Progressive Property & Construction Daily

3 August 2022: TW., VANL, LSL

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

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Company news

Taylor Wimpey (TW., 120p, £4,240m mkt cap)

UK number two housebuilder by volume. HY (Jun) results. Rev -5.4%, £2,077m; op margin 20.4% (H1 21, 19.3%); adj PBT +0.5%, £415m; stat PBT +16%, £334m after fire safety provision, £80m (£125m); adj EPS -3.2%, 9.0p; interim div, 4.6p; net cash £642m (£907m), after completing £150m share buyback programme in H1 22. *Trading:* Group completions -7.0%, 6,790; private sales rate per site/week, 0.90 (0.97); private selling price +3.1%, £337k; order book -2.3%, 10,102 homes. *Outlook:* "We expect full year Group operating profit to be around the top end of the current market consensus range driven by strong average selling prices on completions that are expected to be 4-5% higher than last year. We continue to expect low single digit year on year growth in UK completions for 2022 and our margin guidance remains unchanged, with underlying year on year progression towards the 21-22% target range. Our 2022 year end net cash balance is anticipated to be around £600 million, subject to the timing of land transactions. The land market continues to be very competitive and despite bottlenecks in the planning system we remain on track to increase our outlet numbers at the end of the year to support further growth in 2023 in line with our strategy, assuming market conditions remain stable".

Van Elle (VANL, 47p, £50m)

Specialist ground engineering contractor. FY (Apr) results. Rev +48%, £125m; EBITDA +133%, £9.8m; PBT, £3.6m (H1 21, £1.4m loss); adj EPS, 2.7p (-1.2p); FY 21 final dividend recommended, 1.1p (H1 21, 0p); net cash, £0.1m (YE 21, net debt, £1.7m). *Trading:* "Record activity levels and revenues following strategic targeting of structurally growing end markets. Significant growth across all divisions, notably in higher margin Specialist Piling, Rail and Ground Engineering Services". *Outlook:* Orders, June, unch vs April 2022, £39.0m. "Good progress is being made in order to achieve the medium-term financial targets and on track to deliver FY 23 market expectations. Trading momentum in FY 22 has continued into FY 23 with all divisions operating at high activity levels. Supply chain challenges are moderating, albeit inflationary pressures remain. Investment in infrastructure, including the decarbonisation and electrification of the rail network, where the Group has established a market-leading position, are expected to continue in the longer term. Future prospects in other growth markets also remain encouraging. The Board is therefore increasingly confident of achieving its mid-term financial targets of 5-10% annual revenue growth, 7 - 8% operating profit margin and 15 - 20% ROCE". **Viewpoint:** Some interesting insights into markets emerged in the analyst presentation. There has been no slowdown in housebuilding (foundations activity is a good early indicator), echoed by TW's comments on the land market (an even earlier indicator). And there is fierce competition to attract and retain staff across the business; one of many approaches to keep staff has been a near-doubling of training days per employee to five (only partly reflecting last year's Covid-impacted lull).

LSL Property Services (LSL, 324p, £338m)

Estate, lettings and property/financial services agent. HY (Jun) results. Rev -3%, £161m; u-lying op margin, 9% (H1 21, 16%); PBT -71%, £7.4m; adj EPS -49%, 10.7p; interim div unch, 4.0p; net cash, £30.7m (£17.0m). *Trading:* "A resilient performance reflecting and expected return to usual phasing, with momentum established and the group well positioned for strong H2. The impact on H1 profits of delayed residential sales conversion in Estate Agency is estimated at over £6m with additional amounts in Financial Services". Surveying & Valuation u-lying op profit1 +14%, £13.1m. Financial Services Network op profit of £7.5m in line with the H1 21 record, "a robust performance in substantially smaller mortgage and protection markets, and delivered during a period of ongoing investment in the business". The Estate Agency division op loss of £1.0m (+£12.5m) "reflected the significantly reduced market activity against 2021 which was boosted substantially by the Stamp Duty deadline, the significant delays in conversion of residential sales exchange pipelines and cost-inflationary pressures". *Outlook:* "The Financial Services Network business is trading strongly with mortgage completions in July beating the previous monthly record set in June 2021. A very strong performance continues in Surveying & Valuations. Estate Agency front end sales activity remains stable with a good level of buyer demand. The conversion of residential sales pipeline remains very slow, a trend we expect to continue throughout H2. The consequence of continuing slow pipeline conversion will be to delay profit on some H2 activity into 2023 and as result we now anticipate full year profits to be lower than our previous expectations whilst remaining significantly above the pre-COVID 19 performance reported in 2019".

Prices are as at the previous day's close.

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