

Progressive Property & Construction Daily



25 February 2021: MGNS, GFTU, HWDN, YEW

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, 1,488p, £690m mkt cap)

Construction, regeneration and fit out group. FY (Dec) results. Rev -1%, £3,034m; adj PBT -29%, £63.9m; adj EPS -33%, 109p; FY div +190%, 61p; YE net cash £333m (YE 19, £193m); ave daily net cash, £181m (£109m). Secured order book +9%, £8.3bn. *Guidance:* "FY 21 result expected to be materially ahead of previous expectations and slightly ahead of that delivered in 2019. Well positioned to benefit from attractive UK investment trends given key market positions in UK national and social infrastructure together with affordable housing and regeneration". *Divisions:* Construction & Infrastructure, "Strong performance, driven by infrastructure"; op profit +11%, £35.7m, margin maintained at 2.2%. Fit out, "resilient" performance"; op profit -13%, £32.1m, margin 4.6% (4.4%). Property Services, "volumes at more normalised levels in H2"; FY op profit -77%, £1.0m. Partnership Housing "positioning it for future growth"; op profit -12%, £16.1m, margin, 3.7%. No continuing support from Government schemes; all furlough amounts repaid and previously deferred taxes fully up to date. *Outlook:* "The size and quality of our growing secured workload leaves us well-positioned for the future". Medium-term margin, profit or ROCE targets reinstated for each division.

Howden Joinery Group (HWDN, 742p, £4,428m)

UK's largest supplier of kitchens and joinery products to trade customers, primarily small local builders. FY (Dec) results. Rev -2.3%, £1,548m; PBT -29%, £185m; EPS -29%, 24.9p; FY div +133%, 9.1p, special div 9.1p (FY 19, 0p); net cash £431m (£267m). All Government support repaid before YE. Gross profit margin of 60.1% (62.3%), reflected mix changes, pricing and the impact of carrying fixed costs during reduced levels of production. Reduction in PBT "reflected the lower gross profit, together with a modest increase in operating costs". *Outlook*: "We have made a solid start to the year although we have seen some greater caution from end consumers on allowing trades people into their homes under the current lockdown. We therefore remain cautious about the ongoing impact that Covid-19 may have. Our Brexit planning has meant that, to date, there has not been a material impact on our business. Whilst we are aware of the economic uncertainties that we face, we remain confident in our business model for the future".

Grafton Group (GFTU, 986p, £2,358m)

UK, Irish, Dutch builders' merchant and products group. FY (Dec) results. Rev -6.1%, £2,509m; adj PBT -7.4%, £166m; adj EPS, 56.7p; FY div -24%, 14.5p; net cash, pre-IFRS 16, £182m (YE 19, £8m); net debt, reported, £355m (£534m). *Trading*: Revenue in continuing operations, reflecting the impact of first half branch closures in response to the pandemic. Operating profit in continuing operations "exceeding management expectations outlined in January trading update. Exceptional performance by Woodie's DIY, Home and Garden business in Ireland; particularly strong H2 recovery by Chadwicks in Ireland and Selco in the UK; strong second half recovery in Buildbase aided by increased margin and cost control". Over 90% of group profit derived from businesses with reported operating margin in excess of group's 7% target. Lockdown measures in Ireland have seen the temporary closure of most construction activity since 9 January; the Chadwicks branches have remained open albeit operating at a lower level of activity. *Outlook*: "While we remain cautious about first half revenue trends in our markets, we expect to make further progress in the current year".

Yew Grove REIT (YEW, €87, £83m)

Owner of diversified portfolio of Irish commercial property assets. Asset management update. New lease extension in Dublin, three new rent reviews and a new lease at Cork Airport have increased the portfolio's weighted average unexpired lease term to expiry and break to 7.7 and 4.8 years respectively from 7.1 and 4.1 years.

Prices are as at the previous day's close.

Copyright 2021 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.