

John Laing Group

Outlook remains positive

FY19 pre-close update

Investment companies

3 July 2019

Price 393p
Market cap £1,937m

John Laing Group (JLG) expects the FY19 NAV to be broadly in line with management expectations on a constant currency basis (Edison FY19e +11%). JLG also believes it remains on track to meet its 2019–21 targets for investment commitments and realisations. Both the investment pipeline and the market for secondary assets are also said to remain strong. The positive outlook is reflected in the premium rating of the shares. Our forecasts remain unchanged.

Year end	NAV/share (p)	EPS* (p)	DPS** (p)	P/NAV (x)	P/E (x)	Yield (%)
12/17	281	31.9	8.9	1.4	12.3	2.3
12/18	323	63.1	9.5	1.2	6.2	2.4
12/19e	360	47.7	10.2	1.1	8.2	2.6
12/20e	402	53.1	10.3	1.0	7.4	2.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **DPS includes interim, final and special payments. Historical figures have been adjusted to reflect the impact of the rights issue of 2018.

No change to guidance

JLG's guidance (2019–21) for investment commitments (c £1bn) and realisations (broadly in line with commitments) remains unchanged. So far in FY19, realisations have totalled £131m, at prices in line with the portfolio valuation, including JLG's first disposals of operational assets in the US and Australia. Commitments to new projects have proceeded more slowly, with only £7m completed to date. However, JLG believes the pace of commitments will pick up and expects two investments, with a value of £130m, to complete in Q319.

JLG remains confident of outlook

JLG pre-close update highlighted operational issues with renewable energy assets in Germany and Ireland (wind levels) and Australia (transmission losses) with a total valuation of c 18.5% of the portfolio (at 31/12/18). JLG is evaluating the potential impact on the portfolio value of these projects and considering opportunities to mitigate any potential impact. Set against these difficulties, JLG reported positive developments with several of its public-private partnership (PPP) projects, including Denver Eagle P3, Sydney Light Rail and New Generation Rolling Stock. Overall, JLG expects the FY19 NAV to be broadly in line with management expectations on a constant currency basis (Edison FY19e +11%). Beyond FY19, the investment pipeline (particularly the US and Australia) and the market for secondary assets are both stated by management to remain strong

Valuation: Premium to NAV

JLG's share price has performed strongly over the last year following the takeover of JLIF and the shares now stand at a premium to both its historical NAV of 323p/share (+15%) and our forecast figure for FY19e of 360p/share (+3%). The shares also now trade above the peer group average premium of 10% (to historical NAV) and remain towards the top end of the stock's historical trading range.

Net cash (£m) at 31 December 2018	70.1
Shares in issue	493.0m
Free float	100%
Code	JLG
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	2.0	0.2	42.9
Rel (local)	(2.7)	(2.0)	44.0
52-week high/low	402p	273p	

Business description

John Laing 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.

Next events

Interim results	22 August 2019
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Exhibit 1: Financial summary

Accounts: IFRS, year-end: December, £m	2017	2018	2019e	2020e
Total revenues	196.7	397.4	312.7	349.9
Cost of sales	0.0	0.0	0.0	0.0
Gross profit	196.7	397.4	312.7	349.9
SG&A (expenses)	(58.6)	(65.6)	(64.9)	(66.2)
Other income/(expense)	0.0	(21.3)	0.0	0.0
Depreciation and amortisation	(0.3)	(0.1)	(0.1)	(0.1)
Reported EBIT	137.8	310.5	247.8	283.7
Finance income/(expense)	(11.8)	(13.9)	(14.4)	(19.1)
Other income/(expense)	0.0	0.0	0.0	0.0
Reported PBT	126.0	296.6	233.4	264.6
Income tax expense (includes exceptionals)	1.5	(0.3)	(0.2)	(0.3)
Reported net income	127.5	296.3	233.2	264.3
Basic average number of shares (m)	367.0	466.9	491.5	493.0
Adjusted EPS (p)	31.9	63.1	47.7	53.1
EBITDA	138.1	331.9	247.9	283.8
Adjusted NAV (p/share)	281	323	360	402
Adjusted total DPS (p)	8.9	9.5	10.2	10.3
BALANCE SHEET				
Property, plant and equipment	0.1	0.1	0.1	0.1
Goodwill	0.0	0.0	0.0	0.0
Intangible assets	0.0	0.0	0.0	0.0
Other non-current assets	1,346.9	1,700.5	1,928.3	2,208.4
Total non-current assets	1,347.0	1,700.6	1,928.4	2,208.5
Cash and equivalents	2.5	5.7	2.0	2.0
Inventories	0.0	0.0	0.0	0.0
Trade and other receivables	7.6	7.9	8.6	9.6
Other current assets	0.0	0.0	0.0	0.0
Total current assets	10.1	13.6	10.6	11.6
Non-current loans and borrowings	0.0	0.0	75.0	125.0
Trade and other payables	0.0	0.0	0.0	0.0
Other non-current liabilities	41.3	41.6	14.9	1.5
Total non-current liabilities	41.3	41.6	89.9	126.5
Trade and other payables	17.3	20.0	17.3	17.3
Current loans and borrowings	173.2	65.7	58.4	91.6
Other current liabilities	1.4	0.4	1.4	1.4
Total current liabilities	191.9	86.1	77.1	110.3
Equity attributable to company	1,123.9	1,586.5	1,772.0	1,983.3
Non-controlling interest	0.0	0.0	0.0	0.0
CASH FLOW STATEMENT				
Profit before tax	126.0	296.6	233.4	264.6
Net finance expenses	11.8	13.9	14.4	19.1
Depreciation and amortisation	0.3	0.1	0.1	0.1
Share based payments	3.2	2.7	0.0	0.0
Fair value and other adjustments	(270.6)	(323.7)	(312.1)	(357.7)
Movements in working capital	2.9	2.5	(0.0)	(0.2)
Cash from operations (CFO)	(126.4)	(7.9)	(64.4)	(74.4)
Capex	(0.1)	0.0	(0.1)	(0.1)
Cash transf. from inv. Held at FV	77.4	12.4	55.1	63.4
Portfolio Investments - Disposals	79.1	(46.0)	0.0	0.0
Cash used in investing activities (CFIA)	156.4	(33.6)	55.0	63.3
Net proceeds from issue of shares	0.0	210.5	0.0	0.0
Movements in debt	11.0	(106.5)	67.7	83.1
Other financing activities	(40.1)	(59.3)	(62.0)	(72.1)
Cash from financing activities (CFF)	(29.1)	44.7	5.7	11.1
Currency translation differences and other	0.0	0.0	0.0	0.0
Increase/(decrease) in cash and equivalents	0.9	3.2	(3.7)	0.0
Currency translation differences and other	0.0	0.0	0.0	0.0
Cash and equivalents at end of period	2.5	5.7	2.0	2.0
Net (debt)/cash	(170.7)	(60.0)	(131.4)	(214.6)
Movement in net (debt)/cash over period	(10.9)	110.7	(71.4)	(83.1)

Source: Company accounts, Edison Investment Research

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