Chairman's Statement

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Jamie Boot
Chairman

INVESTING FOR THE FUTURE

Highlights

I am pleased to announce that Henry Boot delivered a robust set of results, achieving a profit before tax of £17.1m (2019: £49.1m) against the challenging backdrop of a global pandemic, and we maintained our strong financial position throughout 2020, with Net Asset Value per share[1] remaining resilient at 235p (2019: 239p). After making selective investments in the Group's focused three long-term key markets industrial & logistics, residential and urban development, net cash[2] was preserved at £27.0m (2019: £27.0m), which improved post year-end to £38.5m at 28 February 2021 as a result of land completions and deferred receipts in the land segment. Unsurprisingly, the Group's activity was impacted by COVID-19 (CV-19), which had a material effect on the Group's commercial and financial performance for 2020. However, after an initial pause at the beginning of the pandemic, we began to rebuild momentum and our businesses made good progress towards recovery in the second half of the year. We have had an encouraging start to 2021, showing strong forward sales and a high order book.

As reported in January's trading update, our land promotion business, Hallam Land Management (HLM), continued to trade well, selling 2,000 plots (2019: 3,427) and in H2 disposed of a significant interest in a joint venture site in the Midlands, which contributed towards the Group's 2020 profit. Henry Boot Developments (Henry Boot Developments) delivered schemes with a Gross Development Value (GDV) of £58m (Henry Boot Developments share £55m) during the year but, in response to the market, reduced its committed programme. Accordingly, having commenced 2020 with a pipeline having a GDV of £315m (Henry Boot Developments share £107m), this fell to £312m (Henry Boot Developments share £85m) by the end of the year. However, we have seen healthy demand for industrial accommodation and expect to grow our committed pipeline over the course of the current year. Stonebridge Homes also saw good demand for its premium houses; however, its growth was affected by slow planning decisions, partly as a result of CV-19. Despite this, the business completed the year ahead of target, having achieved 115 completions (2019: 159). Henry Boot Construction finished the year on 95% of planned site activity, and Banner Plant increased its activity to 95% of year-on-year sales. Road Link (A69) still generated encouraging returns despite seeing a decrease in traffic volumes due to CV-19 travel restrictions.

Our relatively new CEO has undertaken a strategic review, which pleasingly reported that our business model is in good shape, so it is now about evolving our strategy. However, we want to be more explicit about our ambitions to grow, and to have more focus on our three key markets, which benefit from structural tailwinds. We have also identified synergies and efficiencies, plus ways to collaborate across the Group. An important part of the strategy is to formalise and coordinate our approach to Environmental, Social and Governance issues (ESG). 135 Henry Boot, whilst celebrating our 135th anniversary, is phase one of our new ESG strategy.

The Group only utilised the Government's Coronavirus Job Retention Scheme (CJRS) up to August of last year, and only ever had a minority of people on furlough, with the business topping up pay to 100%. After the Board reviewed full year performance and the net cash position, we made the decision to repay all furlough grants claimed under the CJRS, making a full repayment in February 2021. In addition, the Remuneration Committee has taken the decision, in line with the results achieved for 2020, to reimburse the 20% deduction from the CEO and the Group Finance Director's salaries, to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst either at work or on furlough. This is also aligned to the treatment of Executive Directors along with employees in receiving 50% of their 2019 bonuses, a parallel that will be continued in relation to 2020 with Executive Director bonus increases being tied to those of the wider workforce.

Our People

Our people's skills, determination, and expertise in our three key markets has proved fundamental to the Group's 2020 performance

235p
Net asset value per ordinary share[1]
(2019: 239p)

9.0p
Earnings per ordinary share
(2019: 28.3p)

5.5p
Dividends per ordinary share
(2019: 5.0p)

and to maintaining our strong financial position in these challenging circumstances. Our teams have shown themselves to be agile and adaptable, adopting new ways of working and creating new efficiencies, which will continue to shape the Group's future working practices. I believe an effective business can be measured by its agility to respond effectively to challenging environments, market uncertainty, and structural change. On behalf of the Board, I would like to thank everyone at Henry Boot for their dedication and hard work during this unprecedented period, which has allowed us to produce a robust set of results.

Dividend

The Board regularly reviewed the Group's financial position and considered the impact of CV-19 on trading conditions when deciding whether to continue paying a dividend during the pandemic. Given the Group's confidence in our strong balance sheet and that we operate in markets that will continue to deliver returns over the longer term, the Board has proposed to continue to pay a dividend and concluded to pay a final dividend of 3.3p, which together with the 2.2p interim dividend, gives a total of 5.5p (2019: 5.0p) for the year. Payment of the final dividend is subject to shareholder approval at the Annual General Meeting and will be paid on 28 May 2021 to shareholders on the register as at 30 April 2021.

Outlook

Whilst CV-19 had an impact on the Group's 2020 performance, there was still resilient demand within the markets we operate in, leaving us optimistic for the year ahead. These remain unprecedented times; however, we begin the year in a strong financial position, with a resilient balance sheet, a portfolio with ample opportunities, and encouraging forward sales as our key markets recover. This leaves the Group feeling confident that we will be able to build on the momentum we saw in H2 2020 and continue delivering a high-quality service to our customers.

Jamie Boot
Chairman

1. Net Asset Value (NAV) per share is an alternative performance measure (APM) and is defined using the statutory measures net assets / ordinary share capital
2. Net cash is an APM and is reconciled to statutory measures in note 33.

Pictured: Butterfield Business Park in Luton, boasting 45 acres of land ready for development. In partnership with The Crown Estate and Luton Borough Council, Phase 1 has been completed, with all 10 units already been taken up.