

6 August 2018



## Lok'nStore (LOK): Corp

### Three stores opened, nine in development

In a positive year end trading statement Lok'nStore has detailed group revenue up +6.0% year-on-year driven by self storage occupancy up +7.7% and pricing up +0.5%. Three new landmark stores have been opened in the year which are all trading well and there are nine new landmark stores in the pipeline. The pipeline will add 39% to the freehold trading space and 35% to total space. We make no change to forecasts or our short-term NAV-based price target of 521p but highlight that our 10-year target of £10 is now largely justified by the current pipeline, with prospects remaining good for further site additions over time.

## Netcall (NET): Corp

### Netcall contract win

Netcall has announced a new contract win with a NYSE-listed company to deliver both the MatsSoft Low-code platform and Netcall's Liberty omnichannel Contact Centre solution as a combined digital services platform. Deployed via the cloud, the combined platform will support the delivery of a UK Government Agency's services – including multi-channel communications, web and mobile portals, as well as case management and integration with back office systems. Worth a minimum of £1.4m over a 4-year period, with an additional 2-year extension opportunity, this contract demonstrates the synergies between the Liberty platform and the recently acquired MatsSoft platform, and highlights the strong pipeline of opportunities for both platforms. Following their recent trading update, this contract reiterates the ongoing transition within Netcall towards an increasing proportion of SaaS-based contracts. We reiterate the 75p target price, and look forward to the upcoming results for the full year to June 2018.

## Omega Diagnostics (ODX): Corp

### FY results – rebasing investment case

Full year results to 31 March were in line with the trading update in April, with revenues of £13.6m and an adjusted pre-tax loss of £0.7m. The closure of its loss-making German and Indian businesses, disposal of infectious diseases and corporate restructuring in June largely net off these losses in FY 2019. Strategic priorities now reside within Food Intolerance, Visitect CD4 testing and the commercialisation of Allersys allergy tests through IDS. We reintroduce forecasts for FY 2019, which indicate an adjusted pre-tax loss of £0.3m. Importantly, the company has the cash resources/banking facilities to meet the ongoing cash needs of the business. We await clearer visibility over the timing of Visitect's launch plans as well as progress with Allersys before introducing our FY 2020 forecasts and a target price. Suffice to say, the current valuation is underpinned by the profitable and growing Food Intolerance business, leaving aside upside from the potentially significant opportunity that exists for CD4 and Allersys.

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## Corp

**Ticker** LOK:AIM

### Support Services

Shares in issue (m) 29.7  
Next results FY Oct

**Price** 402.5p

Target price 521.0p  
Upside 29%

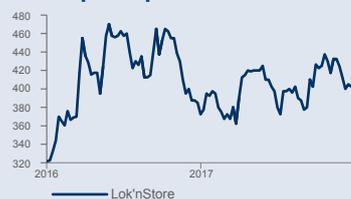
**Market cap** £119.5m

Net debt/(cash) £23.5m  
Other EV adjustments £0.0m  
Enterprise value £143.0m

**What's changed?** From To

Adjusted EPS 11.9 n/c  
Target Price 521.0 n/c

### Share price performance



| %      | 1M   | 3M   | 12M |
|--------|------|------|-----|
| Actual | -5.1 | -5.6 | 6.6 |

### Company description

Self Storage stores predominantly in SE England.

### Guy Hewett

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\* denotes corporate client of finncap

## Lok'nStore\*

### Three stores opened, nine in development

In a positive year end trading statement Lok'nStore has detailed group revenue up +6.0% year-on-year driven by self storage occupancy up +7.7% and pricing up +0.5%. Three new landmark stores have been opened in the year which are all trading well and there are nine new landmark stores in the pipeline. The pipeline will add 39% to the freehold trading space and 35% to total space. We make no change to forecasts or our short-term NAV-based price target of 521p but highlight that our 10-year target of £10 is now largely justified by the current pipeline, with prospects remaining good for further site additions over time.

► **Rising sales growth.** FY 2018 sales grew +6.0% up from +3.7% in FY 2017 and splits H1 +5.7% and H2 +6.4%. Rising occupancy, supported by the new store openings was the main contributor to this improving progress.

► **Secured pipeline.** During the year Lok'nStore acquired five new locations bringing the total secured pipeline to nine stores. The pipeline will add 39% to freehold trading space, 54% to the managed stores and 35% to total trading space. Three of the stores will open in FY 2019 and 6 by the end of FY 2020.

► **Strong balance sheet.** We forecast net debt/value to peak at a still cautious 27% in FY 2019 emphasising the group has the financial strength to fund both the secured expansion plans and the Group's ambitious growth plans.

► **Short term target 521p.** Our target price of 521p equates to our 3-year forecast NAV of 485p (when the new stores will be open but not yet mature) plus our 3-year total forecast for dividends of 36p.

► **On track for longer term target of £10.** Our long-term model (set in October 2017) assumes a further five unannounced freehold stores. This generates 51p cash available for distribution in 10 years' time, which at a 5% yield justifies a 1008p target. The development of four new stores has been announced (the group is ahead of plan), meaning the current pipeline now largely supports this target. Given the structural undersupply in the UK market, there are continued strong prospects to grow the pipeline further.

► **Premium growth but a significant valuation discount to peers.** Lok'nStore is valued at a 4% discount to historic (July 2017) NAV. This compares with an average 52% premium for peers Big Yellow and Safestore and is despite our expectation that Lok'nStore will grow EBITDA at a 3-year forecast CAGR of 13% but peers at a significantly lower 8%.

| Key estimates | Year end: Jul | 2016A | 2017A | 2018E | 2019E | 2020E |
|---------------|---------------|-------|-------|-------|-------|-------|
| Revenue       | £m            | 16.1  | 16.7  | 17.7  | 19.1  | 20.8  |
| Adj EBITDA    | £m            | 6.3   | 6.5   | 7.3   | 8.2   | 9.3   |
| Adj EBIT      | £m            | 4.6   | 4.5   | 5.1   | 5.7   | 6.5   |
| Adj PBT       | £m            | 3.6   | 4.1   | 4.4   | 4.6   | 5.4   |
| Adj EPS       | p             | 10.4  | 10.9  | 11.9  | 12.6  | 14.8  |
| DPS           | p             | 9.0   | 10.0  | 11.0  | 12.0  | 13.2  |

| Key valuation metrics |   | 2016A | 2017A | 2018E  | 2019E | 2020E |
|-----------------------|---|-------|-------|--------|-------|-------|
| EV/EBIT (adj)         | x | 31.1  | 32.0  | 28.2   | 25.3  | 22.1  |
| P/E (adj)             | x | 38.8  | 36.8  | 33.7   | 31.9  | 27.3  |
| Dividend yield        | % | 2.2%  | 2.5%  | 2.7%   | 3.0%  | 3.3%  |
| Free cash yield       | % | -4.5% | -1.3% | -12.0% | -7.7% | 5.7%  |
| Pre-tax ROCE          | % | 4.6%  | 3.8%  | 4.0%   | 3.9%  | 4.3%  |

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## Corp

Ticker **NET:AIM**

## Software &amp; Computer Services

Shares in issue (m) 143.0  
Next results FY OctPrice **66.5p**Target price 75.0p  
Upside 13%Market cap **£95.1m**Net debt/(cash) £0.7m  
Other EV adjustments £0.0m  
Enterprise value £95.8m

## What's changed? From To

Adjusted EPS 1.9 n/c  
Target Price 75.0 n/c

## Share price performance



| %      | 1M   | 3M   | 12M  |
|--------|------|------|------|
| Actual | -9.5 | 11.8 | -0.4 |

## Company description

Customer engagement solutions to the public and private sectors

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\* denotes corporate client of finnCap

## Netcall\*

## Netcall contract win

Netcall has announced a new contract win with a NYSE-listed company to deliver both the MatsSoft Low-code platform and Netcall's Liberty omnichannel Contact Centre solution as a combined digital services platform. Deployed via the cloud, the combined platform will support the delivery of a UK Government Agency's services – including multi-channel communications, web and mobile portals, as well as case management and integration with back office systems. Worth a minimum of £1.4m over a 4-year period, with an additional 2-year extension opportunity, this contract demonstrates the synergies between the Liberty platform and the recently acquired MatsSoft platform, and highlights the strong pipeline of opportunities for both platforms. Following their recent trading update, this contract reiterates the ongoing transition within Netcall towards an increasing proportion of SaaS-based contracts. We reiterate the 75p target price, and look forward to the upcoming results for the full year to June 2018.

- **MatsSoft continues to demonstrate commercial value** as the leading Low-code platform in the UK. Through the agility and ease of MatsSoft, combined with the seamless functionality of Liberty, the combined platform is set to enable the current customer to deliver an enhanced customer engagement service, whilst simultaneously automating key functions and delivering overall greater efficiencies.
- **Contract sets FY19 off to a running start** with the addition of a new customer, highlighting the increasing commercial traction of Netcall and MatsSoft and the strong inflow of opportunities for both the MATS and Liberty solutions.

| Key estimates   Year end: Jun |    | 2015A | 2016A | 2017A | 2018E | 2019E |
|-------------------------------|----|-------|-------|-------|-------|-------|
| Revenue                       | £m | 17.2  | 16.6  | 16.2  | 22.0  | 26.6  |
| Adj EBITDA                    | £m | 5.2   | 4.5   | 4.5   | 5.4   | 7.1   |
| Adj EBIT                      | £m | 4.6   | 3.7   | 3.4   | 4.0   | 5.3   |
| Adj PBT                       | £m | 4.7   | 3.8   | 3.5   | 3.5   | 4.7   |
| Adj EPS                       | p  | 2.6   | 2.1   | 1.9   | 1.9   | 2.6   |
| DPS                           | p  | 2.2   | 3.0   | 2.2   | 1.2   | 1.3   |

| Key valuation metrics |   | 2015A | 2016A | 2017A | 2018E | 2019E |
|-----------------------|---|-------|-------|-------|-------|-------|
| EV/EBIT (adj)         | x | 20.9  | 26.0  | 28.1  | 23.9  | 18.1  |
| P/E (adj)             | x | 25.7  | 31.3  | 34.2  | 34.5  | 25.4  |
| Dividend yield        | % | 3.3%  | 4.5%  | 3.3%  | 1.8%  | 1.9%  |
| Free cash yield       | % | 3.9%  | 3.5%  | 2.9%  | 0.6%  | 3.6%  |
| Pre-tax ROCE          | % | 20.2% | 16.3% | 16.2% | 14.3% | 18.9% |

6 August 2018

## Corp

**Ticker** ODX:AIM

**Healthcare Equipment & Services**

Shares in issue (m) 126.9

Next results H1 Dec

**Price** 15.5p

Target price Under review

Upside n/a

**Market cap** £19.7m

Net debt/(cash) £0.8m

Other EV adjustments £0.0m

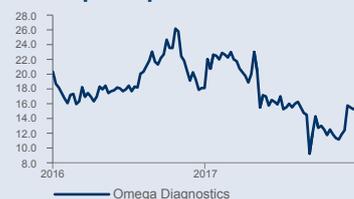
Enterprise value £20.4m

**What's changed?** From To

Adjusted EPS U/R -0.3

Target Price U/R n/c

### Share price performance



| %      | 1M   | 3M   | 12M   |
|--------|------|------|-------|
| Actual | 25.0 | 21.6 | -13.9 |

### Company description

Diagnostics company focused on allergy, autoimmune and infectious diseases

### Mark Brewer

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## ▶ Omega Diagnostics\*

### FY results – rebasing investment case

Full year results to 31 March were in line with the trading update in April, with revenues of £13.6m and an adjusted pre-tax loss of £0.7m. The closure of its loss-making German and Indian businesses, disposal of infectious diseases and corporate restructuring in June largely net off these losses in FY 2019. Strategic priorities now reside within Food Intolerance, Visitect CD4 testing and the commercialisation of Allersys allergy tests through IDS. We reintroduce forecasts for FY 2019, which indicate an adjusted pre-tax loss of £0.3m. Importantly, the company has the cash resources/banking facilities to meet the ongoing cash needs of the business. We await clearer visibility over the timing of Visitect's launch plans as well as progress with Allersys before introducing our FY 2020 forecasts and a target price. Suffice to say, the current valuation is underpinned by the profitable and growing Food Intolerance business, leaving aside upside from the potentially significant opportunity that exists for CD4 and Allersys.

- ▶ **Results in brief.** In line with the 10 April trading update, revenues declined 5% (-6% CER) to £13.6m, resulting in an adjusted pre-tax loss of £0.7m, with net debt falling to £0.8m. Exceptional costs, principally relating to the closure of its German and Indian subsidiaries, amounted to £6.5m resulting in a statutory loss of £7.3m.
- ▶ **Re-based business.** The closure of its German and Indian (Pune) businesses together with the disposal of its infectious disease business to Novacyt in June enables the company to focus on its profitable Food Intolerance business as well as bringing Allersys and Visitect CD4 to the market.
- ▶ **Cash** at year-end was c.£0.1m, with net debt of £0.8m. The company has an available overdraft facility (£2m), which is expected to be sufficient to meet its ongoing cash needs. Following disposal proceeds (£1.8m) from its infectious disease business, we expect net debt to rise to £1.7m, implying c.£0.8m of this facility is used.
- ▶ **Visitect CD4 update.** Today's announcement that a formal design freeze has been made on the Advanced disease product (with a CD4 cell count of <200 cells/µL) is a further positive. The availability of this test will expand the addressable market and is in line with recent updated WHO guidelines. CE Mark is expected by Q4 2018, paving the way for additional WHO approvals needed.
- ▶ **Forecasts and valuation.** We are introducing new forecasts for FY 2019 with revenues of £9.7m and an adjusted pre-tax loss of £0.3m. Whilst awaiting greater clarity over the timing of the Visitect launch, we leave our target price under review.

| Key estimates   Year end: Mar |    | 2015A | 2016A | 2017A | 2018A | 2019E |
|-------------------------------|----|-------|-------|-------|-------|-------|
| Revenue                       | £m | 12.1  | 12.7  | 14.2  | 13.6  | 9.7   |
| Adj EBITDA                    | £m | 1.5   | 1.8   | 1.5   | -0.3  | 0.2   |
| Adj EBIT                      | £m | 1.3   | 1.3   | 1.2   | -0.7  | -0.3  |
| Adj PBT                       | £m | 1.4   | 1.3   | 1.1   | -0.7  | -0.3  |
| Adj EPS                       | p  | 1.3   | 1.1   | 1.1   | -0.9  | -0.3  |
| DPS                           | p  | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |

| Key valuation metrics |   | 2015A | 2016A | 2017A | 2018A  | 2019E  |
|-----------------------|---|-------|-------|-------|--------|--------|
| EV/EBIT (adj)         | x | 15.2  | 15.2  | 17.4  | -29.2  | -78.5  |
| P/E (adj)             | x | 12.0  | 13.7  | 14.2  | -16.8  | -60.4  |
| Dividend yield        | % | 0.0%  | 0.0%  | 0.0%  | 0.0%   | 0.0%   |
| Free cash yield       | % | -4.1% | -2.9% | -3.3% | -20.9% | -13.2% |
| Pre-tax ROCE          | % | 7.0%  | 6.5%  | 5.4%  | -3.9%  | -1.3%  |

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