

ClearDebt Group (AIM:CLEA)^{3,5}

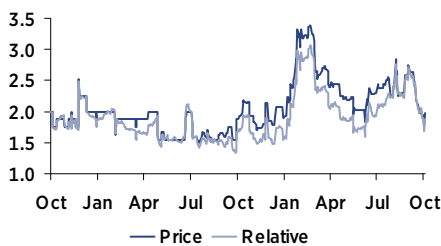
BUY

Share price	1.975p
Target price	3.6p
82% Upside	

Market cap (£m)	6.1
Net debt (£m)	3.0
Enterprise value [^] (£m)	9.1
No. of shares (m)	308.3
Free float (%)	58.1
Average daily vol ('000, -3m)	280
Dividend yield (%)	0.0
PER at Target price (Y1)	5.2
Sector PER	9.0
Price/book	1.2

12 month high/low (p)	3/2		
(%)	1m	3m	12m
Absolute	-28.0	-13.9	+13.1
FTA relative	-30.0	-3.4	+17.0

Price & price relative (-2yr)



Source: Datastream

Share price as at close: 11 October 11

Next news

AGM Nov 18 2011

Business

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Convertible benefits

ClearDebt has reported strong FY11 results showing EBITDA up 46% to £2.2m on revenues 17% higher at £7.8m. They were broadly in line with our fairly demanding expectations and demonstrate several important factors: ClearDebt continues to gain market share in the UK; the model is coping well with scale; management can absorb other businesses effectively. The group now has a good track record and the market conditions are favourable so why then are the shares languishing at historic EV/EBITDA of 4.1x and PE of 4.2x? We believe the convertible loan notes are discouraging investors but we argue that concerns are misplaced. We retain our BUY recommendation and 3.6p target price.

Track record becomes convincing

ClearDebt is developing a robust track record not only for delivering well on its financial performance but perhaps more importantly at an operational level. The management dealt deftly with the acquisition of Relax in December 2009 and with the scale up of the business in terms of the rapid increase in IVAs and DMPs arranged. These successes are important in considering the valuation since it is in the 'scale up' that new ventures generally go awry. This business is now actively managing nearly 12,000 individual customers and generating £8m in fee income compared with just 3,718 customers and £3.4m in revenue as at June 30 2009.

Convertible trickery

The convertible structure provides for repayment, with a 25% premium, or conversion, which we believe will happen if the share price is above 2.25p. If the £2.8m required to repay could be invested, and provided an ROE above 20%, there would be no dilution effect on EPS. ClearDebt achieved an ROE of 30% in FY11. Conversion is therefore not to be feared by shareholders as it would have beneficial consequences. The sooner the conversion the more quickly the funds could be reinvested.

Valuation

Our price target of 3.6p represents an EV/EBITDA of 4.5x FY12E falling to 3.8x FY13E. The PE is 5.2x FY12E and 4.7x FY13E at this price. These values compare favourably with peers. We believe that the fundamentals for this group are sound and the prospects for growth in revenues and profits are good. The business is, after all, more counter-cyclical than cyclical. We believe that fear of the convertible is unfounded and we retain our BUY recommendation.

3,5 Please see regulatory disclosure notes at the end of this document

A draft of this research has been shown to the company following which minor factual amendments have been made.

Year end	Revenue (£m)	EBIT* (£m)	PBT* (£m)	Tax Adj. EPS* (%)	Adj. EPS* (p)	PER (x)	EV/EBIT* (x)	Div yield (%)
June								
2010A	6.6	1.9	1.7	26.5	0.4	4.6	4.9	0.0
2011A	7.8	2.1	1.6	68.7	0.5	4.2	4.3	0.0
2012E	9.9	3.0	2.5	28.0	0.7	2.9	3.0	0.0
2013E	11.3	3.6	2.9	28.0	0.8	2.6	2.5	0.0
2014E	13.0	4.3	4.3	28.0	1.1	1.8	2.1	0.0

* excludes exceptional items and amortisation of acquired intangibles. ^ EV calculation adjusted for core cash, investments etc.

Source: Seymour Pierce Ltd

Operations: strong FY11 results

The FY11 results for ClearDebt, recently reported, demonstrate a strong performance and encouragingly broadly met our (fairly) demanding expectations.

Sales +17% to £7.8m in line: IVA business outperforms

Turnover rose 17% over the year to June 30 2011 to £7.78m in line with our anticipated revenues of £7.8m. The performance of the insolvency business was, however, better than we expected with the total number of IVAs arranged reaching 1,601 compared with our forecast of 1,484 resulting in revenues of £4.8m compared with our £4.6m estimate. By contrast, the DMP business achieved revenues of £2.9m, lower than our £3.2m forecast, on 1,570 new plans when we had expected 1,800. The results follow an encouraging trend by individuals to agree to IVAs rather than DMPs since the former provide certainty. From ClearDebt's perspective, IVAs provide a 5 year stream of income with a much lower attrition rate than DMPs and consequently a higher recurrent revenue stream.

IVAs Arranged : Quarterly Data

	FY10	FY11	% Change
First quarter	176	355	101.7%
Second quarter	173	407	135.3%
Third quarter	184	411	123.4%
Fourth quarter	266	428	60.9%
Total for year	799	1,601	100.4%

Source: ClearDebt

Economies of scale show in margins

With the increased scale, ClearDebt has raised its GP margin to 51% from 49.8% so that gross profit rose 18.6% to £3.96m, in line with our forecasts. Operating costs were lower than we had predicted at £1.68m vs. £1.8m estimated so that EBITDA of £2.2m reported was 5.6% ahead of expectations and an impressive 46% ahead of FY10.

ClearDebt has a heavy amortisation charge since the group amortises the value of the back books they purchase over short periods. For example, of the two books purchased in 2011, one with a fair value of £301k is being amortised over just 18 months and the larger £788k acquisition of the Invocas book is being amortised over 4 years. The Relax portfolio purchased for £2.7m is being amortised over 3 years. Amortisation adjusts the tail values of the portfolios calculated using a DCF model with a c.17% discount rate.

We remove the amortisation from our adjusted profit and EPS figures since this is a charge against the balance sheet recognising the exhaustive nature of the assets. It is important to note that Relax, acquired in December 2009 for £2.7m and upon which total costs incurred currently amount to £3.2m, has generated £5.7m in fee income.

Adjusted net profit and EPS +9.3%

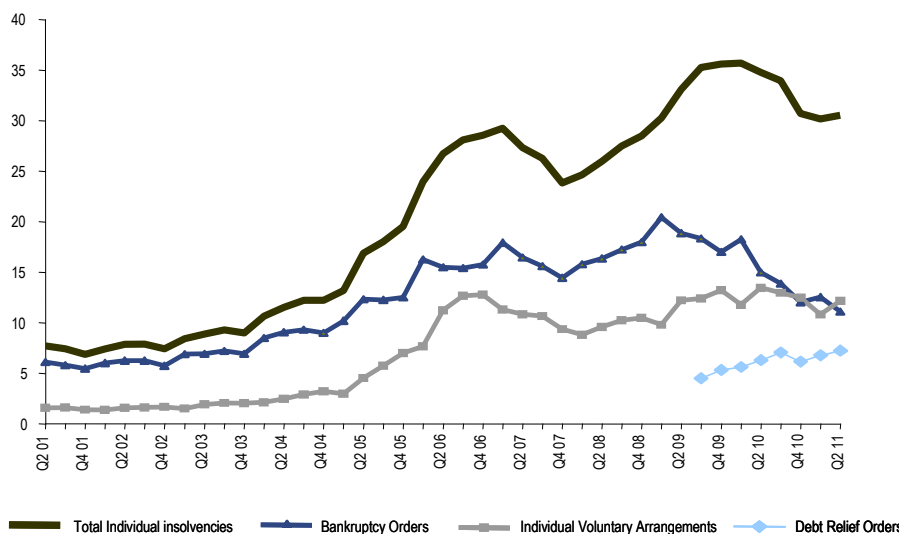
After depreciation and finance costs (+57%) PBT rose 10.6% to £1.6m (SP forecast £1.5m) and adjusted net profit rose 9.3% to £1.46m in line with our estimates. Reported EPS was 0.02p and adjusted EPS (pre-amortisation charge) was 0.47p.

Individual Insolvency Market

Insolvency rate remains elevated, IVA volume stable

ClearDebt continues to grow its market share in an environment where personal insolvencies remain at an elevated rate albeit below the peak at the end of 2009 and early 2010. The data demonstrate that, despite some variance in the overall level of insolvencies, the number of IVAs agreed has proved to be relatively stable. The ability to freeze interest payments and settle the entire debt over a 5 year term is transpiring to be a desirable alternative to the finality of bankruptcy on the one side and the indeterminate end point of a DMP. Debt Relief Orders, which were introduced in 2009, provide a popular new alternative for those with debts of less than £15,000 and disposable incomes per month of £50 or less.

Individual insolvencies in England & Wales



Source: Insolvency Service

Total individual insolvencies for Q2 2009 onwards include Debt Relief Orders, which came into force on 6 April 2009

ClearDebt has 2.8% market share of new IVAs

The total number of new IVAs and Protected Trust Deeds (Scotland) in the UK for FY11 was 57,552 so that ClearDebt, which arranged 1,601 IVAs in FY11, has a 2.8% share of the new IVA/PTD market, or 3.3% of the IVA market in England & Wales where ClearDebt operates. Management points to the low cost and scalability of the model in this regard as it means that even low value IVAs are profitable for ClearDebt providing a significant competitive advantage.

Individual Insolvencies UK

	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2 p	% change - Q2 2011 on Q2 2010
Total Individuals England & Wales	35,574	35,682	34,743	33,935	30,685	30,145	30,513	-12.2
Bankruptcy Orders	17,007	18,256	14,982	13,907	12,028	12,539	11,113	-25.8
Debt Relief Orders	5,348	5,644	6,295	7,068	6,172	6,788	7,257	15.3
Individual Voluntary Arrangements	13,219	11,782	13,466	12,960	12,485	10,818	12,143	-9.8
Protected Trust Deeds (Scotland)			2,239	2,076	2,090	1,575	2,372	5.9
IVA's (NI)			273	261	230	241	301	10.3

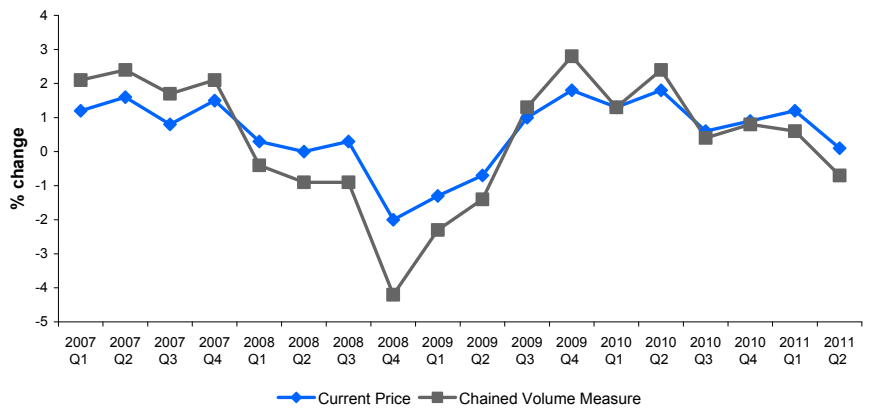
Source: Insolvency Service

p: provisional

Outlook for stable or increasing levels of insolvencies and IVAs

The outlook is for a continuing high rate of personal insolvencies given the weak economic backdrop and in particular rising unemployment. Expectations that unemployment may stay above 2.5m or 8% are not helpful, nor are significantly reduced disposable incomes owing to the high rate of inflation compared to limited income growth. The volume of household consumption is falling as depicted below. Moreover, while the volume YOY for 2Q11 fell 1.7% the value rose by 2.7% indicating the impact of higher prices. This situation is unlikely to improve in the short term, especially immediately following this latest bout of £75bn in Quantitative Easing which has resulted in sterling falling and consequently imported inflation will add to household costs – particularly energy bills - over the winter.

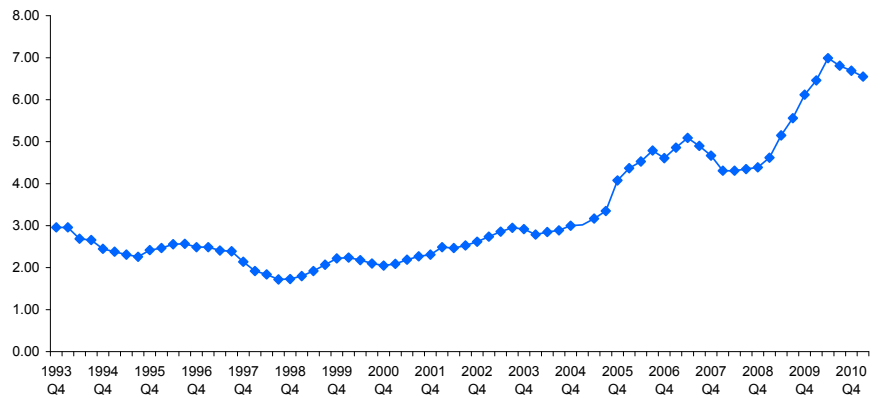
Household Consumption



Source: Office for National Statistics

Against this backdrop, consumer credit is falling:

UK Consumer Credit (£bn)



Source: Bank of England

It is worth noting that individual insolvencies rose sharply from 4Q07 to 4Q08 when consumption fell sharply and the UK was in recession and continued to rise thereafter. We expect that new insolvencies will at least remain at the current levels in this environment with a significant risk that they rise.

Whilst the ability to benefit from the financial distress of individuals may seem mercenary, ClearDebt is providing solutions for the many people who have found themselves in financial difficulties. The IVA option limits the individual’s exposure to what he can afford each month for a period of 5 years with the remainder of the debt being written off. ClearDebt fees are paid from this monthly sum so do not add in anyway to the financial obligations of the individual.

ClearCash card provides quasi bank account service to help customers

Individuals who have entered into an IVA typically will not be provided with a debit card from their bank. ClearDebt has launched a pre-paid MasterCard, ClearCash, which, in the current version, does not attract a monthly fee. The card can effectively be used as a bank account so that monthly income is loaded onto it and cash disbursed once the IVA payment has been deducted. ClearDebt has issued 5,749 cards, as at June 30 2011, and whilst the business makes a small loss, the revenue from card usage is increasing. The card provides an additional differentiator for customers to choose a ClearDebt product rather than that of competitors. It also demonstrates further that ClearDebt is in the businesses of helping individuals in financial stress.

Growth prospects arise from acquisition, increased visibility and market demand

ClearDebt can capture growth both from the acquisition of books of existing plans and from market demand. The improved visibility of ClearDebt as a provider should also raise the hit rate on the group's sites and result in further business generation. Consequently, whilst our growth targets for FY12E are high - we are expecting 50% more IVAs (FY11A +100%) - there are strong grounds, we believe, for this to be achieved.

Forecasts revised

We have made some revisions to our estimates following the final results for FY11 as well as publishing initial figures for FY14E.

The main amendments result from:

1. Increased revenue, marginally in FY12E but by 3.1% in FY13E due to higher recurrent income from the cumulative IVAs;
2. higher GP margin of 50% compared with our previous estimate of 49%;
3. more modest rises in operating costs;
4. upward amendments to amortisation – following the FY11 acquisitions;
5. higher interest costs and the Loan Note redemption cost of £575k in FY13.

Altogether adjusted profit increases 2.9% from the previous forecast in FY12E and falls 3.9% for FY13E but EBITDA rises 9.2% and 12% respectively from previous estimates.

Forecast Revisions

Year to June 30 £ 000's	2012			2013		
	New	Old	Change	New	Old	Change
Revenue	9,868	9,775	0.9%	11,251	10,911	3.1%
Gross profit	4,934	4,790	3.0%	5,625	5,346	5.2%
EBITDA	3,108	2,848	9.2%	3,712	3,314	12.0%
Operating profit	1,671	1,830	-8.7%	2,523	2,422	4.2%
Profit taxation	1,140	1,387	-17.8%	1,811	2,335	-22.4%
Profit for the year	821	999	-17.8%	1,304	1,681	-22.4%
Adjusted Profit	2,133	2,084	2.4%	2,360	2,456	-3.9%

Source: Seymour Pierce Ltd

Cashflow strong, readily accommodating debt repayments

Importantly the cash flow generated continues to improve. In FY12E we estimate that cash generated from operations will rise to £2.4m providing ClearDebt with the resources to acquire additional back books and/or repay debt. We have forecast the latter based on the terms of the current debt, that is Mr Mond's outstanding £700k loan is repaid by Mar 31 2012 and the convertible is repaid in cash at maturity in April 2013.

Convertible causes heavy dilution but the ROE on investment compensates

The implications for ClearDebt shareholders if the convertible is repaid are clearly favourable from an earnings perspective, even though the repayment carries a 25% cash penalty, or up to £575k if the full amount is repaid. If the debt is converted at the price of 1.8p then, even taking into account the lower financing charges, the EPS impact is marked in FY13E and in subsequent years. However, management must consider the opportunity cost in terms of deploying the cash for further acquisitions which would be earnings enhancing.

So whilst EPS for FY13E would fall from 0.77p to 0.64p (fully diluted) on full conversion and for FY14E from 1.1p to 0.78p, if the £2.875m repayment was instead invested in new business the impact would be reduced by 0.2p pa based on an expected and currently achieved ROE of 30%. We discuss this in detail in the valuation section below.

Retained losses will decrease to zero leading way to dividend payments in FY13E

Whilst cashflow is strong, owing to the amortisation charges, the reduction in retained losses is less marked. However, we forecast that, by FY13E the group will have accumulated retained gains leading the way toward dividend payments.

Valuation: Convertible quandary

Valuation metrics low	ClearDebt is trading on an historic EV/EBITDA of just 4.1x, falling to 2.9x and 2.4x respectively for FY12E and FY13E. On an adjusted EPS basis, the historic PE is 4.2x reducing to 2.9x FY12E and 2.6x FY13E.
...despite good track record for financial performance	Management has indicated that the number of IVAs arranged in the first 2 months of FY12E reached 362, 67.6% higher than for the first 2 months of FY11 so that the growth in new business continues apace. Our forecast of 50% growth over the year, we believe, is well underpinned by these figures and the positive market environment, as we argue above.
and coping with scale and acquisitions	ClearDebt is developing a robust track record not only for delivering well on its financial performance but perhaps more importantly at an operational level. The management dealt deftly with the acquisition of Relax in December 2009 which added 6,500 customers as well as staff and offices in Staveley, Chesterfield. In addition, the staff has coped well with the scale up of the business in terms of the rapid increase in IVAs and DMPs arranged. The Kaizen principles which informed the business model provide a rigorous procedure which is working well. These successes are important in considering the valuation since it is in the 'scale up' that new ventures generally go awry. This business is now actively managing nearly 12,000 individual customers and generating £8m in fee income compared to just 3,718 customers and £3.4m in revenue as at June 30 2009.
Investors appear concerned about the convertibles..	Investors in the shares are clearly concerned about the consequences of dilution by the convertible shareholders which we discussed earlier. If we assume that Loan Note holders just take into account the monetary value then if the share price is below 2.25p (i.e. the 1.8p conversion +25% premium provided from repayment) the Loan Note holders will opt for repayment at the maturity date. For a share price above 2.25p Loan Note holders will convert at maturity.
An ROE on the funds of 20% would cancel the dilution - FY11 ROE was 30%	Whilst, on a fully diluted basis, the new shares reduce EPS by 16.8% in 2013 and 29% in FY14, if the £2.875m in funding was invested in new business and provided an ROE of 30% this would add 0.2p to EPS and erase the discrepancy, in fact an ROE of 20% is required to meet the EPS for FY13E (without dilution).
	Herein lies the quandary - in our opinion, it would arguably be much better for the long-term prospects of the group for the shares to be converted. However, ClearDebt cannot reinvest its cashflows ahead of maturity in April 2013 because the group needs to accumulate sufficient cash to repay the convertible if the share price does not advance above 2.25p. Given the lack of bank credit available, re-financing - which is by far the most advantageous option - is not a given. Moreover, if full conversion takes place, these new shareholders are not subject to lock in and there will be an immediate concern about an overhang.
	So what are the options and most desirable outcomes?
	<ol style="list-style-type: none"> 1. Refinance and full cash redemption: debt provides the best of both worlds - they will be able to acquire new business and not be diluted; 2. Partially repay: perhaps on a rolling programme as cashflows are generated and seek to refinance a smaller balance; 3. Do nothing about the Loan Notes - our model assumption.
So the convertibles are not all bad	From a shareholder perspective the recognition that conversion isn't all bad and that the sooner it happens, or the sooner ClearDebt refinances, the better, should attract new investors and enable the share price to advance.

TP rating is well below Fairpoint	Our price target of 3.6p represents an EV/EBITDA of 4.5x FY12E falling to 3.8x FY13E. The PE is 5.2x FY12E and 4.7x FY13E at this price. These values compare favourably with Fairpoint, a listed peer, which is trading on an historic (year to June 30 2011) EV/EBITDA of 6.7x and PE of 7.6x. This is admittedly after a torrid trading performance in the 6 months to June 30 2011 but its share price, on which these multiples are based, has collapsed 40% in recognition of its operationally weak performance.
Reiterate BUY recommendation	We believe that the fundamentals for this group are sound and the prospects for growth in revenues and profits are good. The business is, after all, more counter-cyclical than cyclical, although mankind being what it is, there will always be those who require debt management solutions. The group has demonstrated that it can acquire and assimilate new businesses effectively, that it can scale its model and that its product offer is competitive. Fear of the convertible is unfounded and we retain our BUY recommendation.

Financial model

Income Statement

Year end June (£m)	2010A	2011A	2012E	2013E	2014E
Group revenue	6.6	7.8	9.9	11.3	13.0
Cost of sales	(3.3)	(3.8)	(4.9)	(5.6)	(6.5)
Gross profit	3.3	4.0	4.9	5.6	6.5
Total operating expenses	(2.6)	(3.2)	(3.3)	(3.1)	(3.1)
EBIT	0.7	0.8	1.7	2.5	3.4
Net interest/financial income/(cost)	(0.2)	(0.5)	(0.5)	(0.7)	(0.0)
Associate and Other non-op. income/(cost)	0.0	0.0	0.0	0.0	0.0
PBT	0.5	0.2	1.1	1.8	3.3
Tax	(0.1)	(0.2)	(0.3)	(0.5)	(0.9)
Effective tax rate (%)	26.5	68.7	28.0	28.0	28.0
Minorities	0.0	0.0	0.0	0.0	0.0
Earnings	0.3	0.1	0.8	1.3	2.4
EBITDA	1.5	2.2	3.1	3.7	4.5
Adjusted EBIT*	1.4	2.1	3.0	3.6	4.3
Adjusted PBT*	1.2	1.6	2.5	2.9	4.3
Adjusted earnings*	1.1	1.5	2.1	2.4	3.4
DPS (p)	0.0	0.0	0.0	0.0	0.0
EPS (p)	0.1	0.0	0.3	0.4	0.8
EPS [F. Dil.] (p)	0.1	0.0	0.3	0.4	0.8
EPS [Adj.]* (p)	0.4	0.5	0.7	0.8	1.1
EPS [Adj. F. Dil.]* (p)	0.4	0.5	0.7	0.8	1.1
Weighted average no. shares (m)	308.3	308.3	308.3	308.3	308.3
Fully dil. w. ave. no. shares (m)	308.3	308.3	308.3	308.3	308.3
Year end no. shares (m)	308.3	308.3	308.3	308.3	308.3

* excludes exceptional items and amortisation of acquired intangibles.

Source: Company data, Seymour Pierce Ltd

Cashflow Statement

Year end June (£m)	2010A	2011A	2012E	2013E	2014E
Operating income	0.7	0.8	1.7	2.5	3.4
Amortisation of acquired intangibles	1.0	1.4	1.3	1.1	1.0
Amortisation of other intangibles	0.0	0.0	0.0	0.0	0.0
Depreciation	0.1	0.1	0.1	0.1	0.1
Net change in working capital	(0.1)	(1.2)	(0.0)	(0.2)	(0.3)
Other	(0.2)	0.0	0.1	0.1	0.1
Operating cash flow	1.5	1.0	3.1	3.6	4.3
Capital expenditure	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Investment in Other intangibles	(2.8)	(1.1)	(0.1)	(0.1)	(0.1)
Net interest/financial income/(cost)	(0.2)	(0.3)	(0.5)	(0.1)	(0.0)
Tax paid	0.0	0.0	(0.2)	(0.4)	(0.7)
Net acqns./disposals	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	(0.6)	0.0
Cash flow before financing	(1.7)	(0.5)	2.2	2.2	3.4
Proceeds from shares issued	(0.2)	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Net movement in cash/(debt)	(1.6)	(0.5)	2.2	2.2	3.4
Opening net cash/(debt)	(0.6)	(2.2)	(3.0)	(0.8)	1.4
Adjustments (Forex, etc.)	0.0	0.0	0.0	0.0	0.0
Closing net cash/(debt)	(2.2)	(3.0)	(0.8)	1.4	4.8

Source: Company data, Seymour Pierce Ltd

Balance Sheet

Year end June (£m)	2010A	2011A	2012E	2013E	2014E
Property plant and equipment	0.2	0.3	0.3	0.3	0.3
Goodwill and Acquired intangibles	6.8	6.5	5.2	4.2	3.3
Other intangibles	0.0	0.0	0.0	0.0	0.0
Other fixed assets	0.2	0.1	0.1	0.1	0.1
Non current assets	7.2	6.8	5.6	4.6	3.7
Stocks & WIP	0.0	0.0	0.0	0.0	0.0
Trade receivables	0.0	0.7	1.2	2.2	2.4
Cash	0.5	0.3	1.8	1.8	5.1
Other current assets	0.0	0.0	0.0	0.0	0.0
Current assets	1.7	2.5	4.2	4.5	8.3
Total assets	8.9	9.3	9.8	9.1	12.0
Trade creditors	0.7	0.9	1.0	1.2	0.0
Short term borrowings	0.0	0.0	0.0	0.0	0.0
Long term borrowings	2.8	3.3	2.6	0.3	0.3
Other liabilities	0.1	0.1	0.1	0.1	0.1
Total liabilities	3.8	4.2	3.8	1.7	2.1
Net assets	5.0	5.2	6.0	7.4	9.9
Issued share capital	6.2	6.2	6.2	6.2	6.2
Share premium account	0.3	0.3	0.3	0.3	0.3
Retained earnings	(1.7)	(1.6)	(0.8)	0.5	2.9
Other reserves	0.1	0.2	0.3	0.3	0.4
Minority interests	0.0	0.0	0.0	0.0	0.0
Total equity	5.0	5.2	6.0	7.4	9.9

Source: Company data, Seymour Pierce Ltd

Key Ratios

Year end June	2010A	2011A	2012E	2013E	2014E
Revenue growth (%)	95.9	17.2	26.9	14.0	15.2
EBITDA* growth (%)	103.9	46.7	39.9	19.4	20.5
Adj. PAT* growth (%)	166.12	34.8	46.1	10.6	43.3
Gross margin (%)	49.8	51.0	50.0	50.0	50.0
EBITDA* margin (%)	22.8	28.6	31.5	33.0	34.5
Gearing (%)	44.3	57.9	13.4	n/a	n/a
Interest cover (x)	9.1	4.0	5.6	5.0	272.1
Net debt/Adj. EBITDA* (x)	(1.5)	(1.3)	(0.3)	0.4	1.1
Dividend cover (x)	n/a	n/a	n/a	n/a	n/a
ROE (%)	33.0	30.3	40.6	38.7	43.7
ROIC (%)	26.6	28.3	35.3	31.9	34.3
ROCE (%)	7.5	6.8	10.0	14.0	19.7
Operating cash conversion (%)	82.9	45.8	100.6	95.9	95.5
Net working cap / revenue (%)	10.5	22.2	31.9	28.5	50.8
Cap Ex / revenue (%)	2.2	2.0	1.5	1.3	1.2

* excludes exceptional items and amortisation of acquired intangibles.

Source: Company data, Seymour Pierce Ltd

Valuation Metrics

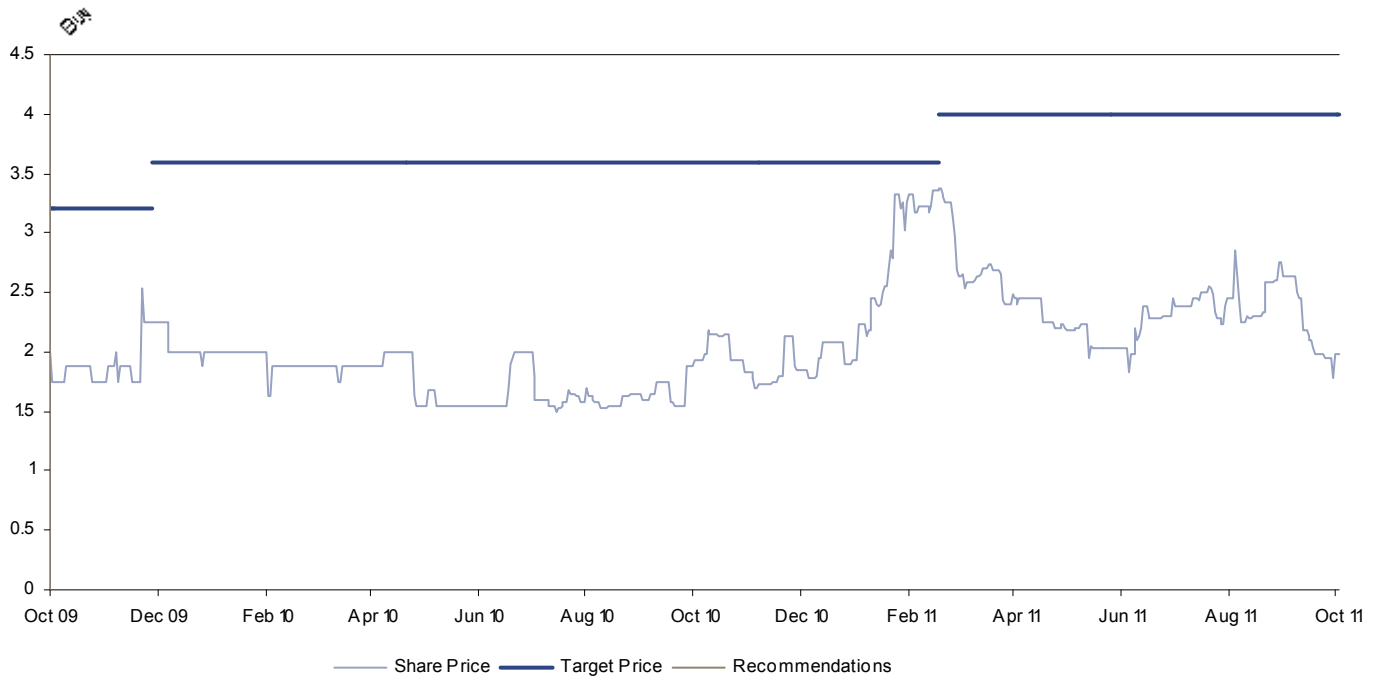
Year end June	2010A	2011A	2012E	2013E	2014E
PER (x)	5.6	4.2	2.9	2.6	1.8
EV / Revenue [^] (x)	1.4	1.2	0.9	0.8	0.7
EV / EBITDA ^{**} (x)	6.0	4.1	2.9	2.4	2.0
EV / Adj. EBIT ^{**} (x)	6.5	4.3	3.0	2.5	2.1
EV / IC [^] (x)	2.0	1.9	2.2	1.6	1.9
Yield (%)	0.0	0.0	0.0	0.0	0.0
P / CFPS (x)	4.1	5.8	2.0	2.4	2.0
NAV per share (p)	1.6	1.7	2.0	2.4	3.2

* excludes exceptional items and amortisation of acquired intangibles.

[^] EV calculation adjusted for core cash, investments etc.

Source: Company data, Seymour Pierce Ltd

Target Price & Recommendation History



Source: Datastream, Seymour Pierce Ltd

Key to material interests

- 1 The analyst has a personal holding of the securities issued by the company, or of derivatives related to such securities.
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Rating	Definition
Buy	Absolute return expected to be more than 10%
Add	Absolute return expected to be between 5% and 10%
Hold	Absolute return expected to be between -5% and +5%
Reduce	Absolute return expected to be between -5% and -10%
Sell	Absolute return expected to be less than -10%

As from 25 October 2010 the nomenclature of our recommendation was changed. Prior to that time Add recommendations were described as Outperform and Reduce recommendations were described as Underperform.

As at 30 September 2011 the distribution of all our published recommendations is as follows:

Rating	Proportion of recommendations	Proportion of these provided with investment banking services
Buy	52.7%	43%
Add	6.5%	3%
Hold	19.9%	3%
Reduce	2.7%	1%
Sell	9.1%	0.

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