

Press release

16th May 2018

Crest Nicholson Holdings plc

Trading Update

Crest Nicholson Holdings plc (“Crest Nicholson” or the “Company”) today issues a trading update in respect of the six months ended 30th April 2018, ahead of its half year results announcement on 12th June 2018.

Highlights

	HY2018	HY2017	Change
Unit completions	1,251	1,064	+17.6%
Open-market ASPs <i>(excluding PRS)</i>	£439k	£418k	+5.0%
Gross development value of land pipeline - £m			
- short term	5,872	5,883	-
- strategic	5,960	5,229	+14.0%
Total	11,832	11,112	+6.5%
Forward sales – Units	2,079	1,975	+5.3%
Forward sales - £m	£441.7	£415.6	+6.3%

Current trading

Crest Nicholson has delivered strong growth in revenues and housing unit numbers in the first six months of 2018. The business has maintained a keen focus on return on capital, sustaining sales volumes in a generally flat pricing environment and securing a strong contribution to volumes in the first half from PRS completions.

The experience of generally flat pricing against a backdrop of continuing build cost inflation at 3-4% will mean that operating margins for the full year are expected to be around 18%, at the bottom end of our 18-20% guided range.

Forward sales for the 2018 year including year to date completions are 11% ahead of the same period last year. Overall, we anticipate growth in reported revenues for the year to be over 15%.

Open-market average selling prices (ASP) have increased by 5.0% to £439k (excluding PRS), primarily due to changes in product and location mix. This is

expected to represent a peak level for the business. Current land investments across the business are in locations with a lower prevailing ASP, in line with our strategy.

Sales rates, as measured by Sales per Outlet Week (SPOW), reflect the change in product and location mix, with higher ASP product selling at a slower rate. For the first six months of the year, the SPOW (excluding PRS) has averaged 0.72, compared with 0.81 for the first half of 2017 and 0.77 for the whole of 2017.

Whilst most of our sales outlets have been performing well, sales at higher price points have proved to be more difficult to achieve. This in part reflects the greater interdependency of higher-value sales with transactions in the second-hand market, where activity has been more subdued and property chains have been taking longer to complete.

Sales outlets continue to grow steadily and for the first half of 2018, averaged 52, a 6% increase on the 49 outlets in operation at 30th April 2017. This growth, along with further outlet openings in the second half of the year, will support the delivery of our forecast full-year revenues.

Half-year debt of £77.5m (2017: £34.5m) reflects our investment in the new Midlands division, which has acquired seven sites to date and will make a positive contribution this year.

Outlook

Housing market volumes continue to be generally robust across the Group's principal operating areas. Strong levels of employment and low interest rates, combined with good mortgage access, continue to help many purchasers into new homes.

Sales at higher price points will continue to be impacted by a slow second-hand market and this is likely to restrain overall price growth in the near term. As a result, margins for next year are expected to be at a similar level to this year.

The business continues to explore opportunities to address its cost base and the overall efficiency of its operations, to protect margins and address areas of production constraint in the medium term.

Crest Nicholson has a strong balance sheet, is securing land at good margins and operates a disciplined business model, generating good returns whilst also contributing to the much-needed supply of housing in the UK.

Against this market backdrop the Board remains confident that the business is well positioned to continue to deliver a strong operational and financial performance in the medium term.

Commenting on today's statement, Patrick Bergin, Chief Executive said:

“The group has delivered a good sales performance in the first half of the year. The business continues to increase the number of homes built and carries positive momentum into the second half of 2018, with steady outlet growth and higher forward sales.

Flat pricing has had a negative impact on margins, but volumes in the new build housing market continue to be robust and Crest Nicholson remains well positioned to grow volumes and deliver the homes that the UK needs, while continuing to focus on delivering strong returns for shareholders.”

There will be a conference call for analysts at 8.30 a.m. (BST), hosted by Patrick Bergin, Chief Executive and Robert Allen, Finance Director. The dial-in details are:

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The information contained in this announcement is deemed by the Company to constitute ‘inside information’ under the Market Abuse Regulation (596/2014). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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 Guidance 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.

About Crest Nicholson

Crest Nicholson is firmly established as a leading developer with a passion for not only building homes, but also for creating vibrant sustainable communities. With a southern-based bias, the FTSE250 Group has a track record spanning more than 50 years and a broad portfolio of developments which range in size and scale, from contemporary, large scale mixed-use developments to smaller, more traditional housing schemes. As a pioneer of its own Garden Village principles, the Company advocates a holistic approach to development embracing social, environmental and economic factors to create homes for all segments of the community. These developments are founded on good design, high-quality green spaces, and the greater involvement of local people in both vision and long term management.

In line with its commitment to help meet housing demand, apprentices make up c.10% of Crest Nicholson's entire workforce, and the Group supports the development of jobs and skills at every level. The Group's focus on upskilling its workforce has led to its Graduate Training scheme being awarded 'Best Company to work for' by The Job Crowd 2017 and its industry leading Site Management Academy was also named 'Best Training or Recruitment Initiative' at the Housebuilder Awards 2017. The Company is consistently listed in the FTSE4Good index.

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