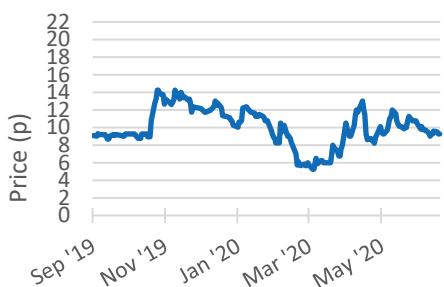


July 16, 2020

**Stock Data**

Ticker (AIM)	WSG LN
Share Price	9.25p
Market Cap	£14.8M
EV	£16.5M
52wk hi/lo	15.5p/5.1p

**Price Chart**


# Special Sits Research

## Westminster Group PLC

### World-Class Security for Land-Sea-Air

Westminster Group Plc (WSG.LN) listed on the AIM Exchange in London is an integrated security services company. WSG is segmented into two primary divisions, Managed Services and Technology, delivering services and solutions to customers in three key markets – Land, Sea and Air. Under the Managed Services division, WSG contracts for the design and implementation of complete security services solutions in airports, sea ports and other infrastructure, including the supply of staff and training services. The Technology division includes the supply and maintenance of technology-based security products for surveillance, detection, tracking and interception.

- **WSG has reached a critical turning point in scale and scope.** The Company has a global footprint comprised of regional offices, agents & partner companies in ~50 countries including the UK, France, Germany, Ghana, Saudi Arabia and Sierra Leone, with over 260 employees. The global network of agents & partners combined with an expansive online offering of advanced security products & services – more than 900 in total - form a one-stop security solutions platform targeting a global network of customers.
- **'One Company, One Vision'** Despite having such a diverse offering of products and services, the integrated services and solutions provided by any one of the WSG divisions, partners or agents reflect the world-class standards under which the Company serves its customers. Furthermore, the operating model permits WSG to leverage the combination of its core verticals into cross-selling opportunities and build incremental revenue streams from the addition of related services and training
- **Managed Solutions provide significant growth prospects.** Drawing on its expertise and specialisations in security, defense, detection, and prevention, in combination with related training and project management skills, WSG is uniquely positioned to deliver on long-term security solutions contracts (ranging from 10 to 25 years), commonly replacing existing, lower quality service solutions. WSG's Managed Services is based on a Build-Operate-Transfer (BOT) or Build- Maintain-Transfer (BMT) model and structured such that there is no cost to its customers, as revenue is derived from the mandatory security fees included in passenger tickets or scanning fees at ports. While the initial investment in Managed Services contracts can be substantial and take some time to finalise, project returns are substantial with investment capital recovered within 12-18 months.
- **Poised for profitability growth with an operationally geared financial model.** WSG has established a business model based on multiple revenue streams from three key markets supplying security equipment, services and solutions to a diverse range of customers globally. This provides a solid foundation on which to build over the long-term and mitigates exposures to local, regional and even global risk factors. WSG reported its fourth consecutive year of double-digit revenue growth in 2019, achieving record revenue of £10.9m (+63% y/y) and increased recurring revenue of £5.6m by 46% y/y. The start of 2020 indicated similar strength with H1 revenue up 24% y/y to ~£7.0m, and a recurring revenue sightline of up to £8m on existing contracts. Operations are geared with relatively fixed operating costs, indicating higher proportionate growth in profitability as revenue increases. In 2019, WSG achieved EBITDA profit of £0.1m for the first time. H120 results are similarly indicating profitability on a pre- and post-tax basis.

#### Outlook

We believe WSG is well positioned to embark on its next stage of development and growth, and is ready to take advantage of the potentially transformational growth opportunities presented in its target markets. Management has steered the Company to a position of strength with a core operating model that drives overall profitability, leveraging its global networks and mitigating local, regional and potentially global risk exposures. After strategically weathering the COVID-19 lockdown so far, we expect WSG is capable of converting its pipeline into long-term, accretive growth and increased shareholder value.

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## INVESTMENT SUMMARY

Westminster Group Plc (WSG.LN) listed on the AIM Exchange in London is an integrated security services company providing security, safety and defense solutions to governments, military and non-governmental organisations (NGOs), air and sea ports, and other critical infrastructure organisations globally. WSG is segmented into two primary operating verticals, Managed Services and Technology delivering services and solutions in three key market sectors – Land, Sea and Air. Under the Managed Services division, WSG designs and implements complete security services and solutions in airports, sea ports and other infrastructure related facilities, including the supply of staff and training services under long-term (ranging from 10 to 25 years) recurring revenue contracts. The Technology division includes the supply and maintenance of technology-based security products and systems, including surveillance, detection, tracking and interception.

**WSG has reached a critical turning point in scale and scope.** The Company has a global footprint comprised of regional offices, agents and partner companies in roughly 50 countries including the UK, France, Germany, Ghana, Saudi Arabia and Sierra Leone, with over 260 employees. The global network of agents and partners combined with its expansive online offering of advanced security products and services – more than 900 in total - form a one-stop security solutions platform targeting a global network of blue-chip customers. After several years of investment in strategic development and market positioning WSG has now established itself as a trusted brand leader in the security solutions and managed services industry worldwide demonstrated by a core base of contract wins, and further supported by a substantial pipeline of large-scale projects under discussion and signed MOUs in place, any of which could provide stepwise transformational growth.

**'One Company, One Vision'** Despite having such a diverse offering of products and services, the integrated services and solutions provided by any one of the WSG divisions, partners or agents reflect the world class standards under which the Company serves its customers. Furthermore, the operating model permits WSG to leverage the combination of its core verticals into cross-selling opportunities of technology products and building incremental revenue streams from services and training, but also creates significant cost-savings for its customers by utilising existing experts and employees, and providing WSG with increased purchasing power. With this strategy in place, WSG is embarking on its next stage of growth with an enhanced marketing initiative to further develop its brand under a 'One Company, One Vision' approach. In an industry where brand identity and trusted relationships are key drivers of success, the efforts by management to effect a cohesive brand strategy should prove to be beneficial over the long-run.

**WSG provides one of the largest ranges of security and safety products worldwide.** WSG provides advanced technology-led security solutions covering all facets of the physical and electronic security market, including surveillance, detection, screening, interception, and prevention products. The Company has well established relationships with leading and niche product manufacturers supporting this broad range of state-of-the art product offerings. Furthermore, in such a dynamic industry, WSG has proven it is nimble and flexible to the conditions it faces in worldwide markets. Within the early stages of the COVID-19 outbreak in China, WSG had the foresight and the experience from the West Africa Ebola outbreak in 2014 to take early action on securing supply chains for the delivery of personal protective equipment (PPE) and other health and safety equipment to help with treatment of those infected. WSG increased its stock levels by ~£0.4m using internally available resources. This positioned the Company quickly to be able to deploy suitable fever detection and safety equipment in what became a very high demand environment, along with the necessary operational solutions to ensure effective implementation and operation.

**WSG is a solutions provider and integrator.** The Company is not tied to any one product or technology, allowing its teams to optimise solutions for each of its customers on a case by case basis. Providing bespoke solutions suited to client requirements is a key advantage for WSG, including end-to-end solutions for consultancy, risk assessment, installation, maintenance and monitoring, equipment supply, as well as the training and support of security personnel.

*WSG is a trusted brand leader in the security solutions industry.*

*Providing bespoke solutions suited to client requirements is a key advantage.*



**Managed Solutions provide significant growth prospects.** WSG customer base is primarily targeted at governments, government agencies, non-government organisations (NGOs), and critical infrastructure groups such as airports, sea ports and power plants, as well as other large-scale commercial organisations with key infrastructure site worldwide.

Drawing on its expertise and specialisations in security, defense, detection, and prevention markets, in combination with related training and project management skills, WSG is uniquely positioned to deliver on long-term contracts (typically 10 to 25 years) in high risk situations, commonly replacing existing, lower quality service solutions. WSG's Managed Services is based on a Build-Operate-Transfer (BOT) or a Build-Maintain-Transfer (BMT) model which includes the provision of all equipment and expertise to design and implement a solution in compliance with international security standards, and either existing employees on site are appropriately trained by WSG, or new employees are hired onto the project and trained by WSG. The revenue model is structured such that there is no cost to the customers; WSG's contracts are designed to generate fees from the mandatory security fees included in passenger tickets, or from the mandatory scanning fees paid by shipping company at ports. This provides security of cash collections for WSG as fees are largely collected outside of the country where the airlines or shippers operate. While the initial investment in Managed Services contracts can be substantial and can take some time, project returns are substantial, driving EBITDA growth as initial investment capital is typically recovered within 12-18 months of implementation. Contracts of this nature are likely to generate several million pounds (GBP) each year. For example, the 15-year West Africa airport contract generated around £4.0m in 2019. Given the size and long-term nature of these contracts, each new contract award provides step-wise top and bottom-line growth, that is potentially transformational for the Company.

**Poised for profitability growth with an operationally geared financial model.** WSG has established a business model based on multiple revenue streams from three key markets (land, sea and air) in frontier and growing economies servicing a diverse range of customers. This provides a solid foundation on which to build over the long-term and mitigates exposures to local, regional and even global risk factors. With its full-year 2019 financial results, WSG reported its fourth consecutive year of double-digit revenue growth, achieving record revenue of £10.9m (+63% y/y). Recurring revenue from Managed Services, guarding and maintenance contracts, including a half year from the Ghana Operations and the acquisition of Euro Ops, increased 46% y/y – a key performance indicator for the group. The start of 2020 has indicated similar strength with H1 revenue up 24% y/y to ~£7.0m (H119: £5.6m), and a recurring revenue sightline of up to £8m on existing contracts. Top-line growth is expected to continue on existing contracts as revenues are directly tied to passenger numbers or shipping containers being loaded/unloaded. The general trend is increased capacity over the life of a contract, also increasing potential recurring revenues. Operations are geared with relatively fixed operating costs, indicating higher proportionate growth in profitability as revenue increases. In 2019, WSG achieved EBITDA profit of £0.1m (vs. a 2018 loss of £0.4m); H120 financials have also indicated profitability before and after tax; this trend is expected to continue through 2020 and over the life of these existing contracts, despite the global impacts of COVID-19. The addition of any new contract wins from the prospective pipeline would support stepwise growth in revenue and profitability, leveraging existing operating infrastructure and employees. Notably, the Company's cash position has increased to £1.6m, up from £0.557m at year-end 2019.

**Strong management team supported by a global network of experts and partners.** WSG has assembled a Board and management team with extensive experience in the security industry, global regulations and standards, and frontier growth markets, supported by an expansive network of agents and partners with strong local and regional relationships. Management has successfully invested in building a stable business model, that demonstrates resilience to external macro factors such as COVID-19, an enviable position for any company. WSG's business has evolved significantly since the Ebola crisis in Africa, when operations were highly concentrated in one region and on fewer revenue sources. The nimble reaction at the start of 2020 to develop new revenue lines to support clients through this pandemic is a credit to management and the Board.

**The market demand is evident.** The overall security solutions market is expansive, with a diverse base of existing and new competitors each year. We expect continued growth on

*Fourth consecutive year of double-digit revenue growth.*

*A stable business model, that demonstrates resilience to external macro factors.*

a global basis, that is typically multiplied during times of crisis, such as the coronavirus pandemic, and rarely experiences prolonged downturns. As such, consistent growth is widely anticipated in the three key markets in which WSG operates (land, sea and air). The Global Homeland Security market is expected to reach US\$50.5b by 2025 (CAGR of 5%). The container trade forecast is expected to experience annual growth of 4.5-5% through 2024, about 1% higher than the average annual growth rate over the last five years. Prior to the COVID-19 pandemic the number of people expected to use air travel through 2037 was expected to more than double from 2017. The rapid development of infrastructure in emerging economies in particular, combined with advancements in technology, such as Ultra High Definition (UHD) surveillance, have led to an increased demand for additional physical security services. In addition, the rise in terrorist activities, increased crime rates, and the creativity utilised to prevent detection have created the need for more robust physical security services.

### **Outlook**

*The business model with strong operational gearing means additional revenue falls straight to the bottom line.*

After four consecutive years of double-digit growth driven both organically and through acquisitions of added value security solutions to the WSG platform, we believe WSG management has positioned the Company to successfully embark on its next stage of development and growth while ensuring resilience to local, regional and global risk factors. There is a solid foundation of existing revenues from diverse sources, supplemented by a potential pipeline that could transform the Company financials with the award of a few new contracts in Managed Services. When including the potential for providing incremental services and cross-selling Technology products and solutions, in very high demand sectors, the growth prospects are compelling. Furthermore, the business model with very strong operational gearing, translates revenue growth directly into bottom line growth as the existing cost-base covers new contract requirements.

Management's experience with the West Africa Ebola outbreak in 2014 has proven to be invaluable in positioning for the COVID-19 pandemic at a very early stage, permitting WSG to maintain operational stability through the lockdown period, and now the re-opening of markets. Overall, the impact of the coronavirus is expected to be limited as the negative impact on airport security and training operations will be somewhat mitigated by sales of fever screening products and services and related PPE products. WSG management moved quickly to implement logistical and organizational changes at the beginning of the outbreak, reducing costs and deferring all planned capital expenditures. Social distancing and other safe working practices were implemented and many staff were re-positioned to work from home.

*WSG successfully completed fever screening solutions trials with Menzies Aviation.*

Early action taken with suppliers and supply chains has secured existing revenue streams and resulted in some new potential revenue streams. The Group has also successfully completed trials of its fever screening solutions in association with Menzies Aviation and Air France at Stockholm Airport. This equipment could provide a significant revenue stream for the Company if use of protection equipment becomes more widespread both in the short and long-term as a result of the pandemic. The 5-year contract signed to provide managed services to the Ghanaian port is expected to provide a healthy stream of recurring revenue in the short to medium term. It is widely anticipated that air travel in emerging markets is likely to recover at a faster pace than in more developed hubs.

## RECENT DEVELOPMENTS

WSG has gotten off to a strong start in 2020 despite the global impacts to the health and well-being of individuals, the economy, business operations and supply chains of a global pandemic. WSG has built an international brand presence, as a known and trusted source for specialist security services and equipment. This is further supported by new contract awards and other developments in its Managed Services and Technology divisions.



SOURCE: Company reports

- **LAND/AIR** - WSG was awarded a contract with a large global investment management company with a range of fever screening and safety equipment to be deployed across its 85 offices in 37 countries. The contract is valued at US\$665,000 and includes the provision of fever screening systems. While WSG has been providing these systems as a trusted brand for several years, the outbreak of COVID-19 has driven an increase in demand for these services. WSG received multiple contracts to provide advanced fever detection systems around the world, including for the entry of individuals into a public venue in the US, for use by Customs operations in Vietnam, to help fight against the coronavirus outbreak in Hong Kong and Iraq, as well as to screen individuals entering a corporate facility in Israel, and a multinational energy company requiring the screening of individuals entering their facilities around the world. WSG has also recently successfully completed a fever screening trial at the Stockholm Arlanda airport in Sweden in agreement with Menzies Aviation and Air France. Operational trials are continuing with other Menzies Aviation clients to optimise the screening process in an already complex procedure for moving passengers securely through airports. The addition of WSG's fever screening solution could be added to the commercial package offered by Menzies Aviation to its airline clients, with the potential to turn into a multi-year agreement.

- **LAND/SEA/AIR** - WSG initiated a new project introducing specialist unattended retail vending machines to dispense facial coverings in the UK marketplace. The vending machines specifically designed to dispense personal protective equipment (PPE) are supplied and manufactured by Truvend, with which WSG has signed an exclusive agreement for the UK unattended retail space. We see potential growth from this project in the coming months as the demand for disposable PPE at sites such as airports, train stations, tube stations, and even shopping locations is likely to increase given government guidelines for social distancing practices



SOURCE: Company reports

- **SEA** - WSG was awarded a five-year renewable managed services contract to provide professional container screening at the Tema Port in Ghana. WSG is the technical partner alongside Scanport and contracted by Meridien Port Services (MPS) implementing the systems and solutions to operate an efficient container screening platform. WSG has deployed an expert team to manage the recruitment, training and operation of screening offices, logistics and operations to provide the Customs department in Ghana the information they require.

- **LAND** - The Security Services contract with Stanton Cross, provided by Keyguard UK, a division of WSG, has been expanded to cover Asset Protection, Entry Control and Vehicle Security Patrols for an additional three areas of the project site. Keyguard UK has provided security services for contractors at the Stanton Cross development project in Northamptonshire since 2016. The project is expected to provide more than 3,650 homes combined with over 1.5m square feet of industrial, leisure, retail and office space. There is potential for additional expansion of this contract as new contractors begin operations on site through 2020 and 2021.



SOURCE: Company reports

- **LAND/SEA** - WSG announced the launch of a new type of vehicles x-ray scanner capable of safely x-ray scanning trucks, occupied truck cabs, sea freight containers, occupied box vans, cars, and buses etc. This scanning system automatically colour codes for material separation, identifying organic, non-organic and metallic materials, easily permitting the identification of contraband items. This is a unique, state-of-the-art system, combining the ability to successfully scan different vehicle types into one – typically a different system is required to scan different types of vehicles/containers. WSG has secured a multi-million-dollar contract to provide advanced technology security vehicle screening solutions to secure two military bases within the Middle East.

- **AIR** - WSG has operated a complete airport security management contract for a West African airport since 2012. The renewable contract is for an initial 15 years, value at over US\$4m per year from a mandatory passenger security fee, with growth potential based on increasing numbers of travellers in the region. WSG provides a range of detection and surveillance technologies combined with the deployment and training of security personnel at the terminals and on the grounds and perimeter.

## STRATEGIC PROGRESS

### 5-year Strategic Plan – Next Steps for Growth

*Established a strong brand identity as a trusted specialist in security and risk.*

WSG is keenly focused on its vision to build a global security solutions business for high growth and emerging markets. As part of this focused strategy, WSG has been establishing itself as a brand partner and trusted specialist in the security and risk marketplace. In order to maintain its leading position in this dynamic and rapidly changing industry, WSG has established a 5-year Strategic Growth Plan that provides a framework for achieving its goals. This plan is reviewed annually in order to address improvements or enhancements that are required. As part of this review in 2019, two new Board appointments were made. Mr. Charles Cattaneo, who has 30 years of corporate finance experience, and Mr. Mawuli Ababio, who has 30 years of experience structuring project financing in Africa, were added to the team of Non-Executive Directors. This strengthens the expertise of the Board, adding a broader base of experience.

WSG has recently launched its new website as part of its 'One Company, One Vision' programme, bringing together its subsidiary businesses under a single, strong brand identity. This work is currently ongoing but when finished management believes it will be one of the largest security websites in the world, providing a meaningful source of business enquiries for the Group.

### Key Performance Indicators – Ongoing Measure of Success

Following on from an annual review of its strategic plan, WSG has identified and remains focused on tracking key factors representing the overall performance of the Group. These key performance indicators not only serve as a good 'health' check for the various arms of the business, but they also serve to maintain a focus on key strategic initiatives and identify gaps that may not be obvious.

From a top-down perspective, operational performance is monitored through revenue and gross margin, with a core focus on recurring revenue build from longer-term contracts in the Managed Services division. The single, largest cost to the Company is employee expenses and so number of employees and cost per employee are key expense metrics. Finally, cash conversion of revenue is indicative of debtor ageing and days sales outstanding, that can slowly creep out of hand if they are not closely monitored. This is a particularly important metric for the long-term contracts in Managed Services, where there are often upfront costs that need to be considered in light of a project's NAV.

There are four key deliverables for the Managed Services division including number of passengers through airport operations, vehicles and containers processed at port and border operations, and the number of training days delivered or the number of guarding hours delivered. Similarly, four metrics are measured on the Technology division including, sales activity (number of enquiries received per month), the number of orders received, as well as the number of countries from which enquiries and orders are sourced, and the number of repeat customers.

**TABLE 1: SELECT PERFORMANCE INDICATORS**

Group Performance Indicators	2016	2017	2018	2019	CAGR
Revenue (£m)	4.4	5.4	6.7	10.9	35.2%
Gross Margin	70.6%	59.3%	54.7%	40.8%	
Recurring Revenue (£m)	0.18	0.24	3.8	5.6	214.5%
<b>Managed Services</b>					
Passengers served (000s)	97	111	113	121	7.7%
Vehicles/containers Served (000s)	0	0	0	309	
<b>Technologies</b>					
Average enquiries/month	117	128	174	185	6.3%
Average orders/month	21	29	37	41	10.8%

*Source: Company reports*

### Potential in Key Long-term Contracts

WSG has invested in its global business development programmes in order to establish itself as a brand leader, and trusted partner in the delivery of global security and managed services solutions to its customers. Supported by a team of experienced consultants, WSG works alongside its clients to deliver expert advice and provide effective solutions to combat the security threats faced by businesses, governments, and other organisations on a daily basis. The consultant team focuses on the execution of the task, prioritising the critical issues and enabling the client to fully understand the risks it faces and how best to mitigate those risks. Success is measured by tangible results and rapid performance enhancement, and is monitored through risk assessment and compliance processes that are implemented as part of a project.

With a core focus on the Managed Services Division, WSG has begun to build a platform of long-term contracts that provide a strong recurring revenue base. However, given many of these contracts are for operations in frontier markets, the award of these contracts can take several months or even years, and can be costly. They often involve complex negotiations with a number of commercial and regulatory bodies. For these reasons, competition tends to be limited, and once awarded there are typically renewal/extension agreements subject to certain conditions that are included upfront. As such, each additional contract is a step up in annual recurring revenue, providing transformational growth to the company.

*Competition for contracts tends to be limited as they can take time and can be costly.*



SOURCE: Company reports

**Ghana Container Screening Contract:** WSG was selected as the technical partner for Scanport and they have contracted with Meridian Port Services (MPS) as part of a 5-year renewable contract for the set-up, management and operation of container screening at the container port in Ghana. This \$1.5 billion investment project with a capacity of over 3.5m twenty-foot equivalent units per year and some of the largest and most advanced ship-to-shore cranes globally began operations at the first two berths on June 28, 2019. The third berth became operational during Q1 2020, and the fourth berth is due for completion by the end of 2020. The port is designed to have 100% screening of containers entering or leaving the port. WSG has deployed an expert team to manage the recruitment, training and operation of screening offices, logistics and operations to provide the Customs department in Ghana the information they require. Notably the revenues are derived from a percentage of the port tariffs and shared between WSG and Scanport; port tariffs are generated by container traffic volumes passing through the port. While WSG recognised reasonable revenue from the partially open port through 2019, it is expected that revenue will increase substantially in 2020 with the opening of additional berths and increased operating capacity at the port (higher volume throughput).



SOURCE: Company reports

**West Africa Airport Operations:** The operations at the West Africa airport reached record levels in 2019 and into the start of 2020. Passenger travel. However, the government suspended all flights at the end of March 2020 for a period of 90 days because of the outbreak of coronavirus. Throughout this shutdown period, WSG has maintained support of its employees in the region by keeping them employed. This has the added benefit of maintaining security standards at the airport, and to provide opportunity for additional training and comprehensive servicing of equipment. WSG has conducted a local risk assessment and implemented social distancing and processes to protect employees and those with whom they interact at the airport. Once flights are scheduled to resume, WSG expects to be able to re-start operations immediately.

Recall that WSG was awarded this 15-year contract in 2012 to implement and manage all ground security controls including detection and surveillance at the West Africa Airport, with an initial value estimated at US\$150m over the term.

**Iranian Airport Operations:** While this project has been on hold since May 2018, it still represents a significant achievement for WSG, underscoring its potential for winning such large managed services contracts. Starting in 2016, WSG began discussions with Iranian airport authorities to provide solutions and equipment to bring security at the airport up to international standards. A letter of intent with the authorities was signed in 2016, followed by nearly two years of negotiations with related commercial and regulatory bodies in order to be in a position to undertake this project. This included, establishing a complex supply chain, investing in corporate infrastructure, and complying with banking, financing and compliance restrictions for conducting business in the region. In May 2018, WSG signed a 15-year agreement, with annual revenue in excess of €24m; a secondary

agreement was signed for the provision of equipment for ~€2.65m. However, the day after this agreement was signed, President Trump announced the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) and later in the year, re-imposed nuclear restrictions on Iran and any country/state that trades with it, while the other signatories continue to support the agreement. Recall the JCPOA was an agreement reached between Iran and the P5+1 (china, France, Germany, Russia, the UK and the US) on July 14, 2015, restricting Iran's nuclear programme development, and allow international inspection of associated sites/activities. In return, sanctions imposed by the UN, US essentially freezing overseas assets and restricting oil trade on international markets were to be lifted.

**TABLE 2: SUMMARY OF CONTRACTS**

Contract Partner	Location	Value	Service/Equipment Provided	Start Date	Length
Stanton Cross			Asset Protection, Entry Control, Vehicle security patrols	2020	1yr extension
Secure facility	Portugal		Performance testing and calibration of X-ray Baggage Scanners	2020	
unknown	South America		Supply and installation of X-Ray Baggage Scanners with operator trainer	2020	
Government Facility	Middle East		Supply and installation of X-Ray Baggage Scanners with operator trainer	2020	
European Country	Europe		Supply of EOD Bomb Disposal Suits	2020	
Security Organisation	Bulgaria		Supply of Handled Explosives Detectors	2020	
London Building	London		Supply and installation of X-Ray Baggage Scanners with operator trainer	2019	
Custodial Authority	South America		Supply of Body Scanners and associated equipment	2019	
UK Police Authority	UK		Portable Walk-By Metal Detectors	2019	
Embassy	Ghana		Supply and installation of X-Ray Baggage Scanners with operator trainer	2019	
unknown	St.Lucia		Standard Test piece kits	2019	
Government suppliers	Vietnam		Combined Explosive-Narcotic Detectros & EOD Suits	2019	
unknown	Middle East		Diver Communication-Disruption Systems	2019	
UK Military facility	UK		Counter Surveillance systems	2019	
unknown	Saudi Arabia		Supply of Handled Explosives Detectors	2019	
Hotel	East Africa	US\$150k	Supply and Installation of screening and detection systems	2019	
Customs Department	Caribbean Island	US\$200k	Vehicle based X-Ray Baggage Screening solution	2019	
UK Police Authority	UK		Portable Walk-By Metal Detectors	2019	
Government	Thailand		Performance testing and calibration of X-ray Baggage Scanners	2019	
unknown	Pakistan		Food contamination detection kits	2019	
Embassy	Zambia		Security Screening Equipment	2019	

Source: Company reports

### Potential in Acquisitions – Expanding Products and Services Platforms

In order to provide a comprehensive list of products and solutions to its customers WSG has expanded its operations through carefully selected acquisitions.

#### Euro Ops

Acquired in May 2019, Euro Ops was fully integrated to the WSG Group, joining the German subsidiary to develop meaningful business and opportunities within the Francophone territories. The acquisition of Euro Ops not only provided Westminster with a French base but also expanded the Company's experienced and qualified aviation management team. Furthermore, it was strategically important for WSG enabling better access to Francophone countries, particularly in Africa, which offer considerable business opportunities for Westminster. The French office also complements the German operations providing the Company with a broader European footprint.

The Euro Ops business was established in 2002 by managing Director, Vincent Toscani, a well-respected and highly qualified expert within the aviation sector. Euro Ops is a French based aviation security and support services company which provides aviation support services such as Airport Security, Aircrew Management, Humanitarian Logistics, Operations & Dispatch, Ground Handling etc. The business operates primarily in emerging markets particularly in Francophone Africa providing humanitarian assignments and is responsible for sending teams all over the world to assist the UN and NGO's.

As specialists in support services, Euro Ops ensures the preparation and monitoring of flights including operations, handling, regulations, training, chartering and all other ancillary services, as well as humanitarian assignments for which Euro Ops sends complete teams all over the world: station managers, flight dispatchers, logisticians. The Company is present in numerous conflict zones and the bivouacs (improvised camp sites) of the largest NGOs and their contractors (ICRC at the UN, and MSF etc.) enabling these groups to exclusively complete their assignments.

*Euro Ops is small but provides WSG with new customers and an additional revenue stream.*

**Euro Ops is a small company, but it provides WSG with new customers and an additional revenue stream with exciting growth potential.** Euro Ops had minimal trading with insignificant assets and no encumbrances other than a Directors Loan Account which was satisfied as part of the consideration. The consideration payable was €20,000 including working capital.

**Keyguard UK**

Keyguard, acquired in November 2019, is a UK-based security and risk management company providing security services to organisations and critical infrastructure across the country. It is focused on infrastructure growth - Construction, Renewable Energy and Transport sectors. Services include manned guarding, mobile patrols, risk management and K9 services. The business was established in 2006 in Corby, Northamptonshire by founder, Rob Lawrence, who built a successful and well-respected operation. Keyguard holds the required industry accreditations and is an ISO quality assured business.

*Keyguard UK was immediately accretive to WSG, enabling cross-selling opportunities and joint project work.*

**Keyguard operates in a strong and growing market and complements WSG's operating strategy, with the potential to open the door to new opportunities and broaden the scope of the Group's business portfolio.** The acquisition was immediately accretive and has been synergistic with the opportunity to cross-sell into each other's customer base and enable a broader range of joint offerings where technology and manned guarding are both required, particularly within the aviation and critical infrastructure market.

In November 2018 Westminster completed the purchase of all outstanding shares of Keyguard. The business has been relocated to the Westminster offices in Banbury and consequently Keyguard overhead cost savings were achieved. Rob Lawrence remains a Director in the business as an employee of WSG.

The total consideration payable was expected to be a maximum of £200,000. The net asset value of £18,224 was paid in cash on completion and the balance was to be paid in cash on an earn-out basis, subject to additional working capital requirements to fund new projects provided by WSG. The acquisition was funded from WSG's existing resources.

**Potential from Alliances and Joint Ventures – Accessing Opportunities via Specialists**

In order to effectively deliver on its strategic long-term goals, and to meet the ever-changing needs of its customers, WSG has augmented its platform of advanced technology solutions, managed services expertise, and training capabilities by joining forces with established specialists in their respective fields. In addition., it is often prudent to engage with local counterparties in order to access certain regions

*JPI's partnership augments WSG's capabilities in delivering tailored e-learning solutions to its clients.*

**Strategic Alliance with JP International Training Ltd. (JPI):** Westminster Aviation Security Ltd. (WASS), a division of WSG, signed a strategic alliance with JP International Training Ltd. (JPI). JPI has been a provider of aviation and security training, primarily focused on an e-training platform, since 2009 starting in the UK, but very quickly expanded to Africa, Asia and the Middle East. The two companies are joining forces to provide blended learning solutions (in person and online) for high quality aviation security training and consultancy. In today's climate it is essential to provide flexible learning environments to potential customers operating in multi-jurisdictions and requiring standardised training. This alliance augments WSG's capabilities in e-Learning, a key component of maintaining relevant skills and competency amongst employees.

**Strategic Alliance with AFSAC and Euro Ops:** Late in 2019, Euro Ops formed a strategic alliance with the Tunisian Academy for Civil Aviation Safety and Security Training (AFSAC) to deliver expanded aviation security training programs in the regions.

**Strategic Alliance with GAA:** In July of 2019 WSG entered into a three-year Strategic Alliance Agreement with the Gulf Aviation Academy (GAA) to provide aviation and specialised training to customers in Bahrain, the Middle East Northern Africa (MENA region). In addition to generating new business last year, the GAA secured a new contract with the Bahrain Airport Company which operates and manages the Bahrain International Airport. The contract is to provide civil aviation security training to airport-stationed Ministry of Interior personnel. WSG will work with GAA to deliver this service.

**JV in Saudi Arabia:** In June 2019 WSG entered into a joint venture with Saudi Arabia's Hazar international which was established in 1978 and now has ~250 employees, focused on aviation, energy and industrial pursuits. The JV is registered under the name Westminster Arabia (WSGA). Through WSGA, Westminster Group and Hazar work exclusively together to provide managed security solutions to Saudi ports: both air and sea. An experienced business development team is now in place and is increasingly involved in large-scale project opportunities in the region. Work has been completed for local authorities outlining the operational and vulnerability risks at certain ports in the

Kingdom. Discussions with port authorities regarding formalised security solutions have been delayed due to COVID-19.

The business potential in the region is potentially significant for WSG and is an important strategic development for the company. Saudi Arabia handles 90% of the Red Sea trade transit and a significant portion of the East African trade transits. Handling ~11,000 ships and eight million containers through 10 primary ports. In addition, Saudi Arabia has 28 Airports representing a significant market for WSGA to provide security equipment, management and training solutions.

## MANAGED SERVICES DIVISION

Under the Managed Services Division, WSG provides its customers with comprehensive solutions to manage security and safety operations targeting the unique needs of each customer, and in compliance with applicable international regulations and standards. WSG provides all of the investment expertise, equipment, training and maintenance services, as well as any management support over the length of any project. Initially WSG targeted solutions for airports, though this model can be applied to a range of infrastructure projects including shipping ports, ferry services, as well as transport services and border crossings.

**A Compelling Business Model – no cost to the customer:** WSG's infrastructure contracts are long-term in nature, typically lasting from ten to twenty-five years. They typically involve an initial capital investment by WSG, but the recurring revenue model serves to recover these costs within 12 to 18 months from implementation. The initial capital investment varies by size of project but commonly includes equipment, investment in recruitment and training of operators and other employees at the local/regional level, and the training of incumbent employees. The objective is to leverage the existing organization on site leaving the local authority with the underlying responsibility for the service, but providing subject matter expertise to optimise and improve the operation. This reduces the risk profile of any one project to WSG and permits them the authority required to ensure world-class standards are being achieved.

Each contract is driven by a Build-Operate-Transfer (BOT), or a Build-Maintain-Transfer (BMT) model where WSG provides all of the equipment and expertise to design and implement a security solution in order to achieve or meet international regulatory standards, and maintain them throughout the contract period. The art of the model is in the revenue component. **The start-up and implementation are at no cost to the customer.** WSG earns its revenue through a per user fee, for example an airport security fee, or a port screening fee, collected directly from the passenger's ticket cost or from shipping companies. These fees set by WSG range in value depending on the project, but typically allow for the recovery of initial capital investments within 12 to 18 months of the project start. There is also upside potential in this model. As passenger numbers increase or container shipping volumes grow, revenue grows faster than the fixed cost base, driving margin improvement each year. WSG has security and visibility of cash flows; the customer has no out of pocket expenses with high quality and reliable security operations.

### Airport Services

WSG works closely with state organisations and airport stakeholders to enhance airport security by providing all of the required investment expertise, maintenance and training and management oversight to ensure the airport security meets international standards. The goal is to address the three major issues at international airports, 1. Risks to the movement of passengers and goods; 2. The constant change in airport security regulations and requirements, and 3. The burden of funding required for security upgrades, maintenance and renewal. While a total security requirement is best in class, WSG does offer bespoke solutions to meet the needs of its clients.

- **Security Management:** the development and co-ordination of aviation security functions into a streamlined operation, overseen by an experienced management team. WSG can implement an ISO 9000 UK quality assurance programme that provides transparency to the business processes and provides an additional level of control over the compliance and audit process. This ensures that internal processes are continuously scrutinised and upgraded to meet changing standards.

- **Equipment Provision:** All equipment required for screening detection and surveillance that meets international standards can be supplied by WSG. A full range of maintenance services for all security screening, detection and surveillance equipment is also part of the service offering from WSG.
- **Technical Support:** WSG will assist with standards and best practices to be included in a fully compliant Aviation Security document library. This also includes plans for developing systems as aviation security evolves. Disaster recovery and emergency response plans with a programme of testing, training and continuous improvement is also typically outlined in this library.
- **Aviation Security Training:** Security teams require constant training to be aware of the risks and threats to their roles. Full training programs and refresher training can be developed, typically in a tiered approach to methodically work through the various elements of the training requirements for all staff working at the airport.
- **Risk Assessment & Compliance:** WSG will also work with clients to implement a comprehensive compliance programme covering aviation security requirements. Follow-up security audits are conducted, with detailed response reports and risk assessments. Immediate threats are addressed in priority and corrective measures put in place.
- **Supplying Manpower:** WSG will work with the airport authority to put the right calibre of people in place, employed directly through WSG, or through the airport authority, depending on what the work environment permits.

#### **Ports & Harbours - Maritime Security Solutions**

Ports and harbours around the globe are increasingly facing threats to security as the volume of shipments increase. WSG has the capabilities to provide complete port security packages to its customers. These packages tend to be bespoke and designed to suit the port infrastructure and operating environment.

- **Perimeter Security:** WSG works with its customers to provide a comprehensive Perimeter Protection System, complete with design, installation, maintenance and managements. Ports and harbours are often in remote locations placing them a higher risk of intrusion without protection from a perimeter security system.
- **Terminal Security:** Ports and harbours are constantly expanding to keep up with increased volumes passing through these essential transport links. WSG will work with port operators and other stakeholders to ensure effective port security measures are in place to meet international standards.
- **Water Security:** The water access to ports and harbours are typically open to all vessels, increasing security risks. WSG works with clients to provide security on these waterways for continuous monitoring in a seamless operation.
- **Container Screening:** The globalization of the container business means that the accurate and efficient screening of containers must be conducted. Accurate customs duties must be paid and contraband must be detected and removed. Container screening equipment is costly to acquire and install, but must also be effectively run and managed. WSG works with customers to design, install and manage container screening operations to optimum performance standards.
- **Training Courses:** Ground Security Awareness Training (GSAT), Bespoke computer-based training in x-ray, baggage and cargo training, K9 Dog & Handler, Explosives & Narcotics; Intruder Detection & Response, and Port Security Operatives, Supervisor and Manager training.

#### **Buildings & Concierge Services**

Advanced security and screening equipment are increasingly found in buildings located in major cities around the world. In many cases, the security or concierge teams are ill-equipped and untrained to adequately handle the security risks they face on a day-to-day basis. WSG provides a suite of solutions to address these issues, including fully trained teams, with each manager and team member having been reviewed, vetted and trained to standards. This can be supported with all the necessary equipment to improve, enhance and expand the physical and electronic systems at the building. This includes equipment for screening, detection and surveillance, sanitisation and fever screening.

### Critical Infrastructure Services

The protection of critical infrastructure assets is vital to the functioning of the dependent economy. WSG provides complete security packages for critical infrastructure, designed specifically to address the risks faced at the site. Again, this is a comprehensive solution with all of the necessary security equipment to optimise the physical and electronic security systems across the site. WSG will work with the customer to fully train the appropriate managers and security teams to implement and operate the bespoke system. Finally, WSG provides all of the security management function, including the implementation of robust processes and procedures to streamline operations.



## TECHNOLOGY DIVISION

The Technology Division at WSG is currently operated under the wholly owned company, Westminster International Ltd. (WIL), headquartered in central England with international offices and partner companies located in over fifty countries worldwide. WSL, a security and defense organization, provides end-to-end solutions for any problems related to Fire, Safety, Security, and Defense to governments, government agencies, NGOs, military, airports, sea ports, banks, power stations, or any infrastructure or organisation that face these risks today.

Each year, the world presents an array of security and safety risks to individuals and organisations, but each year new risks are layered on top. The issues of 2020 have been very focused on the coronavirus pandemic creating global uncertainty in markets, corporate operations and human interactions. With new threats to ward off, WSG searches for best-in-class products and solutions to integrate into its platform and meet the demands of new and existing customers. A key to success is to act early and be prepared, which was the case early in 2020 as the coronavirus was spreading through China and into other parts of the world. This quick action positioned WSG at the forefront in terms of establishing supply chain availability with the correct technology and products.

**Products & Systems** - The extensive range of products offered by WIL includes the following:

### X-Ray Screening

- **Vehicle and Container X-Ray Screening:** WIL provides a unique vehicles x-ray system that can safely scan cars, buses, trucks and sea freight containers, each of which used to need its own system to produce effective results.
- **X-ray, Mail, Baggage and Cargo Scanners:** WIL provides a full range of x-ray scanners for mail rooms, hand baggage, hold baggage, cargo, and pallet scanners. The scanners comply with all regulations (EU, TSA, IATA) requiring dual view screening systems. Along with the scanners WIL supplies advanced management systems and control panels, as well as operator training modules.

### Threat and Contraband Detection

- **Metal and Weapon Detection:** Walk by and through metal detector systems help identify the presence of knives, guns, mobile phones or other weapons on a person. These are often combined with random search selection systems. Additional products in this category include metal detector gloves, pocket metal detectors, hospital waste bag metal detectors and food metal and weight detection conveyor.
- **Body and Orifice Scanning:** This includes both fixed and portable scanners to identify items both on the body and in the body and prosthetic devices. The systems are non-invasive and can detect everything from explosives to narcotics, weapons, metals and precious stones. The ability to conduct searches without physical interaction with someone is key in places such as airports and prisons.

### Detection

- **Radioactive Materials Detection:** These detection portals and handheld devices are used in commercial, industrial, medical and military applications to detect concealed radioactive materials.
- **Explosive and Narcotics Detection:** these are handheld detectors for explosives and narcotics in various forms analysers and detection test kits.

- **Fire Detection & Detector Testing:** products related to fire safety and maintenance for buildings and occupants including smoke, fire and carbon monoxide detector test kits, extension poles, and fire alarm systems and fire beam detectors.
- **Human Presence Detection:** This system offered by WIL can rapidly and effectively detect the presence of a person hidden in a vehicle, without having to unload and manually inspect the vehicle, a very time-consuming job. This has proven useful at border crossings, airports, sea ports, prisons and other government facilities.
- **Food Contamination:** Detection kits for food, liquid and toxic chemical contamination by the majority of poisons and toxic chemicals can be well documented and evidence can be preserved.
- **Marine and Underwater Systems:** The detection of underwater and surface threats by divers or swimmers or un-manned underwater vehicles can be effectively conducted with the diver detection sonar system, or with marine access restriction booms.

#### Barriers & Perimeters

- **Access Control:** As suggested in the name, this category of products includes a full range of barriers that can be installed to prevent or slow vehicular or people access to an area. Bollards and rising road blockers, arm barriers, hinged gates, pedestrian turnstiles and gates, defender barriers, road spikes, powered sliding gates, and ballistic protection gates.
- **Under Vehicle Security:** Often integrated with road barrier systems, under vehicle search or inspection systems are installed. These are waterproof enclosures that house cameras to provide an image of the underside of a vehicle or identifying contents of train cars. Also included in this category are search mirrors, crime detection kits and security containers, motion sensor and intruder detection systems, perimeter detection systems (fibre optic, portable and fixed radar, and microwave), as well as acoustic fibre optic pipeline security systems.
- **Car Parking Revenue Systems:** This includes manned and unmanned car park pay stations, as well as camera and access control systems.

#### Inspection & Search

- **Passport ID & Currency Checking:** Validation of a person's identity and checking for counterfeit money is becoming the norm. ID and currency checking are conducted using image capturing devices to authenticate documents and individuals.
- **Police Equipment:** Police and security personnel increasingly need assistive devices to do their jobs properly. These include a range of body worn cameras, speed cameras, interview recorders, metal detectors and search equipment and forced entry kits.
- **Tamper Seals and Tracking:** Tamper proof security seals and bottle/can tags to securing and identity labelling are using by government and commercial sectors. GPS tracking solutions for people, containers, merchandise and vehicles are more commonly used by commercial enterprises than they have in the past where military and intelligence agencies were the primary users.

#### Surveillance

- **Covert and Counter Surveillance:** Devices in this category are highly regulated in the EU and US, as well as other countries. Though, unregulated use for criminal or terrorist activity is increasing. Devices includes are covert drill systems (low noise), under door surveillance cameras and illuminators, wall analysers, surveillance probes, and covert cameras.
- **IP CCTV Solutions:** This system provides footage 24 hours a day, 365 days per year, with superior image quality and flexibility with video transmission capabilities. Files are compressed using an IP camera allowing transmission over an IP network and delivery via broadband, telecommunications and radar. This becomes particularly useful in remote regions and corrosive environments, and in extreme weather conditions.

## Health & Safety

- **Fever Detection, Testing and PPE:** More recently in very high demand with coronavirus pandemic, WIL is supplying a range of thermal camera fever detection systems to various organisations around the world. These systems are designed for mass screening, walk through, and handheld screening. In addition, WIL supplies medical grade personal protective equipment (PPE) of all types as well as hand sanitisers and face masks and screens. A mobile testing pod for coronavirus testing is also available.
- **Safety Equipment:** A comprehensive range of safety and fire kits are available, including, coveralls, First Aid, portable emergency lighting, safety barriers and cones, and safety illuminated markers.

## Explosive Ordnance Disposal and Improvised Explosive Device Disposal

- **EOD and IEDD:** These are blast protection devices such as bomb blast blankets, bomb disposal suits, hook and lines kits including self-gripping tolls and ropes, mine clearance vehicles and attachments, glass protective films to minimise glass spray in an explosion and to reduce solar hotspots, window blast mitigation blinds, and vessel window safety films.
- **Anti-drone solutions:** Portable and fixed anti-drone weapons are designed to disable and allow for recovery of the unmanned aerial vehicles using radio frequency (RF) bands without causing damage to the units. The use of drones is becoming increasingly disruptive, with the ability to carry explosives, disrupting airports and accessing restricted areas from an aerial view. The ability to disable them in a discrete manner, and allowing recovery of the device after disabling is increasingly important.

## FINANCIAL OVERVIEW

WSG has reached a critical mass in its operational base, positioning the company for continued year on year growth in the future. The start of 2020 was continuing on this trajectory with recurring revenue visibility of at least £8m, and due to some early foresight and prudent moves by the management team it appears that WSG is successfully weathering the negative impacts of the COVID-19 pandemic. **As the global economy begins to adapt to the new rules dictated by a global health pandemic and economies re-start, WSG is well positioned to execute on its growth strategy and drive returns for shareholders.**

Several parts of the WSG service offering are in demand in this global market shock, such as the supply of health and safety equipment (PPE and sanitisation stations etc.), as well as fever detection and other scanning technologies and services, all of which have experienced increased demand in recent months. The container screening operation at the Ghana's Tema Port has remained steady, generating solid returns throughout the pandemic. As part of the supply chain network for many companies, ports have remained operating as essential businesses in most cases, and have been largely unaffected by COVID-19 lockdown restrictions. On the flip side, airport operations globally came to an abrupt halt, and the West African airport operation where WSG is under long-term contract is no different. Operations there were initially suspended for 3 months starting March 22, 2020. The local authorities are assessing the re-start of operations as lockdown restrictions are being relaxed. We expect traveller levels to remain subdued through the end of 2020 at least, but are likely to pick up again to pre-COVID levels as vaccines are developed and become available.

H120 revenues were ~£7.0m, +24% y/y, driving profitability on both a pre- and post- tax basis. Cash now stands at £1.6m, up from £0.557m at year-end 2019. The strength of the business model and the focused management team has translated into increasing strength in the financial results. **The benefits from new contracts, as well as the longer-term investment in the business should continue to drive further transformational growth in both WSG divisions.**

### FY2019 Financial Results

WSG reported financials for the year ended 31 December 2019 as follows:

- Revenue:** Revenue was £10.9m (+63% y/y), driven by growth in both Technology Managed Services divisions. Managed Services revenue was £5.52m (+50% y/y) and Technology revenue was £5.36m (+80% y/y). Under Managed Services, recurring revenue from Maintenance and Services grew to £5.5m (+52%, y/y), including the addition of Euro Ops and a full year of Keyguard. Supply and Installation Contracts revenue was £3.5m (+144%, y/y), a significant increase from 2018 and a result of the \$3.48m contract for the provision of advanced container screening solutions to two separate ports in an Asian country.

**TABLE 3: REVENUE BREAKDOWN**

(£'000s)	Managed Services				Technology				Total			
	2016A	2017A	2018A	2019A	2016A	2017A	2018A	2019A	2016A	2017A	2018A	2019A
Supply of products	-	-	-	-	1,286.0	1,470.0	1,216.0	1,598.0	1,286.0	1,470.0	1,216.0	1,598.0
Supply and Installation contracts	-	-	-	-	177.0	36.0	1,420.0	3,468.0	177.0	36.0	1,420.0	3,468.0
Maintenance and services	2,758.0	3,386.0	3,471.0	5,291.0	160.0	264.0	342.0	298.0	2,921.0	3,650.0	3,813.0	5,589.0
Training Courses	16.0	174.0	219.0	234.0	-	-	-	-	16.0	174.0	219.0	234.0
Ferry Ticket sales	-	-	-	-	-	-	-	-	6.0	66.0	-	-
<b>Revenue</b>	<b>2,774.0</b>	<b>3,560.0</b>	<b>3,690.0</b>	<b>5,525.0</b>	<b>1,623.0</b>	<b>1,770.0</b>	<b>2,978.0</b>	<b>5,364.0</b>	<b>4,406.0</b>	<b>5,396.0</b>	<b>6,668.0</b>	<b>10,889.0</b>

Growth (%)	Managed Services				Technology				Total			
	2016A	2017A	2018A	2019A	2016A	2017A	2018A	2019A	2016A	2017A	2018A	2019A
Supply of products	NA	NA	NA	NA	14.3%	-17.3%	31.4%		14.3%	-17.3%	31.4%	
Supply and Installation contracts	NA	NA	NA	NA	-79.7%	3844.4%	144.2%		-79.7%	3844.4%	144.2%	
Maintenance and services	22.8%	2.5%	52.4%		65.0%	29.5%	-12.9%		25.0%	4.5%	46.6%	
Training Courses	987.5%	25.9%	6.8%		NA	NA	NA		987.5%	25.9%	6.8%	
Ferry Ticket sales	NA	NA	NA		NA	NA	NA		NA	NA	NA	
<b>Revenue</b>	<b>28.3%</b>	<b>3.7%</b>	<b>49.7%</b>		<b>9.1%</b>	<b>68.2%</b>	<b>80.1%</b>		<b>22.5%</b>	<b>23.6%</b>	<b>63.3%</b>	

Source: Company reports

*Revenue increased 63% y/y, while operating costs increased by only 3.5% y/y.*

*WSG reached an inflection point, turning EBITDA positive in 2019.*

*H120 repayments and conversions on CLNs reduces the outstanding balance to ~£1.6m.*

- **Gross margin:** Gross margin was 41%, down y/y as a result of the sales mix with a higher percentage increase of lower margin Technology Division product sales. As Managed Services contract revenue grows, we expect gross margin improvements annually.
- **Administrative Expenses:** WSG's admin expenses increased 12.5% in 2019 to £5.3m in total (2018: £4.6m). Excluding exceptional items and share-based payments, 2019 expenses were £5.2m, +3.5% y/y (2018: £5.0m) which is largely explained by increased inflation. This, in particular, demonstrates the operational gearing of the WSG business model. While sales were up 63% y/y, associated group costs only rose by 3.5% y/y, supporting step-wise growth in net income.
- **Profit/Loss and EBITDA:** 2019 losses after tax were £1.42m vs. losses of £0.5m in 2018. EBITDA was £54,000 a significant improvement on the £354,000 loss in 2018. This is in part due to the reversal of an impairment loss on the sale of the ferry operation in Sierra Leone which has been reclassified as a disposal group held for sale in the financial statements. Loss per share was 1.02p vs. a loss of 0.39p in 2018.
- **Cash and Equivalents:** Year-end cash and equivalents were £0.557m for the Group up from £0.29m in 2018. Cash at the bank constitutes the majority of this figure and was the majority of the increase from 2018 to 2019. We believe the Company is focused on carefully managing its cash position while it is executing on its strategic growth initiatives, in addition to ensuring there are adequate resources available while the global coronavirus pandemic continues.
- **Assets:** Total assets were £6.96m, down from £8.85m in 2018. Inventories were down in 2018 from £74,000 to £47,000 in 2019. Notably, the cost of inventories recognised in cost of sales was £3.2m, up from £1.3m in 2018, representing growth in Technology division orders. Trade and other receivables fell from £4.62m to £2.57m. The allowance for credit losses fell to £116,000 (-9.48% y/y). The average credit period on the sales of goods was 38 days down from 41 days in 2018. The Company does not have any expected credit loss on amounts recoverable on contracts.
- **Pension Scheme:** The Group stakeholder pension scheme totalled £44,000 in 2019, an increase on £21,000 in 2018. Pension contributions of £8,000 were outstanding at year-end 2019, up from £4,000 at the same time last year.
- **Borrowings:** Total outstanding convertible secured loans at year-end for the Group were £2.233m (£2.216m in 2018); a small convertible unsecured loan note of £0.179m also remains outstanding (£0.171m in 2018). Subsequent to year-end, WSG entered into a £3.0m mezzanine loan facility, and issued £1.75m in shares (14m @ £0.125) to RiverFort Global Opportunities. The mezzanine funds for repayment of the outstanding £2.245m secured loan notes and can be drawn down in tranches, repayable over 18 months. WSG also successfully achieved consent from its loan note holders to extend the maturity date to May 2021 and defer the planned redemption program, in light of the COVID-19 outbreak. During H120 repayments or conversions on the loan notes were executed, reducing the outstanding balance to ~£1.6m.

**TABLE 4: FINANCIAL SUMMARY**

Financials (£000)	2016	2017	2018	2019
Revenue	4,406.0	5,396.0	6,668.0	10,889.0
Gross Margin (%)	70.6%	59.3%	54.7%	40.8%
Operating Income	(1,389.0)	(5,487.0)	(1,035.0)	(823.0)
Operating Margin (%)	-31.5%	-101.7%	-15.5%	-7.6%
EBITDA	25.0	(1,234.0)	(354.0)	54.0
Net Income	(1,909.0)	(6,117.0)	(496.0)	(1,417.0)
Earnings per Share (£)	(0.0246)	(0.0560)	(0.0039)	(0.0102)
Shares (Dil Wgtd Avg)	77,716	109,194	126,152	138,862
Operating Cash Flow	(1,677.0)	(1,547.0)	(1,239.0)	(583.0)
Net Cash/(Debt)	(2,907.0)	(2,030.0)	(2,406.0)	(1,953.0)

*Source: Company reports*

**TABLE 5: FINANCIAL SUMMARY CONT'D**

<b>Financial Health</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Working Capital (£'000)	191.0	28.0	(27.0)	641.0
Current Ratio	1.2	1.0	1.0	1.3
Long-term Debt (£m)	3.1	2.2	2.5	2.5
Total Equity (£m)	2.3	(0.3)	1.1	1.9
LT Debt/Assets	0.5	0.7	0.3	0.4
LT Debt/Equity	1.3	(7.0)	2.2	1.3

<b>Financial Position (£'000)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Cash	152.0	392.0	290.0	557.0
Inventory	198.0	39.0	74.0	47.0
Debtors	894.0	693.0	4,616.0	2,566.0
Creditors	1,026.0	1,096.0	2,569.0	2,456.0
Total Assets	6,408.0	3,205.0	8,847.0	6,969.0
Total Liabilities	4,112.0	3,518.0	7,703.0	5,039.0
Total Equity	2,296.0	(313.0)	1,144.0	1,930.0

Source: Company reports

### Outlook

Q120 orders and revenue were ahead of budget. Passenger revenue in Q1 increased by 22% compared to the same time last year, with record passenger numbers recorded at the West African airport before its closure at the end of March due to coronavirus lockdown restrictions. The 5-year contract signed to provide managed services to the Ghanaian port is expected to provide a healthy stream of recurring revenue in the short to medium term.

The impact of the coronavirus is expected to be limited as the negative impact on airport security and training operations will be somewhat mitigated by sales of fever screening products and services and related PPE products. In fact, management reported that H120 revenue reached ~£7.0m, +24% y/y with pre and post-tax profitability. WSG management moved quickly to implement logistical and organizational changes at the beginning of the outbreak, reducing costs and deferring all planned capital expenditures. Social distancing and other safe working practices were implemented and many staff were re-positioned to work from home. Early action taken with suppliers and supply chains has secured existing revenue streams and resulted in some new potential revenue streams. The technology division was awarded a \$665,000 contract for the provision of fever screening systems and sanitation stations to a leading investment management corporation. The Group has also successfully completed trials of its fever screening solutions in association with Menzies Aviation and Air France at Stockholm Airport. This equipment could provide a significant revenue stream for the Company if use of protection equipment becomes more widespread both in the short and long-term as a result of the pandemic.

*WSG successfully completed fever screening solutions trials with Menzies Aviation.*



### SWOT ANALYSIS

#### Strengths:

- Strong and experienced management team transforming growth opportunities into reality;
- Expansive global network of specialist agents and partners with expertise in security and defense solutions;
- Diverse product and solutions platforms backed with state-of-the-art technologies – providing a comprehensive service offering;
- Multiple revenue streams from diverse sources providing resilience to regional and sector disruptions;
- Global reach with strong relationships in growing frontier markets and remote locations;

- Stable and growing recurring revenue base with a high proportion of fixed costs, driving profitability growth i.e. Operationally geared; incremental revenue opportunities further support growth
- Established and trusted brand presence in a very complex market, with a top tier client base;
- Flexible and proven business model with no cost to the customer and capital recovery typically within 12 to 18 months of project start.
- WSG management has positioned the company well to weather the COVID-19 pandemic. The growth opportunities that potentially follow are likely to be driven by the modification of previous strategies to adapt to what is deemed a 'new normal' for the effective management of the pandemic. WSG is well positioned to service existing and new clients with security solutions that meet the changing regulatory environment.

#### **Weaknesses:**

- Operates in a diverse industry, that is subject to continuous change and innovation – though WSG actively manages its exposures by carefully monitoring its key performance indicators and regularly updating its strategic plan.
- The timing for the award of new contracts is unpredictable, and negotiations can take time and are often interrupted without notice.
- Initial capital investment in project development and strategy is required, though is recoverable with project implementation.

#### **Opportunities:**

- Increasing global market demand for security products and solutions across all three market segments
  - ✓ **LAND:** The global Homeland Security market is expected to reach US\$50.5b by 2025 with CAGR of 5% protecting government facilities, transport hubs, financial institutions and markets, perimeters and borders, as well as critical utility and communications infrastructure worldwide. The combination of physical and technological security solutions is resulting in more effective solutions against increasingly complex threats and attacks.
  - ✓ **SEA:** The higher demand for protection of global supply chain networks at ports and harbours, ferries and cruise terminals, offshore platforms and coastal defense is driven by increased terrorist, crime and natural disaster hazards. Over the next five years, growth in container trade is forecast to be nearly 5% per year through 2024. This is about 1% higher than the prior five years.
  - ✓ **AIR:** This includes security at airports, for airlines, cargo hubs and flight operations worldwide. The number of passengers travelling by air by 2037 is expected to more than double from 2017 to 8.2b. Notwithstanding the impact of COVID-19 on the travel industry, air travel will, in due course, resume its upward growth trajectory. It is widely anticipated that recovery in emerging markets is likely to be much more rapid than first world hubs and vacation destinations, since intercontinental travel by air is more a necessity and driven by need with road and rail transport being much more challenging.
- The number of security products and technologies to address new risks and threats is continuously increasing – WSG is product agnostic with the ability to stay up to date with a state-of-the-art offering.
- Barriers to entry are high requiring a strong and trusted brand reputation, supported by extensive experience and expertise in management and partners.

**Threats:**

- There is a growing number of competing security and risk companies – though many still in targeted security verticals instead of providing a comprehensive offering.
- The legislation for training of employees and regulation for security standards are constantly under review and subject to change and varies considerably across geographic locations
- Emerging markets are challenging business environments in which to operate, often with language, logistics and cultural differences that interact with business methods. Though these are some of the highest growth markets, given the industrialisation and significant growth of a middle class.
- Natural disasters and other natural hazards can have very negative impacts on the public health and safety, and economic status of a country. The ability to effectively prepare and position for these disruptions is unique to WSG.

## COMPETITORS

WSG has built a global business model that has few direct competitors when all business segments are considered. The physical security market tends to be quite fragmented on a global basis. When we segment WSG's diverse range of revenue streams and the operations they represent, there are many local and regional competitors within each vertical. However, there are few credible competitors able to offer the range of services that WSG provides, particularly in emerging markets where WSG is focused.

### G4S

G4S is a well-known provider of security services and technology in more than 90 countries. The Company's business model is to provide integrated security solutions to its global customers. These solutions span technology, security professionals and data. G4S has a broad offering, as a diversified company which includes cash management and technology solutions, consulting services, as well as care and justice services.

### Petards Group Plc

Petards Group supplies commercial customers and central and local governments with a range of electronic and security products and systems primarily in the UK market.

### Smiths Group Plc

Smiths Group is a global diversified group of companies with five main divisions in more than 50 countries. The five main divisions include: John Crane (seal, bearing and filtration products), Smiths Medical (drug delivery and infusion devices), Smiths Detection (security sensors), Smiths Interconnect (electronic connector, microwave and protection products), and Flex-Tek (HVAC and fluid management products).

### ICTS International

ICTS International provides security technologies and services that specialise in aviation security including online ID authentication and screening technologies solutions. Through its subsidiaries the Company provides aviation security services at airports in Europe and the Far East, non-aviation security services in the US and develops technological and authentication solutions for institutions.

### ADT

ADT is a US based provider of security, automation, and smart home solutions. The Company serves businesses and private individuals in locations across America. ADT solutions include DIY, mobile and digital offerings for residential properties, small businesses and larger commercial customers.

### Prosegur

Prosegur is a global provider of security services and equipment across 26 countries. Its services include security patrol and protection of premises, goods and individuals. It also installs and maintains security equipment, devices and systems and provides protection for goods in transit that require it due to their economic value,

**Securitas AB**

Securitas provides security solutions to airports, authorities and airlines. The Company has contracts in 34 countries across 230 airports. Securitas provides services including X-ray screening, technological solutions, document verification and access control and monitoring. The company operates in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia.

**Codan Ltd.**

Codan develops electronic solutions for international governments, corporates, NGOs and consumer markets, including radio communications, metal detection and tracking solutions.

**Allegion Plc**

Allegion offers mechanical and electronic products and security services and systems for commercial, institutional and residential customers in the Americas, Europe, the Middle East, India, Africa and Asia Pacific. Products include biometric systems, vehicle recognition technology and other customized engineering services.

**TABLE 6: MARKET COMPARABLES**

	WESTMINSTER WSG LN Equity	G4S PLC GFS LN Equity	PEG LN Equity PETARDS GROUP PL	SMIN LN Equity SMITHS GRP PLC	ICTS INTL NV ICTSF US Equity	ADT INC ADT US Equity	PROSEGUR PSG SM Equity	SECURITAS AB-B SCTBF US Equity	CODAN LTD CDA AU Equity	ALLEGION PLC ALLE US Equity
Currency	GBP	GBP	GBP	GBP	USD	USD	Euro	USD	AUD	USD
Market Cap (m)	14.84	2058.97	4.75	6016.41	104.53	6364.82	1320.69	5178.00	1459.74	9885.09
Price Earnings Ratio (P/E)	NA	NA	NA	193.41	NA	NA	3.27	NA	NA	21.20
EV to BEst EBITDA	NA	7.27	NA	NA	NA	7.69	NA	NA	NA	19.30
EV/Next Yr Est EBITDA	NA	7.03	NA	13.55	NA	7.37	5.18	8.01	11.97	17.58
Est P/E Next Year	NA	9.41	NA	18.84	NA	8.81	10.87	12.35	21.17	23.86
Net Debt	2.01	2,156.00	0.53	1,220.00	-16.76	9,773.28	903.66	17,968.00	-37.52	1,153.80
Fiscal Year End	12/2019	12/2019	12/2019	07/2019	12/2019	12/2019	12/2019	12/2019	06/2019	12/2019
Revenue	10.889	7758	15.706	2498	333.307	5125.657	4198.212	110899	270.811	2854
52 Week High	15.5	223.4	24.0	1778.5	4.1	9.0	4.4	15.9	8.6	139.2
52 Week High Date	15/07/2019	16/12/2019	15/07/2019	13/02/2020	23/01/2020	27/11/2019	17/07/2019	04/02/2020	19/02/2020	14/02/2020
52 Week Low Date	31/03/2020	03/04/2020	23/03/2020	18/03/2020	22/07/2019	23/03/2020	15/05/2020	24/03/2020	16/07/2019	23/03/2020
52 Week Low	5.10	69.92	4.15	790.00	0.84	3.41	1.78	9.51	3.62	77.37
BEST Div Yld	NA	NA	NA	NA	NA	1.9%	NA	NA	NA	NA
Return on Assets	-17.92	-1.61	-1.38	5.01	-8.15	-3.95	9.63	4.89	18.90	11.59
Return on Common Equity	-73.83	-18.33	-2.55	11.39	NA	-18.69	41.83	16.02	25.39	51.73

Source: Company reports

**RISKS****Global Market Environment**

- COVID-19 and other global events
- Governments in Frontier Markets
- Geopolitical
- Market

**Company Specific**

- Physical risks to employees
- Loss of key employees
- Financial – potential for bad debt; cash flow management and FX
- Legal and regulatory
- Compliance
- Technology – cyber attacks to the Company and to operational sites
- Counterparty

**MANAGEMENT AND BOARD****Chairman: Rt. Hon. Sir Tony Baldry**

Sir Tony is a practising barrister. He was awarded the Schumann Silver for contributions to European politics in 1975.

Sir Tony served as an MP for North Oxfordshire from 1983 to 2015, holding several ministerial posts during the 1990's. He served as Minister of State for the Ministry of Agriculture, Fisheries and Food and Parliamentary Under Secretary of State in the Foreign and Commonwealth Office. He served as Chairman of the House of Commons Select Committee on International Development in the 2010 Parliament.

**CEO: Peter Fowler**

Peter has over 40 years of experience in the security industry and has built and sold two successful security businesses. He founded specialist electronics security company Sovereign Security Systems Limited which was acquired by Britannia Security Group PLC in 1987.

From 1990-96 Peter served a Managing Director of the newly acquired security of Menvier-Swain Group PLC. He has been CEO of the Westminster Group since leading a management buy-out of the business in 1996.

Since selling the UK alarms business to Chubb in 2000, Westminster has developed into a global business with a blue-chip client base.

**CFO: Mark Hughes BSc MBA FCA**

Mark has over 30 years of experience of leading groups, divisions and companies. His experience is encompassing companies of all sizes from pre-revenue to hundreds of millions in turnover. Many of them are listed on both the main market and AIM market including Hall Engineering (Full), Royal Dalton (Full), Axon (Full) and Mediwatch (AIM).

Mark joined Westminster Group in November 2018.

**COO: Stuart Fowler**

Stuart studied electronics computing and business, obtaining a Bachelor of Engineering Honours degree in 1996. He successfully pursued a career in software development, implementing projects for listed companies before joining Westminster Group.

Stuart joined the Company as IT manager in 1998 and was appointed Director in 2000. He is now responsible for overseeing the group's operations and technical implementation worldwide.

**Non-Executive Director: Charles Cattaneo**

Charles has over 30 years of experience in corporate finance gained through a career in investment banking, industry and accounting professions. He is a Fellow of the Securities and Investment Institute, with an MBA from Birmingham University in Commerce.

Charles is the Director of a number of public and private companies and founder of Cattaneo LLP. His namesake firm specialises in providing corporate finance advice to listed, AIM and private companies. Earlier in his career Charles was a corporate finance partner at KPMG and Grant Thornton. He is currently Chairmen of the Midlands Regional Advisory Group of the London Stock Exchange.

**Non-Executive Director: Lady Patricia Lewis**

Patsy has considerable public relations and marketing experience as Group Business Development Director with Bell Pottinger, a leading full-service communications company before joining Huntsworth PLC as Senior Group Advisor in 2017. She recently set up Your Big Day Ltd. which provides innovative video gifts for birthdays and celebrations.

**Non-Executive Director: John Mawuli Ababio**

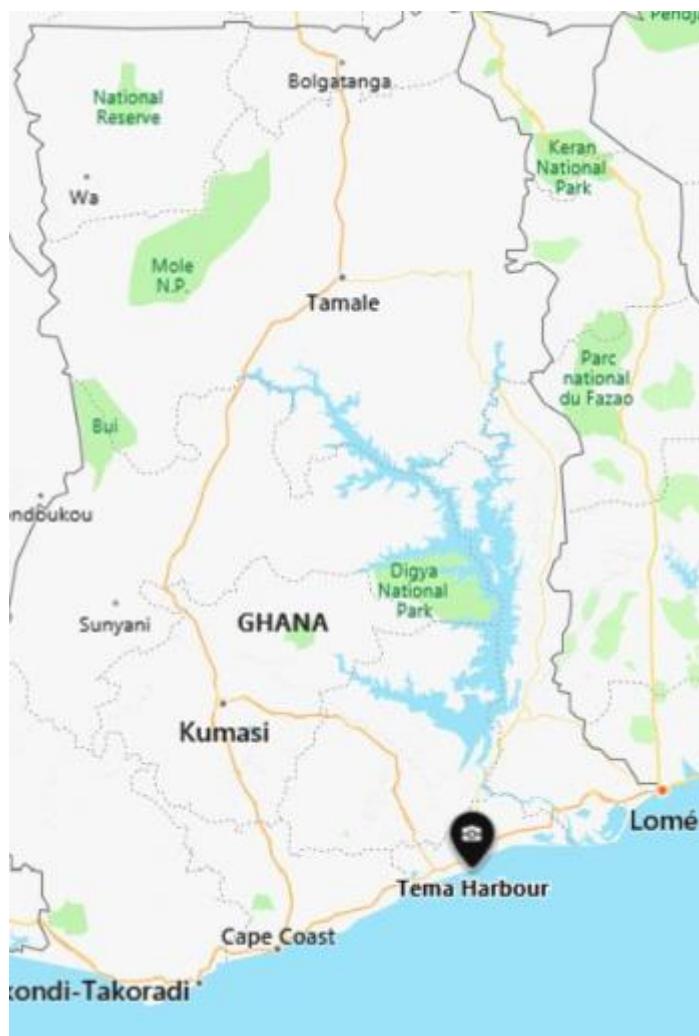
Mawuli has over 30 years of experience in structuring private equity and project financing transactions in Africa. He began his career as an analyst at SIFIDA Investment Company before joining the African Development Bank in Abidjan in 1991. He subsequently worked in Ghana at the UK Commonwealth Development Corporation as a manager of one of their first sponsored African SME funds and in South Africa as Managing Director of the Africa Venture Capital Association.

Mawuli has extensive board and corporate governance experience serving on several listed and unlisted boards over 20 years. He has worked in both Executive and Non-Executive Director roles. From 2012 he has served as Vice-Chairman/Managing Partner of PCM Capital Advisors, a regional private equity fund with a portfolio covering countries in the West Africa sub region.

## APPENDIX - WSG Tema Port in Ghana

**Type:** Container Port Terminal 3

**Location:** 28km east of Accra at 5°38'N and 0°01'E.



Source: Google Maps

Tema is Africa's largest man-made port. Opened in 1962 the port handles imports, exports and transit cargoes from the landlocked countries of Burkina Faso, Niger and Mali. (Supermartime.com) Tema is the 3<sup>rd</sup> busiest port in West Africa, behind Lagos and the combined Lomé Container Terminal and Togo Terminal. The weakness of the port has been its 11.5m draught, limiting it to receive container ships with a capacity of 5,500 TEUs. Modern ships have twice this capacity.

The port handles 80-90% of Tema's annual container volume, with 836,000 twenty-foot equivalent units (TEU) in 2018. The port is run by Meridian Port Services, a JV between Ghana Ports and Harbours Authority (30%), APM Terminals (35%) and Bollore Transport and Logistics (35%).

(The Africa Report)

**Facilities:** The harbour entrance is 240m wide, and now allows access for large vessels up with a draft up to 15m.

**Anchorage:** Good anchorage is about 1.5-4km ENE to SW off the main harbour entrance. Depth is 8-18m with good holding ground. The eastern area has the most suitable anchorage without additional swell reflected from the breakwater.

**Berths:** The berth capacity has expanded from 12 to 21 berths. Draughts range from 8.2-16m. Tankers up to 244m long and 9.7m draught can be accommodated in the oil berth.

The port authority operates 5 tugs, 3 with a 60 bollard pull and 2 with an 80 bollard pull. Towage is compulsory with the harbour.

**Tides:** Tide heights of 1.6m at MHWS, 1.3m at MLWS and 0.7m at MLWN recorded twice daily.

(Ghana Ports.com)

**FIGURE 1: GHANA TEMA PORT**



Source: MPS

### MPS EXPANSION PROJECT AT TEMA

The US\$1.5 billion Tema Port Expansion Project by Meridian Port Services (MPS) is nearing completion at the end of 2020. MPS is the operator of the container terminal at Tema Port and is supervising the construction of all port expansion facilities. The necessary funding for the project was secured by MPS from the International Finance Corporation (IFC), a member of the World Bank Group, as well as the Shareholders of MPS.

China Harbour Engineering Company is the marine contractor. The project is expected to triple Tema Port's current traffic of about one million Twenty-foot Equivalent Units (TEUS) to about 3.5m TEUS annually. A dredged 19-metre-deep port access channel, a new 1.4-kilometre-long quay for four container berths, with a 16-metre draft, and a 4-kilometre-long breakwater will enable the expanded Tema Port to accommodate some of the world's largest container ships, and improve cargo-handling services and capacity. This will enhance the port's competitiveness as a leading maritime hub in West Africa. (Aecom.com)

MPS consortium investing US\$1.5bn in the new terminal to meet the needs of the growing Ghanaian economy and the sub-region. The new terminal has two berths, 600m long, and includes a tugboat berth, which became operational in June 2019. The capacity of the terminal is 1m TEUs per annum. The third berth became operational during Q120 that is 1100m long and a fourth berth is planned for H220, scheduled to be 1400m long. Currently, we estimate the terminal will have a capacity of 2m TEUs per annum.

All containers will be screened on entry to and exit from the port, by x-ray screening or secondary search processes. WSG selected as the technical partner as part of a 5-year renewable agreement, undertaking recruitment, training and deployment of the screening personnel and the set-up and management of screening offices, logistics and operations for container screening.

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