THE SMALL COMPANY

# SHARE WATCH

**January 2023**

## MARKET COMMENT

Do you recall the evil Voldemort in Harry Potter? He whose name must not be mentioned? It came to mind as a tsunami of 2023 predictions hit my desk and my inbox. “The thing that must not be named” is the bear market. Predictions for financial markets, equities and bonds are based on a rich vein of economic analysis, particularly recessions and interest rates, or derivatives of financial markets, such as inverted yield curves. It is not clear that any of this is useful when it comes to small companies.

In contrast, direct analysis of what is of greatest interest, the financial markets themselves, certainly can add value. You can usefully apply two layers of direct analysis to your target market. First, micro analysis, that is at a company level, as *SCSW* has been applying with success for the last 29 years. Second, index or sector level analysis, which can be observed by charts.

Put simply, you will make most money when two factors are in place i.e. you buy great stocks, such as those that we uncover each month AND the market as a whole is also moving up. In the case of smaller companies, if they don’t perform and the price stays too low, they will be snapped up by trade buyers, and three more companies this month got taken out ie. Crestchic, K3Capital and Xpediator.

But I am happiest when I see the UK smaller sector as a whole attracting buyers, with a clear uptrend visible on the charts. Better still, I would like to see it performing better than the stock market as a whole, which is dominated by larger companies. We can observe this happening in Japan, where smaller companies in recent months are in a clear uptrend (higher lows and higher highs on the chart), whereas the Nikkei 225 index is in a clear downtrend (lower lows, lower highs). Sadly, the UK small and mid-cap indices are still in downtrends, very similar to those experienced in the US since its peak on 3rd January 2022. Interesting to note, however, that the bounce within that downtrend, which has been in place since October, is at the upper end of that trend and so I am hoping to see the FTSE Small-Cap (ex IT) index head higher in the weeks ahead, because then the outlook becomes more positive. Let’s not jump the gun though. In the meantime, this month are more ideas on how you can make money, even without the benefit of wider support for the sector.

## DOTDIGITAL (DOTD)

| | | |
|---|---|---|
| Sector : | AIM, S’ware & Computing | |
| Latest Price : | 85p | |
| High/Low : | 186p - 52.5p | |
| Market Cap. : | £254m | |
| Shares in issue: | 299m | |
| end6/2022 EPS/PER | 4.2 | 20.2 |
| end6/2023 EPS/PER est | 4.2 | 20.2 |
| end6/2024 EPS/PER est | 4.3 | 19.8 |
| Contact | 020 3953 3072 | |
| Registrars | 01252 821390 | |
| **CALENDAR** | | |
| Int/Fins/AGM | MAR/NOV/DEC | |

‘Passive income’ is a source of revenue that continues even after the work is complete. For example, royalty income from writing a book or selling software that has already been developed. One business with oodles of passive income is dotDigital (DOTD), which supplies software on a subscription basis that allows corporations to send emails and other messages via SMS and WhatsApp to customers. I have certainly noticed more companies using WhatsApp recently; for instance, this week I received renewal instructions from Direct Line for my home insurance and my broadband service in that way.

But it isn’t just a bulk emailer or messenger; these days DOTD’s systems gets hard wired into its customers operations and can make use of data from a customer’s other systems to generate automated marketing messages. For instance, if you are an online retailer, *The Engagement Cloud* software can use order histories to generate targeted lists of customers suitable for offers, collect incomplete orders or browse records to send ‘abandoned basket’ messages, or trawl lists of past customers to reactivate. As this drives a customer’s own sales, its helped DOTD retain 90% or more of its customers every year for the past decade.

**A passive income play**

But passive income is also about how to make your money (that you’ve already earned) make more money, without you having to do much. And in DOTD’s case, it grew its cash pile by £11m last year to £43.9m and cash will be over

### In this issue



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£52m by the summer. I don't need to be a rocket scientist to work out that forecasts are low as they barely allow for, say, £2m additional interest. After all, just consider what you're earning on your savings versus a year ago. Finncap's forecast for the current year to end June is for sales up 7% to £67.5m, EBITDA of £22.3m, same-again pretax profit of £14.5m and eps of 4.2p.

**Forecasts look too low**

But I also think DOTD is set fair to beat forecasts because rising interest rates have actually reduced competition in its marketplace. The marketplace comprises some strong rivals such as MailChimp (now part of QuickBooks' owner Intuit) but others are mostly young software companies, which have no profits to show because of their growth-at-all-costs mindset, like **Twilio** (TWLO; US$8bn market cap) and **Braze** (BRZE; US$1bn)

Until this year, when interest rates were low and money was cheap, such VC-backed startups would aggressively poach the best talent; even if they didn't need them straight away, they would recruit them to keep them off the market. DOTD, in fact, saw some senior employees leaving their jobs for higher pay and this crimped its US expansion plans: instead of the 30% US growth that had been estimated for last year, it only achieved 3% (tempering like-for-like group sales to 6%). I have got to know chief executive Milan Patel quite well over the past few years. He's a really behind-the-scenes modest kind of guy and decided he didn't want to dent profitability by chasing the market higher. Disappointment set in and the shares, which had been over 200p at one point, now stand at just 85p.

But now interest rates are rising, the VC backed firms are having a rethink and letting staff go. 'The Great Resignation,' which refers to the exodus of workers during the pandemic, has ended, says Patel, plus there are also plenty of old Twitter hands around. Patel is therefore putting the pedal to the metal. Interestingly, much of Patel's hiring is in the US and although it might reasonably be expected to take 12-18 months for the sales to come through from new hires, he talks about early success with large customer accounts won in Q4. I think it may beat the 7% organic growth expectation.

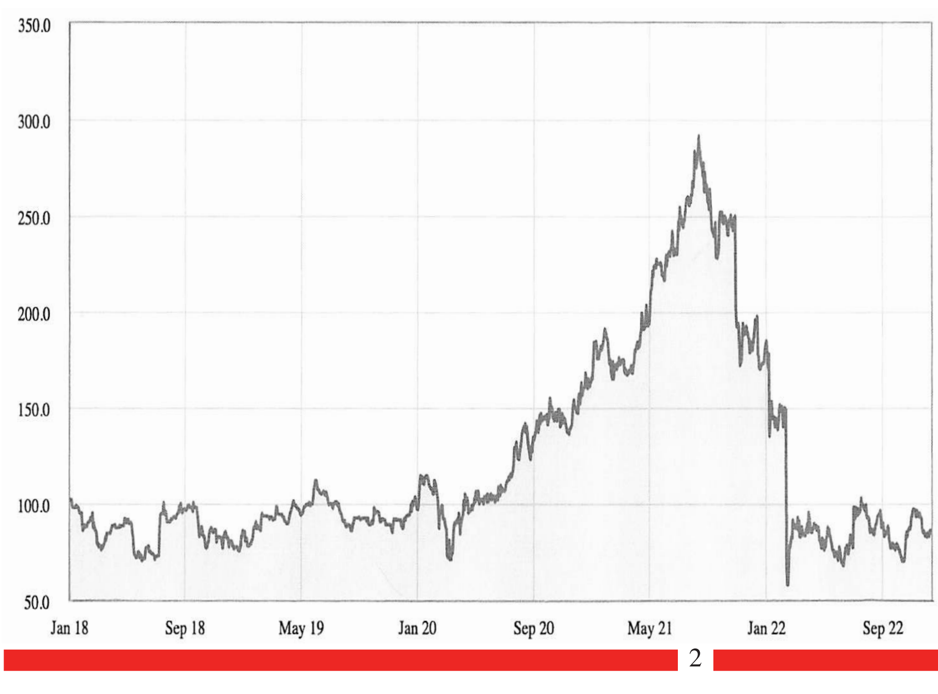
Last year, Patel also had to grapple with vacancies on the group board when the finance director and chairman (due to health issues) abruptly left. Now that their replacements are in place, Patel was in fighting form when I spoke to him and finance director Alistair Gurney.

**Omnichannel product**

DOTD was established in 1999 and Patel joined the firm in 2007 when the company had just nine staff and operated from a tiny setup over a down at heel Richer Sounds store in Croydon. That compares to the present headcount, which has climbed to 440 currently (having had 40 staff additions in the latest H2), of which 65% are in the UK and 10% are in the US. It still has a Croydon office albeit it has added a centrally located one just by London Bridge, with a dozen others split across Australia/Japan/Singapore, South Africa and Poland.

When DOTD launched its hosted e-mail marketing solution, *Dotmailer*, 20 years ago it was all about bulk emails but the small acquisition of Comapi in 2007 saw the software rebranded as Engagement Cloud and it then also began including SMS, livechat, WhatsApp, Twitter and Facebook messages (hence omnichannel). These days the software platform is sold as a service (main hosts Azure and Google Cloud) and allows a customer to manage their address book as well as instantly design and send out personalised SMS or sophisticated emails or push notifications to social media at scale and without any knowledge of coding.

Last year Engagement Cloud was responsible for 24 billion customer interactions, not just emails but also, for instance, SMS texts to patients on behalf of the NHS (alerts, reminders and notifications) and also allowing some firms to have new conversational messaging channels such as 'live chat' on their website or push notifications across social media. These new channels aren't just about adding convenience and nice-to-have functionality, but also extending territorial reach into Asia, which is predominantly mobile-led rather than email.




**SaaS data-driven marketing automation**

Personalisation ranges from the most basic techniques, such as inserting a customer's name in the subject line of an email, to more advanced methods, including tailoring the contents of the email or landing page, and even altering send times to optimise open-rates. And DOTD continues to self fund its new features, increasing amounts of R&D (>£6m annually) to enhance the functionality and as a consequence the days of thinking about this business as a bulk emailer are outdated.

In particular, the last few years have also seen Patel accelerate tie ups and build connectors to allow customers to integrate Engagement Cloud into their CRM software (Salesforce, Microsoft Dynamics) and e-commerce suites like Shopify, Magento, BigCommerce etc. These now drive a significant and growing part of its business.

By way of a simple example, if a retailer is building a new website, they may have a Magento e-commerce platform and by using the DOTD connectors, they can integrate the storefront into Engagement Cloud so that messages are sent directly from the system. The output can be set so that it is optimised and targeted using the clients' own data. So, for instance, Engagement Cloud can be programmed to sift through the orders that might have been abandoned and send customers an email reminding them to complete their order, or it can sift through buying or webchat histories to generate targeted lists of customers suitable for offers, eg. male customers who bought new shoes recently can be sent an offer to buy socks, or customers who haven't been active for a few months can be sent a voucher in an attempt to reactivate them, to generate new revenue. Where Engagement Cloud really scores is in the hyper-personalisation and being able to pull out data and create the offer, with little input from the customer. The software does all the heavy lifting.

A study by Forrester Research predicts that the email marketing automation market is worth US$5.5bn globally today and is growing 13-14% p.a., implying DOTD (with sales of £62.8m in the year to end June) has a tiny market share.

**ARPC still rising**

A presentation gives several case studies where DOTD's Engagement Platform has driven sales with impressive ROI for customers. Obviously, returns on investment in marketing comes under the harshest review when macro-economic concerns challenge discretionary spend, but in most cases customers find the Engagement Cloud software more than pays for itself, so they are reluctant to change supplier. Retention was 94% in the past year.

DOTD typically targets mid-sized businesses (those spending >£350 a month) and large ones (spending >£30k a month) rather than SMEs. The price customers pay is invoiced monthly and is a function of their audience size (the number of contacts they add to the platform) and monthly messaging volumes. In 2011, it had 5,000 customers each paying £240 monthly on average (ARPC) to use the service and now 11 years later, in 2022, it has over 50,000, with ARPC rocketing to £1461.

Covid was obviously kind to it. Versus several years of mid teens organic growth, H1 21 (to December 2020) saw organic growth accelerate to 22% as customers ordered bigger email/messaging send packages and also adopted more channels, before organic sales growth slowed to 8% last year when sales were £62.8m (due to the US staff attrition and versus a tough comparator year in FY21 when it was supported by that COVID revenue). In terms of the profit, DOTD generated EBITDA of £20.6m. The EBITDA margin was a mouthwatering 34.8%. Eps was 4.2p and it had a strong net cash position of £43.9m.

**Bigger Strategic Partners driving growth**

Patel says he has three pillars to supporting future growth: upselling more features, overseas expansion and also the connectors it has launched into the much larger platforms.

Revenue through connectors into strategic partners grew 14% to £28.9m in FY22 and sales through partners have higher than the average customer spend per month eg. Magento ARPC is c£1500 and Microsoft is >£1000. Strategic partners should therefore continue to be a key driver of ARPC expansion. As Patel explains, these partners don't come under the usual reseller agreements. These large players allow it to come bundled into the core code of the platform making DOTD the omnichannel marketing platform of choice but it does all the work; the platforms get to showcase greater functionality on their own product and it's only in some cases there is a small revenue share.

These partners are clearly bigger than DOTD and include Magento (US$800m in revenues, first launched a connector in 2013), Shopify (US$2.9bn, connector in 2016), Salesforce (US$17bn, connector 2012), BigCommerce (US$150m, since 2017) and Microsoft Dynamics (since 2011). They are also global, which makes it practical for DOTD to punch above its weight overseas.

In FY22, EMEA showed revenue growth of 8% to £48.2m, the Americas grew by 3% to US$12.9m with a strong Q4 and APAC revenue grew 18% to AUS$9.1m. One broker says that comparing revenues to GDP, the existing UK penetration (still growing) would imply an EMEA revenue opportunity some 8x larger, USA 30x and APAC excluding China 130x bigger.

*I suspect we will see upgrades as the year progresses. I am a buyer.*

# UPDATES

**Crestchic (LOAD)** **Bid: 401p**

***Sector: AIM, Industrial Engineering***

Six months after I made it the front page write up, Crestchic has received a recommended cash offer by Aggreko. The bid is at 401p and values Crestchic at £122m, a premium of 109% on the 191.5p I made the shares a buy at. The bid represents an enterprise value multiple of 13.7x Crestchic's EBITDA of £8.9m for the year to 30 June 2022.

*Gain in 6 months: 109%. Accept the offer.*

**K3 Capital (K3C)** **Bid: 350p**

***Sector: AIM, Financials***

K3C is another to receive a bid approach. US private equity firm Sun Capital has made an agreed offer at 350p a share, which values K3C at £271.7m.

Separately, K3C also issued a trading update that said it expects H1 sales of at least £42m (up from £31.2m) and to deliver profits that are comfortably in line with the board's expectations. The Business Sales Division has continued to grow and had some sizeable completions in H1 within its Corporate Finance function. Meanwhile, the Insolvency Division continues to see an uptick in activity levels. Despite some recent changes to its R&D scheme for SMEs that were clearly not welcomed, K3C has continued to drive client numbers within the Tax Division. *The deal represents a 33% premium to the price we first tipped the shares (264p in February '21). Accept the offer.*

**Kitwave (KITW)** **185.5p**

***Sector: AIM, Personal Care***

Kitwave has clearly broken into its stride in terms of acquisitions. Last month it announced the second one for FY22 when it acquired WestCountry Food for £29m cash.

WestCountry is a leading wholesaler of local, regional and imported fresh produce to the foodservice sector based in three depots in the South West of England. In the year to 1 January 2022, the business had made £3.9m pretax profit on sales of £29.7m.

WestCountry comes with £7.8m cash and a freehold worth £1.2m, adjusting for which, the exit multiple is 4.4x annual run rate EBITDA. The deal is therefore eps enhancing from day one.

Canaccord has increased its FY23 and FY24 eps forecasts by 13% and 15% to 25.9p and 26.8p, respectively. The broker has set a 390p price target. On current estimates, the shares trade on just 6.9 next year's earnings and with a forecast dividend of 10.9p, the yield is 5.9%. *Buy.*

**Victoria (VCP)** **596p**

***Sector: AIM, Domestic Goods***

When I spoke to chief executive Geoff Wilding following Victoria's latest H1, his first comment was that Victoria is now a £1.5bn revenue run rate company. He adds that his main goal for the next 12 months is not further acquisitions; instead his plan is to optimise free cash flow generation and focus on operational efficiencies, synergies and working capital.

As it was, H1 23 was strong. Revenue rose 59% to £776m including 7.7% like-for-like organic growth and EBITDA increased 18.5% to £100.1m.

Clearly the flooring market has become more challenging recently but Victoria has benefited from portfolio diversification - both by product and geographically. While some areas - notably the UK - are seeing relatively weak demand, Wilding says this is mostly at the low end where consumers are hit by rising mortgage and energy costs and its mid-high price point carpet brands (eg. *Westex* and *Victoria*) are resilient. Meanwhile overseas it continues to trade well; Australia is strong and European ceramics (Italy and Spain) is also going well as it sells much of its output into Eastern Europe and the Middle East.

Other challenges are, of course, its rising costs with gas in particular the biggest concern for ceramics manufacture in Spain and Italy as it runs big ovens (150-200m long and heated to 1400 degrees and described by Wilding as being literally a volcano). But he says that its energy costs are fixed for the near term and consequently ceramics achieved the same margin as in H1 22 and so there has not been much impact. In fact, group EBITDA margins moved to 13% from 16% in FY22, reflecting an acquisition mix effect and cost inflation pass-through.

However, being mindful of potential gas rationing shutting down plants, Wilding has lifted inventory of finished goods by £60m in the July - September period, which was responsible for the jump in net debt from £407m to £651m. All Victoria's debt is funded by bonds and the Koch preference shares (pre-Koch preference share net debt of 3.4x EBITDA) but neither carries covenants. Some listed bonds redeemable in 2026-8 carry an interest rate of 3.6%, says Wilding but as they are trading at 80% of face value, he will be looking to buy them back. Victoria has >£250m in cash and undrawn credit lines.

Finally, Wilding says the relocation of four rug/carpet factories acquired with Balta to Wales and Turkey is underway. The first factory closed last month and the big bits of equipment have been hulked over. The redundancy of 260 workers will save £1m a month. All four sites will have gone by December 2023.

*>> NAPS continued from page 5*

• **Inspecs** (SPEC; 42p), a 'buy and build' in the lens and spectacle frame space, looks interesting. The CEO and two directors bought heaps of shares in Oct/Nov at 47-52p. An ugly chart down from 400p.

The nature and scale of its operations changed in FY21 when four big acquisitions took sales up five-fold to cUS$250m. It produces 5.6m frames a year of which 3.75m are from its plant in Vietnam, much of it under third party brands eg. O'Neill and Superdry. Although opticians have become mindful of inventory levels, corrective eyewear makes it resilient. The recession in Germany has it in a bit of a headlock - the German destocked products are all high margin brands made in its own factory and as a consequence, there is a high drop through between revenue shortfall and profit. A second factor is weakness in € vs US$. I like the new products (eg Bosch deal to develop smart eyewear and Amazon to which it supplies smart lenses). FY23 forecast is 10.5 cents, up from 6.2 cents. Net debt is US$32.7m (net debt/EBITDA 1.2x). *Could be a big Buy after an update later this month.*

Editorial shareholdings of companies covered in this issue: ATG, Superdry, Reach, Yu, musicMagpie, Inspecs, On the Beach and Luceco

Peel Hunt forecasts eps of 48.9p for the current year to end March, lifting to 54.7p next year. *I suspect that with decent scale, the business will end up being acquired by Koch sometime in the next 18 months. Strong hold.*

**Auction Technology Group (ATG) 789p**

***Sector: Technology***

ATG, which runs seven auction platforms, has reported strong full year results. Sales were up 11% to £119.8m on a proforma basis if LiveAuctioneers had been included in both periods and assuming constant currency (+71% on a reported basis). Adjusted EBITDA of £54m grew 70% year-on-year, for a margin of 45% despite significant investment taking place in "talent and infrastructure." Eps were 29.5p, up 221% year-on-year. The capital-light model saw £49.9m of adjusted free cashflow, leaving closing adjusted net debt of £129m.

Speaking to chief executive John-Paul Savant, he says ATG's seven marketplaces generated 172m bidding sessions, on >74,000 auctions for 3,800 auction houses last year. The Total Hammer Value (THV) of goods listed climbed by 22% to £10.1bn driven by the higher number of auction houses listing assets, the entry into new verticals and higher prices for secondary goods. With £3.3bn of lots knocked down to buyers on ATG-owned platforms, this made for a 32.6% share.

Many people in the UK, including myself, will know ATG for *The-Saleroom.com* site (selling art and antiques) but by far its bigger area is selling industrial and commercial assets. It is also interesting to note that 80% of sales were in dollars. My first vexed question was whether each of these areas is cyclical given the macroeconomic uncertainty; Savant says sure, A&A is cyclical but I&C is anti-cyclical. With a mouthful of Pret salad he adds, "Rising interest rates and manufacturers withdrawing zero finance deals for new equipment has meant more companies are beginning to source their equipment from second hand markets. At the same time, auctions are a way of maximising value when liquidators are appointed and then of course there have been supply chain shortages, which are both further helpful tailwinds."

He adds that the A&A side might also be cyclical but unlike four years ago when ATG was just getting a fixed fee for listing assets for auction houses on its marketplaces, these days its new revenue streams also include paid-for digital advertising (it emails customers on behalf of auction houses and promotes featured lots) and also more recently payment services. These two areas now represent 16% of all group income (>25% on A&A); in other words its "take rate" (the money it keeps for itself) is increasing and the only reason ATG's take rate at 3.3% was down 0.2% was because there had been faster growth in some lower take rate verticals (eg. real estate). Excluding real estate, it would have in fact gone up by 0.1%.

Payments in particular is exciting. This came into the group with its LiveAuctioneers acquisition - where 50% of auctioneers take the service - and in October was launched on Proxibid (its biggest of the three US marketplaces with £4-5bn THV). So far, 16 auction houses have gone live and signed agreements with a further 50. By 2024 payments will be rolled out into its four European marketplaces also. Initially Savant's plan is to offer payments via debit and credit card, and bank transfers will be added next year, with its take rate being 2% (and generating a 20-25% margin).

At IPO this business was less than half the size it is now but the journey is far from over, not just payments but also acquisitions. For FY23, Savant expects high single digit to low double digit constant currency revenue growth with a higher rate of growth in the second half of the year. *Buy.*

**On The Beach (OTB) 166.5p**

***Sector: Tourism &Leisure***

Internet-only travel agent OTB has been a strong market. Although the shares initially fell on its FY22 report, which was also combined with news that after 18 years, founder-CEO Simon Cooper would stand down in six months, they then surged to a seven-month high as the market began to look ahead. Shaun Morton, the finance director, is to succeed Cooper within the next 12 months.

The comparisons vs last year are meaningless given the prior year's disruptions but FY22 results were at the top of consensus. Average booking values grew 31% versus FY19 with more in the mix from long-haul, B2B and premium beach holidays (>£700 per person) whilst there was lower customer volume for price-sensitive value beach holiday customers. This left total transaction value (TTV) of £856m, which is 15% ahead. Revenue was £122.9m with pretax profit of £14.1m for eps of 6.3p. OTB also ended the period with £64.5m group cash (excl. customer deposits), equivalent to 38.9p a share.

Cooper points to several areas of strategic progress: (1) Direct hotel supply was >89% leading to better margins and customer experience; long-haul TTV was +255% vs. FY19 (to mid-single digit % of sales); premium 5* holiday sales rose 82% vs. 2019, supported by 'travel perks' (lounge access, fast track etc) and improved access to a broader hotel portfolio; and B2B TTV (*ClassicCollectionHolidays* brand) was +45% vs. FY19.

FY23 has begun with "a healthier overall forward order book" and Numis forecasts eps of 14.3p, lifting to 18.6p next year. I think there is scope to beat because even these good figures mask the fact that a lot of rivals had issued credit notes/vouchers to customers last year and so OTB couldn't convert them. Now those pesky credit notes have been used up, I expect a bumper year is in sight. *Buy.*

**Strix (KETL) 86p**

***Sector: AIM, Electronic & Electrical Equipment***

Strix has issued an update that said trading had recently been disrupted due to China's "zero Covid" policy approach, which had restricted business activity for two of its top five major OEM customers. Of course since this update was given, China suddenly abandoned the zero Covid policy although broker Zeus expects a continuation of the situation in the early part of this year and has now also factored in a maiden contribution from the recent Billi acquisition. It has nevertheless reduced FY23 and FY24 pretax profit estimates by 11% and 6%, respectively, to £29.7m and £33.8m. Corresponding eps are 12.1p and 13.8p. *Buy.*

**Xpediator (XPD) Bid: 42p**

***Sector: AIM, Industrial Transportation***

XPD has received a 42p cash offer from a consortium that includes Cogels Investments, an investment vehicle of Stephen Blyth (former CEO of Xpediator who holds 26.7% of the shares). The company has also received non binding acceptance from two independent shareholders who own 27.1% of the shares, so it starts to look pretty much cut and dried. *Await developments.*

**Superdry (SDRY) 155.5p**

***Sector: Retailers***

Superdry has issued an impromptu trading update for the 26-week period to end October. The company noted that the warm October had represented a soft final month within its half year but suggested an improvement since.

Overall, H1 revenue was +3.6% with owned stores +14.4% and ecommerce +1.7%, although wholesale was -5.2% following low levels of dispatches in October, which are expected to partially reverse in H2.

Superdry also said it has secured an £80m funding line with Bantry Bay Capital to replace its soon-to-expire asset backed lending facility. The new facility is at an interest rate of SONIA+7.5% on the drawn element. At the end of December the company had £13m debt, a decrease of £25m since October. *With the funding uncertainty out of the way and trading looking better, I think these are a Buy.*

**CentralNic (CNIC) 155p**

***Sector: AIM, Software & Computer Services***

Having been a longstanding constituent of GP3 (since December '19 at 63p), shares in CentralNic took off during the month helped by its results for the first 9 months showing an acceleration in organic growth. Revenue was US$526.7m and EBITDA was US$62m and margins continued their strong trend upwards as the company scales. The swing factor is the Online Marketing division, which has doubled organically whilst the Online Presence division grew 4.3%. Net debt dropped by 22% to US$63.1m or 1.2x EBITDA.

In a busy end to the year, CentralNic has begun a £4m buyback and also separately acquired a portfolio of niche websites as part of its vertical integration strategy for its Online Marketing segment. The portfolio provides the company with exclusive special internet traffic to monetise and will be immediately earnings accretive. CNIC is an astonishing cash machine at the moment and for Q4, Zeus is forecasting US$183m sales and US$21m EBITDA, which looks to be erring on the low side as Q4 tends to be seasonally stronger. That said, most of the money on the Online Marketing side seems to be being made in Germany and there is now tax to pay having used past tax losses, so eps is 19.1 cents for FY22 and 20.4 cents next year. I will be a bit sorry to see CEO Ben Crawford stand down as CEO at this juncture, with the FD taking the reins. *But our gain to date is 146% so I'm not grumbling. Strong hold.*

# 2023 NAP SELECTIONS

## 2022 NAPS REVIEW

| Company | Recd Price p | Current Price p | Change (%) | High Price p | Change (%) |
|---|---|---|---|---|---|
| Menzies *Bid | 317 | 608p | 91.8 | 608 | +91.8 |
| Reach | 269 | 107p | -60.2 | 293 | +8.9 |
| Me Group (Photo-Me) | 67 | 114p | 70.1 | 119.5 | +78.4 |
| Bloomsbury | 350 | 448p | 28.0 | 493 | +40.9 |
| ADF | 56 | 53p | -5.4 | 89 | +58.9 |
| Lookers | 72 | 80.5p | 11.8 | 102 | +41.7 |
| Superdry | 267.5 | 155p | -42.1 | 292 | +9.2 |
| Volex | 318.5 | 260p | -18.4 | 358 | +12.4 |
| Joules | 133 | 0p | -100.0 | 147.5 | +10.9 |
| XLMedia | 40.5 | 17.5p | -56.8 | 44 | +8.6 |
| **Average Gain** | | | **-8.1** | | **+36.2** |

Former UK Prime Minister Margaret Thatcher used to say she could work effectively on only four hours sleep a night (although video footage often caught her snoozing during the day). Writing my New Year NAPS each January means I too am sleep deprived the week before, often waking up at 4am to scribble some intel I might have picked up during the day from my various calls in case I forget. The NAPS are SCSW's traditional mini portfolio comprising a selection to be held for precisely 12 months. It's hard work.

Last year, as we began 2022, investors were coming around to the idea that Omicron would crowd out more deadly variants and accelerate the end of the pandemic. I'd felt this would be a catalyst for rotation to growth and a rally in reopening themes: travel and retail. Covid levels have waxed and waned (back to a six month high) but other challenges emerged: no one could have anticipated the invasion of Ukraine in February, which disrupted exports for commodities including oil and gas and which pushed up inflation to levels not seen in decades. To fight the high inflation, the Bank of England raised its interest rates 8 times to its highest level in 14 years. The price spiral was tough going, particularly with labour shortages then fuelling wage growth.

Helped by bids for Menzies (successful) and Me Group (rejected) and despite a hit on Joules (which became heavily dependent on stock clearance as consumers tightened their belts), it was disappointing to see the average decline of -8% from a gain-to-high of +36%. The prior year's comparatives were a 78% gain to high, to finish at +13%. In a world that seems to swing from one unprecedented event to the next, is it really possible to sensibly predict anything in 2023?

On SCSW I am not one for sitting on the fence. People are remarkably resilient and I know current conditions have created the raw material for big gains. I am heartened to note that gas prices in Europe are free-falling. The forward summer and winter gas prices are down 50% since December and -75% from the August peak. Weak demand and an exceptionally warm winter spell in Europe have been the drivers but all this implies easing bills for consumers, falling inflation as well as a substantial easing of the fiscal burden for the UK government. Since the start of 2023, mortgage rates in the UK have also seen cuts. Including Inspecs on page 3, I have therefore come up with 11 NAPS. As always, give the list your own consideration and buy just those your own gut feel dictates.

• Last year's headwinds now become tailwinds, most obviously for newspaper group **Reach** (RCH; 107p), which has a fast-growing and large digital business already generating £148m sales (25% of the total). It was hit by the energy price rises (not just to power its printing presses but also because energy is a big cost component of paper it has to buy) and then by falling programmatic yields in the immediate aftermath of the war. Since Q4, RCH's Digital growth began offsetting Print decline and yields have recovered. It's now planning an assault in the US with its Mirror and Express titles, and is hiring 100 journalists to work in New York. Eps forecast: 30.2p, dividend:7.5p. Buy on PE of 3.5.

• 2022 was an eventful year for the crypto market with back-to-back beatings from multiple crashes caused by hacks, poor risk management and fraud at some of the industry's largest players. Bitcoin tanked to US$15,000 vs all-time high of US$70,000. One unlikely fallout was **GB** (GBG; 341p). Anyone who handles client money has to verify and reverify the identity of each client and its systems check data entered by a customer online (eg driving licence or utility bill) for veracity against third party databases. GB was being used by cryptocurrency platforms (eg. Coinbase) but this business fell off a cliff tempering its organic growth rates. GB is an international business in the multi-billion fraud and ID market. Eps forecast:19.4p. I expect a bid. CMD is in January.

• Shares in **Yu Group** (YU.: 463p) have gained 22% since last month when I brought forward the article and made it an early FY23 NAP. Business is brisk for the business energy supplier and things are going so well that broker Liberum has upgraded its eps forecast to 26.8p last year. Its forecasts for this year and next are 42p and 61.2p. See last month's issue for full write up.

• Fashion retailer **Superdry** (SDRY; 155p) had an unscheduled H1 trading update in late December. Since CEO Julian Dunkerton returned to the helm, engagement on social media is strengthening, its latest ranges resonate well with consumers and it has renegotiated high rents down during the pandemic. H2 saw its "biggest ever week for Ecommerce orders driven by a return to record levels of jacket sales over the Black Friday period and good momentum through the recent spell of colder weather." Even broker Jefferies, which was a bear, has thawed out saying, "If our data is anything to go by, the early months of H2 may have seen a solid step-forward." We've had heavy buying by the CEO recently and there are reports he may be mulling a bid to take it private.

• **OTB** (OTB; 166p) is the UK's largest internet-only travel agent with a focus on beach holidays. Customers can pick and mix from a range of airlines, hotels, car rental companies, departure dates and holiday durations, with the system pulling together all the various prices under one roof. The business has had two years of disruption due to Covid government restrictions, followed by staff shortages at airlines. OTB was a write up in September at 129.5p and I have updated on page 4. The outgoing CEO bought 2m shares in August and 300k in December.

• **Made Tech** (MTEC; 23p) is on the turn. It specialises in the design and build of tailored citizen-centric "Digital Services" for large government departments and the NHS. The DVLA is its biggest client and is using digital services to cut out many traditional phone and postal based processes. Despite a big contracted (multi-year) backlog, Made suffered from too high staffing costs last year and struggled to recruit but it seems to have found its mojo and headcount (15 hires a month) has been materially scaled to >480. Backlog of work is £38.2m, +130% year-on-year. Cash is £12.3m. Singer forecasts eps of 3.4p this year and 4.1p next, to drop the PE to 5.6.

• **Brave Bison** (BBSN; 2.5p) is a digital and social marketing company, which has a network of over 650 social media channels and produces social media advertising campaigns for consumer brands. Originally called Rightster, a new era began when Tangent bought Woodford's 19% in the summer of '19 and new management took control. Looks a real pip with several interesting strands: performance media and SEO; social advertising and a portfolio of owned social channels such as *The Hook* entertainment and comedy channel (on Instagram), *The Wave House* (on TikTok) and *Slick* (on Snapchat) and it has >160m total followers generating monthly views from which it receives income. The transformational Greenlight acquisition last year will see profit climb 45% in FY22 to £2.2m and Cenkos has £2.3m (eps 0.2p) forecast for FY23, which is too low given it has won many new clients and has cross selling opportunities. It has £4.8m net cash for more acquisitions.

• **dotDigital** (DOTD; 85p) is covered on page 1. Not much else to add here.

• **Inspecs** (SPEC; 42p) see page 3 for a mini write up. Next statement is obviously going to be poor but may herald the bottom as the German recession is expected to be short. When it turns, it could go like the clappers.

• Last month's main recommendation, **musicMagpie** (MMAG; 28.5p), has scarcity value. November saw increased activity culminating in record sales during Black Friday week. An update gave little commentary on the individual revenue streams, suffice to say that mobile phone rental continued to grow strongly, with active subscribers at 30.5k (up 27% on H122's 24k and from FY21's 13.5k). As I anticipated, the company has introduced a two year contract option. The strong trading in November leaves net debt of £8.2m, >£2m better than expectations. Adding 6m rental phones every six months should take it towards 42k by the year end, perhaps even better as corporate rentals kick in. See last month's write up.

• **Luceco** (LUCE; 104p) has a long history in electrical accessories, supplying electricians and consumers with a range of accessories (sockets, switches and consumer units), LED lighting products, portable power products and most recently EV chargers. What makes Luceco unique is that it is vertically integrated with a 100% owned factory near Shanghai. Distributor customers took an optimistic view of sales rates coming into 2022 and destocking accelerated in Q4, so the eps forecast was trimmed to 9.4p this year but margin tailwinds are building up as copper, freight and power retrace and the chart is tentatively breaking northwards.

*>>NAPS continued page 3*

# LBG Media (LBG)

| | |
|---|---|
| Sector : | AIM, Media |
| Latest Price : | 104p |
| High/Low : | 213p - 50p |
| Market Cap. : | £214.2m |
| Shares in issue: | 206m |
| end12/2022 EPS/PER est | 5.3p 19.6 |
| end12/2023 EPS/PER est | 6.5p 16.0 |
| end12/2024 EPS/PER est | 6.8p 15.3 |
| Contact | 01612 287637 |
| Registrars | 03716 64 0445 |
| **CALENDAR** | |
| Int/Fins/AGM | SEP/APR/DEC |

LBG Media, more commonly known as Lad Bible Group (LBG), is a "digital youth publisher" and, in some ways, it resembles a magazine or newspaper group. It owns and operates 10 websites, including *LADbible, Unilad, Unilad Adventure, Gaming Bible, Sport Bible* and *Tyla*, creates social first branded content and makes money by selling ad space directly to companies and indirectly via social media platforms. LBG's supreme skill has always been to create 30 or 40 second videos targeting the 18-34-year-old demographic.

LBG's audience figures are staggering. The group reaches two-thirds of that age bracket in the UK, and its websites have roughly 68m unique monthly users. In other words, the company gets more views than the BBC and the MailOnline combined, with established global scale (262 million social media followers) and sector leading audience engagement (116m comments annually).

On *SCSW* I also like to break news ahead of the masses. I have just come away from my call with finance director Tim Croston with three reasons why the company could beat broker forecasts. First, LBG has a largely unmonetised presence in the US. Although c.40% of its content views come from the US, it only gets 11% of sales there but it has recently opened a New York office (staffed by 8) from where it will start to generate incremental revenues soon. North America is one of the largest digital markets in the world, accounting for circa 50% of digital advertising spend.

Second, as I describe below, video format digital advertising on Instagram and Tiktok is also unmonetised but LGB has built a huge audience on those platforms where it is likely to start taking advertising during FY23. Thirdly, the company has just appointed a director of M&A to spearhead US acquisitions, which when they land could see the shares take off. An acquisition to add podcasting capability is almost a certainty.

**Three money spinners to kick off in FY23**

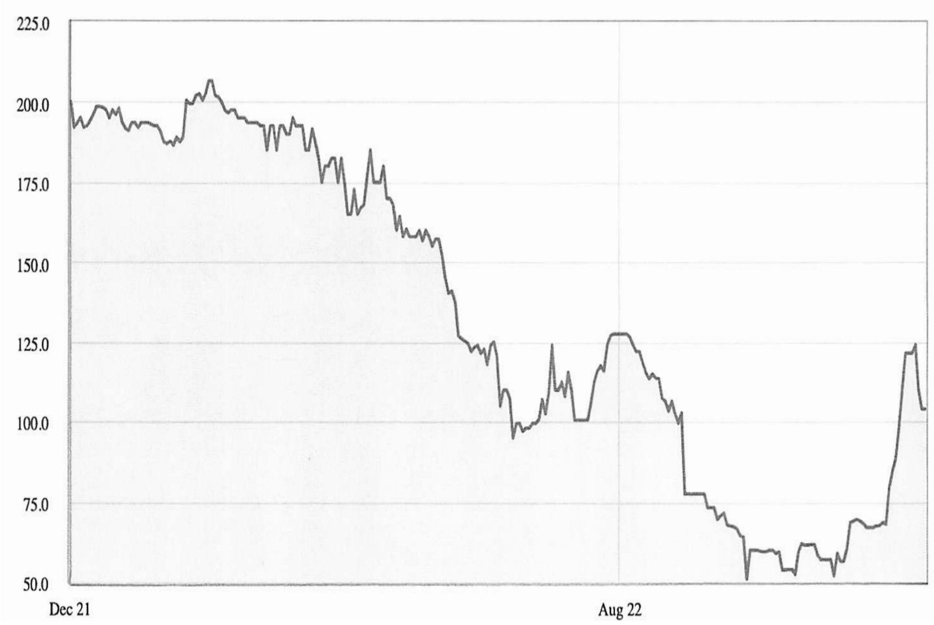
LBG floated at the end of 2021 at 175p, which valued the company at £360m. At the time, I had thought the shares were overpriced as they were coming on the back of a Covid bounce, when everyone had been locked in at home consuming more content so I didn't write at the time. But brokers had been expecting the good times to continue to roll and could not have anticipated the sudden downdraft that followed; in fact, management had also lifted headcount by 80% as it set out to grow aggressively.

But online advertising is essentially about supply and demand. By the first half of last year, LBG found that pricing for online advertising had dropped for Facebook, which in turn had a knock on effect on advertising rate cards across the sector. Then along came the Ukraine War, the passing of the Queen and macroeconomic uncertainty, which caused advertisers to pull in their horns and investors to sell down their shares. If anything, LBG then thought the pendulum was going to swing the other way and so laid off 47 or 10% of its staff.

The shares have therefore collapsed from the 200p hit after the float but I think things are genuinely exciting. The business is cash rich (£39m net cash) and growth is accelerating. Against H1 sales growth of 8%, H2 saw sales accelerate to 20% and it looks well set for FY23.

**10 years in the making**

During the month I caught up with Croston, who joined the business three years ago. As he explains, these days LBG has a platform of 10 brands spanning a range of sector niches (entertainment, sport, travel, tech etc), delivering video, editorial, image, audio and even experience (virtual and augmented reality).




**Fast media model**

As Croston explains, LBG was set up in 2012 by co-founders Solly Solomou (CEO) and Arian Kalantari (COO) and has since grown into the largest youth publisher in the world with expected sales of £70.3m this year - and from a standing start the growth has been meteoric and mostly organic with just one acquisition in 2018 when it bought Unilad (eliminating its biggest rival and reducing competition in its marketplace).

As Croston describes, at the heart of its skills is its ability to quickly identify emerging trends and launch highly relevant and viral content. Posts vacillate between the silly and the macabre, with funny animal videos sitting alongside coverage of celebrity deaths or gruesome accidents.

When its audience reads an article on one of the groups' websites or watches one of its videos, it gives LBG the opportunity to monetise its content by selling advertising impressions that are embedded in or sit alongside its content. It is also good at using a piece of content in many different ways. If it has something longer, it will chop it up into different formats and distribute it across its 10 platforms.

The published content has three main sources. A third is original programming produced by its own inhouse content team and LBG has invested in these capabilities - LADproductions and its content team Joyride. Of the 440 employees (up from 280 in FY20), Croston notes that >200 are involved in editor and video editor roles whilst 40 are in advertising. Headcount, he says, is c60% of costs.

A further one third of the content is licenced in from partners (LBG has a number of monthly retainers with select video sourcing platforms). The final one third of content is generated by users themselves, who submit their own videos, photos and stories in the hope of receiving a £100 prize (if you ever watched You've Been Framed! you'll get the gist.) LBG will typically pay a £100 fee for the full rights and ownership of the video.

**Advertising based income**

LBG segments its income in two ways: Direct Display and Indirect although Croston doesn't give a profit split between the two, suffice to say that blended gross margin is >80% and Indirect has the slightly higher margin.

In FY21, Direct Display accounted for 41% of sales. Croston calls this side of the business "Direct" because LBG holds the relationship with leading household names (Disney, KFC, Unilever, Coca Cola etc) or their agency (Omnicom, Group M and Detsu Aeguis etc).

Around one quarter of Direct income comes from selling ad space (banner ads, pre-roll videos etc.) for the clients' own adverts (i.e. the group will not have created this advert). Advertising impressions are sold at a CPM (Cost per Mille, or price per thousand views), with differing advertising formats (video, banner etc) demanding different pricing. That's pretty plain vanilla as things go.

But the other three quarters of Direct revenue differs from those of a traditional publisher as they are "branded." People don't like to be "sold to" but they are happy to know what they should be doing and can be guided and LBG gets commissioned by the big names to create, produce and distribute bespoke campaigns. This includes creating the ad, carrying out the filming and then sharing the advert with its audience. In the past, it has worked on a recruitment campaign for the British Army and teamed up with the NHS to encourage more young people to apply for jobs in nursing. A recent six week advert for KFC also features boxer Chris Eubank trying his first ever fried chicken dinner.

Such social-first branded entertainment content gets written, filmed and produced by the group's 40-strong team of content marketing specialists within Joyride. Once an advert has been filmed, LBG owns the IP on the content so the client must licence it if it wishes to use it elsewhere. Contracts are negotiated a few months in advance of the campaign, providing a level of forward revenue visibility. Some contracts include additional revenue uplift factors determined by the success (i.e. number of impressions or interactions) of the content being distributed and there is strong client retention, reflected in 70% of all brand owners contracted in FY20 going on to spend with it in FY21.

**Indirect revenue**

Alongside Direct revenue, 55% of FY21 revenues is 'Indirect', generated through revenue sharing arrangements with Facebook and Youtube, where those companies are responsible for the advertising that appears alongside its videos.

Again there are two elements to it. First there is the plain vanilla, which is "web programmatic" and relates to the sale of advertising space (primarily banner advertising) on the group's websites on the open market. LBG sets a floor price, which is reviewed on a weekly basis and the available space is then sold through an auction process via several automated ad exchanges, including AdX (Google), Rubicon, AppNexus and Pubmatic. Under these models, advertisers typically pay a set price per 1,000 views of their advert (CPM).

**Social video**

But the swing factor and the reason why I am Buy rating the shares is the part of Indirect revenue known as social video, where LBG distributes its videos through social media platforms. For instance, LBG might launch a video on Facebook or Youtube (eg. you might like the interview with Prince Andrew's former bodyguard about the 72 teddy bears on his bed) and each time it is shown, the social media channel will place a pre-roll or in-roll advert and get a revenue share.

Facebook algorithms then match the target demographics with appropriate content published across its platform, which in this case might be the LBG video. As a purely notional example, a brand owner like Cadbury might have approached Facebook with a pre-produced advertisement about a new chocolate and have specific target demographics in mind (i.e. age, gender, geographical location) and Facebook's technology will then embed adverts within the matched content across their platform (e.g. video in-play advertisement). Croston says that for every £1 paid to Facebook by Cadbury, LBG receives 55p. Liberum estimates that Facebook accounted for 38% of FY21 revenues.

Revenue is recognised each time a monetisable view of a video is registered but what is interesting is that up until September, LBG used to create three-minute videos for Facebook, which could only be monetised after 60 seconds. In other words, someone would have to watch a video for a whole minute for an advert to play. But in September Facebook began embracing short-form video, which is good news for LBG, which has now started to create one minute videos and these are converting to a higher pay rate. The 100% increase in views since then explains why H2 sales took off even despite unit advert CPM being lower year-on-year. Youtube moves to short form in February, which will start to see revenue climb again.

**Explosive swing factor**

At present Facebook is the chief source of social video revenue. But more gravy is coming because LBG has a sizable audience on Instagram (27m followers) and TikTok (30m followers). LBG is the largest UK publisher on TikTok, has 135m unique views per month on Snapchat and is a top 5 all-time viewed publisher on Instagram. But presently LBG makes no money from either because the two platforms presently don't allow publishers to monetise content. Consequently brokers have no revenue included in their base assumption but change is around the corner. Croston tells me that LBG has been "alpha testing" for in-video adverts coming on Instagram, which will come in 2023. TikTok won't be long behind - once it happens each could add £5m sales at very high margin, busting present forecasts.

**North America the next frontier**

At the same time, LBG has plans to move beyond the UK (it has offices in London and Manchester) and has already established a physical presence in Ireland, Australia and New Zealand but in FY22 it opened an office in New York. Up to this point, it predominantly monetised its huge US audience indirectly but the US team (8 people now) have begun to build relationships with brands and agencies in order to build its direct revenue stream.

**And if that's not enough... LADnation...**

And even when its hands should have been full with all that, LBG is working on other stuff. Eg. there is LADnation, a new consumer youth research panel business. Think of this as a mini-Yougov, which conducts research from its 60k panel, which it can then use to shape its own content but it is also allowing agencies and brand owners to use the panel to gain insight into its 18-34 focussed audience on a range of topics from products to sectors.

Next results will be announced on 19 April and LBG has already guided FY22 sales of £63m and £13.5m pretax profit for eps of 5.3p. For this year the forecast is £70.3m sales, £17.3m pretax and 6.5p. The cost savings from headcount reductions will see a step up in operating margin from 25.5% to 28.6%. Even this could be smashed. *I am a buyer.*

*<< Continued from page 8*

several years as the chips move into production. These supply income streams are now beginning to flow for both companies.

• **Sondrel** was set up by chief executive Graham Curren in 2002 as an outsourced designer of ASICs. As Curren explained when I spoke to him, with the exception of a blip around the great financial crisis in 2010 and Covid in 2020, Sondrel has always remained profitable. But an engineer can cost £80,000 a year in the UK so this made the business very headcount dependent and difficult to scale and whilst it opened up in China and India (where an engineer might cost £30k) and which took it to 165 engineers, the real gravy is in production sales. Traditionally the business would undertake the design of a bespoke chip (which might generate a fixed fee of £10m-£20m payable on milestones over a period of years) but production revenues over the life of a contract can typically outweigh design services by a ratio of 5:1. Now when a customer signs up to take its design services, it also locks it into supply and they then cannot take their design elsewhere.

Sondrel raised £20m new money at 55p to hire credible people and create balance sheet strength to accommodate its production arm. As Curren says, Sondrel designs today for delivery to its customers in 2-3 years' time but its first three designs imminently go into production mode (the first before the end of 2023) and Sondrel has a pipeline of design projects valued at over £300m which, if converted, will lead directly to Sondrel engaging production services. The current year sales forecast is £31.6m with a move into the black. Next year sees £41m sales, £2.4m pretax profit and eps of 2.7p. *Spec buy close to present price*.

• **Ensilica** was founded a year earlier and too has moved into design and supply following the acquisition of a team of engineers. Chief executive Ian Lankshear says that a key difference to Sondrel is that Ensilica's projects are generally involved in designing analogue ICs. These ICs handle real-world signals such as temperature, pressure, light, sound or speed, and also perform power management functions such as regulating or converting voltages for electronic devices. There are three chips in production and four more in the design phase. Lankshear's highlights for 2022 included the June launch of a premium automotive vehicle containing Ensilica ASICS, which provide key differentiating features in the chassis control (shipped 700k chips with a forecast for the next 12 months of 2.7m chips) and the winning of an industrial ASIC supply project worth in excess of US$30m over seven years with supply revenue forecast to commence in FY24. The business is set to breakeven this year (on sales to end May of £19.8m, up 29%) before £0.5m and £3.5m profit for the following two years. *With a less than hoped for £6m raised at 50p in May 22 but much going into tight VCT hands, the shares spiked on positive news*.

# UPDATES & IDEAS

• 2022 produced a remarkable sequence of new issues that failed to take off. Of 15 new issues, 10 struggled to hold their IPO prices. One SCSW had alighted on, **Facilities by ADF** (ADF; 53p), was the fourth best performer and coincidentally, just as the year was about to close, I had made arrangements to speak to **Sondrel** (SND; 61p) and **Ensilica** (ENSI; 90.5p), two of the other four to end up on the year.

Both businesses, as it turned out, are remarkably similar. Both have historically been outsourced designers of microchips for special applications - ASICs (application-specific integrated circuits). A scarcity of engineering staff and the high fixed costs of staff that may only be infrequently used means many firms turn to specialist third parties like Sondrel and Ensilica to develop their microchips. These two companies are the small fry whereas at the top end, Sony, for instance, turns to the gorilla in the space, AMD, to build custom chips for its gaming consoles with massive contracts.

It was back in 1965 when Gordon Moore, the co–founder of Intel, made a now-famous observation that the number of transistors on a chip doubles approximately every two years while the cost of a transistor drops by half. The phenomenon or "Moores Law," as it then became known, claimed that we can expect the speed and capability of our computers to increase every two years yet we will pay less for them; these days developers are currently designing at nano-level scale (5nm and 3nm) so Moores Law still applies, but increasingly also takes into consideration how all the components of a system, including the software application, work together, rather than just relying on a faster chip or higher density of transistors to shoulder all the workload.

In a nutshell, developers of emerging technologies such as autonomous driving, artificial intelligence, 5G and the Internet of Things, want custom chips or ASICs to achieve an advantage over more standardised products. For example, ASICs can be designed to be smaller, to maximise processing power, improve security, reduce power consumption, or increase system integration to achieve a desired advantage and is why the ASICs market is forecast to reach US$27.6bn by 2026, an 8% annual clip from 2021.

Both Sondrel and Ensilica started off life with a chip design service for a fee but both businesses have now adopted a fabless ASIC model, so these days they also manage the whole process of supply through to final chip delivery (including qualification, testing and packing) with the fabrication of the wafers outsourced to specialised semiconductor foundries. This provides them with a high margin, recurring income stream for

*>> Continues on page 7*

# THE GROWTH PORTFOLIO 3

| **PERFORMANCE TABLE** | | **Change on One Month** | **Since Start** |
|---|---|---|---|
| Growth Portfolio | | +4.45% | +350.26% |
| FTSE-100 | 7699.49 | +1.90% | +17.59% |
| FTSE-All Share | 4210.58 | +1.73% | +19.48% |

A decent month with GP3 building on last month's 7% gain with a 4.5% rise. This is down to a recovery in many of the beat up stocks and it's pleasing that in recent months GP3 availed of chances to add OTB and Luceco, big winners. As I said last month, I added Yu, which was a brought forward NAP. I also took some musicMagpie. Finally, I added 10,000 Superdry at 126p. Since GP3 acquired its initial holding, the shares have fizzed as high as 430p but retail then lost its shine and they came back to below where they started. But the stuff that made last year look bad will start to make things look better this year (from much-improved availability, supply chain restocking, freight etc). The retail sector saw 47 shops shut a day in 2022, on top of 31 a day in 2021, leaving the spoils for the survivors.

Looking at this month's two mains: (1) both are very cash rich. DOTD has £50m and LBG has £38m and higher interest income isn't factored into forecasts; (2) both are in growth sectors and LGB in particular has a huge opportunity from Instagram and Tiktok to play out this year; (3) both focus on the US where consumer confidence is at an 8-month high.

## 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 | 1866 | 18660 |
| 1000 | ^* | Softcat | 7/12/15 | 229.2 | 2337 | 1239 | 12390 |
| 10000 | * | SDI Group | 15/2/17 | 20.5 | 2095 | 164 | 16400 |
| 1000 | * | Alpha Group | 27/7/17 | 470 | 4745 | 1770 | 17700 |
| 5000 | ^* | Kape | 9/4/18 | 93.5 | 4720 | 269 | 13450 |
| 1000 | #* | Future | 9/4/18 | 329.5 | 3340 | 1406 | 14060 |
| 15000 | * | UP Global Sourcing | 31/1/19 | 59.9 | 9075 | 160 | 24000 |
| 15500 | * | Luceco | 31/1/19 | 53.75 | 11033 | 104 | 16120 |
| 60000 | • | XLMedia | 8/7/19 | 43.7 | 26330 | 17.5 | 10500 |
| 2500 | * | Ergomed | 22/10/19 | 313 | 7870 | 1284 | 32100 |
| 10000 | | Volex | 9/12/19 | 133 | 13345 | 259.5 | 25950 |
| 15000 | | CentralNIC | 9/12/19 | 63 | 9495 | 155 | 23250 |
| 4000 | | Mpac | 3/2/20 | 290 | 11645 | 268.5 | 10740 |
| 26069 | •∞ | Reach | 3/2/20 | 98.8 | 26019 | 107 | 27894 |
| 18000 | • | Superdry | 22/9/20 | 135 | 24491 | 155 | 27900 |
| 3000 | | Victoria | 13/11/20 | 450 | 13545 | 596 | 17880 |
| 25000 | | N Brown | 22/1/21 | 61.85 | 15508 | 25.5 | 6375 |
| 7000 | | Supreme | 5/3/21 | 189 | 13275 | 98 | 6860 |
| 16000 | • | On the Beach | 5/7/21 | 199 | 32065 | 166.5 | 26640 |
| 25000 | | Staffline | 7/8/21 | 65.4 | 16395 | 33.5 | 8375 |
| 10000 | | T Clarke | 6/9/21 | 147 | 14745 | 123.5 | 12350 |
| 18000 | | Boohoo | 24/5/22 | 78 | 14085 | 39 | 7020 |
| 3000 | | Yu | 12/12/22 | 426 | 12825 | 463 | 13890 |
| 50000 | | musicMagpie | 12/12/22 | 24.5 | 12295 | 28.5 | 14250 |
| | | | | | | Cash £ | 45505 |
| | | | | | | Total £ | 450259 |

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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