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Cala Group to triple in size after profits double

Kathryn Hopkins, Property Correspondent
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Cala Group plans to triple the size of its business by 2016 after more than doubling its profits this year.

The upmarket housebuilder, which mainly focuses on Scotland, the Midlands and the South East, achieved record pre-tax profits of £27.3 million in the year ended June 30, up from £12.6 million in the previous 12 months. This was from a 22 per cent increase in revenue to £294.2 million.

The company, which became one of the UK's top 10 biggest housebuilders by revenue when it acquired luxury developer Banner Homes earlier this year, will announce today that is has been a particularly busy period of land investment, which has seen it sign contracts on 37 new sites with an estimated gross development value of £795 million.

Cala, which can trace its roots back more than 130 years in Aberdeen and is owned by Patron Capital Partners, the private equity firm, and Legal & General Properties, is now planning to deliver a three-fold increase in revenue by 2016.

The builder said it had experienced little adverse impact following the introduction of the Mortgage Market Review, aimed at curbing risky lending, as the majority of its buyers are not dependent on high levels of mortgage debt.

However, it noted that the improving housing market and increasing levels of development activity had brought about the first marked rise in the cost of labour and materials since the downturn.

These costs have been more than offset by sales price inflation. Its average selling price has jumped to £423,000, from £335,000 in 2013.

It added that, while the disruption to the supply of certain key building materials during the past year had eased gradually, it expected cost pressures to remain a challenge to the business in the year ahead. The supply of skilled tradesman will also be a growing issue for the company, it said, as well as the wider industry.

Upmarket house builder Cala Group reports 'record' profits Upmarket house builder Cala Group reports 'record' profits

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Edinburgh-based group said pre-tax profits for 2014 year to June rose 117% to £27.3m as the average sale price of homes increased 26% to £423,000

Upmarket housebuilder Cala Group has reported 'record' profits for the 2014 year to June 30 as average house sale prices rose 26 per cent year on year.

The Edinburgh-based group said pre-tax profits more than doubled on what had also been a record 2013 year to £27.3 million (2013: £12.6 million).

Cala said its 2014 results includes a "strong contribution" from its recent £200 million acquisition of Buckingham-based independent house builder Banner Homes.

The group had stated in July trading update its 2014 results would include three months of trading from Banner Homes.

Cala, which was sold to private equity group Patron Capital Partners and insurer Legal & General Group plc last year in a £210 million deal, said group revenues for the year rose 22 per cent to £294.2 million, which the group said was "almost entirely due to the inclusion of Banner's revenue for the period since the date of acquisition".

Gross margins on house sales rose to 22.7 per cent in the year, up from 18.8 per cent reported for 2013, and operating margins rose to 13.6 per cent (2013: 10.2 per cent), which helped to lift pre-tax profits 117 per cent year on year.

Cala said while private home completions in the year had remained "broadly unchanged" at 677 (2013: 694) the average selling price (ASP) was up 26 per cent to £423,000 (2013: £335,000), which the group said was "due to a change in site mix, sales inflation and Banner's higher ASP".

Average sales price increases were the strongest in the South East of England and East of Scotland, including Aberdeen.

The group said weekly sales per site averaged 0.48 in the year, which was down against the 0.56 reported for 2013, which the group said was "due to change in site and product mix plus nature of Banner's higher ASP; compares favourably to industry peers given CALA's low reliance on Help to Buy".

The group notes it increased its average number of active selling sites per week to 29 (2013: 25), and secured legal completions from a total of 56 sites (2013: 39), with the increase "entirely due to the inclusion of the Banner portfolio".

Cala said its owned and contracted land bank increased 27 per cent in the year to 12,690 plots with a potential gross development value ("GDV") "approaching £4.7 billion", which Cala said was up 48 per cent on 2013 based on a total average sale price of £370,000 against £316,000 reported in 2013.

Cala said its land teams contracted 37 new sites in "premium locations" in the 2104 year which are projected to deliver 1,948 homes with an estimated gross development value (GDV) of £795 million and average selling price of £408,000 (2013: 1,290 homes with a GDV of £455 million).

The group notes forward sales as of July 1 totalled 367 units with a turnover value of £166.2 million (2013: 192 units and £69.9 million) for delivery by 30 June 2015.

Net debt as June 30 was £141.6 million (2013: £40.5 million), "due to the Banner acquisition and greater investment in land to support Cala's growth plans".

Chief executive Alan Brown said the fiscal year had been a “transformational period” for Cala.

He said: “Following another year of significant investment in our land bank and our acquisition of Banner Homes in March, CALA is now an established, top 10 UK housebuilder by revenue and, with the bulk of the Banner integration now complete, our focus is on driving the increased synergies and benefits of scale we have identified.

“Our growth plans are underpinned by the strength of our landbank, and the quality of our development locations with 81 per cent of the projected profit to be delivered through our business plans in the next four years already owned, contracted or with deal terms agreed, providing the Group with an excellent platform and a high level of visibility.

“We have entered the new financial year in a very positive position thanks to strong forward sales and, with a stable market backdrop, I am very excited about Cala's prospects for the year ahead which will deliver our first year of significant volume growth since the implementation of our new growth strategy.”

Cala said it has experienced “little adverse impact” following the introduction of the Mortgage Market Review as the majority of CALA purchasers are “not dependent on high levels of mortgage debt”.

Trinity Mirror Group PLC

http://www.cityam.com/1413854603/cala-expansion-push-south-boosts-profits

Cala expansion push into south boosts profits

by Kasmira Jefford
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CALA Group profits soared last year after the upmarket housebuilder's acquisition of Banner Homes helped bolster its presence in the affluent south and London's commuter towns.

The Edinburgh-based group, which develops upmarket properties in Scotland, the Midlands and the Home Counties, saw pre-tax profits almost doubled from £12.6m to £27.3m in the year to 30 June, while revenue rose 22 per cent to £294.2m.

Chief executive Alan Brown said the business was on course to triple in size by 2016, with turnover set to reach £500m in the current year, after swallowing up luxury housebuilder Banner in March.

"We had an organic growth plan in place in 2013 and the Banner acquisition really supplemented that and allowed us to accelerate our growth plans. Whereas previously before the acquisition we would get to £800m (of revenue) by 2018 we can now do it by 2016."

He described the last 12 months as "transformational" since Patron Capital and Legal & General's acquisition of Cala in March 2013.

"Our new shareholders injected a significant amount of capital into our business, which has allowed us to do things that we wouldn't have been able to do," he said.

The Scotsman

http://www.scotsman.com/business/transport-industry/it-s-been-a-really-good-year-says-cala-boss-1-3578382

It's been a really good year' says Cala boss

Upmarket housebuilder Cala has hailed a "transformational year" after it reported that profits more than doubled to £27.3 million.

The Edinburgh-headquartered firm said yesterday that its 117 per cent leap in pre-tax profits was just the start of a growth period that will see revenues triple over three years.

Sales grew more modestly in the 12 months to 30 June, reaching £294.2m, against £240.8m a year earlier. But the figures include only three months' worth of contributions from Banner, the south of England-focused rival it swallowed in March for around £200m.

Chief executive Alan Brown said: "The last 12 months have been transformational for Cala. Record profits, significant land investment and the Banner acquisition mean it's been a really good year."

Brown pointed out that the firm had been "cash constrained" before its 2013 takeover by private equity firm Patron Capital, Legal & General and Electra.

“Now we’ve got three really good financial backers and have much greater firepower,” he said. “What we’ve been able to do in the last 12 months is effectively turn a £215m business, which we were the year before last, into what will be a £800m business the year after this. This 12-month period has been all about that transformation through investment in land and the acquisition of Banner homes.

“The gross margin this year at 22.7 per is a record and there’s an element, albeit a small one, of sales inflation in that. But obviously if we double the size of the business we would expect profits to grow as well.”

Cala is targeting turnover of around £500m in the current financial year, and expects to enjoy “increased synergies and benefits of scale” as it completes the integration of the two business by the end of this month.

Brown said the firm was finding it straightforward to build up its land bank and get planning permission in suitable places for its homes, which sell for an average of £423,000.

In the last financial year, the company’s owned and contracted land bank was increased by more than a quarter to 12,690 plots with a potential gross development value approaching £4.7 billion.

Brown said Cala’s expanded group of eight operating regions will be operating at full efficiency by 2016.

“All regions are doing well, with single-digit sales inflation. Aberdeen is particularly positive for us,” he said.

“The Scottish market is operating particularly well. It was quiet in the summer, particularly during the last four weeks before the referendum, but now there is less uncertainty it is in catch-up mode.”

Cala’s private equity backers will have been watching with interest as the less profitable Miller Homes abandoned an attempt at flotation in recent weeks. It is thought Miller’s owners were seeking a valuation of at least £450m.

Brown conceded that flotation is one of the options for his paymasters but said it was not a priority for management, which is concentrating on its growth plans. Should they succeed, Patron and partners would be in for a significant premium over the approximately £215m they paid for Cala last year, even taking into account the cash spent on Banner.