


The Stock Market Reporter

Expert analysis to over 32,000 subscribers each weekday

From UK-Analyst.com: Wednesday 22nd June 2011

The markets were down modestly as **Greek Prime Minister** George Papandreou attempted to introduce further cuts to the budget in order for the country to receive its latest 12 billion euro bailout. Back home, it was revealed that new **Bank of England** member Ben Broadbent voted to keep rates on hold last month, unlike his predecessor Andrew Sentance who had been looking for a half-point rise since February. Elsewhere, **British Airways' cabin crew** have agreed to end their long running dispute with the airline over pay, with 92% of members voting in favour of a mutual agreement.

At the London close the **Dow Jones** was down by 9.04 at 12,180.63 and the **Nasdaq** was down by 2.00 at 2,685.26.

In London the **FTSE 100** closed down by 2.32 points at 5,772.99; the **FTSE 250** fell by 18.76 to 11,636.16; the **FTSE All-Share** slipped by 1.55 at 3,010.19; and the **FTSE AIM Index** ended the day up by 0.89 at 847.71.

Broker notes

GE&CR initiated coverage of **Avesco Group*** ([AVS](#)) with a "strong buy" rating and a 235p target price noting that the provider of services to the corporate presentation, entertainment and broadcast markets is a *"well established and cash generative business which has managed to ride out a difficult trading period with its balance sheet strength intact."* Moreover, the research house believes that the firm could be about to benefit significantly from next year's London Olympics. With the shares trading at a 21% discount to forecast year end net assets and on an EV/EBITDA rating of just 2.1 times, GE&CR believes they are currently undervalued, especially considering the potential upside of a large legal payout from Disney. The shares powered ahead by 10p to 124.5p.

Following a positive pre-close statement, Brewin Dolphin reiterated its "conviction buy" stance for **Hargreaves Services** ([HSP](#)) with an unchanged target price of 1,174p. With trading for the year to May 2011 in line with expectations and net debt down to 66 million pounds, from 88 million pounds, the broker has confidence that cash can be generated at the same time as the group is growing profitability significantly. With momentum appearing strong, Brewin considers the stock one of its key picks for 2011. Hargreaves shares rose 20p to 1,040p.

Commenting on the announcement of an internet poker agreement between the California Online Poker Association (COPA) and **Playtech** ([PTEC](#)) joint venture Sciplay, Daniel Stewart notes that the deal sets Playtech up to derive significant value from a very large poker

market. While accepting that it is unlikely online poker will be legalised and regulated in California during 2011, the broker believes that the agreement leaves the gaming firm well placed to take advantage of other opportunities in the US. Meanwhile, it also looks set to benefit from the pending Italian cash poker and casino market and further opportunities in the UK. Daniel Stewart therefore retains its "buy" stance and 541p target price. The shares remained unmoved at 335p.

Following Q2 results from the cruise line operator, Evolution Securities has reiterated its "buy" stance for **Carnival (CCL)** with an unchanged target price of 2,850p. With good visibility for Q3, an easing oil price and a recovery in non-US trades following the disruptions of the Arab Spring and Japanese Tsunami, the broker feels that the tide has now turned for the stock and forecasts a 30% rebound in earnings for 2012. Carnival shares dipped 6p to 2,318p.

Blue-Chips

Temporary power supplier **Aggreko (AGK)** has signed a \$37 million deal has to provide the Tanzania Electric Supply Company (TANESCO) with 100 MW of emergency power for twelve months. The contract involves providing two 50 MW diesel-powered plants at Ubungo and Tegeta in the country, as well as managing the fuel supply associated with the power generation. The shares closed down by 11.82p at 1,862p.

Engineering firm **Weir Group (WEIR)** has agreed to acquire a majority interest in a South Korean valves business formerly operated by HIM Tech Co. Located in Ansan, near Seoul, the business designs and manufactures control and choke valves for severe service power generation and oil & gas applications. In the year to 31st December 2010, HIM Tech's valves business recorded sales of \$10.5 million. Weir shares gained 23.56p to close at 2,078p.

Drugs giant **AstraZeneca (AZN)** has agreed to sell its Astra Tech business to DENTSPLY for \$1.8 billion in cash. Astra Tech, which is based in Sweden is focussed on developing dental implants and on medical devices for use primarily in urology and surgery. The business made sales of \$535 million and EBITDA of \$105 million in 2010. David Brennan, Chief Executive Officer said: *"Following a comprehensive strategic review, we believe this transaction represents an excellent outcome for AstraZeneca shareholders."* Investors seemed to agree, sending the shares up by 21p to 3,046p.

Mid-Caps

Kesa Electricals (KESA) said that total group revenues rose by 2.2% to 5,917.3 million euros in the 12 months to April 2011. However, like-for-like sales dropped by 1.8% and reported pre-tax profits fell 22% to 60.7 million euros as trading at Comet in the UK continued to be held back by the consumer downturn. The firm, which also owns the Darty brand in France, added that trading since the year end has been tough and weaker than expectations. The shares edged ahead by 0.1p to 134p.

Defence firm **Chemring (CHG)** announced that its US subsidiary, Chemring Ordnance, has been awarded a contract to manufacture the MK7 MOD 2 Anti-Personnel Obstacle Breaching System for the US Army and Marine Corps. The total estimated contract value is in excess of \$150 million over three years if all option quantities are exercised. Chemring shares fell by

11.5p to 637p.

Capital & Counties Properties (CAPC) has submitted planning applications for the Earls Court & West Kensington Opportunity Area, outlining plans for the "Sir Terry Farrell Masterplan". The 8 billion pound scheme is expected to create over 7,500 new homes and 12,000 new jobs. Offices, leisure, hotel and retail space, a new primary school, library, an integrated health centre and 23.5 acres of public open space are also being planned. Shares in the firm gained 0.8p to 187.8p.

Shares in **Imagination Technologies (IMG)** dipped by 18.5p to 414.5p despite the firm announcing an 80% rise in adjusted pre-tax profits, to 24 million pounds, for the 12 months to April 2010. While revenues at the firm grew by 21% to 98 million pounds investors were put off by high R&D costs and lower than expected sales at the PURE business. Broker Seymour Pierce is also bearish, saying after the results, *"We maintain our SELL recommendation with a 205p share price target based upon our DCF model."*

Small Caps, AIM and PLUS

The battle between **Fuller, Smith & Turner (FSTA)** and **Capital Pub Company (CPUB)** intensified after Fuller's questioned its target's ability to successfully implement its growth strategy. Amongst other things Fullers' argued that Capital Pub missed forecasts in its recent results, may compromise the quality of its estate when looking for new pubs to buy and investors may be diluted by further equity issues. In response Capital Pub reiterated its view that last week's 200p per share bid significantly undervalued the business and added, *"...the performance of Capital's management and business as outlined in its final results statement speaks for itself."*

In other news Capital Pub announced that it has exchanged contracts to acquire the freehold and business of The Village in Muswell Hill, London, for 2.9 million pounds. In addition, it confirmed that in the first 10 weeks of its financial year total group sales are up 31%, an upgrade to the 20% reported in recent results which only took into account pubs acquired or refurbished. Shares in Fuller's were down by 3.75p at 685.25p, while those in Capital Pub Company were flat at 200.5p.

Pursuit Dynamics (PDX) saw its shares rise by 24.25p to 321.25p as it announced an agreement with Advanced BioEnergy to install its Ethanol Reactor System at three plants in South Dakota and Nebraska. The firm said that the deal will total 195 million US gallons of ethanol per annum. Subject to operational validation Pursuit will then look to agree commercial terms.

Broker Mirabaud was positive on the update and has a 1,565p target price for the shares. However, infamous short seller Evil Knievil reckons that this is pure pie-in-the-sky. Writing in his thrice weekly diaries on t1ps.com he commented, *"this morning (Pursuit) announced a fresh set of ethanol deals. No money of course. Just hypothetical. And Pursuit also introduced a new weasel word. This is 'guidance'. Not 'forecast', you understand. Wiggle Wiggle Wiggle."* For more from Evil sign up to t1ps.com now.

At its AGM **Autologic Holdings (ALG)**, the provider of support services to the automotive industry, said that sales volumes since 1st January to the end of May were ahead of the same

period in 2010 on a like-for-like basis. As a result the firm expects results for the first half and the full year to be better than original expectations. the company put the performance down to greater activity in both the UK and Mainland Europe and the poor weather at the end of 2010 which deferred some activity into this year. Shares in the company gained 0.5p to 22p.

Shares in **Mediterranean Oil & Gas (MOG)** soared by 1.25p to 10.75p as it announced that its subsidiary Medoilgas Italia has signed a gas sales contract with the Italian utility Elettrogas for all of its gas production from the Guendalina gas field. Management expects net revenues from the contract to be approximately 12 million euros per annum.

InterQuest Group* (ITQ), the information technology staffing firm, has bought Contract Connections, a technology staffing business specialising in the legal sector, for a maximum of 4.6 million pounds. Contract Connections, based in London and Dublin, made revenues of 10 million pounds in the year to 31st May 2011 and normalised profits of 0.75 million pounds. The acquisition is expected to strengthen InterQuest's offering to the legal sector and also brings with it a "strong" Managed Services Division, which InterQuest has identified as a high growth sector of the recruitment industry. The shares were unmoved at 62.5p.

Human Capital Resources (HCR) the PLUS-quoted "green" recruitment and research company, has acquired Berkely Frost Limited for a nominal 1 pound and the payback of vendor loans. Berkeley Frost is a recently established executive search firm which specialises in the Financial Services sector. From its founding on 1st July 2010 to 31st May 2011 the business made revenues of 205,000 pounds and profit before interest and tax of 22,000 pounds. The shares stayed flat at 20p.

**Funds managed by a subsidiary of Rivington Street Holdings (RSH), the owner of UK-Analyst, own shares in InterQuest. Avesco is a corporate client of RSH.*

Ensure delivery of tips and research from UK-Analyst.com, add admin@t1ps.com to your address book. UK-Analyst.com is owned by t1ps.com Limited which is regulated and authorised by the Financial Services Authority. The information contained within "The Stock Market Reporter is not intended as financial advice and its veracity cannot be guaranteed. You are receiving this email because you have signed up with us to receive it.