

23 January 2024

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

TRADING UPDATE FOR THE YEAR ENDED 31 DECEMBER 2023

Henry Boot PLC, a Company engaged in land promotion, property investment and development, and construction, is today issuing a trading update for the year ended 31 December 2023 ahead of the announcement of its full year results on 25 March 2024.

Tim Roberts, Chief Executive Officer commented:

“Despite challenging market conditions for our three key markets, our ongoing focus on high quality land and development in prime locations resulted in a resilient performance in 2023. We therefore expect profit before tax for the year to be in line with current market consensus¹. Furthermore, we have maintained a strong financial position and continued to invest in the business to ensure we are well placed as our markets begin to recover.

While the housebuilding sector has seen slowing sales rates, our land business is experiencing continued demand for strategic sites with planning in premium locations, as highlighted by the recently announced sale in Swindon, and we continue to selectively grow our land bank. Our development business has performed ahead of expectations, while the investment portfolio is on track to outperform the wider market, helped by the sale of five properties, at an average premium of 23% to December 2022 valuations. The Group’s premium housebuilder has also grown, having increased its output by 43% during the year.

With a path to lower inflation and improved interest rates, whilst there will undoubtedly be bumps along the way, the economy and our markets have turned a corner, but we expect our results for 2024 to be impacted by these factors. We continue to firmly believe that Henry Boot remains well placed to achieve its medium term growth and return objectives.”

Trading update for the year ended 31 December 2023

Henry Boot has performed well against the backdrop of a slowing economy, and higher interest rates, generating robust sales within its property development and strategic land businesses. Despite activity reducing in our three key markets of Industrial & Logistics, Residential and Urban Development, our focus on high quality land and development in prime locations has meant the business has performed resiliently. Consequently, the Group expects profit before tax for the year ended 31 December 2023 to be in line with current market consensus¹.

Throughout 2023, the Group maintained its focus on investing in its prime land portfolio, building out its high quality committed development programme and continuing to grow its premium housebuilder, Stonebridge Homes (SH). Progress has also been made against our medium term objectives, which focus on growing the business and driving sustained returns. This strategic focus, alongside continued investment to support our long term ambitions (including the head office relocation, people, marketing, digital and technological upgrades) resulted in an increase in net debt to c.£77m (2022: £48.6m). The Group remains in a strong financial position with a robust balance sheet, although gearing at year end was towards the top end of the optimum stated range of 10-20%.

Hallam Land Management (HLM) traded well, selling 1,944 plots (2022: 3,869). Although the number of plots sold in 2023 reduced, average gross profit per plot increased due to the significant disposal of freehold land at Tonbridge, Kent.

There continues to be demand for HLM’s strategically located premium sites as shown by our recent significant sale in Swindon, which is contracted for completion in two phases during H2 2024 and H1 2026. Over 20 years ago HLM, in partnership with Taylor Wimpey, secured an option on the site which in August 2021 received outline planning consent for a total of 2,380 plots. In December 2023 a

contract was exchanged to acquire the land whilst simultaneously exchanging to sell 759 plots (HLM's share) to Vistry, generating an IRR of 10% p.a. The scheme includes local community benefits such as a new primary school, community and sport buildings as well as woodlands and green infrastructure. HLM will retain 304 plots for future sale.

HLM continued to grow its land bank and during the year secured 18 new sites which have the potential to deliver c.7,212 plots. The total land portfolio has increased to 100,972 plots (2022: 95,704 plots) of which 8,501 plots have planning. HLM remains on course to achieve its medium term target of disposing an average of 3,500 plots p.a.

HBD has performed ahead of expectations, with continued growth of its completed schemes to a Gross Development Value (GDV) of £126m (HBD share £111m, 2022: HBD share £83m), of which 100% have been pre-let or pre-sold. In the year, HBD completed on:

- Three industrial schemes totalling 661,000 sq ft with a combined GDV of £104m (HBD share: £89m).
- The Disabilities Trust, York (HBD share: £22m GDV), a 54,000 sq ft scheme with state of the art care facilities. The building is low carbon and has achieved a BREEAM Excellent assessment rating.

The committed development programme now totals a GDV of £299m (HBD share: £159m) and is currently 48% pre-let or pre-sold with 98% of development costs fixed. The three high quality speculative schemes; Setl, Momentum and Island are expected to generate interest from occupiers as they progress toward completion during 2024. Whilst the committed development programme has reduced in value, HBD has optionality on a significant near-term pipeline of occupier-led schemes with a combined GDV of over £200m which, subject to market conditions, have the potential to start on site over the next twelve months.

In December 2023, following the buyout of its JV partner, HBD became the sole developer of Cheltenham, Golden Valley, a £1bn GDV mixed-use campus, including the new National Cyber Innovation Centre. A £95m funding agreement with Cheltenham Borough Council for the delivery of phase one has now been secured as well as a £20m pledge from the Department for Levelling Up, Housing and Communities. Following planning, construction of phase one is expected to commence in 2025.

The total value of the investment portfolio (including share of JVs) has increased to c.£113m (December 2022: £106m). In 2023, four investment properties were sold, along with Banner Cross Hall, the Group's former HQ, for a total value of £12.7m, at an average 23% premium to December 2022 valuations. In addition to the sales, two completed developments at Luton and Markham Vale with a total value of £18m were retained. Whilst the CBRE UK Monthly Index showed commercial property capital values fell by 3.9% in 2023, the investment portfolio is expected to have outperformed the wider market. The Group will continue to retain selective developments from its committed programme, in line with its strategic aim to grow the investment portfolio to £150m.

SH has continued to grow, increasing its output by 43% in 2023, completing 251 homes (2022: 175), in line with its medium term target of delivering 600 units. The UK housing market was relatively subdued throughout last year, however the focus on premium homes in prime locations allowed SH to achieve its annual sales target. With the stabilisation of mortgage rates toward the end of the year, SH reservations rate improved to 0.46 homes per site per week in Q4 2023, up from 0.36 in Q4 2022. Supply chain availability and cost pressures moderated throughout last year, with discussions with both suppliers and subcontractors ongoing to mitigate further cost inflation. SH total owned and controlled land bank now comprises 1,513 plots (2022: 1,094) – of which 923 plots have detailed or outline planning.

The construction segment traded below expectations in 2023 but remained profitable. Along with the wider market, Henry Boot Construction (HBC) experienced difficult operating conditions, with performance on two significant projects impacted by the availability of materials and the resultant delays. HBC begins 2024 with 46% of its order book secured and is actively pursuing an encouraging

number of new opportunities. Banner Plant traded slightly below budget in 2023 and in response has adjusted its sales strategy. Road Link has traded in line with expectations.

Outlook

Looking ahead, we remain confident in the structural growth of our markets, and our ability to achieve Henry Boot's medium term objectives. Aside from the small increase in inflation in December, the outlook for both inflation and interest rates are improving, and with mortgage rates falling, it feels as though the UK economy has turned a corner. With this in mind, plus cautious signs of recovery in our three key markets, there is optionality to grow our commitments and sales.

The Group is well positioned to benefit when our end markets recover, however we expect there will be a lag in performance due to the time it takes for projects and sales to complete. Whilst it is encouraging that sales rates have improved within SH, and we expect this trend to continue, we are now more conservative with our estimates of completions for 2024 and anticipate the impact from a recovery in residential sales will be more weighted to 2025.

Due to extended payment profiles with major housebuilders on strategic land sales, we anticipate gearing to remain towards the upper end of our optimum range of 10-20% through 2024, and given the higher interest rate environment, we anticipate this will also impact profit for the year ahead.

Taking these factors into consideration, the Board now expects profitability for 2024 to be significantly below current market consensus². Notwithstanding this the Board continue to believe that Henry Boot remains well placed to achieve its medium term growth and return objectives.

¹ Company compiled market consensus for 2023 profit before tax is £37.2m, comprising the average of three forecasts from Deutsche Numis, Peel Hunt and Panmure Gordon.

² Company compiled market consensus for 2024 profit before tax is £37.2m, comprising the average of three forecasts from Deutsche Numis, Peel Hunt and Panmure Gordon.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014), as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

-ends-

The person responsible for making this announcement on behalf of Henry Boot is Amy Stanbridge, Company Secretary.

Enquiries:

Henry Boot PLC

Tim Roberts, Chief Executive Officer
Darren Littlewood, Chief Finance Officer
Daniel Boot, Senior Corporate Communications Manager
Tel: 0114 255 5444
www.henryboot.co.uk

Deutsche Numis

Joint Corporate Broker
Ben Stoop
Tel: 020 7260 1000

Peel Hunt LLP

Joint Corporate Broker
Ed Allsopp/Charles Batten
Tel: 020 7418 8900

FTI Consulting

Financial PR
Giles Barrie/Richard Sunderland

Tel: 020 3727 1000
henryboot@fticonsulting.com

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