



MJ Gleeson plc

14 September 2020

Results for the year ended 30 June 2020

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Building Homes. Changing Lives.

# Results for the year ended 30 June 2020

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# CEO introduction

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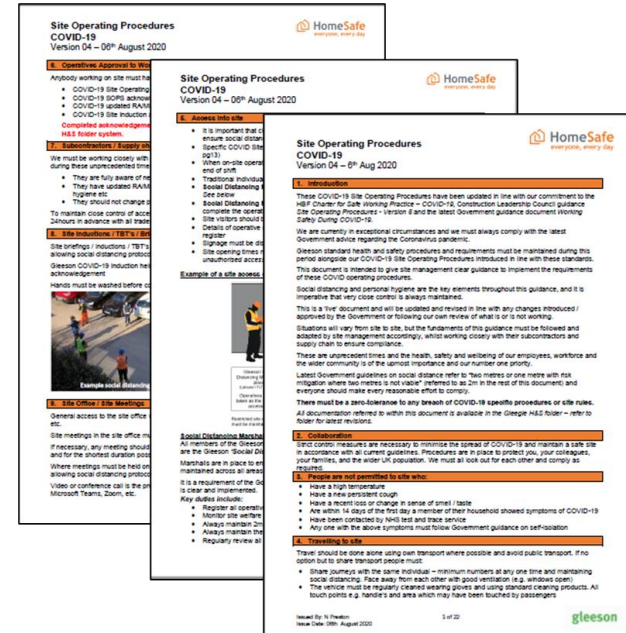
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# Priority to protect people and secure the business

- Swift response      £16m equity raised, £60m loan drawn, 76% staff furloughed, land and discretionary spend freeze, Board and senior management temporary pay cuts, interim dividend cancelled
- Activity during shutdown      All site build plans reprogrammed, IT developments accelerated, virtual show home tours developed, Key Worker Priority Programme launched
- Phased return mid-May      Covid-secure protocols implemented, site infrastructure and ground level works prioritised, regional sales hubs opened, phased restart of build activity in May, MyGleeson portal re-launched, Gleeson Quality Charter rolled-out
- Sites open and active      All sites now actively building, all sales offices open, strict Covid-secure protocols backed up by supervision and enforcement, office staff working flexibly and effectively

# Covid-secure operations

- Covid-secure in place across the business
- All sites operational
- All HSE Covid spot checks passed
- Protocols include:
  - Covid-19 Site Operating Procedures
  - Enhanced and controlled site entry
  - Social distancing marshals
  - Specific signage
  - One-way pedestrian routes, where possible
  - Sanitation stations
  - Welfare facility cleaning enhanced
  - One trade per plot
  - Supervision and enforcement
  - £25,000 provision per site
- Office staff working flexibly



# Emerging stronger and on track for 2,000 homes p.a. in FY22

- Swift response to Covid-19 to protect people and strengthen the business
- FY20 performance significantly impacted by Covid-19 in Q4
- Demand robust: selling everything we release
- Strong business model
  - Structural development
  - Platform for growth
- Strong start to the current financial year:
  - Forward orders and build work-in-progress (WIP)
  - Demand robust, prices still increasing
  - Ambitious site opening plan
  - Balance sheet strong
- Remaining on target for 2,000 homes p.a. in FY22
- Strategic Land pipeline of consented land – housebuilders cautiously returning to land buying
- Dividends to resume as soon as prudent to do so

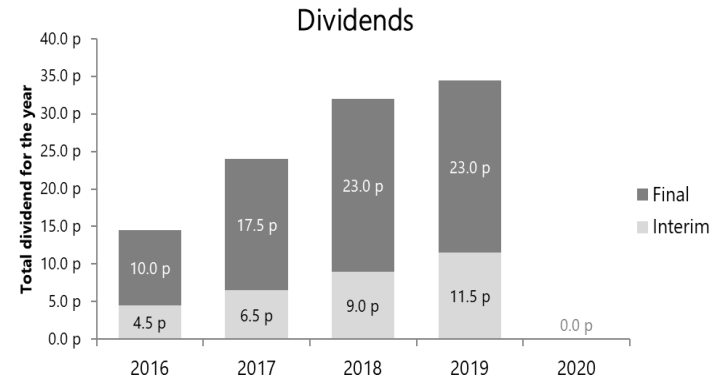
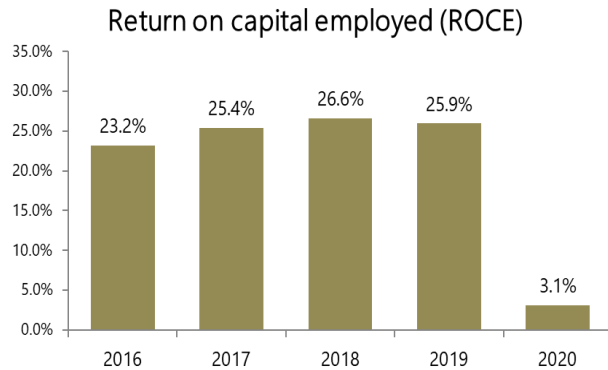
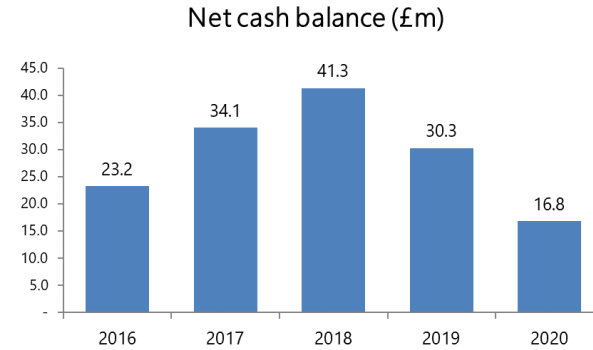
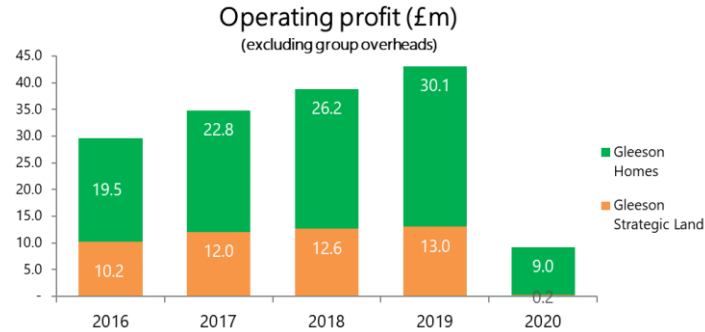
# Financial review

# Full year heavily impacted by Covid-19 in Q4

- Full year results significantly impacted by Covid-19:
  - Homes volumes down 29.9% at 1,072 homes sold (2019: 1,529 homes sold)
  - Strategic Land sold two small sites (2019: nine sites sold)
- Operating profit: £5.9m (2019: £41.0m)
- PBT: £5.6m (2019: £41.2m)
- EPS: 8.1 pence (2019: 61.0 pence)
- Net Cash: £16.8m (2019: £30.3m)
- ROCE: 3.1% (2019: 25.9%)
- Dividend: Interim dividend cancelled. No final dividend proposed.



# Results significantly impacted by Covid-19

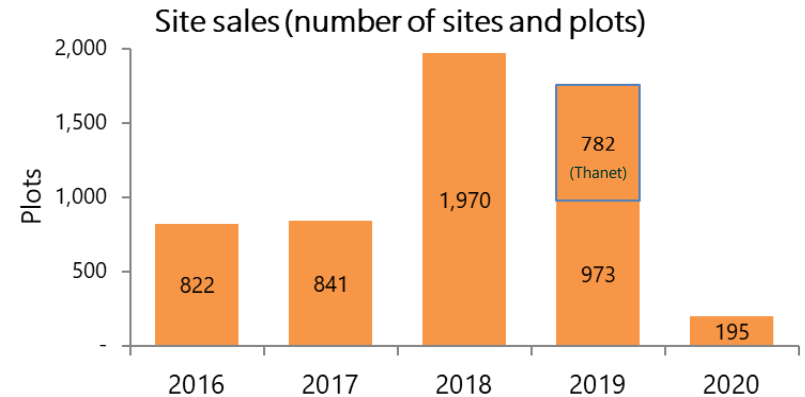
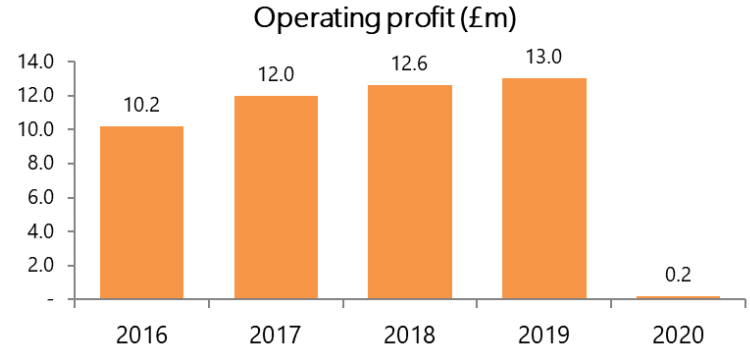


# Income statement

£ million	Year ended 30 June 2020	Year ended 30 June 2019	Change	Notes
Homes	140.9	197.0	-28.5%	
Strategic Land	6.3	52.9	-88.1%	
<b>Revenue</b>	<b>147.2</b>	<b>249.9</b>	<b>-41.1%</b>	
Homes	9.0	30.1	-70.1%	
Strategic Land	0.2	13.0	-98.5%	
Group overhead	(3.3)	(2.1)	+57.1%	Reallocated overhead costs
<b>Operating profit</b>	<b>5.9</b>	<b>41.0</b>	<b>-85.6%</b>	
Interest	(0.3)	0.2		
<b>Profit before tax</b>	<b>5.6</b>	<b>41.2</b>	<b>-86.4%</b>	
Tax	(0.8)	(7.6)		14.1% tax rate - Land Remediation Relief, deferred tax rate
Discontinued operations	(0.3)	(0.3)		
<b>Profit attributable to shareholders</b>	<b>4.5</b>	<b>33.3</b>		

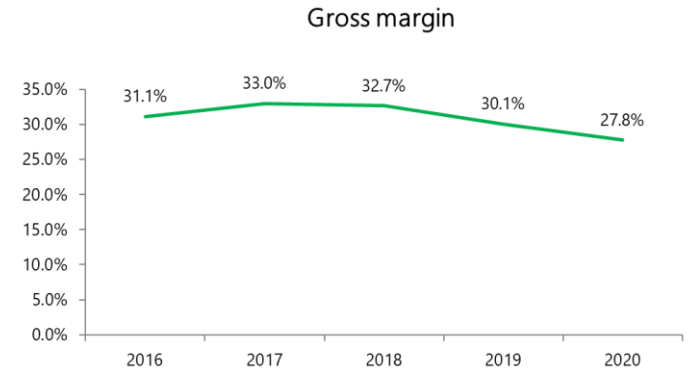
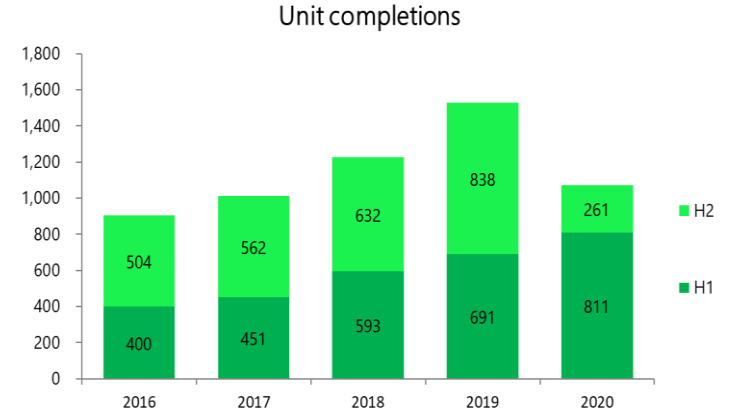
# Gleeson Strategic Land results

- Two small land sales completed (2019: nine)
- Total developable plots 195 (2019: 1,755)
- Gross profit £1.3m (2019: £15.7m)
- Overheads £1.1m (2019: £2.7m)
- Reduced bonus and long-term incentive
- Operating profit £0.2m (2020: £13.0m)



# Gleeson Homes results

- Unit sales down 29.9% to 1,072 (2019: 1,529)
- ASP increased 1.6% to £130,900 (2019: £128,900)
  - Underlying selling prices 3.3% higher
- Turnover down 28.5% to £140.9m (2019: £197.0m)
  - Includes £0.5m for two small land sales (2019: £nil)
- Gross profit down 34.1% to £39.1m (2019: £59.3m)
  - Lower volumes and margin offset by £0.1m profit on land sales
- Gross margin on unit sales 27.8% (2019: 30.1%)
  - Covid impact £2.9m due to non-productive site overheads, additional costs to extend site durations, increased provisions for costs on sites not yet owned, Covid-secure site operating costs
  - £0.1m profit on two small land sales
- Overheads up 3.1% to £30.4m (2019: £29.5m)
- Operating profit £9.0m (2019: £30.1m)



# Balance sheet

£ million		30 June 2020	30 June 2019	Notes
Homes	Land	64.9	58.0	£9,500 per plot (2019: £8,900)
	WIP	119.2	96.5	£1.68m per site, 2 more build sites
Strategic Land	Land	15.0	12.9	Number of sites up 8 at 68
	WIP	17.2	15.7	
<b>Total inventories</b>		<b>216.3</b>	<b>183.1</b>	
Other assets		28.9	67.8	£14m Homes, £14m Strategic Land
Land creditors		(6.9)	(3.4)	
Other liabilities		(42.5)	(73.9)	£30m Homes, £10m Strategic Land, £2.5m Corporate accruals
Cash		76.8	30.3	
Borrowings		(60.0)	-	£60m drawn from £70m facility (expiring October 2024)
<b>Net assets</b>		<b>212.6</b>	<b>203.9</b>	

# Cash flow


£ million	Year ended 30 June 2020	Year ended 30 June 2019	Notes
Profit before tax from continuing operations	5.6	41.2	
Depreciation, loss from disc. ops. and other	3.3	1.5	£0.8m IFRS16, £0.7m movement on finance costs
Working capital movements	(19.2)	(27.9)	
<b>Cash generated from operating activities</b>	<b>(10.3)</b>	<b>14.8</b>	
Tax	(3.6)	(5.9)	
Interest and finance costs	(0.7)	(0.2)	
Disposal of assets	1.1	1.0	Shared equity receivables
Purchase of fixed assets	(2.4)	(1.9)	
<b>Net cash flow from operating &amp; investing activities</b>	<b>(15.9)</b>	<b>7.8</b>	
Bank borrowings	60.0	-	£70m bank facility expiring October 2024
Share issue	15.9	-	April 2020 share placing
Purchase of own shares	(0.1)	-	Employee share purchase plan
Principal elements of lease payments	(0.8)	-	IFRS16
Dividend	(12.6)	(18.8)	
<b>Increase/(decrease) in cash</b>	<b>46.5</b>	<b>(11.0)</b>	

# Our approach to sustainability


The Board places social responsibility at the heart of everything that we do. There are many things that the Company can feel justifiably proud of:

- we transform people's lives through building and selling high-quality, low-cost homes
- we regenerate once-neglected areas into thriving communities
- we build homes for key workers
- we sell mostly to young, first-time buyers
- we are a real Living Wage employer


### WHAT WE DO WELL




**60% brownfield**  
Of our active build sites, 60% were previously brownfield; we build where others won't.




**84% first-time buyers**  
Our customers are young, first-time buyers on low-to-mid income, looking to escaping the "rent trap".




**100% real Living Wage employer**  
We are accredited by the Living Wage Foundation for paying all employees the real Living Wage.




**8% fewer reportable H&S incidents**  
Our Annual Incidence Injury Rate ("AIIR") reduced by 8% to 5 reportable injuries in the year.




**64% key workers**  
Our Key Worker Priority Programme is designed to support those keeping us safe, fed and healthy.




**Top quartile employee engagement**  
We are in the highest 25% of companies for employee engagement in an independent survey.




**96% of waste recycled**  
Most of our waste is either recycled directly (87%) or is converted to energy (9%).




**88% customer recommendation**  
Nearly nine out of ten of our customers would recommend us.




**6% median pay gap in favour of women**  
We do not discriminate based on gender; we encourage women into all roles and reward our employees based on their role and performance.



**Fair Tax**  
We have been awarded the Fair Tax Mark showing we are transparent about our taxes.



**60 apprentices**  
We currently employ 60 apprentices across a range of disciplines in site- and office-based roles.



**19 Mental Health First Aiders**  
We understand the importance of our employees' mental health.

### WHAT WE WANT TO IMPROVE


- **Health & safety**  
Our incident rate (AIIR), 359 per 100,000 employees, is higher than the average reported by the Home Builders Federation.
- **Staff turnover**  
Our staff turnover of 36% is higher than most other housebuilders.
- **CO<sub>2</sub> emissions**  
Our scope 1 & 2 emissions per house sold are higher than many other housebuilders; see page 35 for details.
- **Customer satisfaction**  
88% of customers would recommend buying a Gleeson home, which makes us a 4-star housebuilder.

### OUR IMPROVEMENT TARGETS

- **Health & safety**  
We will significantly reduce our incident rate and ensure that we are a safe place to work in every regard.
- **Staff turnover**  
We will reduce staff turnover to at least the industry average or better.
- **CO<sub>2</sub> emissions**  
We will reduce emissions by 20% to less than 2 tonnes per home sold within three years.
- **Customer satisfaction**  
We will become a 5-star housebuilder within one year.

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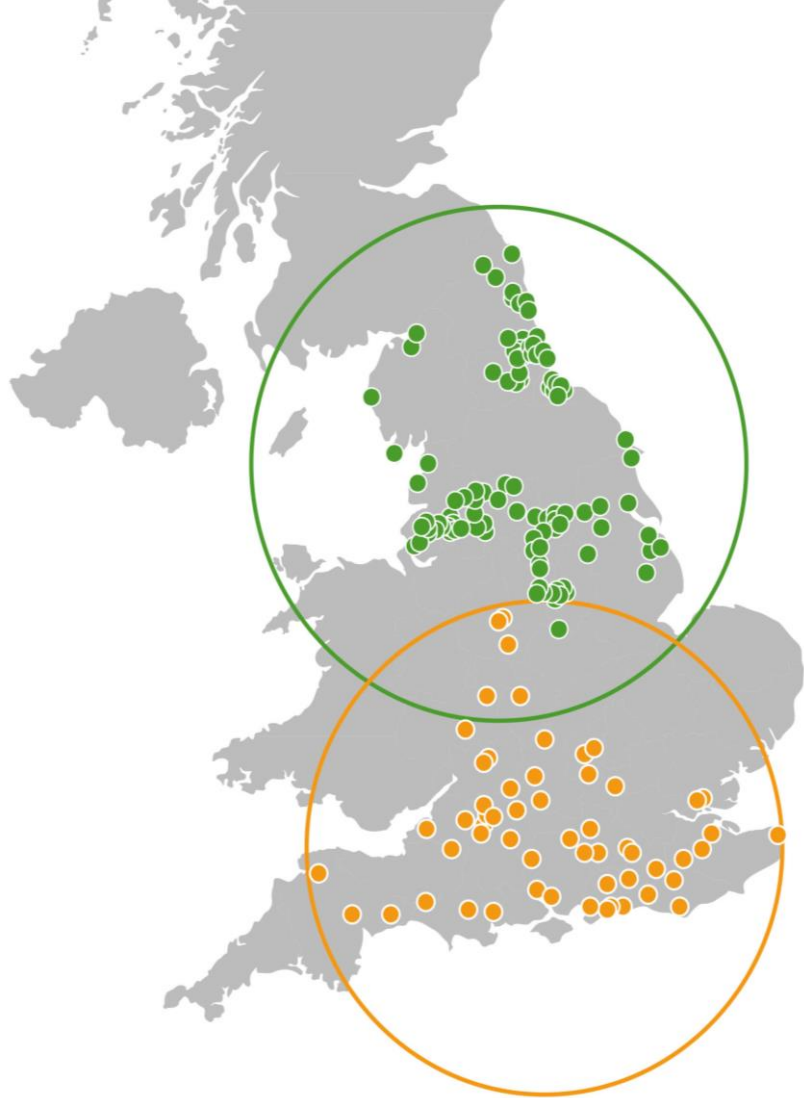


# Business review

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# Business Model

## Gleeson Homes

We build and sell high-quality, low-cost homes to young, first-time buyers on low to mid incomes, where they are needed, for people who need them most.

## Gleeson Strategic Land

We promote land, enhancing its value by securing mainly residential planning consent.

# Gleeson Strategic Land

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**Building Homes. Changing Lives.**

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## Q4 land sales paused

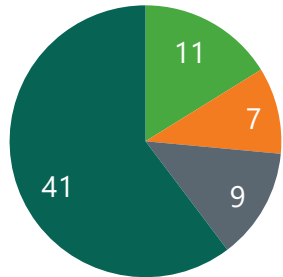
- Majority of land sales in 2020 were scheduled for Q4
  - Two small sites sold in Q3
  - Developers suspended land purchases at onset of lockdown
  
- Cautious return of land buyers
  - Four site sales recommenced
  - Two new sites being marketed – initial interest appears strong
  - We hope to complete all paused site sales this financial year

## Site acquisition and planning

- 9 new site interests acquired (with potential for 1,888 residential plots)
- 6 planning applications submitted (634 plots)
- 5 sites received planning consent / resolution to grant (1,076 plots)
- 2 sites allocated in local plans (261 plots)
- Portfolio larger and stronger
  - Quality sites with strong residential development potential

# Planning status

- 68 sites (30 June 2019: 60 sites)
- 23,314 plots (30 June 2019: 21,730 plots)
- 3,855 plots on 11 sites consented (30 June 2019: 2,929 plots on 9 sites)



- Planning consented
- Planning submitted
- Allocated sites
- Not allocated

	As at 30 June 2020		As at 30 June 2019	
	No. Sites	Plots	No. Sites	Plots
Planning consented	11	3,855	9	2,929
Planning submitted	7	2,048	6	2,583
Allocated / emerging allocation	9	4,330	8	4,554
Not allocated	41	13,081	37	11,664
<b>Total</b>	<b>68</b>	<b>23,314</b>	<b>60</b>	<b>21,730</b>

# Gleeson Homes

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Our Mission:

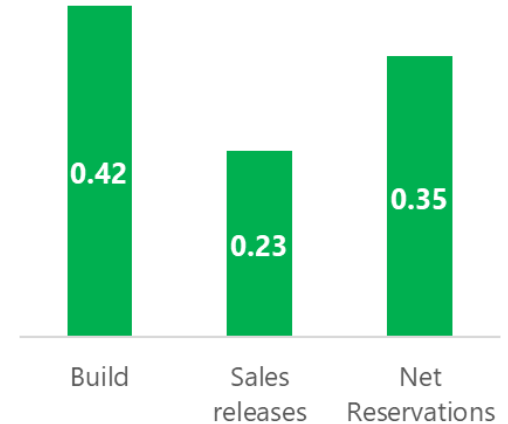
Changing lives by building affordable, quality homes.  
Where they are needed, for the people who need them most.



# Demand strong, focussing on building out forward orders

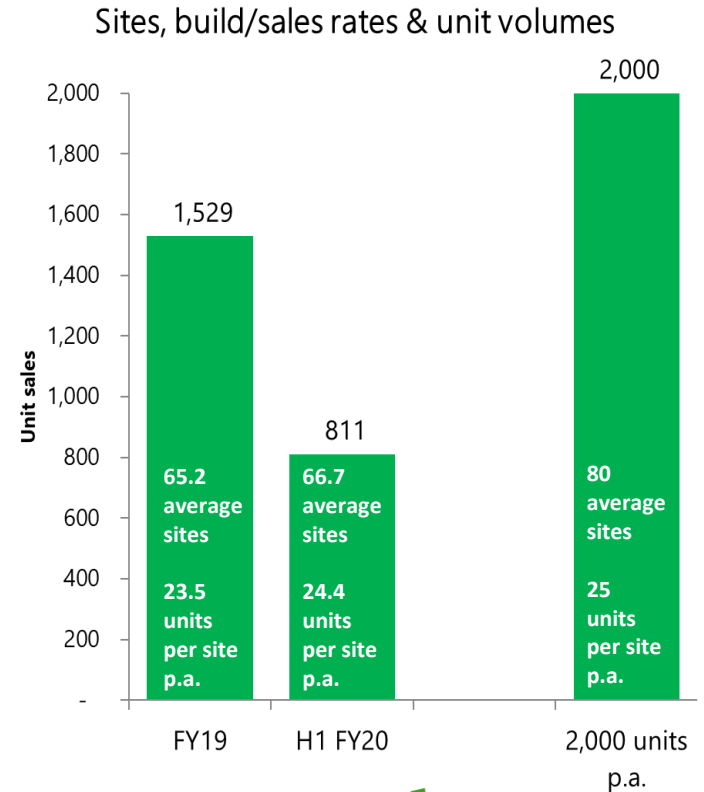
- Forward orders up 52% at 1,033 plots (2019: 677 plots)
- WIP equivalent units up 55% at 522 eq. units (2019: 336 eq. units)
- Build rate:
  - Currently at 0.42 units per site per week (87% pre-Covid levels)
  - Aiming for 0.48 units per site per week by December 2020 (100% pre-Covid levels)
- Sales release rate:
  - Currently at 0.23 units per site per week
- Reservation rate:
  - Currently at 0.35 units per site per week (59% pre-Covid levels)
  - Reservations limited by low sales releases
    - Prioritising building out forward orders and build quality

Current activity  
Units per site per week



# Roadmap to target of 2,000 units p.a.

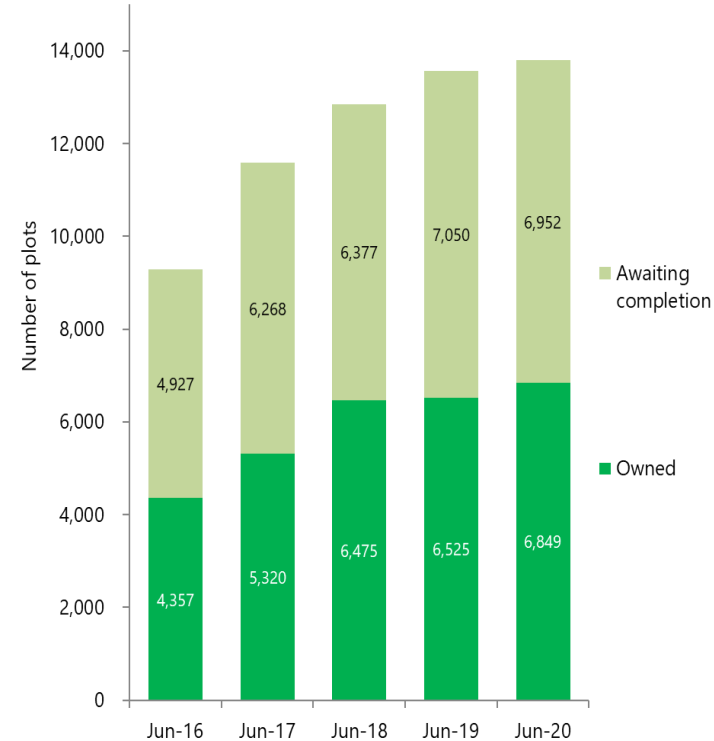
- Build rate was approaching 0.5 units per site per week pre-Covid (equivalent to 25 units per site p.a.)
- Targeting 25 units per site p.a. by December 2020
- 2,000 units p.a. achievable on 80 sites selling 25 units p.a.
  
- 65 active sales sites at 30 June 2020
- 25 new sites targeted for opening in FY21, 24 sites in FY22
  - 10 sites have planning permission
  - 25 sites expect planning by June 2021
- 15 sites expected to close in each of FY21 and FY22



# Strong land pipeline

- Pipeline up 1.7% to 13,801 plots on 149 sites
  - 71 active build sites
  - 78 pipeline sites
    - 69 conditionally purchased sites, 9 owned
    - 10 with planning
  - 9 years supply at 2019 sales rate
  - Average cost less than £10,000 per plot
  - 60% brownfield – little competition
- Land buying recommenced following freeze during shutdown
- Land remains available at sensible prices

Land pipeline



# Market overview

- One-third of households are renting
  - Over 4 million households renting in our geographic area
- Under-supply of affordable homes to buy
  - No other major housebuilders selling below £150,000
- Gleeson prices highly affordable\*
  - Typical 2 bed Gleeson home can be bought for £59 per week
    - Rental costs for a 2 bed typically £120 per week
  - Typical 3 bed Gleeson home can be bought for £76 per week
    - Rental costs for a 3 bed typically £138 per week
  - Typical 4 bed Gleeson home can be bought for £97 per week
    - Rental costs for a 4 bed typically £206 per week

\* Mortgage costs based on 2-bed costing £110,000, 3-bed costing £140,000, 4-bed costing £180,000 using Leeds BS 35 yr HtB, 2 yr fixed

\* Rental costs based on average private rental costs in NE, NW, Yorks. and Humber. (source: ONS)

## ASP – North of England



Other housebuilders

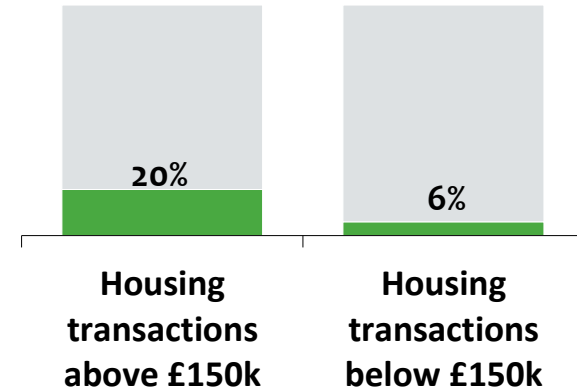
£205,500



Gleeson

£130,900

## New build share of housing transactions North of England



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# Customer demographics

- 84% first-time buyers
- 2/3<sup>rd</sup> key workers
  - 11% customers are nurses/care workers
  - 6% customers are teachers
- 29 years old - median age
  - 74% of customers are 35 years old or younger
  - 4% of customers are retired
  - 4% of customers are 21 years old or younger
- £20,900 p.a. median salary\*
- 40% single, 60% couples
  - 51% female, 49% male

\* Salary of first applicant on joint applications



Amy – Trainee Midwife  
Model Walk, Worksop, Notts

# Gleeson homes

We build high-quality, low-cost homes for young, first-time buyers

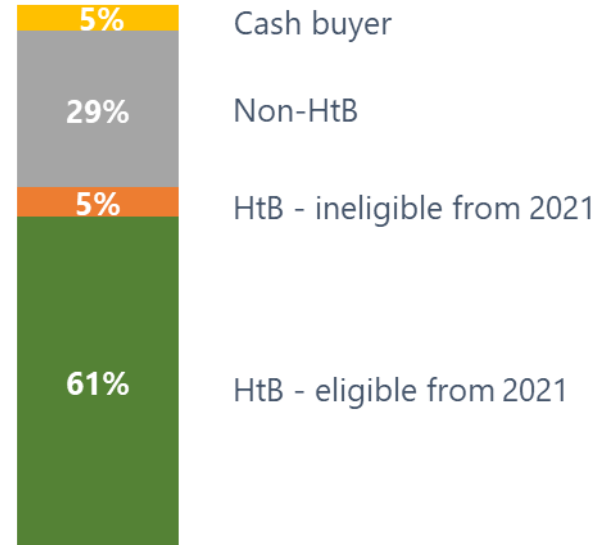
- All Gleeson homes are:
  - Traditional brick and block construction
  - 2, 3 or 4 bed houses
  - Significantly cheaper to buy than rent
- And have:
  - Front and rear gardens
  - Driveways down the side
- What Gleeson doesn't do:
  - Flats
  - Sell to investors
  - Part exchange
  - City-centres
  - Leasehold



# Help to Buy

- 66% customers use Help to Buy
- Help to Buy is changing from 1 April 2021:
  - Extended to 2023
  - Regional price caps
  - Restricted to first time buyers only (84% of our customers)
  - Gleeson selling prices below regional caps
    - 1 sale above cap in 2020
    - ASP in forward order book 34% below regional caps
    - 8 forward orders above regional HtB caps – all in North East

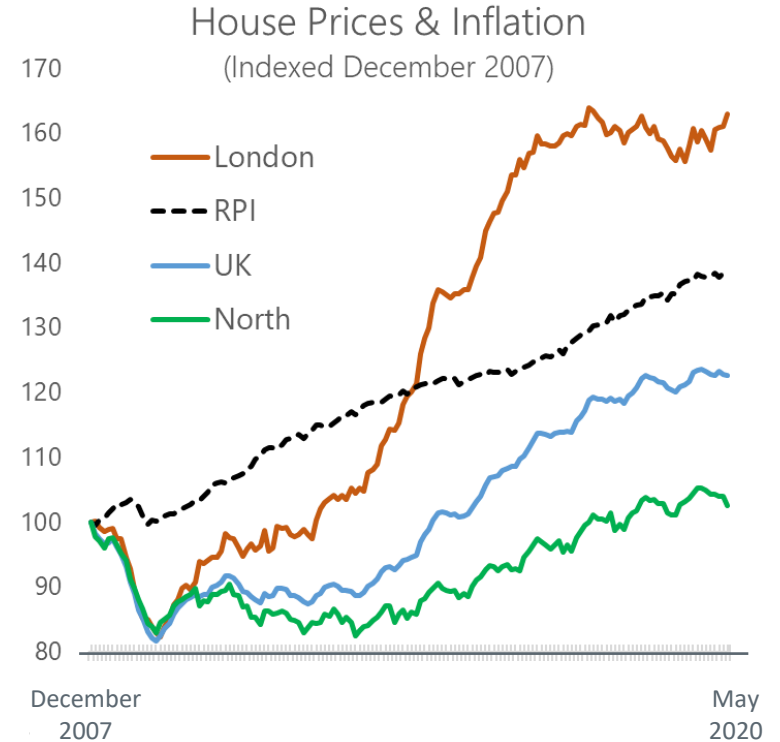
## Completion analysis 2020



# House prices

- House price growth in last 10 years:
  - 79% in London
  - 41% across UK
  - 19% in the North
  - RPI has increased 35%
- Since 2007, house prices in the North are:
  - 4% higher in nominal terms
  - -16% lower in real terms

\* Source: Land Registry, all house sales in the North of England







## Platform for future growth in place

- Organisational structure
- Health and safety
- Build and site investment
- Sales and customer focus

# Organisational structure



**James Thomson**  
CEO



**Stefan Allanson**  
CFO



**Mark Knight**  
MD Gleeson Homes  
Formerly Divisional Chairman  
Keepmoat Homes, Ops Dir/MD  
Miller Homes, David Wilson  
Homes



**James Pitt**  
MD Gleeson Strategic Land  
Formerly Land Director for Barratt  
plc, joined Gleeson as Land Director  
in 2010.



**Sarah Marsden**  
Divisional MD  
North Eastern  
20+ years in sector (10  
years Gleeson)



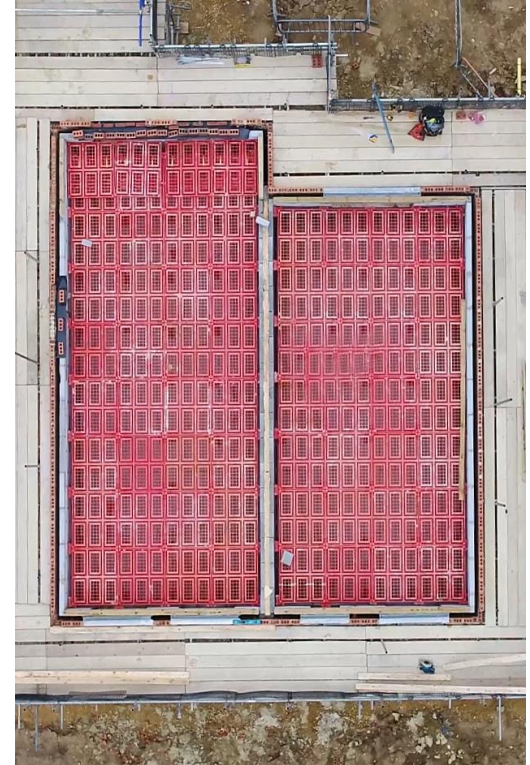
**Bryan Simpson**  
Divisional MD  
Yorkshire and Midlands  
20+ years in sector (10 years  
Gleeson)



**Arron Passarelli**  
Divisional MD  
North West  
20+ years in sector (10  
years Gleeson)

# Health and safety

- HomeSafe - everyone, every day
- Working at height
- Welfare facilities
- NHBC site inspections
- Mental health champions
- Investment in health and safety team
- Target to significantly reduce incident rate



New decking system

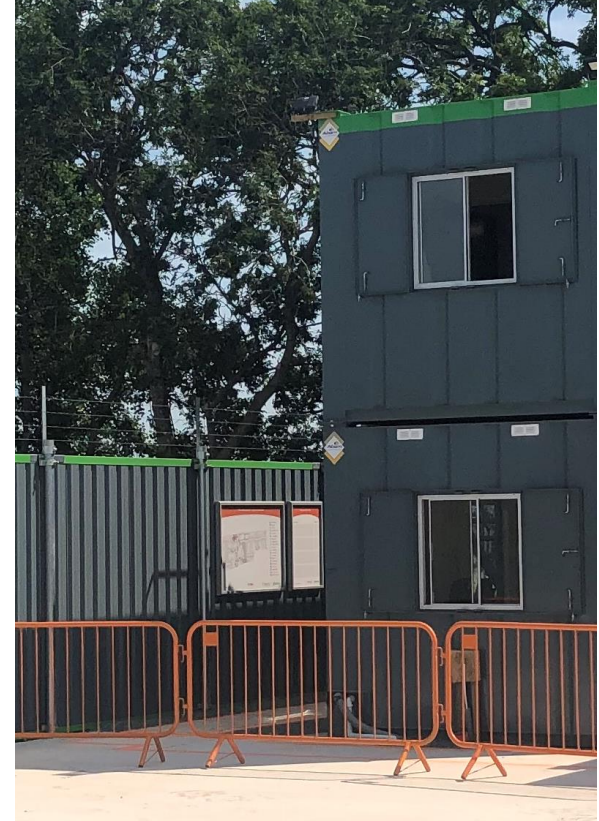
# Build and site investment

- Site set-up
- Materials handling and storage
- Welfare facilities
- Build discipline
- Quality of subcontractors

OLD site compound

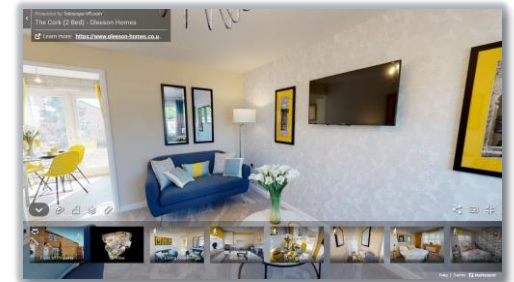
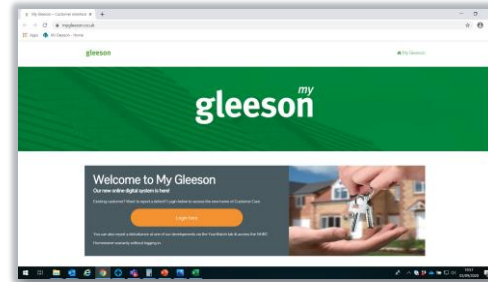


NEW site compound



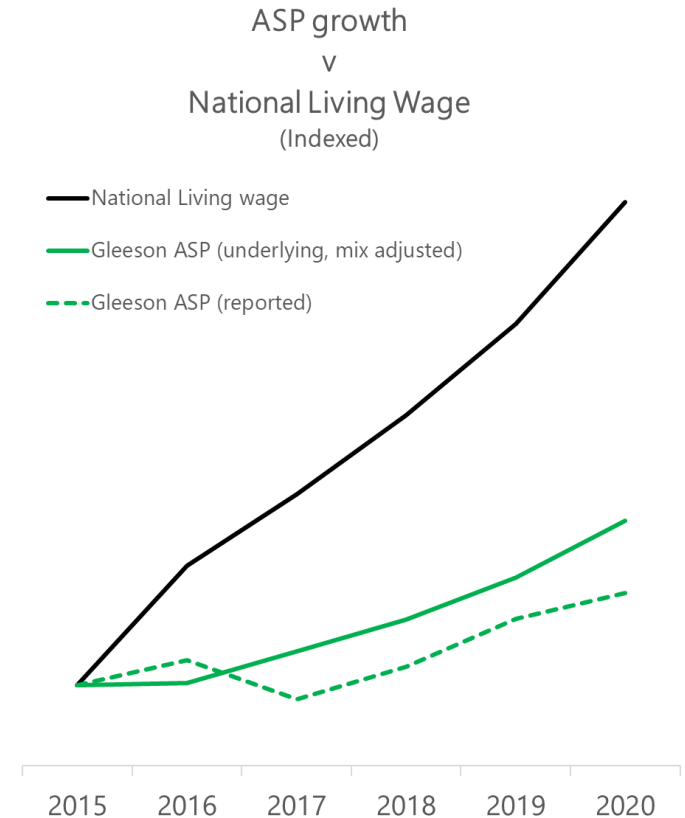
# Sales and customer focus

- Independent customer surveys by In-house:
  - Currently 88% score – equivalent to HBF 4-star
  - Target to be above 90% by year end - 5-star
- Gleeson Quality Charter
- MyGleeson portal for new owners
- Regional customer care teams
- New Gleeson Homes customer website
- Mystery shopping and sales team training
- Virtual show home tours



# Selling price upside potential remains

- Prices remain highly affordable
- 7% higher underlying prices on reservations during last year
- Forward order ASP 8.6% higher at £140,600
- The Government's National Living Wage has increased by 30% over the past 5 years
- Gleeson prices have increased by only 10%
- Uplift in prices partly offset by Covid costs and investment in the business



# Summary

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# Summary

- Strong start to new financial year:
  - Business strengthened and able to grow sustainably
  - Demand robust, prices still increasing, ambitious site opening plan
- Strong platform for continued growth in place
  - 2,000 homes p.a. in FY22 target reaffirmed
- Strategic Land well positioned with strong pipeline – housebuilders cautiously returning to land buying
- Dividends to resume as soon as prudent to do so



we

build

better

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Thank you

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