



24 July 2024

Harworth Group plc
("Harworth" or "the Group")

Half Year Trading Update

NDV growth underpinned by strong fundamentals

Harworth, a leading regenerator of land and property for sustainable development and investment, today provides a trading update in respect of the six months ended 30 June 2024, ahead of its Half Year Results announcement which is scheduled for 12 September 2024.

Highlights

- Planning progress, disposals ahead of book value and positive revaluations drive moderate EPRA NDV¹ growth and the Group expects EPRA NDV as at 31 December 2024 to be broadly in line with current market consensus²
- Exchanged contracts for the conditional sale of 48 acres of serviced land at Skelton Grange to Microsoft for £107 million, representing an IRR of over 40% and a significant premium to the 31 December 2023 book value of £52 million
- Excluding the sale at Skelton Grange, completed, exchanged, or in heads of terms on 86% of budgeted sales for the year, broadly in line with, or at a premium to, 31 December 2023 book values
- Planning permission achieved for 1.8 million sq. ft. and 500 plots, and up to a further 1.5 million sq. ft. and 150 plots post period end, alongside new draft allocations or allocations in local plans for 5.7 million sq. ft. and 2,875 plots
- Extensive existing pipeline now has the potential to deliver 38.8 million sq. ft. of Industrial & Logistics space and 26,639 plots for new homes
- Well positioned balance sheet with a pro-forma LTV of 10.8% based on December valuations and available liquidity of £154.2 million

(1) European Public Real Estate Association Net Disposal Value, an adjusted Net Asset Value metric which is one of Harworth's key Alternative Performance Measures

(2) Harworth market consensus EPRA NDV as at 31 December 2024 on Bloomberg is £693 million

Lynda Shillaw, Chief Executive of Harworth Group, commented: "Harworth has continued to deliver against its growth strategy to reach £1 billion EPRA NDV by the end of 2027 and we recently announced our intention to grow the Investment Portfolio to £0.9 billion by the end of 2029. This growth will largely be driven by our existing Industrial & Logistics pipeline, which now totals 38.8 million sq. ft. and will see the delivery of strategically positioned Grade A assets we intend to retain and hold.

"This has been another strong first half for planning approvals and land sales, the highlight being the exchange of contracts on a £107 million serviced land sale to Microsoft at a significant premium to book value, our largest transaction to date. We continue to see strong demand for Harworth's serviced land and employment spaces, with the recent momentum in serviced land sales highlighting the strength of our markets and these sales provide a stable funding channel for our Industrial & Logistics development programme.

"The recently announced evolution of our strategy sets a clear direction for the Group. It reflects our strong conviction in the demand for Industrial & Logistics space in our regions which is underpinned by limited supply, and our ability to unlock the significant embedded value in our extensive development pipeline to meet our growth targets."

On track to reach £1 billion EPRA NDV by the end of 2027

- EPRA NDV as at 30 June 2024 expected to be moderately higher than EPRA NDV as at year end (31 December 2023: £662.9 million), reflecting positive valuation movements across the Group's land and property portfolios as a result of management actions and continued demand for high-quality serviced land and prime Industrial & Logistics space
- Strong progress on land sales with 86% of budgeted sales completed, exchanged or in heads of terms; sales proceeds will be largely reinvested into the Group's Industrial & Logistics development programme

Increased focus on Industrial & Logistics major developments programme

- The consented Industrial & Logistics Major Developments portfolio increased to 5.9 million sq. ft. (31 December 2023: 4.6 million sq. ft.), following transfers of 1.3 million sq. ft. from Strategic Land including work commencing on site at Wingates
- 0.6 million sq. ft. of Grade A space is in development or expected to start in the next 12 months, with 0.2 million sq. ft. expected to complete during the same period
- 84% of the Grade A space due to complete in the next 12 months is expected to be retained in the Group's Investment Portfolio and is anticipated to generate additional annualised rental income of £1.7 million
- Enabling works currently underway for 2.2 million sq. ft. of direct development on Major Development sites, plus further enabling works underway at Skelton Grange in relation to the Microsoft serviced land sale

On track to achieve 100% Grade A Investment Portfolio by the end of 2027; targeting £0.9 billion by the end of 2029

- Harworth's Investment Portfolio totals 2.5 million sq. ft., of which 37% is Grade A (31 December 2023: 2.5 million sq. ft. and 37% Grade A)
- Of the 83,000 sq. ft. of Grade A Industrial & Logistics space completed in the last 12 months, 100% is now let, exchanged or in heads of terms, broadly in line with, or at a premium to, 31 December 2023 estimated rental values (ERV)
- Of the 0.2 million sq. ft. of Grade A Industrial & Logistics space expected to complete in the next 12 months, 90% is pre-let or being constructed for an owner-occupier
- EPRA vacancy rate of 6.3% (31 December 2023: 9.9%), reduced to 3.9% (31 December 2023: 1.2%) excluding units completed in the last 12 months, and 97% of rent due in H1 2024 collected to date

High-quality residential land sales provide steady source of funding

- Completed sales of 357 plots of serviced land at Ironbridge, Simpson Park and Waverley for a total of £23.9 million, and a further 132 plots at Stopes Road for £8.5 million post period end, broadly in line with, or at a premium to, 31 December 2023 book values, reflecting continued housebuilder demand for high-quality residential land parcels
- Strong planning progression on the build-to-rent portfolio with 83% of the original portfolio now consented and, of consented plots, land for 88% of plots has already been sold or is in legals
- Development continues to progress on the first mixed tenure sites sold by way of forward funding agreements

Strategic land bank supports growth

- The Industrial & Logistics Strategic Land portfolio totals 32.9 million sq. ft. (31 December 2023: 33.1 million sq. ft.) including 0.5 million sq. ft. of acquisitions and the transfer of 1.3 million sq. ft. into the Major Developments portfolio
- The Residential Strategic Land portfolio totals 22,222 plots (31 December 2023: 21,031 plots)
- Planning permission achieved for 1.8 million sq. ft. and 500 plots including Gascoigne Wood and Hale Gate Road, and up to a further 1.5 million sq. ft. and 150 plots post period end at Cinderhill, alongside new draft allocations or allocations in local plans for 5.7 million sq. ft. and 2,875 plots
- An additional 6.4 million sq. ft. and 2,304 plots are progressing through the planning system and awaiting determination

Robust cash generation and strong balance sheet position

- Net debt as at 30 June 2024 of £80.5 million (31 December 2023: £36.4 million), representing a pro-forma LTV based on 31 December 2023 valuations of 10.8% (31 December 2023: 4.7%)
- Available liquidity of £154.2 million (31 December 2023: £192.2 million), with no major refinancing requirements until 2027
- Continue to utilise capital light funding structures to facilitate growth and maximise returns

Strategy evolution and simplified business model

- The Group previously provided initial detail on the evolution of its strategy to increase the focus on Industrial & Logistics development and retain more prime Grade A properties in its Investment Portfolio, which is now targeted to grow to £0.9 billion by the end of 2029, with growth accelerating from 2026 onwards
- The Investment Portfolio repositioning and growth through retained developments and selective acquisitions is expected to increase recurring earnings allowing increased dividends to be declared
- Whilst the Board intends to review the dividend policy annually, anticipated dividend growth is not expected to impact the Group's ability to deliver capital growth and maximise returns
- With this increased focus on Industrial & Logistics assets, the Group expects its balance sheet to be weighted over 85% towards Industrial & Logistics by the end of 2029, compared to just over 60% as at 31 December 2023
- To provide a steady funding platform for growth of its core Industrial & Logistics portfolio, Harworth will continue to create value from sales of serviced land for development, including selectively acquiring and accelerating the delivery of high-quality Residential land
- In the near term, Harworth expects to continue driving value gains and fee income from its extensive landbank, generating cash and funding through land sales, whilst making selective acquisitions to maintain its pipeline of Strategic Land that enables the Group to meet its longer-term growth targets

Leading the way on sustainable development

- In April, Harworth published its 2023 Net Zero Carbon ('NZC') Progress report, alongside its Communities Framework, laying out its commitment to local communities and the progress made against its sustainability targets of becoming operationally NZC by 2030, and NZC for all operations by

against its sustainability target of being operationally NZC by 2030 and NZC for all emissions by 2040

- Recently completed the planting of over 108,000 trees in collaboration with the Forestry Commission at its 65-hectare Chevington North site in Northumberland and opened a new 350-acre Country Park in Thoresby Vale

Financial calendar key dates

Harworth is scheduled to announce its Half Year results on 12 September 2024.

For further information

Harworth Group plc

Lynda Shillaw (Chief Executive)

Kitty Patmore (Chief Financial Officer)

Luke Passby (Head of Investor Relations & Communications)

T: +44 (0) 7436 167 285

E: investors@harworthgroup.com

FTI Consulting

Dido Laurimore

Richard Gotla

Eve Kirmatzis

T: +44 (0) 20 3727 1000

E: Harworth@fticonsulting.com

About Harworth

Listed on the Premium Segment of the Main Market, Harworth Group plc (LSE: HWG) is a leading sustainable regenerator of land and property for development and investment which owns, develops and manages a portfolio of over 14,000 acres of land on around 100 sites located throughout the North of England and Midlands. The Group specialises in the regeneration of large, complex sites, in particular former industrial sites, into new Industrial & Logistics and Residential developments to create sustainable places where people want to live and work, supporting new homes, jobs and communities across the regions and delivering long-term value for all stakeholders. Visit www.harworthgroup.com for further information. LEI: 213800R8JSSGK2KPFG21.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTQKNBPFBKDN0B