

PLC Awards

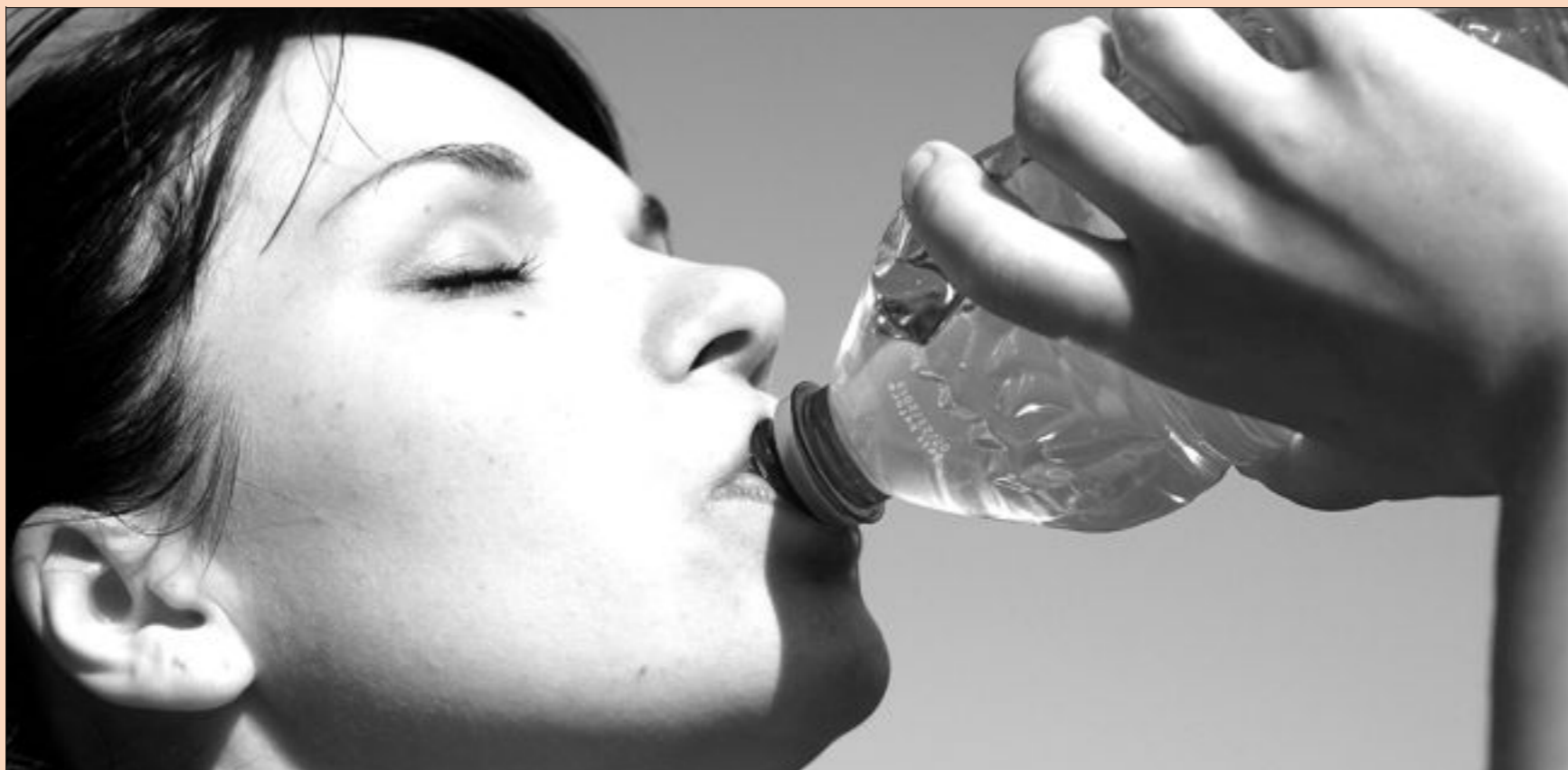
A SPECIAL REPORT

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Midmarket shows it can shine amid gloom

It is the time of year for FT readers to help choose the UK's best small and medium sized companies, writes **Andrew Baxter**



Water margins: Domino Printing Sciences' technology is used to print the label on bottles and hundreds of other products

If 2011 was a tough year for UK companies of all sizes, there was still scope for those at the smaller end of the scale to buck the trend – as there always will be.

“The midmarket is a wonderful place because you can have these pockets of outperformance and of brilliance, with companies seizing an opportunity in what is a difficult market,” says Karsten Langer, a partner at Riverside, an international private equity firm that focuses on the lower end of the midmarket.

This outperformance is recognised each year by the PLC Awards, which laud the achievements of small and medium sized companies trading on the London Stock Exchange.

Mr Langer, who is also chair of the European Private Equity & Venture Capital Association (EVCA), says 2011 was a year of two halves. “There was a lot of optimism in the first half, and a belief that the economy was heading back to some sort of sustainable growth, but that was washed away by the summer storms.

“[Then] it was all about the euro crisis and the realisation that the problems of the economy as a whole were probably a lot deeper than had been thought in the first half of the year.”

Small and medium sized companies can be more affected by such conditions than their larger counterparts, he says, because they may have a more concentrated customer base or be more subject to individual events.

But, because of their size they do not reflect the market average: “If they have a brilliant product that is well priced, they might grow even

when economic conditions are difficult or overall growth stagnates.”

The PLC Awards' Company of the Year for 2010, Domino Printing Sciences, is a case in point. The Cambridge-based producer of coding and printing technologies continued to flourish last year, delivering a 5 per cent rise in sales and record profits for the year ended October 31.

It was Domino's 33rd year of sales growth, and reflected a strong performance from new products, increased investment in sales and service capacity to fuel growth and market share gains. The year also saw a \$50m (£32m) investment in a

new company that will develop proprietary food safety and traceability technologies for the US egg industry.

The awards' judges have been looking for similar achievements and forward thinking from the entrants for the 2011 PLC Awards, which mark the 26th year of a programme founded by Ian Restall and now sponsored by PwC. The aim is to recognise those companies that have achieved something for shareholders and customers over the long term rather than for brief periods only.

As in previous years, Financial Times readers have the opportunity to help choose the winners of seven of the awards by using the voting form below. Nominations from the public were whittled down to shortlists of four companies per category by a panel of fund managers, brokers and other City professionals last week.

The winners of these seven awards – which cover calendar 2011 – are chosen via a 50-50 split between the views of the panel and the public vote.

The two other categories that make up the PLC Awards – Best Performing Share (sponsored by Winterflood Securities) and Best Performing Smaller Company Fund (sponsored by Espirito Santo Investment Bank) – are chosen on the basis of performance

alone. For full descriptions of all the Award categories, please visit www.plc-awards.co.uk.

There are one or two familiar names on the shortlists but plenty of new ones, too. Renishaw, winner of the 2010 Best Technology award for its precision measurement systems, is back on the shortlist for that category again. TeleticityGroup, shortlisted in both Best Investor Communications and Achievement in Sustainability for 2010, is up for the main Company of the Year award this time round – as is NCC, whose chief executive, Rob Cotton, was shortlisted for Entrepreneur of the Year in 2010.

As for the other two companies shortlisted for 2011 Company of the Year, Croda International makes it for a second year running, while Oxford Instruments was shortlisted for Best Technology a year ago.

Otherwise, it is an entirely new list of companies this year, compared with 2010, illustrating the diversity of the UK's small and medium sized company sector.

The Achievement in Sustainability category saw the number of nominations double, to 20, and was the one section where changes have been made to the shortlist selection process. A new scoring system has been introduced based on seven improved indicators of sustainability – risks, opportunities, governance, strategy, impacts beyond the business, stakeholder engagement, and key performance indicators (KPIs) and targets – with the aim of illustrating the maturity of sustainability thinking and reporting.

You have until Friday, February 10 to vote, either by using the form below or at www.plc-awards.co.uk.

The winners will be announced on March 1 at the PLC Awards dinner in London, in front of some 1,500 guests at the Grosvenor House Hotel. The results will be published in the FT's Mid-Market Companies special report on Friday, March 2.

Company of the Year

For a company that has clearly demonstrated success is not just a short term phenomenon.

The winner will be successful in share price terms, but will also be professionally managed; its long term strategy will be intact, and its growth and development to date will have been soundly financed.

Croda International is a world leader in natural-based speciality chemicals, which are sold to a wide range of customers that can be broadly classified into two sectors: Consumer Care and Industry. It has about 3,400 employees, working in 34 countries. For the three months ended September 30, Croda, which is based in Goole, East Yorkshire, reported sales from continuing operations up 5.1 per cent at £265.6m and pre-tax profit up 20.8 per cent to £57.4m. The company's strategy is to focus on high-value ingredients, moving away from low-margin businesses. It is able to pass on price rises and has maintained volumes during the recent downturn.

NCC Group is one of the best known names in IT assurance, where it tests the security of websites and carries out forensic investigations for companies that have been attacked. It also has an escrow service operation. The Manchester-based company has more than 500 employees and made two significant acquisitions last year, which helped boost its revenues by nearly 50 per cent and consolidated its presence in North America. NCC is poised for further growth in view of the security issues that are raised by cloud computing and mobile devices. However, challenges include increasing competition and the pace of technological change.

Oxford Instruments joined the FTSE 250 index of leading medium-sized listed companies last September, 51 years after starting as an Oxford university spinoff in a researcher's garden shed. The company produces high-tech equipment used to analyse and manipulate matter at the atomic level, and has benefited from a restructuring as well as a

pick-up in demand from its industrial products division, which was particularly hard hit by the recession. The Abingdon-based company has 1,900 employees and reported adjusted pre-tax profits of £18.7m for the six months to the end of September, up from £10.6m a year earlier.

TeleticityGroup is a big provider of network-independent data centres. It raised revenue and operating profit last year through organic growth by increasing capacity in constrained markets. Growth in cloud computing and mobile data usage helped the London-based company lift pre-tax profit by 137 per cent to £33.9m in the first half of last year, and the £87.6m acquisition of Data Electronics, Ireland's biggest data centre provider, has consolidated Teleticity's status as Europe's leader in the field. The group said in November that demand for premium data centre capacity in Europe was strong and confirmed its positive outlook.

Award sponsor: College Hill

Entrepreneur of the Year



Charles Wilson (top left) joined Booker Group in 2005 and has transformed the food wholesaler into a FTSE 250 company. He has focused on creating a cash-generative supply chain and is now broadening the group with a profitable online delivery business and branches in India. He started his career in 1986 with Procter & Gamble, then worked at OC&C Strategy Consultants and became a director of Abberton Associates. In 1998 he became an executive director of Booker, which merged with Iceland in 2000. In 2001, he joined Arcadia Group and in 2004 he became an executive director of Marks and Spencer.



Tony Pidgley (bottom left) founded Berkeley Group Holdings with Jim Farrer in 1976, and has gained a national reputation for his pioneering approach to the building industry. Under his leadership, the group has become a leader in urban regeneration. Mr Pidgley left school at 15 to form his own company in haulage and plant hire. At 21, he sold it to Crest Homes and joined as building director, reporting to Mr Farrer. Berkeley enjoyed considerable growth over its first 10 years. Its commercial performance has been consistently strong throughout the recent downturn, with pre-tax profits up 64 per cent in the six months ended October.

Mark Lancaster (top right) founded SDL in 1992 after recognising the need for a comprehensive software-based language solution for use in global enterprises, enabling them to create and maintain multilingual content. Mr Lancaster studied electrical engineering and computer architectures at Hatfield University before becoming a software design engineer at Satchwell Control Systems and Lotus Development and later became international development director at Ashton-Tate. SDL's turnover rose 18 per cent to £111.5m in the six months to June 2011, with pre-tax profits up 23 per cent to £15.8m.



Greg Fitzgerald (bottom right) was appointed to the board of Galliford Try, the building group, in July 2003 and was managing director of the housebuilding division before being appointed chief executive in July 2005. He was a founder of Midas Homes in 1992 and its managing director when it was acquired in 1997. In September, Galliford Try reported that pre-tax profits before exceptional items rose 34 per cent to £35.1m for the year to June 30. “We enter the final year of our three-year transformational expansion plan for housebuilding in a strong position to deliver on the objectives we set for 2012,” says Mr Fitzgerald.



BEST INVESTOR COMMUNICATION	<input type="checkbox"/>	NEW COMPANY OF THE YEAR	<input type="checkbox"/>
Greene King	<input type="checkbox"/>	APR Energy	<input type="checkbox"/>
Hikma Pharmaceuticals	<input type="checkbox"/>	Kentz Corporation	<input type="checkbox"/>
KCom Group	<input type="checkbox"/>	Perform Group	<input type="checkbox"/>
Shanks Group	<input type="checkbox"/>	Petra Diamonds	<input type="checkbox"/>
ACHIEVEMENT IN SUSTAINABILITY	<input type="checkbox"/>	ENTREPRENEUR OF THE YEAR	<input type="checkbox"/>
Pennon Group	<input type="checkbox"/>	Charles Wilson,	<input type="checkbox"/>
Persimmon	<input type="checkbox"/>	Booker Group	<input type="checkbox"/>
Redrow	<input type="checkbox"/>	Tony Pidgley, Berkeley	<input type="checkbox"/>
Shanks Group	<input type="checkbox"/>	Group Holdings	<input type="checkbox"/>
BEST TECHNOLOGY	<input type="checkbox"/>	Mark Lancaster,	<input type="checkbox"/>
Aveva	<input type="checkbox"/>	SDL	<input type="checkbox"/>
Imagination Technologies	<input type="checkbox"/>	Greg Fitzgerald,	<input type="checkbox"/>
Optos	<input type="checkbox"/>	Galliford Try	<input type="checkbox"/>
Renishaw	<input type="checkbox"/>	COMPANY OF THE YEAR	<input type="checkbox"/>
TURNROUND OF THE YEAR	<input type="checkbox"/>	Croda International	<input type="checkbox"/>
De La Rue	<input type="checkbox"/>	NCC Group	<input type="checkbox"/>
Galliford Try	<input type="checkbox"/>	Oxford Instruments	<input type="checkbox"/>
Qinetiq Group	<input type="checkbox"/>	TeleticityGroup	<input type="checkbox"/>
Yule Catto	<input type="checkbox"/>	Sponsored by PwC	<input type="checkbox"/>

Turnround of the Year

De La Rue, the security printer and papermaker, announced an “improvement plan” in the summer following a collapse in profits in the wake of production problems. The target is £100m of annual operating profit by 2014. In November, the company said the plan was on track.

Galliford Try, the housebuilding and construction group, has weathered the downturn. Its annual results statement for the year ended June 30 showed an increase in housebuilding margins from 5.6 per cent in 2010 to 8.1 per cent, with a 27 per cent increase in completions. (See *Entrepreneur of the Year* category, above.)

Qinetiq Group, the global defence company, is deep into a two-year self-help programme to refocus the business, transform the culture and strengthen the balance sheet. Debt has been reduced and refinanced, while the operating margin was sharply improved last year.

Yule Catto, the chemicals producer, reported an 81 per cent rise in underlying pre-tax profits to £43.5m for the first half of 2011, and a 65 per cent increase in revenues that partly reflected the £365m acquisition of PolymerLatex in late 2010.

Award sponsor: Broker Profile

Best Technology

Aveva provides software for designing oil rigs, ships, power stations, chemical and other process plants. New products last year include software to simplify complex ship designs. The recent acquisition of LFM Software has bolstered its position in 3D laser scanning.

Imagination Technologies' multimedia and communications semiconductor intellectual

property (IP) cores are at the heart of many consumer electronics products. Its IP is used across graphics, video, communications, connectivity and processing.

Optos is a retinal imaging company with a vision to be recognised as a leading provider of devices and solutions to ophthalmic professionals. Recent products include ultrasound technology, visual field devices and visual acuity

systems, complementing the core technology.

Renishaw is a world leader in measurement, motion control, spectroscopy and precision machining. The company now also offers medical devices, surgical robots and planning software for use in stereotactic neurosurgery. It has also entered the field of medical diagnostics.

Award sponsor: SJ Berwin

New Company of the Year

For companies that joined the London Stock Exchange main market in 2011.

APR Energy the temporary power supplier, relisted its shares on the LSE in September, three months after the fast-growing business was bought by Horizon Acquisitions. It is using the proceeds of its initial public offering to invest further in emerging markets. In Japan, it is supplying generation to replace power supplies lost after the March 2011 earthquake.

Kentz Corporation moved from Aim to the main market of the LSE in July. Founded in 1919, it provides specialist engineering, procurement and construction solutions and technical support services, primarily for the oil and gas, petrochemical and mining and metals sectors. In August, the Irish company reported a 50 per cent rise in profits from \$25.2m to \$37.7m, on sales

that increased by a similar scale from \$434m to \$643m.

Perform Group, a digital sports media company, had an IPO on the LSE in April. In August, reporting first-half results to June 30, it said revenues rose 47 per cent to £45.1m but a £6m pre-tax profit turned into a £2.2m loss because of the costs of the IPO. Since listing, the company has been making acquisitions and expanding into new sports and countries.

Petra Diamonds stepped up to the main market in December, capping a busy year that included acquiring 74 per cent of South Africa's second largest diamond mine. For good measure, its first day of trading on the LSE coincided with news that it had sold a 4.8 carat blue diamond for \$1.45m – the highest per carat price it had ever received for a rough diamond.

Achievement in Sustainability

Pennon Group owns South West Water and Viridor. SWW, the water and sewerage provider, has 90.3 per cent of bathing waters meeting the European Union “excellent” guideline, up from 84 per cent in 2009. In waste management and recycling, Viridor gets 46 per cent of its profits from recovering the value in waste, up from 17 per cent 10 years ago.

Persimmon, the property developer, cut the amount of waste sent to landfill per home built by 20 per cent,

from 1.55 tonnes in 2009 to 1.24 tonnes in 2010. Its Space4 patented energy-efficient construction system uses new timber frame technology and has increased the energy efficiency of new homes.

Redrow, another property developer, diverts 90 per cent of site waste from landfill (a 25 per cent improvement since 2008). Nearly 98.5 per cent of the timber it used in 2010 had its legal origin confirmed or credibly certified. Health and safety is a priority – the

company has a RoSPA Gold Medal Award.

Shanks Group, the waste management company, has an overall recycling and recovery rate of 77 per cent from nearly 7.7m tonnes of waste each year, and generated 96.2GWh of electricity in 2010-11. There has been a recognition of negative performance and realignment of targets. Its “Rebike” scheme puts refurbished bicycles on sale for low-income families.

Award sponsor: PwC

VOTING RULES

Voting papers should arrive no later than Friday, February 10. Complete and return the form to:

Joanna Read
PricewaterhouseCoopers
1 Embankment Place
London
WC2N 6RH

NAME.....
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You can also vote online at www.plc-awards.co.uk Only original voting papers may be used. Only one voting paper per person is permitted. The judges shall be entitled at their sole discretion to discount any vote that they believe has been submitted as part of a co-ordinated campaign or concerted action.

Best Investor Communication

The shortlist is based on independent research of the annual report and website.

Greene King: the brewer's annual report is nicely presented, with a good educational piece, and the online report converts well into full HTML with quick links, download and sharing tools. The website is consistently branded and people-focused.

Hikma Pharmaceuticals: the annual report is professional, with some good content, including case studies to help the reader understand the business. The HTML online report is easy to navigate, while the media-rich website educates the visitor well.

KCom Group: the telecoms operator's annual report is easy to navigate around, with a digest of key information, and promotion of links to the online report, website and webcasts. The website is consistently branded and user-friendly.

Shanks Group: the waste management group's annual report is content-rich, with emphasis on corporate responsibility and sustainability, and good use of diagrams. The website is well organised and easy to use, with good signposting and its design matches the annual report.

Award sponsor: Redleaf Polhill