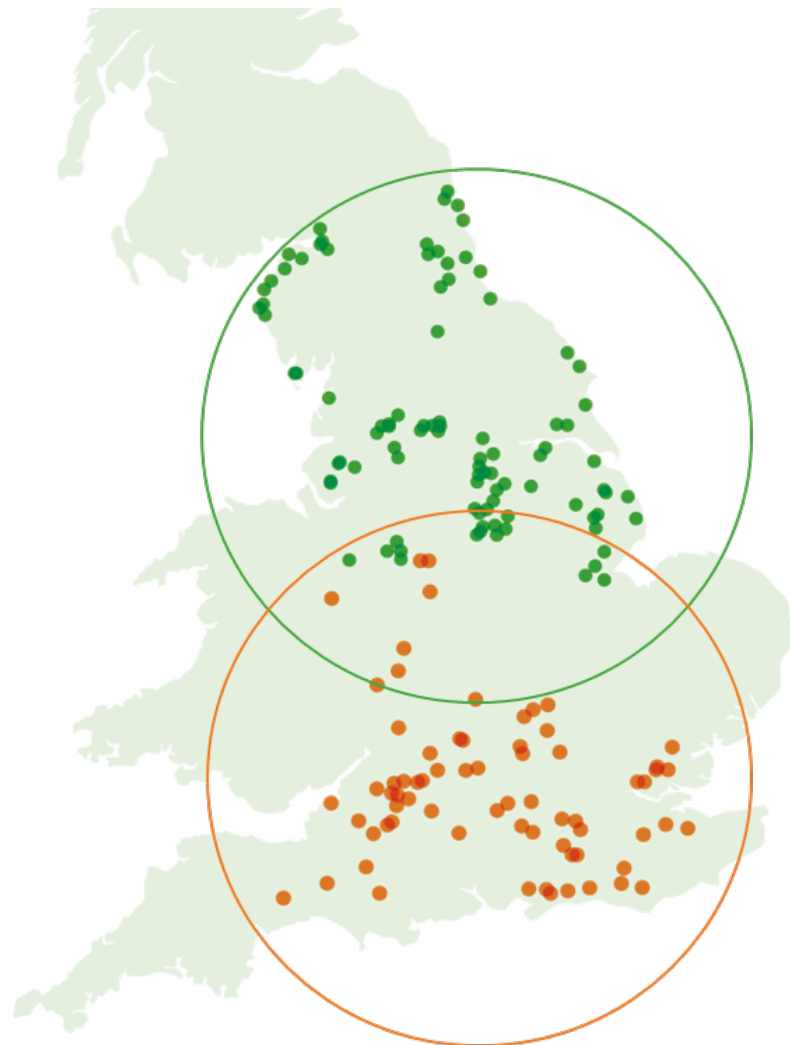




 **gleeson**_{plc}

Results for the half year ended 31 December 2022

16 February 2023



Business Model

- **Gleeson Homes**

We build and sell high-quality, low-cost homes to young, first-time buyers on low to average 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.

Initial observations

- Gleeson Homes
 - Outstanding people
 - High quality and well-located land
 - Excellent product
 - The right business model
 - Restructuring operations for controlled growth
- Gleeson Land
 - High quality portfolio of sites
 - Talented professional team
 - New MD focused on medium term growth potential
- Medium term plans and targets to be set out later this year

Refreshed elevation: Contemporary



3 bedroom detached "Kildare"

Overview

- First half results reflect wider market downturn
- Initial signs of recovery but pace as yet uncertain
 - Mortgage rates reducing
 - Cheaper to buy than rent
 - Selling prices robust – no pressure to reduce
 - Modest incentives, limited and targeted
- Gleeson Homes expected to deliver between 1,650 & 1,850 homes in full year
- Gleeson Land continues to see strong demand for its prime sites

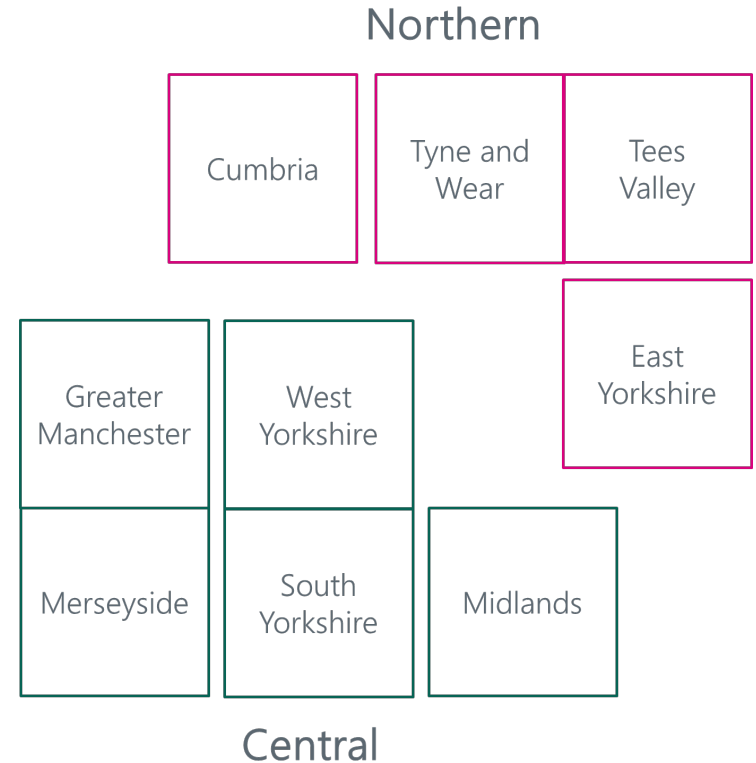
Refreshed elevation: Rural



3 bedroom detached "Renmore"

Gleeson Homes – organisational restructuring

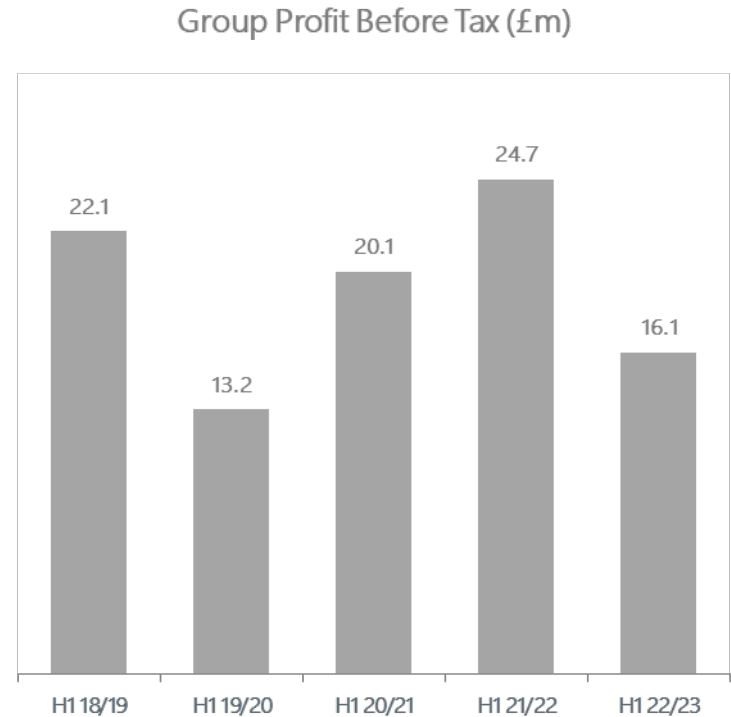
- Enhancing capability for sustainable and well controlled growth
- 9 regions will operate under two divisions and 6 management teams
- Regional teams aligned on standard configuration
- Supported by lean central services
- £4m p.a. reduction in overhead costs (including reductions already achieved) at a one-off cost of £2m



Financial Performance

Results in line with expectations

- Revenue: £171.0m (H1 21/22: £173.5m)
- Operating profit: £16.8m (H1 21/22: £25.2m)
- PBT: £16.1m (H1 21/22: £24.7m)
- EPS: 22.0 pence (H1 21/22: 34.4 pence)
- Net cash: £13.5m (H1 21/22: £38.2m)
- ROCE: 20.0% (H1 21/22: 22.9%)
- Interim dividend: 5.0 pence (H1 21/22: 6.0 pence)



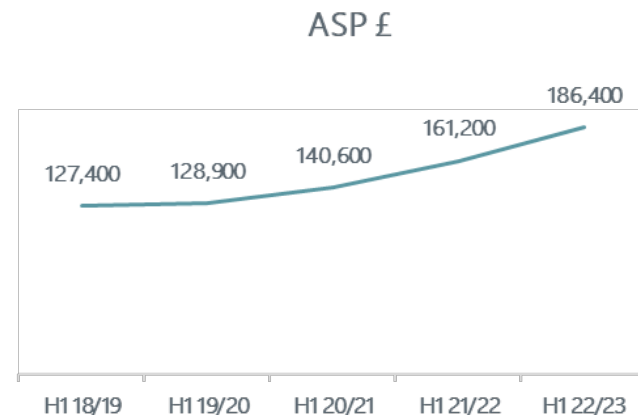
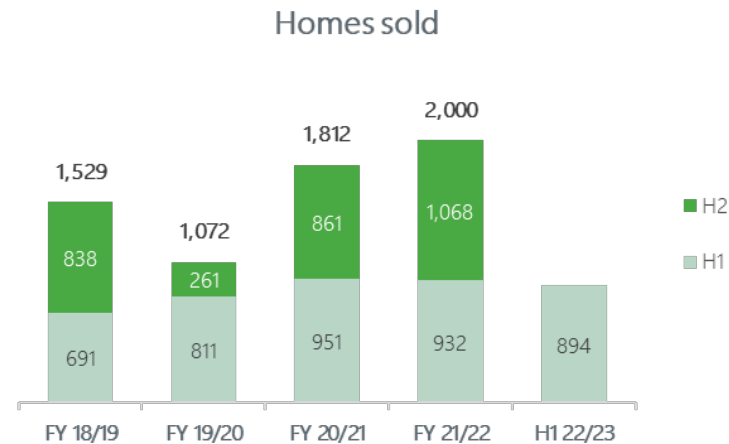
Includes continuing and discontinued operations. All results classified as continuing for the year ended 30 June 2021 onwards

Income statement

£m	H1 22/23	H1 21/22	Change	Notes
Gleeson Homes	166.7	150.2	+11%	Homes sold down 4.1%, ASP up 15.6%
Gleeson Land	4.3	23.3	-82%	1 site sold (H1 21/22: 3)
Revenue	171.0	173.5	-1%	
Gleeson Homes	18.2	22.5	-19%	
Gleeson Land	1.4	5.5	-75%	
Group overhead	(2.8)	(2.8)		
Operating profit	16.8	25.2	-33%	
Interest	(0.7)	(0.5)		
Profit before tax	16.1	24.7	-35%	
Tax	(3.3)	(4.7)		20.4% effective tax rate (H1 21/22: 19.0%)
Profit attributable to shareholders	12.8	20.0		

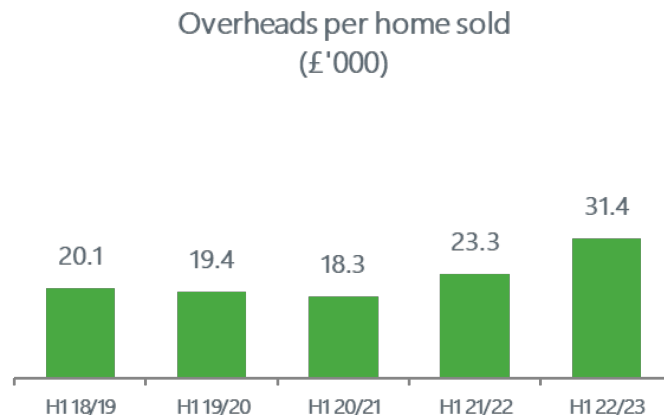
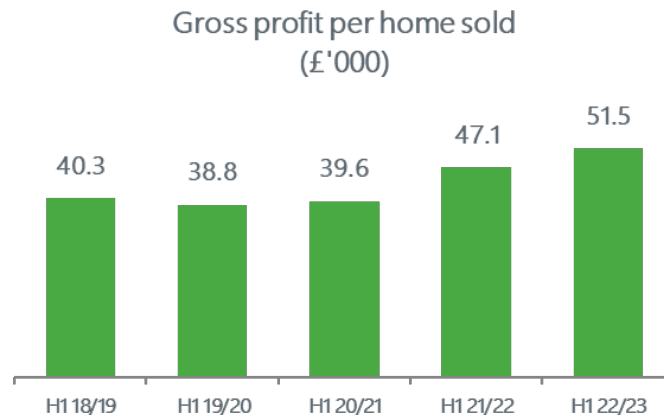
Gleeson Homes

- Homes sold down 4.1% to 894 (H1 21/22: 932)
- ASP up 15.6% to £186,400 (H1 21/22: £161,200)
 - Underlying selling prices up 11.2%
 - Average home size 2.92 bedrooms (H1 21/22: 2.83)
 - 2-bed 20.9% (H1 21/22: 26.7%)
 - 3-bed 66.1% (H1 21/22: 64.0%)
 - 4-bed 13.0% (H1 21/22: 9.3%)
- Turnover up 11.0% to £166.7m (H1 21/22: £150.2m)



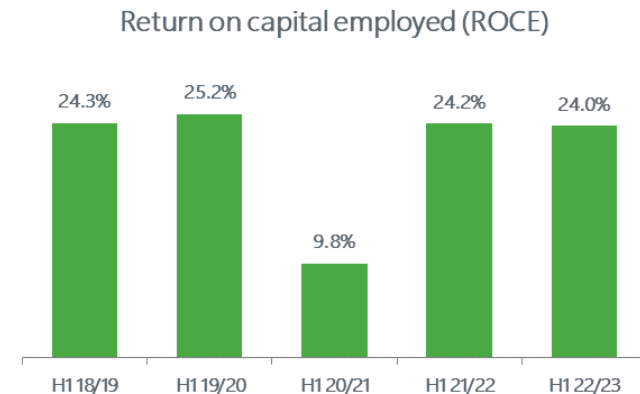
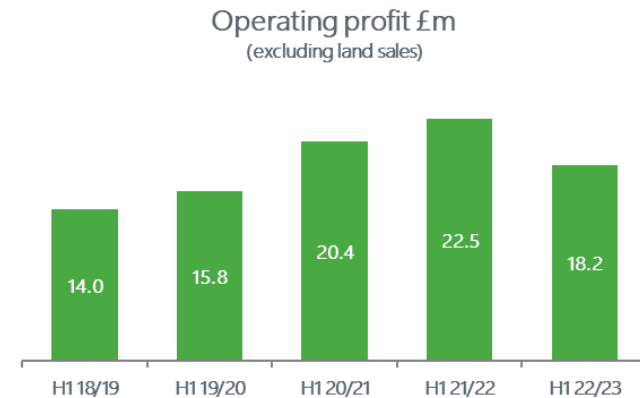
Gleeson Homes

- Gross profit up 5.0% to £46.1m (H1 21/22: £43.9m)
 - Gross profit per home sold £51.5k (H1 21/22: £47.1k)
 - Gross margin on unit sales 27.7% (H1 21/22: 29.2%)
 - Build cost inflation 10.3% and extended site duration
 - Underlying selling price increases of 11.2%
- Overheads up 29.5% to £28.1m (H1 21/22: £21.7m)
 - New regional office in West Yorkshire
 - Headcount increased by 18%
- Organisational restructuring – projected £4m per annum savings



Gleeson Homes

- Other operating income £0.2m (H1 21/22: £0.3m)
- Operating profit £18.2m (H1 21/22: £22.5m)
- Operating margin 10.9% (H1 21/22: 15.0%)
- ROCE 24.0% (H1 21/22: 24.2%)



Forward order book

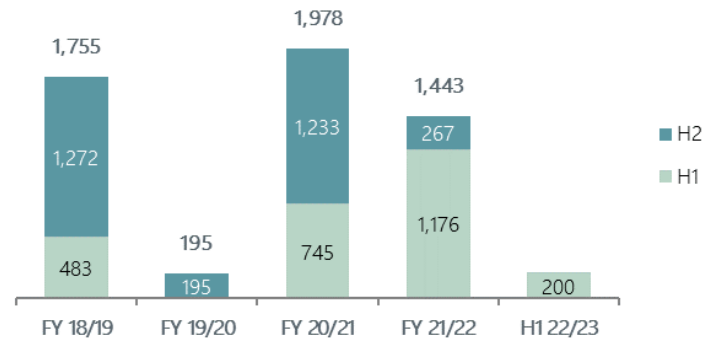
- Reduced forward order book at start of financial year
 - Plots released for sale later in build process - to optimise selling prices and improve the customer journey
- Weaker market conditions since September 2022 has further reduced the forward order book
 - 319 forward orders at 31 December 2022
- Full year volumes will depend on the pace of recovery over the next few months



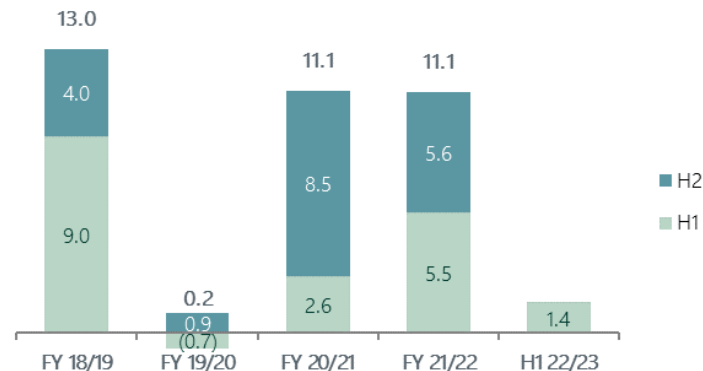
Gleeson Land

- 1 land sale completed (H1 21/22: 3)
 - Total developable plots 200 (H1 21/22: 1,176)
 - 1 promotion sale (H1 21/22: 2 promotions and 1 option)
 - Gross profit per plot £15,555 (H1 21/22: £5,913)
- Gross profit £3.1m (H1 21/22: £7.0m)
- Overheads £1.7m (H1 21/22: £1.5m)
- Operating profit £1.4m (H1 21/22: £5.5m)
- ROCE 15.7% (H1 21/22: 34.5%)

Site sales (number of plots)



Operating profit £m



Balance sheet

£ million		31 December 2022	31 December 2021	Notes
Gleeson Homes	Land	102.0	84.9	£12,300 per plot (Dec 21: £10,900)
	WIP	192.1	129.4	£2.2m per site (Dec 21: £1.6m)
Gleeson Land	Land & WIP	32.7	30.4	71 sites (Dec 21: 71 sites)
Total inventories		326.8	244.7	
Other assets		33.4	42.1	£15m Gleeson Homes, £17m Gleeson Land, £1m Corp.
Gleeson Homes land creditors		(13.4)	(9.7)	13.1% of Gleeson Homes land assets (Dec 21: 11.4%)
Other liabilities*		(82.3)	(55.4)	£74m Gleeson Homes*, £4m Gleeson Land, £4m Corp.
Cash		13.5	38.2	
Net assets		278.0	259.9	

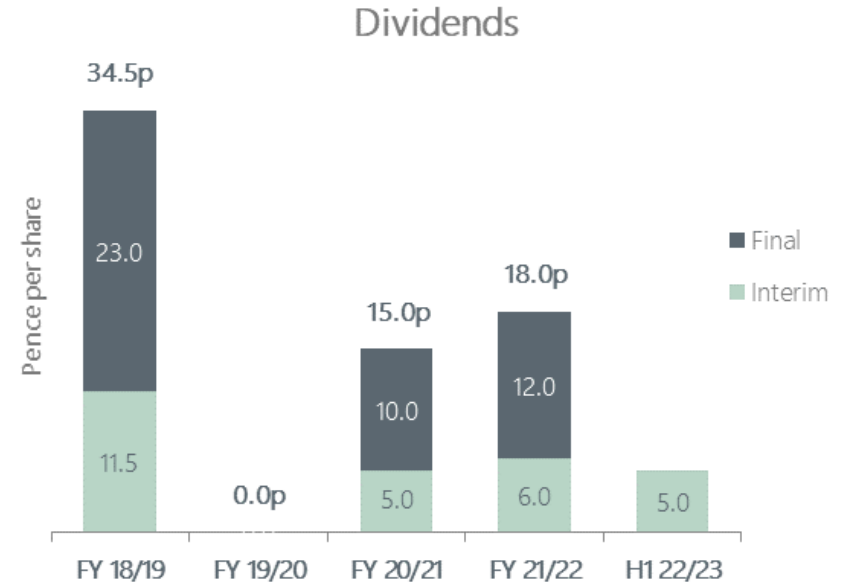
*Includes £12.8m exceptional building safety provision

Cash flow

£ million	H1 22/23	H1 21/22	Notes
Profit before tax	16.1	24.7	
Depreciation and other	3.0	2.6	
Working capital movements	(29.2)	(10.2)	
Cash (used in)/generated from operating activities	(10.1)	17.1	
Tax	(0.6)	(5.8)	Unwind of Corporation tax debtor from June 2022
Interest and finance costs	(0.8)	(0.5)	
Disposal of assets	0.6	0.9	Shared equity receivables
Purchase of fixed assets	(1.8)	(1.7)	Sales arenas, show homes, compounds and offices
Net cash flow from operating & investing activities	(12.7)	10.0	
Other movements	(0.3)	(0.1)	
Principal elements of lease payments	(0.3)	(0.3)	Office lease payments
Dividends	(7.0)	(5.8)	
Decrease in cash	(20.3)	3.8	

Dividends

- Interim dividend of 5.0 pence per share (H1 21/22: 6.0 pence)
- Paid on 3 April 2023 to shareholders on the register at close of business on 3 March 2023
- Dividend policy maintained: FY earnings cover of between 3 and 5 times



Operational Review

Gleeson Homes

Our Vision:

Building Homes.
Changing Lives.

Our Mission:

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

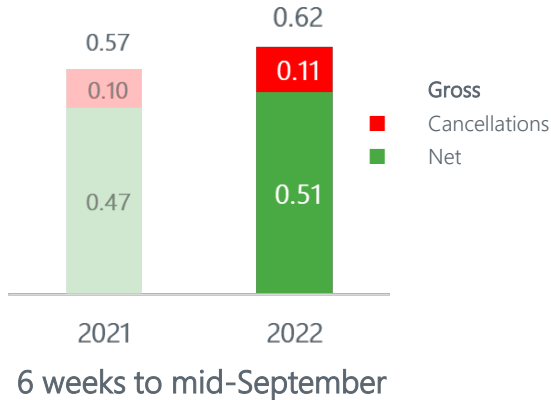
Refreshed elevation: Rural



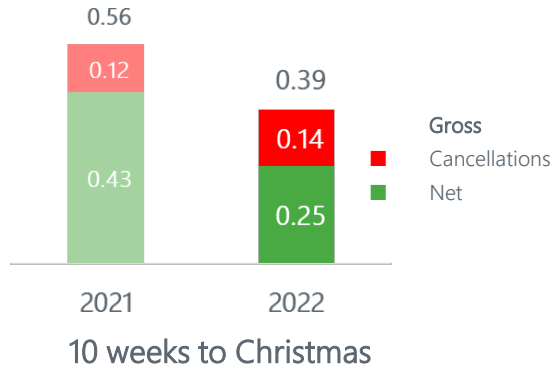
2 bedroom semi-detached "Cork"
Saxon Grange, Lincolnshire

Reservations . . . signs of recovery

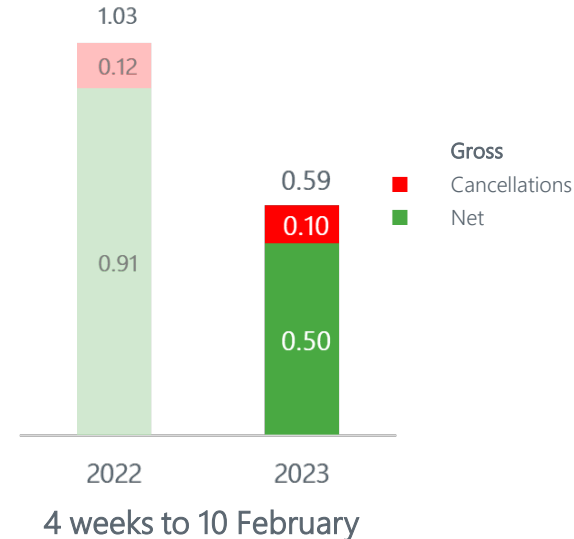
Reservation rates similar to last year until mini-budget in September 2022



Rates reduced significantly following the mini-budget in September 2022



Rates have doubled, but are still below prior year

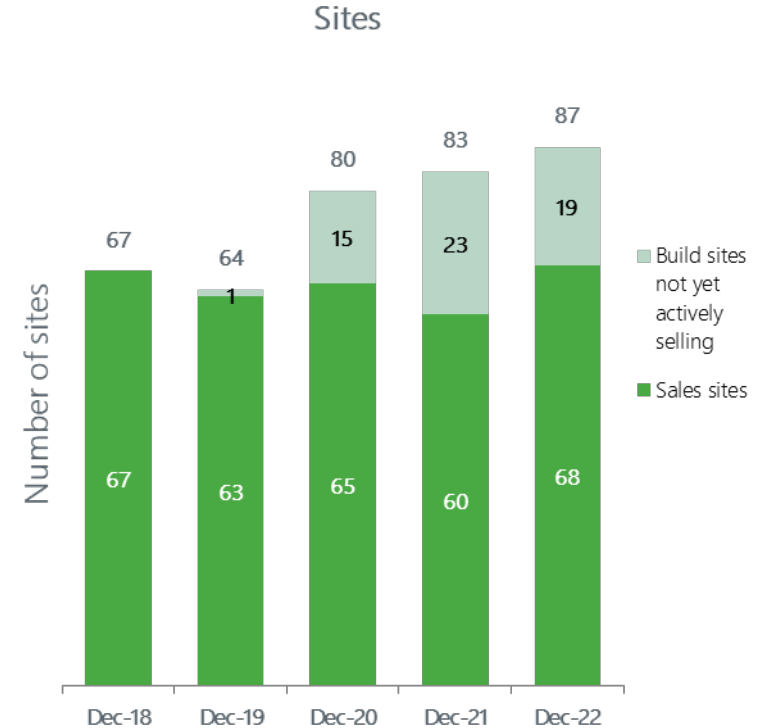


Rates per site per week (Gross reservations, Cancellations & Net reservations)

2023 reservations for current financial year completion

Build and sales sites

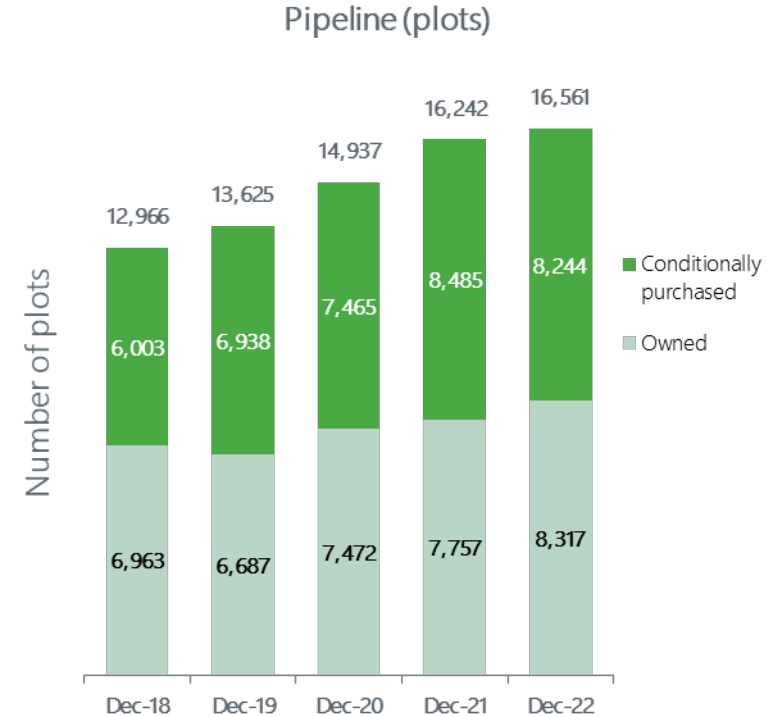
- Build sites
 - 3 sites opened
 - 87 average sites during the 6 months to December 2022 (H1 21/22: 82 sites)
- Sales sites
 - 68 sites at December 2022
 - 66 average sites during the 6 months to December 2022 (H1 21/22: 61 sites)
- Site opening paused until strength of market recovery is clearer
- c.77 build sites and c.65 sales sites at year end



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

Site pipeline

- Pipeline up 2.0% to 16,561 plots on 168 sites
 - 87 active build sites
 - 5 owned, not yet active
 - 76 conditionally purchased sites
- 8.4 years supply
- Average cost c.£13,000 per plot (31 Dec 21: £11,700)
- Land remains available at sensible prices



Refreshing our product

- High quality design and build
- Refreshed product... more attractive, improved specification and simpler to build
- Well advanced on Future Homes requirements
 - Deploying ASHP solution for Part L
- Exploring improved site viability through layout and range improvements

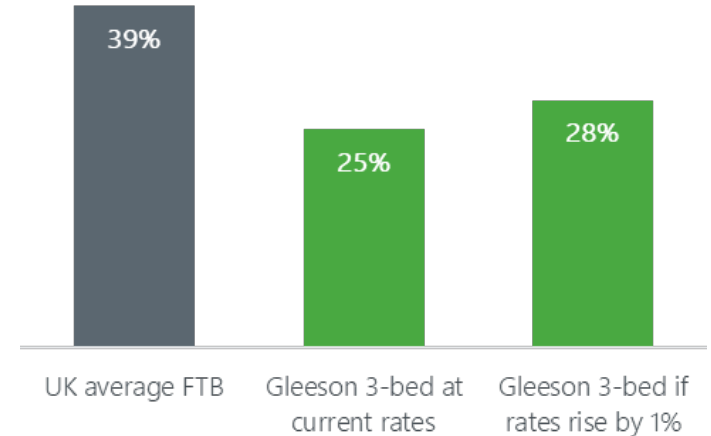
Refreshed elevation: Urban



Remaining highly affordable

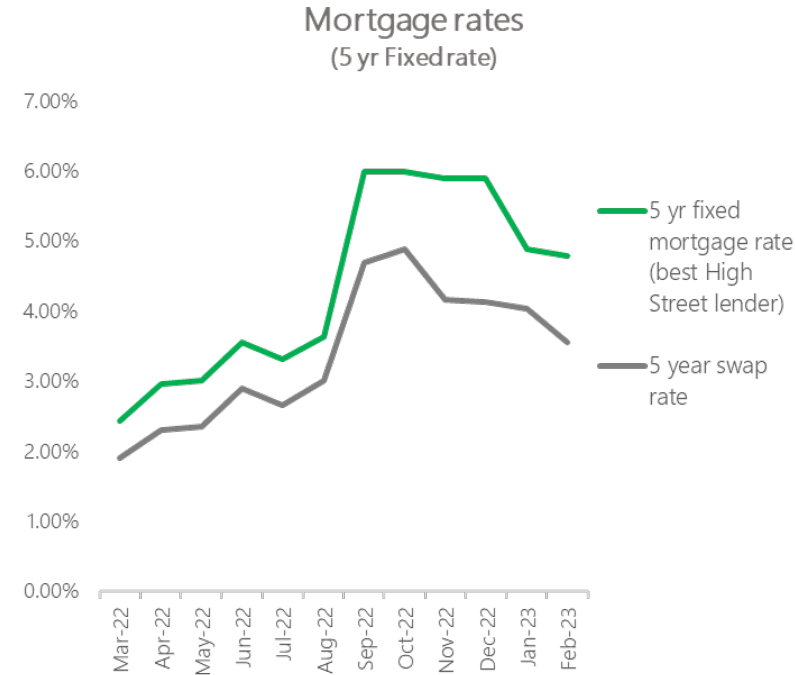
- Affordable for low income buyers
 - Mortgage payments 25% take home pay v UK average 39%
 - National Living Wage increasing 9.7% in April 2023
- Attractive to value driven buyers
 - Significantly lower cost than other housebuilders
- Low cost of ownership
 - £149 p/w mortgage cost on typical 2-bed Gleeson home
 - £167 p/w rental cost for a new 2-bed letting
 - £19 p/w lower energy bills (2-bed)

Mortgage costs
as % of take home pay



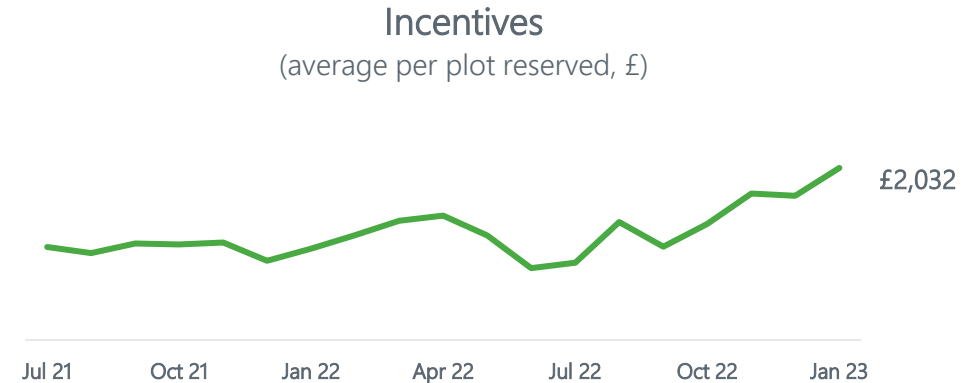
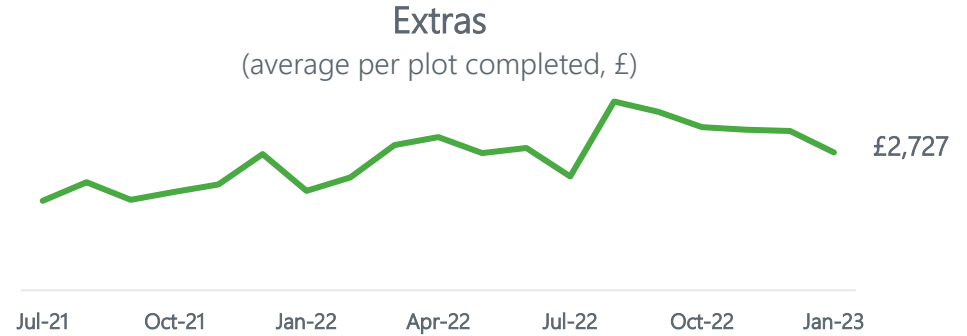
Mortgage rates and availability

- Mortgage rates reducing – 5 year fixed available at 4.79%*
- Healthy mortgage product availability
 - 450+ products for 85% LTV / 150+ products for 90% LTV
- End of Help to Buy (March 2023) not expected to impact demand
 - 2% of current purchasers using HtB in H2
- Alternatives available:
 - First Homes, Deposit Unlock, Shared equity products
- Average non-HtB LTV 85%
 - Non-HtB customers have healthy deposits averaging 15%



Selling prices firm . . . incentives modest

- Selling prices stable since September 2022
 - No discounting
- Extras increasing to average c.£2,700 (FY22: £2,500, FY23 H1: £3,250)
- Incentives have increased to average c.£2,000 (FY22: £1,150, FY23 H1: £1,300)



Signs of recovery

- Web traffic up against last quarter
- Leads and visitor rates up and similar to prior years
- Conversion rates lower than prior years
- Recovery in demand still in early stages
- Expect full year volumes between 1,650 and 1,850

Net reservation rates required to achieve full year sales

<u>Full year FY23 sales volume</u>	<u>Reservation rate</u>
1,850 full year sales	0.61
1,650 full year sales	0.37
Current average (last 4 weeks)	0.50

Gleeson Land

Our Vision:

Promoting Land.
Unlocking Value.

Our Mission:

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



Matthewsongreen, Wokingham, Berkshire
Illustrative site layout

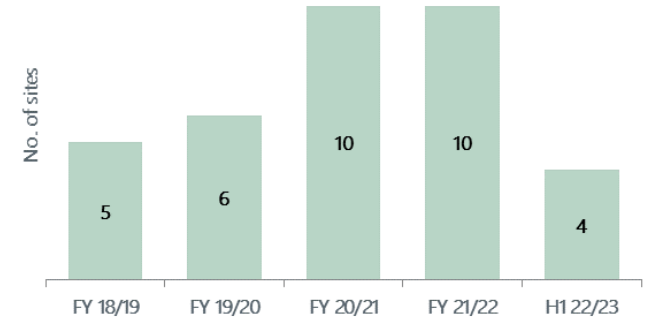
Promoting land. Unlocking value.

- A top-4 promoter
- Recent corporate activity highlights key role of land promoters
 - Planning success rate high
 - No land ownership, no land value risk
 - Land promoters deliver 2 out of every 5 large* consented sites to housebuilders
- Lack of supply supporting consented land prices
 - Demand for high quality, consented sites and good locations remains strong
 - Highly cash generative – 96% cash conversion over last 5 years
- Medium-term growth potential - small investment in overheads and site fees

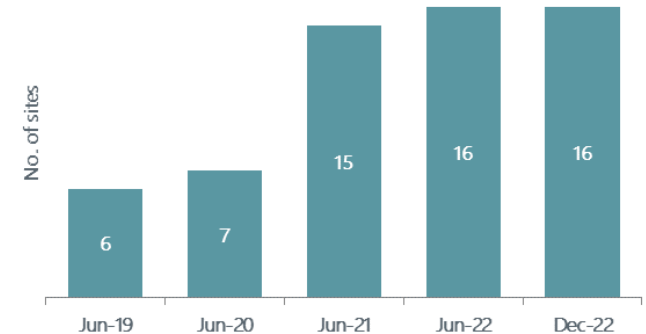
Pipeline ripe – planning congested

- Active in the period
 - 4 planning applications submitted (FY22: 10, H1 FY22: 5)
 - 4 sites granted permission (FY22: 4)
- High-quality portfolio
 - 16 sites awaiting a planning decision (June 2022: 16 sites, Dec 2021: 15 sites)
 - Of which, 4 sites awaiting appeal (June 2022: 6, Dec 2021: 2)
 - 6 sites currently with permission (June 2022: 3)
 - 3 sites in a sale process (June 2022: 2)

Planning applications submitted



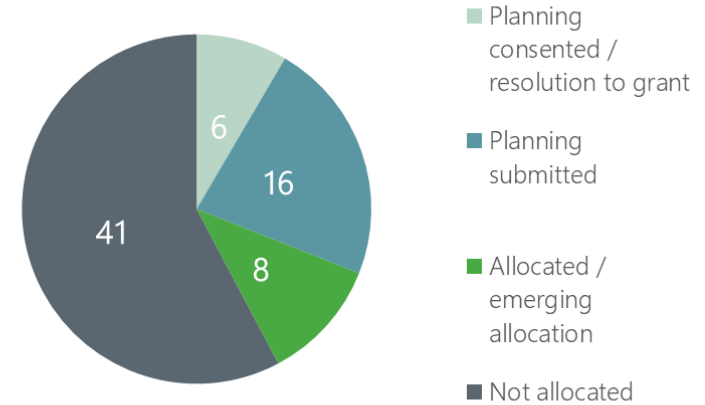
Sites awaiting a planning decision



Pipeline overview

- 71 sites (Dec 21: 71 sites)
- 18,775 plots (Dec 21: 21,155 plots)
- 1,525 plots on 6 sites consented / resolution to grant (June 2022: 1,206 plots on 3 sites)

At 31 December 2022



	As at 31 December 2022		As at 30 June 2022		As at 31 December 2021	
	No. Sites	Plots	No. Sites	Plots	No. Sites	Plots
Planning consented / resolution to grant	6	1,525	3	1,206	3	1,234
Planning submitted	16	3,478	16	3,559	15	3,025
Allocated / emerging allocation	8	2,655	8	3,826	9	4,230
Not allocated	41	11,117	44	11,650	44	12,666
Total	71	18,775	71	20,241	71	21,155

Summary and Outlook

Summary and outlook

- Initial signs of recovery but pace and strength as yet uncertain
 - Expect to deliver between 1,650 & 1,850 homes in full year
- Momentum building as affordability improves
 - Mortgage rates reducing
 - Cheaper to buy a Gleeson home than rent
- Restructuring the Homes business
 - Right-size for current sales volumes
 - Lean and efficient structure, fit to deliver further controlled growth

Q&A

Appendices

Gleeson Homes model

We build high-quality, low-cost homes primarily for young, first-time buyers, where others don't

- 4 out of 5 sites in areas in need of regeneration
- 3 out of 5 sites are brownfield
- Sites well located with good transport links and access to employment
- We build what our customers want:
 - 2, 3 or 4 bed houses
 - Traditional brick and block construction
 - Cheaper to buy than rent
- And have:
 - Front and rear gardens
 - Off-street parking outside the front door



3 bedroom semi-detached "Fergus"
Saxon Grange, Boston

Our customers

- 7 out of 10 first time buyers
- Paid overtime – able to save deposit
- 29 years old - median age
 - 78% are 35 years old or younger
 - 2% are 21 years old or younger
- 42% single, 58% couples
 - 44% of single buyers are female
- 6% cash buyers



Anna, 26 and Daniel, 30
3 bedroom detached "Renmore",
Middlestone Meadows, Spennymoor

our case studies

Home in time for their new baby

Buyer names:	Dorrena and Paul
Occupations:	Teacher and Recruitment Officer
Date of purchase:	July 2022
Development:	Briar Lea Park, Longtown, Cumbria
House type:	Lisburn, 3 bedroom semi-detached
Purchase price:	£143,995
Mortgage cost:	£350 per month
Previous rent cost:	£550 per month (3 bedroom terrace)

Prior to buying their Gleeson home, Dorrena and Paul were renting a 2 bedroom mid-terrace, spending £550 per month, which was due to increase. Over the seven years of renting, they calculated that they had spent £49,000, with nothing to show for it.

When Dorrena fell pregnant, knowing that they would shortly have a newborn baby, the couple decided that buying new would be the most stress free route, and soon discovered their local Gleeson development. Their Gleeson home is much bigger than their previous rented property, and they finally have their own garden! In addition to this, their mortgage is only £350 per month, so they are saving £200 per month.

The couple loved their buying journey, and as they counted down the days until their home was ready, they counted down the days to Rossa's birth, and miraculously Rossa was born on their completion day.



our case studies

From rent trap to family home

Buyer names:	Jordan, 29 and Alexa, 25
Occupations:	Agricultural Manufacturer and Teaching Assistant
Date of purchase:	September 2022
Development:	Bracken Park, Louth
House type:	Longford, 4 bedroom detached home
Purchase price:	£249,995
Mortgage cost:	£900 per month
Previous rent cost:	£430 per month (3 bedroom semi-detached)

First-time buyers Alexa and Jordan were renting for eight years before buying their Gleeson home. The couple, who recently got married and have a six-year old son, were pleasantly surprised with how affordable it was to own a 4 bedroom detached family home, enabling them to achieve homeownership sooner than they thought.

Despite paying more than double for their mortgage than they were for their rent, the couple see great value in their new home, gaining more space for their family to grow and confidence that their monthly energy bills would be lower than what they would pay in an older property.

Now having a much better quality of life, Alexa and Jordan are thrilled that their home features a front and rear garden for their son to enjoy plenty of outdoor space to play in, plus a garage and drive their cars too.



our case studies

From flat to 4 bedroom home

Buyer name:	Laurynas, 28 and Karolina, 27
Occupation:	Logistics Worker and Water Technician
Date of purchase:	September 2022
Development:	Petersmiths Park, Newark, Nottinghamshire
House type:	4 bedroom detached Carlow
Purchase price:	£236,995
Mortgage cost:	£700
Previous rent cost:	£450 per month (1 bedroom flat)

Ready to escape the rent trap, first-time buyers Karolina and Laurynas moved out of their small 1 bedroom flat and into a spacious 4 bedroom detached Carlow.

Despite their mortgage being more expensive at £700 per month compared to their previous £450 rent, the couple are thrilled with the value for money in their new Gleeson home. They now have a beautiful detached home with a huge garden, plus a garage, driveway, open-plan kitchen-diner with a utility room and four spacious rooms, the master with an en-suite.

After visiting a number of other new build developers, Karolina and Laurynas decided that Gleeson came out on top thanks to the affordability and knowledge that once they have moved in their monthly energy bills would be low too. After a smooth buying process, Karolina and Laurynas have recommended Gleeson to a number of their friends, and are enjoying life on their development.



An affordable family home

Buyer names:	Emily, 27 and Reece, 26
Occupations:	Stay at home Mum and Maintenance Technician
Date of purchase:	November 2022
Development:	Model Walk, Creswell, Nottinghamshire
House type:	4 bedroom detached Waterford
Purchase price:	£233,995
Mortgage cost:	£750
Previous rent cost:	£633 (2 bedroom mid-terrace)

Emily, Reece and their family of four decided to upgrade their living arrangements, after going from a small 2 bedroom mid-terrace home to a spacious detached 4 bedroom home with a utility room, driveway and garage. The couple decided that the £633 per month they were paying in rent was wasted money, and that the home wasn't big enough for their growing family. Despite now paying more for their mortgage than their rent, which is now £750, the couple are thrilled with the new space that comes with their Waterford home.

After visiting their local development and researching other housebuilders, Emily and Reece were thrilled to find out how affordable it was to own a 4 bedroom detached home at Model Walk in Creswell, and the value for money that they would get. The couple felt that with Gleeson they didn't have to compromise on any of their requirements for their ideal family home, and that they could get onto the property ladder much sooner than they first thought.



Gleeson Homes – what we don't do

Flats



Sell to
Investors



Part
Exchange



City-centres



Leasehold



Buying still cheaper than renting

Number of bedrooms	Average Gleeson Price (31 Dec 22 FOB)	90% LTV Mortgage	Rented house – new lettings	Rented houses and flats
2 bed	£146,000	£149	£167	£143
3 bed	£192,000	£196	£208	£163
4 bed	£252,000	£257	£345	£258

All mortgage payments based on Mortgage payments on 90% LTV, 5yr fixed, 35yr term at 4.79% from Nationwide (Jan-23)
Rented house new lettings is based on new lettings for 7 months up to January 2023 from On the Market
Rented houses and flats is based on median private rental cost, source: ONS

Energy efficient homes – affordable to run

- Gleeson homes use 49% less energy
 - 1% EPC rated "A" (FY22: nil)
 - 96% EPC rated "B" (FY22: 97%)
- Average energy bills capped under the Government's energy plan
 - Average energy costs £2,500 p.a. for all dwellings from October 2022
 - Average energy costs £3,000 p.a. for 2, 3 and 4-bed houses
 - Gleeson customers average energy bills £1,800 p.a. from October
 - £1,200 p.a. (41%) lower costs than existing houses

Energy consumption p.a. (kWh)	2-bed house	3-bed house	4-bed house
<u>Existing housing stock</u>			
Gas (kWh)	11,400	15,150	18,400
Electricity (kWh)	2,900	3,600	4,300
<u>Gleeson homes</u>			
Gas (kWh)	6,103	7,377	9,438
Electricity (kWh)	1,582	2,055	2,717
Energy cost p.a. (£)			
Existing housing stock	£2,396	£3,009	£3,572
Gleeson homes	£1,418	£1,707	£2,138

Source: National Energy Efficiency Database (BEIS), Great Home (independent advice website), BG energy consumption data on Gleeson customers

Affordable for low income buyers

- The National Living Wage (NLW) is increasing by 9.7% on 1 April 2023 to £10.42 per hour
- A couple on NLW in full time employment:
 - can afford to buy a home costing £192,650*
 - can afford to buy on any Gleeson site
- Median household income of a couple buying a Gleeson home is £48,800 p.a.
 - Average Gleeson customer affordability is £216,900* (16% above average selling price of £186,400)
- Average deposit £28,000 (15% of purchase price) for customers not using Help to Buy

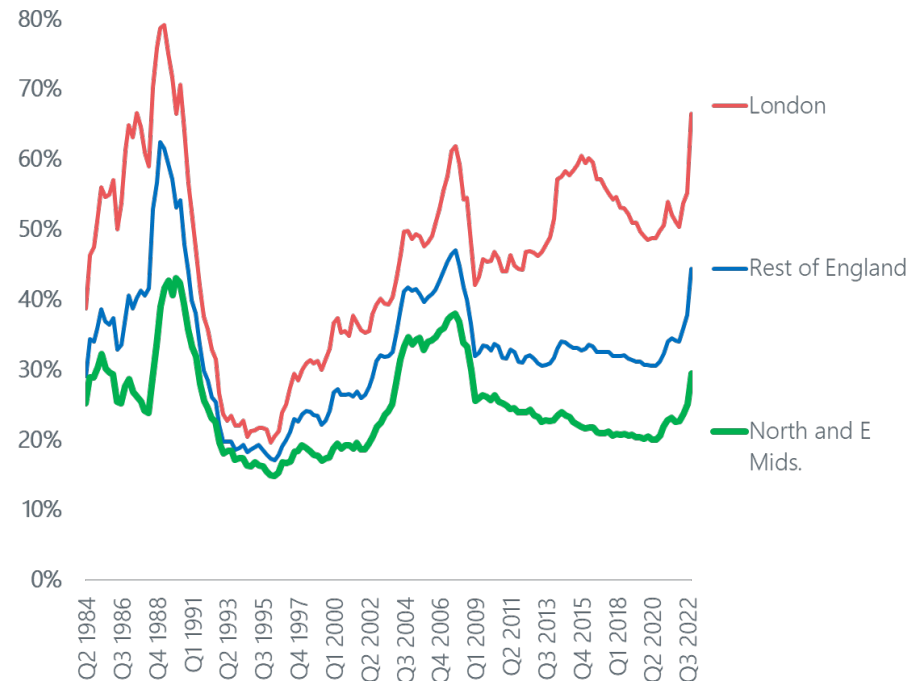


*Based on 4x loan to income and 90% LTV mortgage

Affordable for first time buyers

- First time buyers spend a lower proportion of take-home pay on mortgage payments:
 - Mortgage costs currently represent 29% against average over the last 40 years of 25%
 - Affordability in the North is still more affordable than the rest of England has averaged over the last 40 years
 - Mortgage costs in the rest of England represent 44% of take home pay compared to 40 year average of 33%

Mortgage costs as a percentage of take home pay

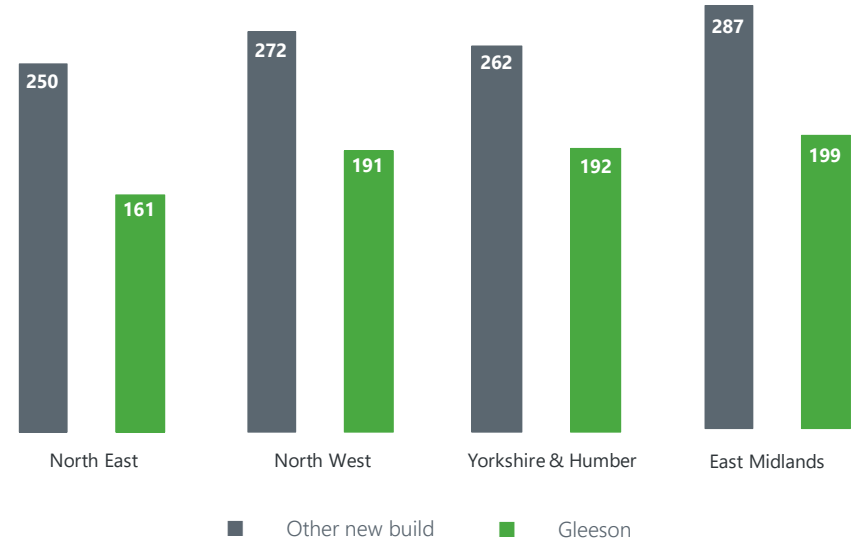


Source: Nationwide Building Society

Attractive to value-driven buyers

- Gleeson homes selling prices significantly below other developers new build prices
 - £336,000 average new build house price in England*
 - £268,000 average price charged by other housebuilders in Gleeson's regions
 - 44% higher than Gleeson's H1 average selling price of £186,400

Gleeson ASP vs Other new build ASP*
(£,000)



*Source: ONS Table 15 average quarterly selling prices for all new build dwellings for 12 months to September 2022

Average Gleeson selling price on completions in H1 FY23

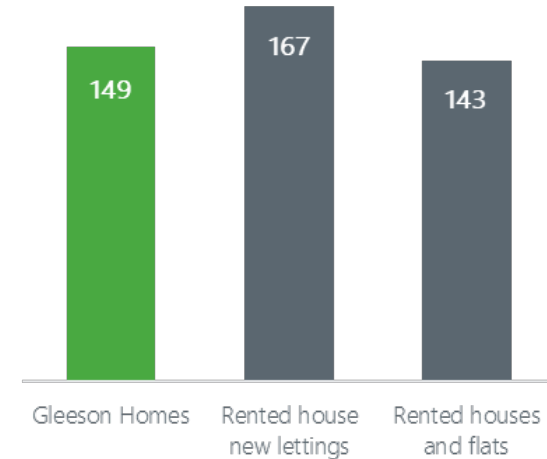
Lower cost of ownership

- Rental costs in the UK have risen 12%* in the last 12 months
- Ownership costs lower than renting
 - £167 weekly cost of renting a 2-bed house
 - £149 weekly mortgage cost of a Gleeson 2-bed home
 - Interest rates can rise by a further 1% before owning costs the same as renting (assuming rents don't rise further)
- Energy bills lower than renting
 - £19 per week lower energy bills on a typical 2-bed Gleeson home**

Source: *Zoopla 12 months to October 2022

**Average Gleeson 2-bed energy bills £1,400 per annum. Average existing 2-bed housing stock £2,400 per annum.

Cost of a 2 bed home
(£ per week)

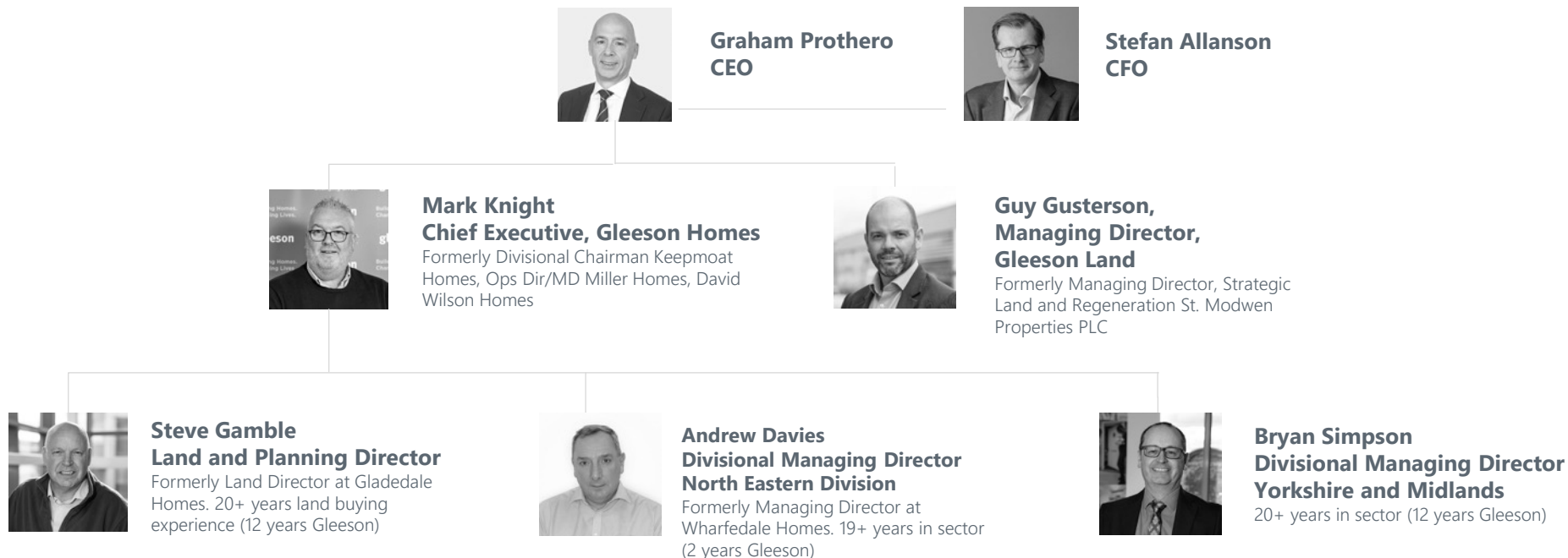


Gleeson 2-bed FOB ASP £146,000. Mortgage rates at 27 January 2023 on 90% LTV, 5-year fixed, 35-year term, 4.79%.

Rental cost based on the median of new rent listings of a 2-bed house in the North and East Midlands over the last 7 months. Data provided by OnTheMarket.

Rented houses and flats - all private rents of a 2-bed dwelling including flats, bungalows and maisonettes between October 2021 – September 2022 – inflated by 9 months to December 2022 at 5% per the ONS index of private rentals (ONS)

Organisational structure



Sustainability Review

Sustainability

- Focused on Environment, Communities & People
 - UNSDG 11: “Sustainable Cities & Communities”
 - Target 1: “Access for 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
- United Nations Global Compact (UNGC) in October 2022
 - Aligned to the 10 principles of the UNGC across human rights, labour, environment and anti-corruption.
- Senior Ecologist recruited November 2022 - driving biodiversity strategy
- Partnered with Future Homes Hub



Communities



Environment



People

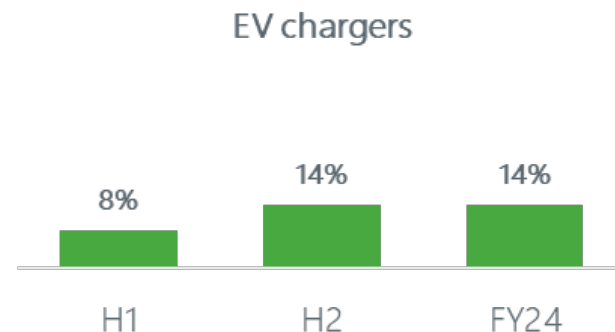
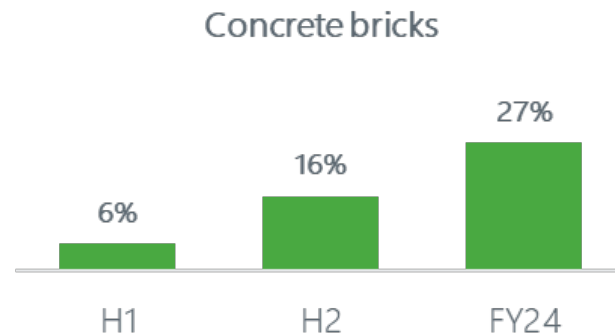


Proud member of the UN Global Compact Network UK



Progress on emissions

- Concrete Bricks
 - Reduces embodied CO₂e by 4% (circa 1.8 tonnes) per home
 - 6% of homes in H1
 - Targeting 27% in FY24
- EV charging points
 - 8% of homes include electric vehicle ("EV") charging points
 - Targeting 14% in FY24
- Trials:
 - Generators with battery storage
 - Supplementary solar panels
- Air Source Heat Pumps (ASHP) – first homes sold



Thank you

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