Progressive Property & Construction Daily

13 January 2020: PSN, WINK, CRN, HWDN, MSLH, BYG, KIE

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

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Company news

Persimmon (PSN, 2,785p, £8,880m mkt cap)

UK number three housebuilder by volume, top by market cap. YE (Dec) trading update. *Trading:* Completions -14%, 13,575; prices +6.9, c. £230k; rev -8.8%, £3.3bn;; YE cash, £1,234m (YE 19, £844m). Ave weekly sales rate per site in H2 were +39% Y/Y, in part supported by the Stamp Duty holiday, and delivered from c. 305 active outlets (2019, c. 345). The rate during Q4 “trended towards more normalised levels from the elevated rate seen over the summer months, the latter having been supported by the group's prior investment in stock and a degree of pent up demand”. As a result, the Group's sales levels over more recent weeks reflect lower active outlet numbers and some constraints on stock availability, together with delays to reservations while first time buyers awaited the opening of the new Help to Buy scheme on 16 December. Forwards sales +25%, £1.2bn. *Strategy:* Greater focus on build quality, after critical media coverage, had already led to slower build rate; the group has been trending ahead of the 90% HBF survey ‘5 star’ threshold since January 2020. FY results, 3 March. **Viewpoint:** Media and politicians one-time ‘bad boys’ trending to a 5-star rating - who’d have thought it?

M Winkworth (WINK, 143p, £18m) *– PERL provides research services to Shore Capital on this stock*

Franchised estate and lettings agency, focused on London and SE. FY (Dec) trading update. *Guidance:* Revenue for FY 20 “broadly flat”; PBT expected to reduce, partly reflecting maintained level of marketing and other support infrastructure. FY dividend to be -14%, 6.7p. *Home sales:* “The second half remained strong, not only as a result of catch-up but also supported by a new category of buyers and sellers looking to change their lifestyles. Winkworth increased its market share of sales subject to contract, most notably in London where we ranked second with a market share of 4.6% in 2020 up from 4.2% in 2019”. *Lettings and Management:* “Trading for the year showed greater consistency. Business was driven by a catch-up following the pause rather than an increase in demand and, until international interest recovers, we see reduced rental prices in London limiting growth”. *Outlook:* The group has “entered the year with considerable momentum.” Q4 2020 applications for sales +44% Y/Y and lettings +12%; the group has also four potential new franchised offices in advanced negotiations and has converted one existing location to full ownership.

Cairn Homes (CRN, 90p, £675m)

Leading Irish housebuilder. FY (Dec) trading update. Completions -31%, 743; rev c. -40%, €260m (FY 19: €435m), inc c. €14m from non-core site sales (€32.2m); gross margin c. 16.3% (19.6%); op profit -65%, c. €24.1m, margin c. 9.3% (2019: 15.6%); YE net debt c. €170m. *Outlook:* “Cairn will significantly increase unit sales and profitability in 2021. However, with the uncertainty surrounding the current lockdown, we believe it is more prudent to provide guidance on our expected 2021 financial performance when we announce our 2020 preliminary results”. FY results, 4 March.

Howden Joinery Group (HWDN, 694p, £4,144m)

UK’s largest supplier of kitchens and joinery products to trade customers, primarily small local builders. FY (Dec) trading update. “Since the Company's announcement on 9 December [also an upgrade], trading has been stronger than anticipated with good profit and cash performance”. As a result, the company now expects FY2020 profit before tax to be around £185m. FY results, 25 February 2021.

Marshalls (MSLH, 716p, £1,420m)

Leading manufacturer and supplier of paving and hard landscaping products. FY (Dec) trading update. Rev -13%, £469m; H2 sales to Domestic end market +9% Y/Y and in Public Sector and Commercial end markets -6% Y/Y. YE net debt, £27m pre-IFRS 16 (YE 19: £19m), “significantly better than expected” and is after both the repayment of £9.4m of furlough and £11m of deferred VAT in Q4. *Dividends:* The board has confirmed its intention to re-instate dividend payments, commencing with a final, full year dividend for 2020. “Distributions will be in line with its stated objective of dividends covered twice by earnings over the business cycle”. *Guidance and outlook:* Out-turns for 2020 and 2021 expected to be “modestly above current expectations”. This year the group will commence construction of a £20m dual block plant at its St Ives manufacturing site “reflecting our increasing market confidence”. FY results, 11 March.

Big Yellow Group (BYG, 1,079p, £1,897m)

Self-storage REIT. Q3 (Dec) trading update. Closing occupancy +8.8% Y/Y, 4.1m sq ft, 82.9% (Q3 20, 79.9%); closing rent psf -0.1%, £28.40; Q3 rev +7.4%; YTD rev +3.8%, LFL, +4.0% in total. *Outlook:* "We are now just over a week into a third lockdown, albeit unlike the first lockdown, industry, construction and the housing and property markets remain open. Although it is early in the fourth quarter, we are continuing to see growth in year-on-year prospects and occupancy, however as we have always stated, our visibility of future demand is limited to two to four weeks. We remain confident of the longer-term growth prospects of our business; the principal drivers being revenue growth from the existing portfolio and targeted expansion focused principally in our core area of London and its commuter towns, where new supply remains constrained".

In other news …

Kier Living, the house building business of construction and property company **Kier Group** (KIE, 76p, £124m) and which has been up for sale since summer 2019 made a pre-tax loss of more than £89m, the firm's latest Company House accounts have revealed, according to Building (link, paywall). The indebted group is due to issue a trading update for H1 to December, having declined to issue an update with the 17 December AGM.

Prices are as at the previous day's close.

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