THE UK’S MOST UPMARKET MAJOR HOMEBUILDER
RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
MONDAY 3 OCTOBER 2016
AGENDA

• Business and Market Overview  Alan Brown
• Financial Review  Graham Reid
• Summary and Outlook  Alan Brown
• Q&A
2016 HIGHLIGHTS – ANOTHER RECORD YEAR

1,151 HOME SALES
(2015: 993)

£587.1M REVENUE
(2015: 511.6M)

£60.1M PROFIT BEFORE TAX*
(2015: £50.9M)

18.6% ROCE
(2015: 18.4%)

14.3% OPERATING MARGIN
(2015: 14.3%)

£5.5 BILLION CONTRACTED LANDBANK
(2015: £5.2 billion)
Gross Development Value (“GDV”)

7 YEARS 5 STAR HBF Customer Service Rating
(7th year running)

*before exceptional items and revaluations
OUR STRATEGY REMAINS ON TRACK

- Scaling up 5 divisions in England and 3 divisions in Scotland
- Increasing presence in affluent markets of South East of England
- Maintaining high standards of customer service and health and safety
- Continued focus on “premium, not luxury” market
OUR BUSINESS TODAY

• Supportive shareholders continue to provide the firepower to grow our business

• Continuing to scale up our 8 regional divisions

• 810 employees, up 13%

• Now operating from 80 sites throughout the country in the most affluent areas of the UK

• 5 star customer service rating from HBF for 7th year running

• Continued transition away from smaller sites towards focusing on larger developments
MARKET OVERVIEW

• Well documented London slowdown and subsequent ripple effect outwards

• Stamp duty reforms have impacted higher end of the market

• Aberdeen market remains challenging following oil price volatility

• Wider UK market remains characterised by robust demand and chronic undersupply

• Housing demand continues to be underpinned by supportive Government policy

• Good access to low cost mortgage finance

• Growing employment levels

• Land market remains attractive

A largely positive market backdrop with some pockets of softness
NO IMPACT FROM EU REFERENDUM


- **Website sessions**: +33% from 682,056 in 2015 to 906,924 in 2016
- **Net private reservations**: +46% from 205 in 2015 to 300 in 2016
- **Enquiry-reservation conversion rate**: +33% from 3.01% in 2015 to 4.01% in 2016
- **Total enquiries**: 6,805 in 2015 to 7,426 in 2016
- **Website users**: +32% from 457,742 in 2015 to 602,578 in 2016

**Strong trading momentum**
GRAHAM REID, GROUP FINANCE DIRECTOR
FINANCIAL REVIEW
STRONG RISE IN PRIVATE HOME COMPLETIONS

- 15% rise in home completions to 1,151 despite total number of sites contributing remaining broadly flat (2016: 80 versus 2015: 82)

- Continued transition away from smaller sites with ASP > £1.25m towards larger developments in line with growth strategy

- Affordable housing activity considerably higher than home completions indicate

- Help To Buy accounted for only 12% of private completions (2015: 9%)

- 53% of home completions located in England (2015: 47%)
RECORD REVENUE DRIVEN BY VOLUME AND ASP

Revenue (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>233</td>
</tr>
<tr>
<td>2013</td>
<td>235</td>
</tr>
<tr>
<td>2014</td>
<td>285</td>
</tr>
<tr>
<td>2015</td>
<td>512</td>
</tr>
<tr>
<td>2016</td>
<td>587</td>
</tr>
</tbody>
</table>

Private ASP

<table>
<thead>
<tr>
<th>Year</th>
<th>Private ASP (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£335,000</td>
</tr>
<tr>
<td>2013</td>
<td>£340,000</td>
</tr>
<tr>
<td>2014</td>
<td>£423,000</td>
</tr>
<tr>
<td>2015</td>
<td>£509,000</td>
</tr>
<tr>
<td>2016</td>
<td>£538,000</td>
</tr>
</tbody>
</table>

Revenue Analysis

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private housing</td>
<td>£469.7</td>
<td>£538.3</td>
<td>+15</td>
</tr>
<tr>
<td>Affordable housing</td>
<td>£17.9</td>
<td>£42.9</td>
<td>+139</td>
</tr>
<tr>
<td>Land sales</td>
<td>£24.0</td>
<td>£5.9</td>
<td>-75</td>
</tr>
<tr>
<td>Total</td>
<td>£511.6</td>
<td>£587.1</td>
<td>+15</td>
</tr>
</tbody>
</table>

- Record revenues driven by strong increase in home completions and an increase in the Group’s private ASP
- ASP increase due to change in product mix – highest of top 10 outside of London
- Land sales usually for land bank management, rather than a profit driver
OUTSTANDING SALES PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private reservations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net private reservations</td>
<td>768</td>
<td>1,113</td>
<td>+45</td>
</tr>
<tr>
<td>Active selling sites</td>
<td>37</td>
<td>46</td>
<td>+24</td>
</tr>
<tr>
<td>Sales per site per week</td>
<td>0.40</td>
<td>0.48</td>
<td>+20</td>
</tr>
<tr>
<td>Revenue per site per week</td>
<td>£216k</td>
<td>£254k</td>
<td>+18</td>
</tr>
</tbody>
</table>

• Outstanding sales performance with net private reservations up 45%, driven by a greater number of sales outlets

• 0.48 sales per site per week, up 20% (2015: 0.40) doesn’t tell the whole story.

• Revenue per site per week is industry leading

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward sales at 1 July</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homes</td>
<td>206</td>
<td>303</td>
<td>+47</td>
</tr>
<tr>
<td>Value</td>
<td>£106.5m</td>
<td>£160.0m</td>
<td>+50</td>
</tr>
<tr>
<td>% carry forward</td>
<td>22%</td>
<td>30%</td>
<td>+8</td>
</tr>
</tbody>
</table>

• Forward sales higher at 1 July 2016, private housing revenue forward sold up 50% compared with 1 July 2015
RECORD PROFITS FOR THE FOURTH SUCCESSIVE YEAR

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£511.6</td>
<td>£587.1</td>
<td>+15</td>
</tr>
<tr>
<td>Gross profit</td>
<td>113.4</td>
<td>123.8</td>
<td>+9</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>(40.4)</td>
<td>(40.1)</td>
<td>-1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>73.0</td>
<td>83.7</td>
<td>+15</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(22.1)</td>
<td>(23.5)</td>
<td>+6</td>
</tr>
<tr>
<td>Share of JV profit</td>
<td>-</td>
<td>(0.1)</td>
<td>+100</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>50.9</td>
<td>60.1</td>
<td>+18</td>
</tr>
</tbody>
</table>

Before exceptional items and revaluation of financial instruments

- Record operating profit of £83.7m, 15% higher than 2015
- Net operating expenses reflect natural scale of the business – future increases likely to be modest but performance pay could result in fluctuations
- Increase in finance costs reflects greater interest on shareholder loan notes and higher debt drawn during the year to fund growth
- No contribution from JVs. Only Donaldsons College, Edinburgh remaining which will deliver profit from 2019
House Sales Gross Margin

- Housing gross margin reduced to 21.8% (2015: 23.5%). Key market factors during FY16:
  - Market conditions and price falls in Aberdeen – 0.6% negative impact
  - Slowdown in demand and price falls for homes priced above £1.25 million due to changes to SDLT – 1.1% negative impact
  - Higher proportion of affordable housing revenue also contributed to house sales gross margin dilution – 0.2% negative impact
• Operating margin maintained at record level of 14.3%

• Good progress made with reducing the ratio of net operating expenses to revenue, which fell from 7.9% last year to 6.8% in 2016

• Continued progress in 2016 towards reaching operational efficiency despite adverse headwinds in certain markets
ANOTHER YEAR OF RECORD NET ASSETS AND LOWER GEARING

- 18% increase in net assets to a record £286.1m
- £273m committed banking facilities, step down to £200m and expire March 2019
- Slight increase in bank debt driven by interest payments and the investment required to deliver CALA’s expansion plans marginally exceeding income generated in the year
- Gearing reduced to 29.7% from 32.4% last year despite a small increase in net bank debt
- Gearing is 62.4% if land creditors are included (2015: 69.3%)
• Land creditors a strong feature of the current land market and broadly maintained at last year’s level

• £54m (40%) of land creditors relates to commitments on sites not yet acquired or in development (2015: £46m)

• Ageing analysis shows land creditor payment profile extended, reflecting larger sites being acquired

• Land expenditure including settlement of land creditors in 2016 was £196m (2015: £227m)
### BALANCE SHEET - STOCK ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>438.9</td>
<td>485.0</td>
<td>+11</td>
</tr>
<tr>
<td>Less : Land creditors</td>
<td>(134.0)</td>
<td>(136.2)</td>
<td>+2</td>
</tr>
<tr>
<td>Net land</td>
<td>304.9</td>
<td>348.8</td>
<td>+14</td>
</tr>
<tr>
<td>Work in progress</td>
<td>149.5</td>
<td>181.4</td>
<td>+21</td>
</tr>
<tr>
<td>Part exchange</td>
<td>16.6</td>
<td>41.6</td>
<td>+151</td>
</tr>
<tr>
<td>Net stock</td>
<td>471.0</td>
<td>571.8</td>
<td>+21</td>
</tr>
</tbody>
</table>

- Significant investment in land, particularly larger sites, to support growth strategy
- Higher WIP also due to increased scale
- Large rise in part exchange stock:
  - Partly due to increased scale of the business
  - At 30 June 2016, 51% of part exchange stock was reserved for onward sale - at 23 September this had increased to 88%
IMPROVING ROCE DESPITE INVESTMENT PHASE

<table>
<thead>
<tr>
<th></th>
<th>2015 (£m)</th>
<th>2016 (£m)</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>3.2</td>
<td>2.8</td>
<td>-13</td>
</tr>
<tr>
<td>Debtors</td>
<td>37.3</td>
<td>29.4</td>
<td>-21</td>
</tr>
<tr>
<td>Net stock</td>
<td>471.0</td>
<td>571.8</td>
<td>+21</td>
</tr>
<tr>
<td>Creditors</td>
<td>(97.3)</td>
<td>(118.3)</td>
<td>+22</td>
</tr>
<tr>
<td>Capital employed</td>
<td>414.2</td>
<td>485.7</td>
<td>+17</td>
</tr>
</tbody>
</table>

Excludes intangible assets and deferred tax asset

- ROCE up from 18.4% in 2015 to 18.6% in 2016
- Small improvement but held back by the combination of a higher carrying investment in new sites delivering in future years and higher part exchange stock at 30 June 2016
- Housing gross margin reduction also acted as a brake on ROCE performance
LAND ACTIVITY

New land contracted in last 12 months

2015
- GDV - £953m
- Sites - 56
- Plots – 2,434

2016
- GDV - £1,000m
- Sites - 30
- Plots – 2,683

- Availability of land progressively improved during the period
- Land activity in line with growth strategy to transition towards larger developments as the Group continues to scale up the size of the business
- Average number of homes per site on new land contracted more than doubled to 89 (2015: 43)
- More sites acquired unconditionally with outline planning permission to provide greater certainty on delivery timing
- Maintained disciplined approach to land purchasing – exceeded gross margin hurdle of 24% set from 1 July 2015
LAND ACTIVITY

• Continue to focus on securing land in premium locations where demographics are suited to our homes

• Over 55% of land acquired during the period located in principal growth area of south east England

• Acquired land with planning permission or secured a firsttime planning permission on 34 sites for 3,078 homes with an estimated GDV of £1 billion (2015: 2,853 homes with a GDV of £1.1 billion)

• Land consented has average selling price of £336,000 including affordable housing

* Some sites on long term options or still awaiting planning permission
STRONG LAND BANK

• Owned / contracted landbank, at 30 June 2016 comprised 15,399 plots with a potential GDV of £5.5 billion and an ASP of £356,000 (private and affordable) = 9.4 years output based on 2016 revenue

• 72% of GDV in the owned / contracted landbank has a planning consent

• Contracted landbank payment status:
  
  • 30% paid (2.8 years)
  • 12% land creditor (1.1 years)
  • 58% uncommitted (5.5 years)

<table>
<thead>
<tr>
<th>Owned / Contracted landbank</th>
<th>Plots</th>
<th>GDV £m</th>
<th>ASP £000s</th>
<th>Land %</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consented</td>
<td>10,889</td>
<td>3,979</td>
<td>365</td>
<td>22.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Allocated</td>
<td>2,086</td>
<td>677</td>
<td>325</td>
<td>14.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>2,424</td>
<td>833</td>
<td>343</td>
<td>22.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Plots</th>
<th>GDV £m</th>
<th>ASP £000s</th>
<th>Land %</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total at 30 June 2016</td>
<td>15,399</td>
<td>5,489</td>
<td>356</td>
<td>21.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Total at 30 June 2015</td>
<td>14,236</td>
<td>5,203</td>
<td>365</td>
<td>19.8</td>
<td>10.2</td>
</tr>
</tbody>
</table>
At 30 June 2016, 88% of the projected gross profit to be delivered through our business plan in the next 4 years is already owned, contracted or deal terms are agreed and in solicitors’ hands.

76% has a planning consent or has been identified for residential development in local plans.

Not all sites in the contracted landbank are in the 4-year business plan.

Strategic sites not included.
STRATEGIC LAND

• The strategic landbank at 30 June 2016 comprised 11,223 plots with a potential GDV of £3.3 billion and an ASP of £296,000 (private and affordable)

• During the year 5 new strategic sites were contracted comprising 342 plots

• 63% of home completions in 2016 were either pulled through from the strategic landbank or converted from conditional contracts on a ‘subject-to-planning’ basis - down from 72% a year ago due to reduction in the timing risk associated with CALA’s future development pipeline

• During the year 150 plots from the strategic landbank secured a planning status for the first time

• 42% of homes consented during the year were on sites previously in the strategic landbank

<table>
<thead>
<tr>
<th>Strategic landbank</th>
<th>Plots</th>
<th>GDV £m</th>
<th>ASP £000s</th>
<th>Land %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total at 30 June 2016</td>
<td>11,223</td>
<td>3,327</td>
<td>296</td>
<td>17.0</td>
</tr>
<tr>
<td>Total at 30 June 2015</td>
<td>11,227</td>
<td>3,364</td>
<td>300</td>
<td>15.7</td>
</tr>
</tbody>
</table>
SUMMARY AND OUTLOOK
GROWTH PLANS

Scaling up 5 divisions in England and 3 divisions in Scotland

Infrastructure in place to deliver capacity of 2,000 – 2,500 homes

Increasing presence in affluent markets of South East England

AND TARGETS

Revenue of c£1 billion by 2020

Operating efficiency optimised from 2018
ACHIEVING ANNUAL REVENUE OF £1 BILLION BY 2020

• Structure of 8 regional businesses provides a natural scale of 2,000 – 2,500 homes annually

• Expected to deliver revenue of c £1 billion per annum by 2020

• 88% of land required to hit volume targets already under CALA’s control and 76% has a planning status

• South and South East is a strong growth driver for the group
ABERDEEN

Market

• Challenging market conditions in Aberdeen on the back of falling employment in the region due to enduring oil price weakness

• Price falls in Aberdeen over the last 18 months of c15%

• Market stabilisation in the last 4 - 6 months

• Land values have fallen significantly

CALA

• FY16 volume targets in the region met due to strong sales performance

• CALA profitable in the region in FY16

• Aberdeen is CALA’s smallest operational region and set up to meet inherent cyclicality of the regional market

• Almost 100% strategic land with OMV deals

* = Two CALA sites in Aberdeen open throughout 2015/16
HOMES VALUED AT £1.25M+

Market

• Recent changes to Stamp Duty Land Tax in England have impacted demand for houses priced over £1.25m

CALA

• Growth strategy launched in 2013 to increase site size and develop sites where selling prices <£2.0m

• Transition out of smaller sites with higher value homes within £1.25m+ price bracket began in 2014 following Banner acquisition

• CALA ASP set to reduce from record level in 2016 as transition away from £1.25m market continues (see graph)
PROGRESS TOWARDS OPERATIONAL EFFICIENCY

• Reduction in overheads v turnover ratio from 7.9% to 6.8% over the year – target ratio of under 6%

• Ongoing business improvements
  • Introduction of a new house type range ‘Light & Space’
  • Standard specification established
  • Extension of Group procurement activity will achieve considerable cost savings over time
  • CALA’s design ethos - Design Code established in the year

• Further operating margin improvements to come from better absorption of overheads through increased scale - little requirement for more overhead to support growth
CURRENT TRADING

• Solid trading during the first 13 weeks following the EU referendum despite uncertainty

• Sales per site per week of 0.50 between 25 June and 23 September – ahead of the same period last year. Net private reservations 46% higher than the same period last year

• Sales prices stable and cancellation rates reduced during the same period

• Almost 50% sold for FY17

• Continue to closely monitor market conditions following EU referendum result
**FIVE KEY TAKE AWAYS**

- Record year across key financial metrics, despite challenges in specific markets.
- Focus on delivering strategic plan to reach operational efficiency from 2018.
- Infrastructure, product and people in place to deliver £1bn revenues by 2020.
- Significant investment in landbank, particularly in Southern England, will drive future growth.
- Business improvement projects to keep driving higher margins.
Q&A