EDISON

Daily comment

Tuesday 4 March 2014

Perform Group, Moneysupermarket.com, Meggitt, Tarsus

Perform Group PER:LN 232p Mkt cap £611m Analyst: Jane Anscombe

Perform reported revenue of £208m, up 37% (26% like-for-like) and adjusted EBITDA of £36.4m down £1.1m vs consensus of £35.2m. The balance sheet is strong with net cash of £52.7m at year end.

The Company will be hoping these results draw a line under 2013. After a number of years of very successful growth, management fell into the trap of overextending itself in 2013 and underestimated the time taken to integrate acquisitions. But we remain very positive about the core business model, the acquisition and exploitation of sports content internationally. Indeed, sports content is in strong demand as evidenced by the 26% like-for-like revenue growth in 2013 and more than 20% expected for 2014. With results well in line with the reduced estimates, there could be modest upgrades this morning to EBITDA of £46-48m (current consensus £45.1m) and PBT of £33-35m as guided in December, implying c 35% profits growth over adjusted 2013 numbers. **On that basis, a prospective P/E of 22.5x (EPS 10.5p price 232.5p) looks good value and the shares are beginning to respond**.

Moneysupermarket.com MONY:LN 180p Mkt cap £975m Analyst: Jonathan Helliwell

Numbers for 2013 look solid, with profits in line with consensus forecasts, total dividends slightly ahead of forecast, and progress in managing some of the challenges the group highlighted at the interims (weakness in Money due to Funding for Lending and in Insurance due to changes to Google's search algorithms). The outlook for 2014 looks mixed though: only mid-single digit revenue growth so far this year, with Travel and MoneySavingExpert doing well but Insurance and Home tougher. **Valuation is attractive at 15.1x consensus 2014e EPS, supported by a 4.1% yield (before any further special dividends). However, moderate top-line growth plus increasing investment in marketing and technology probably doesn't add up to upgrades for the current year.**

Revenue growth of 10% (8% excluding the acquisition of MoneySavingExpert), EBITDA growth of 26% and EPS growth of 23% for 2013 were all in line with consensus expectations. The full-year dividend payout of 20.2p (ordinary dividend up 27% to 7.3p plus a 12.9p special) was around 0.6p better than market expectations. Profit growth was helped by flat marketing spend for the year. By sector, the trading picture remains mixed. Insurance (53% of revenues) slowed down from 11% growth in H1 to nearly flat in H2, affected by changes to Google's natural search algorithms at the end of May 2013, which weakened MONY's position in key search terms in motor and home insurance. The group believes it has now fixed this issue, with the search penalty being removed from March 2014, so anticipates an improvement going forwards. In Money (22% of revenues) revenue declines (due to Funding for Lending affecting customer interest in searching for deposit rates) flattened out from -13% in H1 to -4% in H2 as comps became easier. Home Services (9%) continued to grow extremely strongly (+93% for the year) fuelled by consumers' attempts to offset rising energy prices. Travel also continues to grow strongly (+35%) helped by investment in the website, marketing, and consumers' ongoing need to get away. MoneySavingExpert (acquired in September 2012) made a strong full year contribution with revenue growth of 10% and EBITDA margins remaining very high at 68%, helped by the success of its Cheap Energy Club.

So far in 2014, travel and MSE continue to grow strongly, but Home has slowed while Insurance and Money remain flat. Overall, the top line is growing slightly more slowly, at a mid-single digits rate, while the statement flags up increasing investment in marketing and website technology in the current year.

Meggitt MGGT:LN 505p Mkt cap £4bn Analyst: Sash Tusa

The consistent theme of the current results season has been civil aerospace-exposed companies producing higher growth rates, and defence typically disappointing. Even Ultra yesterday, arguably the best-managed defence mid-cap, could not escape this pattern.

Meggitt's results are in line, but the statement reads very positively. If Airbus last week was a masterclass in the intelligent use of extended guidance (ie beyond the current FY), Meggitt arguably shows best practice in terms of its openness in its November 2013 IMS. This revealed problems with vendor quality in one area (a £20m exceptional charge) and the current very lumpy Civil aftermarket, but reiterated the company's organic growth targets (mid-single digits in 2014e, 6-7% thereafter). No change to these targets today is a relief, in our view, with medium-term upside to margins as R&D peaks and then slows, and the aftermarket recovers.

Meggitt is more 'aero engine-like' in its characteristics than civil aerostructures businesses like GKN or Senior, let alone Airbus. Meggitt makes the majority of its profit from the aftermarket, especially in its aircraft brakes business. Near term, therefore, sharply rising large aircraft and large business jet deliveries will likely hold margins and profit growth back a bit, with the aftermarket typically being very late cycle. Senior, therefore, has more direct exposure to the front end of the large jet up-cycle, but Meggitt has a broader aftermarket base (and higher margins) than Rolls, Safran or MTU.

Tarsus TRS:LN 209p Mkt cap £211m Analyst: Fiona Orford-Williams

With its recent acquisitions, Tarsus has laid down its core geographical group footprint and now has the opportunity to leverage its brands across those territories. Its 2013 'odd year' performance – boosted by biennial events – was slightly ahead of market expectations, boosted by a particularly strong Dubai Air Show. Momentum looks to have continued with like-for-like bookings ahead by 11%, although currency and the international political situation could take off the shine, but with the latter a less direct factor than for some others in the sector.

Best regards,
Zsolt Mester and team

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