MJ Gleeson plc

16 September 2019

Results for the year ended 30 June 2019

Business as usual

- Strong finish to the year
  - Gleeson Homes volumes up 25%, pipeline strong at 13,575 plots (9 years)
  - Strategic Land sold 9 sites (973 plots + Thanet), portfolio strong at 21,730 plots
  - Healthy balance sheet, £30m cash
- Business model clear and unchanged
  - Experienced management team, continuing to strengthen structure
- Gleeson Homes: Medium-term target of 2,000 units p.a. on track
  - 10 area offices fully established, capacity of 150-250 units p.a. each
  - Targeting 80 or more active sites by end of year
  - Acquiring land in new areas – Lincolnshire and West Midlands
- Gleeson Strategic Land: Demand for consented land remains strong
  - Review completed – business will remain part of Gleeson

Masefield Park, Chesterfield, Derbyshire

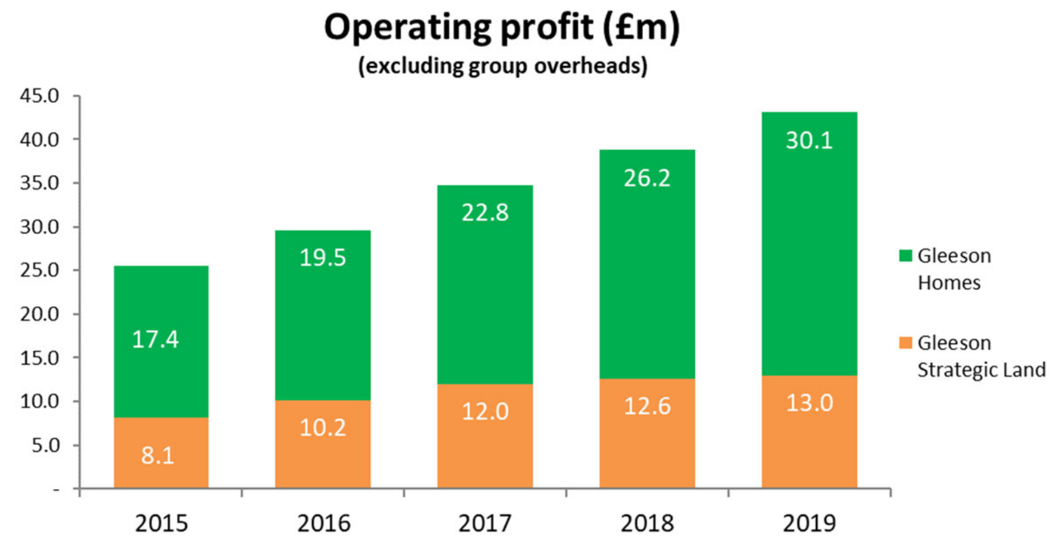
Financial Review

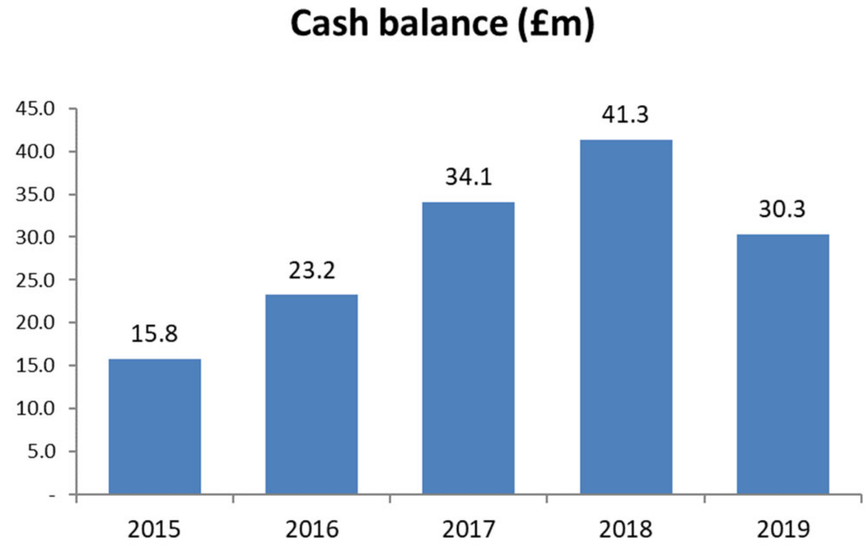
Stefan Allanson
Chief Financial Officer

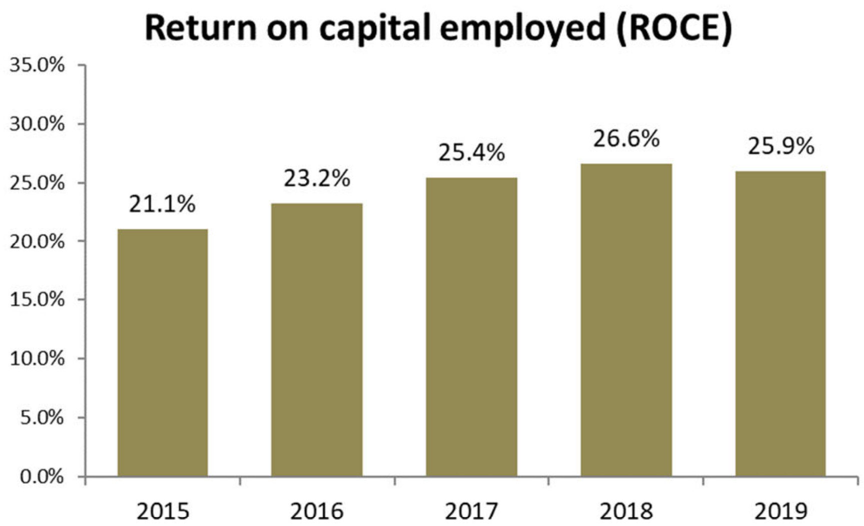
Another strong year

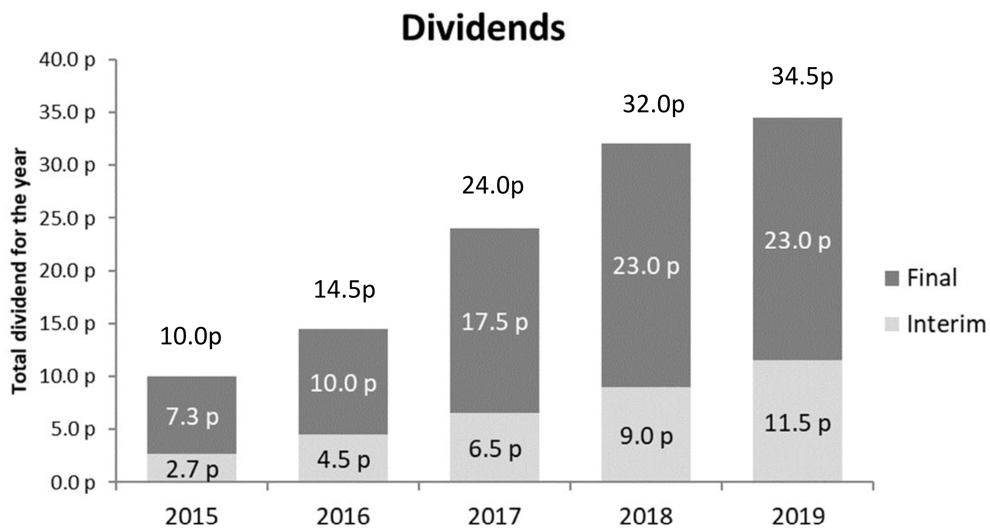
- Operating profit **up 11.1%** to £41.0m (2018: £36.9m)
- PBT **up 11.4%** to £41.2m (2018: £37.0m)
- Earnings per share **up 9.7%** at 61.0p (2018: 55.6p)
- Cash balance **down** to £30.3m (June 2018: £41.3m)
- ROCE **down 70 bp** at 25.9% (2018: 26.6%)
- Total dividend **up 7.8%** to 34.5p (2018: 32.0p)

Growth in profit & dividends, investment in WIP & receivables









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Income Statement

£m	Year ended June 19	Year ended June 18	Change	Notes
Revenue				
Homes	197.0	153.4	+28.4%	Volume & ASP Growth
Strategic Land	52.9	43.3	+22.2%	Higher total developable plots
	249.9	**196.7**	**+27.0%**	
Homes	30.1	26.2	+14.9%	Turnover growth offset by lower GP%
Strategic Land	13.0	12.6	+3.2%	
Group overhead	(2.1)	(1.9)		
Operating profit	**41.0**	**36.9**	**+11.1%**	
Interest income	0.2	0.1		
Profit before tax	**41.2**	**37.0**	**+11.4%**	
Tax	(7.6)	(6.5)		Tax rate 18.8% (2018: 17.8%)
Discontinued operations	(0.3)	(0.3)		
Profit attributable to shareholders	**33.3**	**30.2**	**+10.3%**	

Balance sheet

£m		30 June 2019	30 June 2018	Notes
Homes	Land	58.0	59.1	£8,885 per plot (2018: £9,145)
	WIP	96.5	72.4	Investment in build WIP
Strategic Land	Land	12.9	13.2	
	WIP	15.7	15.8	
Total Inventories		**183.1**	**160.5**	
Other assets		67.8	41.0	Strategic Land receivables £50m (2018: £24m)
Liabilities		(77.3)	(54.7)	Strategic Land payables £33m (2018: £18m)
Cash and cash equivalents		30.3	41.3	
Net assets		**203.9**	**188.1**	

Cash flow

£m	Year ended June 19	Year ended June 18	Notes
Profit before tax from continuing operations	**41.2**	**37.0**	
Depreciation, loss from disc. ops and other	1.5	1.6	
Working capital movements	(27.9)	(11.4)	
Cash generated from operating activities	**14.8**	**27.2**	£11m increase in Strategic Land net receivables
Tax	(5.9)	(5.2)	Continued use of tax losses
Interest	(0.2)	(0.1)	
Disposal of assets	1.0	1.0	
Purchase of assets	(1.9)	(1.3)	
Net cash flow from operating & investing activities	**7.8**	**21.6**	
Dividend	(18.8)	(14.4)	
(Decrease)/increase in cash	**(11.0)**	**7.2**	

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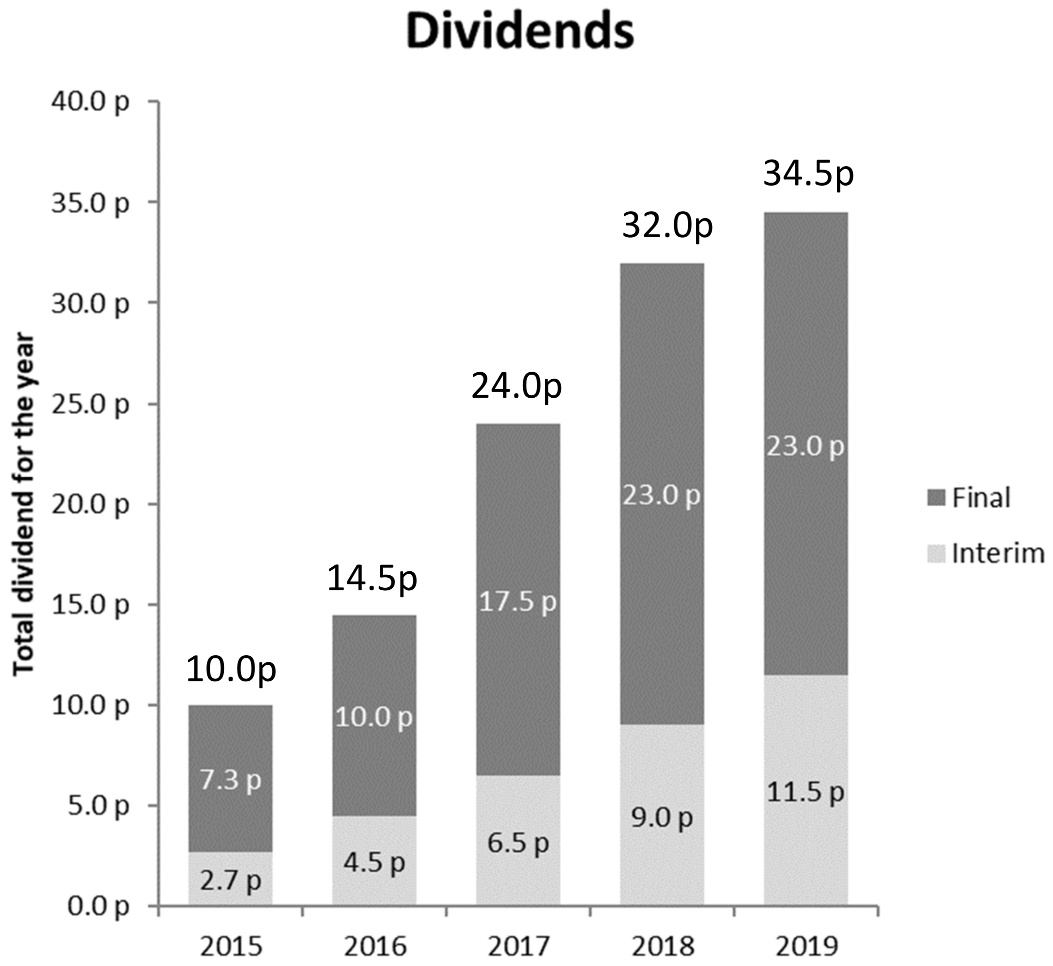
Dividend

- Final dividend recommended of 23.0 pence per share (2018: 23.0 pence per share)
- Giving a total ordinary dividend for the year of 34.5 pence per share, up 7.8%
- Dividend cover maintained between 1.75 and 2.75 times



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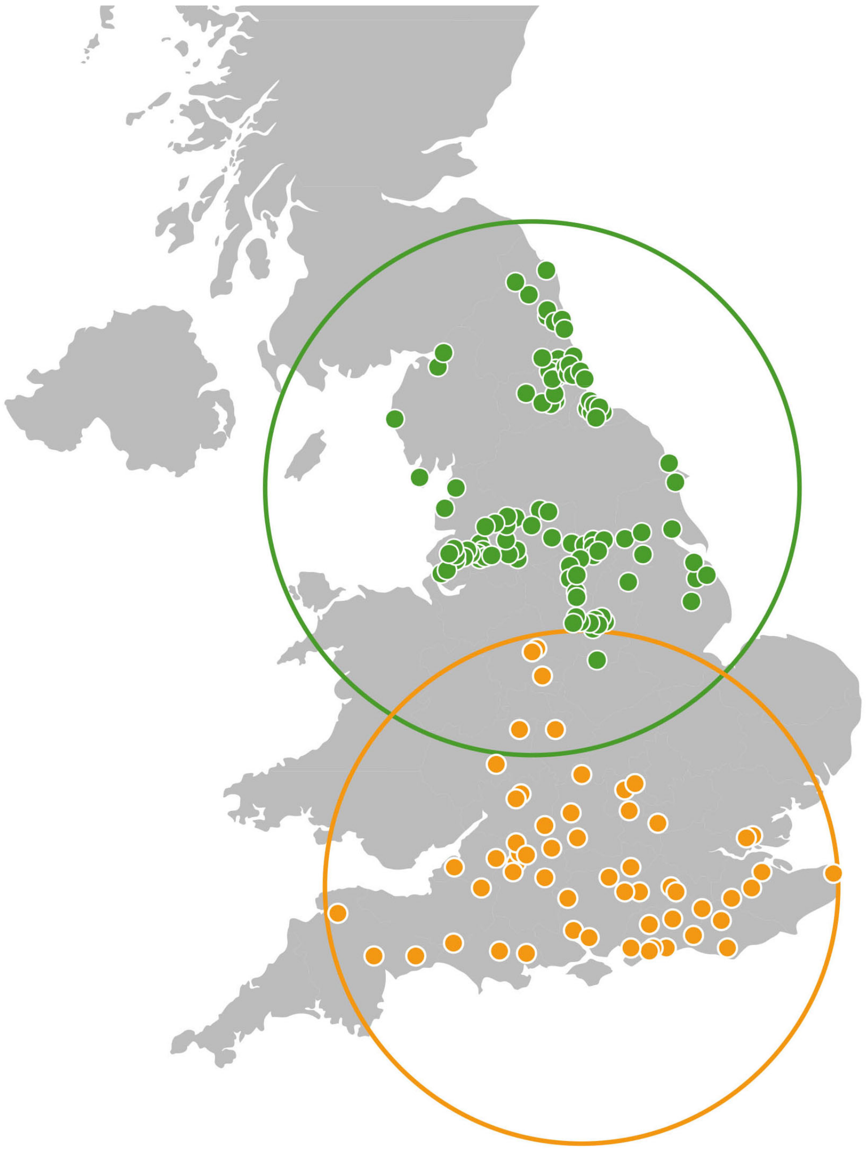
Mackeson Park, Ashton under Lyne, Greater Manchester

Business Review

James Thomson
Chief Executive Officer

Business model - Reminder



Gleeson Homes

We build and sell low-cost homes to young, first-time buyers on low incomes, typically in areas of urban regeneration and on brownfield land

Gleeson Strategic Land

We promote land, enhancing the value of land by securing residential planning consents

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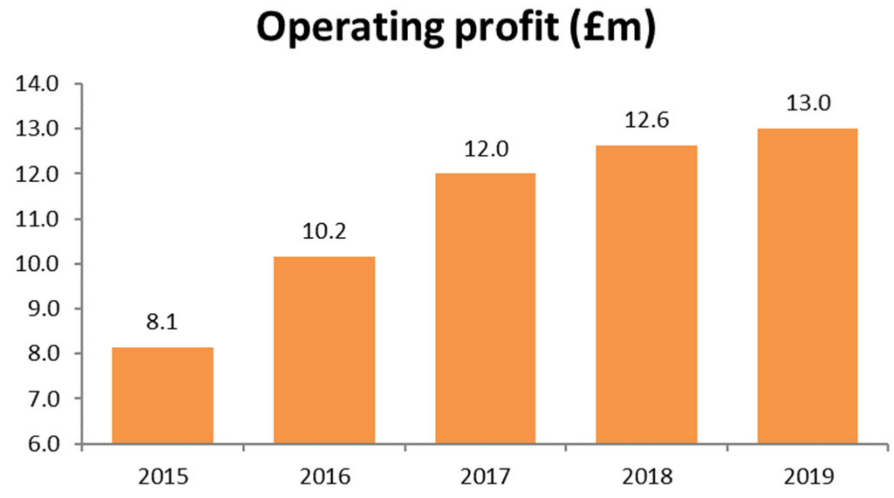
Gleeson Strategic Land

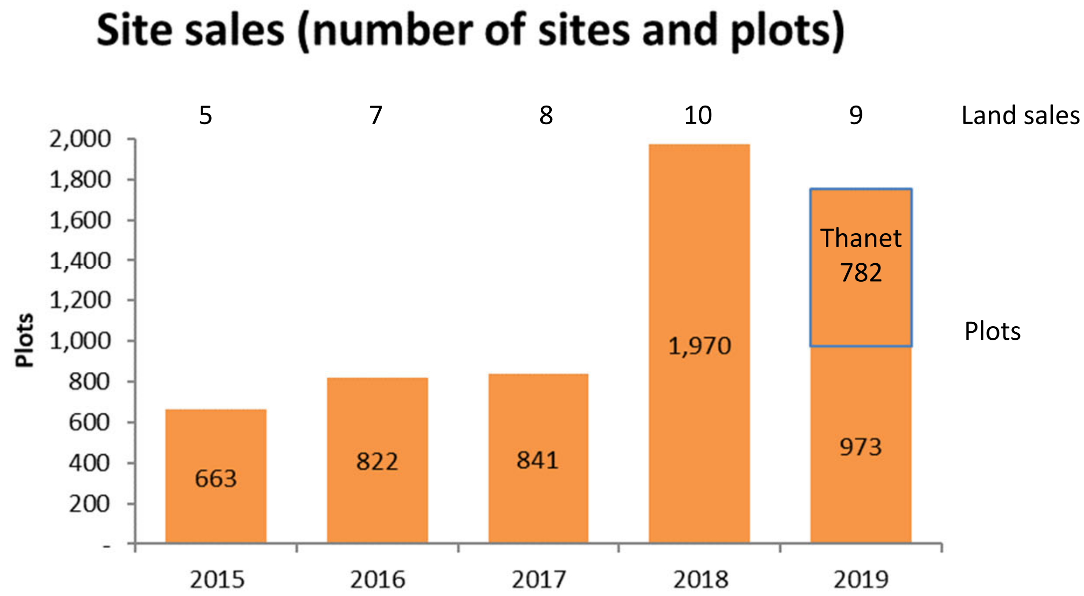
Strategic Land: Valuable profit and cash generator

- Review of options by Lazard & Co:
  - Significant interest from multiple parties
  - Large and valuable pipeline
  - Growth opportunity over the medium term
  - Strong cash generator
- Demand remains strong from both large and medium-sized housebuilders
- Board have concluded that the Group will derive significantly greater value from retaining than from selling

Strategic Land: Overview

- 9 land sales completed (2018: 10 land sales)
  - 8 sites: 973 developable plots
  - 1 site: 782 developable plots (Thanet, last major owned site, little profit)
- Operating profit up 3.2% to £13.0m (2018: £12.6m)
- 8 new site interests acquired
- 30 June 2019 portfolio of 60 sites with potential for 21,730 plots
- Current year result likely to be broadly similar to 2019





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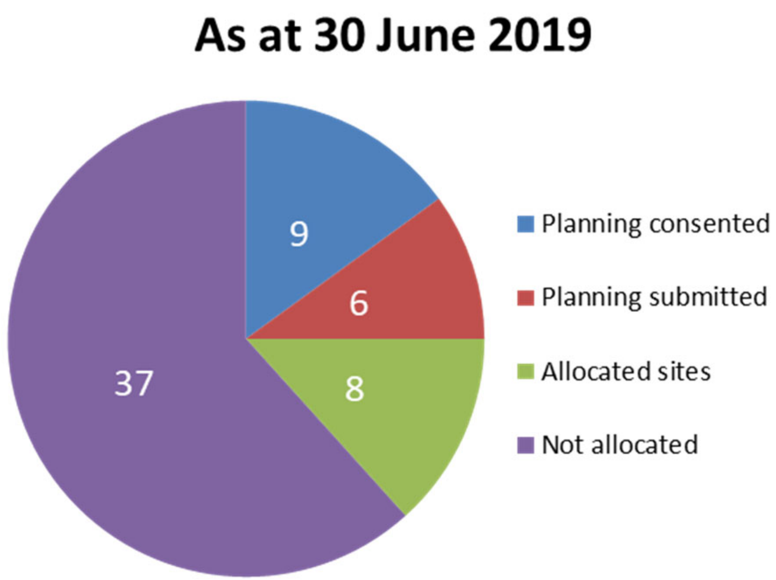
Strategic Land: Planning status

- Portfolio remains strong
  - Quality sites with strong residential development potential



	No. Sites	Acres	Plots
Planning consented	9	450	2,929
Planning submitted	6	402	2,583
Allocated sites	8	977	4,554
Not allocated	37	2,331	11,664
Total	**60**	**4,160**	**21,730**

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Carlisle Park, Swinton,
South Yorkshire

Gleeson Homes

Homes: Relentless growth in demand

- Household formations growing
  - 210,000 new households p.a.*
- One-third of English households are renting
  - Over 4 million households renting in our geographic area
- Gleeson Homes cheaper to buy than rent**
  - 2-bed, £106k home - mortgage costs £56 per week
  - 3-bed, £130k home - mortgage costs £68 per week
- Market underpinned by affordable and available finance
  - Healthy and robust mortgage market
  - Help-to-Buy remaining until 2023 – unaffected by caps

* Government projections from 2014 to 2039 for households in England

** 35 year repayment mortgage, fixed 2 years, with Help-to-Buy

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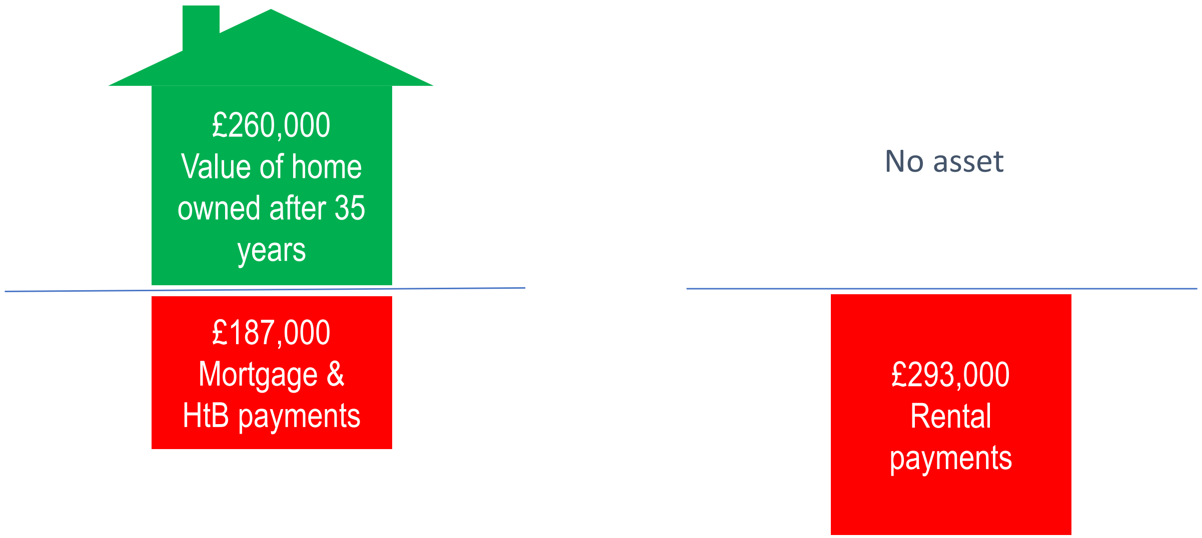
Homes: Ownership equals lower costs and wealth creation

- A typical 3-bed Gleeson home buyer will be £366,000 better off than renting:
  - Lower payments over 35 years (mortgage & HtB compared with rent) £106,000
  - Value of home owned in 35 years £260,000

Gleeson home

Affordable Rent



Wealth created reduces to £302,000 if interest rates increase by 5% and mortgage is not refinanced

£130,000 home bought with a 25 year repayment mortgage. Rent assumes Affordable 3-bed housing

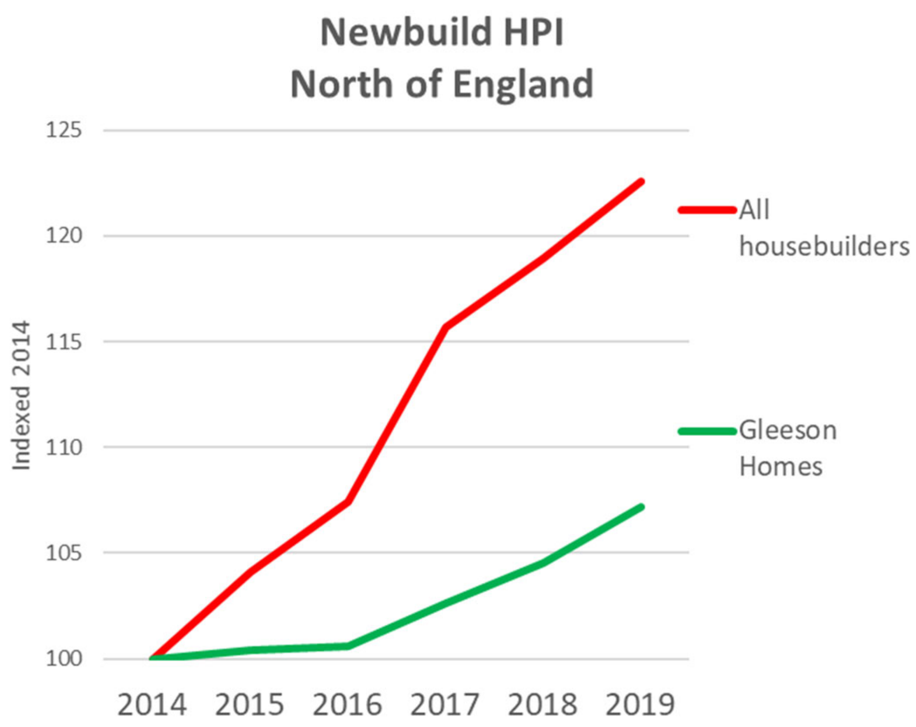
Assumes 2% p.a. increase in rent and house prices

Payments calculated over 35 years

Homes: Selling prices very affordable

- Selling price increases have been below market
  - Over the last 5 years:
    - Average newbuild prices have increased by 22%
    - Gleeson prices have increased by 7%
  - Few incentives needed to complete a sale
    - Average incentives below 1%

- Build rate lagging demand
  - Build rate increased to 23.5 homes per site p.a.
  - Half the rate of other housebuilders
  - Still below local demand



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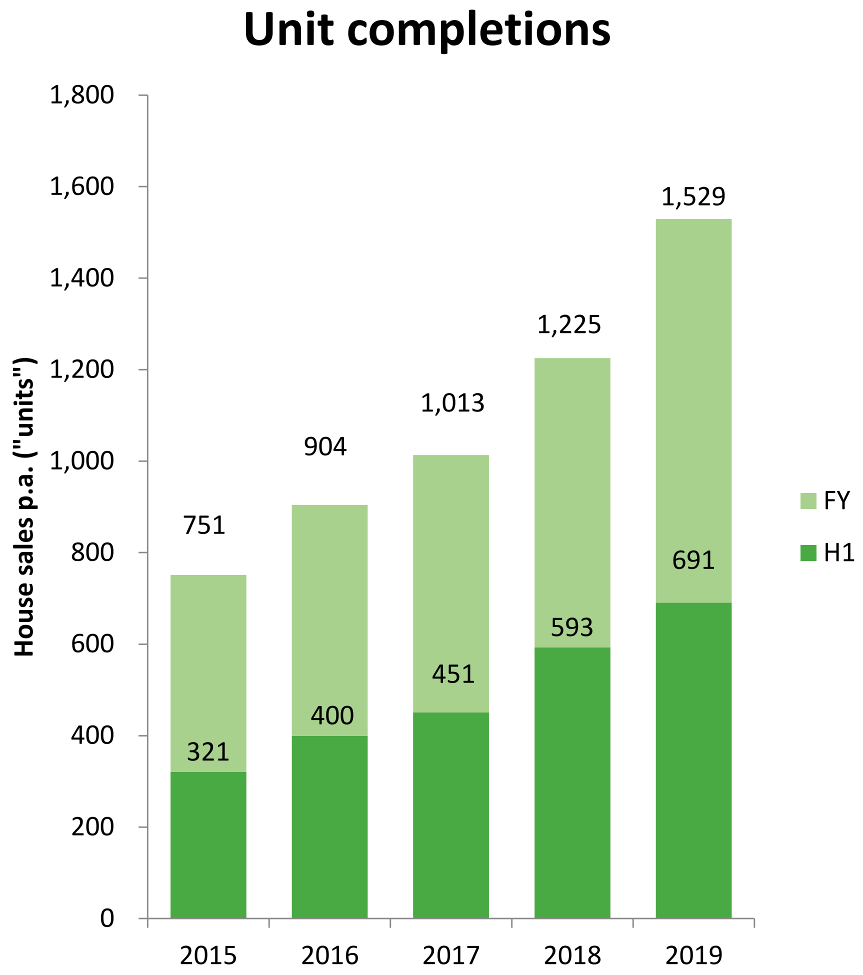
Homes: Demand remains strong

- Unit sales up 24.8% to 1,529 (2018: 1,225 units)
- ASP increased 3.0% to £128,900 (2018: £125,200)
- Sales outlets increased to 69 at 30 June 2019 (30 June 18: 65)
  - Build activity increased, but still below demand levels
- Reservations up 30% (since start of financial year)



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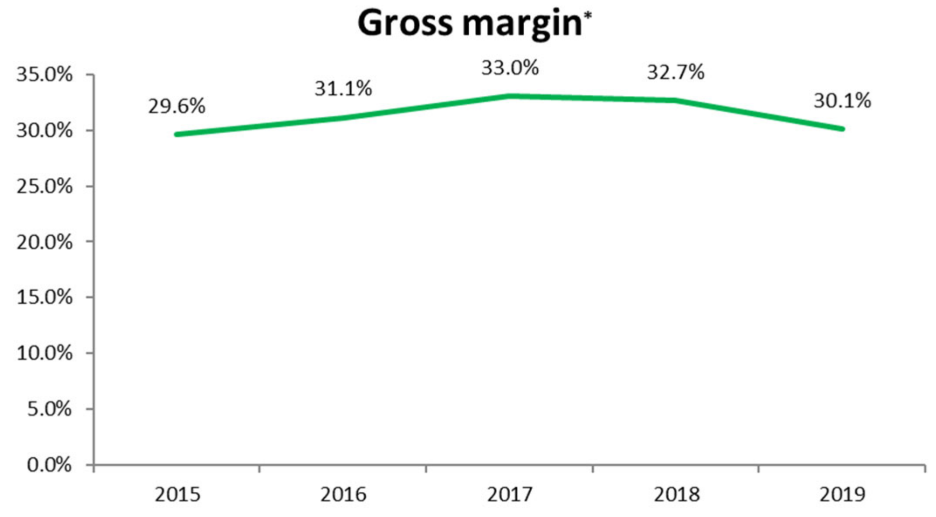
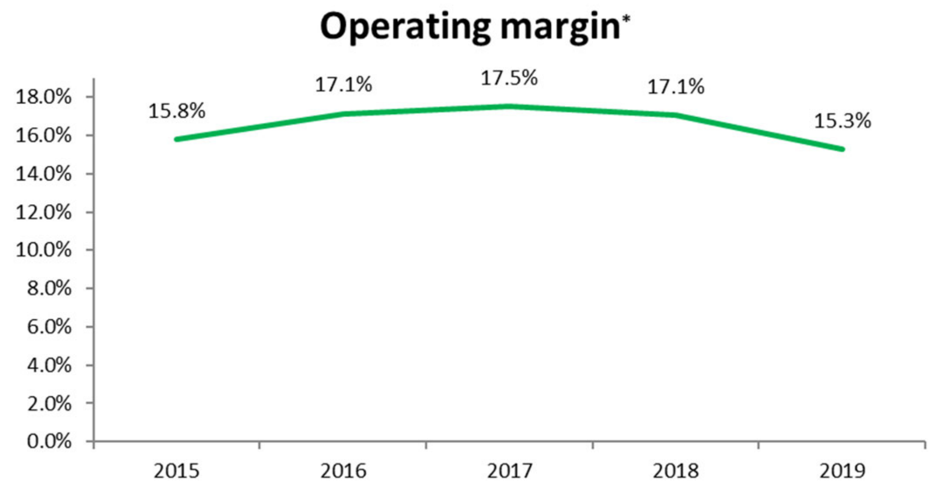
Homes: Margins settled, as expected

- Gross profit on sales up 18.4% to £59.3m (2018: £50.1m)
- Gross margin on sales 30.1% (2018: 32.7%)
  - Accelerated build activity, increased build cost
- Operating profit on sales up 14.9% to £30.1m (2018: £26.2m)
- Operating margin on sales 15.3% (2018: 17.1%)





* Excludes land sales

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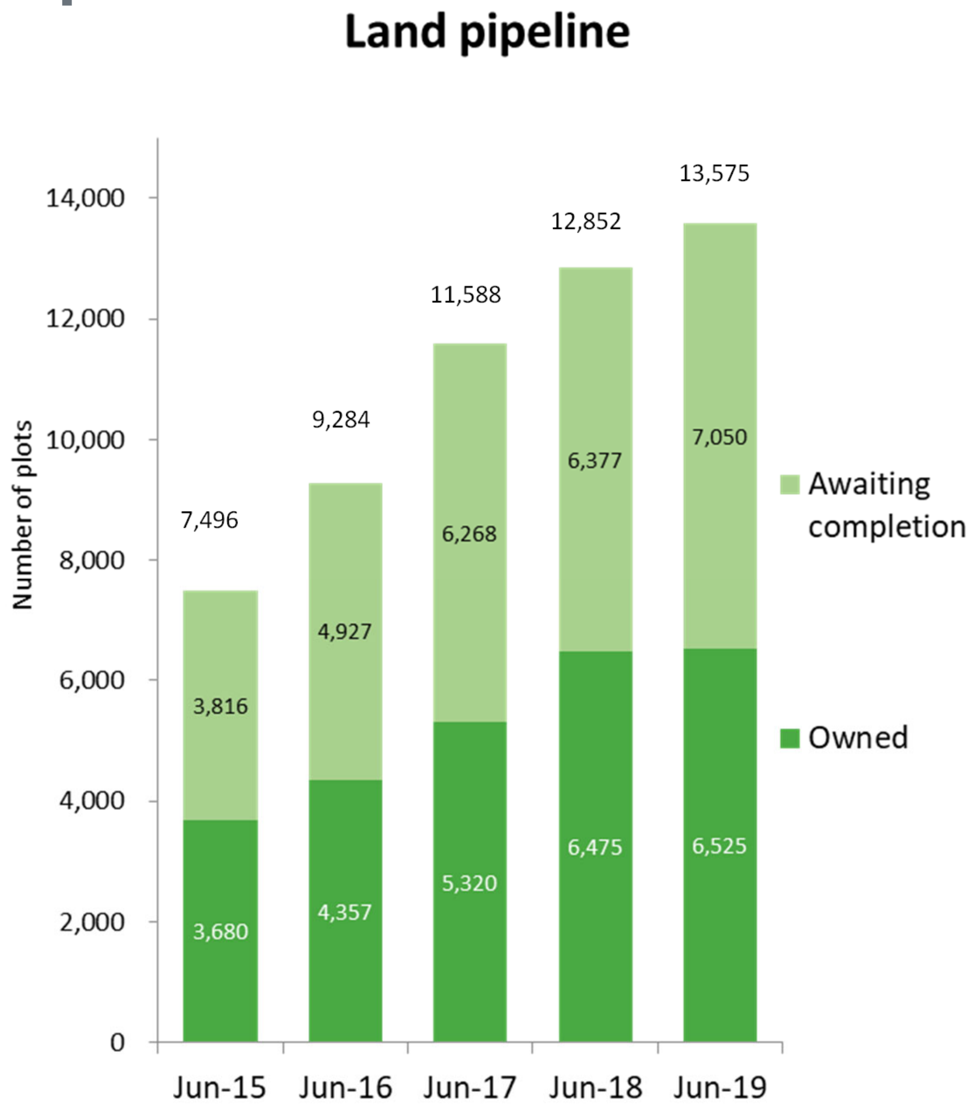
Homes: Land available at sensible prices

- Pipeline up 6%, net 723 plot increase
  - 69 active sites
  - 75 sites conditionally purchased or not yet active
- 9 years supply at 2019 sales rate
- Average cost remains c£9k per plot
- Acquiring land in new areas:
  - Lincolnshire and West Midlands



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Homes: Roadmap to 2,000 units p.a. and beyond

- Acquiring land at sensible prices
  - 9-year pipeline & land remains available at sensible prices
  - Acquiring land in new areas: Lincolnshire and West Midlands
- Strengthening management structure
  - Strengthening teams in 10 existing area offices
  - Ops Director, Build Manager and Site Manager training programmes
- Dedicated to first-time buyers
- Quality build and Final Inspection procedure
- Focus on margin
  - Selling price optimisation
  - Relentless focus on costs
- Comfortably on track for 2,000 homes in 2022

Summary and outlook

- Strong 2nd year of 5-year plan to deliver 2,000 units p.a. by 2022
- Demand strong for both low-cost homes and consented greenfield land
- Dedicated to a large, growing and underserved market segment
- Continuing to strengthen management structure
- Expect continued progress this year and beyond

Carlisle Park, Swinton,
South Yorkshire

Appendices

Appendix: Current land market

Prime "A"	Guildford, Twickenham, Surrey , inner M25 Hot interest from all major housebuilders	
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 2nd ,3rd or 4th	Strategic Land
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.	
Secondary	Gleeson Homes territory, no real competition.	Homes

Appendix: Wealth creation through home ownership

Over 35 years:

- Rental payments amount to:
  - £212k Social rent, or
  - £293k Affordable rent, or
  - £366k Private rent
- Purchase payments amount to £187k:
  - £6.5k deposit
  - £125k mortgage payments over 25 years
  - £13k HtB interest & fees
  - £43k HtB equity loan repayment
- Home is worth £260k in 35 years

Wealth creation compared to renting - over 35 years, 3-bed home

£'000

Rent	Social	Affordable	Private
Total rent assuming 2% p.a. increases	**212**	**293**	**366**
Gleeson home costing £130,000:			
£6,500 deposit	6.5	6.5	6.5
£97,500 Mortgage - 25 yr repayment, rates unchanged	125	125	125
£26,000 Help-to-Buy interest payments & fees	13	13	13
£26,000 Help-to-Buy loan repaid assuming 2% p.a. growth	43	43	43
Mortgage & HtB payments	**187**	**187**	**187**
Value of Gleeson home in 35 years assuming 2% p.a. growth	**260**	**260**	**260**
Wealth created - interest rates unchanged	**285**	**366**	**439**
* Assumes borrower refinances at expiry of discount period and includes refinance fees			
Wealth created - if interest rates increase by 5%	**221**	**302**	**375**

- Typical 3-bed Gleeson buyer between £221k and £439k better-off depending on interest rates and whether rent is Social, Affordable or Private

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