

## MORNING COMMENTS

**Monday, 02 June 2014**

Company	Reason
Cambria Africa *# (CMB)	Progress despite difficult market conditions
Tribal Group ~ (TRB)	Keener edge still in Australia – acquisition prompts 7% upgrade

### Forthcoming Results and Meetings

Company	Event	Date	Location
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\* WH Ireland act as NOMAD and/or Broker  
~ WH Ireland provides Investor Relations services

#### Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

## MORNING COMMENT

### Speculative Buy

Unchanged

Price	5.5p
Target price	14p
Reuters/BBG	CMB.L / CMB.LN
Index	FTSE AIM
Sector	Diversified Financials
Market Cap	£5.5m

## Cambria Africa<sup>\*#</sup>

### Progress despite difficult market conditions

Cambria announced H1 results showing broadly flat revenue from continuing operations against an extremely difficult economic backdrop in Zimbabwe, its largest market. Cambria's strategy is to focus on its two most promising businesses, Millchem and Payserv, by increasing scale and expanding their regional presence. In this regard, Cambria has made good progress. Millchem is set to benefit from new distribution agreements and the recent transformational acquisition of C&M, whilst Payserv has continued to grow revenue through new product launches and new customer acquisitions. We anticipate a stronger trading performance in H2 led by a recovery at Millchem (that is already underway) and a possible cash inflow from the disposal Cambria's non-core hotel interest.

- Revenue from continuing operations fell 3% to \$4.2m (\$4.3m) comprising a 2% increase to \$2.2m at Payserv and a 7% decline to \$2.0m at Millchem. Gross profit on continuing operations fell 1% to £2.3m, translating to an H1 PBT loss on continuing operations of \$2.1m (\$1.3m), broadly in line with our expectations.
- Payserv, which recently commenced operations in Zambia, delivered EBITDA up 2% to \$0.46m helped by a 3bps improvement in gross margins. New customer acquisitions and the launches of two new products helped to offset a contracting market, which should help contribute to a solid performance in H2.
- Millchem made an EBITDA loss of \$0.44m compared to break even in H1 2013A. Investment in expansion expensed as incurred was compounded by the weak economic environment in Zimbabwe, which is struggling with a lack of liquidity. Although the trading environment remains tough, post the period end gross profit has increased by 25% y-o-y which gives encouragement with regard to H2.
- Cambria is making progress despite the challenging economic conditions. FY 2014E and FY 2015E will be years of transition as all expansion costs associated with rolling out into new markets will be expensed. This is currently being compounded by weak economic conditions, especially in Zimbabwe. However, a jump in revenues is likely as greater traction is achieved. A possible sale of Leopard Rock Hotel (\$11m book value) and a possible settlement of the aircraft dispute (\$10m claim) could drive a cash inflow eliminating net debt (H1:\$5.4m). Our headline estimates remained unchanged.

\* WH Ireland act as NOMAD and Broker to this company  
# WH Ireland makes a market in these shares

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#### Analyst

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Y/E August	2013A	2014A	2015E	2016E
Revenue (£m)	8.5	11.5	22.2	34.3
PBT (£m)	-4.8	-4.1	-2.2	0.4
EPS (p)	-7.7	-4.9	-2.2	0.3
P/E (x)	-	-	-	26
DPS (p)	0	0	0	0
Dividend Yield (%)	0	0	0	0

Source: WH Ireland estimates

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02 June 2014

## MORNING COMMENT

### Buy Tribal Group~

Unchanged

Price 175p  
Target price 275p

Reuters/BBG TRB.L / TRB LN  
Index FTSE Fledgling  
Sector Support Services  
Market Cap £165m

### Keener edge still in Australia – acquisition prompts 7% upgrade

It is good to learn this morning of TRB's earnings enhancing acquisition in Australia. Human Edge Software (HES), like other of TRB's mainstream systems businesses, is involved in student management systems. Focusing on schools rather than colleges, it looks to offer revenue synergies, given that TB is continuing to roll out SMS systems in the New South Wales educational system and generally is extremely well-positioned in this market. There may be profit synergies as well; however our upgrade cautiously takes no account of them. We note that HES already supports 1900 schools and education management systems, suggesting a high level of recurring revenues, which we believe to be in excess of 75%. Overseas opportunities for HES as part of TRB include other geographies within APAC. As before, TRB aspires to raise the proportion of its earnings overseas (already over 20% from zero before the current management team took over). The margins of HES are strong at 28%. We believe that the current TRB share price at 175p represents a good opportunity. **Buy.**

- **Complementary acquisition** HES looks to be just the kind of acquisition that TRB has shown that it is able to exploit. Operating in Australia, where TRB already has a strong team; as well as some meaningful university and schools (New South Wales) contracts under its belt, the acquired business serves 1900 schools and education management institutions in Australia and South East Asia, with a particular accent on non-state operated private and Roman Catholic schools. This is fully complementary to TRB's existing activities and we see potential revenue synergies, opportunities to cross-sell and marketing opportunities as key positives.
- **Not over-expensive, 7% EPS enhancing** C.£8m, or a c.7x all-in EBITA multiple for this business does not seem over-ambitious as a price/multiple. The 28.5% operating margin is likely to be maintained given the substantial repeat business which we believe HES to carry with it (more than three quarters by our reckoning).
- **Upgrades and share price upside** We have upgraded our numbers on the back of today's announcement, by 7% in the first full year (PBT) and 6% (EPS). Following from Thursday's OFSTED announcement, which showed TRB letting go of some of its more marginal and less profitable work, today's announcement should serve as a reminder of some of the key strengths of a business which is growing both organically and by acquisition. We believe there is decent upside from a PE of no more than 12x for FY2015E.

-WH Ireland provides investor relations services to this company

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#### Analyst

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Y/E December	2011A	2012A	2013A	2014E	2015E
Revenue (£m)	105.8	113.4	125.5	134.1	143.0
PTP (£m)*	10.1	12.8	14.5	16.0	17.6
EPS (p)*	8.4	10.9	12.2	13.4	14.5
P/E (x)	20.8	16.1	14.4	13.1	12.1
EV/EBITDA (x)	11.7	10.2	8.5	7.8	6.8
DPS (p)	1.0	1.3	1.6	1.8	2.8
Yield (%)	0.6%	0.7%	0.9%	1.0%	1.6%

Source: Company / WH Ireland estimates \* Fully adjusted

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## Disclosures

### WH Ireland Recommendation Definitions

#### Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

#### Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

#### Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

#### Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

#### Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

#### Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

### Disclaimer

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### Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

### Stock Rating Distribution

As at the quarter ending 31 Mar 2014 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	49	63	26
Speculative Buy	15	19	12
Outperform	4	5	3
Market Perform	8	11	3
Underperform	1	1	0
Sell	1	1	0
<b>Total</b>	<b>78</b>	<b>100</b>	<b>44</b>

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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### Analyst Certification

The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer.

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