Progressive Property & Construction Daily

8 March 2023: GFRD, CTO, IBST, BREE, SIG

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

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Company news

Galliford Try Holdings (GFRD, 174p, £188m mkt cap)

UK construction and infrastructure services group. HY (Dec) results. Rev +14%, £679m; adj PBT +65%, £11.7m; stat PBT, £7.2m (H1 22, loss £2.6m); adj EPS +49%, 8.8p; div +36%, 3.0p; ave month end net cash, £154m (£180m). *Trading:* Building division, rev +3%, £400m; op margin, 2.3% (2.2%); orders +5%, £2.1bn; "Revenue is in line with the prior year as a result of some new contract starts delayed as a result of increased length of public sector and some private client procurement in 2022". Infrastructure, rev +35% "including the nmcn water business acquired in Autumn 2021, along with high level of activity across our Environment operations"; margin, 2.3% (2.1%); orders nc, £1.4bn; "Our enlarged Environment business, including the recent acquisitions of MCS Control Systems and Ham Baker, provides enhanced and specialist service delivery across UK operations including water, engineering, off-site build and asset optimisation, and asset security. The acquisitions, in the first half of the financial year, have provided complementary and specialist capabilities in the water sector". PPP Investments, valuation, £46.1m (£48.3m), blended 7.1% discount rate (7.0%). *Outlook:* Orders, +£3.5bn (£3.4bn), with 95% and 79% of projected FY 23 and FY 24 revenue secured. "Full year profit before tax expected to be at the upper end of current analyst estimates [£20.3m – 23.3m] and we continue to make good progress against our Sustainable Growth Strategy".

TClarke (CTO, 145p, £64m)

Specialist electrical and building services contractor. FY (Dec) results. Rev +30%, £426m; PBT +32%, £10.3m; EPS +31%, 19.6p; div +10%, 5.4p; net cash, £7.5m (FY 21, £5.3p); ave month end cash, £2.6m (ave debt, £2.9m). *Trading:* "All our sectors have witnessed inflationary pressures and supply issues; generally our teams have been able to mitigate any impact on a project-by-project basis, without disruption to our operations". Data centre business revenue £129m (£39m). Further progress made in expanding in the healthcare sector, large projects outside London and smart buildings; total 2022 revenues from these sectors £91m (£51m). *Outlook:* Orders +4%, £555m. "We have previously declared our ambitious plan to achieve profitable revenues of £500m by the end of 2023 and I am pleased to report that the continued strength of our forward order book - of £555m and over £1bn of active opportunities - means we remain on track to achieve it".

Ibstock (IBST, 162p, £638m)

UK's largest brickmaker. FY (Dec) results. Rev +26%, £513m; adj PBT +65%, £98.5m; stat PBT +61%, £105m; adj EPS +63%, 22.7p; div +17%, 8.8p; net debt, £46m (FY 21, £39m). *Trading:* "Industry-wide supply chain challenges were well managed and the impact of inflationary pressures on our cost base, particularly energy, was mitigated through our well-established dynamic commercial approach [pricing] in both the clay and concrete divisions". Ibstock Futures recognised net operating costs of £5m, reflecting a small loss of around £1m from the acquired businesses, and £4m of operational investment in research and development, and in building in-house innovation and commercial capability. *Strategy:* Atlas and Aldridge brick projects are on track to commission from the end of 2023, delivering over 100 million bricks of lower-cost capacity pa, with the whole Atlas range to be externally verified as carbon neutral. Acquisitions and investments in fast-growth areas of UK construction markets during FY 22 have accelerated diversified growth through Ibstock Futures; brick slip investment strategy further refined, to both accelerate commissioning of an initial capacity extension, as well as more advanced and efficient technology in the purpose built factory. *Outlook:* "Activity in the early weeks of 2023 has continued to reflect the more cautious environment seen in Q4 22 … but anticipate this to improve as the year progresses. As such, the Board's expectations for the full year are unchanged. We have faced into the challenges of recent years to emerge as a more diverse, higher quality business".

Breedon Group (BREE, 74p, £1,261m)

UK and Ireland aggregates group. FY (Dec) results. Rev +13%, £1,397m; adj EBIT margin, 11.1% (FY 21, 10.8%); adj PBT +19%, £143m; stat PBT +19%, £136m; adj EPS +43%, 6.7p; div +31%, 2.1p; net debt £198m (£213m). Adj EBIT, £155m (£134m) c. 5% ahead of November guidance of £148m. *Trading:* "Each division progressed and we made meaningful headway on our growth strategy, expanding organically, acquiring strategically important assets, and moving our sustainability agenda forward. We grew sustainably through replenishing and optimising our mineral assets. We have a mineral pipeline in excess of 100 million tonnes, we achieved the highest substitution of fossil fuels at our cement plants in our history, and we invested for growth while still reducing our leverage". *Outlook:* "The UK economic backdrop remains uncertain, particularly housebuilding. UK Infrastructure and industrial construction end-markets are still expected to grow in 2023, underpinned by large ongoing projects. Breedon's Ireland operations are expected to benefit from a strong macroeconomic backdrop, coupled with the structural need for housing and infrastructure investment. Overall, the Board expectations for 2023 remain unchanged". Intention announced to move from AIM to Main Market "to reflect scale, maturity and growth ambitions".

SIG (SHI, 42p, £496m)

Supplier of energy efficiency and specialist building materials to trade customers across Europe. FY (Dec) results. FY (Dec) results. Rev +20%, £2,745m; u-lying PBT +167%, £51.6m; stat PBT, £27.5m (FY 21, loss £15.9m); u-lying EPS, 3.2p (0.3p); div, 0p (0p), "The Board reiterates its commitment to return to paying a dividend, appropriately covered by underlying earnings, when it is prudent to do so"; net debt, £160m (£129m). Trading: "Continuing good performance in France, with both businesses trading at 5%+ operating margin. Strong performance in Germany driven by execution of strategy, with operating profit margin up 280bps to 3.7%. UK Interiors returned to profitability. Strengthened operational and commercial platform helped drive market share gains, with improved customer engagement". Two acquisitions completed in the year for total potential consideration of £39m. New CEO Gavin Slark (formerly CEO of Grafton Group plc) joined the Group on 1 February 2023. *Outlook:* "Trading in the first two months of 2023 saw mid-single digit like-for-like revenue growth, with the continued effects of input price inflation more than offsetting volume declines. Market conditions continue to vary across our geographic footprint, but overall we expect weaker demand conditions to prevail during 2023, offset by a continued tailwind from input price inflation, albeit the latter will continue to moderate further this year. When market conditions recover, we continue to see the opportunity to increase the operating margin to our previously stated medium-term target of 5%. We remain confident in our ability to manage short-term market weakness during 2023 while maintaining a focus on sustainable long term value creation for all our stakeholders".

Prices are as at the previous day's close.

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