

Progressive Property & Construction Daily



27 September 2022: BILN, COST, PRSR, FPG | Mortgage deals pulled to make way for higher rates

A round-up of market statements, news, economics and views from the property and construction sectors

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Company news

Billington Holdings (BILN, 188p, £24m mkt cap)

UK structural steel fabrication and construction group. HY (Jun) results. Rev +22%, £46.2m; adj PBT +93%, £1.5m; stat PBT +71%, £1.3m; adj EPS +98%, 10.1p; interim div, 0p (H1 21, 0p); net cash, £4.4m (£12.1m). *Trading:* "The first half was a period of stabilisation and continued recovery following the pandemic related disruption to the market. Whilst the financial results for the period were impacted by the completion of lower margin legacy contracts and continued material price inflation and supply constraints, the business has a bright future. We have been building our order book with improved margin work and are seeing some stability return to the market". During the period the group temporarily utilised a proportion of its cash resources to maximise the margin available on contracts via the stockpiling of steel when appropriate to take advantage of attractive supply and pricing opportunities. At the end of the period the group had approximately £3m of steel stockpiled over and above that held historically for a similar level of business, largely utilised post period end. As at 26 September the group had cash and cash equivalents of £11.3m (£5.3m at end of H1).

Outlook: The group expect to deliver profits for FY 23 and 24 ahead of previous Board expectations. "We are seeing a consistent stream of opportunities at improved margins and have a very healthy order book. Although in general prices appear to be stabilising, inflationary pressures and the restrictions in the supply of certain steel products are expected to continue for some time. Many of the markets in which Billington

operates continue to see reduced levels of activity, particularly large office developments. However, other sectors such as large distribution warehouses and industrial developments combined with energy from waste and data centre facilities are more active ... together with a return of some commercial office development projects and for projects outside of the UK”.

Costain Group (COST, 42p, £117m)

UK construction and infrastructure services group. Kate Rock will be appointed to the Board on 1 November as an independent Non-Executive Director and Chair Designate and will assume the role of Chair from 1 December. The Group announced on 9 March Paul Golby's intention to step down from the Board as Chair and non-executive director once the search for a successor had been concluded. Since 2020, Rock has been senior independent director of Keller Group, having been appointed a non-executive director in 2018. She is a senior adviser at Instinctif Partners, an international business communications consultancy, and previously a managing partner of its predecessor College Hill Associates.

The PRS REIT (PRSR, 87p, £480m)

Real estate investment trust investing in private rental sector (PRS) family homes. Update on FY (Jun) net asset value and current trading. June NAV not less than 116p, +17% Y/Y. As at 31 August number of completed homes +1.1% Y/Y, 4,841; annual rent +2.7%, £49.1m. “Rental growth on lettings to new tenants at c.10% has been significantly higher than the average rental growth of 5.1% across the portfolio of stabilised assets. A smaller but additional portion of valuation uplift is attributable to the continued tightening of net yield from 4.2% at December to 4.125% at 30 June, a result of the reversionary nature of the rents and strong demand for PRS assets in the market”. FY results, 11 October.

First Property Group (FPG, 28p, £30m)

Property fund manager and investor with operations in the United Kingdom and Central Europe. AGM. Since its 31 March year end the group has leased additional space at its office building in Gdynia, Poland, increased its share in Blue Tower, Warsaw, by 32% to 80% and sold a property owned directly by the Group in Tureni, Romania. Total funds under management as at 31 August, including directly owned properties, £548m (31 Mar, £559m). The reduction is due to the sale of three properties in the United Kingdom for £21m by funds managed by First Property Asset Management and the sale of the group's directly owned warehouse in Tureni, Romania for £3.1m. These sales were offset by the purchase of a further 32% of Blue Tower, Warsaw for £7.2m. Third party funds under management as at 31 August, £499m (£517m). Group cash as at 21 September, £6.3m (31 March, £6.4m).

In other news ...

Mortgage lending. Some of the UK's biggest mortgage lenders, including Virgin Money and Skipton Building Society, have stopped offering new home loans in response to the sharp rise in yields and volatility triggered by the 'mini-Budget', FT ([link](#), paywall). Halifax, the biggest mortgage lender in the UK, also told brokers it was temporarily withdrawing mortgage products which carry fees, which have cheaper rates. Ray Boulger of mortgage broker John Charcol said he expected that by next week there will be very few mortgage deals available with rates under 5%.

Prices are as at the previous day's close.

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