THE SMALL COMPANY

SHARE WATCH

February 2018

MARKET COMMENT

In early 1999 I wrote a report, "Opportunity Knocks or Apocalypse Postponed? Probably both." It wasn't perfect by any means, but it captured the nature of what lay ahead for the FTSE 100 – a crazy new peak, followed by a series of sharp downs and ups over a number of years. The look of the UK stock market in early 1998 is very similar to the Dow Jones in the US today, and that is very powerful information.

Our template for a complete bull market tells us to expect a notable correction towards the end, followed by the market rising to a final peak. The long bull run had begun in November 1987, and that correction occurred in Autumn of 1998, with the FTSE down 25% in a little over 2 months.

Such a notable correction has not occurred in the current bull run for the US stock market, which began in March 2009. In fact there hasn't been a correction worthy of the name for years. The picture in the US has a new clarity in recent months, as the market has accelerated upwards. In early 1998 such acceleration was the signal for the correction ahead – put simply, the market went too far too fast, just like, on a larger scale, in 1986/7.

Separately, in recent weeks two notably cautious long term analysts (Robert Prechter and Jeremy Grantham) came up with projections of around 34,000 (I am rounding) for the Dow, nearly 30% above today's level. Prechter dismissed his own calculation as ridiculous. Grantham on the other hand believes the complete upward trend from 2009 will not end until there is a melt-**up**, not a melt-**down**, based on his study of prior bubbles.

Let's pull all of that together. A decent working assumption is that the correction ahead will fall into the Autumn (as it has so often in the past). Bearing in mind liquidity issues in a range of markets (hot money will be trying to sell at once, and much of the selling will be by robots) assume a rapid fall of 25% from 28,000 on the Dow. Next is the really interesting bit. A hugely profitable recovery from 21,000 to 34,000 (up 62%). This is not a prediction. Rather it is a possible move based on the 1998-2000 precedent. It would be mirrored in other Western markets (in direction if not quantum).

CML MICROSYSTEMS (CML)

Sector :	Tech - H'ware & Equipment	
Latest Price :	490p	
High/Low :	550p - 363p	
Market Cap. :	£82.3m	
Shares in issue:	16.8m	
end3/2017 EPS/PER	22.8	21.5
end3/2018 EPS/PER est	23.3	21.0
end3/2019 EPS/PER est	25.4	19.3
Telephone	01621 875500	
Registrars	01215 851131	
CALENDAR		
Int/Fins/AGM	NOV/JUN/AUG	

A few weeks ago I met with Chris Gurry, chief executive of CML Microsystems, whose father set up the business back in 1968.

CML's mainstay is its two businesses; CML Microcircuits, which supplies microchips for use in walkie-talkies (of the type used by the police force and the military) and Hyperstone, which supplies flash memory controllers (of the type used in removable smart cards). The common strand between the two parts is data - transmitting it faster and storing it more reliably and securely.

Three years ago, following a downturn in sales and the loss of a key customer, Gurry junior made a conscious decision to increase the proportion of revenue he would spend every year on R&D from 15% to 20% in order to develop new products and help widen the customer base. Obviously, this has had a slightly depressing effect on short run earnings but it didn't stop the shares climbing. Investors who had followed the story knew that there would be a bigger reward further out. This point was not lost on the Gurry family who still hold 20.7% of the shares and were happy to take a long-term view on product development and the exciting thing is that the products launched post-2014 are now beginning to impact sales.

Enjoying success now

One advantage CML now enjoys, which may partly explain its success, is that everything the company does involves its own proprietary technology. CML does not have to in-licence technology (for instance, RISC technology from ARM or DSP's from CEVA) and this ensures its margins are high. Once the

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products it supplies are designed into a customer's own products, it also generates long term repeat revenues. As Gurry notes, new products typically have a four year maturity profile; 1-2 years of development followed by a further 3 or more years post product launch for volumes to mature and meaningful revenues to materialise.

Because of this phenomenon, it is only now we are starting to see sales climb with sales up 21% in 2017 and up 23% in the latest first half when pretax profits also went up by 19%. I think it's the start of a new upgrade cycle for the business.

Bank of property assets

Unusually for a technology firm, CML also comes with a bank of property assets. These were formerly CML occupied buildings but are now let out and generate a rental stream (c.£0.3m "other operating income" in the accounts). There is a 28,000 sq ft freehold in Essex, a similar 20,000 sq ft unit on the East Coast of the US and a small long leasehold unit in Southampton. In terms of property, of course, there is also the currently occupied purpose built unit on a 28 acre site in a rural location in Langford, where CML moved its HQ about fifteen years ago and with more space than it needs, residential planning is being sought for part of it.

Total combined values for the properties were £3.5m at the end of March but this is obviously undervaluing the assets because as is practice, occupied units have never been revalued and only the ones held as investments are regularly revalued. CML also has a growing cash pile, which stands at £13m. Overall, excluding intangibles the declared net asset value is 164p a share.

Fabless business

This unusual asset backing might give the impression that CML is one of those family dominated businesses lost in the dark ages and isn't ready for the 21st century. Not so; the company has moved with the times as far as its operations are concerned. For instance, CML is what is known as a "fabless" business. This means it designs but does not manufacture its own silicon wafers, which it instead outsources to a third party in the Far East.

Nowadays, its engineers - and there are 95 of them amongst the 215 staff - email their integrated circuit designs over to sub-contracted manufacturers (e.g. UMC, Toshiba) who within a few days will return the silicon wafers, which CML then turns into chips. The activity at Essex is concentrated on the dicing of these wafers into individual packaged conductor chips, which are then tested and quality assured before being sent out to customers.

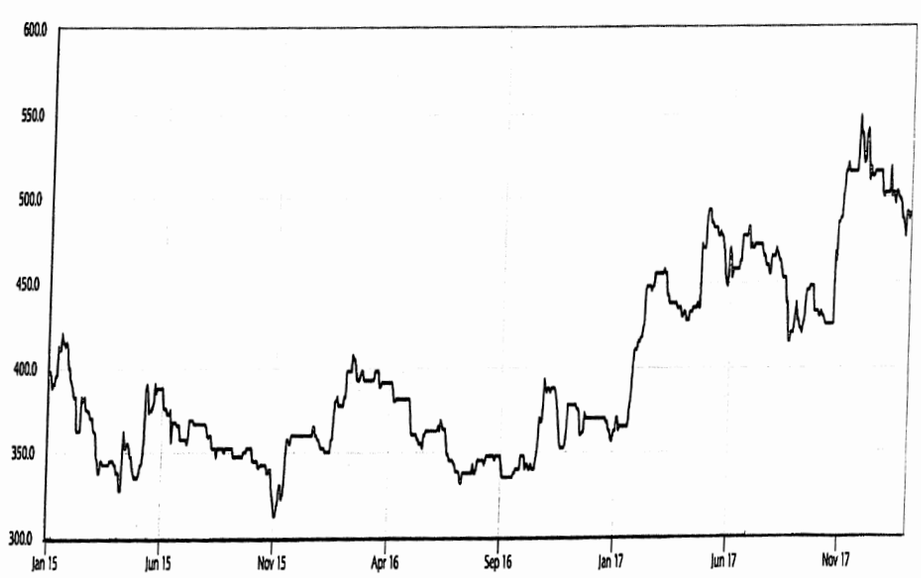
An office in Germany operates along broadly similar lines. The remaining offices in the USA, Singapore and Taiwan concentrate on selling. In 2016, CML acquired Sicomm based in China for £8m or 3.3x sales and this has fitted like a glove. Sicomm was also a fabless designer specialising in the development of integrated baseband processors and as well as complementing the product lineup, Gurry says it has strengthened its Far Eastern regional support resources and added a number of Chinese and Korean product manufacturers and this is accelerating its growth prospects.

70% gross margins

The fact that the business as it presently exists does so little manufacturing itself explains the strong gross margin of 70%.

As I have already described, the group has its own key semiconductor technology platforms including DSP (signal filtering but also digital data compression), RISC, Mixed Signal and RF. It has funded their development and so owns the intellectual property rights pertaining to these chips and it therefore has none of the costs associated with designing products based on externally licenced IP. It can supply the same product to all customers whilst also being able to customise products to maximise performance.

Outsourcing also takes much of the working capital off the balance sheet so that even despite the recent double digit leap in sales, there was a limited need for additional capital. Consequently, as sales growth gathers pace, operating margins will widen further (15.5% in FY17) due to scale.



Computer data storage

As I describe below, CML supplies two types of semiconductor products with £31.5m sales for the year to 31 March, expected to be split as follows:

- storage segment (49%);
- communications (51%).

Hyperstone, based in Konstanz in Germany, designs, develops and markets semiconductor memory controller products. Hyperstone's target products are industrial flash memory cards. Principally it supplies "Compact Flash (CF) and SATA (Serial Attachment) products."

Basically, a CF card is a rugged memory card (about the size of a matchbox at the small capacity end) that can store data and allows data to be embedded into a wide variety of computerised devices such as an industrial machine. Unlike traditional electronic data storage such as hard disk drives (HDDs) found in computers, which use a spinning disc, CF makes use of integrated circuits to store data and doesn't contain moving parts.

Flash storage is everywhere these days - in your phone, camera or tablet, for instance. The flash storage device will typically contain a flash memory chip on a printed circuit board as well as a basic controller and a USB interface. Hyperstone doesn't supply the commoditised bits of memory on the flash storage; instead, it supplies the microcontroller component that controls the manner in which the data is written and read to the memory and the interfaces for the electronic device in which it is embedded.

Back in 2003 when Hyperstone was acquired, it used to supply the chips for removable flash memory cards for cameras. Although volumes were high, the market was just too commoditised, margins were wafer thin and demand too volatile. In the past few years, Hyperstone has therefore moved away from that area and now focuses on controllers for industrial grade cards for factory automation machinery, network equipment, gaming machines and Internet of Things and these make use of its own DSP and RISC microcontroller technology. Volumes are only in the 1000s but margins are strong.

What are the advantages of CML's ranges

So what makes its technology special? As I am learning, when you try and apply a consumer grade solution to an industrial application, the limitations become obvious. The issue with flash-based memory is that it has significant ageing issues. Basically, you can only write to the memory a certain number of times before you would lose that section of the drive, and performance generally gets worse over time as well.

CML's patented "wear levelling" algorithms have been developed to ensure that data you write to the drive is spread across the physical drive evenly to prevent the flash memory in any one bit from wearing out. By ensuring an even wear of the writing surface, it results in better error performance and extends the life span of the storage products. A second key patent it holds ensures a failsafe write cycle should the power go down whilst data is being written.

Hyperstone sells its controllers directly to the producers of SSD memory cards. Big customers include Smart Modular and Swissbit (29% of sales each) and it also liaises directly with the end customer, OEM technical teams, such as those at Cisco. The elements it supplies only equate to US$1 within a CF card with an average selling price of US$10-US$15. Reliability, reduced size, higher capacity and extended life are so important that customers just don't quibble on the pennies.

Flash memory, just like HDDs, needs to be connected to the computer device that processes the data that the flash memory is storing. This connection is made by a cable connected to the SSD. CML used to have Compact Flash as the only available interface but has transitioned to an enlarged product range, which now includes USB3, SecureDigital (SD) and SATA interface technologies and this is giving it supplemental market opportunities. One new vertical is in the automotive field. As Gurry notes, a third of the 90m cars produced each year now have an infotainment system and CML has recently secured a design award with Bosch Automotive, which supplies a lot of the factory fit infotainment products to Ford, Nissan and Toyota. Sales are still small at £1m but growing quickly.

Emerging Industrial IoT play

On the communications side, most of CML's work has been supplying chips that power professional mobile radio (PMRs) - or walkie-talkies - used by the police force, fire departments, ambulance services, security firms and so on. The chips range from those for the most basic analogue recreational versions your children may play on right up to the most complex ruggedised digital versions, which now also offer SMS text and data transmission alongside voice.

CML supplies these chips to OEMs including Motorola, Sepura, Kenwood and ICOM. One vexed question I had was whether the time for walkie-talkies will soon come to pass given the prevalence of mobile phones; my worries stem mainly from **Sepura's** warning in 2017 that volumes in some segments were below expectations.

But Gurry said I needn't worry. Sepura's problems were within Digital Mobile Radio (DMR) whereas CML supplied Sepura with Tetra (terrestrial trunked radio) products, a different digital standard. In any case, Sepura is less than 4% of overall sales.

Gurry adds that because mobile phones need to transmit from a phone to a base station and then outward to another phone, for mission critical applications, such as the police and military, there is alway going to be the risk of a base station being out of order and because two way walkie-talkies communicate without a base station, they will continue to play their part.

After a flat period in 2016, there are four reasons why the comms division is doing well. First is transition from analogue to digital radios. Digital RF has multiple advantages over analogue including being more spectrally efficient and improving signal quality. Digital chipsets also have twice the average selling price of analogue chipsets. Second, CML is selling more into each phone. Some years ago when CML supplied just baseband chips, it might have generated revenues of US$6-US$7 per phone but it now supplies the transmitter, receiver, vocoder (voice coder decoder) and post the acquisition of Sicomm, it has added power amplifier integrated controller chips; selling all five can generate sales of perhaps US$20 per phone.

At the same time, new Internet of Things (IoT) markets have opened up for "data centric" applications for data modems used in machine-to-machine telemetry and in the monitoring and control of public utilities and railway safety and these could become large. In addition, CML has also now launched its own DMR and NXDN (a Kenwood standard) chips this year, which will allow it to enter a considerably bigger market.

The bottom line is that the business remains cash rich, continues to invest heavily but looks ready to pass the J-curve of the hockey stick. *Stifel forecasts eps of 23.3p this year to end March with 25.4p next, for a soon-to-be prospective PE of 19.3 but I suspect a trading update in May will see these upgraded.*

UPDATES

GAME Digital (GMD) 38.5p

Sector: General Retailers

Ahead of results on 27 March, GAME said Christmas trading was solid, with gross transaction value (GTV) up 5.2% in the 9.5 week period to 6 January. This is an acceleration over the +2.8% sales performance in the previous 15 weeks.

This was driven by hardware sales (+25.8%) with good stock availability for Nintendo Switch, PlayStation and the recently launched Microsoft Xbox One X. BELONG saw 155,000 hours played in the first 23 trading weeks. New openings are planned from February and the first two arenas will open in Spain this year.

GAME is expecting to exceed the £4m full year cost savings previously guided. Net cash stands at £67m (39.2p a share) and stripping this out, Edison notes that it values the business at a touch over 3x FY19 ebitda. They set an 80p valuation. *Having touched 60p, the shares have retraced back to the original write up price and now trade below cash. Buy.*

Craneware (CRW) 1800p

Sector: AIM, IT Services

Craneware, which supplies billing software analysis tools for the US healthcare sector, has issued an interim update to 31 December. Renewal rates by value continued at over 100% and there has been a significant new contract with one of the largest healthcare provider networks in the US. This contract is expected to deliver over US$16m of revenue in its five year term.

As a consequence, Craneware suggests a growth guidance range for revenue and EBITDA of 15% to 18%. Net cash has climbed to over US$50m. Investec forecasts eps of 56.7 cents for the year to end June with 64.4 cents next year. *My original buy was at 708p in November '15 when I described this as a bullet proof business and they now stand £10 higher. Continue running. Results are on 6 March.*

Joules (JOUL) 328p

Sector: Retailers

The shares hit a new high after Joules issued its Christmas update with sales +19.2% in the seven weeks to 7 January. Retail revenues were up 18.2% helped by 10 new stores and higher e-commerce sales. Wholesale sales went up 23%. Despite the FX cost headwinds and the higher wholesale element in the mix (and this is lower margin), overall gross margins are expected to stay at 55.5%.

Finncap upgraded in December and has upgraded eps once more by 6% from 12p to 12.7p for the year ending in May. Next year's forecast is also nudged higher by 2% to 15.5p. The broker has raised its target price to 345p. *Keep holding.*

eServGlobal (ESG) 11p

Sector: AIM, Software & Computer Services

No update on the Mastercard Send joint venture although ESG said it saw two significant orders in its legacy business, which had been expected to be signed in December, eventually signed in January, with the full value recognisable over a three-year period. No biggie. The legacy business has long been an open wound but will break even this year and isn't really central to the story as it is Mastercard Send that is potentially transformational. *Keep on buy list and expect one of the CEO's "boulders" to show up - a big bank customer for Mastercard Send.*

Scientific Digital Imaging (SDI) 29.5p

Sector: AIM, Health Care Equipment & Services

Mike Creedon is a bit of a lone wolf at the helm but is achieving a remarkable transformation at tiny SDI. The impression I had when I met him was that he was obviously a hard working CEO and because the company is still so small he is involved in everything from buying the toilet roll to organising the accounts. Not a bad thing – so much so that I was happy adding the shares to Growth Portfolio 3 last year.

The latest H1 saw a bit of a 'pop' in the shares. As it was, sales went up 34% to £6.5m, which was a combination of organic growth and the inclusion of the Astles and ATC acquisitions for six and three months, respectively. These deals have been transformational in terms of gross margin, which now stands at 67%. Adjusted profit was up 140% at £1.09m with eps up 74% to 1.2p.

In terms of product lines, the driver was the chemical dosing and control business of Astles, which was £0.9m or 53% of revenue growth. Sentek, which had been acquired in October '15, was 19% of incremental growth. Legacy bits were more mixed but Syngene, which sells equipment for analysing blots, had a better time with a rationalised range. *Another exciting deal remains on the cards. Hold for that and eps upgrades.*

Ramsdens (RFX) 199.5p

Sector: AIM, Financial Services

The VC backer placing the rump of its shares last year went unnoticed and it has taken excellent interims to galvanise the share price to new highs.

For the six months to end September, sales were up 18% to £21.8m and both pretax profit and eps went up by 63% to £5.2m and 13.4p, respectively. Net cash went up £3.7m to £13.4m.

During the period, the store count went down by one to 123 as two stores were merged but RFX has

agreed / signed leases on four stores and remains committed to 12 new units a year.

Regular readers will recall that the model is to leverage this store estate by generating income streams from four key areas - FX, pawnbroking, retail and precious metal scrapping.

The gross profit for H1 was +22% to £16.1m and a split shows that it was once again foreign currency exchange for holiday makers (gross profit £7.5m + 35%) that was the swing factor. Overall, currency exchanged was up 22% to £324m and currency customers were up 15% to 511,000 helped by a click and collect service.

Pawnbroking did well. Despite one less store, Ramsdens increased the LTV of pledged items (watches and jewellery) in order to increase the amount lent (pledge book +18% to £6m), safe in the knowledge that it can sell the item through its retail offering to recover any forfeited pledge. The higher gold price for scrap proceeds on pledges was a nice bonus. Overall gross profit went up 18% to £3.5m.

Retail sales of new and second-hand jewellery delivered gross profit +30% to £1.9m. The only bit to remain flat was the precious metals buying and selling activity with a gross profit of £2.5m.

Liberum has lifted its forecast by 6% to £6.2m pretax profit / eps of 16.2p although this now incorporates a pessimistic view of the future gold price. *Hold but raise the stop-loss to 180p*.

Footasylum (FOOT) 213.5p

Sector: AIM, General retailers

Footasylum has said that sales for the 18 weeks to 30 December were £89.8m, up 33% compared to the prior year. That brings sales for the first 44 weeks up to £173m, a 34.7% increase with growth in all three sales channels (stores, e-commerce and wholesale) although e-commerce accounted for a higher proportion than in the comparable period last year. Six new stores were opened to take the total to 65.

Full year results are due mid June. *The shares are up with events but I expect them to begin to grow into the valuation before too long*.

Superdry (SDRY) 1798p

Sector: Retailers

Rather surprisingly the shares came off after strong interims to 28 October were released - but then the shares had gained 32% in three months. But for the fact that H1 is only about 25% of full year profits, company guidance should have moved up as these results were £1-£2m over consensus.

As had been flagged in the December trading update, H1 revenue was up 20.4% to £402m with pretax profit up 20.5% to £25.3m. Eps were 25.8p.

Wholesale was +34% and Retail +12.8% including e-com (+31.6%) with LFL stated at +6.3%. Gross margin was 57.1%, down 1.7%, primarily reflecting the strength of wholesale in the mix. In the period, 50 *Superdry* stores were added through 37 franchise stores (now 372) and 13 owned stores (now 233). The owned stores added 15% to space.

The outlook statement said that in Q3, wholesale was +20.4%, e-commerce +30.5% and retail like-for-like +4.7%. So what was the market's beef with these numbers? It might initially look like the business lost momentum given the slowdown in LFLs from +6.3% in H1 to +4.7% in Q3 but there are three points to note here (1) this was against tough comparatives as Q3 last year was up 14.9% so on a two year basis LFL is +20.3%; (2) the comparatives ease in Q4 to +9.4% and so Q4 this year should show acceleration; (3) there's probably an element of cannibalisation going on as people migrate online but then Superdry is not concerned whether someone buys in the shop, online or at wholesale. Like-for-like comparisons are a bit of a red herring, which is why some retailers, like **Joules** (JOUL; 328p) and **Footasylum** (FOOT; 213.5p), choose not to report them.

Peel Hunt has edged up its eps estimate to 100.4p this year to end March, which will be reported on 10 May, with 123.6p and 141.3p for the next two years. As the broker notes, "with the major parts of the heavy lifting done, [future results] will be typified by rising sales, gross margin, ebit margin and cash generation…we expect average free cash flow to rise from £14m pa over the last three years to £86m pa for the next three, leaving potentially >£200m for shareholder distribution from FY18-20."

The rise looks far from over. Note ticker change to SDRY. I remain a buyer.

Judges Scientific (JDG) 2320p

Sector: AIM, Electronic & Electrical Equipment

Patience has finally been rewarded with scientific instrument maker Judges confirming a sustained healthy order intake since June 2016, following a period of order volatility. Organic group order intake over the course of FY2017 is reported at +16%, helped by the very favourable exchange rates. The order book starts 2018 at a healthy 14.9 weeks, a full week better than the 13.9 week comparative a year ago. In the light of the statement, Shore Cap has upgraded forecasts for the year just ended by 10% to £9.8m pretax profit / eps 117p, with this year increased 5% to £10.7m / 123p. *Written about at 470p in May '11; gain is 394%. Full year results are on 20 March*.

Alpha FX (AFX) 520p

Sector: Aim, Financial Services

Ahead of results on 18 March, Alpha FX has announced that revenue for the year ended 31 December was ahead of expectations and is expected to be £13.5m (+58% - all organic) so another upgrade was in order.

The 'marketing' halo of the IPO has been helping AFX win bigger clients and to also attract better staff, with total headcount up from 30 to 51 over the year. Despite the higher headcount and a new office in London, CEO Morgan Tillbrook says margins have been maintained at c.50%. He adds that the recruitment of a number of staff who are bilingual has enabled AFX to steadily expand into select European territories and it has already onboarded European clients.

Liberum has upgraded 2017's forecast to £6.6m pretax profit / eps 16.2p with the current year upgraded to £8.2m / 20.3p. The business is rapidly growing into its valuation. *Liberum's price target is 630p; keep on buy list*.

Medica (MGP) 164.5p

Sector: Healthcare Equipment & Services

The shine was taken off the shares after a trading update said sales for 2017 were up 18% driven by increased demand for *NightHawk* and *Cross Sectional* services. If we look at this objectively and sympathetically, sales are likely to come in at £33.7m, which means it has undershot its expectation by £1m (ie. 4% below consensus). Medica puts this down to difficulty matching the specialties required with the radiologists available in Q4. The company has however grown the number of radiologists from 248 to 306 having added 39 in H2 (and 19 in H1) and this is a proxy for future growth.

CT/MRI volumes in the market continue to grow at 8% p.a. and Medica should continue to grow double digit again this year, with Berenberg expecting sales of £39.1m with £44.7m next year. Results are due on 12 March. *On balance, I remain a buyer, and so too is Old Mutual, which now holds 18.7% of the shares*.

First Derivatives (FDP) 4240p

Sector: AIM, Tech - S'ware & Servs

FDP has bought Telconomics09, a Spanish provider of telco analytics software, for €0.9m upfront with a further €1.6m based on future performance. Its main asset is INTEF, a platform to perform critical activities such as network development strategy, network planning and network optimisation. FDP has already expanded its Kx business into the telecoms vertical and marketing technology (Prelytix acquisition) as it expands the software outside its core FinTech vertical.

Citi has initiated with a chunky 41 page note, forecasting eps of 71.3p this year and 85.1p next. Despite the hefty prospective PE of 59.5, the broker sets a £50.50 target. *Gain to date: 1530%. Hold*.

Treatt (TET) 425p

Sector: Chemicals

Since our last update, Treatt has raised £21.6m by placing 5.3m shares at 410p to accelerate its US expansion plans and relocate its UK plant. The placing at 410p is almost twice the 217.5p price at which we made the shares a main buy in November 2016. Very nice.

The placing was announced at the same time as its full year results. These showed adjusted profit before tax climbed 46% to £12.9m on sales up 24.5% to £109.6m. Eps climbed 42% to 18.3p.

Treatt operates in the natural flavourings market, which is worth an estimated US$40bn. What has been galvanising the business recently is the emphasis on the beverages space as opposed to food - in particular beverages are more dynamic with regular innovation. The other key driver to it is the government highlighting sugar's effect on our health, which is causing manufacturers to change the way they flavour products. Consequently, Treatt has had a favourable tailwind following several new wins with global FMCG businesses.

Overall gross margins have been rising and this year they went from 23.2% to 24.5% as the product mix continued to move towards higher value products and services. Operating margins went from 10.8% to a record 12.6%.

As I intimated in my main write up in November '16, the group is now relocating the UK site and expects to begin work on a purpose built facility at a new ten-acre site in Bury St Edmunds once planning is approved this summer, with completion in 2019. The project is expected to cost £35m, quite a bit more than had originally been anticipated - hence a placing. And it looks like CEO Daemmon Reeve is keen to strengthen the US side too. He used to run the

US arm and is now intending to expand the Florida manufacturing facility also (at a cost of US$14m) to meet customer demand for tea flavourings and sugar reduction. North America is the largest market (sales +26% in this period to £42.6m). South America is also booming (+97% to £8.2m). *The shares look set to go higher.*

EMIS (EMIS) 779p

Sector: AIM, Software & Computer Services

EMIS has uncovered support and reporting issues within EMIS Web. It has a service level agreement (SLA) with NHS Digital that outlines the commitment and says that some product problems reported to EMIS by customers were not properly reported and resolved. Management's estimate is that a one off penalty in the "upper single digit" millions will be payable to NHS Digital and this will result in an exceptional charge this year. Net cash at the year end was £14m so this is an unwelcome development but is manageable as it's less than a quarter of this year's profit.

By way of trading, EMIS confirmed things are otherwise in line. Community Pharmacy and Primary & Community have been strong and Specialist has returned to a very modest profit in H2. Acute is slightly ahead. Numis leaves its eps forecast unchanged at 46.3p for the year ended 31 December. The forecast for this year is 47.6p with 51.1p next. *Await newsflow.*

Photo-Me (PHTM) 187p

Sector: Retailers

Photo-Me's share price has been simmering on the verge of a breakout with interims showing sales up 10% to £122.2m (up 8% ex FX boost) and pretax profit up 6% to £32.9m. Eps was up 19% to 6.4p. £40m of cash was generated and after higher dividends and capex it left net cash at the end of October of £47.1m.

The swing factor was laundry with revenues up 75% to £17.3m. This was made up of organic growth from more owned Revolution machines in the field (+47% to 2,332 but manufacturing capacity increased in H2 2018 to 150 machines a month), higher monthly takings per unit (€1,508 +7%) and also bolt on acquisitions (some laundry stores to provide inner city presence and the B2B laundry operation of Inox, which provides bespoke professional design and installation of laundry and catering facilities for care homes and hospitals).

The rapid growth in the laundry division mitigated lower photobooth takings in the UK and Japan. But that's a short term blip. Photo-Me's new technology, which allows the secure transfer of photo ID and biometric data (e.g. e-signatures and fingerprints) direct to government databases, continued its deployment in three countries (Ireland, France and Germany) but has just commenced rollout in the UK for the UK Passport office, which is expected to lead to the conversion of 2,000 booths.

One year on from acquisition, Photo-Me said it is also reorganising the Asda business with the closure of all manned retail outlets to instead focus on unattended digital printing kiosk activities, which are more profitable for the group, at a one-off restructuring cost of £2m.

Finncap forecasts eps of 9.8p for the full year, with 10.3p next year. *The shares must now be a 14-bagger for SCSW. Continue to hold.*

IG Design (IGR) 414p

Sector: AIM, Domestic Goods

Trading has been strong up to and throughout the Christmas period and IG Design expects full year eps to be ahead of market expectations. There has been a continued shift in sales mix towards higher margin product categories (eg. single greetings cards) and synergistic benefits from the Lang acquisition. The US is now 42% of total sales and IG is set to benefit from the lower tax rate in due course.

Cenkos has lifted its eps forecast to 21.5p for the year ending March and 23.6p next year. *A main write up at 64p in August '10 and again at 206p in August '16, keep on holding.*

Cohort (CHRT) 360p

Sector: AIM, Aerospace & Defense

Having suggested topslicing the shares at 412.5p a year ago, it seems to have worked well as the shares subsequently fell to under 285p, although they did make a recovery post interims to 400p.

Sales were down from £50m to £44.8m and adjusted operating profit was down from £3.9m to £3.6m and this was despite a six month contribution from EID versus four months last year. Net cash was down from £8.5m to £5.7m after buying a further stake in EID from the Portuguese government (£3.5m) and also paying the earnout on MCL (£2.5m). Adjusted eps was 16% lower at 6.3p.

In recent years, Cohort's results have been weighted towards H2 and that is expected once again with 55% of its £132m closing order book scheduled for delivery in H2. Investec's forecast is therefore maintained at £16.4m for eps at 29p.

Divisionally H1 was a bit of a curates egg – good and bad in parts. The original legacy business, SCS (defence consultancy), was subsumed into two other divisions, MASS and SEA. Despite that, MASS, the specialist focused mainly on electronic warfare and secure communications, seems to have plateaued and reported a £2.5m operating profit. SEA, a software house, which was hammered in the prior year, failed to recover with a flat £1m profit after a hiatus in its activity at the MOD.

The two most recent acquisitions seem to be turning into bum deals. MCL (distribution of third party advanced electronic warfare, surveillance technologies) has seen a plunge in volume and reported a profit of £0.2m versus £0.8m and was also affected by a UK customer's rescheduling of work. EID was down from £1.4m to £1.2m due to a change in mix/margin but should recover some revenue slippage during H2 as well as executing its 100% order cover.

I covered Cohort at 245p in March '15. Quite how the shares rebounded on these results is surprising but never look a gift horse in the mouth. Sell the remainder and we will drop update cover. Gain 47%.

GVC (GVC) 922p

Sector: AIM, Tourism & Leisure

GVC, the online gaming business, was a total unknown with non regulated gaming businesses in Turkey when *SCSW* alighted on it back in Feb '14 at 353p (333.9p adjusted for special dividends).

Last month it finally came of age and put itself firmly on the map with the disposal of the Turkish activities, which have always cast a shadow over the shares and it instead launched a bid for Ladbrokes Coral, the UK's biggest high street bookmaker, valuing Ladbrokes Coral at between £3.2bn and £4bn.

The offer comprises 32.7p in cash, 0.141 GVC shares and a contingent entitlement of up to a further 42.8 pence for each Ladbroke share. The final price is dependent on the outcome of the UK government's decision on the maximum stake on fixed-odds betting terminals. These machines are the biggest source of revenue for UK bookmakers but concerns about gambling addiction have prompted a crackdown with the maximum bet on the machines to be cut from £100 to £2. If it does get cut to £2, as some reports suggest, it hits Ladbroke's profits by £60m and none of the contingent will be paid.

GVC, which has 2,800 staff, has a cluster of online-rooted businesses that now include Bwin, Sportingbet, PartyPoker and Foxy Bingo, and Ladbrokes Coral provides a stronger UK presence and a chain of 3,500 betting shops. The enlarged group will have the biggest share of the betting market in the UK, Germany and Italy, with large operations in Australia and exposure to the US.

GVC expects synergies of £100m over three years, with more than half the savings to come in the third year. These savings would incur £100m of non-recurring costs.

The deal completes by early Q2 and immediately catapults GVC into the FTSE-100. *Although it is double digit eps enhancing, I am happy to bank a gain of 176%. I am dropping update cover; sell.*

SSP Group (SSPG) 631p

Sector: Travel & Leisure

SSP gained after a strong Q1 with sales up 13.5% on a constant currency basis. Organic growth was 10.8%, well ahead of the 6-7% forecast. Like-for-like sales growth in the UK and Continental Europe was in line and as we anticipated, the new contract gains were driven by significant contributions from North America. Numis has upgraded its eps forecast for the year to end September to 22.9p with 26.1p next. *Strong hold.*

Pets at Home (PETS) 178.5p

Sector: General Retailers

Sending the shares higher was Pets at Home saying it saw strong Q3 trading. Sales were up 9.6% to £223m with a good performance on both sides. The period saw it open two Pets at Home superstores, two Vets4Pets practices and five Groom Room salons and it remains on track to deliver full year opening targets of around 10 superstores, 40-50 vet practices and 20-30 grooming salons

Including the new stores, Merchandise was up 9% to £193.4m (like-for-like +6.8%) helped by further price repositioning and the addition of further major brands in both dog and cat Advanced Nutrition. Grooming and veterinary service revenue grew 13.6% to £29.9m (like-for-like +10.1%).

This outturn was comfortably ahead of forecast, which has probably disappointed the shorters and the Sunday Times, which I have noticed often seems to be in the shorter's pocket. Numis forecasts eps of 13.7p for the year to end March. *Keep holding.*

Editorial shareholdings of companies covered in this issue: Superdry, Joules, Frontier, CML, eServGlobal, AlphaFX, EMIS, Medica, Footasylum

ARENA EVENTS (ARE)

Sector :	AIM, Travel & Leisure	
Latest Price :	61p	
High/Low :	62p - 56p	
Market Cap. :	£71.4m	
Shares in issue:	117.1m	
end12/2017 EPS/PER est	3.3p	18.5
end12/2018 EPS/PER est	4.1p	14.9
end12/2019 EPS/PER est	5.2p	11.7
Telephone	020 3770 3838	
Registrars	00 353 12163100	
CALENDAR		
Int/Fins/AGM	SEP/MAR/MAY	

Arena Events, a hire business that serves generally the sporting but also the leisure events and exhibition sector, has a seasonal bias to its business because the main season for outdoor events is June to September.

The business is a frontline beneficiary of the large Tier 1 sporting events rolling out across the globe and whilst it will be an unfamiliar name for many investors, it is the UK's biggest supplier of temporary physical structures, grandstand seats, scaffolding, decks and interiors. The chief demand driver is that because most of these events last perhaps only two weeks, an event owner isn't going to get a return on capital for the other 50 weeks of the year, so it's better for them to hire what they need from Arena. Not only do they save on the capital outlay but they have reduced storage and maintenance costs and access to clean equipment, which they can be certain meets health and safety requirements.

Long term relationships

But although there is that seasonal bias into its second half, unlike tool hire rental businesses, Arena isn't really a cyclical business susceptible to sharp downturns. Chief executive Gregg Lawless told me when I recently visited the company in Wimbledon that the key feature underpinning growth is that large customers take multi year contracts and "integrated services" and this embeds Arena within its customers and it makes it a hard-to-assail incumbent supplier.

Starts year with 70%+ sales in the bag

For anyone who imagines that Lawless spends the winter months twiddling his thumbs, think again. Back in 2014, Arena used to have 54% of its sales in the bag at the start of the year but by 2017 that proportion had risen to 70% of the bigger £100m sales total. And this proportion is rising every year because Arena has tackled the seasonal bias by adding icerinks to its repertoire so it can generate income in the winter months. It is also expanding internationally. The UK is 43% of sales but that proportion is likely to shrink dramatically in future. America is becoming more important (already 40%) while demand from the Far East and Asia is exploding.

Demonstrating both these aspects nicely, it recently picked up a three-year contract with ITV for 'Dancing on Ice' and a two-year contract for the CJ golf trophy in South Korea.

Second time around on the market

Arena is the brainchild of Lawless who has been CEO since 2010. Lawless was previously a director of corporate finance at Davy Stockbrokers but had gained experience of the sector through ownership of two Irish event rental businesses, which he still owns.

The shares joined AIM last July following a placing by broker Cenkos at 55p, which raised £60m. The float was a bit unusual because it comprised nearly 100% of the equity being sold off by venture capitalist backers and to recapitalise the business. But the fact it was old money coming out didn't put off investors and it attracted some of the great and good in small cap funds including Miton (12.7%), Lombard (10.1%), Ennismore (7.6%) and Hargreave Hale (7.3%).

This is, in fact, its second time on the market. First time around was when the business was known as Black & Edgington and had developed a number of marquee rental depots across the UK.

Back in the 1990s, B&E ended up being used as a cash shell by two entrepreneurs, Nigel Wray and Ian Gowrie-Smith and the duo eventually turned it into pharmaceutical business Medeva, which topped out at a £1bn market cap at one point. But the guys ended up maybe a little overconfident, had a near death experience and then sold Medeva to Celltech.

The B&E business then ended up being sold off to management and over the years through a string of mergers, which have changed it out of all recognition, it became Arena Group.

When its owners, which included Candover, decided to sell in 2007, Lawless led a management buy in and in 2012 secured external investment from venture capitalist backers MML Partners and Sports Investment Partners (SIP) to facilitate a further ten acquisitions. These have transformed the group from a predominantly UK-based operation into an international business with 14 operational bases in seven countries (UK, US, Portugal, Dubai, Abu Dhabi, Hong Kong and Malaysia). Sales outside the UK now account for c57% of group revenue compared to just 9% in 2012.

As part of the float, MML and SIP have exited entirely whilst Lawless's shareholding fell to 3.6%. Net debt post IPO has reduced to £10.5m and the group now has access to significant firepower to complete further bolt-on deals.

Largest part of fleet is temporary structures

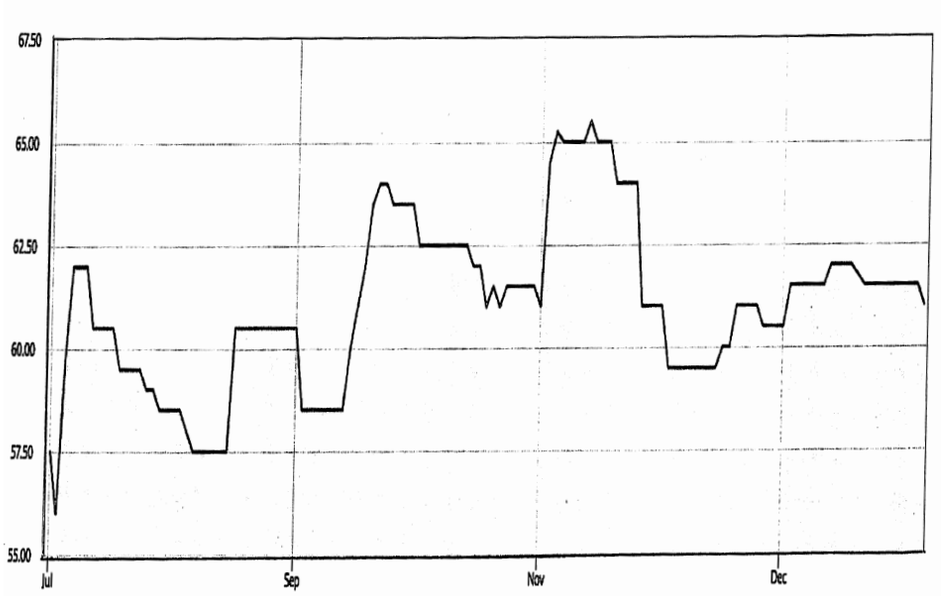
The largest segment of Arena's business is temporary structures such as marquees, double and triple deck structures and modular truss based temporary buildings (74% of sales) although the mix differs by territory with the US being more structures-led (97%) and the UK a broader service portfolio of temporary tiered seating, scaffolding, ice rinks and 'under the tent' (furniture, linen, cutlery and so on).

At the time of the float, the rental inventory consisted of over 300,000 sq metres of temporary structures and 125,000 seats with Original Equipment Cost (OEC) of £53m and a net book value of £31m. Alongside this, Arena has also launched a Concepts arm so it can provide a turnkey solution for the conceptualisation, design and branding of an event alongside delivery of physical structures, seating and interior fit out.

High quality repeat income

Lawless says that Arena is involved in around 300 events each year. Tier 1 events include the Open Championship, HSBC Abu Dhabi Golf Championships, the US Open and the PGA Championship, Wimbledon, Cheltenham, Aintree, Henley Royal Regatta and the Chelsea Flower Show. It's been working with some of them for decades; 67 years in the case of Wimbledon, 38 years for the Open championships and 33 years for the Jockey Club (Aintree and Cheltenham).

As Lawless notes, Arena targets clients who are running annual events and it forms 3-5 year contractual relationships with them, enabling it to get into the DNA of the organisation, although one off periodic events also seem to come up with regularity such as the Olympics and World Cup.



It has the enviable record of never having lost a multi-year client contract, even though it might not always be the cheapest (rivals will always try and bid less to dislodge the incumbent). Lawless says that it's almost the case now that the Tier 1 sporting arenas will benchmark performance of others against the "Arena standard." Time is of the essence and you just can't be late, nor can you turn up with substandard equipment.

The company picked up work with the PGA of Americas this year and is therefore not going to be skimping on new capital investment alongside the 3% of turnover typically spent on maintenance (eg. fixing a broken table leg) as equipment is often put to punishing use.

Lawless uses payback on investment to monitor its asset efficiency and is usually looking for a period of around 3 or 4 years to recoup its spend but this varies with the item. With a bit of care most things can be made to last 15-25 years although this too varies and Lawless adds that some PVC stuff goes through a five year replacement cycle and also highlights that this is why he shys away from providing high tech screens within his fleet as they would need constant upgrading.

Gross margins vary across the product category but are typically 25-40%. At the interim stage the blended average was 28.8%. With more high margin revenue from the United States Golf Association (USGA) and PGA of Americas, EBITDA margin is forecast to increase by 1.5% to 10.6% this year.

A beautiful aspect is that the business is generally negative working capital cycle as Arena gets paid 30-50% of the money before the start of the event and by the time it has handed over to the organiser, it has typically been paid 90% of the money owed.

Blueprint for acquisitions

As Lawless points out, geographic expansion has been enabled by following key clients such as IMG and the PGA European Tour as their golf tournaments invaded new regions. It went with them into the US, Dubai and subsequently Malaysia, initially using subcontractors that it then bought out. It just doesn't make sense to ship equipment overseas but is better to buy local businesses, and typically it can buy them on c.5-7x ebitda, which makes new deals eps enhancing from day one. In each occasion, Lawless likes to upgrade the entire equipment fleet of any business being bought to enable flawless delivery.

Lawless adds that when entering a new territory, the blueprint is firstly to start providing structures, then product extensions such as seats, temporary kitchens, portacabins and then eventually lighting. As you might expect, margins start to improve if you supply more than one thing.

US$5.1bn market in its sights

One question is just how big the business could become. Lawless says that the market is very fragmented and there are not many design and rental companies worldwide of global scale, adding that Arena, whilst being the clear market leader in the UK, is only a top five operator globally.

French-based GL Events is the biggest with revenues of €980m but its model is different as 60% of its income is from exhibition and venue management. It also owns its own exhibition space. German-based Losberger De Boer Structures, which was recently formed following the merger of the No.2 and No.3 players, has approximately €330m of sales. Beyond that there are two other businesses of scale and then the market falls away rapidly.

Although the US is already a large part of Arena's business, it looks like a stupendous opportunity. Lawless points out that in the US alone, there is a market for physical structures that is worth US$5.1bn annually. Notably there is no national player. Arena is presently doing only US$50m turnover in the US, which is less than 1% of the market and nor does it yet have a presence on the US West coast, which is the largest event rental market in the world. A New York business would also fit in really well.

Given the changes to the capital structure, 2017 is a bit of a 'stub' year. For the current year, which started on 1 January, pretax profit should rise to £5.5m with eps of 4.1p. Next year's forecast is £7m pretax profit and eps of 5.2p to drop the prospective PE to 11.7. Add in the likelihood of a US$15-20m acquisition and the shares could begin their ascent as summer approaches. *I am a buyer.*

UPDATES & IDEAS

• I made **Immupharma** (IMM; 135.5p) one of my NAPS in the January issue. I know I could be a hostage to fortune highlighting it ahead of the phase III trial results for its potential blockbuster, *Lupuzor,* a treatment for systemic lupus erythematosus (SLE) but I am hopeful of favourable clinical data.

If you have bought, I want to press home that there is also the potential for a trial failure and although the drug has other potential uses in treating rheumatoid arthritis, Crohn's disease and asthma, for my NAP purposes I need good results to propel the shares this year and so this is really a single shot at the goal. Crucially ahead of the trial results, the company has hedged its bets with a placing to raise £10m at 144p this month, so even if the regulator asks for more data or requests a second clinical trial, IMM can fund it.

Strong trial results will, of course, electrify the share price. Five years ago, in the month when Human Genome Sciences, the then US-quoted owner of Benlysta, reported success at its trials, it saw its shares rise six-fold from $2.92 to $14.69. HGS owned 50% of Benlysta and was eventually bought by Glaxo for US$3.6bn. That compares to IMM, which is capitalised at £220m and owns 100% of the drug and has the advantage that Lupuzor is a peptide, which is cheaper to make and works quickly.

Lupus is a complex autoimmune disease that causes the body to mistakenly recognize healthy tissues as dangerous and attacks them, triggering a range of responses. Some patients get arthritis and rashes, others develop heart disease, and some suffer kidney damage. Many drugs commonly used to treat autoimmune diseases, such as chemotherapy drugs, are known as immunosuppressants because they effectively shut down the entire immune system. Lupuzor, by contrast, is an immunomodulator - a drug designed to modulate the activation of auto reactive T-cells – cells that attack the body's own tissue. This allows healthy immune cells to remain active, avoiding infections.

As I understand, that is why the drug causes few side effects and is safe. It's also why the FDA agreed that IMM could go into Phase III with only 200 patients in the trial, whereas Benlysta, which by all accounts is a nightmare drug, experienced a high drop out rate due to side effects during its own trials - only 5% of trial patients left before the previous Lupuzor phase IIb trial vs 23% dropping out with Benlysta's phase III trial. The lack of side effects is also why IMM has this month said that despite the phase III trial ending, patients have been allowed to stay on the drug as part of an open label trial to enable it to collect further data.

So how has IMM come to own 100% of the drug? In 2009 when the drug only had phase I data, US biotech Cephalon paid IMM US$45m for Lupuzor and agreed a US$500m cash milestone structure plus high royalties on future sales.

Cephalon took the drug into phase IIb trials in 2011 but midway through it, Cephalon merged with Teva, triggering a change of ownership clause that saw the drug revert to IMM despite the data from the trial being so promising that the FDA granted it fast-track approval if Phase III clinical trial data proved good.

Since then, IMM has raised further money from investors to develop Lupuzor and fund this trial (200 patients at 28 centres). To be certain that a drug really does have positive effects, rather than people feeling better simply because they expect to feel better if they take a medicine, the trial was "double blind" - 100 patients got the injection and 100 were given a placebo. The doctors and patients haven't yet been told who received what. All patients, including those on the placebo, received steroids to control inflammation.

Results are being assessed using the "SLEDAI score," developed by HGS in conjunction with the FDA. This is a composite measure of disease activity based on 24 items such as arthritis, rash, alopecia, mucosal ulcers etc, which will be scored out of 105 (severe lupus sufferers usually score between 20 and 45) based on whether these manifestations are present over the previous 10 days.

The study's primary measure is the number of treated patients who achieve an improvement of 4 points at week 52. In the earlier phase IIb based on a very small number of patients, Lupuzor demonstrated an ability to reduce disease symptoms using the index, especially arthritis and rash, in 67.6% of patients after three months of treatment (compared to a 41% improvement in those on the placebo). After three additional months of follow-up, the improvement rate was 84.2% versus 45.8% for the placebo. A stupendous result with a decent placebo "beat."

This phase III trial ran for 12 months and for comparison, Benlysta's responder rate was only 43% at 12 months but it still got approval. Finncap says there is a 63% probability of Lupuzor success, and sets a target of 443p on a successful readout next month, which rises to 830p if a launch partner is signed. *High risk-reward.*

UPDATES & IDEAS

• For some, a company making foam might conjure up a somewhat prosaic business making the stuff that plumps up your sofa. This had certainly included me before I went down to meet **Zotefoams** (ZTF; 443p). I have to say that until a few days ago I hadn't realised that the company's speciality was foaming polymers.

As finance director Gary McGrath explained whilst walking me around the site in Croydon, the company's technology has three stages. Part one is to take polypropylene, blend it with additives and colour and then send it away to get radiated so that the polymer forms cross-links. When it returns, the plastic blocks are then placed into a steel chamber for stage two where it is impregnated with nitrogen using a mixture of heat and super high pressure (800 bar - by comparison your car tyre is 2 bar). The third stage is to place the blocks into a low pressure chamber where it is gradually foamed as the nitrogen expands. The kind of plastic you started off with and the pressure and temperature used determine the final characteristics of the plastic, which is then chopped up and used to form a wide range of objects that need to be light, insulated, flame retardant and super-strength.

The main brand is AZOTE and is based on polypropylene. This makes up 95% of last year's £57m sales but there is a new high performance range (based on PEBA and polyamides), which sells for 5-15x more and is considerably higher gross margin.

I was intrigued, for instance, to see foams being used to make gaskets that sit within the windows of a Boeing 737; Audi and Bentley are using it behind their dashboards; Nike is using it within its high end trainers and pharmaceutical plants and datacentres use it to insulate clean rooms. Dove is also using its technology to form plastic bottles that use 15% less plastic and are more environmentally friendly.

Sales are starting to foam up nicely. The main site in Croydon has elements for all three stages of processing but until now was capacity constrained for the phase 3 low pressure part. One way round this was to freeze the plastic blocks in the UK at stage 2 but expand them at its US satellite site, where it has spare low pressure capacity. But McGrath notes that two large pressure chambers come on stream next year in Croydon at a cost of £12m and remove this bottleneck, increasing low pressure capacity 8-fold. At the same time, more high pressure capacity has been added in the US at a cost of US$31m. Demand is running well ahead of supply and McGrath talks of US$1bn sales.

I think the shares are set to go higher.

THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		-0.35%	+93.91%
FTSE-100	7668.33	+0.60%	+17.11%
FTSE-All Share	4209.42	+0.46%	+19.45%

A choppy month for markets and the portfolio but it was kind of to be expected to see GP3 give up a bit, having gained 18% over three months.

Newsflow amongst constituents was largely positive, although subsequent price moves proved erratic as it seems investors are looking for any excuse to take profits. In terms of specific performers, voice assistants seem to have been the main talking point at the CES show in Las Vegas and carpe diem appears to be the motto of the day for Frontier, which is working on all manner of exciting things. Soon I suspect we will have PCs and televisions with integrated voice assistants. Newsflow ought to get hotter and I see £3 by the year end.

Elsewhere, following a name change, Superdry put out interims. Peel Hunt has lifted eps forecasts to 123.6p for the year starting 1 April and 141.3p next year. Softcat, the hardware reseller, should benefit from the serious security flaws found in chips made by Intel, AMD and ARM, which affects 80% of computers. Medica was soft after saying it undershot its target, albeit by 4 per cent so not that bad. Scientific Digital had a blistering first half and is working on a deal.

IG went over £4 after a Q3 statement and another eps upgrade. It noted that like all the dollar earners, Trump's tax reform will enhance its eps and cash generation as its tax rate on US earnings reduces from 30% to the 20%. On the same point, I think a lot of US companies are going to be generating a tidal wave of spare cash and this will herald several UK bids in coming months.

One reason I like Arena is that it now gets 40% of income in the US. I don't think anyone has written on it since its IPO but it's a summer stock and I think it will do well as peak season approaches. CML too has hid its light under a bushel but it has new product launches to help sales break out of the £23-£25m range in which they have been plateauing.

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 (£)
3500		Patisserie Holdings	19/1/15	265	9320	397	13895
1000		Superdry	2/2/15	938	9472	1798	17980
5000		Kainos	6/8/15	197.5	9969	376	18800
1000		EMIS	1/10/15	1045	10495	779	7790
3000	^	Softcat	7/12/15	260.3	7845	518	15540
4000		Styles & Wood	29/4/16	224	9005	458	18320
4000		IG Design	5/8/16	220	8845	414	16560
12000	*	Altitude	5/9/16	24	2925	65	7800
1750		Smart Metering	14/10/16	544	9565	780	13650
6000		Warpaint	20/1/17	146	8849	247.5	14850
39000		Scientific Dig. Imaging	15/2/17	20.5	8080	29.5	11505
5000		Medica	10/4/17	190	9593	164.5	8225
2000		Alpha FX	27/7/17	470	9445	520	10400
6000		Frontier Smart Tech	19/12/17	150	9045	175	10500
						Cash £	8099
						Total £	193914

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 capital £100,000 (2 January 2015). * Part profits taken + Adj. for rights issue ^ Adj for special divs.

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