



# Interim Results Presentation

6 Months to 31 December 2015



---

# Agenda



- 
- Chairman's Overview Steve Morgan
  - Financial Results Barbara Richmond
  - Review of Operations John Tutte
  - Summary and Outlook Steve Morgan

# Overview

Steve Morgan – Chairman

---

# Overview – record results

---



- Record first half pre-tax Profits of £104m up 14%
- Record turnover of £603m up 8%
- ROCE of 21% (2015: 21%)
- Order book up 51% at £655m
- c.5,700 plots added to current land bank



# Financial Results

Barbara Richmond – Group Finance Director

# H1 Financial Highlights



- Homes turnover up 14% at £584m
- Operating margin up from 17% to 18.2%
- EPS up 15% to 22.9p
- Net debt of £183m (June 2015: £154m)
- Interim dividend doubled to 4p per share
- ROE of 23.7% (2015: 24.9%)



# Income Statement



£m	H1 2016	H1 2015	Variance £m	Variance %
Turnover - Homes	<b>584</b>	514	70	14
Turnover - Other	<b>19</b>	46	(27)	(59)
Total Turnover	<b>603</b>	560	43	8
Gross profit	<b>146</b>	125	21	17
Operating expenses	<b>(36)</b>	(30)	(6)	(20)
Operating profit	<b>110</b>	95	15	16
Interest	<b>(6)</b>	(4)	(2)	(50)
Profit before tax	<b>104</b>	91	13	14

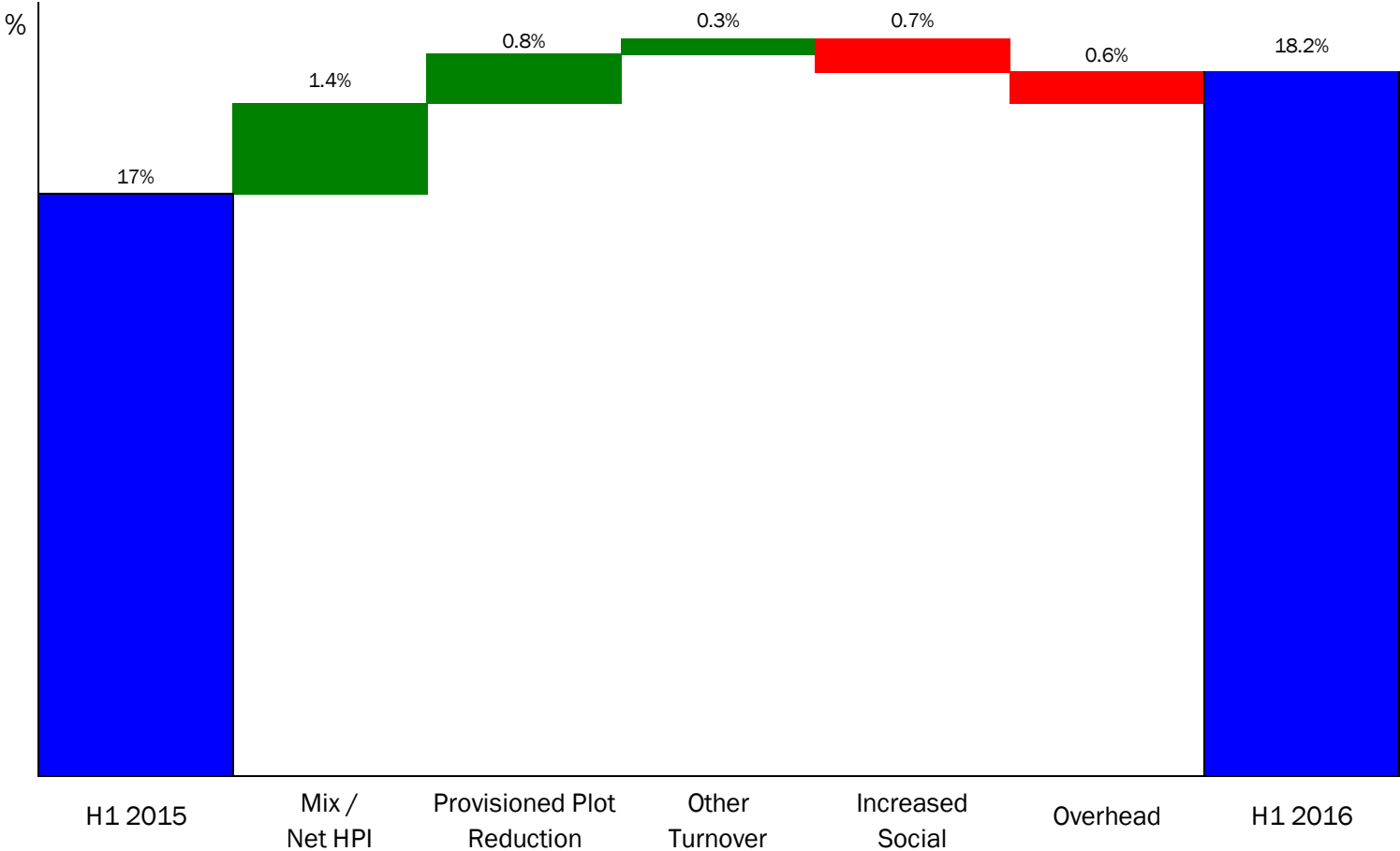
# Analysis of private plots in Cost of Sales



	H1 2016	H1 2015
Average plot cost eliminated	£63k	£67k
Average plot cost as percentage of ASP	21	22
Percentage of eliminated plots with NRV provision	7	15



# Operating Margin Bridge



# Homes Turnover Analysis



- Record Homes revenue of £584m, up 14%
- Apartments were less than 8% of private sales turnover (2015: 25%)
- ASP on private houses up 11% to £305k due to mix and HPI
- Overall private ASP up 2% to £306k due primarily to mix

	Turnover (£m)				Volume				ASP (£k)			
	H1 16	H1 15	Var	% Var	H1 16	H1 15	Var	% Var	H1 16	H1 15	Var	% Var
Private Houses	506	371	135	36	1,660	1,354	306	23	305	274	31	11
Private Apartments	42	125	(83)	(66)	131	300	(169)	(56)	320	417	(97)	(23)
Total Private	548	496	52	10	1,791	1,654	137	8	306	300	6	2
Social	36	18	18	100	387	196	191	97	93	90	3	3
Total Homes	584	514	70	14	2,178	1,850	328	18	268	278	(10)	(4)

# Homes Private Turnover Analysis



- Heritage Collection 85% of private turnover in 2016 (2015: 72%)
- Regent and Abode Collections 6% of turnover in 2016 (2015: 2%)
- Heritage Collection ASP up £38k to £310k
- Help to Buy comprised 44% of private legal completions (2015: 38%)

	Turnover (£m)			Volume			ASP (£k)		
	H1 16	H1 15	Var	H1 16	H1 15	Var	H1 16	H1 15	Var
Heritage	464	356	108	1,497	1,311	186	310	272	38
Regent/Abode	33	11	22	122	41	81	270	268	2
Bespoke	51	129	(78)	172	302	(130)	297	427	(130)
Private Total	548	496	52	1,791	1,654	137	306	300	6

# Revenue by Geography



- Strong revenue growth in all regions outside London
- Reduction in London due to timing of developments

	H1 2016		H1 2015	
	£m	%	£m	%
North	<b>189</b>	<b>31</b>	131	24
Central	<b>166</b>	<b>28</b>	102	18
South	<b>200</b>	<b>33</b>	168	30
Greater London	<b>29</b>	<b>5</b>	113	20
Total Homes	<b>584</b>	<b>97</b>	514	92
Other	<b>19</b>	<b>3</b>	46	8
Total	<b>603</b>	<b>100</b>	560	100

# Cash Flow



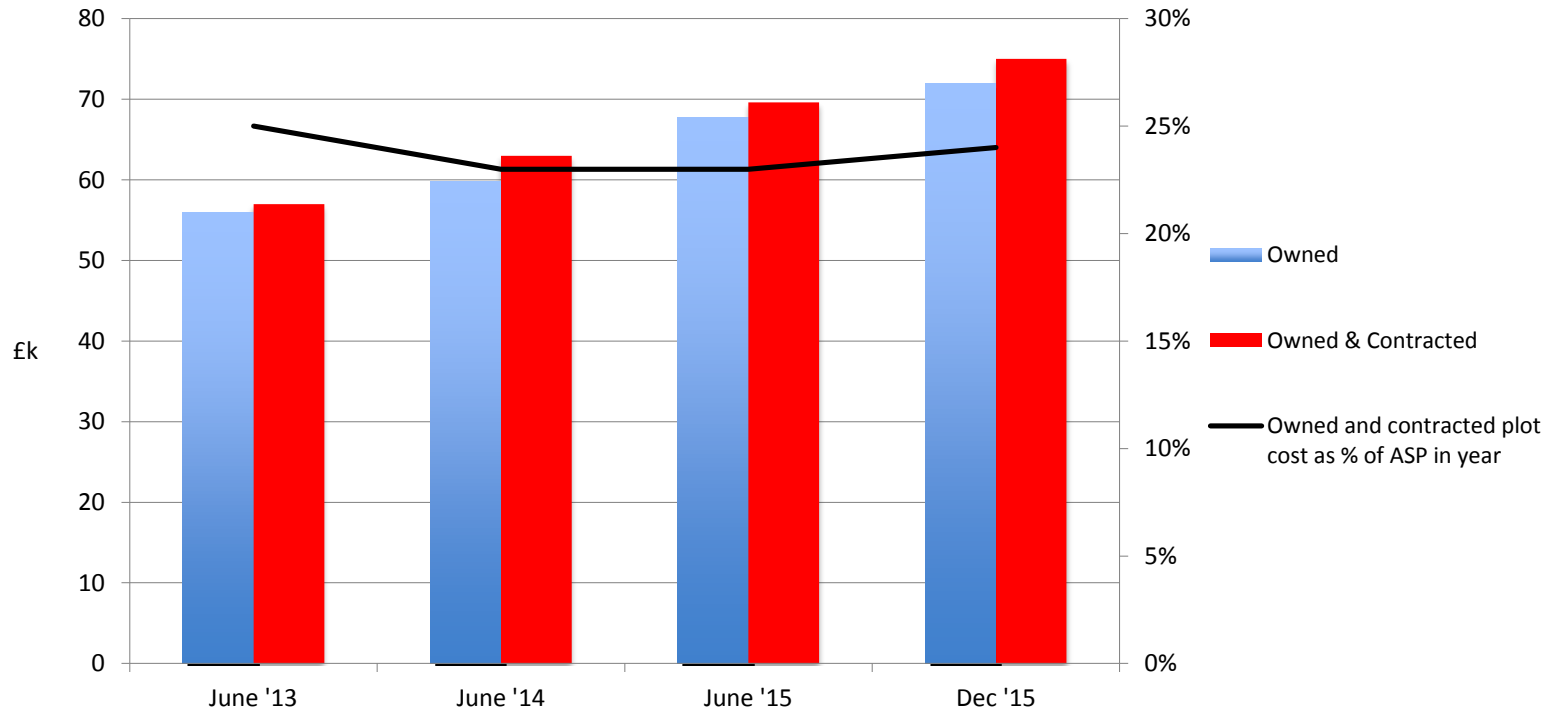
	H1 2016 £m	H1 2015 £m		H1 2016 £m	H1 2015 £m
<b>Operating cash flow</b>			<b>Net debt movement</b>		
EBITDA	<b>111</b>	96	Operating cash flow	<b>27</b>	34
(Increase) in land	<b>(46)</b>	(108)	Interest	<b>(3)</b>	(3)
Movement in land creditors	<b>22</b>	47	Tax paid	<b>(21)</b>	(1)
Cash investment in land	<b>(24)</b>	(61)	Dividend	<b>(15)</b>	(7)
			Other	<b>(17)</b>	9
Movement in WIP	<b>(72)</b>	(34)	Net cash flow	<b>(29)</b>	32
Movement in NRV	<b>(3)</b>	(6)	Opening net debt	<b>(154)</b>	(172)
Other working capital movements	<b>15</b>	39	Closing net debt	<b>(183)</b>	(140)
Operating cash flow	<b>27</b>	34	Gearing	20%	18%

# Net Assets



£m	Dec 15	Jun 15	Movement
Land (Gross)	1,083	1,037	46
WIP (Gross)	563	491	72
NRV Provision	(25)	(28)	3
Land creditors	(288)	(266)	(22)
Net investment in inventory	1,333	1,234	99
Other working capital	(259)	(247)	(12)
Tax	(16)	(15)	(1)
Fixed Assets	14	14	-
Investment in JV's	20	17	3
Capital Employed	1,092	1,003	89
Net Debt	(183)	(154)	(29)
Net Assets	909	849	60

# Plot Cost Carried Forward



# Operational Highlights

John Tutte – Group Chief Executive



# Land and Planning

## Movement in Current Land Holdings



	Plots owned	Contracted plots	Total
At 1 July 2015	15,537	2,679	18,216
Legal completions	(2,178)	-	(2,178)
Market additions	521	3,627	4,148
Forward land pull through	1,557	-	1,557
Transfers	1,065	(1,065)	-
Other (land sales and replans)	(251)	(57)	(308)
At 31 December 2015	<u>16,251</u>	<u>5,184</u>	<u>21,435</u>

GDV of current land bank

c£6.2bn

# Land and Planning

## Movement in Forward Land Holdings



	Total Plots	
At 1 July 2015	29,580	
Additions	1,733	
Transfers to current land	(1,557)	
Strategic review	(2,106)	
At 31 December 2015	27,650	
Analysis	Dec 15	Jun 15
Land owned without planning	5,308	5,800
Options - allocations	12,425	12,489
Options - realistic prospect	9,917	11,291
	27,650	29,580

# Land and Planning

## Land Holdings by Geography



	Dec 15			
	Current Land	%	Forward Land	%
North	5,848	27	11,801	43
Central	4,518	21	4,889	18
South	9,711	45	8,060	29
Greater London	1,358	7	2,900	10
	<b>21,435</b>	<b>100</b>	<b>27,650</b>	<b>100</b>

	Jun 15			
	Current Land	%	Forward Land	%
North	4,510	25	14,047	47
Central	4,395	24	5,337	18
South	8,188	45	7,296	25
Greater London	1,123	6	2,900	10
	<b>18,216</b>	<b>100</b>	<b>29,580</b>	<b>100</b>

---

# Outlets Update

---



	2016		
	H1 Forecast	H1 Actual	H2 Forecast
Open	23	20	35
Close	17	16	28
Active Outlets	123	121	128

# Woodford Garden Village, Cheshire



- Planning for 920 plots
- Forward land pull-through H1
- Sales launch Spring 2016
- GDV c.£375m



# Ebbsfleet Green, Kent



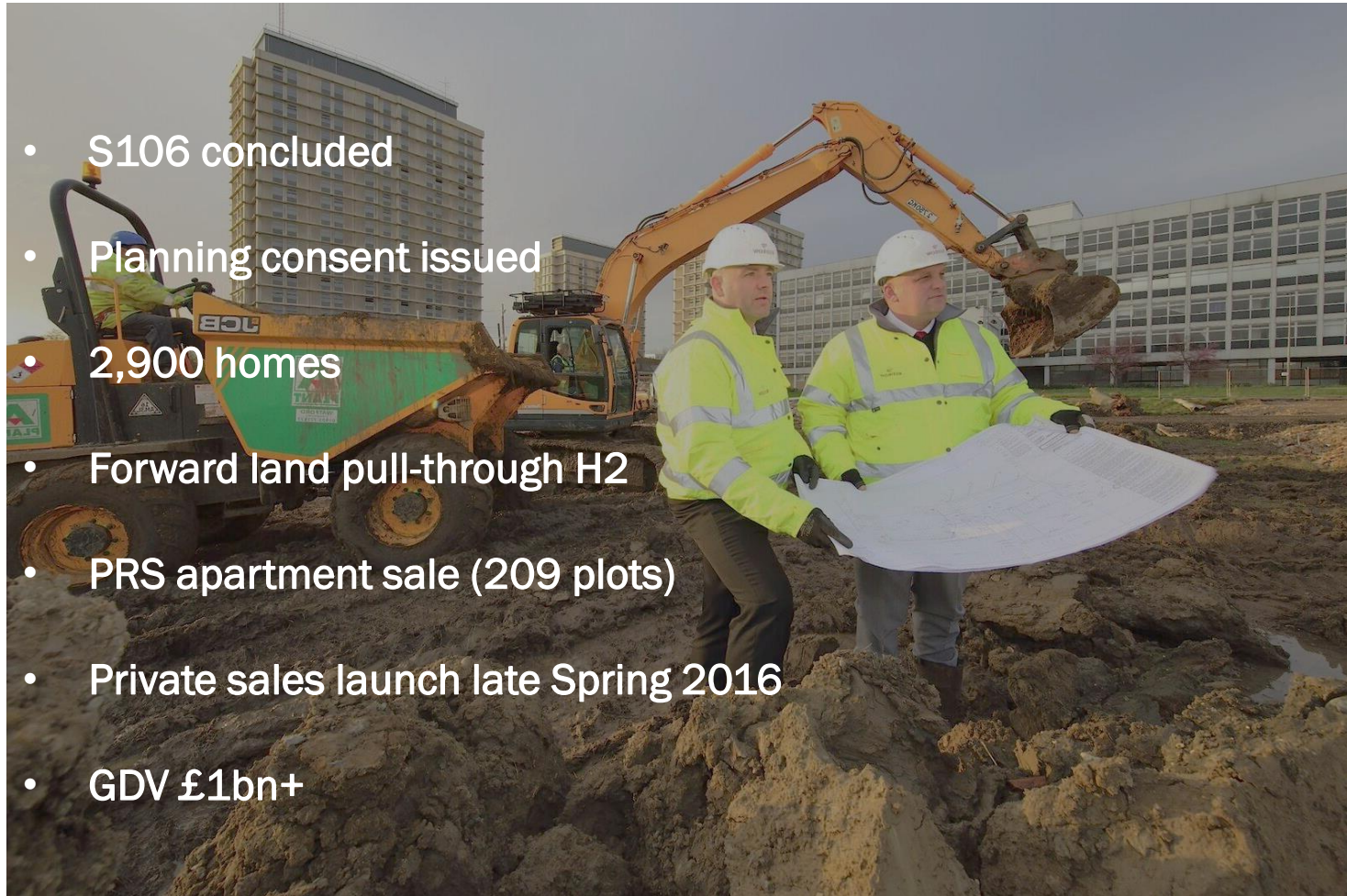
- Outline planning for 950 plots
- Sales launch late Spring 2016
- Detailed consent
  - Abode (62 plots)
  - Heritage (118 plots)
- GDV c.£350m



# Colindale Gardens, NW9



- S106 concluded
- Planning consent issued
- 2,900 homes
- Forward land pull-through H2
- PRS apartment sale (209 plots)
- Private sales launch late Spring 2016
- GDV £1bn+



# Greater London



- Re-organisation complete
- Relocating to new office in Stratford
- Strong demand in outer London
- Forthcoming launches
  - Westbourne Place, Maida Vale
  - 500 Chiswick High Road
  - Lyon Square, Harrow
  - Colindale Gardens
- New sites acquired
  - West Drayton, Hounslow (308 plots)
  - Hackbridge, Sutton (189 plots)





# Operational Highlights



- **Build costs**
  - Like-for-like build cost inflation +3.5%
  - Building Regulation changes +1.5%
- **Selling prices**
  - Modest price gains
- **Product**
  - Heritage elevations refreshed
  - Continued roll-out Regent and Abode
- **People**
  - 1,800 directly employed: 150 new jobs created
  - Top 100 Apprenticeship Employer



# Sales Market



H1	2016	2015
Value of private net reservations	£679m	£449m
Private reservations per outlet per week	0.65	0.59
Closing private order book	£655m	£435m
Cancellation rate	16%	11%

## Private reservation statistics for the first 6 weeks of H2

Volume of net reservations	455	415
Reservations per outlet per week	0.65	0.65
Average number of outlets	118	107

# Summary and Outlook

Steve Morgan – Chairman

---

# Summary & Outlook

---



- Demand robust
- Record order book
- Cost inflation easing
- Strong land bank for further growth
- Colindale, Woodford and Ebbsfleet coming on stream
- Progressive dividend

