

Morning Notes

24 March 2010

21st Century Technology* C21 (FTSE AIM All Share)

Repositioned for growth

- 21ST Century today announced its preliminary results for the year ended 31 December 2009.
- Management has succeeded in shedding the group's legacy loss-making divisions. The company is now profitable and focused on growing the group's promising Public Transport Monitoring Systems business.
- Sales from continuing operations were up 35% to £10.5m (2008: £7.7m)
- Sales of flagship product EcoManager grew to £5m in 2009 its first full year since launch (2008: £1.5m)
- Operating profit from continuing operations was up 85% to £0.7m (2008, before property impairment: £0.4m)
- Net cash flow from operating activities was £1.5m (2008: £0.7m)
- Earnings per share on continuing operations increased to 0.56p (2008: -0.94p)
- Also, the group's bank loan has been repaid in the current year, leaving the company debt free.
- Our 9p target price puts the group on a 2010 EV/EBITDA of 5.5x.

*Daniel Stewart acts as Broker and NOMAD to 21st Century Technology

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Buy

Price 6p
Target Price 9p

Market Cap £5.6m
Next Event Interim Results - Sept. 2010

Forecasts (£m) 12/08A 12/09A 12/10E 12/11E

Turnover	7.7	10.5	12.8	13.9
EBITDA	(0.3)	1.3	1.3	1.6
PBT	0.4	0.7	0.8	1.1
Tax (%)	0	28	28	28
EPS (p)	0.0	0.6	0.6	0.9
DPS (p)	0.0	0.0	0.0	0.0

Ratios (x) 12/08A 12/09A 12/10E 12/11E

P/E	359.4	10.7	10.3	7.0
EV/EBITDA	n/a	3.7	3.6	2.8
Yield (%)	n/a	n/a	n/a	n/a
Price/NAV	0.5	0.7	0.7	0.6

Oil & Gas - BP on regulation and oil price, Natural gas market, refinery spread

- BP CEO said that he is hopeful that a bill drafted the US senate will be friendlier than the passed last year by the House. Tony Hayward said that the House version of the Bill "disproportionately favoured" the coal sector.
- Hayward went on to say the cost of new oil effectively put a floor of \$60/bbl on the price of oil
- There is concern that the boom in US natural gas drilling may be ending and with it taking down rig rates and return for rig operators. Devon Energy CEO made similar comments saying that seasonal demand drop and weak demand from power utilities have all weighed on gas prices. He also cited tax increases in the Obama health care plan and other taxes which he said the administration "[has] stretched out this recession and they are going to continue to". Baker Hughes showed that 939 rigs were drilling new natural gas wells as of March 19, up from 857 a year ago
- Consultants Wood Mackenzie said that US refinery margins are not expected to improve this year despite improving US gasoline demand. Most of the demand is expected to be met by bio fuels. Wood Mackenzie specifically mentioned methanol

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Planet Payment PPT (FTSE AIM All Share)

Buy

'Results in line and positive momentum into 2010'

- Planet Payment has reported FY09A figures in line with expectations, showing revenue of \$47.3m (slightly ahead of our \$47.1m estimate), equating to YoY growth of 31%.
- Across the divisions, the group has seen a 40% increase in Multicurrency Processing revenue (\$33.3m vs \$23.8m), with Payment Processing revenue up by 12% from \$12.4m to \$13.8m.
- The revenue growth was supported by a 23% YoY growth in active merchant locations (>10k at Y/E) and a 38% increase in transaction volume to \$2.2bn. Planet Payment also benefited from the launch of services into India and China during the year, with significant expansion in the important Chinese market.
- As expected, the group reported a third consecutive quarter of positive EBITDA, with the group total of \$0.5m for the full year. This positive EBITDA for the year is against a loss of \$6.3m reported for FY08A, with cash operating expenses having dropped by 11% YoY to \$15.8m.
- There is no change to our estimates at this stage of the year and we maintain our forecast for YoY top-line growth in FY10E of 45%, with material contract wins in H2 2009, solid organic growth from existing clients, client additions in FY10E, geographic expansion and a cyclical upswing in economic and consumer sentiment all driving expected Multicurrency Processing revenue growth in FY10E of 60%, with 11% expected upside in Payment Processing revenue.
- Our revenue assumptions are further supported by the run-rate entering into FY10E, with 40% of December 2009 revenue from merchants with whom Planet Payment only started working with in 2009, while 11% of December 2009 revenue was from merchants activated in Q4 2009.
- Current trading is strong, showing Q1 revenue of an estimated \$13m (+25% YoY, seasonally slowest quarter of the year) and services have been launched in the UAE, with the Philippines to follow in Q2 2010.
- At the EBITDA line we retain our current \$6.2m FY10E estimate (\$9.0m FY11E) with material operational gearing from additional processing volume at limited additional cost driving the expected upside. Further down the P&L, we are forecasting FY10E EPS of 7.4c, with 11.6c in FY11E.
- On this basis, with the stock trading at 14.8x FY11E P/E (7.0x EV/EBITDA) and at a considerable discount to our unchanged 151p price target, we retain our Buy stance.

Price	113p
Target Price	151p
Market Cap	£44.5m
Next Event	Prelims - March '10

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Soco International SIA.L (AIM)

Preliminary results

- \$5.1m in after tax profits, below consensus estimates of \$54m
- Current exploration, appraisal and development programme fully funded with cash and equivalents \$307m at year end and an additional £99m raised in a share placing in Q1 2010
- Production average of 6,415 boe/d and they are targeting a ramp up to 50,000 by 2011 from Block 16-1 in Vietnam
- They are confident for prospects in 2010 especially in de-risking 600m bbl in DRC

Price	1654p
Market Cap	£1,367m
Next Event	na

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Source BioScience* SBS (FTSE Full List)

Results ahead of expectations

- Source BioScience's (SBS) full year results were ahead of our expectations.
- On turnover of £12.7m (5% below our forecast) the company reported higher than expected PBT (DSC), of £0.3m—24% ahead of our estimate.
- Gross margin was 44.2% (vs. 42.8% expected) and operating expenses, at £5.6m, were 3% lower than forecast.
- As a consequence, the company's EPS (DSC) figure, at 0.17p came in 38% ahead of our forecasts.
- Finally, the group closed the year with a cash position of £7.0m.
- As a result of SBS's solid performance, we are upgrading our 2010 forecast from PBT (DSC) of £0.4m to £0.5m.
- We believe that SBS is significantly undervalued. The group is profitable and increasingly cash-generative. Moreover, with £7m of cash, the company's balance sheet is strong.
- The group's shares are currently trading on 0.5x 2010 EV/sales—we estimated that they should trade on at least a 1x multiple. BUY.

Buy

Price	7p
Target Price	11p
Market Cap	£14.0m
Next Event	Interim Results - August 2010

Forecasts (£m)	12/08A	12/09A	12/10E	12/11E
Turnover	11.5	12.7	13.7	14.6
EBITDA	0.4	0.9	1.2	1.4
PBT	(0.2)	0.3	0.5	0.7
Tax (%)	0	0	0	0
EPS (p)	(0.1)	0.2	0.3	0.4
DPS (p)	0.0	0.0	0.0	0.0

Ratios (x)	12/08A	12/09A	12/10E	12/11E
P/E	n/a	39.6	25.5	18.5
EV/EBITDA	17.9	6.9	5.5	4.7
Yield (%)	n/a	n/a	n/a	n/a
Price/NAV	0.9	0.9	0.9	0.8

*Daniel Stewart acts as Joint Broker to Source BioScience

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Vislink VLK (FTSE Fledgling)

FY'09 ~ PBT £5.2m, ahead of expectations

- Secure communications specialist Vislink reported FY'09 PBT at £5.2m (adj) ahead of our £4.8m estimate and market expectations, on revenue of £94.7m (DSCE £90.0m) and EBITDA (adj. E) of £9.3m (DSCE £9.3m). Vislink proposes a dividend of 1.25p/share (DSCE 1.30p).
- The company generated £5.1m in net operating cashflow, and ended the year with cash of £7.4m and long-term debt of £6.8m.
- Underlying revenue, i.e. excluding payments associated with the US one-off 2GHz broadcast spectrum reallocation programme, rose 14%YoY to £85m.
- As expected, the group has completed its reorganisation with centralised R&D and services and an expanded sales operation; it reports that it reduced manufacturing overheads by 11%, and a gross margin of 40% (matching DSCE).
- Vislink starts 2010 with an order backlog of £20.3m (FY'09 was £28.4 excluding the US 2GHz factor), reporting a "mixed" start, orders down 17%YoY, but with the company "winning significant orders that were deferred from 2009".
- We remain positive on Vislink which trades on a current EV/EBITDA of 3.6x (2.2x prospective) and only requires a return to normal demand conditions in its key communications markets to realise the full benefits of restructuring. Buy.

Buy

Price **24p**
Target Price **50p**

Market Cap £33.6m
Next Event Interims 25th Aug'10

Forecasts (£m) 12/07A 12/08A 12/09A 12/10E

Turnover	98.6	101.0	94.7	100.0
EBITDA	19.0	12.6	9.3	14.2
PBT	16.0	8.8	5.2	9.3
Tax (%)	36	358	19	25
EPS (p)	11.2	4.8	2.3	5.1
DPS (p)	1.0	1.3	1.25	1.4

Ratios (x) 12/07A 12/08A 12/09E 12/10E

P/E	2.2	5.0	10.4	4.8
EV/EBITDA	1.6	2.5	3.6	2.2
Yield (%)	4.1	5.2	5.4	5.8
Price/NAV	0.7	0.6	0.6	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	61%	30%
Hold	32%	10%
Sell	7%	0%

data as of Q3'09 31 December 2009

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