THE SMALL COMPANY

SHARE WATCH

November 2016

MARKET COMMENT

You probably think we talk about it too much. We don't think we talk about it enough. Your state of mind. It doesn't matter how big your IQ or your wallet, or how detailed your analysis. If your state of mind is wrong, you aren't going to succeed - in smaller company investing or otherwise.

So when we talk, as we did last month, about the likes of Druckenmiller and Soros (worth US$4bn and US$25bn, respectively) or Buffett (US$65bn), even the most confident of us might feel a tad intimidated.

Would you be less intimidated learning from someone who was middling? How about Charles Darwin? His fresh thinking shocked the world and still shapes our thinking today. But he was middling. He was not a Buffett, or an Einstein or Newton. We know this because he said so! He puzzled over this in his autobiography in a way that, perhaps, only Darwin would. By his own admission he did not have a quick intellect or an ability to follow long, complex, or mathematical reasoning. He only worked a few hours a day, yet his "thinking work" outclassed almost everyone. Why? Because he was slow and methodical and an incredibly effective collector and organiser of information. And where he came across ideas that conflicted with his, he took note of them instantly.

He had a passionate interest in understanding reality and "putting it in useful order". I can't imagine he would have had any sympathy with the daft idea that investment markets are efficient, nor that elegant maths could describe the world of investment in any useful way – at least in any useful way that won't eventually get you into big trouble – do watch The Big Short!

In terms of what was important to him, he said: "love of science - unbounded patience in long reflecting over any subject - industry in observing and collecting facts - and a fair share of invention as well as of common sense."

In short: passion – patience – observation – learning – imagination - common sense. Surely we could all give those a go?

As the guys at the Farnham Street blog put it, "Most inspirational to us of average intellect, Darwin outperformed his own mental aptitude with these good habits, surprising even himself with the results."

Be inspired to start thinking about your investing habits. I know it seems obvious but do you start off by writing down what you are doing and why, before you invest? Does this include a stop loss?

SUPERGROUP (SGP)

Sector :	Retailers	
Latest Price :	1355p	
High/Low :	1733p - 1100p	
Market Cap. :	£1.1bn	
Shares in issue:	81.3m	
end4/2017 EPS/PER est	85.7p	15.8
end4/2018 EPS/PER est	93.5p	14.5
end4/2019 EPS/PER est	102.1p	13.3
Telephone	01242 578 376	
Registrars	03707 020 003	
CALENDAR		
Int/Fins/AGM	NOV/JUL/SEP	

Shares in fashion retailer SuperGroup have moved ahead since the last time we made them a main buy in February '15. Chief executive Euan Sutherland (ex-chief executive of The Co-Op and Kingfisher) is now two years into the job and his execution of the 4-E strategy of "Embedding, Enabling, Extending and Executing" has been faultless.

During the month, investors were taken on a roadshow to see a "next generation store" in the UK, its home market, which some thought had gone ex-growth. Sutherland unveiled plans to introduce new fixtures and fittings that allow stores to display a third more goods and like the store visited, he hopes the wider choice will bear fruit by delivering a 10-20% uplift in sales.

In the last year when some rivals have been struggling because of the weak pound, static pay packets and consumer confidence, SuperGroup has gone from strength to strength. Most importantly the group is making the transition from being primarily in the UK to not just succeeding in Europe but globally too. Almost 55% of sales now come outside the UK and with significant euro revenues and to a lesser extent dollars, it is a net beneficiary of the weak pound.

The company is also having phenomenal success online. Online sales surged 50% last year and is 23% of total sales. 2017 sees SuperGroup launch its mobile app, which should lead to higher conversion rates when compared to customers ordering from the company's mobile site.

Forecast eps of 93.5p next year drops PE to 14.5

It is then perhaps a little surprising that shares in the

In this issue

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• Next issue on Saturday 10 December

internet fashion retailer have had a retrace from a peak of 1763p in March '14 and they are on a prospective PE for next year of only 14.5. This is based on Peel Hunt's eps forecast of 85.7p for the current year that ends on 30 April with 93.5p next year and almost all the analyst notes I have seen suggest that despite obvious headwinds, these numbers could be exceeded.

Proving to have global appeal

The company's Superdry brand started as a predominantly menswear brand targeted at the 15-25 age bracket with iconic t-shirts, hooded tops, check shirts and jogging bottoms, which often used classic American designs and Japanese imagery.

One afternoon about five years ago when I met Julian Dunkerton, who co-founded the company in 1985 (and who moved into the role of brand director to make way for Sutherland), one question I put to him was exactly how big the Superdry brand could become. Dunkerton's reply was that Superdry is barely scratching the surface; he said to just take a look at the £200m sales being generated by the brand in the UK, its home market, extrapolate a lower potential, say 60%, to each of the countries in Western Europe and you get an idea of what is possible.

Anyone can make those kinds of punchy projections but SuperGroup has now begun to deliver on Dunkerton's promise. In the past four years the company has taken control of its European partners in France, Spain, Germany and Scandinavia.

These partners have done all the hard work of establishing the brand in their countries. Of course, the great thing about SuperGroup is that it is entirely an own brand retailer, selling only its own private label, Superdry, with all of its products developed in-house. Having bought in the franchisees it now gets to retain the wholesale margin and overall group gross margins are a mouthwatering 61.5%. With much of the investment complete, operating margins should improve from 12.6% (13.6% excluding the startup losses in the US and China).

Western Europe is the mid term goal for Sutherland but he has also set his sights longer term and has targeted more populous markets by buying out its US partner and he has also forged a 10-year 50:50 joint venture with Trendy in China, a local partner with 3,000 stores, so clearly even Dunkerton's early hopes could be exceeded.

Womenswear now 35% of sales

SuperGroup has been widening its appeal by product range, gender and age. I guess that something like half of SuperGroup sales are generated by the original t-shirts, casual tops and jackets and there is a significant opportunity to diversify the revenue base. The clearest and arguably greatest opportunity is womenswear, which began with Superdry repeating some concepts from the menswear side but it now also includes ranges of playsuits, dresses and skirts. Womenswear has ballooned to 35% of sales and is the fastest growing category. Other diversifications are jeans, athleisure/sportswear, underwear and selective collaborations (eg Idris Elba).

Although many people know the company for its iconic Superdry-branded products, the company has become more broadly based with more timeless designs with a strong attention to detail is what has been ensuring sustainability of the brand. Whilst a 15-25 year old customer might still buy heavily branded clothes, older shoppers purchase less branded / more tailored items.

Considerable "self help"

Since joining, the overall effect of Sutherland's studied approach is to introduce modern retail practices in design, ranging, buying and distribution. Until last year, for instance, SuperGroup was designing different ranges for wholesale and for retail, which was inefficient. Ranges on offer in one channel weren't on offer in another, which resulted in higher costs and less efficient buying as well as a lower opportunity to leverage scale. Sutherland has changed this so that ranges are constructed with the largest range on offer being on-line, with retail a subset of that and wholesale a subset of retail. As part of this he merged the retail and wholesale stock pools to create further efficiencies.

Changes have also been made to optimise buying processes. SuperGroup historically "cut off the buy too early," which would result in more stock risk and no real flexibility to maximise sales by reacting, for example, to early season best sellers, late fashion trends, unseasonal weather, etc. Sutherland's plan has been to introduce more phasing into the design process and enable "open to buy," ie buy within season. This reduces working capital, enabling SuperGroup to react to best sellers by ordering more, or not reordering if a line isn't working. Like-for-like inventories reduced by 6% last year despite many more stores now open.

New store formats in UK just launched

SuperGroup's sales in the year to end April were £590m. Retail, which comprises the UK/European/US stores covering 900,000 sq ft of space, as well as global e-commerce, was up 24.5% to £415m on the year before (+11.2% like-for-like).

Historically, store ownership has been concentrated in the UK where SuperGroup has 90 standalone stores. The UK has been considered a mature business but attendees at last month's Capital Markets Day visited Manchester's Arndale shopping centre to see SuperGroup's next generation store concept.

As photos on the company's website show (https://www.supergroup.co.uk/media/docs/CMD-Manchester.pdf) it's not only that the store entrance has been opened up, making it more inviting but the magic is in the new range of fixtures and fittings, such as a new carousel shoe display, which can show 56 options in 1 sq m of space.

Overall, the new format stores provide more space for shoppers to move around whilst also allowing 30% more stock to be displayed. This is allowing SuperGroup to showcase range extensions (gym, skiing, the upmarket Idris Elba range etc) and also more options in its core product areas such as denim and T-shirts and this has been driving sales density.

Sutherland reports that Arndale has seen an astonishing 20% like-for-like sales uplift, which has not dropped away since it was refitted. Even better, back office efficiencies mean there is 20% less stock in the whole store including the stockroom, driving working capital efficiencies.

A couple more stores will have the treatment by Christmas before it is rolled out across the group. One analyst works out that only a modest 20 store a year roll out delivering c.10% sales uplifts would add c.2% to UK growth rates.

Europe - Germany is focus territory

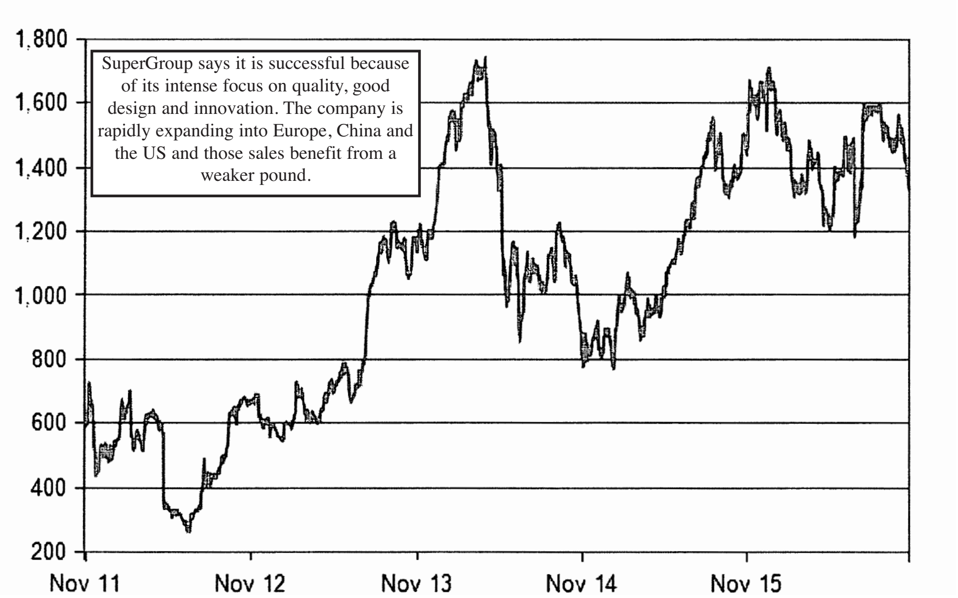
But SuperGroup has bigger fish to fry in Europe where it is adding new space. In FY16, the company added 136,000 sq ft across 24 stores taking its estate to 281,000 sq ft across 87 stores.

Reflecting how well it is doing, the company says that new stores are achieving a 23-month post-tax payback against a target of 30 months.

SuperGroup has therefore guided to planned capex of £60-70m for the current year to add another 140-150,000 sq ft of new space. A focus territory will be Germany where it has 26 stores and plans to double its store count.

In the US, online is also performing strongly and five stores will have opened by the year end. In China the joint venture has two stores open but two more will open before Christmas.

Now, at this point it starts to get hugely exciting. The company is finding that adding more



Editorial shareholdings of companies covered in this issue: Altitude, SuperGroup, Telford Homes, Softcat, N Brown, Emis, Fusionex

stores is increasing brand awareness and lifting online sales. And according to one broker, a multi-channel shopper visits c.2.5x more than a single channel shopper, spends c.2.2x more and is c.3x more valuable to SuperGroup.

Internet grew by 50% in FY15

There are already 20 country-specific websites that showcase the entire range. SuperGroup offers a strong delivery proposition with free 48-hour delivery as standard across the world. It has also introduced a click-and-collect service enabling customers to pick up any item from the entire range at a local store, happy in the knowledge that those who pop into stores will likely make an additional impulse buy.

The company has also transformed its distribution facilities by consolidating its UK retail and e-commerce distribution centres into a new 500,000 sq ft site at Burton Upon Trent, which it says will enable it to handle £1bn+ of sales.

It currently costs it more to serve an overseas online shopper than one in store because it has to absorb the shipping cost. But next year will see SuperGroup open two new distribution centres, a big one in Germany and a smaller one in the US, enabling it to get closer to its customers and thus lowering the unit cost of delivery. This is just in time for the launch of its App, which could boost online sales.

Overseas franchised stores

At the same time as opening more owned stores in Europe, SuperGroup is expanding its wholesale bit. This gives a relatively low-risk beachhead into new markets and territories via franchised stores and through trade sales to third parties retailers, such as ASOS, Littlewoods, Next and small independents. Wholesale sales went up 14% to £174m in FY16.

SuperGroup favours the franchise model for international expansion as it allows the brand to grow in a low risk, low capital intensive manner and 75% of the wholesale division sales is represented by franchised stores with the remainder from third-party retailers.

Franchisees opened 48 stores last year to take the total to 260 in 51 countries. Most of the expansion centred around units in the Middle East and Asia but Europe has seen the fastest sales growth in wholesale and Germany has overtaken the UK to become its largest wholesale market.

Overall benefits from weak pound

SuperGroup sources its products from various suppliers in China, India, Turkey and Morocco, with 60% of product now directly sourced. Recall that 55% of sales comes from outside the UK and this offsets any FX-related cost increase from importing goods with buying split 45% sterling/45% USD/10% Euro.

With cash of £85m+ after the special dividend it looks well placed to fund further expansion. My only want is that Sutherland would accompany results with a chunky scrip issue to improve liquidity. Next news is the H1 preclose on 10 November. *Buy.*

TREATT (TET)

Sector :	Industrial Chemicals	
Latest Price :	217.5p	
High/Low :	217.5p - 155.5p	
Market Cap. :	£114.6m	
Shares in issue:	52.7m	
end9/2016 EPS/PER est	11.9p	18.3
end9/2017 EPS/PER est	12.7p	17.1
end9/2018 EPS/PER est	12.9p	16.9
Telephone	01284 702 500	
Registrars	08716 640 300	
CALENDAR		
Int/Fins/AGM	MAY/DEC/JAN	

There was a recent article in the Telegraph tipping six stocks as the next **Fevertree**. The six had little in common with Fevertree apart from the fact they were growth companies but what grabbed my interest was that two of the six were long time *SCSW* favourites, **Clinigen** and **Patisserie Holdings.**

In case you haven't come across it, Fevertree is an exceptional company by any standards. Its mainstay is in premium mixers. The flagship tonic water has quinine from the fever trees in Eastern Congo dissolved in it to give a distinctive bitter flavour and it has taken the mixers world by storm. At any time since its float the shares have looked expensive but it has grown into its valuation with forecast-busting updates delivered with regularity.

If they had asked me to name a more obvious contender for the next Fevertree, I would have suggested Treatt, a mini flavours and fragrances specialist and the subject of this article. Daemmon Reeve joined the business 25 years ago but became chief executive three years ago and has ambitions way beyond Treatt's early roots as a raw material trader. Typical end-products for its natural flavourings and fragrances range from soft drinks, alcoholic beverages and confectionery to soaps, shampoos and basic pharmaceutical products. The key factor driving strong profit growth is that Treatt is turning its attention to sugar free flavourings, which are put in things like energy drinks, flavoured water, teas and craft beer that have been filling supermarket shelves.

"Sugar free" bang on trend

If you look at the share price chart on page 4, it shows that the company is on a growth trajectory and Treatt has also just announced that profits are running ahead of expectations.

During the month I spoke to Reeve. As he notes, the size of the natural food and beverage market is US$40bn and because it's estimated that around 80 per cent of natural flavours are finding applications in the beverage industry, it's easy to see why he is targeting this market.

What is particularly good about supplying flavourings into the space is that it is dynamic and there is a lot of regular innovation. As Reeve says, big beverage firms have regular work taking place in limited edition flavours and seasonal lines whereas if you are a customer using its fragrance in a shampoo or cleaning agent, the formulation changes less often.

But there are some terrific drivers at work. The government has been highlighting sugar's effect on our health with a constant stream of damning research. Sugar is now food enemy number one and is to blame for far more than my hyperactive children and tooth decay. The government wants to fight the global epidemics of obesity and diabetes with a sugar tax and this is a big win for Treatt as it is spurring demand from the big beverage firms for "functional" products, which add flavours without adding sugar or calories.

And as one analyst points out, when it comes to the world of flavours, tags like natural, organic, clean label, green, calorie-free and sustainability have gripped consumers and the beverage firms have launched products that use natural or clean label products to replace their synthetic and artificial counterparts. This puts Treatt bang on trend as just about everything it sells is botanical – in other words, either a plant extract or essential oil. Treatt has 3,000 products in its range including citrus oils, tea tree, lavender, pineapple extract, aniseed, cascarilla bark oils and so on.

As I will also describe below, the way the company sells is changing. Historically Treatt would supply these flavours to food ingredient companies in their formulations (which in turn they might sell to beverage firms) but it has increasingly started to sell directly so keeping more of the margin for itself. With current year sales forecast at £88m, the scope for growth is therefore considerable.

Established in 1886

Reeve is a Treatt 'lifer.' The 44-year-old chief executive joined the business 25 years ago as a lab technician. He then worked in sales and took control of the US division for three years before becoming chief executive three years ago and is clearly shaking up the once sleepy business.

Treatt can trace its origins back to RC Treatt, set up in Bury St Edmunds, in 1886. The business began as a classic old world style trader in raw materials, which it would sell to flavours and fragrance manufacturers who would then blend them together to create highly value added ingredients.

The shares listed on the Full List in 1989. By that time, the family controlled company had become vertically integrated and moved from trading activities to making its own value-added higher margin products by introducing a range of processes including distillation, solvent extraction and blending at the site. A few years later it replicated its UK plant in the US and added a third in Kenya. Having these kinds of skills in house has given the business significant proprietary technology, which is the 'secret sauce' to its exciting future.

More value added products

The more processing that is carried out to raw materials, the higher the margin that is available to Treatt. This is analogous to a pig farmer selling pork or sliced ham; if he has cured and sliced the ham himself, he is likely to make a much greater margin.

Over half of Treatt's sales and 70% of its profit comes from value added products.

When Reeve was appointed to the chief executive position, investors were hopeful he could repeat the magic he worked in the US on the UK side and this positivity enabled the founding Bovill family's 30% stake to be swiftly placed out in 2013 removing a long standing overhang. Since then the shares have been climbing with barely a pause. Results to date have supported this with eps climbing from 6.9p in 2012 to 11.7p in 2015. Margins are at their highest level for a decade and debt at its lowest, so it seems the best is yet to come.

At this juncture, I probably should point out that as with any business that bases what it supplies on natural products, Treatt is not immune to commodity price spikes and raw materials suddenly becoming unavailable at competitive prices but Reeve, who was running Treatt's US business in Florida until three years ago, proved it was possible to manage missteps. In the three years to 2013, he grew profits by 250% in a period that included a major commodity bust.

I can see at least three good reasons why he was able to do that. First, the company's historic strength has been in ingredient sourcing and risk management. It sources its products through long-term relationships with growers and farmers, many of whom have supplied it for years.

Second, the breadth of the product range that Treatt offers to customers means it is exposed to a range of commodities and this means that individual fluctuations tend to even out across a wide portfolio providing a 'natural hedge.'

Third but probably most importantly, Treatt's shift to value added products is reducing gross margin volatility and gross margin has lifted across all product categories.

Best known for orange oil

Ask most investors about Treatt and they will immediately think about orange oil as a flavour, derivatives of which still account for c.20% of sales each year. Exposure to citrus fruits (orange, lemon and lime oil) overall means that the group's gross margin used to fluctuate wildly due to changes in these raw material costs but because there are now other higher value products being produced elsewhere, the impact is diminishing and overall gross margins have been rising. One analyst says that a gross margin of 27% is plausible in the longer term (versus broker expectations of 23/24%).

Treat's reliance on citrus shouldn't be too much of a surprise, as orange is such a popular flavouring. Orange oil like the other oils Treatt sells is not a traded commodity. Volumes produced worldwide are tiny and orange oil is extracted as a by-product in orange juice production by centrifugation of rind, which produces a cold-pressed oil.

The resulting oil is composed of several hundred compounds but the main one is d-limonene, which gives citrus fruits their familiar aroma and is therefore used in perfume and household cleaners for its fragrance and in a range of drinks.

Treatt sources much of its orange oil from Florida and Brazil (lemons from Spain and Italy). There is no correlation in price between orange juice prices and orange oil but obviously the price of orange oil is dependent on weather patterns and diseases such as greening, which causes oranges to drop before they ripen affecting crops. Treatt therefore needs to keep strategic stocks.

Treatt's highly experienced stock teams will monitor these kinds of events but sometimes there can be an unexpected curve ball, for instance when BP began to use orange terpene to clean its oil spill in the Gulf of Mexico, this caused a sudden spike in the price of orange oil, lifting it 7 times higher than its historic average of c.£1.40/kg. In that case this boosted Treatt's profits as selling prices followed the raw material price higher and it was able to sell its older stock.

Targeting beverages market

Obviously if you are selling 3,000 products and are required to keep stock of each, this can impact on stock and cash consumption. Beverages also have a bias towards the summer months so Treatt's H2 is always its stronger half and naturally H2 also comes with a high working capital requirement.

The latter reason is why in 2015, Reeve updated a strategic plan first set out in 2012 to focus on a smaller number of the larger multinational flavour and fragrance and FMCG manufacturers (which presently represent a third of sales) as this would allow trade debtors to improve. At the same time, he made a conscious decision to reduce the number of customers that only purchase basic ingredients.

Reeve has stepped up customer engagement and Treatt is collaborating ever more closely with customers by deploying its highly skilled chemists to assist in managing their flavourings. As Reeve points out, ingredients tend to make up only a tiny percentage of the end product's cost base so price sensitivity is relatively low albeit quality expectations are high.

Treattarome

Importantly, he adds that Treatt's manufacturing processes mean it is able to ensure a consistent flavour profile in high volumes, evening out any variations found in naturally sourced ingredients. This is essential for the large FMCG companies given the importance of flavour consistency and has led to the development of innovative ingredient solutions such as Treattarome and Citreatt.

Treattarome has 50% gross margin and is a range from the "From the Named Food" (FTNF) portfolio of flavours. These are clear acqueous distillates, which are ideal in the beverage sector and is why it has seen big wins with large cap FMCG firms. In other words, a customer can just "plug and play" any of the flavours into their products to see which has the desired outcome.

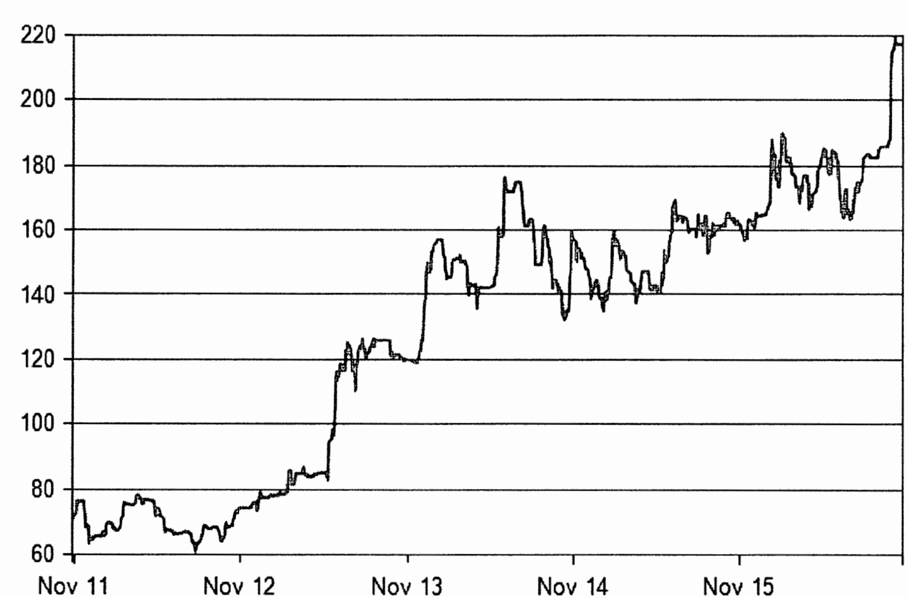
When it comes to "sugar free" products, Reeve also notes that drink firms have been replacing synthetic ingredients with natural ones. Coca-Cola and Pepsi, for example, have both launched drinks that are sweetened with stevia leaf extract but this can give the impression of being a little bitter and whilst Treatt doesn't provide the sweetener itself, the Treattarome range can be used to naturally offset the aftertaste. Think of it a bit like a "building block" that works as part of the overall flavour solution.

FTNF capacity constraints in the UK

By adding value through its manufacturing processes in this way, margins are rising. EBITDA margins were over 10% for the first time in a decade at 10.1% last year and up from 7.8% in 2012. Rivals like Frutarom and IFF have margins of closer to 15%, says Reeve, so there's more to go for.

As FTNF products have begun to play a wider part, Treatt has outgrown the existing facility at Bury St Edmunds, which dates to 1971. Reeves has plans to relocate to a new site and is presently at an advanced stage of buying the land (c.£3m) where construction of a new plant will begin next year at a cost of £15m. The group is also in the best shape financially with net debt down to £6m so this investment would see it rise to £20m or 2x EBITDA. Further news on this should come in November. Reeve says that when the US plant was upgraded in 2006, sales took off, which is a good augury.

Despite an adverse FX movement, broker Investec has just upgraded its forecast by £0.5m to £8.6m pretax profit for eps of 11.9p. The rating might look demanding but that doesn't mean the shares aren't worth buying. Reeve's' record shows that whatever the precise terms on which the initial purchase is made, holders soon do well. Investors who are close to the company aren't selling, making for a tight market.



UPDATES

Telford Homes (TEF) 295p

Sector: Home Construction

Ahead of interims on 30 November, Telford reassured the market by saying it continues to have a positive view of prospects for property in the non prime parts of London where it operates and it isn't revising downwards its expectations following the EU vote. In fact, since the start of September, there have been greater levels of interest and more visitors to the central sales centre resulting in higher reservations.

Telford started the current financial year with a forward sold position of over £650m and has secured 95% of open market completions expected for the year to end March.

As always, Telford recognises profits on handing over the keys and there were far fewer developments completed in H1 17 than H1 16. This is the only reason why profits in H1 will come in a bit lower than last year with a substantially higher proportion of profits expected in H2. This phenomenon is progressively being smoothed by more PRS (Private Rented Sector) or 'build to rent' sales (where profits are recognised on a per cent completed basis) and a third PRS agreement is likely to be completed shortly.

Peel Hunt forecasts eps of 35p this year, with next year seeing jump off to 47p. *Keep on buy list*.

McCarthy & Stone (MCS) 167p

Sector: Domestic Goods

Like Telford Homes, McCarthy & Stone has confounded the doomsayers who have emerged since the EU referendum by reporting that trading conditions (reservations and cancellation rates) have returned to near normal levels. New enquiries have increased and first time visitors to its developments have been noticeably ahead of the prior year. The forward order book is now moving towards a similar level to last year at c.£173m. *Await full year results on 15 November.*

32Red (TTR) 132p

Sector: AIM, Tourism & Leisure

32Red had preannounced H1 record NGR of £30.4m in its update (see September *SCSW*) so no real surprises with results. This was growth of 63% on H1 15's £18.6m including a first time contribution from Roxy and near elimination of £1m of losses in Italy. Pretax profit was £2.5m for eps of 2.8p. Margins improved from 8.2% to 13.6%, demonstrating operating leverage driven by its accelerated marketing spend and an improvement in Italy. As with other operators, mobile became the most important channel and accounted for 50% of casino revenues in H1 16.

NGR for the first eleven weeks of H2 is up 4% like-for-like against last year's strong comparisons and up 9% including the contribution from Roxy. I understand a new analyst has taken over at Numis and reworked its eps forecast to include Italy and share based options in EBITDA and now looks for 8.9p this year with 14p next (despite POC being extended to free play). *Strong hold / buy on dips*.

Dunelm (DNLM) 767p

Sector: Retailers

Dunelm's Q1 statement said that unusually warm weather had a dampening effect on footfall at out-of-town stores. Total sales were -2% at £198.7m with like-for-likes sales -3.8%. No new stores opened in the period but Dunelm has committed to open nine new ones this year, of which four will open by December. Dunelm said it is looking forward to a stronger Q2, which will benefit from weaker comparatives. As the cold nights draw in, new bedding is back to the fore of people's minds. *Keep on buy list*.

Empresaria (EMR) 107p

Sector: Retailers

Empresaria has acquired 65% of ConSol for £9.4m cash. ConSol, established in 2008, is a specialist IT recruiter with a focus on the niche sectors of communications & mobile, cloud technologies and the digital supply chain.

Sales are split between the three main regions of UK, USA and Europe and Consol's specialist focus has led to strong growth with the business expected to make £1.7m this year on sales of £28m. Empresaria will keep the senior management who retain a 35% interest.

Although Empresaria says Consol is a specialist, specialist doesn't always mean success as **Interquest** (ITQ; 36.25p), which operates in the same niche areas, has proven. I might be a bit jaundiced by Interquest and maybe its problem is person specific (those in the know make a reference to chairman Gary Ashworth).

That said, Arden forecasts eps of 11.1p for Empresaria this year and has lifted next year's forecast by 5% to 14.3p. *Tipped at 47.25p in September '14, the shares are up 126%. Strong hold.*

Boohoo.com (BOO) 122.5p

Sector: AIM, General Retailers

The astonishing share price climb continued with Boohoo hitting 125p, up 310% since our September '15 *SCSW* tip at 30.5p and 242% since our January NAP.

Interims show sales up 40% to £127.2m. Pretax profit and eps came in at £14.3p and 1p, respectively. Net cash stands at £67m.

The sales uplift was driven by a strong performance in the UK where sales were up 38%. Strong revenue growth prevailed across international markets too, with European sales up 41% and Rest of World up by 17%.

During the year, 4.5m customers shopped on the Boohoo.com website, an increase of 28%, whilst it also saw improvements in frequency and conversion rates. Boohoo is shy on saying exactly what the cost of acquiring each customer is but says it has benefited from its online analytics and marketing investment has become more efficient aided by online bloggers, so much so that it spent 8% less on marketing in the period. It has also made more use of delivery promotions to drive sales growth. Gross margin was down by 4.8% to 55.3% due to a combination of absorbing that, lower prices and the introduction of wholesale where the ranges are being sold via ASOS. But spreading the unit cost of head office over greater sales helped lift ebitda margin to 12.6%.

The core womenswear ranges of dresses, tops, jackets and footwear continued to perform strongly. A menswear range (boohooMAN.com website) is expanding and in H2 Boohoo will be launching a range of children's clothing.

Management continue to evaluate options on e-tailer PrettyLittleThing.com, a business run by the chief executive's sons. The reported profit included other income of £1.4m relating to warehouse services provided to the brand and its acquisition would be eps enhancing of course, so some nepotism persists. Trading is however impressive although H2 comparatives are tougher. Peel Hunt forecasts eps of 1.8p for the year and 2.2p next. The shares are up with events on a PE of over 50.

Take some profit and leave the rest for free. Gain 302%.

RWS (RWS) 286p

Sector: AIM, Support Services

The shares spiked higher after RWS said it has enjoyed its' best year ever' with revenues of £122m and an adjusted pretax profit of at least £30.5m – up 34% year-on-year and a £2m beat on forecasts, meaning it is hitting next year's numbers this year. This strong performance has been driven by the core translations activity and an 11-month contribution from Corporate Translations (the pharmaceutical translation business). The decline in sterling has also been a big win given that over 80% of its revenues are non-Sterling. Strong cash generation means that net debt is now £1.5m.

Numis has upgraded to £30.5m pretax profit / eps of 8.1p for the year, lifting next year's forecast by 14% to £34.2m pretax / eps 11.1p.

Tipped in July 2013 at an equivalent of 141p (adjusting for the split), the shares have climbed almost 80p since our January update. I suspect further acquisitions will now be under consideration. Hold.

Accesso (ACSO) 1475p

Sector: AIM, S'ware & Computer Services

Another share with a flyaway price is Accesso, which is up 49% since our recent April update and +175% since our main write up at 537p in March '13.

Latest interims were driven by a combination of great spring weather and high theme park attendance, which led to a profit in H1, a period that is usually lossmaking. As it was, sales were up 23% to US$39.7m and adjusted pretax profit was US$2.3m compared to last year's US$1.1m loss. Eps was 15.7 cents.

These results are reported after increasing capitalized software development spend to US$6.2m (from US$2.8m last year) and the fruits are beginning to emerge with contract wins across all four of its divisions. Keynotes:

- Queuing products added two new parks.
- Ticketing, which is the cloud-based Accesso Passport, saw ticket volumes up 31%. Rollout across the Merlin estate continues apace having been rolled out to Japan, North America, Australia and parts of Europe, to be followed in 2017 by its Asian attractions.
- The ShoWare online ticketing platform, which is focussed on smaller customers than Passport, picked up 41 new customers.
- Siriusware, the point-of-sale and guest management software, won 11 new contracts. It is being expanded into the sports market.

In terms of outlook, extremely hot weather in the US during July/August had produced weaker trading due to reduced attendance but brokers have kept forecasts intact. Numis forecasts US$13.8m pretax profit / eps 46.1 cents for the year to end December with US$17m/56.7 cents next year. *Take a part profit and run the rest*.

Softcat (SCT) **322p**
Sector: IT Services

I was rather surprised not to see shares in Softcat take off the day of its results, which were accompanied by a £28m or 14.2p a share special dividend (ex 17 Nov).

As it was Softcat's results showed it outperforming all its peers with sales up 13% to £672m. Gross profit grew by 17% showing it is selling more higher value solutions (security, networking and data centre infrastructure). Pretax profit was £47m and eps was up 16% to 19.1p. Net cash at the year end was £62.4m

Softcat has now delivered 44 consecutive quarters of revenue and profit growth – a period that includes 2008-09 when the global economy was in a near meltdown, the uncertainty of the EU referendum and the falling pound – in fact CEO Martin Hellawell says that, if anything, the company saw growth accelerate during H2.

Hellawell expects to open one new office a year: number six was in Glasgow and overall Softcat continues to win large numbers of new customers (up 8% to 12.2k) as well seeing existing ones spending more with it (gross profit per customer up 9% to £9.9k).

Gross margin excluding one-off procurement benefits was 17.4% (up 20bps YOY). Hellawell says currency movements did not create a material impact as higher prices were passed through and Softcat has also absorbed a lower margin from its growing public sector accounts (which is up from 26% to 29% of sales). *H1 has started well. Very strong hold.*

Filtronic (FTC) **10.6p**
Sector: IT Hardware

Filtronic's AGM heard it has traded strongly in Q1 with sales of £11.7m, up from £2.2m last year, and returning the business to the black with a profit of £1m versus a £2m loss. Net cash was £0.9m.

The improved performance is almost all driven by the Wireless side and sales of its ultra-wide band integrated antennas to a tier one customer. To address its single customer concentration, Filtronic Wireless has recently recruited additional experienced senior sales executives in Europe and North America to target opportunities.

Panmure forecasts £1.4m pretax profit for the year to end May but given Q1 has recorded £1m already and there's scope for further contracts from its tier 1 customer, this seems to be erring on the low side. Next year's target is £3.2m pretax profit and eps of 1.2p. *Tipped at 8.4p in May '16, hold for more.*

Scapa (SCPA) **286p**
Sector: Speciality Chemicals

Scapa has issued a trading update showing H1 sales and profits are all ahead of last year. It has benefited from recent favourable currency movements and better than expected operational efficiency. EuroMed, acquired in May, has bedded in well. *Await results on 22 November.*

Photo-Me (PHTM) **153p**
Sector: Retailers

Photo-Me has gone ex the 6.2p dividend but should nevertheless be trading higher. The AGM was told that sales in the first four months have improved by 18%.

Of course, if you are adding more machines you are going to raise the depreciation charge, which is going to lower the pretax profit line (which is said to be 14% higher) but cash eps will be rising at a terrific rate.

There is also a favourable currency tailwind with the pound down almost 20% since Brexit. It seems broker Finncap is still in abeyance as the analyst says he isn't upgrading despite noting that "half of H1 profits are traditionally achieved in September and October." At least they have a 185p target. *A 13-bagger or so since the early SCSW tips. Await upgrades.*

Redcentric (RCN) **150p**
Sector: AIM, IT Services

Ahead of reporting H1 results on 14 November, Redcentric said that it has continued to see good organic growth with a mid-teens revenue growth in its core recurring revenue base. Separately, it announced the sale of the fibre networks in Cambridge, Southampton and Portsmouth (a legacy of its Redstone days - it is no longer digging up roads) for £5m to **Cityfibre** (CITY; 54.5p). At the same time it signed a 10 year network access agreement and the transaction is earnings neutral. This leaves it concentrating on its IT services side whilst also reducing debt to c£16m or 0.6x annualised EBITDA.

Numis forecasts eps of 10.9p for the year to March, lifting to 12.1p next year. *Strong hold.*

Clinigen (CLIN) **739p**
Sector: AIM, Pharmaceuticals

Latest full year results show Clinigen has found its second wind. We had felt it would when we noted last month that the fall in Sterling was going to benefit it (80% of gross profit is outside the UK). As it was, sales grew to £345m driven by the acquisitions of Idis and Link. Pretax profit was up from £28.8m to £48.8m for adjusted eps of 33.1p.

Reported gross profit increased 79% to £102m and had all the constituent parts been in place for both years, gross profit would have been up 7% on a proforma basis.

These results are reported across five divisions. Specialty Pharmaceuticals (SP) saw 10% growth in gross profit to £31.9m and its high margins make it the swing factor. To recap, SP acquires the rights to and then revitalises essential niche hospital-only medicines, which are often not a priority for investment by the former owner. The original drug, *Foscavir,* continued to grow modestly (although it is still 20% of group profit) and instead the strong divisional growth was driven by the revitalisation of the newly acquired ones: *Ethyol*, a dry mouth treatment for patients undergoing radiation therapy, and two oncology drugs, *Cardioxane* and *Savene*. And even if the process to lift the Article 31 restriction on Cardioxane (which limits usage in certain adult patient populations) is dragging on, these collectively achieved a 31% increase in gross profit.

Of the other divisions, CTS, which supplies comparator drugs for trials, had a blowout year with 21% growth in gross profit to £19.7m as a strong H2 followed the flat H1.

The Managed Access division, which supplies patients in hospitals with drugs on a named basis that would be otherwise unavailable to them, saw proforma 5% growth in gross profit to £26.5m. This was helped by several important new programs starting and it now has 108 programs under management for 19 of the top 25 pharma/biotech firms.

Finally, Idis Global Access, a newly formed leg and the global leader in unlicenced medicines, was marginally ahead (£13.8m gross profit). The Link business (£10m gross profit, -11% impacted by Fx) has strengthened its global footprint by adding three key hubs in Singapore, Australia and South Africa. It also has some 100 actively marketed products, which have been licenced in single markets and which will be moved into the SP division once the vendors have been paid their earnout next year.

Cash flow was strong and has reduced net debt to £68m or 1x ebitda and with headroom of £131m, further deals are possible although it may take time as Shaun Chilton is only just getting his feet under the table as CEO (replacing Peter George). Even without a deal, N+1 Singer forecasts eps of 40.2p this year. *Buy.*

Majestic Wine (MJW) **425p**
Sector: AIM, General Retailers

The market's honeymoon with Majestic Wine has come to an end. Whilst the UK retail chain has performed well as has Naked Wines in the UK and Australia, the company warned that current year profits will be below expectations due to two factors. First, commercial sales (sales of wine to pubs and restaurants) have been flat year-on-year versus expectations of double digit growth. Naked Wines in the US has also experienced several unsuccessful direct marketing campaigns. Each of these factors will reduce EBIT by £2m. Investec has lowered its eps forecast for the year by 24% to 12.8p with next year's cut by 17% to 18.9p. *Await interims on 17 November.*

XL Media (XLM) **102.5p**
Sector: AIM, Media

Shares in the online performance marketing company went over £1 for the first time following interims. Sales were up 39% to US$51.2m and operating profit was up 44% from £11m to £15.8m. Pretax profit only showed a 20% improvement to US$15.8m due to the prior financial year US$2m FX gain on its hedging, which did not recur this year. Net cash at the year end was US$42.9m.

Gross profit reached US$27m. The standout was the Publishing side, which grew sales largely organically by 48% to US$21.3m with gross profit increasing 53% to US$17.8m, widening the gross margin to 83.5%. This division has "owned real estate," namely a number of websites that generate traffic, which XLM sells to gambling firms, taking a fee for each converted user. But as always, the company is coy on giving out even the most basic information, such as the names of any of the 2,000 websites it runs, lest a competitor decides to replicate them. This means you just have to take everything on trust - a difficult thing for investors in a foreign AIM business to do and this explains the low rating.

Media, which includes the Facebook advertising side, grew its sales by 39% to US$24.2m with profits climbing 35% to US$8.4m, a 34.7% margin. It includes DAU-UP, whose mainstay is in marketing for the social gaming vertical mostly on Facebook and its business is predominantly in the US. XLM is focused on performance-based revenue models and uses its in-house proprietary systems to run thousands of simultaneous campaigns, which yield positive ROI for its customers, although it says it will see softer trading due to reduced demand from a small number of customers.

The affiliate business was also ahead at US$5.6m sales and a US$0.7m profit.

XLM was tipped at 66.25p in April '14 :- a 55% gain. Set stoploss at 90p. Strong hold.

Fusionex (FXI) 192.5p

Sector: AIM, S'ware & Computer Servs.

Our Buy note last month was prescient with the company since confirming that revenue will be in line with market expectations and, despite the significant planned investment in the marketing and promotion of Fusionex's products, EBITDA is expected to be significantly ahead of market expectations. *Strong hold.*

Digital Barriers (DGB) 44p

Sector: AIM, Support Services

There has been a string of announcements since September including US$10m of contracts with various US law enforcement agencies for its ThruVis camera technology for mass-transit security that can detect objects such as weapons and explosives concealed under clothing.

For the six months to end September, Digital Barriers said that sales, which will include Brimtek for the first time, are expected to be double that achieved last year. Both organic revenue and adjusted losses are expected to be broadly flat year-on-year, although neither of these include the benefit of material US government contracts, which will be delivered in H2. Including the September contract awards, the Group has secured approximately 50% of the Board's revenue expectation for the financial year as a whole. *Strong hold.*

N Brown (BWNG) 194p

Sector: Retailers

BWNG has reported its H1 results to end August with its digital transformation making further progress.

Sales for the period were up 1% to £429.4m driven by product revenue +0.6% to £300.9m and financial services +1.9% to £128.5m. Adjusted pretax profit was said to have beaten consensus but was still down 20% year-on-year from £39.4m to £31.6m. Adjusted eps were down from 11.2p to 9p. The 14.2p dividend was held.

On the plus side, online penetration is now 68% of sales, which is up 5% year-on-year. Online revenue is up 7.5% year-on-year and Power brands (particularly JD Williams) continued to outperform. That's the good news.

The not so good news is that although BWNG launched its new USA website during September, it said that in order to minimise risk it has extended the timetable for the Fit4Future programme and the first UK brand will now transition to the new platform in Q1 18 (calendar quarter ending May 17). The scale & timing of targeted benefits remain unchanged: £45m (before any reinvestment) to begin realising in FY18 & fully delivered from FY20.

On top of that, gross margin has fallen back sharply, declining by 190bp to 55.9% on top of a 130bp fall in H1 last year, such that H1 product cash gross profit was -3% year-on-year and management has reiterated its guidance of a £7m FX headwind to FY18 PBT. Fewer customers were also taking finance in favour of cash, which is where BWNG has made its greatest profit. Net debt is £286.7m (H1 FY16: £239.8m).

Although the shares climbed following the interims, it seems that CEO Angela Spindler is now in the last chance saloon. Management says that despite the headwinds they remain comfortable with forecast eps of 22.5p for the full year but BWNG has begun to deliver 'stub' years a little too often. *Await developments.*

Entertainment One (ETO) 235p

Sector: Media

Having rejected **ITV's** 236p offer in September, ETO has said that performance in H1 was in line. On the TV side, ETO is targeting 1,100 half hours in the full year (compared to 998) with a swathe of drama re-commissions and a strong H2 pipeline. Mark Gordon has started delivery of *Designated Survivor*, the first series under its new independent studio model. This premiered strongly on ABC with 'very strong' international sales. The second new series, *Conviction*, is in production. Five older high profile MGC series have re-commissioned. On the Family side, *Peppa Pig* saw international growth with US merchandise demand above expectations and the show proving very popular in China where merchandise has also been launched. The new 52 episode series is delivered this year.

Although the Film Division released fewer titles (85 verus 96 last year) it had higher profile, bigger releases and delivered increased box office takings by 56% to US$151m. A significant release in H1 was *The BFG* (£30m UK box office) and H2 includes *The Girl on the Train*. Management continues to focus on delivering cost efficiency opportunities to reduce costs by £10m from FY18. Positive front catalogue performance bodes well for back catalogue sales.

A new independent valuation of ETO's television, family and film assets has been carried out and the catalogue was valued at US$1.5bn at the end of March ($1bn before). Of that, c.US$300m is from the acquisition of a 35% interest in Peppa Pig and so implies a US$200m uplift.

Investec forecasts eps of 18.7p for the year to March, lifting to 21.5p next year. *First tipped at 69.5p in May '10 when nobody had heard of ETO, the shares are starting to look a buy once more at current levels.*

Quantum Pharma (QP.) 43.75p

Sector: Pharmaceuticals & Biotechnology

Quantum has raised £15m through a placing of 44.1m shares at 34p. This followed the release of interims showing sales up 25% to £42.8m while adjusted operating profit was £4.2m, down from £5.5m.

The main contributor remains Specials, which grew sales to £28.7m (H116 £27.4m) and adjusted operating profit was £5m (down from £5.8m).

Niche Pharma, the high margin licenced product bit, grew sales to £2.8m and is at breakeven (from £1.5m). It has now launched 15 products and has another seven approved (not yet launched or out-licensed) and so seems to be working better. Medication Adherence sales doubled to £11.3m (£5.4m; small loss 0.2m).

The real bad news and what hit the share price was that QP said it planned to close NuPharm, a business only acquired in July 2015 and which has continued to be loss making. Its closure will enable QP to focus on the Niche Pharma pipeline and is the background to the placing. Quantum ended the period with net debt of £23.8m so the placing goes some way to repair the balance sheet.

There has also been a massive sweep to the board with the recently joining FD (Chris Rigg) moving to the CEO's role. Other new joiners include one of the largest shareholders, Christopher Mills, as non exec (CEO of North Atlantic Smaller Companies Trust).

The shares now look well oversold. Speculative buy.

EMIS (EMIS) 847p

Sector: AIM, Software & Computer Services

EMIS continues to make progress even if it has to contend with a disorganised NHS. Speaking to CEO Chris Spencer last month following H1 results, he noted that the period saw the NHS deadline pass for trusts to submit their accounts as part of NHS Sustainability and Transformation Plans (STPs). In a typical shortsighted manner, some clinical commissioning groups (CCGs) then decided to hold back spend to make their accounts appear more sustainable because it would improve their chances of getting more money.

Thankfully that deadline has now passed and the STP is expected to allocate £1.8bn to the paperless NHS agenda - digitising will drive financial and operational efficiency as well as better patient outcomes – and STP has also released circa £0.5bn to the completion of National Programme for IT contracts (look out for anything in the Autumn Statement on 23 November). This puts EMIS in good stead as it is the only operator able to provide a truly integrated solution for all areas (primary, secondary, community pharmacy, CCMH, specialist care).

Against that backdrop H1 recorded 1% growth in sales to £78.7m but the better picture is painted by recurring revenue, which went up 6% to £64m – so recurring is now 81% of the total. Adjusted pretax profit was up 5% to £17.7m with eps up 8% to 22.2p.

Divisionally, EMISWeb maintained its market leading 55% market share with GPs in the UK. In Northern Ireland, iEMISWebmplementation is about to start.

In CCMH, EMIS picked up seven contracts (£3.5m over 5 years) and has grown share to 14%. Cross selling is working a treat and Spencer highlights it is now sole supplier to 23 CCGs for both primary care and CCMH.

In community pharmacy, the Lloyds Pharmacy/AAH contract to roll out its pharmacy dispensary management system has begun, which will balloon its market share close to 50% from 36% presently.

The only disappointment is hospital systems where EMIS picked up several small contracts but has seen a slower rate of large contracts let by the NHS but several cost reduction measures should benefit H2, says Spencer.

Meanwhile, Specialist & Care (diabetic eye screening imaging service) saw five material contract wins. Tender activity is at an "unprecedented level." Despite absorbing bid/mobilisation costs, it's pleasing to see overall operating margin climb. The £9m debt has been paid off completely in the last six months.

Peel Hunt forecasts eps of 50p for the year ending next month with 55p in 2017. *Their target is 1220p. Keep on buy list.*

UPDATES & IDEAS

• Bears are having a field day in consumer shares so if we are heading to a period of choppy economic times, Morses Club (MCL; 120.5p), which provides unsecured short term loans ranging from £100 to £1,000 through Morses agents who visit a customer's home and collect weekly or monthly repayments, looks tailormade. Although founded in the late 1800s, Morses in its current form emerged in 2009 when RCapital acquired the home collected credit (HCC) business of London Scottish Bank and merged it with Shopacheck, creating the second largest home collected credit business. The shares joined AIM following a placing at 108p in May, which left RCapital with 51%.

Most of us are fortunate enough to have access to mainstream banks but the reluctance by UK banks to lend to those with black marks on their credit file leaves 12m people who are "cash and credit constrained" and 3m turn to a HCC service regularly. Morses has a personalised service, including face-to-face interviews and takes each case on its merits, based on levels of income, assets and absence of county court judgements.

Morses Club has a fixed interest rate of 50% on a 20 week loan, 65% on a 33 week loan and 82% on a 52 week loan. It might look eyewatering but HCC became an FCA regulated space in 2014 and although payday lenders such as Wonga had price caps imposed, HCC was unaffected because the regulator decided that face-to-face lending allows a better assessment of lending versus remote loans.

There are currently 1,800 self-employed collection agents, undertaking collections across 207,000 households. Larger rival Provident Financial has 900,000 customers but Morses continues to add new agents from other HCC firms and pays them more (c.10% of the money they collect). New agents need to build a loan book from scratch, which penalises short run earnings but customers then use their services repeatedly.

To support growth, Morses has cut the duration and size of its loans, which is increasing the yield on the book. The average loan is £553 and 50% of loans have a term of 33 weeks, up from 38% a year ago. Second, Morses is launching its online offer shortly, which could deliver spectacular returns as there is a trend for customers to seek credit online, particularly amongst a more affluent and younger demographic. Third, increased regulation is weeding out weak players and Morse has completed six deals and added £7m of receivables this year. Despite that it has virtually no leverage.

Of course, HCC isn't risk free. In H1, bad debts as a proportion of revenue was 22.5% but it still made a pretax return on receivables of 30.4%. The bad debt level was higher than the previous year when Morses had acquired fewer new customers (with the highest risk) and Panmure reckons underlying growth in profits is 23%. The eps forecast is 10.7p this year and 11.4p next. *A director just bought 200,000 shares at 129.6p. Follow his lead. Buy.*

THE GROWTH PORTFOLIO 3

PERFORMANCE TABLE		Change on One Month	Since Start
Growth Portfolio		+6.67%	+40.31%
FTSE-100	6996.26	+1.26%	+6.85%
FTSE-All Share	3790.30	+0.76%	+7.55%

A good month for Growth Portfolio 3 mostly down to Altitude (although Kainos also had useful gains and Softcat announced good results and a 14.2p special dividend). Since operations started, GP3 is up 40.3% against the two benchmarks, which have risen 6.9% and 7.6%.

Altitude became a four bagger in just two months and the obvious reason for this is that the company was under researched when we featured it. As I said two months ago, its broker, WH Ireland, had been so jaundiced by the past that it had produced no research for years. In fact, when I met CEO Martin Varley he said he hadn't been in the City for two years. It happens from time to time. I remember the first time was with Blacks Leisure years ago; at a time when the analysts had all written off the firm, I called the chief executive on his mobile catching him on the way to open his eighth new store for the year and brokers hadn't cottoned on. A ten bagger. There are more recent examples - look at Filtronic. No notes at the time we wrote about it. Now up 26% in six months. With the market set to get choppier, I suspect brokers will again be culling small cap teams, creating a medley of lucrative opportunities.

With *SCSW* lighting the fuse on Altitude, WH Ireland's initiation note says the click2ship software could "generate significant free cash for the business with virtually no cost of sale" and they set a 300p target. In the end after the near vertical gain GP3 decided to sell 10,000 shares at 101p, leaving a 'free carry' of 20,000 shares. We also added some SMS. The shares were on a bit of a run but I had set a buy price I was happy to pay and waited a few days for completion.

This month I revisit SuperGroup, which is already in GP3. Interims are 10 November so timing-wise I am a hostage to fortune but broker Canaccord's view, which I share, is that "after the capital markets day everything we saw and heard should clearly underpin investor confidence on delivery of consensus forecasts over the medium-term." In 2017, SuperGroup opens distribution centres in Germany and in the US, enabling it to get closer to its customers and in turn lowering the unit cost of delivery. This leverage together with the new App will see online sales surge. It might even see it open fewer stores in favour of handling more stuff online. A prospective PE of 15.8 versus 68 for Boohoo is too low.

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 (£)
4000	*+	Paysafe	2/1/15	215	8688	434	17360
3500		Patisserie Holdings	19/1/15	265	9320	285	9975
1000		SuperGroup	2/2/15	938	9472	1355	13550
1000		Staffline	27/4/15	939.5	9440	820	8200
5000		Kainos	6/8/15	197.5	9969	203	10150
1000		EMIS	1/10/15	1045	10495	847	8470
3000		Softcat	7/12/15	288	8685	322	9660
4000		Styles & Wood	29/4/16	224	9005	405	16200
4000		IG Design	5/8/16	220	8845	270	10800
20000	*	Altitude	5/9/16	24	4845	82.5	16500
1750		Smart Metering Group	14/10/16	544	9565	525	9188
						Cash £	10260
						Total £	140313

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

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