



## The small company specialists

# COMPANY INFORMATION

Avingtrans plc (LSE:AVG)

Info sheet compiled March 2006

**Company Eye Ranking**

**26/50**

### EDITOR'S NOTE

Avingtrans plc runs a number of subsidiaries that design and distribute precision engineering components to a wide variety of industries. The company is increasing its total turnover although the cost of sales is also increasing leading to only marginal increases in profit after the same period last year.

It is our opinion that the group is being directed sensibly and that the continued expansion of the business shows that the management is positive about the future. However we believe that the company will not head forward quickly enough to justify the high PE ratio and would wait for news before an investment is made.

### 1 YEAR CHART



### FUNDAMENTALS

Company Name	Avingtrans plc
Current Price	216
Status	AIM
Market Cap	33.54 m.
Price-To-Book Ratio	1.55
Shares in Issue	15.53m
Activities	Provision of precision engineering components
Sector	Industrial Goods & Services
Corporate advisor	KBC Peel Hunt
Registrar	Capita Registrars

### HISTORY

Avingtrans plc disposed of its former operating businesses to Goldstart Limited on 1st December 2000 thereby reverting to a non-trading business. This business retained a sum in excess of £4 million on deposit and set about seeking a suitable acquisition opportunity that afforded shareholders a combination of good long-term growth and an

acceptable level of risk. Subsequently, the Jenaer Group of Jenaer Gewindetechnik GmbH, Jena-Tec Inc., Jena Rotary Technology Ltd. and C&H Precision Finishers Ltd. were acquired by Avingtrans plc from Ferraris Group plc on 28th June 2002.

### ACTIVITIES

The Group's principal activity is providing precision engineering components and services to the medical, scientific and research communities, traffic management, automation, machinery and aerospace industries. The Group designs, manufactures, repairs and services housings for roadside safety cameras and gantry and trackside signalling poles. The Group also specialises in rotating bearing technology focusing on the manufacturing, distributing and servicing of ballscrews and spindles.

The Group also polishes and finishes turbine and compressor blades and vanes for aeroengine and power generation industries. The Group also manufactures machined and fabricated components and for diagnostic imagery. The Group operates in the United Kingdom, Germany and the United States of America. During 2005, the Group acquired the entire share capital Stainless Metalcraft (Chatteris) Ltd.



## The small company specialists

# COMPANY INFORMATION

### THE BUSINESS

#### CH Precision Finishers Ltd - UK

Final polishing and specialist finishing on aeroengine turbine blades, compressor blades and vanes for the power generation industries. Operate from wholly owned freehold premises, also home for Avingtrans plc., group management

#### Sigma Precision Components Ltd

Sigma Precision Components manufactures precision prismatic components for the aerospace industry from their new purpose-built 30,000 ft<sup>2</sup> facility in Chengdu, China. Having offices in both the UK and China, the company offers a range of services to clients wishing to enter or benefit from emerging markets.

#### B&D Patterns Ltd

B&D Patterns was founded over 45 years ago and has grown to become a market leader in rigid and flexible pipe assemblies and components for prestigious customers such as Rolls Royce, Messier Dowty and Dunlop Aerospace for use in their jet engines.

#### Stainless Metalcraft (Chatteris) Ltd - UK

The manufacture of machined and fabricated components for major OEM's of diagnostic imagery

together with the worldwide technological, science and research communities.

#### Crown UK Ltd - UK

Design and manufacture leading pole and support fabrication units, known as 'Crown Pole' for roadside safety cameras. Manufacture new developments in rail track signalling, gantries and trackside signalling poles.

#### Jenaer Gewindetechnik GmbH - Germany

Design and manufacture precision ballscrews and related products from major new plant in Jena, Germany. Ballscrews are critical in the running and precise movement of (CNC) computer controlled machine tools and precision instrumentation.

#### Jena Rotary Technology Ltd - UK

Market Jena-Tec range of precision ballscrews. Operate fast service repair for UK ballscrew users. Design and manufacture (B&T) Boneham & Turner range of spindles. UK sales and service for GMN (Spindles).

#### Jena-Tec Inc - USA

Sales and support operation for the Jena-Tec product range throughout North America.

### DEVELOPMENT HIGHLIGHTS

#### 22<sup>nd</sup> Sept 2006 – Acquisition of B&D Patterns Limited.

Acquisition of B&D Patterns Limited for consideration of up to £10.5 million, of which £6.583 million is payable in cash and £417,000 will be satisfied by the issue of Avingtrans ordinary shares of 5 pence each on completion and the remainder subject to an earn-out calculated by reference to B&D's profit before tax for the years ended 31 May 2007 and 31 May 2008.

#### 20<sup>th</sup> June 2006 – Acquisition of majority stake in Sigma Precision Components Ltd.

Sigma provides a range of services to aerospace and high technology markets and, with the injection of new funds into the business, is poised to accelerate the scale of its operations in China.

#### 1<sup>st</sup> January 2006 – CH Precision Finishers sign 3 year agreement with Rolls Royce plc.

Avingtrans plc Subsidiary, CH Precision Finishers Ltd. are pleased to announce the signing of a 3 year Agreement for the Supply of Goods and Work to Rolls Royce plc.

The Agreement, effective from 1st January 2006, includes the precision polishing of turbine and compressor blades and vanes for a variety of Rolls Royce aero engines.

#### 15<sup>th</sup> September 2004 – Acquisition of Stainless Metalcraft (Chatteris) Ltd.

Metalcraft acquired for £8.1 million which includes the assumption of approximately £500,000 of debt, and of which £0.1 million is payable on the first anniversary of completion

### ROLLING EPS



### PE RATIO

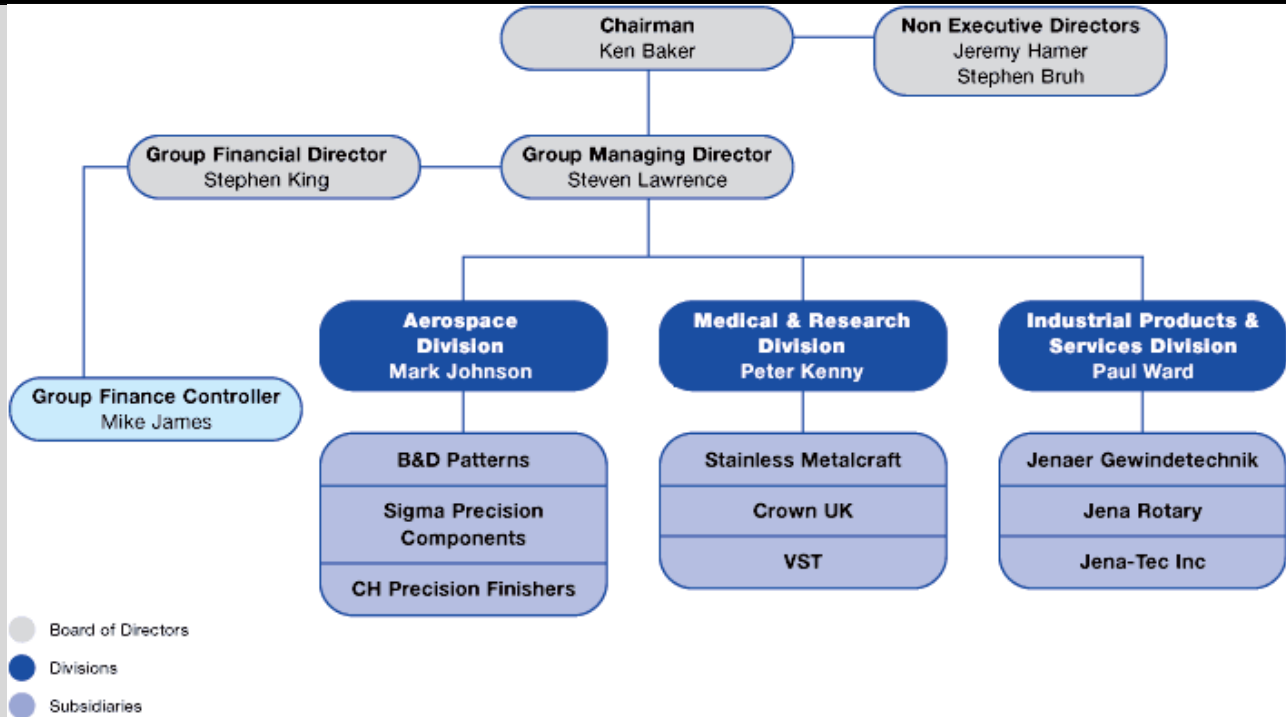




## The small company specialists

# COMPANY INFORMATION

## GROUP STRUCTURE



## DIRECTORS

### Kenneth M Baker OBE - Chairman

Ken was appointed Chairman of the Company following the acquisition of the Jena Group in 2002. He also Chairs the Nominations Committee.

Ken is a Director of two other quoted companies, Falcon Investment Trust and The East German Investment Trust. He is a Director of The German British Chamber of Industry and Commerce and a Director of several private family companies.

Ken was formerly Chairman of Ferraris Group plc and has been involved in the management and direction of various precision engineering and technology companies for most of his business life.

### Steven J Lawrence - Managing Director

Steve was appointed Executive Director of the Company following the acquisition of the Jena Group in 2002. He is also a Director of each of the Subsidiary companies.

Steve was formerly a Director of Jenaer Gewindetechnik GmbH, Jena Rotary Technology Ltd. and C&H Precision Finishers Ltd under their previous ownership by Ferraris Group plc.

Steve has been in operational management roles in the precision instrumentation industry since 1976 having formerly been with PGM Ballscrews Ltd., a

business in the precision engineering components sector.

### Stephen M King - Financial Director

Stephen was appointed Finance Director and Company Secretary in September 2002. He is also a Director and Company Secretary for each of the UK Subsidiary companies.

Stephen joined from Pricewaterhouse Coopers where he was a Senior Manager in the Assurance and Specialist Transaction practice.

### Jeremy J Hamer - Non-Executive Director

Jeremy stepped down to Non-Executive Director in 2002 following the acquisition of the Jena Group, having previously been Chairman since 1998.

He is Chairman of the Audit Committee.

Jeremy has a wealth of AIM listed company experience currently being Non-Executive Chairman of Inter Link Foods plc and Non-Executive deputy Chairman of Honeysuckle Group plc.

### Stephen M Bruh - Non-Executive Director

Stephen stepped down to Non-Executive Director in 2002 following the acquisition of the Jena Group, having previously been an Executive Director.

He is Chairman of the Remuneration Committee.



The small company specialists

# COMPANY INFORMATION

## SHAREHOLDINGS

	Number	%
Unicorn Asset Management Limited	2,442,818	14.0
Nigel Wray	2,327,433	13.3
Bluehone Investors LLP	2,101,000	12.0
JP Morgan Asset Management (UK) Ltd	1,426,800	8.2

	Number	%
Singer & Friedlander Investment Management Limited	889,500	5.1
K M Baker	812,000	4.6
Octopus Asset Management	723,078	4.1

## FINANCIAL HISTORY

### Profit and loss account year ending 30<sup>th</sup> November 2006

£000	6 months to 30 <sup>th</sup> November 2006	Year to 31 <sup>st</sup> May 2006
Continuing operations	14,617	32,490
Current period acquisitions	2,542	-
Group turnover	17,159	32,490
Operating profit - continuing operations	1,578	3,163
Operating profit - Current period acquisitions	251	-
Amortisation of goodwill	(324)	(393)
Group operating profit	1,505	2,770
Profit on ordinary activities before interest	1,505	2,770
Net interest payable and similar charges	(222)	(345)
Profit on ordinary activities before taxation	1,283	2,425
Tax on profit on ordinary activities	(382)	(489)
Profit on ordinary activities after taxation	901	1,936
Equity minority interests	6	-
Profit for the financial period	907	1,936
Earnings per share - Basic	5.6p	13.3p
Earnings per share - Diluted	5.5p	12.4p

### Balance Sheet at 30<sup>th</sup> November 2006

£000	At 30 <sup>th</sup> November 2006	At 31 <sup>st</sup> May 2006
Intangible assets	15,000	6,777
Tangible assets	10,568	6,203
Investments	15	15
Fixed assets	25,583	12,995
Stocks	4,972	3,190
Debtors due within one year	8,310	4,931
Cash at bank and in hand	580	1,398
Current assets	13,862	9,519
Creditors: Amounts falling due within one year	(11,728)	(6,284)
Net current assets	2,134	3,235
Total assets less current liabilities	27,717	16,230
Creditors: Amounts falling due after more than one year	(11,575)	(3,334)
Provisions for liabilities and charges	(281)	(250)
Net assets	15,861	12,646
Capital and reserves	-	-
Called up share capital	866	771
Share premium account	6,542	4,310
Capital redemption reserve	813	813
Other reserves	180	180
Profit and loss account	7,394	6,572
Equity shareholders' funds	15,795	12,646
Equity minority interests	66	-
Total Funds	15,861	12,646

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on

the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:



## The small company specialists

# COMPANY INFORMATION

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted

acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

## CONTACT

Precision House  
Derby Road  
Sandiacre  
Nottingham  
NG10 5HU

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	30
Customers	30
Low cost	20
Management	30
- corporate governance	
- quality	
- shareholding	
Product	33
Sector	20
<b>Financial evaluation</b>	
Early and profitable exit potential	25
Financial strength	30
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	
Risk	
<b>Overall average rating</b>	<b>26</b>



## The small company specialists

# COMPANY INFORMATION

### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as

easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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