

Progressive Property & Construction Daily



15 April 2024: SFR, MTO, HERC, FOXT

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

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Company research

Severfield (SFR, 55p, £170m mkt cap) – *SFR is a client of PERL*

Britain's leading structural steel group, with sales to Europe and a rapidly growing Indian JV. Progressive Equity Research 'Spotlight' report examining Severfield's focused acquisition strategy, [Targeted acquisition strategy aids growth path](#):

'Acquisitions have been an important element of Severfield management's growth strategy, with the aim of adding new products, sectors and regions to what we have identified as exciting long-term organic opportunities. In this Spotlight report, we focus on the group's targeted M&A approach, highlighting three significant deals.'

Company news

Mitie Group (MTO, 112p, £1,490m)

UK facilities management group. FY (Mar) trading update. *Guidance:* “As a result of the strong trading performance in the final quarter, we expect FY 24 revenue to grow by c. 11% to at least £4,500m (FY 23, £4,055m). This increase reflects organic growth of c. 7% from Key Accounts and Projects upsell, with c. 4% of inorganic growth. As a result of the uplift in revenue, combined with our extensive programme of margin initiatives and ongoing management of cost inflation, we now expect operating profit before other items to be at least £200m [Q3 guidance, “at least £190m”], an increase of at least 23%. We have continued to see sustained demand from our clients, driven by macro trends including decarbonisation, the modernisation of the built environment, and changes in the regulatory landscape. Revenue has grown sequentially in each quarter, reflecting good trading momentum and the increasing contribution from strategic growth initiatives”. Period end net debt (post-IFRS 16) was £122m, an increase of £9m from 30 September 2023, and £78m from 31 March 2023. The increase reflects the capital allocation policy that we set out at our Capital Markets Day in October 2023, with strong free cash flow generation of £62m (nine months to 31 December 2022: £25m[5]) being reinvested into planned capital deployment actions. Further £50m share buyback programme announced. FY results, 6 June.

Hercules Site Services (HERC, 32p, £20m)

Technology-enabled labour supply company for the UK infrastructure sector. Labour framework agreement agreed with **Costain Group** plc (COST, 79p, £220m), after a tender process. Costain has announced that a newly formed Integrated Labour Team will become the first point of contact for any blue-collar labour supply requirement for any project, across all sectors in which it operates. These sectors include water, rail, highways, defence, energy, nuclear, oil and gas and aviation. Hercules is one of four labour suppliers on the new ILT.

In other news ...

M&A. London-focused Estate and lettings agent **Foxtons Group** (FOXT, 52p, £157m) has appointed NM Rothschild as it comes under intensifying pressure from its shareholders to sell itself by the end of this year, according to [The Sunday Times](#). Several large shareholders, such as Canadian investor Converium Capital, which owns about 5.3% of the agency, and UK-based Milkwood Capital, which owns 5%, have said they want Foxtons to find a buyer for the business. Rhys Summerton, who runs Milkwood Capital, said: “We would like to see the company, which is a unique asset, sold this year”. Two years ago, Rothschild advised on the sale of Leaders Romans, another UK estate agency, to US-based private equity investor Platinum Equity.

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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