Progressive Property & Construction Daily

18 November 2021: CRST, BOOT, KLR, MTO, GRI | PM signals new study for alternative to HS2 Leeds link

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

Company news

Crest Nicholson Holdings (CRST, 334p, £858m mkt cap)

South East focused mixed tenure housebuilder. FY (Oct) trading statement. *Guidance:* FY 21 adj PBT "expected to be marginally ahead of consensus" of £101m, with the Longcross Film Studio contribution being more than anticipated. *Trading:* Expansion of operating margins continuing "in line with guidance as the group makes strong progress depleting poorer legacy sites and maintains discipline on overhead". Forward sales +7.4%, 2,502 units, at GDV +26%, £624m. Net cash position maintained throughout the year. "The Group has performed strongly in the second half of the year. While the trading environment remains robust, it has been a challenging operational environment for our sector, with disruption to supply chains and the availability of materials. Our teams have remained focused on implementing our strategy and have managed to successfully navigate our way through these issues".

Henry Boot (BOOT, 265p, £353m)

Land Promotion, property investment & development and construction group. Contract. The group's construction business has secured a £47m contract to refurbish York's historical Rowntree Factory into 279 apartments, being delivered by Latimer, the development arm of Clarion Housing Group. The works, which will also deliver extensive community space, commenced last month, with a target completion date of Q4 2023. Henry Boot Construction's order book for 2022 is now 100% secured.

Keller Group (KLR, 899p, £650m)

World's largest ground engineering group, with 60% exposure to North America. Trading update. *Guidance:* "Since our half year results announcement on 3 August, trading has largely continued as anticipated and the group's overall performance for 2021 is expected to be in line with market expectations, underpinned by the order book that remains at a record level of c. £1.2bn". *Trading.* "In North America, the recovery of trading is most advanced, albeit the speed of recovery is being impacted by confidence, inflation and resource availability issues which we are seeing to various degrees. The recent Presidential Executive Order, which becomes effective in January 2022, mandating Covid-19 vaccinations for any employee associated with Federally-funded projects adds a further industry-wide challenge to managing our resources. Trading across Europe is in line with our expectations, with markets emerging more tentatively from the impact of the pandemic as previously highlighted. Despite the increased cost and reduced availability of raw materials and qualified labour in certain markets, we have seen a general trend of improved trading. Our project performance on HS2 in the UK continues to progress well. The recovery of trading in AMEA (Asia-Pacific, Middle East and Africa) remains the most challenging, especially in the Australia and Middle East and Africa businesses with countries still relying on lockdowns and restrictions in advance of vaccination programmes". FY results, 8 March.

Mitie Group (MTO, 71p, £1,020m)

UK facilities management group. HY (Sep) results. Rev +103%, £1,912m; adj op margin, 4.4% (HY 21, 1.9%); adj PBT, £75m (£10.7m); stat PBT, £50m (-£0.9m); adj EPS, 4.9p (0.9p); div, 0.4p (0p); closing net cash, £8.5m (£116m); average net debt, £59.9m (£69.3m); orders +70%, £6.8bn. *Trading:* Revenue boosted by inclusion of Interserve Facilities Management revenue of £629m, and £259m from short-term Covid-related contracts; Mitie standalone revenue excluding Interserve +36%, and underlying revenue back at pre-Covid levels. *Outlook:* "Our second half is traditionally a little stronger than the first half. Excluding our short-term Covid-related contracts - which we expect to significantly reduce in the second half - we are again expecting a stronger second half performance for the underlying business. This will result in an operating profit before other items for FY 22 of £145m - 155m, unchanged from our previous guidance".

Grainger (GRI, 312p, £2,314m)

UK's largest listed residential landlord. FY (Sep) results. Net rental income -4%, £70.6m; PBT +53%, £152m; adj dil EPS -2.9%, 9.9p; div -6%, 5.5p; EPRA TNAV +4%, 297p; net debt +1%, £1,042m; LTV, 30.4% (33.4%). *Trading:* Occupancy in private rental sector (PRS) portfolio, 94%; PRS now represent 69% of total portfolio. *Outlook:* "Having delivered a robust performance for the year we are well positioned for a strong year of rental growth in FY22. With occupancy having now recovered to stabilised levels our focus will return to delivering rental growth and the associated valuation growth. As we grow over the medium term, delivering our pipeline and leveraging our platform, we will see significant net rental income growth translate into strong earnings and dividend growth. With funding already in place to deliver this secured pipeline we will continue to pursue further accretive growth opportunities and maintain our leadership position in the PRS sector".

In other news

HS2. PM Boris Johnson today confirmed the current plan for the HS2 link to Leeds is being dropped with a new study ordered on the best way to eventually get the city connected to the network. Writing exclusively in the Yorkshire Post (link), he stated "HS2 will come to Sheffield, meaning a trip to or from London will take just one hour 27 minutes – precisely the same as under the old HS2 plans. We'll look at how to get HS2 to Leeds too, with a new study on the best way to make it happen". He said the Midland Main Line will be electrified and expanded, as will the Trans-Pennine Main Line. The overall Integrated Rail Plan, to be published later today, is to detail what the Government is describing as a new £96bn programme of investment, but The Yorkshire Post understands it is based on transferring money earmarked for previous plans to the amended proposals, rather than totally new funding. The PM said "long stretches of brand new high-speed track" will be part of the Northern Powerhouse Rail (NPR) project to reduce journey times between Leeds and Manchester. Local service upgrades, bringing faster journeys, will happen up to 10 years earlier than planned, according to the BBC. **Viewpoint:** Given the Government's recent record of spin and U-turns, let's wait until Transport Secretary Grant Shapps unveils the full details this morning.

Prices are as at the previous day's close.

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