Springfield Properties plc

Half year results for the six months ended 30 November 2023

Springfield Properties – Multi award-winning Village, Bertha Park, Perth

Presentation team

Innes Smith, Chief Executive Officer

- Joined Springfield as FD in 2005 and became CEO in 2012
- KPMG qualified Chartered Accountant (1991-1996)
- Previously FD at subsidiary of NASDAQ and Deutsche Bourse listed RK Carbon Fibres and another family owned, entrepreneurial company
- Executive board member of Homes for Scotland since 2016

Iain Logan, Chief Financial Officer

- Appointed CFO in July 2023
- Joined Springfield as FD and Group Financial Controller in 2020
- Over 20 years' post-qualification experience, including over 13 with responsibility for financial reporting for PLCs
- PwC qualified Chartered Accountant

Martin Egan, Chief Operating Officer

- Over 30 years' experience in delivery of private residential and mixed tenure urban regeneration schemes
- Former MD of Dawn Homes prior to its acquisition by Springfield
- B.Sc (Distinction) Quantity Surveying and M.Sc (Distinction) Construction Innovation

Trading in line with expectations; recovery signs emerging

- Results in line with expectations and industry trends, reflecting challenging market conditions
- Decisive action taken to focus on maximising cash generation and reduce bank debt to c. £55m by year end
  - Sustained focus on cost control generated savings of c. £4m on an annualised basis
- Recommenced engaging with affordable housing providers – c. £40m signed since 31 May 23
- Private housing reservation rates in CY 2024 showing initial signs of recovery
- Gross margins maintained with build cost inflation at around 4% in period and further reducing post period
- Large owned land bank of 6,421 plots – 86% with planning permission – and strategic options over c. 32,000 plots

REVENUE
£121.7m
(H1 2023: £161.9m)

Adj. PBT
£2.0m
(H1 2023: £6.6m)

COMPLETIONS
432
(H1 2023: 673)

What House? AWARDS 2022 GOLD WINNER

What House? AWARDS 2022 SILVER WINNER

15 YEARS The Herald PROPERTY AWARDS FOR SCOTLAND 2022 WINNER

SCOTTISH HOME AWARDS 2022 HOUSE BUILDER OF THE YEAR (LARGE, 100+ UNITS)

NHBC PRIDE IN THE JOB AWARDS 2022

In-house RESEARCH 2022 GOLD AWARD FOR CUSTOMER SATISFACTION

UNITED KINGDOM PROPERTY AWARDS AWARD WINNER 2023-2024

The Springfield Group

Decisive action to reduce debt

- Carefully managing working capital:
  - All speculative private housebuilding paused
  - Soft launches at new developments
- £40m of affordable contracts entered into, which have positive working capital
- Sustained focus on cost control – generated annualised savings of c. £4m
- Actively pursuing profitable land sales – £18m agreed to date
- Significantly reduced land buying activity
- Dividend payments paused until bank debt materially reduced

On track to meet net bank debt target of c. £55m by year end

Financial Review

Springfield Properties – Dykes of Gray, Dundee

The Springfield Group

Results summary

£(m)	H1 2024	H1 2023
Revenue	121.7	161.9
Gross profit	17.9	22.7
Gross margin	14.7%	14.0%
Administrative expenses*	(12.6)	(14.7)
Operating profit*	5.6	8.2
Operating margin*	4.8%	5.1%
Profit before tax*	2.0	6.6
Exceptional items	0.9	0.6
Profit before tax inc. exceptional items	1.2	5.9
Taxation	0.0	0.9
Profit after tax inc. exceptional items	1.2	5.0

* Adjusted to exclude exceptional items

- Of the £40.2m revenue reduction, £31m relates to private housing with revenues down by 26% in line with wider market trends
- Margin improvements due to lesser impact from legacy affordable contracts
- Admin expenses reduced by £2.1m in period due to cost control measures implemented to realise c. £4m annualised cost savings
- Bank interest paid of c. £3.6m (H1 2023: £1.6m) due to increased interest rates and net bank debt increase

Results by housing type

- Private housing:
  - Reduction in revenue and completions due to market conditions impacting demand with lower order book than previous year
  - Higher selling prices across the brands plus housing mix drove increase in ASP
  - Gross margin largely maintained with small change due to housing mix
- Affordable housing:
  - Results in period reflect legacy contracts entered into on previous benchmarks and impacted by cost inflation
  - Reduction in revenue and completions reflects strategic decision in FY 2023 to pause entering new affordable-only contracts
  - Increased ASP due to mix
  - Improved gross margin and profit reflects lesser impact of legacy affordable contracts
- Contract housing reduction reflecting pause in private housing at Bertha Park and contribution to H1 2023 from PRS

	H1 2024	H1 2023
Private Housing		
Completions	279	429
ASP	£314k	£277k
Revenue	£87.7m	£118.6m
Affordable Housing		
Completions	144	175
ASP	£177k	£159k
Revenue	£25.4m	£27.9m
Contract Housing		
Completions	9	69
Revenue	£1.9m	£10.6m

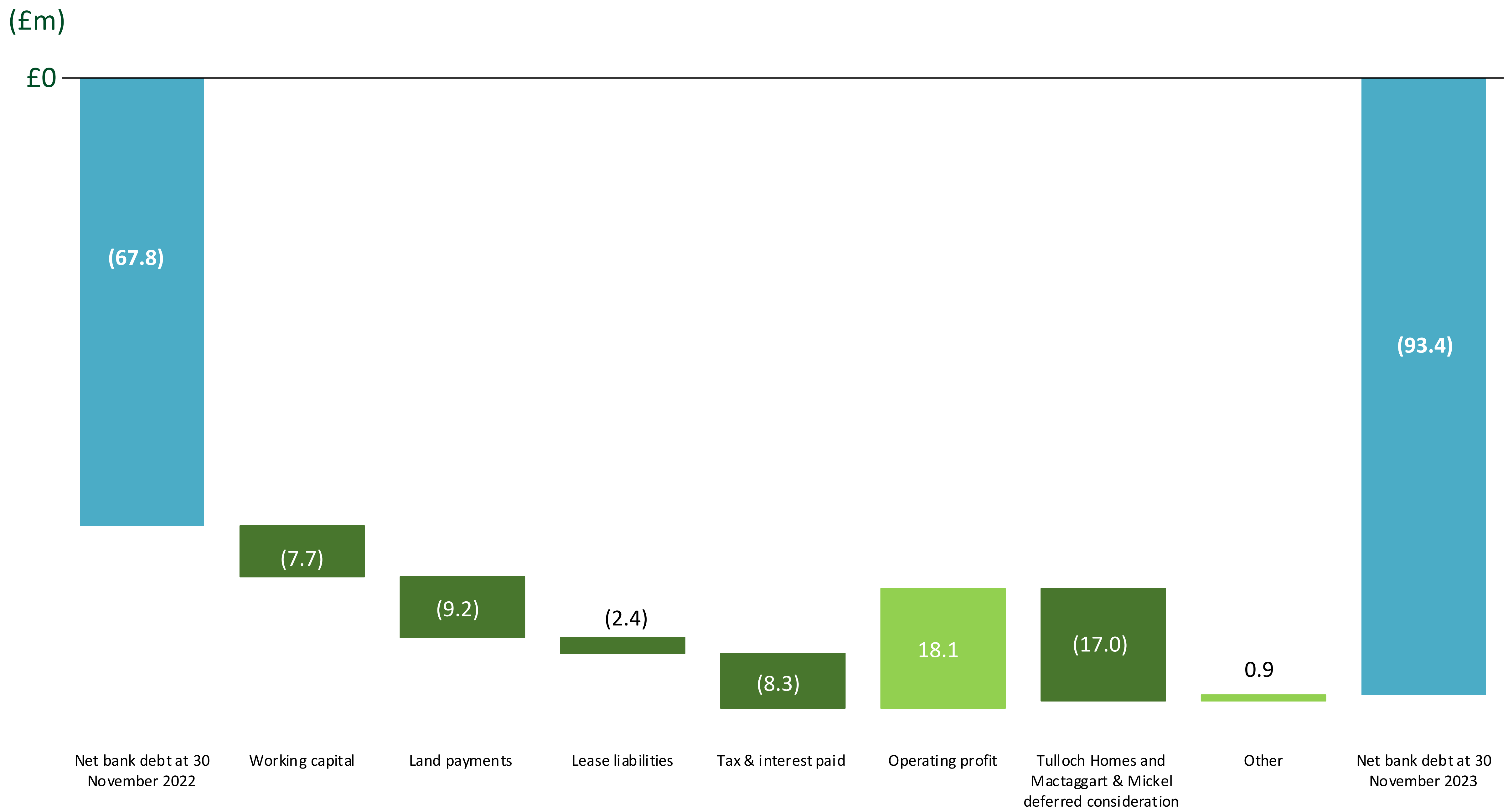
Summary balance sheet

£(m)	H1 2024	H1 2023	Change
Total assets	327.3	349.8	-6.4%
Other liabilities*	(82.7)	(138.5)	-40.3%
Net bank debt	(93.4)	(67.8)	+37.8%
Net assets	151.2	143.5	+5.4%

* Total liabilities excluding net bank debt

- Lower total assets due to lower WIP, lower receivables from affordable contracts and lower cash balances
- Other liabilities reduced primarily due to deferred consideration payments and lower trade creditors due to lower volumes
- Net bank debt increase mainly due to deferred consideration payments on acquisitions (c. £17m) and land purchases
- £15.0m of outstanding land sales proceeds expected to be received by year end

Net bank debt analysis



On track to meet net bank debt target of c. £55m by year end through:

- Working capital inflow in H2 as WIP houses complete in second half in line with usual working capital cycle
- On track for further private housing sales in line with full year expectations, supported by recent uplift in reservations
- Further affordable housing contracts in advanced negotiation with positive working capital dynamics
- Land sales – of which £18.0m already agreed, with £15.0m to be paid in H2, and in advanced negotiation on others

Large, high-quality land bank

Owned land bank per balance sheet

- 6,421 plots owned – 86% with planning*
- Generating 5 years of activity with a GDV of £1.7bn
- Land mainly secured off market resulting in an attractive cost per plot of c. £16k

Inventories total *per balance sheet*	**£277m**
Land	**c. £103m**
WIP	**c. £174m**

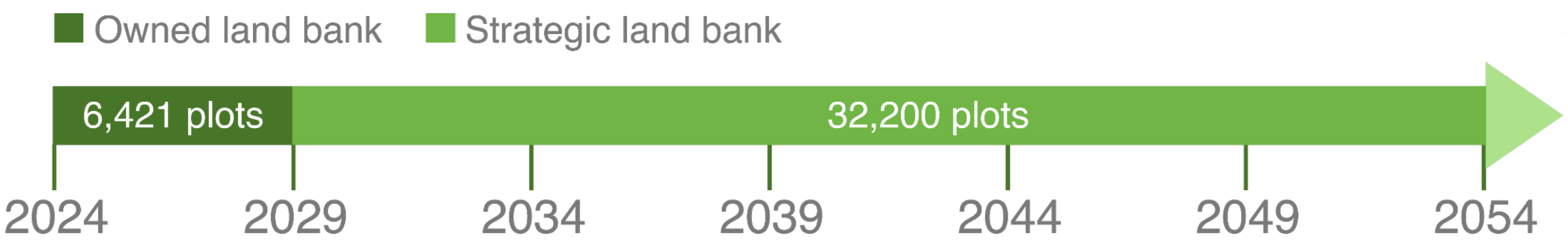
** Includes detailed and outline planning*

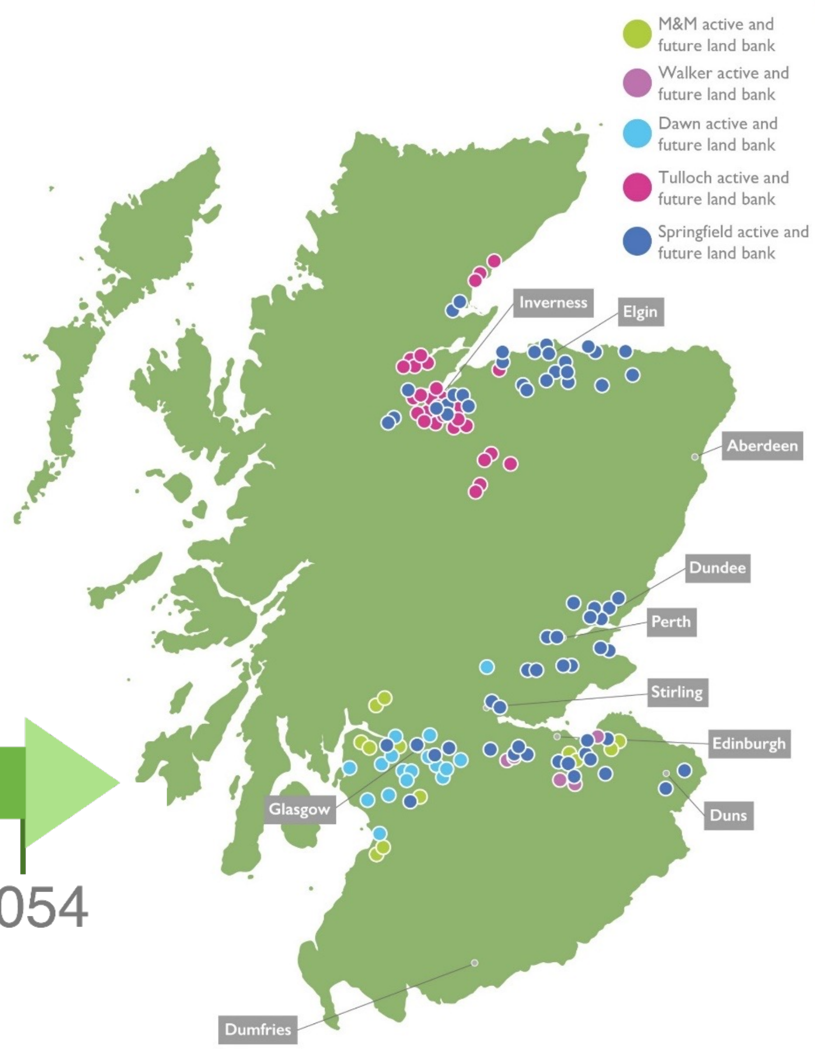
Strategic land

- Options over 3,217 acres
  - Equating to c. 32,200 plots
  - c.14% with planning
  - generating 25 years of activity

- Added 7 active sites and completed 7 sites – active on 50 sites at period end
- Land buying activity significantly reduced to focus on realising value of existing substantial land bank
- Land sales agreed during the period for £5.2m and £12.8m post period, equating to c. 357 plots

30 years of activity





Total land bank as at 30 November 2023

Operational & Strategic Review

Mactaggart & Mickel Homes, Lethington Gardens, Haddington

The Springfield Group

Private housing

- Demand impacted by reduction in affordability and homebuyer confidence
- Reservation rates remained subdued during the period, but have improved in recent weeks
    - Reservations since mid-January c. 62% higher than the rest of FY 2024
- Curtailed speculative private housing development – only building once a home is reserved
- Selling prices remaining resilient – with increases in the period across the Springfield Group brands
- Sustained focus on customer service:
    - Continue to offer high level of specification as standard
    - Implemented new operating procedures in accordance with New Homes Quality Board Code of Practice
- Achieved 96% customer satisfaction for H1 2024, up from 92% for H1 2023


Springfield Properties, The Range, Elgin

Mactaggart & Mickel Homes, Lethington Gardens, Haddington


Walker Group, One Dalhousie, Bonnyrigg

Affordable housing

- Recommenced engaging with affordable housing providers following:
    - Reduction in levels of cost price inflation
    - Scottish Government increasing affordable housing investment benchmarks
- Receiving strong demand – c. £40m of contracts signed since 31 May 2023
- In advanced stage negotiations on several further contracts
- Fundamentals of affordable housing remain strong:
    - Provides strong cash flow dynamics with high visibility and low capital exposure
    - Chronic undersupply of affordable housing – Scottish Government target of delivering 110,000 energy efficient affordable homes by 2032
    - Strong partnership network and large land bank

Springfield Properties, Bertha Park

Internal of an affordable home at the Maples, Inverness

Springfield Properties - Deans South resident places first brick of her new home

Build quality and efficiencies

- Improved the portfolio by selecting the most popular homes across the Group
- Enhanced quality, space and character in house design – which differentiates the Group from other volume housebuilders
- New range of 40 house types are:
    - efficient to build – mitigating the expected cost increases associated with new regulation
    - built from timber kits at own factories
    - maximise modern methods of construction
    - capable of accommodating future building standards to maximise energy efficiency
    - increasing quality using consistent build approaches

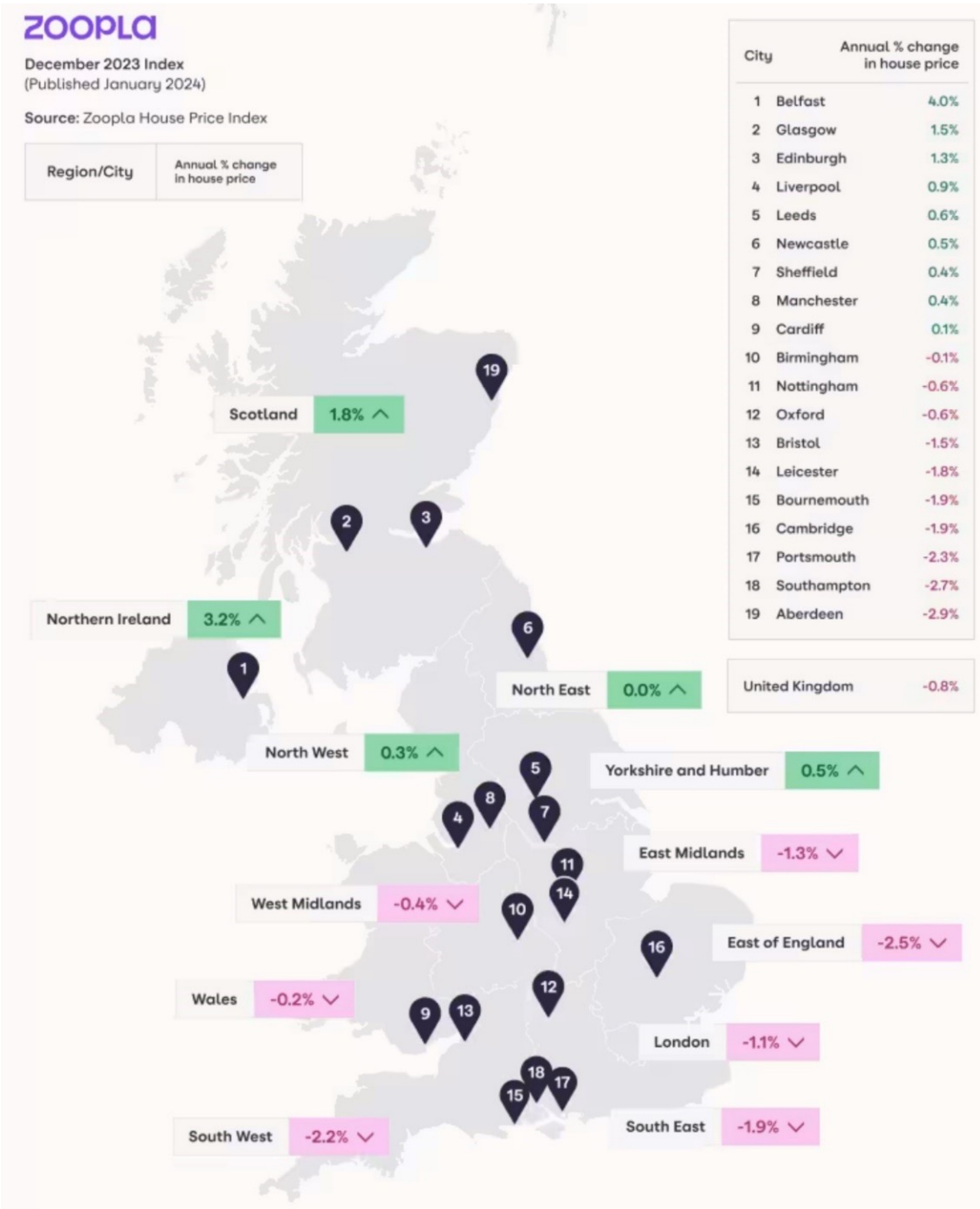


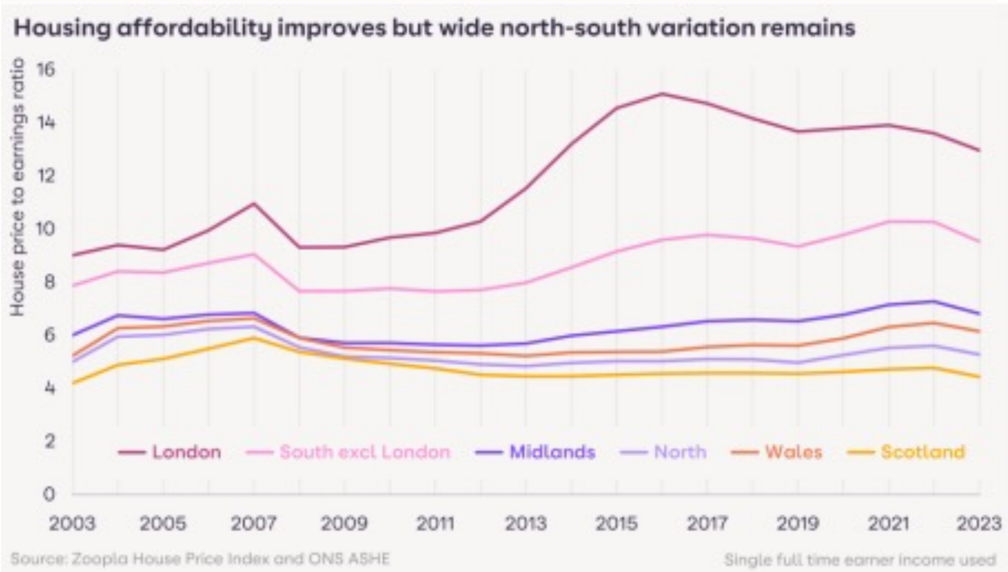
Examples of new range of house types

The Springfield Group

Housing market in Scotland

- Scottish housing market more resilient than the rest of the UK:
    - Sustained house price growth – latest index from Zoopla showing growth of 1.8% for Scotland
    - Most affordable part of the UK based on house price to earnings ratio
- Undersupply of homes intensifying:
    - Housing emergencies declared by Edinburgh, Glasgow and Dumfries & Galloway Councils
    - Homes for Scotland found a quarter of households have housing need
    - Scottish Government targeting delivery of 110,000 energy efficient affordable homes by 2032
- Mortgage lenders have made significant downward shifts on mortgage rates, with strong appetite for new builds
- Strong need for PRS housing: end of rent cap creates opportunity to increase supply
- Inverness and Cromarty Green Freeport boosting demand for homes in the Highlands





ESG: Environment and People

- Delivering energy efficient homes within sustainable communities, showcased best in award-winning Villages
- Benchmarking undertaken in period through NextGeneration initiative showing strengths:
  - Environment: Decades of experience in the use of air-source technology and in off-site construction utilising two timber kit factories
  - People: Training & development of employees far exceeding industry practice and excelling in engagement with communities
- Striving towards Net Zero, with pathway published in period
- Governance for ESG embedded with Board Committee meeting regularly and annual update report published

Local school children design a hedgehog highway at Strathkinness, Springfield Properties

Springfield Properties, Dykes of Gray, Dundee

Community litter pick, Mactaggart & Mickel Homes

Conclusion

- Actions taken have strengthened Springfield's position
- On track to report results for FY 2024 in line with market expectations
- Encouraged by signs of recovery in private housing with increase in recent reservation rates
- High demand in affordable housing – combined with improved market conditions
- Strong interest in land bank with more profitable sales expected in the near term
- Opportunity for return in PRS provision
- Scottish housing market fundamentals remain supportive