Movers & Shakers - ASX Small & Micro Cap Industrials

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Welcome to the latest addition to Independent Investment Research's (IIR's) Movers & Shakers series - ASX Small & Micro Cap Industrials. Each month we'll take a look at stocks (excluding Energy, Materials, Health Care and Real Estate) with a market cap of less than $2 billion that have been on the move and the reasons driving the share price moves.

It has been a tough 12-months for small and micro cap stocks in general with the S&P/ASX Small Ordinaries Accumulation Index down 13.2% and the S&P/ASX Emerging Companies Accumulation Index down 20.9% over the 12-months to 31 March 2023. March saw a number of companies receiving takeover offers as suitors sort to take advantage of depressed prices. This saw the share prices of a number of companies rally.

IntelliHR Limited (ASX: IHR)

IHR's shares soared over 100% after the Company received a takeover offer from Humanforce. The Company has been the subject of a bidding war between Humanforce and The Access Group, however Humanforce seems to have won out with The Access Group bowing out and the Board recommending the latest Humanforce bid of 24 cents per share.

IXUP Limited (ASX: IXU)

IXU has seen its share price rise sharply, as the data analytics company posted a stronger than expected result. Despite revenue declining, IXU was able to achieve gross profitability with the cost of sales declining markedly on the pcp. Taking out the impairment charges, which came in at $14 million, the Company's expenses were relatively flat. Investors clearly are hoping that things turnaround in the latter half as the Company's shares continue to rally of 12-month lows post the results.

Allowing for users to share sensitive data sets and analyse them under one roof has become an important part of the global system. Allowing for co-marketing and multi-party data analytics saves large organisations both time and money. Furthermore, as data and privacy laws become increasingly important, the ability to co-analyse meta-data remains key to organisation's ability to market and sell their products. This is where companies such as IXU come in, allowing for both privacy and actionable analytics.

Redflow Limited (ASX: RFX)

RFX's share price popped on the news of signing key deals for non-lithium batteries. The Company's zinc-bromide batteries are witnessing demand from storage systems, as demand for storage systems themselves grows. Zinc-bromide is specifically created in order to meet medium-long term storage duration, providing flexibility and cost-effectiveness for time-bound/cyclical battery needs from storage devices.

IPD Group Ltd (ASX: IPG)

IPG which is involved with automation systems, control devices, motor control and protection, has seen its stock rally since releasing its half-year results in late February. The Company currently partners with a range of different solution providers including Hitachi, ABB, Novaris and Panasonic.

One of the biggest drivers of revenue has been the increasing shift towards renewable energy, and IPD solutions has been providing a range of engineering solutions for a range of energy solutions, specifically for the solar energy industry. The Company expects to see significant increase in revenue from a range of tailwinds, which have been exacerbated by the fact that inflation is running hotter than usual and energy prices are heading up quicker than in previous years. This has meant that many changes are occurring regarding the source of energy consumers are preferring and grid engineering.

Meanwhile, the Company is also providing electrification services for vehicles, providing infrastructure services for cellular services including 4G/5G services, and providing the necessary infrastructure for data centers. All these different industries are high-growth industries, and companies such as IPG, remain key to their success.

Revenue was up significantly in the first-half of FY23 increasing by 35%, meanwhile EBIT was up 33%. The Company declared a 4.6 cent per share dividend and now has a 50% payout ratio. Strong growth, mainly from strong demand from energy and engineering divisions, is expected to continue to drive revenue through the year, which will likely see the positive share price momentum continue.

Structural Monitoring Systems Plc (ASX: SMN)

SMN shares are rallying as results turned for the positive. The Company saw shares rally significantly but it remains to be seen whether or not the Company can continue posting similar results in the coming quarters. Clearly the commercialisation of its CVM crack detection technology is being seen positively by the market. The technology is expected to be used by aircrafts globally, and remains one of the most competitive structural monitoring systems out there.

Maxiparts Limited (ASX: MXI)

MXI's share price continued its positive momentum in March with the share price up 20.7% since releasing its half-year result in late February. The rally has been largely led by fundamentals, as the Company's latest results showed a significant increase in revenue (36.5% YoY) and EBITDA up 40% YoY.

MXI largely deals in commercial parts distribution, and demand continues to be strong, especially from the trucking industry. Additionally, management has indicated that demand will remain strong for the rest of the fiscal year, and in line with their previous statements. Management has indicated that growth is likely to slow to single digits for the upcoming results.

The Company will also continue to see accretive results from its acquisition of Truckzone, which should help it improve its revenue. MXI has been investing in its supply chains as well and expects consolidation of its suppliers to improve its overall gross margins, which increased by 1.2%, for the latest results.

K&S Corporation Limited (ASX: KSC)

KSC's share price rallied in March on the back of strong results. The share price increased by as much 20% during the month as investors took note of the Company's improved performance.

The stock is benefiting from a number of key tailwinds including increasing demand for its logistics services, which are primarily exposed to both the import and export market. Benefiting from the commodities, fuel transport system, and the aviation services division, each of which has been witnessing strong demand, KSC is expected to continue to see strong results through the rest of 2023, as these industries witness strong demand from global markets such as China, but also domestically in Australia.

Increasing demand for commodities such as steel, has meant the freight and rail network business continues to outperform. In addition to the improving fundamentals, the dividend yield also remains attractive at over 6%, and many investors will be excited by the high dividend rate and the improving performance.

The steel and commodities business remains strong for now, as global demand and the Chinese reopening remain positive themes for the Company. Furthermore, freight and rail networks, in general, remain key to transportation of materials, and the increased demand for Australian energy and energy production continues to see improving prospects.

United Malt Group Limited (ASX: UMG)

UMG rallied as the Company received a $1.5 billion takeover from French rival Malteries Soufflet. The Company primarily deals in malt ingredients crucial to beer and wine companies. UMG has a relatively strong position within the Australian malt market, and the takeover should help improve synergies for Malteries Soufflet, which is looking to improve its global footprint.

Nexted Group Limited (ASX: NXD)

The educational company's shares continue to rally primarily on the back of the CEO's comments at the Proactive Small and Mid Caps conference. Clearly investors liked what they heard, and the Company is expected to continue its strong run of form in 2023, after positing significant growth in the previous year. The Australian Edtech market is expected to grow by around 11% until 2025, and investors will be keeping an eye out for the sector.

Sezzle Inc. (ASX: SZL)

SZL's shares rallied during the month after the release of the February business update. Total income for February increased 29.1% YoY to US$10.7 million and the Company achieved profitability with positive Net Income of US$0.8 million for the month of February. As at 28 February, the Company had US$68 million in cash and had drawn US$53.3 million of its US$100 million credit facility. During the month, the Company also announced it is seeking to list its shares on the Nasdaq to expand the universe of potential investors. SZL provides financial services, that are primarily involved with the buy-now pay-later model. While the model has seen significant growth in North America, particularly the United States, SZL's business is still in the nascent stages in Australia. Consensus estimates expect SZL to report a 25.8% increase in revenue for FY23 of US$158 million and its first full year Net Profit (on an normalised basis) of US$13.2 million.

InvoCare Limited (ASX: IVC)

IVC provides funeral services in Australia, New Zealand, and Singapore, and also operates memorial parks. After hitting a 12-month low of $8.89 during March, IVC shares jumped on the news of an unsolicited bid from TPG for $12.65 per share. The takeover bid will be subject to the completion of satisfactory due diligence and regulatory review before it can proceed. TPG have a 19.9% interest in IVC through a combination of physical ownership and derivatives. The Board have reviewed the proposal and unanimously concluded that the proposal does not provide compelling value for shareholders and has informed TPG that it is not prepared to grant full due diligence. IVC has offered to provide TPG access to limited, non-public financial information on a non-exclusive basis to provide TPG the opportunity to formulate a revised proposal. There is no certainty that the access will result in a revised proposal or a transaction being put forward to shareholders. IVC finished the month trading at $11.82 per share.

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