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**Glenveagh Properties
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Presentation

Operator: Hello and welcome to the Glenveagh Properties PLC 2023 Full Year Results Conference. My name is George. I'll be your coordinator for today's event. Please note this conference is being recorded. And for the duration of the call, your lines will be in listen-only mode. However, you will have the opportunity to ask a question at the end of the presentation.

And 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'd now like to hand the call over to your host today, Mr Jack Gorman, Head of IR to begin this conference. Please go ahead, sir.

Jack Gorman: Thank you, George. And good morning to everyone on the call. My name is Jack Gorman and I'm head of IR and Corporate Affairs 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 2023 results statement that we released this morning.

I'm joined on the call this morning by our CEO, Stephen Garvey, and our CFO, Michael Rice. 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 would 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 welcome everyone to the call for Glenveagh's full-year results for 2023. I am pleased that we have achieved our objectives in 2023. And this sets us up very well to operate at scale in 2024 and beyond. Our business is performing efficiently. We are delivering at pace and at scale, the new homes that the Irish people badly need, homes that are sustainable, energy efficient, high quality, and competitively priced.

In 2024, we will see families, couples, and individuals move into over 2,700 new homes that we have delivered. This morning, we are going to focus on the front end of the deck up to slide 11. This will allow us to give you a clear picture of the most-important moving parts in the business and the environment that we operate in and give plenty of time to answer any questions you will have at the end.

I will begin on slide four of the presentation, focusing initially on where we started 2023 and the key objectives we had in place to set the business up for success in 2024 and beyond. The first was to grow our portfolio of planned sites. This was a key priority after a slow and often frustrating 2022 due to the hiatus in the planning environment.

In total, through the year, we have active planning on about half of our land bank, either for approvals or lodgements. We have seen a strong upturn in planning permissions as we progressed through 2023. We were granted permissions for approximately 4,600 units in the year. The vast majority of these are now available for development with only 400 still in post-grant appeals period.

This means that the group has planning permission for all of its expected deliveries in 2024 and a clear line of sight of 2025. We are also very active in lodging new planning applications. We lodged 2,900 units in 2023. And assuming that the remaining applications

proceed to plan, then 80% of our current land bank of over 13,000 units will be fully planned and available for development by the end of this year.

Moving on to slide five; here we focus on our second objective, which was to transform our manufacturing business. In June, we launched NUA, our innovative manufacturing arm of the business, bringing to fruition three years of investment and growth in our off-site manufacturing capabilities. This investment phase is now substantially complete.

And we have the capacity to deliver over 2,000 timber frame units from the three factories per year. NUA accelerates our capability to deliver high-quality, energy-efficient homes using modern methods of construction, or MMC. We will continue to innovate here. And we have multiple projects looking at how we can enhance the pre-manufactured value of our products and driving further operational efficiencies.

This manufacturing capability is increasingly beneficial to our standardised model as it embeds across the business. We have more than doubled our output of standardised housing units in 2023. And we will increase this again to approximately 75% of output this year and higher again in future years. The benefits of this business is already evident in our suburban margin expansion. And we will drive greater efficiencies as standardisation in our product and process comes to fruition over the coming years underpinning this work that we have done to enhance our internal operating systems that provide real-time centralised data on cost, quality, design and construction progress across all our active sites. This provides the team with a precise view of operations and is designed to enhance the best practice and key learnings as rolled out across the business in real time.

Moving on to slide six; here we will look at the third objective which was to advance our partnership projects. This truly was a milestone year for the business segment. Having begun the year with no planning in place, we secured planning on both sites during 2023, and then rapidly broke ground on both of these sites, two of which are the largest in the country in Ballymastone and Oscar Traynor Road. We are proving that public and private entities can work successfully together to deliver sustainable mixed-tenure developments.

We started construction on approximately 13 homes this year on these two sites and will deliver over 2,000 on both over the longer period, which will be A rated, high-quality, energy-efficient homes. We will also deliver significant benefits for the local communities as we build out these developments. State-of-the-art sporting and community facilities are being built as part of the broader investment in the Ballymastone Recreational Hub, while Oscar Traynor Road will include a range of communal facilities, including a community centre, a childcare facility, high-quality communal open spaces with a public park, play areas, cycle tracks, woodlands, allotments and landscaped areas available to the residents and the broader community.

From a broader Glenveagh perspective, we came in ahead of our target and delivered revenue and profits from this segment in the fourth quarter of last year. The experience of our Partnerships segment can be a template for future opportunities. We believe that similar partnership models can be the ideal mechanism through which the State can activate its own land bank, which is now the largest in the country.

Moving on to slide seven. On this slide we will illustrate how the government is activating its range of demand and supply side schemes to both complement the strong private market and

to accelerate housing supply over the coming years. There are key points that I would like to emphasise here.

Firstly, the scale and commitment of the government to support the housing market is very substantial across a range of market initiatives, both demand and supply as well as encouraging progress that has been made from the policy and system perspective. Alongside the commitment of over £20 billion between the periods of 2022-2026 in the Housing for All programme, the country is running a significant budget surplus and is forecast to continue to do so.

This means there is considerable increased firepower available to match the political commitment demonstrated of late. And we have already seen evidence of some of this increased funding provided to the likes of the Land Development Agency. The initiatives have included measures to underpin affordability for home buyers, in particular the Help to Buy in the First Home Scheme.

Approximately 45,000 applications have now been approved by Help to Buy. And there is a further 3,000 approvals in the First Home Scheme, which is only 18 months in operation. From a supply perspective, I would highlight the waiver on development contributions that was put in place in April of last year that will be up for a 12-month period.

This has helped the industry to mitigate against ongoing inflationary environment. And we believe also that it has accelerated the commencement levels that we have seen progress throughout the year. We have made significant progress in what has been an improving planning environment in 2023, increasing confidence in unit delivery in 2024 and beyond.

Additional resourcing is being provided to An Bord Pleanála and the efficiency of its application processing is improving. The LRD process is functioning well to date with several successful grants already received within or ahead of guided timelines. Compact growth guidelines have been published. And we are very much aligned to these measures that will be successful for our business into the future.

While the Planning Bill and the National Planning Framework reviews are now also under review, we look forward to seeing the outcome of these over the coming months. Putting it all together, it is evident that due to its significant land banks and substantial funding capability, the State will play a crucial role in addressing Ireland's housing shortage. We strongly believe there is a compelling opportunity to combine the best of government and industry resources to help meet the housing supply shortfall across all tenures. And Glenveagh is also playing its part. We delivered approximately 700 units for social cost and affordable purchase homes in 2023.

We are transacting with approved housing bodies to supply increasing numbers of units through this year and next. We are engaging closely with the Land Development Agency on projects that can potentially activate our urban portfolio with additional opportunities over time possible to partner on their State lands.

We now have our first project approved under the Croí Cónaithe or City Living Scheme. All of this makes sense to us from a broader business diversification perspective. But it is also worth remembering that the private market demand is also very strong, underpinned by a

buoyant economic backdrop and a structural undersupply that has been in place now for many years.

Moving on to slide eight; here I will take a closer look at the performance of the three business segments, starting with Suburban. The demand backdrop remains very positive here, driven by a combination of continued strong demand alongside well-received, well-structured government initiatives that we have already discussed.

We closed 1,328 units, which was expected and was in line with our outturn in 2022. We have increased our margins significantly, year-over-year, to 20.2%. Looking into 2024, we have planning for all expected deliveries. And we reiterate that we continue to provide a very attractive product offering to the deepest segments of the market at an affordable price with approximately 80% of our suburban product priced at €400,000 or less, and approximately 80% within the First Home Scheme's caps.

All of this is underpinned by sustainable operational excellence right across our whole network of 20 active sites alongside our increasing emphasis on standardising our product and embedding sustainability into how we run our business.

Moving on to our Urban business, we have made good progress here, completing two contracted projects in Marina Village and the Premier Inn in Dublin Docklands, with all remaining contracted projects at Cluain Mhuire, Citywest, and Castleknock anticipated to complete in this year.

These projects comprise of approximately 650 units. And we will recognise the remaining revenue of approximately €80 million over the year. We will also see a lot of potential for us to activate much of our remaining urban portfolio that represents approximately 14% of our overall land investment. Already in November 2023, we were pre-approved under the Croí Cónaithe Cities Scheme to develop 270 owner-occupier apartments for sale on the open market in Blackrock and Cork.

Development begins this year with first revenue expected in 2026. And also potentially through partnership with the Land Development Agency and its strategy to accelerate housing supply with additional funding, this may extend over time to working with the agency, not just on our own land, but also on the State lands as well.

We have already talked a lot about progress and partnerships. But just to reiterate that we expect to deliver over a €100 million worth of revenue in the two sites in 2024 with an anticipated gross margin of approximately 15%. In summary, the business is performing well, scaling exponentially, and delivering homes in locations and typologies and at affordability ranges that are badly needed. With that, I'll pass you over to Michael to review the financials.

Michael Rice: Thanks, Stephen. And good morning, everyone. Just one main slide for me today, slide nine. So we'll kick off there. Overall, the group had total revenue of €608 million for the year. And nicely for the first time all three segments delivered revenues as Stephen has touched on. So if we break them down, we have €471 million in our Suburban business, which predominantly relates to our delivery units of 1,328.

The Suburban revenue was up modestly about 4% compared to 2022, reflecting the continued growth in that part of the business. Looking at Urban, we had a €120 million of

revenue. And as Stephen has alluded to, that includes the completion of our forward fund on the Premier Inn Hotel and our apartment development in Marina Village along with the continuation of the development phase of our apartment schemes in Citywest and Castleknock.

I suppose it's worth touching on Urban revenue has decreased by €70 million year on year. And this was nearly solely due to the East Road land sale of €63 million in the prior year comparative. Overall, in the Partnerships business, we generated €17 million of revenue. This is the first time the segment has contributed revenue and is reflective of the significant progress made in Partnerships during the year that Stephen has touched on.

Even though, we're at early stages of construction on both sites and haven't delivered any units yet, we're able to recognise revenue and profits as these sites are recognised as a percentage of stage of completion basis recognition methodology. And you'll see that continue as we go through the years and go through the various different partnership schemes.

For me, one of the main highlights for the business in 2023 was the significant margin improvement in the Suburban business with a gross margin of 20.2% compared to 18.4% in the prior year, and an underlying Suburban housing margin of 19.3%, which has improved from the 18.4% in 2022, so nice margin progression year on year.

Overall, we increased our gross profit by close to €5 million or 4%. The business has benefited from a number of operational improvements, including increased product standardisation, our pricing power in the market and the early signs of the cost benefits from our manufacturing capabilities. We would expect further progression in the underlying suburban margin in 2024 as we deliver a higher percentage of our product from the standardised house types and our manufacturing facilities.

This positive profitability performance somewhat continues to the operating profit line at €71 million. But our profit before tax has decreased by €8 million, pretty much due to the increased finance costs of €16 million for the year, the main impact being the increased ECB rates, but also a higher level of average debt during the year to support the growth of the business. Overall, we delivered an improved earnings per share of €0.08, an increase of 5% from €0.076 in 2022. And this was at the higher end of the range we provided as guidance.

Looking at the second line on slide 9, really looking at the balance sheet and cash flow highlights. The business has again made significant progress in the reduction of our land portfolio with a yearend balance of just under €404 million, down from €455 million in the prior year. We believe that further reductions can be made in our land with the carrying value reducing below €400 million in 2024. To facilitate the significant growth trajectory in 2024, we invest in Work in Progress with an overall yearend balance of €275 million, an increase of nearly €50 million.

Just to give you a bit of context on that, the increase is primarily attributed to two sites in particular, the Docklands Office Development and our Apartment Scheme in Cluain Mhuire, which we have forward sold and will complete and close in 2024. Combined, these two assets have approximately €70 million of Work in Progress at yearend, an increase of €40 million year on year for those two assets. So it makes a lot of sense that we would be up nearly €50 million in WIP at yearend.

Consistent with our investment in Work in Progress, we have an increased net debt position at yearend of just under €50 million, up from about €14 million in the prior year. I think this is still a prudently-managed debt level in the context of the overall scale of the business we now have, the investments that we made in the year of 2023, and obviously the opportunities available to the business going forward in 2024.

If we just move over to slide number 10, and I won't dwell on it. But we've included, I suppose, a one-stop shop for our key financial numbers and in particular our guidance for 2024, which is in line with what we've been saying in various announcements, forums and analyst notes that have been published over the last while.

So hopefully that's a handy slide for you guys to refer to. Listen, finally, just thanks everyone for joining this morning and look forward to speaking with you over the coming weeks. And I'll pass it back to Stephen for his concluding remarks.

Stephen Garvey: Thank you, Michael. So bringing it all together on slide 11. The long-term demand outlook is very positive with a resilient domestic economy coupled with a fast-growing population and reinforced by supportive State initiatives. We have proven operation capability and established an expertise in Partnership and Urban development models, which mean that we are ideally positioned to grow as a scale operator.

We are working actively with multiple State agencies that the government is using to stimulate and accelerate housing supply. We will direct resources and investment as appropriate as these partnering opportunities materialise. For 2024, as Michael has outlined, we anticipate strong revenue and profit growth across the three business segments.

This is underpinned by a healthy land portfolio and a forward order book, continued planning momentum, and strong operational and manufacturing capability. Our focus remains on enhancing the capital efficiencies of the business and increasing cash generation. Once our capital allocation priorities are satisfied, we are committed to returning any excess cash to shareholders.

With a stronger forward order book, operational momentum and continued progress in the manufacturing, this all means we have increased confidence with our current consensus of EPS expectations for 2024 of approximately €0.17. Finally, and before I open the line for any questions, I would like to take this opportunity to thank the entire Glenveagh team and all our industry partners for their hard work and commitment. Together, we are driving towards the achievement of our vision that everyone should have the opportunity to access great value, high-quality homes in flourishing communities across Ireland. With that, I'll pass it over for any questions you may have. Thank you.

Questions and Answers

Operator: Thank you very much, Mr Garvey. Ladies and gentlemen, as a reminder, if you have any questions, please press star one on your keyboard keypad. Please make sure your mute function is not activated to allow your signal to reach our equipment. Our very first question today is coming from Colin Sheridan calling from Davy. Please go ahead. Your line is open.

Colin Sheridan (Davy): Yes, thank you. And good morning, guys. Thanks for the presentation. Just a few from me, if I can. And first one's just on the order book. It's obviously picked up materially, particularly from the suburban side since the start of the year. I wonder if you could point to any particular bright spots within that specific regions or sites or price points that have really, really outperformed to generate so many reservations in the early part of the year.

The second one then, and just digging into the margin trends and your guidance for those, and it's more on the Suburban side, really, because the margin guidance on the Urban and Partnerships is pretty clear. How should we think about the moving parts on Suburban? You've obviously said that you're expecting it to increase. When I think about the components of that, should we think about inflation on both house price and build cost inflation, maybe offsetting each other in this year versus last year and then the benefits from, say, vertical integration and development levy being a benefit on top of that as the year goes on or is there some other way to frame that?

And finally then, just on the land market, obviously, you've done quite a number of deals in 2023. But with the volume stepping up materially in 2024, I suppose, have you seen the requisite or the required increase in liquidity in the land markets to be replenishing that land bank over the course of 2024? And if so, how are you feeling about the economics that that land is trading for right now? Thanks.

Stephen Garvey: Thanks, Colin. Okay, [inaudible] but anyway. Just on the order book, firstly, yes. We've seen really strong momentum since the start of the year. It's on multiple fronts. It's on multiple sites probably, and you might have seen, there's a couple of quotes in the paper recently about the agency comments to about particularly new schemes that have just launched.

And we've won big development in Hollystown[?] called Kilmartin Grove. And it's one of the most rapidly-selling developments of the year. So we've seen a huge success there, really, really, really strong demand. But we're seeing that across all our developments. At this moment in time, we're seeing good engagement from first-time buyers, particularly where interest rates are. I think buyers are now feeling a lot more comfortable that we're at the end of the rate cycle and the tailwinds might be with them that it's likely that you could see interest rates decrease; maybe not as quickly as people would expect, but certainly, people would feel that we're at the end of the increases and the likelihood is it's a downward trajectory here.

So people are certainly feeling a lot more positive. I think there's benefits out there from the First Home Scheme that's been really embedded into the system. I think the government are doing a lot of work on promoting that. And that's getting a lot of traction as well with consumers out there. And so really strong on the private demand across all locations, I would have to say. Obviously, some are outperforming a little bit more aggressive than others.

And then on the State side, obviously, the State are very much committed to delivering their working capital this year, putting it into the system. So there's a strong demand out there from approved housing bodies, from local authorities. We're seeing them work hand in hand.

They're looking for cost rental products. They're looking for turnkeys. They're looking for affordable purchase. So that demand is really strong out there as well. On the margin

progression and where we think things are, I suppose that we've had a really good year in 2023. I think, as we said, about 75% of the product is going to come through standardisation. It's going to come through the manufacturing side of the business as well. So we see our controlling cost is really key for us, particularly where we're delivering on our large schemes and sites of big scale. So we'd be positive towards the margin projection on our Suburban development. Early in the year to call exactly how that will look, but certainly on the positive side, we would feel at this moment in time.

Absolutely, development levies, I suppose development levies have been an initiative by the government to stimulate more growth, particularly where schemes were probably challenged [inaudible]; but obviously, that's petering down right across the entire business. So that's a positive. We look to see what the government might do in that in come April to see what they might extend that.

Generally, in the land market, yes, we're delivering a lot of units this year. We'll monetise a lot of our land bank. And we are seeing good opportunities out there. There's two big things that are at play, obviously, the National Planning Framework is now under review. The likelihood is those targets from 33,000 are going to increase to 50,000.

The key is where is those 50,000 locations. We've identified a number of locations that we want to get ourselves into and get operations moving there. So we feel that we're going to be able to replace our land, but more importantly, where we want to replace it and how we want to replace it. There may be an element where we can team up with the State where we have the adjoining site, various locations, where they have sites and we can team up with them. So we're looking at those opportunities. As I've outlined, the State are now the biggest landowner with probably about a 150,000 plots of land. So that is a huge opportunity. And obviously, they have the capacity and the capability to deliver that on a funding site. So we think we could work well there with them so very positive on that.

I suppose on the Suburban side, we would feel that 20% plus give-or-take margin surplus would be achievable. But more importantly, and I suppose this would be the key for us, is it wouldn't be dictated by margin. It would be more the return on capital employed would be a key driver for us. How quick could we turn those sites, particularly sites of scale, that would be a key dynamic.

We certainly see favourable terms to buy sites where we can do more deals subject to planning, but obviously, we're going to be opportunistic as well where we might take down a big opportunity as well. That might be at a really good price for us. Is that all right?

Colin Sheridan: Thanks for that. Yes.

Operator: Thank you very much, sir. We'll now move to Mr Shane Carberry of Goodbody. Please go ahead. Your line is open.

Shane Carberry (Goodbody): Yes, thanks very much. And thanks, Stephen and Michael for the presentation. Three from me, if I may. Firstly, just on the partnership side of things. I guess, now that you're really living and breathing in terms of actually seeing the revenues start to come through the business, has it changed anything in terms of how you're thinking about the returns profile of the business? Has it changed anything in terms of how you think

about, how many potential deals that you could be juggling with that division over medium term as well? It would be helpful to know.

Secondly, just in terms of compact growth, I know this is, yeah, a real area of interest at the beginning of the year. Like I'd be really interested to just get a bit more colour here in just how much of a difference you think that that could make, Stephen.

And then thirdly, I guess, it's just in terms of the Urban side of the division. And obviously, look, you've mentioned that €80 million of the guided €175 million is in the bag, so to speak, in terms of the deal's already closed. What more do we need to see over the coming months? How many deals is it that we need to get to that €170 million? Or just, I suppose, helping us bridge the gap between the €80 million and €170 million would be really helpful.

Stephen Garvey: I suppose just on, and I'll go from last to first. The Urban side, obviously, we've called it schemes we already have. It's no State secret the other ones we have, which is the Cork Docklands in Cork, obviously, Brownsburg and Citywest. And probably the likelihood, those two projects, one would maybe go with an approved housing body and one might go with the LDA. Probably the likelihood is somewhere around the middle of the year is when we'd expect them to transact. We've already received our scoring on the LDA site. And they've been quite positive. So we're really happy where that is. And obviously, the LDA now have designed a mechanism or they've created a platform where they've brought the developers through public procurement or they bring them through the public procurement process.

Once you qualify through all that, it basically becomes a contract within a quite short period of time. So we'd expect that the LDA because of the system and the process they've set up would be actually able to move quite swiftly. And I suppose that's where we're looking towards the half-year target for the likes of a Cork Docklands.

And also, I suppose key is that the Land Development Agency have changed the trajectory where it was forward committed. It's now going to be a forward fund. And I suppose that's real advantageous for us because it's using the State's capital and obviously reduces the quantum of width that we'll need to put into that. So that's a real positive.

On the compact growth, yes, finally the government published the guidelines in January of this year. Probably two years we've been working on this. We came up with the initial concept. Other people lobbied in the industry as well. I have to say it's quite positive. They got them right. They did a really good job. And I suppose the gamechanger, Shane, is that where you had to do developments of 40 to 50 unit density per hectare, you had to do that. You had to probably put somewhere between 30-45% of that development would have to be duplexes or apartments. And the challenge in those locations is those apartments were limited in their viability and their cost.

It has probably transferred that now into everything will be own-door product. So you'll have a range of product from one bed all the way up to a four bed, but all of it will be own door. The two big changes, it's obviously more capital efficient, cheaper to deliver, and the timelines to deliver that will be greatly improved. So again, it should help improve the return on capital on those sites as well. But obviously as well as margin progress, we should see it on the positive side.

On the question of the Partnerships, obviously, this has been a long road. As you said, we're finally living it. They're day-to-day sites, which is a great achievement last year. As I've outlined, the State are now the biggest landowners. They have a 150,000 plots. They have a 150,000 plots in really good locations. They're not small sites. You're talking about sites ranging from 500 units up to 2,500 units. So we see it as a huge opportunity. I suppose the long-term vision of the business we'd like to be dealing with, we have two active. We think we'd be capable of dealing with six to eight sites over the long term. Obviously, you'll have them in different phases. We just need to see how that progresses. But I certainly see the trajectory in the right mode. The Land Development Agency has been set up. It's been a slow burner. It's now really moving on the front foot. So I think there is huge opportunities on that front.

Shane Carberry: That's really helpful. Thanks, Stephen. And sorry, just one follow up on the latter point. When you talk about the six to eight, it's similar phasing/volume delivery as Oscar Traynor and Ballymastone, i.e., circa 200 per year volume?

Stephen Garvey: Yes, absolutely. Yeah, you'd be doing a minimum of 200 to 300 units in those developments. And you'd be doing a mix of range. And the real good thing about dealing with the State is if you have to do apartments on those sites, the good thing is the State will work with you to take out the apartments. So I suppose that's the real opportunity. There are sites of scale that you could be really delivering.

Shane Carberry: Got you, understood. That's really helpful. Thanks, guys.

Operator: Thank you very much, Mr Carberry. We'll now move to Johnny Coubrough of Numis. Please go ahead. Your line is open.

Jonathan Coubrough (Numis): Good morning. Thanks for taking my question. Can I ask firstly what the conversations with the LGA look like? And will you be able to give some context on how the funding arrangements can be structured; and, the broad split, the capital invested between yourself and the State partner on the site?

Stephen Garvey: I suppose, Johnny, I can only go what's out there in the public. It's quite a transparent process. It's an open tender that's on eTenders. They've called all the developers and the contractors to come up and to put your land assets up and then your capabilities. The way they're going to move the model is they're doing a scoring system.

So 10% of it will be for concentration risk. So they don't want a development that's sitting on a development that they're already active on. Sorry, 10% is actually for your readiness to start on site. 30% will be for concentration, and then 60% will be for your pricing. So that's how it's been worked. The platform is very simple in that the State will take control of the site, and then it will fund you for the work in progress. It's probably very, very similar to the forward funds that we would do at institutions. That's the concept of it. And the critical thing for the State is that they can activate particularly large schemes where 400,500, 600 units plus activate them quite quickly. That's the key.

The dynamics are the same. Obviously, the State doesn't require a return on its capital. That will be negotiated up front. So it's likely your margin will be locked in on day one. And you have to control the cost of the development agreement.

Jonathan Coubrough: That's really helpful. Thank you. And just to follow up there, I think you alluded to it in terms of the margin being fixed. But you mentioned that in Partnerships that you're recording revenues and profits on a stage-of-completion basis. So is there any average within that if costs deviate from plan?

Michael Rice: No, the margin guidance that we've given on Partnerships, we've included likely inflation. We've included all our costs. So we're very comfortable at the 15%. And I suppose given our scale, given our manufacturing, it's well within our grasp to control our costs. So very comfortable on the 15%.

Jonathan Coubrough: Got it. Thanks. And so if you move from the two schemes in Partnerships, the six to eight, would it be a gross margin broadly similar to the current –

Michael Rice: Yeah, yeah, exactly. Our expectation is the risk profile etc., will be very similar. As Stephen said, the capital structure will be somewhat similar. So yeah, 15% will continue to be our Partnership guidance.

Jonathan Coubrough: Thanks. And last one from me. I think you mentioned that, Stephen, that you can unlock larger schemes here. Does this change your land strategy? Would you look to go back into the land market within the Urban portfolio and acquire sites of a bigger size there?

Stephen Garvey: I think for 2023, we were quite active. I think, we spent €38 million on about 15 give-or-take 1,500 units. The way we're structuring our deals, obviously an element of our sites are now subject to planning permission or we're paying them on a phased basis. Not every agreement is like that. On the urban site, we haven't been active on acquiring sites.

I think the only way we would look at an urban site at this moment in time is maybe where we would do it back to back. So maybe an institution are interested in the product would buy it subject to planning. We're keeping it under review. Probably where we see the balance to be struck is suburban is suburban. It's a really good business and it's humming along. And we see good progression on that. Probably the Partnerships and the Urban evolve over time that they start to amalgamate because if you look at some of our partnership deals at the moment, they have a large urban element to it. The only thing is we're de-risked on that urban site.

So that's the positive. So we're delivering over a 1,000 apartments across the business at this moment in time. We probably see ourselves getting to 1,200, 1,500-unit apartments, but that's probably in the mix more towards the Partnership side where we're doing it on State land. We've no real land cost there. And we're guaranteed to take a partner. Obviously, we'd be very opportunistic. We're watching the markets very closely. If yields start to compress, if debt costs start to reduce and PRS institutional investors come back in, we know where the opportunities are and we can transact quickly and deliver scale.

And I suppose, we're consistently having conversations with the institutions we've done business with throughout the last number of years. They're very interested in coming back into the market. But the sense is 2023 was a year of survival. 2024 is to see how things pan out and maybe come back into the market in 2025 and see what opportunities are out there.

And look, we're someone that have proven we're capable of delivering it. And we can do that again.

Jonathan Coubrough: That's really helpful. Thanks, Stephen and Michael.

Operator: Thank you very much, sir. Ladies and gentlemen, as a reminder, if you have any questions or follow-up questions, please press star one at this time. We'll now move to Sam Cullen calling from Peel Hunt. Please go ahead.

Sam Cullen (Peel Hunt): Hi. Morning, gents. I've just got a couple there. I think, they're really clarifications more than anything else. The first one is on your ability to scale partnerships. If you did move to six to eight sites over the medium term, would you need to see much investment internally within the business to deal with that step-up or is that operational gearing within the business in terms of the management bandwidth capacity?

Stephen Garvey: Yeah. No, I think that the longest part of the stride about partnerships was proving we were capable of doing it. It was a long process to get here. We finally got to fruition. I think, look, the key things you need in partnerships is, first of all, you have to be a counterparty that can be worked with.

I think we've proven that. You have to have the capability of doing big master planning. You have to have the capability of getting planning. And then you have to have the skillset to deliver it. I suppose the real string in our bow at this moment in time is all partnership deals are going to have to move to modern methods of construction. And, obviously, as being the biggest timber frame supplier in the country, that opens up huge opportunity as well as having our light-gauge steel operation as well. So we can use modern methods of construction. We can do it more sustainably. And that's the key for winning them.

So from an operations perspective, we're already now at scale. It's just simply picking the opportunities that we want to work on. And, obviously, work with either the counterparty which can be the Land Development Agency or the counterparty could be the local authorities.

Sam Cullen: Okay, great. And the second one is on that standardisation point, I guess. I think did you say that you'll get up to 75% this year in terms of standard product. I'm just interested to hear your thoughts on the delta in margin or cost saving between non-standard and standard product. And where that 75% gets to, is that a maximum level it will get to because there will always be variations, or can it go through the 80s into the 90%?

Stephen Garvey: Yeah. Ideally, look, you'd want to be striving to get as close as possible to 100%. You're probably never going to get there. It's an element of you'll inherit something that you'll probably have to build out. But the majority of the product over the longer term or the medium term is get the majority of everything to standardisation.

I suppose the real benefits we're seeing in standardisation is the scale and the speed we're able to deliver at. And inevitably that should find efficiencies down the line. The real efficiencies, I suppose, are going to be on two fronts. You'll have margin progression or you'll be able to control costs better.

And the second will be on a central basis that should help control costs as well because if you're doing the same repetitive thing on a consistent basis, you get better and better at it. So if we control our central costs as well, so we see that on a multiple of fronts. I suppose,

it's taking a point – it has taken a good period of time to get here. The planning system frustrated us for a long time. That's now working really well. And I suppose we see that as probably really feeding into the business in 2024, 2025, 2026. But I see positive momentum on the two fronts in margin.

Sam Cullen: Okay, great. Thank you.

Operator: Thank you very much, sir. We'll now go to Colin Sheridan of Davy, who has a follow-up question. Please go ahead.

Sam Cullen: Thanks. Sorry, guys. Just one follow up from me if I can. It's on potential shareholder returns and surplus capital. From your guidance, it certainly looks like there is likely to be surplus capital by the end of the year and therefore maybe the scope for shareholder returns.

I just wonder with your having a history of maybe undertaking large buybacks and shareholder returns off the back of individual events like large sales, I guess, historically. Are there any large cash flow events that we could potentially see as catalysts over the course of the rest of the year that could give us an idea as to maybe the timing of shareholder returns at some point in 2024?

Stephen Garvey: Yeah, I think that we've always been crystal clear in our capital allocation policy. Priority obviously is land, Work in Progress, manufacturing. I think manufacturing has definitely been substantially complete. It needs minimal investment from here on out. I suppose the big thing is for the start of the year is obviously we've got a lot under construction. We've moved into the two partnership schemes. The funding model is now just coming to fruition. It will be likely boxed off towards the middle of the year. I suppose the other big events that we're calling out, and you're looking for the big events, Colin, is obviously the urban transaction that will potentially come in the middle of the year as well.

As we said, we want to see how these evolve. The critical thing at this moment in time for us is getting the business now fully operational and getting it really humming. We're there. We just need to let it run another little bit of time and having the capital to do that. I think as you see the year evolve probably in the middle of the year, if we start taking down these transactions, I think maybe into the second half of the year, we can have a discussion on that.

Colin Sheridan: Great. Thanks, guys.

Operator: Thank you very much, Mr Sheridan. As we do not appear to have any further questions at this time, I'm going to turn the call back over to Mr Gorman for an additional or closing remarks. Thank you.

Jack Gorman: Thanks, George. Thank you, everyone for joining us this morning. As always, we're available for any follow-up calls and queries that you might have. And we look forward to meeting with many of you on our roadshow over the coming weeks. So, thank you, and good morning.

Operator: Thank you very much. That will conclude today's conference. Thank you very much for your attendance. You may now disconnect. Have a good day and goodbye.

[END OF TRANSCRIPT]