



Annual General Meeting 2019

16 October 2019



Tarleton Lock, Tarleton

ANOTHER YEAR OF STRONG PERFORMANCE

| | | |
|----------------------------------------|----------------|----------------|
| Total completions⁽¹⁾ | 17,856 | +1.6% |
| Operating margin | 18.9% | +120bps |
| Profit before tax | £909.8m | +8.9% |
| ROCE⁽²⁾ | 29.7% | +10bps |
| Net cash⁽³⁾ | £765.7m | (3.2%) |

OPERATIONAL PERFORMANCE – EXTERNAL AWARDS



- 5 Star award for 10 years
- Only national housebuilder to achieve this



- 84 awards in 2019
- More than any other housebuilder for 15 consecutive years



- 76 accreditations including 19 outstanding awards
- More awards than any other company



- Highest scoring national housebuilder in 2018

MARKET FUNDAMENTALS REMAIN ATTRACTIVE

1.70%
average 2 year
fixed rate at 85%
LTV⁽¹⁾

Positive lending
environment



Clarity on Help to
Buy

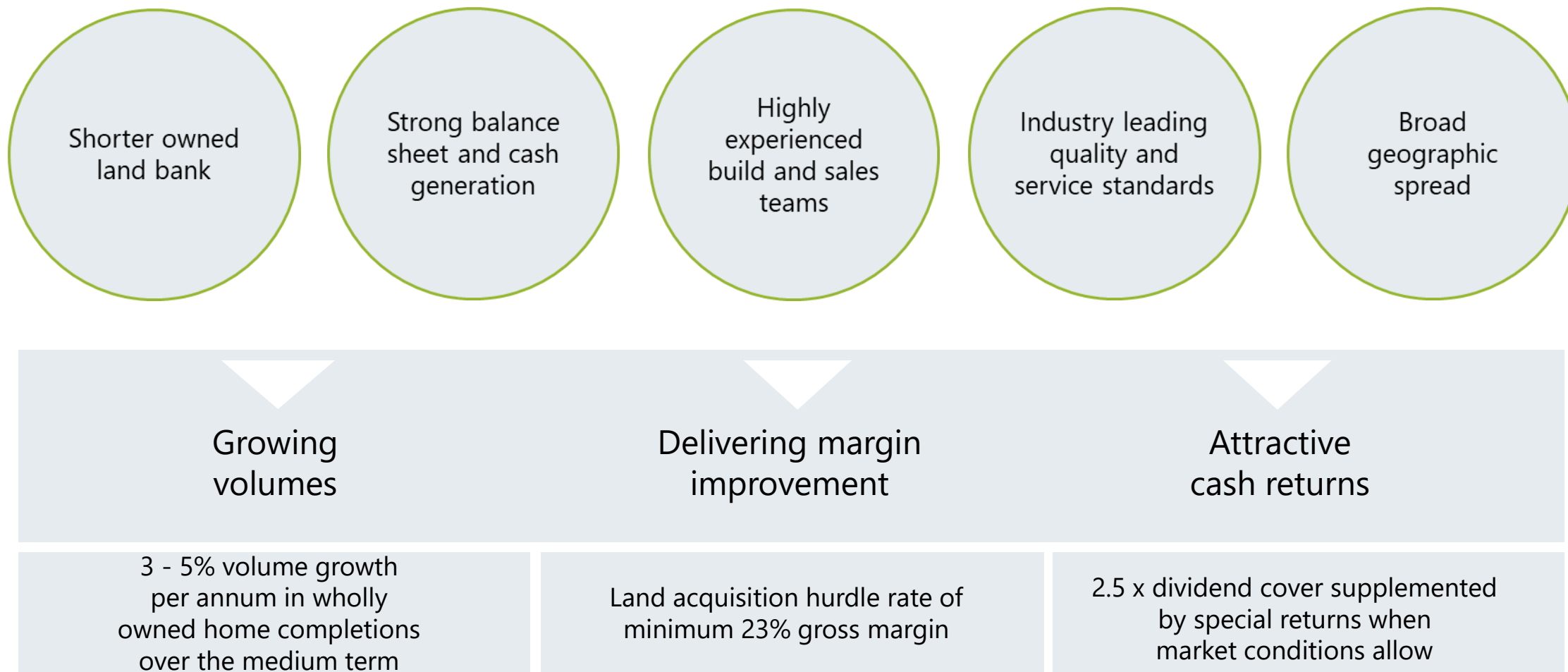
Government
target:
300,000 homes
per annum

Demand continues
to exceed supply



Attractive land market

INVESTMENT PROPOSITION – Driving value



OPERATIONAL TARGETS – PROGRESS UPDATE

| | Medium term targets | Progress in FY19 |
|---------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Completions | 3 - 5% growth per annum in wholly owned home completions Present business capacity of 20,000 per annum | 2.6% increase in wholly owned home completions to 17,111 with total home completions at 17,856 ⁽¹⁾ |
| Gross margin | New land acquisitions at minimum 23% gross margin | 210 bps increase in gross margin to 22.8%, resulting in 120 bps improvement in operating margin to 18.9% |
| ROCE | Minimum 25% | Strong ROCE of 29.7% for the 12 months to 30 June 2019 |

OPERATING FRAMEWORK – PROGRESS UPDATE

| | Operating framework | Progress in the year |
|----------------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Land bank | c. 3.5 years owned / c. 1.0 year controlled | 3.9 years owned / 0.8 years controlled (30 June 2018: 3.7 years / 1.1 years) |
| Land creditors | Reduce to 25 - 30% of the land bank over medium term | Reduced to 31.3% (30 June 2018: 33.6%) |
| Net cash | Modest average net cash over the financial year | Average net cash of £298.3m (2018: £127.4m) |
| | Year-end net cash | £765.7m (30 June 2018: £791.3m) |
| Treasury | Appropriate financing facilities | £700m Revolving Credit Facility extended to November 2023 |
| Capital Return Plan | 2.5 x ordinary dividend cover Ordinary dividend supplemented by special returns when market conditions allow | Proposed total dividend of 46.4p per share (2018: 43.8p) Capital Return Plan to November 2020 |

INVESTING IN OUR PEOPLE

- Future talent 7% of employees
- 269 new apprentices, trainees and graduates, 32% increase from FY18
- Award winning employment schemes
- Reduced employee turnover to 16%



GET ONE STEP AHEAD

Armed Forces Transition
Programme

Sheffield
Hallam
University



The
JobCrowd
TOP COMPANIES
FOR GRADUATES TO WORK FOR
2018/19



MODERN METHODS OF CONSTRUCTION

- Mitigate industry skill shortage
- New target set to build 25% of completions using Modern Methods of Construction by 2025
- Acquisition of Oregon
 - High quality products and experienced management team
 - Security of supply
 - Supports our growth target and enables increasing use of Modern Methods of Construction



BUILDING A SUSTAINABLE BUSINESS

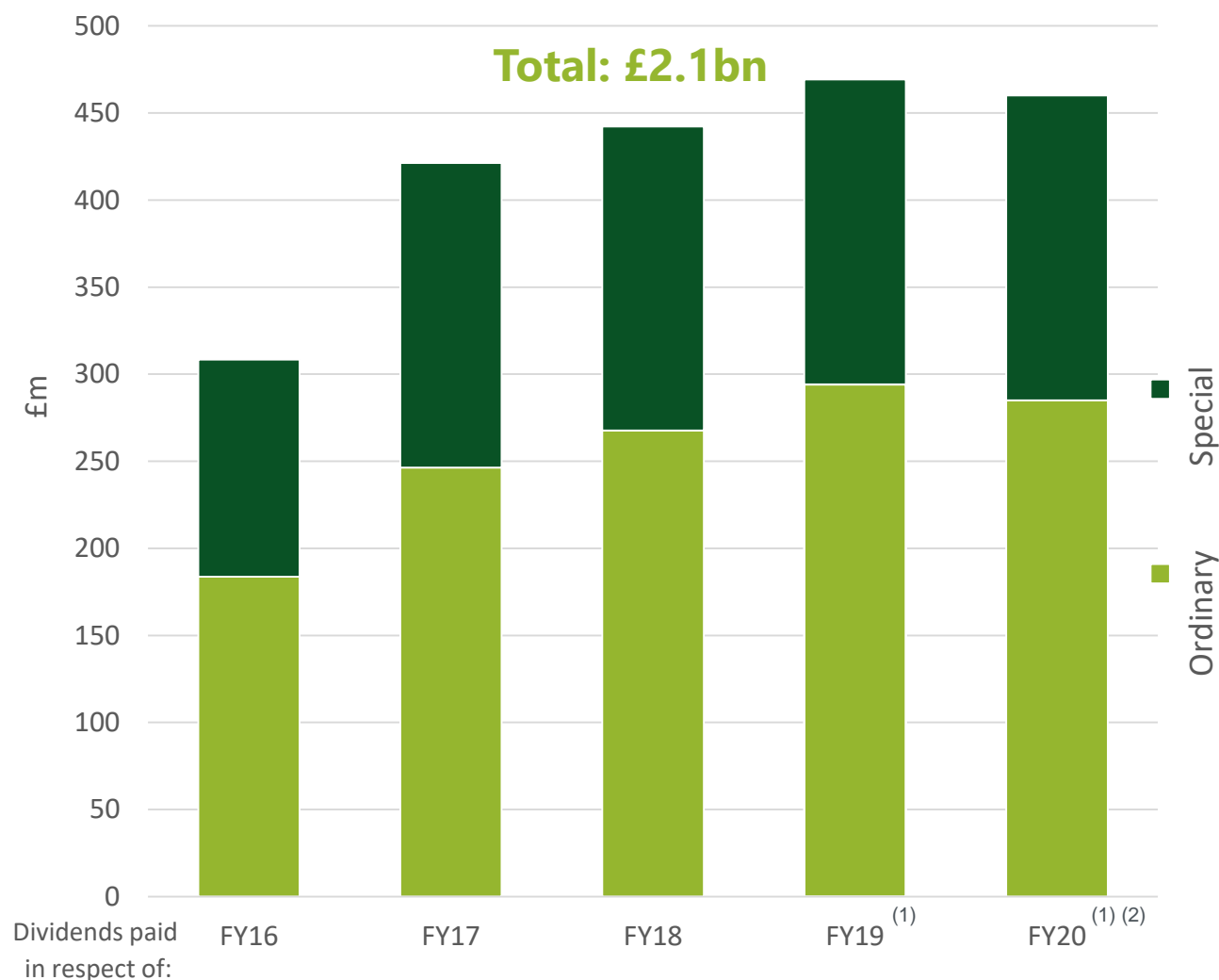
- Renewed stakeholder and Government focus on sustainability and decarbonisation
- Rapid pace and scale of potential change in UK legislation
- Building a sustainable business which is resilient and ready for the future

| Legislation and regulation | Our response and action |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Net zero carbon by 2050 | Carbon emissions decreased by 22% since 2015 Building high quality energy efficient homes Setting new targets for carbon reduction |
| Future Homes Standard proposed for 2025 | Internal working groups, active engagement with Government, industry bodies and sector specific organisations such as UKGBC |
| Environmental Bill | Lead industry engagement with Government Targeting net gain for biodiversity in design across all new developments from 2020 |

ATTRACTIVE CASH RETURNS

Capital Return Plan

- Ordinary dividend payable through the cycle:
 - 2.5 x dividend cover
- FY19 total dividend: 46.4p⁽¹⁾
- When market conditions allow, excess cash will be returned to shareholders in the form of special dividends, share buybacks or both:
 - November 2020: £175m⁽¹⁾



(1) Proposed FY19 and FY20 dividends subject to shareholder approval

(2) Based on Reuters consensus estimates of earnings per share of 70.6p for FY20 as at 30 August 2019 and applying a 2.5 times dividend cover in line with the announced policy, 30 June 2019 share capital of 1,016,985,862 less shares held by EBT of 6,172,255 resulting in 1,010,813,607

CURRENT TRADING

| | FY 20 to date | FY 19 to date | Change |
|----------------------------------------------------------------------------|------------------|------------------|--------|
| Net private reservations per active outlet per average week ⁽¹⁾ | 0.72 | 0.72 | - |
| Total forward sales (incl JVs) ⁽²⁾ | £3,070.2m | £3,146.5m | (2.4%) |

POSITIVE ON OUTLOOK

- Progressing well towards medium term targets
- Further margin improvements
- Continue to lead on quality and service
- Strong forward order book
- Confidence in the business going forward





Q&A



Riverside Quarter, Bucksburn