

# SPRINGFIELD PROPERTIES

## PERSONAL & HOUSEHOLD GOODS

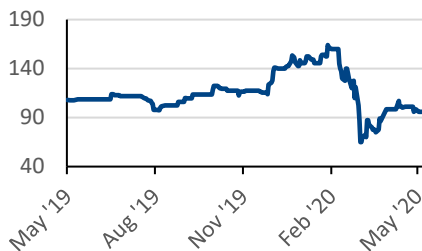
22 May 2020

SPR.L

96p

Market Cap: £93.9m

### SHARE PRICE (p)



12m high/low

164p/65p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash £(29.6)m

Enterprise value £123.5m

Index/market AIM

Next news Trading update, Jul

Shares in Issue (m) 97.8

Chairman Sandy Adam

Chief Executive Innes Smith

Finance Director Michelle Motion

### COMPANY DESCRIPTION

Scotland's only quoted housebuilder, admitted to AIM in 2017, building over 1,000 private and affordable homes a year

[www.springfield.co.uk](http://www.springfield.co.uk)

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## First Minister signals return to sites in Scotland

Scotland's First Minister Nicola Sturgeon has signalled that housing and construction would be two of the sectors that can be released from the country's lockdown earliest. We see this as a positive for Springfield, Scotland's only quoted housebuilder. Although precise details on timing have still to be finalised, experience in the rest of the UK suggests housing demand could revive quickly and that developers could rebuild production quickly towards pre-lockdown levels.

- Last out of lockdown.** Scotland had adopted a stricter approach to the lockdown of construction than in England, where housebuilding sites closed only for around four weeks after the lockdown was announced on 23 March and other construction activities less so. Today's guidance ([link](#)), states that the Scottish Parliament is planning for the construction sector to implement the first two phases in its restart plan, starting on 28 May. It also "anticipates a relaxation of restrictions on housing moves". Construction and housing are the only industries named specifically in the first of the country's four phases over which the lockdown will be eased. We understand that phase 1, which begins on 28 May will entail making sites safe and that timing for phase 2, in which site working can begin with safe distancing, is uncertain but may take another two weeks or so.
- Existing sales pipeline.** Guidance was withdrawn on 24 March but we understand Springfield can benefit in the short-term from a significant pipeline of contracted or 'missed' sales and we presume that its initial building work will focus on completing homes for these buyers. It also has an affordable housing business, which we believe is particularly 'defensive', with good cashflow characteristics.
- Pent-up demand builds during lockdowns.** Most UK-wide 'national' housebuilders have returned to site over the past four weeks, to varying degrees of past output. Various sources in the secondhand market, such as Rightmove, have indicated that on-line viewing picked up strongly after the Government 'unlocked' the English housing market on 13 May and we suspect a similar pattern could unfold in Scotland.
- Strong fundamentals.** We believe the Scottish housing market offers significant growth in volumes and prices, due to relative under-supply and affordable pricing. Springfield's proactive multi-tenure approach was strengthened by the recent collaboration with Sigma Capital, which offers growth with modest capital requirement.

FYE MAY (£M)	2015	2016	2017	2018	2019
Revenue	84.3	90.8	110.6	140.7	190.8
Adj EBITDA	4.3	6.8	8.6	11.7	18.6
Fully Adj PBT	3.1	5.1	6.7	9.8	16.5
Fully Adj EPS (p)	0.0	57.1	9.2	10.7	13.9
EV/Sales (x)	1.5x	1.4x	1.1x	0.9x	0.6x
EV/EBITDA (x)	28.6x	18.2x	14.3x	10.5x	6.6x
PER (x)	0.0x	1.7x	10.5x	8.9x	6.9x

Source: Company Information and Progressive Equity Research estimates

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: Springfield Properties**

Year end: May (£m unless shown)

	2015	2016	2017	2018	2019
<b>PROFIT &amp; LOSS</b>					
Revenue	84.3	90.8	110.6	140.7	190.8
Adj EBITDA	4.3	6.8	8.6	11.7	18.6
Adj EBIT	3.8	6.1	7.8	10.6	17.0
Reported PBT	(0.5)	5.1	6.7	9.2	16.0
Fully Adj PBT	3.1	5.1	6.7	9.8	16.5
NOPAT	3.1	4.9	6.3	8.6	13.8
Reported EPS (p)	0.0	57.1	9.2	10.0	13.3
Fully Adj EPS (p)	0.0	57.1	9.2	10.7	13.9
Dividend per share (p)	0.0	0.0	2.8	3.7	4.4
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	(2.4)	(5.9)	3.2	14.4	16.0
Free Cash flow	(4.1)	(7.7)	0.6	10.9	10.7
FCF per share (p)		(107.9)	1.0	14.8	11.2
Acquisitions	0.0	0.0	0.0	(15.3)	(20.9)
Disposals	0.1	0.0	0.5	0.1	0.4
Shares issued	0.1	0.1	0.1	42.2	0.0
Net cash flow	0.5	(0.2)	8.8	3.7	(9.0)
Overdrafts / borrowings	21.4	30.6	41.5	27.3	32.6
Cash & equivalents	0.0	0.0	8.3	12.0	3.1
Net (Debt)/Cash	(21.4)	(30.6)	(33.2)	(15.3)	(29.6)
<b>NAV AND RETURNS</b>					
Net asset value	26.2	29.2	32.4	79.0	88.5
NAV/share (p)			443.3	82.0	91.9
Net Tangible Asset Value	26.2	29.2	32.4	78.4	86.9
NTAV/share (p)			443.3	81.4	90.2
Average equity	26.2	27.7	30.8	55.7	83.8
Post-tax ROE (%)	(3.9%)	14.7%	17.4%	13.2%	15.4%
<b>METRICS</b>					
Revenue growth		7.7%	21.8%	27.2%	35.6%
Adj EBITDA growth		57.4%	26.8%	36.4%	58.8%
Adj EBIT growth		61.6%	28.2%	35.9%	60.1%
Adj PBT growth		65.0%	31.2%	46.1%	69.2%
Adj EPS growth			(83.9%)	17.1%	29.1%
Dividend growth		N/A	N/A	32.1%	18.9%
Adj EBIT margins	4.5%	6.7%	7.1%	7.6%	8.9%
<b>VALUATION</b>					
EV/Sales (x)	1.5	1.4	1.1	0.9	0.6
EV/EBITDA (x)	28.6	18.2	14.3	10.5	6.6
EV/NOPAT (x)	39.7	25.4	19.5	14.3	8.9
PER (x)		1.7	10.5	8.9	6.9
Dividend yield	N/A	N/A	2.9%	3.9%	4.6%
FCF yield		(112.4%)	1.0%	15.4%	11.6%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

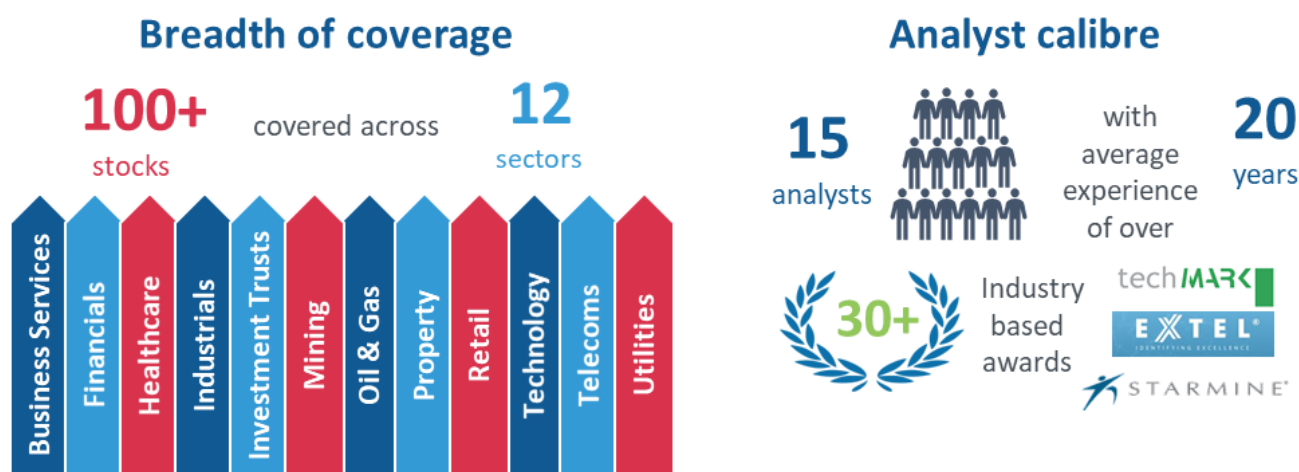
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