Progressive Property & Construction Daily

13 June 2023: BWY, DRV, AHT | Fortnight ahead

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

Company news

Bellway (BWY, 2,238p, £2,722m)

Top five housebuilder by volume. *Guidance:* "Overall reservations in the period have been lower than the prior year, however, we have been encouraged by the levels of customer interest and the seasonal uplift in demand. As a result, and in line with previous guidance, the group is on track to deliver full year volume output of around 11,000 homes (FY 22, 11,198 homes) with an overall average selling price of around £300,000 (£314,399). YE (Jul) net cash expected to increase to c. £200m (YE 22, £245m), "providing continued resilience and strategic flexibility". *Trading:* "There has been a sustained improvement in sales demand through the spring selling season compared to the challenging trading conditions in the fourth quarter of CY 22". Overall reservation rate, 190 homes per week (253); private reservation rate -30%, 139. "Overall headline pricing has remained firm across our regions, although targeted incentives continue to be used in certain parts of the country. Our ongoing cautious approach towards land investment in the current uncertain market"; 4,342 plots contracted since 1 Aug 22 (FY 22, 13,496). "A lower, yet still sizeable forward order book", comprising 6,172 homes (8,152 homes). *Outlook:* In FY 24, given our reduced order book, lower prevailing reservation rates and the uncertain interest rate environment, we continue to expect a lower year-on-year volume output". "Beyond the near-term, the Board is confident that, given the strength of the land bank and balance sheet, Bellway is very well-placed to deliver longer-term volume growth which will further support ongoing value creation for shareholders". FY (July) trading update, 9 August.

Driver Group (DRV, 33p, £18m)

Legal claims consultant to the global construction industry. HY (Mar) results. Rev -0.9%, £24.2m; u-lying PBT +77%, £0.7m; stat PBT, £0.5m (HY 22, £0.1m); u-lying EPS, 1.0p (0.2p); interim div, 0.75p (0.75p); net cash, £5.3m (£3.7m). *Trading:* “The Group saw positive progress in Q1 and that momentum continued and strengthened in Q2. Following the Middle East restructuring, [revenue] has remained stable. In common with many of our industry peers, the group has inevitably been exposed to the effects of the recent global economic headwinds, and the impact that the war in Ukraine has had on some of our clients and their own counterparties, in relation to both work in hand and the deferral of some existing projects in the pipeline. The EuAm region has continued to perform well and is now established as our central business hub, continuing our focus on global office collaboration, maximising utilisation and delivering cost effectiveness; expert services play a large part in this, and we continue our efforts to increase our number of experts worldwide. The Middle East has returned to an operational profit as a result of the implementation of the realignment of strategy announced in November 2022 while also significantly reducing the trading risk in the region. We have seen an improvement in trading performance in APAC, a result of actions taken following the strategic review. The overheads review and cost saving measures, previously announced, with significant further savings anticipated to take effect from Q4 and beyond. *Outlook:* “Driver Group's business in Europe and the Americas continues to trade very profitably. Performance has strengthened with the implementation of our cost-saving strategies, a limited number of which are already taking effect, and the balance will flow through to the bottom line in the next trading year. Post-restructure, the Middle East are expected to contribute a profit for the current financial year with APAC being well placed to improve further during FY24 as a consequence of work coming out of Korea. While the second half of the year for Driver has been shown historically to be strong. April was slower than expected owing to the timing of the Easter weekend and a succession of public holidays, which affected utilisation. The Board is currently considering its policy on forward guidance, which will reflect the short-term revenue visibility.

Ashtead Group (AHT, 5,414p, £23,732m)

US-focused plant hire group. FY (Apr) results. Rev +24%, US$9,677m; adj PBT +26%, $2,273m; stat PBT +30%, $2,156m; adj EPS +27%, 389c; div +25%, 100c; net debt/EBITDA, 1.6x (FY 22, 1.5x). *Outlook:* “We enter the final year of Sunbelt 3.0 with clear momentum in strong end markets, which are enhanced by the increasing number of mega projects and recent US legislative acts. We are in a position of strength, with the operational flexibility and financial capacity to capitalise on the opportunities arising from these strong markets and ongoing structural change. The Board looks to the future with confidence”. Revenue growth guidance, Y/Y: US, +13 - +16%; UK, +10 - +13%.

Fortnight ahead

Construction & property: company and economic news

June

14	Severfield (SFR)	FY results
	ONS	Construction output
	ONS	GDP
19	Rightmove	House prices

21	Lords Group Trading (LORD)	AGM
	Berkeley Group Holdings (BKG)	FY results (9.30 UBS)
	ONS	Inflation data
	ONS	House prices
	UK Commercial Property REIT	AGM
22	Speedy Hire (SDY)	FY results
	Urban Logistics REIT (SHED)	FY results
	UK Commercial Property REIT (UKCM)	AGM
	First Property Group	FY results
	Bank of England	Official Bank Rate
23	Mears Group (MER)	AGM

Sources: Public announcements, Factset, ShareCast.com, Progressive Equity Research

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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