



Interim Results Presentation

6 Months to 31 December 2016

08 February 2017

Agenda

Chairman's Overview

Steve Morgan

Financial Results

Barbara Richmond

Review of Operations

John Tutte

Summary and Outlook

Steve Morgan

Overview

Steve Morgan - Chairman

Delivering much needed new homes in England and Wales

- Legal completions up 13% to 2,459 (incl. JV)
- Record first half turnover of £739m up 23%
- Record first half pre-tax profits of £140m up 35%
- ROCE of 24% (2016: 21%)
- Record order book up 35% at £897m
- Acquisition of Radleigh Homes



Financial Results

Barbara Richmond – Group Finance Director

H1 Financial Highlights



- Homes turnover up 26% at £733m
- Operating margin up from 18.2% to 19.5%
- EPS up 35% to 31p
- Interim dividend 6p per share (2016: 4p)
- Net debt of £56m (June 2016: £139m)
- ROE of 25.4% (2016: 23.7%)

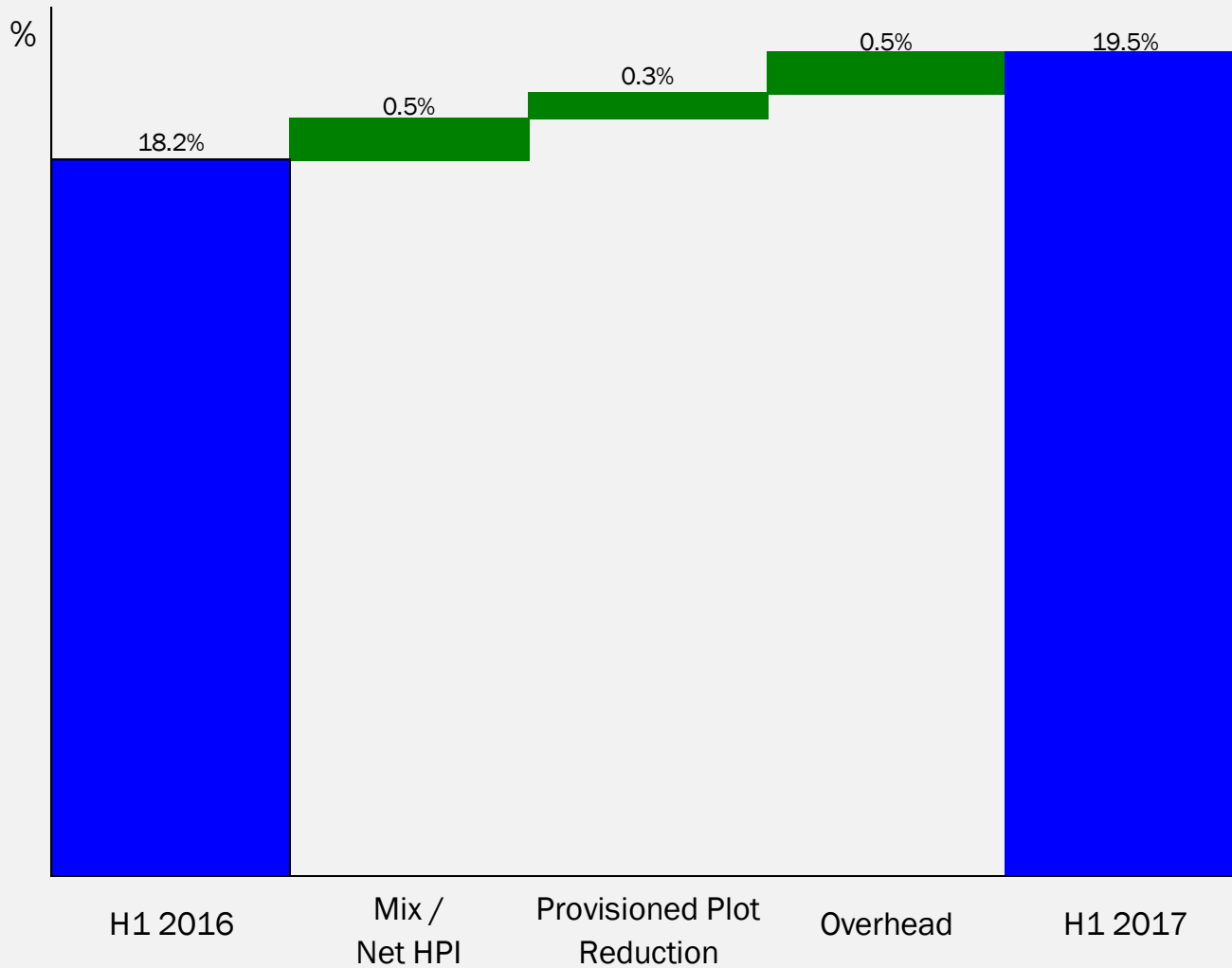
Income Statement

£m	H1 2017	H1 2016	Variance £m	Variance %
Turnover - Homes	733	584	149	26
Turnover - Other	6	19	(13)	(68)
Total Turnover	739	603	136	23
Gross profit	185	146	39	27
Operating expenses	(41)	(36)	(5)	(14)
Operating profit	144	110	34	31
Interest	(4)	(6)	2	33
Profit before tax	140	104	36	35

Analysis of private plots in Cost of Sales

	H1 2017	H1 2016
Average plot cost eliminated (£k)	72	63
Average plot cost as percentage of ASP	21	21
Percentage of eliminated plots with NRV provision	4	7

Operating Margin Bridge



Revenue by Geography

- Strong revenue growth in North and South
- Central marginally down due to change in product mix

	H1 2017		H1 2016	
	£m	%	£m	%
North	232	31	189	31
Central	158	21	166	28
South	266	36	200	33
Greater London	77	11	29	5
Total Homes	733	99	584	97
Other	6	1	19	3
Total	739	100	603	100

Homes Turnover Analysis

- Record Homes first half revenue of £733m, up 26%
- Legal completions up 13% to 2,459 including JV
- Apartments were 17% of private sales turnover (2016: <8%)
- ASP on private houses up 10% to £337k due to mix and HPI
- Overall private ASP up 12% to £344k due primarily to mix and HPI

	Turnover (£m)				Volume				ASP (£k)			
	H1 17	H1 16	Var	% Var	H1 17	H1 16	Var	% Var	H1 17	H1 16	Var	% Var
Private Houses	569	506	63	12	1,689	1,660	29	2	337	305	32	10
Private Apartments	118	42	76	181	309	131	178	136	382	320	62	19
Total Private	687	548	139	25	1,998	1,791	207	12	344	306	38	12
Social	46	36	10	28	418	387	31	8	110	93	17	18
Total Homes	733	584	149	26	2,416	2,178	238	11	303	268	35	13

Homes Private Turnover Analysis

- Homes private turnover up 25% to £687m
- Private volumes including JV up 14% (250) to 2,041
- Private volumes excluding JV up 12% (207) to 1,998
- Heritage Collection 75% of private turnover in 2017 (2016: 85%)
- Heritage Collection ASP up £29k to £339k

	Turnover (£m)			Volume			ASP (£k)		
	H1 17	H1 16	Var	H1 17	H1 16	Var	H1 17	H1 16	Var
Heritage	515	464	51	1,520	1,497	23	339	310	29
Regent/Abode	44	33	11	138	122	16	319	270	49
Bespoke	128	51	77	340	172	168	376	297	79
Private Total	687	548	139	1,998	1,791	207	344	306	38

Cash Flow

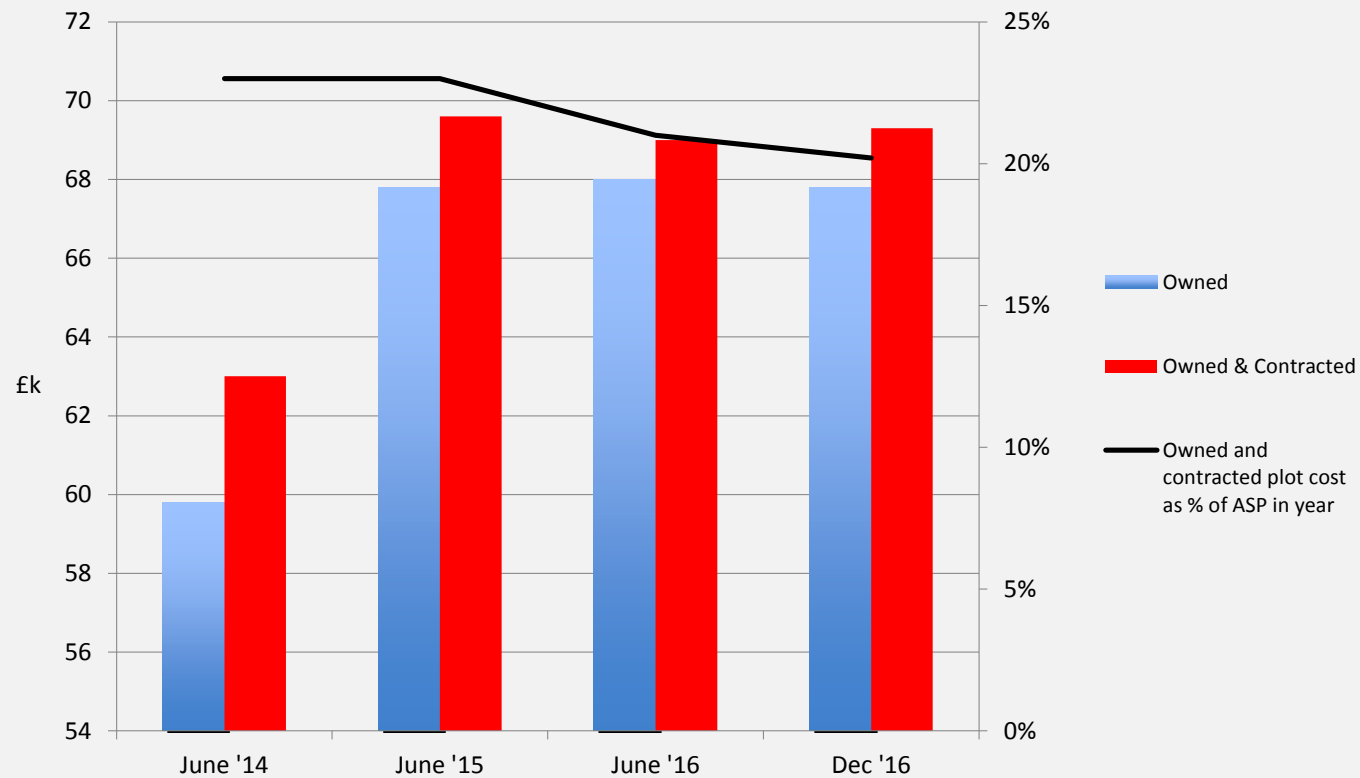
	H1 2017 £m	H1 2016 £m
Operating cash flow		
EBITDA	145	111
Decrease/(Increase) in land	13	(46)
Movement in land creditors	16	22
Cash investment in land	29	(24)
Movement in WIP	(37)	(72)
Movement in NRV	(8)	(3)
Other working capital movements	5	15
Operating cash flow	134	27

	H1 2017 £m	H1 2016 £m
Net debt movement		
Operating cash flow	134	27
Interest	(3)	(3)
Tax paid	(26)	(21)
Dividend	(22)	(15)
Other	—	(17)
Net cash flow	83	(29)
Opening net debt	(139)	(154)
Closing net debt	(56)	(183)
Gearing	5%	20%

Net Assets

£m	Dec 16	Jun 16	Movement
Land (Gross)	1,211	1,224	(13)
WIP (Gross)	640	603	37
NRV Provision	(11)	(19)	8
Land creditors	(394)	(378)	(16)
Net investment in inventory	1,446	1,430	16
Other working capital	(314)	(297)	(17)
Tax	(21)	(21)	–
Fixed Assets	18	19	(1)
Investment in JV's	26	25	1
Capital Employed	1,155	1,156	(1)
Net Debt	(56)	(139)	83
Net Assets	1,099	1,017	82

Plot Cost Carried Forward



Medium Term Guidance

	2019 Guidance
Turnover (£bn)	1.9
Operating Margin (%)	19.5
PBT	355
EPS (p)	77
ROE (%)	24
ROCE (%)	23

Review of Operations

John Tutte – Group Chief Executive

Strategy

- Ongoing growth
- Targeted geographic expansion
- Creating communities
- London focus on outer zones
- Developing the next generation of home builders



Land and Planning

Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2016	23,374	2,626	26,000
Legal completions	(2,416)	–	(2,416)
Market additions	186	222	408
Forward land pull through	1,252	100	1,352
Transfers	739	(739)	–
Other (land sales and replans)	(5)	(39)	(44)
At 31 December 2016	23,130	2,170	25,300
GDV of current land bank			c£7.9bn

Land and Planning

Movement in Forward Land Holdings

	Total Plots	
At 1 July 2016	25,634	
Additions	971	
Transfers to current land	(1,352)	
Strategic review	362	
At 31 December 2016	25,615	

Analysis	Dec 16	Jun 16
Land owned without planning	3,530	3,364
Land contracted without planning	1,010	539
Options - allocations	10,954	12,233
- realistic prospect	10,121	9,498
	25,615	25,634

Land and Planning

Land Holdings by Geography

	Dec 16			
	Current Land	%	Forward Land	%
North	5,557	22	13,195	51
Central	5,574	22	4,388	17
South	9,837	39	8,032	32
Greater London	4,332	17	—	—
	25,300	100	25,615	100

	Jun 16			
	Current Land	%	Forward Land	%
	5,753	22	12,914	50
	5,579	22	4,838	19
	10,420	40	7,882	31
	4,248	16	—	—
	26,000	100	25,634	100

Outlets Update

	2017		
	H1 Forecast	H1 Actual	H2 Forecast
Open	22	24	32
Close	23	30	18
Active Outlets	127	122	136

Garden Villages



Woodford, Cheshire



Ebbsfleet Green, Kent



Colindale Gardens

- Build on programme
- Completions January 2018 onwards
- Order book £143m

London

- First completions from Croydon JV
- Demand good across all developments
- Focus remains on outer London



- Acquisition of Derby-based housebuilder
- Creation of new East Midlands Division
- c.£52.5m turnover in year to December 2016
- c.200 completions from six active sites
- c.1,350 plots with planning across 12 sites
- c.1,200 forward land plots across 10 sites

Operational Highlights

Build

- Build cost inflation c.4%
- Modern Methods of Construction

Sales

- Modest price gains
- Improving mortgage availability

People

- > 2,000 directly employed
- Top 100 Apprenticeship Employer



Sales Market

H1*	2017	2016
Value of private net reservations (£m)	777	688
Private reservations per outlet per week	0.66	0.63
Closing private order book (£m)	897	664
Cancellation rate (%)	16	16
Private reservation statistics for the first 5 weeks of H2		
Volume of net reservations	435	426
Reservations per outlet per week	0.73	0.73
Average number of outlets	120	117

*Figures are 27 weeks LFL

Summary & Outlook

Steve Morgan - Chairman

Summary and Outlook

- Demand robust
- Record order book
- Cost inflation
- Strong balance sheet
- Progressive dividend
- Updated medium term guidance





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