

Mears Group PLC
("Mears", the "Group", or the "Company")

Business Update
Continued strong progress

Mears (LSE: MER), the UK Housing solutions provider, today provides an update on trading for the financial year ending 31 December 2024 ('FY24').

Trading update

The Group's trading update on 1 November 2024 highlighted that trading had remained strong in the period since its Interim Results. In particular, operating margins in the core housing activities continued to strengthen, and volumes in management-led activities had reduced at a slower rate than previously anticipated. Since that time, these trends have continued, and the Board now expects results to be marginally ahead of current market expectations for FY24 and is increasingly confident of delivering against market expectations for FY25¹.

The mobilisation of the new contract with North Lanarkshire Council ('NLC') has proceeded well. The new contract is significantly larger than the previous contract and includes all maintenance and compliance services, as well as a programme of planned investment works, to approximately 37,000 homes and 1,200 Council buildings. The new workstreams will move across over a two-year period, with gas compliance being the first new service to transition. New mobilisations often require some initial investment, resulting in some margin dilution; it is pleasing that the new NLC contract is performing strongly at this relatively early stage.

Contract momentum

2024 was a busy period of contract re-bidding. Pleasingly, the Group has seen 100% retention on contracts subject to re-bid during FY24, and only a single material contract remains subject to a re-bid which could impact upon FY25. Contract retentions have included those with Thanet District Council (£9m per annum for 10 years), Folkestone and Hythe Council (£4m per annum for 10 years) and Dover District Council (£4.5m per annum for 5 years). It is noteworthy also, that Thanet District Council and Dover District Council are two of the Group's longest standing client relationships, having delivered services in those areas since the inception of the Group in 1996.

The Group is delighted to announce the award of a new contract with Mbat Homes ('Mbat'). This new contract, which has been awarded under emergency procurement provisions, is for a period of 18 months, with an estimated contract value of £12m. The new contract will commence in February 2025 and will see Mears delivering responsive and voids maintenance to c.20,000 homes in the South-East of England. The Mears relationship with Mbat dates back to 2009, and the Board was disappointed when the Group was unsuccessful through a procurement process in 2022. The Group takes comfort from this opportunity returning so quickly and it is a clear example that maintaining a disciplined bidding approach does not disadvantage the Group over the longer-term.

Property sale and leaseback

As reported previously, the Group has utilised its balance sheet strength to fund property acquisitions to support the requirement for additional properties within the Asylum Accommodation contract. This approach has played a critical role in enhancing the service offer and delivering against client expectations. The Group purchased properties in FY23 for a cash cost of circa £21.6m, and the Group is pleased to confirm that these properties have now been sold and leased back. This transaction, relating to 221 residential properties across the North-East of England, has seen the Group receive £16.3m in cash on completion, with the balance taking the form of an interest-bearing loan, combined with a continuing 25% equity interest in this investment vehicle. The Group remains committed to securing good quality accommodation across a wide dispersal area and has continued to purchase additional properties through FY24 which the Board expects to be the subject of a later sale and leaseback during FY25.

Capital allocation

The Group's fourth buyback programme concluded on 18 November 2024. Over the last 2-years, buybacks have reduced the Group's ordinary share count by 23.1m shares at an average price of 317p and a total cash cost of £73.2m, representing a reduction of c.21% of the Group's issued share capital at the start of the buyback. In addition, during that same period, the Employee Benefit Trust ('EBT') purchased a further 5.1m ordinary shares at an average price of 330p and a total cash cost of £16.7m.

Lucas Critchley, Chief Executive Officer, said:

"The Group continues to deliver against its clearly defined strategy, and it is particularly pleasing to see how our enhanced operational and commercial focus is driving improvements to the underlying business, as evidenced in service quality, compliance, and stronger operating margins. The robust period of contract retention evidences the strength of our market position. The progress made across all parts of the Group through 2024, as reflected throughout this statement, is expected to continue into 2025. The Group remains well-positioned to benefit from continued opportunities in its core markets."

Note:

¹ The Board consider the current consensus analyst forecasts for FY24, prior to this announcement, to be revenues of £1,126m and adjusted profit before tax of £60.9m. Adjusted profit before tax is reported before non-underlying items. On a similar basis, the Board considers market expectations for FY25 to be revenues and adjusted profit before tax of £982m and £44.7m respectively.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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About Mears

Mears is a leading provider of services to the Housing sector, providing a range of services to individuals within their homes. We manage and maintain around 450,000 homes across the UK and work predominantly with Central Government and Local Government, typically through long-term contracts. We equally consider the residents of the homes that we manage and maintain to be our customers, and we take pride in the high levels of customer satisfaction that we achieve.

Mears currently employs over 5,000 people and provides services in every region of the UK. In partnership with our Housing clients, we provide property management and maintenance services. Mears has extended its activities to provide broader housing solutions to solve the challenge posed by the lack of affordable housing and to provide accommodation and support for the most vulnerable.

We focus on long-term outcomes for people rather than short-term solutions and invest in innovations that have a positive impact on people's quality of life and on their communities' social, economic, and environmental wellbeing. Our innovative approaches and market leading positions are intended to create value for our customers and the people they serve while also driving sustainable financial returns for our providers of capital, especially our shareholders.

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