Progressive Property & Construction Daily

18 January 2023: VTY, GFRD, IBST | House prices slip - ONS

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

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Company news

Vistry Group (VTY, 747p, £2,582m mkt cap)

Formed from the merger of Bovis Homes and housebuilding and partnerships divisions of **Galliford Try** (GFRD), acquiring **Countryside Partnerships** in November. FY (Dec) trading update. *Guidance:* "2022 was another year of excellent progress for Vistry, and despite the more challenging market conditions following the September mini-budget, profits are in-line with expectations [adj PBT +21%, £418m] and ahead of where we were at the start of the year". Net cash ahead of expectations at c. £115m (FY 21, £234.5m), following the payment of £300m cash as part of the consideration for Countryside and £35m share buy-back. Housebuilding division completions +3%, 6,774; gross margin expected to increase to at least 23% (22.3%). Partnerships division continues to deliver growth in higher margin mixed tenure revenues, with mixed tenure completions +17.6%, 2,455 units and adj operating margin expected to increase to at least 10% (9.2%). "Confident of delivering at least £50m synergies from the combination and in excess of our target of £19m synergies in FY 23". *Trading:* "We are seeing a sustained level of demand across Partnerships from Housing Associations, Local Authorities and the private rented sector, with a strong Q1 pipeline". Q4 private sales rate per site per week 0.46; FY 22, 0.71 (FY 21, 0.76). "Our pricing remained firm in final quarter of FY22, and this has continued in FY23 to date. *Outlook:* Housebuilding forward sales, £1.0bn (£1.3bn), "an encouraging position given the challenging market conditions and significant step-down in private sales rates in Q4 22. The combination with Countryside had a highly compelling strategic rationale and has created a leader in the partnerships housing sector, with the scale and expertise to accelerate profitable growth across both Partnerships and Housebuilding, and expand the delivery of much needed affordable housing across England. Whilst the short term outlook for the UK housing market is uncertain, we believe the Partnerships model is resilient and that there is clear potential to generate material value with enhanced scale and superior returns over the medium-term". FY results, 22 March. **Viewpoint:** "I'll have what he's having" (to slightly paraphrase 'When Harry Met Sally') might have been the initial impression on CEO Greg Fitzgerald's markedly more upbeat tone during this morning's analyst conference call than the sackcloth-and-ashes tenor of some of his rivals recently. Vistry had *raised* its headline private selling prices (albeit expecting lower achieved prices, but with the supply chain compensating by sharpening their pencils). On market demand, "every week's been better than the week before"; margins are holding and rising in Partnerships; land prices were falling and "we're seeing very good opportunities" etc. Anyone suspicious that his is a 'glass half full' view should recall he was pretty much the first housebuilder to call the last downturn.

Galliford Try Holdings (GFRD, 165p, £180m)

UK construction and infrastructure services group. H1 (Dec) trading update. *Guidance:* "The group is performing well with trading in line with the Board's expectations. We are well placed for the financial year to 30 June 2023 and continue to make good progress against our Sustainable Growth Strategy". *Trading:* Order book, £3.5bn (Jun 22, £3.4bn). Ave H1 month-end cash c. £154m (FY 22, £174m) and period-end cash c. £195m (H1 21, £211m), in line with the Board's expectations given the recent acquisitions and ongoing investment in cloud-based digital systems as previously disclosed. The group maintains a portfolio of PPP assets and has no pensions liabilities and no debt or associated covenants. *Outlook:* "We continue to see a robust pipeline of new opportunities across our chosen sectors, supported by our strong track record and focus on the public and regulated sectors alongside high-quality private clients. The Group's strong balance sheet supports our ability to continue to secure high quality contracts and frameworks. We continue to maintain good relationships with our supply chain and clients which, together with our strong balance sheet, has enabled us to manage the economic conditions effectively with no material impact on trading. We are pleased with our two recent acquisitions, of MCS Control Systems and Ham Baker and the integration and development of these businesses into our Environment division is progressing as planned". HY results, 8 March.

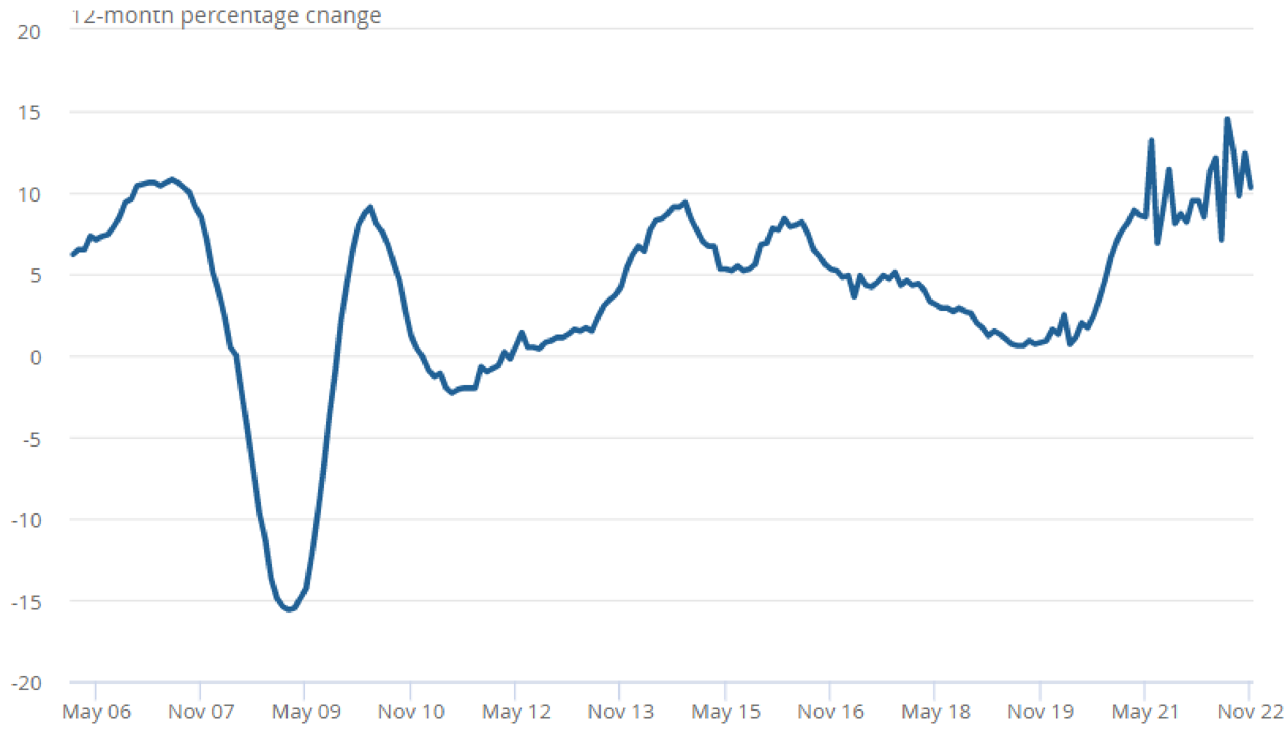
Ibstock (IBST, 166p, £650m)

UK's largest brickmaker. FY (Dec) results. *Guidance:* FY revenues expected to increase by 25% to approximately £510m; adj EBITDA "expected to be modestly ahead of our previous expectations". Cash generation ahead of previous expectations, resulting in YE net debt of c. £46m (YE 21, £39m) after growth capital investments of over £35 million and £30 million share buyback. *Trading:* "Resilient performance in the final quarter of the year was driven by a continued focus on price and margin management and good operational execution. As expected, Q4 sales volumes reduced compared to the prior year, across both new build and RMI". Disposal of surplus property in Sussex generated cash proceeds of £8m, further strengthening the balance sheet. Growth investments at Atlas and Aldridge wire cut factories in the West Midlands are on track, delivering the UK's first 'net zero bricks' from the end of this year. Ibstock Futures continues to develop its brick slips strategy; initial investment of £8m in 2023 in automated line to accelerate slips network capacity build ahead of Nostell factory being developed. *Outlook:* "Whilst we continue to expect conditions in 2023 to be more challenging than 2022, we are increasingly well positioned to capitalise on market opportunities and remain confident in our ability to deliver against our ambitious medium-term financial targets". FY results, 8 March.

Economic data

House prices. UK house prices dropped in November for the first time since October, slipping by 0.3% M/M to £295k and bringing the Y/Y rate down to +10.3% from +12.4% in, according to the ONS, the most comprehensive survey of the market (link). **Viewpoint:** This is a lower drop than the more high profile surveys, from the Halifax and Nationwide, which have indicated four months of decline (albeit a slower rate in the latest month) since the mini-budget. This is probably explained by the data based on the end of the buying process and not at mortgage offer stage (some of which will have fallen through); it also suggests that the cash-only market has remained more robust than those sales backed by mortgages, especially at the bottom end. Earlier today, the more keenly awaited December inflation data showed the second monthly decline in the Y/Y rate to 10.5%, from 10.7% in November and the 40-year high of 11.1% in October. Consensus for October from two forecasts was 10.5 - 10.6%. The M/M rate for December was 0.4%, unchanged from the prior month and in line with forecasts. Gilt yields rose slightly on the news, surmising that there is still some upwards pressure on BoE rates until there is more sustained evidence of inflation subsiding. Nevertheless the economy appears to be slowly heading in the right direction with last week's GDP edging up by 0.1%, rather than the 0.2% contraction economists were predicting and yesterday's unemployment rate remaining stubbornly low at 3.7%. This suggests that the housing market may be thawing – unlike the ground outside right now …

Annual house price rates of change for all dwellings, UK, January 2006 to November 2022



Prices are as at the previous day's close.