

FTSE 100



Source: Datastream

FTSE 250



Source: Datastream

FTSE SmallCap



Source: Datastream

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Market Update

	Closing value	Day's change (absolute)	Day's change (%)	12 months (%)
FTSE All Share	3045.51	-1.95	-0.1%	+13.2%
FTSE 100	5843.66	-3.29	-0.1%	+12.1%
FTSE 250	11746.78	-19.78	-0.2%	+19.2%
FTSE 350	3275.09	+7.51	+0.2%	+19.4%
FTSE Small Cap	4963.84	-40.59	-0.8%	+24.8%
FTSE AIM	874.96	-1.35	-0.2%	+29.4%

Source: Datastream

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A complete history of all our morning meeting notes and research is available on the research online page of the Altium Securities website. This can be searched by company, analyst and sector. If you have not received your password to this service please contact louise.mckay@altiumsecurities.co.uk

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Economics & Strategy

- **Monday morning view** Friday afternoon's developments underlined why investors in equities and other risk assets need to remain in a broadly defensive stance. US macro data remain prone to disappoint, as the weak UoM consumer confidence and NY Fed manufacturing numbers illustrated; US indices did shake off those misses and rally to close ahead on the session, thanks to firm energy stocks and some M&A action. The failure of just nine of 91 banks in the EU's latest stress test has predictably prompted suggestions the requirements were insufficiently stringent. Over the week, all ten UK FTSE industry groups lost ground with oil & gas -1.0% the most resilient while technology's reversal was extended to -5.2% over five sessions (see chart of the day). Small caps managed some modest outperformance by default: among our ASC sectors media managed a 0.4% gain. A focus on upward revisions (+107bp in the week) and higher quality (+118bp) continues to work for small cap investors although the style trends remain in some flux. Index RSIs start the new week in the mid 40s and the All-Share is below both the 50-day and 200-day moving averages.
- **The week ahead** Several hurdles to jump in the coming days. The US reporting season picks up further pace featuring numerous technology and banking bellwethers (APPL, INTC, MSFT, GS, MS). Negotiations on meeting the 2 August for the debt ceiling will continue while the stronger than expected core June CPI reading keeps the Fed's next move uncertain. The data calendar is light in the US; the latest PMI readings in the Eurozone and MPC minutes in the UK are also unlikely to be big market movers.
- **Overnight markets** Japan is closed and other Asian markets mixed, with Hong Kong rallying late in the session. That is not enough to prevent a lower opening in Europe (FTSE 100 -25). The euro remains under pressure but with the dollar's attractions questionable, it is holding above \$1.40. Oil continues to trade around \$117/bbl. Here Rightmove reported the first QoQ decline this year in UK asking prices which slipped back by -1.6% in July.
- **Today's economic news** No major data.

Chart of the day: the FTSE technology group has broken down



Key Data

Price	71p		
Market cap	£112.8m		
Target price	85p		
Last different rec.	n/a		
Next news flow	Interims, Nov		
%	1M	3M	12M
Actual	+11.0	+2.2	+23.7
Relative	+9.9	+3.8	+5.7
Source: Datastream			

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CSF Group (CSFG)

BUY

- **In line prelims, confident outlook** In today's prelims, CSF reported FY 2011 adjusted PBT of £10.4m (RM51.2m) which was c.3% ahead of our adjusted PBT forecast of £10.1m. FY 2011E net cash was £18.2m (RM88.1m) as cash generation was held back due to the 106% YoY increase in trade receivables to £11.4m (RM57.4m). CSF details that the increase was mainly due to slow paying customers and certain customers being on deferred payment terms, with most of these customers settling the overdue amounts post the financial year end. Finally, the outlook remains confident and the Board "expects revenue and pre-tax profit to be in line with current market expectations".
- Data centre rental accounts for 52% of FY 2011 revenues with CSF's data centre rental space expected to grow by 156% by the end of FY 2013E. In FY 2012E, rental revenue growth will be driven by the full effect of 100% occupancy of CX2 data centre and CX5 Block A. The development of CX5 remains on schedule with CX Jakarta expected to be ready for customers in December 2011. Revenue visibility from the design and development of data centres (41% of FY 2011 revenues) for third parties is generally low as projects typically run for two to three months. However, visibility in FY 2012/13E is high due to the CX5 Phase 1 contract worth RM83m (c.£17m), CX5 Phase 2 contract (c.£17m), CX Jakarta contract and contract to develop and manage data centres within the MDSTP (Malaysian Defence and Security Technology Park).
- To achieve a more like-for-like comparison, we add back capital operating leases and rental payments to the EV and EBITDA respectively across the peer group. On this measure, CSF's FY 2012E EV/EBITDA of 9.2x is a c.14% discount to its peer group.

Year to	Sales	Adj PBT	Tax	Adj EPS	EPS	PER	Div	Yield	Net cash	EBITDA	EV/	Net debt/
Mar	£m	£m	%	p	growth %	x	p	%	£m	£m	EBITDA	EBITDA
2010A	12.9	9.8	11.6	7.8	-2,096.3	8.7	5.3	7.5	35.0	10.7	29.0	-3.3
2011E	19.0	10.1	17.0	5.2	-32.6	13.1	1.7	2.5	19.0	9.9	18.4	-1.9
2012E	37.7	12.9	17.0	6.7	27.8	10.3	2.2	3.2	32.6	12.8	7.1	-2.5
2013E	42.1	16.0	17.0	8.3	24.0	8.4	2.7	3.8	37.7	15.7	5.9	-2.4

Key Data

Price	104p		
Market cap	£170.4m		
Target price	125p		
Last different rec.	n/a		
Next news flow	Results, Sep		
%	1M	3M	12M
Actual	-1.7	+8.4	+78.4
Relative	-3.1	+10.1	+58.8
Source: Datastream			

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Lavendon (LVD) *

BUY

- **Strong H1 trading update, raising numbers**
- Lavendon's first half trading update highlights continued strong top line growth in Q2 ahead of our expectations, as a result of which we are raising our forecasts. Given the weather-impaired Q1 comps, Q2 gives us the first clear(ish) view of underlying YoY revenue growth for some time. 6% constant currency rental revenue growth in Q2 leaves the group requiring a very beatable 4% in H2 to meet our increased £226m FY revenue forecast. UK rental sales growth of 10% in H1 (8% in Q2, and double digit in May-June post the April hiatus) is notable, of which c.4-5% is pricing - which is encouraging for profitability. The Middle East returned to positive sales growth in Q2 (+2%), Belgium & France remained strong (Q2 +12%), although German growth subsided to a surprising degree (+4% in Q2 from +17% in Q1). The first tangible action consequence of the business review is the closure of the Spanish business; c.75% of assets will be redeployed to other markets with the remainder sold. This will improve the group's focus and should also improve returns
- **We raise our 2011 Adjusted PBTA forecast by 7.5% from £20.0m to £21.5m. FY 2012 goes from £25m to £26m.** In H1 we expect £110m of revenue, £10.4m of EBITA and £6.0m of Adjusted PBTA. We increase our debt forecast modestly to reflect the payment of an agreed tax settlement. This has been settled for £4m less than the provided amount (triggering an exceptional tax credit), but involves additional tax payments of £3m in each of 2011 and 2012.

*Altium Capital acts as broker and advisor to this company.
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Year to	Sales	Adj PBT	Tax	Adj EPS	EPS	PER	Div	Yield	Net cash	EBITDA	EV/	Net debt/
Dec	£m	£m	%	p	growth %	x	p	%	£m	£m	EBITDA	EBITDA
2010A	225.4	13.1	24.8	5.9	-68.2	17.0	1.0	1.0	-140.3	70.0	4.4	2.0
2011E	225.9	21.5	-0.2	9.8	65.1	10.3	1.1	1.2	-110.1	74.0	4.1	1.6
2012E	225.0	26.0	25.0	11.8	20.5	8.5	1.2	1.2	-100.8	77.0	3.4	1.3
2013E	230.0	28.0	25.0	12.7	7.8	7.9	1.3	1.3	-92.0	79.0	3.1	1.1

Key Data

Price	408p		
Market cap	£500.7m		
Target price	400p		
Last different rec.	n/a		
Next news flow	IMS, Sept		
%	1M	3M	12M
Actual	+3.1	-6.4	+38.6
Relative	+1.6	-4.9	+23.3

Source: Datastream

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SThree (STHR)

HOLD

- **H1 results slightly behind our forecast – special dividend, but less than hoped for.**
- Half year EBITA of £11m was less than our £12m estimate. However the business is traditionally seasonal and management is indicating that it expects a strongly H2 weighted performance in FY 2011. Management had already reported Gross Profit of £90.0m. As we highlighted last week, the group has announced a special dividend. The 11p per share is less than the 20-33p range that we had envisaged, but leaves scope for management to return with further special dividends over the medium term. The interim dividend itself beat our forecast (4.7p v 4.0p). Net cash at £48.3m was slightly more than the “circa £47m” indicated in the trading update. Management highlights the strength of contract and the Benelux recovery but highlights front office banking as “disappointing” and cites some evidence of a softening of UK demand in recent weeks.
- Our forecasts are c3% ahead of consensus for the current year. We will review these after the analysts’ meeting with a view to either holding them or possibly trimming them back towards a consensus level once we have a greater understand of the likely impact of seasonality on the business in the current year. The shares are trading close to our price target and we retain our Hold rating.

Altium Securities makes markets in this stock.

Year to	Sales	Adj PBT	Tax	Adj EPS	EPS	PER	Div	Yield	Net cash	EBITDA	EV/	Net debt/
Nov	£m	£m	%	p	growth %	x	p	%	£m	£m	EBITDA	EBITDA
2010A	474.5	21.6	34.0	11.5	24.8	35.5	12.0	2.9	55.2	27.6	16.1	-2.0
2011E	550.8	36.3	32.5	19.6	70.3	20.9	12.0	2.9	60.8	41.7	10.5	-1.5
2012E	628.4	51.6	32.0	28.0	43.0	14.6	12.0	2.9	80.5	56.6	7.4	-1.4

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Altium has adopted the recommendation structure summarised below. All views are predicated on a market neutral basis and the valuation approach(es) adopted in arriving at the recommendation are detailed within the research report.

Recommendation (12 months)	
Buy	10% or greater upside
Hold	+10%/-10% variation
Sell	10% or greater downside