Progressive Property & Construction Daily

16 April 2024: BOOT, BDEV, BILN, CTO, VP.

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

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Company news

Henry Boot (BOOT, 180p, £241m mkt cap)

Land Promotion, property investment & development and construction group. Land sale. The group's land promotion and planning business, Hallam Land Management, has unconditionally exchanged contracts for the sale of 494 residential plots in Chatteris, North Cambridgeshire, to the David Wilson Homes division of **Barratt Developments** (BDEV, 458p, £4,502m). The sale will complete in July, with the transaction resulting in an ungeared internal rate of return of 15% pa. HLM secured a Planning Promotion Agreement to promote the site on behalf of British Steel Pension Fund Trustee in 2005. It promoted the land through the planning process successfully securing outline planning consent for 1,000 residential plots in 2020, including c.160 affordable homes. Henry Boot retains the remaining 506 plots for future sale. **Viewpoint:** Supports a growing trickle of anecdotal evidence over the past couple of months suggesting that the land market has opened up, reversing almost universal statements from the major housebuilders that they would severely curtail land buying as interest rates climbed during 2023. Land buying decision making is probably the key barometer of which way the housebuilders see the wind blow.

Billington Holdings (BILN, 490p, £63m)

UK structural steel fabrication and construction group. FY (Dec) results. Rev +53%, £133m; PBT +131%, £13.4m; EPS +116%, 84.4p; div +113%, 33.0p; net cash, £22.1m (FY22, £10.9m). *Trading:* "2023 was an exceptional year, with an excellent trading performance across the group … and the benefit of improved manufacturing efficiencies from our capital investment programme across all the group's production facilities. This is combined with the successful delivery of a number of high quality contracts across a variety of sectors including high tech manufacturing, data centres, energy from waste, distribution and commercial office developments. The business is well set for the future with steel prices softening to nearer long-term average rates and more market stability being experienced. The group has recently won contracts with a combined value of approximately £90m, to be delivered over the next 24 months, providing further confidence for the future. The overall consumption of structural steelwork in the UK in 2023 remained at a similar level to 2022. However, certain markets were more buoyant than others, with the consumption of structural steelwork in industrial buildings falling by 2.2% and for commercial offices rising by 6.8%. *Outlook:* "The overall market is expected to see a reduction in demand in 2024 of approximately 5%, before stabilising and returning to growth in 2026. Sector market forecasts continue to be subject to revision as the impact of wider macroeconomic factors are assessed, with potential reductions in interest rates expected to have a positive impact on demand. We are conscious that many of the main construction contractors continue to operate under significant pressure, with a number ceasing business in 2023, and the group has experienced deferred and cancelled contracts. The group insures its exposures with the maximum available cover, in an increasingly difficult credit insurance market, and focuses on projects with the more robust larger contractors that can deliver an appropriate margin. Whilst there inevitably remain further challenges ahead and macroeconomic uncertainties are likely to remain for some time, we are seeing a consistent stream of opportunities at sustainable margins, and with a strong balance sheet and a record order book, I believe Billington is well placed to deliver a strong performance again in 2024".

TClarke (CTO, 125p, £66m)

Specialist electrical and building services contractor. Recommended cash acquisition. The Board has reached agreement on a 160p cash offer by Regent Acquisitions, representing a 28% premium to the previous closing price and 27% to the three month average price. Regent Acquisitions is part of the Wider Regent Group, established in 1995, provides services to large consumers of gas across a range of sectors including, leisure, care homes, manufacturing, food production and retail. R Regent Gas Holdings' latest disclosed holding in TClarke was 21.5%. According to the statement, "Regent has long admired TClarke's reputation, heritage and its talented pool of employees. Regent knows TClarke well and has closely followed it since it first acquired shares in May 2018. The Acquisition follows Regent's strategy to focus on areas of structural growth where it aims to obtain a greater presence in attractive segments such as those operated in by TClarke".

Vp (VP., 565p, £227m)

Construction equipment rental group. FY (Mar) trading update. *Guidance:* "Despite a mixed market backdrop, our performance continues to be resilient, with sector-leading results generated from our diverse end markets: infrastructure has been particularly supportive with continued strong demand from the rail, transmission and water sectors; general construction remains challenging, which has impacted the performance of Brandon Hire Station in particular. An operational review of [Brandon] is well advanced and the new management team is focused on actions to drive margin improvements alongside medium term strategic objectives. Accordingly, we expect to deliver a full year result broadly in line with market expectations. During the year, we have continued to invest in our asset base with a year on year increase in capex, alongside a focus on lower emission technology. Our strong balance sheet has been further enhanced by a reduction in net debt. In November 2023, we successfully refinanced our revolving credit facility on favourable terms and we are well positioned to take advantage of organic and acquisition opportunities as they arise. Under new leadership, our strategy is being refreshed and we will provide further detail at our full year results presentation in June".

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