

Hardman & Co

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11am FLASH

Metnor Group

Sound Figures But Dividend Cut. 123p

11.4.2008



Full year results from North-east based construction and development company Metnor Group were roughly as we expected. They show profits of £2.6m compared to our estimate of £3.0m, and eps of 11.1p compared to our estimate of 13.6p.

The closure of the mobile telecoms installation division has resulted in a one-off cost of £0.5m that we have treated as an ordinary trading item. In other respects these numbers are ahead of our forecast.

The property division loss of £0.9m appears to be largely due to the withdrawal from the troubled Pandon Bank project, an issue covered in our January research note. There were also planning delays on other projects however. The Director in charge of Property operations has since left the company.

Ongoing profits from Construction and Contracting totalled £3.6m.

NAV per share, ex goodwill, is 177p/share, well in excess of the current share price.

Gearing is modest at 27% of shareholders' funds ex goodwill.

The total dividend for the year has been almost halved to 5.6p. This is a bigger cut than we expected but still leaves the shares on a 4.6% yield.

We expect same-again profits for the current year, a figure that should be achievable on unchanged construction and contracting profits, without any profit (or loss) from property.

The Rankin family owns c. 50% of the equity and was buying shares ahead of the close period. If professional money managers don't want the shares on this yield, there is the risk they may lose the chance; from the point of view of the Rankin family, it would be hugely financially beneficial at this price to take the company private.

Share Price: 123p

12m High: 440p

12m Low: 123p

Market Cap: £19m

Shares in Issue: 15.8m

NAV/Share: 177p

Gearing: 27%

Interest Cover: NA (Net interest income)

EPIC Code: MTG

Sector: Industrials General

Market: London AIM

NOMAD: Landsbanki

PR: Buchanan Communications

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Website: www.mentor.co.uk

Previous Research Note: 'Director Buying After Property Problem' 24.1.2008, 151.5p

Analysts: Roger
Hardman/Yingheng Chen

Y/E	Sales £m	Declared Profit £m	Adjusted Profit £m	Adjusted Eps p.	P/e ratio	Divi p.	Yield %
2006A	86.6	5.3	5.3	31.2	25.3	10.1	8.2
2007A	84.0	3.1	2.6	11.1	11.1	5.6	4.6
2008E	83.7	3.0	3.0	13.3	9.2	5.6	4.6
2009E	No	Forecast					

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