Crest Nicholson Holdings plc

PRELIMINARY RESULTS 2021

19 January 2022

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation may include statements that are, or may be deemed to be, ‘forward-looking statements’. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms ‘believes’, ‘estimates’, ‘plans’, ‘projects’, ‘anticipates’, ‘expects’, ‘intends’, ‘may’, ‘will’ or ‘should’ or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this presentation and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this presentation. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this presentation, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure Guidance and Transparency Rules, the Company is under no obligation to update the information contained in this presentation. Past performance cannot be relied on as a guide to future performance.

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

AGENDA

PETER TRUSCOTT

- INTRODUCTION

DUNCAN COOPER

- FINANCIAL REVIEW

PETER TRUSCOTT

- MARKET CONTEXT
- STRATEGY UPDATE
- DELIVERING GROWTH

Q&A

ST JOHNS MEAD
BURY ST EDMUNDS

INTRODUCTION

PETER TRUSCOTT
Chief Executive

INTRODUCTION

EXECUTIVE SUMMARY

- Turnaround now complete
- Strong financial performance delivered in FY21
  - Net cash: £252.8m (FY20: £142.2m)
  - ROCE: 17.2% (FY20: 7.6%)
- Excellent progress on strategy
- Exciting growth plans announced at 2021 Capital Markets Day

FINANCIAL REVIEW

DUNCAN COOPER
Group Finance Director

TADPOLE GARDEN VILLAGE
SWINDON

INCOME STATEMENT

MEDIUM-TERM MARGIN GUIDANCE ON TRACK

£m (unless otherwise stated)	FY21	FY20	% Change
Revenue	**786.6**	**677.9**	**16.0** ▲
Cost of sales[1]	(619.9)	(570.2)	
Adjusted gross profit[1]	**166.7**	**107.7**	**54.8** ▲
Adjusted gross profit margin[1]	*21.2%*	*15.9%*	
Administrative expenses[1]	(51.1)	(50.3)	1.6 ▼
Net impairment losses on financial assets[1]	(1.0)	(0.3)	
Adjusted operating profit[1]	**114.6**	**57.1**	**100.7** ▲
Adjusted operating profit margin[1]	*14.6%*	*8.4%*	
Adjusted net finance expense[1]	(9.1)	(10.7)	
Share of joint venture results	1.7	(0.5)	
Adjusted profit before tax[1]	**107.2**	**45.9**	**133.6** ▲
Adjusted income tax[1]	(19.9)	(8.5)	
Adjusted profit after tax[1]	**87.3**	**37.4**	
Exceptional items net of income tax	(16.4)	(48.1)	
Profit / (loss) after tax	**70.9**	**(10.7)**	
Adjusted basic earnings per share (p)[1]	**34.0**	**14.6**	**132.9** ▲
Dividend per share (p)[2]	**13.6**	**-**	
Return on capital employed	**17.2%**	**7.6%**	**960bps** ▲

- Adjusted gross profit up strongly
  - Robust sales performance in FY21
  - Longcross Film Studio at £16.0m
  - Volume/rate effect from 2 scheme delays
- Admin expenses tightly controlled
  - £2.5m JRS repayment in FY21
  - Higher YoY bonus payment
- Adjusted effective tax rate of 18.6%
- Exceptionals net of tax of £16.4m
- Final dividend proposed of 9.5 pence per share

1 FY21 and FY20 figures adjusted for exceptional items as disclosed on slide 9

2 FY21 interim dividend paid of 4.1 pence per share and final dividend proposed of 9.5 pence per share

CREST NICHOLSON

SALES METRICS

STRONG RECOVERY IN PRIVATE SALES RATE TAKEN INTO FY22

	FY21	FY20	% Change
Outlets (full year equivalents)	59	63	(6.3) ▼
SPOW (Open market)	0.80	0.59	35.6 ▲
Home completions (units)[1,2]			
Open market (private)	1,515	1,146	32.2 ▲
Affordable	483	506	(4.5) ▼
Bulk[3]	409	595	(31.3) ▼
Total	**2,407**	**2,247**	**7.1** ▲
Joint ventures[1]	*156*	*46*	

ASP £'000[2,4]	FY21	FY20	% Change
Home completions			
Open market (private)	393	400	(1.8) ▼
Open market (inc-Bulk)	359	336	6.8 ▲
Affordable	174	161	8.1 ▲
Total housing ASP (weighted average)	**322**	**297**	**8.4** ▲

- Consistent sales profile in FY21
  - Outlets a function of planning
  - Equivalent unit and 100% JV unit change
  - Build completions in H2
    - 81 units at Old Vinyl, Hayes
    - 30 units at Sherborne Wharf, Birmingham
- Private open market ASPs continue to reduce
  - Reflecting product type and geographies
  - 1 unit left in legacy London
- Forward sales at 14 January 2022
  - 2,702 units and £719.0m GDV
  - c.63% of FY22 covered

1 FY21 includes joint venture units at full unit count (FY20: Group's share of joint venture units)

2 FY21 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 (FY20: 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 ASP calculation includes the Groups share of joint venture units and sales prices

CREST NICHOLSON

EXCEPTIONAL ITEMS
COMBUSTIBLE MATERIALS CHARGE OFFSET BY NRV RELEASE

£m	FY21	FY20
Cost of sales		
Inventory impairment (credit)/charge	(8.0)	43.2
Net combustible materials charge	28.8	0.6
Total cost of sales exceptional charge	**20.8**	**43.8**
Restructuring costs	-	7.5
Net impairment losses on financial assets	-	7.6
Finance expense (credit)/charge	(0.5)	0.5
Total exceptional charge	**20.3**	**59.4**
Tax credit on exceptional items	(3.9)	(11.3)
Total exceptional charge after tax	**16.4**	**48.1**

- NRV release
  - £8.0m credit from 7.5% unutilised provision
  - Expect >75% of £20.7m to be utilised in FY22
  - £0.5m shared equity loans
- Net combustible materials
  - £31.2m charge
  - £2.4m recoveries from third parties
  - £3.4m spent in FY21 with £42.6m remaining provision

CREST NICHOLSON

EXCEPTIONAL ITEMS

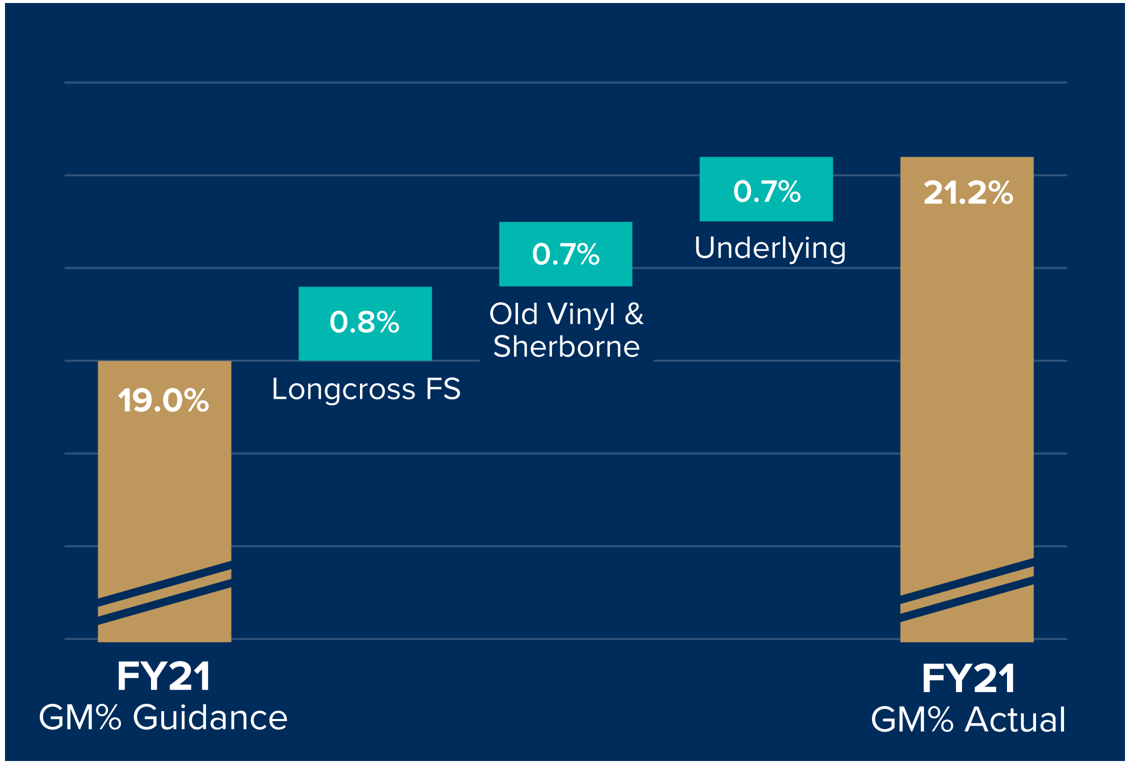
BACKDROP REMAINS COMPLEX FOR COMBUSTIBLE MATERIALS

£m	FY21
Workmanship defects	12.5
Design defects	17.7
Other costs (fees and temporary measures)	1.0
Recoveries	(2.4)
Net combustible material charge	**28.8**

- Detailed analysis on all buildings built in last 10 years
  - c.85% of buildings in scope have some provision or ‘low risk’
- £3.4m spent on remedial works in FY21
  - Balconies on 23 freehold buildings replaced
  - Prepared external walls for remedy in FY22 on 19 buildings
  - Further intrusive works on c.30 buildings
- Robust governance remains in place
  - Regular meetings with CEO, CFO, GPD
  - Board regularly reviews progress and provision

FY21 GROSS MARGIN DELIVERY

UNDERLYING GAIN TO HALF YEAR GUIDANCE BUT ALSO ONE-OFFS



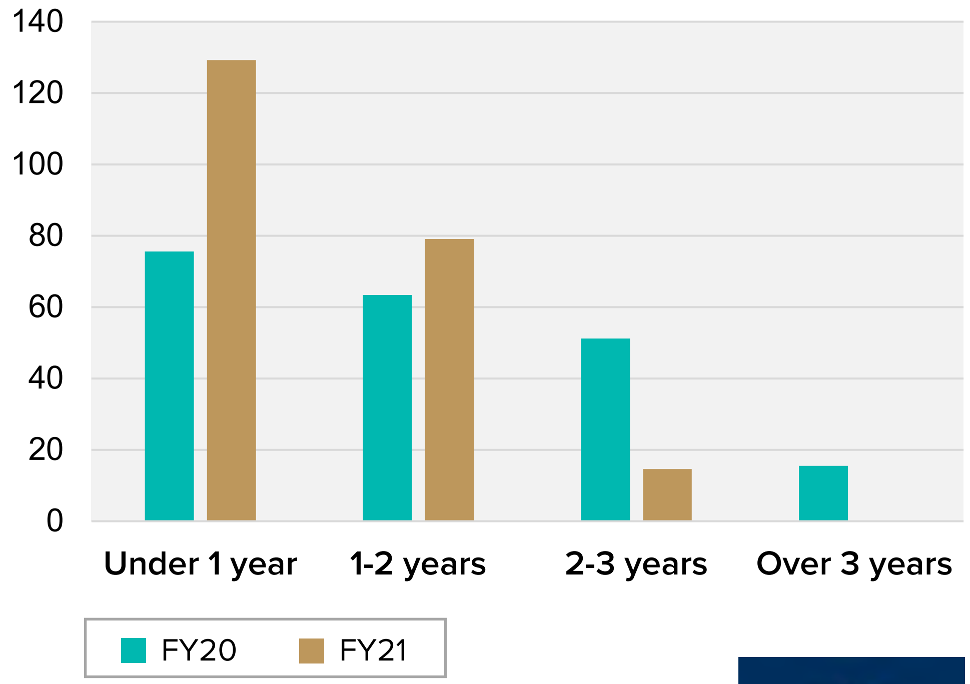
- FY21 Gross Margin % guided to 19.0% at HY21
- Longcross Film Studio at £16.0m vs £10.0m
- Build completion slipped into FY22
  - OV and SW both NRV schemes
  - Margin accretive to FY21
  - Both contracted bulk deals
- Underlying enhancements coming through
  - Pricing
  - Lower S&M costs
- Expect FY22 Gross Margin % in-line or slightly higher

BALANCE SHEET

ROBUST FINANCIAL POSITION TO SUPPORT FUTURE GROWTH

- Net cash at £252.8m (FY20: £142.2m)
- Net cash and land creditors at £29.9m (FY20: £63.5m credit)
- Average net cash at £78.4m (FY20: average net debt at £99.6m)
- £46.0m cash received from sale of Longcross Film Studio
- IAS 19 pension surplus at £16.7m (FY20: deficit at £13.8m)
- Balance sheet to support growth, dividend and resilience

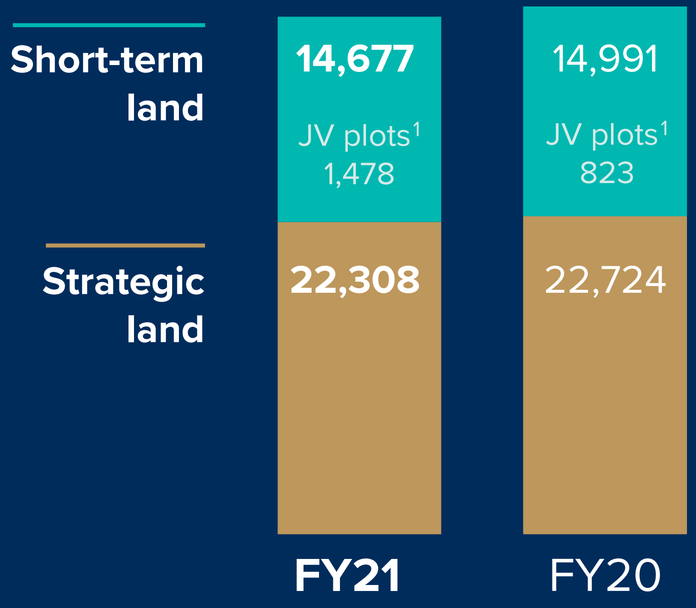
LAND CREDITOR ROLL OUT BY YEAR (£m)



LAND PORTFOLIO

A STRONG STORE OF FUTURE VALUE

	FY21	FY20
Plots[1]	36,985	37,715
GDV (£bn)	11.8	11.4
ASP[1] (£k)	326	299



- 1,510 plots added to the short-term land portfolio
  - 491 plots at Moortown Lane, Ringwood
  - 360 plots at Eastboro Way, Nuneaton
- >1,500 plots added to the short-term land portfolio in FY22 YTD
- 74.2% owned vs controlled (FY20: 62.5% owned)
- GDV & ASP drivers
  - NRV reversal YoY
  - Sales price inflation
  - Completions > Additions
- JV plots reflect 100% count vs 50%

1 Plot numbers based on management estimates of site capacity.
FY21 includes joint venture units at full unit count (FY20: Group's share of joint venture units).
FY21 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 (FY20: no equivalent unit allocation to land sale element).

FIVE-YEAR FINANCIAL TARGETS

STRONG STRATEGIC PROGRESS REINSTATES MEDIUM-TERM GUIDANCE

	FY21	FY24	FY26
HOME COMPLETIONS (UNITS)	2,407	>3,000	>4,200
TRADING DIVISIONS	5	5+	8
REVENUE COMPOSITION		60% PRIVATE 20-25% AFFORDABLE 15-20% PRS / BULK	
OPERATING PROFIT MARGIN[1]	14.6%	18-20%	
RETURN ON CAPITAL EMPLOYED[1]	17.2%	22-25%	
LAND CREDITORS (% OF NET ASSETS)	24.7%	<30%	
DIVIDEND POLICY (COVER)	2.5x	2.5x	

- Targets to reflect 2-phase growth agenda
  - Aspiration to deliver >4,200 units by FY26
- Growing partnerships business
  - Significant market opportunity
  - Resilience through the cycle
- Operating margins back to industry levels in Phase 1
- ROCE to improve across the plan period
- Land creditors <30% of net assets
- Strong earnings accretion from enlarged group

1 FY21 operating profit margin and return on capital employed are presented before exceptional items as disclosed on slide 9

CREST NICHOLSON

SUMMARY

- Strong rebound in performance post COVID-19
  - Low margin sites identified and remedied
  - Operational efficiencies starting to take effect
  - Medium-term guidance reinstated
- Forward sales at 14 January 2022
  - 2,702 units and £719.0m GDV
  - c.63% of FY22 covered
- Transformed balance sheet
  - ROCE up to 17.2% (FY20: 7.6%)
  - £252.8m net cash to fuel growth
  - Growth, dividend, resilience

MARKET CONTEXT

PETER TRUSCOTT
Chief Executive

SHIPSTON GARDENS
SHIPSTON-ON-STOUR

MARKET CONTEXT

FACTORS AFFECTING THE SECTOR

- Political and economic environment
  - Housing supply remains a priority
- Operational disruption
  - Materials and labour shortages
  - Build cost inflation
  - Planning and regulatory delays
- Lending backdrop
  - Further interest rate rises could affect sentiment
- Land market
  - Remains competitive
- Regulatory change

TANGIER GARDENS
BISHOP'S WALTHAM, SOUTHAMPTON

STRATEGY UPDATE

PETER TRUSCOTT
Chief Executive

WYCKE PLACE
MALDON

TURNAROUND NOW COMPLETE

TRANSFORMATIONAL PROGRESS

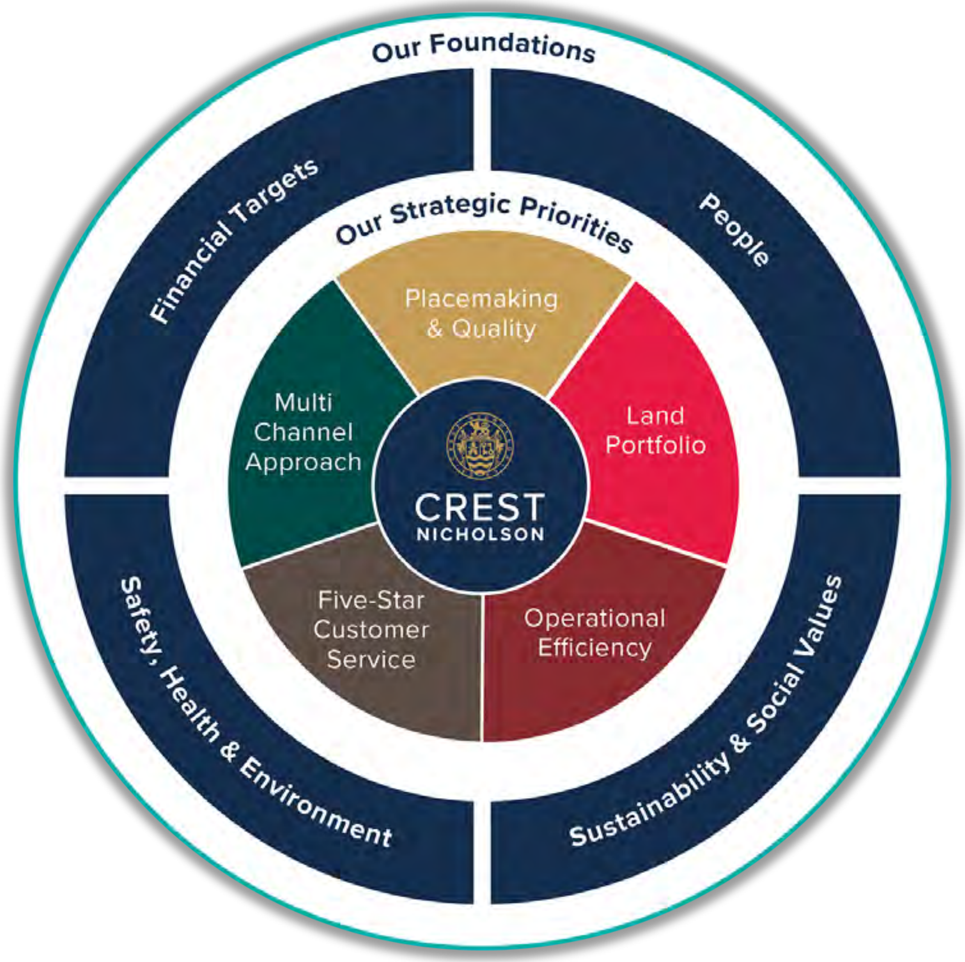
- Delivered what we said we would do
  - Efficient, scalable operating platform
  - Robust balance sheet with resources to grow
  - Experienced leadership team in place
- New house type rollout on track
  - Reduce build time by average of 7 weeks
  - Plots re-planned: over 6,800 (FY20: 5,500)[1]
- Trading out of low margin legacy schemes
- Another year of five-star customer service

1 Units plotted in short-term land portfolio

WYCKE PLACE
MALDON

THE NEXT PHASE OF OUR STRATEGY

MAINTAIN OUR STANDARDS AND DELIVER GROWTH



OUR AGENDA

- Retain operational efficiencies and principles through growth
- Accelerate operating margin recovery
- Disciplined land acquisition that drives profit growth
- Geographical expansion
- Develop multichannel capability and order book
- Deliver ambitious sustainability targets
- Combustible materials remediation

MARGIN AND VOLUME FOCUS
TWO PHASES OF GROWTH

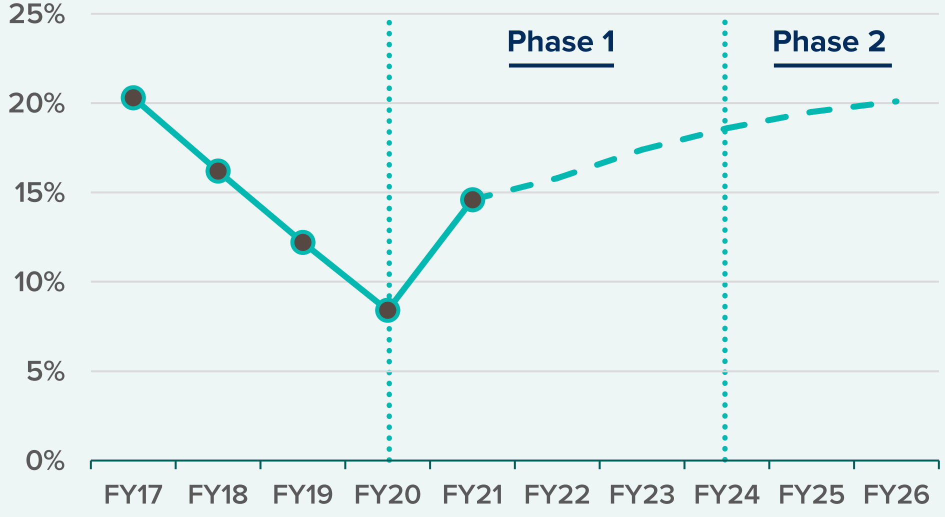
Phase 1

- Rebuilding operating margin to 18% by FY24
- Volume growth from existing divisions
  - Total capacity of 3,250 units pa

Phase 2

- 2 new divisions established in FY22
  - 3rd new division identified in FY23
- Margin growth ambition of 20% by FY26
- Volume to grow to 4,200 by FY26
  - Accelerated growth from new divisions

Operating Margin
FY17 – FY26e



Rebuilding a sustainable and growing earnings platform

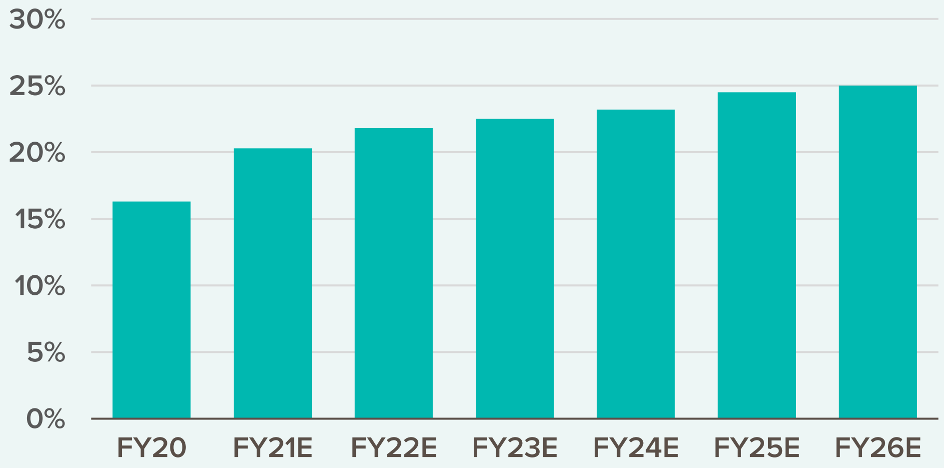
LAND PORTFOLIO

INCREASED PARTICIPATION IN THE YEAR

- Land to enable existing divisions to reach maturity
  - Competition increasing
  - Operational efficiencies key to hurdle rates
- 4,332 plots approved for purchase in FY21 at an average of 26.7% GM (after S&M)
- c.£100m of cash spent on land since year end
  - Timing differences on approvals and exchange
- Short-term land portfolio at c.5 years

Short-Term Land Portfolio

Gross Margin (after S&M)



MULTI CHANNEL APPROACH

STRONG PROGRESS DEVELOPING CAPABILITIES AND PARTNERSHIPS

- CN approach to partnerships outlined at CMD in October
  - Complementary to open market delivery
  - Lower risk profile and enhanced ROCE
  - Shrinking discount to open market pricing
  - No exposure to low margin contracting schemes
- Successful divestment of existing apartment schemes
  - £120m deal with Oaktree Capital, a total of 403 units across three sites
    - Brightwells Yard, Farnham
    - Centenary Quay, Southampton
    - Walton Court, Walton-on-Thames
- Growing reputation as a trusted partner

Man

AG ANGELO GORDON

CITIZEN

Legal & General AFFORDABLE HOMES

OAKTREE

sage housing

Paradigm

CREST NICHOLSON

FIVE-STAR CUSTOMER SERVICE
ENHANCED CUSTOMER JOURNEY

- Retained five-star customer satisfaction rating
- Positive customer feedback on new house type range
- New, consistent brand messaging and guidelines
- Enhanced CRM system implemented
  - Increased lead generation and conversion
- Growing digital marketing capability and assets

5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF 2021
HOME BUILDERS FEDERATION

CALVERT FAMILY

SUSTAINABILITY AND SOCIAL VALUE

STRONG PROGRESS AGAINST EXISTING CLIMATE CHANGE TARGETS

2025 targets

Carbon emissions reduction target

25%

21% this year

- 41% reduced diesel consumption
- 454tCO_2e emissions avoided using biodiesel

Renewable electricity target

100%

62% this year

up from 32% in 2019

Includes:

- Offices
- Site infrastructure
- Homes prior to handover

Waste reduction target

15%

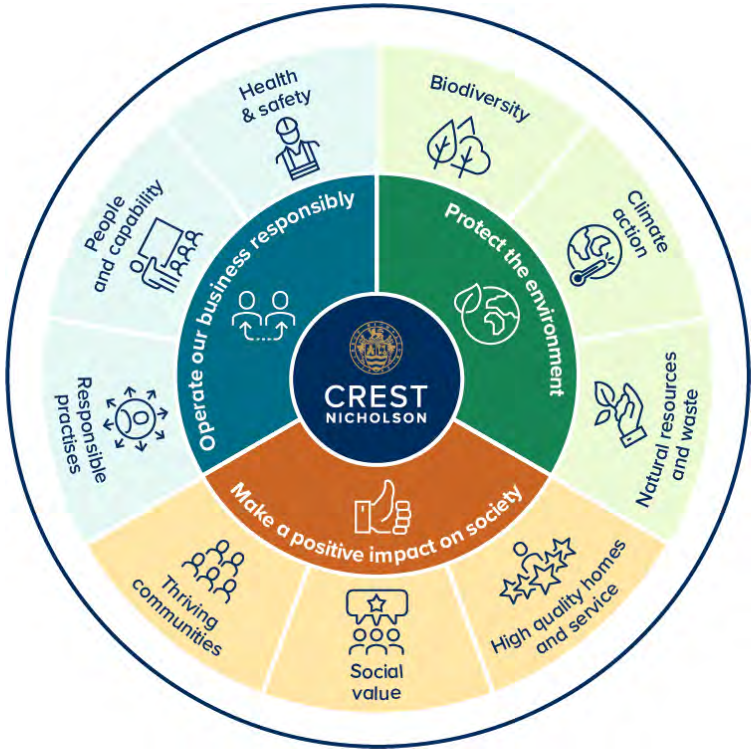
4% this year

- Circular economy solutions, including:
  - Pallet Return Scheme
  - Protection Material Return Scheme
- Standard House Types

SUSTAINABILITY & SOCIAL VALUE

RECOGNISING OUR RESPONSIBILITY TO GO FURTHER

- Signed up to Race to Zero
  - Net zero emissions no later than 2050
  - Science-based targets to be announced later this year
- Well placed for impact of Future Homes
  - New house types complement 'Fabric First' approach
  - R&D programme in places
  - Provision of costs in land acquisition assumptions
- Strong governance and incentives
  - Sustainability Committee oversees progress
  - Remuneration targets to reflect ambition



DELIVERING GROWTH

PETER TRUSCOTT
Chief Executive

OUR PRINCIPLES FOR GROWTH

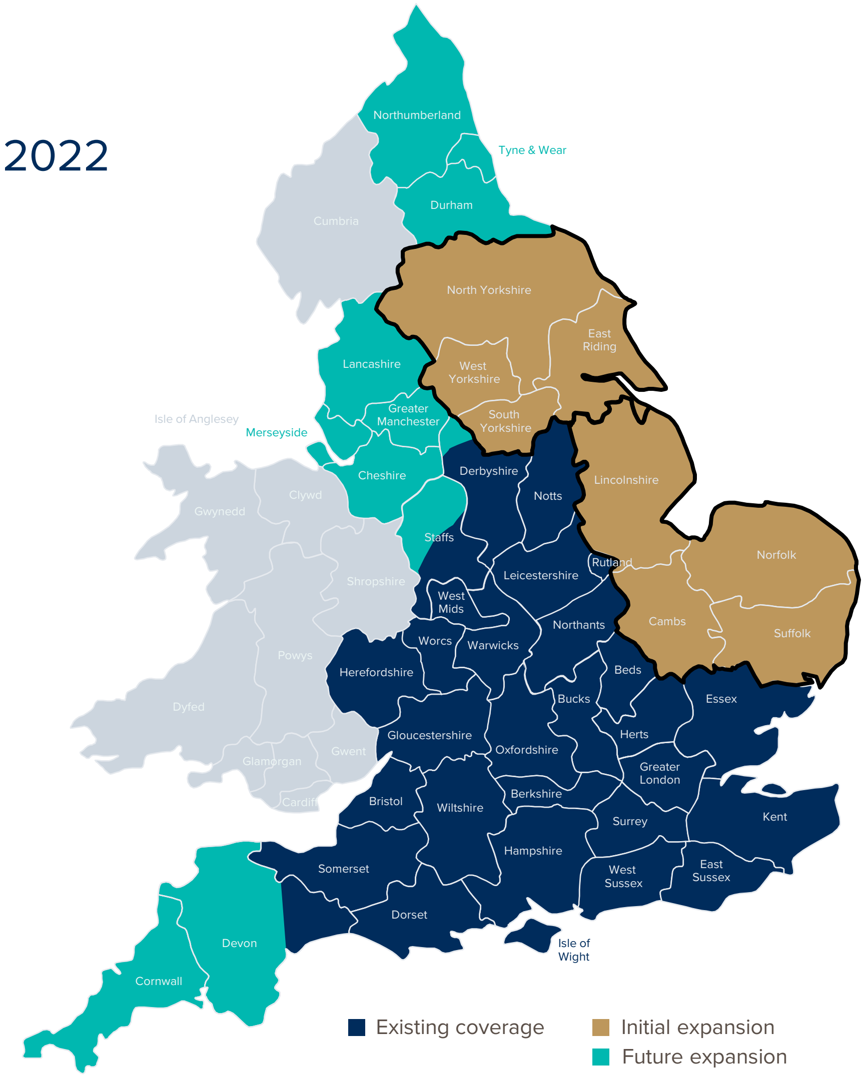
A CLEAR FRAMEWORK FOR EXPANSION

- Build on our positive legacy
  - Strong brand
  - Reputation for placemaking
  - Customer service and build quality
  - High quality land portfolio
- Leverage our scalable model
  - Standardised operating procedures and processes
  - New house type range
  - Multi channel approach to be utilised
- Maintain KPI discipline
  - Margins and ROCE
  - Operating efficiency

DELIVERING GROWTH

MOBILISING IN YORKSHIRE AND EAST ANGLIA

- Senior team recruitment progress
  - New divisional leader for Yorkshire joined in January 2022
  - Search for East Anglia equivalent in flight
- Early land acquisition opportunities
  - Norwich: first site agreed with 153 plots
- Regional market opportunities remain compelling
- Further progress to be shared at HY22



SUMMARY AND OUTLOOK

- Turnaround now complete
- Strong performance in FY21
  - Delivered ahead of expectations
  - Operational efficiencies taking over
  - Low margin legacy sites receding
- Enter FY22 in good shape
  - Strong forward order book of 2,702 units at £719.0m GDV
  - Robust financial position and strong balance sheet
- Exciting year ahead as we focus on growth

Q&A

CREST
NICHOLSON