

24 January 2023

HENRY BOOT PLC
(‘Henry Boot’ or ‘the Group’)

TRADING UPDATE FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Henry Boot PLC issues the following trading update for the year ended 31 December 2022 ahead of the preliminary statement of results which will be issued on 21 March 2023.

Tim Roberts, Chief Executive Officer commented:

“Having seen strong sales across the Group, we have had our best year ever at an underlying profit level. Reflecting a particularly challenging backdrop as the year progressed, during which a noteworthy £30m of accretive sales was achieved in a weak market, the year-end valuation movements in our investment portfolio have had an impact on our 2022 profit before tax. Whilst it’s too early to predict the outturn for 2023 at this stage, the Group expects this year to be more challenging than 2022. We remain convinced, however, that in the medium term our three key markets, and the resilience of our business model, will allow us to continue to meet our strategic growth and return ambitions.”

Trading update for the year ended 31 December 2022

Henry Boot has benefited from strong sales within its property development and strategic land businesses, driving the Group’s best ever financial results on an underlying profit basis, which excludes unrealised valuation movements on investment property. In line with the fall of UK commercial property values, the investment portfolio reduced in value, resulting in the Group expecting profit before tax for the year ended 31 December 2022 to be slightly below market expectations. *

Throughout 2022, the Group continued to recycle capital achieving profitable sales whilst continuing to invest in the business’s high quality development programme. Concurrently, the business has remained selective on new projects, with net debt increasing only marginally to c.£49m (2021: £44m), remaining at the lower end of our targeted gearing range of 10-20%. Whilst there is a need to be cautious about the near-term trading environment given macro-economic headwinds, the Group continues to make progress against its strategic objectives and remains confident about achieving its medium-term growth and return targets.

Hallam Land Management (HLM) traded strongly in 2022, exceeding its strategic target of selling 3,500 plots per annum, with sales materially higher than in the prior year primarily due to a major disposal of 2,170 plots to Taylor Wimpey and Persimmon Homes at Didcot. The site’s community benefits include a total of 54 acres of public open space, within which 15 acres of new woodland will be planted.

In 2022, HLM continued to source new opportunities to grow its land bank securing 21 sites which have the potential to deliver c.6,900 plots. The total land portfolio has increased to 95,407 plots (2021: 92,667) of which 9,325 plots have planning. Whilst demand for land from the national housebuilders reduced in H2 22 against the backdrop of a slowing economy, the ongoing challenges of the planning system combined with critical housing shortages will ensure that demand for HLM’s stock of permissioned sites remains robust. This is reflected in the level of forward sales with HLM ending the year with 992 plots (2021: 1,880 plots) unconditionally exchanged for completion in 2023/24.

Henry Boot Developments (HBD) has performed well, completing developments with a Gross Development Value (GDV) of £117m (HBD share £83m, 2021: HBD share £68m), of which 92% have been pre-let or pre-sold. In the year, HBD completed on:

- Five industrial schemes totalling 497,000 sq ft with a combined GDV of £86m (HBD share: £60m).

- Two residential land sales with a GDV of £23m (HBD share: £15m), comprising a 184-unit scheme in Skipton, which was pre-sold to Bellway, as well as a sale of land to Aberdeen City Council for the construction of 536 houses.
- A 23-unit residential scheme at York, Clocktower, with a GDV of £8m (HBD share: £8m).

The committed development programme now totals a GDV of £395m (HBD share: £240m) and is currently 63% pre-let or pre-sold, with 97% of the development costs fixed. After securing pre-lets with DPD and DHL at Preston East (HBD share: £15m) in H2 22, the 150,000 sq ft industrial & logistics development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23. Further to this, HBD has committed to Momentum, Rainham (HBD share: £24m) a 380,000 sq ft speculative industrial development in an 80:20 joint venture with Barings. Whilst formal marketing has not yet begun, the scheme is already attracting strong occupier interest.

As previously highlighted, the Group tactically reduced the value of the investment portfolio (including share of properties held in JVs), which at the year-end, was valued at £106m (2021: £126m). This was primarily due to sales within the portfolio and property valuation losses. Whilst the CBRE index shows values have fallen by 13% over 2022, HBD completed three sales in H2 2022 for a total of £29.6m, representing a 17% premium to the last reported book value and therefore the portfolio is expected to outperform the Index. There are still several opportunities to replenish and grow the level of standing assets by retaining completed developments, in line with the business's strategic target of £150m.

Stonebridge Homes (SBH) has continued to grow and during 2022 delivered 175 completions (2021: 120). In common with many in the industry, material and supply chain challenges have impacted SBH with completed sales below our target of 200 but strong selling prices means the business is in line with budget. SBH enters 2023 with a total of 124 units forward sold, including the remaining 25 units from 2022 which are expected to complete in Q1. SBH total owned and controlled land bank now comprises 1,094 units (2021: 1,157) – of which 872 plots have detailed or outline planning. The strategic objective of growing the business to achieve 600 completions per annum remains on track, with strong selling prices mitigating the effects of build cost inflation.

The construction segment traded ahead of expectations in 2022. Henry Boot Construction is trading in line with management expectations, delivering its order book for 2022 despite a challenging environment with regard to labour and material supplies, beginning the year with 68% of the 2023 order book secured. Banner Plant has seen record levels of trading activity after experiencing strong demand from its customers. Road Link has performed well as a result of traffic volumes increasing and the added benefit of high inflation feeding into higher toll revenues.

Outlook

There are encouraging levels of pre-sales for both land and houses, providing the business with a degree of insulation to a slowing residential market in the early part of this year. The planning environment is becoming increasingly challenging which supports demand for the 9,325 approved plots in HLM's portfolio. Demand for SBH homes, whilst reducing from the record levels experienced in the middle of last year, has also proven resilient since year end. Whilst the investment market has slowed, occupational demand continues to hold up with the Group experiencing robust appetite for high-quality industrial space. It is too early to predict the outturn for 2023, however overall, the Group expects this year to be more challenging than 2022.

Henry Boot has conviction that, in the medium-term, demand will remain in its three key markets, and with gearing comfortably at the bottom end of its targeted range, the Group expects to continue to invest this year in growing the business in line with our strategic objectives. A full outlook for 2023 will be provided in the FY 22 results announcement in March.

**Market expectations being the average of current analyst consensus of £48.1m profit before tax, comprising three forecasts from Numis, Peel Hunt and Panmure Gordon.*

This announcement contains inside information for the purposes of article 7 of EU Regulation 596/2014. The person responsible for making this announcement on behalf of Henry Boot is Amy Stanbridge, Company Secretary.

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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:

[Henry Boot Developments Limited \(HBD\)](#), [Stonebridge Homes Limited](#)

Construction:

[Henry Boot Construction Limited](#), [Banner Plant Limited](#), [Road Link \(A69\) Limited](#)

The Group possesses a high-quality strategic land portfolio, a proven reputation in the property development market for creating places with purpose, 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 plant hire business, and generates strong cash flows from its PFI contract, Road Link (A69) Limited.

www.henryboot.co.uk