount to narrow, assuming Empresaria continues to deliver as expected.

- **Market's cyclical fears:** Global stockmarkets have been volatile in recent months, as concerns mount over China's economic prospects and hence global growth. The Fed's failure to put up rates in September fuelled the anxiety, which hopefully has been put to rest by December's 25p rise. Economic growth in the US looks strong, and employment vacancies are running at historically low levels. A similar picture is presented in the UK, while Europe is recovering.

- **Acquisition:** Empresaria made its first US acquisition of Pharmaceutical Strategies, a specialist recruitment group in the US healthcare market which focuses primarily on pharmacy benefit managers. Pharmacy benefit managers have been in the news recently with Valeant but Empresaria management has confirmed that there is zero exposure to Valeant's Philidor and we hope that the PS customer base may be unaffected.

- **Interims:** Empresaria reported a strong first half, which beat our expectations; revenue increased by 3%, net fee income by 16%, adjusted operating profit by 35% and adjusted pbt by 44%, all at constant currency In reported terms, revenue growth was -2%, net fee income was up 12%, adjusted operating profit was up 25% and adjusted eps was up 36%. The shares have had a good run on the back of these figures but remain below the peer group valuation.

Financial summary and valuation

Year end Dec	2012	2013	2014	2015E	2016E
Sales (£m)	194.3	194.4	187.9	188.8	202.2
EBITDA (£m)	6.3	6.9	7.3	8.6	10.2
Operating profit (£m)	5.4	6.0	6.6	7.6	9.2
Underlying PBT (£m)	4.6	5.4	6.1	7.1	8.6
EPS (p)	5.0	6.2	8.0	8.7	10.0
DPS (p)	0.4	0.4	0.7	0.7	0.7
Net debt/EBITDA (x)	2.3	2.2	1.3	1.1	0.9
P/E (x)	20.4	16.4	12.7	11.7	10.2
EV/NFI (x)	9.7	9.0	7.7	6.5	0.8
EV/EBITDA (x)	9.7	9.0	7.7	6.8	0.9
FCF Yield (%)	(1.7)	7.7	10.1	9.0	9.0
Dividend Yield (%)	0.4	0.4	0.7	0.7	0.7

Source: Hardman & Co Research

Analyst
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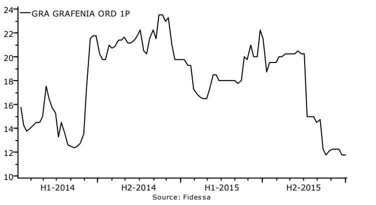
Support Services



Source: Fidessa

Price (p)	**11.5**
Mkt cap (£m)	5.3
Shares (m)	46.0
Market	London AIM
Broker	N + 1 Singer
Website	www.grafenia.com

Description: Printing for SMEs via franchise offices and online. 90% UK.

Grafenia (GRA)

The annualised monthly run rate at Marquetspace has doubled from £1m in March (reported with the finals) to £2m reported with the results in November. Having that solid momentum, we would anticipate good follow through in this important newer initiative. This is important as it will show that Grafenia, in brief, has traction in restructuring the world of print and web marketing for companies and has found a suite of products attractive – especially to medium and smaller company clients. The Grafenia balance sheet held no debt / cash at end September balance sheet, since when a subsidiary was sold for €2.35m.

- Grafenia in brief has traction in restructuring the world of print and web marketing for companies. It has taken significant investment and time and the non-growth Dutch business disposed was profitable so we anticipate onlymodest profits this year. But the 'sunk investment' we do see as starting to pay off.
- At the end of November the former CEO sold a further tranche of shares taking his holding to below a notifiable stake from 19% in October. On 10th November, Grafenia had purchased 1m shares at 13p. 46.1m shares are currently in issue.
- The acting CEO and CFO have been adding (a smaller amount) in recent weeks. This has been a difficult time for Grafenia and we note that whilst the shares fell 30% in October (trading update), in November and December the price fell from 13.5p to 12.5p, a resilient performance in the light of share transactions.
- Gross profit trends are rising and the group has invested in its significantly 're-engineered' future out of operating cash flow, so it has a variety of choices regarding the cash on its balance sheet following the disposal (at profit) of its Dutch business.

Financial summary and valuation

Year End Mar	2012	2013	2014	2015	2016E
Sales (£m)	21.8	20.7	19.4	17.0	
EBITDA (£m)	3.4	2.6	2.6	2.5	
Operating profit (£m)	1.3	0.9	0.8	0.9	
PBT Adj. (£m)	1.3	1.1	0.8	0.9	
EPS Adj. (p)	2.3	2.1	1.8	1.8	No Estimates At Present
DPS (p)	2.6	2.6	1.3	1.5	
Net (debt)/cash	1.8	1.4	1.4	1.3	
Net debt/EBITDA (x)	cash	cash	cash	cash	
P/E (x)	5.0	5.5	6.4	6.4	
EV/Sales (x)	0.2	0.2	0.2	0.2	
EV/EBITDA (x)	1.0	1.5	1.5	1.5	

Source: Hardman & Co Research

Analyst
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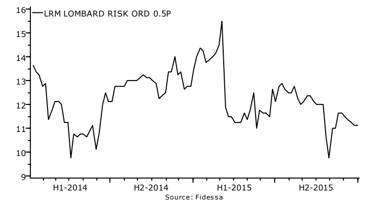
Software & Services



Source: Fidessa

Price (p)	**11.1**
Mkt cap (£m)	29.1
Shares (m)	263.4
Market	London AIM
Broker	Panmure Gordon
	www.lombardrisk.com

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

Analyst
Mike Foster 020 7148 0545
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Lombard Risk Management (LRM)

The new Lombard Risk CEO, Alastair Brown, has joined the Board as of 1st December. Alastair reports to Philip Crawford, the Executive Chairman for the remainder of the financial year to end March 2016, before the latter returns to his role as Non-Executive Chairman. Lombard Risk (LRM) is a business strong in technology IP which has a proactive sales structure.

- In August, LRM announced the appointment of a global sales and marketing director, and at an earlier stage a senior director for US sales and marketing was appointed. We would anticipate the new CEO to add further weight to the importance of monetising the IP strength, accelerating sales growth. We note the sales CAGR of LRM over the past five years is high teens %. This is a growth story, combining software development with specifically targeted, direct and indirect sales deployment to support high revenue growth in the future. LRM suite of products addresses very large and growing markets. This incrementally enhanced senior sales force is doing three things.

- First, the software product range has increasingly structured suites offering tailored functionality and value to suit the variety of potential clients. We suspect this range of clients is expanding. Certain products are hosted by the clients, some, increasingly cloud SaaS. Here, LRM has a history of circa half its income coming from repeat (typically monthly) payments, clients effectively paying for service in maintenance and product support. The increasing quantum to come from contracts being configured through SaaS is important for sales momentum and future visibility. Cloud SaaS is incremental to the existing ‘rolling payment’ contracts.

- Secondly, the increasing importance of partners is important to accelerating current revenue growth rates.

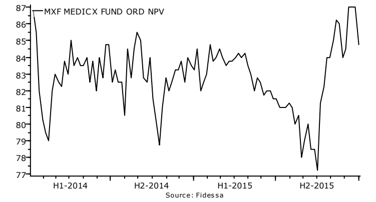
- Thirdly, LRM has always been a global business but it is noteworthy that Far East and US are both growing well in more recent years. There has been significant further positive sales momentum announced in early November in US and Canada (replacing established and blue-chip competitors).

Financial summary and valuation

Year End Mar	2012	2013	2014	2015	2016E
Sales (£m)	12.8	16.8	20.4	21.5	23.5
EBITDA (£m)	3.0	5.3	6.0	4.4	5.2
Operating profit (£m)	2.5	4.0	4.5	2.3	1.5
PBT (£m)	2.5	3.9	4.4	2.3	1.5
EPS (p)	1.1	1.7	2.1	0.8	0.5
DPS (p)	0.055	0.065	0.075	0.080	0.090
Net (debt)/cash (£m)	(2.4)	0.2	2.3	2.2	3.0
Net debt/EBITDA (x)	nm	(0.0)	(0.4)	(0.5)	(0.6)
P/E (x)	10.3	6.5	5.3	13.8	-
EV/Sales (x)	2.5	1.7	1.3	1.3	1.1
EV/EBITDA (x)	10.5	5.5	4.5	6.1	5.0
FCF Yield (%)	(5.8)	4.5	(1.7)	0.7	(3.4)

Source: Hardman & Co Research

Real Estate



Source: Fidessa

Price (p)	**85.0**
Mkt cap (£m)	308.9
Shares (m)	363.4
Market	London Full List
Broker	Canaccord Genuity
	www.medicxfund.com

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

MedicX Fund (MXF)

Last month's results were good: in line with expectations, bar a somewhat higher level of revaluations, net debt £10m below our estimates and a broadly one-off tax change (vs the normal nil payable). We are maintaining our confidence of further acquisitions in FY16, indeed raising expectations slightly (to £70m). We therefore see a slightly higher year end 2016 debt (vs expectations) and slightly higher interest cost. This translates therefore to slightly lower PBT. Nonetheless, the scope for revenue growth may well be higher than our estimates if – as we expect – acquisitions are of somewhat higher yield stock for development, which is available in Republic of Ireland. We consider MedicX has medium term scope to raise EPS (ex revaluations) on a sustainable basis at 7% pa.

- ► Our 11% FY16E EPS progression (ex revaluations) is principally driven by the absence of tax charge in FY16 vs FY15, but we consider this to understate the potential from growth in rental income, especially from Ireland. MedicX is growing its portfolio – and we anticipate a boost to that rate of growth next calendar year, particularly from Republic of Ireland.
- ► We consider MedicX has medium term scope to raise EPS (ex revaluations) on a sustainable basis at 7% pa. On a whole-year run-rate basis, were MedicX to grow through £40m expansion in ROI assets and £30m expansion in UK assets and even if debt funding costs were not to fall (incremental cost of debt is below average cost of existing debt), EBITA would rise some £3.7m, interest (at 50% LTV) £1.5m, share issuance £35m (which would increase shares in issue by 12%). With FY15E PBT (excluding revaluation) of £13.5m, EPS 3.4p, this notional annual PBT uplift, added to an assumed 1% rate of rental inflation, would be 19% giving rise to a 7% EPS rise (post the dilution from the new shares issued to fund the equity portion of the funding of the acquisition).
- ► We consider that in due course rental inflation will rise, so even if expansion in the higher yielding ROI jurisdiction does not continue beyond an initial £100m or so, that underlying rate of illustrative 7% EPS growth would be achievable for a number of years, not dependent on acquisition of higher-yielding assets.

Financial summary and valuation

Year End Sep	2012	2013	2014	2015E	2016E
Income (£m)	16.6	25.5	29.5	33.7	38.2
Operating profit (£m)	12.2	20.2	21.8	27.3	30.1
Interest (£m)	(7.1)	(11.0)	(13.0)	(13.8)	(16.5)
Declared profit	2.6	9.7	20.4	39.1	23.5
PBT Adj.(i.e. pre revaln) (£m)	5.0	9.8	10.7	13.5	14.0
EPS Reported (p)	1.1	3.6	5.9	9.9	6.4
EPS Adj. (p)	2.1	3.6	3.1	3.4	3.8
DPS (p)	5.6	5.7	5.8	5.9	6.0
Property acquisitions	145.2	95.0	65.0	21.0	70.0
Net (debt)/cash (£m)	(190.0)	(246.7)	(255.2)	(281.5)	(354.6)
Dividend Yield (%)	6.6	6.7	6.8	6.9	7.1
Price/NAV	1.34	1.35	1.30	1.20	1.16

Source: Hardman & Co Research

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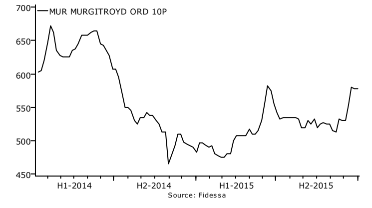
Support Services



Source: Fidessa

Price (p)	**579.1**
Mkt cap (£m)	51.7
Shares (m)	8.9
Market	London AIM
Broker	N+1 Singer
	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.

Analyst
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Murgitroyd (MUR)

Results are due in a month: six months to November. Last year's interims were in line with expectations with the anticipated growth in US revenue matching declines elsewhere (in £ terms).

- We estimate H1 to record unchanged PBT: £2.0m, from revenues up 2% at £19.5m. There is some scope for slightly higher profits. GBP vs EUR is nearly 10% higher, constituting a headwind to Murgitroyd reported revenues, but US$ has strengthened over 5%. Year on year the FX effect on the previous year's interims was a circa 5% weakness in €. This six month period has been slightly more extreme with average rates in the period some 9% weaker. Turning to the US$, Sterling has weakened slightly in the interims to be reported vs a year previously – by some 5%, with the prior period seeing similar slight Sterling weakness. Overall therefore there are modest currency headwinds (Murgitroyd trades in a large range of currency jurisdictions and with costs also spread) but we do anticipate revenue to be unchanged H1, with a modest rise H2 to come.

- Margins were under particular pressure 2H14 and 1H15 (i.e. calendar 2014), with slight recovery in place from the start of calendar 2015. We see no reason for that modest trend not to continue this year and into next.

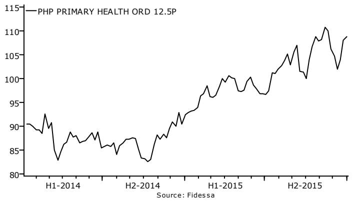
- The USA is continuing a strong driver: it constituted 39% of total sales 1H15, up 22%. With Continental Europe holding up reasonably and (we believe) Japan not falling too far, the US momentum will keep group revenue positive. Murgitroyd is managing cost pressures and passing benefits to clients. Dividends and cash generation are strong. With no debt there is scope for acquisitions in a fragmented industry, though this is not assumed in our estimates.

Financial summary and valuation

Year End May	2012	2013	2014	2015	2016E
Sales (£m)	35.7	36.0	38.4	39.8	41.0
EBITDA (£m)	4.7	4.9	4.6	4.5	4.9
Operating profit (£m)	4.5	4.7	4.2	4.2	4.4
PBT (£m)	4.4	4.6	4.2	4.2	4.4
EPS (p)	35.8	37.5	33.6	34.5	36.3
DPS (p)	12.0	12.5	13.3	14.8	16.0
Net (debt)/cash (£m)	(4.6)	(3.2)	(0.4)	0.7	1.5
Net debt/EBITDA (x)	1.0	0.7	0.1	(0.2)	(0.3)
P/E (x)	16.2	15.4	17.2	16.8	16.0
EV/Sales (x)	1.6	1.5	1.4	1.3	1.2
EV/EBITDA (x)	11.9	11.2	11.3	11.3	10.3
FCF Yield (%)	4.6	3.5	4.8	4.6	5.6

Source: Hardman & Co Research

Real Estate



Source: Fidessa

Price (p)	
Mkt cap (£m)	
Shares (m)	
Market	London Full List
Broker	Numis Securities/Peel Hunt
	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.

Primary Health Properties (PHP)

On 11th November, PHP shares' subdivision became effective: investors hold four for every one which used to be held. Separately, the resolution to pay dividends quarterly has been confirmed. The dividend is now fully covered and has a clear scope to continue to grow steadily.

- Risks: there is no rental or void risk, but some exposure to future interest rate rises. LTV is in mid 60s% but an increasing amount of the debt is unsecured, giving good flexibility.
- It is the Board's current intention that the first quarterly interim dividend will be 1.28125 pence per New Ordinary Share equivalent to 5.125 pence per old share. Payment of such dividend will be confirmed in early January 2016 and is expected to be paid in early February 2016. Subsequent quarterly payments are expected to be made in May, August and November.
- This sector has seen some asset price inflation, but, so far, modest. This is as a result of the double quirks or lot size and NHS funding. 1) the typical lot size for an asset is £3-10m. Very few assets therefore are of the size that would attract institutional investors on their own. Larger non specialist investors seek larger portfolios and few of these are available. 2) Modest NHS funding of the construction of new assets means there is a very small universe of 'comparable' new properties and these are the ones used locally to determine rental uplifts – which are negotiated every three years. Rent rises are ultimately driven by construction cost rises and on that basis, we not construction costs are probably high teens % (or more) above levels pertaining to many of the rents struck. Good reversionary potential has built up.

Financial summary and valuation

Year End Dec	2012	2013	2014	2015E	2016E
Income (£m)	33.1	42.0	60.0	62.9	67.5
Operating profit (£m)	27.9	35.5	52.5	55.3	59.8
Interest (£m)	(21.8)	(26.9)	(35.5)	(34.1)	(35.5)
Declared profit	1.1	20.2	36.9	49.9	34.3
PBT Adj.(i.e. pre revaln) (£m)	7.3	9.5	18.2	21.2	24.3
EPS Reported (p)	0.4	5.7	8.3	11.2	7.5
EPS Adj. (p)	2.5	2.7	4.1	4.8	5.3
DPS (p)	4.6	4.8	4.9	5.0	5.1
Property acquisitions	98.0	291.0	75.0	40.0	80.0
Net (debt)/cash (£m)	(378.0)	(587.0)	(655.0)	696.0	756.0
Dividend Yield (%)	4.3	4.5	4.6	4.7	4.8
Price/NAV	1.82	1.56	1.54	1.42	1.36

Source: Hardman & Co Research

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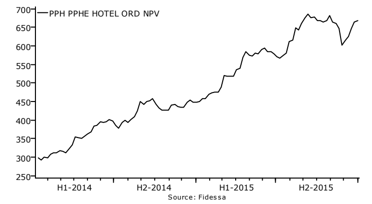
Travel & Leisure



Source: Fidessa

Price (p)	**671.5**
Mkt cap (£m)	278.9
Shares (m)	41.5
Market	London (Main)
Broker	finnCap & Oriel
	www.pphe.com

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

PPHE Hotel Group (PPH)

PPHE, the owner and operator of Park Plaza hotels in Europe, reported excellent interim results and later confirmation of Q3 progress while its key projects are on time and within budget, with openings scheduled for 2016. The share price was up strongly in December, but merely recovering a dip on the back of the Q3 trading statement, which unusually for PPHE did not result in any further upgrades. PPHE continues to trade at significant discounts to the real NAV and to its peers.

- **Positive Interims:** Interim results easily beat expectations: revenues of €141m surpassed our €134m estimate and EBITDA of €48.4m was similarly better than our €45.8m estimate. Revenue growth of 12% yoy was boosted by the weakness of the Euro (translating £ sales).

- **Investing for the future:** Over the next two years, PPHE plans to add 1,000+ rooms to take the portfolio to c10,000 rooms by 2019, and to refurbish a significant element of its city centre assets. This programme should create a significant uplift in the value of the asset base, whose current value is not reflected in the share price.

- **Crystallising Value:** The company alluded in the results to measures to crystallise shareholder value: *"The Company is continuing to consider the release of part of the value of its hotel assets, whilst retaining operational control."* We see this as potentially positive for the shares, as the current price does not reflect even the value of the current portfolio, and the c€200m development programme will add significant incremental value.

- **Valuation:** The stock is trading at c.end-2015 book value, which does not reflect the real value of the assets. Although the investment case continues to gain traction, the share trades at a significant discount to asset value, and offers an attractive dividend yield which is well covered and should continue to grow.

Financial summary and valuation

Year end Dec (€m)	2011	2012	2013	2014	2015E
Sales (€m)	242.1	244.8	270.4	296.8	309.8
EBITDA (€m)	85.6	82.6	94.8	106.3	110.2
Operating profit (€m)	55.1	56.2	67.5	76.3	79.2
Underlying PBT (€m)	18.4	27.3	41.6	37.3	39.2
EPS (€)	0.44	0.65	0.98	0.88	0.93
DPS (p)	12.0	14.0	19.0	20.9	23.0
Net (debt)/cash (€m)	-	(483.0)	(483.1)	(575.4)	(597.7)
Net debt/EBITDA (x)	-	5.8	5.1	5.4	5.4
P/E (x)	20.0	13.6	9.0	10.0	8.4
EV/Sales (x)	1.5	3.5	3.1	3.2	3.0
EV/EBITDA (x)	4.3	10.3	9.0	8.9	8.4
Dividend Yield (%)	1.8	2.1	2.8	3.1	3.4

Analyst
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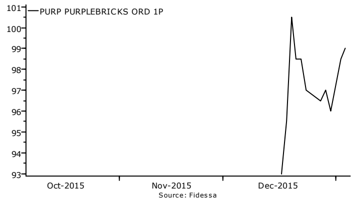
Software & Computing Services



Source: Fidessa

Price (p)	**0.98**
Mkt cap (£m)	2.35
Shares (m)	240.0
Market	AIM
Broker	Charles Stanley
	www.purplebricks.com

Description: Purplebricks is the fourth largest estate agency in the UK. It has a unique hybrid model combing the convenience of online tools with local property expertise. Customers can add ancillary services to the basic fixed fee.

Purplebricks Group (PURP)

Purplebricks is a 24 hour estate agency, combining technology and customer facing software with local property experts (LPEs) to create something better, more convenient, transparent and significantly cheaper for sellers and landlords. Since launch in April 2014 it has captured over 60% of the the online market and even become the 4th largest UK estate agent. Its first mover advantage provides substantial scope for growth and suggests the share valuation is modest. Moreover, the management team have extensive public company experience, estate agency expertise and a track record of building fast-growing businesses. These metrics have supported a successful IPO in December, raising £22.8m net new money (£58m in total) to enhance strong growth.

- This is a hybrid model. Purplebricks has no high street offices but is in no way ‘virtual’, as intrinsic to the model and success to date are LPEs (licenced by Purplebricks), trained professionals, who benefit from the model too in their own career aspirations. It has over 170 of these, up from c.30 a year ago.
- There is very significant growth potential. Since September 2015 Purplebricks has led in Google searches for ‘high street’ agents – ahead of Foxtons, Connells, Haart and many others. This translates to a clear ‘breakout’ in sales growth – which we consider can be kept at over 30% pa for each year in model and beyond.
- Clearly this is early days with a fair bit to prove. The momentum in taking pole position in this robust hybrid model is crucial and extremely supportive.

Financial summary and valuation

Year end Sep (£m)	2015	2016	2017	2018E	2019E
Sales (£m)	3.4	17.8	49.2	71.2	100.0
EBITDA (£m)	(5.4)	(10.7)	8.0	18.9	34.0
Operating profit (£m)	(5.4)	(10.7)	8.0	18.9	34.0
PBT (£m)	(5.4)	(13.1)	8.0	18.9	34.0
EPS (p)	na	na	3.3	7.1	10.7
DPS (p)	-	-	-	-	-
Net (debt)/cash (£m)	4.6	27.3	35.6	54.7	60.0
Net debt/EBITDA (x)	na	na	na	na	na
P/E (x)	na	na	0.3	0.1	0.1
EV/Sales (x)	(0.7)	(1.4)	(0.7)	(0.7)	(0.6)
EV/EBITDA (x)	0.4	2.3	(4.2)	(2.8)	(1.8)
FCF Yield (%)	127.6	977.9	340.1	807.8	1,403.1

Analyst
Mike Foster 020 7148 0545
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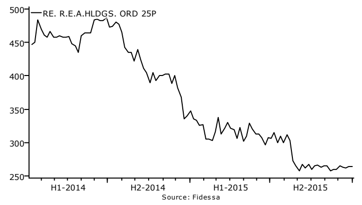
R.E.A. Holdings (RE.)

Food Producers



Source: Fidessa

Price (p)	**257.00**
Mkt cap (£m)	89.83
Shares (m)	35.0
Market	London Main List
Broker	Mirabaud Securities
	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

On 17 December, REA issued a further £5m of 8.75% Sterling Notes 2020 at a price of £0.97 per £1.00 nominal amount.

- Of which £3.5m was placed by Guy Butler Limited
- £1.5m was subscribed by R.E.A. Services Limited
- This will be consolidated into a single series with the £26.85m raised in September as part of the refinancing programme, which will amount to £31.85m in total.

The company has been buffeted by the weakness in the international price for palm oil commodities so the £4.561m of gross proceeds raised will see net debt: equity reduce to circa 60%.

The company is focused on the further planting of its significant land bank (108,000 ha) of which we expect some 37,600 ha to be planted by end 2015. REA is ambitious to plant a further 4,000 ha in 2016, but ultimately this will depend on a variety of factors including weather conditions and funding capacity.

While the period 2012-2014 was impacted by a series of disputes with local communities, community relations now appear to be on a sounder basis, helped in part by the fact that 3,036 families are now drawing electricity from the electricity generating capacity installed alongside the group's mills, drawing energy from methane production from palm oil mill effluent (POME). Some 12,400 families are scheduled to be connected to REA sourced power and ultimately it is hoped that the mills will supply power directly into the national grid. The ability to generate and supply electricity provides REA with a new revenue source (we are forecasting a contribution of some $0.5m to revenues in 2015), which over time could become meaningful and important. It also underscores the company's efforts to produce palm oil sustainably and to valorise all aspects of its business operations.

The company has announced that it is seeking a strategic investor. In the context of a significant land bank, strong sustainability credentials and a low cost of production, it should be attractive to larger and perhaps integrated palm oil producers in the region.

REA's 9% cumulative preference shares price has plunged 36% in the last six months, down to 75.8p at the time of writing. This implies a dividend yield of 12%.

Financial summary and valuation

Year End Dec	2012	2013	2014	2015E	2016E
Sales ($m)	124.6	110.5	125.9		
EBITDA ($m)	45.0	38.8	42.7		
Operating profit ($m)	37.8	28.1	32.1		
PBT ($m)	30.6	25.2	23.7		
EPS (c)	33.9	15.8	40.3	Estimates	Estimates
DPS (p)	7.00	7.25	7.75	Under	Under
Net (debt)/cash ($m)	(140.5)	(164.4)	(179.2)	Review	Review
Net debt/EBITDA (x)	3.1	4.2	4.2		
P/E (x)	1.0	2.2	0.9		
Dividend Yield (%)	30.7	31.8	34.0		
EBITDA Margin (%)	36.2	35.1	33.9		
Planted Hectare (ha)	36,794	34,062	34,614	37,614	41,614

Source: Hardman & Co Research

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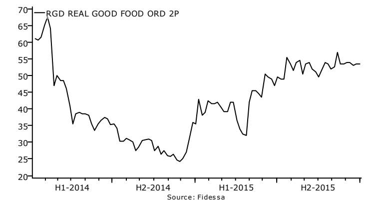
Food Producers



Source: Fidessa

Price (p)	
Mkt cap (£m)	
Shares (m)	
Market	London AIM
Broker	Shore Cap
	www.realgoodfoodplc.com

Description: Specialist food manufacturing.

Real Good Food (RGD)

November Interim results were in line with expectations, albeit interest cost slightly higher due to a £0.9m redemption fee on a loan note relating to Napier Brown (in this transitional period including part with the now disposed Napier Brown). H2 will be marked by a strong cash inflow from unwinding working capital. We anticipate Real Good Food will be slightly cash positive at the year end March 2016. The key issue is to trade on the rising margin trend we anticipate, maximizing the value added from the routes to markets which Real Good Food dominates.

► On 10th December, Real Good Food acquired ISO2 Nutrition for a nominal amount. The benefit will accrue to Garrett by continuing its move to more value added (non-commodity) business lines.

► Real Good Food has transformed its prospects through corporate action over the past nine months. The market has yet to catch up with this. Importantly, the mix of business is biased to higher margin and growth markets. For example, Renshaw (72% Group operating profits) reported H1 10.8% operating margins up from 9.3% through a focus on sales mix. We therefore see good margin expansion for FY16E and strong prospects thereafter. Trading in the seasonally important Q3 has seen "strong sales trends… at Haydens Bakery and Cake Decorating Businesses."

► Renshaw currently is the largest driver to Real Good Food. Pre the interim results we had anticipated that for FY17E, pre central costs, Renshaw operating profits are anticipated to be £6.7m. We maintain this estimate. This 14% rise vs FY16E is driven by an estimated 10% rise in sales. Operating margins for this division in FY17 are estimated at 12.4%, up from 11.0% in FY15. There is a significant element of sales through specialist channels, which support the robust operating margins.

Financial summary and valuation

Year End Mar	2013	2014	2015	2016E	2017E
Sales	265.7	272.6	232.9	112.0	125.2
EBITDA	10.0	2.7	1.1	7.5	9.6
Operating profit	8.0	0.5	(1.2)	5.7	7.5
PBT	6.5	(1.2)	(3.2)	5.2	7.3
EPS (p)	7.0	(0.4)	(4.1)	5.1	7.4
DPS (p)	-	-	-	-	0.2
Net (debt)/cash (£m)	(25.0)	(31.3)	(30.1)	2.0	5.1
Net debt/EBITDA (x)	2.5	11.6	27.4	(0.3)	(0.5)
P/E (x)	7.7	-133.8	n.a.	n.a.	7.2
EV/Sales (x)	0.2	0.3	0.3	0.3	0.3
EV/EBITDA (x)	6.2	25.4	61.2	4.7	3.3
FCF Yield (%)	-16.4%	3.0%	-16.6%	-10.7%	18.0%

Source: Hardman & Co Research

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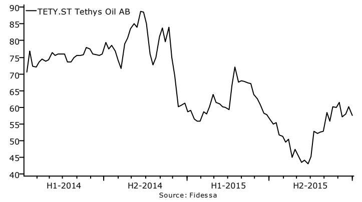
Oil & Gas



Source: Fidessa

Price (SEK)	**57.0**
Mkt cap (MSEK)	2026
Shares (m)	35.5
Market	First North, Stockholm
Broker	Remium
	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.

Analyst

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Tethys Oil AB (TETY)

A quiet end to an operationally successful year for Tethys with macro market news dominating headlines at the end of 2015. We look forward now to 2016 as Tethys continues its exploration and development work in Oman and testing in Lithuania. Obviously the Oil price softened towards the end of December – following a pattern we have saw before in 2008, reaching its nadir close to Christmas when the market was at its least liquid. Prices still remain soft but they have since recovered slightly on the increasing discord between Iran and its neighbours.

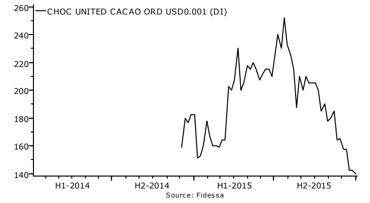
- Tethys' share of the production for October 2015 was 306,367 barrels of oil, (9,883 bopd) against a November production share of 331,762 barrels of oil (11,059 bopd). Variant, but oscillating around recent levels.
- A nomination committee for the AGM 2016 has been appointed consisting of Erik Norman, Mikael Petersson, representing Lansdowne Investment Company Limited, Niklas Antman, representing Incentive AS Dennis Harlin, chairman of the board Tethys Oil AB.
- At the nomination committee's first meeting, Erik Norman was elected as chairman of the nomination committee.
- The AGM 2016 is planned to be held in Stockholm, Sweden, on 18 May 2016.

Financial summary and valuation

Year End Dec	2011	2012	2013	2014	2015
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)	30.1	7.0	9.4	6.5	-
Cash TSEK	93	248	295	347	-
Shareholders Equity TSEK	456	860	1,100	1,675	-

Source: Hardman & Co Research

Food Producers



Source: Fidessa

Price (p)	**122.50**
Mkt cap (£m)	22.79
Shares (m)	18.60
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.

United Cacao Limited SEZC (CHOC)

On 27th Oct UCL completed a subscription for $6.08m of 7.00% secured convertible bonds, maturity date of 30th Jun '19. Also on 27th Oct, UCL announced that it had completed an equity placing in Peru to new institutional and family office investors to raise $1.28m before expenses. The net proceeds of the Bond Issue, in conjunction with the Company's existing cash resources (including that cash received from the Equity Placing), will be used to:

- finance the ongoing planting of UCL's cacao plantations
- partly fund the roll-out of the local out grower programme
- provide working capital.

The Convertible Bond Issue – UCL announced that it had secured commitments for $6.08m of the total $10m fundraising from new and existing investors ("Tranche One"), including commitments from the Chairman and CEO, Dennis Melka, to subscribe for $1.075m and from Non-Executive Director, Constantine Gonticas, to subscribe for $0.2m. UCL and Mr. Melka have also entered into a call option arrangement pursuant to which the independent Directors may call upon Mr. Melka to subscribe for up to a further $2m of the Bonds ("Tranche Two").

At maturity, Bondholders may choose to either convert at a conversion price of US$3.40/share (approx. 222p) or to redeem in cash. The Bond Issue is conditional on admission to trading of the Bonds on the ISDX Growth Market by 30 Nov '15 (Tranche 1) and 14 Jul '16 (Tranche 2).

The Equity Placing – The placing in Peru to raise $1.28m, saw the issuing of 474,074 new ordinary shares at a placing price of $2.70 (approx. 176p) for an effective discount of approx. 7.4% to the closing middle market price (190p) on 26 Oct '15 (and a 35% premium to the price per share at Admission on 2 Dec '14 (128p)). Dennis Melka subscribed for 4,074 Shares in the Placing. Following the Equity Placing, Mr Melka is directly and indirectly interested in 5.2m Ordinary Shares representing 27.46% of UCL's currently issued share capital.

UCL seeks to be the world's largest and lowest cost producer of cacao when the planting of its owned estates is completed in 2017. The global supply and demand profile for cocoa remains tight with more than 71% of supply comes from West Africa. ICCO is anticipating that global supply will total c. 4.16m MT in 2014/15 as compared with c. 4.37m MT in 2013/14. Against this background cocoa price has been trading between $2,600 and $3,375/mt in the past 12 months.

Financial summary and valuation

Year End Dec	2014	2015E	2016E	2017E	2018E
Sales ($m)	-	0.0	0.5		
EBITDA ($m)	(2.5)	(2.6)	(3.3)		
Operating profit ($m)	(2.5)	(2.8)	(3.6)		
PBT ($m)	(2.5)	(2.8)	(4.0)		
EPS (c)	(18.0)	(7.5)	(14.5)		
DPS (p)	-	-	-		
Net (debt)/cash ($m)	6.0	5.9	1.1	No Estimates At Present	No Estimates At Present
Net debt/EBITDA (x)	-	-	-		
P/E (x)	-	-	-		
Dividend Yield (%)	-	-	-		
EBITDA Margin (%)	-	-	-		
Planted Hectare (ha)	556	na	na		

Source: Hardman & Co Research

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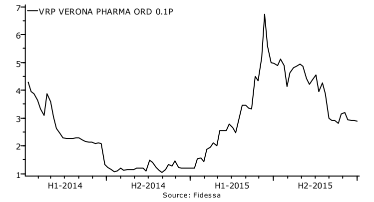
Pharmaceuticals & Biotech



Source: Fidessa

Price (p)	**2.9**
Mkt cap (£m)	29.3
Shares (m)	1009.9
Market	AIM
Broker	N+1 Singer
	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 Pharma (VRP)

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. Positive trial outcomes with RPL554 in COPD patients are a further step in the de-risking of the product and augur well for the larger Phase IIb trial planned for 2016. Despite continuing postive trial news, the stock has faced some profit taking in the wake of the US biotech correction. Median prices paid for Phase II respiratory assets have headline valuations of $285m (£190m), equivalent to 19p per share.

- **RPL554 in asthma:** A Phase IIa trial in 29 mild-to-moderate asthma patients commenced in June 2015 and was fully recruited early November 2015. In this cross-over study, patients received a single dose of nebulised RPL554, two doses of nebulised salbutamol, or placebo. Data are due during 1Q 2016.
- **RPL554 in COPD:** Recruitment of 30 patients into a double-blind cross-over Phase IIa COPD study completed November 2015. Patients received RPL554 or placebo in addition to standard of care bronchodilators to identify whether RPL554 produces an additive bronchodilatory effect. Results due 2Q 2016.
- **RPL554 in cystic fibrosis:** Presentation of data showing RPL554 stimulated CFTR in a pre-clinical model was presented at the North American Cystic Fibrosis Conference in Arizona. Also, RPL554 activation is mediated by its inhibition of PDE4 in cells from cystic fibrosis patients with the R117H/F508del mutation.
- **Valuation:** About £18m has been invested in R&D to get VRP where it is today, compared to an EV of £23m. Positive outcomes from these ongoing trials with RPL554, would represent major value inflection points and progress the interest of pharmaceutical majors towards a commercial licensing deal.
- **Investment summary:** Historically, efficacy of PDE inhibitors has been positive, but putative drugs have failed due to side effects. To date, trial results with the new formulation of RPL554 have exceeded expectations, which augurs well for the extended Phase II data emerging during 2016. With big pharma constantly searching for new respiratory assets, RPL554 will definitely be on the radar.

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Financial summary and valuation

Year end Dec	2012	2013	2014	2015E	2016E	2017E
Sales	0	0	0	0	0	0
Royalties	0	0	0	0	0	0
Underlying EBIT	-2,585	-2,630	-3,601	-8,585	-4,164	-4,418
Reported EBIT	-2,653	-2,817	-3,793	-9,102	-4,556	-4,831
Underlying PTP	-2,565	-2,627	-3,571	-8,543	-4,160	-4,491
Statutory PTP	-2,633	-2,814	-3,7 63	-9,060	-4,552	-4,902
Underlying EPS (p)	-0.8	-0.7	-0.3	-0.7	-0.3	-0.4
Statutory EPS (p)	-0.8	-0.7	-0.3	-0.8	-0.3	-0.4
Net (debt)/cash	961	604	9,970	2,188	-1,193	-4,579
Shares issued	1,002	1,802	13,103	100	100	100
P/E (x)	-	-	-	-	-	-
EV/sales (x)	-	-	-	-	-	-

Source: Hardman & Co Research

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