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sorting the bulls from the bears

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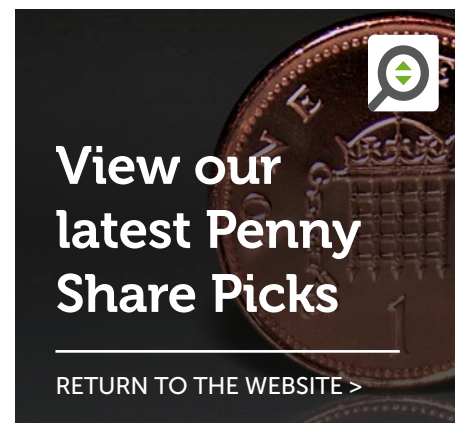
On yer bike!

Readers may find it odd that we are recommending shares in **Tandem Group (192.5p)** when the company is still in the Aggressive Growth Portfolio following our recommendation in February when the shares were 185p. However, we think that the recent pullback in the share price from 218p last month has presented a buying opportunity which should now be taken.

The reason for the recommendation in the newsletter is that we expect the company to release its interim results next month and we expect these to generate a spurt in the share price. Although no date has been given for the release of the results, in the last two years it has been on the 19 or 20 September. We would therefore expect the results to be published on around that time this year.

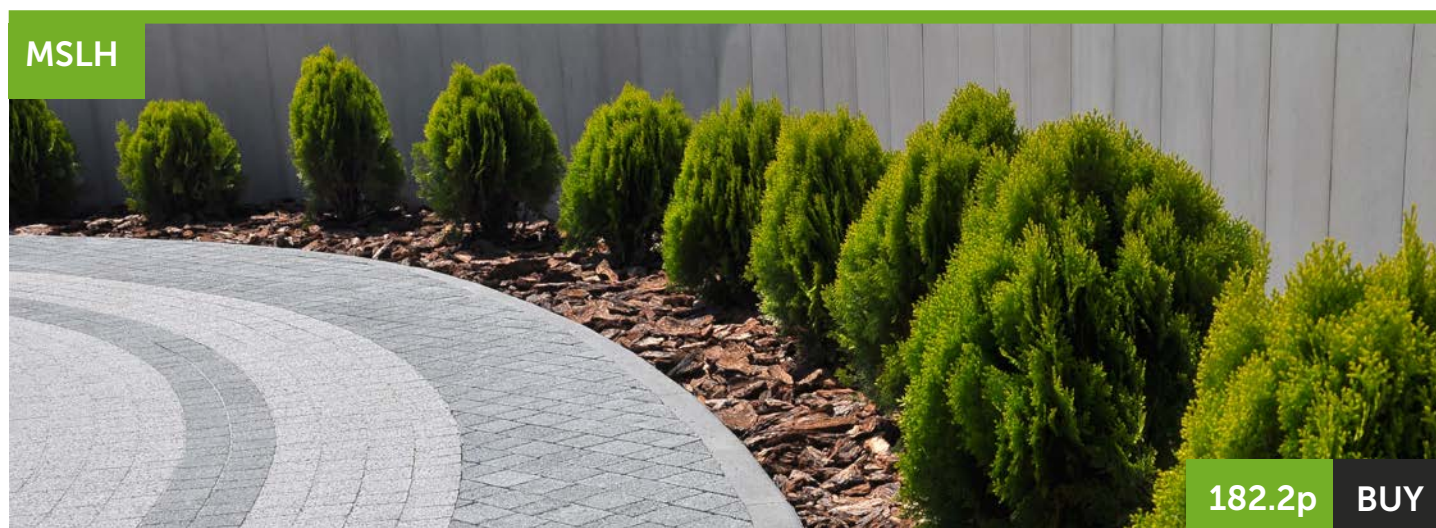
As many readers will be aware, the share price of most small companies on the market can spend much of the time not really moving. Most share price moves occur when the company makes an announcement, being a trading statement or the release of results. This is what we are hoping for next month!

At the company's AGM at the end of June, the company confirmed that sales for the year to date were 15% ahead of the same period in 2024 helped by the good weather which helped the group's seasonally dependent products such as garden furniture. The star performer was the bikes business with sales up 52% over the previous year and the launch in September of the new HOY children's bike range, which has been developed in conjunction with Sir Chris Hoy, should stimulate further demand.



We believe that we are the most optimistic followers of the company who produce notes or comment on the company, but we think that the interim results will be ahead of forecast and that there should be a confident statement regarding the second half of the year. This could easily prompt a spike in the share price and it would not be a surprise to us if the shares moved up to 240p on the back of the announcement. This would be a gain of almost 25% from the current share price. Depending on the statement (and of course we could be wrong!) we would expect the shares to make even more progress over the rest of the year although many investors could be tempted to take a short-term profit if we are right!

BUY THE SHARES.



On the recovery path!

Regular readers may recall that we tipped shares in the building products group **Marshalls (182.2p)** in November 2023 when the share price was 215p. The shares subsequently ran up to 360p last autumn when frankly they looked very overpriced. In fact, we suggested that readers should sell in March last year when the share price was 271p. Although we were clearly too early to exit the shares, we felt that a gain of 26% in five months was good enough to take, especially when the company had just announced results for 2023 when earnings per share were just 16.7p.

However, the company's share price has fallen sharply over the last year as investors came to

the conclusion that the shares were expensive, with a sharp fall in the last month seeing the shares fall from 264p on 24 July to the current price of just 182.2p. The reason for this sharp fall was the company's profit warning released at that time. The shares now stand at the lowest level since 2014 and we believe that this has presented a buying opportunity.

The company followed up its profit warning with its interim results announced on 11 August. These confirmed that revenues in the six months to 30 June were 4% up on last year at £319.5m, although adjusted pre-tax profit fell 17% to £22.0m. Earnings per share on the same basis fell 16% to 6.6p. The main reason for the decline in profitability is the lack of

demand for the group's landscaping products such as paving used in paths, driveways and patios. This has led to profit forecasts for the year being reduced to between £42m and £46m for earnings per share of around 13p.

Although at first glance that does not make the shares seem cheap, we believe that any recovery in the business will quickly flow through to the bottom line. The group is taking action on the landscaping business but both the building and roofing products businesses continue to do well. We believe that the share price is now at an attractive level once more and that investors should use this opportunity to **BUY**.

COST

129.8p BUY

COSTAIN – 129.8P

SECTOR - INDUSTRIAL SUPPORT SERVICES
RECOMMENDATION - BUY

Shares in the infrastructure, consultancy and construction group have fallen sharply on the announcement of the interim results as delays to HS2 have seen a reduction in group revenue for the period. However, although revenues fell by almost 18%, adjusted pre-tax profits only fell by 4.1% with earnings per share on the same basis only declining by 1.7%. The group ended the period with an order book of £5.6bn and is so confident of prospects that it increased the interim dividend by 150%. It also boasted net cash of £144.9m at the end of the period and expects this to increase to around £170m by the end of the year. This would represent almost half of the group's market capitalisation of £344m, or around 64p per share! We believe that the share fall has been overdone and that the shares are a BUY.

Activities

Costain is a consultancy and construction group involved in infrastructure projects around the UK. The business operates in four sectors as follows: - i) Transport (67% of 2024 revenue) – the company works with government transport agencies, local authorities and private regulated bodies. In the Road business, the company works with National Highways on projects such as the A1 upgrade around Newcastle, the widening of the A30 in Cornwall and the M6 Junction 21a–26 smart motorway upgrade. In Rail, the company works with Network Rail and HS2 with contracts to construct the southern section of the latter and working with the former to improve train safety and performance. In Integrated transport, the company works with customers such as airports and ports as well as Transport for London. ii) Water (20% of 2024 revenue) – the company provides a range of services to water companies including water quality assurance and water treatment as well as capital projects such as the design of a new reservoir in Oxfordshire. iii) Defence and Nuclear Energy (9% of 2024 revenue) – the company works with public and private sector organisations in the nuclear sector including the Atomic Weapons Establishment and Babcock whilst it also works with EDF and Sellafield. iv) Energy (4% of 2024 revenue) – this works for companies including BP, INEOS FPS and Dana Petroleum in areas such as energy transition (hydrogen and carbon capture) and energy connectivity (gas and electricity networks).

Financial

In the group's last financial year, to 31 December 2024, revenues declined to £1.25bn (2023: £1.33bn) due to a reduction in revenues in the Transport business as certain projects were completed and others were delayed. Nevertheless, the group reported an increase in adjusted operating profit for the fourth year in a row due to an increase in operating margins. All the other divisions reported an increase in revenues. Adjusted pre-tax profits increased by 9.7% to £48.5m (2023: £44.2m) with adjusted earnings per share up by 19.7% to 14.6p (2023: 12.2p). The larger increase in the latter was due to the fact that there was a lower tax charge in 2024 and a reduction in the number of shares in issue. As a sign of the group's confidence in the future the dividend per share for the year was doubled to 2.4p (2023: 1.2p). The group ended the year with a net cash balance of £158.5m (2023: £164.4m) and this was after spending £10m on a share buyback programme during the year. At the year end the group had a forward order book of £5.4bn (2023: £3.9bn).

The group recently released its interim results for the six-month period to 30 June. The period saw a reduction in revenues to £525.4m (2024: £639.3m) with revenues from the Transport business down again due

to the completion of road projects as expected, but also due to the rephasing of the work schedule on HS2. This had not been expected, and the result was a sharp fall in the share price. However, the group increased its operating margin once again due to an increase in higher margin work and this is expected to increase further in the second half of the year. Adjusted operating profit therefore increased to £16.8m (2024: £16.3m) and this resulted in adjusted pre-tax profits falling by only 4.1% to £18.6m (2024: £19.4m). Earnings per share on the same basis emerged at 5.5p (2024: 5.6p) and the interim dividend was increased to 1.0p per share (2024: 0.4p). The company ended the period with net cash of £144.9m, whilst the order book has increased yet again to £5.6bn.

Outlook

The company is continuing to make very solid progress as is demonstrated by the increase in the order book to £5.6bn, which represents over four times last year's revenue. The company expects the order book to increase further, helped by increases in infrastructure spending announced by the UK Government. An important feature of this is the better quality of contracts being won which are resulting in improved margins. The company increased its operating margin in the first half of the year to 3.2% (2024: 2.5%) and this is expected to increase in the second half so that by the end of the year the operating margin run rate is up to 4.5%.

The company operates in growing markets and continues to add new customers with further new contracts expected to be announced in the second half of the year. Infrastructure investment is increasing significantly, and the UK Government is committed to this with its 10-year infrastructure strategy whilst regulated expenditure in water, energy and aviation will all support the group's growth ambitions.

The company's share price has dropped back from 170p on 12 August on concerns over the delays to work on HS2. However, the company is increasing its level of higher margin consultancy work and the other divisions at the group are continuing to grow. The company has significant net cash and this is expected to increase to £170m by the end of the year and this is after the £10m share buyback announced in June which has now been completed. The shares stand on a modest p/e ratio of just 8.8x for 2025 and we believe this is too low. With profits and earnings set to increase going forward, we believe a 2025 p/e ratio of 12x can be justified and this gives a share price target of 176p. The shares are a BUY.



	Year Ending 31 December	Turnover (£bn)	Adjusted Pre-Tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 129.8p	2023	1.33	44.2	12.2	10.6	1.2	0.9
Market Capitalisation: £344m	2024	1.25	48.5	14.6	8.9	2.4	1.8
2024/25 Share Price Range: 170p/61p	2025 (est)	1.15	49.0	14.7	8.8	2.8	2.2
Website: www.costain.com							

Aggressive Growth Portfolio IX

It is disappointing to report that the value of the Aggressive Growth Portfolio has fallen again, following last month's decline. The fall of 1.7% is more than last month's fall of 0.9%, but the two previous months saw increases in value of 15% and 9% respectively and so the declines are small in comparison.

It is somewhat frustrating that we have had to sell two holdings from the Portfolio this month as they have fallen to the stop-loss limit. Firstly, we have had to dispose of our holding of 1,075 **Watches of Switzerland** at 325p. This has raised net proceeds of £3,459 for a loss of £425. We have then also had to sell 1,500 **B&M European Value Retail** at 220p -this has raised £3,267 for a loss £942. Both of these share prices have already moved back above the selling price to add to our frustration! We are now setting the stop-loss limits a bit further away from the original purchase price to try and prevent situations like this.

There has not been any real stand out performance this month although shares in **Card Factory** have risen by over 19% since being tipped last month. The rest of the portfolio has been relatively static although both **Luceco** (down 13.8%) and **Tandem Group** (down 10.7%) have fallen by over 10%. In our view these shares are now firmly back in buying territory.

It has been a quiet month for the portfolio in terms of company announcements with these only being made by **Stelrad** and **Card Factory**. These are covered in News Highlights or on the website as usual.

Dividends were received during the month from **B&M European Value Retail** (£146) and **Vertu Motors** (£81) and following the investment into the two main features this month there is £2,961 on deposit pending investment.

Performance summary					
	26 August 2025	22 July 2025	Gain/(Loss) %		
Portfolio Value	£59,020	£60,036	(1.7)		
FTSE 100 Share Index	9,265.80	9,023.81	2.7		
FTSE All Share Index	5,017.13	4,905.37	2.3		
FTSE AIM All Share Index	765.11	770.14	(0.7)		

Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,500 Ramsdens Holdings*	190	2,878	327.5	4,913	300
2,500 Supreme	162	4,091	182.5	4,563	165
2,625 Luceco	133	3,543	120	3,150	110
7,000 Vertu Motors	53.3	3,768	59.8	4,186	55
2,250 Tandem Group	185	4,204	192.5	4,331	140
2,500 Kier Group	120.4	3,055	195.2	4,880	150
7,500 Smiths News	54	4,110	56.6	4,245	48
600 Future	696.5	4,242	762.5	4,575	550
2,500 Stelrad Group	142	3,586	168	4,200	120
5,000 Card Factory	88	4,466	105	5,250	68
12,500 Speedy Hire	29.2	3,704	29.5	3,688	22
3,300 Costain Group	129.8	4,347	129.8	4,283	100
2,875 Rank Group	132	3,852	132	3,795	105
£2,961 Cash				2,961	
TOTAL				£59,020	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £2,298. *after part disposal

RNK

132p

RANK GROUP

SECTOR - TRAVEL & LEISURE

RECOMMENDATION - BUY

Shares in the gaming and leisure group have fallen back following the announcement of the full year results to 30 June. This is despite the fact that revenues and adjusted pre-tax profits have both risen and the company has increased its net cash balances before leases. The company will benefit from casino reforms which were introduced last month as these will allow the group to significantly increase the number of gaming machines in its casinos with a material impact on profits. We believe the operational gearing at the group will mean profits increase significantly over the next two or three years.

Rank Group is a leading gaming group which operates through venues as well as online. The venues business comprises Grosvenor Casinos, the UK's largest casino operator with 51 venues and these offer a range of casino games as well as electronic roulette and gaming machines. The casinos also operate bars and restaurants. The business also operates Mecca, a national portfolio of 52 venues offering bingo, gaming machines, food and drink and live entertainment. It also has a small business in Spain which operates nine venues similar to Mecca. The online business comprises over 80 brands covering casino, bingo, slots and sports betting.

In the year to 30 June, the company increased revenues to £795m with adjusted pre-tax profits rising to £51.4m for earnings per share on the same basis of 9.1p. The dividend was increased to 2.60p per share. These were very encouraging results and net cash excluding lease liabilities rose to £45.4m (2024: £20.9m).

The reforms to land-based casinos announced last month are set to be a game changer for the group as it will allow more gaming machines in each venue. There are currently just under 1,400 machines installed but the group expects to increase this by another 850 machines over the next two/three years. The group also expects gaming revenue at the casinos to increase helped by improvements in product offering and customer experience. The current share price does not seem to reflect this. **BUY**.

	Year Ending 30 June	Turnover (£m)	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
Share Price: 132p	2024	735	33.5	5.9	22.4	0.85	0.6
Market Capitalisation: £618m	2025)	795	51.4	9.1	14.5	2.60	2.0
2024/25 Share Price Range: 161p/65p	2026 (est)	845	58.0	10.2	12.9	3.00	2.3
Website: www.rank.com							

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.

Ashtead Technology Holdings – 366.5p

The subsea technology group has announced interim results for the six months to 30 June with revenue rising 23.2% to £99.1m helped by the acquisition of Seatronics and J2 Subsea last November. Adjusted pre-tax profit for the period rose by 10% to £21.6m (2024: £19.6m) and adjusted earnings per share rose to 21.9p (2024: 19.1p) – as usual, no interim dividend was declared. These figures are reassuring following last month's profit warning which caused the share price to slump. Net debt at the end of the period was £131.9m which was higher than last year due to the acquisition made last November. This is expected to reduce going forward. We believe that the company should make full year adjusted pre-tax profits of £48m for earnings per share of 44.3p – a slight reduction on our previous forecast. The company has confirmed that it expects to move off AIM to the main market on the LSE in October and this may attract more investors. Four directors have bought a total of over 46,000 shares following the results and we continue to recommend them as a **BUY**.

Stelrad – 168p

In the six months to 30 June, revenues at the specialist radiator group declined to £136.5m (2024 £143.1m) due to challenging market conditions. Subdued demand in both new build and RMI (Repair, Maintenance and Improvement) markets saw volumes decline, although this was offset to a degree by an increase in the average size of radiators supplied. Adjusted pre-tax profit therefore rose to £8.2m (2024: £8.1m) with earnings per share rising to 6.41p (2024: 6.34p) and the interim dividend was increased to 3.04p per share (2024: 2.98p). Net debt was little changed at £64.8m. We believe the company is on track to make adjusted pre-tax profits for the year of £26.0m for earnings per share of 14.1p. We tipped the shares in May at 142p with

a share price target of 197p and we maintain our recommendation of **BUY**.

Card Factory – 105p

The company has acquired funkypigeon.com from WH Smith for cash consideration of £24m. The company is an established online business selling personalised greeting cards and gifts and its purchase will significantly enhance the group's online offering which is currently cardfactory.co.uk. Once the deal completes the group will be the second largest online card and attached gift retailer in the UK. The group will be in a unique position in the UK market as it can combine its high street presence with its online offering to drive further growth whilst there will also be operational synergies to benefit the group. The group has also confirmed that trading is in line with expectations although second half weighted as last year. The interim results will show a reduction in profits due to bringing forward the timing of a new point of sale system into the first half but the overall profits for the year should be in line with expectations. This looks an excellent acquisition for the group as it seriously expands its online offering. We expect adjusted pre-tax profits for the year to 31 January 2026 to be £70.6m for earnings per share on the same basis of 15.3p. The shares are a **BUY** with a share price target of 153p!

Abingdon Health – 6p

The AIM-listed developer, manufacturer and provider for rapid tests and med-tech has provided a trading update for the year to 30 June 2025. This has confirmed that revenues for the year are in line with expectations at £8.6m (2024: £6.1m) with further significant revenue growth expected in the new financial year. The group has won a number of new contracts during the financial year with one worth \$2m for tests for sexually transmitted diseases, whilst it has also won contracts for diagnostic testing with a European biotech company and the development of a lateral flow point of care test for a global pharmaceutical company. The company ended the year with net cash of £1.9m and the company expects to become cash-flow positive in the calendar year 2026. Although the company remains

loss-making given the early stage of its development, we believe that at the current level the shares are a **SPECULATIVE BUY**.

Flowtech Fluidpower – 55.5p

The AIM-listed specialist provider of hydraulic, pneumatic and process products has announced a trading update covering the six months to 30 June and revenue for the period was 2.1% above last year at £56.9m although the increase is down to acquisitions – on a like-for-like basis, revenues were actually down by 11.8%. Although the market was challenging during the period, a much better performance was seen in June. The period saw an improvement in gross margins and close control of costs and so profits for the period are in line with expectations. The group has continued to win new contracts and a better second half is expected. The recent acquisitions are trading well and we therefore expect adjusted pre-tax profits for the year of £3.4m for earnings per share of 4.4p with further growth expected in 2026. Given these prospects we maintain our recommendation of **BUY**.



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