

Progressive Property & Construction Daily



27 February 2024: UTG, LSL, BRCK

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

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Company news

Unite Group (UTG, 987p, £4,300m mkt cap)

Owner, manager and developer of UK student accommodation. FY (Dec) results. Net operating income +6.4%, £257m; IFRS PBT -71%, £103m; adjusted earnings +13%, £184m; adj EPS +8%, 44.3p; div +8%, 35.4p; EPRA TNAV -1%, 920p; group net debt, £1,030m (FY 22, £1,210m); LTV, 28% (31%). *Trading:* occupancy 99.8% for 2023-24 academic year (99.3%); rental growth, 7.4% (3.5%). *Outlook:* Reservations for 2024-25, 80% (2023-24, 83%). Confident in delivering rental growth of at least 6% for 2024-25 (previously at least 5%). Guidance set for 3-5% growth in adjusted EPS in FY 24 to 45.5 - 46.5p; targeting 10-12% total accounting return, before yield movement. Earnings growth to accelerate from 2026 as development completions increase. "The supply-demand imbalance of student accommodation continues to intensify. Our development and asset management pipeline stands at a record £1.3bn [which] will deliver significant earnings and TNAV growth over the next four years. The outlook for development is strong and we are tracking a number of further opportunities at attractive returns, which we will look to secure over the next 6 - 12 months. We are taking an innovative approach to delivering more homes for students. University partnerships provide a compelling opportunity to deliver new, high-quality accommodation and our first joint venture with Newcastle University is only possible for a business of our reputation, scale and development expertise".

LSL Property Services (UTG, 987p, £4,300m mkt cap)

Estate, lettings and property/financial services agent. Board change. David Barral, Non-executive Chair, has left the Board with immediate effect. Darrell Evans, independent Non Executive Director and Chair of the Remuneration Committee, will assume the role of Interim Non-Executive Chair. The Board will now commence a search for a new Chair.

Brickability Group (BRCK, 76p, £243m)

Construction materials distributor. Trading update. *Guidance:* “The lower levels of demand in bricks and associated building products experienced year-to-date are likely to persist through to the end of the current financial year, and accordingly, the group’s FY (Mar) 24 adjusted EBITDA is expected to be towards the lower end of current market expectations [£46.2m; range, £44.8 - 47.2m]”. *Trading:* “Market volumes for bricks in the UK have been significantly lower in the last twelve months, with UK despatches for CY 23 approximately 30% lower than 2022. Over the same period, brick imports into the UK are estimated to have fallen by 42%. FY 24 sales volumes in the Bricks and Importing Divisions reflect these market trends, with FY24 revenues year-to-date at lower levels than in the prior year. Pricing is becoming increasingly competitive given the softer demand. However, the Distribution division has traded well despite the slowing of private housebuilding and residential RMI markets, and gross margins have remained strong. Upowa remains well placed to benefit from further regulatory drivers in new build housing and the increasing demand for more sustainable and zero-carbon technology solutions. The Contracting division also continues to perform well; the integration of the recent acquisitions of Topek Holdings Limited and TSL Assets Limited is underway, and both companies are experiencing increased levels of enquiries as part of the enlarged Group. *Outlook:* “Whilst it is encouraging that the widely expected fall in interest rates will benefit the wider market, trading conditions are expected to remain challenging for longer than initially anticipated. As a result, the Board now considers it appropriate to assume a more conservative profile for the group’s recovery over the next twelve months. The underlying long-term demand for UK housing remains robust, and the group is well placed to benefit significantly as the market and volumes recover”.

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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