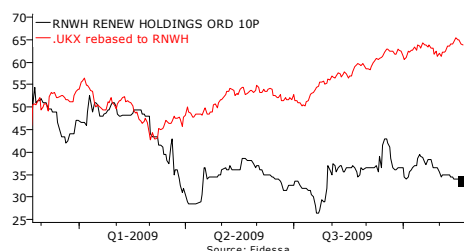


# Renew Holdings PLC Resilient & Growing Markets

35.5p

25 November 2009

## Share Price: 35.5p



Source – Fidessa

**12m High:** 54.5p

**12m Low:** 26.5p

**Market Cap:** £21.3m

**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

**PR:** College Hill

**Website:** [www.renewholdings.com](http://www.renewholdings.com)

**Description:** Delivers specialist engineering and construction services.

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Renew Holdings has reported its results for the year ended 30 September 2009. Key points from the results are:

- Specialist Engineering revenue increased by 23% from £93.3m to £114.8m. Normalised operating profit of £4.0m was 16% higher than the £3.5m earned in 2008.
- Two acquisitions made, bolstering Specialist Engineering (Nuclear, Water, Land Remediation and Rail) during the year – C&A Pumps Ltd enhancing Water and Mothersill Engineering enhancing Nuclear. Renew's business is increasingly in Specialist Engineering, an area less sensitive to the cyclical nature of the economy than Building.
- Specialist Building revenue was down by 31% from £294.6m to £202.4m while normalised operating profit was down 49% from £4.9m to £2.5m. Revenue has primarily been lower in retail and in the non specialist areas of Renew's Specialist Building operations.
- The Group's order book is a robust £202m with circa 80% of the order book representing repeat business. The Specialist Engineering order book has grown by 67% and now accounts for 40% of Renew's total order book.
- The Group has net cash of £14.6m and the Group's full year dividend has been maintained at 3.0p, an 8.5% yield on today's share price.
- A decision has been received on the Office of Fair Trading ("OFT") investigation into bid rigging. A £0.5m fine has been levied on Renew's subsidiary, Allenbuild and a fine of £3.0m has been levied on Bullock Construction Ltd, a former subsidiary, for which Renew has been deemed to be jointly and severally liable. Renew has appealed the OFT's decision and made a provision only for the £0.5m in its accounts going forward.

Following this set of results we have pulled back our 2010 revenue forecast slightly to reflect the ongoing difficulties in the Building sector. However, with higher earnings in Renew's more profitable Specialist Engineering arm, our net profit figure is largely unchanged. Renew expects that by 2012 Specialist Engineering will account for circa 50% of its business and this can only translate into higher profits going forward.

| 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         | 3.1       | 3.0 | 8.5   |
| 2009A | 316.6 | 1.2             | 5.5             | 6.0          | 5.3       | 3.0 | 8.5   |
| 2010E | 298.8 | 4.4             | 4.7             | 5.6          | 6.3       | 3.0 | 8.5   |
| 2011E | 309.0 | 4.7             | 5.0             | 6.1          | 5.9       | 3.0 | 8.5   |

## Renew Holdings PLC

25 November 2009

Renew's various subsidiaries have been active during the 2008/09 year and a few of the Group's major projects are highlighted below:

**SPECIALIST ENGINEERING**

**Nuclear** – Shepley Engineers continues to operate at Sellafield, Drigg, Springfields, Capenhurst and Chapelcross. During the year Shepley received orders on the £80m Separation Area Ventilation project and on the £200m B30 project. It is part of a group bidding for the High Active Liquid Effluent Facility, worth more than £500m.

**Water** – Seymour received some £15m in orders from Northumbrian Water while recently acquired C&A was awarded an M&E framework by Scottish Water and Allenbuild was awarded a framework by Severn Trent.

**Land Remediation** - VHE was awarded the £15m Cudworth Bypass contract, its 5<sup>th</sup> contract from Barnsley MBC. It received a £5.8m project for the remediation of the Commonwealth Games Athletes village in Glasgow and also secured two awards under Part IIA of the Environment Act including a £1.5m scheme in Cardiff.

**Rail** – During the year YJL Infrastructure was appointed to the London Underground's Vendor Capital Programme framework. It also received amongst other work, two £15m awards, one at each of Marble Arch and Notting Hill Gate stations.

**SPECIALIST BUILDING**

**Social Housing** – Allenbuild added two social housing framework agreements during the year bringing its number of framework agreements to ten. 66% of projected revenues in this area are already secured for the new financial year.

**Restoration and Refurbishment** – In addition to its on-going £36m development work at Grosvenor Crescent Walter Lilly was awarded a £35m contract on a Grade II listed property in Park Lane, the 7 July memorial in Hyde Park and a number of projects at the Palace of Westminster.

**Science and Education** – Further contracts were awarded during the period by GlaxoSmithKline, the Imperial College and the Department for Environment, Food and Rural Affairs. Work has now commenced on the Kirklees College Waterfront Campus.

**RESULTS AND FORECASTS**

While turnover from Specialist Building was slightly lower than expected a strong performance by Specialist Engineering brought Renew's full year results into line with our forecasts. Turnover of £316.6m was 19% lower than 2008 turnover of £390.6m while normalised profit before tax of £5.5m was 42% lower than 2008 profit before tax of £9.5m. The full year p&l contained a number of non-recurring exceptional items - £2.6m relating to restructuring and redundancy costs, £1.0m relating to the settlement of a legacy contract and a £0.5m provision for the OFT fine – as a result declared profit before tax for the full year was £1.2m. Deferred tax charges of circa £760,000 resulted in a net profit after tax figure of £378,000 and reported earnings per share of 0.6p (normalised 6.0p). Cash at the end of the period at £14.6m was in line with expectations and a full year dividend of 3.0p was maintained.

Going forward Renew's strategy is to increase its Specialist Engineering revenue both organically (11% in 2009) and by acquisition (3% in 2009), to maintain operating margins in the 3%-4% range and to maintain margins in Specialist Building of at least 1%. Forward work in all Specialist Engineering streams has increased in 2009 with Rail particularly strong at 2.4x. New framework agreements have been won and Renew's geographic reach has been extended. Any upturn in the housing market can only be beneficiary to the Group's Land Remediation arm.

Based on our new 2010 forecasts Renew is trading on a p/e multiple of circa 6x and the Group's shares are yielding 8.5%. Its markets are both resilient and growing.

Renew Holdings PLC

25 November 2009

| Management   | Major Shareholders  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
|--|---|-------------------------|-------|--------------------------|-------|--------------------|------|--|------|--------------------|------|------------------------|------|-------------------|------|
| <p><b>Chairman:</b> Roy Harrison</p> <p><b>Chief Executive:</b> Brian May</p> <p><b>Group Finance Director:</b> John Samuel</p>  | <table> <tr> <td>Gartmore Investment Ltd</td> <td>16.0%</td> </tr> <tr> <td>Octopus Asset Management</td> <td>11.2%</td> </tr> <tr> <td>Brewin Dolphin Ltd</td> <td>7.2%</td> </tr> <tr> <td>Rensburg Sheppards Investment Mgmt Ltd</td> <td>4.3%</td> </tr> <tr> <td>Hargreave Hale Ltd</td> <td>3.7%</td> </tr> <tr> <td>Glynn Merrett &amp; Family</td> <td>3.1%</td> </tr> <tr> <td>Close Investments</td> <td>3.1%</td> </tr> </table> | Gartmore Investment Ltd | 16.0% | Octopus Asset Management | 11.2% | Brewin Dolphin Ltd | 7.2% | Rensburg Sheppards Investment Mgmt Ltd | 4.3% | Hargreave Hale Ltd | 3.7% | Glynn Merrett & Family | 3.1% | Close Investments | 3.1% |
| Gartmore Investment Ltd  | 16.0%   |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Octopus Asset Management   | 11.2%   |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Brewin Dolphin Ltd   | 7.2%  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Rensburg Sheppards Investment Mgmt Ltd   | 4.3%  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Hargreave Hale Ltd   | 3.7%  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Glynn Merrett & Family   | 3.1%  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Close Investments  | 3.1%  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| Key Dates  | Key Milestones  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |
| <p><b>AGM:</b> January 2010</p> <p><b>Next Interim Results:</b> May 2010</p> <p><b>Next Full Year Results:</b> November 2010</p> | <p><b>1876</b> YJ Lovell founded by Young James Lovell</p> <p><b>1968</b> YJ Lovell plc lists as a public company</p> <p><b>2001</b> YJ Lovell plc renamed Montpellier Group plc</p> <p><b>2005</b> Montpellier Group renamed Renew Holdings plc</p> <p><b>2007</b> Acquires Seymour Civil Engineering Contractors</p> <p><b>2008</b> Seymour acquires C&amp;A Pumps</p>  |                         |       |                          |       |                    |      |  |      |                    |      |                        |      |                   |      |

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