

# Progressive Property & Construction Daily



2 August 2022: PURP, KLR, TPK, CAPC | House prices to grow but expectations for volumes lifted - Zoopla

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

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## Company news

**Purplebricks Group** (PURP, 15p, £46m mkt cap)

Hybrid on-line estate agent, supported by local property agents (LPAs). FY (Apr) results. Rev -23%, £70.0m; loss before tax, £34.8m (FY 21, PBT +£3.9m); EPS, -14p (+2p); div, 0p (0p); net cash, £37.7m (£74.0m). *Trading:* Instructions -31%, 40,141; ave rev per instruction (ARPI) +4%, £1,568. "Last year's financial performance was significantly impacted by the challenges resulting from the implementation of our new operating model and investment in marketing that did not deliver the expected results, alongside a housing market which played against us. Nevertheless, our performance was not good enough. Central to our [new] plans are initiatives which we expect to drive higher instructions, grow revenues, reset our cost base and raise standards". Costs to be cut by £13m; new performance management programme and training; price changes implemented in July and the removal of the Money Back Guarantee, which failed to deliver the expected increase in instructions; new revenue opportunities include mortgage offer expected to launch by the end of FY 23. *Outlook:* Revenue improved in Q1 23 compared with H2 22; "Given that we implemented changes throughout the first quarter, this improvement does not yet reflect the full run rate of the action already taken. Supply dynamics in the UK housing market are likely to remain challenging for remainder of the year and the macroeconomic environment is increasingly uncertain. Recovery plan alongside sales and marketing actions expected to deliver FY 23 revenue in the range of £67.5-£72.5m, driven by instruction growth in the second half of the year

and further improvement in ARPI. Positive cash generation expected in early FY24 and retain significant headroom in cash resources”.

### **Keller Group** (KLR, 777p, £565m)

World’s largest ground engineering group, with 60% exposure to North America. HY (Jun) results. Rev +36%, £1,337m; u-lying op margin, 3.7% (H1 21, 4.0%); u-lying PBT +36%, £44.6m; stat PBT +12%, £32.7m; u-lying EPS +31%, 47.0p; div +5%, 13.2p; orders +31%, £1.6bn (+22%, constant currency); net debt, £194m (£113m); net debt/EBITDA, 1.1x (0.7x). *Trading*: “Reflected growth in all three divisions as trading activity recovered following the impacts of Covid-19. “Mobilising in preparation for work on major new contract to undertake work on the prestigious NEOM project in Saudi Arabia where we are well positioned, with the potential to generate contract revenues in the hundreds of millions of pounds in future years”. *Outlook*: “The Board's expectations for the Group's full-year performance remain unchanged, with our usual increase in trading momentum and moderate second half weighting”.

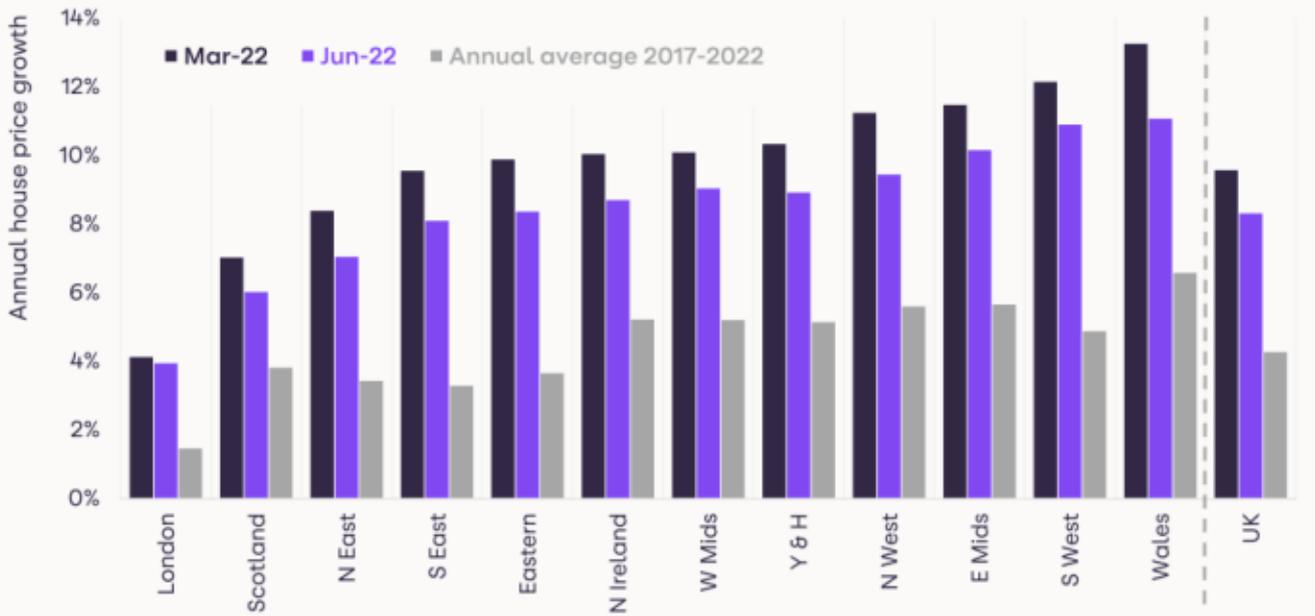
### **Travis Perkins** (TPK, 1,030p, £2,189m)

Leading UK builders’ merchant and owner of Toolstation. HY (Jun) results. Rev +10%, £2,535m (+7.9% LFL); PBT -6.2%, £137m; adj EPS +12%, 51.6p; interim div +4.2%, 12.5p; net debt £383m (YE 21, £87m), reflecting the completion of the £172m share buyback programme and seasonal working capital outflow. *Trading*: “Our Merchant businesses continue to perform well, taking market share. Toolstation’s customer base returned to its core trade customer in the period following exceptional trading during the pandemic. We remain as confident as ever in the long term growth potential of the business and in our UK investment programme, whilst also increasing investment in Toolstation Europe”. *Outlook*: “Our diverse end market exposure, broad trade customer base and strong balance sheet provide resilience against changes in market conditions. The strong performance of our Merchant businesses is set to continue into the second half, driven by our agility in managing inflation and by our leading service propositions. This will be offset by a combination of the normalisation of Toolstation’s customer base and the increased investment in the Toolstation growth opportunity. As a result, we expect to deliver a full year performance broadly in line with market expectations”.

## **Economic data**

**House prices.** Zoopla expects house price inflation to slow to 5% at the end of 2022, following an 8.3% Y/Y growth in June ([link](#)). It has raised its FY 22 sales completions forecast by 100,000 to 1.3m. “More activity means the rate of price growth will not slow as fast as we expected, even if there were sharp drop in demand. The market is not immune from higher borrowing costs. Levels of activity will slow faster over Q3 and into Q4. The scale of the slowdown will depend upon how high mortgage rates rise”.

## House price growth slowing off a high base



Source: Zoopla House Price Index

Prices are as at the previous day's close.

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