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Three Top Recovery Stocks for Your Portfolio

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As we approach the end of restrictions and the UK slowly lurches out of lockdown, we pick 3 top stocks from the top, middle and lower tiers that are primed for further growth from here. Some are already on the run, some starting to move.

Rolls Royce

- **Ftse100**
- **Pre-Pandemic high Jan 2020= 239p**
- **Price as of 02/07/2021 = 100.6p**

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	**Operating Metrics**
Market Capitalization**9.012B**	Return on Assets (TTM)**-0.1765**
Enterprise Value/EBITDA (TTM)**25.9384**	Return on Equity (TTM)—
Total Shares Outstanding (MRQ)**8.368B**	Return on Invested Capital (TTM)**-5.0710**
Number of Shareholders**170.983K**	**Price History**
Price to Earnings Ratio (TTM)—	Average Volume (10 day)**34.637M**
Price to Revenue Ratio (TTM)**0.4150**	1-Year Beta**2.7729**
Price to Sales (FY) **0.3603**	52 Week High**146.4641**
	52 Week Low**34.592**
Balance Sheet	**Income Statement**
Current Ratio (MRQ) **2.3925**	Basic EPS (FY)**-0.5295**
Debt to Equity Ratio (MRQ) **0.3287**	Basic EPS (TTM)**-0.6970**
Net Debt (MRQ) **-10.468M**	EPS Diluted (FY)**-0.5295**
Total Debt (MRQ) **10.515M**	Net Income (FY)**-3.17B**
Total Assets (MRQ) **55.271M**	EBITDA (TTM)**373M**
	Gross Profit (MRQ)—
	Gross Profit (FY)**-197M**
	Last Year Revenue (FY)**11.824B**

	Total Revenue (FY)**11.824B**
	Free Cash Flow (TTM)**-3.68**

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 approx. 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.

Cineworld

- **FTSE250**
- **Pre-Pandemic high Jan 2020= 220p**
- **Price as of 02/07/2021 = 82.5p**

Cineworld was another big casualty of the pandemic as cinema's totally shut down as did Hollywood. Even now the shares haven't fully recovered as cinema's are still only just opening, and to be fair it will also be very vulnerable to any delays, with this stock being highly focused on one particular service its fortunes will be closely linked to our journey out of lockdown. Cineworld Group is a British cinema company based in London, . It's the world's second-largest cinema chain with over 9500 screens across 790 sites in 10 countries. The group's primary brands are Cineworld and Picturehouse in the United Kingdom and Ireland, Cinema City in Eastern and Central Europe, Yes Planet in Israel, and Regal Cinemas in the United States. Cineworld was founded by Steve Wiener in 1995. The first Cineworld theatre opened in Stevenage, Hertfordshire in July 1996. A second theatre opened in Wakefield, West Yorkshire, in December 1996 and the third opened in Shrewsbury, Shropshire, in 1998. In 2004, Cineworld was acquired by Blackstone private equity group for £120m. The following year, Cineworld acquired the UK and Ireland operations of French cinema company UGC.

As of March 2018, Cineworld was the leading cinema operator in the UK by box office market share. Cineworld Glasgow Renfrew Street is the tallest cinema in the world and the busiest, by customer base, in the UK. It is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

Valuation	**Operating Metrics**
Market Capitalization**1.273B**	Return on Assets (TTM)**-0.2373**
Enterprise Value (MRQ)—	Return on Equity (TTM)-1.7417
Enterprise Value/EBITDA (TTM)—	Return on Invested Capital (TTM)**-0.3012**
Total Shares Outstanding (MRQ)**1.373B**	Revenue per Employee (TTM)—
Number of Employees—	**Price History**
Number of Shareholders—	Average Volume (10 day)**8.881M**
Price to Earnings Ratio (TTM)—	1-Year Beta**2.0006**
Price to Revenue Ratio (TTM)**1.8921**	52 Week High**124.8500**
Price to Book (FY)**7.6905**	52 Week Low**15.6400**
Price to Sales (FY)**1.9**	**Income Statement**
Balance Sheet	Basic EPS (FY)**-1.5066**
Quick Ratio (MRQ)—	Basic EPS (TTM)**-1.5123**
Current Ratio (MRQ)**0.3685**	EPS Diluted (FY)**-1.5066**
Debt to Equity Ratio (MRQ)**38.1547**	Net Income (FY)**-2.068B**
Net Debt (MRQ)**6.07B**	EBITDA (TTM)-183.358M
Total Debt (MRQ)**6.317B**	Gross Profit (MRQ)—
Total Assets (MRQ)**7**	Gross Profit (FY)**-529.573M**
	Last Year Revenue (FY)**664.637M**
	Total Revenue (FY)**664.637M**
	Free Cash Flow (TTM)**-499.025M**

Summary

With the firm reporting a strong opening week as cinema goers returned it is ok to be cautiously bullish on the longer term prospects, however the reality is there is still a large amount to do before the business is truly back on a sure footing. It is also worth considering the business has seen huge losses due to the closure and it will need to really re-establish itself over the coming months. This will be fuelled by the movies set to be released and the ongoing easing of restrictions. That is a task easier said than done during the summer months as this can be a slower period for cinema goers. The pandemic hit the entire industry hard and saw Cineworld swing to a 1.3bn loss in the first 6 months of the pandemic, they did make provisions to sure themselves up but what needs to be seen is a consistent return of cinema goers.

ANGLING DIRECT

- **AIM**
- **Pre-Pandemic high Jan 2020= 76p**
- **Price as of 02/07/2021 = 72.5p**

As we see the UK come out of lockdown and retail start firing again it is easy to get caught up and chase the FTSE retail big guns like JD Sports, Next and Tesco but at the other end of the market we see a diamond glistening and largely overlooked.
As the UK market leader, Angling Direct is uniquely placed to deliver further profitable growth within the thriving European fishing tackle market as an increasing number of people of all ages discover the restorative pleasure, challenge and wellbeing benefits of angling,' chief executive Andy Torrance stated.
And with over 100,000 new fishing licenses taken out last year as the UK changed its view on socially distanced pursuits Angling Direct seems in a prime position to capitalise.

The Backdrop

Angling Direct is the largest specialist fishing tackle retailer in the UK. The Company primarily sells fishing tackle and related products through a network of retail stores located in the UK and online. Angling Direct is also engaged in retail sale of sports goods, fishing gear, camping goods, boats and bicycles.

Recent figures have highlighted the growth seen and to such a degree the group even opened four new stores in England during the year. In just four weeks after angling restrictions were relaxed on May 13, 2020, more than 335,000 rod licences were issued in England, according to the Environment Agency - a 230 per cent rise on the first three months of that year.

Valuation	**Operating Metrics**
Market Capitalization**65.677M**	Return on Assets (TTM)**-0.0049**
Enterprise Value/EBITDA (TTM)**69.9338**	Return on Equity (TTM)**-0.0082**
Total Shares Outstanding (MRQ)**77.267M**	Return on Invested Capital (TTM)**-0.0064**
Number of Employees**425**	Revenue per Employee (TTM)**125131.7647**
Price to Book (FY)**2.1548**	**Price History**
Price to Sales (FY)**1.0329**	Average Volume (10 day)**273172.2000**
Balance Sheet	1-Year Beta**0.2592**
Current Ratio (MRQ)**2.3925**	52 Week High**90**
Debt to Equity Ratio (MRQ)**0.3287**	52 Week Low**47.1200**
Net Debt (MRQ)**-10.468M**	**Income Statement**
Total Debt (MRQ)**10.515M**	Basic EPS (FY)**-0.0203**
Total Assets (MRQ)55.271M	EPS Diluted (FY)**-0.0203**
	Net Income (FY)**-1.31M**
	Gross Profit (FY)**14.693M**
	Last Year Revenue (FY)**53.181M**
	Total Revenue (FY)**53.181M**

Summary

Angling direct have thrived during lockdown, fuelled by a new awareness of the sport, people seeking outdoor pursuits and new view on wellness and health. The firm is in a fantastic position to capitalise on this and has a depth of resources to not only offer supplies but also back up for keen anglers wanting to develop skills. The main risk the stock face is that this was all a short-term boost from lockdown, but with several plans in place to develop we see the stock as primed to grow from the base it has already created.

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