



# Results presentation 14 months ended 31 October 2019

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28 January 2020

  
McCarthy & Stone

# Agenda

Chairman's introduction

*Paul Lester, Chairman*

Summary, current trading & strategy progress

*John Tonkiss, CEO*

Financial performance & guidance

*Rowan Baker, CFO*

Strategy – operational update

*Mike Lloyd, COO, Services & Customers  
Nigel Turner, COO, Build*

Summary & outlook

*John Tonkiss, CEO*

- **A solid performance in line with market expectations** in the face of continued challenging economic backdrop (FY19 14 month period)



Legal Completions<sup>1</sup>



ASP<sup>2</sup>



Underlying  
Operating Profit<sup>3</sup>



Net Cash<sup>4</sup>



Dividend  
per share

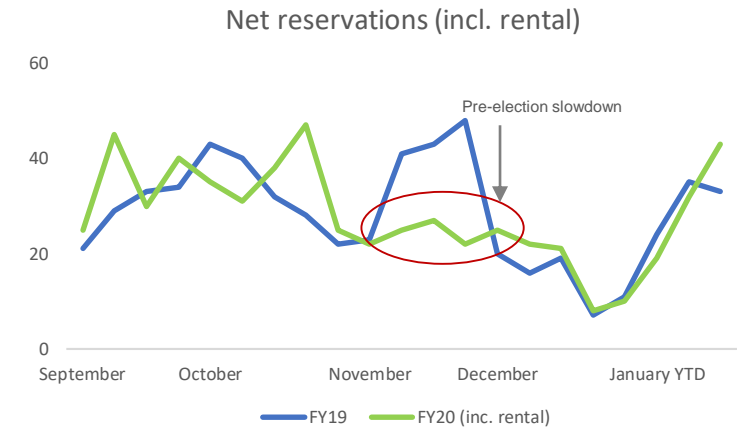


- **Significant progress in both stages of transformation strategy** launched in September 2018
  - Stage 1: Margin improvement and cash generation initiatives well underway and delivering results
  - Stage 2: Solid progress on rollout of rental
- **Increased political stability** following General Election, **but ongoing economic** uncertainty likely to continue throughout FY20
- Full year out-turn remains **in line with market expectations**, weighted towards H2

1. Including a bulk sale of 113 units (2018: 68 units). The FY19 transaction is a sale and lease back of sales offices and show flats to Waverstone LLP, where McCarthy & Stone is a non-controlling member.  
2. Average selling price is calculated as average list price less cash discounts, part-exchange top-ups and stamp duty land tax payment (2019 only due to IFRS 15 changes)

3. Underlying operating profit is calculated by adding amortisation of brand and exceptional items to operating profit  
4. Calculated as cash and cash equivalents less total borrowings

- New sales leads and visitors ahead of prior year driven by increased marketing activity
- Reservations during November and December impacted by uncertainty caused by General Election – H1 out-turn expected to be lower than in prior year
- Conversion assisted by broader range of available sales tools (e.g. part-exchange and new rental offering)
- Improvement seen across all metrics in January
- Rental reservations c.12 per week in January



**Full year out-turn remains in line with market expectations, weighted towards H2**

# Two stage transformation strategy

## Stage 1:

Optimisation (FY19-FY21)

## Stage 2:

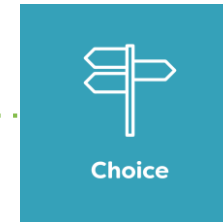
Strategic Opportunities (FY19-FY23)



**Services & Customers**  
Mike Lloyd, COO

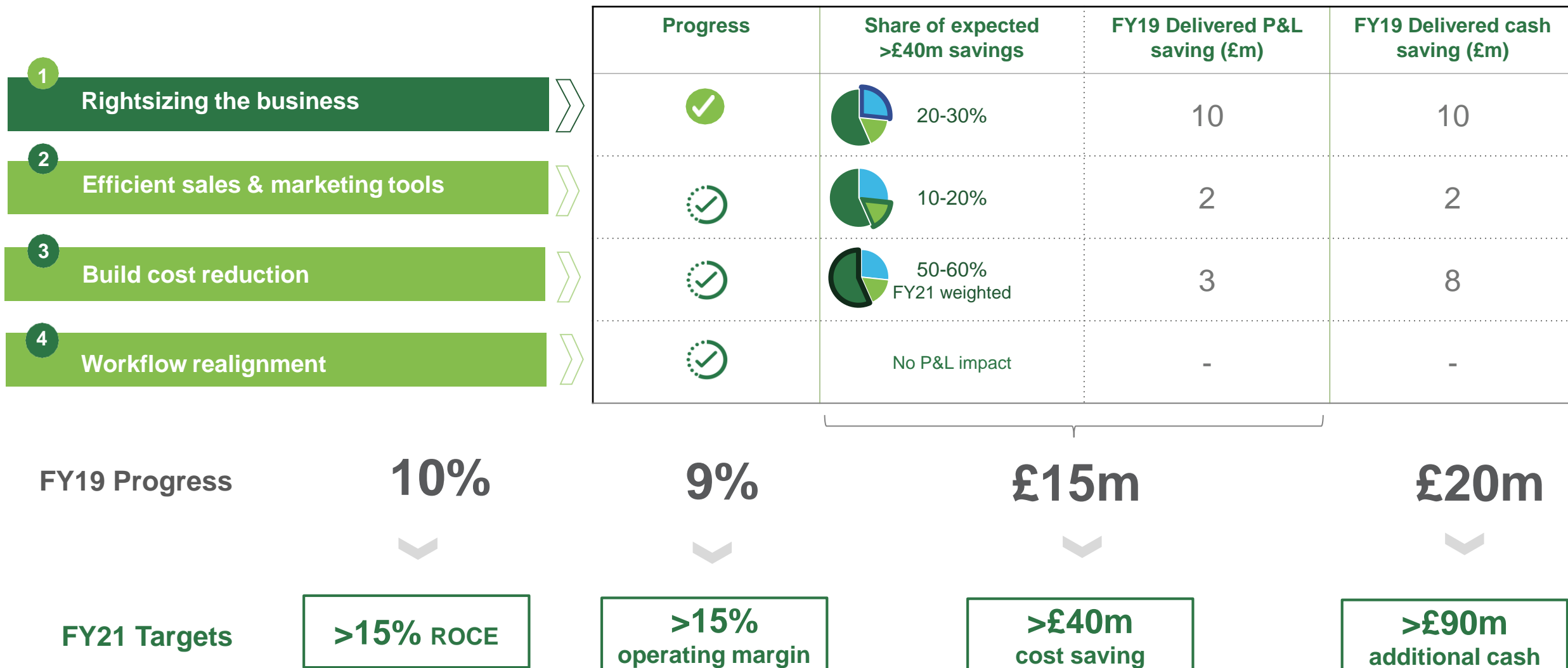


**Build**  
Nigel Turner, COO



Transforming the business from a housebuilder to a developer, manager and owner of retirement communities

# Stage 1: Optimisation (FY19-FY21) – Good progress towards FY21 targets



### 3 Build cost reduction efficiencies (BCR): FY19 progress

#### Savings breakdown

124 schemes reviewed | Saving identified at 101 schemes

✓ **Design efficiency reviews** of FY19 and FY20 sites for margin improvement  
New schemes more design compliant **£33m**

✓ **Value engineering** - prelim standardisation and optimising of technical specs **£7m**

✓ **Competitive tendering** of sub-contract packages **£8m**

**Total identified BCR saving** **£48m**  
(equivalent to c.£10k per unit)

✓ **Work in progress**

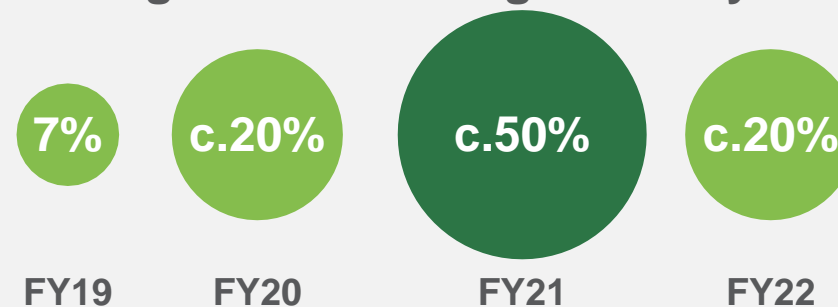
#### £48m BCR savings delivery stages

**£7m** Secured on FY19 first occupations

**£16m** Approved construction budgets for sites in build

**£25m** Subject to planning

#### Phasing of £48m savings delivery to P&L



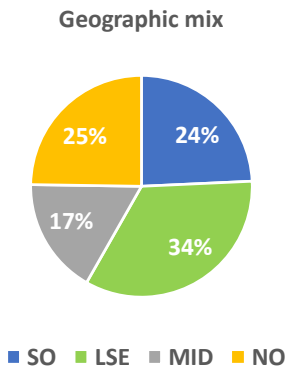
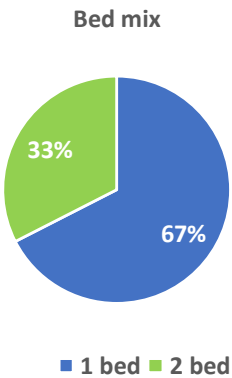
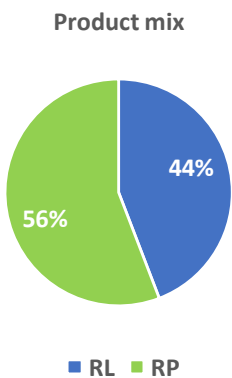
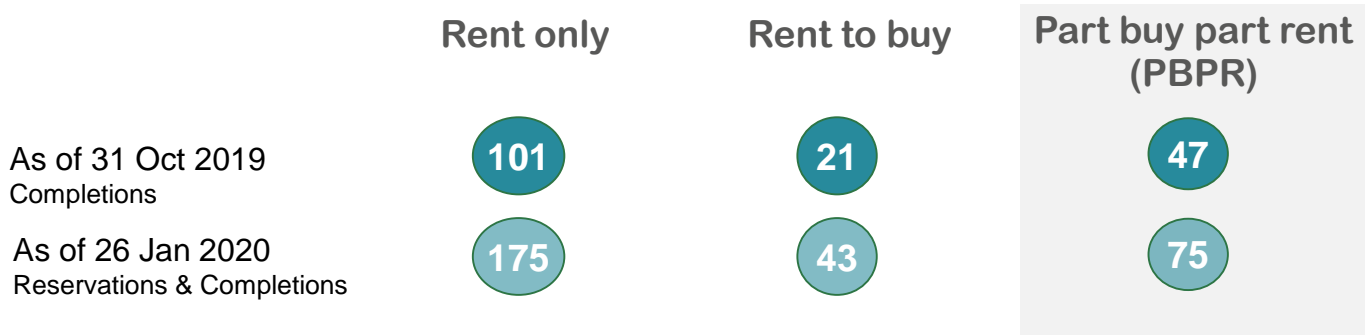
FY19-FY21: Original land purchased and designed using old hurdle rates  
FY22: New land purchased at a higher hurdle rates (c.3%)



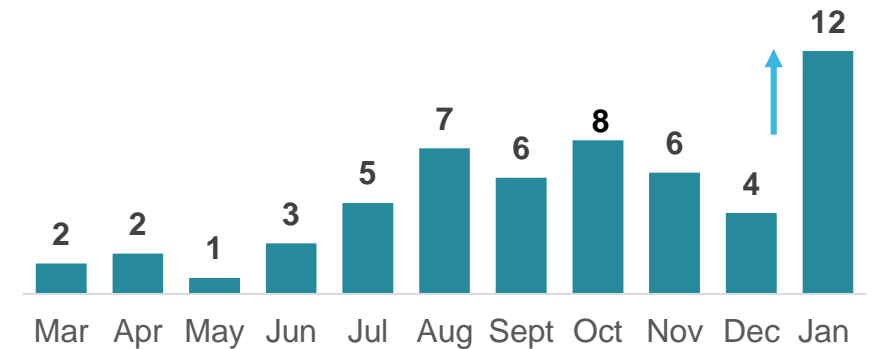
# Choice: rental performance



- Performed ahead of expectations and now live across all developments
- New multi-tenure team in place
- Increased proportion of c.2,100 target volumes expected to come from rental offering during FY20



## Rental Reservations p/week



## Rental yields

Gross yields	c.6-8%
Gross/net leakage (excluding void)	15-20%

## Average rental price (excl. service charge and ground rent)

Retirement Living		Retirement Living PLUS	
One-bed	£1,112	One-bed	£1,805
Two-bed	£1,686	Two-bed	£2,639

Strong rental performance delivering attractive yields



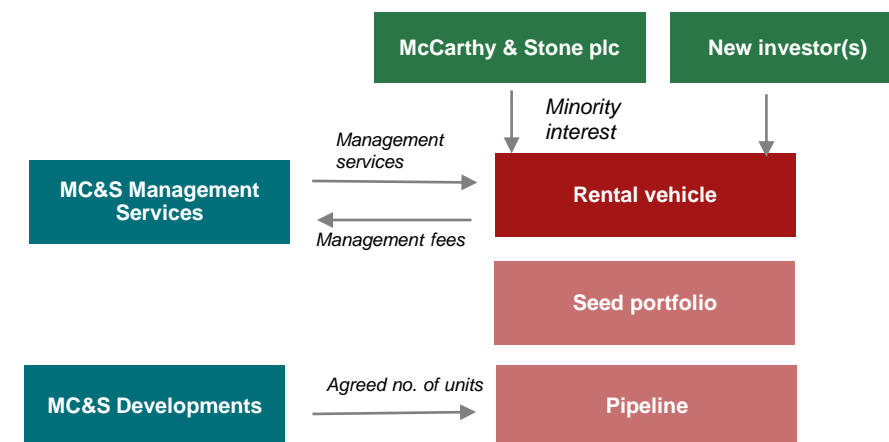
# Choice: rental investment case



Choice

- Workstream well progressed with Rothschild & Co to secure high-quality third party capital partners to co-invest in rental proposition
  - Clear path to grow to c.£300m portfolio over next 3 years
  - Initial proposals received from high-quality funding partners with commercial negotiations ongoing
- Multi-tenure offering driven by customer choice to rent or buy
  - all developments managed and operated by McCarthy & Stone Management Services
  - low occupancy churn
  - potential 'best in class' gross to net leakage
  - highly attractive yields on RLP, driven by acute shortage of suitable independent living accommodation with care and support
- Private pay care sector is +£7.7bn market in the UK, with customers paying c.£44k p.a. for care provision<sup>1</sup>
- Strong pipeline with potential to develop into full Build To Rent strategy

## Potential Fund / JV structure



Initial release of cash through seed portfolio sale followed by tranche sales at pre-agreed pricing

**Resulting in a more resilient business model with longer term enhanced ROCE benefit**



**Rowan Baker, CFO**

**Financial performance**  
14 months to 31 October 2019

**FY20 guidance**

# Headline FY19 results (14 month period)

Key financial metrics	FY19 (14 months)	FY18 (12 months)	14 months change
Legal completions	2,301	2,134	8%
Average selling price <sup>1</sup>	£308k	£300k	3%
Revenue	£725.0m	£671.6m	8%
Gross profit	£104.9m	£104.6m	0%
Gross profit margin	14.5%	15.6%	(1.1)ppt
Underlying operating profit margin <sup>2</sup>	9.4%	10.1%	(0.7)ppt
Underlying operating profit <sup>2</sup>	£68.1m	£67.5m	1%
Underlying profit before tax <sup>2</sup>	£63.1m	£62.1m	2%
Statutory profit before tax	£43.4m	£58.1m	(25%)
Underlying basic earnings per share <sup>2</sup>	9.5p	9.2p	0.3p

- Strong volumes and ASPs
- Margins mainly impacted by increased PX used to counteract challenging market conditions
- Statutory PBT shown after exceptional costs of £17m (FY18: £2m) to deliver new strategy:
  - restructuring, redundancy and consultancy fees
  - realignment of land bank to deliver steady state volumes
  - £11m cash impact in FY19

1. Average selling price is calculated as average list price less cash discounts, part-exchange top-ups and stamp duty land tax payments (2019 only due to IFRS 15 changes)

2. Underlying operating profit (including underlying operating profit margin and underlying basic earnings per share) and underlying profit before tax are calculated by adding amortisation of brand of £2m (2018: £2m) and exceptional items of £17m (2018: £2m) to operating profit and profit before tax respectively.

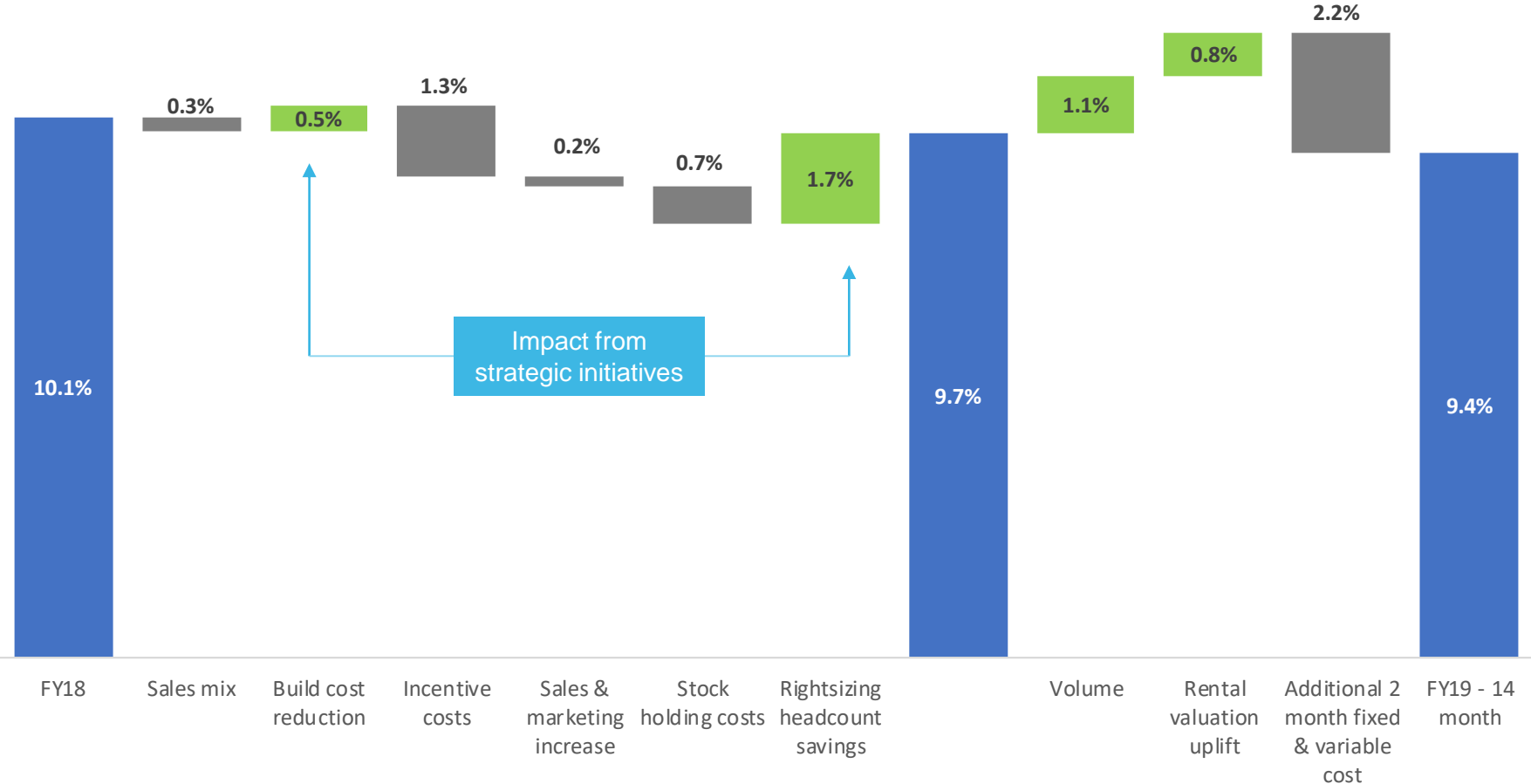
# Headline FY19 results (14 month period)

Key financial metrics	FY19 (14 months)	FY18 (12 months)	14 months Change
Return on capital employed <sup>3</sup> (ROCE) (last 12 months)	10%	10%	(0ppt)
Capital turn	1.0x	1.0x	(0.0x)
On-balance sheet PX holding	£93.8m	£41.7m	£52.1m
Investment properties	£27.6m	£0.0m	£27.6m
Investment properties revaluation uplift	£5.9m	£0.0m	£5.9m
Net cash	£24.7m	£4.0m	£20.7m
Tangible gross asset value (TGAV)	£678.4m	£691.6m	£(13.2)m
Total dividend per share	5.4p	5.4p	0.0p

- Increased on-balance sheet PX value driven by market conditions – well controlled and sold within our 13 week target
- On-balance sheet trial of rental, with properties revalued and held as investment properties with revaluation uplift of £5.9m recognised as ‘other operating income’
- Ongoing disciplined cash management
- Decrease in TGAV driven by reduction in inventory and increase in cash
- Proposing a total dividend of 5.4p per share (FY18: 5.4p), reflecting confidence in delivery of new strategy

3. Return on capital employed (‘ROCE’) is calculated by dividing underlying operating profit by the average of the tangible gross asset value at the beginning and end of the period. Tangible gross asset value is calculated as net assets excluding goodwill of £41.7m (2018: £41.7m) and intangible assets of £24.2m (2018: £26.1m), excluding net cash of £24.7m (2018: £4.0m)

# Operating profit margin bridge (14 month period)



# Balance sheet

£m	31 Oct 2019	31 Aug 2018	
	£m	£m	
Goodwill and intangible assets	65.9	67.8	
Fixed assets & investments	1.7	2.5	
Investment properties	28.5	0.2	
Land	57.6	99.6	-42%
Land creditors	(34.1)	(56.9)	+40%
Sites in the course of construction	179.6	290.3	-38%
Finished stock	393.9	385.9	+2%
Total net stock (excl. PX properties)	<b>597.0</b>	<b>718.9</b>	-17%
PX properties	93.8	41.7	+125%
Total net stock	<b>690.8</b>	<b>760.6</b>	-9%
Net cash	24.7	4.0	
Other net assets / liabilities	(42.6)	(71.7)	
<b>Net assets</b>	<b>769.0</b>	<b>763.4</b>	
TNAV <sup>1</sup>	703.1	695.6	

- **Investment properties** - new balance sheet category
  - 101 rental properties and 47 shared ownership
  - £5.9m revaluation uplift from cost to market value recognised in P&L as 'other operating income'
- Good progress in reducing **net stock** to rightsize the balance sheet and release cash
 

Lower land and build value as a result of steady state workflow strategy

  - 34 land exchanges (FY18: 54)
  - 35 land completions (FY18: 43)
  - 40 build starts (FY18: 53)

Finished stock levels progressing towards 1,100 target, at 1,628 units (FY18: 1,779)
- Increased level of **PX on balance sheet** in response to challenging market conditions

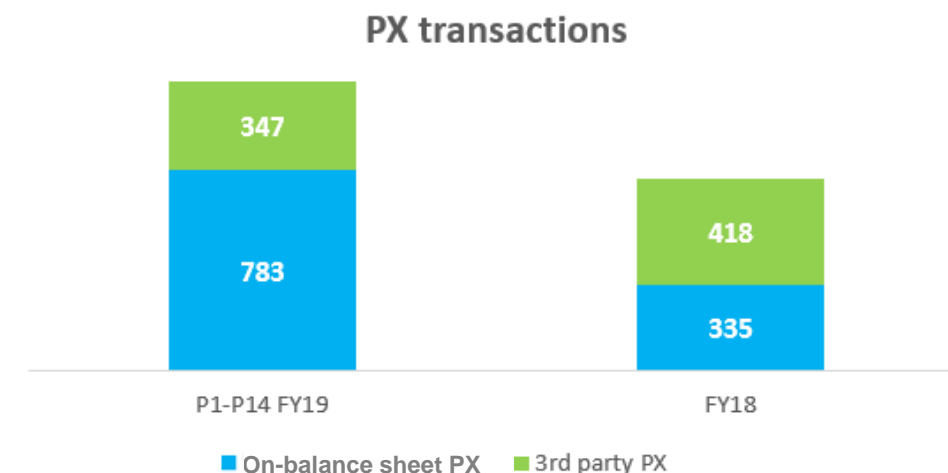
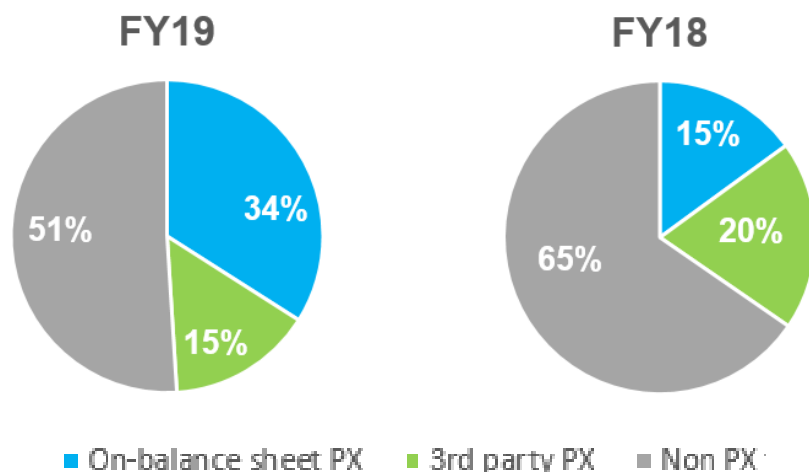
1. Tangible net asset value, calculated as net assets excluding goodwill and intangible assets. Represents total amount of physical assets owned by the Group minus liabilities

# Part-exchange performance as at 31 October 2019

- Increased volume of PX transactions: 49% of legal completions (2018: 35%) reflecting ongoing challenging secondary market
- Saving of c.£13.4m (FY18: c.£6.6m) through use of on balance sheet PX compared to use of third party PX with average capital employed of £52.6m
- On balance sheet PX properties resold ahead of target at average of c.12.3 weeks (2018: c.13.1 weeks) post buy-in
- Increased limit of 15% of Net Tangible Asset Value, approved by the Board. Expectation that this will be fully utilised (c.89% utilised at year end)

## On balance sheet PX usage during 14m to 31 October 2019

- 648 sold (2018: 302)
- Average buy-in price 97% (2018: 96%) of market value
- Average purchase price £346k (2018: £283k)
- Average loss on sale<sup>1</sup> £9.1k (2018: £5.8k)
- 282 properties on balance sheet at October (2018: 147)
- Presentational changes under IFRS 15: resale proceeds and costs are shown gross in other operating income and other operating expenses

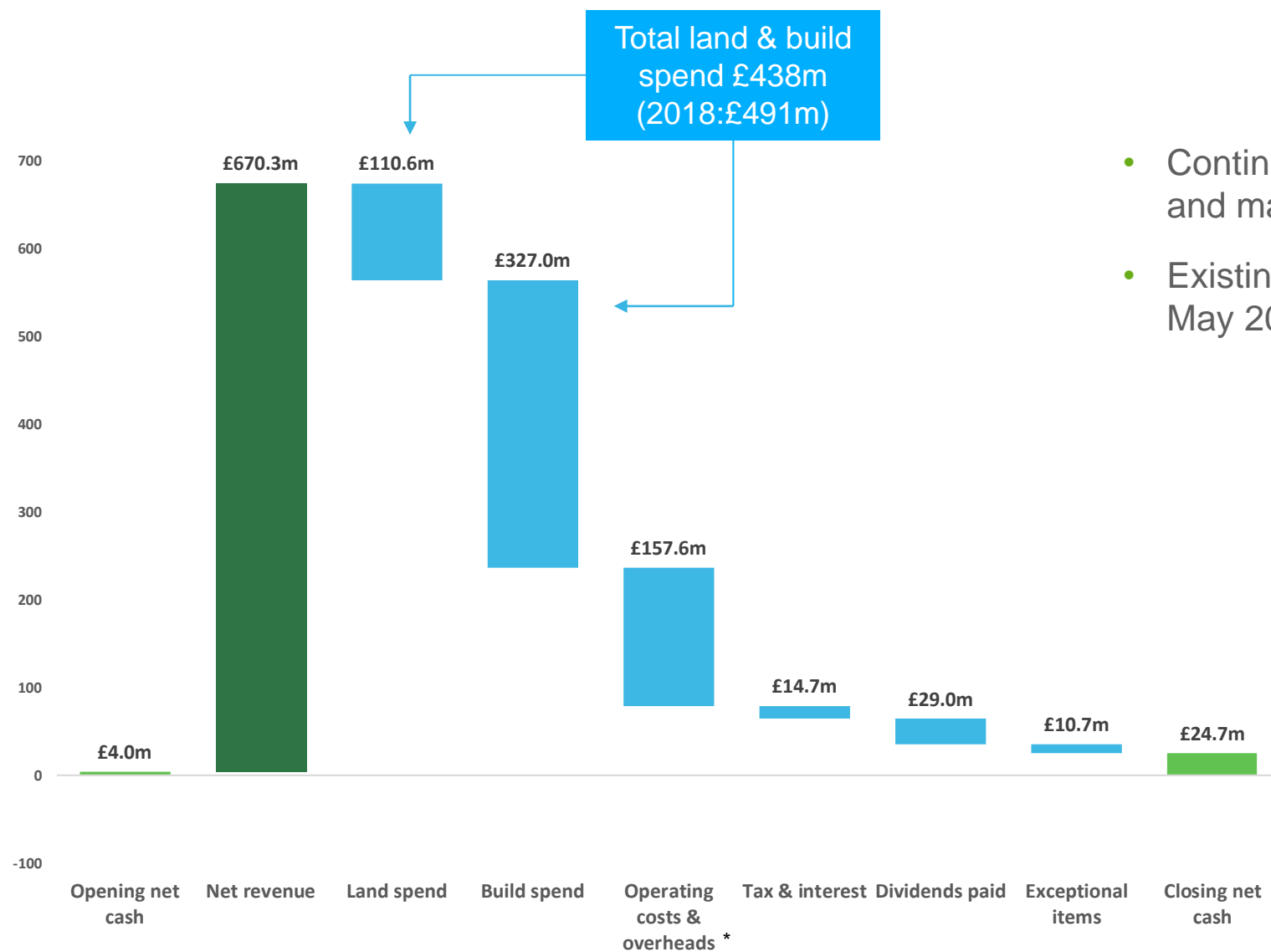


1) Profit or loss on sale of PX property is calculated as the PX resale price less selling costs, buy in price and purchase costs. FY18 previously stated as £3.1k excluding selling costs

**Cost effective tool to facilitate completions in a challenging market**



# Cashflow – net cash (14 month period)



- Continuing to exercise careful cash management and maintain a strong balance sheet
- Existing revolving credit facility extended from May 2021 to March 2023

\* Includes incentive costs, build repairs and other variable cost

- Total volume expectation remains unchanged at c.2,100 at an ASP of c.£300k
  - increased proportion of c.2,100 target volumes expected to come from rental offering during FY20
  - continue to allocate a proportion of the balance sheet to rental until investment partner secured
  - cash and profit impact of rental expected to be similar to sales with further guidance provided once rental investment secured
- c.37 first occupations expected in FY20 with all sites under construction
- FRI sales assumed to go ahead as planned
- House price inflation expected to remain subdued & build cost inflation expected to remain at c.3-4% level
- Total exceptional costs of c.£25m still anticipated across the life of the transformation program with c.£19m incurred to FY19
- Continued focus on cash generation with FY20 year end net cash position expected to be in excess of FY19

**H1 out-turn expected to be lower than prior year, impacted by slower start to the financial year due to General Election**

**Full year out-turn remains in line with market expectations, weighted towards H2**



**Strategy – operational update**

## Stage 1: Optimisation (FY19-FY21)

1

Rightsizing the business

2

Efficient sales & marketing tools

3

Build cost reduction

4

Workflow realignment



Services & Customers  
Mike Lloyd, COO



Build  
Nigel Turner, COO

## Stage 2: Strategic Opportunities (FY19-FY23)



Choice



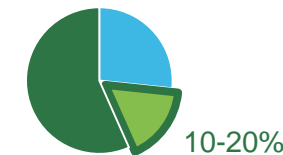
Flexibility



Affordability

## ② Sales & marketing: reorganisation of sales teams and centralisation of marketing

Share of expected >£40m savings FY21



### FY19 Progress

#### Initial Plans Delivered

- ✓ Centralised and standardised marketing - £2m saving
- ✓ Reduction in sales and marketing roles
- ✓ Rollout of Salesforce
- ✓ New website

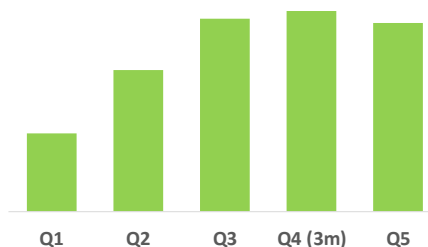
#### Challenges faced

- Subdued secondary housing market
- Brexit impact

#### Response

- ✓ OBPX: £42m in FY18 to £94m FY19
- ✓ Marketing and out-bound calling blitz
- ✓ Rapid rental rollout

% of Sales on OBPX



### FY20 Priorities

#### Context:

- General Election
- c.37 First Occupations (53 FY19; 68 FY18)

#### Response to short-term challenges:

- Fully integrated Rental
- Tighter discount controls including PBPR use
- Re-establish off-plan excellence (>50%)
- New upweighted site marketing model

#### Addressing long-term challenges:

- Brand review and new marketing strategy



c.£3m additional spend required

**Good progress, but tough market conditions requiring a major response and new actions**

# Choice: operational review



Choice

## FY19 Progress

### Original plan:

- Rental trial at a dozen sites
- Evolve the model to find how to get traction

### Actual position at year end:

- Rental available at majority of sites
- New rental management team recruited
- Majority of sales team trained to offer rental
- First major national marketing campaigns on rental



August to October rental reservations c.7 per week

## FY20 Priorities

- Complete full rollout across all selling sites
- Fully embed within operations and systems
- Integrate into all our marketing including website
- Start re-letting
- Secure long-term investment
- Implications for land buying



### Objective:

Multi-tenure options to enjoy our communities

### Opportunity:

Develop new asset class

Separate rental fund.  
Positive ROCE impact.  
Regular asset management income streams.

Rental has progressed ahead of expectations but on a sales platform developed for smaller scale trial

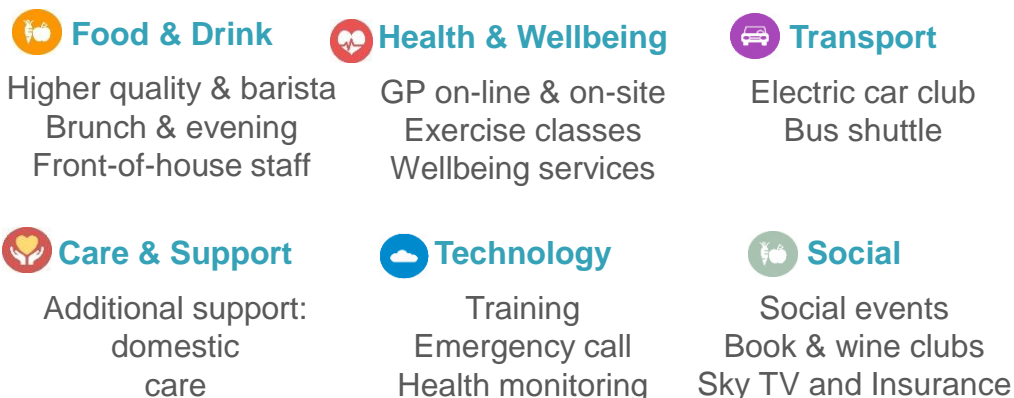


# Flexibility: services becoming a core part of our business



Flexibility

## Pilots Completed



**Demand:** 2/3<sup>rd</sup>s of them positively taken up

**Commerciality:** care expansion attractive, others need a new charging model

**Scalability:** all need a more robust operational platform

## FY19 Follow-on

### YLMS Buy-out

- Full control of our RLP operating business
- Largest private operator of extra care – 100 developments

### New Leadership

- To expand new services and a build scalable operating platform



## FY20 Priorities

- Development of new charging models
- More robust operational platform for services
- Expansion of care
- New food & drink + social activities/event services

### Objective:

Flexible, evolving with needs products

Variety of payment options

### Opportunity:

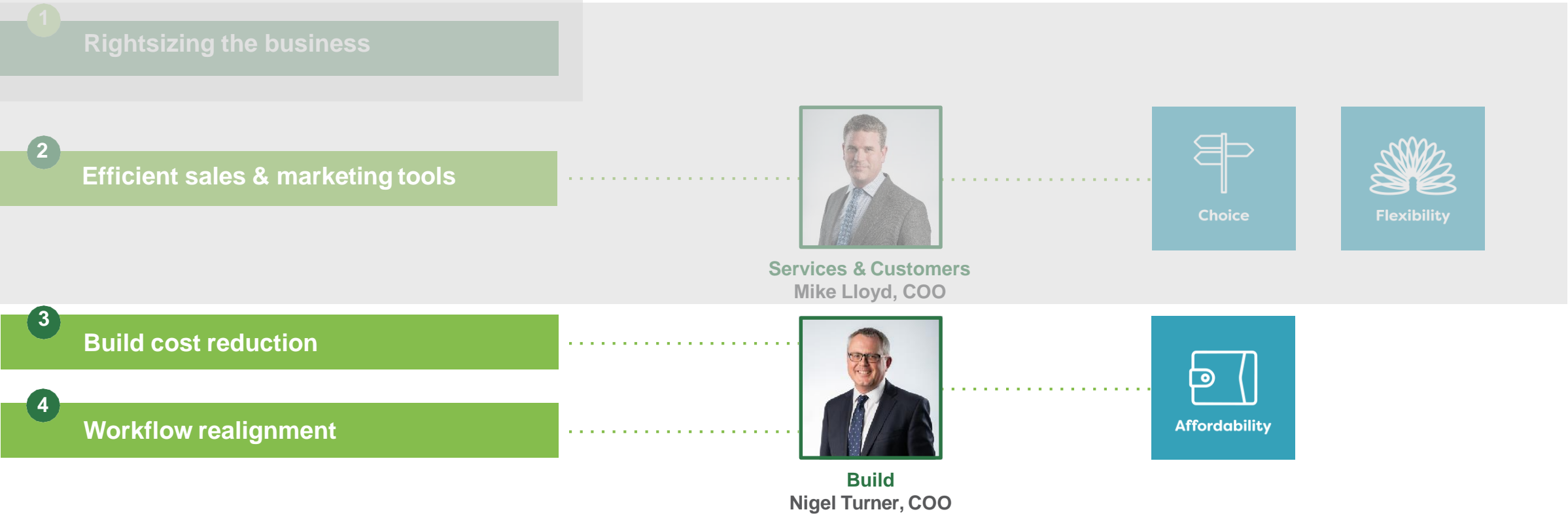
Growth in Management Services revenues >5% of group revenue

**Setting ourselves up to enhance value by becoming a profitable manager and service operator**



**Stage 1:**  
Optimisation (FY19-FY21)

**Stage 2:**  
Strategic Opportunities (FY19-FY23)



### 3 Build cost efficiencies: operational review

Share of expected >£40m savings FY21

#### FY19 Progress

Review of 124 sites completed focused on:

##### Design Efficiency

- ✓ reducing excessive articulation
- ✓ reducing roof complexity
- ✓ improving apartment mix
- ✓ increasing communal areas design efficiency

Redesigned schemes resubmitted for planning

##### Value engineering – new schemes

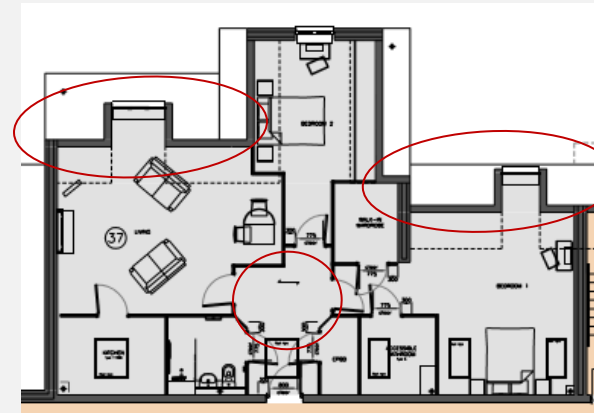
- ✓ Simplification of product line
- ✓ Optimisation of layouts

##### Competitive tendering processes reviewed

- ✓ Improved framework agreements with suppliers

#### FY20 Priorities

- Delivering of savings in line with strategic timeline
- In-house Design Bureau
- Fully compliant designs from the outset
- Tighter net to gross ratio
- Develop a new estimating approach



Old scheme design

50-60%



Deliver more standardised and efficient designs, deploy more cost effective building solutions and streamline procurement practices

Savings embedded in construction budgets for FY20 sites

## FY19 Progress

- Sites taken time to optimise through planning
  - 38 planning consents (FY18: 37)
  - 40 build starts (FY18: 53)
- Challenging planning environment, local authorities chronically under-resourced.

## Land bank

- 7,695 units (FY18: 9,797) or c. 3.7 years' supply
- Rationalised in line with new divisional footprint and product offering (reflected in exceptional costs)
- 34 new sites (FY18: 54) added at attractive margins

## Finished stock reduction on track

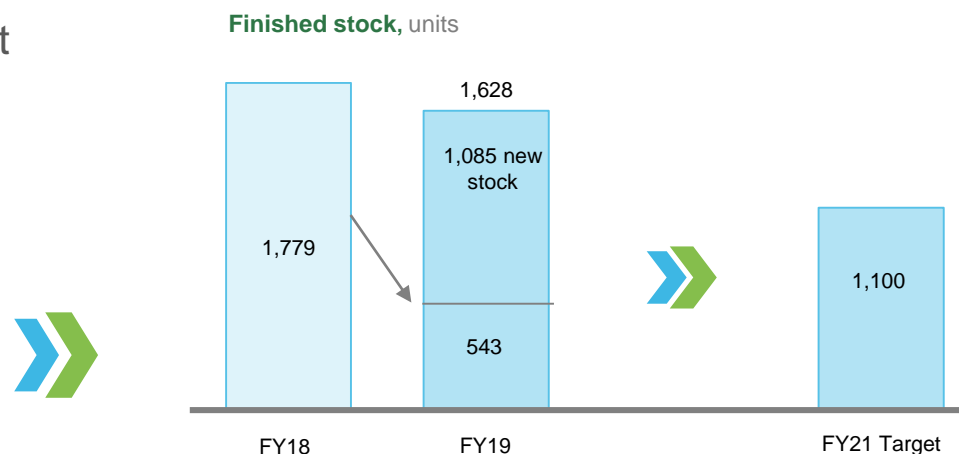
- c.90% under 2 years old

## FY20 Priorities

- Increase land buying activities at higher hurdle rates and increased optionality
- Deliver even flow of land exchanges into FY21
- Progress finished stock level towards FY21 target



Stable monthly flow of land exchanges, build starts, sales releases and first occupations – fundamental to operational efficiency



Workflow profile improving but not yet at targeted levels

# Affordability: operational update



Affordability

## FY19 Progress

### Redesign of product - more compact:

- ✓ Agreed designs for compact, contemporary, affordable (MMC) offering, designed to symmetry
- ✓ Tested using customer focus groups

### MMC workstream:

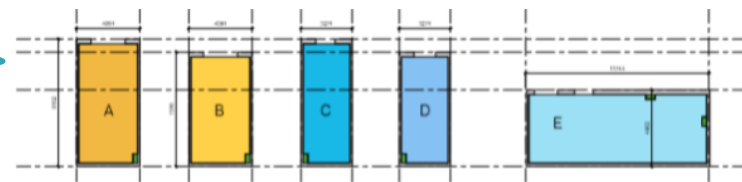
- ✓ Volumetric partner selected to develop the modular designs
- ✓ Shortlist of volumetric schemes identified to commence in FY20
- ✓ Location for first panelised scheme identified and planning secured. Build starts in Q2 2020

## FY20 Priorities

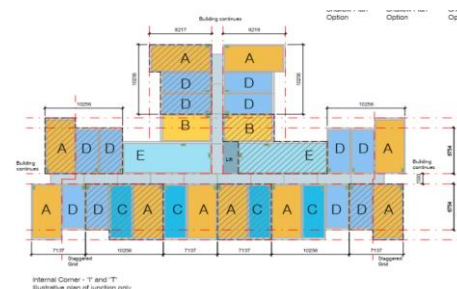
- Outline MMC strategy agreed
  - North – Panelised
  - South – Volumetric
- First panelised scheme build to start in FY20
- Formalise relationship with MMC strategic partners

### Volumetric System Optimisation

Family of 5 Chassis



Example of T shape scheme layout



### Objective:

Streamlined, contemporary and compact designs at mass market average prices

### Opportunity:

Increased market penetration by introducing lower cost product offering  
Target = c.15% of land bank  
Shorter build times

Good progress in line with strategy



**John Tonkiss, CEO**

**Making a real difference**

**Government engagement**

**Summary & outlook**



## Our customers & their families

**New friendships**

**Independence**

**Support and care**

**No maintenance concerns**

**Peace of mind for families**



## Society

**Reduce pressure on health services:**  
c.£3,500 saving per person per year\*

**Unlock housing supply**  
c.2-3 further moves from each sale

**Bring life back to town centres**

**Support local charities**

\*WPI (2019)



## Employees

**Equality, diversity and inclusion for all**

**Extensive in-house and external professional development**

**Apprenticeship schemes**

**Job satisfaction above industry average (c.80%)**



## Environment

**97% brownfield sites (previously developed)**

**High density**

**Low car parking requirements with electric shared car pool on trial**

**97% construction site waste recycled**

**Aim to develop 'Best in Class' approach to ESG**



## We continue to make the case for the retirement community sector with Government

- **Planning:** called for new local and national policies to encourage supply
  - new national planning guidance for local authorities on older and disabled people's housing (June 2019)
    - 'critical' need, and requires different viability assessment
- **Ground rents:** made sector's case for retaining fair and economic ground rents
  - In June 2019, MHCLG issued a further response to their leasehold consultations, confirming retirement sector exemption
  - remains subject to the ongoing legislative process
- **Stamp duty reform:**
  - Help-to-Move package - a one-time stamp duty exemption for older people downsizing
  - unlocks housing chains providing further SDLT revenue
- **Social care** green paper is expected soon



These policy changes would increase supply and provide significant socio-economic benefits





Next reporting date:

**9 June 2020:**

**HY20 results**

- **A solid performance in line with market expectations in the face of continued challenging economic backdrop**
- **Significant progress** in **both stages** of **transformation strategy** launched in September 2018
  - Group now has a more resilient business model well positioned to capitalise on future market recovery
  - Proportion of rental and part-buy part-rent within overall volumes in FY20 and beyond to increase substantially
  - Focus will continue on optimising financial performance and cash generation as the Group's new strategy develops throughout FY20
- **Increased political stability** following the General Election, **but ongoing economic** uncertainty likely to continue throughout FY20
- Full year out-turn remains **in line with market expectations**, weighted towards H2

# Q&A



## Appendix 1:

# Financial statements: Statement of comprehensive income

For the period ended 31 October 2019

	2019	2018
	£m	£m
Revenue	725.0	671.6
Cost of sales	(620.1)	(567.0)
<b>Gross profit</b>	<b>104.9</b>	<b>104.6</b>
Other operating income	238.1	11.3
Administrative expenses	(64.1)	(44.0)
Other operating expenses	(230.5)	(8.4)
<b>Operating profit</b>	<b>48.4</b>	<b>63.5</b>
Amortisation of brand	(2.4)	(2.0)
Exceptional administrative expenses	(17.3)	(2.0)
<b>Underlying operating profit</b>	<b>68.1</b>	<b>67.5</b>
<i>Underlying operating profit margin</i>	<i>9.4%</i>	<i>10.1%</i>
Finance income	1.0	0.4
Finance expense	(6.0)	(5.8)
<b>Profit before tax</b>	<b>43.4</b>	<b>58.1</b>
Income tax expense	(8.5)	(11.6)
<b>Profit for the year from continuing operations and total comprehensive income</b>	<b>34.9</b>	<b>46.5</b>
<b>Profit attributable to:</b>		
Owners of the Company	35.1	46.2
Non-controlling interest	(0.2)	0.3
	<b>34.9</b>	<b>46.5</b>

1. Underlying operating profit (including underlying operating profit margin and underlying basic earnings per share) and underlying profit before tax are calculated by adding amortisation of brand and exceptional administrative expenses to operating profit and profit before tax respectively.

# Financial statements: Statement of financial position

As at 31 October 2019

	2019 £m	2018 £m
<b>Assets</b>		
<b>Non-current Assets</b>		
Goodwill	41.7	41.7
Intangible assets	24.2	26.1
Property, plant & equipment	1.3	2.1
Investments in joint ventures	0.4	0.4
Investment properties	28.5	0.2
Trade and other receivables	43.0	27.8
<b>Total non-current assets</b>	<b>139.1</b>	<b>98.3</b>
<b>Current Assets</b>		
Inventories	724.9	817.5
Trade and other receivables	12.9	22.4
Cash and cash equivalents	36.7	57.0
<b>Total current assets</b>	<b>774.5</b>	<b>896.9</b>
<b>Total assets</b>	<b>913.6</b>	<b>995.2</b>
<b>Equity and liabilities</b>		
<b>Capital and Reserves</b>		
Share capital	43.0	43.0
Share premium	101.6	101.6
Retained earnings	624.4	617.5
<b>Equity attributable to owners of the Company</b>	<b>769.0</b>	<b>762.1</b>
Non controlling interests	-	1.3
<b>Total equity</b>	<b>769.0</b>	<b>763.4</b>
<b>Current liabilities</b>		
Trade and other payables	94.6	114.9
UK corporation tax	3.7	6.5
Land payables	34.1	56.9
<b>Total current liabilities</b>	<b>132.4</b>	<b>178.3</b>
<b>Non-current liabilities</b>		
Long-term borrowings	9.6	51.4
Deferred tax liability	2.6	2.1
<b>Total liabilities</b>	<b>144.6</b>	<b>231.8</b>
<b>Total equity and liabilities</b>	<b>913.6</b>	<b>995.2</b>

# Financial statements: Consolidation cash flow statement

For the period ended 31 October 2019

	2019 £m	2018 £m
<b>Net cash (outflow) / inflow from operating activities</b>	<b>81.4</b>	<b>14.8</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(0.4)	(0.8)
Purchases of intangible assets	(1.4)	(1.1)
Proceeds from sale of property, plant and equipment	0.1	-
Outflows in relation to investment properties	(28.3)	-
<b>Net cash used in investing activities</b>	<b>(30.0)</b>	<b>(1.9)</b>
<b>Financing activities</b>		
Issue of long term borrowings	214.0	250.0
Repayment of long term borrowings	(255.0)	(217.0)
Dividends paid	(29.3)	(29.6)
Acquisition of NCI	(1.4)	-
<b>Net cash (used in) / from financing activities</b>	<b>(71.7)</b>	<b>3.4</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(20.3)</b>	<b>16.3</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>57.0</b>	<b>40.7</b>
<b>Cash and cash equivalents at end of year</b>	<b>36.7</b>	<b>57.0</b>

# Stock holding analysis

	2018		2019	
	Sites	Units	Sites	Units
<b>Owned sites</b>				
Land held for development	18	756	10	384
<i>With detailed planning consent</i>	17	728	9	356
<i>Awaiting detailed planning consent</i>	1	28	1	28
Sites in the course of construction <sup>1</sup>	49	2,042	36	1,634
<i>Pre sales releases</i>	33	1,370	29	1,319
<i>Post sales release</i>	16	672	7	315
Finished stock	119	1,779	114	1,628
<b>Total owned sites</b>	<b>186</b>	<b>4,577</b>	<b>160</b>	<b>3,646</b>
<b>Exchanged sites</b>				
<i>With detailed planning consent</i>	23	1,040	21	963
<i>Awaiting detailed planning consent</i>	97	4,180	71	3,086
<b>Total exchanged sites</b>	<b>120</b>	<b>5,220</b>	<b>92</b>	<b>4,049</b>
<b>Total land bank</b>	<b>306</b>	<b>9,797</b>	<b>252</b>	<b>7,695</b>
Terms agreed, awaiting exchange	47	2,158	30	1,337
<b>Total</b>	<b>353</b>	<b>11,955</b>	<b>282</b>	<b>9,032</b>

Workflow milestones	2018		2019	
	Sites	Units	Sites	Units
<i>Land exchanges</i>	54	2,413	34	1,530
<i>Planning consents</i>	37	1,636	38	1,712
<i>Land completions</i>	43	1,659	35	1,544
<i>Build starts</i>	53	2,081	40	1,817
<i>Sales releases</i>	69	2,740	45	1,908
<i>First occupations</i>	68	2,766	53	2,249

## Inventory holding (£m)

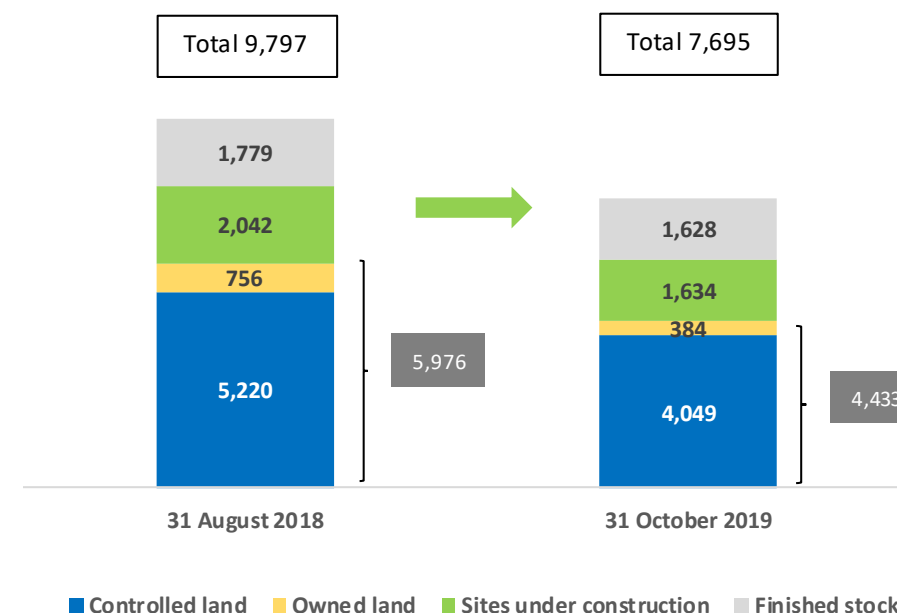
	FY18	FY19
Land held for development	99.6	57.6
Sites in the course of construction	290.3	179.6
Finished stock	385.9	393.9
Part-exchange properties	41.7	93.8
<b>Total</b>	<b>817.5</b>	<b>724.9</b>

## Legal completions (unit numbers)

	FY18	FY19
Current year first occupations	1,315	1,098
Prior year first occupations and earlier	819	1,203
<b>Total</b>	<b>2,134</b>	<b>2,301</b>

\* Does not include sites under construction at the pre-foundation stage.

## Landbank - plots





# Focus on our core RL and RLP product offering

## Retirement Living (RL)



Olivier Place, Wilton

## Retirement Living Plus (RLP)



Liberty House, Raynes Park

### Offering type

- 40 unit (on average) developments, with 1 or 2 bed solutions
- Basic level of services offered
- On-site house manager
- Guest suite
- Landscaped grounds

- 50-60 units per site
- Larger, more adapted apartments
- High proportion of communal spaces
- House manager and on-site team
- Wellbeing suite
- Mobility scooter store
- High level of services and care
- CQC registered 24h support

### Average age

c.79

c.83

### Share of total FY19 revenues

59%<sup>1</sup>

41%

## Services

### Existing:

- Property management
- Care
- Wellbeing

### In development / piloting:

- Transportation
  - (car sharing / electric cars club)
- Technology backed care
  - MySense AI powered wellbeing system
- Pebble Bistro – new generation
  - Extended hours, barista coffee, licenced bar, new menu
- Fit For Life
  - Tailored exercise classes in partnership with Oomph Wellness and supported by Sport England

<sup>1</sup> Includes 7% of remaining LL sales

### 3 Build cost reduction – Bingley RL case study



#### Bingley RL development

- 45 unit scheme in North East

#### Design changes

- Communal areas rationalised and reduced
- Building articulation reduced – less complicated build
- Simpler material palette used on rear elevation
- Additional 4 two bed apartments to floor plan
- One bedroom added to existing 1 bed apartment
- Improved internal efficiency
- Standard apartment type



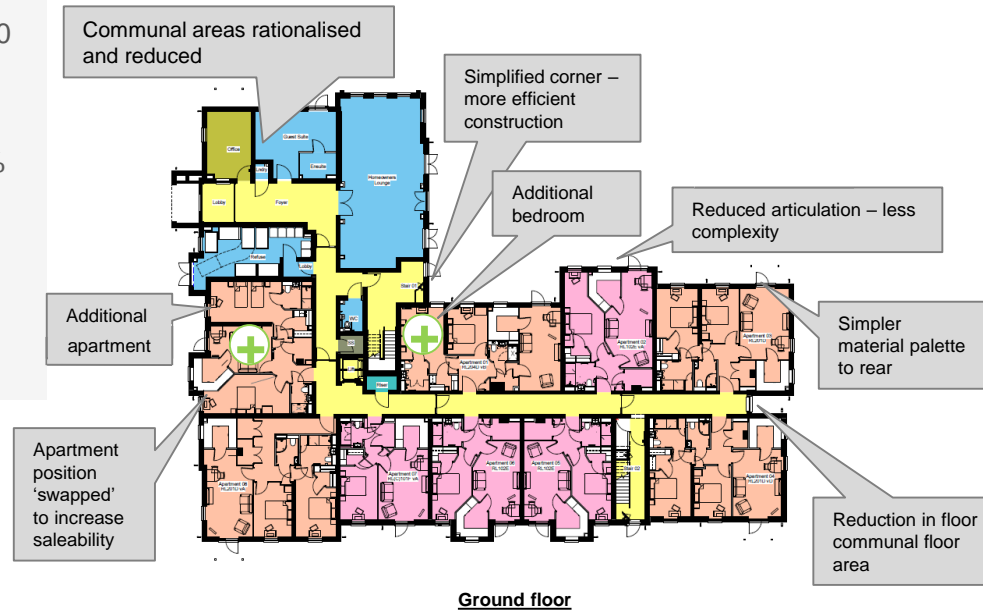
#### Estimated impact of Bingley redesign, £000

Design management / Net margin benefit	760
Prelims / Supply chain / Tendering	110
<hr/>	
BCR Savings	870
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Site margin increase	5%

#### Before

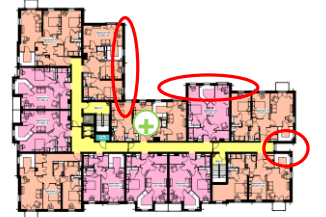


#### After

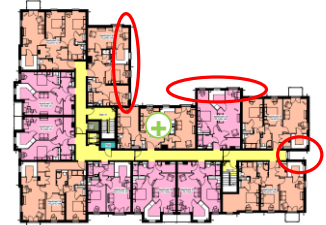


Ground floor

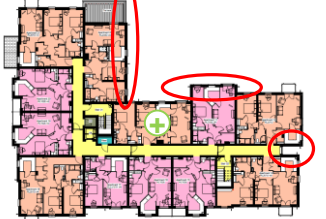
First floor




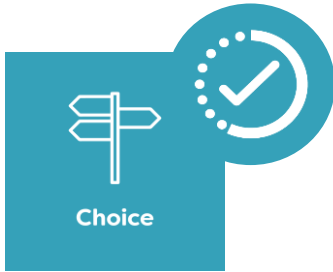

Second floor



Third floor



## Stage 2 (FY19 – FY23) – Strategic opportunities

	Objective:	Opportunity:	Financial impact:
 Flexibility	Flexible, future proofed and evolving with needs Variety of payment options	Increasing customer appeal through expanding Management Services >5% of group revenue	Improved margins
 Choice	More routes to market through multi-tenure offering: Sell/rent/shared ownership	Develop new asset class Rental Fund Regular asset management income Reduce inventory Reduce discounts/incentives	Improved margins & Increased ROCE
 Affordability	Streamlined, contemporary and compact designs at mass market average prices	Increased market penetration through lower cost product offering Target = c.15% of land bank Shorter build times	Improved margins & Increased ROCE

**Excellent progress with CHOICE initiative – potential to drive increased ROCE**

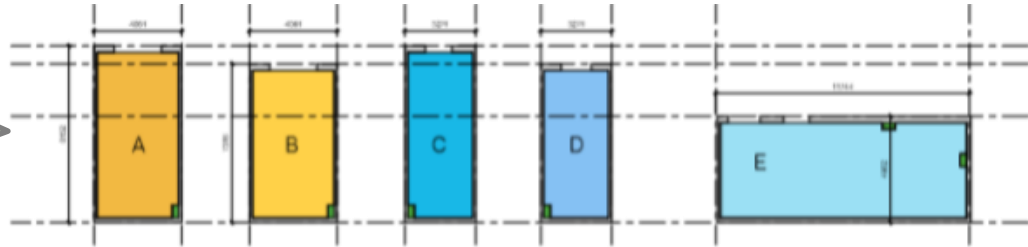
# Volumetric System Optimisation



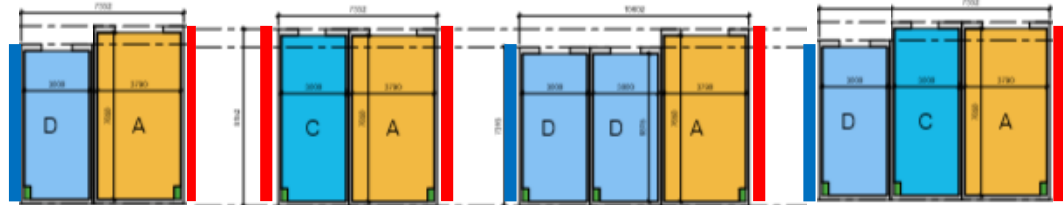
McCarthy & Stone

— Retirement living to the full —

Family of  
5 Chassis



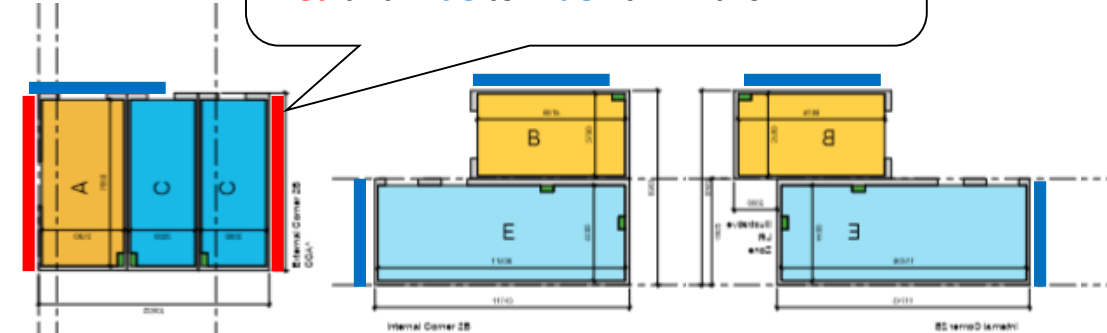
7 different  
apartment  
types



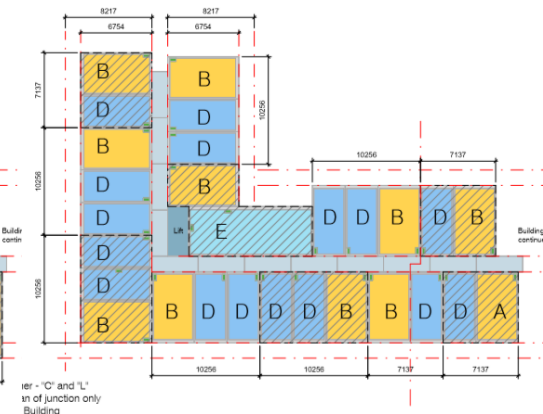
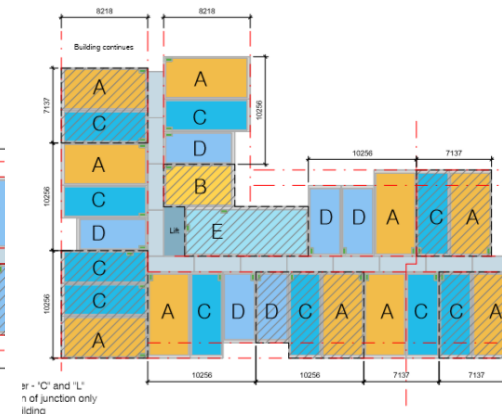
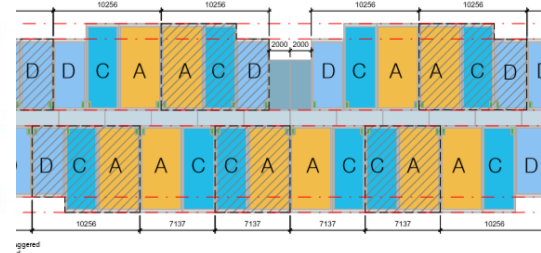
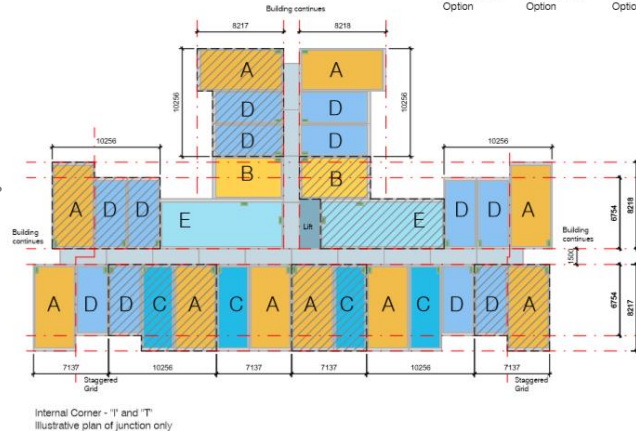
Standard 1B  
GIA = 84.02 sqm  
Net Module Area = 81.86 sqm

Standard 2B  
GIA = 73.57 sqm  
Net Module Area = 69.17 sqm

Apartment designs are colour coded.  
For optimal configuration join **Red** to  
**Red** and **Blue** to **Blue** flank walls.



Template  
Scheme  
Layouts



To ensure that we get the most benefit from our designs are optimised we have created a volumetric design system. This forms a clear 'instruction manual' which our designers can use to create our developments

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