

Progressive Property & Construction Daily



22 October 2020: CWD, TPK | London housing market turns 'inside out'

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

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Company news

Countrywide (CWD, 184p, £60m)

Estate, lettings and property/financial services agents. HY (Jun) results and recapitalisation and strategic investment by Alchemy Partners. *Results:* Rev -28%, £174m; adj EBITDA (cont. operations) – 23%, £14.9m; finance costs, £5.4m (£4.8m); adj PBT -60%, £4.3m; stat loss before tax, £44.3m (HY 19, -£38.4m); loss from discontinued items, £4.1m (-£2.4m). Net debt, £47.3m (YE 19: £82.9m); available liquidity £135m. Rev from Sales -33%, £48.0m; Lettings, -18%, £65.1m. *Outlook:* “Current trading remains buoyant, with positive performance indicators across the Group. However, it is still too early to assess the long-term impact of Covid-19 on the economy, and specifically housing transactions and, as a result the group is unable to provide guidance for the full year ending 31 December 2020”.

Recapitalisation: Equity raise of c. £90m, comprising firm placing and placing and open offer of 66.7 million shares fully underwritten by private equity group Alchemy; tender offer for up to 10.3 million shares at 180p; “covenant-lite” term loan facility of £75m. If approved and implemented, Alchemy will hold c. 50.1 - 67.7% of the enlarged share capital. “The group is at a critical inflection point and is in urgent need of recapitalisation to reduce its net debt and lessen the exposure it has to its lending group under the current credit facilities agreement”. Recapitalisation should reduce group debt by £50m, fund investment to facilitate the completion of the turnaround plan announced in March 2018 and provide the necessary

balance sheet resilience to withstand market uncertainty. New Chairman, Carl Leaver, to join the board following completion; Alchemy is also in discussions with a potential new CEO to lead the development of a detailed execution plan following a strategic review.

Travis Perkins (TPK, 1,220p, £3,075m)

Leading UK builders' merchant, owner of Wickes DIY chain. Q3 trading update. LFL Y/Y revenue growth, 3.9% in Q3 (-11.8% YTD). *Current trading*: "Strong demand" through domestic RMI sales continued, driving the strong performance in Wickes, Toolstation and local trade market; lag in recovery of larger customer activity, including new housebuilding and larger construction projects, "however, there are signs of increasing workflow across these sectors". Group liquidity: £980m of liquidity headroom at 30 September. *Outlook*: "During Q3 end markets have shown an encouraging recovery from the lockdown period, however significant uncertainty remains from both the pandemic and the ongoing Brexit negotiations, making it hard to forecast performance in the near-term. Based on the assumption that current volume trends continue, and that any further lockdown measures introduced do not have a significant impact on its end markets, the group expects its EBITA performance for 2020 to be in the upper half of the current range of analysts' expectations."

Economic data

London housing market. Analysis of housing market activity along commuter lines in London by [Rightmove](#) ([link](#), not yet loaded) indicates that Zone 6 is seeing the biggest increase in the number of buyers, and Zone 1 the smallest, a reversal of the trend a year ago. The two stations that saw the biggest increase in the number of buyers were High Barnet, up 166%, followed by a station just a few stops along, Finchley Central. Northern locations of the northern line are performing more strongly than the southern locations, and there is a clear dip in demand along the zone 1 stations. **Viewpoint**: continued evidence of post-Covid 'renaissance of the suburbs' as buyers seek larger homes, with gardens, in the outer zones and beyond.

Increase in no. of buyers	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
September 2019 versus September 2018	+41%	+22%	+21%	+15%	+8%	+9%
September 2020 versus September 2019	+7%	+42%	+57%	+76%	+103%	+108%

Zone	Average asking price October 2020	Average asking price October 2019	Annual change
1	£1,245,254	£1,356,878	-8.2%
2	£749,818	£730,639	+2.6%
3	£620,887	£593,311	+4.6%
4	£502,013	£477,091	+5.2%
5	£494,013	£474,928	+4.0%
6	£510,107	£486,586	+4.8%

In other news ...

Private housebuilder Hill Group has announced £300m of land purchases in London to boost its housing pipeline, [constructionenquirer.com](https://www.constructionenquirer.com) ([link](#)). The Waltham Abbey based group currently has a secured pipeline of over 1,700 homes across several sites within London and has expanded its land team since the start of the year. The London land drive forms part of the Hill's 2025 plan to evolve into a £1bn turnover company, delivering over 4,000 homes a year. Across London, the South East and South West, Hill currently has 6,100 homes under construction and a secured pipeline value of £5.3bn across its private and affordable portfolio.

Prices are as at the previous day's close.

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