

United House

Case Study

Mergers & Acquisitions and Market Intelligence

PUBLIC SECTOR & SOCIAL HOUSING

Commercial Due Diligence: Social Housing Contractor

Background

Our client, Lloyds Development Capital (LDC) was evaluating a potential investment in United House Group (UHG). UHG is a £200m turnover building contractor focused on social housing refurbishment and maintenance and high-end new build developments in central London. PMSI were asked to provide commercial due diligence to inform the decision of LDC and Royal Bank of Scotland (RBS), as the nominated provider of senior debt for the transaction.

Challenges

- A comprehensive review of the social housing market to understand Government spending plans and their likely impact on UHG's addressable markets
- Detailed analysis on the security of the various funding streams of every major customer
- A review of the high-end new build market in London, assessing levels of demand and the availability of finance
- Assessment of the achievability of UHG's business plan in light of overall market conditions

PMSI approach

We were able to build on our existing knowledge in this sector (15 assignments in social housing and counting...) to reach detailed answers to the key questions. Extensive primary and secondary research allowed a robust view to be formed on the outlook for the social housing market and high-end London property market. This market view, coupled with a rigorous assessment of the funding security of key customers through interviews, and reviewing strategy reports and financial returns, allowed PMSI to offer a well-informed critique of the UHG business plan.

Outcome

Our work addressed the key issues, namely:

- (i) UHG customers remain well funded and are not heavily reliant upon Government funding, and
- (ii) Despite the down-turn in the UK residential property market, demand and financing for high-end central London developments remains strong. Our work provided suitable comfort to all parties, with LDC proceeding with their acquisition of UHG.

