22 July 2020

Countryside Properties PLC
Q3 2020 Trading Statement

Resilience from our mixed tenure model

Countryside Properties plc (the "Group"), a leading UK mixed-tenure developer, is today issuing a trading update for the 13-week period from 1 April 2020 to 30 June 2020.

Q3 Operational Highlights

- Total completions of 449 homes (Q3 2019: 1,055 homes)
- Private average selling price ("ASP") of £398,000 (Q3 2019: £374,000)
- Net reservation rate[1] of 0.53 (Q3 2019: 1.00) with our sales teams working virtually until 1 June.
- Average open sales outlets at 67(Q3 2019: 56)
- Strong total forward order book up 34% at £1.5bn (Q3 2019: £1.1bn) comprising £1.0bn in Partnerships (Q3 2019: £720m)
- Planning secured on second modular factory to further improve build times and efficiency

[1] Net reservations per open outlet per week

Group Performance

Following the closure of our sites and factories in response to COVID-19 on 25 March, we returned to phased construction activity from 11 May 2020. During the period we completed 449 homes (Q3 2019: 1,055 homes) of which 129 were private (Q3 2019: 294 homes), 221 were affordable (474 homes) and 99 were private rental sector (287 homes). We have now recommenced construction on all of our sites and re-opened our two factories. We were active on a total of 131 sites as at 30 June 2020 (Q3 2019: 135 sites) of which 66 are open selling outlets (Q3 2019: 56). Our sites are currently operating at over 85% of capacity on average and we envisage this progressing back towards 100% over the course of the coming months as we follow revised Government and Construction Leadership Council guidance and extend site operating hours.

Our mixed-tenure model has proved increasingly resilient with strong demand for all tenures. We have been able to restart our operations more quickly with affordable and private rented sector homes allowing us to generate cash as soon as construction activity recommenced as well as providing greater certainty of work for our subcontractor supply chain.

Our private sales levels have remained robust, as we operated virtually during the quarter until reopening our sales offices on 1 June 2020. Demand continues to be strong across all tenures, reflected in a high level of customer interest and a net reservation rate of 0.70 in the last 4 weeks[2], in line with the Group's target range of 0.6 to 0.8 with little change seen in pricing from pre-COVID levels. The private for sale market has remained robust across the country with continuing government support from recent stamp duty changes, and the Help to Buy Scheme, which will be particularly beneficial for first time buyers who represent around half of our private purchasers. The shortage of good-quality affordable homes has underpinned demand in the Partnerships division, along with the strong Private Rented Sector market which is seeing increasing participation from institutional investors.

We have excellent visibility of future work through our strong forward sales position of 7,504 homes compared to 5,723 homes at the same point last year at a value that is up 34% at £1.5bn (Q3 2019: £1.1bn). Within this order book, our sales performance during lockdown contributed to a 25% increase in the private forward order book on the prior year to £514m (Q3 2019: £411m).

[2] Trading period covering 4 weeks ended 12th July

Increasing Partnerships growth potential

We continue to see attractive opportunities for growth in Partnerships given the strength of our secured work, equivalent to nine years' work at FY 2019 volumes, and the resilience of our mixed-tenure model. We are positioning the Partnerships business for growth over the medium-term and today announce that Partnerships North, our largest division, will become two new divisions, each with three regions: Partnerships North, covering the Manchester, Merseyside and Yorkshire regions and Partnerships Midlands which will incorporate regions in the East, West and South Midlands. This better positions the business to take advantage of the growth opportunities within our increasing bid pipeline.

During the period we secured a further 3,376 plots including c. 600 plots for our newer East Midlands and Yorkshire regions. As at 30 June 2020, we had 40,267 plots secured within Partnerships, up 9% on the prior year (Q3 2019: 36,844 plots) with c. 100,000 further plots identified as opportunities.

Separately, we have been granted planning permission for our second modular panel factory in Bardon, Leicestershire, which is intended to open in Autumn 2021 and is expected to have the capacity to deliver up to 3,500 homes per year once fully operational. This is in addition to our existing modular panel factory in Warrington which has the capacity to deliver up to 1,500 homes per year and our traditional timber frame factory in Leicester. This progresses our strategy to have greater security over delivery and increased build speed. As manufacturing becomes a more significant activity in the Group, a new Manufacturing operating division will be established during 2021.

Land and planning

Land sales remain part of our strategy to deliver value from our strategic land bank while managing balance sheet exposure and operational risk. At 30 June 2020, our Housebuilding land bank stood at 25,502 plots (Q3 2019: 24,400 plots). As previously announced, during the first half of the year the sales of five parcels of land were put on hold due to COVID-19. We exchanged contracts on two of these five sales in the fourth quarter of this year and we have ongoing dialogue with third parties on the remaining three parcels. The Group is targeting c.£15m - £20m of profit per annum from its ongoing land sale programme.

We welcome the recent changes to the planning system announced by the Government, which will support the housebuilding sector in the medium-term. While we expect some planning delays in the short term as local authorities and the industry returns to more normal levels of operations we have been encouraged by our ability to commence construction on three new sites during the period.

Balance Sheet

Since March we have taken decisive steps to strengthen our liquidity and manage our cash position in response to COVID-19. This has included a focus on our PRS and Affordable delivery to prioritise receipt of cash throughout the construction period, along with the renegotiation of the payment profile of certain land creditors, suspending the payment of a dividend and a 20% reduction in base salary and fees for all of the Executive Committee and Board of Directors for two months. Overall, we ended Q3 with net debt of £232.1m (Q3 2019: £128.2m).

We have an existing £300m revolving credit facility and have secured eligibility for the Bank of England's COVID Corporate Financing Facility which we would be able to access should we need additional liquidity. We have also agreed a relaxation of the Group's banking covenants until September 2022.

We recognise the importance of dividends for shareholders and the Board will review the Group's dividend policy later in the year.

Our employees and our communities

We remain conscious of the impact that COVID-19 has had on our employees, customers and communities and we signed up to the C-19 Business Pledge at the start of the quarter. We are proud of the way that our employees have responded throughout the pandemic and their commitment remains testament to the talent we have within our business. While a number of employees were placed on furlough leave while our sites were closed during April and early May, all employees were paid 100% of salary by the Group and we have not taken support from the Government's Job Retention Scheme.

We have adapted our business model to take into account the fact that life will not return to 'normal' for some time. We have increased our online presence with both new and existing customers which included conducting customer visits by video conference, as well as a number of virtual home tours. To ensure that we continue to deliver the highest levels of customer service we have extended our new homes warranty by three months.

As previously announced, at the start of the pandemic we launched a £1m Communities Fund to support the most vulnerable people within our communities. Over £750,000 of this has already been allocated to support local foodbanks, hardship funds, homelessness and other local charities and groups.

Outlook

Whilst we believe the broader economic outlook remains uncertain, we continue to monitor market activity closely and the Group is encouraged by trading performance in recent weeks. The Board is confident in Countryside's resilient mixed-tenure business model and the growth opportunities within its Partnerships division and believes the Group will continue to benefit from good underlying demand for housing of all tenures over the medium-term. The combination of this demand and our mixed-tenure model gives us the confidence to develop our Partnerships operations. Our strong relationships and track record of working with a wide range of partners positions us well despite the near-term economic uncertainty. We will provide an update on our strategic priorities with our full year results scheduled for 19 November 2020.

Iain McPherson, Group Chief Executive, commented:

"Whilst we have seen significant disruption through the quarter, our return to site was well executed and we have seen increased interest from customers in recent weeks. Our Partnerships business and its focus on Affordable and PRS homes continues to show particular resilience. The creation of the Midlands division along with progress on our second modular panel factory will create the platform to continue to grow our business in the medium-term. This, together with our strong forward order book, positions the Group well for the future."

Year-to-date net reservation rate*

	Year to 30 June	Q3 discrete	4 weeks ended 12 July
FY2020	0.79	0.53	0.70
FY2019**	0.91	1.00	1.28

* Number of reservations per open selling outlet per week
** Equivalent period in FY2019

There will be a conference call for analysts and investors held tomorrow at 0830hrs (BST). Details are set out below:

Date:	Thursday 23 July 2020
Time:	0830hrs
Dial in (Int'l):	+44 (0)20 7192 8338
Dial in UK FreeCall:	0800 279 6619
Dian in UK LocalCall:	0844 481 9752
Conference ID / passcode:	**6727159**

- Ends -

Enquiries:

Countryside Properties – 01277 260 000

Iain McPherson – Group Chief Executive
Mike Scott – Group Chief Financial Officer
Victoria Prior – Managing Director, Corporate Affairs

Brunswick Group LLP – 020 7404 5959

Nina Coad
Oliver Sherwood

Note to editors:

Countryside is a leading UK mixed-tenure developer through its two divisions, Partnerships and Housebuilding.

Countryside's Partnerships division was established over 40 years ago, specialising in estate regeneration, with operations in London, the South East, the North West, the Midlands and Yorkshire. It works mainly on public sector owned and brownfield land, in partnership with local authorities and housing associations to develop private, affordable and PRS homes. It recently established a modular panel manufacturing facility in Warrington to improve quality and reduce build times on site. Its developments include large scale urban regeneration projects at Beam Park, Rainham, Acton Gardens, Ealing and Rochester Riverside, Medway.

Countryside's Housebuilding division benefits from an industry leading strategic land bank which is focused around outer London and the Home Counties. It builds family homes, with a focus on placemaking and selling to local owner occupiers. Its developments include a number of large-scale projects including Beaulieu Park, Essex, Springhead Park, Ebbsfleet and Tattenhoe Park, Milton Keynes.

Following six years of continuous growth in volumes, Countryside delivered 5,733 homes in the twelve months to September 2019 – 4,425 through its Partnerships division and 1,308 through its Housebuilding division, with a mix of private for sale, PRS and affordable homes. Revenues were £1,422.8m with 92.5% customer satisfaction equivalent to HBF 5-star rating. It was listed on the London Stock Exchange in February 2016 as a constituent of the FTSE 250.

For more information see www.countrysideproperties.com or follow @CountrysideProp on Twitter.