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A mixed outlook for leading UK house builders

Nearly half of the top 15 in the Company Watch Warning Zone

Research from Company Watch, the corporate health monitoring specialists, shows that almost half of the UK's largest* house building groups are in poor financial health**.

Some house builders are performing strongly, however. There has been a raft of positive announcements in the past few days from Taylor Wimpey, Persimmon, Barratt Developments, Bovis Homes and Galliford Try, who are benefiting from tough cost cutting, margin improvement and debt reduction strategies implemented in response to the slowdown in the housing market.

But although some leading house builders doing well, the outlook for other major players in the sector is less rosy.

An analysis of the leading house builders' previous five sets of published accounts and other public domain information shows seven out of the 15 (47 per cent) of the largest house builders scoring fewer than 25 points out of a maximum H-Score® of 100. This puts them firmly in Company Watch's Warning Zone.

With many households struggling to make ends meet and rising unemployment sapping consumer confidence, it's unsurprising that property experts expect a challenging year ahead for the house builders.

Company Watch analysis of 15 largest* house builders below:

Company	Latest H-Score® (maximum 100)	Previous H-Score® (maximum 100)	Latest full-year Turnover* £m
Bellway	85	88	886
Bovis Homes^	76	86	299
Taylor Wimpey^	54	12	2,603
Persimmon^	51	67	1,570
Bloor	51	57	655
Redrow	45	16	453
Stewart Milne	30	10	229
Cala	26	5	205
Countryside	25	3	222
McCarthy & Stone	19	50	203
Galliford Try	14	13	1,284
Barratt Developments	12	23	2,035
Berkeley Group^	9	10	743
Crest Nicholson	7	4	284
Miller	5	4	761

Nick Hood, Head of External Affairs at Company Watch, commented:

“With so many negative pressures affecting confidence and no end in sight to gloomy economic news, 2012 is going to be another tough year for house builders.

“While the recent good news from the sector is very welcome, our analysis shows that some leading house builders have much to do to improve their financial health. Their management will need to focus hard on basic business disciplines such as margin improvement and cash conservation, rather than chasing volume, if they are to survive and prosper.

“As in many other struggling sectors, bankers, suppliers and the trade insurers will be choosing which companies to support and how to mitigate the potential losses on their other exposures. Most house builder insolvencies in 2012 will be SMEs, but it is clear that there’s no room for complacency for the larger players.”

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Notes:

*2011 rankings based on latest available full-year turnover. H-Scores and turnover are given for the highest consolidated parent company.

**Statistics on all UK companies for the past 14 years show that one in four companies in the ‘Warning Zone’ either file for insolvency or undergo a major financial restructuring.

^ Latest H-Score based on interim figures

About Company Watch

Company Watch rates the financial health of companies worldwide by applying its unique H-Score® methodology to published financial data. Since its launch in 1998, the H-Score® has identified nine out of ten corporate insolvencies or restructurings in advance. The Company Watch service is used by major international blue chip corporations, banks, fund managers, insurance companies, public sector bodies, accountancy firms, restructuring practices and other professional organisations throughout the world.