

cityconfidential

The background of the cover is a photograph of a modern retail store. In the center, two mannequins are displayed. The one on the left wears a light-colored top, a dark wide-brimmed hat, and a dark skirt. The one on the right wears a long, light-colored coat over a dark dress. To the right, there are wooden shelves with various items, including a clock and some bags. The store has large windows and a clean, minimalist design.

sorting the bulls from the bears

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Monthly News Highlights



446.6p **TRADING BUY**

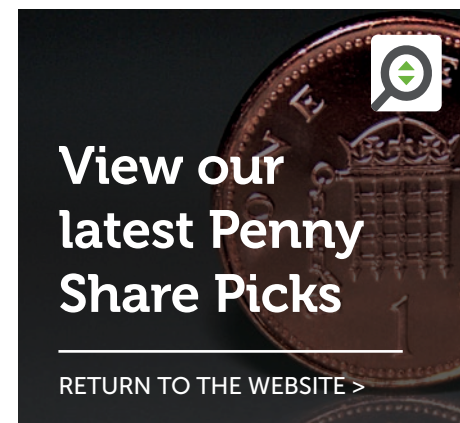
Are these shares set to gush?

We believe that shares in the oil major **BP** (446.6p) are worth a look following the recent share price action. The company recently issued a disappointing trading update covering the second quarter of the year, and this period is expected to see earnings fall by some 20% from previous estimates. The decline is due to a number of factors including lower refinery margins and a weaker oil trading performance after a strong first quarter. Following this announcement, the shares fell by 20.5p to close at 454.25p, since when they have drifted lower still to just above the 2024 low of 444.25p.

Since the beginning of 2023, the share price of BP has been as high as 567p and as low as 444.25p, with the low being hit in January of

this year. The share price then ran up to 539p in April helped by a rising oil price and a solid trading statement covering the first quarter of the year. The company also pays an attractive level of dividend with quarterly dividends of US\$0.0727 being announced for the last four quarters. In rough terms this equates to 22.5p for the year, thus putting the shares on a dividend yield of 5%.

For investors, the key to the shares is what is likely to influence the share price. There are a number of factors here including the performance of the company (obviously), the level of the oil price, the amount of oil produced by OPEC and other oil producing nations and so on. Some of these factors are outside the control of the company though



and it can merely react to outside events as and when they occur.

The re-assuring thing for investors though is that the shares almost always recover from negative news in the same way that positive news may result in a surge in the share price before profit taking sets in. Thus, the shares will usually end up trading in a range and since the start of last year that range has been from 444.25p to 567p. With the share price now close to its lowest point over the last eighteen months, we believe that those buying in now should be rewarded with a useful bounce in the share price over the next few weeks. We therefore put the shares up as a **TRADING BUY** with a short-term price target of 490p which was the closing price of the shares on 4 July!



704.6p **BUY**

Get yer coat!

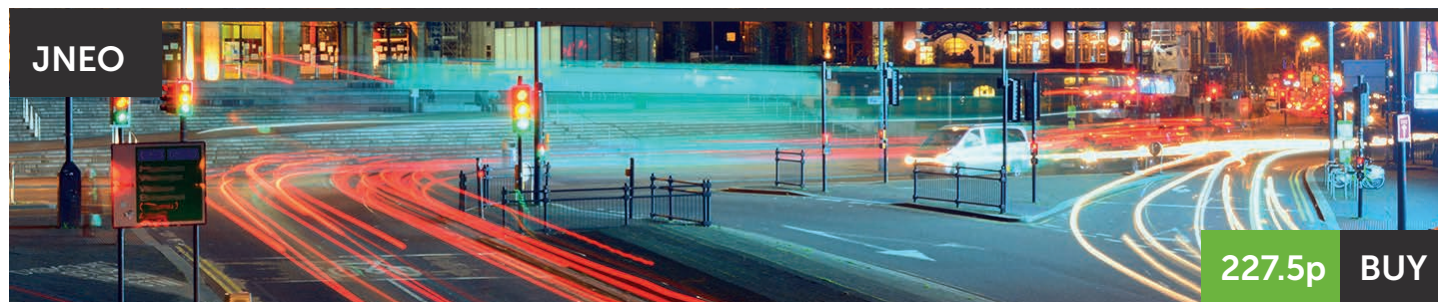
Shares in the luxury goods group **Burberry** (704.6p) have slumped recently following a very disappointing trading statement from the group. This was so bad that it has resulted in the replacement of the chief executive and the suspension of dividend payments. Although the company has suffered from the economic slowdown in China, which is an extremely important market for the group, the problems appear to go deeper than that. The company has tried to expand its product offering away from its iconic coats and scarfs, but this has not proved very successful to say the least!

The first quarter of the current financial year covering the 13 weeks to 29 June saw retail sales fall by 22% to £458m and this news clearly took the market by surprise. As did the news that the CEO Jonathan Akeroyd

was leaving and that dividend payments were being suspended. If the current trend in trading continues then the group expects to make an operating loss for the first half of the financial year, covering the six months to 30 September.

Despite all this though, we believe that the shares are worth a look simply because they have fallen so far. In April 2023, the share price stood at over £26 and so it can be seen that since then it has fallen by over 70%! For a company that was once a darling of the stockmarket this is clearly disastrous. It may be that the appointment of a new chief executive will help to reverse the fortunes of the group and the company does expect the actions it is taking to improve matters in the second half of the financial year.

From an investment perspective, the question is whether the shares fallen far enough? Although it may take some time it does seem realistic that the company can recover from the mistakes it has made and if it fails to do this then the company could be the subject of a takeover approach from a foreign bidder. After all, it is not every day that an iconic name such as Burberry looks vulnerable to an approach. Either way, given the fact that the shares have halved this year from £14 in January, we believe that recovery potential or takeover speculation will help the share price to recover over the medium term. Short term traders may also want to take a punt with a share price target of 850p representing a gain of over 20%! **BUY**.



Journeo (JNEO) - 227.5p

SECTOR – AIM – SOFTWARE & COMPUTER SERVICES

Shares in **Journeo** have been very strong performers over the last three and a half years as the company has expanded significantly through both organic growth and acquisition. In 2020, the group generated revenues of just £13.6m on which it reported underlying pre-tax profits of just £0.5m. Last year, the company produced revenues of £46.1m and underlying pre-tax profit had risen to £4.3m. These figures reflect the substantial growth that has taken place over the last three years or so and this growth has seen the share price rise accordingly from around 50p. The company has just announced two more contracts worth a total of £3m and this underpins the forecasts for the current year as well as providing some visibility into 2025. The share price has fallen back from around 295p in January and we believe that this represents an opportunity for investors to buy.

Activities

Journeo is a provider of information systems and technical services to the transport industry and local authorities. The company works extensively with local authorities, Network Rail and many of the largest multinational transport operators such as Arriva, Transport UK Group and Porterbrook, a leading participant in the rail leasing market with a rolling stock fleet of 5,000 vehicles on lease or order.

The group currently has five operating companies as follows:- Journeo Fleet Systems Limited – this provides CCTV video surveillance to improve passenger and driver safety, telematics for vehicle and driver performance monitoring, real-time communications for remote condition monitoring and automatic passenger counting. The business has a growing share of the UK bus market with some 30% connected to the Journeo Portal, a secure platform which allows customers to monitor their vehicles in real-time. Customers include major bus companies such as Arriva, National Express, First Group, Abellio and Translink; Journeo Passenger Systems Limited – this designs, manufactures, installs and maintains the electronic public transport information systems in and around towns and cities, airports and ferry terminals including smart-ticketing and wayfinding. The company has over 7,000 display systems under software or support contracts; Infotec Limited – this supplies and manages information displays for rail applications in stations and on vehicles. It has on-platform display signage in approximately 80% of UK stations with over 12,000 devices shipped and installed; MultiQ AS – this is based in Denmark and is a full-service provider of Intelligent Transport Systems with customers in Denmark, Sweden and Iceland; Journeo AB – this is a technical services provider to public transport customers in Sweden.

Over the last four years, the company has invested over £6m in research and development, enabling it to design and supply powerful innovative solutions for customers' complex requirements and the demands of modern public transport. The acquisitions of both Infotec and MultiQ in 2023 have expanded the reach of the company into new domestic and international markets, whilst also strengthening the group's manufacturing and rail capabilities. These have also widened the group's customer base and extended the group's access to Scandinavia.

Financial

Last year was transformational for the group with the acquisition of Infotec in January and MultiQ in September. These acquisitions generated revenues of £20.8m for the group in 2023 and this accounted for most of the increase in revenue over the previous year, although the existing

operations generated organic growth of 20%. Revenues for the year therefore increased to £46.1m (2022: £21.1m) and underlying pre-tax profits rose by 270% to £4.3m (2022: £1.2m). Earnings per share on the same basis were 80% higher at 18.6p (2022: 10.3p). The group ended the year with cash of £8.1m.

Revenues at the Fleet Systems business rose by 31% to £16.3m as bus operators continued to increase investment although operating profit fell slightly to £0.6m due to sales of lower margin products. In the Passenger Systems business, revenue increased by 5% to £9.0m although lower margins meant that operating profit also fell. The major success story last year was the acquisition of Infotec which generated revenues of £19.7m and operating profit of £3.7m. The acquisition cost a total of £8.7m and this was mainly funded by the issue of 7m shares at 105p each. The subsequent purchase of MultiQ had a smaller impact on the results, generating revenues of just £1.1m although it generated operating profit of £0.15m. This business was acquired for €2.5m and this was satisfied in cash. It is worth remembering that this business was only included for the last three months of the year.

Outlook

It is clear that last year was one of great significance for the group with the acquisition of Infotec changing the dynamics at the company. The latter's display products have recently extended into the North American market where they are supplying units for the New York Subway. The acquisition of this company and MultiQ have increased the group's capabilities within its established markets whilst also increasing the ability of the group to enter new markets and territories.

The group is increasing the use of its own technology and software with both existing and new clients and this helps to increase the level of recurring revenue generated. The group entered 2024 with a strong order book and as demonstrated in recent days it continues to win new business. The latest contracts worth a total of £3.0m are to supply on-board CCTV and Automatic Passenger Counting solutions to Arriva and Porterbrook.

The group's strong balance sheet with a healthy cash position provides the ability to invest in the business as well as look at possible acquisitions which would enhance the core capabilities at the group. This could be through the addition of other services to existing customers or a move into adjacent markets. The shares stand on a modest p/e ratio and although there is no dividend we believe that the shares have growth potential. Assuming a valuation of 14x the earnings per share for 2024 we get a share price target of 322p. **BUY.**



	Year Ending 31 December	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 227.5p	2022	21.1	1.2	10.3	22.1	-	-
Market Capitalisation: £37.5m	2023	46.1	4.3	18.6	12.2	-	-
2023/24 Share Price Range: 295p/121p	2024 (est)	50.5	4.7	23.0	9.9	-	-
Website: www.journeo.com							



Aggressive Growth Portfolio IX

A slightly better performance from the portfolio this month with it actually increasing in value after last month's disappointing decline. The overall market, as measured by the FTSE 100 Index, appears to have become somewhat becalmed as it trades between 8,120 and 8,280. The monthly fall in the Index of just 0.3% therefore comes as little surprise and with the summer holidays beckoning this lacklustre performance looks set to continue.

It is disappointing that Sanderson Design Group issued a downbeat trading statement during the month with the result that the shares fell through the stop-loss limit. The trading statement is covered in News Highlights, but we have had to sell the holding of 4,500 shares at the limit of 88p. This has raised net proceeds of £3,920 for a loss of £874.

As we need to raise some cash for the portfolio, we have decided to sell

the holding of Pets at Home and have therefore disposed of 1,750 shares at 305.4p. This has raised net proceeds of £5,292 for a modest gain of £237. Although the long-term prospects for the company remain solid, we believe that other holdings in the portfolio have more potential for growth. And, as we stated at the start of the year we aim to be more aggressive in running the portfolio this time.

It has been a very quiet month in terms of announcements from the companies in the portfolio with only JD Sports Fashion revealing a share purchase by a director. This is covered on the website.

Dividends have been received during the month from JD Sports Fashion (£26), Billington Holdings (£396) and Pets at Home (£145). After investing in the two main companies featured this month there is £2,443 left on deposit available for investment.

Performance summary					
	18 June 2024	21 May 2024	Gain/(Loss) %		
Portfolio Value	£49,370	£48,650	1.5		
FTSE 100 Share Index	8,164.90	8,191.29	(0.3)		
FTSE All Share Index	4,482.44	4,467.95	0.3		
FTSE AIM All Share Index	786.98	778.32	1.1		

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
4,375 JD Sports Fashion	114.35	5,078	118.7	5,193	90
1,200 Billington Holdings	415	5,030	492	5,904	310
2,625 Ramsdens	190	5,037	195	5,119	145
5,750 Epwin Group	86	4,994	88	5,060	70
9,500 Renold*	42	4,029	62	5,890	35
7,000 SDI Group	71.5	5,055	68.5	4,795	58
3,850 Card Factory	94	3,673	100.4	3,865	80
1,575 Legal & General	226.8	3,626	230.4	3,629	200
1,750 Journeo	227.5	4,021	227.5	3,981	185
3,100 Just Group	112.6	3,543	112.6	3,491	95
£2,443 Cash				2,443	
TOTAL				£49,370	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £932. *after part disposal

JUST

112.6p

JUST GROUP

SECTOR - LIFE ASSURANCE

RECOMMENDATION - BUY

Shares in this specialist insurance group have moved up to the highest level since 2021 and there are signs that investors are finally coming to accept that the shares are far too cheap. The company is a retirement life insurance specialist and yet for some reason its shares are very lowly-rated and we believe that this presents an opportunity for investors. The interim results for the six months to 30 June are due to be announced in mid-August and these may well highlight the attractions of the shares. Buy ahead of these.

Just Group is a specialist in its chosen markets serving four distinct groups. It helps the Trustees of Defined Benefit Pension Schemes to de-risk their liabilities by securing the benefits of members with an insurance contract, whilst on an individual level it helps those people who have built up pension savings and want a guaranteed or flexible income (or a combination of both) in retirement. Just also offers lifetime mortgages

which allow individuals to access the capital they have in their homes and also provides advisory and customer services to help companies with retirement-focused solutions for their customers and clients.

The group's retirement markets continue to grow and, helped by higher interest rates, there is an increasing number of individuals looking to guarantee a fixed income in their retirement. The market for de-risking defined benefit schemes also remains buoyant. With the age of the population gradually increasing, the group's markets have many years of growth ahead.

Given the nature of the group's accounts it does not look from the table below that the shares are such a bargain. However, in 2023, the company made underlying operating profit of £520m with £348m of this being deferred in the accounts to be recognized in future years. This is due to the accounting regulations that the group must follow. If all of that profit had been taken into last year then earnings per share would have been 27.9p putting the shares on a p/e ratio of around 4x. We believe that with further growth to come that the shares are too cheap. **BUY.**

	Year Ending 31 December	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 112.6p	2022	(494)	-	-	1.73	1.5
Market Capitalisation: £1.2bn	2023	172	11.3	10.0	2.08	1.8
2023/24 Share Price Range: 112.6p/68p	2024 (est)	195	13.0	8.7	2.25	2.0
Website: www.justgroupplc.co.uk						

News Highlights

Marshalls



358p **SELL**

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.

Ocado - 360.5p

The group has announced its interim results for the six months to 30 June and these have confirmed that the group continues to make solid progress. Revenues for the period rose 12.6% to £1.5bn and the adjusted loss before tax fell to £161m (2023: £212m). All of the group's three operating divisions increased revenues during the period which is clearly encouraging whilst they also all recorded increases in adjusted EBITDA. The group's underlying cash outflow during the period was £197m, an improvement of £101m over the same period in the previous year. The company has also confirmed that it expects the improving cash flow to continue with visibility of turning cash flow positive in 2026. The future at the group looks very promising over the long term, but we recommended buying the shares last month as a trading buy at 298p with a share price target of 400p. This level was reached recently although some profit taking has seen the shares ease back. Although those investors who bought the shares as a short-term trade may want to bank their profit, we believe that long term investors should hold on for further growth. **HOLD/BUY**.

Sanderson Design Group - 87.5p

It is very disappointing to have to report that the luxury interior interiors group has had to issue an unscheduled trading statement following some very weak trading in the UK. At the time of the annual results' announcement in April, the company indicated that trading conditions were still challenging although it was taking action to alleviate this. However, trading conditions in the UK have deteriorated significantly in May and June with brand product sales down 14% in the first 22 weeks of the financial year. This shortfall in revenue has a significant impact on profitability as this

also leads to lower manufacturing volumes, which makes cost recovery more challenging. Other areas of the group continue to trade reasonably well but the overall impact means that the group now expects adjusted pre-tax profits in the current financial year of around £8m as opposed to previous forecasts of £12.1m. Earnings per share will therefore fall to around 9p. The company retains a strong balance sheet though and net cash at the end of the year should still be in excess of £10m. The fall in the share price looks a bit overdone to us although we can understand the negativity - nevertheless, we think that the shares have significant recovery potential having fallen to the lowest level since 2020. **BUY**.

Alliance Pharma - 35.7p

The AIM-listed pharmaceutical company has finally produced its results for the year to 31 December after a number of delays caused by the auditors. These have shown a considerable write-off of non-tangible assets of £79.3m as the company takes a more cautious view of such valuations. It is important to point out that these are non-cash adjustments and therefore have no impact on the company's cash position. The year saw a stronger second half as previously highlighted resulting in record revenues for the year of over £180m (2022: £167m). Underlying pre-tax profits rose to £31.5m (2022: £30.3m) with earnings per share on the same basis increasing to 4.55p (2022: 4.28p). There is no dividend for the year. Net debt at the end of the year had fallen to £91.2m (2022: £102m) helped by strong cash flow. The company has strengthened its management team and continues to invest in both marketing and in bringing new products to market. The current year is likely to see a similar level of profitability to last year although pre-tax profits should then begin to increase once again. We suggested that the shares were a speculative buy at 29.5p on 9 May which has proved to be good advice. However, with further progress expected going forward the shares only stand on a very modest p/e ratio, and we believe they are worthy of a **BUY** rating.

Watches of Switzerland - 392.4p

The luxury watch retailer has endured a difficult year in the twelve months to 28 April although group revenues were unchanged at around £1.5bn. Adjusted pre-tax profits fell by 19% to £128.9m with earnings per share on the same basis falling by 28% to 38.0p. Increased revenues in the US were offset by weaker revenues in the UK although the company is continuing its expansion programme with a number of new showrooms planned for the current financial year. Trading conditions are expected to remain pretty challenging although the group is cautiously optimistic about the prospects for the year. The shares have dropped from around 700p at the start of the year and although we do not expect the shares to reach that level we do think that a share price target of 500p is reasonable. **BUY**.

Marshalls - 358p

Regular readers may recall that we tipped these shares at 215p last November, but advised taking profits in March after the results for 2023 were announced. For anyone still holding the shares, it is worth noting that these have now risen for eleven consecutive days to close at 358p on 16 July!! It is very rare for share prices to go up for that number of consecutive days and forecasts for current year earnings per share are for around 16.5p. Thus, the shares also look expensive trading on a prospective p/e ratio of 21.7x. **SELL**.

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