

24 March 2015

CALA Group (Holdings) Limited

First year of significant volume growth expected to deliver record revenues and profits

CALA Group (Holdings) Limited ("CALA" or "the Group"), the UK's most upmarket major home builder, today issues the following update on trading for the eight months ended 28 February 2015.

Highlights

- After several years of planned stable volumes, the full year to 30 June 2015 ("FY15") represents the first year of significant volume increase as part of the Group's growth plans
- CALA remains on course to deliver another record year of revenue and profit growth
- The Group is already 90% sold for FY15 with four months of the financial year to go
- Net private reservations at an average selling price ("ASP") of £537,000 up 27% from £423,000 on legal completions in the year to 30 June 2014, mainly due to site mix
- Average number of sales outlets up from 25 to 38
- 38 new sites (1,478 plots) contracted during the period with a potential gross development value ("GDV") of £564m and a gross margin in excess of 23%
- Planning permission granted on 33 sites (938 plots) with a potential GDV of £417m
- CALA's controlled land bank now stands at over 13,400 plots with a potential GDV of £5.0bn
- CALA awarded five stars in the latest Home Builders' Federation annual survey, the sixth successive year the Group has accomplished this feat

Alan Brown, Chief Executive of CALA Group, said:

"After an encouraging first half, trading since the start of 2015 has been ahead of expectation. We have seen increased site visitor numbers across our eight operating regions alongside a significant increase in online enquiries since the launch of our new website in December, as the improved availability of record low mortgage rates, combined with the strength of the UK economy and ongoing shortage of housing supply, continue to boost demand.

"We are continuing to see a sustainable level of sales price inflation across all of our regions while our land teams continue to secure a steady supply of high quality sites in desirable locations at or above our target hurdle rates, providing confidence that we can grow our future volumes substantially.

"Overall, the Group has started the current year with strong momentum and we are well placed to deliver our first year of significant volume uplift as part of the Group's ongoing growth strategy."

Positive momentum and strong current trading

During the period from 1 July 2014 to 28 February 2015, CALA has seen an increase in private reservations, in line with management's expectations, with the Group now 90% sold for FY15 and also selling into the following financial year.

Unlike the majority of the listed peer group, this performance has been achieved with little assistance from the Government's Help to Buy scheme which, given the Group's premium market positioning, contributed just 6% of reservations over the period.

Sales prices have increased considerably over the past eight months with the Group's ASP for net private reservations rising to £537,000 (FY14: £423,000 based on legal completions). The step

change in private ASP is mainly due to site mix. In addition to this sales price inflation has also contributed adding a c. 4% increase since the start of the financial year.

The Group has operated from an average of 38 sales outlets during the 8-months to date, up from 25 in the same period last year. The current number of sales outlets is 41 and this will continue to increase as sites progress through the planning system and the Group's ambition to deliver more homes is realised.

As a result of this, plus a house sales gross margin broadly in line with last year, the Group remains on course to deliver another record year of revenue and profit growth.

Earlier this month, CALA was awarded five stars in this year's Home Builders' Federation annual industry Customer Satisfaction survey. This is the sixth successive year the Group has received this accolade, and is testament to the importance CALA's management places on maintaining its industry leading customer service levels during a period of significant growth.

Market backdrop remains encouraging

In the opening weeks of 2015, the housing market has been particularly strong with customer confidence improving as a result of rising levels of employment, an affordable mortgage environment and the ongoing improvement of the wider economy. As a result, trading since the start of the year has been robust with the Group's average sales per site per week at 0.56 compared with 0.37 for the financial year to date, a very positive performance given CALA's high ASP and the sales profile of the ex-Banner Homes sites.

The underlying material shortages and related build cost increases that were evident during 2014 have abated somewhat, although maintaining an adequate supply of quality labour to meet our volume growth remains a key challenge in the business. Despite evidence of the labour pool now increasing, recent shortages have resulted in higher subcontractor costs which have partially absorbed the increase in sales prices experienced.

CALA is in the process of implementing a number of initiatives to build on the success of its current work with Apprentices. The Group is working to help address the national shortage in skilled trades through the sponsorship of Sub Contractor apprentices employed on CALA sites. The Group also directly employs apprentices on some of its larger sites in both a trade and, in conjunction with the CITB, in a Trainee Assistant Site Manager capacity.

Continued land market activity

CALA continues to identify and secure high quality opportunities within the UK land market at or above the Group's target hurdle rates. As a result, with the financial support of CALA's main shareholders Patron Capital and Legal & General, the Group has continued to invest steadily in strengthening its existing land bank, thereby providing the Group with a platform to deliver on its stated growth strategy.

In the eight months to 28 February 2015 the Group contracted 38 sites (1,478 plots) with a potential GDV of £564m and a gross margin in excess of 23%. In addition, 12 new strategic sites have been contracted capable of delivering over 1,500 homes and these will be promoted through the planning system for future development. The Group also secured planning permission for 33 sites (938 plots) with a potential GDV of £417m. Building on these sites, if not already commenced, will begin in the next few months once all remaining pre-start conditions have been cleared.

At 28 February 2015, CALA's land bank consisted of over 13,400 plots with a GDV of £5.0bn of which 58% had an outline or detailed planning permission. This excludes strategic land which represents a further c. 10,000 plots.

The Group continues to seek the targeted purchase of sites without planning permission, thus delivering value to landowners through CALA's significant planning expertise, as well as actively pursuing profitable opportunities in the consented land market that meet our target hurdle rates.

Growth strategy on track

Following a successful first half, 2015 is set to be the Group's first year of significant volume growth since the implementation of the new growth plans unveiled in 2014. CALA's delivery against this growth plan is progressing well and management remain focused on improving operational efficiency in order to reduce the Group's overhead ratio, strengthen EBIT margin and enhance CALA's return on capital employed which is anticipated to deliver significant improvements as soon as 2016.

CALA's expansion plans were accelerated by the acquisition of Banner Homes in March 2014, which positioned CALA in the top 10 of UK home builders by revenue, while significantly growing the Group's operations and land bank in the most affluent areas of the South of England.

The integration of Banner was completed by December 2014, with CALA's IT and finance processes operating across all 8 regions as well as the roll out of CALA's brand. This has resulted in the delivery of operational and cost efficiencies significantly ahead of management expectations. Additional value has been delivered through the performance of active Banner Homes sites in the current market and further significant gains are being projected from the land bank acquired with Banner including the strategic land portfolio, most of which has strong planning prospects.

With CALA now operating as one integrated team from eight regional divisions across the country, the Board is confident that the Group will achieve its growth plans and operational efficiency targets on schedule, thereby driving future shareholder value.

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For further information or to arrange to speak with Alan Brown, Chief Executive of CALA Group Limited, please contact:

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