

Progressive Property & Construction Daily



4 October 2021: MRL, VP., SGRO | Fortnight ahead

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

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Company news

Marlowe (MRL, 849p, £655m mkt cap)

Safety and compliance provider to commercial properties. Acquisitions. Marlowe's Governance Risk & Compliance division has acquired eLearning and compliance software VinciWorks for an initial cash consideration of £39m and a contingent consideration estimated at c. £15m. VinciWorks provides compliance eLearning software and compliance management software across a broad range of sectors, with a strong market share in the legal, professional services and larger corporate sectors. Its subscription-based eLearning courses enable clients to implement compliance and ESG training across areas such as GDPR, anti-bribery, anti-money laundering, cyber-security, tax evasion, modern slavery, code of conduct and health & safety. It generates £5.5m revenue and adj EBITDA of £3.2m, on a run-rate basis, representing a 58% margin. As at 31 August 2021, VinciWorks had net assets of £1.4m. The estimated contingent consideration payable in connection with the acquisition of VinciWorks of c.£15 million is based on VinciWorks achieving FY 23 EBITDA of £5.1m. Marlowe's Testing, Inspection & Certification division has exchanged contracts to acquire Hydro-X for a cash consideration of £30m. The business provides a broad range of technical compliance services focused on water & air compliance, water treatment, fire safety and health & safety. In the year to 31 August 2021, Hydro-X generated revenue of £17.6m and an adjusted EBITDA of £3.5m, representing a 20% EBITDA margin. Net assets as at 31 August 2021 were £5.3m.

Vp (VP., 1,043p, £419m)

Equipment rental group. HY (Sep) trading update. *Guidance:* “The group is trading well and in line with the Board’s expectations. Group revenues are running at 96% of pre-Covid levels and the business is making excellent progress despite some market sectors not yet being back to historic levels of demand”. In the UK division demand from the core markets of infrastructure, housebuilding and construction has remained supportive. Certain areas of major infrastructure investment such as HS2 have been very busy with other key elements, such as the rail sector (CP6) and water (AMP7) expected to accelerate in H2. General construction has been satisfactory with repair and maintenance work remaining good, but the sector is to a degree impacted by materials and labour resource constraints and the pace of growth will be partially dependent on these issues being resolved. Residential construction remains supportive with good demand in this segment. The International division has also experienced a tangible recovery in trading in the new financial year despite the distraction of extended lockdowns in some parts of Australia, New Zealand and Malaysia. Supported by the Group’s strong financial position, the group businesses are in excellent shape to capitalise on further opportunities both in the UK and International markets. HY results, 30 November 2021.

Segro (SGRO, 1,027p, £14,514m)

UK’s leading owner and developer of warehouses and industrial space, also active in Europe. Property swap with Schroders completed in which Segro has acquired a 256,000 sq ft urban warehouse estate in West London for £140m and Schroders has acquired a portfolio of UK big box and urban assets totalling 880,000 sq ft for £205m. The balance of £65m has been paid by Schroders to Segro. Based on current passing rent and lease reviews and renewals under discussion, Matrix Park in Park Royal, West London, generates a passing rent of £4.1m and has an average weighted unexpired average lease term (WAULT) of five years. The portfolio acquired by Schroders consists of two stand-alone, fully let big box assets in Hams Hall, Birmingham and Brackmills, Northampton as well as four urban assets including multi-level warehouse X2 close to Heathrow Airport, Oakwood in Park Royal, Advent Way in North London and a cross-dock warehouse in Radlett. Based on current passing rent and lease reviews and renewals under discussion the portfolio generates a passing rent of £7.5m and has an average WAULT of six years. According to Segro, the off-market transaction allows it to acquire a significant multi-let industrial estate in one of the group’s core markets, offering strong rental growth potential as well as a medium to long term redevelopment opportunity. Meanwhile, it been able to divest a number of relatively small holdings, all of which were ear-marked for disposal in the near to medium term.

Fortnight ahead

Construction & property: company and economic news

October

6	BEIS	Building materials stats
	Markit/CIPS	UK/Eurozone Construction PMI
7	Halifax	House prices

Sources: Companies, Factset, Progressive Equity Research

Prices are as at the previous day's close.

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