

specialist lender

GENERAL CAPITAL (GENC)

GENERAL CAPITAL (GC) SERVES A NICHE MARKET IN the UK. The specialist lender offers financing to small- to medium-sized businesses, either to buy assets or as venture finance. The business floated on Aim last year after 15 years as a private company, with the aim of expanding its loan portfolio from £35m to £100m within three years. GC typically lends between £10,000 and £1m, but it also acts as a finance broker for larger deals. Over the past three years, the gross return on loans has remained within a healthy 15-25 per cent range, with bad debts accounting for less than 3 per cent of the book.

Asset and property finance is the bread and butter of the business, accounting for around 50 per cent of its total lending. And property finance accounts for 20 per cent of that, so the current strong property-market conditions bode well. Admittedly, a significant slowdown in the property market could affect sentiment, but deputy chairman Jonathan Hill argues that GC has never suffered a bad debt in this part of its portfolio.

The other part of the business, venture

finance, lends to early-stage businesses, turn-around situations and management buyouts. It is also increasingly being sought out by smaller quoted companies that have fallen upon hard times. Now, with credit conditions tightening, GC's management believes it will see more potential business coming its way as mainstream lenders tighten their criteria. The overall portfolio is well diversified, too, with more than 1,000 UK clients in a range of sectors, so the top 10 clients account for less than 20 per cent of total loans.

Looking ahead, GC hopes to exploit its quoted status for future acquisitions. Management has a good track record in this area. However, there is the risk that shareholders could be diluted by acquisitions.

In November, broker Daniel Stewart forecast pre-tax profits of £955,000 for 2006, rising to £2.55m in 2007, which values the company at 14.5 times future earnings. Now, with rising profits, a well-diversified portfolio and a management team with a good acquisitive track record, GC's shares are a buy.



BULL POINTS

- Growing fast in an under-served niche
- Bad debts are stable
- Growing reputation is attracting more business

BEAR POINTS

- Acquisitions are likely to require share issues
- Shares are illiquid

GENERAL CAPITAL 148p

Aim

ORD PRICE: 148p MARKET VALUE: £24.6m
TOUCH: 143-153p 12-MONTH HIGH: 148p LOW: 100p
DIVIDEND YIELD: na PE RATIO: na
NET ASSET VALUE: 99p*

YEAR TO 31 DEC	TURNOVER (£M)	PRE-TAX PROFIT (£M)	EARNINGS PER SHARE (P)	DIVIDEND PER SHARE (P)
2004	2.56	0.65	na	nil
2005	6.15	0.85	na	nil
% change	+140	+31	-	-
Market makers: 1	Normal market size: 1,000	Beta: -0.18	Last IC view: na	
*Daniel Stewart forecasts				

BULL POINTS

- Will soon start generating cash
- Promising exploration properties
- Cash in the bank

BEAR POINTS

- Shares difficult to trade
- Slow progress on Vietnam property

TRIPLE PLATE JUNC. 21p

Aim

ORD PRICE: 21p MARKET VALUE: £20m
TOUCH: 20-21.5p 12-MONTH HIGH: 27p LOW: 14p
DIVIDEND YIELD: nil PE RATIO: na
NET ASSET VALUE: 24p* NET CASH: £6.6m

*Includes intangible assets of £15m, or 16p a share

YEAR TO 31 MAR	TURNOVER (£M)	PRE-TAX PROFIT (£000)	EARNINGS PER SHARE (P)	DIVIDEND PER SHARE (P)
2005	nil	-709	-1.81	nil
2006	nil	-381	-0.42	nil
% change	-	-	-	-
Market makers: 6	Normal market size: 3,000	Beta: -0.27	Last IC view: Buy, 27p, 5 Jan 2007	

gold & copper mining

TRIPLE PLATE JUNCTION (TPJ)

THE HOLY GRAIL FOR SMALL MINING COMPANIES

these days is cash flow. That's because institutional investors are less willing to look ahead several years in the hope that grassroots exploration pays off, and are instead demanding some return on the continuing strength in metals prices. The net effect is that equity fund-raising is much harder to get away for miners that have no imminent profit prospects.

Geoff Walsh, chief executive of Triple Plate Junction (TPJ), saw the writing on the wall last year so, in October, he snapped up an opportunity in Zambia that ought to see the company generating cash flow by February.

TPJ bought two small copper mines and, for a total outlay of \$1.6m (£810,000), is also putting two smelters into operation. According to Mr Walsh, the project should pay for itself within 12 months, as long as copper stays above \$5,000 a tonne. After that, the resulting cash flow will be used to fund exploration.

That means TPJ has much more room for

manoeuvre on its two core exploration properties: Otibanda in Papua New Guinea and Pu Sam Cap in Vietnam. Pu Sam Cap has been Triple Plate's core project for a long time, but progress has been slow. So results from Otibanda, released in December, which showed encouraging grades in early-stage sampling caught investors' imagination. The real question now, according to Mr Walsh, is whether Otibanda is mineralised at depth. Drilling is due to start soon to determine that issue. So, after a lull in January, TPJ's shares may tick up in anticipation of the results, albeit on their typically low trading volumes.

Work is also continuing in Vietnam and Mr Walsh expects some "big strides forward" this drilling season. A drill rig is being taken to the licence and, once there, it ought to drill until June or July, thereby generating plenty of data.

With over £6m in the bank, TPJ's funding looks secure, too. So its institutional investors are reportedly very happy. Buy.

