

Galliford Try plc

03:55 16 Apr 2019

Galliford Try shares crumble on huge profit warning

Galliford Try PLC (LON:GFRD) shares crumbled on Tuesday as the housebuilder warned a writedown of various contracts in its construction business will dent annual profits by up to £40mIn.

The massive profit warning sent shares down by 16.6% in early deals to 604.8p, taking Galliford to the bottom of the FTSE 250.

READ: Crest Nicholson nabs Galliford Try boss

The housebuilder is to undertake a strategic review of its construction business which would see it 'reassess' some of its current contracts, notably the £1.3bn Queensferry Crossing in Scotland, which is running well over budget.

There was no change to the 58km-long link road it recently finished in Aberdeen, on which it booked a £26mIn loss in the first-half of its financial year.

"The board expects that the outcome of this assessment will reduce the group's full year post-exceptional profit before tax by £30-£40mIn below the current consensus analysts' forecast," read Tuesday's statement.

Ex-CEO left at end of March

According to company data, analysts had been expecting an adjusted pre-tax profit of around £156mIn this year.

The decision to write down contracts and cut guidance comes just a few weeks after former chief executive Peter Truscott left for rival Crest Nicholson PLC (LON:CRST) and was replaced by finance boss Graham Prothero.

The conclusions of the review are expected to be finalised within the next few weeks, and an update will be included in a trading update next month.

Analysts thought crossing has been completed

"Galliford Try has announced that it is undertaking a strategic view of construction, most likely as new CEO Graham Prothero takes his position," said City broker Liberum in a note to clients.

"The upshot is that construction will likely to become smaller in future, which is positive, but that this comes at an exceptional cost of £30-40mIn (c27-36p per share).

This exceptional should be a genuine one-off [as it] mainly relates to the Queensferry Crossing, which we thought had been completed.

"The statement says that guidance for June 2019 average net debt is unchanged, which means there was contingency built into that.

"Shares look very cheap even before any fall, on a 25% discount to our target of 970p."

Price: 594.5p

Market Cap: £660.09M

1 Year Share Price Graph



Share Information

Code: GFRD

Listing: AIM

52 week High Low
1,117.00p 499.60p

Sector: Construction & 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.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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