

Progressive Property & Construction Daily



23 February 2023: MGNS, DRV, HWDN | News – Lloyds predicts 7% house price fall

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

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Company research

Morgan Sindall Group (MGNS, 1,634p, £781m)

Construction, regeneration and fit-out group. FY (Dec) results. Rev +12%, £3,612m; adj PBT +7%, £136m; stat PBT -32%, £85m (exceptional charge for Building Safety in line with previous guidance of £48.9m); adj EPS +5%, 238p; div +10%, 101p; YE net cash, £355m (YE 21, £358m); ave daily net cash, £256m (£291m). *Trading:* order book -2%, £8.5bn. Fit Out, op prof +18%, £52.2m (beating target across the cycle of £40 - 45m); Construction & Infrastructure, op margin, 3.3% (FY 21, 3.8%), op prof, £52.1m (£58.1m) “against strong prior year comparatives”; Property Services op prof +5%, £4.3m; Partnership Housing rev +22%, £696m, op prof +13%, £37.4m; Urban Regeneration op prof +56%, £18.9m, ROCE 21%. *Outlook:* Feb 22 divisional medium-term targets maintained, with Fit Out increased to £45 – 50m across cycle. “While there remains significant macroeconomic uncertainty, Morgan Sindall is a strong and agile business which is well-placed to overcome the challenges of the coming year and also well-positioned to take advantage of the opportunities that arise in this type of environment. There are early signs that inflation, particularly labour inflation, has plateaued and is starting to fall in some areas. We look forward with optimism and although it is still early in the year, we're well-positioned to deliver a result for 2023 which is in line with our current expectations”. *ESG:* MSCI 'AAA' rating retained.

Driver Group (DRV, 30p, £16m)

Legal claims consultant to the global construction industry. FY (Sep) results. Rev +4%, £46.9m; u-lying loss before tax, £1.0m (FY 21, PBT £1.9m); stat PBT, -£2.4m (+£1.9m); stat EPS -5.5p (+2.1p); total div, 1.5p (1.5p); net cash, £4.9m (£5.6m). *Trading:* Staff utilisation, 67.5% (72.4%). “FY 22 trading year encompassed some unpredicted challenges for the group, in particular in the Middle East and APAC markets. We reduced headcount and cost very significantly in these regions in a very short space of time. Management took steps to minimise the impact of the exit of these people while at the same time taking the opportunity to de-risk these historic problem areas. Our UK and European businesses continued to perform creditably”. *Outlook:* “Trading in the first quarter has begun profitably and we are sharply focused on delivering cost savings and delivering a return to profitability in the current financial year.”. Q1 rev +5% Y/Y, £11.8m; net cash, £4.7m. Utilisation increased to 70%. Overhead reduction implemented, with further savings in progress. *Board change:* Steve Norris to retire as non-exec director at AGM on 23 March; appointment announced of Shaun Smith, former CFO of Norcros and current roles including non-exec at Epwin Group.

Howden Joinery Group (HWDN, 717p, £3,970m)

UK’s largest supplier of kitchens and joinery products to trade customers, primarily small local builders. FY (Dec) results. Rev +11%, £2,319m; op margin, 17.9% (FY 21, 19.2%); PBT +4.0%, £406m; EPS +24%, 65.8m; div +5.6%, 20.6p; cash, £308m (£515m); net debt after lease liabilities, £357m (£76m). *Trading:* “We delivered good progress on executing our strategic priorities and further market share gains. We maintained our sector leading gross margins at 60.9%, with disciplined pricing recovering cost increases”. *Outlook:* “While it is still early in the new financial year, sales in the first few weeks have been encouraging in the UK. We continue to seek to maintain a profitable balance between pricing and volume and have implemented a price increase from the start of the year to recover rising input costs. Our markets are large and fragmented which gives us a long-term opportunity for growth”. £50m share buyback announced today.

Company research

House prices. Britain’s largest mortgage lender, Lloyds Bank has warned that residential property prices look set to fall back to 2021 levels, amid weakening housing market conditions, Property Industry Eye ([link](#)). The owner of Halifax is predicting a 7% drop in house prices this year as higher interest rates adversely affect homebuyer demand and cause a contraction in the wider UK economy over 2023. Its prediction follows forecasts from Nationwide (-5%) and Santander (-10%). Lloyds, however, dismissed talk of a house price crash, owed in part to the general housing shortage and a recovery in the mortgage market.

Prices are as at the previous day’s close.

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