



Morning Notes

19 February 2009

Begbies Traynor BEG (FTSE AIM All Share)

Interims only in-line

- H1 result was as expected, but the market was clearly disappointed that FY guidance was not upgraded. 09 & 10 should be strong, particularly 2010 as losses in corporate finance are reduced.
- Core insolvency revenue +31% and EBITA +51%. Op. margins increased to 34%. Lead indicators strongly suggest heightened levels of business failures will persist into H2.
- Loss making corporate finance division has cut costs by 25% p.a. through headcount reduction. Personnel have been redeployed to insolvency, where possible.
- In the absence of upgrades we have reduced our target price to 140p, a 2010 PER target of 15x.

Buy

Price 124p
Target Price 140p

Market Cap £110.0m
Next Event Interim Ex Div 25 March 09

Forecasts (£m) 04/07A 04/08A 04/09E 04/10E

Turnover	41.9	48.1	58.9	66.6
EBITDA	10.0	8.1	11.7	13.5
PBT	9.0	6.8	10.6	12.3
Tax (%)	35	33	33	33
EPS (p)	7.8	5.7	8.3	9.4
DPS (p)	2.5	2.5	2.8	3.2

Ratios (x) 04/07A 04/08A 04/09E 04/10E

P/E	15.9	21.7	14.9	13.2
EV/EBITDA	12.9	15.9	11.0	9.6
Yield (%)	2.0	2.0	2.3	2.6
Price/NAV	1.9	2.0	1.7	1.6

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Ladbrokes LAD (FTSE 250)

Results ahead of expectations, back to Buy

- Ladbrokes has released FY08A underlying and reported profits ahead of expectations.
- The group has announced underlying EBIT, pre-high rollers, of £243.8m, representing YoY growth of 1% and against our estimate of £239.4m.
- Including high rollers, the reported EBIT of £323.9m is well ahead of our £296.4m, with £23m outperformance from high rollers (we had assumed £57.0m EBIT against £80.1m reported) and £4.4m underlying outperformance.
- PBT came in at £258.7m against our £222.9m (EPS 36.4p vs our 29.9p), predominantly due to high roller income.
- The stronger than expected underlying group performance is based on gross win in line with estimates, showing YoY growth of 11%, but superior cost controls driving a better margin.
- Retail gross win came in at £773.9m vs our £776.3m (+4.7% YoY, driven by machine growth of 15.2% and OTC down 0.6%), with online of £172.2m vs our £169.5m (+20.0% YoY, strong sports and casino, soft poker).
- The cost controls (retail costs, excluding winter opening, up by just 0.5% in FY08A, central costs £14.9m vs our £18.6m) led to the margin outperformance.
- Current trading (first six weeks of FY09E) has been affected by heavy horse race cancellations and a weak margin against a strong Q1 in 2008 (note, both short-term issues). However, the continuing resilience offline and strength online have resulted in group gross win growth in 2009 so far of 1% (excluding high rollers), implying a strong online performance. High rollers have also contributed a further £24m in 2008.
- Ladbrokes has also announced a FY08A dividend of 9.05p (DS 9.05p), implying a FY yield of 7.8%. This is enabled by the exceptional high roller income, strong underlying cash generation, a positive outlook and zero debt concerns.
- Following our move from Buy to Hold after the shares rose 14% from our January sector note (Buy, TP 207p), Ladbrokes is back in buying territory, with strong results and expected ongoing resilience offline and growth online.
- On this basis, with unchanged FY09E figures and 207p price target, we move from Hold back to Buy on Ladbrokes, supported by an expected FY09E yield of 5.9%.

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Buy

Price 181p
Target Price 207p

Market Cap £1,091.7m
Next Event Interims - August 2009

Forecasts (£m) 12/06A 12/07A 12/08E 12/09E

Turnover	990.3	1,280.1	1,256.4	1,150.5
EBITDA	306.2	470.8	353.8	275.2
PBT	242.2	353.0	222.9	153.9
Tax (%)	18	15	19	19
EPS (p)	20.7	47.5	29.9	20.7
DPS (p)	13.2	13.9	14.2	10.6

Ratios (x) 12/06A 12/07A 12/08E 12/09E

P/E	8.8	3.8	6.0	8.8
EV/EBITDA	6.7	4.3	6.0	7.6
Yield (%)	7.3	7.7	7.8	5.9
Price/NAV	(2.8)	(2.5)	(2.5)	(2.9)

Plant Impact

Enters into discussions on global licensing of flagship product

- Plant Impact, a developer of technologies that improve crop productivity, entered into exclusive detailed discussions with one of the world's top 10 agrochemical companies by revenue (the "Third Party") through the signing of a non-binding letter of intent.
- Discussions are over the global licensing of Plant Impact's flagship product, BugOil.
- BugOil is a benign insect and mite control agent that offers highly effective control in a non-toxic, environmentally friendly method.
- Plant impact also entered into a loan agreement with the Third Party for GBP750,000.
- The intention is to progress to a licensing agreement and to have it finalised in H1-09.
- Under the terms of the proposed licensing agreement, the Third Party would have an exclusive licence to the patents, patent applications and know-how and other trade secrets of BugOil and to manufacture and market BugOil globally in all market segments except home and garden and animal health.
- It is proposed that the licence will be for a term of 20 years (or if sooner the expiration of the relevant patents) and that the Third Party will make payments to Plant Impact in accordance with agreed milestones as well as royalties upon sales.

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Telecommunications Services

GSMA Mobile World Congress, Barcelona Feb 16-19

- Attendance at the annual get together of the wireless communications world underway in Barcelona is reported 25% lower than last year. The buzz is Google's Android mobile operating system which is on view (even though Google is not presenting). It is becoming apparent that the underlying OS is the battleground of next-generation handsets. Competing systems from Symbian and Microsoft will be increasingly scrutinised in Android's light.
- If attendance is down, so is the range of actual new products on offer to accompany developments such as Palm Pre (mobile email, calendarisation; "coming soon") or Mobile Windows 6.5, promising the "full Windows experience" for mobiles, although launch of a specific Microsoft handset is for the moment denied.
- The field is therefore left to Huawei (HTC) as the Android manufacturer and Vodafone, exclusive initial vendor. Vodafone has also announced a collaboration with mobile browser specialist Opera Software [OPERA.OL] to develop a version of its Opera Mini browser for low- and mid-range handsets.
- Major manufacturers (Nokia, Motorola, Sony Ericsson) have agreed to develop a universal mini-USB mobile charger by 2012.

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Vantis VTS (FTSE AIM All Share)

Business Recovery thrives

- Revenue contribution from business recovery is already 25% of Group total and is expected to increase to 30%.
- Growth in business recovery revenue (+30%) offset a decline in (higher margin) consultancy work (-18%). Business advisory income was flat y-on-y.
- VTS has concluded talks to bring a new lender into its banking syndicate. Cash conversion likely to improve.
- VTS has decreased its net debt, is improving cash generation and has strengthened its banking facilities. We have reduced our EPS estimates by 3% in 09 and by 5% in 10, to account for the increased shares in issue post the £2m of new equity invested by the CEO.

Buy

Price 56p
Target Price 97p

Market Cap £31.6m
Next Event Interim Ex Div - 18 Feb 09

Forecasts (£m) 04/07A 04/08A 04/09E 04/10E

Turnover	87.7	94.3	98.3	103.6
EBITDA	13.0	15.9	15.0	16.5
PBT	9.5	10.9	11.0	12.6
Tax (%)	17	20	28	28
EPS (p)	15.5	14.4	14.4	16.1
DPS (p)	5.3	3.0	1.8	2.5

Ratios (x) 04/07A 04/08A 04/09E 04/10E

P/E	3.6	3.9	3.9	3.5
EV/EBITDA	5.0	4.1	4.3	3.9
Yield (%)	9.5	5.4	3.2	4.5
Price/NAV	0.6	0.6	0.5	0.5

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The Daniel Stewart recommendation structure is based on relative upside/downside to target price. The target price is set on a rolling 12 month view. Upside or downside of 10% or more is categorised as Buy or Sell respectively, and less than 10% a Hold.

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Distribution of Ratings

	All Companies	Of which are Investment Banking Clients in the last 12 months
Buy	76%	37%
Hold	18%	36%
Sell	6%	0%

data as of 31 December 2008

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