

11 July 2024

Springfield Properties plc
("Springfield" or the "Group")

Trading Update

Springfield Properties plc (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 2024.

FY 2024 Summary

- Bank debt reduced to c. £40m as at 31 May 2024, ahead of stated target of £55.0m
- Revenue expected to be c. £266m (2023: £332.1m), reflecting challenging conditions experienced within the housing market
- Profit before tax expected to be slightly ahead of market expectations due to good profits being made from land sales of £28m during the period
- Total owned land bank of c. 5,600 plots, c. 88% with planning permission, and strategic options over a further c. 3,150 acres, equating to c. 31,500 plots, c. 3,915 of which already have planning - one of the largest land banks in Scotland
- Looking ahead, on track to meet market expectations for FY 2025, with revenue remaining stable year-on-year

During the year to 31 May 2024, market conditions were challenging with subdued homebuyer confidence and reduced affordable housing activity. The Group's key focus during the period was reducing its debt to its stated target of £55m. An important element of this was the active pursuit of land sales to accelerate cash realisation from its large land bank. During the year, the Group completed land sales of £28m of sites that do not affect the Group's near-term development pipeline. This, combined with the Group's sustained focus on cost control and carefully managing working capital, enabled a significant reduction in bank debt to c. £40m as at 31 May 2024 (31 May 2023: £61.8m), c. 27% ahead of the Group's target originally outlined in the FY 2023 results announced in September 2023.

The Group expects to report revenue of approximately £266m for the 12 months ended 31 May 2024 (2023: £332.1m), with total completions of c. 870 (2023: 1,301). Profit before tax is expected to be slightly ahead of market expectations due to good profits being realised on the land sales.

Private housing

The Group expects to report private housing revenue for FY 2024 of c. £185m (2023: £253.4m), reflecting the impact of the market conditions. In line with industry trends, the reduced homebuyer confidence resulted in the Group entering the new financial year with a lower forward orderbook than at the same point of the prior year. As previously noted, after a subdued start the Group experienced a recovery in private housing demand from January 2024 and it continues to experience a steady level of reservations with selling prices also being maintained. Accordingly, the Group remains on track to deliver private housing revenue for FY 2025 in line with market expectations.

Affordable housing

The Group expects to report affordable housing revenue of c. £46.5m (2023: £53.9m). This reflects the Group's decision in FY 2023 to pause entering new affordable-only contracts until the economics became more attractive. During the year to 31 May 2024, the Group recommenced actively engaging with affordable housing providers and signed affordable housing contracts totalling over £50m for delivery during FY 2024 and beyond. Looking to FY 2025, the Group continues to expect to report revenue in affordable housing in line with market expectations, representing growth of approximately 40%.

Land bank

As at 31 May 2024, the Group's owned land bank consisted of c. 5,600 plots (31 May 2023: 6,712), of which c. 88% had planning permission (31 May 2023: 83%), and it had strategic options over a further c. 3,150 acres (31 May 2023: 3,255 acres), equating to c. 31,500 plots, of which c. 3,915 already have planning. As noted, a key element of the Group's strategy to reduce bank debt during the year was the active pursuit of profitable land sales.

The Group continues to have one of the largest land banks in Scotland, which has mostly been secured off market without planning. This results in a very low average cost per plot and enables the Group to realise maximum value over the long term from its sites.

With a high proportion of sites having planning already in place, and a strengthened balance sheet, the Group will be able to accelerate site development as market conditions improve and it is well-placed to satisfy pent-up demand for high-quality, energy efficient housing in desirable locations across the country. An area of particular interest is the Highlands of Scotland with the Group well-placed to meet the expected sharp increase in housing demand thanks to its land holdings around the Inverness and Cromarty Firth Green Freeport.

Innes Smith, CEO of Springfield Properties, said:

"A key priority for the year was reducing our debt, and we're pleased that we have exceeded our target. This was achieved through securing profitable land sales, which, alongside continued cost control, has enabled us to deliver better-than-expected profit. While the challenging market conditions impacted revenue for the year and our private housing forward orderbook, we are cautiously optimistic about the year ahead.

"Many fundamentals that underpin homebuyer confidence are set to strengthen, including a new UK government, decreasing inflation and an anticipated interest rate reduction. Alongside this, we remain on track to deliver strong growth

in FY 2025 in affordable housing, offsetting the expected small decline in our private sales.

"Looking forward, we trust that the Scottish Government will take action to address Scotland's housing emergency, which must include the removal of the rent cap barriers to attract PRS investment north of the border. With one of the largest land banks in Scotland, and with a high proportion of sites already having planning in place, we are well-positioned to benefit from any resumption in PRS activity, which would represent an upside to our forecasts. In addition, thanks to our land holdings in the Highlands, we are set to benefit from the expected sharp increase in housing demand around the Inverness and Cromarty Firth Green Freeport.

"Accordingly, while the market currently remains subdued, we are trading in line with our expectations and are encouraged by the signs for optimism. In addition, with the strengthening of our balance sheet, we are well-positioned to be able to capitalise on the pent-up demand for high-quality, energy efficient housing as market conditions improve."

The Group will provide further detail in its final results, which are due to be announced in September 2024.

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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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