

Spice's warning as trading hurt by weather and contract delays

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SHARES in utilities support group Spice plunged 16 per cent after the company warned bad weather and contract delays will hit full year profits.

The Leeds firm, which parted company with founder and chief executive Simon Rigby earlier this month, said it is reviewing its cost base and also considering options for its gas, telecoms and facilities business.

Shares in the group lost 9p to close the day at 46p.

"The current trading situation because of the lousy weather has affected us particularly in electricity and water," said interim chief executive Martin Towers.

He said activity levels in both businesses, which are exposed to utilities firms' spending, are also being held back by a quiet investment period, as one regulatory period ends and another begins.

But Spice views this business, along with its supply division, as key to its future.

It is less enthusiastic about its public-facing distribution business. The group has already sig-



NEXT STEP: Martin Towers, Spice interim chief executive, says a cost review will lead to 'restructuring and reorganisation costs'.

nalled its intention to sell its gas business, which is expected to report a "sizeable" loss for the year to the end of April because of bad weather and increased competition. Last year it revealed a £42.9m writedown on this business, which provides registered social landlords with gas safety checks.

Spice added its telecoms business is performing steadily, but

project opportunities are taking longer to come through. Analysts expect an imminent sale.

"All the options are open for these businesses," said Mr Towers.

Spice said it expects profits before tax and exceptionals to be below previous expectations, but slightly above the £32.3m reported in 2009.

The cost review will lead to

"certain restructuring and reorganisation costs".

But Mr Towers declined to elaborate on how many job losses it will mean: "It's too early to quantify what we're talking about."

The departure of Mr Rigby, who is still a major shareholder, draws a line under Spice's former acquisitive strategy.

"We have probably gone as far as we could with that sort of strategy and now we have to move forward under a new era in terms of using the business that we've got," said Mr Towers.

He insisted strong regulatory drivers underpin Spice's core business, adding its fundamentals have been "a bit lost in the noise of late". "The light has been shining underneath a bushel," he said.

Analysts expect the group to report net debt of £120m at the year end, up from previous expectations of £110m. Debt will be managed down to two times underlying earnings, and in future not exceed this, Spice pledged.

Analyst Nick Spoilar at Altium Securities downgraded the group from buy to sell.