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Glenveagh Properties PLC Call

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Presentation

Operator: The conference is now being recorded. Hello. And welcome to the Glenveagh Properties PLC Call. My name is Laura and I will be your coordinator for today's event. Please note this call is being recorded. And for the duration of the call, your lines will be on listen only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question.

If you require assistance at any point, please press star zero. And you will be connected to an operator. I will now hand you over to your host, Jack Gorman, Head of Investor Relations to begin today's conference. Thank you.

Jack Gorman: Thank you, Laura and good morning to everyone on the call. My name is Jack Gorman, and I'm Head of Investor Relations at Glenveagh. I'd like to thank you all for taking the time to join us for our conference call and webcast, which relates to our full-year 2022 results statements that we released this morning. I'm joined on the call today by our CEO, Stephen Garvey; our CFO, Michael Rice; and our Head of Sustainability, Lorraine FitzGerald.

In a moment, I'll hand you over to Stephen to begin the presentation. And following that, we will open up the call to Q&A. I'd also like to draw your attention to the forward-looking statements included at the end of today's presentation. Thank you. And with that, I'll pass it over to Stephen.

Stephen Garvey: Thank you, Jack. And morning, everyone. Let's begin on slide four, where I would like to provide some high-level comments about full-year 2022. We are pleased to report a very strong performance in 2022, a year with a lot of challenges, but one where we demonstrated strong operational execution, and continue to manage capital efficiency and effectively.

We continue to operate in a market with excellent fundamentals. And our own experience in 2022 and indeed in the first months of 2023 is such there is a strong demand for the right product in the market segments that we are targeting. Our own operational delivery was excellent with build quality and customer service again enhanced. Sustainability is at the heart of this.

And we also launched our Net Zero Transition Plan, which Lorraine will discuss later in the presentation. And we continue to invest across the business in land and in WIP and in supply chain. And we were able to return a significant amount of cash to shareholders through our buyback programmes, also while maintaining a low leverage on the balance sheet. We advanced our ambitions in each of the three business segments.

Our Suburban segment delivered record units, managed inflation, and enhanced margins. We continue to derisk our urban portfolio in what is becoming a really challenging market for apartment development. And this has added to the enhancing of our ROE as assets were monetised while supporting our capital allocation objectives. We were delighted to note that in our partnership segments, we have secured initial planning approval for Ballymastone and Oscar Traynor Road, which were granted within expected timelines.

Both are still both subject to appeals at this stage. On these two sites, we are on track to deliver over 2000 units for local authorities, which are focused on private, social, and affordable, and cost rental units. And the overall focus of the business remains on improving

the profit and cash profile of the group, driving greater balance sheet efficiency, which alongside our capital allocation framework provides the opportunity to generate significant shareholder returns above and beyond the €250 million delivered in 2021 and 2022, and building further on the improvement of ROE seen in 2022.

Moving to slide five, a deeper dive in our Suburban Segment Business. Our Suburban Segment continues to provide an attractive product offering to the deepest segment of the market at an affordable price. With 90% of our Suburban product is priced at €400,000 or less, and 82% is aligned with the first home scheme. Additionally, a 100% of completed units in the year have the highest building energy rating of A1 or A2, providing significant energy cost savings to consumers, and aligning with our sustainability focus.

The continued strong demand and attractiveness of our Suburban segment is evident through our performance. We closed 1354 units, which is a 50% increase on the previous year. And we have actively managed our forward order book, and currently have 803 units closed or contracted for the year so far supported by a strong private demand and an updated price caps on the First Home Schemes, and changes to the CBI lending rules, both of which were implemented in January 2023.

Alongside this, we are making good progress on our standardised model that will allow us to become a more efficient operationally supported by investment in innovation and offsite manufacturing capabilities. And all of this is underpinned by an overriding commitment to sustainability in terms of how we use our land, how we continue to increase the energy efficiency of our product, and how we help communities to thrive. Overall, this segment continues to be very well positioned to deliver homes in flourishing communities across Ireland, where they can afford and want to live.

Moving to slide six on our Urban Business. We've already spoken in details on previous calls on the significant progress the group has made in monetising our urban assets that has transformed the Business segment. As a percentage of the overall land portfolio, urban assets have decreased from 37% in June 2022 to now representing just 13% of the portfolio. In 2022, the group monetised urban assets generating over €310 million of total revenue across four projects, consisting of East Road in Dublin Docklands for a cash consideration of €63 million, which brings the total revenue generated in the Dublin Docklands to over €210 million.

320 apartments in Barnoaks Citywest for approximately a €100 million. 190 apartments in Castleknock for approximately €80 million. And the 140 residential units included were in Blackrock for approximately €70 million. In contrast to the other transactions which were structured as forward funds, a forward sale was the most effective exit strategy for the business in Cluain Mhuire.

And as such, all revenue and profits will be recognised at completion, which is currently forecast for 2024. Overall, the urban assets monetised today will generate total revenue for the group of over €600 million with €210 million of this revenue to be recognised in future periods. The continued monetisation of the urban land portfolio has contributed significantly to improving the group's return on equity, provided excess capital for shareholder returns, and gives management strong confidence in reaching our 15% return on equity in 2024.

Our focus for this year is delivering on these executed transactions across our urban sites. Before leaving this slide, I would like to emphasise our operational capability again. We have delivered not just 1354 suburban units in 2022, but also hundreds of urban apartments in this period. So, our total production is closer to 2000 units in the year. We have the teams and the capabilities in place to deliver large-scale projects efficiently.

We are working on about 700 apartments and 250,000 square foot of commercial space in both office and hotel at this moment. We can also redeploy these teams as required to other parts of the business into the future. That gives us a huge confidence that we can continue to ramp up over the next 12 to 18 months, and hit our future targets in 2024, and beyond.

On slide seven, we've highlighted some of the key financial metrics that Michael would take you through in a lot more detail later on. But for now, I would like to call out two in particular. Our EPS outturn for 2022 was in line with guidance and represents a 69% growth year on year. This was driven by the underlying increase in profitability as well as an EPS accretive impact of our share buyback programme.

In addition, I would like to call out the continued driving efficiencies in our land investment, and that we have delivered a land bank value of €458 million at yearend, which are adjusted to be below €500 million by the end of the year.

Now turning to slide eight. We want you to show upfront in today's presentation, the latest update on planning environment in Ireland. As we noted in our full-year trading update in early January, the current planning system and delays experienced, and getting timely decisions has directly impacted the business. And we revised our suburban guidance for 2023 to be broadly in line with 2022 levels of 1350 units.

Since January, we've seen some progress on system reform on Bord Pleanala after the best part of 12 months of effectively no activity is becoming functional again. And some appointments to the board and resources have been allocated to begin addressing the delays in the system. The LRD process which leaves decision making to local authorities as opposed to the board is functioning extremely well.

And we've already seen some approvals of our applications that have been processed within or ahead of guided timelines. Meanwhile, the planning and development bill is progressing through legislative process at present. And we do believe that this will be helpful in enabling the system to function more effectively over the longer term. All of this is somewhat encouraging.

However, more needs to be done in the coming months to make the board more functional. So, that the backlog of applications can be addressed and that new applications can be processed efficiently. Switching to housing policy. The structural issues remain. The industry needs correct planning policy and the planning framework that is designed for the house types that people want, and the one that does not undermine the commercial viability of delivering more of these types of homes.

We still await guidance on Compact growth initiatives that are overdue since 2022. The SHD system remains backlogged. And we are exploring the option of relodging four applications of approximately 1100 units in the LRD process. Many of you will also have noticed that we

have applied jointly with current homes to seek judicial reviews of county development plans in both Wicklow and Kildare in recent months.

These are examples of the level of frustration across the industry around planning policy in its current form. Despite all the turbulence, we have made progress in planning during 2022. And we are executing well what we have within our own control. We have lodged planning applications for 3500 units during the year. And in total, we have 5000 units we're planning across the three business segments.

This includes 3500 suburban units. We are delighted with the progress on Ballymastone and Oscar Traynor Road, both of which have received local authority approval within eight weeks. So, overall, we are seeing green shoots on progress in the planning environment so far in 2023 and are cautiously optimistic that more will be seen as the year progresses. And we will continue to monitor this very closely and update the market as appropriate over the course of the year.

Let's now turn to the next section on slide 10, where I would like to provide some more context on economic and market dynamics. There is a lot of detail on this slide for you to review. But the key investor takeaway is that the fundamentals of the Irish economy remain very strong, in absolute terms but also relative to our nearest neighbours in the UK and Mainland Europe. This is a real point of difference for the Irish housing sector and for Glenveagh.

The Irish economy has shown remarkable resilience in 2022 with GDP growth driven by resilient domestic demand and a buoyant exports market. We are also continuing to outpace the UK and all other major UK economies with GDP expected to outperform again, this albeit in a more challenging economic more generally. Higher-than-expected tax revenues helped Ireland to finish 2022 with a healthy budget surplus. The biggest such surplus since 2006. This has provided flexibility for government to support households prudently in the 2023 budget. Labour market growth is forecasted to continue this year with further wage inflation forecasted as inflation pressures persist as the labour market remains relatively tight. Combined this with the Irish Household Savings Ratio is one of the highest in Europe. This is another factor that should underpin higher levels of economic output over time.

Continuing to slide 11. The data reaffirms that 2022 was a much more active year in the housing market generally in Ireland. Demand is strong. Continuing full employment levels are driving wage inflation, which in turn is driving demand as seen by record mortgage approvals levels in 2022. The Central Bank of Ireland's decision to increase loan-to-income ratios from 3.5 to 4 in January 2023 will also support affordability even in a world of rising interest rates.

2022 was a strong year for housing completions with almost 30,000 homes built, up 45% year on year. But to put this into context, the level of completions brings us back to averages seen in the 1990s. In addition, housing commencements peaked at 35,000 units on a rolling 12-month average in March 2022, but are now running at 27,000 which is well below the completions target suggesting potentially lower supply in the current or future years.

So, we are looking at another year with strong underlying housing demand, but potentially lower year of output in the industry. Decades long structural undersupply issues remain in place. And the compounding nature of missed completion targets alongside a rapidly growing

population is widening the gap between supply and underlying demand. This is alongside pent-up demand over the last decade as growth of new dwellings has consistently lagged the population growth.

Onward inward migration, evolving demographics suggest that still higher levels of supply will be required. This all points to a housing supply requirement while in excess of the 33,000-unit target for the Housing For All framework, and more like a 40,000-to-60,000-unit level which has been outlined recently in a revealed unpublished paper by the Housing Commission to the government.

Turning to slide 12. The government has been active in particular on the demand side initiatives over the course of the last 18 months. And these have been both timely and welcome in the context of supporting and extending affordability to a wider pool of potential buyers, most notably first-time buyers. To recap briefly, the Housing For All Plan introduced in 2021 aims to deliver 300,000 units by the end of this decade.

It aims to secure delivery of large-scale, sustainable mixed tenures to a range of schemes mainly focused on shared equity, help to buy cost rental affordable purchase and social housing. Our own experience with these initiatives has been positive. The first home scheme was launched in July 2022. And we'll see the state take up to 30% stake in a new home for first time buyers and other eligible buyers, who will take out a mortgage with the bank for the remainder of the cost.

There is an example of how this scheme works on slide 20. We have seen good early demand here with over 80% of our suburban portfolio qualifying for the scheme. Future Glenveagh customers are well positioned to benefit from this in the future. Help to buy continues to be a significant support for first-time buyers with over 85% of Glenveagh purchases having availed of the scheme in 2022.

A welcome benefit of this scheme is that it can be used in conjunction with the first home scheme further enhancing affordability. Cost rental housing is a type of affordable rental accommodation for people on middle-incomes, where approved housing bodies, local authorities, and the Land Development Agency can purchase private units from the private markets, and rent these out at 25% or below market value.

It is aimed at helping people who are above the threshold for social housing. Last year, the business supplied 130 units of these cost rental product. We also delivered over 350 units under Part V, State Lease or turn-key schemes, meaning that in total approximately 35% of our suburban units in 2022 were delivered as part of government initiatives.

Now moving back to our own business. And in this section, I will run through the related topics. I will firstly outline our updated approach to Building Better Strategy, our roadmap on how to win. I will look at our existing land bank and outline our thinking on how we will develop it over the coming years ahead to execute effectively against our strategy. Then, I will focus on how we deliver product on our land bank, focusing on our standardisation model, our compact growth initiatives, and how these are reinforced by our offsite manufacturing capabilities.

Obviously, sustainability is integral to all of this. So, to wrap up this section, I will ask Lorraine, Head of Sustainability to bring you through our objectives, and in particular our Net

Zero Transition Plan. So, to kick off on slide 14 on our updated strategy which is called Building Better. It is now over five years since IPO. So, we felt that it was the right time to undertake an extensive review of our strategy.

We were guided in this by our vision, our mission, our values, and our commitment to sustainability. And we refreshed our strategy with the help of extensive research, peer analysis, and a full ESG materiality assessment as well as a detailed engagement with colleagues across the business since mid-2022. We have structured the strategy around five strategic priorities detailed in the graph.

Underneath each priority are a set of relevant pillars that are in turn underpinned by a large number of projects across the business. So, department specific and some relevant to the whole business, several of which are underway, and many of which will be introduced and implemented over the course of the next 12 to 24 months. Having a project-led approach allows us to set detailed KPIs to measure progress in each of our strategic priorities. Sustainability is embedded in the strategy, and forms and elements of each project and its KPIs associated with them.

Turning to the next slide number 15, where we provide an update on our current land bank. The asset from which we will execute the Building Better strategy. A key strategy priority for the business has been to reduce the net investment in land and improve balance sheet efficiency. In line with this priority, the group has monetised a significant portion of our urban assets.

And through a disciplined and strategic approach to land acquisition acquired suburban land at attractive rates to ensure we maintain our land bank total, whilst reducing the net euro investment in land. We have achieved a land bank mix more weighted towards our suburban and partnership segments, which we believe better aligns the group with the prevailing market opportunity.

Urban has reduced significantly as a proportion of our overall portfolio with partnerships becoming a more significant proportion, which also brings significant balance sheet efficiency, and certainly our revenue benefits. In 2022, the group added nine new suburban sites for a total consideration of €34 million. And these sites will deliver over 1150 units over the coming years.

Our land bank now stands at approximately 15,000 units, of which 5000 have full planning permission. We materially surpassed our target of reducing our land bank value below €500 million euros by the end of 2022, providing significant efficiency of our balance sheets, and further enhancing our return on equity. We are confident that we can drive further efficiencies from the portfolio over the current and future years.

On slide 16, we look at how we will shape our future land bank. Our investment approach is focusing on prioritising structured land transactions. And we see many advantages from this from our perspective. We have an established skillset in zoning, planning, and implementation that we can bring to potential partners to help them manage better planning and development risks involved.

Our own experience has built a wide range of professionals that work with us, and we can use to execute on transactions. And such an approach will be aligned with our objective to drive

more efficiencies from the balance sheet, and to enable us to accelerate the standardisation of our portfolio, which in itself has many benefits for the business. In the near term, the introduction of the Residential Zoned Tax in 2024 is opening up additional opportunities for us to explore.

And we launched our National Land Campaign last October to invite potential partners to discuss with us what options there might be to agree on partnerships for potential development of inactive zone land. I would also reiterate here that our own investment strategy is aligned with the demographics or the dynamics of our market. Our investment approach will remain focused on customer segments with the deepest demand, i.e., affordable starter homes.

It is aligned with support of government initiatives and policy with most of our portfolio eligible for Housing For All initiatives. And with our development partnership business in Oscar Traynor Road and Ballymastone on track to deliver both revenue and profit generation in 2024. And while we have been monetising assets in our urban portfolio, we will continue to monitor the dynamics that the market has. And we will hold open the option to reinvest again in this space if and when favourable market conditions and opportunities arise.

Moving to slide 17. We have talked previously about the benefits of standardising house typologies, and what benefits this could bring to the business over the longer term. In this part, our broader agenda is to take advantage of our position as a scale operator to bring additional efficiencies into all processes which is the core priority for our Building Better Strategy.

There are many benefits from the customer for pursuing a standardised model, a consistent product with timely delivery and enhanced build quality, which will be highly attractive to prospective buyers. The benefits for the business are better control of manufacturing, production, health, and safety processes as well as the added resilience in our delivery schedule.

Standardised house types will become a much larger component of our output in coming years, especially as the proportion of Glenveagh design planning units increases in the overall portfolio. And we have rolled out standardisation across the business that will support an improved margin and return profile for the group. This will be enabled by how we design our higher density developments. And it will in turn reinforce by our offsite manufacturing capabilities, both of which I will outline in the next slide.

So, turning to slide 18. One of the commitments under Housing For All is to develop new guidelines on compact growth, and to enable innovative approaches to provide medium and higher-density housing across Ireland. A proposal on these guidelines is expected from government imminently. We are very interested in this initiative for several reasons. Increasing affordability and viability for housing is imperative in the undersupplied market.

At present, apartments are necessary to meet current density requirements, but are often not attractive to buyers in certain areas. In addition, the increased cost and resources associated with apartment building are making developments unviable and strangling potential supply. New approaches to medium and higher-density development that is in the range of 35 to 50 units per hectare and outside of city areas has been explored by several industry participants, including ourselves.

In general, they seek to replace apartments and duplexes with own-door housing, which could reduce the cost significantly, and therefore offer greater affordability and increased access for buyers. Delivery of a more affordable product that is desirable to buyers, it also carries the potential to enhance the viability of new projects that will increase the likelihood of development.

When this is also combined with the potential sustainability benefits in terms of reduced embodied carbon per square meter, we believe there is a significant scope for the government to change the landscape here, and improve the residential quality, while promoting compact and sustainable living.

On slide 19, we outline our manufacturing capability and strategy. And 2022 was an important year here. We expanded our timber frame production through the acquisition of Harmony Timber Frame, which brings a purpose-built, state-of-the-art facility capable of producing 450 high-quality timber frame per year, and an experienced management team capable of expanding deliveries at our new facility and our Carlow facility.

The group also added to its delivery capabilities to entering a consultancy agreement with a light gauge steel manufacturer to achieve an NSAI certification for production of light gauge steel frames at our Carlow facility. Glenveagh now has three strategically located manufacturing sites. One in our Suburban North region, which is currently in production, and has already produced over 800 units in 2022.

The second facility is in our Suburban South region in Carlow that will become fully operational this year. The third facility is the Wicklow factory located in Suburban South region, which we acquired as part of the Harmony transaction. At scale, all of these facilities will have enough capacity to deliver over 2000 units per year. And the locations of these facilities will allow us to service all our sites effectively as a nationwide home builder.

The cost savings associated with offsite manufacturing reinforced the positive impact that standardisation will have on our business. It already allows us to better manage the inflationary environment in 2021 and 2022. And we are expecting further cost savings in the years ahead. For now, though, the focus for the business is integrating these capabilities into the group and driving value to these investments.

And particularly focusing and incorporating our high-density standardisation house type into our manufacturing process. I will not dwell too much on slide 20, but I will highlight two recent changes that will further improve affordability. Firstly, the regional price caps in the First Home Scheme were increased in January 2023, six months after the scheme was launched, further expanding the potential demand for the scheme, and improving the ability of first-time buyers to purchase homes.

Secondly, affordability for first-time buyers was further enhanced in January by the Central Bank of Ireland changing the macro potential rules moving to a loan-to-income ratio of 3.5 to four times. And meaning that the income required to qualify for mortgage is greatly reduced.

Now moving to slide 21. Sustainability continues to be a key priority for Glenveagh, where our ambition is to set a new benchmark in our sector by delivering the maximum possible social benefit at the lowest possible environmental cost. I will now hand you over to the Head

of our Sustainability, Lorraine who will provide some highlights on 2022 and details of our Net Zero Transition Plan that we have just launched today.

Lorraine FitzGerald: Thanks, Stephen. Good morning, everyone. As Stephen mentioned, sustainability is a key priority for us. And we have fully integrated sustainability into our business strategy. So, that we have one overarching strategy. We see sustainability in its broadest sense, incorporating environmental, social, and governance issues. Our five strategic priorities all address sustainability matters and have been informed by our materiality assessment with extensive stakeholder engagement, which we carried out during 2022.

We've continued to ensure that we have robust governance structures in place to oversee and implement actions on sustainability. And we will evolve this as necessary and in keeping with best practice. We are also committed to transparent reporting in line with international standards. We've made considerable progress on the social aspects of sustainability with the launch of our equity, diversity, and inclusion strategy during 2022, and the retention of great place to work accreditation again for 2023.

Our performance and sustainability is recognised through our strong performance on ESG ratings as well as the awards and accreditations we have received and retained throughout the year. Today, our main update on sustainability is that we are publishing our Net Zero Transition Plan, which sets out our ambition and actions on our decarbonisation journey. We are the first home builder in Ireland to publish a Net Zero Transition Plan and set science-based targets.

Slide 22 shows the breakdown of our baseline greenhouse gas emissions across Scopes, 1, 2, 3, from which we developed our targets. Our emissions occur at various stages along the lifecycle of building a home. 42% of our emissions come from the extraction and production of raw materials for construction with a further 3% from the transportation of these raw materials for construction.

22% comes from fuel used by our subcontractors on site with 2% from the fuel and electricity used directly by Glenveagh in our offices, sites, and factories. 27% comes from the homes when they're in use by our customers through heating, lighting, and other electrical equipment. Slide 23 sets out a summary of our Net Zero Transition Plan. We have set both near-term and long-term science-based targets across Scopes, 1, 2, and 3, which we have submitted to the science-based targets initiative for validation.

We have set a target to reduce Scope 1 and 2 emissions by 46% by 2031, and to be net zero by 2050. We plan to do this through a number of actions, including transitioning our sites to renewable fuels, transitioning our fleet to electric vehicles, and assessing the potential for onsite renewables at our offsite manufacturing facilities. We've also set a target to reduce our Scope 3 emissions by 55% on an intensity basis by 2031, and to be net zero by 2050.

This will be done through engaging with our suppliers to influence and help them reduce their own emissions, engaging with our subcontractors to influence the type of fuel they use, and delivering innovative solutions around design, manufacturing, and construction to reduce the carbon associated with our homes. These targets and actions will be supported by robust governance, transparent reporting to and engagement with our stakeholders, and risk management.

But achieving Net Zero is complex and challenging. We have made great progress to date in reducing the operational energy of our homes. This has put us on the trajectory towards science-based targets already. And we are confident that with the same determination, we can achieve our ambitious targets. I'll now hand over to our Chief Financial Officer, Michael Rice for the financial review. Thank you.

Michael Rice: Thanks, Lorraine. And good morning, everyone. Firstly, I think 2022 was a very strong year for the business. And this is reflected in the financial performance. Our revenue and net profits of €645 million and €53 million respectively is an excellent performance, while also continuing to improve the capital efficiency. And all of that is consistent with our financial strategy over the last few years.

If we start on slide 25, our Total Group Revenue is €645 million, up 35% from €477 million in 2021. And this comes from our two operational business segments, €455 million from our Suburban Business, which predominantly relates to the 1354 suburban units closed in the year, and a €190 million from our Urban Business, which includes our East Road site disposal, and the revenue generated from several forward funds which are the Premier Inn Hotel in Castleforbes, and our apartment developments in Citywest and Castleknock.

The €455 million from the Suburban business represents a significant growth for what's the main segment of the business and equates to a 64% increase in revenue year on year. So, a very strong performance for that segment. We delivered 1354 suburban units in the year with an average selling price of approximately €330,000. This compares favourably to the ASP of €308,000 in 2021 and reflects the group's strong operational performance in a challenging environment.

The ASP increase of 7% has resulted from both the change in portfolio mix, but also some house price inflation in the year. The gross profit for the year amounted to €108.1 million, again up from €83 million in 2021 with an overall gross profit margin of 16.8%, a slight decrease from the 17.4% that we saw in 2021. One of the real positives for the year is the suburban gross margin progression to 18.4% from 17.3% in 2021.

We were very pleased with this margin performance given we had previously guided approximately 18%, but also in the context of the difficult cost price inflation we saw throughout 2022. When compared to the suburban margin for the first half of the year, our H2 margin performance was obviously higher. And we would anticipate this H2 performance to carry through into 2023. And we estimate the suburban margin in FY 2023 to be approximately 19%.

Urban gross margin for the year was just shy of 13%. This compares to 17.6% in 2021. But we must remember that 2021 was materially enhanced by some suburban site sales in that year, particularly our site sale of Castleforbes for €78 million. The 13% was modestly below our guidance of approximately 15% driven by a change in transaction mix during the year.

And as Stephen mentioned earlier, given the changing urban environment, we decided to monetise our apartment development at Cluain Mhuire through a forward sale. Meaning that all revenue and profits will now be fully recognised at completion in 2024. Our operating profit was just over €70 million, an increase of 38% year on year with our total administration expenses at €38 million, an increase from €32.5 million in 2021.

And this now incorporates the growth ambitions for the business. And based on the current trajectory, we should be able to achieve central costs of below 5% of revenue in 2024. Net finance costs for the year increased to just over €7 million, a reasonably large increase year on year. But that's predominantly impacted by the increased interest rates as it impacted the overall market.

So, we're not alone in that. Overall, the group delivered earnings per share of €0.076, a nice increase of 69% from the €0.045 that we saw on 2021. This increase has been driven by a combination of obviously the increased profits, but also the reduced number of shares from our success with share buyback programmes.

Moving over to slide 26. And as I mentioned when talking about the income statement, the suburban margin performance should be viewed in the context of the cost price inflation pressures that we saw in 2022. This slide gives additional cover on the movements experienced across a few of our key supply chain components. As you can see, some of those pressures eased somewhat in the latter part of the year.

And this may be an early indication of the pace of inflation beginning to moderate for 2023. I think it's a little too early in the year to say categorically where cost price inflation will be for the year. But we're well positioned through our supply chain initiatives to manage it as best we can within whatever external environment transpires.

On slide 27, we show the balance sheet at 31 December. And it highlights that 2022 was another year, where we continue to drive capital efficiencies. This is clearly evident in our considered and strategic reduction in the land portfolio to €558.5 million, a reduction of over €104 million in the year. As we said in the past, we think there are further reductions to be made in the land portfolio without impacting the significant growth the business has projected in the coming years.

We've continued to invest in work in progress in line with the growth strategy of the business with the yearend balance of just over €227 million, a slight increase year on year. And it predominantly relates to the Urban business, where we have ongoing construction for the office development in Castleforbes and the apartment development at Cluain Mhuire, both of which are due for completion in 2024.

The business has increased its non-current assets during the year resulting from our continued investment in innovation and supply chain initiatives, the acquisition of Harmony Timber Frame, Harmony Timber Solutions along with our investment in additional timber frame and soil recovery facilities will enhance our offsite manufacturing capabilities considerably.

The focus for the business is now to integrate these businesses effectively and maximise the benefits from these investments. The yearend balance sheet reflects the three share buybacks programmes completed by the group to date, which totalled over €250 million. In 2022 specifically, we spent €146 million repurchasing approximately a 136 million shares. Though from a relatively low base, the group has made significant progress in increasing return on equity to 7.1% from 4.6% in 2021 with our target of 15% ROE in 2024 still being a major focus for the business.

Slide 28 is a strong indicator as to how we've been able to reduce down our investment in land over the past 3.5 years. We've strategically taken the land portfolio from nearly €800 million down to below €460 million in that 3.5-year period with the average plot cost in our portfolio reducing from over €50,000 per plot down to about €30,000 currently. This is all in the context of a significantly growth focused business with the land portfolio now nicely designed to focused on the first-time buyers' market, and aligned with supportive government initiatives.

Moving on to the cash flow slide on 29. This shows there was the major cash movements in the business for the year. We generated just over €72 million from cash from the profits of the business, and in line with the capital efficiency strategy that we've talked about a few times. We've generated over €93 million from reducing our working capital. And as you'd expect, the majority of that is coming from the reduction in land investment.

This level of organic cash generation has allowed us to focus and finance our capital allocation priorities. One of these priorities is our investment in Capex and M&A with a particular focus on innovation and supply chain initiatives, and predominantly looking at our new factory in Carlow, and the purchase of the Harmony business. We spent a net amount of approximately €25 million in the year on these initiatives.

The largest cash outflow relates to our share buyback programmes. And we invested a €146 million across a number of programmes. In addition to this investment in 2022, as you know, we started our fourth buyback programme in early January. And we've made decent progress having invested nearly €30 million which is worth roughly through the expected programme. We finished the year with a modest net debt figure of just below €14 million, which leads the business in really strong financial health to continue our growth and allows us to invest in more of these initiatives in 2023.

This strong financial health is further enhanced by the new five-year sustainability linked finance facility of €350 million, which is a direct replacement for our existing €250 million facility. This new facility consists of a €100 million term component and a revolving credit facility of €250 million. The new facility is with our existing banking syndicate at interest rates consistent with those of the previous facility, and include some financial and sustainability covenants that we think better reflect the current strategy and the current growth ambitions of the business.

My final slide pulls together the 2023 guidance that we've previously given. From an income statement perspective, the EPS guidance is in line with what we've previously said and i.e., is expected to be on par with our 2022 performance. From a balance sheet perspective, we think we'll find further efficiencies in our land portfolio, which will naturally lead to a reduction in the euro investment.

As I mentioned earlier, we're likely to increase our WIP balance at the end of 2023 as we build out the office in Cluain Mhuire on our own balance sheet, but these will be financed predominantly with our new financing facility giving a slightly higher yearend debt position than you've probably seen from the business in the past. But it's still at a very prudent level of below 15% of net assets.

This debt and WIP positions will unwind in 2024 as we monetise those two assets. Overall, we believe we continue to execute with unwavering focus on capital efficiency and cash

generation. And this places the business in an excellent position for continued long-term operational growth and maximising returns for shareholders. As I mentioned, our return on equity target of 15% in 2024 continues to be our key metric culminating from our profitability growth strategy, and our capital efficiency.

Thanks, everyone for joining this morning. I look forward to speaking to most of you over the coming weeks. And I'll pass you back to Stephen for his concluding remarks.

Stephen Garvey: Thank you, Michael. To conclude, let's turn to slide 32. Firstly, we are delighted with our performance in 2022, and the progress that we've made in our three business segments. Our record production and improved margins in suburban, effective and asset monetisation in urban, and the successful advancement of our partnership business are particularly noteworthy.

Secondly, our forward order book is encouraging for the current year. And we are putting in place the sites, the resources, and the operational capability that we need to deliver our 2024 targets. Alongside this, we anticipate a more functioning planning environment as the year progresses as well as more progress on the integration of our higher density and standardised house types into our manufacturing process.

Thirdly, we remain very well placed to take advantage of the compelling market opportunity for housing in Ireland. Our strong focus on capital efficiency and cash generation will continue to allow us to make informed and effective decisions on capital allocation that will benefit all stakeholders. In what is a challenging and volatile environment in many respects, the group has continued to achieve improved profitability, cashflow, and materially increased the efficiency of our balance sheet, which has resulted in significant returns for our shareholders.

Finally, and before we turn to questions, I would like to take the opportunity to recognise and thank the entire Glenveagh team and our industry partners for their enthusiasm, dedication that they've demonstrated in a very busy year. What we have achieved together is helping us achieve our vision that everyone should have the opportunity to access great value, high quality homes in flourishing communities across Ireland. So, thank you. And with that, I'll pass it over to any questions.

Questions and Answers

Operator: Thank you. As a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll now take our first question from Colin Sheridan at Davy. Your line is open. Please go ahead.

Colin Sheridan (Davy): Hi. Good morning, guys. Thanks for taking the questions. I think of a few if I may. Just starting on pricing trends. I suppose, it's likely you're seeing new trends develop in the new homes market relative to the second-hand market. I wonder how you think those trends are changing with the introduction of shared equity and central bank rule changes, and ultimately what the outlook is in inflation on the house price side for 2023 versus 2022.

Moving on then just to maybe draw you out a little bit more on your comments on operational capacity. Looking at the guidance in suburban for 2000 next year versus where you're likely

to be in 2023, it looks like a big step-up percentage wise. I suppose the question is how much of that step-up do you think is mitigated by how high your operational capacity is at the moment, and how much construction you're actually doing over the course of 2023?

And then, maybe just finally on the land market, you've spoken a little bit about vacant cycle levy, and the ability to do structured deals. I wonder to what extent opportunities are improving in the land market given maybe how much other landowners maybe struggling relative to Glenveagh? Thanks.

Stephen Garvey: Thanks, Colin, and good morning. I suppose starting with pricing trends, I think we've been very, very consistent on this from the start of the year that we believe that with the changes to two main factors in our market, obviously the Central Bank change from the macro credential of 3.5 to four times. That was just going to open a larger pool of buyers. But obviously, we've only seen shared equity in operation for six months of 2022.

The evidence was really positive. And then, the price cap changes right across the country. Some price caps moved by up to €75,000 which was a big change. And I suppose the governments are really focused on creating viability, which obviously they want to see more supply come into the market. So, we would say that we'd be very positive on house price inflation in the sense of the new homes market.

If you look at a new home's purchaser today that's buying a €400,000 house, the state can now effectively support them to the tune of a €120,000 versus a second-hand house, the same support isn't there. So, that would be positive towards where new house pricing would be. Hard to call a percentage of what that looks like at the moment. But certainly, from our own order book, it seems a positive momentum at this moment in time.

And the operational capabilities and what we have to do in 2024, I think people have to remember. We didn't just deliver 1350 units in suburban last year. We had 700 apartments under construction, and still have them under construction. And we had 250,000 square foot of office and hotel space. We have on some of these sites 300 to 400 people working on these sites, be it direct staff or be it subcontractors.

So, being able to move them over to other parts of the business makes sense. So, it gives us huge confidence that you shouldn't look at us as 1350 units. We're actually very much larger than that. And redeploying that staff across the business, I think, that'll really drive the growth in 2024 and into 2025. I think, if you bolt on the other initiatives that we have in the business that should only really start to come to the fore.

Standardisation and the standardised product makes the streamlining. We look at the factory operations today, how more efficient they're becoming because standardisation is now slowly getting through the system. But you'll see a lot more of it in 2024. And obviously, the factory facilities, having control of our own supply chain. That really gives us huge confidence to ramp that up.

And I think the big thing is, and we were clear about this is we want to wait for our own product to come through the system because we can really see the benefits of plugging that into the capabilities we have in the business. The land market is quite benign. I think, the main focus for people is really there's land tax that's coming in 2024. The maps are now complete across all the local authorities.

There's obviously going to be an appeals point for certain parts of this year, but this will become fully operational in 2024. I think, it's making people focus their minds on there's a 3% tax. That tax could potentially rise to – I'm not calling where it could go, but I certainly think it'll go higher, not lower. So, I think that's focusing people's minds. And the capital available to buy assets is probably reduced.

The quantum of capital out there to buy land has probably reduced as well. So, I think a lot of that is making landowners focus that right. I have my land. It is zoned. There's a potential tax. Who do I partner up here and who has the best capabilities to a degree to deliver on what I need, but also get me out of that tax? So, we are starting to see certain inbounds across the board.

Schemes of 400 or 500 units, where landowners have land, they can't get through the system. Now, they need someone to come in and partner with them. So, those opportunities are opening up. And I think that's to the point we've been consistent on. We believe we can go with more efficiency across the balance sheet by still holding the same amount of units. It may not be paid for in pure euro.

It may be subject to planning agreements. It may be option agreements. It may be drawing it down. So, that's why we're more comfortable that we can certainly enhance the balance sheet efficiency, while still controlling the amount of land we need to deliver on a long-term growth.

Colin Sheridan: That's great. Thanks, Stephen.

Stephen Garvey: Thanks, Colin.

Operator: Thank you. We'll take our next question from Shane Carberry at Goodbody. Your line is open. Please go ahead.

Shane Carberry (Goodbody): Yep, morning. Thanks guys. Just two from me if I may. Firstly, just on your collaboration with the state and you noted how 35% of the suburban completions in 2022 are sold to state entities etc. How should we think about that going forward into 2023 and beyond? Where could that percentage evolve to?

Secondly, Stephen, you mentioned on the timber frame side of things, in particular the cost savings that you've seen associated with that. And that there will be further cost savings to come. Could we get a little bit more colour on quantum there, maybe potential margin impacts etc as we roll into next year and in particular in 2024 I suppose when you get up to that full capacity of 2000 timber frames?

Stephen Garvey: Yeah, sure. I think, I suppose, Shane if you look at what the government achieved last year, the €4 billion that they committed to Housing For All, they couldn't even get the full commitment out into the system and deliver enough for products. If you look at the two biggest house builders in the country today, we're producing more housing than the entire 31 local authorities.

So, it just shows the scale of the issue for the government. So, I think, you're going to see further demand. We feel that 35% is the level. But obviously as partnerships kick in later this year that will drive up that number substantially as well. Because you look at the Oscar Traynor Road development, that entire scheme is going back to the state in over three formats.

So, I can see the number not decreasing. It'll depend where it goes. It'll range somewhere between 35% and 50% over the medium term. Obviously, the governments are under substantial pressure to deliver housing. We have [inaudible] got European approval. One of our schemes has been nominated for that. And we're in early discussions with the state.

Now that's different in the sense of its direct subvention to support private ownership. But I certainly see the state playing a bigger role because they're just not meeting their own targets. And they need supply from across the market. I suppose, yeah, the margin expansion, Michael, if you want to go through that?

Michael Rice: Yeah, maybe just on the timber frame stuff. Shane, I suppose, we've been consistent for a while to say it gives us a competitive advantage versus the market. So, I suppose first and foremost, depending on where the external market is, we'll be better than that. So, I think it ties in with the CPI point. If we see an easing of CPI, we'll obviously do better than what the external market is seeing on CPI.

And likewise, if you're seeing it go the other way, we'll still be able to beat it. So, I think the big piece from us and Stephen touched on it previously is around the standardised house type. So, we think if we can get the right standardised house type through the planning system to then be able to run our factories efficiently and have those house types running through our factories, that's when we're going to see the real benefit of the timber frame facility.

So, I think without any of that standardisation, we're simply going to do better than the external market depending on what cost price inflation we see. If we can get the right standardised compact growth type housing through the planning system, we're going to see further efficiencies there. So, I think what we'd love to see this year is get those facilities up and running, see improvements in terms of planning and density requirements etc. And then really that'll start kicking in 2024. But I suppose at this point in time, it just allows us to do better than the external market.

Shane Carberry: No, that's really helpful. Thanks, Michael. Thanks, Stephen.

Stephen Garvey: Thanks, Shane.

Operator: Thank you. We'll take our next question from Andy Murphy at Edison Group. Your line is open. Please go ahead.

Andy Murphy (Edison Group): Good morning. And thank you for your time. I've got two questions please, one of which perhaps is less relevant to yourselves, but it's certainly been on the tips of people's tongues on this side of the pond. Just thinking about the potential for house price reductions over here. If house prices fell down 5%, do you think there would be any requirement to write down the land value on your assets? That's my first question.

And secondly, just around the balance sheet. You're talking about a target of 15% of net assets as net debt for 2023. Is that where you want to get to or what would be your medium-term net debt or even net cash ambition? Thank you.

Stephen Garvey: Thanks, Andy. Yeah, I think, I suppose they're two completely different markets at this moment in time. Shared equity in the UK probably took off in 2013. We've only seen six months of it so two completely different dynamics. We've been undersupplied

for the best part of a decade. We've lived in probably one of the most conservative lending markets in Europe for probably the best part of five or six years.

And so, I suppose there's not been an overexpansion of credit. There hasn't been a binge on credit from purchase. So, it's an extremely conservative market that has a substantial undersupply. So, I'd be quite positive that you will not see house price inflation. Obviously as interest rates rise, that has different dynamics. But I think, the big difference when we model it out is even if interest rates go to 5%, shared equity now bridges that gap.

And a buyer nearly stays neutral. I think, the other big aspect that's completely different is where our energy rating is on our housing. Our suburban housing last year was all A1. It'll be all A1 for 2023. The energy saving or the utility costs on the product is dramatically different. And we actually did a comparison with the UK versus an Irish house one day. And we were astonished at the savings of a new home in the UK versus a new home in Ireland.

So, they're all positives. But if house prices fell by 5%, which I don't think will happen, it wouldn't cause us any concern in our land bank. On the ROE target and Michael can – do you want to cover that?

Michael Rice: Yeah, I suppose, correct me if I'm wrong, Andy. But I think it was around 15% of debt or net debt being, I suppose you referenced a target. I suppose, it's not a target for the business to get to that number first and foremost. We called out 10% to 15% at the end of 2023. But obviously in my commentary, I alluded to two specific urban assets that we're building out on our own balance sheet being Cluain Mhuire which is 140 apartments in Dublin and the office development.

So, you'll see a slightly inflated WIP balance at the end of 2023 relating to those two urban assets. We'll monetise those in 2024. And they'll drop away. And likewise, the debt levels will probably subside in correlation with the WIP balance. So, I think if you look back through the last couple of years, we've managed our cash significantly well certainly at yearend to a modest net debt or even a net cash position.

I think with the new debt facility that we've finalised last month now, that certainly gives us the firepower to expand the business. You look at the partnerships and the scale of those two sites that'll start delivering in 2024. And even when you look at the growth rate in the suburban business as well, it makes sense to increase our increase our debt facility at that point in time.

We have always said, we're not concerned or we're not against running a debt position. But obviously in our capital allocation policy going back 18 months, we had talked about up to 15% of net assets. And that's still the guidance we're maintaining. But as I said, it's not a target to get to 15%. But we're happy to run the business up to that number.

Andy Murphy: Okay, great. Thank you very much. Very clear.

Operator: Thank you. We'll now take our last question from Chris Millington at Numis. Your line is open. Please go ahead.

Jonathan Coubrough (Numis): Thanks. It's Johnny Coubrough here, not Chris. Thanks very much for the detailed FY 2023 guidance. Looking slightly further ahead to the suburban business being at scale at 2000 units, how do you feel about what length of land bank would be required to manage that, and in particular manage the planning system as it currently is?

So, the question is really, yeah, would a five-year land bank be sufficient for the Suburban business doing 2000 units a year?

Stephen Garvey: Yeah. Thanks, Johnny. I think, there's dynamics that are slightly different. If you look at the private reservation rate in the UK, and obviously today there was an announcement out for one of the house builders. But the dynamics here are completely different. We would've modelled the business back five years ago on a ratio of maybe selling a private unit at 0.8 per week.

But I think that the difference we've really seen and it goes back to the point that one of the analysts asked earlier is how much government demand is there for the product? And we're running at a rate somewhere between 35% and 50% potentially into the future, particularly across the business. So, you've got a much greater demand per site. So, if you take that into account, you could say that our average site is now able to produce a hundred units a year comfortably because there's demand from across the board.

So, if you did a simple sum-up, the business needs to get 3000 units a year. You're averaging out at about a hundred units per site. So, that's 30 sites need to be operational. I think, the big change that we see going into the future on the land bank, and I suppose I've been clear about this, the four to five years. It probably is that lower end of the range at four years land bank. So, suburban at 2000 units is 8000 units, 8000 to 10,000 maybe at the maximum.

But it's really how we structure that land bank into the future. How much of it do we control in our own euro invested? And how much is option based or subject to planning commission. So, I suppose the real drive and we've been very clear about this is for us getting every dollar in the business working, every day is the efficiency we want to drive. So, the more land that we can have actively coming into the system is where we want to go.

And I think if you look at it, we've done very small examples of that. You look at some of the sites that came in late 2022, they were subjects of planning deals that we locked in maybe 12 or 18 months. That's the path we're on. And we think that can feed it. So, we are more consistent that where we are at the €460 million in land investment can further reduce. But we can still control the same amount of units required to grow the business into the future.

Jonathan Coubrough: Thanks very much. The next question is on partnerships, and whether you're seeing any further partnership opportunities beyond the current deals.

Stephen Garvey: The first two were critical to us. They were the two that we really wanted to land. We were looking at a third one. But we just said, we weren't going to do it for certain reasons because we wanted to concentrate on – we probably have the two biggest ones that were out there in the market at the moment. And they're geographically located for what we want to supply and where we're located as well.

I think, you will see further opportunities down the road here. I think, look, the estimations for housing is we need now a minimum of 40,000 units. The state does not have the infrastructure to deliver it themselves. So, as the Land Development Agency really gets up and running, I think that's what which will open up further opportunities. We are seeing one or two inbounds from local authorities that know what we're about, and know what we can do want to partner with us.

So, I think we'll have, but I think we're in a very happy place that we've enough of partnership land in the business till 2026-2027 at this moment in time. And we'll add to that as we go on over the coming years.

Jonathan Coubrough: Thanks. And are you able to give us any further detail at this stage on the economics of those two schemes in particular around what the gross margin might look like by tenure type? And just thinking about Oscar Traynor, that's been clearly going back to the [inaudible]. Is this a contracting margin or is it a bit higher than that?

Stephen Garvey: No. Yeah. No because Oscar Traynor originally was meant to be – it was a 30:20:50 split in how it was meant to be carved up. But it ended up that the private elements went to cost rental units and things like that. I think, we've always been crystal clear, and we're on the timelines as expected that it's a mid-teens, 15% plus gross margin. And I suppose, the real focus for us is the return ROCE is the main focus.

So, you're talking about a 35% plus return on capital employed. That's been the real focus in the business. Both assets, we've looked at them recently. They're in really good health, really good shape. And I suppose for us, we've got through the eight weeks of planning decision with the local authority and very much what we expected we got. So, we're very happy with that.

Jonathan Coubrough: Thanks very much. That's all from me.

Operator: Thank you. There are no further questions in queue. I will now hand it back to Jack Gorman for closing remarks. Thank you.

Jack Gorman: Great. Thank you very much to everyone for joining today. If you have any other queries or questions, please don't hesitate to follow up. And thanks, and good morning.

Operator: Thank you. Ladies and gentlemen, this concludes today's call. Thank you for your participation. Stay safe. You may now disconnect.

[END OF TRANSCRIPT]