

cityconfidential

sorting the bulls from the bears

New Year Special

Our Shares of the Year for 2022

2021: Last year's share tips in review

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Topps Tiles

Brighton Pier Group

Saga & more

Plus

Aggressive Growth Portfolio

Monthly News Highlights

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cityconfidential's Shares of the Year 2022

As regular subscribers will know, every January we select our Shares for the Year and this year is no exception. Although last year we selected ten companies, this year we have restricted the list to just four tips on the basis that we have more confidence in these and having a lower number may allow subscribers to invest in each one should they wish to do so.

Brighton Pier Group



Brighton Pier Group (83.5p) released a trading update on 17 January and this made for very reassuring reading. The diversified UK entertainment business revealed that the 26-week period ended 26 December started strongly and its businesses continued to deliver pleasing performance given the backdrop against which they were operating. Total sales were £22.7m, an increase of 177% on the same period in 2020 and 31% higher than 2019. Compared to 2019 on a like-for-like basis, Brighton Palace Pier saw sales up 15%, the Golf Division's sales were up 33% and Bars saw an increase of 27% for the 23 weeks after re-opening from the end of July.

Lightwater Valley theme park was acquired in June 2021 and continues to trade ahead of expectations. We believe that there is potential for further acquisitions on attractive terms and this could see the business grow significantly over the longer term. Cash generation from the company as a whole has been strong and this should enable £7.7m of debt to be repaid, reducing borrowings by 38% by the end of June 2022.

The company was upbeat with its commentary in its recent trading update and noted that its businesses target growth within the UK entertainment sector. They are all popular, cash generative, asset-backed businesses with further organic growth opportunities. The Golf division and Lightwater Valley were highlighted and it is expected that 2022 will be a good year overall. At the time that interim results are released in March the company will give longer-term guidance showing what it believes its businesses can deliver as normality returns.

This is an exciting growth opportunity and further acquisitions may well see the valuation of the company soar from a market capitalisation of just £31m. Sentiment from investors certainly seems to be improving and it is likely that the interim results announcement will spark further interest in March. Results for the full year are set to be in line with expectations. Using this as a base, there is a strong possibility of sustained growth in the coming years and as a result the shares look cheap. BUY.

Brighton Pier Group (PIER)
Market Capitalisation: £31.1m
2020/2022 Share Price Range: 86p/28.5p
Website: www.brightonpier.co.uk

Share price: 83.5p

Saga



Shares in Saga (307p) have started to recover again in recent weeks and medium term prospects for an improvement in earnings look very attractive. Few would doubt that the Cruise segment of the business is poised to rebound sharply. Many of its target demographic should be well positioned to return to travelling in the near future and having lost a couple of years of business from this source, this will provide a very welcome boost to Saga. However, this is not the only string to the company's bow and other parts of the business have continued to perform, providing breathing space for Travel and Cruise to recover.

The specialist in products and services for people over 50 released interim results for the six months ended 31 July 2021 in September. An underlying loss before tax of £2.8m was incurred versus a profit before tax of £15.9m in the same period a year earlier. Adjusted net debt excluding Cruise was £226.8m as at the period end, down from £410.7m as at 31 July 2020.

Looking ahead, although a modest loss is anticipated in the year to 31 January 2022, a profit before tax of around £76.7m is forecast for the upcoming financial year. This would translate into earnings per share of just under 47p and puts the shares on a multiple of 6.5 times prospective earnings. This appears to be too low and leaves room for meaningful upside in the coming months. There are no guarantees that these forecasts will be achieved but the company has a solid track record and a trusted brand which can be exploited in a number of markets.

Debt should be paid down in the coming years and although earnings have obviously taken a hit in the recent past, the balance sheet remains in reasonable shape. Assuming that disruption to trading as a result of Covid-19 restrictions becomes a thing of the past then the shares are likely to recover quickly. Hence they should outperform and provide shareholders with a meaningful return in 2022. BUY.

Saga (SAGA)
Market Capitalisation:£428m
2020/2022 Share Price Range: 800p/120p
Website: www.corporate.saga.co.uk

Share price: 307p

Carclo

Carclo (34.35p) **is a global supplier of fine tolerance, injection moulded plastic components, which are mainly used in medical products. It also has a much smaller division supplying control cables and other components to the aerospace industry.**

The company has endured some tricky times in recent years when it supplied high technology LED lighting systems to the performance car market. This business suffered significantly in the 2019 financial year and was ultimately sold to allow the group to focus on its core activities. Changes in management have also taken place and the company is now on a much sounder footing.

The group issued its interim results to 30 September last November and these were very pleasing as expected by the market. Revenues for the period rose by 17% to £58.7m with strong growth seen in the technical plastics division where revenues rose to £56.6m from £47.2m in the same period in the previous year. The growth at the business was driven by strong demand in the medical and diagnostic sectors from both new and existing customers and this is expected to continue. The performance of the business in Asia was particularly encouraging in line with the company's strategy to expand more rapidly away from its core European and US markets. Although the business suffered from increased labour and raw material costs and delays in deliveries, a range of measures have been put in place to mitigate these whilst some price increases have also been introduced. The aerospace division saw a decline in revenues for the period to just £2.1m (2020: £2.7m) although it is now showing some signs of recovery.

Underlying pre-tax profits on continuing operations rose to £2.28m (2020: £0.44m) with earnings per share on the same basis coming out at 2.5p (2020: nil). Net debt at the company (excluding lease liabilities) declined slightly to £21.6m (2020: £29.4m). Subject to there being no disruption to trade in the second half due to Covid or supply chain issues, the group expects this strong performance to continue. Revenues for the year could increase to around £120m with adjusted pre-tax profits of £4.5m on the cards. This would give earnings per share of some 5.1p and leave the shares on a low p/e ratio of just 6.7x. A number of directors have bought shares in the company post the interim results announcement which we believe adds to the investment case. The share price hit 68p in May last year and we believe there is scope for significant recovery in the price over the coming months. BUY.



Carclo (CAR)
Market Capitalisation: £25.2m
2020/2022 Share Price Range: 68p/4p
Website: www.carclo.co.uk

Share price: 34.35p

Synectics

Synectics (92.5p) **is an AIM-listed designer and supplier of advanced security and surveillance systems and these are supplied on a global basis to a range of industries including gaming, transport and infrastructure and oil and gas installations. The group supplies hardware, software and cameras and these enable staff using the systems to detect and react to any service or security event instantly. The company has provided security and surveillance to over 100 town and city centres in the UK, monitors the world's largest gas-to-liquids plant, Shell Pearl GTL in Qatar, records and monitors over 100,000 video channels in over 100 casinos across three continents and provides the operational management system for Berlin's S-Bahn overground train network.**

The company has suffered from the pandemic as restrictions on travel and the closure of casinos has significantly reduced demand for its products and services, and although the transport and infrastructure sectors have done well, these have not been enough to make up for this loss of business. The most recent results for the group cover the six months to 31 May 2021 and these saw revenues decline to £22m (2020: £23m) with a loss before tax of £0.8m being reported (2020: loss of £2.0m). These results benefited from the cost reduction plan that had been introduced. Last month, the group issued a trading update for the year to 30 November 2021, and this revealed that the underlying results for the second half of the year are likely to show a modest profit and so the loss for the year will be lower than that reported for the first half. Net cash at the end of November was £4.4m, up from £3.5m in May 2021.

In recent months the company has won contracts for a refinery in Mexico, the supply of surveillance systems to two new casino projects in Canada, a system for Translink, the public transport provider in Northern Ireland and a project for the West Midlands Police.

As the world gradually returns to something like normal, demand for Synectics' products looks certain to increase especially in the casino markets in Asia and North America which are particularly important for the group. In Asia, the company is established as a major player in countries including Singapore, South Korea and Malaysia although there is scope to expand into other countries, whilst there remain plenty of opportunities in the US where the company has been expanding with major operators in Las Vegas.

The share price has fallen to close to a ten-year low and we believe it has significant recovery potential. The shares are a BUY.



Synectics (SNX)
Market Capitalisation:£15.6m
2020/2022 Share Price Range: 161p/90p
Wbsite: www.synecticsplc.com

Share price: 92.5p

2021: Last year's share tips in review

At the beginning of the new year, we thought that it would be interesting to review how our Tips for 2021 performed given the fact that we are revealing our tips for 2022 in this issue.

Last year, we selected ten shares as Tips for 2021 although this year we have decided to reduce this number to four. One of the reasons for this was to be able to accommodate the shares in the Aggressive Growth Portfolio as we can only generate a certain amount of cash from the portfolio to invest in these shares without effectively liquidating the portfolio. By limiting the number of Tips for 2022 to just four, we only need to make six new investments when we include the normal two monthly tips.



Our 10 hottest tips for 2021

Looking at the ten Tips for 2021, these have performed well overall as can be seen from the table below. In this, we have listed the various tips, the buying price and cost of the shares, and then the value now for those few we still hold or the value the shares achieved when sold out of the Aggressive Growth Portfolio. In order to simplify the exercise we have ignored dealing costs.

	Security	Buying Price (p)	Cost (£)	Value now or at date of sale (£)	Gain/(Loss) (£)
3,160	ITV	109.15	3,449	3,493	44
1,315	Hargreaves Services	264	3,472	6,198	2,726
25,200	Logistics Development Group	13.75	3,465	2,520	(945)
725	Tandem Group	480	3,480	4,169	689
271,750	Brave Bison Group	1.275	3,465	4,484	1,019
1,235	Xeros Technology	281	3,470	2,470	(1,000)
9,575	Lloyds Banking Group	36	3,447	4,785	1,338
161,250	Surgical Innovations	2.15	3,467	5,563	2,096
9,375	Capita Group	36.75	3,445	4,596	1,151
39,600	Manx Financial Group	8.75	3,465	3,168	(297)
	TOTAL		**£34,625**	**£41,446**	**£6,821**

	Closing Value	Opening Value	Gain/(Loss) (%)
	18 Jan 2022	**19 Jan 2021**	
Portfolio Value	£41,446	£34,625	19.7
FTSE 100 Share Index	7,563.55	6,712.95	12.7
FTSE All Share Index	4,263.04	3,793.91	12.4
FTSE AIM All Share Index	1,154.20	1,181.13	(2.3)

Overall gain of 19.7%

As can be seen from the table above, the overall profit of £6,821 compared with the original cost of the shares represents an overall gain of 19.7%. Over the same period, since the tips were purchased in the January issue of the newsletter last year, the FTSE 100 Share Index has risen to 7,563.55 from 6,712.95, an increase of 12.7%. Similarly, the FTSE All Share Index has moved up to 4,263.04 from 3,793.91, a gain of 12.4%, although the FTSE AIM All Share fell by 2.3% to 1,154.20.

As can be seen from the table (left) the Tips for 2021 outperformed all the benchmark indices.



2021's best and worst performing tips

Obviously, we also tipped other shares during the year and these are still being monitored as many of them are still held in the Aggressive Growth Portfolio. Not all of these have done well but the three best and worst performers of the other companies which were the subject of detailed features are shown in the table (right).

It is interesting to note from the table that the maximum loss was just 26.8% whereas the two largest gains were both significantly higher than that.

Stock	Buying Price (p)	Selling Price (p)	Gain/(Loss) %
Ebiquity	24	50.2	109.2
Investec	295.8	419.5	41.8
TT Group	210	261.5	24.5
Funding Circle	157	115	(26.8)
Shield Therapeutics	45.5	35	(23.1)
Polar Capital	832	700	(15.9)

Trader Portfolio Review

As subscribers will be aware, we launched the Trader Portfolio on 1 December 2020 although this is only available online and is not usually featured in the newsletter itself. This aimed to generate a gain of 20% over the year by taking trading positions which may or may not be short term. We started the portfolio with a notional amount of £10,000 and at the end of December 2021, the portfolio held the investments shown below.

Although the portfolio has been going for over a year having been launched on 1 December 2020, its gain of over 20.5% is still impressive. Big gains were made during the year in stocks including Babcock International and Lloyds Banking Group as well as Coral Products and Clinigen. The biggest loss was on eve Sleep. We are therefore closing this portfolio as it achieved its objective, and we will launch a new Trader Portfolio on the website imminently. To give us more flexibility we will begin this with capital of £20,000.

"Overall gain for period of 20.5%"

Quantity	Stock	Buying Price (p)	Cost (£)	Closing Price at 31 Dec 2021 (p)	Value (£)
20,000	Coral Products	12.95	2,590	15	3,000
400	Clinigen	626.5	2,506	915.5	3,662
50,000	Eve Sleep	4.9	2,450	2.75	1,375
8,500	DX Group	31	2,635	30	2,550
	Cash				1,467
				TOTAL	**£12,054**



Alliance Pharma

SECTOR – AIM – PHARMACEUTICALS & BIOTECHNOLOGY

Shares in Alliance Pharma have hit an all-time high following an upbeat trading statement. The company made significant progress in 2021 and positive momentum continues into the current year. Trading conditions should now be relatively favourable and further progress is anticipated moving forwards. Strong growth in Consumer Health means that an increasing proportion of revenue comes from this area and this means that a premium rating is justified. The share price should have further to run, even in the near term. Even though it would have been preferable to buy in before the recent rise, waiting for any weakness at this stage could prove to be a mistake.

The company is an international healthcare business. In addition to a UK presence it now has eight overseas affiliate offices in Europe, the Far East and the US. It owns the marketing rights to approximately 80 Consumer Healthcare brands and Prescription Medicines, which are managed on a portfolio basis depending on their growth potential. Investment in marketing is focused on Consumer Healthcare brands, many of which have international or multi-territory reach. The business has grown significantly over the years, both organically and through a series of selective acquisitions.

Interim results covering the six months ended 30 June 2021 were released in September. See-through revenue was up 24% to £80.9m (2020: £65.3m), despite the impact of currency headwinds and continuing lockdowns, particularly in the APAC region. Revenue was up 28% on a constant currency basis. Like-for-like revenue excluding Amberen, which was acquired at the end of 2020, was up 9% and 12% on a constant currency basis. There was strong performance from Consumer Healthcare brands, with see-through revenue up 30% overall. Kelo-cote revenue was up 54%. Like-for-like Consumer Healthcare revenue was up 8% and Prescription Medicines revenue up 12%.

Gross profit increased by 34% to £51.6m (2020: £38.6m), helped by favourable changes in product mix which offset an increase in operational costs. Underlying profit before tax was 24% higher at £20.1m (2020: £16.3m) and reported profit before tax was £16.5m (2020: £0.6m). Free cash flow was £6.5m (2020: £10.5m), reflecting an expected reversal of favourable working capital movements towards the end of 2020 and the timing of sales. Leverage reduced to 2.21 times from 2.43 times at the end of 2020. An interim dividend of 0.563p was paid (2020: 0.536p).

A trading update was released on 18 January, covering the year ended 31 December 2021. Strong growth was achieved in the year with see-through revenue of £169.6m (2020: £137.5m). This represented an increase of 23% on the prior year and 27% on a constant currency basis. Excluding the impact of Amberen, which was acquired in December 2020, like-for-like see-through revenues were up 12% on a constant currency basis. Due to an outperformance in Kelo-Cote, underlying profit before tax for the year is expected to be 'comfortably ahead' of market expectations.

Free cash flow was notably strong at £30.1m (2020: £34.1m) and net debt was reduced by £22.3m to £87.1m as at 31 December 2021 (31 December 2020: £109.4m). This reduced leverage to below 2.0 times (31 December 2020: 2.4 times), in-line with previous guidance. Group leverage is expected to fall below 1.5 times in 2022, reflecting continuing strong cash generation. This is subject to no further acquisitions and if any deals are completed then leverage would be affected.

The Consumer Healthcare business continued to perform well and increased eCommerce activity helped push total net revenues for the year up to £121.8m (2020: £93.0m). This represented an increase of 31% on the prior year and an even more impressive 36% adjusted for currency. Like-for-like consumer revenues were 14% higher on a constant currency basis. Net revenues of £48.8m (2020: £34.7m) came from Kelo-Cote, which was up 47% adjusted for currency and up 41% on a reported basis.

In the US, Amberen generated net revenues of US$26.5m (£19.2m) in its first full year of ownership, with revenues up 12% in the second half of 2021 versus the second half of 2020, under previous ownership, at constant currency. Full year revenues grew 3% on a constant currency basis and growth is expected to accelerate in 2022. Investment to expand local operating capabilities in the US business means that it now has an enhanced platform from which to generate strong growth in Amberen and other existing brands. It is also well positioned to scale up as and when further suitable acquisitions are identified.

Nizoral revenues started to recover in the second half of 2021 with sales of £11.8m. This compares to £9.0m in the first half of 2021 and £11.2m in the second half of 2020. Difficult regional trading conditions affecting both supply and demand improved and net revenues were £20.6m for the full year (2020: £21.0m), up 1% on a constant currency basis but down 2% on a reported basis. Improvement is anticipated in 2022.

The Prescription Medicines business delivered revenues of £47.8m (2020: £44.5m), representing an increase of 8% on the prior year. This was driven by a partial return to the delivery of routine treatments and normalisation of daily life compared with the early stages of the Covid-19 pandemic in 2020.

Final results are scheduled to be released on 22 March and the value of the business will be in the spotlight again at that time. Little is likely to change between now and then but further positive commentary could encourage those who are thinking of investing. All existing shareholders will now be sitting on paper profits so there may be some profit taking along the way, particularly ahead of the tax year end. However, the quality of the business is high and it is also likely that potential investors will be on the lookout to buy on any dips. The shares have moved comfortably above 100p, which at one time appeared to be a key psychological level. We put forward a BUY recommendation and believe that forecasts for 2022 could prove to be conservative.



Share Price: 110.4p
Market Capitalisation: £594m
2021/22 Share Price Range: 110.4p/82p
Website: www.alliancepharmaceuticals.com

Year Ending 31 December	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2020	138	33.5	5.1	21.6	1.61	1.5
2021 (est)	170	38.5	5.8	19.0	1.65	1.5
2022 (est)	183	44.2	6.5	17.0	1.65	1.5



TPT
62.4p

Topps Tiles

SECTOR - RETAILERS

Topps Tiles is well known as the UK's leading tile specialist and a recent trading statement from the company grabbed our attention. It is clear that this is a business on the front foot and it aims to account for £1 in every £5 spent on tiles and associated products in the UK by 2025, a target summarised as '1 in 5 by 2025'. This 20% market share would represent an increase from the company's estimated 2019 market share of 17% and would require an out-performance of the market by around 3.5% per year between 2020 and 2025. This makes it a difficult but achievable target.

In the 53 weeks ended 2 October 2021 revenue was £228.0m, or £223.7m on a 52-week basis. This represented a record level and Retail like-for-like sales growth was 19.6% despite the impact of Covid-related Government restrictions. Adjusted profit before tax was £15.3m, up from £3.6m a year earlier and £14.0m two years earlier. The balance sheet remained strong with £27.8m of adjusted net cash, with headroom against banking facilities of £66.8m. Dividend payments resumed with a final dividend payment of 3.1p per share.

The trading update on 12 January covered the 13-week period ended 1 January 2022. Trading remained strong in the omni-channel Retail business, with like-for-like sales up 21% versus the same period two years earlier. On a one-year basis, Retail like-for-like sales were 1% higher versus a very strong comparative. Gross margins are expected to be moderately lower year-on-year due to cost increases which have not been passed on fully. Operating costs such as utilities, employment costs, fuel costs and taxation are under control. The Commercial business has started the new year with good momentum and sales in the first three months were up around 21% on the prior year.

This is a very well-established business and we believe that the shares deserve to be on a higher rating, particularly given the strength of the balance sheet and the downside protection this provides. Cost pressures are an obvious concern in the near term but this also applies to competitors and given Topps Tiles' strong market position it is better placed to deal with this type of issue than most. The next significant announcement is likely to be a trading update in April ahead of interim results in May. We rate the shares as a BUY.

Share Price: 62.4p
Market Capitalisation: £122m
2021/22 Share Price Range: 75.6p/57p
Website: www.toppstiles.co.uk

Year Ending 30 September	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2021	228	15.3	6.1	10.2	3.1	5.0
2022 (est)	233	14.4	5.9	10.6	3.0	4.8
2023 (est)	240	16.4	6.5	9.6	3.4	5.4





Aggressive Growth Portfolio VIII

After last month's decline, it is pleasing to see that the portfolio has rediscovered its poise and moved up once again. The rise of 4.0% over the month is much in line with the overall market although the AIM market has drifted lower once again.

There has been a flurry of activity in the portfolio this month as we make several sales to provide the liquidity for new purchases. The first sale was forced upon us as the share price of Polar Capital fell to the stop-loss limit of 700p. We therefore had to sell the holding of 350 shares to raise net proceeds of £2,426 and a loss of £515. We have then decided to sell the holding of 3,160 ITV at 117.45p. The shares were one of the Tips of 2021 and although the shares rose to over 132p during the year they have since slipped back and although we believe prospects look promising it seems that other investors do not share this view! The sale realised net proceeds of £3,674 for a gain of £174. Shares in Investec have performed well since they were purchased, having risen by 41.8%. The sale of 1,100 shares at 419.5p resulted in net proceeds of £4,569 and a gain of £1,266. Finally, we have also sold the holding of 1,075 Essentra. Although we believe long-term prospects are good as revealed in News Update, the short-term uncertainty caused by the strategic review meant that the shares had to go to raise the proceeds needed for re-investment. The sale at 354p raised net proceeds of £3,768 for a gain of £517.

A number of companies in the portfolio have made announcements during the month and these are Essentra, Premier Miton, Senior, QinetiQ and Appreciate Group. These have been covered in News Highlights or on the website in the normal way.

It has been a good month for dividends, with the portfolio receiving payments from Investec (£121), Polar Capital (£49) and Redde Northgate (£44). Following the purchase of shares in all the companies featured in this issue, there is £739 left on deposit pending investment.

Performance summary

	18 January 2022	14 December 2021	Gain/(Loss) %
Portfolio Value	£62,196	£59,777	4.0
FTSE 100 Share Index	7,563.55	7,218.64	4.8
FTSE All Share Index	4,263.04	4,100.24	4.0
FTSE AIM All Share Index	1,154.20	1,164.67	(0.9)

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
500	Hargreaves Services*	264	1,334	414	2,070	280
725	Tandem Group	480	3,515	585	4,241	450
2,600	Serco Group	125.4	3,309	138.6	3,604	105
1,850	Premier Miton	163.5	3,054	182.5	3,376	130
2,350	Senior	149.3	3,562	143.9	3,382	115
500	Barratt Developments	679.2	3,447	673.4	3,367	595
12,000	Renold	25.1	3,042	30.6	3,672	20
2,700	Kier Group	121.2	3,321	109.6	2,959	100
4,500	GetBusy	66	3,000	69.5	3,128	50
1,000	QinetiQ	282.4	2,866	289.4	2,894	220
2,250	International Personal Finance	141	3,219	140	3,150	115
725	Redde Northgate	397	2,921	420	3,045	325
14,000	Appreciate Group	23	3,252	23.6	3,304	18
625	Royal Mail	489.1	3,103	498.3	3,114	425
2,800	Alliance Pharma	110.4	3,122	110.4	3,091	85
4,250	Topps Tiles	62.4	2,692	62.4	2,652	48
850	Saga	307	2,649	307	2,610	240
3,125	Brighton Pier	83.5	2,635	83.5	2,609	65
2,825	Synectics	92.5	2,639	92.5	2,613	75
7,500	Carclo	34.35	2,615	34.35	2,576	27
£739	Cash	-	-		739	
				TOTAL	**£62,196**	

Start date: 19 January 2021 with £50,000. Cash includes dividends received of £1,117 *after part disposal.

News Highlights



As subscribers will know, we update the website with news that involves the companies that we follow, but we have highlighted what we regard as the most important news here.

Senior – 143.9p

The recent trading update from the international engineering group, covering the year to 31 December 2021, has confirmed that trading was in line with expectations as the recovery at the group continues. Revenues for the year are expected to be £659m with both the Aerospace and Flexonics divisions performing as expected and the adjusted loss before tax is also expected to in line with forecasts. Net debt at the year-end is expected to be a little lower than expected at £80m helped by positive net cashflow, and this compares with debt a year earlier of £129m. The group's core markets, including civil aerospace, are recovering and although the pandemic and supply chain issues remain troublesome the group is managing to cope with these. Having turned down a takeover approach at 200p per share last year, the Board have work to do to justify their rejection of the offer and we would expect the shares to begin to move back to that level in the coming weeks and months. The shares remain a BUY.

Surgical Innovations – 2.25p

The AIM-listed supplier of instruments for minimally invasive surgery has announced a trading statement for the year ending 31 December 2021. The company has suffered from delays and cancellations of operations during the pandemic although it is pleasing to see that revenues in the second half of 2021 were 16% higher than the first half. Revenues for the full year are therefore expected to be £9.1m compared with £6.3m in 2020 and £10.7m in 2019. The group expects to report a small adjusted loss before tax for 2021. At the year end the group had net cash of £1.8m (30 June 2021: £2.66m) with the reduction due to increased levels of working capital as trading improved whilst there was also further investment in new product development. Although the Omicron variant has caused additional issues for the group, it remains optimistic that trading conditions will steadily improve through 2022 and we therefore rate the shares as a BUY.

Clinigen – 903.5p

Regular readers will know that we have sold our holding of AIM-listed healthcare group Clinigen in the Aggressive Growth Portfolio as the share price had remained above the previously agreed offer price of 883p. The company has now received a higher bid worth 925p per share in cash which it is recommending. Last month we suggested that readers should either sell in the market or hold on for a higher bid. Now that this has been received, we suggest that readers who still hold the shares ACCEPT THE OFFER.

Essentra – 354p

We last commented on the component manufacturer Essentra last October when we recommended the shares as a buy at 290p. Since then the shares have moved higher, rising by over 22% in three months. The recent trading update covering the year to 31 December has confirmed a strong performance in the last quarter of the year. All three divisions at the company reported revenue growth during the period and the company therefore expects to report profits for the year in line with expectations. The strategic reviews of both the Filters and Packaging divisions are ongoing although these are unlikely to conclude until the summer and the core Components division, on which the company will focus going forward should present strong growth opportunities. Although there is clearly some uncertainty whilst the strategic reviews continue, we believe a more focused company will emerge from this and continue to rate the shares as a BUY.

Qinetiq – 289.4p

The science and engineering company which is focused on the security and defence sectors has announced a trading statement covering the third quarter of the financial year and this has shown strong progress. Excellent order intake has seen the order book rise to over £900m and revenues, operating profit and cashflow are all in line with expectations. The group now has over 95% of forecast revenue for the year to 31 March 2022 under contract, which provides reassurance that full year expectations will be met. Revenues for the year are forecast to be around £1.3bn with pre-tax profits of over £130m giving earnings per share of 20p. It is also worth pointing out that at the end of September the group had net cash of £139.2m and this figure is expected to increase going forward. The shares remain a BUY.

Appreciate Group – 23.6p

The provider of vouchers and similar products which can be redeemed at a large number of retailers has announced a trading update for the three months to 31 December and this has shown that trading has continued strongly. Comparatives with the same period in 2020 are a little misleading due to the impact of lockdowns at that time and the year before that probably gives a better indication of the direction of trade. Thus underlying billings of £96.1m in the quarter to 31 December 2021 were 13% ahead of the same period two years' earlier with a particularly strong performance in December. Billings in the nine-month period to 31 December 2021 were 8% ahead of two years' ago whilst free cash at the end of the period was £36.0m compared with £19.1m in 2019 and £33.5m in 2020. This is a very encouraging statement, and we are therefore happy to maintain the forecasts we issued last month when we tipped the shares with adjusted pre-tax profits for the year to 31 March 2022 expected to be around £7.0m for adjusted earnings per share of 3.0p. These figures put the shares on a very low rating and a net dividend of 1.7p would put the shares on a yield of 7.2%. The shares remain a BUY.

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