Progressive Property & Construction Daily

26 July 2022: OTMP, MTO, WIX, LORD | Single-family rentals support continuing BTR investment

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

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Company news

OnTheMarket (OTMP, 93p, £69m mkt cap)

Agent-backed residential property portal. AGM. *Guidance:* "The group has made a positive start to FY 23, and trading has been in line with the Board's expectations. Notwithstanding the well-publicised macro-economic uncertainty, the fundamentals of the UK residential property market currently remain good, with market activity remaining high and demand for properties significantly outweighing supply". *Finances:* Net cash, £8.4m, after the acquisition of Glanty, other strategic investments and full furlough scheme repayment in the period.

Mitie Group (MTO, 73p, £1,042m)

UK facilities management group. Q1 (Jun) trading update. *Guidance:* "The Board remains confident in the group's ability to deliver on its expectations for the year. We are encouraged by the strong start to the year, which reflects the group's strategic focus on accelerated growth. A number of margin enhancing initiatives are in flight which will increase margins in the second half of FY23. Labour and parts inflation remains an issue but is being managed through pricing and other efficiencies". *Trading:* Rev +3%, £945m (+16%, £933m exc

Covid-related rev); new contract wins, renewals and extensions of up to £778m total contract value in the quarter; ave daily net cash, £6m (Q1 22, £69m net debt).

Wickes Group (WIX, 169p, £439m)

UK DIY retail chain. HY (Jun) trading update. *Guidance:* "Whilst comparatives for Core sales ease in the second half, trading in recent weeks in DIY and a softer outlook for the DIFM market suggest customers are reacting to the uncertain macroeconomic backdrop as we enter the second half of our financial year. Given this backdrop we currently expect full year adjusted PBT to be in the range of £72-82m [Consensus, £87m]". *Trading:* H1 rev +0.8% Y/Y LFL (Q1, -4.0%; Q2, +5.4%) of which, H1, Core DIY -5.5%, 'Do-it-for-me' ('DIFM') +29.7%. "Our local trade business continues to perform well benefitting from its market-leading value proposition; however, we have seen signs of softening in DIY and DIFM markets in recent weeks. We continue to manage [Core] supply chain inflation responsibly by passing through cash cost increases while maintaining our leading price position.". HY results, 16 September.

Share performance: down 16% in early trading, with Travis Perkins, Howden Joinery, Kingfisher (B&Q) and Grafton down in low-to-mid single digits. Lords (below) +3%.

Lords Group Trading (LORD, 78p, £127m)

Building materials distributor. HY (Jun) trading update. *Guidance:* "Trading is in line with market expectations for FY22". *Trading:* Rev +19.9%, £215m (LFL -3.3% of which Merchanting +14.5%; Plumbing & Heating -12.5%). Adj EBITDA +33%, £14.0m. "Demand for the Merchanting division has continued to be strong. Plumbing & Heating has proven resilient and customer demand remains strong. Management actions taken in H1 continue to ensure profitability is upheld despite the industry wide boiler component shortage which management expects to ease during H2. Integration of all five acquisitions since IPO in July 2021 are now complete and all performing in line with management expectations". *Outlook:* "The group remains on track to deliver strategic targets of £500m revenue in 2024 and 7.5% EBITDA margin in the medium term. We have a substantial opportunity to grow the current < 1% market share through bringing in new customers, a greater share of customer wallet, product range extension, new geographies, digital capability and valued added acquisitions. The group is also pursuing new locations for its brands that offer EBITDA margin accretion and 20%+ return on investment". HY results, 6 September. HY (Jun) trading update.

Economic data

Build-to-rent. Strong investor momentum in build-to-rent (BTR) continued into Q2 with £890m invested into BTR, 36% higher than the same time last year, partly driven by strong demand for single-family housing, according to a new report from Cushman & Wakefield (link). Average rents in the UK is now £1,153 a month, up 6.7% on June 2021 and 18.6% higher than pre-pandemic levels, according to the property consultancy, which added: "The rising cost of living will put financial pressure on some renters but the longstanding imbalance between supply and demand should keep upward pressure on rents. Yields remained stable in Q2

2022, unlike other asset classes dominated by geared overseas investors. The market is therefore more insulated to the volatility around the cost of debt for the moment". On single-family housing, it pointed out: "Older renters typically stay in their rental home longer. The average length of stay for a 35 - 44 year old is 3.8 years. Older cohorts are therefore more likely to have a lower turnover, lower voids and lower gross to net".

Prices are as at the previous day's close.