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sorting the bulls from the bears

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BP shares – worth a punt?

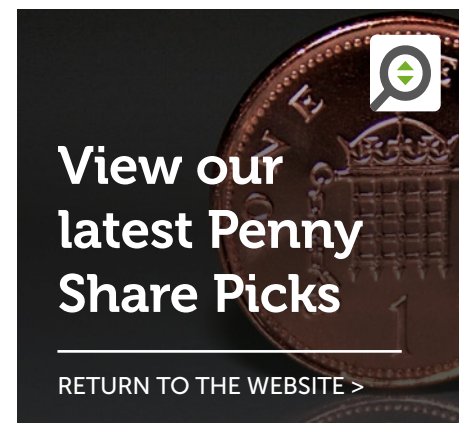
Shares in the oil giant **BP (360p)** have been very poor performers for some time and the share price fell to 331.7p in April – its lowest level since 2021. Just over two years ago the share price stood at 567p, but investors have become frustrated with the direction of the company with changes in its strategy costing it money as well as reputational damage. This has led to changes in senior management which have hardly helped to gain the confidence of investors with the most recent move seeing Helge Lund step down as chairman after six years in the job.

Back in 2020, the company decided that it should move away from fossil fuels into renewable energy, but this strategy is now being reversed to bring the company more

into line with its peers. Whereas at one point the company expected to reduce its oil and gas output by 40% by 2030, this output is now expected to increase from current levels.

Apart from the self-inflicted damage that has been done the company's fortunes are also linked to the level of the oil price. The price of Brent Crude has fallen from over \$80 per barrel earlier this year to around \$64 per barrel and this has had a negative impact on the group. The decline in the price has partly been due to increased oil production whilst the introduction of tariffs by Donald Trump has also reduced demand due to fears of an economic slowdown.

So, given the negative sentiment surrounding the company, why would the shares be of



interest? And the simple answer is that we are taking the view that most, if not all, the bad news surrounding the company is already reflected in the share price. The company has reduced its share buyback programme to focus on reducing debt and it is looking to dispose of some businesses. The company pays quarterly dividends and the first quarter of 2025 saw a payment of US\$0.08. If this is repeated throughout the year, the annual dividend would be US\$0.32 – even at US\$1.34/£1 that works out at 23.9p per share. That would put the shares on a dividend yield of 6.6%.

We believe that with the shares at such a low point there is scope for significant recovery – after all, the share price was 468.75p on 12 February. We rate the shares as a **BUY**.



Time to clean up with Xeros!

Those readers who are looking for a highly speculative punt should take a look at **Xeros Technology Group (1.63p)**. The company has spent the last few years developing its filtration technology, the main effect of which is to reduce the impact of cleaning clothes on the planet. Traditional washing machines release millions of particles of microplastics during each wash and these end up being washed out with the waste water. They then end up in the sea where they add to the pollution already in existence.

The company has developed filtration technology which can be installed in washing machines to largely eliminate this discharge of pollutive particles. It has taken many years and considerable funding to get to

this stage, but the company now believes that it is at a critical point in its development as the technology approaches commercial viability. The group now has four of the world's largest washing machine manufacturers undergoing a technical verification process for the group's technology ahead of potential joint development agreements. It is also in discussion with three major washing machine brands for its external filter. A deal on any of these would be transformational for the group.

Clearly the group currently has minimal revenues and it is steadily spending its cash reserves. These stood at £14m at the end of April, having been bolstered by £6.3m of additional equity in 2024. The company now believes that it is in sight of cash flow

breakeven in 2025 provided that it has some success in its various negotiations. However, there is no guarantee that this will be the case and this would then lead to a need for additional funding.

As can be seen from the above, any investment in the company is clearly high risk and it will probably be some time before investors know whether the negotiations with potential customers have been fruitful. Nevertheless, the company is clearly closer to achieving its objectives than it has ever been and we therefore believe that for those readers who are prepared to take a high degree of risk the shares are a **SPECULATIVE BUY**.

FUTR

696.5p BUY

FUTURE (FUTR) – 696.5P

SECTOR - MEDIA

Shares in the media group **Future** have slumped over the last few months and now look to be an attractive recovery play. The company benefited enormously from a surge in online audiences and ecommerce during the lockdown five years ago and this resulted in the shares hitting the dizzy heights of around £39 in 2021. This share price was unsustainable as the shares were on a p/e ratio of around 30x and so it was no surprise to see the shares fall back over the next few months as trading at the company returned to more normal levels. Indeed, profits at the company have actually declined slightly over the last two years, with another fall forecast for the current year. However, the group announced a plan in December 2023 to return to organic growth and although it is still early days, there are some tentative signs that things are improving at the group. The share price does not reflect this and it is worth pointing out that the group is highly cash generative with net debt falling sharply. The shares now stand on a p/e ratio of just 6.0x and whilst future recovery must be taken on trust we think the shares are too cheap.

Activities

Future is a specialist media company which operates through three divisions – these operate in the UK (including the Rest of the World) and the USA. The largest of these is the B2C (business to consumer) division and last year this generated 66% of group revenues. The business includes around 200 brands and these include Marie Claire, Country Life, PC Gamer, Golf Monthly, Homes & Gardens, The Week and Tom's Guide. Revenue from this business segment comes from magazine subscriptions either in print or digital, advertising and affiliate sales. Last year some 44% of revenue was generated in the USA. The second business in the group is Go Compare, which last year generated 26% of group revenues. This is a leading price comparison website in the UK – this helps consumers to compare the cost and features of insurance policies, financial products, energy tariffs and so on. Last year, car insurance generated 64% of revenue. The business works with trusted organisations and is authorised by the Financial Conduct Authority. The B2B (business to business) division is the smallest in the group. This provides a number of services to its clients including the production of newsletters, webinars, content creation and live events. This was responsible for 8% of revenues last year.

Financial

In the last financial year to 30 September 2024, revenues at the group were pretty much the same as the year before at £788.2m (2023: £788.9m). Given the negative macroeconomic environment this was a satisfactory outcome. The B2C business saw revenues decline by around 8% to £523.1m due to a challenging digital advertising market as well as lower consumer spending on affiliate products. However, revenues at Go Compare rose by 28% to £202.7m, making up for the fall in B2C, and the business gained market share during the year so that it is now ranked number 2 in car insurance.

The group managed to maintain a relatively healthy adjusted operating margin of 28% (2023: 32%) although adjusted operating profits declined to £222.2m (2023: £256.4m). Adjusted pre-tax profits therefore also declined last year to £191.8m (2023: £221.3m) and earnings per share on the same basis fell to 124.6p (2023: 141.8p). The annual dividend was maintained at 3.4p per share. A feature of the results was the strong level of cash flow which resulted in a significant fall in net debt to £256.5m

(2023: £327.2m) and this was after the company spent £63.1m on share buybacks during the year.

In December 2023, the company announced its Growth Acceleration Strategy with the intention of returning the group to organic growth. This was to be achieved through increasing the group's audience, increasing the revenue generated per user and by optimising the portfolio of businesses. The plan entails increasing staff numbers in both sales and editorial capacities and last year there were an additional 112 staff employed which is one reason why the operating margin declined. With the group seeing an improvement in performance in the second half of the financial year it seems that the investment into additional staff is paying off.

The company has recently announced its interim results for the six months to 31 March. Revenue declined by 3% to £378.4m (2024: £391.5m) although adjusted pre-tax profits increased marginally to £87.9m (2024: £87.6m). Earnings per share on the same basis rose to 60.2p (2024: 57.5p). The decline in revenue was mainly due to business closures and foreign exchange movements with organic revenue down 1%. The first quarter of the year saw revenue increase but this fell in March due to the uncertain economic environment. Net debt at the end of the period had fallen further to £241.2m despite share buybacks of £39.5m. At the end of the period there was still £30m of the existing share buyback programme outstanding and the company has announced a new additional share buyback programme of up to £55m.

Outlook

The decline in revenues in March was reversed in April although given the current economic uncertainty caused by the imposition of tariffs by Donald Trump, the company has cautioned on its expectations for the second half of the year. However, the company expects to maintain its operating profit margin and cash flow is set to remain strong. We acknowledge that there are some uncertainties as the second half progresses, but we feel that these are more than accounted for in the current share price. The company will continue its share buyback programme which should help to underpin the share price whilst the low p/e ratio should begin to attract bargain hunters. New chief executive Kevin Li Ying clearly has confidence, as he invested £100k in the company's shares at 647.25p last week, with finance director Sharjeel Suleman investing £50k. Readers should follow their example and **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: 696.5p	2023	789	221.3	141.8	4.9	3.4	0.5
Market Capitalisation: £738m	2024	788	191.8	124.6	5.6	3.4	0.5
2024/25 Share Price Range: 1140p/580p	2025 (est)	757	178.0	116.0	6.0	3.4	0.5
Website: www.futureplc.com							

Aggressive Growth Portfolio IX

After falling in value for three consecutive months, it is pleasing to report a sharp rebound in the Aggressive Growth Portfolio this month with an extremely impressive rise of 15.0% in value! This is by far the largest monthly increase since we reverted to the monthly newsletter in 2020! What is remarkable is that of the ten shares held last month, eight have increased in value by 10% or more with the star performers being **Renold** (up 53.4%) and **Kier Group** (up 29.4%).

Following the increase in value in **Ramsdens Holdings**, this had become too large a holding and so we have taken some profit by selling 1,125 shares at 287.5p. This raised net proceeds of £3,202 for a profit of £1,043. We are happy to retain the remaining 1,500 shares at the moment.

We have also decided to increase some of the stop-loss limits following the latest positive move in the market. Those companies affected are

Ramsdens Holdings, **Renold**, **Journeo**, **Vertu Motors** and **Kier Group**. The new stop-loss limits are shown in the table below, but we think that it is prudent to try and protect some of the gains we have made.

It has been another busy month for the portfolio, with announcements from **Renold**, **Supreme**, **Luceco**, **Vertu Motors**, **Smiths News** and **Watches of Switzerland**. As usual these are covered in News Highlights or on the website. Clearly, the most significant news is that from **Renold** which has received two tentative bid approaches, and this has prompted the large increase in share price. This rather reinforces the view that many UK smaller company stocks are seriously undervalued!

A dividend of £87 was received from **Luceco** during the month and following the investment into the two main features this month there is £2,133 on deposit pending investment.

Performance summary

	27 May 2025	15 April 2025	Gain/(Loss) %
Portfolio Value	£55,584	£48,333	15.0
FTSE 100 Share Index	8,778.05	8,249.12	6.4
FTSE All Share Index	4,759.12	4,459.99	6.7
FTSE AIM All Share Index	739.91	666.01	11.1

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,500	Ramsdens Holdings*	190	2,878	287.5	4,313	240
9,500	Renold*	42	4,029	72.4	6,878	65
1,750	Journeo	227.5	4,021	290	5,075	260
2,500	Supreme	162	4,091	169.5	4,238	125
2,625	Luceco	133	3,543	142	3,728	110
7,000	Vertu Motors	53.3	3,768	65	4,550	55
2,250	Tandem Group	185	4,204	165	3,713	140
2,500	Kier Group	120.4	3,055	169	4,225	150
7,500	Smiths News	54	4,110	61.4	4,605	43
1,075	Watches of Switzerland	356	3,884	409	4,397	285
600	Future	696.5	4,242	696.5	4,179	550
2,500	Stelrad Group	142	3,586	142	3,550	120
£2,133	Cash				2,133	
	TOTAL				£55,584	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £1,890. *after part disposal

SRAD

142p

STELRAD GROUP

SECTOR - CONSTRUCTION & MATERIALS
RECOMMENDATION - BUY

The recent AGM statement from the radiator producer Stelrad has confirmed that trading in the current financial year is in line with expectations, despite the uncertain market conditions. The company is Europe's leading specialist radiator manufacturer with strong positions in the markets in which it operates which puts it in a good position for when market conditions improve. The shares stand on a modest p/e ratio and attractive dividend yield and in our opinion are a **BUY**.

Stelrad Group is Europe's leading specialist radiator manufacturer, selling an extensive range of hydronic, hybrid, dual fuel and electrical heat emitters to more than 500 customers in over 40 countries. These include standard, premium and low surface temperature steel panel radiators, towel warmers and aluminium radiators. These are used in both domestic and commercial markets. The company is based in Newcastle with manufacturing and distribution facilities in the UK, Italy, Turkey and the Netherlands. It is the market leader in seven European countries including the UK, Ireland, France and Denmark.

In the year to 31 December, revenues declined to £290.6m (2023: £308.2m) due to challenging market conditions with high interest rates and inflation suppressing demand. However, a high level of operating efficiency allowed adjusted pre-tax profits to rise to £23.5m (2023: £21.8m) with earnings per share on the same basis falling to 13.05p (2023: 13.62p) due to a higher tax charge. The dividend for the year was increased to 7.79p per share (2023: 7.64p per share) and net debt at the year-end reduced slightly to £59.7m (2023: £60.4m).

The group has performed in line with expectations during 2025 despite the fact that trading conditions remain difficult. However, the group's efficient operating model should allow profits to increase once again during the year, with further growth on the cards when trading conditions improve. We therefore rate the shares a buy with a share price target of 197p, being 14x the earnings for 2025.

	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: 142p	2023	308	21.8	13.6	10.4	7.64	5.4
Market Capitalisation: £177m	2024	291	23.5	13.1	10.8	7.79	5.5
2024/25 Share Price Range: 156p/110p	2025 (est)	295	26.0	14.1	10.1	7.94	5.6
Website: www.stelradplc.com							

News Highlights

Smiths News



61.4p 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 – 142p

The wiring accessories group Luceco has issued a positive trading statement for the three months to 31 March with revenues rising by 19% compared with the previous year to £61m. Gross margins remained healthy and adjusted operating profit rose 8% helped by improved manufacturing efficiency. The group expects the impact from tariffs to be minimal and the company therefore has left full year expectations unchanged. We expect full year adjusted pre-tax profits of £26m for earnings per share of 13.2p. A prospective P/E ratio of just 10.8x looks too low and we suggest the shares are a **BUY** with a share price target of 185p.

Renold – 72.4p

The Manchester based manufacturer of industrial chains and ancillary products has revealed that it has received indicative takeover approaches from two private equity firms. One of these has proposed a potential takeover at 77p per share, whilst the second firm is potentially going to offer 81p per share. Renold is actively engaging with each party although there is no guarantee that any bid will actually be forthcoming. We have recommended shares in the company at numerous points in the past, most recently at 46.7p on 15 April. The shares have risen by 55% since then, but we would hope that one of the potential bids comes to fruition. Those readers who followed our advice to buy the shares should wait to see how the situation develops. **HOLD**.

Vertu Motors – 65p

The automotive retailer has announced results for the year to 28 February and these are pleasing given the challenging trading conditions. Revenues increased slightly to £4.8bn with adjusted pre-tax profits falling to £29.3m from £34.6m last time. Earnings per share declined to 6.58p from 7.60p. The dividend for the year was reduced to 2.05p from 2.35p and net debt at the year-end edged up to £66.6m from £54.0m a year earlier. The new car market in the UK was the worst in years, partly due to the government's mandate

regarding electric vehicles and the fact that companies are penalised for selling too many petrol/diesel vehicles. Electric vehicles remain unpopular with the public due to the poor second-hand value and the lack of charging points in the UK. This situation should improve, however, and the new financial year has started well. We continue to rate the shares as a **BUY**.

Smiths News – 61.4p

The distribution group has announced its interim results for the six-month period to 1 March and these have come in as expected. Revenues for the period were down 0.6% at £536m, although adjusted pre-tax profit rose by 11% to £17.7m helped by £3m of cost savings during the period. Adjusted earnings per share rose 10% to 5.4p and the interim dividend was maintained at 1.75p. There was a stable performance from the core newspapers and magazines distribution business, whilst the new business initiatives such as waste recycling are making good progress. The company continues to generate strong cash flow with £13.3m recorded during the period and this has resulted in average bank net debt of £1.1m compared with £12.5m last year. The company has secured 91% of its existing publisher contract revenues until 2029 and this provides a secure platform on which to develop the group's other growth projects. We are therefore happy to retain our full year profit forecast at £33.3m for earnings per share of 10.4p. We tipped the shares at 54p just last month and assuming a maintained full year dividend of 5.15p per share the shares will stand on a p/e ratio of just 5.9x and yield 8.4%. The shares remain a **BUY**.

Supreme – 169.5p

The AIM-listed company has issued a trading statement covering the year to 31 March 2025 which has confirmed that the group traded strongly during the year. Revenues are likely to have been £235m (2024: £221m) with adjusted EBITDA for the year expected to be at least £40m (2024: £38.1m), in line with expectations. Despite spending £25m on strategic acquisitions during the year, the company ended the year with net cash. These figures are likely to translate into adjusted pre-tax profits for the year of £32m for earnings per share of 21.8p, which is what we had forecast at the time of the interim results in November. The company believes that revenues may fall slightly this year due to a

reduction in vaping revenues, but the fact that the group has expanded into other areas, such as with the acquisition of Typhoo Tea, will help to compensate for this. It expects revenues to fall to £231m with adjusted EBITDA likely to be £36.6m. Thus pre-tax profits may fall to £29.3m for earnings per share of 19.2p. However, the company is clearly in growth mode and so it is likely that further acquisitions may be made that will increase these figures. On a 2026 p/e ratio of just 8.8x, the shares look too cheap and we rate them a buy with a share price target of 230p, being 12x the current year earnings. **BUY**.

Watches of Switzerland – 409p

The leading retailer of luxury jewellery and watches has provided a reassuring update for the financial year to 27 April 2025. Full-year performance is in line with expectations with the second half of the year seeing an improvement in trading. The company continues to increase and upgrade its store estate with the new Rolex boutique on Old Bond Street in London exceeding trading expectations and new openings being seen in the US. The company believes that the luxury watch market remains strong, although it is mindful of tariff changes in the US. Nevertheless, prospects at the company remain good and although the shares have rallied recently there should be further to go. **BUY**.



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