Progressive Property & Construction Daily

5 December 2023: AHT, EBOX, RESI, HOME | News – Three modular-built schools to be demolished

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

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Company news

Ashtead Group (AHT, 4,920p, £21,535m mkt cap)

US-focused plant hire group. Q2 (Oct) results. Q2 rev +13%, $2,877m (H1, +16% Y/Y); adj PBT +1%, $697m (H1, +5%); stat PBT +1%, $666m; adj EPS nc, 118c; interim div +5%, 15.8c; net debt, $10,644m (Q2 22, $8,415m); 1.8x EBITDA (1.6x). *Trading:* US: H1 rev +18%, $4,792m; segment profit +15%, $1,481m; margin, 30.9% (31.5%). "Rental only revenue was 15% higher, representing continued market outperformance. Organic growth was 11%, while bolt-ons since 1 May 2022 contributed 4% of rental only revenue growth". UK: H1 rev +4.6%. $450m (CC, -0.7%); segment profit -28%, $41.0m; margin, 9.1% (13.2%). "While we continue to improve rental rates, this has been insufficient to offset inflation. These factors, together with the loss of revenue from the work for the Department of Health". *Outlook:* "On 20 November we issued a trading update lowering our revenue growth and earnings guidance for the full year to reflect the lower level of emergency response activity related to natural disasters in North America in late Q2 and into Q3 and the longer than anticipated actors' and writers' strikes. Notwithstanding, our end markets in North America remain robust with healthy demand, supported in the US by the increasing number of mega projects and recent legislative acts. We are in a position of strength, with the operational flexibility and financial capacity to capitalise on the opportunities arising from these market conditions and ongoing structural change. As we prepare our next strategic plan, Sunbelt 4.0, the Board looks to the future with confidence".

Tritax EuroBox (EBOX, 56p, £453m)

Investor and manager of Continental European logistics real estate assets. FY (Sep) results. Rental income +18%, €68.1m; adj EPS +30%, 5.51c; stat EPS -27.7c (FY 22, +7.3c); div unch, 5.0c; net debt, €724m (€629m); LTV, 46.3% (35.6%); portfolio value -14%, €1,562m. *Trading:* "Over the past 12 months we have made good progress on delivering the strategic priorities we outlined a year ago. We have generated strong rental income growth and our cost ratio is now within our target range. This improved operational performance has led to a substantial increase in adjusted earnings and a fully covered dividend for the year. We have not been immune to the rapid increase in interest rates, which has adversely impacted our portfolio valuation. However, the marginal decline in the second half and pricing of recent sales broadly in line with book values, indicates some market stabilisation. Further planned disposals are expected to reduce leverage as we move through 2024". *Outlook:* "While mindful of the ongoing challenging geo-political and macro-economic backdrop, our high-quality portfolio and strong customer base mean the company remains well placed to benefit from the structural tailwinds and favourable underlying market dynamics in the European logistics sector".

Residential Secure Income Fund (RESI, 61p, £112m)

Real estate investment trust investing in affordable shared ownership, retirement and local authority housing. FY (Sep) results. IFRS NAV -16%, 91.1p; EPRA TNAV -23%, 81.8p; div unch, 5.16p; net debt, £175m (FY 22, £177m); LTV, 0.50x (0.47x). *Trading:* Portfolio valuation -7.9%, £345m; gross rental income +8.6%, £27.9m; LFL rental reviews +6.1% (+4.5%). *Outlook:* "ReSI continues to see enormous demand for affordable homes, with record occupancy, rent collection and like-for-like rent growth this year which has all been achieved whilst protecting resident affordability through rent caps. There is a particular ongoing shortage of fit-for-purpose homes for independent living through retirement as well as a lack of routes to affordable homeownership for young families and key workers. ReSI is well placed to meet strong demand from both these housing segments. Although we are not immune to the decline in investment valuations seen sector-wide, a sale of the local authority portfolio would leave the balance sheet exposed to only long-term, low interest rate debt, putting ReSI in a better position to deliver long-term earnings growth relative to other REITs with shorter debt maturity profiles".

Home REIT (HOME, shares suspended)

Real estate investment trust funding the acquisition and creation of properties providing accommodation to the homeless. Monthly update on property disposals, valuations, rent collection and financial performance. Includes: £16.4m cash balances as at 30 November of which £3.3m is unrestricted (£15.3, £2.7m); auction sales, a further 169 properties exchanged for £33.5m with completion expected in December; repayment of £17.9m of debt to company's lender; the company and lender have agreed an additional fee of 5.0% pa charged on the aggregate outstanding loan balances, on a daily basis from 30 November 2023, payable at the earlier of 28 June 2024 or on full repayment of the loans. Further to previous announcements, the company has made further progress in identifying a new independent Non-Executive Chair and remains well placed to make this proposed appointment in advance of the restoration of the listing of its shares.

Company news

Modular construction. The Government has confirmed that three schools built by failed offsite specialist Caledonian Modular will be demolished and rebuilt, ConstructionEnquirer.com. Secondary schools Haygrove School in Bridgwater, Somerset and Sir Frederick Gibberd College in Harlow, Essex were built by Caledonian in a single £38m batched deal. SFG's main building was forced to close after being open to students for less than two years over concerns it could collapse in an extreme event like heavy snow or high winds. After further checks, Haygrove School was also then told it could no longer use its main building in September after the Government discovered it had issues with structural integrity. A third, Buckton Fields Primary School, near Northampton, was also closed and has also now been condemned. All the schools were built under the Department for Education's £3bn modular framework, set up in 2020 to fastrack construction and deliver better value for money.

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

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