

Press release



Crest Nicholson

16 September 2014

Crest Nicholson Holdings plc Interim Management Statement

Crest Nicholson Holdings plc (Crest Nicholson) today issues its Interim Management Statement for the period from 1st May 2014 to 5th September 2014. The results for the full financial year ending 31st October 2014 are expected to be announced on Tuesday 27th January 2015.

Current trading

A strong reservation and delivery performance throughout the year has positioned the business well to meet its volume aspirations for 2014. At 5th September, all reservations required for 2014 legal completion have been secured and the business expects to deliver an approximately 15% increase in volumes over the prior year.

In line with normal seasonal trends, the sales environment has shown a moderate slowing in recent months. This compares with the very high levels of sales that were experienced in the immediate aftermath of the launch of Help to Buy in the Spring of 2013.

Accordingly, open-market reservation rates over the period since 1st May 2014 have averaged 0.87 per outlet week, down 8% on the figure of 0.95 achieved in the equivalent period in 2013.

Total forward sales at 5th September were £348m, up 11% on the £314m in 2013. Forward sales for future years are lower, at £138m, (2013: £145m) reflecting the adoption of a strategy of releasing product for sale when it is at a more advanced stage of construction.

Stephen Stone, Chief Executive commented "Strong purchaser demand for new homes continues to underpin a buoyant housing market. The business is well positioned to deliver volume growth in a disciplined manner, helping many first-time buyers to get on the housing ladder, generating significant employment opportunities across our areas of operation and securing excellent shareholder returns."

Land and Planning

Selective additions have been made to the short-term land pipeline, reflecting the investment in strong locations with higher average selling prices (ASPs).

In the year to date, 17 new sites and 1,779 plots have been acquired, along with a further 5 sites and 885 plots which have been converted from the strategic land bank over the same period. These acquisitions and conversions have contributed to a 21% increase in the gross development value of the Group's short-term pipeline to £4,690m (2013: £3,886m). Sites in Marlow, Cambridge and Cheltenham have been acquired as well as projects in Putney and Borough in London, all of which are contributing to an increase in ASP in the land pipeline.

At 5th September 2014, all land required to meet our 2015 forecasts has been secured with planning in place; land for 2016 unit delivery is also wholly secured, mostly with planning. As a result, the volume and ASP projections in our medium term forecasts are significantly underpinned, in line with guidance provided at the time of our half year announcement.

Our strategic land pipeline continues to develop, increasing by 2,495 plots in the year-to-date, net of the impact of transfers and re-plans. From a total of 16,820 strategic plots, 4,022 (24%) are allocated within a local plan and a further 5,389 (32%) included in a draft allocation.

In addition, 5 other sites have planning applications currently submitted or due for submission before the end of October 2014.

Our healthy land pipelines enable the group to maintain its focus on investing in opportunities which deliver attractive financial returns. Hurdle rates for new land acquisitions have recently been increased in support of this objective, with minimum hurdle rate returns on capital employed in the range of 22-24%, depending on location.

New division

The new Chiltern division, based in St. Alban's, Hertfordshire, is on track to open for business in November 2014. All key divisional board appointments have now been made, with the majority of candidates identified internally, providing further opportunities for advancement to our employees.

The new division will be pump-primed with a number of operational sites as well as securing its own new projects and will provide additional management bandwidth to support outlet growth in 2015.

Financial position

The group maintains a strong equity base and uses bank borrowings to manage working capital movements through the year. Sufficient borrowing facilities exist to meet the operational requirements of the business.

Outlook

Prospects for the continuation of a strong and sustainable housing market are generally favourable. Cross-party support for new housing delivery, combined with good mortgage access and improved purchaser confidence in the light of economic recovery are all helpful factors.

Whilst there has been a slight moderation of sales rates in the last few months, rates of sale remain significantly above historic norms. Production capacity, clearance of planning conditions and skills availability remain the critical constraints on volume delivery.

Land supply remains plentiful, with plots being drawn from both short-term and strategic land pipelines and providing good forward visibility for our business forecasts. Sales price inflation continues to offset pressures from cost increases in the supply chain.

As a result, the Board is confident that the business is well positioned to deliver a strong operational and financial performance.

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Forward-looking statements

This release may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this release and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this release. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this release, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, changes in its business strategy, political and economic uncertainty. Save as required by the Listing and Disclosure and Transparency Rules, the Company is under no obligation to update the information contained in this release.

Past performance cannot be relied on as a guide to future performance.

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