

# CEO's Review

## I am pleased to update you, our shareholders, on our continued strong progress at Glenveagh.

We have shown during our first full year of trading that we are capable of creating and operating a volume homebuilder for the Irish market. Our progress since IPO 17 months ago has been strong. We have the right strategy, the right team and we are in the right sector to create a resilient, long-lasting and profitable business.

### Our Landbank

Throughout 2018 we have worked tirelessly to add value to our landbank. In 2018 we spent €351.1 million acquiring 16 sites with the potential for c.7,400 units, bringing our total landbank to 11,850 units on 46 sites at 31 December 2018. In doing so we assessed almost €2 billion of land opportunities and carefully screened those according to location, margins, infrastructure availability and the ability to turn the land and generate profits quickly.

In January we announced the acquisition of a further attractive site in Cork with the potential to accommodate up to 500 residential units in an area of high demand for total consideration of c.€25 million. This acquisition means we delivered on a key Group IPO objective to deliver residential housing on National Asset Management Agency ("NAMA") secured lands in a partnership structure.

Subsequently, we also purchased further sites at Leixlip and Newbridge, Co. Kildare which currently have planning permission for 793 units for cash consideration of approximately €50m.

We also disposed of a number of our smaller sites during the year and will continue to evaluate opportunities for the sale of our non-core lands on an opportunistic basis once value is added.



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**793**

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**Justin Bickle**  
Co-Founder and CEO

We feel very positive about our land purchases since IPO and expect the rate of acquisitions to now slow as we focus on developing our extensive land holdings and deploy our remaining capital to best generate shareholder returns.

In homebuilding, a successful planning strategy is a prerequisite to achieving group targets. We are fortunate to have a strong and experienced planning team in situ, and one we have continued to invest in over the past 12 months.

Over 98% of the lands we own are zoned residential while almost 34% of our landbank now has planning. Additionally, we expect to have 5,500 units at various stages of the planning system during 2019 and will look to more than double our planning consents by this time next year. We have high confidence in our approach to planning, not only to deliver the units we have guided to the market, but also incremental units achieved through planning gains.

### Glenveagh Homes ("Homes"): focus on starter-homes

Ireland is very much in the midst of a housing crisis and needs to compensate for the decade of housing undersupply since the global financial crisis. The Glenveagh view is that if you can build modern, value-for-money and space-efficient homes at the right price in the right locations and look after your customers, then you will prosper as a business. That is why Homes predominantly targets the starter-home market. It is the deepest and most resilient segment in our core business. It is also

the part of the market most under-served by our competitors, particularly within the Dublin commuter belt.

In the coming year Homes will again increase its construction operations as we work towards our 2019 goal of 725 sold units and longer term Homes target of 2,000 sold units per year by 2023. All sites necessary to deliver our 2019 target of 725 units are now open. Importantly, we are already constructing the majority of our 725 target for 2019, while 85% of our 2020 target will be delivered through construction sites that are already open. Glenveagh will ultimately be judged on building the right product, in the right location and at the right price. I am confident that we will continue to innovate to meet changing customer trends and that building well and looking after our customers are key components for Glenveagh's long-term success.

I commend the Homes team for their efforts and execution since IPO in ramping up construction activity and creating an impressive landbank (85% of our 12,600 units). We look forward to a further ramp-up to our target of 725 sold units for 2019 with the same level of efficiency and professionalism as we delivered the last 275 in our first full year of operations.

### Glenveagh Living ("Living")

We told our investors at IPO that not only would we create a volume homebuilder in Ireland focussed principally on starter-homes as we have done (Homes), but that we would also create additional business lines with a different approach and return profile through Living.

## Private Rental Sector (“PRS”)

I am pleased to report that during our first full year as a business, PRS has now become an increasingly active segment of the Irish residential sector, vindicating our view that there is a structural shift to rental in Ireland, as is the case in a number of developed countries, particularly North America, Canada, Australia and the UK. Certain customers’ preference to rent, rather than buy, is now a fundamental tenet of the Irish residential landscape, particularly since Dublin, as one of Europe’s principal gateway cities, attracts individuals and families who may plan to live and work in Dublin for only a few years, rather than being committed to a single family home or a single location, forever.

Our view at Glenveagh is that it is important to serve these residential tenants by delivering buildings for their landlords, or the institutional investors who ultimately own them, which are modern, well-designed and future proofed for their needs as tenants and families and with the requisite level of amenities not historically seen in the Irish market. Moreover, we believe that, as a PLC, we have a number of structural scale advantages over smaller developers (including access to equity and debt capital) which ought to make Glenveagh very attractive to institutional investors, both Irish and international.

The core team at Living are already capitalising on the significant PRS opportunity that exists in building rental communities and working to de-risk our 1,850 units PRS portfolio which is at an advanced design and planning stage. We look forward to reporting more progress on this endeavour in due course.

## Mixed-Tenure and Joint Ventures (“Partnerships”)

During the past 12 months we have presented on the benefits and advantages of undertaking Partnerships in Ireland in addition to delivering starter-homes and our PRS schemes.

The reaction we have had in the past several months has been very encouraging. We want Partnerships to be a key long-term part of Glenveagh’s business, particularly given the amount of land which is held by local authorities



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and other State agencies and is either fit for residential development or will be re-purposed for residential use in the coming years.

We are pleased that our own strategy accords with other newly constituted bodies like the Land Development Agency (“LDA”) and look forward to working with them in the coming years. We are also delighted that the economic model of our Partnerships business is attractive to other key residential stakeholders such as the approved housing bodies who work alongside local authorities in managing social and affordable units and who can play a pivotal role in encouraging placemaking, and greater housing provision, which is central to Living’s offering.

We believe that Living will prove over the coming years to be a key driver of shareholder returns and offers a differentiated proposition over other companies active in Irish residential. There is a lot of work to do in delivering on this vertical but we are committed to do so given the potential attractive returns for our shareholders.



Marina Village, Greystones, Wicklow

More details of our business lines, Homes and Living are set out in the Business Model and Strategy section of this Annual Report.

## Outlook

The fundamentals of our sector and its investment outlook remain strong. There is a continuing chronic under-supply of housing in Ireland (both private and public) and a dearth of scale homebuilders. With a strong landbank and capital ready to deploy should we see an opportunity, Glenveagh has already earned a leading role within the Irish residential landscape. We will continue to deliver the high-quality starter-homes that are in high demand from Homes and capture the rental and partnerships opportunities through Living.

Experience suggests that the current favourable market conditions will not last forever, and that the time to future proof and create a resilient and counter-cyclical homebuilding business is now. We need to be, and remain attractive to, both families looking for their first starter-home, as well as institutional investors who want quality and scale.

Our focus as a senior management team is to execute on our long-term business plan and hit each of our targets while the market is favourable, while at the same time planning ahead as to how best to generate revenues and

profits in a cyclical market. To that end it feels like we are reaching the end of our ramp-up phase as a business, and that instead we are entering the execution phase of our lifecycle. This is encouraging at such an early stage.

We believe that the next few years will see a continued and sustained growth in Irish residential and the sector will become more institutional in nature and more attractive to third-party capital providers. We are determined to become a builder of volume in Ireland and a trusted counterparty to deliver units in the Irish market.

In closing, I would echo the words of our Executive Chairman and thank all the Glenveagh staff, their families and our industry partners for joining us on this exciting journey. I would also thank those shareholders who believed in us at IPO, or who joined our register recently, as without the support of those investors, Glenveagh would not exist and the value opportunity we see could not be captured.

**Justin Bickle**  
Chief Executive Officer