ShareSoc Growth Company Seminar Report 2016-11-23

RedstoneConnect (EPIC: REDS; market cap: £22.84m)

RedstoneConnect Plc, formerly Coms Plc, is engaged in providing technology and services for smart buildings and commercial spaces through its core businesses, Redstone and Connect IB. The Company, through Redstone, provides a range of services, including design, build and installation; managed services, and software solutions. The managed services encompasses the provision of outsourcing services spanning network infrastructure management, smart buildings support services, desktop and data center support services and move, add and change services. Redstone offers OneSpace occupancy management product. The Company, through Connect IB, creates digital solutions. Connect IB develops and deploys applications, including those that address mapping and way finding of Smart Buildings and Smart Spaces, such as car parks or retail shopping centres. It serves customers of all sizes, including corporations, such as property developers, landlords and principal occupiers of commercial property.

Key takeaway points:

- RedstoneConnect is a leading technology & solutions provider for smart buildings & Smart Commercial Spaces
- Merged two complementary businesses: Redstone & Connect IB, servicing c.200 Customers
    - Redstone designs, installs and services IT & Smart Buildings infrastructure
    - Connect IB is a software & solutions business for smart buildings & smart commercial spaces
- Three principal interrelated business streams
    - System Integration (SI), design & installation of network infrastructure
    - Managed Services – network & device maintenance & support
    - Smart Buildings Software & Technology – bringing Smart Buildings and Commercial Spaces to life
- Blue chip customers include: UBS; Land Securities; BP; GSK; Imperial College; RFU and Tate Modern
- Strongly positioned to capitalise on structural growth in Smart Buildings & IoT
- Rapid transition to stability & profit providing a strong profitable platform for growth
- Smart technology central to our strategic process
    - OneSpace solution
        - Software solution addresses Clients' need to improve workspace utilisation & efficiency
            - Enterprise Clients moving to an agile/digital workspace
        - Engage employees with the workplace
            - Workplace mapping & wayfinding
            - Find people, book space – enables productive mobility
        - Provide management with tools to sweat real estate assets
            - Real time data & analytics
            - Integrate with building management systems to reduce energy consumption
        - In-house developed software & analytics platform providing Clients significant ROI
- Smart technology central to our strategic progress
    - OneSpace solution

        - Software solution addresses Clients' need to improve workspace utilisation & efficiency
        - Delivered significant cost savings to UBM
            - Transformed from occupancy from 1 person per desk to 1.4 people per desk
            - Substantially reduced capital cost of new London office
            - Significantly reduced annual operating costs
            - Reduced energy consumption by 57%
            - Subsequent 28% increase headcount into same floor space
        - Development of 'software only' solution into UBS
            - 3-year Global agreement
            - SaaS-based model. Price per seat, per month
            - UK office locations live; Golden Lane & 5 Broadgate
        - Proof of concept & paid for pilots running at other Customers
        - Enterprise-scale Customer references
- Connect IB – case study
    - Workplace mapping & wayfinding platform
        - Connect IB's SmartWorking app enables GSK staff and visitors to locate global offices, wayfind indoors & across large sites
        - 21 global sites using platform; scope to expand to >60
        - Future proof: integrated with internal business systems, including IBM & Sodexho FM, cashless payments, meeting room systems, HR systems, etc
- OneSpace direction & roadmap
    - Objective – an end-top-end Space Utilisation, Management & Analytics platform delivering cost savings, management reporting & end user applications to ensure your Space is efficient, your workspace engaging and your building Smart
        - Product stack
            - Desk Booking
            - Room booking
            - Visitor management
            - Car parking
            - Wayfinding
            - Location based services
            - Access Control
            - Integration IoT
            - MIS & Analytics
- Bringing together the OneSpace & Connect platform to form a complete modular and scalable solution
- Interim results – key highlights
    - Financial
        - Adj. EBITDA up 50% to £0.9 (2015 H1: £0.6m)
        - Gross margin up 300-bps to 19% (2015 H1: 16%)
        - Revenue up 1.5% to £20.8m (2015 H1: £20.5m)
        - Profit after tax of £0.8m (2015 H1: overdrawn £0.1m)
        - Continued progress evolving Groups financial model to more annuity-based/recurring revenue streams
    - Operational
        - Smart Buildings software business Connect IB now fully integrated into the Group

        - Strong order book & new business pipeline from both new and existing customers
        - Rebranded to RedstoneConnect plc
    - Post period end
        - Successful exit, more than two years early, from material lease on c21,000 sq ft former HQ in Stokenchurch
        - Awarded Milton Keynes Smart City contract
        - Announced £2.4m earnings enhancing acquisition of Commensus (17 November 2016)
    - Strong H1 2016 restructuring complete, momentum building
- Summary and outlook
    - Group now fully focused on its core, profitable RedstoneConnect operations
        - Performance continues to improve, with strong demand seen in both core & new markets
        - Connect IB now fully integrated into the business & leveraging a number of cross sell opportunities
    - Significant market opportunities exist within the Smart Buildingss & Commercial Spaces arena
    - Clear focus on leveraging organic growth opportunities from the core business alongside evaluating selective selective bolt-on acquistions
    - Solid operations & financial progress made to date, confident of the Group's future trading prospects
    - Business continues to perform comfortably in line with market expectations

Q&A

- Will we get a percentage of the savings?
    - Not yet but it's a way we can go
- Are there any plans to go into hospitals?
    - Our challenge is how we do it – lets focus and dominate and then move into different sectors
- Have you tried to contact the NHS?
    - Yes, we have, but we have to be sensible with our resources
- Are new building operators seeking you out
    - Yes, they are - we're not the only player but no one else is doing what we're doing
- You've done well with the turnaround, are you confident about the future
    - Yes I am, but it's down to the team to execute – we have to build shareholder value
- Have you got an integration strategy?
    - We have – our focus is on open systems
- What is your worst critic saying about the business
    - My personal opinion is this is a stock has been played on the stock market in the past. 75-80% of the register is in retail hands but we're having meetings with institutions.

Inspiration Healthcare (EPIC: IHC; market cap: £20.41m)

Inspiration Healthcare Group plc, formerly Inditherm plc, is a supplier of medical devices mainly in areas of critical care. The Company operates through four segments: Critical Care, Operating Theatre, Home Healthcare, and Central and Unallocated costs. Under the Critical Care segment, the Company's products for premature and sick babies include LifeStart (for deferred cord clamping), Tecotherm Neo (for thermoregulation) and Inspire nCPAP (non-invasive respiratory support). It also sells products for adult and paediatric intensive care in the United Kingdom and Ireland. Under the

Operating Theatre segment, the Company's products include the Inditherm Alpha system and a range of warming products for maintaining patient temperature during surgery. Under the Home Healthcare segment, the Company's products include the Inditherm industrial products and a range of products mainly for parenteral feeding and products that are not used in intensive care and the operating theatre.

Key takeaways

- Came to market approximately 18 months ago
- We're an intensive care business
- We sell equipment to hospitals around the world
- Distributor of life support equipment
- Markets are critical care, operating theatres and home healthcare
- Started with 20k and a bank overdraft 25k
- By 2010 we had experienced Swine Flu which helped the company add revenue
- 2014 revenue continued to grow – we kept reinvesting our profits
- Business has continually grown organically without external funding
- Strategy based upon
    - Critical care market expertise
    - Leveraging distribution channel
    - Scouring next generation products
    - Investment to develop own branded products
    - Sustainable cash returns
- Some of the therapy areas the company serves
    - Patient warming – warm operating tables
    - Brain monitoring
    - Thermo regulation
- Inspiration Healthcare started as a distributor but the company now has its own technology…its own brands
- We sell and hire partners' technology too
- Financial Highlights
    - Solid performance in the first half year
    - Revenue up 10% to £7.1m (2015: £6.5m)
    - Operating profit up 12% to £0.58m (2015: £0.52m) margin 8%
    - International sales up with growth in the Americas and Europe
    - CE marking of the inspire rPAP system
    - EPS up to 1.6p from 1.4p
    - Trade receivables less than 40 days
    - Cash generative
- Markets
    - Critical healthcare market is growing
    - Operating theatres big, stable market
    - Home healthcare niche
- Strategy is focused on three areas
    - Market led growth strategy
    - Company led growth strategy
    - R&D Strategy
- Inspiration Healthcare is acquisitive
- Market shows no sign of weakening

EvGen Pharma (EPIC: EVG; market cap £16.82m)

Evgen Pharma plc is a clinical-stage drug development company focused on cancer and neurological disease. The Company operates through the segment of development of pharmaceutical products all within the United Kingdom. Its pipeline is based on its Sulforadex technology and includes various synthetic, stabilized analogues of the naturally occurring compound sulforaphane. Its pipeline includes SFX-01: breast cancer; SFX-01: subarachnoid hemorrhage, and other programs. The objective of SFX-01 therapy is to reduce the number of cancer stem cells (CSCs) proliferating in tumors treated with anti-hormonal agents and prolong the duration of response. The objective of SFX-01 therapy (co-administered with standard-of-care nimodipine) is to reduce the vasospasm and incidence of delayed cerebral ischemia in the days following the hemorrhage. It has a preclinical SFX-01 program in multiple sclerosis and a clinical interest in prostate cancer.

Company Snapshot

- Clinical stage drug development company focused on oncology & neurology
- Capital efficient business model
- AIM-listed since October 2015
- Sulforaphane has established anti-cancer and neuroprotectant properties but clinical & commercial development has, to date, been precluded by instability of the molecule
- Sulforadex® technology enables scalable manufacturing of a synthetic sulforaphane concurrently stabilised in solid-form complex
- Lead product, SFX0-01, is now in Phase II trial for subarachnoid haemorrhage (a type of stroke); a Phase II in metastatic breast cancer will commence later this year
- Sulforaphane is a small molecule of botanical origin with anti-cancer and neuroprotective properties
    - Has a large body of peer-review scientific publications demonstrating effects in tumour initiation, promotion and progression
    - Shown to have neuroprotective effects in various models e.g. Ischaemic stroke, subarachnoid haemorrhage, traumatic brain injury, multiple sclerosis, Alzheimer's disease and Parkinson's disease
- Sulforaphane works by "turning on" the antioxidant pathway and by "turning off" pathways assocaiated with both inflammation and cancer
- Despite the clinical promise, hitherto, sulforaphane has not been developed as a pharmaceutical because it is highly unstable
- Sulforadex® technology enables scalable manufacture of a synthetic sulforaphane in a stable solid-form complex
    - Lead product, SFX-01, is a complex of synthetic sulforaphane and a-cyclodextrin
    - Broad intellectual property position relating to compression and process
    - Can be formulated as a powder, capsule or tablet
    - Excellent pharmacokinetics
    - Encouraging safety profile from Phase I studies
- Intellectual property
- Stabilised sulforaphane (compositional IP): patents, applications and know-how licenced exclusively from US partner; granted in US, Canada, Australia. Pending in Europe in Europe & Japan. Expiry 2028.
- Stabilised sulforaphane (process IP): two further applications awaiting international examination, extending geographical reach into Brazil, China and India. Expiry 2033
- Novel sulforaphane analogues (compositional IP): patents, applications and know-how licenced exclusively from the Spanish National Research Council & University of Seville. Granted in Spain and pending in Australia, Canada, China, Europe, Japan and US. Expiry 2033

- Data exclusivity: US (5 years) & EU (10 years)

- Summary

    - Evgen Pharma can unlock therapeutic potential of sulforaphane in multiple indications
    - The Sulforadex® opportunity has attracted a highly experienced management team operating a capital efficient business model
    - Lead compound SFX-01 is now in Phase II and IPO finding from 2015 will traverse value inflexion points from at least two clinical studies
    - Attractive profile due to the wealth of scientific literature on sulforaphane

Q&A

- What could go wrong?
    - We could fail to show through the clinical trials that it works. There is risk.

Gresham House Strategic (EPIC: GHS; market cap: £27.74m)

Gresham House Strategic plc, formerly SPARK Ventures plc, is a United Kingdom-based investment company. The Company invests primarily in the United Kingdom and European smaller public companies, applying private equity type of techniques and due diligence, alongside a value investment philosophy to construct a portfolio. In addition to publicly quoted companies, the Company may also invest approximately 30% of the portfolio in selected unquoted securities, including preference shares, convertible instruments, limited partnership interests and other forms of investments. The Company's investment manager is Gresham House Asset Management Ltd. The Company's subsidiaries include SPARK India Ltd, SPARK Services Ltd and Quester Venture GP Ltd.

Key takeaway points

- The opportunity
    - Strategy Public Equity mandate – targeting 15% IRR over the long term (3x forecast equity market returns)
    - Attractive entry point trading at a 25% discount to NAV (41% ex-cash)
    - Intrinsically undervalued portfolio with strong growth prospects and potential for significant upside
    - Proven investment team with a track record of strong long-term returns at SVG and PDFM
    - Alignment with shareholders – Investment manager and team own c.20% and committed to invest half of any performance fee in shares
    - Policy to return half of realised gains to shareholders (at present c.15p per share available for distribution)
- Differentiated characteristics of SPE – applying private equity techniques
    - Influential minority stakes (5%-25%) and active management of investments (Board introductions, advisory)
    - Highly engaged strategy; adding value as an active investor supporting strong management team
    - Targeting inefficient areas of public markets - smaller companies (illiquid, under researched, barriers to growth capital)
    - Focus on profitable, cash generative companies which are intrinsically undervalued and can benefit from strategic, operational or management initiatives

  - Thorough diligence to identify value creation catalysts; improved return on capital, profit growth, multiple expansion, debt reduction and cash returns
  - Flexible mandate up to 30% can be invested in unquoted – pre-IPO, direct private equity, taking public companies private and preferred positions
- A compelling market opportunity
  - Provisional of growth capital and strategic support
    - "Smaller public companies are private companies with a quote"
    - Significant, constructive engagement, supporting management to identify and affect catalysts for value creation
    - Exits through quoted liquidity, trade sale, or private equity
  - Exploiting the "illiquidity discount" of smaller companies
    - Low liquidity and impatient capital can result in valuation anomalies
    - Shrinking pool of institutional investors and increased regulatory burden
    - Underserved by corporate advisers and equity research analysis
  - Concentrated portfolio of thoroughly researched value equities
    - "Value stocks" out of favour – opportunity
    - Managing portfolio risk through significantly higher engagement
    - Leverage industrialists and external adviser input
- IMImobile plc – High growth business benefiting from mobile expansion
  - Attractions
    - Significant structural growth drivers – global trend towards digital and mobile communications
    - High recurring revenues (c.94%) and embedded solutions
    - Strong organic growth across all divisions and geographies
    - Highly cash generative (>120% conversion), strong balance sheet, high return on capital and successful acquisition track-record
    - High gross margins c.56% and operational gearing
  - Investment thesis
    - Discount to sector of 7.8x FY17 EV/EBITDA (Fully diluted no shares) falling to 7.3x FY18 vs peer group average of c.13x
    - Executing on simplification of product, capital structure, corporate governance and positioning with investors
    - Strategic initiatives and product investment delivering with strong momentum ; clear value creation plan
    - Shift from direct sales to use of channel partners accelerating organic growth rates
    - Catalysts – earnings growth; further improvement in quality of earnings; new markets (USA); potential for a PE or trade buyer
  - Potential risks / threats
    - Customer concentration – loss of a major contract could have a material short term impact
    - A growing international business with exposure to emerging markets
  - GHAM is engaged with open dialogue with management and shareholders
    - Shareholder engagement and aligned intersts – GHAM 17.4% management and directors 21.2%
- Conclusion
  - Attractive entry point
  - Significant potential upside from existing strategic investments in the portfolio over the medium term
  - 50% of realised gains available for distribution to shareholders
  - Attractive pipeline of opportunities

- Investment team with a track record of delivering strong long-term absolute returns
- Investing with a Strategic Equity (SPE) approach can deliver superior long-term returns
- Investment team aligned to performance – Plans to scale and narrow discount to NAV

Q&A

- What's your performance fee?
  - 1.5% on NAV and a performance fee – we disclose the NAV every week

Sam Allen