

# Progressive Property & Construction Daily



23 November 2022: MRL, HICL | News - Government pushes ahead with £3bn Building Safety Levy

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

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## Company news

**Marlowe** (MRL, 732p, £702m mkt cap)

Safety and compliance provider to commercial properties. HY (Sep) results. Rev +66%, £223m; EBITDA margin, 18.8% (H1 22, 17.8%); PBT +74%, £26.4m; stat PBT +6.3%, £1.7m; EPS +39%, 22.3p; div, 0p (0p); net debt, £184m (£62m); net debt/EBITDA, 2.1x (YE 22, 1.6x), within target range, 1.5 - 2.5x. *Trading:* U-lying organic revenue +8%, with both divisions growing in excess of market. Governance, Risk & Compliance (GRC), +168%, £92m (organic, +7%); Testing, Inspection & Certification (TIC) +30% £131m (+9%). “Organic growth driven by good levels of new business and increasing market share, increasing client lifetime value, cross-sell and price increases”. Margins increased through integration synergies, increased scale and efficiency and revenue from higher-margin business streams. £44m capital invested this financial year in ten bolt-on acquisitions, for an average multiple of 6.8x adj EBITDA. *Outlook:* “We expect to continue delivering strong financial performance with trading for the full year expected to be slightly ahead of expectations incorporating continued high single digit organic growth. We are continuing to effectively manage inflationary environment. Finance costs for the full year will reflect the increase in borrowing costs due to the significant increase in base rates and the enlarged debt facilities. We continue to expect to reach c. £500m run-rate revenue and c. £100m run-rate adj EBITDA with 90%+ cash conversion materially ahead of original end of FY24 target. There are continued strong levels of demand across Marlowe’s client base, supported by the non-discretionary nature of our services & software which are driven by regulatory requirements”.

## **HICL Infrastructure** (HICL, 168p, £3,417m)

Listed infrastructure investment group with diversified portfolio of 117 investments in UK, Europe and N America. HY (Sep) results. Income -20%, £126m; EPS -28%, 5.2p; interim div +0.7%, 162p; targeted FY div, 8.25p (FY 21, 8.25p); NAV +0.7%, 164p. *Trading*: "Performance was primarily driven by higher inflation, increases in deposit rates and the weakening of Sterling. These factors offset the increase of 0.5% in the portfolio's weighted average discount rate to 7.1%. This reflects the significant increase in long-term government bond yields, particularly in the UK, and the corresponding reduction in the implied equity risk premium over the last six months". Four new investments made during the period spanning traditional and modern economy sectors and "add diversification across attractive markets, improve portfolio metrics and further position the company for growth.HICL's robust performance over this period is a result of its careful portfolio construction. Assembling assets with low beta, high inflation correlation and robust capital structures serves to protect portfolio value, particularly in higher inflation and interest rate environments". *Outlook*: "Ageing infrastructure and the powerful global megatrends of decarbonisation and digitalisation continue to drive procurement and investment across HICL's core markets. A disciplined long term acquisition strategy, combined with continued active management of a diversified portfolio allows the company to provide sustainable income and capital growth to its shareholders [and] position HICL to operate in challenging market conditions, and unlock attractive new investment opportunities where appropriate".

## **In other news ...**

**Building Safety Levy.** The Government has set out details of how it plans to charge developers to fix unsafe buildings as it prepares to impose the Building Safety Levy, [ConstructionEnquirer.com \(link\)](#). The Department for Levelling Up, Housing and Communities has started consulting developers on the plans, which will see £3bn collected over the next 10 years. Under the proposals, developers of residential buildings, regardless of their height, will have to pay the levy contribution as part of the building control process. The supply of affordable homes will be exempt from a levy charge. Unless the levy is paid, a developer will be blocked from advancing plans, which could lead to project delays and impact future revenues. The Building Safety Levy will run alongside the separate pledges by 49 leading house builders to fix life-critical fire-safety defects in buildings over 11m developed by them in the last 30 years. Consultation will end on 7 February with industry feedback considered before any final decisions are made next year.

*Prices are as at the previous day's close.*

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