

Northern Bear construction group launches dividend growth strategy amid expected profit boost

Directors at North East construction group Northern Bear expect to see a 5% boost in profits this year after a lift in trading.

The AIM-listed group of companies providing specialist building and support services, which is headquartered in Prestwick, issued an update to shareholders highlighting the expected boost in operating profit, despite its building services division taking a hit. In interim results for the six months to September 30 2022, the Newcastle group reported strong operating results despite ongoing industry-wide challenges in terms of attracting and retaining employees in the construction industry.

Based on management information for the 11 months to February 2023, the group said it has traded ahead of the prior year's results except for a provision at the Northern Bear Building Services Limited subsidiary. The provision is anticipated to be in the range of £500,000 to £750,000, to account for certain unprofitable contracts.

The board said it expects that adjusted operating profit for the full year should exceed £2.75m, compared to the previous year's £2.6m, and that it anticipates a net cash position for the group at year-end. It added that the net cash or bank debt position can vary significantly and rapidly given the nature, size, and variety of contracts and their associated working capital requirements.

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Meanwhile, after a review of its strategy and dividend policy, the board said it will also pursue a dividend growth strategy, supported by the organic progress of the group's businesses and bolt-on acquisitions.

It intends to declare an ordinary dividend of 4p per share plus a special dividend for FY23 of 1p per share. Going forward, the ordinary dividend is expected to be paid semi-annually, with half paid after each of the year-end period and the half year period, respectively. Additionally, the company intends to further increase its engagement with the broader investment community.

Jeff Baryshnik, non-executive chairman of Northern Bear, said: "We are pleased to announce strong expected operating results for FY23 and are excited to implement our dividend growth strategy. We look forward to further engaging with shareholders and the wider investment community to inform them about the group."

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