THE SMALL COMPANY

SHARE WATCH

August 2023

MARKET COMMENT

The highlight over the last month was (slightly) better inflation for the UK and further afield, buoying equity markets.

In the prior month, the FTSE-250 was the most sensitive measure highlighting renewed pessimism on the outlook for UK equities. This month the same index was the best indicator of returning optimism. Sentiment on UK prospects is fickle!

No one knows whether one month's inflation numbers are a sufficient foundation for markets to make substantial progress. Despite the analyst and media obsession, inflation is not a particularly useful indicator for equities as a whole. Plus the track record for forecasting inflation is appalling, from central banks down.

Nonetheless, the UK market is very cheap and investors are desperate for a catalyst to unlock the potential implied by generationally cheap valuations.

More M&A activity would be a meaningful indicator and vote of confidence. If there is a General Election before that, history suggests you should buy depressed small caps in volume on a Labour victory.

Last but not least of the possible catalysts, sometimes all or most of the possible bad news is in the price, sufficient for the Smart Money to buy, and put a floor under prices. If that is what has occurred over the last month, with a little nudge from the inflation numbers, the FTSE-250 index needs to hold above 18000, just 5% below the level today. That provides a close-at-hand level at which to consider setting a stop-loss i.e. if breached, sell individual stocks.

Small cap investors must keep an eye on this index - where it leads, the smaller companies will tend to follow.

The wild card in this equation remains the US. Its vulnerability derived from rare overvaluation is well understood, similarly the very narrow leadership of a handful of tech stocks. In addition, a range of very short indicators are flashing red, the implication being an elevated risk of notable volatility in the weeks ahead.

DR. MARTENS (DOCS)

Sector :	Personal Goods	
Latest Price :	148p	
High/Low :	293p - 113p	
Market Cap. :	£1.48bn	
Shares in issue:	1bn	
end3/2024 EPS/PER est	10.3p	14.4
end3/2025 EPS/PER est	12.1p	12.2
end3/2026 EPS/PER est	14.1p	10.5
Contact	020 3908 6901	
Registrars	0345 607 6838	
CALENDAR		
Int/Fins/AGM	NOV/JUN/JUL	

Retailer **Shoe Zone** (SHOE; 240p) recently delivered a remarkable trading update, saying that both June and July had been exceptionally strong trading months, in the light of which brokers upgraded for the second time in as many months - this time eps forecast is upgraded by 29%.

Unusually, the company says the surge in sales has come outside the back-to-school season and has instead been driven by shoppers opting to trade down. Although Shoe Zone sells some branded shoes (including the grunge shoes made by Dr. Martens), most of the stuff it sells is its own private label, primarily made of plastic, and with the majority priced at an affordable £10.

Shoe Zone was covered at 67p in the March '21 issue of *SCSW* and has climbed vertically to 240p since. But shares in Dr. Martens, the subject of this article, which has been listed since 2021, have been going in the other direction, down from a high of 503p to a low of 113p after encountering issues when consignments arrived too early at its Los Angeles distribution centre causing temporary issues and triggering three profit warnings in five months. But this is a high grade business and I think now is the time for shareholders to grab the shares with both hands.

Both Direct To Consumer specialists

As I have previously described, what had attracted me to Shoe Zone was that whilst manufacturing of its shoes is directly outsourced to factories in China, it has a direct to consumer (DTC) strategy of selling via its own network of stores and website, eliminating dependency on traditional wholesale distribution. By

In this issue

Kooth
£150m contract win

Dr. Martens
Will have right sized US inventory by H2

Luceco
Results at top end of expectations

Supreme
Accelerated trading in the first three months

Kitwave
Well set for 13th acquisition

Shoe Zone
Second upgrade in as many months;
this one +29%

Yu
Records keep falling

Reach
Material cost programme benefits to come

Revolution Beauty
Direct to consumer cosmetic business

--

• Next issue on Saturday 16 September

Always remember the risks in buying shares. With small companies there is an above average degree of risk compared to buying blue chips. Please be aware that we have not assessed the suitability of any of these investments for you. The newsletter simply states a personal view and diarises the editor's investment decisions. You should therefore consider this publication as information only and not as a recommendation to engage in investment activity. Please speak to your stockbroker or other qualified individual to ascertain whether any of these companies mentioned would form useful additions to your own portfolios. Past performance is no indication of future success.

selling shoes in this way, the company gets to keep more of the margin: in spite of its low price point, Shoe Zone has a respectable gross margin of 24% and its pretax margin is expected to have increased to c.8.2% in the latest year, thanks to the increased volumes generated by its successful value-driven approach.

Dr. Martens' strategy is similar and it too has embraced DTC. However its customers are clearly deep pocketed with the shoes in the £99-£199 range versus £10 for Shoe Zone. But it's interesting to note that the company makes 2x-4x the profit per pair of boots/shoes sold direct rather than selling the same item via wholesale. Unlike Shoe Zone, it has also expanded internationally, driving sales past £1bn, with a strong focus on EMEA and the Americas, while also identifying APAC as a crucial long-term growth driver. Even despite suffering a blip last year, strongly driven by those bigger volumes and price points, its gross profit margin still sizzled at 61.8% with ebitda of 24.5%, putting those at Shoe Zone somewhat in the shade.

CEO buys 310,000 shares

The warehouse issues I refered to are a temporary headwind. The year to March 22 had seen the company battle with the doubling of shipping times from the Far East to the US but FY23 saw management have the ignominy of having to tell shareholders that too many containers containing shoes had landed at once, overstuffing its newly opened warehouse in LA, impacting wholesale shipments and forcing it to open three temporary US warehouses. The costs of rectifying the US problems alongside slower than hoped for sales growth led to a 26% tumble in pretax profit to £159m in the year to 31 March. Inventory ballooned by £123m to £257m.

But I think the problem will soon be ancient history. CEO Kenny Wilson, who gives analysts presentations wearing jeans and a casual shirt (and presumably DMs under the desk), told shareholders at the company's AGM this month that strong DTC sales means the business is on track to hit its profit guidance for the year, in particular helped by "very good growth" in DTC across both EMEA and APAC.

By the second half of this year, Wilson thinks things will also be humming in the Americas because the excess inventory in America is predominantly best-selling, "continuity," black boots and shoes and he sees minimal markdown risk. And he has followed up by putting his money where his mouth is by buying 310,000 shares at 129p.

Rich history

The rich history of Dr. Martens dates back to 1945 when 25 year old Dr. Klaus Maertens, a German soldier, poignantly designed a unique air-cushioned sole for his broken foot. Teaming up with his friend and engineer, Dr. Herbert Funck, they subsequently began producing their shoes.

In 1959, Northampton-based shoe manufacturer R Griggs bought the rights to manufacture the sole in the UK and as part of this entered into an exclusive and perpetual global licensing agreement with the Funck and Maertens families, where it pays them a 2% royalty on everything produced. This is accounted for in the P&L through operating expenses - making the huge margins that Dr. Martens has all the more amazing!

A year after the deal, R Griggs went on to launch its first product, the eight holed *1460 boot* with the distinctive yellow welt stitch, grooved sole and black and yellow heel loop. The shoe was quickly adopted by postal delivery workers and factory staff but the shoe then became popularised in the 1970s, an era marked by "Two Tone" music, goths, punks, rockers, and skinheads, when Dr. Martens (or DMs) were embraced as a symbol of rebellious self-expression, fuelling a surge in sales and solidifying the brand's position. An early influencer was singer Pete Townshend of The Who, who wore Dr. Martens as a symbol of his working class pride and rebellious attitude.

In 2014, the private equity firm Permira paid the Griggs family £300m for the business, subsequently reshaping the Dr. Marten's leadership team, including the appointment of Kenny Wilson as CEO in 2018. Three years later in January 2021 and much enlarged, the business joined the main market at 370p with Permira subsequently selling down part of its holding but still retaining 36%.

Wilson, coming from a background in other consumer-branded businesses, including Levi Strauss, has changed the business during his time. These days, for instance, Dr. Martens directly sources nearly all its shoes and boots through third party manufacturers (13 sites in Asia) with just 1% produced at Northampton from where they are distributed either to Dr. Martens' 13 distribution centres or directly to distributors or wholesale customers. Wilson has already simplified the group's ranges, introduced new IT systems and transformed the business model from a family run wholesale business into a fast growing digital-led DTC consumer brand with international reach - it now sells in over 60 countries, with Europe, the Middle East and Africa contributing 44% of sales followed by Americas at 42% and APAC at 13%.

Unique Brand Identity

Sometimes fashion fortunes are made by launching at the younger end and drifting older with the customer with new ranges but Dr. Martens hasn't had to do this because it seems that customers like the brand so much that they buy the same shoes again, with over 60% of UK sales (its largest market) coming from repeat customers. A typical buyer tends to acquire a pair in their late teens and then goes on to buy an average 2.8 pairs, according to Wilson.

Such longevity of its "trendiness" is rare but the corollary is that 75% of what it sells each year is Continuity and has stayed the same for years. In fact around 40% of sales is the original 1460 boot. This gives the business strong pricing power, confirmed in market surveys, which is obviously important in this high inflation time.

The "Originals" range, most renowned with Dr. Martens, represents 50% of sales. Originals is rooted in three key iconic styles, which are the 1460 boot, *the 1461 shoe* and the *2976 Chelsea boot*, all with the distinctive features of a Dr. Martens' boot, namely the trademark yellow welt stitch, grooved sole and black and yellow heel loop. Variations in different colours, materials and prints have subsequently been added.

The "Fusion" range is approx 35% of sales and also has a strong Dr. Martens feel e.g. a chunky sole plus often yellow stitching. The range contains platform boots and shoes, sandals and heels, and ramps up or tones down the core brand DNA, for example, putting some extra height in the heels such as with its Chelsea boots. Innovation to stretch the brand across many subsegments of the footwear sector has played a crucial role and these are growing quite quickly as evidenced by the success of their sandal products, which now constitute 6% of total revenues compared to 3% in the previous year.

The remaining 15% of sales is made up of children's shoes and accessories.

Direct-to-consumer acceleration

As consumers can only buy Dr. Martens shoes if they want the yellow stitched sole, Wilson's light bulb moment a few years back was the realisation that the younger cohorts coming into its target age groups could be sold to directly. Not only does DTC allow it to carry a wider range than the wholesale channel, who might only hold the core Dr. Martens model, but ecommerce and retail are also 4x and 2x more profitable than wholesale. The gradual expansion of DTC has helped sales surge from £291m in 2017 to £1bn in FY23, while EBITDA increased more than 6-fold from £37.5m to £245m during the same period, despite the blip last year.

Broker Investec, for instance, says it makes between 2-4x the revenue per pair of 1460s via its website or its own store, equating to c. £124 after VAT versus just £50 from a distributor. Even allowing for higher distribution and store operating costs for D2C, e-commerce generates 55% EBITDA margins (pre central costs), making for EBITDA per pair of £68.20 versus £31 in its own stores and £15.75 for wholesale. The broker also highlights that it's unusual for e-commerce to be so profitable but puts it down to low product returns as most people know their shoe size and so there is no need for expensive reverse logistics.

…by optimising distributor network

A key aspect of their DTC strategy has been the conversion of some countries' distribution networks to being owned (e.g. France, the Netherlands, Germany, Nordics, Italy and recently Japan). Although this approach may involve culling the less productive wholesale customers, it ultimately leads to a higher quality customer base and complements the expansion of the company's own stores.

To capitalize on this opportunity, Wilson plans to open 25-30 new own stores this year, adding to its existing 204. In particular, he envisions the potential to more than double its store portfolio in EMEA and across the pond. Notably, the USA will see at least half of all the new store openings.

By channel, DTC revenue has increased to 52% of total sales in FY23 with ecommerce sales +6% at 28% of sales mix and Retail +30% YoY to 24% of sales mix. Before long it seems that DTC will rise beyond 60% but this isn't to say wholesale is declining - this also continues to expand (+3%) and enables the brand to reach a broader range of customers globally where the Group does not have a presence or is infilling in large countries like the US.

Vast untapped growth

Wilson's punchy statement is that by targeting its efforts in just seven strategic countries – UK, US, Germany, France. Italy, Japan and China – where it has identified 154m people with similar characteristics to its existing 16 million customers - and based on current average purchase frequency and average spend, there is a £6bn revenue opportunity or growth headroom of nearly 5x last year's sales. Consensus eps forecast is 10.3p for the year ending March with 12.1p and 14.1p for the following two years. I am not too fixated by short run forecasts and whilst H1 will be weak, H2 will see things massively improve. *My gut feel is that in six months' time, investors will reappreciate the return to mid teens sales growth and the shares will surge; I am a buyer.*

UPDATES

Supreme (SUP) 109.5p

Sector: Personal Care, Drug & Grocery Stores

Having had two upgrades in the past six months, Supreme accompanied full year results with a statement saying it has seen "accelerated trading" in the first 3 months of this year and will "substantially beat FY24 expectations."

For FY23, sales were up 19% to £155.6m. Pretax profit was down by £1.9m to £14.4m due to carrying duplicate costs of the acquisitions prior to consolidation, a reduction in the Lighting division due to customer destocking as well as cost inflation in the Sports Nutrition and Wellness category. That is 'old' news but the eyepopping 'new' news is the £16m swing in cash to £3.2m net cash.

Vaping continued to be a standout with sales +75% to £76m (40% from three acquisitions), of which own brand disposable vapes represent £12m.

Supreme has just been appointed UK master distributor for the *Elfbar* and *Lost Mary* vaping brands. It was already distributing these items but having the Master Licence means it now also distributes to 10 or so retail behemoths like Booker, Tesco, Morrisons, WHSmith Travel and OneStop. Speaking to Sandy Chadha he expects to generate £25m-30m of revenue and c£2m of incremental adjusted EBITDA in FY24 - an impressive return on the £8m inventory investment required whilst the deal also provides a spin off benefit to cross-sell its other ranges to these big customers. The sales will be recorded in the "Other" category, not "Vaping," as it's not making any of the products.

Elsewhere, everything that dampened FY23 is now turning up. On the Lighting side, for instance, Supreme has sight of inventory and EPOS data at its two largest lighting customers and is seeing ordering normalise and Chadha says much of the FY23 downdraft in Lighting in FY23 (£5m profit) will reverse this year. The price of raw materials will also improve the Sports Nutrition margin and sales are climbing. The new distribution centre has also just gone live, whilst Liberty Flights has begun to insource parts of manufacturing, both of which will improve margins.

Berenberg forecasts £19.8m pretax profit / eps 12.8p this year for a PE of 8.2x. With a tidal wave of free cash, Chadha says his next M&A move will be outside vaping as it rebalances the product portfolio. *Buy.*

Kitwave (KITW) 319p

Sector: AIM, Personal Care

Proving that a seemingly dowdy sector of food wholesaling can still provide an outstanding investment is Kitwave, with the shares spiking to 319p, a gain of 100% on our 159p buy price in June. This month's strong first half outcome prompts the seventh upgrade since my write up.

H1 revenues grew 23% (+17% organic) to £275m with each of the three divisions recording double-digit sales growth. Pretax profit grew 60% to £9.3m. Net debt was £33.5m reflecting the £19.6m acquisition of WestCountry last December.

Gross margin has risen 1.8% to 21.6% and whilst there was inflationary pressure on wages and distribution costs, EBITDA rose by 44% to £16m, a margin of 5.8% (+0.8%).

While commodity-led price inflation contributed to some of the growth in sales, volume measured by cases delivered also increased in the period. As I had anticipated in the write up, the swing factor was the high margin Foodservice bit, which saw sales 49% higher at £80.7m (+25% excluding WestCountry). EBITDA grew from £4.1m to £7.5m, thereby lifting margin by 1.6% to 9.2%.

Combined, the Ambient and Frozen & Chilled divisions were not too shabby either with sales up 15% to £194m - all organic. EBITDA grew to £8.5m vs £7.6m, for a 4.4% margin. Organic growth was enhanced by the online ordering platform, which rolled out last year across all divisions (now 44% vs 35% in FY22) and this has driven average order values 8% higher ahead of traditional methods.

Trading has continued to be strong, with June boosted by the hot weather. Singer Cap has lifted eps forecasts to 25.6p for the year ending October with 26.7p the year after. *I suspect the 13th acquisition will pop up in coming weeks to ratchet these numbers up again*.

Luceco (LUCE) 117.5p

Sector: Electronic & Electrical Equipment

Shares in Luceco jumped after saying it expects trading to be at the upper end of expectations as recent customer destocking looks to have come to an end. The beat against H1 is being driven by gross margins continuing to improve from the 38.1% delivered in H2 22 as pricing has been robust and costs fallen. The newly acquired businesses are both performing well. In particular SynvEV EV chargers (including a new 3 phase 22 kW product) earn superior margins. Lighting margins are also climbing as *Kingfisher*'s progress continues and *DW Windsor*'s range starts to benefit from Chinese manufacture. With net debt expected to be <1x ebitda by the year end, John Hornby is on the lookout for acquisitions. *Buy ahead of results on 5 September.*

Made Tech (MTEC) 16p

Sector: AIM, Software & Computing

My healthcare industry sources tell me that since the NHS England commissioners have consolidated from 135 Clinical Commissioning Groups (CCGs) into 45 Integrated Care Systems (ICS), spending on software in the sector has improved. Notable then to spot that chief executive Rory MacDonald has bought 897,507 shares at 17.14p to take his holding to 42.6m shares or 28.5%. MacDonald and his concert party, including chief operating office Chris Blackburn, now hold 63.9m or 42.8%. *Buy.*

Xaar (XAR). 183p

Sector: Personal Care, Drug & Grocery Stores

Xaar has signed an exclusive commercial partnership with Quantica, a multi-material 3D printing firm, to manufacture NovoJet ultra-high viscosity printhead technology for 2D and 3D printing applications. Xaar already has its Aquinox head for the textile and packaging digital inkjet markets. Whereas Aquinox handles aqueous inks with a viscosity of up to 100cP, the deal gives Xaar access to the NovoJet technology, which uses thicker inks (400cP). This technology means less energy and time for drying. *Buy.*

Strix (KETL) **100p**

Sector: AIM, Electronic & Electrical Equipment

Off the back of its full year results, when management indicated "green shoots" were appearing in a number of key export markets, this month's AGM confirmed that the trend has continued with Q2 demand for Kettle Controls improving on Q1 due to customers re-stocking.

The frequency of orders in Q2 has increased albeit orders have been smaller than historic norms as customers manage their cash. But this is starting to follow the historical playbook, which tells us that downturns in Controls tend to be severe but quick. Destocking by brands and retailers gets magnified for OEMs, which have longer lead times, impacting suppliers such as Strix. Conversely, once demand returns, retailers need to re-build stock and meet increased demand.

Strix also reiterated the strong progress in integrating Billi, the higher growth water appliances arm. Following the refinancing of its credit facility and the addition of a £49m, 3-year term loan last year to help fund the Billi acquisition, management maintains its clear target to get net debt / EBITDA below 2x during FY23 and below 1.5x during FY24. Zeus forecasts pretax profit of £29.7m/eps 12.1p. *Buy*.

TClarke (CTO) **130p**

Sector: Construction

TClarke has confirmed that trading since May's update has continued to be strong, with the order book increasing to £781m, a sharp uplift to the FY22 position of £585m, leaving it well placed to achieve its stated £500m sales target this year.

Together with the news it also announced a placing, raising £10.7m at 122p. A 14% discount to the prevailing price might not look great but the largest shareholder, Regent Gas, has stumped up to buy 4m shares. TClarke says it will deploy the funds to capture and deliver additional contract opportunities in the London region, across data centres, healthcare and energy efficient smart building solutions. The new contract opportunities are expected to "materially enhance profitability, with higher operating margins reflecting the benefits from enhanced economies of scale."

Cenkos has increased its eps forecasts to 18.9p for this year and 24.2p next.

Nice to see this not diluting forecasts so some hefty contracts must be ready to mobilise. Buy.

Sanderson (SDG) **103p**

Sector: AIM, Household Goods

At the AGM, shareholders were told that whilst there has been low single digit softness in UK brand sales (c.51% of sales), which has led to a knock-on decline in manufacturing sales, offsetting this were strong licence and US sales. In particular, Sanderson is becoming a whiz at Licensing and this period was driven by the two major deals with NEXT and Sainsbury's (see April *SCSW*). US sales (24% of sales in FY23) continue to trade 'positively,' helped by America's love affair with aristocratic England and the US relaunch of Morris & Co. There are also encouraging signs in some European markets, the Middle East and in contract projects. In terms of upcoming launches, the Harlequin's Sophie Robinson and the vintage Walt Disney collaborations are due this autumn.

Singer forecasts eps of 12.9p for the year, for a prospective PE of 8. *Strong hold*.

Equals (EQLS) **99p**

Sector: AIM, Financials

Equals has completed the acquisition of Oonex allowing it to issue local IBANs within the Eurozone and significantly expand its platform's addressable market. At the same time, Equals announced a record breaking six months of trading. Revenue per day for H1 equated to £363k versus £248k in the comparative period in 2022. Overall revenues were up 43% at £45m. Gross profit margins now exceed 50%, a full 3% over the comparative period.

Results are due on 12 September. Buy.

GB Group (GBG) **245p**

Sector: Aim, S'ware & Computer Services

GB's AGM statement confirmed last month's observation that whilst Q1 (to June) carries tougher comps with c£2m of crypto in the prior year, it should be the trough and sales should re-accelerate in Q2. Thereafter there should be gradual revenue acceleration in H2 and efficiency savings to enable GB to deliver on profit expectations. *Buy*.

musicMagpie (MMAG) **15p**

Sector: AIM, Retailers

Little by little, MMAG's chief executive Steve Oliver continues to grow the company's smart phone rental offering - it's Oliver's "pension plan," as once added rental income is repeat in nature - and the company has now grown to 39k active subscribers. During the month I caught up again with Oliver, after MMAG's H1 results, which showed that after a quiet Q1, impacted by postal strikes, things picked up in Q2 and the strength continued into Q3.

The headline sales decline of 13% to £62m was due to a faster decline in second hand DVDs and computer games (down 17% to £21m vs Oliver's own expectation of a 10% revenue decline). Consumer Technology (CT) also saw sales down by 11% to £41m due to a cannibalization effect of rentals affecting sales. Within the mix, Rental grew sales by 77% to £4m and as it benefits from refurbishment costs being absorbed by the CT sales side, has an 84% gross margin.

Oliver therefore agrees with me that it makes far better sense to look at gross profit rather than sales, and this was only down 3% to £18.4m. This breaks down with gross profit from Rental of £3.3m, £7.6m from the CT sale and £7.5m disc media. And remember that this rental gross profit is repeating.

MMAG is now buying more of the phones directly via the SMARTDrop kiosks in ASDA (45% of its UK phones are bought this way) and more kiosks are being rolled out with the first just placed in a shopping centre. It has also been selling more phones direct on its own website rather than Backmarket for instance (now 79% from 72%). Overall this sent gross margin up from 27% to 30%. With MMAG focused on tight cost control (noting a £0.8m reduction in overheads) this gave rise to an adjusted EBITDA increase of 8%, to £2.8m.

During H1 a further £4.5m was ploughed into rental assets with the rental fleet now worth £8.5m and leaving closing net debt of £13.6m. But H2 sees it use cashflow from the existing rents (£4m contractually committed forward revenue for next 18 months) and so net debt by the year end is only expected to climb to £14m. That is the signal the market needs to fall back in love with the shares.

H2 is always the busier half and MMAG is ready to go hard into October and November (Black Friday). Oliver says Rental is adding 50 new users a day (could add 7k more by the year end) and that is after focusing on the highest credit quality customers with those who have a lower rating being sent down the 'Buy Now Pay Later' route (via Paypal and Klarna), which also allows it to book the profit immediately. Meanwhile, corporate rental is also gaining traction (c.2k corporate customers). *Buy*.

THG (THG) **106p**

Sector: Personal Care

THG has completed the sale of two non-core assets for £4m as part of a strategic review announced earlier this year. OnDemand has been sold to its existing management team and includes entertainment retailer Zavvi, gifting website I Want One of Those and fast-moving consumer goods retailer Pop in a Box. The business will continue to be a client of its Ingenuity arm, with the provision of technology, operational and digital services. Separately, THG also sold ProBikeKit, the specialist provider of cycling equipment, to Frasers Group. The two disposals are worth £4m and discontinued categories collectively contributed an EBITDA loss of £14.6m in FY22.

Clearly this is a positive for THG's earnings profile. After the strong run in recent weeks, continue to hold.

XLMedia (XLM) **12.5p**

Sector: AIM, Media

XLM has recently published an H123 update indicating sales were US$29.4m compared to US$44.5m in the same half last year. Similarly, the EBITDA was reported at US$6.5m (compared to US$10.5m).

The previous year had seen a spike observed in the previous year following the opening of New York state operations in H1 22 for sports betting - dominated by three sports – football, basketball and baseball. This single state distortion affects year-on-year comparisons and explains the decrease in US Sports revenues, which dropped to US$16.2m (H1/22: US$30.2 million). However, this trend is expected to become less magnified as the company now has baseline revenues and also has some early revenue share agreements (eg.with BET365 and Betway for the US market), which should start to smoothen revenue fluctuations when more states, such as Rhode Island (June), Kentucky (September), and North Carolina (2024), open up for business. On a positive note, European Sports revenues rebounded to US$5.2m (H122: US$3.8m) due to the strong performance of the Freebets.com site during events like Cheltenham and the Grand National.

On the legacy European Gaming side, revenues experienced a decline, reaching US$6.6m (H1 22: US$8m) as recurring tail revenues continued to fall away, and the new revenues generated from the restructured division were not yet sufficient to offset this decline. Since the period end, XLM has sold three of its European Gaming domains and associated websites, Casino.se, Casino.gr, and Casino.pt, for a total US$4m. In FY22, the sites sold had sales of US$840k - so the deal represents 4.7x their revenue. This means that the European gaming business is now focused on the Swedish market, which had FY22 sales of US$13.5m. US gaming revenues were flat at US$0.4m but this market is just getting going.

Cenkos forecasts eps of 2.9 cents for the year, a PE of 5.4. *I doubt there is much loose stock down at these levels; buy.*

Shoe Zone (SHOE) 240p

Sector: AIM, Retailers

Shoe Zone said June and July were exceptional months, driving a second material upgrade to forecasts in as many months. Volumes were up double digits on last year, with no price increases on its core product ranges. This time Zeus has upgraded by 29% from £10.5m pretax profit to £13.5m for eps of 21.8p. For next year the broker has lifted its forecast by 14% to £12.5m and 19.6p. *Tipped at 67p in March '21, the shares now sport a gain of 258%. I wouldn't bet against further upgrades. Strong hold for more.*

Yu Group (YU.) 825p

Sector: AIM, Gas and Water

Ahead of interims on 26 September, Yü said trading continues to accelerate and it expects results to be "substantially ahead of market expectations." In the light of the statement, broker Liberum lifted its eps forecasts by 20% to 73.2p, having increased it by a massive 42% in May. The forecast for next year is 91p.

Average monthly bookings in H1 were a record £51.3m, up 109% on the £24.5m monthly average achieved during the whole of last year. Meanwhile, EBITDA margin has widened helped by the operational leverage brought about by the "Digital by Default" strategy and improving bad debt metrics helped by its smart meter installation programme, paving the way for it to achieve a target of £500m revenue with 5%+ sustainable EBITDA margin in the short to medium term. This compares to the £404m sales and 4.9% margin expected this year. The number of supplied meter points grew 56% in the period to 39,700.

Helped by lower bad debts, Yu generated a tidal wave of cash with net cash ballooning to £36.6m, up £17.6m in the first six months and up £20.9m year-on-year. *Buy.*

MPAC (MPAC) 224p

Sector: Personal Care, Drug & Grocery Stores

Ahead of reporting on 7 September, MPAC said H1 was in line and saw a closing order book of £78.4m, above the 2023 opening order book of £67.2m.

As had been flagged, H1 margins were impacted by the completion of other projects that had been affected by supply chain disruption in 2022. The effects of this are now largely cleared and accordingly, H2 trading is anticipated at normalised margins. On-site commissioning of the casting and unit cell assembly equipment to FREYR's battery cell production line at its plant in Norway has commenced.

In addition, the prior year expansion of working capital has unwound in line with expectations, and MPAC has moved back into a positive net cash position. *Buy.*

Wilmington (WIL) 310p

Sector: Media

Having been sold off unfairly in recent weeks from 350p, Wilmington soared after it said pretax profit for the year would be ahead of forecast. Sales for the year just ended in June are expected to be £123.5m (9% organic growth), with recurring revenue up 7% supported by strong retention rates. As a result, pretax profit is expected to be up 18% to £24.3m, for eps of c.21.8p. The strong FY23 results have led to a net cash position of £42.2m, up from £22.9m in December - or 48p a share.

That can only herald a period of M&A as Wilmington continues to consolidate its position in the expanding GRC and Regulatory markets. Buy.

Lookers (LOOK) Bid: 130p

Sector: Retailers

Last month's 120p cash bid was initially thrown into jeopardy when Constellation, which owns a 19% stake, withdrew its support for the offer, consequently arm twisting Canadian bidder Global Auto Holdings to increase its offer to £504m or 130p per share. *Tipped at 52p in April '21, accept the offer. I will drop update cover. Gain 150%.*

Inspecs (SPEC) 119p

Sector: AIM, Personal Goods

Ahead of reporting on 7 September (in Sterling for the first time), a short update from Inspecs confirmed that the positive trend seen in Q1 continued into Q2. Overall, H1 sales were +6% to £111.1m (+2% constant currency) whilst H2 should benefit from launching *Barbour, Superdry, O'Neil* and *Radley* across Eisenbach's B2B platform allowing opticians to order these brands online.

There was also an improvement in net debt of £5m to £22.6m despite investing in its new facility in Vietnam (operational in Q1 24) and paying £2.2m of deferred consideration relating to the EGO and BoDe acquisitions. Peel Hunt forecasts eps of 13.9 cents for this year to end December and 16.1 cents next. *Buy.*

Reach (RCH) 84.5p

Sector: AIM, Media

Reach's latest H1 results were well received. Revenue was -6% to £279m and operating profit was £36.1m, with a reduced margin of 12.9% (FY21: 15.9%). Eps were 8.7p with an H1 dividend of 2.9p and it seems H1 has marked the trough for profitability as there are material cost programme benefits to come in H2.

UPDATES & IDEAS

• **Altitude** (ALT; 41p) has a market cap of under £30m and will appeal to the investor who likes red-blooded speculative potential. The company boomed and busted in the early part of the century through its success in developing an end-to-end Software-as-a-Service (SaaS) platform, supporting small and medium sized promotional goods distributors in North America. I tipped the shares at 22p in September '16 and they soared to 110p within the first year as investors cottoned onto the story.

Promotional products and giveaways are items that companies give to customers and potential customers as advertising media for marketing purposes. The most popular items are pens, baseball caps, T-shirts, polo shirts, conference folders, calendars, key rings, wearables and printed umbrellas, carrying a customer-derived design or corporate logo. Altitude's Tech Suite software encompasses CRM and sales management, order processing and invoicing, and the exciting thing was it also allowed customers to view print ready artwork and to send this direct to the printer who would print the logo onto a blank.

To ensure takeup of its software, Altitude subsequently bought AIMPro, a buying group comprising 2425 SME PPDs who would become captive users of the system. These days, Altitude's users principally belong to AIMPro and pay a monthly fee of US$69/month for accessing its software and also 3-6% of the gross profit margin throughput on any promotional product sold through its platform.

I have been speaking to CEO Nichole Stella during the past few months. Whilst this side of the business is doing really well and grew its gross profit contribution by 34% to £7.7m, helped by a 15% increase in users processing orders through the platform and 16% growth in volume of orders processed versus FY22, this really is not the swing factor.

The key is the company's recent entry into running university "gear shops" via its Merchanting division - these are the on-campus bookshops that sell student books and university branded merchandise (mugs, t-shirts, etc). Seemingly from nowhere, Altitude has contracted with 17 American universities. While Altitude is not selling the books itself (that bit is outsourced and delivered to the campus shops), it is running each store. Essentially, this is now giving it a direct-to-consumer channel as it's selling the products directly to students rather than to PPDs and with a sizzling gross margin of 35%, the company is making 5-10x the profit per mug/t-shirt/sweatshirt sold. Just one university was live last year, so it only made a small impact in the results just released (the newer Merchanting division's gross profit went from £400k to £887k) but three universities are now live and all will be live by mid August.

To give an idea of potential, the present sweet spot is the small universities that have sales of US$750k from their Gear Shop, so assuming each was included for a year this would give it a gross profit of US$260k. From this Altitude would need to employ two staff and part-time student help but there is no rent associated with these contracts, so you can see most of this dropping straight to the bottom line. Each contract needs around three months stock so payback is pretty rapid. Plus each contract becomes almost a permanent addition to revenues.

The overall market is worth US$12bn. Stella says of the 4,000 US universities, 85% of the contracts are held by two large companies and with contracts running for five years, one-fifth of the total addressable market is up for grabs each year. The bigger roster of Division 1 universities with sales of US$3m+ are in her sights. Not even the group's stockbroker seems ready to put any numbers to this potential. By next year - maybe even by November to February when Universities tend to let such contracts - and the market understands the story better, it will be too late to buy. *I am a buyer ahead of that.*

Traditional media advertising in newspapers is now just a small part of Reach's Print income - most of that is now circulation and during H1 circulation grew helped by price increases.

Digital is the key swing factor. H1 had been hit by open market digital revenue declines but comparisons for digital get much easier as we are now lapping the worst of the war and inflation impacts of last year. In addition, most of the decline seen in H1 was from Facebook as last year Facebook began to rethink the value of including a designated News tab on its app as it focused on expanding short form video to compete effectively with rival Tiktok. Excluding Facebook, Reach's digital audience had 1.4bn page views, -2% year on year. The corollary of this is that against last year, the element of digital income from Plus Products is now >41% vs 35%. Registrations have grown further to 13.2m (5.4m actives in the last 28 days) and the forthcoming removal of third party cookies from Google Chrome (>85% of search) by H2 24 also represents a huge opportunity for Plus.

The playbook last year was to mitigate these revenue headwinds with further seismic cost savings (taking out 5-6% of its costs) and most of this benefit falls into H2. At the same time, the new US digital business is starting to ramp up with Express.com launched and Mirror.com coming shortly. Reach therefore says it's confident of hitting market expectations - Numis forecasts eps of 22.5p for the year (dps 7.3p) for a PE of 3.8 and yield of 8.6% and there could be surprises on the upside. *Buy*.

KOOTH (KOO)

Sector :	AIM, S'ware & Computing
Latest Price :	345p
High/Low :	380p - 110p
Market Cap. :	£125.6m
Shares in issue:	36.4m
end12/2023 EPS/PER est	See text
end12/2024 EPS/PER est	See text
end12/2025 EPS/PER est	See text
Contact	investorrelations@kooth.com
Registrars	0121 415 7082
CALENDAR	
Int/Fins/AGM	SEP/APR/JUN

Kooth is a leading digital mental health platform for children and young people (CYP) aged 10-25 years old, and historically the majority of sales has come from the 45 Integrated Care Systems (ICS) who control the NHS budget that funds mental health. Its web-based application helps with conditions such as stress and anxiety, eating disorders and attention deficit hyperactivity disorder (ADHD).

As chief executive Tim Barker told me, Kooth's services are offered digitally, mostly through the mobile phone, which means there are no counsellors' offices to go to and services can be accessed without appointments. Some users prefer to read about the experiences of others through content or to interact with other users through its built up communities on a specific topic in a discussion forum; however, just over a third want to connect with a counsellor for 'drop-in' advice or through a dedicated hour long session or a series of them.

Those that choose a counselling session can get one in a matter of minutes rather than sitting on long waiting lists that can stretch beyond six weeks with the NHS (and when waiting times are long it allows conditions to worsen, which is why the NHS is so keen on Kooth's system). Counsellors are accessed through the user's mobile phone via chat messaging and the company feels this brings greater reach due to its anonymity.

Mental health is not solely a UK phenomenon and Kooth recently started scaling its offering in the US. Last month it announced a contract of gargantuan scale with mental health providers in California, valued at >£150m over four years. The contract will supercharge sales this year by adding US$15m - ie. two thirds to sales, which are set to balloon between FY23-FY25 from £34.4m to £69.2m, at which point it goes into breakeven. Barker says it was selected from 450 vendors and there are more US states eyeing progress and ready to spend similarly huge amounts with it. With the majority of this income recurring in nature, it looks like Kooth could have an exciting future.

Introduction

As a parent, when I compare my own time at an all boys school in the 1980s to my childrens' school environment these days, it seems that schools have moved pastoral care to the fore to focus on the physical and emotional welfare of their students. Not only are there in-school counsellors (who all seem to be fully booked) but headteachers are becoming more vocal about the issues children face. I can recall my daughter's former headmistress, for instance, being interviewed in the Daily Mail and saying she would only use the word "pupils" to describe youngsters so not to hurt the feelings of any of those considering changing sex. She was at the top of her game and has since moved to head up the leading St Pauls in London.

My school didn't seem to have anything like the targeted strategies and activities to help students re-engage with life and learning. Instead, fourth form miscreants playing up during English would more likely have had my English master JA Cuddon, an outstanding novelist and an Oxford Blue, prod them with a pencil if they were otherwise distracted. As he doubled as the rugby coach, I remember one pupil getting his face dunked into a muddy puddle and told to "snap out of it", with my teacher adding one of his tobacco fuelled chuckles.

Nowadays, teachers can find it difficult to know what to say to someone, usually due to fear of making things worse. However, there is rising awareness of the issues children face, reducing stigma and leading to increased diagnosis.

Trauma and significant events like Covid-19 have led to an increase in mental health issues, particularly among children and young people (CYP) where it has been increasing at a shocking 30% per annum since 2016. I've been astonished to read that in the UK, it's estimated that one in five children aged between 7 and 19 now have a probable mental health problem.

Social media takes some of the blame; as technology is "always on," bullying does not stop at the school gates, meaning there is little respite. So too to blame is the breakup of the traditional family model as over 40% of children no longer spend their entire childhood with both biological parents versus 20% in 1970. Genetics is a third factor. For all these reasons, funding for mental health has increased, but not fast enough, particularly in CYP (£1bn of a £15bn mental budget), and insufficient access to care is further exacerbated by a lack of trained professionals.

This is why the NHS has turned to the likes of Kooth, which is already the UK's largest digital mental health provider to the NHS for CYP aged 10-25 years old, and is clinically accredited by the British Association for Counselling and Psychotherapy (BACP). It has a 17-year history of working with the NHS, specialising in CYP mental health.

At the heart of the business is a web-based application that allows users to access a toolkit of solutions, including curated topical content around mental health and community/peer support, and these account for 62% of all platform interactions. But 38% of users opt to send messages and have text-based one-to-one counselling, all helping to deliver early intervention and avoid conditions escalating. As Barker says, two-thirds of users rely on self-help and only one-third feel the need to resort to professional support.

Kooth operates a B2B2C subscription based business model, with the mental health providers (B2B) paying an annual fee based on expected platform usage and providing it to users who access it for free (B2C). In the UK, rather than contracting centrally with the NHS and local authorities, purchasing decision-making processes have been devolved to the local level, so Kooth has had to contract with each of the 45 Integrated Care Systems (ICS) individually to sell its platform of services. In the US it is with the individual states.

Once a contract goes live, Kooth works with the customer to develop a campaign to promote the service to potential users who access it for free (B2C). This might mean advertising, posters, leaflets and attending assemblies in schools, universities, healthcare and welfare organisations.

New customers and usage rates rising

Contracts are priced based on population covered and anticipated usage (say 2% in the first year), and subscriptions for the digital platform and practitioner support are typically 12 months long and billed monthly. Kooth is now available to c.16m people or around 60% of the UK population (1 in 36 of them are using it). The implied per-person covered price is influenced by a number of factors, but broker Liberum says it equates to around £2 per potential user per annum in the UK.

Kooth has more than 160 public sector contracts in the UK and the average annual recurring contract is worth £130,000 and tends to grow over time as awareness and usage rises; 50% of contracts are renewed at a higher value. Usage has

Editorial shareholdings of companies covered in this issue: musicMagpie, RevB, Supreme, Luceco, MTEC, Dr. Martens, Inspecs, TClarke, GB, THG and XLMedia

more than doubled over the last two years, and annualised recurring revenue (ARR) has grown more than 60% to £21.1m in the two years to 30 June 2022.

As I am learning, the first time a service user logs onto the system, they will be asked for the first part of their postcode (to confirm it is available to them) and to complete a 10-question multiple choice assessment designed to measure their well-being. At the heart of what it does is the industry-standard THRIVE Framework, which teaches the counsellors how to be and what to do in response to young people's differing and sometimes challenging behaviour. Kooth also measures outcomes using PHQ 9, which is a standard depression questionnaire and GAD 7, which does the same to measure anxiety. All the data flows back to the mental health providers.

The questionnaire establishes the individual's level of need on a clinical basis so that recommendations can be made based on the level of need. Kooth classifies users according to their responses and tailors the journey – for example, a user who scores as "severe" is immediately signposted to a chat or asked to send Kooth a message while others are offered a different journey - access to a large library of both Kooth and user generated articles or access to the forum/community of users who are supporting others, talking about their own experiences as part of their self-therapy and providing hope for others who feel alone. For most users the service is anonymous although those noted as "severe" will be asked for their address. It employs c.250 practitioners and moderators, of which 60 will be operating online at any given moment. Outside that team is a safeguarding team.

But of course the real aim is that early intervention with Kooth's system will reduce the strain on emergency or crisis services and avert the need for GP appointments, anti-depressant prescriptions, binge drinking and self-harm/suicidal ideation hospitalisations. In fact a survey by Kooth itself says that by averting these interventions it saves the NHS £3 for every £1 they spend with it. Kooth has collected well over 25 million anonymous data points from the users on its platform over the last 10+ years. By analysing this and using advanced analytics and AI, it is now harnessing the experiences of all other users to improve the recommendations of content, activities, communities and counselling to each new user.

The US opportunity

In the UK, selling into the Adult market (underway) is a natural progression for the company as is expansion into services for guardians/carers of 0-12 year olds (to come) by offering a distinct product on the same platform and whereas the UK market for CYP mental health is worth £85m, that for adults has its own budget and is worth a further £300m.

But the bigger fish is the US CYP market, worth US$1bn+. Excitingly, Kooth has made very rapid progress already. First it won a pilot in Pennsylvania in September 2022 but more recently it won a £150m contract in California with the California Department of Health Care Services (DHCS). The contract comes on the back of California allocating US$4.76 billion for Child and Youth Behavioural Health and this contract covers all six million of its 13-25 year olds. Pricing in the US looks like it will be significantly higher than the £2 per person here, largely reflecting that the cost of employing practitioners is 2-2.5x higher in the US than in the UK. But the savings are commensurately bigger at US$12 for every US$1 spent.

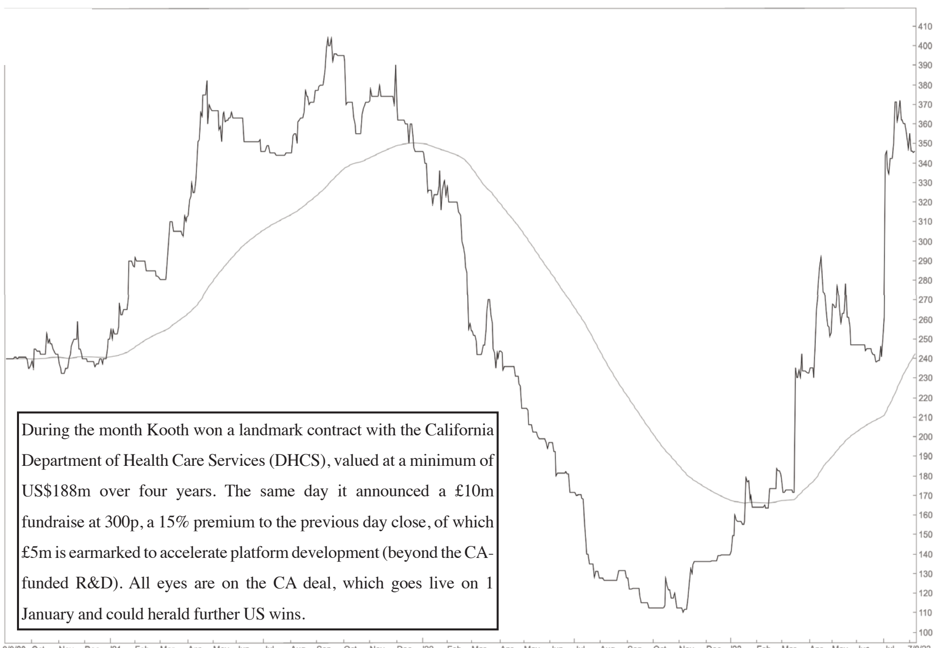
The earlier and smaller Pennsylvania contract implies a price per person covered of £16 per annum but this is presently a one year pilot worth US$3m covering 30 school districts and 150,000 pupils. For California the implied price is around £6 based on minimum annual sales of £37m and 6m people covered, once the contract goes live on 1 January. But the first year of the DHCS-contract includes £10m of co-funded product development to extend existing platform functionality, with a focus on building out the mobile app (inc. video and phone-based support, to make user engagement as high as Tik Tok!) and AI for personalisation, risk detection and moderating chats - and pricing is better thought of as being outcome based.

World scale problem

Getting the California contract up and running won't be plain sailing but Barker says it is past peak risk. Kooth's main challenge is that it needs to build infrastructure quickly and it has to recruit over 200 personnel to deliver the next generation of software and scale up a local practitioner pool. But Barker identifies further opportunities across additional States (inc. New York and North Carolina) as well as with Medicaid managed care plan providers.

Longer term, Barker is already working hard to develop a SaaS based version of the system, which he can license to companies in other geographies, which themselves could be a multiple of present revenues.

Kooth's ARR is typically 80% of next year's revenue and with a 70% gross margin, any further wins should accelerate the move into profitability. *I think the shares are worth buying on quiet days in the market. Next results are in September.*



During the month Kooth won a landmark contract with the California Department of Health Care Services (DHCS), valued at a minimum of US$188m over four years. The same day it announced a £10m fundraise at 300p, a 15% premium to the previous day close, of which £5m is earmarked to accelerate platform development (beyond the CA-funded R&D). All eyes are on the CA deal, which goes live on 1 January and could herald further US wins.

<< Continued from page 8

FY14-FY20, raising £110m for the company and £189m for founders. By FY21 sales had jumped again to £194m but in September the shares were suspended after auditors raised concerns and said £9m sales had been booked incorrectly. The company failed to publish annual results on time, the founder was ousted and a new board was appointed including Bob Holt (ex-Mears) but by June he and the CFO too was ousted in a public spat with largest shareholder **Boohoo** (BOO; 39p), which holds 27.1%. In a further twist, Holt and the CFO were reinstated by the sole remaining director. The directors then immediately granted themselves options worth £3m in shares and have subsequently stood down. Nice work if you can get it. With the dust settled, New Look chairman Alistair McGeorge has been appointed executive chairman, Boohoo's ex-finance chief Neil Catto is CFO and ex-THG Beauty CEO Rachel Horsefield is to join Revolution Beauty's board as a non executive.

As Zeus points out, the beauty sector trades on an average EV/sales of 4.3x. versus REVB on c.0.5x - a massive 90% discount. REVB's high level guidance of 'high single digit millions EBITDA' for FY24 implies an EBITDA margin of <5% against the sector average of c.20% because it continues investing. Neither Warpaint nor ELF have been without their stumbles but have demonstrated just how quickly things can change. *I think there is a B-I-G buy opportunity ahead.*

UPDATES & IDEAS

• Last month I updated on colour cosmetic business **Warpaint** (W7L; 280p) and have since spoken to chief executive Samuel Bazini, who I found in a pretty ebullient mood as his business expands into the US. The mass beauty sector, particularly those brands that have a value focus, definitely appears to be on fire. It's not just a Warpaint phenomenon; take a look at another makeup company ELF Cosmetics (which stands for eye, lips, face). The NASDAQ listed company has grown at warp speed for 18 straight quarters averaging at least 20% sales growth per quarter over that period. ELF's latest Q1 statement saw full year sales upgraded by 12% on previous guidance to US$792m-US$802m whilst EBITDA went up 18% to US$171m-US$174m. After a strong run the shares trade at 8x sales.

ELF was founded in 2004 by a then 23-year-old New York University business student and since the start, the focus has been on its direct-to-consumer website and wholesale. ELF became one of the first beauty brands to launch collaborations with a number of beauty influencers and was quick to embrace the social media trends eg. Tik Tok with viral marketing catching the traditional brand houses on the hop as they still promote via traditional TV and magazine campaigns.

In the UK a much smaller mass cosmetics brand with a global direct-to-consumer offering is **Revolution Beauty** (REVB; 26p). Despite immense similarities with ELF and having grown 60% in Q1, Revolution's full year sales are forecast to be somewhere between c£205m - £210m, putting the shares at just 0.5x sales.

Like the other two companies mentioned, REVB offers affordable pricing (products are typically one third of the price of expensive counterparts). As well as selling on its own website Revolutionbeauty.com, the brands are present in many retailers in the UK (Superdrug and Boots), US (Ulta, CVS, and Target), Europe and Australia (Priceline), with the in-store presence driving global brand recognition. Alongside that it also has digital partnerships with ASOS, Zalando and Lookfantastic, providing further reach. It also has industry leading speed to market and is able to take a product form concept to shelf in 16 weeks (vs 18-24 months for big brands) and it's launching new stuff on almost a weekly basis. Already, it has successfully leveraged its eponymous Revolution makeup offer into new categories (skincare and haircare) and is also flanked by five colour cosmetic brands.

REVB floated with great fanfare in 2021, having grown sales from zero to £137m between

>> Continues on page 7

THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		+6.34%	+320.15%
FTSE-100	7564.37	+0.44%	+15.53%
FTSE-All Share	4129.32	+0.81%	+17.17%

A slightly better early part of the month for small company shares, although as I write Fitch has just downgraded the US debt rating, trigging a few jitters. But the signs are that CPI data on both sides of the pond has been moderating as the cumulative rate rises take effect. Food inflation is down for the first time and mortgage rates have fallen back and all this is now favouring a bullish sentiment towards risk assets. Volumes are very thin in most shares causing plenty of volatility.

Although house prices may still drop with the afterburn of rising rates, all the evidence (eg. Barclaycard spending data and my calls with companies) is that for the first time in 14 months, June saw growth in spending on the DIY and home improvement category. In particular, this is spurring demand for lighting products at Luceco and also at Supreme and both have seen eps upgrades. Both shares look a great lockaway here. Another constituent seeing more upgrades than you can shake a stick at is Yu. TClarke has also said there are a plethora of contracts available in its markets and has raised additional working capital to avail of the opportunity. Elsewhere, I am hearing some rumours that FDEV will launch its *Age of Sigmar* game in November.

A portfolio should grow in the same way that an artist's painting grows; a few dabs today, a few more tomorrow and the rest when the spirit moves you. So I have added a modest amount to Luceco, and MMAG, MTEC and Altitude are firmly on my watch. I am considering adding Dr Martens, a new write up this time; I don't think its shoes have ever gone out of fashion or ever will and sales topped £1bn last year as it continues a DTC strategy. Its self inflicted warehousing problems appear a temporary glitch and the chief executive has just bought 310,000 shares.

Shares		Bought	Date Bought	Buying Price (p)	Total Cost (£)	Present Price (p)	Value Now (£)
1000	^*	Softcat	7/12/15	229.2	2337	1477	14770
10000	*	SDI Group	15/2/17	20.5	2095	122	12200
1000	*	Alpha Group	27/7/17	470	4745	2270	22700
1000	#*	Future	9/4/18	329.5	3340	791	7910
15000	*	UP Global Sourcing	31/1/19	59.9	9075	128	19200
25500	* •	Luceco	31/1/19	90	22837	117.5	29963
60000	•	XLMedia	8/7/19	43.7	26330	12.5	7500
2500	*	Ergomed	22/10/19	313	7870	1088	27200
10000		Volex	9/12/19	133	13345	294.5	29450
10000	•	Mpac	3/2/20	259	25990	224	22400
26069	•∞	Reach	3/2/20	98.8	26019	84.5	22028
18000	•	Superdry	22/9/20	135	24491	75	13500
3000		Victoria	13/11/20	450	13545	662	19860
7000		Supreme	5/3/21	189	13275	109.5	7665
16000	•	On the Beach	5/7/21	199	32065	86	13760
25000		Staffline	7/8/21	65.4	16395	30	7500
10000		T Clarke	6/9/21	147	14745	130	13000
32000	•	Boohoo	24/5/22	66	21410	39.5	12640
3000		Yu	12/12/22	426	12825	825	24750
50000		musicMagpie	12/12/22	24.5	12295	15	7500
30000		THG	1/3/23	60	18135	106	31800
3000		Frontier Developments	5/6/23	510	15345	505	15150
7000		GB Group	3/7/23	228	16005	245	17150

Transactions take full account of dealing charges and bid offer spreads. Income from dividends is ignored. Current holdings in the portfolio are valued at mid prices and include all buying costs. Starting cap £100,000 (2 Jan '15). * Part profits taken • Averaged down/up. ^Adj for special divs. # Adj. for rights issue ∞ Adj. for bonus share issue

Cash £ 20554
Total £ 420150

SHAREWATCH is published monthly by Equitylink Ltd, Subscriber Services, PO Box 1015, Croydon, CR9 5DL. Equitylink Ltd is an independent organisation and is not tied to any stockbroker, bank or any other financial institution. Editor and Publisher: S Berry BEng, Contributor: R Welby BA. Opinions, interpretations and conclusions are our own. Facts have been checked where possible, although no responsibility can be accepted for errors, omissions or inaccuracies.

Small companies may have poor marketability and there may be a big difference between the buying and selling price. Shares and the income from them can go down as well as up. The past is not a guide to future performance. Investments mentioned may not be suitable for everyone. Readers should always obtain appropriate professional advice from their stockbrokers before entering into any transaction in securities. Equitylink, its officers and employees and/or any connected persons may have positions in any of the shares that are mentioned. Where the editorial team has an interest this is disclosed at the time of publication. Our conflicts of interest policy and terms of business are available on the sharewatch.co.uk website. The Sharewatch Growth Portfolio is a virtual portfolio based entirely on selections contained herein and its results have not been independently audited and may not be repeated. It should not be viewed as a representation of the average performance of Sharewatch company recommendations. This document may not be copied or transmitted in any form without prior permission. © 2023 All rights reserved. ISSN 1358-183X