

Press release

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Trading update: Heijmans makes positive start to 2018

Highlights

- Revenue first quarter higher than last year, positive underlying result;
- Home sales through April: 455 (first four months of 2017: 440);
- Order book at end-March € 2.0 billion (end-2017: € 1.9 billion);
- Accelerated reduction of credit facility to € 144 million from € 156 million, early redemption of € 12 million on the basis of positive cash flow development;
- Credit facility extended to mid-2022, improved financing terms.

Ton Hillen, CEO Heijmans:

“Heijmans continued its recovery in the first quarter of this year. The adjustments we have made over the past year are now paying off. While in recent years we repeatedly reported mediocre first-quarter results, this year we recorded a positive underlying result. We saw an increase in our order book and the latest intake all meets our tightened risk criteria. It remains crucial to maintain our increased focus on order intake if we are to achieve structural profitability. Thanks to the substantial recovery in profitability, together with the accompanying significant reduction in our debt, we were able to amend the financing agreements with our consortium of banks and extend our credit facility to 1 July 2022. The renewed agreements are a clear demonstration that our banking syndicate has faith in the current course of the company. The terms of the facility have improved, which allows us to set our sights further into the future and to focus on doing business.”

Developments per business area

Property Development

Property Development continued its positive development, with higher revenue compared with the first quarter of last year. In such a tight market, it is a challenge to offer a sufficient supply. Despite this, total home sales in the first four months of 2018 were higher than in the same period last year. Up to and including April, Heijmans sold a total of 455 homes (same period in 2017: 440 homes). Heijmans sold 391 homes to private buyers, the same as last year (January – April 2017: 392 homes).

The new property development projects Heijmans has recently acquired include the ‘Vestibule’ project, which covers the development of 48 apartments in the Leidsche Rijn Centrum in Utrecht, plus the development of 20 detached homes on the Ginkelse Heide in the town of Ede. At the end of June, Heijmans will commence construction of Koningsoord, the shopping centre with apartments on the upper floors in Berkel-Enschot. Preparations are fully under way for a number of major area development projects, including Leidsche Rijn Centrum in Utrecht, Spaarndammerhart in Amsterdam and the development of ‘Vertical’ in Sloterdijk-Centrum (also Amsterdam), with 144 homes and various commercial functions.

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Heijmans introduction of the *OnbezorgdWonen* (carefree living) concept is the company's response to the demand for homes that anticipate and respond to the changing needs of residents in terms of comfort, safety and experience in each phase of their life cycle. The transition to gas-free construction is accelerating and Heijmans' ambition is to play a leading role in this transition by developing gas-free solutions at both individual home level and at area level. Heijmans sees gas-free construction as an opportunity to structurally improve the sustainability of the built environment. The development and realisation of 72 gas-free owner-occupier homes in the Tromppark project in Dordrecht is a perfect example of this. If new legislation to make gas-free construction obligatory is introduced too quickly, this could lead to delays in the start-up of new projects. This is expected to increase the pressure on the housing market even further. In addition to this, constant attention needs to be devoted to the start-up of development at new development locations in a market that is subject to steadily increasing pressure.

Building & Technology

As per 1 January 2018, Heijmans combined its Non-Residential and Residential Building business areas under a single centralised management. The continued merging will be effected in the course of this year. This will enable us to streamline know-how and business processes further, so we can respond more effectively to market developments, while retaining specific competencies. By forming the 'Building & Technology' business area, and more specifically the multi-functional high-rise residential buildings segment, Heijmans is responding to the demand for large-scale, inner-city, multi-functional new-build projects. This category includes the ongoing transformation of the former industrial site Fenixloodsen in Rotterdam, with a mix of apartments, commercial spaces and cultural facilities.

Following a period of decline in the activity level in the business area Non-Residential new-build projects, we are now seeing an increase in the number of new projects with sufficient revenue potential to justify their risk profile. One example of this is Heijmans' involvement in the project for the new-build construction of the European Medicines Agency (EMA) headquarters in Amsterdam (participation 50%); another is the renovation and extension of the electrical and mechanical systems at the Paleis Het Loo museum. Via the development of innovative concepts, Heijmans wants to offer its clients added value and by doing so differentiate itself in the non-residential building market. The BeSense innovation, which responds to the need for smart, data-driven building management on the basis of sensor technology, has already led to the installation of approximately 3,000 sensors at various clients.

Heijmans' Residential Building activities performed in line with expectations, with new contracts such as the one for 39 care homes in Huizen and 19 owner-occupier homes and 33 rental homes in Zeewolde, plus solid progress in the realisation of ongoing projects such as De Schoone Ley on the HAGA site in The Hague, 98 homes in Zevenhuizen and 67 homes in Pijnacker. As part of the current effort to increase the sustainability of the existing housing stock in the Netherlands, Heijmans is able to make its renovation expertise available to an increasing number of housing corporations, which is increasing the share of renovation in its Residential Building activities. For instance, Heijmans is currently working on the renovation of 1,000 homes for the Lefier housing corporation in Groningen, as well as the renovation of a total of 500 homes in Sittard for the ZOwonen housing corporation, as part of the corporation's sustainability programme.

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Infra

Infra showed more promise in the first quarter of this year than in the first quarter of last year. Based on a tightened focus on core competencies, better risk management and sound management, Infra is managing to seize opportunities in the market and win contracts for various new projects. On top of this, Heijmans is looking to achieve a better balance between large projects on the one hand and regional projects, asset management contracts and specialist activities on the other.

Heijmans recently received the provisional permit for the widening of the A1 Apeldoorn - Azelo motorway between Twello and Deventer and between Deventer-Oost and Rijssen. Heijmans also recently won the contract for the N280 Roermond project. This contract includes the deepening of the road, plus the construction of a parallel structure and two overfly junctions.

In the first quarter, Heijmans started preparatory activities for the connection of the Wieringermeer wind park to the national electricity grid. The work on the A9 motorway is progressing towards a significant milestone, with the forthcoming availability date of the tunnel for the Dutch Ministry of Public Works and Waterways (Rijkswaterstaat) set for end-June of this year. At Schiphol, Heijmans successfully completed the major maintenance project on the Polderbaan runway in mid-April.

Refinancing

On the basis of the progress Heijmans has booked in the recovery of profitability and the reductions of its debt, Heijmans brought forward the talks with its banking syndicate on the renewal of its current financing terms, which were agreed in February 2017. Heijmans has since reached full agreement with the banking syndicate, consisting of ABN Amro, ING, KBC and Rabobank, on the amended terms.

The main agreements in the extended financing agreement are:

- The original agreement that was set to end mid-2019 has been extended for a period of four years, from now to 1 July 2022, effective as of 16 May 2018;
- At Heijmans' request, the total commitment of the facility has been reduced with immediate effect by € 12 million to € 144 million and will be gradually reduced to € 121 million in the period to 30 June 2019. As previously reported, KBC will exit the banking syndicate fully as per 30 June 2019. In effect, the reduction of € 12 million means that KBC's first two repayment instalments, which were originally planned for the second half of 2018, have been repaid earlier. This decision was based on the past year's strong cash flow generation. There were no changes to the security package;
- The interest rate margin improves and a number of performance-related agreements were made that could result in further phased improvements in the margin to 1.65%;
- The Interest Cover Ratio (>4) and Leverage Ratio (<3) remain unchanged. The Average Leverage Ratio has been adjusted downwards from a maximum of 2.5 to a maximum of 1.5 through the period to Q1 2019 and a maximum of 1.0 in the subsequent quarters. As at end-Q1 2018, the actual Average Leverage Ratio stood at 0.4, well within these new covenants. A new financial covenant is the Solvency Ratio, under which the Guarantee capital has to be at least 20% of the balance sheet total in 2018 and 2019, and at least 22.5% in the years thereafter. This ratio will be tested annually at year-end.

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Strategy and risk profile

Heijmans strives for further de-risking of the company, driven by a selective acquisition policy, project management with a focus on increasing the predictability of projects and a controlled completion of previously acquired high-risk projects. The further progress of the Wilhelminasluis project in Zaandam is still uncertain, as the Dutch Court of Arbitration for the Construction Industry still has to rule following a court sitting held in April.

Heijmans has also de-risked its pension agreements by the reinsurance of the pension liabilities within the Stichting Pensioenfonds Heijmans N.V. (the Heijmans corporate pension fund) to Zwitslerleven. In addition to the reduction of risks, this move offers Heijmans and the 2,200 participants in the pension fund the certainty of a future-proof and affordable pension plan. The reinsurance of the liabilities has an impact on Heijmans' solvency, which was taken into account when determining the new financing covenants.

Now that the measures Heijmans has taken are clearly paying off, we are moving closer to the optimisation of the core company and we have safeguarded long-term financing, Heijmans can set its sights further into the future and work on the structural recovery of its profitability. With the development of a strategic agenda for the period to 2023 'Better, smarter, more sustainable', in addition to continued improvement and de-risking, Heijmans has also set its sights firmly on strategic developments such as digitalisation, energy transition and production technology. The first quarter results provide a firm starting position for the future.

About Heijmans

Heijmans is a listed company that combines activities related to property development, residential building, non-residential building, roads and civil engineering in the areas living, working and connecting. Our constant focus on quality improvements, innovation and integrated solutions enables us to generate added value for our clients. Heijmans realises projects for private consumers, companies and public sector bodies and together we are building the spatial contours of tomorrow. You will find additional information on www.heijmans.nl.

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