

Client: Swallowfield  
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**Midas** The investment column that makes the most of your money

# Even George Soros loves this beauty



by **Joanne Hart**  
INVESTMENTS EDITOR

SWALLOWFIELD has had a long and at times illustrious history since it started out as a high street chemist in 1876. Today, the shares are 337½p and should make strong progress over the next few years.

Swallowfield launched the first consumer aerosol products back in the 1950s, cosmetic pencils in the 1970s and pump-based hair and bath foams a decade later.

Gathering a reputation for innovation and quality, the firm became a supplier to some of the best-known beauty brands in the world, a position it still holds to this day.

However hard times followed the financial crisis, when the company came under pressure to cut costs. Management changes ensued and in 2013 both the chairman and chief executive resigned, replaced by Brendan Hynes and Chris How respectively. Hynes came from Nichols, famous for Vimto, while How spent years at Colgate-Palmolive and PZ Cussons. Hynes and

How worked out that the company was strongest in three areas – aerosols, cosmetic pencils and so-called hot pour products, such as lipstick and roll-on deodorant. Making these items is relatively complex

and requires sophisticated equipment, so profit margins tend to be more resilient, customers are less likely to look elsewhere and it is harder for competitors to move into the market.

At the same time, Swallowfield began to develop its own brands, rather than just formulate products for other firms. One of the first was MR, for men with thinning hair, along with Bagsy, a beauty range that sells itself as 'cruelty free' and

British. In 2015, Hynes bought The Real Shaving Company and last year, Brand Architekts, bringing with it trendy names such as Dirty Works, Dr Salts and Argan 5.

Brand Architekts had focused on UK sales but Swallowfield has a decent overseas network so international expansion has become a priority, even in France. In the past, French women would not dream of using non-native beauty products, but French millennials are increasingly keen to look elsewhere, British goods are considered quite hip and Swallowfield is making good progress in the country.

Last month, Swallowfield unveiled a more than doubling in pre-tax profits from £1.6million to £3.6million, while the dividend rose 68 per cent to 5.2p. Brokers are optimistic about growth, expecting profits of £5.1million next year and a 19 per cent rise in the dividend to 6.2p.

The Brand Architekts deal was also financed in part by the issue of new shares, which brought in some

impressive shareholders, including George Soros, who now has an 11 per cent stake in the business

Soros and other big investors are attracted by Swallowfield's growth prospects. On the manufacturing

side, the company has built strong relationships with leading global brands and hopes to increase sales to them and other customers. On the branded side, the business benefits from several trends, including growing consumer concerns about provenance and sustainability and increasing interest in smaller, quirkier brands.

Swallowfield ticks all these boxes. Dirty Works, for example, is a favourite at Sainsbury's among

young, fashion-conscious women. Swallowfield also sells some products online, a small but fast-growing side of the business.

» *Midas verdict: Swallowfield shares have done well since Hynes and How took the helm but, at 337½p, there's still lots of potential and Soros's presence on the share register is reassuring. Buy and hold.*

Traded on: AIM  
Contact: [swallowfield.com](http://swallowfield.com) or 01823 662241

Ticker: SWL



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**MOVING MONEY... THE WEEK IN THE MARKETS**

FTSE 100	GOLD	POUND BUYS
7,505.03 DOWN 18.2	\$1,266.45 DOWN \$14.75	€1.1312 UP 1.17¢ \$1.3111 DOWN 0.81¢



**GOOD LOOK:**  
New items have grown Swallowfield's beauty portfolio