

# Springfield Properties plc

Final Results for the twelve months ended 31 May 2022



## Presentation team

**Sandy Adam, Chairman**

- Over thirty years' experience of property development and investment
- Started housebuilding in the late eighties
- Final decision maker on land buying
- Former Chairman of Homes for Scotland, the association of Scottish housebuilders

**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

**Michelle Motion, Chief Financial Officer**

- Joined Springfield as Finance Director in 2013
- Over 25 years' experience in property and construction industry with Morrison Developments Ltd and Avant Group (then known as Gladedale Group)
- MBA and qualified CIMA accountant

## Highlights

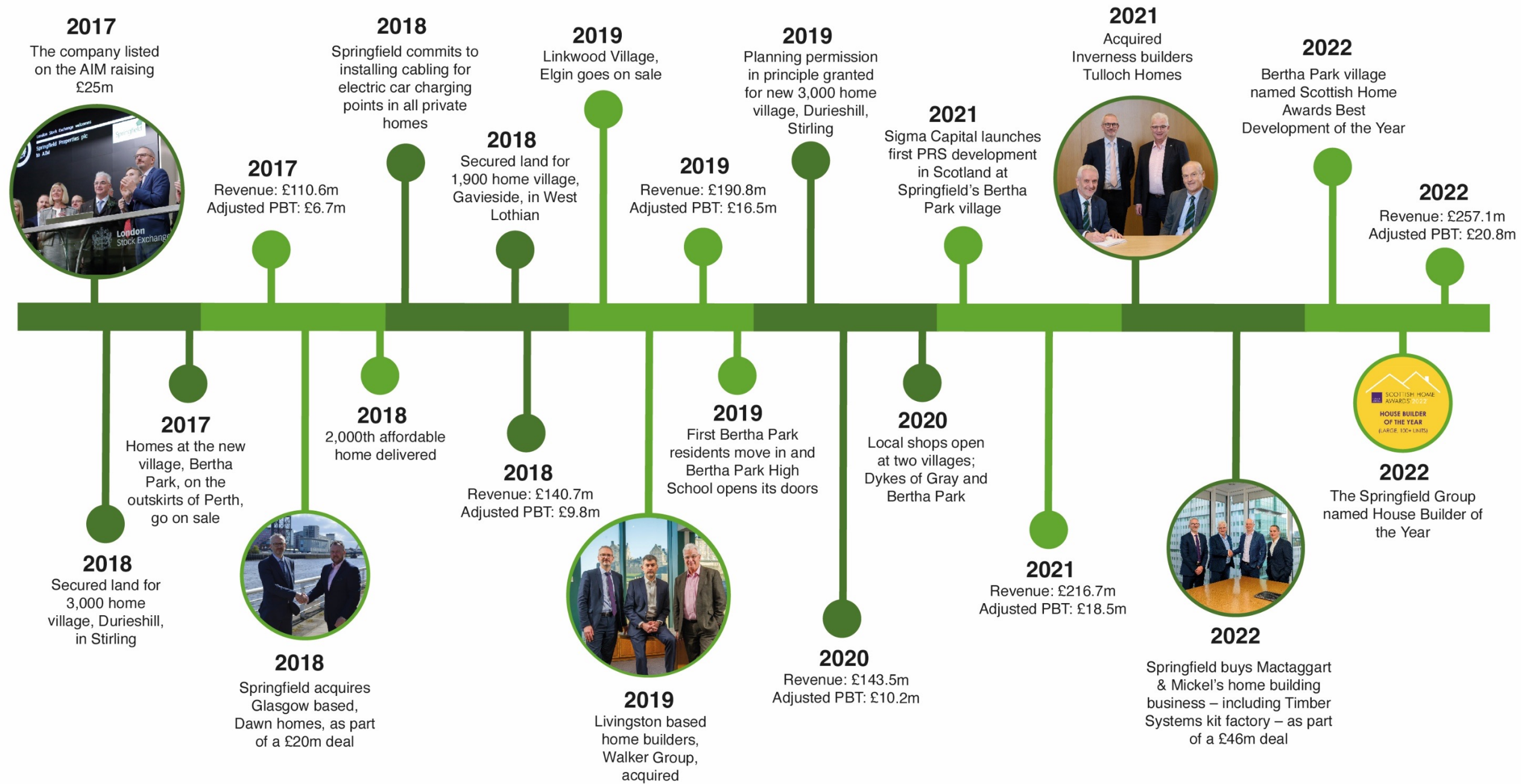
- Record revenue and profit with growth across the business
  - Growth through acquisition and organic
- Excellent demand sustained in private housing
  - Material cost and supply chain challenges managed – margin maintained when taking into account regional and housing-type mix
- Affordable housing impacted by cost pressures
  - Impact of fixed-price contracts and three subcontractors going out of business
- Accelerated growth with the acquisition of Tulloch Homes and Scottish housebuilding business of Mactaggart & Mickel
- Launch of ESG strategy – ‘Environment & People’
- Final dividend of 4.70 pence making 6.20 pence in total for the year (2021: 5.75 pence total)

**REVENUE**  
**£257.1m**  
 (2021: £216.7m)

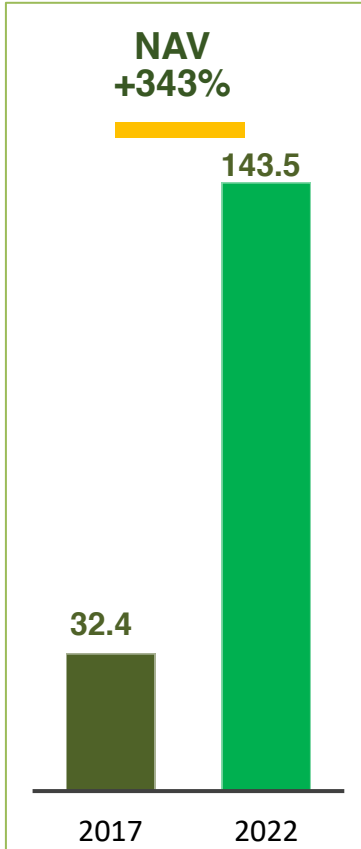
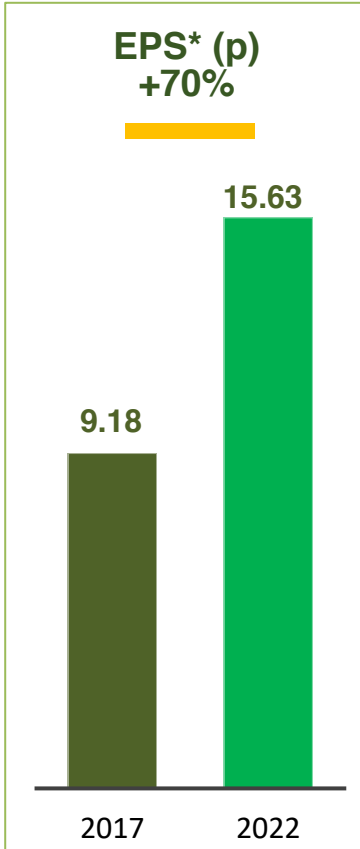
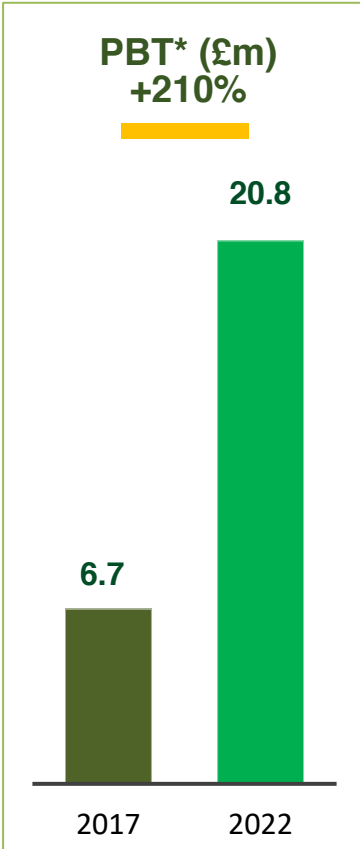
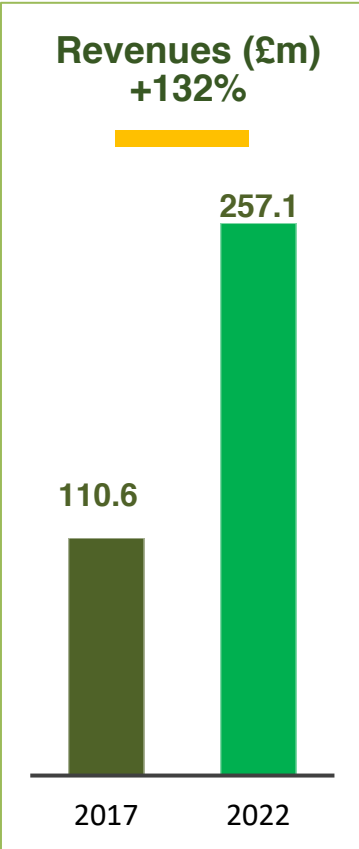
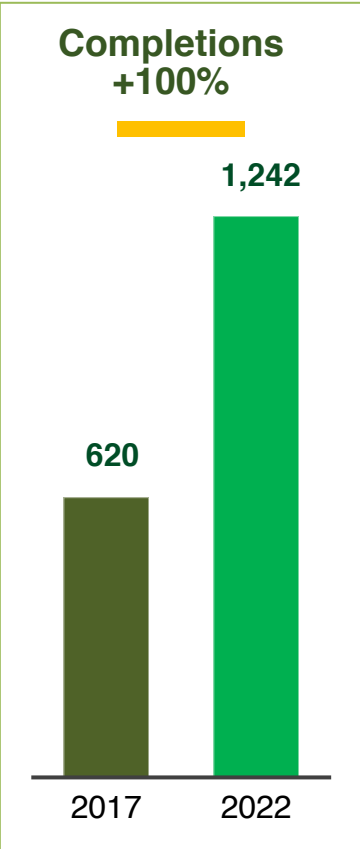
**Adj. PBT**  
**£20.8m**  
 (2021: £18.5m)



### Track record of delivery



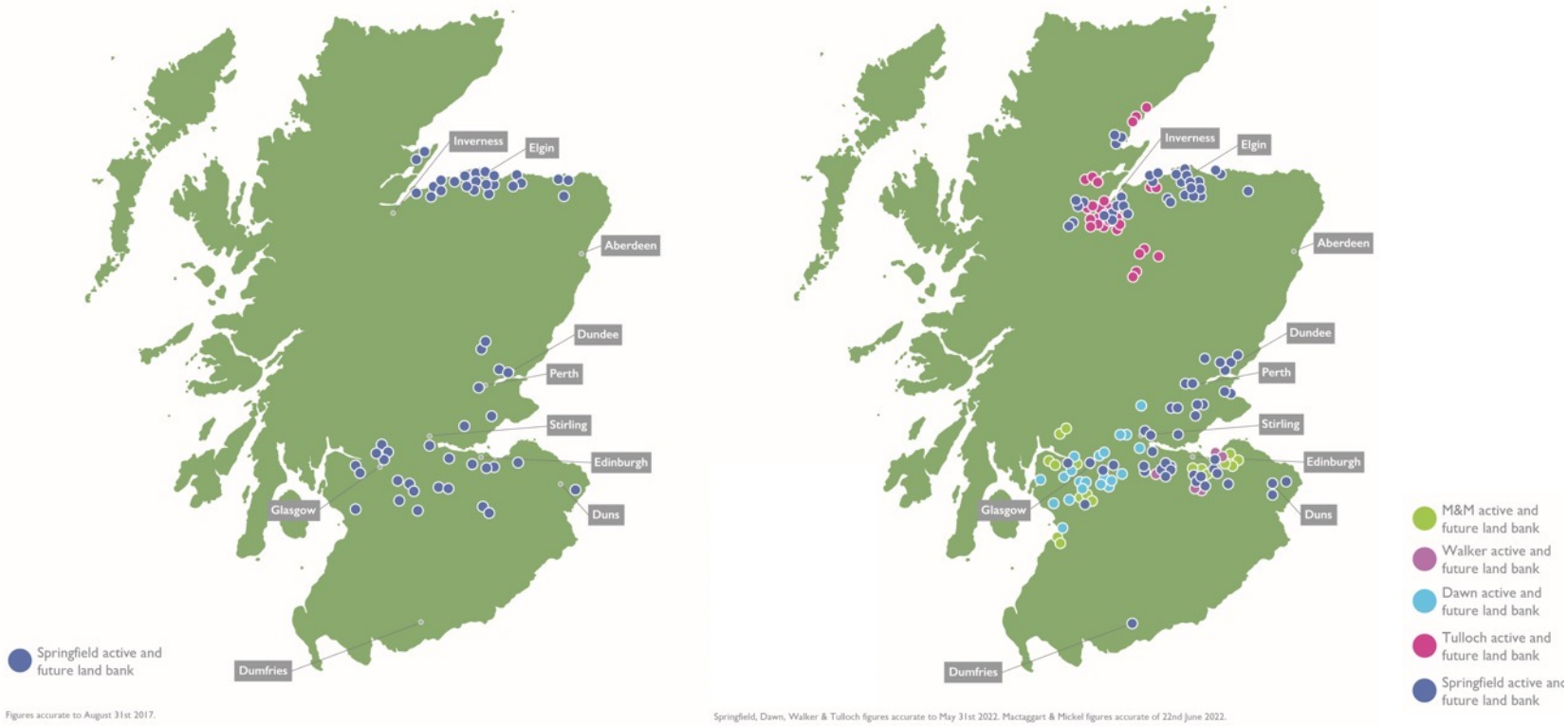
# Delivering growth



Land bank 2017 – 9,195 plots

Land bank 2022 – 16,652 plots

\* Adjusted to exclude exceptional items



# Financial Review



## Results summary

| £(m)                                     | 2022   | 2021   |
|--|--------|--------|
| Revenue                                  | 257.1  | 216.7  |
| Gross profit                             | 43.1   | 38.8   |
| Gross margin                             | 16.8%  | 17.9%  |
| Administrative expenses*                 | (20.9) | (19.4) |
| Operating profit*                        | 22.6   | 19.8   |
| Operating margin                         | 8.8%   | 9.1%   |
| Profit before tax*                       | 20.8   | 18.5   |
| Exceptional items                        | (1.1)  | (0.6)  |
| Profit before tax inc. exceptional items | 19.7   | 17.9   |
| Taxation                                 | (3.7)  | (4.2)  |
| Profit after tax inc. exceptional items  | 16.1   | 13.7   |

\* Adjusted to exclude exceptional items

- Record revenue and profit with revenue growth across the business
- Margin reduction due to impact of cost increases in affordable housing
- Administrative expenses reduced as a proportion of revenue to 8.1% (2021: 9.0%)

## Management of labour and supply chain

- Industry-wide material and labour supply constraints largely managed in private housing – gross margins maintained when taking into account regional and housing-type mix
- Affordable housing impacted by two large contracts signed in 2020 and three subcontractors going out of business
- A thorough reassessment of projected costs to completion has been undertaken on ongoing affordable housing contracts with a prudent approach
- Supply challenges managed through:
  - Fixed-price material supply contracts and house price inflation in private housing
  - Long-established relationships with suppliers and subcontractors across Scotland
  - Established pool of skilled labour – supported by apprenticeship and training programmes
- Supply chain strengthened with acquisitions of Tulloch Homes and Mactaggart & Mickel
- House price growth expected to absorb any increased build costs in private housing in the current financial year





## Results by housing type

- Revenue growth across the business
- When taking into account regional and housing-type mix:
  - Private housing margin was maintained
  - Private housing ASP increased
- Affordable housing revenue and margin impacted by cost pressures:
  - Three subcontractors went out of business
  - Impact of long-term fixed price contracts

### ***Introduction of contract housing***

- Provision of development services to third party private organisations – currently, services to Bertha Park Ltd

|                           | 2022    | 2021    |
|---------------------------|---------|---------|
| <b>Private Housing</b>    |         |         |
| Completions               | 712     | 559     |
| ASP                       | £245k   | £248k   |
| Revenue                   | £174.5m | £138.6m |
| <b>Affordable Housing</b> |         |         |
| Completions               | 405     | 363     |
| ASP                       | £159k   | £146k   |
| Revenue                   | £64.3m  | £52.9m  |
| <b>Contract Housing</b>   |         |         |
| Completions               | 125     | 51      |
| Revenue                   | £16.5m  | £8.1m   |

## Summary balance sheet

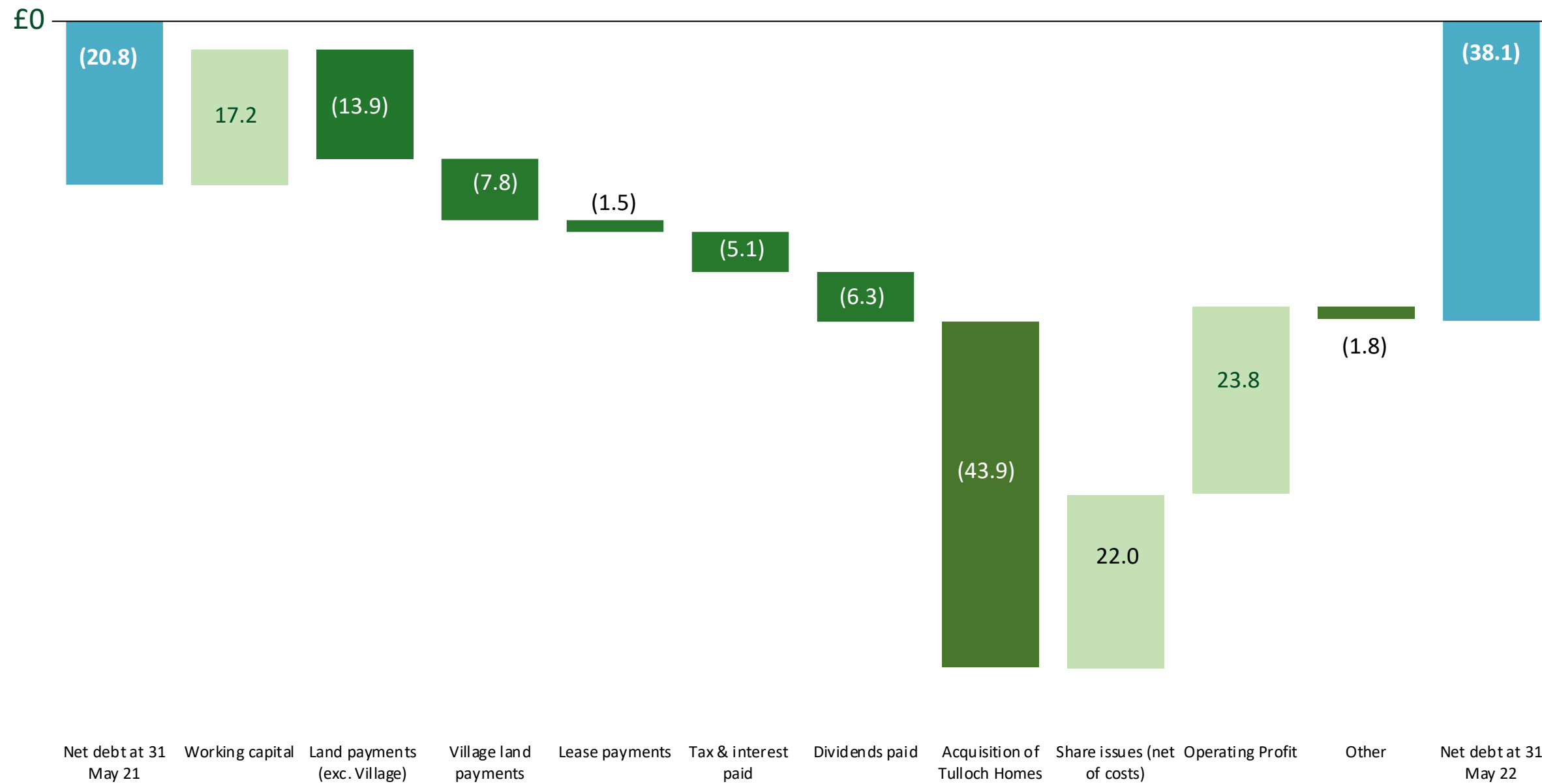
| £(m)                      | 2022    | 2021   | Change |
|---------------------------|---------|--------|--------|
| <b>Total assets</b>       | 287.7   | 208.4  | +38%   |
| <b>Other liabilities*</b> | (106.1) | (76.4) | +39%   |
| <b>Net debt</b>           | (38.1)  | (20.8) | +83%   |
| <b>Net assets</b>         | 143.5   | 111.2  | +29%   |

\* Total liabilities excluding net debt

- Secured a three-year extension to £64.5m RCF to January 2025
- RCF was expanded to £87.5m to part fund Tulloch Homes acquisition

# Net debt analysis

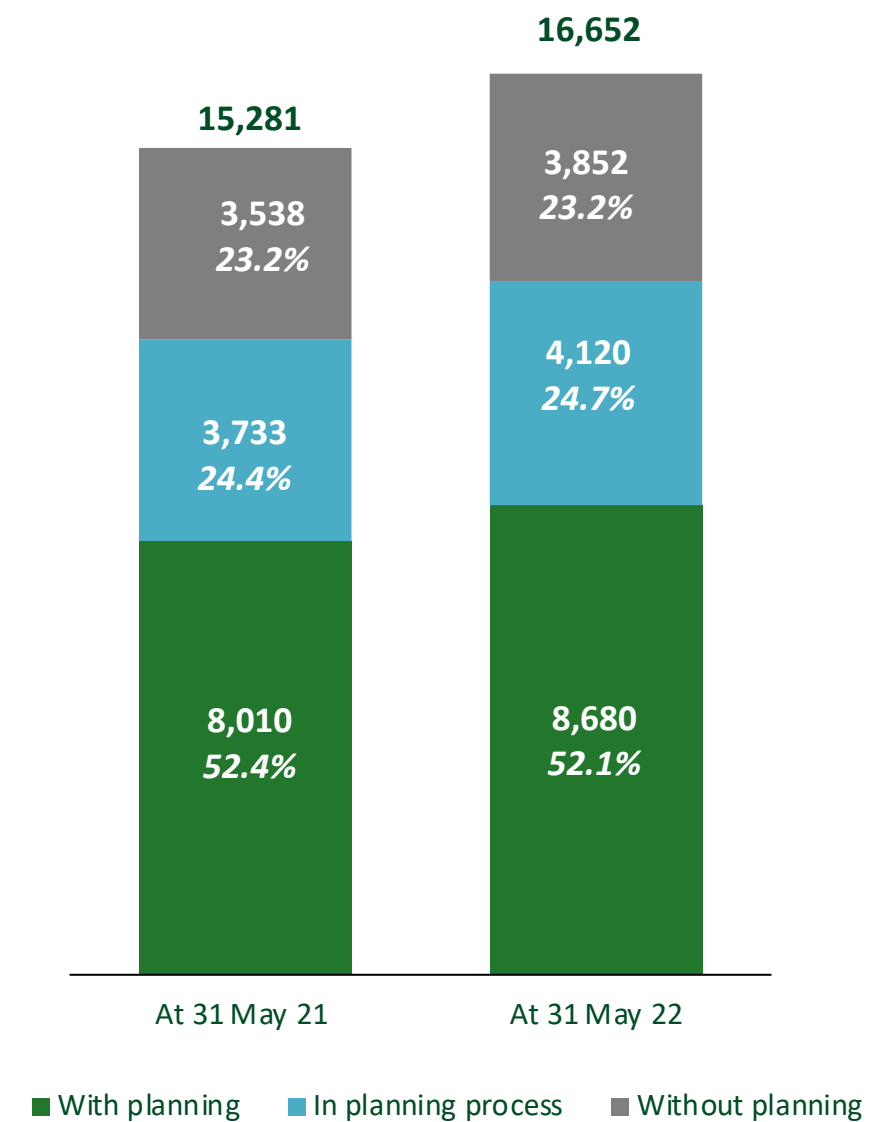
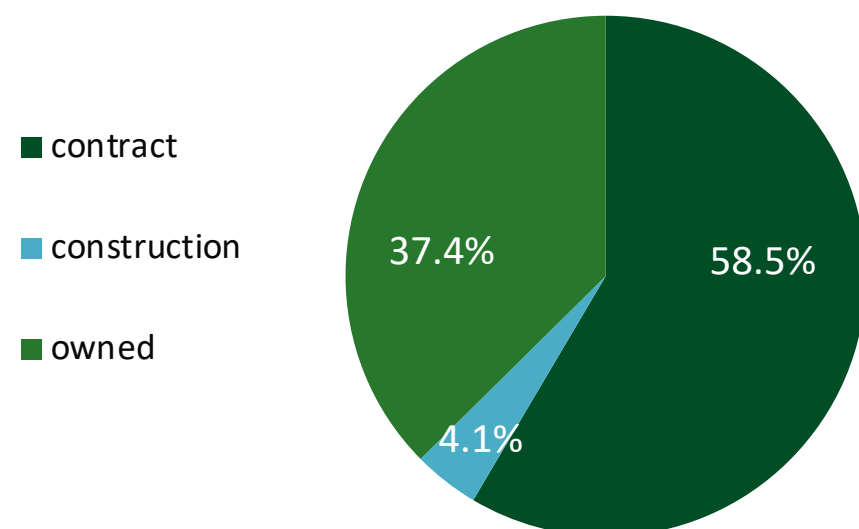
(£m)



## Land bank highlights

- GDV of £3.5bn at 31 May 2022 (31 May 2021: £3.1bn)
- 13 years of activity at current sales rates
- Added 23 active sites and completed 15 sites – active on 51 sites at year end
- Planning gained on 255 plots on 5 developments and received 1,558 plots with planning from Tulloch Homes acquisition
- Planning submitted on a large 1,000-home development in Edinburgh commuter belt
- Land bank strengthened post year end with Mactaggart & Mickel acquisition
- Substantial land bank across Scotland provides opportunities for land sales

### Land bank ownership



# Operational & Strategic Review



## Private housing

- Continued strong demand for the type of housing the Springfield Group delivers in key housing markets:
  - Energy efficient, high quality homes with a generous specification as standard
  - Larger homes with flexible space for families to grow
  - Private gardens and plenty of communal green space
  - Outside of major cities in attractive developments
  - Walking distance to amenities, particularly at Springfield Village developments
- Significant increase in number of homes delivered, reserved or missed – representing 75-80% of FY 2023 forecast revenue, in line with last year
- Received customer satisfaction rating of 93% and Net Promoter Score of 59
- Supportive mortgage market with lenders keen to support the delivery of higher energy efficient homes
- High revenue visibility under Scottish missive system



## Affordable housing

- Action taken to protect Group margins by pausing entering new large affordable-only contracts – in line with the industry-wide response
- Inflationary build costs squeezed margins on larger-scale, longer-term fixed-price contracts – combined with three subcontractors going out of business
  - Undertook a reassessment of projected costs to completion for existing projects
- Market fundamentals remain strong with a chronic undersupply of housing and Scottish Government target of delivering 110,000 affordable homes by 2032
- Scottish Governments' next annual review for Affordable Housing Investment Benchmarks expected in November 2022
- Continued to expand partner base, which enhances Springfield's prospects for when normal activity resumes:
  - Signed first contract with new partner, Aberdeenshire Council, and joined the supplier network of HUB South West with a view to providing affordable housing in a region spanning six local authority areas



## Private Rented Sector housing

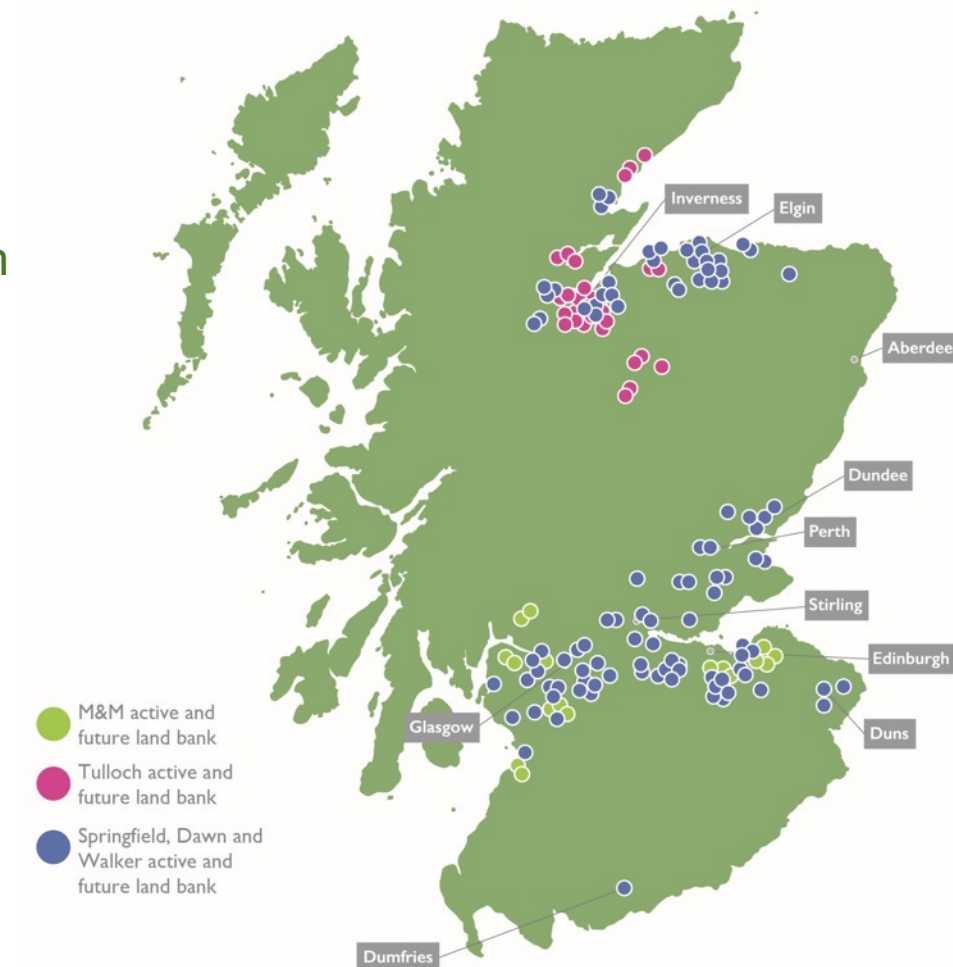
- Delivered first housing for PRS at Bertha Park, a Springfield Village, with Sigma Capital
  - 45 homes already complete, with 30 more under construction
  - PRS homes delivered at Bertha Park demonstrably popular and already fully let
- Plans to expand PRS activity with Sigma are currently on hold following the Scottish Government announcing a rent freeze until March 2023 to help families facing fuel poverty over the winter
- Springfield expects to sell some of the land that had been allocated to PRS in the short term
- Market fundamentals remain strong: a limited supply of suburban housing for private rent is creating high demand for quality, professionally managed PRS homes in well-connected and popular locations
- Diversifies revenue and offers high visibility
- Supports Springfield's belief in providing good homes across all tenures and placemaking





### Accelerated growth via acquisition

- Acquisition of two well-established, premium Scottish housebuilders with strong financial record
- Tulloch Homes
  - Significant land ownership in the Scottish Highlands, in and around Inverness
  - Gained strong, established management team
  - Attractive valuation – net consideration of £54.4m
  - Met all targets since acquisition
- Mactaggart & Mickel
  - Premium locations in the Central Belt
  - Agreement for potential purchase of more land in strategic sites
  - Gained timber frame factory near Glasgow
  - Favourable payment terms – majority to be paid as homes completed



Springfield, Dawn, Walker & Tulloch figures accurate to May 31st 2022. Mactaggart & Mickel figures accurate of 22nd June 2022.



## Environment and People

### Developing our first ESG Strategy

- Engagement across the organisation in establishing a baseline and exploring appropriate objectives
- Working with Bank of Scotland in the shaping of 'Next Generation Core', a sustainability benchmark for housebuilders
- Findings confirming that Springfield is ahead of the curve with:
  - Two timber kit factories and over 90% of homes built from sustainable timber
  - Over 50 sites delivered with full air-source (i.e. no gas heating)
  - Over 2,000 homes already delivered with EV charging infrastructure
  - EV company car initiative, with 130 EVs in use already
  - 15% training and development initiative in place
- Strategy now published on our new website:  
[www.thespringfieldgroup.co.uk](http://www.thespringfieldgroup.co.uk)



## Environment and People contd.

**Strategy and objectives within the first year include:**

- Environment:
  - Produce a route map setting out how we achieve net zero carbon by at least 2045
  - Research the best alternative technologies for all new build homes to be fossil fuel free, including capital and running cost analysis
- Social:
  - Produce an Equality, Diversity and Inclusion policy formalising the culture that we create for everyone to thrive
  - Survey customers to better understand views on sustainability, including energy efficiency and biodiversity
- Governance:
  - Introduce a new Governance structure for ESG with a dedicated Board Committee led by CEO
  - Work towards our first Task Force on Climate-related Financial Disclosures (TCFD) compliant disclosure



## Conclusion

- Significant growth delivered in 2022 – and expect another record year in 2023
  - Core business in private housing to deliver significant growth, with 75-80% visibility over forecasts
  - Taken positive action on affordable housing so well-placed for when cost environment improves
  - Reduction in contract housing expected to be partly mitigated by sale of some land that would have been used for PRS
- The Springfield Group now consists of six brands with strong product offering
- Large, high quality land bank
- Market fundamentals remain supportive – undersupply of housing of all tenures across Scotland
- Sustained demand for high quality, energy efficient and attractive communities delivered across the Group
- The Board continues to look to the future with confidence



