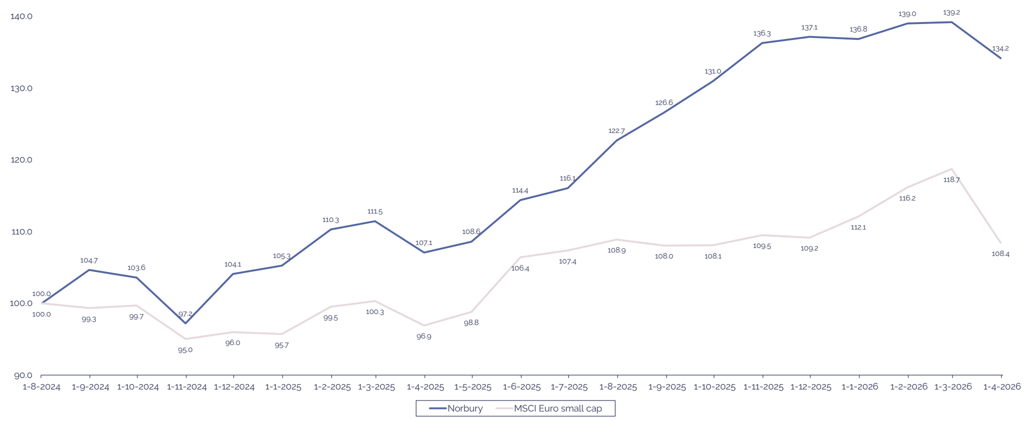
Norbury Capital – March'26

Monthly update

The Norbury Capital Fund was down -3.6% in March outperforming the MSCI Europe Small-Cap index which was down -8.7%. Year-to-date the fund is down -2.0% (versus -3.3% for the index). Global markets had a rough month as a consequence of the war in Iran and the subsequent closure of the Strait of Hormuz. It feels painful when they happen, but these declines happen every once and while and it is our job to make sure we dampen the effect as much as possible. A couple of good performers (Springer Nature, Bachem, Azelis), active trading around positions and fast decisions in some names on the watchlist have made sure that we also delivered on that task. **Cerillion** experienced a further decline during the month; we'll discuss below why we think the setup is interesting here.



We first discussed **Cerillion** in our April '25 letter. As a reminder, Cerillion is a specialist software vendor serving telecom companies. Their product provides customer-facing solutions – such as billing – and network infrastructure management. It's the software that brings it all together for a telco operator: subscriptions, usages, billings and client information.

The company was founded in the late 1990s through a management buyout of a division of IT giant Logica. The buyout was led by Louis Hall who remains CEO to this day and largest shareholder of the company.

Cerillion operates as a challenger in a telecom software market traditionally dominated by larger legacy vendors such as Amdocs and Netcracker. These incumbents offer customized and best-of-breed systems that are expensive to implement and maintain. Cerillion differentiates itself by offering a cost-effective off-the-shelf Saas solution with limited customization options.

Cerillion's solution brings this all together instead of a patchwork of different solutions that telcos operate under today. This streamlined approach delivers the core functionality a telco needs for a fraction of the costs. All customers are on the same package which makes it easier to roll out updates. Over the years the quality of Cerillion's offer has become better and it can now compete with the more expensive services from the legacy vendors.

This also shows in their contract wins. A couple of years ago the company's only customers were small telco's; its biggest contract win was a couple of million pounds.

Fast forward to today and the business is winning larger and larger contracts. This January the company announced a 5-year GBP 47m contract with Omantel, A value higher than its latest full year revenue, the national operator of Oman. This contract dwarfed its previous largest contract with European telco Norlys.

We believe there is more to come. The pipeline last published by the company suggests this. This year the company is most likely to participate in another five tenders which could all deliver contracts that are even bigger than the Omantel contract. Winning subsequent larger contracts in our view is more a question of when rather than if.

The shares are currently trading at ~11x EV/EBITDA next year. There are reasons for that. The shares are illiquid and a market-maker stock, meaning that pricing is irregular. The UK small-cap market has – to put it mildly – not been on the receiving end of inflows in general. Furthermore, the timing of contract renewals heavily influences financial figures in the short term. To top it off – this remains a software name so also AI fears could play into this. We've urged the company to have a look at its trading venue. We believe AI fears play less here – this is not seat-based SaaS but a core functionality to operate your business which we believe is less at risk.

We have no strong view on the upcoming H1 results but do believe that at the current share price you're not paying a lot for the significant optionality that the business has. One big contract win has the potential to create a double in the share price from here.