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We write about technology stocks every month for our subscribers, sharing the opinions and advice we have gathered from our own in-house research and from the resources we have carefully gathered over many years. The editorial team has been producing Techinvest since 1984, advising clients on exactly which shares to buy and sell as new technology unfolds.

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Andrew McHattie
Publisher

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TECHINVEST

Stockmarket Newsletter

MARKET COMMENT

After making a good start to the month, equity prices have slipped back in recent trading days. Since the last issue of Techninvest the FTSE techMARK Focus Index has dropped by 1.5%.

We noted last month that the FTSE techMARK Focus (formerly the techMARK 100) had moved into record high territory and that it would not be surprising to see selling pressure emerge around the 4500 level. That is pretty much what happened in October; the index started the month by rising strongly and passing through 4500 at one point, only to meet strong resistance that saw prices trickle down again towards the 4300 level. The index has a key support level at 3900 and providing that holds over the next few weeks, we think there may be another drive to push through the 4500 mark.

The positive showing by equities this year confirms that the bull market, which dates back to 2008, remains in force. Tech has been in the vanguard throughout this long period of share price appreciation. Yet, the gains have been steady rather than spectacular so far. Maybe there has just been too much economic gloom around in recent years for investors to be swept up into the frenzy of buying that characterises a stockmarket boom. At the height of the dotcom bubble, tech stock prices could double or more in the space of a few days. Boom times on that scale still seem a long way off today, despite the excellent showing by tech in recent years.

Some highly respected commentators are, though, starting to speculate on whether the steady outperformance by tech in the last few years might

actually foreshadow a new explosion of interest in the sector. See, for example, the thought-provoking comments in this month's boxed items from Keith Woolcock and Richard Holway. Both men are deeply experienced and highly regarded for their astute reading of the tech market over many years. Lending weight to their upbeat assessment are two news items during the month that in context may be highly significant: one is the takeover offer by AT&T for Time Warner, which would create a multi-media powerhouse for the digital age; the other is the news that Microsoft's share price has at last surpassed the high it achieved at the height of the dotcom boom. Symbolically, if nothing else, what these two pieces of news point to is the prospect that tech may now be moving out of the shadow of the dotcom era, looking forward with confidence to a bright future rather than shackled by the fear of repeating the mistakes that saw the dotcom bubble burst so spectacularly.

Equally, however, there were reminders during the month that no matter how strong are the secular trends supporting tech today, concerns about the state of the wider economy remains a powerful restraining force on investor sentiment. Capita's profit warning showed that even the strongest players in business outsourcing are feeling the pinch of government and corporate cost cutting. NCC also warned during the month, but this time it was more to do with execution related to a recent acquisition. A tech boom is never going to be a one-way street; it brings risks as well as opportunities. Executing well when a company is pushing forward to take advantage of strong markets can be extremely difficult to pull off, and good stock pickers will remain grounded enough to appreciate the dangers at the company level even while recognising that tech may currently sit in an especially sweet spot.

UPDATE

New subscribers should note that Update provides comment and reviews of previous Techninvest New Buy ratings until they are no longer worth holding in our view. This is a service to regular readers and as such the notes are written in the context of the original tip.

A rating such as "Hold" means that someone who bought at or close to the tip price is advised that the shares are worth holding, even though they could still be a worthwhile buy. Sometimes a previous tip is again rated a buy. This normally arises where for no apparent reason the price is below the original tip or where subsequent good news justifies a further purchase at a higher price.

Except where noted shares are on the London Official List.

Amino Technologies 153.5p (AMO; AIM)

AIM-listed Amino Technologies, the Cambridge-based provider of digital entertainment solutions, has announced that trading has beaten expectations for the ten months to September 31, helped by record orders in August and currently favourable exchange rate effects. Revenue and adjusted pre-tax profit for the full year are now forecast to be ahead of current market expectations, with management adding that the strength of the current order book points to continued growth for the next financial year.

A Capital Markets Day is due to be held for analysts and institutional investors in London on October 31, and the presentations made by Amino's management team should subsequently be available for all to view on the company's website (www.aminocom.com).

Continue to Hold.

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Strong fundamentals

dotDigital **New Buy**
Compelling market position

FTSE100	7017.64
FTSE Small Cap (excl Inv Cos)	4373.35
FTSE techMARK Focus	4295.89

*All prices are as of the close of business on
Tuesday October 25*

CHANGE OF ADDRESS

You will see from the details on the back page that we have joined forces with the experienced newsletter publishers The McHattie Group and have moved address to Bristol. The newsletter is now regulated by the Financial Conduct Authority in the UK, and The McHattie Group will be looking after our future subscriptions, but you should not notice much else in the way of change. The existing editorial team is still in place, continuing our work as usual.

Mega Tech Fund

SoftBank and Saudi Arabia's sovereign wealth fund are preparing to launch a new tech fund that will manage as much as US\$100bn, in a move that will create one of the largest tech investment funds in the world. The new fund, dubbed the SoftBank Vision Fund, will be based in London and seeded with US\$25bn from SoftBank and up to US\$45bn from Saudi Arabia's Public Investment Fund over the next five years.

The unusually large fund underscores investors' enduring appetite for tech sector investments, even amid concerns in Silicon Valley about inflated valuations for late-stage start-ups such as Uber and Airbnb. SoftBank said the fund would be investing over a five-year time horizon, which at US\$20bn a year would represent roughly a quarter of total annual investments in US-based venture-backed start-ups. It did not say whether it would focus on start-ups or later-stage tech companies.
Financial Times, 14 October 2016

Bond International (BDI; AIM)

1 2 4 p

There were further twists in this ongoing takeover saga during the month, with Bond withdrawing its recommendation for the takeover offer from Constellation Software after receiving improved terms of around £19.4m for the sale of its recruitment software subsidiaries from the private equity firm Symphony. As part of the deal, Symphony would also acquire Bond's real estate asset for £1.8m. The total distribution to shareholders from the Symphony deal would be between 121p and 122p per share, with an initial distribution of between 115p and 116p per share - a premium to the 115.5p total distribution from the Constellation offer. A general meeting was scheduled for shareholders to vote on the asset sale.

Since the interest from Symphony surfaced, however, Constellation has made a last-ditch attempt to turn the tide again, with a 'final increased offer' for Bond of 121p per share which they suggest offers shareholders greater certainty. Constellation already owns nearly 30% of Bond's shares. Bond initially recommended that shareholders accept this increased offer. However, Symphony has since come back with a higher offer, anticipated by the Bond directors to be worth between 127p and 129.5p per share. Bond has now withdrawn its recommendation to accept the Constellation offer and is supporting the revised higher offer from Symphony.

It remains to be seen if Constellation will return with a higher offer, or another bidder will enter the fray. The current bids are at the lower end of what we think Bond is worth, but Constellation had described its latest offer as its final increased offer. Await developments.

EDITOR Andrew McHattie

PRINCIPAL CONTRIBUTOR Michael Kirby

CONTRIBUTORS Conor McCarthy
Darren Freemantle
Keith Woolcock

SUBSCRIPTIONS Sarah McHattie

Gresham Computing (GHT; Software & Computer Services) 11 4 p

Gresham has agreed to buy C24 Technologies for an initial cash consideration of £3.41m and deferred cash of up to £1.14m. The consideration for the acquisition will be met partly through a placing of ordinary shares to raise £3.32m. C24 Technologies is a leader in standards based financial messaging and integration solutions with an established global customer base. The acquisition, which is expected to be earnings enhancing in the first full year, doubles Gresham's customer base by adding a further 35 recurring annuity-based customers in the financial services markets in the UK, Europe, North America and Japan. Moreover, C24 Technologies' proven technology will enable Gresham's flagship Clareti platform to connect to industry standard financial messaging networks thereby expanding the market opportunity for the Clareti products. C24 Technologies also has additional, as yet un-commercialised, intellectual property that complements Gresham's fast data management development activities.

Gresham has also announced that a general meeting will be held on November 17 to approve a change of name to Gresham Technologies.

The acquisition has a compelling strategic and financial rationale and should accelerate Gresham's ambition to be the global category leader in enterprise data integrity solutions within financial markets. Strong Hold.

CityFibre (CITY; AIM) 5 6 . 5 p

The company has won an additional contract with an initial value of £3.2m from existing partner Onecom. The five-year agreement commits Onecom to 300 incremental connections across CityFibre's existing network assets in Coventry, Leicester and Nottingham.

In September, CityFibre announced a new trading relationship with Onecom as the commercial launch partner on its Southend-on-Sea network, which is currently under construction. As the largest operator in the Vodafone Partner Programme, Onecom will be leveraging its expertise in the business connectivity market to offer ultra-low-latency gigabit services to business customers in the four CityFibre cities (including Southend-on-Sea), allowing these customers to access cloud-based services, IP voice, video conferencing, and remote backup at ultra-fast speeds.

The relationship with Onecom is developing quickly and has the potential to further accelerate the take-up of CityFibre's growing network footprint. Continue to Hold.

Digital Globe Services (DGS; AIM) 5 7 . 7 5 p

The Resource Group International (TRGI) has announced it has reached agreement with DGS' independent directors on the terms of a recommended cash offer at 60p per share for that part of DGS it didn't already own. The offer values the online outsourcer DGS at approximately £18.0m and represents a premium of 82% to the closing price of 33p on the day prior to the takeover announcement.

TRGI said that on the date of the announcement it owned approximately 46.31% of the issued share capital of DGS. TRGI's offer was part of a twin move, as it agreed separately to acquire the back office outsourcer IBEX Global Solutions for 109p per share. The intention is for both IBEX and DGS to be delisted from AIM upon completion of the deals.

Earlier in the month, DGS reported that continued growth in the core business and new verticals contributed to record revenue for the year to June 30, though the bottom line was hit by a significant write down and impairments. Revenue increased 19% to US\$47.8m, with revenue from verticals outside of the company's core telecoms and media clients rising to US\$19.2m from US\$15.3m a year earlier. Gross margin fell to 27.6% from 32.7% due primarily to increased marketing investment in core business and new verticals in the second half. Gross profit remained level at US\$13.2m and adjusted EBITDA declined by US\$0.5m to US\$2.5m. Net income was a loss of US\$4.9m (2015: profit of US\$0.26m) driven primarily by non-cash goodwill impairment of US\$1.4m, a write-down of US\$3.3m of ageing accounts receivables and US\$0.8m of revenue reversal due to a change in revenue recognition policy for merchant activity. DGS said that gross margins and EBITDA are expected to recover to historic levels as new business matures and as the company achieves returns on the monetisation of its technologies through third parties and new verticals. The balance sheet remains strong, with cash on hand at year-end of US\$1.3m and no long-term debt.

Operational highlights during the period included significant investment in people and technology in order to expand into new verticals and geographies. This included the acquisition of a US-based contact centre to drive profitable growth in the expanding satellite vertical and the launch of *7degrees*, a social media advertising services agency, to extend further into this rapidly growing market segment. Management added that further investment in dgSMART and dgsAPI is likely to drive margin improvement going forward. DGS also won its first major European telecoms customer which is expected to start generating revenue in the current year.

We made DGS a new buy in April at 76p, but the share price drifted back over the summer due to concerns about the high level of investment in new industry verticals and impairments. In our view the 60p offer is disappointing as we think it undervalues the recent investment in the business and the growth potential it offers. There may be little to stop the deal going through, however, given the agreement of the independent directors and the large stake of DGS that TRGI already owns. Holders should await the offer documents.

Sandvine (SVC; Toronto) C \$ 3 . 0 2

For its third quarter to August 31 Sandvine reported revenue of US\$26.1m, a 4% year-on-year decline. Net income was US\$1.5m, resulting in earnings per share of 1 cent. Net cash and equivalent at August 31 were US\$139.0m (C\$1.36 per share). Nine new customers were won during the period.

For the second consecutive quarter and the second quarter in its history, Sandvine had no 10%-plus customers. Wireless comprised 60%, DSL 22% and Cable 17%. Gross margin was 77%, down from the year earlier 80%. R&D was running at an annualised rate of 22 Canadian cents per share. A new product 'Traffic Steering Engine' was launched, aimed at Communications Service Providers deploying next-generation NFV and Service Function Chaining at a large scale. Consensus earnings per share forecast for the current year to November 30 is 16 cents and 19.4 cents for next year.

We think the shares are likely to run up in advance of the next results, due very early in the New Year. Continue to Buy.

Filtronic **10.875p**
(FTC; AIM)

Trading in the Q1 to August 31 was strong, with revenues of £11.7m compared to £2.2m in the corresponding period last time. Operating profit was £1.0m against a loss of £2.0m in the first quarter of 2015. The net cash balance at the quarter end was £0.9m. These results demonstrate significant improvement when compared with those achieved in full year 2016 where revenue was £13.6m with an operating loss of £7.0m and net debt of £0.4m at the period end. The improved financial performance was primarily driven by sales of Filtronic's new ultra-wide band integrated antennas to a lead customer after the successful production ramp in the final quarter of fiscal 2016, together with growing demand for mmWave backhaul products and base station filters.

Filtronic noted, however, that while it remains confident on its outlook, it is mindful that results have been driven primarily by demand from one customer for a single product type. In addition, installation of the antennas which have boosted sales are skewed towards the spring and summer months, meaning revenue is likely to decline in the second and third quarter of its financial year against the first. To address the issue of customer concentration, Filtronic Wireless has recently recruited additional experienced senior sales executives in Europe and North America to target opportunities with mobile network operators. Initial feedback from potential clients has been favourable, though the company warned that building business will take time and it does not anticipate appreciable sales to new customers from these new initiatives until fiscal 2018.

It's good to see Filtronic stepping up efforts to reduce its reliance on a few key customers. We made the shares a new buy at 5.38p in March, noting that trading was improving in the business and the underlying technological assets looked undervalued. Continue to Hold.

GAN **41.5 p**
(GAN; AIM)

For the six months to June 30, GAN has reported that gross income increased by 21% to £15.9m. Net revenue was up 35% to £3.9m, of which 64% originated from the US. Net revenue attributable to Simulated Gaming increased by 75% to £1.4m, while net revenue from real money Regulated Gaming grew by 21% to £2.5m. The loss before tax narrowed slightly to £2.3m from a loss of £2.6m in the same period last year. Cash and equivalents at the period end amounted to £4.0m (6p per share). GAN successfully completed share placings raising gross proceeds of £2.6m in Q2 of 2016 and a further £1.8m in the third quarter, positioning the business for further growth.

GAN said that the rapid growth in Simulated Gaming revenues is particularly important as it expects that over time this income flow will substantially compensate for the slower than expected pace of the development of real-money internet gaming in the US. The company added that it has already seen a major uplift in player activity in Stimulated Gaming ahead of the seasonally strong Autumn/Fall period and the commencement of scale acquisition marketing for selected casino clients. In addition GAN has experienced further growth in its sustainable real money gaming markets both in New Jersey in the US and in Italy. New Jersey out-performed growth expectations due to underlying improvements in the New Jersey market's payment processing infrastructure. This growth is expected to continue for the rest of the year.

Four further Simulated Gaming clients were signed in the US in the first half. In excess of three million US active player days of both real money Regulated Gaming and Simulated Gaming were recorded, representing an increase of 177% year on year growth. Other operational highlights during the period included the launch of the first B2B Virtual Reality Casino Application for Empire City Casino, extending Simulated Gaming from web and mobile into the PC VR market. Two prestigious Internet gaming industry awards were won in the US: eGaming Review North America's 'Casino Platform Supplier of the Year' for real money Regulated Gaming and 'Freeplay Gaming Supplier of the Year' for Simulated Gaming. Post-period end, GAN launched LadyLuck Simulated Gaming for a subsidiary of Nasdaq listed Isle of Capri Casinos. GAN has also signed Station Casinos as a client of Simulated Gaming, bringing the total portfolio of signed US casino operator clients to 13.

The first half of 2016 was a further period of investment for GAN in acquiring US market share and continuous improvements in the product offering. The number of new clients signed was impressive and the recurring revenue base is building nicely. Hold.

APC Technology **7.875p**
(APC; AIM)

APC has agreed the sale of its water hygiene and treatment division to Integrated Water Services, a subsidiary of South Staffordshire Water. The division has been sold for a total consideration of £1.8m, with £0.8m in cash consideration payable to APC, and £1.0m in respect of the settlement of amounts outstanding under the invoice finance facility provided by ABN Commercial Finance. In addition the transaction has allowed APC to dispose of £0.65m of future liabilities under operating leases, halve the company's headcount and significantly reduce fixed costs. The disposal follows a review by the board to focus efforts on the growth of its high reliability electronic components, Smartwave Internet of Things products, and energy efficient lighting distribution businesses. The proceeds of the disposal will be used to strengthen the balance sheet and support working capital. In the 17 months to 31 August 2015 the business being sold had audited revenues of £11.3m, made a loss before tax of £2.1m and had net assets at 31 August 2015 of £0.4m.

The deal has allowed APC to significantly reduce its fixed costs and focus on the fast growing markets for high reliability electronic components and IoT smartware. Continue to Hold.

Venn Life Sciences **21.5p**
(VENN; AIM)

Results for the six months to June 30 showed revenue more than doubling to €9.06m from €4.25m in the first half a year earlier. EBITDA profit of €0.40m compared to a profit of €0.09m last time. Operating Loss was €0.033m (H1 2015: loss of €0.079m). Cash and equivalents amounted to €1.75m at period end. Operational highlights included progress on the Kinesis integration and initial cross sales achieved. Further progress was made on systems infrastructure with improvements in operating margins. Venn also reported that the successful achievement of key project milestones has led to strong client endorsements and repeat business. Since the end of the period a €2.8m contract and preferred vendorship deal with a big pharmaceutical company has been announced.

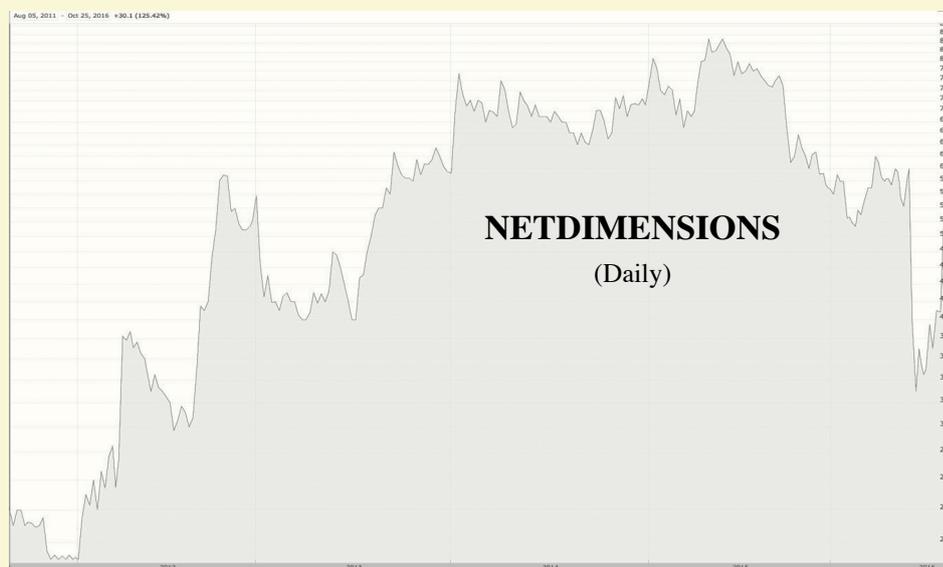
Separately, Venn reported that jointly with the Helium Rising Stars Fund, it has agreed to sell Innovenn UK for a total consideration of up to £4.74m. Innovenn was founded by Venn in 2014 as an innovation vehicle dedicated to the development and marketing of healthcare products and technologies. The business acquired Labskin, a living skin model, and an anti-acne formulation and since acquisition has invested in their further development and commercialisation. Prior to the sale, Venn had converted its loan to Innovenn of £1.3m into ordinary shares, increasing its stake to 70%. Within Venn's consolidated accounts for 2015, the Innovenn division reported a loss before tax of £0.38m and had net liabilities of £0.12m. Venn said the sale will allow it to focus on its core drug development and clinical research services.

The divestment of Innovenn is likely to have a positive impact on Venn's performance in H2 of this year. It will also enable management to focus better on the growth of the core business. Hold.

NetDimensions **54p**
(NETD; AIM)

The share price rose strongly during the month as NetDimensions confirmed it had received an unsolicited approach regarding a potential takeover offer. The company emphasised that there can be no certainty that an offer will be forthcoming or as to the terms on which any offer might be made. The shares were trading around the 40p mark immediately prior to the announcement.

We have long been a fan of the company and made the shares a new buy at 34p in September. NetDimensions is also a core holding in Trader Portfolio 4. Await developments.



NetDimensions - five year chart to October 25 2016; source Google Finance

**Digital Barriers
(DGB; AIM)****45p**

In a trading update for the six months to September 30 Digital Barriers reported that revenue is expected to be approximately double that achieved in the same period last year. The increase is mainly due to the contribution of Brimtek, the US firm acquired in March. Brimtek provides surveillance systems to the US defence, homeland security, federal law enforcement and intelligence markets. 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 awarded in September for delivery in the second half of the financial year. Total organic contracted revenue for the period grew 66% over the same period last year. Including these new contract awards, the Group has secured approximately 50% of the board's revenue expectation for the financial year as a whole.

In addition to the US\$4.6m and US\$2.2m US contract awards announced last month, Digital Barriers said that it has secured an additional US\$1.65m contract with a US government agency. This contract will see Digital Barriers begin to implement its ThruVis solution to help protect mass transit systems and other public spaces across the US against 'soft target' terrorist attacks. ThruVis is a unique camera technology that can detect objects such as weapons and explosives concealed under clothing. The majority of this contract is expected to be delivered in this current financial year. An initial contract of US\$1.0m for the company's EdgeVis technology has also been achieved from another flagship agency which is a new customer not yet announced.

The latest ThruVis contract brings to more than US\$10.0m the total value of contracts secured with US federal agencies by Digital Barriers in September. The vast majority of this contracted revenue is expected to be delivered before the end of the current financial year. Hold.

**StatPro
(SOG; AIM)****112p**

In a trading update for the third quarter to September 30, StatPro confirmed that revenue and profit continue to be in line with expectations for the full year. Annualised recurring revenue of the cloud-based, new generation products has risen by 81% to £14.7m over the past twelve months and now represents 39% of the Group total. Alongside organic growth, the figures were boosted by the contribution from Investor Analytics' cloud-based risk service, acquired in January 2016. StatPro also announced that the recently launched cloud-based performance measurement service, Revolution Performance, has been adopted by National Australia Bank and is in use with eight of the bank's clients.

Tech researchers Megabyte noted that StatPro can now offer a complete service to its Asset Management clients, offering performance management combined with analytics and risk calculations, at much greater speed due to its access to the AWS cloud. This should allow clients to consolidate multiple systems, reduce cost and provide faster reporting and potential performance improvement.

The migration to cloud is moving swiftly with StatPro Revolution now accounting for nearly 40% of annualised recurring revenue. Further momentum is likely to be generated as existing customers of the legacy Seven system migrate to the new offering and new customers are attracted to the scalability and affordability offered by StatPro's cloud-based offering. Hold.

Softcat**(SCT; Software & Computer Services)****325p**

A significant increase in large customer wins contributed to strong growth in revenue and profit for the year to July 31. Revenue was up 12.8% to £672.35m, with growth achieved across all three segments of software, hardware and services. Gross profit increased by 17.5% to £120.72m and adjusted operating profit was 15.2% higher than a year earlier at £46.75m. Adjusted diluted EPS were 19.1p compared to 16.5p last time. Cash conversion was strong at 85.5%, reflecting the ongoing close management of working capital balances as the business continues to grow. The net cash position at year end was £62.4m (31p per share). Softcat declared a maiden final dividend of 3.60p per share, plus a 14.2p special dividend to reflect the strong revenue and profit growth for the year. Customer numbers increased by 7.5% on the prior year and average headcount was up 21%, driven by record sales and service staff recruitment. Capacity was enhanced through the launch of the Glasgow operation during the period. Softcat's customers fall into three broad groups: commercial (SMB/mid-market), public sector and enterprise. All three segments grew strongly, with income from public sector expanding from 26% to 29% of total revenue. The company's reliance on individual accounts remains very low, with the largest customer accounting for just 1% of revenue in 2016. Softcat also reported that it was named as the UK's No.1 Best Workplace by the Great Places to Work Institute in April 2016.

Trading so far in its current financial year has been satisfactory, Softcat said, and it remains confident it will be able to grow market share despite the uncertainty clouding the market after the UK's vote to leave the EU. The company will continue to invest in expanding its team in the year ahead to provide capacity for larger contracts, both in terms of new deals brought in and on expanded work programmes for existing clients. Broker Credit Suisse responded to the results by raising Softcat's shares to outperform with a target price of 340p.

These were excellent figures against a backdrop of very modest growth in the UK economy which has equally been reflected in the IT market. Softcat has now delivered 44 consecutive quarters of revenue and profit growth. There is every reason to think the upward trend can continue. Hold.

**Elecosoft
(ELCO; AIM)****28.25p**

The company has announced the acquisition of Integrated Computing & Office Networking (ICON) for a total consideration of £2.4m. ICON is a leading SaaS provider of building information and related data management and storage systems, principally to the retail sector where its customer base includes seven of the top ten UK retailers. The acquisition is consistent with Elecosoft's strategy of investment in SaaS technology to grow its customer reach and strengthen its position as an international provider of market-leading visual software applications. ICON is based in Market Harborough, Leicestershire, and employs 16 staff. The business reported revenues of £0.7m and a normalised pre-tax profit of £0.2m for the year to 31 October 2015. Revenue for the year to 31 October 2016 is expected to be £0.9m. Elecosoft anticipates that the acquisition will be earnings neutral in the period ending 31 December 2016 and earnings enhancing thereafter.

The acquisition will enable the combined businesses to access new markets, benefit from cross-selling opportunities and enhance the significant recurring revenue generated by their respective software solutions.

Large Caps Snap Up Tech

Last month we reported on GE snapping up two European makers of 3D printers. We see this as an example of the trend that is emerging for blue chip companies to exert more direct control over the technologies that are likely to be pivotal in their future business success. Another example from a different sector during October was Sky's decision to invest US\$2.0m in US-based consumer electronics start-up Caavo. The broadcaster said this was the latest in a series of investments in innovative, early-stage companies. Caavo was founded in 2015 with the aim of improving the in-home entertainment experience for consumers by offering easy-to-use and well-designed products. In September, Sky made investments in next generation video platform Molotov, The Drone Racing League and Ginx TV, the owner of the UK & Ireland's only 24-hour eSports TV channel.

Large cap companies like GE and Sky clearly have a long-standing interest in the technology that is crucial to their respective industries. What is new though is the extent to which these industry giants are seeking to become directly involved in the processes of selecting and nurturing upcoming technologies that could have a transformative role in shaping the future of businesses like Sky and GE. We see this as another example of how fundamentally important tech has become in defining the commercial environment across virtually all sectors of the economy. Quite simply, corporate powerhouses can no longer leave as much to chance as they once did when it comes to issues affecting the development and supply of innovative technologies. Better to take the technology in-house than risk being excluded from the potential benefits if relying on unattached suppliers; that seems to be a line of thinking increasingly evident in corporate boardrooms.

**Ideagen
(IDEA; AIM)****53.875p**

The company has won three contracts in the past month worth £1.2m in total. Contracts have been won for risk-based compliance software with two airlines, Canada's Air Transat and Dutch group KLM, part of Air France-KLM. Ideagen now has about 300 aviation customers, including over 100 regional and national airlines. The third contract is with Medway NHS Trust to provide a platform to allow the trust to electronically communicate with GP practices, streamlining the clinical test process.

The contracts extend the use of Ideagen's software within two key vertical markets. Strong Hold.

**Datalex
(DLE; Irish Stock Exchange)****€3.35**

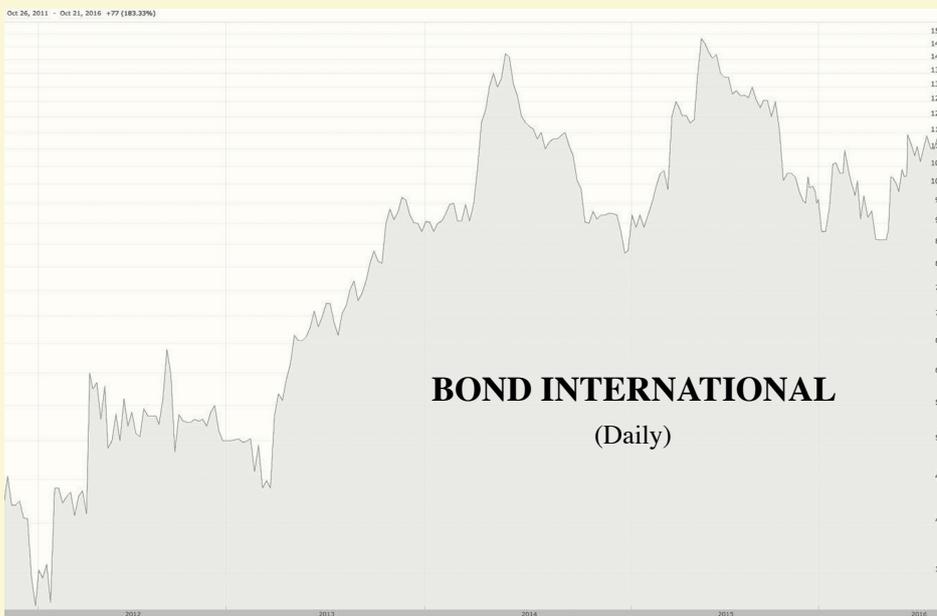
The company has announced that Blair Koch has been appointed as Chief Technology Officer and President of Datalex USA. Blair has held numerous technology, business and innovation leadership roles in the airline industry, most recently as Vice President, Technology & Integration at JetBlue Airways where he led the strategy, architecture and delivery of several foundational IT platforms including JetBlue's new digital commerce platform. Datalex said that Blair Koch will play a key role in shaping the company's digital commerce strategy as the company embarks on its next phase of growth and leadership.

Hold.

SELECTED CHARTS



Microsoft - five year chart to October 25 2016; source Google Finance



Bond International - five year chart to October 25 2016; source Google Finance



Zytronic - five year chart to October 25 2016; source Google Finance

Lombard Risk Management (LRM; AIM)

8.25p

Results for the six months to September 30 showed revenue up by 41.2% to £15.2m. The order book of contracted revenue at period end was £9.2m (H1 2015: £6.8m). Annually recurring revenue was up 22% to £6.1m. EBITDA came in at £1.5m compared to £0.5m a year earlier, with loss before tax of £0.1m (H1 2015: loss of £1.8m). The company has no debt and cash at period end was £6.9m (1.9p per share). An equity placing to raise £8.0m was completed in June and an open offer raising £0.3m was completed in July.

Software licence sales increased 106%, while the increase in services was a more measured 26% leaving these two business lines almost evenly balanced. Sales in North America increased by a whopping 159% and sales in EMEA, a region that accounts for circa 50% of the business, grew 44%. A weaker first quarter in APAC led to a small sales decline in the region, though recognised revenue grew as a result of major contract wins in previous periods. Operational highlights during the period included the launch of cloud-based collateral management system, AgileCOLLATERAL and two new clients for AgileREPORTER for OFSAA. Overall, 125 contracts were executed in H1, demonstrating the return on the investment made in salesforce personnel and training. Lombard has also invested in state-of-the-art offices in Birmingham, allowing critical development to be completed on-shore. Management reported that current trading is in line with expectations and the business is delivering to plan. Following the results announcement, Alastair Brown, the company's CEO, bought 540,540 shares at 9.25p and Nigel Gurney, the Chief Financial Officer, bought 168,961 shares at 9p.

With the increasing strength of Lombard's recurring revenues, an order book of £9.2m and the transformation of the business largely complete, the company looks well placed to make further progress in the second half of the year. Hold.

Clinigen Group (CLIN; AIM)

739p

Clinigen reported that its pre-tax profit nearly doubled in the year to June 30, up to £15.9m from £8.3m a year prior, as revenue increased 84% to £339.9m from £184.4m. Adjusted earnings per share were up 25% to 35.0p. Profit and revenue were both boosted substantially by contributions from recent acquisitions Idis, which supplies ethical unlicensed medicines, and Australian pharmaceutical and medical technology business Link Healthcare. The strongest performances within the Group were by Specialty Pharmaceuticals, driven by revitalisation of newer products, and CTS. CTS increased gross profits by 21% on a pro forma basis and the newer Specialty Pharmaceutical products (Ethylol, Cardioxane and Savene) collectively increased their gross profits by 31%. Net debt during the period decreased £8.1m to £68.1m, after £28.5m spent on acquisitions, and the full year dividend per share was increased 18% to 4.0p.

The integration of the Idis and Link acquisitions is substantially complete, while the recent acquisitions of Totect and Foscovir bag line extension enhances the Specialty Pharmaceuticals portfolio. Through the Link acquisition, the expansion into the Africa, Australia and Asia regions has opened up a new level of opportunity at a time when many pharmaceutical and biotechnology companies are looking for a specialist partner to work with them across these territories. The strategic alliance with Cumberland Pharmaceuticals in the US represents

another important step in building out Clinigen's global footprint, establishing a presence in a key market for maximising the commercial potential of its own products. In May the first collaboration with Cumberland began with an exclusive supply agreement to commercialise the oncology support drug, Etyol (amifostine), in the US, which is an important step in the revitalisation of this product.

Separately, Clinigen said that it has opened a new office in Tokyo to expand its presence in Asia. As part of the launch, Clinigen will transfer the marketing authorisation for its Foscavir drug back from Nobel Pharma on November 1. Nobel has been the distribution partner for Foscavir in Japan since 2011. Clinigen has also announced that Shaun Chilton will become CEO this month, when Peter George steps down. Shaun Chilton joined Clinigen in January 2012 as Chief Operating Officer and has been the Deputy Chief Executive since July 2015. Chilton said the company has started its current financial year well and trading is in line with its expectations.

The acquisition and integration of Idis and Link Healthcare have transformed Clinigen over the last 18 months, with the company now well placed to become the global market leader in the management and supply of both unlicensed and clinical trial medicines. Hold.

Eckoh 37.25p **(ECK; AIM)**

The company has secured three significant contracts in the US worth over US\$2.5m in total over the next three years. Two of the contracts are for Eckoh's secure payments solution charged on a SaaS basis. The first contract is a two-year agreement with one of the largest manufacturers and suppliers of nutritional supplements in the US. The contract represents an important milestone as it is the first time that Eckoh has sold a hosted secure payments solution in the US market. The second contract is a three-year deal with a Fortune 500 corporation in the financial services sector. Notably, the client is a long-standing customer of PSS who Eckoh acquired in November 2015, and the contract represents the first success in cross-selling Eckoh's secure payments solutions into the extensive PSS customer base. Both contracts are expected to go live by Spring 2017 and will begin to generate recurring revenue in the new financial year.

The third contract win is a three-year agreement with one of the largest US telecommunications providers. Eckoh will provide its browser-based agent desktop 'Coral' to over 3,000 contact centre agents in a new facility opening at the end of 2016. Coral acts as an aggregator for any underlying technology on which the contact centre may be operating. The benefits are that it simplifies the agent's operating screen, reducing call handling time, and provides the enterprise with total scalability, a future-proof environment and allows new features to be implemented seamlessly and instantly. Eckoh also reported that its trading performance at the end of the first half of the year has been strong and management remains confident that the revised market expectations for this financial year will be achieved.

It is good to see the contract momentum in the US market building and for Eckoh to increasingly be securing contracts of greater value and with brand leaders in their fields. In addition, we believe the move to a SaaS style price model will over time build a base of recurring revenue in the US comparable to the UK operation and this should underpin the growing value of the company in future years in our opinion. Continue to Hold.

GOOCH & HOUSEGO

An encouraging year-end trading update during the month from photonics specialist Gooch & Housego has caught our eye. The company reported strong growth in its fibre-based products business and a 10.5% organic increase in the order book that suggests good momentum into the current year. The increased activity levels have been driven by recent investment in infrastructure and equipment, as well as by internal performance improvement initiatives. Weaker sterling is also likely to provide a boost going forward, as G&H generates 44% of sales from North America and a further 15% in the Asia Pacific region. Two recent acquisitions, Alfalight and Kent Periscopes, have traded well in the period and they are part of G&H's strategy to move up the value chain by gaining exposure to the lucrative aerospace and defence sector.

Global Expertise

From its origins as a craft-based optical engineering company rich in practical optical manufacturing skills, G&H has undergone a transformation over the last twenty years into a high-technology photonics business through an acquisition policy of best-in-breed companies in individual technology areas. Researching and manufacturing in eight sites across the USA and UK, G&H are experts across a uniquely broad range of photonic technologies, including: crystal growth, optical materials processing, acousto-optics and electro-optics, fibre optics, DFB laser modules, precision optics, RF driver electronics in addition to light measurement and calibration solutions. G&H's expertise extends from research through the development of prototypes to volume manufacturing.

G&H operates in four principal markets: industrial, aerospace and defence, life sciences, and scientific. The company's main industrial markets are industrial lasers, telecommunications, metrology, sensing and semiconductor manufacturing. Industrial lasers are used in a diverse range of precision material processing applications ranging from microelectronics to automotive. The industrial laser market was weaker in H1 due to lower demand from China for lasers used in microelectronic manufacturing. However, the shortfall for G&H was more than offset by increases in its fibre-optic sensing and telecommunications markets.

Product quality, reliability and performance are paramount in the aerospace & defence sector and that plays to G&H's strengths. The company has well-established positions in target designation and range finding, ring laser and fibre optic gyroscope navigational systems, infrared and RF countermeasures and space photonics. In life sciences, revenue streams are derived from diagnostics, surgery/treatments and biomedical research. In each application area G&H is making steady progress in moving up the value chain and is currently selling sub-systems as well as components to several larger customers. The key application in scientific research is laser inertial confinement fusion, where lasers are used to create the conditions found in the core of a star. In addition to pure research in high energy and plasma physics, these vast laser systems are being used to investigate whether this technology could provide clean, carbon-free energy to reduce dependency on fossil fuels. G&H is continuing to supply crystals, precision optics and fibre components for new system construction and also expects ongoing business to service replacement and maintenance requirements.

Robust Business Model

G&H's strategy is based around a continued commitment to the twin aims of diversification and moving up the value chain. The ultimate goal is to become a more vertically integrated and balanced business that is less exposed to the cyclical nature of some of its core products. In order to move up the value chain the company is leveraging its excellence in components to become a solutions provider. As a result of recent acquisitions, G&H is now able to combine optical, mechanical, electronic and software design capabilities to provide complete optical system design services. This also creates a strong base from which to diversify the business into new markets, such as aerospace and defence. To support the twin strategies of moving up the value chain and diversification, G&H has been implementing a performance improvement programme aimed at driving operational excellence, developing deeper ties with key customers, and ensuring that the R&D portfolio is well balanced. The programme also includes provision for ensuring that the business has the financial and management capacity to execute on acquisition opportunities where they arise.

Two complementary acquisitions have been made in the last year on either side of the Atlantic: Kent Periscopes for a total consideration of £9.5m and Alfalight for US\$1.3m. Based in North Wales, Kent was formed in 2005 and is a specialist provider of periscopes and vehicle sights for land-based armoured fighting vehicles. Kent has a strong market position and a committed long-term order book in excess of £20m, with an impressive international customer list. Synergies have been identified, such as leveraging off the group's sales and marketing capabilities as well as its expertise in precision optics and specialist coatings. Alfalight was formed in 1999 and is based in Wisconsin, US, where it manufactures high reliability, laser-based, electro-optical systems, such as diode-pumped solid-state lasers. Alfalight has strong ties and contracts in the US defence sector and is a good fit with G&H's Boston facility. The historic combined annual revenue of the two acquired businesses is approximately £9.0m. Both acquisitions are expected to be earnings enhancing in the first full year of ownership.

Strong Order Book

Latest results are for the six months to March 31. Revenue was broadly flat on the same period in the prior year, with a strong performance from telecommunications and fibre sensing products helping to offset lower demand in the aerospace and defence markets which was due to programme timings. Adjusted pre-tax profit was £5.6m compared to £6.3m last time, with corresponding adjusted earnings per share of 17p (against 19.3p in the first half of 2015). G&H has a strong track record of investing for the future and this was continued during the period with £5.6m invested in the company's facilities and equipment and £3.5m in R&D and new products. Going into the second half, the order book was £39.1m, a 13.1% increase on the same time last year.

For the current year, broker FinnCap is forecasting adjusted pre-tax profit of £13.7m and corresponding earnings per share of 40.7p. These figures rise to £15.5m and 45.7p respectively for 2017.

On a prospective P/E of 21, using this forecast, we think the shares represent solid value given the excellent track record and quality of the underlying business. We rate the shares a Buy for exposure to the exciting opportunities for photonics technology.

FACT FILE

Address: Dowlish Ford, Ilminster, TA19 0AB	
Telephone: 01460 256440	
Stockbroker: Investec	
FTSE Class: AIM;	
Electronic and Electrical Equipment	
EPIC Symbol: GHH	
Shares in Issue: 24.1m	
Price: 987p	
Market Capitalisation: £237.6m	
Year-end: 30 September	
Adjusted earnings per share: 2015 38.9p	
(FinnCap est) 2016 40.7p	
(FinnCap est) 2017 45.7p	
Price Earnings Ratio: 2015 25.4	
2016 24.3	
2017 21.6	

DOTDIGITAL

According to research by the UK Direct Marketing Association, the average return on investment for every £1 spent on email campaigns amounted to £38 in 2015, 53% up on the prior year. This is just one example of the growing benefits of digital marketing, a field in which dotDigital is making a big impact through its dotmailer technology. We last made the company a New Buy in July 2011 at 7.25p and the share price subsequently went as high as 37p before a pullback triggered our stop loss at 27p. Recent full year results confirmed that dotDigital continues to make good progress, with 21% revenue growth in the established UK market and 58% across the rest of the world. Recurring revenue of 78% confirms the high quality of earnings visibility across the business and the share price is also supported by a strong balance sheet, with cash of £17.3m (6p per share).

Prestigious Partnerships

Established in 1999, dotDigital originally provided a range of digital marketing services, but since 2013 it has focused exclusively on its email and multi-channel automation. Through its core product, dotmailer, the company offers a powerful SaaS platform to over 4,500 clients who are marketers in medium and small size companies in the UK, Americas, Europe and Asia Pacific. The initial version of the dotmailer platform was made especially for the BBC in 2002 and has since been enhanced at various stages to stay ahead of the market in terms of functionality and cost effectiveness. The company boasts a host of blue chip clients, including Barclays Capital, BBC Worldwide, Ryman, Hertz, ITV, Santander, and DHL.

Alongside the core technology, dotDigital provides expert email marketing consultancy and managed services for businesses seeking dramatic growth through digital communications. A key route to market is through links with strategic partners, including Salesforce and Magento. Salesforce is the world's largest CRM system, and Magento is the market leader for mid-market e-commerce. Annualised revenues for Magento connector total more than £3.0m and for Salesforce more than £2.2m. Microsoft Dynamics is a third key partner for the company, currently accounting for annual revenue of £2.3m. New partnerships with PayPal and ORO CRM have also been negotiated. Testimony to dotmailer's innovative appeal is that sales have soared in recent years, with a 797% growth in revenues since 2009 at a compound annual growth rate of 37%.

dotDigital has a policy of targeted investment across each division of the business, driving and accommodating increased product sales with associated services and support. Product development to provide additional functionality over the last year has included advanced personalisation, lead scoring, landing pages personalisation, and integration enhancements. In each case, developments focus on retaining ease of use, using intuitive dashboards and multiple languages, complementing the deep integration with current platforms or customers' existing marketing systems. dotDigital has also invested in hybrid cloud to offer the opportunity for in-region data processing for the Americas and Europe, with Australia going live in early 2017. The use of the Microsoft Azure (and AWS) platforms gives access to very low capex infrastructure, which allows the opportunity to flex capacity in near real time to deal with varying demands on any basis, from hourly or seasonal fluctuations to quarterly increases with long-term growth. The local processing of data also resolves potential issues specific to certain sectors, such as data privacy and latency, in addition to delivering disaster recovery and fail-over resolution.

Successful Strategy

Since 2013 dotDigital has consistently followed a three-pronged strategy of geographic expansion, product innovation, and strategic partnerships. Three years ago around 97% of revenue was derived from the UK. Even though UK revenue has since increased 86%, the proportion of total revenue is now 82%, with territorial expansion driving yet stronger growth and potential. A focus on US growth has proved rewarding, with a new dedicated head of operations appointed and permanent offices (instead of shared space) established in the country last year. US revenue grew by 62% to £3.0m in fiscal 2016, constituting 9% of total revenue. Development of the Asia Pacific market has been achieved initially using an existing Australian hub and a model based on sales of the company's Magento connector product. Traction has now developed sufficiently to justify establishing a team to drive direct sales across Australia and AsiaPac, with pipelines in Thailand, Hong Kong, Singapore and Indonesia being particularly strong. Increasing referrals from both system integrators and technology partners in both the Nordics and Benelux regions is also generating demand for dotmailer. The recent fall in the value of sterling is particularly opportune given the company's commitment to overseas expansion.

Product innovation is also driving yet stronger growth and potential in the business. Last fiscal year saw a 29% increase in average monthly spend per client to £575 and 106% growth in recurring revenue derived from new functionality. Strategic partnerships are increasing in value and number, as reflected in a significant rise in the number of Magento platform customers, who now represent 16% of total revenue, and an increase in their monthly spend by 21% to over £1,300 last year. The launch of an updated version of Magento (v2.1) is expected to generate strong interest and the Company is hopeful of adding further Magento partners in the current year.

Impressive Growth

Results for the year to June 30 showed revenue up by 26% to £26.9m, with recurring revenues of 78% against 76% in 2015. EBITDA was £8.0m compared to £6.8m last time, and earnings per share were ahead by 12% at 1.83p. The volume of emails sent using the company's technology ballooned to 8.6 billion from 6.2 billion last time.

For the current year, broker FinnCap is forecasting adjusted pre-tax profit of £7.7m and corresponding earnings per share of 2.3p. These figures rise to £9.5m and 2.8p respectively for 2018. On a prospective P/E of 18.2 for little more than 18 months out, the shares represent good value given the quality of the business and the scope for further client wins and partnership agreements.

Buy as a solid play on the digital marketing revolution.

FACT FILE

Address: No.1 London Bridge, London, SE1 9BG	
Telephone: 020 8662 2777	
Stockbroker: N+1 Singer	
FinnCap	
FTSE Class: AIM;	
Software & Comp Services	
EPIC Symbol: DOTD	
Shares in Issue: 294.1m	
Price: 51p	
Market Capitalisation: £150m	
Year-end: 30 June	

Adjusted earnings per share: 2016 1.8p	
(FinnCap est) 2017 2.3p	
(FinnCap est) 2018 2.8p	

Price Earnings Ratio: 2016 28.2	
2017 22.2	
2018 18.2	

Entertainment Powerhouse

AT&T has reached a deal to buy Time Warner Inc. for US\$85.4 billion — a blockbuster marriage that would transform the telephone company into the nation's largest entertainment company and a major force in Hollywood. The agreement, which was hammered out at breakneck speed and announced by the two companies on a Saturday afternoon in October, accelerates the wave of consolidation sweeping through the telecommunications and media industries.

AT&T agreed to pay US\$107.50 a share to Time Warner investors in a cash and stock deal approved unanimously by both boards, the companies said. "Premium content always wins," said Randall Stephenson, AT&T chairman and chief executive. "It has been true on the big screen, the TV screen, and now it's proving true on the mobile screen." By adding Time Warner's expansive portfolio, which includes Hollywood's largest film and television studio, Warner Bros, and such popular TV networks as HBO, CNN, Cartoon Network, TBS and TNT, the bulked-up AT&T would surpass Walt Disney Co. and Comcast Corp., which owns NBCUniversal.

"The whole industry is going to change," predicted Jeffrey Cole, director of the Center for the Digital Future at the USC Annenberg School for Communication. The trend of consolidation comes as technology advances have been upending traditional entertainment companies. Many in the industry believe that getting bigger is the best way to compete with companies like Google, Apple, Netflix and Facebook.

Los Angeles Times, 23 October 2016

NORTH AMERICAN NEW YEAR TIPS

Company	Price (\$)		Change %
	05/01/16	24/10/16	
Digi International	11.03	11.00	-0.27
ID Systems	4.46	5.25	17.71
Mitek Systems	4.16	7.12	71.15
NetScout Systems	29.62	29.75	0.44
Sandvine(CS)	3.39	3.03	-10.62
Westell Technologies	1.27	0.52	-59.06
Average Gain			3.23
Nasdaq Comp.	4891.4	5309.8	8.55

Another disappointing month for this year's set of North American tips. After a fairly flat month for markets the gap has widened between the average gain year-to-date on the six picks and the Nasdaq Composite. Paradoxically, the prime contributor to the month's underperformance is the year's best performer to date, **Mitek Systems**, which declined 13.7 percentage points over the month. This was despite news that one of the world's leading payment processors is using Mitek's Mobile Verify product to quickly and easily verify the identities of users sending and receiving money while, at the same time, lifting 92% of any temporary restrictions halting money movement. **Sandvine's** Q3 results to August 31 are covered on Page 2. As per its prior warning (Page 1, last month), revenue was down 4% year-on-year. However, nine new customers were won during the period and we reckon the shares remain undervalued on a long-term view. Results for the September quarter are due after markets close on October 27 from both **Digi International** and **NetScout Systems**. For **Westell**, the date is November 3. No doubt, activist investor Cove Street Capital will be taking a keen interest, particularly in any forward narrative.

You Ain't Seen Nothing Yet!

A few months ago I was introduced as the one analyst who had regularly and accurately 'predicted the future'. Actually predicting what was going to happen in the next 1-5 years I have found to be extremely difficult. But the next 20 years is a bit easier as everything that will become mainstream in 20+ years' time is around today. Just turn the clock back to 1995 and you will see what I mean.

You just have to pick the winners from the losers remembering that Technology has a wonderful way of making things *cheaper, smaller, faster and more efficient*.

By 2036, I really do reckon that the auto sector will have been transformed. Indeed I think that autoTECH will perhaps be the biggest opportunity – certainly the biggest disruption – that we have ever seen and much bigger than smartphones. Cars, trucks, buses etc. will have many autonomous features and certain roads and parts of cities will be exclusively used by self-driving cars. Indeed cars with drivers might be considered as dangerous and anti-social as smoking today!

Vehicles using fossil fuels will be banned and most will be electric with battery technology enabling ranges many times those of today. Renewable energy will generate the vast majority of our energy needs. Solar will be like Moore's Law and halve in cost and double in power

The New Hardware Cycle

Gloom and despondency has become the new commodity. Yet, here is the anomaly, the markets continue to rise and they are being led by tech hardware. Tech in turn, is leading the market. I have to keep pinching myself because when I compared the consensus gloom with what I see happening on the ground with tech a dangerous thought keeps popping up in my head.

Are tech investors about to see the biggest boom ever?

Keith Woolcock, The 5th Column, 5 October 2016

TECHMARKET MISCELLANY

RedstoneConnect (1.375p), the managed services provider formerly known as COMS, appears to be making a successful turnaround after selling off its loss-making telephony business last year.

Revenue for the six months to July 31 increased by 1.5% to £20.8m, with gross margin from continuing operations rising 3% compared to a year earlier. EBITDA was ahead by 50% to £0.9m. The recent restructuring of the business is near completion, with the company exiting a legacy occupancy lease at the former head office in Stokenchurch and finalising the integration of its IB Connect acquisition. The £1.3m addition of the smart building software applications provider is helping to win new deals, notably a contract to design a smart retail and car parking solution for Milton Keynes City Council signed in September.

each year. Battery technology, like Elon Musk's Powerwall, will enable even the smallest house to store all the power it needs – including recharging the family car – if indeed we still need a car in 2026. I actually think we will just summon a car when we need it rather than keeping it on the drive unused for 95% of the time.

AI and automation will change most white collar jobs – including my own as an analyst! Just like it has changed blue collar roles in the last 40 years. Augmented Reality will be a big hit and, when linked with Haptics, will revolutionise entertainment. Rather than seeing things on a flat screen, you will have an entertainment room at home where you will be immersed in the experience – seeing, hearing and feeling things exactly as if you were there. Wearable devices will have a huge range of sensors and will be particularly useful in healthcare. Your RoboDoctor will inform you that you are just about to have a heart attack and your self-driving Uber ambulance is on the way to take you to hospital – where, let's hope, you will not have to wait 4 hours in A&E!

Whether it will be a better, happier world as a result – I will leave to you. But one thing I can predict is that if you think the last 40 years have been exciting for TECH, well You ain't seen nothing yet!

Richard Holway, TechMarketView, 11 Oct 2016

With the pipeline for the second half additionally buoyed by a five year, £12.0m contract extension from an unnamed financial services institution, and a three year deal to deliver workspace management software to UBS London, the near term outlook for the company is encouraging.

Web-hosting specialist, **Iomart** (269p), indicated in its pre-close trading statement that its first half performance to September 30 would be materially ahead on the corresponding period last time, though no numbers were provided. The company is pursuing a dual growth strategy combining organic and acquisitive growth and the CEO Angus MacSween says Iomart continues to see a good stream of acquisition opportunities ahead of it. Indeed, there have been a lot of transactions in the cloud and hosting sector recently, including Six Degrees bought by Carrenza, Adapt acquired by Datapipe, Ensono buying Attenda, and Onyx acquired by Pulsant. While Iomart is a likely consolidator in this process, it could also be a target at some point.

Proactis (137p), the provider of spend control and e-Procurement solutions, has reported strong results for the year to July 31. Revenue was up by 13% to £19.4m and EBITDA grew by 10% to £5.3m. EBITDA margin was 16.6%, slightly down on the prior year. Organic growth was 7%, with the acquisition of Due North during the year adding £1.0m to the top line. The core business of spend control and procurement software continued to grow, with 46 new customers added during the period. Two thirds of these new customers signed subscription-based, SaaS contracts. Proactis also reported further progress with its embryonic supply chain network, where Screwfix, Flintshire County Council and P&O Ferrymasters are foundation customers, accessing e-procurement, electronic trading, accelerated payment and improved supplier management services. The mix of organic and acquisition-led growth from Proactis has been impressive in recent years and the we consider the shares a quality play in the procurement software segment.

Sanderson Group (67p), the software and IT services group, has reported in a pre-close trading update that results for the year to September 30 are in line with market expectations in terms of profit whilst revenue is slightly ahead of expectations. Revenue has grown by 10% to now exceed £21.0m and adjusted operating profit has also increased by over 10% to approximately £3.69m. Sales order intake during the period was over £12.0m compared to £10.03m a year earlier. This includes over £3.8m of business gained from new customers, nearly double the £2.0m gained from new customers in fiscal 2015. The net cash balance at the period end was £4.3m. The update should be supportive of the share price which shows a current year fiscal 2017 P/E of circa 12 times based on forecasts from WH Ireland and a near 4% prospective dividend yield. Full year results are expected to be released on 30 November.

Kromek (25.5p), the producer of digital colour imaging for x- and gamma rays, has announced six more contracts worth US\$3.1m in total across three new and three existing clients, including the US Defence Threat Reduction Agency (DTRA) and the UK Ministry of Defence (MoD). The work is expected to be delivered over the next six to twenty four months. The two-year US\$1.6m DTRA agreement is particularly significant, since it opens up another multi-US\$100m opportunity to provide high performance and ruggedised products for military and similarly harsh environments. The

remaining five contracts were split: US\$0.43m with the UK MoD, US\$0.28m for a major civil nuclear partner, US\$0.56m with an existing medical customer, two contracts worth US\$0.26m relating to airport bottle scanners in Asia, and lastly the supply of aviation screening components from an existing client.

Kromek has also confirmed the shipment of the first 10,000 of its award winning D3S handheld devices under the DARPA SIGMA programme aimed at preventing attacks from 'dirty bombs' and other nuclear threats in the US and globally. Analysts Equity Development note that Kromek's current factory capacity for the innovative device is around 30,000 units per annum, meaning there is plenty of scope for future expansion without having to incur material incremental capex. It is still early stages with Kromek and the shares are tightly traded, but the prospects for the business undoubtedly are exciting.

NCC Group (202.5p) caught the market by surprise during the month by announcing a number of setbacks in the Assurance division, including three large unrelated contract cancellations, a large contract deferral and difficulties with some managed services contract renewals. After a good run up in the share price since summer, the news saw the price drop 35% on the day to levels last seen in June after the Brexit decision.

NCC said that it is too early to quantify the likely impact in the current financial year, as management is taking the necessary action to mitigate the adverse developments in the Assurance division. However, the company's rate of growth in profitability will be more biased now towards the second half of the year than initially expected. For the four months to September 30, revenues increased by 36% to £79.6m, with organic growth of 21%. Both the Assurance and Escrow divisions showed strong organic revenue growth, up 25% and 4% respectively, despite the first four months of the financial year typically being NCC's quietest trading period. NCC has forward order books and renewals of £108.8m, up from £71.9m this time last year. Results for the six months to November 30 are scheduled for release on January 19.

Chris Clark has been appointed as the replacement for long-standing CEO Richard Law at identity data intelligence specialist **GB Group** (257.25p). Clark will take up the role next April, moving from Experian and having gathered varied international experience from a long stint at BT. GB works in 15 different countries.

The company has also announced continued strong growth in the first half to September 30, describing it as "robust", with revenue up 16% to £37.5m, including three months' contribution from IDscan Biometrics acquired in June. The company says the acquisition has "settled in well." Adjusted operating profits are expected to be at least £5.0m compared to £4.5m a year earlier. However, organic growth at 9% was lower than the 18% last time. Management said that organic growth would have been higher, but for the roll out of the Gov.UK Verify project across central government being slower than originally forecast by GDS (Government Digital Service). A change of CEO always introduces uncertainty, but we view GB as a quality outfit and an interesting play on the Big Data theme.

RhythmOne (35.5p), formerly known as Blinkx, has announced that performance for the six months to September 30 is expected to be materially ahead

of management expectations, with revenue of at least US\$80.0m from core mobile, video and programmatic products. Adjusted EBITDA loss is expected to be below US\$2.9m, a circa 60% improvement on the same period last time. This improvement was delivered while the company simultaneously accelerated the drawdown of its non-core products and transferred certain core revenues onto its programmatic platform. Commenting on the results, CEO S. Brian Mukherjee said that "it is encouraging to see the financial results of the company begin to reflect our intense strategic and operational focus on Core mobile, video and programmatic products." The shares have recovered strongly from a low of 16p in June and may have further to go as the business gets closer to profitability.

Conference call software firm **LoopUp** (122.5p) made a pre-tax profit of £0.07m in the half-year to the end of June, improving from a loss of £0.62m a year prior. Revenue was up 38% to £5.99m and EBITDA more than doubled to £1.3m from £0.51m. Diluted earnings per share were 0.2p. The company joined AIM in August, raising £8.5m at 100p. LoopUp is a SaaS provider of remote meetings, with over 2,000 enterprises worldwide using its services to deliver secure and reliable conference calls. The company is headquartered in London, with offices in San Francisco, New York, Boston, Hong Kong and Barbados. Chairman Barbara Judge bought 15,754 shares at 126p each following the results announcement. Broker Panmure Gordon has a price target of 150p for the shares and is forecasting earnings per share of 1.2p for the current year, rising to 6.8p in 2017 and 13.7p in 2018. A prospective P/E under 9 for two years out seems modest in our view for a quality player with a well-established blue chip customer base.

Vislink (14.125p), the broadcasting and surveillance technology provider, said it has agreed to sell its Communication Systems business for US\$16.0m to xG Technology. The sale comes after the company announced last month that it was restructuring the business to ensure it can be profitable in the future after a weak first half. In total, Vislink booked £29.6m worth of write-downs related to the restructuring, which was reflected in a £32.2m loss in the half year to June 30 compared to a loss of £0.88m a year earlier. Vislink Communication Systems specialises in the wireless capture, delivery and management of secure, high-quality, live video from the field to the point of usage. If the deal goes through then the company will be left largely debt-free and focused on Pebble Beach Systems, its broadcast automation software arm.

Pebble Beach Systems has won several important new orders in recent weeks, including with broadcasters CNN in Chile, TV3 in Ireland and Globosat in Brazil. The share price rose 58% on the day the sale agreement was announced. Vislink has also reported that its Finance Director Ian Davies has resigned with immediate effect for health related reasons. Once the Communications Systems division is sold, the restructured and slimmed down business could be worth monitoring as a potential recovery stock.

Milestone Group (1.275p), the provider of digital media and technology solutions, has announced a share placing to raise £1.38m before expenses at a price of 1.5p. The proceeds will be used for marketing of the newly launched Alchemy e-media platform, recruiting key staff, and additional development of the Passion Project platform.

Return of Software Giant

Born-again banking software firm, Misys, is to relaunch on the London Stock Exchange early next month with an institutional placing. Private equity owner Vista Equity Partners may sell down some of its holding and Misys is expected to have a free float of at least 25% after the IPO. Misys generated revenues of €811.0m in the year to May 31 with an adjusted EBITDA on continuing operations of €294.0m. Early estimates suggested that the placing would value Misys at a market capitalisation of around £5.0bn, though press speculation in recent days has pointed to a less demanding figure, perhaps as low as £3.5bn. Misys first floated on the LSE in March 1987 with a market capitalisation of £8.0m. The listing is good news for the London tech market, with every chance that shares in Misys will quickly be included in the FTSE 100. The outlook for the business looks solid rather than exciting, however. Tech analysts, Megabyte, note that the combined UK Enterprise Software and Application Services (ESAS) market is looking at anaemic growth of around 2% currently.

A trading update from **Zytronic** (380p) confirmed that results for the year to September 30 will be boosted by a strong second half, with touch product revenues increasing relative to both traditional products and year-on-year. Reported pre-tax profit will reflect the impact of a circa £0.9m non-cash provision arising from the company's foreign exchange policy. However, underlying profit (before this non-cash item) is expected to be significantly ahead of last year and at least in line with market expectation, Zytronic reported. The specialist in touch screen technology is making good progress, both operationally and financially. On a relatively modest current P/E of 15, the shares may be worth a closer look given the strong dynamics of the high tech touch screen market.

Telit Communications (258.25p) has secured US\$110.0m of new credit facilities from HSBC and BHI USA to fund its expansion in the IoT market. Telit grew revenue by 6% to US\$166.0m in the first half of 2016 and more than 90% of those sales came from products including M2M focused communication and location modules. The company is particularly keen to expand its managed IoT services proposition (worth US\$13.7m in the first half), which is expected to deliver better margins than hardware. With a newly enriched debt facility of US\$165.0m to draw on (including an earlier loan from the Italian government), Telit is also on the acquisition trail. In our view this seems a sound strategy given that Telit will be going up against much larger competitors who are moving equally as fast to claim their own share of the IoT market.

Solid State (447.5p), the supplier of specialist industrial/ruggedised computers, said it expects to announce half year results to September 30 ahead of the equivalent period in 2015 and consistent with market expectations for the year as a whole. The company had an order book at period end of £14.8m, comprising £12.7m of underlying revenue and £2.1m of Creasefield revenue, acquired in June 2016. Solid State reported that the two latest acquisitions, Creasefield and Ginsbury, are substantially integrated, performing well in their own markets and demonstrating synergy benefits with the other divisions. Interim results are scheduled for release on November 22.

TECHINVEST TRADER PORTFOLIO 4

Performance Data
1 12 since
month months 1/1/00

Trader Portfolio	1 month	12 months	since 1/1/00
FTSE 100	-5.5%	0.5%	420.5%
FTSE	3.8%	10.2%	1.3%
techMARK Focus	-1.5%	13.1%	13.7%

Not the greatest month for the Trader Portfolio, which declined by 5.5%. More painful though is the comparison with the FTSE 100 which actually rose 3.8%. This means the underperformance was as much as 9.3 percentage points.

Techinvest Trader Portfolio 1

Starting Capital (1.3.85): £20,000
Termination Value (31.3.93): £462,874
Gain (8 years and 1 month): 2214%

Techinvest Trader Portfolio 2

Starting Capital (1.1.93): £50,000
Termination Value (30.4.96): £276,691
Gain (40 months): 453.3%

Techinvest Trader Portfolio 3

Starting Capital (1.4.96): £50,000
Termination Value (27.3.00): £570,402
Gain (4 years): 1040.8%

Number of Shares	Company	Date Bought	Buying Price	Total Cost £	Present Price p	Value £
2,000	First Derivatives*	20/10/05	90	2428	2002.5	40,050.000
3,500	Sandvine	07/10/10	125	4512	186.7	6,534.500
4,000	Sandvine	17/06/11	111	4583	186.7	7,468.000
50,000	dotDigital	08/08/11	7.7	3974	51.25	25,625.000
3,500	Escher	12/12/11	160	5767	177.5	6,212.500
35,000	Ideagen	17/12/12	18.875	6796	53.87	18,854.500
6,000	Sandvine	10/01/13	100	6177	186.7	11,202.000
16,000	D4 T4 Solutions	21/11/13	52.375	8615	127.5	20,400.000
22,000	Ideagen	04/03/14	33.62	7608	53.87	11,851.400
12,000	NetDimensions	07/04/14	73	9005	54.5	6,540.000
10,000	Digital Barriers	07/05/14	96.75	9988	45	4,500.000
2,500	Blancco Technology	01/07/14	316	8124	219	5,475.000
12,000	NetDimensions	13/10/14	67	8305	54.5	6,540.000
2,500	Blancco Technology	20/11/14	202	5204	219	5,475.000
20,000	Digital Barriers	27/11/14	42.5	8738	45	9,000.000
12,000	CityFibre Infrastructure	27/11/14	68.75	8482	59.5	7,140.000
60,000	Venn Life Sciences	23/12/14	16	9865	21.75	13,050.000
40,000	Venn Life Sciences	05/01/15	19.7	8103	21.75	8,700.000
4,000	Cohort	16/01/15	233	9580	340	13,600.000
12,000	NetDimensions	19/02/15	75	9224	54.5	6,540.000
9,135	NCC	14/05/15	95.06	8684	207.1	18,918.585
16,000	CityFibre Infrastructure	26/05/15	61	10029	59.5	9,520.000
9,000	Kalibrate	16/07/15	100.5	9297	78	7,020.000
4,000	Kainos	21/09/15	208.4	8570	197	7,880.000
5,000	Keywords Studios	22/09/15	188	9660	440	22,000.000
40,000	Venn Life Sciences	25/09/15	22.5	9251	21.75	8,700.000
12,000	D4 T4 Solutions	28/09/15	74	9128	127.5	15,300.000
15,000	NetDimensions	01/10/15	59	9097	54.5	8,175.000
30,000	Elecosoft	26/10/15	27	8328	28.75	8,625.000
100,000	Lombard Risk Management	05/11/15	10.83	11117	8.25	8,250.000
20,000	Digital Barriers	16/11/15	48	9825	45	9,000.000
12,000	Kalibrate	07/12/15	89	10965	78	9,360.000
22,000	Digital Barriers	11/12/15	41.5	9384	45	9,900.000
16,000	CityFibre Infrastructure	14/12/15	56.9	9357	59.5	9,520.000
8,000	D4 T4 Solutions	01/02/16	116	9537	127.5	10,200.000
4,000	Blancco Technology	05/02/16	204.5	8410	219	8,760.000
150,000	Filtronic	21/03/16	5.7	8789	8.25	12,375.000
3,000	Keywords Studios	13/04/16	245	7560	440	13,200.000
18,000	Eckoh	05/05/16	49.3	9095	37.25	6,705.000
100,000	APC Technology	10/06/16	8.45	8687	7.87	7,870.000
4,000	Blancco Technology	13/07/16	200	8226	219	8,760.000
12,000	Statpro	14/07/16	92	11331	112	13,440.000
25,000	Game Account Network	01/08/16	35	9036	41.5	10,375.000
12,000	Stadium	06/09/16	82.5	10173	79.5	9,540.000
10,000	Statpro	13/10/16	110	11290	112	11,200.000
100,000	Lombard Risk Management	20/10/16	8.75	8994	8.25	8,250.000
All purchases adjusted for subsequent rights/scrip issues						
* Denotes part profits taken					Cash	12,936
** Position received as part of NCC acquisition of Accumuli						
Starting Capital £100,000 (1-1-2000)					TOTAL	520,537

The Trader Portfolio is an unaudited paper fund which is run to illustrate the dynamics of managing an active technology sector portfolio. No new share goes into the portfolio until after it has been rated as a New Buy in an issue of *Techinvest*. After that, the fund can act just like any subscriber, using its judgement to buy, hold or sell in accordance with subsequent price movements and news flow within the sector. All transactions take full account of prevailing bid-offer spreads. Commission is charged at a rate of 1.95% on deals up to £10,000, less thereafter. No credit is taken for dividends paid by companies nor for interest on cash balances. Current holdings are valued using mid-market prices.

Still, it is difficult to quibble with the long-term performance, up more than fivefold since the start of the century versus a mere 1.3% gain by the FTSE 100. So, little to complain about there.

Two buys and one sale to report this month. After a patient wait we managed to add a second position in **Statpro**, this time picking up a further 10,000 shares at 110p, following word of new contract wins over previous weeks. The company issued a positive trading statement a few days later for the nine months to September 30 highlighting its increasing international success (see Page 4).

The second add was to **Lombard Risk Management** on the morning it released interim results for the six months to September 30. Highlight for us was the 41% increase in revenue to a record £15.2m (see Page 5). As the company pointed out the Governance, Risk and Compliance sector continues to experience strong growth. We paid 8.75p for each of 100,000 shares. Previous buy in November last year was at 10.83p. One sale. Bought as long ago as October 2005 at only 36.67p, the position of 7800 **NCC** was sold at 225.25p on the morning it released an unexpectedly poor trading update for the four months from June 1 to September 30 (see Page 9). We decided to retain the Portfolio's second position in the stock, based on the reassuring tone of the statement in relation to the bulk of the company's business.

FUNDS

We would like to make it clear that Techinvest Ltd, which is now separate from the publisher of this newsletter, is still the investment manager of the **MFM Techinvest Technology Fund (CFTTECA)** and the **MFM Techinvest Special Situations Fund (CFTISSA)**. Both are open-ended investment companies (OEICs) authorised by the FCA in the UK. The fund operator is Marlborough Fund Managers.

The contact details for these funds are unchanged, so if you are interested in buying or selling shares in the funds or would like any assistance in administrative matters, please contact Marlborough Fund Managers at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Telephone 01204 380 060; Dealing 01204 545580; Fax 01204 533045; Email dealing@marlboroughfunds.com.

You might also be interested to know that The McHattie Group also publishes the Investment Trust Newsletter, and that the October issue included a detailed write-up of a meeting with Ben Rogoff, the manager of the **Polar Capital Technology Trust**. If you would like a free copy, please email techinvest@mchattie.co.uk.

The next issue of Techinvest will be published on Saturday 3rd December.

All enquiries to Techinvest, The McHattie Group, St Brandon's House, 29 Great George Street, Bristol, BS1 5QT, UK. Telephone 0117 9200 070; email techinvest@mchattie.co.uk.

Annual Subscription: UK £299. Other countries by request.

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