

SPRINGFIELD PROPERTIES

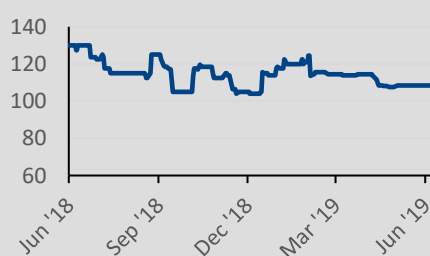
PERSONAL & HOUSEHOLD GOODS

SPR.L

108p

Market Cap: £104.5m

SHARE PRICE (p)



12m high/low

130p/104p

Source: LSE Data

KEY INFORMATION

Enterprise value	£141.7m
Index/market	AIM
Next news	Prelims, 17 Sep 2019
Gearing	35.6%
Interest cover	21.1x

SPRINGFIELD PROPERTIES IS A
RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Alastair Stewart
+44 (0) 20 7781 5308
astewart@progressive-research.com

Performance on track in benign Scottish market

In its year-end trading update, the major Scottish housebuilder expects to continue to achieve sustained growth, in line with market expectations, supported by “strong market fundamentals” north of the Border. We are therefore maintaining our estimates and believe the stock continues to offer investors exposure to the relatively benign Scottish private and affordable housing sectors.

- Strong performance continued into H2.** Trading for the year ended May demonstrated a continuation of the strong growth across Springfield's Private Housing and Affordable Housing divisions seen in the first half, with improved gross margins achieved through strong sales rates and sustained prices combined with tight cost control.
- Both sides of business perform well.** As discussed in our initiation note of 12 February 2019, [Local Hero](#), Springfield addresses two markets: private housebuilding including the standard planning requirement for affordable housing and affordable housing in its own right. It has also a distinctive USP in its 'Village' developments. Progress included 178 occupations (November 136) at its most advanced Village, Dykes of Gray near Dundee; at Bertha Park near Perth, the first owners moved in at the beginning of the second half and 34 homes were occupied by year-end. In the Affordable Housing division, the group commenced the handover of homes at one of the developments under its local authority framework agreement for 10 sites, commenced construction at another two and secured contracts for a further two.
- Stronger market north of the Border?** In our initiation note, we pointed to arguably stronger dynamics in Scottish housing. There is strong pressure to build both more private and affordable homes. Scotland lags England in the proportion of homes owned privately and the Scottish Government has pledged to build 50,000 affordable homes over five years to 2020-21. House prices in Scotland are more affordable in relation to household incomes than almost any other region of the UK's mainland, suggesting more upwards pressure.
- Acquisitions performing** Both Walker Group, acquired in February 2019, and Dawn Homes, from May 2018, continued to perform strongly, in line with expectations and integrating positively.
- Valuation.** The shares are trading on a FY 2019E P/E ratio of 8.1x, dividend yield of 4.1% and a PTNAV of 1.23x.

FYE MAY (€M)	2017	2018	2019E	2020E	2021E
Revenue	110.6	140.7	188.2	215.0	239.5
Adj EBITDA	8.6	11.7	18.0	21.4	24.1
Fully Adj PBT	6.7	9.8	16.1	18.6	21.0
Fully Adj EPS (p)	9.2	10.7	13.3	15.4	17.4
EV/Sales (x)	1.3x	1.0x	0.8x	0.7x	0.6x
EV/EBITDA (x)	16.5x	12.1x	7.9x	6.6x	5.9x
PER (x)	11.8x	10.1x	8.1x	7.0x	6.2x

Source: Company Information and Progressive Equity Research estimates

Financial Summary: Springfield Properties

Year end: May (£m unless shown)

PROFIT & LOSS	2017	2018	2019E	2020E	2021E
Revenue	110.6	140.7	188.2	215.0	239.5
Adj EBITDA	8.6	11.7	18.0	21.4	24.1
Adj EBIT	7.8	10.6	16.9	20.3	23.0
Reported PBT	6.7	9.2	16.1	18.6	21.0
Fully Adj PBT	6.7	9.8	16.1	18.6	21.0
NOPAT	6.3	8.6	13.5	16.2	18.4
Reported EPS (p)	9.2	10.0	13.3	15.4	17.4
Fully Adj EPS (p)	9.2	10.7	13.3	15.4	17.4
Dividend per share (p)	2.8	3.7	4.4	5.2	5.5
CASH FLOW & BALANCE SHEET	2017	2018	2019E	2020E	2021E
Operating cash flow	3.2	14.4	8.0	16.4	14.1
Free Cash flow	0.6	10.9	2.7	9.6	6.4
FCF per share (p)	1.0	14.8	2.8	9.9	6.6
Acquisitions	0.0	(15.3)	(21.0)	(8.0)	(2.0)
Disposals	0.5	0.1			
Shares issued	0.1	42.2			
Net cash flow	8.8	3.7	(21.9)	(2.9)	(0.7)
Overdrafts / borrowings	41.5	27.3	53.2	58.4	61.2
Cash & equivalents	8.3	12.0	16.1	18.4	20.4
Net (Debt)/Cash	(33.2)	(15.3)	(37.2)	(40.0)	(40.7)
NAV AND RETURNS	2017	2018	2019E	2020E	2021E
Net asset value	32.4	79.0	88.2	98.6	110.3
NAV/share (p)	443.3	82.0	91.5	102.4	114.5
Net Tangible Asset Value	32.4	78.4	87.6	98.0	109.7
NTAV/share (p)	443.3	81.4	90.9	101.7	113.9
Average equity	30.8	55.7	83.6	93.4	104.5
Post-tax ROE (%)	17.4%	13.2%	15.4%	15.9%	16.1%
METRICS	2017	2018	2019E	2020E	2021E
Revenue growth	N/A	27.2%	33.7%	14.2%	11.4%
Adj EBITDA growth	N/A	36.4%	53.0%	19.0%	12.8%
Adj EBIT growth	N/A	35.9%	58.5%	20.2%	13.5%
Adj PBT growth	N/A	46.1%	64.4%	15.6%	13.1%
Adj EPS growth	N/A	17.1%	23.9%	15.6%	13.1%
Dividend growth	N/A	32.1%	18.9%	18.2%	5.8%
Adj EBIT margins	7.1%	7.6%	9.0%	9.4%	9.6%
VALUATION	2017	2018	2019E	2020E	2021E
EV/Sales (x)	1.3	1.0	0.8	0.7	0.6
EV/EBITDA (x)	16.5	12.1	7.9	6.6	5.9
EV/NOPAT (x)	22.4	16.4	10.5	8.7	7.7
PER (x)	11.8	10.1	8.1	7.0	6.2
Dividend yield	2.6%	3.4%	4.1%	4.8%	5.1%
FCF yield	0.9%	13.7%	2.6%	9.2%	6.1%

Source: Company information and Progressive Equity Research estimates

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