

# John Laing Group

Pre-close update

## Further NAV growth expected

John Laing Group's (JLG) pre-close update did not contain any significant surprises. Investment commitments and realisations are on track to meet FY17 targets, and the outlook for both the primary and secondary investment markets remains strong. We maintain our expectation of continued strong growth in the NAV in FY17 (to 310p – revised from 308p previously) and see upside for the shares based on our estimates.

Year end	NAV (p)	EPS* (p)	DPS** (p)	P/NAV (x)	P/E (x)	Yield (%)
12/15	242	27.6	6.90	1.3	11.0	2.3
12/16	277	51.9	8.15	1.1	5.8	2.7
12/17e	310	40.8	9.75	1.0	7.4	3.2
12/18e	346	46.5	9.92	0.9	6.5	3.3

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*DPS includes interim, final and special payments.

## Progress in line with FY17 guidance

JLG's pre-close update was in line with both our expectations and its own targets for FY17. JLG has made investment commitments so far in 2017 of £111m and reiterated that it expects total investment commitments for FY17 to be c £200m (Edison FY17e: £200m). Realisations so far have totalled £151m, including the A1 motorway in Poland (£120.4m) and the M6 road in Hungary (£22.7m). The aggregate prices achieved for the disposals are said to be in line with portfolio aggregate values and JLG retains its guidance of £200m (Edison FY17e: £200m). The investment portfolio is performing in line with management expectations and JLG achieved commercial acceptance for the New Royal Adelaide Hospital in June and will include it in its secondary portfolio as at the end of June. Talks with the Greater Manchester Waste Disposal authority regarding the future of the Manchester Waste project, where JLG has two separate but contractually linked projects (valued at c £94m), are continuing.

## Outlook remains positive

JLG remains positive on the outlook for new investment in both PPP and renewable energy. The company is currently involved in 11 PPP bids (previously eight), which are due to reach financial close in the next two years, and continues to assess opportunities in related infrastructure markets. The secondary market for PPP assets and renewable energy projects is also said to remain strong. Following the pre-close statement, we have made only some small refinements to our model, which now projects an FY17 NAV of 310p (previously 308p).

## Valuation: Discount to peers still remains

JLG's share price has performed strongly over the last year and it now trades at a small premium to its last reported NAV of 277p (end December 2016). The shares, however, are below our projection for the year end FY17 NAV of 310p and continue to trade at a discount to other infrastructure funds. We would expect this valuation gap to continue to close as JLG demonstrates strong growth trajectory.

### Investment companies

4 July 2017

**Price** **303.00p**  
**Market cap** **£1,112m**

Net debt (£m) at 31 December 2016	88.2
Shares in issue	367.0m
Free float	100%
Code	JLG
Primary exchange	LSE
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	1.5	11.2	34.7
Rel (local)	4.4	10.9	18.3
52-week high/low	308.9p	216.1p	

### Business description

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

### Next events

Interim results	24 August 2017
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**Exhibit 1: Financial summary**

Accounts: IFRS, year end: December, £m	2015	2016	2017E	2018E	2019E	2020E
Total revenues	167.6	260.8	210.2	232.8	258.1	270.5
Cost of sales	(0.1)	0.0	(0.5)	(0.5)	(0.5)	(0.5)
Gross profit	167.5	260.8	209.7	232.3	257.6	270.0
SG&A (expenses)	(54.1)	(57.6)	(48.3)	(49.3)	(50.3)	(51.3)
Other income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortisation	(1.2)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Reported EBIT	112.2	202.4	160.6	182.2	206.5	217.9
Finance income/(expense)	(11.3)	(10.3)	(10.8)	(11.8)	(14.2)	(16.8)
Other income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0
Reported PBT	100.9	192.1	149.9	170.5	192.3	201.1
Income tax expense (includes exceptionals)	(2.1)	(1.8)	0.0	0.0	0.0	0.0
Reported net income	104.5	190.3	149.9	170.5	192.3	201.1
Basic average number of shares, m	358.3	366.9	366.9	366.9	366.9	366.9
Basic EPS	27.6	51.9	40.8	46.5	52.4	54.8
EBITDA	113.4	203.2	161.4	183.0	207.3	218.7
<b>NAV (p/share)</b>	<b>242</b>	<b>277</b>	<b>310</b>	<b>346</b>	<b>389</b>	<b>433</b>
Total DPS (p)	6.90	8.15	9.75	9.92	10.09	10.27
<b>Balance sheet</b>						
Property, plant and equipment	1.0	0.3	0.5	0.7	0.9	1.1
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.2	0.0	0.0	0.0	0.0	0.0
Other non-current assets	966.7	1,258.5	1,401.4	1,561.6	1,744.1	1,954.3
Total non-current assets	967.9	1,258.8	1,401.9	1,562.3	1,745.0	1,954.4
Cash and equivalents	1.1	1.6	1.0	4.5	51.1	53.9
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade and other receivables	8.3	7.4	10.4	11.5	12.7	13.3
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	9.4	9.0	11.4	15.9	63.8	67.2
Non-current loans and borrowings	0.0	0.0	0.0	250.0	350.0	400.0
Trade and other payables	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	46.3	70.8	51.3	26.6	1.5	1.5
Total non-current liabilities	46.3	70.8	51.3	276.6	351.5	401.5
Trade and other payables	19.6	14.7	26.5	26.5	26.5	26.5
Current loans and borrowings	14.9	161.4	194.7	0.0	0.0	0.0
Other current liabilities	6.9	4.1	4.2	4.2	4.2	4.2
Total current liabilities	41.4	180.2	225.4	30.7	30.7	30.7
Equity attributable to company	889.6	1,016.8	1,136.5	1,271.0	1,426.6	1,590.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow statement</b>						
Profit before tax	100.9	192.1	149.9	170.5	192.3	201.1
Net finance expenses	11.3	10.3	10.8	11.8	14.2	16.8
Depreciation and amortisation	1.2	0.8	0.8	0.8	0.8	0.8
Share based payments	0.7	2.0	0.0	0.0	0.0	0.0
Fair value and other adjustments	(124.8)	(78.4)	(206.4)	(230.5)	(257.9)	(265.5)
Movements in working capital	(3.2)	(2.3)	14.0	0.6	(0.0)	0.1
Cash from operations (CFO)	(13.9)	124.5	(31.0)	(46.8)	(50.6)	(46.7)
Capex	(0.6)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)
Cash transf. from inv. Held at FV	(54.0)	(73.4)	39.0	43.8	49.1	54.6
Portfolio Investments - Disposals	(56.6)	(161.6)	0.0	0.0	0.0	0.0
Cash used in investing activities (CFIA)	(111.2)	(235.1)	38.0	42.8	48.1	53.6
Net proceeds from issue of shares	124.7	0.0	0.0	0.0	0.0	0.0
Movements in debt	19.0	146.0	33.3	55.3	100.0	50.0
Other financing activities	(19.6)	(35.1)	(40.9)	(47.8)	(50.9)	(54.1)
Cash from financing activities (CFF)	124.1	110.9	(7.6)	7.5	49.1	(4.1)
Currency translation differences and other	(0.1)	0.2	0.0	0.0	0.0	0.0
Increase/(decrease) in cash and equivalents	(1.0)	0.3	(0.6)	3.5	46.6	2.8
Currency translation differences and other	0.0	0.0	0.0	0.0	0.0	0.0
Cash and equivalents at end of period	1.1	1.6	1.0	4.5	51.1	53.9
Net (debt) cash	(13.8)	(159.8)	(193.7)	(245.5)	(298.9)	(346.1)
Movement in net (debt) cash over period	(15.9)	(146.0)	(33.9)	(51.9)	(53.4)	(47.2)

Source: Edison Investment Research

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