

4 July 2017

## **CALA Group (Holdings) Limited**

### ***Fifth consecutive year of record revenues and profits with over £1bn of land investment Urges Government to reform UK planning system***

CALA Group (Holdings) Limited (“CALA” or “the Group”), the UK’s most upmarket major home builder, today issues the following update on trading for the twelve months to 30 June 2017.

#### **Highlights**

- Strong trading performance expected to result in a fifth consecutive year of record profits
- Group on track to deliver its strategic growth plan with annual revenue exceeding £700m for the first time (2016: £587.1m)
- Total home completions up 46% to 1,677 (2016: 1,151)
- Private ASP £497,000 (2016: £538,000) driven by a change in site mix and continued transition away from the market for homes over £1m
- 34 new sites (3,199 plots) contracted during the year with a potential gross development value (“GDV”) of £1.3bn
- Planning permission granted on 33 sites (3,156 plots) with a potential GDV of £1.2bn
- Private revenue per site per week up 6% to £271,000 (2016: £254,000) with private sales per site per week of 0.56 (2016: 0.48)
- Strong level of forward private reservations (+26%) provides the Group with good visibility as it heads into the new financial year
- CALA calls on the Government to urgently reform the UK planning system in order to achieve the Conservative’s manifesto pledge to build one million new homes by 2020

#### **Alan Brown, Chief Executive of CALA Group, said:**

*“2017 has been another record year for the Group. Our performance for the twelve months to the end of June will see us deliver revenue in excess of £700m for the first time which is a big step towards our stated aim of delivering an annual capacity of up to 2,500 units and £1bn of revenue by 2020.*

*“Following the General Election result, we now have a Conservative Government with a stated manifesto pledge to build one million new homes by 2020. However, if the UK is to stand any hope of delivering on this aim, urgent reform of the planning system is required to remove the obstructions that are preventing us and other developers from getting on and building the homes the country desperately needs.*

*“We enter the new financial year in a positive position with a strong level of forward private reservations that is actually ahead of our expectations. We continue to see good opportunities to buy high quality land in attractive locations at affordable prices and I remain confident in both our near term and longer term growth plans.”*

## **Strong momentum across the business**

Following a strong start to the 2017 financial year, CALA has maintained its positive growth momentum over the important spring selling season, delivering another record year of revenues and profits as the Group continues its transition towards becoming a major premium housebuilder that is able to benefit from increased operational efficiency and improved economies of scale.

Over the past decade, the Group has increased its volume output by 70%, a growth rate that is far in excess of any other major UK homebuilder, underlining the Group's commitment to pursuing an ambitious growth strategy that is supported by a strong trading performance. Over 60% of the Group's profits now come from England where it has five regions out of a total of eight.

Despite continued weakness in the market for homes over £1m, which now only account for 3% of total Group sales completions, CALA's overall trading performance for the period was strong. Private completions rose 32% to 1,322 (2016: 1,002) while private ASP reduced to £497,000 (2016: £538,000) due primarily to site mix and the planned transition away from the top end of the market. Affordable housing activity also rose substantially in the year which included a 138% increase in completions to 355 (2016: 149).

Private revenue per site per week during the period, a far more meaningful metric of CALA's sales performance given the Group's size relative to that of its larger peers, was £271,000, an increase of 6% on the prior year. Private reservations per active site per week for the financial year were 0.56, an increase of 17% against the prior year (2016: 0.48).

The Group continues to have relatively limited direct exposure to Help to Buy with only 14% of private sales completed using the product during the period; a 2ppt increase on the prior year. CALA expects that this figure will rise modestly over the coming years, albeit still significantly below the levels experienced by its listed peers, as the Group increases the number of homes it builds and continues to transition to larger sites.

As at 30th June 2017, the Group had secured 382 forward private reservations (26% up on last year's figure) with a GDV of £179m (2016: 303 private units with a GDV of £160m).

## **Continued land investment driving future returns**

CALA continues to acquire sites that fulfil its investment criteria and has remained active in the land market during the period, identifying and securing high quality opportunities in prime locations including East Molesey, Cheltenham, Haddenham, Edinburgh, Cults in Aberdeen and Newton Mearns to the South of Glasgow.

During the financial year, 34 new sites have been contracted, adding 3,199 plots and £1.3bn of GDV to the land bank, at or above the Group's target hurdle rates. A further 1,097 plots were added to the strategic land bank during the year. The Group has also acquired land with planning consent or secured a first-time planning consent on 33 sites during the year, which will deliver 3,156 plots and £1.2bn of GDV.

With the ongoing backing and support of main shareholders Patron Capital and Legal & General, CALA remains focused on continued investment in its existing land bank, which will provide the

Group with a solid platform to deliver on its stated growth strategy and drive future shareholder returns.

## **Urgent reform of the UK planning system required**

Following the win secured by the Conservative Party in last month's General Election, the Government must now focus on pushing through the urgent reform of the UK planning system that is required in order to meet the stated aim of building one million new homes by 2020.

Although this year's White Paper aimed to address this area, it fell disappointingly short of the sort of restructuring that is required to have a meaningful practical impact and free up a planning system that presents unnecessary barriers to UK housebuilders when it comes to bringing sites through to development.

CALA's stated growth ambitions and track-record of delivering sector-leading increases in unit output over the past decade underline its commitment to playing a central role in delivering the family homes that the UK so badly needs. However, delays in the planning process, most notably in the signing of section 106 and 278 agreements, the clearing of pre-start conditions and unnecessary planning appeals despite officer support, continue to undermine the Group's ability to do so.

Furthermore, the Group continues to believe that the ongoing focus on affordable housing and first time buyers is disproportionate and misguided when placed in a wider market context.

Although support for affordable housing and first time buyers remains important, addressing the shortage of four and five bed family homes should be prioritised in order to encourage movement further up the housing ladder. By focusing more on providing homes through the life cycle for home buyers, rather than the current singular approach which prioritises one level of housing over all others, this should effectively enhance the volume of housing transactions up and down the UK housing ladder.

## **Growth strategy remains firmly on course**

This year, CALA has continued to make good progress as it continues to transition towards becoming a major premium housebuilder.

CALA already has in place the requisite infrastructure to deliver on its growth ambitions and remains on course to deliver an annual capacity of up to 2,500 units by 2020, resulting in revenue of up to c.£1 billion.

In the near term, the Group continues to focus on driving improvements in operational efficiency while also focusing on larger developments which in turn will help to deliver an increased return on capital employed.

The Group enters the new financial year with good visibility thanks to a strong level of forward private reservations and, with a continuation of strong market conditions, the Board is confident of building upon the positive performance in the twelve months to 30 June 2017 over the course of the new financial year.

Longer term, CALA's growth plans and operational efficiency targets remain on schedule and the Group is confident of driving significant future shareholder value.

- ENDS -

For further information or to arrange to speak with Alan Brown, Chief Executive of CALA Group Limited, please contact:

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## **Notes to Editors**

CALA Homes, part of the CALA Group, is the UK's most upmarket major home builder operating in the South of England, the Midlands and Scotland. The company is a Top 10 UK home builder focused on building well-designed, high quality homes in prime locations.

### **Key Facts:**

- In its full year results for the year ending 30th June 2016, CALA announced record profits of £60.1m (2015: £50.9m).
- CALA's average selling price (ASP), as at 30th June 2016, was £538,000 (2015: £509,000) – the highest ASP outside London of any major UK housebuilder, thanks to the Group's market positioning and geographic presence in more affluent areas of the UK.
- As at 30th June 2016, CALA's owned and contracted landbank stood at 15,399 plots (2015: 14,236) with a potential gross development value approaching £5.5bn, up 16% versus 2015 (£5.2bn).
- In 2016, CALA was crowned 'Medium Housebuilder of the Year' at the Housebuilder Awards as well as collecting a silver award for 'Best Large Housebuilder' at the What House? Awards. In 2017 so far CALA has won the award for 'Customer Service Excellence' at the Scottish Home Awards.
- In March 2013, the CALA Group was acquired by Patron Capital Partners, the private equity group, and Legal & General Group, the insurance, savings and investment management company.
- At the end of March 2014, CALA acquired Banner Homes, a leading developer and retailer of luxury new homes in the affluent markets of the Midlands and the South East of England. The acquisition expanded the company's geographical footprint and volume scale to make it a Top 10 UK home builder.
- CALA started as the City of Aberdeen Land Association in 1875 and was the first Scottish company listed on the London Stock Market. As CALA is an acronym it is always reproduced in upper case.

For further information visit [www.cala.co.uk](http://www.cala.co.uk)