



Press Release

10 October 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 provide the following update on trading ahead of its interim results for the six months ended 30 September 2018 (‘H1 2019’), which will be released on Wednesday, 28 November 2018.

Introduction

In recent weeks there has been an increasing amount of negative commentary around the outcome of Brexit and the impact it may have on the UK economy and housing market. This adds to a more general downturn in the market for expensive prime homes in London which has been evident for some time. Telford Homes is focused on more affordable locations with an average price point around £540,000. We continue to believe that an enduring long term undersupply of homes that people can afford to live in will underpin our plans to increase our output and the scale of the business regardless of any short term Brexit impact. Our strategic move into build to rent development has been well timed and we are confident this will form a significant part of the London market over the next few years.

Current sales

Despite a more uncertain backdrop we have continued to achieve sales at a consistent rate in the last few months and particularly where the homes are priced under £600,000 on developments that are either complete or nearly complete. These sales are predominantly to owner-occupiers and a significant proportion of them are using ‘Help to Buy’. We continue to see very little domestic investor demand from individuals. In addition, the sale of homes above £600,000 has become more challenging and each transaction takes longer to secure. This is not expected to get any easier in the short term as negative sentiment is leading customers to take a ‘wait and



see' approach or to look for more significant price reductions to offset a perception of higher risk as Brexit gets closer.

In order to achieve our target of exceeding £50 million of profit before tax for the year to 31 March 2019, we have just under 90 homes left to sell alongside some affordable and build to rent contracts that we expect to exchange during the next six months. The greater risk is in the homes yet to be sold and of these only around 25 are priced over £600,000. Whilst we still have sales to secure we have no reason to change our targets at this point and we continue to anticipate achieving over £50 million of pre-tax profit assuming the market does not worsen further as the Brexit date approaches.

We are currently in the early stages of our second 'off-plan' launch of the calendar year following the very successful launch of New Garden Quarter, Stratford in January and February 2018. The UK launch of Gallions Point, E16 two weeks ago is now being followed by events across Asia throughout October. Short term sentiment is a big factor in overseas investor demand and as such recent Brexit commentary and talk of increased stamp duty has not helped but we will update on the result of the launch at the time of the interim results in November. Regardless of the outcome the vast majority of the apartments at Gallions Point are priced under £600,000 with completions due in 2020 and therefore they represent a very attractive product for owner-occupier sales in the future.

Build to rent

We continue to make strong progress in the build to rent sector which forms a significant part of our future strategy. Greystar have secured planning approval for 894 build to rent homes at Parkside in Nine Elms, subject to the usual legal agreements, and we are now progressing towards entering into a full build contract in order to start on site as soon as possible. I am also delighted to report that we have been chosen to partner a major land owner to obtain planning consent for around 700 homes on a site in East London with a view to developing a combination of subsidised affordable housing, build to rent homes for the landowner and individual sale homes. This type of site fits our business model well and we expect to replicate this approach elsewhere.



We are positioning ourselves at the forefront of the build to rent sector in London and as such we have cultivated relationships with a number of large institutional investors. As we have previously reported we believe that forming a longer term partnership with at least one of these investors will be the most productive way of delivering increased build to rent development in the future. With the assistance of Savills, we are moving closer to identifying the right investor having undertaken a series of interviews in the last two weeks. We expect the process to result in choosing a partner by the end of 2018 and entering into a contractual arrangement before 31 March 2019.

Development pipeline

Alongside the East London site mentioned above we are also close to exchanging contracts to purchase a site in West London which has a planning consent to deliver nearly 280 homes for a combination of open market individual sale and subsidised affordable homes. There are many more opportunities being appraised, especially for build to rent, and in addition the Group has been selected to be on the Greater London Authority's 'London Development Panel 2' which is expected to bring forward sites currently in public ownership over the next few years.

Interim results

The Group's reported profits in any given period are strongly influenced by the number of open market completions achieved and these do not fall equally across a year. As with the previous two interim reporting periods, and as anticipated, there will be fewer completions in the first half of the year to 31 March 2019 than in the following six months. Profit before tax for H1 2019 will therefore be lower than H2 2019 but is expected to exceed the £8.7 million achieved in the six months to 30 September 2017. The interim dividend is proposed to increase in accordance with the anticipated full year profit growth.

Jon Di-Stefano, Chief Executive of Telford Homes commented: "Our key objective is to fulfil the ongoing demand for the homes that London needs. Notwithstanding the uncertainty surrounding the outcome of Brexit, the Group continues to perform well and is focused on increasing the scale of the business driven by the need for homes at affordable price points, in particular in the rental sector. We remain confident that our approach to forward sales with increased visibility over profit recognition enhanced by our success in build to rent will enable us to deliver strong long term returns to our shareholders."



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