Progressive Property & Construction Daily

17 November 2020: PLP, ECEL, HSV, BYG, PCA

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. To view the Progressive Property & Construction Daily archive click here. For Progressive research on Property & Construction companies click here.

Company news

Polypipe Group (PLP, 517p, £1,181m mkt cap)

Provider of water and climate management components. Trading update, four months to 31 October. *Guidance:* “Uncertainty remains around the possible effects of the second lockdown, however the board expects underlying operating profit for the year (to Dec) to be at least £35m, compared to the current consensus of £30 - 35m”. *Trading:* Rev -1.5% Y/Y, £156m, “ahead of the Board's expectations with continued improvement throughout the period”. “Operating margins have also improved compared to the first six months,” despite Covid costs. Group revenue for the ten months ended 31 October -13.6% Y/Y. Residential Systems rev for the four months -3.9% Y/Y; compared to a 28.1% year-on-year decline in H1, driven by the UK housing market “recovering faster and stronger than expected” as well as a resilient RMI market; revenue for the ten months ended 31 October -18.0% Y/Y. Commercial & Infrastructure revenue for the four months +1.9% Y/Y, with the contract markets continuing to recover well; for ten months, -7.6%. *Finances:* Net debt at 31 October, £32.4m, “better than the board's expectations”. *ESG:* “The current and future focus of the business is on serving the needs created by four key sustainability drivers: the needs for resilient drainage, green urbanisation, clean healthy indoor air and ventilation, and a low, or zero carbon, built environment”. *Outlook:* “Whilst still early days into lockdown, there are no signs of any significant changes to demand patterns. Looking into 2021, we have strong medium-term fundamentals in our markets, and sustainability at the heart of our business, although we remain alert to the broader macro related risks in the market. The Board remains confident that the Group is well positioned for the future". Capital Markets Day today. FY results 16 March.

Eurocell (ECEL, 192p, £213m)

UK retailer and manufacturer, recycler of PVC windows and doors. Trading update, 10 months to 31 October. Rev: YTD +5% LFL Y/Y; 4 months to Oct, +13%; H1, -4%. Jul & Aug, +12%; Sep & Aug, +14%. *Guidance:* "Subject to no significant further adverse impacts from COVID, we now expect underlying profit before tax for the full year to be ahead of current expectations. It remains our intention to return to paying dividends in 2021". *Trading:* "The repair, maintenance and improvement market has been stronger than we anticipated when announcing our HY results in September, with housing market activity also now increasing. Furthermore, we believe we are also taking market share. Whilst strong demand in our markets has put supply chains under pressure, we have secured the raw materials we require to close out the year. We are seeing increased prices for PVC resin, albeit partially mitigated by our market-leading recycling plants, which are performing well. Gross margins and operating efficiencies in H2 have been good". Outlook: "We have so far seen no discernible impact from the recent tightening of Covid restrictions, including the second national lockdown. We expect the improved outlook to drive lower net debt. We have a strong balance sheet, good liquidity and significant headroom on our bank facility, leaving us well-placed to capitalise on opportunities". FY (Dec) results, 11 March.

Homeserve (HSV, 1,237p, £4,156m)

International home repairs and improvements provider. HY (Sep) results. Rev +17%, £537m; adj PBT +16%, £33.1m; stat PBT -49%, £10.1m; adj EPS +9%, 7.1p; div +7%, 7.1p; net debt £587m (HY 19, £451m). *Outlook:* "With the business having performed better than expected in the first half and with marketing and full claims handling now resumed, HomeServe now expects to grow in the year and deliver Group PBTA for FY 21 (FY 20: £181.0m) slightly ahead of current consensus earnings estimates, £186.2m.

Big Yellow Group (BYG, 1,142p, £2,007m)

Self-storage REIT. HY (Sep) results. Rev +2.3%, £65.8m (LFL +2.4%); adj PBT +3.4%, £36.5m; stat PBT -37%, £59.9m; EPRA EPS -0.5%, 20.9p; div -0.6%, 17.0p. Closing occupancy 85.2% (HY19, 83.4%); ave rent psf +2.2%. *Finances:* Current net debt £290m after £80m April equity rise. *Outlook:* "The momentum we have seen from June is continuing, however our visibility of future demand is limited to two to four weeks. Further challenges will no doubt present themselves, but Big Yellow is relatively well placed to meet them. Our stores are approaching 90% occupancy, which gives us pricing power. We have the potential for further external growth with a significant pipeline, which has largely been de-risked by the securing of planning consents. Our capital structure is conservative, with interest cover of just under 10 times, providing both downside protection and upside opportunity to acquire new development sites.".

Palace Capital (PCA,202 p, £93m)

Diversified UK regional commercial property REIT. HY (Sep) results. Net property income -32%, £7.3m; loss before tax, £7.2m (HY 19, -£1.2m); adj EPS, -14%, 7.3p; div -47%, 5.0p. Property valuation +1.4%, £282m; net assets -4.8%, £158m; EPRA NTAV -4.7%, 347p; net debt £117m (93m). *Trading:* 82% of all rents due on and since the September quarter day collected, a higher percentage than at the equivalent stage in the previous two quarters with December monthly payments still to come when collection is expected to exceed 90%. 36 apartments now sold at an aggregate value of £9.6m at flagship Hudson Quarter, York development. Practical completion of the scheme is now due in March 2021 and it remains on budget. Disposals of Meadowcourt, Sheffield for £1.25 million, 30% above book value, and Hyde Abbey House, Winchester sold post half year end for £1.46 million, 17% above book value. *Outlook:* "Our well-located portfolio has shown its strength during this uncertain time and is well positioned to benefit from the trends we are seeing emerge from the pandemic, including relocation to the regions. In the short term we will continue to deploy our strategy of maintaining maximum liquidity, ensuring strong rent collection and pursuing the disposal of non-core assets. We are preparing ourselves for the post Covid-19 era and the economic recovery, so that we can take advantage of the investment opportunities that we believe will emerge and progress our total return strategy".

Prices are as at the previous day's close.