

Galliford Try plc

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Galliford Try profits fall as expected due to construction loss

Galliford Try plc (LON:GFRD) reported full-year revenues down 7.5% and profits down 27%, but these numbers were not as bad as expected.

The final results came a day after the FTSE 250 group said it had resumed talks about selling its housebuilding and Partnerships & Regeneration businesses to Bovis Homes for £1.075bn, of which £300m is cash.

This would leave Galliford focused entirely on a better-capitalised construction business, where a restructuring and refocus resulted in a £10.4m loss that was the main driver of 2019's profit decline.

With group revenue slipping to £2.7bn in the year to 30 June, statutory profit before tax dropped to £104.7m.

After one-off costs including from the difficult Aberdeen bypass construction contract, underlying PBT fell 17% to £155.5m, which was in line with what analysts were expecting.

A final dividend of 35p results in a total payout for the year of 58p, which was down from the 77p a year earlier.

The construction business made pre-exceptional revenue of £1.4bn as the business focuses on core sectors of building, water and highways, which management believe will deliver improved margins, with an order book of £2.9bn.

"Construction's result for the year has been impacted by challenges with both legacy and some current projects and by the restructure, which is now complete," said chief executive Graham Prothero, with the business having secured 89% of planned revenue for the 2020 financial year.

He added: "The potential combination of our Linden Homes and Partnerships businesses with Bovis Homes represents a superb opportunity, enhancing the prospects for all three of our businesses to thrive as strategically focused and well-financed operations with excellent opportunities for growth.

"The transaction allows construction to continue trading as a standalone well capitalised business."

Broker Peel Hunt said it expected consensus estimates to remain unchanged on these results.

"We continue to see upside in Galliford Try's shares as the current share price of Galliford reflects less than a £150m valuation of the rump business and is ignoring the potential upside to Bovis or synergies. The earnings enhancement to Bovis is likely to be around 20% before synergies and could be 30% after. We believe that this will start to be reflected in the Bovis and Galliford share prices as the transaction reaches conclusion."

Price: £6.66

Market Cap: £738.92 m

1 Year Share Price Graph



Share Information

Code: GFRD

Listing: AIM

52 week High Low
1097 499.6

Sector: Builders and building materials

Website: www.gallifordtry.co.uk

Company Synopsis:

Galliford Try PLC provides construction services throughout the United Kingdom and is a house builder across the South of England, Midlands and Eastern counties with an affordable housing and regeneration business. The company offers a range of construction services across the United Kingdom with specific sector expertise in education, health, commercial, leisure, interiors and facilities management.

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Shares in Galliford were down 1% to 656p on Wednesday morning.

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