The information contained in this announcement is deemed by the Company to constitute inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014

Crest Nicholson Holdings plc

(the "Company", the "Group" or "Crest Nicholson")

RESULTS AHEAD OF EXPECTATIONS

STRONG PROGRESS AGAINST STRATEGY

EXCELLENT CASH GENERATION AND ROBUST BALANCE SHEET

Crest Nicholson today provides an update on trading for the 12-month period ending 31 October 2020 and upgrades profit expectations for FY20.

Financial highlights

- FY20 Adjusted Profit Before Tax expected to be significantly ahead of consensus of £37.9m[1] and at the upper end of the previously guided range of £35m - £45m
- Excellent progress on strengthening the balance sheet with FY20 net cash in excess of £135m, up from £37.2m at FY19. Land creditors at a similar level to FY19
- Good sales performance through the second half of the financial year with current sales rates remaining robust and slightly ahead of the pre-Spring lockdown level
- Forward sales as at 31 October 2020 were 2,289 units and £480.5m Gross Development Value (GDV) (31 October 2019: 2,013 units and £378.0m GDV)
- FY20 average outlets at 63, up from 59 at FY19, in line with our strategy
- Reinstatement of dividend on two and a half times cover basis, effective from interim results 2021
- Board is confident in the outlook for the business, underpinned by the strong progress implementing the updated strategy, current trading and excellent cash generation in the year

[1] As reported on 3 November 2020 at https://www.crestnicholson.com/investor-relations/consensus-estimates

Progress against strategy

The Group has made strong progress against all strategic priorities, creating a business well placed and sufficiently capitalised to take advantage of the long-term growth opportunities in the Southern England housing market.

Highlights include:

- Internal reorganisation completed, delivering annualised overhead savings in excess of £15m (c. 23%) compared to FY19, creating a more effective operational platform
- Continued good progress in respect of the £30m identified specification savings now embedded in our short-term land portfolio and margin delivery
- Approximately £40m of gross margin improvements identified and being delivered through better design of existing and future schemes through our new house type range and plotting efficiency programme
- Over 5,500 future units in our short-term land portfolio have now been planned with the new house type range. This is up from 3,300 units in June 2020
- Continued focus on the customer experience is increasing satisfaction scores and feedback, building on the five-star rating achieved this year
- 1,812 plots approved for purchase at an average gross margin of 28.7%
- Building a strong network of multi-channel partners generating good sales performance in the second half

Business overview

Due to a positive trading environment since the Spring lockdown, and strong progress implementing our updated strategy, the Group is pleased to report that it expects Adjusted Profit Before Tax for FY20 to be significantly ahead of consensus of £37.9m and at the upper end of the previously guided range of £35m - £45m.

During the summer we have seen good trading across all of our divisions. Reservation rates are now slightly ahead of the pre-Spring lockdown level. The release of pent-up demand, whether due to customers putting off moving because of Brexit uncertainty or subsequent COVID-19 disruption, and the benefits of the Stamp Duty holiday, have supported near-term confidence levels in the housing market. Our private SPOW rate over the July to September period was 0.54, representing a good improvement from our first half performance of 0.37.

We are also seeing evidence of changing customer attitudes and requirements as a result of the pandemic. Expectations that COVID-19 has driven a structural change to the balance of office and home working has featured strongly in customers' reasons for considering a Crest Nicholson home. Our land portfolio and developments are concentrated in Southern England and the commuter belt to major towns and cities, especially London.

However, we have not simply benefitted from a better than anticipated market backdrop. We have made strong progress implementing the updated strategy we outlined in January 2020. We have completed our internal reorganisation across our operating divisions and Head Office. These changes will result in an overhead base that is over £15m lower on an annualised basis than in FY19 and will result in a more effective operating platform. These changes have also enabled us both to develop and promote our existing talent but also look outside of the Group as we bring in new skills and knowledge. We have now assembled an experienced group of Managing Directors from across the sector who are focused on restoring the Group to being one of the UK's leading housebuilders.

We have also made strong progress in our operational delivery. We have continued to make improvements to our customer experience leading to higher customer satisfaction scores and building on the five-star rating achieved this year. Our operational efficiency programme has identified £30m of specification savings through better discipline in procurement. This focus has also enabled us to improve the quality of materials, improve service levels and develop closer, more strategic relationships with trusted suppliers.

In line with best practice in the sector, we have instilled a culture of continually reviewing the profitability of our schemes and making changes where appropriate. We have identified approximately £40m of gross margin improvements to be delivered in our existing and future schemes through re-plotting the layout and types of units on those schemes. In addition, we have raised our hurdle rate on new site acquisitions to ensure we drive maximum value from the selective and disciplined investments we make. Finally, the introduction of our new standard house type range will drive further benefits by way of significantly lower build costs, shorter build times and reduction in complexity. We currently have over 5,500 future units planned with this range and we expect over 80% of our open market houses will be delivered using this range in 2022.

Our multi-channel open market capability continues to develop in line with our expectations with 811 units reserved by partners in the year, of which 729 were apartments. We are building an enlarged network of partners interested in working with us in the future and our organisational restructure is enabling us to better respond to clients' needs and objectives.

Strengthened balance sheet

The Group is well capitalised with adequate facilities to support both its operational requirements and future investment plans. Our disciplined focus on cash generation and capital allocation has delivered a robust balance sheet. At 31 October 2020 our net cash was in excess of £135m, up from £37.2m at 31 October 2019. Land creditors were at a similar level to FY19. At the same time we have approved the purchase of 1,812 plots during the year at an average gross margin of 28.7%, to support our future growth ambitions. We expect the Group's £300m CCFF facility to remain undrawn.

Reinstatement of dividend

We recognise the importance of a sustainable dividend policy to our shareholders. In recognition of the excellent progress we have made in strengthening our balance sheet, the further opportunities we have in this area and our confidence in future trading forecasts, the Board is pleased to announce it expects to reinstate a dividend effective from the interim 2021 results, on a two and a half times cover basis.

Peter Truscott, Chief Executive, commented:

'This has been a challenging year for everyone involved with housebuilding. For Crest Nicholson, in the early stages of implementing an updated strategy, the arrival of COVID-19 could not have come at a worse time. We saw a significant impact to earnings in our first half and had to adapt our strategy quickly to reflect a more challenging economic and market outlook. I would like to thank all of our colleagues for their professionalism and resilience during this time.

Despite the disruption caused by COVID-19 the Group has maintained a rigorous focus on delivering the plan we laid out in January 2020. We are pleased to report that we are now seeing this take effect. We are also appreciative of the Government moving quickly to reopen the sector and taking the decision to temporarily suspend Stamp Duty. Confidence in moving home and stability of house prices will be a critical part of a successful economic recovery from this pandemic.

Since the Spring lockdown we have traded well and as a result are pleased to announce an upgrade to earnings for the year. We also enter next year with a strong forward order book. Our disciplined focus on cash generation and capital allocation has ensured we close the year with an excellent cash position and a robust balance sheet. Accordingly, we are pleased to be reinstating our dividend in the next financial year.

The introduction of another national lockdown will undoubtedly bring fresh challenges, but we welcome the Government's support to maintain construction activity and for the housing market to remain open for business. We will continue to ensure our colleagues, suppliers and customers' health and safety on site, and in our offices, is our number one priority as we trade through this ongoing situation.

Although the macro-economic outlook is uncertain our strategy will remain unchanged. We will maintain our strong focus on delivering operational efficiencies and if our trading becomes significantly disrupted we will act decisively again to protect our enhanced balance sheet. However, we expect the housing market to remain resilient to the impacts of COVID-19 and as such we are well positioned to capitalise on that demand, particularly considering our product range and focus in Southern England.'

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The person responsible for arranging the release of this announcement on behalf of the Company is Kevin Maguire, General Counsel and Company Secretary.

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