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ATLANTIC CAPITAL MARKETS

TOP STOCKS FOR YOUR ISA

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As we approach the end of the tax year its time to look at what opportunities are out there to fill up the rest of your ISA allowances. With the markets recent desire to see the stocks set to benefit from the end of lockdown rallying, it has left a lot of the big international players out of the rally and un-loved. This has created the rather unique scenario of large international companies with strong yields lingering down near multi year lows. A lot of these stocks have suffered in the short term offering a great entry for long term potential. In this report we highlight our top picks.

Royal Dutch Shell

Royal Dutch Shell Plc engages in the oil and natural gas production. It operates through the following segments: Integrated Gas, Upstream, Downstream, and Corporate. The Integrated Gas segment manages liquefied natural gas activities and the conversion of natural gas into gas to liquids fuels and other products. The Upstream segment manages the exploration for and extraction of crude oil, natural gas, and natural gas liquids. The Downstream segment manages different oil products and chemical activities as part of an integrated value chain, including trading activities, what turns crude oil and other feedstock into a range of products, which are moved and marketed around the world for domestic, industrial and transport use. The Corporate segment comprises holdings and treasury, self-insurance activities, headquarters and central functions of the company. The company was founded in February 1907 and is headquartered in The Hague, Netherlands.

Valuation	**Balance Sheet**	**Operating Metrics**
Market Capitalization108.004B	Quick Ratio (MRQ)0.9633	Return on Assets (TTM)-0.0593
Enterprise Value (MRQ)156.13B	Current Ratio (MRQ)1.2264	Return on Equity (TTM)-0.1359
Enterprise Value/EBITDA (TTM)11.8535	Debt to Equity Ratio (MRQ)0.6813	Return on Invested Capital (TTM)-0.0904
Total Shares Outstanding (MRQ)7.784B	Net Debt (MRQ)55.733B	
Number of Employees—	Total Debt (MRQ)79.018B	**Dividends**
Number of Shareholders—	Total Assets (MRQ) 277.455B	Dividends Paid (FY)-5.789B
Price to Earnings Ratio (TTM)—		Dividends Yield (FY)3.5883
Price to Revenue Ratio (TTM)0.8139		Dividends per Share (FY) 0.4922
Price to Book (FY)0.9535		
Price to Sales (FY)0.81		

Royal Dutch shell Chart

Summary

Shell have recently announced they had reached peak oil production and they will reduce production by around 1-2% per year, they have also announced the plans of achieving net-zero emissions by 2050. Shell also said it would be accelerating its target of reducing its net carbon intensity by at least 3% by 2022.

This is quite big news for a firm whose business has been based on oil and gas production for decades, however they are a highly innovative business and the move to a more eco friendly model has long been discussed. Shell also announced a dividend increase by 4% to 17.35 cents per share.

So why is it a buy with all this going on in the background?, Shell has seen its shares lose more than 36% of their value over the last year as oil prices reeled from the falling demand in oil during the pandemic. Oil prices have staged a recovery in the last few months in which a barrel now sits at around $60. However, the damage caused by the drop to as low as $20 in 2020 had a major effect on profits at Shell. There is potential for the value of the company to rise in the coming years.

Vodafone

Vodafone Group Plc engages in telecommunication services in Europe and internationally. The firms offer mobile services that enable customers to call, text, and access data; fixed line services, including broadband, television (TV) offerings, and voice; and convergence services under the GigaKombi and Vodafone One names to customers. It also provides mobile, fixed, and a suite of converged communication services, such as Internet of Things (IoT) comprising managed IoT connectivity, automotive, and insurance services, as well as smart metering and health solutions; cloud and security portfolio comprising public and private cloud services, as well as cloud-based applications and products for securing networks and devices; and international voice, IP transit, and messaging services to support business customers that include small home offices and large multi-national companies. In addition, the company offers M-Pesa, an African payment platform, which provides money transfer, financial, and business and merchant payment services; and various services to operators through its market agreements, as well as rents capacity to mobile virtual network operators to provide mobile services. The firm has a strategic partnership with Open Fiber. As of March 31, 2019, it had approximately 650 million mobile customers, 19 million fixed broadband customers, and 14 million TV customers.

Valuation	**Balance Sheet**	**Operating Metrics**
Market Capitalization32.743B	Quick Ratio (MRQ)—	Return on Assets (TTM)0.0156
Enterprise Value (MRQ)—	Current Ratio (MRQ)1.0723	Return on Equity (TTM)0.0425
Enterprise Value/EBITDA (TTM)4.7992	Debt to Equity Ratio (MRQ)1.1551	Return on Invested Capital (TTM)0.0205
Total Shares Outstanding (MRQ)26.834B	Net Debt (MRQ)48.102B	
Number of Employees93K	Total Debt (MRQ)62.426B	**Dividends**
Number of Shareholders364.171K	Total Assets (MRQ) 142.284B	Dividends Paid (FY)-2.009B
Price to Earnings Ratio (TTM)15.5242		Dividends Yield (FY)6.6060
Price to Revenue Ratio (TTM)0.9255		Dividends per Share (FY)0.0788
Price to Book (FY)0.6011		
Price to Sales (FY)0.830		

Vodafone Chart

Summary

When Vodafone reported in February they beat most analysts' forecasts with its figures amid optimism that it should be able to accelerate its growth from now as its comparisons with last year no longer have to compete with pre-Covid roaming charge levels. That has not only cost it huge amounts of money, but made its revenues look particularly weak, year-on-year. it reported that revenues from services in its third quarter grew 0.4% on the year from the previous minus 0.4%. That was far better than the minus 0.2% analysts had expected.

lockdowns had driven an overall surge in the amount of data people were using as they communicated by phone and Zoom calls, while its business customers had also been spending heavily on upgrading their systems to be digital. Revenue growth from services grew 1% in the third quarter in its core Germany market against the previous three months' slight fall of 0.1%, boosted by gains across all its divisions.

Reckitt Benckiser

Reckitt Benckiser Group Plc engages in the manufacture and trade of health, hygiene and home products. It operates through Health and Hygiene Home segments. The Health segment focuses on infant and child nutrition; health relief; health hygiene; and vitamins, minerals and supplements. The Hygiene Home segment focuses on the household sector. The company was founded in December 1999 and is headquartered in Slough, the United Kingdom.

Valuation	Balance Sheet	Operating Metrics
Market Capitalization42.766B	Quick Ratio (MRQ)—	Return on Assets (TTM)0.0358
Enterprise Value (MRQ)—	Current Ratio (MRQ)0.7659	Return on Equity (TTM)0.1231
Enterprise Value/EBITDA (TTM)15.3852	Debt to Equity Ratio (MRQ)1.1526	Return on Invested Capital (TTM)0.0618
Total Shares Outstanding (MRQ)712.771M	Net Debt (MRQ)8.911B	
Number of Employees—	Total Debt (MRQ)10.557B	**Dividends**
Number of Shareholders17.056K	Total Assets (MRQ)31.292B	Dividends Paid (FY)-1.241B
Price to Earnings Ratio (TTM)36.0794		Dividends Yield (FY)2.9100
Price to Revenue Ratio (TTM)—		Dividends per Share (FY) 1.7460
Price to Book (FY)—		
Price to Sales (FY)3.06		

Reckitt Benckiser Chart

Summary

Recent figures showed revenue up 11.8% to £14bn for the full year, reflecting strong volume-driven growth in Hygiene and Health. Despite the strong move in the health and hygiene the firm did suffer a little from the Covid-19 disruption which has lead to a downgrade and pressure in the value of its Infant Child Nutrition business. This resulted in a non-cash impairment charge of £985m. Excluding this, underlying operating profit rose 0.7% to £3.3bn.

The group expects LFL revenue growth between 0% and 2% for the new financial year. It also expects a 0.4 - 0.9 percentage point reduction in underlying operating margins, slightly better than forecast. A final dividend was also announced of 101.6p takes the full year payment to 174.6p.

Sales have enjoyed a bumper performance due to the pandemic and a large boost to the cleaning products. This doesn’t look like it will be changing anytime soon as the world is now coming to accept heightened hygiene awareness. That should bode well for recurring revenues in the Health and Hygiene divisions which accounts for 77% of group revenue.

The group's also continued to focus on streamlining as they sold off the Scholl brand and bought a US pain killer company. Another round of impairment charges last year was unwelcome, but not unexpected. And lower birth rates are expected to act as a drag as we head into next year. Despite strong growth from other areas of the business, Nutrition's going to hold group revenue back to unexciting 0-2% revenue growth this year.

Rolls Royce

Rolls Royce is a British brand synonymous with quality and British engineering, it has come a long way since its beginnings when the firm was established by Henry Royce back in 1884 which began by manufacture dynamos and electric cranes. Charles Rolls established a separate business with Henry Royce in 1904 largely due to the fact Royce had developed a range of cars which Rolls wanted to sell. A corporate owner was incorporated in 1906 with the name Rolls-Royce Limited. In 2003 ownership of Rolls-Royce plc was passed to Rolls-Royce Group plc, which was incorporated in March 2003, which issued its own new shares for payment to the previous shareholders.

Possibly one of the most under fire stocks in the FTSE over the last 12 months and certainly the most speculative buy on the list Rolls Royce have needed to take extreme action to sure up the books with an overall rescue package of £5 billion. The company itself remains hopeful that this combined with some of the actions already taken, including plans for a major restructuring programme costing 9,000 jobs, can return it to a positive cash flow position during the second half of next year before achieving strong cash generation in 2022.

Valuation	**Balance Sheet**	**Operating Metrics**
Market Capitalization9.012B	Quick Ratio (MRQ)—	Return on Assets (TTM)-0.1765
Enterprise Value (MRQ)—	Current Ratio (MRQ)0.9832	Return on Equity (TTM)—
Enterprise Value/EBITDA (TTM)25.9384	Debt to Equity Ratio (MRQ)-1.0788	Return on Invested Capital (TTM)-5.0710
Total Shares Outstanding (MRQ)8.368B	Net Debt (MRQ)4.525B	
Number of Employees—	Total Debt (MRQ)8.764B	**Dividends**
Number of Shareholders170.983K	Total Assets (MRQ)	Dividends Paid (FY)0
Price to Earnings Ratio (TTM)—		Dividends Yield (FY)0
Price to Revenue Ratio (TTM)0.4150		Dividends per Share (FY)0.0158
Price to Book (FY)—		
Price to Sales (FY) 0.3603		

Rolls Royce chart

Summary

Rolls Royce main business, the Civil Aerospace division has been severely hit by the coronavirus pandemic, This has been exasperated by the fact that it accounts for over 50% of the company's total earnings. Global restrictions have meant little travel, having a knock-on effect on the need for Rolls-Royce's services. Now that there's a vaccination roll out programme It would be expected that air travel will begin to recover. In its December trading update, Rolls-Royce reported that the Civil Aerospace business is gradually recovering. The number of large engine flying hours at the time was 42% of 2019's level.

During the coronavirus crisis, Rolls-Royce improved its liquidity position. It raised money from a rights issue and secured additional loans, as well as drawing on its existing cash reserves. Rolls-Royce took further measures by implementing cost-cutting measures and disposing of certain assets. To me, these steps have not only made the firm leaner but have also strengthened the balance sheet. According to its latest update, Rolls-Royce has access to £9bn in liquidity. It forecasts £2bn in cash outflow for 2021.

But, with all the focus on civil aviation it is easy to forget that it has other divisions as well. The defence business still accounts for approximately 20% of group revenues. The defence business throughout the pandemic has been resilient. The company has defence contracts with the UK and US governments. It also has a strong order book and 2021 forecast sales are well covered.

AstraZeneca

AstraZeneca are one of the global big pharma's and a welcome addition to any portfolio based on stable earnings, defensive qualities and a solid dividend yield. That being said it is not always easy sailing for Pharma's with the biggest risk to short term share price movements coming from testing results on certain drugs. Astra have been at the forefront of the development of a vaccine for Covid-19. AstraZeneca have wasted no time using their wide range of resources to come headlong into the battle against Covid-19. AstraZeneca PLC is a British-Swedish multinational pharmaceutical and biopharmaceutical company with its global headquarters in Cambridge. AstraZeneca has a portfolio of products for major disease areas including cardiovascular, cancer, gastrointestinal, neuroscience, infection, respiratory and inflammation.

Valuation	**Balance Sheet**	**Operating Metrics**
Market Capitalization91.167B	Quick Ratio (MRQ)0.7643	Return on Assets (TTM)0.0523
Enterprise Value (MRQ)105.238B	Current Ratio (MRQ)0.9624	Return on Equity (TTM)0.2332
Enterprise Value/EBITDA (TTM)20.4350	Debt to Equity Ratio (MRQ)1.3032	Return on Invested Capital (TTM)0.1064
Total Shares Outstanding (MRQ)1.313B	Net Debt (MRQ)9.063B	
Number of Employees76.1K	Total Debt (MRQ)14.909B	**Dividends**
Number of Shareholders89.953K	Total Assets (MRQ) 48.816B	Dividends Paid (FY)-2.786B
Price to Earnings Ratio (TTM)36.6568		Dividends Yield (FY)2.9806
Price to Revenue Ratio (TTM)4.2630		Dividends per Share (FY)
Price to Book (FY)7.9771		
Price to Sales (FY)4.3933		

AstraZeneca Chart

Summary

AstraZeneca reported full year revenue of $26.6bn, up 10% at constant exchange rates. That shows strong growth in the group's new oncology treatments. Underlying earnings per share rose 18% to $4.02. The group expects total revenue to rise next year as well, with core earnings per share to rise to between $4.75 and $5.00. This does not include any gain on the sale of COVID-19 vaccines, or the effect of the planned Alexion deal. A final dividend of $1.90 per share means the overall full year dividend remains unchanged at $2.80 per share.

Astra's coronavirus vaccine has made it a household name worldwide. However, having promised not to profit from the vaccine "during the pandemic" it is unlikely to have much of a positive impact on the numbers for 2021. Instead the real focus this year is the acquisition of Alexion, which if completed in the third quarter of this year as expected, will be the pharmaceutical giant's largest ever deal.

The core Astra business remains attractive in our view. While the increased level of debt isn't ideal, if management can use the extra cash flow from Alexion to boost the balance sheet over the next few years, that would significantly reduce the risk in the business. Dividend growth would be the icing on the cake.

Sage Group

The Sage Group Plc engages in the provision of business management solutions. It offers accounting, enterprise resource planning and payroll software. It operates through the following business segments: Northern Europe, Central and Southern Europe, North America, and North America. The company was founded by David Goldman, Paul Muller, and Graham Wylie in 1981 and is headquartered in Newcastle-upon-Tyne, the United Kingdom.

Valuation	**Balance Sheet**	**Operating Metrics**
Market Capitalization6.122B	Quick Ratio (MRQ)—	Return on Assets (TTM)0.0877
Enterprise Value (MRQ)—	Current Ratio (MRQ)1.1941	Return on Equity (TTM)0.1965
Enterprise Value/EBITDA (TTM)16.1112	Debt to Equity Ratio (MRQ)0.5993	Return on Invested Capital (TTM)0.1300
Total Shares Outstanding (MRQ)1.096B	Net Debt (MRQ)159M	
Number of Employees11.647K	Total Debt (MRQ)990M	**Dividends**
Number of Shareholders—	Total Assets (MRQ) 3.1715B	Dividends Paid (FY)-186M
Price to Earnings Ratio (TTM)19.8226		Dividends Yield (FY)3.0881
Price to Revenue Ratio (TTM)3.2443		Dividends per Share (FY)0.1725
Price to Book (FY)3.6950		
Price to Sales (FY)3.2289		

Sage Chart

Summary

Sage recently reported that recurring revenues had risen 4.7% to £408m, offsetting a 24% decline in other revenues to £39m, which in turn boosted total organic revenues by 1.4% to £447m. Sage said it had performed “in line with expectations” in the quarter, with its recurring revenue growth supported by an 11.3% rise in subscriptions to £303m. The firm also added that it will “progressively increasing investment” in its product development and sales & marketing arms in the 2021 financial year, in line with its plans to drive further recurring revenue growth. They did also highlight a 24% decline in other revenues is “in line” with its strategy to transition away from licence sales and professional services revenue and increase its focus on subscription revenue.

The firm also said its available cash and liquidity at the end of 2020 was £1.2bn, while net debt had fallen to £129m from £151m at the end of September. "We have continued to deliver against our strategy in the first quarter, growing recurring revenue in line with our plan for the year, supported by good demand for Sage Business Cloud solutions”, chief financial officer Jonathan Howell said in a statement.

“Accordingly, we reiterate our guidance for the full year, as set out in our full year 2020 results announcement. While the pandemic increases uncertainty in the near term, we continue to expect that our investment in Sage Business Cloud will drive the growth and long-term success of Sage", he added.