

# Springfield Properties plc

MelloLondon – November 2022



## Leading Scottish housebuilder

- Award-winning builder of private and affordable homes in all key geographies in Scotland – 8,000+ completed to date
- Excellent financial track record – out-performed forecasts set at IPO
- Strong market fundamentals with undersupply of housing
- Provision of energy efficient homes
- Unique Village developments – building communities
- Four strategic acquisitions since IPO – expanding operations into East and West Central Scotland and Scottish Highlands
- Key Scottish market differentiators
- Dividend paying





## Presentation team



### **Innes Smith, Chief Executive Officer**

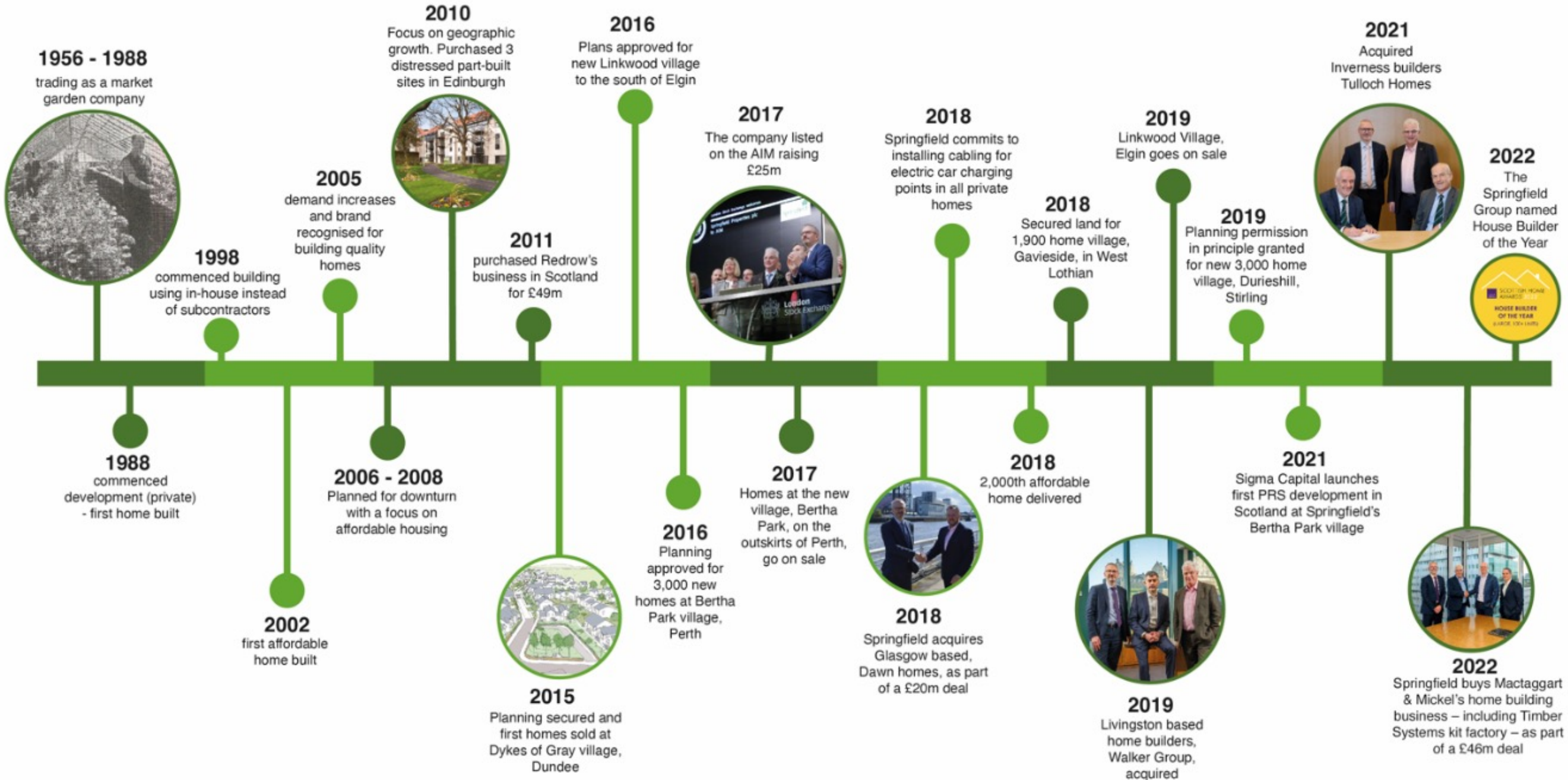
- Joined Springfield as FD in 2005 and became CEO in 2012
- KPMG qualified Chartered Accountant (1991-1996)
- Previously FD at subsidiary of NASDAQ and Deutsche Bourse listed RK Carbon Fibres and another family owned, entrepreneurial company
- Executive board member of Homes for Scotland since 2016



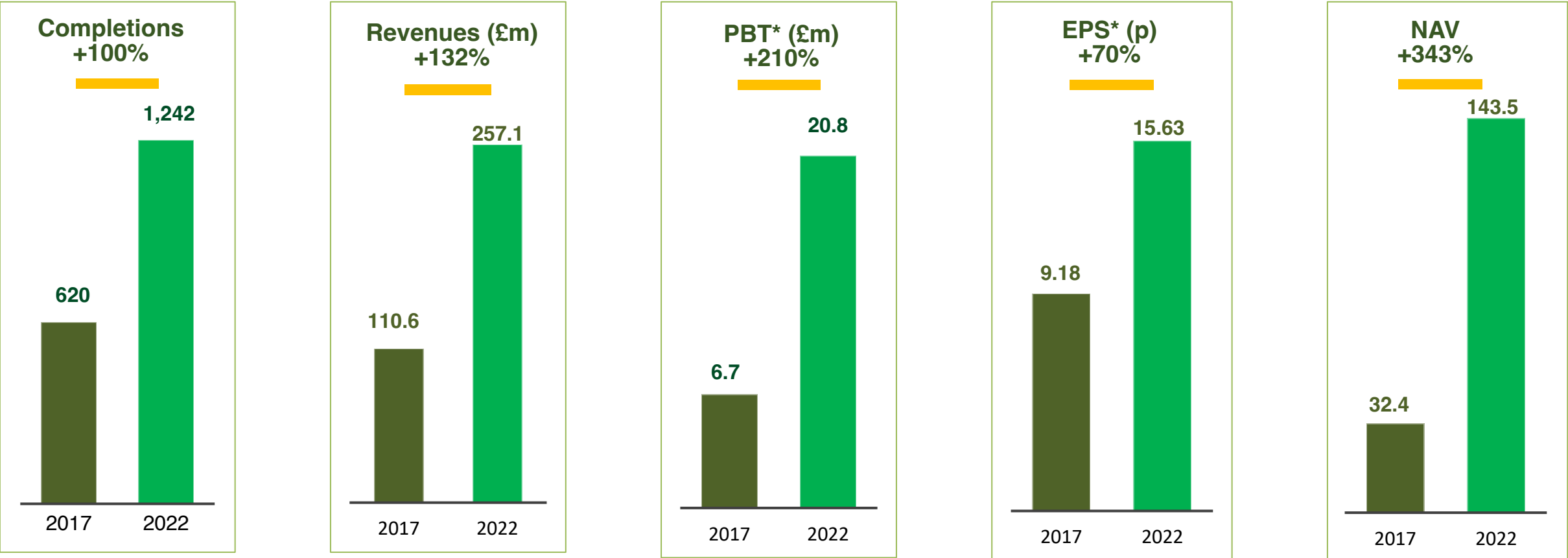
### **Michelle Motion, Chief Financial Officer**

- 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

## Our story



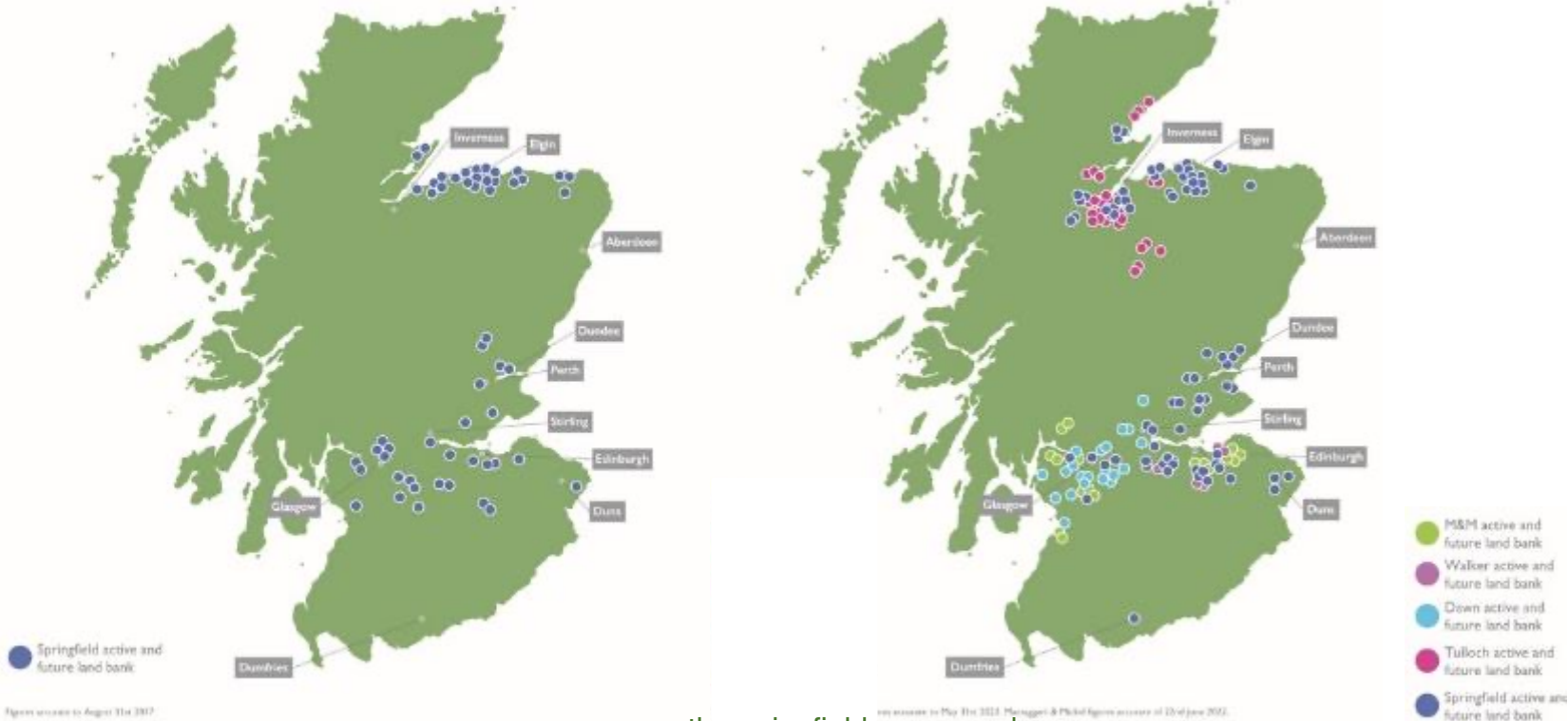
## Delivering growth



\* Adjusted to exclude exceptional items

Land bank 2017 – 9,195 plots

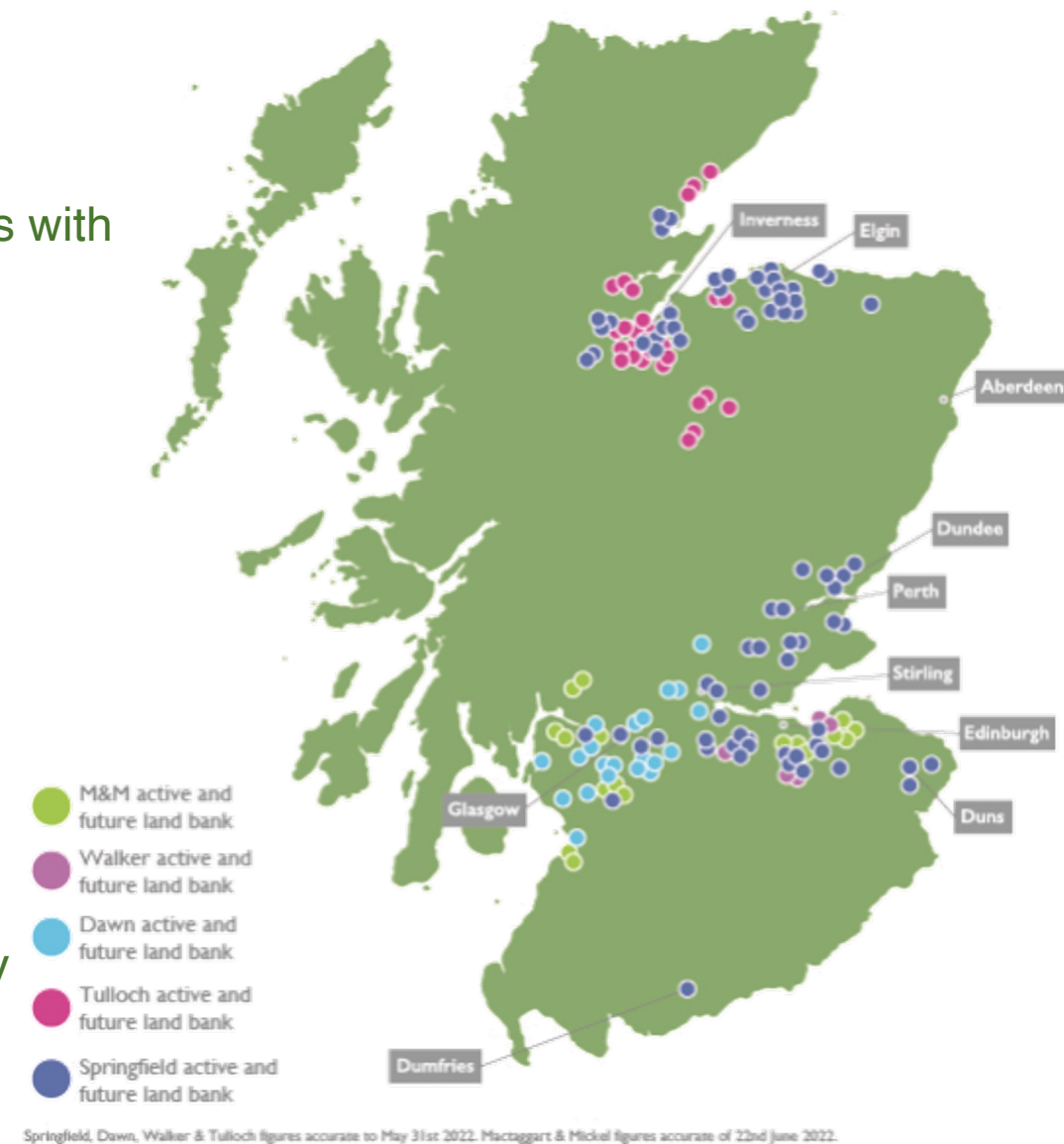
Land bank 2022 – 16,652 plots





## Accelerated growth via acquisition

- Acquisition since IPO of four well-established, Scottish housebuilders with strong financial records:
  - Dawn Homes in 2018 - £20.1m
  - Walker Group in 2019 - £31.0m
  - Tulloch Homes in 2021 - £56.4m
  - Mactaggart & Mickel Homes in 2022 - £46.3m
- Expanded geographically – and gained foothold in premium markets
- Strong brands maintained
- Strengthened supply chain – including an additional timber kit factory
- Gained excellent management teams
- Secured favourable payment terms
- Earnings accretive from year of acquisition



## Private housing

- The Springfield Group delivers private housing under its Springfield, Dawn Homes, Walker Group, Tulloch Homes and Mactaggart & Mickel brands
- Homes are sold in almost all key geographies in Scotland – one of the three largest providers
- Across the brands, the Springfield Group homes are:
  - Energy efficient, high quality homes with a generous specification as standard
  - Focus on choices for customers to make their home their own
  - 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
- High levels of customer satisfaction – rating of 93% and Net Promoter Score of 59\*



## Key Scottish differentiators

- High revenue visibility and secure income stream under Scottish missive (contract) system
  - Buyers legally bound much earlier than in England and Wales



- Greater affordability
  - House prices in Scotland are more affordable in relation to household income
- Unaffected by the withdrawal of Help to Buy in England
  - The Scottish scheme officially closed in March 2021 after being phased out for years
- Low exposure to cladding issues – due to type of homes built and differing approach by Scottish Government
- No ground rents issue
  - All homes are sold freehold where the buyer becomes the sole owner of both the building and the land it stands on

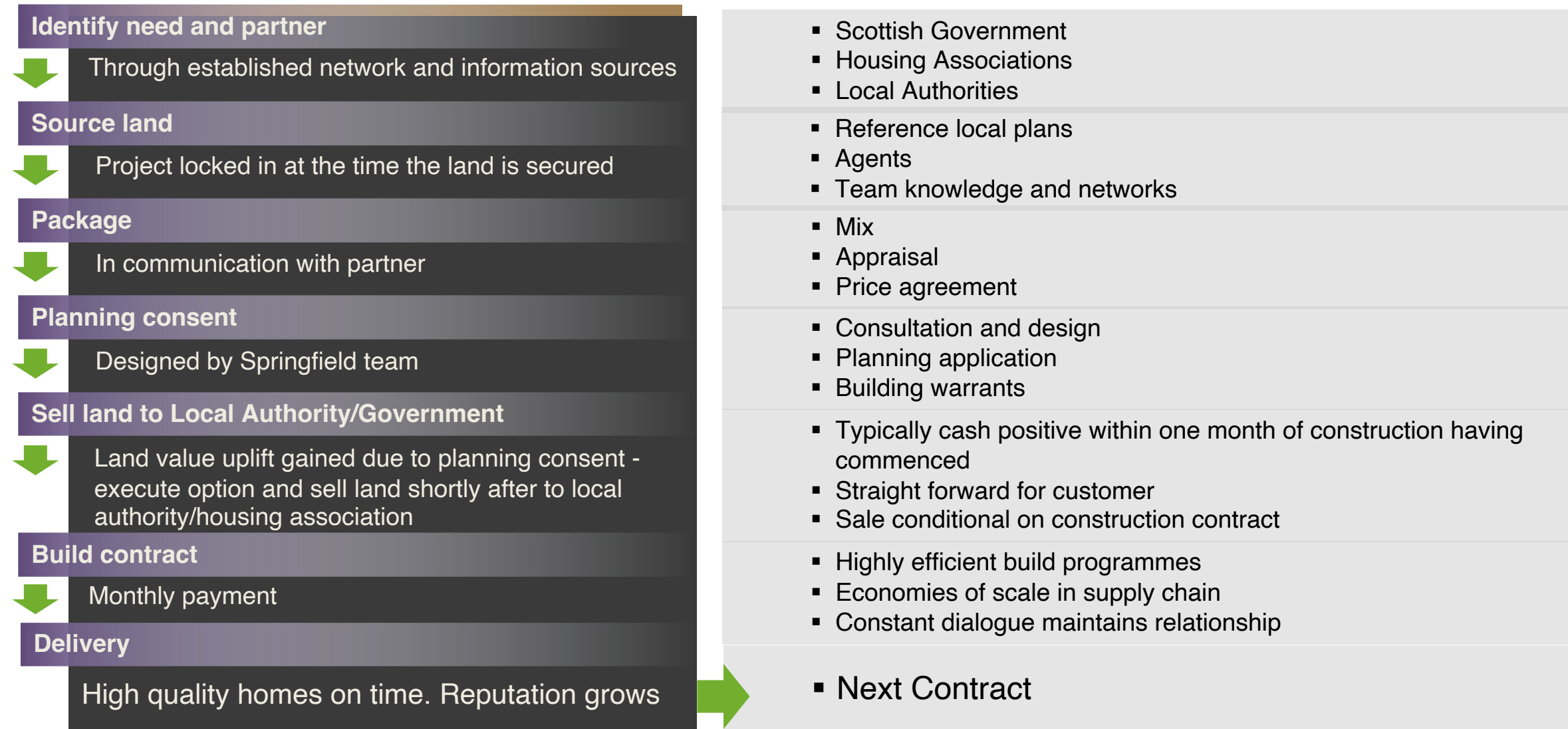


## Affordable housing

- Quality housing delivered in partnership with local authorities, housing associations or other public bodies
- Springfield develops standalone sites consisting entirely of affordable homes as well as providing affordable housing at its private developments under Section 75 agreements
- Strong reputation and trusted partner
- High revenue visibility from construction contracts with low capital requirement
- Strong cash flow dynamics – typically cash positive within one month of construction having commenced
- Diversification of Group revenue base to reduce exposure to economic downturn/private housing market cycle



## Affordable housing model



## Springfield Villages

- Standalone developments that include infrastructure and neighbourhood amenities
- Situated in semi-rural locations, but close to fast growing cities of Dundee, Perth, Stirling, Livingston and Elgin
- Three Springfield Villages are home to growing communities – with third party amenities such as schools, shops, sports centre – with two more Villages in progress
- Primarily offering private housing, but also affordable and, at Bertha Park Village, 75 private rented sector homes
- Extensive landscaping providing plenty of green space and wild life
- Supports Springfield's ethos in providing good homes across all tenures and placemaking
- Springfield also benefits from:
  - Development secured for 30 years
  - Planning efficiencies with control of entire masterplan
  - Opportunities for land swaps with/sales to other housebuilders



Accurate to May 31st 2022.



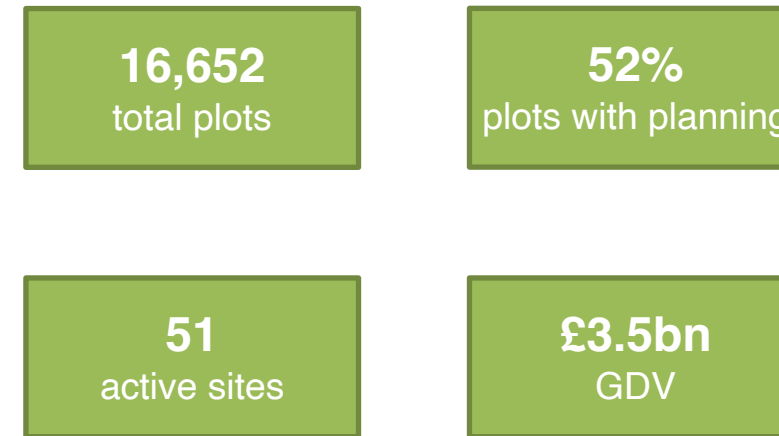
## Delivering low carbon homes

- Springfield homes are four times more energy efficient than Victorian equivalents
- Recent Home Builders Federation survey found\*:
  - Buyers of a new build house save on average c. £2,600 pa in energy bills
  - 1 in 4 buyers now put efficiency as a key consideration when purchasing a house
- Two timber kit factories in-house 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
- Plus every home built has as standard:
  - Enhanced day-lighting designed in
  - Dedicated space provided for recycling
  - Home office working space designed in

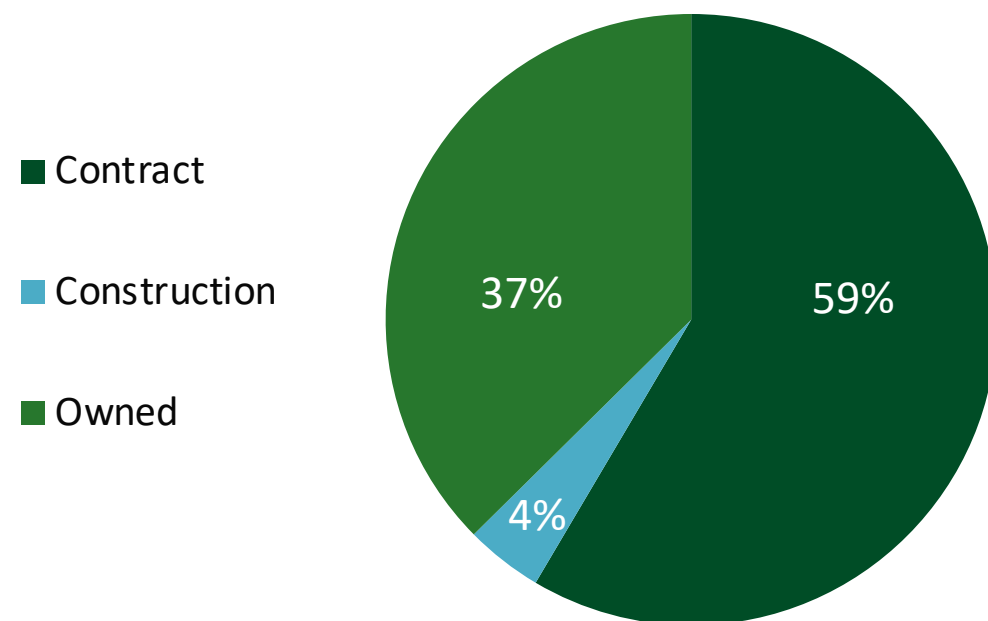


## Large, high quality land bank\*

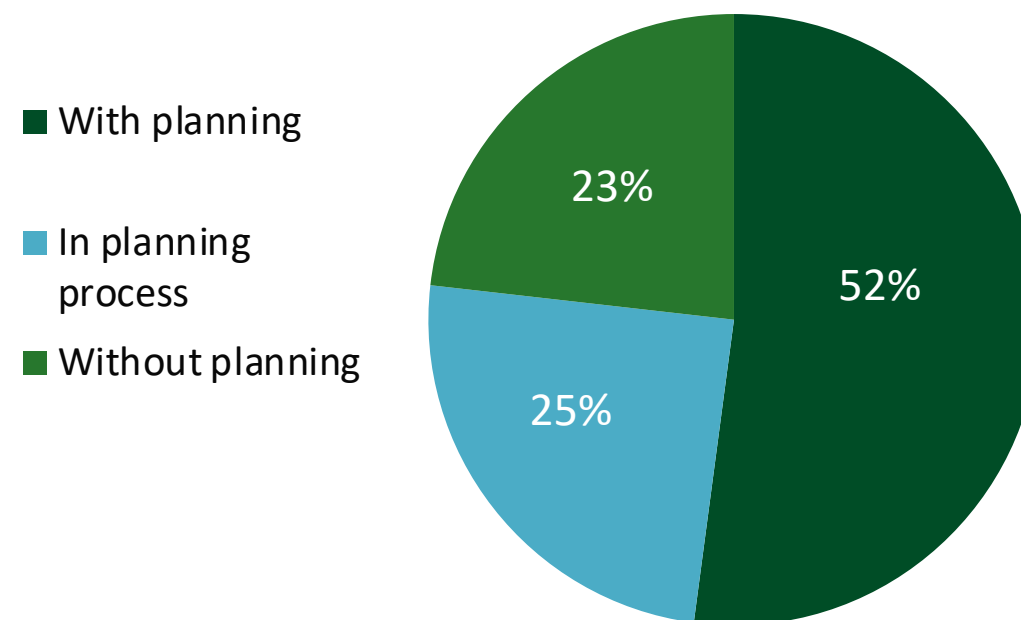
- Substantial land bank across Scotland:
  - Secures 13 years of activity at current sales rates
  - Provides opportunities for land sales
- Option for potential purchase of more land in strategic sites through Mactaggart & Mickel acquisition



### Land bank ownership



### Planning permission



## FY 2022 results summary

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

\* Adjusted to exclude exceptional items

- Record revenue and profit with revenue growth across the business
  - Growth through acquisition and organic
- Margin reduction due to impact of cost increases in affordable housing
  - Impact of fixed-price contracts and three subcontractors going out of business
- Administrative expenses reduced as a proportion of revenue to 8.1% (2021: 9.0%)



## Market fundamentals

- Undersupply of housing across all tenures
- Mortgage availability remains high with lenders keen to support energy efficient homes
- Scottish Government committed to delivering affordable housing – target of 110,000 homes by 2032
- House price growth expected to absorb any increased build costs in private housing in the current financial year – and pressures on costs expected to reduce
- Sustained demand for the type of family housing the Springfield Group offers



## Environment and people

### **Sustainability and caring for our people and communities is at our core**

#### **ESG Strategy published in 2022 to:**

- Formalise existing approach to sustainability across operations
- Set out a commitment to achieve net zero carbon by at least 2045 and create a route map for our business
- Research the best alternative technologies for all new build homes to be fossil fuel free
- Produce an Equality, Diversity and Inclusion policy formalising the culture that we create for everyone to thrive
- Take an influential lead on sustainability for our subcontractors and our supply chain
- Introduce a new Governance structure for ESG with a dedicated Board Committee led by CEO to ensure continuous improvement



## Conclusion

- A leading Scottish housebuilder with a strong product offering
- Significant growth delivered in 2022 – and expect another record year in 2023
- Large, high quality land bank
- Distinctive model reduces risk profile
- Track record of accelerating growth via acquisition
- Key Scottish differentiators
- Market fundamentals remain supportive in the medium-term – undersupply of housing of all tenures across Scotland
- Sustained demand for high quality, energy efficient and attractive communities delivered across the Group





# Q&A

Sign up to receive our alerts via our new corporate website:  
[www.thespringfieldgroup.co.uk](http://www.thespringfieldgroup.co.uk)



## Springfield Village case study – Dykes of Gray, Dundee

- Land secured in 2013 on favourable payment terms
- Several unsuccessful attempts by national housebuilders to develop land
- Planning undertaken in-house in partnership with Dundee City Council
- First revenue received 35 months after project start
- 312 homes completed as at 31 May 2022
- Target GDV of £272m - £76.0m sales to 31 May 2022
- 62 plots swapped with major housebuilder for land in Kinross with GDV of £13m
- Development of community infrastructure: grass sports pitch; cycling and walking routes; convenience store; school bus route; post box

