



Specialist Energy Group

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Specialist Energy plotting its next steps as the turnaround shows the signs of success

Specialist Energy Group (LON:SEGR) is now in a position to consider acquisitions in the energy sector following a significant improvement in the performance of its main business, Hayward Tyler, according to chief executive Ewan Lloyd-Baker.

This progress was reflected in a solid set of annual results in which operating profits increased by 52 per cent to £3.6 million and net debts halved to £6.7 million.

At the same time the company's gross profit margin advanced 3.2 percentage points to 34.9 per cent following a significant improvement in the manufacturing side.

Hayward Tyler is one of Britain's oldest engineering firms, and builds boiler circulating pumps, or BCPs, used in the power generation sector.

The business is potentially the bedrock on which Lloyd-Baker and his team could roll out a buy and build strategy.

(M&A) is always something we said we would start turning our attention to once we were happy the underlying business was moving ahead in the right direction, the Specialist Energy boss told Proactive Investors today.

These results show this, is the case and we have a share price performing better with some forward, upward momentum, meaning that M&A opportunities are back on the agenda.

He added: Our focus is on niche capital manufacturers in the energy market. I would like to think if we are casting the slide-rule over something now it might take nine months to 12 months (to complete). So there is nothing imminent.

Lloyd-Baker is hoping the stellar start to the year continues. The order book for February was £5.9 million, and demand in the power market from China and India has been strong. New business from the oil and gas sector, meanwhile, has also been strong.

The Specialist Energy chief remains upbeat on prospects for the coming years, and is unperturbed by the events in Japan, where workers are still trying to make the Fukushima nuclear plant safe.

The disaster has prompted a re-think of nuclear policy in Germany, which has said it will shut down its seven oldest reactors, and has suspended plans for new plants along with Switzerland. Italy and Poland, meanwhile, are now rethinking their nuclear investment plans. China, a manic builder of nuclear power plants, has also suspended its nuclear programme.

Much of Specialist Energy's work in the nuclear field is in the aftermarket, which means the company could actually benefit from the closer focus on existing plants.

Nuclear reactor operators are going to come back to the original suppliers to ensure they have all the spares and the servicing up to date, Lloyd-Baker explains.

Price: 74.5p

Market Cap: £26.45M

1 Year Share Price Graph



Share Information

Code: SEGR

Listing: AIM

Sector: Engineering

Website: segrouplc.com

Company Synopsis:

Specialist Energy Group plc (SEG plc) is a niche engineering and manufacturing group. Through its main operating subsidiary Hayward Tyler Group Limited, the worldwide market leaders in boiler circulating pumps, its focus is on the energy sector.

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So with a big installed base, that puts us in a good position to make the most of that opportunity.

On the new build side the glacial speed of the industry means that projects may be pushed out but they are events not of immediate concern to us.

The SEGR boss is relaxed about the presence on the presence on the shareholder register of McNally Bharat Engineering, which owns 20 per cent of the company.

The Indian firm is a major builder of power plants on the sub-continent, and Lloyd-Baker admits: Part of the ongoing dialogue with them is working in India together.

But we are having discussions and dialogues with a number of businesses about potential opportunities from an operational perspective.

But it helps when someone believes in the story enough to build up a 20 per cent stake.

Today's figures were well received by the market, though the stock edged up only a penny to 76 pence. That said the share price has more than doubled since hitting its recent nadir in June of last year.

The full-year results are slightly better than our expectations and confirm the turnaround in trading of the manufacturing division, said David Buxton of FinnCap, the company's stockbroker.

The group now has a strong order book, and much of the order book is for Chinese and Indian power stations.

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