

19 July 2023

**Springfield Properties plc**  
("Springfield", the "Company", the "Group" or the "Springfield Group")

**Trading Update**

Springfield Properties (AIM: SPR), a leading housebuilder in Scotland focused on delivering private and affordable housing, provides the following update on trading for the year ended 31 May 2023.

**Summary**

- Full year 2023 revenue expected to be approximately £330m, representing year-on-year growth of 28% and the Group's highest ever annual turnover despite the turmoil in the housing market
- Revenue growth driven by the full year contribution from the acquisitions of Tulloch Homes and Mactaggart & Mickel Homes
- Profit before tax for FY 2023 expected to be in line with market expectations
- Strategic decision taken to pause entering long-term affordable housing contracts
- Implemented cost savings of c. £3.0m on an annualised basis in direct response to market conditions
- High-quality land bank of c. 16,300 plots at 31 May 2023, with over half having planning permission, and a GDV of c. £3.5bn
- Net debt reduced to £68.0m at year end (30 November 2022: £73.7m)
- Progress made against the first-year objectives set within the Group's ESG strategy that was published during the year

The Group expects to report its highest annual revenue of approximately £330m for the 12 months to 31 May 2023 (2022: £257.1m), representing year-on-year growth of 28%. This increase was driven by the acquisitions of Tulloch Homes in December 2021 and the Scottish housebuilding business of Mactaggart & Mickel Group ("Mactaggart & Mickel Homes") in June 2022, reflecting their first full 12-month contributions. In total, the Group completed over 1,300 homes during the year (2022: 1,242).

The Group expects to report profit before tax for 2023 in line with market expectations. As previously announced, the reduction in profit compared with the prior year reflects the impact of significant build cost inflation, particularly on fixed-price contracts in affordable housing, affecting margins across the Group.

**Private housing**

Revenue and completions increased significantly in private housing, primarily reflecting the contributions from Tulloch Homes and Mactaggart & Mickel Homes. However, the Group also delivered organic revenue growth in private housing. The average selling price for private housing increased to approximately £290k (2022: £245k). This partly reflects the higher sales prices associated with Mactaggart & Mickel Homes, but also an increase in prices across the Group's private housing.

The challenging market backdrop impacted reservation rates as increased mortgage rates combined with ongoing cost-of-living pressures reduced affordability and homebuyer confidence. In particular, there was a sharp reduction in sales levels following the UK Government's mini-budget, which remained low for an approximately three-month period. While there was recovery in the second half of the year, the forward order book at year end was below that of the previous year, as expected.

**Affordable housing**

In affordable housing, there was a reduction in revenue, as expected, as the Group took a cautious approach to entering into new long-term affordable housing contracts, which it has maintained since year end. However, the Group is pleased to note that, in June 2023, the Scottish Government increased the affordable housing investment benchmarks by 16.9%. This is expected to enable housing associations to increase the price of affordable housing contracts to progress the building programmes required to meet the Government's affordable housing targets.

**Land bank**

As at 31 May 2023, the Group's land bank consisted of c. 16,300 plots (31 May 2022: 16,652), of which over half had planning permission (31 May 2022: 52.1%). The gross development value ("GDV") of the land bank at year end was c. £3.5bn (31 May 2022: £3.5bn). The Group strengthened its land bank during the year with the acquisition of Mactaggart & Mickel Homes, comprising a total of 701 plots in highly desirable locations within the Central Belt of Scotland. However, overall, the number of plots at year end was lower than the same point of the previous year as the Group's focus has been on building out its existing land bank and reducing land buying activity in response to market conditions. The Group also realised value from its land bank with the strategic sale of land (of 60 plots) to a national housebuilder, as previously announced, and will seek similar opportunities going forward. The Group's land bank ensures it is well-placed for when market conditions improve.

**Decisive response to market conditions**

The Group took decisive action during the year, which has been maintained post period end, to address the uncertain market conditions. As noted, the Group temporarily halted entering new large long-term affordable housing contracts and adopted a cautious approach to new site launches in private housing. Other actions include reducing land buying activity; pausing recruitment and reducing staffing levels in areas most impacted by the market downturn; and maintaining tight cost control, including identifying synergies across the business. As a result of these actions, the Group has delivered savings of approximately £3.0m on an annualised basis. As noted, the Group also made a strategic land sale during the year and will consider further opportunities as they develop where the terms and price are desirable.

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Alongside these actions, the Group's private housing is supported by the Scottish mortgage system, which ensures that customers are contracted into the purchase much earlier in the build programme.

#### Building sustainably

Already benefitting from decades of experience in modern methods of construction and providing air-source technology as an alternative to gas, the Group took further action to improve the sustainability, quality and efficiency of its homebuilding. This includes completing a review into the design, construction and plotting efficiency to refine the house-type range across the Group's brands. Good progress has been made against the first-year objectives set within the Group's ESG strategy that was published during the year. In addition, the acquisition of Mactaggart & Mickel Homes included a timber frame factory near Glasgow, which complements the Group's facility in Elgin, further reducing the Group's carbon footprint.

The Group will provide further details in its final results announcement, currently expected to be announced in September 2023.

#### Innes Smith, CEO of Springfield Properties, said:

"Against a challenging market backdrop, we delivered our highest annual revenue, reflecting our acquisitions as well as organic growth in private housing. While our margins were impacted by significant build cost inflation, particularly in affordable housing, we took decisive action to address this.

"We remain cautious about the near-term outlook, particularly given the softening in demand following the increase in rates by the Bank of England to 5%. We are closely monitoring the economy and buyer behaviour in both the housing and land market and carefully managing our activities to limit our exposure in the slower sales environment. This will also ensure that we can respond quickly when normalised demand returns. With over half of our large, high-quality land bank having planning permission, we are well-positioned for when market conditions improve. We are also encouraged that the Scottish Government has now increased its affordable housing investment benchmarks, supporting the viability of affordable housing projects going forward.

"Moreover, the fundamentals of the housing sector in Scotland remain strong. There is an undersupply of housing, which is being exacerbated by the current conditions, and there is greater affordability in Scotland compared with the UK as a whole.

"Above all, we remain committed to delivering great quality housing for our communities and value for our broader stakeholders both now and in the years to come."

#### Enquiries

<b>Springfield Properties</b>	
Sandy Adam, Chairman Innes Smith, Chief Executive Officer	+44 1343 552550
<b>Singer Capital Markets</b>	
Shaun Dobson, James Moat, Oliver Platts (Investment Banking)	+44 20 7496 3000
<b>Gracechurch Group</b>	
Harry Chathli, Claire Norbury	+44 20 4582 3500

#### Analyst Research

Equity Development and Progressive Equity produce freely available research on Springfield Properties plc, including financial forecasts. This is available to view and download here:

<https://www.thespringfieldgroup.co.uk/news/updates-and-analyst-reports>

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