cityconfidential

sorting the bulls from the bears

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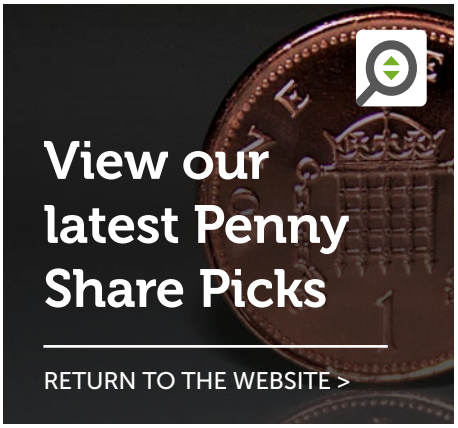


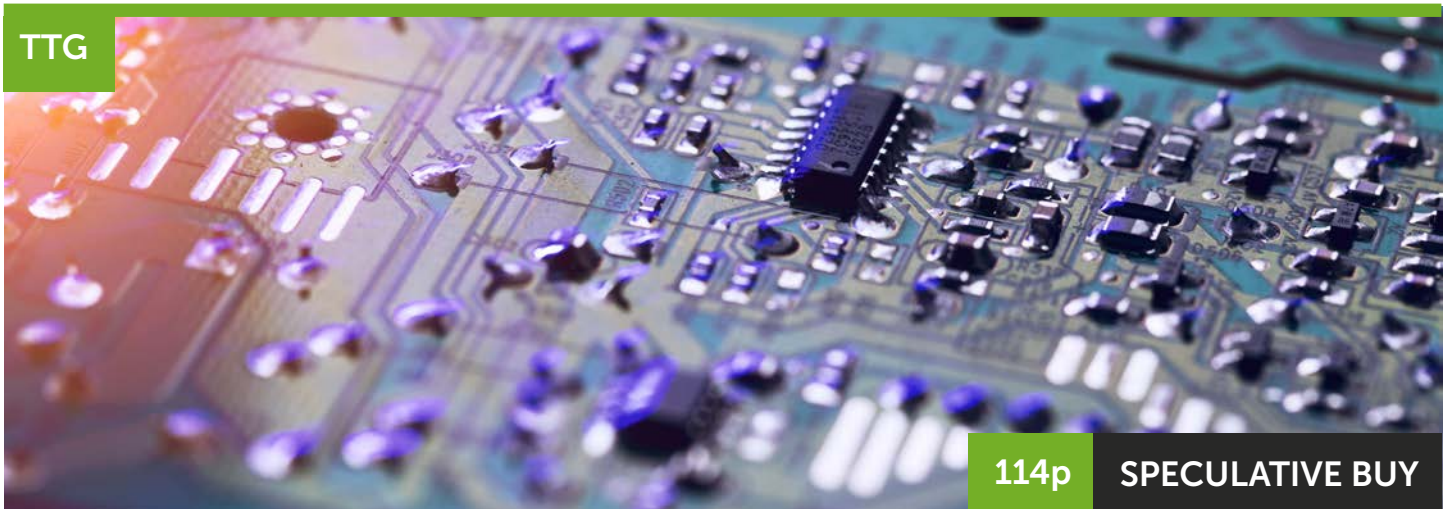
Go with the Flow!

Shares in the AIM-listed Flowtech Fluidpower (49.65p) have fallen back to their lowest level since 2020 over recent weeks having been 75.5p towards the end of September. Although trading conditions at the company have been challenging for much of 2025, as highlighted by the first half results, the second half of the year is expected to produce an improved performance helped by the group's self-help initiatives and an improving order book.

The company is the largest supplier of fluid power products, systems and solutions in the UK, Ireland and Benelux. Products supplied include pumps, tubing, hoses, piping components and motors. Last year the company endured difficult trading conditions and these persisted in the first half of 2025 although these have been mitigated to a degree due to the acquisitions made by the group.

In the six months to 30 June, revenues therefore increased to £56.9m (2024: £55.7m) with adjusted pre-tax profits declining to £0.69m (2024: £2.00m). Trading was difficult in March and April although there was a better performance in June and this has continued into the second half with the group's order book 25% higher than at the start of the year. This includes a number of new, higher value contracts. Gross profit margins have increased and the group has successfully integrated its recent acquisitions which are all making a positive contribution to the group. A new website was launched in July and this will prove of benefit in the second half of this year and into the future.

For the year as a whole we believe that the company can achieve adjusted pre-tax profits of £3.4m for earnings per share of 4.4p. We would also expect further progress in 2026. The share price has fallen by around 35% in under three months for no apparent reason other than a lack of newsflow which has meant that the shares have dropped out of favour. There should be a trading update in January which will provide some news that will hopefully generate some interest in the shares. We believe that a prospective p/e ratio of just 11.3x, falling sharply next year, is too low and the shares are a BUY.



Watch this space

Readers looking for some short-term excitement should take a look at TT Electronics (114p) following the recent developments at the group. In what is a pretty unusual situation, the company has received a takeover approach from the Swiss company Cicor worth 150p per share in cash and this has been recommended by the Board. However, the group's largest shareholder DBay Advisors, which owns 24.5% of the company, plans to vote against the recommended offer which needs 75% acceptances to succeed. The bid therefore looks set to fail and the share price has tanked. What happens next remains to be seen although we do not believe that TT will remain independent for long. Whether a renewed and increased bid comes from Cicor or from somewhere else, we think the shares have some short-term upside.

The TT takeover story started in November last year when TT rejected a takeover approach from Volex worth 135.5p per share. At the same time, the company confirmed that it had also rejected an all cash offer at a higher price from an unnamed bidder. The share price of TT then fell back from the 120.5p level reached in December as one would expect after the bid talks stalled, but this was exacerbated by poor trading at the group with profits falling back.

On 30 October, the company announced a recommended offer for the company from Cicor, worth 155p per share in a mixture of cash and new Cicor shares. TT also announced that it had received three proposals from DBay offering to take over the company with the highest bid worth 130p per share in cash. These proposals were highly conditional and were rejected.

Last month, Cicor amended the terms of its offer following a fall in its share price so that this is now worth 150p per share in cash. Last week DBay said it may bid for the company again, but was given until 15 December by the Takeover Panel to make such an offer and has now walked away. Under City rules, it cannot bid again for six months unless another bid emerges, although it is possible it could change its mind and accept the Cicor offer. Whatever happens, it seems likely that shares in TT could rise even if only on speculation about another bid and we rate them a SPECULATIVE BUY.

ONE HEALTH GROUP – 251P

SECTOR - AIM - HEALTH CARE PROVIDERS
RECOMMENDATION - BUY

With the National Health Service seemingly always in the headlines, usually for the wrong reasons, it may pay investors to take a look at One Health Group. The company is a provider of healthcare services to the public, working in collaboration with the NHS to provide fast, free and local care for NHS patients in orthopaedics, spinal, general surgery, gynaecology and urology. The company joined AIM in March 2025, but has already established itself as a profitable and growing business. Given the problems in the NHS, it is clear that the company operates in a growing market, thus providing scope for significant expansion going forward. The group has a strong balance sheet which will facilitate future growth and overall prospects look very sound.

Activities

One Health Group is a Sheffield-based group that was founded by the current chairman in 2004. The company is an independent provider of clinical care services which give patients local access to NHS-funded procedures through 'Patient Choice'. This gives patients a statutory right to select One Health as their provider of care with all treatment provided free of charge and paid for by the NHS. The NHS e-Referral service allows NHS patients to choose their provider of care from a selection of NHS and independent sector providers as well as the time, date and clinic location. The referral is made by the patient's GP. The company utilises the services of over 130 surgeons and anaesthetists, mostly employed by the NHS, on a subcontracted basis through a network of 12 independent hospitals and 40 outreach clinics. By utilising community-based outreach clinics, patients only have to travel locally, thus reducing any inconvenience and appointment waiting times are much less. The NHS pays for all the treatment provided to the patient and the payment is the same whether it is to an NHS hospital or an independent provider. The price of the individual treatment is called the NHS Tariff. A typical hip replacement costs around £7,500 and this would be paid to One Health who then pay the anaesthetist, surgeon and hospital for the use of its facilities.

The company's activities are focused on areas where NHS patient needs are under-supplied by the local NHS service, population density is relatively high and there are low levels of private health insurance or ability to 'self-pay'. Thus, the company's activities are focused on Yorkshire, Lincolnshire and the East Midlands. The company's main areas of operation are orthopaedics, spine, general surgery and gynaecology with urology introduced more recently. Spine and orthopaedics are particularly attractive areas given the ageing population, and with more cases of obesity, and knee and hip replacements are common procedures.

In the year to 31 March 2025, the company provided care to over 17,000 new patients, through over 42,000 consultations and over 7,000 surgical procedures. The company is now part of the local NHS supply chain and a new agreement was struck between the NHS and the independent sector in January 2025 to help tackle waiting lists and give patients greater choice.

Financial

The company has recently announced its interim results for the six months to 30 September and these have shown continued growth in line with expectations. Revenues for the period increased by 18% to £15.6m (2024: £13.3m) with adjusted pre-tax profits increasing by 43% to £1.28m (2024: £0.89m). Earnings per share on the same basis fell by 8% to 6.89p (2024: 7.46p) due to a 43% increase in the number of shares in issue following the IPO on AIM in March 2025. The interim dividend was increased by 1% to 2.10p (2024: 2.07p). At the end of the period the group had net cash of £10.9m (2024: £4.9m) although this was after the group received net proceeds of £5.6m from the IPO and the purchase of land for the group's first surgical hub.

The period saw growth in all the financial and operational key performance indicators with new NHS patient referrals rising by 16% to 9,111 (2024: 7,857), and the number of consultations increasing by 22% to 23,927 (2024: 19,674). These consultations resulted in 4,009 surgical procedures, a 17% rise over the 3,427 in the same period a year earlier. Since January 2025, 22 additional NHS consultants have been onboarded taking the number to 80 (excluding anaesthetists) whilst the number of outreach clinics has risen to 40 (2024: 37) and the number of surgical operating facilities has risen to 12 (2024: 10).

In September, the group completed the purchase of the land in Scunthorpe for its first surgical hub and a contractor has been appointed to project manage the build. It is expected that the hub will take one year to build at a total cost including land of between £8m and £9m. The company has sufficient cash to fund the hub and initially this should generate some £6m of revenue per annum. The company expects gross margins of 30% from the hub operations compared with 20% in the first half of the year as it does not have to make any payment to third party hospital operators.

Outlook

The company is well-placed to benefit from the issues facing the NHS with waiting lists still very high standing at 7.4m at the end of October. Industrial action by NHS staff and the usual pressure on services in the winter are only likely to increase the numbers of patients waiting to be seen thus increasing demand for the services offered by the group and One Health is recognised as a fundamental part of the local NHS supply chain.

The company is seeing impressive organic growth, increasing the number of consultants it uses and securing additional surgical capacity in independent hospitals. The group's first surgical hub will increase capacity at a higher margin and two other hub locations have been identified for the future. The group believes that revenues could increase to £80m in the medium term once the hub programme gains some momentum and this demonstrates the potential at the group. Our financial forecasts in the table below do not take into account any contribution from the hub at Scunthorpe and so there is scope for these to increase significantly in future. We therefore rate the shares as a BUY.

Share Price: 251p
Market Capitalisation: £34.5m
2025 Share Price Range: 269p/172p
Website: www.onehealth.co.uk

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	28.4	1.9	13.7	18.3	6.2	2.5
2026 (est)	31.2	2.3	12.4	20.2	6.3	2.5
2027 (est)	33.5	2.5	13.5	18.6	6.4	2.5

Aggressive Growth Portfolio IX

There has been a modest rise in the value of the portfolio over the last month, although the portfolio has underperformed all the main indices as can be seen from the table below. The modest rise of just 0.2% over the month takes the increase in value since last December to 10.2%. This compares with increases in the FTSE 100 Share Index of 17.0%; the FTSE All Share Index of 15.3% and the FTSE AIM All-Share Index of 1.6%. Given the fact many of the holdings are on AIM, it is not surprising that we have therefore underperformed the other indices on the main market. Hopefully there will be a better performance from AIM stocks in 2026!

The best performing share over the month was McBride which rose by 27.8%, with the worst performer being Card Factory which fell by 36.5%. This was due to a poor trading statement covered in News Highlights.

The only other share which moved by over 10% was SDI Group, which we tipped last month, and which rose by 10.2%.

Unfortunately, we lost two holdings where the share price fell through the stop-loss limit. We therefore sold our holding of 600 Future at 550p for net proceeds of £3,297 and a loss of £945 and the holding of 2,875 Rank Group at 105p for net proceeds of £2,989 and a loss of £863.

It has been a relatively quiet month for the portfolio in terms of company announcements and, apart from Card Factory, these were made by Smiths News, Future, Speedy Hire, McBride, Mears Group, Jet2 and SDI Group. These are covered in News Highlights or on the website as usual.

Dividends were received during the month from Card Factory (£65) and McBride (£92) and following the investment into the two main features this month there is £1,361 on deposit pending investment.

Performance summary

	16 December 2025	18 November 2025	Gain/(Loss) %
Portfolio Value	£57,395	£57,253	0.2
FTSE 100 Share Index	9,684.79	9,552.30	1.4
FTSE All Share Index	5,220.98	5,140.62	1.6
FTSE AIM All Share Index	749.41	734.47	2.0

	Security	Buying Price (p)	Total Cost (£)	Current Price (p)	Value (£)	Stop-Loss Limit (p)
1,500	Ramsdens Holdings*	190	2,878	355	5,325	300
2,625	Luceco	133	3,543	130	3,413	110
2,250	Tandem Group	185	4,204	173.5	3,904	140
7,500	Smiths News	54	4,110	71	5,325	48
2,500	Stelrad Group	142	3,586	143.5	3,588	120
5,000	Card Factory	88	4,466	70.1	3,505	68
12,500	Speedy Hire	29.2	3,704	25.15	3,144	22
3,075	McBride	123.4	3,852	139	4,274	97
1,000	Mears Group	312	3,167	365	3,650	275
5,500	Reach	60.2	3,361	54.2	2,981	48
250	Jet2	1310	3,308	1383	3,458	1100
2,000	ME Group International	156.4	3,175	157.8	3,156	125
4,500	SDI Group	68.5	3,114	75.5	3,398	54
1,400	One Health Group	251	3,549	251	3,514	200
6,500	Carclo	52.3	3,450	52.3	3,399	41
£1,361	Cash				1,361	
				TOTAL	£57,395	

Start date: 9 January 2024 with £50,000. Cash includes dividends received of £3,052. *after part disposal

SDI

52.3p

CARCLO

SECTOR - GENERAL INDUSTRIALS

RECOMMENDATION - BUY

We tipped shares in Carclo a year ago at 27.4p when we rated them a speculative buy and since then they have been as high as 80p. Since reaching this level at the end of October, the shares have fallen back sharply despite announcing very encouraging interim results on 21 November. After years of struggle, the company now seems to be on the growth path with much improved prospects and a more stable financial footing with the pension deficit under control and a refinancing of group debt being significant. With further significant progress expected going forward we believe the shares are a BUY.

Carclo is a global precision engineering group manufacturing and supplying components into a number of sectors, notably life sciences, aerospace and optics. It operates through two divisions, Carclo Technical Plastics (CTP) and the Speciality Division. The former is much the larger and has manufacturing sites in the Americas, EMEA and APAC supplying components for various products including inhaler systems, auto injection pens, pipettes, ATMs, lighting control systems and the electronics industry. The Speciality division manufactures cable assemblies for the aerospace industry and infrared lenses for use in motion detectors and cameras as well as other products.

In the six months to 30 September, revenue fell to £57.2m (2024: £61.0m) due to lower activity in the US, but an increase in margins led to adjusted pre-tax profits rising to £1.8m (2024: £0.84m). Earnings per share on the same basis were 0.9p (2024: 0.6p) and there was no dividend. Net debt at the period end had risen to £24.5m from £19.2m, but this was largely due to a £5.1m one-off payment to the pension scheme.

The group expects to see a recovery in revenues in the second half, with margins continuing to improve and further strong cash flow. The group has agreed a plan to fund the pension deficit over the next few years which has removed some uncertainty whilst it has also refinanced its borrowings. The group is focusing on increasing its exposure to the life sciences sector and on growth in the aerospace activities. The company has made significant progress over recent years and whilst there is a lot of work still to do we believe the shares look good value.

Share Price: 52.3p
Market Capitalisation: £38.4m
2024/25 Share Price Range: 80p/7p
Website: www.carclo.co.uk

Year Ending 31 March	Turnover (£m)	Adjusted Pre-tax Profit (£m)	Adjusted Earnings Per Share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2024	132.7	0.97	1.0	52.3	-	-
2025	121.2	4.91	4.3	12.2	-	-
2026 (est)	120.0	5.00	4.7	11.1	-	-

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.

Jet2 – 1383p

In the six month period to 30 September the group generated revenues of £5.34bn (2024: £5.08bn) and adjusted pre-tax profits of £780m (2024: £772m). Earnings per share rose to 300.4p (2024: 279.3p) and the interim dividend was raised to 4.5p per share (2024: 4.4p). Net cash at the end of the period was £2.08bn (2024: £2.26bn). These were record results for the group and the group has announced a share buyback of £100m. As usual the group will lose money over the winter months, although the opening of a new base at Gatwick in the Spring will open a new stream of revenue for future years. The company expects full year figures to be in line with expectations, and we therefore maintain our pre-tax profit forecast forecast of £550m for earnings per share of 202p. On a relatively modest p/e ratio and with a strong balance sheet the shares are a BUY.

SDI Group – 75.5p

In the six months to 31 October, the group reported that revenues were 10% higher than the same period in 2024 at £34.0m, with adjusted pre-tax profit rising by 21.7% to £3.8m. Diluted earnings per share on the same basis rose by 16.8% to 2.77p. At the end of the period, the group had net debt of £18.0m, up from £13.8m at 30 April, although it spent £4.8m on the acquisition of Severn Thermal Solutions during the period. The group has won significant contracts for delivery in the second half of the financial year and although trading conditions are not expected to improve the group is confident of meeting full-year expectations. We continue to expect adjusted pre-tax profits of £9.8m for earnings per share of 7.1p. The shares remain a BUY.

Mears Group – 365p

A trading statement covering the year to 31 December has revealed that the results for the year are going to be at the top end of expectations and we have increased our pre-tax profit forecast to £60m for earnings per share of 48.5p. This puts the shares on a modest p/e ratio of just 7.5x. Although next year is expected to see lower levels of profitability as the business dealing with asylum seekers falls away, we still expect adjusted pre-tax profits of £52m for earnings per share of 42p. With a net dividend of 17p per share expected for 2025, the shares are also on a dividend yield of 4.7%. The company will also boast net cash at the year end. Although the shares have risen since we tipped them, they remain good value and we continue to rate them as a BUY.

Card Factory – 70.1p

Lower footfall on the high street has led to poor trading at the company, with adjusted pre-tax profits for the year to 31 January 2026 now expected to be between £55m and £60m as opposed to previous forecasts of £70.6m. Assuming the lower end of the range then earnings per share should be around 12p. However, although this is clearly bad news for the company, the performances of the group's other businesses including those in North America and the Republic of Ireland have been in line with expectations. The integration of Funky Pigeon, the online business acquired from WH Smith, also remains on track. On a revised p/e ratio of just under 6x for the current financial year we think the shares have significant recovery potential. Directors have bought over 92,000 shares since the statement and we rate the shares a BUY.

Future – 527p

In the year to 30 September revenues fell 6% to £739.2m with adjusted pre-tax profit falling to £175.4m from £191.7m in the previous year. Earnings per share on the same basis declined to 124.2p (2024: 124.6p), with the lower rate of decline due to a fall in the number of shares in issue following share buybacks. The group remains strongly cash generative and despite returning £99.5m to shareholders during the year, net debt only increased to £276.4m (2024: £256.5m). The group has announced an additional share buyback programme of £30m and increased the dividend fivefold to 17p per share. The group expects modest revenue growth in the new financial year and with operating margins expected to be stable, adjusted pre-tax profits should increase slightly. Four directors have bought shares since the results and a prospective p/e ratio of just over 4.2x makes the shares look cheap, especially given the strong cash flow at the group. We maintain our recommendation of BUY.

Speedy Hire – 25.15p

In the six months to 30 September revenues were little changed over the prior year at £205.2m with the group making an adjusted pre-tax loss of £7.2m against a profit of £0.4m a year earlier, due to increases in the National Living Wage and National Insurance. There was lower demand for the group's products as customers delayed projects due to the uncertainty caused by the Budget. Net debt at the end of the period was £118.9m, up from £113.1m at 31 March. The group declared an interim dividend of 0.3p, down from 0.8p, as the company has rebased the dividend following the transformational deal with HSS Hire announced a couple of months ago. Following these results, we have slightly reduced our forecasts for the year to 31 March and now expect adjusted pre-tax profits of £16m for earnings per share of 2.6p, although the following year could see these figures increase to £28m and 4.6p. The shares are a BUY.

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