

50 *Years*
1963-2013



Crest Nicholson

2013 Preliminary Results Presentation

28th January 2014



Full Year Results presentation



- Performance Highlights and Operations Stephen Stone
- Financial Results Patrick Bergin
- Outlook & Summary Stephen Stone
- Q&A

Performance highlights (1)



Revenues of £525.7m (2012: £408.0m)

+29%

Unit completions of 2,172 units (2012: 1,882)

+15%

Sales per Outlet Week at 0.90 (2012: 0.67)

+34%

Forward sales at mid-January of £329.5m (2012: £218.7m)

+51%

Performance highlights (2)

Gross profit of £141.2m (2012: £111.8m)

+26%

Operating profit of £97.1m* (2012: £73.3m)

+32%

Profit before tax of £86.8m* (2012: £62.1m)

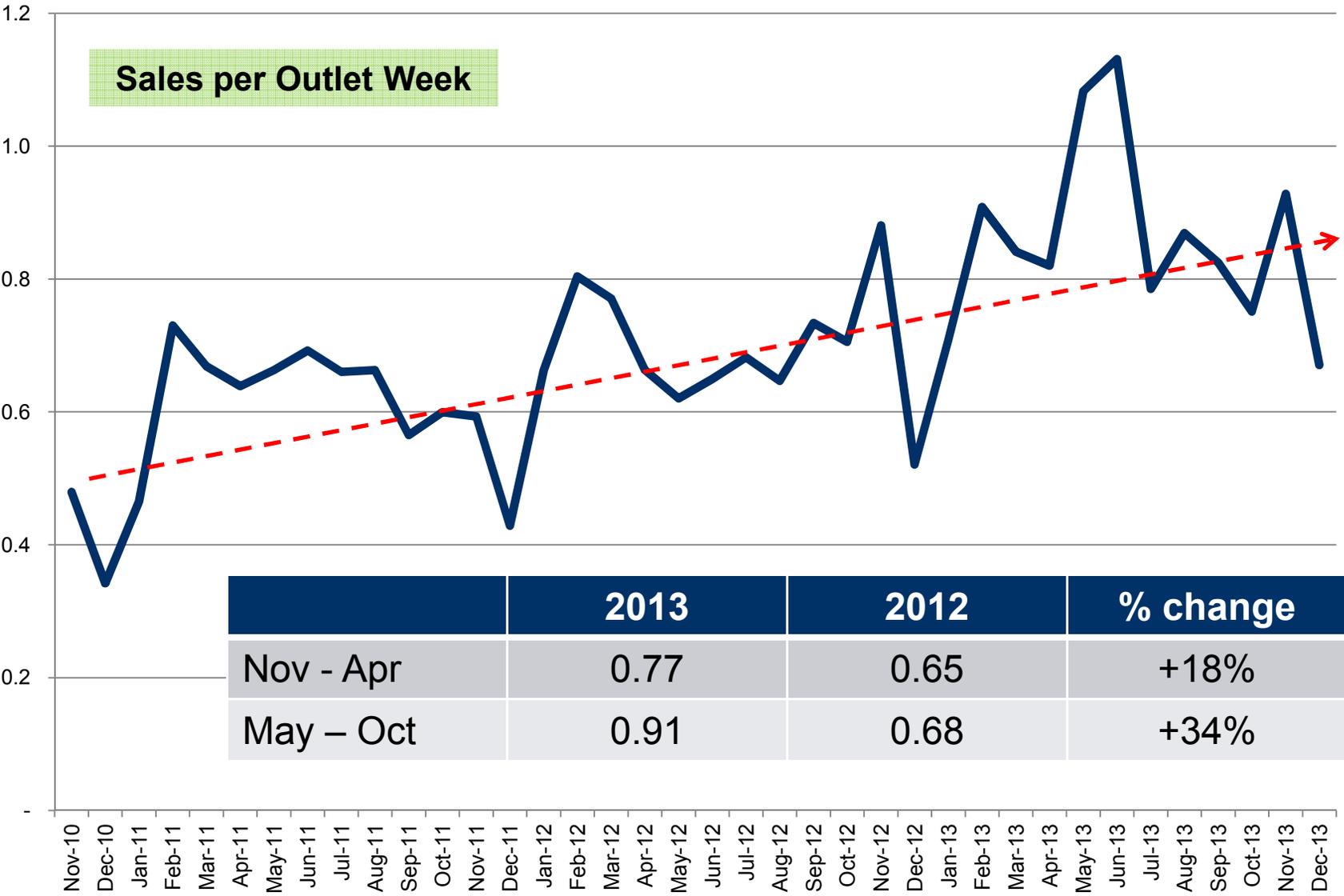
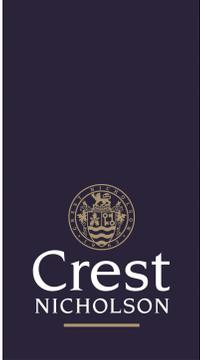
+40%

Operating profit margin of 18.5%* (2012: 18.0%)

Return on Capital Employed of 24.1%* (2012: 20.7%)

* Figures for 2013 quoted pre-exceptional charges of £5.9m incurred on IPO

Strong sales performance



Large sites able to drive significant volume

- Sites of scale able to offer multiple channels to market:
 - Broad range of open-market product
 - Private rental
 - Affordable housing
 - Commercial
 - Land sales



Open market reservations	H1	H2	Total
Bath	34	41	75
Oakgrove	34	50	84
CQ	21	126	147
Park Central	32	41	73
Bristol	33	92	125

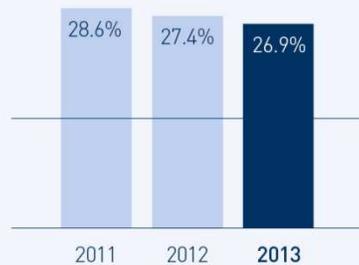
24% of reservations from 11% of Outlets



...underpinning high quality returns

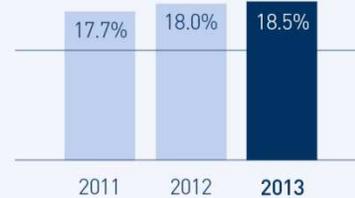
26.9 %

GROSS PROFIT MARGIN



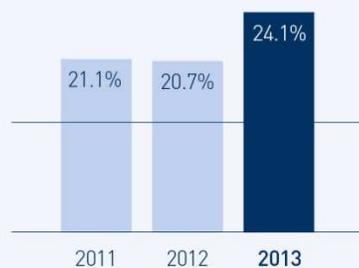
18.5%

OPERATING MARGIN*



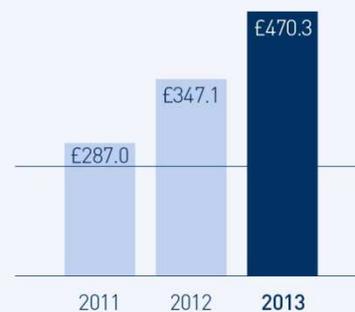
24.1%

RETURN ON AVERAGE
CAPITAL EMPLOYED*



£470.3m

NET ASSETS**

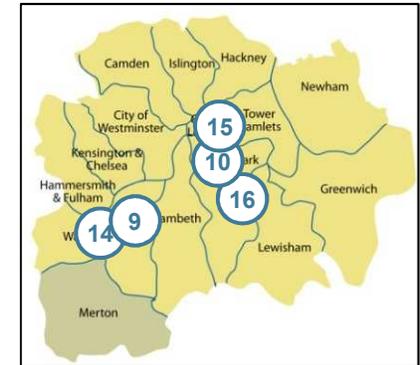
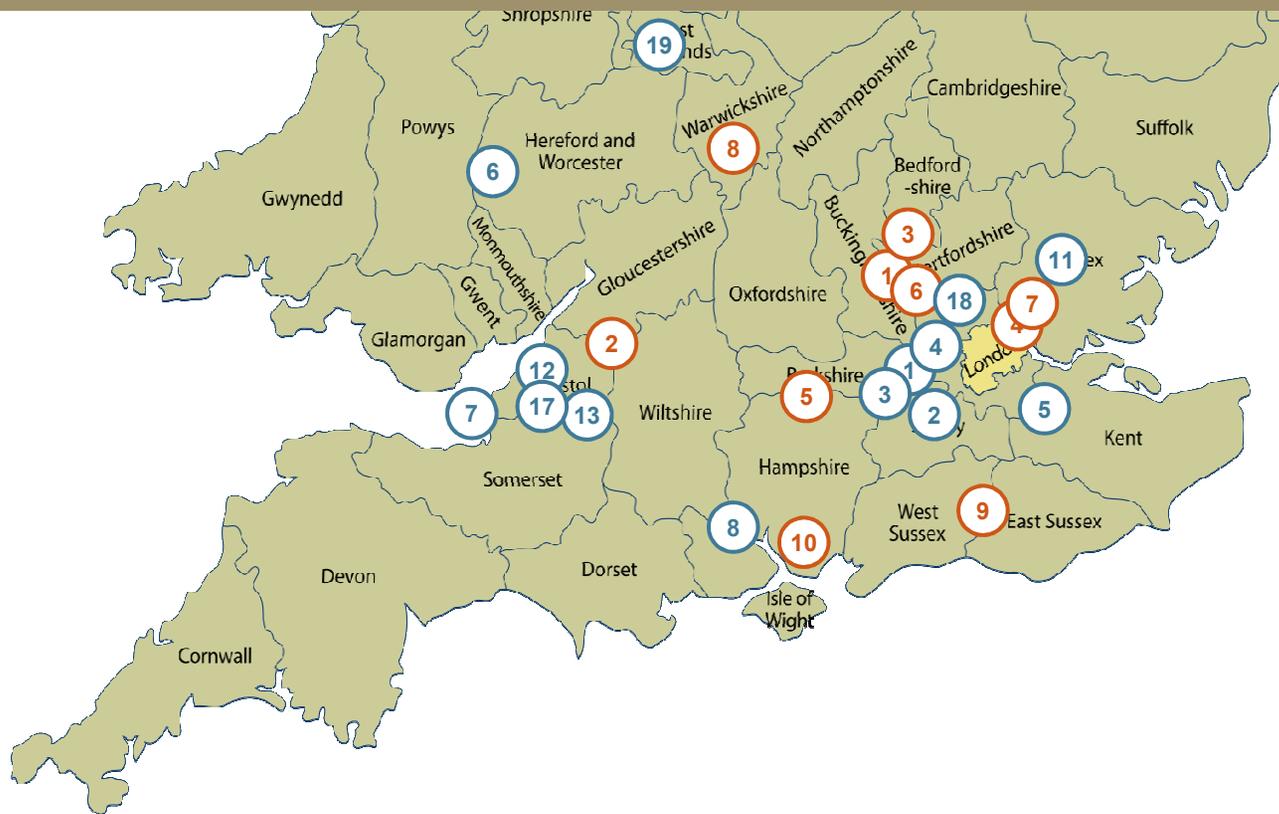


- ROCE% rising strongly as assets 'sweated' in strong market

* Before exceptional costs

** Net Asset growth includes £53.9m new equity raised at IPO

Site additions



○ Short-term
○ Strategic

- 1,895 plots on 19 new sites added to short-term land bank to maintain outlet breadth
- Higher ASP sites in strong locations; five sites acquired in London
- Average site size of 100 units
- Continuing to acquire at or above hurdle rates; short-term land bank now 7.5 years
- 10 strategic options taken out; net addition of c.1,700 plots

Strategic land bank

- **10** new sites to maintain strategic pipeline
- **7** planning applications being submitted in 2014
- **5** current applications awaiting determination



	No. of sites	No. of Plots	% plots
Allocated	6	3,272	23%
In Draft Allocation	8	4,821	34%
Other	21	6,232	43%
Total	35	14,325	100%

Portfolio progress

	Oct 2013		Oct 2012		Change %	
	Units	GDV £m	Units	GDV £m	Units	GDV £m
Short-term housing	16,388	3,886	16,959	3,646	(3.4%)	6.6%
Short-term commercial	-	251	-	235		6.8%
Total short-term	16,388	4,137	16,959	3,881	(3.4%)	6.6%
Strategic land	14,325	3,535	12,623	2,918	13.5%	21.1%
Total under contract	30,713	7,672	29,582	6,799	3.8%	12.8%

- Short-term portfolio; moderate drop in units but GDV rising with mix and pricing impacts
- Replenishment of Strategic plots underway, after run of conversions
- Total land bank growing in unit and GDV terms

Longcross North



Planning Update

- New Highway access under construction
- Ph1 housing detailed approval: Spring '14
- Infrastructure: Start May/June '14
- First Occupations anticipated Summer '15



Longcross South

Planning Update

- 1,300 dwelling new Surrey Village
- In Runnymede Approved Core Strategy
- Local Plan Enquiry April/May 14
- Outline application Spring 2014
- Consent Anticipated Summer 2015



Financial Results

FY 2013 Financial Highlights

Strong growth and good returns

Revenue	Open Market ASP	Gross Profit
£525.7m (2012: £408.0m)	£250k (2012: £230k)	£141.2m (2012: £111.8m)
Gross Margins	Operating Profit	Operating Margins
26.9% (2012: 27.4%)	£97.1m (2012: £73.3m)	18.5% (2012: 18.0%)
Profit after tax	ROCE	Net Assets
£71.5m (2012: £63.9m)	24.1% (2012: 20.7%)	£470.3m (2012: £347.1m)

- Statistics pre-exceptional (where applicable)
- 17% increase in Net Assets excluding new equity raised at IPO

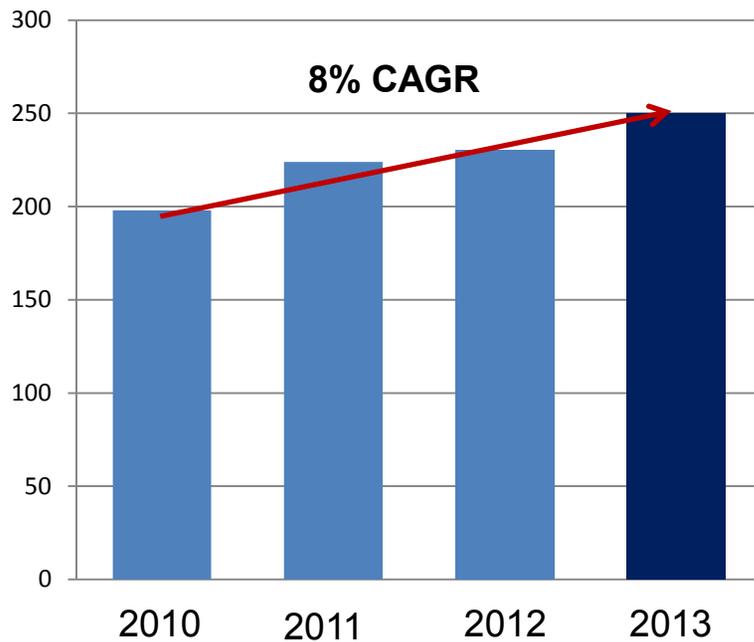
Key metrics

	FY 2013	FY 2012	Inc/(Dec) %
Outlets	44	39	+13%
Sales per Outlet Week (Open market)	0.90	0.67	+34%
Legal completions			
Open market	1,806	1,342	+35%
Affordable	366	540	-32%
ASP			
Open market	250	230	+9%
Affordable*	151	145	+4%

* Affordable ASP varies depending on extent to which related Affordable Land Sale matched to year of Affordable unit legal completion

ASP evolution

- Increasing proportion of higher-value locations and housing in mix
- Land bank GDV rising whilst unit numbers stable at 7.5 years supply



Income statement

Income statement (£m, unless stated)	FY 2013 Pre-exceptional	Exceptional costs	FY 2013 Total	FY 2012	Change (pre-exceptional)	
Revenue	525.7		525.7	408.0	117.7	28.8%
Cost of goods sold	(384.5)		(384.5)	(296.2)	(88.3)	
Gross profit	141.2		141.2	111.8	29.4	26.3%
<i>% gross profit margin</i>	26.9%		26.9%	27.4%	(0.5%)	
Administrative expenses	(44.1)	(5.9)	(50.0)	(38.5)	(5.6)	
Operating profit	97.1	(5.9)	91.2	73.3	23.8	32.5%
<i>% operating profit margin</i>	18.5%		17.3%	18.0%	0.5%	
Net financing costs	(10.3)		(10.3)	(9.4)	(0.9)	
Share of JV	-	-	-	(1.8)	1.8	
Profit before tax	86.8	(5.9)	80.9	62.1	24.7	40.0%
Income tax	(15.3)	0.4	(14.9)	1.8	(17.1)	
Profit after tax	71.5	(5.5)	66.0	63.9	7.6	11.9%
Earnings per Share (p)	29.4p	(2.3)p	27.1p	28.5p	0.9p	3.2%

Balance sheet

Balance sheet (£m, unless stated)	31 st Oct 2013	31 st Oct 2012	Change on Oct'12
Non-current Assets	127.0	140.1	(13.1)
Inventory	577.7	469.4	108.3
Trade & other receivables	44.0	41.5	2.5
Cash and cash equivalents	124.5	150.1	(25.6)
Total Assets	873.2	801.1	72.1
Interest bearing loans and borrowings	(82.0)	(180.5)	98.5
Land creditors	(120.4)	(90.3)	(30.1)
Retirement benefit obligations	(21.5)	(29.9)	8.4
Trade and other liabilities	(179.0)	(153.3)	(25.7)
Total Liabilities	(402.9)	(454.0)	51.1
Shareholders' Equity	470.3	347.1	123.2
Net debt/Equity	n/a	8.7%	
Net debt (inc. land creditors)/Equity	16.6%	34.8%	18.2%

Cash flow

Cash flow (£m, unless stated)	FY2013	FY 2012	Change
Operating profit before changes in working capital and provisions	100.5	74.5	26.0
(Increase)/decrease in trade and other receivables	(6.7)	5.2	(11.9)
Increase in inventories	(108.3)	(75.2)	(33.1)
Increase in trade and other payables	42.0	24.3	17.7
Cash generated from operations	27.5	28.8	(1.3)
Interest paid	(8.0)	(11.8)	3.8
Tax received	-	0.6	(0.6)
Net cash flow from operating activities	19.5	17.6	1.9
Net cash flow from investing activities	3.2	(5.1)	8.3
Net cash flow from financing activities	(48.3)	15.7	(64.0)
Net (decrease)/increase in cash and cash equivalents	(25.6)	28.2	(53.8)
Cash and cash equivalents at the beginning of the year	150.1	121.9	28.2
Cash and cash equivalents at 31st October	124.5	150.1	(25.6)

Forward sales

	YTD FY14	YTD FY13	FY13	FY12
Units – all years	1,778	1,242	1,360	837
% change on prior period	+43%		+62%	
GDV (£m) – all years	329.5	218.7	230.1	129.6
% change on prior period	+51%		+78%	
% of FY2014/13 target	51%	45%	34%	25%

- Rising ASPs drive higher increases in GDV forward sale position
- Balance between securing reservations and capturing sales price uplifts

Dividend

- The Board is recommending a Final dividend for the year-ended 31st October 2013 of 6.5 pence per share.
- Structure of dividend payments expected to be 1/3rd Interim, 2/3^{rds} Final – so 6.5p translates to 9.75p on full-year equivalent basis
- At 9.75p on full year equivalent basis, dividend is just over 3.0x covered by (pre-exceptional) EPS of 29.4p
- Level of dividend cover consistent with strong growth prospects; intention remains to apply a progressive dividend policy.

Outlook & Summary

Outlook

- An improving market in the first half of 2013 was further stimulated by 'Help to Buy', generating strong reservations and increasing purchaser confidence
- ASP trajectory maintained, with mix a significant factor; sales price gains slightly ahead of build cost increases
- Land market continues to yield opportunities at hurdle rates, albeit rising prices generate higher land values for vendors and competition for 'oven-ready' sites is increasing
- Output constraints increasingly determined by supply chain, including skilled labour, planning and highways and shelf-life of mortgage offers
- Strong current trading and excellent forward sales position

Summary

- A strong first set of Full Year results on Crest Nicholson's return to the market
 - Good sales growth
 - Strong margins and Return on Capital
 - Positioned to continue driving value from high-quality, southern-focused development pipeline
- Business strategy as outlined at IPO remains on track and is being delivered ahead of schedule – anticipate delivering c.2,500 units in 2014
- Increasing ASPs and outlet growth underpin potential to grow revenues by 50% over next three years
- Improving sentiment in the housing market and beyond along with an excellent pipeline of future projects gives the Board great confidence in the outlook for the business

Q&A



Disclaimer

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