

cityconfidential

sorting the bulls from the bears

In This Issue

Brighton Pier

Ocado Group

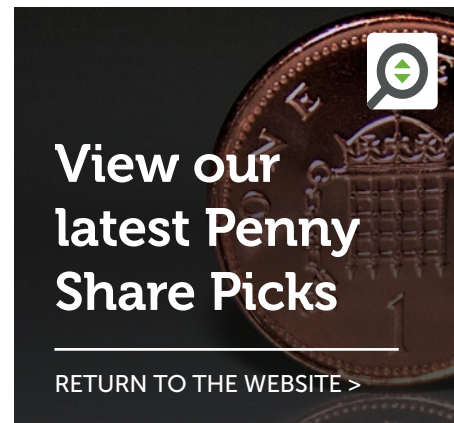
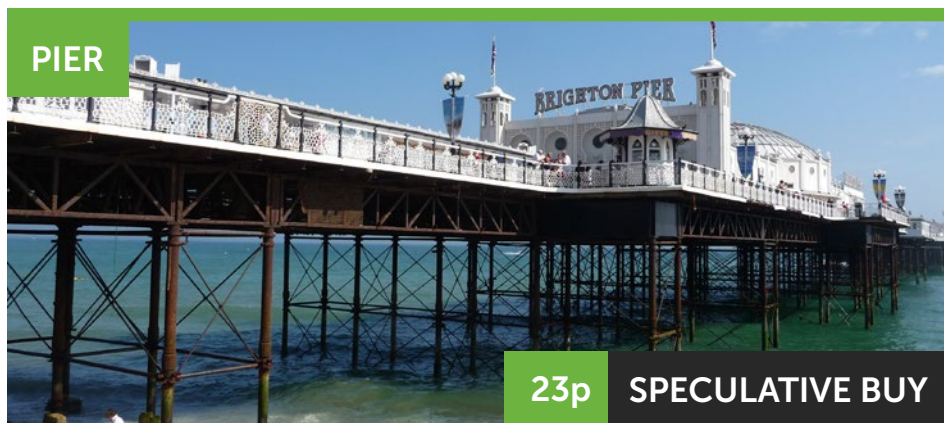
Volex

Vertu Motors

Plus

Aggressive Growth Portfolio

Monthly News Highlights



Pier group pressure

Readers may feel that it is strange that we are recommending shares in a company such as Brighton Pier (23p) given the disappointing trading seen last year and the fact that the group will also be impacted by the changes to National Insurance and the National Living Wage announced in the budget. It is clear that the company has some significant challenges ahead, but this is why the share price has fallen to an all-time low. However, although the shares are clearly not without risk, any upturn in consumer spending should help the group which is also taking measures to improve its performance.

Brighton Pier is a UK entertainment business with four areas of operation. These are Brighton Palace Pier, Lightwater Valley Family Adventure Park in Yorkshire, the Golf Division and the Bars

Division. The Golf division comprises eight mini-golf centres at retail and leisure centres, whilst the bars division consists of five bars.

The interim results covering the six months to 30 June 2024 revealed difficult trading at the group with like-for-like sales down to £13.9m (2023: £14.9m) and an adjusted pre-tax loss of £1.7m. This was mainly due to lower sales at the Pier, with the poor weather during the period deterring visitors and causing many high-margin funfair rides to shut. The other businesses performed in line with expectations. Net debt at the end of the period was £7.6m, up £0.2m from the start of the year. In the 12 weeks to 15 September, like-for-like group revenues were only down 2%, mainly due to the poor weather.

The company will report a loss for 2024 and prospects for 2025 are uncertain. However, the group is taking steps to try to reduce its dependence on the weather whilst it has also initiated an entrance fee to the Pier for non-residents. The company is also looking to reduce its cost base.

In summary, the shares are a risky investment and yet the operational gearing at the group is such that increases in revenue soon flow through to the bottom line. It is worth pointing out that in the 18-month period to 31 December 2022, the group made adjusted pre-tax profits of £7.2m and around that time the share price was over 75p. As stated earlier the shares must be viewed as high risk and so we give them a recommendation of **SPECULATIVE BUY**.



A stock for both short-term traders or long-term holders

We make no apology for once again recommending shares in Ocado Group (295.7p) following the share price action over the last few weeks. As we have stated previously, we are looking to adopt a more aggressive attitude in our investment recommendations as it is clear that a more active policy can pay dividends. We tipped these shares back in the June issue last year when the share price stood at 298p and, before the end of July, the shares had risen to 445p! Anyone who sold then made a profit of almost 50% in just six weeks!

The share price of the company has been extremely weak of late with the shares drifting down to a low of 270p only days ago. We believe that this weakness in the price was due

to the disappointing statements issued by other retail companies which had warned of the pressure on profits caused by Rachel Reeves' autumn statement which had increased the National Living Wage and the level of employer National Insurance Contributions. However, Ocado Retail, the group's joint venture with Marks & Spencer, issued a re-assuring trading statement on 14 January which confirmed strong trading in the business with increases in both the number of active customers and number of orders received each week.

The statement has prompted a rally in the share price although this still stands well down on the level of last July and last year's high of 730p. It must be remembered that apart from the retail business, the group also has

a software and robotics platform business which supplies partners around the world with its technology to assist in warehousing and logistics. This is the most exciting part of the group and has significant growth potential.

Although the group remains loss-making, it is increasing revenues and EBITDA and expects to turn cash flow positive in the financial year to 30 November 2026. Despite the progress that is being made the share price recently hit the lowest level since 2017 (having been over 2850p in 2021) and we think this is an excellent entry point for investors. Active investors may want to trade this stock given its volatility but whether you are a short-term trader or long-term investor the shares are a **BUY**.



Volex – 261.5p

SECTOR - AIM - INDUSTRIALS

Shares in **Volex**, the power supply and connectivity group, fell sharply in November when the company announced that it had made two bid proposals to TT Electronics. Both of these approaches were rejected by the board of TT and Volex announced on 12 December that it would not proceed with any bid as it was clear that the board of TT would not recommend an offer at a price acceptable to Volex. Despite this, the share price of Volex, which had been at 344p prior to the bid announcement, has not recovered and we believe this presents investors with a buying opportunity. A return to the 375p level seen last August would represent a gain of some 43% and we believe this is a sensible share price target. The shares stand on a modest rating for a company with such growth potential and, although there is not much by way of dividend, we believe that prospects for growth are very encouraging. The shares are a **BUY**.

Activities

Volex is a global leader in the manufacture and supply of critical power and data transmission products, and these include power cords, plugs and connectors, electric vehicle charging components, high speed data cables, cable assemblies and other power products. The company's diverse operations support international blue-chip customers in five key sectors as follows:- Electric Vehicles (15.4% of H1 revenue); Consumer Electricals (25.5% of H1 revenue); Medical (15.8% of H1 revenue); Complex Industrial Technology (20.2% of H1 revenue) and Off-Highway (23.1% of H1 revenue). The group's revenue is also well diversified geographically with 42.4% in North America, 38.9% in Europe and 18.7% in Asia.

The company has its headquarters in Basingstoke, Hampshire but it operates from 28 manufacturing locations across 25 countries and has over 14,000 employees globally. The group's products are sold through localised sales teams or through authorised distributors.

The group supplies mission critical connectivity solutions across power and data to technology companies across the world where exceptional quality is paramount. The company can use its global reach to cross sell to customers and in each of its markets there is a high degree of customer lock-in which limits customer churn and enables the company to build relationships with its customer base.

Financial

The most recent results of the group cover the 26-week period to 29 September. During the period, revenue increased by 30.4% to \$518.2m (2023: \$397.5m), with the period benefiting from a full half year contribution from Murat Ticaret, a leading manufacturer of complex wiring harnesses for the off-highway sector, which was acquired in the first half of the previous year. Nevertheless, the group still reported organic revenue growth of 9.7% during the period with notable increases in sales in both Electric Vehicles and Consumer Electricals. There was also a strong performance from Data Centres (part of the Complex Industrial Technology business) as there was continued demand for high-speed cables to support data-intensive artificial intelligence applications.

The group maintained its operating profit margin within its target range (9% – 10%) at 9.2% and this allowed underlying operating profit to increase by 27.3% to \$47.6m (2023: \$37.4m). A significant increase in financing costs following the acquisition of Murat Ticaret in 2023 meant that underlying pre-tax profits increased by 11.6% to \$37.5m (2023: \$33.6m). Adjusted earnings per share rose by 2.0% to 15.2USc (2023: 14.9USc) with the lower rate of growth due to a higher tax charge and

an increase in the number of shares in issue. The interim dividend was raised by 7.1% to 1.5p per share (2023: 1.4p per share). Net debt at the end of the period, before operating leases, had increased to \$154.3m (31 March 2024: \$121.1m) with the increase mainly due to net capital expenditure of \$26.4m and an increase in working capital.

One interesting point is that revenues at Electric Vehicles increased by almost 40% during the period helped by a major new programme with a leading North American automotive manufacturer. This involves the supply of complex high-voltage connectors from the group's newly expanded production facility in Mexico. Several new projects have been secured following the announcement in the prior period that the company had become a licensed partner of Tesla for an EV charging system.

Outlook

The second half of the year started well, continuing the momentum seen in the first half and the company is confident of achieving full-year expectations. The company will continue its investment programme and this will enhance the group's operational capabilities as well supporting future expansion. This programme will include spending on facilities in Turkey in the second half of the current financial year and Mexico in the next financial year. The integration of the group's largest acquisition to date, Murat Ticaret, is progressing well.

Back in 2022, the company announced a five-year plan which aimed to produce annual revenues of \$1.2bn by 2027, with acquisitions contributing \$200m to this target. As part of the plan, underlying operating margins were to be in the range of 9 – 10% and this was achieved in the first half as outlined above. The company is well on the way to achieving this plan and the acquisition of Murat Ticaret has taken revenues generated by acquisitions since 2022 above the \$200m target.

With the world becoming more digitally complex by the day, it is clear that demand for Volex products is set to continue to grow, thus opening up exciting growth opportunities for the group. The group operates across multiple sectors with a diverse range of customers and this helps to reduce the operational risk at the group. Despite the prospects for future significant growth at the group, the shares stand on a very modest p/e ratio and we believe they are due a re-rating.



	Year Ending 31 March	Turnover (US\$m)	Adjusted Pre-Tax Profit (US\$m)	Adjusted Earnings Per Share (US cents)	P/E Ratio*	Net Dividend (p)	Net Yield (%)
Share Price: 261.5p	2023	723	59.3	30.2	10.6	3.9	1.5
Market Capitalisation: £475m	2024	913	77.4	33.7	9.5	4.2	1.6
2023/25 Share Price Range: 375p/202p	2025 (est)	1,025	80.0	34.5	9.3	4.5	1.7
Website: www.volex.com							

*assuming £1/US\$1.223



Aggressive Growth Portfolio IX

It is pleasing to start the new year with a strong performance from the Aggressive Growth Portfolio which has risen in value by 1.8% during the last month. It has therefore outperformed all of the benchmark indices which have all declined in value.

We have lost two companies from the portfolio due to their share prices falling through their respective stop-loss limits. Firstly, we have sold the holding of 5,500 **Strix Group** at a price of 48p. The shares had fallen to 48.5p in the last issue but have continued to decline in value and the sale has raised net proceeds of £2,614 for a loss of £1,013. We have then had to sell the holding of 1,600 **Portmeirion Group** at 175p. This raised net proceeds of £2,772 for a loss of £662. We are disappointed to have to sell the shares following a disappointing trading update covered in News Highlights as we feel that recovery is highly likely over the next few months, but we have no choice as the shares have hit the stop-loss

limit.

Shares in **Anpario** have risen strongly recently and we comment on the recent trading statement in News Highlights. Despite the fact that the company is performing very well, we think that the share price is now up with events and have therefore decided to bank our profits. The sale of 1,500 shares at 447.5p has raised net proceeds of £6,646 for a gain of £1,874.

Announcements have also been made by **Billington Holdings**, **Ramsdens Holdings** and **Journeo** and these are covered in News Highlights or on the website.

Following the receipt of a dividend of £24 from **Portmeirion Group** and the investment into the two main features this month there is £5,375 on deposit pending investment.

Performance summary

	14 January 2025	10 December 2024	Gain/(Loss) %
Portfolio Value	£53,015	£52,077	1.8
FTSE 100 Share Index	8,201.54	8,280.36	(1.0)
FTSE All Share Index	4,454.99	4,528.64	(1.6)
FTSE AIM All Share Index	707.81	737.57	(4.0)

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,200 Billington Holdings	415	5,030	490	5,880	310
2,625 Ramsdens Holdings	190	5,037	234	6,142	145
9,500 Renold*	42	4,029	48.1	4,570	35
1,750 Journeo	227.5	4,021	291.5	5,101	185
2,500 Supreme	162	4,091	183	4,575	125
1,225 Kitwave Group	331.5	4,102	294.5	3,608	285
2,625 Luceco	133	3,543	115.8	3,040	110
5,750 Premier Miton	65	3,774	59	3,393	52
12,000 Carclo	27.4	3,337	25.2	3,024	22
1,750 Volex	261.5	4,622	261.5	4,576	210
7,000 Vertu Motors	53.3	3,768	53.3	3,731	45
12,000 Carclo	27.4	3,337	27.4	3,288	22
£5,375 Cash				5,375	
TOTAL				£53,015	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £1,385. *after part disposal

VTU

53.3p

VERTU MOTORS

SECTOR - AIM - RETAILERS

RECOMMENDATION - BUY

The share price of the motor retailing group **Vertu Motors** has fallen back to its lowest level since the beginning of 2023 and we think that this is an attractive entry point for investors. It was only in November 2023 that the share price reached 87.5p and whilst we do not expect a move back to that level in the short-term, if the shares recovered to the 70p mark reached just four months ago, that would represent a gain of over 31%. Standing on a modest rating with an attractive dividend yield the shares are a **BUY**.

Vertu Motors is the fourth largest automobile retailer in the UK with over 200 sales outlets selling cars and vans through its dealerships which include Bristol Street Motors, Macklin Motors, Vertu Motors and Vansdirect. It also sells motorcycles through its eight Vertu Motorcycle dealerships. The company has expanded over recent years through a

combination of organic growth and acquisition, increasing the number of sales outlets by 50% since 2020.

In the six months to 31 August 2024, revenues rose by 2.9% to £2.49bn with adjusted pre-tax profits declining by 25% to £23.5m. Earnings per share on the same basis also fell by 25% to 5.2p although the dividend was increased to 0.90p from 0.85p. The decline in profits was expected and was largely due to higher costs, including salaries, and an increase in the number of employees. The group expects a better second half than previous years helped by the strong market for used vehicles.

The FCA investigation into motor financing commission arrangements continues although the group has not seen the need to make any provision for this so far. The changes in the Budget to National Insurance and the National Living Wage will increase costs going forward but we feel that the fall in the share price over recent weeks reflects this. With a strong position in the electric vehicle market and scope for further expansion by acquisition we think the shares are good value.

	Year Ending 28 February	Turnover (£bn)	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 53.3p	2023	4.01	39.3	9.16	5.8	2.15	4.0
Market Capitalisation: £177m	2024	4.72	37.8	8.37	6.4	2.35	4.4
2023/25 Share Price Range: 87.5p/53.3p	2025 (est)	4.85	36.0	8.05	6.6	2.50	4.7
Website: www.vertumotors.com							

News Highlights

Portmeirion Group



177.5p 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.

Alliance Pharma – 61.1p

The AIM-listed pharmaceutical company has agreed to be taken over by its largest shareholder, DBAY Advisors, with the latter offering 62.5p per share in cash. This is a useful premium to the previous closing share price of 44.35p. Regular readers will recall that we recommended the shares in the January 2024 issue of cityconfidential at a price of 38.9p, and so any readers who followed our tip will have made a gain of over 60% should they decide to accept the offer. As the offer has been recommended by the company, this looks certain to go through and we therefore suggest that shareholders **ACCEPT THE OFFER**.

Anpario – 447.5p

The AIM-listed manufacturer of natural animal feed additives has issued a trading update for the year that ended on 31 December 2024. The company reported strong trading in the final quarter of the year with the result being that it expects to report better figures than previously forecast for the year as a whole. Revenues for the year are now expected to be around £37.5m helped by a strong contribution from Bio-Vet Inc which was only acquired in September. This compares with £31.0m in 2023 and pre-tax profits for the year are also now expected to be better than forecasts. In our last comment in September, we expected adjusted pre-tax profits for the year of £4.5m for earnings per share of 20.5p, but these figures are clearly going to be exceeded with profits likely to be at least £5.3m for earnings per share of 24.1p. The company has also ended the year with net cash of £10.5m which is ahead of forecasts of £7.2m. This is clearly a very encouraging statement, and further significant progress looks likely in the current financial year. Nevertheless, we now believe that the share price is up with events in the short-term and suggest active investors **TAKE PROFITS**.

Billington – 490p

The structural steel and construction safety products group has issued a positive trading update for the year to 31 December 2024. The group has benefited from strong trading in the second half of the year with pre-tax profits for the year to 31 December now expected to be ahead of market expectations. We had been forecasting pre-tax profits of £9.5m for the year for earnings per share of 57p, but we now increase these figures to £10.5m for earnings per share of 63p. The company has a strong order book with some good contracts due in 2025 and 2026. Assuming the company achieves the revised forecasts for 2024, the shares stand on a p/e ratio of just 7.8x. The shares peaked last year at over 590p, and we believe that they can reach this level again. **BUY**.

Ramsdens Holdings – 234p

The AIM-listed financial services group has announced its results for the year to 30 September and these have come in comfortably in line with expectations. Revenue for the year increased by 14% to £95.6m with pre-tax profits 12% higher at £11.4m. Earnings per share were 7% higher at 26.1p and the total dividend was raised 8% to 11.2p per share. These are record results for the group with increased profits reported by all four trading divisions. The precious metals business did particularly well, with gross profit rising by 29% helped by the high gold price, but pawnbroking and the jewellery retail business also produced double digit increases in gross profit. At the end of the year, the group had net cash of £7.4m, up from £5.0m the year before. The company continues to expand and improve its store portfolio and since the year end it has opened a new store in Grantham, closed a kiosk site at Teesside Airport and two stores in central Glasgow will shortly merge. After this the company will operate 168 stores. The new financial year has started well with all divisions performing ahead of the previous year and although the group will suffer from the increase in National Insurance charges, we would expect pre-tax profits to rise again this year to £12.1m for earnings per share of 27.7p. With net cash, an attractive dividend yield and

standing on a low prospective p/e ratio of just 8.4x the shares are a **BUY**.

Portmeirion Group – 177.5p

The owner of leading homeware brands such as Spode and Royal Worcester as well as the candle range Wax Lyrical has issued a disappointing trading statement for the year that ended on 31 December. The company has seen disappointing trading in South Korea, supply delays in the key Christmas period and challenging trading conditions in the key markets of the UK and USA. As a result, the group now expects full year revenues to be around £90m as opposed to previous expectations of £100m, with adjusted pre-tax profits likely to be around £1m compared to previous forecasts of £4.5m. Earnings per share will therefore be around 5.5p as against our previous forecast of 25.1p. This is clearly disappointing, but we believe that there could be a very strong recovery in 2025, and this should provide support for the shares. Although the share price has understandably fallen, any positive news on trading in early 2025 could see a significant bounce in the share price. We reiterate our recommendation of **BUY**.



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