

## Results for the year ended 30 June 2021

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James Thomson

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# Overview



### Record performance

- Results ahead of pre-Covid 2019 performance
- Affordability remains compelling
- On track for 2,000 homes sold in 2022
- Embedded sustainability strategy
- Growth platform primed and ready
- Well-positioned for continued growth



# Financial Highlights



## Record performance

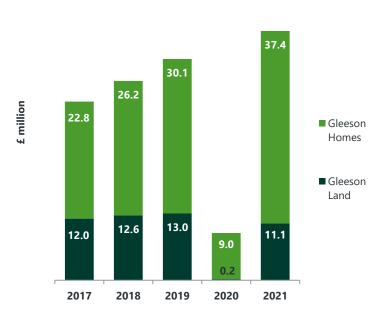
Full year results ahead of pre Covid year 2019

	Revenue:	£288.6m	(2020: £147.2m,	2019: £249.9m)
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- Operating profit: £43.1m (2020: £5.9m, 2019: £41.0m)
- > PBT: £41.7m (2020: £5.6m, 2019: £41.2m)
- **EPS:** 58.2p (2020: 8.1p, 2019: 61.0p)
- Net Cash:
  £34.3m (2020: £16.8m, 2019: £30.3m)
- **ROCE:** 21.4% (2020: 3.1%, 2019: 25.9%)

#### **Group Operating Profit**

(excluding Group overheads)



### Income statement

£ million	Year ended 30 June 2021	Year ended 30 June 2020	Change	Notes
	30 Julie 2021	30 Julie 2020	Change	Notes
Gleeson Homes	265.8	140.9	+89%	Homes sold up 69%, ASP up 11%
Gleeson Land	22.8	6.3	+262%	8 sites sold (2020: 2 sites sold)
Revenue	288.6	147.2	+96%	
Gleeson Homes	37.4	9.0	+316%	
Gleeson Land	11.1	0.2		
Group overhead	(5.4)	(3.3)	+64%	Bonus, LTIP, Co.Sec., legacy costs*
Operating profit	43.1	5.9		
Finance expenses	(1.4)	(0.3)		Bank fees, interest, unwind of discount on deferred receivables
Profit before tax	41.7	5.6		
Tax	(7.8)	(8.0)		18.8% effective tax rate
Discontinued operations*		(0.3)		
<b>Profit attributable to shareholders</b>	33.9	4.5		



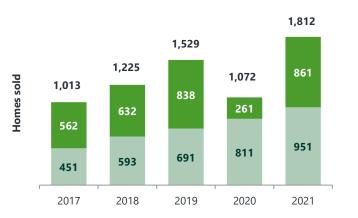
<sup>\*</sup> Legacy costs previously reported as discontinued operations are reported within Group overheads from 2021

#### Gleeson Homes Results

- Homes sold up 69.0% to 1,812 (2020: 1,072, 2019: 1,529)
- ASP up 11.4% to £145,800 (2020: £130,900, 2019: £128,900)
  - Underlying selling prices up 9.3%
- Turnover up 88.6% to £265.8m (2020: £140.9m, 2019: £197.0m)
  - Includes £1.5m for land sales (2020: £0.5m, 2019: nil)
- Gross profit up 93.6% to £75.7m (2020: £39.1m, 2019: £59.3m)
- Gross margin on unit sales 28.5% (2020: 27.8%, 2019: 30.1%)
  - ➤ £0.4m profit on land sales (2020: £0.1m, 2019: nil)
- Overheads up 26.6% to £38.5m (2020: £30.4m, 2019: £29.5m)

#### Operating profit £37.4m (2020: £9.0m, 2019: £30.1m)

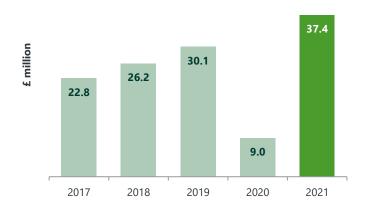
#### Homes sold



■ H2

■ H1

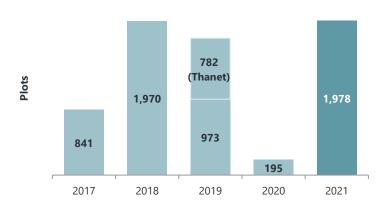
#### Operating profit



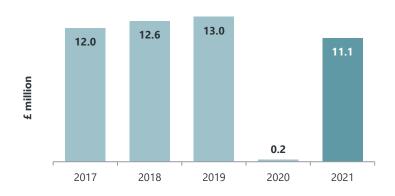
### **Gleeson Land Results**

- Eight land sales completed (2020: 2, 2019: 9)
- Total developable plots 1,978 (2020: 195, 2019: 1,755)
- Gross profit £13.7m (2020: £1.3m, 2019: £15.7m)
- Overheads £2.6m (2020: £1.1m, 2019: £2.7m)
- Operating profit £11.1m (2020: £0.2m, 2019: £13.0m)

#### Site sales (number plots)



#### Operating profit



### Balance sheet

£ million		30 June 2021	30 June 2020	Notes
Gleeson Homes	Land	82.1	64.9	£9,900 per plot (2020: £9,500, 2019: £8,900)
	WIP	126.2	119.2	£1.56m per site (2020: £1.68m, 2019: £1.40m)
Gleeson Land	Land	15.5	15.0	71 sites (2020: 68 sites)
	WIP	16.2	17.2	
Total inventories		240.0	216.3	
Other assets		38.8	28.9	£15m Gleeson Homes, £19m Gleeson Land, £4m tax, £1m Corp.
Gleeson Homes L	and creditors	(7.8)	(6.9)	9.5% of Gleeson Homes land assets (2020: 10.6%)
Other liabilities		(60.4)	(42.5)	£47m Gleeson Homes, £9m Gleeson Land, £4m Corp. accruals
Cash		34.3	76.8	
Borrowings		-	(60.0)	Bank Ioan repaid November 2020
Net assets		244.9	212.6	



## Cash flow

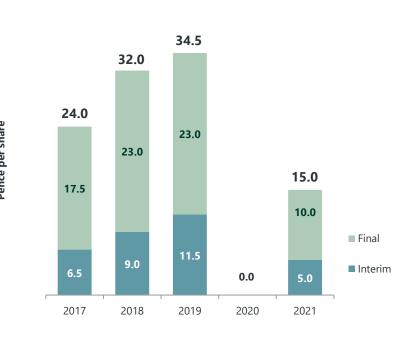
£ million	Year ended 30 June 2021	Year ended 30 June 2020	Notes
Profit before tax from continuing operations	41.7	5.6	
Depreciation, loss from disc. ops. and other	5.3	3.3	Depreciation, finance costs and share based payment charges
Working capital movements	(10.7)	(19.2)	
Cash generated from operating activities	36.3	(10.3)	
Tax	(10.2)	(3.6)	
Interest and finance costs	(1.9)	(0.7)	Interest on £60m loan drawn in Q1 & facility refinance costs
Disposal of assets	0.8	1.1	Shared equity receivables
Purchase of fixed assets	(3.8)	(2.4)	Sales arenas, show homes, compounds & offices
Net cash flow from operating and investing activities	21.2	(15.9)	<u>-</u>
Bank borrowings	(60.0)	60.0	Drawn loans repaid H1
Share issue	-	15.9	April 2020 share placing
Purchase of own shares	(0.1)	(0.1)	Employee share purchase plan
Principal elements of lease payments	(0.7)	(8.0)	IFRS16
Dividend	(2.9)	(12.6)	
(Decrease)/increase in cash	(42.5)	46.5	_



#### Dividends

- > Final dividend of 10.0 pence per share
- Total dividend for the year 15.0 pence per share
- Capital allocation policy supports growth agenda
- Dividend cover increased to between 3 and 5 times
- Final dividend expected to represent 2/3rd full year total dividend

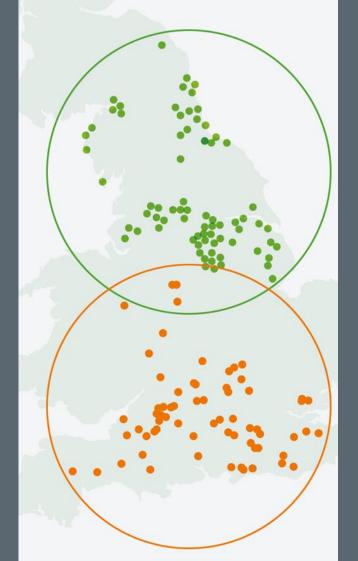
#### Dividends





# **Business Highlights and 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

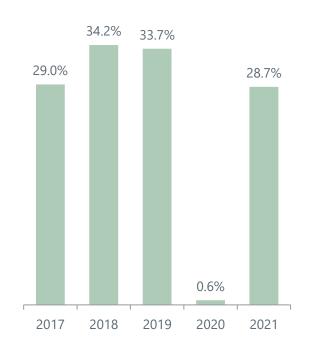




### Promoting Land. Unlocking Value.

- ➤ 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 but pipeline growing
- 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)

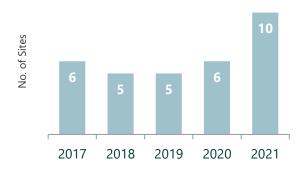




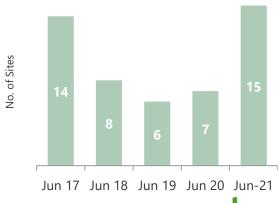
## Pipeline ripening

- Number of sites awaiting a planning decision has increased to 15 (2020: 7, 2019: 6)
- Covid still impacting timing on planning decisions
- 10 planning applications submitted (2020: 6, 2019: 5)
- 2 sites consented during the year (2020: 5, 2019: 8)
- 5 sites awaiting appeal (2020: 0, 2019: 0)
- ➤ 6 sites currently with consent (2020: 11, 2019: 9)
- 3 further sites in a sale process (2020: 5, 2019: 3)
  - > 1 significant site sold in August

#### **Planning applications submitted**



#### Sites awaiting a planning decision



### Pipeline Overview

- > 71 sites (2020: 68 sites)
- 22,315 plots (2020: 23,314 plots)
- > 2,210 plots on 6 sites consented (2020: 3,855 plots on 11 sites)



	As at 30 June 2021			As at 30 June 2020	
	No. Sites	Plots	No. Site:	Plots	
Planning consented / resolution to grant	6	2,210	1	3,855	
Planning submitted	15	3,020	7	2,048	
Allocated / emerging allocation	8	3,680	Ç	4,330	
Not allocated	42	13,405	4	13,081	
Total	71	22,315	68	23,314	



# Gleeson Homes





### Profit growth

- Homes sold up 69% to 1,812 (2020: 1,072, 2019: 1,529)
- ASP up 11.4% to £145,800 (2020: £130,900, 2019: £128,900)
  - Underlying selling prices up 9.3%
- Revenue up 88.6% to £265.8m (2020: £140.9m, 2019: £197.0m)
- Gross Profit up 93.6% to £75.7m (2020: £39.1m, 2019: £59.3m)
- Gross margin 28.5% (2020: 27.8%, 2019: 30.1%)
- Overheads £38.5m (2020: £30.4m, 2019: £29.5m)
- Operating profit £37.4m (2020: £9.0m, 2019: £30.1m)
  - > Up 24.3% on 2019
- Operating margin 14.1% (2020: 6.4%, 2019: 15.3%)

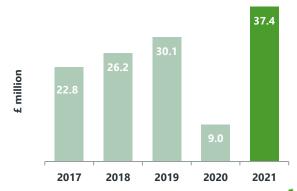
#### All government Covid support received by the Group has been repaid

#### **Margins**



#### **Operating profit**

2019

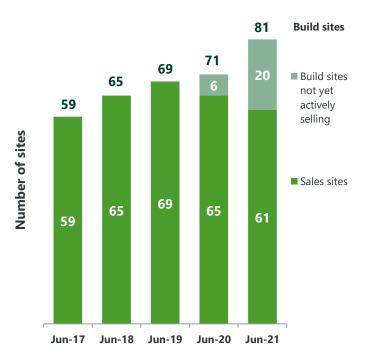




## Strong demand, growing footprint

- Demand strong FOB of 841 homes (2020: 1,033, 2019: 677)
  - > 14 homes forward sold per active sales site (2020: 16, 2019: 10)
- Build sites
  - ≥ 27 sites opened
  - > 81 sites at year end
  - > 78 average sites during the year (2020: 68 sites)
- Sales sites
  - ➤ 61 sites at year end
  - > 64 average sites during the year (2020: 65 sites)

#### **Build sites**

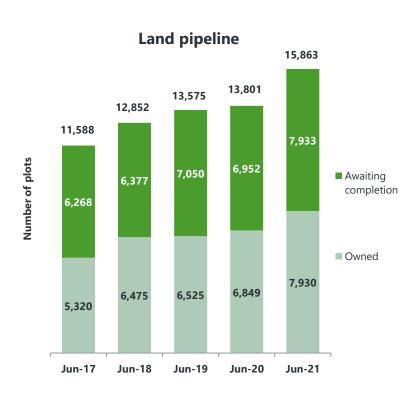


\*Prior to 2020 all sites were actively selling from date of build start



### Healthy and growing pipeline

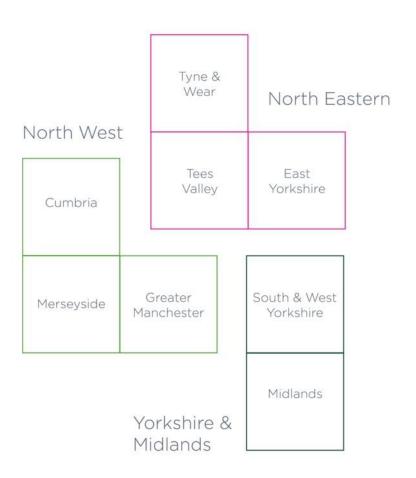
- Pipeline up 14.9% to 15,863 plots on 152 sites
  - 81 active build sites
  - 71 pipeline sites (conditionally purchased or owned but not yet active)
    - ➤ 65 conditionally purchased sites, 6 owned
    - > 3 with planning
- > 8.7 years supply
- Average cost c£10,700 per plot





## Strong platform for growth

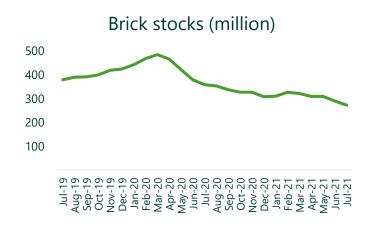
- 3 Divisions: Yorkshire and Midlands, North Eastern, North West
- 8 Regions
  - Capacity to deliver 500 home sales p.a.
- > Build rate can increase to support strong demand
  - From 25 homes per site p.a. still low by industry standards
- Ambitious site opening plans
  - ➤ Open 25 sites p.a.
  - ➤ Complete 15 sites p.a.
- By 30 June 2022:
  - Expect to have 90 build sites
  - Expect to grow 10 sites p.a.



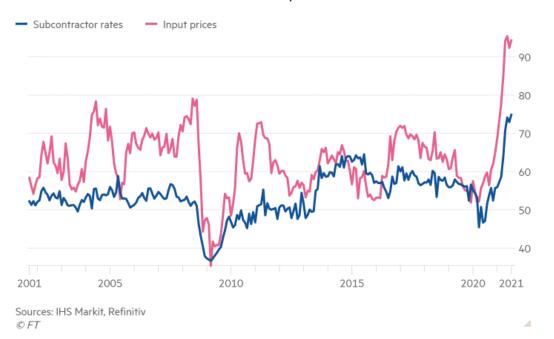


## Industry headwinds

- Cost pressures
- Material availability
- > Taxation



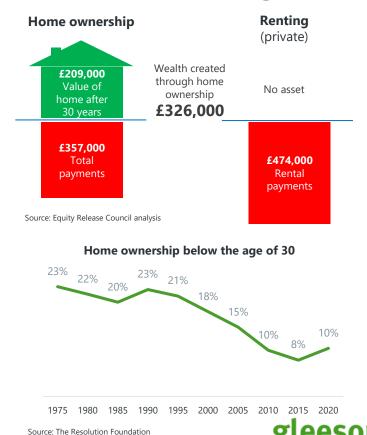
#### **UK Construction PMI Input Prices Index**





## 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



### 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
- > 3 out of 5 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



### Gleeson Homes – what we don't do

Flats



Part Exchange







City-centres



Leasehold





### Our customers

- 4 out of 5 first-time buyers
- ➤ 2 out of 3 key workers
  - > 16% homes bought by a nurse or social/care worker
  - > 7% homes bought by a teacher or teaching assistant
- > 28 ½ years old median age
  - > 77% of customers are 35 years old or younger
  - > 3% of customers are retired
  - > 3% of customers are 21 years old or younger
- > 51% Single, 49% Couples
  - > 48% of single buyers are female



# our case studies



### Single, first time buyer

Buyer name: Corina, 31
Occupation: Social Worker

Year of purchase: 2020

Development: Ransom Court, Nottingham
House type: Cork, 2 bedroom semi-detached

Purchase price: £136,995

Mortgage cost £370 pcm 30-year Help to Buy

Previous rental cost: £550 (one-bedroom flat)

Single buyer Coco was renting a small one-bedroom flat in Nottingham before purchasing her two-bedroom Gleeson home with a garden in September 2020.

Making use of our Key Worker Priority Scheme, Coco benefitted from £1,000 towards upgrades and extras in her home, which she chose to spend on a premium kitchen.

With her home working out cheaper per month for her mortgage vs her previous rental cost, Coco is delighted.

Click **here** for more case studies, or go to **www.mjgleesonplc.com** 



# our case studies



# Couple, second time Gleeson buyers

Buyer name: Josh, 28, Tania, 26

Occupation: IT teacher and P.E teacher

Year of purchase: 2021

Development: Rainsborough Park, Knottingley House type: Kilkenny, 3 bedroom detached

Purchase price: £184,995 Mortgage cost: £500 pcm

Previous rental cost: £800 pcm (2-bed terrace)

Homeownership is particularly significant for Tania, as 10 years ago she was homeless and living on the streets of York.

After spending time in a Government homeless project, and then a council property, Tania bought a 2-bedroom home on Rainsborough Park. There she met her partner Josh who had also recently bought on the development in a 3 semi-bedroom home. A friendship started to blossom and a soon after they were in a relationship.

Fast forward to 2021, and the couple have bought their second Gleeson home, together on the same development. Choosing to buy a 3 bedroom detached home and are now engaged.

Click here for more case studies, or go to www.mjgleesonplc.com



### 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\*
  - > 4/5<sup>th</sup> 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 £145,800

#### **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



## Selling prices – further room for growth

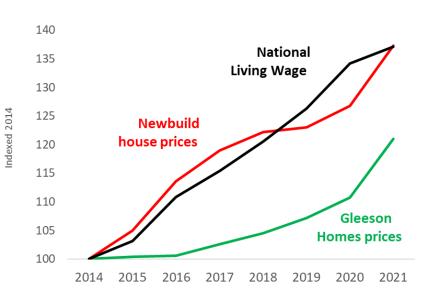
- Over the last 7 years
  - Average new build prices have increased by 37%
  - The governments' National Living Wage has increased by 37%
  - ➤ Gleeson prices have increased by only 21%

#### 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 +21%, Reported +20%)







## Selling prices - remain highly affordable

Number of bedrooms	Average Gleeson price (FY21 sales)	Mortgage pay 75% LTV, Help to Buy	Rent for equivalent no. beds (per week)	
2-bed	£119,000	£59	Standard mortgage £83	£128
3-bed	£151,000	£75	£105	£147
4-bed	£195,000	£97	£135	£218



# Sustainability



### Sustainability

- Strategy focused on the Environment, Communities and People
- Aligned to United Nations Sustainable Development Goals
  - UNSDG 11: "Sustainable Cities & Communities"
  - Target 1: "Safe and affordable housing for everyone"
  - A couple on the Government's minimum 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 reduced by 18% per home sold in 2021
  - Scope 3 quantified and a focus for 2022













Click <u>here</u> to view Gleeson colleagues discussing our approach to sustainability, or go to <u>www.migleesonplc.com</u>



### Progress on sustainability targets

#### Target Outcome 1. Health and safety incident rate ("AIIR") AllR increased to 556 (10 RIDDORS) and above will be significantly reduced industry average. 2. Staff turnover will be reduced to at least Staff turnover reduced to 32%. Industry average was 38%. the industry average or better 3 Customer satisfaction: we will become a Customer satisfaction score was 90.6%. Above 90% 5-star housebuilder within one year is equivalent to the HBF 5-star rating. 4. CO2 emissions per home sold will be CO2 emissions reduced by 18% to 2.05t per home reduced by 20% within three years sold. On track to achieve 3-year target.



### New sustainability targets

#### **Target**

- 1. Health and safety incident rate ("AIIR") will be reduced to industry standard or lower
- 2. Employee engagement will be maintained in the upper quartile of all companies
- 3. Customer satisfaction: maintain 5-star status (over 90% recommend score)
- 4. Climate: CO2 target reduction increased from 20% (2.0t) to 30% (1.75t) by 2023

#### Key actions

Monthly independent inspections, Apprentice passports, Working at height, supply chain workshops, enhanced tracking and reporting

Online forums, regional roadshows, employee wellbeing toolkit, further developed apprentice programme, recognition scheme

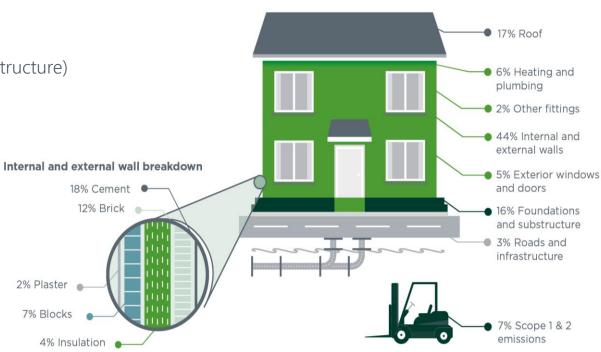
Customer First scheme roll-out, 100% quality inspections within 48 hours of CML, integrated customer care systems, subcontractor training

All FLTs upgraded to newer model, generator policy to reduce usage, complete trials of bio-diesel and eco-cabins, energy efficiency measures in offices



#### 30t CO2e to build a Gleeson home

- ➤ 30t CO2e for every Gleeson home built
  - > 2t Scope 1 and 2
  - ➤ 28t Scope 3 (construction and infrastructure)
- Scope 1 and 2 emissions being reduced
  - > Reduced by 18% in 2021 to 2.05t
  - > Targeting 1.75t by 2023
- Scope 3 build/infrastructure emissions
  - Focus for 2022





# Summary and Outlook

### Summary and outlook

- Record year with results ahead of pre-Covid numbers
- On track to deliver 2,000 homes this financial year
- Strong demand and pipelines for both Gleeson Homes and Gleeson Land
- > Operating structure in place to support controlled growth
- Embedded sustainability strategy
- Business well placed to deliver continued progress beyond this year



# Appendices

### 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 Land
Formerly Land Director for Barratt
plc, joined Gleeson as Land Director
in 2010.



Sarah Marsden Divisional MD North Eastern 20+ years in sector (11 years Gleeson)



Bryan Simpson
Divisional MD
Yorkshire and Midlands
20+ years in sector (11 years
Gleeson)



Divisional MD North West 20+ years in sector (11 years Gleeson)

Arron Passarelli





# Thank you

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