EDISON

John Laing Group

FY18 results

JLG beats expectations

Investment companies

John Laing Group (JLG) posted strong growth in FY18 with the principal benchmark, NAV per share, up 15% (18.2% including dividends paid). JLG can now point to a compound growth rate in NAV per share (with dividends) of 15.8% since its IPO in 2015. With a strengthened balance sheet and a geographically diversified business, JLG remains well placed to exploit the growth opportunities provided by a strong global market for infrastructure assets.

Year end	NAV (p)	EPS* (p)	DPS* (p)	P/NAV (x)	P/E (x)	Yield (%)
12/17	281	31.9	8.9	1.3	11.8	2.4
12/18	323	63.1	9.5	1.2	6.0	2.5
12/19e	360	47.7	10.2	1.0	7.9	2.7
12/20e	402	53.1	10.3	0.9	7.1	2.7

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

Strong activity and NAV increase above forecast

Recent updates (16 January) already highlighted the significant level of activity that had taken place within the business in FY18, with investment commitments (£302m) and realisations (£296m all UK) both exceeding initial FY18 guidance of £250m. The FY18 results also demonstrated growth (beyond our forecasts) of JLG's two principal benchmarks, NAV per share (+15% to 323p; Edison FY18e 318p) and DPS (+6.5% to 9.5p, including special DPS; Edison FY18e 9.2p). The growth in the NAV per share was achieved thanks to a strong increase in the fair value (72p/share) boosted by continuing growth in 'embedded value' (29p/share) and by a significant rise in 'value enhancements' to the portfolio (+27p/share) derived from the above book value disposal of Intercity Express Programme Phase I and the subsequent impact on IEP Phase 2. The fair value growth was achieved despite an additional non-recurring pension charge of £21.3m (not in our forecasts). The special dividend of 4.1p/share was based on 6.8% of investment realisations.

Strong outlook continues

Investment capacity has been bolstered by last year's rights issue and the investment pipeline now stands at an all-time high of £2.4bn. JLG remains confident of the outlook, despite the loss of fee income from John Laing Infrastructure Fund, and has issued guidance for investment commitments and disposals to c £1bn over the next three years. Global appetite for infrastructure assets remains strong and we believe JLG's track record and geographic capabilities should allow it to exploit these opportunities. We have revised our FY19e NAV per share to 360p, from 355p.

Valuation: Strong share price recovery

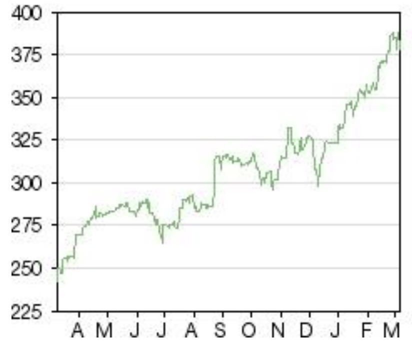
JLG's share price has performed strongly during the last year, recovering from the lows of early 2018. JLG now stands at a c 20% premium to its last reported NAV, towards the top of its historic trading range.

7 March 2019

Price	**377.6p**
Market cap	**£1,853m**

Net cash (£m) at 31 December 2018	70.1
Shares in issue	490.8m
Free float	99%
Code	JLG
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	5.3	22.5	50.5
Rel (local)	4.7	14.0	50.3
52-week high/low		388.2p	241.9p

Business description

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

Next events

AGM	May 2019

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Edison profile page

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Exhibit 1: Financial summary

Accounts: IFRS, Yr end: December, GBP: Millions	2017A	2018A	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
Cashflow 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 data, Edison Investment Research

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