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Murgitroyd Group PLC

Price: **139p**
Market: **AIM**
Nomad: **Noble & Co**
Broker: **Noble & Co**
Shares in Issue: **8.278m**
Market cap: **11.5m**
P/E 2002: **23.96**
P/E 2003: **14.0**
Gearing: **6%**
15 February 2002
Analyst: *Tania Wild and Roger Hardman*

We need to look at the results for the main trading company to see beyond the limited headline figures of Murgitroyd Group PLC. The interim results include what is effectively one day's trading. Murgitroyd & Company Limited, the group's trading subsidiary, showed turnover of £4.15m against £3.78m in the comparative period.

Whilst gross margins increased as a result of better trading mix and increased prices, the operating profit took a small downturn. This was anticipated and in the main was due to the business expanding and subsequent increased operational overheads. An element of this downturn related to restructuring costs that the group could not take against the share premium account.

Key points

- For Murgitroyd Group PLC itself, reported numbers will be meaningless until 2004. This will be the second full period of trading as a group, giving a comparison against 2003.
- Its prospectus stated that the money raised would be used, along with restructuring the financial base of the business, to fund expansion into Europe. Recruitment of Attorneys into the Nice office is ahead of schedule with a second Attorney starting in June. Dublin has expanded with a fourth Attorney having recently joined the team there and a fifth joining in March. The company is holding the first interviews in connection with its Munich office expansion next month.
- The Board has been strengthened following the appointment of Dr. Chris Greig as Non-Executive Director. Greig, as Chairman of Belhaven and non-exec Chairman of Grants Distillers has a considerable amount of plc experience.
- The financial base has been restructured using some of the funds raised at flotation. £0.9m of term loan debt was repaid in November and a £1m overdraft facility was agreed with the RBoS at +1.25%. This will allow the company to expand its operations, supported by cash flow from the business. The group is effectively debt free, with £1m set aside to pay off the loan note liability that crystallises later in the year.

The possibility that the build-up of infrastructure may not attract the hoped for new clients means that there is an element of risk in the shares. We remain confident that management is energetic and disciplined enough to meet our forecasts as both sales and operating margins grow.

Murgitroyd 15.02.02

Year Ended May £000	1997A	1998A	1999A	2000A	2001A	2002E	2003E	2004E
turnover	**5,207**	**5,099**	**6,081**	**7,006**	**7,749**	**8,911**	**11,139**	**13,367**
sales change %		-2.1%	19.3%	15.2%	10.6%	15.0%	25.0%	20.0%
cost of sales	2,389	2,188	2,570	2,829	3,045	3,297	3,899	4,678
gross profit	**2,818**	**2,911**	**3,511**	**4,177**	**4,704**	**5,614**	**7,240**	**8,689**
Gross profit margin %	*54%*	*57%*	*58%*	*60%*	*61%*	*63%*	*65%*	*65%*
administrative expenses	2,221	2,493	3,064	3,638	4,313	4,919	6,015	7,085
Admin costs as % of Turnover	43%	49%	50%	52%	56%	55%	54%	53%
operating profit	**597**	**418**	**447**	**539**	**391**	**695**	**1,225**	**1,604**
operating margin	*11.5%*	*8.2%*	*7.4%*	*7.7%*	*5.0%*	*7.8%*	*11.0%*	*12.0%*
net interest payable	24	48	73	158	199	110	50	50
interest cover X	*24.88*	*8.71*	*6.12*	*3.41*	*1.96*	*6.32*	*24.51*	*32.08*
Pre Tax Profit	**573**	**370**	**312**	**381**	**192**	**585**	**1,175**	**1,554**
tax	204	75	115	93	108	176	353	466
effective tax rate %	*36%*	*20%*	*37%*	*24%*	*56%*	*30%*	*30%*	*30%*
Profit After Tax	369	295	197	288	84	410	823	1,088
dividends	300	200	210	200	200	100	200	250
retained profit	69	95	-13	88	-116	310	623	838
Loss on Disposal of Fixed Assets	0	0	0	0	201	0	0	0
Declared Profit	**573**	**370**	**312**	**381**	**-9**	**585**	**1,175**	**1,554**
Avge No. Shares in Issue m.	7.92	7.92	7.92	7.92	7.92	7.04	8.28	8.28
Earnings Per Share	4.7	3.7	2.5	3.6	1.1	5.8	9.9	13.1
Dividend Per Share						1.4	2.4	3.0
Key Cash Flow Items								
operating profit		418	447	539	391	695	1,225	1,604
depreciation		131	182	215	235	300	350	400
amortisation of goodwill		10	0	0	0	0	0	0
profit on sale of fixed assets		-17	-10	-13	0	0	0	
loss on sale of investments		0	0	0	0	0	0	0
other provisions		0	0	8	0	0	0	0
increase in stocks		-2	-25	-25		-25	-25	-25
increase in debtors		-401	-533	-468	-400	-465	-891	-891
increase in creditors		104	285	193	561	225	250	275
net cash inflow from operating activities		**243**	**346**	**449**	**787**	**730**	**909**	**1,363**
Capital Investment			-176	-187	-122	-500	-500	-500
Asset Sales						0	0	0
Equity Capital Raised						2,000		
Fixed Assets			2,013	2,203	1,569	769	-81	-981
Stock/WIP			150	178	233	258	283	308
Debtors			2,343	2,862	3,608	4,073	4,964	5,855
Other Current Assets			0	0	0	0	0	0
Creditors			1,014	1,486	2,047	2,272	2,522	2,797
Tax etc due			676	754	590	600	700	800
Provisions etc			16	10	77	21	21	21
start cash/-debt	-212	-240	-692	-1,114	-1,345	-2,040	190	599
Equity Capital Raised						2,000	0	0
Acquisitions						0	0	0
end cash/-debt	-240	-692	-1,114	-1,345	-2,040	190	599	1,462
gearing			-109%	-113%	-227%	6%	16%	31%
Start SHF				1,018	1,186	900	3,210	3,832
Retained Earnings				88	-116	310	623	838
Share Issues						2,000		
End SHF			1,018	1,186	900	3,210	3,832	4,670
Year end no of shares			7,922	7,922	7,922	10,000	10,000	10,000
* consolidated accounts								