



# Home Builders Federation Annual Policy Conference

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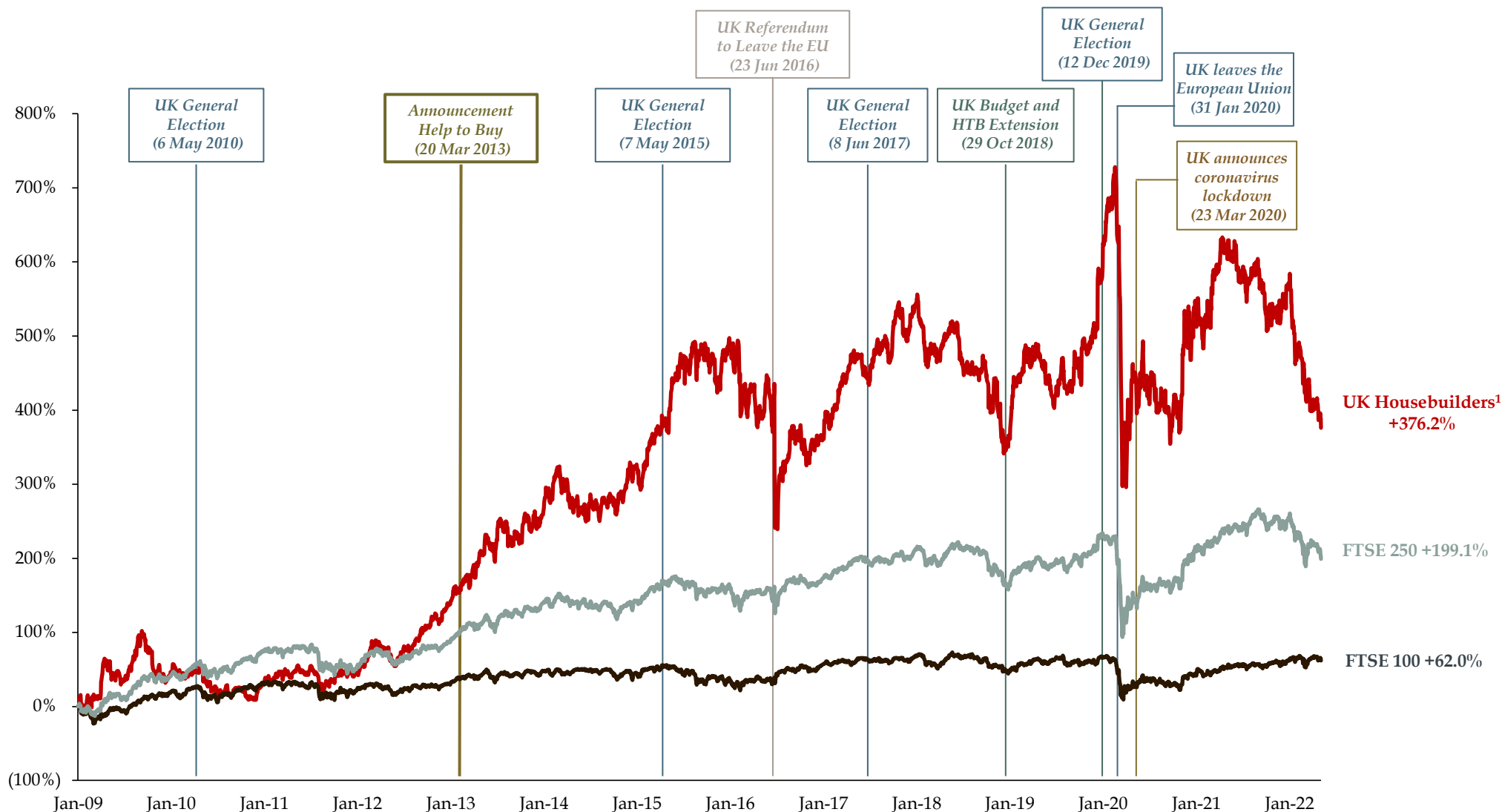
A Year of Contrasts

**Mark Aedy**

*Head of EMEA & Asia, Moelis & Company*

May 2022

# The Housing Sector Outperforms!



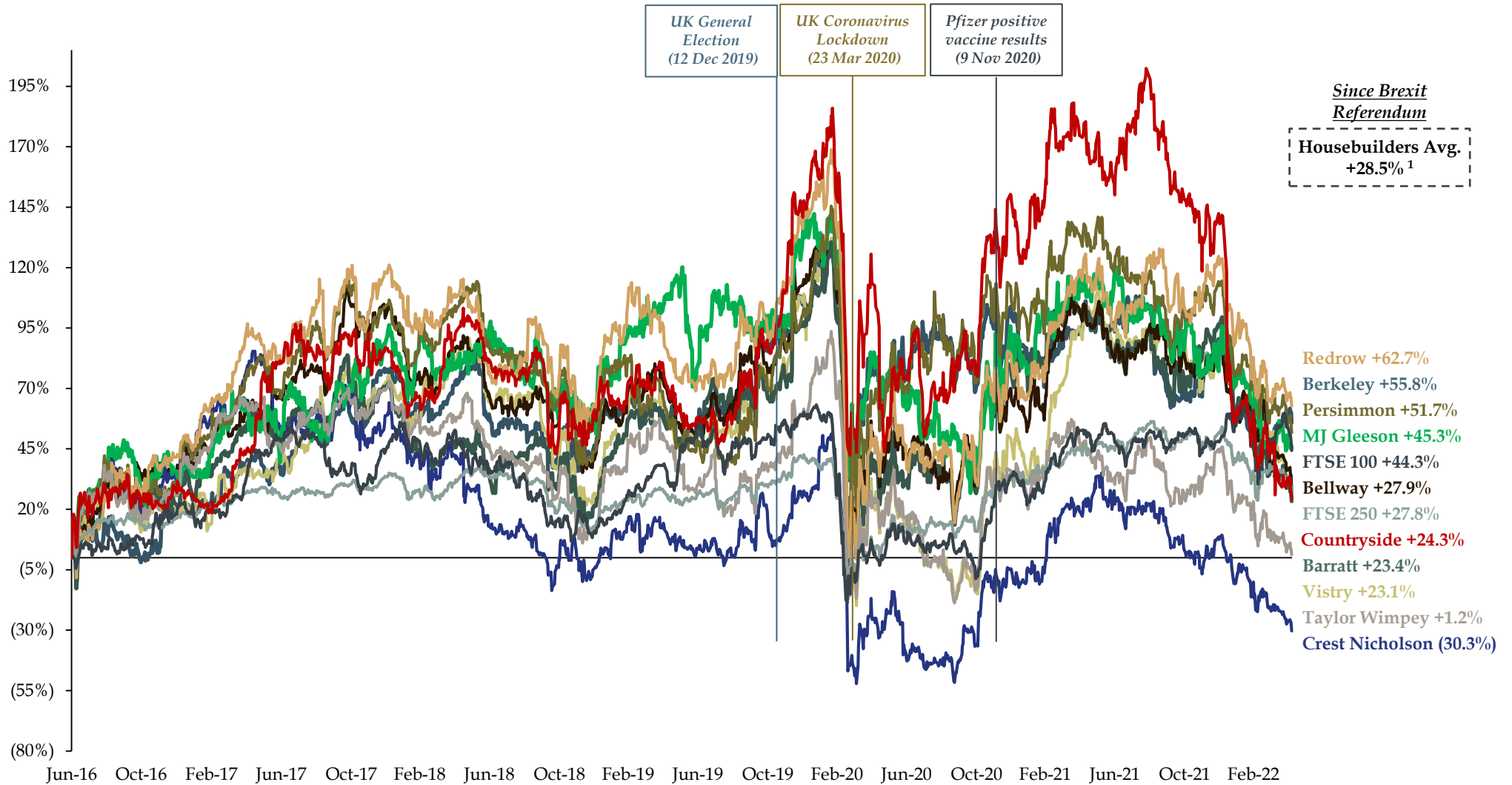
Source: Capital IQ as of 06-May-2022

Note: Chart shows share price performance from 1-Jan-2009 - 06-May-2022

1. UK Homebuilders Index includes Barratt, Bellway, Berkeley, Crest Nicholson, Countryside, MJ Gleeson, Persimmon, Redrow, Taylor Wimpey, Vistry Group and Galliford Try (share price until sale of Linden Homes and Partnerships & Regeneration businesses transaction completion on 02-Jan-2020)

# Most Builders are up Since The EU Referendum, but Have Given Up Most of Their 2021 Gains Due to a Worsening Macroeconomic Environment and Concerns of Rising Interest Rates

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Source: Capital IQ as of 06-May-2022  
 Note: Chart shows share price performance from 28-Jun-2016 – 06-May-2022  
 1. Excludes FTSE 100 and FTSE 250

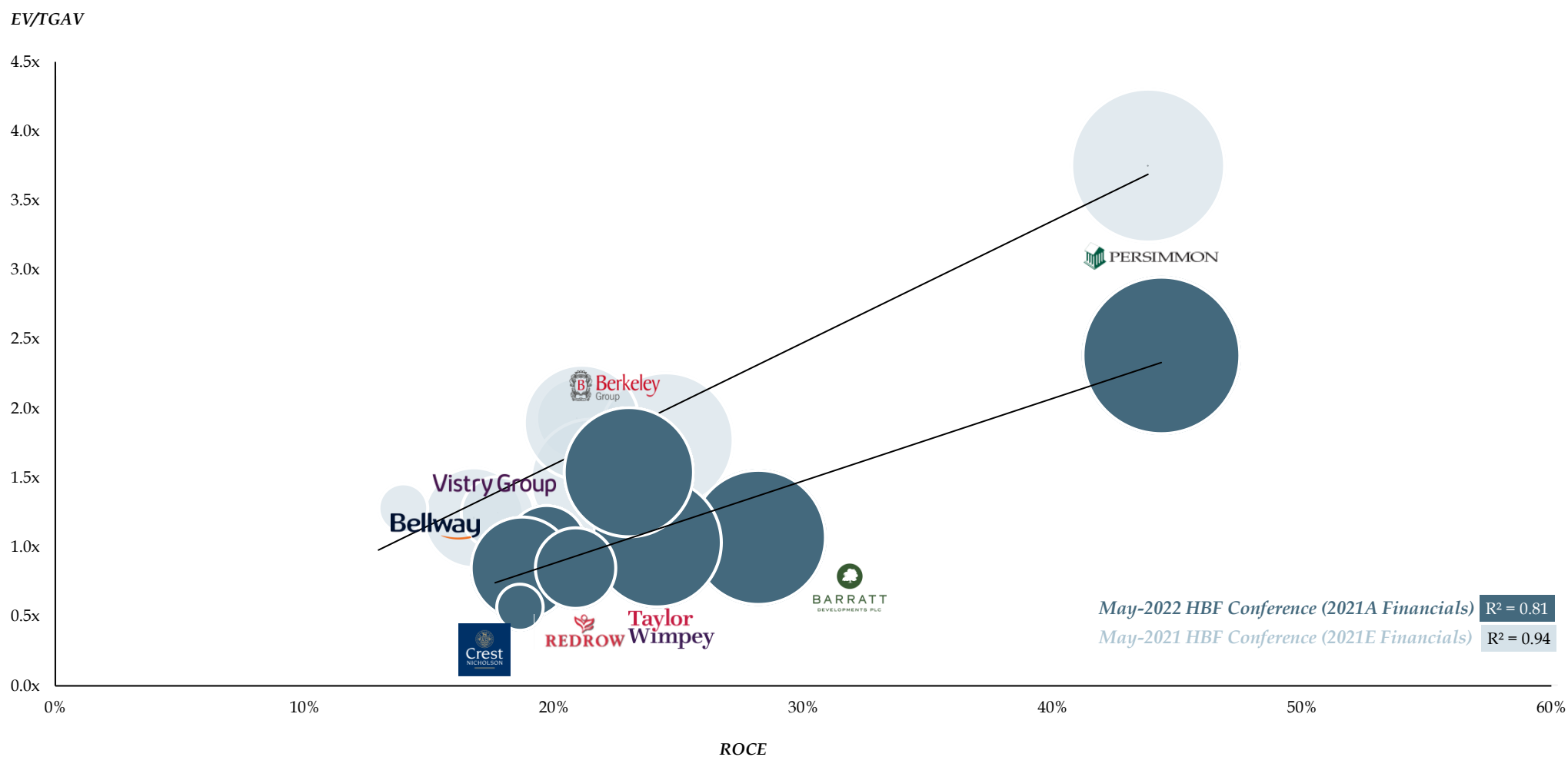
# Most Companies in Negative Territory, With a Significant Correction Since Dec-2021



Source: Capital IQ as of 06-May-2022  
 Note: Chart shows share price performance from 2-Jan-2020 - 06-May-2022  
 1. Excludes FTSE 100 and FTSE 250

# ROCE is the Key Driver of Valuation in the Sector

## EV / TGAV VS ROCE (2021E & 2021A) REGRESSION

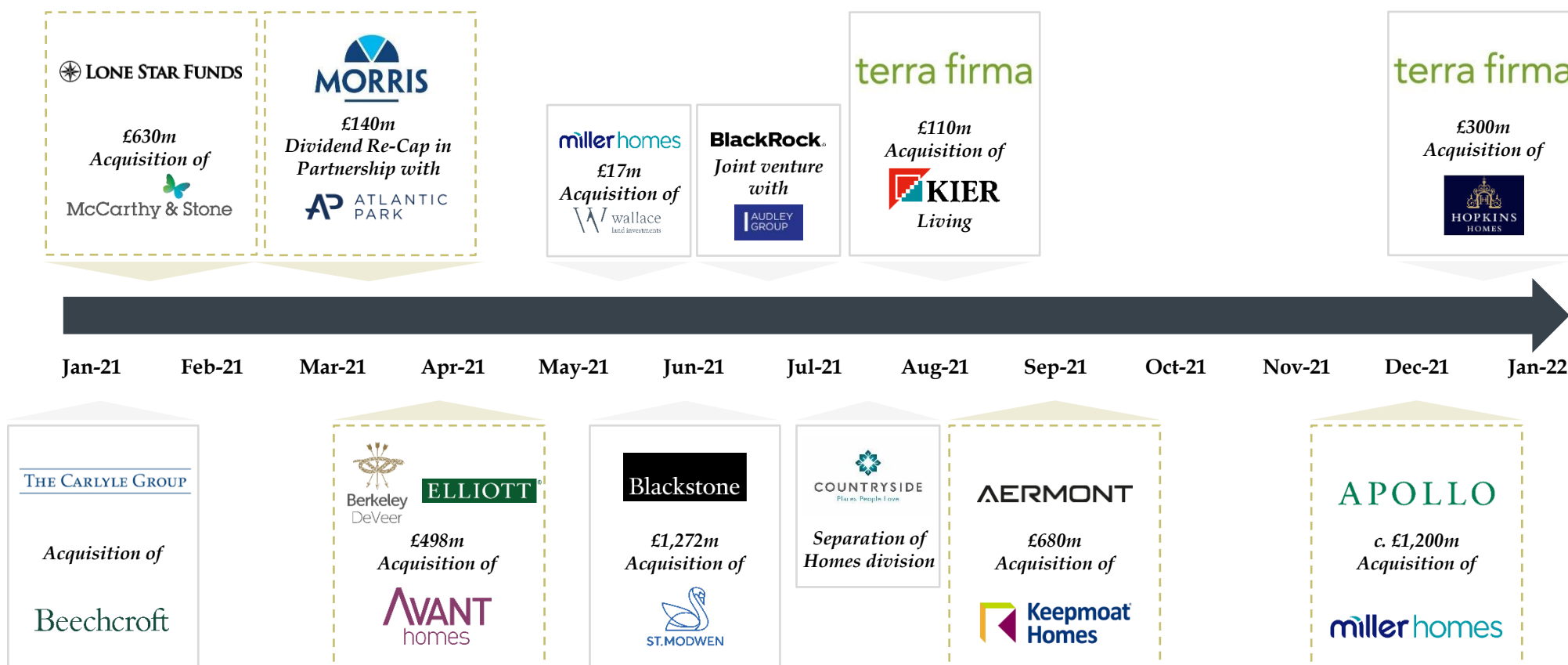


Source: Capital IQ as of 06-May-2022 & 14-Mar-2021

Note: Financials Calendarized for December year-end; Bubble size is proportional to market value; ROCE calculated using average TGAV; public peers forecasts are based on Thomson Eikon consensus estimates

# Unprecedented Corporate Activity – A Vote of Confidence

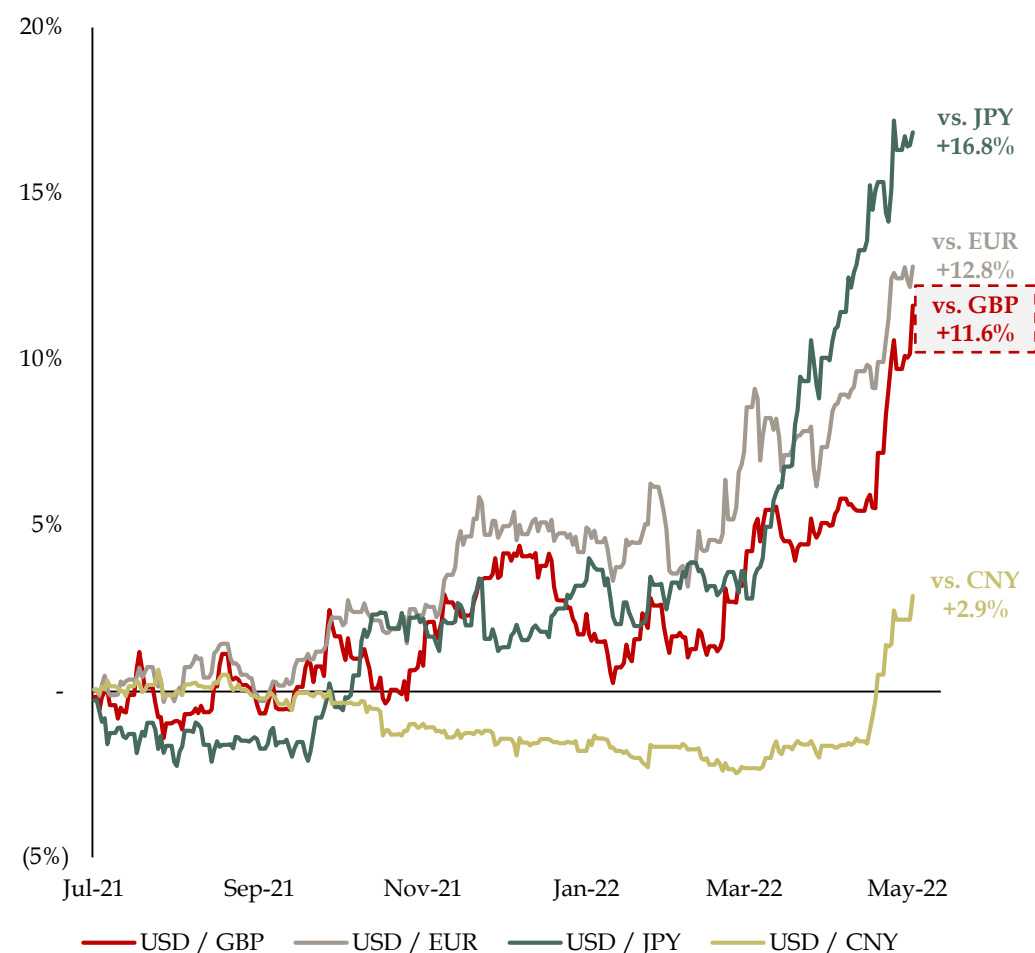
*Moelis advised process*



# The Rising US Dollar - UK Market Positioning

## SINCE MID 2021 THE US DOLLAR HAS APPRECIATED MATERIALLY...

USD appreciation against benchmark currencies since Jul-2021



## ... WHILE UK CONTINUES TO TRADE AT A SIGNIFICANT DISCOUNT

Rebased share price (May-2017 = 100)



# The Rising US Dollar - UK Market Positioning (Cont'd)

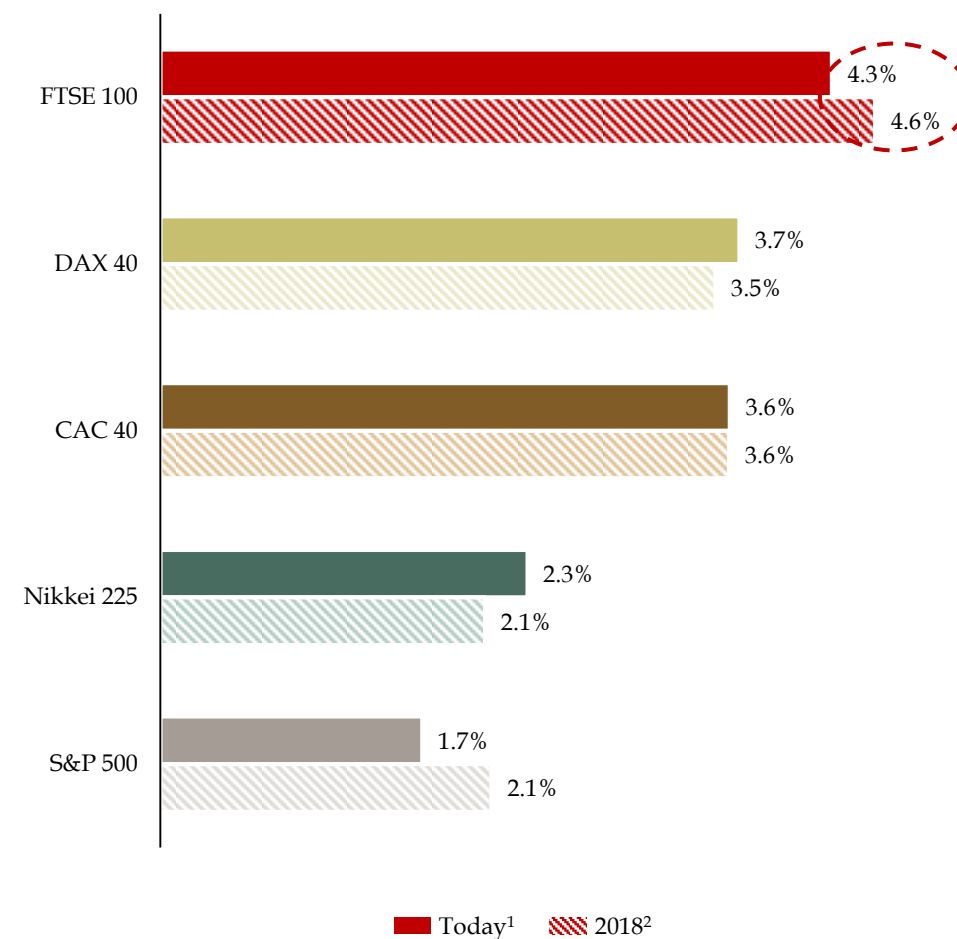
## PRICE / EARNINGS MULTIPLE

Rebased forward P/E multiple (May-2017 = 100)



## DIVIDEND YIELD

The UK market continues to have the highest yield across developed markets



Source: Capital IQ and Bloomberg as of 05-May-2022

1. Forward dividend yield as of 05-May-2022

2. Average forward dividend yield between 01-Jan-2018 and 31-Dec-2018



## Key Lessons From a Frenetic 2021



## Reasons To Be Cheerful...?

	<u>2018</u>	<u>HBF 2021</u>	<u>HBF 2022</u>
Land Market Remains Benign	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
Management and Capital Discipline	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Historic Underbuild	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Supportive Government Policy	✓ ✓ ?	✓ ✓ ✓	?
Positive Macroeconomic Environment	✓ ?	✓ ✓ ✓	?
Positive Demographics	✓	✓ ✓	✓ ✓
Housing Affordability	✓	✓ ✓	?

## Key Issues in the Sector

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1 | **Government and Housing Policy?**

2 | **Attractiveness of PRS?**

3 | **Merits of Vertical Integration?**

4 | **Impact of Modular Housing?**

5 | **Impact of Technology?**

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