2020

SALES PERSPECTIVES

SEVEN FOR 2020

Issue No: 7
January 2020

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INTRODUCTION

Issue number 7

2020. A new year, a new decade, and a brand-new set of exciting stock ideas from the sales team here at finnCap. This exclusive and eagerly awaited document presents our highest conviction non corporate stock recommendations for the coming year. These stocks look incredibly well placed to produce substantial outperformance, so we hope you enjoy reading our succinct and to the point narrative on each.

2019 was a difficult year for us all but was thankfully saved from being 'truly pants' by a strong and broad rally in the final quarter thanks to the positive election outcome – a stark contrast from the woeful market correction we sadly suffered in Q4 2018. The FTSE AIM All-Share Index finished the year up 11.3%, with the FTSE Small Cap Index closing up 14.1%. Impressive returns in isolation perhaps, but these figures make UK Small Cap one of the worse-performing developed market equity indexes in the World – the FTSE 250 flew up by 24.4% in comparison. The list of issues facing the smaller end of UK Plc were long and painful, ranging from the issues of the man from Oxford, the ensuing liquidity crisis, UK funds outflows/redemptions as well as economic turmoil and political uncertainty paralysing decision making and investment.

So, what should we expect in 2020? Well, in the wake of the Conservatives' landslide victory and growing certainty in our political direction (after 3 years of dithering), sentiment on UK equities is improving. Many UK fund managers have seen good inflows, and we expect this to continue as the valuation anomaly of UK Small caps shines through, particularly in comparison to other global markets. Having seen such a bad year, particularly for the microcap end in 2019, we believe there will be some exceptional bargains to be picked up. Layering on top of this, are opportunities for further M&A, with both private equity awash with cash and overseas buyers circling our higher quality companies. It should, we hope, be a good market for us all!

The seven stocks that constitute our 2020 Sales Perspective are ones that we, as a team, have a good understanding of, where we have met with and have conviction on the senior leadership teams to deliver on their stated strategies. We hope you find our selection an exciting smorgasbord of ideas to kick start your year, drawing your attention to either new names or previously disregarded investment cases. Stock picking in Small Caps can be challenging at the best of times, but we believe that thoroughly understanding the nuances of the companies and those in charge is vital in understanding the downside risk as well as the upside potential. Considering this, if you wish to meet any of the companies featured, please contact your finnCap sales representative to organise direct management access.

We wish you a happy, healthy and prosperous 2020, and here's to our ideas exceeding your expectations!

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Note: The views expressed in 'Sales Perspectives' are solely those of the finnCap sales team.

APTITUDE

Natural ability to outperform

Following the successful sale of Microgen Financial Systems in June of last year for £51.4m, Aptitude is now fully focused and financially equipped to turbocharge take up of its powerful financial management software designed for large enterprises. With a growing focus globally on automating financial operations from a cost saving perspective, alongside increasing regulatory requirements for improved reporting, the business is benefiting from strong market drivers for its technology. With a direct sales force in Boston, London and Singapore, as well as a heavyweight global partner network including KPMG, Deloitte and Accenture, Aptitude has the platform to deliver stellar growth across multiple territories. Additionally, as the company continues to improve its revenue visibility through growing recurring revenues and the roll out of SaaS contracts, we can see potential for further multiple enhancement over time.

Aptitudes software allows companies to take data from a range of sources such as complex systems, siloed data sources and multiple business entities to create a unified and single view of the finance function. This delivers three main benefits: detailed financial insights, enhanced control for management, as well as address regulatory requirements.

Its software is modular based and connects to its lead product, its accounting hub, providing the ability to drive upsells once the hub is in situ. The hub is its largest contributor to recurring revenue and continues to offer significant strategic opportunities across its three core sectors of Banking & Insurance, TMT and Healthcare. This focus gives the business an increasing global presence with 52% of group revenue coming from North America already.

Last reported revenue saw software grow by 19% in H1 FY19, with services revenue up 8%, pushing total organic revenue growth to 13%. Adjusted operating profit rose an impressive 31%, with operating margin improving by 300bps to 18%.

Within software revenue, ARR (annual recurring revenue) as at end June 2019 accounted for £27.5m, up 29% on last year and providing visibility on over 50% of full year revenue expectations. Aptitude targets an impressive 6-year minimum both on its licence fee model and is SaaS subscription model, with automatic annual extensions thereafter. We expect ARR to continue to grow substantially as modules are sold to new clients and upsold to existing clients.

To continue its strong market presence, Aptitude has invested in an Innovation Centre in Wroclaw, Poland, where they have over 100 software engineers. This gives them the ability to rapidly release new functionality and meet the needs of its ever-growing client base. Whilst this investment led to expenditure increasing by £0.9m to £6.2m, these costs were fully expensed.

With a strong recurring revenue base, highly attractive growth in both revenue and profits, a strong flexible balance sheet and global aspirations, Aptitude looks well placed to prosper. It already trades on above market multiples of 45x for FY19, falling to 35x in FY20. However, with earnings growth of 25% expected in FY20 and 14% in FY21, we believe the PEG continues to look highly attractive.

'Software ARR as at end June 2019 accounted for £27.5m, up 29% on last year and providing visibility on over 50% of full year revenue expectations'

APTITUDE

BUY

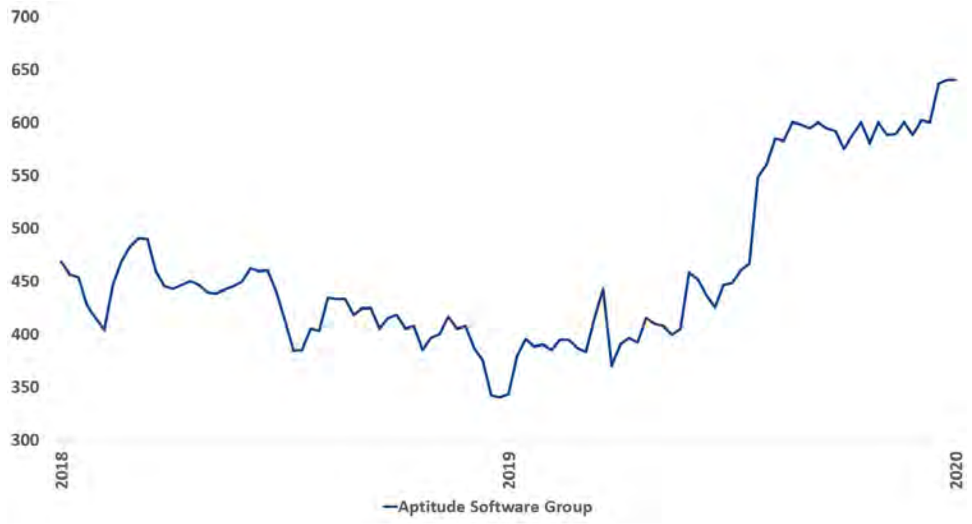
Ticker	APTG-GB	**%**	**3M**	**6M**	**12M**
Price	622p	**Actual**	+8.2	+38.2	+67.5

Market Cap £349.4m

Market Cap MAIN

Sector Information Technology Services

Share Price Performance



Source: FactSet

Aptitude Software Group

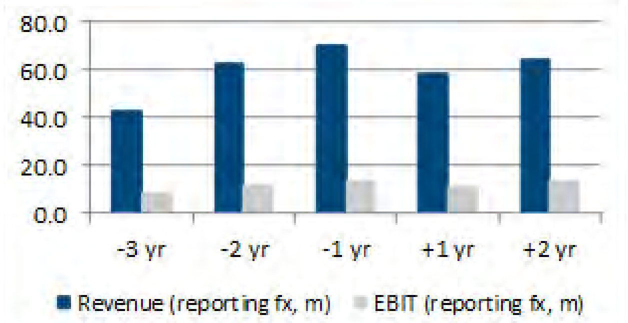
QVGM rank 410 out of 497

Basic Information

ticker	APTD-GB	**mkt cap**	£m	349.4	**shr price**	£	6.22
market	MAIN	**EV**	£m	282.1	**daily vol**	£k	1820
sector	Information Technology Services	**# shares**	m	56.2	**analysts**	#	2

Consensus Forecasts

last reported full year: 12/2018	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	43.0	62.6	70.3	58.7	64.6
EBIT (reporting fx, m)	8.3	11.6	13.5	11.0	13.5
EPS (as reported, reporting fx)	0.121	0.187	0.259	0.139	0.177
DPS (ordinary, reporting fx)	0.057	0.071	0.075	0.425	0.072
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank **129** out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	17.6%	11.7%	**145**
ROCE (FCF basis)	12.7%	8.6%	**171**
Gross Debt / Capital Employed	15.4%	23.0%	**189**

Value rank **342** out of 497

		value	market median	rank
EV / EBIT	+1 yr	25.8x	14.6x	**426**
P / E	+1 yr	44.6x	17.0x	**452**
Dividend Yield	+1 yr	6.8%	2.3%	**25**
FCF Yield	-1 yr	2.8%	4.6%	**348**

Growth rank **469** out of 497

	value	market median	rank
2yr CAGR sales growth	-4.2%	5.5%	**467**
2yr CAGR EBIT growth	-0.3%	13.1%	**429**
2yr CAGR DIV growth	-2.3%	3.3%	**445**

Momentum rank **38** out of 497

	value	market median	rank
Earnings upgrades	0.50x	-0.25x	**79**
Share price momentum	16.5%	2.4%	**39**

FINSBURY FOOD

Have your cake and eat it

Finsbury Food are a leading speciality baker of breads, cakes and morning goods. The Group also manufactures cakes for major licensed brands. Whilst the business is predominantly UK focused (88% of sales) the Group also has a presence in mainland Europe, boosted by the September 2018 acquisition of speciality manufacturer Ultrapharm. Finsbury sell their goods via established grocers and foodservice operators with which it has long standing relationships. Key customers include Tesco (21% of UK revenues), Asda (14%) Waitrose (11%), as well as pubs & hotel groups. Alongside core markets there is a significant and growing opportunity in 'Free From' product, a market that is growing at c.10% per annum and has large potential for consolidation.

Finsbury Food has established a leading presence in the UK bakery market by expanding its product range through both internal development and acquisition. Due to this strong and broad market position, the business is trading well, with H2 LFL sales +7.5% vs 0.5% in H1. This is despite a "challenging consumer environment" in which input inflation and wobbles in consumer confidence have been successfully navigated by management.

Its private label business has been a significant profit contributor recently as traditional grocery retailers turn to innovative, differentiated product to counter the threat from discount operators such as Aldi & Lidl. Finsbury also delivered 5.2% growth in foodservice (out of home eating) following a significant number of product launches. As well as own brand, Finsbury is also the largest supplier of celebration cakes to the UK's multiple grocers, with a portfolio of licensed brands that include Disney, Thornton's and Weight Watchers. Improved performance is in part due to Finsbury investing in improving manufacturing facilities to drive operating efficiencies. FY19 marked the final phase of a 4-year CAPEX programme that saw an average annual investment of £12m to upgrade IT systems, improve manufacturing in existing lines and investing in growing capacity in 'free from'. With CAPEX expected to normalise at £7m per annum we anticipate a strong improvement in free cash generation going forward.

The earnings enhancing acquisition of Ultrapharm – a leading Free From bakery manufacturer, is part of an exciting strategy by management to move in to higher margin, more premium segments. Dairy and gluten free are the largest sub-sectors in this market, boosted by consumers who choose to avoid certain ingredients as part of a general healthy lifestyle. Finsbury's addressable market in Free From is currently c.£350m and expected to grow at c.10% CAGR over the next 5 years. Early signals are positive, with diversification and new product launches contributing strongly to improved LFL's. We see diversification as a significant medium-term opportunity as Finsbury increase productivity through improved asset utilisation.

One aspect that investors have previously commented on is the net debt position, which rose sharply by £20m to £35.4m in FY19 to fund the Ultrapharm acquisition. However, with CAPEX spend reducing, already strong cash generation is expected to lead to c.£9m of FY20 free cash flow. This will allow Finsbury to deleverage quickly and comfortably underpin and hopefully supplement an attractive 3.8% dividend yield.

Despite confirming last November that sales for the first 4 months of the financial year are growing by 6.4%, the shares still trade on an undemanding multiple. The current valuation is only 5.7x EV/EBITDA, the PE is sub 10x and the FCF yield is 7.4%. We believe that the market is substantially undervaluing this highly cash generative, growing business because of overplayed concerns regarding consumer confidence and input inflation. These are issues which management have proven adept at managing over the years, and discounts the financial benefits we expect the group to show from its now complete CAPEX programme, as well as its product development programmes which allows it to successfully follow consumer trends.

‘We see diversification as a significant medium-term opportunity as Finsbury increase productivity through improved asset utilisation’

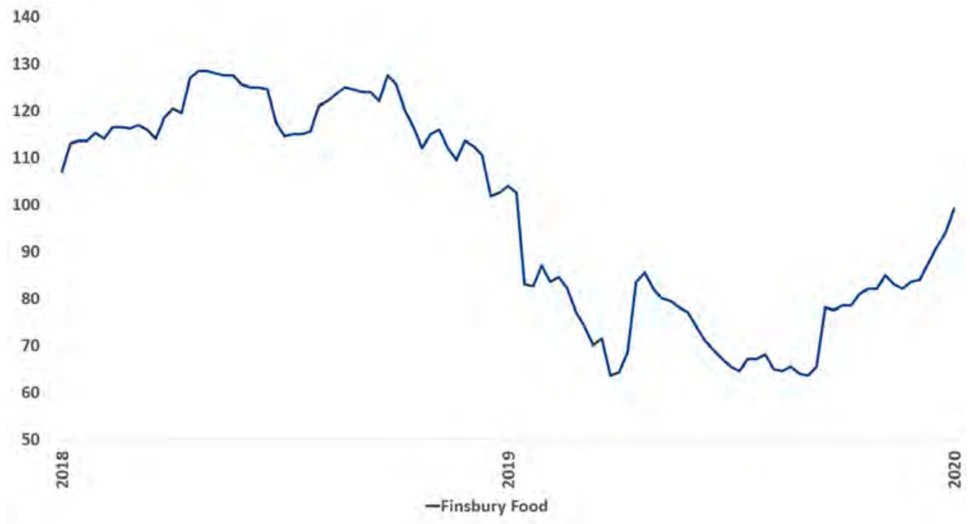
FINSBURY FOOD

BUY

Ticker	FIF-GB	**%**	**3M**	**6M**	**12M**
Price	99p	**Actual**	+29.6	+57.8	-0.7

Market Cap	£129.1m
Market Cap	AIM
Sector	Food: Speciality/Candy

Share Price Performance



Source: FactSet

Finsbury Food Group

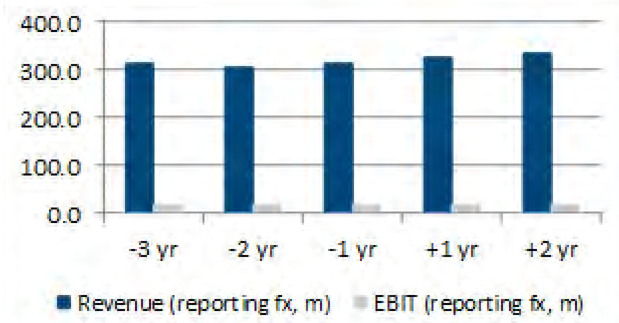
QVGM rank 386 out of 497

Basic Information

ticker	FIF-GB	**mkt cap**	£m	129.1	**shr price**	£	0.99
market	AIM	**EV**	£m	163.1	**daily vol**	£k	568
sector	Food: Specialty/Candy	**# shares**	m	130.4	**analysts**	#	3

Consensus Forecasts

last reported full year: 06/2019	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	314.3	303.6	315.3	325.2	333.4
EBIT (reporting fx, m)	19.0	19.1	16.8	18.0	18.3
EPS (as reported, reporting fx)	0.071	0.017	0.073	0.098	0.101
DPS (ordinary, reporting fx)	0.030	0.033	0.035	0.037	0.038
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank 364 out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	10.1%	11.7%	287
ROCE (FCF basis)	3.7%	8.6%	374
Gross Debt / Capital Employed	35.5%	23.0%	332

Value rank 106 out of 497

		value	market median	rank
EV / EBIT	+1 yr	9.7x	14.6x	107
P / E	+1 yr	10.1x	17.0x	85
Dividend Yield	+1 yr	3.7%	2.3%	131
FCF Yield	-1 yr	4.8%	4.6%	232

Growth rank 372 out of 497

	value	market median	rank
2yr CAGR sales growth	2.8%	5.5%	335
2yr CAGR EBIT growth	4.4%	13.1%	335
2yr CAGR DIV growth	4.1%	3.3%	232

Momentum rank 155 out of 497

	value	market median	rank
Earnings upgrades	-0.33x	-0.25x	266
Share price momentum	13.6%	2.4%	67

MANOLETE

A case of continued outperformance

Manolete is the UK's leading litigation financing company for insolvencies. They focus on mid-sized insolvency claims, taking control of each case by buying them in and funding them through to settlement - their profit being their share of the upside above what they paid for the case in the first place.

Whilst investors have seen the stock drop 25% from its peak in 2019, mainly on the back of contagion following the bear raid on Burford Capital by short seller Muddy Waters, it is still up over 100% from its IPO and we believe there is plenty of scope for continued outperformance.

While there are arguable parallels to Burford, there are clear differences that we believe set it apart and make it a much more attractive proposition. First, Manolete buys most of the cases it funds outright, giving them control over the process and the ability to operate in the most efficient manner. Returns are therefore impressively high – IRRs are consistently in excess of 200%. Secondly, it predominately focuses on insolvency litigation, which is by nature more procedural and means that most cases reach settlement within 8 months (vs Burford multiyear case backlog). Through owning the case and its focus, Manolete rarely goes to court (10 times out of 300 cases), has only ever lost 1 case (at a small cost of only £30,000) and has a strict investment process which sees them reject 80% of the opportunities they see, and a further 12% of active cases stopped mid process when the future direction is unclear (to reduce losses)

Its growth strategy is based on doubling the number of lawyers it employs, hiring members to target the Midlands, North West, East of England, South West and Wales, and Scotland. This has allowed Manolete to target 120 cases this year, up from 61 last year, as well as being bigger and better-quality cases. Looking at its first half results, this is beginning to bear fruit, with 65 new cases added, more than all of the previous financial year.

Management's longer-term ambition for the group is to move its market share up from 5% to nearer 30% of its target market. This would see its P&L transform from producing post tax profits of £5.5m last year to being closer to c.£35m. Not bad for a £180m mkt cap company.

However, on top of its traditional work, Manolete also has a couple of exceptional profit opportunities.

1. Two extra-large claims currently in the hopper. One for £50m and a second for over £20m. Both are expected to complete in 2020.

2. Project Yorkie. This is working on behalf of a number of insolvent companies that were impacted by the truck manufacturers previously price fixing. With liability already established (The truck OEMs were fined some €2.9bn previously), Manolete is working on 20 cases on their usual basis – small upfront fee, split of the reward. However, it also owns 90% on two large cases - Comet and City Link – where both offer the potential for substantial pay-outs. The outcome is not expected until the back end of 2021, but again, will make a large exceptional payment if successful.

Manolete's shares have had a fantastic run since its IPO. However, we feel that the company is now benefiting from its investment in new territories, gaining share in a sizeable and growing market whilst being insulated from the factors that have impacted Burford's performance. With consensus forecasts looking for 33% revenue growth for FY20, and a further 34% in FY21, leading to PBT growth of 14% and 27% respectively, we believe the stock will soon be testing its 2019 highs again soon.

‘Its growth strategy is based on doubling the number of lawyers it employs… This has allowed Manolete to target 120 cases this year, up from 61 last year’

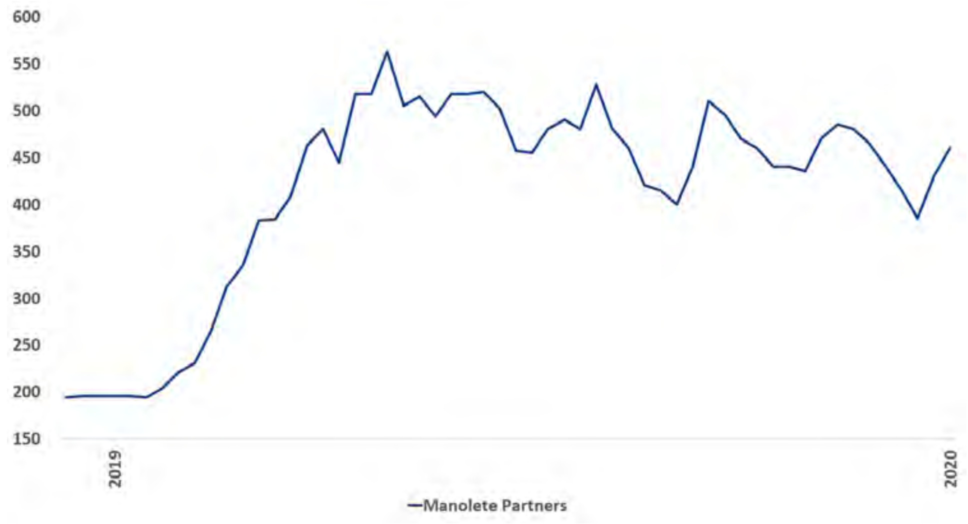
MANOLETE

BUY

Ticker	MANO-GB	**%**	**3M**	**6M**	**12M**
Price	472p	**Actual**	-7.6	-11.5	+117.9

Market Cap	£205.7m
Market Cap	AIM
Sector	Finance/Rental/Leasing

Share Price Performance



Source: FactSet

Manolete Partners

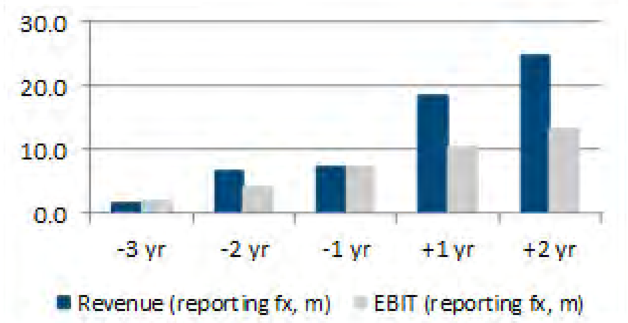
QVGM rank **27** out of 497

Basic Information

ticker	MANO-GB	**mkt cap**	£m	205.7	**shr price**	£	4.72
market	AIM	**EV**	£m	177.1	**daily vol**	£k	41
sector	Finance/Rental/Leasing	**# shares**	m	43.6	**analysts**	#	2

Consensus Forecasts

last reported full year: 03/2019	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	1.7	6.7	7.1	18.4	24.8
EBIT (reporting fx, m)	2.0	4.1	7.2	10.5	13.2
EPS (as reported, reporting fx)	0.032	0.075	0.320	0.189	0.240
DPS (ordinary, reporting fx)	0.000	0.000	0.015	0.038	0.048
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank **132** out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	25.7%	11.7%	74
ROCE (FCF basis)	0.3%	8.6%	435
Gross Debt / Capital Employed	0.0%	23.0%	1

Value rank **417** out of 497

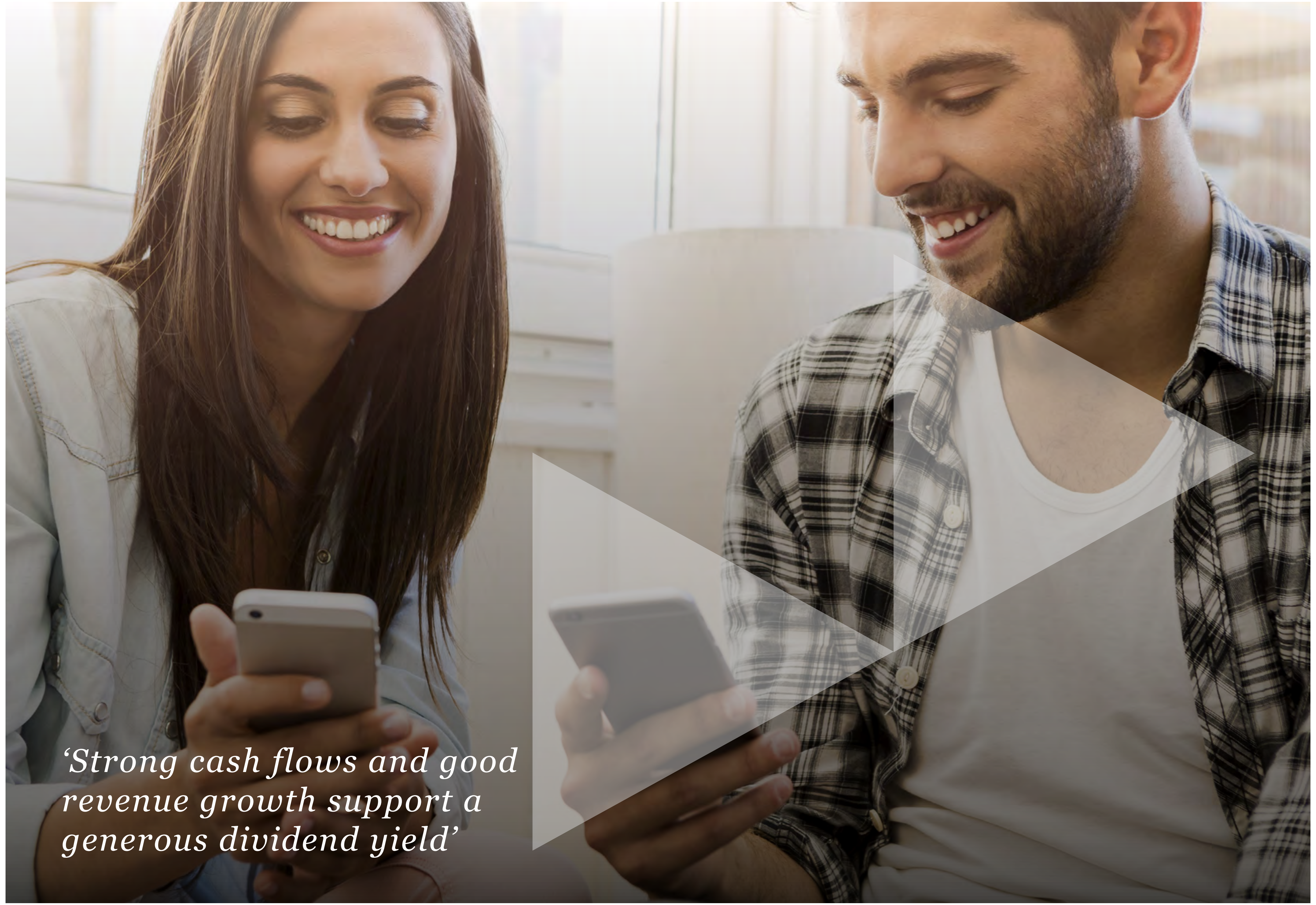
		value	market median	rank
EV / EBIT	+1 yr	17.0x	14.6x	306
P / E	+1 yr	25.0x	17.0x	377
Dividend Yield	+1 yr	0.8%	2.3%	372
FCF Yield	-1 yr	0.0%	4.6%	438

Growth rank **26** out of 497

	value	market median	rank
2yr CAGR sales growth	86.3%	5.5%	4
2yr CAGR EBIT growth	35.3%	13.1%	97
2yr CAGR DIV growth	79.5%	3.3%	4

Momentum rank **220** out of 497

	value	market median	rank
Earnings upgrades	0.50x	-0.25x	79
Share price momentum	-5.2%	2.4%	375



Personal Group

A ‘Hapi’ opportunity for 2020

Personal Group is a leading provider of both traditional and digital ‘employee engagement’ services and products for thousands of employees across the UK. Products include death in service benefit, private healthcare and accident insurance. Its target market are employees that are not traditionally offered these benefits as part of their employment package, such as bus drivers, factory workers and care support staff.

Whilst it has not always been plain sailing since its float in 2000 – the stock is down 14% in the last 12 months for instance – We believe the addition of the very impressive new CEO, Deborah Frost, has brought a refocused strategy. She has launched several new initiatives to go live in 2020, while we can also expect improved performance in the core insurance business as a result of increased stability in the sales team and a widening of the accessible market to include ‘gig’ economy employees.

A key competitive advantage for PGH is their proprietary mobile app. Alternative solutions are largely desktop based and, as such, do not appeal to corporates whose employees are based remotely. This has enabled PGH to build a client base that includes DHL, Stagecoach and Royal Mail. A key demand driver is an increased focus from corporates on employee wellness, but also, employees are more likely to be retained and be more productive if they feel their needs are being considered.

2019 was not as good a year as the company had hoped, due to protracted decision making from customers, alongside a softening in the in new sales of its traditional insurance business, having entered the year with a lower number of sales staff than the year before. However, we view this as a window of opportunity, with the upside potential remaining strong from 3 core areas.

First, a great opportunity is the launch of Sage Employee Benefits (SEB), the PGH campaign to certain Sage clients. Sage provides payroll software to over 1 million employees in the UK and is the largest supplier to small businesses, so is the perfect partner for Personal Group to work with. Over 20,000 Sage Payroll customers have now been emailed details of how to work with PGH and initial click through rates are very encouraging. Analysts had hoped this initiative would make a contribution to profits in 2019 but because the launch was delayed until the end of the year, we see this as a really exciting opportunity for growth in 2020.

Second, ‘Let’s Connect’ allows employees to buy all the up to date technology like tablets, computers, smart TVs and consoles and lets them spread the cost through salary sacrifice or net pay arrangements throughout the year. PGH makes commission on all transactions. ‘Let’s Connect’ had a very encouraging H1 2019 delivering 79% revenue growth on last year, thanks to new wins and the Royal Mail operating it continuously. We expect this trend to continue.

Third, is the ‘Hapi’ platform. This is an app that allows employees to see the broad range of services their company has made available to them and the very small cost of taking up these services. These include a range of benefits not just insurance such as savings on your shopping at supermarkets like Sainsburys or Morrisons, plus savings on holidays. Hapi has an attractive revenue profile, with clients billed on a SaaS model. The earnings enhancing acquisition of Innecto, an online platform providing pay and reward consultancy, provides a significant opportunity to sell Hapi in to fast growth SME’s, with a high profile client list that includes ITN, Cafe Nero and SkyScanner.

As employee welfare and staff wellbeing becomes increasingly prevalent, we believe the range of products and services Personal Group provides will make shareholders as well as employees ‘Hapi’. The opportunity is for new initiatives including the launch of Sage Employee Benefits (SEB) and strong growth in SaaS and Let’s Connect revenue flowing through to improving profitability. Revenues are set to grow from £55.8m in FY18 to a forecast £66m in FY19 and up to £73.5m in FY20, CAGR of 16%. After the recent share price set back, investors can enjoy a 6% dividend yield with potential for growth, on a market average P/E of 16x and an EV/EBITDA of only 10x.

‘The Group has a great product that benefits thousands of UK employees on both traditional and digital platforms, supported by a strong management team with several new initiatives to drive profitability’

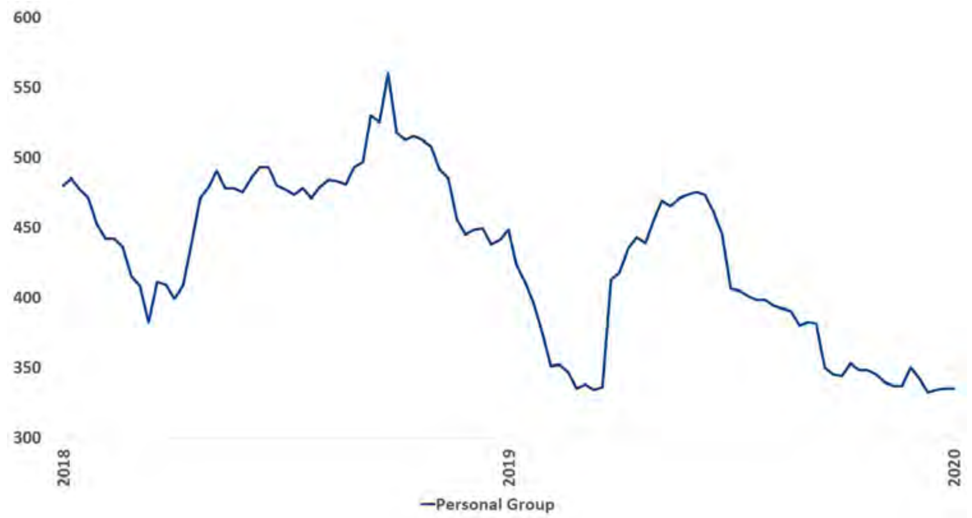
PERSONAL GROUP

BUY

Ticker	PGH-GB	%	3M	6M	12M
Price	335p	**Actual**	+2.3	-10.9	-14.7

Market Cap	£104.6m
Market Cap	AIM
Sector	Insurance Brokers/Services

Share Price Performance



Source: FactSet

Personal Group

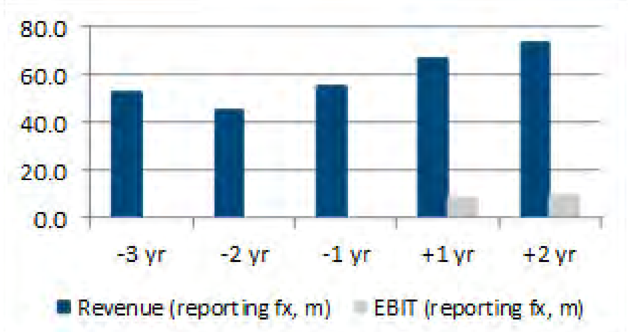
QVGM rank 131 out of 497

Basic Information

ticker	PGH-GB	**mkt cap**	£m	104.6	**shr price**	£	3.35
market	AIM	**EV**	£m	88.2	**daily vol**	£k	96
sector	Insurance Brokers/Services	**# shares**	m	31.2	**analysts**	#	1

Consensus Forecasts

last reported full year: 12/2018	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	53.1	45.2	55.3	66.9	73.5
EBIT (reporting fx, m)				8.9	9.5
EPS (as reported, reporting fx)	0.239	0.269	0.273	0.228	0.245
DPS (ordinary, reporting fx)	0.220	0.227	0.230	0.233	0.236
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank 141 out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	0.0%	11.7%	461
ROCE (FCF basis)	23.6%	8.6%	68
Gross Debt / Capital Employed	0.0%	23.0%	1

Value rank 70 out of 497

		value	market median	rank
EV / EBIT	+1 yr	9.9x	14.6x	112
P / E	+1 yr	14.7x	17.0x	203
Dividend Yield	+1 yr	7.0%	2.3%	23
FCF Yield	-1 yr	8.0%	4.6%	110

Growth rank 229 out of 497

	value	market median	rank
2yr CAGR sales growth	15.2%	5.5%	81
2yr CAGR EBIT growth	0.0%	13.1%	377
2yr CAGR DIV growth	1.3%	3.3%	283

Momentum rank 468 out of 497

	value	market median	rank
Earnings upgrades	-1.00x	-0.25x	407
Share price momentum	-13.3%	2.4%	440

PORTMEIRION

Set to serve up a surprise

Portmeirion (PMP LN) designs, manufactures and distributes high-quality homewares across the globe under the Portmeirion, Spode, Royal Worcester, Pimpernel, Wax Lyrical and Nambe brands. The group is in the middle of a turnaround that is already showing signs of profit recovery, and as such, we believe now is the time to re-evaluate the stock

What went wrong?

Over the past year revenue growth has been hindered by weak sales in the South Korean market due to an oversupply. The region has historically commanded significant demand for the Portmeirion Botanic Garden Ranges, which has led PMP distributors in other geographical markets reshipping products there, overstocking the market and dampening returns. Management has consequently refocused the business to address these issues. They have developed c.1000 new premium product SKUs for their South Korea distributer, creating a fresh and differentiated product in the market, which has begun to sell positively, with further growth expected in 2020. In addition, management have increased due diligence on all their distributors to ensure greater visibility of sales tracking and reduce the risk of re-shipping products into other geographical markets, especially South Korea! Portmeirion is also concentrating on who it partners with, looking at driving their brand through quality distribution channels. They have also added a major South Korean retailer, which will drive growth for its other premium brands in the portfolio.

Aside from implementing sharper discipline in South Korea, PMP has made other notable changes to the business that we believe will provide material upside. In July they acquired Nambe, a premium branded US homewares business, with reported 2018 sales of \$18.0m and adjusted EBITDA of \$1.1m. Having tracked the US as an opportunity for some time, Nambe improves their presence in the territory, expands their product range, and enhances their digital/online expertise as Nambe is particularly strong in this area.

It also gave them access to new designers who might be able to deploy their expertise on the core Portmeirion brands too (Nambe outsources their new product design to third party independent advisors). Although management have expressed a keenness to focus on the integration of Nambe and improving Wax Lyrical (the candle making acquisition made in 2016) in the short term, the key requirements for any future acquisitions are: the ability to accelerate online digital capability, provide operational efficiency and improved penetration into a particular geographic market – China being of particular interest.

Overall, the recovery in Portmeirion's share price is likely to come from a multitude of managements initiatives, starting with fixing the revenue issues in South Korea, which is expected to take 2/3 years to fully complete. Alongside this, management have pledged to enhance the business's digital capacity; transforming how the brand looks and feels online, which will improve customer engagement and reach. The continued brand investment and product development within its core brands will be integral to driving revenue growth and management is keen to evolve the product offering to ensure that they maintain their relevance without falling out of style. Synergies will start to come through from the Nambe acquisition, whilst Wax Lyrical has the potential to double in size. On the operational side, they are looking to improve procurement and continue the automation/ efficiency drives within their already impressive manufacturing facilities.

Taking into consideration the operational improvements as described above, and the likely recovery in South Korea, we believe PMP looks good value trading on its current valuation of 12x FY20 earnings, falling to 10.6x in FY21. With little debt, a 4.6% dividend yield expected for FY20, and strong free cash flow (forecast to be c.£5.4m), PMP is also financially secure. Its listed peer, Churchill China, trades on 22x FY20 earnings, with a 1.8% dividend. We feel that there is material upside potential to the shares as the business delivers on the stated initiatives.

PORTMEIRION

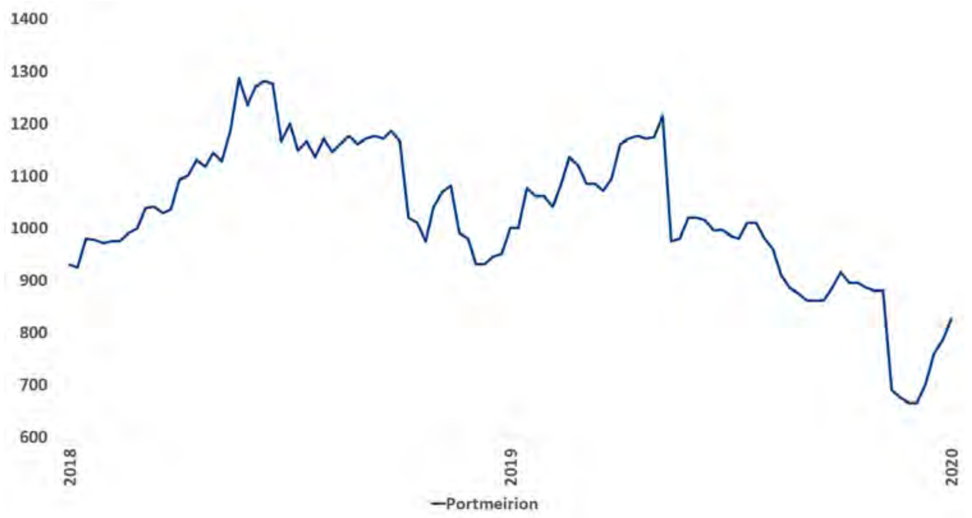
BUY

Ticker	PMP-GB	%	3M	6M	12M
Price	800p	**Actual**	-9.5	-17.3	-19.0

Market Cap	£43m
Market Cap	AIM
Sector	Home Furnishings

‘On the operational side, they are looking to improve procurement and continue the automation/efficiency drives within their already impressive manufacturing facilities’

Share Price Performance



Source: FactSet

Portmeirion Group

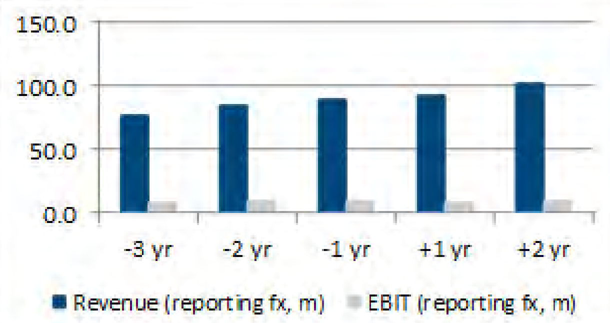
QVGM rank 367 out of 497

Basic Information

ticker	PMP-GB	**mkt cap**	£m	87.0	**shr price**	£	8.00
market	AIM	**EV**	£m	95.6	**daily vol**	£k	22
sector	Home Furnishings	**# shares**	m	10.9	**analysts**	#	2

Consensus Forecasts

last reported full year: 12/2018	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	76.7	84.8	89.6	92.0	102.0
EBIT (reporting fx, m)	8.0	9.2	9.8	7.8	9.5
EPS (as reported, reporting fx)	0.596	0.651	0.721	0.551	0.654
DPS (ordinary, reporting fx)	0.323	0.347	0.375	0.375	0.384
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank **131** out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	18.2%	11.7%	**141**
ROCE (FCF basis)	10.1%	8.6%	**217**
Gross Debt / Capital Employed	9.3%	23.0%	**151**

Value rank **124** out of 497

		value	market median	rank
EV / EBIT	+1 yr	12.3x	14.6x	**189**
P / E	+1 yr	14.5x	17.0x	**200**
Dividend Yield	+1 yr	4.7%	2.3%	**74**
FCF Yield	-1 yr	6.2%	4.6%	**165**

Growth rank **361** out of 497

	value	market median	rank
2yr CAGR sales growth	6.7%	5.5%	**218**
2yr CAGR EBIT growth	-1.6%	13.1%	**437**
2yr CAGR DIV growth	1.2%	3.3%	**285**

Momentum rank **478** out of 497

	value	market median	rank
Earnings upgrades	-1.00x	-0.25x	**407**
Share price momentum	-18.8%	2.4%	**463**

TEKMAR

Making waves in offshore protection

Tekmar supplies and installs subsea protection systems to the global offshore energy market. Their largest end market is in offshore wind, where the company boasts an impressive 74% market share. At a time where decarbonisation is increasingly taking precedence, demand for clean energy, like offshore wind, will continue to grow. We believe that this trend, coupled with Tekmar's successful diversification strategy, which has seen them broaden both their product offering and geographical reach, should allow them to exceed the 21.5% CAGR revenue growth that they have achieved in the last five years.

With its strong competitive position, the group successfully floated in June 2018, where they raised £60m to pay down debt and arm them with the capital for future M&A opportunities.

According to the most recent 4C Offshore report (a leading offshore energy market expert), the offshore wind industry is forecast to grow at over 20% CAGR over the next 10 years on the back of global commitments to clean energy. Due to its cost effectiveness, offshore wind is a key clean energy supply form, with a current global total of 25.2 GW. According to the 4C report, the industry is expected to grow by 10x to a cumulative total of 227 GW by 2028. With 16.3 GW of projects currently underway already, a total of 186 GW is expected to enter construction between now and then. This huge uplift in projects should lead to strong demand for Tekmar's market leading protection systems, as they help keep windfarms on line and producing.

Additionally, management have also widened its product offering via selective M&A to allow the group to capture even more customer spend. Ryder Geotechnical, a consulting service acquired in March 2019, brought design and planning expertise. The acquisition of Subsea Innovation added a design, manufacturing and supply capability as well as helping the group to expand and fortify its position in the oil and gas sector by adding to its client base. With £3.3m of net cash on the balance sheet, the company remains on the lookout for appropriate acquisitions – such as supplementary services that allow them to capture yet more customer spend, or bolt on deals that add scale.

Tekmar commenced the year with a £7.2m order book (delivery expected in 6 months), £14m of contracts in preferred bidder stage (delivery expected within 12 months) and £195m in the enquiry stage (medium-term delivery). The company sensibly recognise revenue at project completion, but if there is a delay of just a few months, revenue can fall into a subsequent reporting period. Given that one offshore wind project is worth c.£1.6m in revenue to Tekmar, a slip could make a material difference in reported revenues versus forecasted revenues.

As such, management have made a logical move into the oil and gas sector to help smooth out revenues. Oil and gas projects are less seasonal as offshore wind projects typically take place in the summer. Offshore oil and gas accounts for 73% of all current offshore capital spend – there are still critical connectors and pipelines to protect here. With oil prices now firmly above $50 a barrel, projects have come back online and tendering activity has returned – so the market is once again looking buoyant. The oil and gas sector represented 20% of group sales at time of IPO and management expect this to rise to 40% by the end of 2020. Tekmar have also started to move into tidal projects too, and we look forward to more positive news on this going forward.

Further growth is being propelled via overseas expansion with new contract wins cementing their true expertise in the sector. Recent contract wins include two secured in Taiwan valued at c.£4m and work on the US's first wind farm, Cape Wind, which will encompass 130 turbines.

Tekmar has a leading position in a structurally growing market and this should continue to propel organic growth, as underpinned by recent contract win momentum. The company has also made successful strides to extend its service offering and diversify to new end markets which should both increase and even out revenues going forward. The shares currently trade at 16x March 2020 PE, falling to 13.5x in 2021, with consensus forecasts expecting 109% earnings growth for FY20 and a further 20% in the year to 2021. We also expect that the ambitious management team to continue to make earnings enhancing acquisitions which should continue to act as an additional catalyst to the share price.

'The Darlington based business provides a world leading solution in subsea cable protection – from consulting and design to manufacturing and installation'

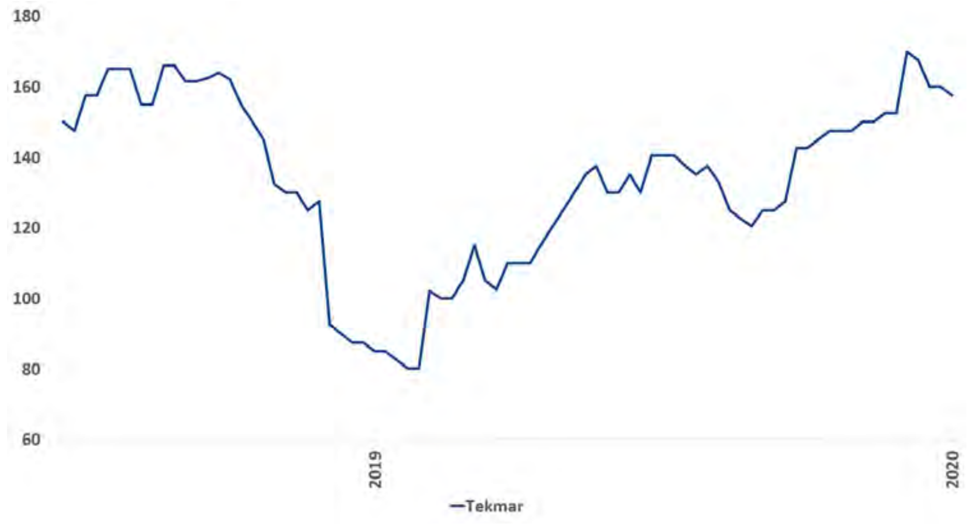
TEKMAR

BUY

Ticker	TGP-GB	%	3M	6M	12M
Price	145p	**Actual**	+20.7	+24.6	+105.9

Market Cap	£74.3m
Market Cap	AIM
Sector	Electrical Products

Share Price Performance



Source: FactSet

Tekmar Group Plc

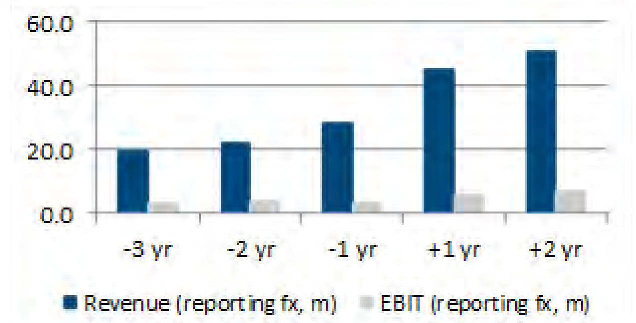
QVGM rank 34 out of 497

Basic Information

ticker	TGP-GB	**mkt cap**	£m	74.3	**shr price**	£	1.45
market	AIM	**EV**	£m	71.2	**daily vol**	£k	107
sector	Electrical Products	**# shares**	m	51.3	**analysts**	#	1

Consensus Forecasts

last reported full year: 03/2019	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	19.4	21.9	28.1	45.0	50.9
EBIT (reporting fx, m)	3.2	3.9	3.1	5.7	6.8
EPS (as reported, reporting fx)	-0.029	-0.001	0.048	0.097	0.115
DPS (ordinary, reporting fx)	0.000	0.000	0.000	0.000	0.000
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank 345 out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	7.2%	11.7%	**363**
ROCE (FCF basis)	-25.6%	8.6%	**493**
Gross Debt / Capital Employed	2.0%	23.0%	**104**

Value rank 358 out of 497

		value	market median	rank
EV / EBIT	+1 yr	12.5x	14.6x	**198**
P / E	+1 yr	14.9x	17.0x	**211**
Dividend Yield	+1 yr	0.0%	2.3%	**402**
FCF Yield	-1 yr	-15.0%	4.6%	**486**

Growth rank 21 out of 497

	value	market median	rank
2yr CAGR sales growth	34.6%	5.5%	**22**
2yr CAGR EBIT growth	47.4%	13.1%	**67**
2yr CAGR DIV growth	0.0%	3.3%	**311**

Momentum rank 16 out of 497

	value	market median	rank
Earnings upgrades	1.00x	-0.25x	**1**
Share price momentum	14.5%	2.4%	**58**

TEN ENTERTAINMENT

Prepare to be bowled over

Ten Entertainment Group (TEG) owns and operates 45 bowling alleys spanning the UK. Both TEG and the market's largest operator - Hollywood Bowl - have consistently delivered LFL growth above other forms of leisure, with TEG boasting a 7-year run of positive LFLs. There exists a number of investment attractions for bowling, ranging from limited supply side-risk due to high barriers to entry, persistently robust financial returns and strong consumer demand for experiential leisure. However, our preference for TEG over Hollywood Bowl is because we believe there exists a far greater number of innovation opportunities that will help TEG play 'catch-up' both in terms of EBITDA per site (c.15% gap) and the resulting valuation, where BOWL currently enjoys a 30% EV/EBITDA premium.

A recent site visit to their flagship Cheshire Oaks bowling centre gave us the opportunity to experience some of the innovation opportunities that we expect to improve the customer experience and increase revenue and profits. These include rolling out 'Pins on Strings' across the estate which boosts reliability by 4 times and therefore enhances the customer experience, resulting in more games being played and site cost savings given lower down-times and less need for costly mechanics. In 2018 they converted 13 sites to this innovative new process, with 14 done last year and the entire 45 site estate will be complete by end 2021. We also got to sample their new "HyperBowl" format where the aim is to bounce bowling balls off coloured LED bumpers before hitting the pins. This provides a means of levelling the playing field so that all the family have a chance of winning and is proving particularly popular.

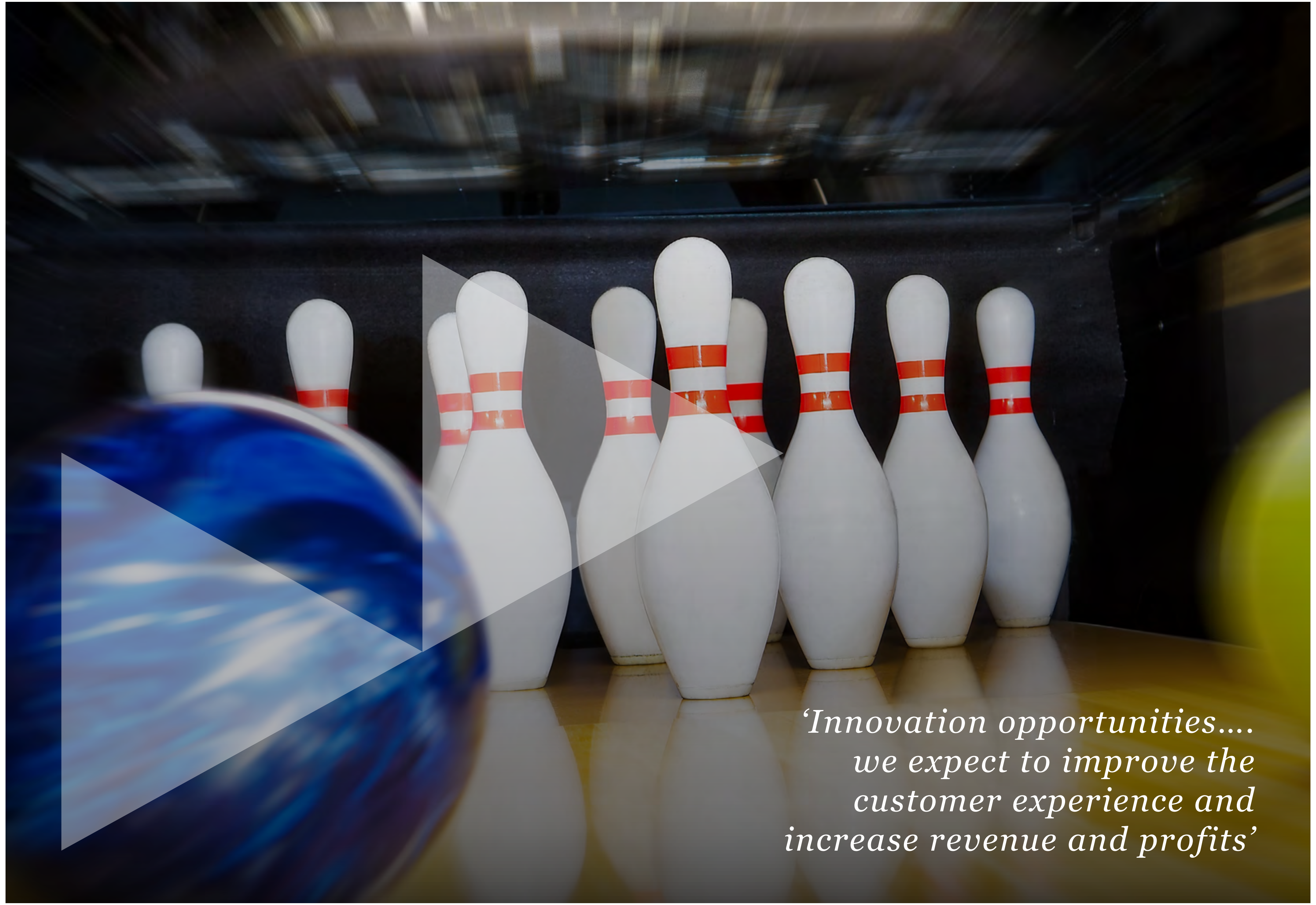
The continual refresh of the amusement/machine offering (c.25% groups revs) has scope to drive LFLs further too, like it did in the 1H where a refresh drove LFLs up an impressive 14.7%! Indeed, TEG enjoys a strong partnership with machine provider Namco, which gives access to the latest technology and games like Mario Cart VR, while a large estate allows machines to be moved around to ensure sites look continuously updated and fresh.

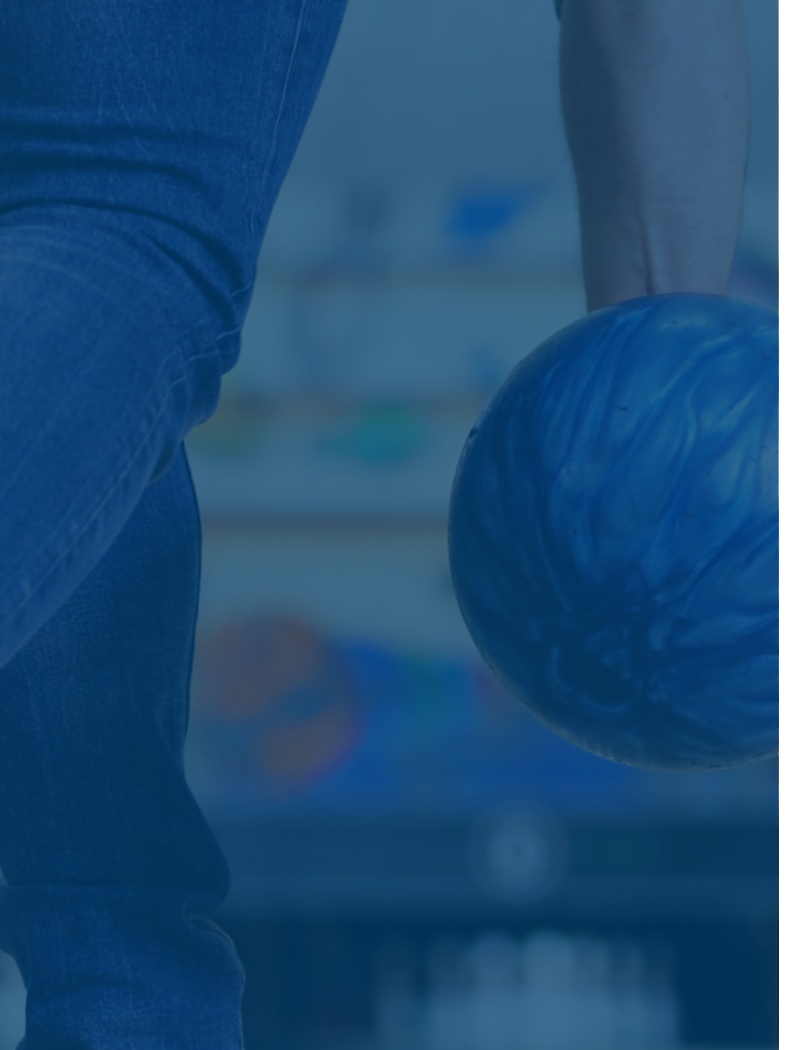
A joint venture has also recently been signed with Houdini's Escape Rooms for a national roll out (c. 1-year payback) which will bring a different type of customer to the estate thus also benefitting F&B and machines/games. Again, a large estate allows for different formats of escape rooms to be moved around the alleys to keep them feeling exciting and new.

Elsewhere, and on the food & beverage side (c.25% group revs), there exists further upside to the P&L and customer experience from menu improvements (e.g. new high margin items such as nachos) combined with better "at lane" service, while the cost benefits of a new "localised" drink contract will be felt in the 2H of the current financial year. However, we expect the biggest source of 'catch-up' vs BOWL to come from a focus on digital marketing to drive visit frequency above the current UK average of just 1.5 visits per annum and cross sale of entertainment. Management openly admitted to being way behind Hollywood on this front but have recently recruited a number of experienced staff to spearhead a digital/CRM strategy.

Finally, and separate from the innovation opportunities identified above, there exists ample opportunity for TEG to both consolidate the fragmented UK bowling market and grow their estate into new brownfield/greenfield sites. The UK bowling market consists of c.300 alleys, almost 200 of which are independently owned. In the first half the group acquired and integrated 2 of these independent sites (Southport and Falkirk) into the Tenpin estate. They also secured a new lease to build a new site in the Printworks in Manchester city centre and said they see a number of similar opportunities in ex-retail space.

In summary, there exists multiple opportunities for TEG to support continued growth in LFLs both via a number of innovation opportunities and more broadly via consolidation of the fragmented UK bowling market. TEG's current consensus forward PE ratio of 13x and 3.6% dividend yield offers good value relative to these growth prospects.





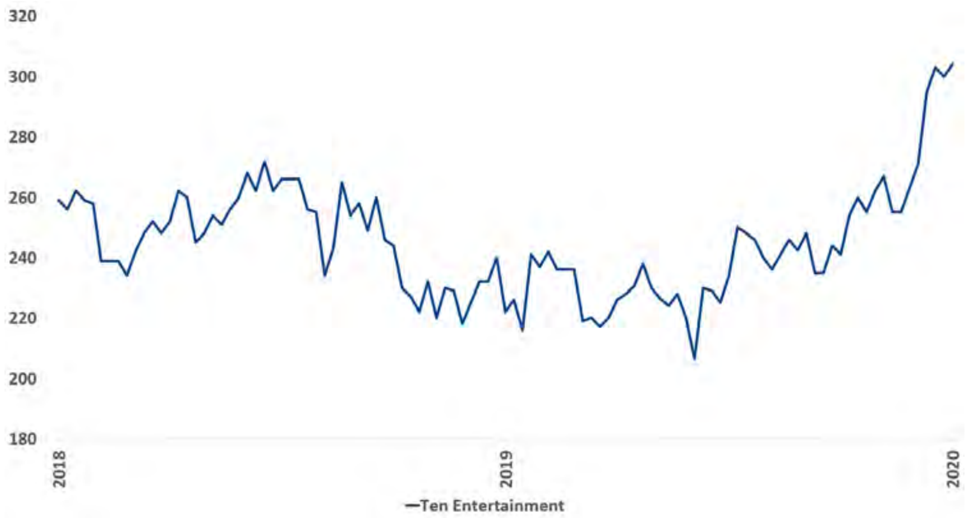
TEN ENTERTAINMENT

BUY

Ticker	TEG-GB	%	3M	6M	12M
Price	302p	Actual	+25.6	+27.6	+41.2

Market Cap	£196.3m
Market Cap	MAIN
Sector	Movies/Entertainment

Share Price Performance



Source: FactSet

'The Group has recently recruited a number of experienced staff to spearhead a digital/CRM strategy'

Ten Entertainment Group

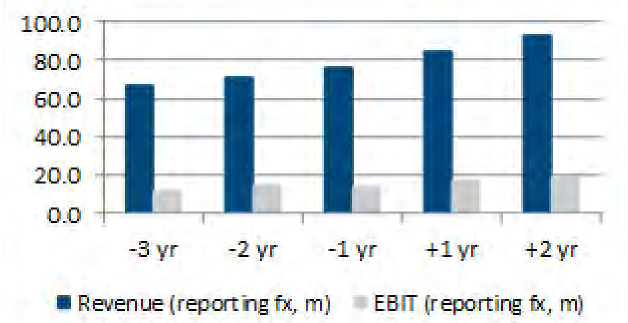
QVGM rank 232 out of 497

Basic Information

ticker	TEG-GB	mkt cap	£m	196.3	shr price	£	3.02
market	MAIN	EV	£m	206.7	daily vol	£k	359
sector	Movies/Entertainment	# shares	m	65.0	analysts	#	5

Consensus Forecasts

last reported full year: 12/2018	Reported -3 yr	Reported -2 yr	Reported -1 yr	Forecast +1 yr	Forecast +2 yr
Revenue (reporting fx, m)	67.3	71.0	76.4	84.6	92.5
EBIT (reporting fx, m)	11.6	14.6	13.7	16.8	19.3
EPS (as reported, reporting fx)	0.056	0.080	0.125	0.198	0.232
DPS (ordinary, reporting fx)	0.000	0.100	0.110	0.119	0.136
DPS (special, reporting fx)	0.000	0.000	0.000	n/a	n/a



Slide Rule QVGM analysis

Quality rank 119 out of 497

individual components of Quality:	last reported	market median	rank
ROCE (EBIT basis)	19.4%	11.7%	127
ROCE (FCF basis)	16.5%	8.6%	121
Gross Debt / Capital Employed	22.4%	23.0%	241

Value rank 150 out of 497

		value	market median	rank
EV / EBIT	+1 yr	12.3x	14.6x	188
P / E	+1 yr	15.2x	17.0x	219
Dividend Yield	+1 yr	3.9%	2.3%	115
FCF Yield	-1 yr	5.9%	4.6%	181

Growth rank 136 out of 497

	value	market median	rank
2yr CAGR sales growth	10.1%	5.5%	152
2yr CAGR EBIT growth	18.6%	13.1%	197
2yr CAGR DIV growth	11.1%	3.3%	82

Momentum rank 263 out of 497

	value	market median	rank
Earnings upgrades	-1.00x	-0.25x	407
Share price momentum	10.6%	2.4%	106

finnCap

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