



ATLANTIC CAPITAL MARKETS



HOT DIVIDEND STOCK REPORT

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With the UK markets in recovery mode fuelled by relief and clarity over Brexit and political uncertainty being reduced some of the big yields on offer last year are now reducing. Those that took advantage of our last dividend report will no doubt be seeing a great yield and capital growth, but don't be disheartened there is still plenty of strong yields in the ftse100 to take advantage of.

"High dividend yields are easy" I hear you say!

but a high yield is not always an indication of a bargain, it can also highlight "problems at the mill" and raise concerns over sustainability. Finding a good yield on a strong stock is harder than it may sound. It is not as simple as finding the highest yield and getting in, the dividend needs to be sustainable and the long-term prospects need to be sound. Sometimes a higher yield can covertly signal problems more than anything else.

My memory takes me back to several conversations ahead of Carrillion going pop with clients calling and asking if it is a buy purely on the yield. Needless to say, our answer was a resounding no!!!

In this report we highlight a small selection of high yields in shares with solid long-term prospects.

Imperial Brands (IMB)

Dividend Yield:- 10.41%

Average Target price:- 2172p

Average broker view:- BUY

Imperial Brands plc is a British multinational tobacco company headquartered in Bristol. It is the world's fourth-largest international cigarette company measured by market share after Philip Morris International, British American Tobacco, and Japan Tobacco, and is also the world's largest producer of fine-cut tobacco, and tobacco papers.

Imperial Brands produces over 320 billion cigarettes per year, has 51 factories worldwide, and its products are sold in over 160 countries and brands include Davidoff, West, Gauloises Blondes, Montecristo, Golden Virginia, Drum, and Rizla (the world's best-selling rolling paper).

The whole sector has come under fire in recent years and a lot of investors will be cautious about the stock on ethical grounds but the reality is people do still smoke, and the move into vaping is also helping offset any declines in smoking in the western markets. When you also consider that product price increases have helped to offset declining volumes and the recent sale of the cigar business will also add to the strength in the balance sheet.

The sector does carry regulatory risks and the FDA are seldom going to offer much in the way of positive announcements for the industry, but if you have the patience and a long term view and have no concerns about buying a tobacco stock it does make for an appealing opportunity.

Key Fundamentals

Imperial Brands			
Shares in Issue (m)	946.41	Market Cap (£m)	18,786.20
PE Ratio	18.73	Div per Share (p)	206.57
Div Yield	10.41	Div Cover	0.51
EPS	106	EPS Growth (%)	-26.18
PEG	-0.72	DPS Growth (%)	10
Debt Ratio	73.84	Debt Equity Ratio	0.56
Net Gearing	76.67	Gross Gearing	83.45
Asset Equity Ratio	6.04	Cash Equity Ratio	40.94
Quick Ratio	0.57	Current Ratio	0.9
Price To Book Value	3.36	ROCE	7.92

Technical Chart



Lloyds Banking Group (LLOY)

Dividend Yield:- 5.61%

Average Target price:- 66p

Average broker view:- BUY

Lloyds is one of the most followed stocks in the FTSE and recent price action and announcements have put the company back in the spotlight. They are followed right across the board, whether you're an income or a growth investor, long term investor or short-term trader. Those that still feel it is a 100p plus share and those eternally optimistic holders that

hope it will be back to the former glory of over 400p.

Lloyds have received a lot of praise recent years, mainly due to a return to boring comfortable banking – current accounts, mortgages, personal and business loans, life insurance...sound dull? Thank goodness.

Lloyds share prices are starting to benefit from the clarity the markets are seeing over Brexit and equally the conclusive victory for the conservatives has also offered stability to the political backdrop. The PPI deadline has now passed and whilst there is still the inevitable mop up of claims Lloyds can now look forward to seeing it come to an end and moving forward.

Key Fundamentals

Lloyds Banking Group			
Shares in Issue (m)	70,052.56	Market Cap (£m)	40,693.53
PE Ratio	10.56	Div per Share (p)	3.21
Div Yield	5.61	Div Cover	1.69
EPS	5.5	EPS Growth (%)	25
PEG	0.42	DPS Growth (%)	5.25
Debt Ratio	93.71	Debt Equity Ratio	1
Net Gearing	86.85	Gross Gearing	93.71
Asset Equity Ratio	15.89	Cash Equity Ratio	108.89
Quick Ratio	0	Current Ratio	0
Price To Book Value	0.81	ROCE	0.75

Technical Chart



Persimmon (PSN)

Dividend Yield:- 8.41%

Average Target price:- 2846p

Average broker view:- STRONG BUY

Persimmon is headquartered in York, England. The company is named after a horse which won the 1896 Derby and St. Leger for the Prince of Wales. Persimmon was founded by Duncan Davidson in 1972. After leaving George Wimpey, Davidson restarted development again in the Yorkshire area. Persimmon began to expand regionally with the formation of an Anglian division in 1976 followed by operations in the Midlands and the south-west. In 2001, Persimmon acquired Beazer Homes UK, for £612m, taking output to over 12,000 a year.

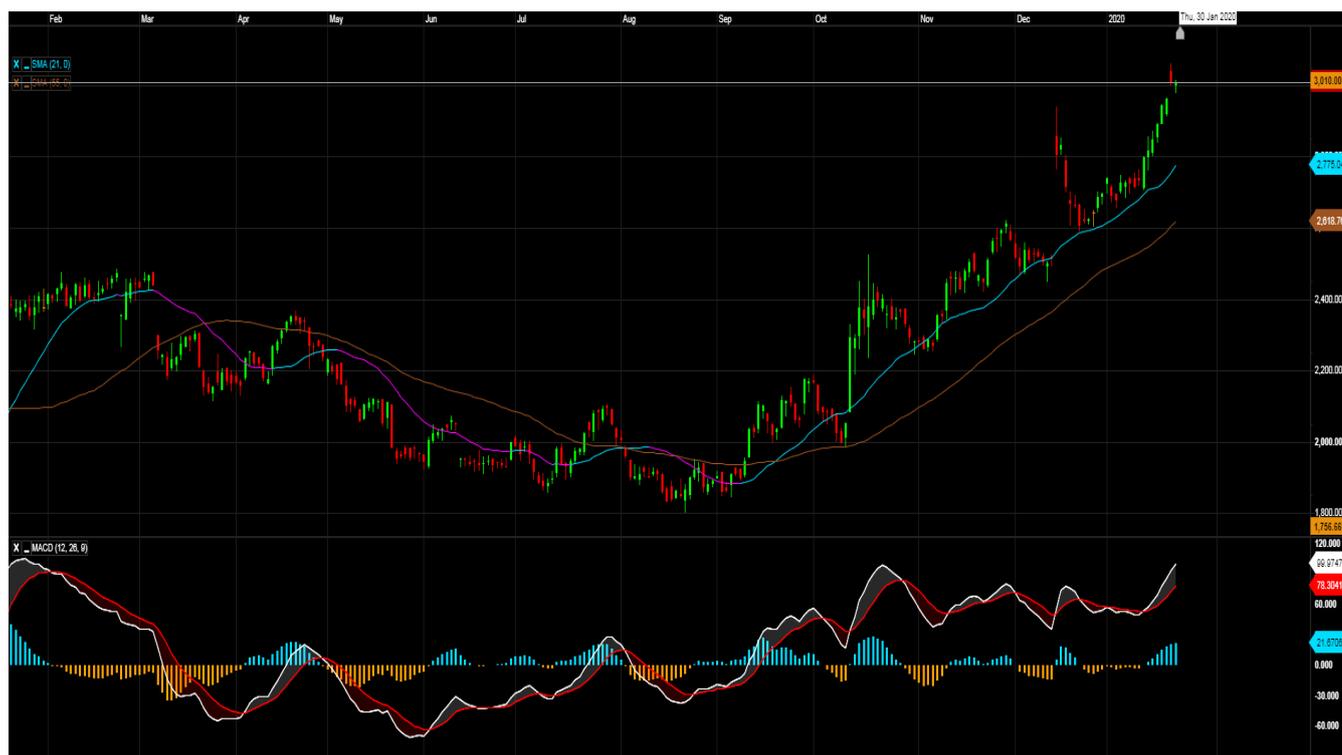
At the end of 2019 the results of an independent review into Persimmon's build quality were released, which revealed a "systemic nationwide problem" on safety-critical build issues such as the installation of cavity firestops on timber-frame homes. They have taken strong steps to rectify this and the knock-on effect of this was seen in the recent figures. The measure taken did weigh on the 2019 numbers but should help bolster sales for the year ahead.

Momentum in the sector has recently taken hold after the elections and if we see confirmation of an increase in new house builds from the government this could also open the share price to further gains. The high dividend yield and low PE ratio makes for an appealing buy for investors.

Key Fundamentals

Persimmon			
Shares in Issue (m)	318.9	Market Cap (£m)	8,916.51
PE Ratio	9.87	Div per Share (p)	235
Div Yield	8.41	Div Cover	1.21
EPS	283.3	EPS Growth (%)	11.1
PEG	0.89	DPS Growth (%)	n/a
Debt Ratio	9.45	Debt Equity Ratio	0.23
Net Gearing	8.8	Gross Gearing	31.33
Asset Equity Ratio	1.46	Cash Equity Ratio	32.81
Quick Ratio	1.03	Current Ratio	3.75
Price To Book Value	2.79	ROCE	30.92

Technical Chart



Standard Life Aberdeen (SLA)

Dividend Yield:- 6.75%

Average Target price:- 340p

Average broker view:- NEUTRAL

Standard Life and Aberdeen Asset Management merged in 2017 to form the current group. The group's products and services include pensions, individual savings accounts, investment bonds, and mutual funds. The merger created one of the largest asset managers and gave opportunities for cost savings. They are targeting a cost to income ratio below 60%. The share price suffered heavily when the company lost their largest commercial client Lloyds last year. This added to concerns on how the sector will fare as we leave the European Union has left the shares languishing. In the near term the continued uncertainty over passporting facilities are creating a drag on prices. Again, though there are a lot of positives to focus on, the ongoing share buyback scheme, Inflow of funds boosted by the joint venture with Virgin Money and the continued focused on growing its international proposition with distribution now in markets such as Singapore, Dubai and China.

Targets have been increased by several brokers in recent trading as the market starts to find the underperformance of UK financials an appealing proposition. Investment performance has also improved over the last 12 months; however, they have still suffered from outflows in the same period due to investor concerns over the market in general.

Key Fundamentals

Standard Life Aberdeen			
Shares in Issue (m)	2,338.72	Market Cap (£m)	7,483.92
PE Ratio	11	Div per Share (p)	21.6
Div Yield	6.75	Div Cover	1.35
EPS	29.1	EPS Growth (%)	-2.35
PEG	-4.68	DPS Growth (%)	1.41
Debt Ratio	39.77	Debt Equity Ratio	1
Net Gearing	30.66	Gross Gearing	39.77
Asset Equity Ratio	1.66	Cash Equity Ratio	15.12
Quick Ratio	0	Current Ratio	0
Price To Book Value	0.99	ROCE	-6.29

Technical Chart



Royal Dutch Shell B (RDSB)

Dividend Yield:- 6.54%

Average Target price:- 2786p

Average broker view:- STRONG BUY

Royal Dutch Shell PLC or as its more commonly known "Shell", is an Anglo-Dutch oil and gas company headquartered in the Netherlands and incorporated in the UK. They are also one of the

worlds supermajors and the third-largest company in the world measured by 2018 revenues and the largest based in Europe.

Shell is vertically integrated and is active in every area of the oil and gas industry, including exploration and production, refining, transport, distribution and marketing, petrochemicals, power generation and trading. It also has renewable energy activities, including biofuels, wind, energy-kite systems and hydrogen. Shell has operations in over 70 countries, produces around 3.7 Mn barrels of oil equivalent per day and has 44,000 service stations worldwide.

The share price and the sector has underperformed over the last 12 months which has left them sitting on a three-year low and starting to show signs of a recovery. The entire sector has been under siege and out of favour due to depressed oil prices and environmental concerns. But this is a firm who have maintained a strong yield and are far more resilient to negative moves in the price of oil than peers such as BP. Cash generation is high, debt is managed and with a hefty buyback being announced this should also help underpin the prices. v

Key Fundamentals

Royal Dutch Shell			
Shares in Issue (m)	3,729.41	Market Cap (£m)	82,587.72
PE Ratio	71.44	Div per Share (p)	188
Div Yield	6.5	Div Cover	0.16
EPS	31	EPS Growth (%)	78.48
PEG	0.91	DPS Growth (%)	0
Debt Ratio	36.98	Debt Equity Ratio	0.6
Net Gearing	42.57	Gross Gearing	49.26
Asset Equity Ratio	1.97	Cash Equity Ratio	13.2
Quick Ratio	0.98	Current Ratio	1.25
Price To Book Value	0.41	ROCE	11.08

Technical Chart



About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

Call us on 01872 229 000.

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