THE SMALL COMPANY

# SHARE WATCH

April 2018

## MARKET COMMENT

In the February issue we highlighted that, despite valuations suggesting poor stock market returns on a 7-10 year timescale, there could be some excitement and decent profits on an 18-24 month view. This same basic technical analysis also indicates the likelihood of a fall of around 25% midst the latter period, which for sake of argument we assume will be this Autumn.

Last time we also said the wobble earlier in February looks incomplete and targeted a total fall of about 15%. Since then the markets in the US and UK have indeed gone a touch lower and as I write both are down 11.5%. If this road map holds, there is a touch more to go on the downside, but not much.

By the time your hair is grey you know that this sort of analysis provides a sense of where the market might be heading, but that on occasion it can be badly wrong. So humility and contingency planning are necessary, hence my advocacy of stop-losses - yes they can be irritating and a pain in the butt in the short term but at key (and ugly) turning points they play the vital role of protecting your capital.

Nonetheless I still feel cautiously optimistic but for a little more immediate downside, and this has been reinforced by analysis of the performance of a range of asset classes year-to-date.

Looking at stock market indices for global context, China is top and has merely wobbled (down 1.88%). In contrast, India is bottom of the table (down 11.6%), with the UK and German stock markets only a little better.

Across all fund sectors (including global stock markets and bonds and other strategies) the Technology sector is top (up 0.06%), which might surprise many in the wake of gloom-ridden headlines and commentary in recent days, not exclusively focussed on Facebook. The big tech stocks have led the US market higher and that leadership would be obviously faltering if the long-awaited bear market was now underway. Yet the stock market debut of Dropbox last week (up 36% on the first day) strongly suggests no immediate cause to panic.

Similarly, the smaller company fund sectors are all outperforming their more broadly-based peers (for UK, US, Europe and Japan). If investor spirits were on the wane small caps would not still be in the ascendancy. Relative weakness amongst smaller companies is often the canary in the coal mine, signalling more broadly-based and notable weakness to come. But it isn't happening - not yet.

## KAPE TECH (KAPE)

| | | |
|---|---|---|
| Sector : | AIM, S'ware & Comp Servs | |
| Latest Price : | 88.5p | |
| High/Low : | 84.5p - 78.6p | |
| Market Cap. : | £125.3m | |
| Shares in issue: | 141.6m | |
| end12/2017 EPS/PER | 2.6p | 34.0 |
| end12/2018 EPS/PER est | 3.3p | 26.8 |
| end12/2019 EPS/PER est | 4.3p | 20.6 |
| Telephone | 01624 699800 | |
| Registrars | 08707 074 040 | |
| **CALENDAR** | | |
| Int/Fins/AGM | SEP/MAR/MAY | |

In a better market, Kape Technologies would be the kind of business to really capture investor imaginations. Kape is an online cyber-security software vendor, which markets to customers using online affiliates. It's "a poor man's **Sophos**," a description chief executive Ido Erlichman certainly welcomed when I met him because Sophos is a hugely successful internet security company. If it is half as successful the shares will multi-bag.

Sophos supplies corporate security products whereas Kape is focussed on consumer cybersecurity but the two are similar because they operate a subscription-based business model, with an average 24-month+ contract duration for which customers pay a monthly fee to use the software. Kape presently has two security offerings including Virtual Private Network (VPN) and PC recovery and its user retention rate of 69% is a solid performance in the context of being B2C.

As I describe below, its costs are incurred upfront and Kape collects cash over the contract length. But Kape is already swimming in cash and with US$69.5m (worth 35p cash per share), it is now in late stage talks for two acquisitions in the anti-virus space, which if completed will widen its addressable market and also enable it to cross-sell and up-sell more products to existing customers.

**History**

Kape doesn't have a long history in cybersecurity, certainly not in ownership of its own software. The company was established in 2011, when it was

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Unprecedented demand for fire solutions

Frontier Smart Technology
New SDK products imminent

Kape Technologies
Strong FY17 begets strong FY18

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53.5p eps forecast for next year

Smart Metering Systems
Now up to £60.7m of annualised recurring rental revenue

Future
Acquires 5 titles and enters sports vertical

eServGlobal
HomeSend signs up very large bank

Luceco
Eps forecast 8p for this year

Restaurant Group
Like-for-like expected to go +ve in H2

Swallowfield
Forecasts upgraded

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• Next issue on Saturday 5 May

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

known as Crossrider. In 2012, Teddy Sagi, the founder of Playtech, acquired the business and four years later it floated on AIM with a £45m fundraising at 103p, which valued it at £153m.

Back then, the company's focus was on the advertising technology space. It had created a platform to develop "browser extensions" and around 60,000 web apps had been launched by third parties on it in the space of two years.

One example of the kind of stuff that was being built was a shopping extension app, which would let consumers compare the prices on shopping sites to those on Amazon. Crossrider had realised that each of the searches on that app was worth money and following the Google model, in which Google makes money each time a user clicks on a sponsored link, Kape used in-app advertisements to do the same by directing users to specific websites and/or encouraging them to click on particular links. It would sell its ad inventory to advertisers using automated software and share the revenue with the app developers.

Alongside that, Crossrider had also licenced Playtech to use certain software modules within its online casinos (expired on 18 Sept '17). Finally, there was a third strange bedfellow, an embryonic software product - *Reimage* - a simple-to-use-solution that would offer users, via the internet, a repair service for corrupted software on PCs.

But by 2016 the adtech bit was coming away at the seams. Ad fraud had become rife. Unsavory tactics were being used by some firms to artificially inflate the performance of a website's ads, causing advertisers to pay more; some outfits were using a robot to click on paid adverts until an advertising company's marketing budget ran down and others were booking clicks to non relevant keywords; you might have been searching for a BMW but would instead be shown a dog food advert. It was as good as the advertisers putting their money down the drain.

**New strategy of owned security products**

By the time Erlichman joined as chief executive in 2016 he realised that the value in the company lay in its retained relationships with several ad-tech partners. As he notes, at the heart of the business was an affiliate network of marketers. At the time, Kape was - and still is albeit it is only a small bit of the group's revenues - selling antivirus subscriptions for internet security firm McAfee for which it gets a commission through the network.

He says there is a network of "thousands and thousands of affiliates," which helps drive traffic to its website where customers can download the software including, for instance, publisher websites such as *PC Magazine* and *TechRadar* (part of recent *SCSW* recommendation **Future Plc**) with which it has revenue sharing arrangements.

This is all performance-based marketing. TechRadar, for instance, might highlight a software product on its website but the customer has to click through and buy it. TechRadar receives a single fee per sale when a customer has ordered a product, which depends on the particular product or bundle of products sold. Kape will have hundreds of these campaigns running at any one moment.

Erlichman's big insight is that Kape could use the same affiliate network to help monetization of Kape's own cybersecurity products under a subscription model.

**Apps division**

It already had Reimage, which back then was able to fix PCs but it has now launched a version to fix Macs (ReimageMac), which have a different operating system and different vulnerabilities. To this it added a third product, CyberGhost and it's basically these three products alongside residual McAfee income that form the core of Kape's Apps division. Last year this accounted for US$48.2m of sales - or 73% of the total sales.

As previously mentioned, Reimage is a solution to help repair a broken PC or Mac. For example, a computer might be running slow due to corrupted software. When repairing a system, Reimage effectively "phones home" to its huge repository of Windows and Mac files and downloads and replaces or installs any files that are damaged or missing from the system. In effect, it reinstalls the operating system without making the customer reinstall all their application software. The software is free to download and will tell the customer what is wrong. The customer then needs to pay either a one-time use charge or a monthly subscription to have it fixed.

**CyberGhost VPN software**

Kape's other product is CyberGhost, a VPN software that hides a computer's IP address, encrypts and anonymises Internet activity and keeps a computer secure whenever it's connected to Wi-Fi.

There are many times you might want to use a VPN, says Erlichman. It's easy to think most users will be wanting to hide their identity online for some illegitimate or illicit purpose but Erlichman says that the most frequent reason to use it is down to the fact that offices no longer have a hard perimeter. Most days corporate users want to securely access their work account from public networks such as at Wi-Fi hotspots (eg. coffee shops) and here there is a risk that hackers might infiltrate the unsecured network and use it to collect personal details or sensitive login information.

So how does a VPN work? Once downloaded, CyberGhost's VPN product will replace a user's original IP address with another IP address from the CyberGhost network by directing traffic through Kape's other IP addresses using 1000+ servers in 45 countries, making it impossible for websites to track online activity.

Because VPNs use a combination of dedicated connections and encryption protocols to generate virtual peer-to-peer connections, even if snoopers did manage to siphon off some of the transmitted data, they'd be unable to access it on account of the encryption. VPNs also allow individuals to spoof their physical location - the user's actual IP address is replaced by VPN providers, allowing them to bypass content filters. For example, you may live in North Korea but a VPN will make it look like you live in Texas, enabling you to slip past the government filters and watch Eastenders.

That said, Erlichman says he doesn't market the service in places like Korea, Russia or China, so I assume that most of the users are of the coffee shop variety but it's interesting that the service is based in Bucharest, which puts it outside "14 Eyes" jurisdiction so that the company can't be legally compelled to provide any stored data on its own servers to the intelligence agencies.

CyberGhost was bought in March 2017 for up to Eu9.2m including earnouts. At the time it had 1.5m users with many using it as a free service but Kape has since made it a paid service at c.US$11.99 per month (US$143.88 per year) and is now promoting it through its affiliate network, driving new customer growth.

**Spending US$3m on marketing a month**

Astonishingly, Erlichman says he is spending an eye-watering US$3m each month chiefly on marketing the three key products. The splits of income from each product is not disclosed but he promises future segmentation.

The typical customer acquisition cost under his affiliate model is c.$70 per product sale (range US$20-US$100, he says), with pay back beginning in the second year of client interaction. By the second year there is no associated cost of acquisition and because the cost of the software is already written off, this falls straight to the bottom line. Average customer lifetimes are c2.5 years, he says.

Kape is reaping the benefits: premium subscribers surged by 81% to 260,000 last year, buoyed by the CyberGhost acquisition, which posted 30% growth in premium customers and now accounts for 187,000 of the total. Overall the total number of users who might pay on an ad hoc basis for the software and including these premium users is 887,000 (up from 734,000).

**Support operations in Manila**

One vexed question I had was why the company needs to operate with 350 staff. Erlichman says this includes around 70 in Bucharest running CyberGhost and about 220 in Manila, who handle installation, operation and servicing of the customer relationships and it will be able to share this cost as it gets bigger. After allowing for the expenses of this, in FY17 the Apps distribution division saw revenues advance by 26.2% to US$48.2m. Operating profit grew to US$17.2m from US$11.3m, representing a margin of 35.7% (up from 29.5%).

**Legacy Media division**

Alongside owned software products, Kape has a legacy "Media" arm, which is a customer acqui-

Editorial shareholdings of companies covered in this issue: Restaurant Group, Alfa Financial, Alpha FX, ImmuPharma, Emis, Frontier Smart Tech, Kape, SMS

sition activity for mobile phone users and other stuff. This accounted for US$15.8m sales and made a US$4.5m contribution, representing a margin of 28.3% but this is being wound down to free up management time for the core Apps distribution bit.

I think Kape has the look of a business that could deliver some really sensational growth with its online distribution model. You only need to look at companies like AVG, for instance, which grew so rapidly and was recently acquired by Avast for US$1.3bn. The only broker currently covering Kape is Shore Cap, which forecasts profit to rise from US$8.3m in FY17 to US$10.1m and US$13m over two years for eps of 3.3p and 4.3p. Take the cash out (which is 35p a share) and the PE drops to 12.4 in a year. *I think this could go vertical*.

# FRONTIER SMART TECH (FST)

| | |
|---|---|
| Sector : | AIM, Tech - H'ware & Equip. |
| Latest Price : | 130p |
| High/Low : | 208p - 83.5p |
| Market Cap. : | £52.8m |
| Shares in issue: | 40.6m |
| end7/2017 EPS/PER est | Awaiting forecasts |
| end7/2018 EPS/PER est | |
| end7/2019 EPS/PER est | |
| Telephone | 020 7391 0620 |
| Registrars | 01534 847 000 |
| **CALENDAR** | |
| Int/Fins/AGM | SEP/MAR/MAY |

If you are of a certain age, you might recall the BBC technology show Tomorrow's World, which used to make some incredible predictions. Mobile phones might be common now but in 1980 most Britons had never seen a phone that wasn't attached to a wall socket. Then a year later they showed us a little bit of magic: "One finger and one extraordinary TV screen," said the host as he demonstrated an early type of touchscreen by playing a game of noughts and crosses. Today, touchscreens are firmly integrated into our lives.

If the show was running, it would have introduced us to virtual personal assistants. It is a breakthrough accomplishment in allowing us to interact with machines by speaking to them. At the moment, only a few people will have dabbled with Google Assistant or Amazon Alexa to connect speakers to the internet and access music streaming accounts but a meeting with British technology firm Frontier Smart Technologies served to confirm that the technology it is developing means we could soon be talking to everything including light fittings, doorbells, televisions and white goods.

Over the last 17 years, Frontier has established itself as a world leading supplier of technology solutions (embedded software, apps, hardware modules and engineering services) to the audio market. It has a market share in DAB Radio that chief executive Tony Sethill admits approaches a monopoly and it supplies most of the big consumer audio brands (e.g. Bose, Sony, JBL) with its *Kino 4* chip, which they embed into their portable radios without having to reinvent the wheel.

Frontier's key advantage is that it has been able to bundle multi-function processing into single generic chips. During the second half of 2016 it launched *Minuet,* which is advanced enough to give consumers the ability to connect speakers to the internet and to access music streaming accounts. Then at the end of last year it launched its *SDK* platform, which is Minuet plus voice recognition capabilities and it is this product that will in time give Frontier its strongest ever outlook.

**Writes off all R&D as incurred**

The company recently reported its full year results, with sales in the year to 31 December up 28% to £41m. This was mainly driven by the DAB side, which grew 15% to £36.3m and also £4.7m of sales from Minuet but it excluded any sales from the SDK voice products, which are going to be launched/enter mass production in the next few weeks - arising from Frontier's 10 design wins.

As I describe below, the company has integrated Google's and Amazon's voice recognition software onto SDK and the resulting products have to go through an approval process to ensure that product design meets the criteria laid down by Google and Amazon. This takes time and is why Sethill says that whilst sales this year will be "modest," the market is in its infancy and he expects significant scale over a 2/3 year time horizon.

Buyers of the shares can be reassured that the rating is modest. The Digital Radio business is already a highly profitable and cash generative business but this is disguised by the fact that Frontier is using the cashflows from Radio to invest in the new areas and is conservatively writing off all its investment in new products immediately.

This R&D spend amounted to £6.5m last year but if it pruned back that investment, the business would be on a PE of about 7 on reported 2017 earnings. Obviously, with such an exciting future, cutting R&D isn't the plan but it has already been falling as a per centage of sales since mid-2015. Net cash was £3m at end June and since Q3 the company has traded on a cash positive basis although there is a bit of seasonality.

With voice-controlled gear and its adoption on the rise I have been somewhat surprised to see the shares retrace. Worldwide spending on virtual personal assistant (VPA) enabled wireless speakers, like Amazon Alexa and Google Home, is expected to surpass US$2.1 billion by 2020 by which time 50 per cent of all searches people carry out on the internet will be via voice technology. In some countries, like Singapore and Japan, looking for information online is the most popular among voice technology users at over 50 per cent already.

**Sir Yassie joins as non executive**

Old timers may recall the history that I outlined back in my December article. The business was previously known as Toumaz and had floated on AIM in 2005 with the remit of commercialising a wireless patient monitoring device, which had emerged from Imperial College. This Sensium digital "plaster" was a disposable device that could be stuck to a patient's chest to allow them to have their health monitored continuously without being wired up to bulky monitoring machines.

Sensium took longer to commercialise than expected, resulting in the Toumaz group remaining loss making and in July 2016 the decision was taken to sell the healthcare business, with a 2-3% ongoing royalty retention. Fortunately, in a last throw of the die, Toumaz had bought Frontier Silicon for £32.3m some time earlier.

Following the sale of the healthcare business the group then changed its name to Frontier Smart Technologies and this month it has finally drawn a line under the healthcare past when two directors who had been there since the healthcare days stood down. At the same time, Frontier appointed Sir Hossein Yassaie as a non executive.

Yassaie is a brilliant technologist; I still remember the first time I met him in 1998 when he ran Videologic, which subsequently became graphic chip supremo Imagination. By all accounts, Yassaie was responsible for introducing the Frontier deal to Toumaz in the first place and will certainly be well versed in what needs to be done.

At present, Frontier employs c.180 people globally, uniting the UK core design team with a low cost software development team in Romania and global sales and support teams who are working on three application-specific platform technologies:

- DAB Digital Radio (steady cash generator)
- Smart Audio (only on the runway)
- Smart Home (no revenues yet)

**Digital Radio**

First there is the Digital Radio platform, which is based on the DAB/DAB+ family of standards. The Digital Radio business has grown its sales from £20.5m in FY12 to £36.3m in FY17 (up 15%) and EBITDA improved 9% to £9.5m.

Digital Radio is the replacement standard for traditional analogue radio and change is happening because DAB offers listeners clearer signals with less noise and provides better economics for broadcasters as it is 80-90 per cent cheaper than FM to transmit their service. Frontier has established itself in the Digital Radio market by designing its own proprietary silicon chip, Kino 4, which powers its latest DAB modules.

Kino 4 ends up embedded into portable radios and also the automotive aftermarket segment (in devices required to convert cars that

only have FM radio to include DAB), although it hasn't currently targeted the line-fit auto market, for which Sethill says is too demanding a customer support requirement for his presently consumer-focused business model. Customers include many leading consumer audio brands: Bose, Denon, Grundig, Harman Kardon, JBL, Panasonic, Philips, Pioneer, Pure, Roberts, Sony and so on.

The DAB standard is widely adopted across Europe and Australia although to date only one country, Norway, has taken the plunge and switched off its FM network entirely. This switchover, which took place over a 12-month period starting in January '17, was the key driver to Frontier's DAB side taking off in 2017 as the population of Norway had no option but to replace their old FM radios with a shiny new DAB one. Frontier's volumes in Norway increased over 100% compared to 2016 and was coupled with steady growth in other European markets.

**FM Switch off in UK/Switzerland/France...**

The reason Sethill is cautious this year is that Norway created a bit of a "windfall" and it may be a while until the next European country switches off FM - creating the next one. However, Switzerland is likely in 2020, so we could see pull through demand coming next year. In the meantime, the UK government has said it won't review its stance on switching off FM until DAB penetration increases to over 50%. We are now at 49.9%. In Italy, a law was passed in December that will require all new radio receivers from 2020 to be capable of receiving digital signals. In France, the media regulator has confirmed plans for an accelerated roll-out of DAB+ services across the country. Similar legislation is expected in Germany.

The great thing is that Frontier is a virtual monopoly and 80% of the 60m or so DAB chips sold in the market have been its own. Sethill says that although volumes in DAB might be flat and the average selling price (ASP) is only US$6.50 a unit, the gross margin is still 42% and with virtually no competition, a small price erosion in the ASP can be offset by reductions in unit costs, keeping competition at bay. In 2017, R&D expenditure for DAB was £1.8m, 24% lower than in FY16 and will be similar this year, says Sethill, as he starts to work on in-car DAB systems moving onto the 4th generation Kino, which is more economic to produce.

**Smart Audio**

On its own, DAB represents a solid opportunity that supports the present share price. But the transforming development I am interested in on *SCSW* is the voice products. Frontier has developed silicon solutions for these, which it is selling to the same audio brands it sells DAB to.

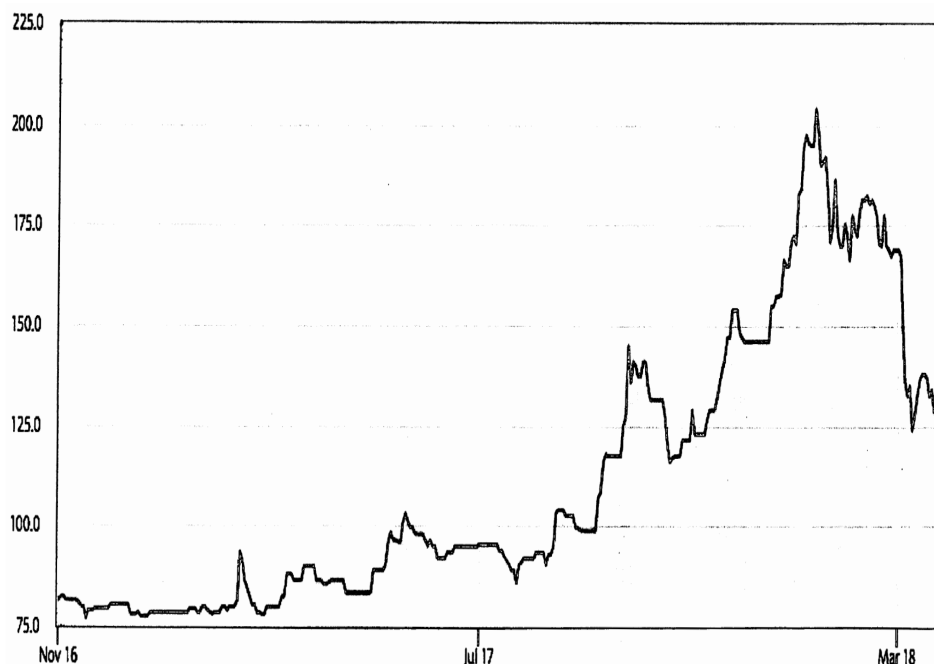
As Sethill points out, the move to digital forms of entertainment has created new opportunities in the audio market, with the advent of music streaming platforms such as Spotify, Apple Music and Amazon Prime Music, all of which require fresh product innovation from the consumer electronic firms.

In 2016, Frontier launched its Minuet hardware modules and software, which can give a speaker the "smart" characteristics of being able to connect to the internet and into music streaming accounts. This was a non-voice platform incorporating Google's Chromecast technology. There are now 20 models incorporating Minuet and this gave rise to the first material revenues for Smart Audio of £4.7m in 2017, up from £0.5m the previous year.

**Voice-enabled SDK**

This is, however, the tip of the iceberg. The first Minuet module wasn't 'voice-enabled.' Since then the market for smart speakers has exploded with Google and Amazon launching their own smart speaker product lines incorporating voice i.e. Amazon Alexa and Google Assistant.

Both firms have also made their voice software available and Frontier is one of only a handful of companies licensed to integrate this technology into third-party products (designed and branded by other OEM's/Brands) and this has culminated in Frontier's launch of its SDK module, which combines Minuet with VPA technology.




Google and Amazon's VPAs now dominate a category that didn't exist a year ago because they are subsidising the hardware to introduce consumers to the concept. A customer might start off buying a Google or Amazon product, but they are likely to replace it with third party equivalents with other cutting edge features, better speakers and trendier designs, says Sethill. Chances are consumers will also want more than one unit at home and the growth is supported by research from Strategy Analytics who expect Smart Audio device shipments to balloon from 32m units in 2017 to 76m units in 2020, by which time 28m are expected to be 3rd party devices.

Frontier is well placed to capture a significant portion of this market as it remains ahead of a chasing pack. It has showcased working demonstrations from ten design wins secured for devices incorporating the SDK module at the CES Show, which will enter mass production during 2018. It is obvious that analysts are excited. It is a sexier technology than DAB and the product has a higher ASP of US$19 per unit (three times higher than for DAB) and so even modest volumes are going to have an electrifying effect on sales, although with third party components forming part of the module, gross margins for VPA kits are c. 31%.

**Non audio smart home**

Although his hands should be full with that, Sethill is now working on the next stage of evolution for voice assistants - the Connected Home. In 2017, R&D expenditure on Smart Audio was £4.7m, up from £4.2m and Sethill says that after FY'18, Smart Audio R&D will begin to drop substantially (as it has in Digital Radio) and instead the R&D spend will divert to home products.

Frontier is working on being able to control a range of 3rd party products including smart lighting, door bells, heating systems and white goods (fridges, washing machines etc) using Minuet.

Voice is about to become the "new touch-screen" for devices. In the brave new world, as voice assistants get smarter, they will soon provide proactive services and recommendations to users so not only will you hold a conversation with speakers to purchase online products and then have them tell you that your packages have arrived at your doorstep but it will even be able to open the door and let the courier in.

Beyond VPAs will come Intelligent Virtual Assistants (IVA), which incorporate machine learning. People really won't want to go back to the old way and a snowballing momentum is developing. *The shares are a thin market and can so easily jump 20% in a day on news. I think it's an exciting tuck away.*

# UPDATES

**Smart Metering Systems (SMS) 718p**

***Sector: AIM, Support Services***

SMS represents a unique investment proposition. To recap, the government has mandated each energy supplier must offer the installation of a smart meter to every home by 2020. As at end of September, only 9.44 million smart and advanced meters had been installed, leaving 43m outstanding. SMS has agreements with nine UK domestic energy suppliers who in total give it access to 6.5 million prospective installations. A meter asset costs it roughly £200 but has a 12% yield, which is government backed, index linked and runs to perpetuity.

Its latest results to 31 December show sales were up 18% to £79.6m. Asset installation and energy management accounted for £27.5m and £3.4m, respectively and the real gravy – the meter asset management side - grew sales 29% to £48.6m. The total meter and data assets portfolio has grown from 1.25m at the end of 2016 to 2.03m (including the 420,000 domestic smart meters), generating £57m in annual recurring revenue (+38% year-on-year).

During the year, SMS tripled the capital it invested in meter assets (£122m vs £42.5m) and since the fundraising in November it has stepped up the pace of capital deployed. SMS doubled its workforce during 2017 to 825 and invested in a new operations centre to cope with growth. This held back profit in 2017 (up 2% to £18m) but by the end of February, the portfolio had grown to 2.26m assets generating £60.7m of annualised recurring revenue. Net debt is £36.5m with £243m of undrawn headroom. *I expect a "trading ahead" statement before long. I am a buyer.*

**ImmuPharma (IMM) 136.5p**

***Sector: AIM, Pharmaceuticals & Biotechechnology***

I met ImmuPharma during the month. The company's contract research organisation, Simbec Orion, has spent the past few weeks cleaning up the data collected from all 200 patients on the Lupuzor phase 3 trial, ensuring each bit of data is recorded correctly (eg. a '5' isn't recorded as a '3'). The database will be locked on 6 April, at which point it will be unblinded so that analysis can be carried out with the top line results the following week. By next month IMM will be anywhere from 30p to 500p+ depending on the outcome, hopefully the latter as earlier trial data was good and the safety profile excellent. It's also appointed a European M&A specialist so a bid at a multiple of the price is inevitable on success. A*wait developments*.

**EMIS (EMIS) 775p**

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

The market breathed a sigh of relief now that EMIS has ruled a line under the service level agreement issues it had with NHS Digital (where it had failed to properly resolve some customer service issues), by making a £11.2m provision in the latest results and allocating additional support to ensure it doesn't repeat.

Sales for the year were flat at £160.3m but of that, recurring sales represent £133.5m or 83% of the total. Adjusted operating profit and eps were down 3% to £37.4m and 47.2p, respectively, mainly due to a £3.5m investment in its online service, *patient.info*, during the year and adjusting for that, profits would have been up 5%. The operating margin excluding patient.info improved by 1% to 24.9%.

EMIS ended the year with net cash of £14m, up from £0.4m, so the settlement is under one year's cashflow. Not the end of the world. Overall, these results made pleasant reading because it shows that (1) the company has started to do what the NHS has been trying for years - delivering connected care between hospitals, GPs and community nurses; (2) both the Specialist and Acute sides, which were previously problematic, moved into the black and (3) it is making excellent progress with patient.info.

As part of the integrated care model, primary/community/acute care are combined into one to save costs and overall grew profit by 3% to £34.9m, despite a 2% revenue decline to £117.6m.

The core GP bit lifted its high market share to 56% whilst the market share for CCMH has grown to 17%, taking it to the no.2 position. With a new management team, Secondary Care, which supplies hospital systems (mainly A&E and hospital pharmacy), also had its best time for years.

EMIS Health (community pharmacy) grew profits to £5.6m on sales of £21.9m. The Lloyds rollout has been delayed as the customer has another major IT project to complete ahead of deploying ProScript and will lift its share to 50% in due course. In the meantime, EMIS has introduced EMIS Web into community pharmacies to allow pharmacies to have approved access to patient records and offer approved clinical services such as travel or flu vaccinations. It will work alongside patient.info where people will be able to view their clinical record including test results, book GP appointments, order repeat medications etc.

Finally, Specialist, which offers a remote diabetic eye screening imaging service, moved to a profit in H2 having absorbed all its start up costs. 2018 is a stub year but then patient.info should begin to electrify eps over 50p. *Strong hold*.

**Future (FUTR) 360p**

***Sector: Media***

Future has acquired five specialist consumer titles from Haymarket Media for £14m in cash and shares - equivalent to 1.2x revenue. These are *What Hi-Fi?*, *Stuff* (men's lifestyle), *FourFourTwo* (football), *Practical Caravan* and *Practical Motorhome*, which add a couple of new communities in sport and outdoor. The deal is expected to be earnings enhancing in the first year. *Keep on buy list. Results are due 19 May.*

**eServGlobal (ESG) 8.4p**

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

eServGlobal has reported results for a 14 month period to end December in order to realign its own year end with that of its HomeSend JV in which it has a 35.69% interest. As it has already reported 12 month figures, these numbers are largely of academic interest (sales A$12.2m and loss of A$15.2m) but more important is that HomeSend is gaining traction with 20 agreements secured with banks together with a strong pipeline. One of the "world's largest global financial institutions" has just been signed and live transaction volumes are building and longer-term success seems assured. FinnCap sets a target price of 20p. *I am a buyer.*

**SafeCharge (SCH) 292.5p**

***Sector: Travel & Leisure***

Shares in payment processor Safecharge are back to the top of their range following strong results. Revenues in FY17 increased 7% to US$111.7m but would have been higher were it not for a conscious decision to reduce exposure to the digital goods and financial services segment, replacing it mostly with services for 888, Plus500 and Paddy Power.

During the year, Safecharge added additional sales and marketing personnel and opened offices in Singapore, the USA and the Netherlands but these costs ate into profits with pretax profit flat at US$29.2m. Eps were 17.8 cents. The gross margin decreased slightly to 57.8% due to mix but was offset by savings from client acquiring operations moving in house. Berenberg's eps forecast for this year is 21.4 cents with 25.5 cents next. *The H2 was 11% ahead of H1 and this improving momentum supports an imminent breakout on the charts. Strong hold.*

**Luceco (LUCE) 51.5p**

***Sector: Electronic & Electrical Equipment***

Reflecting the torrid state of UK retail, Luceco, the manufacturer of LED lighting products, wiring accessories and portable power products, has seen a significantly weaker H2 in its UK retail operations (25% of group revenues) due to destocking amongst retailers. Elsewhere, trading remains strong in the higher margin trade, projects and international segments. Consequently it expects to report £12.6m pretax profit for FY17 (eps 6.9p), versus £12m in FY16. Actions have been taken to improve returns, primarily pricing, and management says it is confident that this will lead to a return to historically high margins in H2 but it isn't back in the saddle just yet as H1 will remain weak and cash could get tight.

Luceco said it expects to report sales growth of 5-10% in FY18 versus the 25% historical run rate. Net debt stands at £36.9m (Net debt/EBITDA of 2x), which is up from £29.6m a year ago due to £10m paid for the Kingfisher acquisition. *Numis has cut its forecast to £16.1m pretax profit and eps of 8p this year, which on the face of it looks dirt cheap.*

**Alpha FX (AFX) 505p**

***Sector: Aim, Financial Services***

Full year results from Alpha FX saw 60% revenue growth to £13.5m, pretax profit up 55% to £6.7m and eps emerge at 17.5p.

The £6.7m profit compares to the £5.3m forecast at the IPO a year ago and the outperformance was driven by both an increase in the number of new and bigger clients (87 new clients added to take the total to 310; +39%) and entering into larger trades. Overall headcount went up from 30 to 51 - of that the sales team grew by 11 to 32 and most of the remainder joined the technology team, which went from 2 to 9 people. Despite all that, there was higher average revenue-per-employee and client of £423.2k (+5%) and £41.7k (+17%) respectively and underlying operating profit margin was 50%. The company has now relocated into new offices in Paddington, created a team for overseas markets and widened its remit to FX options, all of which will accelerate growth.

*All the building blocks are in place to positively surprise on the upside at the H1. I remain a buyer.*

**Swallowfield (SWL)** **305p**

***Sector: AIM, Personal Goods***

Nice to see an upgrade following H1 results with Swallowfield firing on both divisions - Brands and Manufacturing. Although sales growth might have looked anaemic at £40m up from £39.7m, this masks a change in mix as the company reduced contract manufacturing in favour of owned products. Owned brands are now 31% of sales vs 25% a year ago and consequently margins and profitability rose. Underlying operating profits were up 11% to £3.4m with eps up 16% to 13.7p.

Owned Brands grew sales 28% to £12.3m and profit by 36% to £2.6m helped by 47 new products launched across nine brands. Swallowfield has continued to steadily increase in-house production of Brand Architekts' products and this will accelerate this year, having just paid its final earnout. Net debt is left at £7m and Swallowfield has just spent £2.7m on the *Fish* range of men's hair products. N+1 Singer has upgraded eps to 24p for the year to end June, with 28.7p next year. *Keep on buy list*.

**Restaurant Group (RTN)** **250.5p**

***Sector: Travel & Leisure***

The FY17 figures did not make for surprising reading given what has been happening in the sector with sales down 3% to £679m and pretax profit and eps down 26% to £56.7m and 22.3p, respectively. But despite all the travails, RTN had operating cash flow of £108m before its £18m cash provisions and exceptionals and this gives management confidence to hold the dividend at 17.4p, which goes ex-dividend on 7 June (6.9% yield).

Unlike the rest of the sector, time is on its side. With the business lowly geared, RTN has been able to take a view of resetting prices lower to win back customers and the company notes that the key brand, *Frankie & Benny's,* has seen "the largest positive movement in revisit intention scores across our peers." Meanwhile, pub restaurants are outperforming the market, concessions is expanding, and the identified £10m cost reductions were delivered ahead of plan. Slowly the ship is turning and the board has been strengthened with the appointments of Kirk Davis from Greene King as FD in February and Paul May from Patisserie Holdings.

Like-for-like sales were -3% but are expected to move into positive territory during H2. *Strong hold*.

**Alfa Financial (ALFA)** **343p**

***Sector: Software & Computer Services***

A mix of good and bad news from Alfa. The good was a new software contract with a global equipment manufacturer. The initial three-country rollout qualifies as a "mid tier" deal - or £5-10m implementation but it is global in scope so could get bigger.

FY17 saw Alfa record sales up 20% to £87.8m as it benefited from the strong dollar (9% on constant currency) and pretax profit up 162% to £25.9m. Headcount went up from 269 to 329 and five implementations were completed with all continuing into its "ODS" reporting segment (which is basically upgrades to core functionality for those already live on the software but where Alfa gets to keep the IP). This was £21.1m of sales (+144%). Maintenance was up 31% to £21.8m and implementation down 7% at £44.7m due to contract delivery timings.

FY18 looks set to benefit from 3 new contracts - the two won in June are now ramping up and the latest one starts in H2. Business momentum is strong and the only fly in the ointment is a currency headwind - which will now mean FY18 sales grow "mid double-digit on a constant currency basis." *Most software companies would die for these kind of metrics so I am keeping it on my buy list. Barclays forecasts an eps sequence of 11.7p, 14.3p and 16.1p and sets a 520p price target*.

# PREMIER TECH. SERVICES (PTSG)

| | | |
|---|---|---|
| Sector : | AIM, Support Services | |
| Latest Price : | 166.5p | |
| High/Low : | 215p - 101.5p | |
| Market Cap. : | £174.8m | |
| Shares in issue: | 105m | |
| end12/2017 EPS/PER | 9.7p | 17.2 |
| end12/2018 EPS/PER est | 11.0p | 15.1 |
| end12/2019 EPS/PER est | 12.2p | 13.6 |
| Telephone | 01977 668 771 | |
| Registrars | 08716 640 300 | |
| **CALENDAR** | | |
| Int/Fins/AGM | SEP/MAR/JUN | |

Skyscrapers, once almost exclusively a product of North America, are spreading across the globe at an ever-increasing rate. Driven by population growth, the number of high rise office blocks and residential towers in London is at a record, attracting opprobrium and being accused of assaulting the eyes and destroying the historic skylines.

These tall buildings are a strong source of growth for Premier Technical Services (PTSG), whose speciality is in designing and maintaining permanently-fitted cradles and fall arrest systems so that workers can safely carry out high level maintenance activities. Other parts of the group design and test lightening protection systems on tall buildings; carry out high rise cleaning and repairs; and design and install sprinkler systems.

These tend to be such specialist areas that the larger listed facilities management businesses, such as **Mitie** and **Interserve**, who focus on mainstream cleaning and security, outsource their requirements to PTSG. PTSG also self-delivers all its services rather than use sub contractors. It therefore has scale in the areas it operates in and also very high utilisation rates of its engineers. Its 20%+ operating margins look phenomenally strong against 5% or so for the generalists but is supported by the fact that these are areas with high barriers to entry and regulatory requirements. Maintenance and regular testing of equipment also drives repeat business.

The latest results this month demonstrate how well placed the business is. Despite blowups in the sector like Carillion and Interserve, which is battling for survival, 2017 was a very busy and exciting year for PTSG, which completed two transforming acquisitions to create a well balanced business - this contributed to Numis upgrading their forecasts twice in the year but the eventual outcome was that even the upgraded expectations were beaten.

**Unprecedented demand for fire solutions**

PTSG has grown through 23 acquisitions since 2007, a run rate of roughly two deals a year.

A bit of luck always helps but the timing of the last deal - a sprinkler systems installer last September - was perfect. PTSG completed on the deal some months after the tragic fire broke out at Grenfell Tower in North Kensington but had agreed the valuation on which it would buy the business some months prior. With workloads ballooning since the fire broke out, the business has such a massively expanded order book that it is not inconceivable to see the sprinkler side reporting profits this year close to what PTSG paid for it.

At the same time the deal made the business more joined up. PTSG's steeplejacks in other parts of the business were already used to clean windows by abseiling down apartment blocks but since the Grenfell Tower fire, it's suddenly become busier as local authorities and property owners are calling upon PTSG to retrieve samples of cladding from high-rise buildings so that they can be tested for fire safety and now it is picking up the remedial works such as sprinkler installation and more evacuation staircases. This is giving the whole business a massively expanded order book all round.

**History**

During the month, I met with chief executive Paul Teasdale again. PTSG was founded by Teasdale and John Foley in 2007 with an ambition to create a "niche specialist service provider" to the facilities management (FM) industry.

Teasdale has spent his entire career in the specialist FM space and the blueprint for PTSG was TASS, which Teasdale built and subsequently sold to Maclellan in 2004, where John Foley was CEO.

TASS was Maclellan's best business and when Maclellan was itself acquired by Interserve in 2006, the duo had the genius idea of doing it all again and set up PTSG a year later. A major shareholder, Bob Morton, backed the startup. In a funny turn of events, a week ago as huge debts had threatened to push Interserve's business into bankruptcy, TASS was handed to PTSG for nothing, although sadly the staff have been laid off and order book anaemic.

**Access & Safety**

As currently constituted, PTSG has four elements to its business operated from 16 locations across the UK with 2017's £52.9m sales split as follows;

- Access & Safety (38%);
- Electrical Services (38%);
- Building Access (10%).
- Fire Solutions (14%).

Access and Safety is PTSG's longest established business. The common theme here is providing permanent structures affixed to buildings to assist those working at height, a highly regulated area. Last year the Access & Safety business grew operating profits by 3% to £3.1m on divisional sales up 7% to £20.2m. Ebit margins were maintained at 16%.

The bulk of the business comes from the installation and maintenance of "cradles," which refers to high-level façade and rooftop access systems, ranging from ladders, gantries and rope access systems to monorail systems and multistage telescopic building maintenance units (BMUs). These are permanently installed on a building or structure for the inspection, cleaning and maintenance of the façades.

PTSG is often called upon for the most difficult projects. Architects are not just building totems pointing skywards but are getting creative and more and more of the high rise skyline has stepped facades, ribbed facades, curved elevations and concave/convex walls.

For instance, one of the more demanding projects was being called upon to design the BMU for 'The Gherkin" in London. The 160 metre high building's unique 'torpedo' shape posed several problems including the fact that it consisted of 5,500 flat triangular and diamond shaped glass panels, which vary in size at each level. PTSG's solution was to install a lifting table and hydraulic arm below the restaurant floor, which emerges only when required, navigating the circumference of the building on an exterior track.

Alongside access equipment, PTSG is also the market leader and the only national designer and installer of cable-based fall-arrest solutions for working at height. These wire rope systems allow workers to attach themselves with a harness and then scale tall buildings with the ability to go round corners without the fear of falling. The key driver is the Working At Height legislation (2005).

PTSG doesn't make the equipment itself. Much of it comes in from a Spanish manufacturer and PTSG just installs it but as you might expect, contracts can be lumpy (£0.3m-£1.5m) and any delay in delivery can cause slippages in completing the high value projects. That said, alongside installation work, Teasdale has a regular supply of maintenance work because 90% of new installation business results in a follow up inspection and testing and maintenance contracts (and there is a regular stream of payments coming from the 4,000 or so contracts). As Teasdale colourfully put it to me, for maintenance all you need is a man, a bit of oil, some grease and a rag and consequently maintenance is higher margin work than installation.

As I am learning, cradles require quarterly maintenance testing and annual load testing once installed. Other cradle maintenance products also require regular albeit less frequent inspectionss. The repair / maintenance contracts are typically 3-5 years although can be much longer and these provide a high quality recurring revenue stream. Renewal rates are also very high at 88%.

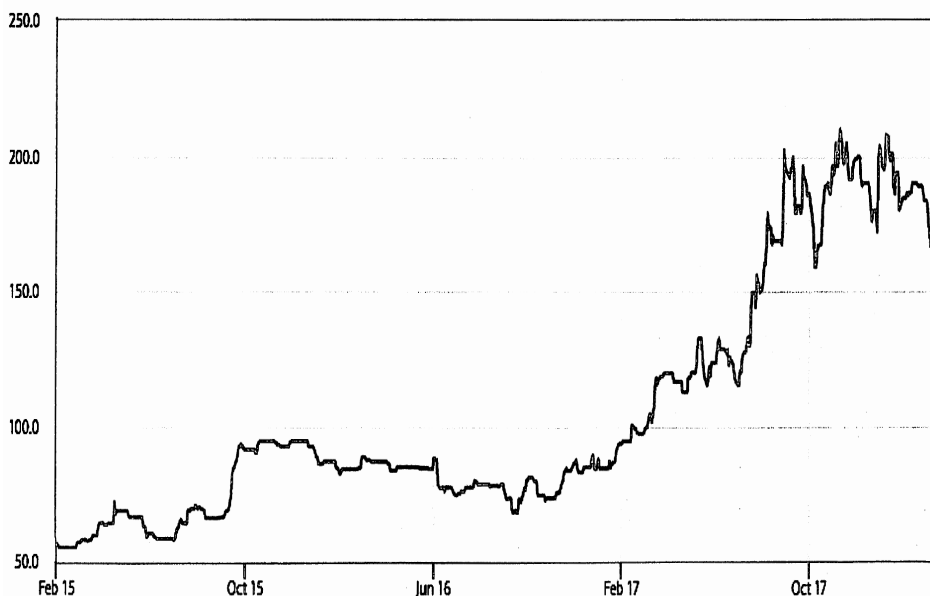
**High productivity**

Routine maintenance pushes up margins and also keeps the technical staff and engineers as busy as possible with employees typically performing 4 or 5 maintenance jobs each day.

Teasdale is obsessive about making sure his workers don't hang around idle. His engineers are equipped with laptops, sat-nav and real-time engineer location tracking to ensure jobs are intelligently scheduled and they no longer have to fill in reams of paperwork when ordering spare parts for kit and recording and submitting results. From his desk, the proprietary Clarity system means that Teasdale has complete oversight on all the maintenance jobs in progress, with every job colour coded and tracked in real time to indicate whether the work is completed, in progress or scheduled for the future. Urgent jobs can easily be dropped into an engineer's diary and completed and invoiced within hours, whereas in the past, this entire process would have taken much longer. But the company doesn't just look inwards at productivity. The portal also makes it easier for customers to have a secure cache of all certificates, invoices and other relevant documentation for all jobs and sites.

**Electrical services**

Alongside access and safety, PTSG has built up a second area in Electrical Services, which has come from the amalgamation of several acquisitions and become the number one in lightning protection systems, almost twice as big as the no.2 and six times bigger than no.3. From a standing start in FY'10, profits have increased rapidly to £4.7m in 2017, with ebit margins a record 23% and profits are set to grow sharply in FY18 as the acquisitions of Nimbus (Jan-17) and BEST (Jul-17) kick in for a full year.




Lightning strikes the ground in the UK over 300,000 times a year and poses a significant hazard to buildings and individuals. Protection systems protect buildings against direct lightning strikes - either by installing a lightning rod or wires stretched over the tops of buildings and their design is governed by international and British standards. The Electricity at Work Regulations also requires that these protection systems are tested at intervals of no more than 12 months. In practice, they get tested every 11 months to ensure all seasons are covered in a period of 12 years.

BEST in particular has transformed the division, doubling the number of engineers and strengthening its position in Scotland and West England whereas PTSG was previously stronger in the Midlands, South and London. BEST, which added sales of £10.5m (£4m maintenance and £6.5m installation) and has been PTSG's largest deal to date, was acquired on an exit multiple of 8x but once the maintenance side moves over to Clarity, margins are set to rise from 20% and closer to the 28% that PTSG achieves on its own maintenance work. Since buying the business, renewal rates have also climbed sharply, adds Teasdale.

Alongside lightening systems, PTSG carries out portable appliance testing (PAT) within buildings and fixed wire testing. PAT testing ensures that electrical appliances comply fully with UK legislation and fixed wire testing checks the electrical systems that conduct electricity around a building, covering air conditioning, elevators, distribution boards, lighting, mains panels, socket outlets and other fixed plant. Again, the market is driven by regulation and compliance with the terms of insurance contracts.

**Strong investment to scale Fire business**

The third part of the business is Building Access. This is mostly high level cleaning and repairs. The business has remained small with sales of £5.6m in FY17. Activities performed include cleaning by abseiling down apartment blocks as well as pressure cleaning of facades, roofing and cladding. Ebit margins of 23% are hardly shabby.

The last bit of the group is PTSG Fire and with the 2017 results, Teasdale reported this division for the first time. Sales were £7.1m with an operating profit of £1.6m. Elements of fire safety, such as the installation and maintenance of dry risers and emergency lighting, which were previously carried out in the Electrical Services arm, were moved out to create the new division. This was then given more scale with the purchase of UK Sprinklers (Sep-17).

**Focus on fire regulation compliance**

Based in Bury, UK Sprinklers is a specialist in sprinkler systems and was acquired for up to

*>> continues on page 8*

>> *continued from page 7*

£2.5m (only £1.3m was paid upfront with the rest deferred).

The Grenfell Tower tragedy exposed big failings in UK fire safety testing procedures. In that case, a faulty fridge caused a fire that then spread throughout many of the 120 flats in the building, because rather than the building being encased in fire resistant zinc cladding, the panels were made of aluminium sheets with a polyethylene core, which melts and burns at extreme temperatures.

There are around 4,000 high-rise blocks across the country and a lot of the external cladding is now being taken down for rigorous testing to ensure that the safety of building occupants is maintained and that government regulations are met. Facade testing is required on all buildings over 18m and in particular there is now a more rigorous policy of proper safety tests.

Although most old buildings might not conform to the latest guidelines for fire safety design, many are being updated by installing sprinklers, says Teasdale and although only mandatory in Wales, this is driving good growth. At the time of its acquisition in September, UK Sprinklers' revenue run rate was c.£4m but the Fire Division's run-rate by the year end was c.£12m with Teasdale saying there is unprecedented demand for fire solutions.

**National coverage**

PTSG's competitors are generally smaller, regional players. But larger customers are more inclined to use and trust companies with greater scale, a national profile and many accreditations (eg ISO 9001, OHSAS 18001).

At present, revenues are fairly evenly spread out with its top ten customers, including CBRE, Carillion, MITIE and Marks & Spencer, accounting for less than 20% sales. A key strategic goal for PTSG is to increase the proportion of cross-sales. Currently less than 10% of the client base takes more than one service,

For 2017, PTSG reported a pretax profit of £10.2m on sales of £52.9m. But the two big deals of 2017 - BEST and UK Sprinklers - have transformed prospects and Numis now forecasts £14m pretax profit this year on sales of £67.6m, lifting to £15.6m pretax profit on sales of £74.4m next year. Corresponding eps is 11p and 12.2p.

The deals left net debt at £18.2m (1.5x ebitda) but in case there is any doubt, Teasdale says this will drop by a quarter this year and he is already speaking to 15-20 targets with a view to bringing a couple more into the fold this year. *I remain a buyer.*

# THE GROWTH PORTFOLIO 3

| PERFORMANCE TABLE | | Change on One Month | Since Start |
|---|---|---|---|
| Growth Portfolio | | -2.31% | +85.65% |
| FTSE-100 | 7070.68 | +0.01% | +7.99% |
| FTSE-All Share | 3899.04 | -0.02% | +10.64% |

It's becoming increasingly apparent that world stockmarkets have moved into a "risk-off" phase. The big loser in the past month has been the high street with big brand retailers like Mothercare, Debenhams and Carpetright on their last legs as they lose market share to the internet and consumers rein in spending. Their plight is spreading to their suppliers who seem to be warning of collapsed demand as retailers reduce inventory positions and because these weak retailers are carrying a debt burden, my worry is that the pain will move to property and banks who are going to have to inevitably take haircuts on rents and loans. Overall, it's pleasing then that GP3 only eased 2.3% as we have exposure to Superdry and Patisserie in retail but these are proving to be sector stalwarts.

In the end, I decided to topslice Superdry having almost doubled my money and I await new opportunities. There are always some sectors set to do well, hopefully very well. Despite the snow and a wretched cold, I still found three brilliant situations. Frontier is already in GP3. Computers are in the throes of change with voice interfacing and Frontier touches on the key theme of the new millennium like machine learning when even common devices will be able to build a Google-sized base of knowledge and automatically recognize and perform certain jobs without necessarily being programmed to do so (say, your fridge will automatically order milk from Amazon when it runs low).

Premier Technical is seeing burgeoning spending on new fire systems following some tragic incidents and the CEO tells me of a record c.£40m pipeline of installations across his divisions. The rating is quite modest.

The lead profile, however, is Kape, which has repositioned into internet security products, which it sells online using affiliates. I would really like to buy for GP3 if the price doesn't fly once the issue lands. Under its affiliate model, year 2 income from new users has no associated cost so it generates an ocean of cash (3.55p special div. if you buy before 24 May).

## 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 | 379 | 13265 |
| 500 | | Superdry | 2/2/15 | 938 | 4690 | 1555 | 7775 |
| 5000 | | Kainos | 6/8/15 | 197.5 | 9969 | 320 | 16000 |
| 1000 | | EMIS | 1/10/15 | 1045 | 10495 | 775 | 7750 |
| 3000 | ^ | Softcat | 7/12/15 | 260.3 | 7845 | 677 | 20310 |
| 4000 | | Styles & Wood | 29/4/16 | 224 | 9005 | 464 | 18560 |
| 4000 | | IG Design | 5/8/16 | 220 | 8845 | 403 | 16120 |
| 12000 | * | Altitude | 5/9/16 | 24 | 2925 | 72 | 8640 |
| 1750 | | Smart Metering | 14/10/16 | 544 | 9565 | 718 | 12565 |
| 6000 | | Warpaint | 20/1/17 | 146 | 8849 | 200 | 12000 |
| 39000 | | Scientific Dig. Imaging | 15/2/17 | 20.5 | 8080 | 31.5 | 12285 |
| 5000 | | Medica | 10/4/17 | 190 | 9593 | 133 | 6650 |
| 2000 | | Alpha FX | 27/7/17 | 470 | 9445 | 505 | 10100 |
| 6000 | | Frontier Smart Tech | 19/12/17 | 150 | 9045 | 130 | 7800 |
| | | | | | | Cash £ | 15829 |
| | | | | | | Total £ | 185649 |

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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