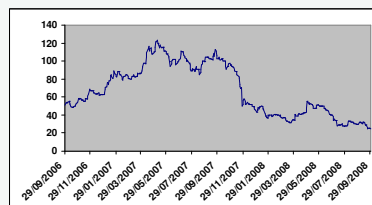


Code	SYG.L
Price	25p
Market Cap	£14.5m
Year End	31 December
Net Debt	£2.0m (e)
Shares in Issue	58.1m
Next Results	Finals March 09

Share price Performance



Source: datastream

Company Description

Real estate investment management, property construction, property management

Institutional Contacts

Analyst:

Duncan Hall 020 3207 3231
dhall@finncap.com

Corporate Broking:

Eddie Edmonstone 020 3207 3209
 David Lawman 020 3207 3210
 Stephen Norcross 020 3207 3211
 Joanna Weaving 020 3207 3248

Sales:

Peter Bartlett 020 3207 3219
 Robin Brehaut 020 3207 3220
 Chris Jeffrey 020 3207 3221
 Brian Patient 020 3207 3225

Sales Traders:

Mick McNamara 020 3207 3223
 Andrew Mansfield 020 3207 3253
 Mike Nally 020 3207 3224
 Jeremy Smith 020 3207 3226
 Ben Tonnison 020 3207 3227

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Interim results to 30 June

BUY

A promising set of results was marred by further problems emerging in the construction division resulting in a downgrade to H2 profits. We now forecast PBT of £2.1m (£3.5m) for 2008 with a concomitant reduction in EPS to 2.5p. However, looking through to 2009, our target price of 50p remains in place. Core earnings are derived from overseas asset management services – property related – and the group has some exciting plans to develop this exposure. H1 results were boosted by £1.6m of performance related fees. The property management arm, GOAL, now wholly-owned, also performed well.

► **Construction.** The bulk of group revenue comes from construction, but the business is low margin and not without contract risks. The management has sought to address this by focussing the business on the structural growth area of hotel accommodation. However, contract delays, cost inflation and one client entering administration means that the division will lose around £2m for the full year (£1.9m in H2). The sales target for 2009 is c£60m with a much improved profit forecast of £1.8m.

► **Asset management.** Performance fees of £1.6m in H1 from Speymill Macau accounted for the uplift in earnings as underlying profits were flat. Speymill Macau is attractively positioned for growth and asset disposals over the next 18 months have the potential to generate further performance fees. The group is keen to replicate the success it has enjoyed in Macau in Hong Kong. Revenue will also move forward in 2010 as a consequence of having revisited an income split with Speymill's joint adviser on SDIC.

► **Valuation.** Loosely a 50p target price reflects an £8-10m valuation for Speymill Contracts, £15-20m for the asset management division and £3m for property management. Obviously risks exist were financing problems to emerge for SDIC, for example, but importantly the group has a template for expansion with likely fund launches for retirement accommodation and Asian property, along with a stable, growing asset management income stream beyond 2009.

Forecasts

Year end	2006	2007	2008(e)	2009(e)
Data				
Sales	22.3	52.7	67.0	79.0
EBITDA	(0.5)	2.3	2.2	4.2
PBT	(0.5)	2.2	2.1	4.1
Tax Rate	cr	7	12	15
EPS (adj)	(0.55)	3.28	2.5	5.5
DPS	0	0.5	0.5	1.0
Ratios				
EV/sales	0.7	0.3	0.2	0.2
EV/EBITDA	n/a	6.8	7.5	3.1
P/e	n/a	8.1	10.0	4.5
Yield	n/a	1.6	2.0	4.0
EPS growth	n/a	n/a	-24	120

Speymill plc: Group Profit Split – Summary						
(£m)		2005	2006	2007	2008e	2009e
Revenue	<i>Invest funds</i>		2.7	6.4	9.5	9.5
	<i>GOAL~</i>		1.4	4.9	12.5	14.5
	<i>Contracts</i>		18.1	41.3	45.0	55.0
			22.2	52.6	67.0	79.0
Op Profit	<i>Invest Funds*</i>	0	0.7	2.6	4.3	2.8
	<i>GOAL</i>			0.8	1.7	1.7
	<i>Contracts</i>	-0.6	0.2	0.9	-2.0	1.8
		(0.6)	0.9	4.3	4.0	6.3
Shares			-0.9	-0.8	-0.5	-0.7
Central		-1	-0.6	-0.9	-1.4	-1.5
Excep				-0.4		
PBT		-1.6	-0.6	2.2	2.1	4.1
Tax^		0	0.2	-0.2	-0.5	-0.6
PAT		-1.6		2.0	1.6	3.5
Shares	Dil (m)	55.9	57.1	63.7	62.7	62.7
EPS	(p)	-4.25	-0.65	3.3	2.5	5.5

~ GOAL has a number of revenue streams (refurb fees, rent roll management fees, acquisition fees etc) which as GOAL is now wholly owned, is reflected in intra-group trading

*after cash bonus payment but before the share element of the bonus entitlement

^ taken at 27% but ultimately cash tax levels could be lower as a function of tax domicile

Source: Group accounts; FinnCap estimates

Speymill - Split by Half year				
£m		H108	H208	FY08
Sales				
Construction		25.1	20.5	45.6
Investment Management		5.5	4.0	9.5
Property Management		4.7	7.2	11.9
		35.3	31.2	67.0
Operating Profit				
Construction		-0.1	-1.9	-2.0
Investment Management		3.3	1.0	4.3
Property Management		0.9	0.8	1.7
Group		-0.7	-0.7	-1.4
		3.4	-0.8	2.6
Share option		-0.2	-0.3	-0.5
EBIT		3.2	-1.1	2.1

Source : FinnCap estimates

Speymill: Summary Financial Forecasts					
£m	2005(a)	2006(a)	2007(a)	2008(e)	2009(e)
Profit & Loss					
Revenue	15.3	22.3	52.7	67.0	79.0
Gross Profit	1.6	5.5	12.8	18.5	21.3
Op Expenses	2.6	5.1	9.2	14.5	15.2
Op Profit	-1.0	0.4	3.4	4.0	6.3
Option Costs		-0.9	-0.8	-0.5	-0.7
Central costs				-1.4	-1.5
Exceptionals	-0.5		-0.4		
Net Interest	-0.1				
PBT	-1.6	-0.5	2.2	2.1	4.1
Tax		0.2	-0.1	-0.5	-0.6
Post Tax Profit	-1.6	-0.3	2.1	1.6	3.5
Av Shares	38.8	56.3	57.9	58.0	58.0
EPS (basic)	-4.25	-0.55	3.6	2.7	6.0
EPS (dil)		-0.55	3.2	2.5	5.5
DPS			0.5	0.5	1.0
Balance Sheet					
Fixed Assets	1.0	1.0	2.1	2.7	2.8
Intangibles	0.9	0.8	0.9	0.9	0.9
Tangibles	0.1	0.2	0.5	0.6	0.7
Other			0.7	1.2	1.2
Current Assets	4.4	8.3	19.4	22.0	27.5
Debtors	3.3	7.7	17.9	24.0	26.0
Cash	1.1	0.6	1.5	-2.0	1.5
Current Liabilities	3.6	7.2	16.5	18.5	20.0
Creditors		7.2	16.5	18.5	20.0
Debt >1yr	-0.2				
Other	-				
Net Assets	1.6	2.1	5.0	6.2	10.3
Cash Flow					
EBIT	-1.6	-0.6	2.2	2.1	4.1
Depn/Options	0.3	1.1	0.9	0.6	0.8
W/C	-1.0	-0.5	-1.3	-4.1	-0.5
OP c/f	-2.3	0.0	1.8	-1.4	4.4
Net Int	-0.1		-0.1		
Tax				-0.5	-0.5
Capex		-0.2	-0.4	-0.3	-0.2
Acq/Disp	0.5		-0.6	-0.8	
Dividends				-0.3	-0.3
Net C/F	-1.9	-0.2	0.7	-3.5	3.4

Source : Group accounts; FinnCap estimates

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finncap

4 Coleman Street
London EC2R 5TA

Tel 020 7600 1658

Fax 020 7600 1659

Email info@finncap.com

Web www.finncap.com

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