

Land sale – delivering on cash generation strategy

16th October 2023

Springfield has announced the sale of c.9.5 acres of land for £5.2m in cash (£0.5m to be received in the coming days, £4.7m on completion). This is a profitable land sale, which is in keeping with the Group's focus on debt reduction in an uncertain housing market. This again illustrates the value within the Group's large landbank and discussions are ongoing with other housebuilders and affordable housing providers about a number of sites.

Sale of land for £5.2m

Springfield has announced a binding agreement for the sale of approximately 9.5 acres of land for £5.2m. The land equates to 92 plots and is fully owned by the Group. Springfield will receive £0.5m in the coming days with the remaining £4.7m paid upon completion, which is expected to occur in March 2024. Following the receipt of the £0.5m, the agreement becomes unconditional in all respects. This is a profitable land sale, which will reduce the Group's net debt position.

Recent results highlighted focus on cash generation

Net debt at the end of May '23 was £67m and management is aiming to reduce this to <£60m by May '24, with cash generation a clear priority in an uncertain housing market, as set out in Springfield's recent prelims (20th September). Today's update confirms that Springfield remains in discussions with other housebuilders and affordable housing providers about a number of sites, which it hopes to complete in the near term. Springfield believes there will be significant pent-up demand coming through in the land market and that the Group is therefore in a strong position to benefit from this.

Large landbank underpins long term shareholder value

Springfield has one of the largest landbanks in Scotland. As of 31st May, the Group had 6,712 owned plots and strategic options over a further 3,255 acres (equivalent of a further 33,000 plots). The gross development of the owned landbank is c.£1.9bn, providing firm underpinning for long term shareholder value. We recently initiated coverage (Click: [An undervalued, high quality growth story](#)) and continue to see scope for a material re-rating of the shares.

Our Fair Value / share is 110p, based on an undemanding rating of 0.9x Price/ Book.

Key Financials & Valuation metrics						
Year-end May, £m	2019A	2020A	2021A	2022A	2023A	2024E
Sales	190.8	144.4	216.7	257.1	332.1	279.7
EBITDA	18.7	14.5	22.0	24.4	23.2	20.9
Adjusted PBT	16.0	10.2	20.7	22.7	16.0	10.1
FD EPS (p)	13.2	8.2	14.1	15.2	10.4	6.2
DPS (p)	4.4	2.0	5.8	6.2	0.0	0.0
Net Cash/(Debt)*	-29.6	-70.9	-20.8	-38.1	-67.7	-60.0
Net Cash/(Debt)**	-27.9	-67.5	-18.2	-34.1	-61.8	-54.1
Net Debt**/EBITDA	1.6x	4.9x	0.9x	1.6x	2.9x	2.9x
P/E	3.9x	6.3x	3.7x	3.4x	5.0x	8.4x
EV/EBITDA	0.0x	9.2x	3.8x	4.1x	5.6x	5.8x
Price/ Book	0.6x	0.5x	0.5x	0.4x	0.4x	0.4x
Dividend yield	8.5%	3.8%	11.1%	11.9%	0.0%	0.0%
FCF yield	21.4%	-63.1%	99.6%	24.2%	2.6%	33.4%

Source: ED analysis, all numbers IFRS 16 basis * including leases ** excluding lease

Company Data

EPIC	SPR.L
Price (last close)	52p
52 weeks Hi/Lo	105p/52p
Market cap	£62m
ED Fair Value / share	110p
Proforma net cash (debt)	(£60.0m)
Avg. daily volume	40,000

Share Price, p



Source: ADVFN

Description

Springfield Properties is one of Scotland's leading housebuilders (top three by volume). It has an enviable track record of growth and profitability and a reputation for building high quality homes in attractive locations. It has multiple awards for the quality of its homes and innovation.

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