

# Interim Results Presentation

## Half Year ended 31<sup>st</sup> October 2012

7<sup>th</sup> December 2012

# Format of presentation



Chairman

Tony Pidgley

Finance Director

Nick Simpkin

Managing Director

Rob Perrins

Questions

# TONY PIDGLEY

## CHAIRMAN

# Dividend



- Interim dividend of 15 pence per share
- Payable on 19 April 2013 to shareholders on the register on 22 March 2013

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# NICK SIMPKIN

## FINANCE DIRECTOR

# Review of Results



- Summary of performance
- Summary of financial position
- Income statement
- Homes completed and ASP
- Abridged cash flow
- Abridged balance sheet
  - Inventories
  - Creditors
- Land holdings

# Summary of Performance



	<u>6 Months to</u> <u>Oct 2012</u>	<u>6 Months to</u> <u>Oct 2011</u>	<u>Change</u>	
Profit before tax	£142.2m	£101.1m	+£41.1m	+40.7%
Operating profit	£146.2m	£107.1m	+£39.1m	+36.5%
Underlying operating margin	21.3%	18.9%		
Housebuilding operating margin	19.6%	18.8%		
EPS – Basic	82.0p	56.7p	+25.3p	+44.6%
Weighted ave. no. of shares	131.0m	131.0m		
Return on equity	24.5%	20.8%		

# Summary of financial position



	<u>Oct 2012</u>	<u>Apr 2012</u>	<u>Change</u>	
Shareholders' funds	£1,217.5m	£1,099.8m	+ £117.7m	+10.7%
Closing net debt/(cash)	<u>£5.5m</u>	<u>£57.9m</u>	<u>- £52.4m</u>	
Capital employed	£1,223.0m	£1,157.7m	+ £65.3m	+5.6%
Land creditors	£222.7m	£122.8m	+£99.9m	
Net asset value per share	929p	839p	90p	+10.7%
Shares in issue	131.0m	131.0m	-	-
Land bank - Plots	26,370	26,021	+349	+1.3%
- Gross margin	£2,757m	£2,580m	+ £177m	+6.9%
- Planning consents	85%	84%		
Cash due on forward sales	£1,304.5m	£1,055.7m	+£248.8m	+23.6%



# Income statement (1)



	<u>6 Months to</u> <u>Oct 2012</u> <u>£m</u>		<u>6 Months to</u> <u>Oct 2011</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Revenue	<u>686.0</u>		<u>404.9</u>		<u>+281.1</u>	+69.4%
Gross profit	201.2	29.3%	116.5	28.8%	+84.7	+72.7%
Overheads	<u>(55.0)</u>	8.0%	<u>(40.1)</u>	9.9%	<u>-14.9</u>	-37.2%
Pre-exceptional operating profit	146.2	21.3%	76.4	18.9%	+69.8	+91.4%
Exceptional profit on disposal	-		30.7		-30.7	
Operating profit	<u>146.2</u>		<u>107.1</u>		<u>+39.1</u>	+36.5%

# Income statement (2)



	<u>6 Months to</u> <u>Oct 2012</u> <u>£m</u>		<u>6 Months to</u> <u>Oct 2011</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Operating profit	<u>146.2</u>		<u>107.1</u>		<u>+39.1</u>	+36.5%
Net finance costs	(3.4)		(4.4)		+1.0	
Joint ventures	<u>(0.6)</u>		<u>(1.6)</u>		<u>+1.0</u>	
Profit before tax	142.2		101.1		+41.1	+40.7%
Tax	<u>(34.7)</u>	24.4%	<u>(27.1)</u>	26.8%	<u>-7.6</u>	
Profit after tax	107.5		74.0		+33.5	+45.3%
Minority interest – loss	-		<u>0.4</u>		<u>-0.4</u>	
Profit attrib. to shareholders	<u>107.5</u>		<u>74.4</u>		<u>+33.1</u>	+44.5%

# Homes completed and ASP



	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2012/13 HY01	1,927	£335,000		
St Edward Homes			34	£272,000
2011/12 HY02	2,059	£300,000		
2011/12 HY01	<u>1,506</u>	<u>£254,000</u>		
2011/12 Total	3,565	£280,000		
St Edward Homes			188	£170,000
2010/11 HY02	1,295	£280,000		
2010/11 HY01	<u>1,249</u>	<u>£262,000</u>		
2010/11 Total	2,544	£271,000		
St Edward Homes			164	£251,000
2009/10 HY02	1,287	£238,000		
2009/10 HY01	<u>914</u>	<u>£299,000</u>		
2009/10 Total	2,201	£263,000		
2008/09 HY02	533	£388,000		
2008/09 HY01	<u>968</u>	<u>£399,000</u>		
2008/09 Total	1,501	£395,000		

# Abridged cash flow



	<u>6 Months to</u> <u>Oct 2012</u> <u>£m</u>	<u>6 Months to</u> <u>Oct 2011</u> <u>£m</u>
Profit before tax	142.2	101.1
Increase in inventory – land	(96.0)	(115.0)
Increase in inventory – build WIP & stock	(71.0)	(59.2)
Transfer from inventory to rental fund	(17.9)	(23.2)
Increase in land creditors	99.9	80.5
Other working capital movements	<u>2.5</u>	<u>(45.4)</u>
Net working capital movements	(82.5)	(162.3)
Net proceeds on disposal of Clapham	-	75.7
Tax paid	(17.5)	(21.6)
Other (investing, non-cash and other movements)	10.2	(21.0)
Cash inflow/(outflow) before financing	<u>52.4</u>	<u>(28.1)</u>
Opening net (debt)/cash	<u>(57.9)</u>	<u>42.0</u>
Closing net (debt)/cash	<u>(5.5)</u>	<u>13.9</u>

# Abridged balance sheet



	<u>Oct 2012</u> £m	<u>Movements</u> £m	<u>Apr 2012</u> £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment properties	101.4	17.9	83.5
- Investment in JV's	44.9	(1.6)	46.5
- Other non-current assets (inc. deferred tax)	44.5	7.9	36.6
Inventories	2,018.7	167.0	1,851.7
Debtors	94.0	(21.2)	115.2
Creditors	<u>(1,097.7)</u>	<u>(104.7)</u>	<u>(993.0)</u>
Capital employed	1,223.0	65.3	1,157.7
Net (debt)/cash	<u>(5.5)</u>	<u>52.4</u>	<u>(57.9)</u>
Net assets attributable to shareholders	<u>1,217.5</u>	<u>117.7</u>	<u>1,099.8</u>

# Inventories



	<u>Oct 2012</u> £m	<u>Movements</u> £m	<u>Apr 2012</u> £m
Land not under development	402.1	41.6	360.5
Work in progress: Land cost	<u>778.2</u>	<u>54.4</u>	<u>723.8</u>
	1,180.3	96.0	1,084.3
Work in progress: Build cost	781.0	82.2	698.8
Completed units	<u>57.4</u>	<u>(11.2)</u>	<u>68.6</u>
	<u>2,018.7</u>	<u>167.0</u>	<u>1,851.7</u>

# Creditors



	<u>Oct 2012</u> £m	<u>Movements</u> £m	<u>Apr 2012</u> £m
Trade creditors and accruals	405.8	58.3	347.5
Deposits and on account receipts	352.2	(70.7)	422.9
Land creditors	222.7	99.9	122.8
Current tax liability	117.0	17.2	99.8
Total creditors	<u>1,097.7</u>	<u>104.7</u>	<u>993.0</u>
 <u>Land creditors</u>			
Land creditors < 12 months	103.7	11.3	92.4
<i>Of which &lt; 6 months</i>	<i>68.8</i>	<i>30.7</i>	<i>38.1</i>
Land creditors > 12 months	119.0	88.6	30.4
Total	<u>222.7</u>	<u>99.9</u>	<u>122.8</u>

# Land holdings



	<u>Oct 2012</u>	<u>Variance</u>	<u>Apr 2012</u>
Owned	25,711	-44	25,755
Contracted	659	+413	246
Agreed	-	-20	20
Plots *	26,370	+349	26,021
Sales value	£9,484m	+£495m	£8,989m
Average selling price	£360k	+£15k	£345k
Average plot cost	£59k	+£4k	£55k
Land cost %	16.3%	+0.3%	16.0%
Gross margin	£2,757m	+£177m	£2,580m
GM%	29.1%	+0.4%	28.7%

\* Includes 1,620 plots within joint ventures at 31 Oct 2012 (30 Apr 2012: 1,658)



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# ROB PERRINS

## MANAGING DIRECTOR

# Introduction



1. Performance Highlights
2. Long-Term Strategic Plan
3. Operating Plan
  - Planning
  - Delivery of Schemes
  - The Market
  - Land Bank
  - Future Investment
  - Structure
4. Major Projects
5. Outlook
6. Guidance

# Performance Highlights



- PBT up 40.7% to £142.2 million
- Pre-tax Return on Equity of 24.5%
- Growth driven by investment strategy
- 6.9% growth in land bank to £2.76 million
- £202 million land commitment on 5 sites, including major redevelopment of London Dock (Wapping)
- c.£82 million added to build work in progress
- c.5% added to land bank from optimisation
- £52 million free cash flow generated in period and gearing <1%
- Forward sales up 23% to £1,305 million.

## Key Message

On track to deliver the first £568 million cash return by September 2015.

# Performance Highlights



	Original 5 Year Operational Target (May 2010)	2010/11 (Actual)	2011/12 (Actual)	H1 2012/13 (Actual)	Impact
ROE	12.5%	15.3%	21.2%	24.5%	£180m added to PBT ahead of target
Land Bank Growth	10.0%	13.1%	12.0%	6.8%	£90 million ahead of land bank target

# Long Term Strategic Plan



1. To return £13 per share by the following milestones:

	Returns
No later than:	£' m
30 September 2015	568.5
30 September 2018	567.2
30 September 2021	<u>567.2</u>
	<u>1,702.9</u>

Amendments to the scheme, approved in September 2012, require:

- Total dividends by 30 September 2021 no less than £13 per share
- Milestones can be met from combination of share buybacks and dividends
- Potential value creation in accretion from share buybacks

2. To create a long term, sustainable business beyond 2020

# Operating Plan

- **Protect the value in the balance sheet**
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size

## Protecting value on the balance sheet

- **Securing planning consents**
- Controlling our assets
- Intensive management
- Maintain balance sheet strength
- Maintain access to credit

# Operating Plan

## Planning

- 85% of land bank is consented
- Impact of NPPF outside London
- Key consents at:
  - One Blackfriars (275 units)
  - NEC House (650 student beds)
  - Caterham (160 units)
  - Eastbury House (46 units)



# Operating Plan

## New Consents



One Blackfriars (275)



NEC House, Acton  
(650 student beds)



# Operating Plan

## New Consents



Oaklands Grove  
Caterham (160)



Eastbury House Albert  
Embankment (46)



## Protecting value on the balance sheet

- Securing planning consents
- **Controlling our assets**
- **Intensive management**
- **Maintain balance sheet strength**
- **Maintain access to credit**

# Operating Plan



- Protect the value in the balance sheet
- **Control release of schemes to build**
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# Operating Plan

## Release of schemes to build



	<u>London</u> <i>No. Sites</i>	<u>South East</u> <i>No. Sites</i>	<u>Total</u> <i>No. Sites</i>	<u>%</u>
<b>Delivery of developments</b>				
In construction	40	31	71	76%
Not yet in construction	14	9	23	24%
	<u>54</u>	<u>40</u>	<u>94</u>	<u>100%</u>
<b>Planning</b>				
Detailed consents	42	32	74	79%
Resolution to grant	4	-	4	4%
Intended for replanning	2	-	2	2%
No current consent	6	8	14	15%
	<u>54</u>	<u>40</u>	<u>94</u>	<u>100%</u>
Proportion with planning (by sites)	89%	80%	85%	
Split (by plots)	77%	23%	100%	

# Operating Plan

## London Sites



### London Under Construction

- |           |                                    |           |                                 |
|-----------|------------------------------------|-----------|---------------------------------|
| <b>1</b>  | 375 Kensington High Street         | <b>21</b> | Langham Square, Putney          |
| <b>2</b>  | Abell & Cleland House, Westminster | <b>22</b> | Lime Grove Mews, Hammersmith    |
| <b>3</b>  | Battersea Reach                    | <b>23</b> | Marine Wharf, Deptford          |
| <b>4</b>  | Beaufort Park, Hendon              | <b>24</b> | Marryat Place, Wimbledon        |
| <b>5</b>  | Blackheath Road, Deptford          | <b>25</b> | One Tower Bridge                |
| <b>6</b>  | Camberwell Grove                   | <b>26</b> | Parkwest, West Drayton          |
| <b>7</b>  | Carmelite, Finchley                | <b>27</b> | Queen Mary's Place, Roehampton  |
| <b>8</b>  | Caspian Wharf, Bow                 | <b>28</b> | Riverlight, Battersea           |
| <b>9</b>  | Chelsea Creek / Imperial Wharf     | <b>29</b> | Roman House, City of London     |
| <b>10</b> | Dickens Yard, Ealing               | <b>30</b> | Royal Arsenal Riverside         |
| <b>11</b> | Ebury Square, Belgravia            | <b>31</b> | Saffron Square, Croydon         |
| <b>12</b> | Emerald Square, Roehampton         | <b>32</b> | Sir Alexander Close, Acton      |
| <b>13</b> | Fulham Reach, Hammersmith          | <b>33</b> | St Catherine's Place, New Cross |
| <b>14</b> | Goodmans Fields, Aldgate           | <b>34</b> | St James Park Mews, Surbiton    |
| <b>15</b> | Grosvenor Waterside                | <b>35</b> | Stanmore Place                  |
| <b>16</b> | Hurlingham Gate, Fulham            | <b>36</b> | Terrace Yard, Richmond          |
| <b>17</b> | Napier, Acton                      | <b>37</b> | The Boatyard, Kingston          |
| <b>18</b> | Kew Bridge Road                    | <b>38</b> | The Tower, One St George Wharf  |
| <b>19</b> | Kew Bridge West, Brentford         | <b>39</b> | Wimbledon Hill Park             |
| <b>20</b> | Kidbrooke Village                  | <b>40</b> | Woodberry Park                  |

### London Future Sites

- |          |                                   |           |                                     |
|----------|-----------------------------------|-----------|-------------------------------------|
| <b>1</b> | 190 Strand, City of London        | <b>8</b>  | London Dock, Wapping*               |
| <b>2</b> | City Forum, City of London        | <b>9</b>  | NEC House, Acton                    |
| <b>3</b> | Durham Road, Wimbledon*           | <b>10</b> | One Blackfriars, Southwark          |
| <b>4</b> | Eastbury House, Albert Embankment | <b>11</b> | Section House, Finchley             |
| <b>5</b> | Hampton House, Albert Embankment  | <b>12</b> | Twickenham Sorting Office           |
| <b>6</b> | Hogarth, Chiswick*                | <b>13</b> | Warwick Road, Kensington (Telereal) |
| <b>7</b> | King's Mall, Hammersmith*         | <b>14</b> | Warwick Road, Kensington (Homebase) |

\* Includes sites purchased during the year

# Operating Plan

## Land – Out of London Sites



### Out of London Under Construction

- |                          |                  |
|--------------------------|------------------|
| 1 Amersham               | 16 Guildford     |
| 2 Ascot                  | 17 High Wycombe  |
| 3 Beaconsfield (2 sites) | 18 Holborough    |
| 4 Billingshurst          | 19 Horsham       |
| 5 Cambridge              | 20 Maidenhead    |
| 6 Canterbury             | 21 North Bersted |
| 7 Caterham               | 22 Oxshott       |
| 8 Cheltenham             | 23 Portsmouth    |
| 9 Cirencester            | 24 Reading       |
| 10 Cobham                | 25 Sevenoaks     |
| 11 Eastbourne            | 26 St Albans     |
| 12 Esher                 | 27 Tadworth      |
| 13 Fleet (2 sites)       | 28 Woodstock     |
| 14 Gillingham            | 29 Worcester     |
| 15 Gosport               |                  |

### Out of London Future Sites

- |                            |                   |
|----------------------------|-------------------|
| 1 Ascot                    | 6 Shalford        |
| 2 Beaconsfield*            | 7 Tadworth        |
| 3 Cheltenham               | 8 Tunbridge Wells |
| 4 Claygate                 |                   |
| 5 Gerrards Cross (2 sites) |                   |

\* Includes sites purchased during the year

# Operating Plan

- Protect the value in the balance sheet
- Control release of schemes to build
- **Match operational risk with the market conditions**
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size



# Operating Plan

## Market – London



- Continued resilience in London market
- Investors consistently represent circa 50% of all sales
- UK investor market returning and seeing value in residential investment
- Strong international demand with new markets added
- Prices stable
- Taxation of properties over £2 million has eroded London's competitiveness

# Operating Plan

## Market – Outside London

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- Location led
- Stable volumes
- Consistent visitor traffic
- New Buy created 24 sales - unlikely to be significant for Berkeley
- Dependent on return of feel good factor

# Operating Plan

- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- **Add value to the land bank**
- Invest in the right point in the cycle
- People, structure and natural size

## Land Bank

- 26,370 plots
- Potential gross margin up 6.9% to £2,757 million
- 5 sites purchased in the period for £202 million
- On course to achieve revised £3 billion target by April 2014
- 10,000 additional plots in pipeline (strategic and contracted)

# Operating Plan

Key sites acquired in the year



## London Dock, Wapping

- Acquired May 2012
- 15 acre site for over 1,000 new homes.
- LB Tower Hamlets Local Planning Authority

# Operating Plan

- Protect the value in the balance sheet
- Control release of schemes to build
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- Add value to the land bank
- **Invest in the right point in the cycle**
- People, structure and natural size

# Operating Plan



## Investment Strategy

	<b>Criteria</b>
<b>Land</b>	<ul style="list-style-type: none"><li>- Counter cyclical strategy</li><li>- Acquire where Berkeley can add value</li><li>- Achieve hurdle rates on absolute return and Return on Capital</li><li>- Acquire to a backstop</li></ul>
<b>Build</b>	<ul style="list-style-type: none"><li>- Match with forward sales</li><li>- Balanced with earnings and dividend policy</li><li>- Potential to bring forward scheme if market conditions allow</li></ul>
<b>Shareholder returns</b>	<ul style="list-style-type: none"><li>- Focus on returning £1.7 billion to shareholders</li><li>- Consideration of share buybacks to be undertaken opportunistically within existing framework</li></ul>

# Operating Plan



- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- **People, structure and natural size**



# Operating Plan



## Structure

Board

- Chairman
- Deputy Chairman
- 5 Executive Directors
- 5 Independent Non Executive Directors

Brands

- 5 Core Brands

Operating Teams

- 18 autonomous teams

People

- 1,200 employees (2008: 700)
- 9,000 contractors (2008: 3,500)
- 100 apprentices

# Major Projects



	No. Units	Estimated year of first revenues	Likely period of delivery
St George Tower	223	2015	3 years
Riverlight	750	2016	7 years
Chelsea Creek	739	2012	10 years
One Tower Bridge	396	2016	6 years
Kensington High Street	529	2015	7 years
Ebury Square	71	2016	3 years
190 Strand	<u>206</u>	2017	4 years
	<u>2,914</u>		

# Major Projects

## The Tower at St George Wharf



# Major Projects

## Chelsea Creek



Q2 2012



Q4 2012



# Major Projects

## Riverlight



**St James**  
Designed for life

# Major Projects

## One Tower Bridge



# Major Projects

## Ebury Square



The Berkeley Group Holdings plc



# Major Projects

## 375 Kensington High Street





# Major Projects

## 190 Strand



# Outlook

## Positive Signs

- Stable market indicates it is in balance
- Strong underlying demand in best locations
- Homes are affordable when customers have equity
- Strong rental yields
- Improving macro economic environment
- London population forecast to increase by 1 million by 2019
- London is growing at a faster rate than UK as a whole

## Key Risks

- Eurozone and World events undermining confidence
- Tax changes
- Currency fluctuations deterring overseas buyers
- Build cost inflation
- Planning risk

## Summary Guidance

**ROE** 18.5% over long term

**Earnings** £4.34 per share by September 2015 and no diminution in balance sheet over 3 years ending 30 April 2015

**Land Bank** £3 billion by April 2014

# Conclusion



1. Strong results
2. Clear strategy for a cyclical market
3. Financial strength
4. Sustainable business model
5. Need right environment for growth
6. A good corporate citizen
7. On track to deliver £4.34 per share to shareholders by September 2015
8. We have the people and brand

# Questions

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Tony Pidgley

Chairman

Rob Perrins

Managing Director

Nick Simpkin

Finance Director