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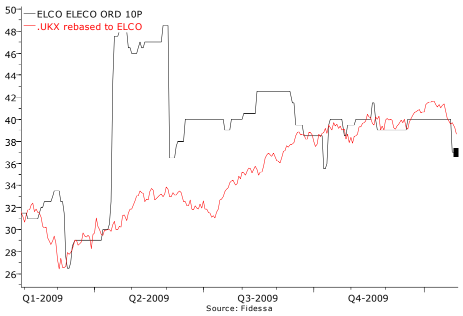
Eleco 37p

New Estimates Following Trading Update

10 February 2010

Share Price: 37p



12m High: 48.5p

12m Low: 26.5 p

Market Cap: £22m

Shares in Issue: 60m undiluted 61.1m diluted

NAV/Share: 36p inc. Intangibles at 6/2009

Gearing: Net debt £2.2m at 12/2009

Interest Cover: 4.6X for y/e 6/2009

EPIC Code: ELCO

Sector: Construction & Materials

Market: London AIM

Broker: Collins Stewart

PR: Buchanan Communications
020 7466 5000

Website: www.eleco.com

Description: Manufacture and supply of building systems and products, in particular Precast concrete building systems, and the development of software systems primarily for the construction industry.

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The Trading Update from building systems specialist Eleco warned investors to expect a loss for the half year to end-December and a 'moderate' improvement in the second, January – July half. We believe the second half might still not be good enough to tip the group into profit for the year as a whole, but there are some reassuring points in the statement also.

Key points are:

- Net debt of £2.2m is modest compared to £9m of shareholders' funds net of goodwill.
- A good part of our expected red ink is in non-recurring items or items that are not part of normal trading. Redundancy and reorganization costs amounted to £0.3m in H1 for example and there will be more in H2. Also a legal case in Germany has soaked up costs.
- £0.6m of this year's 'interest charge' is an accounting adjustment concerning the pension fund deficit, and is a non-cash item.

On trading:

- Pre-cast concrete, which accounts for c. 40% of sales, is still running well below capacity, and this is impacting margins. £9.3m of orders for new prison units have been received, and while there is no firm start date, these should start to benefit the group in H2 and fill part of the hole in the order book.
- Both Pre-cast Concrete and other Building Systems work was affected by delays in start dates for work already contracted, as customers had difficulty securing bank finance. This situation is endemic in the construction industry at the moment.
- Of course the weather hasn't helped.
- The Software Division has shown a 'significant improvement'.

For the Interim Announcement due on March 5 we expect a fall in sales of 10% to c. £30m and an adjusted pre-tax loss, before exceptionals, of £1m. We have assumed, very approximately, breakeven on an adjusted basis in H2. We also think it possible that Eleco may decide not to pay an interim dividend.

Y/E	Group Sales	Declared Pre-tax Profit	Adjusted Pre-tax Profit	Adjusted EPS	P/E ratio	Divi	Yield
June	£m	£m	£m	p.		p.	%
2008A	84.9	8.2	9.1	12.1	3.1	3.0	8.1
2009A	70.6	-1.4	0.9	1.4	26.4	0.8	2.0
2010E	66.2	-2.0	-1.0	-1.6	-	0.4	1.1
2011E	No	Forecast					

Management	Major Shareholders
Executive Chairman: John Ketteley **Chief Operating Officer:** Craig Slater **Finance Director:** David Dannhauser	John Ketteley 12.5% Delta Lloyd Funds 10.1% H A Allen 9.3% Lowland Investment Trust 5.2% Rights & Issues Investment Trust 5.1% Other director holdings 3.2%
Key Dates	**Key Milestones**
March/April 2010: Interim Results	**2008**: Purchase of Milbury Systems, greatly expanding Precast concrete capacity, and purchase of a third Precast concrete site. **2009:** Appointment of Craig Slater as Chief Operating Officer.

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