

Markets were weak in October with the ASX All Ordinaries Accumulation Index down 3.85%. Small and micro cap stocks underperformed large cap stocks with the S&P/ASX Small Ordinaries Accumulation Index ("Small Ords") down 5.45% and the S&P/ASX Emerging Companies Accumulation Index ("Emerging Companies Index") down 4.56%. Small and micro cap stocks have underperformed in CY2023 thus far with the Small Ords down 6.1% and the Emerging Companies Index down 9.7%. This compares to the S&P/ASX 200 Accumulation Index which is largely flat.

While the market was weak, there were a number of companies that experienced strong share price movements in October with some of the large increases driven by corporate transactions. The biggest mover in the coverage universe for the month was Halo Technologies Holdings Ltd (ASX: HAL) with the share price up 258.3%. There was no news flow that drove this movement with the Company stating they were not aware of what was driving the move.

Below we take a look at five companies that experienced positive share price moves during the month and the news flow driving the moves.

Damstra Holdings Limited (ASX: DTC)

Damstra Holdings shares were up 145% for the month with the shares increasing significantly on the back of the announcement that the Company had received an offer to acquire 100% of the shares in the Company from multiple parties and it had provided exclusivity to one of the interested parties to conduct due diligence. The conditional, non-binding, indicative proposal by Miratech Holdings Inc. is to acquire Damstra's shares for \$0.30 per share by way of scheme of arrangement. The offer represented a 200% increase to the share price at the close of the day prior to the announcement.

Damstra is an enterprise software company that provides a range of security solutions. The Company offers a range of products, including workforce management, access control, and solo, all of which are aimed at improving the onsite verification process. The suitor, Miratech Holdings, provides solutions across global technology partners for corporate legal departments, risk and compliance teams, and HR.

It's been a tough few years for shareholders with Damstra shares falling from a high of \$2.39 in October 2020 to as low as \$0.066 in 2023. While the due diligence is yet to be completed, the offer is no doubt a reprieve for shareholders, albeit a relatively small one for any long-term shareholders.

Webcentral Ltd (ASX: WCG)

Webcentral was one of three stocks in the coverage universe to increase more than 100% in October with the share price increasing 112%. Webcentral is a digital services company that provides cloud solutions within Australia and New Zealand. The Company offers data connectivity, cloud and data centre services, and managed services. It provides cloud-based IT solutions along with network services, operates fibre and wireless infrastructure, manages the cloud computing environment and operates data centre facilities.

During the month, the Company announced the sale of two-thirds of its domain name registry, consumer hosting and email hosting services business for a total of \$165 million to Oakley Capital, a London-based technology-focused private equity firm. After undertaking a comprehensive review of the business, the Transaction with Oakley was identified as the best outcome to maximise value.

The total value of \$165 million comprises cash proceeds of \$115 million, a one-third equity interest in the domain business valued at \$20 million, and a deferred revenue of \$30 million that will not be deducted from the purchase price. The domains business will also continue to source cloud services and managed support services from Webcentral under a services agreement valued at \$12 million over 5 years, with a minimum of \$4 million in the first year.

On completion of the Transaction Webcentral will change its name to 5G Networks Limited and continue carrying on its remaining businesses as a telecommunications carrier and owner of infrastructure servicing enterprise and wholesale customers. The 5GN business is expected to generate pro forma revenue of \$45M in FY24 with proforma run-rate net profit of greater than \$5M before acquisitions.

The Company will have a net cash position of ~\$84 million following the repayment of debt and transaction costs. The balance of the proceeds from the Transaction are expected to be used for acquisitions of complimentary technology, cloud hosting and managed IT businesses. Post the Transaction the Company will review the capital management strategy with the Company signalling the potential for the resumption of dividends and share buybacks.

Completion of the Transaction is expected in late November subject to binding debt facility agreements being entered into by the acquiring parties, no material adverse changes and completion of an internal restructure.

Blueglass Limited (ASX: BLG)

Blueglass is one of a handful of end-to-end GaN laser manufacturers globally with operations in Australia and the US. Blueglass supplies GaN laser diode products to the global photonics industry, focused on the industrial, defence, bio-medical and scientific markets.

Blueglass's share price was up 51.3% for the month with the share price reacting positively to the news that the Company had been named as a member of the Commercial Leap Ahead for Wide-bandgap Semiconductors (CLAWS) Hub.

The US Department of Defense awarded US\$238 million in funding for the establishment of eight Microelectronics Commons regional innovation hubs. The Microelectronics Commons is focused on bridging and accelerating the lab-to-fab transition and mitigating supply chain risks and will supercharge America's ability to develop, prototype, manufacture, and produce cutting-edge microelectronics at scale.

The CLAWS Hub, led by North Carolina State University (NCSU), has been awarded US\$39.4M for the base year of performance and consists of seven hub members.

The CEO of Blueglass stated that “the work we will be contributing to the hub perfectly aligns with BlueGlass’ wide-bandgap and extended-wavelength roadmaps and will leverage the benefits of our proprietary RPCVD technology.”

Wide-bandgap semiconductors offer higher voltage and temperature capacity than traditional silicon chips. They have wide and growing applications in power electronics, radio frequency, and wireless devices; as well as photonics devices such as visible lasers for next-generation sensing, communications, artificial intelligence, and quantum technology applications.

Blueglass is still in the early stages of growth with the Company only recently generating initial product revenues. In its Annual Report the Company stated that it is partnering with several industry leaders to validate its products. Visible GaN lasers increasingly underpin advanced industries and technologies, used in everything from raw materials processing, satellite communications, quantum computing, defence and aviation, through to medical and biotech applications. The increased application has resulted in GaN lasers forecast to be a US\$2.5 billion segment of the broader laser market by 2025.

Given the forecast growth in the market this Company may be one to put on your watchlist.

Xtek Limited (ASX: XTE)

Xtek Group operates two divisions: (1) Ballistics Division; and (2) Technology Division. The Ballistics Division designs, manufactures and supplies global military, law enforcement and first responders with advanced personal protection ballistic products and solutions for body armour, ballistic helmets and composite armour structures. The Technology Division manufactures and supplies global defence and security agencies with uncrewed systems and sensor payloads, and Australia-made software and local support.

During the month, Xtek announced they had secured a support contract from the Commonwealth of Australia’s Department of Defence to maintain and sustain the \$26.9 million newly acquired fleet of small unmanned aerial systems (SUAS) from Xtek. The initial 4 year term is valued at \$15.9 million with a further \$29 million anticipated to be realised during the contract period. If all extensions are awarded (up to six years), and potential spares are used, the total contract value over the 10 year life of the contract is anticipated to be more than \$110 million.

The Company delivered record revenues in FY23. In an investor update in October, the Company highlighted that the Group had a pipeline of leads at various stages worth more than \$375 million, primarily driven by the Ballistics Division with the Company forecasting continued revenue growth in FY24. Ongoing uncertainty in Europe and continuing tensions in the South China Sea and those developing in the Middle East is expected to drive short-and-long term supply demand and strategic investment to upgrade with next generation products and solutions.

At the date of this report, consensus estimates are forecasting a 5% increase in revenue in FY24 with a 43.3% increase in normalised EPS.

Adore Beauty Group Limited (ASX: ABY)

Adore Beauty Group’s share price was on the move in October, finishing 41.5% higher. During the month, Spheria Asset Management became a substantial shareholder.

In a Trading Update released to the market, the Company announced Revenue for the September Quarter of \$47.5 million, up 4.7% on the pcp. Active customer numbers were up 1.5% for the Quarter with a record 497,000 returning customers in the period. The Company noted that despite cost of living pressures and weaker consumer sentiment, the Company is forecasting a return to positive EBITDA with an EBITDA margin of 2%-4% in FY24.

Analysts are forecasting steady EPS growth for the Company over the next three years however there remains risk surrounding these forecasts given the current macroeconomic environment.

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