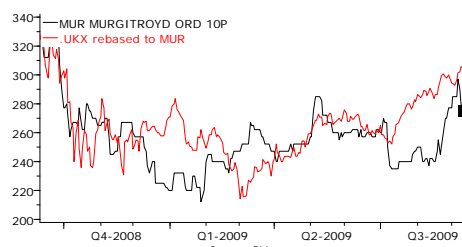


Murgitroyd Group PLC Business as Per Usual

275.0p

11 September 2009

Share Price: 275.0p



Source – Fidessa

12m High: 330p

12m Low: 212.5p

Market Cap: £23.7m

Shares in Issue: 8.5m diluted

Gearing: 47%

Interest Cover: 9.6x

EPIC Code: MUR.L

Sector: Support Services

Market: London AIM

Nominated Advisor & Broker: Noble Group

PR: Cardew Group

Website: www.murgitroyd.com

Description: European Trade Mark and Patent Attorney practice headquartered in Glasgow with offices in Aberdeen, Belfast, Dublin, Edinburgh, London, Milan, Muenster, Munich, Newcastle, Nice, York and a sales office in the US.

Analyst: Rae Ellingham

Tel: +44(0)20 7929 3399

Email: rae@hardmanandco.com

European Patent and Trade Mark Attorney, Murgitroyd Group PLC (“Murgitroyd”), has released its full year results for the year ended 31 May 2009. Key points from the results are:

- Turnover at £28.9m up by 12.5%.
- Gross profit up 7.3% to £18.4m - gross margin down from 66.8% to 63.7%. In the current market Murgitroyd is finding its clients are demanding more competitive pricing. The Group is also undertaking a greater proportion of low cost Patent filing programmes, which, while adding to the top line and generating gross profit are lower margin work.
- Normalised EBIT of £3.8m up 12.2%. Administration expenses down from 53.4% of turnover to 50.3% reflecting a continued tight control of Murgitroyd’s cost base.
- After allowing for a one-off non-cash property revaluation charge of £355,000 reported EBIT of £3.5m up 9.0%.
- Diluted earnings per share of 23.8p up 1.8% - after adjusting for the impact of the property revaluation charge earnings per share up 6.8%.
- Cash flow generated from operating activities a strong £2.9m, 74% higher than that generated in the previous year.
- Net debt of £7.0m down from £8.2m at the beginning of the year resulting in substantially lower gearing.
- Interest cover remains a comfortable 9.6x.
- Final dividend of 6.5p proposed giving a full year dividend of 9.5p per share.

During the year Murgitroyd acquired London based Patent and Trade Mark Attorney practice, Raworth Moss & Cook, for £700,000 and this business has now been successfully integrated into Murgitroyd’s operations.

Despite current market difficulties the protection of IP remains of fundamental importance and businesses such as Murgitroyd which consistently provide their clients with good service will continue to deliver.

Y/E	Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E Ratio	Div	Yield
May	£m	£m	£m	p.	X	p.	%
2008A	25.7	2.9	3.1	25.3	10.9	9.5	3.5
2009A	28.9	3.1	3.4	27.0	10.2	9.5	3.5
2010E	30.4	3.5	3.5	27.9	9.9	10.0	3.6
2011E	31.1	3.8	3.8	30.0	9.2	10.5	3.8

Full Year Results – Year End May 2009

FY/E May	2009	2008	Change
(£m)	Actual	Actual	%
Sales	28.9	25.7	+12.5
Gross Profit	18.4	17.2	+7.3
Gross Profit Margin	63.7%	66.8%	
EBIT*	3.8	3.4	+12.1
EBIT	3.5	3.2	+9.0
EBIT Margin	13.4%	14.0%	
Pre-tax Profit	3.1	2.9	+7.5
Net Income	2.1	2.0	+2.6
Diluted EPS	23.8p	23.3p	+1.8
Dividend	9.5p	9.5p	-

“Sales and normalised EBIT both up by circa 12%”

*2008 normalised for onerous lease provision/2009 normalised for property revaluation deficit

Murgitroyd has delivered 2009 turnover of £28.9m, 12.5% ahead of 2008 turnover of £25.7m and gross profit of £18.4m, 7.3% ahead of 2008 gross profit of £17.2m. At 63.7% the overall gross margin declined over the year from the 66.8% earned in 2008. The lower margin was very much in line with expectations – we were forecasting a margin of 64.1% - and reflects both an increasingly competitive market place and an increasing volume of low cost Patent filing work.

Normalised operating profit of £3.8m was 12.1% ahead of the £3.4m earned in 2008. After adjusting for a one-off non-cash charge of £355,000 relating to a revaluation of the Group’s Scotland House head office in Glasgow, operating profit was 9.0% ahead of the £3.2m earned in 2008. Administration expenses were well managed during the period accounting for circa 50% of turnover as opposed to 53% in 2008 – an efficiency achieved through tight control of overhead costs. Payroll costs, in particular, have been tightly managed with restrictions being placed on both salary increases and bonus payments.

Net profit before tax increased by 2.6% while earnings per share were up by 1.8%. Tax for the year at £1.04m equated to 34% of earnings after allowing for expenses not deductible for tax purposes. A final dividend of 6.5p per share has been proposed bringing the full year dividend to 9.5p per share.

Balance Sheet and Cash Flow Statement

Cash flow generated from operating activities was a strong £2.9m, an impressive 74% higher than in the prior year. After allowing for acquisition costs – Murgitroyd acquired Raworth, Moss & Cook earlier this year – dividend payments and financing charges, net cash improved by \$1.2m. Cash in bank at year end was £757,000 while net debt was £7.0m cf net debt of £8.2m at the 2008 year end. This decrease in debt occurred despite an additional £500,000 being borrowed to fund the January 2009 acquisition of Raworth, Moss & Cook.

“cash flow generated from operating activities a strong £2.9m, an impressive 74% higher”

Murgitroyd’s term debt consists of £6.8m in secured bank loans and £912,000 in deferred vendor payments. The majority of Murgitroyd’s secured loans are not due for repayment for over 5 years. Debt/equity at the end of the period was 47%, a substantial improvement over the position in 2008. The balance sheet does, however, contain a substantial goodwill element. Interest cover at year end was a healthy 9.6x.

Murgitroyd Group

11 September 2009

At £9.1m growth in Trade Debtors was a modest 7.6% when compared to growth in sales of 12.5%. Both Work-in-Progress and Trade Payables continue to be well managed enabling working capital to contribute positively to cash flow generation during the year.

Raworth Moss & Cook

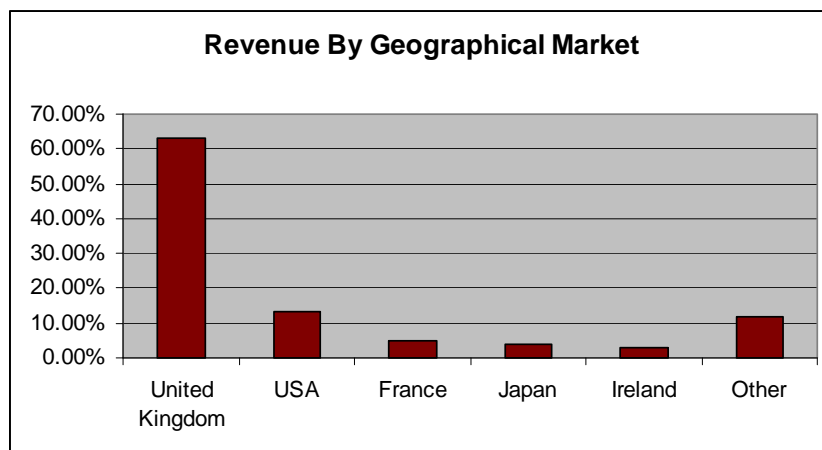
During the year Murgitroyd acquired London based Raworth, Moss & Cook for an initial £500,000 net of assets. An additional £351,000 representing the value of net assets is due to be paid on the first anniversary of the acquisition, ie January 2010. The acquisition has enhanced Murgitroyd's London based Patent and Trade Mark practices, adding nine staff to the Murgitroyd Group, including the owners of Raworth, Moss & Cook, Mr Stephen Wise and Mr Graham Feakins. Raworth, Moss & Cook turned over £1.4m in the year to 30 April 2008 and full financial benefits from the acquisition are expected to accrue to Murgitroyd in the current financial year. Murgitroyd will continue to look for acquisition opportunities where, as with Raworth, Moss & Cook, fee earning capacity can be added.

Geographical Representation

Murgitroyd now has thirteen offices world-wide – in Scotland, England, Northern Ireland, the Republic of Ireland, Germany, Italy, France and the US, and plans are underway to open a further office in the Nordic region, most likely in Finland.

The United Kingdom remains the most significant centre of business for Murgitroyd, accounting for circa 63% of total revenue in 2009. The USA is the second largest contributor to Murgitroyd's revenue, at circa 14%. France, Japan and Ireland contribute circa 5%, 4% and 3% respectively while Germany, Italy, The Netherlands, Canada, Australia, Switzerland and South Africa all make a significant contribution to the remainder of Murgitroyd's total revenue.

“The United Kingdom remains the most significant centre of business for Murgitroyd accounting for circa 63% of total revenue”



USA turnover increased by £845,000 during the year in part driven by organic development and in part driven by clients acquired following Murgitroyd's 2008 acquisition of Kennedys. In the USA Murgitroyd has introduced an IP Portal service aimed at corporates of size. The Portal, run out of Murgitroyd's USA sales office in Raleigh, North Carolina, is in essence a one-stop shop providing IP professionals with a single hub through which to manage the administration of their foreign filings. While the Portal's contribution to turnover was minimal in 2009, less than £100,000, it is envisaged that the service will provide Murgitroyd with access to corporations of a size not previously serviceable and will contribute a meaningful amount of turnover in 2010. Opportunities for this USA IP Portal service to be replicated elsewhere, for example in Japan, are actively being investigated.

Murgitroyd Group

11 September 2009

People

The Murgitroyd Group now consists of 227 staff, with circa 90 fee earners and 137 support staff. As always the business remains committed to investing in the training and up-skilling of its staff and several staff qualified as Attorneys during the year.

Outlook and Forecasts

The number of Patent applications filed at the European Patent Office ("EPO") increased by 1.8% in the year to December 2008 while Community Trade Mark applications were down by a small amount, declining 0.6%. For 2009 the situation is somewhat dimmer for Trade Marks with Community Trade Mark applications in the six months to 30 June 2009 were reported to be 5% down.

Despite these statistics Murgitroyd has continued to find new opportunities for work albeit at lower prices. While the Intellectual Property market is not immune to the economic recession protecting IP is still vital to the livelihood of businesses and firms such as Murgitroyd which consistently provide their customers with good service should continue to do well. The market has clearly become more competitive and Murgitroyd's clients are seeking better pricing but Murgitroyd has adapted and will, we believe, continue to do so.

In light of the continued difficult trading conditions we have reduced our full year turnover forecast for 2010 from £31.3m to £30.4m, our forecast net profit before tax from £3.9m to £3.5m and our forecast earnings per share from 32.3p to 27.9p. We have retained our dividend forecast at 10p per share, a 5.3% increase on the 9.5p proposed for the 2009 year. For the year ended 31 May 2011 we are forecasting turnover of £31.1m, net profit before tax of £3.8m, earnings per share of 30.0p and a dividend of 10.5p.

“protecting IP is still vital to the livelihood of businesses and firms such as Murgitroyd which consistently provide good service should continue to do well”

Consolidated Income Statement – Year End May

Profit & Loss	Year End	Year End	Year End	Year End	Year End
Y/E May £000	2007A	2008A	2009A	20010E	2011E
Turnover	22,843	25,693	28,904	30,427	31,187
sales change %	21.3%	12.5%	12.5%	5.3%	2.5%
cost of sales	(7,814)	(8,540)	(10,503)	(11,410)	(11,464)
Gross profit	15,029	17,153	18,401	19,017	19,554
<i>gross profit margin %</i>	65.8%	66.8%	63.7%	62.5%	62.7%
administrative expenses	(11,815)	(13,719)	(14,552)	(15,305)	(15,594)
Operating profit	3,214	3,434	3,849	3,712	3,961
<i>operating margin</i>	14.1%	13.4%	14.0%	14.0%	13.6%
exceptional items		(200)	(355)		
net interest payable	(273)	(358)	(402)	(188)	(186)
<i>interest cover X</i>	12	10	9.6	20	21
Net profit before tax	2,941	2,876	3,092	3,524	3,775
Tax	(934)	(876)	(1,040)	(1,161)	(1,231)
<i>effective tax rate %</i>	32%	30%	34%	33%	33%
Net profit after tax	2,007	2,000	2,052	2,363	2,544
Adjusted earnings per share	23.8	25.2	27.0	27.9	30.0
Dividend per share	9.00	9.50	9.50	10.00	10.50

Murgitroyd Group

11 September 2009

Management	Major Shareholders												
<p>Chairman: Ian Murgitroyd</p> <p>Deputy Chairman: David Castle</p> <p>CEO & Finance Director: Keith Young</p>	<table> <tr> <td>Ian George Murgitroyd</td> <td>29.1%</td> </tr> <tr> <td>Chase Nominees Ltd</td> <td>15.8%</td> </tr> <tr> <td>State Street Nominees Ltd</td> <td>7.8%</td> </tr> <tr> <td>G Edward Murgitroyd</td> <td>4.6%</td> </tr> <tr> <td>Elizabeth-Anne Thomson</td> <td>4.6%</td> </tr> <tr> <td>Mawer Investment Mgmt Ltd</td> <td>3.0%</td> </tr> </table>	Ian George Murgitroyd	29.1%	Chase Nominees Ltd	15.8%	State Street Nominees Ltd	7.8%	G Edward Murgitroyd	4.6%	Elizabeth-Anne Thomson	4.6%	Mawer Investment Mgmt Ltd	3.0%
Ian George Murgitroyd	29.1%												
Chase Nominees Ltd	15.8%												
State Street Nominees Ltd	7.8%												
G Edward Murgitroyd	4.6%												
Elizabeth-Anne Thomson	4.6%												
Mawer Investment Mgmt Ltd	3.0%												
Key Dates	Key Milestones												
<p>AGM: October 2009</p> <p>Next Interim Results: February 2010</p> <p>Next Full Year Results: September 2010</p>	<p>1975 Ian Murgitroyd & Co founded in Glasgow as a sole Proprietor</p> <p>1977 Murgitroyd & Company created as a partnership</p> <p>1993 Murgitroyd & Company Limited incorporated</p> <p>2001 Murgitroyd Group PLC formed and listed on AIM Existing offices in Glasgow, Aberdeen, London, Munich, Belfast and Dublin</p> <p>2002 Offices opened in Nice</p> <p>2003 Expands Nice office with acquisition of Cabinet Bonneau Office opened in Muenster</p> <p>2005 Acquires London based Castles and opens office in York</p> <p>2006 Acquires Glasgow based Fitzpatricks</p> <p>2007 Offices opened in Edinburgh and in Milan US sales presence established</p> <p>2008 Acquires Kennedys, a European Patent and Trade Mark Attorney practice headquartered in Glasgow and with offices in Aberdeen and Newcastle</p> <p>2009 Acquires Raworth Moss & Cook, London based European Patent and Trade Mark Attorney practice</p>												

Disclaimer

The conclusions and opinions expressed in the investment research accurately reflect the views of the first named analyst. Hardman & Co provides professional independent research services and the companies researched pay a set fee in order for this research to be made available. While the information in the research is believed to be correct, this cannot be guaranteed. There are no other conflicts of interest.

Neither Hardman & Co nor the analysts responsible for this research own shares in the companies analysed in this research note. Neither do they hold any other securities or derivatives (including options and warrants) in the companies concerned. Hardman & Co does not transact corporate finance and therefore does not earn corporate finance fees. It does not buy or sell shares, and does not undertake investment business either in the UK or elsewhere.

Hardman & Co does not make recommendations. Accordingly we do not publish records of our past recommendations. Where a Fair Value price is given in a research note this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price.

Our research is issued in good faith but without legal responsibility and is subject to change or withdrawal without notice. Members of the professional investment community are encouraged to contact the analyst concerned.

This research is provided for the use of the professional investment community, market counterparties and sophisticated and high net worth investors as defined in the rules of the regulatory bodies. It is not intended to be made available to unsophisticated individuals. In the UK, any such individual who comes into possession of this research should consult their properly authorized professional adviser, or undertake one of the 'self certified' sophisticated investor tests that are available.

This research is not an offer to buy or sell any security.

Past performance is not necessarily a guide to the future and the price of shares, and the income derived from them, may fall as well as rise and the amount realised may be less than the original sum invested. For AIM and PLUS shares, it is the opinion of the regulator that risks are higher. Furthermore the marketability of these shares is often restricted.

This document must not be accessed or used in any way that would be illegal in any jurisdiction.

In some cases research is only issued electronically and in some cases printed research will be received by those on our distribution lists later than those receiving research electronically.

The report may be reproduced either whole or in part on condition that attribution is given to Hardman & Co, and on condition that Hardman & Co accepts no liability whatsoever for the actions of third parties in this respect.

Hardman & Co is not regulated by the Financial Services Authority (FSA).

© Hardman & Co.

Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com

