

# Preliminary Results Presentation

Full Year ended 30th April 2013

19th June 2013

# Format of presentation



**Chairman**

**Tony Pidgley CBE**

**Finance Director**

**Nick Simpkin**

**Managing Director**

**Rob Perrins**

**Questions**

# TONY PIDGLEY CBE

## CHAIRMAN

# NICK SIMPKIN

## FINANCE DIRECTOR

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

# Summary of Performance



	<u>Year to</u> <u>Apr 2013</u>	<u>Year to</u> <u>Apr 2012</u>	<u>Change</u>	
Profit before tax	£270.7m	£214.8m	+£55.9m	+26.0%
Pre-exceptional operating profit	£280.1m	£195.7m	+£84.4m	+43.1%
Pre-exceptional operating margin	20.4%	18.8%		
EPS – Basic	160.0p	121.0p	+39.0p	32.2%
Weighted ave. no. of shares	131.0m	131.0m		
Return on equity	22.4%	21.2%		

# Summary of financial position



	<u>April 2013</u>	<u>April 2012</u>	<u>Change in Year</u>	
Shareholders' funds	£1,322.4m	£1,099.8m	+£222.6m	+20.2%
Closing net debt/(cash)	<u>(£44.7m)</u>	<u>£57.9m</u>	<u>-£102.6m</u>	
Capital Employed	£1,277.7m	£1,157.7m	+£120.0m	+10.4%
Net asset value per share	1,009.1p	839.3p	+169.8p	+20.2%
Shares in issue	131.0m	131.0m		
Land Bank				
- Plots	25,684	26,021	-337	-1.3%
- Gross Margin	£2,852m	£2,580m	+272m	+10.5%
- Planning Consents	87%	84%		
Cash due on forward sales	£1,452.8m	£1,055.7m	+£397.1m	+37.6%
Deposits on account receipts	<u>£426.1m</u>	<u>£422.9m</u>	<u>+£3.2m</u>	+0.8%
Total forward sales	£1,878.9m	£1,478.6m	+£400.3m	+27.1%

# Potential Share Dilution



	<u>No. (million)</u>	<u>Exercise price*</u>	<u>Vesting date</u>
Shares in issue	131.0		
2009A LTIP	4.4	£2.85	Jan '14
2009B LTIP	6.1	£8.25	Apr '15 / Apr '16
2011 LTIP	<u>19.6</u>	£12.85	Sep '21**
	<u>161.1</u>		

\* Dividend adjusted

\*\* Or on completion of return of £1.7bn if earlier



# Income statement (1)



	<u>Year to</u> <u>Apr 2013</u> <u>£m</u>		<u>Year to</u> <u>Apr 2012</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Revenue	<u>1,372.6</u>		<u>1,041.1</u>		<u>+ 331.5</u>	+31.8 %
Gross profit	403.4	29.4%	295.3	28.4%	+ 108.1	+36.6 %
Operating expenses	(123.3)	9.0%	(99.6)	9.6%	-23.7	-23.8 %
Pre-exceptional operating profit	<u>280.1</u>	20.4%	<u>195.7</u>	18.8%	<u>+ 84.4</u>	<u>+43.1 %</u>
Exceptional profit on disposal	-		30.7		-30.7	
Operating profit	<u>280.1</u>		<u>226.4</u>		<u>+ 53.7</u>	<u>+23.7 %</u>

## Income statement (2)



	<u>Year to</u> <u>Apr 2013</u> <u>£m</u>		<u>Year to</u> <u>Apr 2012</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Operating profit	<u>280.1</u>		<u>226.4</u>		<u>+53.7</u>	+23.7%
Net finance costs	(8.1)		(9.4)		+1.3	
Joint ventures	<u>(1.3)</u>		<u>(2.2)</u>		<u>+0.9</u>	
Profit before tax	270.7		214.8		+55.9	+26.0%
Tax	<u>(61.0)</u>	22.5%	<u>(56.7)</u>	26.4%	<u>- 4.3</u>	
Profit after tax	209.7		158.1		+51.6	+32.6%
Minority interest	<u>-</u>		<u>0.4</u>		<u>- 0.4</u>	
Profit attrib. to shareholders	<u>209.7</u>		<u>158.5</u>		<u>+51.2</u>	+32.3%

# Homes completed and ASP



	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2012/13 HY02	1,785	£376,000	3,712	£354,000
2012/13 HY01	<u>1,927</u>	<u>£335,000</u>		
St Edward Homes			66	£277,000
2011/12 HY02	1,506	£254,000	3,565	£280,000
2011/12 HY01	<u>2,059</u>	<u>£300,000</u>		
St Edward Homes			188	£170,000
2010/11 HY02	1,295	£280,000	2,544	£271,000
2010/11 HY01	<u>1,249</u>	<u>£262,000</u>		
St Edward Homes			164	£251,000
2009/10 HY02	1,287	£238,000	2,201	£263,000
2009/10 HY01	<u>914</u>	<u>£299,000</u>		
2008/09 HY02	533	£388,000	1,501	£395,000
2008/09 HY01	<u>968</u>	<u>£399,000</u>		

# Abridged cash flow



	<u>Year to</u> <u>Apr 2013</u> <u>£m</u>	<u>Year to</u> <u>Apr 2012</u> <u>£m</u>
Profit before tax	270.7	214.8
Increase in inventory – land	(86.4)	(135.8)
Increase in inventory – build WIP & stock	(128.6)	(102.7)
Transfer from inventory to rental fund	(29.5)	(55.9)
Increase in land creditors	58.1	56.4
Other working capital movements	<u>83.6</u>	<u>(30.1)</u>
Net investment in working capital	(102.8)	(268.1)
Net investment in St Edward	2.5	(7.8)
Tax paid	(69.2)	(53.7)
Other (investing, finance servicing and other movements)	<u>21.1</u>	<u>14.9</u>
Cash outflow before financing	122.3	(99.9)
Dividends	(19.7)	-
Increase/(decrease) in net cash/(debt)	102.6	(99.9)
Opening net (debt)/cash	<u>(57.9)</u>	<u>42.0</u>
Closing net cash/(debt)	<u>44.7</u>	<u>(57.9)</u>

# Abridged balance sheet



	<u>Apr 2013</u> £m	<u>Movements</u> £m	<u>Apr 2012</u> £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment properties	26.5	(57.0)	83.5
- Investment in JV's	44.1	(2.4)	46.5
- Deferred tax assets	56.7	31.7	25.0
- Property, plant & equipment	16.3	4.7	11.6
Assets held for sale	75.8	75.8	-
Inventories	2,066.7	215.0	1,851.7
Debtors	126.8	11.6	115.2
Creditors and provisions	(1,152.4)	(159.4)	(993.0)
Capital employed	<u>1,277.7</u>	<u>120.0</u>	<u>1,157.7</u>
Net cash/(debt)	<u>44.7</u>	<u>102.6</u>	<u>(57.9)</u>
Net assets	<u>1,322.4</u>	<u>222.6</u>	<u>1,099.8</u>

# Investment properties



	<u>Assets held for sale</u>	<u>Investment Properties</u>
No. properties	534	195
	<u>£m</u>	<u>£m</u>
Cost	75.8	26.5
Market value	105.4	36.8

# Inventories



	<u>April 2013</u> <u>£m</u>	<u>April 2012</u> <u>£m</u>	<u>Movements</u> <u>In the year £m</u>
Land not under development	310.0	360.5	(50.5)
Work in progress: Land cost	<u>860.7</u>	<u>723.8</u>	<u>136.9</u>
	1,170.7	1,084.3	86.4
Work in progress: Build cost	851.0	698.8	152.2
Completed units	<u>45.0</u>	<u>68.6</u>	<u>(23.6)</u>
	<u>2,066.7</u>	<u>1,851.7</u>	<u>215.0</u>

# Creditors



	<u>Apr 2013</u> £m	<u>Movements</u> £m	<u>Apr 2012</u> £m
Trade creditors and accruals	414.4	66.9	347.5
Provisions for liabilities	29.0	29.0	-
Deposits and on account receipts	426.1	3.2	422.9
Land creditors	180.9	58.1	122.8
Current tax liability	<u>102.0</u>	<u>2.2</u>	<u>99.8</u>
Total creditors	<u>1,152.4</u>	<u>159.4</u>	<u>993.0</u>
 <u>Land creditors</u>			
Land creditors < 12 months	65.4	(27.0)	92.4
Land creditors > 12 months	<u>115.5</u>	<u>85.1</u>	<u>30.4</u>
Total	<u>180.9</u>	<u>58.1</u>	<u>122.8</u>



# Land holdings



	<u>Apr 2013</u>	<u>Variance</u>	<u>Apr 2012</u>
Owned	25,055	- 700	25,755
Contracted	629	+ 383	246
Agreed	-	- 20	20
Plots *	<u>25,684</u>	<u>- 337</u>	<u>26,021</u>
Sales value	£9,707m	+ £718m	£8,989m
Average selling price	£378k	+ £33k	£345k
Average plot cost	£62k	+ £7k	£55k
Land cost %	16.5%	+ 0.5%	16.0%
Gross margin	£2,852m	+ £272m	£2,580m
GM%	29.4%	+ 0.7%	28.7%

\* Includes 1,592 plots within joint ventures at 30 Apr 2013 (30 Apr 2012: 1,658)

# ROB PERRINS

## MANAGING DIRECTOR

1. Performance Highlights
2. Operating Performance
3. Strategic Objectives
4. Operating Plan
  - Planning
  - Delivery of Schemes
  - The Market
  - Land Bank
  - Future Investment
  - Structure
5. Outlook

## Performance Highlights

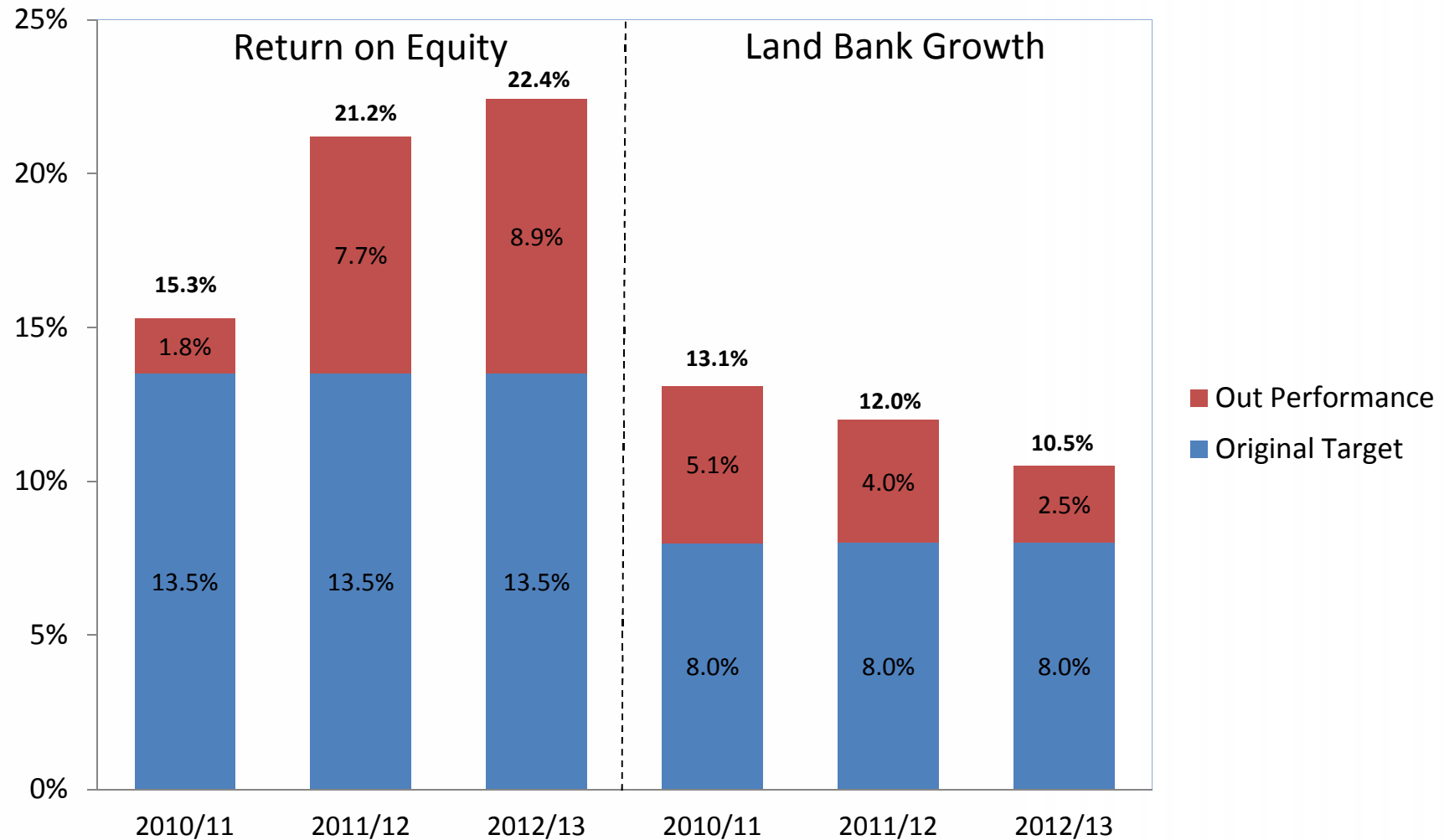


- PBT up 26.0% to £270.7 million
- Pre-tax Return on Equity of 22.4%
- 10.5% growth in land bank to £2,852 million
- 10 sites acquired for £315 million
- c.7% of land bank value added in optimisation
- Forward sales up 37.6% to £1,452.8 million
- 87% of the land bank has a planning consent
- £525 million of banking facilities committed to 2018

### Key Messages

- On course to deliver the £568 million cash return by September 2015 and to maintain or exceed investment in the business
- Consented land bank is in place to meet next £568 million milestone from existing assets

# Operating Performance



## 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

# Long Term Strategic Plan (2)



Milestone	Committed		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 <sup>th</sup> September 2015	0.74	96.9	3.60	471.6	4.34	568.5
By 30 <sup>th</sup> September 2018			4.33	567.2	4.33	567.2
By 30 <sup>th</sup> September 2021	_____	_____	<u>4.33</u>	<u>567.2</u>	<u>4.33</u>	<u>567.2</u>
	0.74	96.9	12.26	1,606.0	13.00	1,702.9

- **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
- Access to credit

## Planning

- 17 new consents in the year
  - 10 in London
  - 7 outside London
- 87% of land bank is consented
- CIL has disproportionate impact on regeneration sites
- Impact of NPPF outside London
- Key consents at:
  - NEC House (650 student beds)
  - The Avenue, Finchley (64 units)
  - One Blackfriars (270 units)
  - Royal Wells Park, Tunbridge Wells (243 units)

The Avenue, Finchley (64)

(650 student beds)

# Planning New consents



One Blackfriars (270)



Royal Wells Park (243)



## Protecting value on the balance sheet

- Securing planning consents
- **Controlling our assets**
- **Intensive management**
- **Maintain balance sheet strength**
- **Maintain low financial risk**

- 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
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# Operating Plan

## Release of schemes to build



		London	South	Total
<b>Delivery of Developments:</b>				
In construction	No. sites	41	32	73
Not yet in construction	No. sites	<u>9</u>	<u>5</u>	<u>14</u>
Total Developments	No. sites	<u>50</u>	<u>37</u>	<u>87</u>
<b>Planning:</b>				
Detailed consent	No. sites	42	32	74
Resolution to grant	No. sites	-	-	-
Intended for replanning	No. sites	2	-	2
No current consent	No. sites	<u>6</u>	<u>5</u>	<u>11</u>
		<u>50</u>	<u>37</u>	<u>87</u>
Proportion with planning (by sites)		88%	86%	87%
Split (by plots)		79%	21%	100%

# Under Construction and Future Sites in London



## London

### London Under Construction

- |           |   |           |                                |
|-----------|---|-----------|--------------------------------|
| <b>1</b>  | 190 Strand  | <b>21</b> | Kew Bridge West, Brentford     |
| <b>2</b>  | 375 Kensington High St<br>(including Homebase and Telereal) | <b>22</b> | Kidbrooke Village              |
| <b>3</b>  | Abell & Cleland House, Westminster                          | <b>23</b> | Langham Square, Putney         |
| <b>4</b>  | Battersea Reach   | <b>24</b> | Lime Grove Mews, Hammersmith   |
| <b>5</b>  | Beaufort Park, Hendon                                       | <b>25</b> | Marine Wharf, Deptford         |
| <b>6</b>  | Carmelite, Finchley   | <b>26</b> | Marryat Place, Wimbledon       |
| <b>7</b>  | Caspian Wharf, Bow  | <b>27</b> | One Blackfriars, Southwark     |
| <b>8</b>  | Chambers Wharf, Southwark                                   | <b>28</b> | One Tower Bridge               |
| <b>9</b>  | Chelsea Creek / Imperial Wharf                              | <b>29</b> | One Victoria Road, Acton       |
| <b>10</b> | Dickens Yard, Ealing  | <b>30</b> | Parkwest, West Drayton         |
| <b>11</b> | Durham Road, Wimbledon*                                     | <b>31</b> | Queen Mary's Place, Roehampton |
| <b>12</b> | Eastbury House, Albert Embankment                           | <b>32</b> | Riverlight, Battersea          |
| <b>13</b> | Ebury Square, Belgravia                                     | <b>33</b> | Roman House, City of London    |
| <b>14</b> | Emerald Square, Roehampton                                  | <b>34</b> | Royal Arsenal Riverside        |
| <b>15</b> | Fulham Reach, Hammersmith                                   | <b>35</b> | Saffron Square, Croydon        |
| <b>16</b> | Goodmans Fields, Aldgate                                    | <b>36</b> | Sir Alexander Close, Acton     |
| <b>17</b> | Hampton House, Albert Embankment                            | <b>37</b> | Stanmore Place                 |
| <b>18</b> | Hurlingham Gate, Fulham                                     | <b>38</b> | The Avenue, Finchley           |
| <b>19</b> | Napier, Acton   | <b>39</b> | The Tower, One St George Wharf |
| <b>20</b> | Kew Bridge Road   | <b>40</b> | Wimbledon Hill Park            |
|           |   | <b>41</b> | Woodberry Park                 |

### London Future Sites

- |          |                            |          |                               |
|----------|----------------------------|----------|-------------------------------|
| <b>1</b> | City Forum, City of London | <b>6</b> | South Quay Plaza, Docklands*  |
| <b>2</b> | High Road, Finchley*       | <b>7</b> | Sovereign Court, Hammersmith* |
| <b>3</b> | Hogarth, Chiswick*         | <b>8</b> | St Joseph's, Mill Hill*       |
| <b>4</b> | Latchmere House, Richmond* | <b>9</b> | Twickenham Sorting Office     |
| <b>5</b> | London Dock, Wapping*      |          |                               |

\* Includes sites purchased during the year



# Under Construction and Future Sites in the South



## The South

### Out of London Under Construction

- |                                 |                                |
|---------------------------------|--------------------------------|
| <b>1</b> Amersham               | <b>15</b> Holborough, Snodland |
| <b>2</b> Ascot (2 sites)        | <b>16</b> Horsham              |
| <b>3</b> Beaconsfield (2 sites) | <b>17</b> Maidenhead           |
| <b>4</b> Cambridge              | <b>18</b> North Bersted        |
| <b>5</b> Canterbury             | <b>19</b> Oxshott              |
| <b>6</b> Caterham               | <b>20</b> Reading              |
| <b>7</b> Cheltenham (2 sites)   | <b>21</b> Sevenoaks            |
| <b>8</b> Cirencester            | <b>22</b> Shalford             |
| <b>9</b> Claygate               | <b>23</b> St Albans            |
| <b>10</b> Cobham                | <b>24</b> Tadworth (2 sites)   |
| <b>11</b> Fleet (2 sites)       | <b>25</b> Tunbridge Wells      |
| <b>12</b> Gillingham            | <b>26</b> Woodstock            |
| <b>13</b> Gosport               | <b>27</b> Worcester            |
| <b>14</b> High Wycombe          |                                |

### Out of London Future Sites

- |                                   |
|-----------------------------------|
| <b>1</b> Beaconsfield*            |
| <b>2</b> Gerrards Cross (2 sites) |
| <b>3</b> Maidenhead*              |
| <b>4</b> Reigate                  |

\* Includes sites purchased during the year

- 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

- Continued resilience of London market
- Investors represent circa 45% of all sales
- UK investor market returning and seeing value in residential investment
- General undersupply of new homes in best locations

# Operating Plan

## Market – Outside of London



- Location led
- Stable volumes
- Consistent visitor traffic
- Help to Buy generated 31 sales from 297 registrations outside London in last two months
- Dependent on return of feel good factor

- 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

- 25,684 plots
- Potential gross margin up 10.5% to £2,852 million
- 10 sites purchased in year for £315 million
- 5 sites acquired in second half for £97 million
- On course to achieve revised £3 billion target by April 2014
- Targeting 5% growth in value in the land bank in 2013/14 through new land and optimisation
- 10,000 additional plots in pipeline (strategic and contracted)

Land  
Key new sites acquired in the year



### South Quay Plaza

- Inlkjhlkjhkjhkjhkjh
- Acquired April 2013
- 1.9 acres
- Two high rise towers



Land  
Key new sites acquired in the year



## High Road, Finchley

- Inlkjhlkjhklkjh
- Acquired December 2012
- 2.3 acres
- Planning submission May 2013



# Land Key new sites acquired in the year



## Latchmere

- Inlkjhlkjhkjhkjhkjh
- Acquired March 2013
- 8.9 acres
- Planning submission September 2013

Land  
Key new sites acquired in the year



### St Josephs, Mill Hill

- Inlkjhlkjhkjhkjhkjh
- Acquired November 2012
- 7 acres
- Grade II listed former convent
- Existing planning consent under review

- 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

## 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 or dividend payments opportunistically</li><li>- Maintain operational efficiency at natural size</li></ul>

- 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**

## Structure

### Board

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

### Brands

- 5 Core Brands

### Operating Teams

- 20 autonomous teams

### People

- 1,400 employees (2008: 700)
- 9,000 contractors (2008: 3,500)
- 7,000 in the direct supply chain
- 600 trainees and apprentices

## 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
- Return to GDP growth
- 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

1. Strong results
2. Cash generative and announced a dividend of 59 pence per share
3. Clear strategy for a cyclical market
4. Financial strength
5. Sustainable business model
6. On track to deliver £568 million to shareholders by September 2015
7. The land bank is in place with planning to underpin the next £567 million by September 2018
8. We have the people and brand



# Questions



Tony Pidgley CBE    Chairman

Rob Perrins            Managing Director

Nick Simpkin            Finance Director