

## Striking a Chord

by Mark Wright, CFA

Just over a month ago the United Kingdom (UK) reversed years of embarrassment to finish second place in the Eurovision Song Contest. Sam Ryder's 'Space Man' impressed but was pipped to the post by Ukraine's entry, 'Stefania' by Kalush Orchestra.

Popular opinion is that politics has a big influence on how votes are cast, and this year's result did nothing to dispel those suspicions. It is not inconceivable that the votes cast for Ukraine merely reflected an act of solidarity towards a nation that has tragically found itself mired in war. The UK has also been one of Ukraine's strongest allies – it was the first European country to supply lethal aid.

Prior to this year's competition, the UK's poor performance between 2015 and 2019 was often cited as the consequence of damaged relations from Brexit. The UK finished in the bottom five in four of those years<sup>1</sup>. In the other year, Lucie Jone's 'Never Give Up on You' still only managed fifteenth, leaving the UK firmly in the bottom half of the points table.

Before Brexit entered the British vernacular however, the UK often found itself placed in the bottom quintile; finishing twenty fifth in 2008, 2010 and 2012 – quite a record<sup>2</sup>! Ukraine also had great success prior to this year's competition, finishing fifth as recently as last year and winning back in 2016<sup>1</sup>. So what else could explain the UK's turnaround?

According to Mark Savage, BBC Music Correspondent, representing the UK in Eurovision became a poisoned chalice. Given the UK's abysmal track record, record labels were unwilling to put capital at risk in upcoming popstars for them to only then finish humiliatingly near the bottom of the points table<sup>2</sup>.

However, following the commercial success of last year's winners, Italian rock band, Maneskin (who have since toured with The Rolling Stones), there has been a change in attitude within the UK's music industry. A willingness to take risk and invest in both talent and production has now potentially freed the UK from the shackles of Eurovision misery. Sometimes it pays to be bold.

To deliver successful returns for shareholders, it is essential that companies are equally willing to put shareholder capital at risk, invest in the future and take

bold decisions. Two companies we have recently invested in have demonstrated a willingness to do just that.

Games Workshop is the world's largest hobby miniatures company. Hobbyists collect, assemble, paint and build armies of these miniatures that they then take to battle in large fantasy tabletop wars. The company is best known for its Warhammer: Age of Sigmar and Warhammer 40,000 universes.

Games Workshop has nearly quadrupled its asset base over the last ten years without making a single acquisition<sup>3</sup>. The returns from this investment has enabled the company to grow its dividend per share more than six-fold over the same time period. Along with investing in the quality of its product offering, management also took a bold decision to reinvent longstanding Warhammer Fantasy Battle as Warhammer: Age of Sigmar which has paid off handsomely.

Cranswick, the UK's largest pork processor (it processes over 60,000 pigs a week), recently increased its dividend for the thirty second consecutive year<sup>4</sup>. Over the last decade, the company has put shareholder capital at risk by spending over half a billion pounds on building state of the art manufacturing facilities to maintain a competitive edge through industry leading margins.

Cranswick also took the bold decision to enter the poultry market the same year that Games Workshop reinvented Warhammer Fantasy Battle. Shareholders have been rewarded – its market share now stands at high single digits, and it contributes twenty percent of group revenues. Management see no reason why the division cannot ultimately be the same size as the existing pork business which has over a 30% market share.

Risking capital alongside bold decisions often reaps reward. Hopefully, the UK's pop industry won't revert back to past timidity and Eurovision misery will prove a thing of the past.

<sup>1</sup> <https://eurovisionworld.com>

<sup>2</sup> <https://www.bbc.com/news/entertainment-arts-61450874>

<sup>3</sup> Games Workshop Group Plc

<sup>4</sup> Cranswick Plc

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