



WESTVALE PARK  
HORLEY

# Crest Nicholson Holdings plc

## HALF YEAR RESULTS 2021

24 June 2021



# CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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





# AGENDA

## PETER TRUSCOTT

- HALF YEAR SUMMARY
- MARKET OVERVIEW

## DUNCAN COOPER

- FINANCIAL REVIEW

## PETER TRUSCOTT

- STRATEGY UPDATE
- SUMMARY AND OUTLOOK

## Q&A



CAMPBELL WHARF  
MILTON KEYNES



# HALF YEAR SUMMARY

- Strong HY21 trading performance
  - APBT: £36.1m (HY20: £4.5m)
  - Net cash: £130.4m (HY20: net debt £93.3m)
  - FY21 order book c.93% covered
- Good progress on all five strategic priorities
- Retained five-star customer satisfaction rating
- Longcross Film Studio sale for £45.0m cash consideration
- 2,682 plots approved for purchase at 26.5% GM (after S&M)
- Clear trajectory of growth





# MARKET OVERVIEW

- Strong trading environment
  - Government support to keep housing market open
  - Robust completion profile beyond September
  - Positive lending backdrop
- Short-term operational challenges
  - Build costs and availability of some materials
  - More competitive land market on smaller sites
  - Combustible materials
- Market fundamentals remain positive
  - Political support to build more homes
  - Demand continues to exceed supply



  
**CREST**  
NICHOLSON

**HIGHLANDS PARK**  
HENLEY-ON-THAMES

# FINANCIAL REVIEW



KINGSMEAD  
FAVERSHAM

**DUNCAN COOPER**  
GROUP FINANCE DIRECTOR



# INCOME STATEMENT

## EARNINGS RECOVERY ON TRACK

£m	HY21	HY20	% Change
<b>Revenue</b>	<b>324.5</b>	240.0	<b>35.2 ▲</b>
Cost of sales <sup>1</sup>	(261.2)	(204.1)	
<b>Adjusted gross profit<sup>1</sup></b>	<b>63.3</b>	35.9	<b>76.3 ▲</b>
<i>Adjusted gross profit margin %<sup>1</sup></i>	<i>19.5%</i>	<i>15.0%</i>	
Adjusted administrative expenses <sup>1</sup>	(23.1)	(24.8)	(6.9) ▼
Net impairment losses on financial assets	(0.2)	-	
<b>Adjusted operating profit<sup>1</sup></b>	<b>40.0</b>	11.1	<b>260.4 ▲</b>
<i>Adjusted operating profit margin %<sup>1</sup></i>	<i>12.3%</i>	<i>4.6%</i>	
Adjusted net finance expense <sup>1</sup>	(4.8)	(5.5)	
Share of joint venture results	0.9	(1.1)	
<b>Adjusted profit before tax<sup>1</sup></b>	<b>36.1</b>	4.5	<b>702.2 ▲</b>
Adjusted income tax <sup>1</sup>	(7.3)	(0.9)	
<b>Adjusted profit after tax<sup>1</sup></b>	<b>28.8</b>	3.6	
Exceptional items net of income tax	0.2	(44.1)	
<b>Profit / (loss) after tax</b>	<b>29.0</b>	(40.5)	
<b>Adjusted basic earnings per share (p)<sup>1</sup></b>	<b>11.2</b>	1.4	<b>700.0 ▲</b>
<b>Dividend per share (p)</b>	<b>4.1</b>	-	

- Adjusted gross profit up 19.5%
  - Legacy schemes still weigh on FY21
  - Operational efficiencies accretive
  - Lower S&M costs
- Continued discipline on overheads
  - £2.5m JRS repayment
- Exceptional credit of £0.2m
  - Combustible materials charge £7.9m
  - 7.5% NRV release £8.1m
- Interim dividend of 4.1 pence per share

<sup>1</sup> HY21 figures, adjusted for exceptional items of £0.2m (credit) relating to net combustible materials charge £7.9m, inventory impairment credit £7.6m and financing credit £0.5m.  
HY20 figures, adjusted for exceptional items of £55.7m (charge) relating to inventory impairment and restructuring costs, net of £11.6m tax credit where appropriate





# SALES METRICS

## STRONG SALES MOMENTUM

	HY21	HY20	% Change
Outlets (average)	57	64	10.9 ▼
SPOW (Open market)	0.69	0.46	50.0 ▲
<b>Home completions (units)<sup>1,2</sup></b>			
Open market (private)	701	384	82.6 ▲
Affordable	198	208	4.8 ▼
Bulk <sup>3</sup>	118	183	35.5 ▼
<b>Total</b>	<b>1,017</b>	<b>775</b>	<b>31.2 ▲</b>

ASP £'000 <sup>2,4</sup>	HY21	HY20	% Change
<b>Home completions</b>			
Open market (private)	398	424	6.1
Open market (inc-Bulk)	373	344	8.4
Affordable	176	139	26.6
<b>Total housing ASP (weighted average)</b>	<b>335</b>	<b>290</b>	<b>15.5</b>

1 HY21 includes joint venture units at full unit count (HY20: Group's share of joint venture units)

2 HY21 is presented on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (HY20: no equivalent unit allocation to land sale element)

3 Bulk home completions reflect sales to Private Rented Sector (PRS), Registered Providers (excluding S106) and private investors

4 HY21 ASP calculation includes joint venture units and sales prices at full unit value (HY20: Group's share of joint venture units)

- Strong SPOW rate since January
- Plan to recover and grow outlets
- Unit presentation change for 2021
  - JV units at 100% not 50%
  - Equivalent units basis
- Private ASP continues to reduce
  - London units unwound by FY21 - 290 units at LCH (JV)
  - Midlands growing part of mix





# EXCEPTIONAL ITEMS

## COMBUSTIBLE MATERIALS AND INVENTORY IMPAIRMENT

£m	HY21	HY20
<b>Cost of sales</b>		
Inventory impairment (credit)/charge	(7.6)	43.2
Net combustible materials charge	7.9	-
<b>Total cost of sales exceptional charge</b>	<b>0.3</b>	<b>43.2</b>
Restructuring costs	-	4.5
Net impairment losses on financial assets	-	7.4
Finance expense (credit)/charge	(0.5)	0.6
<b>Total exceptional (credit)/charge</b>	<b>(0.2)</b>	<b>55.7</b>
Tax credit on exceptional items	-	(11.6)
<b>Total exceptional (credit)/charge after tax</b>	<b>(0.2)</b>	<b>44.1</b>

- Net combustible materials charge
  - £10.3m (c.50% new buildings)
  - £2.4m recoveries from third parties
  - Remains complex and challenging
- Inventory impairment
  - £7.6m credit from 7.5% provision release
  - Retained commercial and LCH<sup>1</sup>
  - Expect c.50% of £24.7m to be utilised in H2
  - £0.5m shared equity loans

<sup>1</sup> London Chest Hospital



# SALE OF LONGCROSS FILM STUDIO

## RECYCLING CAPITAL FOR GROWTH

- 50% equitable interest sold to Aviva
  - Expected to complete late summer 2021
  - £45.0m cash consideration in H2
  - >£10.0m of profit in H2
  - Proportionately consolidated (not JV line)
- Revenue and profit recognition on legal completion
  - Material transaction at point of exchange
- 50% equitable interest remains in
  - 195 acres of Longcross Garden Village
  - Expected to deliver 1,700 homes
  - Allocated in Runnymede Borough Council Local Plan

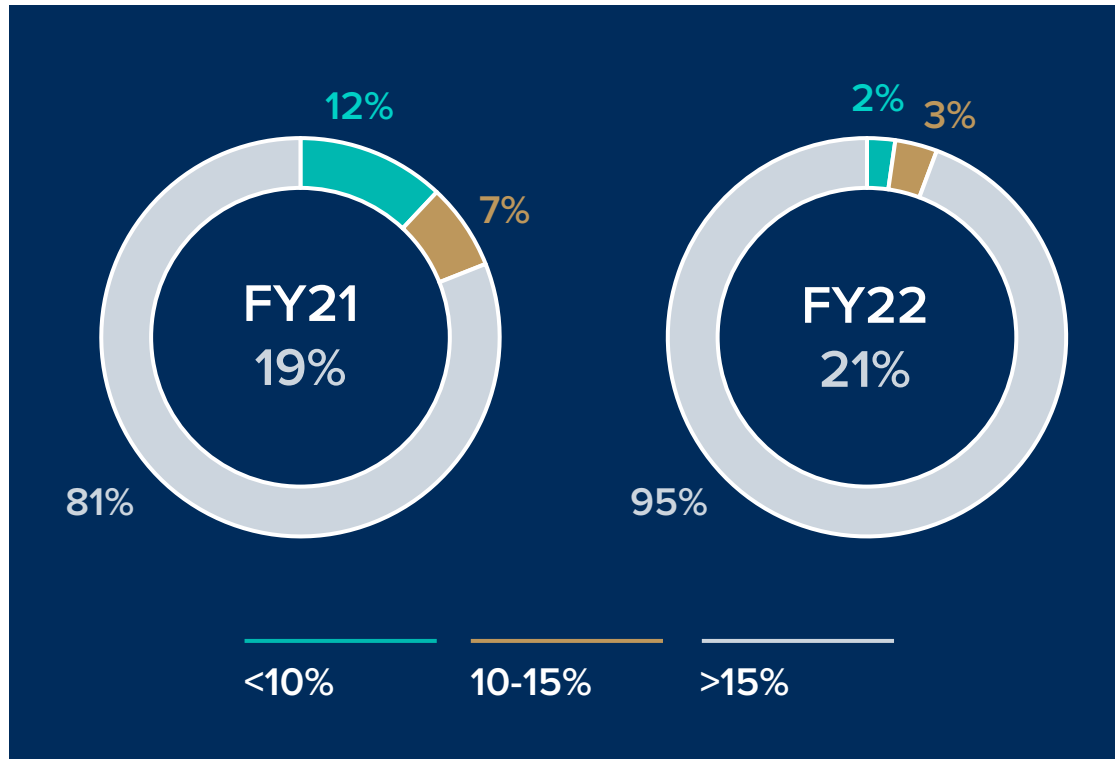


LONGCROSS FILM STUDIO  
CHERTSEY



# CLEAR VISIBILITY TO GROSS MARGIN RECOVERY

## LOW MARGIN SITES IMPACT REDUCING

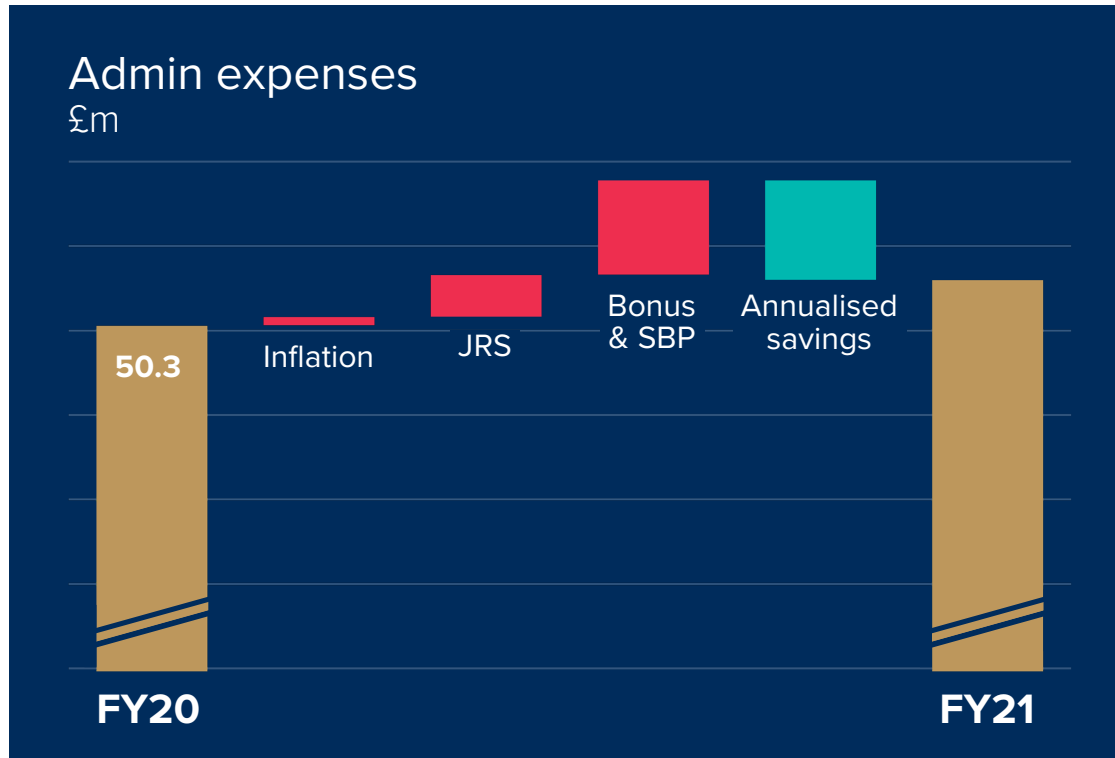


- H2 GM% lower due to bulk completions (c.18.5%)
  - Sherborne Wharf, Birmingham
  - Old Vinyl, Hayes
- Offset by Longcross Film Studio (c.19.0%)
- > 250bps GM% accretion into FY22
- Further accretion in FY23



# OVERHEAD DISCIPLINE REMAINS A FOCUS

EXPECT A FURTHER REDUCTION IN UNDERLYING POSITION FOR FY21



- Organisational structure fully embedded
- Continued benefits of agile working
- £2.5m charge from JRS repayment in December 2020
- Opportunity to lower overhead % of sales as Group grows





# CASH MANAGEMENT

## STRONG RECOVERY FROM COVID-19 DISRUPTION

£m	HY21	HY20	Change
<b>Operating profit before changes in working capital and provisions</b>	<b>30.0</b>	<b>12.1</b>	<b>17.9 ▲</b>
Decrease in trade and other receivables	14.2	32.7	18.5 ▼
Increase in inventories	(8.0)	(60.4)	52.4 ▲
Decrease in trade and other payables	(28.6)	(92.4)	63.8 ▲
Contribution to retirement benefit obligations	(5.6)	(3.7)	1.9 ▼
<b>Cash generated from/ (used by) operations</b>	<b>2.0</b>	<b>(111.7)</b>	<b>113.7 ▲</b>
Finance expense paid	(3.5)	(4.4)	0.9 ▲
Income tax paid	(7.4)	(8.1)	0.7 ▲
<b>Net cash used by operating activities</b>	<b>(8.9)</b>	<b>(124.2)</b>	<b>115.3 ▲</b>
Net cash outflow from investing activities	(1.2)	(3.3)	2.1 ▲
Net cash (outflow)/inflow from financing activities	(1.3)	212.4	213.7 ▼
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(11.4)</b>	<b>84.9</b>	<b>96.3 ▼</b>
Cash and cash equivalents at the beginning of the year	239.4	170.6	68.8 ▲
<b>Cash and cash equivalents at end of period</b>	<b>228.0</b>	<b>255.5</b>	<b>27.5 ▼</b>

- Trading profit and inventories normalised
- Pension cash deferment as guided
- Income tax cash in line
- No RCF usage in HY21
- Lower interest costs

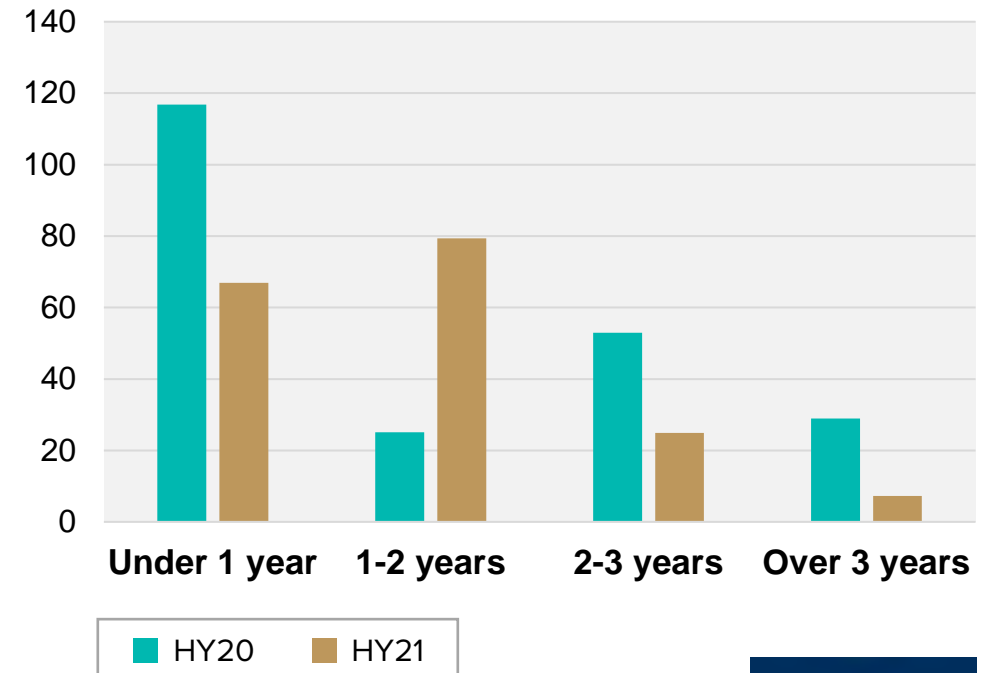


# BALANCE SHEET

## TRANSFORMATIONAL PROGRESS DESPITE COVID-19

- Net cash £130.4m (HY20: net debt £93.3m)
- Net debt including land creditors £48.1m (HY20: £317.2m)
- Average net cash £80.5m (HY20: av. net debt £125.0m)
- £250m RCF undrawn at FY20 and throughout HY21
- Pension surplus £8.6m (HY20: £8.4m deficit)
- Well capitalised for future growth

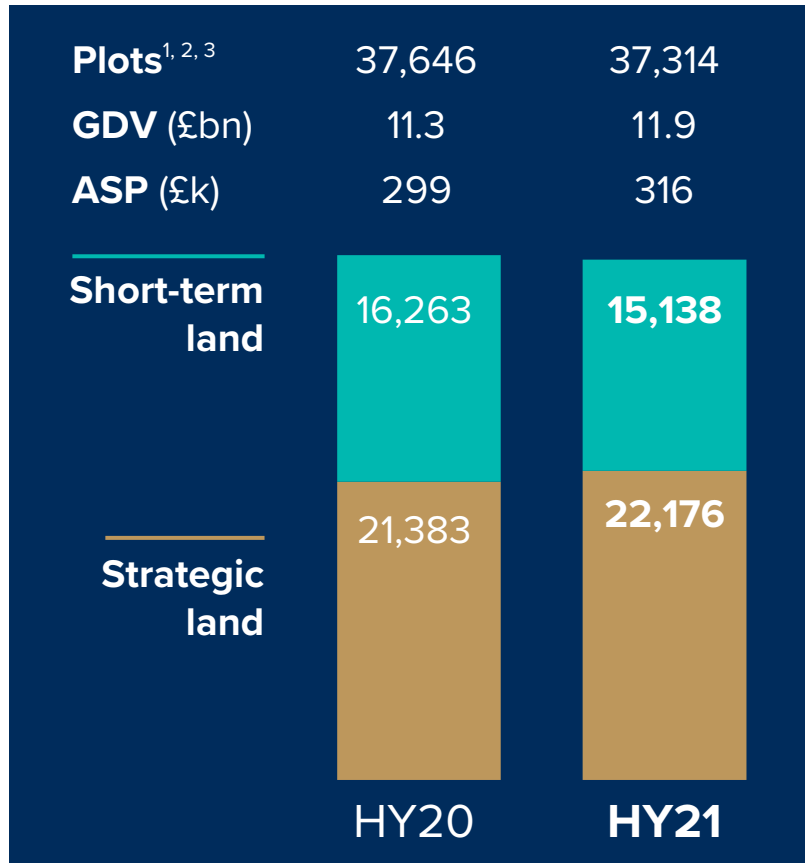
**LAND CREDITOR ROLL OUT BY YEAR (£m)**





# CURRENT LAND PORTFOLIO

## STRONG LIQUIDITY POSITION SUPPORTS ACTIVITY IN THE LAND MARKET



### Short-term land

- 1,017 home completions
- 760 plots added before deletions and other moves
  - 360 plots at Nuneaton
  - 254 plots at Stowmarket
  - 146 plots at Milton Keynes
- GDV
  - Removal of 7.5% residential sale price fall

### New land activity

- Approved 2,682 plots for purchase at 26.5% GM (after S&M)

<sup>1</sup> Plot numbers based on management estimates of site capacity

<sup>2</sup> HY21 includes joint venture units at full unit count (HY20: Group's share of joint venture units)

<sup>3</sup> HY21 is presented on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (HY20: no equivalent unit allocation to land sale element)



# SUMMARY

- Strong trading performance
- Forward sales of 2,771 units and £691.8m GDV
- Transformational progress on balance sheet
- FY21 net cash to be around £170m
  - Including £45m Longcross consideration
- FY21 APBT upgraded to at least £100m
  - Including >£10m Longcross contribution



HYGGE PARK  
KEYNSHAM





# STRATEGY UPDATE



FULLERS GROVE  
WANTAGE

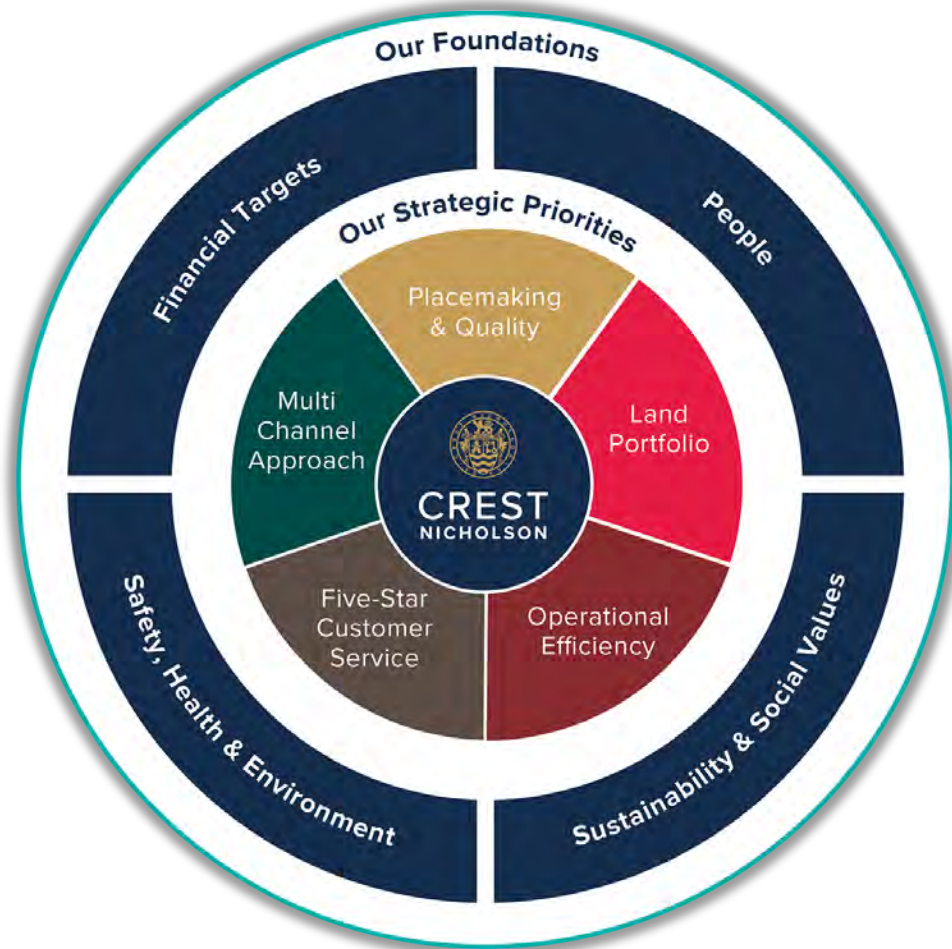
**PETER TRUSCOTT**  
CHIEF EXECUTIVE





# OUR STRATEGY

## GOOD PROGRESS ACROSS ALL ELEMENTS



### Priorities

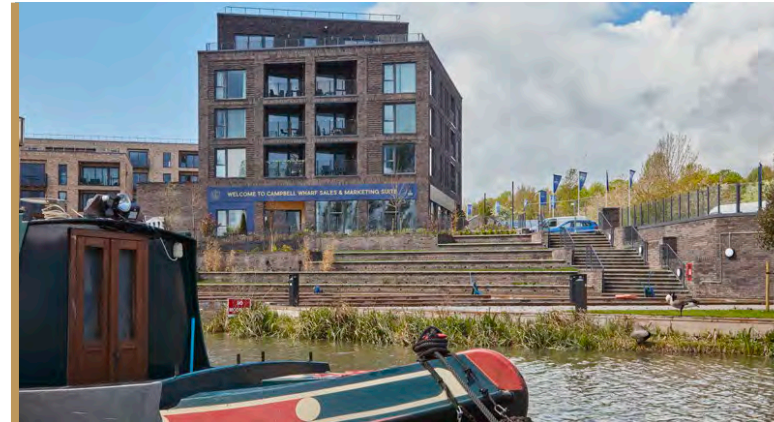
- Health and safety is always our number one priority
- Maintain focus on operational efficiency programme
- Accelerate gross margin recovery
- Disciplined acquisition of new land to drive volume growth
- Grow multichannel capability and number of partners
- Deliver our ambitious sustainability targets
- Implement fire remediation works





# PLACEMAKING AND QUALITY

## CAMPBELL WHARF







# LAND PORTFOLIO

## REALISING VALUE FROM QUALITY ASSETS

- Non-core asset disposal of Longcross Film Studio
- Priority to secure more outlets
- More competition in land market
  - Stable pricing for larger sites
- Good progress in the half securing new land
  - New sites with reduced risk at lower ASPs
  - Operational efficiency benefits enabling more competitive bids



**MONKSMOOR PARK**  
DAVENTRY





# OPERATIONAL EFFICIENCY

## MORE EFFICIENT PLATFORM TO DELIVER GROWTH

Key drivers	Progress HY21	Medium term aim
<b>Internal re-organisation and cost saving initiatives</b>	<ul style="list-style-type: none"> <li>• Sales and marketing: further % of sales reduction</li> <li>• Overheads: further % of sales reduction</li> </ul>	<ul style="list-style-type: none"> <li>• Align to sector average level</li> <li>• Continued discipline as growth returns</li> </ul>
<b>Standard specification</b>	<ul style="list-style-type: none"> <li>• £30m embedded into portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Stronger supplier relationships</li> </ul>
<b>Plotting efficiency</b> (with new house type range)	<ul style="list-style-type: none"> <li>• £40m being embedded into portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to improve margins</li> </ul>
<b>New standardised house type range</b>	<ul style="list-style-type: none"> <li>• 6,700 units replanned</li> <li>• 425 house completions in FY21</li> </ul>	<ul style="list-style-type: none"> <li>• Target 80% of private houses in 2022</li> </ul>





# OPERATIONAL EFFICIENCY

## NEW HOUSE TYPE RANGE







# FIVE-STAR CUSTOMER SERVICE CONTINUED STRONG PERFORMANCE

- Retained five-star customer satisfaction rating
- New website launched May 2021
  - Easier user interface
  - Contemporary look and feel
- New CRM system launched in January 2021
  - Powerful insight generation and reporting
  - Targeted lead generation and conversion
- Culture of pride in what we do







# MULTI CHANNEL APPROACH

## DIVERSIFIED REVENUE STREAM

- Complementary to private market operations
  - Lower risk profile and enhanced ROCE
  - Aligned placemaking principles
- Key capability in divesting existing apartment schemes
- Growing PRS demand for single family homes
  - Targeting key worker accommodation
- First deal with Man GPM Community Housing Fund<sup>1</sup> in HY21
  - 192 home scheme of which 95 PRS
- Strong repeat business interest and pipeline of deals



<sup>1</sup> Part of Man Group plc



# PEOPLE OUR FOUNDATIONS

- Strong competition for talent
- Launching new skills and development programmes
  - Leadership succession planning
  - Emerging talent
  - Early careers – c.50 trainees in FY21
- Diversity and Inclusion a key focus
  - Forum ideas being implemented





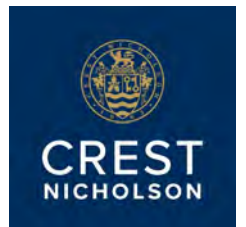
# SUSTAINABILITY & SOCIAL VALUE

## OUR FOUNDATIONS

- Embedded in business strategy
  - Strong governance and leadership
  - Targets set and linked with remuneration
- Good progress against 2025 sustainability targets
  - Reduce scope 1 and 2 carbon intensity by 25%
  - Reduce waste intensity by 15%
  - Procure 100% renewable electricity
- Future focus
  - Future Homes Task Force
  - Climate impact strategy and transition to net zero



FTSE4Good







# SUSTAINABILITY IN ACTION

## OUR FOUNDATIONS

- New house types reduce waste
  - Efficient designs
  - OSM components
  - Standardised processes
- Reducing energy usage and carbon emissions
  - Eliminate: avoid unnecessary emissions
  - Reduce: run efficient operations
  - Substitute: biodiesel and renewable electricity
- Enhanced site-level visibility and central monitoring
  - New reporting tools and dashboards





# SAFETY, HEALTH & ENVIRONMENT OUR FOUNDATIONS

- Always our number one priority
- Culture and processes both important
  - Executive and operational committees
  - Regular Director-led site tours and inspections
  - New site and build manager protocols
- Further development of reporting tools and remote monitoring
- Adapted safety protocols for COVID-19 working effectively





# SUMMARY AND OUTLOOK

## Summary

- Turnaround of business progressing well
- Good progress in all five strategic priorities
- Earnings upgraded for FY21

## Outlook

- Strong forward sales for FY21
- Margin rebuild now the focus
- Clear plans for growth
  - Capital Markets Day on 20 October 2021



SHIPSTON GARDENS  
SHIPSTON-ON-STOUR







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# Q&A

