

John Laing Group

Sale of Australian wind farm assets

John Laing Group (JLG) has announced the sale of its Australian wind farm assets for A\$285m (£157m), a valuation described as a 'small uplift' to book value. This news is significant for two reasons: 1) it provides some reassurance that the book value of JLG's renewable assets is now relatively conservative; and 2) accounting for about a third of its renewable portfolio, the disposal represents material progress on JLG's strategy to exit this market. We make no change to our numbers ahead of the company's Q3 trading statement expected next week.

Year end	NAV/share (p)	EPS* (p)	DPS (p)	P/NAV (x)	P/E (x)	Yield (%)
12/18	323	63.1	9.5	0.9	4.6	3.2
12/19	337	20.4	9.5	0.9	14.4	3.3
12/20e	308	(14.6)	8.2	1.0	N/A	2.8
12/21e	315	5.9	9.8	0.9	49.9	3.4

Note: * EPS are normalised, excluding amortisation of acquired intangibles, share-based payments.

JLG's Australian wind farm portfolio includes stakes in six individual projects (Kiata, Cherry Tree, Hornsdale 1–3 and Granville) and has a total capacity of 514MW. Restating capacity to 209MW to reflect its varying economic interest, the disposal price implies £0.75m per MW. The sale is to First Sentier Investors and is expected to complete in early 2021. Following completion JLG will be left with just two renewable assets in Australia; its solar projects Finley and Sunraysia. Sales of these assets are expected to take longer as the company addresses operational challenges.

The sale of JLG's wind farm assets in Australia had been anticipated following the strategic decision to exit renewables globally earlier in the year and press commentary in the Australian market (see [here](#)). Nevertheless, the fact it has been achieved at a modest premium to book value should reassure investors that the book value of JLG's assets is now at a conservative level. It also represents substantial progress on the company's strategy to exit renewables. At H1 JLG's renewable portfolio was valued at £417m (26% of its total portfolio) so the sale effectively represents about a third of the book value of its renewable portfolio.

No overall update to NAV has been given and we make no changes to our numbers ahead of a Q3 trading update expected next week (c 28 October). New CEO Ben Loomes is expected to provide a wider strategic update in November.

Disposal of Australian wind farm assets

Investment companies

19 October 2020

Price 294p
Market cap £1,449m

Net debt (£m) at H120 Re-presented accounts: 105
Edison calculation based on statutory accounts: 431

Shares in issue 493m
Free float 99%
Code JLG
Primary exchange LSE
Secondary exchange N/A

Share price performance



Business description

John Laing Group is an originator, active investor in, and manager of greenfield infrastructure projects. It operates internationally and its business is focused on the transport, energy, social and environmental sectors.

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Australia

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