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sorting the bulls from the bears



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Shares in Evoke look a good bet!

The share price of Evoke (48.8p), the rather odd name for the company previously called the equally-odd 888 Holdings, has fallen to its lowest level since 2011 following the latest results from the company. Whilst it is fair to say that these disappointed investors, we do not believe that they were so bad although debt levels remain uncomfortably high. Whilst debt is expected to reduce only marginally in 2025, it should fall more rapidly thereafter and this is likely to see an upturn in the share price.

Evoke is one of the world's leading betting and gaming companies, owning and operating internationally renowned brands including William Hill, 888 Holdings and Mr Green. William Hill operates over 1,300 betting shops as well as having an online presence and operating overseas as well, notably in Spain, Italy and Denmark. 888Casino was one of the first online casinos and the 888 brand now also offers sports betting and online poker. Mr Green offers a wide range of casino and slot games both online and through its app.

The results for the year to 31 December 2024 saw the group report its first increase in revenues for three years as these rose to £1.75bn, with adjusted pre-tax profits coming in at £11.8m. The second half of the year saw an improvement in performance as actions taken by the new management team began to have an impact and it is hoped that further progress will be made in 2025. The year has started well and revenues in the first quarter increased on last year.

The acquisition of William Hill in 2022 for £2.2bn left the group saddled with debt and this still remains an issue with net debt at the end of 2024 of £1.78bn. Clearly the group is aiming to reduce this as soon as possible, although most of the debt is not due to be repaid until 2027 or later. The group continues to look at ways to optimise its debt structure.

The company should increase profitability further this year and this will allow debt to fall. The company has a high level of operational gearing and so increases in revenue quickly fall through to the profit line. Clearly, the shares are not without risk, but they were more than double the current price a year ago and we believe they are a SPECULATIVE BUY.



Time for bricks and mortar?

Although global equity markets seem to be regaining their composure after the volatility seen in the last few weeks, it may be sensible for investors to consider adding some bricks and mortar to their portfolios. Property investments are, by and large, not particularly volatile and so these can provide a useful balance to a portfolio adding some useful diversification.

We would suggest that investors take a look at TR Property Investment Trust (301p) as a possible candidate for inclusion. As the name implies, this is an investment trust focused on the property sector which has good defensive properties (no pun intended!) and which also has an attractive dividend yield.

TR Property Investment Trust aims to maximise shareholders' total return by investing in property companies in the UK and Europe as well as having some direct property investment in the UK. The direct property investment only accounted for 5.7% of the portfolio at the end of March. The company's portfolio is well-diversified and includes investments in Germany, France, Sweden and Switzerland as well as the UK. The underlying properties are also diversified including offices, shopping centres, supermarkets, residential and student accommodation.

The key valuations metrics for a company such as this are the net asset value per share and the dividend yield. The net asset value per share as at 15 April was 337.5p per share meaning that the shares stand at a discount of 10.8% to the net asset value which we believe is an attractive level. In the last financial year, to 31 March 2024, the company paid a total dividend of 15.7p which puts the shares on a dividend yield of 5.2%. In the six-month period to 30 September, the company paid the same interim dividend of 5.65p although as the company has a progressive dividend policy we would expect an increase in the latest financial year to 16.0p per share. The yield then would increase to 5.3%.

The shares are hardly the most exciting on the market, but they could provide a useful counterbalance to other investments and we rate them as a LONG-TERM BUY.



Smiths News (SNWS) – 54p

SECTOR - INDUSTRIAL SUPPORT SERVICES

Given the current uncertainties in the global economy, with the tariffs introduced by Donald Trump causing considerable concern over a possible global recession and confusion about trade in general, it may be time to have a look at shares in Smiths News, a company which is focused on the UK. The company is very long-established and is the UK's largest wholesaler of newspapers and magazines. This is not very exciting and is a market in long-term decline, but the group believes that it can use its expertise in early-morning delivery to move into new areas which offer growth potential over the coming years. In the meantime, the existing business is very profitable and relatively secure, with the group having secured contracts until 2029 for over 90% of its business. The shares stand on a very low p/e ratio of 5.2x and attractive dividend yield of 9.5%.

Activities

Smiths News has been delivering newspapers in the UK for over 200 years, and it is the largest wholesaler in the UK, delivering newspapers and magazines to around 22,500 retail outlets in the UK. These range from large supermarkets and convenience stores to corner shops and petrol forecourts and the company operates out of 34 distribution centres around the country. These consist of four large hubs which operate around the clock, sorting and pre-packing magazines and other products to be delivered with the next morning's papers, and these are then transferred to smaller depots and overnight distribution centres which make the 'final mile' distributions. Each week, the company delivers 14m newspapers and 3.9m magazines, but it also collects any unsold copies which are then sorted for recycling – 99% of unsold publications are recycled in this way. The company operates an asset light business model, with its warehouses being leased and the actual deliveries being made by external contractor partners.

The company believes that revenues in the core business of newspaper/magazine distribution will gradually decline by between 3% and 5% per annum going forward. It has therefore expanded into new areas where it can use its distribution network and expertise. This network offers a unique capability to reach thousands of customers every day, with an early morning delivery and collection service that is flexible, efficient and highly reliable. The group has set up Smiths News Recycle and apart from newspapers and magazines, this extends the group's recycling capabilities to cardboard and plastics and this is proving a popular service with retailers whilst providing an additional revenue stream for the group. Since being launched in 2022, the company now has over 5,000 customers and this shows how the group can add additional services using its existing capabilities.

Financial

The most recent results from the group cover the 53-week period to 31 August 2024 and revenue for the period rose by 1% to £1.10bn (2023: £1.09bn), with adjusted pre-tax profit rising by 3% to £33.2m (2023: £32.3m). Earnings per share on the same basis declined to 10.3p from 10.8p due to a higher tax charge but the ordinary dividend was raised to 5.15p per share. The company also declared a special dividend of 2p per share although this is excluded from the table below. In the past the amount that the company could pay out to shareholders by way of dividend had been restricted due to banking covenants, but a refinancing of group debt last year has removed this restriction. Net debt at the end of the year was £11.0m (2023: £4.2m), but it is worth pointing out that the increase was due to a cash outflow of £15.7m in the 53rd week of the period – the group held net cash of £4.7m after 52 weeks. A better measure of debt may be the average level of debt held during the year - this was £11.7m, a reduction of 53% on last year.

These results have benefited from robust control of costs, whilst revenues benefited from the 2024 UEFA Football Championships and a growing contribution from the new revenue streams that are being introduced. A particularly pleasing aspect of the results was that some £2m of operating profit was generated by the new businesses such as Smiths News Recycle, an increase of £1.3m on 2023.

At the end of last month, the company issued a trading update for the six-month period to 1 March and this confirmed that trading was in line with expectations.

Outlook

Last year was significant for the group, with the refinancing of group debt in May 2024 allowing for the development of a new capital allocation plan going forward. Whilst this has allowed the dividend paid by the company to increase, the group still has sufficient funds to invest in the business. Historically, the company has spent £4m on capital expenditure per annum, but over the next three years this is likely to increase to £6m as the group invests in a new transport management system as well as a new warehouse management system.

The company has secured 91% of revenue up until 2029 in its core distribution activities and this provides a secure, predictable and profitable foundation on which to build the company's new activities. The company has commissioned research which shows that there is a potential market for early morning deliveries such as those provided by the group worth £1.3bn and this has profit potential of £160m. This provides considerable scope for the group to expand and it is about to trial delivering greetings cards to independent retailers and this is just one example of how the group can capitalise on its distribution network and capabilities.

The changes in last year's Autumn Statement are likely to add £0.5m to costs but the group believes it can readily absorb this. Although revenues in the current year may decline slightly, adjusted pre-tax profits should increase as should earnings per share. The shares stand on a very low p/e ratio and very high dividend yield and we believe they are a BUY.



Share Price: 54p
Market Capitalisation: £128m
2023/25 Share Price Range: 68.5p/40.5p
Website: www.smithsnews.co.uk

Year Ending 31 August	Turnover (£bn)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2023	1.09	32.3	10.8	5.0	4.15	7.7
2024	1.10	33.2	10.3	5.2	5.15	9.5
2025 (est)	1.05	33.3	10.4	5.2	5.15	9.5



Aggressive Growth Portfolio IX

It is obviously disappointing, although not surprising, that the portfolio has fallen again this month following the imposition of tariffs by Donald Trump. It is, however, pleasing to note that the fall in the value of the portfolio is less than in any of the benchmark indices. Many of the companies that have seen the largest declines in share price are international groups and this perhaps explains why the biggest fall is in the FTSE 100 Share Index. With some of the companies in the portfolio more domestically focused, this has been to our advantage.

The volatility seen in the market has meant that a number of holdings have fallen to the stop-loss limit and so there have been a number of forced sales this month. We have had to sell 1,200 Billington Holdings at 425p for net proceeds of £5,049 and a gain of £19; 1,750 Volex at 210p for net proceeds of £3,638 and a loss of £984; 5,000 Flowtech Fluidpower at 50p for net proceeds of £2,475 and a loss of £898 and 800 MPAC Group at 350p for net proceeds of £2,772 and a loss of £682. We do not believe that any of these shares should be sold on fundamentals and would advise any readers that hold these stocks to retain their shares. It is interesting to note that three of these companies have seen their share price move back above the stop-loss limit since the shares were sold.

It has been a very busy month for the portfolio, with announcements from Billington Holdings, Ramsdens Holdings, Renold, Journeo, Luceco, Volex, Vertu Motors, Tandem Group and Flowtech Fluidpower. As usual these are covered in News Highlights or on the website.

A dividend of £200 was received from Ramsdens Holdings during the month and following the investment into the two main features this month there is £6,672 on deposit pending investment.

Performance summary

	15 April 2025	18 March 2025	Gain/(Loss) %
Portfolio Value	£48,333	£49,377	(2.1)
FTSE 100 Share Index	8,249.12	8,705.23	(5.2)
FTSE All Share Index	4,459.99	4,699.07	(5.1)
FTSE AIM All Share Index	666.01	694.28	(4.1)

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
2,625	Ramsdens Holdings	190	5,037	260	6,825	195
9,500	Renold*	42	4,029	47.2	4,484	35
1,750	Journeo	227.5	4,021	243.5	4,261	225
2,500	Supreme	162	4,091	159	3,975	125
2,625	Luceco	133	3,543	121.2	3,182	110
7,000	Vertu Motors	53.3	3,768	58.6	4,102	45
2,250	Tandem Group	185	4,204	164	3,690	140
2,500	Kier Group	120.4	3,055	130.6	3,265	100
7,500	Smiths News	54	4,110	54	4,050	43
1,075	Watches of Switzerland	356	3,884	356	3,827	285
£6,672	Cash				6,672	
				TOTAL	£48,333	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £1,803. *after part disposal

WOSG

356p

WATCHES OF SWITZERLAND

SECTOR - PERSONAL GOODS

RECOMMENDATION - BUY

Shares in the luxury watch group Watches of Switzerland have fallen significantly over the last few weeks as the uncertainty caused by Donald Trump's tariffs come into play. Clearly, the tariffs could obviously have a negative impact on the group with tariffs of 31% being imposed on imports from Switzerland into the US. However, given the large gross margins enjoyed by the company, it is estimated that prices would only have to rise by between 10% and 15% to recover these. Given the fact that some brands such as Rolex have waiting lists, the impact may be muted, but with 45% of sales coming from the US it is a concern although this is reflected in the share price in our view.

Watches of Switzerland is a leading retailer of luxury watches and is the largest such retailer in the UK. It sells a range of leading watch brands including Rolex, OMEGA, TAG Heuer, Longines and Breitling. The group operates through well-known retail brands such as Goldsmiths, Mappin & Webb and Watches of Switzerland, whilst in the US it also sells through Mayors and Betteridge.

The most recent results cover the 26 weeks to 27 October, with group revenues rising by 3% over the period to £785m. Adjusted pre-tax profits declined by 18% to £58.9m and earnings per share on the same basis were 16% lower at 18.1p. The second quarter saw an improvement in trading on the first half. Profits declined during the period because of higher sales of lower margin products and an increase in finance costs following acquisitions made by the group. A trading statement covering the 13 weeks to 26 January confirmed that trading was in line with expectations.

Shares in the company have fallen from 575p at the end of January and, on 11 April, chairman Ian Carter purchased 27,500 shares in the company at an average price of 347p. This purchase cost £95,466 and given the low rating of the shares and prospects for growth we believe readers should follow his example and BUY.

Share Price: 356p
Market Capitalisation: £845m
2023/25 Share Price Range: 1010p/325p
Website: www.thewosgroupplc.com

Year Ending 30 April	Turnover (£bn)	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2023	1.54	159.2	52.7	6.8	-	-
2024	1.54	128.9	38.0	9.4	-	-
2025 (est)	1.68	144.7	41.4	8.6	-	-

News Highlights



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.

Billington Holdings – 350p

The structural steel group has released its annual results to 31 December 2024 with pre-tax profits down 19% at £10.8m and earnings per share some 22% lower at 66.2p. Last year was challenging for the group although this had been expected, with difficult trading conditions throughout the industry. The dividend was raised to 25p per share and net cash at the year-end was £21.7m, slightly down on the £22.1m at the end of 2023. There has been a reduction in demand throughout the industry and this is leading to pricing pressure as competitors lower prices to secure work, and the company therefore expects pre-tax profits to fall to around £7.25m this year for earnings per share of 44p. The fall in the share price is clearly disappointing, but the shares stand on a prospective p/e ratio of just 8.0x and yield 7.1% assuming a maintained dividend. The shares are a BUY.

Ramsdens Holdings – 260p

The AIM-listed financial group has issued a very positive trading update covering the six-month period to 31 March. The company has benefited from its diverse income streams with the precious metals business reporting profits up by 50% over the previous year helped by the strong gold price. Solid growth has also been seen in the pawnbroking and jewellery retail businesses during the period. The company now expects pre-tax profits for the full year to be £13.0m to give earnings per share of 29.8p, putting the shares on a very modest p/e ratio of just 8.7x. With a dividend yield of around 5.0% and significant net cash on the balance sheet the shares are a BUY.

Renold – 47.2p

The company has announced a positive trading update for the year to 31 March 2025 and pre-tax profits for the year are now expected to be ahead of expectations at £23.7m for earnings per share of 7.6p. This will be the third consecutive year of record performance. The group received orders worth £250m during the year, up from £227m in 2023 and at the end of the year the order book stood at £83.3m, a similar level to last year. The shares stand on a p/e ratio for the year that has just ended of just 6.2x, which looks far too low. The shares have fallen back from 65p last summer despite the progress being made - they are a BUY.

Flowtech Fluidpower – 55p

The AIM-listed fluid power group has released its results for the year to 31 December and these have revealed a decline in turnover to £107m (2023: £112m) as expected, with underlying pre-tax profits coming in at £0.9m (2023: £4.3m). The company has decided not to pay a dividend as it feels that the cash saved can be used within the business to better effect. The results look disappointing at first glance, but they do not really show what has happened behind the scenes where there has been considerable reorganisation. The company is focusing on higher growth sectors and significant growth in revenue is expected this year, helped by the acquisition of Thorite last August. Adjusted pre-tax profits for 2025 are expected to rise to £3.4m for earnings per share of 4.4p and with further growth expected going forward we believe that the shares are a BUY.

Tandem Group – 164p

In the year to 31 December, group revenues were £24.6m for an adjusted pre-tax profit of £0.5m and these were pretty much in line with expectations. These figures compare with revenues of £22.2m and an adjusted loss before tax of £1.0m in 2023. All divisions increased revenues during the year with the exception of Home & Garden which reported lower revenues due to the poor weather seen in 2024. These were impressive results given the challenging market conditions and of particular note is the much improved performance in the second half of the year. The group reported an adjusted pre-tax loss of £0.61m in the first half of 2024, and so to have ended the year with an adjusted pre-tax profit of £0.5m means that it must have made an adjusted pre-tax profit of over £1.1m in the second half. The new year has started well despite the ongoing challenging market conditions and this provides us with the confidence to stick with our forecast for 2025 of revenues of £27.3m and adjusted pre-tax profit of £1.5m. That would give earnings per share of 24.0p and put the shares on a p/e ratio of just 6.8x. They are a BUY.

Luceco – 121.2p

The wiring accessory group has issued its results for 2024 and these have come in slightly better than expected following last month's trading update. Revenues for the year were up 16% at £242.5m (2023: £209m) and adjusted pre-tax profits came in at £24.9m (2023: £21.1m) an increase of 18%. Adjusted earnings per share were 12.6% higher at 12.5p (2023: 11.1p) and the dividend was raised over 4% to 5.0p per share (2023: 4.8p). Net debt at the year end had risen to £68.6m (2023: £18.4m) mainly due to the two acquisitions made during the year which cost £37.5m. These are very pleasing results for the group with strong growth seen, especially in the final quarter of the year, and the new financial year has started well. We believe that the current year will see further growth with revenues up to £260m and adjusted pre-tax profits rising to £26.0m. Earnings per share could be 13.2p, putting the shares on a p/e ratio of just 9.2x. CEO John Hornby has purchased 100,000 shares at 120.17p in the company in the recent market turmoil and we suggest readers continue to BUY.

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