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IC COMMENT

A diversified industrial services group and brownfield land developer has upgraded guidance four times since April, hiked the annual dividend fourfold and could release further substantial hidden value for shareholders

One stockpicking technique I deploy is to target well-funded companies priced below the intrinsic value of their assets and offering realistic catalysts to narrow the share price discount. An improvement in trading conditions is the most likely one.

Hargreaves Services (HSP:480p), a diversified industrial services group and brownfield land developer, is a good example. The group released an unscheduled trading update a week before its latest annual results, which prompted joint house broker Investec to upgrade its pre-tax profit estimate by 17 per cent.

It was the fourth upgrade since April when analysts had expected pre-tax profits to rise from £4.9m to £7m in the 12 months to 31 May 2021. Hargreaves has reported underlying pre-tax profits of £21.2m and more than trebled adjusted earnings per share (EPS) to 70.7p.

The group has also turned a net debt position of £28m into net cash of £16.5m (51p a share) in the past 12 months to de-risk the investment case and enable the board to quadruple the annual dividend to 19.2p a share. For good measure, the directors are now considering realising value from the group's German metals trading subsidiary, HRMS. The business could sell for a material premium to book value. The rerating is far from over. ●