

19 December 2024



Agreement to acquire 100% of Stonebridge Homes

Outstanding 50% stake to be acquired from JV partner in a three tranche structure over five years

Henry Boot (or the "group") announces that it is to take full ownership of premium regional housebuilder Stonebridge Homes Group Ltd ("Stonebridge") having exchanged contracts to acquire the 50% share it does not own from its JV partner (the "Transaction"). The Transaction allows Henry Boot to ultimately own 100% of a high growth business.

The Transaction is structured to complete in three tranches over the next five years with the total purchase price linked to the performance of Stonebridge over this period and is in line with the group's strategy to focus on high quality land, prime property development and premium homes.

Tim Roberts, Chief Executive Officer, Henry Boot, commented: *"This transaction represents an important strategic milestone for Henry Boot, allowing us to acquire full ownership of a high growth builder of premium residential homes that we already know well through our existing 50% share in the business. The acquisition of Stonebridge also further cements our position in the U.K. house-building sector, a market which currently benefits from a number of supportive structural and political tailwinds, while at the same time simplifies Henry Boot's structure. The consideration is performance linked, and the phased structure is designed to generate strong returns whilst maintaining gearing within our optimum range of 10-20%. All of this gives us confidence that this transaction will help drive enhanced shareholder value over the medium term and will be a significant part of our plans for growth."*

Strategic rationale for the acquisition

Stonebridge is a high growth U.K. multi regional housebuilder which is currently focussed on delivering premium homes in Yorkshire and the North-East. The business has grown significantly since it was founded in 2010, increasing output by an average 25% p.a. over the past ten years. In addition, in the five years ending 31 December 2023, both revenue and operating profit more than doubled, reaching £94.4m and £5.9m, respectively. In 2023 Stonebridge completed 251 homes and has a medium term target of delivering up to 600 new homes annually.

This Transaction aligns with Henry Boot's strategy of focusing on high quality land, prime property development and premium homes. The board believes the Transaction is in the best interests of Henry Boot shareholders as a whole and expects the Transaction to create significant shareholder value for the following reasons:

Opportunity to increase exposure in the U.K. residential market, which benefits from strong structural trends:

- The U.K. residential market is driven by positive long term trends, such as population growth and the Government's new target to build 1.5m new homes over the next five years, with improvements to the planning system being implemented to help achieve that goal.
- According to Nationwide, house prices were up 1.9% across England in Q3 2024 compared with the same period last year. In particular, Northern England, where Stonebridge is focussed, continues to outperform Southern England with prices up 3.1% year-on-year.
- Current sentiment in the housing market is beginning to improve with monthly mortgage approvals in October running at their highest level for more than two years.
- In the medium term, Savills is forecasting average house prices to increase by 23% over the next five years with Northern regions and the Midlands expected to continue to outperform the South.

Compelling opportunity to increase ownership of what is now a high growth business:

- The group set out a medium-term strategy in 2021 to grow capital employed to £500m, with Stonebridge having already been identified as an area of substantial expansion to help achieve this target.
- Stonebridge has shown significant growth since it was established and particularly in the last five years during which time both its gross assets and operating profit have grown by around 400% and 113%, respectively.
- In 2022 Stonebridge expanded its operations into a second region, with the aspiration of growing into a third region, the North Midlands, over the next 12 months, where sites are already in the process of being secured.

- In line with its medium term target of selling 600 homes annually, the business expects to deliver 275 homes this year representing a 10% increase from the prior year despite challenging market conditions, with a total current orderbook of £20m.

Accretive financial returns, with full benefit of operational gearing as the business grows:

- The Transaction is expected to be accretive to group ROCE and will enhance earnings over the medium term.
- Henry Boot's balance sheet provides a strong platform to fund and accelerate Stonebridge's growth and improve returns.
- Phased payments will benefit the group's net debt and in turn enhance returns, with the group's medium term gearing target remaining within the stated optimal range of 10-20%.
- Performance linked consideration spread over multiple periods to help returns, support growth and manage cash flow, as well as group borrowings.
- There will also be cost synergies achieved by being a wholly owned subsidiary.

Transaction structure

The Transaction will be undertaken in three tranches over the next five years, with anticipated fixed payments totalling £30m and additional payments linked to Stonebridge's performance as follows:

- The first tranche is expected to be completed in January 2025, and will see the group acquiring 12.5% of Stonebridge for a fixed price of £10m, resulting in a majority shareholding of 62.5% of Stonebridge;
- A second tranche to acquire a further 12.5% is expected to complete in January 2026, with consideration payable in FY26 and FY27; and
- A third and final tranche to acquire the remaining 25% is expected to complete in January 2030, with consideration payable in FY30 and FY31.

The purchase price is linked to a multiple of 1.6x tangible gross asset value ("TGAV") of Stonebridge at the time each tranche is completed. More details on the Transaction structure and consideration is set out in Appendix 3 to this announcement.

Related Party Transaction

Stonebridge Projects Ltd (SP) is the JV partner selling its entire 50% shareholding in Stonebridge. SP is a related party of Henry Boot pursuant to UKLR 8.1.11R(2)(b)(i) by virtue of being controlled by Mr Darren Stubbs, a director of Stonebridge, which is a subsidiary undertaking of Henry Boot.

The board of Henry Boot, which has been so advised by Peel Hunt, acting in its capacity as Sponsor, considers that the terms of the Transaction are fair and reasonable as far as Henry Boot shareholders are concerned. In giving its advice, Peel Hunt has taken account of the Board's commercial assessment of the Transaction. The Transaction also constitutes a significant transaction under UKLR 7.3.1R.

Further information relating to the Transaction is set out in the Appendices to this announcement.

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.

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About Henry Boot

Henry Boot is one of the UK's leading land, property development, home building and construction businesses - and we've been transforming land and spaces since 1886. Listed on the London Stock Exchange since 1919, we're renowned for quality, expertise, delivery and a partnership approach across the group - which comprises, Hallam Land, HBD, Stonebridge, Henry Boot Construction, Banner Plant and Road Link.

Operating across the UK, and employing over 500 people, we focus on three key markets: urban development, industrial and logistics and residential. Hallam Land has facilitated 52,000 new homes since 1990, managing one of

the top five largest land portfolios in the country, with the potential to facilitate over 100,000 homes. HBD manages a development pipeline of £1.3bn, the equivalent of 7m sq ft of developments across our key markets, while maintaining a £113m investment portfolio, of which 73% of the properties have an EPC rating of 'C' or higher. Stonebridge, our jointly-owned home building business, manages a land portfolio capable of delivering 1,500 homes, with an ambition to deliver up to 600 new homes a year.

Henry Boot Construction has extensive experience in both the public and private sectors, including major projects such as the £200m regeneration of Barnsley town centre, and The Cocoa Works, a £57m residential development in York. For over 65 years, Banner Plant has supplied construction products and services, operating from seven regional depots in the North of England.

We have also developed an ambitious Responsible Business Strategy to help us meet our aim of being Net Zero Carbon by 2030, and to deliver, by 2025, charitable, community and education work valued at £1m.

From land promotion, property development and investment to home building, construction and plant hire, Henry Boot is where great places start.

www.henryboot.co.uk

Appendix 1

Historical financial information relating to Stonebridge

The Historical Financial Information is from 31 December 2019 to 31 December 2023, as set out in the audited financial statements of Stonebridge Homes for the relevant periods.

Key financial metrics (2019-2023)

Stonebridge	2019	2020	2021	2022	2023
	£'m	£'m	£'m	£'m	£'m
Revenue	45.7	38.9	49.5	70.6	94.4
Gross Profit	6.3	6.2	9.8	14.0	12.2
Operating profit	2.3	1.7	3.4	7.5	5.9
PBT	1.1	1.0	2.6	5.4	0.7
Gross assets	22.7	27.1	49.0	73.7	89.8
Land	23.4	25.7	33.4	38.9	35.4
WIP	15.8	10.6	19.1	41.8	60.8

For the year ended 31 December 2023 (and at the date hereof), the consolidated profits attributable to Stonebridge Homes within Henry Boot group accounts were £0.7m (2022: £5.4m). The gross assets of Stonebridge Homes consolidated within Henry Boot group accounts as at 30 June 2024 were £90.7m.

Appendix 2

Stonebridge - current trading

As of 16 December, Stonebridge has sold or reserved 100% (201 Private/74 Social) of its 2024 delivery target of 275 units (2023: 251 units), operating from an average of eight sales outlets and year to date achieving an average sales rate of 0.45 units per week per outlet, for private houses. The total order book now stands at c.£20m.

Stonebridge's total owned and controlled land bank stands at 1,790 plots (December 2023: 1,513), of which 785 plots (December 2023: 923) have planning permission.

Appendix 3

Principal terms of the transaction

Structure and consideration

Henry Boot has entered into three separate put and call option agreements for Henry Boot to acquire SP's 50% interest in Stonebridge as follows:

- The first call option in respect of 12.5% of Stonebridge is to be exercised and completed in January 2025 for a fixed consideration of £10m. Where the first call option is not exercised, SP is provided a put option that can be exercised from June 2025 to August 2025, subject to certain criteria being met.
- The second call option in respect of 12.5% of Stonebridge is to be exercised and completed in January 2026. A fixed consideration of £5m will be payable in January 2026 with a 'true-up' payment in January 2027 based on 1.6x TGAV as at 31 December 2024 and 31 December 2025 less amounts already paid in respect of the first and second tranches. Where the second call option is not exercised, SP is provided a put option that can be exercised from June 2026 to August 2026, subject to certain criteria being met.
- The third call option in respect of 25% of Stonebridge is to be exercised and completed in January 2030. A fixed consideration of £15m will be payable in January 2030 with a 'true-up' payment in January 2031 based on 1.6x TGAV as at 31 December 2029. If the third call option is not exercised, SP is provided a put option that can be exercised from June 2030 to August 2030, subject to certain criteria being met.

Consideration cap

The consideration payable under the Transaction is subject to a maximum potential cash consideration of £65m.

Financial effects of the Transaction

Stonebridge is currently a fully consolidated subsidiary of the group with external ownership reflected as a non-controlling interest. The Transaction therefore has no impact on the group's profit and loss before tax, only affecting the allocation to non-controlling interests on the group's Income Statement.

the transaction is non-controlling interest on the group's income statement.

Consideration which is payable over six years will be financed from existing group facilities or assumed renewal of such, representing an increase in external debt, offset by the elimination of non-controlling interest on the group's balance sheet. Excess consideration above the non-controlling interest value of assets acquired will be reflected directly in equity and not as goodwill.

Upon option one being exercised and completed, the group's net asset value would be expected to decrease by £8-10m for FY25. The subsequent exercising of options two and three would result in a further reduction in the group's net assets, the impact being linked to the consideration to be paid.

Brand

Intellectual property in the name "Stonebridge Homes" shall remain with Stonebridge.

Warranties

SP's providing warranties customary for the nature of the Transaction to the Joint Venture, including as to: (i) its capacity and authority to its interest in Stonebridge; (ii) commercial warranties regarding the operations of the Stonebridge business.

Key individuals

The key individual important to Stonebridge is Darren Stubbs, Director.

Appendix 4

Joint venture agreement

Governance

A new joint venture agreement has been entered into between the two parties and Stonebridge and sets out the basis upon which they will manage Stonebridge over the period of the Transaction.

Henry Boot will appoint two directors, SP will appoint one director. The Stonebridge board of directors shall manage the business within the framework of a five-year business plan, with day-to-day operational management being delegated to the senior management team. An integration plan will be agreed during 2025.

The board of directors is subject to customary 'reserved matters', which cannot be undertaken without the consent of the shareholders; these matters are limited to key corporate issues such as the issue of shares and changes to the articles of association of Stonebridge, or material changes to the nature of its business.

Financing

Henry Boot will continue to provide financing to Stonebridge in line with agreed plans and may provide additional funding subject to an increase in the interest rate payable on the entire facility balance. No dividends shall be paid whilst any additional funding remains outstanding.

Covenants

Market standard covenants are included preventing SP from directly or indirectly competing with Stonebridge, or from soliciting customers, suppliers, or employees of Stonebridge, for a period of 18 months after SP ceases to hold shares in Stonebridge.

Dividends

66.7% of distributable earnings for each financial year shall be paid out, subject to a minimum retained earnings threshold of £5m, 40% in July of the respective financial year and 60% in January following the respective financial year.

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