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ATLANTIC CAPITAL MARKETS



St Leger's Day Bargains

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The old saying goes, sell in May and buy back on St Leger's day. Now whilst this old saying harks back to a near bygone era when brokers would generally take the summer off, with the recent markets and drops we have seen throughout 2020 it is probably more meaningful now than ever before. The UK markets are still reeling from the pandemic fallout and some share prices are offering investors heavily discounted entries compared to pre pandemic levels. For those looking to the longer-term horizon this is a once in a decade opportunity to take advantage. In this report we highlight a group of stocks from varying sectors that we feel will not only stand the short term test the market is offering up but will also go on to recover as the economy recovers.

Taylor Wimpey

Taylor Wimpey (formerly Taylor Woodrow) came to be after the merger of Taylor Woodrow and George Wimpey in July 2007. Taylor Wimpey's UK operations are increasingly focused on the Taylor Wimpey brand with historic brands (Bryant Homes, George Wimpey, Laing Homes and G2) being phased out. Taylor Wimpey's corporate head office is located at Gate House in High Wycombe. There are 24 regional offices in the United Kingdom. Taylor Wimpey build houses all over the UK with sites throughout Scotland, Yorkshire and Humberside, East and West Midlands Wales and London.

Taylor Wimpey's share price has halved since the fallout from the pandemic and have now started to consolidate around the 120p level. The firm is one of Britain's leading builders and have recently confirmed that it will commence a phased return to construction. They also reported recently that orders for new homes are rising, with prices comparable to those prior to the lockdown. The long-term outlook for the UK property market remains bullish, with low interest rates, stamp duty breaks and a housing shortage adding to the appeal of Taylor Wimpey at current levels. Initial indications suggest the housing market remains buoyant despite the backdrop with Nationwide reporting house prices increasing by 1.7% in July - the biggest monthly increase in 11 years. The main risk for the stock and the sector at the moment really comes in from two directions, whether lenders will be open to lending to individuals despite the fragile backdrop for earnings, the other clear risk is how we come out of lockdown and the ability to maintain operations and building.

Key Fundamentals

	year end 2015(£m)	Year End 2016(£m)	Year End 2017(£m)	Year End 2018(£m)	Year End 2019(£m)
PE Ratio	13.45	8.48	12.18	6.78	9.39
PEG	0.45	0.43	-2.09	0.37	3.77
Earnings per Share Growth	30.17%	19.54%	-5.82%	18.24%	2.49%
Dividend Cover	9.04	6.42	3.59	1.21	1.12
Revenue Per Share	96.69p	112.47p	121.48p	124.97p	132.83p
Pre-Tax Profit per Share	18.42p	22.39p	20.66p	24.66p	25.33p
Operating Margin	20.11%	20.74%	17.74%	20.30%	19.74%
Return on Capital Employed	23.15%	26.19%	22.66%	25.30%	25.48%
Dividend Yield	0.82%	1.84%	2.29%	12.21%	9.48%
Dividend per Share Growth	-46.13%	68.40%	68.55%	251.05%	10.22%
Net Asset Value per Share	83.58p	88.84p	96.05p	98.76p	100.87p

Technical Chart



BP Plc

BP is a British multinational oil and gas company headquartered in London. It is one of the world's oil and gas supermajors. The firm traces its origins back to 1908 with the founding of the Anglo-Persian Oil Company, established as a subsidiary of Burmah Oil Company to take advantage of oil discoveries in Iran. In 1954 it Adopted the name British Petroleum. BP is a "vertically integrated" company, meaning it's involved in the whole supply chain – from discovering oil, producing it, refining it, shipping it, trading it and selling it at the petrol pump. BP has operations in nearly 80 countries worldwide, the company has around 18,700 service stations worldwide. Its largest division is BP America. In Russia, BP also own a stake in Rosneft, the world's largest publicly traded oil and gas company by hydrocarbon reserves and production.

The share price has also seen a correction of around 50% over the last six months as a near lethal mix of the Covid-19 pandemic, supply disruption and a falling oil price have taken their toll. Global lockdown measures resulted in most major economies grinding to a halt and the knock-on effect from that saw the price of oil turn negative for the first time in history (albeit briefly). Oil prices have now started to recover which is a welcome relief for BP. In response to the recent fall's BP have issued a revised guidance and made strong steps to diversify their offering. Despite continued pressure on share prices for those with a long term view the opportunity to buy an oil supermajor at current levels is very appealing. Key risks for Bp will really come down to how quickly the global economy.

Key Fundamentals

	year end 2015 (\$m)	year end 2016 (\$m)	year end 2017 (\$m)	year end 2018 (\$m)	year end 2019 (\$m)
PE Ratio	-	1,027.55	40.4	13.51	31.38
PEG	-	-	0.01	0.08	-0.54
Earnings per Share Growth	-	-	2727.40%	173.14%	-57.77%
Dividend Cover	-0.88	0.02	0.43	1.16	0.48
Revenue Per Share	1,229.65¢	986.77¢	1,235.85¢	1,518.67¢	1,392.28¢
Pre-Tax Profit per Share	-52.23¢	-12.21¢	36.46¢	83.74¢	40.20¢
Operating Margin	-3.81%	-0.84%	3.40%	6.24%	4.08%
Return on Capital Employed	-5.46%	-1.02%	5.24%	11.57%	6.95%
Dividend Yield	7.63%	6.38%	5.76%	6.38%	6.59%
Dividend per Share Growth	1.92%	-0.48%	0.27%	1.26%	1.24%
Net Asset Value per Share	364.57¢	339.02¢	346.18¢	347.95¢	350.73¢
Net Gearing	27.55%	36.54%	38.22%	43.57%	45.98%

Technical Chart



Tui Travel

Tui Travel PLC is a British leisure travel group headquartered in Crawley, West Sussex. The company was formed in September 2007 by the merger of First Choice Holidays PLC and the Tourism Division of TUI AG. The company was originally founded in 1923 in Berlin. In 2000 it acquired Thomson Travel and in 2002 bought Hapag Lloyd, which itself owned the travel firm TUI (formerly Touristik Union International) and renamed itself TUI AG. In June 2014 TUI AG and Tui Travel announced the two companies would be merged.

Tui were one of the biggest casualties of the sell offs seeing the share price drop from highs over 1000p to near lows of 207p, and whilst recovery moves are starting to come into play it still looks like there are plenty of challenges ahead before they are fully out of the woods. The company has already taken significant steps to improve the overall financial position. In March, TUI secured a €1.8bn government-backed loan in Germany which increased the company's available cash resources to €3.1bn. CEO Fritz Jousen plans to reduce overhead costs by 30% and cut up to 8,000 jobs. While some countries are starting to lift restrictions on travellers, there's no guarantee the market will be able to return to the level of activity before the crisis emerged. This suggests the outlook for the TUI share price is likely to remain vulnerable to news flows for some time. Undoubtedly this shifting landscape and cost cutting will also impact the high street and a move to a more digital presence would be highly probable. What's more, the TUI balance sheet is relatively vulnerable. The firm has been on an expansion drive in recent years. With earnings slumping, it's difficult to see how the business will pay for all the capital spending it's commissioned over the past few years. It is not a share for the faint hearted and short-term swings will continue to be aggressive however for those with a strong appetite for risk the levels could well be very appealing.

Key Fundamentals

	30.09.14(€m)	30.09.15(€m)	30.09.16(€m)	30.09.17(€m)	30.09.18(€m)
PE Ratio	-	21.35	-	10.52	14.11
PEG	-	0.2	-	-0.28	1.03
Earnings per Share Growth	-	106.45%	177.37%	-38.03%	13.64%
Dividend Cover	0.94	1.38	0.97	2.09	1.64
Revenue Per Share	7,126.83c	3,900.02c	2,933.93c	3,171.57c	3,323.73c
Pre-Tax Profit per Share	177.31c	76.18c	73.60c	141.58c	114.71c
Operating Margin	3.93%	3.61%	4.18%	4.07%	3.87%
Return on Capital Employed	15.99%	17.71%	16.83%	15.73%	13.72%
Dividend Yield	-	3.41%	-	4.54%	4.33%
Dividend per Share Growth	120.00%	69.70%	12.19%	3.46%	10.77%
Net Asset Value per Share	-580.78c	-378.19c	-123.37c	-84.77c	28.85c
Net Gearing	-13.43%	11.17%	-1.19%	-19.83%	-2.84%

Technical Chart



Lloyds Banking Group

Lloyds was initially founded in 1695 by the Parliament of Scotland, which makes it the second oldest bank in the United Kingdom. The Group's headquarters is located at 25 Gresham Street in the City of London. Lloyds Banking Group's activities are organised into: Retail Banking (including Mortgages and Sole Traders); Commercial; Life, Pensions & Insurance; and Wealth & International. Lloyds' has extensive overseas operations in the US, Europe, the Middle East and Asia. Following the takeover, the Group stopped using the name HBOS publicly. The Halifax brand, products and pricing were discontinued in Scotland until it was re-established in 2013. The Halifax and Lloyds Bank brands are used in England and Wales and the Bank of Scotland and Halifax brand is used in Scotland, each offering different products and pricing.

Lloyds has always been a bellwether for the British economy as it is the largest UK based and UK focused bank. As we slowly emerge from lockdown and the economy starts to come back to life it suggests that now could be a great time to start looking at the shares. While the bank's dividend has been cut, the demand for borrowing has increased. Recent announcements from the Bank of England and their decision to cut interest rates to a record low has reduced Lloyds' cost of capital. That means it costs the bank less to borrow the money it then lends out to customers. The main and continued risk for Lloyds is how much of an impact defaults on lending products will have from the pandemic fallout. Lloyds have taken measures to contain this and have set aside £3.8bn so far to cover the potential for defaults but investors do need to be aware that Lloyds recovery will ultimately be entwined with the UK's economic recovery, the longer this takes the longer Lloyds will take.

Key Fundamentals

	year end 2015 (\$m)	year end 2016 (\$m)	year end 2017 (\$m)	year end 2018 (\$m)	year end 2019 (\$m)
PE Ratio	91.34	26.05	15.36	9.43	17.86
PEG	-1.73	0.13	0.18	0.38	-0.49
Earnings per Share Growth	-52.94%	199.18%	83.84%	25.00%	-36.36%
Dividend Cover	0.29	0.79	1.44	1.71	1.04
Revenue Per Share	43.34p	67.64p	56.77p	36.89p	71.37p
Pre-Tax Profit per Share	1.37p	5.44p	7.36p	8.32p	6.22p
Operating Margin	-	-	-	-	-
Return on Capital Employed	-	-	-	-	-
Dividend Yield	3.76%	4.88%	4.51%	6.19%	5.39%
Dividend per Share Growth	161.72%	61.21%	-18.84%	-8.99%	6.94%
Net Asset Value per Share	53.38p	54.98p	54.08p	55.51p	51.93p

Technical Chart



Whitbread

Whitbread plc is a British multinational hotel and restaurant company headquartered in Houghton Regis, Bedfordshire, United Kingdom. The business was founded as a brewery in 1742 and had become the largest brewery in the world by the 1780's. Its largest division is currently Premier Inn, which is the largest hotel brand in the UK with over 785 hotels and 72,000 rooms. Whitbread's brands include the restaurant chains Beefeater, Brewers Fayre and Table Table. The business was formed in 1742 when Samuel Whitbread formed a partnership with Godfrey and Thomas Shewell and acquired a small brewery at the junction of Old Street and Upper Whitecross Street and another brewhouse for pale and amber beers in Brick Lane, Spitalfields. Godfrey Shewell withdrew from the partnership as Thomas Shewell and Samuel Whitbread bought the large site of the derelict King's Head brewery in Chiswell Street in 1750. The new brewery was to produce porter and was renamed the Hind Brewery after the Whitbread family coat of arms.

Whitbread share price dropped from over 4000p with a bottom of 1527p at the extreme low (although you would have to have been incredibly brave and quick to get them there). They are now into recovery on the chart as we slowly come out of lockdown. Whitbread share price offers buyers a great entry level. Recent government announcements still point towards it being sometime until the sector can return to full operational status so I would expect to see a lot of choppy moves in the near term but as we try to come out of lockdown and rules are eased it will slowly bring life back to the business.

Key Fundamentals

	03.03.16(£m)	02.03.17(£m)	01.03.18(£m)	28.02.19(£m)	27.02.20(£m)
PE Ratio	17.62	16.6	16.01	42.13	27.92
PEG	5.32	1.77	4.44	0.06	-0.3
Earnings per Share Growth	3.31%	9.36%	3.61%	751.26%	-92.85%
Dividend Cover	2.39	2.42	2.37	1.16	4.47
Revenue Per Share	1,584.65p	1,709.40p	1,808.51p	1,124.03p	1,390.36p
Pre-Tax Profit per Share	262.23p	281.51p	299.89p	142.84p	189.61p
Operating Margin	17.93%	17.67%	17.84%	14.38%	19.84%
Return on Capital Employed	17.39%	16.07%	16.36%	5.50%	7.11%
Dividend Yield	2.38%	2.49%	2.64%	2.05%	0.80%
Dividend per Share Growth	7.91%	8.07%	-92.88%	227.90%	-0.27%
Net Asset Value per Share	1,174.13p	1,228.34p	1,362.81p	3,342.65p	2,658.74p
Net Gearing	37.87%	35.20%	29.72%	-	8.61%

Technical Chart



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