

Progressive Property & Construction Daily



7 March 2023: FOXT, KLR, AHT | House prices rebound in February - Halifax

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

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Company news

Foxtons Group (FOXT, 41p, £125m mkt cap)

High profile London estate and lettings agent. FY (Dec) results. Rev +11%, £140m; adj op profit +56%, £13.9m; stat PBT +115%, £11.9m; adj EPS +63%, 3.1p; div +100%, 0.9p; net cash, £12.0m (£19.4m). *Trading:* Lettings +17%, £86.9m; Sales +1%, £43.2m; Financial Services +8%, £10.2m. 65% of revenue generated from “non-cyclical, recurring activities”. Sales market share has fallen to 3.4% from 4.5% in 2016. Sales market is “challenging” but there have been “recent encouraging buyer enquiries”. *Strategy:* “Four core operational failings have negatively impacted historical performance: poor data accessibility and utilisation impeded business decision making; outdated estate agency processes and diluted culture restricted organic growth; insufficient headcount capacity and experience constrained productivity; no clear customer proposition and brand invisible in core markets limited ability to successfully compete. [Our] refocused strategic priorities, support delivery of medium-term growth ambition to deliver £25m - 30m operating profit”. Objectives: Lettings – deliver 3 - 5% average annual organic growth and attractive returns from portfolio acquisitions; Sales – achieve 4.5%+ share through building capacity and capabilities; Financial Services – 7 - 10% annual average revenue growth by maximising cross-sell opportunities. Outlook: “Trading in January and February in line with our expectations”.

Keller Group (KLR, 810p, £589m)

World's largest ground engineering group, with 60% exposure to North America. FY (Dec) results. Rev +24%, £2,945m; u-lying PBT +17%, £93.5m; stat PBT -17% £56.3m; u-lying EPS +20%, 101p; div +5%, 37.7p; net debt, £33.8m (FY 21, net cash £62.5m). *Trading*: Op profit up "in a turbulent, challenging market environment, and despite [a financial reporting fraud] at Austral". Orders +8%, £1.4bn. North America rev +29% at constant currency driven by improved trading volume across all businesses, largely driven by Suncoast (before a slowdown in the fourth quarter in residential demand) and with a material contribution from the accelerated LNG contract at RECON. NEOM project in Saudi Arabia "progressing in line with our expectations operationally and financially". The UK business reported revenue growth following increased levels of activity through the core Foundations and Geotechnique businesses and "continued good delivery on the HS2 rail contract". *Outlook*: "The Group will continue to pursue organic and targeted M&A growth opportunities and we will also look to further refine the portfolio. Whilst higher interest rates will increase our interest expense in 2023, we have entered the new financial year with increased momentum, a more solid operational base and are well placed for major contract awards. This, together with the actions we have taken, gives us confidence that 2023 will be a year of good progress".

Ashtead Group (AHT, 5,746p, £25,208m)

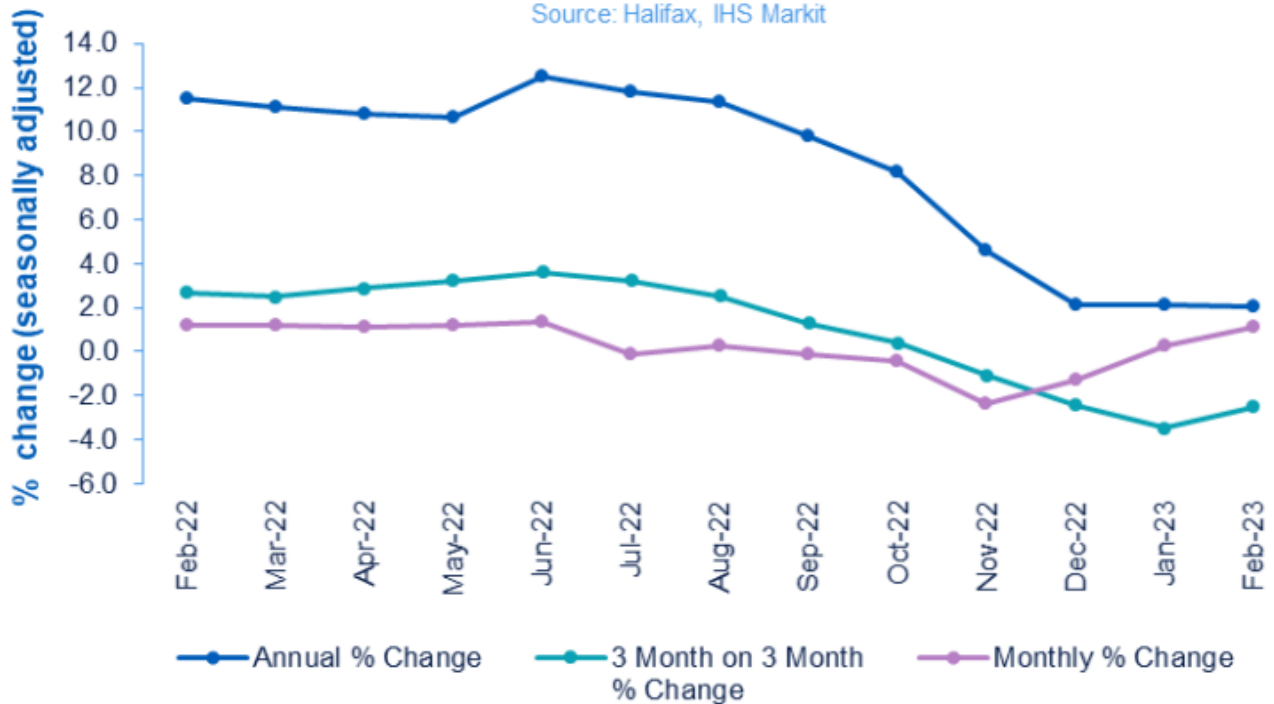
US-focused plant hire group. Q3 (Jan) results. Rev +23%, \$2,427m; adj PBT +26%, \$535m; stat PBT +29%, \$505m; adj EPS +30%, 91.9c; net debt \$8,819m, 1.6x leverage (Q3 22, \$6,894m, 1.5x). *Trading*: "Strong third quarter performance with ongoing momentum in robust end markets". \$970m spent on 38 bolt-on acquisitions, Q 1 - 3 (Q 1 - 3 22, \$938m). *Outlook*: "We now expect full year results ahead of our previous expectations".

Economic data

House prices registered, what will be to many, a surprising rebound in February, rising 1.1% M/M and pegging the Y/Y rate at +2.1% for the third consecutive month, according to the Halifax ([link](#)). The monthly rise, to £285,476 follows a +0.2% move in January; prices are now 2.9% below their August 2022 peak of £293,992, according to the UK's largest mortgage lender. There was a divergence in property types, with larger homes performing best on an annualised basis: flats fell 0.3% Y/Y; terraced, +0.3%; detached, +1.5%, albeit the lowest rise since the end of 2019. Annual price inflation remains stronger for new houses (+6.6%, a four-month high) than for existing properties, +1.1%. Regionally, annualised growth reduced most significantly in the North East, at 1.1% in February vs a rise of 3.6% in January. London saw a 0.9% fall, possibly affected by the city's large proportion of flats. Scotland showed the lowest Y/Y growth in mainland Britain, +2.2%, vs 2.3% in January. Wales was +1.2%, vs +1.9% in January. Northern Ireland's annual growth slipped to 5.7% vs 7.0% in January. **Viewpoint**: One positive statistical release does not a summer make, but the repeated use of the word 'crash' by journalists and other observers is looking increasingly ill-judged. It is possible that the 'real' rise in prices may be greater, as the Halifax numbers reflect mortgaged buyers', who were arguably more impacted by the turmoil in the lending markets following September's mini-budget. Interestingly, the strongest market was new homes – but several housebuilders have indicated that incentives are running at some 3 – 5% of 'headline' sales prices, compared with next to nothing in the hot market post-lockdown.

Halifax House Price Index

Source: Halifax, IHS Markit



Prices are as at the previous day's close.

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