

CEO's Review



Justin Bickle
Co-Founder and CEO

2017 Summary/Results

2017 was an important year for Glenveagh. Our new Irish homebuilder PLC was formed from three elements:

- **People:** three Founders and 85 staff at time of IPO;
- **Land:** a landbank formerly owned by Oaktree (through Targeted Investment Opportunities ICAV (TIO)) and a land portfolio formerly owned by another private equity firm (Project Kells); and
- **Building Operations:** the homebuilding business of Bridgedale which was established by my Co-Founder Stephen Garvey in 2003.

Investor demand for our proposition was overwhelming. We raised €550 million of equity from institutional investors globally, and the public offering was 5.6 times over-subscribed. Investors wished to participate in the Irish recovery and to support a vehicle to deliver new homes, both houses and apartments. We remain grateful for their support.

Since our dual listing on the Irish and London Stock Exchanges on 13 October 2017 we have had three principal priorities:

- Land acquisition;
- Building and selling 250 units during 2018; and
- Building out our business as a PLC.

Since IPO we have so far deployed over €284 million of equity in a number of land acquisitions, all but two of which have been bilateral and off-market. We have been encouraged by the size of our addressable land market, which we calculated at €5 billion at time of listing. Much of this land is held by 'unnatural' owners, including exiting private equity and State entities of finite duration. While financial discipline and rigour is required, attractive land is relatively plentiful if you have permanent capital, access to the right type of debt for working capital, and the ability to build on a volume basis.

During the financial period we were building and selling homes for Oaktree under our contractual arrangements agreed with them at the time of IPO. From 1 January 2018 onwards, all of our built and sold units are for the benefit of Glenveagh and its shareholders. At the time of writing over 100 units have either been signed or reserved in 2018.

Over the past five months we have also increased our contracted headcount from 85 at time of IPO to 148 in total. Most of these hires have been directly sourced, using the Founders' networks and relationships over multiple property cycles in Ireland. We feel very good about the quality of the personnel we have attracted, and believe we now have the team to become a scale player in delivering homes in Ireland.

Economic Conditions

The Irish recovery has been well documented, as has its relative outperformance of other Eurozone economies. The recovery in Ireland feels strong and sustainable and one based on equity and investment, rather than reliance on debt. Housebuilding though remains a cyclical industry and as a senior management team we are determined to avoid the boom and bust of previous cycles and to build a resilient, long term, business.

As an organisation, we have welcomed some of the Irish Government's recent initiatives to make apartment building more cost effective and are determined to play our part in tackling both the private and public-sector under-supply of housing stock in Ireland.

Glenveagh's Strategy

Our strategy is simple: to deliver the types of homes customers want and need. Our principal geographic focus is on the Greater Dublin Area where 88% of our landbank is situated, together with delivery in Cork, Limerick and Galway.

Through Glenveagh Homes we build and sell homes (houses and apartments). Over half of our output will be starter homes in the commuter belt, although we will also deliver mid-size and executive homes. Our prices range from a two-bedroomed house for €220,000 through to an executive house for over €1 million. We pride ourselves on the quality of our built product, value for money and providing an excellent service to our customers.

Given our relationships, and the need for delivery of units and mixed tenure solutions in the Irish market, we also work in partnerships with third parties through Glenveagh Living. Here we deliver completed units for margin and an attractive ROCE for a number of market participants including private rental (PRS) investors, housing associations and others. Our underwriting case and returns criteria is the same as for Glenveagh Homes, but through Glenveagh Living we de-risk our equity investments post planning by forward selling turnkey units to third parties, ensuring that we are properly compensated for having purchased the land and taken planning risk. We believe

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having two aspects to our business unlocks greater land buying opportunities and builds resilience across the cycle.

Outlook

Glenveagh is off to an encouraging start as a PLC. We believe that the next four to five years will see a sustained recovery in Irish residential and the sector will become more institutional in nature. We are determined to become a builder of volume (1,000 units per annum for Glenveagh Homes by 2020 and then 2,000 units per annum by 2023) and a trusted counterparty to deliver units in the Irish market through Glenveagh Living.

As our Executive Chairman John Mulcahy mentioned, I too am very grateful to all the staff of Glenveagh and their families for their hard work in our first year of operations and look forward to the future with optimism. Thank you for your support.

Justin Bickle
Co-Founder and CEO