

Progressive Property & Construction Daily



4 November 2020: MGNS, MTO

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

Morgan Sindall Group (MGNS, 1,164p, £537m)

Construction, mixed tenure housing and fit-out group. Trading update. *Guidance:* FY (Dec) PBT expected to be “slightly above the top end of the previously guided range” of £50 - 60m, projected at the HY results. “Since then, momentum within the group's operations has continued to increase following the Covid-related disruption in the first half”. Average daily net cash for the full year is now expected to be in excess of £150m, ahead of previous expectations. Based upon its current assessment, the board has declared an interim dividend of 21p per share, in line with 2019's interim dividend, having previously declined to declare a dividend at the HY results. *Orders:* The total secured workload as at 30 September 2020 +5%, £7.9bn. Construction secured order book +5%, £3.8bn (down 1% from HY) and Regeneration +4%, £4.1bn, which was up 4% (+1% from HY). *Divisions:* Construction & Infrastructure – both activities recovering well, with the overall divisional margin for the year to be in excess of 2%. Fit Out – no significant changes to market dynamics or customer behaviour. Although the secured order book at the end of September was 15% lower than at the same time last year, this is more than offset by the value of projects at preferred bidder stage and the value of tenders due in the final quarter of the year is 18% higher Y/Y. Partnership Housing has continued to see higher levels of construction activity and the operating margin is expected to be well in excess of 3%. Urban Regeneration has performed as expected. The group welcomes PM's statement that

construction activity should continue throughout the latest lockdown: “these newly-announced restrictions are not expected to be material to the current year's performance”. Furlough payments voluntarily repaid, as previously announced.

Mitie Group (MTO, 27p, £319m)

UK facilities management group. HY (Sep) trading update. “Trading has continued to be more resilient than expected”. Q2 rev +12% vs Q1, £514m, with monthly improvements in sales particularly across Cleaning, Security and fixed Technical Services contracts. “Public sector contracts have shown good resilience during this challenging period and we have also seen strong performances from our food retail, online retail, healthcare and pharmaceuticals customers. However, demand from our property and finance & professional services clients remained weak, although Q2 was somewhat better than Q1 as office space reopened”.

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.