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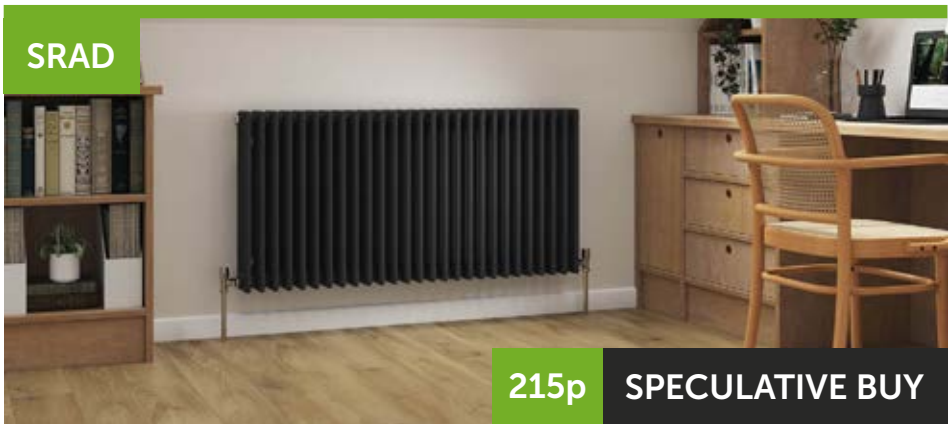

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Should you warm to Stelrad Group?

Stelrad Group (215p) **joined the Main Market last November through an IPO where shares were offered at the same price as their current level, 215p each. The shares have remained in a relatively tight range since the time of the IPO and although little has changed on a micro level, results for 2021 were reassuring and highlighted potential opportunities for value creation.**

The company is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey. It offers an extensive range of standard and premium steel panel radiators, low surface temperature radiators, towel warmers, decorative steel tubular radiators and other steel "column" radiators. These are sold to more than 500 customers annually. The four core brands are Stelrad, Henrad, Hudevad and Termo Teknik. The company is based in Newcastle upon Tyne but also has manufacturing and distribution facilities in Mexborough, Nuth in the Netherlands and Çorlu in Turkey. It has commercial relationships dating back over twenty years with each of its top five customers.

Final results for the year ended 31 December 2021 were released on 14 March. There was strong organic growth in the year with revenue increasing by 38.5%, from £196.6m to £272.3m. Adjusted operating profit jumped 112.3% to £33.2m (2020: £15.6m). Adjusted earnings per share were 16.92p (2020: 4.44p) and a final dividend of 0.96p per share is to be paid on a pro rata basis, relating to the period between listing and 31 December 2021. Subject to approval by shareholders, the final dividend will be paid on 27 May and the ex-dividend date is 28 April. Net debt excluding lease liabilities was £40.9m as at 31 December 2021.

Steady progress is forecast in the short to medium term. Earnings are expected to be around 20.0p per share in 2022 and 21.5p per share in 2023. Dividends of 8.0p per share and 8.6p respectively are anticipated in the same years, translating into a very useful dividend yield and one which should tick a box for many institutional investors. These forecasts appear to be undemanding and any positive news on the numbers being beaten should boost the share price. The company's AGM is on 16 May and ahead of this date we put forward a SPECULATIVE BUY rating.

An attractive Alternative

If inflation persists, REITs could become more popular with investors and Alternative Income REIT (77.4p) looks a very tempting option for those looking at getting in ahead of the crowd. The company believes that it will meet its target of an annual dividend of 5.5p per share by September this year. This means that there is a very attractive prospective yield of 7.1% just around the corner.

Alternative Income REIT's aim is to generate a sustainable, secure and attractive income return for shareholders from a diversified portfolio of UK property investments, mainly in alternative and specialist sectors. The majority of assets are let on long leases and the investment adviser is M7 Real Estate Limited, a leading specialist in the pan-European, regional, multi-tenanted real estate market.

Interim results for the six months ended 31 December 2021 were released on 7 March. As at this date the company's Net Asset Value was £72.75m, equal to 90.38p per share. Hence, the current share price represents a meaningful discount to the net asset value. Total dividends for the period were 2.60p per share, up from 2.25p in the same period a year earlier. As at 31 December 2021, the portfolio had Annualised Gross Passing Rental Income of £6.62m across 18 properties (31 December 2020: £6.94m across 19 properties). As at the period end the company had a £41.0m loan facility with Canada Life Investments with a weighted average interest cost of 3.19%.

On balance the shares are very good value and the nature of the company means that shareholders are unlikely to lose too much sleep. At the time of the recent interim results announcement the company noted that 92.6% of its leases have inflation-linked uplifts in place, providing further reassurance given the threat posed by inflation. We rate the shares as a LONG TERM BUY.

NWF Group

SECTOR – AIM – INDUSTRIAL SUPPORT SERVICES

We are long term followers of NWF Group and believe that it is an opportune time to look at the business again. Following interim results at the start of February, the company released two upbeat trading updates last month. It is clear that it has benefited from exceptional trading conditions but the share price has not really reacted as could have been expected and there is certainly some upside potential for those buying in now.

Established in 1871, the business is a specialist distributor of fuel, food and feed across the UK. In terms of Fuels, NWF Fuels is the third largest distributor of fuel oil and fuel cards in the UK. It operates in large markets and has good experience of effectively managing volatility in oil prices. The industry remains highly fragmented, with a significant number of small operators. This provides an opportunity for NWF Fuels to further increase market share and there is an active acquisition pipeline.

Turning to Food, Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets. It has over one million square feet of warehousing as well as significant distribution assets. The business operates in a competitive supply chain, which means that it is continually under pressure to demonstrate the value and service that it provides to food manufacturers and importers. The business has a leading position in consolidating ambient grocery products in the North West. It has high service levels, strong systems and impressive operating performance.

NWF Agriculture, the Feeds segment of the business, has grown to be a leading national supplier of ruminant animal feed to customers in the UK, feeding one in six dairy cows in Britain. Nutritional advice is provided to farmers across the country with over 60 trained nutritional advisors analysing forage and farmers' objectives to deliver feed to optimise performance. Feed is produced from mills across the UK and delivered directly to farmers. The majority of the business relates to dairy but support is also provided to beef and sheep farmers.

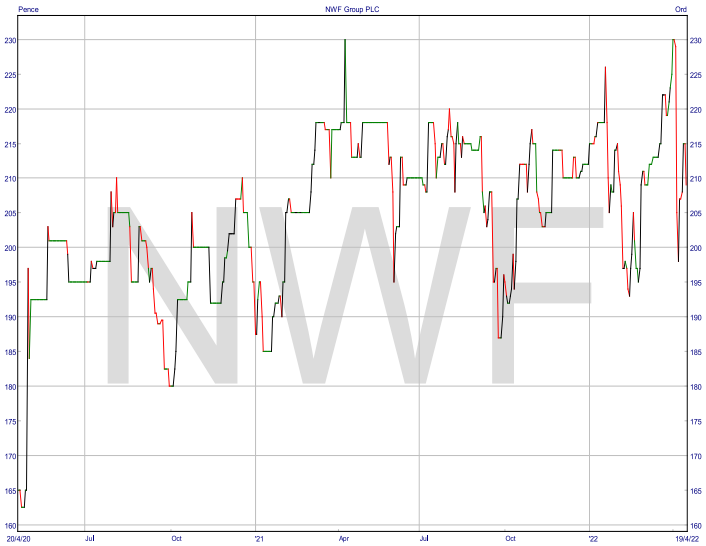
Interim results for the six months ended 30 November 2021 were released on 1 February. Strong performance in the first half meant that results were ahead of expectations and net debt was materially lower. Revenue for the half year was up 30.1% at £402.6m (2020: £309.4m) due to higher commodity prices in Fuels and Feeds and higher Fuels volumes. Headline operating profit was £4.7m (2020: £3.0m), with outperformance in Fuels and Food more than offsetting a decline in Feeds. Headline profit before taxation was up 72.0% to £4.3m (2020: £2.5m). Headline basic earnings per share were 7.1p (2020: 4.3p) and headline diluted earnings per share were also 7.1p (2020: 4.3p). An interim dividend of 1.0p per share (2020: 1.0p) will be paid on 3 May but the shares went ex-dividend on 17 March. The total dividend has been increased by approximately 5% in each of the last five years.

Net cash generated from operations for the period was £5.1m (2020: £4.0m). Cash generation was higher with underlying profit improvement offset by increased working capital required to support the business growth. Net capital expenditure in the period was £1.4m (2020: £1.8m) with development expenditure set to be weighted to the second half of the current year. Net debt at the period end, excluding the impact of IFRS 16, was £7.4m (2020: £16.5m) with net debt to headline EBITDA lower at 0.4x (2020: 0.9x) following strong cash generation. Net debt including the impact of IFRS 16 was £36.4m (2020: £42.2m). Net assets as at 30 November 2021 were £53.8m (30 November 2020: £52.1m). The IAS 19R defined benefits pension scheme valuation deficit reduced slightly from £14.9m as at 31 May 2021 to £14.5m as at 30 November 2021, driven by higher asset values offset by increases in discount and inflation rate assumptions.

A trading statement was released on 8 March, noting that since the interim results announcement, overall trading performance had continued to be strong. Demand conditions in the Fuels business accelerated to such an extent that full year results were likely to be significantly ahead of previous expectations. Cash generation remained strong, with lower net debt anticipated at year end. In Fuels, the strong reported outperformance in the first half continued. There was significant volatility in the oil price and the business saw increased demand in the short term. Food performed as planned with storage levels having increased quickly as manufacturers and importers reacted to the strong demand seen in the first half. In Feeds, with price increases continuing to be implemented, cost inflation has been recovered and there is ongoing focus on developing long term volume growth.

A more concise update was provided on 31 March. Following the trading update announced on 8 March, which noted the increased expectations for the full year, outperformance continued. As a result of this full year results were likely to be significantly ahead of the revised expectations. The outperformance was led by the Fuels business as a result of exceptional circumstances, with short-term volatility in oil prices and a UK fuel market which was supply constrained.

Some of the factors which are helping ensure that the current financial year will see extremely good performance will not continue indefinitely. This has probably held back enthusiasm from some potential investors, with earnings forecast to return to a more normal level from next year onwards. However, even if the helpful conditions fade away relatively quickly, performance in recent months will act as a solid platform for the company to continue to build from. Given the company's long term track record, the downside appears to be limited. The level of debt held is sensible and the balance sheet is solid. The share price represents a modest multiple of historic earnings and if some of the positive factors which have provided assistance in recent months persist then forecasts for the next financial year could easily prove to be too pessimistic. On balance the current share price offers good value and we are comfortable with a BUY rating.



Share Price: 209p
Market Capitalisation: £106m
2021/22 Share Price Range: 230p/185p
Website: www.nwf.co.uk

Year Ending 31 May	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2021	676	11.9	20.4	10.2	7.20	3.4
2022 (est)	883	17.0	27.7	7.5	7.47	3.6
2023 (est)	845	11.3	18.1	11.5	7.70	3.7

Aggressive Growth Portfolio VIII

Despite the various headwinds that are currently facing the market, including the war in Ukraine and rising inflation due to higher energy costs and National Insurance contributions amongst other factors, the market has proved remarkably resilient over the last month. Indeed, the FTSE 100 Share Index has risen by 1.7% during the period. It is pleasing to report therefore that the Aggressive Growth Portfolio has increased by 3.6%, thus outperforming all the benchmark indices.

We have lost one company this month whose share price has fallen through the stop-loss limit, that being Marks & Spencer. We have therefore had to sell our holding of 1,675 shares at the stop-loss limit of 150p for net proceeds of £2.488 and a loss of £533.

The best performance during the month came from Brighton Pier, the shares of which rose by over 42% to 112p from 78.5p last time. The share price was boosted by the excellent results announced by the company which are covered in the News Highlights section. Other good share price performances came from Renold, QinetiQ and Synectics.

Apart from Brighton Pier, a number of other companies in the portfolio have made announcements during the month and these are Premier Miton, Senior, Renold, QinetiQ and Synectics.

Dividends were received during the month from both Hargreaves Services (£14) and Appreciate Group (£84) and following the purchase of shares in both companies featured in this issue, there is £3,150 left on deposit pending investment.

Performance summary

	19 April 2022	22 March 2022	Gain/(Loss) %
Portfolio Value	£58,408	£56,378	3.6
FTSE 100 Share Index	7,601.28	7,476.72	1.7
FTSE All Share Index	4,219.72	4,167.60	1.3
FTSE AIM All Share Index	1,055.72	1,037.58	1.7

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
500	Hargreaves Services*	264	1,334	594	2,970	280
2,600	Serco Group	125.4	3,309	149.8	3,895	105
1,850	Premier Miton	163.5	3,054	147.5	2,729	130
2,350	Senior	149.3	3,562	128	3,008	115
12,000	Renold	25.1	3,042	27.7	3,324	20
4,500	GetBusy	66	3,000	61	2,745	50
1,000	QinetiQ	282.4	2,866	337.4	3,374	220
725	Redde Northgate	397	2,921	404.5	2,933	325
14,000	Appreciate Group	23	3,252	23.4	3,276	18
2,800	Alliance Pharma	110.4	3,122	118	3,304	85
4,250	Topps Tiles	62.4	2,692	55.4	2,355	48
3,125	Brighton Pier	83.5	2,635	112	3,500	65
2,825	Synectics	92.5	2,639	125	3,531	75
725	Fisher (James) & Sons	423	3,113	375	2,719	340
4,500	Finsbury Food	75.5	3,432	73.5	3,308	58
1,275	Luceco	235	3,041	188.6	2,405	170
1,500	NWF Group	209	3,166	209	3,135	165
3,500	Sigmaroc	78.5	2,774	78.5	2,747	55
£3,150	Cash	-	-		3,150	
				TOTAL	£58,408	

Start date: 19 January 2021 with £50,000. Cash includes dividends received of £1,522 *after part disposal.

SRC
78.5p

SIGMAROC

SECTOR – AIM – CONSTRUCTION AND MATERIALS

SigmaRoc is at the larger end of the spectrum of AIM-listed companies and currently has a market capitalisation of half a billion pounds. Annual sales are poised to break through the same level in 2022 and the company is generating profits which already justify its current share price. With sustained progress on the horizon, there may well be scope for substantial capital growth.

The company is a specialist quarrying group operating within the quarried materials space in Europe. It invests in high quality quarries which allow it to extract low and high grade materials for use in construction, agriculture, environmental and industrial applications. The company has a decentralised operating model. It aims to deliver constant operational improvement and grow through selective acquisitions.

In 2021 revenue was £272.0m (2020: £124.2m) and underlying profit before taxation was £26.8m (2020: £12.2m). Underlying basic earnings per share (adjusted for the non-underlying items) for the year were 5.37p (2020: 4.50p). Net assets as at 31 December 2021 were £411.2m (2020: £124.0m). Assets are predominantly mineral resources, land & buildings and plant & machinery. Net debt as at 31 December 2021 was £164.0m (2020: £43.8m).

The acquisition of Johnston Quarry Group was completed on 31 January 2022, for an initial cash consideration of £35.5m. This bolstered SigmaRoc's quarrying presence in the UK. Johnston Quarry Group and Harries form part of the expanded Southern platform, covering Southern England and Wales. The enlarged platform offers a range of products and services covering an area from Pembroke to Lincoln. This includes aggregates, concrete, asphalt, surfacing, agricultural lime and dimensions stone. There is potential to expand further, both in terms of offering and region.

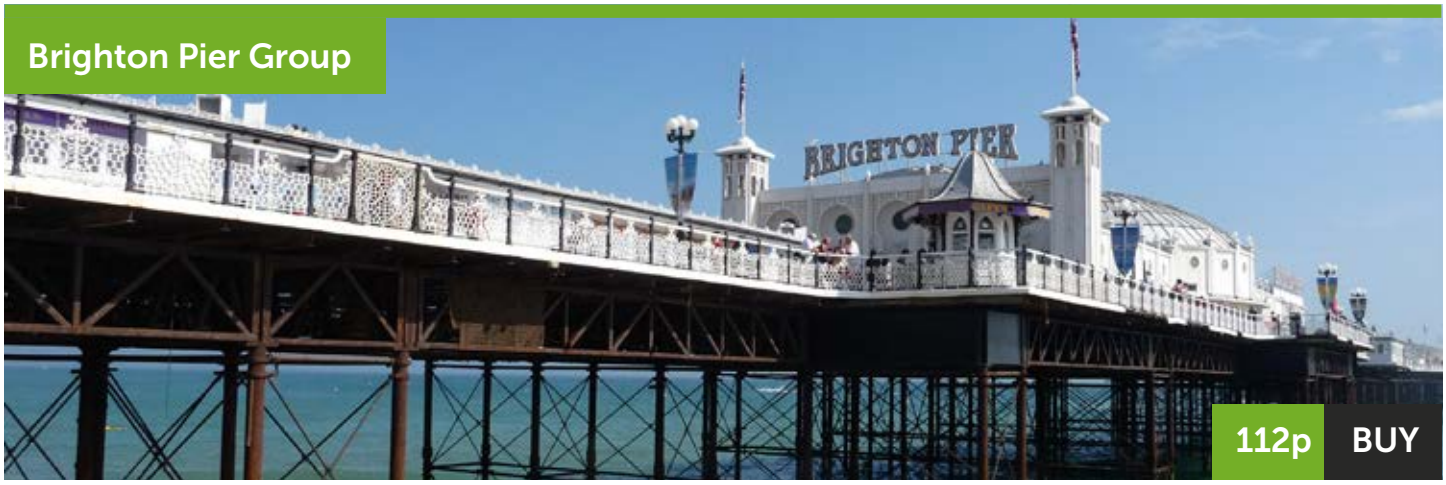
The company has focussed on building a portfolio of high quality stand-alone businesses and added value through improvement and integration. This appears to be a relatively low risk strategy in terms of growing through acquisitions, particularly given the nature of operations. Some may be deterred by the lack of dividend payments but for anyone looking for sustained capital growth, a BUY rating appears to be merited.

Share Price: 78.5p
Market Capitalisation: £504m
2021/22 Share Price Range: 113p/64.5p
Website: www.sigmaroc.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 (%)
2021	272	26.8	5.4	14.5	-	-
2022 (est)	509	59.2	7.0	11.2	-	-
2023 (est)	531	64.9	7.7	10.2	-	-

News Highlights

Brighton Pier Group



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.

Brighton Pier Group - 112p

The AIM-listed leisure group has released interim results covering the 26 weeks ended 26 December 2021. Revenue increased significantly during the period to £22.8m (2020: £8.2m) and pre-tax profit rose to £6.6m (2020: £2.7m) whilst earnings per share broadly doubled to 14.3p (2020: 7.1p). There was a significant benefit from a reduced rate of VAT and rates relief during the period, which will make comparatives tough for next year. Net debt was reduced 34% to £8.2m (2020: £12.5m). There was a solid underlying performance in all divisions and the successful integration of the Lightwater Valley theme park, acquired in June 2021 was noted. This acquisition, which is trading above expectations, has provided a major boost and highlights the ability of management to drive shareholder value. The outlook for 2022 is described as robust and profits for the 52 weeks ending June 2022 look set to be ahead of market expectations. This puts the shares on a very modest multiple of earnings and will provide a solid platform on which the business can progress further. Although the shares have risen strongly since being tipped as one of our Shares for the Year in January at 83.5p they remain a BUY.

Wentworth Resources – 22.4p

The AIM-listed Tanzania focused natural gas producer has announced its results for 2021. Readers will know that this is a stock that we believe is undervalued and the results only serve to confirm this. Revenues for the year increased by 26% to $23.8m (2020: $18.9m) underpinned by long-term contracts and strong levels of gas production. Pre-tax profit for the year rose to $6.0m (2020: $2.2m) and earnings per share emerged at $0.03 (2020: $0.02). This was clearly another strong performance from the company and as a result a dividend of 1.73p has been declared for the year. The strong cash generation at the group also meant that at the year-end there were net cash balances of $22.8m (2020: $17.8m). The dividend yield on the shares is therefore over 7.7% which looks very attractive especially given the strong balance sheet boasting the large cash balances. The new year has started well with record production in Q1 2022 and production guidance for the year has been raised accordingly. There is also an ongoing share buyback programme which will help to support the share price. We believe the shares are seriously undervalued and rate them as a BUY.

Renold – 27.7p

The industrial chains and transmission products group has reported a positive trading statement for the financial year to 31 March revealing that the strong momentum seen in the first half of the year has continued with overall revenues emerging at £195m, an increase of 18% on the previous year. As a result of this, adjusted pre-tax profits are likely to be around £9.5m for earnings per share of 3.6p. Group order intake was also strong during the year at £224m, an increase of 32% on the previous year and the current order book of £84m is a record for the group. Net debt has fallen during the year by £4.6m to £13.8m. This is clearly a very confident statement and standing on a p/e ratio of just 7.7x the shares are cheap. BUY.

Senior – 128p

The international aerospace and defence group has announced a positive trading statement for the first quarter of the year to 31 March with trading in line with expectations. Demand across its core markets continues to improve and the group is managing its supply chain issues. Group revenues have grown by 12% on a constant currency basis with civil aerospace seeing increased activity. This is a reassuring statement and given the fact that the company turned down a bid at 200p per share last year the company needs to perform to justify that. We believe that the group is at the beginning of a long-term period of growth and that those investors who buy now will be well-rewarded. BUY.

QinetiQ – 337.4p

The defence and security company QinetiQ has issued a trading update covering the last quarter of its financial year ending on 31 March 2022. This has revealed a strong performance in the period with the result that the overall performance for the financial year will be better than expectations. Group revenues for the year are likely to have risen to over £1.3bn with pre-tax profits likely to come in at around £135m. This would give earnings per share of 20.7p and the dividend for the year is likely to emerge at 7.25p per share. The group benefits from strong cash flow with the result that net cash at the end of March was around £225m. To put this in perspective the group is capitalised at around £2bn and so the cash accounts for over 10% of this. The year saw a strong performance in Australia and the UK although recovery in the US was slower than expected. Nevertheless, the order intake for the year was strong at over £1.2bn and this provides the platform for further growth. Clearly, the recent events in Ukraine are likely to increase demand for the group's products as defence spending is expected to rise and this can only be a positive for the group. Pre-tax profits in the financial year that has just started could increase to around £160m for earnings per share of 23.5p. Despite the increase in the share price seen over recent weeks we believe that the long-term prospects of the company are very attractive and maintain our recommendation of BUY.

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