



gleeson

MJ Gleeson plc

25 September 2017

On track to “double” Homes sales

- Another strong financial performance
- Pipeline over 11,500 plots (11.4 years development)
- Occupying a unique and sustainable market segment
- 2,000 units p.a. within 5 years
- Developers still buying land – 11 consented sites, 6 progressing to sale
- Resources and capacity in place for further growth
- No Brexit or election impact – it's more business as usual

Financial Review

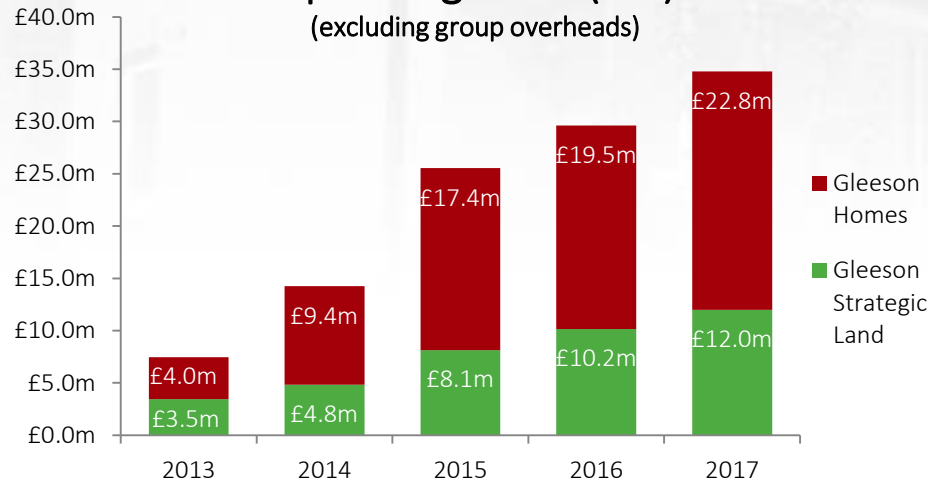
Stefan Allanson
Chief Financial Officer

Excellent financial performance

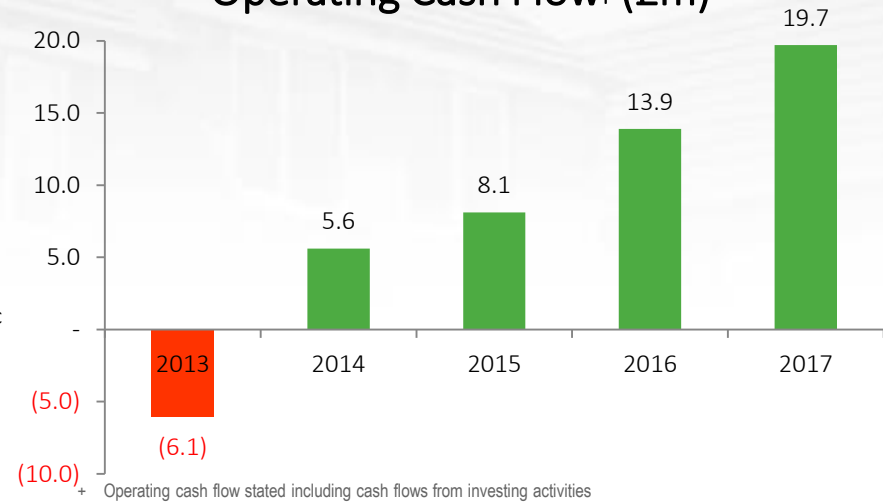
- Operating profit **up 17.0%** to £33.0m (2016: £28.2m)
- PBT **up 17.0%** to £33.0m (2016: £28.2m)
- Operating cash flow **up 41.7%** to £19.7m (2016: £13.9m)
- Cash balance **up 47.0%** at 30 June 2017 to £34.1m (30 June 2016: £23.2m)
- Earnings per share **up 13.8%** at 48.5p (2016: 42.6p)
- ROCE **up 220 bp** to 25.4% (2016: 23.2%)
- Total dividend **up 65.5%** to 24.0 pence per share (2016: 14.5 pence)

Firing on all cylinders

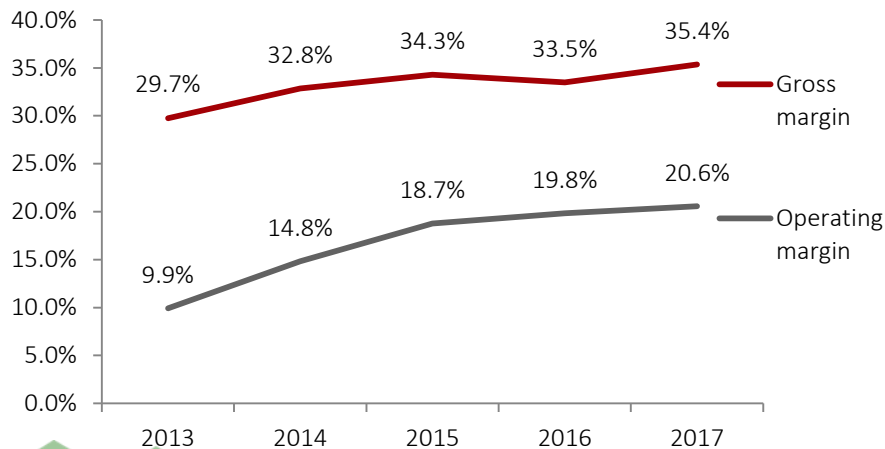
Operating Profit (£m) (excluding group overheads)



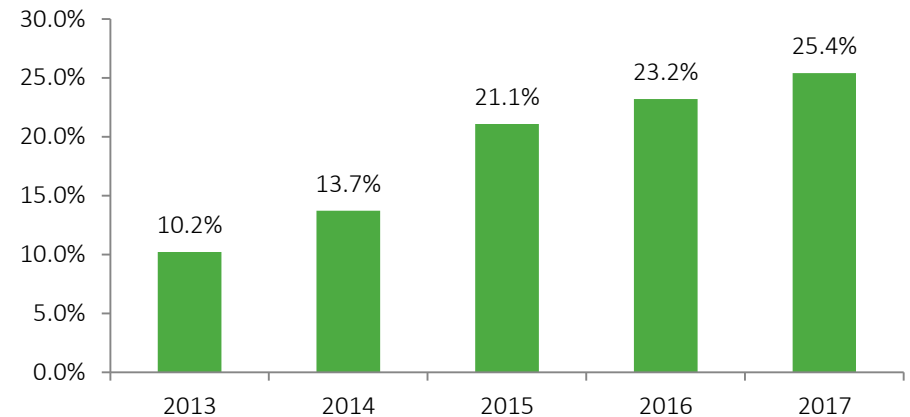
Operating Cash Flow+ (£m)



Group margin



Return on capital employed (ROCE)



Income statement

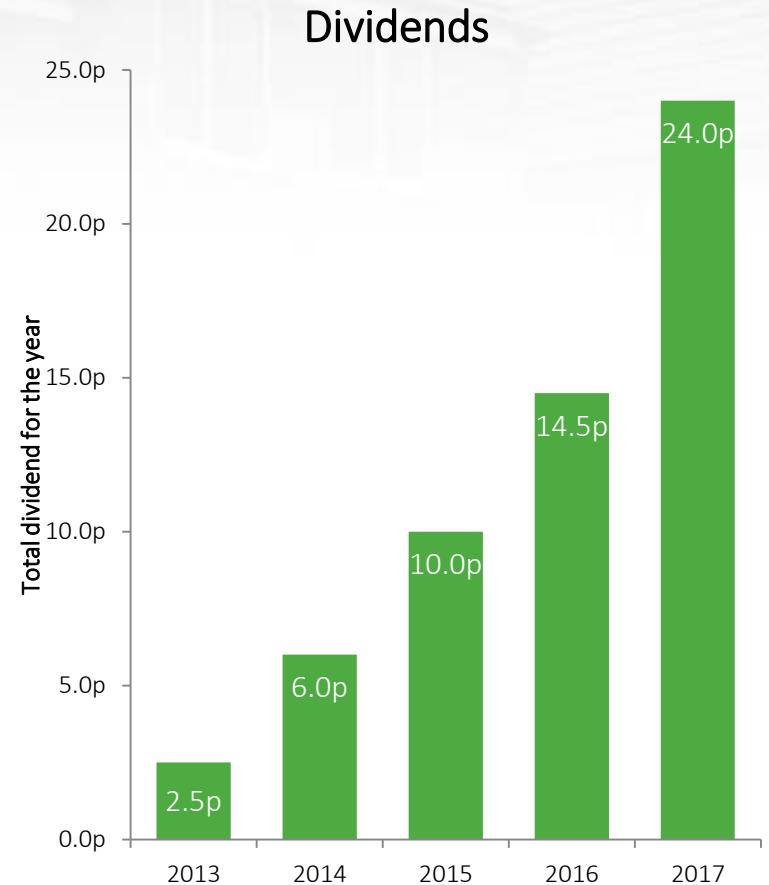
	Jun 17 £m	Jun 16 £m	Change	Notes
Revenue				
Homes	130.5	113.6	+14.9%	Includes land sales: 2017 £6.2m, 2016 nil, 2015 £3.1m
Strategic Land	29.9	28.4	+5.3%	
	160.4	142.1	+12.9%	
Homes	22.8	19.5	+16.9%	Includes land sales: 2017 £1.0m, 2016 nil, 2015 £2.7m
Strategic Land	12.0	10.2	+17.6%	
Group overhead	(1.8)	(1.5)		
Operating Profit	33.0	28.2	+17.0%	
Interest income	0.0	0.1		
Profit before tax	33.0	28.2	+17.0%	
Tax	(6.5)	(4.9)		
Discontinued operations	(0.3)	(0.3)		
Profit attributable to shareholders	26.2	23.0		

Balance sheet

		30 June 2017 £m	30 June 2016 £m
Homes	Land	48.4	37.3
	WIP	62.5	48.6
Strategic Land	Land	15.7	13.2
	WIP	15.9	15.1
Total inventories		142.5	114.2
Other assets		39.2	43.2
Other liabilities		(44.4)	(27.7)
Cash & cash equivalents		34.1	23.2
Net assets		171.4	152.9

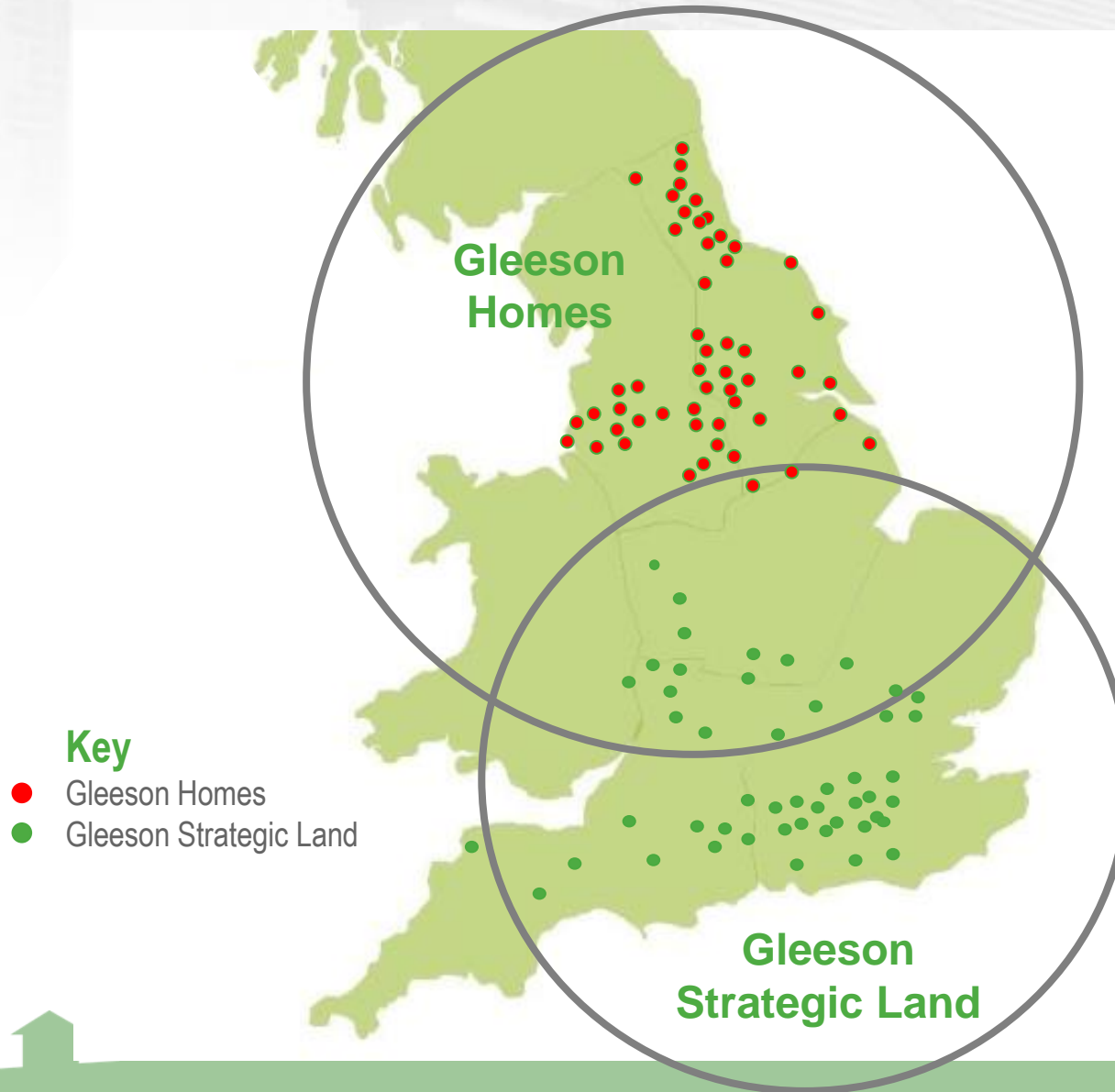
	Jun 17 £m	Jun 16 £m
Profit Before Tax from continuing operations	33.0	28.2
Depreciation, loss from discontinued operations and other operating items	1.1	0.9
Working capital movements	(10.0)	(11.6)
Cash generated in operating activities	24.1	17.5
Tax	(4.4)	(3.2)
Interest	(0.1)	(0.4)
Disposal of assets	1.3	0.9
Purchase of assets	(1.2)	(0.9)
Net cash flow from operating & investing activities	19.7	13.9
Dividend	(8.9)	(6.4)
Increase in cash	10.8	7.4

- Final dividend recommended of 17.5 pence per share (2016: 10.0 pence per share)
- Giving a total ordinary dividend for the year of 24.0 pence per share, up 66% on previous year (2016: 14.5 pence per share)



Business Review

Jolyon Harrison
Chief Executive Officer



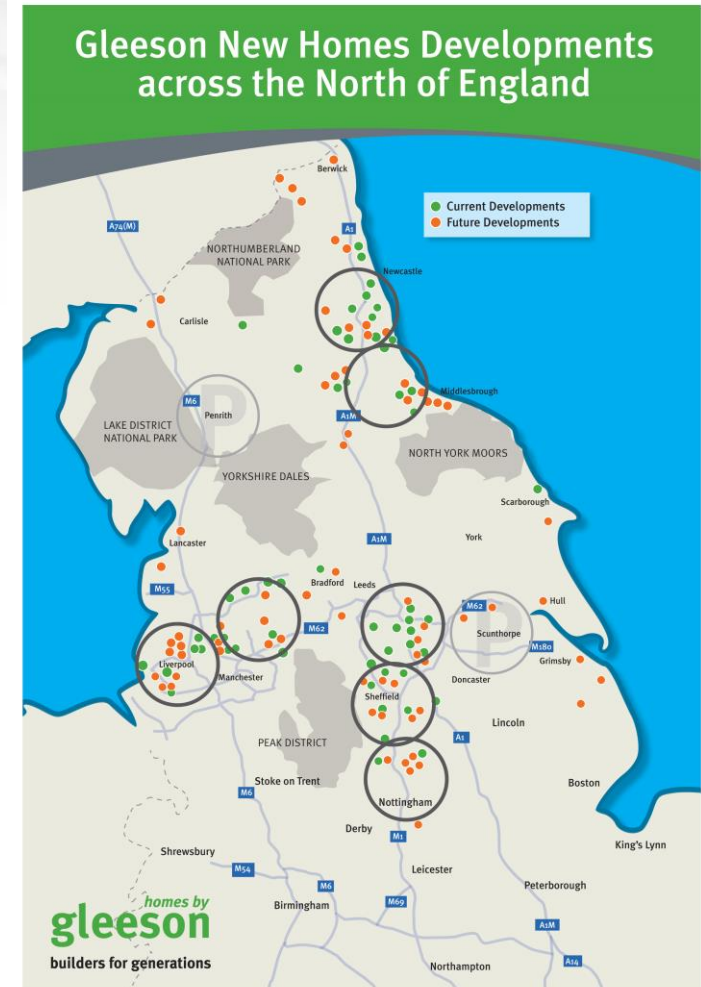
Gleeson Homes

Working in challenging communities to provide new homes for sale to people on low incomes

Gleeson Strategic Land

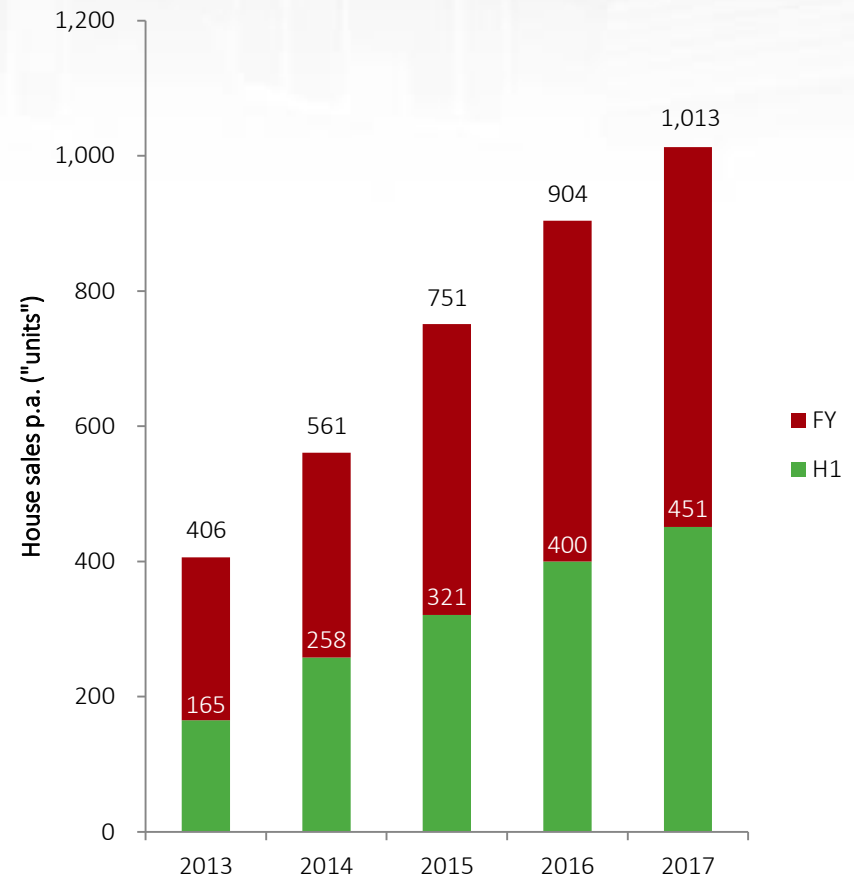
Land promotion, enhancing the value of land by securing residential planning consents

Reminder of the Homes model



- Unit sales up 12.1% to 1,013 (2016: 904)
- ASP reduced 2.4% to £122,700 (2016: £125,700) due to completion of final legacy site and mix
- Sales outlets increased to 59 at June 2017 (June 2016: 48)
- 1,000 unit p.a. medium-term target achieved
- 2,000 unit p.a. within 5 years

Unit completions

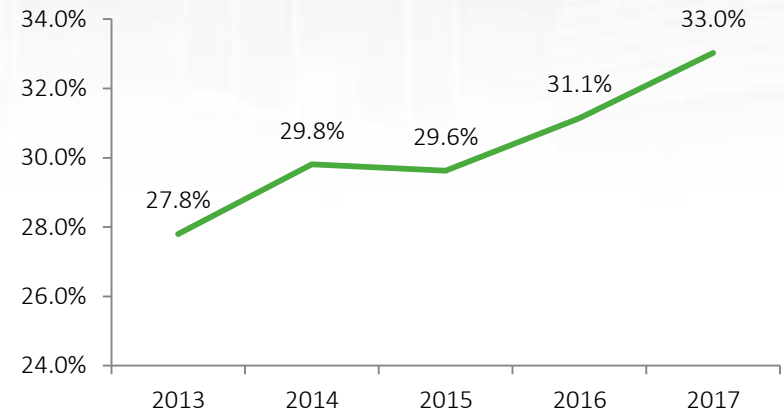


Homes: margin growth continues

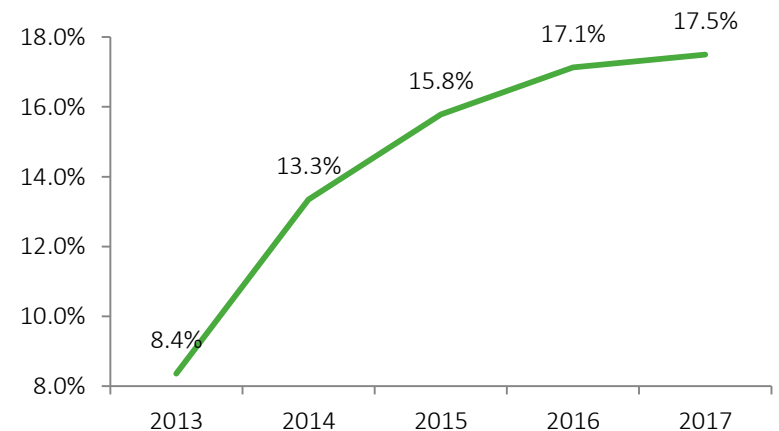
- Gross profit up 18.9% to £42.1m (2016: £35.4m)
 - including £1.0m on land sales
- Gross margin on unit sales up 190 basis points to 33.0% (2016: 31.1%)
- Operating profit up 16.9% to £22.8m (2016: £19.5m)
- Operating margin on unit sales up 40 basis points to 17.5% (2016: 17.1%)

* Margin excludes profit on land sales. 2017: £1.0m, 2016: nil, 2015: £2.7m

Gross margin
on unit sales *

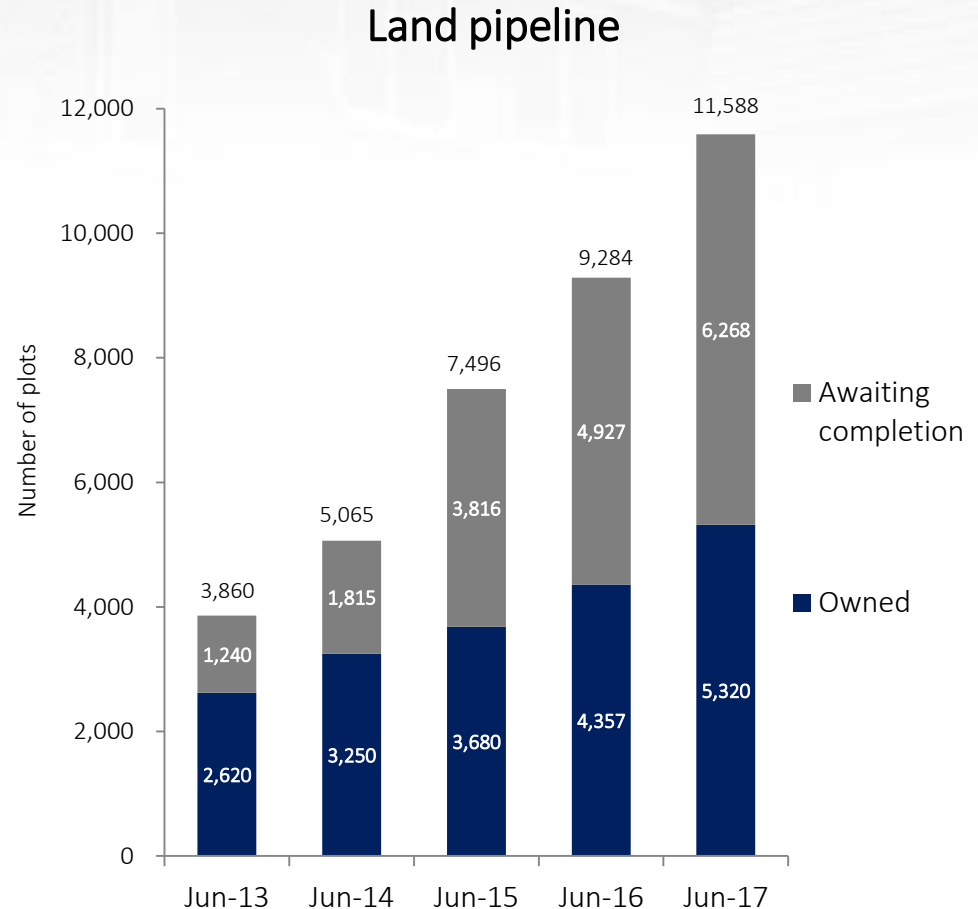


Operating margin
on unit sales *



Homes: land available at sensible prices

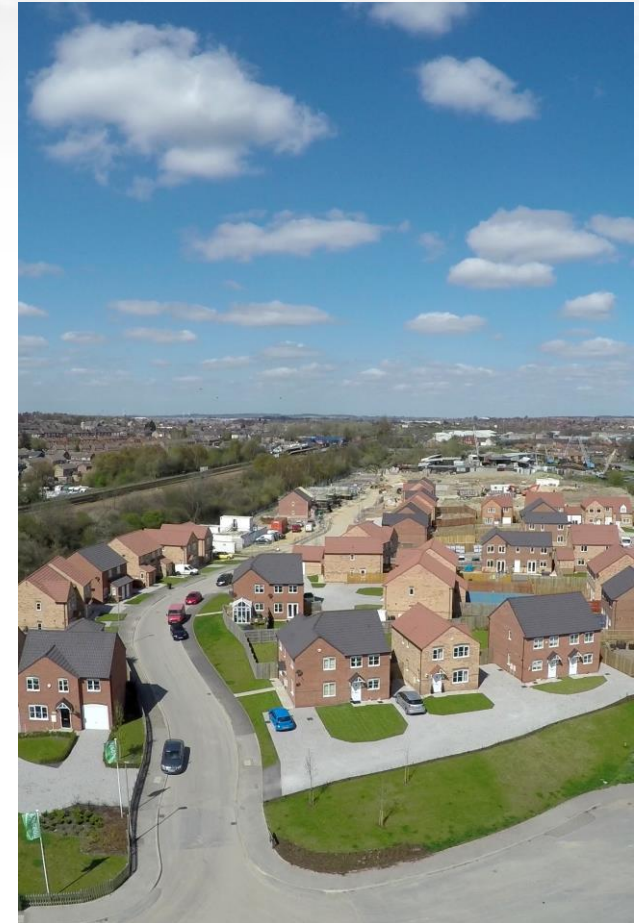
- Pipeline up 25%, net 2,304 plots increase
- 11,588 plots at 30 June 2017 (June 2016: 9,284)
- 141 sites at 30 June 2017 (June 2016: 117)
- 11.4 years sales, at 2017 sales rate



Roadmap to 2,000 units p.a.

- Acquiring land at sensible prices
 - Pipeline of 11,588 plots
 - Buying land in North Midlands, Cumbria, East Yorkshire
 - Expect average to rise as regional / area mix changes
- Growing area offices
 - 7 area offices (June 2016: 6 offices), and
 - 2 new “pilot” offices opened in Penrith & Scunthorpe
- Developing management capacity
 - Area managers appointed in growing regions
 - Leadership development programme now in 2nd year
 - Build manager and site manager training programmes
- Acquiring and retaining key resource
 - Unique strategies for finding and retaining site managers and subcontractors
- Continuing attention to customer needs
- Relentless focus on costs

- We are operating on 59 active sites
- We own or conditionally own 85 sites not yet started
 - 21 of which have planning permission (starting soon).
 - 32 of which have current planning applications.
 - 32 planning applications are being prepared.





- We don't sell leasehold
- We build on all sites as soon as implementable planning permission is received
- We are an accredited Living Wage housebuilder
- We roll out the YourWatch® service to all new sites
- We encourage our mortgage consultants to stay in touch with borrowers for 2 years
- We declare all other costs to buyers
- We pay suppliers and sub-contractors promptly and we don't stretch creditors
- We sponsor junior sports teams in all our regions – 79 in last 5 years
- We hold regular community challenge makeovers – 3 this year costing us and our supply chain c£100,000

Homes: Structure to support growth

Homes management team
of 10 directors with depth
and breadth of experience

CEO & Homes MD – Jolyon Harrison

HEAD OFFICE

LAND – Steve Gamble
OPERATIONS – Sarah Marsden
COMMERCIAL – Arron Passarelli

TECHNICAL – Tony Lee
SALES – Louise McCue
FINANCE – Simon Topliss

Regional Director – Paul Oldridge

NORTH WEST

BURY

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

LIVERPOOL

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

Regional Director – Bryan Simpson

YORKSHIRE & NORTH MIDLANDS

SHEFFIELD

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

NOTTINGHAM

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

WAKEFIELD

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

Regional Director – Ed Alder

NORTH EAST

TEESIDE

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

TYNESIDE

LAND
TECHNICAL
MATERIALS

SALES
BUILD
COMMERCIAL

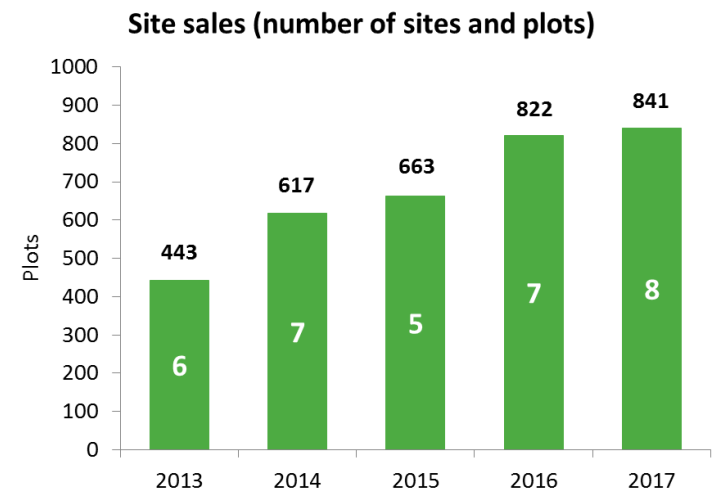
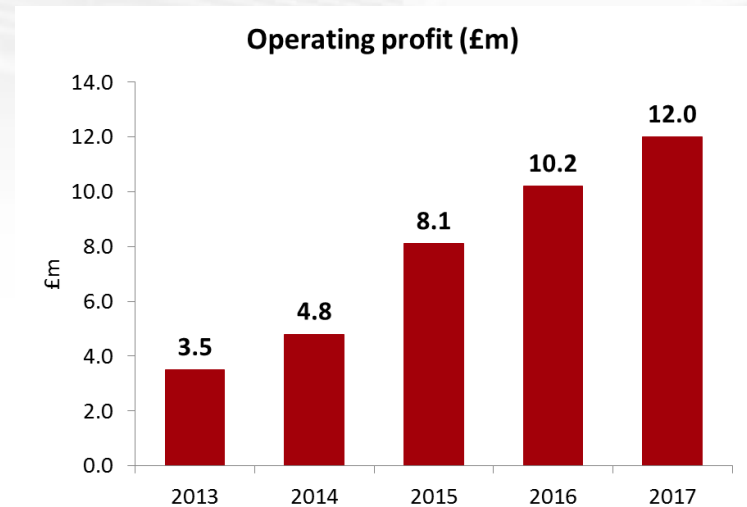
PENRITH

PILOT OFFICE

SCUNTHORPE

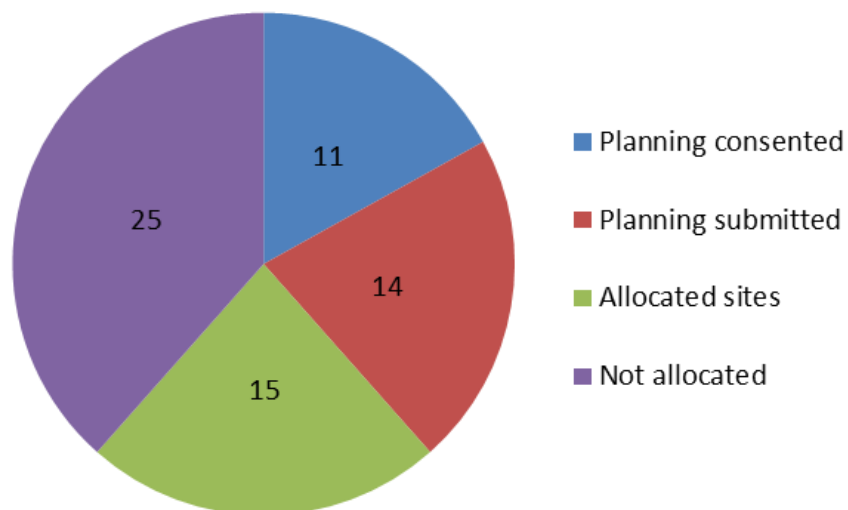
PILOT OFFICE

- 8 land sales completed (2016: 7 land sales) for 841 plots (2016: 822 plots)
- Operating profit up 17.6% to £12.0m (2016: £10.2m)
- 6 new sites plus additional land at an existing site secured during the year
- 30 June 2017 portfolio of 65 sites with potential for 21,505 plots
- Expect stronger 2H than 1H this current financial year



Strategic Land sites: an excellent portfolio

As at 30 June 2017



	No. Sites	Acres	Plots
Planning consented	11	437	2,353
Planning submitted	14	670	3,829
Allocated sites	15	1,418	8,345
Not allocated	25	1,318	6,978
Total	65	3,843	21,505

Prime "A"	Guildford, Twickenham, Surrey , inner M25 Hot interest from all major housebuilders	} Strategic Land
Prime "B"	Shaftesbury, Farnham, Witney, Tunbridge Wells, Haywards Heath Very hot interest from builders building less than 2,500 units a year. Major housebuilders 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 housebuilders building 1,000 units a year or less.....Major housebuilders 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.	} Homes
Secondary	Gleeson Homes territory, no real competition.	

The environment for obtaining sensible planning consent is good.

Major housebuilders still aggressively buying good quality, oven-ready sites, despite many having strong land-banks and strategic portfolios.

- Deliver 2,000 units p.a. within 5 years
- Demand strong for both low cost homes and consented greenfield land
- Occupying a unique and sustainable market segment
- Uplift in ordinary dividend shows confidence in the future
- Confident of significant progress this year and beyond



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