



MJ Gleeson plc

11 February 2021

Results for the half year ended 31 December 2020

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Results for the half year ended 31 December 2020

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Introduction

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Strong start - Expect FY results to be significantly ahead of consensus

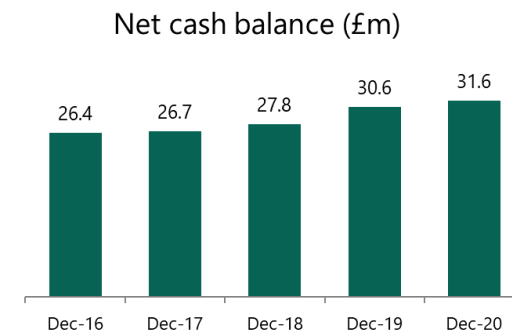
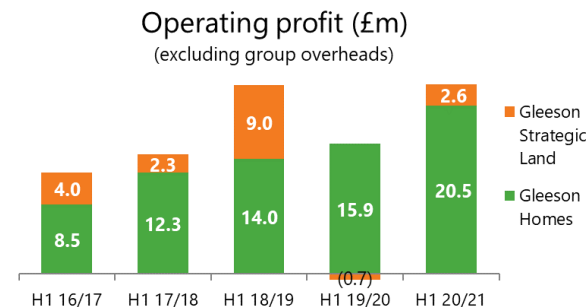
- Gleeson Homes volumes up 17.3% to 951 units, with demand resilient
 - 17 sites opened, foot-print growing
 - Strong pipeline, up 10% to 14,900 plots (8.4 years*)
 - On-track to deliver 1,775 units this year, 2,000 units next year
- Strategic Land sites in demand
 - 4 sites sold in H1
 - Deal momentum into H2, 4 sites progressing for sale
- Expect full year results to be significantly ahead of current market consensus
- Healthy net cash balance of £31.6m
 - £1.3m furlough monies repaid in January 2021
- Interim dividend of 5 pence per share

Financial review

Financial highlights

- Operating profit: Up 57% at £20.9m (H1 19/20: £13.3m)
- PBT: Up 53% at £20.3m (H1 19/20: £13.3m)
- EPS: Up 44% at 28.2 pence (H1 19/20: 19.6 pence)
- Net Cash: £31.6m (H1 19/20: £30.6m)
- ROCE: 7.2% (H1 19/20: 19.1%)*
- Dividend: 5 pence per share
(H1 19/20: Interim dividend cancelled)

*ROCE measured over last 12 months



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Income statement

£ million	H1 20/21	H1 19/20	Change	Notes
Homes	134.4	105.0	28.0%	Volumes +17.3%, ASP +9.1%
Strategic Land	8.3	-		Four land sales
Revenue	142.7	105.0	35.9%	
Homes	20.5	15.9	28.9%	
Strategic Land	2.6	(0.7)		
Group overhead	(2.2)	(1.9)	15.8%	
Operating profit	20.9	13.3	57.1%	
Interest	(0.6)	-		Loans repaid November 2020
Profit before tax	20.3	13.3	52.6%	
Tax	(3.7)	(2.4)		Effective tax rate 18.4%
Discontinued operations	(0.2)	(0.2)		
Profit attributable to shareholders	16.4	10.7		

Balance sheet

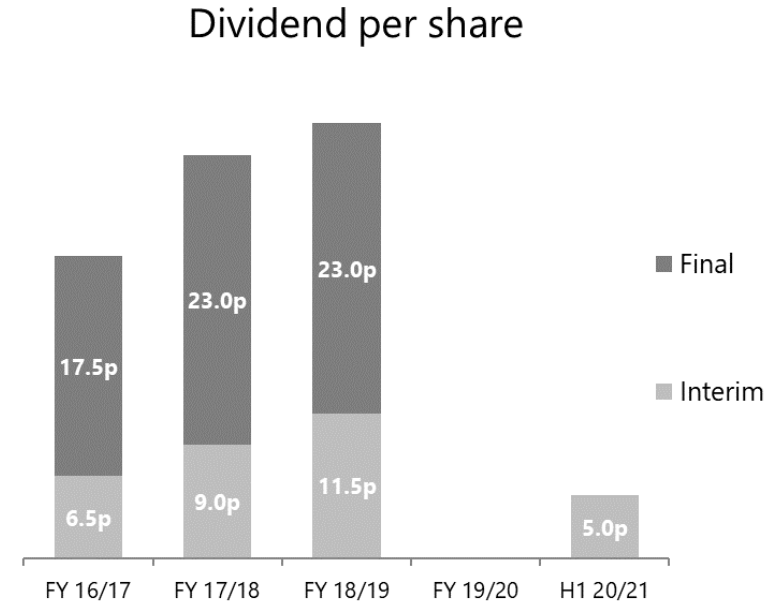
£ million		31 December 2020	31 December 2019	Notes
Homes	Land	72.7	63.1	Land WIP c£9,700 per plot (Dec 19: £9,400 per plot)
	WIP	115.3	97.5	80 build sites (Dec 19: 64 build sites)
Strategic Land	Land	15.5	14.1	
	WIP	17.9	17.2	
Total inventories		221.4	191.9	
Other assets		34.2	41.6	£17m Homes (Dec 19: £15m), £16m Strategic Land (Dec 19: £24m)
Land creditors		(10.1)	(8.0)	
Other liabilities		(47.6)	(53.8)	£35m Homes (Dec 19: £36m), £10m Strategic Land (Dec 19: £15m)
Cash		31.6	30.6	
Borrowings		-	-	
Net assets		229.5	202.3	

Cash flow

£ million	H1 20/21	H1 19/20	Notes
Profit before tax from continuing operations	20.3	13.3	
Non-cash items & discontinued operations	2.1	1.1	Depreciation, interest & share-based payments
Working capital movements	(0.3)	6.1	
Cash generated from operating activities	22.1	20.5	
Tax	(4.3)	(6.8)	Accelerated quarterly payments in prior HY
Interest and finance costs	(1.0)	(0.2)	
Disposal of assets	0.3	0.6	
Purchase of fixed assets	(1.8)	(0.8)	
Net cash flow from operating & investing activities	15.3	13.3	
Bank borrowings	(60.0)	-	Loans repaid November 2020
Principal element of lease payments	(0.4)	(0.4)	
Other movements	(0.1)	-	Employee share purchase plan
Dividend	-	(12.6)	
(Decrease)/increase in cash	(45.2)	0.3	

Dividend

- Interim dividend of 5.0 pence per share
- Final dividend to represent 2/3rd of full year total
- Reviewing capital allocation policy for future years



Sustainability

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Sustainability developments

- Good progress on achieving targets published in September 2020
 - Particularly the reduction in carbon emissions per home sold
- Customer satisfaction soon to exceed 90% (5-star)
- 98.5% of homes with EPC rating of B
- Waste recycled or converted to energy increased to 97% (2019/20: 96%)
- Further investment in mental health awareness
- Aiming to adopt TCFD* in year to June 2021
 - Moving to one integrated sustainability / business strategy and culture



*Taskforce for Climate Related Financial Disclosures

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Sustainability Policy

Gleeson places social responsibility at the core of its operations. We are committed to being a responsible business, and to improving communities, lives and the environment. Our strategy and aims are structured around three key themes:



Communities

We want to create sustainable places to live for young, local, first time buyers using mostly local trades and suppliers



People

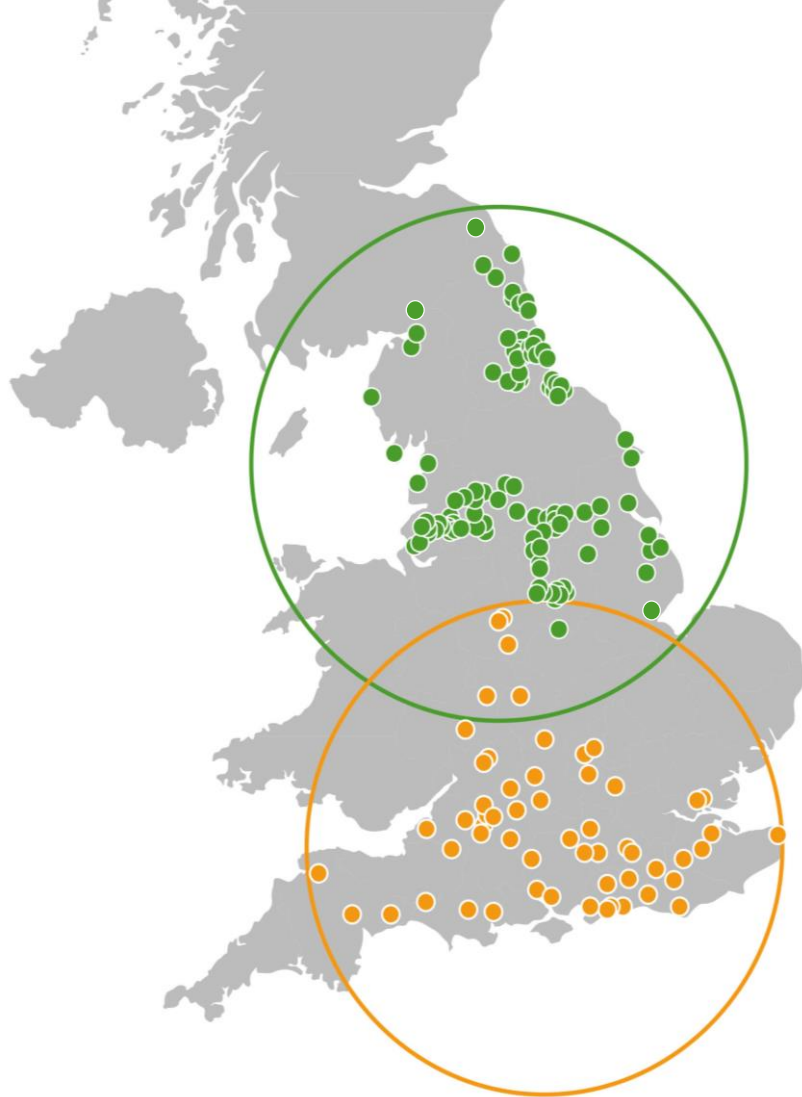
We are committed to ensuring all employees and sub-contractors will be treated fairly, kept safe and be paid a fair wage



Environment

We take all reasonable measures to ensure that we conduct our business in a way that minimizes our impact on the environment and enhances the land we develop

Business review



What we do

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 Strategic Land

We promote land, enhancing its value by securing mainly residential planning consent.

Gleeson Strategic Land

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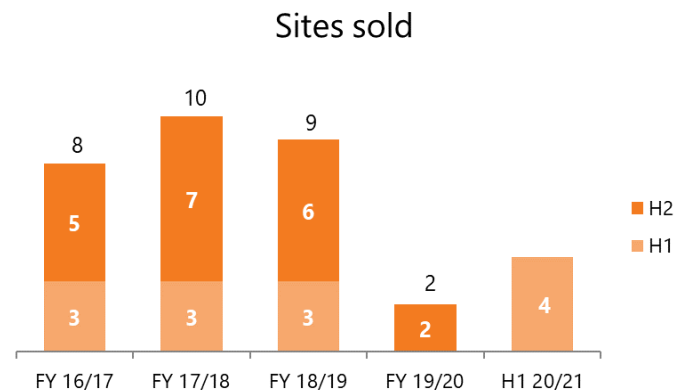
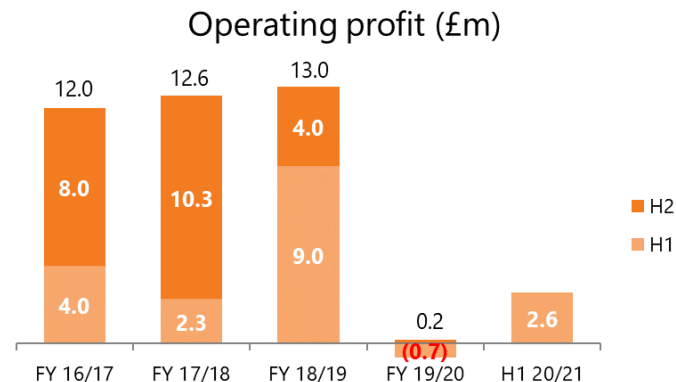
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Strong demand from medium and large-sized developers

- Four sites sold in the first half
 - Total 745 developable plots
- Land market busy – all major housebuilders buying land
 - Nine sites consented
 - Four sites progressing for sale
 - Bids received on one further site sale

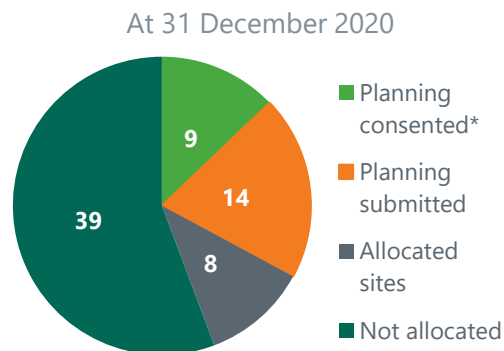
Gleeson Strategic Land Overview

- Four land deals completed (H1 19/20: nil sales)
- Total developable plots 745
- Gross profit £3.7m (H1 19/20: £nil)
- Overheads £1.1m (H1 19/20: £1.1m)
- Operating profit £2.6m (H1 19/20: loss -£0.7m)



Planning status

- 70 sites (H1 19/20: 66 sites)
- 23,015 plots (H1 19/20: 22,524 plots)
- 3,209 plots on 9 sites consented (H1 19/20: 3,384 plots on 10 sites)



	As at 31 December 2020	
	No. Sites	Plots
Planning consented	9	3,209
Planning submitted	14	3,138
Allocated / emerging allocation	8	3,880
Not allocated	39	12,788
Total	70	23,015

	As at 31 December 2019	
	No. Sites	Plots
Planning consented	10	3,384
Planning submitted	9	2,639
Allocated / emerging allocation	6	4,069
Not allocated	41	12,432
Total	66	22,524

Gleeson Homes

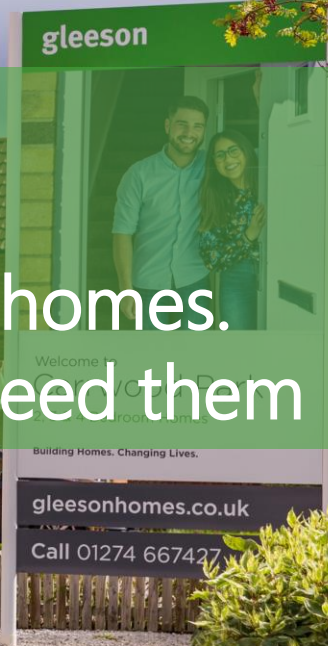
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Our Mission:

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



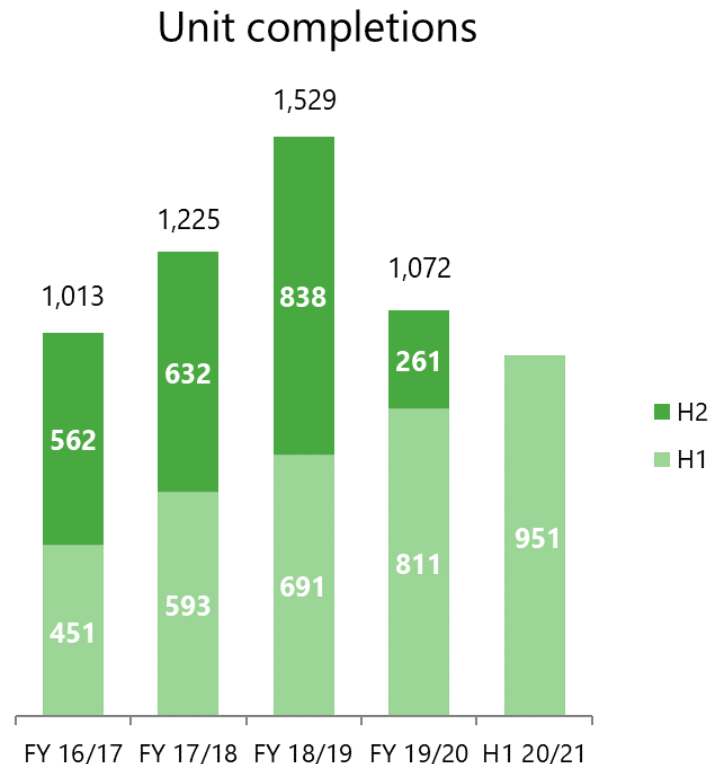
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Carrwood Park, Bradford
West Yorkshire

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Strong start to the year

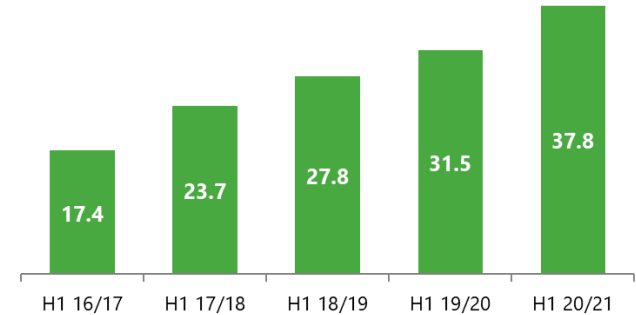
- Unit sales up 17.3% to 951 (H1 19/20: 811)
- ASP increased 9.1% to £140,600 (H1 19/20: £128,900)
 - Underlying prices increased by 7.0%
- 17 sites opened (H1 19/20: 5 sites opened)
- 80 active build sites (31 December 2019: 64)
- 65 active sales sites (31 December 2019: 63)



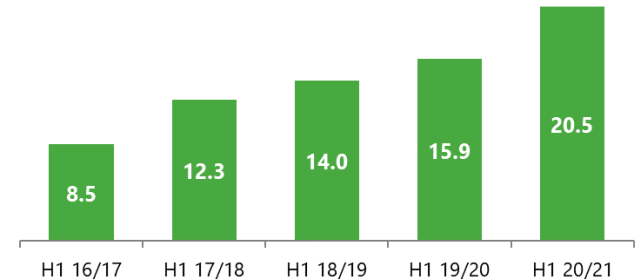
Profit growth

- Revenue up 28.0% to £134.4m (H1 19/20: £105.0m)
 - Includes £0.7m on land sale (H1 2019/20: £0.5m)
- Gross profit on sales up 20.0% to £37.8m (H1 19/20: £31.5m)
 - Includes £0.2m on land sale (H1 2019/20: £0.1m)
- Gross margin on unit sales 28.1% (H1 19/20: 30.1%, Full year 2019/20: 27.8%)
- Overheads £17.3m (H1 19/20: £15.6m)
 - Continuing to invest for growth
- Operating profit on sales up 28.9% to £20.5m (H1 19/20: £15.9m)
- Operating margin on sales 15.2% (H1 19/20: 15.1%)

Gross profit (£m)



Operating profit (£m)



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Well positioned for H2 and next year

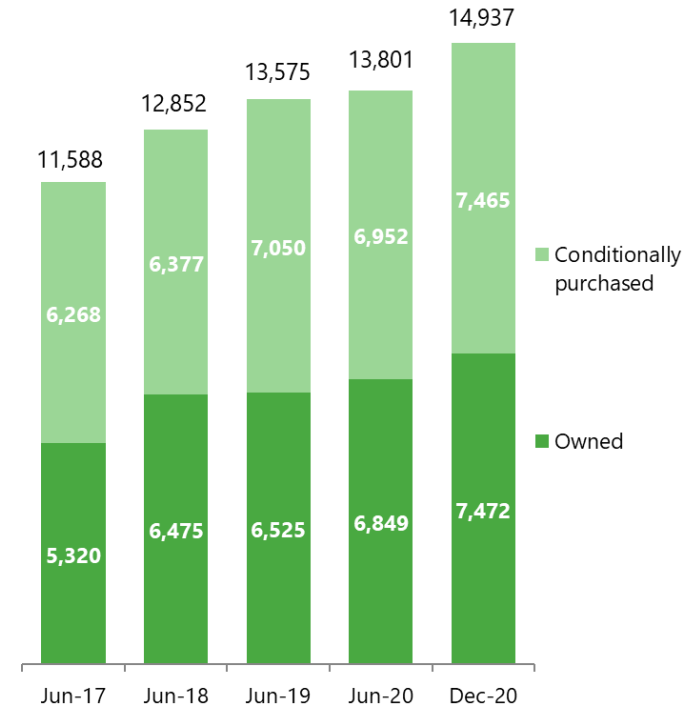
- First half commenced with strong levels of build WIP and forward orders enabling the strong delivery in H1
- Forward orders at 31 December were 795 plots* (June 20: 1,033 plots)
- Expect full year 2020/21 completions of 1,775 homes
- Expect to be selling from an average c75 sites next financial year
- Expect full year 2021/22 completions of 2,000 homes
- Aim to increase developments by c10 sites next year

*of which 75 plots scheduled to complete in 2021/22

Healthy & growing pipeline

- Pipeline up 9.6% to 14,937 plots on 151 sites
 - 80 active build sites
 - 71 pipeline sites
 - 64 conditionally purchased sites, 7 owned
 - 8.4 years supply at 1,775 homes p.a.
 - Average cost circa £10,000 per plot
 - Majority brownfield – little competition
- Land remains available at sensible prices

Land pipeline (number of plots)



Strength of model

➤ All Gleeson homes are:

- Traditional brick and block construction
- 2, 3 or 4 bed houses
- Significantly cheaper to buy than rent

➤ Traditional:

- Front and rear gardens
- Driveways down the side

➤ Very affordable*:

- | | | | |
|---------------------------------------|----------|-------------------|-----------------|
| ➤ 2-bed average | £115,000 | Mortgage £64/week | Rent £120 /week |
| ➤ 3-bed average | £146,000 | £81/week | £138 /week |
| ➤ 4-bed average | £188,000 | £104/week | £206 /week |
| ➤ 99% below Help to Buy regional caps | | | |

➤ Gleeson customers are:

- 4 out of 5 first-time buyers
- 2/3rd key workers
- 29 years old - median age
- 74% are 35 years or younger
- £23,800 p.a. average salary*

➤ What Gleeson doesn't do:


- Flats
- Sell to investors
- Part exchange
- City centre
- Leasehold

* Average selling price on completions in 6 months to 31 December 2020. Mortgage costs based on HTB, 5 year fixed (1.79%), 35 year repayment mortgage from a High Street bank. Rental costs based on average private rental costs in NE, NW, Yorks. & Humber (source: ONS).

* Average salary of all applicants (single & joint buyers)

Case studies

Case study 1:

Buyer (single): Leigh-Anne age 25
Occupation: Trauma Nurse, NHS Hospital 
Year of purchase: 2019
Development: Balderstones, Rochdale
House type: Cork, 2 bedroom semi-detached
Purchase price: £106,995
Mortgage cost: £340 per month, 25 year, Help to Buy


Solo-buyer Leigh-Anne moved out of her parents' home to gain independence and somewhere of her own, after outgrowing her box room in her parents' house. She chose a house on our Balderstones development in Rochdale due to its location and affordability.

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Case studies

Case study 2:

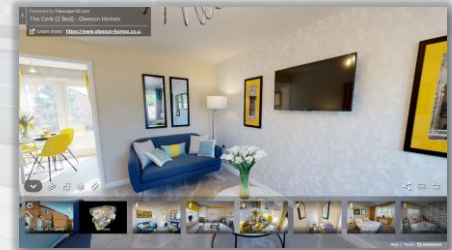
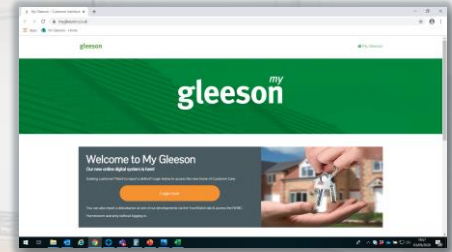
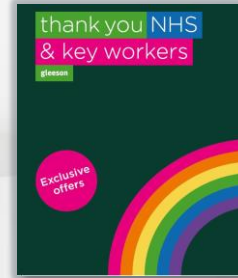
Buyers (couple): Abbie age 26 and Chris age 32
Occupations: NHS Ambulance Dispatcher 
IT Analyst
Year of purchase: 2020
Development: Sutton Park, St Helen's, Merseyside
House type: Galway, 3 bedroom semi-detached
Purchase price: £129,995
Mortgage cost: £375 per month (3-bed), 30 year, HtB
Previous rental cost: £420 per month (2-bed)

Before purchasing their Gleeson home, Abbie, Chris and their daughter Esme, age four, lived in a rented, two-bedroom terraced house. The house was small, damp and had no garden for Esme to play in. Buying a Gleeson home gave their daughter access to a garden to play in and reduced their monthly costs.



Customer First – at the heart of what we do

- Independent customer surveys by In-house:
 - Currently 89% recommend score – equivalent to 4-star
 - Target to be above 90% by year end - 5-star
- Gleeson Quality Charter
- MyGleeson portal for new owners
- Independent inspection throughout build (NHBC)
- Regional customer care teams
- Mystery shopping and sales team training
- Virtual show home tours
- Key Worker & Armed Forces Priority programs



Summary

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Summary

- Strong first half year
 - Homes volume up 17% despite Covid
 - Strategic Land sold 4 sites
- Expect full year results to be significantly ahead of current market consensus
- Robust platform for continued growth
 - 2,000 units next year, achieving 5 year target to double volume
 - Site opening plan underpins future growth
 - Strategic Land progressing further site sales & pipeline strong
- Healthy balance sheet with cash to grow
- Dividend payments resumed

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Organisational structure





Thank you

Gleeson (Head Office)
5 Europa Court, Sheffield Business Park
Sheffield S9 1XE