Agenda

- Chairman’s introduction
  - Stephen Stone
- Strategy & performance summary
  - Chris Tinker
- Financial performance
  - Rod Holdsworth
- Outlook & Summary
  - Chris Tinker
- Q&A
Agenda

Chris Tinker

- Chairman’s Introduction
- **Strategy & performance summary**
- Financial performance
- Outlook & Summary
- Q&A
Current Strategic Focus

1. Priority on cashflow and dividends
   - Pause growth
   - Commitment to pay ordinary dividend of 33p per share in FY19*
   - Focus on shareholder returns

2. Maximising portfolio value
   - Generating value from our well acquired land pipeline
   - Adapting portfolio to address housing affordability
   - Increase use of partnership model

3. Operational efficiencies
   - New core house types introduced
   - Scale trials of Off-Site Manufacturing activities
   - Adding operational resource

* Subject to no material deterioration in current market conditions
Classified as General

Half Year Performance Summary

Revenue £501.9m (HY18: £467.6m) +7%
Sales per outlet week 0.78 (HY18: 0.78) Maintained
Current and forward sales for FY19 £870.1m (HY18: £848.8m) +3%
Total forward sales c/f £625.2m (HY18: £544.4m) +15%
Operating profit margin of 14.1% (HY18: 16.8%) -270bps
Profit before tax of £64.4m (HY18: £72.0m) -11%
Net debt and land creditors lower by £41.3m -14%
Dividend per share 11.2p (HY18: 11.2p) Maintained
Strategic Momentum

What we set out to achieve

• Increase operational strength of the senior Executive team
• Pause growth, prioritise cash
• Increase partnership and JV opportunities
• Broaden our channels to market to de-risk reliance on OM sales
• Retain embedded value of land bank whilst working it harder
• Underpin stakeholder returns

Encouraging progress to date

• Experienced Chief Operating Officer and Group Commercial Director joined
• £41m reduced net debt/land creditors
• On track with partnership and JV opportunities
• Moved to a position where circa 45% of homes are pre-sold and total forward sales up 17% to £625.2
• Lower ASP acquisitions and increased strategic and partnership land secured
• Re-affirmed 33p per share dividend guidance for FY19
### Key Sales Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>HY 2019</th>
<th>HY 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and forward sales - FY19 £m</td>
<td>870.1</td>
<td>848.8</td>
<td>+3%</td>
</tr>
<tr>
<td>Unit completions</td>
<td>1,187</td>
<td>1,305</td>
<td>-9%</td>
</tr>
<tr>
<td>Outlets (half year equivalents)</td>
<td>58</td>
<td>52</td>
<td>+12%</td>
</tr>
<tr>
<td>Sales per Outlet Week</td>
<td>0.78</td>
<td>0.78</td>
<td>-</td>
</tr>
<tr>
<td>Revenue £m</td>
<td>501.9</td>
<td>467.6</td>
<td>+7%</td>
</tr>
<tr>
<td>Total forward sales £m</td>
<td>625.2</td>
<td>533.6</td>
<td>+17%</td>
</tr>
<tr>
<td>ASP – Open market £k</td>
<td>413</td>
<td>384</td>
<td>+8%</td>
</tr>
<tr>
<td>ASP – Affordable £k</td>
<td>230</td>
<td>159</td>
<td>+45%</td>
</tr>
</tbody>
</table>
Achieved shift to lower risk sales strategy in HY 2019 (47% of units taken to P&L pre-sold)

Increased partnership sales included: £73m, 205-unit pre-sale on 3 sites to Southern Housing Group for PRS, and grant funded shared ownership and affordable rent.
**Partnership business growing**

**Selected Joint Ventures**

- 910 dwelling, £230m GDV JV contracted into a Crest/Sovereign Housing Group JV
- 374 unit, £145m GDV JV with A2Dominion at Walton Court, Surrey commenced delivery
- 222 unit, £80m GDV JV with A2Dominion at Bicester has delivered first completions
- 300 unit, £150m GDV JV with Clarion Housing Group at London Chest Hospital has secured RTG planning

**Crest Nicholson**

- Strong Land bank
- Large site place making and delivery skills
- DM and PM capacity
- Sales & marketing

**Potential RP Partners**

**New Strategic Homes England Partnerships**

- Mixed tenure model;
  - Spec housing
  - S106 affordable
  - Intermediate
- Access to £9bn support/grant

**Homes England**

- Housing infrastructure funding (HIF)
- Home Building Fund
- Public Sector Land

- At Harry Stoke, Circa 396 homes at £73m GDV pre-sold by JV to Sovereign Group for affordable and intermediate housing
Operational efficiency programme continues

Procurement benefits
New Group Contents
Specification helping to part off-set build cost inflation
New GTA’s reflecting increased quantities and optimised specification

Aurora housing range
Aurora now selling on 2 new outlets
19 further outlets in planning and pre-production phase

OSM
Scale trials of circa 400 plots on 3 outlets
Optimise flexible store of land bank value for the future

Use short term portfolio to support current strategy:
- Increased proportion of pre-sales
- Selected JV’s

Reposition ASP’s of short-term land bank

Grow embedded value and full GM in the medium/long term land portfolio on a de-risked basis for the future

- Continue with Southern focus
- Develop out London sites through outer London divisions
- Grow Midlands to full scale operation
**Short-term land bank:**
- 2,175 plots completed or traded
- 734 plots added including:
  - **Midlands new plots:**
    - 290 plots at ASP £299k
  - **Other lower ASP new plots:**
    - 325 plots at ASP £325k

**Strategic Land Bank:**
- Secured 2,752 plots on 4 new sites
- Includes 1,117 plots on 2,500 unit development at Grazeley under partnership arrangement with the Englefield Estate

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### Land pipeline HY19 evolution

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>HY19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term Land</strong></td>
<td>19,507</td>
<td>18,060</td>
</tr>
<tr>
<td><strong>Strategic Land</strong></td>
<td>16,837</td>
<td>19,515</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,344</strong></td>
<td><strong>37,575</strong></td>
</tr>
</tbody>
</table>

- **GDV**:
  - FY18: £11.9bn
  - HY19: £12.3bn (+3.4%)

- **Plots**:
  - FY18: 36,344
  - HY19: 37,575 (+3.4%)

- **ASP**:
  - FY18: £328k
  - HY19: £328k

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(1) Re-set to post IFRS15 level
(2) £0.25bn Commercial stock (FY18:£0.26bn) excluded from GDV and ASP
(3) Plot numbers, GDV and ASP based on management estimates of site capacity and expected sales prices which are updated quarterly
Embedded Value in the Land Pipeline

**HY19 Units**

- **Long-term strategic land**
  - Unallocated but controlled
  - Long term options exercised and priced at point of acquisition
  - Full GM when converted

- **Medium-term pipeline**
  - Consented/allocated/draft allocation or Government GV designation
  - Largely options or partnership agreements
  - Ave 1% of GDV balance sheet cost

- **Short-term land**
  - Circa 85% plots with planning consent/resolution to grant
  - Delivery ongoing/to commence in 1 to 3 years

(1) Plot numbers based on management estimates of site capacity which are updated quarterly
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Rod Holdsworth

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## Income statement

<table>
<thead>
<tr>
<th>Income statement (£m, unless stated)</th>
<th>HY 2019</th>
<th>HY 2018*</th>
<th>Change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>501.9</td>
<td>467.6</td>
<td>34.3</td>
<td>7%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(401.6)</td>
<td>(358.6)</td>
<td>(43.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>100.3</td>
<td>109.0</td>
<td>(8.7)</td>
<td>-8%</td>
</tr>
<tr>
<td>% gross profit margin</td>
<td>20.0%</td>
<td>23.3%</td>
<td>(330bps)</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(29.5)</td>
<td>(30.4)</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>70.8</td>
<td>78.6</td>
<td>(7.8)</td>
<td>-10%</td>
</tr>
<tr>
<td>% operating profit margin</td>
<td>14.1%</td>
<td>16.8%</td>
<td>(270bps)</td>
<td></td>
</tr>
<tr>
<td>Net financing costs</td>
<td>(5.3)</td>
<td>(5.8)</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Share of JVs</td>
<td>(1.1)</td>
<td>(0.8)</td>
<td>(0.3)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>64.4</td>
<td>72.0</td>
<td>(7.6)</td>
<td>-11%</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>(12.5)</td>
<td>(13.3)</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>51.9</td>
<td>58.7</td>
<td>(6.8)</td>
<td></td>
</tr>
<tr>
<td><strong>Basic Earnings per share</strong></td>
<td>20.2p</td>
<td>22.9p</td>
<td>(2.7)p</td>
<td>-12%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>11.2p</td>
<td>11.2p</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Adjusted for the impact of IFRS15.
Sales profile and pricing

➢ Selling prices holding up
➢ Growing proportion of sales sub £600k

* Selling price movements after sales incentives.
Half year margins under revised strategy

Half year gross margin 330bps lower

- Average selling price reductions of c.0.7% over last 12 months

- Increased proportion of pre-sold units has traded c. 1.5% for increased cash flow and lower risk

- Ongoing build cost inflation of 3% to 4% p.a. mitigated by ongoing operational efficiencies
# Balance sheet

**£m, unless stated**

<table>
<thead>
<tr>
<th></th>
<th>30&lt;sup&gt;th&lt;/sup&gt; April 2019</th>
<th>30&lt;sup&gt;th&lt;/sup&gt; April 2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>116.6</td>
<td>100.5</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,183.9</td>
<td>1,215.8</td>
</tr>
<tr>
<td>Trade &amp; other receivables/assets</td>
<td>131.5</td>
<td>121.5</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>185.4</td>
<td>101.9</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>1,617.4</strong></td>
<td><strong>1,539.7</strong></td>
</tr>
<tr>
<td></td>
<td><strong>+5%</strong></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>(253.7)</td>
<td>(180.4)</td>
</tr>
<tr>
<td>Land creditors</td>
<td>(192.1)</td>
<td>(223.2)</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>(1.2)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Trade and other liabilities</td>
<td>(309.6)</td>
<td>(312.4)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>(756.6)</strong></td>
<td><strong>(718.1)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>+5%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td><strong>860.8</strong></td>
<td><strong>821.6</strong></td>
</tr>
<tr>
<td></td>
<td><strong>+5%</strong></td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>68.3</td>
<td>78.5</td>
</tr>
<tr>
<td><strong>Average net debt</strong></td>
<td><strong>136.8</strong></td>
<td><strong>170.5</strong></td>
</tr>
<tr>
<td></td>
<td><strong>-20%</strong></td>
<td></td>
</tr>
<tr>
<td>Net debt and land creditors</td>
<td>260.4</td>
<td>301.7</td>
</tr>
<tr>
<td></td>
<td><strong>-14%</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Adjusted for the impact of IFRS15.
## Cash flow

### Cash flow (£m, unless stated)

<table>
<thead>
<tr>
<th>Description</th>
<th>HY 2019</th>
<th>HY 2018*</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before changes in working capital and provisions</td>
<td>71.2</td>
<td>80.9</td>
<td>-9.7</td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(26.6)</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Decrease/(increase) in inventories</td>
<td>29.3</td>
<td>(128.8)</td>
<td></td>
</tr>
<tr>
<td>(Decrease)/increase in trade and other payables</td>
<td>(78.8)</td>
<td>15.9</td>
<td></td>
</tr>
<tr>
<td>Contribution to retirement benefit obligations</td>
<td>(4.5)</td>
<td>(4.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash used by operations</strong></td>
<td>(9.4)</td>
<td>(35.3)</td>
<td>+25.9</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5.0)</td>
<td>(5.0)</td>
<td></td>
</tr>
<tr>
<td>Tax paid</td>
<td>(11.2)</td>
<td>(17.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td>(25.6)</td>
<td>(58.2)</td>
<td>+32.6</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>0.6</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>26.1</td>
<td>(17.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>1.1</td>
<td>(73.3)</td>
<td>+74.4</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>184.3</td>
<td>175.2</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>185.4</td>
<td>101.9</td>
<td>+83.5</td>
</tr>
</tbody>
</table>

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Chris Tinker

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Enter 2\textsuperscript{nd} half 2019 with 58 outlets and will average 60

London absorbed into the outer London Divisions

ASP Evolution:
- FY19: After good HY1 higher ASP sales, HY2 ASP circa 5% below HY1
- FY20: Further 5% reduction anticipated as lower ASP sites pull through

Total forward sales increase of 15% to £625.2m de-risking future years
Outlook

- Short term demand outlook remains uncertain due to the ongoing political turbulence

- Current and forward sales of £870.1m underpins FY19 revenue, demonstrating merit of new channels to market despite near term reduction in operating profit margin

- Stable pricing assumed for HY2 OM sales on lower ASP’s with similar overall unit completions to last year.

- Continuation of 40%+ pre-sale strategy to de-risk plan

- Ongoing build cost inflation of 3% to 4% partially mitigated by operational efficiencies, supressing GM of short-term land

- Board remains confident in prospects for the remaining part of the year and earnings guidance remains unchanged

- Cash positive by year end taking into account payment of full year 33p dividend
Summary

• Encouraging first half trading performance

• Have strengthened senior Operational and Financial leadership team

• Business operations resilient and operational efficiency programmes making planned progress

• Have successfully implemented large parts of the revised strategy and on track to continue during HY2

• Partnerships with Investors, RP’s and Homes England strong

• £12.3bn land pipeline retains significant asset value and full margin strategic and partnership land at low balance sheet cost
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