

Progressive Property & Construction Daily



29 November 2022: RNWH, VP., SFE, TON, FPO | Mortgage approvals slide, BoE | News – Dulux backs robo-rollers in face of painter shortage

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL. To view the Progressive Property & Construction Daily archive click [here](#).

Company news

Renew Holdings (RNWH, 655p, £517m mkt cap)

Engineering services group supporting UK infrastructure. FY (Sep) results. Rev +7.3%, £849m; adj PBT +15%, £58.2m; stat PBT +21%, £49.5m; adj EPS +18%, 59.5p; div +6.3%, 17.0p; net cash, £20.2m (YE 21, net debt, £13.7m). *Trading:* Orders +3.5%, £775m. Significant expansion of water client list following the successful integration of Browne. Framework extensions secured in Scotland and Eastern ahead of CP7 determinations. “Trading momentum has continued into the new financial year”. *Outlook:* “Structural growth drivers in our end markets have never been more attractive. Government has reiterated infrastructure as a growth priority and restated its commitment to invest over £600bn on infrastructure by 2027.

Vp (VP., 670p, £269m)

Construction equipment rental group. HY (Sep) results and board change. Rev +6%, £187m; adj PBT +6%, £21.5m; stat PBT -4%, £17.9m; adj EPS +13%, 42.5p; interim div +5%, 11.0p; net debt, £149m (YE Sep, £132m). *Trading:* “The results reflect a period of continued recovery and demonstrate strength of the business.

Demand was sustained across the group's business units". The UK Division delivered a "very satisfactory performance" driven by infrastructure and a resilient house building sector. International Division revenues increased by 28% and operating profits doubled. *Outlook:* "Current trading is in line with the Board's expectations for the full year. Inflationary pressures continue to be actively managed by increased pricing and continued focus on efficiencies. The significant financial strength of the group and its historic track record underpins the future. We remain alert to both inorganic and organic growth opportunities". *Board change:* Allison Bainbridge, Group Finance Director will retire and step down from the Board on 31 December. She will be succeeded by Anna Bielby, a chartered accountant with PwC where she was a director in its Audit and Consulting teams. Her other roles include CFO of KCOM Group and most recently Interim CFO at Lookers.

Safestyle UK (SFE, 31p, £43m)

UK manufacturer, recycler and distributor of window, door and roofline PVC products. *Guidance:* "Reduced sales with higher costs of order acquisition incurred until early November, costs of maintaining capacity levels in the short-term and investment in a larger closing order book will adversely impact gross margin. As a result, the Board expects that the Group's underlying PBT for FY22 will be materially below current market expectations. The Board also forecasts that net cash, whilst still remaining healthy, will be lower than expectations at c.£9m at the year-end". *Trading:* "Order intake across the period from late September to the end of October has been volatile. The Board attributes this to the well-reported political and economic news and events that have had a direct, adverse impact on consumer confidence. Consequently, the value of order intake across this period was 7.6% behind expectations and 2.7% lower than the prior year. In addition, the group experienced higher costs of acquisition than forecast. Encouragingly, since early November, demand has improved which has resulted in order intake returning to expected levels and growing by over 30% year on year across these last three weeks. The lower order intake of September/October will result in lower installation volume levels (c. 5k frames) than expected this year. The improved order intake in November has driven an increase in cost in the month, but came too late to deliver the associated revenue this year. *Outlook:* "Demand has significantly improved in November and the Board is expecting to ... increase the closing order book versus previous expectations. Looking ahead into 2023, there remains limited visibility on the strength of demand for next year, but the Board expects that the market will continue to be sensitive to negative sentiment. The Board is focused on advancing our strategic agenda and remains confident that this will lead to progressive increases in the Group's share of the market as well as driving improved margins over the coming years".

Titon Holdings (TON, 81p, £9m)

International manufacturer and supplier of ventilation systems and window and door hardware. FY (Sep) trading update. *Guidance:* "Trading in UK and Europe through to the end of FY 21 continued in line with expectations following its update on 22 July, as the group managed the inflationary environment, the ERP system implementation and supply chain challenges. However, as a result of the previously reported weak housing market and shift in market demand to mechanical ventilation products from natural ventilation Titon's South Korean business has reported a further decline in results. As a result, Titon now expects that the overall underlying loss before tax will be moderately larger than previously anticipated". YE net cash, £1.7m. *Outlook:* " In the UK and Europe, we currently expect to report a loss before tax and exceptional items in H1 23, but we expect to return to profitability in H2. Titon Korea's return to profitability is now likely to be in the medium term while it develops its position in the mechanical ventilation market and we are therefore evaluating options for streamlining the corporate structure and operations of the Korean business".

First Property Group (FPO, 24p, £26m)

Property fund manager and investor with operations in the United Kingdom and Central Europe. HY (Sep) results. PBT -64%, £2.4m; EPS -68%, 1.83p; div unch, 0.25p; net assets at book value, £44.8m (31 March, £44.1m); net assets at market value, £54.6m (£53.4m); net debt: £23.6m (£17.2m). *Outlook:* The price of debt [has risen] significantly from the lows created by loose monetary policy. A re-pricing of the property market is underway, and it is as yet unclear where this might settle. There is bound to be a period of weakness, but things should settle during 2023 as long as there are no other shocks to the system. In time, higher inflation should result in rents increasing across the board, though a recession may slow down this adjustment. Our financial position remains strong. The vacancy rate for offices in central Warsaw has fallen to around 5%. The pace of new office development in Warsaw has all but ground to a halt but the economy is still growing, as is demand for office space. [In the UK] commercial property values are falling across all sectors in response to interest rate increases, exacerbated by an increase in the number of redemption requests made of open ended property funds”.

Economic data

Mortgage approvals for house purchases fell by 10.6% to 59,000 in October from 66,000 in September, according to the Bank of England’s latest Money and Credit report ([link](#)). The average for the previous six months was also 66,000. Approvals for remortgaging (which only capture re-mortgaging with a different lender) increased to 51,300 from 49,500 in September and were higher than the previous six-month average of 47,300. The ‘effective’ interest rate on newly drawn mortgages increased by 25 basis points, to 3.09% in October. The rate on the outstanding stock of mortgages increased by 5 bps to 2.29%.

In other news ...

Robotics. Finding a decorator might eventually become easier following Dulux-owner Akzo Nobel’s decision to back French start-up in developing a robot that can paint interiors, FT ([link](#), [paywall](#)). The droid, known as Paco, can spray paint up to a height of 3.5 metres and has wheels to help it to move around. However, it can work only on flat ground at present and is being pitched as an assistant for construction workers. The behind the bot, Les Companions, has been demonstrating a prototype to UK customers, with plans to launch the finished product next year. Akzo reported a “big scarcity” of painters and decorators exacerbated by Brexit and the pandemic.

Prices are as at the previous day’s close.

Copyright 2022 Progressive Equity Research Limited (“PERL”). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.