Progressive Property & Construction Daily

30 May 2022: CSP, CRST, FOXT, NBI, SDY | News - Octopus "to invest £1bn in affordable housing"

A round-up of market statements, news, economics and views from the property and construction sectors

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Company news

Countryside Partnerships (CSP, 239p, £1,192m)

Leading mixed-tenure housebuilder. Previously called Countryside Properties, before concentrating on its mixed-tenure operations. Possible offer. Inclusive Capital Partners, L.P. ('In-Cap') has announced that, on 17 May, it made a second confidential approach to the Board of Countryside Partnerships regarding a possible cash offer, at 295p per share, to acquire the entire issued and to be issued share capital of Countryside not already owned by In-Cap (9.2% at 27 May). This represents a 31% premium to Friday's closing price. "In its letter, In-Cap requested that the board of directors of Countryside engage in good faith and provide access to due diligence, to determine if the terms of a recommended offer could be agreed upon. On 26 May, In-Cap was notified by Countryside that the company would not engage with In-Cap or provide access to due diligence materials. This represents the second attempt made by In-Cap to engage with the Board of Countryside over the last two months". Whilst not set out in the second confidential approach, it is also currently expected that as an alternative to the cash offer, an eligible Countryside shareholder would be entitled to elect to receive rollover ordinary shares. Based on 31 March TNAV of £860m, the possible offer values the shares at 1.71x. According to In-Cap it represents an EV/adj EBIT (LTM, last 12 months) of 16.5x. This compares to 8.7x in the case of Coutryside's acquisition of Westleigh in 2018 and 5.5x for Bovis's (now Vestry) acquisition of Galliford Try's housing operations in 2020. **Viewpoint:** The shares opened at up to 308p, currently 300p, suggesting the market expects Countryside to engage with In-Cap, but at a higher price. Is this a sign of things to come wider in the sector? Countryside is a special case and has recently suffered a succession of travails, so this potential offer may be seen as opportunistic. More mainstream housebuilders may have seemed less exposed to similar bids, but are trading at relatively low price-to-TNAV multiples or even discounts and could attract the attentions of private equity. Watch this space …

Crest Nicholson Holdings (CRST, 256p, £658m)

South East focused mixed tenure housebuilder. Directorate change. The Board and COO Tom Nicholson "have agreed that now is the right time for Tom to leave the organisation" having successfully met the first phase of of the group's turnaround strategy announced in January 2020 and which he oversaw to "to improve financial performance and restore Crest Nicholson to being one of the UK's leading housebuilders". The group does not intend to replace the role of Chief Operating Officer in the short term and will provide a further update on progress against its strategy at its half year results for the six months ended 30 April on 14 June.

Foxtons Group (FOXT, 36p, £115m)

High profile London estate and lettings agent. Board change. Guy Gittins has been appointed Group CEO with effect from 5 September. He joins from Chestertons, the London and international residential property specialist, where he is currently Chief Executive, and replaces Nic Budden, who has stepped down from the CEO role he has held since 2014. *Current trading:* "Foxtons has made a good start to the financial year and current trading remains in line with the Board's expectations".

Northbridge Industrial Services (NBI, 193p, £54m) *– PERL provides research services to Shore Capital on this stock*

International electrical power reliability and drilling tools hire and manufacturing group. Factory completion. The group has reached practical completion and handover of its new loadbank production facility in Burton on Trent, which will increase annualised production capacity by 60%. The new1,200 m^2 manufacturing site will complement existing facilities which support equipment sales and rentals across the Group's major international hubs in the UK, Continental Europe, the USA, the Middle East and APAC. The factory expansion was completed on budget and on time and will start production in June 2022 as planned. A site visit and strategy presentation for investors and analysts will take place on 6 July. As previously announced, the Group will change its name to Crestchic, conditional on shareholder approval at the 9 June AGM.

Speedy Hire (SDY, 46p, £234m)

UK and Ireland tool, equipment and plant hire services provider. FY (Mar) results. Rev +16%, £382m; adj PBT +72%, £30.1m; stat PBT +251%, £29.1m; adj EPS +58%, 4.2p; div +57%, 2.2p; net debt, £67.5m (FY 20, £33m); ROCE, 13.1% (8.4%). *Trading:* "We have continued to progress our strategic goals by taking market share, developing a first class digital customer experience, prioritising our people and leading on ESG".New contracts and renewals with key customers included Costain, the Home Office, MGroup and Redrow Homes. Further improvement in asset utilisation, up to 57.0% on an enlarged hire fleet. Investment made in developing a retail business in partnership with B&Q; now in 36 stores and on diy.com. *Outlook:* "We have made an encouraging start to FY 2023 with volume growth and price increases more than offsetting cost pressures. Against a backdrop of positive end-markets and our unique leading service and ESG customer propositions, the Board remains confident that we will meet its FY 2023 expectations".

In other news …

Affordable housing. Institutional investor Octopus Real Estate has ambitions to invest around £1bn into the affordable housing sector within five years, after acquiring a small 'for-profit' housing association from a Suffolk housebuilder. Housing Today (link, paywall). Octopus, which has more than £3.4bn of assets, has bought Rex Housing, a registered provider with just 12 homes, from Lowestoft-based developer Oldman Homes. It will forward purchase homes in the pipelines of established housing associations and retain ownership of the stock long-term, letting the property direct to the residents. The stock will be managed by other housing associations through contracts. Octopus is in discussions with 12 HAs about signing forward purchasing deals and management agreements, with some of the negotiations at an advanced stage. It says its model offers a way for HAs with capital constraints due to increased decarbonisation or fire safety remediation spend, to continue to deliver new homes.

Prices are as at the previous day's close.

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