

# cityconfidential

sorting the bulls from the bears

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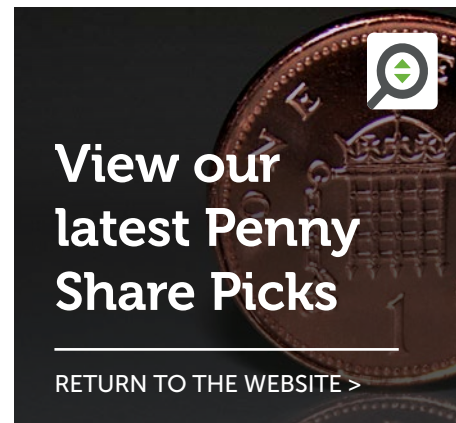
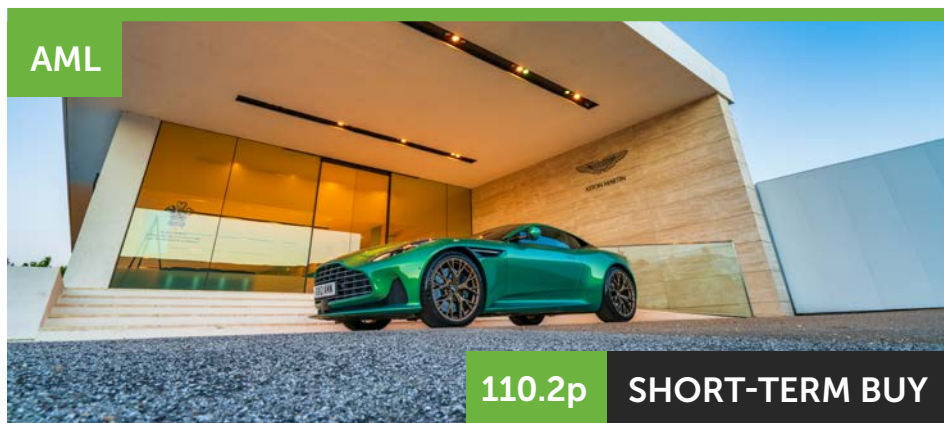
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ISSUE  
DEC  
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## Get motoring with Aston Martin Lagonda!

Unfortunately, the share price of **Aston Martin Lagonda Global Holdings (110.2p)** has not produced the same sort of super performance that one would expect from the cars of the group! Shares in the company were listed on the stock market in October 2018 with the early share price being around 4300p. With the share price now down to just over 100p it can be seen that they have lost most of their value. A recent fund raising that involved the issue of just over 111m new shares at 100p each and a bond offering of £100m at 10.375% has raised over £210m for the company to help fund its expansion in 2025 and beyond. Clearly, the fact that the company has had to pay 10.375% on its bond offering shows that

there is some risk involved in investing in the company, but at the current price it is one we think worth taking as we look for a short-term bounce in the share price.

The most recent results of the company are those covering the third quarter to 30 September. These revealed that the company sold 14% more vehicles in the quarter than in the same period in 2023 with 1,641 cars sold. Revenue for the period was 8% higher at £391.6m although for the nine months to 30 September revenues were down 4% at £995m. The adjusted loss before tax for the first nine months of the year was £198.4m down from a loss of £221.3m last year. Net debt at the end of the period had risen to £1.22bn from £814m

at the beginning of the year.

Given the figures above, readers may wonder why we are suggesting a possible investment in the shares. We can understand this and are not suggesting that any investment should be for the long term. However, we do believe that there is scope for a bounce in the share price in the short-term now that additional funds have been secured. At the end of September, the share price was around 160p and although the recent fund raising has diluted holders by some 13% or so, we believe that the shares could rally to 130p for a short term gain of around 18%. The shares are a **SHORT-TERM BUY**.



## The Ultimate Solution

Regular readers will probably recall that we have commented on **Ultimate Products (112p)** before, but following the recent share price weakness we feel that the shares are worthy of comment.

The company is the owner of a number of household brands including Salter (kitchen appliances), Beldray (cleaning) and Constellation (luggage). It focuses on small domestic appliances, laundry, housewares, heating and similar products. These are sold to large national retailers, international multi-channel retailers as well as smaller retail chains, discount stores and general retailers. The company also supplies products under the Russell Hobbs name although it does not own the brand.

The most recent results of the group cover the

year to 31 July and these revealed that revenue for the year declined by 6.5% to £155m, with adjusted pre-tax falling 14% to £14.4m. Earnings per share on the same basis were down 20% to 12.3p due to a higher tax charge. The dividend for the year was maintained at 7.38p per share and net debt fell during the year to £10.4m from £14.8m the year before. The results were adversely affected by weaker consumer demand, lower levels of orders from supermarkets due to previous over stocking and strong prior year comparatives.

Trading in the UK continues to be challenging and this seems set to continue in the first half of the current financial year although a better performance is then expected as we go further into 2025. We would expect pre-tax profits in the current year to pick up to £16.8m

for earnings per share of 14.8p. The group continues to see good progress in Europe and the new showroom that has opened in Paris will help the international expansion.

The share price has fallen back from around the 142p level at the end of October when the latest results were announced and the shares now stand on a very low p/e ratio and attractive dividend yield even if the annual dividend is merely maintained at 7.38p this year. At the current share price the shares would yield 6.6% which is enough in itself to justify owning the shares. We believe that the shares can justify a rating of at least 10x the current year forecast earnings of 14.8p implying a share price target of 148p. A rise to this level, last seen in August, would represent a gain of over 32%. The shares are a **BUY**.



## Premier Miton Group – 65p

SECTOR - AIM - FINANCIAL SERVICES

Shares in Premier Miton Group have been disappointing performers over the last few years in line with many other companies in the fund management sector. The move by many investors into passive investment funds has led to withdrawals from actively managed funds and this has had an adverse impact on fund management groups such as Premier Miton. However, we believe that there are signs that the prospects for the industry and, indeed, Premier Miton are beginning to improve. The recently announced annual results covering the year to 30 September 2024 proved that the company was resilient in the face of challenging trading conditions whilst any recovery in sentiment towards the UK equity market will also be of benefit. The shares are currently sporting a very attractive dividend yield of 9.2% and the company boasted net cash of £35.9m at the year end. We believe that the shares are a **BUY**.

### Activities

Premier Miton was formed following the merger of Premier Asset Management with Miton Group in 2019. The merger was brought about by the desire of each company to enhance its product offering with the two companies having different areas of expertise whilst the combined group would benefit from economies of scale and an enhanced distribution network.

The company is a UK-based fund management group offering a range of investment products that are actively managed on behalf of the group's clients. These products include equity funds, fixed income funds, multi-asset funds and absolute return funds. At the end of September, the group had funds under management of £10.7bn and these were split as follows: - 31% in International Equities; 18% in UK Equities; 19% in Fixed Income; 27% in Multi-Asset Funds and 5% in Absolute Return Funds. This diversification of assets means that the company is not too dependent on any one asset class or sector. The company therefore has a stable and diversified revenue stream.

### Financial

The company has recently announced its results for the year to 30 September 2024. Revenue for the year fell to £64.0m (2023: £68.5m) with the decline due to a reduction in the average assets under management during the year (£10.3bn compared with £10.8bn in 2023) as well as a change in the mix of assets held. Adjusted pre-tax profit for the year also fell to £12.2m (2023: £15.7m) and earnings per share on the same basis declined to 6.3p (2023: 8.8p). The final dividend was maintained at 3p per share meaning that the total dividend for the year was the same as last year at 6p per share. At the end of the year the group had cash balances of £35.9m with no debt.

The group ended the year with assets under management of £10.7bn although this had increased to £10.9bn by the end of November, which is clearly a pleasing sign. The group saw a reduction in net outflows during the year, with investors withdrawing a net £318m from the group's funds compared with £1.15bn in the previous year. The company has benefited from the strong investment performance of its funds with 68% of funds in the first or second quartile of their respective sectors since launch or since the fund managers were appointed. The year saw a continued inflow of funds into the Fixed Income, Absolute Return and International Equity Funds although the UK equity market remained very much out of favour.

In January 2024, the group completed the acquisition of Tellworth

Investments LLP, a leading UK equity boutique with assets under management of £490m at the date of acquisition. Tellworth offers both long/short and long only strategies to wholesale and institutional clients and was established in 2017. The acquisition expands the group's offering and further strengthens the existing UK equity franchise. The two founder members of the business have transferred across to Premier Miton and it is interesting to note that funds under management at the business have increased to £630m at the end of November. The acquisition has now been fully integrated into the group.

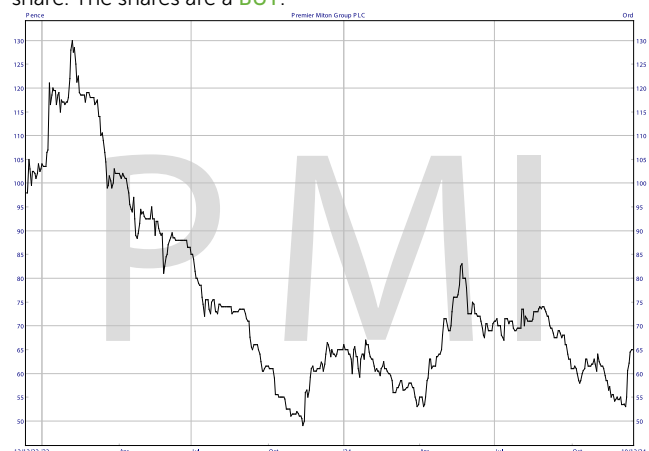
During the last year the group has continued to engage with fund buyers with fund managers having over 700 individual meetings with fund buyers whilst they have also presented at almost 200 events in front of over 7,000 fund buyers. These activities ensure that the group remains visible to its key customers who are also kept up to date with developments at the various funds.

### Outlook

The recent results have shown that the group has been resilient in challenging trading conditions although the group continues to look at ways to improve its efficiencies as well as increasing its funds under management. Growth in the latter is not just restricted to net inflows of cash into the group's funds but can also be by selective acquisition such as that of Tellworth earlier this year. Any acquisition will have to bring scale to existing capabilities, bring new investment capabilities or provide exposure to potential new clients. Clearly with the significant amount of cash held on the balance sheet, the company has the capability to fund such acquisitions should opportunities arise.

The company has now established an offshore fund platform in Ireland to accelerate and support its ambitions in the international and institutional markets with 12 funds registered there whilst six funds have been registered in South Africa. The company has also launched a new Model Portfolio Service which is a rapidly growing market as financial advisers outsource their investment portfolios.

The company now seems to be well-placed to benefit from any recovery in investment markets with a broad spread of investment funds which provide investors with a range of options in different asset classes. The share price of the company has fallen by 50% from the 130p level seen early last year but increases in funds under management soon translate into additional revenues and profits. The shares currently stand on a very low p/e ratio of 8.9x and attractive dividend yield of 9.2%. It is also worth pointing out that the cash on the balance sheet is worth some 22p per share. The shares are a **BUY**.



	Year Ending 30 September	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 65p	2023	68.5	15.7	8.8	7.4	6.0	9.2
Market Capitalisation: £105m	2024	64.0	12.2	6.3	10.3	6.0	9.2
2023/24 Share Price Range: 130p/49p	2025 (est)	69.0	14.8	7.3	8.9	6.0	9.2
Website: <a href="http://www.premiermiton.com">www.premiermiton.com</a>							

## Aggressive Growth Portfolio IX

The last month has seen a disappointing performance from the portfolio, as this has dropped in value by 3.1%. The fact that the benchmark indices have all increased in value puts the poor performance into perspective. There are two companies that have contributed significantly to this poor performance, and these are **Renold** and **Strix**. Although the latter has issued a profit warning which explains the fall in the share price, we are surprised that shares in **Renold** have fallen given the latest results which we believe were very respectable in the circumstances. Both these announcements are covered in News Highlights.

Apart from the announcements referred to above, both **Journeo** and **Supreme** also made announcements, with the former covered on the website and the latter also covered in News Highlights.

In order to raise some liquidity for the portfolio we have made two sales this month. Shares in **Legal & General** have been disappointing and so we have decided to sell our holding of 1,575 shares at 232.1p. This disposal has raised net proceeds of £3,619 for a loss of £7. The sale of 2,400 shares in **Eurocell** at 188p raised net proceeds of £4,467 and thus generated a gain of £496. This is a net gain of 12.5% since the shares were tipped in September which we feel is a decent return in the timescale. We would emphasise that we are happy with the investment in the company and the sale has been done simply to provide liquidity for the portfolio.

A dividend of £49 was received from **Anpario** during the month and after investing in the two main companies featured this month there is £1,709 left on deposit available for investment.

### Performance summary

	10 December 2024	12 November 2024	Gain/(Loss) %
Portfolio Value	£52,077	£53,751	(3.1)
FTSE 100 Share Index	8,280.36	8,025.77	3.2
FTSE All Share Index	4,528.64	4,393.14	3.1
FTSE AIM All Share Index	737.57	730.86	0.9

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,200 Billington Holdings	415	5,030	420	5,040	310
2,625 Ramsdens	190	5,037	227.5	5,972	145
9,500 Renold*	42	4,029	47.3	4,494	35
1,750 Journeo	227.5	4,021	274	4,795	185
1,600 Portmeirion Group	212.5	3,434	205	3,280	175
1,500 Anpario	315	4,772	372.5	5,588	245
2,500 Supreme	162	4,091	167.5	4,188	125
5,500 Strix Group	65.3	3,627	48.15	2,648	48
1,225 Kitwave Group	331.5	4,102	320	3,920	285
2,625 Luceco	133	3,543	130.2	3,418	110
5,750 Premier Miton	65	3,774	65	3,737	52
12,000 Carclo	27.4	3,337	27.4	3,288	22
£1,709 Cash				1,709	
<b>TOTAL</b>				<b>£52,077</b>	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £1,361. \*after part disposal

CAR

27.4p

**CARCLO**

SECTOR - GENERAL INDUSTRIALS  
RECOMMENDATION - SPECULATIVE BUY

Shares in **Carclo** have struggled for a number of years although they have rallied strongly during 2024 as investors begin to expect better times ahead. The recently announced interim results have shown that the company is heading in the right direction although the share price has dropped sharply from 38p just ahead of the announcement to the current level of 27.4p. If the company can achieve this year's forecasts the shares do not look expensive, especially given the scope for further growth going forward. However, the company has significant net debt and a large pension fund deficit meaning that the shares are not without risk. Despite this, with debt being refinanced and the latest pension fund valuation likely to show a lower deficit, we believe the shares are a **SPECULATIVE BUY**.

Carclo operates through two divisions. Carclo Technical Plastics (CTP)

is by far the larger of the two, generating almost 90% of revenues and over 75% of operating profit. The business has a global footprint with operations around the world and this supplies specialist plastic components for use in medical and electronic products. The smaller Speciality Division includes the aerospace business which supplies cable assemblies and the optics businesses which supply lighting and other products.

In the six months to 30 September, revenue fell to £61.0m (2023: £66.9m) as the company withdrew from certain activities with underlying pre-tax profit rising to £0.88m (2023: loss of £0.40m). Earnings per share on the same basis were 0.7p (2023: loss of 0.5p) and there is no dividend. Net debt excluding leases declined to £16.8m from £18.3m at 31 March.

The group is committed to its recovery programme and improvements are now being seen. We expect further progress in this regard as the group moves further into profit and debt levels are also reduced. The level of debt and the pension deficit mean that the shares are not without risk, but we believe they are a **SPECULATIVE 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: 27.4p	2023	143	2.2	0.4	68.5	-	-
Market Capitalisation: £20m	2024	133	1.1	1.1	24.9	-	-
2023/24 Share Price Range: 40.5p/7p	2025 (est)	128	2.2	2.3	11.9	-	-
Website: <a href="http://www.carclo.co.uk">www.carclo.co.uk</a>							

# News Highlights

## Supreme



167.5p 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.

### Supreme – 167.5p

The AIM listed consumer goods group has issued its interim results for the six months to 30 September with revenue increasing by 8% to £113m helped by growth in the core business and the acquisition of Clearly Drinks Limited in June. Adjusted pre-tax profits rose by 25% to £14.7m whilst earnings per share on the same basis rose by 37% to 11.1p. The interim dividend was raised by 20% to 1.8p per share. The group has also announced that it has acquired Typhoo Tea from the administrators for £10.2m. This will reduce the group's exposure to the vaping market whilst there will be considerable cross-selling opportunities with Supreme's 3,000 active accounts, whilst the acquisition also brings new UK retailers such as Holland & Barrett into the group. The company now expects to beat market expectations for the year and so we raise our full year forecast for adjusted pre-tax profits to £32m (from £31m) and for earnings per share on the same basis to 21.8p (from 21.0p). We continue to rate the shares as a **BUY**.

### Volex – 280p

In the 26 weeks to 29 September revenues rose by 30% to \$518m with underlying pre-tax profits increasing 12% to \$37.5m. Earnings per share on the same basis rose 2% to 15.2USc and the interim dividend was increased to 1.5p per share from 1.4p last time. Net debt at the end of the period was \$154m. The group has also announced that it has made two approaches to TT Electronics to take over the company although these have been rebuffed by the directors of the latter. The second proposal was a mixture of cash and Volex shares and valued each TT share at 135.5p at the time. Shares in Volex have fallen back sharply from 345p since the news of the potential bid emerged and it remains to be seen if Volex returns with another proposal. Until there is more clarity on the situation the shares are a **HOLD**.

### Synectics – 346p

The group has issued a positive trading update following the announcements of new contracts, including those for oil and gas projects in Qatar and Brazil and at gaming resorts in the Philippines. As a result, the group expects pre-tax profits for the year to 30 November 2024 to be materially ahead of current forecasts of £3.9m. We were already forecasting pre-tax profits of £4.0m but have upgraded to £4.25m for earnings per share of 20.2p. With further progress seemingly assured for the current financial year, we believe that pre-tax profits could rise to £5.2m for earnings per share of 25.0p. The company ended the latest financial year with net cash of £9.6m, up from £6.4m at the end of May and £4.6m at the end of November 2023. Although the shares have enjoyed a strong rise of late, we believe that there could be further to go although they may consolidate around current levels. We believe they are a **FIRM HOLD**.

### Strix – 48.15p

The manufacturer and supplier of kettle safety controls and similar products has issued a profit warning due to a continuation of the disappointing trading reported in its interim results. As a result, in the year to 31 December the company expects to report adjusted pre-tax profits of between £18m and £19m at constant currency which is less than previous expectations of over £23m. Earnings per share on the same basis could fall to 6.6p compared with previous forecasts of 8.8p. The shares have fallen on the statement, dropping back from over 60p. Clearly, the shares now stand on a relatively low p/e ratio but with some uncertainty still around we lower our recommendation to **HOLD**.

### SDI Group – 59p

The interim results to 31 October revealed a reduction in turnover to £30.9m (2023: £32.2m) with adjusted pre-tax profits declining to £3.2m (2023: £3.7m). The reduction in revenues reflected lower activity in the life sciences and biomedical markets although these markets have recently seen an upturn. Adjusted diluted earnings per share for the

period fell to 2.37p (2023: 2.68p) and, as usual, there is no dividend. Net borrowings at the end of the period had risen to £17.1m from £13.2m at the start of the period, although the acquisition of InspecVision just before the period end added £5.7m in borrowings. The company expects a better second half and believes that it is on course to achieve full year forecasts of adjusted pre-tax profits of £8.4m for earnings per share of 6.1p. Putting the shares on a relatively modest valuation of 14x current year earnings gives a share price target of 85p, a 44% increase on the current level. The shares are a **BUY**.

### Renold – 47.3p

In the six months to 30 September, revenues declined marginally to £123.4m (2023: £125.3m) although adjusted pre-tax profits were the same at £11.3m. Earnings per share on the same basis were over 10% higher at 4.2p (2023: 3.8p) due to a lower tax charge. Net debt at the end of the period had risen to £42.2m from £24.9m at the end of March, although this was due to acquisition costs during the period of £23.3m. Order intake during the period was £122.3m, an increase of 11.5% over the same period last year and the order book at the end of the period was £80.8m. With the full year likely to see adjusted pre-tax profits of £23.5m for earnings per share of 7.5p we re-iterate our recommendation of **BUY**.



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