Progressive Property & Construction Daily

8 June 2023: CRST, GFRD, MTO | Housing indicators turning less negative (for now?) - RICS

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

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Company news

Crest Nicholson Holdings (CRST, 249p, £641m mkt cap)

South East focused mixed tenure housebuilder. HY (Apr) results. Completions -18%, 894 (open mkt -29%, 532; affordable +34%, 247; bulk -27%, 115); rev -22%, £283m; op margins, 7.8% (15.0%); adj PBT -60%, £20.9m; stat PBT, £28.4m (HY 22, loss £52.5m); adj EPS -61%, 6.1p; interim div unch, 5.5p; TNAV, £848m (£817m); net cash, £66m (£173m). *Trading:* Open mkt prices +5.9%; affordable unch; current private prices "remain robust". Private sales rate per site per week -25%, 0.54. *Outlook:* "FY23 adjusted profit before tax expected to be in line with published consensus of £73.7m. Total dividend to be in line with prior year at 17.0p". Geographic expansion "remains on track; high quality sites being added on competitive terms; well positioned for future growth". **Viewpoint:** The shares have fallen around 10% so far this morning, suggesting the market is more concerned about Crest's management in achieving a rebound in H2 and into next year. Two or three interesting insights emerged in the results meeting, the first among the peers since concerns about the persistence of inflation emerged with the latest ONS data some three weeks ago. "For the first two weeks there was some softening [in buyer activity] then this week has been a pretty good week". There is still some competition for land, albeit more muted than in last year's hot market and land prices have come off by an estimated 10 - 15% and on "better terms" from vendors, but no "fire sales". Build cost inflation has persisted for "longer than expected".

Galliford Try Holdings (GFRD, 185p, £196m)

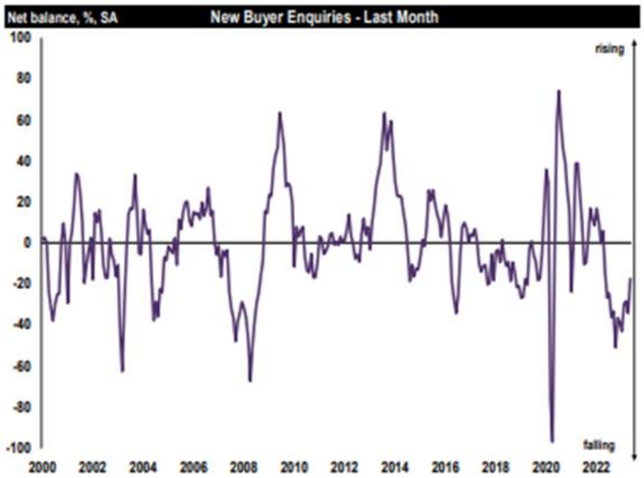
UK construction and infrastructure services group. Settlement agreed and special dividend. The group has agreed settlement terms in respect of its long-standing dispute concerning three contracts with entities owned by a major infrastructure fund, bringing to a conclusion “a complex and challenging multi-contract dispute”. Galliford Try will receive a cash payment of £26m and anticipates reporting a one-off non-cash write-off of c£3m in the current financial year, to June. “The group intends to return to shareholders a substantial proportion of the proceeds over time while retaining an element of the proceeds to invest in its growth strategy”. The Board is to declare a special dividend of 12p. “The form and amount of any additional return will be considered by the Board in due course”. This is line with the company’s stated capital allocation policy, which is in addition to an ordinary dividend cover of 2.0x.

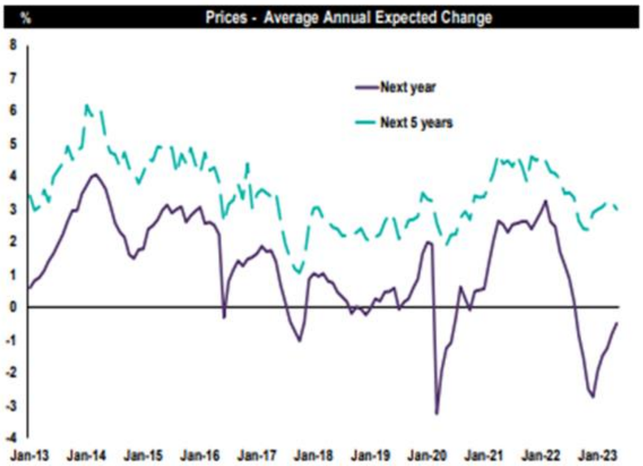
Mitie Group (MTO, 96p, £1,305m)

Engineering services group supporting UK infrastructure. FY (Mar) results. Rev +1.1%, £3,945m; adj PBT +2.7%, £151m; adj op profit before other items, £162m (FY 22, £167m), (versus previous guidance for “at least £155m”; margin, 4.0% (4.2%) (prior year boosted by higher margin Covid work); stat PBT +104%, £106m; adj EPS +3.3%, 9.5p; div +61%, 2.9p; net debt £44m (FY 22, cash £27m). *Trading:* “Wins, renewals, acquisitions and inflationary contract re-pricing more than offset contracts that were not renewed and the prior year benefit from short term Covid work”. Total contract value of £4.3bn awarded in FY 23; renewal rates remain over 90%; book to bill ratio of 105%. *Outlook:* “FY 24 has started positively, and the Board is therefore confident in meeting its growth expectations for the year”.

Economic data

Housing market. Most housing sales indicators became less negative in May, according to the latest Residential Market Survey from the RICS (link), but the surveyors’ body cautioned that concerns about inflation and the direction of interest rates “may place renewed pressure on the market in the months ahead”. The balance (% of survey reporting rise minus those seeing fall) for new buyers enquiries shrank to -18%, from -34% in April, indicating a decline but at a slower rate, and it was the least negative over the past 12 months (below, left). Almost all UK regions reported a less negative figure. Sales per surveyor on a rolling three month basis (actual number, not balance; seasonally-adjusted) trended upwards for the second month, to 13.8, from 12.4 in the three months to March, but -26% Y/Y. The headline price balance, at -30%, compares to a low of -46% in February; but expectations of actual price falls on a 12-month outlook are now down to under 1%, while the five-year outlook remains at over 3% pa (below, right). In the lettings market, rents continue to rise as growing demand faces ever-dwindling supply.





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

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