THE SMALL COMPANY

SHARE WATCH

October 2023

MARKET COMMENT

There is a new overwhelming factor at play as we (and much bigger brains!) endeavour to comprehend what is unfolding right before our eyes. We're all witnessing these unfolding events, but trying to understand them, particularly in terms of evaluating the balance between risk and reward, presents a distinct challenge.

This new factor pertains to US Treasuries or government bonds, especially the 10-year version. For investors, they serve as the benchmark against which other investments are evaluated. Currently, the yield is 4.59%. When this yield is on the rise, as it has been in recent months, it may indicate that investors are discovering exciting opportunities elsewhere on a significant scale. A closer look at various market indices suggests that this might not be the case. Alternatively, the rising yield might be telling you that inflation is expected to go higher, and the higher yield compensates for this. But US inflation is coming down.

That leaves the issues of trust and confidence. What the Federal Reserve says is increasingly not trusted. The issue of confidence is much more fundamental. Vast sums of money have not fled Treasurys to seek more exciting opportunities elsewhere. On the contrary, Treasurys have themselves become the source of massive speculation (shorting), and the regulators and central banks are VERY worried.

A large volume of derivatives is at play and a huge amount of leverage e.g. one hedge fund manager believes some traders have been levered up to 500 times. Think about that. They have £1m to invest, and borrow another £499m. Can you imagine how volatile that Treasury market will become if such traders all try to get out at the same time?

Exactly a year ago in the UK, that kind of set up in the government bond market brought down a Prime Minister. The risks in US Treasuries today are considerably greater. This lack of confidence is evident across global stock market indices, Japan being the obvious exception. We previously noted that where the FTSE-250 goes, UK smaller cap indices follow. This mid-cap index is now a meagre 2% above the level where we are concerned that falls might accelerate - that level is 18000, as per our August edition. Most global indices are similarly poised.

To be successful investors we most hold two opposing points of view. If markets can quickly turn around and up, leaving behind this cliff edge, we might yet enjoy a year end rally. It just doesn't appear the most likely outcome at this moment.

CRANEWARE (CRW)

Sector :	AIM, Health Care	
Latest Price :	1500p	
High/Low :	2250p - 1075p	
Market Cap. :	£529.5m	
Shares in issue:	35.3m	
end06/2023 EPS/PER est	66.7p	22.5
end06/2024 EPS/PER est	69.0p	21.7
end06/2025 EPS/PER est	72.8p	20.6
Contact	01315 503100	
Registrars	08716 640300	
CALENDAR		
Int/Fins/AGM	MAR/SEP/NOV	

In last month's issue, I drew attention to a significant trend within the healthcare companies in the SCSW universe - a substantial uptick in the recent number of bids. One copper-bottomed play that remains in the sector and is certainly not lacking admirers is AIM-listed Craneware. The last time I wrote on it was seven years ago when its mainstay was supplying software for charge capture and pricing, which helps hospitals in the US collect revenue.

Whereas in the UK we are reliant on the NHS (a tax funded system to provide access to healthcare for everyone), in the US it is generally up to individuals to insure themselves - although there is a basic state-funded scheme for the poor. If you go into hospital for a procedure, the hospital needs to seek reimbursements from three potential sources - the Government, the private insurance company or the individual, if there is any underinsurance. Different procedures, drugs and reimbursement codes make this a fiendishly complex process and Craneware's *Chargemaster* system streamlines and replaces previously manual, paper-based processes.

Recovery after COVID-related disruption

Since my original write up, Craneware has been busy. It has broadened its business so that there are now 15 products in the suite. It is no longer just about optimising reimbursements but about increasing operational efficiency in hospitals and minimising compliance risk - and to get pulses racing, its data driven insights also make this a perfect AI play.

In this issue

--

• Next issue on Saturday 11 November

It seems that many hospitals are coming out of Covid in pretty poor shape; not only had elective procedures been cancelled but hospitals saw an acute shortage of healthcare professionals in both their clinical and admin sides. With all that going on, no one in their right mind was thinking about buying new software and this had restricted Craneware's sales growth from 0% to 6% between FY19-FY23. But with the US public health emergency declared over in May and with a growing pipeline of opportunities and 'early signs of increasing customer confidence,' I think an upgrade cycle is about to start, especially as Craneware's software usually delivers hospitals a quick return on investment.

93% of sales repeat

The great thing about Craneware's business is that it doesn't operate the traditional software model of selling a licence for a large upfront gain but instead rents out the software on a five-year contract with fees conservatively booked throughout the period.

Close to 93% of last year's sales were this annuity type income from SaaS sales with only 7% from professional services associated with each software sale. Just think about this for a moment. If you start the year with 93% of forecasts in the bag, then you're not going to be too reliant on winning new customers to hit your forecasts. I like to talk about a phenomenon called 'drop through.' This is the amount of extra software rental income that drops through to operating profits and in Craneware's case, it is close to all of it.

The good news now is that after a hiatus, the services side is also starting to pick up. This includes consulting with the hospital to develop its processes and ensure best practice, the implementation of its software, and training hospital staff in the use of its solutions.

As founder and current chief executive Keith Neilson told me when I caught up with him again this month, his solutions are used by 40% of the 6,129 registered hospitals in the US. In total, he estimates that across these hospitals, 40% of costs are spent on administration, in other words, half a trillion dollars, and often hospitals are still running manual processes to do stuff. If Craneware grabs just half a percent of the work, it means big business.

When describing what Craneware does, Neilson likes to give the analogy of BMW making changes to its production line to improve administrative processes although he notes individuals, unlike cars, often have their own nuances so it's not quite as simple as that. But Craneware has 25 years of collating data on individuals and processes, amounting to 175m unique patient records and it uses this information to suggest improvements to hospitals.

Craneware has taken things a step further. It can take a hospital's existing processes, proactively use all data to hand to look at what has worked for patients and what hasn't and work with new treatment payment models, remove outliers and use this to overlay a virtual model to show the hospital what savings they can achieve. He says last year's revenue was US$174m but he saved hospitals perhaps US$1-1.1bn dollars. If a hospital gets payback on the software in the first year, then this is a powerful reason for them to sign up.

But there are also regulatory and structural drivers supporting investment in Craneware's offering. Supported by the Affordable Care Act, the US health care system is moving away from fee-for-service reimbursements to hospitals (the cost of treating patients for one intervention) towards performance-based reimbursement and total cost of treatment. The US government has introduced the notion of Value-Based Health Care where payments to hospitals are dependent on cost comparisons and patient outcomes (eg. some hospitals get fined if patients are readmitted, to encourage better external follow-up care). The ongoing industry shift towards value-based care should provide an incremental tailwind as hospitals now have to track and report on readmissions, adverse events and population health.

Chargemaster codes hospital procedures

Results for the year to end June were released last month and already showed sales up 5% to US$174m and EBITDA +6% to US$54.9m. Eps increased by 5% to 85.4 cents. And aside from the US$169m recurring revenue, Craneware also has other attractive features including thick operating margins of 32%.

Craneware is clearly a strong business. The group was founded by Neilson in 1999. At the time there really wasn't much software on the market for managing the revenue cycles within hospitals and Craneware created the market virtually overnight when it launched its first product known as the Chargemaster Toolkit.

As I am learning, Chargemaster sits between a hospital's clinical system and its financial system and its basic job is to take hospital procedures and convert them into codes (known as the International Classification of Diseases Code Version 11), which are then submitted to the government and insurance companies so that the hospital can be reimbursed.

The process of generating codes might sound simple but it's actually fiendishly complex as the billing system must allocate a code for each component of a patient's treatment. The sheer number of these codes is huge and, for example, the price a hospital chooses to charge for a treatment will vary depending not only on what it is (e.g. flu jab, drug dose, operation etc.) but also the location and type of hospital carrying out the treatment (eg. a small rural hospital would have a different cost structure compared to a city centre one). Another complication is that codes frequently change because of movements in pricing.

Unsurprisingly, these complications can mean substantial human errors, such as medics logging incorrect treatment items, forgetting to bill for certain items (leading to loss of revenue), using out of date data as well as compliance issues such as over-pricing. In the past a lot of hospitals have been found to have made false claims and overcharged the state - so Chargemaster automates the processes for optimal capture of legitimate reimbursement for hospitals, to help mitigate compliance risk. It is, by far, the market leader in this niche.

A few years ago, Craneware migrated Chargemaster from being premise based to being cloud based and called it *Trisus*. This now hosts not only Chargemaster but 14 other products that have been either built or acquired. There are modules such as *Patient Access*, which is a system used to provide immediate treatment cost estimates and which is doing well due to Government demands for more billing transparency, and there are tools to keep track of the cost of drugs and their effect on hospital margins. 80% of all annual software sales comes from the cloud and once a customer is on boarded on Trisus, it's easier to sell them other modules and the output of one module often feeds into another.

340B claims procession adds second growth driver

One of the more significant new areas to have been added is on the pharmacy side; it's the second biggest expense for a hospital after staff costs. One

Editorial shareholdings of companies covered in this issue: Luceco, On the Beach, FDEV, Supreme, Inspecs, THG, Yu Group, Brave Bison and Alpha

of the pre-existing products to move was what is now called *Trisus Pharmacy*. This product solves problems and inconsistencies between the systems that manage pharmacy systems and patient billing by comparing volumes billed to those reimbursed, and this allows hospitals to identify charge capture problems (e.g. a patient with a broken wrist being prescribed oestrogen) and better manage compliance risks.

In 2021, Craneware went squarely into the pharmacy segment when it bought Florida-based Sentry for US$400m (in part funded by a placing of US$136m new shares at £22 and debt of US$140m). With sales of US$92m and operating profit of US$23m, it almost doubled the group's profitability overnight.

As Neilson describes, Sentry added software for 340B Claims Processing. As I am learning, it was President George Bush who signed Section 340B of the Public Health Service Act into law, which requires pharmaceutical manufacturers to sell outpatient drugs at discounted prices to health care organisations that care for many uninsured and low-income patients. Any covered service performed by a hospital must be billed only after the service has been provided and Sentry's 340B software streamlines this reimbursement. Without this software some hospitals in rural places would be shutting down, reducing service levels for users. To demonstrate this, Neilson gives one notional example of a maternity hospital in Arkansas, which has low patient volumes. If they were not able to claim 340B, they may not have broken even and would have had to shut down, causing patients to travel 100 miles to an alternative hospital. Since buying Sentry, Craneware has reduced debt taken on to do the deal to just US$36m, or 0.67x ebitda.

Opens up Trisus to third parties

The big upsell opportunity remains unhindered, both by cross selling Trisus to Sentry customers and also because Craneware continues to spend almost 30% of sales on software development (23% expensed, 8% capitalised). The capitalised element is amortised over 10 years, in line with average customer lifetime.

To get even more shovel-ready software, Neilson has also opened up Trisus to other third party applications. It's early days but one such application is a system to manage BOGOF and other volume rebates between pharmas and hospitals, which hospitals might otherwise overlook claiming. Craneware has put the software on Trisus, so it can be hosted and delivered securely and it's sharing in the savings. In the latest year, "other income" was US$1.1m and pure profit. Neilson says within a few years he could double the number of products sitting on Trisus in this way from 15 to 30 by opening it up to third parties. If that happens, profits would go through the roof.

Forecasts aren't reflecting present prospects; I think any signs of sales accelerating will cause the shares to explode upwards. I am a buyer.

UPDATES

Luceco (LUCE) 116p

Sector: Electronic & Electrical Equipment

Luceco looks to be back in an upgrade cycle with its latest interims triggering the second eps upgrade since July. This time, FY23 eps is upgraded by 12% to 10.4p.

Although H1 sales were down 5% to £101.5m (like-for-like revenue -5.8%), there was a seismic Q2 improvement following the -9% LFL seen in Q1. Adjusted pretax profit was £9.4m for eps of 5p.

Wiring Accessories (£36.7m, +13%) was boosted by stronger demand from the Hybrid channel (notably Toolstation and Screwfix) as the pandemic-related destocking came to an end and input costs eased.

LED Lighting declined 3% to £40m LFL when you exclude the now sold lossmaking businesses in France and Germany. Divisional profitability improved as the high margin DW Windsor was more closely integrated into the group.

Sales in Portable Power were impacted by destocking (£24.3m, -24%) but within this, EV charger sales shot ahead 145%. SyncEV has launched new products including a new 3 phase 22 kW charger for commercial and upper end residential applications, which are being pushed through Luceco's distribution network and is the highest margin part of the group.

The highlight of the results is that gross margin improved by 5.4% to 39.4% helped by EV sales and the falling cost of goods, especially freight and in fact excluding distortion of currency hedging (buying forward), it was 8% ahead to 42%. EBIT margin was 10.7% vs 10.4%.

Forward confidence is underpinned by a "strong Q3 order book." Luceco typically enjoys a stronger H2 (eg. dark winter nights means people need to replace lighting more frequently) and it should benefit from a full period of lower input prices and also an operational gearing effect from higher orders. With leverage reducing (covenant net debt to EBITDA will be 1x at the year end), an acquisition seems increasingly likely. This is one that should beat eps forecasts of 11.7p and 13.4p for the next couple of years. *Buy.*

On The Beach (OTB) 106p

Sector: Tourism &Leisure

OTB shot ahead after saying pretax profit for the year to end September will be "at the top end of market expectations," helped by higher interest income. It enjoyed a record summer and Total Transaction Value (TTV) was up 26% for the year to £1.1bn, driven by growth in volumes and average booking values.

Summer 23 passenger numbers were 11% ahead of Summer 22, with Winter 23 currently 26% ahead of the prior year. Bookings for Summer 24 are "significantly ahead." OTB continues to successfully grow volumes and average booking values in its core 'value' mainstream market but Premium 5* TTV grew c.30% and long-haul c.70%.

With its investment in brand normalising, advertising spend for the year has dropped from 53% in H1 to 40% for the full year. The eps forecast for the year just ended is 9.6p rising to 10.8p this year and 12p next. Net cash is c.£75m excluding customer balances but even without that, the PE of 9.8 looks absurdly low. *I suspect a bidder will show up before long. Buy.*

Jet2 (JET2) 1083p

Sector: AIM, Travel

Mirroring OTB's statement, Jet2's AGM also reported a strong summer season late booking momentum in July and August, resulting in load factors just 0.5% behind last year (despite a 7% increase in capacity).

The package mix is also richer and Jet2 is lifting its EBITDA guidance to £480-520m. Importantly, this includes a £13m impact from the Rhodes wildfires and NATS air traffic control failure. Winter 23 and Summer 24 bookings are seeing continued price growth on significantly stronger capacity. Again reflecting stronger interest income, Panmure has lifted its eps forecast for the current year to end March by 13% from 153.3p to 173.9p. *I made the shares a main Buy last month; keep buying on a dirt cheap prospective PE of 6.2.*

Supreme (SUP) 124p

Sector: Personal Care, Drug & Grocery Stores

Supreme has said that following a record H1, it expects trading for the current year to end March to be "significantly ahead of market expectations," with revenue guidance raised to £195-205m and EBITDA to £28-£30m, some 6% and 17% better than previous expectations.

The potential review of ways to stop youth vaping has cast a tall shadow on the shares. Based on forecast eps of 15.3p, the PE is just 8.1. *Await developments.*

Yu Group (YU.) 1140p

Sector: AIM, Gas and Water

An astonishing set of interims from Yu. Revenues increased by 51% from £129m to £195m. Pretax profit was up six-fold from £2.2m to £13.1m and eps were up 480% to 58p, with a better EBITDA margin (up from 2.1% to 7%).

Average monthly bookings in H1 23 of £51.3m are well up on last year's average (£22.5m). The contracted revenue has tripled to £358m in August and with bad debts falling also, CEO Bobby Kalar says investors should expect a stronger H2. In the light of results, broker Liberum raised its current year eps forecast by 90% to 139p - which compares to the forecast of 42p when I made the shares a main buy just nine months ago at 380p. Net cash has climbed from £19m to £36.6m and Kalar says he would like to buy a rival's book before ceding that most of the available ones have faded so there isn't much available. Next year's eps forecast rises by 52% to 138p. *Tipped at 380p just 9 months ago. Gain to date: 200%. Hold for more.*

DotDigital (DOTD) 77.5p

Sector: AIM, Marketing

DOTD has acquired Fresh Relevance, a vendor of SaaS-based "cross-channel personalisation software" for £25m (6.1m shares at 88.7p and £18.9m cash). Fresh Relevance's software is used to personalise customer experiences across web, email, mobile app and SMS to drive retention and conversion. The business has run rate revenues of £6m (£5.6m is recurring) and is well known to DOTD, having been a partner for years; the hefty price-to-sales is explained by scarcity value and the fact that building its own tech would have taken too long. It immediately adds extra functionality and is expected to raise DOTD's average revenue per customer (ARPC) via cross selling.

Despite paying out a large chunk of cash, DOTD still has net cash of £38.3m or 13p per share. Cavendish forecasts £14.5m pretax profit/eps 4.2p for the year ended in June lifting to £15.4m/4.3p this year and £17.9m/4.6p next. *Buy.*

Equals (EQLS) 108.5p

Sector: AIM, Financials

I reviewed prospects in the April issue, since when the shares have barely looked back supported by a string of profit upgrades. Latest full year results are again "ahead of expectations." H1 sales were up 43% to £45m mirroring the growth in transaction values, which grew 17% to £5,964m vs H2 22 and +43% vs H1 23. Pretax profit was up six-fold to £4.8m for eps +280% to 3.3p. Cash has risen to £17.9m, of which c.£1m is restricted.

Whilst supplying international payments, cards and banking to consumers/small businesses and mid sized enterprises recorded sales of £8.4m and £14m, flat and up 16% sequentially, it is Solutions (its enterprise solution for cross border payments) that is the swing factor. Having only been launched in 2021, sales here grew by 45% on H2 22 to £13.6m and is now 30% of the total. The future looks bright with geographic expansion into Europe following the acquisition of Oonex.

Gross profit margins have widened to 52.4%, which is 5% higher than H1 22. EBITDA margin was 21.8%. Revenues per working day have ballooned to £370k vs £265k in the prior year. This metric is ahead of forecast causing brokers to upgrade full year eps forecasts to 5.3p for the year ending December, with 6p and 8p over the next two years. *Buy.*

Ashtead Technology (AT.) 437p

Sector: AIM, Fossil Fuels

Having enjoyed an exceptionally strong Q4 last year, the strength spilt over into Ashtead's latest H1 causing broker Numis to upgrade its eps by 9% to 28.3p for the year to end December. Next year's rises 3% to 29.2p.

Sales for H1 were up 57% to £49.8m (40.5% organic) with pretax profit up 87.9% to £14.3m and eps up 69% to 14.1p. Ashtead saw strong sales growth in both the offshore renewables market, +74% to £16.3m (predominantly organic) and the IMR and decommissioning activity in oil & gas, +50% to £33.5m. Tendering activity across the board is said to be c.50% above H1 22. Reflecting strong demand, price improvement and high utilisation, the EBITDA margin widened by 4.1% to 42.7%.

Ashtead continues to consolidate a large fragmented international market. Operating cash flow was £17m and after capex of £8m, net debt has reduced to £26.4m for a net debt/EBITDA ratio of 0.7x, paving the way for further deals.

Tipped at 158.5p in December '21, the gain to date is 176%. Await dealflow.

Nexteq (Quixant) (NXQ) 121p

Sector: AIM, IT

Nexteq (formerly Quixant) has started life under its new name with a bang. Latest H1 sales were just shy of the all-time H1 high set in FY18, up 6% year-on-year to US$56.3m with good growth in the core Gaming and Broadcast markets. With pretax profit of US$5.9m and eps of 7.2 cents banked (+70%, +77%), there is clear scope to beat full year estimates of US$12.4m although CEO Jon Jayal says there has been some evidence of gaming customers becoming more cautious on buying.

Quixant (Gaming) sales grew 9% to US$34.3m driven by price increases and unit volumes (+14% to 26k). Gamblers are spending at levels equivalent to last year, says Jayal but high interest rates are causing customers to reduce their inventory. Positively, however, it started deliveries for its first turnkey cabinets contract (monitors, computer platforms, the interface to play and the cabinet).

Densitron's revenues were flat at US$22m after being similarly impacted by destocking, which was most evident within the Display side, where product is typically more commoditised. Historically this revenue line has a 10% lower gross margin than Quixant because there is less IP but Jayal says he has repriced contracts and also introduced new products for the broadcast markets, which are higher margin (this element grew 10% to US$3.4m of divisional sales). The ASP of a display component is US$15 vs US$1000 for the broadcast product and so divisional margin is better than ever.

Group blended gross margins are 34.2% and have returned to historical norms much quicker than expected as supply chains eased and higher margin Broadcast products influence the mix. Operating margins rose to 10.4%, up 3.9% on H1 22 and 0.4% ahead of H2 22.

Nexteq's own inventory at US$31.5m remains high vs historical norms and it could start to burn this down to lift cash. Operating cash flow was strong at US$6.2m to leave net cash at US$18.5m, up 43% since December and to allow it to make acquisitions to drive diversification. Canaccord forecasts pretax profit/eps of US$12.4m /15 cents for the full year, for a PE of 9.8. *Await developments.*

Inspecs (SPEC) 87.5p

Sector: AIM, Personal Goods

I met with chief executive Richard Peck and finance director Christopher Kaye again after interim results. These were as anticipated with sales and EBITDA both up 6% to £111m and £12.1m, respectively.

The period shows a stabilisation and the benefits of the past acquisition programme bearing fruit. In particular, Noville, which took Inspecs into lenses and has been relocated to the site in Gloucester (4x bigger), has reduced its losses from £2.1m to £1.2m this half. A new commercial director has just been appointed and with the business attracting new customers, it's set to breakeven during H2. Meanwhile, the supply to Amazon of lenses for its "cyborg glasses" programme continues to generate consultancy income, and order volumes will flow in FY25.

In terms of frames, good progress was also seen with the period seeing 6.9m frames sold, up from 6.2m. The expansion of the Vietnam facility is on track and will add 5m capacity. The first 9 of 36 production lines adding injection moulding and acetate will be on stream within six months. As well as attracting new customers, this will also allow it to move some of Eschenbach's production in house. Meanwhile, more brands are being added to Eschenbach's distribution including a new Titanflex range for women.

Gross margin has lifted by 0.9% to 50.5%. Ebitda margin was flat at 10.9% but as recent initiatives come to fruition and inflationary costs ease, Peck has a target margin of 14%. Net debt has fallen to £22.7m and it continues to pay down its debt by £1m a quarter, suggesting that it is past the peak of its interest payments.

Fund redemptions have caused some overhead supply to the shares but I think this year's target eps of 7.7p looks assured with 8.6p next year, dropping the prospective PE to 10.2. *Buy.*

Frontier Developments (FDEV) 221.5p

Sector: AIM, Leisure

FDEV reported FY23 results with sales down 8% to £104.6m and an operating loss of £26.6m, which was wider than anticipated due to a non-cash impairment to the shuttered Foundry assets and a move to expense instead of capitalise the development costs for *F1 Manager 2023*.

FDEV said FY24 has started solidly and whilst initial sales for the F1 Manager 2023 game (released 31 July) were lower than expected, it is expected to play catchup helped by the back catalogue and a confirmed "additional revenue stream," which is reckoned to be an F1 Manager subscription deal, which will allow it to deliver its expected total revenue across the year for this game.

Much more interesting to note is FDEV has confirmed 17 November as the release date for *Warhammer Age of Sigmar: Realms of Ruin* across all platforms. Although real-time strategy/RTS is a new vertical for Frontier, some brokers are clearly excited.

Jefferies notes, "We expect Age of Sigmar game to surpass street expectations: we estimate it will generate revenues of £31-70m based on similar game sales vs. sell-side consensus at £25m…..The Warhammer franchise has been one of the biggest game franchises and continues to have a loyal fan base, which we believe will drive the success of this release and a re-rating of the share price, supported by the fact that *Total War: Warhammer III RTS* (probably the closest peer to Age of Sigmar RTS) is estimated to have sold 2.7m units, which would bring the Age of Sigmar revenues closer to £70m." Meanwhile, Peel Hunt notes, "a game-changing Map Editor and other creative features. Not only will the Map Editor allow users to create their own levels, they will be sharable/playable cross-platform by gamers around the world.…player longevity and engagement should be enhanced." In other words, the broker sees this as enhancing the potential for long term tail income from Paid Downloadable Content (PDLC).

After the unsuccessful forays into new areas, FDEV is coming full circle to creative management simulation (CMS) where it has been successful in the past. It has been expanding capacity (now c. 900 staff) as it works its way to develop two CMS titles to be released in FY25 and FY26.

Brokers are revising forecasts due to a change to the group's amortisation policy from straight line over 4 years to a more accelerated profile with a greater proportion (60%) in the first year. This doesn't impact cash, which is expected to be over £20m by the end of FY24.

Although down on my original write up in May '19 due to the near-term F1 disappointment, I think the shares are an excellent buy ahead of the 17 November launch.

Creo (CREO) 31.5p

Sector: AIM, Medical Services

Creo's H1 delivered 15% growth in sales to £15.7m. H1 numbers are small as commercialisation of Creo's core *Speedboat* technology is just starting to accelerate, generating £0.9m (H122: £0.5m), whilst Kamaptive-related income was £0.5m (H122: £0.9m) and Endotherapy consumables delivered £14.3m (H1/22: £12.8m). Underlying administrative expenses continued to fall (£17.9m from £19.6m) resulting in a lower underlying EBITDA loss of £9.2m. Net cash was £26.5m.

There were 115 trained Speedboat users at the end of H1, up 44% from 80 at the end of FY22, driving an increase in procedures. Training capacity had been a key bottleneck for growing the pool of users but Creo says the number of clinician trainers is up 65% since December. *A Capital Markets Day on 7 November won't do any harm. Strong hold.*

Alpha Group (ALPH) 1870p

Sector: AIM, Financial Services

The standout in Alpha's latest H1 was the "other income" amounting to a whopping £33m - this being the interest it received on overnight client balances. Alpha is choosing not to include this in its reporting: H1 results excluding that income showed sales increased by 20% to £55m and pretax profit was up 9% to £20m (£53m including interest!). Net cash grew 25% in six months to over £142m.

Market conditions were subdued - but that isn't to say the two divisions went backwards - just slower. For instance, on the FX Risk Management side, chief executive Morgan Tillbrook says the rising cost of borrowing and macro uncertainty diminished corporate clients' appetite for FX hedging. But Alpha grew the number of clients by 12% to 1,089 and average revenue per client increased 6% with overall revenue up 21% to £39m. Alpha continues to invest despite these headwinds as it waits for better times and 15 Front office staff were added to take the total to 117.

Post the period end it acquired 85% of Cobase, a provider of bank connectivity technology in Amsterdam, for £8m. The treasury management system will enhance the corporate FX side. As Tillbrook says, it will assist integration - not only will it allow clients to connect it to their SAP systems and foreign bank accounts in one place but can also, for instance, allow companies to set rules to sweep all cash balances over £200,000 held in foreign subsidiaries to the UK account at the end of each day. Cobase's £2m sales are from recurring SaaS fees and it is modestly loss making.

The Alternative Banking activity has similarly been held back by the decline in deals since H2 22, which meant lower demand for new accounts and fewer payments or FX spot transactions. But again there has been terrific growth in account numbers, which surged 75% to 5,350 year-on-year helping divisional sales grow 17% to £16m (sales would have increased 30% when including deferred revenue from account fees, which are invoiced but not yet recognised as revenue).

The division has also seen explosive growth in staff (+70% to 214 including more compliance and servicing staff) to handle the larger customer pool. It's also the source of the £33m interest income with average Alternative Banking client balances in Q2 23 rising to £1.9bn and blended average interest rates of 3.8% (Q1: £1.6bn and 2.8%)

Consequently, due to the rising headcount and subdued activity, there was a short-term contraction in pretax profit margins to 35.3% from 39.0%. Liberum's eps forecast for the year ending December is 73p lifting to 81.6p next year. *First tipped at 358p in June '17, the gain is 422%. Stay long and strong.*

Gaming Realms (GMR) 34.5p

Sector: AIM, Tourism & Leisure

Gaming Realms has delivered a record H1. Revenues were up 36% to £11.5m, driven by continued growth in the core Content Licensing division (+37% to £8.8m), which launched five new *Slingo* games in H1 23 (70 in total at end of June), and has had launches with an additional 25 partners (162 in total). North America was 45% of total sales with more market launches planned (including Greece and South Africa) along with further growth expected from the markets that launched in FY22 (Ontario, Quebec, Connecticut, Spain, Belgium and Denmark).

Adjusted H1 23 EBITDA was £4.8m, +37%, with EBITDA margin up by 30bps to 41.2%. Net cash was £4.5m, up £1.6m since December. Momentum has continued into H2 with licensing growth of 20% across the first two months. Canaccord forecasts £5.9m pretax profit / eps of 1.3p for the year to end December and £8.8m / 2.3p next year. *No longer cheap. Tipped at 11.9p in July '20, take some profits. Gain : 190%.*

Lords Group Trading (LORD) 61.5p

Sector: AIM (Construction)

With UK construction market conditions causing a slowing of activity at the end of Q2 23, building materials distributor Lords' H1 saw like-for-like sales decline by 4% but including acquisitions they ended up 4% to £223m. Pretax profit was -3% to £7.7m with eps -12% to 3.4p.

The Merchanting division grew sales by 3% to £109m (-5.1% like-for-like) and reported an adjusted EBITDA of £8.5m for margins of 7.7%, versus 7.3% a year earlier.

The P&H side saw sales up 4.5% to £113m (4% LFL decline), and adjusted EBITDA of £6.6m on margins of 5.8%, versus 6% a year earlier given lighter volumes towards the end of the period. Boiler component shortages have eased. An 11th branch of *Mr Central Heating* was added, continuing the plan to get the brand to 50 sites and the *George Lines* brand expanded from three branches to 10.

Lords says it is outperforming the market and some of the LFL decline is due to massive deflation of prices. However, with difficult conditions persisting into H2, full year sales are now expected to be c. £450m (versus previous forecast of £475m). Brokers have cut their pretax profit forecast from £17.8m to £13.2m (eps 5.4p). Net debt is £38m against full year expected adjusted EBITDA of approximately £27m. *A disappointing start to quoted life but I think there is still scope to achieve its IPO target to become a £500m revenue business next year. Hold.*

Brave Bison (BBSN) 2.2p

Sector: AIM, Software & Computing

Brave Bison's interims show gross revenue up 15% to £16.9m and net revenue increased 23% to £10m, both driven primarily by the contribution from SocialChain. Pretax profit increased 16% to £1.5m. One-off restructuring and acquisition costs led to a statutory loss of £0.2m.

The SocialChain acquisition has now bedded in with back-office functions combined and overall SocialChain headcount reducing by 28% since the deal completed. The combined business has won a number of new clients including The Army and Holland & Barrett. Elsewhere within the Brave Bison Commerce and Performance divisions, it also continued to win contracts with Markel Group and Asus.

<< Continued from page 8

But Hollywood actors joined the strikes on 4 July out of solidarity with the screenwriters and also to call for protection against unauthorised AI generating a digital likeness of themselves in future. This was the move that has finally stalled a number of the sets ADF was working on going into the second half. According to Proctor, numerous big name actors are filming in the UK; the UK actors' union (Equity) is not taking part in the strikes but there is a complex patchwork of rules applied depending on which union(s) they are a member of and what type of contract they signed for the production. So, for instance, *Deadpool 3* was halted half way through production but *The Crown* was not impacted.

To mitigate any damage, Proctor has made a concerted effort to go grab whatever work there is around. He is also managing variable costs by cutting agency HGV drivers. Most of the key site staff work on zero hour contracts anyway. But even with this mitigation, average production size will be shorter and the movement of trailers between productions more spread out geographically than in H1, so overall H2 will see a £13m sales impact and £4.8m ebitda reduction versus forecasts. Overall, Cavendish forecasts £1.8m pretax profit for the full year ending December for eps of 1.6p.

Net cash stands at £7.3m but to conserve cash, deliveries of the new vehicles have been deferred to next year, leaving dry powder to buy smaller rivals who will be struggling. Location One, which provides things like tracking, matting for when you might be parking a trailer in the middle of a field ahead of filming, generators and lighting, was the first of the planned acquisitions. Its services have already been rolled out from five to eight sites in the period.

Meanwhile, the process of offers and counteroffers for the strikers continues and ADF says there will be significant pent-up demand as a number of his original productions have been moved into next year. *I think the shares could bounce pretty sharply once the situation resolves itself in coming weeks. Buy.*

Broker Cavendish forecasts £3.1m pretax profit/eps 0.23p for the full year. Net cash is expected to increase to £6.3m by the year-end, paving the way for further acquisitions. *Await dealflow.*

THG (THG) 70p

Sector: Personal Care

THG's latest H1 shows that a stronger, leaner cost base has helped reduce its cash outflow to just £21m, a £350m improvement year-on-year with the group also confirming it expects positive free cash generation in H2, resulting in free cash flow breakeven for FY 23.

Sales were down 9% to £969m as had been anticipated as THG honed its focus. Ebitda was £50.1m (+23%), at a margin of 5.3%, up from 4%.

The Beauty division was held back in H1 by short-term global de-stocking impacting both revenue (-10% to £539m) and EBITDA (-40% to £10.6m). THG has reduced its customer acquisition strategy to focus only on acquiring customers close to hubs where distribution costs are lower and there is a greater chance of profit on the first order. With cost saving initiatives having been implemented in H1 and the division seeing a return to growth from August, brokers anticipate a strong recovery (c.+50%) in Beauty EBITDA for H2.

THG Nutrition sales were up 2% to £341m with adjusted EBITDA of £47.1m (+72%) helped by an unwind of the unusually high whey commodity prices. EBITDA margin ballooned by 5.6% to 13.8%.

THG Ingenuity has also been strategically pivoted from smaller accounts to higher-value, higher-margin enterprise clients. Sales were down 15% to £320m and ebitda was -51% to £3.4m but despite ebitda from large clients being flat, most of the reduction was from reduced volumes from internal clients (including the exits of OnDemand and ProBikeKit).

A further £160m was invested in technology and infrastructure and the most demonstrative evidence of success is that partnerships (eg. L'Oreal to power D2C for two prestige brands) and other relationships (e.g. Asda, Matalan) are being expanded, whilst Ingenuity has also been listed for the first time in Gartner's 'Magic Quadrant' for Digital Commerce.

Reflecting the robust H1 performance, strong margin recovery in Nutrition and recent return to growth in Beauty, THG's EBITDA guidance for FY23, in line with current consensus (£119m), is unchanged. *Up-down-up-down seesawing continues but it looks ready to go back up. It wouldn't surprise to see a bid.*

LBG Media (LBG) 83.5p

Sector: AIM, Media

Back in the January issue when writing on LBG (the digital youth publisher, which now operates 14 brands), I wrote, "an explosive swing factor is set for H2" and so it seems from the latest H1 audience growth figures: Facebook +26%, Instagram +18% and TikTok +66% year-on-year.

Content views grew by 87% to 67.1bn despite tough comps from a 38% rise the prior year. That gave rise to revenue of £27.2m, +10%. As CEO Solly Solomou notes, the restructuring last year has shaved its cost base by £3m, which has had an electrifying effect on PBT (tripled to £1.6m), EBITDA (£3m +84%) and margins (ballooned from 6.6% to 11.1%).

A large element of sales now comes from short form videos run on Facebook where it gets paid each time a viewer is shown a pre-reel advert. To a lesser extent are similar contributions from Youtube and Snapchat whilst TikTok, where it is the No. 1 publisher, has still yet to be monetised. Alongside indirect sales on social media platforms, which were +12.8% to £15.3m, direct sales also climbed +8.7% to £11.4m.

My guestimate is that c.40% of its content views derive from the US perhaps only 10% of sales there but it has recently opened a New York office. North America is one of the largest digital markets in the world, accounting for c.50% of digital advertising spend. As well as winning new high-profile client wins (Hulu, Peacock) and adding incremental revenues, the US is also a focus for M&A - with the cash mountain climbing to £33m giving Solomou the means to acquire US assets. In March it bought Lessons Learnt in Life - an under-monetised US Facebook page, which added 20m to the group's audience figures (now 95m), which is expected to deliver payback within 12 months.

Meanwhile, H1:H2 has a typical 40:60% weighting due to Christmas so I think the higher sales in H2 will see margins beat forecasts, suggesting the £16.8m pretax profit/5.9p eps forecast is too low, with £19.1m/6.6p next year. Once TikTok is monetised, eps could be 40% higher. *Buy.*

Essentra (ESNT) 162p

Sector: Industrial Services

Essentra has acquired BMP TAPPI, an Italian manufacturer/distributor of protective caps & plugs, for an initial £29m. The price represents 8x ebitda but drops to just 5.3x once synergies are factored in. The business is already well-known to Essentra (it has been a trading partner for over 20 years). The deal completes in Q4 and the forecast for next year has been raised by 5%. *Keep on buy list.*

GOOD ENERGY (GOOD)

Sector :	AIM, Electricity Generation	
Latest Price :	172.5p	
High/Low :	253p - 143.5p	
Market Cap. :	£29.2m	
Shares in issue:	16.9m	
end12/2024 EPS/PER est	18.3p	9.4
end12/2025 EPS/PER est	33.2p	5.2
end12/2026 EPS/PER est	69.2p	2.5
Contact	01249 478344	
Registrars	03707 020003	
CALENDAR		
Int/Fins/AGM	SEP/MAR/JUN	

Regular readers will be aware of my fondness for utility companies, stemming from my prior success with **Telecom Plus** (TEP; 1490p). I highlighted it at its inception at 50p when it had a market cap. of just £1m but it has come a very long way as it's evolved into a multi-utility provider, extending its services beyond telecommunications to include internet, gas, and electricity as these markets underwent deregulation. In the process, the shares have soared 28-fold in value, catapulting it into the FTSE-250. Furthermore, it has consistently delivered substantial dividends, many-fold on my initial buy price. More recently in January, I featured **Yu** (YU; 1140p), including it as a New Year NAP. Yu has been on a remarkable growth trajectory, experiencing three upgrades since May, the latest being 90%.

This month I am alighting on Good Energy, a supplier of 100% renewable power and green energy services. It's a small company with a market cap. of just £29.2m at 172.5p but if forecasts are correct, the shares have multi-bagger potential: Investec forecasts pretax profit to virtually double every year from £2.3m this year to £4.2m, £7.4m and £15.2m in the following three. The corresponding sequence of eps is 9.5p, 18.3p, 33.2p and 69.2p.

Cash of £38m is greater than market cap

Anyone can make punchy projections like that and with the business having been around for 23 years, there is a need for a bit of caution but the downside looks protected as Good Energy owns a 49% stake in the leading EV charging app, Zap-Map, which at the last fundraising in August 22 valued its shareholding at £14.5m and it also has net cash of £29.7m (125p a share excluding £8.5m restricted deposits). Surely it couldn't get any better? Oh yes, it pays a dividend.

History

Good Energy was established in 2000, starting out on the now defunct Plus market before transferring to AIM, where it laid out its plan of owning and operating 110MW of renewable generation assets. It got just half way towards that target; its first wind power site in Delabole in Cornwall was followed by a solar power plant in Aberdeen, before it eventually ended up with a 47.5MW generation portfolio comprising six solar sites and two wind farms.

Self-generated electricity sold directly to homes and businesses makes for high margins but the problem it had to contend with was that wind farms produce a lot less power than their rated amounts when winds are light. For instance, chief executive Nigel Pocklington shoots from the hip in noting that as a result of varying wind speeds, a site like Delabole might only produce, say, 3 MW of power production a year versus its nameplate 9.2 MW. At the time, Good Energy was also handicapped by having to charge customers a 10% premium for their renewable electricity vs standard energy and so it only attracted green-minded affluent customers, limiting its growth.

Since taking the helm in 2021, Pocklington has sold all of Good Energy's generation assets. As he notes, the business was carrying too much debt and was low margin. Not only did the sale eliminate £40m debt but it left him £22m net cash. His plan has been to use this to build an energy services firm, of which energy supply is just one part of what it will offer customers. The services added thus far include electric vehicle charge point mapping, solar installation, heat pumps and renewable supply, where Pocklington is "targeting 10-20% margin with low working capital requirements versus the 1-3% margins he used to get as a wholesale energy market retailer."

Energy supplied is green

These days, Good Energy still supplies energy to homes and businesses but the energy it buys is coming from long-term power purchase agreements (PPAs) with 2,000 power producers including independent wind, solar or anaerobic digestion facilities ensuring its electricity supply is truly green.

"Good Energy's PPA backed model is what sets our supply apart and allows us to provide truly 100% renewable electricity," says Pocklington, adding that there are now plenty more anaerobic digesters in the mix vs wind farms and so outputs are more consistent. But in any case any shortfall in its power requirements is bought from renewable energy giant Ørsted, where it has pre-contracted rates rather than having to be traded in the volatile wholesale market. Using the power from the Hornsea 1 offshore windfarm in the North Sea, a three year deal could provide 110GWh per annum - enough to supply almost 38,000 homes.

The gas Good Energy supplies is also green as 10% comes from biogas, whilst the remaining 90% is carbon offset through Gold Standard schemes that fund biogas projects. And all told, he says the old premium price has disappeared.

Supplies 80,000 gas and electricity customers

Good Energy presently has 80,000 gas and electricity customers and 8,000 business customers so my early vexed question was how it contends with customer churn, hedging of energy, bad debts and the rising cost of customer acquisition.

'Churn,' says Pocklington 'has been negligible during the last year because of the energy price caps that had been put in place by the government, which made every firm's tariffs the same.' Turning to bad debt, he also notes that his customers are generally more affluent with larger homes and are a better credit risk. A smart meter rollout has progressed (50% of the customer base has a smart meter) and this makes it easier to manage bad debts as these can be turned into prepayment meters, although fewer than 500 are delinquent accounts. The big question mark really is about "hedging," and whereas business energy supplier Yu might hedge a year's supply, this one doesn't.

Solar installation business

Whilst it is only a small energy supplier, however, Pocklington's plan is to become bigger in other areas, particularly helping homes and businesses generate their own clean power. As a first step in this, he bought Wessex EcoEnergy, an established UK-based solar installation business, for £2.5m. The acquisition is about delivering on Good Energy's strategy to expand its capability in "decentralised energy" services by targeting 600 panel installations per month within 18 months versus the 200 individual jobs it expects to carry out in 2023.

Feed-in Tariff administration services

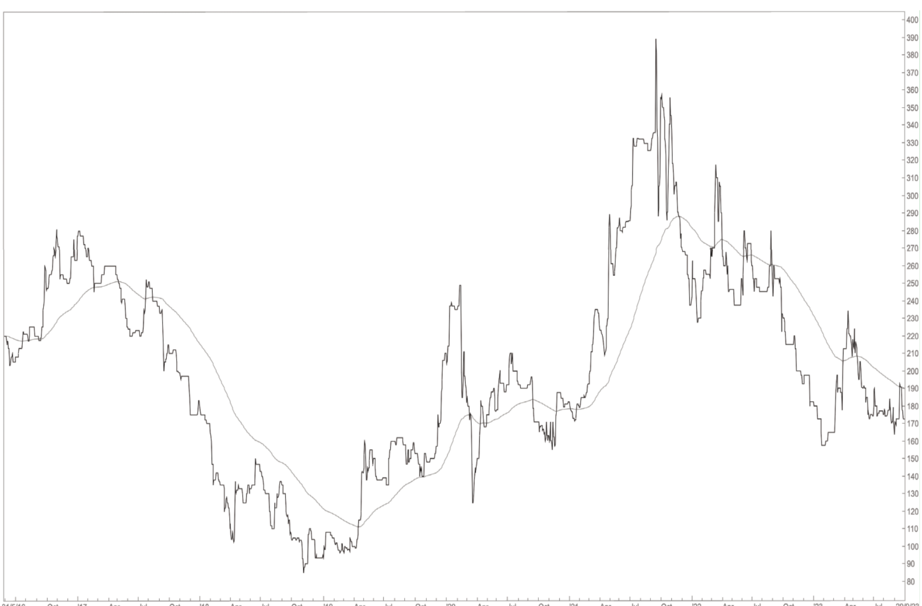
The government has also been keen to incentivise people to go green. A few years ago it launched Feed-in Tariffs (FIT) to promote the uptake of solar panels. The FIT scheme allows customers who have solar panels to receive a payment for what they generate, and a deemed payment for what they export into the National Grid, which was fixed at 50% of the energy generated.

The FIT programme's successor is the Smart Export Guarantee (SEG) scheme and the government has mandated big energy companies (>150,000 customers buying power from them) to offer smart export to their customers but unlike FIT, this scheme pays only for excess electricity put into the grid, as metered by a customer's smart meter, rather than energy produced. It is up to energy suppliers to decide what tariffs they offer for exported electricity.

With 80,000 customers, Good Energy isn't mandated under SEG, however, it has set up "Solar Savings," an export tariff of its own working in a similar fashion, offering 15p/kWh or 20p for those who install solar panels through it. Under its Solar Savings export tariff, Good Energy can match what it buys against its own customers' usage or it can be sold back to the market.

It ought to be a win-win as the suppliers can resell the energy they buy from consumers to others at a higher price. Microgeneration like this (buying energy back from small generators running a solar panel at home) has been of limited interest to the big energy firms whereas for Good Energy it has been a central part of its business and it's a key USP. Contracts runs for an indefinite term and prices can be reviewed annually.

At the moment there are 40,000 customers live on smart export tariffs and 180,000 overall including FIT customers, making Good Energy the UK's second largest administrator of such schemes.



Electrification of transport

These days, Good Energy is finding that 80% of its solar installs also include a battery storage system for charging EVs, reflecting continued strong growth in electric vehicle uptake. EV drivers are seven times more likely to have Solar PV installed compared to the national average. In another interesting move, Good Energy therefore has come to own 49% of the leading EV charging app, Zap-Map. Since 2014, Zap-Map has established the most comprehensive map and dataset of EV charging points in the UK, including location and live availability of chargers.

Over 70% of the UK's EV drivers have downloaded Zap-Map with registered users up 52% year-on-year to 683k, of which 285k are active, paying £3 a month. As well as that, it also sells driving and charging data to the DVLA and chargepoint operators. This year, Zap-Map's sales will be £2m, although it is modestly lossmaking.

Zap-Map's last fundraise in August 22 attracted a £5.3m investment from fuel card and payment provider Fleetcor, valuing the business at £26.3m. Next year will see it raise further funds but this round values Good Energy's 49% stake at £14.5m.

Greener gas

Interestingly, Pocklington notes that 60% of new heat pump installations are in homes that already have solar, so he has also bought a UK based heat pump installation business. A heat pump captures heat from outside and moves it into your home. It uses electricity to do this, however the quantity of heat delivered into the home is much greater than the quantity of electricity used to power the system and it's intended to get the UK off gas in the longer term. Now rebranded Good Energy Works, this business is expected to have 100 installations in 2023. Good Energy paid £1.7m upfront for the business (plus £4.5m earnout) but performance is behind schedule due to the high cost of systems, which are still £10k a pop but Pocklington is nevertheless hopeful that it should move into profits in H2 24.

Windfall profits in H1

In the latest H1, Good Energy saw unusually high profits. Overall, H1 23 operating profit of £14.1m was a material jump vs a £0.5m loss in H1 22, leading to H1 23 eps of 72p.

Energy Services posted an operating loss of £1.7m but all this and much, much more was made from the supply business, including FIT administration, which grew its operating profit eight-fold to £16.7m, up from £2.1m in H1 22. This was mainly because Good Energy was buying energy cheaply under some of the historically priced PPA contracts, whilst the price customers were being charged was elevated during last year's spike. But the pendulum has swung the other way in H2 and with some PPAs now re-priced, Good Energy is paying more for energy than it is charging customers, so it will lose money in H2. Some of this will carry through into H1 next year before reverting to an even keel. But eps of 9.5p, balloon quickly thereafter to 18.3p, 33.2p and 69.2p. *As one broker note on Yu says, "the problem with unbelievable growth is that it is not believed" and again it is the scenario here and a little known story. Put the shares on your watch list*.

UPDATES & IDEAS

• **Facilities by ADF** (ADF; 59p) is the UK's largest supplier of trailers to the film industry. Most of its customers are the US pay-to-view streaming giants like Netflix, Amazon, Disney, Apple, Sky, HBO, Marvel and BBC and it supplies the on site dressing rooms, make up and costume trailers, portable washroom, diners and offices, which are positioned close to a set and are reserved for actors and those in the production crew.

ADF seems to have established a pattern of alternating good and bad patches. It had an awful 2020 when Covid stalled nearly all film productions but it is now clear that 2021 was a good year after a post lockdown bounce but this has now been followed by what is shaping up as a fairly disastrous second half to 2023. The good news is that if this pattern holds, good times should return in 2024 - a prospect that looks highly likely. For the year starting 1 January, the forecast is £8.1m pretax profit / eps of 9.6p, to put the shares on a prospective PE of 6.1.

ADF was launched in Bridgend in 1992 starting off with just a single diner trailer and honey-wagon for TV but by the time present chief executive Marsden Proctor joined in 1994, it had expanded into England and was operating 50 units. Proctor has since grown the fleet 14-fold to 700 units spending c.£7-8m in each of the last two years. Pricing is "open book" on a fixed rate card, which ranges from £150-£450 per weekday for a trailer, depending on the type but this business is all about availability and its larger size means it gets booked up months in advance ahead of production.

Obviously nobody would have predicted that ADF's 2023 would be impacted by US screenwriters and actors going on strike - the first strikes the industry has seen since the 1960s when screenwriters went on strike for 21 weeks. This time screenwriters went on strike in May to demand higher pay and also more of the residuals - that is, payments for movies that were already completed, says Proctor. Most of the scripts that ADF was involved in would have been locked down a year before so it caused minimal impact on short and medium-term production schedules during H1, a period that saw 73% growth in sales to £21.8m, including a six month contribution of £5.2m from Location One (acquired late in FY22). Organic growth from the core fleet expansion was 30%. As he says, ADF was involved in 46 productions and most of the work in H1 was large and geographically concentrated around London, which meant less time moving equipment and consequently H1 EBITDA doubled to £5.8m, a breathtaking margin of 26.5% (H122: 21.1%). Pretax profit was also up 118% to £2.7m.

>> Continues on page 5

THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		-4.0%	+298.5%
FTSE-100	7608.1	+1.92%	+16.19%
FTSE-All Share	4127.2	+1.43%	+17.11%

Regular readers shouldn't have been too surprised to see core inflation come down, helped by an easing of food prices, as I had suggested last month. Energy companies are also writing to customers to tell them their energy costs are lowering and the interest rate row back has seen five year mortgages slip below 6% for the first time in months as firms jostle for business.

Despite policy uncertainty ahead of an election, away from the hubbub, my 30 or so meetings delivered mostly updates showing that even if sales of many GP3 companies don't rise, gross margins are widening as costs go into reverse - the most glaring of which were Luceco (gross margin +5.4% to 39.4%) and Yu (from 14.1% to 17.2%). The latter saw H1 profit up 6-fold to £13.1m and eps up 480% to 58p. Its full year forecast was raised by 90% this month.

H2 is expected to see sharply improved performances for other GP3 companies: MPAC's CEO is convinced it's going to have a bumper H2 (eps of >20p vs 6p in H1), Supreme has said it will exceed forecasts by £3.5m, OTB is at the top end, GB saw a tentative upgrade after the pound fell and FDEV said it will launch *Age of Sigmar* on 17 Nov - given Games Workshop's (GAW; 10570p) success, I am surprised to see the shares down here. Reach is making headway helped by positive noises from LBG and Future. Those companies that lag are where there are concerns over liquidity and it may be time to bite the bullet.

This month, Good Energy's eps forecast sequence is astonishing: 9.5p, 18.3p, 33.2p and 69.2p. Craneware, whose systems are relied on by thousands of hospitals in the US, looks as if it's at the start of an upgrade cycle. Over the pond, ARM's huge premium based on its AI credentials has yet to create a juggernaut of enthusiasm for small caps but Craneware's data centric approach could really benefit.

		Shares Bought	Date Bought	Buying Price (p)	Total Cost (£)	Present Price (p)	Value Now (£)
1000	^*	Softcat	7/12/15	229.2	2337	1459	14590
10000	*	SDI Group	15/2/17	20.5	2095	98.5	9850
1000	*	Alpha Group	27/7/17	470	4745	1870	18700
1000	#*	Future	9/4/18	329.5	3340	889	8890
15000	*	UP Global Sourcing	31/1/19	59.9	9075	120	18000
25500	*	Luceco	31/1/19	90	22837	116	29580
60000	•	XLMedia	8/7/19	43.7	26330	8.75	5250
2500	*	Ergomed	22/10/19	313	7870	1342	33550
10000		Volex	9/12/19	133	13345	314.5	31450
10000	•	Mpac	3/2/20	259	25990	195	19500
26069	•∞	Reach	3/2/20	98.8	26019	85.5	22289
18000	•	Superdry	22/9/20	135	24491	43.5	7830
3000		Victoria	13/11/20	450	13545	520	15600
7000		Supreme	5/3/21	189	13275	124	8680
16000	•	On the Beach	5/7/21	199	32065	106	19690
25000		Staffline	7/8/21	65.4	16395	26.75	6688
10000		T Clarke	6/9/21	147	14745	137	13700
32000	•	Boohoo	24/5/22	66	21410	31.5	10080
3000		Yu	12/12/22	426	12825	1140	34200
50000		musicMagpie	12/12/22	24.5	12295	22	11000
30000		THG	1/3/23	60	18135	70	21000
3000		Frontier Developments	5/6/23	510	15345	221.5	6645
7000		GB Group	3/7/23	228	16005	215.5	15085
10000		Dr Martens	14/8/23	152	15321	141.5	14150
						Cash £	5233
						Total £	398499

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

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