

For Immediate Release

21 January 2013

**This announcement is an advertisement and not a prospectus. It does not constitute an offer for sale or subscription or to buy any securities. Investors should not subscribe for or purchase any transferable securities referred to in this announcement except on the basis of information in the prospectus (the "Prospectus") to be published by Crest Nicholson Holdings Limited ("Crest Nicholson" or the "Company" and, together with its subsidiaries, the "Group") (to be renamed Crest Nicholson Holdings PLC on re-registration as a public limited company) in due course in connection with the admission of its ordinary shares (the "Shares") to the Official List of the UK Listing Authority ("UKLA") and to trading on the London Stock Exchange plc's (the "London Stock Exchange") main market for listed securities. Copies of the Prospectus will, following publication, be available for inspection from the Company's registered office.**

## **Crest Nicholson Holdings Limited**

### **Announcement of intention to IPO and to list on the London Stock Exchange**

Crest Nicholson Holdings Limited today announces its intention to launch an initial public offering (the "**Offer**" or "**IPO**"). The Company intends to apply for admission of its ordinary shares to the premium listing segment of the Official List of the UK Financial Services Authority (the "**Official List**") and to trading on the main market for listed securities of the London Stock Exchange plc (together, "**Admission**").

Crest Nicholson is a leading residential developer operating in the Southern half of England, with an emphasis on creating well designed homes in sustainable communities. Crest Nicholson has established its brand over nearly 50 years and has a history of 39 years on the Official List, trading on the London Stock Exchange's main market between 1968 and 2007. Crest Nicholson benefits from:

#### **A highly experienced management team**

- Over 100 years' aggregate experience in the UK housebuilding sector

#### **Well-located short-term and strategic land banks**

- Short term land bank of which over 95 per cent focused on the South of England with 16,959 plots on 72 sites and an estimated gross development value ("**GDV**"<sup>1</sup>) of c. £3.9bn, as at 31 October 2012
- Short-term land bank of 9.0 years supply based on legal completions in 2012
- A high margin strategic land bank - 12,623 plots on 26 separate sites and an estimated GDV of c. £2.9bn, as at 31 October 2012

#### **Strong, sector-leading financial performance**

- Completions increased by 23.8 per cent in 2012 to 1,882 new homes (1,342 open market; 540 affordable) and the average selling price of open market homes increased 2.7 per cent to £230,000 per home

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<sup>1</sup> GDV is gross development value, which is the Group's estimated total receipts from a proposed development, at current sales values and based on the Group's current development plans for the land

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- Sustaining high margins - gross margins of 27.4 per cent in 2012 (2011: 28.6 per cent) and operating margins increasing from 17.7 per cent to 18.0 per cent
- Strong ROCE<sup>2</sup> of 20.7 per cent (2011: 21.1 per cent)
- Open-market forward sales at end December 2012 for 2013 amounted to £105.4m (2011: £80.7m)

#### **Infrastructure already in place to support future growth**

- Crest Nicholson aims to return volumes of new homes sold to c.2,500 units per annum within three to four years
- Scalable platform for growth without the requirement for significant additional overhead costs or structural changes to the existing business

#### **Commenting on today's announcement, Stephen Stone, Chief Executive of Crest Nicholson, said:**

*"Crest Nicholson has a long and successful history as a public company and today we have announced our intention to return to the stock market. We have a robust balance sheet, a valuable land bank, and a management team that has experienced the best and worst of the housebuilding cycle. The housing market is entering a period of gradual recovery and with our emphasis on the South of England, including London, and the continued support for the new homes market from Government, we are well positioned to generate value for shareholders."*

#### **FURTHER DETAILS OF THE OFFER**

The Offer will comprise an offer of new and existing shares. The net primary proceeds from the offer (approximately £50m) will be used to repay outstanding borrowings under the Group's financing arrangements. The offer will provide Crest Nicholson with additional operational flexibility.

The offer will also incorporate a sale of existing shares by certain institutional shareholders, including: Värde Investment Partners L.P. and Deutsche Bank AG. Such shareholders have agreed not to sell any further ordinary shares for the period of at least 180 days from the date of Admission. The Offer will also provide certain directors, senior managers and employees, with a partial realisation of their investment in the Company. To ensure that directors, senior managers and employees remain incentivised and their interests remain aligned with other ordinary shareholders, the directors, senior managers and employees selling ordinary shares pursuant to the Offer are all retaining at least 75 per cent. of their total interest in the Company. In addition, the directors have agreed not to sell any further ordinary shares for the period of at least 365 days from the date of Admission. Following the Offer the free float is expected to be a minimum of 35 per cent. of the issued share capital of Crest Nicholson.

Barclays Bank PLC ("Barclays") and HSBC Bank plc ("HSBC") are acting as Joint Sponsors, Joint Global Co-ordinators and Joint Bookrunners in relation to the Offer. Numis Securities Limited ("Numis") is acting as Lead Manager. Lazard & Co., Limited ("Lazard") is acting as Financial Adviser to the Company.

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<sup>2</sup> ROCE is calculated as operating profit as a percentage of the average capital employed, where the average capital employed is the average of the opening and closing balances of capital employed, and capital employed is calculated as the sum of net debt (excluding land creditors) and net assets

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It is expected that the Offer will complete in February 2013 and that the Company will become eligible for inclusion in the FTSE UK indices at the quarterly review in either March 2013 or June 2013 depending on the actual date of completion of the Offer. Enquiries:

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**Notes to Editors**

**Crest Nicholson Strengths**

*Highly experienced management team:* The Group has a highly experienced core management team with significant breadth and depth of expertise. The core management have, in aggregate, over 100 years of experience in the UK housebuilding sector, and have successfully managed the Group through the recent economic cycle. Members of the core management team include Stephen Stone, who has been Chief Executive since 2005 and has over 30 years of experience in the sector, as well as Chris Tinker, Steve Evans and Robin Hoyles, who have 30, 30 and 32 years' experience in the sector respectively. Patrick Bergin, the Group Finance Director, has 18 years' experience as a Chartered Accountant, the last six of which have been with the Group.

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*High quality, well-located and diverse short-term land bank:* In the financial years ended 31 October 2010, 2011 and 2012, the Group's sales per outlet month were 2.5, 2.6 and 2.9 and open market average sales prices were approximately £198,000, £224,000 and £230,000, respectively. The directors believe these strong sales rates and open market average sales prices reflect the Group's high quality, well-located and diverse land bank, which is underpinned by generally strong local demographics.

*Strategic land bank underpins strong returns:* The directors believe that the Group's strategic land bank will be an important factor in the Group's future ability to maintain attractive margins. As at 31 October 2012, the Group had a strategic land bank of 12,623 plots on 26 separate sites with an estimated GDV of £2,918 million.

*Distinctive business model focused on design and sustainability:* The Group continues to operate a distinctive business model emphasising design and sustainability in planning a variety of residential developments along with larger mixed-use developments. These include both houses and apartments and range from small bespoke projects in villages and market towns to urban regeneration projects in major towns and cities such as Bath, Southampton, Portishead and Birmingham, as well as a number of new sustainable communities across the South and South West of England and niche developments in Central London.

*Scalable platform supports growth plans:* The directors believe the Group's existing office and management infrastructure would allow it to continue to increase its levels of activity and produce up to 2,500 units per annum without materially reducing the extent of management's hands-on involvement and without significant additional central overhead costs or making any significant structural changes to the existing organisational model or business model.

### **Crest Nicholson Strategy**

*Continued operational excellence:* The Group's strategy is to strive for excellence in all areas of its operations and to operate at a scale that allows continued core management team involvement in the material decisions of each business division. In particular, the Group seeks to deliver industry-leading returns through the development of homes and mixed use buildings in well-designed, sustainable developments in the southern half of England. The Group will continue to operate in a responsible and ethical manner, focusing on the needs of the communities where it builds and operating within defined environmental limits.

*Selectively grow the land bank and deliver sustainable land supply:* The Group will continue to target investment in well-located sites and development opportunities within the South of England which have favourable demographics and potential for strong shareholder returns.

*Return towards historic output levels:* The Group aims to achieve completions of approximately 2,500 units per year within three to four years. The Group anticipates that the majority of its growth will come from its Major Projects and London divisions supplemented by further growth in the other regional housebuilding divisions.

*Maintain industry leadership, staying ahead of regulatory and market trends:* The Group will continue to research and develop desirable products which provide cost effective solutions to frequently changing regulatory requirements, particularly in the area of zero carbon homes. The Group aims to play an active role in government planning and regulatory policy evolution as it relates to housing, including through its continued participation in industry associations.

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*Continue to improve the Group's capital structure:* The Group has a medium term goal of reducing levels of gearing to be in line with the gearing levels of the Group's publicly reporting peers.

*Dividends and future dividend policy:* The directors intend to adopt a progressive dividend policy to reflect the cash-flow generation and long-term earnings potential of the Company.

## **Crest Nicholson Background**

Crest Nicholson is a leading residential developer operating in the Southern half of England with an emphasis on creating well designed homes in sustainable communities. The Group focuses on both greenfield and brownfield housing sites in prime areas of the southern half of England, including London. The Group has a wide product range, varying from homes for first time buyers through to large family homes, and includes a mixture of houses, apartments and supporting commercial premises as part of its larger developments.

The Group, which has established a brand over 50 years also has a history of 39 years' on the Official List and trading on the London Stock Exchange's main market between 1968 and 2007. In May 2007, the Group was taken over by Castle Bidco, a joint venture between Halifax Bank of Scotland and West Coast Capital. The takeover valued the equity share capital of the Group at £715m which represented 2.4 times its net asset value as at 31 October 2006. Following the takeover significant leverage was introduced in to the Group shortly before the housing market downturn began. Over the following years, given the structure of the balance sheet, the Group went through two restructurings to reduce its leverage to an appropriate level. During this time management also took actions to reprioritise the Group's objectives and reorganise its business in accordance with the prevailing market conditions.

The Group currently operates through six divisions. Four of these are regional housebuilding divisions operating within the southern half of England: Eastern, South, South West and London. The Group's fifth housebuilding division is the Major Projects division which specialises in larger scale partnerships with public and private vendors, including residential and mixed-use developments, across all core regions of the business. The Group also has a Strategic Projects division which focuses on sourcing, promoting and delivering large-scale land sites which do not have planning consent and are not allocated for development by the local authority at the point the Group secures these sites. These sites are promoted for medium to long term development by the Group. Each division is headed by a Managing Director. The housebuilding divisions have their own finance, land and development, sales and production directors, each of whom has their own support team.

## **Financial Highlights**

The following are highlights from Crest Nicholson's audited full year results for the financial year ended 31 October 2012:

- Revenue - £408.0m (2011: £319.1m)
- Completions – 1,882 units (2011: 1,520 units)
- ASPs (open market) - £230,000 (2011: £224,000)
- Gross margin – 27.4 per cent (2011: 28.6 per cent)
- Operating margin – 18.0 per cent (2011: 17.7 per cent)
- Operating profit - £73.3m (2011: £56.4m)
- NAV - £347.1m (2011: £287.0m)
- Number of years' land bank – 9.0 years (2011: 9.7 years)
- Open-market forward sales at end December 2012 for 2013 amounted to £105.4m (2011: £80.7m)

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## **Board of Directors**

Crest Nicholson has a strong board, to be complemented by the pending appointment of Jim Pettigrew, with a balance of executive and non-executive directors. Independent directors will comprise half the board. The Company believes the board has extensive, complementary experience in the sector. Board members include:

Non-Executive Chairman: William Rucker. Appointed September 2011

Chief Executive: Stephen Stone. Joined the Group in 1995 and was appointed Chief Executive in 2005

Group Finance Director: Patrick Bergin. Joined the Group in 2006 and was appointed Group Finance Director in 2011

Proposed Senior Independent Non-Executive Director: Jim Pettigrew to be appointed to the Board

Independent Non-Executive Director: Malcolm McCaig, appointed April 2009

Independent Non-Executive Director: Pam Alexander, appointed December 2011

## **Board Biographies**

William Rucker, Non-Executive Chairman. William Rucker was appointed as Chairman in September 2011. He is Chief Executive Officer of Lazard in the UK, Chairman of Quintain Estates & Development plc and Non-Executive Director of Rentokil-Initial plc.

Stephen Stone, Chief Executive. Stephen Stone joined the Group in 1995 and was appointed to the Board in 1999 becoming Chief Executive on 1 November 2005. He is the board member responsible for Health & Safety. He is a Chartered Architect with over 30 years' experience in the construction and housebuilding industry and in 2011 he joined the Home Builders Federation Board.

Patrick Bergin, Group Finance Director. Patrick Bergin joined the Group in 2006 and became Group Finance Director in 2011. He is a Chartered Accountant with 18 years' experience and has worked in a range of industries and companies including Touche Ross (now Deloitte), Reed Elsevier and the BOC Group, in various finance roles.

Jim Pettigrew, Proposed Senior Independent Non-Executive Director. Jim Pettigrew qualified as a Scottish Chartered Accountant (CA) with Ernst & Young, before undertaking a number of commercial finance roles in Scotland, and subsequently joining Sedgwick Group PLC as Group Treasurer and Deputy Chief Financial Officer. In addition, he was the Chief Financial Officer for ICAP PLC, and later Ashmore Group PLC as part of the team that floated the business on the London Stock Exchange.

He later spent time as Chief Executive of CMC Markets PLC, and is currently Chairman of Edinburgh Investment Trust Plc, Deputy Chairman Royal Bank of Canada Europe, Chairman of the Audit Committee at Aberdeen Asset Management plc and Clydesdale Bank plc and non-executive director at Hermes, AON UK Ltd and Pacific Investments. Jim is a member of the Association of Corporate Treasurers and a Fellow of the RSA.

Malcolm McCaig, Independent Non-Executive Director. Malcolm McCaig joined the Board in April 2009. He is Chairman of Kent Reliance Provident Society and Chairman of Caley Limited. He also

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holds a number of other independent director roles, including London Capital Group Holdings plc, Unum, Renaissance Capital, and Jubilee. He is a former partner with Deloitte as well as Ernst & Young and is a technical specialist in risk management, finance, corporate governance, regulatory compliance, IT and change management.

Pam Alexander OBE, Independent Non-Executive Director. Pam Alexander, the former Chief Executive of the South East England Development Agency (SEEDA), joined the Board on 5 December 2011. She has more than 35 years of experience in the public, private and not-for-profit sectors, having worked closely with boards and government ministers to deliver housing and regeneration across England. She is Chair, from 1st February 2013, of the Covent Garden Market Authority, a member of the London Mayor's Design Advisory Group, and a non-executive Director of the Design Council, Design Council Cabe, the Academy of Urbanism and Brighton Dome and Festival Ltd.

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### **Forward Looking Statements**

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of the Company. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" the negative of such terms or other similar expressions. The Company wishes to caution you that these statements are only predictions and that actual events or results may differ materially. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Company, including, among others, general economic conditions, the competitive environment as well as many other risks specifically related to the Company and its operations.

### **Important Notice**

Neither this announcement nor any copy of it may be taken or transmitted, directly or indirectly, into the United States, Australia, Canada or Japan or to any persons in any of those jurisdictions or any other jurisdictions where to do so would constitute a violation of the relevant securities laws of such jurisdiction.

This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any shares or other securities nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefore. The Offer and the distribution of this announcement and other information in connection with the listing and Offer in certain jurisdictions may be restricted by law and persons into whose possession this announcement, any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement does not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction in which such offer or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any jurisdiction. The securities proposed to be offered by the Company have not been and will not be registered under the US Securities Act 1933, as amended (the **Securities Act**) or under any securities laws of any state of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. This announcement has been issued by Crest Nicholson and is directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the Order), or (iii) persons who fall within Article 49(2)(a) to (d) of the Order (high net worth companies, unincorporated associations etc), or (iv) persons to whom this announcement may otherwise be lawfully communicated (all such persons together being referred to as **Relevant Persons**). Any investment activity to which this announcement relates will only be available to and will only be engaged with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Any purchase or subscription of Shares in the proposed Offer or other securities should be made solely on the basis of the information contained in the final form prospectus to be issued by Crest Nicholson in connection with the Offer. No reliance may or should be placed by any person for any purpose whatsoever on the information contained in this announcement or on its completeness, accuracy or fairness. The information in this announcement is subject to change. However, Crest Nicholson does not undertake to provide the recipient of this announcement with any additional

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information, or to update this announcement or to correct any inaccuracies, and the distribution of this announcement shall not be deemed to be any form of commitment on the part of Crest Nicholson to proceed with the Offer or any transaction or arrangement referred to herein. This announcement has not been approved by any competent regulatory authority.

Barclays, HSBC and Numis (the "Banks") and Lazard, each of which is authorised and regulated in the UK by the Financial Services Authority (or any successor bodies), are acting exclusively for Crest Nicholson and no one else in connection with the Offer and will not regard any other person as its client in relation to the Offer and will not be responsible to anyone other than Crest Nicholson for providing the protections afforded to their respective clients or for giving advice in relation to the Offer or the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the Offer, the Banks or any of their respective affiliates, acting as investors for their own accounts, may subscribe for or purchase Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of Crest Nicholson or related investments in connection with the Offer or otherwise. Accordingly, references in the prospectus, once published, to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Banks or any of their respective affiliates acting as investors for their own accounts. The Banks or any of their respective affiliates do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

None of the Banks, nor Lazard, nor any of their respective subsidiary undertakings, affiliates or any of their respective directors, officers, employees, advisers, agents or any other person accepts any responsibility or liability whatsoever for, or makes any representation or warranty, express or implied, as to the truth, accuracy, completeness or fairness of the information or opinions in this announcement (or whether any information has been omitted from the announcement) or any other information relating to Crest Nicholson, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

In connection with the Offer, a stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The stabilising manager may, for stabilisation purposes, over-allot Shares up to a maximum of 10 per cent. of the total number of Shares comprised in the Offer. The stabilising manager will not be required to enter into such transactions and such transactions may be effected on any stock, market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the stabilising manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilising measures, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the offer price. Save as required by law or regulation, neither the stabilising manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

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