

Results for the half year ended
31 December 2021



Amanda and Norah,
Sutton Heights, Nottinghamshire

Results for the half year ended 31 December 2021

• Overview	3	James Thomson
• Financial Review	5	Stefan Allanson
• Business Review	16	James Thomson
• Summary and Outlook	33	James Thomson
• Appendices	36	

Overview

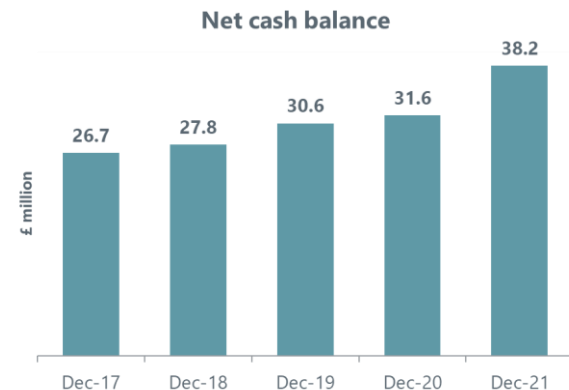
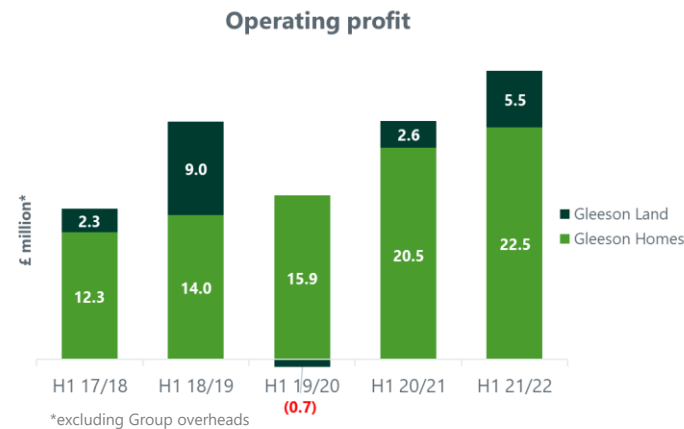
Strong performance – full year results ahead of expectations

- Strong selling price growth, whilst maintaining compelling affordability
- Improving supply chain environment; some challenges remain
- Business operationally and structurally well positioned to achieve further controlled growth
- On track to deliver 2,000 homes this year
- Strong start in Gleeson Land driven by demand for consented sites
- Planning remains challenging across the industry
- Full year results to be ahead of expectations
- Robust financial position
- Fresh medium-term strategic ambition and guidance to be set out in September

Financial Review

Financial highlights

• Revenue:	Up 21.7% to £173.5m	<u>H1 20/21</u>	<u>H1 19/20</u>
		£142.6m	£105.0m
• Operating profit:	Up 20.6% to £25.2m	£20.9m	£13.3m
• PBT:	Up 21.7% to £24.7m	£20.3m	£13.3m
• EPS:	Up 22.0% to 34.4 pence	28.2 pence	19.6 pence
• Net Cash:	Up £6.6m to £38.2m	£31.6m	£30.6m
• ROCE:	Up 1,570 bp to 22.9%	7.2%	19.1%
• Interim dividend:	Up 20% to 6 pence	5 pence	Nil



Income statement

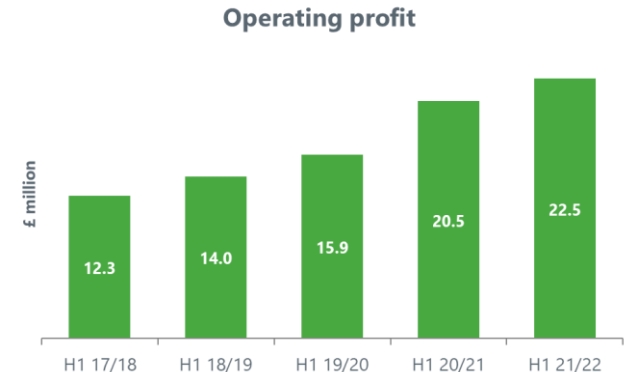
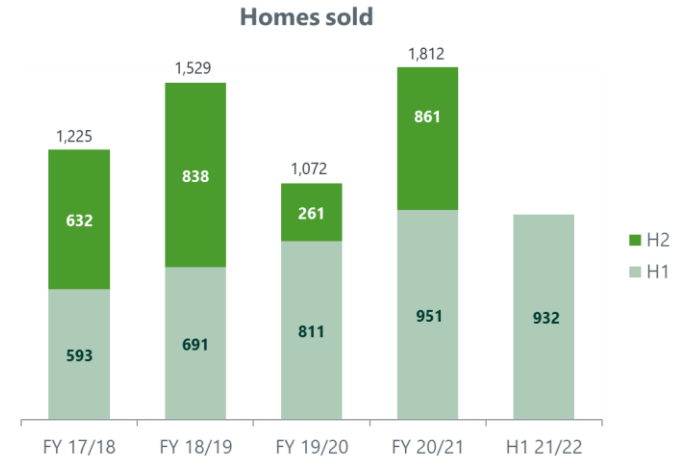
£ million

	H1 21/22	H1 20/21	Change	Notes
Gleeson Homes	150.2	134.4	+11.8%	Selling prices up 14.7%, homes sold 2.0% lower
Gleeson Land	23.3	8.2	+184%	3 sites sold, of which 1 option (H1 20/21: 4 sites, no options)
Revenue	173.5	142.6	+21.7%	
Gleeson Homes	22.5	20.5	+9.8%	
Gleeson Land	5.5	2.6	+112%	
Group overhead	(2.8)	(2.2)	+27.3%	Legacy costs, share based payment charges
Operating profit	25.2	20.9	+20.6%	
Finance expenses	(0.5)	(0.6)		
Profit before tax	24.7	20.3	+21.7%	
Tax	(4.7)	(3.7)		19.0% effective tax rate (H1 20/21: 18.4%)
Discontinued operations*	-	(0.2)		
Profit attributable to shareholders	20.0	16.4		

* Legacy costs previously reported as discontinued operations are reported within Group overheads from FY2021

Gleeson Homes results

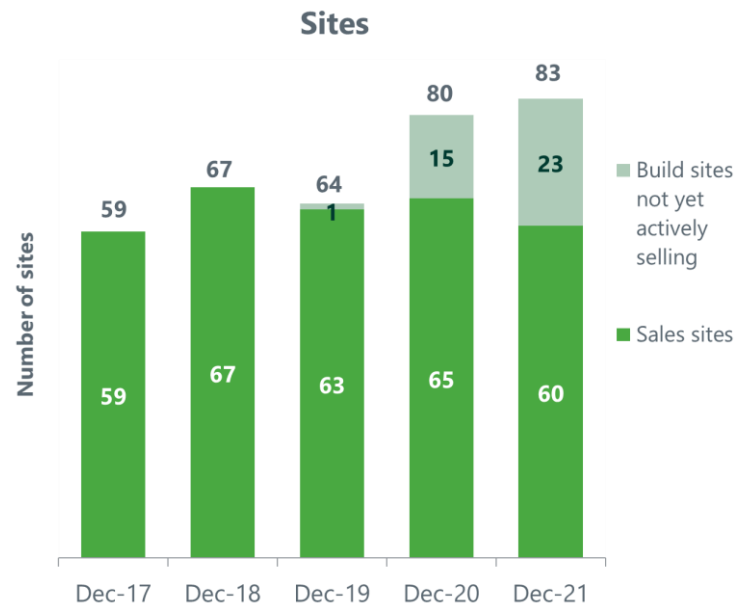
- 932 homes sold
 - Up 14.9% on pre-Covid H1 19/20
 - Down 2.0% on prior year (flattered by carry-over of delayed completions from Covid lockdown in prior year)
- ASP up 14.7% to £161,200 (H1 20/21: £140,600)
 - Underlying selling prices up 12.8%
- Turnover up 11.8% to £150.3m (H1 20/21: £134.4m)
 - Includes £nil for land sales (H1 20/21: £0.7m)
- Gross profit up 16.8% to £43.9m (H1 20/21: £37.8m)
- Gross margin on unit sales 29.2% (H1 20/21: 28.1%)
- Overheads* up 23.7% to £21.4m (H1 20/21: £17.3m)
- Operating profit up 9.8% to £22.5m (H1 20/21: £20.5m)
- Operating margin 15.0% (H1 20/21: 15.2%)



* Overheads net of other income

Footprint growing, demand strong

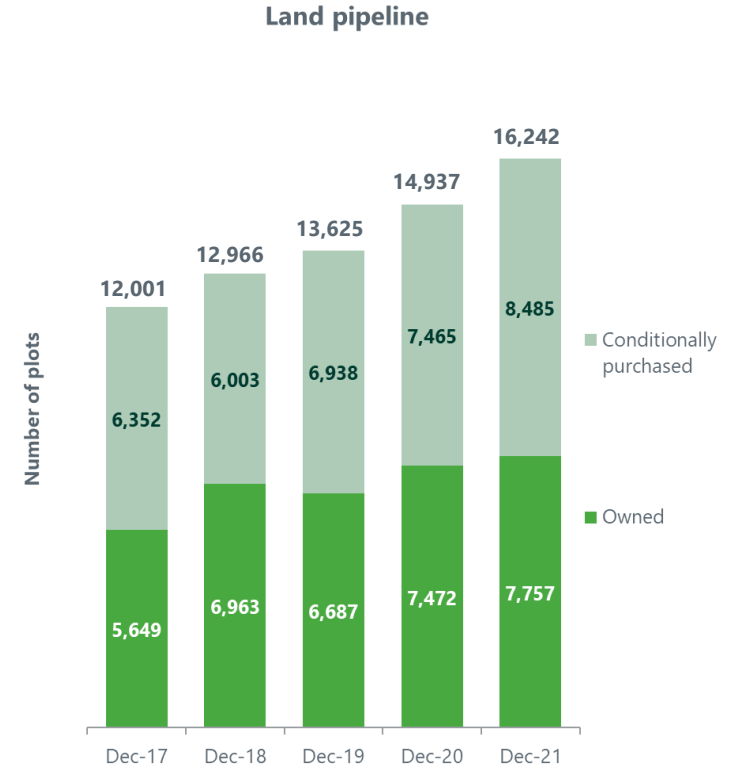
- 8 sites opened (H1 20/21: 17 sites opened)
 - Expect to open a total of 25 sites in the year
- 6 sites closed (H1 20/21: 8 sites closed)
 - Expect to close a total of 21 sites in the year
- Expect to end the year with approximately 85 build sites and 65 sales sites
- 15.4 homes sold per sales site (H1 20/21: 14.7 homes per sales site)
- Expected medium term growth rate:
 - 10 net new sites p.a. (open 25, close 15)
 - Circa 31 homes sold per sales site (average p.a.)
- Ninth Region: Yorkshire West from 1 July 2022



Prior to FY19/20 all sites were actively selling from date of build start

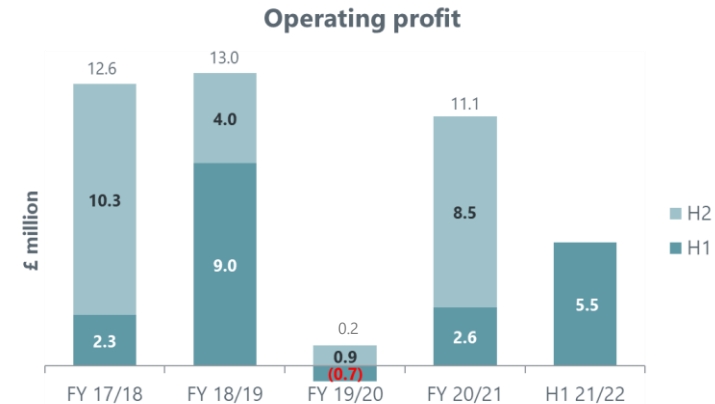
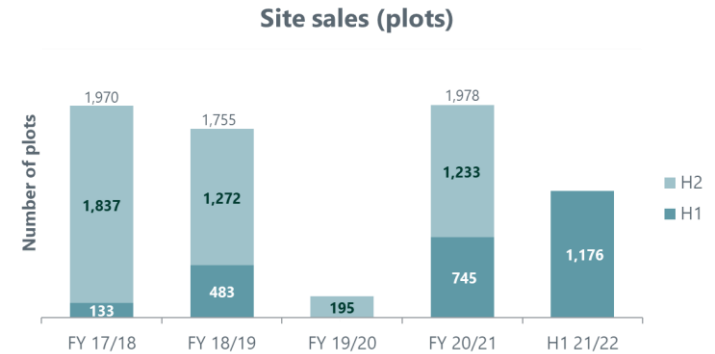
Pipeline increasing

- Pipeline up 8.7% to 16,242 plots on 158 sites
 - 83 active build sites
 - 75 pipeline sites (conditionally purchased or owned but not yet active)
 - 70 conditionally purchased sites, 5 owned
 - 6 with planning
- 9.1 years supply (on an LTM basis)
- Average cost £11,700 per plot



Gleeson Land results

- Three land sales completed (H1 20/21: Four)
 - Total developable plots 1,176 (H1 20/21: 745)
- Gross profit £7.0m (H1 20/21: £3.7m)
- Overheads £1.5m (H1 20/21: £1.1m)
- Operating profit £5.5m (H1 20/21: £2.6m)



Balance sheet

£ million

31 December 2021 31 December 2020 Notes

Gleeson Homes	Land	84.9	72.7	£10,900 per plot (Dec 20: £9,700)
	WIP	129.4	115.3	£1.56m per site (Dec 20: £1.44m)
Gleeson Land	Land	15.6	15.5	
	WIP	14.8	17.9	
Total inventories		244.7	221.4	
Other assets		42.1	34.2	£19m Gleeson Homes, £22m Gleeson Land
Gleeson Homes land creditors		(9.7)	(10.1)	11.4% of land WIP (Dec 20: 13.9%)
Other liabilities		(55.4)	(47.6)	£45m Gleeson Homes, £7m Gleeson Land, £3.4m Group
Cash		38.2	31.6	
Net assets		259.9	229.5	

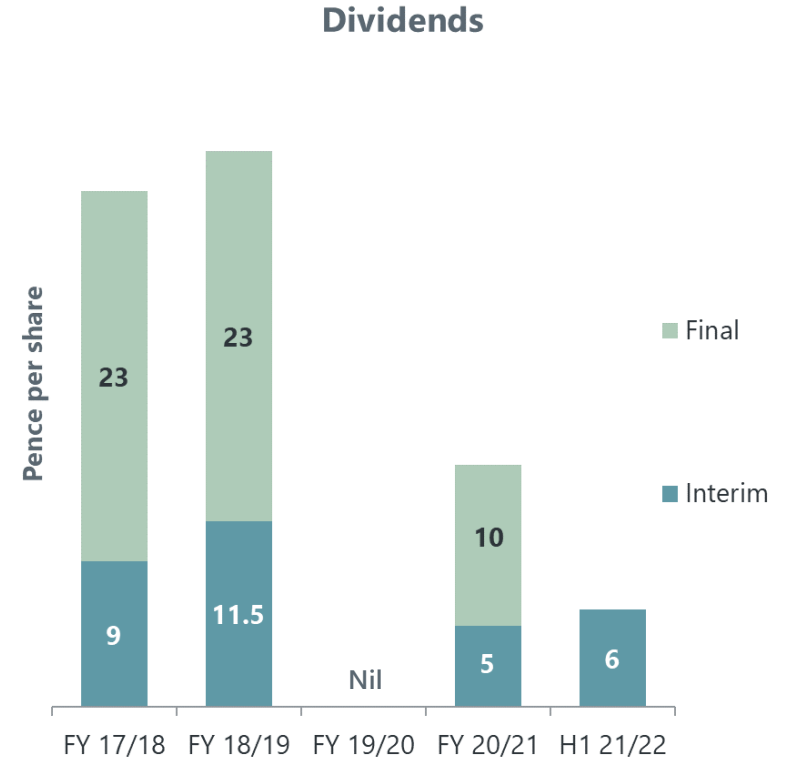
Cash flow

£ million

	H1 21/22	H1 20/21	Notes
Profit before tax from continuing operations	24.7	20.3	
Depreciation, legacy costs and other	2.6	2.1	Depreciation, finance costs and share based payment charges
Working capital movements	(10.2)	(0.3)	
Cash generated from operating activities	17.1	22.1	
Tax	(5.8)	(4.3)	
Interest and finance costs	(0.5)	(1.0)	
Disposal of assets	0.9	0.3	Shared equity sales receipts
Purchase of fixed assets	(1.7)	(1.8)	
Net cash flow from operating and investing activities	10.0	15.3	
Bank borrowings	-	(60.0)	No borrowings since loans repaid November 2020
Principal element of lease payments	(0.3)	(0.4)	
Other movements	(0.1)	(0.1)	
Dividend	(5.8)	-	
Increase / (decrease) in cash	3.8	(45.2)	

Dividends

- Reflecting capital allocation policy (revised in September 2021) to support growth
- Interim dividend up 20% to 6 pence per share
- Final dividend to represent 2/3rd of full year total
- Dividend cover to remain between 3 and 5 times



Progress on sustainability targets

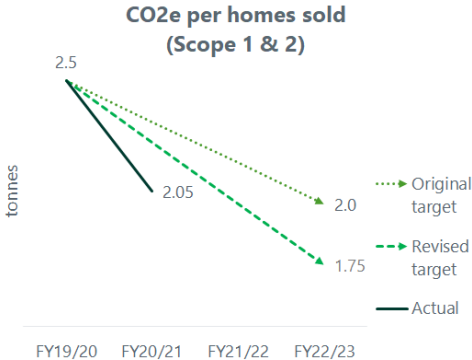


Target

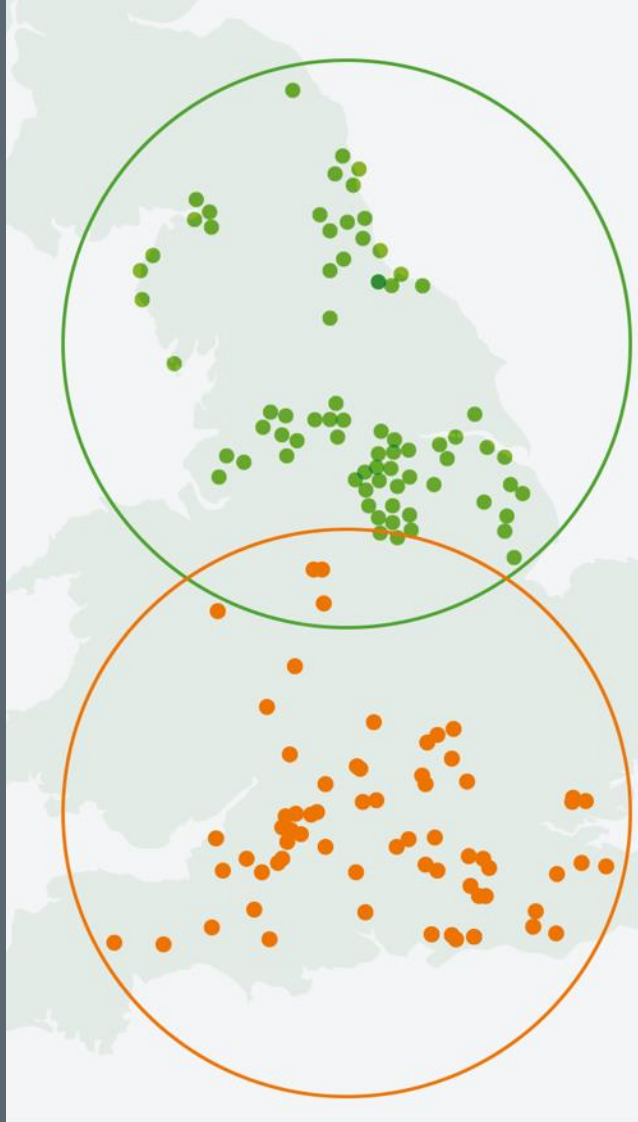
- 1. Health and safety incident rate ("AIR") below industry average
- 2. Employee engagement in the upper quartile of all companies
- 3. Customer satisfaction: 5-star
- 4. Climate: CO₂e emissions reduced by 30% to 1.75t by 2023

Progress

- Nil RIDDOR incidents (AIR = 0); monthly independent inspections on all sites; enhanced working-at-height procedures in place
- Employee wellbeing toolkit launched; apprentice development program launched; employee roadshows in place
- Over 90% recommend score (independently assessed), Customer First programme in place
- All office and site electricity from renewable sources (REGO); Scope 1&2 emissions on track for 30% reduction by 2023



Business Review



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 Land

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

Gleeson Land

An aerial photograph of a residential development. A red line outlines a specific area within the development, which includes several houses, green spaces, and a small pond. The background shows more houses and greenery.

Our Mission:

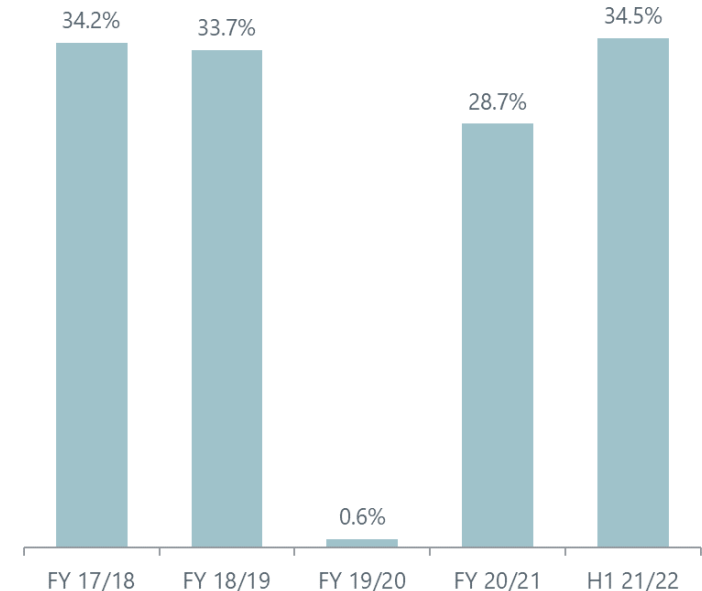
We promote land through the complex planning system. Unlocking value for landowners and delivering sustainable and attractive sites for new homes.

**Promoting Land.
Unlocking Value.**

Promoting Land. Unlocking Value.

- Gleeson Land a top 4 promoter
- Land promoters deliver 2 out of every 5 large consented sites to housebuilders
- High planning success rate high, but planning can take time
- Selective on new sites
- Strong interest from all major housebuilders on sites brought to market
- No land ownership, no land value risk
- Profitable, full cash conversion, high ROCE

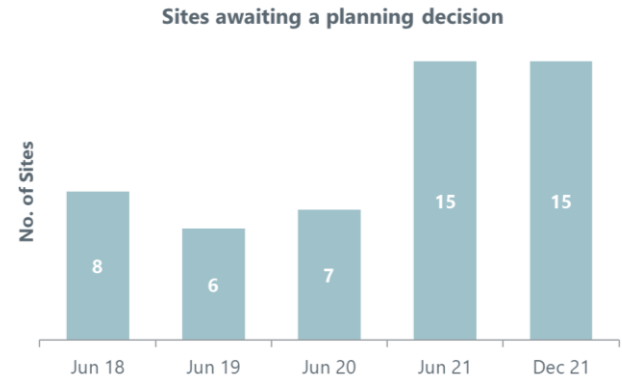
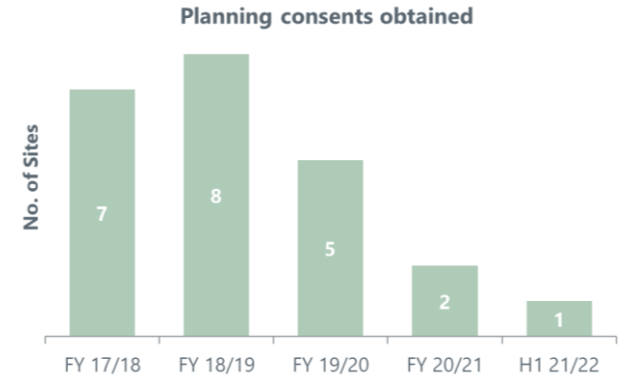
Return on capital employed (ROCE)



ROCE: Operating profit measured over a 12 month period as a percentage of the average of opening and closing capital employed, excluding cash and deferred tax balances.

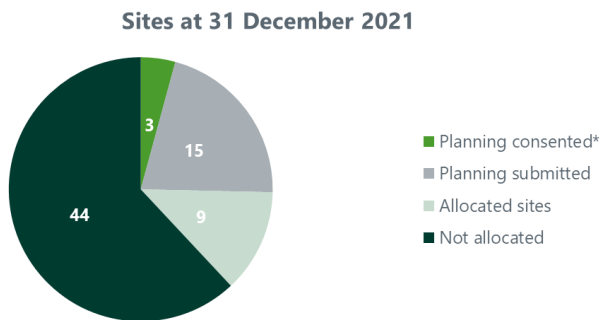
Pipeline ripe but planning congested

- Number of sites awaiting a planning decision remains at 15 sites (June 2021: 15 sites)
- Planning system remains congested
- 1 site consented during the period (and only 2 sites were consented in FY20/21)
- 2 sites awaiting appeal (5 sites at June 2021, 0 sites at June 2020)
- 3 sites currently consented (June 2021: 6 sites, June 2020: 11 sites)



Pipeline overview

- 71 sites (Dec 20: 70 sites)
- 21,155 plots (Dec 20: 23,015 plots)
- 3 sites consented on which 1,234 plots can be delivered (Dec 20: 9 sites, 3,209 plots)



	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	No. Sites	Plots	No. Sites	Plots	No. Sites	Plots
Planning consented / resolution to grant	3	1,234	9	3,209	10	3,384
Planning submitted	15	3,025	14	3,138	9	2,639
Allocated / emerging allocation	9	4,230	8	3,880	6	4,069
Not allocated	44	12,666	39	12,788	41	12,432
Total	71	21,155	70	23,015	66	22,524

* Includes resolutions to grant

Gleeson Homes

Our Mission:

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

Building Homes. Changing Lives.

Increasing prices – maintaining affordability

- 12.8% underlying price increase (14.7% reported) v H1 20/21
- 4-bed prices up 13.4%, 2-bed and 3-bed prices up 12.7%
- Improved extras range – average spend £2,200 per home sold
- Over the last 7 ½ years
 - Average new build prices have increased by 49%
 - The Governments' National Living Wage has increased by 46%
 - Gleeson prices have increased by only 33%

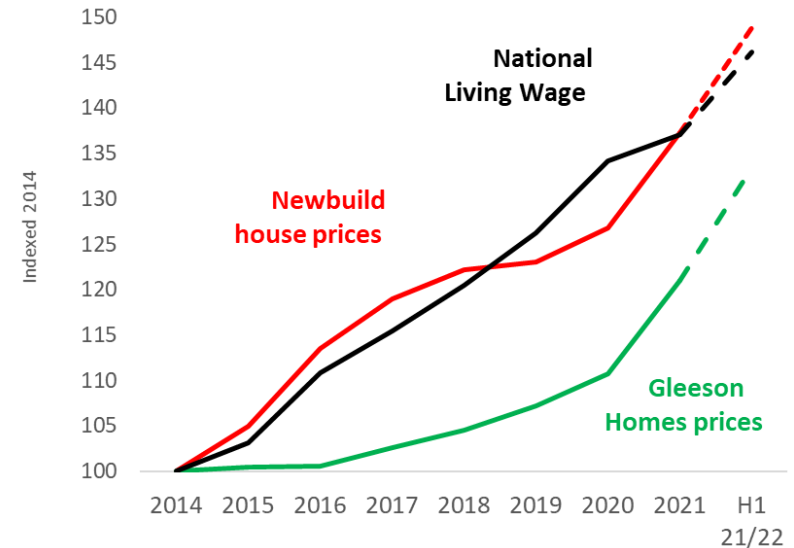
Source:

New build: ONS/Land Registry - all new build sales in the North of England and E Midlands

National Living Wage: GOV.UK

Gleeson price increases (Underlying +33%, Reported +33%)

HPI and National Living Wage
North of England & East Midlands

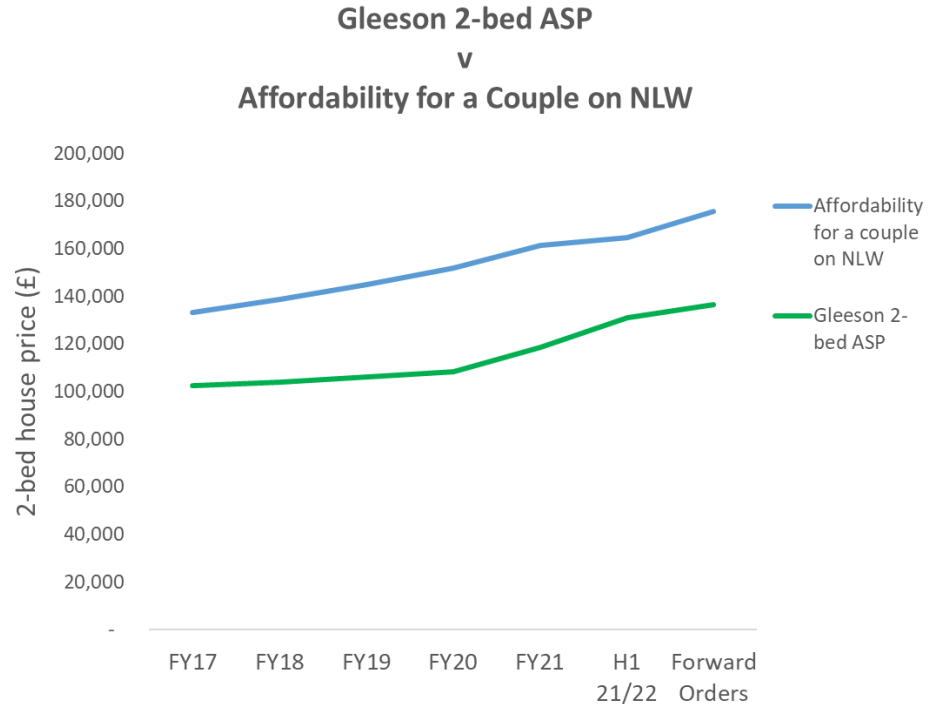


Affordability remains compelling

- Increases in the National Living Wage support affordability of Gleeson homes
 - NLW currently £8.91 per hour
- A young couple working full time can afford a 2-bed home on any Gleeson site without Help-to-Buy
 - £165k affordability for a couple on NLW*
 - £131k Gleeson's average 2-bed selling price**
- NLW increases by 6.6% to £9.50 in April 2022, increasing affordability to £175k

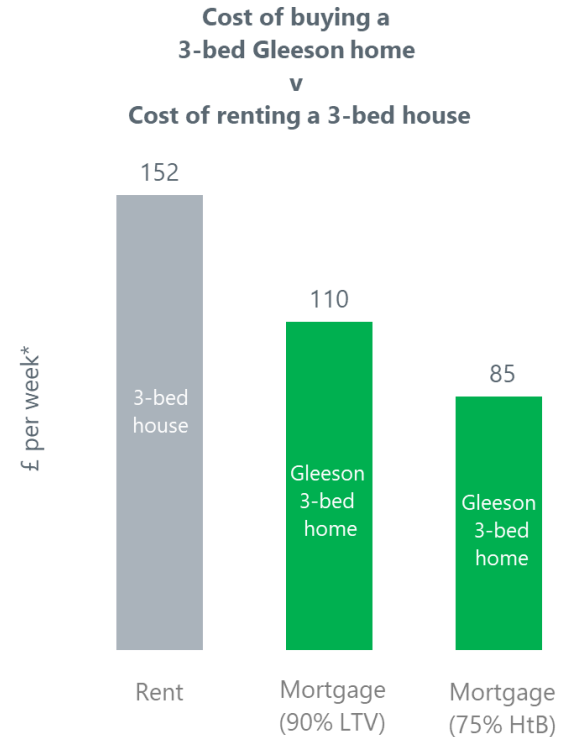
* Affordability based on a couple working full time, earning the National Living Wage, borrowing 90% on a 4x LTV repayment mortgage

** £131k average Gleeson Homes 2-bed selling price in H1 21/22



Affordability and mortgage market

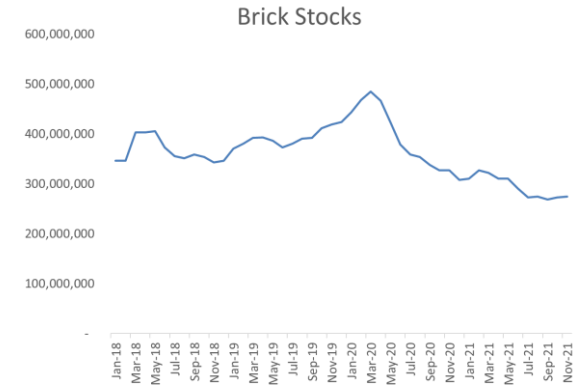
- HtB scheme ends in April 2023
- 55% of Gleeson customers used HtB in H1 21/22
 - Down from 69% in FY 20/21 due to new HtB restrictions and buoyant second-mover market with low stock
 - Demonstrates robustness of Gleeson customers
- New schemes: Deposit Unlock, First Homes, Home Reach
- Availability of 90% mortgage market increasing
 - 31 lenders offering 126 newbuild mortgages (5 lenders 12 months ago)
- Buying a Gleeson home remains substantially cheaper than renting
- Interest rates can rise by a further 4% or 5% before mortgage costs exceed current rental costs
 - Rents likely to increase as rates rise



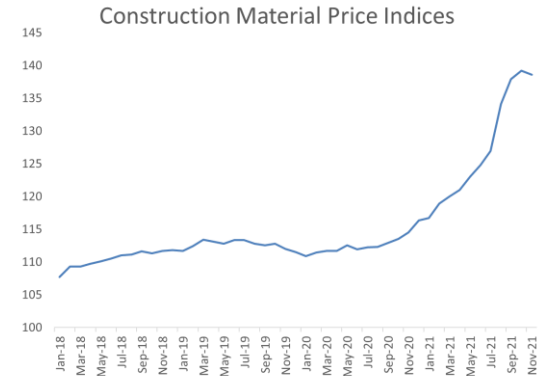
*Weekly mortgage costs based on Gleeson ASP for a 3-bed house based on current 2-year fixed, 35 year repayment mortgage from a high-street lender. Rental costs average in Gleeson regions from ONS.

Industry pressures

- Supply chain
 - Material shortages easing – no stoppages on any Gleeson site
 - Material costs and sub-contractor rates
 - Energy costs
 - Selling price increases more than covering cost increases
- Wage inflation, skills shortage
- Planning system still congested
 - Time to obtain planning up from 11 months pre-Covid to 17 months
- Building and fire safety – industry costs
- Environment Act, Net Biodiversity Gain
- Taxes (HSC Levy, Fuel Duty restriction, RPDT)



Source: BEIS



Source: BEIS

Gleeson Homes – what we don't do

Flats



Sell to
Investors



Part
Exchange



City-centres




Leasehold



Our customers

- 3 out of 4 first-time buyers
- Majority are key workers
 - 16% homes bought by a nurse or social/care worker
 - 6% homes bought by a teacher or teaching assistant
- 29 years old - median age
 - 75% of customers are 35 years old or younger
 - 5% of customers are retired
 - 3% of customers are 21 years old or younger
- 52% Single, 48% Couples
 - 48% of single buyers are female
- Customer First programme rolled out across the business
 - Over 90% customer recommendations – equivalent 5-Star
 - New Homes Quality Code – from July 2022



 Nicola, Community Nurse,
Middlestone Meadows, County Durham

our case studies

Couple first time buyers

Buyer name: Louise, 24 and Maddy, 28
Occupation: Charity and HR
Date of purchase: March, 2021
Development: Linkwood Park, Rotherham
House type: Cork, 2 bedroom semi-detached
Purchase price: £105,995
Mortgage cost: £310 pcm
Previous rental cost: £500 pcm (one-bedroom flat)

Louise and Maddy's life has completely changed for the better now they own their own home.

The couple were previously renting a one bedroom flat with no parking space or garden, which caused their mental health to suffer during lockdown.

Using Help to Buy the couple only needed a £5,300 deposit to secure their home. Giving them a new lease of life and more disposable income, they are only paying £310 per month for their mortgage vs their previous £500 per month rent.

Since moving into their home, Maddy and Louise have booked their wedding and have much more disposable income to put towards their honeymoon.



our case studies

Couple first time buyers

Buyer name: Abby, 26 and Dan, 27
Occupation: Administrator and Construction Coordinator
Date of purchase: June, 2021
Development: Barnburgh View, Barnsley
House type: Kilkenny, 3 bedroom detached
Purchase price: £181,995
Mortgage cost: £467 per month

Throughout lockdown, Abby and Dan were living with Abby's parent's and began to feel ready to move out. After visiting friends who lived in a Gleeson home, Abby and Dan, were inspired to consider a new build property.

After visiting the sales team on their development, Abby and Dan were quick to reserve a home. Finding the process of buying their home much easier than they expected, Abby and Dan used Help to Buy and were delighted to find that their mortgage would be just £467 per month.

Giving them independence, the couple have got engaged since moving into their home and are hoping to start a family of their own in 2023.



Summary and Outlook

Summary and outlook

- Strong first half performance
- Strong demand for both highly affordable, low-cost homes and consented land
- 2,000 homes this year – full year results to be ahead of expectations
- Strong balance sheet and operating structure supports further controlled growth
- Fresh medium-term strategic ambition and guidance to be set out in September



Fergus and Tyrone, Kilner Park,
South Yorkshire

35

 **gleeson** plc

Appendices

Gleeson Homes model

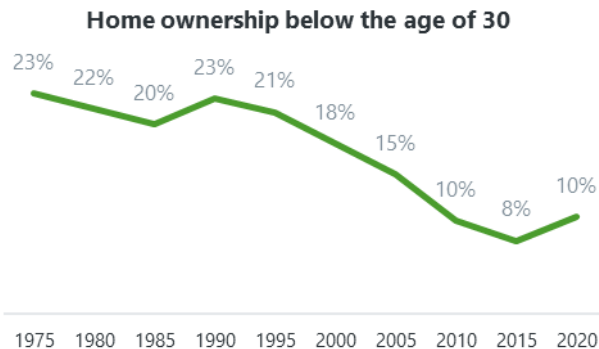
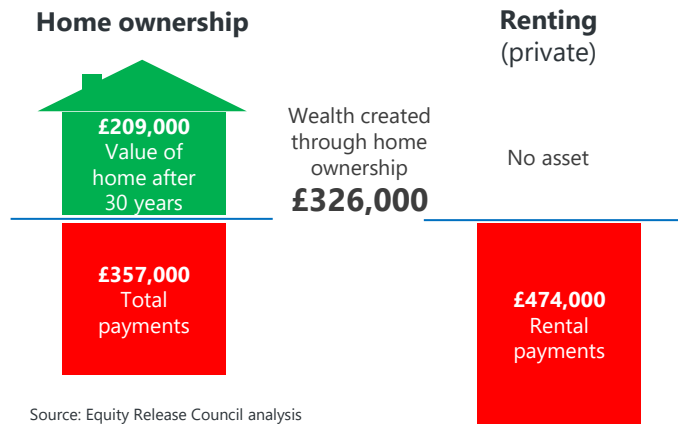
We build high-quality, low-cost homes for young, first-time buyers

- 4 out of 5 sites in deprived areas, in need of regeneration
- Majority of sites are brownfield
- Sites well located with good transport links and access to employment
- 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



Home ownership improves wealth, health and wellbeing

- Home ownership benefits individuals and society
- Owners save/create £326,000 value over 30 years
- Less housing support when owners retire
- Home ownership remains below aspirational levels
 - 86% of the population prefer to own than rent
 - 1 in 3 households are renting
 - 68% aged between 16 and 24 are renting privately
 - 44% aged between 25 and 34 are renting privately
- Low levels of home ownership by the younger generation
 - Only 1 in 10 people younger than 30 years old own their own home



Buying substantially lower cost than renting

Number of bedrooms	Average Gleeson price (H1 FY22 sales)	<u>Mortgage payments (per week)</u>		Rent for equivalent no. beds (per week)
		75% LTV, Help to Buy	90% LTV, Standard mortgage	
2-bed	£131,000	£67	£87	£132
3-bed	£166,000	£85	£110	£152
4-bed	£216,000	£110	£143	£227

All mortgage payments based on 2 year fixed, 35 year term, repayment mortgage from a high street lender
Rental payments based on median private rental cost, source: ONS

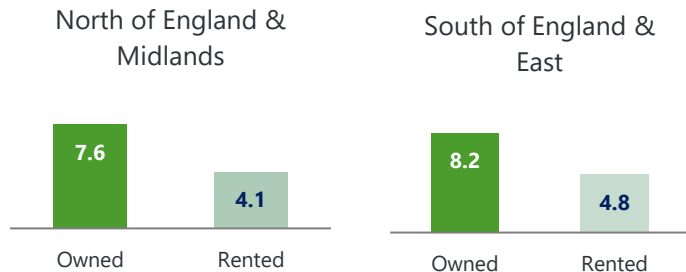
Large, underserved market

- 1 in 3 households are renting
 - 4.1 million rented homes in the North of England and Midlands
- Housebuilding sector is building largely in affluent areas
 - Only 24% of new build homes built in deprived areas*
 - 4/5th of Gleeson homes are built in deprived areas
- Too few homes are being built that can be bought by young, low to middle income households
 - 1 in 5 homes for sale above £175,000 are new build
 - Only 1 in 12 homes for sale below £175,000 are new build
 - Gleeson's average selling price is £161,200

*Deprived areas defined as areas that fall in the lowest third ranking of Indices of Multiple Deprivation. Source: MHCLG, Land Registry

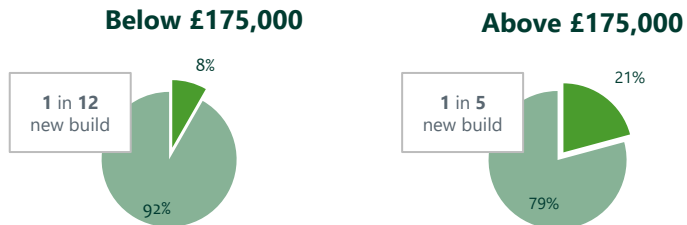
Household tenure

(millions of households)



Source: Gov.uk Table 109 Dwelling Stock: by tenure and region.

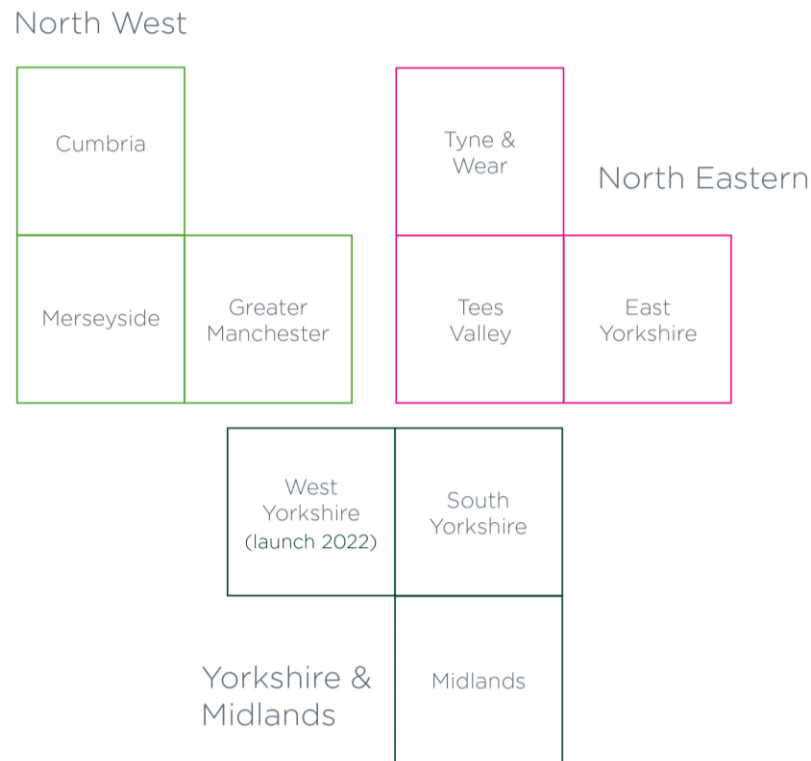
Housing transactions in the North of England and Midlands



Source: Land Registry

Strong platform for growth

- 3 Divisions: Yorkshire & Midlands, North Eastern, North West
- 8 Regions
 - Capacity to deliver 500 home sales p.a.
 - 9th Region opening July 2022
- Build rate can increase to support strong demand
 - From c30 homes per site p.a. - still low by industry standards
- Ambitious site opening plans
 - Open 25 sites p.a.
 - Complete 15 sites p.a.



Sustainability

- Strategy focused on the Environment, Communities and People
 - UNSDG 11: "Sustainable Cities & Communities"
 - Target 1: "access or all to adequate, safe and affordable housing"
 - A couple on the Government's National Living Wage can afford to buy a Gleeson home on any one of our developments
- Extensive stakeholder consultation
 - Shareholders, employees, customers, Local Authorities, banks
 - Material sustainability issues aligned with stakeholders' views
- TCFD and SASB disclosures from 2021
- Emissions
 - Scope 1 and 2 target - reduce 30% by 2023
 - Scope 3 quantified and a focus for 2022



Communities

People

Environment



Click [here](#) to view Gleeson colleagues discussing our approach to sustainability or go to www.mjgleesonplc.com

Further sustainability progress

- Waste recycling/energy use Increased from 98% to 99%
- Sustainably sourced timber 99.9%
- Home energy efficiency 96.8% homes rated "B", down from 98.2% due to LPG use on remote sites with no access to natural gas from the grid
- Air-Source Heat Pumps (ASHP) Successful trials on 3 sites (one in each Division)
First site planned for all homes to have ASHP installed
- EV charging points Successful trials on 3 sites (one in each Division)
First site planned for all homes to include EV charging points
- HVO fuel Successful trials on 8 sites
- Eco welfare cabins Successful trials on 4 site – planning to switch to eco-cabins on new sites



Communities

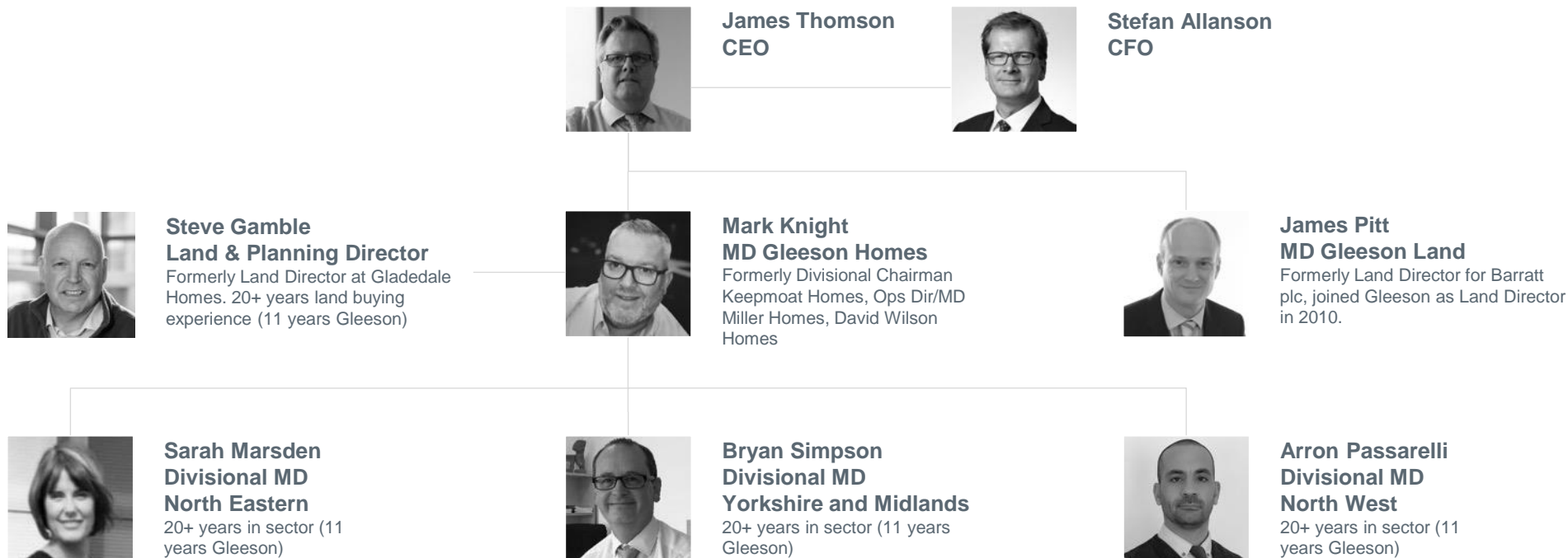


People



Environment

Organisational structure



Thank you