Progressive EQUITY RESEARCH

SPRINGFIELD PROPERTIES

HOME CONSTRUCTION

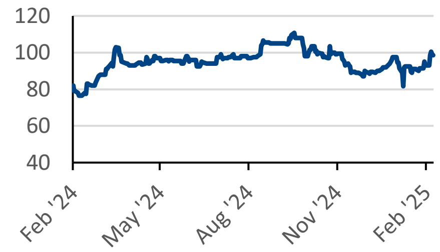
17 February 2025

SPR.L

98.5p

Market Cap: £116.9m

SHARE PRICE (p)



12m high/low	111p/77p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(62.9)m *(at 30/11/24)*
Enterprise value	£179.8m
Index/market	AIM
Next news	FY trading update, July
Shares in issue (m)	118.9
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.thespringfieldgroup.co.uk

SPRINGFIELD PROPERTIES IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

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Profits head north. Debt heading south.

FY25 profit will be 'significantly ahead of market expectations', according to Springfield's interim results, while debt over our three-year forecast period will fall substantially, then move to a net cash position. This comes with a sweeping redirection of Scotland's only listed housebuilder's operations to the rapidly growing North of Scotland, starting with a major sale agreement announced today with Barratt Redrow for land in Central Scotland.

- **H1 PBT almost doubles.** Revenue for H1 to 30 November 2024 slipped 13% to £106m, with home completions down 16% to 361, in line with management expectations, reflecting market conditions (page 2). However, the gross margin rose to 17.7% from 14.7%, due to the completion of legacy low-margin affordable contracts at the end of FY24 and profitable land sales. Adjusted PBT rebounded by 90% to £3.8m. In line with its stated policy, there is no interim dividend, while the Group remains committed to declaring a final dividend for FY25.

- **Net debt declines following strategic actions.** Meanwhile, net bank debt fell by a third Y/Y to £63m as a result of the strategic actions taken in FY24, including profitable land sales and a sustained focus on cost control.

- **Land deal signals new direction.** Springfield has agreed to sell 2,480 plots of land to Barratt Redrow across six sites, primarily in Central Scotland. The sale will complete in the current financial year, with Springfield receiving cash of £64.2m in four instalments over four years. This and future land sales, with Barratt Redrow and potentially other groups, signals a new strategy for Springfield to focus on the North of Scotland, where growth prospects appear stronger.

- **Forecasts up short term; re-profiled longer term for new strategy.** We have raised our FY25E adjusted PBT by 59%, to £20.8m from £13.1m, and cut net bank debt to £33.3m from £37.6m. We have slashed our net bank debt estimates for FY25E-26E and then, for FY27E, moved from net debt of £31.7m to net cash of £15.3m (page 3).

- **Northern exposure.** The strategy extends Springfield's prospects in the region, where the new Green Freeport and housing along a major new power line will boost population and economic growth (page 8).

- **Unique multi-tenure model.** Springfield provides a unique mix of private and affordable homes in key markets in Scotland, including village developments (page 9).

FYE MAY (£M)	2023	2024	2025E	2026E	2027E
Revenue	332.1	266.5	311.5	262.0	226.0
Fully Adj PBT	16.0	10.6	20.8	14.1	14.9
Fully Adj EPS (p)	10.4	6.8	12.8	8.7	9.2
Dividend per share (p)	0.00	1.00	1.50	2.50	4.50
PER (x)	9.4x	14.5x	7.7x	11.4x	10.8x
Dividend yield (%)	N/A	1.0%	1.5%	2.5%	4.6%
EV/EBITDA (x)	7.7x	8.8x	6.1x	8.4x	9.4x

Source: Company Information and Progressive Equity Research estimates.

All change to the Northern line

Resilient first half, with bold new strategy unveiled targeting the high growth Highland region

Springfield's half-year results, to 30 November 2024, showed a resilient performance, in particular continuing evidence of its debt reduction strategy. However, the main news today was the announcement of a four-year land sale to Barratt Redrow, which will bring about a move to net cash by FY27E. It also marks the starting point for a fundamental redirection of Springfield's operations towards the North of Scotland, where growth prospects appear greater than in Central Scotland and competition possibly more limited.

HY results: land sales and cost focus raise FY25E outlook

- Completions declined by 16% to 361, in line with management expectations.
  - Private housing fell by 18%, resulting from a lower forward orderbook at the start of the period than a year earlier, reflecting market conditions. However, as the first half progressed, there was a slight improvement in private housing reservation rates as homebuyer confidence grew, resulting in a Y/Y increase in the number of reservations. Construction and sales started for a new phase at the Bertha Park 'village' community, with the first completions expected in February 2025.
  - Affordable housing completions fell 34%. As previously referred to, there was some hesitancy among affordable housing providers to commence new projects ahead of the Scottish Budget, due to uncertainty around availability of Scottish Government funding. However, the Budget in December allocated £768m to affordable housing supply for 2025/26 – an increase over the prior year. As a result, while some of the affordable housing projects in the pipeline will be initiated slightly later than previously anticipated, 'the Group is pleased to note an increase in confidence among affordable housing providers'.
  - In contract housing, Springfield provides development services to third-party private organisations, to date largely provided to Bertha Park. The 36 homes completed during the period (H1 2024: 9) comprised 19 private and 17 affordable homes.
- Group revenue fell 13%, with average prices over the three divisions rising by 2.5%.
- Gross margins rose to 17.7% from 14.7%, mainly due to the completion of legacy low-margin affordable contracts at the end of FY24 and £5.1m of profitable land sales.
- Administrative expenses fell by 1.4% to £12.4m amid a 'sustained focus on carefully managing costs'. Exceptional costs of £0.3m (H1 24: £0.9m) mainly related to restructuring.
- Net interest fell to £2.6m from £3.6m due to lower bank debt.
- Statutory PBT nearly trebled to £3.5m (H1 24: £1.2m) while adjusted PBT rose 90% to £3.8m (H1: £2.0m). Adjusted EPS rose 55% to 2.46p. In line with the aim of reducing net bank debt, there is no interim dividend, while the Group remains committed to declaring a final dividend for FY25E.
- Net bank debt at 30 November stood at £62.9m, down from £93.4m a year earlier but up from £39.9m at FY24. This reflects the usual seasonal working capital cycle, with work-in-progress at the end of the first half that will unwind as houses complete and are sold in the second half.

New strategy: Barratt Redrow deal transforms balance sheet

Aiming for net cash by end of three-year forecast period

A further reduction in net debt and a focus on what Springfield has identified as offering unique opportunities for the Group are central to a fundamental redirection of its operations towards the Highlands and Moray regions announced today. We have changed our P&L estimates and, more significantly net bank debt estimates, for FY25E-27E in light of the new strategy, by the end of which we now expect a net cash position.

Springfield has entered an agreement to sell undeveloped land totalling 2,480 plots to Barratt Redrow across six sites. The sale will complete in the current financial year. Springfield will receive cash payments of £64.2m in four instalments over four years, with approximately 50% of the proceeds to be received in the Group's current financial year. The land is from the Group's future pipeline and is primarily located across Central Scotland. The two groups are also in non-binding discussions regarding the sale of additional future land holdings on a number of sites.

Profitable land sales to Barratt Redrow at 1.3x book value

Under the deal announced today, the land is being sold at a c.1.3x book value. The proceeds mean Springfield should become net cash positive by FY27E and will allow it 'to capitalise on the significant opportunities that are emerging in the North of Scotland where the Group is uniquely placed to benefit' (see page 8).

Landbank remains strong, with focus turning to North of Scotland

Even after Barratt Redrow sale, the landbank is one of strongest in Scotland

The Group will continue to have a large, high-quality landbank, comprising approximately 3,498 owned plots and 4,234 contracted plots. The owned and contracted land – of which c. 83% and c.39%, respectively, will have planning permission – will provide nine years of activity at current sales rates. The gross development value of the owned and contracted land will be £1.9bn. The Group intends to purchase further land in the North of Scotland, where there is currently no significant competition from major UK housebuilders.

Forecasts: big hike for FY25E; re-profiling for new strategy

59% increase in FY25E adjusted PBT estimate; FY26E-27E volumes will be lower as group resizes ahead of Northern growth prospects

We have raised our FY25E adjusted PBT by 59%, to £20.8m from £13.1m (Figure 1), with estimated profits from land sales offsetting a 10% decline in our previous estimate of total completions due to recent softness during the year in the private housing market and uncertainty among affordable housing providers prior to the Scottish Budget.

We have changed our net bank debt for the three forecast years from £37.6m, £34.7m and £31.7m, respectively, to £33.3m, £6.2m and then net cash of £15.3m in FY27E. We have reduced our FY26E-27E adjusted PBT estimates by 17%, on the basis that that the Group will be temporarily operating from fewer sites as the land sales in Central Scotland progress. We believe it to be highly likely that growth in volumes will recommence soon after the forecast period, driven by economic and population growth in the Highland and Moray regions and the opening of new sites acquired in the area.

Figure 1: Changes in estimates following new strategy

Year-end May (£m)	FY24	FY25E		Change	FY26E		Change	FY27E		Change
	actual	old	new	(%)	old	new	(%)	old	new	(%)
Completions	878	925	830	-10.2%	1,004.6	935	-6.9%	1,054.7	870	-17.5%
ASAP (£000)	269.6	279.6	274.1	-2.0%	276.9	271.7	-1.9%	272.7	255.2	-6.4%
Revenue	266.5	271.6	311.5	14.7%	286.2	262.0	-8.5%	291.6	226.0	-22.5%
Gross profit	43.4	45.0	52.3	16.3%	48.9	42.3	-13.6%	50.6	37.2	-26.5%
Gross margin (%)	*16.3%*	*16.6%*	*16.8%*		*17.1%*	*16.1%*		*17.4%*	*16.5%*	
Operating profit	17.9	19.0	26.3	38.5%	22.3	18.3	-17.9%	23.1	16.2	-29.8%
Op margin (%)	*6.7%*	*7.0%*	*8.5%*		*7.8%*	*7.0%*		*7.9%*	*7.2%*	
PBT pre-exc	10.6	13.1	20.8	58.9%	17.0	14.1	-17.0%	18.0	14.9	-17.1%
Adj EPS (p)	6.8	8.1	12.8	58.9%	10.4	8.7	-17.0%	11.0	9.2	-17.1%
Dividend (p)	1.0	1.5	1.5	0.0%	2.5	2.5	0.0%	4.5	4.5	0.0%
NAV (p)	133.3	140.1	144.7	3.3%	149.0	151.0	1.3%	157.2	155.1	-1.3%
Net bank debt	(39.9)	(37.6)	(33.3)	-11.3%	(34.7)	(6.2)	-82.1%	(31.7)	15.3	-148%
Net assets	158.2	166.3	171.8	3.3%	176.8	179.2	1.3%	186.6	184.1	-1.3%

Source: Company Information and Progressive Equity Research estimates

Note that in the divisional revenue estimates (Figure 2), the large increase in contract housing completions is largely for new housing associated with Scottish and Southern Energy Networks' major power-line investment (page 8).

In our cashflow and balance sheet analysis (Figure 4) the proceeds from the land sales are accounted for in working capital changes. The projections in the 'M&A, investments' line refer to remaining deferred payments.

Figure 2: Divisional revenue analysis

Year-end May (£m)	FY22	FY23	H1 24	H2 24	FY24	H1 25	H2 25E	FY25E	FY26E	FY27E
Private Housing										
Completions	712	866	279	305	**584**	230	300	**530**	520	430
YoY change (%)	*27.4%*	*21.6%*	*-35.0%*	*-30.2%*	***-32.6%***	*-17.6%*	*-1.6%*	***-9.2%***	*-1.9%*	*-17.3%*
ASP (£000)	245.0	292.6	314.2	318.2	**316.3**	313.3	319.8	**317.0**	323.1	302.3
YoY change (%)	*-1.2%*	*19.4%*	*13.6%*	*3.2%*	***8.1%***	*-0.3%*	*0.5%*	***0.2%***	*1.9%*	*-6.4%*
Revenue	174.4	253.4	87.7	97.1	**184.7**	72.1	95.9	**168.0**	168.0	130.0
Affordable Housing										
Completions	405	328	144	126	**270**	95	140	**235**	290	240
YoY change (%)	*11.6%*	*-19.0%*	*-17.7%*	*-17.6%*	***-17.7%***	*-34.0%*	*11.1%*	***-13.0%***	*23.4%*	*-17.2%*
ASP (£000)	158.6	164.4	176.8	170.8	**174.0**	215.1	199.1	**205.5**	189.7	195.8
YoY change (%)	*8.8%*	*3.6%*	*11.1%*	*0.2%*	***5.8%***	*21.7%*	*16.5%*	***18.1%***	*-7.7%*	*3.3%*
Revenue	64.3	53.9	25.5	21.5	**47.0**	20.4	27.9	**48.3**	55.0	47.0
Contract Housing									***0.0%***	***0.0%***
Completions	125	107	9	15	**24**	36	29	**65**	125	200
YoY change (%)	*145.1%*	*-14.4%*	*-87.0%*	*-60.5%*	***-77.6%***	*300.0%*	*93.3%*	***170.8%***	*92.3%*	*60.0%*
ASP (£000)	132.0	183.9	206.9	208.9	**208.1**	167.0	178.9	**172.3**	248.0	225.0
YoY change (%)	*-17.3%*	*39.4%*	*34.2%*	*-12.3%*	***13.2%***	*-19.3%*	*-14.3%*	***-17.2%***	*43.9%*	*-9.3%*
Revenue	16.5	19.7	1.9	3.1	**5.0**	6.0	5.2	**11.2**	31.0	45.0
Total completions	1,242	1,301	432	446	**878**	361	469	**830**	935	870
YoY change (%)	*27.6%*	*4.8%*	*-35.8%*	*-29.0%*	***-32.5%***	*-16.4%*	*5.2%*	***-5.5%***	*12.7%*	*-7.0%*
Total ASP (£000)	205.5	251.3	266.2	272.9	**269.6**	272.9	275.0	**274.1**	271.7	255.2
YoY change (%)	*0.1%*	*22.3%*	*14.0%*	*0.9%*	***7.3%***	*2.5%*	*0.8%*	***1.7%***	*-0.9%*	*-6.1%*
Land sales, other	1.9	5.2	6.7	23.1	**29.8**	7.1	76.9	**84.0**	8.0	4.0
Total revenue	**257.1**	**332.1**	121.7	144.8	**266.5**	105.6	205.9	**311.5**	262.0	226.0
YoY change (%)	*18.6%*	*29.2%*	*-24.9%*	*-14.9%*	***-19.8%***	*-13.2%*	*42.1%*	***16.9%***	*-15.9%*	*-13.7%*

Source: Company Information and Progressive Equity Research estimates

Figure 3: P&L, per share data

Year-end May (£m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Group revenue	**140.7**	**190.8**	**143.5**	**216.7**	**257.1**	**332.1**	**266.5**	**311.5**	**262.0**	**226.0**
Gross profit	**22.1**	**34.3**	**27.4**	**38.8**	**43.1**	**48.0**	**43.4**	**52.3**	**42.3**	**37.2**
Admin, other income	(11.5)	(17.3)	(16.1)	(19.0)	(20.6)	(27.3)	(25.5)	(26.0)	(24.0)	(21.0)
JVs	0.0	0.6	0.9	-	-	-	-	-	-	-
Operating profit	**10.7**	**17.6**	**12.1**	**19.8**	**22.6**	**20.7**	**17.9**	**26.3**	**18.3**	**16.2**
Exceptionals	(0.6)	(0.6)	(0.4)	(0.6)	(1.1)	(0.7)	(0.9)	(0.3)	(1.0)	(2.5)
Interest	(0.9)	(1.1)	(2.0)	(1.2)	(1.8)	(4.7)	(7.3)	(5.5)	(4.2)	(1.3)
PBT, reported	**9.2**	**16.0**	**9.7**	**17.9**	**19.7**	**15.3**	**9.7**	**20.5**	**13.1**	**12.4**
U-lying tax rate (%)	*19.0*	*18.8*	*20.6*	*22.6*	*18.2*	*20.5*	*20.9*	*25.0*	*25.0*	*25.0*
Reported tax	(1.9)	(3.1)	(2.1)	(4.2)	(3.7)	(3.2)	(2.1)	(5.2)	(3.5)	(3.7)
Net attrib. profit	**7.4**	**12.8**	**7.6**	**13.7**	**16.1**	**12.1**	**7.5**	**15.3**	**9.6**	**8.7**
PBT pre-exc	**9.8**	**16.5**	**10.2**	**18.5**	**20.8**	**16.0**	**10.6**	**20.8**	**14.1**	**14.9**
EBITDA	**11.7**	**18.6**	**13.6**	**21.9**	**24.3**	**22.9**	**20.5**	**29.7**	**21.3**	**19.1**
Wtd shares (million)	73.4	96.3	96.9	99.4	109.0	118.5	118.6	118.6	118.6	118.6
Dil shares (million)	73.6	97.3	97.9	101.2	111.8	122.0	123.4	122.1	122.1	122.1
EPS, basic (p)	10.0	13.3	7.9	13.8	14.7	10.2	6.4	12.9	8.1	7.3
EPS, dil, pre-exc (p)	**10.7**	**13.8**	**8.2**	**14.2**	**15.2**	**10.4**	**6.8**	**12.8**	**8.7**	**9.2**
DPS - declared (p)	**3.7**	**4.4**	**2.0**	**5.75**	**6.2**	**-**	**1.0**	**1.5**	**2.5**	**4.5**
Dividend cover (x)	2.9	3.2	4.2	2.5	2.5	na	7.0	8.8	3.6	2.1
FCFPS (p)	14.8	11.2	(32.8)	51.8	12.7	1.2	30.6	17.2	31.5	23.9
NAV (p)	82.0	91.9	98.0	109.0	121.2	127.1	133.3	144.7	151.0	155.1
TNAV (p)	81.4	90.2	96.3	107.4	116.3	122.1	128.5	140.8	147.6	152.2

Source: Company Information and Progressive Equity Research estimates

Figure 4: Adjusted cashflow and summary balance sheet

Year-end May (£m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Adjusted cash flow statement										
Group op profit	10.1	16.5	10.8	19.1	21.5	20.0	17.0	26.0	17.3	13.7
Depreciation	1.1	1.6	2.4	2.2	1.7	2.3	2.3	2.3	2.3	2.3
Intangible amort.	-	-	0.0	-	-	0.3	0.3	1.0	0.7	0.6
Other	0.2	0.6	2.4	0.5	12.4	0.1	(0.2)	-	-	-
Working cap changes	3.1	(2.7)	(42.2)	35.2	(16.5)	(14.5)	25.1	2.0	25.0	17.0
Operating cash flow	**14.4**	**16.0**	**(26.6)**	**57.0**	**19.1**	**8.1**	**44.5**	**31.4**	**45.3**	**33.6**
Capex	(0.7)	(1.2)	(0.5)	0.0	(0.1)	(0.1)	0.1	(0.3)	(0.3)	(0.3)
Interest	(1.1)	(1.2)	(1.6)	(1.3)	(1.6)	(3.8)	(6.5)	(5.5)	(4.2)	(1.3)
Tax	(1.7)	(2.9)	(3.1)	(4.2)	(3.5)	(2.9)	(1.8)	(5.2)	(3.5)	(3.7)
Free cashflow	**10.9**	**10.7**	**(31.8)**	**51.5**	**13.8**	**1.4**	**36.2**	**20.4**	**37.3**	**28.3**
M&A, investments	(15.3)	(20.9)	(3.2)	0.3	(44.0)	(21.4)	(12.1)	(12.0)	(8.0)	(3.0)
Dividends - paid	(0.8)	(3.8)	(3.1)	(3.3)	(6.3)	(5.6)	-	(1.8)	(2.2)	(3.8)
Financing	8.9	4.9	36.5	(34.2)	37.1	18.0	(18.1)	-	-	-
Net cashflow	**3.7**	**(9.0)**	**(1.5)**	**14.3**	**0.6**	**(7.5)**	**6.0**	**6.6**	**27.1**	**21.5**
Summary balance sheet										
Intangible fixed assets	0.6	1.6	1.6	1.6	5.8	6.0	5.7	4.7	4.0	3.4
Tangible fixed assets	4.5	5.0	6.3	4.5	5.8	7.8	7.2	5.2	3.1	1.1
Investments, other FA	1.9	2.4	5.3	6.0	8.3	6.8	6.8	6.8	6.8	6.8
Working capital	90.8	125.1	162.8	128.8	182.9	244.4	221.0	219.0	194.0	177.0
Provisions, other	(3.5)	(16.0)	(9.3)	(8.9)	(21.2)	(46.7)	(37.0)	(25.0)	(17.0)	(14.0)
Net bank cash/(debt)*	(15.3)	(29.6)	(70.9)	(20.8)	(38.1)	(67.7)	(45.4)	(38.9)	(11.7)	9.8
Net assets	**79.0**	**88.6**	**95.9**	**111.2**	**143.5**	**150.6**	**158.2**	**171.8**	**179.2**	**184.1**
** Net cash/(debt), pre-leases*				*(18.2)*	*(34.1)*	*(61.8)*	*(39.9)*	*(33.3)*	*(6.2)*	*15.3*

Source: Company Information and Progressive Equity Research estimates

Northern green light: fastest growing Scottish region

Return to North of Scotland origins as region's growth is set to accelerate

Springfield originated in the Moray region of northern Scotland and its acquisition of Tulloch Homes reinforced its land holdings in the bordering Highland area. Since 2000, the population of Inverness, Scotland's fifth largest city, has grown by 17%, supported by growth in new industries including life sciences and renewables. The new strategy extends the Group's prospects in the region, which has been further boosted by two initiatives: the Inverness & Cromarty Firth Green Freeport and investment by Scottish and Southern Electricity Networks (SSEN).

Two major green issues will supercharge housing demand

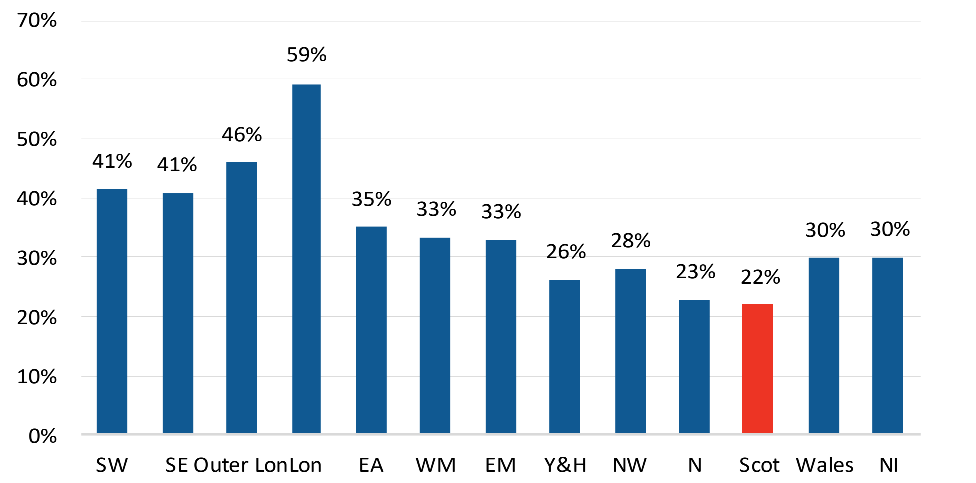
The Green Freeport will cover an area of 520 ha around the Moray and Cromarty Firths, which had been major centres for the North Sea oil & gas industries since the 1970s and will now place the Highlands at the heart of Scotland's commitment to becoming a net-zero economy. The project will generate around £3bn investment in the region over the next 25 years and is intended to create 10,000 job opportunities.

An more immediate opportunity is being created by the decarbonisation of the UK energy supply involving £31bn of investment programme in renewable generation in the North of Scotland. This project will have one of the largest construction workforces of all major infrastructure projects in the UK. SSEN is committed to delivering permanent housing as part of the solution for the thousands of workers required over a five-year build period. Work is scheduled to start in January 2026 and the first benefit for Springfield is seen in the large uplift in completions within the contract housing division. This is expected to be the first of several major opportunities as work on SSEN's lines continues from the north into Central Scotland through Dundee and Perth.

Springfield has early-mover advantage in region with strong housing affordability

Scottish housing was already the most affordable in the UK (Figure 5), but a large number of new jobs are forecast to be created in the area, and these are likely to include a proportion of high-skilled, high-income recruitment. It is anticipated that a more supportive planning regime in the region should support development in the Freeport area and wider across the region. The Highland Council is targeting the doubling of housing supply to 24,000 new homes over the next ten years. The Council has already announced a call for new sites for housing and has committed to using new powers through 'Masterplan Consent Areas' which will streamline the consents process for development.

Figure 5: FTB mortgage payments/take-home pay, Q4 24 (%)



Source: Nationwide

Springfield in brief: unique model in resilient 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 founded as 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 that 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 have been 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 declared a 'housing emergency' and remains committed to a target build 110,000 affordable homes by 2031-32, reinforced by the Budget announcement for financial year 2025-26. House prices in Scotland are more affordable in relation to incomes than in almost any other UK region. While the introduction of rent caps has recently deterred investment into build to rent, latest ministerial announcements on the forthcoming Housing Bill including the removal of the temporary rent cap, suggest that the future policy environment could attract PRS investors back to Scotland.
- **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). Springfield 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 a focus on its mid-sized village communities. All of these are set in a rural context but close to fast-growing cities. The Group currently has three active Village developments in Dundee, Perth 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. While the new strategy places a focus on the North, the Group remains committed to delivering its active villages, including Bertha Park in Perth and Dykes of Gray in Dundee
- **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 Springfield'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, with a step change for revenue.
- **Evolving ESG credentials.** Springfield has had a longstanding commitment to ESG and an inherent culture of looking after people and the environment. The Group published its first formal ESG Strategy in 2022 with updates reported annually

Financial Summary: Springfield Properties

Year end: May (£m unless shown)

PROFIT & LOSS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Revenue	332.1	266.5	311.5	262.0	226.0
Adj EBITDA	23.2	20.5	29.7	21.3	19.1
Adj EBIT	20.7	17.9	26.3	18.3	16.2
Reported PBT	15.3	9.7	20.5	13.1	12.4
Fully Adj PBT	16.0	10.6	20.8	14.1	14.9
NOPAT	16.4	14.2	19.8	13.7	12.2
Reported EPS (p)	10.2	6.4	12.9	8.1	7.3
Fully Adj EPS (p)	10.4	6.8	12.8	8.7	9.2
Dividend per share (p)	0.0	1.0	1.5	2.5	4.5
CASH FLOW & BALANCE SHEET	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Operating cash flow	8.1	44.5	31.4	45.3	33.6
Free Cash flow	1.4	36.2	20.4	37.3	28.3
FCF per share (p)	1.2	30.6	17.2	31.5	23.9
Acquisitions	(21.4)	(12.1)	(12.0)	(8.0)	(3.0)
Disposals					
Net cash flow	(7.5)	6.0	6.6	27.1	21.5
Overdrafts / borrowings					
Cash & equivalents					
Net (Debt)/Cash, post-IFRS 16	(67.7)	(45.4)	(38.9)	(11.7)	9.8
Net (Debt)/Cash, pre-IFRS 16	(61.8)	(39.9)	(33.3)	(6.2)	15.3
NAV AND RETURNS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Net asset value	150.6	158.2	171.8	179.2	184.1
NAV/share (p)	127.1	133.3	144.7	151.0	155.1
Net Tangible Asset Value	144.7	152.5	167.1	175.2	180.7
NTAV/share (p)	122.1	128.5	140.8	147.6	152.2
Average equity	135.1	150.8	160.2	169.7	178.3
Post-tax ROE (%)	8.9%	5.0%	9.6%	5.6%	4.9%
METRICS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Revenue growth	29.2%	(19.8%)	16.9%	(15.9%)	(13.7%)
Adj EBITDA growth	(4.5%)	(11.6%)	44.7%	(28.1%)	(10.3%)
Adj EBIT growth	(8.4%)	(13.4%)	47.0%	(30.5%)	(11.5%)
Adj PBT growth	(23.1%)	(34.0%)	97.2%	(32.3%)	5.7%
Adj EPS growth	(31.6%)	(35.1%)	89.0%	(32.3%)	5.7%
Dividend growth	(100.0%)	N/A	50.0%	66.7%	80.0%
Adj EBIT margins	6.2%	6.7%	8.5%	7.0%	7.2%
VALUATION	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EV/Sales (x)	0.5	0.7	0.6	0.7	0.8
EV/EBITDA (x)	7.7	8.8	6.1	8.4	9.4
PER (x)	9.4	14.5	7.7	11.4	10.8
Dividend yield (%)	N/A	1.0%	1.5%	2.5%	4.6%
P/NAV (x)	0.77	0.74	0.68	0.65	0.64
FCF yield	1.2%	31.0%	17.4%	31.9%	24.2%

Source: Company information and Progressive Equity Research estimates

17 February 2025

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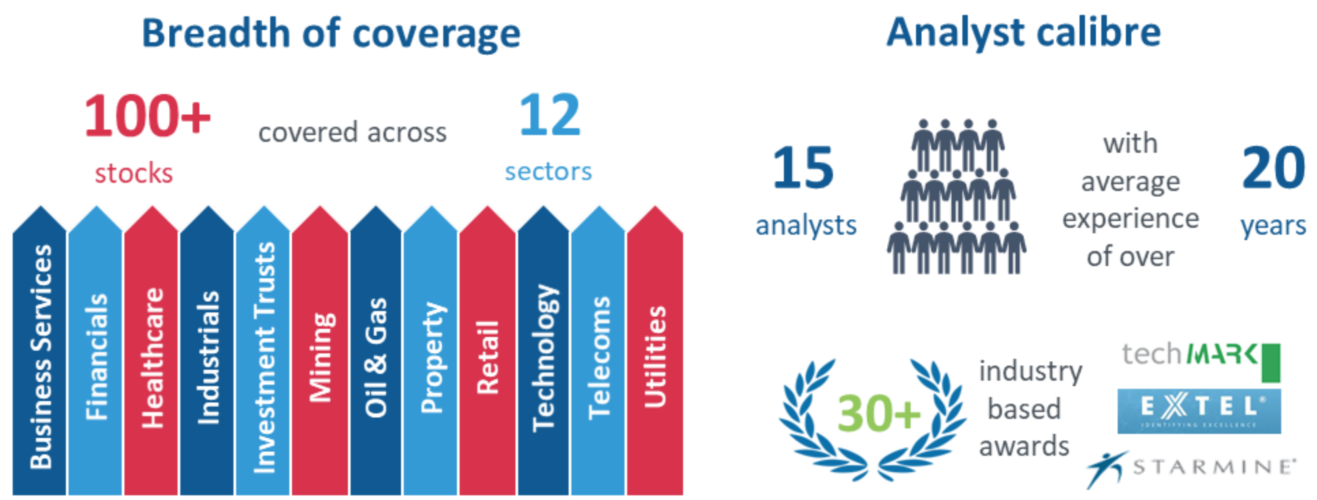

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