



FINBERRY
ASHFORD

Crest Nicholson Holdings plc

HALF YEAR RESULTS 2020

24 JUNE 2020



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'Crest Nicholson' or the 'Group' refers to Crest Nicholson Holdings plc and its subsidiary companies.



OVERVIEW

- Excellent progress across all five strategic priorities
- Challenging trading conditions
 - Expected political uncertainty
 - Good momentum heading into spring selling season
 - COVID-19 an unprecedented impact
- Strong focus on protecting the balance sheet
- Health and safety our number one priority
 - AllR has improved from 411 to 334
- Achieved five-star housebuilder status

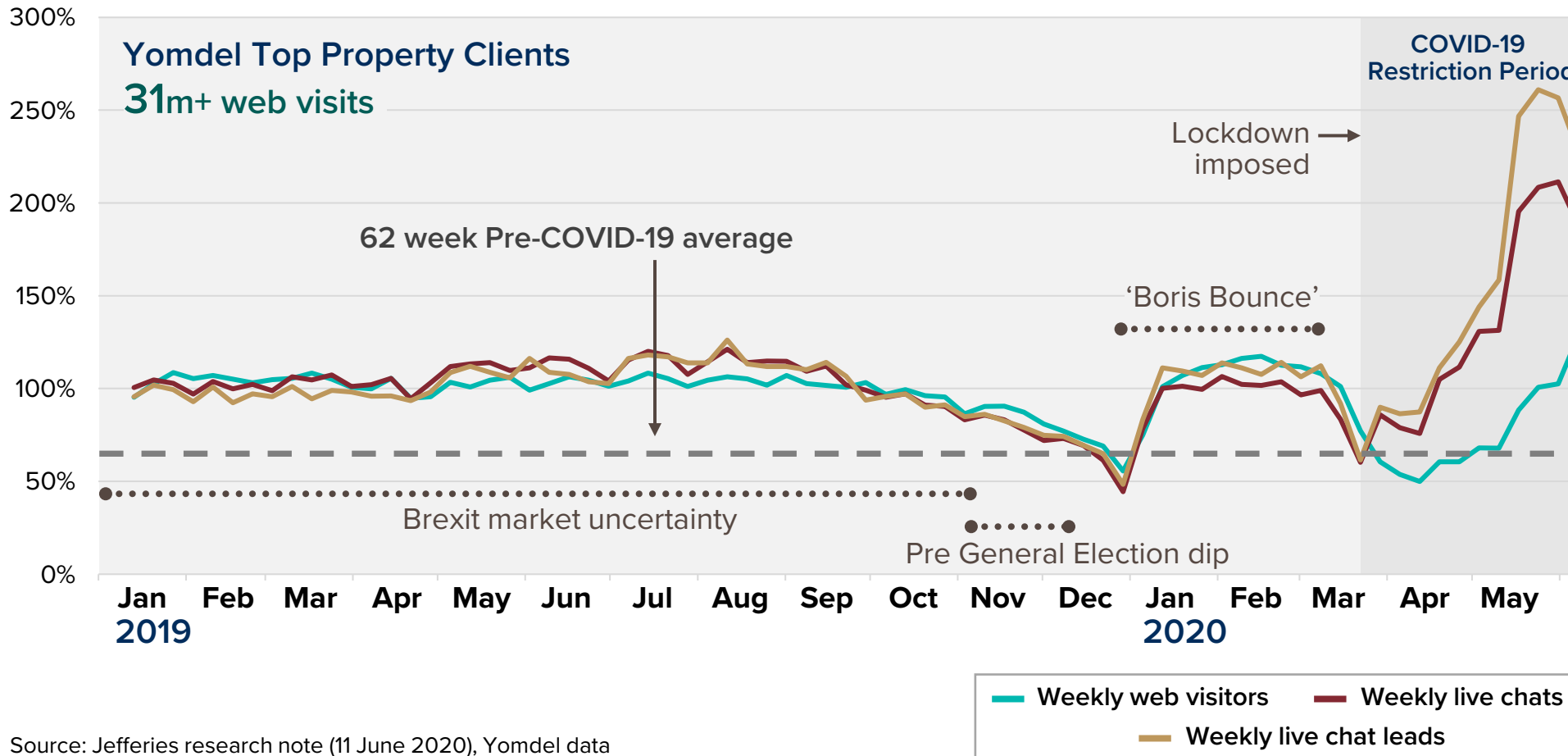


BARKHAM PLACE
WOKINGHAM

MARKET CONTEXT

VOLATILE TRADING CONDITIONS THROUGHOUT FIRST HALF

WEEKLY PROPERTY WEBSITE ENGAGEMENT (2019 & 2020 YTD)



Source: Jefferies research note (11 June 2020), Yomdel data



AGENDA

OVERVIEW AND MARKET CONTEXT

DUNCAN COOPER
FINANCIAL REVIEW

PETER TRUSCOTT

- COVID-19 UPDATE
- STRATEGY UPDATE
- OUR STRATEGY AFTER COVID-19

Q&A



WESTVALE PARK
HORLEY

FINANCIAL REVIEW



HOADLANDS GRANGE
HAYWARDS HEATH

DUNCAN COOPER
GROUP FINANCE DIRECTOR



INCOME STATEMENT

POLITICAL AND ECONOMIC UNCERTAINTY

£m	HY20	HY19	% Change
Revenue	240.0	501.9	52.2% ▼
Cost of sales ¹	(204.1)	(401.6)	49.2% ▼
Adjusted gross profit¹	35.9	100.3	64.2% ▼
<i>Adjusted gross profit margin %¹</i>	15.0%	20.0%	
Adjusted administrative expenses ¹	(24.8)	(29.5)	15.9% ▼
Adjusted operating profit¹	11.1	70.8	84.3% ▼
<i>Adjusted operating profit margin %¹</i>	4.6%	14.1%	
Adjusted net finance expense ¹	(5.5)	(5.3)	
Share of joint venture results	(1.1)	(1.1)	
Adjusted profit before tax¹	4.5	64.4	93.0% ▼
Adjusted income tax ¹	(0.9)	(12.5)	
Adjusted profit after tax¹	3.6	51.9	
Exceptional items net of income tax	(44.1)	-	
(Loss) / Profit after tax	(40.5)	51.9	
Adjusted basic earnings per share¹	1.4	20.2	
Dividend per share (p)	-	11.2	

- Adjusted gross profit lower due to:
 - COVID-19 impact
 - £12.1m lower land and commercial contribution
 - £13.7m lower bulk contribution
 - £2.6m charge for freehold reversions
- Good progress on admin expenses
- Adjusted effective tax rate of 20.0%
- Pre tax £55.7m exceptional charge
 - £51.2m COVID-19 impairments
 - £4.5m restructuring (£1.7m cash)



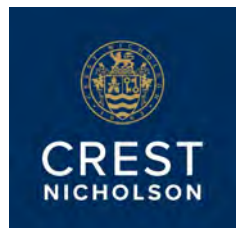
¹ HY20 figures, adjusted for exceptional items of £55.7m relating to inventory impairment and restructuring costs, net of £11.6m tax credit where appropriate

VOLUME BY CHANNEL

	HY20	HY19	% Change
Outlets (full year equivalents)	64	58	10% ▲
Sales per outlet week (Open market private)	0.37	0.46	20% ▼
Sales per outlet week (Open market inc-Bulk)	0.46	0.78	41% ▼
Home completions (units)			
Open market (private)	384	627	39% ▼
Affordable	208	307	32% ▼
Bulk ¹	183	253	28% ▼
Total	775	1,187	35% ▼

- Good progress in growing outlets
- SPOWs impacted by uncertainty
- Strong conversion to receipts

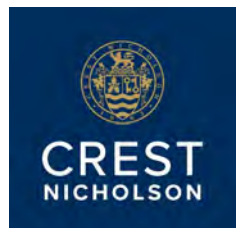
¹ Bulk completions reflect sales to Private Rented Sector (PRS), Registered Providers (exc. S106) and private investors



AVERAGE SELLING PRICE BY CHANNEL

£'000	HY20	HY19	% Change
Home completions			%
Open market (private)	424	441	4% ▼
Open market (inc-Bulk)	344	413	17% ▼
Affordable	139	230	40% ▼
Total housing ASP (weighted average)	290	365	21% ▼
Open market reservations			
Open market (private)	405	431	6% ▼
Open market (inc-Bulk)	383	371	3% ▲

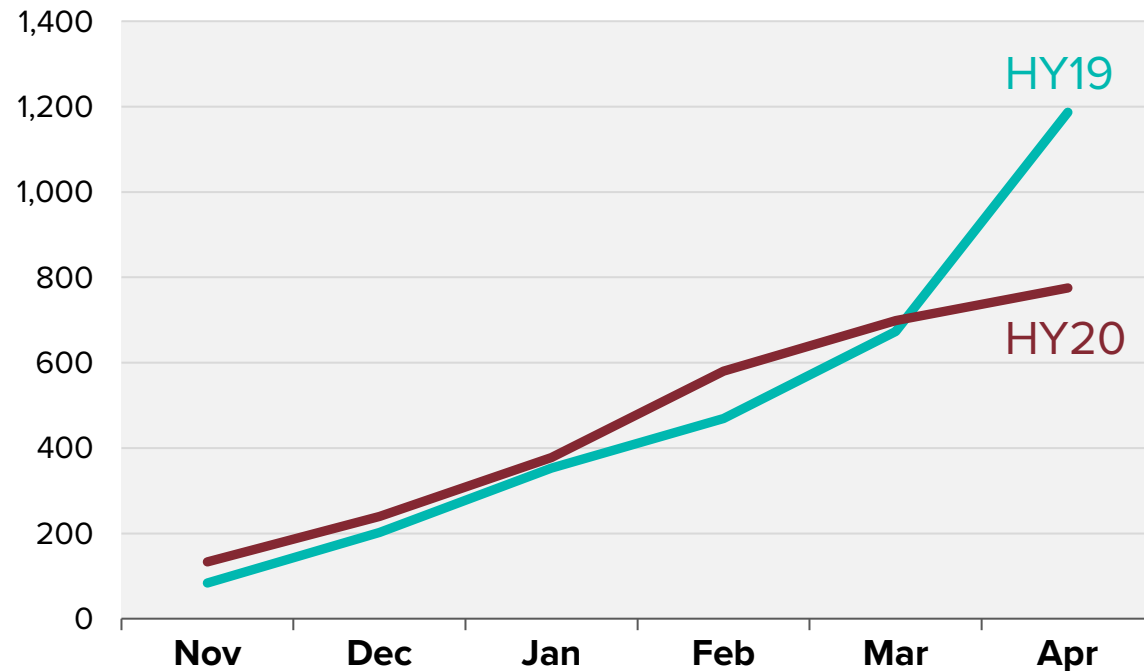
- All ASPs continue to reduce
- 42 ex-London units completed
 - 145 across 6 sites remaining
 - 145 at London Chest Hospital
- Stable bulk pricing in reservations



COVID-19 IMPACT ON H1 RESULTS

GOOD UNDERLYING MOMENTUM

CUMULATIVE HOME COMPLETIONS (UNITS)



- Performance on track at start of financial year
- Best 12-month rolling week prior to lockdown
- Encouraging early indicators since reopening
 - Appointments and footfall increasing
 - Conversion rates increasing
 - Cancellations % falling
- Forward sales at 19th June 2020
 - 2,715 units and £575.1m GDV
 - c.85% of FY20 covered



BALANCE SHEET

COVID-19 ACTIONS COMPLEMENT EXISTING INITIATIVES

- Net debt £93.3m (HY19: £68.3m)
- Net debt including land creditors £317.2m (HY19: £260.4m)
- Average net debt £125.0m (HY19: £136.6m)
- Pension deficit £8.4m (HY19: £1.2m)
- Inventories £1,168.3m (HY19: £1,183.9m)
 - £43.2m NRV impairment review
- Secure financing:
 - £250m RCF facility expiring June 2024
 - £100m senior loan notes maturing 2024 to 2029
 - £300m CCFF facility in place



CASH MANAGEMENT

UPDATED STRATEGY TAKING EFFECT

£m	HY20	HY19	Change
Net cash brought forward	37.2	14.1	
Housing and other receipts	278.2	422.8	144.6 ▼
Land sale receipts	10.4	60.1	49.7 ▼
Land expenditure	(107.3)	(132.6)	25.3 ▲
Build expenditure	(257.1)	(306.6)	49.5 ▲
Marketing	(11.0)	(16.7)	5.7 ▲
Overheads	(25.2)	(28.6)	3.4 ▲
Other	(10.3)	(13.7)	3.4 ▲
Dividends	-	(56.0)	56.0 ▲
Tax	(8.2)	(11.1)	2.9 ▲
Net debt carried forward	(93.3)	(68.3)	25.0 ▼

- Receipts impacted by COVID-19
- Lower land sale contribution
- Good progress on WIP optimisation
- Lower marketing and overheads
- Cancellation of dividend
- Full year tax impacted by exceptionals
 - £5.1m Q1 refund
 - No further payment in 2020

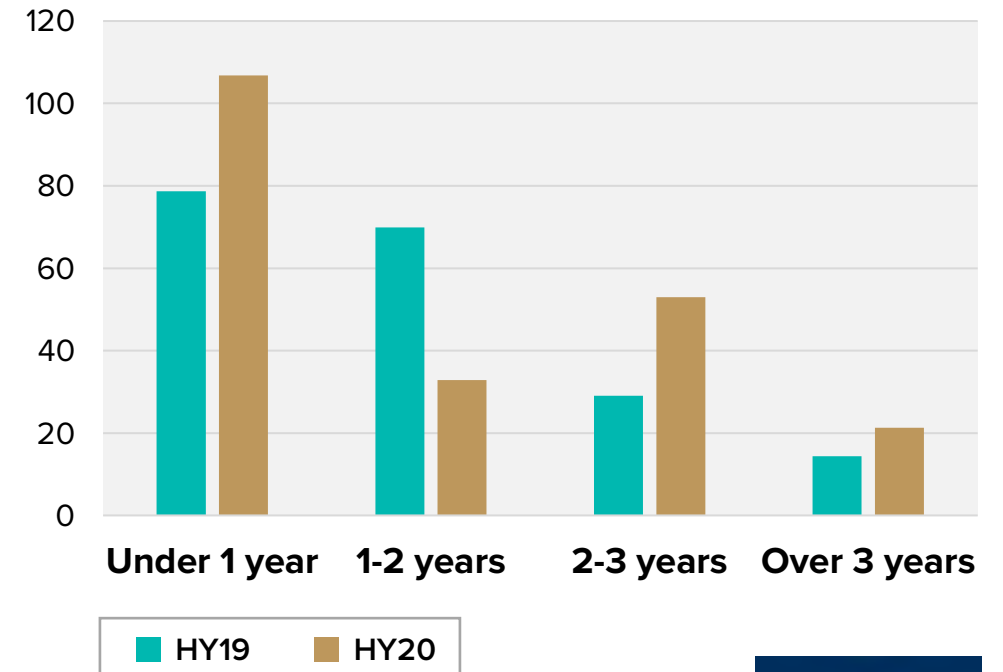


PROTECTING THE BALANCE SHEET

DECISIVE ACTION TAKEN AT OUTSET OF COVID-19

- £241.8m of available cash at 22 June 2020
- Land payments cancelled, renegotiated or deferred
- Further controls on WIP spend and exposure
- Deferral of other statutory commitments
- Committed to paying suppliers on time and to terms
- £300m CCFF facility in place, currently undrawn

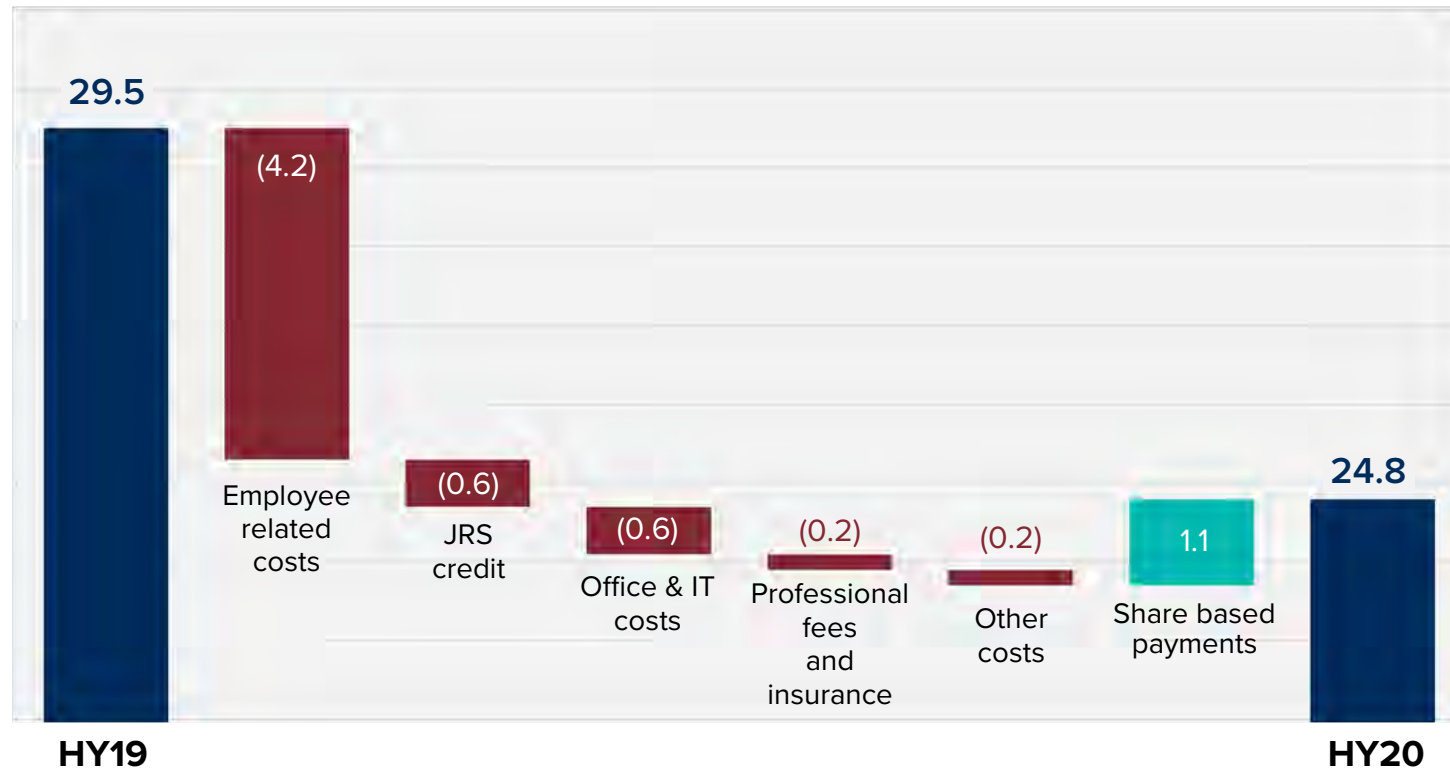
LAND CREDITOR ROLL OUT BY YEAR (£m)



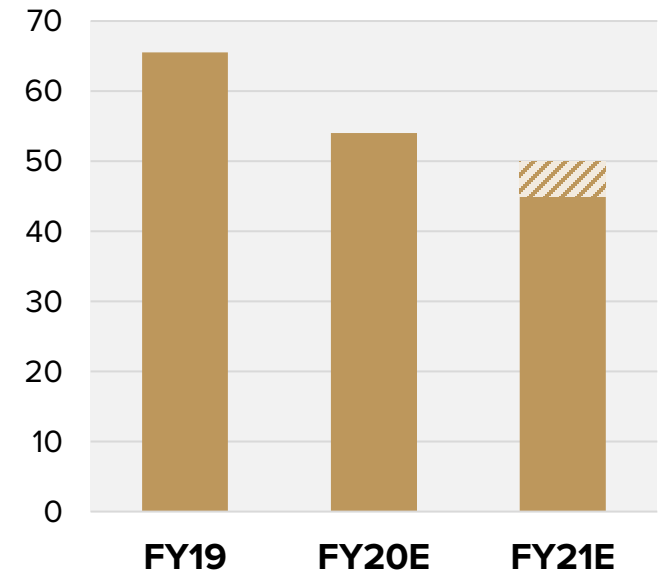
COST MANAGEMENT

ACCELERATING DELIVERY OF OPERATIONAL EFFICIENCIES

HY19 to HY20 ADJUSTED ADMIN EXPENSE WATERFALL (£m)



ADJ. ADMIN EXPENSES (£m)



EXCEPTIONAL ITEMS

REPOSITIONING AND RESTRUCTURING FOR THE FUTURE

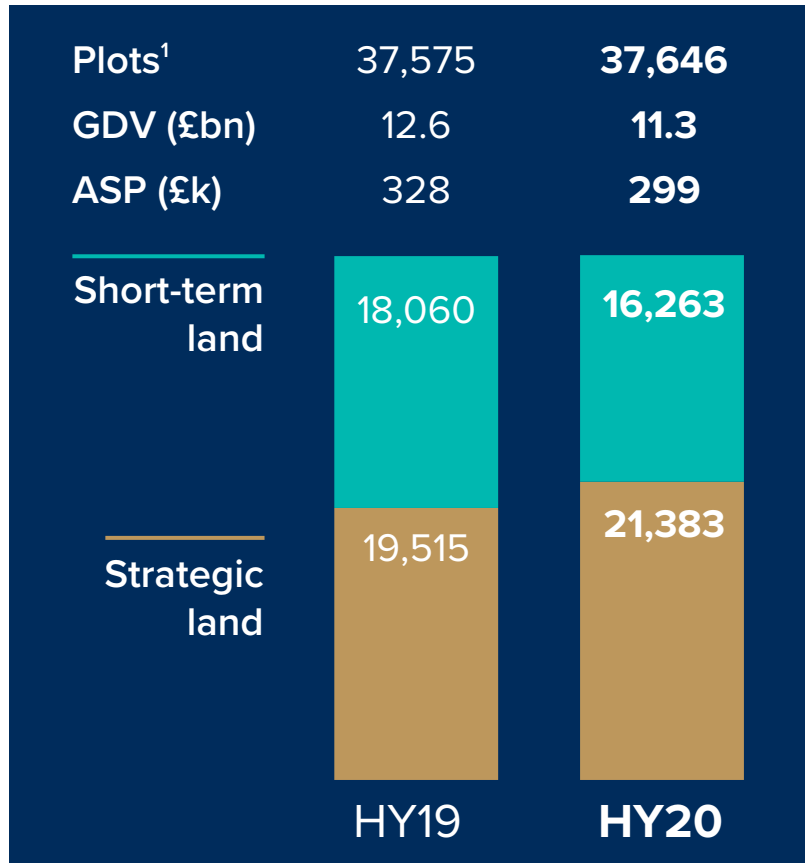
£m	HY20
COVID-19 related impairments	
Inventory impairment	43.2
Net impairment losses on financial assets	7.4
Finance expense	0.6
	51.2
Restructuring costs	4.5
Total exceptional items	55.7
Tax credit on exceptional items	(11.6)
Total exceptional items after taxation	44.1

- COVID-19 trigger for impairment review
 - 7.5% sales price reduction for residential
 - 32.0% sales price reduction for commercial
 - £33.9m NRV provision
 - £0.6m shared equity loans
- Two material scheme reviews
 - £9.3m of abortive WIP at Greenhithe
 - £7.4m ECL charge for Bonner Road LLP – London Chest Hospital
- £4.5m restructuring
 - Reorganisation and IT systems
 - Expect similar charge in H2



CURRENT LAND PORTFOLIO

CONTROLLED ACTIVITY IN THE FIRST HALF



Short-term land

- 775 home completions
- 422 plots added
- GDV significantly reduced
 - Underlying ASP difference minimal
 - Impact of NRV adjustments the driver

Strategic land

- Secured 1,057 plots on 3 sites

¹ Plot numbers based on management estimates of site capacity



SUMMARY

- Trading environment will remain uncertain
- Funding position is secure
- Strong controls to stay for cash and costs
- Further restructuring plans announced
 - c.£5m of annualised savings
 - Similar exceptional charge for H2
- Forward sales of 2,715 units and £575.1m GDV
- Expect FY20 net cash to be higher than FY19
- FY20 APBT in range of £35m-£45m



BROOKLANDS PARK
BRISTOL



COVID-19 UPDATE



PETER TRUSCOTT
CHIEF EXECUTIVE



COVID-19 ACTION PLAN

- Health and safety
- Protect the balance sheet
- Quickly form a view on the future
 - Trading conditions likely to become more challenging
 - Review of strategy and accelerate efficiencies



MULBERRY VIEW
WOKINGHAM

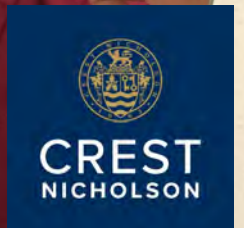
CONTROLLED RETURN TO WORK

- Signed up to a new MHCLG and HBF Charter
- Phased return to sites from 18 May
 - Detailed health and safety protocols
 - Strong WIP control as we match to demand
- Clear prioritisation of capital and effort
 - Affordable and PRS
 - Nearly completed private units



EMPLOYEE ENGAGEMENT

- 75% furloughed from early April
 - Full pay during furlough
 - All employees unfurloughed by 31 May
- Technology worked well for all those homeworking
- Regular senior leadership communications
- Employees encouraged to volunteer
 - Providing care and help to at risk groups
 - Supporting the NHS on various tasks
- Board donated 20% of salaries and fees to charity



LOOKING AFTER OUR CUSTOMERS

- Introduction of remote interaction options
 - Online video appointments with sales team
 - Virtual property tours
 - eSignature for reservations
- Virtual end to end sales process
- Emergency after care issues resolved during lockdown
- Regular communication to keep fully informed



SUPPLY CHAIN AND SUBCONTRACTORS

- Maintained good dialogue during lockdown
- All signed up to COVID-19 working practices
- Currently no materials or resource availability issues
- Strong WIP controls agreed with supply chain
- New communication protocols to highlight
 - Materials shortages or risks
 - Whistleblowing on COVID-19 safety breaches



STRATEGY UPDATE

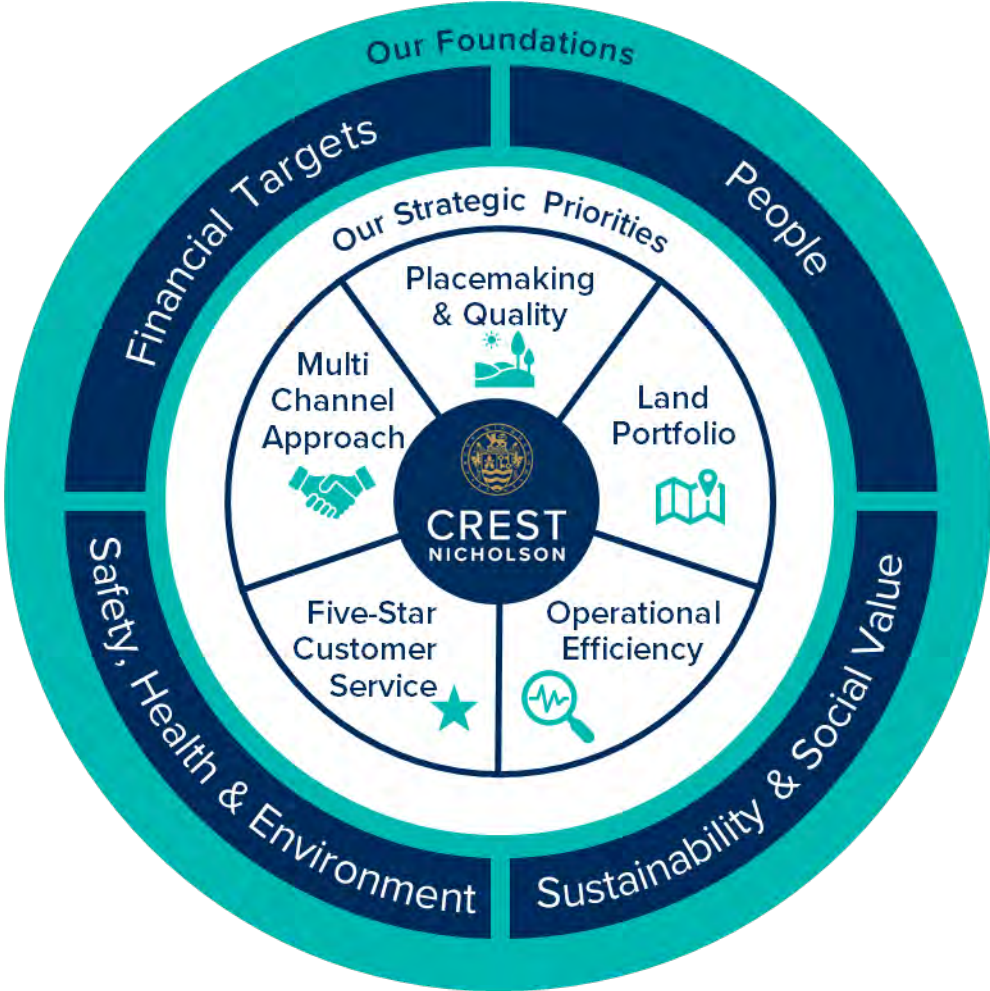


THE WATERFRONT
GLOUCESTER

PETER TRUSCOTT
CHIEF EXECUTIVE



OUR UPDATED STRATEGY





PLACEMAKING AND QUALITY

WHAT WE ARE KNOWN FOR



ABORFIELD GREEN
WOKINGHAM



HOADLANDS GRANGE
HAYWARDS HEATH





LAND PORTFOLIO

CONTROLLED ACTIVITY IN FIRST HALF

- Well-located with possible changes to lifestyle and working practices
- Southern England weighting with growth in Midlands and South West
- Priority to secure more outlets
- Opportunity to utilise existing land portfolio in the short term
 - Additional open market point of sales
 - Multi tenure including bulk PRS and RPs
 - JVs
- New acquisitions benefiting from operational efficiencies
 - Higher hurdle rates
 - New sites with reduced risk at lower ASP
- 422 plots added in the period
 - 350bps higher open market GM than portfolio average



CURBRIDGE MEADOWS
SOUTHAMPTON



OPERATIONAL EFFICIENCY

STANDARDISED HOUSING RANGE

- Roll out on track
- New range drives further efficiency and consistent quality
- Margin enhancement on re-plan sites and new acquisitions
- Target 80% for future planning applications

Units

Ongoing replans / replotted	3,362 on 55 schemes
Planning approved	567 across 14 projects





OPERATIONAL EFFICIENCY

STANDARDISED HOUSING RANGE – PLOTTING EFFICIENCY

LUDLOW - PHASE TWO PREVIOUSLY APPROVED SCHEME



- To date 43 plots replotted
- GM increased 120bps to 27.4%
- Coverage increases from 165,422ft² to 168,040ft²

LUDLOW - PHASE TWO CURRENT PLANNING APPROVED SCHEME



- Total development units remain at 137
 - Build costs down from £24.4m to £23.6m
- Further re-plans to be submitted to enhance GM





OPERATIONAL EFFICIENCY

COST TRANSFORMATION PROGRESSING WELL

- Specification procurement of £30m identified (£20m embedded)
- Further savings from new house types and plot efficiency
 - Lower design costs through standardisation
 - c. £2k per plot fee savings in future developments
 - Reduced labour and material cost
 - Density and coverage optimisation
- Focus on best-practice across all divisions
- Further opportunities to reduce sales and marketing costs
 - Re-tendered core marketing items
 - Additional £3.5m savings target





FIVE STAR CUSTOMER SERVICE IMPROVEMENT IN ALL AREAS

- Five star achieved (>90%)
- New processes for service and after care
- Currently trending above 2019 level





MULTI-CHANNEL APPROACH

BUILDING A MORE RESILIENT BUSINESS

- PRS good asset class for investors with safe yield
- Strong relationship with partners to procure projects
- Existing schemes attracting healthy interest
- PRS pipeline growing
- Price discount steady and margins maintained



MORTON PARK
MILTON KEYNES

OUR STRATEGY AFTER COVID-19



KINGSMEAD
FAVERSHAM

PETER TRUSCOTT
CHIEF EXECUTIVE



ADAPTING OUR STRATEGY

POTENTIAL FOR OUTLOOK TO WORSE

- Our updated strategy remains the right one
 - Excellent progress across all five priorities
 - Need to go further with operational efficiencies
- Full economic impact not fully realised
- Impairments reflect our outlook on pricing
- Leaner business but well positioned for future growth
- Balance sheet remains secure during uncertainty
- Re-establish compelling investment case



CURBRIDGE MEADOWS
SOUTHAMPTON

ADAPTING OUR STRATEGY

PAUSING EXPANSION FOR NOW

- Deferral of new division opening
 - Crest Nicholson Southern Counties (CNSC)
- Incremental overhead structure
- Planned assets absorbed into existing divisions
- Target 550-650 homes per division from 5 divisions



ADAPTING OUR STRATEGY

GREATER MULTICHANNEL CAPABILITY

- Merge Crest Strategic Projects (CSP) with Crest Nicholson Partnerships and Regeneration (CNPR)
- Crest Nicholson Partnerships and Strategic Land (CNPSL)
 - Based in our Chertsey Head Office
- Clear synergies
 - Major projects or strategic land managed in one place
 - Better coordination from outset
 - Acceleration of wider partnering ethos and focus



ADAPTING OUR STRATEGY

ALIGNING CENTRAL FUNCTIONS

- Review of all central overheads
- Elimination of tasks and simplification of structures
- Expected completion in H2
- Future head office location under review
- Proposed changes subject to consultation



LANGFORD FIELDS
BRISTOL



SUMMARY AND OUTLOOK

Summary

- Excellent progress on updated strategy
- Resilient business and balance sheet

Outlook

- Performance in line since re-opening
- Prepared for more challenging conditions
- Adapting our strategy
- Understand importance of dividends
 - Reinstate when appropriate



HYGGE PARK
KEYNSHAM, BRISTOL





KILWOOD VALE
FAYGATE, HORSHAM

Q&A

