

Progressive Property & Construction Daily



28 October 2020: IBST, LAND, GRI, NMCN, WJG | Contractual disputes forecast to fall despite Covid delays

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](#). For Progressive research on Property & Construction companies click [here](#).

Company news

Ibstock (IBST, 179p, £733m mkt cap)

UK's largest brickmaker. Q3 (Sep) trading update. The group saw continuing recovery in demand in the period, with trading conditions improving steadily across the third quarter. Revenues in Q3 were 88% of those in the comparative prior year period and c. 90% in September and into October. Both the Clay and Concrete businesses benefited from the improving conditions. As volumes continued to improve, the benefit of the cost and capacity actions taken since the start of the second quarter have resulted in an encouraging recovery in margins across both businesses which are trending towards pre-COVID-19 levels on a run rate basis. Activity levels in repair, maintenance & improvement (RMI) markets and merchant channels remained robust, while there was improving demand from housebuilders. *Guidance:* Subject to there being no further material disruption in the balance of the year, the Board expects adj EBITDA for FY 20 to be c. £50m (FY 19, £122m). Cost initiatives, announced in June, are expected to save up to £20m pa in 2021. "Whilst this will enable us to optimise returns should volumes remain below pre-Covid levels, we have also retained the flexibility to respond quickly to scale up production as demand improves". A reduction in net debt is expected by YE 20, compared to the £103m reported as at the half year (YE 19, £85m). *Outlook:* "We remain confident in the recovery of our markets over time and that the actions we have taken in the business leave

us both with the necessary flexibility to meet current challenges and an organisation well positioned to take full advantage of future opportunities”.

Land Securities Group (LAND, 526p, £3,901m)

Leading UK commercial property investment, development and management group. Board appointment. Vanessa Simms, currently CFO of **Grainger** (GRI), is to be appointed as CFO, succeeding Martin Greenslade who informed the Board in September of his intention to step down from the role during 2021. She has held the position at Grainger since February 2016 and, before that, held a number of senior positions at other UK property companies, including Deputy CFO at **Unite Group** (UTG) and UK Finance Director at **Segro** (SGRO). She is expected to join by no later than 1 June 2021 and, in the meantime, will continue to play a full and active role in the business at Grainger, according to the company.

nmcn (NMCN, 193p, £20m) – *NMCN is a client of PERL*

Construction and engineering services company. CFO appointment. Alan Foster has been appointed and will join nmcn in early 2021 from National Grid, where he has held a range of senior financial and business development roles over a period of 20 years. His most recent two roles have been Group Finance Transformation Director and UK CFO of the regulated UK businesses. Prior to National Grid he held finance roles at Dewhirst Group and British Sugar. A further announcement confirming his commencement date will be made in due course. **Viewpoint:** This should be seen as a reassuring move after a period of managerial upheaval at the group.

Watkin Jones (WJG, 144p, £369m) – *WJG is a client of PERL*

Residential for rent developer and manager in the student accommodation and build-to-rent (BTR) sectors. Managerial change. Rebecca Hopewell, CEO of Fresh Property Group, Watkin Jones’s property management division, has announced her decision to retire. She will be replaced by Jeremy Fletcher, who joins from Quintain Living (formerly Tipi), the operational platform spearheading the £3bn regeneration of Wembley Park. He will working closely with Watkin Jones CEO Richard Simpson and the executive team to grow the group’s property management operations across both the build to rent and purpose built student accommodation sectors. He will take up his new role at the beginning of January 2021. Rebecca Hopewell has agreed to stay with the company until an orderly transition is complete.

In other news ...

Almost a third of contractors and their supply chains expect fewer contractual disputes despite almost all of them predicting delays in completing projects, constructionenquirer ([link](#)). A survey from consultant Gleeds showed a 30% drop since the last survey in firms which thought that a more adversarial approach to contracts was likely to increase. 94% said the implementation of required social distancing measures will lead to delays in project completion, with 10% believing that delivery schedules could be delayed by over 20%. The survey also found that two-thirds of contractors will seek to incorporate modern methods of

construction (MMC) on future projects as a direct result of the pandemic and social distancing. **Viewpoint:** This appear to run counter to fears that delays could lead to costly disputes, that would trigger losses for main contractors and potential failures among their subcontractors – and hence further delays and penalties. It suggests, however, that higher costs will ultimately be borne by building owners. It underscores the view that Covid has been the catalyst to accelerate the adoption of MMC.

Prices are as at the previous day's close.

Copyright 2020 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.