

CAIRN

Investment in growth

Cairn Homes plc

2022 Interim Results Presentation

2022 Interim Results Presentation – 8 September 2022



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01

H1 2022 Highlights & Review



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Harpur Lane, Leixlip

H1 2022 Key Highlights – KPIs

Strongest Ever H1 Sales Performance

547

Closed sales (36% of FY22 guidance)

1,988

Current closed and forward sales with a net sales value in excess of **€760m**

Revenue and Operating Profit

€240.3m (+84%)

Revenue from core activities

€36.2m (+209%)

Operating profit and an operating margin of **15.1%**

On Target for Current Year Guidance

1,500

Closed new home sales

€600m+

Revenue

21.5%

Gross margin

€100m

Operating profit

€115m

Minimum shareholder returns

Investment in Growth

€78m

Net investment in WIP in H1 with **€346m** invested in our scaling construction activities

€64m invested in new sites in H1

Construction Meeting Demand

5

New site commencements in H1, growing to 7 year to date

22

Active site nationwide supporting over **3,000** full-time positions

Competitive Average Starter Home Sales Prices

H1 2022 Average Selling Prices*

Sales	Units	ASPs €'k				Revenue
		Starter Homes	Trade Up/Down	Apartments	Overall	
H1 2022	547	330	509	472	439	€240.3m
H1 2021	403	327	458	301	324	€130.4m
<i>Movement</i>	+36%	+1%	+11%	+57%	+35%	+€109.9m



Realisable demand further improved by newly launched Government support

5

Cairn developments where FTBs have availed of the First Home scheme to date

Competitive starter home price points achieved by continuing to drive significant efficiency and innovation through our supply chain, partnerships and business operations

Macroeconomic Backdrop

In the context of the current considerable cost of living increases and unpredictable energy markets, the fundamentals of the Irish economy as one of the best performing in Europe are expected to provide some resilience to the housing market:

Ireland's Economic Performance is a Key Differentiator



Population

Has grown by **362,000 (7.6%)** since 2016, including **2.2%** in 2021 to **5.12m**

Employment

2.55m in employment today from **2.08m** in 2016 (**+23%**). Growing faster (**+476,000**) than our population

Exchequer Returns

Surplus of **€6.3bn** in the eight months to August 2022 (compared to a **deficit** of **€6.7bn** in 2021)

Household Savings

Household deposits grew by **€28.1 billion** between **March 2020** and **June 2022**

Capitalised Banks

Average **core tier 1 capital ratio** of **16%** in our main domestic banks

Mortgage Market

FTB approval volumes (c. 30k) are **19%** ahead of drawdowns in the year to **June 2022**

Underpinned by Supportive & Impactful Government Policies



Housing for All

10 year Government strategy with **€20bn** committed capital funding to 2025

Shared equity loan

Launched in July 2022. Equity stake of up to 30% (reducing by 10% with Help to Buy)

Help to Buy

Enhanced scheme continuing for the remainder of 2022 with **80,000+** applicants since launch

Croí Cónaithe

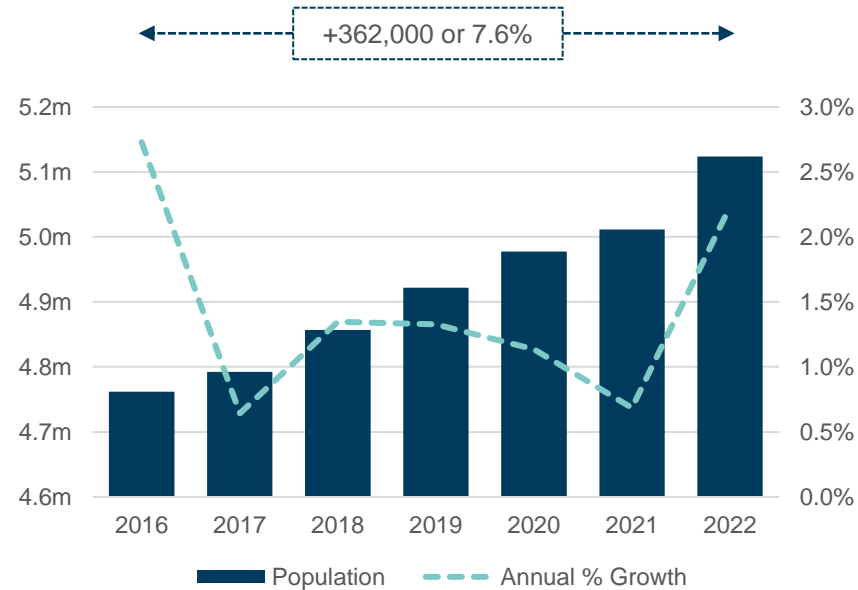
€450m to fund delivery of owner occupier apartments with subsidy of up to **€140k** per unit

Government target: **300,000** new homes to be built in Ireland by **2030**

European Commission forecasts Irish GDP growth of **5.3% 2022** and **4.0% in 2023**

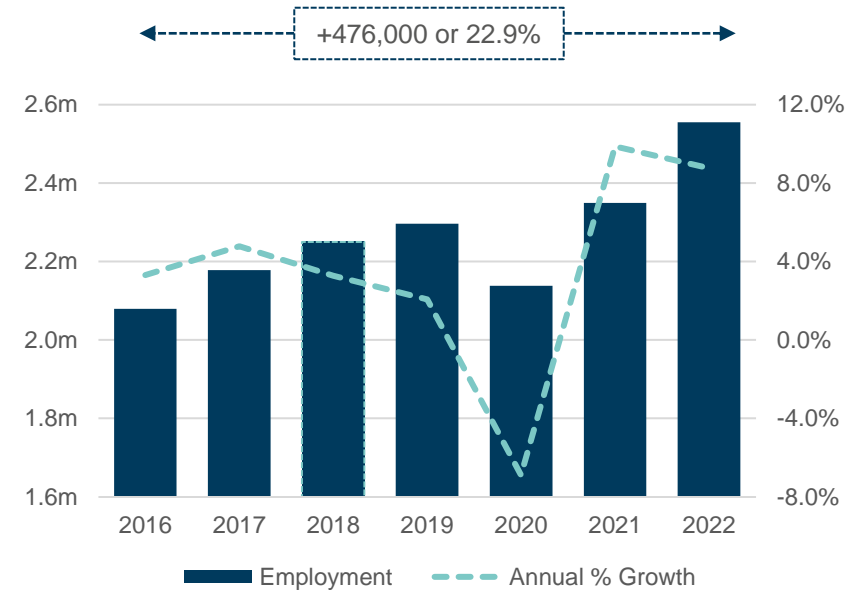
Population and Employment Growth Underpinning Demand

Fastest Population Growth in EU27



- Average annual population growth of 1.3% (EU27: 0.1%, UK: 0.5%)
- Net migration of 190k people in the six years

Record Employment Growth*



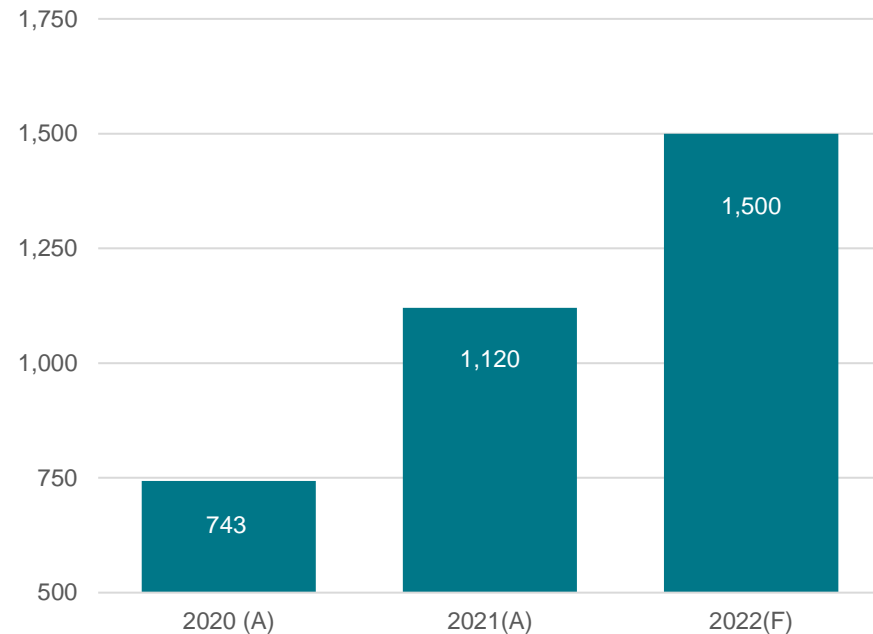
- 66% of all migrants in the six-year period had third level qualifications which supported the growth in employment

1.3 jobs created for every 1 person increase in our population between 2016 and 2022

Playing a Leading Role in Providing Housing Solutions Across All Tenures

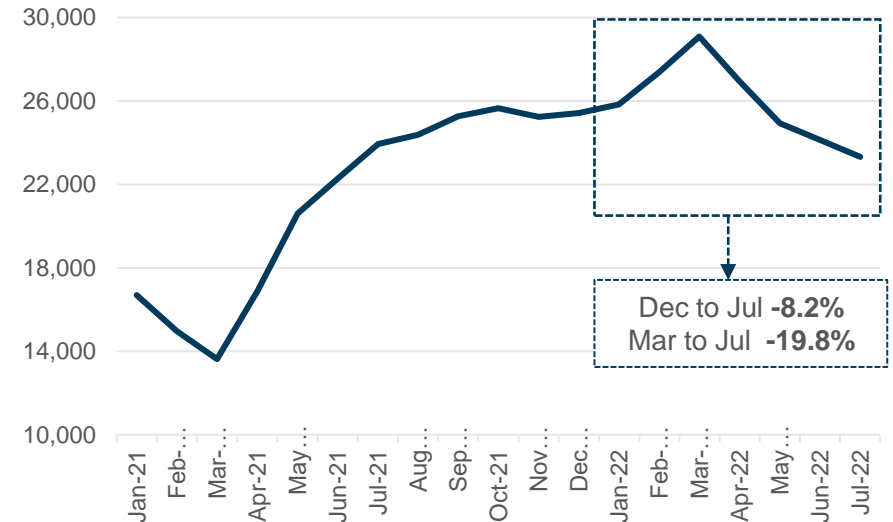
Our Growth Trajectory

New Home Completions



Industry Annual Rolling New Home Commencements*

New Homes

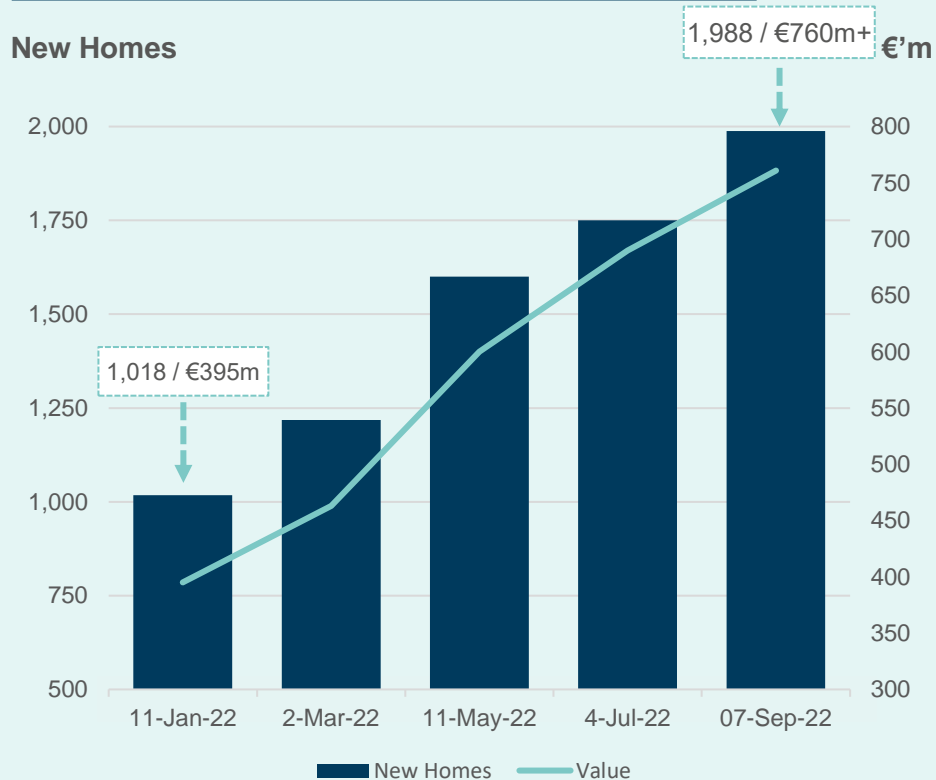


**Cairn 2022 : 7 sites started and
>10% of total YTD market commencements**

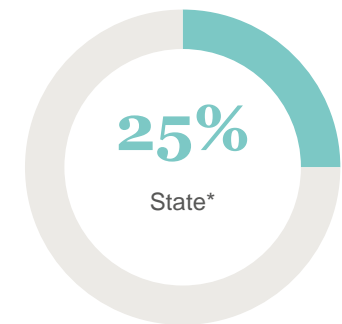
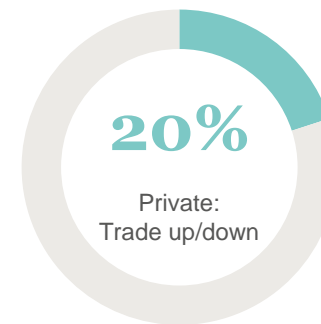
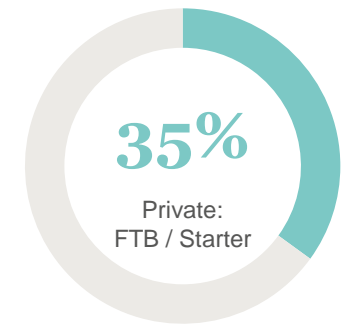
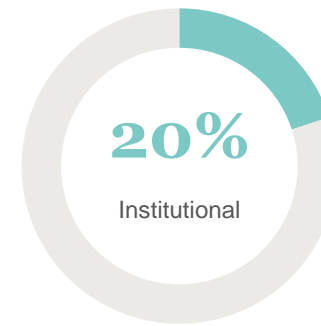
**Strong year-on-year growth in Cairn completions will continue in 2023 and see us deliver
5,000 to 5,500 new homes between 2022 and 2024**

Demand For Our Product Strong Across All Buyer Profiles

2022 Growth in our Closed and Forward Order Book





Buyer Profile of Sales

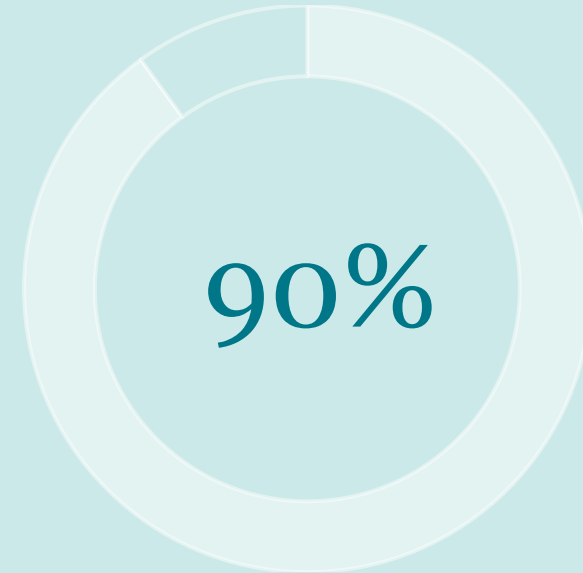


Over 25,000 customers on enquiry lists for Cairn's current developments

We Get Planning – We Build Straight Away

Fast Track Planning Has Supported Our Growth

	Applications	Units
 Successful SHD and SDZ planning grants	25	7,900
 Commenced	23	7,100



Of our guided unit volumes to 2024 have Full Planning Permission

27 development sites are currently forecasted to deliver our 5,000 to 5,500 closed sales guidance in the three years to 2024
The Company are currently active on 22 of these sites

Driving Delivery Efficiencies in an Inflationary Environment

Increasing Productivity & Efficiencies Strategic initiatives in managing build cost inflation:

- 01** **Product development:** advancing OSM (off-site manufacturing), MMC (modern methods of construction) and design with supply chain partners
- 02** **Assembly:** faster assembly in a more productive off and on-site environment
- 03** **Scale and track record:** Cairn continues to be Ireland's largest self-build developer of apartments, which are a critical requirement of Ireland's future housing stock
- 04** **Standardisation:** through our Library of Homes, delivering productivity improvements through repeatability
- 05** **Production Controls:** measuring on-site performance to drive productivity and more efficient delivery
- 06** **Lean Construction Principles:** adaption across production teams becoming more important as we scale

€17,500 - €20,000 (7 – 8%) expected cost increase for each new home built for **2022** across infrastructure, labour and materials – the impact of energy costs remains a key risk

Case Study – Innovation and Productivity

Library of Homes

- An important element of our delivery strategy continues to be standardisation
- We have a Library of Homes which we use to form the design and delivery of our schemes
- The internal layout and each of our house types are broadly identical
- Front elevation changes and tweaks to specification and finishes depending on price points are the only differentiating factor
- Assembly on and off-site replacing construction will continue to drive our innovation agenda

Cairn Three-Bedroom Semi Detached New Home: Five Different Elevations on the Same House Type



Hawkins Wood



Graydon



Archers Wood



Mercer Vale



Harpur Lane

Standardisation and technology driving innovation and productivity

Clonburris – An Ambitious New Suburb for 25,000 Residents in Dublin

25,000

Residents to be housed

9,000

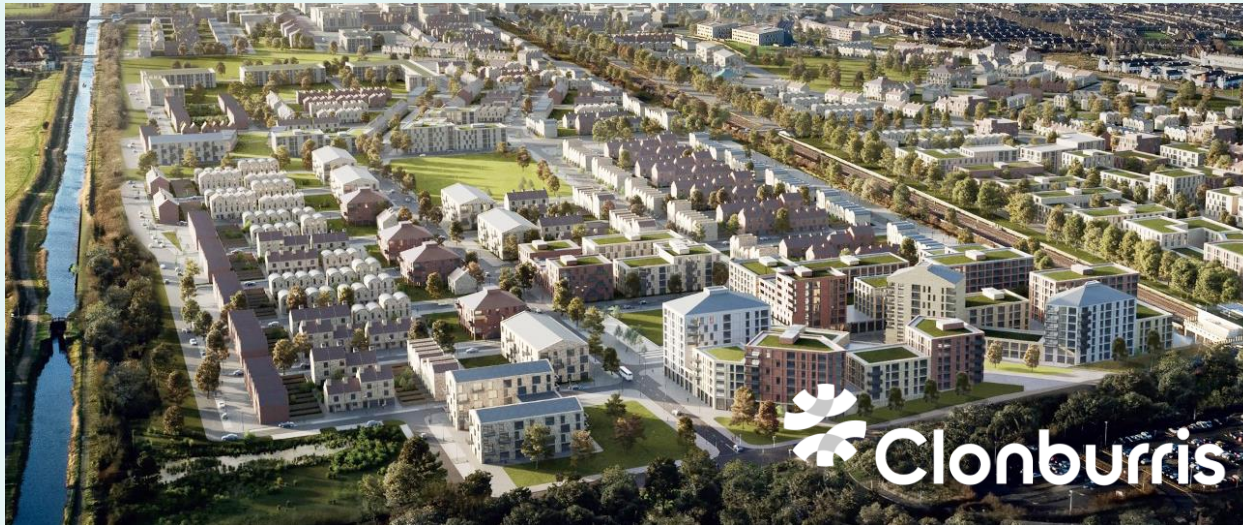
Mixed tenure homes

10,000

Jobs in commercial and retail

13km

From Dublin City Centre

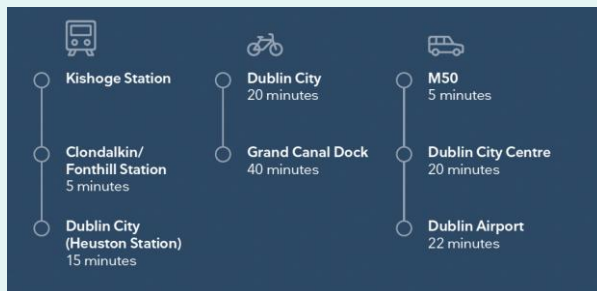


Social Amenities

- 8 new schools
- 10 creches
- 90 hectares of parks
- 12.5km of walkways and cycleways
- 3.3km canal frontage
- 2 train stations serving Dart+ South West

Community / Civic

- Community centres
- Local community / youth activity
- Places of worship
- Public library
- Health centre
- Fire station



Multi-annual infrastructure
Government grant of
€186m
approved

02

H1 2022 Financial Results & Guidance

CAIRN

Phase 3, Citywest

H1 2022 Financial Performance

	June 2022 Unaudited	June 2021 Unaudited	Movement
	€m	€m	
Revenue	240.4	130.6	+84%
Cost of sales	(188.7)	(106.4)	+77%
Gross profit	51.7	24.2	+114%
<i>Gross margin %</i>	21.5%	18.5%	+300bps
Opex	(15.5)	(12.5)	+24%
EBIT	36.2	11.7	+209%
<i>EBIT margin %</i>	15.1%	8.9%	+620bps
PBT	31.8	7.6	+318%
PAT	27.1	6.4	+323%
EPS	3.8 cent	0.9 cent	+2.9 cent
Net assets	727.9	759.2	
NAV per share	104 cents	101 cents	
Land at cost	667.5	676.2	

Significant profit generation supporting meaningful shareholder returns

Ongoing WIP Investment Driving Forward Sales Pipeline

Closed & Forward Sales Pipeline (as at 7 September 2022)

	Units	Revenue
H1 2022 – closed sales	547	€240m
H2 2022 – forward sales	929	€346m
2023 – forward sales	512	€175m
Total closed and forward sales pipeline	1,988	€761m

1.5X

Cover of €346m
WIP investment

Ongoing strategic investment in WIP driving positive business momentum

Balance Sheet as at 30 June 2022

	30 June 2022 Unaudited	31 December 2021 Audited	Change
	€m	€m	
Land held for development	667.5	671.7	
Construction work in progress	346.0	268.3	€77.7m
Other receivables	42.2	29.9	
Other assets and liabilities	(101.7)	(81.6)	
Net assets (excluding net debt)	954.0	888.3	
Net debt	(226.1)	(109.5)	(€116.6m)
Net assets	727.9	778.8	
Balance sheet KPIs			
Shareholder distributions	82.7	39.9	€42.8m
Debt to GAV	25.2%	15.3%	
Total			+€3.9m

Syndicate Refinance – Maintaining Total Debt Facilities at €350m

Sustainability Linked Facility

- €277.5 million syndicate refinance completed after period end in **July 2022**
- Maturity in **June 2027**
- Sustainability linked facility where targets are **linked directly to key elements of our sustainability strategy**:
 - decarbonisation
 - biodiversity
 - carbon
- Business has maintained **€350 million in long-dated debt facilities** following refinance

Refinance linked to our vision to lead the future of homebuilding in Ireland by valuing people, building responsibly and creating vibrant, sustainable communities

Driving Delivery Efficiencies – Supply Chain Collaboration

- Over **90%** of forecast **c. €450m** spend procured for **2022** and c. **60%** procured on active sites for **2023**
- Many of the **commodity prices peaked in H1**, notwithstanding energy price volatility
- **Leveraging our scale** with **c. €1.4bn** procurement in the three years to 2024
- **Broadened the depth of our supply chain** as scaled regional expansion progresses
- Increased the number of our **strategic and preferred partners by over 30%**
- Strong security of labour and supply, particularly with **core building products and materials**

€17,500 - €20,000 (7 – 8%) expected cost increase for each new home built for **2022** across infrastructure, labour and materials – the impact of energy costs remains a key risk

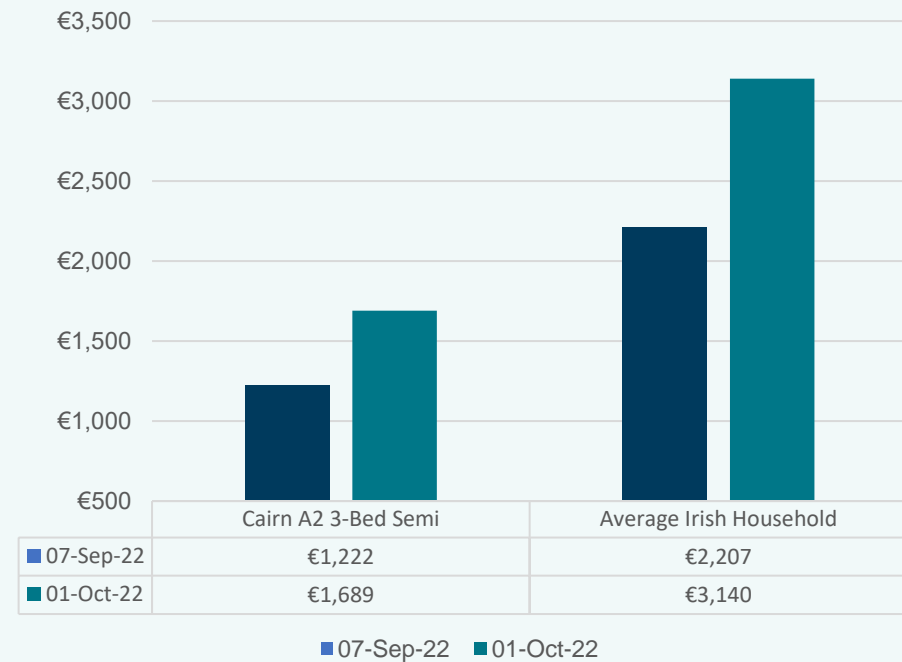
The Energy Efficiency of a Cairn A2 Rated New Home

Significant energy cost savings with an A2 rated home

- Our new homes have a **minimum A2 BER** (Building Energy Rating) and are **nZEB compliant** (Nearly Zero Energy Buildings)
- Using **current energy rates** (VAT inclusive) and recently announced October 2022 price increases, the energy costs of our homes are:
 - **€985 per annum cheaper** than an equivalent C2 rated home
 - **Increasing to €1,451 per annum** from October
- This analysis is based on a comparison to average house and energy consumption data from the **Central Statistics Office** and the **Commission for Energy Regulation** for an average Irish household (which has a C2 BER)

(Refer to page 34 for detailed assumptions)

€985 less expensive today, increasing to €1,451 in October 2022



Energy costs €120 a month less expensive for a Cairn A2 rated new home from October 2022

First Home Shared Equity Scheme Launched – Impactful Initiative for FTBs

	2021 Help to Buy	2022 First Home & Help to Buy
Cairn average starter home price (incl. VAT)	€375,000	€375,000
Help to Buy (lower of €30k or 10%)	€30,000	€30,000
Deposit from own funds	€7,500	€7,500
Shared equity	-	€75,000
Mortgage (A)	€337,500	€262,500
Salary required (A / 3.5x)	€96,429	€75,000
Monthly mortgage repayment (B)	€1,438	€1,044
Net monthly income (C)	€6,051	€5,131
DSR (B / C)	23.8%	20.3%

Including cost of living challenges, the monthly disposable income of a FTB previously renting increases by over €1,000 whilst also paying towards an asset they own 80% of

Average Monthly Rent For an Equivalent Home

€2,000+

Impact of 20% Shared Equity on a €375k Starter Home

Reduced salary from **€96k** to **€75k** required c. 150,000 households in Ireland earn between **€75k** and **€95k**

Reaffirming Increased March 2022 Full Year Guidance

FY 2022

Revenue & Sales Volumes	In excess of €600m 1,500 sales completions
Gross Margin	21.5%
Operating Profit & Margin	€100m c. 16.5% from core operating activities
Shareholder Returns	Minimum €115m (with €95m committed to date)
ROE	11%

Continued Growth to 2024

Three Years to 2024

Sales Volumes

5,000 to 5,500

ROE

11% in 2022 growing to 15% in 2024

Operating Cashflow *

€500m after investment in WIP for future growth

The positive trajectory of our business will sustain and we will continue to lead the market in the delivery of much needed new homes

03

Leading Sustainably



Progress in Implementing our Sustainability Strategy

Tracking our 2022 Sustainability Commitments

- Published our inaugural Sustainability Report in April 2022
- SBTi Scope 1, 2 and 3 committed in January 2022
- New sites with biodiversity improvements measured in line with international best practice
- Social and Environmental metrics linked to remuneration
- Expanded our 'Home Together' initiative
- Established a Sustainability Forum to target specific green initiatives, including biodiversity net gain, for Clonburris, a new town where we will deliver 5,500 new homes from 2023
- Refreshing our Materiality Assessment which was originally completed in 2020 to confirm which priorities remain most important to our stakeholders



04 Outlook



2022 and Medium-Term Outlook



Economy

strong fundamentals expected to provide some resilience to the housing market



Market

demand for new homes driven by demographics and strong employment

1,500
completions

€600m+
revenue

21.5%
gross margin

€100m
operating profit

c. 16.5%
operating margin

€115m
minimum

shareholder returns



15% ROE

in 2024



5,000 – 5,500

new home sales completions in the three years to 2024



Impactful Government Policies

focused on social and affordable housing and providing greater access to new homes for first time buyers

05

Appendices



2022 Sustainability Progress

People

Engagement

- Marked improvement in both eNPS score and response rates underpinning strong employee engagement in 2022

Equality, Diversity & Inclusion

- LGBTQ+ Allyship session held with all employees
- External speaker presented to our leadership team and all senior managers on unconscious bias

Health & Safety (“H&S”)

- H&S Initiative Awards launched to recognise and reward subcontractors for Excellence in Health, Safety & Environmental Practices
- Mental Health First Aiders (“MHFAs”) increased from 20 (2021) to 36, with all receiving two days training from MHFA Ireland

mental health first aid
IRELAND



Homes



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



We have committed to setting **SBTi targets** for Scope 1, 2 and 3 aligned to a 1.5 degree Celsius future

Ongoing focus on **offsite manufacturing** with the successful launch of prefabricated balconies and improved standardisation of timber frames with increased offsite elements, including roof trusses, reducing waste and emissions from transport to site

We advanced our **Light Gauge Steel (LGS)** capability across three new developments with apartment blocks and duplex buildings utilising this methodology

Carbon Disclosure Project submission completed July 2022. Grade B awarded for 2021

Places

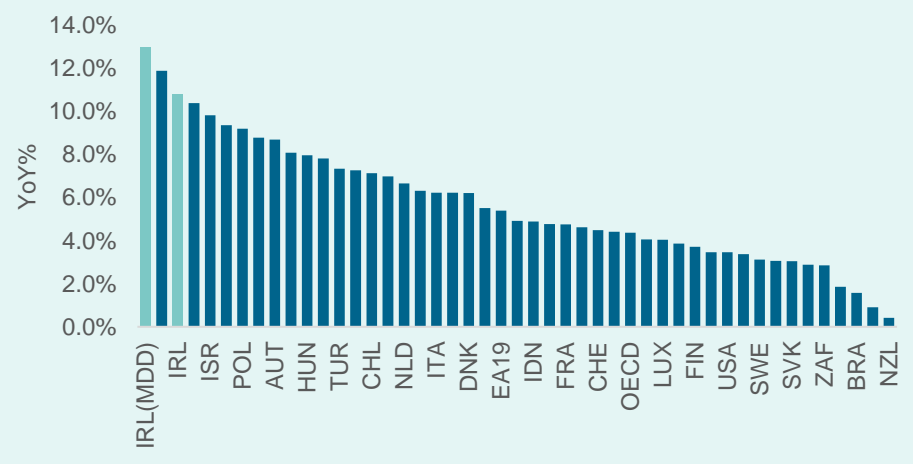
- All of our new developments are subject to **Biodiversity Assessments** and a commitment to protecting biodiversity - targets aligned to best practice are included within our 2022 remuneration framework
- Meaningful initiatives to add more habitats to our developments include our **nesting box project** completed in collaboration with Birdwatch Ireland at Archers Wood



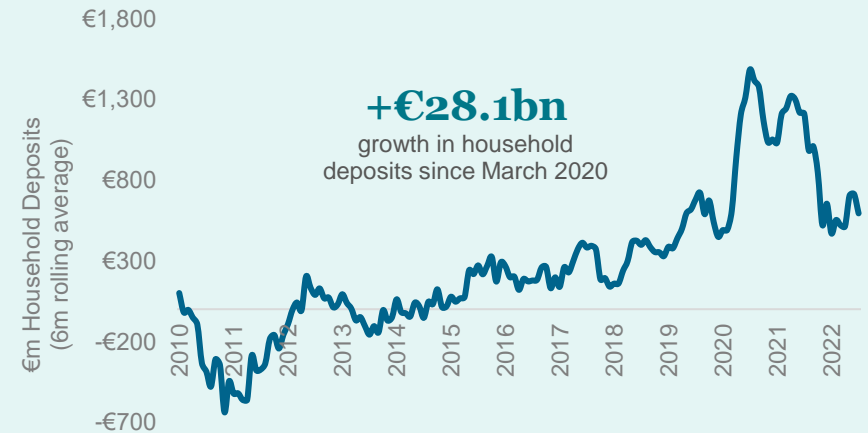
- As part of **Heritage Week 2022** we welcomed over 300 people to our site in Blessington where the Irish Archaeology Consultancy took the public through the dig site, their process, and the archaeological items they have found to date
- We expanded and extended **Home Together Initiative** to three new developments; **Whitethorn, Donnybrook Gardens** and **Graydon**

Demand Drivers

Strong momentum entering expected tougher economic period



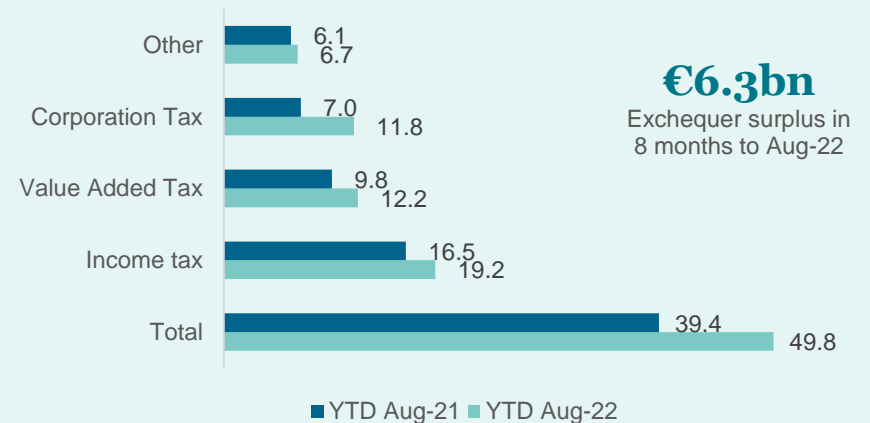
High level of monthly household savings



Record employment levels continue in Q2 2022

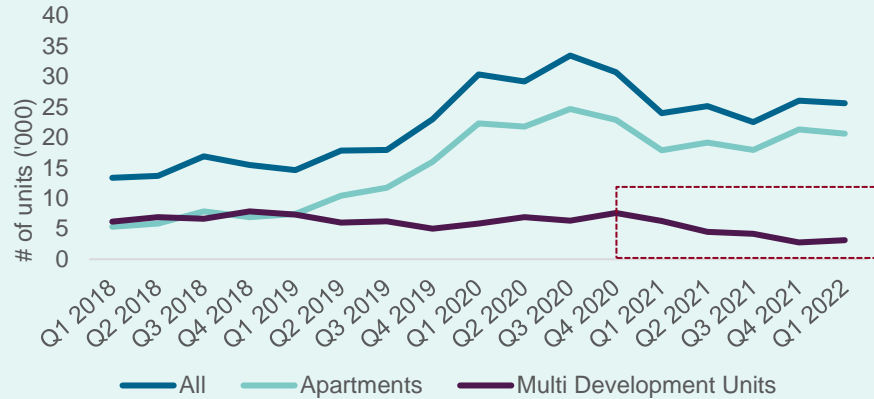


Record exchequer receipts to August 2022

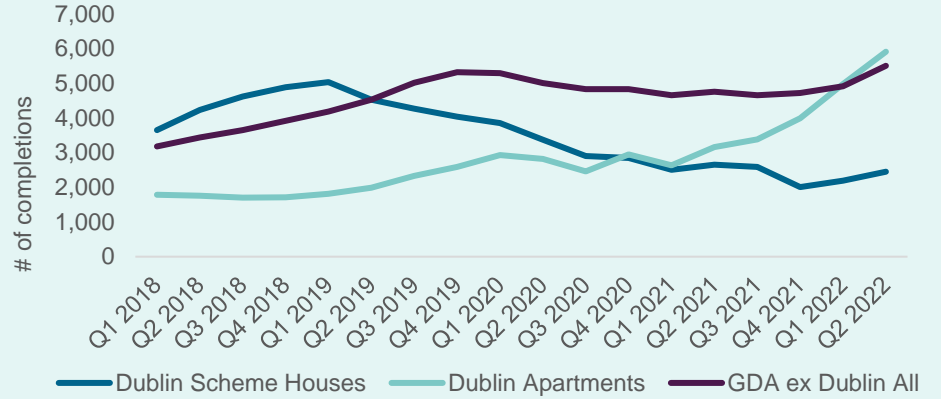


New Homes Supply Indicators

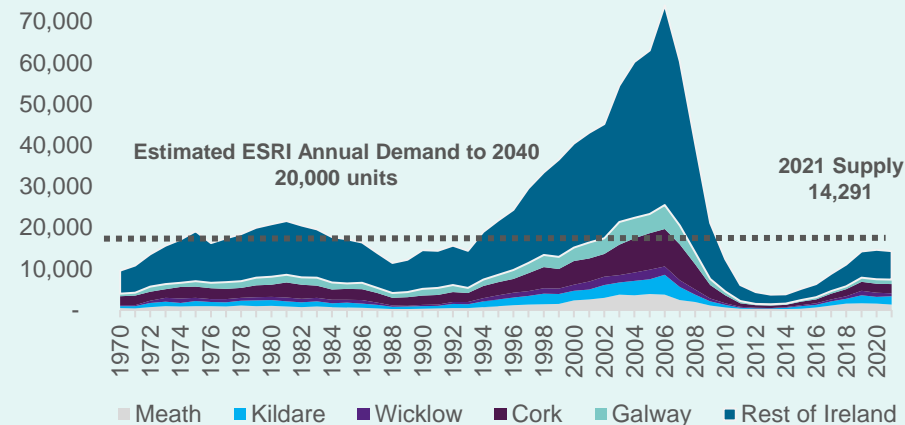
GDA housing planning grants still falling (12m rolling)



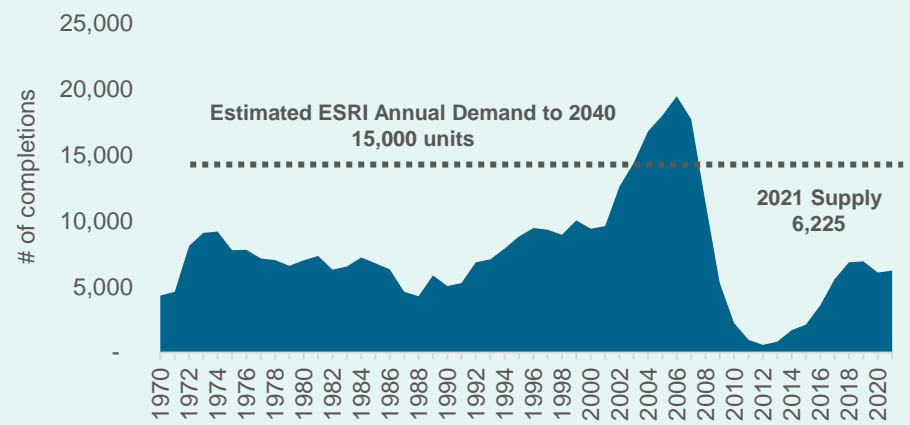
Dublin housing completions still challenged (12m rolling)



Rest of Ireland – a historic supply perspective



Dublin – a historic supply perspective

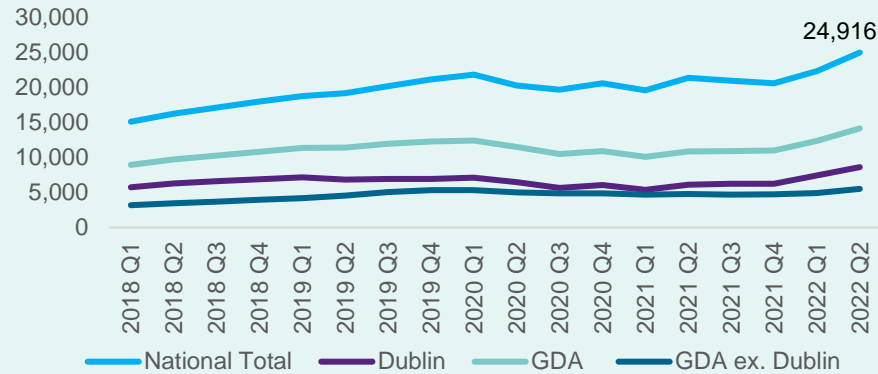


Source: CSO, Department of Housing, Planning, Community and Local Government, ESRI

New Homes Supply Indicators (contd.)

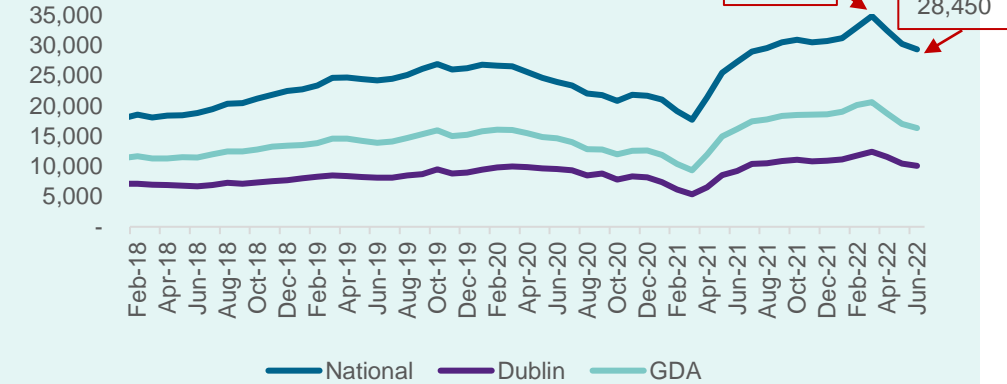
Completions

Rolling 12m Total



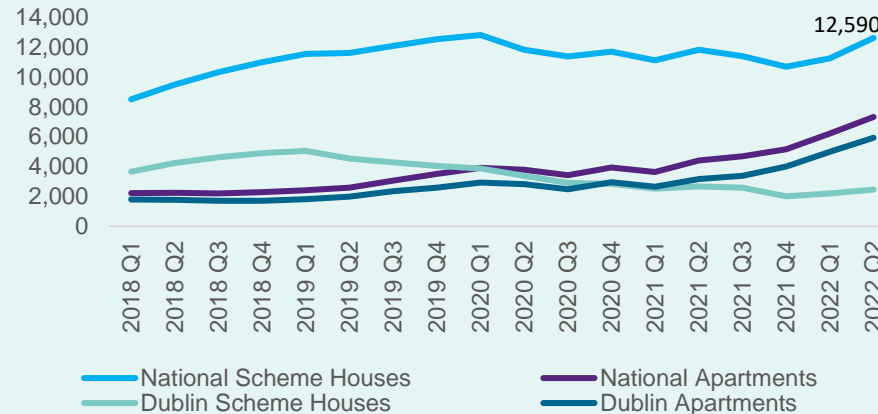
Commencements – down 18.4% between March and July 2022

Rolling 12m Total (incl. one-off)



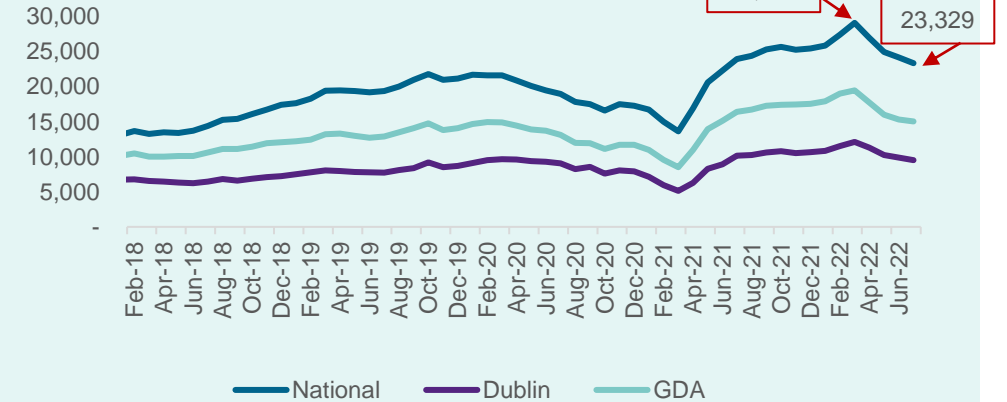
Completions: more apartments and less houses in Dublin

Rolling 12m Total



Commencements (excl one-off) down 19.8% in the same period

Rolling 12m Total (excl. one-off)

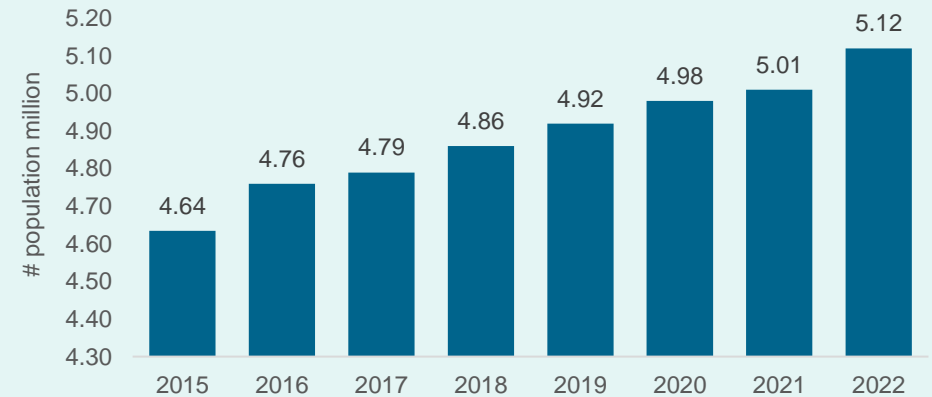


2022 Census Indicates Higher Population Than Forecast

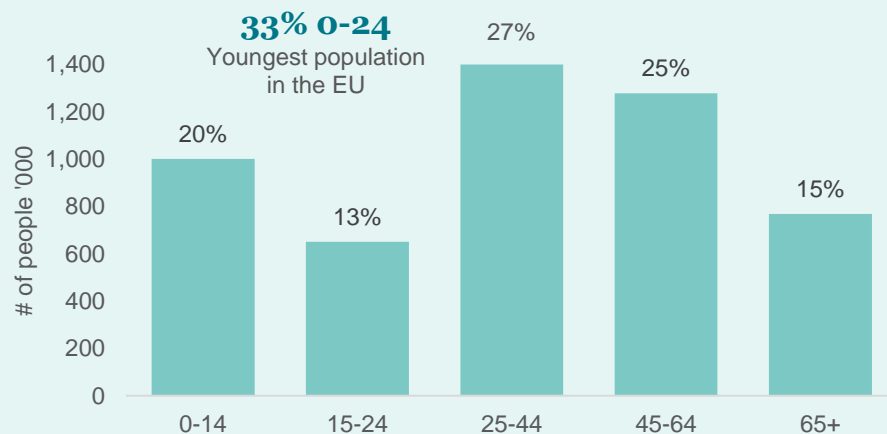
Strong population growth

- Population of 5.12m as at April 2022, the highest since 1851, an increase of 7.6% since Census 2016
- The ESRI forecast population growth to 5.6m by 2040, however this forecast may now already be out of date given the higher than anticipated preliminary 2022 census population results
- Net migration of 190k people since 2016, accounting for 52% of our population increase
- The number of third level educated immigrants, nearly all of whom will require housing, moving to Ireland increased significantly in 2022

Average 1.3% annual population growth since 2015



Irish 2022 population by age category



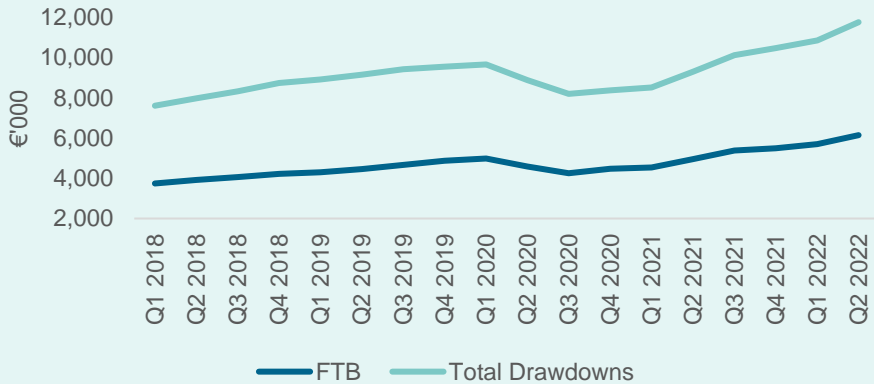
Immigration of third level educated immigrants has increased significantly



Mortgage Market

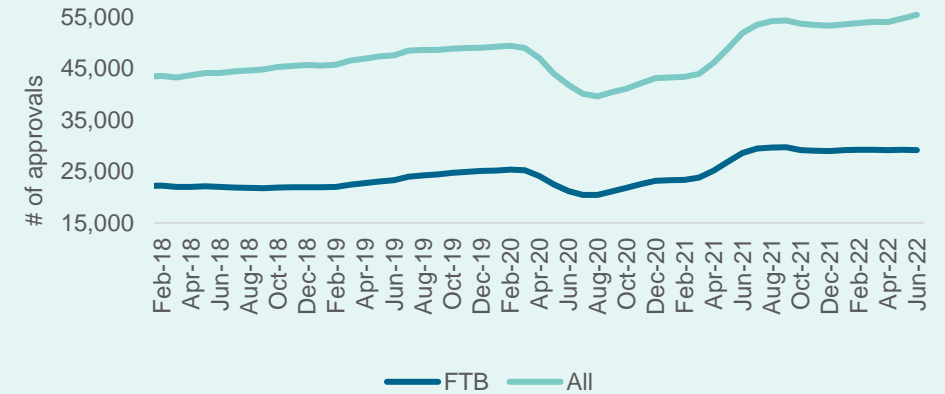
Mortgage drawdowns

Rolling 12m

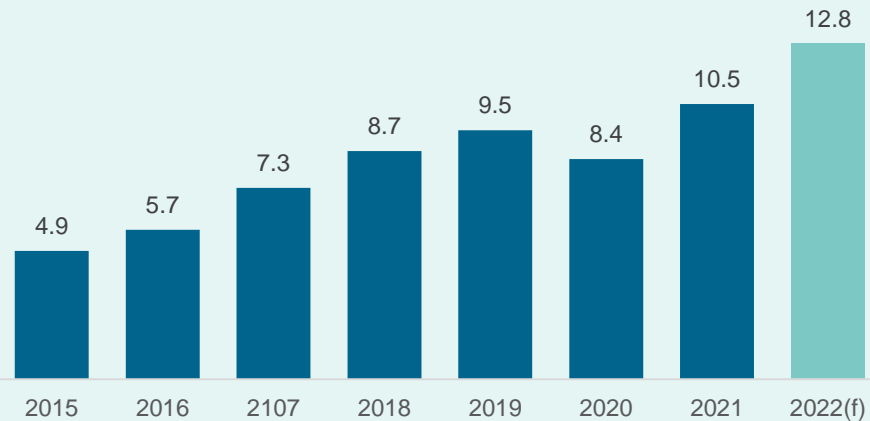


Mortgage approvals

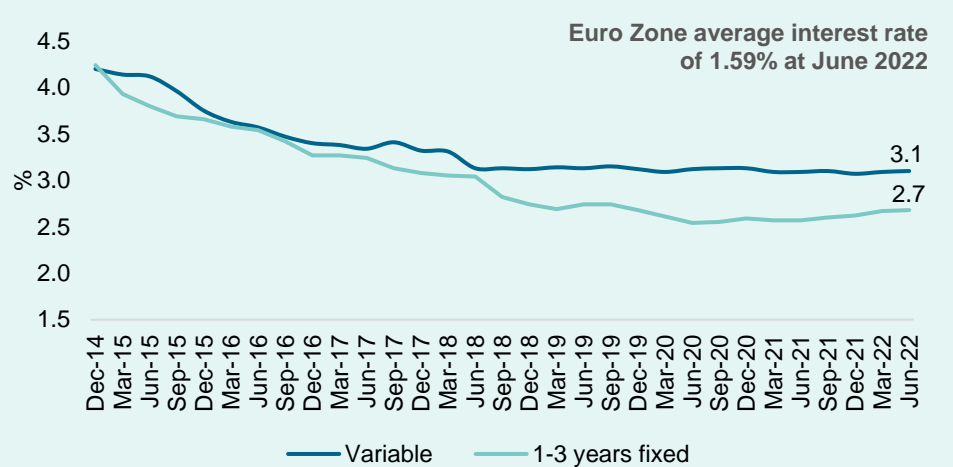
Rolling 12m Total



Mortgage market (€bn) forecast to grow by c. 22% in 2022



Ireland's average mortgage rates 2nd highest in Europe



The Energy Efficiency of a Cairn A2 Rated New Home – Assumptions

Energy cost calculations based on:

- prevailing energy rates (VAT inclusive) at the end of August 2022 and recent price rise effective from 1 October 2022 (electricity +26.7% and gas +37.5%) announced by Electric Ireland; and
- average Irish house and energy consumption data from the Central Statistics Office and the Commission for Energy Regulation

Sources:

- Electric Ireland smart meter Home Electric+ plan and Home Dual+ plan figures reflecting current and recently announced price increases from 1 October 2022
- BER rating – Central Statistics Office Domestic Building Energy Ratings
<https://www.cso.ie/en/methods/surveybackgroundnotes/domesticbuildingenergyratings/>
- Average Irish household – Commission for Energy Regulation
- <https://www.cru.ie/wp-content/uploads/2017/07/CER17042-Review-of-Typical-Consumption-Figures-Decision-Paper-1.pdf> and
<https://www.cso.ie/en/releasesandpublications/ep/p-dber/domesticbuildingenergyratingsquarter22022/>
- All data validated by Davy Horizons

Cairn Development Brands

HARPUR
LANE

LINDEN
DEMESNE

Graydon 

Swanbrook


OAK PARK

Mercer Vale
CHERRYWOOD


ARCHERS WOOD


DONNYBROOK
GARDENS

 Park
Side

HAWKINS
WOOD


GLENHERON
GREYSTONES


SHACKLETON
LUCAN


MARIAVILLA

Aldborough


Whitethorn

GRIFFITH
WOOD


EDENBROOK
CITYWEST

ROSTREVOR
PLACE

The Quarter
At Citywest


GANDON
PARK


Churchfields


SIX HANOVER QUAY

Marianella

Elsmore.


ALBANY

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