

Shares almost running on empty as American dream turns sour

AEA advises the British and American governments on energy and the environment

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Shares in AEA Technology were almost wiped out yesterday after the privatised division of the UK Atomic Energy Agency issued a profits warning and its chief executive fell on his sword.

The specialist consultancy is now in talks with its banker Lloyds about whether it could breach its borrowing covenants.

AEA, which advises the British and American governments on energy and the environment, said that one of its new US businesses had not won as many orders as it had hoped, while other contracts had been delayed.

Its shares closed down 86 per cent, leaving it with a market value of about £4 million, after it warned that pre-tax profits this year would come in at £5.1 million, instead of the £8.7 million expected previously. AEA will publish its half-year results in a fortnight. The company has debts of £28 million and a pension deficit of almost £140 million.

The company said that Andrew McCree, who had been chief executive since 2005 and masterminded its foray into America, had resigned.

Kevin Higginson, who became chief financial officer in April, said: "Andrew has provided the strategic vision for this business and has delivered strategic value for a number of years. He felt that it was the honourable and decent thing to do to take responsibility for the shortfall."

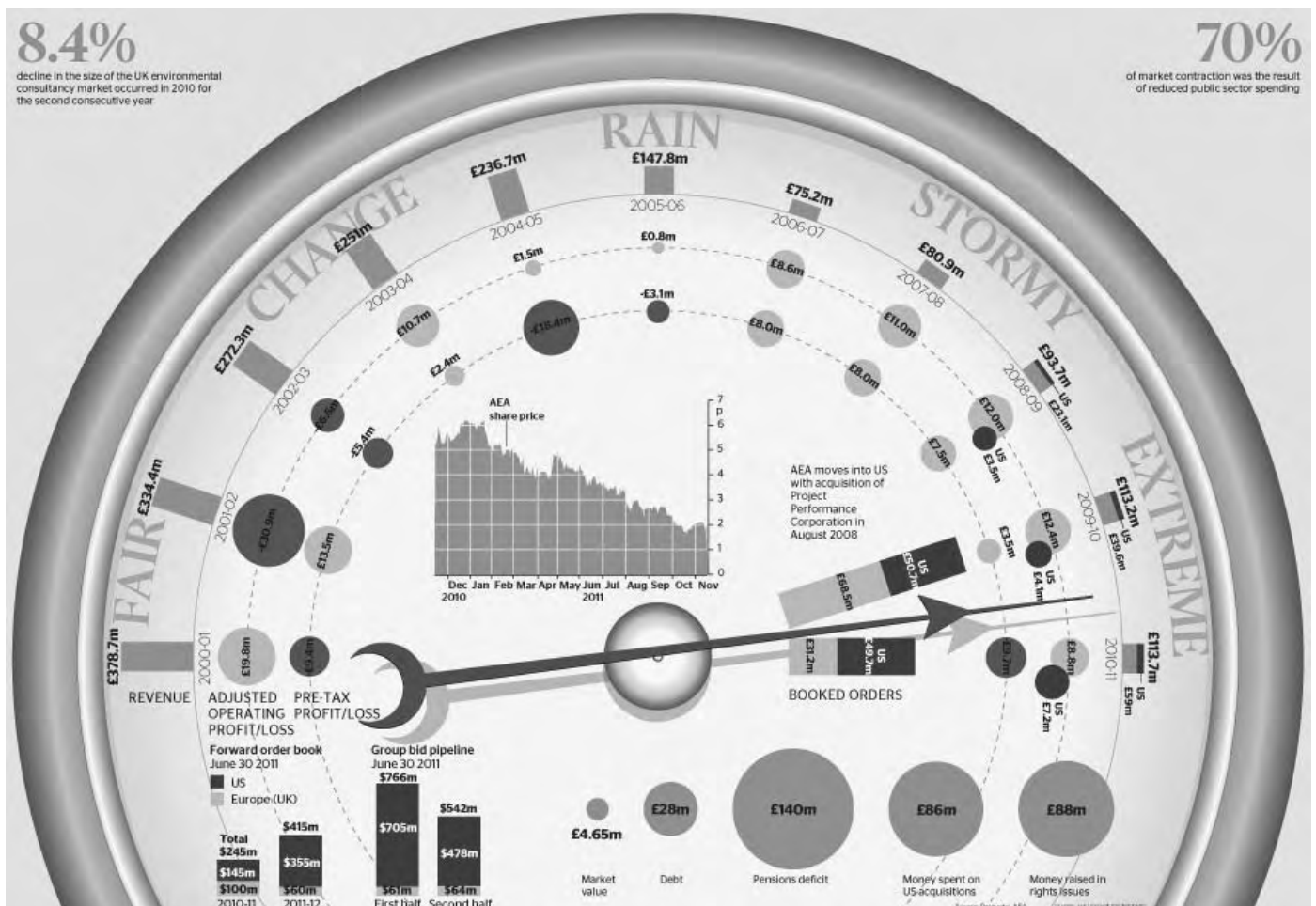
Mr McCree joined AEA in 1990 as head of press and public affairs at the Dounreay nuclear site in Caithness, northeast Scotland. He had worked previously in media relations for BP, which he joined as a graduate trainee having been an officer in the Army for three years.

Mr Higginson will take day-to-day charge of the company while it looks for a new chief executive. Paul Golby, the non-executive chairman of AEA and outgoing chief executive of E.ON UK, will take a more active role in the interim.

AEA, which was founded in the 1950s to tackle deaths from London smog, was floated on the stock market in 1996 and has its headquarters at Harwell in Oxfordshire.

It was focused initially after its flotation on providing nuclear safety and engineering services, given its atomic heritage, but sold its nuclear and rail businesses to concentrate on the British energy and environment sectors.

Until 2009, the British environmental consultancy market had enjoyed two decades of uninterrupted growth. But, according to the market researcher Environment Analyst, the market fell in value last year by 8.4 per cent — the second consecutive annual fall — as public spending was slashed.



This slide occurred as AEA expanded into the United States, buying the Washington-based environmental consultancy Project Performance Corporation for £33 million in 2008 and ERG, an environmental specialist, for £53 million in October last year.

AEA said that PPC had lost out to rivals on government orders, while others that had been won would be delayed and cannot be booked this year. The company said that its British operation and ERG continued to trade in line with expectations.

“Whilst PPC’s order intake and the order book remain strong, the short-term revenue profile has been adversely affected by the late placement of some orders and some expected orders not being won. As a result, AEA is in discussion with Lloyds, the sole banker to the group, regarding its facility and related covenants,” it said.

Mr Higginson said that the company had a viable future, despite the sharp fall in its share price. He did not comment on whether AEA was in discussions to swap its debt, held entirely by Lloyd’s, for equity. “We are working with a bank which has been consistently supportive of the business,” he said.

He added that there would be no more redundancies in Britain as a result of the profits warning. AEA cut 200 of the 600 jobs in Britain in the 12 months to this summer. Shares in the company closed at 0.28p.