Crest Nicholson Holdings plc
HALF YEAR RESULTS 2021
24 June 2021
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‘Crest Nicholson’ or the ‘Group’ refers to Crest Nicholson Holdings plc and its subsidiary companies.
AGENDA

PETER TRUSCOTT
• HALF YEAR SUMMARY
• MARKET OVERVIEW

DUNCAN COOPER
• FINANCIAL REVIEW

PETER TRUSCOTT
• STRATEGY UPDATE
• SUMMARY AND OUTLOOK

Q&A
HALF YEAR SUMMARY

• Strong HY21 trading performance
  - APBT: £36.1m (HY20: £4.5m)
  - Net cash: £130.4m (HY20: net debt £93.3m)
  - FY21 order book c.93% covered

• Good progress on all five strategic priorities

• Retained five-star customer satisfaction rating

• Longcross Film Studio sale for £45.0m cash consideration

• 2,682 plots approved for purchase at 26.5% GM (after S&M)

• Clear trajectory of growth
MARKET OVERVIEW

• Strong trading environment
  – Government support to keep housing market open
  – Robust completion profile beyond September
  – Positive lending backdrop

• Short-term operational challenges
  – Build costs and availability of some materials
  – More competitive land market on smaller sites
  – Combustible materials

• Market fundamentals remain positive
  – Political support to build more homes
  – Demand continues to exceed supply
## INCOME STATEMENT

**EARNINGS RECOVERY ON TRACK**

<table>
<thead>
<tr>
<th>£m</th>
<th>HY21</th>
<th>HY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>324.5</td>
<td>240.0</td>
<td>35.2 ▲</td>
</tr>
<tr>
<td>Cost of sales¹</td>
<td>(261.2)</td>
<td>(204.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted gross profit¹</strong></td>
<td>63.3</td>
<td>35.9</td>
<td>76.3 ▲</td>
</tr>
<tr>
<td>Adjusted gross profit margin %¹</td>
<td>19.5%</td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td>Adjusted administrative expenses¹</td>
<td>(23.1)</td>
<td>(24.8)</td>
<td>(6.9)▼</td>
</tr>
<tr>
<td>Net impairment losses on financial assets</td>
<td>(0.2)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted operating profit¹</strong></td>
<td>40.0</td>
<td>11.1</td>
<td>260.4 ▲</td>
</tr>
<tr>
<td>Adjusted operating profit margin %¹</td>
<td>12.3%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>Adjusted net finance expense¹</td>
<td>(4.8)</td>
<td>(5.5)</td>
<td></td>
</tr>
<tr>
<td>Share of joint venture results</td>
<td>0.9</td>
<td>(1.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit before tax¹</strong></td>
<td>36.1</td>
<td>4.5</td>
<td>702.2 ▲</td>
</tr>
<tr>
<td>Adjusted income tax¹</td>
<td>(7.3)</td>
<td>(0.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit after tax¹</strong></td>
<td>28.8</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Exceptional items net of income tax</td>
<td>0.2</td>
<td>(44.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit / (loss) after tax</strong></td>
<td>29.0</td>
<td>(40.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted basic earnings per share (p)¹</strong></td>
<td>11.2</td>
<td>1.4</td>
<td>700.0 ▲</td>
</tr>
<tr>
<td>Dividend per share (p)</td>
<td>4.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Adjusted gross profit up 19.5%
  - Legacy schemes still weigh on FY21
  - Operational efficiencies accretive
  - Lower S&M costs
- Continued discipline on overheads
  - £2.5m JRS repayment
- Exceptional credit of £0.2m
  - Combustible materials charge £7.9m
  - 7.5% NRV release £8.1m
- Interim dividend of 4.1 pence per share

¹ HY21 figures, adjusted for exceptional items of £0.2m (credit) relating to net combustible materials charge £7.9m, inventory impairment credit £7.6m and financing credit £0.5m.
HY20 figures, adjusted for exceptional items of £55.7m (charge) relating to inventory impairment and restructuring costs, net of £11.6m tax credit where appropriate.
SALES METRICS
STRONG SALES MOMENTUM

- Strong SPOW rate since January
- Plan to recover and grow outlets
- Unit presentation change for 2021
  - JV units at 100% not 50%
  - Equivalent units basis
- Private ASP continues to reduce
  - London units unwound by FY21 - 290 units at LCH (JV)
  - Midlands growing part of mix

<table>
<thead>
<tr>
<th></th>
<th>HY21</th>
<th>HY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlets (average)</td>
<td>57</td>
<td>64</td>
<td>10.9 ▼</td>
</tr>
<tr>
<td>SPOW (Open market)</td>
<td>0.69</td>
<td>0.46</td>
<td>50.0 ▲</td>
</tr>
<tr>
<td><strong>Home completions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open market (private)</td>
<td>701</td>
<td>384</td>
<td>82.6 ▲</td>
</tr>
<tr>
<td>Affordable</td>
<td>198</td>
<td>208</td>
<td>4.8 ▼</td>
</tr>
<tr>
<td>Bulk</td>
<td>118</td>
<td>183</td>
<td>35.5 ▼</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,017</td>
<td>775</td>
<td>31.2 ▲</td>
</tr>
</tbody>
</table>

**ASP £’000**

<table>
<thead>
<tr>
<th></th>
<th>HY21</th>
<th>HY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home completions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open market (private)</td>
<td>398</td>
<td>424</td>
<td>6.1</td>
</tr>
<tr>
<td>Open market (inc-Bulk)</td>
<td>373</td>
<td>344</td>
<td>8.4</td>
</tr>
<tr>
<td>Affordable</td>
<td>176</td>
<td>139</td>
<td>26.6</td>
</tr>
<tr>
<td><strong>Total housing ASP</strong></td>
<td><strong>335</strong></td>
<td><strong>290</strong></td>
<td><strong>15.5</strong></td>
</tr>
</tbody>
</table>

1 HY21 includes joint venture units at full unit count (HY20: Group’s share of joint venture units)
2 HY21 is presented on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (HY20: no equivalent unit allocation to land sale element)
3 Bulk home completions reflect sales to Private Rented Sector (PRS), Registered Providers (excluding S106) and private investors
4 HY21 ASP calculation includes joint venture units and sales prices at full unit value (HY20: Group’s share of joint venture units)
## EXCEPTIONAL ITEMS
### COMBUSTIBLE MATERIALS AND INVENTORY IMPAIRMENT

<table>
<thead>
<tr>
<th></th>
<th>HY21</th>
<th>HY20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory impairment (credit)/charge</td>
<td>(7.6)</td>
<td>43.2</td>
</tr>
<tr>
<td>Net combustible materials charge</td>
<td>7.9</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cost of sales exceptional charge</strong></td>
<td>0.3</td>
<td>43.2</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>-</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Net impairment losses on financial assets</strong></td>
<td>-</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Finance expense (credit)/charge</strong></td>
<td>(0.5)</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total exceptional (credit)/charge</strong></td>
<td>(0.2)</td>
<td>55.7</td>
</tr>
<tr>
<td><strong>Tax credit on exceptional items</strong></td>
<td>-</td>
<td>(11.6)</td>
</tr>
<tr>
<td><strong>Total exceptional (credit)/charge after tax</strong></td>
<td>(0.2)</td>
<td>44.1</td>
</tr>
</tbody>
</table>

- **Net combustible materials charge**
  - £10.3m (c.50% new buildings)
  - £2.4m recoveries from third parties
  - Remains complex and challenging

- **Inventory impairment**
  - £7.6m credit from 7.5% provision release
  - Retained commercial and LCH\(^1\)
  - Expect c.50% of £24.7m to be utilised in H2
  - £0.5m shared equity loans

\(^1\) London Chest Hospital
SALE OF LONGCROSS FILM STUDIO
RECYCLING CAPITAL FOR GROWTH

• 50% equitable interest sold to Aviva
  − Expected to complete late summer 2021
  − £45.0m cash consideration in H2
  − >£10.0m of profit in H2
  − Proportionately consolidated (not JV line)

• Revenue and profit recognition on legal completion
  − Material transaction at point of exchange

• 50% equitable interest remains in
  − 195 acres of Longcross Garden Village
  − Expected to deliver 1,700 homes
  − Allocated in Runnymede Borough Council Local Plan
CLEAR VISIBILITY TO GROSS MARGIN RECOVERY
LOW MARGIN SITES IMPACT REDUCING

- H2 GM% lower due to bulk completions (c.18.5%)
  - Sherborne Wharf, Birmingham
  - Old Vinyl, Hayes
- Offset by Longcross Film Studio (c.19.0%)
- > 250bps GM% accretion into FY22
- Further accretion in FY23
OVERHEAD DISCIPLINE REMAINS A FOCUS
EXPECT A FURTHER REDUCTION IN UNDERLYING POSITION FOR FY21

- Organisational structure fully embedded
- Continued benefits of agile working
- £2.5m charge from JRS repayment in December 2020
- Opportunity to lower overhead % of sales as Group grows
## CASH MANAGEMENT
### STRONG RECOVERY FROM COVID-19 DISRUPTION

<table>
<thead>
<tr>
<th>£m</th>
<th>HY21</th>
<th>HY20</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit before changes in working capital and provisions</strong></td>
<td>30.0</td>
<td>12.1</td>
<td>17.9 ▲</td>
</tr>
<tr>
<td>Decrease in trade and other receivables</td>
<td>14.2</td>
<td>32.7</td>
<td>18.5 ▼</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(8.0)</td>
<td>(60.4)</td>
<td>52.4 ▲</td>
</tr>
<tr>
<td>Decrease in trade and other payables</td>
<td>(28.6)</td>
<td>(92.4)</td>
<td>63.8 ▲</td>
</tr>
<tr>
<td>Contribution to retirement benefit obligations</td>
<td>(5.6)</td>
<td>(3.7)</td>
<td>1.9 ▼</td>
</tr>
<tr>
<td><strong>Cash generated from/(used by) operations</strong></td>
<td>2.0</td>
<td>(111.7)</td>
<td>113.7 ▲</td>
</tr>
<tr>
<td>Finance expense paid</td>
<td>(3.5)</td>
<td>(4.4)</td>
<td>0.9 ▲</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(7.4)</td>
<td>(8.1)</td>
<td>0.7 ▲</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td>(8.9)</td>
<td>(124.2)</td>
<td>115.3 ▲</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>(1.2)</td>
<td>(3.3)</td>
<td>2.1 ▲</td>
</tr>
<tr>
<td>Net cash (outflow)/inflow from financing activities</td>
<td>(1.3)</td>
<td>212.4</td>
<td>213.7 ▼</td>
</tr>
<tr>
<td><strong>Net (decrease)/ increase in cash and cash equivalents</strong></td>
<td>(11.4)</td>
<td>84.9</td>
<td>96.3 ▼</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>239.4</td>
<td>170.6</td>
<td>68.8 ▲</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>228.0</td>
<td>255.5</td>
<td>27.5 ▼</td>
</tr>
</tbody>
</table>

- Trading profit and inventories normalised
- Pension cash deferment as guided
- Income tax cash in line
- No RCF usage in HY21
- Lower interest costs
BALANCE SHEET
TRANSFORMATIONAL PROGRESS DESPITE COVID-19

- Net cash £130.4m (HY20: net debt £93.3m)
- Net debt including land creditors £48.1m (HY20: £317.2m)
- Average net cash £80.5m (HY20: av. net debt £125.0m)
- £250m RCF undrawn at FY20 and throughout HY21
- Pension surplus £8.6m (HY20: £8.4m deficit)
- Well capitalised for future growth
CURRENT LAND PORTFOLIO
STRONG LIQUIDITY POSITION SUPPORTS ACTIVITY IN THE LAND MARKET

Short-term land
- 1,017 home completions
- 760 plots added before deletions and other moves
  - 360 plots at Nuneaton
  - 254 plots at Stowmarket
  - 146 plots at Milton Keynes
- GDV
  - Removal of 7.5% residential sale price fall

New land activity
- Approved 2,682 plots for purchase at 26.5% GM (after S&M)

1 Plot numbers based on management estimates of site capacity
2 HY21 includes joint venture units at full unit count (HY20: Group’s share of joint venture units)
3 HY21 is presented on an equivalent unit basis which allocates a proportion of the unit count for a deal to the land sale element where the deal contains a land sale (HY20: no equivalent unit allocation to land sale element)
SUMMARY

• Strong trading performance
• Forward sales of 2,771 units and £691.8m GDV
• Transformational progress on balance sheet
• FY21 net cash to be around £170m
  − Including £45m Longcross consideration
• FY21 APBT upgraded to at least £100m
  − Including >£10m Longcross contribution
STRATEGY UPDATE

PETER TRUSCOTT
CHIEF EXECUTIVE
OUR STRATEGY
GOOD PROGRESS ACROSS ALL ELEMENTS

Priorities

• Health and safety is always our number one priority
• Maintain focus on operational efficiency programme
• Accelerate gross margin recovery
• Disciplined acquisition of new land to drive volume growth
• Grow multichannel capability and number of partners
• Deliver our ambitious sustainability targets
• Implement fire remediation works
PLACEMAKING AND QUALITY
CAMPBELL WHARF
LAND PORTFOLIO
REALISING VALUE FROM QUALITY ASSETS

- Non-core asset disposal of Longcross Film Studio
- Priority to secure more outlets
- More competition in land market
  - Stable pricing for larger sites
- Good progress in the half securing new land
  - New sites with reduced risk at lower ASPs
  - Operational efficiency benefits enabling more competitive bids
## OPERATIONAL EFFICIENCY
MORE EFFICIENT PLATFORM TO DELIVER GROWTH

<table>
<thead>
<tr>
<th>Key drivers</th>
<th>Progress HY21</th>
<th>Medium term aim</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal re-organisation and cost saving initiatives</strong></td>
<td>• Sales and marketing: further % of sales reduction</td>
<td>• Align to sector average level</td>
</tr>
<tr>
<td></td>
<td>• Overheads: further % of sales reduction</td>
<td>• Continued discipline as growth returns</td>
</tr>
<tr>
<td><strong>Standard specification</strong></td>
<td>• £30m embedded into portfolio</td>
<td>• Stronger supplier relationships</td>
</tr>
<tr>
<td><strong>Plotting efficiency</strong></td>
<td>• £40m being embedded into portfolio</td>
<td>• Continue to improve margins</td>
</tr>
<tr>
<td>(with new house type range)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New standardised house type range</strong></td>
<td>• 6,700 units replanned</td>
<td>• Target 80% of private houses in 2022</td>
</tr>
<tr>
<td></td>
<td>• 425 house completions in FY21</td>
<td></td>
</tr>
</tbody>
</table>
OPERATIONAL EFFICIENCY
NEW HOUSE TYPE RANGE

THE CHESHAM

THE KESWICK

THE DORKING

THE KESWICK

THE ROMSEY
FIVE-STAR CUSTOMER SERVICE
CONTINUED STRONG PERFORMANCE

- Retained five-star customer satisfaction rating
- New website launched May 2021
  - Easier user interface
  - Contemporary look and feel
- New CRM system launched in January 2021
  - Powerful insight generation and reporting
  - Targeted lead generation and conversion
- Culture of pride in what we do
MULTI CHANNEL APPROACH
DIVERSIFIED REVENUE STREAM

- Complementary to private market operations
  - Lower risk profile and enhanced ROCE
  - Aligned placemaking principles

- Key capability in divesting existing apartment schemes

- Growing PRS demand for single family homes
  - Targeting key worker accommodation

- First deal with Man GPM Community Housing Fund in HY21
  - 192 home scheme of which 95 PRS

- Strong repeat business interest and pipeline of deals

1 Part of Man Group plc
PEOPLE
OUR FOUNDATIONS

• Strong competition for talent

• Launching new skills and development programmes
  – Leadership succession planning
  – Emerging talent
  – Early careers – c.50 trainees in FY21

• Diversity and Inclusion a key focus
  – Forum ideas being implemented
SUSTAINABILITY & SOCIAL VALUE

OUR FOUNDATIONS

• Embedded in business strategy
  – Strong governance and leadership
  – Targets set and linked with remuneration

• Good progress against 2025 sustainability targets
  – Reduce scope 1 and 2 carbon intensity by 25%
  – Reduce waste intensity by 15%
  – Procure 100% renewable electricity

• Future focus
  – Future Homes Task Force
  – Climate impact strategy and transition to net zero
SUSTAINABILITY IN ACTION
OUR FOUNDATIONS

• New house types reduce waste
  − Efficient designs
  − OSM components
  − Standardised processes

• Reducing energy usage and carbon emissions
  − Eliminate: avoid unnecessary emissions
  − Reduce: run efficient operations
  − Substitute: biodiesel and renewable electricity

• Enhanced site-level visibility and central monitoring
  − New reporting tools and dashboards
SAFETY, HEALTH & ENVIRONMENT
OUR FOUNDATIONS

• Always our number one priority

• Culture and processes both important
  – Executive and operational committees
  – Regular Director-led site tours and inspections
  – New site and build manager protocols

• Further development of reporting tools and remote monitoring

• Adapted safety protocols for COVID-19 working effectively
SUMMARY AND OUTLOOK

Summary
• Turnaround of business progressing well
• Good progress in all five strategic priorities
• Earnings upgraded for FY21

Outlook
• Strong forward sales for FY21
• Margin rebuild now the focus
• Clear plans for growth
  – Capital Markets Day on 20 October 2021
Q&A