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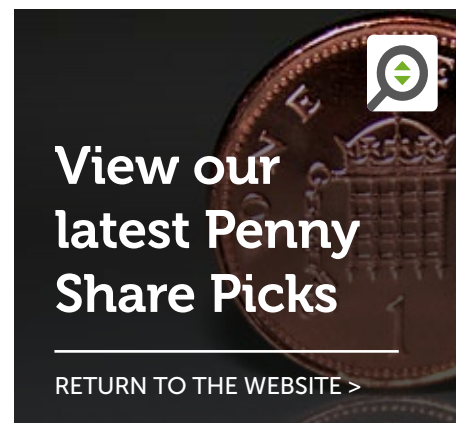
sorting the bulls from the bears

In This Issue

Team17 Group
Wickes Group
Speedy Hire
Associated British Foods

Plus

Aggressive Growth Portfolio
Monthly News Highlights



Winning Team?

Recent interim results from AIM-listed **Team17 Group (414p)** confirmed that trading is in line with expectations and progress continues to be made. The company has a solid track record, including recent years as a listed company following its IPO in May 2018.

The business is a provider of games entertainment which, following acquisitions, is a games entertainment label and creative partner for indie developers, a leading developer of educational apps for children under the age of eight and a leading working simulation games developer and publisher. Team17 Games Label owns and manages multiple IP titles including Worms, Escapists, Golf With Your Friends and Hell Let Loose. Team17 USA, formerly known as 'The Label', was acquired in January 2022

and is seeking opportunities to bring Team17 IP to mobile platforms alongside its own third-party subscription license titles. StoryToys was acquired in July 2021 and is a developer and publisher of educational entertainment apps for children, working with leading brands. The acquisition of astragon in January 2022 saw the addition of a well-known developer, publisher and distributor of 'working' simulation games such as Firefighting Simulator, Police Simulator, Bus Simulator and Construction Simulator.

In the six months ended 30 June 2022 revenues were up 33% to £53.2m (2021: £40.1m), representing a record level. Gross profit was up 26% to £25.5m (2021: £20.2m) and adjusted EBITDA up 10% to £18.2m (2021: £16.5m), also record figures. Although profit before

tax slipped to £11.2m (2021: £14.0m) adjusted profit before tax was up 7% to £17.3m (2021: £16.2m). Earnings per share were 6.5p (2021: 8.6p) and adjusted earnings per share 10.4p (2021: 10.1p). Net cash and cash equivalents as at the period end were £51.3m (2021: £66.6m).

Team17 Group has delivered ongoing improvements in financial performance and appears well placed to create value for shareholders over the long term. The shares have lost almost half their value since the turn of the year and this creates an interesting opportunity. Although the shares still trade on a relatively high multiple of historic earnings, ongoing growth in profitability is highly likely and the rating reflects undeniable quality. We rate the shares as a **BUY**.



Wickes' share price set for improvement?

Wickes Group (128.5p) is another company which has released solid interim results recently but seems out of favour. Although the outlook is somewhat uncertain, this should be fully priced in at this stage and the current share price is undemanding. As and when confidence returns, there is potential for strong recovery.

The home improvement retailer aims to deliver choice, convenience, value and best-in-class service to customers across the UK. The business is split into "Core", made up of Local Trade and DIY alongside "DIFM", Do-it-for-me. There is a network of 229 stores supporting nationwide fulfilment from convenient

locations throughout the UK. Digital channels include a website, TradePro mobile app for trade members and Wickes DIY app. These channels allow customers to research and order an extended range of Wickes products and services, set up virtual and in-person design consultations and arrange convenient home delivery or click-and-collect.

Results for the 26 weeks ended 2 July 2022 were released on 15 September. Revenue was £822.3m (2021 £812.0m), with like-for-like sales up 0.8% and 23.4% on a three-year basis. Adjusted profit before tax was £45.6m (2021: £46.5m), translating into adjusted basic earnings per share of 14.5p (2021: 14.6p).

An interim dividend of 3.6p per share was declared, up from 2.1p a year earlier. The ex-dividend date is 29 September.

The company has noted softening of the DIY market relative to the very high levels of demand experienced during the pandemic. Uncertainty with regards to the macroeconomic environment was also flagged but guidance for full year adjusted profit before tax of between £72m and £82m was reiterated. With a market capitalisation of £334m, this makes the valuation currently placed on the business look potentially far too low. The shares are a **BUY**.



SDY

37.5p BUY

Speedy Hire

SECTOR - INDUSTRIAL SUPPORT SERVICES

Shares in **Speedy Hire** have fallen by more than 50% since April 2021. Much has changed since then in terms of the macroeconomic picture but such underperformance versus the market surely results in an excellent buying opportunity for investors with patience. It is true to say that the near term outlook is very uncertain but a recent update provided to coincide with the Annual General Meeting provided reassurance and long term opportunities remain attractive.

Speedy Hire is the UK's leading tools and equipment hire services company, operating across the construction, infrastructure and industrial markets. It also supplies to local trade and industry. The business was founded in 1977 and offers complementary support services through the provision of training, asset management and compliance services. The company operates from around 200 fixed sites and selected B&Q stores across the UK and Ireland as well as a number of on-site facilities at client locations and through a joint venture in Kazakhstan.

Final results covering the year to 31 March 2022 were released in May. A partnership with B&Q was formalised during the year, growing the company's market share with trade and retail customers both in stores and through B&Q's website, diy.com. Operations in the Middle East were sold in March 2021. Results are presented on a continuing operations basis, reflecting the disposal. Revenue increased by 16.4% to £386.8m (2021: £332.3m) due to a strong performance in core and partnered services hire and an improved performance in services in the second half.

Gross profit was £221.1m (2021: £184.9m), an increase of 19.6%. Gross margin increased to 57.2% (2021: 55.6%). EBITA increased by 50.2% to £32.6m (2021: £21.7m) and profit before taxation, amortisation and exceptional costs increased to £30.1m (2021: £17.5m), reflecting strong performance versus 2021, which was impacted by Covid-19. The share of profit from the joint venture in Kazakhstan increased to £3.2m (2021: £1.2m) as result of strong recovery following Covid-19 disruption and new contract wins. No exceptional items were incurred in the year (2021: £8.4m). After taxation, amortisation and exceptional items, profit was £21.6m versus £9.5m in 2021. Adjusted earnings per share were 4.24p (2021: 2.68p).

There is a progressive dividend policy with a pay-out ratio of between 33% and 50% of underlying profit after tax targeted. A final dividend of 1.45p per share was declared (2021: 1.40p). The full year dividend was 2.20p per share, which represents around 50% of adjusted earnings per share (2021: 1.40p). Payment is on 23 September.

The company boasts a strong balance sheet and net assets as at 31 March 2022 were £226.4m (2021: £220.8m), equivalent to 43.7p per share (2021: 41.8p). Net property, plant and equipment (excluding IFRS 16 right of use assets) was £257.7m as at 31 March 2022 (2021: £233.1m), of which equipment for hire represented 88.0% (2021: 88.9%). Throughout the year the business focused on cash and in particular customer collections. Cash generation remained strong, with cash generated from operations for the year of £28.6m reflecting increased capital expenditure (2021: £72.9m). Free cash flow (net cash flow before financing activities) decreased to £5.5m (2021: £69.7m). Net debt increased by £34.3m to £67.5m as at 31 March 2022.

A £180m asset based finance facility was renewed for three years, through to July 2024. In addition, uncommitted options exist for a further two one-year extensions until July 2026. The additional uncommitted accordion of £220m remains in place through to July 2024. The terms of the facility are

broadly similar to the expired facility and provide headroom with which to support organic growth and acquisition opportunities. The facility includes quarterly leverage and fixed charge cover covenant tests which are only applied if headroom in the facility falls below £18m. No covenant test was required during the year, and significant headroom was maintained against these measures throughout the year.

On 8 September the company provided an update on trading in advance of its Annual General Meeting. Trading overall was in line with expectations for the full year. In the five months to August 2022 hire revenue was around 6% ahead of 2021. New contract wins from major customers effective from October 2022 are expected to offset some recent weakening in market conditions. It is also encouraging to note that price increases implemented in April 2022 have not had a material impact on volumes. Costs are being controlled and the Kazakhstan joint venture is continuing to perform ahead of expectations.

Net debt as at 31 August 2022 was approximately £95m with cash and unutilised facilities of around £85m. Around £28m has been invested in the hire fleet in response to demand and to mitigate the impact of supply chain lead times and price inflation. Investment has been focused on sustainable products. In January 2022 a share buyback programme of up to £30m commenced and as at 8 September approximately £18m of shares had been purchased under the programme. The intention is to continue the programme for the balance of the initial £30m but medium-term capital needs will be weighed up before deciding whether to undertake a further share buyback programme.

Russell Down will step down from the Board and the role of Chief Executive on 30 September 2022. Dan Evans, who is currently Chief Operating Officer, will join the Board as Chief Executive with effect from 1 October 2022. Interim results are due to be released on 15 November.

Although the share price could potentially fall even further, the current level provides an appealing entry point and at the time of writing represents a low point. We believe that the company is more resilient than the current valuation suggests. Once the market overall turns more positive, then a sharp rally in the company's share price is likely. The timing of this is uncertain but we feel that this is a share to invest in now rather than wait until it is too late. The strong dividend yield also provides incentive to hold the shares. On balance, now looks an opportune time to **BUY**.



	Year Ending 31 March	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 37.5p	2022	382	30.1	4.2	8.9	2.2	5.9
Market Capitalisation: £183m	2023 (est)	416	34.4	5.4	6.9	2.4	6.4
2021/22 Share Price Range: 77.6p/37.5p	2024 (est)	437	37.0	5.6	6.7	2.6	6.9
Website: www.speedyservices.com							

Aggressive Growth Portfolio VIII

It is disappointing to have to report that the portfolio has fallen in value once again although this is also a reflection of the overall market which has also fallen back as the impact of higher energy prices and interest rates begin to have some effect.

We are particularly disappointed in the share price fall of **Melrose Industries** as we only recommended the shares in May at 117.65p and in the July issue of the newsletter they had risen to 165.85p. The decline to just 105.6p is clearly disappointing but demonstrates the point that taking profits after such a strong run is often advisable.

On the back of the above, we have therefore decided to sell the holding of 1,500 **NWF Group** at 245p. The shares have enjoyed a strong run of

late and, now standing on a prospective p/e ratio of around 13.5x, we do not see much more upside in the share price. The disposal has raised net proceeds of £3,638 for a gain of £472.

We have also lost two companies which have fallen through the stop-loss limits. We have therefore sold 725 **Redde Northgate** at 325p for net proceeds of £2,332 and a loss of £589 and 625 **Portmeirion Group** at 350p for net proceeds of £2,166 and a loss of £833.

A number of companies made announcements during the month and these were **Renold**, **Appreciate Group**, **Melrose Industries**, **Portmeirion Group** and **Halfords Group**. These are covered in the News Update section or are covered on the website.

Dividends were received during the month from **Qinetiq** (£50) and **Halfords Group** (£120) and following the purchase of shares in both companies featured in this issue, there is £5,201 left on deposit pending investment.

Performance summary

	20 September 2022	23 August 2022	Gain/(Loss) %
Portfolio Value	£52,104	£54,486	(4.4)
FTSE 100 Share Index	7,192.66	7,488.11	(3.9)
FTSE All Share Index	3,947.56	4,108.39	(3.9)
FTSE AIM All Share Index	855.32	899.69	(4.9)

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
500 Hargreaves Services*	264	1,334	432	2,160	280
12,000 Renold	25.1	3,042	24.15	2,898	20
4,500 GetBusy	66	3,000	53	2,385	50
1,000 QinetiQ	282.4	2,866	326.4	3,264	220
14,000 Appreciate Group	23	3,252	24.8	3,472	18
3,125 Brighton Pier	83.5	2,635	74.5	2,328	65
2,825 Synectics	92.5	2,639	115	3,249	75
4,500 Finsbury Food	75.5	3,432	78.5	3,533	58
2,750 Melrose Industries	117.65	3,283	105.6	2,904	95
2,000 Halfords Group	148.8	3,021	150.2	3,004	120
1,500 Devro	184.4	2,807	173.6	2,604	150
2,350 Tinybuild	124	2,943	112.5	2,644	100
400 Keller Group	739	3,001	676	2,704	625
1,800 Barclays	163.6	2,989	170.92	3,077	130
9,000 Speedy Hire	37.5	3,426	37.5	3,375	31
250 Assoc British Foods	1321	3,352	1321	3,302	1175
£5,201 Cash	-	-	-	5,201	-
			TOTAL	£52,104	

Start date: 19 January 2021 with £50,000. Cash includes dividends received of £1,943 *after part disposal

ABF

Associated British Foods

1321p

SECTOR - FOOD PRODUCERS

Although by no means alone, **Associated British Foods** has seen its shares hit a low point and we feel that it is worth considering an investment ahead of full year results, which are due to be released on 8 November. A detailed trading update was provided earlier this month and this detailed strong recent performance but considerable challenges ahead.

The company is a diversified international food, ingredients and retail group. It is perhaps best known for its Primark brand, the largest clothing, footwear and accessories retailer by volume in the UK. It also has some leading grocery brands, AB Sugar is one of the largest sugar producers in the world, AB Agri is a leading agri-food business and the Ingredients businesses are leaders in yeast and bakery ingredients as well as the supply of speciality ingredients.

On 8 September the company released a trading update ahead of entering the close period for full year results. Outlook for the 52 weeks to 17 September 2022 was unchanged with a significant increase in adjusted operating profit and adjusted earnings per share set to be delivered. Net cash before lease liabilities as at the period end will be around £1.5bn with net debt including lease liabilities of £1.7bn. The company will decide whether it has surplus cash to return to shareholders in November. On a more downbeat note, adjusted operating profit and adjusted earnings per share are expected to fall in the new financial year.

Analysts' consensus forecasts are for earnings per share of around 127p for the year to September 2022 and 123p in the year to September 2023. This would mean that earnings have still not fully recovered to levels reached immediately prior to the impact of Covid-19. However, the share price has slumped and is back at levels not seen since 2012. Given the value which has been built into the business since then there must be scope for significant recovery. Market conditions are worrying but bull factors should not be ignored altogether and at some point sentiment will turn. The shares are a **LONG TERM BUY**.

	Year Ending 17 September	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 1321p	2021	13,884	908	80.1	16.5	40.5	3.1
Market Capitalisation: £10,486m	2022 (est)	16,724	1,327	127.4	10.4	47.4	3.6
2021/22 Share Price Range: 2490p/1321p	2023 (est)	18,069	1,292	123.0	10.7	47.6	3.6
Website: www.abf.co.uk							

News Highlights

Halfords Group



150.2p BUY

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.

Melrose Industries

– 105.6p

The group has announced interim results for the six months to 30 June and these have come in slightly ahead of expectations with revenues on continuing operations up by over 4% to £3.88bn with pre-tax profits 12% higher at £128m. Diluted earnings per share were 22% ahead at 2.2p and the interim dividend has been raised 10% to 0.825p. However, although these results were very sound, the most important part of the results' announcement was the news that the group is to demerge GKN Automotive and GKN Powder Metallurgy, with the demerged company being listed on the stockmarket. The group will retain GKN Aerospace which it has undertaken not to sell until May 2023 at the earliest. The news of the demerger has not gone down well with investors with the shares falling as a result. However, the demerger is seen by some analysts as a way to release shareholder value as the two companies could be valued at double the current market capitalisation of the group. The demerger will not occur until next year, but it will also allow Melrose to pursue more acquisitions. The recent fall in the share price is a buying opportunity. **BUY.**

Appreciate Group

– 24.8p 

The AIM-listed gifting and prepayment voucher company has issued a reassuring trading update at its AGM. Trading at the company remains in line with expectations with the Christmas Savers business performing well whilst the Love2shop brand has added 22 new partnerships since the beginning of the financial year. The group's business remains highly seasonal with 58% of total billings and 51% of the full year contribution being made in Q3 of the last financial year in the run up to Christmas. The group estimates that this year will see even higher levels as customers have delayed their spending given the

current economic uncertainty. The current management team are focusing on the group's costs and ways to improve profitability and the search for a permanent CEO and CFO is ongoing. The share price has dropped back from 32.75p in the middle of August and we believe this presents a useful buying opportunity. **BUY.**

Halfords Group – 150.2p

The leading provider of Motoring and Cycling products and services in the UK has announced a trading update for the 20 week period to 19 August 2022. Performance in the period was in line with expectations, which means that full year underlying profit before tax of £65m to £75m remains the target. Total revenue growth was 9.2% versus the prior year and down 1.9% like-for-like against strong prior year comparatives, when sales were boosted by the UK emerging from the final Covid-19 lockdown. Strategic acquisitions in Autocentres were the key driver of total sales growth. Service-related sales represented 42.2% of revenues in the period, up from 21.9% in the year ended 3 April 2020. We rate the shares as a **BUY.**

Renold – 24.15p

The AIM-listed international supplier of industrial chains and related power transmission products has issued a trading update at its AGM confirming that strong trading has continued. In the five months to 31 August revenues rose by 18.7% over the previous year to £93.0m, whilst order intake was over 15% ahead of the prior year at £97.9m if the £11.0m long term military contract announced in July 2021 is excluded. At the end of August the group had record order books of £97.3m. Although global markets continue to be uncertain, the group has strong trading momentum and we therefore maintain our recommendation of **BUY.**

Portmeirion Group

– 330p

The AIM-listed designer and supplier of homewares has announced its interim results for the six months to 30 June. Although the

company has been operating in a challenging consumer environment, it has seen group revenues rise by 5% over the period to £45.5m and adjusted pre-tax profit came in at £2.0m, a 30% improvement over the previous year. Earnings per share on the same basis rose by 31% to 12.00p and the interim dividend was re-introduced at 3.5p per share. The company benefits from its strong brand names such as Spode and Royal Worcester and despite the return of the high street after the removal of lockdown restrictions the group has maintained its strong online presence with total online sales in its core UK and US markets now representing 55% of total sales. The company will benefit from the fact it has hedged its energy prices until Q1 2024 whilst there are a number of new products due to be launched over the next two years. Sales growth has continued in both July and August and so the group expects full year revenues to at least match the record level reported last year whilst profits are set to be ahead of last year. Given the increasingly difficult economic situation we have reduced our profit forecast for the year to £8.5m which would give earnings per share of around 48p. A prospective p/e ratio of 7.3x looks inexpensive given the medium term prospects and, although we have had to sell the holding in The Aggressive Growth Portfolio, we therefore rate the shares as a **BUY.**



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Independent Financial Publications, 1 Skipton Road, Ilkley, West Yorkshire, LS29 9EH

Designed and published by Westbrook Agency © 2022
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Next issue out
20th October

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