

The Cairn Homes plc logo consists of the word "CAIRN" in a bold, white, sans-serif font, with "PLC" in a smaller font size directly below it. The logo is set against a solid red rectangular background.

CAIRN
PLC

Designed for Living.
Built for Life.

CAIRNHOMES.COM

Cairn Homes plc

2016 Interim Results

25 August 2016

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Agenda

1. Key Highlights

2. Operations/Market

3. Financials

4. Appendix



Key highlights

- ✓ Revenues of €16 million, generating gross profit of €2.6 million and a gross profit margin of 16.5%
- ✓ Core land-bank consists of 27 sites and 11,500 units – 90% in Dublin and GDA, with a strong mix of locations/price points
- ✓ Active on 5 sites (Parkside, Albany, Marianella, Ashbourne and Hanover Quay), which will deliver in excess of 1,150 units
- ✓ Sales continue to progress well at Parkside and Albany, with 112 houses now sale agreed and 64 of those sales completed (39 in H1).
- ✓ Continued strong progress on Project Clear loan portfolio – with proceeds of €32 million realised from settlements and asset sales and 9 core sites (€126.1 million) transferred to direct ownership
- ✓ Continue to optimise existing planning consents – 8 successful applications (100% success rate) and a further 5 under review
- ✓ Government Housing Action Plan announced in July – positive news for housebuilding industry
- ✓ Available liquidity of €167.1 million, comprised of cash of €117.1 million and undrawn facilities of €50 million

Notes: 1. Estimated number of homes

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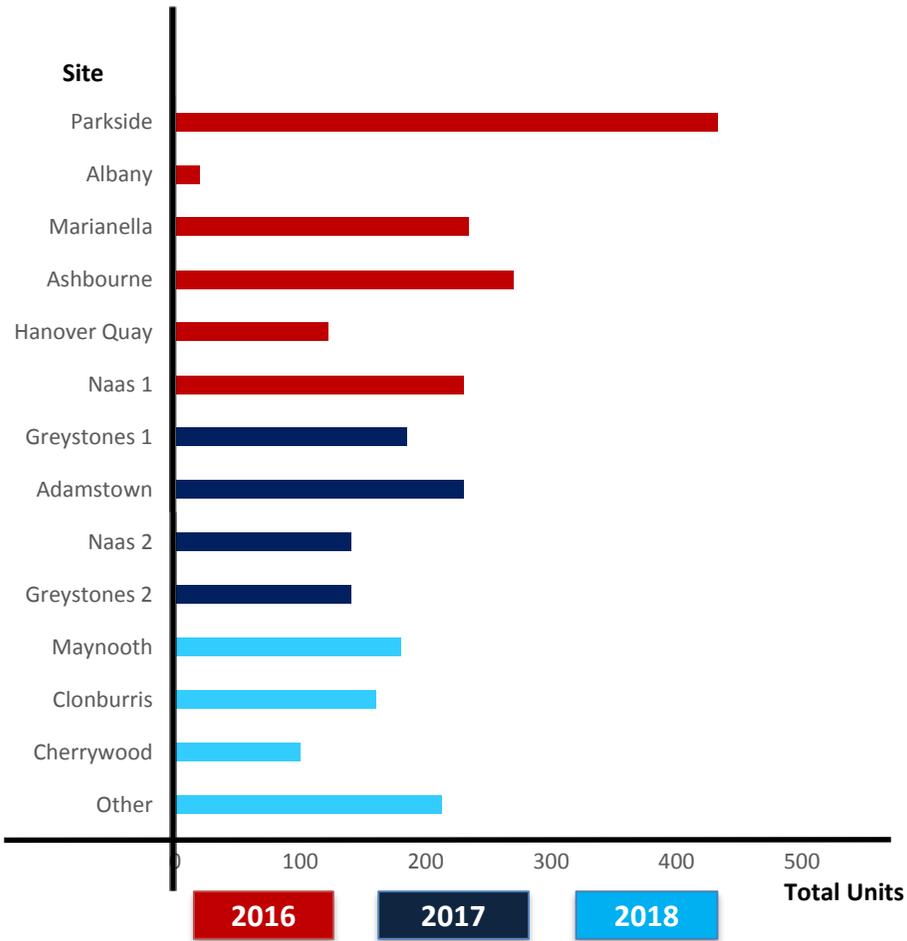
Geographic overview of core sites



Near term sites – unit numbers provided in some cases are estimates as final planning consents have not been received

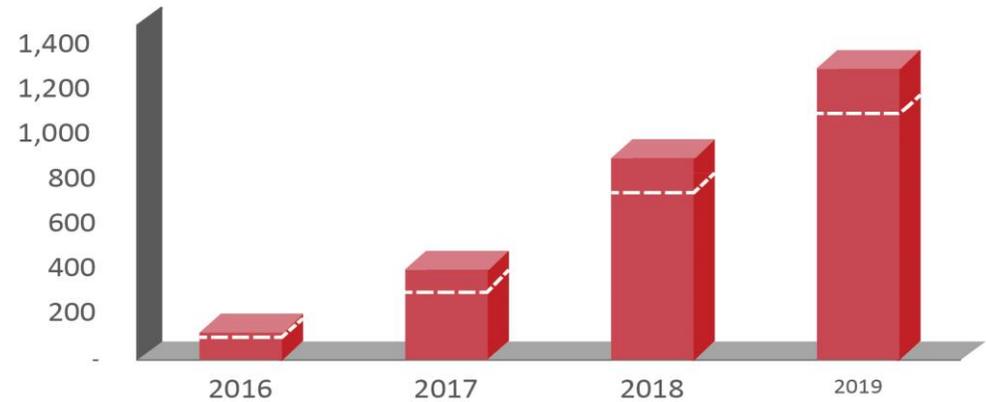
Landbank analysis

Site commencement plan

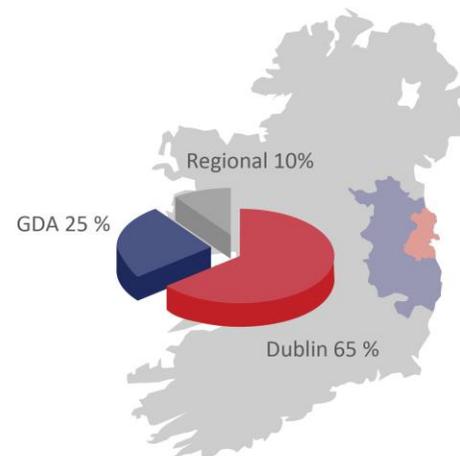


Notes: A number of these sites will deliver significantly more units in the period from 2019 onwards

Confident of ability to deliver 1,200 units by 2019

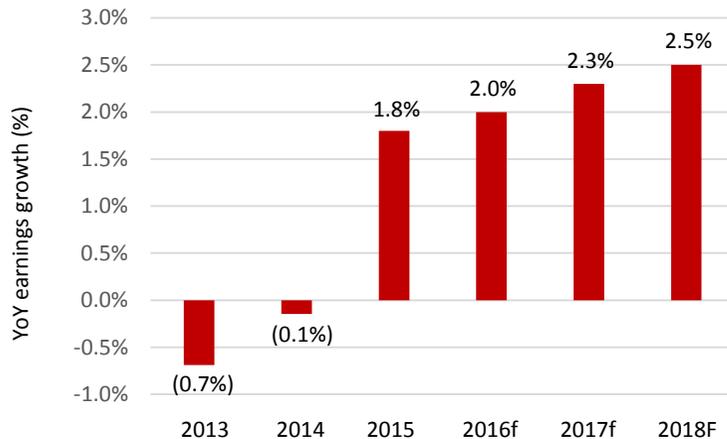


90% of landbank in Dublin and GDA

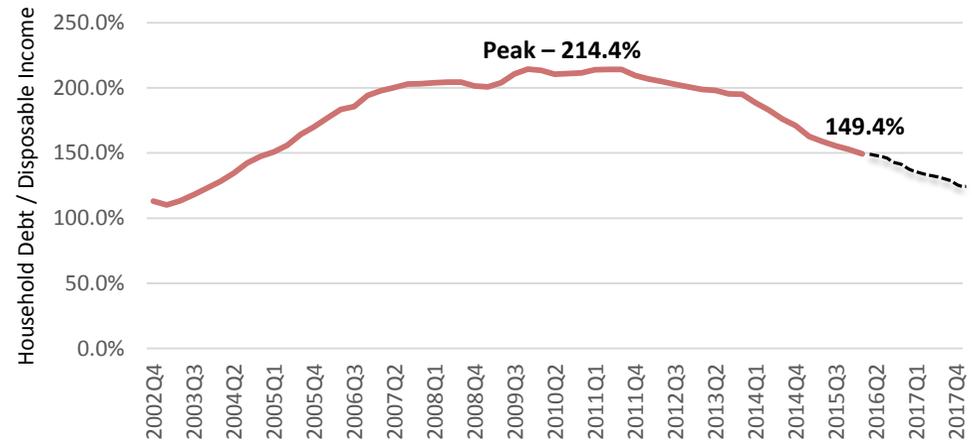


Affordability improving

Upward trend in earnings growth



Continued positive movement in disposable income



- Irish household debt as a proportion of disposable income continues to fall from a peak of 214.4% in Q4 2009 to 149.4% in Q2 2016 (equating to 2004 levels). This is expected to fall further to c. 125% by the end of 2017
- Reduction in mortgage interest rates in the past year as competition amongst mortgage providers intensified
- Likely continued downward trend in personal tax rates

Source: CSO, Goodbody
AIB, Haven Mortgages, KBC, BOI, PTSB, UB

Notes: Expected 2017 Household Debt/Disposable Income ratio based on average 4.3% quarterly improvement in the rate since Q1 2014

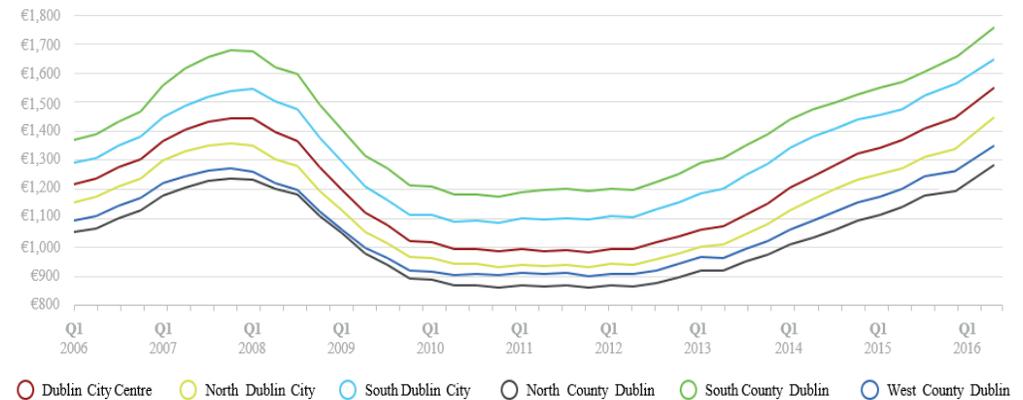
Excess demand (v lack of supply) fuels rent increase

Under-supply driving rental growth

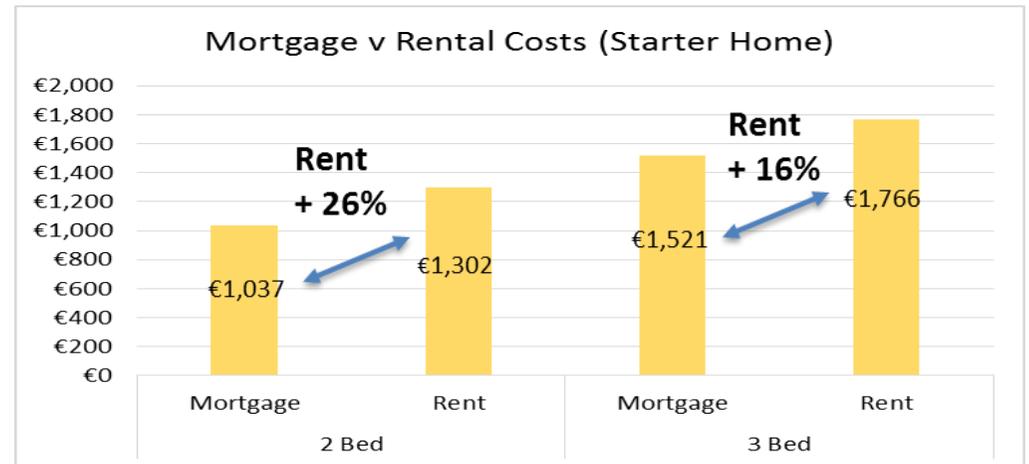
- Under-supply of housing has resulted in significant growth in rental prices with over 40% growth nationally since 2012
- Rents in Dublin are up 51.3% from their lowest point in late 2010 (and now above 2008 peak) and up 11.3% YoY to June 2016
- Completions remain significantly below short and medium-term demand levels, both in Dublin and the rest of Ireland
- Now only 3,600 units for rent in Ireland (and only 1,100 units in Dublin equating to < 2 weeks supply) – down from 24,000 in 2009 (and 4,600 units as at June 2015)
- Some evidence that House Price Inflation (6.6% nationally, 4.5% Dublin YoY to June 2016) has been displaced by rental inflation
- At the starter home end of the Dublin market (2 bed apartments and 3 bed houses), the monthly cost of servicing a mortgage (assuming 85% LTV, 4% variable interest rate and 30 year term) is considerably cheaper than the cost of renting

Significant growth in Dublin rents

Dublin trends Q2 2016

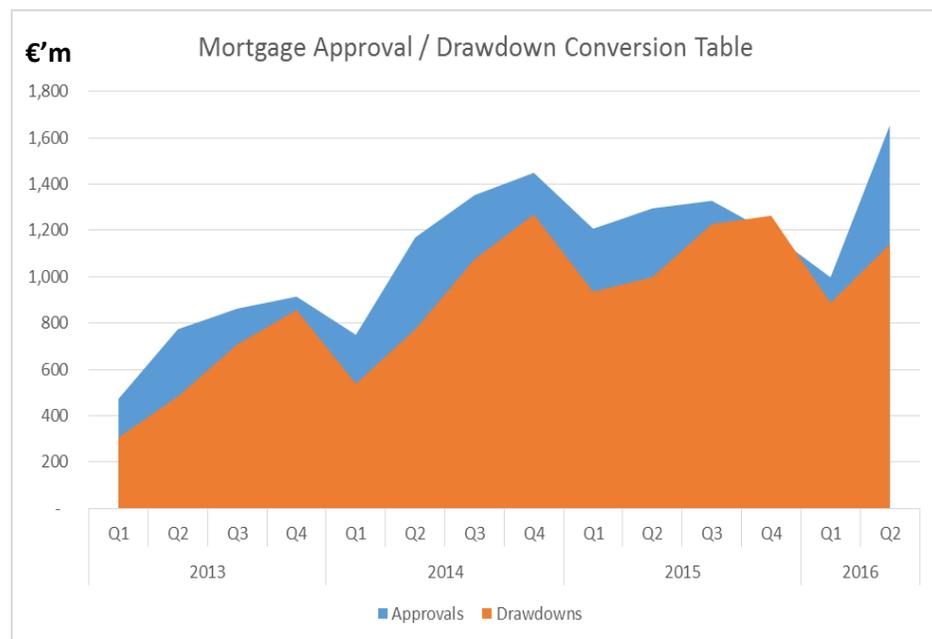


Average rents by area 2006-2016



Mortgage market recovering

Mortgage drawdowns lagging approvals



But positive trend in approvals and drawdowns

- H1 2016 has seen a return to normalised levels which highlight the continued shortage of housing for mortgage approved customers – suggests 23% by volume cannot source product with which to convert their approval into a house purchase
- Total mortgage drawdown values +17.9% in Q2 after traditionally quiet Q1– strongest quarterly performance since Q3 2015
 - Volumes +11.2%
 - Avg. Loan Values + 6.1%
- Mortgage approvals have also shown a significant increase in volumes in recent months, with the volume of mortgage approvals up by an average of 22.5% over the 3 months April, May and June 2016
- Mortgages rates have fallen. For LTV's < 80%, competitive rates include 3.3% with AIB and Haven Mortgages, while KBC's rate is 3.2% (in addition to a €2,000 contribution towards legal fees). Both Bank of Ireland (4.2%) and PTSB (4.0%) offer 2% cashback back to customers on mortgage amounts drawn. Ulster Bank (3.7%) contribute €1,500 towards legal fees
- Review of CBI rules to be confirmed in November

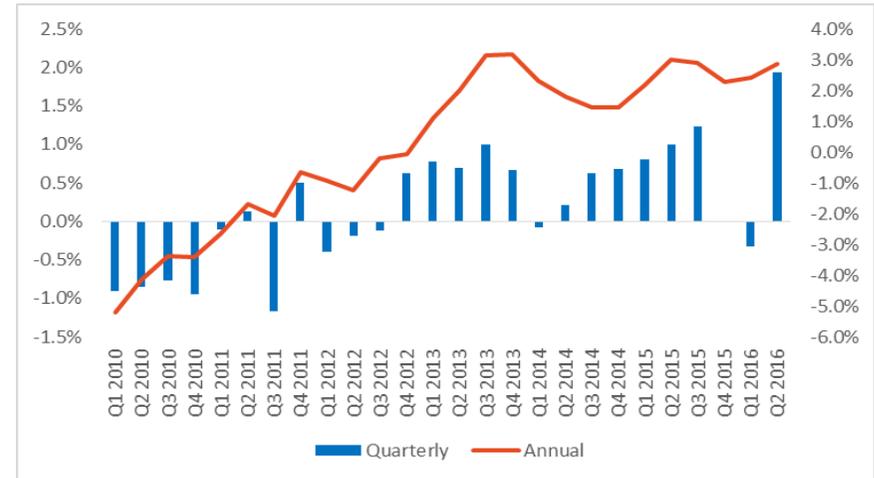
Source: BFPI

Supportive demand side fundamentals

Continued improvement in market fundamentals

- Irish population increased by 3.7% (170k) to 4.76m between 2011 and 2016
- Highest population growth since previous Census recorded in Fingal in Dublin (+22,233/8.1%) – total Dublin increase of 72,333 (growth of 5.7%)
- Annual employment growth of 2.9% in Q2 16, with 57,200 jobs added in the 12 months to June 2016. Jobs growth accelerated strongly in the Greater Dublin Area (Dublin, Meath, Kildare and Wicklow) at 4.3% (1.9% growth elsewhere)
- Unemployment now down to 8.4% and positive momentum in earnings growth. Total employment has risen by 182k (9.9%) from its 2012 low to over 2 million for the first time since 2009
- Home ownership remains high at c. 70%

Employment growing from Q4 2012

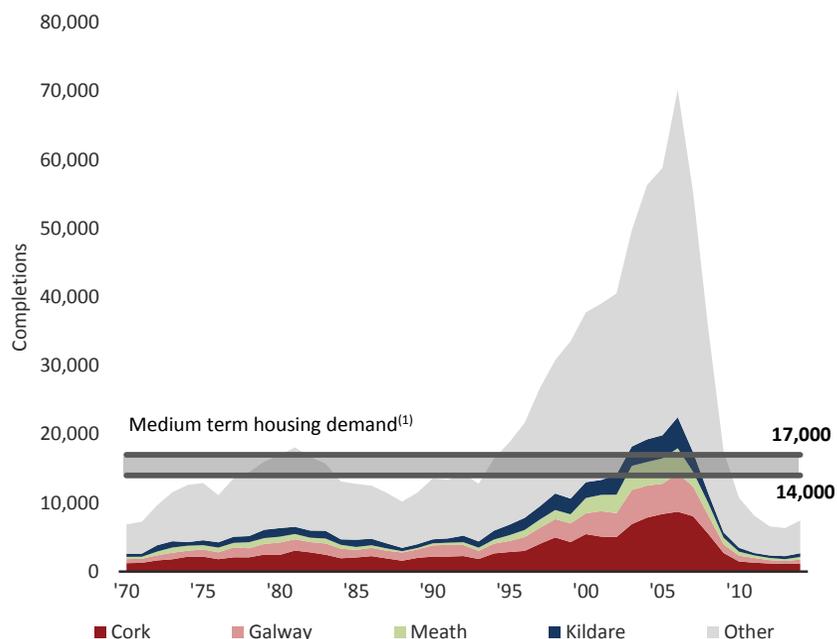


Source: CSO

Demand continues to significantly exceed supply

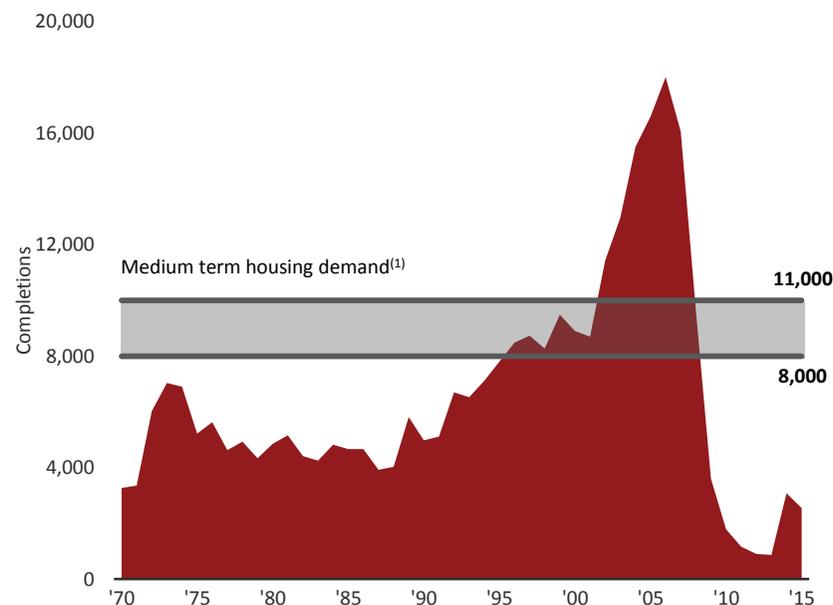
Completions significantly below medium term demand (*rest of Ireland*)

- 2016 activity to date still remains very low
 - H1 completions +396 on 2015 levels (4,649 completions)
 - Current run rate will see 9,298 completions in 2016 – an increase of just 800 units on 2015



Completions significantly below medium term demand (*Dublin*)

- 2016 activity to date still remains very low
 - H1 completions +621 on 2015 (1,993 completions)
 - Current run rate will see just 3,986 completions in 2016 – an increase of just 1,200 units on 2015



Source: Department of the Environment, Heritage and Local Government.

Note: Total house completions based on the number of new dwellings connected by ESB Networks to the electricity supply. Dublin includes Laoghaire-Rathdown, Fingal and South Dublin County Councils and Dublin City Council. Cork and Galway include County and City councils.

2015 data based on Q1 – Q3 2015 (annualised by using 4/3).

(1) Medium term housing demand 2016-2021 (estimated), Goodbody (Irish Property, September 2014).

A sustainable house-building economy.....

Housing Completions v Economy

As outlined in the tables below, the Irish housebuilding sector built and sold an average of 23,871 units per annum in the pre-Celtic Tiger 20 year period to 1995. To put this into context, the Irish economy is now over 3 times larger and employment has increased by 57% since 1995, yet our projected 2016 housing completions of 13,284 units are only 56% of the 1975-1995 average annual output.

<u>House Completions</u>	<u>1975</u>	<u>1985</u>	<u>1995</u>		<u>1975-1995 Average</u>		<u>Estimate Current</u>
ROI	19,105	17,164	21,752	→	17,223	→	9,298
Dublin	7,787	6,784	8,823		6,649		3,986
Total	26,892	23,948	30,575		23,871		13,284

<u>Economy</u>	<u>1975</u>	<u>1985</u>	<u>1995</u>	<u>Current</u>
Employment ('000)	1,084	1,097	1,282	2,014
GNP (Real - €bn)	43.9	52.9	77.1	241.7
Interest Rates	11.3%	13.0%	7.0%	3.9%

Source: Goodbody, CSO, Dept. of the Environment, Community and Local Government

Helpful Government initiatives Government is listening

Previously Announced

- General reduction in development levies across various Dublin councils
- Change in Planning Guidelines for New Apartments has reduced build costs and improved apartment profitability
- Levy rebate on affordable homes <€300k Dublin, <€250k Cork
- Reduction in Part V requirement from 20% to 10% of units provided on-site

Housing Plan

- Two separate infrastructure funds (LIHAF - €200m and ISIF - €TBC) will have a meaningful impact
- Prioritising large pathfinder sites in key urban locations to release housing more quickly
- Major planning reforms: one-step rather than two-step process
- Targeting efficient and design delivery methods to lower housing delivery costs
- Potential utilisation of Government and local authority sites

Budget 2017

- The Government has confirmed that a First Time Buyer / Help to Buy Programme will be announced in the October budget (and backdated to July 2016). Details have yet to be announced but it is expected that it will take the form of either a direct grant or tax rebate

Market opportunity continues

Strong macro economic trends...



Ireland continues to be the fastest growing economy in the EU



Domestic demand is key driver of economic growth

- Core demand +5.4% in 2015 and forecast +4.2% in 2016 and +3.7% in 2017



Broad based recovery with all sectors contributing



Unemployment declined from a peak of 15.1% to current level of 8.4%

- Employment up 2.9% (57,200) in 12 months to June 2016
- Employment in the Dublin area is up 4.3% in the same period



Wage growth returning and will be a feature going forward

- +1.8% in 2015 and forecast at +2.0% in 2016, +2.3% in 2017 and +2.5% in 2018

...Underpin housing market recovery



Highly supportive housing demand fundamentals

- Demand continues to significantly outstrip supply



Rent levels continue to escalate due to imbalance

- 51.3% rental growth since 2010 in Dublin (11% annual growth to Q2 2016), with rents now above 2008 peak



Mortgage drawdowns, volumes & loan values increasing

- More competition and downward pressure on mortgage rates



Affordability is improving

- Wage inflation returning
- Mortgage rates reducing
- Personal tax likely falling
- Govt. rebates/Help to Buy



Government is listening – underlined by recent Housing Action Plan



Brexit Impact – potential for increased FDI in Dublin

Source: Daft.ie 2016 Q2 Rental Report, Q2 2016 Quarterly National Household Survey (QNHS), CSO, Goodbody

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Financial results: Income Statement

Income statement for 6 months ended 30 June 2016

<i>(all numbers in €'000)</i>	For 6 months ended 30/6/16			For 6 months ended 30/6/15		
	Before Except	Except Items	Total	Before Except	Except Items	Total
Revenue	16,003	-	16,003	51	-	51
Cost of Sales	(13,360)	-	(13,360)	-	-	-
Gross Profit	2,643	-	2,643	51	-	51
<i>% margin</i>	<i>16.5%</i>		<i>16.5%</i>	<i>n/a</i>		<i>n/a</i>
Other Income	3,531	-	3,531	-	-	-
Admin expenses	(3,331)	(1,212)	(4,543)	(948)	(1,086)	(2,034)
Fournder Share FV Charge	-	-	-	-	(29,100)	(29,100)
Operating profit/(loss)	2,843	(1,212)	1,631	(897)	(30,186)	(31,083)
Net finance costs	(2,332)	-	(2,332)	(151)	(1,858)	(2,009)
Profit/(Loss) before tax	511	(1,212)	(701)	(1,048)	(32,044)	(33,092)
Income tax credit			122			213
Loss for the period			(579)			(32,879)
Basic loss per share			(€0.001)			(€0.85)
Fully diluted loss per share			(€0.001)			(€0.85)

Commentary

- Revenue predominantly from the sale of 39 houses on the Parkside site (€11.6m) and sale of assets acquired in Project Clear (€3.8m)
- Other income of €3.5m comprised of a €1.4m gain on the settlement of loans and a €2.1m gain relating to assumed payments to third parties (relating to Project Clear) that are no longer payable
- Exceptional administrative costs represent transaction costs relating to the Argentum acquisition, charged to the Income Statement in line with accounting standards
- Finance costs represent the interest on the Group's €200m senior debt facilities
- Taxation represents a deferred tax release

Financial results: Cash flow Statement

Cash flow Statement for 6 months ended 30 June 2016

<i>(all numbers in €'000)</i>	6 months ended 30-Jun-16	Period ended 30-Jun-15
EBITDA	1,684	(896)
Increase in inventories	(77,660)	(41,834)
Decrease in loan assets	26,768	-
Increase in deposits paid	(625)	(5,095)
Increase in receivables	(2,344)	(402)
(Decrease)/Increase in payables	(1,469)	1,819
Net cash used in operating activities	(53,646)	(46,408)
Acquisition of Argentum	(86,074)	-
Cash acquired on acq. of Argentum	818	-
Cash acquired on acq. of Emerley Holdings	-	1,963
Purchases of PP&E & Intangibles	(478)	(3)
Net cash used in investing activities	(85,734)	1,960
Proceeds from issue of share capital, net of issue costs paid	168,018	433,375
Proceed from borrowings, net of debt issue costs	99,527	-
Repayment of loans	(15,500)	-
Interest paid	(2,134)	-
Net cash from financing activities	249,911	433,375
Net increase in cash and cash equivalents	110,531	388,927
Cash and cash equivalents at the beginning of the period	6,551	-
Cash and cash equivalents at the end of the period	117,082	388,927

Note: For period from incorporation on 12 November 2014 to 30 June 2015

Commentary

- Increase in inventories represents acquisition of 3 sites (Hanover Quay, Maynooth and Cherrywood), plus spend on live sites, less Parkside inventory release
- €86.1m represents the 2016 cash payment to date on the Argentum acquisition - €5m was paid in 2015, plus a further €14.4m is payable on the completion of the Greystones site
- April placing and open offer raised gross proceeds of €176.5m – total share issue costs of €8.5m paid (incl. payment of some 2015 costs)
- A further €100m was drawn down under the terms of the Senior Debt Facility, with the previously drawn RCF €15.5m repaid during the period
- Interest paid of €2.1m represents interest and commitment fees on the Senior Debt Facility

Financial results: Balance Sheet

Balance sheet as at 31/06/2016

<i>(all numbers in €'000)</i>	30-Jun-16	31-Dec-15
	€'000	€'000
PP&E & Intangibles	748	260
Restricted Cash	27,000	27,000
Non-current assets	27,748	27,260
Loan assets	16,000	382,951
Inventories	657,122	149,331
Deposits paid	2,225	5,000
Other receivables	11,104	2,962
Cash	117,082	6,551
Current assets	803,533	546,795
Total assets	831,281	574,055
Share capital	794	637
Share premium	697,733	521,390
Share based payment reserve	29,134	29,118
Retained earnings	(61,601)	(53,155)
Total equity	666,060	497,990
Loans and borrowings	148,419	63,543
Derivative liability	-	514
Deferred taxation	6,120	815
Non-current liabilities	154,539	64,872
Trade and other payables	10,682	11,193
Current liabilities	10,682	11,193
Total equity and liabilities	831,281	574,055

Commentary

- Inventories represents all owned sites plus WIP plus development land collateral (t/f from loan assets in 2016 totalling €212.2m)
- PP&E & Intangibles increase principally represents spend on Head Office fit-out and various systems/IT costs
- Other receivables mainly includes Vat recoverable and construction bonds
- Deposits represents two site deposits paid
- Loans and borrowing represents total facilities drawn under the Senior Debt Facilities of €150m – net of debt issue costs
- Deferred taxation represents deferred taxation balances attaching to the Parkside and Argentum sites.
- Trade and other payables is principally comprised of VAT payable, various Project Clear related accruals and trade payables
- Total available liquidity (cash and debt headroom) of €167.1m (excluding impact of future Project Clear sales)

Appendix



Marianella



Marianella

Rathgar, Dublin 6

Size
8ac/3ha

Total units
234



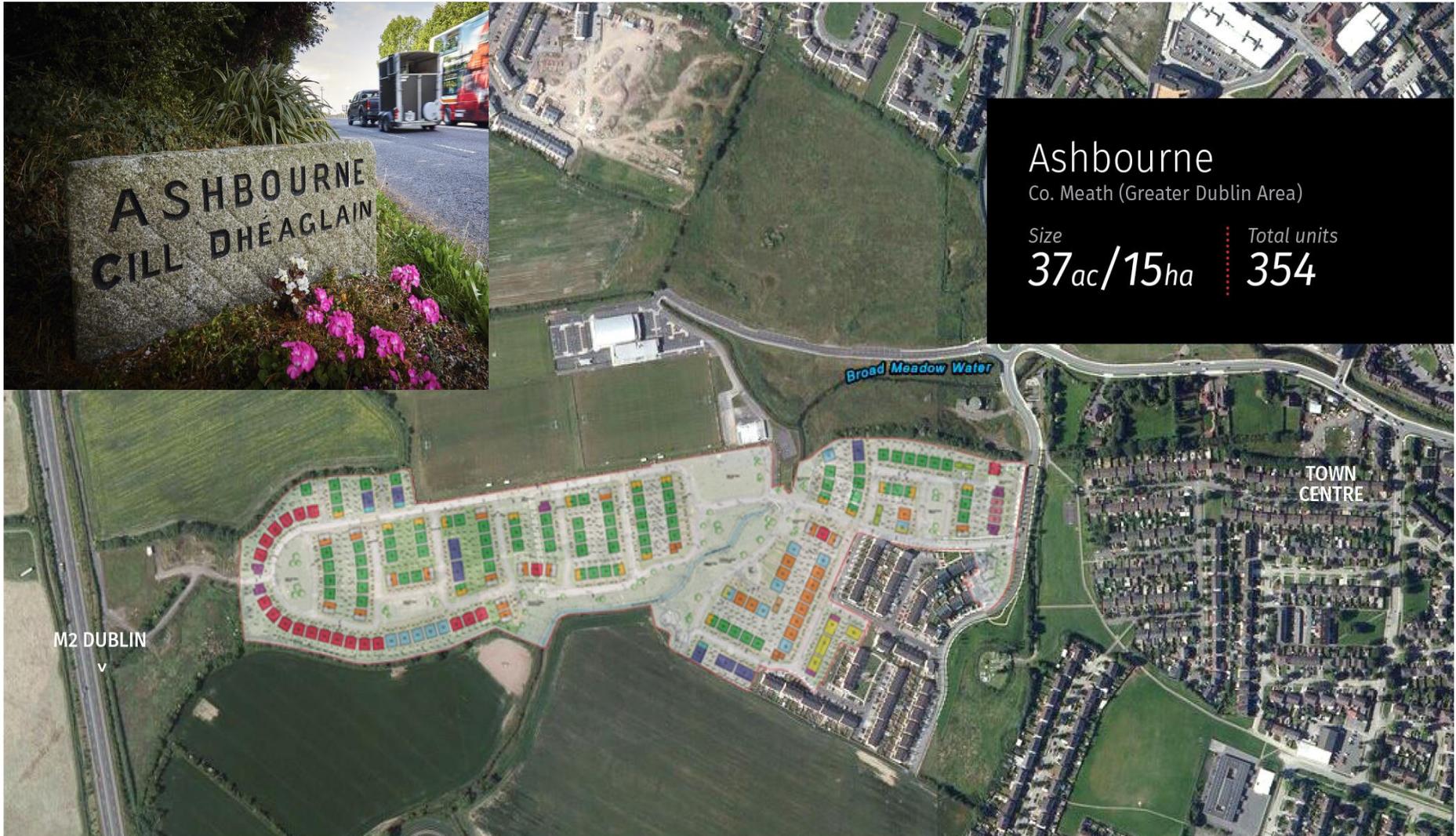
Hanover Quay



6 Hanover Quay
Dublin 2

Size	Total Units
1.05/0.43 ha	122

Ashbourne



Parkside



Parkside

Dublin 13

Size

50ac/20 ha

Total Units

433



Albany



Albany
Killiney, Co. Dublin

Size
2ac/0.8ha

Total units
20



Adamstown



Adamstown
Co. Dublin

Size **68_{ac}/28_{ha}** Total units **1,195**

