

Learning Technologies Group PLC

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Team17, Frontier Devs and Learning Tech are Berenberg's top picks for 2020

Shares in Learning Technologies Group PLC (LON:LTG), Team17 Digital Ltd (LON:LTG) and Pebble Group PLC (LON:PEBB) were lifted on Monday as they were singled out as "top picks" in the technology, media and telecoms (TMT) sector by analysts at Berenberg.

Along with Future PLC (LON:FUTR), Codemasters Group Holdings PLC (LON:CDM) and Frontier Developments PLC (LON:FDEV), all six stocks were tipped as a 'buy' following a year when the bank's TMT picks collectively gained 46% to outperform the FTSE 250 by 21%.

Berenberg also hiked its share price targets for several of them, lifting Team17 to 500p from 375p and Learning Technologies as the share price target was upped to 180p from 140p.

Alfa Financial Software Holdings (LON:ALFA), which was downgraded to 'sell' from 'hold', was among one of the three least-preferred mid-cap TMT picks, along with Moneysupermarket.com Group PLC (LON:MONY), also a 'sell', and Euromoney Institutional Investor PLC (LON:ERM), at 'hold'.

GB Group PLC (LON:GBG) and GlobaData PLC (LON:DATA) were also both downgraded to 'hold' from 'buy'.

Supportive trends

Although valuations are back close to peak levels, with six out of eight subsectors at three-year highs, analysts remain very positive on long-term prospects, as the sector is generally exposed to "structural growth and solid internationalisation" trends.

Indeed, in the video games sector that encompasses Team17, Codemasters and Frontier, the average share trades for 33 times earnings, which the analysts argue is justified as the end market is "the fastest-growing and largest media market globally" and all companies "enjoy arguably the strongest structural macro tailwinds of any sector in our coverage".

The companies "most likely to deliver material upgrades" in 2020 are Team17, Frontier, Future and Learning Technologies.

Led by Team17, which offers 90% upside risk for its strong back catalogue, a pair of games to watch out for in 2020 and a 3x net cash position which can be used for accretive M&A.

Frontier, offering 80% earnings upside, sold more units of its latest game, Planet Zoo, on day one than any of its previous titles and the analysts see "material upside" to estimates.

Print and digital publisher Future's diverse portfolio offers 50% earnings upside if it can sustain its double-digit organic growth rate as it has done for the past three years, as well as realising revenue synergies from the acquisition due to

Price: 161.2

Market Cap: £1.08 billion

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: LTG

Listing: AIM

52 week **High** **Low**
 174.4 62.5

Sector: Hardware & electrical equipment

Website: www.ltgplc.com

Company Synopsis:

Learning Technologies Group PLC (LTG) is a market-leader in the fast-growing workplace digital learning and talent management market. LTG offers large organisations a new approach to learning and talent in a business world driven by digital transformation.

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complete in the spring. Add in the capacity for further M&A and the upside potential rises to 70%.

On corporate e-learning solutions provider Learning Technologies, Berenberg sees "three avenues through which the company can deliver organic upgrades above consensus figures: upcoming large contracts, better-than-expected client retention; and/or better platform and software margins."

Seeing consensus numbers as possibly around 10% "too low" in 2020 and 20% short for 2021, if around £150mln of potential M&A is factored in the market's numbers could be "circa 45%/75% too low over the next few years".

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