Crest Nicholson Holdings plc
HALF YEAR RESULTS 2022
14 June 2022
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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

DUNCAN COOPER
• FINANCIAL REVIEW

PETER TRUSCOTT
• MARKET OVERVIEW
• STRATEGY UPDATE AND OUTLOOK

Q&A
HALF YEAR SUMMARY
STRONG FIRST HALF OF TRADING

- Excellent financial and operational performance
- Improved returns with strong balance sheet
- Retained five-star customer satisfaction rating
- Expansion in Yorkshire and East Anglia on track
- New science-based sustainability targets announced
- FY22 earnings guidance upgrade
FINANCIAL REVIEW

DUNCAN COOPER
GROUP FINANCE DIRECTOR
## INCOME STATEMENT

### EARNINGS RECOVERY ON TRACK

<table>
<thead>
<tr>
<th>£m</th>
<th>HY22</th>
<th>HY21</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>364.3</td>
<td>324.5</td>
<td>12.3</td>
</tr>
<tr>
<td>Adjusted cost of sales¹</td>
<td>(286.8)</td>
<td>(261.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted gross profit¹</strong></td>
<td>77.5</td>
<td>63.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Adjusted gross profit margin¹</td>
<td>21.3%</td>
<td>19.5%</td>
<td>+180bps</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(20.7)</td>
<td>(23.1)</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Net impairment losses on financial assets</td>
<td>(2.3)</td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted operating profit¹</strong></td>
<td>54.5</td>
<td>40.0</td>
<td>36.3</td>
</tr>
<tr>
<td>Adjusted operating profit margin¹</td>
<td>15.0%</td>
<td>12.3%</td>
<td>+270bps</td>
</tr>
<tr>
<td>Adjusted net finance expense¹</td>
<td>(3.9)</td>
<td>(4.8)</td>
<td></td>
</tr>
<tr>
<td>Share of joint venture results</td>
<td>1.9</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit before tax¹</strong></td>
<td>52.5</td>
<td>36.1</td>
<td>45.4</td>
</tr>
<tr>
<td>Adjusted income tax¹</td>
<td>(12.1)</td>
<td>(7.3)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit after tax¹</strong></td>
<td>40.4</td>
<td>28.8</td>
<td></td>
</tr>
<tr>
<td>Exceptional items net of income tax</td>
<td>(82.6)</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit after tax</td>
<td>(42.2)</td>
<td>29.0</td>
<td></td>
</tr>
<tr>
<td>Adjusted basic earnings per share (p)¹</td>
<td>15.7</td>
<td>11.2</td>
<td>40.2</td>
</tr>
<tr>
<td>Dividend per share (p)</td>
<td>5.5</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>18.3%</td>
<td>10.5%</td>
<td>780bps</td>
</tr>
</tbody>
</table>

1 HY22 figures, adjusted for exceptional items charge of £105.0m before income tax, relating to net combustible materials charge. HY21 figures, adjusted for exceptional items credit of £0.2m, relating to net combustible materials charge £7.9m, inventory impairment credit £7.6m and financing credit £0.5m.

- Adjusted gross profit up 180bps
- Admin expenses remain a focus
  - £2.5m JRS repayment in HY21
- £2.3m impairment for sale of London Chest Hospital in May 2022
- £105.0m exceptional charge for combustible materials before tax
- Effective tax rate of 19.6%
- Interim dividend of 5.5 pence per share
- ROCE up strongly to 18.3%
SALES METRICS

DEMAND REMAINS ROBUST ACROSS ALL TENURES

- Outlets in line with HY21
  - Planning remains challenging
- SPOW rate remains strong
  - Consistent execution across all divisions
- ASP up reflecting
  - Sales price inflation offset by mix
  - Location and type of bulk deals in H1
- Forward sales at 10 June 2022
  - 2,891 units and £814.9m GDV
  - Over 96% of FY22 covered

<table>
<thead>
<tr>
<th></th>
<th>HY22</th>
<th>HY21</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlets (average)</td>
<td>58</td>
<td>57</td>
<td>1.8 ▲</td>
</tr>
<tr>
<td>SPOW (open market)</td>
<td>0.72</td>
<td>0.69</td>
<td>4.3 ▲</td>
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</table>

<table>
<thead>
<tr>
<th>Home completions (units)</th>
<th>HY22</th>
<th>HY21</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market (private)</td>
<td>754</td>
<td>701</td>
<td>7.6 ▲</td>
</tr>
<tr>
<td>Affordable</td>
<td>184</td>
<td>198</td>
<td>(7.1) ▼</td>
</tr>
<tr>
<td>Bulk1</td>
<td>158</td>
<td>118</td>
<td>33.9 ▲</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,096</td>
<td>1,017</td>
<td>7.8 ▲</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASP² £000</th>
<th>HY22</th>
<th>HY21</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open market (private)</td>
<td>409</td>
<td>398</td>
<td>2.8 ▲</td>
</tr>
<tr>
<td>Open market (including bulk)</td>
<td>385</td>
<td>373</td>
<td>3.2 ▲</td>
</tr>
<tr>
<td>Affordable</td>
<td>179</td>
<td>176</td>
<td>1.7 ▲</td>
</tr>
<tr>
<td><strong>Total housing ASP</strong></td>
<td>355</td>
<td>335</td>
<td>6.0 ▲</td>
</tr>
</tbody>
</table>

1. Bulk home completions reflect sales to Private Rented Sector (PRS), Registered Providers (excluding S106) and private investors
2. ASP includes the impact of joint ventures
EXCEPTIONAL ITEMS
COMBUSTIBLE MATERIALS REMEDIATION PROGRAMME

- Guided market previously to £80–120m range in April 2022
- £105.0m net combustible materials charge
  - £70.3m for Building Safety Fund projects (£85.0m total)
  - £34.7m for existing projects, 30 year look back
- £146.1m total provision; expected to be utilised within five years
- Remains complex and iterative
  - One in-scope notification received since signing
  - Peak uncertainty has now passed
OPERATING MARGIN RECOVERY
ON TRACK WITH OUR FIVE YEAR TARGETS

• Depleting poor legacy sites and bringing new land in
  – Old Vinyl, Hayes completed in H1
  – Sherborne Wharf, Birmingham to complete in H2
  – Brightwells Yard, Farnham in FY22 to FY25
  – Standardised house types essential

• Disposal of London Chest Hospital, East London in H2
  – Asset marked to market in H1 –£2.3m loss
  – ECL because of JV intercompany loan
  – £16.0m consideration (50% in Oct 22, 50% in FY23)
  – Significant WIP avoidance

• Overheads remain tightly controlled
  – New divisions being carefully built and established

Rebuilding a sustainable and growing earnings platform
BALANCE SHEET
SET FOR GROWTH, RETURNS AND RESILIENCE

• Net cash at £173.3m (HY21: £130.4m)
• Net debt including land creditors at £6.6m (HY21: £48.1m)
• Average net cash at £98.6m (HY21: £80.5m)
• Pension surplus under IAS 19 at £35.4m (HY21: £8.6m)
  – Triennial valuation complete
  – £3.4m for FY22, £1.5m for FY23
• Flexibility to deliver strategy
  – Meet combustible materials obligations
  – Fuel organic or inorganic growth
  – 2.5x dividend policy
## CASH MANAGEMENT

**RETAINED FOCUS ON CASH AND DISCIPLINED CAPITAL ALLOCATION**

<table>
<thead>
<tr>
<th>£m</th>
<th>HY22</th>
<th>HY21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating (loss)/profit before changes in working capital, provisions, and contributions to retirement benefit obligations</td>
<td>(54.5)</td>
<td>30.0</td>
<td>(84.5) ▼</td>
</tr>
<tr>
<td>Decrease in trade and other receivables</td>
<td>6.7</td>
<td>14.2</td>
<td>(7.5) ▼</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(83.6)</td>
<td>(8.0)</td>
<td>(75.6) ▼</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables, and provisions</td>
<td>79.9</td>
<td>(28.6)</td>
<td>108.5 ▲</td>
</tr>
<tr>
<td>Contribution to retirement benefit obligations</td>
<td>(2.6)</td>
<td>(5.6)</td>
<td>3.0 ▲</td>
</tr>
<tr>
<td>Cash (used by) / generated from operations</td>
<td>(54.1)</td>
<td>2.0</td>
<td>(56.1) ▼</td>
</tr>
<tr>
<td>Finance expense paid</td>
<td>(3.2)</td>
<td>(3.5)</td>
<td>0.3 ▲</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(1.4)</td>
<td>(7.4)</td>
<td>6.0 ▲</td>
</tr>
<tr>
<td>Net cash outflow from operating activities</td>
<td>(58.7)</td>
<td>(8.9)</td>
<td>(49.8) ▼</td>
</tr>
<tr>
<td>Net cash inflow/(outflow) from investing activities</td>
<td>5.2</td>
<td>(1.2)</td>
<td>6.4 ▲</td>
</tr>
<tr>
<td>Net cash outflow from financing activities</td>
<td>(25.6)</td>
<td>(1.3)</td>
<td>(24.3) ▼</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(79.1)</td>
<td>(11.4)</td>
<td>(67.7) ▼</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>350.7</td>
<td>239.4</td>
<td>111.3 ▲</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the period</td>
<td>271.6</td>
<td>228.0</td>
<td>43.6 ▲</td>
</tr>
</tbody>
</table>

- Exceptional charge impact
  - Profit and growth of provision
  - Income tax
- Inventory growth
  - Higher land investment
- Pension contribution
  - Triennial valuation
CURRENT LAND PORTFOLIO
INCREASED ACTIVITY IN COMPETITIVE LAND MARKET

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>HY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plots</td>
<td>22,303</td>
<td>22,303</td>
</tr>
<tr>
<td>GDV (£bn)</td>
<td>14,677</td>
<td>15,510</td>
</tr>
<tr>
<td>ASP (£k)</td>
<td>326</td>
<td>330</td>
</tr>
<tr>
<td>JV plots</td>
<td>1,478</td>
<td>1,325</td>
</tr>
<tr>
<td>JV plots</td>
<td>1,325</td>
<td>1,325</td>
</tr>
</tbody>
</table>

**Short-term land**
- 1,096 home completions
- 2,204 plots added since FY21
  - 558 plots at Stef en Way, Daventry
  - 500 plots at Charlotte Avenue, Bicester
- 76.1% owned vs controlled (FY21: 74.2% owned)
- GDV increase also due to replans and inflation
- JV units at HY22 include 291 at LCH

**New land activity**
- Approved 1,543 plots for purchase at 26.8% GM (after S&M)

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1 Plot numbers based on management estimates of site capacity
SUMMARY

- Strong first half of trading
- Forward sales of 2,891 units and £814.9m GDV
- Net cash at £173.3m provides flexibility
- Five-year financial targets on track
  - ROCE up to 18.3%
  - Adjusted operating margin up to 15.0%
- FY22 APBT to be in range of £135-140m
MARKET OVERVIEW AND STRATEGY UPDATE

PETER TRUSCOTT
CHIEF EXECUTIVE
MARKET OVERVIEW

• Current trading
  – Robust lead indicators
  – Sales rate in line with seasonal expectation
  – Sales price inflation continues to offset build cost inflation

• Sector challenges
  – Materials availability and pricing
  – Competitive land market
  – Planning and regulatory change

• Strong long-term fundamentals
  – Structural imbalance of supply and demand
  – Good mortgage availability, interest rates remain low
  – Strong political support for home building
**FIVE-YEAR FINANCIAL TARGETS**

**FY24 TARGETS ON TRACK**

- 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

<table>
<thead>
<tr>
<th></th>
<th>HY22</th>
<th>FY24</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOME COMPLETIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(UNITS)</td>
<td>1,096</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><strong>REVENUE COMPOSITION</strong></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><strong>OPERATING PROFIT MARGIN</strong></td>
<td>15.0%</td>
<td></td>
<td>18-20%</td>
</tr>
<tr>
<td><strong>RETURN ON CAPITAL EMPLOYED</strong></td>
<td>18.3%</td>
<td></td>
<td>22-25%</td>
</tr>
<tr>
<td><strong>LAND CREDITORS</strong></td>
<td>17.3%</td>
<td>&gt;30%</td>
<td>&lt;30%</td>
</tr>
<tr>
<td>(% OF NET ASSETS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DIVIDEND POLICY</strong></td>
<td>2.5x</td>
<td></td>
<td>2.5x</td>
</tr>
<tr>
<td>(COVER)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 HY22 operating profit margin and return on capital employed are presented before exceptional items as disclosed on slide 8
GOOD PROGRESS AGAINST STRATEGY
STRONG FUNDAMENTALS TO SUPPORT GROWTH

• Margin and ROCE recovery on track
• Volume growth
• Active in land market at targeted returns
• Expansion plan on track

Standardised house types

The Raydon
The Chesham

c. 75% of private open market houses in FY22
DELIVERING GROWTH

YORKSHIRE AND EAST ANGLIA EXPANSION TAKING SHAPE

• Yorkshire
  – New office opened in Thorpe Park, Leeds
  – Key leadership appointments now in place
  – Two sites approved for purchase

• East Anglia
  – To be located in Bury St Edmunds
  – Recruitment for team underway
  – Two sites acquired

• Remain open to M&A
FIVE-STAR CUSTOMER SERVICE
DELIVERING A GREAT CUSTOMER EXPERIENCE

- Retained five-star customer satisfaction rating
- Preparing for the New Homes Quality Code
- Increased social media campaigns and engagement
- New process for identifying customer after care issues
MULTI CHANNEL APPROACH

STRATEGIC LAND CAPABILITY

• Growth in sales to PRS and affordable partners

• Strong track record in strategic land
  – Enhanced team capability

• Recent success to support future growth

• New opportunities secured
GOOD PROGRESS AGAINST 2025 SUSTAINABILITY TARGETS

- Reduce scope 1 and 2 carbon intensity by 25%
- Reduce waste intensity by 15%
- Procure 100% renewable electricity

EMBEDDED IN BUSINESS STRATEGY

- Strong governance and leadership
- Targets set and linked with remuneration

GOING FURTHER WITH NEW SCIENCE-BASED TARGETS

- From a 2019 base year reduce scope 1 and 2 emissions by 60% by 2030
- Reduction of scope 3 emissions intensity by 55% over the same period
- Transition to net-zero across the value chain by 2045
SUMMARY AND OUTLOOK

Summary

• Strong operational and financial performance
• Clarity on fire safety remediation
• Good visibility on forward order book

Outlook

• Earnings upgrade for FY22
• Five-year targets on track