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sorting the bulls from the bears

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Wood you risk these shares?

Shares in **Wood (John) Group (29.1p)** have been on a downward spiral for some time although the recent trading statement saw the shares hit an all-time closing low of 25.88p on 17 February. Bearing in mind the share price rose to over 900p a few years ago this is a steep fall from grace. The recent trading statement covered the year to 31 December 2024 and this has revealed that the group has significant problems with its finances and internal controls and procedures. An independent review by Deloitte was announced last November following concerns over legacy contracts which had resulted in multi-million dollar write-downs and this is still ongoing. However, it is clear that the company will need to make further cost savings whilst the sale of some assets may be required to cover a cash shortfall.

Wood Group is an engineering and consultancy group which operates in the energy and materials markets. The former includes oil and gas and renewable energy and the latter includes chemicals, life sciences and minerals. The group expanded significantly in 2017 with the acquisition of Amec Wheeler Foster for £2.2bn, but this brought with it a number of historical issues relating to bribery and corruption. Since that time the shares have been in a steady downtrend although even as recently as last August the share price was over 210p.

The company has been the subject of takeover interest in the past with Apollo Global Management making a final offer of 240p per share in 2023 and engineering consultancy group Sidara making an offer at 230p per share last year. In each case, the potential suitors

eventually walked away.

There is clearly considerable uncertainty over the future of the group and so any investment in the shares must be made with this in mind. The company experienced poor trading in the final quarter of last year and has cancelled all staff bonuses, although it has also stated that it expects to report growth in 2025 supported by an order book of \$6.2bn at the start of the year. The group believes it will suffer negative cash flow in 2025 and is therefore adopting further cost cutting measures, whilst it may also dispose of assets to counter this. Although investing in the group is an act of faith in management the potential rewards are clearly significant with the shares having dropped from 72p only three weeks ago. The shares are a **SPECULATIVE BUY**.

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Time to Capita-lise on current low share price?

Last July we suggested that readers take profits in **Capita (13.52p)** at 18.5p as the share price had spiked following the sale of its software business Capita One. This was yet another disposal by the group as it looks to sell off its non-core businesses so as to reduce borrowings and allow it to focus on its core businesses. Although our recommendation was somewhat premature, with the shares continuing to rise to 21.5p, where they were at the end of October, the share price has fallen back since then and it now stands close to its all-time low of 12.5p reached last April.

Capita is a leading outsourcing group with operations in the UK, Europe, India and South Africa. It provides services to governments and companies and these include recruitment for the British Army, collection of the London

congestion charge, IT services and the operation of call centres. Over the last few years the company has identified a number of businesses which it no longer deems to be core and it has gradually been selling these.

The most recent results of the group are those for the six months to 30 June 2024 and these revealed an increase in adjusted pre-tax profits to £31.6m (2023: £18.3m). Turnover for the period was lower at £1.20bn (2023: £1.32bn) as the company's disposal programme continued. The most recent trading statement from the group was issued in December and this disappointed investors. Revenues for the year to date were lower than expected and the company expected to report a cash outflow for the year as a whole.

The shares have gradually drifted lower over

the last few months, but we believe that there is scope for short-term traders to capitalise on this weakness. The company continues to win new contracts such as the management of the Gas Safe Register and a contract to provide training for the Royal Navy. The annual results for 2024 will be announced in the next few weeks and these will also provide some insight into the prospects for 2025. Whilst investors may be disappointed that the group's recovery is taking longer than expected, we believe that this is reflected in the share price. We believe that the shares have strong recovery potential and it would be no surprise to see the share price spike up on the announcement – the shares are a **BUY**.

TND

185p BUY

Tandem Group – 185p

SECTOR - AIM - LEISURE GOODS

We believe that shares in **Tandem Group**, the supplier of leisure, sports and cycling products, are worth a look following the recent trading statement. This covered the year to 31 December 2024 and revealed that trading in the second half of the year was significantly better than the first half. The group is therefore expected to have returned to profitability in 2024. The company believes that the progress made last year will continue into 2025 helped by further improvements in operational efficiency and the addition of new national retailer accounts which will expand the group's presence in the market. We believe that the company can build on the strong second half of last year and can make £1.5m in 2025 for earnings per share of 24p. If achieved, that would put the shares on a p/e ratio of just 7.7x. It is worth pointing out that back in 2021 the share price stood at 700p and in 2021 the company made adjusted pre-tax profits of £4.86m for earnings per share of 83.4p. The shares are a **BUY**.

Activities

Tandem Group is a developer, designer, distributor and retailer of sports, cycling and leisure products. The company is based in Birmingham where it has a state-of-the-art warehouse, an office and a retail shop, whilst it also has an office and showroom in Hong Kong. The group has four operating businesses and these are as follows: i) Toys, Sports and Leisure – these goods include character-licensed wheeled toys such as scooters, ride-on toys and bumper cars as well as toddler swings and football products such as goals and footballs. ii) Bicycles – the company distributes adult and children's bikes and these include both traditional mechanical bikes as well as electric bicycles. Brands supplied include Claud Butler, Dawes and Falcon as well as the children's premium brand Squish. iii) Golf – the company supplies a full range of golfing products including clubs, golf bags and trolleys under the Ben Sayers and Pro-Rider brands. iv) Home & Garden – these products include heating and cooling products for the home and garden products including gazebos, garden furniture, awnings and parasols.

The group sells its products through blue chip national retailers, independent shops and directly to the consumer through its own websites.

Financial

The latest results of the group are the interim results for the six months to 30 June 2024. Group revenues for the period were at a similar level to the year before at £9.8m although an improvement in gross margin meant that gross profit increased to £2.8m (2023: £2.5m). This led to a reduction in the adjusted loss before tax to £0.61m (2023: loss of £1.01m) with a reduction in operating expenses due to tight cost controls. Net debt at the end of the period had increased to £3.9m from £3.6m at the start of the period. The group faced a challenging market environment during the period due to the ongoing macroeconomic headwinds whilst some retailers delayed placing orders with the group. Higher freight costs also had a negative impact whilst interest rates did not fall as much as some had expected. Nevertheless, the company produced a resilient performance in the circumstances and continued to introduce new products during the period.

The company has recently issued a trading statement for the full year to 31 December 2024 which has revealed a significant improvement in trading in the second half of the year. Revenue for the period increased by 19% over the same period in 2023 to £14.8m, taking total revenue for

the year to £24.6m, an 11% increase over 2023. This was despite there being no real let up in trading conditions. The businesses involved with toys, sports & leisure, bicycles and golf, all reported increases in revenue over the year with the only downturn being seen in the home & garden business, where revenues declined by 22% over the year. This was mainly due to the very poor weather in 2024, especially around Easter and the school summer holidays, which adversely affected demand for garden furniture, gazebos and similar products. The company has confirmed that it has returned to profitability in 2024 which is better than our previous forecast of just break-even. We believe that the company could have made adjusted pre-tax profits of around £1m in the second half which would mean that it has made £0.4m for the year as a whole. This could give earnings per share on the same basis of 5.8p.

Outlook

The company has entered 2025 in a much better position than for some time. Despite the ongoing issues in the economy, which are causing some nervousness from consumers, the recent cut in interest rates is likely to be followed by further cuts as the year progresses which will be positive for the group. The group should also benefit from lower freight rates and other cost savings arising from initiatives such as relocating the group's office and showroom in Hong Kong.

The company continues to introduce more products to its portfolio whilst it has also won some new national retailer accounts which will expand the group's presence in the market. The new 160,000 sq ft warehouse facility is now complete next to the group's existing facilities, and this is owned by the group. This will provide improved efficiency and cost savings helped by the solar panel installation.

We expect the current financial year to see further progress with management at the group forecasting a similar increase in revenues to 2024. That would increase revenues in 2025 to £27.3m and we believe that having made pre-tax profits of around £1.0m in the second half of last year, the group could make pre-tax profits of £1.5m for 2025. This would give earnings per share of around 24p, putting the shares on a prospective p/e ratio of just 7.7x. We believe that the shares have significant upside potential and suggest readers buy ahead of the 2024 results' announcement on 24 March.



	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: 185p	2023	22.2	(1.0)	-	-	-	-
Market Capitalisation: £10.1m	2024 (est)	24.6	0.4	5.8	31.0	-	-
2023/25 Share Price Range: 305p/115p	2025 (est)	27.3	1.5	24.0	7.7	-	-
Website: www.tandemgroupplc.co.uk							



Aggressive Growth Portfolio IX

With the FTSE-100 Share Index setting a new all-time high during the month, it is particularly disappointing that the Aggressive Growth Portfolio has put up such a relatively poor performance. Although the portfolio was only down 0.6% during the period, all of the benchmark indices moved up strongly.

We have unfortunately lost three companies during the period as their respective share prices fell through the stop-loss limit. Thus, we have sold 1,225 **Kitwave Group** at 285p for net proceeds of £3,456 and a loss of £646; 5,750 **Premier Miton** at 52p for net proceeds of £2,960 and a loss of £814 and 12,000 **Carclo** at 22p for net proceeds of £2,614 and a loss of £723. Following these sales, we have decided to set our stop-loss limits a little further away from the share price going forward.

We have also decided to raise three of the existing stop-loss limits as the share prices of the companies concerned have moved up from the

original buying price. Thus, the limit on **Billington Holdings** has been raised to 425p (from 310p), with that of **Ramsdens Holdings** moving up to 195p (from 145p) and **Journeo** going to 225p (from 185p).

The best performing share in the portfolio during the period was **Luceco**, which rose by over 31% during the period to 152.2p. The company issued a positive trading statement covering the year to 31 December and this is covered in News Highlights elsewhere..

Announcements have also been made by **Premier Miton**, **Volex** and **Vertu Motors** and these are covered in News Highlights or on the website.

During the period, the portfolio received dividends from **Supreme** (£45) and **Premier Miton** (£173) and following the investment into the two main features this month there is £7,041 on deposit pending investment.

Performance summary

	18 February 2025	14 January 2025	Gain/(Loss) %
Portfolio Value	£52,684	£53,015	(0.6)
FTSE 100 Share Index	8,768.01	8,201.54	6.9
FTSE All Share Index	4,751.49	4,454.99	6.7
FTSE AIM All Share Index	724.52	707.81	2.4

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,200	Billington Holdings	415	5,030	490	5,880	425
2,625	Ramsdens Holdings	190	5,037	240	6,300	195
9,500	Renold*	42	4,029	46.2	4,389	35
1,750	Journeo	227.5	4,021	272.5	4,769	225
2,500	Supreme	162	4,091	170.5	4,263	125
2,625	Luceco	133	3,543	152.2	3,995	110
1,750	Volex	261.5	4,622	276	4,830	210
7,000	Vertu Motors	53.3	3,768	53	3,710	45
2,250	Tandem Group	185	4,204	185	4,162	140
5,000	Flowtech Fluidpower	66.9	3,378	66.9	3,345	50
£7,041	Cash				7,041	
				TOTAL	£52,684	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £1,603. *after part disposal

FLO

66.9p

FLOWTECH FLUIDPOWER

SECTOR - AIM – ELECTRONIC & ELECTRICAL EQUIPMENT
RECOMMENDATION - BUY

Shares in **Flowtech Fluidpower** now stand at their lowest level since the beginning of the pandemic in 2020, although they have been as high as 150p since then. A new CEO joined in 2023 and he has taken action to improve operations at the group and the benefits of this are now being seen. Despite the slowdown in its end markets, which will mean lower revenues and profits in 2024, we believe that the group will benefit significantly when markets recover, helped by the acquisition of Thorite last year. The company was much more profitable a few years ago and we see no reason why the company cannot return to those levels.

Flowtech Fluidpower is the largest supplier of fluid power products, systems and solutions in the UK, Ireland and Benelux. The company uses pneumatics, hydraulics and associated industrial products to move liquid, gas and air to generate power. The products supplied include pumps, tubing, hoses, piping components and motors.

In the six months to 30 June last year, revenue declined to £55.7m (2023: £59.1m) with adjusted pre-tax profits emerging at £2.0m (2023: £2.6m) reflecting the challenging market conditions. However, the group has made progress implementing its strategic plan which has produced improvements in operational efficiency. The acquisition of Thorite last August will also provide scope for further growth in both revenues and profits in the medium-term, although in the short-term profits may be adversely affected.

The recent trading statement confirmed that Thorite is integrating well and that the group is now well-placed to benefit from any upturn in activity. The operational gearing at the group means that profits can grow much more quickly than revenue going forward as growth returns. The improvements at the group do not seem to have been recognised by investors and we believe that this has created a useful buying opportunity. The shares are a **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: 66.9p	2023	112	4.3	5.5	12.2	2.2	3.3
Market Capitalisation: £42.3m	2024 (est)	107	1.0	1.2	55.8	2.3	3.4
2023/25 Share Price Range: 123p/66.7p	2025 (est)	120	3.4	4.4	15.2	2.4	3.6
Website: www.flowtechfluidpower.com							

News Highlights

Vertu Motors



53p

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.

Luceco – 152.2p

The manufacturer and supplier of electrical wiring accessories has issued a trading update for the year to 31 December 2024, and this has revealed strong growth in the final quarter of the year. As a result, the company expects to deliver full year profits ahead of forecasts with revenues for the year likely to be £240m (2023: £209m) and adjusted operating profit in the region of £28.5m - £29.0m (2023: £24.0m). Previous expectations were for operating profit to be around £26.5m and so the actual figure is coming in around 10% higher than this. Both of the businesses acquired in 2024 are integrating well with cost synergies being realised. Adjusted pre-tax profits for last year could therefore be around £22.7m for adjusted earnings per share of 11.5p. Further progress should be made in 2025 as the benefits of last year's acquisitions come through and lower interest rates help the UK housing market which will benefit Luceco. Adjusted pre-tax profits could rise to £25.0m for earnings per share of 12.6p. Standing on a prospective p/e ratio of 12.1x, the shares remain a **BUY**.

Vertu Motors – 53p

It is disappointing to have to report that Vertu Motors has issued a disappointing trading update. Results for the year to 28 February 2025 are expected to be well below market expectations with adjusted pre-tax profits for the year likely to fall well short of the £34.5m market consensus. Trading at the group has been adversely affected by a number of factors with UK new car sales at the lowest level for 25 years. Although Vertu increased market share the increasing proportion of lower margin fleet sales has impacted profitability as has the significant discounting of electric vehicles. Although after sales remain strong, it is clear that group profits for this year and next will be impacted. The share price remains at around the same level as when tipped last month at 53.3p, helped by the news that the company is to mount a £12m share buyback. If adjusted

pre-tax profits fall to £30m then earnings per share should be around 6.2p and so the shares remain lowly rated. Although the upside in the shares is less than previously expected we therefore believe that the shares remain a **BUY**.

Ultimate Products – 90.1p

The leading homeware brands company has issued a disappointing trading statement for the six months to 31 January with revenues down 5.7% to £79.4m due to weak consumer demand in the UK. Sales of air-fryers were particularly disappointing. Group sales did improve in the second quarter with the decline over the previous year not as great as Q1 although since the start of 2025 there has been a slowdown in orders from customers - as a result the group expects revenues for the year to 31 July to be similar to last year. This will impact on profitability whilst the group has also suffered from higher freight costs during the period. The result of this is that the company has downgraded expectations for the financial year with adjusted pre-tax profits now likely to be around £11.5m for earnings per share of 9.5p. The share price had been weak ahead of this announcement, but the shares now stand on a p/e ratio of just 9.5x assuming the latest forecasts can be achieved. A better year is expected next year, and we believe the shares are a **BUY FOR RECOVERY**.

Speedy Hire – 19.72p

The company has issued a disappointing trading statement for the ten months to 31 January. There has been a slowdown in trading since the start of 2025 and this is going to have a negative impact on the annual results to 31 March 2025. This news is obviously disappointing, but the fall in the share price of almost 30% following the announcement seems overdone. The company should still achieve adjusted pre-tax profits of £14m in the current financial year for earnings per share of around 2.2p. This puts the shares on a very low rating and yet there should be better times ahead as confidence returns and construction activity picks up as the weather improves. We put the shares up as a **BUY**.

NWF Group – 172.5p

The agricultural feeds and fuels distributor has announced interim results for the six months to 30 November and these have come in pretty much as expected. Revenues were 4% lower at £454m, with adjusted pre-tax profits increasing 6% to £3.6m. Diluted earnings per share on the same basis were almost 8% ahead at 5.5p and the interim dividend was maintained at 1p per share. Strong cash flow during the period meant that net cash at the end of the period was £11.4m, up from £10.0m at the start of the period and this was after spending £3.0m on capital expenditure. These are strong results and are in line with management expectations with good performances in fuels and feeds offsetting a slower first half performance in food. The performance of the food business was impacted by the opening of the new Lymedale warehouse although this is now fully operational. Trading in the second half has been as expected and we therefore maintain our full year pre-tax profit forecast of £11.7m for earnings per share of 17.7p. Given the strength of the balance sheet, we believe that a prospective p/e ratio of just 9.7x for the year 31 May is too low. The shares are a **BUY**.



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VAT No: GB 607 1818 48

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

Designed and published by Westbrook Agency © 2025
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Next issue out
20th March

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