

Press release

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Heijmans trading update: Further improvements at Residential and Germany, increased pressure from a few infra projects

Highlights

- Revenue in the first nine months of 2016 at a level comparable to the first nine months of 2015, increase at Residential;
- Mixed results at Infra in the Netherlands, difficult progress in N23 project and Energiefabriek Tilburg;
- Good performance infra activities in Germany and Belgium;
- Order book at end-September at a level comparable level to that of end-June: around € 2.4 billion.

Bert van der Els, CEO Heijmans:

“The revenue trend we outlined at the publication of the interim results continued in the third quarter. Demand for homes remains strong, which is visible in the revenues from our activities in the Residential segment. Our businesses in Belgium and Germany are performing well, especially Van den Berg and Oevermann. We are seeing early signs that the measures we introduced at Infra in the Netherlands are proving to be effective, but we continue to struggle with a number of larger projects that remain challenging, in particular Energiefabriek Tilburg and the N23 Westfrisiaweg road project. The disputes with clients regarding these projects have led to uncertainty regarding the financial settlement of these issues. Throughout the group we can see clearly that moves have been made towards a recovery of results in operational terms, but the impact of a limited number of loss-making projects remains difficult to estimate, in view of the ongoing discussions. This means we cannot give a concrete outlook at this time. A structural improvement in the balance between net debt and EBITDA remains our top priority. First and foremost, we are working very hard to improve our results. In addition, we are also investigating other scenarios to improve that balance on a structural basis.”

Property Development, Residential Building

Revenues from Property Development and Residential Building increased in the third quarter of this year compared to the third quarter of 2015, while results also increased. The number of homes sold in the first 10 months of this year amounted to 1,344, compared with 1,399 in the same period last year. Heijmans sold 769 (57%) of these homes to private buyers. In the past months, Heijmans completed fewer transactions with institutional investors in comparison with the same period last year. The demand for suitable housing stock remains strong. However, Residential Building is selective in terms of taking on new projects to guarantee solid margins and in response to rising purchasing costs. Developments in this market may be somewhat limited in the short term due to a lack of resources and delays in spatial planning procedures.

Heijmans has recently started construction on a number of projects, such as the sub-plan 4A for Het Plein in Leiden, the realisation of the centre of Vlijmen and the construction of 53 owner-occupied homes in line with Heijmans Wenswonen concept in the sub-plan Boszoom for the Keijzershof neighbourhood in Pijnacker. The transformation of the Wijnhavenkwartier district in The Hague is progressing rapidly and is now almost complete. In Belgium, we are close to the official opening of the Elisabeth Center Antwerp concert hall.

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Non-Residential

As expected, we saw lower revenues at Non-Residential, as well as the continued effects of measures taken on the cost side. Underlying these developments, we recorded lower revenues from large-scale projects but at the same time we saw a solid, stable development in services. Heijmans maintains an extremely selective acquisition policy and only submits tenders for projects in which it can realise healthy margins by delivering added value. Long-term maintenance and management contracts are a vital element in this strategy.

A key issue in the coming period will be finding a suitable solution for the new premises of the RIVM (Dutch National Institute for Public Health and Environment) and CBG (Dutch Medicines Evaluation Board), a project executed by the StruktonHurksHeijmans (SHH) consortium. Solid progress was made on this matter in the past quarter. The PPS project New Amsterdam Court House for the construction of a new court house in Amsterdam is currently in the preliminary phase. The demolition activities are due to start in early 2017. The realisation phase of the Hart van Zuid area development project in Rotterdam is currently in full swing. In September of this year, the Data Tower in Amsterdam was taken into use as part of the first phase of the redevelopment of the AMS1 data centre at the Amsterdam Science Park. Heijmans provided the mechanical and electro-technical installations for this project.

Infra

The revenues from the Dutch infra operations were somewhat lower in the third quarter of this year when compared to the year-earlier period. Heijmans also applies a very strict acquisition policy at Infra, in line with the margin-over-volume principle and a tighter focus on a number of core segments. Although we have seen a cautious improvement in the underlying result, Heijmans' Dutch infra business is still dealing with the highly negative impact of project losses on a limited number of larger, integrated projects. The Energiefabriek Tilburg (EFT) and the N23 road project have the highest risk profile in this context. Our main focus in these projects is to find a structural solution for the ongoing discussions with clients. In the case of the EFT, this means that we are working on a final settlement with our client. In the case of the N23 project, we first want to find a financial solution for the extra costs incurred due to the fact that the ground conditions were different than expected, before we resume parts of the operation. The need to reach binding agreements for these projects means there is a chance of additional losses.

The Belgian infra activities are performing in line with expectations and recorded stable revenues and results. The German infra business is performing well, with a very strong performance from Oevermann.

In September, Heijmans carried out a major maintenance project at Schiphol-Oostbaan (runway east) and the adjacent taxiways. The financial close has been reached for the PPS project A27/A1, which means the financing has now been secured. On another section of the A1, between Apeldoorn-Zuid and Beekbergen, construction of a new connecting road has started. In Den Bosch, Heijmans has laid a bio-gas pipeline from the sewerage treatment plant run by the Aa and Maas water authority to the Heineken brewery. In Belgium, the first section of the Brusselsesteenweg (N9) road in Ghent has been opened. In Germany, Oevermann has renewed the road surface of the A40 between Essen-Huttrop and Gelsenkirchen-Nord within a very short space of time.

Outlook

The operational performance of most business units shows improved results compared to last year. The ongoing discussions about loss-making projects continue to create uncertainty about the financial settlement and the subsequent impact on the results. We will therefore not give a concrete outlook at this time. Our main focus in the case of these projects is on finding a structural solution for the ongoing discussions with clients, which will have a positive impact on the risk profile of the company.

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As per the end of the third quarter, Heijmans complied with the agreed financial covenants. If the resolution of disputes relating to these projects fails to result in a satisfactory outcome, this may have an impact on our ability to comply with the financial covenants. To enable us to respond effectively to this situation, we are currently in pro-active and constructive talks with our financiers. Our main priority remains the structural improvement of our net debt to EBITDA ratio. To this end, we are currently analysing and investigating various possible scenarios.

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 working areas living, working and connecting. Heijmans is active in the Netherlands, Belgium and Germany and as a technology partner delivers know-how and concepts in various markets. 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. With almost 6,500 employees and close to € 950 million in revenues in the first half of 2016, we are building the spatial contours of tomorrow. You will find additional information on www.heijmans.nl

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