Crest Nicholson Holdings plc

PRELIMINARY RESULTS 2022

17 January 2023

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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

- INTRODUCTION

DUNCAN COOPER

- FINANCIAL REVIEW

PETER TRUSCOTT

- MARKET CONTEXT
- STRATEGY UPDATE
- OUTLOOK

Q&A

NIGHTINGALE FIELDS
ARBORFIELD

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INTRODUCTION

PETER TRUSCOTT
Chief Executive

FULLER'S GROVE
WANTAGE

INTRODUCTION
EXECUTIVE SUMMARY

- Strong financial performance in FY22
  - APBT in line with upgraded guidance
  - Operating margin recovery on track
  - Improvements in all key financial metrics
- Good progress on next phase of strategy
  - Yorkshire operational
  - East Anglia ready to go live
- Further enhancements to balance sheet
  - Resilience in a tougher market
  - Enables growth strategy

NINE ACRES
TIPTREE

FINANCIAL REVIEW

DUNCAN COOPER
Group Finance Director

FERNHURST
CAMBERLEY

INCOME STATEMENT

MARGIN RECOVERY PLAN ON TRACK

£m (unless otherwise stated)	FY22	FY21	% Change
Revenue	**913.6**	**786.6**	**16.1** ▲
Cost of sales[1]	(719.3)	(619.9)	
Adjusted gross profit[1]	**194.3**	**166.7**	**16.6** ▲
Adjusted gross profit margin[1]	*21.3%*	*21.2%*	
Administrative expenses	(51.1)	(51.1)	
Net impairment losses on financial assets	(2.3)	(1.0)	
Adjusted operating profit[1]	**140.9**	**114.6**	**22.9** ▲
Adjusted operating profit margin[1]	*15.4%*	*14.6%*	
Adjusted net finance expense[1]	(7.1)	(9.1)	
Share of joint venture results[1]	4.0	1.7	
Adjusted profit before tax[1]	**137.8**	**107.2**	**28.5** ▲
Adjusted income tax[1]	(28.8)	(19.9)	
Adjusted profit after tax[1]	**109.0**	**87.3**	**24.9** ▲
Exceptional items net of income tax	(82.6)	(16.4)	
Profit after tax	**26.4**	**70.9**	
Adjusted basic earnings per share (p)[1]	**42.5**	**34.0**	**25.0** ▲
Dividend per share (p)[2]	**17.0**	**13.6**	**25.0** ▲
Return on capital employed	**22.4%**	**17.2%**	**30.2** ▲

- Adjusted operating margin up to 15.4%
  - 15.7% excluding London Chest Hospital
  - Timing effect from FY21 schemes
- Discipline on core admin expenses
  - Expect FY23 to increase by >10%
- Adjusted effective tax rate of 20.9%
  - Part effect of 4.0% RPDT
- Exceptionals net of tax £82.6m
- Final proposed dividend of 11.5 pence per share
- ROCE up to 22.4%

1 FY22 and FY21 figures adjusted for exceptional items as disclosed on slide 9

2 FY22 interim dividend paid of 5.5 pence per share and final dividend proposed of 11.5 pence per share

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SALES METRICS

A MORE CHALLENGING SALES ENVIRONMENT

	FY22	FY21	% Change
Outlets (full year equivalents)	54	59	(8.5) ▼
SPOW (open market)	0.60	0.80	(25.0) ▼
Home completions (units)[1,2]			
Open market (private)	1,775	1,515	17.2 ▲
Bulk[3]	437	409	6.8 ▲
Affordable	522	483	8.1 ▲
Total	**2,734**	**2,407**	**13.6** ▲
Joint ventures[1]	*298*	*156*	

ASP £'000[2,4]	FY22	FY21	% Change
Home completions			
Open market (private)	424	393	7.9 ▲
Open market (inc-bulk)	388	359	8.1 ▲
Affordable	188	174	8.0 ▲
Total housing ASP (weighted average)	**352**	**322**	**9.3** ▲

- FY22 average outlets at 54
  - Expect FY23 outlets to be slightly lower
  - Approval delays affecting everyone
- A mix of effects within ASP
  - Strong HPI
  - Greater proportion of standard house types
  - Shifting geographic contribution
- Forward sales at 13 January 2023
  - 2,018 units and £510.8m GDV

1 Includes joint venture units at full unit count

2 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

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

4 ASP calculation includes the Group's share of joint venture units and sales prices

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EXCEPTIONAL ITEMS

IMPACT OF SIGNING THE BUILDING SAFETY PLEDGE

£m	**FY22**	FY21
Cost of sales		
Inventory impairment credit	-	(8.0)
Net combustible materials charge	102.5	28.8
Total cost of sales exceptional charge	**102.5**	**20.8**
Finance expense charge/(credit)	1.0	(0.5)
Share of post-tax loss of joint ventures	1.5	-
Total exceptional charge	**105.0**	**20.3**
Tax credit on exceptional items	(22.4)	(3.9)
Total exceptional charge after tax	**82.6**	**16.4**

- FY22 exceptionals charge of £105.0m
  - Underlying changes since HY22
  - Build cost inflation and revisions to estimates
  - £10.0m received from third party in January 2023
- FY22 provision of £140.8m
  - £5.3m spent in the year
  - Expect 50% to be utilised within 1 year
  - Balance within 3 years
- Other items
  - Imputed interest on discounting provision
  - Affected building held in a joint venture

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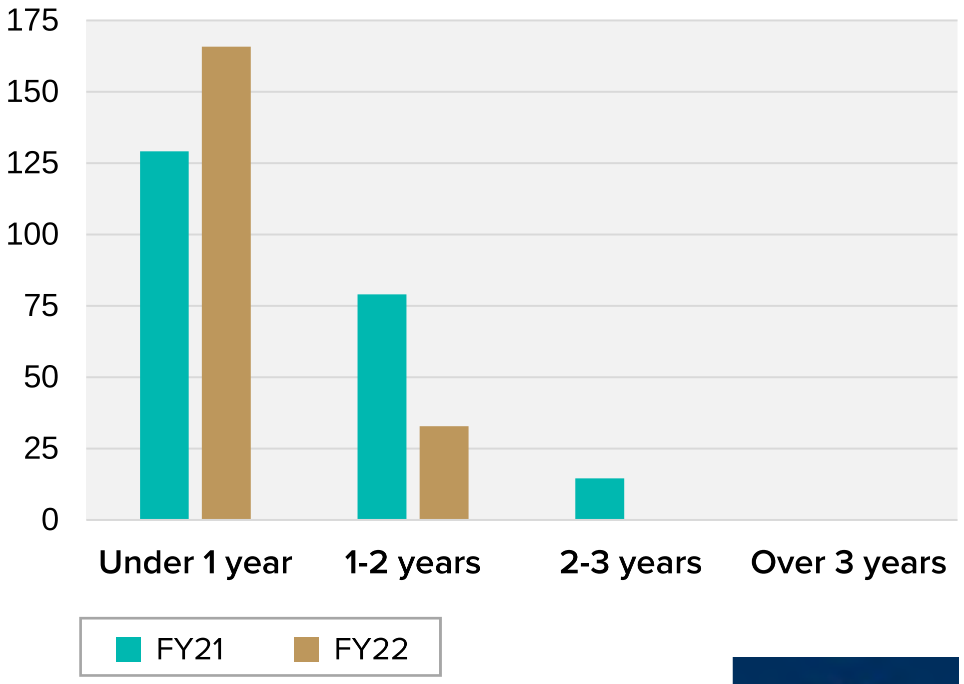
BALANCE SHEET

FURTHER STRENGTHENING OF FINANCIAL POSITION

- Net cash at £276.5m (FY21: £252.8m)
- Net cash and land creditors at £77.8m (FY21: £29.9m)
- Average net cash at £102.0m (FY21: £78.4m)
- New £250.0m RCF agreed
  - Sustainability-linked
  - Expires October 2026
- Resilience, combustibles, dividend policy
  - Remaining active / selective in land market
- IAS 19 pension surplus at £11.1m (FY21: £16.7m)

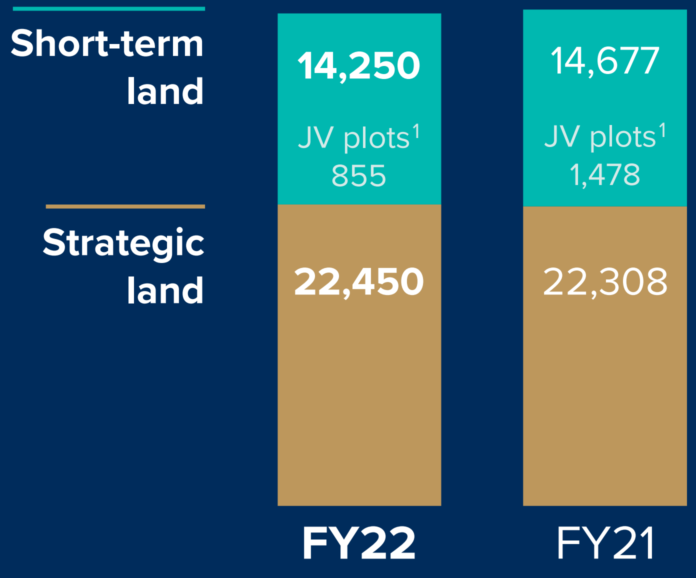
LAND CREDITOR ROLL OUT BY YEAR (£m)



LAND PORTFOLIO

CONTINUING TO ADD HIGH QUALITY SITES AND LOCATIONS

Plots[1]	36,700	36,985
GDV (£bn)	12.1	11.8
ASP[1] (£k)	333	326



- 3,094 plots added to the short-term land portfolio in FY22
  - 439 plots at Perrybrook, Gloucester
  - 558 plots at Steffen Way, Daventry
  - First site added in Yorkshire at Melton Road, Sprotbrough
- 291 units disposed in LCH
- 71.3% owned vs controlled (FY21: 74.2% owned)
- Uncertainty is providing new opportunities
  - Speed of response

1 Plot numbers based on management estimates of site capacity. Includes joint venture units at full unit count.
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.
ASP reflects joint venture plot at Group share.

SUMMARY

- Another year of delivering on guidance
  - Operating margin progression on track
  - Further divestment of weaker legacy sites
- Forward sales at 13 January 2023
  - 2,018 units and £510.8m GDV
- Further balance sheet strength
  - ROCE up to 22.4% (FY21: 17.2%)
  - £276.5m net cash with RCF extended to 2026
- Growth appropriately tailored to market outlook
  - Selective and disciplined in new acquisitions

FERNHURST
CAMBERLEY

MARKET CONTEXT

PETER TRUSCOTT
Chief Executive

WESTWOOD PARK
COVENTRY

MARKET CONTEXT
FY23 MACRO OUTLOOK

- Political and economic environment
  - Domestic stability but global issues persist
- Affordability
  - Mortgage costs have risen
  - Availability remains good at low LTVs
- Operational disruption
  - Materials and labour shortages
  - Build cost inflation
- Land and planning
  - Release of new sites and decline in outlets
  - Pace of approvals process
- Housing market remains attractive long-term
  - Demonstrable resilience in recent years

STRATEGY UPDATE

PETER TRUSCOTT
Chief Executive

COMMITTED TO A STRATEGY OF GROWTH
MANAGING THROUGH THE CYCLE

- Focus on margin
  - Early signs of pricing holding albeit at lower sales rate
  - Spring selling market will be key
- Growth strategy remains the right one for maximising value
  - Office opened in Yorkshire with strong early progress
  - Business leader recruited in East Anglia
  - Deferral of third division
- Land market remains challenging
  - Balance sheet enables us to remain active
  - Adding high quality sites in great locations
- Investment in overheads necessary for growth

COMBUSTIBLE MATERIALS
FULFILLING OUR COMMITMENTS

- Signed the Building Safety Pledge in April 2022
- Dedicated resources in the divisions and centrally
- Broader impact to overheads given the oversight required
- Response to consultation on planning levy for orphan buildings
  - Remain of the view the Group should not be funding

FIVE-STAR CUSTOMER SERVICE
CHALLENGING OPERATING CONDITIONS

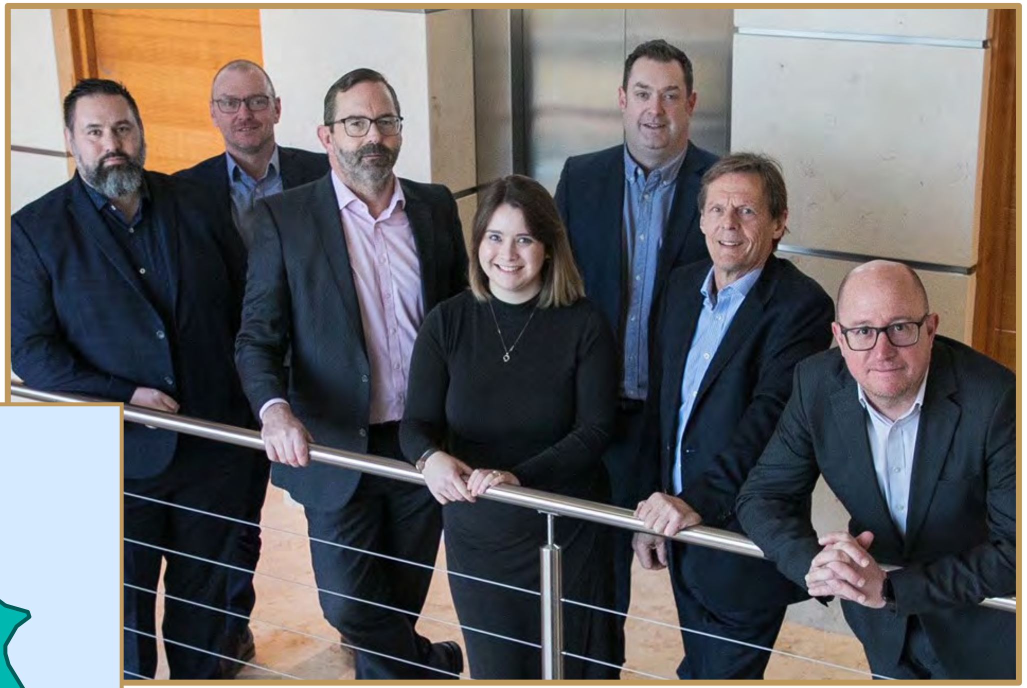
- Returning to five-star is a strategic priority
- Marginally below threshold for five-star in 2022
  - Sector impacted by labour and supply chain disruption
  - One of our divisions heavily impacted
- Action plan already implemented
  - Further customer service resources recruited
  - Quality Assurance team to train and support site staff
  - Increased training for all site-based and sales employees
- New Homes Quality Code
  - Strongly committed to the principles of the Code
  - Enhanced processes to meet requirements
  - Compliance requirements to be implemented from February 2023

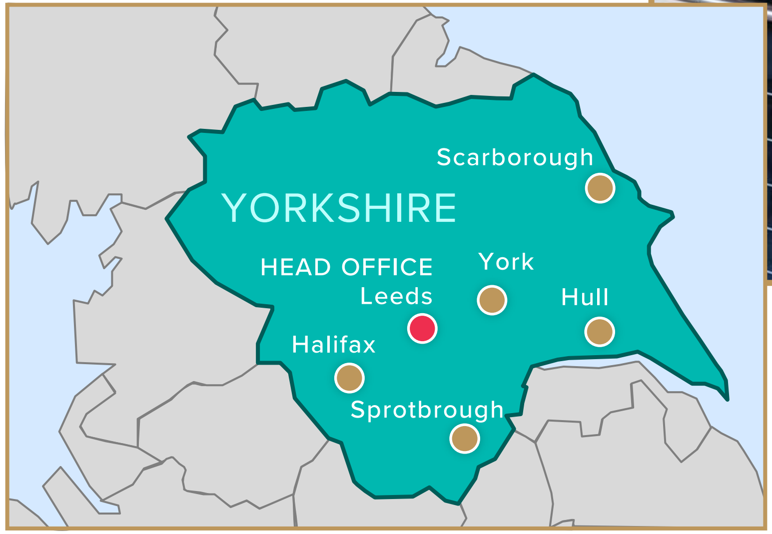
MR PRATT AND MR COYLES

GROWTH STRATEGY

STRONG START IN YORKSHIRE

- Team now in place, led by Guy Evans
- Five sites in progress
  - Planning applications now running
- Work commencing on first site in FY23
- Financial contribution in FY24





MULTI CHANNEL APPROACH

A KEY CAPABILITY IN A POSSIBLE DOWNTURN

- Key part of our strategy
- Partnerships
  - Delivered multiple transactions with our valued partners
  - Actively managing discount to open market pricing
  - Not seeking low margin contracting schemes
- Strategic Land
  - Secured good quality land in the period
  - Continue to promote existing strategic land portfolio through key stages of planning
  - Planning allocations progressed on over 3,000 plots during the year

SUSTAINABILITY AND SOCIAL VALUE

STRONG PROGRESS AGAINST EXISTING CLIMATE CHANGE TARGETS

2025 targets

Carbon emissions reduction target[1]

25%

43%

reduction compared to 2019 equivalent

- Increased use of HVO biodiesel to 49%
- Trialing low carbon technologies
- Driving resource efficient actions

Renewable electricity target

100%

70%

this year
up from 32% in 2019

Includes:

- Offices
- Site infrastructure
- Homes prior to handover

Waste reduction target

15%

10%

reduction compared to 2019 equivalent

- Rolled out new Waste Policy
- Suppliers return schemes
- Standard House Types

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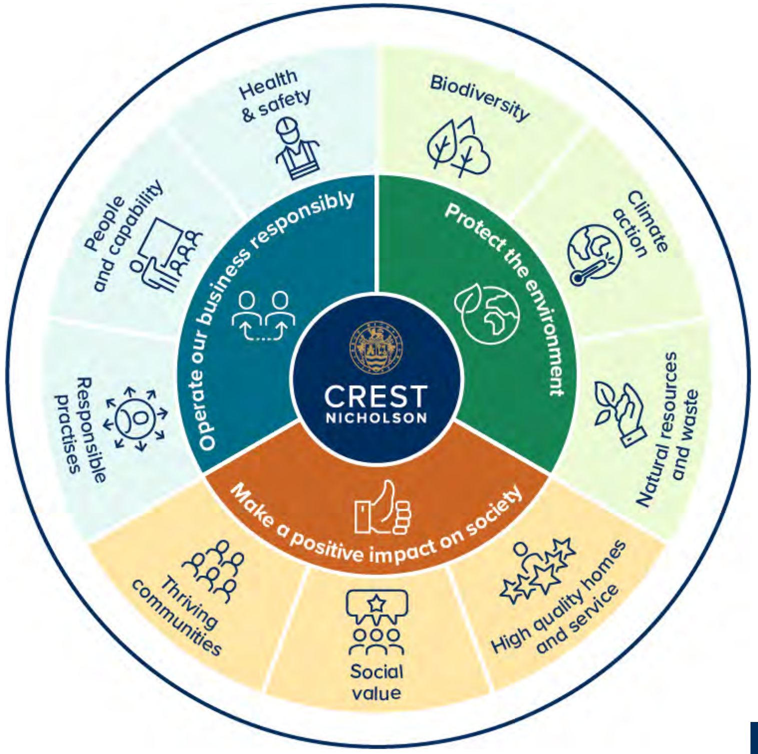
1 Reduce scope 1 and 2 GHG emission by 25% per 100sq.m completed floor area by 2025 from 2019 base year

SUSTAINABILITY & SOCIAL VALUE

GOING FURTHER IN OUR SUSTAINABILITY COMMITMENTS

- New science-based targets approved[1]
  - Near term scope 1, 2 and 3 targets
  - Reach net-zero GHG emissions by 2045
- Good progress in FY22
  - Significant reduction in scope 1 and 2 GHG emissions
  - Developed a new toolkit to support biodiversity net gain
- Well placed for impact of Future Homes Standard
  - New house types complement ‘Fabric First’ approach
  - Provision for costs in land acquisition assumptions
- New Sustainability Linked Revolving Credit Facility (RCF)
  - Targets linked to strategy
- Clear links to Remuneration Policy



1 Near-term and net-zero targets approved by the Science Based Targets initiative

SUMMARY AND OUTLOOK

SUMMARY

- Strong financial performance in FY22
  - Further margin expansion and increase in ROCE
- Good progress against strategy
  - Mobilised Yorkshire and East Anglia division
  - Confident customer service score will rebound

OUTLOOK AND FOCUS

- Near term challenging economic backdrop
- Experienced team in place to navigate uncertainty
- Strong balance sheet provides resilience
- Long-term housing fundamentals remain strong
- Clear strategy for growth with high quality land portfolio

Q&A

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