SPRINGFIELD PROPERTIES
HOME CONSTRUCTION

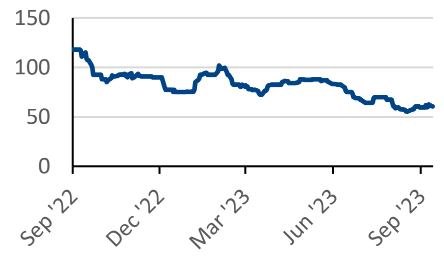
20 September 2023

SPR.L

60.5p

Market Cap: £71.7m

SHARE PRICE (p)



12m high/low	118p/56p

Source: LSE Data (priced as at prior close)

KEY DATA	
Net (debt)/cash	£(61.8)m *(at 31/05/23)*
Enterprise value	£133.5m
Index/market	AIM
Next news	AGM, Oct (TBC)
Shares in issue (m)	118.5
Chairman	Sandy Adam
CEO	Innes Smith
CFO	Iain Logan

COMPANY DESCRIPTION

Springfield Properties, Scotland's only quoted housebuilder, is focused on delivering private and affordable housing.

www.springfield.co.uk

SPRINGFIELD PROPERTIES IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

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Focused on cutting debt in uncertain market

Springfield's FY results to 31 May were in line with its July update guidance, a resilient performance amid challenges, in our view. Following the update, we stated we would review our FY24E estimates in light of guidance at the results. This remains cautious and the Group is now focusing squarely on cutting debt by realising value from its quality landbank. We do, however, believe there could be upside from a revival in affordable housing.

- **Record completions in FY23.** Springfield sold a record 1,301 homes in the year to 31 May, reflecting the full-year contributions from the acquisitions of Tulloch Homes and Mactaggart & Mickel Homes plus organic growth, despite a slowing sales market and specific challenges facing Affordable Housing (AH) and Private Rental Sector (PRS) sales. As previously highlighted, significant build cost inflation, particularly on fixed-price AH contracts, weighed on margins across the Group. Revenue rose 29% but adjusted PBT fell 23%, in line with guidance in the 19 July trading update.

- **Unclear outlook prompts cautious stance.** The Group has, conservatively we believe, adopted a strategy assuming no material improvement in the private sales market until spring. In the trading update, the Group stated that it 'remains cautious about the near-term outlook'; in our note, we maintained our FY24E forecasts, and said that we would re-examine our assumptions based on further clarity at the results. The Group is cutting adjusted PBT guidance to £10-14m; we have conservatively cut our estimate by 49% to £10.3m, but recognise there may be upside.

- **'Acute focus' on debt reduction.** The key strategy is now cutting net debt, which stood at £61.8m at the FY23 year-end, by: curtailing speculative private housing sales; actively seeking land sales to realise value from its quality landbank; and an increased focus on AH, which has strong cashflow and ROCE. Given the priority on cashflow, the Group will not pay dividends until bank debt is materially reduced.

- **Possible upside from AH?** We believe there is potential upside to our FY24E estimates based on opportunities in AH, where demand has been spurred by more generous Scottish Government investment benchmarks and rapidly falling cost inflation. Longer term, high Scottish rental inflation could attract PRS investors back to the market.

- **Unique multi-tenure model.** Springfield provides private, affordable rental and PRS homes in its distinctive 'Village' communities (page 11).

FYE MAY (£M)	2020	2021	2022	2023	2024E
Revenue	143.5	216.7	257.1	332.1	281.1
Fully Adj PBT	10.2	18.5	20.8	16.0	10.3
Fully Adj EPS (p)	8.2	14.2	15.2	10.4	7.0
Dividend per share (p)	2.00	5.75	6.20	0.00	0.00
PER (x)	0.0x	4.3x	4.0x	5.8x	8.7x
Dividend yield (%)	3.3%	9.5%	10.2%	N/A	N/A
EV/EBITDA (x)	9.8x	6.1x	5.5x	5.9x	6.5x

Source: Company Information and Progressive Equity Research estimates.

Resilient result after challenging year; focus on cash

Group faced economic and political challenges, coming from north and south of border

The Group faced several challenges in addition to private housing market dynamics during FY23, including politically-led factors (rent controls and initial reluctance to reflect higher build costs in affordable housing investment benchmarks). According to the results statement, 'reservation rates continue to be significantly below the levels usually experienced at this time of year'. The Group is, therefore, taking a conservative stance in guidance and is focusing on debt reduction. However, we argue that there is the prospect of better-than-expected demand in AH, with the double benefit of stronger cashflow dynamics in affordable housing contracts.

'Acute focus' on debt reduction

Debt reduction driven by land sales, efficiencies, affordable housing cash dynamics and curtailment of dividend

The key focus for management will be on debt reduction. Net debt at 31 May was £67.7m (FY22: £38.1m), 2.9x EBITDA (FY22: 1.6x). The increase primarily reflects: the Mactaggart & Mickel Homes acquisition; the first deferred payment of £6.1m for the acquisition of Tulloch Homes; and significantly higher interest payments. The revolving credit facility of £87.5m is in place until January 2025. In December 2022, the Group's overdraft facility was increased from £2.5m to £12.5m with an expiry date of 31 August 2023, to provide extra short-term headroom. This has now been extended to 30 September 2024. In addition, a term loan of £18m has been put in place with a repayment date of 30 September 2024 to provide extra surety against the current market backdrop.

The Group has taken decisive action in response to the market conditions and is significantly curtailing its activities to limit exposure and increase cash generation while also seeking land sales. As a result, the Group now expects to reduce net debt to c.£55m, pre-IFRS16 by 31 May 2024. The key levers include:

- A focus on management of working capital, including curtailing speculative private housing development by only commencing building homes when they are reserved.
- Springfield will actively pursue sales from its land bank, on favourable terms, with the target of selling 800-1,000 plots within two years. The Group has one of the largest landbanks in Scotland, with 6,712 owned plots, with a gross development value of £1.9bn, and strategic options over a further 3,255 acres, equal to 33,000 plots (page 4).
- The Board will not pay dividends until the bank debt is materially reduced. We see this temporary move as a pragmatic decision to increase cashflow.
- A key factor in the strategy will be the Affordable Housing division. Profitability and volumes were hit in FY23 due to unexpectedly high cost inflation (see below), but significant improvements in Scottish Government Affordable Housing Investment Benchmarks and now falling input cost inflation, and possibly deflation, appears to have stimulated a greater appetite among housing associations to invest in new homes. Although AH typically carries lower gross margins than Private Housing, contracts have strong cashflow and ROCE characteristics as well as high revenue visibility – and thus AH offers better bargaining power with supply chains.

Double benefit for cashflow if AH exceeds expectations

We speculate in this report that the division most likely to exceed current expectations is AH. Should this be the case, not only would there be potential upside to our profitability estimates but also even more so to cash reduction, since AH contracts enjoy strong cashflow characteristics.

Private Housing: conservative outlook after roller-coaster year

Boost from acquisitions in face of volatile market

The number of private home completions increased by 21.6% to 866, which primarily reflects the contributions from Tulloch Homes and Mactaggart & Mickel Homes. Average prices rose 19.6%, reflecting higher selling prices from the latter as well as a general increase across Springfield's brands.

The evolution of buyer demand through the year mirrored similar market volatility across the UK in response to changing economic conditions:

- Ongoing cost-of-living pressures reduced affordability and homebuyer confidence. A further sharp reduction in sales levels followed the UK Government's mini-budget in September, which undermined activity for the following three months.
- While there was recovery from January to May 2023, the forward order book at year-end was below that of the previous year.
- The Group then encountered further softening in demand after the Bank of England increased interest rates to 5% towards the end of June 2023. Sales levels remained low over the summer weeks, with a traditional seasonal dip during the school holidays.

Although not immune to the broader market trends, demand for homes in Springfield's Village developments remained high, with 145 completions (FY22: 143).

'Reservation rates continue to be significantly below the levels usually experienced at this time of year'

According to the results statement, 'reservation rates continue to be significantly below the levels usually experienced at this time of year'. To control costs and control working capital, the Group has taken the decision to significantly curtail its development activities and only build homes when a reservation is secured.

Forecast: conservative view on volumes

Completions assumed to fall by a quarter, but market fundamentals in Scotland stronger than rest of UK

Our FY24E forecast assumes a 25% fall in completions, broadly similar to guidance from some of the major UK housebuilders. However we forecast a 7.0% increase in average prices, mainly on the basis of changing mix as well as a currently stronger environment for average prices in Scotland than any other region in the UK (Figure 5), supported by the best levels of affordability (Figure 6). Operating margins are likely to be supported by group-wide annualised overhead savings of £4m and falling input cost inflation.

Affordable Housing: hit by costs, but outlook improving?

Scottish Government improves investment rules, potentially boosting activity

The division's profitability was hit by cost overruns on two fixed-price contracts, and subsequently volumes fell when it paused entering into new long-term affordable-only housing. Completions fell by 19.0% and we believe the division made a loss, due to the cost over-runs on these contracts.

However, since the year-end the Scottish Government has increased its Affordable Housing Investment Benchmarks, which set the level of support available for each new affordable home delivered, by 16.9%. This, combined with a reduction in levels of cost price inflation, is expected to enable housing associations to increase the price of affordable housing contracts to progress the building programmes required to meet the Scottish Government's affordable housing targets. Springfield has recommenced engaging with affordable housing providers, with a focus on short-term contracts with lower pricing risk, and signed one contract on 31 May for £9.7m and another post year-end for £8.1m. The Group is currently in negotiations for a further 13 contracts representing 460 homes.

Forecast: an initially conservative view on activity, but this could improve

A possibly over-cautious outlook for division, but outlook could rapidly improve

We believe this new more positive trend may take time to feed through so, for now, we have adopted an initially conservative stance for FY24E, assuming a 27% reduction in completions, but a 4% increase in prices. We believe this is the most likely division to offer upside potential to our FY24E estimates. Any significant uplift in contracts could lead to improvements in our revenue uplift; bearing in mind decisions by affordable housing clients would be partly influenced by falling build costs, this could have an additional potential cashflow benefit on top of better revenue and margin opportunities. As we have argued, AH has excellent cashflow and ROCE attributes – fitting in with the Group's debt reduction strategy.

Contract Housing and PRS

Private rents in Scotland are rising faster than any region of the UK – potentially attracting PRS investors back to the market

The division provides development services to third-party private clients and receives revenue based on costs incurred plus a fixed mark-up. So far this has mainly involved services provided to Bertha Park Limited, which in FY23 included homes across all tenures – private, affordable and PRS housing. The strategy to expand PRS activity was put on hold following the Scottish Government's introduction of rent controls – initially a freeze and then 3% increases for *existing* tenancies. However, the Group believes that opportunities to build more PRS homes, particularly in its Village developments, will return when PRS providers adjust to the policy environment.

Scotland is seeing the fastest growth in private rents in the UK (Figure 7). This is based on *new* lettings, which are not covered by the rent controls, thus landlords have been more likely to seek new tenants. By definition, new PRS developments are new lettings; if the regulations move to allowing, for instance, subsequent CPI rises, in our experience this is an attractive proposal for experienced institutional investors given the hedge against inflation on multi-year tenancies. While, we are not expecting any imminent resumption of investment activity, we suspect demand could resume beyond FY23.

Large and valuable land bank

Complex planning requirements should maximise demand for Springfield's extensive land bank, in areas of high demand.

Springfield has one of the largest land banks in Scotland, comprising 6,712 owned plots, with a gross development value of £1.9bn, and strategic options over a further 3,255 acres, the equivalent of 33,000 plots of which 14% already has planning permission. Many of these came with the acquisitions of Mactaggart & Mickel and Tulloch, and are in areas of high demand (page 11).

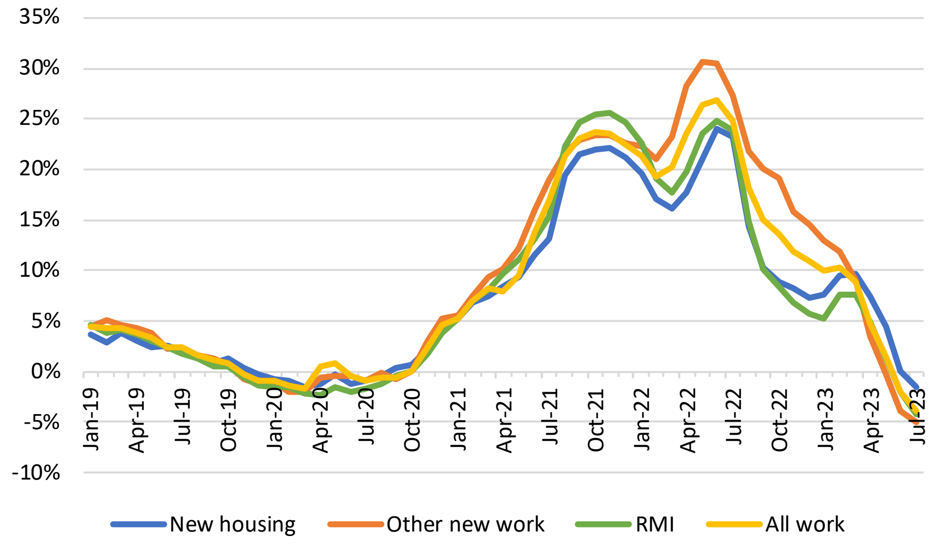
Land buying was already significantly reduced during FY23 in response to the more challenging market conditions. The Group is currently in discussions with a number of developers on a selection of its sites. The introduction of a new National Planning Framework ('NPF4') in Scotland has resulted in greater complexity within the planning system and restrictions on the promotion of sites not allocated within a Local Development Plan. As a result, the Group's land bank, with a large proportion of planning already in place, should become more valuable and, going forward, is expected to be in high demand.

Falling build costs could boost prospects

Falling or negative cost inflation could improve margins across group – and increase affordable housing investment

Unexpectedly strong building cost inflation hit profitability in both AH and PH, and led to a significant reduction in volumes in the former. But there are now signs that inflation is not only falling sharply but may be turning negative – providing potential upside to group-wide margins and AH volumes. According to the monthly Building materials and components statistics from the Department of Business and Trade, total construction materials price inflation did in fact turn further negative in July: -4.0% Y/Y from -2.0% in June and the second consecutive month of Y/Y and M/M decline. New housing fell 1.5% Y/Y; Other new work, -5.0%; and RMI -4.3%. Total building materials inflation peaked at over 30% in 2022, with the 'New housing' category hitting almost 25% (Figure 1).

Figure 1: Building material cost indices, Y/Y change (%)



Source: Department of Business and Trade

Financials

Our volume, pricing and margin assumptions are outlined in Figures 2 - 4. Additional points include:

- Margins. We expect a modest recovery in FY24E from the lows of FY23. However, we note the improving outlook for build costs – this may take longer than the current year to make a material impact.
- Cost efficiencies. Annualised group-wide efficiencies of £4m have been announced.
- Interest. A big increase is assumed for FY24E, reflecting the higher level of net debt feeding into the year, and the new facilities.
- Tax. Our assumption of 19.3% is lower than the 25% Corporation Tax rate plus 4% Residential Property Developers Tax facing most of the major housebuilders due to tax loss carry forwards.

Figure 2: Revenue by division

Year-end May (£m)	2019	2020	2021	2022	2023	2024E
Private Housing						
Completions	630	419	559	712	866	650
Change (%)	*37.0%*	*-33.5%*	*33.4%*	*27.4%*	*21.6%*	*-25.0%*
ASP (£000)	227.0	236.0	248.0	245.0	292.6	313.0
Change (%)	*2.5%*	*4.0%*	*5.1%*	*-1.2%*	*19.4%*	*7.0%*
Revenue	143.3	98.9	138.6	174.4	253.4	203.3
Affordable Housing						
Completions	322	308	363	405	328	240
Change (%)	*3.9%*	*-4.3%*	*17.9%*	*11.6%*	*-19.0%*	*-26.8%*
ASP (£000)	133.0	138.0	145.8	158.6	164.4	171.0
Change (%)	*10.6%*	*3.8%*	*5.7%*	*8.8%*	*3.6%*	*4.0%*
Revenue	42.9	42.5	52.9	64.3	53.9	41.1
Contract Housing						
Completions			51	125	107	40
YoY change (%)				*145.1%*	*-14.4%*	*-63.0%*
ASP (£000)			159.6	132.0	183.9	220.7
Change (%)				*-17.3%*	*39.4%*	*20.0%*
Revenue		-	8.1	16.5	19.7	8.7
Total completions	952	727	973	1,242	**1,301**	**929**
Change (%)	*23.6%*	*-23.6%*	*33.8%*	*27.6%*	*4.8%*	*-28.6%*
Total ASP (£000)	195.6	194.5	205.3	205.5	251.3	272.4
Change (%)	*8.2%*	*-0.5%*	*5.5%*	*0.1%*	*22.3%*	*8.4%*
Other revenue	4.6	2.1	17.0	1.9	5.2	28.0
Total revenue	**190.8**	**143.5**	**216.7**	**257.1**	**332.1**	**281.1**
Change (%)	*35.6%*	*-24.8%*	*51.0%*	*18.6%*	*29.2%*	*-15.4%*

Source: Company Information and Progressive Equity Research estimates.

Figure 3: Profit and per share summary

Year-end May (£m)	2019	2020	2021	2022	2023	2024E
Total revenue	**190.8**	**143.5**	**216.7**	**257.1**	**332.1**	**281.1**
Gross profit	**34.3**	**27.4**	**38.8**	**43.1**	**48.0**	**45.5**
Margin (%)	*18.0%*	*19.1%*	*17.9%*	*16.8%*	*14.4%*	*16.2%*
Admin, other income	(17.3)	(16.1)	(19.0)	(20.6)	(27.3)	(27.0)
Share in PBT of JV	0.6	0.9	-	-	-	-
Total op profit	**17.6**	**12.1**	**19.8**	**22.6**	**20.7**	**18.5**
Margin (%)	*9.2%*	*8.4%*	*9.1%*	*8.8%*	*6.2%*	*6.6%*
Exceptionals	(0.6)	(0.4)	(0.6)	(1.1)	(0.7)	-
Net interest	(1.1)	(2.0)	(1.2)	(1.8)	(4.7)	(8.2)
PBT, reported	**16.0**	**9.7**	**17.9**	**19.7**	**15.3**	**10.3**
U-lying tax rate (%)	*18.8*	*20.6*	*22.6*	*18.2*	*20.5*	*19.3*
Reported tax	(3.1)	(2.1)	(4.2)	(3.652)	(3.2)	(2.0)
Net attrib. profit	**12.8**	**7.6**	**13.7**	**16.1**	**12.1**	**8.3**
Adj PBT	**16.5**	**10.2**	**18.5**	**20.8**	**16.0**	**10.3**
Wtd. ave share (mn)	96.3	96.9	99.4	109.0	118.5	120.0
Diluted shares (mn)	97.3	97.9	101.2	111.8	122.0	120.0
EPS, basic (p)	13.34	7.89	13.79	14.74	10.19	6.95
Adj EPS, (p)	13.92	8.34	14.41	15.63	10.74	6.95
Adj EPS, dil. (p)	**13.79**	**8.25**	**14.16**	**15.24**	**10.43**	**6.95**
DPS - declared (p)	**4.4**	**2.0**	**5.75**	**6.2**	**-**	**-**
Dividend cover (x)	3.2	4.2	2.5	2.5	na	na
NAV (p)	91.9	98.0	109.0	121.2	127.1	134.1
TNAV (p)	90.2	96.3	107.4	116.3	122.1	129.1

Source: Company Information and Progressive Equity Research estimates.

Figure 4: Cashflow and balance sheet

Year-end May (£m)	2019	2020	2021	2022	2023	2024E
Adjusted cash flow statement						
Group op profit inc exc.	16.5	10.8	19.1	21.5	20.0	18.5
Depreciation	1.6	2.4	2.2	1.7	2.0	2.0
Intangible amortisation	-	0.0	-	-	-	-
Other	0.6	2.4	0.5	12.4	0.6	-
Working capital changes	(2.7)	(42.2)	35.2	(16.5)	(14.5)	11.5
Operating cash flow	**16.0**	**(26.6)**	**57.0**	**19.1**	**8.1**	**32.0**
Capex	(1.2)	(0.5)	0.0	(0.1)	(0.1)	(0.0)
Interest	(1.2)	(1.6)	(1.3)	(1.6)	(4.7)	(8.2)
Tax	(2.9)	(3.1)	(4.2)	(3.5)	(3.2)	(2.0)
Free cashflow	**10.7**	**(31.8)**	**51.5**	**13.8**	**0.2**	**21.8**
Acquisitions, net	(20.9)	(3.2)	0.3	(44.0)	(22.2)	(14.2)
Dividends - paid	(3.8)	(3.1)	(3.3)	(6.3)	(5.6)	-
Financing	4.9	36.5	(34.2)	37.1	-	-
Chg cash/net cash, f-cast	**(9.0)**	**(1.5)**	**14.3**	**0.6**	**(27.6)**	**7.6**
Summary balance sheet						
Intangible fixed assets	1.6	1.6	1.6	5.8	6.0	6.0
Tangible fixed assets	5.0	6.3	4.5	5.8	7.8	5.9
Investments	2.4	5.3	6.0	8.3	6.8	6.8
Working capital	125.1	162.8	128.8	182.9	243.3	231.8
Provisions, others	(16.0)	(9.3)	(8.9)	(21.2)	(45.5)	(31.3)
Net cash/(debt) – IFRS16	(29.6)	(70.9)	(20.8)	(38.1)	(67.7)	(60.1)
Net assets	**88.6**	**95.9**	**111.2**	**143.5**	**150.6**	**159.0**
Net debt – pre IFRS16			*(18.2)*	*(34.1)*	*(61.8)*	*(55.1)*

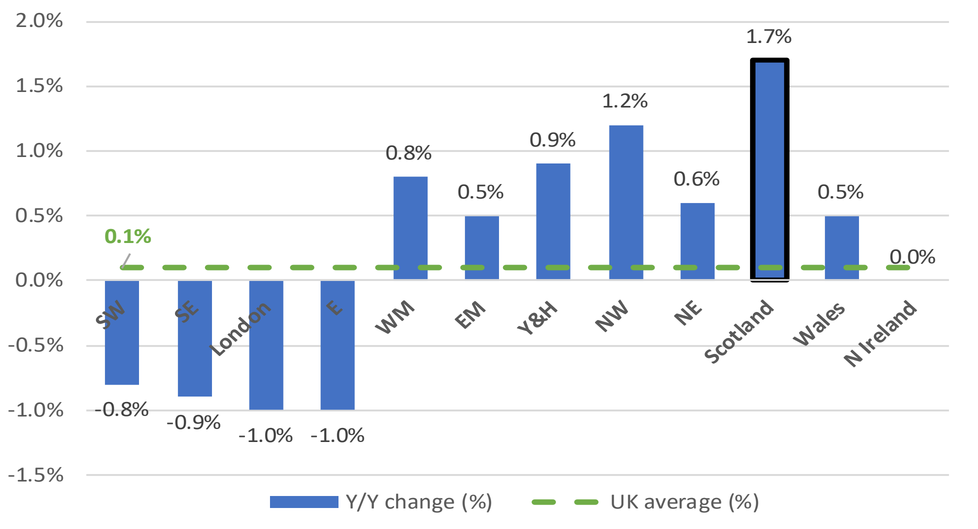
Source: Company Information and Progressive Equity Research estimates.

Private housing market: Scotland top for prices and rents

Affordability supports house prices, lack of supply rentals

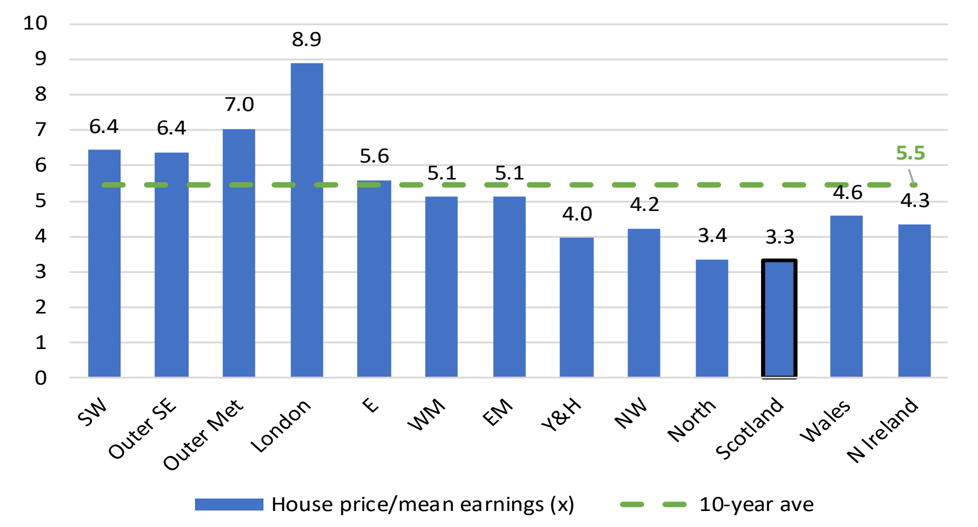
Although activity levels are clearly depressed across the whole of the UK, Scotland is performing best for prices and rents, according to latest regional data from property portal Zoopla. A key factor for house prices is the country's best affordability relative to other regions. For rents, it is a pressing lack of supply of 'investment grade' private rental, which has, arguably, been further suppressed by current rent controls. The latest House Price Index report from Zoopla shows Scotland as clearly leading other regions (Figure 5), while London and the three regions south of the Midlands have seen price reductions. The main reason appears to be that Scotland also has the best levels of affordability (Figure 6).

Figure 5: Annual house price inflation, Q3 23 (%)



Source: Zoopla

Figure 6: Regional average house prices/mean earnings, Q2 23 (x)



Source: Nationwide

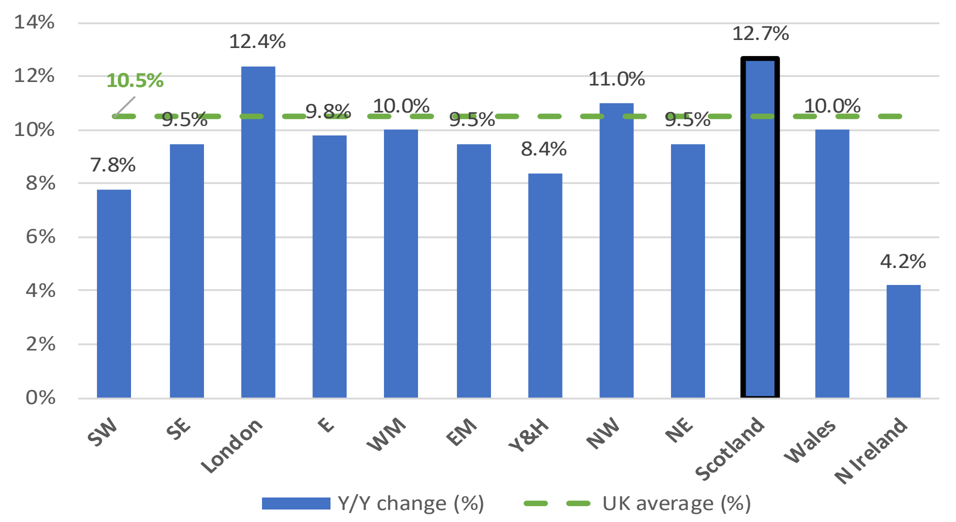
Capital markets volatility and rent controls have restricted new supply, but rising rents could attract investors back to market

Rents – strongest region in a strong market

In total contrast to the sales market, the private lettings market is seeing strong rental growth – fuelled by lack of alternative for many in the sales market and very low availability of stock. This is even more the case in Scotland, which is also seeing the highest growth, according to Zoopla's Q3 Rental Market Report.

It appears that shortage of quality rental stock is even more an issue in Scotland. As we have argued, this may have been exacerbated by the rent controls – which led to a near total halt in investment in new PRS stock, but which may well provide an incentive to come back into the market if there is greater clarity in terms of political intentions and the capital markets.

Figure 7: Annual rent inflation, new lettings, Q3 23 (%)



Source: Zoopla

Springfield in brief: distinctive model in growth market

Scottish market underpinned by long-term growth prospects and a distinctive home-buying model. Springfield offers a differentiated and lower-risk model

Springfield was transformed into a housebuilder by current chairman Sandy Adam in the 1990s and it was admitted to AIM in October 2017. We continue to believe that economic and political dynamics are likely to support growth in housebuilding volumes and prices in Scotland, where values have lagged most of the UK. We believe Springfield benefits from a distinctive business model, and we believe strategically important acquisitions and expansion of innovative multi-tenure rental partnerships since floating are supportive of a return to growth. See our Springfield research section on Progressive's website.

- **Long term, a more attractive market?** While there are challenges across the UK housing market, we remain upbeat on Scottish opportunities. Scotland lags England in the proportion of homes owned privately and the Scottish Government has pledged to build 110,000 affordable homes by 2031-32, and the recent increase in the Affordable Housing Investment Benchmark reinforces this commitment. House prices in Scotland are more affordable in relation to household incomes than in any other UK region.
- **Scottish missive system.** With buyers legally bound much earlier than in England and Wales, the missive system offers high revenue visibility and a secure income stream.
- **A distinctive model.** Springfield has a differentiated business model that focuses on two differing markets, both of which have high demand and, arguably, a lower risk profile: family housing and affordable housing (the latter is provided both as part of planning requirements in the private housing division as well as in its own right in the affordable housing division). The Group buys land mainly 'off market' at more attractive prices than in the mainstream market, preferring more complex long-term projects, demonstrated particularly in its Village sites.
- **Distinctive Village communities.** A cornerstone of Springfield's strategy is its focus on its mid-sized Village communities. All of these are set in a rural context but close to fast-growing cities, located in Dundee, Perth, Stirling and Elgin. A factor in Springfield's success in securing these sites has been its close co-operation with local councils and other stakeholders; a key differentiator for the Group, in our view.
- **Smart deals.** Mactaggart & Mickel was Springfield's fifth strategic acquisition and continues its record of regional expansion in Scotland with innovative deal structures allowing payment as homes are sold. Tulloch, in December 2021, strengthened the Group's presence in the Highlands. This followed Dawn Homes in 2018 in the West of Scotland, while Walker Group in 2019 focused on popular commuter areas around Edinburgh, with higher-priced homes and stronger gross margins than Springfield's then-existing private housing division. The 2011 acquisition of Redrow's Scottish business took Springfield into central Scotland, a step change for revenue.
- **Private rental initiative.** In early 2021, Springfield commenced its first PRS development with specialist Sigma Capital. The site, for 75 family homes at Bertha Park, will be the first development of single-family homes for the private rented sector in Scotland. A number of existing Springfield sites, primarily in its Village developments, have been identified as potential sites for PRS development when the market returns.
- **Evolving ESG credentials.** Springfield has had a longstanding commitment to ESG, recognised in recent top industry awards (see our note). The Group published its first ESG Strategy with its results in September 2022, and an annual update on progress has been published alongside its 2023 results including a pathway to net zero by 2045 or earlier.

Financial Summary: Springfield Properties

Year end: May (£m unless shown)

PROFIT & LOSS	**2020**	**2021**	**2022**	**2023**	**2024E**
Revenue	143.5	216.7	257.1	332.1	281.1
Adj EBITDA	13.6	21.9	24.3	22.7	20.5
Adj EBIT	12.1	19.8	22.6	20.7	18.5
Reported PBT	9.7	17.9	19.7	15.3	10.3
Fully Adj PBT	10.2	18.5	20.8	16.0	10.3
NOPAT	8.9	15.3	18.5	16.4	15.0
Reported EPS (p)	7.9	13.8	14.7	10.2	7.0
Fully Adj EPS (p)	8.2	14.2	15.2	10.4	7.0
Dividend per share (p)	2.0	5.8	6.2	0.0	0.0
CASH FLOW & BALANCE SHEET	**2020**	**2021**	**2022**	**2023**	**2024E**
Operating cash flow	(26.6)	57.0	19.1	8.1	32.0
Free Cash flow	(31.8)	51.5	13.8	0.2	21.8
FCF per share (p)	(32.8)	51.8	12.7	0.2	18.2
Acquisitions	(3.2)	0.3	(44.0)	(22.2)	(14.2)
Disposals					
Net cash flow	(1.5)	14.3	0.6	(27.6)	7.6
Overdrafts / borrowings	72.4	36.6	54.4		
Cash & equivalents	1.5	15.8	16.4		
Net (Debt)/Cash, post-IFRS 16	(70.9)	(20.8)	(38.1)	(67.7)	(60.1)
Net (Debt)/Cash, pre-IFRS 16		(18.2)	(34.1)	(61.8)	(55.1)
NAV AND RETURNS	**2020**	**2021**	**2022**	**2023**	**2024E**
Net asset value	95.9	111.2	143.5	150.6	159.0
NAV/share (p)	98.0	109.0	121.2	127.1	134.1
Net Tangible Asset Value	94.2	109.6	137.8	144.7	153.0
NTAV/share (p)	96.3	107.4	116.3	122.1	129.1
Average equity	83.8	92.2	103.5	127.4	147.1
Post-tax ROE (%)	9.1%	14.9%	15.5%	9.5%	5.7%
METRICS	**2020**	**2021**	**2022**	**2023**	**2024E**
Revenue growth		51.0%	18.6%	29.2%	(15.4%)
Adj EBITDA growth		60.9%	10.9%	(6.6%)	(9.5%)
Adj EBIT growth		63.1%	14.3%	(8.4%)	(10.4%)
Adj PBT growth		82.1%	12.5%	(23.1%)	(35.4%)
Adj EPS growth			7.6%	(31.6%)	(33.3%)
Dividend growth		187.5%	7.8%	(100.0%)	N/A
Adj EBIT margins	8.4%	9.1%	8.8%	6.2%	6.6%
VALUATION	**2020**	**2021**	**2022**	**2023**	**2024E**
EV/Sales (x)	0.9	0.6	0.5	0.4	0.5
EV/EBITDA (x)	9.8	6.1	5.5	5.9	6.5
PER (x)		4.3	4.0	5.8	8.7
Dividend yield (%)	3.3%	9.5%	10.2%	N/A	N/A
P/NAV (x)		0.56	0.50	0.48	0.45
FCF yield		85.6%	20.9%	0.3%	30.0%

Source: Company information and Progressive Equity Research estimates

Progressive EQUITY RESEARCH

20 September 2023

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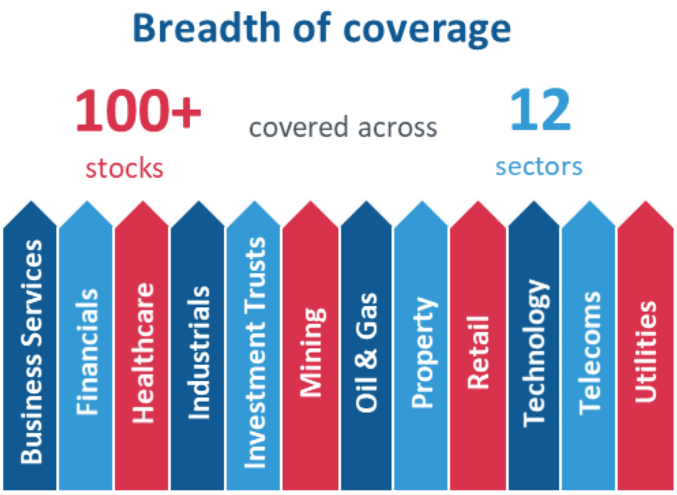

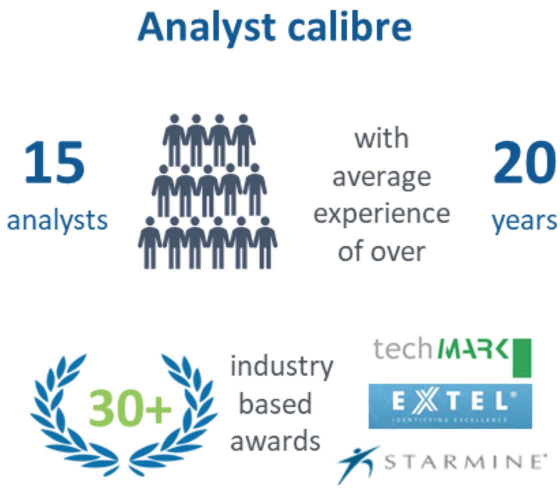

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