# **Progressive** Property & Construction Daily

16 March 2023: SFR, SVS, ESP, ECEL

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

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## Company research

**Severfield** (SFR, 60p, £187m) *– SFR is a client of PERL*

Britain's leading structural steel group, with sales to Europe and a rapidly growing Indian JV. PERL note exploring yesterday's acquisition of Dutch steel fabricator, Voortman Steel Construction Holding, Acquisition enhances Euro-vision:

> *"Severfield, the UK's leading structural steel specialist, yesterday enhanced its strategic aim of expanding its presence in continental Europe by acquiring leading Dutch fabricator Voortman Steel Construction Holding (VSCH) for €24m. The deal, which Severfield expects to be earnings enhancing in FY24E, will reinforce the group's presence in Europe as well as offering innovative production capabilities in its UK base. Severfield should also benefit from a range of investment pledges in yesterday's Budget."*

## Company news

**Savills** (SVS, 998p, £1,441m)

International real estate services group. FY (Dec) results. Rev +7%, £2.3bn; u-lying PBT -18%, £165m; stat PBT -16%, £154m; u-lying EPS -19%, 94.9p; final and supplementary divs, 29.0p (FY 21, 28.35p plus 27.05p special dividend); net cash, £307m (£341m). *Trading:* Transactional Advisory revs -4% "despite challenging market conditions, particularly in H2"; Residential Transaction -2%; less transactional businesses, 60% of revenue, "continued to perform well with revenue up 9%"; Property and Facilities Management revenue +13%; Consultancy +4%; Savills Investment Management +1%. Assets under Management, £22.1bn (£21.9bn). "Performance in 2022 was slightly ahead of our expectations despite challenging markets. More importantly, perhaps, the Group's performance was substantially ahead of the 2019 pre-Covid comparative period. *Outlook:* "Challenging macro conditions are expected to continue. As a result, the speed at which individual investment markets adjust to the cost of debt is uncertain, although certain markets, such as the UK, are recalibrating faster than in the past, and will be helped by the lack of development supply and an overall trend to sustainability. We would also expect that the release of Covid restrictions in Greater China paves the way for progressive improvement in the region. We have started 2023 broadly in line with our expectations. However, it is clear that, at this stage, predictions for the full year are characterised by a wide range of possible outcomes; we believe that H1 2023 will be more challenging than its 2022 comparative; however, we expect progressive improvement through the second half of the year. 2024 should see more positive conditions for real estate market activity and Savills is both retaining its bench strength and investing in advance of such recovery".

### **Empiric Student Property** (ESP, 84p, £508m)

Fund owning and operating UK student accommodation. FY (Dec) results. Rev +30%, £73.0m; EPRA earnings +108%, £20.6m; EPRA EPS +113%, 3.4p; div +10%, 2.75p; NTAV +8.2%, 115p; net debt, £335m (FY 21, £338m); LTV, 31.1% (33.1%). *Trading:* LFL rental growth, 5.2% for academic year 2022/23, supported by dynamic pricing; record 99% revenue occupancy achieved for academic year 2022/23; 90% revenue occupancy for financial year 2022 (2021: 71%). Portfolio valuation +7.3% LFL, £1,079m; net initial yield, 5.2% (5.3%). Non-core disposals, £53.1m, from the sale of seven properties in line with book value with proceeds redeployed into the core portfolio investment programme; sale completed of a further property post year end, generating £2.6m. *Outlook:* "Strong bookings launch", with revenue occupancy of 65% currently secured, ten weeks ahead of prior year. Like-for-like rental growth in excess of 6% now anticipated; targeting revenue occupancy >97%. "We operate in a resilient sector, and we continue to see high levels of demand for our product for the 2023/24 academic year which underpins our confidence in the outlook for the business and our commitment to our customer-first philosophy".

### **Eurocell** (ECEL, 139p, £155m)

UK retailer and manufacturer, recycler of PVC windows and doors. FY (Dec) results. Rev +12%, £381m; adj PBT +4%, £28.7m; stat PBT -5%, £26.2m; adj EPS +10%, 21.4p; div +11%, 10.7p; net debt, £14.4m (FY 21, £11.0m). *Trading:* "New build, large contract and RMI project work was robust throughout the year; a slowdown in smaller discretionary RMI work experienced by trade fabricators and the branch network in H2. Price was the significant driver of sales growth in 2022; increases and surcharges recovered unprecedented input cost inflation. H2 margins reflected lower volumes and not all cost inflation being fully recovered until early in 2023. A cyber incident in July / August resulted in temporary disruption and some financial impact; now efficiently resolved, with the business remaining operational throughout. An insurance claim has been partially resolved, with compensation income of £1.1m recognised in 2022. Steps have been taken to implement further resilience and security measures". *Outlook:* "In preparation for tougher market conditions, we completed a restructuring programme in Q4 22 to reduce operating costs, and in December, to further simplify the business, we sold the trade and assets of Security Hardware. We continue to take market share and have increased the run rate on new fabricator account acquisitions, with our pipeline of other potential new fabricator customers remaining healthy. For the current year, the latest construction industry forecasts recognise the currently challenging market conditions. However, we have acted swiftly on cost to prepare the business for 2023 and we expect our strategy to enable us to optimise performance in our markets".

# In other news …

**Housing safety.** Berkeley looks towards low-rise if single staircase ban in towers goes ahead, Building (link, paywall). The London-focused developer says fire safety rules will put high rise schemes awaiting planning "back to square one". Berkeley has said it will no longer focus on tower schemes and build more low-rise developments in future if the government's proposed ban on single staircases in blocks above 30m goes ahead. Plans for towers which require a second staircase will be "briefed out" in favour of lower buildings with a larger footprint, the developer's divisional managing director Brian McKenzie told Building.

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

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