2 October 2017

CALA Group (Holdings) Limited
Results for the Financial Year Ended 30 June 2017

FIFTH CONSECUTIVE YEAR OF RECORD REVENUES AND PROFIT
CALA NOW THE UK'S FASTEST GROWING MAJOR HOME BUILDER OVER THE PAST DECADE

CALA Group (Holdings) Limited ("CALA", "CALA Group" or "the Group"), the UK's most upmarket major home builder, today announces its financial results for the year ended 30 June 2017.

Financial Highlights

	Year ended 30 June 2017	Year ended 30 June 2016	
Group Revenue	£747.9m	£587.1m	+27%
Profit Before Tax*	£68.5	£60.1m	+14%
Total home completions	1,677	1,151	+46%
Average Selling Price (ASP)	£497,000	£538,000	-8%
Return On Capital Employed	18.6%	18.6%	-
Operating Margin*	12.4%	14.3%	-190bps

*** Before exceptional items and revaluation of financial instruments**

Operational Highlights

- 46% increase in total home completions versus prior year to 1,677 units (2016: 1,151)
- Over a ten-year period, CALA's volumes have now grown by 67%, significantly ahead of major listed peers
- Successful planned, strategic transition away from the >£1.0m market segment resulted in an 8% reduction in ASP
- Further increase in the Group's owned and contracted land pipeline to 15,836 plots at 30 June 2017 (2016: 15,399 plots)
    - 83% of the contracted land pipeline, with a GDV of £4.3bn, now has a planning consent or is adopted in a local plan
    - 34 new sites contracted during the year, projected to deliver 3,199 homes with an estimated GDV of £1.25bn
    - Ongoing focus on Southern England with 76% of plots contracted over the year in the region
- Workforce increased to 936 employees (2016: 810)

Commenting on the results, Alan Brown, Chief Executive of CALA Group, said:

"I am delighted with the excellent results we have achieved at CALA in the twelve months to 30 June 2017, in particular, the exceptional progress in transforming the size and scope of our business which has seen us deliver our fifth consecutive year of record revenues and profits.

"Since the 2007/2008 industry peaks, we have achieved volume growth of 67%, significantly ahead of our major listed peers while still delivering consistently strong customer service and investing in our land pipeline.

"Following our record performance in 2017, we remain on course to achieve our stated strategic aim of building approximately 2,500 units per annum by 2020 and have the infrastructure in place to deliver on these growth plans. We have entered the new financial year with strong trading momentum and, in the first ten weeks of 2017/18, net private reservations are up 34% on the same period last year with an average weekly reservation rate of 0.64 private sales per development.

"Although we welcomed some of the proposals in February's White Paper around planning reform and the general direction of travel to improve the rate of delivery of new homes, we are still encountering unnecessary delays in the planning system owing to both understaffed local planning departments and a sizable disconnect between national housing policy and local government activity. As a result, despite the well-publicised housing shortage in the UK, local authorities continue to cause unnecessary delays to the planning process. While we have grown significantly during the period and remain on course to achieve our growth ambitions, our output would have been considerably higher had we not encountered some entirely avoidable issues stemming from these delays.

"Although CALA has the land pipeline and infrastructure already in place to continue to play a growing role in delivering the homes that the UK needs, a more progressive and constructive approach to planning from local authorities will enable the UK housing industry as a whole to deliver more homes and address the UK's housing shortage."

For further information please contact
MHP Communications Andrew Jaques, James White, Giles Robinson, Charlie Barker +44 (0)20 3128 8710 / cala@mhpc.com

CALA Group - Results for the Financial Year Ended 30 June 2017

Financial Results
2017 has been a hugely important 12 months for CALA with the significant volume growth achieved over the period driving a fifth successive year of record revenues and profits.

During the year, CALA delivered a 46% increase in total home completions (2017: 1,677 versus 2016: 1,151) at an average selling price of £497,000, a planned reduction on the prior year (2016: £538,000) following the Group's strategic decision to reduce its exposure to homes valued above £1 million. As a result, revenues rose 27% to £747.9 million (£587.1 million) alongside a 14% increase in profit before tax, exceptional items and revaluations to £68.5 million.

During the financial year to 30 June 2017, the Group increased its average number of active selling sites per week to 48 (2016: 45). This was despite the total number of sites from which private sales completions were secured being broadly similar to last year at 81 (2016: 80) owing to the ongoing transition away from smaller sites towards larger developments as the Group continues to scale up in size. The average number of private homes per development where construction commenced during the year increased to 57 (2016: 54 private homes), reflecting this move.

CALA's sales performance during the year was particularly strong with net private reservations up 26% on 2016 at an average selling price of £482,000 (2016: £536,000) with the lower ASP reflecting the aforementioned change in both product and site mix, including an increase in the proportion of apartments sold.

The Group achieved a 17% increase in the net private reservation rate to 0.56 average weekly sales per development (2016: 0.48), a robust performance despite minimal reliance on Help to Buy (14% of sales) given the Group's focus on the more affluent end of the market. This equated to a solid rise in CALA's sector-leading average weekly private revenue per development to £271,000 (2016: £254,000), which is a far more meaningful metric of CALA's sales performance given the size of the Group's ASP relative to that of its larger peers. The cancellation rate was unchanged versus last year at 17%.

CALA's housing gross margin eased to 20.0% (2016: 21.8%), driven mainly by the lower incomes incurred in the first half of the year across certain sites at the top end of the market with sales prices in excess of £1 million, where higher rates of Stamp Duty Land Tax ('SDLT') have dampened demand in this market. Whilst selling in this market segment remains challenging, most of CALA's sites catering for the top end of the market have now completed with exposure to this market segment diminishing rapidly. Some further residual impact from the downturn in the Aberdeen market, a higher proportion of affordable housing income and the early completion of older, higher margin sites that benefited from significant sales inflation, further added to the dilution in housing gross margin during the year, while the ratio of net operating expenses to revenue has remained broadly consistent at 6.9% (2016: 6.8%). In line with the reduction in the housing gross margin, the Group has experienced a reduction in operating margin to 12.4% (2016: 14.3%).

Return on capital employed ("ROCE") remains a key focus for the business and was unchanged year-on-year at 18.6%, despite the Group's strong financial results during the period. This is mainly due to the combination of a lower house sales gross margin and the higher carrying investment in new sites delivering in future years as the Group transitions towards becoming a much larger business. Nonetheless, CALA operates a capital-efficient business model and combined with the expected improvements in operating margin, ROCE is expected to exceed the Group's 20% target in the short term.

At 30 June 2017, the Group had net bank debt of £78.4 million (2016: £123.9 million). The decrease in net bank debt is mainly due to lower part exchange stock and the favourable timing of some significant land commitments during the year which is also reflected in a corresponding increase in land creditors, rising to £216.7 million (2016: £136.2 million).

Land pipeline

Despite numerous Government initiatives in both Scotland and England aimed at increasing the overall supply of housing, the high level housing policy message has not translated into the smooth progress of sites through planning to development, due largely to the existence of a fragmented relationship between the national commitment to increase the delivery of housing and the smaller-scale workings of local politics, which often leads to excessive planning delays.

CALA continues to believe that planning departments are significantly under-resourced, and there has been an escalation of very real and considerable delays occurring to the approval of planning and reserved matters applications, drafting of section agreements and the discharge of conditions, holding up otherwise-approved development. As a result, housebuilders are being forced to resort more frequently to the lengthy and costly appeal process.

Despite this, our land teams have contracted 34 new sites during the period, carefully selected to match the aspirations of our customers and projected to deliver 3,199 homes with a GDV of £1.25 billion and an average selling price, including affordable housing, of £391,000 (2016: 2,683 homes, GDV £1 billion). This represents a replacement rate of 1.7 times Group housing turnover, with 76% located in our principal growth area of the south east of England and underpinning our expansion potential.

Notwithstanding the unpredictable planning environment in which we operate, CALA's proactive and efficient planning teams have worked hard to achieve another very successful year of delivery. During the 12 months to 30 June 2017, the Group acquired land with a planning permission or secured a first-time planning permission on 33 sites for 3,156 homes with an estimated GDV of £1.2 billion at an average selling price of £376,000, including affordable housing (2016: 3,078 homes with a GDV of £1 billion). 49% of sales completions during the financial year were either pulled through from the Group's strategic land pipeline or converted from conditional contracts on a 'subject-to-planning' basis.

The Group's owned and contracted short-term land pipeline at 30 June 2017 comprises 15,836 plots (private and affordable homes), the scope and planning status of which are summarised below (2016: 15,399 plots). There is no incentive to hold land back once the necessary permissions are in place, so CALA continues to meet its commitment to commence development on all sites in the land pipeline, where both the required approvals are in place and contractual terms on site purchase are agreed.

The sites in the land pipeline at 30 June 2017 have a combined GDV of approximately £5.9 billion, measured at today's selling prices, with an ASP including affordable housing of £372,000. This represents 8.1 years' development potential based on 2017 housing revenue, although this will be used more quickly as the Group's growth plans are realised.

The Group also controls a high quality longer-term strategic land pipeline comprising 11,830 plots (2016: 11,223), mostly held under option, to be promoted through the planning system to meet future development needs. Our success in this regard means that a large number of these sites have the prospect of gaining or enhancing their development plan status in the short-term, with others reviewed regularly and to be promoted at the appropriate time. During the year, 103 plots from the strategic land pipeline secured a planning status for the first time and eight new strategic sites were contracted, for 1,097 plots.

Land pipeline	Plots	GDV	ASP	Land Cost	Years
Consented	11,393	£4,333m	£380k	21.4%	6.0
Allocated	1,514	£552m	£365k	19.5%	0.7
Draft allocation or no planning status	2,929	£1,007m	£344k	21.8%	1.4
Owned / Contracted	**15,836**	**£5,892m**	**£372k**	**21.3%**	**8.1**
Strategic	11,830	£3,617m	£306k	**16.9%**	
Total at 30 June 2017	**27,666**	**£9,509m**	**£344k**	**19.6%**	
Total at 30 June 2016	**26,622**	**£8,816m**	**£331k**	**19.6%**	

Market Conditions

Market conditions during the year have been favourable for the homebuilding industry and any weakness around the EU referendum a year ago and the general election more recently, has been short-lived. However, given the prevailing market backdrop and ongoing uncertainty around the Brexit negotiations, we continue to monitor the market closely.

The housing market continues to be supported by the low cost of mortgage finance which remains readily accessible and a high proportion of new home transactions continue to be assisted by Help to Buy. Homebuyer confidence is strong, driven by high levels of employment and a stable economy despite the uncertainty surrounding the nature of the UK's future relationship with the EU. We have seen some moderation in the rate of house price rises during the year but regard this as helpful for buyer affordability and therefore positive for the market as a whole.

Trading in our market segment and areas of operation has been generally strong. The housing market in Aberdeen, which represented only 6% of Group revenue in the financial year, has been stable during the period and this has given us the confidence to increase the number of homes sold and invest in new land.

Separately, although the weakness at the top end of the market brought about by the high burden of SDLT at this price point remains, we have continued our planned transition away from this market segment, limiting our exposure to homes priced above £1 million.

Despite having a limited direct impact on CALA due to the Group's market positioning, with only 14% of private completions using 'Help to Buy', the Government scheme continues to offer a further significant support measure for the broader industry. However, we welcome the forthcoming review of Help to Buy by the London School of Economics in order to clarify the Government's position towards the scheme and, more importantly, quantify how it could be improved in order to better focus on those who truly need it.

People

At 30 June 2017 we had 936 employees within the Group (2016: 810), a further significant increase over the previous year.

In keeping with CALA's desire to invest in new talent for the future, we have recently completed the selection process for our third graduate development programme. We have also created a number of trainee roles in our Commercial and Construction functions to attract new recruits into the industry and encourage employees to progress in these areas whilst supporting them through further education.

During the year, as part of our corporate partnership with The Prince's Trust and our commitment to address the skills shortage faced by the industry, CALA has also worked in conjunction with both the City of Glasgow College and the Trust to deliver a further 'Get Into Construction' programme. The programme caters for disadvantaged young people who are not in education, employment or training and offers them essential skills training and a work placement on a CALA site after which they have the opportunity to be supported through a Modern Apprenticeship.

Management would also like to place on record our thanks to all of the Group's fantastic employees for their vital contribution to what has been another year of considerable progress for CALA.

Strategy

CALA's principal strategic objective is to reinforce our position as the UK's most upmarket major homebuilder by increasing our presence in the premium segment of the market in our areas of operation. Our growth ambition, to generate annual revenue of around £1 billion by 2020 through the delivery of approximately 2,500 homes per annum, remains unchanged and is underpinned by our strong land pipeline.

Our premium product offering, established market position and strong brand are well aligned with the affluent areas in which the Group operates, thereby enabling us to command the highest average selling price outside of London of any of the top ten housebuilders with an affluent and resilient customer base that minimises our reliance on the Government's Help to Buy scheme.

The Group continues to target further operating margin improvements through the better absorption of overheads as a consequence of CALA's increased scale. There is little requirement for more overhead to support growth and the land and infrastructure CALA requires to reach its medium-term growth plans are already in place.

Current Trading and Outlook
The housing market has performed well during the summer with no apparent adverse consequences from the UK general election in June. CALA's trading in the first few months of the new financial year has been encouraging with reservations and prices in line with our budgets and expectations for the summer holiday period. In the first 10 weeks of 2017/18 we have traded at a rate of 0.64 weekly sales per development, with net private reservations up 34% on the same period last year.

The Group has started the new financial year with a very solid forward sales position. At 1 July 2017, the Group had accumulated 382 advance private home sales with a turnover value of £178.7 million (2016: 303 units and £160 million) for delivery by 30 June 2018. This is 26% higher in number than that achieved in 2016 and 12% more by value, driven by a broader product and site mix, diminishing exposure to the top end of the market and a stable market environment in Aberdeen.

Summary
The Group remains in a strong position to build on its record performance in 2017 and is confident about its long-term growth plans.

CALA continues to play its part in growing its volume output, providing the homes that the UK needs in order to meet the well-publicised housing shortage the country faces. Our growth ambition is to generate annual revenue of around £1 billion by 2020, driven from CALA's existing operating platform and regional network which has a potential capacity to deliver approximately 2,500 homes per annum.

While CALA has the land pipeline and infrastructure already in place to continue to play a growing role in delivering the homes that the UK needs, a more progressive and constructive approach to planning from local authorities will enable the UK housing industry as a whole to deliver more homes and address the UK's housing shortage.

- ENDS -