

CFO's Review



Michael Rice
Chief Financial Officer

Initial Public Offering

On 13 October 2017, Glenveagh Properties PLC successfully completed an IPO with a share price of €1 per ordinary share and a market capitalisation at completion of €667 million. The gross cash proceeds from the IPO were €550 million.

Land Acquisitions

Since IPO, one of the key priorities of the business has been deploying the equity raised, in a structured and effective manner, on building a highly attractive land portfolio. Following the acquisition of the TIO portfolio as part of the IPO, during the period c. €150 million was deployed on acquiring land capable of delivering 2,758 additional units, giving a total land portfolio of 4,727 units at 31 December 2017.

A further €134 million of capital has now been deployed, bringing the total number of units to 7,342. The Group has taken a very disciplined approach to its capital deployment and has reduced the average site cost per unit from €56k at IPO to €52k for the post IPO acquisitions.



4,727

Total land portfolio
of 4,727 units at
31 December 2017

7,342

€284 million of capital has
been deployed, since IPO,
bringing the total number of
units to 7,342.

Cash Flow

The Company's cash balance at 31 December 2017 was €351.8 million and the key cash flows during the period are set out below:

€'m	2017
Cash and cash equivalents at incorporation on 9 August 2017	-
IPO Proceeds (net of IPO costs and payment to Sispar*)	501.8
Project Kells (various)	(44.5)
Project Castle (Balbriggan)	(23.9)
East Road	(45.1)
Other land acquisition payments (including deposits)	(15.5)
Other working capital and capital expenditure	(21.0)
Cash and cash equivalents at 31 December 2017	351.8

*As disclosed in the prospectus, a payment of c. €21 million was made to Sispar in full and final settlement of a profit share entitlement in respect of the acquired development opportunity at Marina Village, Greystones.

Capital Structure and Group Financing

The Group funds itself through a combination of equity and debt. Following the period end, the Group agreed a €250 million Revolving Credit Facility ('RCF') with a syndicate of domestic and international banks for a three-year term. This facility will be used to finance the Group's working capital requirements and will allow the Group's remaining capital to be deployed on increasing the Group's current land portfolio.

Financial Results for the Period

As part of acquiring Bridgedale Homes Limited, the Group had a commitment to provide asset advisory and construction services to TIO until 31 December 2017. The revenue and gross profit for the period relate solely to these services and are not indicative of the Glenveagh business model from 1 January 2018 onwards.

The key financial performance metrics for the period are as follows:

	Period ended 31 December 2017
Revenue	€1.4m
Gross Profit	€0.5m
EBITDA* (before exceptional items)	(€3.5m)
EBITDA* (after exceptional items)	(€51.6m)
Basic and diluted loss per share	(13.7c)

*EBITDA is defined as statutory profit or loss for the period less interest; tax; depreciation and amortisation.

The results for the period include an exceptional charge of €47.5 million for the Founder Share scheme and €0.6 million of IPO related expenses.



Founder Share Scheme

The exceptional charge of €47.5 million recorded in the period is in respect of the non-cash accounting expense for the Founder Shares issued to the Founders of the company. This charge has been independently valued and represents the full fair value of these shares, with no further expense to be recognised in future reporting periods irrespective of the value which may or may not accrue to the holders of the shares. No value has accrued to date to the Founders under the terms of the scheme and such value will only accrue on achieving the pre-agreed performance conditions of the scheme.

This non-cash exceptional charge has been recognised in the Income Statement, with a corresponding amount in the share-based payment reserve (within equity), and therefore has no net impact on the Net Asset Value of the Group.

Finance Income & Expense

The finance expense for the period reflects the current negative deposit rates and the impact of these rates on the Group's funds held on deposit. The Group endeavours to place the funds on longer term deposit, where possible, while also being cognisant of the need to have funds readily available for land acquisitions.

Share Price and Market Capitalisation

The Company's IPO share valuation was set at €1 per ordinary share and, at 31 December 2017, had subsequently increased to €1.18, giving the Company a period-end market capitalisation of €787 million.

Financial KPIs

The Group's results for this financial period are not indicative of future financial performance trends due to the short accounting period, the recognition of significant exceptional items and the completion of the trading arrangements with TIO.

The Group has set a number of financial key performance indicators (KPIs), with details provided below. Going forward, these KPIs will be used to measure the financial and operational performance of the Group and will be used to track progress in achieving short, medium and long-term targets.

Gross Margin

Gross margin reflects the Net Development Value ('NDV') of units sold less the costs directly linked to the construction and sale of those units. Gross margin is one of the key metrics used by management in acquiring land and is continually assessed on a phase by phase basis throughout the life of a development.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Group management consider EBITDA to be the most appropriate measure for assessing the operational profitability of the Group in any given financial period. It is calculated by adding back non-cash depreciation and amortisation charges to the Group's operating profit for a period.

Return on Capital Employed (ROCE)

The Group considers ROCE to be a key long term corporate metric once the Group achieves scale. The Group believes that ROCE is the best measure of the Group's ability to generate profits from its asset base in a capital efficient manner.

Michael Rice
CFO