

Springfield Properties plc

Full Year Results for the year ended 31 May 2024



Springfield Properties – Elgin South Village, Moray

Presentation team



Sandy Adam, Chairman

Founder of Springfield Properties



Innes Smith, CEO

Appointed CEO in 2012

Joined as FD in 2005

KPMG qualified Chartered Accountant



Iain Logan, CFO

Appointed CFO in July 2023

Joined as Group Financial Controller
in 2020

PwC qualified Chartered Accountant

Key objectives achieved

- Exceeded key target of bank debt reduction through profitable land sales and maximising cash generation – bank debt reduced to £39.9m at year end
- Realised value from high quality land bank
 - Secured profitable land sales of £28.1m
 - Transformational agreement signed with Barratt Developments for Durieshill Village
 - Large owned land bank of 5,593 plots – 88% with planning permission – and strategic land bank of 31,471 plots
 - Significant land holdings in the North that is set to benefit from upcoming investment in green infrastructure
- Decisive action taken to reduce costs and manage working capital across the business
- Delivering on affordable housing contracts – with >£50m of contracts signed during the year
- Improvement in private housing since year end – with reservation rate ahead of same period last year
- Resumption of dividend – 1p for the year

REVENUE
£266.5m
(2023: £332.1m)

Adj. PBT
£10.6m
(2023: £16.0m)

COMPLETIONS
878
(2023: 1,301)

NET BANK DEBT
£39.9m
(31 May 2023:
£61.8m)

Financial Review



Mactaggart & Mickel – Stewart Gardens, Newton Mearns

Results summary

£(m)	FY 2024	FY 2023
Revenue	266.5	332.1
Gross profit	43.4	48.0
Gross margin	16.3%	14.4%
Administrative expenses*	(26.5)	(28.0)
Operating profit*	17.9	20.7
Operating margin*	6.7%	6.2%
Profit before tax*	10.6	16.0
Exceptional items	(0.9)	(0.7)
Profit before tax inc. exceptional items	9.7	15.3
Taxation	(2.1)	(3.2)
Profit after tax inc. exceptional items	7.6	12.1
Net bank debt	39.9	61.8

* Adjusted to exclude exceptional items

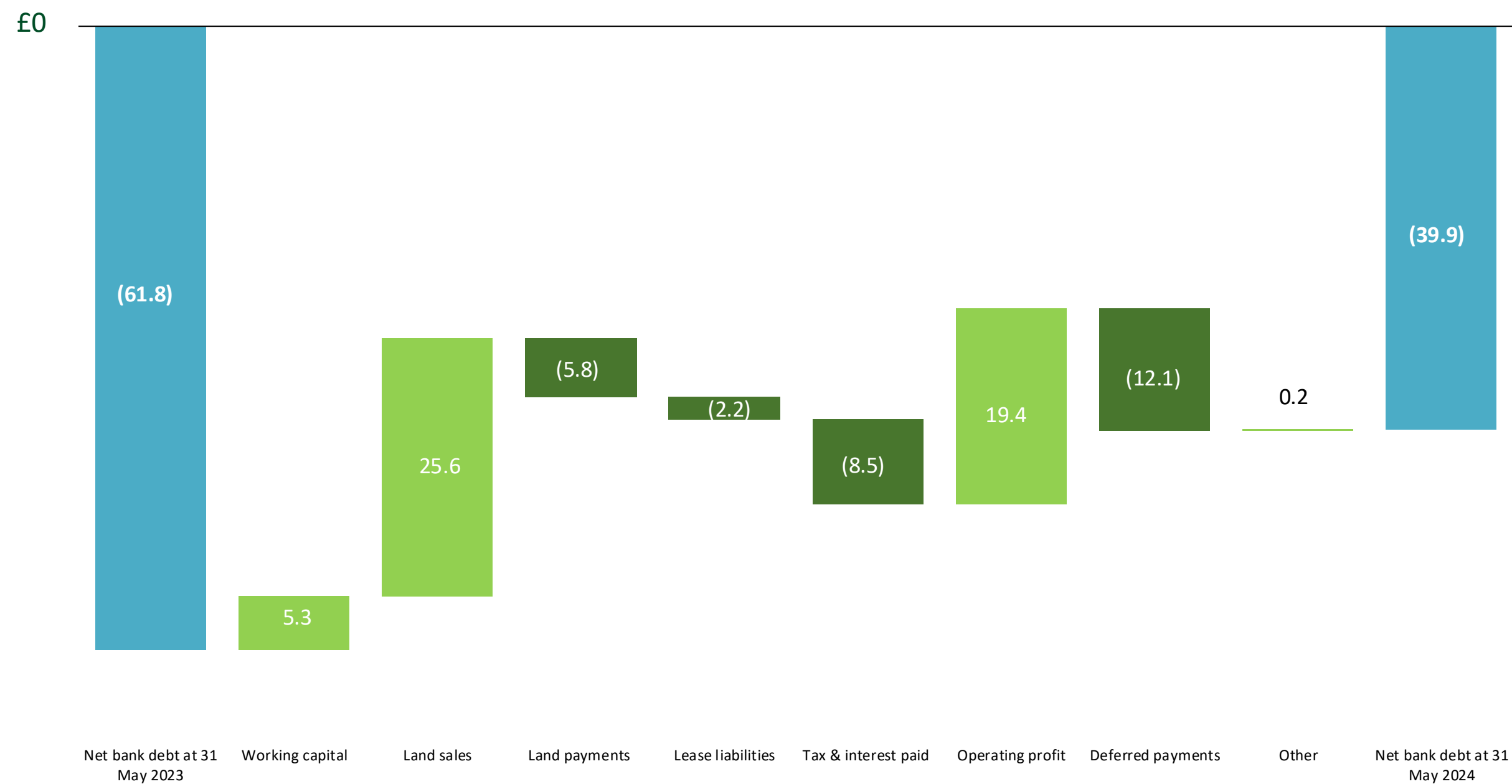
- Decisive action taken to reduce cost and manage working capital across the business, resulting in significant reduction in debt position to well ahead of target
- Revenue continued to be impacted by challenging market conditions across the industry
- Increased margin driven by an improvement in affordable housing and profitable land sales

Results by housing type

- Private housing:
 - Reduction in revenue and completions due to market conditions impacting demand
 - ASP increase reflects changes in the housing mix
- Affordable housing:
 - Reduction in revenue and completions reflects strategic decision in FY 2023 to pause entering new affordable-only contracts
 - Increase in ASP due to uplift in Scottish Government grant available per home
- Contract housing reduction reflecting planned pause in private housing at Bertha Park and contribution to FY 2023 from PRS

	FY 2024	FY 2023
Private Housing		
Completions	584	866
ASP	£316k	£293k
Revenue	£184.7m	£253.4m
Affordable Housing		
Completions	270	328
ASP	£174k	£164k
Revenue	£47.0m	£53.9m
Contract Housing		
Completions	24	107
Revenue	£5.0m	£19.7m

Net bank debt analysis
(£m)



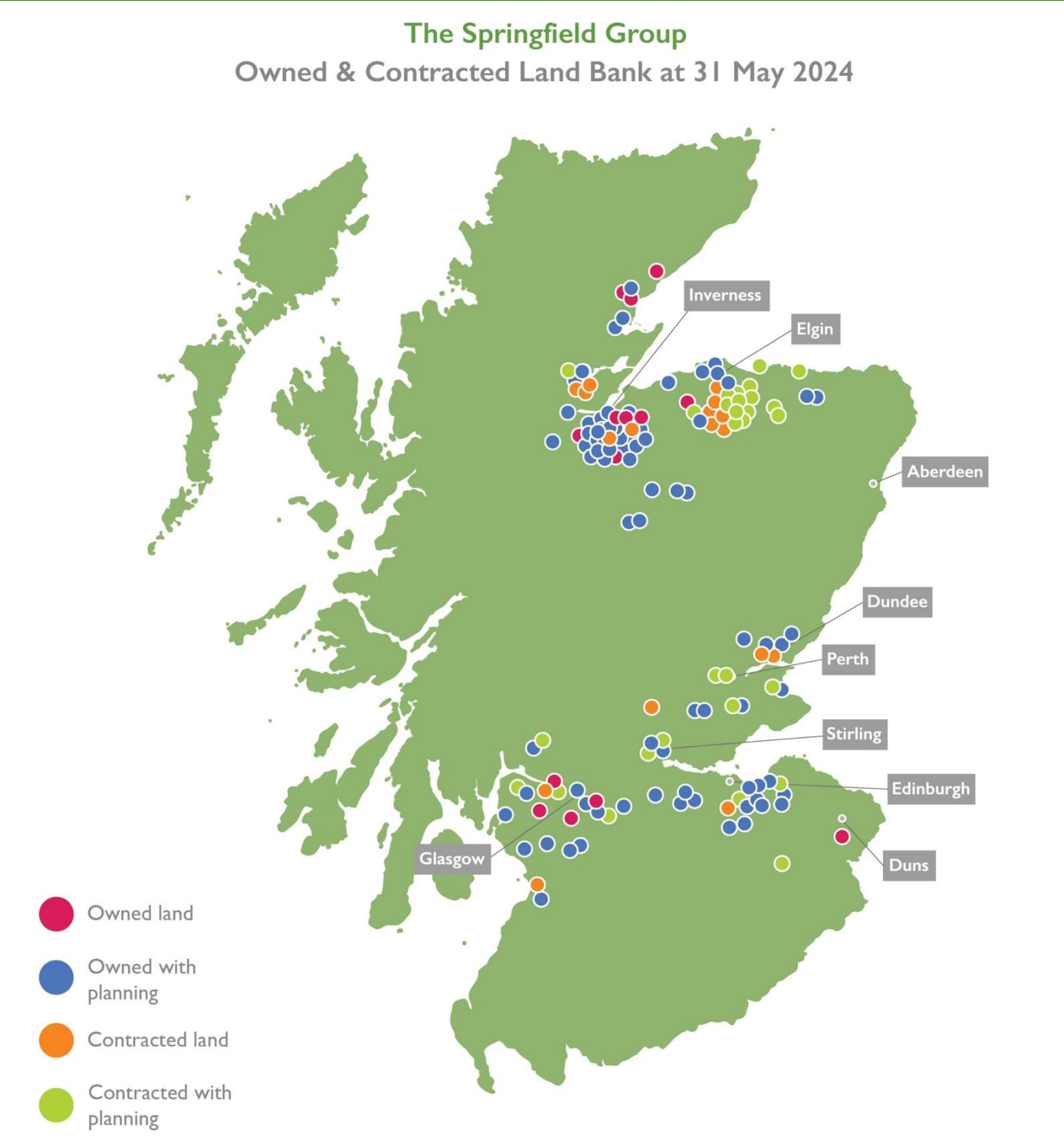
Summary balance sheet

£(m)	31 May 2024	31 May 2023	Change
Total assets	305.3	329.7	(24.4)
Other liabilities*	(107.2)	(117.3)	(10.1)
Net bank debt	(39.9)	(61.8)	(21.9)
Net assets	158.2	150.6	7.6

* Total liabilities excluding net bank debt

- Total assets reduced as expected due to lower work in progress from lower revenues and land sales
- Bank debt reduction due to careful management of working capital, cost control and securing profitable land sales
- 12-month term loan of £18.0m that had a repayment date of September 2024 repaid in full in May 2024
- RCF facility of £87.5m extended for 12 months to January 2026

Land Bank



Large, high-quality land bank

- One of the largest land banks in Scotland, with sites in key locations
- 88% of owned land bank already has planning in place
- Realising value from existing land bank
 - Secured land sales to support debt reduction without impacting near-term pipeline – sales of £28.1m, equating to c. 894 plots, that generated a profit of £6.2m
- Added 17 active sites and completed 25 sites – active on 42 sites at year end

As at 31 May	2024	2023
Owned plots	5,593	6,712
Contracted plots	6,866	7,537
Plots under option	24,605	24,605

Owned land bank

Plots within the land bank that are owned

- 5,593 plots owned - 88% with planning*
- Generating 6 years of activity with a GDV of £1.5bn
- Land mainly secured off market resulting in an attractive cost per plot of c. £16k

Inventories total per balance sheet	£244m
Land	c. £86m
WIP	c. £158m

Strategic land

Contracted land

Plots that are currently contracted

- 6,866 plots currently contracted – 57% with planning in place*
- Generating 8 years of activity with a GDV of £1.6bn

Strategic options

Plots that the Group has an option to develop

- Options over 2,460 acres
- Equating to c. 24,605 plots
- Generating c. 28 years of activity

Transformational agreement for Durieshill

- New Village near Stirling with detailed planning permission for over 3,000 homes and community facilities – section 75 secured in the year
- Strategic collaboration agreement signed with Barratt Developments
 - Completed a land sale to Barratt for £10m
 - Barratt will receive more land in exchange for providing and funding major infrastructure for the entire site
 - The deal will accelerate site development while eliminating Springfield's need to tie up capital over a multi-year period
- Trusted partner of five-star housebuilder with excellent reputation



Operational & Strategic Review



Springfield Properties multi-award winning village, Bertha Park, Perth

Private housing

- Recovery being experienced post year end with increased reservation rates – supported by Bank of England lowering interest rates
- Demand impacted by reduced homebuyer confidence
- Curtailed speculative private housing development:
 - Initially, only building homes when reservation was secured and, from FY 2024, commencing soft launches
- Selling prices upheld across Springfield Group brands
- Rationalisation of house types to increase efficiency and enhance quality using consistent build approaches
- Sustained focus on customer service:
 - Continue to offer high level of specification as standard
 - Achieved 96% customer satisfaction for 2024, up from 94% for 2023 – all brands securing In-House Gold Awards for customer satisfaction



Tulloch Homes, Woodroffe Grange, Forres



Dawn Homes, Mayfields, Glenmavis



Springfield Properties, Dykes of Gray Village, Dundee

Affordable housing

- Recommenced actively engaging with affordable housing providers following:
 - Reduction in cost price inflation – with build cost inflation expected to be broadly flat for FY 2025
 - Scottish Government increasing affordable housing investment benchmarks
- Completed large legacy contracts – now focused on shorter-term contracts
- Receiving strong demand
 - >£50m of contracts signed in the year
 - c. Two-thirds of forecast FY 2025 affordable revenue is contracted with the balance already being negotiated
- Fundamentals of affordable housing remain strong:
 - Provides strong cash flow dynamics with high visibility and low capital exposure
 - Chronic undersupply of affordable housing across Scotland
 - Strong partnership network and large land bank



Housing market in Scotland

- Undersupply of homes intensifying:
 - Housing emergency declared by Scottish Government
 - Scottish Government remains committed to delivering of 110,000 energy efficient affordable homes by 2032
 - Ministers Housing Investment Taskforce established, with Springfield participating alongside key housing and finance stakeholders
 - Strong need for PRS housing: clarity anticipated on rent cap to unlock investment
- First Bank of England base rate reduction in four years in August 2024
- Mortgage lenders keen to support new build market
- Green infrastructure investment boosting demand for homes in the North of Scotland, including Inverness and Cromarty Green Freeport and SSEN upgrade to national power network
- Scottish housing market resilience:
 - Sustained house price growth – latest index from Zoopla showing growth of 1.9% for Scotland
 - Affordability remains high based on house price to earnings ratio – currently 4.2 in Scotland vs 6.1 for the UK as a whole

July 2024 House Price Index

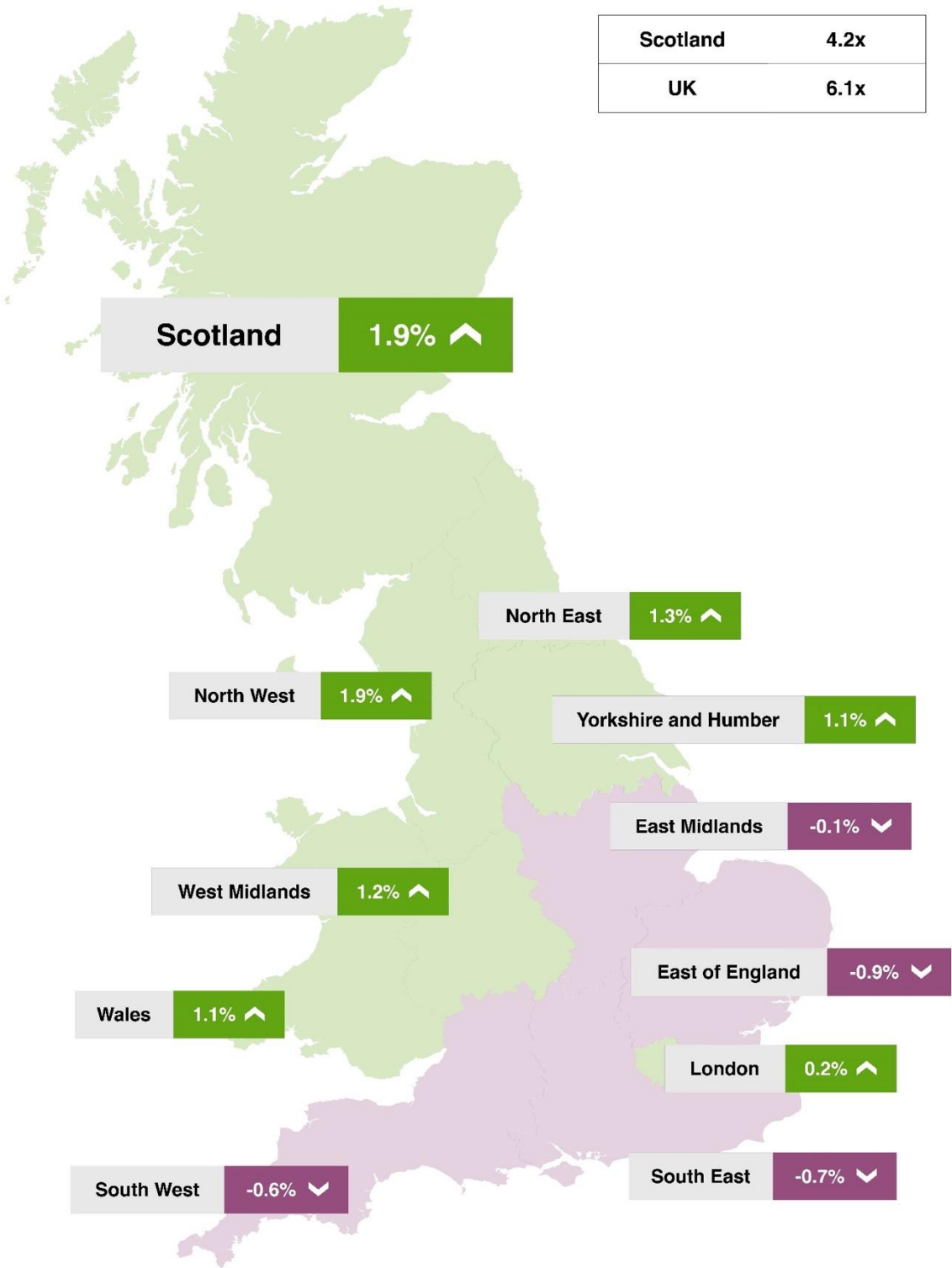
(Published August 2024)
Source: Zoopla House Price Index

Region/City	Annual % change in houses price
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Average House Price Against Annual income

Source: Nationwide


Scotland	4.2x
UK	6.1x



Environment and people – 2024 ESG highlights



All homes built using MMC, and capacity to transition to closed panel explored within the period.



Over 20 years' experience with air source technology, almost half of homes built in period without gas.



Continuing to pioneer, preparing to launch new development with ground source heat network installed.



22% of site workers undertaking apprenticeships. 6% of office staff undertaking formal qualifications.



Greener operations, three electric minibuses transporting employees, reducing carbon emissions.



Governance embedded, ESG board committee meeting regularly and annual update now published.

Conclusion

- Delivered objectives for FY 2024 – with debt successfully managed
- Actions taken have strengthened Springfield's strategic position
- Recovery being experienced in private housing – reservation rate for 1 June 2024 to date ahead of same period last year
- Strong contracted order book in affordable housing
- Large, high quality land bank in key locations – 88% of owned land bank already has planning in place
- Green infrastructure investment boosting demand for homes in the North of Scotland
- Scottish housing market fundamentals remain supportive
- On track to achieve strong increase in profitability for FY 2025
- Confidence in future and increasing opportunities has enabled dividend to be reinstated

