



gleeson

MJ Gleeson plc

Results for the year ended 30 June 2015

Another year of strong growth

- Twin track strategy in North and South continues to deliver
 - Homes increased unitsales 34% to 751 (2014: 561)
 - Strategic Land increased operating profits by 68%
- Unique social regeneration role places Gleeson Homes at the heart of local communities
- Strongly positioned in both divisions with demand remaining strong
- Positive outlook and confidence in future – reflected in 67% increase in total dividend
- Scope to deliver results for the year towards upper end of expectations



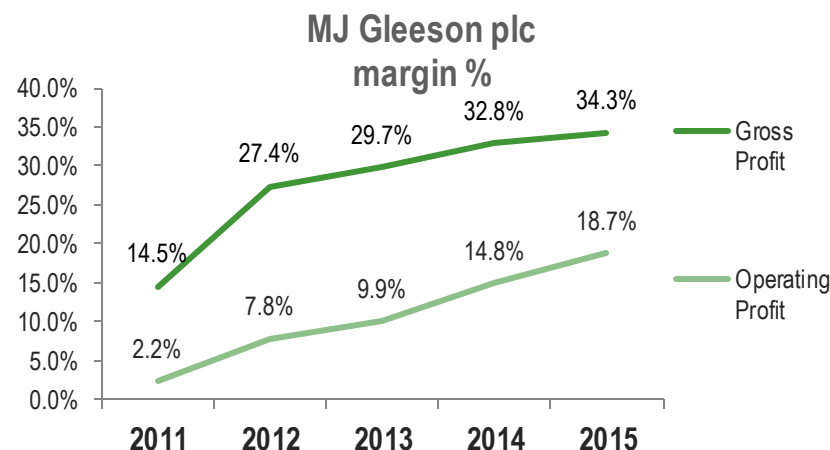
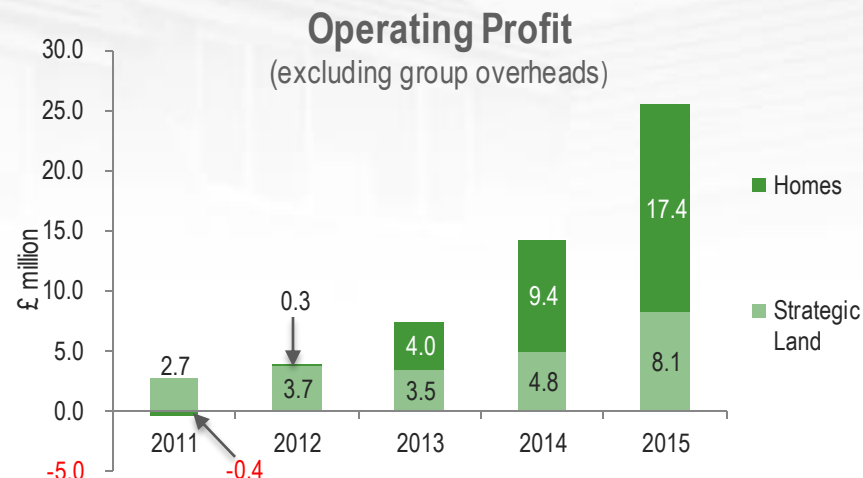
Financial Review

Stefan Allanson
Chief Financial Officer

Strong financial performance

- Revenue up 44.4% to £117.6m (2014: £81.4m)
- Gross profit up 50.7% to £40.3m (2014: £26.7m)
- Operating profit up 82.7% to £22.0m (2014: £12.1m)
- Reported PBT up 42% to £17.3m (2014: £12.2m)
- Net assets up 6.6% to £136.5m (2014: £128.1m) representing net assets per share of 254p (2014: 241p)
- Cash & cash equivalents at 30 June 2015 of £15.8m (2014: £13.7m)
- Normalised basic earnings per share* of 34.2p (2014: 17.2p)

* 2015 excludes impact of exceptional restructuring costs (£1.2m) and provisions against investments (£4.9m). 2014 excludes exceptional £0.8m credit for reinstatement of inventories and £8.3m deferred tax credit

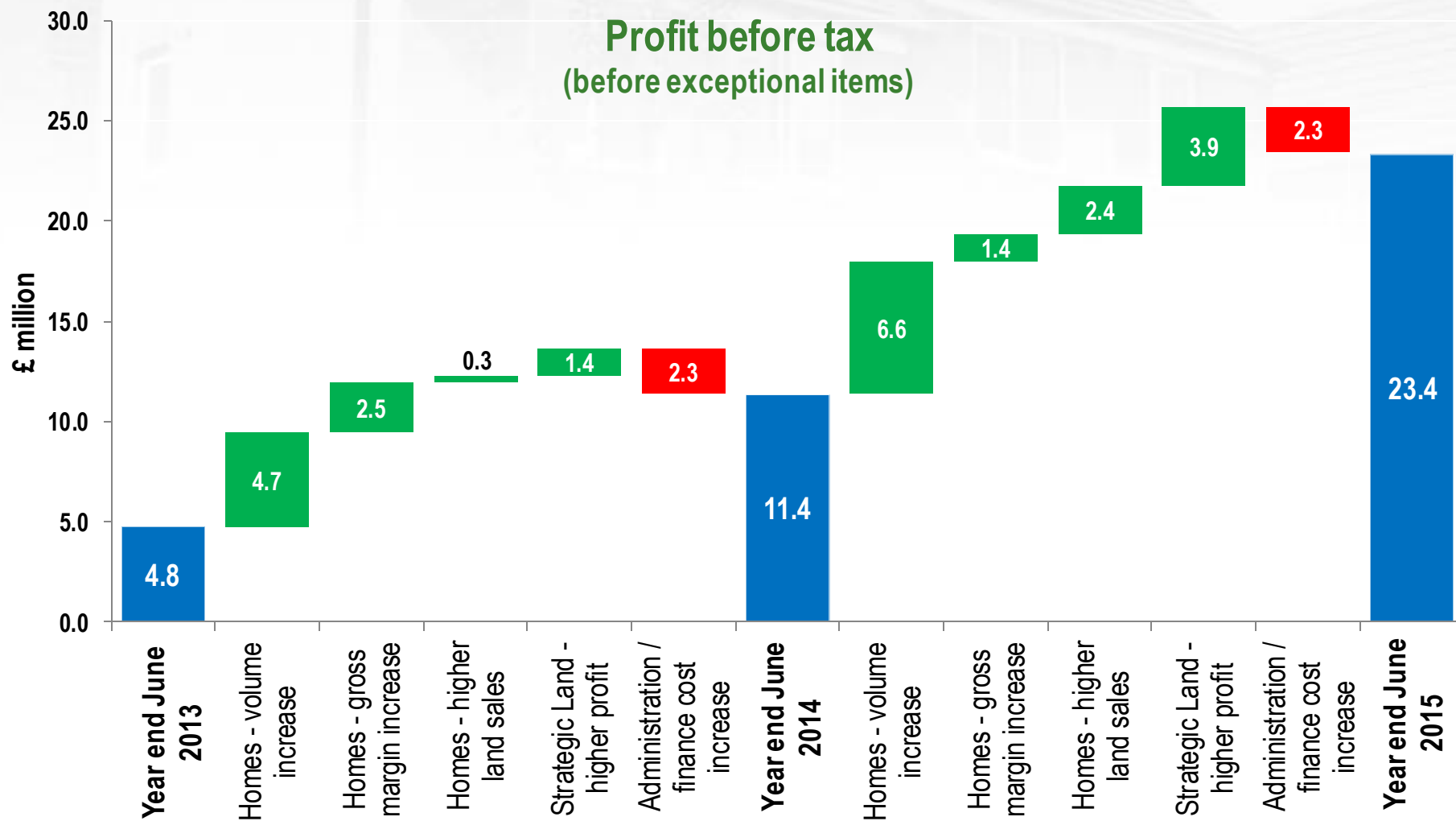


Income statement

	Jun-15 £m	Jun-14 £m	Change	Notes
Revenue				
Homes	96.1	70.6	+36.0%	
Strategic Land	21.5	10.8	+99.2%	
	117.6	81.4	+44.4%	
Homes	17.4	9.4	+84.8%	£0.8m exceptional credit in 2014
Strategic Land	8.1	4.8	+68.2%	
Group overhead	(2.2)	(2.2)		
Exceptional restructuring cost	(1.2)	-		
Operating Profit	22.1	12.1	+82.7%	£23.3m before exceptional items (2014: £11.3m)
Exceptional investment provision	(4.9)	-		
Interest income	0.1	0.1		
Profit before tax	17.3	12.1	+42.0%	£23.4m before exceptional items (2014: £11.4m)
Tax	(4.9)	5.5		£8.3m exceptional deferred tax credit in 2014
Discontinued operations	(0.2)	(0.2)		
Profit attributable to shareholders	12.2	17.4		£18.3m before exceptional items (2014: £8.3m)

Profit before tax bridge

gleeson



Balance sheet

		Jun-15 £m	Jun-14 £m
Homes	Land	31.1	30.5
	WIP	45.5	42.9
Strategic Land	Land	16.7	15.9
	WIP	14.9	11.4
Total Inventories		108.2	100.7
Other Assets		44.6	38.2
Other Liabilities		(32.1)	(24.5)
Cash & Cash equivalents		15.8	13.7
Net Assets		136.5	128.1

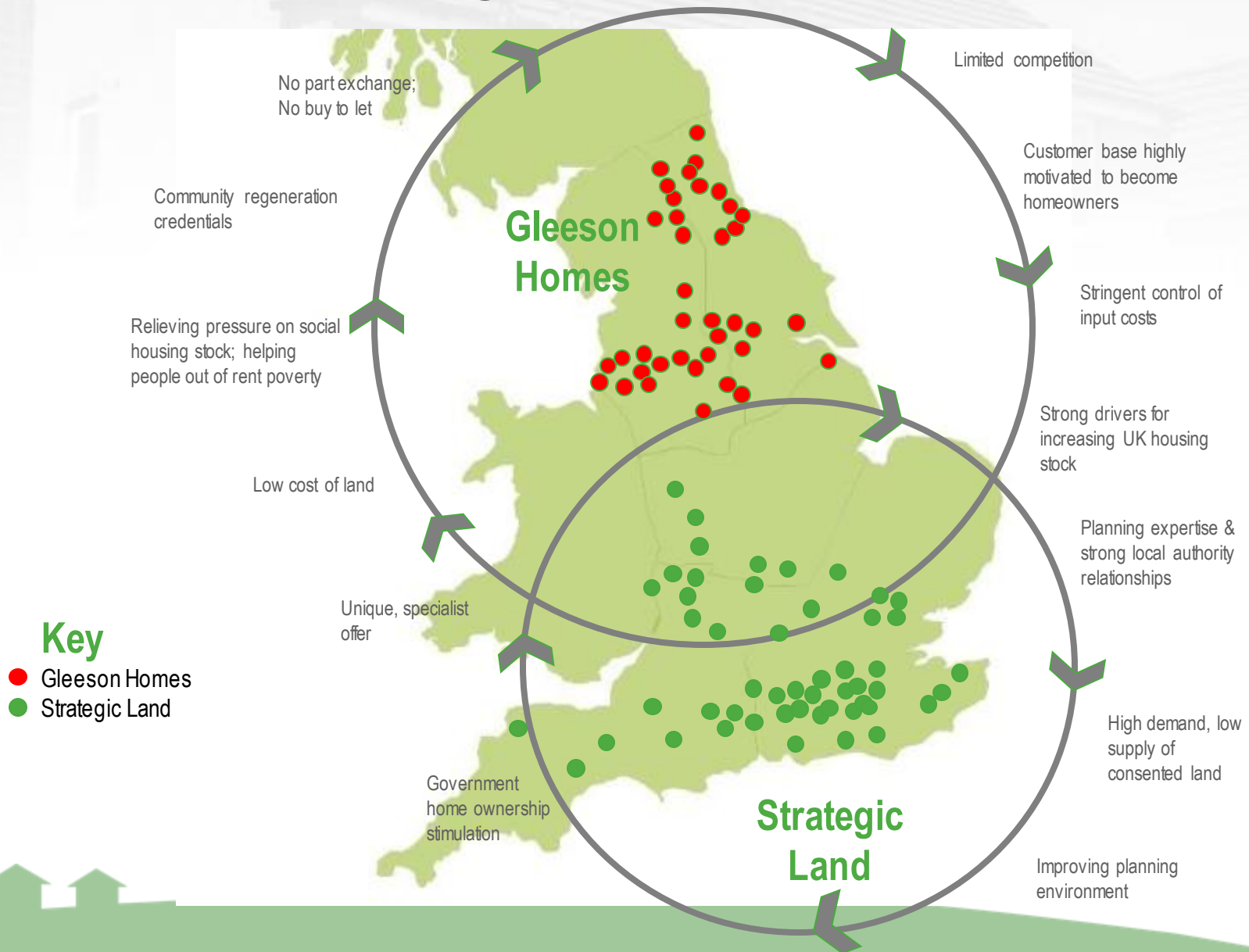
	Jun 15 £m	Jun 14 £m
Profit Before Tax from continuing operations	17.3	12.2
Depreciation, loss from discontinued operations and other operating items	0.6	(0.0)
Working capital:	(14.3)	(6.4)
Exceptional investment provision	4.9	0.0
Cash generated in operating activities	8.4	5.8
Tax	(0.1)	0.0
Interest	(0.4)	(0.3)
Fixed asset purchases & disposals	0.1	0.1
Other	0.0	0.1
Net cash flow from operating & investing activities	8.1	5.7
Loan repayment	(1.9)	(0.3)
Dividend	(4.1)	(1.6)
Increase / (Decrease) in cash	2.1	3.8

- Final dividend recommended of 7.3 pence per share (2014: 4.9 pence per share)
- Giving a total dividend for the year of 10.0 pence per share, up 66.7% on previous year (2014: 6.0 pence per share)
- Aim to maintain dividend cover between two and three times earnings

Business Review

Jolyon Harrison
Chief Executive Officer

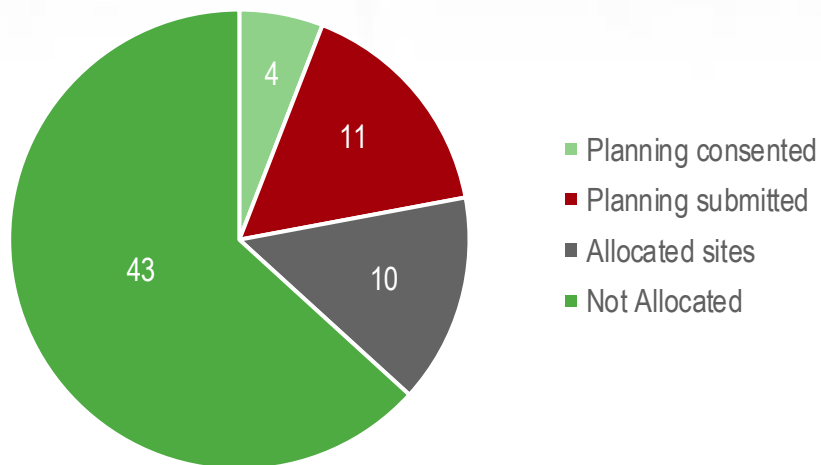
Business model & growth drivers



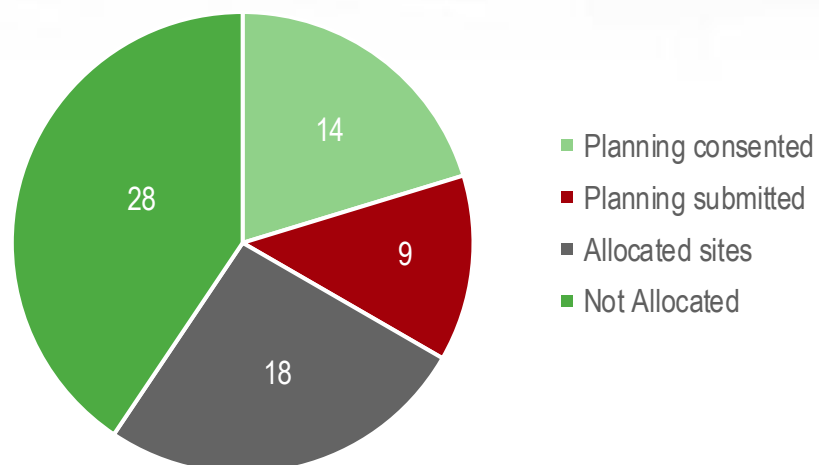
- Revenue up 99.2% to £21.5m (2014: £10.8m)
- Operating profit up 68.2% to £8.1m (2014: £4.8m)
- 3 land sales completed, 2 unconditionally exchanged
 - Combined 62.2 acres for housing development and 1.5 acres commercially consented land
- 8 new sites secured during year either under option or promotion agreement
 - Total 256 acres
- YE portfolio of 68 sites comprising 3,936 acres (2014: 3,802 acres)



Strategic Land sites



As at 30 June
2013



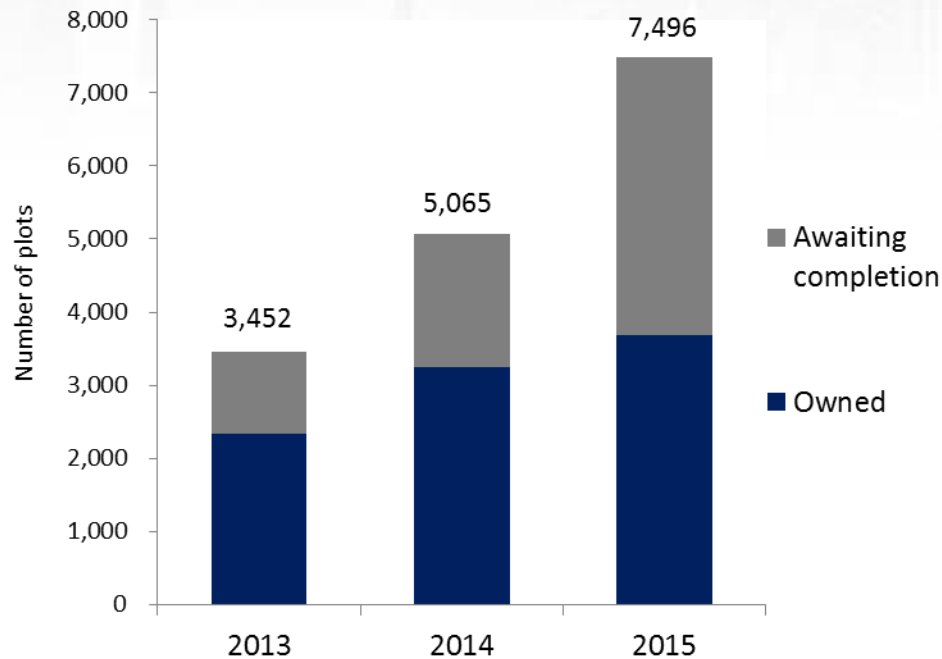
As at 30 June
2015

Prime “A”	Guildford, Twickenham, Surrey , inner M25 Hot interest from all major house builders
Prime “B”	Shaftesbury, Farnham, Witney, Tunbridge Wells, Haywards Heath Very hot interest from Builders building less than 2,500 units a year. Major house builders will bid but generally come 2 nd ,3 rd or 4 th
Intermediate	Good areas around smaller towns....Uttoxeter, Andover, Ashford, Aldershot Strong interest from Regional house builders building 1,000 units a year or less.....Major house builders are not interested.
Sub Intermediate	Usable but undesirable land around smaller towns... Chesterfield Very little interest from anyone Gleeson Homes will purchase but only at our price.
Secondary	Gleeson Homes territory, no real competition.

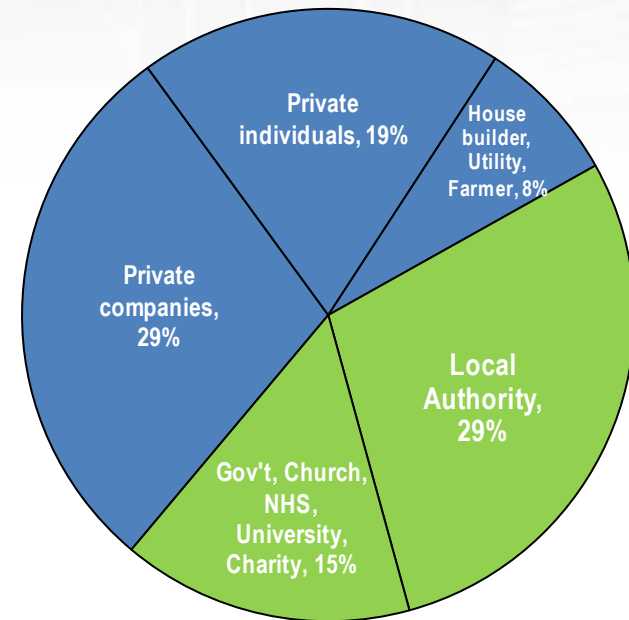
- Unit sales up 34% to 751 (2014: 561)
- ASP increased 1.9% to £123,750 (2014: £121,500)
 - 46% sold with H2B
 - 89% sold from newer higher margin sites (2014: 84%)
- Average 39 sales outlets open during year (2014: 33)
 - Expected to increase to > 45 this year
- Land pipeline 3,680 plots across 63 sites at year end
 - 35 sites conditionally purchased – will bring total pipeline to > 7,496 plots
- On track to achieve medium term target of 1,000 unit completions per annum



Land Pipeline



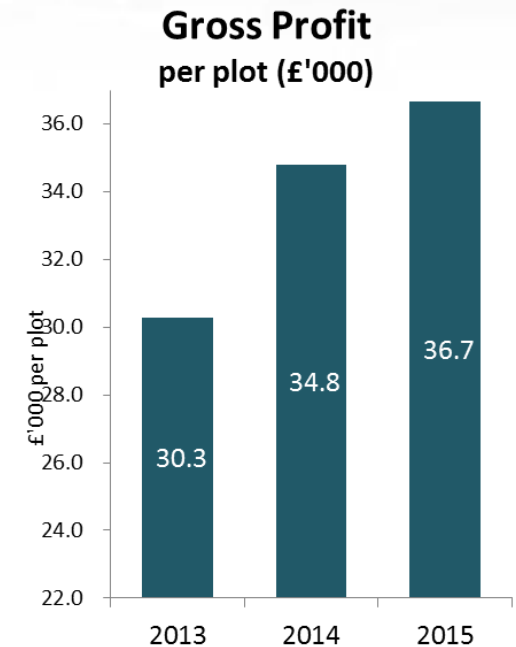
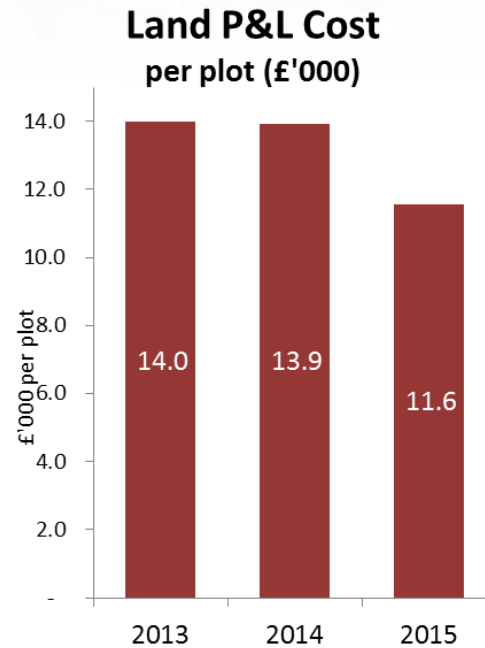
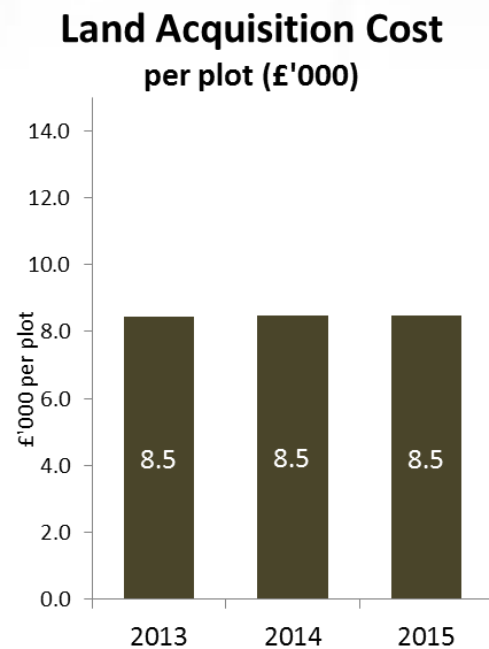
Land source



Pipeline additions in 2014 and 2015

- Private companies, individuals and organisations
- Government and other non-private organisations

Gleeson Homes continues to take advantage of competitive land prices in its target areas



Keeping subcontractors under control

- We have introduced a Rapid Payment Scheme as a means of keeping subcontractors under control.
- Subcontractors are scored for the quality of their service and workmanship
 - Grade A subcontractors are paid within 14 days of invoice.
 - Grade B subcontractors are paid within 30 days of invoice.
 - Grade C subcontractors are paid within 40 days of invoice.
 - Grade D subcontractors are invited for an interview.
 - We are clearly funding the cash flow of our better subcontractors and the benefits to us are:-
 - Loyal subcontractors.
 - Good quality – reduction in customer care issues – happy customers.
 - Good service – achieving completions on time – happy customers.
 - Low tender prices – they are keen to get the next site.

Properly controlling forward orders

The first phase of c.12 houses of each site is released for sale off plan, giving us a strong indicator of demand.

Thereafter we release houses for sale only when we have constructed the foundation slab.

Advantages:

- We are selling a tangible item – results in a reduced cancellation rate
- We are more accurate with completion dates
- When we encounter problems in the ground we are able to tackle them in our own time, in the most economic manner without the pressure of a looming completion date – results in cost savings
- We are better able to take advantage of increases in selling prices
- Not unnecessarily fixated by large forward orders book



We work in challenging communities to help families on low incomes out of housing poverty that the rent-trap can bring and into home ownership and wealth creation.



Anti-social behaviour, vandalism and theft are not unusual in the areas where we build. We have responded to this by creating our own, social media version of Neighbourhood watch that subscribes all of our customers and enables them to tell us of any problems and for us to issue alerts. We have more than 1,000 subscribers.

Our involvement in communities extends to sponsoring junior sports teams and we are currently sponsoring 30 plus teams in order to encourage self control and good behaviour



We employ apprentices on all of our sites and in our offices; our head office in Sheffield is a Construction Industry Training Board Training Centre



We work closely with local schools to ensure that trespass onto our sites is minimised. This young lady has won a “Design a Bedroom” competition which has been created in the show house

Because we build homes for people on low incomes it is totally appropriate for us to support living wage initiatives, the only house builder to do so.



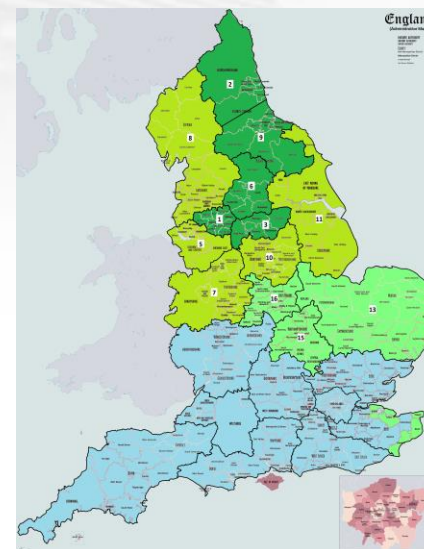
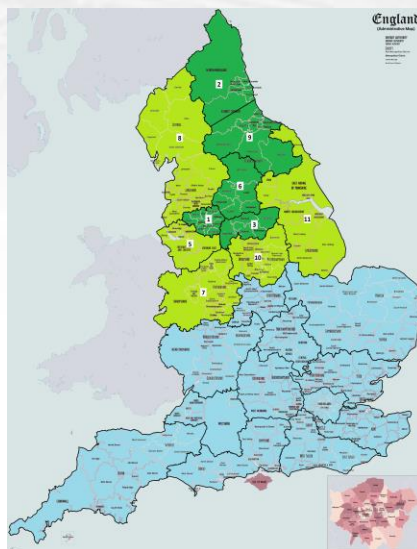
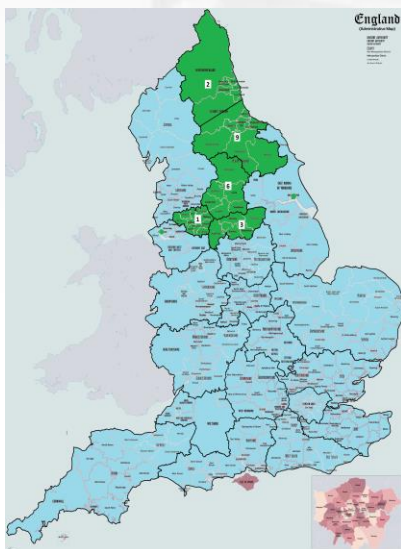
Because we build in challenging areas it is essential that we make our homes secure. We were chosen by the Chief Police Officer's Association to work with them to develop a National House Type Approval scheme.

We carry out alterations to our homes free of charge.



- We have a proven model
- We have visibility on our medium term target to build 1,000 houses a year: we are now reviewing opportunities for the further growth beyond.
- We have analysed house selling prices in a number of regions and adjusted them for the Gleeson product and further adjusted them for our entry level 2 bedroom semi (2bs).
- From the above we can easily calculate the household income needed to purchase the 2 bedroom semi.
- We can then compare the household income needed to purchase the 2 bedroom semi with the bottom 10% and 20% of household incomes to ascertain affordability in each region.
- The light green areas on the maps on the next slide are areas in which our two bedroom semi has a good level of affordability.

Future opportunities



Pop: 8.8m	Pop: 10.1m	Pop: 9.8m
Asp: £137k	Asp: £145k	Asp: £171k
Gleeson Asp: £120k	Gleeson Asp: £127k	Gleeson Asp: £150k
Gleeson 2bs: £102k	Gleeson 2bs: £108k	Gleeson 2bs: £128k
Income rqd: £21k	Income rqd: £23k	Income rqd: £27K
Bottom 10%: £28k	Bottom 10%: £28k	Bottom 10%: £29k
Bottom 20%: £34k	Bottom 20%: £34k	Bottom 20%: £35k

Structure to support growth

**CHIEF EXECUTIVE OFFICER
HEAD OFFICE**

**LAND
TECHNICAL
MATERIALS** **SALES
BUILD
COMMERCIAL**

Regional Director

**YORKSHIRE &
NORTH MIDLANDS**

SHEFFIELD

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

WAKEFIELD

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

Regional Director

NORTH WEST

BURY

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

LIVERPOOL ?

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

Regional Director

NORTH EAST

NORTH

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

SOUTH

**LAND
SALES
TECHNICAL
BUILD
MATERIALS
COMMERCIAL**

- Market conditions in Homes remain favourable to our unique model; we will continue to grow:
 - Good mortgage availability for our customer base
 - Sales outlets expected to increase this year to > 45
 - ASP increases expected to be modest
 - Building up land pipeline
- Expecting to process further Strat Land sales at a buoyant level
 - Continuing healthy demand from developers
- Following a robust start to the year, scope to deliver results for the full year towards the upper end of expectations
- Future opportunities - large growth opportunities in both existing and new regions



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