Crest Nicholson Holdings plc

HALF YEAR RESULTS 2022

14 June 2022

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

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AGENDA

PETER TRUSCOTT

- HALF YEAR SUMMARY

DUNCAN COOPER

- FINANCIAL REVIEW

PETER TRUSCOTT

- MARKET OVERVIEW
- STRATEGY UPDATE AND OUTLOOK

Q&A

KINGS MEADOW
MILTON KEYNES

HALF YEAR SUMMARY
STRONG FIRST HALF OF TRADING

- Excellent financial and operational performance
- Improved returns with strong balance sheet
- Retained five-star customer satisfaction rating
- Expansion in Yorkshire and East Anglia on track
- New science-based sustainability targets announced
- FY22 earnings guidance upgrade

THE McCONNOL FAMILY

FINANCIAL REVIEW

DUNCAN COOPER
GROUP FINANCE DIRECTOR

INCOME STATEMENT

EARNINGS RECOVERY ON TRACK

£m	HY22	HY21	% Change
Revenue	**364.3**	**324.5**	**12.3** ▲
Adjusted cost of sales[1]	(286.8)	(261.2)	
Adjusted gross profit[1]	**77.5**	**63.3**	**22.4** ▲
Adjusted gross profit margin[1]	*21.3%*	*19.5%*	+180bps ▲
Administrative expenses	(20.7)	(23.1)	(10.4) ▲
Net impairment losses on financial assets	(2.3)	(0.2)	
Adjusted operating profit[1]	**54.5**	**40.0**	**36.3** ▲
Adjusted operating profit margin[1]	*15.0%*	*12.3%*	+270bps ▲
Adjusted net finance expense[1]	(3.9)	(4.8)	
Share of joint venture results	1.9	0.9	
Adjusted profit before tax[1]	**52.5**	**36.1**	**45.4** ▲
Adjusted income tax[1]	(12.1)	(7.3)	
Adjusted profit after tax[1]	**40.4**	**28.8**	
Exceptional items net of income tax	(82.6)	0.2	
(Loss)/profit after tax	**(42.2)**	**29.0**	
Adjusted basic earnings per share (p)[1]	**15.7**	**11.2**	**40.2** ▲
Dividend per share (p)	**5.5**	**4.1**	
Return on capital employed	**18.3%**	**10.5%**	**780bps** ▲

- Adjusted gross profit up 180bps
- Admin expenses remain a focus
  - £2.5m JRS repayment in HY21
- £2.3m impairment for sale of London Chest Hospital in May 2022
- £105.0m exceptional charge for combustible materials before tax
- Effective tax rate of 19.6%
- Interim dividend of 5.5 pence per share
- ROCE up strongly to 18.3%

1 HY22 figures, adjusted for exceptional items charge of £105.0m before income tax, relating to net combustible materials charge.
HY21 figures, adjusted for exceptional items credit of £0.2m, relating to net combustible materials charge £7.9m, inventory impairment credit £7.6m and financing credit £0.5m.

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SALES METRICS

DEMAND REMAINS ROBUST ACROSS ALL TENURES

	HY22	HY21	**% Change**
Outlets (average)	58	57	1.8 ▲
SPOW (open market)	0.72	0.69	4.3 ▲
Home completions (units)			
Open market (private)	754	701	7.6 ▲
Affordable	184	198	(7.1) ▼
Bulk[1]	158	118	33.9 ▲
Total	**1,096**	**1,017**	**7.8** ▲

ASP[2] £000	**HY22**	HY21	**% Change**
Home completions			
Open market (private)	409	398	2.8 ▲
Open market (including bulk)	385	373	3.2 ▲
Affordable	179	176	1.7 ▲
Total housing ASP (weighted average)	**355**	**335**	**6.0** ▲

- Outlets in line with HY21
  - Planning remains challenging
- SPOW rate remains strong
  - Consistent execution across all divisions
- ASP up reflecting
  - Sales price inflation offset by mix
  - Location and type of bulk deals in H1
- Forward sales at 10 June 2022
  - 2,891 units and £814.9m GDV
  - Over 96% of FY22 covered

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

2 ASP includes the impact of joint ventures

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EXCEPTIONAL ITEMS

COMBUSTIBLE MATERIALS REMEDIATION PROGRAMME

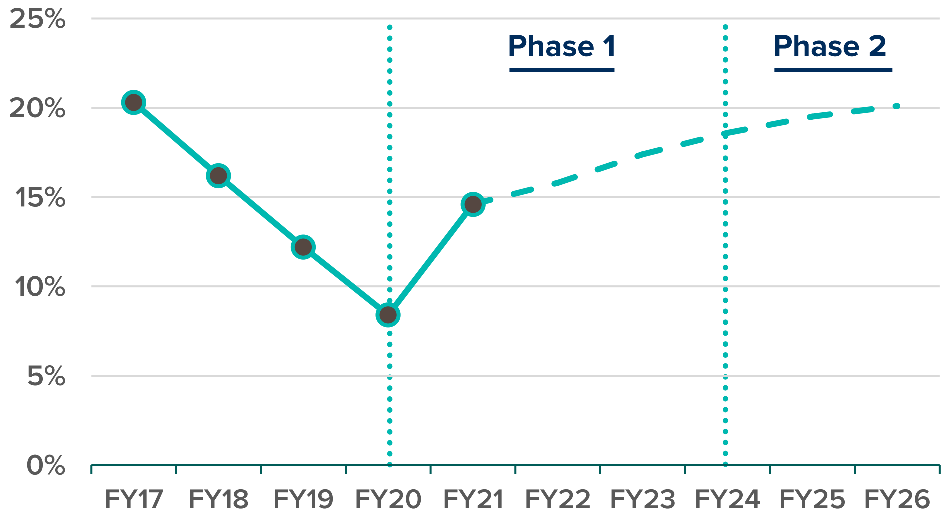
- Guided market previously to £80–120m range in April 2022
- £105.0m net combustible materials charge
  - £70.3m for Building Safety Fund projects (£85.0m total)
  - £34.7m for existing projects, 30 year look back
- £146.1m total provision; expected to be utilised within five years
- Remains complex and iterative
  - One in-scope notification received since signing
  - Peak uncertainty has now passed

OPERATING MARGIN RECOVERY

ON TRACK WITH OUR FIVE YEAR TARGETS

OPERATING MARGIN

FY17 – FY26e



Rebuilding a sustainable and growing earnings platform

- Depleting poor legacy sites and bringing new land in
  - Old Vinyl, Hayes completed in H1
  - Sherborne Wharf, Birmingham to complete in H2
  - Brightwells Yard, Farnham in FY22 to FY25
  - Standardised house types essential
- Disposal of London Chest Hospital, East London in H2
  - Asset marked to market in H1 –£2.3m loss
  - ECL because of JV intercompany loan
  - £16.0m consideration (50% in Oct 22, 50% in FY23)
  - Significant WIP avoidance
- Overheads remain tightly controlled
  - New divisions being carefully built and established

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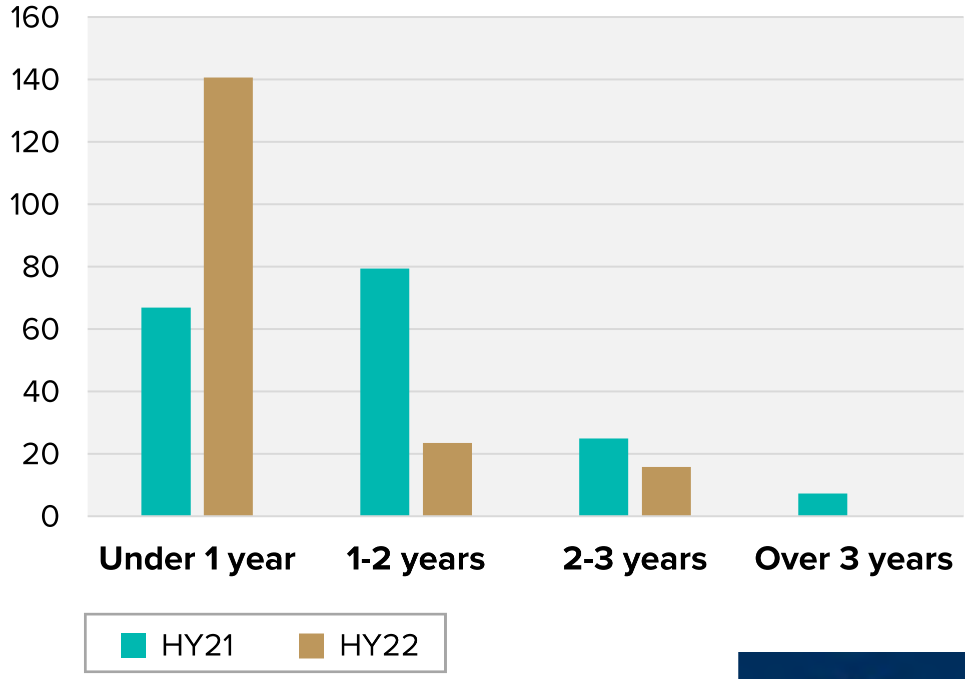
BALANCE SHEET

SET FOR GROWTH, RETURNS AND RESILIENCE

- Net cash at £173.3m (HY21: £130.4m)
- Net debt including land creditors at £6.6m (HY21: £48.1m)
- Average net cash at £98.6m (HY21: £80.5m)
- Pension surplus under IAS 19 at £35.4m (HY21: £8.6m)
  - Triennial valuation complete
  - £3.4m for FY22, £1.5m for FY23
- Flexibility to deliver strategy
  - Meet combustible materials obligations
  - Fuel organic or inorganic growth
  - 2.5x dividend policy

LAND CREDITOR ROLL OUT BY YEAR (£m)



CASH MANAGEMENT

RETAINED FOCUS ON CASH AND DISCIPLINED CAPITAL ALLOCATION

£m	HY22	HY21	Change
Operating (loss)/profit before changes in working capital, provisions, and contributions to retirement benefit obligations	**(54.5)**	**30.0**	**(84.5)▼**
Decrease in trade and other receivables	6.7	14.2	(7.5)▼
Increase in inventories	(83.6)	(8.0)	(75.6)▼
Increase/(decrease) in trade and other payables, and provisions	79.9	(28.6)	108.5▲
Contribution to retirement benefit obligations	(2.6)	(5.6)	3.0▲
Cash (used by) / generated from operations	**(54.1)**	**2.0**	**(56.1)▼**
Finance expense paid	(3.2)	(3.5)	0.3▲
Income tax paid	(1.4)	(7.4)	6.0▲
Net cash outflow from operating activities	**(58.7)**	**(8.9)**	**(49.8)▼**
Net cash inflow/(outflow) from investing activities	5.2	(1.2)	6.4▲
Net cash outflow from financing activities	(25.6)	(1.3)	(24.3)▼
Net decrease in cash and cash equivalents	**(79.1)**	**(11.4)**	**(67.7)▼**
Cash and cash equivalents at the beginning of the period	350.7	239.4	111.3▲
Cash and cash equivalents at end of the period	**271.6**	**228.0**	**43.6▲**

- Exceptional charge impact
  - Profit and growth of provision
  - Income tax
- Inventory growth
  - Higher land investment
- Pension contribution
  - Triennial valuation

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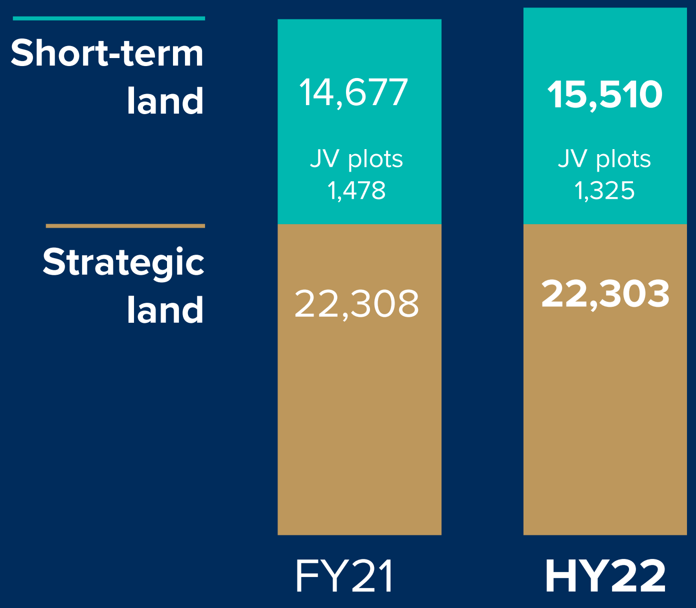
CURRENT LAND PORTFOLIO

INCREASED ACTIVITY IN COMPETITIVE LAND MARKET

	FY21	HY22
Plots[1]	36,985	37,813
GDV (£bn)	11.8	12.3
ASP (£k)	326	330



Short-term land

- 1,096 home completions
- 2,204 plots added since FY21
  - 558 plots at Stefen Way, Daventry
  - 500 plots at Charlotte Avenue, Bicester
- 76.1% owned vs controlled (FY21: 74.2% owned)
- GDV increase also due to replans and inflation
- JV units at HY22 include 291 at LCH

New land activity

- Approved 1,543 plots for purchase at 26.8% GM (after S&M)

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1 Plot numbers based on management estimates of site capacity

SUMMARY

- Strong first half of trading
- Forward sales of 2,891 units and £814.9m GDV
- Net cash at £173.3m provides flexibility
- Five-year financial targets on track
  - ROCE up to 18.3%
  - Adjusted operating margin up to 15.0%
- FY22 APBT to be in range of £135-140m

MORTON PARK
MILTON KEYNES

MARKET OVERVIEW AND STRATEGY UPDATE

PETER TRUSCOTT
CHIEF EXECUTIVE

SEVINGTON LAKES
FINBERRY

MARKET OVERVIEW

- Current trading
  - Robust lead indicators
  - Sales rate in line with seasonal expectation
  - Sales price inflation continues to offset build cost inflation
- Sector challenges
  - Materials availability and pricing
  - Competitive land market
  - Planning and regulatory change
- Strong long-term fundamentals
  - Structural imbalance of supply and demand
  - Good mortgage availability, interest rates remain low
  - Strong political support for home building

SAFFRON FIELDS
BURY ST EDMUNDS

FIVE-YEAR FINANCIAL TARGETS

FY24 TARGETS ON TRACK

	HY22	FY24	FY26
HOME COMPLETIONS (UNITS)	1,096	>3,000	>4,200
TRADING DIVISIONS	5	5+	8
REVENUE COMPOSITION		60% PRIVATE 20-25% AFFORDABLE 15-20% PRS / BULK	
OPERATING PROFIT MARGIN[1]	15.0%	18-20%	
RETURN ON CAPITAL EMPLOYED[1]	18.3%	22-25%	
LAND CREDITORS (% OF NET ASSETS)	21.3%	<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 HY22 operating profit margin and return on capital employed are presented before exceptional items as disclosed on slide 8

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GOOD PROGRESS AGAINST STRATEGY

STRONG FUNDAMENTALS TO SUPPORT GROWTH

- Margin and ROCE recovery on track
- Volume growth
- Active in land market at targeted returns
- Expansion plan on track

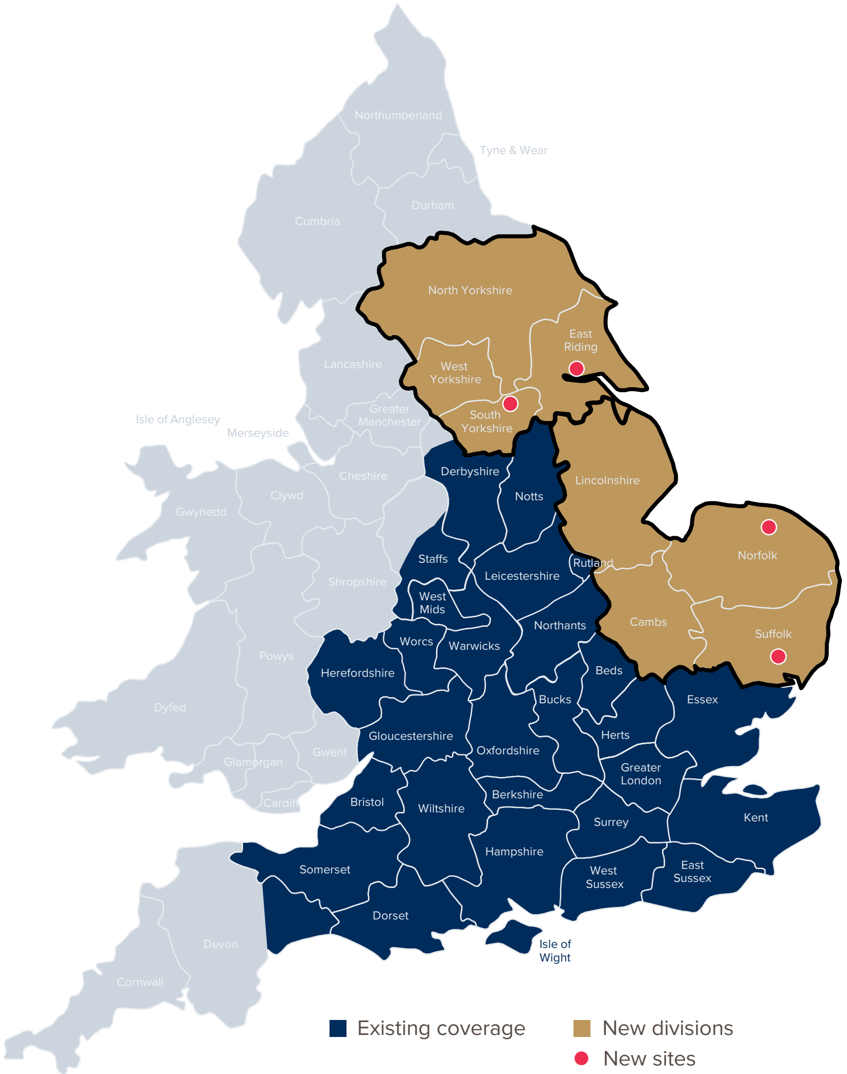
Standardised house types

c. **75%** of private open market houses in FY22

DELIVERING GROWTH

YORKSHIRE AND EAST ANGLIA EXPANSION TAKING SHAPE

- Yorkshire
  - New office opened in Thorpe Park, Leeds
  - Key leadership appointments now in place
  - Two sites approved for purchase
- East Anglia
  - To be located in Bury St Edmunds
  - Recruitment for team underway
  - Two sites acquired
- Remain open to M&A



FIVE-STAR CUSTOMER SERVICE

DELIVERING A GREAT CUSTOMER EXPERIENCE

- Retained five-star customer satisfaction rating
- Preparing for the New Homes Quality Code
- Increased social media campaigns and engagement
- New process for identifying customer after care issues

5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF 2022
HOME BUILDERS FEDERATION

THE SHAH FAMILY

MULTI CHANNEL APPROACH
STRATEGIC LAND CAPABILITY

- Growth in sales to PRS and affordable partners
- Strong track record in strategic land
  - Enhanced team capability
- Recent success to support future growth
- New opportunities secured

SUSTAINABILITY & SOCIAL VALUE

GOING FURTHER WITH NEW SCIENCE-BASED TARGETS

- Good progress against 2025 sustainability targets
  - Reduce scope 1 and 2 carbon intensity by 25%
  - Reduce waste intensity by 15%
  - Procure 100% renewable electricity
- Embedded in business strategy
  - Strong governance and leadership
  - Targets set and linked with remuneration
- Going further with new science-based targets
  - From a 2019 base year reduce scope 1 and 2 emissions by 60% by 2030
  - Reduction of scope 3 emissions intensity by 55% over the same period
  - Transition to net-zero across the value chain by 2045

SUMMARY AND OUTLOOK

Summary

- Strong operational and financial performance
- Clarity on fire safety remediation
- Good visibility on forward order book

Outlook

- Earnings upgrade for FY22
- Five-year targets on track

ST JOHN'S MEAD
BURY ST EDMUNDS

Q&A

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