FTSE SMALL CAP – Complete individual stock analysis (one by one) – Small caps are a binary story!

Introduction

When it comes to investing, I tend to agree with Charlie Munger: "All you need in life is a few good investments". That's it.

However, the difficulty comes in finding a few great investments, separating them from the crowd and, the most difficult part, buying big when the price is right.

I believe that one can buy big when the price is right if one knows:

- What is one's expected investment return? If you wish for investment returns of 10%, you need to find great businesses that create at least 10% of their stock price in new value for the owners.
- What is a 'great business'? For me, a great business, is a business that has a competitive advantage, is likely to continue to expand thanks to it, operates in a sector with positive structural tailwinds and has a strong balance sheet that allows it to weather all kind of short-term economic or other pressures.
- Where to look for great businesses that offer double digit business yields? Well, if it would be easy to find them, everybody would find them. Therefore, the only option is to go through long lists of businesses, one by one. Fortunately, the above criteria quickly eliminate 99% of the candidates so it actually isn't an endless quest. All you need is a few.

With the above motto 'all I need is a few' I will analyse all the businesses included in the FTSE Small Cap, one by one, to find those that might fit the above strict criteria. I am happy in finding a few good businesses per year. I put those on my covered businesses list and closely follow them. When their price gets to the right level, I buy. This makes investing much easier in comparison to chasing various possible trades or short-term benefits. In a world where most invest in index funds or quick trades, nobody looks at the potential a business will have in 2025. This is our advantage and therefore meticulous research is what can lead to extraordinary returns over the long-term. Let's start.

I'll mark the interesting businesses as: 'Could be a gem' – this should facilitate your search.

I will not analyse trusts and funds or funds of funds. Unfortunately, there are many of those within the index so the indirect fees you are paying as an owner are staggering.

CONCLUSION

I've never seen so much value destruction as within this small cap list. It is absolutely insane what kind of companies go public, what are the risks taken and what are the results. At the first sign of growth, or temporary profitability, a company goes public, the owners cash out, and then it is mostly downwards. Selling promises, and humans love buying promises. So, there will always be a market for hot small-caps. However, I would urge people to look at this small cap cemetery, sorry, small cap report before investing in a new hot IPO.

Some good businesses, to be analysed, but maybe 10 out of 250 to dig deeper into. Hopefully there will be one to follow.

It is actually a binary story when it comes to small-caps, they either go bust or really compound. However, on average I found 5 that go bust versus 1 that compounded and became a 10 bagger since 2009/2010, but didn't go far since 2007. Very crazy but interesting environment, some gems might be found by digging through all the garbage, or better to say rubbish.

Contents

888 - 888 Holdings – ONLINE GAMES AND GAMBLING – ACQUISITION DRIVEN

One of the most popular online gaming businesses. Revenues haven't been growing, duties can always be increased, customers are expensive to acquire and you can hardly have a competitive advantage when being an online gaming business. Globalcom, Cashcade is not what I consider brands that stick. Further, 37% of business is still unregulated, growth is created thanks to M&A.

PROFIT AND LOSS ACCOUNT [1]

$US Millions	H1 2019	H1 2018
Revenue	**277.3**	**283.9**
VAT accrual release[2]	-	10.7
Revenue (excluding VAT accrual release)	**277.3**	**273.2**
Operating expenses[3]	71.5	70.4
Gaming duties	44.9	37.8
Research and development expenses	18.3	16.6
Selling and marketing expenses	84.3	82.7
% of Revenues	30%	30%
Administrative expenses[4]	16.5	13.3
Adjusted EBITDA[2,4]	**41.8**	**52.4**
% of Revenues[5]	15%	19%
Depreciation and Amortisation	12.4	10.1
Finance	2.0	(0.2)
Adjusted Profit Before Tax	**27.4**	**42.5**
Taxation	2.5	4.7
Adjusted Profit After Tax	**24.9**	**37.8**
Adjusted Basic EPS[5]	**6.7 ¢**	**10.5 ¢**

- Figures shown before the impact of IFRS 16
- Higher gaming duties at $45m impact adjusted EBITDA margin
- Stable marketing ratio despite 20% increase in new customer acquisition
- Adjusted EBITDA after IFRS 16 $45m
- Higher amortisation at $12.5m due to acquired Costa customer list

[1] Totals in this presentation may not sum due to rounding and are excluding the impact of IFRS16 [2] US$10.7 million in respect of one-off VAT accrual release in H1 2018. [3] Excluding depreciation of $3.1m (H1 2018: $2.5m) and amortisation of $9.3m (H1 2018: $7.6m) [4] Excluding share benefit charges of $3.3m (H1 2018: $5.0m) [5] As defined in 2019 Half yearly financial review

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Source: [888 Holdings Investor Presentation]

The M&A strategy makes this a very risky business as 55% of assets is in the form of goodwill and intangibles.

BALANCE SHEET

$US Millions Period Ended 30 June	H1 2019	H1 2018
Non-current assets		
Goodwill and other Intangible assets	242.0	160.2
Right-of-use assets	26.1	-
Property, plant and equipment	13.4	8.4
Other non-current assets	2.6	2.3
Investments	1.1	1.2
Current assets		
Cash and cash equivalents	111.0	143.6
Trade and other receivables	43.8	44.5
Short term investments	0.0	0.0
Total Assets	**440.0**	**360.2**
Equity		
Share capital and share premium	6.9	6.9
Retained earnings, reserves and treasury shares	145.6	124.9
Total equity attributable to equity holders	152.5	131.8
Liabilities		
Current liabilities		
Trade and other payables	140.5	125.6
Provisions	10.9	28.3
Tax liability	15.5	6.0
Customer deposits	57.4	65.6
Interest-bearing loans and borrowings	37.6	-
Severence pay liability	4.0	2.9
Non-current liabilities		
Interest-bearing loans and borrowings	21.6	-
Total equity and liabilities	**440.0**	**360.2**

- Unlevered balance sheet
- $26.1m right of use assets – a result of IFRS 16
- Increase in fixed assets partly relate to new Dublin data centre ahead of Brexit
- $21.6m interest-bearing loans relate to IFRS 16 future periods lease commitments
- $37.6m loans and borrowings include $5m IFRS 16 current period lease liability and RCF drawn $33m

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Source: 888 Holdings Investor Presentation

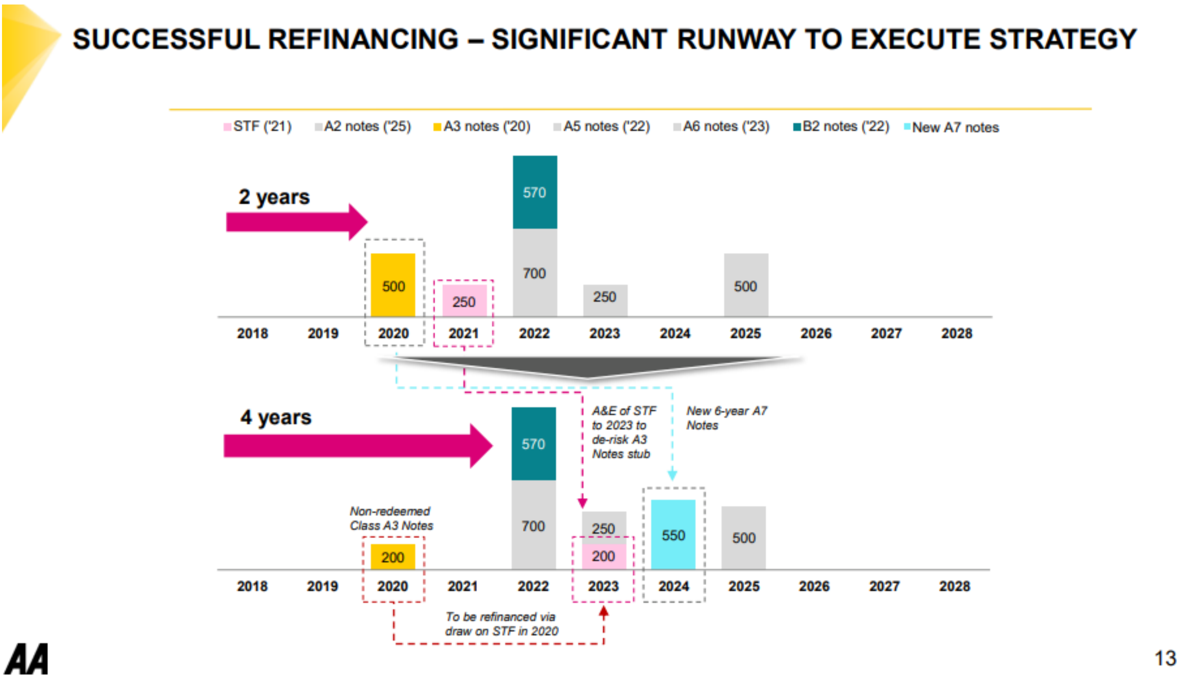
The 2018 dividend payment might make this a tempting investment, but it simply doesn't fit our requirements. Too risky, no moat, unhealthy growth model, too much intangibles. All of this from just scratching the surface.

Everything is possible, but I prefer not to put my hard-earned money is such businesses.

AA - AA Plc – TERRIBLE IPO, TURNAROUND WITH HIGH DEBT

AA is the market leader within the roadside recovery market. However, market competition is increasing and margins are going down. They say they have a competitive advantage but you don't see margins go down if you have an advantage. Since the IPO, AA shareholders haven't fared really well. Some are down almost 90%.

The company made free cash flow of £14 million in 1H 2019 while it has £1.27 billion to refinance in 2022. Any kind of UK economic slowdown and this could easily be a very bad bankruptcy.



Source: [AA Investor relations]

Given the debt, the uncertain outlook, this is not a great business to look for long-term investments.

AAS - Aberdeen Asia Focus Investment Trust – WATCH THE FEES AND FEES OF FEES

This and other are investment trusts, thus not really businesses. No point to analyse them. Further, when owning an index fund, you pay a fee. That index fund further invest in fund like trusts that charge an additional 1% management fee. So, don't ever trust the top line fee that you are paying when buying any kind of index fund or ETF, there is usually more. Might seem irrelevant, but it is hugely important over the long term. In this case some people are paying 1% for total diversification as the top position is just 4%.

TRUST BASICS

Benchmark:	Not Benchmarked
Annual management charge:	0.96% of Market Cap
Performance fee:	No
Ongoing charge:	1.24%
Dividend yield:	1.26%
Dividend frequency:	Annually
Total assets:	£414m
Gross gearing:	104%
Market capitalisation:	£352m
Shares in issue:	33.53 million
Legal structure	Closed Ended Investment Company
Domicile:	United Kingdom
ISIN	GB0000100767

14:40 - 21/10	Sell	1	1,031.05p	£10.31
14:40 - 21/10	Sell	5	1,031.05p	£51.55
14:07 - 21/10	Buy	112	1,039.44p	£1,164.17

Trades priced above mid-price at the time a trade is placed are assumed buys, those priced below are assumed sells. Trades priced close to mid-price or declared late are shown N/A. This is not a recommendation. More information.

More trades

TOP 10 HOLDINGS | TOP 10 SECTORS | TOP 10 COUNTRIES

Security	Weight
Bank OCBC NISP Tbk	3.98%
John Keells Holdings PLC	3.36%
Asian Terminals Inc	3.22%
Cebu Holdings Inc	2.92%
Hana Microelectronics PCL	2.80%
Oriental Holdings Bhd	2.79%
PT Ultrajaya Milk Industry & Trading Co Tbk	2.57%

Same story holds for other trusts traded in the index.

AAS Aberdeen Asia Focus Investment Trust

AAIF Aberdeen Asian Income Fund

ADIG Aberdeen Diversified Income And Growth Trust

ABD Aberdeen New Dawn Investment Trust plc

ANII Aberdeen New India Investment Trust

ASEI Aberdeen Standard Equity Income Trust Plc

ASLI Aberdeen Standard European Logistics Income plc

ASIT Aberforth Split Level Income Trust plc

Alcentra European Floating Rate Income Fund

Acal plc – ACL

Acal PLC or former discoverIE is an international group of businesses that designs, manufactures and supplies innovative components for electronic applications. With effect from 28 November, the Company name changed from Acal plc (LSE: ACL).

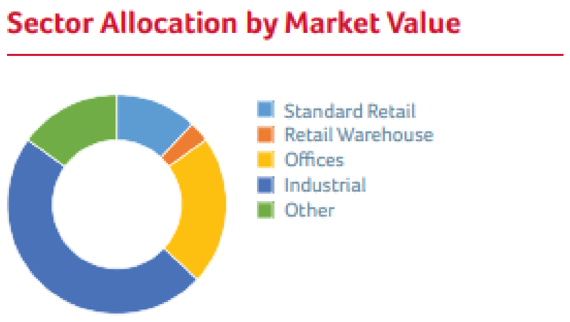
They want to double EPS in 5 years. They are doing that by doing acquisitions which is interesting but also requires debt. I don't know enough about their tech and competitiveness to comment.

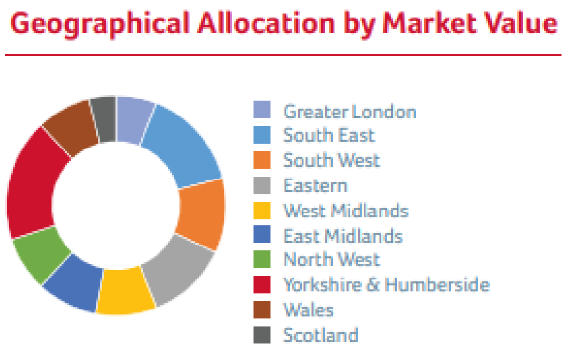
AEWU - AEW UK REIT plc – 6.77% dividend – BUSINESS BUILDINGS IN UK

AEWU is a REIT that holds 35 small industrial/commercial properties across the UK. The management charges 0.9% on the investment net asset value. This is the management:

I don't know whether those are real estate gurus or not, but I don't want to be owning industrial real estate at the dawn of a possible economic slowdown.

The REIT was recently set up and the high dividend yield reflects the riskiness of such a venture. Property distribution is sensitive to economic activity, especially in the periphery. Therefore, also the higher yields.

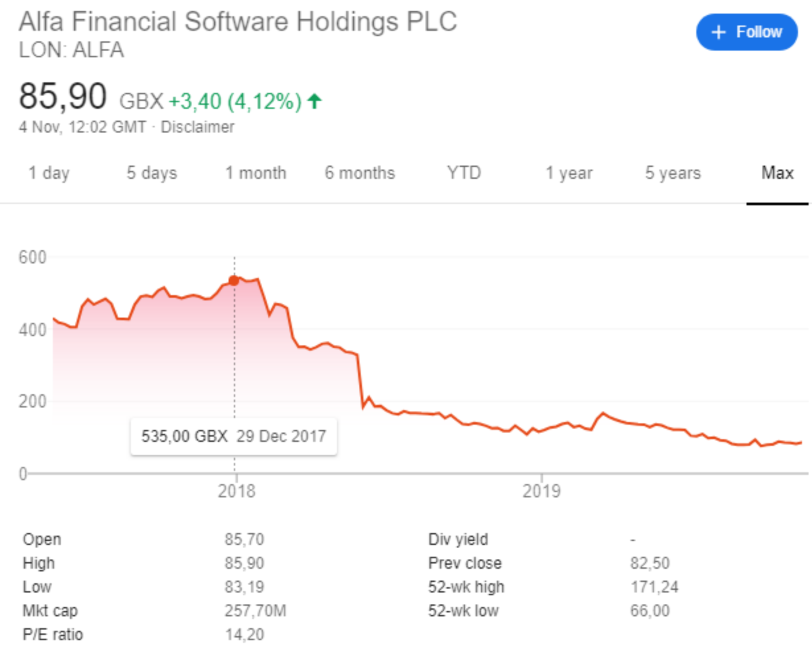




It all looks stable now, but there are always risks like interest rates increases on the £50 million loan, the economy can slowdown and hit many properties with tenant defaults. A combination of the mentioned risks can lead to a breach of borrowing covenants where forced asset sales might leads to a spiral of bad news and negative consequences. I would say this REIT is fairly priced for the risk it is running in this environment. Enjoy the high yield, but be aware it might stop.

Alfa Financial Holdings Software – ALFA – CAR INDUSTRY RELATED

A recent IPO that did not so well.



They offer software system solutions to car sales companies. So, if we have a slowdown in car sales, they will not invest in new software☹.

Allied Minds plc - ALM – EXTREMISTAN INVESTMENT

Allied Minds plc is an American intellectual property commercialization company. The company has technology transfer agreements with over 160 partners, including 34 U.S. federal research facilities, as well as university labs such as Harvard and New York University. But, another failed IPO.

Companies invested:

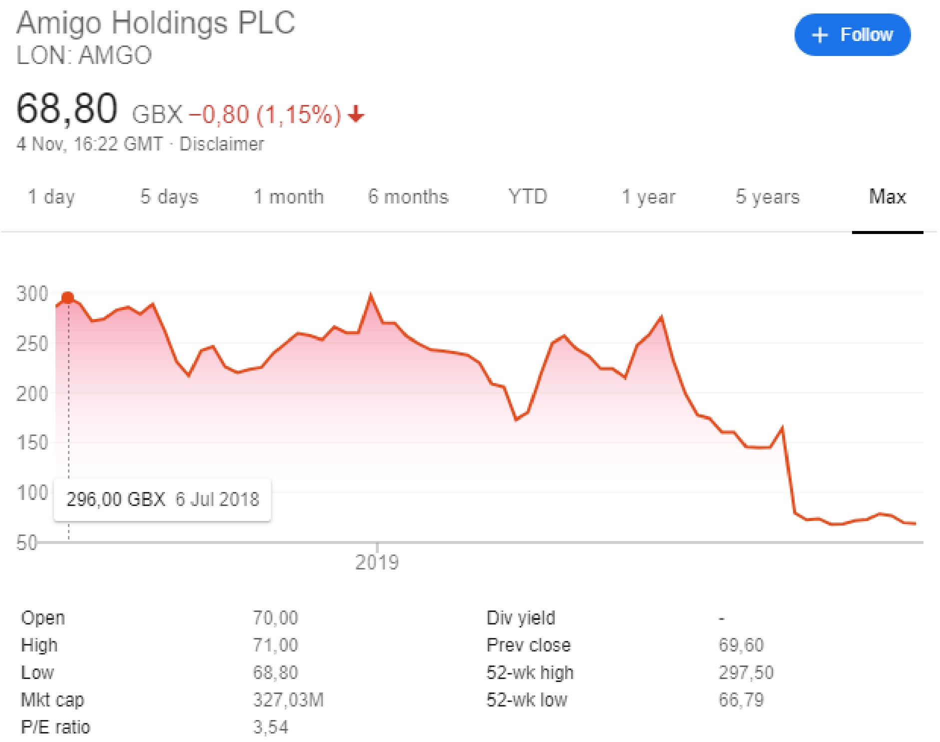
Source: [Allied Minds]

Companies are based on satellite date, from insurance data collection to others, there is some 5G exposure and an attempt to replace SRAM and DRAM with MRAM.

However, the company just sold its entire stake in HawkEye, so they are not really keeping it for the long run if it is so explosive.

Amigo Holdings – AMGO – Guaranteeing loans for people that don't pay?!?

Amigo Holdings is a guarantor loans lender. Another IPO that went south.



The whole team left; new CEO, CFO, CRO, COO in 2019.

This is 40% APR – I thought 36% in China was high😊)) – 30% impairments on revenue.

Questionable business model based on debt.

Anglo-Eastern Plantations plc – AEP – PALM OIL PLANTATIONS IN INDONESIA

Anglo-Eastern Plantations Plc, quoted on the London Stock Exchange, owns, operates and develops plantations in Indonesia and Malaysia, which produce mainly palm oil and some rubber. This time a successful IPO, volatile but good.

The book value of the assets is $463 million with $85 million in net cash on a $250 million market capitalization. 3 cents per share dividend.

A tiny red flag – the company is making a loss, but the minority interests are profitable and a big chunk of earnings. Given the minority interest, book value isn't $463 million but about 60% of that, thus close to market cap. So. You are buying the controversial palm oil plantations in Indonesia at book value. There is also a $200 million reserve loss as the Indonesian currency lost half of its value against the dollar over the last 10 years. But then again, it is about current cash flows that in a good year go to $20 million and less in a bad year. Just $1 million in dividends per year, so not really a business for rewarding shareholders, they just invested $30 million in growth and replacement of plantations.

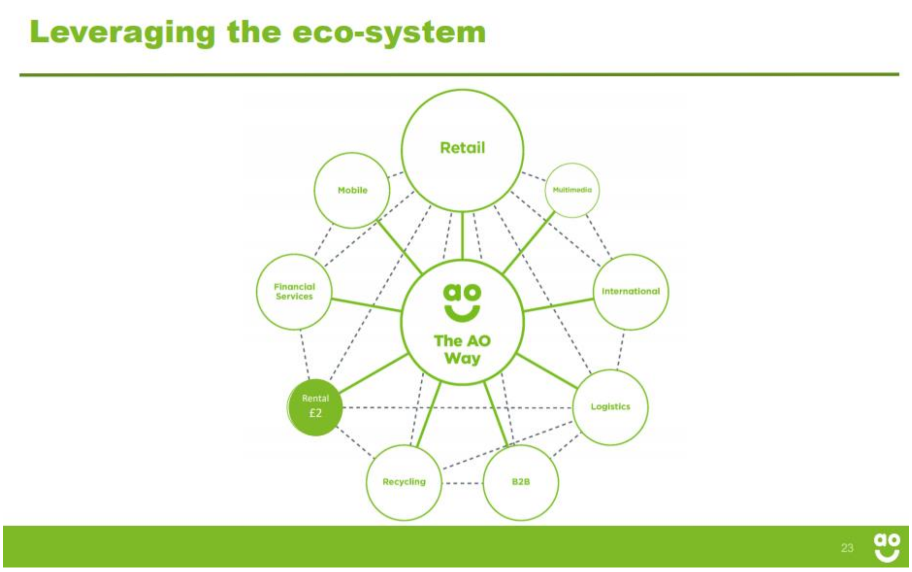
No debt, but also no significant increase in book value over time, except in other currency.

Ao World Plc – AO – no competitive advantage

AO.com, formerly known as Appliances Online, is an online-only retailer operating in the UK, Germany and the Netherlands.

Hm, with internet comparing sites, this is a pure margin/race to the bottom business. It is easy to sell while you are losing money. They are improving but there is nothing differentiating when it comes to buying appliances online.

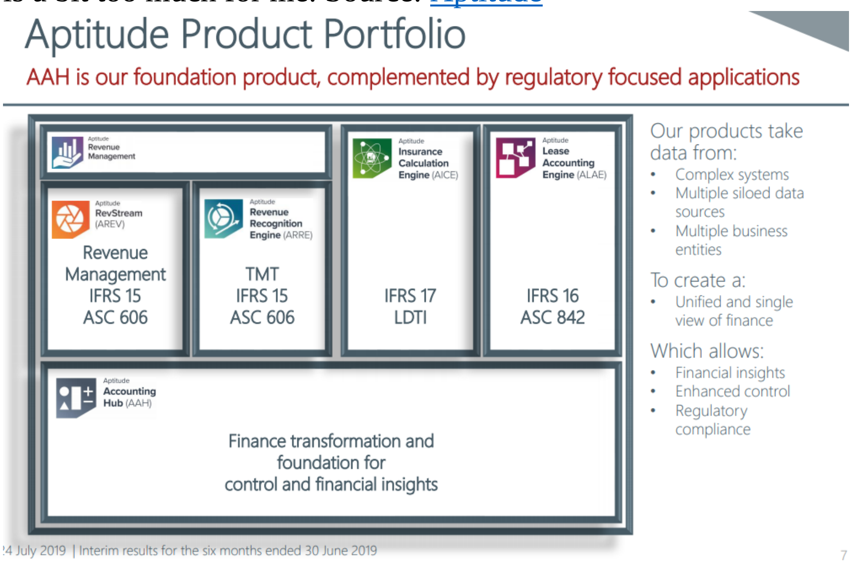
Futher, when I hear about renting washing machines or things like that, good luck! Performance since the IPO has been dismal☹



Source: AO Investor Presentation

Aptitude Software Group plc – APTD – price to sales at 10

Aptitude Software is a specialist provider of powerful financial management software to large global businesses. This could be interesting but it is too expensive for me. Price to sales of 10 is a bit too much for me. Source: Aptitude



Arrow Global Group plc – ARW – High debt for debt collectors but could be good

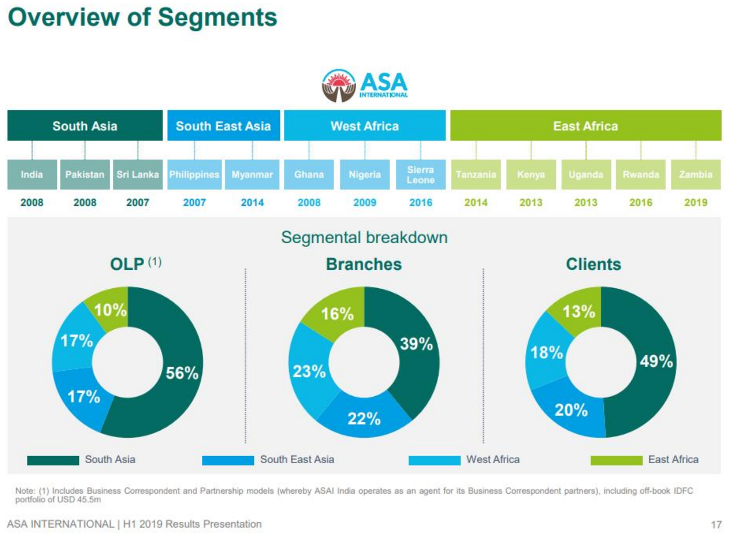
Arrow Global Group plc is a business purchasing debt from banks, credit card companies and telecommunications businesses. It is a debt collecting business with extreme debt. Very sensitive to interest rates and defaults. Cost of debt was 8% and is just 3.9% now.

Too much risk given the debt here for me personally but it could be good.

ASA International Group Plc – ASAI -Asia & Africa Microfinance Bank - Could be a gem

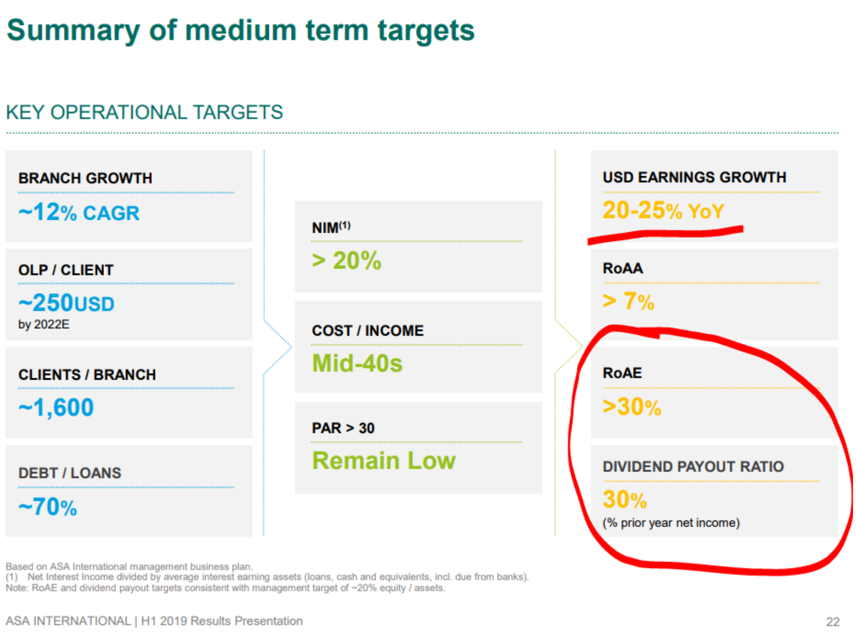
ASA International is one of the world's largest international microfinance institutions providing small, socially responsible loans to low-income entrepreneurs, most of whom are women, across Asia and Africa.

The company has an average loan of $181 with a rate of 33.8%. Funding from international lenders (inter alia Gates Foundation, Oikocredit, Symbiotics and OPIC). I wonder what will this look like in 50 years as there could be more business, not just microlending.



Source: ASAI

Further, if they continue to grow at 20% and pay out a dividend, the sky is the limit.



Source: ASAI

$32 million profit in 2019 should lead to a dividend of $11 million, for a dividend yield of 2.75% and a PE ratio of 12.5%.

But, if they do grow at 25% over the next 10 years, the profits should be $300 million. However, revenue growth is 17%.

This could be a gem if it continues to grow at expected rates.

Avon Rubber – AVON – 50 bagger over the last 10 years – niche business fairly priced

This is the kind of investment I am looking for. Who wouldn't want a 50 bagger😊

The interesting thing is that revenue increased only 60% over the last 5 years. This means you don't always have to find high growth stocks. Net income went from zero to 21 million that gives it a PE ratio of 31 and a dividend yield of 1%.

Avon Rubber p.l.c. is a British company that specialises in the engineering and manufacturing of respiratory protection equipment for military, law enforcement and fire personnel as well as milking equipment for dairy farmers.

However, I have no idea what will be next. They are operating in a niche environment which is usually good, but how much more room for growth is there beats me.

BATM Advanced Communications – BVC – still trying to grow from new products???

BATM Advanced Communications Ltd. is a technology company principally engaged in development, production and marketing of data and telecommunication products in the field of local and wide area networks, as well as the development, production and distribution of laboratory diagnostic equipment in the medical sector.

They have a new contract of 600k pounds 😊)))

About 120 million in revenue, on and off profitable while developing waste systems and diagnostics. Who knows… They did just raise money from investors.

Biffa plc – BIFF – Acquisitions, low valuation, waste management and div growth

Biffa plc is a waste management company. It provides collection, landfill, recycling and special waste services to local authorities and industrial and commercial clients in the UK. As of 2017 it is the second-largest UK-based waste-management company.

They are growing by making acquisitions, 7 in 2019, using leverage for that. The market capitalization is £625 million while the cash flows are £45 million. There is also a growing dividend of 7.2 pence per share giving a yield of 2.8%. Earnings per share 20.6 pence for a pe ratio of 12.5.

With scale, margins should improve, let's see.

Biffa PLC BIFF

Financials

Export Ascending

	2010-03	2011-03	2012-03	2013-03	2014-03	2015-03	2016-03	2017-03	2018-03	2019-03	TTM
Revenue GBP Mil	—	—	—	—	860	878	928	990	1,077	1,091	1,091
Gross Margin %	—	—	—	—	7.8	8.3	11.3	9.4	10.6	9.0	9.0
Operating Income GBP Mil	—	—	—	—	16	29	51	42	63	47	47
Operating Margin %	—	—	—	—	1.9	3.3	5.5	4.3	5.9	4.3	4.3
Net Income GBP Mil	—	—	—	—	-21	8	-5	-11	31	18	18
Earnings Per Share GBP	—	—	—	—	-2.10	0.81	-0.51	-0.09	0.12	0.07	0.07
Dividends GBP	—	—	—	—	—	—	—	—	0.05	0.07	0.07
Payout Ratio % *	—	—	—	—	—	—	—	—	33.7	63.8	94.8
Shares Mil	—	—	—	—	10	10	10	122	250	253	253
Book Value Per Share * GBP	—	—	—	—	—	—	—	0.01	1.25	1.38	1.44
Operating Cash Flow GBP Mil	—	—	—	—	79	97	114	38	134	127	127
Cap Spending GBP Mil	—	—	—	—	-37	-44	-42	-46	-43	-46	-46
Free Cash Flow GBP Mil	—	—	—	—	42	53	72	-7	91	80	80
Free Cash Flow Per Share * GBP	—	—	—	—	—	—	—	7.19	-0.01	0.33	—
Working Capital GBP Mil	—	—	—	—	30	45	-42	-19	-30	-4	—

* Indicates calendar year-end data information

This could be a gem – to come back and analyse in depth. The complete waste sector maybe.

Bloomsbury Publishing plc – BMY – difficult business

Bloomsbury Publishing plc is a British independent, worldwide publishing house of fiction and non-fiction.

Difficult business with declining revenues. Digital revenue is growing fast at 73% but makes just 15% of the business.

Henry Boot PLC – BOOT – home builder – look into when in crisis

Henry Boot PLC is a British construction and property development business, listed on the London Stock Exchange. It was floated on the London Stock Exchange in 1919, becoming the first ever quoted housebuilder. Between the wars, Henry Boot built more houses than any other company.

Still, such companies have to be looked at in a crisis, not at the end of the economic cycle.

Brown (N) Group plc – BWNG – in complete turnaround mode – too risky

N Brown Group plc is an online retailer headquartered in Manchester, England. N Brown offers a range of products, predominantly clothing, footwear and homewares with a focus on underserved customer groups.

They are online and they managed to have a decline in sales. Just a funny thing, how can an expense that is there in every financial period be called exceptional😊)))

EXCEPTIONAL ITEMS N BROWN

£m	H1 FY20	H2 FY19	H1 FY19
Customer redress	25.0	22.6	22.4
Store closure costs	-	-	22.0
Impairment of intangible assets & brands	-	1.7	18.3
VAT debtor impairment	-	49.4	-
External costs in relation to tax	-	6.2	2.7
GMP Equalisation	-	0.3	-
Total	**25.0**	**80.2**	**65.4**

Plus, they are doing a complete turnaround of everything – good luck.

Capital & Regional plc – CAL – Declining retail business

Capital & Regional plc is a large British manager of property assets - mainly shopping centres - for funds in which it has a significant stake.

Footfall is declining, revenue down. It is simple, if interest rates go up due to higher risk, macro or lower NAV, and revenues decline, this can get ugly.

Carr's Group plc – CARR – Nothing special

Carr's Group plc is focused on the principal activities of agriculture, and engineering. Good stable business, nothing special – robotics and agriculture mix – there will probably be some changes.

Charles Taylor plc – CTR – Taken over

Chemring Group – CHG – sensors and things- very competitive

Chemring Group is a global business providing a range of advanced technology products and services to the aerospace, defence and security markets.

Another diagnostics business/sensors, I think it is number 5 already here.

There is so much competition in the environment, that I don't know whether all of these companies will win, plus the technology is always moving fast ahead.

Chesnara plc – CSN – Insurer – don't know

Chesnara is an insurer and it is very hard for me to analyse the risk and reward of it from just a glance. Also, I don't like spending time on insuring companies or banks so this is really one where I better say nothing.

Civitas Social Housing plc – CSH - a recent REIT – likely no hidden value

Civitas Social Housing is a large British investment trust dedicated to investments in existing portfolios of built social homes in England and Wales.

Given it is a recent (2016) real estate investment vehicle, it is likely there is no hidden value and all is done at market prices.

Clipper Logistics plc – CLG – hit alongside retail but it is e-fulfilment

Retail and high value logistics. Stock has declined alongside other retail but finances remained stable. The thing is the PE ratio is still around 20 which means it was around 40 when the stock was higher.

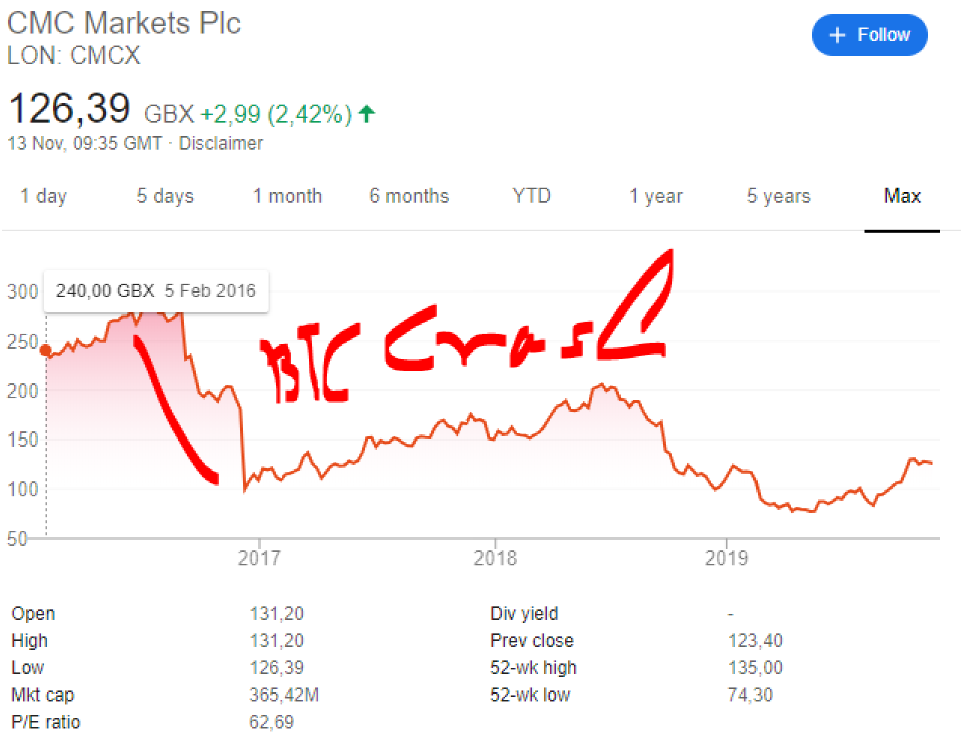
However, they focus on e-fulfilment which is growing fast and the key for the future. They are expanding and building facilities in Poland.

9 pence dividend is also not a bad thing. The growth might continue and margins are the question. It could be a gem. A sector analysis could be interesting.

CMC Markets Plc – CMCX – a bitcoin trader

CMC Markets is a UK-based financial derivatives dealer. The company offers online trading in spread betting, contracts for difference and foreign exchange across world markets.

Offering even cryptocurrencies and the stock price follows😊.



Connect Group plc – CNCT – a bad turnaround story

Connect Group PLC is a distributor of newspapers, magazines, books and consumables.

All metrics declining, from revenue to cash flow while debt goes up. Closures of divisions in the past, bad investments Truffles that lead to higher costs and declining revenues. Auch.

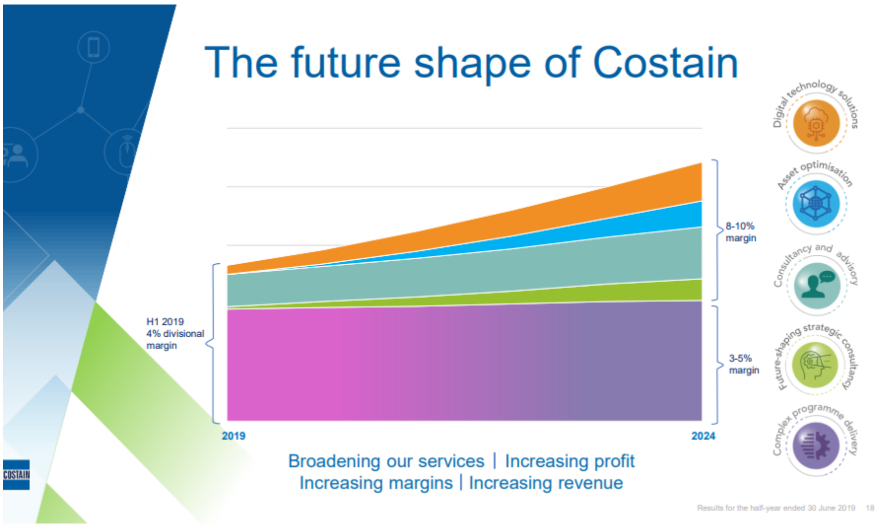
Consort Medical plc – CSRT – high uncertainty business and high capex

Consort Medical PLC supplies drug delivery devices and development services to pharmaceutical companies. The Company develops and manufactures metered dose inhaler valves actuators, compliance-aids, dry powder devices, disposable face masks, breathing circuits and laryngeal tubes.

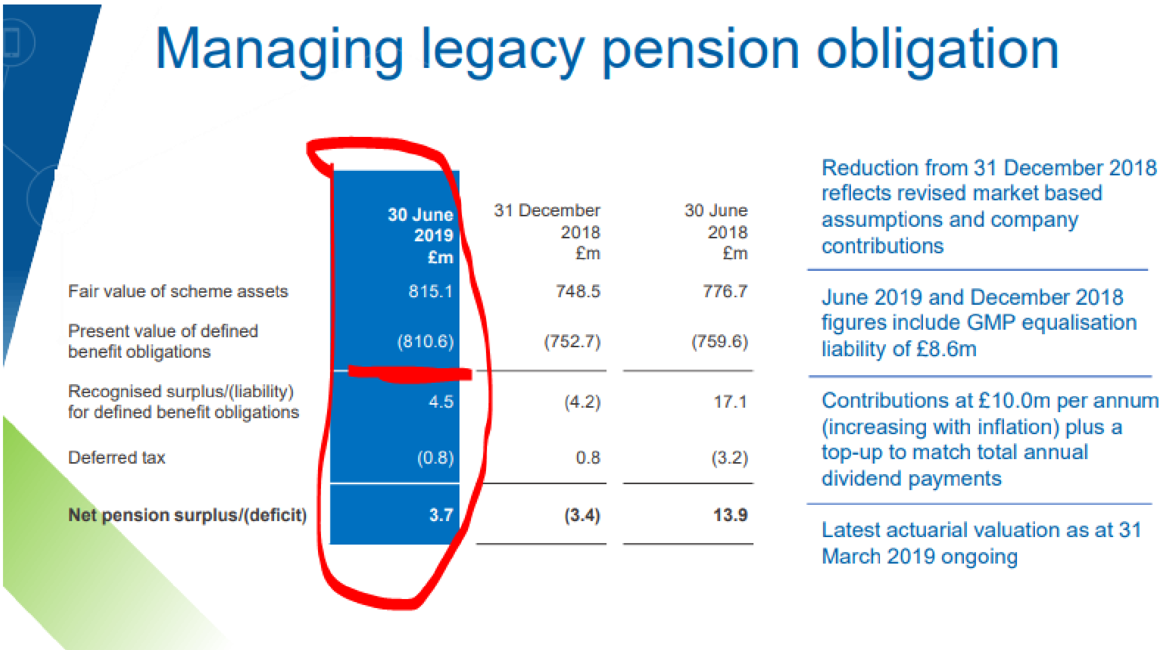
Revenue and everything down during last year, stock followed. Minimal free cash flows and high capital expenditures. Who knows…

Costain Group plc – COST – High pension risks

Costain Group plc is a British technology based construction and engineering company headquartered in Maidenhead. It was part of the original Channel Tunnel consortium, and is involved in Private Finance Initiative projects. They consult for infrastructure, from roads, rail, water to resources. They have a very low margin but they are trying to increase it. If they can, this could be a gem.



A big issue for many older businesses are pensions. COST has an obligation of £810 million. It also has assets, but a market decline of 10% would increase obligations by 80 million.



	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m
Fair value of scheme assets	815.1	748.5	776.7
Present value of defined benefit obligations	(810.6)	(752.7)	(759.6)
Recognised surplus/(liability) for defined benefit obligations	4.5	(4.2)	17.1
Deferred tax	(0.8)	0.8	(3.2)
Net pension surplus/(deficit)	**3.7**	**(3.4)**	**13.9**

Too much risk for me.

Custodian REIT plc – CREI – A UK commercial REIT doing its business

Custodian REIT plc is a real estate investment trust (REIT). The Company offers investors the opportunity to access a diversified portfolio of the United Kingdom commercial real estate through a closed-ended fund.

Nothing special, buying assets with 6% yields that to me don't look like much. A stable REIT. However, a REIT sees lease renewals as earnings opportunity, down below DFS. The sofa seller, as saving opportunities, ahahahah

De La Rue plc – DLAR – another turnaround story with high debt

De La Rue manufactures paper and security printed products including banknotes, passports and tax stamps. The stock suffered like many small caps in the UK lately.

Another turnaround story with high debt. Auch

Devro plc – DVO – Sausage casings with pension deficits

Devro plc is a multinational company with registered office in Moodiesburn, Chryston, United Kingdom which manufactures and distributes goods derived from collagen, principally sausage casings, a product in which it is the world leader.

Another one with large pension deficits – not worth it.

DFS Furniture – DFS – 4% yield – too much risk in this environment

DFS is a furniture retailer in the United Kingdom, Spain, the Netherlands and Ireland specialising in sofas and soft furnishings.

Interesting player giving an interesting yield, but I don't know how will this look like when the market, from low interest rates and consumption, changes. Too much risk for a 4% yield.

Dialight plc – DIA – old business, difficult one

Dialight plc is a British-based electronics business specialising in light-emitting diode lighting for hazardous locations. As probably LED has been replaced by other things, the business is suffering. Profits are declining while revenue is flat. High competition environment.

Dignity plc – DTY – hit before regulation by competition – tough environment

Dignity plc is operating in a business where there is no recession and no cycle. However, it has been hit hard by new regulation and competition. Up till a few years ago, the company was simply taking over local funeral service providers and scaling them up offering high returns on equity. But, there have been complaints about pricing and government investigations. The stock plummeted, the dividend has been cut and you know what happens then.

Let's see if it could go back to previous growth and quality or the business model is definitely broken. To grow in the past, they did take on £551 million in debt that came back firing.

CMA resolution expected late 2020 or early 2021. HM Treasury will regulate pre-arranged funeral plan market. Regulation will change the business model and increase costs.

Negative shareholder equity.

The value is in the infrastructure they built over time and in the profits. But, the uncertainty is high given all what is going on and the loss of market share.

Dignity PLC DTY

Financials

Export | Ascending

	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	TTM
Revenue GBP Mil	184	199	210	229	256	268	305	314	324	316	294
Gross Margin %	53.9	56.2	57.5	58.5	58.9	59.5	59.6	59.2	59.7	57.2	54.0
Operating Income GBP Mil	56	61	65	69	75	83	96	98	98	66	42
Operating Margin %	30.5	30.6	30.7	29.9	29.3	30.8	31.3	31.2	30.2	21.0	14.5
Net Income GBP Mil	27	29	34	36	40	-55	56	57	57	32	12
Earnings Per Share GBP	0.57	0.55	0.74	0.76	0.79	-1.04	1.15	1.14	1.15	0.63	0.24
Dividends GBP	0.16	0.17	0.16	0.18	0.13	0.20	0.20	0.22	0.24	0.24	0.24
Payout Ratio % *	27.2	31.0	28.5	23.2	23.5	16.3	—	19.6	19.5	23.2	99.1
Shares Mil	46	53	47	47	51	52	50	49	50	50	50
Book Value Per Share * GBP	0.76	-0.10	0.19	0.96	1.74	1.21	-1.23	-0.36	0.56	1.44	-0.28
Operating Cash Flow GBP Mil	37	40	38	50	55	67	92	81	75	58	34
Cap Spending GBP Mil	-17	-27	-23	-20	-18	-17	-19	-23	-27	-25	-23
Free Cash Flow GBP Mil	19	12	15	29	36	49	73	58	48	33	10
Free Cash Flow Per Share * GBP	0.43	0.23	0.04	0.62	0.66	0.80	1.42	1.24	0.99	1.02	—
Working Capital GBP Mil	23	30	22	11	33	62	54	35	24	24	—

* Indicates calendar year-end data information

Source: [Morningstar]

DP Eurasia NV – DPEU

DP Eurasia NV is a Netherlands-based company, which operates as a franchisee in Turkey, Russia, Azerbaijan and Georgia of Domino's Pizza. WEBSITE NOT WORKING Not profitable

The stock price crashed which means pizza isn't loved in Turkey, Russia and Georgia.

DWF Group Ltd – DWF – I don't know what are they doing

Their equity was just 5 million before the IPO, now it is 40 million. 72 million was received at the IPO and 23 million went to repayments of former members. Another 19 to settle operating issues, 10 to repay debt and the cash is gone.

Apart from being a lawyer firm and going public to cash out, I didn't understand what they've been doing.

Empiric Student Property plc – ESP – Fairly priced

Investing in student housing across the UK. Looks like a good stable business I don't think it could be a gem, but it in interesting investment proposition.

EnQuest plc – ENQ – Huge debt to repay

EnQuest plc is an independent United Kingdom-based petroleum exploration and production company which operates mainly in the United Kingdom Continental Shelf.

This was a promising business before oil prices fell below $100 – suddenly that type of work wasn't profitable anymore. Net debt is $1.6 billion. They have $3 billion in tax losses – could be of value to others😊

No numbers in the presentation to show what will happen, thus I can assume what will happen – if oil prices decline a bit, they will never be able to repay the huge debt. Too risky.

Forterra – FORT – depends on building market in the UK but looks good

Forterra is a manufacturer of building products for the UK's construction industry. The company own brands such as Thermalite blocks London Brick Ecostock Cradley Formpave Jetfloor.

3% dividend, depends on building market in the UK.

They went public to lower the debt, the PE ratio is low now but the cash flows have been consistent. This could be a gem but you have to buy it when the market is bad as it will be earnings negative but cash flow positive.

Forterra PLC FORT

Financials

Export Ascending

	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	TTM
Revenue GBP Mil	—	—	—	—	226	268	290	295	331	368	381
Gross Margin %	—	—	—	—	28.0	37.4	42.2	41.9	40.5	37.4	36.6
Operating Income GBP Mil	—	—	—	—	1	39	49	51	64	67	67
Operating Margin %	—	—	—	—	0.6	14.4	17.0	17.4	19.4	18.2	17.7
Net Income GBP Mil	—	—	—	—	-2	24	18	28	48	52	54
Earnings Per Share GBP	—	—	—	—	-0.01	0.12	0.09	0.14	0.23	0.26	0.27
Dividends GBP	—	—	—	—	—	—	—	0.02	0.07	0.10	0.10
Payout Ratio % *	—	—	—	—	—	—	—	—	26.7	39.9	39.3
Shares Mil	—	—	—	—	200	200	200	201	203	202	200
Book Value Per Share * GBP	—	—	—	—	—	—	—	0.27	0.47	0.58	0.69
Operating Cash Flow GBP Mil	—	—	—	—	38	37	20	38	77	65	72
Cap Spending GBP Mil	—	—	—	—	-3	-6	-12	-9	-11	-19	-21
Free Cash Flow GBP Mil	—	—	—	—	34	32	8	28	66	47	50
Free Cash Flow Per Share * GBP	—	—	—	—	—	—	—	—	0.27	0.27	—
Working Capital GBP Mil	—	—	—	—	64	-379	30	54	23	20	—

* Indicates calendar year-end data information

Foxtons plc – FOXT – questionable business model with negative Brexit outlook

Hit hard especially after the huge expansion going right into Brexit where there will be much fewer of us seeking homes in the UK😊. However, it is always good to take a look at things that are 90% down from their recent peaks.

Given that they are losing money, the fancy scalable agent might not have been a great business model. Or, are great but not profitable, plus the BREXIT is killing them, or will.

Fuller Smith & Turner – FTSA - £200 million coming in form beer sale – fairly priced

Fuller, Smith & Turner is a pub company based in Chiswick, West London, founded in 1845 and having been a family-run regional brewery until January 2019, when the brewing division was sold to Asahi.

They will get £200 million that will be used for a return to shareholders, investments and pension contributions. That is a lot of money for a fifth of profits and a quarter of revenue.

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GROUP INCOME STATEMENT
for the 52 weeks ended 30 March 2019

		52 weeks ended 30 March 2019			Restated 52 weeks ended 31 March 2018		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	3	324.7	106.4	431.1	301.4	102.2	403.6
Operating costs	4	(281.4)	(99.6)	(381.0)	(259.8)	(94.6)	(354.4)
Operating separately disclosed items	5	(16.6)	(1.6)	(18.2)	(4.7)	–	(4.7)
Operating profit		26.7	5.2	31.9	36.9	7.6	44.5
Finance costs	6	(6.9)	–	(6.9)	(6.0)	–	(6.0)
Financing separately disclosed items	5,6	(0.8)	–	(0.8)	(1.0)	–	(1.0)
Profit on disposal of properties separately disclosed items	5	1.9	–	1.9	6.1	–	6.1
Profit before tax		20.9	5.2	26.1	36.0	7.6	43.6
Adjusted profit before tax		36.4	6.8	43.2	35.6	7.6	43.2
Total separately disclosed items	5	(15.5)	(1.6)	(17.1)	0.4	–	0.4
Profit before tax		20.9	5.2	26.1	36.0	7.6	43.6
Tax		(5.5)	(1.1)	(6.6)	(7.3)	(1.5)	(8.8)
Analysed as:							
Underlying trading	7	(7.1)	(1.4)	(8.5)	(7.3)	(1.5)	(8.8)
Separately disclosed items	5	1.6	0.3	1.9	–	–	–
Profit for the year		15.4	4.1	19.5	28.7	6.1	34.8
Attributable to:							
Equity shareholders of the Parent Company		15.4	3.9	19.3	29.9	5.9	35.8
Non-controlling interest		–	0.2	0.2	(1.2)	0.2	(1.0)

Earnings per share per 40p 'A' and 'C' ordinary share		Pence	Pence	Pence	Pence	Pence	Pence
Basic	8	28.02	7.10	35.12	54.20	10.69	64.89
Diluted	8	27.82	7.05	34.87	53.86	10.63	64.49
Adjusted	8	53.31	9.47	62.78	52.20	10.70	62.90
Diluted adjusted	8	52.94	9.40	62.34	51.88	10.63	62.51
Earnings per share per 4p 'B' ordinary share							
Basic	8	2.80	0.71	3.51	5.42	1.07	6.49
Diluted	8	2.78	0.71	3.49	5.39	1.06	6.45
Adjusted	8	5.33	0.95	6.28	5.22	1.07	6.29
Diluted adjusted	8	5.29	0.94	6.23	5.19	1.06	6.25

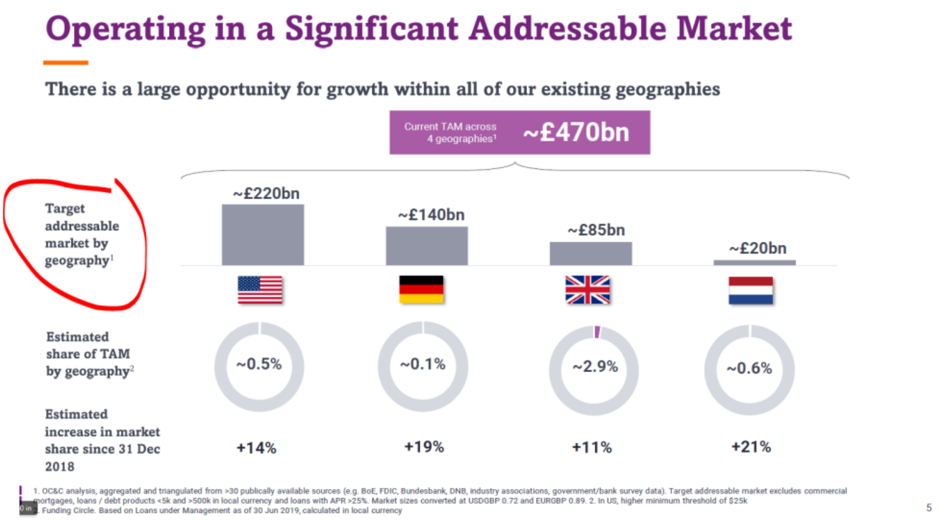
The market cap is £593 million pounds - £200 million they will get – the value is £400 million. For profits of 15 million. Not that great. It looks like a good business and it is definitely priced as one.

Funding Circle PLC – FCH – interesting, trading at cash value but risky

Funding circle is another straight down from the IPO.

I think I should make an IPO on the LSE, take the money and run 😊

When you see TAM (total addressable market) run away – I think they teach now in business school not to use TAM, like ever.



Plus, I would get a letter from them practically every quarter for my business in the Netherlands.

They have a higher than 2% default level in a good economy – in a bad one, this will go to 15%.

These guys got £300 million at the IPO and are now trading close to that value.

Hm, this could be a gem if they can scale enough, lower costs and do things well, the 300 million in equity they raised should lead to returns of 7% on that – ok and that is it, yes. Plus the risk of a recession, too much.

Gamesys – GYS – BINGO AND CASINO

Gamesys Group PLC provides gambling services. I don't know whether bingo and casino are things that have a competitive advantage.

Gem Diamonds Ltd – GEMD – interesting diamond market

Gem Diamonds is a British-based global diamond mining business in Leshoto and Botswana – so much for the global😊.

I am not so sure about diamond prices, there is plenty of them around the world, you just have to mine them, higher prices lead to high production and consequently lower prices. Plus, I don't know if millennials are as crazy for diamonds, perhaps those in China are.

I'll buy one for my wife but that will be it😊

Really don't know about diamond market dynamics but Lucara Diamonds is also to watch. Lucara looks like a better business, but the market is saying NO. The need is to reaserch the outlook for diamonds to see whether diamond stocks could be a gem.

Georgia Capital Plc – CGEO – Interesting exposure to Georgia

This could be a gem as it is investing in the fast growing economy of Georgia, if thing remain stable there. To look into…

GoCo Group Plc – GOCO – comparing websites – high competition

Owning a go compare site

Goodwin plc – GDWN – small company, not that great for me

The market adores these small companies that grow slowly but steadily and steadily increase the dividend. At a PE ratio of 20 it is too high for me.

Gym Group plc – 24/7 gyms OMG

No need to comment here.

Halfords – HFD – high competitive environment but might rebound

Halfords Group plc is a British retailer of car parts, car enhancement, tools, camping and touring equipment and bicycles operating in the United Kingdom and Ireland.

I think these guys went bust when I was living in the Netherlands.

This could rebound if they can sustain the dividend. But, is it a long-term player, a lot of competition which is seen by tighter margins.

Harworth Group PLC - developer

Refurbishing land, all is well until it stops.

Helical plc –

Investment company.

Headlam Group plc - HEAD - Flooring

Another building company specialized in flooring.

Hollywood Bowl Group Plc – BOWL

The Hollywood Bowl Group is a company that runs the AMF, Hollywood Bowl and Bowlplex branded multi lane ten-pin bowling centres in the UK.

Ok, bowling, withing such a business, where they are refurbishing old bowling places, the excitement lasts for a while but then subdues is what I think. They are growing, yes, but there is a limit to growth. If they start making money, rents will go up, others will come it etc. Seen similar stories develop in the past. Hope they do good, but not for me. They will continue to do good as long as they grow profitably.

Hostelworld Group plc – HSW – negative trends in google search

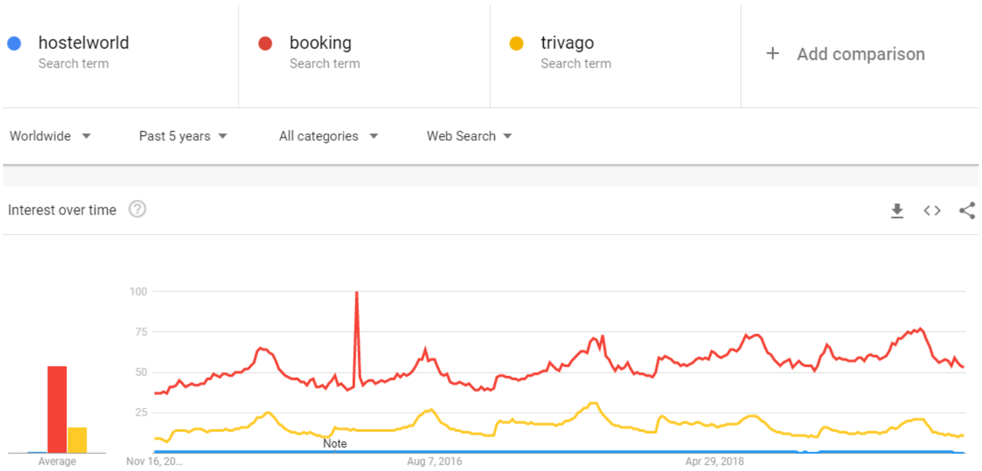
Hostelworld Group plc is an Ireland-based company, which provides hostel-focused online booking platform. The Company operates through over 20 different languages by connecting young travelers with hostels around the world through its brand Hostelworld and supporting brands Hostelbookers and Hostels.com.

The stock has really crashed recently.

Net bookings declined 10% in 1H 2019 as other brands booking declined 44%.

They are loosing momentum which means the dividend will be cut, a high dividend. The blame for the decline is the “full global rollout of the free cancellation product”. Search is going down, thus they can’t compete with the competition, they are too small.

Too small, perhaps takeover, but why bother.

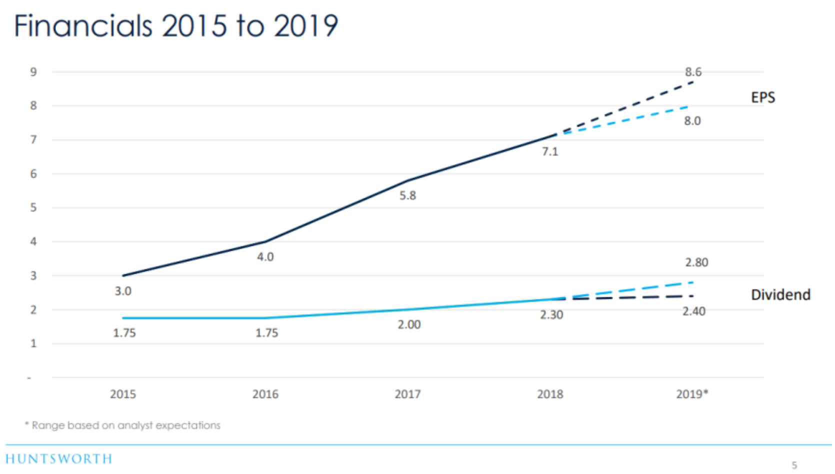


So, a bet on reviving search and booking numbers, probably will not make it, hopefully somebody will buy it, maybe.

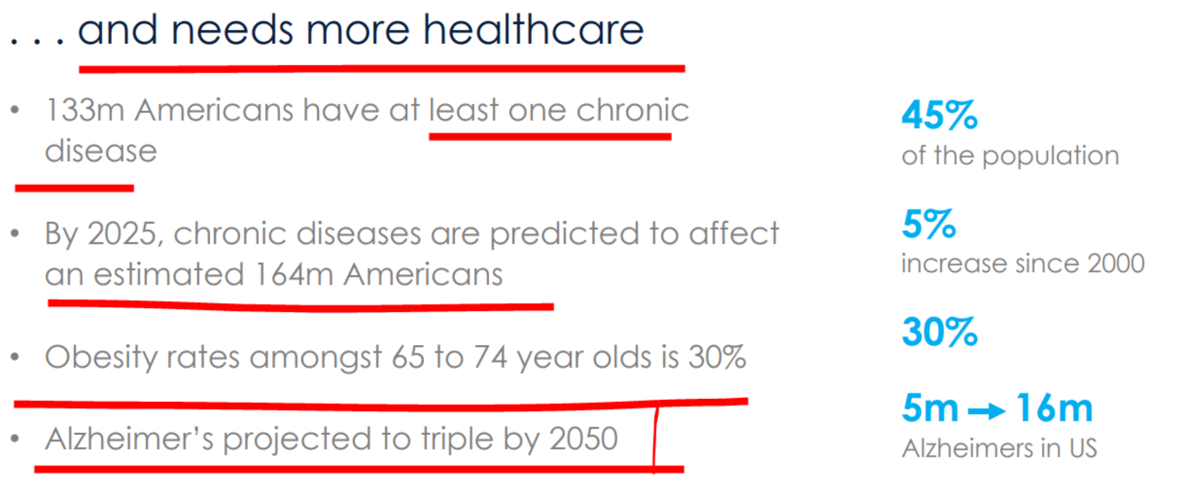
Huntsworth plc – HNT – positive tailwinds, could be a gem, but insane

Huntsworth is an healthcare communications and public relations group operating from 62 principal offices in 29 countries providing services to c.1,870 clients.

They forecast constant growth. But, this is the insane US healthcare market as would Munger say, not for me again.

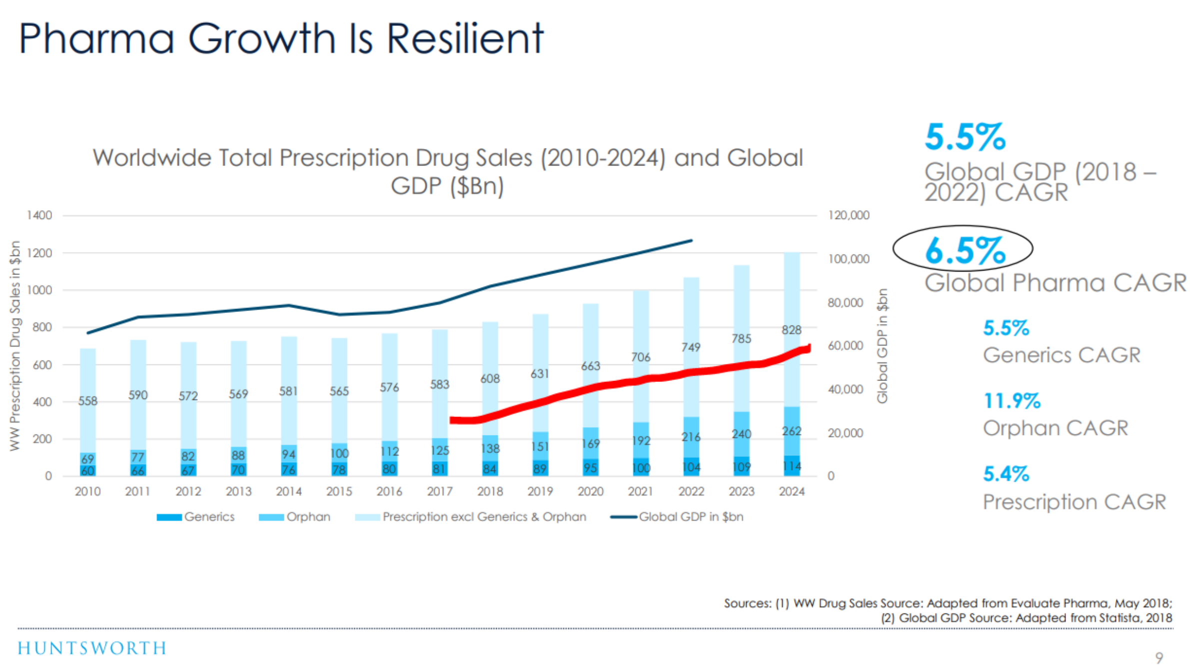


The following should be the best investment in your life, thus this could be a gem, but for you, not for the investment. The following should make you think:



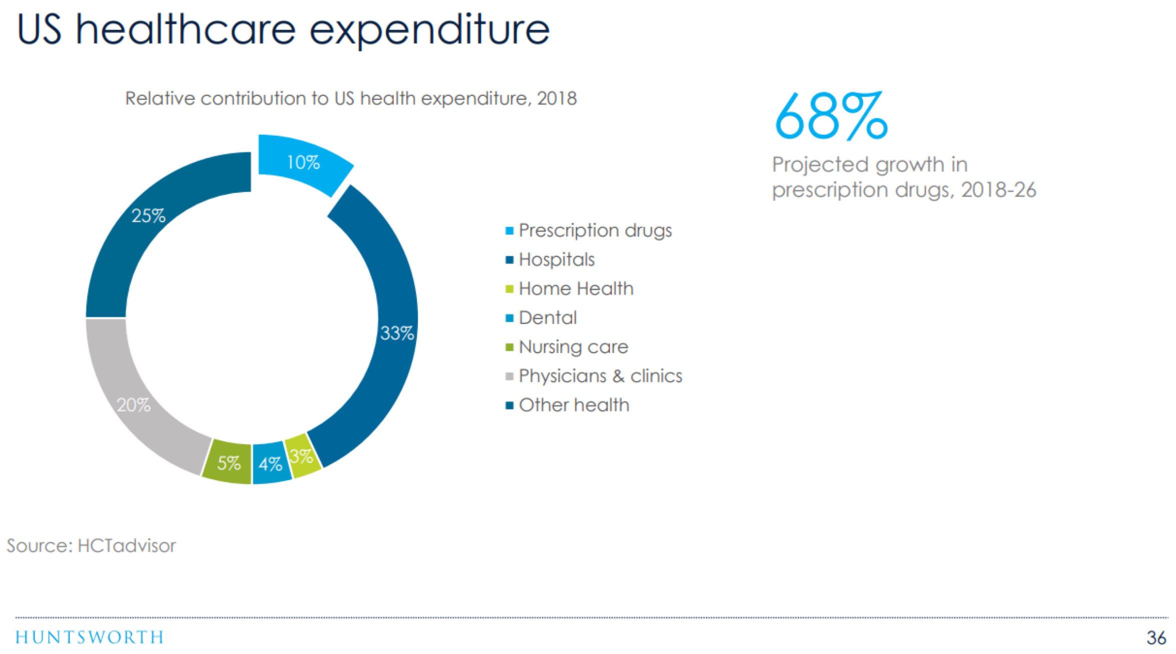
Why it is like this – what you eat you are. Think about it. I didn't take a drug for a decade, my grandfather recently died at age 84 because he had enough but he used no medication at all. Nothing…

For me it is simply insane, the drugs we had 10 years ago probably work fine as they did, but the industry forces you to spend on newer and newer drugs where spending is expected to pass a trillion.



Source: Huntsworth

Perhaps the investment too might do great, given the irrationality in the world, let's spend more trillions on drugs and live less☹



68% growth on spending – insanity.

On the investment, there are some put options and aggressive acquisition strategy to check. But, then again, it might do very well but not for me.

Hyve Group – HYVE – risky bet

Hyve Group plc is an international organiser of exhibitions and conferences. The Group is well known for its events in emerging markets across a number of industry sectors. Today, it organises over 120 trade exhibitions and conferences each year in 14 countries and employs over 1,200 staff in 17 offices worldwide.

Not making money, they hope to make money in a few years, doing acqusitions of fairs and if there is a slowdown, this gets ugly. Not for me to watch.

Impact Healthcare – IHR – a normal recent REIT – retirement homes

A reit.

Impax Environmental Markets plc – IEM – environment but who knows why

Interesting to follow for environmental investing and sector analysis.

Indivor – INDV -

Something went wrong here.

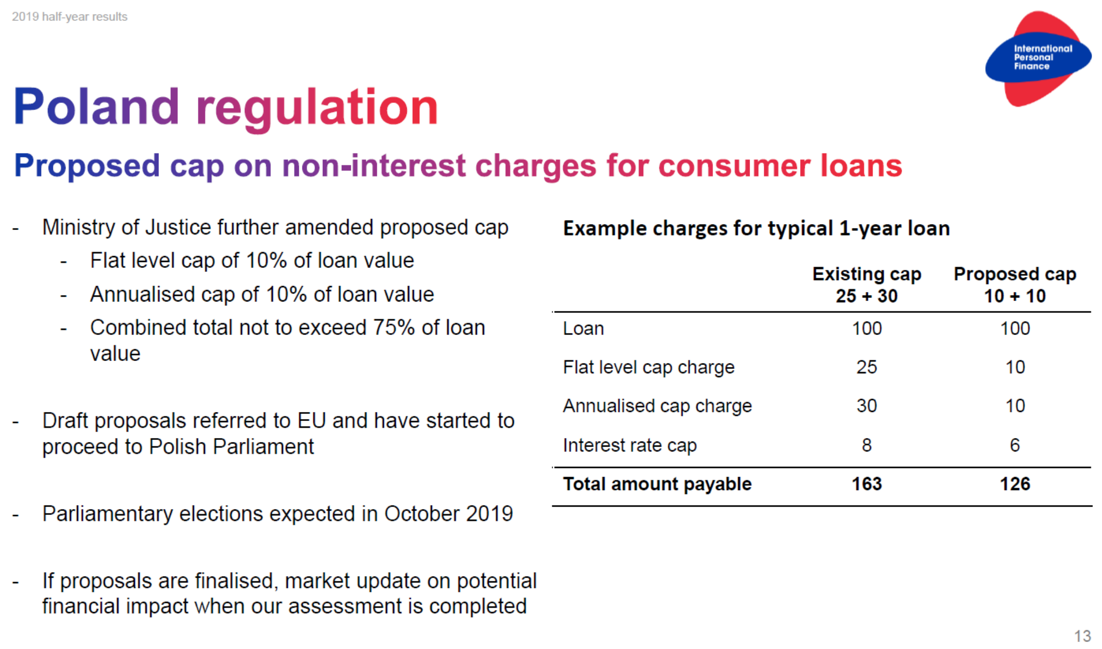
This is what happened

DOJ matter

- On April 9, 2019, a federal grand jury in the Western District of Virginia indicted the Company on charges of health care fraud, wire fraud, mail fraud, and conspiracy, in connection with the Company's marketing and promotion practices, pediatric safety claims, and overprescribing of SUBOXONE® Film and/or SUBOXONE® Tablet by certain physicians. On August 14, 2019, a federal grand jury in the Western District of Virginia returned a Superseding Indictment that did not add to or change the charges, but changed certain factual allegations. DOJ is seeking to recover $3 billion in monetary forfeitures and all assets derived from the commission of the alleged offenses. The Company believes it has strong defences to the government's charges and will vigorously defend itself. It is not possible to predict with any certainty the potential impact of this litigation on the Group or to quantify the ultimate cost of a verdict or resolution.
- Please see Notes 9, 10 and 11 in press release Indivior Announces 2019 Third Quarter and Nine Months YTD Results beginning on page 21 for further details on Provisions, Contingent Liabilities and Legal Proceedings.

International Personal Finance Plc – IPF – crazy

27.7% is the impairment of revenue, what the heck? 40% impairment in Mexico. Plus, Poland is capping rates to 10%, from 25% they are using.



I am amazed at the kind of businesses that exist out there – but hey, index funds have to buy everything.

Intu Properties plc – INTU – Spain retail collapse

OMG – little changes in revenue mean a lot when you have 5 billion in debt.

JTC Plc – Acquisition company - crazy

The problem with such companies is that they acquire all the time when Buffett doesn't. So, sometimes you buy on the cheap, but sometimes you pay too much.

IPO in 2018 says it all.

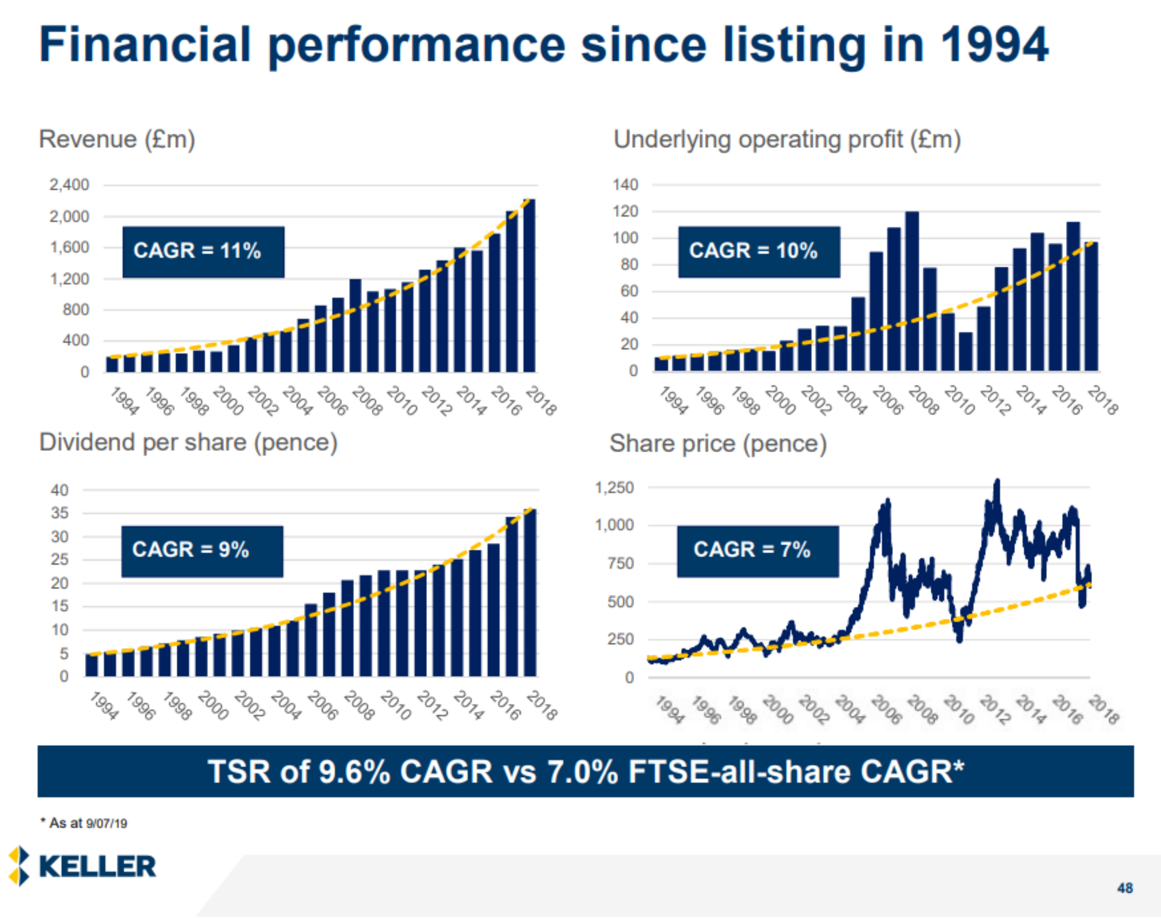
JUST Group plc - JUST

Just Group plc, formerly JRP Group plc and, before that, Just Retirement Group plc, is a British company specialising in retirement products and services headquartered in Reigate, Surrey. It is listed on the London Stock Exchange.

Same story, IPO, take the money and run. Now, new CEO etc….

Keller Group – KLR – Interesting business

Keller Group plc is a large independent geotechnical solutions specialist.



This is the reason for the fall.

https://www.proactiveinvestors.co.uk/companies/news/206882/keller-group-under-a-cloud-after-it-warns-on-profits-206882.html

this could be a gem do dig deeper in.

Kenmare Resources – KMR - titanium

Titanium mine, total collapse as prices fell. Kenmare owns and operates the Moma mine. Moma is the world's largest titanium mineral deposit, located 160 km from the city of Nampula in Mozambique, Africa.

Need to make a titanium sector analysis and then see.

Kier Group plc – KIE – high debt, bankruptcy ahead

Kier Group plc is a UK construction, services and property group active in building and civil engineering, support services, public and private housebuilding, land development and the Private Finance Initiative.

Another one down the drain.

Everything look good, but when you have a lot of debt, just a small change in margins can make you go bust.

Kier Group PLC ADR KIERY

Financials

Export | Ascending

	2010-06	2011-06	2012-06	2013-06	2014-06	2015-06	2016-06	2017-06	2018-06	2019-06	TTM
Revenue GBP Mil	2,056	2,123	2,031	1,943	2,954	3,276	4,112	4,129	4,240	4,121	4,121
Gross Margin %	10.2	10.0	10.5	10.0	8.5	8.6	10.0	7.0	9.5	6.2	6.2
Operating Income GBP Mil	63	62	59	39	27	69	111	-13	88	-58	-58
Operating Margin %	3.1	2.9	2.9	2.0	0.9	2.1	2.7	-0.3	2.1	-1.4	-1.4
Net Income GBP Mil	40	61	54	38	10	4	-18	10	87	-209	-209
Earnings Per Share GBP	1.69	2.57	2.20	0.97	0.29	0.12	-0.36	0.22	1.74	-3.17	-3.17
Dividends GBP	—	—	—	—	—	—	—	—	—	—	—
Payout Ratio % *	—	—	—	—	—	—	—	—	—	—	—
Shares Mil	24	24	25	25	35	36	48	49	50	66	66
Book Value Per Share * USD	—	—	—	—	—	—	—	—	—	—	—
Operating Cash Flow GBP Mil	108	47	17	—	-6	121	166	150	130	-83	-83
Cap Spending GBP Mil	-12	-30	-43	-28	-54	-42	-52	-60	-63	-31	-31
Free Cash Flow GBP Mil	96	17	-25	-26	-60	79	114	90	67	-114	-114
Free Cash Flow Per Share * USD	—	—	—	—	—	—	—	—	—	—	—
Working Capital GBP Mil	124	150	105	136	109	198	-14	133	-21	-109	—

* Indicates calendar year-end data information

Kin and Carta – KCT – hot air balloon words

A digital marketing company. This one is banking on hot words.

FULL YEAR HIGHLIGHTS

Investing for growth

+ Continued progress winning and growing new clients in the fast-growing digital transformation ('DX') market
+ Ongoing double-digit growth in the Innovation pillar, now comprising 56% of group net revenue
+ Repositioned Strategy pillar, launching Kin + Carta Advisory in September, executing ahead of plan and driving pipeline for all three pillars
+ Continued repositioning of the Communications pillar to drive more DX wins and streamline operations
+ Launched central marketing, sales and partnerships with **accelerating contributions to growth; Connective gaining traction** with 40 new closed deals during the year
+ **Geographic expansion** with four new offices launched bringing all three pillars to the US for the first time
+ Expanded capabilities with key client wins focused on Artificial Intelligence and Cloud Transformation

Liontrust Asset Management – LIO – asset management growing fast

A 15 bagger over the last 7 years.

For me it is expensive now. They offered crazy funds the market wanted, given the money supply, a great business. However, there is leverage, high dividends etc.

Lookers Plc – LOOK – car dealership – high short term debt and lower margins

These guys don't consider short term debt against inventory as debt. Well, sell the 1 billion in cars you have as inventory then.

LSL Property Services Plc – LSL

Real estate agency trying to provide a full service. No moat whatsoever, only around London.

Luceco Plc – LUCE – led light

Luceco plc is a manufacturer and distributor of high quality and innovative LED lighting products, wiring accessories and portable power products for a global customer base.

LED lightning where I really don't see the advantage.

LXI REIT plc – LXI – recent REIT

Normal REIT banking on lower interest rates from debt that what is the yield.

Inflation-protected income and capital growth underpinned by a secure and highly diversified portfolio of very long-let and index-linked UK property assets

Highlights

18.6%
AVG. ANNUAL SHAREHOLDER RETURN
From IPO in February 2017 to 31 March 2019

12.1%
AVG. ANNUAL NAV RETURN
From IPO in February 2017 to 31 March 2019

114.6p
EPRA NAV PER SHARE
31 March 2019 Increase of ***16.9%*** *from 98p at IPO*

5.75p*
DIVIDEND TARGET 2019/20
Increase of ***4.5%*** *from 2018/19 target*

29%
LTV
31 March 2019 Comfortably below ***35%*** *medium term maximum*

12
YEAR AVERAGE DEBT MATURITY
Fixed low debt cost provides good visibility on dividend growth

2.94%
AVERAGE FIXED DEBT COST PA
286 bps *below average acquisition yield*

5.80%
AVERAGE ACQUISITION NIY
Against average valuation yield of ***5.13%*** *at 31 March 2019*

22
YEAR AVERAGE LEASE TERM TO FIRST BREAK
Long leases yielding secure and predictable income

96%
INDEX-LINKED/ FIXED UPLIFTS
Contracted rental income with embedded growth potential

100%
OCCUPANCY

38
STRONG TENANTS

9
PROPERTY SECTORS
Assets are broadly diversified across defensive and robust sectors

**This is a target only and not a profit forecast and there can be no assurance that it will be met.*

Now, why is there such a difference, why can't the company simply go to the bank and get a loan at 3%? Not my kind of spread game.

MacFarlane Group plc – MACF – protective packaging -small company, 10 mil in profit

Mc Bride – MCB – seems that private label is a shitty business

McBride plc is a leading British-based manufacturing business, noted as being Europe's biggest maker of retailer own brand household goods. The business also provides contract manufacturing for brand owners.

McColls Retail Group - MCLS -retail & supermarkets, we know the business there

McColls Retail Group is a British convenience shop and newsagent operator, trading under the trading names McColls, Martins and RS McColl for shops in Scotland. McColl's also operates post offices in one third of the estate, making them the largest post office operator in the United Kingdom.

What were people thinking? Every second stock looks like this, what were they paying for in 2017????

McKay Securities – MCKS – London and south east property

Mears Group – MER – low return on capital – hard to get good business, no advantage

Mears Group is a housing and social care provider. It repairs and maintain over 700,000 social homes across the UK. It is the second largest home care provider in the UK.

Another one down 50% since 2017.

Didn't improve book value over 10 years, thus only dividend. Risky business related to local councils probably, not for me. Low return on invested capital in general, depends on the lowest bid for contracts.

Medica Group plc – MGP – teleradiology

Another down from recent iPO. PE ratio of 20.

Growing? Yes, but subsidiary in Australia of all places. Artificial intelligence and radiology, they lost me here…

Menzies (John) plc – MNZS -

We have a video on this one, let's see what I think.

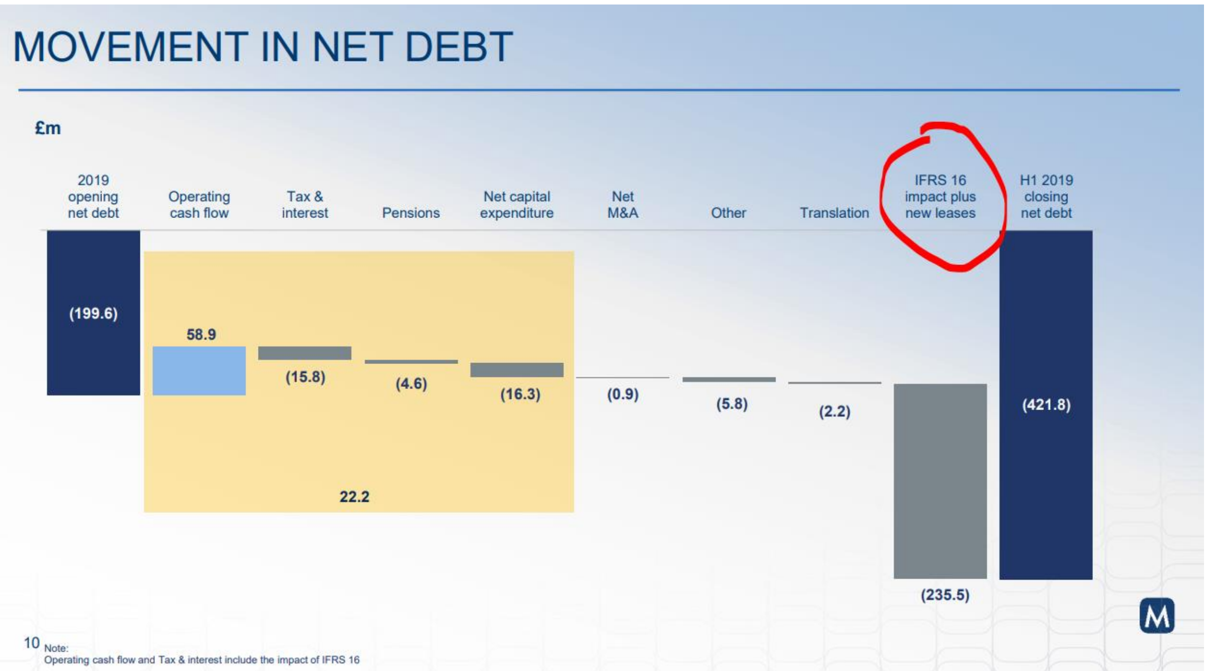
https://www.youtube.com/watch?v=OjHbA_JHxUk

The videos is about how a takeover is imminent. The stock hit its low there.

Could be a takeover but for me, the cash flows are negative, income is negative and debt is staggering. Thus, simply too much risk.

Net debt is at 35% of revenue.

I remember discussing leases when teaching Financial Accounting and how much debt can be hidden, happy to see the IFRS tackle that.



Boom, 235 million in more debt that wasn't on the balance sheet prior. This keeps EBITDA high but profits low.

It is an interesting business in an interesting market. Likely acquisition in consolidation process.

Norwegean is a big part of revenue, expected to go bust soon. This could be a gem to watch, I am interested in how it will develop from a business perspective, to dig deeper. The problem is that current margins make a slowdown look terrible and risky.

Mitie Group – MTO – highly competitive, cost fragile

Mitie Group PLC is a British strategic outsourcing and energy services company. It provides infrastructure consultancy, facilities management, property management, energy and healthcare services.

50% down since 2017.

Highly competitive.

MJ Gleeson plc – GLE

Finally, an 8 bagger.

Huge growth on low leverage targeting the affordable housing needs in the UK>

The fear is a recession as they want to double again. No debt practically, thus business model ok.

Looks like a good one. Could be a gem, even to just look at it for learning. Coming back.

Morgan Sindall Group Plc – MGNS – no advantage

Morgan Sindall Group plc is a British based construction services business headquartered in London. I don’t think builders have any competitive advantage – will probably be average.

Motorpoint plc -car retail, no advantage – low div in good times

NCC GROUP – NCC – declining operating margin

NCC Group is an information assurance firm headquartered in Manchester, United Kingdom. Its service areas cover software escrow and verification, cyber security consulting and managed services, website performance, software testing and domain services. NCC Group claims over 15,000 clients worldwide.

Growing ok but on declining margins, this means they are growing by taking lower quality business or there is more competition.

Cyber security will always depend on spend and competition, moat might be scale.

Norcros plc - NXR

Bathrooms, - nothing special, normal business, almost bust in 2009.

Northgate – NTG – risky business

Northgate plc is the UK's largest commercial vehicle rental provider, with over 100,000 vehicles in the UK and Spain.

This practically went bust in 2009. When you provide commercial vehicles, you are dealing with parties that don’t want to assume the risk.

On The Beach Group plc – OTB – online beach holidays

Oxford Biomedica plc – no idea on cancer treatment – really I have no clue so no comment

Pendragon – I think it is bust

Petra diamonds – not doing well.

Petropavlovsk – Russian gold miner not doing great

Pharos energy – not doing good in oil exploration

Phoenix Spree – good REIT in Germany

REITs do well in a free money and low interest rates environment.

Photo-me International plc – photo boots but a profitable business

High dividend, high earnings, but not only photo boots, also laundry business expansion. This could be a gem, a crazy one, but to dig deeper. It is not the shabby photo boot you see when you exit your metro.

This is what I look for, offers potential!

Porvair PLC – PRV – 10 bagger – filtration

Slow and stable, probably depends on industry and economy.

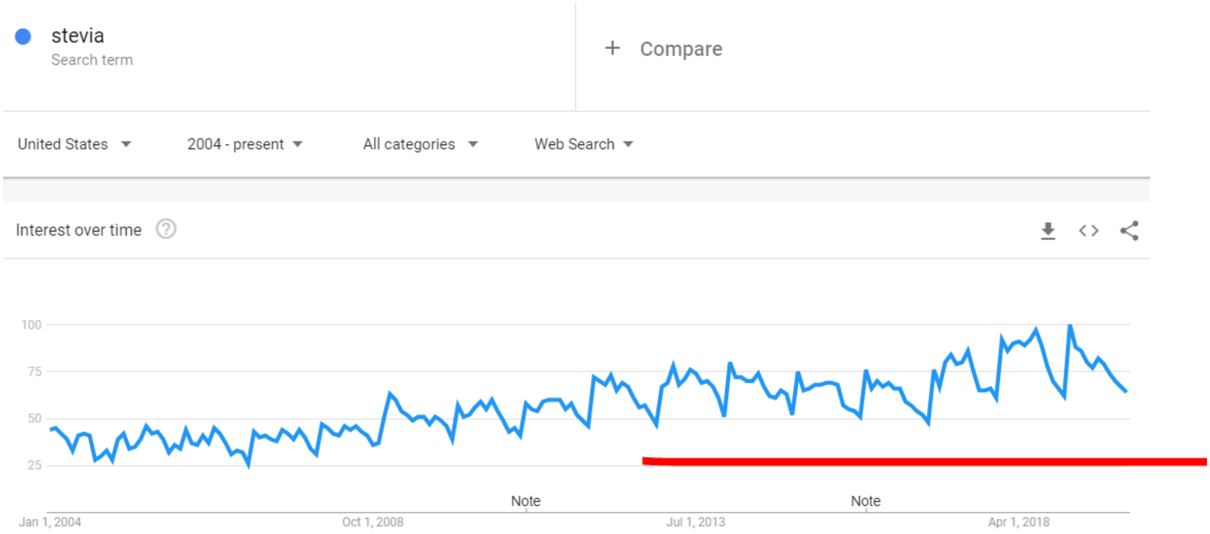
Premier Foods plc – high debt

Actually, interesting but huge debt and pension obligation.

PureCircle - stevia

PureCircle is the world's leading producer and innovator stevia sweeteners for the global food and beverage industry. PureCircle has offices around the world, with the global headquarters in Chicago, Illinois.

Stevia is still growing in search in the US



Could be a gem.

The total number of voting rights is 184,454,951.

Raven Property Group - RUSSIA REIT high yield

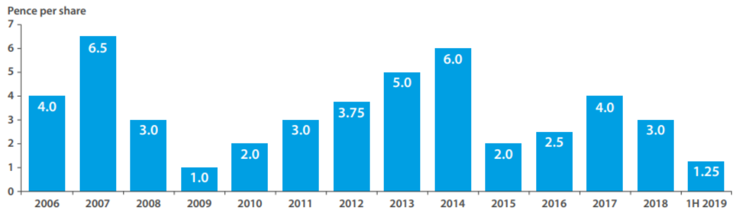
Paid dividend in tough times albeit with dilution. 3 cents per share distribution in 2018 – that is the yield there.

15 DISTRIBUTIONS

Ordinary and Preference shares cash payments per annum, £ '000

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1H 2019	Total
Ordinary	9,264	15,525	27,448	2,588	7,758	15,659	19,402	24,653	41,821	27,380	5,896	11,275	28,258	10,826	247,753
Preference				12,291	15,908	16,199	19,926	23,275	11,058	11,209	11,136	11,234	11,327	5,650	149,213
Convertible preference											3,210	9,776	12,716	6,367	32,069
Total	**9,264**	**15,525**	**27,448**	**14,879**	**23,666**	**31,858**	**39,328**	**47,928**	**52,879**	**38,589**	**20,242**	**32,285**	**52,301**	**22,843**	**429,035**

Distributions declared on Ordinary shares, pence per share



Share buy backs	Oct-10	Nov-11	2012	2013	2014	2015	2016	2017	2018	1H 2019	Total to date
Number of ordinary shares purchased	8,677,910	4,406,122	27,293,896	32,194,378	52,062,521	37,495,681	14,705,997	21,817,729	45,802,535	24,509,961	**268,966,730**

RESULTS FOR THE 6 MONTHS ENDING 30 JUNE 2019

RDI REIT Plc – UK GERMANY REIT – 9% yield – huge dilution because things went wrong

Shopping centres failure REIT. Occupancy rates change as the economy changes. Could be a gem but a real estate Europe sector analysis is necessary, or nonononono, are you crazy Sven, don't get under the yield influence and hope for things to improve, its Europe…..

Reach Plc – newspapers – not going well

Real Estate Credit Investments Ltd

With credit, anything can happen.

Regional REIT Ltd – good div UK REIT

RENEWI – waste management – going to waste due to high debt

Renewi plc is a leading European waste man management company operating in Europe and North America.

Will be analysed in a comparative analysis of the waste management sector, alongside Biffa.

Residential Secure Income REIT -another new REIT

Ricardo

Now, technical consulting makes a huge chunk of revenue, ok, but in a slow down, it would be much less, that is my risk I see and why I would never pay a PE ratio of 20 even if a good company.

Segmental results

	Year ended 30 June					
	Revenue earned		Underlying operating profit (2)		Underlying operating profit (2) margin	
£m	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Performance Products	113.9	91.7	11.9	9.3	10.4%	10.1%
Technical Consulting	270.5	286.8	27.7	30.4	10.2%	10.6%
Total	**384.4**	**378.5**	**39.6**	**39.7**	**10.3%**	**10.5%**

River & Mercantile Group plc

I will never understand why the UK pension scheme needs derivatives that this company provides for them. Good luck.

Robert Walters plc – cyclical

RPS Group

RPS Group plc is a global professional services firm of consultants and service providers, headquartered in Abingdon, Oxfordshire.

S & U plc –

S&U plc is a United Kingdom-based company engaged in providing motor finance and specialist lending service. The Company is focused on the specialist motor finance market. The Company's subsidiary, Advantage Finance Limited (Advantage Finance), is engaged in the motor finance business.

Giving loans if you wish to buy a car. They did a great job over the last years.

Saga plc – insurance

Sdl Plc

SDL plc is a multinational software and professional services company headquartered in Maidenhead, UK. SDL specializes in; digital marketing software and services, structured content management and language translation software and services.

Growing, good margins, but not book value growth.

SDL PLC SDL

Financials

Export Ascending

	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	TTM
Revenue GBP Mil	172	204	229	269	266	260	266	264	285	323	362
Gross Margin %	55.6	57.0	58.3	56.3	54.9	56.6	56.2	54.4	52.2	52.2	51.6
Operating Income GBP Mil	24	27	32	28	-24	9	-25	11	15	18	23
Operating Margin %	14.1	13.5	14.0	10.3	-9.0	3.7	-9.4	4.2	5.3	5.8	6.3
Net Income GBP Mil	18	22	26	21	-27	6	-30	-18	29	15	17
Earnings Per Share GBP	0.23	0.27	0.32	0.26	-0.35	0.08	-0.38	-0.22	0.36	0.17	0.19
Dividends GBP	—	—	0.06	0.06	0.06	—	0.03	0.03	0.06	0.06	0.07
Payout Ratio % *	—	—	18.3	22.3	69.7	—	24.0	—	68.1	33.0	37.0
Shares Mil	79	80	81	80	81	81	82	82	82	88	92
Book Value Per Share * GBP	2.25	2.51	2.62	2.84	2.88	2.41	2.40	2.18	2.18	2.14	2.72
Operating Cash Flow GBP Mil	30	27	32	17	6	18	6	12	—	36	27
Cap Spending GBP Mil	-1	-3	-4	-5	-6	-2	-3	-2	-16	-14	-11
Free Cash Flow GBP Mil	29	24	29	12	—	16	3	10	-15	22	16
Free Cash Flow Per Share * GBP	0.37	0.30	0.33	0.15	0.14	0.05	0.13	0.07	-0.05	0.03	—
Working Capital GBP Mil	33	33	59	-10	-17	-8	—	6	18	20	—

* Indicates calendar year-end data information

This is actually interesting in the digital ear, but I don't know what is the moat and what will be the effect in a digital downturn that will always come.

Severfield plc – SFR

Severfield plc is the largest structural steel specialist in the UK. The North Yorkshire based company's major works include The Shard, the Olympic Stadium, and the Tate Modern.

Needs a steel sector analysis, including the Russians, will come!

Sirius Minerals

Sirius Minerals is a UK based fertilizer development company focused on the development and operation of its polyhalite project in North Yorkshire.

Very interesting chart – is it finally over?

Very interesting project and situation when there is no more money.

ECONOMIC AND TIME CONSIDERATIONS

	Reference Case[1]	Revised Base Case[2]	
		12m deferral of Deferred Scope	24m deferral of Deferred Scope
Capital costs (US$M)			
Total capex[3]	4,240	4,098	4,176
Total cost to complete[3]	3,129	2,987	3,064
Variance to Reference Case	-	(142)	(64)
First 12 months capital	837	354	352
First 24 months capital	1,774	1,154	600
Milestones			
First polyhalite	Q2 2022	Q2 2022	Q2 2022
MTS available	Q4 2023	Q1 2024	Q1 2025
10 Mtpa ramped up	Q2 2025	Q3 2025	Q3 2026
Economic parameters[4]			
NPV (US$bn)	12.5	12.4	11.3
IRR	30%	32%	29%
Production to end 2025 (Mt)	20.2	11.6	2.6

Notes: 1) Reference Case – assumes development recommences on 1 April 2020 in line with the Company's previous development plan as set out in the Company's prospectus dated 1 May 2019 with adjustments related to the impact of delaying certain development until 1 April 2020. 2. Revised Base Case – assumes Initial Scope commences on 1 April 2020. Deferred Scope proceeds in line with the Revised Base Case described in this announcement and commences 12 months or 24 months after the Initial Scope commencement. 3. Initial capital expenditure required to achieve full production . Excludes expansion capital expenditure of US$157M to deliver 13 Mtpa and US$80M of mobile mining equipment which is assumed to be outsourced. Includes US$243M of costs relating to harbour and ship loading infrastructure which had previously been assumed to be outsourced. Includes contingency and escalation of US$467M, which assumes contingency at a P65 level and of which US$432M remains as residual cost to complete. 4. As at 31-Dec-19.

21

Speedy Hire – dependent on economy

Spire Healthcare Group plc – SPI - interesting

Spire Healthcare Group plc is a United Kingdom-based independent hospital group. The Company provides in-patient, daycase and out-patient care from approximately 40 hospitals, 10 clinics and over two specialist care centers across the United Kingdom.

Another IPO gone bad, or just started on too high expectations. However, this could be a gem to follow. To came back.

Sthree Plc – STHR – staffing again

SThree plc is an international specialist staffing organisation, founded in the United Kingdom and headquartered in London.

Stobart Group Ltd

They own the Southend airport close to London. Plus waste management. Then they sold Eddie Stobart a few years ago that will now go bust probably, also due to poor accounting, so we will see how it impact them and whether they will help it.

They have been losing money over the last years.

https://www.theguardian.com/business/2019/aug/23/eddie-stobart-suspends-trading-shares-accounting-error

this could be a gem, to dig deep and look at the details.

Stock Spirits Group plc – strangely not growing – spread to thin

Stock Spirits Group is a drinks business operating in Poland, the Czech Republic, Italy, Slovenia and Croatia. Hm, Croatia, you never know what you can find by looking at such lists.

Not growing, despite all improvements shown in presentation.

Studio Retail Group

Studio Retail Group plc, known until July 2019 as Findel plc, is a British home shopping company, based in Accrington, Lancashire

Name changes?? Great!

STV Group plc – Scottish television

Television not dead?

Paying a dividend and ok, but not growing and unlikely to explode into something.

Superdry plc

Big price decline. Strategy not working, thus changing it, try to turn it to profitable growth again. Typical fashion business betting – but customer preferences change all the time.

No turnarounds for me.

Ted baker – another fashion disaster – I don't like fashion

I worked in the Fashion Industry and it is a crazy environment to make money in, it depends on customers and those also change like the wind, good luck.

Ten Entertainment Group plc is a United Kingdom-based ten-pin bowling operating company, which is focused on the family entertainment market, with Sites that are typically located on mixed-use retail/leisure parks. In addition to the core ten-pin bowling offering, the Company has additional entertainment activities.

Going good for entertainers in the UK.

Topps Tiles plc

Uk retail

Town Centre Securities plc

Discount to NAV, but that is the most you'll get.

Treatt plc

Doing good, but expensive and we will see how to scale further as they grow and get to play with the big guys.

Trifast plc

Trifast is a leading international specialist in the engineering, manufacturing and distribution of high quality industrial fastenings to major global assembly ...

Probably related to economy.

TT Electronics plc

Did great, but not in a place where I can understand.

Tyman Plc

Depending on economy

U and I Group plc

A lot of blah blah

Vectura Group – Pharma

Vitec's strategy is to focus on the "image capture and content creation" market.

COULD BE A GEM – look into what they do

Vitec operates in the fast moving and growing "image capture and content creation" market. The overall market is an attractive one, with growth driven by the proliferation of image capture and sharing among an ever increasing number of content creators.

In 2018, Vitec delivered a record financial performance despite some unexpected challenges. We made significant progress implementing our strategic priorities which resulted in organic growth, improved margins and good cash generation.

Volution Group plc

Ventilation products in Europe and Australasia.

Depending on economy.

Vp plc – economy dependent

Wincanton

– logistics, thus economy dependent

XP Power Limited

Looks interesting but I don't know if there is an advantage

XPS Pensions Group Plc

Recent IPO

Zotefoams Plc manufactures a range of closed-cell cross-linked polyolefin foams for global use in sports, construction, marine, automation, medical equipment and aerospace.

Interesting but a bit expensive!