Hayward Tyler

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BIG PICTURE: Hayward Tyler gets its motor running

Britain may not be the workshop of the world any more, but it has a proud engineering history in which Hayward Tyler (LON:HAYT) has played its part.

Established 200 years ago, the supplier of electric motors and pumps has undergone a rebirth this decade that has not gone unnoticed, judging by the recently announced deal with FMC Technologies, the global market leader in sub-sea systems.

Industry is often being urged to take a risk and invest in modern plant and machinery, and Hayward Tyler has been doing just that, expanding and upgrading its Luton facility so that it is, in chief executive Ewan Lloyd-Baker's words, a centre of excellence.

The FMC deal is just one form of pay-off for that investment; FMC has chosen Hayward Tyler to manufacture permanent magnet motors for use in FMC's 3.2 megawatt sub-sea pump systems.

More than that, FMC has agreed to contribute US$2mln to the development of the Luton plant, in what Lloyd-Baker described as "the final piece in the jigsaw" in terms of funding for the plant.

The government's Regional Growth Fund has chipped in with £3.5mln towards the Luton redevelopment, and in January the group inked a £3.0mln secured loan note programme, the second tranche of which is due to be issued at the end of July, so the market should not be concerned about the prospect of an issue of equity to fund the upgrade.

That being the case, what has been holding the share price back since 2014 after two years of scintillating share price growth?

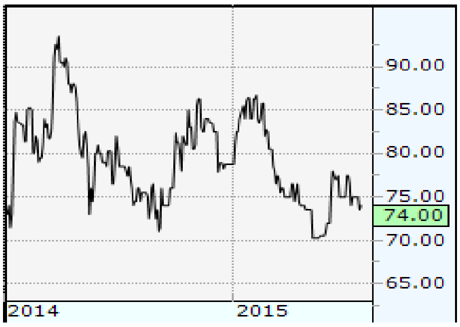
The two word answer is: energy prices.

The stalling of the share price has more or less coincided with the rapid decline in oil and gas prices, and the expectation largely justified that this would lead to a lessening activity in the oil & gas sector.

Price: 74.50p

Market Cap: £33.90M

1 Year Share Price Graph



Share Information

Code:	HAYT
Listing:	AIM
Sector:	**Engineering**
Website:	**www.haywardtyler.com**

Company Synopsis:

Hayward Tyler Group plc (HTG 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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Oil & gas is just one of the sectors Hayward Tyler addresses it also serves the power markets (conventional, nuclear and renewable), the chemical sector and general industry and, in fact, the sector provided less than 10% of the firm's revenue last year, so concerns have been overblown.

Despite wanting to play down the significance of the oil & gas sector to the company, Lloyd-Baker also believes the sector can be a "game changer" for the company, even in the current cost-conscious environment, and told Proactive Investors "the deal with FMC is testament to that".

The Hayward-Tyler chief executive, reporting in from the Offshore Technology Conference in Houston, Texas, said there are some very interesting alliances being formed, "and this is very positive for us".

"There are a huge number of opportunities," Lloyd-Baker avowed.

Order intake backs this up, with the company revealing at the end of April that order intake in the 12 months to 31 March 2015 totalled £41.7mln.

The company recently opened a new sales office in Shanghai to complement its existing service and overhaul facility in Kunshan, a city in the greater Suzhou region of China, so it clearly see growth opportunities in the People's Republic, while this morning's announcement for another after-market order from India clearly demonstrates the sub-continent is not being neglected either.

"We've got a broad industry spread, and we've got a very broad geographic spread, and that offers us opportunities in other markets," chief financial officer Nick Flanagan told Proactive Investors. On top of that, oil & gas contracts are usually priced in dollars, so the strengthening of the greenback against sterling offers some benefit as well.

"One of our core products is the sub-sea motors, and that helps customers to significantly reduce the cost of extraction, so in these cost conscious times, that's a help to them," Flanagan observed.

House broker finnCap thinks the shares are undervalued versus their engineering peers.

Based on the broker's forecasts for the year just ended, the shares trade on a price/earnings ratio of around 10.4, and this drops to just 9.4 for the year to March 2016.

"We maintain our target price of 113p signalling significant upside to the shares. In the short term, the shares appear to need a catalyst to realise this higher valuation," the broker said at the time of the end of end-April trading update.

The vote of confidence from FMC might just be that catalyst.