



Press Release

13 April 2016

Telford Homes Plc

(‘Telford Homes’ or the ‘Group’)

Trading Update

Telford Homes Plc (AIM:TEF), the residential property developer focused on non-prime London, is pleased to give the following update on trading ahead of its preliminary results for the year ended 31 March 2016, which will be released on Wednesday 1 June 2016.

Highlights

- Profit before tax for the year to 31 March 2016 anticipated to be slightly ahead of current market expectations
- Market remains strong for typical Telford Homes product from UK investors, overseas investors and owner-occupiers
- Successful launch of The Liberty Building, E14 selling 68 of the 105 open market apartments in the last four weeks with a combined sales value of over £40 million
- More than 50% of the cumulative revenue expected in the next three financial years up to 31 March 2019 has already been secured through forward sales
- First Private Rented Sector (“PRS”) development contracted with L&Q for £66.75 million
- Terms agreed on a second PRS transaction with significant potential for more over the next few years
- Development pipeline as at 31 March 2016 of over £1.5 billion of future revenue
- Many opportunities continue to be appraised and negotiated to further strengthen the development pipeline, utilising the £50 million placing funds raised in October 2015
- Longer term growth expectations have increased during the year with profit before tax now forecast to exceed £50 million in the year to 31 March 2019.

Current trading

The Board is pleased to confirm that it anticipates profit before tax for the year to 31 March 2016 will be slightly ahead of current market expectations. The Group was already over 90 per cent forward sold at the start of the financial year but has improved on original forecasts due primarily to initial profit recognition on the PRS sale announced in February 2016.

The market has remained strong for the typical Telford Homes product, being relatively affordable apartments in London with an average price comfortably below £600,000. In particular, the recent launch of The Liberty Building, E14 has demonstrated that investor demand continues to be healthy both in the UK and overseas. In the last four weeks, the Group has secured over £40 million of future revenue at this development with 68 of the 105 open market homes already sold. A third of these sales were to UK investors and the remainder to international investors in Hong Kong and China, with 33 sales in the latter representing the Group's best result to date. The development is expected to be completed in 2019.

The average price achieved was around £900 per square foot, which is at the upper end of the Group's normal price range and ahead of initial expectations with no abnormal incentives having been required. In the context of some concern amongst market commentators, primarily around more expensive properties, this is an excellent result proving yet again that the right product in the right location, and at the right price point, will continue to sell given an enduring lack of housing supply and consequent strong rental demand.

The success achieved at The Liberty Building is representative of the demand the Group is experiencing across all of its developments, with the net effect of recent stamp duty changes having limited impact on sales of more affordable properties. All other sales have been progressing extremely well, particularly from the new central sales centre in Stratford which has achieved 40 sales with a combined value of £25 million since opening in September 2015. Total forward sales to be recognised from 1 April 2016 onwards stand at £579 million against £503 million at the start of the last financial year. This will increase as further sales are achieved during the year and the Board is delighted to be in a strong position where over 50 per cent of the cumulative revenue expected in the three years to 31 March 2019 is already secured.

The Group will continue to market properties to investors but equally expects owner-occupier demand, utilising the sales centre in Stratford located in the heart of the Group's operating area, and further assisted by London Help to Buy. This latter initiative is anticipated to be beneficial to the Group only if any homes remain unsold within six months of completion, which has been a rare event in recent years.

Alongside this impressive forward sales rate, the Board remain very positive on the future benefits which institutional PRS brings to Telford Homes. The Group secured the sale of The Pavilions, Caledonian Road, N1 to L&Q, one of the UK's leading Housing Associations, for £66.75 million in February 2016 and has now agreed terms on a second PRS transaction with another investor. These PRS sales not only balance risk in the development pipeline and significantly improve return on capital, needing no debt and little equity, but also bring forward profit recognition for the Group, albeit typically at a moderately reduced margin. The Board believes there is significant potential for PRS sales to become an increasing feature of the Group's sales mix over the next few years.

Assisted by these anticipated PRS sales the Group no longer expects there to be a dip in profit levels in the year to 31 March 2017, an issue originally created by planning delays. Instead the Board expects profit levels to continue to grow particularly into 2018 and 2019 such that profit before tax is now expected to exceed £50 million in the year to 31 March 2019, ahead of expectations stated at the time of the placing in October 2015.

Development pipeline

Following the United House acquisition last year the development pipeline remains in excess of £1.5 billion of future revenue to be recognised from 1 April 2016 onwards. In context this pipeline was just over £600 million three years ago. The Group raised £50 million of new equity in its placing last year and in addition has headroom in its banking facility of £140 million which together provide substantial resources to add to this pipeline. Immediately after the placing the Group announced the conditional purchase of a site in Carmen Street, Poplar, E14 for in excess of £20 million and this contract became unconditional and completed in the last few days. Many opportunities continue to be appraised or are the subject of more detailed negotiations and the Board is confident of committing the remainder of the placing funds during 2016 as previously anticipated.

Outlook

Telford Homes is focused on relatively affordable locations in London where demand remains strong from owners, investors and tenants. This is being proven time after time through the Group's sales success and ultimately in the rental demand for completed properties. There remains a long term and increasing shortage of supply of new homes and, after a period of rising construction levels, a recent study by Jones Lang LaSalle indicates that in the Group's core area both the number of homes applied for in planning and the number of homes commencing construction fell in the second half of 2015. The balance of demand and supply in London is therefore significantly in the Group's favour and whilst external political factors such as the EU vote might cause a period of uncertainty, they will not change that underlying long term dynamic.

Given the strong forward sold position and the potential to further enhance a substantial development pipeline the Board are confident in the immediate growth plans for Telford Homes and in the Group's ability to deliver a significant increase in both output and profit levels over the next few years.

Jon Di-Stefano, Chief Executive of Telford Homes, commented: "Telford Homes continues to perform above expectations and I am particularly pleased with our first PRS deal alongside the promise of more to come and more recently our successful launch of The Liberty Building. Our brand and reputation continue to serve us well attracting repeat purchasers and recommendations to new customers. The Group is now in the strong position of having forward sold more than 50% of the cumulative revenue expected in the next three financial years.

We are developing in the right parts of London where a lack of supply of new homes is driving demand from owner-occupiers, UK investors, overseas investors, their tenants and increasingly institutional investors. As a result of this demand and a substantially enhanced development pipeline the Board has been able to increase its longer term growth expectations with profit before tax now forecast to exceed £50 million in the year to 31 March 2019."