

# Progressive Property & Construction Daily



6 June 2023: WJG, HERC | Fortnight ahead

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

*NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click [here](#).*

*Back after a half term break ...*

## Company news

**Watkin Jones** (WJG, 68p, £175m mkt cap) – *WJG is a client of PERL*

Specialist student accommodation and build-to-rent (BTR) developer, contractor and manager. Forward sale of Loft Lines, at Titanic Quarter in Belfast, to L&G and Clanmil Housing Association. The development comprises 627 built-to-rent (BTR) units and 81 social rent affordable homes. The project will be the first BTR scheme in Belfast, part of one of the largest waterfront regeneration sites in Europe. Loft Lines will be a brand-new urban riverside community built on the Queen's Island regeneration area. The total consideration payable to the group over the course of the development will be c. £155m. The scheme is scheduled for delivery in summer 2026 and is expected to deliver a margin in line with current target returns. Construction work will not start meaningfully until FY 24 and therefore the profit contribution to FY23 will be restricted to a small profit on the land transaction, as expected. *Outlook:* "This is further evidence of the attractive investment and operational fundamentals of both BTR as a sector and Belfast as a city and a good sign of capital markets re-opening".

**Hercules Site Services** (HERC, 36p, £23m)

Labour supply and specialist plant hire company for the UK infrastructure sector. HY (Mar) results. Rev +85%, £37.0m; adj EBITDA +71%, £1.1m; loss before tax, £246k (HY 22, -£383k); EPS, 0.6p (-0.6p); interim div, 0.6p (0.6p); net debt, £6.1m (£1.5m). *Trading*: “We have experienced growth across all areas of our business and in our core labour supply division we have won new clients, ramped up deployment of operatives across our cornerstone projects and launched new specialisms”. Labour supply revenue +11% Y/Y, driven by multi-year HS2 Phase 1 contract; 400 Hercules operatives on-site (180). “We are providing additional labour every week in response to increasing demand, leveraging our digital platform as a source of labour supply.” Other new clients in period include Galliford Try, Costain and Sisk. Suction excavator revenue +49%, benefitting from an enlarged fleet. 10 more units delivered bringing fleet to 30, “which will provide additional growth into H2 2023 and beyond [and] complete our fleet for the foreseeable future”. *Outlook*: “The infrastructure and construction sectors are experiencing continued buoyancy providing a supportive backdrop for our growth, and recent research demonstrates that this is continuing post period end. Given the labour shortages experienced by the sector, and the effectiveness of our digital tools in placing operatives to jobs, we are well placed to benefit from this growth in the months and years ahead. Demand for our range of complementary services has been strong and our pipeline is very robust”.

## Fortnight ahead

### Construction & property: company and economic news

#### June

- 6 M Winkworth (WINK) - AGM
- Billington Holdings (BILN) - AGM
- S&P Global - Construction PMI
- 7 Halifax - House prices
- 8 Crest Nicholson Holdings (CRST) - HY results
- Mitie Group (MTO) - FY results
- 13 Bellway (BWY) Trading update
- Driver Group (DRV) - HY results
- ONS - Employment data
- 14 Severfield (SFR) - FY results (9.00 Liberum)
- ONS - Construction output
- ONS - GDP

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research

*Prices are as at the previous day's close. Where quoted, net debt is pre-IFRS16 (excluding leases) unless otherwise stated.*

*Copyright 2022 Progressive Equity Research Limited (“PERL”). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).*

*This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.*

*This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.*

*PERL does not hold any positions in the securities mentioned in this email. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.*

*The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.*