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Aggreko shares drop as outlook for 2018 disappoints

Aggreko Plc (LON:AGK) shares were in decline on Tuesday as financial results, purportedly in-line with expectations, also included a downgrade to the outlook for 2018.

At £1.73bn the annual revenue figure was up 4% (though that excludes currency and pass through fuel impacts), meanwhile, operating profit was down 10%. The temporary power generator group reported a £195m profit before tax and exceptional items, which was in line with expectations and compared to £221m in 2016.

Aggreko told investors that it will maintain its dividend at 27.12p per share, as it highlighted stronger cash flow - at £450m in 2017 versus £388m in 2016. It also highlighted that the financial position remains strong, with the net debt to EBITDA ratio of 1.2 times maintained from the preceding year.

Outlook downgraded

At the same time, however, it guided that the current year's performance will be consistent with 2017 which effectively represents a downgrade compared to market expectations.

UBS analyst Rory McKenzie suggested it 'could imply a double-digit downgrade' to the consensus profit forecast of £202m.

"Although largely FX-driven, we think consensus downgrades are likely to be significant," McKenzie said in a note.

Aggreko shares were down 50.2p or 6.8% changing hands at 673.8p.

Utilities division held group back

Chief executive Chris Weston pointed to strong performances in Aggreko's rental and industrial power solutions businesses, but, acknowledged that the power solutions utility division has held back the group performance.

"Over the last three years we have stabilised the business, enhanced our service offering and positioned ourselves to prosper in rapidly changing energy markets," Weston said in the results statement.

"We have delivered over £100m in cost savings, invested in new systems and processes and developed new technology, all of which enables us to provide high quality solutions for customers."

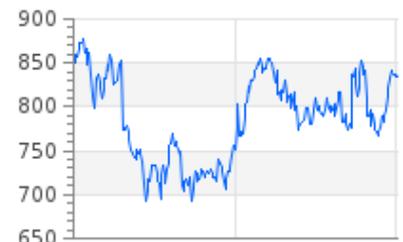
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Price: £8.35

Market Cap: £2.14 billion

1 Year Share Price Graph



September 2017 March 2018 September 2018

Share Information

Code: AGK

Listing: LSE

52 week High Low
886.8 690.4

Sector: Business & education services

Website: www.aggreko.com

Company Synopsis:

Aggreko plc is the global leader in the rental of power, temperature control and oil-free compressed air systems.

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