Progressive
EQUITY RESEARCH

# NEXUS INFRASTRUCTURE

## CONSTRUCTION

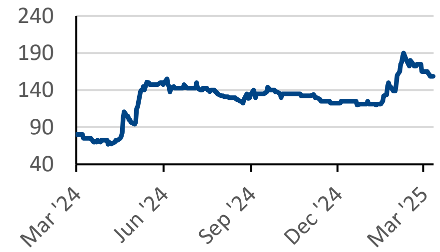
**8 April 2025**

**NEXS.L**

159p

Market Cap: £14.3m

**SHARE PRICE (p)**




| | |
|---|---|
| 12m high/low | 190p/67p |

*Source: LSE Data (priced as at prior close)*

**KEY DATA**

| | |
|---|---|
| Net (debt)/cash | £12.8m *(at 30/09/24)* |
| Enterprise value | £1.5m |
| Index/market | AIM |
| Next news | HY results, 15 May |
| Shares in issue (m) | 9.0 |
| Chairman | Richard Kilner |
| Chief Executive | Charles Sweeney |
| Finance Director | Dawn Hillman |

**COMPANY DESCRIPTION**

Civil engineering and infrastructure services for housebuilders, focused in the South-East and London

**www.nexus-infrastructure.com**

**NEXUS INFRASTRUCTURE IS A RESEARCH CLIENT OF PROGRESSIVE**

**ANALYSTS**

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# First half outlook in line with expectations

**Nexus confirms in this morning's update that trading was in line with its expectations for the first half to 31 March, with a strong net cash position. During the period there were signs of housebuilding recovering and good progress in the integration of Coleman Construction & Utilities, acquired in October 2024 taking the group into the growing water infrastructure sector. Meanwhile there was an encouraging 11% uplift in the group order book.**

- **Revenue and orders up.** The group expects to report a 17% increase in revenue to £30.2m for HY 25E, in line with management expectations. Net cash pre-IFRS16 rose by 3.2% to £9.6m. The order book grew by 11% Y/Y to £80m. "Whilst the UK economy has continued to struggle due to a range of domestic and global factors, there has been a slight improvement in the housebuilding sector, though the much-anticipated start to a full recovery is now predicted to be delayed by some months. Tamdown made progress in HY25, with its quality of service and longstanding, loyal customer base enabling it to win new contracts on several multi-phase projects".
- **Water acquisition efficiencies delivered.** Meanwhile, the integration of Coleman "is progressing well with operational efficiencies already being delivered". Coleman's activities are transitioning from completing long-term Asset Management Project 7 (AMP7) contracts to preparation for the start of the greatly increased AMP8 industry investment cycle, set by Ofwat to increase service levels in England and Wales. "The acquisition … provides diversification of revenue streams, with the opportunities in water from AMP8 and the work being carried out in the rail sector, resulting in the group having less reliance on the housing sector.
- **Full year outlook.** We will consider our FY25E estimates at the interim results, due to be released on 15 May, reflecting on progress in the housebuilding market, with regards to Tamdown, and water industry activity levels and efficiencies at Coleman.
- **Broadening exposure to critical infrastructure.** Nexus Infrastructure, via its principal trading business Tamdown, is a leading provider of civil engineering services, principally to major housebuilders. It is at the 'front end' of the construction process, specialising in civil engineering and the group is aiming to expand its activities to critical infrastructure, including water, flood protection and energy, initially augmented by its acquisition of Coleman (page 2).

| FYE SEP (£M) | 2021 | 2022 | 2023 | 2024 | 2025E |
|---|---|---|---|---|---|
| Revenue | 77.3 | 98.4 | 88.7 | 56.7 | 67.1 |
| Fully Adj PBT | -3.0 | -0.9 | -5.0 | -0.7 | -0.5 |
| Fully Adj EPS (p) | -3.9 | -2.2 | -34.5 | -7.3 | -4.5 |
| Dividend per share (p) | 2.0 | 1.0 | 3.0 | 3.0 | 3.5 |
| PER (x) | N/A | N/A | N/A | N/A | N/A |
| EV/EBITDA (x) | -1.6x | 0.9x | -0.6x | 0.6x | 0.6x |
| Dividend yield | 1.3% | 0.6% | 1.9% | 1.9% | 2.2% |

*Source: Company Information and Progressive Equity Research estimates.*

## Nexus in brief: leading force in civil engineering

Nexus Infrastructure, via its principal trading business Tamdown, is a leading provider of civil engineering services, principally to major housebuilders. The group has stated its aim to expand into critical infrastructure, including water, flood protection and energy. See our initiation note, *Engineered to lead housebuilding revival*.

- **Broad range of civil engineering services.** The group's activities comprise a wide range of civil engineering services, including earthworks, roads, drainage and foundations. These activities are currently weighted towards the opening of new housebuilding sites.
- **Recent history.** Nexus has been operating for over 45 years. In February 2023, it completed the disposal of TriConnex (utilities connection for housebuilders) and eSmart Networks (power connections for industrial and commercial customers) to private investment group FitzWalter Capital for a cash consideration of £78m; c.£61m was subsequently returned to shareholders by way of a tender offer. FY24 results to September were broadly in line with our estimates, showing a greatly reduced loss, but with better-than-expected year-end cash. The acquisition in October of Coleman Construction & Utilities, which takes Nexus into the critical water sector, should also reinforce the outlook, in our view.
- **Leading housebuilding customers.** Clients include the UK's top five listed housebuilders – Barratt Developments, Vistry Group, Taylor Wimpey, Persimmon and Bellway – as well as leading private groups including Bloor Homes, partnership specialist Keepmoat and housing associations. The group operates mainly in London and the Southeast.
- **Multi-year opportunities.** The most immediate prospects, we believe, are housebuilders increasing the number of new sites they open. This was already looking likely, evidenced by accelerated land buying, but has been given added impetus by the new Labour government's commitment to build 1.5 million homes in the current parliament. The group expects this to boost site work by 2H 25E. The acquisition of Coleman demonstrates evidence of its strategy of diversifying into vital infrastructure. We previously argued that water and energy were the most urgent national priorities. Longer term, a major opportunity could be Labour's plans for 'new towns', given Tamdown's experience in large, complex sites. A start on these would probably require at least five years for land assembly and planning.
- **Technical, financial and operational strengths.** Tamdown has a broad range of technical abilities, a strong brand and well-established relationships with most of the leading housebuilders. This sector is going through a process of consolidation (including the Barratt-Redrow merger), adding demand for the group's capabilities in large, complex, multi-phase developments, in which the largest developers predominate. The group's robust balance sheet is of increasing importance for major customers, amid a rash of supply-chain failures afflicting the wider industry. Also significant for major customers is Tamdown's record in health & safety, demonstrated by 15 consecutive annual Royal Society for the Prevention of Accidents (RoSPA) Gold Awards.
- **Fragmented industry structure.** Competition is fragmented among Tamdown's smaller peers, but we expect a phase of consolidation, either through loss of market share, company failures or M&A. With diversification a key pillar of its strategy, we would anticipate acquisition activity in the short to medium term, and believe targets would aim to create value by adding complementary skills or market opportunities.

## Financial Summary: Nexus Infrastructure

**Year end: September (£m unless shown)**

| **PROFIT & LOSS** | **2021** | **2022** | **2023** | **2024** | **2025E** |
|---|---|---|---|---|---|
| Revenue | 77.3 | 98.4 | 88.7 | 56.7 | 67.1 |
| Adj EBITDA | (1.0) | 1.7 | (2.5) | 2.6 | 2.7 |
| Adj EBIT | (2.6) | (0.3) | (4.8) | (0.2) | (0.2) |
| Reported PBT | (1.7) | (0.9) | (8.5) | (2.8) | (0.5) |
| Fully Adj PBT | (3.0) | (0.9) | (5.0) | (0.7) | (0.5) |
| NOPAT | (2.6) | (0.3) | (4.8) | (0.2) | (0.2) |
| Reported EPS (p) | 6.6 | 6.0 | 239.0 | (30.6) | (4.5) |
| Fully Adj EPS (p) | (3.9) | (2.2) | (34.5) | (7.3) | (4.5) |
| Dividend per share (p) | 2.0 | 1.0 | 3.0 | 3.0 | 3.5 |
| | | | | | |
| **CASH FLOW & BALANCE SHEET** | **2021** | **2022** | **2023** | **2024** | **2025E** |
| Operating cash flow | 3.4 | (2.4) | (7.3) | 0.5 | 0.7 |
| Free Cash flow | (4.0) | 9.6 | (7.6) | (0.4) | (0.3) |
| FCF per share (p) | (8.9) | 21.0 | (30.9) | (4.0) | (2.9) |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposals | 0.0 | 0.0 | 60.2 | 0.0 | 0.0 |
| Shares issued/(purchased) | 0.0 | 0.0 | (60.5) | 0.0 | 0.0 |
| Net cash flow | (3.6) | (5.3) | (9.5) | (1.8) | (0.6) |
| Net (debt)/cash, post IFRS16 | 15.5 | (7.9) | 3.0 | 1.6 | 1.0 |
| Cash & equivalents | 29.5 | 4.6 | 14.6 | 12.8 | 12.2 |
| Net (debt)/cash, pre-IFRS 16 | 18.1 | 4.6 | 14.6 | 12.8 | 12.2 |
| | | | | | |
| **NAV AND RETURNS** | **2021** | **2022** | **2023** | **2024** | **2025E** |
| Net asset value | 32.1 | 34.1 | 33.0 | 30.0 | 29.2 |
| NAV/share (p) | 70.8 | 74.9 | 365.4 | 331.9 | 323.7 |
| Net Tangible Asset Value | 29.8 | 31.8 | 30.6 | 27.6 | 26.9 |
| NTAV/share (p) | 65.6 | 69.8 | 339.2 | 305.7 | 297.5 |
| Average equity | 32.1 | 33.1 | 33.6 | 31.5 | 29.6 |
| Post-tax ROE (%) | 9.3% | 8.2% | 175.1% | (8.8%) | (1.4%) |
| | | | | | |
| **METRICS** | **2021** | **2022** | **2023** | **2024** | **2025E** |
| Revenue growth | N/A | 27.2% | (9.9%) | (36.0%) | 18.3% |
| Adj EBITDA growth | N/A | N/A | N/A | N/A | 2.3% |
| Adj EBIT growth | N/A | (87.8%) | N/A | N/A | N/A |
| Adj PBT growth | N/A | (69.3%) | N/A | (86.0%) | N/A |
| Adj EPS growth | N/A | (43.3%) | N/A | (78.9%) | N/A |
| Dividend growth | N/A | (50.0%) | N/A | 0.0% | 16.7% |
| Adj EBIT margins | (3.3%) | (0.3%) | (5.4%) | (0.3%) | (0.4%) |
| | | | | | |
| **VALUATION** | **2021** | **2022** | **2023** | **2024** | **2025E** |
| EV/Sales (x) | 0.02 | 0.02 | 0.02 | 0.03 | 0.02 |
| EV/EBITDA (x) | -1.6 | 0.9 | -0.6 | 0.6 | 0.6 |
| EV/NOPAT (x) | -0.6 | -4.8 | -0.3 | -9.7 | -6.4 |
| PER (x) | N/A | N/A | N/A | N/A | N/A |
| Dividend yield | 1.3% | 0.6% | 1.9% | 1.9% | 2.2% |
| FCF yield | (5.6%) | 13.3% | (19.5%) | (2.5%) | (1.8%) |

*Source: Company information and Progressive Equity Research estimates*

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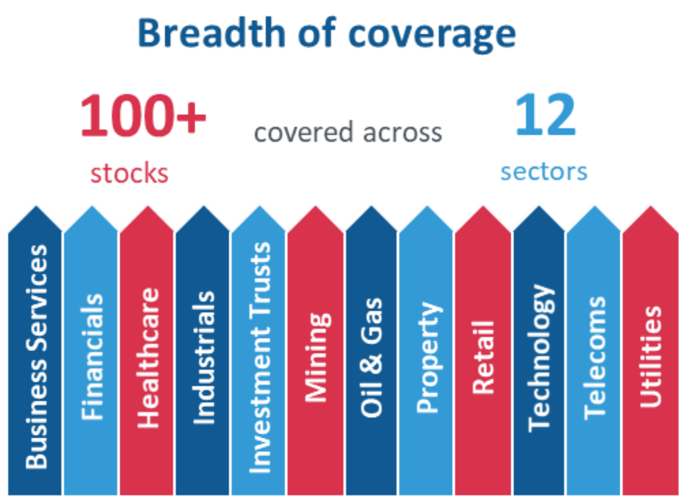
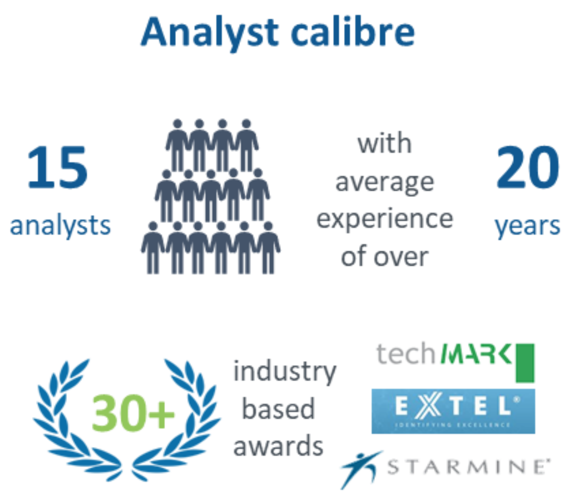
8 April 2025

**Disclaimers and Disclosures**



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