Progressive Property & Construction Daily

3 May 2023: BDEV, LORD, WIX, BKG

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

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Company news

Barratt Developments (BDEV, 505p, £4,968m mkt cap)

UK's biggest housebuilder by volume. Trading update. *Guidance:* "In February we reported early signs of recovery in our reservation rates following the exceptionally challenging trading conditions experienced at the end of 2022. Whilst the economic backdrop remains difficult, we are pleased that more positive sales rates have been maintained through this period and we are now fully forward sold for FY [Jun] 23. As a result, we expect to deliver full year adjusted profit before tax in line with current market expectations [£877m]". Completions expected to be 16,500 - 17,000; YE net cash, c. £0.9bn, in line with guidance. *Trading:* Sales rate, per site per week: H1 (Dec), 0.44 (H1 22, 0.79); 1 Jan - HY results (8 Feb), 0.49 (2022, 0.90); HY - current, 0.71 (0.94). Fwd sales, -29%, 10,924 (private -39%, 5,148; affordable, -17%, 5,776). Reservation rate has been complemented by increased multi-unit sales into the private rented sector along with additional private unit sales to registered social landlords. "The reservation activity in the period has reflected the more challenging backdrop for first time buyers but resilient demand amongst existing homeowners, where limited homes for sale in the wider market, the energy efficiency of our new homes and the backdrop of significant rental cost growth, have helped to support demand". "Construction activity has been adjusted to the slower trading backdrop. Build cost inflation c. 9 - 10% for FY 23. Our highly selective approach to buying land has continued throughout the period in which we approved the purchase of two new sites, with four sites, previously approved, no longer proceeding. Whilst the outlook for total build cost inflation in FY24 remains uncertain, we currently anticipate a slowing to around 5%". FY trading update, 13 July.

Lords Group Trading (LORD, 69p, £112m)

Building materials distributor. FY (Dec) results. Rev +24%, £450m; EBITDA margin, 6.7% (FY 21, 6.1%); adj PBT +42%, £17.4m; stat PBT +70%, £12.8m; adj EPS +32%, 8.0p; div +5.8%, 2.0p; net debt, £19.4m (£6.5m net cash). *Trading:* Merchanting division LFL revenue +17%, "reflecting the group's ambition to be the 'local leader' in its markets"; Plumbing & Heating -9.1%, LFL – "resilient given industry-wide boiler component shortages, which eased throughout H2". *Outlook:* "We believe that our end market exposure, improved product range, continuing market share gains and management actions to improve margins mean that we continue to expect a full year performance in line with market expectations. The Board remains confident in Lords' ability to fulfil its IPO target to become a £500m revenue business by 2024 with an EBITDA margin of 7.5% in the medium term. We are focused on the challenges to our business, notably the impact on the trading environment of reduced housing transactions, and the impact on household balance sheets from inflation, increased energy costs and rising interest rates. We are responding through our ongoing expansion into new geographical markets and product lines, and by implementing our ESG strategy, a key part of which is to enhance our energy efficiency. As a relatively small player with a 1% share of a large market, we also have considerable scope to take share through further acquisitions that expand our geographical presence and product range".

Wickes Group (WIX, 138p, £358m)

UK DIY retail chain. Trading update. *Guidance:* "This has been an encouraging start to the year where we have again seen the benefits of our uniquely balanced business model delivering well in a challenging economic environment. Our performance has been underpinned by further momentum in Trade, as local traders continue to turn to Wickes to save them time and money, and a strong performance in Do-it-for-me [DIFM]. As we continue to make progress across our strategic growth drivers, we are confident in the group's prospects for both the remainder of this year and the long term". *Trading:* LFL sales -0.6%. Delivered DIFM sales, +9.3%; Core LFL sales, -3.6%. Both periods include Easter trading. "Core sales have been affected by adverse weather in 2023 to date, affecting outdoor and weather-related categories. Storms in the prior year also drove significant sales uplifts in fencing in the comparative period. Sales trends have improved towards the end of the period as the weather has started to normalise. Trade sales continue to perform well, reflecting healthy trade order book pipelines, and our strategically important TradePro customer base continues to grow strongly. DIY sales remain lower year-on-year. Inflation remains mixed across categories but is slowing overall, in line with our expectations. DIFM delivered sales growth reflected the improved order position during the fourth quarter of 2022, a good 2023 Winter Sale, and continued normalisation of the order book as a result of our increased installation capacity. Orders in the first 16 weeks were up marginally year-on-year, with a reduction in leads more than offset by an increase in conversion. Costs remain well controlled, with savings flowing through as expected in distribution, logistics and store operations. Four refits have been completed in the year to date, with the first new store this year at Chelmsford expected to open in the summer".

In other news …

Planning. **Berkeley Group** begins legal challenge after housing secretary's refusal of planning for homes on 'design grounds', Building (link, paywall). Berkeley has launched a legal challenge against Michael Gove's decision last month to block its plans for 165 homes in the Kent Weald on design grounds, against the advice of a planning inspector. The scheme, sited within the High Weald Area of Outstanding Natural Beauty (AONB), was called in by the housing secretary in April 2021 despite being approved by the local authority, and was turned down last month on the basis it was "generic" and not "sensitively designed having regard to its setting".

Prices are as at the previous day's close. Where quoted, net debt is pre-IFRS16 (excluding leases) unless otherwise stated.