25 May 2023

HENRY BOOT PLC
('Henry Boot' or 'the Group')

AGM TRADING UPDATE

Tim Roberts, Chief Executive Officer, commented:

"We have started the year well and following the uncertain economic backdrop to the final quarter of 2022, there are growing signs of recovery in our three key markets. We expect this to continue, and for us to have a busy second half of the year. We also continue to make progress against our medium-term strategic targets".

Henry Boot has started the year well, trading in line with expectations*, whilst making continued progress against its medium-term strategic objectives. The Group's three key markets, Industrial & Logistics (I&L), Residential and Urban Development are showing signs of recovery. The I&L market remains resilient, supported by rental growth, and housebuilders are selectively buying land, with the Group recently selling, and receiving offers for a number of sites. House buyers are returning to the market after a downturn in demand from Q4 22, although the selling season through Spring and Summer remains important.

Hallam Land Management (HLM) has begun the year well, selling 1,900 plots. Following a pause from buying land at the end of 2022, there are signs of housebuilders returning to the market, with selective acquisitions and encouraging levels of interest in HLM's portfolio of prime plots. Key disposals so far in the year include:

- 612 plots (HLM Share) in Milton Keynes, Buckinghamshire to Taylor Wimpey;
- 471 plots in Kilmarnock, East Ayrshire, to Barratt David Wilson;
- 250 plots in Eastern Green, Coventry, to Countryside Partnerships; and
- 81 plots in Tonbridge, Kent, to Cala Homes.

In addition to plots sold, HLM have various sites under offer, which are likely to contribute towards both sales targets and profit in 2023 and 2024. HLM continues to replenish its land bank, which remains stable at 95,478 plots, of which 12,288 plots are awaiting planning determination. Unfortunately, delays within the UK planning system continue, with the business achieving planning permission on 379 plots. Whilst this is frustrating, it does mean our 7,910 plots with planning will be in demand.

Anticipating slower markets in the spring of 2022, HBD reduced development activity. However, there has continued to be occupier demand in the I&L market, coupled with stabilising yields and investors returning to the market. The Build-to-Rent (BtR) market remains strong in terms of customer demand and investors are again looking to fund development.

As a result of market conditions and the completion of the 426,000 sq ft I&L scheme, Power Park, in Nottingham (GDV: £54m), the committed development programme has marginally reduced, but remains on time and budget, with 57% of the schemes pre-let or pre-sold. The Group has also continued to replenish its committed programme by adding two new projects at Airport Business Park, its 52 acre I&L scheme in Southend, to develop a combined c.156,000 sq ft of warehouse space (GDV: £19m). Both projects have been pre-sold.

Within the £1.25bn development pipeline there are a number of I&L schemes that HBD expects to commit to over the course of 2023, where healthy occupier demand is anticipated. HBD also continues to replenish the development pipeline, and in the year has acquired a 62-acre site in Preston, in a 50:50 Joint Venture. HBD will continue to selectively secure further opportunities.

At Golden Valley, Cheltenham, HBD is preparing to submit a planning proposal for the first phase of the scheme (HBD share: £50m GDV), which comprises the delivery of a mixed-use campus clustered around 150,000 sq ft of innovation space. After securing planning approval at Neighbourhood, Birmingham (GDV: £140m), in Q1 23 for a 414-unit BtR development, the aim is to secure funding for this scheme over the Summer.

In relation to the £106m investment portfolio, values are beginning to stabilise. After making well timed accretive sales in 2022, the Group will be patient in growing the portfolio to the strategic target of £150m. This will primarily be achieved by retaining completed developments that meet the investment criteria and by acquiring investments with future redevelopment potential.

Stonebridge Homes (SH) has already secured 71% of its 2023 delivery target of 250 homes, achieving a sales rate of 0.52 houses per week per outlet in the first 18 weeks of the year, with house prices remaining relatively firm. Cost inflation remains a challenge but is beginning to moderate, and there are early signs of an improvement in key trade availability, material delivery lead times and general cost pressures.

Against a backdrop of economic uncertainty and increased mortgage costs, house prices have remained resilient. There continues to be customer interest and this, along with improved mortgage rate affordability and product availability, leaves SH encouraged by the start of the year. However, SH will rely on achieving marginally higher sales rates in the important Spring and Summer selling season. SH will also look to take advantage of current market conditions by selectively securing sites that will grow its land bank and further support its medium-term growth target of delivering 600 homes per annum.

Henry Boot Construction has secured 72% of its 2023 order book and remains focused on securing the remainder of the targeted budget. Despite experiencing delays and challenges with the supply chain and material deliveries, work on both the £42m urban development scheme in the Heart of Sheffield, and the £47m BtR residential scheme, Kangaroo Works in Sheffield, is heading towards a summer 23 completion. The Cocoa Works, a £47m residential development in York, remains on time and budget.

Both Banner Plant and Road Link (A69) are trading in line with budget.

Finally, the Group is making good progress against its Responsible Business Strategic objectives, and this month launched a new mental health campaign, which forms part of Henry Boot's Health and Wellbeing Programme. The campaign provides people with direct access to mental health experts, as well as more information on the resources available to support them with their own and others' mental health.

In addition, the Group's new head office, Isaacs Building in Sheffield City Centre, has now achieved practical completion. The building offers strong ESG credentials and will provide people with a more open and collaborative workspace. Fit out works have commenced, with the aim to move into the new office by Autumn 2023.

Outlook

There are encouraging signs within our three key markets, particularly within the I&L and Residential markets, where signs of early momentum are building. The Group remains cautious in light of the current economic environment and expects that activity in 2023 will continue to improve, which will contribute towards 2024 performance and beyond.

Looking ahead, the Group is well placed, supported by a solid balance sheet and a store of opportunities, placing the business in a strong position to achieve its medium-term strategic objectives and growth targets.

*Market expectations being the average of current analyst consensus of £37.8m profit before tax, comprising three forecasts from Numis, Peel Hunt and Panmure Gordon.

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About Henry Boot PLC

Henry Boot PLC (BOOT.L) was established over 135 years ago and is one of the UK's leading and long-standing property investment and development, land promotion and construction companies. Based in Sheffield, the Group is comprised of the following three segments:

Land Promotion:
Hallam Land Management Limited

Property Investment and Development:
HBD (Henry Boot Developments Limited), Stonebridge Homes Limited

Construction:
Henry Boot Construction Limited, Banner Plant Limited, Road Link (A69) Limited
The Group possess a high-quality strategic land portfolio, an enviable reputation in the property development market backed by a substantial investment property portfolio and an expanding, jointly owned, housebuilding business. It has a construction specialism in both the public and private sectors, a long-standing plant hire business, and generates strong cash flows from its PFI contract through Road Link (A69) Limited.

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