THE SMALL COMPANY

SHARE WATCH

September 2022

MARKET COMMENT

The S&P 500 index, the pivotal world stock market, peaked on 3rd January 2022, and since June has enjoyed a classic bear market bounce. Just as it should do, it has re-created the sentiment of the most speculative sectors, which peaked in the Spring of 2021.

According to Barron's, "Mom and pop investors are pouring money into cryptocurrencies… at the fastest rate in history." As long as the dream lives on, the bottom is nowhere in sight, not just for crypto but for all markets, which were propelled to silly bubble peaks in recent times.

If the S&P breaks below 3900, the bear market bounce is over, and the risk of a very nasty Autumn rises sharply.

The FTSE-100 index has held up relatively well this year compared to the US and most other world markets, aided and abetted by its large commodities component. In contrast, many small and mid-cap firms have been marked down, not due to poor company specific news, but rather due to poor sentiment for domestic stocks.

Can the UK domestic outlook change in the next month or so for the better, and sufficient to resist the drag from across the pond? It is possible. If the bad news on the cost-of-living crisis is priced in already, action on energy costs by a new Conservative leadership in the days ahead could turn sentiment around and up. A raft of constructive government initiatives are not priced into the UK market.

If the FTSE-100 is to price this in, it must quickly head up through 7200, and it is then conceivable that the peak of 2018 could be beaten. We calculate a possible new peak at 8050, just 2% above that in 2018.

The problem with this projection is that it might be as good as it gets for some time. On the other hand, even this modestly positive outlook is eliminated if the FTSE-100 imminently breaks down through 7000.

All of this means that investors need to take great care in September and October. We will be looking out for relative strength from the smaller company indices, but try not to get sucked into a jingoistic UK bounce, and keep a close eye on events in the US.

Our guestimate, we can put it no more strongly right now, is that we should have much greater clarity by November/December. If some UK small caps continue to get marked lower, there will be rip-roaring value at that time as we build our NAP selection for 2023.

ON THE BEACH (OTB)

Sector :	Travel	
Latest Price :	121p	
High/Low :	402p - 100p	
Market Cap. :	£200.9m	
Shares in issue:	166m	
end9/2022 EPS/PER est	6.2p	19.5
end9/2023 EPS/PER est	16.9p	7.2
end9/2024 EPS/PER est	20.1p	6.0
Telephone	020 3727 1000	
Registrars	0871 664 0300	
CALENDAR		
Int/Fins/AGM	MAY/DEC/FEB	

Unlike most years, the stock market has shown no signs of going to sleep for the summer with few signs that the selling storm in both bond and equity markets might be petering to a close soon. This month, I have included in the lineup shares of two companies that have had a tough couple of years but as internet-only operators, they are winning market share and have none of the costly overheads that come with a presence on the high street.

First on my list is the largest internet-only travel agent, On the Beach, which looks set to emerge a winner. Its chief executive certainly thinks so having bought £2m of shares in August.

In the past two years, rival travel agent Thomas Cook has disappeared from our high street (which historically represented c.10% of the European online short-haul beach holiday market). This has left a huge opportunity for OTB to take market share although it didn't show up as 2021 ended up a bit of a 'stub' year due to the Government restrictions on overseas travel and a wait for Covid passports. But the pent up demand was obvious when travel opened up again and OTB really began humming. In fact, in May, OTB said its Summer 2022 sales were 22% ahead of pre-COVID levels in H1 20 even though Spain was still closed to UK tourists at the time. Bookings were also stronger in higher value, more premium hotels, with sales for premium holidays that included 5-star hotels up 95%.

Staffing pinch points starting to ease?

But OTB's share price has still endured a torrid

In this issue

Ergomed
80%+ of this year's forecast covered

On the Beach
CEO buys £2m at 129.5p in August

Crestchic
Barnstorming c.40% upgrade

Supreme
Buys two more vape businesses

Made Tech
Headcount rockets from 235 to 478

Lookers
Cash and property of 95p versus share price of 79.5p

Volex
Strong Q1 trading

Tremor
Buys Amobee DSP for US$239m

Elementis
Sale of chromium in coming weeks could rerate shares

Marks Electrical
Pays its maiden dividend

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• Next issue on Saturday 8 October

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

time, dropping c.65% since the start of the year. This is because nobody had really appreciated that staff layoffs during Covid would have a near term effect of staff shortages at airports, which then caused travel disruption and flight cancellations and ended up costing the travel industry millions of pounds in missed profits.

In fact, the airline industry lost 7% of its workforce during the coronavirus pandemic, leaving supply out of balance with rebounding demand. Against the usual rate of 1% flight cancellations, OTB had to contend with, perhaps, 5% flights being cancelled, which has led to downgrades; forecasts for this year are £25m lower than where they were a year ago. But I think the time has come to alight on the shares because airports are showing signs that they have recruited staff and things are normalizing with some airlines planning increases to seat capacity.

Nice run of profit forecasts

For FY22, broker Panmure Gordon now forecasts revenue of c.£138m and pretax profit of c.£13m. For FY23, they forecast revenue of c.£163m and pretax profit of c.£35m and for FY24, the forecast revenue is c.£169m with pretax profit of c.£43m. Corresponding eps are 6.2p, 16.9p and 20.1p over the three years. On that basis the shares trade on a prospective PE of 7.2 for FY23, dropping to 6 the following year, compared to the pre-COVID forward PE multiple since IPO, which ranged from 10x-24x.

As a starting point, despite macro headwinds I think there is scope for next year to surprise on the upside. This year's already-depressed numbers due to flight cancellations have been further depressed by the warm weather, which encouraged some of us looking for late bookings to staycation once again. And then, just as Covid restrictions were lifted, we were met with the Ukraine war.

That said, market share gains are set to provide structural margin benefits, for example, a more benign competitive environment means the profitability of the core business in terms of the required online marketing spend linked to sales reduces. In particular, since Thomas Cook perished, the Civil Aviation Authority website shows there have been perhaps 40 other corporate failures, which has opened up a potentially significant revenue pool for OTB, but the Covid crisis means this revenue opportunity has not yet come to fruition.

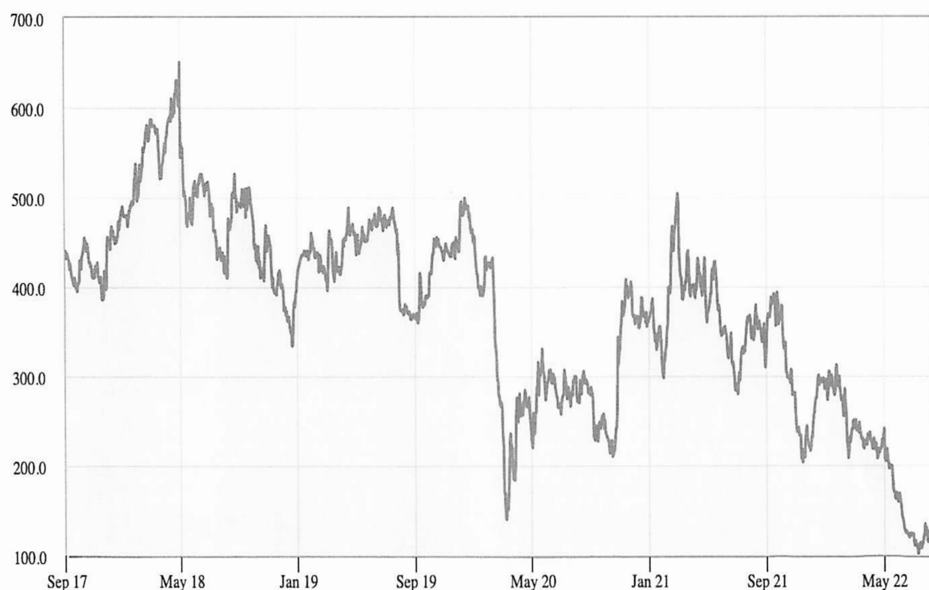
At the same time, as I describe below, overseas travel has proved fairly resilient in past recessions, much more than, say, purchases of big ticket appliances, carpets or sofas and rather than not going on holiday at all, customers are most likely to simply maintain the same sterling spend by opting for shorter stays, staying in slightly lower-quality hotels or similar hotels in cheaper destinations. The cost of living crisis has also made some all-inclusive resorts in Turkey and Portugal 50% cheaper than UK destinations like Devon. As a provider of value holidays, OTB should benefit from any such trading down.

Online holiday buying

Established in 2004, OTB is an internet-only travel agent with a focus on beach holidays and its systems can dynamically pull all the various prices under one roof.

Customers are allowed to pick and mix from a range of airlines, accommodation suppliers, car rental companies and also add on in-resort services (day trips, event tickets, attractions and entertainment). Departure dates and holiday durations are flexible. Prices can be higher or lower on a given day of the week: for instance, flying at 10pm might be cheaper than flying at a more popular time of 9am or you can fly out with one airline and come back with another in order to save money. This enables customisation of holidays from millions of flight and hotel combinations as opposed to being offered pre-packaged holidays, as is the case with many traditional tour operators and it allows customers to find the best deal to suit them.

OTB spends on marketing to drive traffic to its websites. By far the most important part of this is spending on Google Adwords to appear in the top four paid positions for desired keyword searches. The website then monetises these visitors by taking a commission on any bookings that are made.



Because OTB has been doing this for an incredibly long time, it has established superb 'big data' capabilities and its systems can collate large quantities of highly fragmented flight, hotel and other data better than most and certainly better than TUI, which along with Thomas Cook once dominated the UK short haul beach holiday mass market. TUI is still circumscribed by the fact that it has a vast network of shops and has cruise ships, hotels and planes to take trippers round the world and consequently has a fixed cost per booking 7-8x higher than OTB.

These days, OTB, as per ATOL licence data, is the number three UK ATOL licence holder. A note in the last near normal year, 2019 (ie. pre COVID), showed that OTB had 1.86m passengers licensed and held a 20%+ share of the online short haul beach holiday market. However, with c.6m UK package beach holidays sold online, and a further c.6m still sold offline, there is plenty left to play for.

Flanking brand

Most of its growth to date has been organic although there have been two interesting acquisitions. In May 2017, OTB acquired sunshine.co.uk. This was basically just a small version of OTB with a bias to the value end of the market. Within three months of buying it, although the website still retained the same old look and feel, sunshine.co.uk had been migrated to OTB's existing technology with all the 25 staff that had come with the business eliminated.

In the past few years, across both these B2C sites OTB has been growing by gradually adding new destinations although the focus has remained on short haul beach holidays. In normal times, key destinations are Spain and the Canaries, which account for c.65% of all holidays. Egypt, Turkey, Greece and Malta make up the balance. OTB is fast becoming the ultimate beach holiday retailer but it has many new countries still to conquer including long haul (which has grown to 8% of sales from 2% a year ago).

Flexibility of business model

What makes OTB really score is that it has flexibility in its business model because it gets its traffic from pay-per-click on Google (the latest H1 showed a whopping 30% revenue spent on online advertising and 23% on offline advertising).

As an example, if OTB bids to appear at the top of a Google search, every time its link is clicked, it will be charged a certain amount – for simplicity's sake, say that is £1. So, to drive 500 visits to its site, it needs to spend £500. Crucially, it needs to convert those 500 visits into bookings worth at the very least £500 worth of gross profit to break even and then anything else is its profit.

If market conditions are difficult and there are fewer people looking online for holidays,

OTB's custom Google Adword bidding tool is also tactically able to dial down its campaigns (eg. bid less for keywords) and also reduce the total amount it is willing to spend, rather than seeing diminishing returns and losses. All this marketing competence has been gradually reducing the average cost-per-click paid to search engines.

Clearly anyone wanting to compete against OTB has a big hill to climb. What I think has also made it an unassailable leader is that it is building a hugely loyal user base as 60%+ of its traffic is now "branded" or "free" from people going directly to its website rather than using a search engine and over a third of its customers are repeat, having travelled with it before.

OTB has also fundamentally re-engineered the architecture behind its website to refine its personalisation technology. In much the same way as you might go into a retail travel agent and if you have children, ask to see hotels with pools or kids clubs, the site learns about the visitor from their searches and uses that data to show them products that are more likely to convert into a booking.

Such scale and continued improvement in marketing efficiency are the first two barriers to any would be rival. A third "moat' is that as OTB has become larger, there has been an increase in the volume of inhouse accommodation bookings. Most online travel agents receive their supply of hotels via third-party "bed banks," which aggregate the fragmented hotel market. While that is convenient and allows for a rapid scaling of supply, by doing this the travel agent loses out on part of the available commission and increasingly OTB has been directly contracting with hotels; it earns a better gross margin (c.5% higher) when it sells directly contracted hotel beds rather than when it has booked via a third party bed bank and since the pandemic, 90% of all rooms are purchased with direct contracts. Both these factors mean that a return to normal conditions will see its core B2C EBITDA margin increase sharply - Panmure expects 40% in FY23.

Financial strength at a time of crisis

Customer payments made to OTB in advance of travel are deposited in the trust account ie. they are not used to fund the day-to-day activities of the business. These amounted to £99m at H1 22 and will have unwound as customers travelled over the summer months. In cases where flights were cancelled, OTB refunds for flights on request, whilst waiting for airlines to refund it. The hotel is only paid when the customer arrives so if it was cancelled they wouldn't be paid. Alongside customer deposits, it also has £16.8m of its own cash and a £75m undrawn facility, which has allowed it to invest in winning market share.

On The Beach moves to B2B

Since 2015, OTB has also launched sites for the international market with Sweden and Norway under its ebeach.se brand but this remains a nascent opportunity. But a second strand to the business has been added in the form of Classic Online, which is a B2B operation. Although much reduced, 40% of holiday bookings are still made in person at a bricks and mortar travel agent or through a homeworker and Classic presents an opportunity to access this market. It operates as a tour operator selling high end, short haul beach holidays (£2,000 per person versus £500 for OTB) to 1,800 travel agents via an online booking portal. Despite the lack of high street footfall, last reported total year to date sales were up 43% versus FY19. Unlike the B2C core online platform, however, which is based on cost per click just to bring traffic to the website, Classic Online only pays a commission to the travel agent when a holiday is actually sold, which means margins are strong.

Vesting for LTIP: eps of 23.4p in FY23

The latest H1 reflects a period that was impacted by Covid and whilst the past may be a poor guide to what is ahead, what is certain is that OTB is the lowest cost operator in its space and there is a lot of value to be unlocked. The director of corporate development thinks so, having bought 38k at 131p last month, followed not long after by chief executive Simon Cooper's 1.53m at 129.5p (£2m). What's also interesting is the vesting thresholds of the management LTIP scheme: 25% of the award vests if adjusted eps in FY23 hits 17.27p, and 100% vests if eps reaches 23.37p. *I think the shares are a buy.*

UPDATES

Crestchic (LOAD) 258p

Sector: AIM, Industrial Engineering

The shares went into orbit shortly after I included them as the front page recommendation just two short months ago. Since then Crestchic has said trading is (for the third time) running "significantly ahead." Equipment rental contracts overrunning has kept utilisation at record levels whilst a strong pipeline of orders including its largest contract to date underpins the upgrade. The rapid and continued growth within the datacentre market comes as no surprise alongside a recovery in oil & gas exploration markets in the Middle East and Asia in response to higher energy pricing.

Such is the step change in activity levels that Shore Capital has raised its pretax profit estimates by an eye-watering 37% and 40% for this year and next to £7.2m and £8.1m, respectively. Corresponding eps are 19.6p and 21.8p. *Strong hold for more.*

Made Tech (MTEC) 31.25p

Sector: AIM, Software & Computing

Having experienced difficulty in recruiting IT staff earlier in the year, Made has now turned the corner. It has just confirmed it has taken headcount to 478 up from last year's 235. Importantly this was achieved without undue impact on expected profitability, with gross margin flat year-on-year at 38% and EBITDA margin rising to 9% from the prior year's loss.

Made also confirmed that sales for the year to end May are expected to be up 120% to £29.3m with significant progress in H2 (H1 £11.7m, H2 £17.6m). Gross margin was maintained at 38%, showing impressive resilience in the face of wage inflation. Pretax profit of £2.2m compares to a loss of £0.5m in FY21. Year end net cash was £12.3m.

Contracted (multi-year) backlog stands at £38.2m, up 135% on the back of sales bookings up 115% year-on-year to £51.1m. Assisted by its strong pipeline and backlog, Made Tech has made a "strong start to FY23." Broker Singer forecasts sales of £43m this year, with pretax profit of £3.6m and eps of 2p. *Buy.*

Volex (VLX) 262.5p

Sector: AIM, Electronic & Electrical Equipment

At the AGM, Volex said Q1 has been strong, and in line with management's new 5-year growth plan. Sales are ahead by 4.9% (organic) whilst the acquisition pipeline being developed will reinforce growth prospects.

In terms of end market exposures, the EV side has seen strong underlying demand from a growing range of products; Consumer Electrical revenues have continued to grow, as a result of new projects and increased market share; Medical's demand remains robust and revenues are ahead of Q1 21; and finally, demand in the core business of Complex Industrial Technology is noted as strong with next-generation high speed cable volumes (400Gbs) expected to pick up strongly as replacement programmes accelerate.

Singer forecasts eps of 26.4 cents for the current year with 27.9 next year. *Buy the dips.*

UP Global Sourcing (UPGS) 117.5p

Sector: Household Goods

UPGS has issued a reassuring pre-close update for the year ended 31 July. Sales will be up 13% to a record £154.2m driven mostly by the earnings enhancing acquisition of Salter with underlying organic growth of 1%. Pretax profit has increased by 42% to £15.8m.

Growth has been particularly strong amongst its supermarket customers, which is the largest sales channel. Shore Cap forecasts eps of 13.8p for the year just ended, with 14.5p this year. There is a useful dividend of 6.9p and 7.2p, respectively, for a 5% yield. *Await results due on 3 November.*

Supreme (SUP) 85p

Sector: Personal Care, Drug & Grocery Stores

CEO Sandy Chadha has moved swiftly to consolidate his position in the vaping market. Following on from his purchase of Liberty Flights, this month Supreme acquired the trade and assets of Cuts Ice and Flavour Core from its administrators for an undisclosed amount.

Cuts Ice is a specialist in e-liquid vaping flavourings and owns the vape brand T-Juice and developed the Red Astaire vaping flavour (a woody red berries and eucalyptus blend), which is popular in European markets, which account for the vast majority of its sales.

Flavour Core adds e-liquid technical and regulatory compliance know-how. Apparently many aroma chemicals that are used routinely in the food industry are not suitable for vaping. When produc-

ing required flavour combinations, Flavour Core screens compounds to identify "molecules of concern and cross-checks against published banned lists to remove potentially harmful ones (carcinogenic, mutagenic, reprotoxic)."

Once the glut of lighting stock with distributors works its way through the system this year, the vaping side will shine through. Buy on dips.

Treatt (TET) 544p

Sector: Chemicals

Treatt has been a stellar performer since I made it a main buy at 217.5p in Nov '16, having touched £13 since then. But this month saw the high flying shares come back with a bit of a bump after Treatt said H2 profitability would fall short of expectations, although sales will still be higher than last year's £124m. There is no single factor for the downgrade and it is more of a margin issue than sales performance with the two main reasons cited as a weaker performance in the tea category and FX volatility.

In FY21, the group had seen a very strong tea revenue performance (+113%), which is one of its higher margin lines. This has not repeated this year, as US consumer demand in the category has reduced, and also some new product launches by end customers have not succeeded.

On FX, the group has 50% of its UK sales in dollars and hedges its US sales but the recent weakness in sterling has given rise to some FX hedge losses (£2.5m loss vs gains last year). Finally, the continued lockdowns in China have resulted in lower sales growth than the group might have hoped for.

For the current year to end September, Peel Hunt has cut both its pretax profit and eps forecasts by 31% to £16.3m and 20.7p, respectively. Next year's is cut to £17m and 23.8p. *Despite current turbulence, Treatt really is a class act. Look to buy.*

Tribal (TRB) 83.5p

Sector: AIM, S'ware & Computing

The keynote to the latest interims is that ARR has reached a record £53.7m, up 5% from £50.2m six months earlier, driven by upselling customers from their existing on-premise *SITS* software into the *Tribal:Cloud* and four early adopters signing up for its cloud-native *Tribal Edge* product.

As it was, H1 sales were up 8% to £42.4m but milestones were missed on a large Singapore contract, which resulted in a profit shortfall, most of which is set to be recovered in H2.

Overall, Student Information Systems continued to perform well, increasing by 9% to £35.5m principally driven by Cloud Services (+32% to £4.1m) and Professional Services (+18% to £7.7m). Divisional operating profit fell by £2m to £11.3m and adjusted operating margin fell to 31.8% due to the aforementioned delayed project delivery milestones for the Nanyang Technology University contract.

Nanyang is the largest SITS deal to date, worth approximately £17m over eight years, launched in early 2021. However, earlier Covid-19 related travel restrictions resulted in delayed milestone payments and Tribal also made a higher than expected use of contractors, which depressed margins. Overall this also pushed the business into a net debt position of £4.8m. However, the H2 profit and margin performance will be stronger and forecasts are unchanged.

The small non core Education Services division continued to recover from Covid with flattish revenue of £6.9m but operating profit increased by £0.4m to £1.7m and operating margin to 24.5% (from 18.3%).

Forecasts are for £13m pretax profit and eps of 5p. Tribal's end markets are uncorrelated to macro trends and Tribal sees the Singapore contract as a springboard contract in Asia-Pacific where significant contracts are coming to tender in the next 3-5 years so it has all to play for. *Strong hold.*

Tracsis (TRCS) 995p

Sector: AIM, Software & Computer Services

Ahead of reporting on 9 November, Tracsis said it expects to beat full year EBITDA expectations. Berenberg originally forecast organic sales growth of c.18% in FY22 but Tracsis is set to deliver 25% growth to £69m, reflecting strong post-Covid lockdown recovery in the Data, Analytics, Consultancy & Events division whilst its Rail Technology & Services division has continued to trade well. There has also been a strong maiden contribution from the RailComm acquisition, which has won several contracts in North America. Berenberg forecasts eps of 34.9p for the year already ended with 39p this year. With cash expected to be >£17m, it looks well placed for further deals. *Tipped at 660p in April '21, strong hold for more.*

Lookers (LOOK) 79.5p

Sector: Retailers

Lookers rival, the car dealer **Pendragon** (PDG; 21.5p), received an offer at 29p during the month and with Cinch owner Constellation holding 19.9% of Lookers, which it bought at 102p from former non exec Tony Bramhall, I suspect its own days of independence are numbered. In particular, helped by working capital improvements, net cash has ballooned to £78.5m, up from £33m a year earlier - so property and cash is now worth 95p a share, a 19.5% premium to the present share price.

Latest H1 shows an outstanding performance against a backdrop of severely disrupted vehicle supply. Sales were ahead by 4% to £2.23bn with underlying pretax profit of £47.2m down from H1 2021's exceptionally high watermark of £50m (although when you exclude government support last time, the latter is £37m). Gross profit increased 9.8% to £282.8m, driven by both market tailwinds and 'self-help' operational improvements.

Divisionally, used vehicle unit sales decreased 8.3% due to restricted supply (in line with the H1 UK total used car transactions decline of 8.3%), but higher selling prices meant revenue increased 17% to £1.22bn. Margins in used vehicles reduced from 8.5% to 7.3% but profit per unit increased c. £200 to £2,100.

New vehicle revenue declined 5.6% to £970.2m as supply shortages reduced unit sales. New vehicle margins improved by 2.2% to 8.7% as a result of demand outstripping supply and a focus on operational optimisation. Demand for new vehicles remains strong, with the group carrying a retail order bank of c.22,000 vehicles (H1 2021: c. 9,000).

Aftersales revenue grew 8.9% to £230.1m but margins fell by 1.2% to 42.5% due to higher labour costs.

Lookers provided an update on its six major strategic priorities, which have supported revenue growth and margins in H1 and said it expects a combined £30m underlying pretax profit uplift in the medium-term as these initiatives are further implemented. *Buy.*

SDI Group (SDI) 164p

Sector: AIM, Healthcare

Since my last update, SDI has acquired LTE, a manufacturer of sterilization, decontamination and thermal processing equipment, used in the life science and medical market sectors. SDI has paid c.£5.5m for the business, which had sales of £6.4m and EBIT of c.£0.4m in FY21; excluding a property and cash of £1.3m, which comes as part of the deal, this equates to 6.4x EV/EBIT.

The acquisition has been funded from borrowings (as SDI only held £1.1m net cash at 30 April). The acquisition goes some way towards filling the gap from lower than expected sales from SDI's Atik division this year and Finncap has nudged up its forecast to pretax profit of £11.9m and eps of 9p for the current year. *Tipped at 21p in March '17, massive gains to date. Some profit should have been taken; hold the remainder.*

Tremor (TRMR) 322p

Sector: AIM, Media

Since my last update, Tremor has announced the acquisition of Amobee and also reported its Q2.

Amobee operates a global DSP across linear TV, connected TV and digital media and has relationships with over 500 global advertisers and publishers. Tremor is paying US$239m for Amobee and the deal is expected to bring more self-serve programmatic demand while also generating incremental demand to Unruly, Tremor's SSP.

By integrating Amobee's platform with its own it will therefore accelerate its growth through cross-selling new services into both new and existing customers and deliver cost synergies, expected to be c.US$50m. Tremor is paying US$239m for the business, which has run rate sales of US$$150m with US$22m of EBITDA. Tremor will fund the transaction (so without diluting shareholders) through its existing cash and US$100m of debt financing and the deal is eps enhancing from day one.

Separately, Tremor has also announced a partnership / US$25m investment into VIDAA, which will make Tremor the exclusive SSP and ad server provider in the UK, US, Canada and Australia.

Turning to the Q2 results, Tremor reported net sales down 4% to US$71m and EBITDA of US$39m (55% margin). This suggests it has experienced some market share losses in Q2 eg. Trade Desk (TTD; US$61.5) grew 35% in the same quarter.

Tremor is also seeing inflationary pressures as well as supply chain constraints impacting some customers (such as automotive) so whilst organic growth may be harder to come by, the latest deals gives it scope to grow profits. Given both the Amobee and VIDAA deals are anticipated to close in

Editorial shareholdings of companies covered in this issue: Volex, Made, Supreme, OTB, Ergomed

Q3, Stifel has yet to upgrade its FY22 sales and EBITDA forecast of US$290m and US$155m (54% margin), respectively. However, Tremor's FY23 guidance inclusive of the deals calls for US$500m sales and US$200m EBITDA,

Tremor is clearly cheap vs US peers, which are trading on 6-32x forward EV/EBITDA compared to just 2x for Tremor. Although directors have been net sellers, Tremor itself has repurchased US$44m of shares in H1 and has continued to buy back shares in H2 and with US$100m of cash generation, something has to give before long. *Down from the highs of over £8, the shares will be worth watching in coming months*.

Alfa Financial (ALFA) 173p

Sector: Software & Computer Services

Another set of results and another special dividend. Latest interims served up a 3.5p special payment (£10.5m; ex 8 September), which takes total dividends since November 2020 to £100m. With cash of £20.8m (and it continuing to generate more cash than it needs), I expect this to continue.

Alfa's software is typically used to arrange leasing finance (cars but also plant and machinery) and to then track the fixed monthly payments. The latest H1 saw sales up 7% to £43.9m, pretax profit up 25% to £13.8m and eps up 32% to 3.9p.

The quality of the income stream is improving in leaps and bounds. Alfa generates revenue in three key ways: 1) software licences; 2) ongoing development /services and 3) subscription fees (recurring maintenance, hosting and bundled licence, maintenance and hosting). With 14 of its 34 customers now taking its cloud hosting services and two taking the *Alfa Start* solution, subscription fees climbed 18% to £13.5m, taking total contracted value to £138m - and as this is higher margin, it pushed overall margins up to 32.3% (from 27.7%). The company says margins may ease a bit in H2 as it stepped up recruitment at the end of H1 (headcount went to 399 from 375). Brokers therefore forecast a c.60:40 H1:H2 split in profits, but with asset finance demand typically rising during difficult economic times, there is scope for it to pleasantly surprise on forecasts. *Keep on buy list*.

Joules (JOUL) 21p

Sector: Retailers

In my update in March, I had said last year's logistical issues during peak trading had resulted in a "revenue shortfall in January, which left £11.5m of total liquidity headroom and the peak would come in July/August. Therefore, Joules has started to liquidate some of the stock. Older stock will be sold off cheaply through third parties via outlet stores. But what it hadn't bargained for was that it would encounter reduced sell rates, and trading in the last few months has weakened considerably driven not just by consumers becoming more price conscious but also the unusually hot weather has seen Joules' staples of waterproofs, wellies, and outerwear understandably out of favour - these categories are 75% of sales. A combination of sales down c.27% in the last five weeks to 14 August (vs +8.5% in the preceding 6 weeks), and gross margins down 6% to 45%, means H1 and FY22 will be lossmaking.

Wholesale trading has achieved 10% growth despite delays experienced in US ports, however Garden Trading wholesale has continued to be significantly impacted by the wider slowdown in the home and garden market.

As at the end of July, net debt was £21.1m, leaving headroom of £11.4m and a further £5m has been put in place until November, to help support working capital needs. But Joules will need a waiver of certain covenants, for which bankers will require their pound of flesh. That said, Joules has also said it is in discussions with **Next** (NXT; 5930p) about both adopting its Total Platform services to support its long-term growth plans and a potential equity investment. *Await developments*.

UPDATES AND IDEAS

• **Elementis** (ELM; 109p) is a speciality chemicals group and owns its own hectorite and talc mines. It has the world's second largest talc mine in Finland and the only commercial mine for hectorite in California, which is sufficiently high grade to be used in personal care products and paints. Chances are that if I told you a typical car has 16kg of talc in it, or that your deodorant contains hectorite, you might wonder what I am talking about. But for a huge range of products, such "rheology additives and modifiers" determine how a product performs - talc, for instance, changes the properties of polymers used in car bodies and hectorite stops the nozzle clogging when you spray on your antiperspirant deodorant.

Founded 177 years ago as Harrison & Crossfield and originally a tea and coffee trader before becoming a conglomerate, in the last six years Elementis has been radically reshaped by chief executive Paul Waterman. When he joined, 50% of its profits still derived from chromium (sold mostly into the steel market) and energy markets (selling hectorite as a drilling mud) - but these two segments would be buffeted by macroeconomic conditions, which had made for a very volatile period.

Waterman was pretty quick to embark on a debt funded binge buying Summitreheis, a personal care business, for US$360m in 2017 and Mondo, a talc based speciality chemicals additive company for US$500m a year later to take Elementis into new growth markets; in the process, the original areas of chromium and energy dropped to 13% of profits in FY21. But now my interest centres around the fact that in combination with its interim results last month, when profits were upgraded, speculation has been mounting that the chromium bit is about to be sold and I think this is causing the shares to show high relative strength. Once it goes, it will improve Elementis' ESG credentials and the group's financials as well as paying down some of the US$401m debt and pave the way for a resumption in dividends.

These days Elementis comprises four divisions. Personal Care and Coatings are the high margin swing factors and recent trading is the cause of the upgrades (and I am told there hasn't been a fall off in demand recently).

Personal Care became significant following the acquisition of Summitreheis, which brought in a range of antiperspirant active ingredients to complement the hectorite offering it had already been selling for use in deodorants and high-end cosmetics (eg. lipsticks and blushers). Overall, it's a high grade activity with sales of US$175m and attractive 20%+ operating profit margin in FY21. The group's antiperspirant actives are made from aluminium chlorohydrate or aluminium zirconium compounds for use in antiperspirant gels, sticks and roll-ons supplying FMCG players such as P&G, Colgate and Unilever and although lockdowns led to a drop-off in personal grooming standards as no one was going out, things have since improved and further growth is coming from a move into new uses such as skincare.

A bigger business in sales terms is Coatings, which has sales of US$385m but only achieves a 16% operating margin (although in the latest H1 it was much higher as COVID was a massive boost to paint demand). As I am learning, this division supplies clay, acrylic, polyurethane and castor wax rheological modifiers for the industrial coatings and decorative markets and c.40% of sales are hectorite based where its use increases the rate of suspension of pigments within the paint.

Overall, despite recent upgrades, this for me is still a curate's egg - good and bad in parts. Those were the good bits.

Turning to talc, the logic to buy Mondo was that talc is similar to hectorite in that it's a mined mineral and there was also some customer overlap as talc is sometimes used within paints. The open pit talc mine in central Finland has a 90 year reserve life and all Elementis does is blast the rock, which it then mills into fine talc particles. If you look at talc as a product, its historical use was in paper making where it improves printability but other uses have opened up, split between plastics (eg. automotive), coatings and industrial uses. Sales were US$150m in FY21 but tough times in the European automotives sector have seen volumes fall and margins have been crushed from FY21's 9.3% to 3-4% in the latest H1.

Last in the mix is the original chromium division. This part has also seen demand fall off a cliff in recent years as stainless steel, where chromium is used, is increasingly being substituted with carbon fibre and rigid polymers as manufacturers seek lighter weight materials with increased mechanical properties. Margins last year were 8% on sales of US$140m.

Overall, Elementis' sales growth in H1 was 9% with pricing +15%, mix +5% albeit there was an 11% volume decline. Reflecting that, on 2 August, Numis lifted its pretax profit forecast by 9% to US$94.8m for eps of 10p. A PE of 10.9 doesn't look unreasonable especially when compared with a historic average of 19x for the last 10 years or a cluster of bid approaches at c.165p a few years back. Debt is also falling even without the chromium sale. *One to watch*.

ERGOMED (ERGO)

Sector :	AIM, Medicine & Biotech
Latest Price :	1122p
High/Low :	1585p - 910p
Market Cap. :	£561m
Shares in issue:	50m
end12/2022 EPS/PER est	38.5p 29.1
end12/2023 EPS/PER est	43.4p 25.9
end12/2024 EPS/PER est	48.2p 23.3
Telephone	01483 503 205
Registrars	01252 821 390
CALENDAR	
Int/Fins/AGM	SEP/MAR/JUN

Although off their highs, Ergomed's shares have more than tripled since I made them a main buy in October 2019 at 295p as investors have realised that profits are entering a phase of promising growth. Even now, however, the full scale of the improvement is not fully reflected in the price and having caught up with finance director Richard Barfield, all the signs point to full year forecasts being upgraded when interims are reported on 26 September.

Ergomed comprises two divisions: the first is involved in clinical trial services (CRO), speeding up the recruitment of patients into trials, conducting the trials and improving overall data quality (e.g. lower dropouts) and it has a strong reputation among its blue-chip pharma (six of the top 10 pharmas) and biotech customers. Its other division is PrimeVigilance, which provides outsourced drug safety monitoring (pharmacovigilance) services once a medicine or vaccine has been authorized for use and is almost an annuity type business with 95% of contracts rolling over from one year to the next.

History

Ergomed was founded in 1997 by Dr Miro Reljanovic (now chairman), who practiced as a physician in Zagreb and who was often called upon as a clinical investigator in numerous Phase II and III studies in the field of neurology. In 1997 he moved to the UK and founded Ergomed in Guildford as a CRO.

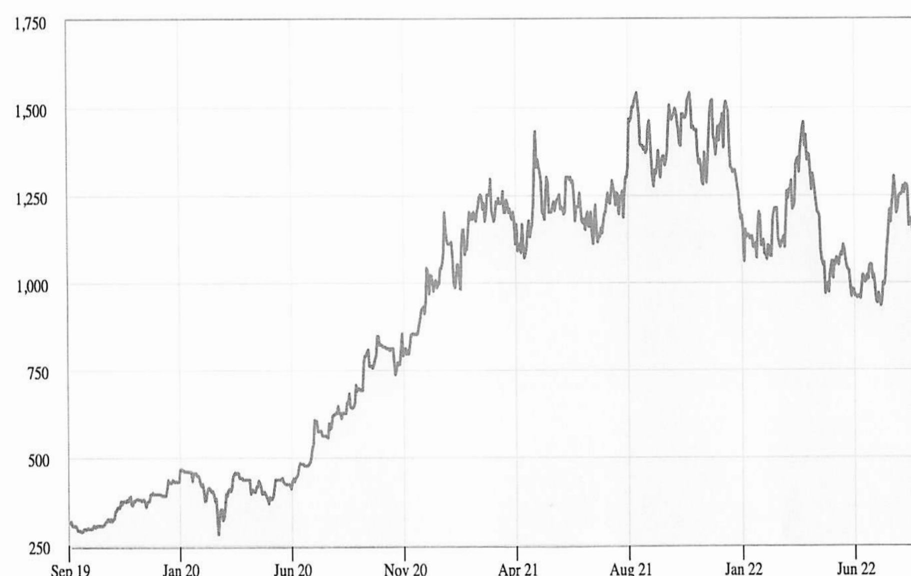
As a CRO, Ergomed provides a range of contracted services over Phases I to III of the drug development process, ranging from expert consultancy services (assisting companies in designing clinical trials) through to delivery of trials (study / site management and physician support), data management and medical report writing.

The shares listed on AIM in July 2014 at 160p and I think it has been the only CRO to list in the last decade. Contemporaneous with the float, Ergomed also acquired PrimeVigilance, which was separately owned by Reljanovic, for £9m in shares. PrimeVigilance was one of the first focused service providers in the pharmacovigilance space, a market that has grown rapidly driven by an increasing regulatory focus on drug safety, as well as a continued outsourcing trend.

But very soon after, Reljanovic had a rush of blood to the head and began to invest in product development, with a co-development offering seen as an extension of its CRO business and it selectively began to share some of the risks and rewards of the development of its partners' drugs, in effect sacrificing some of its profitability (hence the low c.9-10% EBITDA margin at the time) in return for a carried interest in the future revenues of the product. Five active drugs were developed in this way and by 2016, Ergomed had also acquired one Phase II product outright (*Haemostatix*) in its entirety for £8m.

When Barfield joined as finance director he quickly put an end to this strategy of investing in its own products, which he deemed as excess risk-taking and it had also been diluting its skillbase as quite a few members of staff were tied up on that stuff. Curtailing that immediately improved margins and cash generation.

Barfield was fresh from selling Chiltern, a VC-backed CRO, to Labcorp/Covance for US$1.2bn, having grown Chiltern's profits spectacularly from US$27m to US$97m with sales rising from US$160m to US$550m between 2013-2018. He strengthened the board with new appointments (including several hands joining from Chiltern) and put in place an M&A strategy that has already electrified margins and profitability.



Grows to mid tier CRO status

Full year sales back in 2018 were £70m but Ergomed has just achieved that level in the latest first half - evidence enough of the remarkable progress the group is making. Compared to £2.5m EBITDA in 2018, this year's EBITDA forecast is £28.5m but even this is erring on the low side.

As I said in last month's issue of *SCSW*, consensus forecasts look lazy. Forecast sales of £141m for the full year implies just 12% growth for H2 even though Ergomed achieved 25% in H1. In addition, H2 is also going to include the latest acquisition of ADAMAS for 6 months versus 3.5 in H1. Barfield also notes that of the 1,500 employees, 250 are in the US highlighting that 20% of the cost base is in the US whereas 63% of revenue is coming in US$, with the strong US$ providing a helpful currency tailwind.

High growth therapeutic areas

In the last two decades, the drug development space has been transformed by specialisation. Most of the small and mid sized biotechs and pharmas have their scientists, of course, who worry about the scientific challenges of discovering drugs but their sole focus is on getting a drug into a clinical trial and once they do that, many firms then outsource the running of the clinical trial to a Contract Research Organisation (CRO) rather than do it in-house.

According to the US ClinicalTrials.gov database, there are over 60,000 clinical trials running at present with around 26,000 being started each year; the amount spent on clinical trials is US$105m and around 50% is run by CROs with the rest still being in-house.

CROs are highly specialised operators and efficient at conducting trials. A big chunk of the outsourced market is in the hands of five very large CROs - IQVIA, Covance, ICON, PPD, Syneos - who garner 56% of the market but Ergomed punches above its weight by focusing on conducting oncology and rare disease studies where patient recruitment is often challenging and this allows it to achieve a higher margin.

Typically Ergomed gets appointed a few months before a trial is due to start. Its operatives organise the process of recruiting patients to a trial (a trial typically needs 100-1,000 patients), sets up patient centres, recruits the specialists to become the investigators for the trial (heads of research, professors and so on) and creates study documents (eg. protocols, patient information leaflets and final clinical reports).

Clinical Research Assistants are the staple employee within the CRO industry. These are normally medics or nurses who, once a trial start, provide on-site support for the investigator and study team and they are the ones who will oversee the trials and visit the investigators/heads of research, looking over their shoulders and ensuring that things are as they should be (e.g. making sure the right doses are being administered and reported correctly). After the trial completes, other staff members analyse the biodata and write up reports on the results and help with regulatory filings.

Pricing of contracts is typically on a "time and

materials" basis and this is not based on study outcome. A contract with a customer will specify the study budget and provide very detailed pricing for various elements - payments are set at certain milestones based on the number of patients recruited, and individual items such as each scheduled patient visit, telephone calls and the shipment of blood / samples and so on are set out. What makes this a beautiful business is that gross margins are high - in FY21, gross margin for the CRO business was 41.4% - and as a typical clinical trial can run for 2.5 to 3 years, visibility is good. As some trials are run down others are starting up, which means Ergomed starts each financial year with a backlog of work (75% or more of the expected sales).

Strong reputation in CEE

The reason Ergomed hit the ground running early on was that from the start its focus was on running trials in Eastern Europe - Croatia, Czech Republic, Poland and Serbia. These countries have centres of excellence in several of the high growth therapy areas of oncology, neurology, immunology and the development of orphan drugs for rare diseases. In such "hot" therapy areas such as oncology, there are many drug candidates so in developed markets like the UK or US there is greater competition for patients (especially as some of them can be taking other drugs, which rules them out of certain trials) but it's less of an issue in these countries, which speeds up recruitment rates and shortens trial timelines. When Ergomed was set up, the economies and regulatory frameworks in Eastern Europe were only starting to come into line with those of developed nations but Eastern Europe has become a quite established venue for clinical trials, and the globalisation trend continues into territories such as India, China and Latin America - which could all become target regions for Ergomed. Meanwhile, these days Ergomed has site coordinators across Europe, the US and Asia.

Ergomed's CRO side has grown sales from £15.9m in 2016 to £40.5m in 2021, representing a compound increase of 22%, mostly organic but in late 2020, Ergomed acquired MedSource, a US-based specialist oncology and rare disease CRO for US$18m (1.1x sales and 10x EBITDA). And not in these numbers is the acquisition just seven short months ago of ADAMAS for £25.6m only. ADAMAS is a provider of regulatory compliance and consulting services and is therefore additive rather than overlapping with what Ergomed already does. Its services include all the behind the scenes stuff (such as Good Clinical Practice/GCP for clinical trials) and also services for once a product has launched (eg. Good Pharmacovigilance Practice/GVP and auditing pharmaceutical manufacturing processes).

Now integrated, both deals have strengthened Ergomed's physical presence in North America and this has been helping win new contracts and also to cross sell the drug safety monitoring (also known as pharmacovigilance) service.

Post marketing activities

This business, PrimeVigilance, monitors and evaluates adverse drug reactions once a drug has been licenced for use and there is a legal obligation on its owner to aggregate safety data and submit safety reports in a timely manner. A patient may, for instance, go to their doctor and say their blood pressure tablet is giving them an allergic reaction. The PV division collates this type of data from all GPs and detects patterns of reaction and prepares statistical analysis, which is formally reported to the regulatory bodies. Margins in PV work are high - 50.9% in FY21 - and most contracts tend to become almost a permanent addition to revenues. This bit has been growing very fast, with net sales over the last five years growing at an annual 35% clip to £60.1m last year. Most of this was organic growth with just one acquisition of Ashfield for US$10m two years ago adding to its exposure to the US, which has historically represented the largest market for the PV division. It has also recently established a presence in Japan and will shortly expand into India.

80-85% of current year forecasts covered

But as Barfield has previously described, most PV contracts get repeated and as such are "hidden" as they are not formally reported in its order book, which in any case has already seen "a significant number of new contracts" and grown 18.7% to £284.5m since January. That means it has covered 80-85% of current year forecasts of £23.6m pretax profit/eps 38.5p. For year starting 1 Jan this rises to £26.6m and 43.4p. But with £12m cash and an unused £80m facility, further M&A is likely, possibly in Asia or to scale up in North America. *Keep holding / Buy on a two year view.*

<< Continued from page 8

backing), Marks is one of those businesses that deliberately sets out to grow slowly. When it floated on AIM in November 2021, it raised £2.5m new money and £20m on behalf of Smithson. The new money raised was kept to a minimum; as he explains, he could have raised more but then would have been under pressure to splash it in marketing, which could have depressed short run profitability.

Marks sets out to spend c.5% of sales on marketing and having doubled its revenues over the past two years, what is only just starting to help is the benefit of scale and the brand becoming better known and the company now has a materially greater budget with which it can invest in building brand awareness. Branded (free) traffic, where customers type the website directly into their browser, represents only c.20% of visitors to its site.

Pay per click is the key driver to traffic. As an example, if Marks bids to appear at the top of a Google search, every time its link is clicked, it will be charged a certain amount – for simplicity's sake, say that is £1. So, to drive 500 visits to its site, it needs to spend £500. Crucially, it needs to convert some of those 500 'lookers' to 'bookers' worth at the very least £500 worth of gross profit to break even - then anything else is its profit.

A washing machine or cooker has a 25-30% gross margin and a TV might have a 15-20% margin so you don't need too many sales to break even; last year's average gross margin was 19.8%. Marks has traded upwards in search of margin and Smithson adds, "I'm more interested in selling premium, such as a range cooker for £1,200 or an 8kg Samsung washing machine for £600, that's my audience, rather than running vans stacked with cheap Beko fridges, although we do sell them in case our core audience has a BTL they need to kit out."

Marks was founded as a cooking and refrigeration retail specialist; these categories have remained central to its product offering, representing 30% and 27% of total sales in FY 22, respectively. Marks has since expanded into other "unfriendly freight" categories, including washers/dryers, dishwashers, BBQs and airconditioners. At the same time it has also entered the adjacent £2.6bn market for consumer electricals and sells a range of televisions and computer equipment. Overall, it now offers over 3,500 SKUs across more than 50 brands. Two years ago it also added 'buy now pay later' finance from Klarna and Clearpay, which account for 10% of sales.

Selling appliances is a dog eat dog business, so in order to be able to punch above its weight, it is part of a buying group. But one unappreciated element is Marks's in-house auto pricing tool that will follow market prices and optimise its own (and set prices outside the market, either above if no one else has stock or below if it is being more competitive). It's worth noting too that its google set-up also dynamically changes the ad copy within 15 minutes of the pricing tool auto tracking a price change. This provides a way of occasionally interacting with the brands on price changes during promotional periods. "For example, say if Marks had purchased a dishwasher for £500, which retailed at £699 and then Miele decided to reduce the headline price for a promotional period, Marks would get support from the manufacturer to allow it to sell at £599, which would give it an extra credit in the form of an SOA (sales out allowance) for £100, which would effectively take its buying cost down to £400, implying it can still make a reasonable margin."

The operating margin in FY21 increased to an abnormally high 13.8% driven predominantly by two factors: first, Marks sets out to spend c.5% of sales on marketing, most of it on Google but in 2021, it ended up spending just 2.9% due to the pandemic's impact on pay-per-click rates when there was a dramatic reduction in online advertising by retailers; and second, because there was elevated demand for appliances and no one else had stock, it firmed up its prices. Last year things normalised and margins returned to 9% and Smithson says investors should expect high single-digit adjusted operating margin of c.8%-10% over the medium term, which compares favourably to Curry's 5.8%.

For the current year, Panmure forecasts £92m sales, £6.2m pretax profit, eps of 4.7p and a dividend of 0.9p. Corresponding figures for next year are £110.6m, £8m, 5.9p and 1.1p. *One to put on the wait to buy list*.

UPDATES & IDEAS

• **Marks Electrical** (MRK; 62.5p) is the second online-only retailer I spoke to this month but unlike **On the Beach** (OTB; 121p), which I cover on the front page, it specialises in selling bulky, “unfriendly freight” subcategories such as cookers, refrigerators and washer/dryers. These big ticket items put its exposure at the sharper end of a consumer downturn. But speaking to founder and chief executive Mark Smithson, he notes that against a market decline of over 20% in the first four months of this year, the business grew by 13.7% as it took market share. The business is also already profitable and has just declared its first dividend - making it unusual for an online retailer. But all this has not stopped the market taking fright with the shares down from the 110p float price last November to 62.5p, tracking the downward trajectory of Currys and AO.com.

Marks Electrical was founded in 1987 by Smithson, now 56, in his parent’s garage and has since grown from a standing start to £80m sales giving it a 1.4% share of the £5.4bn white goods market and it has been profitable for most of its history. Selling large domestic appliances online is an attractive place to be because there is little need for a tangible element (eg. touch/feel of product) in a customer’s buying journey and there are also very low return rates.

As Smithson explains, peers such as Currys or John Lewis have a large store estate, which gives them a bloated cost base whereas Marks is lean and mean. The business even stacks up well against sector leader AO.com, which is still reporting losses despite sales standing at £1,557m because AO has set itself up a hub and spoke model with 22 delivery depots (yet charges for its next-day delivery proposition). Opening such satellite locations requires investment in the warehouses and forklifts and then all the staffing costs of a depot manager and warehouse operatives etc. On the other hand, Marks operates from one distribution centre in Leicester, close to the M1 motorway (owned by Smithson and leased back to the company for £600k), which could easily sustain it until sales reach £250m.

Marks also has its own two man delivery teams running 45 vehicles and 93% of its orders with its own fleet and free delivery (although it charges for delivery if you have stairs or want to have the appliance fitted); the remaining 7% of orders relates to small items, which are delivered by third-party couriers.

With a strong founder’s eye (Smithson still holds 74% post float and has never had VC

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THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		-7.14%	+312.97%
FTSE-100	7281.19	-2.13%	+11.20%
FTSE-All Share	3998.48	-2.75%	+13.46%

The animal spirits that drove GP3 to a record high exactly one year ago after a 17 month unbroken run have evaporated as the investment narrative has shifted to rising inflation and the global cost of living crisis, strikes, slow economic growth and supply chain disruption. I am mindful of the October energy price cap hike and the consequential impact this could have on consumer demand. Some are suggesting that even the Football World Cup in November is no longer going to be a positive factor.

The situation is fast moving. Europe’s gas storage facilities are near 85% capacity (eg. Germany’s reliance on Russian gas was <9% in August) although the mad, bad and dangerous Putin has now turned off the taps. Positively, we have a new PM filling a void, UK assets are cheap, the pound has sunk vs the dollar (bids) and directors are heavy buyers. For this reason, I alighted on OTB after the CEO bought £2m shares and I’ve doubled down on GP3’s holding, adding 10,000 at 123p. Also, conversely, spiking food and fuel prices provide protection as Britons ditch staycations for cheap all inclusive trips abroad (IG Design was another where there has been big buying; I spoke to FD Paul Bal but the shares spiked after a fund manager cleared an overhang, causing a shorter to run for cover).

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	1880	18800
1000	^*	Softcat	7/12/15	229.2	2337	1270	12700
10000	*	SDI Group	15/2/17	20.5	2095	164	16400
1000	*	Alpha FX	27/7/17	470	4745	1795	17950
5000	^*	Kape	9/4/18	93.5	4720	270	13500
1000	#*	Future	9/4/18	329.5	3340	1535	15350
15000	*	UP Global Sourcing	31/1/19	59.9	9075	117.5	17625
4500	*	Luceco	31/1/19	53.75	2476	78	3510
60000	•	XLMedia	8/7/19	43.7	26330	33	19800
2500	*	Ergomed	22/10/19	313	7870	1122	28050
10000		Volex	9/12/19	133	13345	262.5	26250
15000		CentralNIC	9/12/19	63	9495	116.5	17475
4000		Mpac	3/2/20	290	11645	275	11000
26069	•∞	Reach	3/2/20	98.8	26019	73	19030
8000		Superdry	22/9/20	146	11783	122	9760
3000		Victoria	13/11/20	450	13545	369	11070
25000		N Brown	22/1/21	61.85	15508	23	5750
7000		Supreme	5/3/21	189	13275	85	5950
16000	•	On the Beach	5/7/21	199	32065	121	19360
25000		Staffline	7/8/21	65.4	16395	40.5	10125
10000		T Clarke	6/9/21	147	14745	137	13700
18000		Boohoo	24/5/22	78	14085	44	7920
						Cash £	91890
						Total £	412965

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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