Crest Nicholson Holdings plc
PRELIMINARY RESULTS 2020

26 January 2021
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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‘Crest Nicholson’ or the ‘Group’ refers to Crest Nicholson Holdings plc and its subsidiary companies.
AGENDA

PETER TRUSCOTT
- FULL YEAR OVERVIEW
- MARKET CONTEXT

DUNCAN COOPER
- FINANCIAL REVIEW

PETER TRUSCOTT
- STRATEGY UPDATE
- SUMMARY AND OUTLOOK

Q&A
FULL YEAR OVERVIEW

- Strong progress on all five strategic priorities
- Internal reorganisation completed
  - Strong, new leadership team now established
- Adjusted profit before tax (APBT) delivered ahead of guidance
- Excellent progress on strengthening the balance sheet
- Reinstatement of dividend
- Effective COVID-19 response
MARKET CONTEXT

- Good market fundamentals remain
  - COVID-19/Brexit pent up demand
  - Government support for housing market
  - Stable lending backdrop

- Need to navigate macro environment
  - Furlough scheme
  - Stamp Duty holiday
  - Help to Buy phase 1/2

- Prepared for an uncertain 2021
  - Continued COVID-19 disruption to HY
  - Structural changes in working practices
  - Market remains resilient
FINANCIAL REVIEW

DUNCAN COOPER
GROUP FINANCE DIRECTOR
INCOME STATEMENT
GOOD UNDERLYING PROGRESS DESPITE COVID-19

<table>
<thead>
<tr>
<th>£m</th>
<th>FY20</th>
<th>FY19</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>677.9</td>
<td>1,086.4</td>
<td>37.6 ▼</td>
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<tr>
<td>Cost of sales&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(570.2)</td>
<td>(884.5)</td>
<td></td>
</tr>
<tr>
<td>Adjusted gross profit&lt;sup&gt;1&lt;/sup&gt;</td>
<td>107.7</td>
<td>201.9</td>
<td>46.7 ▼</td>
</tr>
<tr>
<td>Adjusted gross profit margin %&lt;sup&gt;1&lt;/sup&gt;</td>
<td>15.9%</td>
<td>18.6%</td>
<td></td>
</tr>
<tr>
<td>Adjusted administrative expenses&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(50.3)</td>
<td>(65.5)</td>
<td>23.2 ▼</td>
</tr>
<tr>
<td>Net impairment losses on financial assets&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(0.3)</td>
<td>(3.4)</td>
<td>91.2 ▼</td>
</tr>
<tr>
<td>Adjusted operating profit&lt;sup&gt;1&lt;/sup&gt;</td>
<td>57.1</td>
<td>133.0</td>
<td>57.1 ▼</td>
</tr>
<tr>
<td>Adjusted operating profit margin %&lt;sup&gt;1&lt;/sup&gt;</td>
<td>8.4%</td>
<td>12.2%</td>
<td></td>
</tr>
<tr>
<td>Adjusted net finance expense&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(10.7)</td>
<td>(11.0)</td>
<td></td>
</tr>
<tr>
<td>Share of joint venture results</td>
<td>(0.5)</td>
<td>(0.9)</td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax&lt;sup&gt;1&lt;/sup&gt;</td>
<td>45.9</td>
<td>121.1</td>
<td>62.1 ▼</td>
</tr>
<tr>
<td>Adjusted income tax&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(8.5)</td>
<td>(23.7)</td>
<td></td>
</tr>
<tr>
<td>Adjusted profit after tax&lt;sup&gt;1&lt;/sup&gt;</td>
<td>37.4</td>
<td>97.4</td>
<td>61.6 ▼</td>
</tr>
<tr>
<td>Exceptional items net of income tax</td>
<td>(48.1)</td>
<td>(14.9)</td>
<td></td>
</tr>
<tr>
<td>(Loss) / profit after tax</td>
<td>(10.7)</td>
<td>82.5</td>
<td></td>
</tr>
<tr>
<td>Adjusted basic earnings per share&lt;sup&gt;1&lt;/sup&gt;</td>
<td>14.6</td>
<td>38.0</td>
<td></td>
</tr>
<tr>
<td>Dividend per share (p)&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-</td>
<td>11.2</td>
<td></td>
</tr>
</tbody>
</table>

1 FY20 and FY19 figures adjusted for exceptional items as disclosed on slide 9
2 FY19 interim dividend paid
FY19 final dividend of 21.8p was cancelled due to the impact of COVID-19

- Adjusted profit before tax ahead of £35m-£45m range
- Adjusted gross profit lower due to
  - COVID-19 revenue impact
  - c.£20m less land and commercial contribution
  - c.£18 lower S&M expenses
- Adjusted administrative expenses savings delivered
- Adjusted effective tax rate of 18.4%
- £48.1m exceptional charge net of tax
SALES METRICS
STRONG SECOND HALF AS STRATEGY TAKES EFFECT

- Good performance post lockdown
  - Further growth in outlets
- Good bulk performance
  - 119 units at Sherborne Wharf
  - CNPSL delivery key
- ASPs continue to reduce
  - London mix unwinding
- Forward sales at 15th January 2021
  - 2,435 units and £564.5m GDV
  - c.55% of FY21 covered
- YTD SPOW rate 0.60

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlets (full year equivalents)</td>
<td>63</td>
<td>59</td>
<td>6.8 ▲</td>
</tr>
<tr>
<td>SPOW (Open market)</td>
<td>0.59</td>
<td>0.76</td>
<td>22.4 ▼</td>
</tr>
<tr>
<td><strong>Home completions</strong> (units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open market (private)</td>
<td>1,146</td>
<td>1,463</td>
<td>21.7 ▼</td>
</tr>
<tr>
<td>Affordable</td>
<td>506</td>
<td>741</td>
<td>31.7 ▼</td>
</tr>
<tr>
<td>Bulk¹</td>
<td>595</td>
<td>708</td>
<td>16.0 ▼</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,247</td>
<td>2,912</td>
<td>27.5 ▼</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>FY20</th>
<th>FY19</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASP £’000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open market (private)</td>
<td>400</td>
<td>437</td>
<td>8.5 ▼</td>
</tr>
<tr>
<td>Open market (inc-Bulk)</td>
<td>336</td>
<td>388</td>
<td>13.4 ▼</td>
</tr>
<tr>
<td>Affordable</td>
<td>161</td>
<td>187</td>
<td>13.9 ▼</td>
</tr>
<tr>
<td><strong>Total housing ASP (weighted average)</strong></td>
<td>297</td>
<td>337</td>
<td>11.9 ▼</td>
</tr>
</tbody>
</table>

¹ Bulk completions reflect sales to Private Rented Sector (PRS), Registered Providers (exc. S106) and private investors
EXCEPTIONAL ITEMS
ADAPTING OUR STRATEGY IN THE FIRST HALF

- COVID-19 trigger for impairment review
  - 7.5% residential / 32.0% commercial
  - £43.2m NRV provision (incl. £9.3m abortive WIP)
  - £7.6m expected credit loss – London Chest Hospital
  - £0.6m fire charge (£2.6m further remedials offset by £2.0m recoveries)
  - £0.5m shared equity loans

- £7.5m restructuring
  - Reorganisation and IT systems
  - Severance impact in H2
  - No onerous lease impact for Head Office

<table>
<thead>
<tr>
<th>£m</th>
<th>FY20</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of sale impairments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory impairment</td>
<td>43.2</td>
<td>-</td>
</tr>
<tr>
<td>Net fire provision charge</td>
<td>0.6</td>
<td>18.4</td>
</tr>
<tr>
<td>Total cost of sales exceptional charge</td>
<td>43.8</td>
<td>18.4</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>7.5</td>
<td>-</td>
</tr>
<tr>
<td>Net impairment losses on financial assets</td>
<td>7.6</td>
<td>-</td>
</tr>
<tr>
<td>Finance expense</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Total exceptional items</td>
<td>59.4</td>
<td>18.4</td>
</tr>
<tr>
<td>Tax credit on exceptional items</td>
<td>(11.3)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Total exceptional items after taxation</td>
<td>48.1</td>
<td>14.9</td>
</tr>
</tbody>
</table>
SITE GROSS MARGIN EVOLUTION
ANOTHER YEAR OF REPOSITIONING THE PORTFOLIO

FY20: 15.9%
FY21: 13%
FY22: 3%
FY23: 2%

77% 83% 93% 95%
<10% 10-15% >15%
COMPLEX AND CAPITAL INTENSIVE SCHEMES
DISCIPLINED OVERSIGHT AND FOCUS ON CASH GENERATION

Centenary Quay
Southampton
- FY21 projected sell through: 8%
- FY21 cash out: £15.9m
- Bulk deal interest

Sherborne Wharf
Birmingham
- FY21 projected sell through: 100%
- FY21 cash out: £11.5m
- Bulk deal agreed

Brightwells Yard
Farnham
- FY21 projected sell through: 31%
- FY21 cash out: £31.6m
- Anchor tenants

The Old Vinyl Factory
Hayes
- FY21 projected sell through: 100%
- FY21 cash out: £10.7m
- Bulk deal agreed
SUSTAINABLE REDUCTION IN OVERHEADS
DELIVERING OUR OPERATIONAL EFFICIENCY PROGRAMME

• Administrative expenses down c.23% compared to FY19

• Internal reorganisation complete
  - 215 fewer permanent roles
  - Simplification of reporting lines and responsibilities
  - Strong controls for future recruitment

• Review of all discretionary expenditure
  - Culture shift evident in FY21 Budget

• Underlying progress into FY21
  - £2.5m repayment of JRS funding¹
  - Bonus accrual
  - COVID-19 disruption and furlough

¹JRS: Job Retention Scheme
CASH MANAGEMENT
EARLY AND DECISIVE ACTION DRIVES IMPROVEMENT

<table>
<thead>
<tr>
<th>£m</th>
<th>FY20</th>
<th>FY19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before changes in working capital and provisions</td>
<td>43.0</td>
<td>116.7</td>
<td>73.7 ▼</td>
</tr>
<tr>
<td>Decrease / (increase) in trade and other receivables</td>
<td>45.8</td>
<td>(11.5)</td>
<td>57.3 ▲</td>
</tr>
<tr>
<td>Decrease in inventories</td>
<td>96.8</td>
<td>62.1</td>
<td>34.7 ▲</td>
</tr>
<tr>
<td>(Decrease) / increase in trade and other payables</td>
<td>(52.9)</td>
<td>2.2</td>
<td>55.1 ▼</td>
</tr>
<tr>
<td>Contribution to retirement benefit obligations</td>
<td>(6.7)</td>
<td>(9.0)</td>
<td>2.3 ▲</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td><strong>126.0</strong></td>
<td><strong>160.5</strong></td>
<td><strong>34.5 ▼</strong></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(8.7)</td>
<td>(11.1)</td>
<td>2.4 ▲</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(3.1)</td>
<td>(24.2)</td>
<td>21.1 ▲</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td><strong>114.2</strong></td>
<td><strong>125.2</strong></td>
<td><strong>11.0 ▼</strong></td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td>(4.2)</td>
<td>(14.8)</td>
<td>10.6 ▲</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>(41.2)</td>
<td>(124.1)</td>
<td>82.9 ▲</td>
</tr>
<tr>
<td><strong>Net increase / (decrease) in cash and cash equivalents</strong></td>
<td><strong>68.8</strong></td>
<td><strong>(13.7)</strong></td>
<td><strong>82.5 ▲</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>170.6</td>
<td>184.3</td>
<td>13.7 ▼</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td><strong>239.4</strong></td>
<td><strong>170.6</strong></td>
<td><strong>68.8 ▲</strong></td>
</tr>
</tbody>
</table>

- Land sale debtors settled
- WIP control
- Tax payments
  - Exceptionals impact
  - FY21 at c.£13m
- RCF utilisation
**BALANCE SHEET**

**EXCELLENT PROGRESS SUPPORTS DIVIDEND REINSTATEMENT**

- Net cash £142.2m (FY19: £37.2m)
- Average net debt £99.6m (FY19: £144.2m)
- Land creditors £205.7m (FY19: £216.5m)
- Pension deficit £13.8m (FY19: £6.2m)
  - £6.7m cash out in FY20 / £11.3m cash out in FY21
  - Triennial review due in 2021
- £250m RCF to June 2024
  - Undrawn at year end

**LAND CREDITOR ROLL OUT BY YEAR (£m)**

- Under 1 year
- 1-2 years
- 2-3 years
- Over 3 years

<table>
<thead>
<tr>
<th>Period</th>
<th>FY19</th>
<th>FY20</th>
</tr>
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<tbody>
<tr>
<td>Under 1 year</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>1-2 years</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>2-3 years</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Over 3 years</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

- Undrawn at year end
BALANCE SHEET

FIXING INEFFICIENT USE OF WORKING CAPITAL

- Build programme disconnected from sales rates
- Reduction in completed stock units
  - 196 units at FY20 (459 units at FY19)
- Immediate COVID-19 response
  - Deferred or cancelled land payments
  - Extra controls on build spend
- Operational efficiency programme additive
  - Standard house types
- FY21 net cash expected to be lower
  - Bulk deals pulled into FY20
  - WIP intensive schemes continue

AV. NET DEBT VS WIP & LAND CREDITORS (£m)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average net debt</td>
<td>1,199.7</td>
<td>216.5</td>
<td>205.7</td>
</tr>
<tr>
<td>Closing land creditors</td>
<td>209.7</td>
<td>1,182.2</td>
<td>99.6</td>
</tr>
<tr>
<td>Average WIP</td>
<td>170.9</td>
<td>144.2</td>
<td>1,088.1</td>
</tr>
</tbody>
</table>

AVG. WIP

- FY18
- FY19
- FY20
CURRENT LAND PORTFOLIO

DISCIPLINED ACTIVITY IN THE MARKET

Short-term land
- 2,247 home completions
- 952 plots added before deletions and other moves
- GDV significantly reduced
  - Underlying ASP difference minimal
  - Impact of NRV adjustments the driver

New land acquisition
- Approved 1,812 plots with average gross margin at 28.7%

Strategic land
- 2,409 plots added including 1,352 at Rougham Airfield, Bury St Edmunds

1 Plot numbers based on management estimates of site capacity
SUMMARY

- Good progress on first year commitments
  - Strengthened balance sheet
  - Cost-led recovery implemented
  - APBT delivered ahead of guidance

- Market will remain uncertain
  - Current trading encouraging

- Good visibility on gross margin progression
  - Strategy delivers growth in FY21 but poorer sites continue to drag
  - Strong accretion in FY22
STRATEGY UPDATE

PETER TRUSCOTT
CHIEF EXECUTIVE
OUR UPDATED STRATEGY
STRONG PROGRESS ACROSS ALL ELEMENTS
PLACEMAKING AND QUALITY
WHAT WE ARE KNOWN FOR

LONGHURST PARK
HORSHAM

TADPOLE GARDEN VILLAGE
SWINDON
LAND PORTFOLIO

- Well located for changes to lifestyle and working practices
- Priority to secure more outlets
- Opportunity to utilise existing land portfolio in the short term
  - Multi tenure including bulk PRS and RPs
  - Joint ventures
- New acquisitions benefiting from operational efficiencies
  - New sites with reduced risk at lower ASP
  - 1,812 plots approved in the year- average gross margin at 28.7%
OPERATIONAL EFFICIENCY
RETURNING TO SECTOR LEVEL MARGINS

<table>
<thead>
<tr>
<th>Key drivers</th>
<th>Progress FY20</th>
<th>Medium term aim</th>
</tr>
</thead>
</table>
| Internal re-organisation and cost saving initiatives | • Sales and marketing: one-third reduction  
• Overheads: £15m annualised savings             | • Align to sector average level  
• Continued discipline as growth returns         |
| New standardised house type range                | • 5,500 units replanned                                                      | • Target 80% of houses in FY22                       |
| Standard specification                           | • £30m embedded into portfolio                                               | • Stronger supplier relationships                    |
| Plotting efficiency (with new house type range)  | • c.£40m opportunity identified                                               | • Continue to improve margins                       |
OPERATIONAL EFFICIENCY
FULL SPECIFICATION REVIEW DELIVERED

KITCHEN

£2,022
Total Saving per plot^1

SANITARYWARE

£206
Total Saving per plot^1

DOORS

£438
Total Saving per plot^1

APPLIANCES

£213
Total Saving per plot^1

• Multiple benefits
  - Standard core ranges increasing quality
  - Supply chain visibility and certainty
  - Optimum supplier manufacturing efficiency
  - Enhanced on-site installation

• Stronger strategic supplier relationships
  - Solus agreements
  - Panel of preferred suppliers

• Significant ongoing efficiencies

^1 Based on a 3 bedroom new house type range plot
## Operational Efficiency

**Replan and Plotting Optimisation**

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Division</th>
<th>Plots replanned</th>
<th>Total plots</th>
<th>Total GM optimisation</th>
<th>Margin enhancement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morton Park, Milton Keynes</td>
<td>Chiltern</td>
<td>49</td>
<td>240</td>
<td>£546k</td>
<td>60bps</td>
</tr>
<tr>
<td>Bessemer, Welwyn</td>
<td>Chiltern</td>
<td>47</td>
<td>110</td>
<td>£838k</td>
<td>210bps</td>
</tr>
<tr>
<td>Kegworth, Leicestershire</td>
<td>Midlands</td>
<td>136</td>
<td>188</td>
<td>£745k</td>
<td>126bps</td>
</tr>
<tr>
<td>Curbridge, Fareham</td>
<td>South</td>
<td>91</td>
<td>128</td>
<td>£2.4m</td>
<td>300bps</td>
</tr>
<tr>
<td>Tadpole, Swindon</td>
<td>South West</td>
<td>22</td>
<td>69</td>
<td>£1.2m</td>
<td>250bps</td>
</tr>
</tbody>
</table>
FIVE STAR CUSTOMER SERVICE
IMPROVEMENT IN ALL AREAS

• Five-star achieved (>90%)

• ‘Right first-time’ culture

• New processes and clear lines of responsibility
  – Build team taking greater ownership at handover
  – Customer service team focused on aftercare

• Currently trending above FY20 level
MULTI CHANNEL APPROACH
BUILDING A MORE RESILIENT BUSINESS

• Creation of Crest Nicholson Partnerships and Strategic Land
  – Coordinated approach on major projects
  – CNPSL focus on managing relationships
  – Divisions focus on build with local expertise
  – Kieran Daya appointed to Executive Leadership Team

• Strong links with existing partners and rapidly developing pipeline of new interest

• Early engagement improves outcomes for both parties

• Growing appetite for small family homes
  – Good progress divesting apartment schemes in FY20
PEOPLE
FOUR FOUNDATIONS

• Jane Cookson appointed to Executive Leadership Team
• Launched agile working policy
• Diversity and Inclusion Forum established
• Continued focus on employee engagement
  − Retain and develop our best talent
• Strong, new leadership team now established
SUSTAINABILITY & SOCIAL VALUE
FOUR FOUNDATIONS

• Established Sustainability Committee

• New sustainability targets by 2025
  − Scope 1 and 2 carbon reduced by 25%
  − Waste intensity reduced by 15%
  − 100% renewable electricity purchased

• Placemaking and biodiversity commitment

• Many examples of COVID-19 volunteering and community support
SAFETY, HEALTH & ENVIRONMENT
FOUR FOUNDATIONS

- AllR of 369 (FY19: 372)
- COVID-19 protocols quickly introduced
  - New induction process
  - New signage and extra sanitising facilities on sites
  - Protective measures introduced to all sales suites
  - Guidelines from CLC, HBF and Government
- Enhancements to existing protocols
  - New software introduced to track performance
  - Increased frequency of senior leader tours
  - Benchmarking
FINANCIAL TARGETS
FOUR FOUNDATIONS

• Strategy implementation on track
  – Organisational restructure to deliver immediate savings
  – Greater operational discipline enhances balance sheet
  – Decisive action to address weaker assets

• Margin rebuild will now follow
  – FY21: another year of rebalancing the portfolio
  – New land and house types start to deliver in FY22

• Reinstatement of dividend from HY21 at 2.5 times cover
SUMMARY AND OUTLOOK

Summary
• Strong progress on updated strategy
• Resilient business and balance sheet
• Experienced team now established

Outlook
• Well set for all market scenarios
• Strong forward sales for FY21
• CNPSL gives opportunity for additional revenue streams
• Margin rebuild now the priority
Q&A