



## Cairn Homes plc Phased Reopening of Residential Sites

**Dublin / London, 14 May 2020:** Cairn Homes Plc (“Cairn”, “the Company” or “the Group”), the leading Irish homebuilding company, today announces the phased reopening of our residential construction sites and provides a further update on our response to COVID-19, including the necessary measures, new protocols and changes to work practices which are being implemented across our business to safeguard the health and safety of our employees, subcontractors, suppliers, customers and the general public.

Michael Stanley, Co-Founder and CEO of Cairn, commented:

*“Cairn welcomes the opportunity to recommence the construction of new homes across 15 active development sites. The health and safety of all is our number one priority and we are very confident that the detailed plans and new protocols we have implemented will ensure that we can protect our employees, subcontractors, residents and customers as we rescale our operations.”*

*“The health and safety measures will lead to new ways of working and this will have an impact on the efficiency of our homebuilding operations. Project timelines will be extended and as a consequence, there will be an impact on both site preliminary and management costs.”*

*“Despite the most challenging of circumstances, Cairn’s healthy financial position and business model will enable us to continue to deliver much needed new homes in a market of acute undersupply. Given the productivity challenges and the cost implications for the broader industry in Ireland, there may be a significantly lower number of new homes completed this year.”*

*“We welcome and encourage the focus that all political parties are putting on affordable housing solutions. It is a central issue at this critical juncture in Irish Government formation talks. Cairn, with its highly efficient and scalable operating model can play a key role providing high quality, value for money homes for prospective homeowners. This is borne out by our market leading track record over recent years. We look forward to being able to partner with Government and being an integral part of the solution.”*

### Overview

- Our residential sites will reopen on 18 May 2020, on a phased basis under strict new return to work protocols across 15 of our sites. Planned new site commencements are likely to be postponed until later this year;
- Cairn continues to introduce measures to support our valued subcontractors and supply partners as construction restarts;
- Our closed and current forward sales pipeline is 863 units as of 13 May 2020. Due to our new protocols extending our build programmes, some of our projected 2020 closings, particularly on apartment developments, will move into 2021;
- Spring sales launches are postponed until late summer, however through our online sales platforms, we continue to see new reservations marginally ahead of cancellations over this period;
- Interest from institutional investors for multifamily private rental sector (“PRS”) has remained robust;
- We will be in a position to measure demand later this summer, when our customers can re-visit our show complexes aligned with the Governments’ phased approach. We are targeting 8 June 2020 for private sales viewings by appointment;
- Last week the Company concluded a previously planned disposal of a non-core site for €11 million;
- Current strong gross cash position of €156 million as at 13 May 2020. Additional costs and cashflow management measures outlined, including Executives Directors foregoing any cash bonus entitlements in FY20; and
- Despite the current challenges, Cairn’s uniquely strong cash position within the Irish homebuilding industry allows us to also invest significant capital into our medium and longer-term delivery objectives.

## Phased Site Reopenings

In line with public health advice and following the recent announcement by the Irish Government of an easing to the restrictions implemented on 27 March 2020, the Company will commence the phased reopening of our residential construction sites on 18 May 2020. All site reopening's are being managed through a detailed return to work strategy initiative, incorporating the steps and processes contained in the Governments' National "Return to Work Safety Protocol", which includes the Construction Industry Federation's standard operating procedures, along with a number of additional and enhanced Cairn initiatives and controls (the "Return to Work Strategy").

The Company is initiating a gradual back to work approach where all site and construction personnel will remobilise on a staggered basis to ensure that social distancing and all new necessary protocols, procedures and work practices are implemented in accordance with our Return to Work Strategy:

- Pre-mobilisation: approval of subcontractor and supplier revised risk assessment and method statements outlining return to work protocols and procedures;
- Day 1: Cairn site teams and subcontractor supervisors undertake back to work protocol briefings and prepare site for reopening; and
- Days 2 to 10: reintroduction of individual subcontractor trades previously inducted on each project ensuring that each subcontractor is trained and can operate in line with the new protocols. This gradual escalation of construction activity will be constantly assessed and reviewed and where necessary, remedial actions will be taken to improve control measures.

Site-specific health and safety plans are also being introduced outlining how each individual project plan implements and operates under the Return to Work Strategy.

## Operational Health and Safety Protocols and Guidelines

Since the closure of our residential construction sites on 27 March 2020, our Business Continuity Team has worked closely with all internal and external stakeholders to review in detail every element of our construction activities in order to prepare for the reopening of our residential construction sites in full compliance with all social distancing, hygiene, cleaning and health and safety requirements.

Cairn, together with our partners, subcontractors and suppliers, is fully committed to creating a safe environment for the communities in which we live and work. Our Return to Work Strategy covers all operational areas of our business and in implementing these new protocols and systems, we will be approaching our construction and sales activities in a fundamentally different manner:

- **Construction:** projects will be managed through a clear and consistent approach to implementing safe working requirements for employees, subcontractors and suppliers including, but not limited to, social distancing (access and circulation management), regular site communications observing social distancing, managing break times, the use of welfare facilities, new practices for internal and external work on site, a prohibition on unnecessary visitors to sites and remote meetings for all design teams. The Company is adopting a strict zero tolerance policy with all project personnel through increased compliance supervision across our active sites. In addition, and in anticipation of our sites reopening, Cairn has already spent in excess of €500,000 on personal protective equipment to ensure our business is fully stocked and to protect all of our employees and subcontractors. The necessary implementation of these new work practices will inevitably lead to extended construction timeframes and will have some impact on preliminary costs;
- **Customers and the Market:** our immediate priority is to hand over new homes which are finished or almost finished to customers who are waiting to move in. This will be managed through new snagging, valuation and closing procedures and our sales consultants and customer care team will be overseen by a health and safety adviser throughout each step of the closing process, observing social distancing and hygiene protocols. After each visit by a customer, their surveyor or valuer, the new home will be deep cleaned and sanitised by professional cleaners. Cairn will continue to provide our market leading after-sales service through our dedicated customer care line and team of maintenance operatives. Our customer care line will be further enhanced to include a "Cairn COVID-19 Helpline", which will be supported by our health and safety team and provide immediate guidance and support to all of our customers. Our priority will be to continue to perform urgent and critical customer care tasks in a safe and timely manner. In addition, our show homes will remain closed in the short-term and customer viewings will be facilitated by virtual online tours. The reopening of our show homes is likely to be linked to later phases of the Government's roadmap for opening society and business and the reopening of non-essential retail services. The volume of new sales is likely to be impacted until such time as people can visit and inspect our show homes. Cairn will continue to provide market leading online sales access and information to our customers in the intervening period. Despite the impact on the private sales market, the Company is continuing to see significant demand from institutional investors in our well located apartment and housing sites in the multifamily PRS market.

### **Enduring Commitment to Subcontractors and Supply Chain**

The Company has invested heavily over the past five years in developing a dedicated and loyal subcontractor and supplier base. These companies have grown substantially over the intervening period in tandem with our own growth, with our top 20 subcontractors accounting for over 66% of our total c. €750 million procurement since IPO (average contract value c. €25 million each).

When the Irish Government introduced additional restrictions on 27 March 2020 which led to the temporary closure of its residential construction sites, Cairn immediately engaged with its entire supply chain and committed to the following:

- Assisting in Critical Cash Flow Management: accelerating the processing of all March 2020 subcontractor and supplier payments in full during April 2020 totalling €23 million;
- Regular Communication: maintaining strong working relationships and continuing to ensure that Cairn and our subcontractor and supply chain is kept up-to-date of Cairn's position throughout every step of the period of temporary closure and is as prepared as possible to recommence construction activities as soon as the current restrictions are lifted; and
- Maintaining our Development Pipeline: our central team has continued to work remotely on planning, design and tendering works across our portfolio of active and future developments and providing subcontractors and our supply chain with clarity on this future pipeline of work.

Cairn launched a €5 million support scheme in early April 2020 for self-employed individuals working for its subcontractors and suppliers to forward pay, through its subcontractors and suppliers, €250 per week to each self-employed worker availing of the new scheme to supplement their existing arrangements for a period of up to 12 weeks. This initiative, which was introduced as a measure to assist those most directly impacted by the closure of our residential construction sites, has been welcomed by our subcontractors and is testament to our commitment to underpinning the sustainability and long-term financial strength of our subcontractors and supply chain.

We believe the challenges presented by the crisis, and the manner in which the Company has worked with and assisted our subcontractor and supply chain over the past few months, will promote our partnership approach and strategy to be a long-term sustainable business and our subcontractors and supply chain will value the security and benefits which our business model provides now and into the future.

### **Cairn Initiatives Supplementing the National "Return to Work Safety Protocol"**

The Company has a number of additional initiatives which are at various stages of assessment and implementation which are over and above the minimum requirements set out above the Government's protocols. These initiatives are primarily intended to assist with and improve compliance with the minimum regulatory requirements, some of examples of which are:

- Introduction of GPS social distancing technology for site personnel to facilitate circulation management;
- Exploration of construction fit for purposes aides including custom-built foot pump activated hand sanitiser dispensers across our active sites;
- Non-contact thermometers for daily random temperature checking of site personnel;
- Providing food on site for site personnel; and
- Launching the Cairn Safety Hub website ([www.cairnsafety.com](http://www.cairnsafety.com)), a dedicated COVID-19 website which is a central repository of documentation hosting all public facing information and processes to support our employees, partners, customers and communities.

### **Cash Position and Balance Sheet**

Cairn has been running a business which has been significantly focused on cash generation for the last two years. The low level of strategic land acquisitions in this period have been fully funded by land disposals and we have been focused on the monetisation of our landbank. This pre-crisis activity has put the Company in a strong cash position to deal with the current challenges. Despite our strong cash position, additional cashflow mitigation measures have and are being implemented including:

- Suspension of ordinary dividends and €60 million share buyback programme;
- Executive Directors will forgo any cash bonuses which may have been payable in respect of the Company's performance in FY20. Cairn have not availed of furlough support from the Irish Government and have, and will continue to, protect the futures and salaries of all members of our valued and talented team; and
- Prudent cash management ensuring our production activities in the near term are focused towards our forward sold stock, stock which will continue to be attractive to PRS buyers and directing our housing production pipeline towards new family homes which are at the lower end of our price band.

As previously announced, the Company has drawn down €194 million on our revolving credit facility and as at 13 May 2020 has a current gross cash position of €156 million. This gross cash balance is after subcontractor and supplier payments totalling €23 million were processed in April 2020.

This strong liquidity position also allows Cairn to focus on building houses for delivery throughout the remainder of 2020 and into 2021 and beyond. This is important in a market of acute undersupply and enables Cairn to take a long-term and sustainable perspective rather than a sole focus on short-term cashflow management. This increased flexibility is unique in the context of the broader Irish homebuilding industry. The Company has a strong balance sheet with total equity of €763.7 million as at 31 December 2019 underpinned by €897.3 million in inventories, consisting of €692.8 million land held for development and €204.5 million construction work in progress.

### **Innovation**

We at Cairn firmly believe that the current crisis presented by COVID-19 places a great emphasis on the importance of delivering high quality residential accommodation. Customers in the future are likely to expect much more from their new homes as many people will view the family home as a place to both live and work in close proximity to recreational and other amenity facilities. The Company is currently looking at ways to continue to innovate and prepare our business for this new reality, including potential changes to our internal layouts, delivering improved amenity space, the addition of dedicated business accommodation in our apartment complexes and engagement with technology companies to look at ways to improve the experience of working at home and enhancing connectivity and broadband resilience. Our belief is that the current crisis will, in the medium term, increase both our customers' expectations and their desire to own a well-designed, multi-functional, and quality built family home.

### **Outlook**

The Company suspended FY20 guidance on 25 March 2020. The Board are likely to consider reinstating guidance when we are fully operational, have fully reopened our show complexes and new schemes have been launched in the Autumn period, at which time we will be better placed to provide more forward looking information.

The actions undertaken by the Company since the start of the crisis, our focus on prudently managing our business and the measures and protocols which we are implementing as we reopen our residential construction sites are all in the long-term interests of our stakeholders. Cairn, together with our partners, subcontractors and suppliers, is fully committed to creating a safe environment for the communities in which we live and work. The current health crisis will further emphasise the importance and value of high quality, secure and versatile new homes and Cairn is exceptionally well positioned to respond.

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### **Notes to Editors**

Cairn is the leading Irish homebuilder committed to building high-quality, competitively priced, sustainable new homes in great locations. At Cairn, the homeowner is at the very centre of the design process and we strive to provide an unparalleled customer service throughout each stage of the home-buying journey. A new Cairn home is thoughtfully designed and built to last with a focus on creating shared spaces and environments where communities prosper. Cairn owns a c. 17,000 unit land bank across 35 residential development sites, over 90% of which are located in the Greater Dublin Area ("GDA") with excellent public transport and infrastructure links.