

Progressive Property & Construction Daily



28 May 2020: CTO, EPWN; 'Pent-up demand exceeds pre-lockdown levels'

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

NOTE: This marketing communication has been produced by Progressive Equity Research Limited (PERL) and is a Minor Non-monetary Benefit. It does not contain investment recommendations. The views expressed are those of the research department of PERL.

Company comments

T Clarke (CTO, 90p, £39m)

Specialist electrical and building services contractor. AGM and trading update. *Trading:* Profitability remained strong in Q1 (Mar), with underlying op margin of 3% maintained, on a turnover of £70m. As a result of Covid-19 many sites have been closed with turnover for April falling to £10m. However, underlying op profit is forecast to break even for Q2. Underlying op profit for the first 6 months of 2020 is therefore expected to be c. £2m. Order book £408m (YE 19, £403m), currently tendering many opportunities for 2020 and beyond. *Actions:* Restructuring programme launched and expected to deliver savings of £4m pa, of which c. £2.4m is expected to be recognised during the current year – with one-off costs of £3m. Most, if not all sites are expected to be operational by the end of June. *Outlook:* Formal guidance suspended. "A number of possible scenarios have been modelled, each of which results in an underlying operating profit for full year." *Finances:* Bank facilities renewed and extended, on the same terms, with the £15m RCF facility extended to 31 August 2024 and the £10m overdraft facility renewed through the normal annual process. Group "comfortably passes" all bank covenant tests during 2020 and 2021 under the possible scenarios modelled. "The strength of the Group means that it does not envisage utilising any of the government backed loan schemes". *Dividends:* After review, group is to recommend the full payment of 3.65p final dividend, as indicated previously

Epwin Group (EPWN, 69p, £99m)

Low maintenance building products manufacturer. *Trading:* Market demand returning slowly in line with the sector. *Actions:* Manufacturing and distribution sites have been returning to operation during May. Cautious plan to ramp up operations to match demand levels. *Outlook:* Guidance remains suspended. *Finances:* Funding headroom unchanged at c.£45m

Economic data

Two weeks on from the Government reopening the property market, pent-up **home buying demand** has exceeded levels recorded pre-lockdown at the start of March, according to the latest UK Cities House Price Index by **Hometrack** ([link](#)). Home buying demand across England spiked up by 88% after the market reopened, exceeding pre-lockdown levels in the week to 19 May. This jump in demand in England is temporary and expected to moderate in the coming weeks. Approx 60% of would-be home movers across Britain said they plan to go ahead with their property plans, according to a new survey by Hometrack’s owner, Zoopla, but 40% have put their plans on hold because of Covid-19 and the uncertain outlook. Harder measures of market activity are more subdued - new sales agreed in England have increased by 12% since the market reopened, rising from levels that are a tenth of typical sales volumes at this time of year.

Fig. 1: City house price inflation - % year-on-year and 5-year CAGR

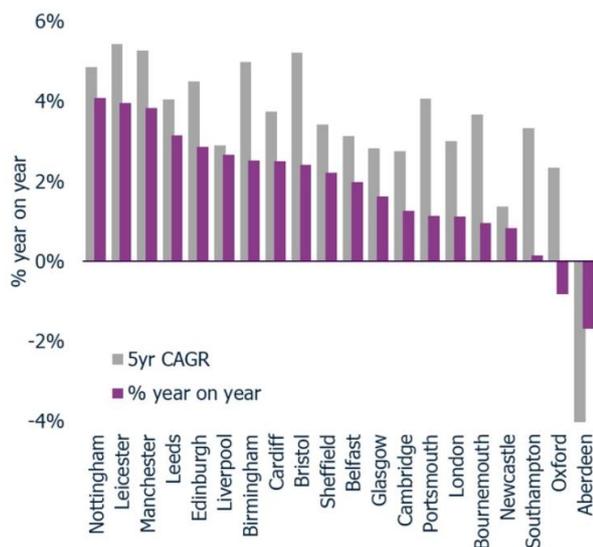
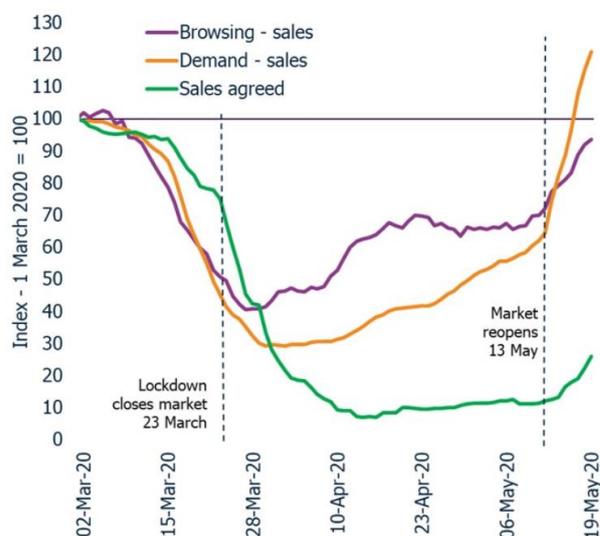


Fig. 2: Demand, browsing and sales index (rolling 7-day)



Prices are as at the previous day’s close.

Copyright 2020 Progressive Equity Research Limited (“PERL”). All rights reserved. PERL provides professional equity research services. All information used in the publication of this communication has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee their accuracy or completeness. Opinions contained in this communication represent those of the research department of PERL at the time of

publication. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This communication is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This communication has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this email. However, PERL's directors, officers, employees and contractors may have a position in any or related securities mentioned in this email. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this email.

The value of securities mentioned in this communication can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this communication may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this email. Past performance is not necessarily a guide to future performance.