Progressive Property & Construction Daily

10 August 2021: BWY, PURP, MRL, DLN

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

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Company news

Bellway (BWY, 3,310p, £4,084m mkt cap)

Top five UK house housebuilder. FY (Jul) trading update. *Trading:* completions +35% Y/Y, 10,138 (-7% vs FY 19, 10,892); prices +4.4%, £306k; rev +41% Y/Y, £3.1bn; u-lying op margin c. 17% (FY 20, 14.5%; FY 19, 21.0%); forward sales +7.5%, 7,082 homes (value +15%, £2.0bn); net cash, £330m (YE 20, £1.4bn). Land bank: plots contracted +63% Y/Y, 19,819 (+49% vs FY 19, 13,284). *Current market:* "The pricing environment remains positive, with house price inflation, which is benefitting selected sites in localities where demand is particularly strong, generally offsetting build cost pressures. There remain manageable short-term constraints in the supply chain and intermittent labour shortages across the sector [due to] to self-isolation requirements". *Outlook:* "Customer confidence is strong, and the success of the vaccination programme is having a positive impact on the UK's prospective economic performance. Our investment in land provides a solid platform for both future volume growth and margin recovery and our significant cash holdings provide resilience and strategic flexibility". **Viewpoint:** The most notable point is the sharp rise in land purchases, to a record annual high, indicating the group is poised for a step-up in production rates.

Purplebricks Group (PURP, 71p, £218m)

Hybrid on-line estate agent, supported by local property agents (LPAs). Change to operating model. Following the new pricing structures announced in July 2021, the group now intends to move to a fully employed model for its field sales agents, previously self-employed 'Local Property Experts', with the transition commencing today. It believes that moving to a fully employed model will ensure that the company can scale up quickly to meet consumer demand. Additionally, it will provide greater security and benefits to incentivise agents, with a highly incentivised package with the ability to work flexibly and remotely. *Guidance:* "As guided in July, it remains too early to quantify the benefit from the new pricing structures to the current financial year. As a result of the move to a fully employed model, the Company is expected to incur exceptional non-recurring costs of c. £ 3 - 4m in FY [Apr] 22, with ongoing administration costs expected to be c. £1m higher in FY 22 and beyond to support the increased size of the team. The Board is committed to driving market share growth and there will also be significant increased investment in a new marketing campaign later this year, with the result that marketing costs for FY22 are expected to be c. £3 - 4m higher than previous guidance. Medium-term guidance remains unchanged, and the Board continues to expect Purplebricks to be able to deliver annual revenue growth in excess of 20% in the medium-term, with confidence in the Group's ability to deliver against its growth strategy".

Marlowe (MRL, 752p, £580m)

Safety and compliance provider to commercial properties. Statement regarding Restore plc. Further to the announcement of 22 July regarding a possible offer to acquire Restore, the Board does not believe that a transaction is able to be reached on financial terms that would be in the best interests of Marlowe shareholders. As such, it confirms that it does not intend to make an offer for Restore. The Marlowe Board continues to believe that a combination of Marlowe and Restore would have been strategically compelling, creating a business of scale delivering a broad spectrum of complementary business-critical services and software to UK organisations and providing a platform for significant future growth". *Outlook:* "The group's pipeline of acquisitions continues to develop and it expects to report on further M&A progress in the coming weeks. The Group's balance sheet remains in a strong position to execute upon its M&A strategy. The combination of organic growth expectations, further margin expansion and M&A strategy underpin the Board's confidence in achieving its target of £100m run rate adjusted EBITDA ahead of its original target of the end of FY 24".

Derwent London (DLN, 3,711p, £4,163m)

Real estate investment trust (REIT) owning commercial portfolio predominantly in central London. HY (Jun) results. Net rental income +6.8%, £90.1m; EPRA earnings EPS +10.5%, 54.0p; interim div +4.5%, 23.0p; EPRA TNAV +1.4%, 3,864p; net debt £1,000m (Dec 20, £1,049m); LTV, 17.3% (18.4%). Portfolio value +1.4%, £5.4bn; true equivalent yield, 4.65% (-9 bp since Dec 20); vacancy rate 3.3% (1.8%, subsequently reduced to 2.4%). *Outlook:* "In the first six months the London office market and our own portfolio have performed near the upper end of expectations. We are continuing to see good letting activity and demand. The growth rate in the London vacancy rate appears to be levelling, new supply remains constrained and some previously available tenant-controlled space has been withdrawn from the market. In the light of this evidence and on the assumption that there is no further lockdown, we are raising our average portfolio ERV guidance to +2.0% to -2.0% for the year ending December 2021". This compares to the March estimate of 0% to -5%.

Prices are as at the previous day's close.