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Cairn Homes plc

Preliminary Results Presentation

Year ended 31 December 2016

09 March 2017

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Agenda

1. Key Highlights
2. Operations
3. Financials
4. FTBs & Affordability
5. Outlook
6. Appendix



Key highlights

Financial

- Total revenues of €40.9 million, up from €3.7 million in 2015;
 - 105 completed sales
- Gross profit of €7.1 million and a gross profit margin of 17.3%;
 - H2 2016 gross profit margin of 17.7% increased from H1 of 16.5%
- Operating Profit (before exceptional items) of €3.6 million (2015: operating loss before exceptional items of €3.8 million)
- The Company intends to seek a primary listing on the Irish Stock Exchange during 2017

Operating

- Currently active on seven sites – Parkside (Malahide Road), Albany (Killiney), Marianella (Rathgar), Churchfields (Ashbourne), 6 Hanover Quay (Dublin 2), Shackleton (Adamstown) and Glenheron (Greystones). Construction is due to commence in Naas in Q2, 2017
- Forward sales of 301 units, with a gross sales value of €121.2 million as of 9 March 2017, with the majority of these forward sales expected to complete in 2017
- Strong customer response across all selling sites, with an increase in weekly sales run rate – up to 19.7 per week in Q1 2017 to date versus 10.0 per week in Q4 2016 and 3.5 per week in Q3 2016. The Company has doubled its build rate to over 250 units and 200 units per annum in Parkside and Ashbourne respectively to meet this increased demand
- Total site acquisition spend of €265.5 million in 2016, following a spend of €489.7 million in 2015 – average core site cost of €53,000. 96% of Cairn's land bank of 12,100 units is residentially zoned or has a live planning consent
- Post year end, successful conclusion of first joint venture agreement with NAMA on a site adjoining our Parkside development
- Company is today supporting over 1,000 new construction jobs across our active sites

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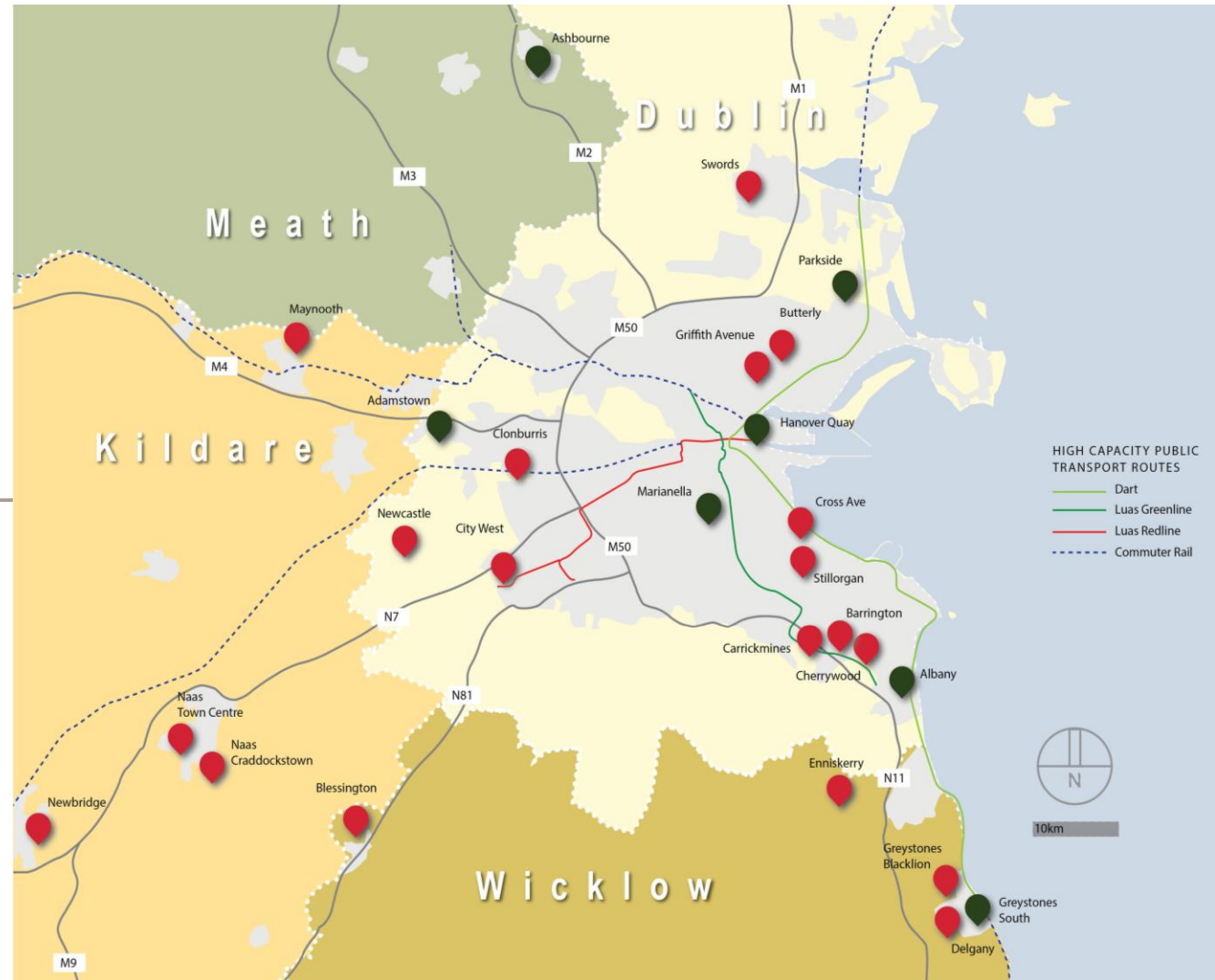
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Core sites – geographic overview and transport connectivity

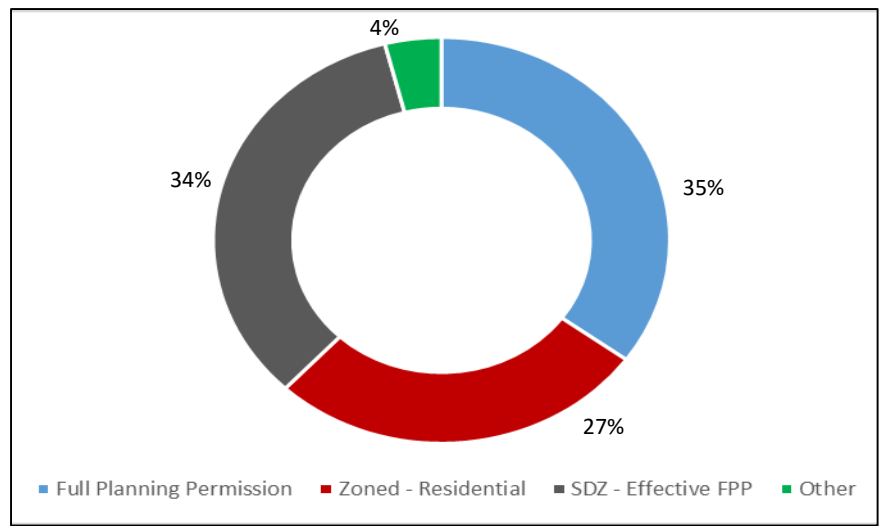
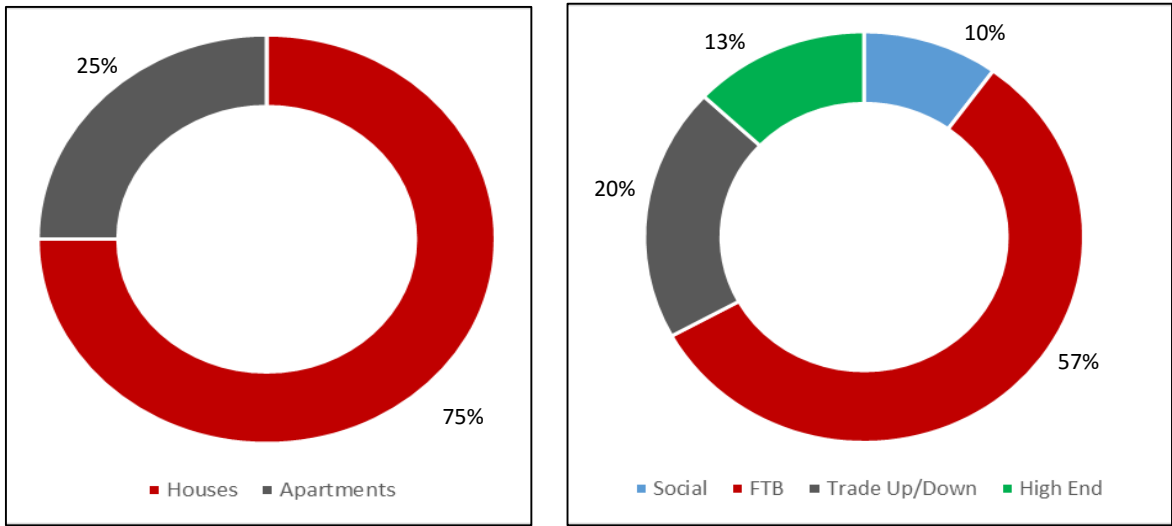
Active Sites – Green (2,800 units)
Remaining Sites – Red (9,400 units)



- Naas Town Centre will commence in Q2 2017
- One/two further site commencements in H2 2017

Land bank analysis

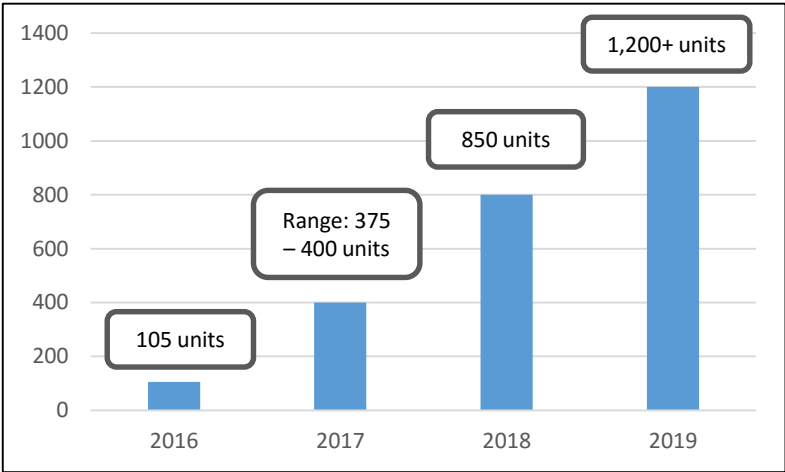
Composition of 12,100 unit land bank



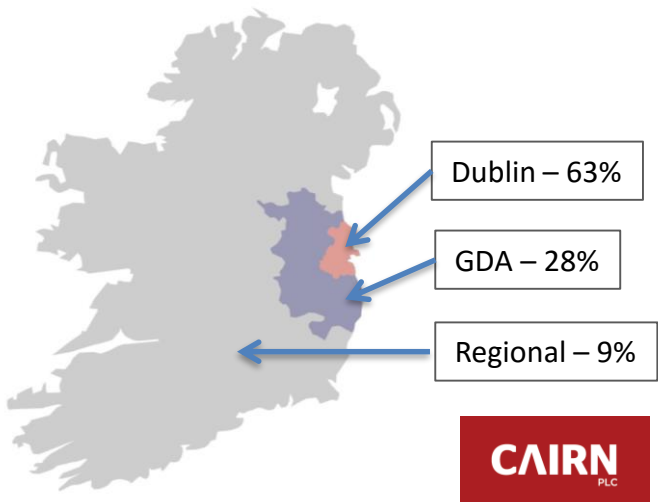
Land bank will generate a projected NDV, assuming no HPI, of €3.4bn:

Average Unit Cost	€53k
Land as a % of NDV	19%
Land Bank NDV (no HPI)	€3.4bn

The pathway to 1,200+ unit delivery by 2019

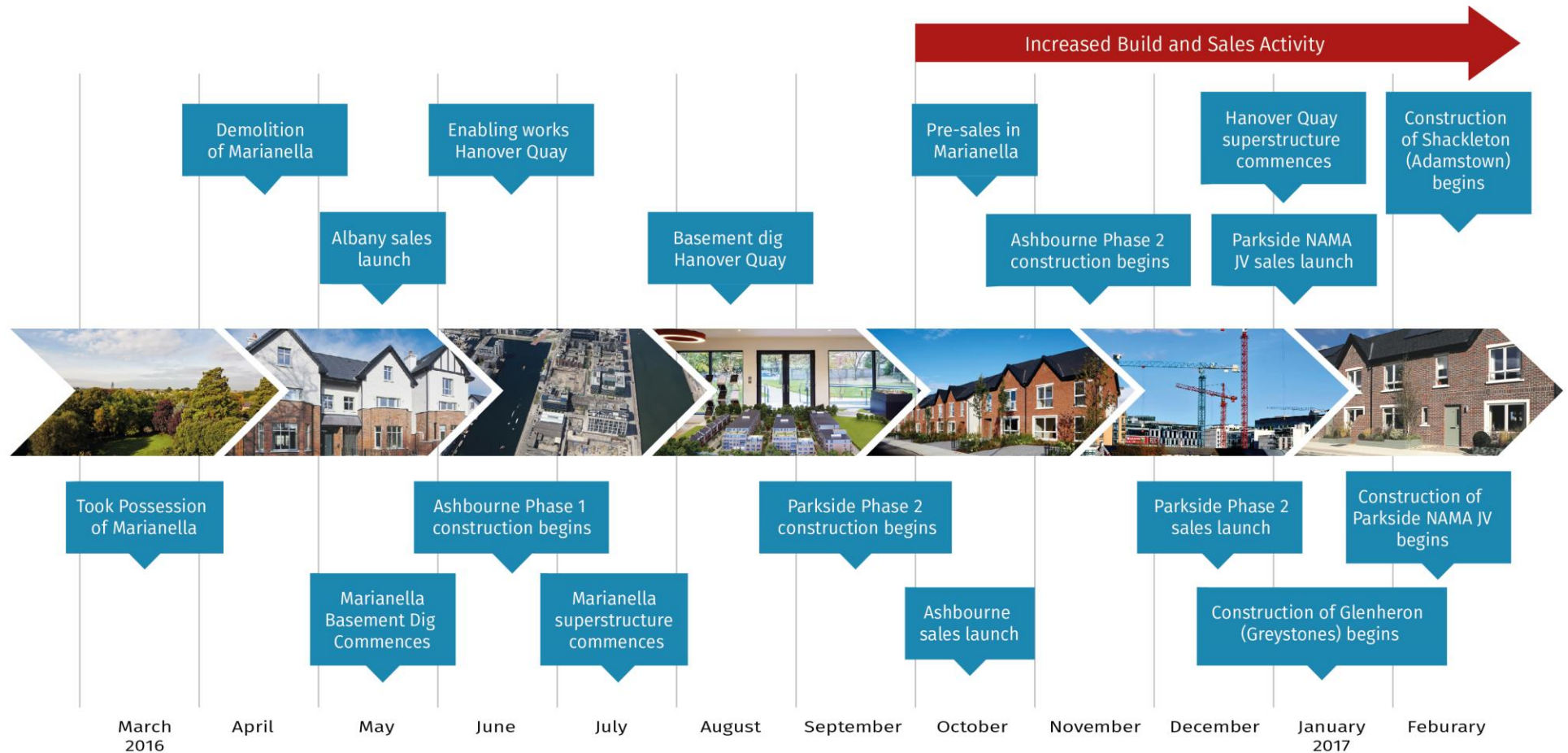


91% of land bank in Dublin and GDA



Scaling our business

Measureable increase in construction and sales activity



The Cairn team and supporting subcontractors

Scaling our business

- Assembled a talented, high calibre and dedicated team to deliver on future growth plans

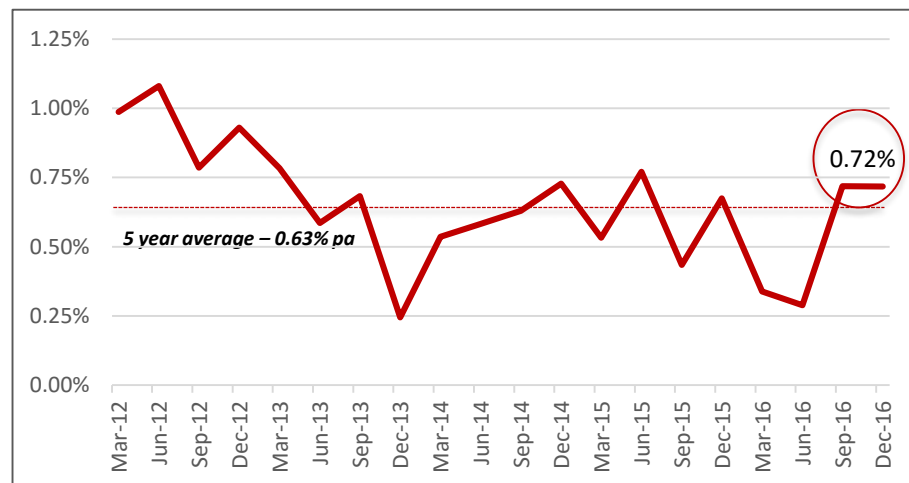


Supporting our subcontractor base

- 285 subcontractors and suppliers are employed across our 7 active sites
- Supporting 1,000 construction jobs across our active sites
- Continued sponsorship of apprenticeship programmes
- Advantages of the Cairn platform to our subcontractors:
 - Security provided by longer duration and larger phase developments (average core site contains > 400 units) allowing them to scale their businesses;
 - Efficient sequencing of trades managed by Cairns experienced site management teams;
 - Regular and prompt payment of invoices;
 - Visible growth prospects on foot of our long-term land bank and line of sight over development pipeline; and
 - Bulk purchasing of materials leveraging off fixed supplier pricing agreed directly between Cairn and suppliers

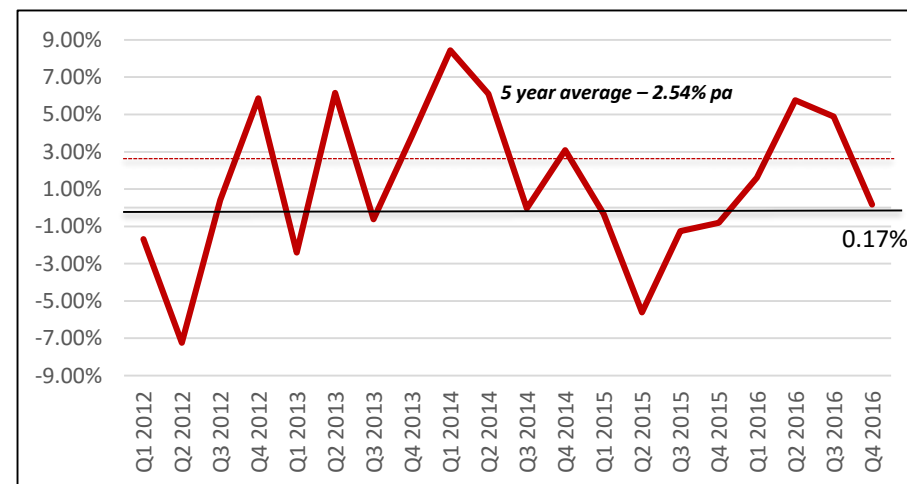
Construction costs

House Building Cost Index



- Cairn has implemented a cost management strategy through volume based procurement
- Limited cost impact intra-phase in both Parkside and Churchfields

Annual Construction Industry Labour Cost Inflation

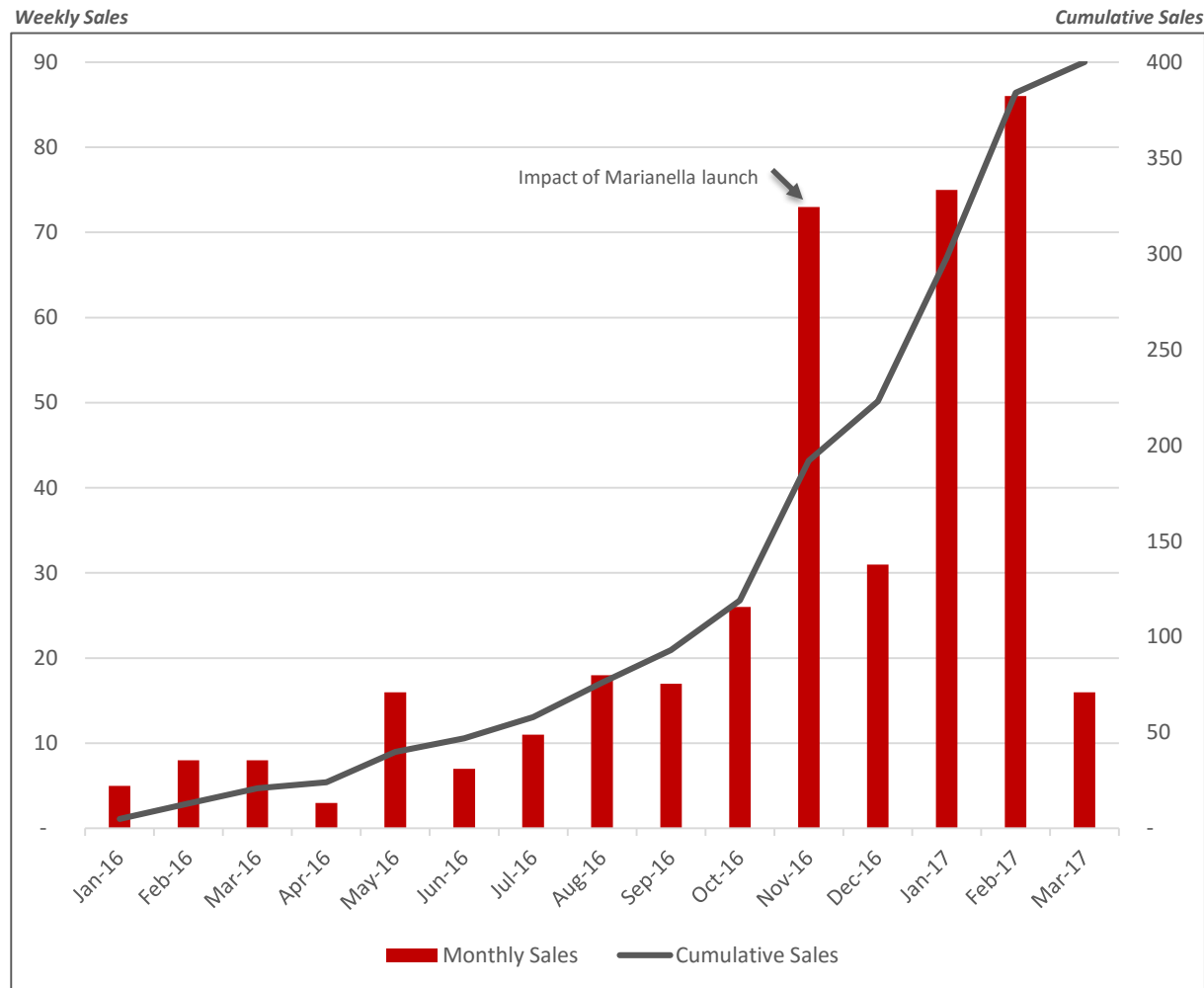


- 75% of total construction costs across Parkside, Churchfields, Marianella and Hanover Quay are contractually fixed and not subject to inflation
- Continuity of work for subcontractors at Cairn's developments of scale acts as a partial hedge against subcontractor labour cost inflation
- Labour accounts for c. 55% of our build costs. Risk on more labour intensive trades (carpentry, plumbers etc) mitigated by material procurement strategy
- Wage inflation is a positive for our business

Source: SCSJ, CSO

Sales performance

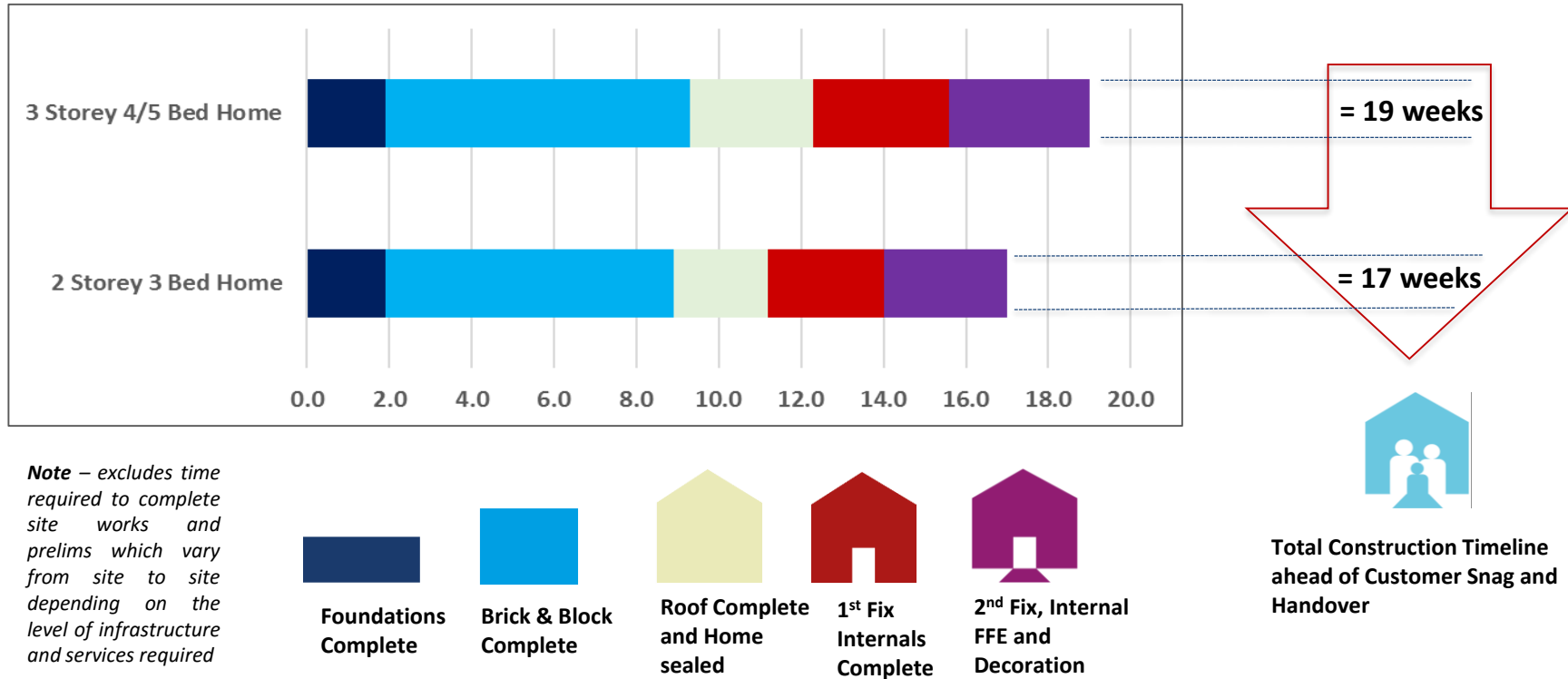
Strong monthly sales trajectory evident



- The graph reflects cumulative sales from:
 - Parkside (launched September 2015);
 - Albany (launched May 2016);
 - Churchfields (launched October 2016);
 - Marianella (pre-sale launch October 2016 – 69 unit sales with a gross sales value of €39.7m)
- 223 unit sales in FY 2016 and 177 unit sales in the year to date
- Average weekly sales run rate of **3.5 units** in Q3 2016, **10.0** in Q4 2016 and **19.7 YTD 2017**
- Two further selling sites, Glenheron (Greystones) and Shackleton (Adamstown), will be added in Autumn 2017 bringing our total number of selling sites to six

Construction life cycle of a Cairn home

- Efficient operating model delivers new homes in under 20 working weeks on average from laying foundations to customer snag:

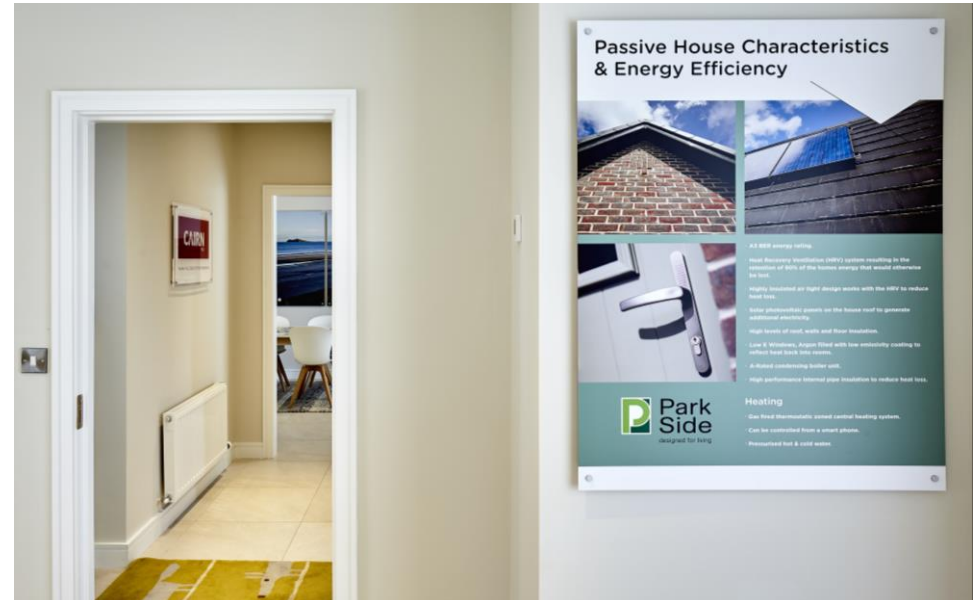


- New homes are delivered through an efficient sub-contracting housing delivery model – core sites teams (average of 5-7 direct staff) manage a team of sub-contractors who operate under design and fit packages

The Cairn brand

At the heart of our business

- Further strengthening of brand positioning through:
 - The high quality of our overall product – the core pillar of our brand proposition;
 - Creation of sustainable, vibrant communities, centred around smart design and high quality landscaped environments;
 - Innovative approach to managing the customer journey through a dedicated team;
 - Looking beyond traditional marketing methods such as on-site 'Information houses' – designed to educate buyers on the energy efficiency and build quality of our new homes; and
 - Harnessing customer feedback to influence design

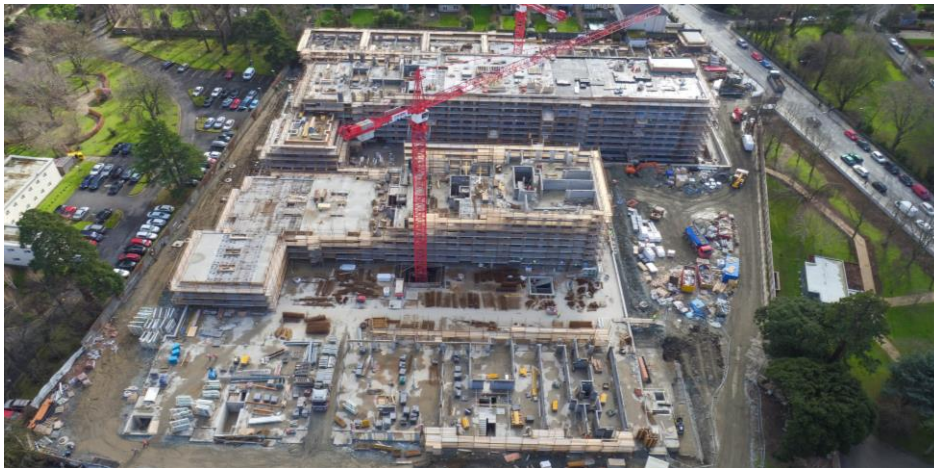


Active sites

Marianella, Rathgar – 234 units



March 2017 – construction on schedule in preparation for formal sales launch in April off Block A show units



Hanover Quay, Dublin 2 – 122 units



March 2017 – basement concrete pour underway



Parkside, Malahide Road – 504 units



Update: Phase 1 complete, Phase 2 construction (212 units including NAMA JV lands) underway

Churchfields, Ashbourne (GDA) – 354 units



Update: Phase 1 construction continuing which will deliver a total of 168 new homes

Glenheron, Greystones (GDA) – 480 units



Update: Construction of Phase 1 (50 units) underway. Final grant of planning for Phase 2 (192 units) is due imminently

Shackleton, Adamstown – 1,095 units



Update: Planning permission received for initial 267 units in a development which will deliver 1,095 new homes. Construction underway with sales launch planned for the forthcoming Autumn selling season.

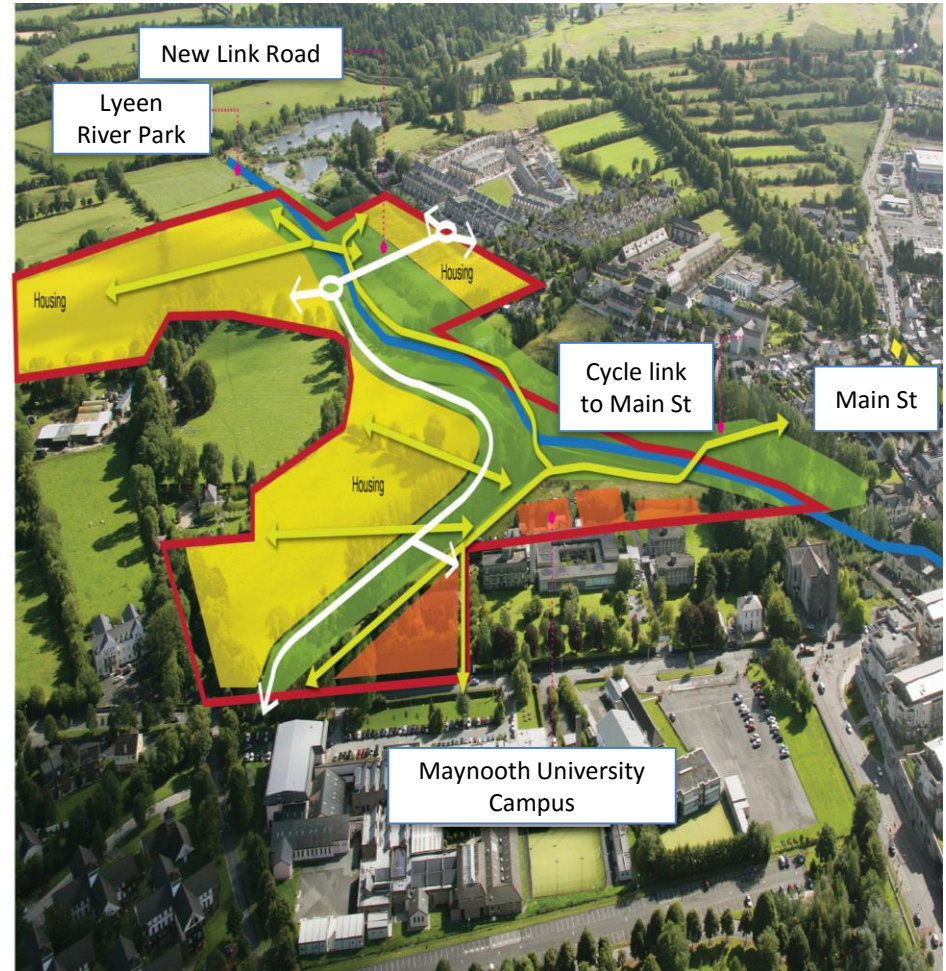
Upcoming Sites

Naas Town Centre, Kildare (GDA) – 450 units



Update: Full planning permission in place for our lands off the South Ring Road and construction is due to commence in **Q2 2017**

Maynooth, Kildare (GDA) – 597 units



Update: Pre-planning meetings taking place in advance of submission of formal planning application

Cherrywood, Dublin (SDZ) – 315 units



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Financial results: Income Statement

Income statement for 12 months ended 31 December 2016

	For year ended 31-Dec-16			For period ended 31-Dec-15		
	Before Except	Except Items	Total	Before Except	Except Items	Total
<i>(all numbers in €'000)</i>						
Revenue	40,906	-	40,906	3,717	-	3,717
Cost of Sales	(33,844)	-	(33,844)	(3,015)	-	(3,015)
Gross Profit	7,062	-	7,062	702	-	702
% margin	17.3%		17.3%	18.9%		18.9%
Other Income	4,425	-	4,425	-	-	-
Admin expenses	(7,841)	(1,356)	(9,197)	(4,492)	(1,086)	(5,578)
Founder Share FV Charge	-	-	-	-	(29,100)	(29,100)
Operating profit/(loss)	3,646	(1,356)	2,290	(3,790)	(30,186)	(33,976)
Net finance costs	(5,105)	-	(5,105)	(1,686)	(1,858)	(3,544)
Profit/(Loss) before tax	(1,459)	(1,356)	(2,815)	(5,476)	(32,044)	(37,520)
Income tax credit			752			312
Loss for the period			(2,063)			(37,208)

Basic loss per share	(€0.003)	(€0.159)
Fully diluted loss per share	(€0.003)	(€0.159)

Commentary

- Revenue of €40.9m predominantly from the sale of 105 houses (€31.0m), €4.5m from the sale of completed Project Clear asset sales and €4.2m from site sales
- Gross operating profit margin of 17.3%, with an operating profit of €7.1m
 - H2 17.7%, H1 16.5%
- Other income of €4.4m mainly comprised of loan related income and a gain relating to expected payments to third parties (relating to Project Clear) that are no longer payable
- Admin expenses of €7.8m
- Operating profit of €2.3m compares to operating loss of €34.0m in 2015
- Exceptional administrative costs of €1.4m, which represent transaction costs relating to the Argentum acquisition
- Finance costs mainly represent the interest on the Group's €200m senior debt facilities

Financial results: Balance Sheet

Balance sheet as at 31 December 2016

<i>(all numbers in €'000)</i>	31-Dec-16 €'000	31-Dec-15 €'000
PP&E & Intangibles	1,379	260
Restricted Cash	27,000	27,000
Non-current assets	28,379	27,260
Loan assets	16,000	382,951
Inventories	727,223	149,331
Deposits paid	-	5,000
Other receivables	17,015	2,962
Cash	45,645	6,551
Current assets	805,883	546,795
Total assets	834,262	574,055
Share capital	794	637
Share premium	697,733	521,390
Share based payment reserve	24,779	29,118
Retained earnings	(58,935)	(53,155)
Total equity	664,371	497,990
Loans and borrowings	148,631	63,543
Derivative liability	-	514
Deferred taxation	5,490	815
Non-current liabilities	154,121	64,872
Trade and other payables	15,770	11,193
Current liabilities	15,770	11,193
Total equity and liabilities	834,262	574,055

Commentary

- Inventories represents all owned sites, WIP spend to date and development land collateral (t/f from loan assets in 2016 totalling €130.9m)
- PP&E & Intangibles increase principally represents spend on Head Office fit-out, various systems/IT costs and site accommodation cabins
- Other receivables mainly includes Vat recoverable (on acquired sites), construction bonds and sundry debtors
- Loans and borrowings represents amounts drawn under the Senior Debt Facilities of €150m – net of debt issue costs
- Deferred taxation represents deferred taxation balances attaching to the Parkside and Argentum acquisitions
- Trade and other payables is principally comprised of VAT payable, various Project Clear related accruals and trade payables
- Total cash of €72.6m (including restricted cash of €27m)
- €50m undrawn Revolving Credit Facility as at 31 December

Financial results: Cash Flow Statement

Cash Flow Statement for 12 months ended 31 December 2016

<i>(all numbers in €'000)</i>	Year ended 31-Dec-16	Period ended 31-Dec-15
EBITDA	2,466	(3,772)
Increase in inventories	(151,105)	(105,521)
Decrease in loan assets	26,768	(382,951)
Increase in deposits paid	-	(5,000)
Increase in receivables	(3,796)	(2,048)
(Decrease)/Increase in payables	4,464	8,186
Net cash used in operating activities	(121,203)	(491,106)
Acquisition of Argentum	(86,074)	-
Cash acquired on acq. of Argentum	818	-
Cash acquired on acq. of Emerley Holdings	-	1,963
Purchases of PP&E & Intangibles	(1,310)	(213)
Interest received	89	114
Transfer to restricted cash	-	(27,000)
Net cash used in investing activities	(86,477)	(25,136)
Proceeds from issue of share capital, net of issue costs paid	167,716	480,174
Proceed from borrowings, net of debt issue costs	99,285	64,375
Repayment of loans	(15,500)	(18,130)
Interest paid	(4,727)	(3,626)
Net cash from financing activities	246,774	522,793
Net increase in cash and cash equivalents	39,094	6,551
Cash and cash equivalents at the beginning of the period	6,551	-
Cash and cash equivalents at the end of the period	45,645	6,551

Commentary

- Increase in inventories represents further 2016 acquisitions (Hanover Quay, Maynooth, Cherrywood, Delgany, Enniskerry, Blackhall Place and Cork Street), plus spend on live sites, less sales releases
- Decrease in loan assets relate to Project Clear loan settlements
- €86.1m represents the 2016 cash payments on the Argentum acquisition - €5m was paid in 2015
- April placing and open offer raised gross proceeds of €176.5m – total share issue costs of €8.8m (incl. payment of some 2015 costs)
- A further €100m was drawn down under the terms of the Senior Debt Facility, with the previously drawn RCF €15.5m repaid during the period
- Interest paid of €4.7m represents interest and commitment fees on the Senior Debt Facility

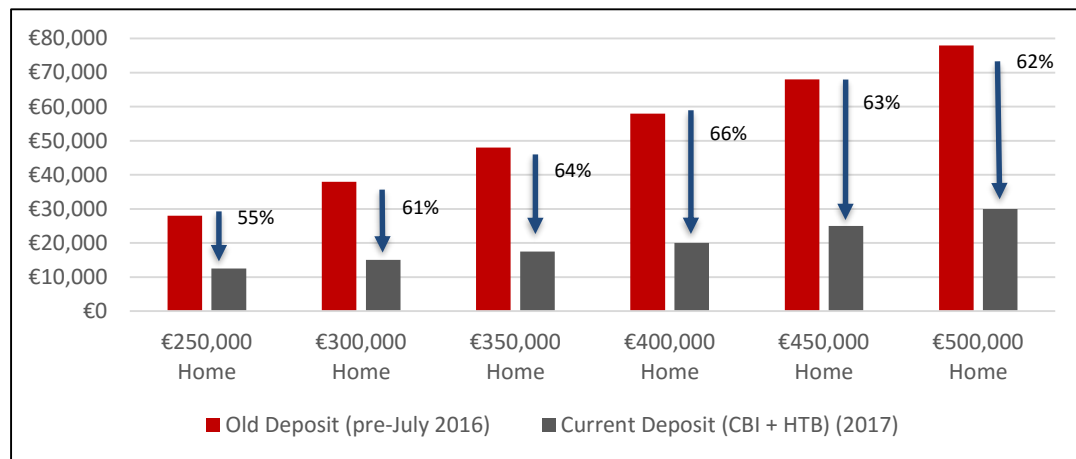
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Supply side measures delivering mortgage-backed FTBs

- The loosening of the CBI mortgage rules (now 90% LTV unlimited) and the launch of the Help to Buy income tax rebate scheme (capped at €20,000) have materially reduced FTB deposit requirements:



Significantly reduced timeframe for FTBs
home ownership is driving supply

- The CBI and Help to Buy measures have converted prospective FTBs into more immediate mortgage-backed FTBs (mortgage approvals by value + 53% YoY to January 2017 driven by FTBs + 77%)
- Dublin requires 10,000 new residential units per annum against just 4,234 completions in 2016:

	2014	2015	2016	Total
New Home Completions	3,268	2,891	4,234	10,393

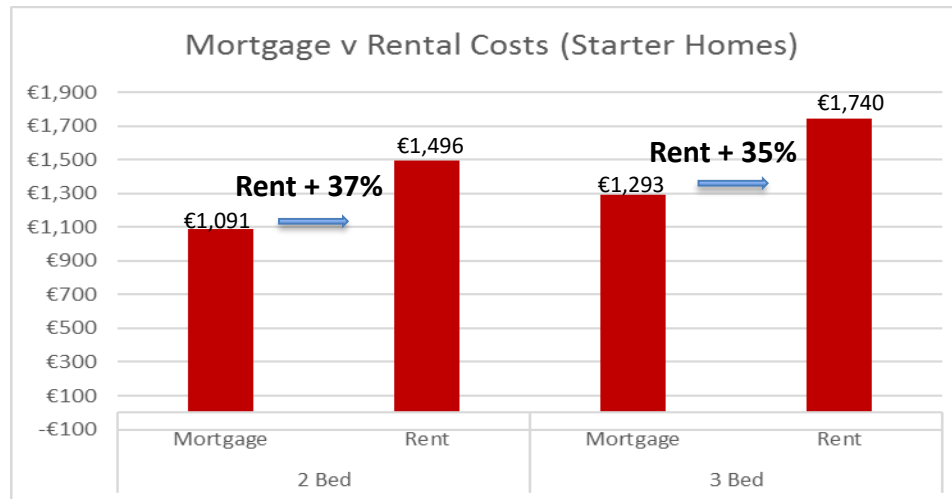
2016
Demand Shortfall
10,000 (5,766)

- The number of newly constructed homes in multi-unit developments in 2016 is estimated at below 2,500 (as per Property Price Register registrations)

Home ownership is more affordable than renting

Under-supply driving rental growth

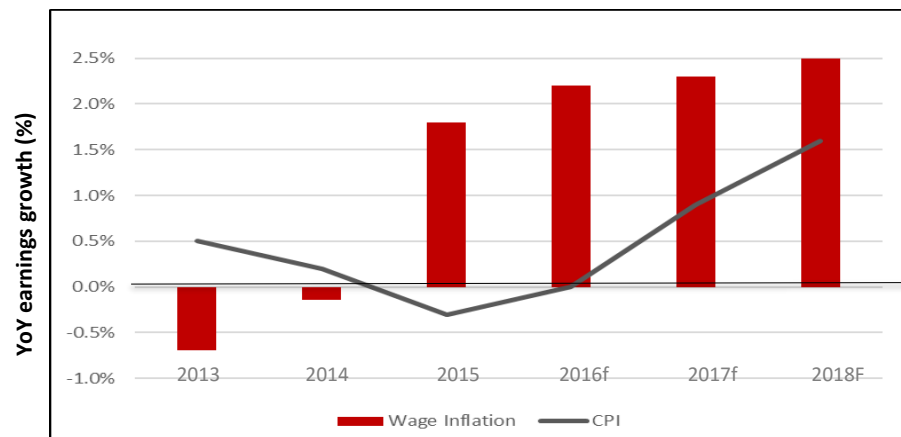
- Under-supply of housing has resulted in significant growth in rental prices with over 51% growth nationally since 2012
- Rents in Dublin are now **14% above 2008 peak, up 15% YoY to December 2016 and up almost 65% from their lowest point in 2010**
- Fewer than 4,000 units for rent in Ireland at the start of February 2017 (and 1,600 units in Dublin equating to < 2 weeks supply) – down from 24,000 in 2009
- At the starter home end of the Dublin market, the cost of renting an average 3 bed house in Dublin is now **35% more expensive** than servicing a mortgage on the same unit while it is 37% more expensive to rent a 2 bed apartment (assuming 90% first time buyer LTV, 3.60% variable interest rate on a fully amortising 30 year term):



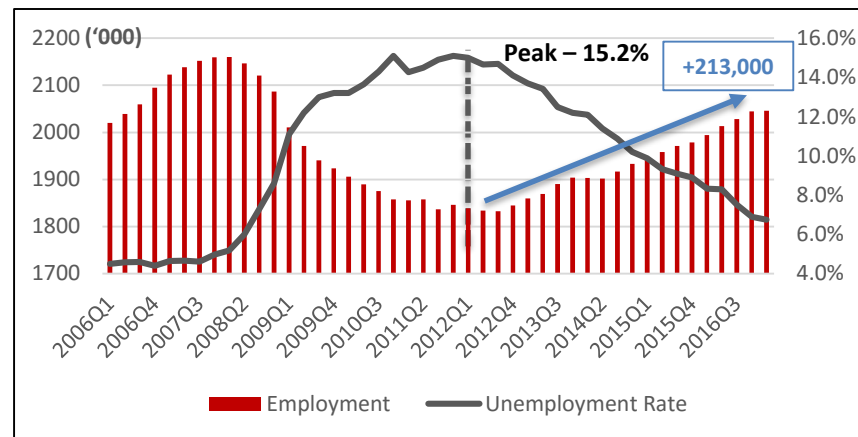
Note – assumes €270,000 purchase price for a 2 bed apartment and €320,000 purchase price for a 3 bed home

Other affordability drivers

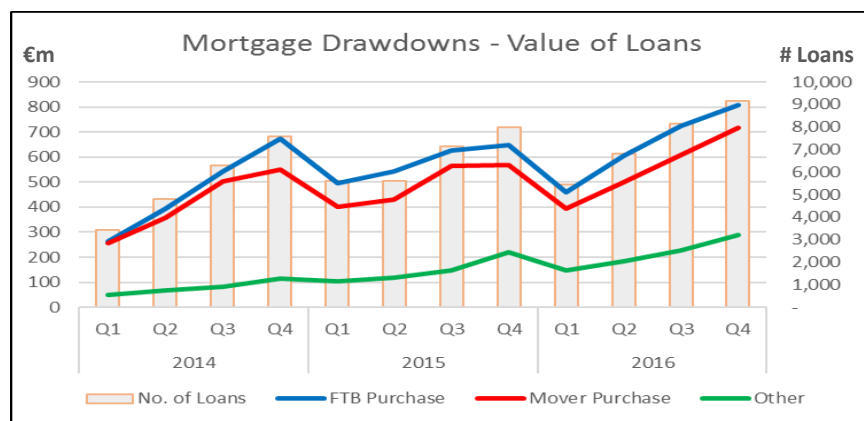
- Upward trend in earnings growth



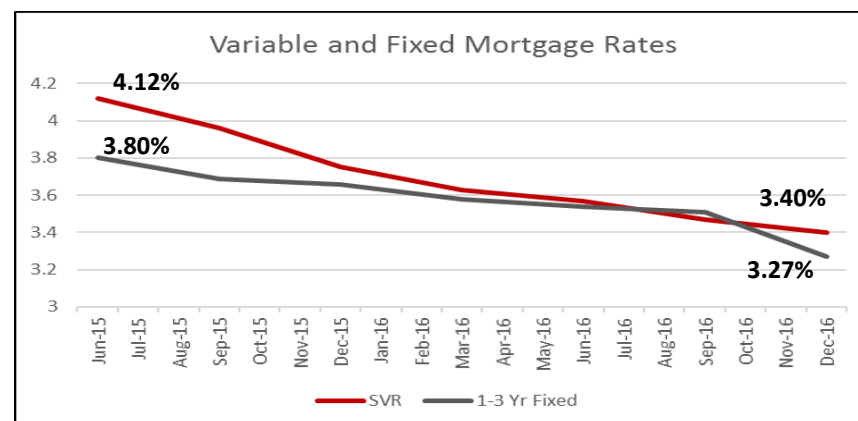
- Unemployment down to 6.6% in February 2016



- Mortgage drawdowns strengthening



- Mortgage rates reducing



Source: CSO, BPF, CBI

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Outlook



Overall economic, regulatory and political environment continues to improve in Ireland



Pent up demand for good quality homes in attractive locations



Mortgage market conditions continuing to improve



Scalable business model – ability to immediately respond to market demand



Active on seven sites with three more site commencements before the year-end



Strong sales momentum - forward bookings continues to strengthen and underpins confidence in targets



Cash flow positive in Q4 2017

Further strong progress in 2017

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Overview of CBI rule changes and Help to Buy

Loosening of CBI mortgage rules

- The CBI published its review of its macro-prudential mortgage rules in November 2016 - the modest loosening of the rules positively impact on First Time Buyers ("FTB"):

	Existing	Amended
FTBs	90% LTV up to €220k, 80% LTV thereafter - 15% of lending allowed above this	90% LTV (no threshold) - 5% of new lending above 90% LTV
Non FTBs	80% LTV - 15% of lending allowed above this	80% LTV - 20% of lending allowed above this
All - LTI	Max. 3.5 times income - 20% of lending allowed above this	Max. 3.5 times income - 20% of lending allowed above this

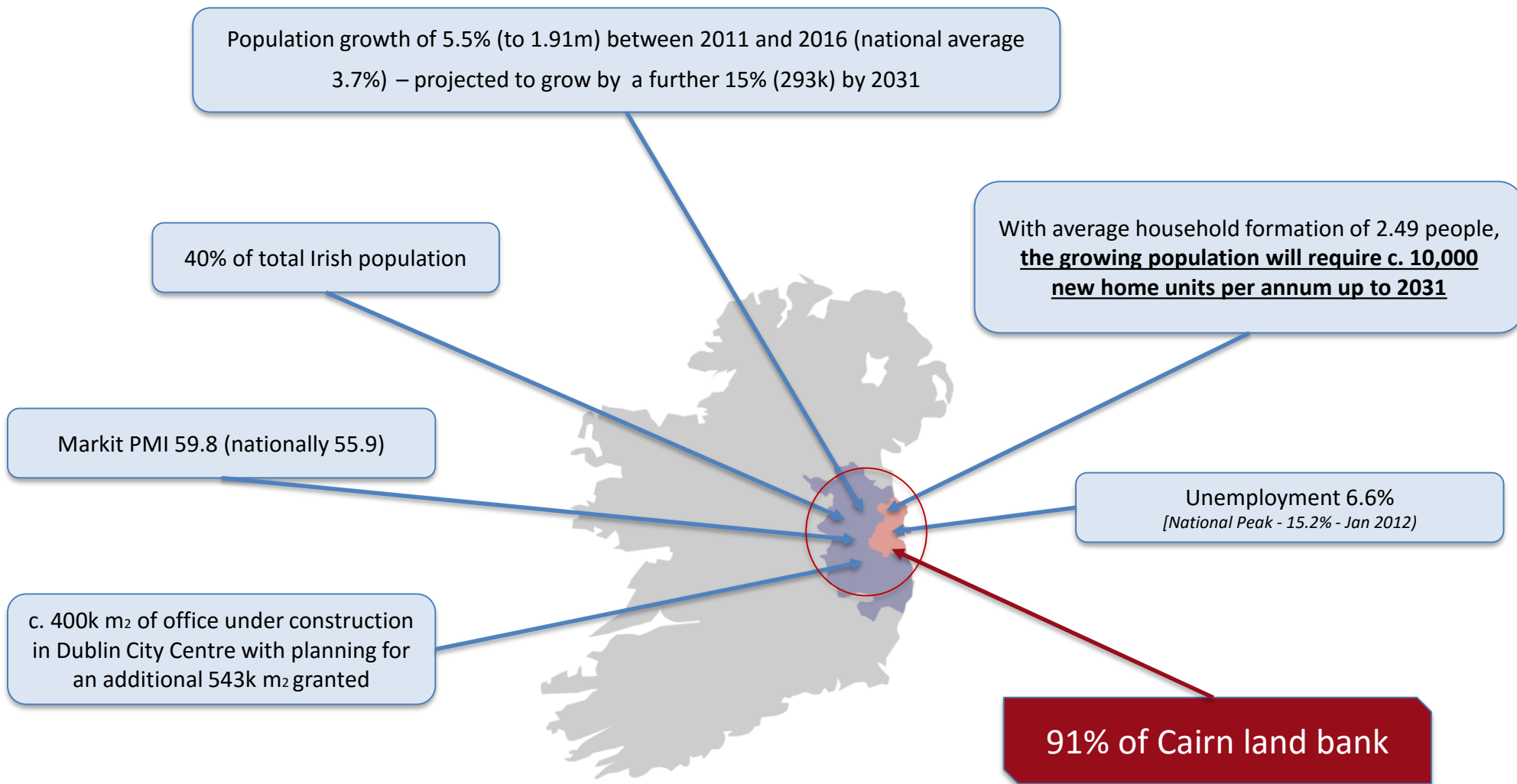
Note: LTV = Loan to Value
LTI = Loan to Income
Amended rules applicable since 01 January 2017

Launch of Help to Buy tax rebate scheme

- The government launched the FTB Help to Buy ("HTB") income tax rebate scheme in January 2017
- HTB was initially announced as part of the Action Plan on Housing and Homelessness launched in July 2016 and formalised through Budget 2017
- The incentive is designed to assist **FTBs** obtain the deposit required to purchase **new homes only** and provides for a refund of Income Tax paid over the previous four tax years
- The income tax rebate is capped at €20,000 and applies to all new homes valued up to €500,000
- This is a 3 year scheme, back-dated to 19 July 2016, which will run to the end of 2019. Applicants must take out a mortgage of at least 70% of the purchase price to qualify

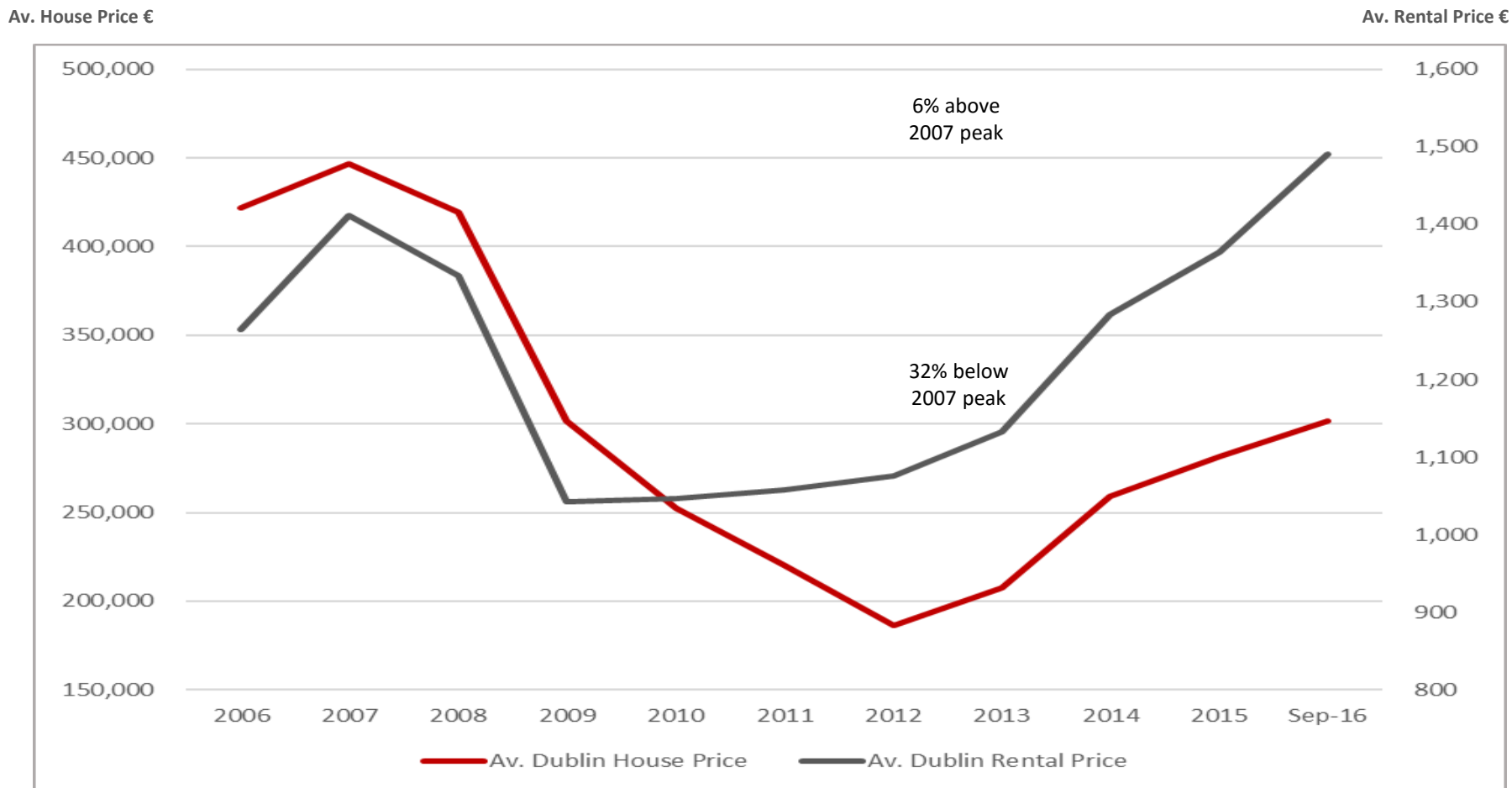
Source: CBI, Revenue.ie

Greater Dublin Area – the engine of the Irish economy



Source: CSO Census 2016 (Preliminary) and Regional Population Projections 2016-2031, Markit Manufacturing PMI December 2016, CBRE

Dublin residential price recovery v's rental price recovery



Source: CSO, Daft.ie

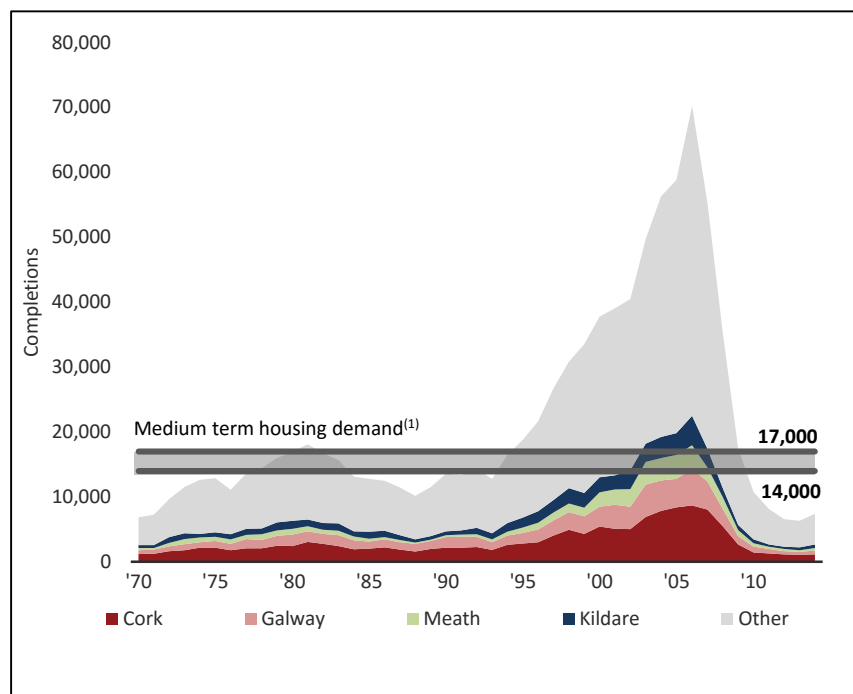
Note: Average rental price for Dublin is calculated as the average price quoted for each of the six listed Dublin districts in the Daft.ie quarterly rental report Q1 2006 – Q4 2016 inclusive.

Demand continues to significantly exceed supply

- Completions are significantly below medium term demand in Dublin and the Rest of Ireland. While the Dublin market recovery more pronounced, 2016 output was still significantly behind medium term housing demand levels

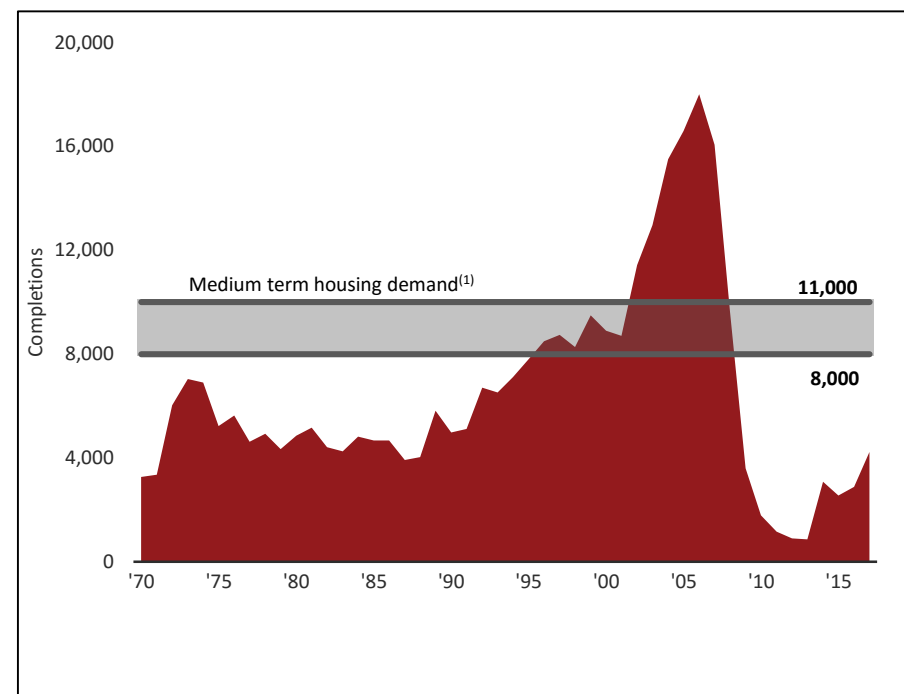
Rest of Ireland

- 2016 completions 10,698 are + 923 (9.4%) on 2015 levels



Dublin

- 2016 completions 4,234 are +1,343 on 2015 levels



Source: Department of Housing, Planning, Community and Local Government.

Note: Total house completions based on the number of new dwellings connected by ESB Networks to the electricity supply. Dublin includes Laoghaire-Rathdown, Fingal and South Dublin County Councils and Dublin City Council. Cork and Galway include County and City councils.

Data up to and including Q4 2016

(1) Medium term housing demand 2016-2021 (estimated), Goodbody (Irish Property, September 2014).

A sustainable house-building economy.....

Housing Completions v Economy

As outlined in the tables below, the Irish housebuilding sector built and sold an average of 23,871 units per annum in the pre-Celtic Tiger 20 year period to 1995. To put this into context, the Irish economy is now over 3 times larger and employment has increased by 60% since 1995, yet 2016 housing completions of 14,932 units are only 63% of the 1975-1995 average annual output.

<u>House Completions</u>	<u>1975</u>	<u>1985</u>	<u>1995</u>
ROI	19,103	17,164	21,752
Dublin	7,789	6,784	8,823
Total	26,892	23,948	30,575



<u>1975-1995 Average</u>
17,222
6,649
23,871



<u>Estimate Current</u>
10,698
4,234
14,932

<u>Economy</u>	<u>1975</u>	<u>1985</u>	<u>1995</u>
Employment ('000)	1,084	1,097	1,282
GNP (Real - €bn)	43.9	52.9	77.1
Interest Rates	11.3%	13.0%	7.0%



<u>Now</u>
2,048
252.0
3.6%

Source: Goodbody, CSO, Department of Housing, Planning, Community and Local Government