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

PETER TRUSCOTT
• INTRODUCTION

DUNCAN COOPER
• FINANCIAL REVIEW

PETER TRUSCOTT
• MARKET CONTEXT
• STRATEGY UPDATE
• DELIVERING GROWTH

Q&A
INTRODUCTION

PETER TRUSCOTT
Chief Executive
INTRODUCTION

EXECUTIVE SUMMARY

• Turnaround now complete

• Strong financial performance delivered in FY21
  − Net cash: £252.8m (FY20: £142.2m)
  − ROCE: 17.2% (FY20: 7.6%)

• Excellent progress on strategy

• Exciting growth plans announced at 2021 Capital Markets Day
FINANCIAL REVIEW

DUNCAN COOPER
Group Finance Director
### INCOME STATEMENT

**MEDIUM-TERM MARGIN GUIDANCE ON TRACK**

<table>
<thead>
<tr>
<th>£m (unless otherwise stated)</th>
<th>FY21</th>
<th>FY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>786.6</td>
<td>677.9</td>
<td>16.0 ▲</td>
</tr>
<tr>
<td>Cost of sales1</td>
<td>(619.9)</td>
<td>(570.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted gross profit1</strong></td>
<td>166.7</td>
<td>107.7</td>
<td>54.8 ▲</td>
</tr>
<tr>
<td><strong>Adjusted gross profit margin1</strong></td>
<td>21.2%</td>
<td>15.9%</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses1</td>
<td>(51.1)</td>
<td>(50.3)</td>
<td>1.6 ▼</td>
</tr>
<tr>
<td>Net impairment losses on financial assets1</td>
<td>(1.0)</td>
<td>(0.3)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted operating profit1</strong></td>
<td>114.6</td>
<td>57.1</td>
<td>100.7 ▲</td>
</tr>
<tr>
<td><strong>Adjusted operating profit margin1</strong></td>
<td>14.6%</td>
<td>8.4%</td>
<td></td>
</tr>
<tr>
<td>Adjusted net finance expense1</td>
<td>(9.1)</td>
<td>(10.7)</td>
<td></td>
</tr>
<tr>
<td>Share of joint venture results</td>
<td>1.7</td>
<td>(0.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit before tax1</strong></td>
<td>107.2</td>
<td>45.9</td>
<td>133.6 ▲</td>
</tr>
<tr>
<td>Adjusted income tax1</td>
<td>(19.9)</td>
<td>(8.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit after tax1</strong></td>
<td>87.3</td>
<td>37.4</td>
<td></td>
</tr>
<tr>
<td>Exceptional items net of income tax</td>
<td>(16.4)</td>
<td>(48.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit/(loss) after tax</strong></td>
<td>70.9</td>
<td>(10.7)</td>
<td></td>
</tr>
<tr>
<td>Adjusted basic earnings per share (p)1</td>
<td>34.0</td>
<td>14.6</td>
<td>132.9 ▲</td>
</tr>
<tr>
<td>Dividend per share (p)2</td>
<td>13.6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>17.2%</td>
<td>7.6%</td>
<td>960bps ▲</td>
</tr>
</tbody>
</table>

- Adjusted gross profit up strongly
  - Robust sales performance in FY21
  - Longcross Film Studio at £16.0m
  - Volume/rate effect from 2 scheme delays
- Admin expenses tightly controlled
  - £2.5m JRS repayment in FY21
  - Higher YoY bonus payment
- Adjusted effective tax rate of 18.6%
- Exceptionals net of tax of £16.4m
- Final dividend proposed of 9.5 pence per share

1 FY21 and FY20 figures adjusted for exceptional items as disclosed on slide 9
2 FY21 interim dividend paid of 4.1 pence per share and final dividend proposed of 9.5 pence per share
SALES METRICS
STRONG RECOVERY IN PRIVATE SALES RATE TAKEN INTO FY22

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlets (full year equivalents)</td>
<td>59</td>
<td>63</td>
<td>(6.3) ▼</td>
</tr>
<tr>
<td>SPOW (Open market)</td>
<td>0.80</td>
<td>0.59</td>
<td>35.6 ▲</td>
</tr>
</tbody>
</table>

Home completions (units)\textsuperscript{1,2}

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market (private)</td>
<td>1,515</td>
<td>1,146</td>
<td>32.2 ▲</td>
</tr>
<tr>
<td>Affordable</td>
<td>483</td>
<td>506</td>
<td>(4.5) ▼</td>
</tr>
<tr>
<td>Bulk\textsuperscript{3}</td>
<td>409</td>
<td>595</td>
<td>(31.3) ▼</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,407</strong></td>
<td><strong>2,247</strong></td>
<td><strong>7.1 ▲</strong></td>
</tr>
</tbody>
</table>

Joint ventures\textsuperscript{1}

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>156</td>
<td>46</td>
</tr>
</tbody>
</table>

ASP £’000\textsuperscript{2,4}

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY20</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market (private)</td>
<td>393</td>
<td>400</td>
<td>(1.8) ▼</td>
</tr>
<tr>
<td>Open market (inc-Bulk)</td>
<td>359</td>
<td>336</td>
<td>6.8 ▲</td>
</tr>
<tr>
<td>Affordable</td>
<td>174</td>
<td>161</td>
<td>8.1 ▲</td>
</tr>
<tr>
<td><strong>Total housing ASP</strong> (weighted average)</td>
<td><strong>322</strong></td>
<td><strong>297</strong></td>
<td><strong>8.4 ▲</strong></td>
</tr>
</tbody>
</table>

• Consistent sales profile in FY21
  - Outlets a function of planning
  - Equivalent unit and 100% JV unit change
  - Build completions in H2
    - 81 units at Old Vinyl, Hayes
    - 30 units at Sherborne Wharf, Birmingham

• Private open market ASPs continue to reduce
  - Reflecting product type and geographies
  - 1 unit left in legacy London

• Forward sales at 14 January 2022
  - 2,702 units and £719.0m GDV
  - c.63% of FY22 covered

---

\textsuperscript{1} FY21 includes joint venture units at full unit count (FY20: Group’s share of joint venture units)

\textsuperscript{2} FY21 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 (FY20: no equivalent unit allocation to land sale element)

\textsuperscript{3} Bulk home completions reflect sales to Private Rented Sector (PRS), Registered Providers (excluding S106) and private investors

\textsuperscript{4} ASP calculation includes the Group’s share of joint venture units and sales prices
### EXCEPTIONAL ITEMS

#### COMBUSTIBLE MATERIALS CHARGE OFFSET BY NRV RELEASE

<table>
<thead>
<tr>
<th>£m</th>
<th>FY21</th>
<th>FY20</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>(8.0)</td>
<td>43.2</td>
</tr>
<tr>
<td>Net combustible materials charge</td>
<td>28.8</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total cost of sales exceptional charge</strong></td>
<td><strong>20.8</strong></td>
<td><strong>43.8</strong></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>-</td>
<td>7.5</td>
</tr>
<tr>
<td>Net impairment losses on financial assets</td>
<td>-</td>
<td>7.6</td>
</tr>
<tr>
<td>Finance expense (credit)/charge</td>
<td>(0.5)</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total exceptional charge</strong></td>
<td><strong>20.3</strong></td>
<td><strong>59.4</strong></td>
</tr>
<tr>
<td>Tax credit on exceptional items</td>
<td>(3.9)</td>
<td>(11.3)</td>
</tr>
<tr>
<td><strong>Total exceptional charge after tax</strong></td>
<td><strong>16.4</strong></td>
<td><strong>48.1</strong></td>
</tr>
</tbody>
</table>

- **NRV release**
  - £8.0m credit from 7.5% unutilised provision
  - Expect >75% of £20.7m to be utilised in FY22
  - £0.5m shared equity loans

- **Net combustible materials**
  - £31.2m charge
  - £2.4m recoveries from third parties
  - £3.4m spent in FY21 with £42.6m remaining provision
**EXCEPTIONAL ITEMS**

**BACKDROP REMAINS COMPLEX FOR COMBUSTIBLE MATERIALS**

<table>
<thead>
<tr>
<th>£m</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workmanship defects</td>
<td>12.5</td>
</tr>
<tr>
<td>Design defects</td>
<td>17.7</td>
</tr>
<tr>
<td>Other costs (fees and temporary measures)</td>
<td>1.0</td>
</tr>
<tr>
<td>Recoveries</td>
<td>(2.4)</td>
</tr>
<tr>
<td><strong>Net combustible material charge</strong></td>
<td><strong>28.8</strong></td>
</tr>
</tbody>
</table>

- Detailed analysis on all buildings built in last 10 years
  - c.85% of buildings in scope have some provision or ‘low risk’

- £3.4m spent on remedial works in FY21
  - Balconies on 23 freehold buildings replaced
  - Prepared external walls for remedy in FY22 on 19 buildings
  - Further intrusive works on c.30 buildings

- Robust governance remains in place
  - Regular meetings with CEO, CFO, GPD
  - Board regularly reviews progress and provision
FY21 GROSS MARGIN DELIVERY
UNDERLYING GAIN TO HALF YEAR GUIDANCE BUT ALSO ONE-OFFS

- FY21 Gross Margin % guided to 19.0% at HY21
- Longcross Film Studio at £16.0m vs £10.0m
- Build completion slipped into FY22
  - OV and SW both NRV schemes
  - Margin accretive to FY21
  - Both contracted bulk deals
- Underlying enhancements coming through
  - Pricing
  - Lower S&M costs
- Expect FY22 Gross Margin % in-line or slightly higher
BALANCE SHEET
ROBUST FINANCIAL POSITION TO SUPPORT FUTURE GROWTH

- Net cash at £252.8m (FY20: £142.2m)
- Net cash and land creditors at £29.9m (FY20: £63.5m credit)
- Average net cash at £78.4m (FY20: average net debt at £99.6m)
- £46.0m cash received from sale of Longcross Film Studio
- IAS 19 pension surplus at £16.7m (FY20: deficit at £13.8m)
- Balance sheet to support growth, dividend and resilience
LAND PORTFOLIO
A STRONG STORE OF FUTURE VALUE

- 1,510 plots added to the short-term land portfolio
  - 491 plots at Moortown Lane, Ringwood
  - 360 plots at Eastboro Way, Nuneaton
- >1,500 plots added to the short-term land portfolio in FY22 YTD
- 74.2% owned vs controlled (FY20: 62.5% owned)
- GDV & ASP drivers
  - NRV reversal YoY
  - Sales price inflation
  - Completions > Additions
- JV plots reflect 100% count vs 50%

1 Plot numbers based on management estimates of site capacity.
FY21 includes joint venture units at full unit count (FY20: Group’s share of joint venture units).
FY21 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 (FY20: no equivalent unit allocation to land sale element).
FIVE-YEAR FINANCIAL TARGETS
STRONG STRATEGIC PROGRESS REINSTATES MEDIUM-TERM GUIDANCE

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY24</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOME COMPLETIONS (UNITS)</td>
<td>2,407</td>
<td>&gt;3,000</td>
<td>&gt;4,200</td>
</tr>
<tr>
<td>TRADING DIVISIONS</td>
<td>5</td>
<td>5+</td>
<td>8</td>
</tr>
<tr>
<td>REVENUE COMPOSITION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>60% PRIVATE</td>
<td>20-25% AFFORDABLE</td>
<td>15-20% PRS/BULK</td>
</tr>
<tr>
<td>OPERATING PROFIT MARGIN</td>
<td>14.6%</td>
<td>18-20%</td>
<td></td>
</tr>
<tr>
<td>RETURN ON CAPITAL EMPLOYED</td>
<td>17.2%</td>
<td>22-25%</td>
<td></td>
</tr>
<tr>
<td>LAND CREDITORS (% OF NET ASSETS)</td>
<td>24.7%</td>
<td>&lt;30%</td>
<td></td>
</tr>
<tr>
<td>DIVIDEND POLICY (COVER)</td>
<td>2.5x</td>
<td>2.5x</td>
<td></td>
</tr>
</tbody>
</table>

• Targets to reflect 2-phase growth agenda
  – Aspiration to deliver >4,200 units by FY26
• Growing partnerships business
  – Significant market opportunity
  – Resilience through the cycle
• Operating margins back to industry levels in Phase 1
• ROCE to improve across the plan period
• Land creditors <30% of net assets
• Strong earnings accretion from enlarged group

¹ FY21 operating profit margin and return on capital employed are presented before exceptional items as disclosed on slide 9
SUMMARY

• Strong rebound in performance post COVID-19
  – Low margin sites identified and remedied
  – Operational efficiencies starting to take effect
  – Medium-term guidance reinstated

• Forward sales at 14 January 2022
  – 2,702 units and £719.0m GDV
  – c.63% of FY22 covered

• Transformed balance sheet
  – ROCE up to 17.2% (FY20: 7.6%)
  – £252.8m net cash to fuel growth
  – Growth, dividend, resilience
MARKET CONTEXT

FACTORS AFFECTING THE SECTOR

• Political and economic environment
  – Housing supply remains a priority

• Operational disruption
  – Materials and labour shortages
  – Build cost inflation
  – Planning and regulatory delays

• Lending backdrop
  – Further interest rate rises could affect sentiment

• Land market
  – Remains competitive

• Regulatory change
STRATEGY UPDATE

PETER TRUSCOTT
Chief Executive

WYCKE PLACE
MALDON
TURNAROUND NOW COMPLETE
TRANSFORMATIONAL PROGRESS

• Delivered what we said we would do
  - Efficient, scalable operating platform
  - Robust balance sheet with resources to grow
  - Experienced leadership team in place

• New house type rollout on track
  - Reduce build time by average of 7 weeks
  - Plots re-planned: over 6,800 (FY20: 5,500)¹

• Trading out of low margin legacy schemes

• Another year of five-star customer service

¹ Units plotted in short-term land portfolio
THE NEXT PHASE OF OUR STRATEGY
MAINTAIN OUR STANDARDS AND DELIVER GROWTH

OUR AGENDA

• Retain operational efficiencies and principles through growth
• Accelerate operating margin recovery
• Disciplined land acquisition that drives profit growth
• Geographical expansion
• Develop multichannel capability and order book
• Deliver ambitious sustainability targets
• Combustible materials remediation
MARGIN AND VOLUME FOCUS
TWO PHASES OF GROWTH

**Phase 1**
- Rebuilding operating margin to 18% by FY24
- Volume growth from existing divisions
  - Total capacity of 3,250 units pa

**Phase 2**
- 2 new divisions established in FY22
  - 3\textsuperscript{rd} new division identified in FY23
- Margin growth ambition of 20% by FY26
- Volume to grow to 4,200 by FY26
  - Accelerated growth from new divisions

![Operating Margin FY17 – FY26e](image-url)
LAND PORTFOLIO
INCREASED PARTICIPATION IN THE YEAR

• Land to enable existing divisions to reach maturity
  - Competition increasing
  - Operational efficiencies key to hurdle rates

• 4,332 plots approved for purchase in FY21 at an average of 26.7% GM (after S&M)

• c.£100m of cash spent on land since year end
  - Timing differences on approvals and exchange

• Short-term land portfolio at c.5 years
MULTI CHANNEL APPROACH
STRONG PROGRESS DEVELOPING CAPABILITIES AND PARTNERSHIPS

• CN approach to partnerships outlined at CMD in October
  − Complementary to open market delivery
  − Lower risk profile and enhanced ROCE
  − Shrinking discount to open market pricing
  − No exposure to low margin contracting schemes

• Successful divestment of existing apartment schemes
  − £120m deal with Oaktree Capital, a total of 403 units across three sites
    − Brightwells Yard, Farnham
    − Centenary Quay, Southampton
    − Walton Court, Walton-on-Thames

• Growing reputation as a trusted partner
FIVE-STAR CUSTOMER SERVICE
ENHANCED CUSTOMER JOURNEY

• Retained five-star customer satisfaction rating
• Positive customer feedback on new house type range
• New, consistent brand messaging and guidelines
• Enhanced CRM system implemented
  – Increased lead generation and conversion
• Growing digital marketing capability and assets
SUSTAINABILITY AND SOCIAL VALUE
STRONG PROGRESS AGAINST EXISTING CLIMATE CHANGE TARGETS

2025 targets

Carbon emissions reduction target
25%
21% this year
• 41% reduced diesel consumption
• 454tCO₂e emissions avoided using biodiesel

Renewable electricity target
100%
62% this year
up from 32% in 2019
Includes:
• Offices
• Site infrastructure
• Homes prior to handover

Waste reduction target
15%
4% this year
• Circular economy solutions, including:
  - Pallet Return Scheme
  - Protection Material Return Scheme
  - Standard House Types
SUSTAINABILITY & SOCIAL VALUE
RECOGNISING OUR RESPONSIBILITY TO GO FURTHER

• Signed up to Race to Zero
  − Net zero emissions no later than 2050
  − Science-based targets to be announced later this year

• Well placed for impact of Future Homes
  − New house types complement ‘Fabric First’ approach
  − R&D programme in places
  − Provision of costs in land acquisition assumptions

• Strong governance and incentives
  − Sustainability Committee oversees progress
  − Remuneration targets to reflect ambition
DELIVERING GROWTH

PETER TRUSCOTT
Chief Executive
OUR PRINCIPLES FOR GROWTH
A CLEAR FRAMEWORK FOR EXPANSION

• Build on our positive legacy
  - Strong brand
  - Reputation for placemaking
  - Customer service and build quality
  - High quality land portfolio

• Leverage our scalable model
  - Standardised operating procedures and processes
  - New house type range
  - Multi channel approach to be utilised

• Maintain KPI discipline
  - Margins and ROCE
  - Operating efficiency
**DELIBERING GROWTH**
**MOBILISING IN YORKSHIRE AND EAST ANGLIA**

- Senior team recruitment progress
  - New divisional leader for Yorkshire joined in January 2022
  - Search for East Anglia equivalent in flight

- Early land acquisition opportunities
  - Norwich: first site agreed with 153 plots

- Regional market opportunities remain compelling

- Further progress to be shared at HY22
SUMMARY AND OUTLOOK

• Turnaround now complete
• Strong performance in FY21
  – Delivered ahead of expectations
  – Operational efficiencies taking over
  – Low margin legacy sites receding
• Enter FY22 in good shape
  – Strong forward order book of 2,702 units at £719.0m GDV
  – Robust financial position and strong balance sheet
• Exciting year ahead as we focus on growth