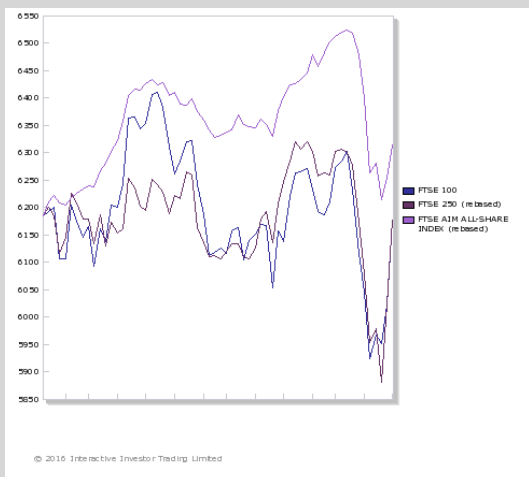


The return of the goodwill IPO: How to value a brand?



Source: www.iii.co.uk

I wake up in my DFS (DFS) bed with a Gin and Fevertree (FEVR) hangover, place a trade on my phone through CMC Markets (CMCX), have a quick go on my Hornby (HRN) train set, eat half a box of Hotel Chocolat (HOTC), all before heading out in my brand spanking new Joules (JOUL) wellies to my local Metro Bank (MTRO) branch. All of these well-known consumer brands share a common theme in that they are all listed or quoted on the London Stock Exchange. It's been a year so far reminiscent of 2014 when we saw a flurry of large brands rush for the IPO door such as Pets at Home (PETS), Saga (SAGA), AA (AA) and Poundland (PLND). Most looking for a private equity exit. The IPO adventure of these companies tends to be fairly boiler plate: the valuation is a battleground between the exiting private equity house and incoming institutional investors, the book is many times covered and the scale backs are eye watering. But what makes these companies more alluring to investors than a company nobody has ever heard of which in fact may be profitable, dividend paying and ultimately, on a lower valuation?

When the hysteria wears off from these high profile IPOs, that's when the investment fundamentals start to kick in. Metrics such as earnings multiples, debt position of the company and the investor aversion of the "hockey stick" forecast. In certain instances, the power of the brand can cloud these aforementioned criteria investors usually swear by. Hotel Chocolat's 50x earnings multiple on the IPO price or Joules' £70m of total liabilities are prime examples of this.

This is of course contrary to the sage old investment advice of "stick to what you know". Consumers use these brands on a daily basis – they know their products, they can use them on a daily basis, they know the customer service of the company. Investors/customers have such close proximity to these companies that they feel more comfortable investing in them than an oil well that may or may not exist in Outer Mongolia.

It is of course helpful when a particular company is both popular with consumers *and* disruptive in their market place. AIM's darling, ASOS (ASC) is one of the best performers in this space being well used by consumers and well known for taking the retail battle online at competitive prices. More recently, another company tackling a consumer/market trend is Purplebricks (PURP) who are looking to take the estate agency war online and appear to be one of the first movers in doing so. Cutting out large fees and simplifying the process online is certainly gaining traction with consumers. With 2015 revenues at £3.39m and losses of c£5m it is currently commanding a valuation of £318m. Nevertheless, it has enjoyed a nice run since its 100p IPO price.

The consumer brand IPO charge is far from over. Others throwing their caps in the ring so far this year include the likes of Bannatyne Group, Mountain Warehouse, Center Parcs, New Look and Krispy Kreme to name but a few. The rush to IPO is hardly surprising given the uptake and performance of IPOs such as Hotel Chocolat soaring nearly 30% on their first day of dealings.

The retail investor who has close personal affinity to the brand is more likely to buy shares in that company than investing in one they have never heard of (despite the unknown company having better financial metrics). Investors continue to pay the tippy valuations the high profile IPOs are commanding, with a raft of bears in the shadows waiting to shout "I told you so" if performance starts to take a turn.

As we've seen in our recent cybersecurity note, your brand can be your downfall. TalkTalk shares fell by 20% the weeks following their security breach, not including the countless customers turned off by the incident. Whilst the IPO success of these companies has been enjoyed by all, the margin for error has never been greater.

Reviewed by Niall Pearson

For analyst certification and other important disclosures, refer to the Disclosure Section

Index multiples

	CY2016	CY2017
FTSE 100		
PE	16.6	14.1
P/Book	1.7	1.7
EV/Sales	1.5	1.4
EV/EBITDA	9.0	8.0
FTSE 250		
PE	16.1	14.3
P/Book	2.1	2.0
EV/Sales	1.4	1.3
EV/EBITDA	10.2	9.2
FTSE AIM All Share		
PE	28.2	18.9
P/Book	Not available. 2015: 1.52x	
EV/Sales	1.2	1.1
EV/EBITDA	12.8	9.2

Source: **Bloomberg**

HYBRIDAN LLP

20 Ironmonger Lane,
London, EC2V 8EP

Website: www.hybridan.com

Tel: 020 3764 2341

Email: enquiries@hybridan.com

Table of Contents

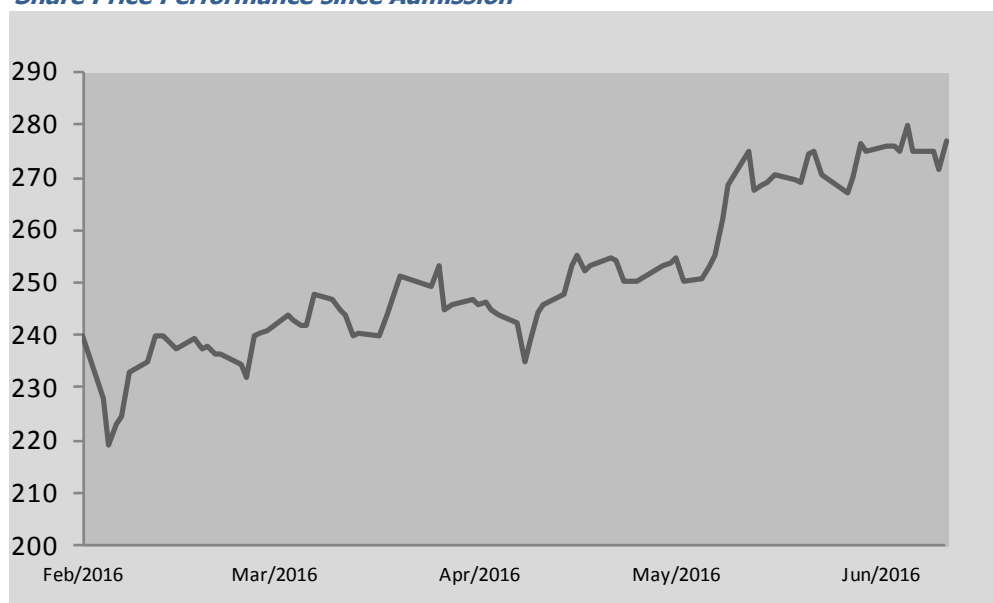
1.1 CMC Markets PLC (LON:CMCX)	P3
1.2 Countryside Properties PLC (LON:CSP)	P4
1.3 CYBG PLC (LON:CYBG)	P5
1.4 Hotel Chocolat Group (LON:HOTC)	P6
1.5 Joules Group PLC (LON:JOUL)	P7
1.6 Metro Bank PLC (LON:MTRO)	P8
1.7 Watkin Jones PLC (LON:WJG)	P9
1.8 Accrol Group Holdings PLC (LON:ACRL)	P10
1.9 Ascential PLC (LON:ASCL)	P11
1.10 Forterra PLC (LON:FORT)	P12

Priced at Wednesday 15th of June 2016

1.1. CMC Markets PLC (LON:CMCX)

Share Price (GBX)	270.00	Funds Raised (£m)	218
Market Cap (£m)	769	Last Reported Sales Pre-IPO (£m)	156 (YMar15)
Admission Date	05/02/2016	Last Reported After-tax Profit Pre-IPO (£m)	8.8 (YMar15)
Admission Price (GBX)	240.00	Opening Price/Sales Multiple	4.4
Market Cap on Admission (£m)	691	Opening P/E Multiple	79

Share Price Performance since Admission



Source: Fidessa

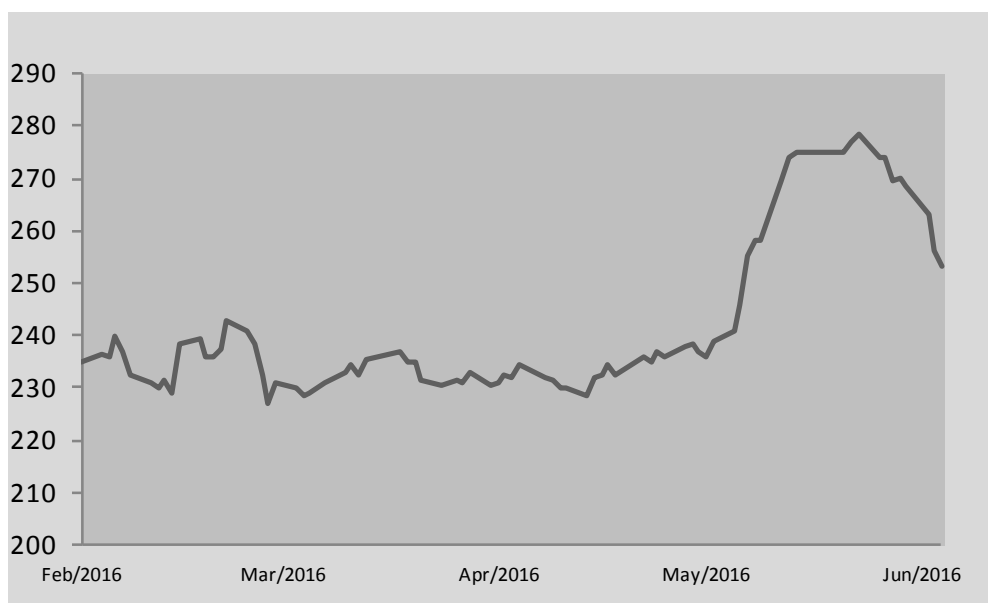
Overview: CMC Markets Plc is the provider of online financial trading services such as CFDs, financial spread betting and FX trading. Its recent maiden post-IPO year end results saw net operating income rise by 18% to £169.4m and PBT rise by 23% to £53.4m. Testament to this was the increase in the number of active clients from 50,303 to 57,329. As a result, the Company has seen a good share price performance since admission rising by around 17.5%.

The Company is a highly cash generative business, thus allowing them to pay a dividend of 10.72p per share (including a special dividend of 1.79p) for year ended 31 March 2016, which results in a yield of 3.8%. CMC Markets continues to add new products, open new offices and offer new features and tools through its award-winning Next Generation trading platform.

1.2. Countryside Properties PLC (LON:CSP)

Share Price (GBX)	268.00	Funds Raised (£m)	114
Market Cap (£m)	1,238	Last Reported Sales (£m)	547 (FY2015)
Admission Date	12/02/2016	Last Reported After-tax Profit (£m)	20 (FY2015)
Admission Price (GBX)	225.00	Opening Price/Sales Multiple	1.9
Market Cap on Admission (£m)	1,013	Opening P/E Multiple	51

Share Price Performance since Admission



Source: Fidessa

Overview:

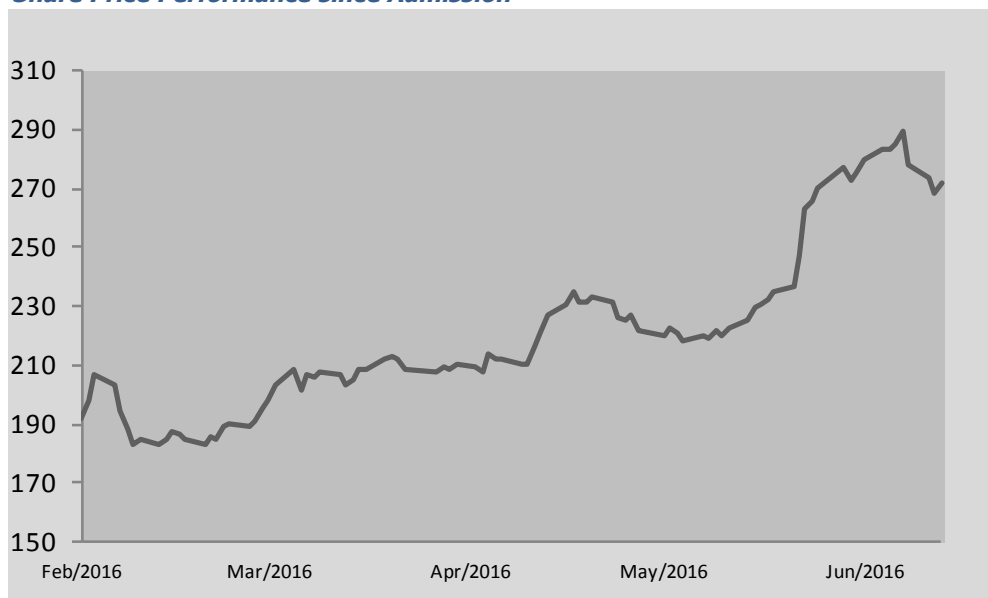
Countryside Properties is a housebuilder and regeneration partner, primarily operating in London and the South East of England, and with a presence in the North West of England. With two divisions, housebuilding and partnerships, the Group is firmly on track to deliver 2016 expectations and medium-term targets. Reported revenue increased by 28% to £286.2m for HY 2016, allowing for a 29% increase in reported operating profit of £34.8m and an EPS of 3.1p.

The Company's share price has performed relatively well since its listing in February 2016, surprisingly up roughly 16% to 262.25p given the increase in stamp duty rates in April. So far this has not had an adverse impact on the Company nor has the EU referendum debate. The Company saw strong demand for its homes, particularly in the outer London area and the wider South East of England.

1.3. CYBG PLC (LON:CYBG)

Share Price (GBX)	280.00	Funds Raised (£m)	NA. Demerger
Market Cap (£m)	2,440	Last Reported Sales (£m)	964 (YSep15)
Admission Date	03/02/2016	Last Reported After-tax Profit (£m)	-249 (YSep15)
Admission Price (GBX)	180.00	Opening Price/Sales Multiple	1.6
Market Cap on Admission (£m)	1,583	Opening P/E Multiple	NA

Share Price Performance since Admission



Source: Fidessa

Overview:

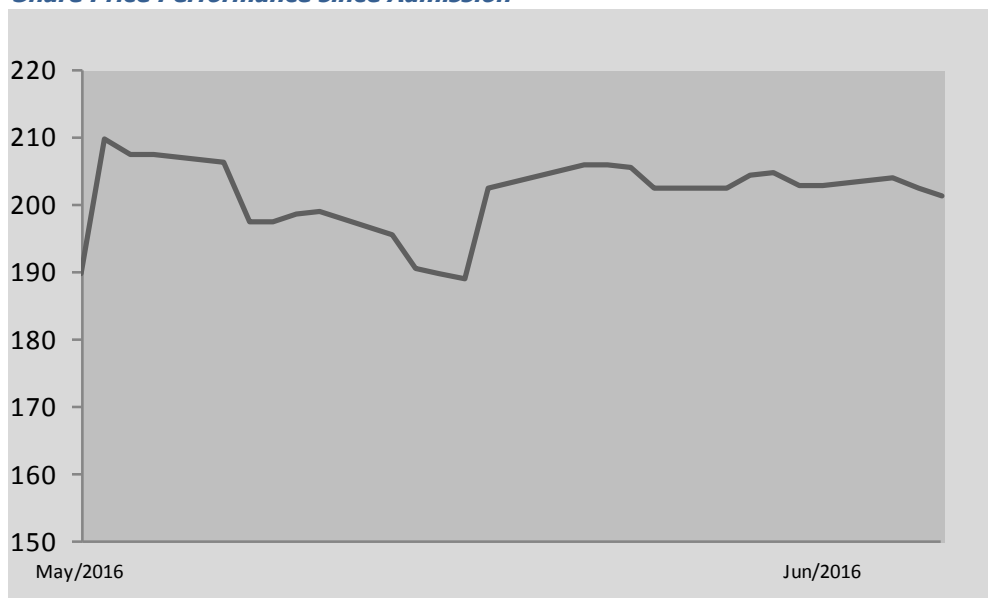
CYBG PLC, together with its subsidiary undertakings, operates under both the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and SME customers through retail branches, Business Banking centres, direct and online banking and brokers.

The Company has seen a positive response from the market since its IPO in February 2016, after the CEO announced cost cutting and pledging to further reduce expenses. CYBG is working to cut about 500 jobs to help trim annual costs to about £730m, lowering expenses further than originally planned. The share price has reacted favourably rising around 50% since IPO.

1.4. Hotel Chocolat Group (LON:HOTC)

Share Price (GBX)	202.50	Funds Raised (£m)	12
Market Cap (£m)	232	Last Reported Sales (£m)	83 (YJun15)
Admission Date	10/05/2016	Last Reported After-tax Profit (£m)	1.8 (YJun15)
Admission Price (GBX)	148.00	Opening Price/Sales Multiple	2.0
Market Cap on Admission (£m)	167	Opening P/E Multiple	93

Share Price Performance since Admission



Source: Fidessa

Overview:

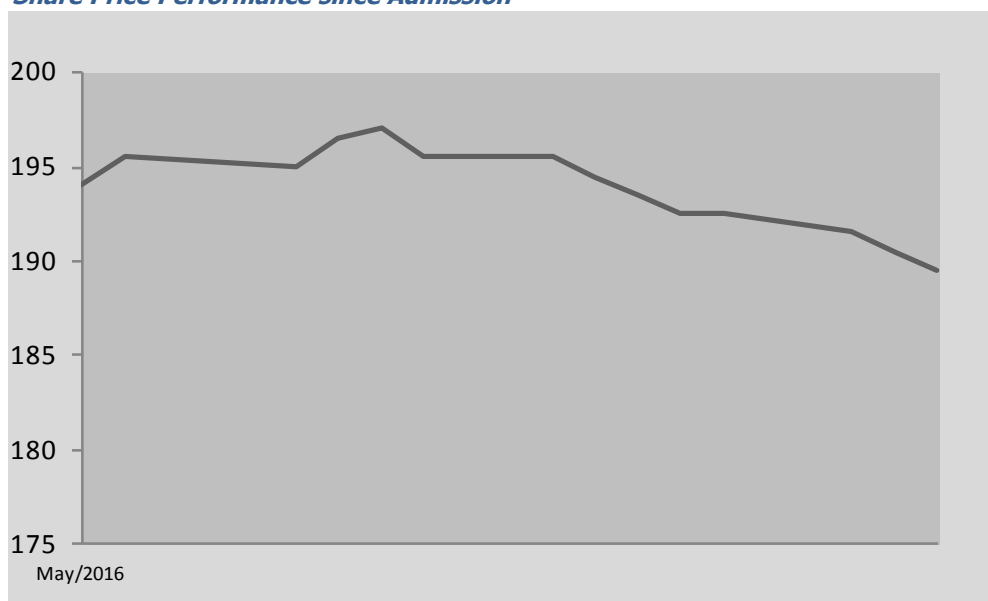
Hotel Chocolat Group is a chocolatier and omni-channel retailer. The Company is a vertically integrated chocolatier, manufacturing and retailing premium chocolate and chocolate related products direct to customers. The Company sells its products online and through a network of approximately 80 stores in the United Kingdom and abroad.

The debut of the company was a welcome relief for the flagging IPO market with its shares rocketing 28% on its first day of dealings, mainly due to retailer investors piling in after missing out in the IPO. However, the sugar rush may have worn off; the share price has been fairly stagnant thereafter, though it has only been trading for just over a month.

1.5. Joules Group PLC (LON:JOUL)

Share Price (GBX)	190.50	Funds Raised (£m)	78
Market Cap (£m)	171	Last Reported Sales (£m)	116 (FY2015)
Admission Date	26/05/2016	Last Reported After-tax Profit (£m)	0.4 (FYFeb15)
Admission Price (GBX)	160.00	Opening Price/Sales Multiple	1.2
Market Cap on Admission (£m)	140	Opening P/E Multiple	350

Share Price Performance since Admission



Source: Fidessa

Overview:

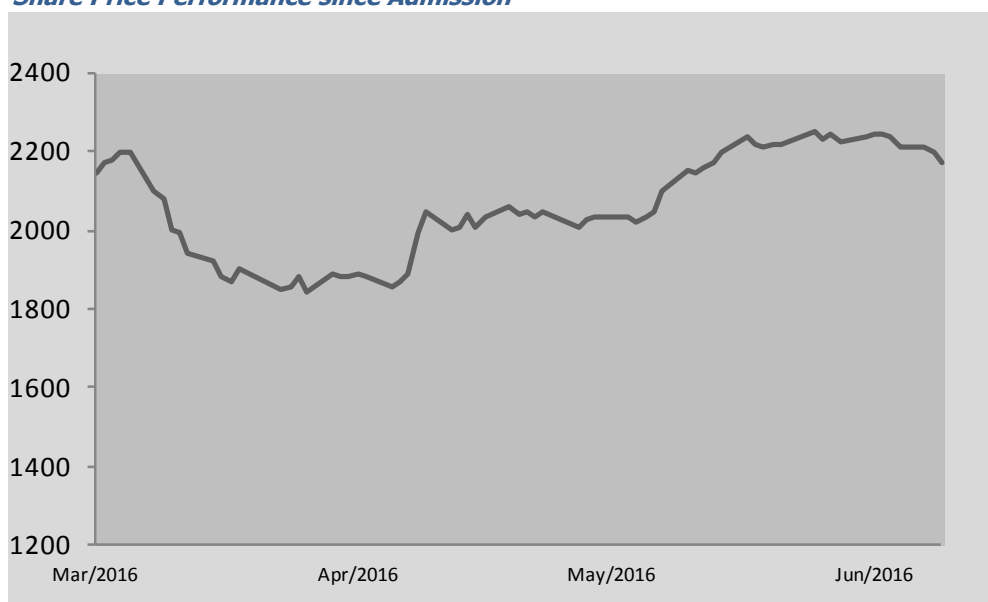
Joules Group is a specialty apparel store that focuses on designing and selling hand-drawn clothes and homeware. It operates more than 93 stores in the United Kingdom and the Republic of Ireland and has recently grown its international presence in the United States and Germany. With a 2 million customer database and a functioning E-commerce platform across these countries, the firm's strategy is to increase the frequency and value per customer transaction, grow its customer database through opening of new stores in attractive locations, and increase its product range to access a larger group of families.

Upon admission to the AIM, Joules Group's Directors announced a target of 10-12 new store openings per annum over the medium term and forecasted the business to operate 96 stores by the end of 2016. Joules has enjoyed sales growth of 21.8% YoY, which outperforms the industry peers median of 6.1% YoY. The firm's EBITDA margin has been approximated at 8.9% while the industry peers median has been calculated around 12.7%. Joules Group has faced a relatively non-volatile response from the market since its IPO. The current share price reflects a 19% increase from its admission price.

1.6. Metro Bank PLC (LON:MTRO)

Share Price (GBX)	2269.00	Funds Raised (£m)	400
Market Cap (£m)	1,806	Last Reported Sales (£m)	120 (FY2015)
Admission Date	7/03/2016	Last Reported After-tax Profit (£m)	-49 (FY2015)
Admission Price (GBX)	2000.00	Opening Price/Sales Multiple	13
Market Cap on Admission (£m)	1600	Opening P/E Multiple	NA

Share Price Performance since Admission



Source: Fidessa

Overview:

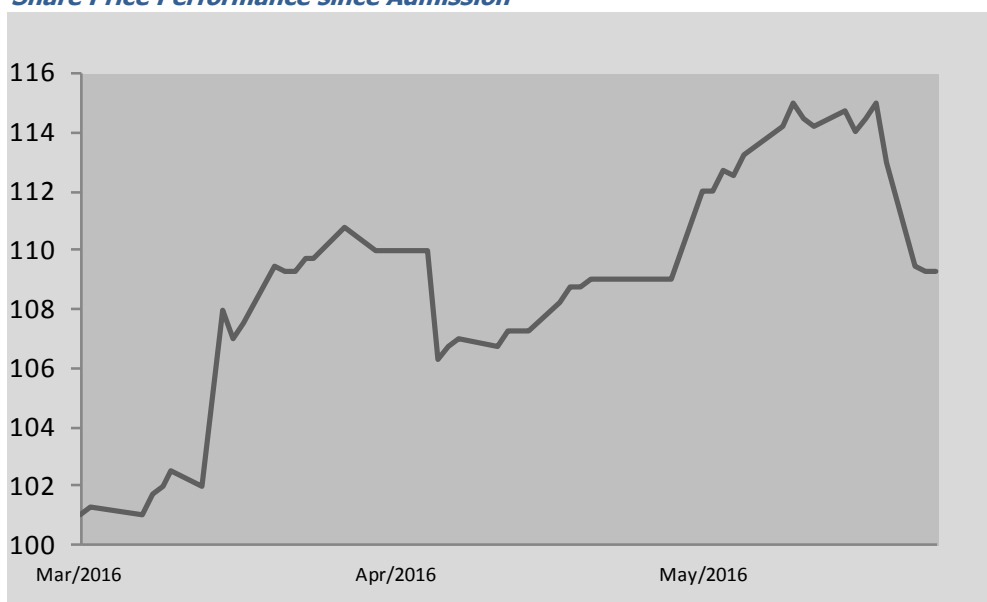
With the opening of a new branch in the first quarter, Metro Bank now operates a total of 41 branches across the United Kingdom. While according to its founder, Q1 usually marks its poorest performance, the bank has encountered record growth in deposits (+£790m), record growth in lending (+£586m), and record customer account acquisition (+62,000). Its CEO has been particularly pleased with the quality of lending and has reiterated that the bank will be going into monthly profit later in the year and full year profitability by next year.

Metro Bank's underlying loss after tax has been announced at £7.9m, meaning a 23% increase quarter on quarter. Although it seems that the likelihood of a rate reduction by the BoE has declined markedly over the last two months, Metro Bank stands to be less affected by a 25-basis-point rate reduction due to a tight management of its interest rate risk. Metro Bank's leverage ratio is currently set at 9% and its loss per share in Q1 2016 was reported to be 10 pence versus 14 pence in Q1 2015. The current share price reflects a 13% increase from the bank's admission price. Metro Bank's largest shareholder is Cohen Private Ventures (9.85%), followed by Wellington Management Group (9.4%), and Fidelity Funds (8.53%).

1.7. Watkin Jones PLC (LON:WJG)

Share Price (GBX)	109.25	Funds Raised (£m)	131
Market Cap (£m)	292	Last Reported Sales (£m)	244 (YSep15)
Admission Date	23/03/2016	Last Reported After-tax Profit (£m)	22 (YSep15)
Admission Price (GBX)	100.00	Opening Price/Sales Multiple	1.0
Market Cap on Admission (£m)	255	Opening P/E Multiple	12

Share Price Performance since Admission



Source: Fidessa

Overview:

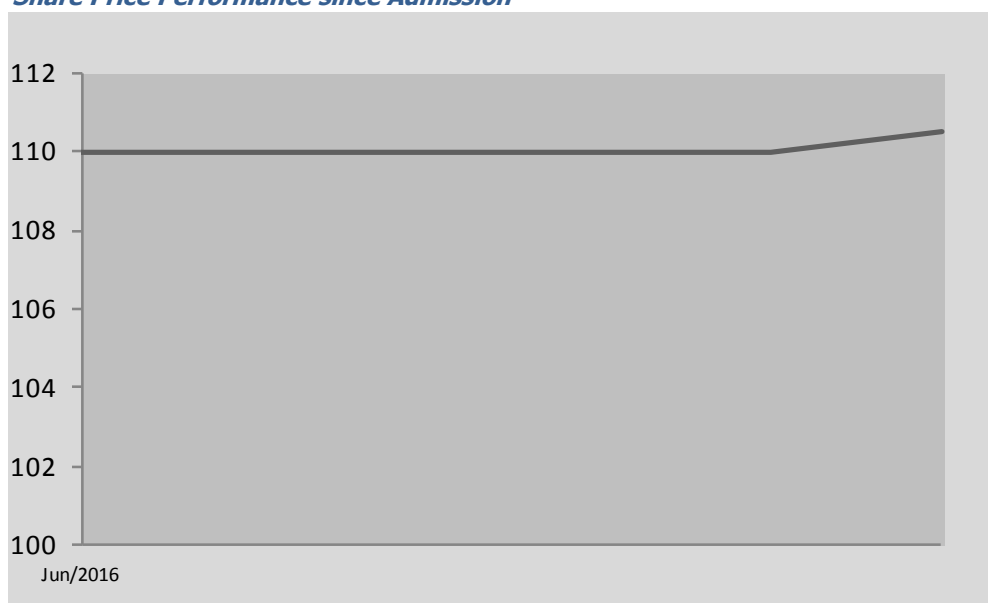
Watkin Jones is a multi-occupancy property developer and constructor in the UK. The firm focuses on the student accommodation sector and offers services for the entire project development cycle as well as asset management. It has been responsible for 50+ residential projects to date and has developed a reputation for its on-time completions. The firm's strategy is to expand its market into the private rented sector (PRS), advance its management division dedicated to its existing student accommodation assets, and complete its remaining residential projects while further acquiring new sites for development.

Upon admission to AIM, Watkin Jones completed its acquisition of Fresh – one of the largest student accommodation sites by bed count. Fresh has contracts in place to grow this figure 50% further by Sep 2016. The group has a progressive dividend policy planned for its shareholders and is looking to pay both interim and final dividends for each year – split in 1/3 and 2/3 respectively. Amid growing demand for UK higher education and record number of UCAS applications in 2015/16, the current share price reflects a gentle 9% increase from the group's admission price.

1.8. Accrol Group Holdings (LON:ACRL)

Share Price (GBX)	110.00	Funds Raised (£m)	63.5
Market Cap (£m)	102	Last Reported Sales (£m)	101 (YApr15)
Admission Date	10/06/2016	Last Reported After-tax Profit (£m)	1.4 (YApr15)
Admission Price (GBX)	100.00	Opening Price/Sales Multiple	0.92
Market Cap on Admission (£m)	93	Opening P/E Multiple	66

Share Price Performance since Admission



Source: Fidessa

Overview:

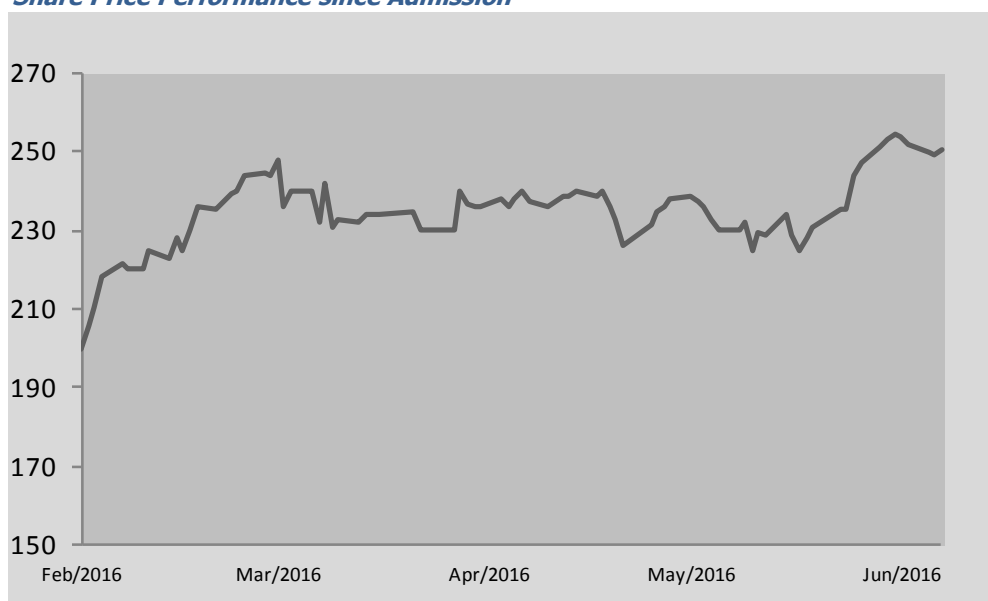
Accrol Group is a tissue converter, importing parent reels from abroad and manufacturing a range of tissue roll products. With a production of 17m units per week, Accrol supplies to a range of Independents, Discounters, and Multiples across the UK and holds a 35% market share in the discount market's tissue segment. Accrol has the ability to manufacture Private Labels while simultaneously marketing its own brand. This has allowed the firm to generate 71% of its revenues solely from the production of Private Labels. Accrol Group's current strategy is to increase its market share through entering the UK's largest retail stores and considering complementary acquisitions along the way.

The UK's discount market has been the fastest growing market segment, growing 10% per annum on average. With forecasts suggesting a continuing trend, Accrol may have the opportunity to increase its sales in the discount market while creating further opportunities in UK's largest retail stores. Due to the global oversupply of parent reels, the firm anticipates to be further supported by reducing input costs and aims to bring more competition to the market. Accrol Group's current share price reflects a 10% increase from its admission price.

1.9. Ascential PLC (LON:ASCL)

Share Price (GBX)	245.25	Funds Raised (£m)	183
Market Cap (£m)	943	Last Reported Sales (£m)	319
Admission Date	12/02/2016	Last Reported After-tax Profit (£m)	16.1
Admission Price (GBX)	200.00	Opening Price/Sales Multiple	2.5
Market Cap on Admission (£m)	800	Opening P/E Multiple	50

Share Price Performance since Admission



Source: Fidessa

Overview:

Ascential is a media company that is focused on creating market leading events and providing information services. The firm organises exhibitions, congresses, and festivals on grand scales and brings together people to form business relationships.

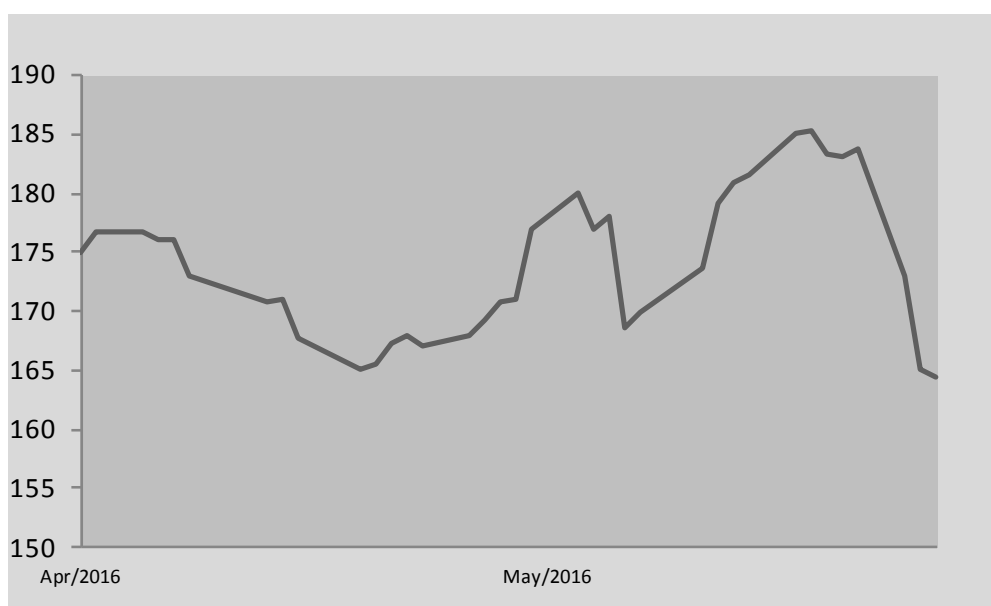
The company saw a year of organic revenue growth with revenues up 6.1% to £319.1m, with adjusted EBITDA growth of 14.0% to £90.9m and operating profit growth of 43.4% to £32.4m.

Since admission to AIM, Ascential shares have performed well. Ascential's current share price reflects a 23% increase from its admission price. The largest shareholders are Eden subsidiaries (37.3%), followed by Guardian Media Group (22.4%), and Old Mutual Group (13.1%).

1.10. Forterra PLC (LON:FORT)

Share Price (GBX)	165.00	Funds Raised (£m)	NA Vendor Placing
Market Cap (£m)	348	Last Reported Sales (£m)	290 (FY2015)
Admission Date	26/04/2016	Last Reported After-tax Profit (£m)	18 (FY2015)
Admission Price (GBX)	180.00	Opening Price/Sales Multiple	1.24
Market Cap on Admission (£m)	360	Opening P/E Multiple	20

Share Price Performance since Admission



Source: Fidessa

Overview:

Forterra is a producer of manufactured masonry products. The Company offers clay bricks, aircrete blocks and concrete blocks. It was acquired by Lone Star Funds last year, a private equity firm, and was made public upon restructuring and several strategic adjustments.

Since admission to the main market, Forterra has been a little lacklustre. Forterra's current share price reflects an 8% decrease from its admission price. However, the turbulence may soon be wearing off as UK's housing stimulation policies may lead to increasing demand for construction bricks. In turn this may provide Forterra with a more stable source of income and thus affect its share price performance. A clearer picture should emerge post the result of this week's EU referendum.

Reviewed by: Darshan Patel

Disclaimer

This document, which does not constitute research, has been issued by Hybridan LLP for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This document has no regard for the specific investment objectives, financial situation or needs of any specific entity and is not a personal recommendation to anyone. Recipients should make their own investment decisions based upon their own financial objectives and financial resources and, if any doubt, should seek advice from an investment advisor.

The information contained in this document is based on materials and sources that are believed to be reliable; however, they have not been independently verified and are not guaranteed as being accurate. This document is not intended to be a complete statement or summary of any securities, markets, reports or developments referred to herein. No representation or warranty, either express or implied, is made or accepted by Hybridan LLP, its members, directors, officers, employees, agents or associated undertakings in relation to the accuracy, completeness or reliability of the information in this document nor should it be relied upon as such.

Any and all opinions expressed are current opinions as of the date appearing on this document only. Any and all opinions expressed are subject to change without notice and Hybridan LLP is under no obligation to update the information contained herein. To the fullest extent permitted by law, none of Hybridan LLP, its members, directors, officers, employees, agents or associated undertakings shall have any liability whatsoever for any direct or indirect or consequential loss or damage (including lost profits) arising in any way from use of all or any part of the information in this document.

This document should not be relied upon as being an independent or impartial view of the subject matter and, for the avoidance of doubt, does not constitute "independent investment research" for the purposes of the Financial Conduct Authority rules. The individuals who prepared this document may be involved in providing other financial services to the company or companies referenced in this document or to other companies who might be said to be competitors of the company or companies referenced in this document. As a result both Hybridan LLP and the individual members, directors, officers and/or employees who prepared this document may have responsibilities that conflict with the interests of the persons who receive this document. Hybridan LLP and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments.

In the UK, this document is directed at and is for distribution only to persons who (i) fall within Article 19(5) (persons who have professional experience in matters relating to investments) or Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or (ii) are Professional Clients or Eligible Counterparties (as those terms are defined in the rules of the Financial Conduct Authority) of Hybridan LLP (all such persons referred to in (i) and (ii) together being referred to as "relevant persons"). This document must not be acted on or relied upon by persons who are not relevant persons. For the purposes of clarity, this document is not intended for and should not be relied upon by persons who would be classified as Retail Clients (as defined by the rules of the Financial Conduct Authority).

Neither this document nor any copy of part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities law, or the law of any such other jurisdictions.

Where possible this document is made available to all relevant recipients at the same time and it is not intended for Retail Clients as defined in the FCA Rules. Dissemination of research is monitored to ensure that it is only provided to Professional Clients.

Hybridan LLP and/or its associated undertakings may from time-to-time provide investment advice or other services to, or solicit such business from, any of the companies referred to in this document. Accordingly, information may be available to Hybridan LLP that is not reflected in this material and Hybridan LLP may have acted upon or used the information prior to or immediately following its publication. In addition, Hybridan LLP, the members, directors, officers and/or employees thereof and/or any connected persons may have an interest in the securities, warrants, futures, options, derivatives or other financial instrument of any of the companies referred to in this document and may from time-to-time add or dispose of such interests.

Neither the whole nor any part of this document may be duplicated in any form or by any means. Neither should this document, or any part thereof, be redistributed or disclosed to anyone without the prior consent of Hybridan LLP.

Hybridan LLP is a limited liability partnership registered in England and Wales, registered number OC325178, and is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. Any reference to a partner in relation to Hybridan LLP is to a member of Hybridan LLP or an employee with equivalent standing and qualifications. A list of the members of Hybridan LLP is available for inspection at the registered office, 2 Jardine House, The Harrovia Business Village, Bessborough Road, Harrow, Middlesex HA1 3EX.

If you would like to unsubscribe, please email enquiries@hybridan.com with "unsubscribe me".