

# Progressive Property & Construction Daily



13 January 2023: TW., GLE, LSL | Fortnight ahead

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., 113p, £3,979m mkt cap)

UK number two housebuilder by volume. FY (Dec) trading update. *Guidance:* “Despite the economic and political backdrop through the second half, we expect to report full year [adjusted] operating profit [c. £921m] in line with expectations”. *Trading:* UK completions (inc JVs) -2.2%, 13,773 inc 2,920 affordable homes (FY21, 2,501) – 21% of total completions (18%). FY 22 net private reservations, 0.68 homes per outlet per week (0.91); H2, 0.48 (0.85). FY cancellation rate, 18% (14%); H2, 23% (14%). Total ASP +4%, £313k; private, +6%, £352k. YE order book -25%, 7,499 homes. YE net cash, £864m (£837m). Short term landbank, c.83k plots (c. 85k). *Outlook:* “We expect overall volumes to reduce in 2023. Pricing in the land market is yet to reflect the changing market and with a strong land position and high quality outlets, we will continue to operate on a highly selective basis. We have begun a consultation on a series of proposed changes which would be expected to generate annualised savings of around £20m and ... would reduce overheads to reflect market conditions. The proposed changes would neither affect our existing market coverage or ability to deliver volumes from our landbank, nor our ability to deliver high quality product and service to our customers. We remain confident that the medium to long term fundamentals of our business remain highly attractive”. FY results, 2 March.

## **MJ Gleeson** (GLE, 380p, £222m)

Low-cost housebuilder, focused on north of England, and strategic land enabler, focused on south. *Guidance:* “As previously stated, the outturn for the current financial year is dependent upon the pace of recovery in the housing market over the coming months. Gleeson Homes enters the second half of the financial year with a forward order book of 319 plots (H1 22, 616). However, we are cautiously optimistic of a recovery during 2023, due to a number of factors, including that mortgage rates continue to fall from the highs experienced in October 2022, and the need for low-cost, high-quality homes remains acute. In addition, there continues to be growing interest from new customers who might previously have considered a more expensive property built by another developer but in the current economic environment are attracted by Gleeson's more affordable price points. Gleeson Land is continuing to see strong demand for high quality consented land from housebuilders looking beyond the current wider uncertainty in the housing market”. *Trading:* Gleeson Homes completions, -4.1%, 894. “This reflected the weaker market and considerably higher mortgage costs as a consequence of the mini-budget in September 2022. Despite this, selling prices have remained stable”. Cancellation rates reduced during the six weeks to Christmas, with only 6.5 plot cancellations per week compared to 11.5 plot cancellations per week in the previous six weeks to mid-November. Gross reservations during the seasonally quieter six weeks before Christmas were 22.2 per week, 25% lower than the 29.5 gross reservations per week in the same period last year. Gleeson Land sold one site during the period. The business has had several recent planning successes, and a further three sites are being actively progressed for sale. HY results, 16 February.

## **LSL Property Services** (LSL, 264p, £275m)

Estate, lettings and property/financial services agent. Sale of its new build mortgage and protection brokerage firms Group First and RSC New Homes to Pivotal Growth, LSL's joint venture with Pollen Street Capital, established in 2021 to 'buy and build' a leading national mortgage broker. The consideration payable is 7x the combined Group First and RSC EBITDA in calendar year 2024, subject to agreed working capital adjustments, capped at a maximum of £20m. The consideration is payable in cash to LSL during H1 2025, at which time LSL will consider the most effective use of the funds. Going forward, LSL will continue to account for its 47.8% equity share of Pivotal Growth profits after tax, which will include the profits generated by Group First and RSC. LSL will also benefit from the incremental profits of Group First and RSC in any future Pivotal Growth exit event. These disposals are in line with LSL's strategy to simplify the Group, and to focus on developing further its leading Financial Services Network business and LSL believes that Pivotal Growth is better placed to increase the value of Group First and RSC, and these acquisitions mark a significant step in building critical mass in the new build brokerage sector, that has been targeted by Pivotal. For FY 21, the value of Group First's gross assets was £15.2m and profit for the year was £1.4m. The value of RSC's gross assets at 31 December 2021 was £3.7m and profit for the year was £0.7m. Combined profit for the 2022 financial year is expected to be £0.7m, and the impact of the disposals will, therefore, not be material to LSL.

# Fortnight ahead

## **Construction & property: company and economic news**

*Another batch of housebuilders' trading statements due next week, but the main indicators for the housing market should be the inflation data on Wednesday and employment the previous day..*

#### **January**

16	Hercules Site Services (HERC)	FY results
	Rightmove	House prices
17	Crest Nicholson Holdings (CRST)	FY results
	ONS	Employment Data
18	Vistry Group (VTY)	Trading update
	Galliford Try Holdings (GFRD)	Trading update
	ONS	House prices
	ONS	Inflation data
19	RICS	Residential Mkt Survey
24	Sureserve Group (SUR)	FY results
	Henry Boot (BOOT)	Trading update
25	Watkin Jones Group (WJG)	FY results
	Van Elle	HY results

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research

*Prices are as at the previous day's close.*

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