

SPRINGFIELD PROPERTIES

HOME CONSTRUCTION

12 June 2020

SPR.L

96.5p

Market Cap: £94.4m

SHARE PRICE (p)



12m high/low

164p/65p

Source: LSE Data

KEY DATA

| | |
|---------------------|------------------------|
| Net (Debt)/Cash | £(29.6)m (at 31/05/19) |
| Enterprise value | £124m |
| 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

SPRINGFIELD PROPERTIES IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Alastair Stewart

+44 (0) 20 7781 5308

astewart@progressive-research.com



Green light for return to Scottish homebuilding

Scotland's First Minister Nicola Sturgeon yesterday signalled that the construction industry in Scotland can move into the next stage of the Scottish Government's reopening plan and we expect Springfield will recommence building work from as early as Monday. We assume that the country's only quoted housebuilder will initially focus on cash generation by completing homes for existing buyers and that, longer term, we believe the pandemic could boost demand for its core family homes with gardens.

- Next stage in opening of market.** In her daily briefing, the First Minister confirmed that construction workers will now be able to return to sites, with strict social distancing and hygiene measures in place. This follows her 22 May announcement of a five phase 'road map' towards a full resumption of construction. Phase 1, which began on 28 May, entailed making sites safe. Yesterday she signalled the move to Phase 2 for companies that had passed the first hurdle. She also announced an extension to Scotland's Help to Buy incentive scheme for home buyers. Scotland had adopted a stricter approach than in England, where sites closed only for around four weeks after the 23 March lockdown.
- Ready to go.** We believe Springfield can recommence output on all its developments as early as Monday. We understand it has spent the past two weeks ensuring sites fully meet the requirements. As has been the case among UK housebuilders, we assume Springfield's first priority will be to complete pre-sold homes that had been under construction, in order to maximise cashflow. We believe cash generation could also be supported by its Affordable Homes division, amid evidence that clients have been encouraged to accelerate payment times.
- Lockdown could increase demand for core product.** We believe the pandemic could boost buyer demand for Springfield's family homes and also its unique 'Village' communities. Surveys in recent weeks from Nationwide, Rightmove and RICS have reported a marked rise in demand for family homes with gardens and suitable for home working, as well as a trend towards living outside, but within commuting distance of, cities.
- Strong fundamentals.** We believe the Scottish housing market offers significant growth in volumes and prices, due to relative under-supply. Springfield's proactive multi-tenure approach was strengthened by the recent collaboration with Sigma Capital, which offers growth with modest capital requirement. Next newsflow should be the YE trading update.

| 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) | 28.8x | 18.3x | 14.4x | 10.6x | 6.7x |
| PER (x) | 0.0x | 1.7x | 10.5x | 9.0x | 7.0x |

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 |
|--------------------------------------|--------|----------|---------|--------|--------|
| PROFIT & LOSS | | | | | |
| 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 |
| CASH FLOW & BALANCE SHEET | | | | | |
| 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) |
| NAV AND RETURNS | | | | | |
| 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% |
| METRICS | | | | | |
| 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% |
| VALUATION | | | | | |
| EV/Sales (x) | 1.5 | 1.4 | 1.1 | 0.9 | 0.6 |
| EV/EBITDA (x) | 28.8 | 18.3 | 14.4 | 10.6 | 6.7 |
| EV/NOPAT (x) | 39.9 | 25.5 | 19.6 | 14.4 | 9.0 |
| PER (x) | | 1.7 | 10.5 | 9.0 | 7.0 |
| Dividend yield | N/A | N/A | 2.9% | 3.8% | 4.6% |
| FCF yield | | (111.8%) | 1.0% | 15.4% | 11.6% |

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

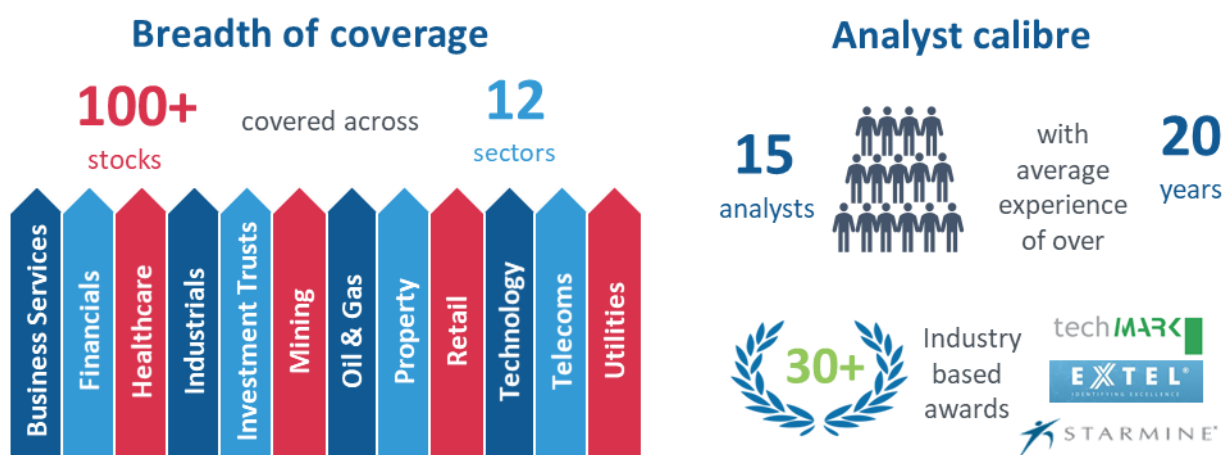
Copyright 2020 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact:

Emily Ritchie
+44 (0) 20 7781 5311
eritchie@progressive-research.com