Crest Nicholson Holdings plc

Preliminary Results for 2014

27th January 2015

Agenda

• Performance highlights and Operations	Stephen Stone
• Financial Results	Patrick Bergin
• Outlook and Summary	Stephen Stone
• Q&A	

Performance highlights (1)

Unit completions of 2,530 units (2013: 2,172)	**+16%**
Sales per Outlet Week at 0.87 (2013: 0.90)	**-3%**
Forward sales at mid-January of £399.8m (2013: £329.5m)	**+21%**
GDV of short term land pipeline of £5,019m(2013: £4,137m)	**+21%**

Performance highlights (2)

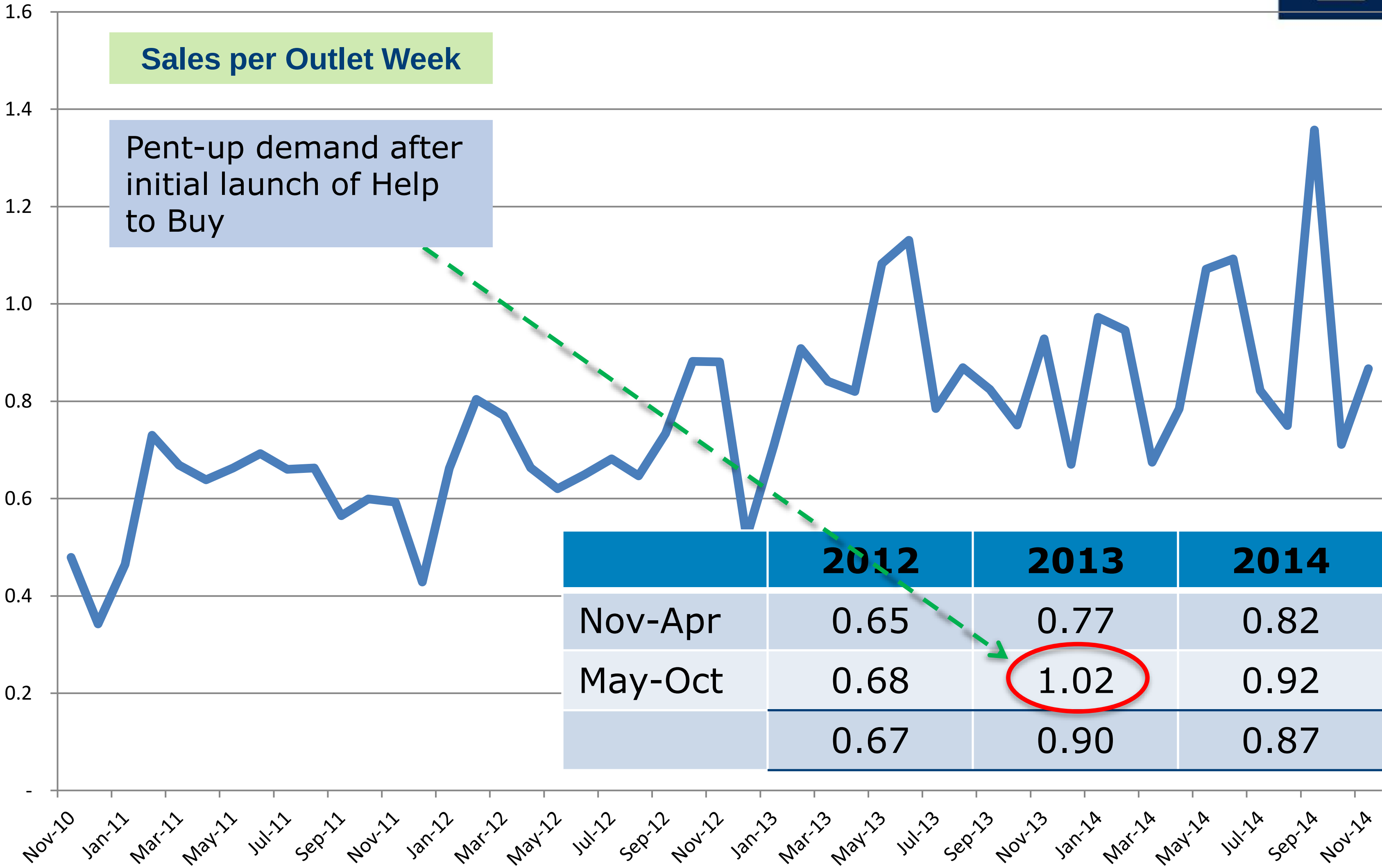
Operating profit of £128.1m (2013: £97.1m*)	**+32%**
Profit before tax of £116.7m (2013: £86.8m*)	**+34%**
Earnings per share of 39.3p (2013: 29.4p*)	**+34%**
Dividend per share of 14.3p (2013: 6.5p)	**+120%**

Operating profit margin of 20.1% (2013: 18.5%*)

Return on Capital Employed of 26.0% (2013: 24.1%*)

* Figures for 2013 quoted pre-exceptional charges of £5.9m incurred on IPO

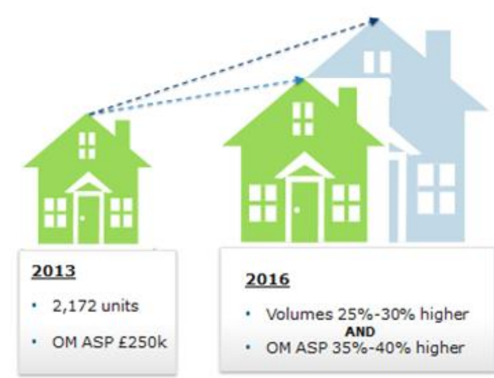
Sales rates – stabilising at a good level



	2012	2013	2014
Nov-Apr	0.65	0.77	0.82
May-Oct	0.68	1.02	0.92
	0.67	0.90	0.87

Strong growth back to natural scale

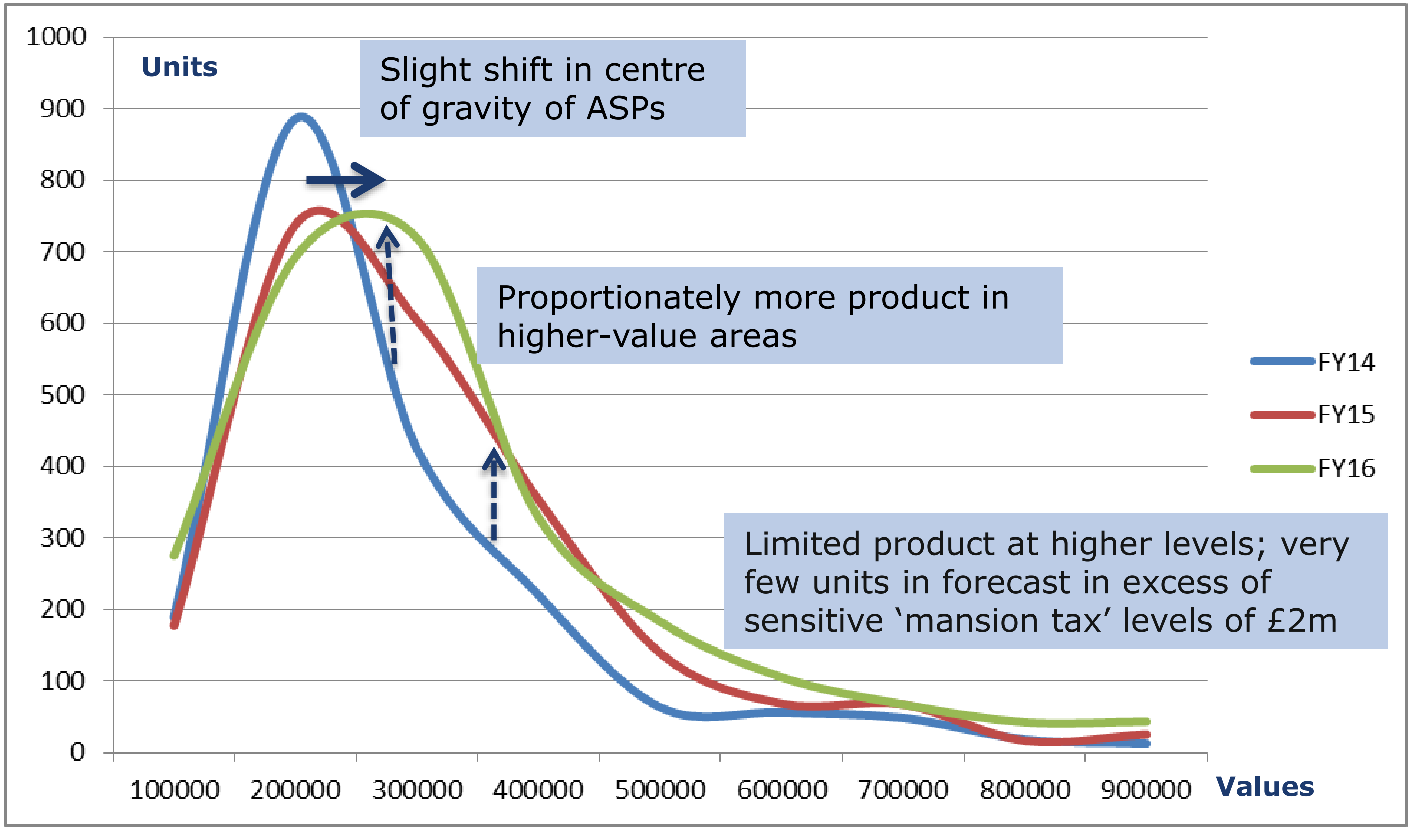
- New Division established to take Crest Nicholson business back to natural scale of operation – c.3,500 units
- Anticipate reaching natural scale by c.2018/19
- More widely, investment in higher ASP areas and product mix a significant revenue driver
- Strong margins and healthy land procurement underpin visibility of expected returns
- On target to deliver on initial 3-year revenue growth projection of 70-80% over 2013



New Chiltern Division established

- Additional Division will enable Crest Nicholson to mine known, strong areas more intensively; 3 home county offices plus London
- Initial portfolio of 640 plots on 7 sites
- Office in St Albans opened 3rd November 2014; 14 staff
- Additional bandwidth for outlet growth; current Group outlet count = 44

Moving up ASP curve



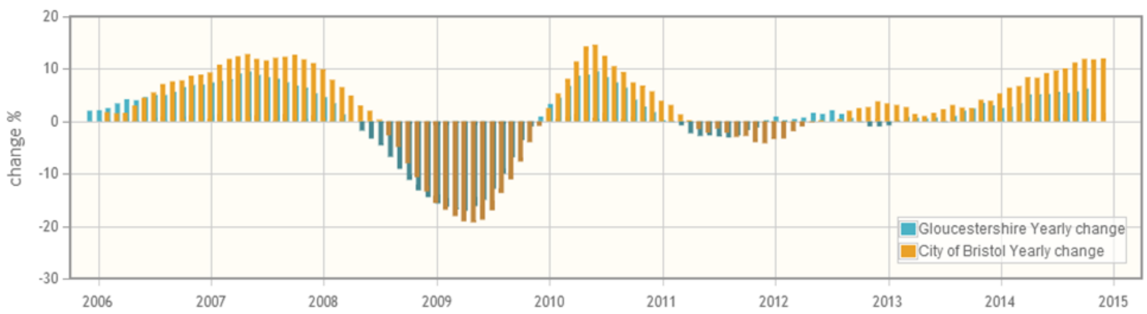
98% of product benefits from SDLT changes

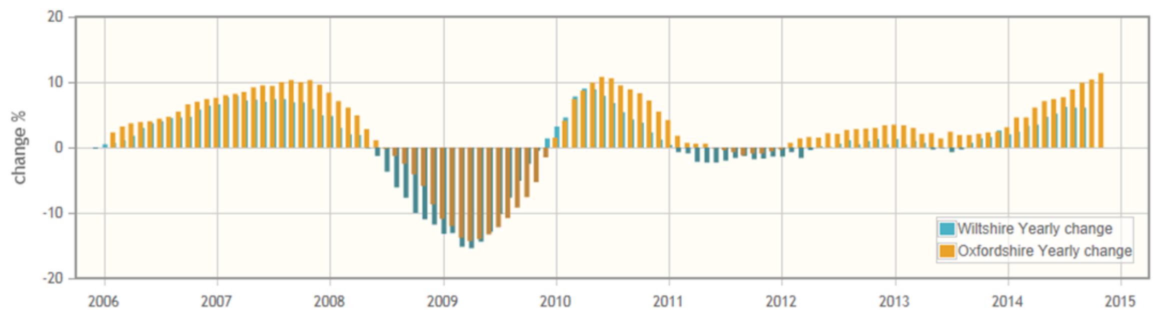
Sales under Help to Buy at 33% of Open Market homes

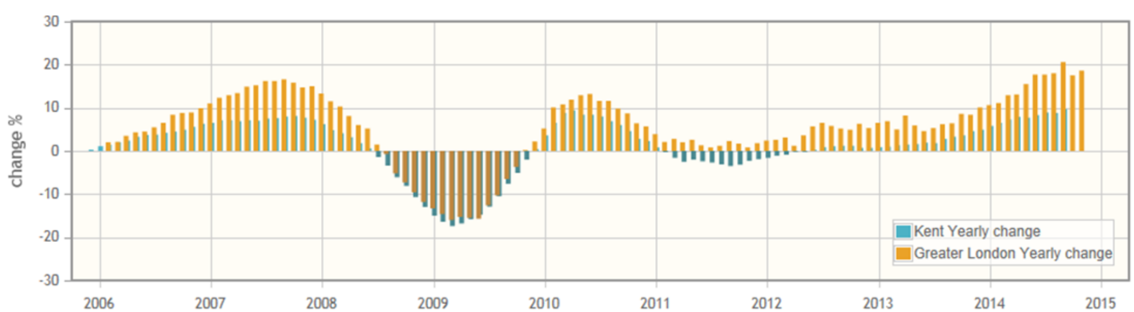
Approximately one third of OM purchases in 2014 had £200k+ equity &/or 50%+ cash

- ASP evolution from re-investment in areas of higher demand and/or affluence
- Distribution of portfolio similar, with increases spread across the value range

Prices strong in core areas







Source: Land Registry

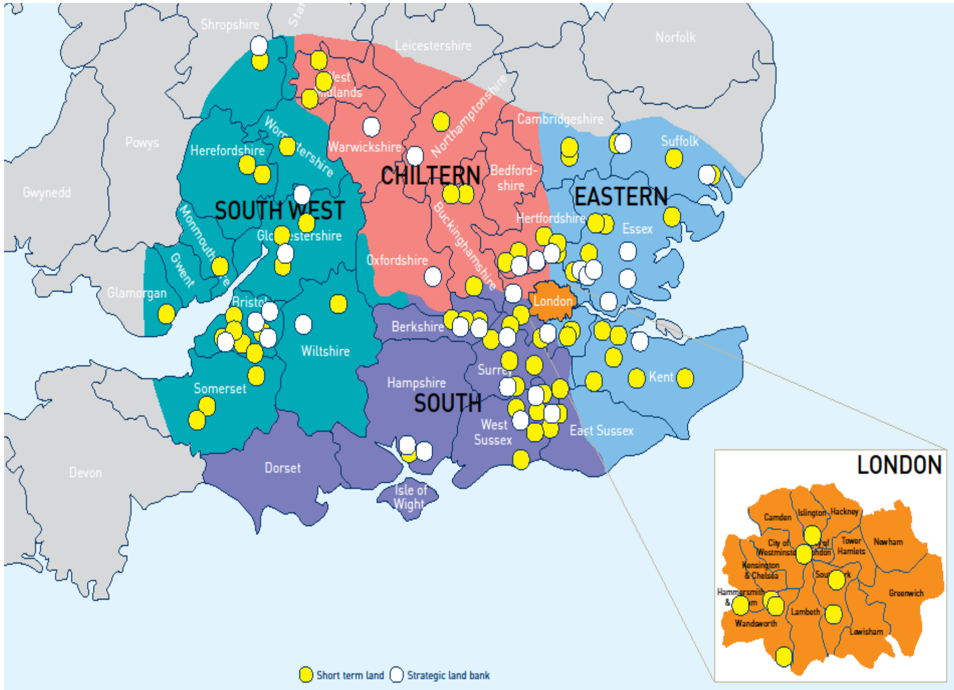
- Historic price decline similar, but recovery stronger in more prime locations
- Employment, prospects and affluence key drivers of demand and pricing
- Areas characterised by higher ASPs

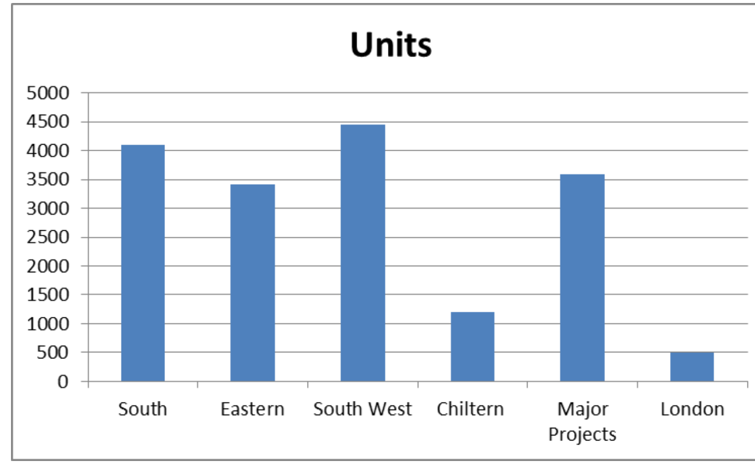
Maintaining strong land pipeline

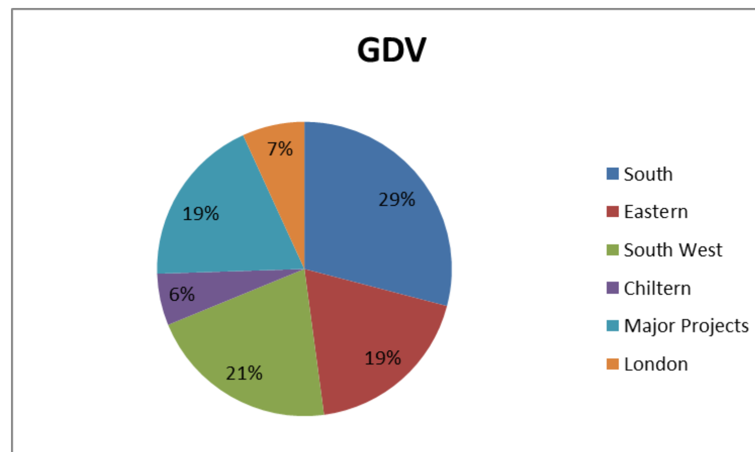
	Oct 2014		Oct 2013		Change %	
	Units	GDV £m	Units	GDV £m	Units	GDV £m
Short-term housing	17,247	4,798	16,388	3,886	5%	23%
Short-term commercial	-	221	-	251		(12)%
Total short-term	**17,247**	**5,019**	**16,388**	**4,137**	**5%**	**21%**
Strategic land	16,219	4,323	14,325	3,535	13%	22%
Total under contract	**33,466**	**9,342**	**30,713**	**7,672**	**9%**	**22%**

- Short-term portfolio; pricing gains and additions in strong locations where prevailing ASP is higher drive strong GDV uplift; short term land pipeline 6.8 years
- 2,143 plots acquired & 1,587 pulled through from strategic pipeline
- Replenishment of Strategic plots continues, after run of conversions in prior years

Land holdings by division



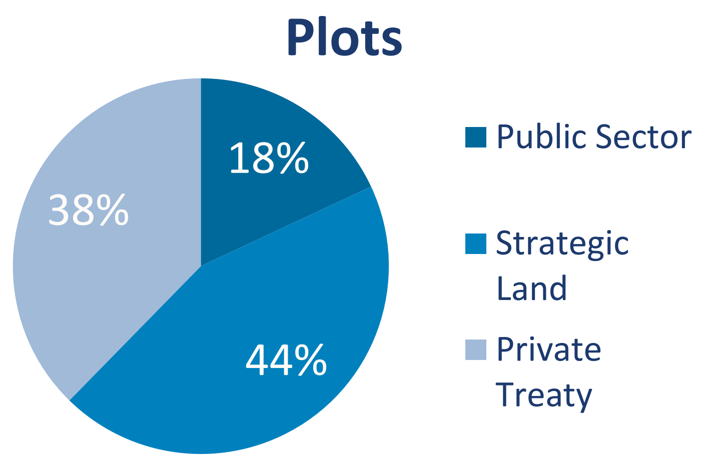


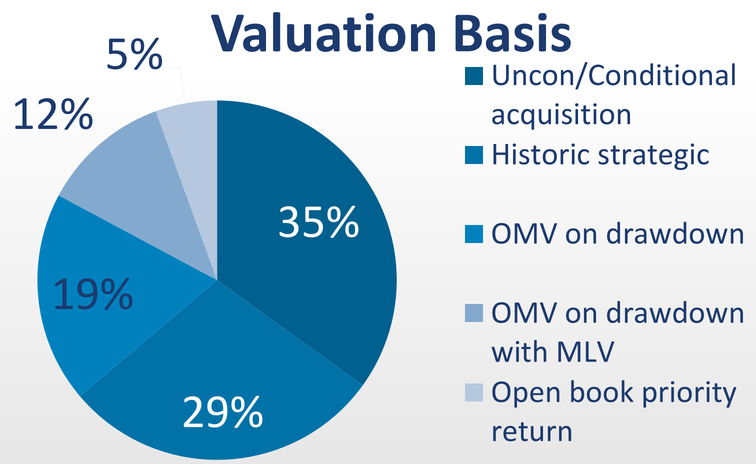


- Chiltern principal growth focus; other divisions primarily topping up outlet closures
- London share of GDV reflects disciplined capital allocation to London schemes

Longer term land with lower risk profile

- Strategically sourced land now 44% of the short term land pipeline at 7,568 plots (2013: 6,753 & 41%)
- 618 strategic plots delivered in 2014; 24% of total units (2013: 325 & 15%)
- 36% of short term portfolio (6,138 plots) are valued upon date of draw down, of which 1,989 subject to MLV's and 947 subject to priority returns
- Partnership models continue to offer strong sources of land on attractive commercial terms
- Risk profile of land pipeline reduced through varied bases of contracting



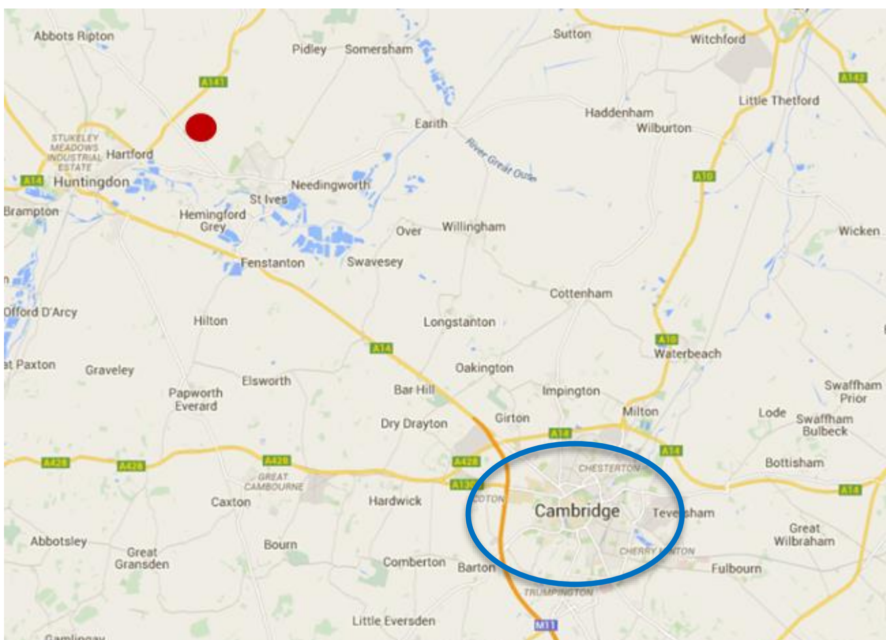


Case study: DIO sites - Arborfield

- Crest appointed Development Manager in April 2013
- Total site comprises 2,000 units, near Reading
- Crest to develop up to 1000 units (having acquired further private 3rd party land)
- Expected GDV £620m
- First unit completions in Autumn/Winter 2016
- Modest capital outlay as land disposals fund infrastructure

Case study: DIO sites – RAF Wyton

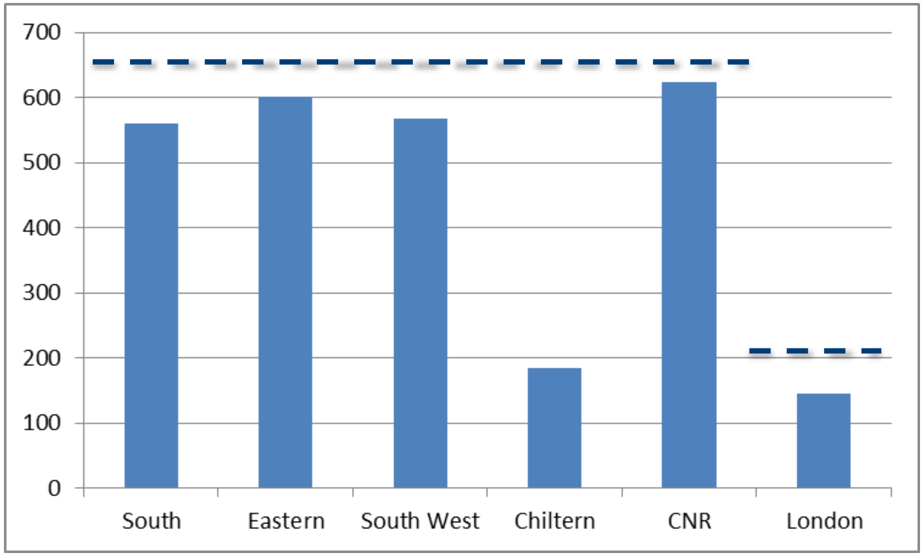
- Crest appointed as Development Manager in December 2014
- Total site comprises 4,500 units
- Crest to develop up to 2,270 units
- Expected GDV £1bn
- First unit completions in Autumn 2018
- Funding model as per Arborfield

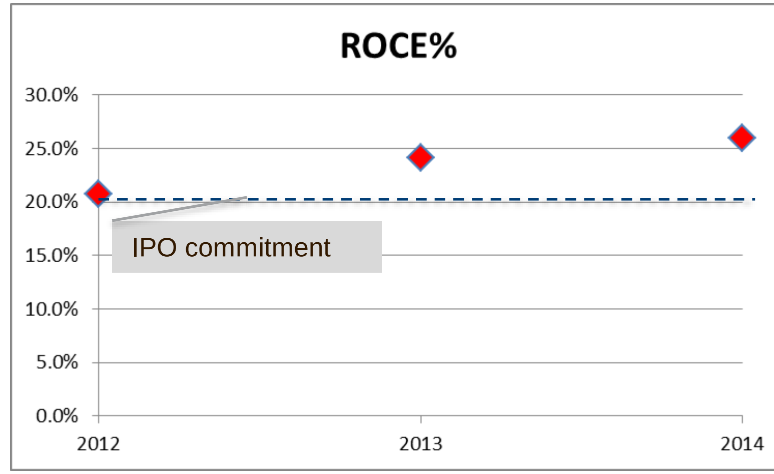


Business outlook

- Two years on from IPO, business in great shape
- Prospects of a more sustainable housing market emerging:
  - Improved mortgage access; Help to Buy and other higher LTV lender products
  - House price and input cost inflation slowing; real incomes on the rise after years of erosion
  - Planning environment still too slow – but improving
  - Land opportunities plentiful and supported by public sector land releases
  - Well capitalised and disciplined listed housebuilding sector
  - Strong political support for increased housing supply
  - MMR and BoE regulatory powers to reduce volatility
- Housing market will remain cyclical, but sector better positioned to mitigate risks and respond to market changes

Growing towards natural scale





- Improved sector outlook generating high quality returns
- Natural scale of business determined by:
  - Chosen area of focus – Southern England
  - Operating model: c.650 units per division; c.200 in London
- Volume potential of Group c.3,500 units
- PRS volumes represent incremental opportunity

Cash flows and Dividend

- Investment in higher ASP sites and in opening up strategic sites has consumed cash in 2014
- Stronger cash generation as business grows to natural scale of c.3,500 units over next 4-5 years
- Proposed dividend covered 2.75x by earnings, reflecting progressive dividend policy
- Intention to move towards 2.0x dividend cover over the next three years, having regard to the financial position and trading prospects of the business

Financial results

Key metrics

	FY 2014	FY 2013	Inc/(Dec) %
Outlets (full year equivalents)	42	44	-5%
Sales per Outlet Week (Open market)	0.87	0.90	-3%
Legal completions			
Open market	1,855	1,806	+3%
Affordable	675	366	+84%
ASP			
Open market	287	250	+15%
Affordable*	120	151	-21%

- Outlet reduction to reverse in 2015 as Chiltern grows
- OM ASP evolution on track

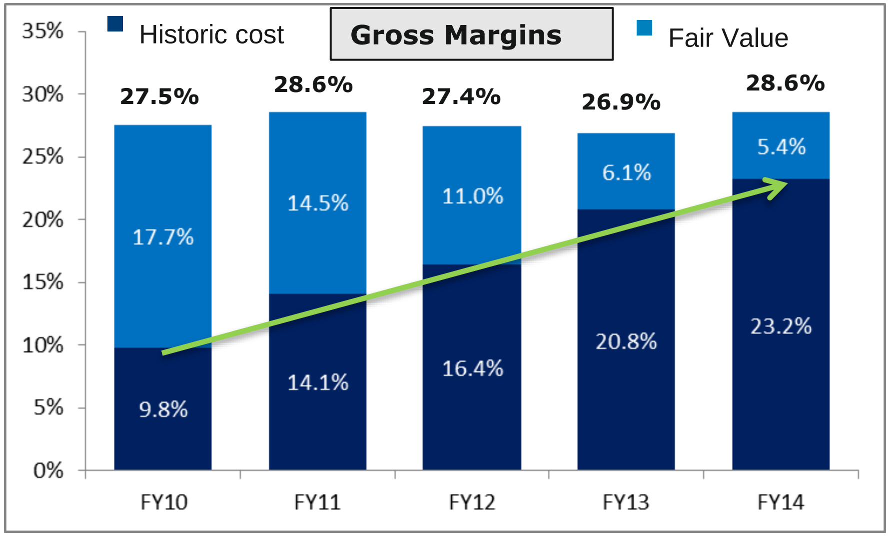
* Affordable ASP varies depending on extent to which related Affordable Land Sale matched to year of Affordable unit legal completion

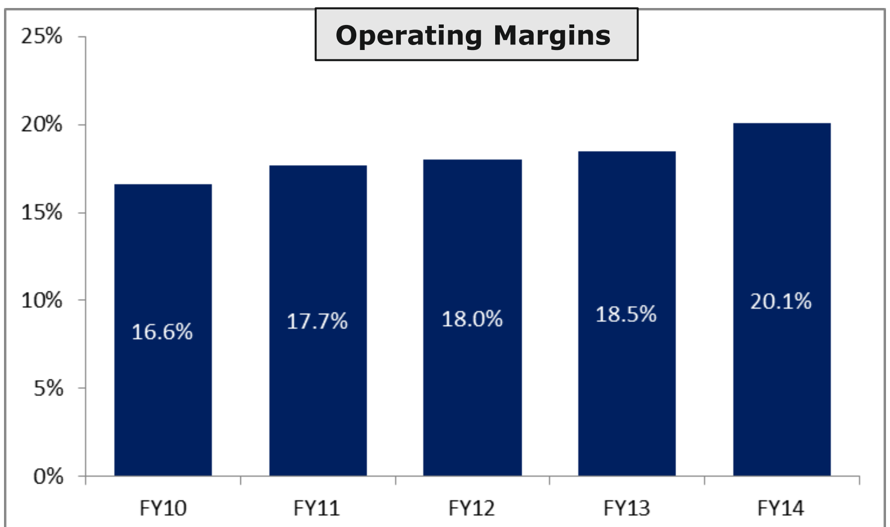
Income statement

Income statement (£m, unless stated)	FY 2014	FY 2013 Pre-exceptional	Exceptional costs	FY 2013 Total	Change (pre-exceptional)	
Revenue	**636.3**	**525.7**		**525.7**	**110.6**	**21%**
Cost of sales	(454.3)	(384.5)		(384.5)	(69.8)	
Gross profit	**182.0**	**141.2**		**141.2**	**40.8**	**29%**
% gross profit margin	***28.6%***	***26.9%***		***26.9%***	***170bps***	
Administrative expenses	(53.9)	(44.1)	(5.9)	(50.0)	(9.8)	
Operating profit	**128.1**	**97.1**	**(5.9)**	**91.2**	**31.0**	**32%**
% operating profit margin	***20.1%***	***18.5%***		***17.3%***	***160bps***	
Net financing costs	(11.4)	(10.3)		(10.3)	(1.1)	
Profit before tax	**116.7**	**86.8**	**(5.9)**	**80.9**	**29.9**	**34%**
Income tax	(17.9)	(15.3)	0.4	(14.9)	(2.6)	
Profit after tax	**98.8**	**71.5**	**(5.5)**	**66.0**	**27.3**	**38%**
Earnings per Share (p)	**39.3p**	**29.4p**	**(2.3)p**	**27.1p**	**9.9p**	**34%**
Dividend per share (p)	**14.3p**	**6.5p**		**6.5p**	**7.8p**	**120%**

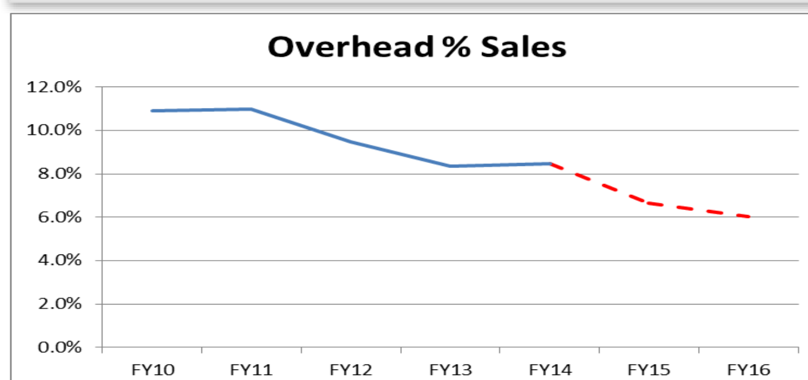
- Strong top line growth feeding through to earnings
- Operating margin of 20.1% reflective of strong market

Strong underlying margins



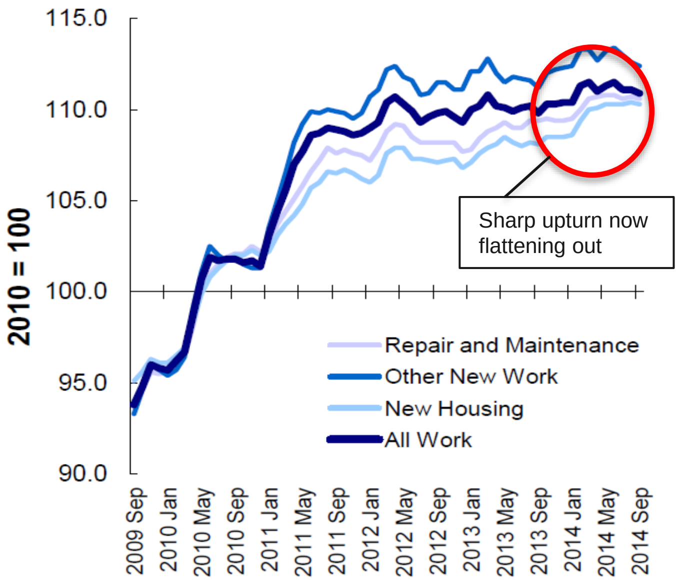


- Underlying margin strength as 'fair value' impact diminishes; residual provision of £99m to unwind over time as long-tail sites complete - £55m in next 3 years
- Strategic land pull-through, pricing gains and higher achieved acquisition margins all contributing to GM% improvement
- Operating margins aided further by scale leverage and rising ASPs



Supply chain – costs under control

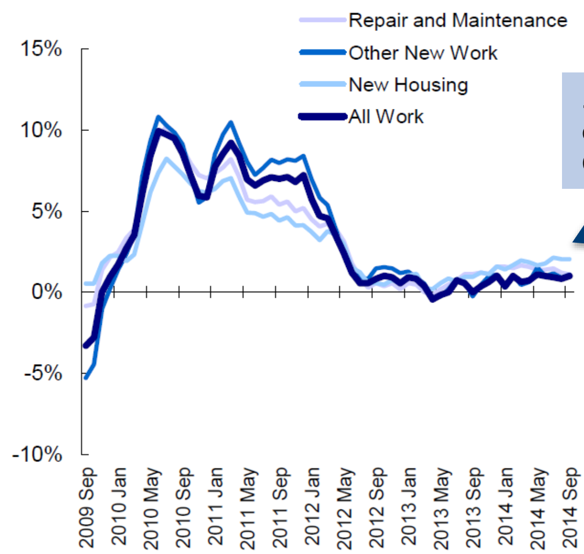
Chart 1: Construction Material Price Indices, UK



Source: Table 1, Monthly Statistics of Building Materials and Components

Chart 2: Growth in Construction Material Price Indices, UK

Percentage change over a year earlier (%)



3-5% very consistent with Crest's experience

Source: Table 1, Monthly Statistics of Building Materials and Components

- Bricks and brick-laying were source of most significant increases
- Increased capacity (domestic & imports) now leading to some block price reductions; overall cost increases well within sales price gains

Balance sheet

Balance sheet (£m, unless stated)	31st October 2014	31st October 2013	Change on Oct'13
Non-current Assets	100.1	127.0	(26.9)
Inventory	814.1	577.7	236.4
Trade & other receivables	48.1	44.0	4.1
Cash and cash equivalents	142.0	124.5	17.5
Total Assets	**1,104.3**	**873.2**	**231.1**
Interest bearing loans and borrowings	(161.3)	(82.0)	(79.3)
Land creditors	(214.5)	(120.4)	(94.1)
Retirement benefit obligations	(23.7)	(21.5)	(2.2)
Trade and other liabilities	(168.3)	(179.0)	10.7
Total Liabilities	**(567.8)**	**(402.9)**	**(164.9)**
Shareholders' Equity	**536.5**	**470.3**	**66.2**
Net debt/Equity	3.6%	n/a	
Net debt (inc. land creditors)/Equity	43.6%	16.6%	

- Increase in inventory driven by investment in strategic infrastructure and higher ASP sites
- Partially funded by increases in land creditors
- Year end basic gearing of 3.6%
- 14% increase in shareholders' equity

Cash flow

Cash flow (£m, unless stated)	FY2014	FY 2013	Change
Operating profit before changes in working capital and provisions	**133.0**	**100.5**	**32.5**
Decrease (increase) in trade and other receivables	0.1	(6.7)	6.8
Increase in inventories	(236.4)	(108.3)	(128.1)
Increase in trade and other payables	72.8	44.8	28.0
Increase in other financial assets	(0.2)	(2.8)	2.6
Cash (used)/generated from operations	**(30.7)**	**27.5**	**(58.2)**
Interest paid	(8.1)	(8.0)	(0.1)
Net cash flow from operating activities	**(38.8)**	**19.5**	**(58.3)**
Net cash flow from investing activities	6.4	3.2	3.2
Net cash flow from financing activities	49.9	(48.3)	98.2
Net increase/(decrease) in cash and cash equivalents	**17.5**	**(25.6)**	**43.1**
Cash and cash equivalents at the beginning of the year	124.5	150.1	(25.6)
Cash and cash equivalents at end of period	**142.0**	**124.5**	**17.5**

Forward sales

	YTD FY15	YTD FY14	FY14	FY13
Units – all years	2,099	1,778	1,499	1,360
% change on prior period		+18%	+10%	
GDV (£m) – all years	399.8	329.5	249.4	230.1
% change on prior period		+21%	+8%	
% of FY2015/14 target	41%	51%	24%	34%

- Sales momentum strong; sales in January 2015 in line with prior year
- Later sales release to secure sales value uplift and improve customer management driving lower % of current year target

Outlook and Summary

Outlook

- Actions taken to cool the housing market appear to have had some effect, with the market returning to more normal, seasonal patterns
- Both sales prices and input costs have shown signs of moderating
- Availability of consented land remains good, though planning decisions ahead of general election may stall
- The general election is also likely to have a (temporary) impact on sales, but there is broad political consensus on the need for increased housing supply and a stable housing market

Summary

- Housing market stabilising at a good level of activity, underpinned by strong employment and good mortgage access
- Business is delivering strong earnings growth, through a combination of volume and product mix; cash generation to support increased dividend
- Plentiful land supply and a range of commercial approaches secure good returns whilst reducing exposure to macro-economic risks
- Additional division to return Crest Nicholson to its natural scale and support outlet breadth
- Well positioned to continue to grow shareholder value

Q&A

Disclaimer

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These statements are provided on a confidential basis and are based on the current expectations of management and are naturally subject to uncertainty and changes in circumstances. In addition, they are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in such financial projections.

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