

## AlphaScreens: the might of momentum

19 June 2025

### Acquisition strategies and share price momentum

*Our latest momentum screens highlight one ambitious acquisition and another UK company switching its focus from buying businesses to paying dividends.*

Top of the Alpha earnings upgrade momentum screen for UK mid-caps is pre-packed food-to-go company **Greencore (GNC)**, which supplies sandwiches and salads to supermarkets. The company reported healthy growth in operating profit at its half-year stage, but the big recent news is the [proposed £1.2bn cash and shares offer](#) for **Bakkavor (BAKK)**, which also supplies supermarkets but with more of a focus on heat at home type foods.

Both stocks make our screen (it's not unusual for the company being bought to see share price momentum), but it is interesting to see the company making the bid topping our screen. FactSet data shows the Greencore share price is up by a fifth in three months and analysts' expectations for the company's current unreported year earnings are a third higher than they were a year ago, with the consensus now for year-to-year earnings growth to be 25 per cent higher. We can take this as a sign the market likes the proposed takeover and sees the move as being earnings-accretive if it is approved by regulators.

Our UK large-cap momentum screen is topped by a company that has been slowing down its growth by acquisition strategy and focusing on returning cash to shareholders. **Phoenix Group (PHNX)** has largely followed a model of [acquiring life insurance books](#), but now is in a position to generate more cash from new business, which frees up the cash run-off from acquired heritage insurance books to pay dividends.

The US screen this month throws up a mix of themes. The latest heavily hyped stock is **Palantir Technologies (US:PLTR)**, which delivers AI-automated decision-making solutions for a range of industries. Its defence applications have pushed it even more to the forefront amid the intense period of geopolitical strife. Also ranking highly is **Amphenol (US:APH)**, which makes fibre optic connectors and cable with products that have widespread applications, including defence.

One company UK investors may not have heard of, but which has been on a tear (shares up 48 per cent in three months), is **Seagate Technology Holdings (US:STX)**. It provides data storage solutions, which is an interesting area of growth. The shares are still rated on just 13.5x next 12-months' earnings estimates, which is cheap for our momentum screen. That's a sign to do further research and not buy in right away, but it is a growth story to examine.

## Alpha UK large-cap momentum selection (passing at least 6 out of 7 tests)

| Name             | Ticker | Share price (last close) | Mkt cap (£mn) | Fwd 12-mth PE | Trailing 12-mth DY (%) | Next yr 12-mth EPS upgrade (%) | Fwd EPS grwth current FY (%) | Fwd EPS grwth next FY (%) | 3-mth share price mom. (%) | Net cash (£mn) | Tests passed (out of 7) | Tests failed        |
|------------------|--------|--------------------------|---------------|---------------|------------------------|--------------------------------|------------------------------|---------------------------|----------------------------|----------------|-------------------------|---------------------|
| Phoenix          | PHNX   | 661.5                    | 6636          | 10.7          | 8.2%                   | 12%                            | 24.9%                        | 19.4%                     | 13%                        | -              | 7                       | na                  |
| Rolls-Royce      | RR     | 891                      | 75373         | 33.3          | 0.7%                   | 39%                            | 20.0%                        | 21.3%                     | 10%                        | -10979.0       | 7                       | na                  |
| Fresnillo        | FRES   | 1447                     | 10663         | 18.4          | 1.7%                   | 134%                           | 178.8%                       | -2.9%                     | 52%                        | 742.0          | 6                       | />10% EPSgrth FY+2/ |
| United Utilities | UU     | 1171                     | 7985          | 11.6          | 4.4%                   | 24%                            | 98.2%                        | 11.5%                     | 19%                        | 596.7          | 6                       | /1yrMom/            |
| NatWest          | NWG    | 521.6                    | 42210         | 8.5           | 4.1%                   | 30%                            | 7.1%                         | 13.3%                     | 12%                        | -              | 6                       | />10% EPSgrth FY+1/ |

Source: FactSet, Investors' Chronicle

## Alpha UK mid-cap momentum selection (passing at least 6 out of 7 tests)

| Name                   | Ticker | Share price (last close) | Mkt cap (£mn) | Fwd 12-mth PE | Trailing 12-mth DY (%) | Next yr 12-mth EPS upgrade (%) | Fwd EPS grwth current FY (%) | Fwd EPS grwth next FY (%) | 3-mth share price mom. (%) | Net cash (£mn) | Tests passed (out of 7) | Tests failed        |
|------------------------|--------|--------------------------|---------------|---------------|------------------------|--------------------------------|------------------------------|---------------------------|----------------------------|----------------|-------------------------|---------------------|
| Greencore              | GNC    | 226                      | 998           | 13.4          | 0.9%                   | 34%                            | 24.5%                        | 11.7%                     | 21%                        | -450.8         | 7                       | na                  |
| On The Beach           | OTB    | 265                      | 415           | 12.4          | 1.2%                   | 12%                            | 34.8%                        | 20.1%                     | 14%                        | -75.6          | 7                       | na                  |
| Morgan Sindall         | MGNS   | 4365                     | 2096          | 13.9          | 3.0%                   | 22%                            | 16.1%                        | -5.9%                     | 48%                        | -856.0         | 6                       | />10% EPSgrth FY+2/ |
| Seplat Energy          | SEPL   | 250                      | 1471          | 8.7           | 4.5%                   | 32%                            | -3.9%                        | 98.1%                     | 43%                        | -875.0         | 6                       | />10% EPSgrth FY+1/ |
| Babcock                | BAB    | 1061                     | 5364          | 20.0          | 0.5%                   | 14%                            | 60.6%                        | 7.1%                      | 42%                        | -1306.2        | 6                       | />10% EPSgrth FY+2/ |
| Bakkavor               | BAKK   | 218                      | 1263          | 16.8          | 3.7%                   | 12%                            | -0.4%                        | 13.1%                     | 36%                        | -504.5         | 6                       | />10% EPSgrth FY+1/ |
| Metro Bank             | MTRO   | 127.4                    | 857           | 11.7          | 0.0%                   | 11%                            | -                            | 112.1%                    | 41%                        | -              | 6                       | />10% EPSgrth FY+1/ |
| Moonpig                | MOON   | 244.5                    | 809           | 15.3          | 0.4%                   | 15%                            | 11.0%                        | 14.0%                     | 25%                        | -100.7         | 6                       | /1mthMom/           |
| PPHE Hotel Group       | PPH    | 1560                     | 653           | 11.4          | 2.4%                   | 42%                            | 21.0%                        | 26.6%                     | 21%                        | -37.6          | 6                       | /1yrMom/            |
| Pinewood Tech.         | PINE   | 448.5                    | 451           | 37.5          | 0.0%                   | 6%                             | 72.2%                        | 78.3%                     | 33%                        | -10.1          | 6                       | /1yrMom/            |
| Galliford Try          | GFRD   | 417.5                    | 424           | 13.3          | 4.1%                   | 20%                            | 11.2%                        | 5.7%                      | 19%                        | -438.9         | 6                       | />10% EPSgrth FY+2/ |
| Great Portland Estates | GPE    | 357                      | 1450          | 45.9          | 2.2%                   | 10%                            | 39.1%                        | 35.3%                     | 21%                        | -51.2          | 6                       | /1yrMom/            |
| Lion Finance           | BGEO   | 6640                     | 2917          | 4.9           | 0.0%                   | 19%                            | 8.2%                         | 20.9%                     | 15%                        | -              | 6                       | />10% EPSgrth FY+1/ |

Source: FactSet, Investors' Chronicle

## Alpha UK small-cap momentum selection (passing at least 6 out of 7 tests)

| Name      | Ticker | Share price (last close) | Mkt cap (£mn) | Fwd 12-mth PE | Trailing 12-mth DY (%) | Next yr 12-mth EPS upgrade (%) | Fwd EPS grwth current FY (%) | Fwd EPS grwth next FY (%) | 3-mth share price mom. (%) | Net cash (£mn) | Tests passed (out of 7) | Tests failed |
|-----------|--------|--------------------------|---------------|---------------|------------------------|--------------------------------|------------------------------|---------------------------|----------------------------|----------------|-------------------------|--------------|
| ASA Int'l | ASAI   | 145.0                    | 145           | 4.6           | 3.7%                   | 38%                            | 19.3%                        | 27.2%                     | 73%                        | -90.1          | 7                       | na           |
| Eurocell  | ECEL   | 155.5                    | 158           | 7.5           | 3.9%                   | 5%                             | 21.6%                        | 40.1%                     | 7%                         | -60.7          | 6                       | /6mthMom/    |

Source: FactSet, Investors' Chronicle

## Alpha UK Aim momentum selection (passing at least 6 out of 7 tests)

| Name                  | Ticker | Share price (last close) | Mkt cap (£mn) | Fwd 12-mth PE | Trailing 12-mth DY (%) | Next yr 12-mth EPS upgrade (%) | Fwd EPS grwth current FY (%) | Fwd EPS grwth next FY (%) | 3-mth share price mom. (%) | Net cash (£mn) | Tests passed (out of 7) | Tests failed        |
|-----------------------|--------|--------------------------|---------------|---------------|------------------------|--------------------------------|------------------------------|---------------------------|----------------------------|----------------|-------------------------|---------------------|
| Concurrent Tech.      | CNC    | 197.0                    | 170           | 27.6          | 0.6%                   | 17%                            | 24.3%                        | 23.7%                     | 20%                        | 4.7            | 7                       | na                  |
| Pan African Resources | PAF    | 49.1                     | 997           | 4.2           | 2.0%                   | 34%                            | 86.4%                        | 84.8%                     | 15%                        | -46.3          | 7                       | na                  |
| Metals Exploration    | MTL    | 10.5                     | 305           | 4.7           | 0.0%                   | 155%                           | 130.4%                       | 0.0%                      | 87%                        | -1.2           | 6                       | />10% EPSgrth FY+2/ |
| Renold                | RNO    | 80.6                     | 182           | 8.9           | 0.6%                   | 12%                            | 18.8%                        | 8.5%                      | 110%                       | -52.5          | 6                       | />10% EPSgrth FY+2/ |
| Cohort                | CHRT   | 1568.0                   | 761           | 27.1          | 1.0%                   | 20%                            | 8.0%                         | 23.0%                     | 29%                        | -54.5          | 6                       | />10% EPSgrth FY+1/ |
| Staffline             | STAF   | 47.0                     | 60            | 10.5          | 0.0%                   | 3%                             | 25.4%                        | 50.8%                     | 38%                        | -158.9         | 6                       | /1yrMom/            |
| Serabi Gold           | SRB    | 177.5                    | 134           | 3.1           | 0.0%                   | 134%                           | 105.3%                       | 5.1%                      | 13%                        | 5.0            | 6                       | />10% EPSgrth FY+2/ |
| Greatland Gold        | GGP    | 16.4                     | 2168          | 12.7          | 0.0%                   | -309%                          | -                            | 45.3%                     | 59%                        | 1.0            | 6                       | />10% EPSgrth FY+1/ |

Source: FactSet, Investors' Chronicle

## Alpha US S&P 500 momentum selection (passing 7 out of 7 tests)

| Name                    | Ticker (all US) | Share price \$ (last close) | Mkt cap (\$mn) | NTM PE | LTM DY (%) | NTM EPS upgrade (%) | Fwd EPS grwth current FY (%) | Fwd EPS grwth next FY (%) | 3-mth share price mom. (%) | Net cash (\$mn) | Tests passed (out of 7) |
|-------------------------|-----------------|-----------------------------|----------------|--------|------------|---------------------|------------------------------|---------------------------|----------------------------|-----------------|-------------------------|
| Palantir Class A        | PLTR            | 139.96                      | 316716         | 215.0  | 0.0%       | 51%                 | 41.8%                        | 25.9%                     | 67%                        | 4241.7          | 7                       |
| Amphenol Class A        | APH             | 93.47                       | 113061         | 33.5   | 0.6%       | 35%                 | 40.8%                        | 10.3%                     | 46%                        | -748.4          | 7                       |
| GE Vernova              | GEV             | 490.19                      | 133790         | 54.5   | 0.1%       | 28%                 | 1165.6%                      | 60.8%                     | 54%                        | -23480.0        | 7                       |
| Seagate Tech.           | STX             | 131.3                       | 27864          | 13.5   | 2.2%       | 29%                 | 515.7%                       | 23.2%                     | 48%                        | -1739.0         | 7                       |
| Royal Caribbean         | RCL             | 267.78                      | 72718          | 16.2   | 0.6%       | 22%                 | 30.3%                        | 15.9%                     | 32%                        | -9429.0         | 7                       |
| Howmet Aerospace        | HWM             | 170.23                      | 68717          | 44.6   | 0.2%       | 21%                 | 30.5%                        | 19.0%                     | 33%                        | -984.0          | 7                       |
| Broadcom                | AVGO            | 251.26                      | 1181794        | 33.1   | 0.9%       | 15%                 | 35.6%                        | 23.6%                     | 33%                        | -7349.0         | 7                       |
| DoorDash Class A        | DASH            | 220.58                      | 87941          | 77.6   | 0.0%       | 45%                 | 652.5%                       | 65.3%                     | 19%                        | 1093.0          | 7                       |
| Netflix                 | NFLX            | 1222.29                     | 520172         | 43.6   | 0.0%       | 16%                 | 28.7%                        | 21.5%                     | 31%                        | -1169.2         | 7                       |
| Expand Energy           | EXE             | 120.77                      | 28741          | 12.7   | 1.9%       | 15%                 | 467.4%                       | 40.7%                     | 13%                        | -2644.0         | 7                       |
| TKO Group Class A       | TKO             | 175.95                      | 14383          | 44.6   | 0.2%       | 5%                  | 13705.2%                     | 92.6%                     | 21%                        | -145.1          | 7                       |
| Bank of New York Mellon | BK              | 91.6                        | 65534          | 12.8   | 2.0%       | 14%                 | 16.8%                        | 12.3%                     | 11%                        | -               | 7                       |
| Corning                 | GLW             | 50.49                       | 43243          | 20.1   | 2.2%       | 10%                 | 19.9%                        | 15.2%                     | 7%                         | -3151.0         | 7                       |

Source: FactSet, S&P 500, Investors' Chronicle

## Building on great expectations

Momentum shares, those that have seen the biggest share price gains in a recent period, have frequently been observed to outperform in the subsequent period.

Yet there are drawbacks, when momentum fails, it has done horribly. Few investors have nerves stern enough to keep faith in these down spells, especially given the intensive trading to maintain such a strategy is very expensive.

## Shifting the focus to earnings

Being selective about individual momentum stocks is difficult and it reintroduces the element of decision making (with all the mental short-cuts and cognitive biases that entails) which a mechanical strategy like momentum should eliminate. Moving the emphasis from pure share price momentum to optimism about profitability and analysts' upgrade cycles is by no means a flawless approach to momentum, but it certainly provides a more useful starting point in terms of idea generation for individual shares.

Over time, the Investors' Chronicle methodology of looking not only at earnings forecast momentum, but crucially, also at the momentum in the pattern of analysts' upgrades, has proved hugely successful. Fewer companies meet the criteria of forecast and forecast momentum upgrades which are compulsory tests in our screen, so it's a system that can be followed more easily. Although, as some pretty horrendous losses at times demonstrate, the screens are best employed as a source of potential ideas, rather than a strategy to be followed exactly.

Performance statistics for the "Great Expectations" screen Investors' Chronicle has run for years against the FTSE All Share index, demonstrate the potential of the system, but note the shocking falls in early 2020 when the coronavirus pandemic hit.

## Methodology

- **Earnings upgrade momentum:** EPS upgrades over the past 12 months of at least 10 per cent for the next financial year (in normal years, this test must be passed for the current financial year, too).

- **Earnings momentum:** Forecast EPS growth of at least 10 per cent in the current financial year and next financial year.
- **Price momentum:** Studies have found that the longer price momentum has persisted the more likely it is to be 'stale' and set to reverse. The Alpha momentum screen tests for strong share price performance over four different periods, which helps check price momentum remains fresh. Companies are tested whether they are in the top quartile of shares based on trailing 12 month share price momentum and whether they are above the index median for trailing six-month, three-month and one-month share price momentum.

Companies must pass the earnings upgrade momentum test(s). Those that do, are listed by the total number of tests they pass - out of seven (eight in normal years) - and within that a combined ranking score of earnings upgrade and three-month share price momentum.

The core test for our Great Expectations screen is for analysts to have upgraded their view of a company's earnings outlook in the last year. Before the pandemic, this test had to be passed for the current and next financial years. Thanks to the exceptional rebounds expected for the current year (with businesses reopening after lockdowns), momentum in upgrades is a given. Therefore, for the next twelve months, we are dropping one of the tests - we're only interested if analysts are getting more excited about the prospects for profits growing in the following year, a measure of sentiment less likely to appear distorted by the restart.

## New indices, a tighter set of ideas

The Alpha earnings momentum screens have run the Great Expectations tests against the FTSE All Share index (for 'large cap' companies); the FTSE All Small Companies index (for main market 'small cap' companies); and the FTSE Aim All Share index for the junior market. Where this has fallen down in the past is that a lot of the companies in the FTSE All Share index are mid-to-small caps, so few genuine large caps were appearing on the momentum ranking tests (especially price tests) that were comparing them medians and percentiles for an index containing many small companies.

Going forward we're switching to screening in an equities universe inspired by the Numis family of UK indices (although we do not copy their methodology exactly). The aim is to give investors a true overview of the genuine large-cap; mid-cap and small-cap companies that are exciting analysts and the markets.

We will also screen against the S&P 500 for large and mega-cap US companies.

## **Investors' Chronicle UK screening cut-offs:**

Large-cap: The top 80 per cent of the UK main market's market capitalisation.

Mid-cap: The next 15 per cent of UK main market capitalisation (80th to 95th percentile)

Small-cap: The bottom five per cent of the main market by capitalisation with a £35mn lower cut-off.

Aim: We cut off the Alternative market by excluding all companies below £35mn market cap.

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