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ATLANTIC CAPITAL MARKETS



Tips of the year 2020

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As we move into 2020 there is renewed vigour in the markets and an underlying feeling of optimism. Clarity has been sought from the UK political position and tensions easing on the trade wars front with the US and China. This puts 2020 into a very interesting perspective as far as shares and markets are concerned. There has been some serious under performers in the last 12 months and some great picks looking to benefit in the year ahead. In this report we highlight a selection of stock we see as ripe for a strong year ahead. High yield and strong upside potential are the perfect ingredient for all market participants, in this report we look at a spread of stock, defensive, aggressive, high yield's and even a little something from the AIM's market with huge potential for growth.

Royal Dutch Shell

Ticker	RDSB
Yield	6.35%
Objective	Capital growth and income

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 has underperformed over the last 12 months which has left them sitting on a three-year low and poised to start the 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 a far more resilient to negative moves in the price than 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.

Key Fundamentals	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Revenue (\$ m)	431344	272156	240033	311870	396556
Pre-Tax (\$ m)	28314	2047	5606	18130	35621
EPS	236.00¢	31.00¢	58.00¢	158.00¢	282.00¢
PE	14.76	73.67	49.92	21.09	10.62
PEG	-1.6	-0.85	0.58	0.12	0.14
EPS Growth	-9.23%	-86.86%	86.59%	173.16%	78.48%
Dividend Cover	1.26	0.16	0.31	0.84	1.5
Dividend Yield	5.40%	8.23%	6.49%	5.64%	6.28%

Vodafone

Ticker	VOD
Yield	4.89%
Objective	Capital growth and income

Vodafone have had a torrid couple of years leaving the share price incredibly depressed, but despite the dividend cut in May, poor figures and the lack of any direction over the last 2 years they are now starting to look like an appealing proposition for the year ahead. The yield is still attractive for the income buyer and with all the bad news seemingly behind them the road ahead is certainly more appealing. The acquisition of Liberty Global's cable network, the selloff of non-core parts and the announcement of the plan to reduce debt by spinning off the phone mast business through an IPO all adds to the restructuring taking shape. November figures saw an upgrade to full-year earnings guidance.

Over the coming year we believe Vodafone may be about to enter a sweet spot in terms of growth, product cycle and cash flow. These could well be the catalysts needed to bring investors back to this fallen giant. They issued their dividend cut which is now well behind them and despite the cut, which overall was greeted with relief the yield is still appealing and the consensus broker targets points to plenty of upside from here.

Key Fundamentals	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19
Revenue (£ m)	42227	40973	47631	46571	43666
Pre-Tax (£ m)	1158	-493	2745	3937	-1705
EPS	21.75p	-15.08p	-22.51c	8.78c	-29.05c
PE	10.24	n/a	n/a	13.95	n/a
PEG	-0.11	n/a	n/a	n/a	n/a
EPS Growth	-90.28%	n/a	n/a	n/a	n/a
Dividend Cover	1.99	-1.38	-0.58	1.05	-1.81
Dividend Yield	4.92%	4.93%	5.53%	6.81%	5.50%

OCADO

Ticker	OCDO
Yield	0%
Objective	Capital growth

Ocado was founded in April 2000 by Jonathan Faiman, Jason Gissing and Tim Steiner, former merchant bankers with Goldman Sachs. The business started trading in partnership with Waitrose in January 2002. In May 2010 the John Lewis Partnership entered into a 10-year branding and supply agreement with Ocado. July 2009 saw Ocado release its first app for the iPhone.

Ocado had a tough year in 2019, largely due to a major fire at its Andover warehouse that cost the retailer around £100m. Despite working in the retail sector, it is seen as more of a tech stock and has now started to recover after last year's setbacks. The year ahead looks bullish with several deals in the pipeline with US supermarkets and further plans to develop more robotic warehouses.

Key Fundamentals	30-Nov-14	29-Nov-15	27-Nov-16	03-Dec-17	02-Dec-18
Revenue (£ m)	948.9	1107.6	1271	1463.8	1598.8
Pre-Tax (£ m)	4.8	9.6	10	-0.6	-45.6
EPS	1.24p	2.01p	2.02p	0.16p	-6.85p
PE	262.1	182.34	136.53	2271.88	n/a
PEG	n/a	2.94	274.43	-24.63	n/a
EPS Growth	n/a	62.10%	0.50%	-92.23%	n/a
Dividend Cover	n/a	n/a	n/a	n/a	n/a
Dividend Yield	n/a	n/a	n/a	n/a	n/a

FERREXPO

Ticker	FXPO
Yield	6.31%
Objective	Capital growth and income

Ferrexpo plc is a Swiss-based commodity trading and mining company which has its iron-ore mining capabilities in Ukraine. They mine, develop, process, produce, market, export, and sell iron ore pellets to the metallurgical industry globally.

The company operates two mines and a processing plant near Kremenchug in Ukraine. The shares have now entered a steady recovery trend and the strong dividend yield makes for an exciting buy in the mining sector. Clearly not as diversified as the big three, Rio, Anglo and BHP Group however this should not put investors off. The shares are certainly not for the faint hearted, but the low valuation and high dividend yield certainly offsets the risk to iron ore prices and the shares have plenty of upside potential as well.

Key Fundamentals	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Revenue (\$ m)	1388.28	961	986.32	1197.49	1274.03
Pre-Tax (\$ m)	249.4	20.73	227.67	444.31	386.66
EPS	30.46¢	5.65¢	32.00¢	67.09¢	56.90¢
PE	2.71	5.63	5.17	5.9	4.38
PEG	-0.08	-0.07	0.01	0.05	-0.29
EPS Growth	-31.95%	-81.45%	464.82%	110.23%	-15.19%
Dividend Cover	2.31	1.71	4.85	4.07	2.46
Dividend Yield	15.97%	10.37%	3.99%	4.17%	9.27%

Unilever

Ticker	ULVR
Yield	3.19%
Objective	Capital growth and income

The underperformance in the share price has come to a head at the end of 2019, giving the contrarian portfolio buyer a good time to buy in. The most recent trading update points that sales growth would slow down a little more than expected in 2020 before starting to recover to previous levels in 2021. However, this will have little impact on earnings. Products include Comfort, Domestos, Dove, Persil, Cif, Marmite, Impulse, Radox, Vaseline, Walls ice cream, PG Tips to name just a few. Signs of improvements in the US market and earnings being driven by pricing rather than volume are positive signs and whilst it is a steady mover the longer-term prospects are appealing.

The current price on offer means you can buy shares at a relatively cheap entry point at 21 times earnings. The consumer goods manufacturer produces a wide variety of household-name products you'll have heard of. You would be hard-pressed to find a more solid blue-chip share to invest in and especially with the appealing dividend yield on offer at these prices.

Key Fundamentals	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Revenue (€ m)	48436	53272	52713	53715	50982
Pre-Tax (€ m)	7548	7113	7342	7998	12198
EPS	182.00c	173.00c	183.00c	216.00c	350.00c
PE	18.48	23.01	21.05	21.57	13.15
PEG	2.87	-4.65	3.83	1.18	0.21
EPS Growth	6.43%	-4.95%	5.49%	18.36%	62.04%
Dividend Cover	2.02	1.99	1.76	1.77	1.23
Dividend Yield	2.68%	2.19%	2.70%	2.62%	6.19%

BIDSTACK

Ticker	BIDS
Yield	0%
Objective	High Risk Capital Growth

Our pick of the pack in the aims market is Bidstack, Bidstack is a very interesting proposition and appeals to me as a more speculative aim stock. They look to have coupled up two sectors in a partnership that will see advertising delivered to a huge demographic in a new, unique and very passive way. With any company like this you must see it for what it is, this is no defensive income share and it will need potential investors to understand the concept. Shares like this should occupy the smaller more speculative section of your overall portfolio.

That all being said the company is well positioned to take advantage of the evolving technology, and as a lot of gamers globally are now in their 30's and have disposable income they are well positioned to catch the opportunity at a time that has now seen the consumers become a valid audience for advertising.

Key Fundamentals	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Revenue (£ m)	2.31	1.26	1.08	n/a	0.32
Pre-Tax (£ m)	-3.79	-6.53	-3.71	-0.38	-3.31
EPS	-2.20p	-2.50p	-0.01p	-0.02p	-4.23p
PE	n/a	n/a	n/a	n/a	n/a
PEG	n/a	n/a	n/a	n/a	n/a
EPS Growth	n/a	n/a	n/a	n/a	n/a
Dividend Cover	n/a	n/a	n/a	n/a	n/a
Dividend Yield	n/a	n/a	n/a	n/a	n/a

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