BTR - Central Quay, Cardiff

Half Year Results to 31 March 2024

21 May 2024

Continued operational progress, positioning for market recovery

Agenda

1. Overview
2. HY24 Results
3. FY24 and Outlook
4. Market Review
5. Summary
6. Appendices

Alex Pease
Chief Executive Officer

Sarah Sergeant
Chief Financial Officer

BTR - Connington Road, Lewisham

Overview

HY24 Overview – Continued Operational Progress

HY24 Results

£175m Total Revenue
(£154m HY23)

£4.0m Operating Profit
(£1.8m HY23)

£67m / £44m Gross / Net cash
(£83m / £45m HY23)

£1.4bn Secured Pipeline

c. £150m
Forward sold revenue for H2 24

c. £400m
Forward sold revenue between FY24 & FY27

HY24 - Operational Progress

Current development schemes on track

1 x Forward sale PBSA, Bristol – Closed

1 x New PBSA development sale - Legals

2 x Land acquisitions (STP) c 1,400 beds

4 x Planning applications c 3,000 beds

4 x Scheme phases Practically Complete

2 x smaller Refresh projects signed with active pipeline

Market Overview

- PBSA/BTR new supply significantly constrained
- Operational performance remains strong
- Investor sentiment and market continuing to improve
- Transaction volumes marginally behind long term average but some benchmark deals now occurring
- Construction supply chain and inflation challenges normalising
- Slower than expected cuts in interest rates has potential to impact pace of recovery

BTR – Sherlock Street, Birmingham

HY24 Results

HY24 Financial Highlights – Operating Profit Progression

£M

- Revenue of **£175m** HY24, delivered predominantly from:
  - Previously sold developments on site
  - PBSA forward sale completed March 24
- Gross Margin **10.5%** (vs 10.4% in HY23), in line with current guidance and last year HY position
- Operating profit **£4m**[1] (+£2.2m vs HY23) reflecting:
  - Increased revenue flow through in the period
  - Benefit of FY23 cost saving actions
- Net interest charge of **£(0.6)m** (vs £(1.5)m HY23) reflecting benefit of interest income, reduced non utilisation fee from RCF reduction and prior year disposal of PRS assets
- Profit Before Tax **£3.4m**[1] (vs £0.3m HY23)
- The Board has decided not to declare an interim dividend; prioritising the maintenance of financial flexibility

	HY24	HY23	FY23	HY Movement
Revenue	175.1	153.9	413.2	14%
Gross Profit	18.4	16.1	30.3	14%
Overheads	(14.4)	(14.3)	(30.1)	1%
Operating Profit [1]	4.0	1.8	0.2	122%
Interest	(0.6)	(1.5)	(3.0)	
Profit Before Tax [1]	3.4	0.3	(2.9)	
Basic EPS [1]	0.99 pence	0.11 pence	(0.6) pence	
Dividend Per Share	-	1.4 pence	1.4 pence	

1. HY24 PBT & EPS are calculated before the impact of an exceptional finance cost of £1.3 million for the unwinding of discount rate on the Building Safety provision. HY23 Operating Profit, PBT and EPS are calculated before the impact of an exceptional charge of £1.1 million for people restructuring costs.

HY24 Financial Highlights – Good Liquidity Position

£M

- HY24 Gross & Net Cash balances of **£67m** & **£44m** respectively (vs £83m & £45m HY23), reflecting:
  - Disposal of our PBSA scheme in Bristol
  - Receipt of bullet payments following practical completions of developments
  - Movement to cash inflow from operating activities vs outflow in previous periods
- Borrowings reduction vs HY23 due to our forward sales and subsequent RCF repayments
- Decrease in RCF headroom due to reduction in total facility value at 30th September 2024, reducing interest costs due to minimal utilisation
- Cash & Available Facilities at HY **£104m**

	HY24	HY23	FY23	HY Movement
Net Cash From Operating Activities	1.7	(23.9)	(31.5)	25.6
Gross Cash	67.1	83.3	72.4	(16.2)
Borrowings	(23.1)	(38.0)	(28.5)	14.9
Net Cash [1]	44.0	45.3	43.9	(1.4)
RCF Headroom	26.6	65.4	21.2	(38.8)
Overdraft Facility	10.0	10.0	10.0	-
Cash & Available Facilities	103.7	158.7	103.6	(55.0)

1. Net Cash is stated after deducting interest bearing loans and borrowings, but before deducting IFRS 16 operating lease liabilities of £44.7 million at 31 March 2024 (31 March 2023: £47.5 million).

HY24 Financial Highlights - Balance Sheet

£M

- Net Assets increase to **£132m** (vs £130m at FY23 year-end)
- Inventory & WIP balance decrease due to PBSA scheme sale
- Conservative borrowings position with facility headroom giving capacity for pipeline growth
- Net Provision Balance for HY24 **£46m** (vs £55m @ year-end)
  - £56m Gross Provision less £10m reimbursement asset included within Current & Non-Current Assets
  - £10m spend in the period in line with expectations

	HY24	HY23	*FY23*
ROU & Leased Assets	28.5	31.2	*29.5*
Other Non-Current Assets	29.2	17.0	*30.6*
Total Non-Current Assets	57.7	48.1	*60.2*
Inventory & WIP	118.9	159.5	*123.5*
Other Current Assets	100.0	89.8	*115.4*
Cash	67.1	83.3	*72.4*
Current Assets	286.0	332.7	*311.4*
Total Assets	343.6	380.8	*371.5*
Trade & Contract Liabilities	88.2	100.9	*102.2*
Provisions	55.7	29.4	*65.6*
Borrowings	23.1	38.0	*28.5*
Lease Liabilities	44.7	47.5	*45.2*
Total Liabilities	211.6	215.8	*241.5*
Net Assets	132.0	165.0	*130.0*

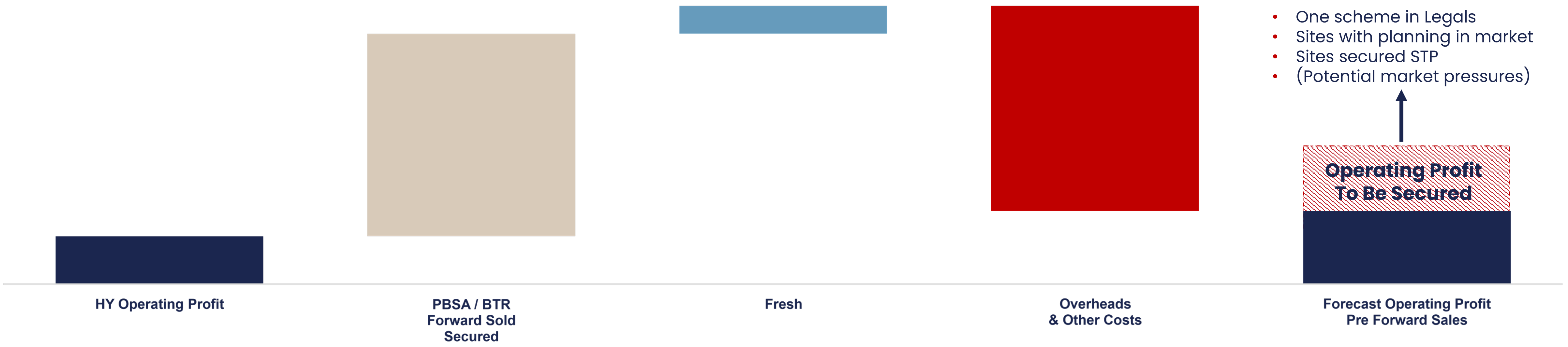
Provision for Legacy Building Safety Act (BSA)

- Works completed on three buildings in the period
- Live schemes are progressing in line with budget
- Cash spend of £10m in line with expectations
- Significant uncertainty remains in this area across the sector and we continue to monitor closely
  - Assets in scope and scope / cost of works continue to evolve
- Provision remains unchanged at 31 March 2024; net position of £46m
- Continuing to pursue potential recoveries from supply chain

FY24 and Outlook

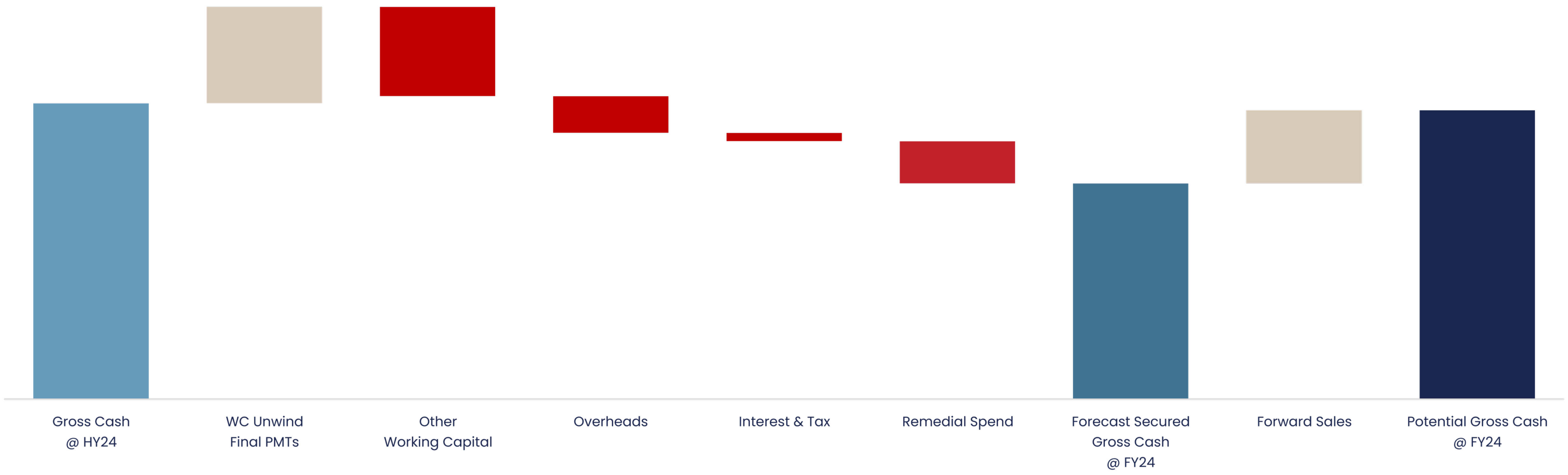
Co-living - The Gorge, Exeter

FY24 Operating Profit Outlook



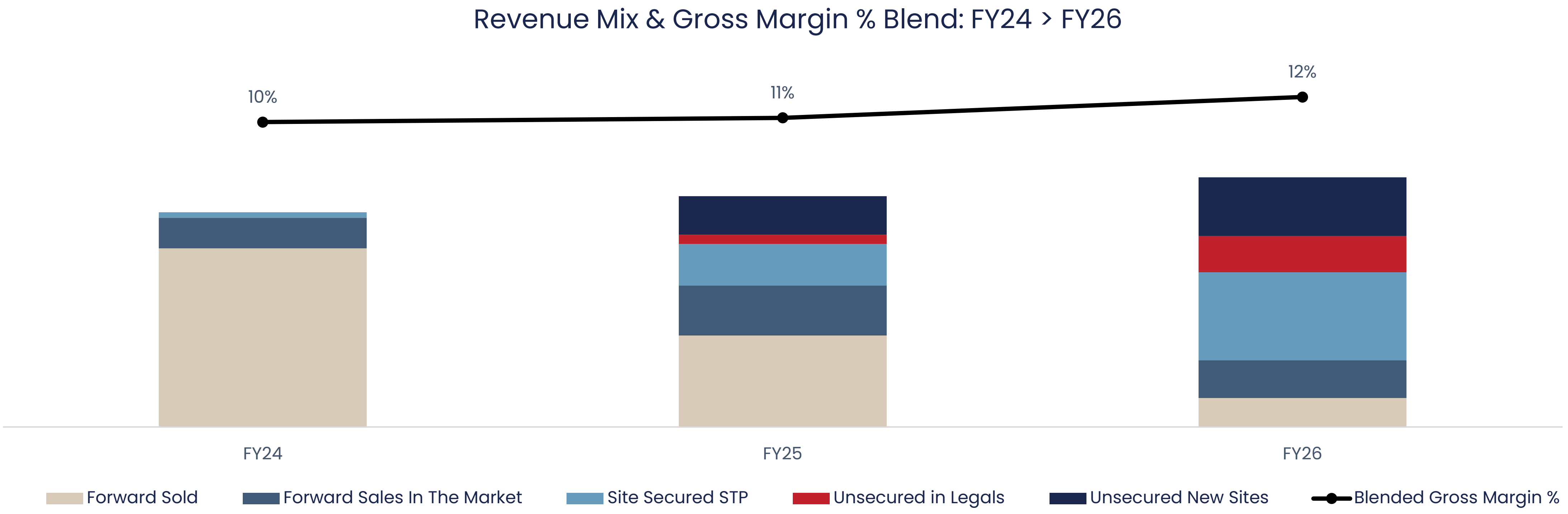
- Progressive operating profit forecast for FY24 pre any further forward sales
  - Forward sold revenue of **c.£150m** @ **c.10%** gross margin
  - Fresh gross margin contribution
- As previously outlined, profit will be H2 weighted
- Investment market gradually showing signs of recovery as economic sentiment improves
- One PBSA development sale progressing in legals
- Two sites with planning which are currently being marketed
- Further secured sites progressing through planning, with potential forward sales within FY24
- A slower than expected reduction in interest rates has potential to impact pace of recovery

Cashflow – Good secured forecast cash position for FY24



- Forecasting a good secured cash position for FY24 before any further forward sales
- Secured unwind of working capital from final bullet payments on sites which have / are due to complete in H2 24
- All other outflows in H2 24 in line with expectations

Pipeline Outlook – Continued Progression



- Confidence in rebuild of business to profitability, with a **£1.4bn** secured pipeline
- Anchored on our forward sold secured revenue of **c. £400m** and sites in the market worth **c. £250m**
- Forecast revenue of **c. £800m** from sites secured and in planning
- Sites in legals and under offer totalling **c. £300m**
- An element of margin drag from schemes forward sold in FY22 and FY23 will continue through to FY26
- Margin on new assets building back to more normalised position, assuming a blended **12%** in FY26

Fresh – Rebuilding pipeline as sector consolidates

Progress in H1

- Progress on rebuild of UUM following exit of large client to their own platform
    - Two new schemes onboarded, one new build affordable BTR and one takeover PBSA
    - Number of new PBSA schemes mobilising for September
- Current schemes at 97% occupancy
- Strong rental growth being achieved
- 2024/25 bookings have been tracking ~+10% ahead of prior year

Looking ahead

- Significant flux in competitive landscape; consolidation of third-party operators with owner occupiers
- Evolving fee and contract structures
- Fresh well placed in the market as a true independent third-party operator
- Active potential pipeline of c. 7,000+ units (blend of new build and takeovers)
- Strategic review of the BTR opportunities to expand this client base

20,277
Total units under management

27
Individual clients

57
Individual schemes

26
Operational cities

+35
Student Net Promoter Score

+37
Client Net Promoter Score

7%
Av. rental growth (3-20% range)

97%
Occupancy 23/24

14

ESG – Progress made across People, Places, Planet

- ESG remains central to our operational activities across construction and operations
- All new schemes designed to BREEAM “Excellent” or equivalent; use of heat pump technology
- Average of 99% of waste has been diverted from landfill
- All schemes have regularly received at least “Excellent” Considerate Constructors scores
- Supply partnerships in place for re-use of primary materials promoting circular economy
  - PBSA Bristol - all excess plasterboard returned to manufacturer for specialised recycling*
- New spec aluminium windows (c. 75% post-consumer scrap) reducing scope 3 emissions
  - BTR Birmingham - reduced carbon footprint by 526 tonnes (70% < European average**)
- 2nd Supplier Conference held in March; introduction of our Social Value Framework and next stage of supplier partnership strategy
- Over 40 colleagues took part in a charity walk up Mount Snowdon for Good Shepherd Hospice

* Knauf “take back” scheme agreed at Gas Lane, Bristol
**Compared with European Average of 8.6 kg CO_2 / kg aluminium = primary aluminium used in Europe (cradle to gate) – European Aluminium 2018 report

FUTURE FOUNDATIONS — Future people. Future places. Future planet.

Supplier Conference, including ESG Update (pictured) – with over 120 suppliers present.

Mount Snowdon charity walk supporting Good Shepherd Hospice

BTR - Sherlock Street Birmingham

Market Review

Key Market Themes - Snapshot

Supply Remains Constrained

- PBSA: Just **12,195** beds opened in 2023/24, the lowest in a decade [1]
- BTR: **12,500** new homes started in 2023, against requirement of **60,000** pa [2]

Demand Continuing to Grow

- PBSA: Demand pool for PBSA has grown by over **294,000** students since 2013/2014 [3]
- BTR: Forecast demand of **1m** extra BTR homes in the next 10 years [2]

Rental Growth Remaining Strong

- Expectation of 6-8% this year and 4-6% next year across PBSA/BTR [4]
- Expected to moderate over medium term and align with inflation, providing a sustainable pathway

Investment Market Sentiment Improving but Transactions still Subdued

- More interest in pipeline opportunities
- However, short term uncertainty around interest rates, slowing decision making
- Medium term, residential for rent remains a key target focus for capital allocations

Build Cost Inflation Normalising

- Build costs expected to track close to inflation over medium term
- WJ integrated delivery model and supply chain allows us to remain competitive on costs

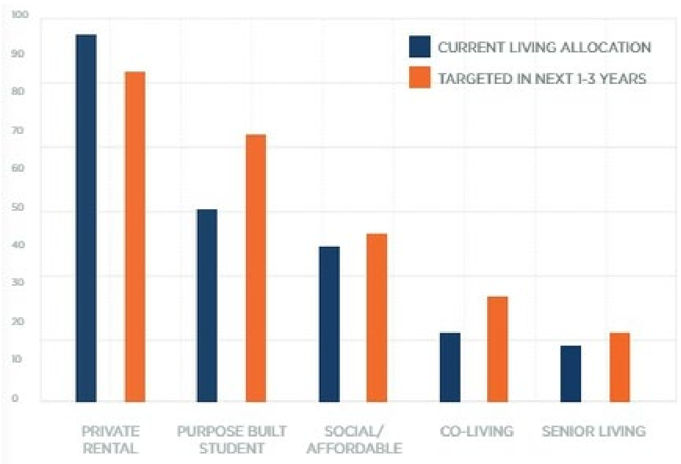
Higher Barriers to Entry

- BSA, planning environment and ESG continue to impose higher barriers to entry for development
- WJ's scale and specialist residential focus positions us well to take advantage of the changing legislative environment

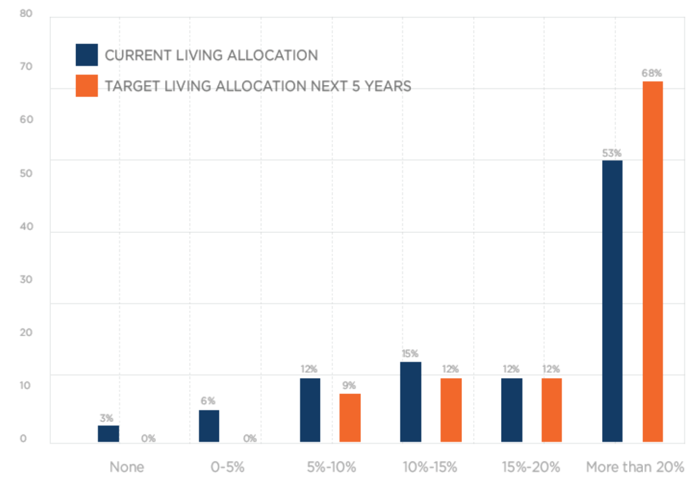
Investor Sentiment – Continuing to improve

- Overall, investors remain significantly underweight in UK residential:
    - UK remains the key target market for global investors given market maturity
    - Forward funding will remain a key conduit for UK investment
- Increasing new entrants looking to invest (Aviva, LGIM, Landmark, PGIM, Thor Equities, Cadillac Fairview, amongst others)
- Short term uncertainty around pace of rate cuts is, in some circumstances, slowing timing for decision making and transactions
- We expect this to moderate in the coming months as there is further clarity on the trajectory for interest rates

Interest across living segments is broad with PRS & PBSA segments more popular* [1]



Portfolio allocations to living assets look likely to rise in the next five years [1]



Transactional Market – Signs of greater liquidity emerging

- **Q1 2024** has seen c. **£555m** investment in BTR[2], & c. **£750m**[5] in PBSA. Transaction volumes slightly behind longer term average.
- Importantly, Q1 has seen the return of 'core' capital acquiring trading stock:
  - L&G acquiring Project Aqua, a PBSA portfolio reflecting a yield of c. 5.3%
  - Goldman Sachs' Wembley Park BTR purchase reflecting a yield of c. 4.10%
  - KKR's Wembley Park BTR purchase reflecting a yield of c. 4.25%

  Transactions represent strong pricing and point to a stabilisation in trading yields

- **Watkin Jones - Forward Sale – 260 bed PBSA scheme, Bristol**
  - Sold to Hines (a new client) with returns in line with margin targets
  - Demonstrating capital returning to forward fund opportunities with good quality sponsors
- Under offer and well progressed in legals on one further PBSA development sale
- Other assets in the market; good increase in interest from investors reviewing new opportunities, accessing data rooms and underwriting bids from the beginning of the year.
- Continue to explore alternative investment structures, where we believe we can deliver attractive secured margin returns alongside benefitting from potential upside from market recovery.

- Gas Lane, Bristol
- 260 PBSA Beds
- Vendor: Watkin Jones
- Purchaser: Hines

Land - Increased opportunity and margins building back to long run targets

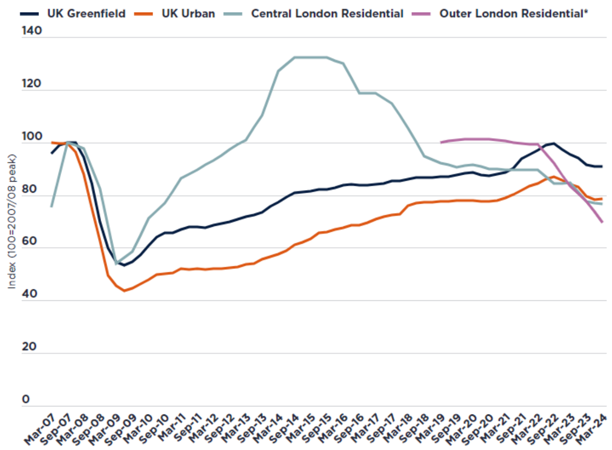
Land acquisitions increasing off low base but pricing remains subdued

- **c.50% increase** in YoY land sales for Q1 2024 against Q1 2023 trough
- **-6.5%** urban land price reduction in the 12 months to Mar 24, up from -8.7% to Sep 23
- Outer London residential land values remain **-30.5%** below their March 2019 levels

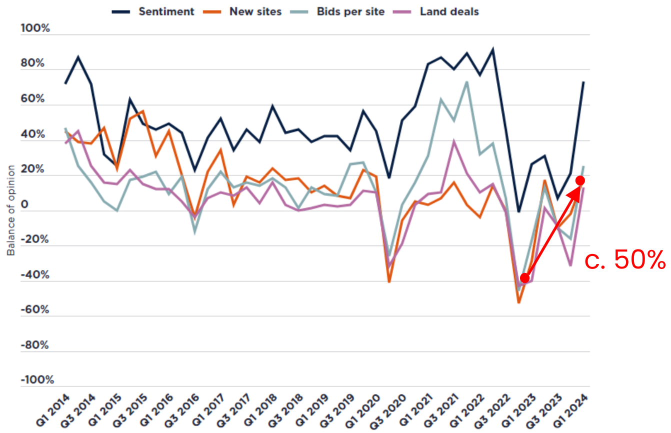
Taking advantage of the land market dislocation

- WJ national land coverage through internal teams and external site finders
- Land market viability is still challenging but finding more opportunities both on and off market
- Exchanged 2 sites (subject to planning) since year end with a total NDV **c. £215m**
- Under offer on **3** sites with a total NDV **c. £325m**

Further softening in residential development land values [7]



Uptick in demand supported by limited supply in the land market [8]



Titanic Quarter, Belfast
Acquired Subject to Planning, 1,000 beds

Planning - Increased barriers to entry, increased opportunity for Watkin Jones

Planning and new legislation ensures barriers to entry remain high

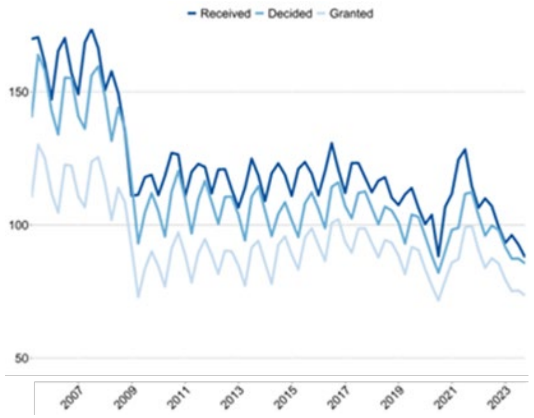
- **-32%** fewer planning consents in England in Q4 23 vs 2021 peak[6]
- **80-90%** of house builders see planning as having the greatest impact on the sector
- BSA increasing development complexity & programmes
- Higher barriers to entry for developers without a contracting arm looking to deliver high density residential schemes

Increased opportunity for Watkin Jones

- Vanguard initiative to build relationships with planners and other key stakeholders in target markets
- In-house planning expertise offers a competitive advantage with planning submitted on a further **c 3,000 beds**.
- WJ's specialist focus and integrated development model offers a key competitive advantage addressing the new BSA requirements

Battersea Park Road – planning submitted Apr 24

Planning applications and consents falling across England[4]



Malago Road, Bristol – planning submitted Apr 24

Refresh – Encouraging Early Progress

Redevelopment, refurbishment and repositioning of assets

Progress H1

- ✓ Soft launch into market
- ✓ Senior Director appointed to lead delivery team
- ✓ Governance and process established to support business ambitions
- ✓ Minimal overhead impact in early years
- ✓ Supply chain engagement – very positive buy in and opportunity
- ✓ Secured **2 x** projects c **£4.0m** revenue to test proof of concept

Looking ahead to H2 and beyond

- Progressing DD & Legals on significant 'University Halls Project'
- Work progressing on **3 x** active schemes on an exclusive basis
- Visible potential pipeline being established
- Business development resource onboarding to engage with potential clients

Market reaction…

"The opportunity to upgrade PBSA beds in the UK market is huge, with over 200,000 beds requiring refurbishment. The Refresh team have the experience to deliver the first-class accommodation students want."

Andrew Smith – Head of UK Student Housing, Cushman and Wakefield

"As the market evolves, value add opportunities to refresh existing properties will increase, and Watkin Jones are well positioned to lever their expertise and experience to undertake this."

Paddy Allen - Head of Operational Capital Markets, Colliers

Summary

Summary

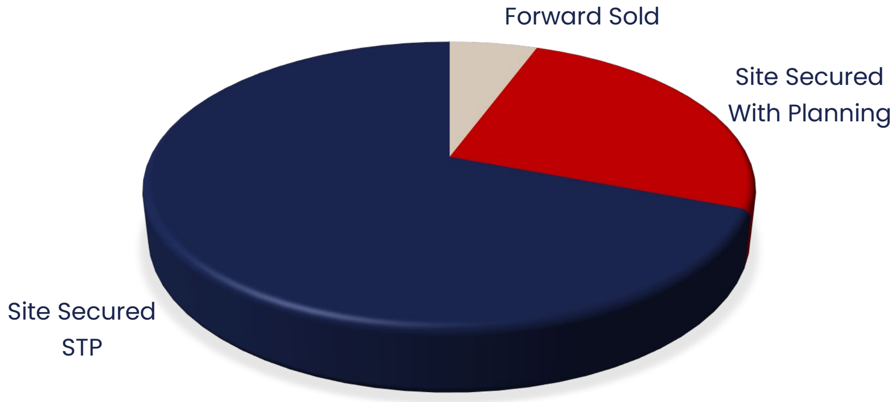
1. Positive steps forward in financial performance
2. Continued incremental progress across key business functions
3. Strong residential sector fundamentals driving high operational performance
4. Sustained investor appetite and available capital allocations
5. Improving transactional activity and economic sentiment
6. Market leading business positioning for growth in new property cycle

Appendix

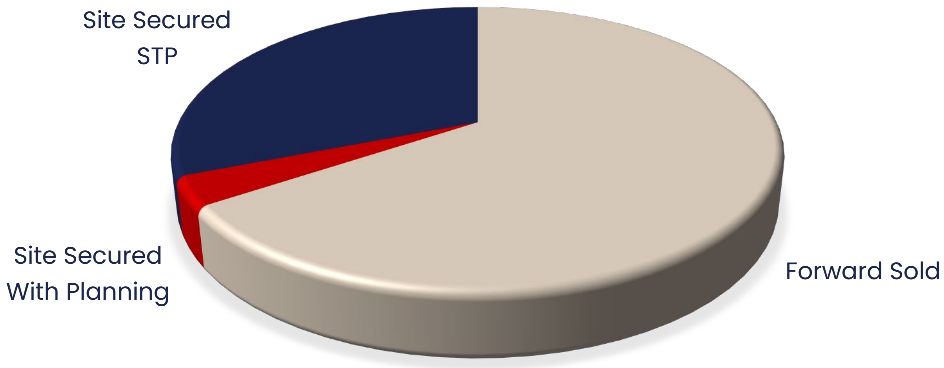
PBSA – Metalworks, Bristol

Secured Development Pipeline: PBSA & BTR

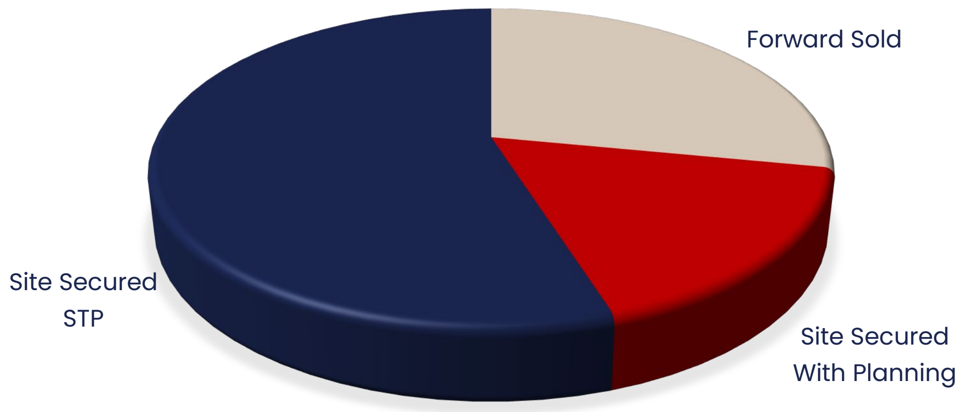
PBSA £0.9BN SECURED PIPELINE



BTR £0.5BN SECURED PIPELINE

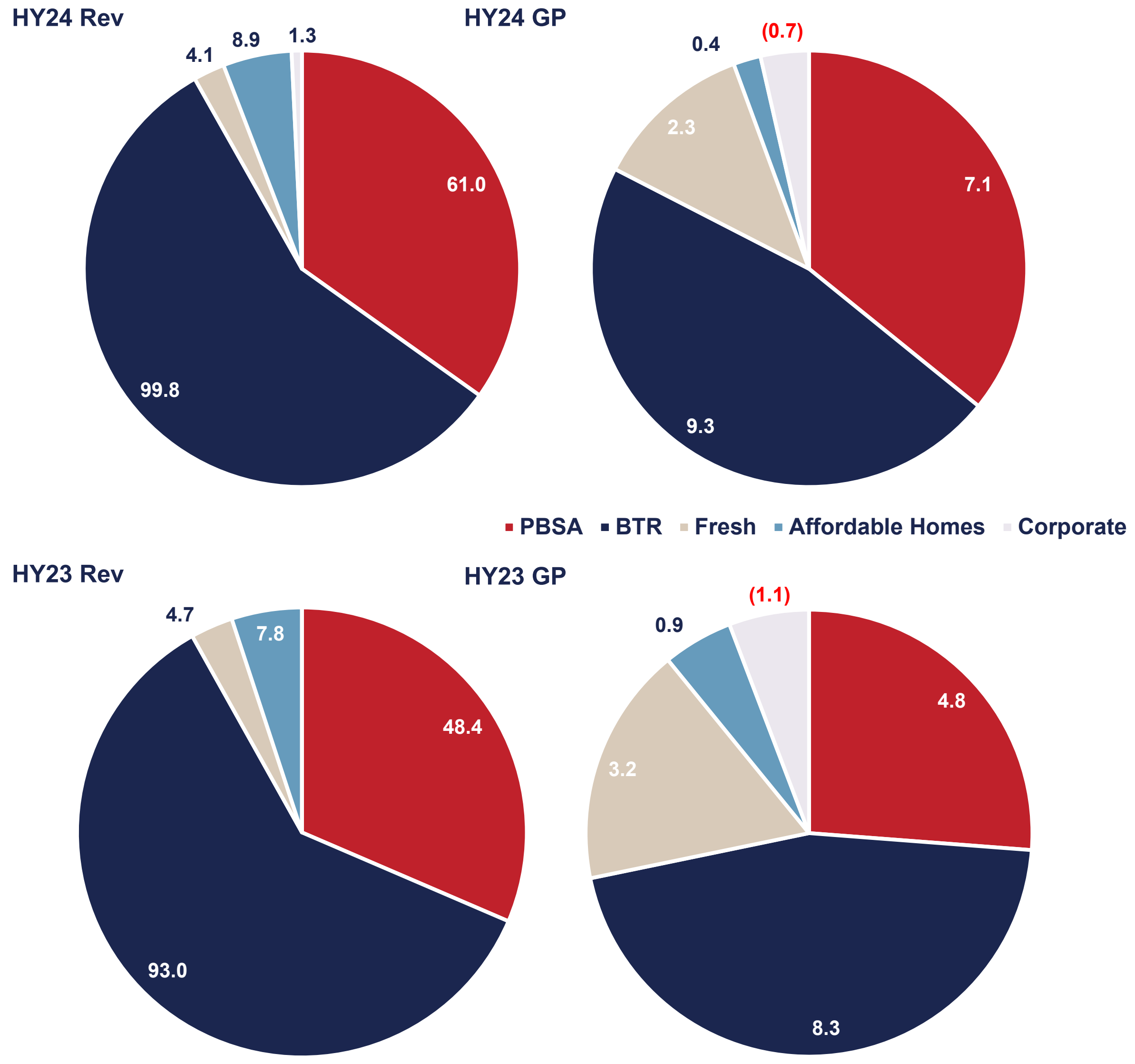


WJ £1.4BN SECURED PIPELINE



Segmental Review: Revenue & Gross Profit

£M



BTR:
- Revenue increase +7% vs HY23 to **£99.8m** (vs HY23: £93.0m)
    - Derived from the build-out of our forward sold developments, which are progressing well and on track for their respective completions. Two schemes reached practical completion within HY24.
- Gross Profit for the period was **£9.3m** +12.0% vs HY23(HY23: £8.3m)
- Gross margin % for HY24, slightly up on prior period at **9.3%** (vs HY23: 8.9%)

PBSA:
- Revenue increase +26% vs last year to **£61.0m** (HY23: £48.4m)
    - Reflecting the successful forward sale of our Gas Lane scheme in Bristol and continued strong progress from our other live schemes. With two schemes reaching practical completion in HY 24.
- Gross profit for the period was **£7.1m / 11.6%** (vs HY23: £4.8m / 9.9%)

Affordable Homes:
- Homes business achieved 19 sales completions in the period at our Preston site and continued to make progress at Crewe, resulting in an increase in revenue to **£8.9m** (vs HY23: £7.8m)
- The gross profit achieved by Homes however reduced as a result of both increased build costs and more affordable homes completions to **£0.4m** (vs HY23: £0.9 million), at a margin of 4.5% (vs HY23: 11.5%).

Fresh:
- Revenue of **£4.1m** (vs HY23: £4.7m), reflecting a reduced number of units under management and lower number of mobilisations in the period.
- Gross Profit reduction due to Revenue flow through, **£2.3m** (vs HY23: £3.2m), at a margin of 56.1% (HY23: 68.1%).

Bibliography

1. Cushman & Wakefield European Living Investor Sector Survey 2024
2. Savills UK Build to Rent Market Update – Q4 2023
3. Cushman & Wakefield UK Student Accommodation Report 2023
4. CBRE Economic House View (Q4 2023)
5. Knight Frank Student Property Briefing April 2024
6. Department for Levelling Up, Housing & Communities
7. Savills UK Development Q1 2024
8. Savills Residential Development Land – Q1 2024

Disclaimer

This presentation has been prepared by or on behalf of Watkin Jones plc ("Watkin Jones"). The information set out in this presentation is not intended to form the basis of any contract. By attending (whether in person, by telephone or webcast) this presentation or by reading the presentation slides, you agree to the conditions set out below. This presentation (including any oral briefing and any question-and-answer session in connection with it) is for information only. The presentation is not intended to, and does not constitute, represent or form part of any offer, invitation, inducement or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. It must not be acted on or relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which Watkin Jones' securities have been previously bought or sold and the past yield on Watkin Jones' securities, cannot be relied on as a guide to future performance. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice. The release, presentation, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. It is your responsibility to satisfy yourself as to the full observance of any relevant laws and regulatory requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. In addition, in the United Kingdom, this presentation is being made available only to persons who fall within the exemptions contained in Article 19 and Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"). This presentation is not intended to be available to, and must not be relied upon, by any other person. Nothing in this presentation constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. None of Watkin Jones, its shareholders, subsidiaries, affiliates, associates, or their respective directors, officers, partners, employees, representatives and advisers (the "Relevant Parties") makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation, or otherwise made available, nor as to the reasonableness of any assumption contained in such information, and any liability therefor (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. No information contained herein or otherwise made available is, or shall be relied upon as, a promise, warranty or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of such information. Unless expressly stated otherwise, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Watkin Jones for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share of Watkin Jones. Statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any cost savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. By attending the presentation to which this document relates and/or by accepting this document you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice. This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Watkin Jones. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Watkin Jones to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Watkin Jones and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) changes in demand for Watkin Jones' products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions.

All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Each forward- looking statement speaks only as at the specified date of the relevant document within which the statement is contained. Watkin Jones does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward- d in this presentation. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data