UPDATES

New subscribers should note that these Updates provide comment and reviews of previous Techinvest 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.

Gooch & Housego
1695p (GHH; AIM)

The company has announced that trading for the year ended September 30 is expected to be in line with management's previous guidance. During the period, the business has benefited from positive market conditions in the industrial sector, in particular critical components used in microelectronic manufacturing and, during the second half, high reliability fibre couplers for undersea cables. The company has entered the new financial year with a record year-end order book of £96.1m, an increase of 33% compared with the same time last year. In August and September Gooch & Housego acquired ITL and Gould Fiber Optics (GFO) respectively. ITL is a UK based specialist in the design, development and manufacture of high-quality medical devices. The acquisition has enabled Gooch & Housego to double its life science business and move up the value chain, as all of ITL's sales come from system-based products. GFO is a US-based market leading supplier of key enabling components to tier 1 US Aerospace and Defence customers. It provides a platform for Gooch & Housego to access business that has been largely denied to the company, due to International Trade in Arms (ITAR) regulations.

Gooch & Housego has long been aware of the potential risks associated with the cyclical nature of the microelectronics sector and more recently with the impact of US/China tariff changes. The company's response over several years has been to manage these risks by diversifying the business and moving up the value chain. One third of the company's turnover is now in the Aerospace and Defence sector and the life science business is also making pleasing progress. This diversification, aided by recent acquisitions, makes Gooch & Housego a much more attractive investment proposition than before, as reflected in the circa 16% increase in the share price this year. Strong hold.

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GAN
52.5p (GAN; AIM)

Momentum is building in the business, judged by the strong revenue growth reported in the first half. For the six months to June 30, gross income increased to £23.8m from £18.6m a year earlier. Group net revenue was up 11% to £4.6m. Recurring revenues grew by 19%, driven by the continued strength in simulated gaming, and now account for 92% of net revenue. The US and Italy accounted for 61% and 38% of net revenue, respectively. Loss after tax was £2.9m compared to a loss of £2.0m in the first half last time. Cash and cash equivalents at period end amounted to £5.1m (5.57p per share).

During the first half, GAN entered into a multi-year extension with key client PaddyPower Betfair for the continued provision of platform services in New Jersey's fast-growing internet gaming market and the integration of nominated sports betting applications from third party provider IGT was substantially completed in the period. GAN also commenced a significant expansion of engineering resources principally in Bulgaria with secondary recruitment in Las Vegas, in order to meet existing and expected demand from both existing clients and new clients for incremental real money internet gambling services. Post period-end the company launched internet sports betting in New Jersey for PaddyPower Betfair's FanDuel Group. GAN has also extended for a multi-year period the existing agreement with Pennsylvania's largest land-based casino, Parx Casino, in order to prepare for the commencement of real money internet gaming, real money internet sports betting and on-property retail sports betting delivered via the GAN platform.

GAN's share price took off in July after the US Supreme Court overturned the previous Federal US prohibition on sports betting enshrined with the Professional and Amateur Sports Protection Act 1992. The company is well positioned to benefit if the judicial ruling helps open-up the US sports betting market. Early signs that the sports betting market is gathering momentum in the US are promising. Strong hold.

Smartspace Software
101.25p (SMRT; AIM)

Results for the six months to July 31 reflected the disposal of the Systems Integration and Managed Services divisions for £21.6m in cash in mid-June and are based on the continuing operations of the Connect software and OneSpace occupancy management software platforms and A+K's distribution business. Revenue from continuing operations was £1.9m compared to £2.1m in the corresponding period last time. Profit on disposal of the Systems Integration and Managed Services divisions was £3.3m. As a result, SMRT reported pre-tax profit from continuing operations of £0.62m compared to a loss of £0.67m a year earlier. Basic earnings per share were 3.2p and the net cash position was £13.4m.

The Software business delivered revenue of £1.5m, down from £1.8m last year due to lower margins. Revenue from the Systems Integration division rose slightly to £0.4m from £0.3m last time. Software R&D expenditure for the period amounted to £0.7m, with investment focused on enhancing the functionality of the main space management platform. Current trading is reported to be in-line with management expectations with a strong pipeline of contracts across the group heavily weighted for the second half.

Separately, Smartspace announced that it has acquired New Zealand-based Swiped On for £5.4m. Swiped On offers a visitor management solution to customers in 39 countries around the globe on a monthly subscription. The company reported annual recurring revenue of £0.8m in the last financial year. Swiped On's software is more sophisticated than Smartspace's own visitor management capability and will therefore enable the company to strengthen its offering to existing workplace space management clients. It will also enable Smartspace to accelerate the development of entry level meeting room management and smart car parking products.

The acquisition of Swipe-On will help broaden Smartspace's revenue base and will enable the business to be less dependent on enterprise-level deals. With a strong cash position, the enlarged group will be able to accelerate the 'buy and build' strategy, acting as a consolidator in the fragmented market for smart building software and services. The shares currently trade on a cash adjusted P/E of 10.1. Continue to buy.

Dotdigital
80p (DOTD; AIM)

Fears about the impact of GDPR proved unfounded, as Dotdigital reported a strong set of results for the year to June 30. Revenue increased by 35% to £43.1m, of which organic revenue growth was 15% and the remainder as a result of the Comapi acquisition, which contributed £6.2m for a period of just over seven months from mid-November 2017. Recurring revenue was up 41% to £36.6m, driven by enhanced product functionality. Adjusted EBITDA was ahead by 21% to £12.5m and adjusted operating profit climbed 22% to £10.0m. The cash balance was £15.0m (5.1p per share).

ARPU grew 18%, increasing from £715 per month to £845 per month. Customers signed in the period grew by 26% to 689. The overall volume of messages sent using dotmailer increased by 21% to 14.4bn from 11.9bn a year earlier. EMEA revenue grew 11% to £30.4m, with sales cycles reported to be normalised post GDPR implementation last May. US revenue grew 43% to US$7.1m following moves to strengthen the channel management team. APAC revenue grew 85% to AUS$2.1m due to stronger relationships with channel partners and increased direct sales client conversion rates. There were three major product releases during the period, with the focus on automation and personalisation. Investment in AI and machine learning has also been accelerated. The Comapi omni-channel acquisition has been fully integrated and is performing in line with expectations.

Dotdigital's transition towards becoming an AI-driven, omni channel platform continues to gather pace, better placing the company to capitalise on the expanding market for marketing automation technology. That market is expected to be worth £19.3bn by 2023, according to Forrester Research, so the opportunity open to Dotdigital is considerable. Continue to buy.

Kape Technologies
110p (KAPE; AIM)

Kape has announced the acquisition of Berlin-based ZenMate for a total consideration of €4.8m. ZenMate is a multi-platform security software business with a focus on the provision of virtual private network solutions. As part of the integration process, Kape will implement an extensive restructuring plan intended to transition ZenMate from a loss of €1.1m in the year to 31 December 2017 to profitability in the next quarter.