



28 July 2011

Price

6p

**WESTHOUSE****BUY**

Target price

14p

**Private & Commercial Finance Group***Speciality Finance***COMPANY DESCRIPTION**

Specialist provider of motor vehicle and equipment finance to consumers and businesses

**Key data**

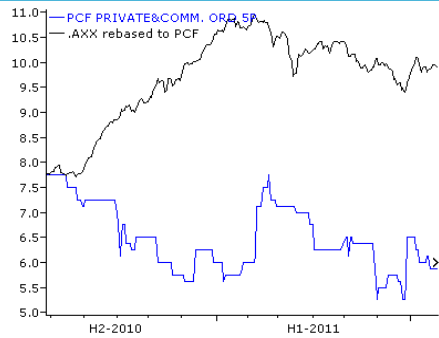
Ticker	PCF
Listing	AIM
No. of shares (m)	52.7
Market cap (£m)	3.2
Ent. value (£m)	105.0

**Top shareholders % holding**

Progressive Asset Mgmt	20.0
Aberdeen Holdings	11.1
Octopus Investments	10.0
Worldspreads Ltd	6.3
Nelson AN	3.2

**Relative performance**

<b>Over:</b>	<b>1mn</b>	<b>3mn</b>	<b>12mn</b>
Perf (%)	+2.7	+1.9	-38.9

**Price/AIM All-Share rebased to PCF**

Unless otherwise stated, all pricing in this report is from Fidessa, as of 28 July 2011.

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jeremy.chantry@westhousecurities.com**Acquisition expected to enhance earnings**

Private & Commercial Finance Group (PCFG) has completed the acquisition of a £6m portfolio of receivables for £4.5m in cash. PCFG alluded to the deal at the time of its FY 2011 results on 28 June. The company expects the purchase to be earnings enhancing. We see this as a progressive step in PCFG's return to growth. We rate the company a **BUY** and maintain our target price of 14p.

**Key points**

- **Portfolio fits in well with the group.** The acquisition of the £6m portfolio of receivables, comprising 2,300 hire purchase agreements financing motor vehicles, averages c£2,600 per loan. This fits in well with the company's existing portfolio of receivables, of which approximately half of the current loan book is for the provision of finance to consumers for the purchase of used motor vehicles.
- **A positive impact on turnover and earnings enhancing.** Paying £4.5m in cash for the £6m portfolio, the company expects the deal to positively impact turnover by approximately £2.4m for FY 2012. Furthermore, the acquisition will be earnings enhancing for the year.
- **Purchase follows recent funding agreement.** At the time of the FY 2011 results (for the year ended 31 March), PCFG announced a new £7m three-year facility, which marked the first stage of the company's return to growth. Alluding to the planned £6m purchase at the time of the results, which has now come with its own funding, we see this as an additional step in the strategy of growing the group's portfolio.
- **Similar agreements are likely to be in the pipeline.** Following on from today's announcement, we are likely to see further similar agreements from PCFG. On 28 June, the company said that there had been improvements in the availability of new funding and that in terms of its banking facilities, there were no scheduled maturities in the next 12 months. Today PCFG confirmed that it was on the lookout for further acquisitions of comparable size, to provide additional earnings enhancement.
- **Outlook remains positive.** We remain confident of PCFG's return to growth in FY 2012 and forecast EPS of 1.24p. We maintain our target price of 14p and **BUY** recommendation.

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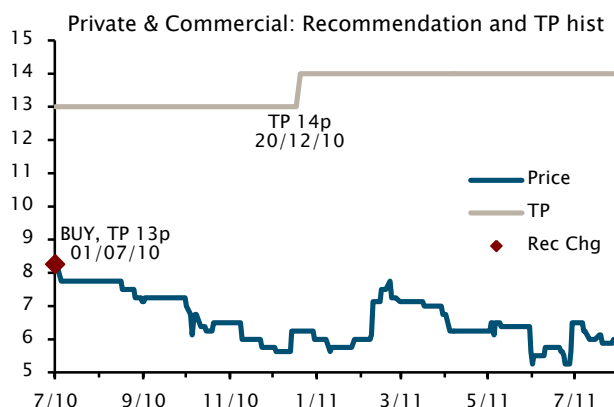
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PCF	
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**Recommendation and target price history**



**Private & Commercial Finance**

**Valuation basis**

Our target price is based on a composite forward adjusted NAV of 16.4p and a 10x multiple of 2012 EPS of 1.24p.

**Risks to our valuation**

Failure to secure new financing arrangements.

This recommendation was first published on 16 December 2008.

SOURCE: Bloomberg, Westhouse Securities estimates.



# WESTHOUSE

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**BUY:** Forecast absolute total return in excess of +15%.  
**ACCUMULATE:** Forecast absolute total return of between +5% and +15%.  
**HOLD:** Forecast absolute total return of between -5% to +5%.  
**REDUCE:** Forecast absolute total return of between -15% and -5%.  
**SELL:** Forecast absolute total return of less than -15%.

Total return is defined as the movement in the share price over a 12-month period, and includes any dividends paid.

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Equities breakdown: 30 June 2011	BUY	ACC.	HOLD	RED.	SELL
Overall equities coverage	75.4%	3.3%	18.0%	0.0%	3.3%
Companies to which Westhouse has supplied investment banking services	94.7%	0.0%	5.3%	0.0%	0.0%