

STRAIGHT plc
(AIM:STT)
Share price 103pDate: 17th August 2010**Sector: General Industrials**
Market Cap: c£11.8m
www.straight.co.uk**Acquisition of key manufacturer a positive step**

The leading environmental products and services group has announced the acquisition of Dyro Holdings Limited, its leading injection moulding partner, for a consideration of £2.9m.

Dyro, which trades as Powell Plastics (www.powellplastics.co.uk) and has been a supplier to Straight for a number of years, is based at a factory in Hull and operates more than 20 injection moulding machines.

During the year ended 31st December 2009, Dyro generated turnover of £10 of which £7.1m was attributable to Straight so it comes as no surprise that the Group has made this move following its acquisition of the manufacturing operations of Helesi in March 2010.

- Enhancing margins and supporting export growth

The acquisition will strengthen the Group's position in its core markets ensuring greater control over rising production and also will form a platform for future development and a broadening product range. It will also clearly enhance the Group's overall profitability and Dyro's location in east Hull will also support Straight's drive for export growth, which is receiving welcome support due to the weakness of £Sterling. Larger capacity water butts and compost bins will be made in local markets but recycling containers which can be more easily packed for shipping can be manufactured in the UK for export

- Attractive multiple

The consideration of £2.9m consists of an initial cash payment of £0.97m with two further cash payments of £0.97m on each of the first and second anniversaries of completion; an attractive multiple given Dyro's 2009 pre-tax profit of £1.12m.

The initial payment has been funded through a loan of £1.5m from the Group's lending bank, Lloyds TSB and the deferred element will be funded from cash generated as a consequence of the acquisition. The balance of the loan is being used to fund Dyro's working capital requirements. The vendors retained ownership of Dyro's property at an agreed annual rent of £145,000.

- Expanding the product range

In addition to the products it manufactures for the Group, Dyro also has a proprietary injection moulding business which supplies shelving and storage products to the DIY sector. These products are complementary to the Group's garden and hardware business and cost saving and cross-selling synergies are expected.

- Integration of Helesi assets going to plan

Management was also able to confirm that good progress has been made integrating the assets acquired from Helesi with a number of customers already supplied with wheeled bins made by the Group in Dyro's factory. They have also made strides re-establishing the market share enjoyed in wheeled bins prior to the closure of Helesi's UK factory in September 2009.

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It's clear that we can expect the Group to make further bolt on acquisitions and management already has plans to further develop the new Hull site.

Forecast earnings upgrades should be anticipated following the acquisition. Prior to the announcement consensus estimates for the full year ending 31st December 2010 were for turnover of £33m, pre-tax profit of £1.8m and earnings per share of 11.10p.

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