THE SMALL COMPANY

SHARE WATCH

December 2022

MARKET COMMENT

A strange year is coming to an end, and for most investors it will be good riddance. Reviews of 2022 coming across our desks in recent days include much soul searching and head scratching. One is clear on the pain: "As 2022 draws to a close, many investors are sitting on some steep losses." In contrast, another focusses just on the last two months and says quizzically: "We have an inexplicable market rally to explain."

In their way, these two quotations sum up the roller-coaster nature of the year, and its frustrations. The FTSE-100 is an interesting hybrid, which has moved more sideways than down in 2022. Many other indices are not so benign, from the S&P 500 in the US, or our own FTSE 250 index and FTSE Small Cap. Despite the bounce since mid-October, their charts still show very clear downtrends, defined by the lower lows and lower highs established since their respective peaks in the last 12-18 months.

Yet most downtrends have developed in an orderly fashion, without a scary global crash. Bearing in mind the determination of the Federal Reserve to get rates higher, an unfolding global recession, persistent geopolitical risks, and a persistent US valuation bubble, this has surprised many. It is this lack of a more determined downtrend, and regular bounces, which have also frustrated those betting on lower prices. For them, so far, it is the wrong kind of bear market. But evidence is clear that the exuberant 40 year bull cycle is going through a reset, albeit with extreme pain only in tightly defined sectors.

Such pain was predictable and widely anticipated in the Ponzi-esque crypto universe. FTX, where a $32 billion valuation evaporated in days, is just the latest example, and more will follow. The collapse in the UK government bond market has been much more worrying, as it has highlighted the extreme vulnerability of the global financial infrastructure. In 2023 you should expect many similar collapses. A mix of fraud, mis-sold financial models reliant on fictitious maths, and zombie companies built on sand piles of debt. Periods of marked uncertainty will create opportunities, particularly in areas such as smaller companies, where relative illiquidity can drive prices down disproportionately, even though there is no substantive threat to the profitability of the best of them. Already cheap U.K. smaller companies, those with limited debt and pricing power, should continue to be accumulated in 2023 at times of jarring falls.

YÜ GROUP (YU.)

Sector :	AIM, Gas & Water	
Latest Price :	380p	
High/Low :	397p - 165p	
Market Cap. :	£64.6m	
Shares in issue:	17m	
end12/2022 EPS/PER est	26.8p	14.2
end12/2023 EPS/PER est	42.0p	9.0
end12/2024 EPS/PER est	61.2p	6.2
Contact	01159 758258	
Registrars	0121 5851131	
CALENDAR		
Int/Fins/AGM	SEP/MAR/MAY	

Yü is a business born out of the deregulated markets for gas, electricity and water. It provides these utilities to SME businesses and has no involvement in the overcrowded domestic market. Things are going so well for it at the moment that during the month it said it expects to be "materially ahead" for the third time since July. In light of that, broker Liberum has upgraded its eps forecast from 14.2p to 26.8p. Its forecasts for the following two years are 42p and 61.2p.

The company's success is down to the fact that it is a virtual supplier and not encumbered by having to possess its own energy network infrastructure. It doesn't aim to be the "cheapest" compared to the "Big Six" operators but its Digital by Default strategy means it is good at winning business and quickly onboarding customers. As I describe below, by using economies of scale and technology to create efficiencies (with unified billing so customers can access their single bill online and systems for risk management) it can deliver savings to its clients and a better service while making healthy profits for shareholders. If I am right in thinking that businesses are so disenchanted by incumbent suppliers then the opportunity facing Yü should be spectacular.

Materially ahead and possibly still conservative

When I spoke to chief executive Bobby Kalar, he talks in terms of energy sales becoming a multiple of current levels in future years. Of course, some of the growth in sales from £155m in FY21 to £260m expected for this year is down to the inflationary environment (Kalar is coy on giving the unit growth in the period) but the fact is that the market has

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Wishing all our subscribers a Merry Christmas and Prosperous New Year become tight with only 15 rivals and this is allowing it to charge a higher margin than in the past; customers are less inclined to quibble because chances are they won't get a better deal elsewhere. I also think this is a conservative estimate because bad debts are running below those forecasts by brokers.

Hedges its entire position

Anyone who looks at a small energy supplier might think this is a risky business. In the past 18 months there have been 30 energy company failures as surges in wholesale electricity and gas prices exposed the weak business models of many. The demise of Bulb Energy, for instance, the biggest supplier to have collapsed, is forecast to have cost taxpayers as much as £6.5bn after it was placed into special administration in November last year and funded with government loans. After a contested battle, Bulb is being taken over by Octopus Energy but in the past Yü too has been appointed by Ofgem as "Supplier of Last Resort" (SOLR) for five other small energy suppliers on the brink of administration and took on their electricity and gas customer books.

The reason all these companies failed is because they were buying their energy on the wholesale market and then selling it on a fixed price basis. In historical times, the price of energy was fairly stable and only moved by 5% between 2005-15, says Kalar, whereas in recent months it has moved as much as 20% in an hour and many suppliers found themselves in a position of selling energy for less than they bought it.

Fortunately, Yü hasn't tried to live on its wits - if it did it could easily have got caught on the wrong side of things, which would have destroyed the company. Instead, its policy has been to be 100% hedged against moves in wholesale prices. Energy contracts are sold to customers at mostly fixed rates (about 25% of sales comes from variable rates), and as soon as is practically possible, forward contracts are taken out with the wholesale energy market to lock in a margin and reduce the risk of future wholesale price moves.

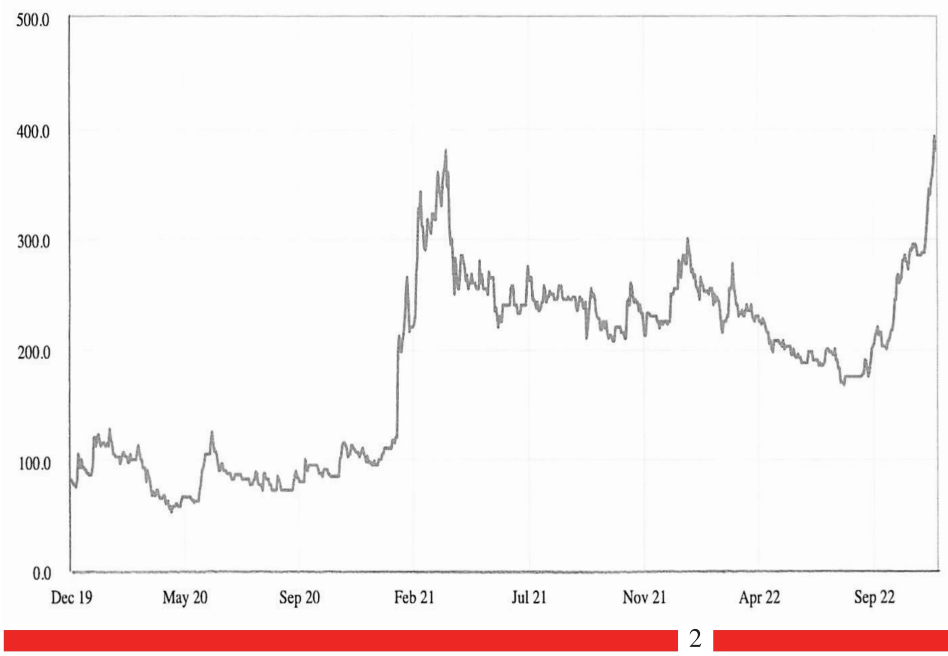
In the past, Yü also used to be constrained by its own balance sheet; for instance, if wholesale energy market prices moved, Yü used to have to provide more collateral against the hedges, which would leave it with less money to invest in its business. But in 2019, Kalar struck an exclusive trading agreement (running for five years) with SmartestEnergy, a wholesale energy market counterparty (a wholly owned subsidiary of Japanese corporation Marubeni). The agreement means that Yü exclusively buys its energy from Smartest at competitive and transparent prices. It also eliminates the need to put up any cash as collateral as it benefits from a credit-line provided by Smartest. The impact of this agreement has been to effectively reduce Yü's cashflow volatility and it also means it can grow customer numbers faster and invest in other areas of the business. Net cash is currently £15.7m.

If you needed me to describe just how volatile energy prices have been in a different way, just assume each one of Yü's SME customers decided they no longer wanted to buy any energy from Yü starting tomorrow, then because the prices have moved up so far, the hedging contracts would be worth an eye-watering £300m.

History

Yü was founded by Kalar in 2009 and began trading energy following its receipt of a gas licence from OFGEM in 2013 and an electricity licence in 2014. As a new entrant, Yü initially had to trade under the probationary Controlled Market Entry (CME) rules, which capped the number of meter points that could be added each month but by March 2015, the regulator decided that Kalar was a safe pair of hands and lifted the cap, giving the Group the opportunity to ramp up growth. In March 2016, the shares then joined AIM.

As Kalar explains, the SME commercial market landscape is vast. Back in 2015, 90% of SMEs were customers of the "Big Six" energy suppliers, and even now, seven years later, 84% of them still remain with the Big Six. But the shocking energy price rises we have seen recently have begun to encourage some to look elsewhere and Yü therefore has a commercial opportunity to take market share through the provision of better pricing and a higher level of customer service, which is an area where the Big Six have historically been lacking partly due to complex and outdated systems and practices.



Digital onboarding

You can wrap an old fish in a new piece of paper and call it change - but it's still going to stink and many business energy users have had enough of the same old thing (I find the same is true with banks and this is why challenger banks are eating away at them - *Editor*). But Kalar, with a background in Electrical Engineering and an early career at Colt Telecoms, before a brief stint owning care homes and hotels, had clearly spent most of his early years nerding out with modern technology.

At Yü he has developed a sophisticated tech stack during the past two years, the latest generation of which went live in April this year and is intended to speed up the quoting and onboarding processes for new customers plus in the long run, reduce the cost required to serve its customer base. As he explains, the online platform is capable of all customer processes with zero human intervention. For instance, when a customer lands on the website, via Gorilla there is live and instant gas & electricity pricing allowing quotes to be priced in real-time. Prospective new customers enter their name, their meter point access number and usage data and receive a quote within 90 seconds for their utilities compared with the industry norm of several days for some complex quotes. An automated digital contract is generated and signature handled by DocuSign, with payments then set up to be collected by direct debit. Even before that there will have been a credit check process behind the scenes completed by Experian. The credit data gets updated monthly even for old customers so that if a customer looks like they may have problems paying in future, its contracts allow Yü to ask them to pay upfront or pay a deposit.

Yü has also built all the usual billing, customer care and easy online account management functions. Kalar's hope is that its staff never need to speak to one of their customers - and consequently, staff numbers are small at 145. With such automation driving down the cost to serve, Kalar has a clear medium-term target of £500m in revenue and a 4% EBITDA margin. This compares to FY22 sales, which are expected to increase to £260m and EBITDA margin of 2.5%.

Focus on creditworthy customers

All this technology also means that Yü can now service micro SMEs just as efficiently as larger heavy users. The market is large at c. 3.4m meters. Yü currently has a customer base of c.26,000 meters and hence a tiny share. When I asked Kalar specifically about the target market, he said size doesn't matter; his preference is to only contract with the most creditworthy customers, utilising the knowledge it gains from the credit checks it runs and to make informed decisions as to which smaller SMEs to contract with and which to avoid.

A second vexed question I had was about tolerance charges. For instance, Yü's terms and conditions allow a customer to use 10% more or 10% less energy than the historical usage pattern they indicated when taking on the contract. Obviously if they are using less, Yü is in a superb position because most contracts are at lower values and it can easily sell the energy to someone else making for a windfall profit. If they use 10% more there is possibly some gnashing of teeth at Yü HQ.

In a similar vein, it hasn't always been plain sailing for Kalar. Back in 2018, a new finance director found that the company had booked accrued income on estimated customer consumption of energy, which was later found not to be billable – and it had therefore over-stated profitability. This resulted in a write-off. In its defence, a high level of accrued income is required in the normal course of business, as customers are invoiced for energy consumed monthly in arrears, and if a meter hasn't been read, you need to make an estimate. But the episode was painful for Yü and it ended up with a change of auditors and new policies being adopted. Nowadays, of course, increasingly Yü can accrue revenue with greater precision as it is based on smart meter readings and when a meter reading is not available (e.g. where there is a traditional meter and the customer has not provided its own read), then algorithms (which are used across the industry) are utilised to estimate customers' energy usage, so there is less doubt over consumption.

Yü Smart set up in May

Smart meter uptake clearly gives Kalar better oversight of how much energy customers are using and so more accurate billing as the meters communicate directly with Yü remotely. This is why on 9 May 2022, Kalar created a metering services division following the integration of the management and support teams and intellectual property of Magnum Utilities. Yü Smart (the new name for the division) will undertake installation of SMET smart meters for business and residential customers (initially its own business customers but eventually to other energy firms also), he explains.

Yü Smart does not supply its own meters. These are generally bought from one of the big suppliers and once one has been installed, Yü Smart enters into a meter management contract with the energy supplier, which is typically for 15 years. So as well as eliminating the meter management element on the meter points, it will eliminate the rental paid on new ones it installs. Kalar says the activity will move into profits next year. Other benefits include being able to add energy efficiency reporting for customers whilst smart meters also give Yü an ability to remotely reconfigure meters (eg. move a customer onto Pay As You Go supply in the event that the customer is not paying).

All told, Yü has been finding that overdue customer receivables have been relatively stable in the last five years, which makes me think that even current forecasts could be beaten because the current broker forecasts factor in bad debt provisions increasing from 3.1% in FY 21 to 7.2% in FY 22. Kalar tells me this is unlikely. *A 2023 NAP; I am a buyer.*

UPDATES

ME Group (MEGP) 104.5p

Sector: Leisure

ME (formerly Photo-Me) said it has confirmed further strong trading momentum in H2 and it now expects the full year to come in "well ahead" of guidance. The Photobooth side has benefited from price increases and a return of travel related spend (c.35% of Photobooth revenues). Meanwhile, rollout of *Revolution* laundry machines in Europe and expansion of *Feed.ME* fresh fruit juice machines in Japan continues. Net cash at the end of October after paying £25.7m in dividends was £38.2m.

In light of the statement, broker Canaccord upgraded its eps estimates by 12%/21%/23% for the years FY'22-'24 to 11.2p, 13.1p and 13.9p, respectively.

Tipped in January '22 at 67p, it seems certain to become a doubler in due course. Keep on buy list.

Card Factory (CARD). 77p

Sector: Retailers

The shares spiked to 77p after an unscheduled trading update reported stronger than expected H2 trading, particularly across its everyday ranges. This performance has largely been driven by the stores where like-for-like sales are +6.2%. With incremental sales dropping through at a 33% margin, EBITDA for the year to end January will now be at least £96m versus current consensus of £88.8m. It's obviously now going to ensure faster than expected debt paydown.

Liberum has increased its forecast to end January by 32% to £37.9m pretax profit, for eps of 8.9p. Next year is increased to £57.5m and 12.6p.

Results are due 23 January. Tipped at 63.5p in June. Gain to date; 21%. Strong hold.

Made Tech (MTEC) 27p

Sector: AIM, Software & Computing

Made has been awarded a new contract with the Home Office, worth £10m over a 24-month period with a possible £2m six-month extension. The contract award announced represents a renewal and expansion of the initial contract. *Newsflow is gradually improving and with the pressures of recruitment now abating, I am a buyer.*

Facilities by ADF (ADF) 64p

Sector: AIM, Industrial Transportation

No surprise to see ADF buy Location One (I suggested this back in June) for £8.9m (50% cash and 20% in new shares upfront and the rest based on future performance). Location One is an equipment hire company serving the TV and film space and its rental inventory includes generators, water bowsers, lighting equipment, environmentally friendly battery-stores/other renewable solutions and other capital light consumables, which are all highly complementary additional products to ADF's trucks and trailers. In the year to end September it had £9.2m sales and made a profit of £2.1m so the deal is eps enhancing from day one. *Strong hold.*

UP Global Sourcing (UPGS) 141p

Sector: Household Goods

The shares rocketed after UPGS released full year results to end July. Sales were a record £154.2m, up 13%, having received a shot in the arm from the Salter acquisition. Excluding Salter, organic sales grew 1% but this is after a 13% decline that had been seen in H1 so a material rebound during H2. Pretax profit was up 42% to £15.8m, eps +54% to 14.3p and dividend +42% to 7.1p. Net debt of £24.3m is a comfortable net debt/EBITDA ratio of 1.3x

The big feature is International, which increased by 22% to £53.1m, helped by a standout rise in Germany (+39% to £19.2m), with new retailers onboarded as well as more lines going into existing customers. The German kitchen electrical brand, *Petra,* acquired in 2021, is set for a relaunch with a leading German hypermarket over the next few weeks and UPGS has a substantial initial order already in the bag; UPGS believes Petra could become a brand of the scale of *Salter* (£48.1m sales) or *Beldray* (£40m).

Supermarket sales grew 32% to £51.5m, with core organic revenues increasing by 20% to £46.7m as they took more of its Beldray, Salter and *Russell Hobbs* branded products.

Sales to Discounters declined by 7% to £48.1m reflecting both tough Covid comparatives and tighter inventory management across the channel, but this has slowly started to ease through Q1 23. Online revenues increased by 23% to £25.3m, with Salter accountable for all the growth.

Although there are a few cost headwinds such as freight in this period, gross margin improved by 2.7% to 24.9% as the Salter brand eliminated the royalty payments it previously used to pay. Consequently, despite some cost increases, UPGS achieved a higher EBITDA margin, up by 2.5% to 12.2%. UPGS says things have started in line with expectations, currently standing at £17m pretax profit and eps of 14.5p.

A main write-up at 71.5p in August '19, hold for more.

Tracsis (TRCS) 955p

Sector: AIM, Software & Computer Services

Tracsis, a main buy at 660p in April '21, has been a stellar performer. Full year results had already been flagged in September reflecting a strong post covid bounce for the Data, Analytics, Consultancy & Events (DACE) division whilst its Rail Technology & Services arm continued to trade well and included a maiden contribution from its US acquisition. Sales were 37% higher at £68.7m (24% organic), EBITDA 17% higher at £14.3m and pretax profit 9% better at £12.3m. Eps were 32.3p.

DACE saw a £15m or 63% jump in sales to £38.8m. This is the people counting side, which is mostly about using cameras to anonymously count people and vehicles allowing event organisers and transport groups to manage traffic flows. It is low margin and the increased proportion of revenue from DACE meant a lower group EBITDA margin of 20.6%.

But DACE is the poor cousin to Rail Technology & Services, which has government backed contracts with 20 or so Train Operating Companies (TOCs), such as Virgin. Divisional sales were up 13% to £29.9m, with £25.4m from software and £4.5m from selling remote condition monitoring (RCM) data loggers used to highlight signals on the verge of failure.

Chief executive Chris Barnes tells me that what is particularly exciting is that it has launched *TRACS Enterprise*, which bundles all the bits that a TOC might need to run their operations (e.g. scheduling, planning, crew management). The first contract has gone live and a further five are contracted. A TOC might use disparate systems but putting them in a hosted environment allows Barnes not only to sell additional modules but also host the system; he says, "it means 3x revenue potential' and customers get a quick payback because of savings in the areas such as overtime if they use a joined up solution."

Rather than selling software under a standard "licence model," which might mean a large upfront payment, Tracsis sells under an "application rental" model so the gravy keeps coming year after year. This year saw ARR increase by 13% to £21.1m.

There is also exciting potential in the US where it has made its first purchase of *RailComm* which was modestly lossmaking when acquired but has returned to the black. As well as two bits of software (yard automation and computer aided digitisation) it added a US base and relationships that allow Tracsis to launch RCM and scheduling software in the US.

RCM had slightly lower sales of £4.5m versus £5.4m and Barnes says this was because its customer, Network Rail, had over-ordered stock last year and is still working its way through installing the kit, which had been disrupted during Covid. But Tracsis is in discussions with North American rail operators and if an RCM contract comes off, the high gross margin product could send short run profits sharply up. Watch out for it.

Net cash is £17m but this is a big year for earnouts amounting to £9m. Even so, it is set to climb to £24m in FY24, allowing it to complete further US deals.

Finncap forecasts £14.2m pretax profit and eps of 37.5p for the current year. *Strong hold*.

Braemar (BMS) 320p

Sector: Shipbroking

When charter rates and asset values rise, so too does its income and as a consequence, shipbroker Braemar has been a strong market since I made the shares a main Buy last December, with the shares up from 210p to 320p.

Latest interims to 31 August showed revenue +47% to £69.4m. Underlying operating profit was +95% to £10.9m, exhibiting a strong operational gearing effect and the strong US dollar was a tailwind (+£3m benefit to profit). Underlying pretax profit increased 114% to £10.5m and eps were +81% to 31.8p.

Braemar is one of the largest shipbroking companies in the world, about a third of the size of its larger rival, **Clarkson** (CKN; 3105p). Following the disposal of its logistics business, Cory, last year (leaving net cash at £1.8m), the business reports in 3 segments: Chartering is the biggest and saw sales of £44.9m (+67%) as it was boosted by Russian sanctions and the related geopolitical events of 2022, which disrupted transportation flows of oil around the world, substantially increasing ton miles for vessels. The other two divisions also performed well - Advisory, which includes Sale and Purchase activities (+8% to £16.2m) and Risk, which provides support for traders who want to hedge future costs by offering Dry Cargo Freight Forward Agreements (+46% to £8.2m).

The forward order book stands at US$55.5m. Braemar generates most of its revenues in dollars, with most costs (mainly people) in Sterling so the current strong dollar will be a £5m tailwind this year, resulting in eps of 50p, a PE of 6.4. Next year's eps forecast is 39.3p. This is a glaring discount to the 14x Clarkson trades on. As I said in December, "acquisitions, when they come, will fuel the fire." *I remain a buyer.*

Calnex (CLX) 164p

Sector: AIM, Telecommunications Equipment

The terrific sales momentum I described in the July issue continued into the first half. Sales were +38% to £12.7m, pretax profit +34% to £3.1m and eps +36% to 2.8p. Net cash came off from £15.4m six months ago to £14.3m following the in-period acquisition of iTrineg, a network emulation test vendor, for £2.5m. With 80% of revenues being invoiced in dollars, approximately a third of the growth in revenues was due to a strong dollar.

There really wasn't much to go through when I caught up with chief executive Tommy Cook following the results. Demand for Calnex's telecoms testing equipment remains strong with the ongoing transition to 5G and the growth in cloud computing continuing to drive demand for test instrumentation and network validation.

As 5G roll out continues, vendors are producing equipment, which conforms to the O-RAN recommendations in line with their customers' requirements and *Neo* (its network emulators) and *Sentinel* (sync testers) help to test this equipment in order to prove interoperation between the various network elements. A new network synchronisation product, *Sentry*, for hyperscale datacentres (eg. Amazon, Microsoft, Google, AWS, Meta, etc) will be launched in H2. This product heavily leverages the technology in Sentinel, says Cook but he has adapted the kit so instead of looking like a portable product, it now sits on a rack and has more ports for the data centre environment. *Strong hold*.

AB Dynamics (ABDP). 1630p

Sector: AIM, Industrial Engineering

A barnstorming full year to end August from AB Dynamics, which sells a suite of simulation and track testing products. Sales for FY22 were + 23% (18% organic) to £80.3m and pretax profit +7% at £12.4m, helped by a strong gross margin and underlying operating leverage. Eps were +19% at 44.5p. Net cash was up 7% to £30.1m despite a £5.1m deferred payment for VadoTech, the supplier of testing services in the Asia Pacific region.

Track Testing was the swing factor. Sales grew 30% to £64.7m driven by Advanced Driver Assistance System (ADAS) +31% to £29.7m, Driving robot sales +22% to £20.6m and testing services +43% to £10.4m helped by a full year contribution from VadoTech. ADAS sprung higher following new product launches – the *LaunchPad 80* and *GST 120*, which allow for the performance of testing at higher speeds and were approved for Euro NCAP testing during the year. Further new product launches (e.g. ADAS testing dummies) should support growth into FY23.

Simulation was flat at £15.6m. But speaking to chief executive Dr James Routh, he says the weakness in laboratory testing (-19% to £5.2m) is just revenue recognition of long term Suspension Parameter Measurement Machine (SPMM) revenues and will bounce this year; whilst sales of simulation software were +12% to £10.4m, with a strong order book for VDS simulators and good growth at rFpro. Post-year-end it acquired Ansible, which expands its simulator product range and achieves critical mass in this attractive sector.

The proportion of recurring revenue has grown to 41% (2021: 35%), benefiting from the impact of VadoTech, which supplemented an increase in sales of software, long-term service and support contracts and spares/calibration.

Overall price increases and the rising proportion of sales from Track Testing have pushed up gross margin by 0.7% to 57.5%. Operating margin of 15.8% was down 0.6% due to the £1.3m investment in the new division, ABD Solutions. Strip out the investment and margin would have been 17.4%, suggesting good underlying operating leverage. ABD Solutions is developing solutions to automate the driving of large articulated vehicles in the mining sector. It is halfway through an 18 month trial in Japan where it is providing all the sensors to off road vehicles in the mining sector and it will generate revenue from FY24.

Liberum forecasts eps of 50.5p this year and 57.2p next. *Strong hold*.

DiscoverIE (DSCV) 833p

Sector: Electronic & Electrical Equipment

Impressive interims from DSCV vindicate chief executive Nick Jefferies' diversification into the structurally growing and resilient markets of renewables, medical, transport and industrial & connectivity, which now comprise 77% of sales.

Last year saw the business begin to report across two divisions: Magnetics & Controls and Sensing & Connectivity, with the latter being higher margin and where most acquisition activity centred. Overall, helped by four acquisitions over 12 months, sales grew 26% to £220m, of which M&C was +26% to £136m and S&C +19% to £83.2m.

Organic sales were up 14% with growth from both divisions (M&C +17%; S&C +11%). Pretax profit was +46% to £23.5m and earnings +37% to 17.8p, with two thirds of the incremental profit being driven by a drop through of additional sales.

Group operating margins rose from 10.3% to 11.7%, evidencing rising value-add and the group's ability to pass on the impact of inflation and supply chain issues and Jefferies talks of being "well on track to achieving a 13.5% target by FY 2024/25."

Jefferies tells me that of the four businesses acquired, "only one has faltered due to supply chain issues and is on the way back and the other three are doing fantastically well." His plan is to grow faster than the market and this is why the present focus is outside Europe (now 41% of total sales) where growth is strongest. Like **Volex** (VLX; 271p) it will expand production capacity in places like India, which are expected to be operational next financial year. The order book is at a record £257m, supporting the full year forecast for the year to end March of £43.5m pretax profit/eps of 32.9p. But with £70m of acquisition firepower, expect further deals before long to send these forecasts higher. *Strong hold*.

T Clarke (CTO) 121p

Sector: Construction

TClarke has said H2 has been strong, however sales for the year to 31 December will be £410m as £40m of work that had been expected to be delivered in 2022 was reprogrammed into 2023. It's also seeing some evidence of price inflation. Operating margins are anticipated to be circa 2.8% and as a result, eps will now rise by 27% this year to 19p instead of 21.3p. Next year's forecast is 19.7p, based on a margin of 2.4%.

The shares remain inexpensive on a forward PE of c.6x with a 7.3p dividend (6% yield). The total secured order book is £545m, of which £384m will land in 2023 whilst TClarke is expecting decisions on £500m of tendered projects by early 2023. *Any other company would give their eye teeth for the 27% eps growth TClarke has seen this year, so I'm not sure what needs to happen to lift this off the derisory rating*. *Strong hold*.

Elementis (ELM) 117p

Sector: Industrial Chemicals

Elementis has sold its Chromium business for US$170m, valuing the business at 7.3 times EBITDA (12-months to 30 June). Book value of the asset was US$100m at the end of 2021 so this represents a gain on disposal. The cash proceeds from the sale reduces net debt to EBITDA to ~1.6x and means Elementis is now a fully focused global speciality chemicals business. In the year to 30 June these business segments had organic sales growth of 14%, operating profit of US$125m and an adjusted operating margin of 17%. *Await deal closure in Q1 23*.

Alliance Pharma (APH) 46.5p

Sector: AIM, Healthcare

Whilst the B2C market demand for *Kelo-cote* in China was strong, the B2B market demand was affected by distributors destocking and several larger orders expected in Q4 did not land. Kelo-Cote's expected sales are therefore reduced by c.£20m to £42m reducing Group sales for the year to end December to c£170m. Reflecting the high margin nature of Kelo-cote's sales, pretax profit is expected to be £30m, representing a downgrade of 30%.

Alongside all this, what has rattled investors for a few weeks has been the ongoing battle with the Competition and Markets Authority since 2019, when it was alleged that it and three other companies had infringed competition law in relation to the sale of prescription prochlorperazine (between 2013-2018). The CMA has proposed a fine of £7.9m and sought a competition disqualification order against seven directors from all four companies, including Alliance's CEO. Alliance, however, argues that as it had out-licensed prochlorperazine to a distributor in 2013, it had no involvement or control over pricing of the product.

One never knows what will ultimately come out in the wash but prochlorperazine was less than 0.4% of group sales last year. Liberum forecasts £30.1m pretax profit for the year about to end and £41.9m next year. Corresponding eps are 4.5p and 6.1p, putting the shares on a FY23 PE of 7.6. I *am a buyer.*

Editorial shareholdings of companies covered in this issue: Supreme, Made Tech, Volex, Yu Group, TClarke

Solid State (SOLI) 1295p

Sector: AIM, Electrical Equipment

Shares in SOLI perked up after the award of a £7.3m contract by the NATO Support and Procurement Agency (NSPA) to supply communications equipment to a defence customer through its Systems division and just eight days later with a further £9.8m contract from the same customer, so it's beginning to look like SOLI will wallop the forecast of £9.2m pretax profit / 73.5p eps for the year to end March out of the park. *Buy.*

UPDATES AND IDEAS

• At the heart of the battle for the pound in smokers' pockets are sweet smells and delicious tastes in the form of vapes; it is often the fragrance or the flavour that determines which sells the best and vapes have been emerging as a particularly buoyant sector set to grow 25-30% a year until 2030. The positive outlook for vaping is also highlighted in the recent 9 June Government report, 'Making smoking obsolete,' which notes "the government must embrace the promotion of vaping as an effective tool to help people to quit smoking; indeed the NHS plans are already underway for prescription Vapes in 2 years.

In the quoted space, the scale of the opportunity is indicated by the progress of **Supreme's** (SUP; 99.5p) vaping division. During the month I caught up again with chief executive Sandy Chadha and finance director Suzanne Smith after the latest H1 results in the light of which broker Berenberg has upgraded forecasts by c£1m to £18m pretax profit / eps 10.1p for the year to end March.

If you have not been a regular reader, you won't know that Supreme owns and licenses a variety of consumer brands across the vaping, sports nutrition, lighting, batteries and household segments. It manufactures some of these products, and acts as a distributor for others. The latest H1 saw revenue +6% to £64.6m and whilst Vaping sales went gangbusters (+47%) the shine was taken off the headline profit by an unexpected downturn in its retail lighting division.

As Smith explains, Supreme does not make any of its retail lighting products itself; it merely applies brands under licence and uses subcontractors in China, so the downturn should have been low impact. But the issue was one of supplier destocking amongst customers who buy on a freight on board basis (FOB) where they take ownership of the goods before they are exported from China and benefit from their own superior scale in shipping and warehousing. This bit of the division is high dropthrough as Supreme never really touches these products and most of the £7m reduction in divisional sales to £6m was FOB and almost identical to lost profit. Thankfully, customers are reordering and Supreme has also just won two more lighting customers: Asda and Poundland. Freight costs are falling and is also a tailwind and this is why Berenberg is upgrading next year's forecast to £22m pretax profit/11.6p eps and with a fair wind, an upgrade cycle could be starting.

Meanwhile, Vaping shows little sign of slowdown. Its 50% growth in sales to £31.6m was a third organic (split equally between new product development and higher sales of existing products) and the other two thirds came from acquisitions as Supreme began to consolidate the market.

A lot has changed to the Vaping side since Supreme joined AIM in 2021. At IPO it was mostly selling liquids and open systems (where the liquid is filled by the user into their vaping device) into the discount sector but now it has broadened its portfolio to open, closed and disposable devices. The acquisition of Liberty Flights brought in higher value premium products sold into the convenience sector and Liberty's Dot Pro range included pre-loaded refills or pods, similar to cartridges, which are slotted into the device. These closed systems will probably be what the NHS will ultimately go for as it prevents tampering. The subsequent acquisition of Cut Ice added further sales. Supreme quickly closed two sites and it kept on just three people whilst relocating 70pc of the business (£5m gross profit) to its existing manufacturing location. It also added a presence in Europe.

At IPO it was making stuff in China. But now most vaping products have been relocated to the UK and gross margins on its traditional products are over 40%, but for the fact that following a fashion trend in the latest H1 it has also started to sell disposable vapes, which are 2ml, pre-filled, self-contained devices and designed for one-off use; these are still bought in China. It was only the fact that there's been a lot of demand for these low margin disposable vapes that meant divisional blended gross margin was -3% but still very healthy at 38%.

Chadha plans is to relocate inhouse manufacturing for all his categories of products to a large new site in Manchester, including his other nascent businesses in Sports Nutrition (protein bars and drinks) and Wellness (vitamin pills). The new site might initially cost more but it will mean fewer people pushing pallets from one warehouse to another, from one rack to another, touching it many times before eventual delivery for all categories. It will also increase total pallet capacity by almost 60% and has set the stage for headline growth, just at a time when whey prices (a key ingredient) and freight have started to fall, creating a tailwind. *A good candidate as a possible 2023 NAP. On a forward PE of 10.7, the shares are a Buy.*

MUSICMAGPIE (MMAG)

Sector :	AIM, Retailers	
Latest Price :	22.5p	
High/Low :	167.5p - 7.5p	
Market Cap. :	£24.3m	
Shares in issue:	108m	
end11/2022 EPS/PER est	(0.3p)	-
end11/2023 EPS/PER est	(0.6p)	-
end12/2024 EPS/PER est	(0.2p)	-
Contact	0870 4792705	
Registrars	0121 4157082	
CALENDAR		
Int/Fins/AGM	JUN/MAR/MAY	

"It's only when the tide goes out you know who's swimming naked," is a line from Warren Buffett. What he meant is that you don't really appreciate the risks that companies are taking until they are tested by adverse conditions and it applies particularly to new issues, many of which crashed and burned during the past year.

But not all should be given up as worthless. One which recently caught my eye is the UK's leading re-commerce business, musicMagpie, which owns a trading platform for consumer electronics and has seen heavy buying by directors. Floated at 193p in FY21 in a heavily oversubscribed placing, the shares are now a fraction of the IPO price at 22p and most investors have written off its prospects.

During the month I met with chief executive and co-founder, Steve Oliver, who I found in a particularly ebullient mood. Oliver cut his teeth selling entertainment products but he soon learnt that there was more money in selling used CDs and DVDs and so he set up musicMagpie 15 years ago as an online marketplace for buying and reselling disc media as well as books. As media and entertainment systems shifted towards digital purchases, it provided an opportunity for customers to recycle unwanted phones for instant cash and declutter. Consumer champion Martin Lewis became a big advocate of the business, which helped drive sales and by 2007, Oliver extended musicMagpie to trade in pre-owned consumer technology - smart phones, tablets, video game consoles, Macbooks and the like - and these days this represents 70% of bigger total sales of £146m, of which the US is 25%.

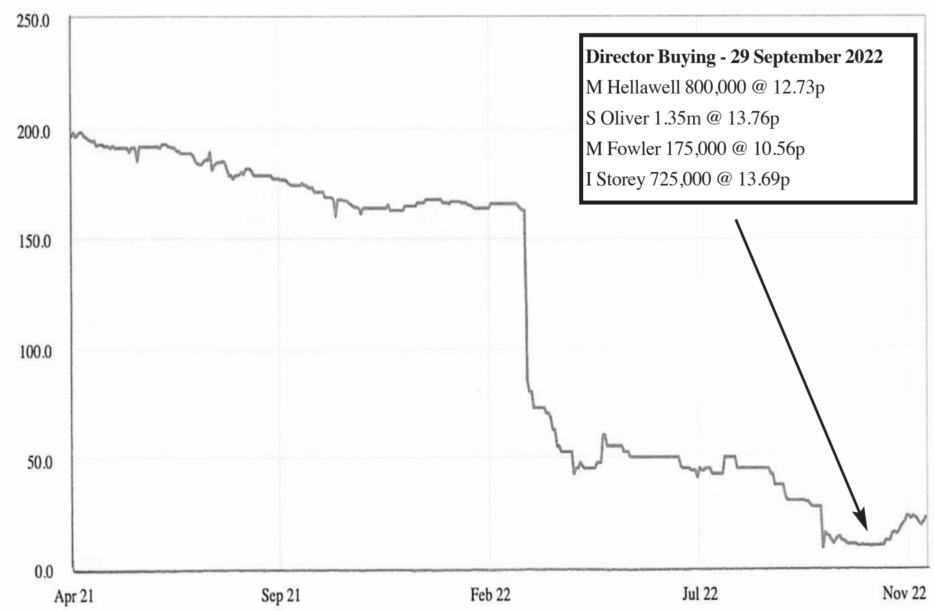
As I describe below, what is intriguing about musicMagpie is what the future may hold. The company is unusual, arguably unique, in that it has now begun to rent pre-owned devices rather than selling outright and is building a very visible revenue stream. I have covered it this month because a statement confirming the rental performance is expected just after this issue lands, providing metrics and allowing analysts to model this new activity.

History

Just before I began to write my report, my neighbour, Stuart, a semi-retired pensions advisor, had taken me for a spin in his new Tesla; I also had a few minutes to see the progress of a raised vegetable patch he installed during the lockdowns, complete with a sequence of composting bins and water butts. It was then that he told me he is installing new solar energy panels. If Stuart was a corporate he would be top rank for his ESG credentials – short for Environmental, Social and Governance. These days most companies' Annual Reports include a section on corporate ESG strategy and greener business practices. For example, they may be adopting manufacturing processes to meet future environmental legislation or putting forward strategies on how they reduce waste by recycling.

I didn't ask my neighbour about whether he also has a stash of old phones lying around at home. If he is like me and many people I know then he probably has a stash of them in a drawer. Electronics account for 70% of landfill's toxic waste and according to Oliver, each household typically has 11 items of unused consumer technology, worth an eye watering £16.5bn in the UK and depreciating by the day.

This is where musicMagpie comes in. Last year, it recycled over 16m units in the UK and 4m in the USA.



musicMagpie is a straightforward business. Consumers visit its website and enter details of an old phone they may wish to sell and are then given a fixed quote. The customer mails the phone to musicMagpie's Manchester office (free of charge) and once received, the item gets quality checked and graded, with musicMagpie paying out the same day. Around 70% of customers receive the full price, with the rest either seeing deductions for screen damage or an outright rejection if the device is in a really bad way.

As well as buying from individuals, musicMagpie also bulk buys from corporates. For instance, it has an agreement to take Deloitte's 25,000 old devices over a three year period - corporates are happy because they get a certified data wipe but also an ESG certificate demonstrating that by extending the shelf life of an iPhone, they have saved 55kg CO2e that would have otherwise been used to make a new device.

Refurbishes devices

musicMagpie adds value by refurbishing in-house (eg. new batteries for phones; new cases for DVDs, which are also polished). It then adds a 12-month warranty and sells these "as good as new" items to consumers at a fraction of the price of new. Sales channels include the musicMagpie online store in the UK and its Declutter website in the USA (apparently Americans don't know what a magpie is). Alongside those it also sells on Amazon and ebay and since April it has also been selling on Back Market (a refurbished electronics marketplace).

Dropping off kiosks in supermarkets

What originally caught my eye was that on 8 November, largely unnoticed by the market, musicMagpie said that it has now rolled out its SMARTDrop kiosks into 290 Asda stores.

For customers, this is not just an easy location to drop their phone off if they have agreed a sale online. Instead, SMARTDrop has also been developed to help musicMagpie to "buy more" from walk up customers. As Oliver explains, the customer can insert their phone into the kiosk where the IMEI number is read (an identifier on each phone that allows the kiosk to identify what type of device it is), after which they are taken through a very simple journey to validate the phone's details and condition before being offered a price.

SMARTDrop kiosks hook up over the internet allowing a quality assessment team back at HQ to evaluate the condition of the phone. Once the operator confirms the valuation, the customer is invited to accept and receive instant payment to their bank or PayPal account within minutes, which they can then use to pay for their shopping. The phones acquired are then transferred to musicMagpie.

Oliver says he has traded 25,000 phones to date via Asda at an average £273, amounting to almost £7m paid to customers. He adds that the kiosks are part of a wider sustainability partnership with Asda and Asda's customers can also buy refurbished mobile phones, DVDs and CDs through the Asda website.

Proprietary tech stack

Buying consumer tech to resell at scale is tough but it's 'meat and drink' for musicMagpie. Its internally built technology stack uses a proprietary buying algorithm, ALIVE, to work out if it should buy a particular phone and at what price, based on its current stock holding, number of days forward cover, current and historic selling prices and the price its rivals are selling it for. It also needs to be able to track each phone as it moves through the company. There is also a negative up-front cash outflow from working capital, as it pays the day it receives items and sells later so stock turn is important: Oliver says it turns 50% of what it buys by day 4, 80% by day 14 and c.100% by day 30.

By way of an example, a used iPhone might be purchased for £105 and sold for £150, which after carriage, consumables and platform costs makes for a gross margin of c.25%. However, because musicMagpie enjoys high trust ratings, it's increasingly able to purchase for less than its rivals, who might lose or damage items or not pay out promptly. Very approximately, refurbishment labour and marketing are c.14% of revenue, with admin at c.6%. In FY20, it saw an EBITDA margin of c.9%. These would have been the type of metrics to shine through going forward, but for a pile of investments going through the business - eg. growth of rental and roll out of kiosks.

£24m cap versus rivals

musicMagpie gives a second life to over 95% of the goods it takes in, with the balance going through breakdown, component reuse and recycling. Phones are a rich source of rare earth metals. Apple has been attracted to the potential as it looks towards its own sustainability agenda and musicMagpie and is its preferred 'Corporate Partnership Trade-in Partner' for some devices. Apple also provides it with access to new and also Apple-certified pre-owned products (returns).

musicMagpie clearly operates in a very relevant market and investors have been chucking money at it too: for instance, in January a Finnish company, Swappie, which specialises in refurbishing iPhones, raised €108m and Back Market raised US$450m the same month taking its total raise to US$1bn since 2017. Compare that to tiny musicMagpie, which having seen its share price decimated is worth a paltry £24m and it makes me think this one could catch fire in 2023, particularly as the real gravy going forward becomes the rental revenue stream from its cohort of once-used phones.

'The game-changer': rental proposition

So why is the share price on its uppers? UK investors have reacted badly to musicMagpie's shares because of the cautious behaviour consumers are exhibiting and resultant slower growth of outright sales on the musicMagpie online store and the expansion of other sales channels, including the positive launch on Back Market hasn't been sufficient to offset this decline. Even so, Oliver says musicMagpie's H2 will be a big improvement on H1 but August and September were soft.

Investors may also be missing a point. One reason that sales of phones were down is that since Nov '20, alongside the option to buy outright, musicMagpie has been giving customers the option to rent - cannibalizing its own sales. "Instead of paying £400 upfront, a customer can rent a phone for a period of a year at, say, £18.99, and if they take a second year's contract, we reduce the monthly rental to £15.99."

I suspect 20% of customers are taking the rental option, which has a depressing effect on short run sales because a high ticket sale is replaced with lower run-rate monthly rental payments; the keynote, however, is that the gross and cash margin is considerably higher even after allowing for insurance, credit checks and third party collection. Of course, rental brings new challenges, such as managing non-payments but as Oliver says, the simplest solution when a customer stops paying is to lock out the IMEI number; it's surprising how quickly they resume payments, he quips.

Active subscribers at the last count of 24,000 provide a highly profitable recurring revenue stream and are growing month on month. musicMagpie had net debt of £7.5m at the end of August reflecting the £7.3m of investments into its phone rental estate. Oliver tells me that 70% of customers roll the contract for a second year too and he has plans to offer contracts of more than one year.

He also adds that phones are depreciated at 33% on a reducing balance basis and given a phone can be used for 7-8 years, those returned almost always can be sold off on a profit. And now bankers at HSBC and Natwest have provided it with a £30m facility so he can go hell for leather to expand its rental inventory.

Extends rental to corporate arena

In April, Oliver extended the rental proposition into the corporate arena with "Magpie Circular," for companies wishing to rent Apple iPads and iPhones. For the future this will mean much larger bulk subscriptions of higher value handsets, with an entry price of £13/month per device over a 24 month period. Stagecoach is the first big corporate rental client and is renting reconfigured iPads for use by its bus engineers.

Cluster buying by directors

Anyone buying the shares is in good company. Martin Hellawell, previously CEO of **Softcat** (SCT; 1304p) from 2006-18, is Chair and in September he bought 800k shares, Oliver bought 1.35m and two others bought 175k and 725k at 10.56p-13.76p. Clearly the business is in a state of flux (ebitda is £6.4m climbing to £8.7m next year) but I think this is a very interesting juncture to alight on the story. *Although not without risk, I am a buyer.*

<< Continued from page 8

tiated five year plan to double revenues to US$1.2bn (including US$0.2bn from future acquisitions).

All sectors are strong. EV charging cables was again the standout with revenues up 53% to US$69.1m (up 17% on the previous half year) as the product range was extended to include faster charge cabling for both domestic and out of home locations. "When someone is buying a US$50,000 car, they now buy not just the slow unit but also the faster chargers, which the motor manufacturer sells for US$400-500 versus US$150. Many customers end up buying both." Of course he didn't name Tesla but there is no great secret that it's their largest client alongside supply to a raft of other big motor manufacturers. EV products have to be reliable as their failure could make the associated device inoperable and could also raise safety issues given their role in connecting to a live power source and Volex is market leader.

The same safety considerations are clearly evident elsewhere in the group. Medical, for example, grew revenues 8% to US$67m. Volex can design and assemble anything from a cable and connector all the way up to a full sub system that transfers electronic, radiofrequency and optical data, which is found in medical equipment for diagnosis and treatment. The last two years had seen restricted access to hospitals but now there is pent-up demand for new equipment.

Consumer Electricals grew c4% to US$138m. The market for power cords might have expected to be weak this year because of the consumer downturn but Volex's market share is rising. H1 benefited from new customer projects, cross-selling customers into the Batam facility. Supplying from Batam to the US customers, for instance, allows US customers to avoid China tariffs and meanwhile the inclusion of the acquisition of Prodamex, which supplies wire harnesses, only strengthens its cross-selling position.

Lastly, the Complex Industrial division grew organically by 9% to US$83m with the exciting new data centre product (change from 100Gbps to 400Gbps transmission speeds) is expected to come on stream later in the year just when data centre customers have now worked their way through their old inventory. "An active copper cable contains electrical components in the connectors, which boost signal levels and is more expensive but the exciting thing is that these passive copper cables carry a signal over short lengths (5m or under) of copper with no additional components to boost signal," says Boaden. "We're already working with one customer and when they begin taking it, it's not just going to be one bucket of cables but several huge container loads." Given this is high margin, this is an exciting prospect to come by the end of the year.

Also be on the lookout for acquisition newsflow. Together with the results, Volex bought RDS, which manufactures industrial electronic display systems. RDS had sales of £9.5m and EBITDA of £1m the year to end March. The £5.4m price represents just 5.4x trailing EV/EBITDA. A small deal but Rothschild says that the recent interest rate rises have put VC buyers off chasing bigger deals at a time when he has US$200m headroom. Panmure forecasts eps of 23.9p this year and 26.1p next year but the analyst adds that acquisition(s) of US$60m a year (on the historical 6x operating multiple) could start to add c2.7p to forecasts. Each one will therefore start to have the same effect on the share price that an oil discovery might have on an explorer. *I am a buyer.*

UPDATES & IDEAS

• **Volex** (VLX; 271p) has been a great performer since I added the shares to Growth Portfolio 3 at 133p in December '19 but I think the best is yet to come.

I think management would like to believe that the key to its success is what it sells, the unbeatable quality of its electronic components and the fact that most of the components it sells are high growth markets such as data centre cables and electric vehicle cables. But I get the feeling that since industry-wide supply chain and component shortages surfaced, in customers' eyes how Volex has been selling is really just as important as what it sells. As chairman Nat Rothschild and finance director Jon Boaden told me when I spoke to them, all the turbulence helped strengthen relationships with customers. "In a post Covid world, customers don't want products being shipped half way around the world and being stuck in transit or being caught in a buying frenzy with others. There has been a seismic shift in the supply chain," says Boaden and localised product and being near to customers is important. The eye-opening line for me was actually hearing about their physical expansion plans for the next 12 months.

During the month, Volex reported confident interims, showing that it has managed to sail majestically through supply chain and inflationary pressures. Sales, including a contribution from three acquisitions last year, were US$357m, implying organic growth of 14% (reported revenue growth of 22%). Moreover, there was limited pressure on the operating margin, which held at 9%, with Volex being able to pass through all the higher copper and labour costs.

Key to achieving the high organic growth rate and stable margins was its increase in raw material parts inventory as management anticipated the possibility of supply chain disruption. They increased overall inventory by US$20m to ensure Volex would still be able to fulfil orders for customers. This inventory left net debt at US$117m (H1 FY2022: US$95.3m) but as supply constraints ease in future and it burns down, inventory debt will reduce.

Volex is already a global supplier with manufacturing sites located across nine mostly low cost countries and three continents but Rothschild talks about a further US$15.7m now being committed to capex, to double the factory in Mexico (to fulfil US orders), expanding the Batam Indonesia factory for the third time in three and a half years, doubling the Polish factory and also huge expansion of the site in India. All these projects might take 12 months to build out but there are certainly no worries about filling them as contracts are already coming through. Impressively, the project payback is just 20 months. The investment is all part of Rothschild's recently ini-

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THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		+7.64%	+331.09%
FTSE-100	7556.23	+7.22%	+15.40%
FTSE-All Share	4138.81	+7.34%	+17.44%

Growth Portfolio 3 is up 7.6% this month and there are signs that the selling storm in equity markets is petering to a close. As you will see, this month's updates are largely bullish; quite a few companies are upgrading expectations and others, given macro uncertainties, are leaving guidance unchanged for FY23 at this early stage to the year but are saying things seem better.

I had a lot of calls this month and one sector seeing a renaissance after all the semiconductor supply chain shortages last year is electronics (refer to Volex, Solid State, DiscoverIE updates). Buffett seems to have spotted the trend too by taking a US$4bn stake in a semiconductor firm and further down the pecking order, Volex has come out fighting. Some investors were thinking that the playboy image of chairman Nat Rothschild would see him monkey around with the capital of the company but results show him deliver 14% organic sales growth and 9% margins despite inflationary headwinds. With small caps there is always something to delight the eye. I feel I should add Yü which is benefiting from rising energy prices. Next month I present my NAPS for the year. Wishing everyone a peaceful Christmas and Prosperous New Year.

THE GROWTH PORTFOLIO 1

Starting Capital (1/11/94):	£25,000
Termination Value (12/7/01):	£297,142
Portfolio gain:	+1088.57%
FTSE-100 gain in period:	+89.19%
FTSE-All Share gain:	+84.99%

THE GROWTH PORTFOLIO 2

Starting Capital (13/1/01):	£50,000
Termination Value (28/11/14):	£653,643
Portfolio gain:	+1207.29%
FTSE-100 gain in period:	+17.51%
FTSE-All Share gain:	+34.39%

		Shares Bought	Date Bought	Buying Price (p)	Total Cost (£)	Present Price (p)	Value Now (£)
1000		EMIS	1/10/15	1045	10495	1876	18760
1000	^*	Softcat	7/12/15	229.2	2337	1304	13040
10000	*	SDI Group	15/2/17	20.5	2095	170	17000
1000	*	Alpha FX	27/7/17	470	4745	2240	22400
5000	^*	Kape	9/4/18	93.5	4720	244	12200
1000	#*	Future	9/4/18	329.5	3340	1472	14720
15000	*	UP Global Sourcing	31/1/19	59.9	9075	141	21150
15500	*	Luceco	31/1/19	53.75	11033	90	13950
60000	•	XLMedia	8/7/19	43.7	26330	16.75	10050
2500	*	Ergomed	22/10/19	313	7870	1380	34500
10000		Volex	9/12/19	133	13345	271	27100
15000		CentralNIC	9/12/19	63	9495	131	19650
4000		Mpac	3/2/20	290	11645	246	9840
26069	•∞	Reach	3/2/20	98.8	26019	107	27894
8000		Superdry	22/9/20	146	11783	107	8560
3000		Victoria	13/11/20	450	13545	439	13170
25000		N Brown	22/1/21	61.85	15508	25.25	6312
7000		Supreme	5/3/21	189	13275	99.5	6965
16000	•	On the Beach	5/7/21	199	32065	126	20160
25000		Staffline	7/8/21	65.4	16395	40	10000
10000		T Clarke	6/9/21	147	14745	121	12100
18000		Boohoo	24/5/22	78	14085	45.75	8235
						Cash £	83333
						Total £	431089

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. ^Adj for special divs. # Adj. for rights issue ∞ Adj. for bonus share issue

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