



LANCASTER PARK  
WEST MALLING

Crest Nicholson Holdings plc

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# HALF YEAR RESULTS 2023

8 June 2023





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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

## DUNCAN COOPER

- FINANCIAL REVIEW

## PETER TRUSCOTT

- MARKET OVERVIEW
- STRATEGY UPDATE AND OUTLOOK

Q&A



FERNHURST  
CAMBERLEY





# HALF YEAR SUMMARY

- Evolution of trading environment
  - Challenging start to HY23
  - Stability returned and improving confidence levels
  - Latest core inflation data
- Steady recovery in transaction levels
  - Pricing remains robust
- High quality sites added on competitive terms
- Geographical expansion on track
- Well positioned for future growth



COLWELL GREEN  
WITNEY





# FINANCIAL REVIEW

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DUNCAN COOPER  
GROUP FINANCE DIRECTOR



MORTON PARK  
MILTON KEYNES



# INCOME STATEMENT

## A RESILIENT PERFORMANCE DESPITE ECONOMIC BACKDROP

£m	HY23	HY22	% Change
<b>Revenue</b>	<b>282.7</b>	<b>364.3</b>	<b>(22.4)▼</b>
Adjusted cost of sales <sup>1</sup>	(232.1)	(286.8)	
<b>Adjusted gross profit<sup>1</sup></b>	<b>50.6</b>	<b>77.5</b>	<b>(34.7)▼</b>
<i>Adjusted gross profit margin<sup>1</sup></i>	17.9%	21.3%	-340bps▼
Net administrative expenses	(28.3)	(20.7)	36.7▼
Net impairment losses on financial assets	(0.2)	(2.3)	
<b>Adjusted operating profit<sup>1</sup></b>	<b>22.1</b>	<b>54.5</b>	<b>(59.4)▼</b>
<i>Adjusted operating profit margin<sup>1</sup></i>	7.8%	15.0%	-720bps▼
Adjusted net finance expense <sup>1</sup>	(2.5)	(3.9)	
Share of joint venture results <sup>1</sup>	1.3	1.9	
<b>Adjusted profit before tax<sup>1</sup></b>	<b>20.9</b>	<b>52.5</b>	<b>(60.2)▼</b>
Adjusted income tax <sup>1</sup>	(5.3)	(12.1)	
<b>Adjusted profit after tax<sup>1</sup></b>	<b>15.6</b>	<b>40.4</b>	
Exceptional items net of income tax	5.5	(82.6)	
<b>Profit / (loss) after tax</b>	<b>21.1</b>	<b>(42.2)</b>	
<b>Adjusted basic earnings per share (p)<sup>1</sup></b>	<b>6.1</b>	<b>15.7</b>	<b>(61.1)▼</b>
<b>Dividend per share (p)</b>	<b>5.5</b>	<b>5.5</b>	
<b>Return on capital employed</b>	<b>14.6%</b>	<b>18.3%</b>	<b>-370bps▼</b>

- Admin expenses as per guidance
  - Expect FY23 to be c.£60.0m
- Adjusted operating margin down to 7.8%
- £5.5m net exceptional credit after tax
  - £11.1m of recoveries
- Effective tax rate of 25.7%
- Interim dividend of 5.5 pence per share
  - Flexing 2.5x cover policy
- ROCE at 14.6%
  - Lower earnings and investment in land

<sup>1</sup> HY23 figures, adjusted for exceptional items of £7.5m before income tax, relating to net combustible materials credit.  
HY22 figures, adjusted for exceptional items of £105.0m before income tax, relating to net combustible materials charge.



# SALES METRICS

## 'SOFT LANDING' SCENARIO FOR TRADING

	HY23	HY22	% Change
Outlets (average)	48	58	(17.2) ▼
SPOW (open market)	0.54	0.72	(25.0) ▼
<b>Home completions</b> (units)			
Open market (private)	532	754	(29.4) ▼
Affordable	247	184	34.2 ▲
Bulk <sup>1</sup>	115	158	(27.2) ▼
<b>Total</b>	<b>894</b>	<b>1,096</b>	<b>(18.4) ▼</b>

ASP <sup>2</sup> £000	HY23	HY22	% Change
<b>Home completions</b>			
Open market (private)	433	409	5.9 ▲
Open market (including bulk)	405	385	5.2 ▲
Affordable	179	179	-
<b>Total housing ASP</b> (weighted average)	<b>341</b>	<b>355</b>	<b>(3.9) ▼</b>

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

<sup>2</sup> ASP includes the impact of joint ventures

- Outlet openings are challenging
  - Planning environment
- SPOW rate steadily improved
  - No geographical trends
  - Interest rate outlook is key
- ASPs up reflecting
  - Carryover of H2 22 inflation
  - Pricing has remained robust
- Forward sales at 2 June 2023
  - 2,354 units and £597.4m GDV
  - c.85% of FY23 revenue covered



# EXCEPTIONAL ITEMS

## GOOD PROGRESS ON REMEDIAL WORK

£m	HY23	HY22
Combustible materials credit	(10.0)	-
Combustible materials charge	1.4	105.0
<b>Net combustible materials (credit)/charge</b>	<b>(8.6)</b>	<b>105.0</b>
Finance expense charge	2.2	-
Share of post-tax profit of joint ventures	(1.1)	-
		-
<b>Total exceptional (credit)/charge</b>	<b>(7.5)</b>	<b>105.0</b>
Tax charge/(credit) on exceptional items	2.0	(22.4)
<b>Total exceptional (credit)/charge after tax</b>	<b>(5.5)</b>	<b>82.6</b>

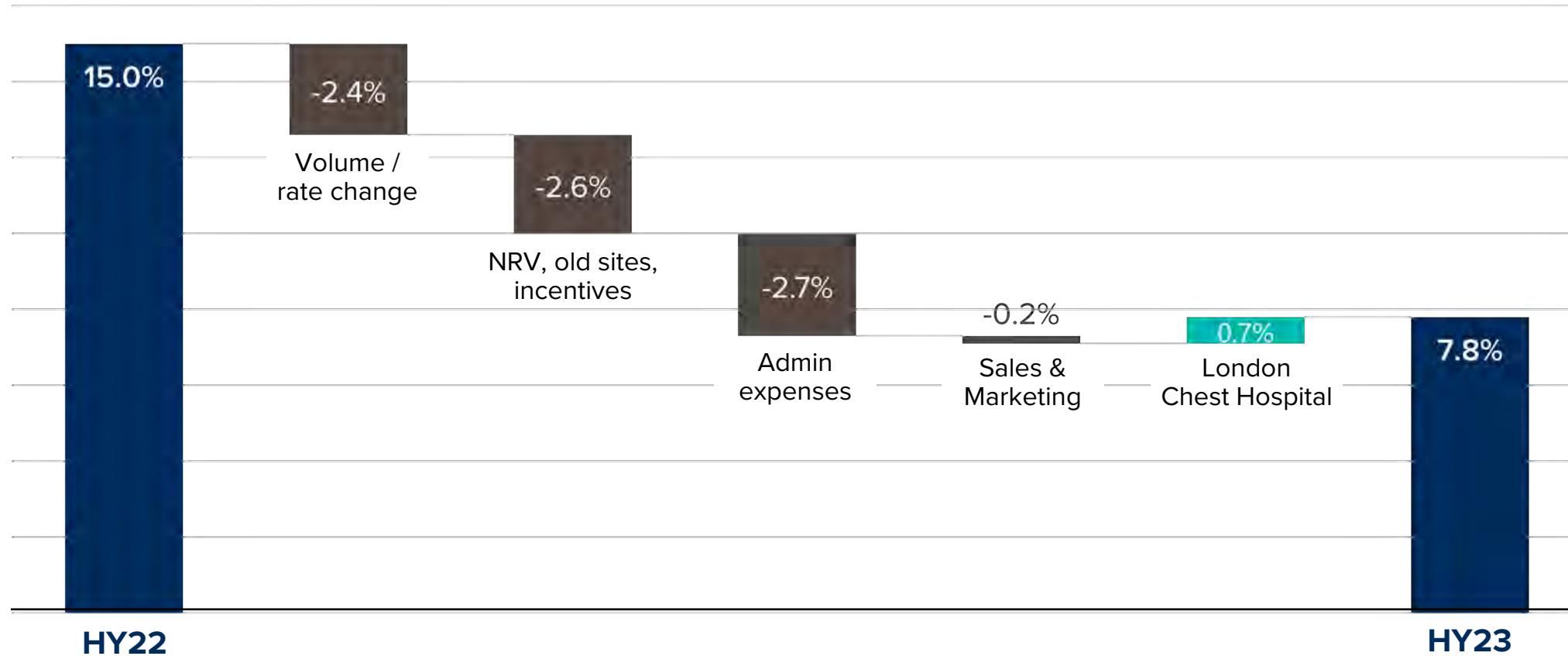
- Signed Developer Remediation Contract on 13 March 2023
- Net combustible materials credit of £8.6m
  - £1.4m further charge to refine estimate
  - £10.0m recovery from third party
- £1.1m recovery from third party in JV (£11.1m total recoveries)
- £139.2m total provision; £72m <1yr
- Currently working on c.90 buildings in various stages





# OPERATING MARGIN WALK

LOWER TRANSACTION ACTIVITY AND PERSISTENT BUILD COST INFLATION

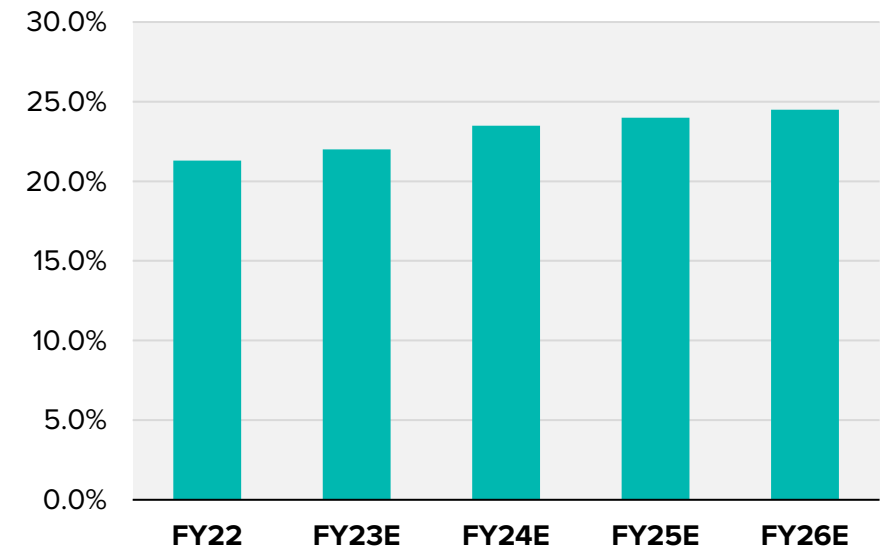


# GROSS MARGIN EVOLUTION

## CONTINUED ACCRETION FROM A CHANGING LAND PORTFOLIO

- FY23 and FY24 still impacted by legacy sites as guided
  - 45 units at Brightwells Yard, Farnham
  - 51 units at Centenary Quay, Southampton
- New land acquisitions at better returns and lower risk
  - Standardised house types
  - Current assumptions

### SHORT TERM LAND PORTFOLIO (after S&M)



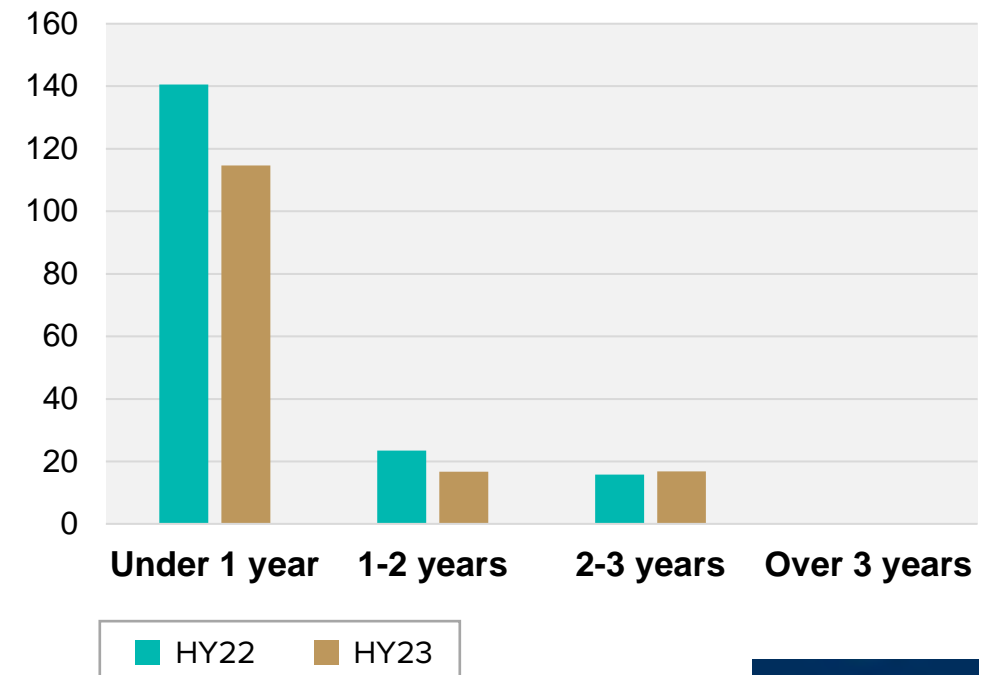


# BALANCE SHEET

## INVESTING FOR FUTURE GROWTH

- Net cash at £66.2m (HY22: £173.3m)
- Net debt including land creditors at £82.0m (HY22: £6.6m)
- Average net cash at £104.2m (HY22: £98.6m)
- Pension surplus under IAS19 at £14.1m (HY22: £35.4m)
- Greater capital efficiency
  - Acquired strong assets in time for recovery
  - Dividend policy flex outlines confidence
  - Less active in land in FY24

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



# CAPITAL ALLOCATION

## A CLEAR FRAMEWORK FOR VALUE CREATION

### Maintain a robust balance sheet

- Respecting the cycle
- Land Creditors to be <30% of Net Assets

### Geographical expansion

- Greater land release opportunities away from South
- Increased scale diversifies risk and enhances operational leverage

### Sustainable dividend policy

- 2.5x cover
- Provides right balance for returns and growth
- Flexibility to return surplus capital

### Capital efficiency

- Disciplined and selective on new sites
- Combustibles now clearly understood
- Poorer legacy schemes closing out





# CURRENT LAND PORTFOLIO

SEVERAL HIGH QUALITY SITES ADDED IN FIRST HALF



## Short-term land

- 894 home completions
- 1,539 plots added since FY22
  - 473 plots at Wheatley, Oxford
  - 400 plots at Harlington, Bedfordshire
- 73.8% owned vs controlled (FY22: 71.3% owned)

## Strategic land

- 22,461 plots held at over 27% GM (after S&M)
- Key store of value in current planning environment

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

# SUMMARY

- Challenging start to first half
  - New sites continue to enhance portfolio
- Balance sheet remains strong
  - Net cash at £66.2m
  - Less active in land in FY24
  - Combustibles now codified
  - Confidence on flexing dividend policy
- Forward sales at 2 June 2023
  - c.85% of FY23 revenue covered
- Expect FY23 APBT to be in line with consensus of £73.7m



WESTVALE PARK  
HORLEY





# MARKET OVERVIEW AND STRATEGY UPDATE

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PETER TRUSCOTT  
CHIEF EXECUTIVE



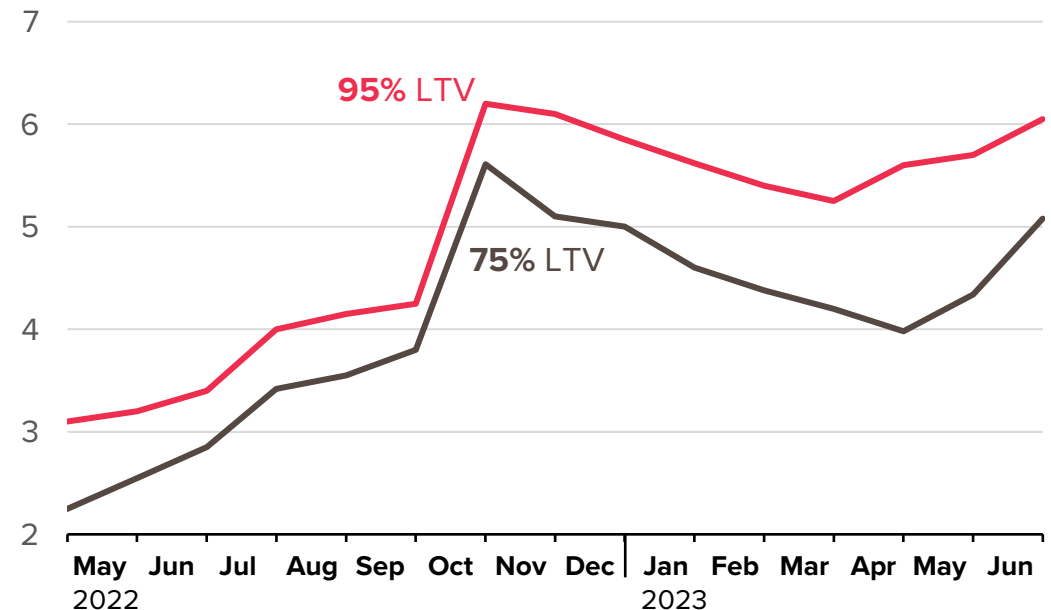
HENLEY GATE  
IPSWICH

# MARKET OVERVIEW

## MACRO ECONOMIC BACKDROP

- Selling environment has steadily recovered
  - Lower sales rate in line with pre Help to Buy
  - Pricing remains resilient
  - Challenging for first-time buyers
- Build cost inflation persisted for longer than expected
  - Signs of moderation in materials pricing
- Interest rate outlook remains key
  - Lower transaction levels increasing competition
  - Buyers adapting to a new world of higher rates
  - Expect rates to start falling in FY24

## MORTGAGE RATES (Average %)



Source: Bank of England, Money Facts. Based on property value of £350k  
Latest rates as at 2 June 2023



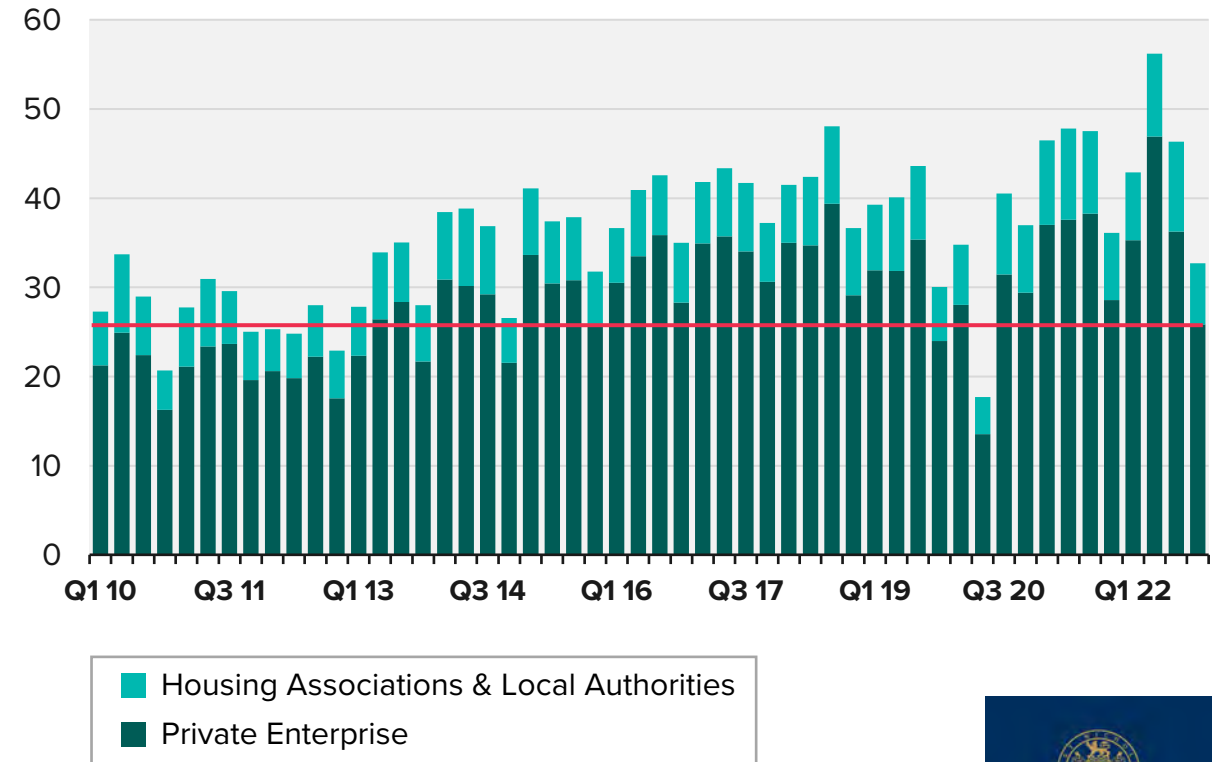


# MARKET OVERVIEW

## PLANNING ENVIRONMENT

- Decline in volume of allocated sites
  - Inevitable following the removal of housing targets
- Under-resourced planning departments
  - Increasingly inefficient
  - Poor communication and updates on status
- Delays in planning process
  - Water neutrality and nutrients
  - Impacts time to become operational
- Challenging environment to grow outlets

QUARTERLY HOUSING STARTS IN ENGLAND ('000)



Source: Barclays Research, [www.gov.uk/government/collections/housing-statistics](http://www.gov.uk/government/collections/housing-statistics)



# THE LAND MARKET

## LAND ENVIRONMENT

- Attractive opportunities in H1 as others vacated the market
- Signs that supply is now tightening given lower demand
- Planning constraints also slowing supply of new sites
- Strong balance sheet enabled us to be active in H1
  - 1,957 plots approved for purchase at 26.2% GM (after S&M)
  - Premium locations with current assumptions
- Expect lower participation in FY24



# LAND PORTFOLIO

## CASE STUDY – MAIDENHEAD ROAD, WINDSOR

### SITE LOCATION

The site is located on the western edge of Windsor, less than a 10 minute drive to both Windsor rail stations, providing a fast route into London Waterloo.

### INTENDED SCHEME

- 135 units (60% Open Market - 81)
- 100% Crest standard house types
- North part of wider 450 unit allocation

### CURRENT LAND USE

- Undeveloped Agricultural Land
- Now outside of Green Belt boundary

### DEVELOPED LAND USE

- Public Open Space
- Footpath and cycle connections

### PURCHASE DETAILS

- 9 acres (net)
- Resolution to Grant OPP (Nov 22)
- Land Value c.£30m
- 26.9% GM (after S&M) / 28% ROCE
- Opportunity on South allocation

### Redline Boundary Plan



Capacity for 450 units across North and South



4 x Custom Build Plots



40% affordable housing



Biodiversity net gain



Attractive elevational treatments to reflect aspirational location



Improved footpath and cycle connections to Maidenhead Road



High quality landscaping and areas of public open space



Enhancement in carbon efficiency v building regulations requirements



Pocket allotments



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# LAND PORTFOLIO

## CASE STUDY – WHEATLEY CAMPUS, OXFORD

### SITE LOCATION

The site is located approximately 6 miles from Oxford city centre on the northern edge of Wheatley (near A40), a small historic market town. Wheatley village provides a suite of local amenities including a supermarket, convenience retail, restaurants, cafes and several pubs.

### INTENDED SCHEME

- 473 units (65% Open Market - 310)
- Majority of houses are Crest standard house types
- Some selective non-standard townhouses for Oxford market
- Dual outlets through character areas and product differentiation

### CURRENT LAND USE

- Teaching facilities (constructed 2006+)
- Student Campus - Accommodation

### DEVELOPED LAND USE

- Public Open Space/LEAPS
- Improved transport links to local area

### PURCHASE DETAILS

- 24 acres (net)
- Conditional purchase (subject to DPP submission)/ Leaseback to Oxford Brookes
- Land Value c.£70m (with 30% retention)
- 24.2% GM (after S&M)/ 25% ROCE
- JV opportunity due to size

### Redline Boundary Plan



Capacity for up to 500 units



Public open space and high quality landscaping



35% affordable housing



Sports pavilion, cricket pitch and bowls green



Attractive elevational treatments & variety of character areas



Cycling and public transport connections



Biodiversity net gain



Green corridors through the development



Activity trim trail



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# LAND PORTFOLIO

## CASE STUDY – HARLINGTON, BEDFORDSHIRE

### SITE LOCATION

Located on the western edge of Harlington in Central Bedfordshire, within a 5-minute walk from Harlington train station which provides a direct fast link to London St Pancras.

### INTENDED SCHEME

- 400 units (70% Open Market - 280)
- Includes 20 self-build plots
- 100% Crest standard house types

### CURRENT LAND USE

- Undeveloped Agricultural Land
- Greenfield with minimal technical issues

### DEVELOPED LAND USE

- Primary School
- Public Open Space

### PURCHASE DETAILS

- 25 acres (net)
- Outline Planning consent with s106
- Land Value in excess of £40m
- 26.7% GM (after S&M) / 21% ROCE

### Redline Boundary Plan



Capacity for c.435 units



A new home for the Chiltern Centre



30% affordable housing



On-site public art



Serviced land parcel delivered for new local primary school on-site



Community orchard



Landscaped enhancements including off-site countryside improvements



Elevations reflective of local vernacular



20 self/custom-build plots



Improved footpath and cycle connections, including retained right of way



Biodiversity net gain in excess of 10%



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# BUILDING BLOCKS IN PLACE FOR RECOVERY


## DISCIPLINED AND SELECTIVE LAND ACQUISITION

Sector normal margins



- Depleting poor GM sites (Farnham FY24)
- New land acquisitions at higher GM
- Operational efficiency maintained
- HY23 net cash at £66.2m

Strong cash generation and balance sheet



Well-located and high quality portfolio



- Opportunistic and disciplined land investment
- Good sites in short-term land portfolio for future growth
- Planning expertise in divisions to 'unlock' land

Highly experienced management team

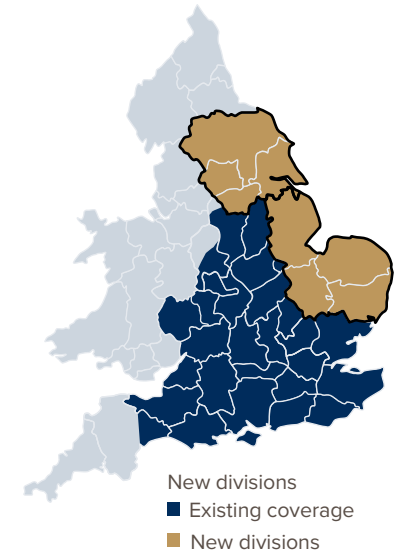
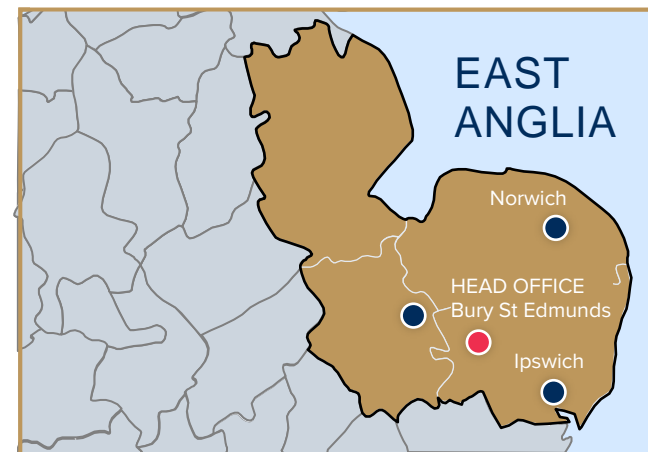




# DELIVERING GROWTH

## YORKSHIRE AND EAST ANGLIA EXPANSION TAKING SHAPE

- Expanding into strong local markets with greater availability of land
- Proportionate investment strategy
- Yorkshire
  - Fully operational from Leeds office
  - 6 pipeline sites (5 approved)
  - Contribution to start in FY24
- East Anglia
  - New office opened in Bury St Edmunds
  - Business leader on board
  - 3 pipeline sites (2 approved)
- Third new division on hold





# FIVE-STAR CUSTOMER SERVICE

## SIGNIFICANT INVESTMENT AND FOCUS

- Five-star recovery plan implemented
  - Customer Relationship managers on board
  - Enhanced monitoring and reporting
  - All key metrics starting to show impact
  - Will take time given the lag effect
- New process for identifying customer after care issues
- New procedures introduced in readiness for New Homes Quality Code







# MULTI CHANNEL APPROACH

## KEY CAPABILITY IN CURRENT ENVIRONMENT

- PRS interest remains good and strong partnerships in place
- Some deals support FY24 completion profile and beyond
- Registered Providers remain active despite tougher market
- High quality strategic land portfolio
  - A source of future allocations
  - Longer term outcomes but superior returns
  - Capability to work with stretched planning resources



MANOR VIEW  
WAVENDON







# SUSTAINABILITY & SOCIAL VALUE

## GOOD PROGRESS AGAINST TARGETS

- Good progress on sustainability targets
- Reducing greenhouse gas emissions in line with science-based targets
  - Increased the use of HVO biodiesel
  - Increased the proportion of electricity on renewable tariffs
  - Enhanced monitoring and reporting
  - Highly thermally efficient new house types
- Increased the proportion of Group suppliers engaging with the Supply Chain Sustainability School
- New charity partnership with Young Lives vs Cancer
- Accredited as a Living Wage Employer



# SUMMARY AND OUTLOOK

## Summary

- Sales market has stabilised albeit at lower level
- High quality sites added in good locations
- Geographical expansion is on track

## Outlook

- Robust forward order book for H2
- FY23 dividend to be maintained at FY22 level
- Well placed for recovery







ACKENDER HILL  
ALTON

# Q&A

