

# Interim Results Presentation

Half Year ended 31<sup>st</sup> October 2013

6<sup>th</sup> December 2013

# Format of presentation



**Chairman**

**Tony Pidgley CBE**

**Finance Director**

**Nick Simpkin**

**Managing Director**

**Rob Perrins**

**Questions**

# TONY PIDGLEY CBE

## CHAIRMAN

# Dividend



	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount (pence)</u>	<u>Amount (£'million)</u>
First dividend (paid)	22 March 2013	19 April 2013	15	20
Second dividend (paid)	30 August 2013	27 September 2013	59	77
Third dividend (proposed)	20 December 2013	17 January 2014	90	118
			<b><u>164</u></b>	<b><u>215</u></b>

# 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
  - Investment properties
  - Inventories
  - Creditors
- Land holdings



# Summary of financial position



	<u>October 2013</u>	<u>April 2013</u>	<u>Change (£)</u>	<u>Change (%)</u>
Shareholders' funds	£1,391.4m	£1,322.4m	+£69.0m	+5.2%
Closing net debt/(cash)	<u>(£78.9m)</u>	<u>(£44.7m)</u>	<u>-£34.2m</u>	
Capital Employed	£1,312.5m	£1,277.7m	+£34.8m	+2.7%
Net asset value per share	1,062p	1,009p	+53p	+5.3%
Shares in issue	131.0m	131.0m		
Land Holdings - Plots	25,060	25,684	-624	-2.4%
- Gross Margin	£3,047m	£2,852m	+£195m	+6.8%
- With planning	84%	87%		
Cash due on forward sales	£1,745.8m	£1,452.8m	+£293.0m	+20.2%
Deposits on account receipts	<u>£608.8m</u>	<u>£426.1m</u>	<u>+£182.7m</u>	+42.9%
Total forward sales	£2,354.6m	£1,878.9m	+£475.7m	+25.3%



# Income statement



<u>6 months ended</u>	<u>Oct 2013</u>		<u>Oct 2012</u>		<u>Change</u>	<u>Change</u>
	<u>£m</u>		<u>£m</u>		<u>£m</u>	<u>%</u>
Revenue	821.0		686.0		+135.0	+19.7%
Gross profit	240.3	29.3%	201.2	29.3%	+39.1	+19.4%
Operating expenses	(70.7)	8.6%	(55.0)	8.0%	-15.7	-28.5%
Operating profit	169.6	20.7%	146.2	21.3%	+23.4	+16.0%
Net finance costs	(3.0)		(3.4)		+0.4	
Joint ventures	2.9		(0.6)		+3.5	
Profit before tax	169.5		142.2		+27.3	+19.2%
Tax	(38.5)	22.7%	(34.7)	24.4%	-3.8	
Profit after tax	131.0		107.5		+23.5	+21.9%

# Homes completed and ASP



	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2013/14 HY01	2,294	£350,000		
St Edward Homes			72	£810,000
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>		

# Abridged cash flow



<u>6 months ended</u>	<u>October 2013</u> <u>£m</u>	<u>October 2012</u> <u>£m</u>
Profit before tax	169.5	142.2
- Increase in inventory – land	(193.7)	(96.0)
- Increase in inventory – build WIP & stock	(116.1)	(71.0)
- Transfer from inventory to rental fund	-	(17.9)
- Increase in land creditors	43.4	99.9
- Other working capital movements	<u>173.9</u>	<u>2.5</u>
Net investment in working capital	(92.5)	(82.5)
Rental fund	77.3	4.0
Net investment in St Edward	(8.2)	-
Tax paid	(38.9)	(17.5)
Other (investing and other movements)	<u>4.3</u>	<u>6.2</u>
Cash inflow before dividends	111.5	52.4
Dividends	<u>(77.3)</u>	<u>-</u>
Increase in net cash/(decrease in net debt)	34.2	52.4
Opening net cash/(debt)	<u>44.7</u>	<u>(57.9)</u>
Closing net cash/(debt)	<u>78.9</u>	<u>(5.5)</u>

# Abridged balance sheet



<u>6 months ended</u>	<u>October 2013</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2013</u> <u>£m</u>
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	52.3	8.2	44.1
- Rental fund	25.0	(77.3)	102.3
- Deferred tax assets	68.2	11.5	56.7
- Property, plant and equipment	20.3	4.0	16.3
Inventories	2,376.5	309.8	2,066.7
Debtors	156.4	29.6	126.8
Creditors and provisions	<u>(1,403.4)</u>	<u>(251.0)</u>	<u>(1,152.4)</u>
Capital employed	1,312.5	34.8	1,277.7
Net cash/(debt)	<u>78.9</u>	<u>34.2</u>	<u>44.7</u>
Net assets	<u>1,391.4</u>	<u>69.0</u>	<u>1,322.4</u>

# Inventories



	<u>October 2013</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2013</u> <u>£m</u>
Land not under development	553.1	243.1	310.0
Work in progress: Land cost	<u>811.3</u>	<u>(49.4)</u>	<u>860.7</u>
	1,364.4	193.7	1,170.7
Work in progress: Build cost	968.9	117.9	851.0
Completed units	<u>43.2</u>	<u>(1.8)</u>	<u>45.0</u>
	<u>2,376.5</u>	<u>309.8</u>	<u>2,066.7</u>

# Creditors



	<u>Oct 2013</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2013</u> <u>£m</u>
Trade creditors and accruals	426.2	11.8	414.4
Provision for liabilities	40.1	11.1	29.0
Deposits and on account receipts	608.8	182.7	426.1
Land creditors	224.3	43.4	180.9
Current tax liability	<u>104.0</u>	<u>2.0</u>	<u>102.0</u>
Total creditors	<u>1,403.4</u>	<u>251.0</u>	<u>1,152.4</u>
 <u>Land Creditors</u>			
Land creditors < 12 months	79.0	13.6	65.4
Land creditors > 12 months	<u>145.3</u>	<u>29.8</u>	<u>115.5</u>
Total	<u>224.3</u>	<u>43.4</u>	<u>180.9</u>

# Land holdings



	<u>Oct 2013</u>	<u>Variance</u>	<u>April 2013</u>
Owned	25,060	+5	25,055
Contracted	_____ -	_____ -629	_____ 629
Plots*	<u>25,060</u>	<u>-624</u>	<u>25,684</u>
Sales value	£10,261m	+£554m	£9,707m
Average selling price	£409k	+£31k	£378k
Average plot cost	£72k	+£10k	£62k
Land cost %	17.5%	+1.0%	16.5%
Gross margin	£3,047m	+£195m	£2,852m
GM%	29.7%	+0.3%	29.4%

\*Includes 1,520 plots within joint ventures at 31 October 2013 (30 April 2013: 1,592)

# ROB PERRINS

## MANAGING DIRECTOR



# Introduction



1. Performance Highlights
2. Long Term Strategic Plan
3. Operating Plan
4. The Market
5. Land and Build Investment
6. Joint Ventures
7. Outlook
8. Guidance
9. Conclusion

# 1. Performance Highlights



- PBT up 19.2% to £169.5 million
- Pre-tax Return on Equity of 25.0%
- 6.8% growth in gross margin in land holdings to £3,047 million
- 6 sites acquired for £278 million
- c. 4% of value added to land holdings in optimisation
- Forward sales up 20.2% to £1,745.8 million
- 86% of the land bank has a planning consent
- £525 million of banking facilities committed to 2018

## Key Messages

- Dividends paid – accelerated against original timetable
- Earnings upgrade for the full year

## 2. Long Term Strategic Plan



Milestone	Committed		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 <sup>th</sup> September 2015	1.64	214.8	2.70	353.7	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>-</u>	<u>-</u>	<u>4.33</u>	<u>567.2</u>	<u>4.33</u>	<u>567.2</u>
	1.64	214.8	11.36	1,488.1	13.00	1,702.9

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

# 3. Operating Plan



## Objectives

1. To be commercially successful
2. To be sustainable, for the long-term
3. To have a social impact



## Model

- Protect value in the balance sheet
- Control release of schemes to build
- Match operational risk with market conditions
- Add value to the land holdings
- Invest at the right point in the cycle
- Quality, individuality and place-making
- People, structure and natural size
- The Berkeley Foundation

## 4. The Market

### *Sales*

- London is a World City
- There is a shortfall of good quality new housing
- Interest rates have remained low
- Investors comprise 50% of sales
- Non-resident buyers comprise 30% of sales

### *Land and Planning*

- £278 million invested in the period – there are opportunities in the market
- Planning remains challenging
- Surplus land not being released to developers

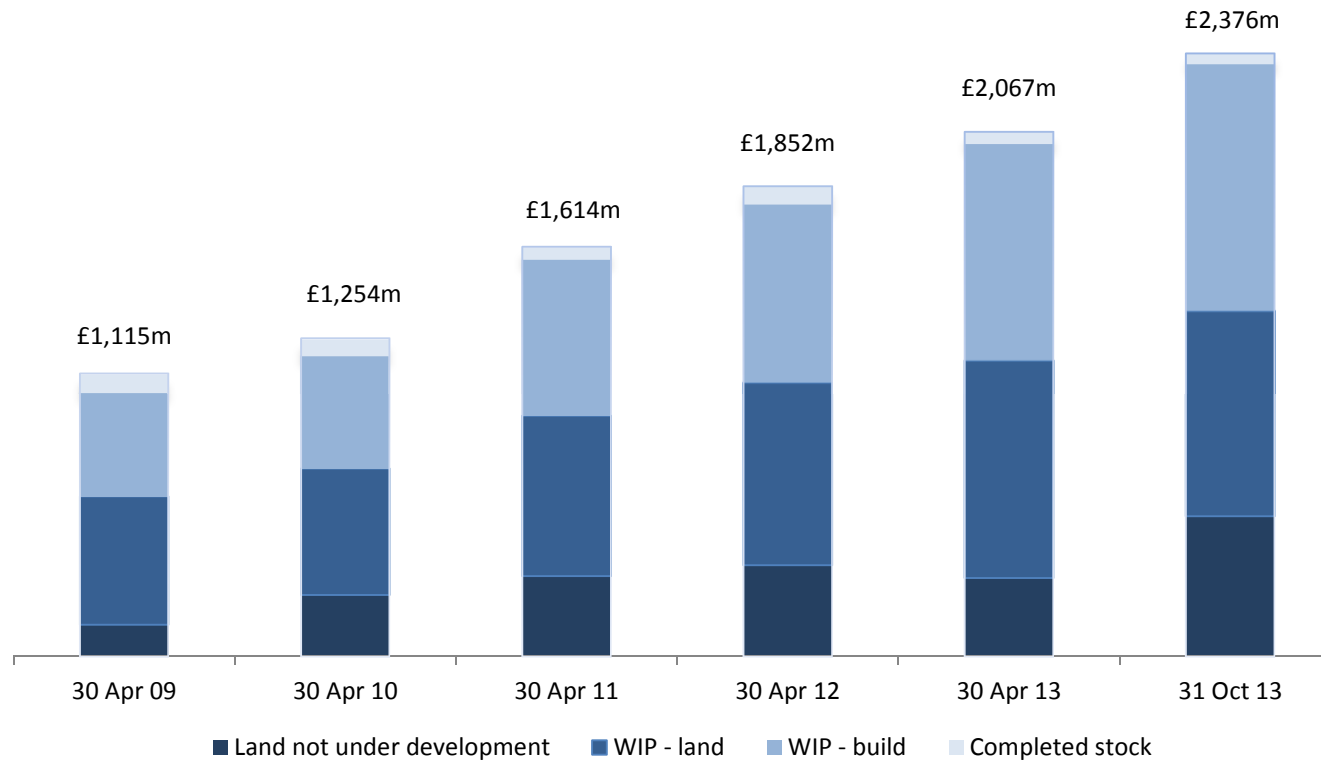
### *Build*

- Pressure on material and labour costs as the market is becoming more competitive

# 5. Land and Build Investment Inventories



Inventories



## 5. Land and Build Investment Delivery



		<u>London</u>	<u>South</u>	<u>Total</u>
<b>Delivery of Developments:</b>				
In construction	No. sites	40	31	71
Not yet in construction	No. sites	<u>11</u>	<u>3</u>	<u>14</u>
Total developments	No. sites	<u>51</u>	<u>34</u>	<u>85</u>
<b>Of those not yet in construction</b>				
Intended for re-planning	No. sites	1	-	1
Resolution to grant	No. sites	3	-	3
No current consent	No. sites	<u>7</u>	<u>3</u>	<u>10</u>
		<u>11</u>	<u>3</u>	<u>14</u>
Proportion in construction (by sites)		78%	91%	84%
Proportion with planning (by sites)		82%	91%	86%
Split (by plots)		80%	20%	100%
<b>History</b>				
At 30 April 2013	No. sites	50	37	87
At 30 April 2012	No. sites	54	47	101

# 5. Land and Build Investment Sites in London



## London

### London Under Construction

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

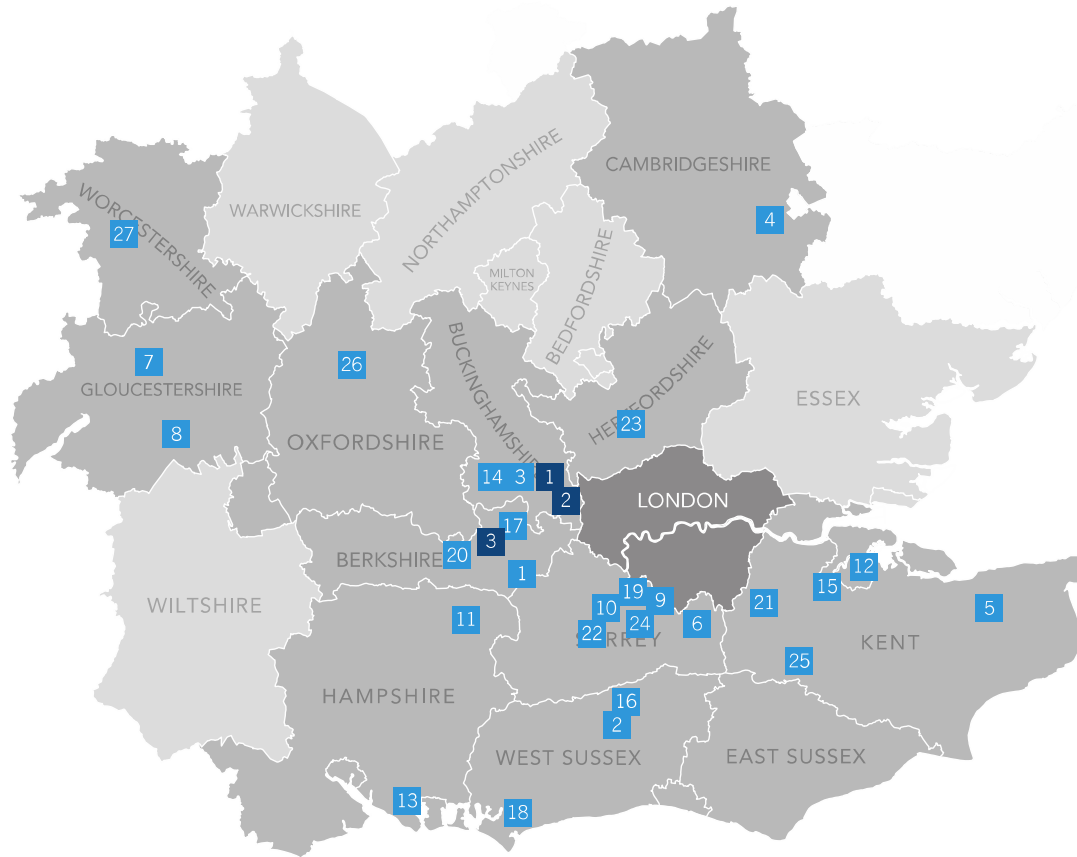
### London Future Sites

- 1 22-26 Albert Embankment\*
- 2 City Forum, City of London
- 3 High Road, Finchley
- 4 Hogarth, Chiswick
- 5 Latchmere House, Richmond
- 6 London Dock, Wapping
- 7 Nazareth House, Isleworth\*
- 8 Prince Consort House, Albert Embankment\*
- 9 South Quay Plaza, Docklands
- 10 Twickenham Sorting Office
- 11 White City\*

\* Includes sites purchased during the year



# 5. Land and Build Investment Sites in the South



## The South

### Out of London Under Construction

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

### Out of London Future Sites

- 1 Beaconsfield
- 2 Gerrards Cross
- 3 Maidenhead

\* Includes sites purchased during the year

## 5. Land and Build Investment Land Holdings



	Units No.	Revenue £m	Average Selling Price	Gross Margin £m	Gross Margin %
At 30 April 2009	30,044	7,181	£239k	2,014	28.0
At 30 April 2010	28,099	7,220	£257k	2,038	28.2
At 30 April 2011	27,026	8,136	£301k	2,304	28.3
At 30 April 2012	26,021	8,989	£345k	2,580	28.7
At 30 April 2013	25,684	9,707	£378k	2,852	29.4
At 31 October 2013	25,060	10,261	£409k	3,047	29.7

### Key messages:

- £3 billion land holdings target achieved
- Acquired 6 sites in first half for £278 million at an ASP of £695k
- Delivered 4% via optimisation which is accretive to future margin potential

# 5. Land and Build Investment

## Land Pipeline



### The Pipeline



- 1 Bracknell\*
- 2 Chambers Wharf, Southwark
- 3 Hornsey\*
- 4 Kidbrooke Village
- 5 Kingston\*
- 6 Royal Arsenal Riverside
- 7 Southall\*
- 8 Westminster\*
- 9 Woodberry Park

\* Includes sites contracted during the year





## 6. Joint Ventures

### St Edward

- Joint venture with Prudential
- Three schemes in construction (Stanmore, 375 Kensington High Street and 190 Strand)
- 375 Kensington High Street delivering a year earlier than previously guided
- Return on Equity of over 20% targeted

### St Katharine

- Joint venture with Wellcome Trust announced in July 2013
- Long-term capital for opportunity-led investment in development schemes
- Wellcome investment funds are a potential long-term outlet for residential product

# 7. Outlook



## Positive Signs

- Strong market
- Strong underlying demand in best locations
- Homes are affordable when customers have equity
- Attractive rental yields
- Return to GDP growth
- London is a World City
- Property is a good long-term investment

## Key Risks

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

## 8. Guidance



	Performance	Guidance
Dividend	90p per share declared 164p per share cumulative	Regular dividends up to September 2015
Land Bank	Achieved target of £3 billion estimated gross margin	Maintain at £3 billion
Performance	Return on Equity of 20% to 25% Operating margin in excess of 20%	Long term Return on Equity of 20% with 25% over next two years
Full Year 2013/14	-	Towards upper end of current market expectations but delivery-led

# 9. Conclusion



Hurdle	Underpin in place
September 2015	Sufficient forward sales provides visibility over balance of dividends
September 2018	Land bank with planning in place to underpin the next dividend
September 2021	Balance of land owned but not currently under development underpins the final return
Beyond September 2021	The pipeline of land will form the core of a sustainable long term business



# Questions



Tony Pidgley CBE

Chairman

Rob Perrins

Managing Director

Nick Simpkin

Finance Director