# **Progressive** Property & Construction Daily

8 September 2020: VTY, TPK, MBH, AHT, TPFG; Government unveils £12bn affordable housebuilding push

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

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## Company news

**Vistry Group** (VTY, 636p, £1,423m)

Formed from the merger in January of Bovis Homes and housebuilding and partnerships divisions of Galliford Try. HY (Jun) results. Completions +5%, 1,724; adj rev +40%, £661m; adj PBT -86% £10.3m; stat loss before tax -£9.7m (HY 19, PBT £75.8m). Net debt, £357m (net cash £102m) "ahead of expectations"; TNAV £1,693m (£975m). £44m of synergies now expected, £9m ahead of initial target. Partnerships led an early return to site, "underpinned by the certainty of pre-sold developments and contracting revenues". Production capacity returned to near normal levels from 1 January. *Current trading:* sales rate +20%, 0.73 per site per week (0.61); "pricing remains firm"; minimal cost inflation. *Outlook:* FY20 adj PBT expected to be £130 - 140m; FY 21 at least £310m, assuming stable pricing and current sales rate and productivity. Priority remains deleveraging, with target gearing, including land creditors, of 35% for YE20. *Dividends:* aiming to resume in FY20 (webcast meeting suggested this would be in regard of a final div, payable in 2021), with a progressive policy thereafter. **Viewpoint:** The webcast highlighted both the resilience of the expanded Partnerships division and that it would be the greater focus for investment and growth. One broader sector concern, not highlighted so far in peers' results presentation, is the longer time to get from reservation to exchange.

**Travis Perkins** (TPK, 1,220p, £2,939m)

Leading UK builders' merchant, owner of Wickes DIY chain, currently in demerger process. HY (Jun) results. Rev -20%, £2,781m; adj op profit -81%, £42m; adj EPS -98%, 1.4p; interim div 0p (15.5p). Net debt, IFRS 16, £1,441 (£1,890m); net debt to adj EBITDA, 2.6x (2.7x); covenant tests were in May relaxed for June and December 2020 tests. *Current trading:* LFL sales trends in July and August have returned to close to prior year levels, "supported by domestic RMI and current strong trading in consumer DIY markets". *Outlook:* "There has been a recent strong recovery in secondary housing transactions, but it is not yet clear whether this is a sustained trend. Furthermore, it is likely that an increase in unemployment will have a detrimental impact on consumer confidence, and hence the Group remains cautious on the volume outlook for building materials in the near term. *Dividends:* "In order to maintain the strong liquidity position, the board deems it appropriate for dividends to remain suspended at this time. The board recognises the importance of dividends to shareholders and so will keep this position under review, taking into consideration the trading environment in the Group's end markets and the on-going liquidity position".

**Michelmersh Brick Holdings** (MBH, 101p, £96m)

UK's fourth largest brick manufacturer by volume. Rev -17% £22.5m; u-lying PBT -49%, £2.6m; u-lying EPS-48%, 2.4p; net debt £6.5m (HY19 £13.8m). *Current trading:* The Group has now regained its pre-closure levels of production and is back operating at normal levels. *Outlook:* "The future is difficult to predict given threats from continuing and potential localised issues from Covid, and the effectiveness of the government's tactics to support the economy are yet to be seen. However, it seems likely that the construction sector, where the Group is positioned, will play a key role in restarting the economy". *Dividends:* "Based on current trading, and the information available today, the group expects to resume the payment of dividends alongside the full year results to December 2020".

**Ashtead Group** (AHT, 2,691p, £12,055m)

US-focused plant hire group. Q1 (Jul) results. U-lying results: rev -8%, £1,081m; PBT -35%, £208m; EPS -33%, £34.7m. Net debt £4,822m (Q1 19, £5,161m); net debt/EBITDA 2.2x (2.2x). *Outlook:* "Assuming there is no significant Covid-19 second wave leading to major market shutdowns, like we experienced earlier this year, we expect full-year rental revenue to be down mid to high single digits when compared with last year on a constant currency basis. The benefit we derive from the diversity of our products, services and end markets, coupled with ongoing structural change, enables the board to look forward to a year with free cash flow in excess of £1bn, continued strengthening of our market position and the medium term with confidence".

**The Property Franchise Group** (TPFG, 178p, £48m)

Franchised lettings and estate agent group. HY (Jun) results. Rev unch, £5.4m; PBT unch, £2.2m; EPS, 6.4p (HY19, 6.3p); dividends re-commenced, interim div, 2.1p (2.6p). Current trading: "Extremely strong increase in activity" in traditional brands in July; sales agreed pipeline +25% over June 2020, total lets +28%. EweMove web platform beat previous records; sales agreed +28%, website visits doubled. *Outlook:* "Current trading has shown good momentum and the board currently expects results for the full year to be in line with its pre-Covid expectations for the full year".

# In other news …

**Housebuilding.** Around 180,000 new homes will be built under the new affordable homes programme starting next year, housing secretary Robert Jenrick announced today (link). The government will spend £11.5bn on the five year programme between 2021 and 2026. Half of the new homes will be made available for ownership, with the rest for affordable and social rent. The £11.5bn investment includes £9.5bn of new money and a £2bn spending round announced by former prime minister Theresa May. Some £7.5bn of the investment will be targeted for new homes outside London. The housing secretary also outlined changes to the shared ownership scheme, by slashing the minimum share people can buy from 25% to 10%. In addition, people will be able to buy extra shares in their home in 1% increments, with heavily reduced fees, and there will be a 10-year period for new shared owners where the landlord will cover the cost of any repairs and maintenance. A right to shared ownership will also be available on the "vast majority" of new homes that will be built for rent, "providing tenants with a pathway into ownership by giving them the right to purchase a stake in their home."

**Google** has walked away from plans to take just over 200,000 sq ft of office space at the Sorting Office in Dublin's docklands, Property Week (link, paywall). The technology giant, which has a large presence in the Dublin office market, shelved what would have been one of the city's biggest property deals in recent years. No reason has been given.

*Prices are as at the previous day's close.*

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