# Progressive Property & Construction Daily

7 April 2021: SRC, VP., HSS, HLCL, RESI, SHED

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

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## Company news

**SigmaRoc** (SRC, 76p, £210m mkt cap)

Heavy construction materials group active in the UK, Channel Islands and Benelux. Acquisition. The group has completed the acquisitions of B-Mix Beton, J&G Overslag en Kraanbedrijf and Top Pomping, as well as Casters Beton from Groep Janssens for a combined cash consideration of €13m. B-Mix, located in Tessenderloo, and Casters, located in Genk, operate four concrete plants, producing around 250,000 cubic meters annually. In addition, the B-Mix business includes quayside operations along the Albert Canal which links the cities of Antwerp and Liege and the rivers Scheldt and Meuse. In total, the businesses generated a turnover of €22m, EBITDA of €3.3m and a net profit of €1.5m in the year ended 31 December 2020, with net assets of €5.9m. The acquisitions will be immediately earnings enhancing on an underlying basis and will be funded from the net cash proceeds of the December equity fundraising. Following the Acquisitions and the creation of the Granulats du Hainaut (GDH) aggregates brand, announced on 26 March, SigmaRoc has decided to separate its European heavy-side materials operations into two separate platforms. Carrieres du Hainaut (CDH) will continue as a Europe wide dimension stone platform, with revenue of c. €44m pa. A new integrated concrete and construction aggregates platform will be created to include GDH, Stone Holdings, B-Mix and Casters. The new platform has initial annual sales of around €36m pa. SigmaRoc's combined annual turnover in Continental Europe will therefore grow to approximately €80m. Alongside the acquisitions, SigmaRoc has entered into an option agreement, granting it the right to acquire 11 hectares of quayside industrial land in Tessenderloo, for a consideration of €9m. The land includes approximately 260m of quayside along the Albert Canal, one of the busiest national shipping lanes in Belgium, which houses the B-Mix concrete business, as well as a significant unutilised area. Should the Option be exercised, SigmaRoc would continue to utilise approximately 4 ha for the B-Mix business and is currently exploring opportunities to utilise the remaining land as part of its strategy for further expansion in the Belgian market. Should opportunities not be identified which meet the group's investment criteria, the sale or development of the excess land would be considered. FY results, 13 April.

**Vp** (VP., 860p, £345m)

Equipment rental group. Trading update. Since 7 December interims, the group has "traded in line with its expectations despite economic activity in many areas remaining constrained by Covid restrictions". Vp's core markets of infrastructure, construction and housebuilding "have experienced a positive trajectory over recent months and with the prospect of returning to greater economic normality the board is confident that the recovery will accelerate and become increasingly robust". Revenues recovered to 95% of pre-Covid levels during the period. In the year debt has reduced by 22% from £160m at 1 April 2020 to £124m at 31 March 2021. In the UK, highlights include the securing of a long term preferred supply agreement with Balfour Beatty Rail, it is supporting one of the largest industrial shutdowns in the UK at the Valero plant in South Wales and the group has also been increasingly busy supporting contractors on HS2. The lockdown has also catalysed further innovation, with growth in online tool hire rental for Brandon Hire Station progressing well. The International businesses have experienced equally volatile trading conditions to the UK, "but as we enter the new financial year those overseas territories are also recovering well as markets reopen". *Outlook:* "We look forward to reporting another market leading performance in the UK this year and view the next 12 months with increasing confidence".

**HSS Hire Group** (HSS, 20p, £137m)

Anglo-Irish tool and equipment hire group. Disposal and trading update. Unconditional agreement announced to sell Irish large plant hire business Laois Hire Services to Briggs Equipment Ireland for a cash consideration of €11.2m. The proceeds will be used to invest in the core Tool Hire business in line with the Group's strategy. With Laois representing c. 4% of Group revenue for the year ended 28 December 2019, the directors believe that the consideration represents "an attractive valuation for shareholders". As part of this transaction, HSS has entered into a commercial agreement with Briggs for the cross hire of equipment to ensure the broadest possible distribution of, and customer access to, the parties' existing fleets. *Trading update:* HSS confirms that trading for the year was in line with management expectations. "The group has seen encouraging momentum during the first three months of 2021 and EBITDA for the period to 3 April is "comfortably ahead of the comparable prior year". FY results 26 April.

**Helical** (HLCL, 406p, £492m)

Commercial real estate investor, focused on London and Manchester offices. YE (Mar) trading update. "There appears to be a growing sense of optimism that the easing of the current restrictions by the Government will continue as scheduled and that, over the next few months, businesses of all types will resume operations in line with the 'roadmap'. We expect to see the increasing reoccupation of all our buildings by our tenants, supported and supplied by the many local businesses that rely on this for their custom." The portfolio has experienced the letting of space at rents above ERV and 82.8% of March quarter rents have been collected, with 91 - 95% expected by the end of June. 92.9% of all rents have been collected for the previous four quarters. *Financing:* At 31 March, the group held £82.1m of cash in short term deposits and a further £77.3m of sales proceeds and rent collected in bank accounts available to service payments under its loan agreements. In addition, it had £200m of undrawn loan and overdraft facilities. It had drawn £341m of its £531m of investment facilities. These borrowings have an average maturity of 3.3 years, which increases to 4.5 years on exercise of options to extend the £400m RCF, and a weighted average interest cost of 3.3%. FY results, 25 May.

### **Residential Secure Income Fund** (RESI, 92p, £157m)

Real estate investment trust (REIT) investing in affordable shared ownership, retirement and local authority housing. HY (Mar) trading update. Following its £16m acquisition of 191 shared ownership homes from Orbit, the company has reached full deployment with a £345m portfolio of 3,061 homes. The passing portfolio net rent less interest has grown to £9.9m Total debt, £162m before fair value update at 31 March with an average 23 year maturity and weighted average cost of 2.3%. Gross LTV ratio, 47%. The improved earnings position arising from being fully invested, as well as ongoing operational improvements, means the company now expects to reach full dividend coverage, on a look forward basis and calculated on recurring profit before valuation movements in July.

### **Urban Logistics REIT** (SHED, 150p, £381m)

Specialist UK logistics real estate investment trust. Acquisitions and rent collection update. Acquisition announced of two assets in Warrington and Edinburgh for a total consideration of £21.7m at a 6.1% net initial yield. The company has received 99% of rent due for the quarter to June. The remaining 1% is expected to be collected imminently.

## In other news …

**Student accommodation.** Residential for rent developer and manager, **Watkin Jones** (WJG, *WJG is a client of PERL*) has acquired the former HMRC office in Swansea for a 350-bed student accommodation scheme, Property Week (link, paywall). The developer and manager said it has already begun consultation on the scheme, which Property Week understands will have a GDV of around £35m. The site was formerly home to the offices of HMRC's valuation office agency. Watkin Jones, which recently completed a three-phase, 967-bed scheme in the Welsh city, said its proposed scheme for the site would increase student housing capacity to the city, which has seen its student population rise by 11.5% in the last three years.

**Urban regeneration.** Developer **St Modwen Properties** (SMP) has entered a partnership with Oxford University's Merton College to develop 1,250 homes and 900,000 sq ft of logistics for a mixed-use scheme in Worcester, Property Week (link, paywall). The 240-acre scheme, which is located at Junction 7 of the M5, will comprise homes, green space, walking and cycling routes, public transport facilities, retail and a primary school. The site, owned by Merton College, forms part of the larger South Worcestershire Development Plan, which includes the development of 10,000 homes, a new town centre and 50 ha of employment space.

*Prices are as at the previous day's close.*