18 April 2018

Telford Homes Plc

('Telford Homes' or the 'Group')

Trading Update

Telford Homes Plc (AIM: TEF), the London focused residential property developer, is pleased to give the following update on trading ahead of its final results for the year ended 31 March 2018, which will be released on Wednesday, 30 May 2018.

Highlights

- Record revenue and profit anticipated for the year to 31 March 2018
- Profit before tax expected to be up by more than 30 per cent, slightly ahead of current market expectations
- Strong performance reflected in circa three percentage point improvement in gross and operating margins
- 100 per cent customer recommendation rate in 2017 demonstrating the Group's commitment to quality and service
- Robust market for our homes in London assisted by broad mix of sales between build to rent, individual investors, owner-occupiers and housing associations
- Over 100 homes sold at the launch of New Garden Quarter, Stratford in January 2018
- Continuing demand from build to rent investors with the Group exploring ongoing partnerships to enhance supply to this sector
- Over 2,900 homes currently under construction with scope to significantly increase this in the coming years
- Total development pipeline of over 4,000 homes with several new opportunities being actively pursued
- New longer term £210 million corporate loan facility negotiated at lower interest rate
- Strategy focused on expanding build to rent output to support further growth and enabling Telford Homes to deliver more of the homes that London needs

Current trading

Telford Homes expects to report record levels of revenue and profit for the year to 31 March 2018. Profit before tax is anticipated to be up by more than 30 per cent on last year and slightly ahead of current market expectations. This increase has been assisted by an improvement in the Group's gross and operating margins of approximately three percentage points.

The undersupplied housing market in London has remained robust at the Group's typical price point assisted by a broad customer base of build to rent investors, individual investors, owner-occupiers and housing associations. In addition, a reputation for developing high quality homes and delivering exceptional customer service has been underpinned by an independent survey of customers in 2017 such that an unprecedented 100 per cent would recommend Telford Homes to others.

In January 2018, the Group successfully launched the second phase of New Garden Quarter in Stratford, marketing first in the UK and then internationally. The Board was delighted to secure over 100 reservations across three weeks which exceeded initial expectations. Dampened UK based investor demand due to recent tax changes restricted domestic sales to a quarter of these reservations although this was still better than anticipated. The remainder were sold in Hong Kong and China with the latter contributing over 50 sales and continuing to represent a growing market for the Group. This demand is driven by good rental yields and individual investors continue to target rental demand in London much like build to rent investors. The homes are expected to be complete in mid 2019.

The Group has continued to secure sales to owner occupiers with a proportion of those sales being under the Government Help to Buy scheme. The level of demand is dependent on price point rather than the explicit need for financial assistance through Help to Buy and therefore the scheme remains an enhancement to demand, not something the London market depends on. All of the remaining available homes at Bermondsey Works, SE16, have been sold in recent weeks, alongside a slower but continuing rate of sale of the remaining higher priced homes at Manhattan Plaza, E14.

In late March the Group launched Bow Garden Square, E3, very much focused on owner-occupiers with prices starting from £390,000. Initial interest has been encouraging and a number of reservations have been secured. Owner-occupiers take longer to commit to a purchase, especially under Help to Buy, but the Board expects ongoing demand particularly as the development moves towards completion later this year.

With supply constrained, demand for rental properties remains strong in London with more people actually choosing to rent rather than it just being their only option. The market is changing and increasingly there is an awareness of providing tenants with a better service which fits well with the ethos of the build to rent sector.

The Group's strategy has been to target build to rent sales to enhance growth, increase capital returns and reduce required debt finance. This is now further supported by the need for rental homes increasing and emerging political support for large scale investment. Equally there is no sign of the weight of investor demand diminishing and the Group continues to be approached by new institutions and rental operators looking for opportunities. The Board is exploring whether ongoing longer term partnerships with some of these investors will enhance our ability to grow this side of the business.

Development pipeline

The development pipeline now includes over 4,000 homes (2017: 3,972) and the average price of the open market homes within that is just under £539,000 (2017: £527,000). The Group is actively pursuing a number of opportunities at our preferred price point in London and remains focused on sites that fit our build to rent strategy.

On 20 December 2017 the Group exchanged and completed contracts with U+I and Parkdale Investments Ltd for the purchase of a significant residential-led development site situated in Forest Road, Walthamstow, E17 for total consideration of £33.8 million. Whilst the development can be marketed for individual sale, the Group is about to start a formal marketing process to find a build to rent investor for all of the open market homes having concluded a period of initial design work.

The planning environment in London has always been challenging and time consuming, particularly for large redevelopment opportunities. The Group has experienced some delays in recent months and this has been quite common over many years. The Board remains confident that Telford Homes is well placed to manage this difficult process in the future given the Group's track record and its relationships in each borough and at the Greater London Authority. The appointment in January 2018 of Jerome Geoghegan as Group Land and Planning Director is part of our increased focus on these relationships and their importance in getting developments underway.

The Group is well-placed to acquire more sites to add to the pipeline in the coming months and this has been bolstered by the successful negotiation of a new five year £210 million corporate loan facility in December 2017. This enlarged longer term facility replaces the previous £180 million facility that was due to expire in March 2019 and it was secured at a lower rate of interest thereby reducing the Group's cost of debt. It provides the Group with further flexibility on site purchases and additional development capital to support future growth.

Outlook

Telford Homes has delivered on the Board's promises of significant profit growth over the last three years and is well placed to continue to deliver further growth in the future. The Group now has just over 2,900 homes under construction with the operational scope to significantly increase this and a number of opportunities to add to its development pipeline at the right price point. The strategic focus on the build to rent sector fits well with an increasing rental need in London on one side and greater demand from large scale investors on the other. Telford Homes is a valuable delivery partner in the middle of this and as such, the Board believes there is a strong opportunity for further growth in the coming years.

Jon Di-Stefano, Chief Executive of Telford Homes, commented: "Telford Homes continues to perform well and I expect to once again report record revenue and profit for the year to 31 March 2018. As we increase the scale of the business, our growth is underpinned by the lack of supply of new homes in London and demand for our product at more affordable price points remains strong. Build to rent is the most exciting part of our business in the near term and I believe our increased focus on this sector will drive the next phase of our growth and bring even greater success."

- Ends -

For further information:

Telford Homes Plc
Jon Di-Stefano, Chief Executive
Katie Rogers, Group Financial Director — Tel: +44 (0) 1992 809 800
Guy Lambert, Head of Corporate Communications — www.telfordhomes.london

Shore Capital (Nomad and Joint Broker)
Dru Danford / Patrick Castle — Tel: +44 (0) 20 7408 4090

Peel Hunt LLP (Joint Broker)
Charles Batten / Capel Irwin — Tel: +44 (0) 20 7418 8900

Media enquiries:
Buchanan (PR Adviser)
Henry Harrison-Topham / Steph Watson — Tel: +44 (0) 20 7466 5000
telfordhomes@buchanan.uk.com — www.buchanan.uk.com