

Client: Patron Capital
Source: Financial Times
Date: 25/03/2014

Keyword: Patron Capital
Page: 23
Reach: 236528
Size: 230
Value: 15129.40

Bullish Cala acquires Banner

CONSTRUCTION

By Thomas Hale

Cala has acquired developer Banner Homes in one of the biggest deals in the sector since the financial crisis, as the upmarket housebuilder looks to capitalise on its ambitious expansion plans.

The deal is expected to be valued at about £200m, according to people familiar with the matter.

"The acquisition of Banner Homes fits strategically, geographically and culturally," said Alan Brown, chief executive.

"It's a transformative deal, making us a top 10 UK housebuilder overnight and accelerating our steady growth trajectory."

Cala has been bullish about its prospects. In October, it outlined its intention to double in size by 2017, and last month it issued a rallying cry to fellow housebuilders in the UK.

The newly combined business, which will employ more than 600 people, will have turnover of £500m in its first full year, with net assets of £200m.

It expects to be able to deliver 2,000 homes a year by the 2017 financial year, at an average selling price of £400,000, and forecasts turnover exceeding £800m in the same year.

Cala, which stands for City of Aberdeen Land Association, was itself acquired by Legal & General, the insurer, and private equity group Patron Capital Partners in March of last year for £210m.

The company builds upmarket homes in affluent

areas of the UK. As of the end of January, its average selling price was £361,000.

The acquisition of Banner – which sold 235 homes at a private average selling price of £511,000 over the 12 months to May 2013, generating revenues of £111m – will help to bolster Cala's exposure to the upmarket end of UK housebuilding.

George Osborne, chancellor, announced in March that the first part of the government's Help to Buy scheme would be extended

to 2020, driving up the share price of a number of UK housebuilders.

According to Mr Brown, Cala has taken some sales through Help to Buy, but has limited exposure to the policy because of its upmarket business model.

The acquisition comes as confidence in the UK property market continues to grow.

Last month, Countryside, another housebuilder with private equity backing, merged with upmarket Millgate Developments as part of its own aggressive expansion.

A number of property companies floated in 2013, including estate agents Countrywide and Foxtons, and housebuilder Crest Nicholson.

Mr Brown said that Cala had no immediate plans to float.

He said: "People have been talking about an IPO with us for two or three years.

"At the moment it's about our growth strategy and integration with Banner and that's what we'll focus on for the next 12 months."



Roof with a view: Cala aims to double in size by 2017

Client: Patron Capital
Source: The Daily Telegraph
Date: 25/03/2014

Keyword: Patron Capital
Page: 3
Reach: 540501
Size: 133
Value: 4274.62

Banner deal puts Cala in housebuilders' top 10

By Rebecca Burn-Callander

CALA GROUP has acquired Banner Homes in a deal worth an estimated £200m.

The combined business will employ 600 people and turn over more than £500m in its first year, with net assets of £200m.

Cala operates mainly in Scotland, the Midlands and the South East. The deal would rank the business as a top 10 UK housebuilder, with 2,000 new homes forecast for the coming year.

"Cala has been following an organic growth strategy but Banner, as a builder of high-specification, luxury homes, was in the sweet spot for us," said chief executive Alan Brown.

Cala boasts an average selling price of £361,000, while Banner Homes' average is £511,000.

"We are a national housebuilder while Banner is focused on the South East," said Mr Brown.

Cala's acquisition talks with Banner began in July last year. The deal will give the new group "significant benefits when talking to our supply chain" Mr Brown said. He added that the



One of Banner Homes' luxury houses

acquisition would bring "real overhead efficiency", although neither company is planning to reduce headcount.

"We are looking to take on up to 50 staff over the coming year to meet our recruitment plans," Mr Brown said.

Cala was acquired from Lloyds Banking Group by Patron Capital and Legal & General in March 2013. The two companies own a 46.5pc stake in the housebuilder with the remaining share owned by Cala's management.



Client: Patron Capital
Source: City AM
Date: 25/03/2014

Keyword: Patron Capital
Page: 10
Reach: 127950
Size: 357
Value: 4148.34

THE NEW CALA AND BANNER GROUP IN THREE FIGURES

- 1 600 STAFF**
Two groups will employ 600 staff, with Cala planning to hire more
- 2 £800M**
Cala's owners plan to grow the combined group's annual turnover from £500m today to £800m by 2017
- 3 2,000**
Cala and Banner aims to deliver 2,000 homes a year by 2017 with an average selling price of £400,000



Banner Homes snapped up by Cala for £200m

BY KASMIRA JEFFORD

CALA Homes has made a further push into the more affluent south of England after buying luxury house-builder Banner Homes yesterday for around £200m.

The Edinburgh-based housebuilder, which develops upmarket properties in Scotland and in the Midlands has been looking to grow its presence in the south on the back of rising demand and said Banner was a "perfect strategic fit" for Cala.

Banner builds upmarket family homes in the home counties and the Midlands with an average selling price of £511,000 compared with Cala's average selling price of around £360,000.

The combined businesses will employ around 600 staff and have a turnover of more than £500m in its first full year, with net assets of £200m, Cala said.

In the longer term, the housebuilder plans to grow its annual turnover to £800m and deliver around 2,000 homes per year by 2017.

Cala was sold by Lloyds Banking

Group to Legal & General and private equity group Patron Capital last year and given an extra cash injection by its new owners to fund its expansion over the next four years.

Chief executive Alan Brown told City AM: "We put in place plans last year to grow by around three times in size by 2017, focusing on Aberdeen and the south of England. So from a geographic point of view Banner fits in well."

"Culturally they are also very similar... we couldn't have found another house-builder as strategically fitting as Banner," he added.

Banner's chief executive Richard Werth has stepped down following the takeover, but four of its senior directors will move across to the new business, including finance director Richard Walbourn.

Private equity group Electra, which invested £13m alongside Patron Capital and Legal & General in its last year, said yesterday it had injected a further £15m into the business to help with its expansion and acquisition, which was also funded by a new bank deal with Bank of Scotland and Santander.

BEHIND THE DEAL

EY | FRASER GREENSHIELDS

1 EY partner Fraser Greenshields was poached from RBS seven years ago to set up its real estate corporate finance business, which now has a 30-strong team.



2 One of his most significant deals to date is acting on the sale of Battersea Power Station to a Malaysian consortium for £400m in 2012. Before joining EY Greenshields was a managing director in RBS's global banking & markets division for 15 years.

3 At the weekend Greenshields switches from driving real estate deals to rading his two-seater Caterham motor car at circuits around the UK, including Silverstone.

Also advising...

EY acted as financial adviser on the acquisition while Swiss bank Lazard provided Cala with debt advice around the deal. Managing director Ranjit Munroe and director Max von Hurter led the team at Lazard. Cala's PR advisors were Andrew Jacques, chief executive of MHP Financial and MHP director James White.

KASMIRA JEFFORD



Client: Patron Capital
Source: The Herald
Date: 25/03/2014

Keyword: Patron Capital
Page: 24
Reach: 44445
Size: 523
Value: 1061.69

Cala buys Banner in £200m acquisition

Deal for English luxury home builder hailed as a perfect fit for Scots company

GREIG CAMERON
DEPUTY BUSINESS EDITOR

BUILDER Cala Group has acquired a Midlands and south of England-focused luxury house builder, in a deal believed to be worth around £200 million.

Banner Homes, founded in 1975 and which has its group headquarters near High Wycombe in Buckinghamshire, built 235 units in its most recent financial year, at an average price of £511,000.

In the 12 months to May 31, 2013, the company recorded a turnover of more than £111m and pre-tax profit of £8.5m.

At the moment, Banner operates from 21 sites, holds a land bank of 1100 units, and employs around 200 direct staff.

Alan Brown, Cala chief executive, said talks about the deal had started last summer and he was delighted to get the transaction over the finishing line.

He said: "They were looking to find a new financial partner as they also had growth plans.

"Their market position, geography and culture just fit so well with what we are doing that it made sense for us to do something together.

"We are very excited about it. It is a perfect fit for Cala on every level."

While neither side was willing to

disclose the exact value of the deal it is being funded by additional equity from Cala's existing backers Patron Capital, Legal & General and Electra as well as a new extended debt facility provided by Bank of Scotland and Santander.

Mark Prentice, from Bank of Scotland, said: "We are proud to continue our support of Cala Group, by leading this syndicated facility to enable its expansion into new markets."

Four senior executives from Banner – production director Marc Coulon, finance director Richard Walbourn, sales and marketing director Piers Banfield and land

director John Kennedy – have also taken a stake in Cala but the English company's chief executive Richard Werth has decided to leave.

Mr Werth was one of the largest individual shareholders in Banner Homes Group, according to its most recent annual return. That showed he had around 37% of the ordinary shares although the company's share capital is split up into ordinary, A, B and C categories.

Mr Brown said: "One of the reasons for doing the acquisition was not just the fact they had the sites in the right place but also they had a very well respected management team and one we are very keen to work with."

Property industry sources suggested the valuation of the deal would be in the region of £200m.

The acquisition will lead to the eventual withdrawal of the Banner name from the market.

Mr Brown said: "There is going to be no change in terms of market positioning.

"The Banner brand and Cala brand have equal value in and around England as they have both got very good names for producing quality detached housing.

"It makes sense for us to go with one name and given the strength of Cala's brand in Scotland it made sense for us to keep that throughout the whole of the group."

According to Mr Brown the addition of the Banner land bank give Cala around six years' worth of a development pipeline even with its ambitious growth plans.

However he suggested the growth will now mainly be organic and said: "We never say never [on acquisitions] but our plan is not to do any more.

"We don't see many, if any, other house builders out there that would fit as well as Banner do.

"We have fairly aggressive growth plans of our own which we are well on target to achieve. Banner just accelerates those."



UK Key Regionals

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Page: 24
Reach: 44445
Size: 523
Value: 1061.69

The combined Cala and Banner business will have around 600 people and is predicting a turnover of £500m in its first full year of trading.

By 2017 turnover in excess of £800m has been targeted with the business have the ability to build up to 2000 homes.

Mr Brown said the company was still planning to hire further staff in the coming months to meet its growth targets while the greater scale will also allow it to target greater efficiency in its supply chain.

He also believes the in-house design capabilities at Banner can be rolled out across the wider Cala group.

Cala recently announced plans to spin-off its north of Scotland division as a separate trading entity to take advantage of the booming economy in and around Aberdeen.

The business will still have its east and west Scotland divisions. Cala is targeting 70% turnover growth in the west over the next three years and a doubling from its east operations.



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Reach: 44445
Size: 523
Value: 1061.69



EXPANSION: Chief executive Alan Brown said both firms had growth plans and needed partners. Picture: PA



Client: Patron Capital
Source: The Scotsman
Date: 25/03/2014

Keyword: Patron Capital
Page: 30
Reach: 31326
Size: 206
Value: 1347.24

£200m deal boosts Cala's push in south

GARETH MACKIE
BUSINESS CORRESPONDENT

HOUSEBUILDER Cala Group has acquired upmarket peer Banner Homes in a deal believed to be worth about £200 million as it seeks to build on its presence south of the Border.

The Edinburgh-based firm, which changed hands itself for £210m last year, said the takeover would help to "significantly" accelerate its plans to double the size of its business by 2017.

Cala chief executive Alan Brown said Buckinghamshire-based Banner, which focuses on central and southern England, was a "perfect strategic fit" for the builder's operations across Scotland, the Midlands and south-east England.

He added: "Banner has a deserved reputation as one of the finest luxury housebuilders in the UK and combining the two businesses will put us in the top ten of UK homebuilders, with significant growth potential."

Banner sold 235 homes during the 12 months to May, at an average selling price of £511,000. That compares with Cala's average price of £361,000 achieved in the six months to January.

The privately-owned builder, founded in 1975, delivered an operating profit of £16.4m on revenues of £111m last year and is sitting on a land bank of almost 1,100 units. Cala has an existing land bank of 10,770 plots.

Brown said the combined group will employ more than 600 people and is targeting a turnover of more than £800m by 2017, with the goal of selling about 2,000 homes a year for an average of £400,000.

He added: "Both businesses build high-quality homes, place a strong em-

phasis on customer service and have very similar cultures. I am tremendously excited about bringing together the best of Cala and Banner."

Given its premium position in the housing market, Cala has seen little direct benefit from the UK government's Help to Buy scheme, which offers taxpayer-backed support to those trying to get on the property ladder. Earlier this month, Chancellor George Osborne announced he was extending the initiative, which had been due to end in 2016, until the end of the decade, making a further £6 billion available to provide interest-free loans up to 20 per cent for buyers of new-build properties in England.

Cala had been majority-owned by Bank of Scotland – now part of Lloyds Banking Group – since 1999, but was bought by insurer Legal & General and private equity firm Patron Capital in March last year. The builder's management ploughed £10m into the business at the time of the deal.

The Banner acquisition has been funded with additional equity from L&G, Patron and fellow investor Electra Partners, with an increased debt facility from Bank of Scotland and Santander. No value was disclosed, but it is understood the takeover values Banner at about £200m.

A further investment from Banner's senior directors brings the total management investment in Cala to £14m. Before its buyout, Banner was 75 per cent owned by the Prowting family, with management holding the remaining 25 per cent.

Brown said: "Both Cala and Banner are trading strongly and, with a positive market backdrop, the ongoing support

of our shareholders and a strong management team, the combined business is well placed to meet our long-term growth plans."

Client: Patron Capital
Source: Estates Gazette Online (Web)
Date: 24/03/2014

Reach: 3745
Size: 0
Value: 101.0000

□ CALA in #200m housebuilder buyout

CALA Group has made a leap forward in its aspiration to become a top 10 housebuilder, acquiring luxury housebuilder Banner Homes for a sum understood to be in the region of £200m.

Banner was founded in Beaconsfield in 1975 and now has a revenue of £111m across its 21 sites in the Home Counties and Midlands.

CALA plans to double the size of its business organically by 2017. The combined firm will directly employ more than 600 people and have a turnover of more than £500m in its first full year, with net assets of £200m.

That level in 2013 would have made CALA as the seventh largest housebuilder in the UK by turnover, pipping Redrow, Bovis and Crest Nicholson.

The deal was facilitated with equity from Patron Capital, Legal and General and Electra, and an increased debt facility through new banking arrangements led by Bank of Scotland with Santander.

Banner and CALA senior directors now hold a £14m stake in CALA.

CALA views Banner's sites as a strategic addition for its upmarket family homes business.

Banner had an operating profit of £16.4m in the 12 months to May 2013 – a gross margin of 24% – and a landbank of 1,100 units.

CALA's landbank consists of 10,770 plots with a GDV of £3.6bn, with 6,200 consented and 2,700 allocated plots.

CALA Group chief executive Alan Brown said: "We are delighted to have acquired such a high quality business which fits perfectly with CALA's own market position and expansion plans. Banner has a deserved reputation as one of the finest luxury housebuilders in the UK and combining the two businesses will put us in the top 10 of UK home builders, with significant growth potential.

"Both CALA and Banner are trading strongly and, with a positive market backdrop, the ongoing support of our shareholders and a strong management team, the combined business is well placed to meet our long-term growth plans."

Bank of Scotland lead director Mark Prentice said: "We are proud to continue our support of CALA Group by leading this syndicated facility to enable its expansion into new markets.

"As market conditions improve, Bank of Scotland remains committed to supporting growth in the sector and helping Britain prosper once again."

chris.berkin@estatesgazette.com

Client: Patron Capital
Source: Construction.co.uk (Web)
Date: 24/03/2014

Reach: 13982
Size: 0
Value: 375.0000

■ CALA Acquires Banner Homes

CALA Group Limited, the UK's major upmarket home builder, has announced that it has acquired Banner Homes, one of the UK's leading independent luxury house builders.

As a developer of high specification, luxury homes, operating across central and southern England, Banner represents a perfect strategic fit for CALA which focuses on upmarket, family homes within affluent locations in the south of England, the Midlands and Scotland.

Founded in 1975 in Beaconsfield, Banner Homes currently operates from 21 sites across three regional operational centres in the northern Home Counties, the southern Home Counties and the Midlands.

Banner sold 235 homes during the twelve months to May 2013 at a private average selling price of £511,000, resulting in revenues of £111m and operating profit of £16.4m at a gross margin of 24%. Banner's land bank has almost 1,100 units, with an embedded gross margin consistent with CALA's own margin target, providing the business with a very strong platform for future organic growth. CALA's own land bank consists of 10,770 plots with a Gross Development Value of £3.6bn, including 6,200 consented and 2,700 allocated plots.

In a trading update issued in February 2014, CALA announced plans to double the size of its business organically by 2017. The acquisition of Banner Homes will now enable the company to significantly accelerate those growth plans.

The combined CALA and Banner business will directly employ over 600 people and have a turnover of more than £500m in its first full year with net assets of £200m. With the ongoing financial support of investors Patron Capital and Legal & General, the company will continue to focus on securing and bringing forward new land for development.

Longer term, the company will have the potential to deliver around 2,000 homes per annum by the 2017 financial year at a private average selling price in the region of £400,000 with turnover in excess of £800m.

The deal was facilitated with additional equity from Patron Capital, Legal & General and Electra and an increased debt facility through new banking arrangements led by Bank of Scotland with Santander. Additional investment from Banner senior directors is also included, bringing the total management investment in CALA to £14m.(CD/MH)

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http://www.construction.co.uk/construction_news.asp?newsid=178053

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Client: Patron Capital
Source: Yahoo! UK and Ireland (Web)
Date: 24/03/2014

Reach: 786560
Size: 0
Value: 21112.0000

□ Banner deal puts Cala in housebuilders? top 10

Cala Group, the historic Scottish housebuilder, has acquired Banner Homes in a deal worth an estimated £200m.

Following Cala Group's acquisition of Banner Homes, the combined business will employ 600 people and turn over more than £500m in its first year, with net assets of £200m.

Cala (Other OTC: CCAA - news) operates mainly in Scotland, the Midlands and the South East (HKSE: 0726.HK - news) . The deal will rank the business as a top 10 UK housebuilder, with 2,000 new homes forecast for the coming year.

"Cala has been following an organic growth strategy but Banner, as a builder of high-specification, luxury homes, was in the sweet spot for us," said chief executive Alan Brown.

Cala boasts an average selling price of £361,000, while Banner Homes' average is £511,000.

"We are a national housebuilder while Banner is focused on the South East," said Mr Brown.

Cala's acquisition talks with Banner began in July last year. The deal will give the new group "significant benefits when talking to our supply chain" Mr Brown said. He added that the acquisition would bring "real overhead efficiency", although neither company is planning to reduce headcount.

"We are looking to take on up to 50 staff over the coming year to meet our recruitment plans," Mr Brown said..

Cala was acquired from Lloyds Banking Group by Patron Capital and Legal & General in March 2013. The two companies own a 46.5pc stake in the housebuilder with the remaining share owned by Cala's management.

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<http://uk.finance.yahoo.com/news/banner-deal-puts-cala-housebuilders-182307219.html>

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