

**Crest Nicholson Holdings plc**  
**(the “Company” or “Crest Nicholson”)**  
**Strategic & Trading Update**



Crest Nicholson today announces a Strategic & Trading update following the appointment of a new leadership team, including new Chief Executive Peter Truscott, who joined the business on 9<sup>th</sup> September 2019, and consequently a change in the Company’s expectations for profit before tax for the current financial year.

The new leadership team has conducted a thorough review of the Company’s current strategy and operations. Peter and the team have identified significant opportunities to generate value for shareholders over the medium term.

Crest Nicholson is a resilient business capable of building on its key strengths in the future. Its vision will continue to be centred around:

- A strong reputation for placemaking, build quality and the development of attractive, sustainable communities;
- A focus on customer service with an ambition to be a 5-star rated housebuilder;
- Developing its high-quality land portfolio with a strong South-East presence;
- Becoming more efficient in everything it does, reducing complexity and eliminating waste; and
- Developing a multi-channel, multi-tenure business that can adapt to evolving customer needs and an uncertain economic and policy landscape.

However, the leadership team believes that delivery for shareholders requires accelerated action in particular areas and has therefore already begun implementing the following changes:

- A material and sustainable reduction to the on-going overhead and sales-related costs of operations;
- A more selective approach to land sales going forward. Land sales that can deliver attractive economic returns will remain an important part of the strategy. However, those sales will only come from sites where the Company has adequate outlet capacity and infrastructure is already in place. As such a lower level of land sale contribution is anticipated in FY2020; and
- An ambition to increase the number of sales outlets and to develop schemes of differing tenure type. Over time this approach, combined with greater operating efficiencies, will deliver greater shareholder returns as Crest Nicholson develops rather than sells those assets, leveraging its core capabilities as a differentiated housebuilder.

The Company is finalising its updated strategy and will provide more detail on plans to maximise shareholder value at its full year results in January 2020.

The leadership team believe these combined actions will re-position the Company’s margins and returns to be in line with the rest of the sector over the medium term while continuing to support its focus on cash generation.

## **FY2019 Trading Update**

During the second half of FY2019 the Company has experienced a volatile sales environment in some of its regional businesses, driven largely by ongoing customer uncertainty relating to Brexit and the economic outlook in the UK. This has been felt most acutely in some of the legacy London sites and accordingly an adjustment will be made to some of the carrying values of those developments to reflect current market conditions of approximately £10m.

As a result of the impact of market conditions on underlying sales rates and the adjustments taken with respect to its legacy London sites, profit before tax for FY2019 is expected to be in the range of £120m-130m.

In addition to this, the leadership team has also considered the latest Government guidance notes in respect of combustible materials, fire risk and protection and regulatory compliance on completed developments. As a result it is considered it appropriate to record an exceptional charge in the year of approximately £17m.

## **Outlook**

Whilst the political and economic backdrop remains uncertain, Crest Nicholson expects consumer confidence and open market sales rates to continue to be impacted. Given this trading outlook, coupled with a lower level of land sale contribution in the year, the Company anticipates FY2020 profit before tax excluding exceptional charges to be in the range of £110m-£120m. Thereafter it expects strong profit growth in FY2021 and beyond as the updated strategy starts to take full effect.

The new leadership team are confident that the actions they have already begun to implement will position the business strongly for the future and look forward to updating the market in more detail with their first Preliminary Results announcement on 28<sup>th</sup> January 2020.

## **Dividend**

As the Company sets out its plans to rebuild operating profits, it also recognises the importance of the dividend to shareholders whilst maintaining a robust balance sheet. The updated strategy in January will have foundations of strong cash generation and disciplined capital allocation to support the ongoing dividend commitments. Accordingly, and providing the business does not see a significant deterioration in trading conditions, the Board expects to continue to pay a dividend of 33 pence per share for FY2020.

Peter Truscott, new Chief Executive of Crest Nicholson said:

*"Crest Nicholson is a great business, which builds high quality homes and communities for our customers and is well placed to deliver for shareholders. The Company's high-quality land portfolio with a strong South-East presence offers significant opportunity to generate value for shareholders and we have identified a number of opportunities that will enable us to strengthen shareholder returns over the medium term. We are taking decisive action to ensure the business moves further and faster to make the most of the opportunities in front of it. While current market conditions remain uncertain, the prospects for Crest Nicholson over the medium term remain highly attractive."*

**31st October 2019**