Progressive Property & Construction Daily

28 April 2020: FORT, TPK, RMV, MTO, SUPR; Nationwide circumspect about house price outlook

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

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Company comments

Forterra (FORT, 238p, £478m) *– FORT is a client of PERL*

UK's second largest brick maker. RNS outlining strategy of a partial and phased recommencement of brick and concrete product manufacturing, following yesterday's press release. Link to Progressive Equity Research note, Flexible production restart unveiled:

> *Britain's second largest brick manufacturer has signalled a partial and phased recommencement of brick and concrete production in response to housebuilders and builders restarting their operations. Its approach maintains flexibility in order to react to differing market recovery rates.*

Travis Perkins (TPK, 1,025p, £2,572m)

Leading UK builders' merchant and owner of Wickes DIY chain. AGM statement and Covid-19 update. *Trading:* Throughout the early weeks of the lockdown, around a third of total Merchanting branches and around half of Plumbing & Heating branches were operating, primarily running call and collect or direct delivery services. Wickes and Toolstation have been operating across the great majority of their branch networks, for transactions completed via digital channels for either direct delivery or timed collection slots. The Wickes Kitchen & Bathroom operations, usually contributing around a third of Wickes sales, remains closed. Since 20 April, the group has been carefully opening more of its Merchant branch network, serving large construction firms and subcontractors as they restart construction sites, as well as local trade customers. In the first three weeks of April, operating through the service-light model, total group revenue was c. one-third of the same period in 2019 LFL. For Q1 overall, group revenue was -3.8% LFL (Merchanting, -8.7%; Toolstation, +9.1%; Retail, +4.5%; P&H, -1.9%). *Outlook:* guidance previously suspended. (Further to 3 April update.)

Rightmove (RMV, 471p, £4,110m)

UK's leading residential property portal. *Financing:* Eligible to access the Government's Covid Corporate Financing Facility. The combination of group's current cash balance, committed RCF, which has been extended by a year to February 2022, and access to the CCFF will, in its view, provide sufficient liquidity and leave the group well positioned to return to growth as markets normalise.

Mitie Group (MTO, 65p, £237m)

Engineering services group supporting UK infrastructure. Preliminary results (FY to Mar) expected on 25 June, rather than 4 June, due to FRC guidance on audits; AGM will still take place on 28 July. *Trading:* operating profit before other items and revenues for FY 20 still expected to be in line with the guidance, notwithstanding the material downturn in projects and non-essential maintenance spend as a consequence of Covid-19. *Financing:* Continued improvement in YE net debt (pre-IFRS16) which has further benefited by £33m from HMRC's 'Time to Pay' scheme, resulting in YE net debt of approximately £80m. Average daily net debt in H2 FY19/20 was £216m (H2 FY18/19, £287m). (Further to 27 Mar update.)

Supermarket Income REIT (SPR, 107p, £360m)

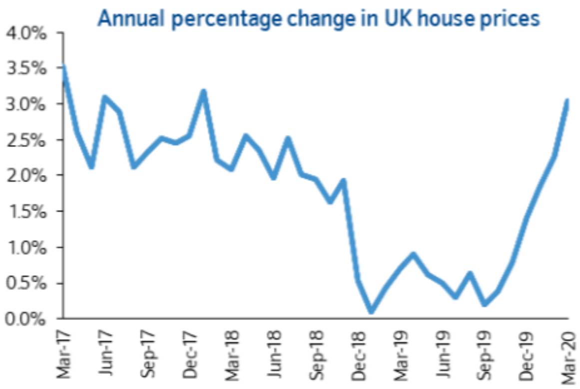
Real estate investment trust (REIT) investing in supermarket property. Result of share issue. It has raised £140m in an oversubscribed issue of shares. The company had originally targeted a raise of £75m but, following a strong level of support from investors during the marketing roadshow, last Friday it increased the target size to in excess of £100m, subject to a maximum of £140m. **Viewpoint:** sentiment no doubt boosted by those long queues snaking outside supermarkets.

Economic data

House price growth accelerated to 3.0% Y/Y in March, from 2.3% in February, according to the latest survey from **Nationwide** (link), prior to the Covid-19 lockdown taking hold. This was the highest rise since Jan 2018 (below, left). The report commentary highlights the gulf between conditions before and after the lockdown: "In the opening months of 2020, before the pandemic struck, the housing market had been steadily gathering momentum. Activity levels and price growth were edging up thanks to continued robust labour market conditions, low borrowing costs and a more stable political backdrop following the general election.

“But housing market activity is now grinding to a halt as a result of the measures implemented to control the spread of the virus, and where the government has recommended not entering into housing transactions during this period. Indeed, a lack of transactions will make gauging house price trends difficult in the coming months. The medium-term outlook for the housing market is also highly uncertain, where much will depend on the performance of the wider economy. Economic activity is set to contract significantly in the near term”.

However … “But the raft of policies adopted to support the economy, including to protect businesses and jobs, to support peoples’ incomes and keep borrowing costs down, should set the stage for a strong rebound once the shock passes, and help limit long-term damage to the economy. These same measures should also help ensure the impact on the housing market will ultimately be much less than would normally be associated with an economic shock of this magnitude”. **Viewpoint:** I’m leaning toward this view. Although transactions are likely collapse in the short-term, it is by no means certain that prices will slump in the way that some commentators are suggesting.



Prices are as at the previous day’s close.

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