DOWGATE'S 7 STOCK TIPS FOR 2015.

Following our successful 2014 Tips, in this issue of the Dowgate Line we select seven stocks that we believe could outperform in 2015. Looking back at last year, a notional £1,000 invested in each of our 2014 selections would have returned an overall profit of £3,398 over the year for a total £7,000 investment or in percentage terms a 48.5% profit#. As the FTSE ALL Share Index fell by 2.2%, this represents a considerable out performance. The star performer of the seven picks was **LGO Energy** *(previously known as Leni Gas & Oil – LGO.L)* which more than doubled its production during the year to 1,250 barrels of oil per day, with the shares rising by 466%. Underlining the extreme high reward - high risk nature of investing in small AIM companies, at the other end of the scale, **MoPowered Group** (MPOW.L) fell by 96%, as the tech company struggled to gain sufficient numbers of new clients for its mobile commerce applications. **Botswana Diamonds** (BOD.L) was another poor performer, down 48% on the year due to continued poor sentiment towards the diamond sector. Of our three FTSE 350 recommendations, funeral service provider **Dignity** (DTY.L) stood out, moving 31% higher on the year, in response to the re-structuring of its debt obligations. Of our two dividend value plays, **Intermediate Capital Group** (ICP.L) was a modest winner, increasing by 8.6% during 2014, whilst **Dairy Crest Group** (DCG.L) finished the period lower by 10.6%. In October, DCG was trading 31% below its recommendation price, but rallied later in the year following news of the disposal of its dairies operations to Müller. Our other pick of the year, uranium fund **Geiger Counter** (GCL.L) finished the period 10% lower, as demand for uranium failed to improve. It is interesting to note that despite a 48.5% increase in our 7 picks in 2014, more stocks fell (4) than rose (3). We believe it is important to have a diversified portfolio to help reduce risk and hopefully capture a multi bag winner such as LGO Energy and avoid dog stocks such as MoPowered**.**

For 2015, we have again selected seven stock recommendations, with two FTSE 350 companies and five AIM stocks. Our two blue chip plays are **Dixons Carphone** (DC..L) and **Redrow** (RDW.L). Of the larger market cap AIM stocks, we have chosen non life insurance company **Gable Holdings** (GAH.L), technology/media concern **Phorm Corporation Limited** (PHRM.L) and drug development company **Plethora Solutions Holdings** (PLE.L). In the micro cap AIM area, we have chosen **Ortac Resources** (OTC.L) and **Regency Mines** (RGM.L).

JASON ROBERTSON – 7 January 2015

 # Performance expressed on a mid to mid share price basis, with share prices taken at the market opening on 7.00am 3rd January 2014 and closing on 4.30pm 2nd January 2015. Figures do not include transactions costs such as stamp duty and broker commissions. In addition, the performance does not include any interim or final dividends shareholders may have been received during the period.

Although the share price for **Dixons Carphone** (DC..L) increased by 66% over 2014, we believe there is much more to come in terms of share price improvement to mirror improved earnings and merger benefits from this electronics retailing group that completed its merger last August.

The Enlarged Group reported on a robust set of maiden interim results last month, with like for like sales rising by 5% in the first six months of 2014, along with a 9% increase in Q2. Pro forma profits before tax rose by 30% to £78m in the first half of 2014, from £60m in the corresponding period the previous year. In two weeks time, the management are due to update the market on its Group trading performance over the important Christmas period. The management said back on 17 December that it was "comfortable with market expectations" in advance of this period.

Central to Dixons Carphone earnings growth is the synergy benefits it is deriving from the merger, which are said to be one year ahead of plan and expected to provide a minimum of £80m in synergy benefits by 2016-17. Debt is low, with management providing guidance of an average net debt of £300m over the next year, a modest amount for a £5.3bn cap company.

Dixons Carphone

Activities
Electrical and telecommunications retailer and services company.

Key Data

Price:	444.6p
52Wk High/Low:	464p/269p
Sector:	General Retailers
Ticker:	DC..L
Market:	FTSE 100
Market Cap:	£5.3bn
PE:	n/a
Yield	1.6%

2015 Dates

Xmas Trading Update	21 Jan
Trading Statement	3 June
Preliminary Results	16 Jul

Price Data – 7th Jan 2015, 7.00am

For house building companies such as **Redrow** (RDW.L), the UK economic and demographic background continues to look extremely favourable. With low inflation expectations and moderate economic growth, we believe base rates are likely to remain at 0.5% for the foreseeable future. This coupled with an ever increasing UK population that is growing at around 400,000 people or 0.63% per annum, one of the highest in the European Union, should result in demand for all types of housing, including new build to remain strong.

Considering all these factors it is a surprise to see many house builders trading on low historic and forward p/e ratios. This includes Redrow which is on a low historic p/e of around 10, despite delivering earnings per share growth of 83% over 2013/14 and having consensus analysis earnings growth expectations of above 20% over the next year.

Although most housebuilding shares appear good value, Redrow's high operating margins, strong balance sheet with manageable gearing at 24.8% and lower exposure to house sales in the new 10% & 12% stamp duty tax brackets, makes this stock, in our opinion an ideal growth value pick for 2015.

Redrow Group

Activities
UK residential development.

Key Data

Price:	277.6p
52Wk High/Low:	343p/229p
Sector:	Household Goods and Home Construction
Ticker:	RDW.L
Market:	FTSE 250
Market Cap:	£1.1bn.
PE:	10.0
Yield	1.0%

2015 Dates

Half Year Results	11 Feb
Interim Statement	21 Apr

Price Data – 7th Jan 2015, 7.00am

As the most recent interim results indicated last September, **Gable Holdings** (GAH.L) is continuing to make steady progress in terms of increasing its written premiums by 43% to £39m for the first six months of 2014 and delivering growth from both existing countries in which it operates and new markets across Europe.

Although top line growth was impressive, pre-tax profits at the bottom line declined to £2.5m for the six months, compared to a £4.0m profit in the same period in 2013. Profits and corresponding market sentiment were dented by a single and significant fire property claim in the first half of 2014 that led to an additional risk margin of £2.4m being set aside. In response to this, the shares have dropped from around 85p to the current mid 50p level. In our opinion, this would seem an overreaction to what appears to be a one-off event.

Considering the Group's growth profile and recent takeover activity in the sector, a share price of less than 60p could provide an excellent entry point for new investors seeking to invest in a stock with rebound potential in 2015.

Gable Holdings Inc

Activities
Non life insurance company focused on the European market.

Key Data

Price:	56p
52Wk High/Low:	85.5p/51.5p
Sector:	Non Life Insurance
Ticker:	GAH.L
Market:	AIM
Market Cap:	£74m
PE:	14.1
Yield	nil

Price Data – 7th Jan 2015, 7.00am

Following the signing of the licensing deal with international pharma group Recordati to commercialise Fortacin™ in Europe and certain other countries, **Plethora Solutions Holdings** (PLE.L) now appears, after many years of development, to be on the cusp of generating some serious and significant revenues. Fortacin™ is a premature ejaculation treatment that is administered via a small aerosol. Plethora claims that the response time to the treatment is quicker and only has short term lasting side effects for a small percentage of patients, compared to rival treatments.

The first sum from Recordati of €5m in the form of an upfront payment has already been received for Fortacin™. The deal also includes conditional and milestone payments to Plethora of up to €41m and a tiered percentage royalty on net sales for 10 years from the first commercial sale.

In the US, Plethora intends to submit a New Drug Application within the next 12-months, which may lead to its approval by the end of 2016 and commercial launch in the US the following year. This would open up the lucrative and huge US market, where for example in the comparative market of erectile dysfunction, the drug products Cialis, Viagra and Levitra generated $3.4bn in annual sales in 2013.

Plethora Solutions Holdings

Activities
Development and sale of drugs and medical devices for the diagnosis, treatment and management of urology, sexual health, gynecology and reproductive health conditions.

Key Data

Price:	7.5p
52Wk High/Low:	13.1p/5.1p
Sector:	Pharma & Biotech
Ticker:	PLE.L
Market:	AIM
Market Cap:	£52m
PE:	nil
Yield	nil

Price Data – 7th Jan 2015, 7.00am

We believe that 2015 could be breakthrough year for **Phorm Corporation** (PHRM.L), which aims to make content and advertising relevant to the consumer through its main products, Open Internet Exchange (OIX) and PhormDiscover.

As the most recent trading update highlighted last month, Phorm is now starting to see a sizeable increase in the number of lead indicators of users and advertising requests due to the higher number (17 in total) of internet service providers (ISPs) that it now works with. One such indicator is the number of advertising requests, which totalled 150.6 billion (bn) for the five months to 30 November 2014, compared to 72.9bn in the first six months of 2014.

The foundations now appear to be in place to "generate large-scale commercial revenue", as the management expressed in December. In the same update we also learnt that the Company is working with the local subsidiaries of two of the world's largest advertising agencies, with discussions now looking at targeting their "very large multi million US dollar advertising budgets for 2015".

As interest in Phorm's products and services potentially materialises into hard revenues during the course of this year, the company may itself become a takeover candidate. In the shorter term we await news of the "potential strategic and financial investors" with whom it is in "advanced discussions" which would draw a line under any funding concerns and provide a near term share price boost.

Phorm Corporation Limited

Activities
An internet personalisation technology company.

Key Data

Price:	10.25p
52Wk High/Low:	13.25p/8.50p
Sector:	Media
Ticker:	PHRM.L
Market:	AIM
Market Cap:	£74m
PE:	n/a
Yield	nil

Price Data – 7th Jan 2015, 7.00am

Against the background of a weak commodities and gold market which has driven **Ortac Resources** (OTC.L) share price has fallen by around 90% over the last three years from 0.1p**,** the Group has continued to move its Šturec gold project in Slovakia ahead and nearer the mining stage.

The management has de-risked Šturec in terms of technical and infrastructural hurdles in the exploration stage and outlined the economic viability of the project, which according to an independent consultants SRK pre-feasibility study has a post tax NPV of $110m, based upon a gold price of $1,201 per ounce over an initial 11 year mine life. Ortac is seeking two potential routes to develop Šturec by investigating alternative non-cyanide processing technologies and to maybe partner with other parties.

Along with Šturec and the Group's other gold project interests in Slovakia, it has invested US$1.5m for a 25% stake in Andiamo Exploration Limited, a private company that is evaluating copper and gold prospective interests in Eritrea, East Africa. If the cost of this investment is deducted from the current market cap of Ortac - £2.8m ($4.4m) and divided by the 1m JORC ounces of gold equivalent (Measured & Indicated category) at Šturec, the shares are effectively trading at $2.9 per ounce of gold. For such an advanced stage project this is far too low and underlines today's value equation. A number of catalysts could move the shares significantly higher, such as further project advancement in Slovakia, an IPO event for Andiamo or a rebound in the gold price.

Ortac Resources Limited

Activities
Development and exploration of gold and silver in Slovakia, and an investment in a private gold/copper company.

Key Data

Price:	0.11p
52Wk High/Low:	0.34p/0.095p
Sector:	Resources
Ticker:	OTC.L
Market:	AIM
Market Cap:	£2.8m
PE:	n/a
Yield	nil

Price Data – 7th Jan 2015, 7.00am

Regency Mines (RGM.L) is another company that we believe has been oversold in the current resources bear market. A market cap of £2.7m appears extremely low, considering that it has several projects/assets that could prove to be company makers.

One of its main interests is a 3.56% net stake in the UK onshore Horse Hill project, where a major oil discovery was made last year following drilling, which is estimated at 8.2m gross barrels of oil. Further work by the consortium players in 2015 on the licence could see this figure significantly increased.

Not content with its existing portfolio of interests, the management have undertaken other opportunities recently. Along with its Horse Hill stake, Regency has taken a stake in a drilling consortium in West Virginia, USA, where two shallow wells are expected to be drilled in the near term. A new licence that is prospective for several elements including tantalum and niobium has also been added at no cost in Greenland. This is already at the JORC resource stage and appears accretive to shareholders at first glance.

The Group also has holdings of liquid assets in other listed companies and nickel projects in Papua New Guinea that could be realised or advanced if nickel prices continue their upward trends and supplies remain constrained by legislative changes in Indonesia. An early stage agrominerals exploration project in Sudan rounds out the project mix and news flow potential over the coming year.

Regency Mines##

Activities
Investment, development and exploration of resource projects.

Key Data

Price:	0.15p
52Wk High/Low:	0.52p/0.12p
Sector:	Resources
Ticker:	RGM.L
Market:	AIM
Market Cap:	£2.7m
PE:	nil
Yield	nil

Price Data – 7th Jan 2015, 7.00am

Dowgate Capital Stockbrokers act as Broker to Regency Mines plc.

DOWGATE LINE TIPS for 2014 PERFORMANCE#

Stock	Recommended Price (03/01/14)	12-mth End Price (02/01/15)	Gain/Loss %	Current View
Intermediate Capital Group (ICP.L)	419p	455p	+8.6%	HOLD
Dignity (DTY.L)*	1470p	1920p	+30.6%	BUY
Dairy Crest Group (DCG.L)	547p	489p	-10.6%	BUY
Geiger Counter (GCL.L)	24.4p	21.5p	-11.9%	HOLD
MoPowered Group (MPOW.L)	97.5p	4.25p	-95.6%	HOLD
LGO Energy (LGO.L)**	0.75p	4.25p	+466%	BUY
Botswana Diamonds (BOD.L)***	2.88p	1.50p	-47.9%	BUY
Overall %			**+48.5%**	
FTSE ALL Share Index	**3606.89**	**3524.00**	**-2.2%**	
Relative Performance %			**+50.7%**	

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** For those shareholders on the register as at 31 October 2014 Dignity plc returned £1.20 per share as either capital or a special dividend, and at the same time an 11 for 12 share consolidation took place.*
*** In November 2014 Leni Gas & Oil plc changed its name to LGO Energy plc.*
****Dowgate Capital Stockbrokers act as Broker to Botswana Diamonds plc.*

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Declarations

Regency Mines plc. - DCS acts as Broker to Regency Mines plc.

Jason Robertson, the DCS Analyst that wrote and compiled this issue of Dowgate Line, holds shares in the following companies mentioned in this document;
Dignity Plc (2014 Tips).
Dixons Carphone (2015 Tips)