Progressive Property & Construction Daily

2 November 2022: MGNS, PRSR, CAPC, EPWN

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

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Company news

Morgan Sindall Group (MGNS, 1,578p, £745m mkt cap)

Construction, regeneration and fit-out group. Trading update. *Guidance:* "Since the half year results on 4 August, increased general market uncertainty together with continued inflationary headwinds have provided for a more challenging economic backdrop. Notwithstanding this, trading across the group has been robust and with its high-quality secured workload giving good forward visibility, the group is on track to deliver a full year performance in line with its expectations". *Trading:* Construction & Infrastructure – Trading has been as expected. The Construction activities are expected to deliver an op margin for the full year within its target range of 2.5% - 3.0% and in Infrastructure activities, within its target range of 3.5%-4%. Fit Out – continued focus on operational delivery, together with the order book for the rest of the year, means the division is "well-placed to deliver a very strong full year performance". Property Services – contract phasing and mobilisations is, as anticipated, driving slightly higher H2 activity, although the margin continues to be impacted by general cost and labour inflation. Partnership Housing – has experienced a recent reduction in sales activity in line with the rest of the UK housing industry, "however its focus on long-term partnerships with the public sector provides forward visibility and resilience". Average capital employed for the year is expected to be c £190m - 200m [in line with previous guidance]. Urban Regeneration – active development schemes have progressed to plan, however inflation and interest rate increases are providing some scheme viability challenges. Average capital employed for the year is expected to be c £90m - 95m [previous guidance, c £100m]. Building safety costs – No change to the previously announced estimate of building safety costs and the costs of applying the principles of the Building Safety Developer's Pledge across Partnership Housing and Urban Regeneration, still expected to be in the range of £40m - 50m. Order book - at 30 September +2% from YE 21, £8.8bn (+3% from HY 22). Within this, Construction +2% since YE, £4.6bn (-1% from HY 22); regeneration +3%, £4.2bn (+8%). *Financing:* Ave daily net cash for the period from 1 January to 28 October, £260m; as previously guided, the average daily net cash for the full year is expected to be c £250m. In addition, the group has undrawn bank facilities totalling £180m. *Outlook:* "In recent months, increased general market uncertainty together with continued inflationary headwinds have provided for a more challenging economic backdrop. Despite this, trading across the Group has been robust and with our high-quality secured workload giving good forward visibility. In an uncertain trading environment, the holding of a significant cash balance is more of a competitive advantage than ever".

The PRS REIT (PRSR, 87p, £480m)

Real estate investment trust investing in private rental sector (PRS) family homes. Q1 (Sep) dividend declaration. Interim quarterly dividend of 1.0p declared, as a non-Property Income Distribution (non-PID).

Capital & Counties Properties (CAPC, 110p, £936m)

"Capco", owner of Covent Garden retail property portfolio in merger process with Shaftesbury. Trading update. *Outlook:* "Trading activity at Covent Garden remains resilient with strong leasing demand across all uses, and positive footfall and sales metrics. The volatile macroeconomic environment is having an impact on asset valuations, however we are encouraged to continue to see rental growth in our portfolio. Preparations continue on bringing together two exceptional West End property portfolios to create a leading central London mixed-use REIT, Shaftesbury Capital". *Trading:* 35 new leases and renewals representing £3.0m of contracted income signed, 6.2% ahead of 30 June 2022 estimated rental value. Covent Garden valuation as at 30 September, -2% vs 30 June, £1,785m, reflecting 1.5% increase in ERV and a 12 basis point outward movement in the equivalent yield to 3.94%. New brands introduced to the estate including Mejuri and Hoka; a partnership with Dolce & Gabbana launched. EPRA vacancy, 3% and "positive footfall and sales metrics". Access to liquidity of £421m, comprising cash of £121m and £300m of undrawn facilities (30 June, £439m); extension of £300m unsecured RCF by one year to September 2025. As set out in the announcement on 26 October, the proposed merger with Shaftesbury is expected, subject to clearance by the CMA, to become effective during the first quarter of 2023.

Epwin Group (EPWN, 72p, £104m)

Low maintenance building products manufacturer. Board appointment. Stephen Harrison appointed as an independent non-exec director with effect from 2 November. He is currently CEO of Forterra (FORT, a client of Progressive Equity Research). He joined Hanson plc in 2002 and was appointed as MD of Hanson Building Products, the predecessor to Forterra, in 2012. During his tenure Stephen successfully steered Forterra through its divestment from the HeidelbergCement Group and led its IPO in 2016. He is due to step down as CEO of Forterra in the first half of 2023. He will be a member of the audit, remuneration and nomination committees and will become chair of the remuneration committee in 2023.

Prices are as at the previous day's close.

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