cityconfidential

sorting the bulls from the bears

In This Issue

British Land

Marston's

Card Factory

Speedy Hire

Plus

Aggressive Growth Portfolio

Monthly News Highlights

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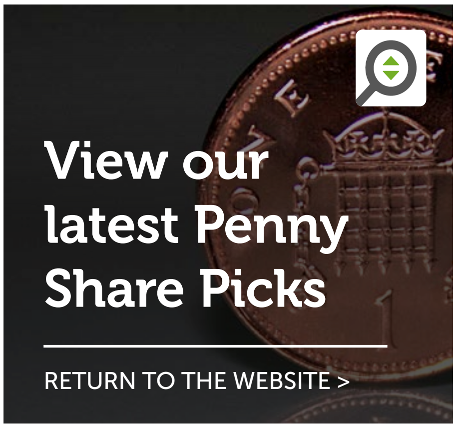


Tariff free Land!

With many investors still concerned about the impact of tariffs on share prices, we thought it might be an idea to have a look at a company which will not be affected. Shares in the property group British Land (362.4p) have fallen back from 462p last September and, standing on a large discount to net asset value, we believe these are worth a look. Recent share buying by directors has also added to our confidence.

British Land is a well-established UK property group which for many years was a constituent of the FTSE 100 Share Index. The company took quite a contrarian view of the property market after Covid and has restructured its portfolio accordingly. Whilst the popular view at that time was that working from home would become the norm with most shopping being done online, British Land was convinced that it could make money taking a different view. So, it disposed of a number of properties, including the Meadowhall shopping centre in Sheffield and 50% of its stake in 2 Finsbury Avenue and invested the proceeds into £738m of retail parks and office campuses. The move back to office working is gaining momentum and retailers are expanding their presence on retail parks due to affordability and strong trading.

In the year to 31 March 2025, the company increased the value of its portfolio to £9.5bn (2024: £8.7bn) with an occupancy rate of 97.7% (2024: 97.2%). Some 58% of the property portfolio is invested in office campuses with 42% in retail. The office campuses are all in London whilst there are 54 retail parks scattered around the country. The company reported underlying earnings per share of 28.5p and a dividend for the year of 22.8p – rather oddly, these figures are both the same as the figures reported the previous year. Net assets per share rose slightly to 567p (2024: 562p). It can therefore be seen that the shares stand at a discount of 36.1% to net asset value, a figure we think is too high.

The directors have been actively buying shares in recent days, with five directors investing a total of approximately £355,000 at around the 350p level. This gives us confidence that the shares are standing at too low a level and yielding 6.3% on a maintained dividend the shares are a BUY.

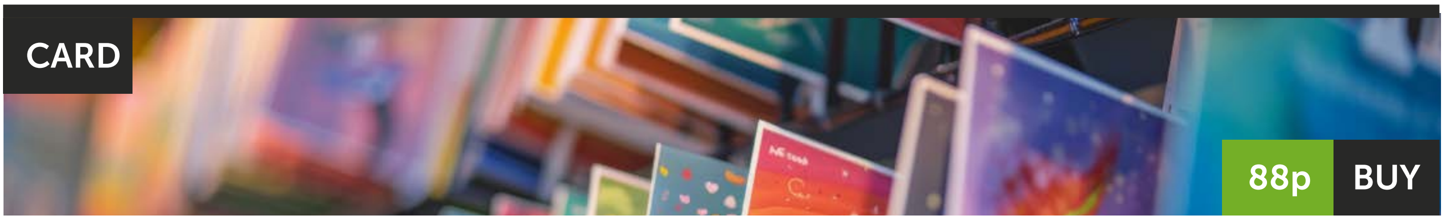
Let's drink to summer!

The recent hot weather has been a welcome relief to most people after a pretty dreary winter and there has been a noticeable increase in the number of people who have been out and about in the local pubs and bars enjoying a pint or glass of wine. This is clearly very good news for the hospitality sector and one company which we feel could benefit is Marston's (42.95p).

The company is a leading local pub business with an estate of more than 1,300 pubs around the country. These are a mixture of managed, leased and tenanted pubs. Since the disposal of the company's brewing interest, its 40% stake in Carlsberg Marston's Ltd in July 2024, the group is now a pure-play pub company. It operates a number of different pub formats to cater for the different needs of its customers and these include local pubs for regulars or locals, family pubs which cater for families, adult dining pubs and so on.

The company has recently issued a trading statement covering the 41 weeks to 12 July and this has confirmed that trading has been strong during the period. Like-for-like sales in the 15 weeks to 12 July rose 2.9% which is impressive growth considering that the same period in 2024 included the Euro 2024 Championships. Like-for-like sales have improved on the first half of the year and now stand 2.0% above last year in the year to date. Margin expansion initiatives are also delivering strong results with a beneficial impact on profitability.

The company is expecting a strong performance during the rest of the financial year to 30 September, supported by a pipeline of demand driving events which encourage customers to visit. The company therefore expects to meet market expectations for the full year of adjusted pre-tax profits of £67.3m for earnings per share of 7.5p. This puts the shares on a prospective p/e ratio of just 5.7x. The low rating is due to the fact that the group has a high level of borrowing as net debt at 29 March 2025 was £881m although this is expected to reduce going forward. We can see the group building on its recent success with a beneficial impact on the share price. BUY.



CARD FACTORY – 88P

SECTOR - RETAILERS
RECOMMENDATION - BUY

Regular readers of cityconfidential may recall that we recommended shares in Card Factory in June last year when the share price was 94p. At the time, we suggested a price target for the shares of 126p, although as can be seen from the share price graph below, the share price peaked at 143p in September. The share price fell back after this following disappointing interim results and the share price fell to a low of 79.6p last November. Despite a strong recovery in profits in the second half of the year, the share price has failed to recover and we believe this has given investors another chance to buy in at what looks a very attractive level. Revenues and profits are expected to increase again in the current financial year and yet the shares trade on a prospective p/e ratio of just 5.8x and, coincidentally, a prospective dividend yield of 5.8%. Once investors appreciate that the growth at the company is set to continue the shares should be re-rated and we set a share price target of 153p, being 10x the current year's forecast earnings per share. BUY.

Activities

Card Factory is the leading retailer of cards, gifts and celebration products in the UK. The company operates from 1,090 stores in the UK and Ireland (at 31 January 2025), following the opening of a net 32 new stores last year. These are the core of the business with further sales online through cardfactory.co.uk, whilst the group has also developed partnerships with retailers including Matalan and Aldi. In addition to the UK business, the group also has operations overseas supplying The Reject Shop in Australia, SA Greetings in South Africa, Garlanna in the Republic of Ireland and Garven Design Group in the USA. Last year, the UK business accounted for some 95% of sales and so the international business is relatively small.

The group has a vertically integrated model, designing and manufacturing most of the products that it then sells to the customer. The company employs almost 70 designers, and data-led design ensures that the company can respond rapidly to changing consumer trends and preferences. The company has a large-scale print facility in Baildon, West Yorkshire and this produces 90% of the cards sold through the store network and all the cards sold online. New ranges can be produced in as little as four weeks and the company can reprint successful lines in a matter of days. As well as greetings cards, the company also sells gifts such as toys, candles, homeware (such as mugs and glassware) and stationery (calendars and notebooks) whilst it also retails celebration products including balloons, gift-wrap, bags and other party products.

The company believes that the UK market for greetings cards is worth some £1.4bn per annum with the celebrations essentials worth another £2bn and the gifts market another £10bn. Thus, there is significant scope for expansion as the group moves into other areas apart from the core business of greetings cards.

Financial

In the year to 31 January, group revenues increased by 6.2% to £542.5m (2024: £510.9m), with adjusted pre-tax profits rising by 6.3% to £66.0m (2024: 62.1m). Earnings per share on the same basis emerged 5.9% higher at 14.3p (2024: 13.5p) whilst the dividend for the year was increased to 4.8p per share (2024: 4.5p per share). Net debt at the year end was £58.9m, up from £34.4m the previous year, although this reflects the fact that the company spent £43.0m on acquisitions and dividend payments during the year.

These were clearly good results overall, especially after a disappointing first half. The second half is usually the stronger of the two as it includes Christmas and this was the case once again. The group opened 40 new stores during the year and closed eight as the store expansion programme continues. There was strong revenue growth of 5.8% across the group's stores in the UK and Ireland, with particularly strong growth in gifting revenue and gifts and celebration essentials accounted for 50.2% of total sales. Gross margins fell slightly to 35.7% from 36.2% in 2024, partly due to increased wage costs following the increase in the National Living Wage.

During the year the company acquired Garven in the US and Garlanna in the Republic of Ireland for combined net consideration of £22.5m as the company continues with its overseas expansion. It also closed its online platform Getting Personal on 31 January 2025 so that it could focus on the main website cardfactory.co.uk.

Outlook

The company is now four years into its 'Opening our New Future' strategy and is a much stronger business both operationally and financially. The medium-term target is that by the financial year 2027 the group has revenues of £650m, pre-tax profit margins of 14% and another 60 new stores. If these objectives can be achieved, then the implied pre-tax profit would be around £90m with earnings per share of some 19p. This would put the shares on a very modest p/e ratio although it must be remembered that these are only targets, and these are two years away. The company believes it is on track to meet these targets, however, with the current financial year starting well with trading so far being in line with expectations.

The current financial year is expected to follow the same pattern as last year, with a strong bias towards the second half. The strong performance seen in the second half of last year has continued into this year with good performances over both Valentine's Day and Mother's Day. In fact, the Saturday before Mother's Day was a record trading day for the group. The company will continue to expand its product range in gifts and celebration essentials as these become more important to the group, whilst the store expansion programme will continue.

The shares appear to have been forgotten by investors, with no real recovery in the share price despite the good results last year and encouraging outlook. We believe this has presented an excellent opportunity to BUY.

Share Price: 88p
Market Capitalisation: £308m
2024/25 Share Price Range: 143p/79.6p
Website: www.cardfactoryinvestors.com

Year Ending 31 January	Turnover (£m)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2024	511	62.1	13.5	6.5	4.5	5.1
2025	542	66.0	14.3	6.2	4.8	5.4
2026 (est)	580	70.6	15.3	5.8	5.1	5.8

Aggressive Growth Portfolio IX

After rising in value by 15.0% and 9.0% respectively over the last two months, it is not really surprising that the portfolio has fallen in value this month although the decline is a relatively modest 0.9%. The portfolio has thus underperformed all of the benchmark indices during the period.

The best performing share in the portfolio during the month was Tandem Group, with the share price rising by 21% to 218p. The next best performing share was Journeo which rose by 15% to 434p. These shares have enjoyed a stellar run, having been just 243.5p in the April issue of the newsletter. The holding has increased to be worth over £7,500 or 12.5% of the value of the portfolio and so we have decided that this is an opportune time to take our profit as the shares no longer look cheap. We have therefore sold 1,750 shares at 434p for net proceeds of £7,519 and a profit of £3,498.

We have also had to sell the holding of 850 Ashtead Technology as the share price has fallen to the stop-loss limit of 325p. The disposal has raised net proceeds of £2,735 for a loss of £827. We have commented on the company in News Highlights as the shares were only bought last month and the disappointing trading statement took the market by surprise.

It has been a busy month for the portfolio in terms of company announcements with these being made by Supreme, Luceco, Vertu Motors, Kier Group, Watches of Switzerland, Future, B&M European Value Retail and Ashtead Technology. These are covered in News Highlights or on the website as usual.

A dividend of £131 was received from Smiths News during the month and following the investment into the two main features this month there is £4,207 on deposit pending investment.

Performance summary

	22 July 2025	24 June 2025	Gain/(Loss) %
Portfolio Value	£60,036	£60,564	(0.9)
FTSE 100 Share Index	9,023.81	8,758.99	3.0
FTSE All Share Index	4,905.37	4,763.16	3.0
FTSE AIM All Share Index	770.14	762.54	1.0

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,500	Ramsdens Holdings*	190	2,878	325	4,875	300
2,500	Supreme	162	4,091	187.5	4,688	165
2,625	Luceco	133	3,543	139.2	3,654	110
7,000	Vertu Motors	53.3	3,768	62.5	4,375	55
2,250	Tandem Group	185	4,204	218	4,905	140
2,500	Kier Group	120.4	3,055	199.8	4,995	150
7,500	Smiths News	54	4,110	56.4	4,230	48
1,075	Watches of Switzerland	356	3,884	357.4	3,842	325
600	Future	696.5	4,242	715	4,290	550
2,500	Stelrad Group	142	3,586	172.5	4,313	120
1,500	B&M European Value	276.5	4,209	240.8	3,612	220
5,000	Card Factory	88	4,466	88	4,400	68
12,500	Speedy Hire	29.2	3,704	29.2	3,650	22
£4,207	Cash				4,207	
				TOTAL	£60,036	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £2,071. *after part disposal

SDY

29.2p

SPEEDY HIRE

SECTOR - SUPPORT SERVICES

RECOMMENDATION - BUY

Shares in the leading plant hire group have rallied strongly since the low of 18.25p in April. However, we believe that the upward move could have some way to go as the company recovers from what we believe will prove to be the low point in the company's recent financial history. Although last year proved to be difficult, the company has continued to invest in its hire fleet and the adoption of its Velocity transformation and growth plan is beginning to have a positive impact. The company benefits from a high level of operational gearing and so profits and earnings per share could recover rapidly over the next couple of years. The company made adjusted earnings per share of 4.96p in 2023 showing the potential at the group.

Speedy Hire is the UK's leading provider of tools and equipment hire, supplying plant such as dumpers and cranes, pumps, lighting and so on. The group's customers range from national infrastructure contractors through to tradesmen and retail customers. The company operates from 135 trading locations in the UK and Ireland as well as online. The company also operates through trading partnerships with some of the UK's leading trade and DIY brands. The company also has a joint venture in Kazakhstan.

In the year to 31 March, revenue declined slightly to £417m (2024: £422m), but adjusted pre-tax profits fell to £8.7m (2024: £14.7m). Adjusted earnings per share fell to 1.41p (2024: 2.35p) although the dividend was maintained at 2.6p per share. The decline in profits was due to higher finance costs and a reduced contribution from the Kazakhstan business. The year also saw challenging market conditions and delays in government spending. Net debt at the year end had risen to £113.1m (2024: £101.3m) after capital expenditure of £63.2m.

Trading conditions in the current year are expected to improve with a beneficial impact on profits and earnings per share. With further significant recovery possible in the next two years the shares stand on a very modest rating and yield 8.9%. BUY.

Share Price: 29.2p
Market Capitalisation: £177m
2024/25 Share Price Range: 40.25p/18.25p
Website: www.speedyhire.com

Year Ending 31 March	Turnover (£m)	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2025	417	8.7	1.41	20.7	2.6	8.9
2026 (est)	445	15.0	2.42	12.1	2.6	8.9
2027 (est)	470	23.5	3.75	7.8	2.6	8.9

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.

B&M European Value Retail – 240.8p

The leading European discount retailer has issued a trading update for the first quarter of the financial year covering the 13 weeks to 28 June. Group revenue has risen by 4.4% over the period helped by an increase in selling space and a positive performance from both B&M UK and B&M France. The UK business has benefited from the timing of Easter and the drier weather, although gross margins have fallen in some categories. The margins are expected to improve going forward as new ranges are introduced and the group will continue to benefit from new store openings with 45 gross new openings in the UK during the year, with 18 being opened in this first quarter. Four new stores were opened in France during the period and Heron Foods continues to trade profitably. The group saw good results from the DIY and garden business although health and beauty and cleaning had a poor start to the quarter although there has been an improvement more recently. The share price has fallen back on the statement and in our view the market is taking an overly pessimistic view of prospects. We therefore re-iterate our recommendation of BUY.

Supreme – 187.5p

The manufacturer and supplier of fast-moving consumer goods has issued its results for the year to 31 March, and these have revealed a 4% rise in revenue to £231.1m with adjusted profit before tax down 2% to £30.2m. Earnings per share on the same basis were up 3% to 21.6p and the dividend for the year was raised 10% to 5.2p per share. The year benefited from the acquisitions of Typhoo Tea and Clearly Drinks as it looks to reduce its dependence on its vaping products and, despite spending £25.1m on acquisitions, the company ended the year with adjusted net cash of £1.2m. The company expects revenues to be relatively static in the current financial year given the slowdown in the vaping business and adjusted pre-tax profits for the year are likely to fall again to £27.0m for earnings per share of 17p. The shares are therefore on a prospective p/e ratio of just over 11x and we think that this underestimates the prospects for the group. BUY.

Luceco – 139.2p

The designer and manufacturer of electrical wiring accessories has issued a trading update covering the six months to 30 June. The period has produced a solid performance for the period, with revenues up around 15% to £125m helped by acquisitions and strong growth in the Electric Vehicle charging market. Adjusted operating profit for the period is expected to be around 10% higher than 2024 at between £13.5m and £13.8m. There has also been significant progress with the integration of CMD, acquired last year. The group continues to see positive momentum in the business, and it has continued to reduce its already limited exposure to US/China tariffs with only around £1m of sales in the first half. The group is also continuing to improve operational efficiency at its key manufacturing centre. As a result, the group expects its pre-tax profits for 2025 to be in line with expectations - we are looking for £26m for earnings per share of 13.2p. A p/e ratio of 10.5x looks too low for us and we believe the shares are a BUY with a share price target of 185p.

Ashtead Technology Holdings – 323.5p

The leading provider of subsea solutions has issued a disappointing trading update for the six-month period to 30 June. Although revenues for the period are expected to have been around £99m, an increase of 23% on last year, they are down 6% on a pro-forma basis, which assumes that the acquisition of Seatronics and J2 Subsea last November were also included in last year's figure. The shortfall appears to have been a result of geopolitical issues together with significant disruption in the US market. However, profit margins have been maintained, and the group has also realised higher operational synergies from the acquisition referred to above and in a shorter time frame than expected. Despite these challenges, the company expects that its adjusted pre-tax profit for the year will be as previously expected at £49.3m for earnings per share of 45.5p. The shares fell sharply on the statement, but we believe the fall has been overdone and re-iterate our rating of BUY.

Kier Group – 199.8p

The leading infrastructure services, construction and property group has issued a trading update for the year to 30 June, and this has confirmed that revenues and profits are expected to be in line with expectations. The company has enjoyed strong cash flow and has ended the year with net cash of £204m - an increase of 22% from June 2024 when the figure was £167m. The order book at the end of the year was £11bn with 88% of revenue for the new financial year already secured. The group had a strong finish to the financial year winning orders from Severn Trent, Southern Water, Midlothian Council and Warwick University with the property business securing planning permission on five residential sites. Following this announcement we slightly increase our forecast for adjusted pre-tax profit to £134m for earnings per share of 22.2p. We continue to rate the shares as a BUY.

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