

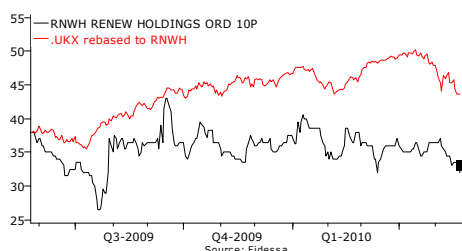
Renew Holdings PLC

Satisfactory Results – Meeting Expectations

31p

26 May 2010

Share Price: 31p



Source – Fidessa

12m High: 43p

12m Low: 26.5p

Market Cap: £18.6m

Shares in Issue: 59.9m

Gearing: N.A

Interest Cover: N.A

EPIC Code: RNWH.L

Sector: Household Goods & Home Construction

Market: London AIM

Nominated Advisor & Broker: Brewin Dolphin Investment Banking

Website: www.renewholdings.com

Description: Delivers specialist engineering and construction services.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: rae@hardmanandco.com

Renew Holdings has reported its results for the six months ended 31 March 2010. Key points to note are:

- 1H10 turnover of £138.6m, with £58.6m generated from Specialist Engineering (£58.2 in 1H09) and £81.2m generated from Specialist Building (£113.4m in 1H09).
- 1H10 operating profit pre Central Activities of £2.6m, with £1.9m generated from Specialist Engineering and £782k generated from Specialist Building.
- Turnover from Renew's Specialist Engineering business now accounts for 42% of overall Group revenue cf 34% in 1H09. Operating profit from Specialist Engineering now accounts for 70% of the Group's construction profit, cf 61% in 1H09.
- Specialist Engineering's operating margin of 3.2% is three times that achieved in Specialist Building.
- Group order book at end 1H10 at £289m cf £221m at end 1H09. Specialist Engineering at £84m accounts for 30% of the order book while Specialist Building at £205m accounts for 70% of the order book.
- 91% of the order book in specialist sectors, 71% with repeat clients and 79% procured through frameworks, negotiations or two stage tenders.
- Net cash at end 1H10 stood at £10.5m down from £14.6m at the beginning of the year. Primary cash outflows were a £3.5m increase in Receivables, the majority of which was collected in April of this year and a £1.0m contribution to Renew's defined benefit pension scheme.
- Interim dividend of 1.0p per share maintained.

We have left our forecasts unchanged following this announcement. While turnover from Specialist Building was lower than in 1H09 this was not unexpected and 2H turnover is expected to be higher. Renew's healthy order book gives us confidence that this will be the case. We continue to expect Group turnover of circa £300m for the year ended September 2010 and profits of circa £5.0m. At 31p Renew's shares trade on a p/e of 5.5x and continue to return an attractive dividend yield of close to 10%.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Div	Yield
Sept	£m	£m	£m	p.	X	p.	%
2008A	390.6	6.7	9.5	11.4	2.7	3.0	9.7
2009A	316.6	1.2	5.5	6.0	4.7	3.0	9.7
2010E	298.8	4.4	4.7	5.6	5.5	3.0	9.7
2011E	309.0	4.7	5.0	6.1	5.1	3.0	9.7

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All of Renew's subsidiaries have been active during the first half of 2010. Key news includes:

SPECIALIST ENGINEERING

Nuclear – Shepley Engineers, which operates on five sites in the UK, has secured extensions to three major frameworks with Sellafield in the half year. The business unit has also won a number of other contracts at Sellafield with a total value of £23m. Importantly these contracts were won in conjunction with three of Shepley's subsidiaries, PPS Electrical, West Cumberland Engineering and Mothersill Engineering. The ability for firms to provide an integrated offering is become increasingly important and is an additional value-add differentiator for Shepley.

Water – Seymour continues to be active on Northumbrian Water's AMP4 framework. However, with this expiring in March of next year the business is now engaged in tendering for AMP5. Work under AMP5 is expected to start in March/April of 2011 and Seymour should find out the outcome of its tender in early 2011.

Land Remediation – While VHE has now completed work on its £15m Cudworth Bypass contract, the business continues to be active having received further remediation work under Part IIA of the Environmental Act, progressing work on the Commonwealth Games site in Glasgow and having received an extension to the National Grid Framework.

Rail – Good progress has been made by YJL Infrastructure on both the Marble Arch and Notting Hill Gate underground station refurbishment projects underway for London Underground and a further award has been made under the London Underground framework.

SPECIALIST BUILDING

Social Housing – Allenbuild, through its ten social housing framework agreements, has access to £650m of annual spend. In 1H10 work valued in excess of £65m was secured, including awards from Notting Hill Home Ownership, Genesis Housing Group, Hexagon Housing Authority and the One Housing Group.

Restoration and Refurbishment – Spending at the high end of the market remains robust. Walter Lilly's ongoing project at Grosvenor Crescent has now increased in value to £60m, up from £32m and its £34m Park Lane project is proceeding well.

Science and Education – Of most importance during 1H10 was the award to Allenbuild of the £44m Kirklees College Waterfront Campus. Walter Lilly also secured several new contracts including ones from DEFRA, Imperial College and GlaxoSmithKline.

OUTLOOK AND FORECASTS

In general the outlook for the construction industry continues to be uncertain and even more so, post the new Government's election. While it is comforting to note that the new Con-Lib government intends to "protect spending on social housing" we also note that there will be a "£108m cut to Transport for London budget" and "£100m taken from Network Rail budget". No doubt there will be further cuts elsewhere which will impact on the industry.

We have made no changes to our forecasts post this latest set of interim results. On an annual basis Renew has contributed circa £2.0m per annum to its Defined Benefit Pension Scheme. Following a triennial valuation on 31 March 2009 we expect this contribution to increase to £3.0m on an annual basis. Despite this increased contribution Renew's cash flow is expected to increase in 2H10 and net cash at year end is expected to be similar to that at end September 2009, cf £14.6m.

At 31p Renew's shares are trading on a p/e multiple of circa 5.5x and are yielding close to 10%.

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Management	Major Shareholders										
<p>Chairman: Roy Harrison</p> <p>Chief Executive: Brian May</p> <p>Group Finance Director: John Samuel</p>	<table> <tr> <td>Gartmore Investment Ltd</td> <td>16.0%</td> </tr> <tr> <td>Octopus Asset Management</td> <td>12.0%</td> </tr> <tr> <td>Brewin Dolphin Ltd</td> <td>6.0%</td> </tr> <tr> <td>Hargreave Hale Ltd</td> <td>4.3%</td> </tr> <tr> <td>Glynn Merrett & Family</td> <td>3.9%</td> </tr> </table>	Gartmore Investment Ltd	16.0%	Octopus Asset Management	12.0%	Brewin Dolphin Ltd	6.0%	Hargreave Hale Ltd	4.3%	Glynn Merrett & Family	3.9%
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Key Dates	Key Milestones										
<p>Next Full Year Results: November 2010</p> <p>Next Half Year Results: May 2011</p>	<p>1876 YJ Lovell founded by Young James Lovell</p> <p>1968 YJ Lovell plc lists as a public company</p> <p>2001 YJ Lovell plc renamed Montpellier Group plc</p> <p>2005 Montpellier Group renamed Renew Holdings plc</p> <p>2007 Acquires Seymour Civil Engineering Contractors</p> <p>2008 Seymour acquires C&A Pumps</p>										

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

