

Kier Group PLC

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Kier to axe 1,200 jobs and sell non-core businesses as part of overhaul

Kier Group PLC (LON:KIE) has kicked off a restructuring plan that involves axing 1,200 jobs, suspending dividend payments and selling non-core businesses amid speculation about increased pressure on its finances.

In reaction shares fell by more than 9% to 118p in morning trading.

The UK construction group aims to deliver cost savings of about £55m from fiscal year 2021 through the overhaul of the business.

READ: Kier fears reappear as credit insurers withdraw support, housebuilding price disappoints
Kier expects to spend about £56m between 2019 and 2021 on its turnaround efforts.

The decision to streamline operations comes after the company launched a strategic review of the business in April, weeks after chief executive Haydn Mursell was effectively ousted by shareholders.

New boss Andrew Davies said on Monday that he would take actions to simplify the group, better allocate capital resources and identify additional steps to improve cash generation and reduce average net debt.

"By making these changes, we will reinforce the foundations from which our core activities can flourish in the future, to the benefit of all of our stakeholders," he said.

Asset disposals and dividend suspension

Kier plans to sell or substantially exit its housebuilding, property development, facilities management and environmental services businesses.

The group said it would suspend its dividend payments for the 2019 and 2020 financial years as it warned its net debt is running at around £420m to £450m at the end of each month, higher than analysts expected.

Peel Hunt put its 'buy' rating on the shares under review following the announcement.

The broker said: "Despite the asset value, reassurance over trading and evidently supportive customers, the uncertainties around the period-end debt position results in us placing our estimates under review ahead of the July debt update."

Speculation over financial position

The company has been the subject of speculation over its financial health.

Last week The Times reported that two trade credit insurers withdrew credit insurance from the contractor, although other providers are understood to be continuing to provide coverage.

Price: 91.05

Market Cap: £147.61 m

1 Year Share Price Graph



December 2018 June 2019 December 2019

Share Information

Code: KIE

Listing: LSE

52 week	High	Low
	547	58.4

Sector: Builders and building materials

Website: www.kier.co.uk

Company Synopsis:

Kier Group is engaged in construction, support services, residential and commercial property development, and infrastructure project investment. The company is organised in five divisions. The construction segment comprises Kier Regional and Kier Construction.

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As credit insurance insures suppliers from potential losses, creditors could demand Kier pay them quicker, putting the group's finances under even more pressure.

Kier issued a profit warning earlier this month, blaming lower-than-expected sales in its building division as well as "volume pressures" in its highways, utilities and housing maintenance arms.

-- Adds details, share price and broker comment --

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