

# **The Berkeley Group Holdings plc**

## **Interim Results Presentation**

**Six Months Ended 31<sup>st</sup> October 2014**

**5<sup>th</sup> December 2014**

# Format of presentation

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**Chairman**

**Tony Pidgley CBE**

**Financial Controller**

**Ben Marks**

**Managing Director**

**Rob Perrins**

**Questions**

# Tony Pidgley CBE

## Chairman

# Ben Marks

## Financial Controller

# Review of Results

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

# Summary of Performance



<u>6 months ended</u>	<u>31 Oct 2014</u>	<u>31 Oct 2013</u>	<u>Change (£)</u>	<u>Change (%)</u>
<i>Underlying *</i>				
Operating Profit (underlying)	£214.5m	£169.6m	+£44.9m	+26.5%
Operating Margin (underlying)	23.3%	20.7%		+2.6%

<i>Underlying *</i>				
Profit before tax	£219.8m	£169.5m	+£50.3m	+29.7%
Return on equity	29.2%	25.0%		
<i>Total</i>				
Profit before tax	£304.9m	£169.5m	+£135.4m	+79.9%
EPS – Basic	178.6p	100.0p	+78.6p	+78.6%

\* Underlying figures exclude £99.8 million of revenue and £85.1 million of profit on the sale of ground rent assets

# Summary of financial position

	<u>October 2014</u>	<u>April 2014</u>	<u>Change (£)</u>	<u>Change (%)</u>
Shareholders' funds	£1,569.5m	£1,441.3m	+£128.2m	+8.9%
Closing net debt/(cash)	(£148.4m)	(£129.2m)	+19.2m	+14.9%
Capital Employed	£1,421.1m	£1,312.1m	+£109.0m	+8.3%
Net asset value per share	1,160p	1,066p	+94p	+8.8%
Shares in issue	135.3m	135.3m	-	-
Land Holdings - Plots	24,381	24,006	+375	+1.6%
- Gross Margin	£3,201m	£3,014m	+£187m	+6.2%
- With planning	87%	84%	-	+3%
Cash due on forward sales	£2,693m	£2,274m	+£419m	+18.4%

# Homes completed and ASP

	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2014/15 HY01	<u>1,372</u>	<u>£649,000</u>		
St Edward Homes HY01			86	£1,380,000
2013/14 HY02	1,448	£539,000	3,742	£423,000
2013/14 HY01	<u>2,294</u>	<u>£350,000</u>		
St Edward Homes FY			203	£1,235,000
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 FY			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 FY			188	£170,000



# Income statement

<u>6 months ended</u>	<u>October 2014</u>		<u>October 2013</u>		<u>Change</u>	<u>Change</u>
	<u>£m</u>		<u>£m</u>		<u>£m</u>	<u>%</u>
<b><i>Underlying</i></b>						
Revenue	922.4		821.0		+101.4	+12.4%
Gross profit	288.6	31.3%	240.3	29.3%	+48.3	+20.1%
Operating expenses	(74.1)	8.0%	(70.7)	8.6%	+3.4	+4.8%
Operating profit	214.5	23.3%	169.6	20.7%	+44.9	+26.5%
Net finance costs	(4.0)		(3.0)		+1.0	
Share of JV post tax results	9.3		2.9		+6.4	
Profit before tax	219.8		169.5		+50.3	+29.7%
<b><i>Ground Rents</i></b>						
Profit from sale of ground rent assets	85.1		-		+85.1	
<b><i>Total</i></b>						
Profit before tax	304.9				+135.4	
Tax	(63.2)	20.7%	(38.5)	22.7%	-24.7	
Profit after tax	241.7		131.0		+110.7	+84.5%

# Abridged cash flow



<u>6 months ended</u>	<u>October 2014</u>	<u>October 2013</u>
	<u>£m</u>	<u>£m</u>
Profit before tax (underlying)	219.8	169.5
Proceeds on sale of ground rents	85.1	-
- Increase in inventory	(130.0)	(309.8)
- Other working capital movements	<u>7.6</u>	<u>217.3</u>
Net investment in working capital	(122.4)	(92.5)
Rental fund	5.4	78.2
Net receipt from/(investment in) St Edward	40.3	(5.3)
Tax paid	(83.7)	(38.9)
Other (investing and other movements)	<u>(3.6)</u>	<u>0.5</u>
Cash inflow before dividends	140.9	111.5
Dividends	<u>(121.7)</u>	<u>(77.3)</u>
Increase in net cash	19.2	34.2
Opening net cash	<u>129.2</u>	<u>44.7</u>
Closing net cash	<u>148.4</u>	<u>78.9</u>

# Abridged balance sheet



	<u>October 2014</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2014</u> <u>£m</u>
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	30.4	-31.0	61.4
- Rental fund	13.9	-4.3	18.2
- Deferred tax asset	53.2	-7.9	61.1
- Property, plant and equipment	22.2	+0.2	22.0
Inventories	2,611.2	+130.0	2,481.2
Debtors	277.4	+118.4	159.0
Creditors and provisions	<u>(1,604.4)</u>	<u>-96.4</u>	<u>(1,508.0)</u>
Capital employed	1,421.1	+109.0	1,312.1
Net cash	<u>148.4</u>	<u>+19.2</u>	<u>129.2</u>
Net assets	<u>1,569.5</u>	<u>+128.2</u>	<u>1,441.3</u>

# Inventories

	<u>October 2014</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2014</u> <u>£m</u>
Land not under development	379.2	-113.2	492.4
Work in progress: Land cost	<u>816.4</u>	<u>+30.3</u>	<u>786.1</u>
	1,195.6	-82.9	1,278.5
Work in progress: Build cost	1,382.5	+202.2	1,180.3
Completed units	<u>33.1</u>	<u>+10.7</u>	<u>22.4</u>
	<u>2,611.2</u>	<u>+130.0</u>	<u>2,481.2</u>

# Creditors

	<u>October 2014</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2014</u> <u>£m</u>
Trade creditors and accruals	462.2	+46.7	415.5
Provision for liabilities	61.9	+4.8	57.1
Deposits and on account receipts	835.2	+93.5	741.7
Land creditors	194.2	-15.8	210.0
Current tax liability	<u>50.9</u>	<u>-32.8</u>	<u>83.7</u>
Total creditors	<u>1,604.4</u>	<u>+96.4</u>	<u>1,508.0</u>
 <u>Land Creditors</u>			
Land creditors < 12 months	59.2	-2.2	61.4
Land creditors > 12 months	<u>135.0</u>	<u>-13.6</u>	<u>148.6</u>
Total	<u>194.2</u>	<u>-15.8</u>	<u>210.0</u>

# Land holdings



	<u>October 2014</u>	<u>Variance</u>	<u>April 2014</u>
Owned	23,631	+145	23,486
Contracted	<u>750</u>	<u>+230</u>	<u>520</u>
Plots	<u>24,381</u>	<u>+375</u>	<u>24,006</u>
Sales value	£10,678m	+£616m	£10,062m
Average selling price	£438k	+£19k	£419k
Average plot cost	£70k	-£2k	£72k
Land cost %	15.9%	-1.4%	17.3%
Gross margin	£3,201m	£187m	£3,014m
GM%	30.0%	-	30.0%

# Rob Perrins

## Managing Director

# 1. Introduction

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- Performance Highlights
- Long Term Strategic Plan
- The Berkeley Difference
- The Market
- Land and Build Investment
- Joint Ventures
- Outlook
- Guidance
- Conclusion



## 2. Performance Highlights

### Highlights

- Underlying PBT up 29.7% to £219.8 million
- £85.1 million profit from disposal of ground rent assets
- Dividends paid of 90 pence
- Net cash of £148.4 million and ungeared throughout the year
- Cash due on forward sales up 18.4% to £2,693 million
- Invested a further net £202.2 million into build inventory in the period
- 1 new site acquired and 1,300 units brought through from the pipeline into land holdings
- 2 new sites contracted into the pipeline and St William joint venture agreed in November
- 6.2% growth in gross margin in land holdings to £3,201 million

### Key Messages

- Underlying earnings in line with current market expectations

### 3. Long Term Strategic Plan

Milestone	Committed		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 <sup>th</sup> September 2015	3.44	459	0.90	122	4.34	581
By 30 <sup>th</sup> September 2018	-	-	4.33	586	4.33	586
By 30 <sup>th</sup> September 2021	<u>-</u>	<u>-</u>	<u>4.33</u>	<u>586</u>	<u>4.33</u>	<u>586</u>
	3.44	459	9.56	1,294	13.00	1,753

The scheme requires:

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

## 4. Long Term Strategic Plan Surplus Capital

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If surplus capital is generated:

- Further investment in the business;
- Increased dividends over and above £9.56 per share; and/or
- Share buy-backs

# 5. The Berkeley Difference

## 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
- Comfortable expanding or contracting at the right time in the cycle
- The Berkeley Foundation

## 6. The Market

### *Sales*

- Sales rates have returned to normal levels after an exceptional 2013/14
- A number of successful sales launches
- Investors comprise 50% of sales, and non-UK buyers 30% of sales

### *Underpinning the result*

- London is a World City
- There is a shortfall of good quality new housing
- Interest rates are still low

### *Land and Planning*

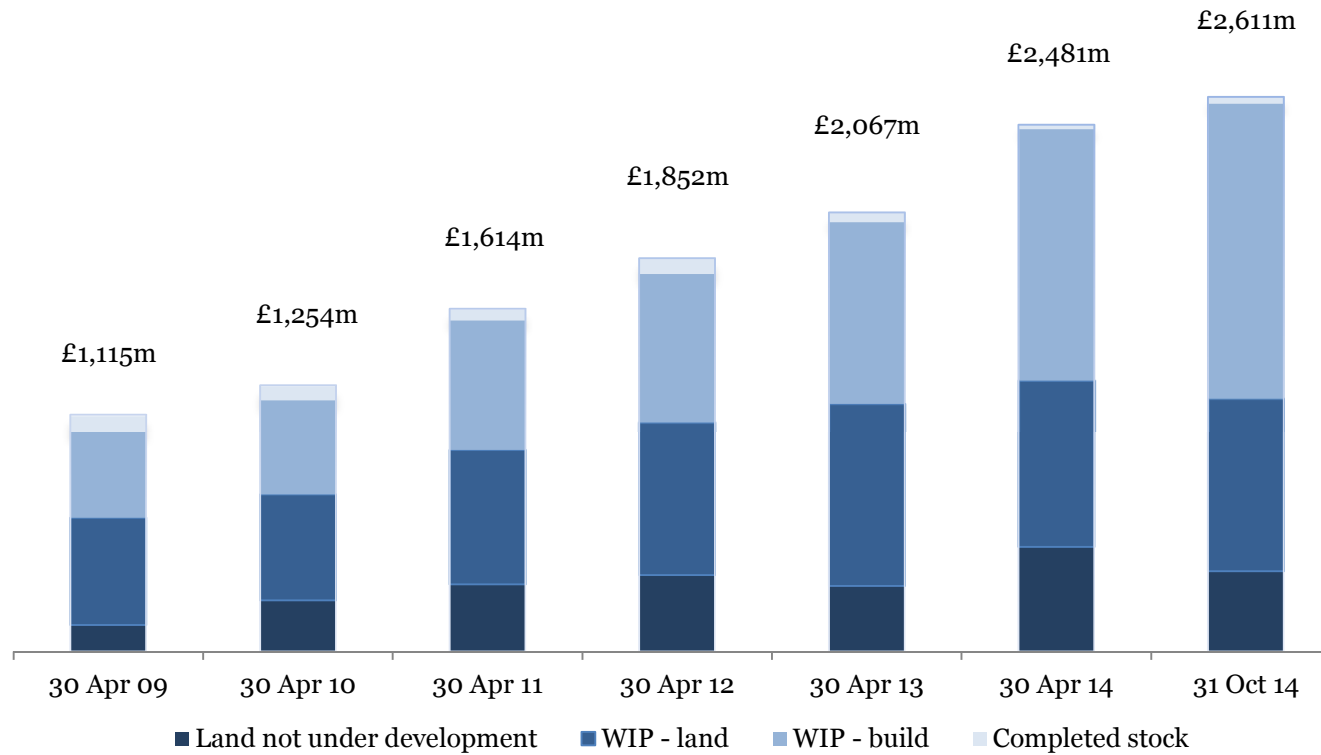
- Selective opportunities are there; innovations like St William provide long-term land
- Good planning successes in the period

### *Build*

- Continued pressure on material and labour costs in a competitive market

# 7. Land and Build Investment Inventories

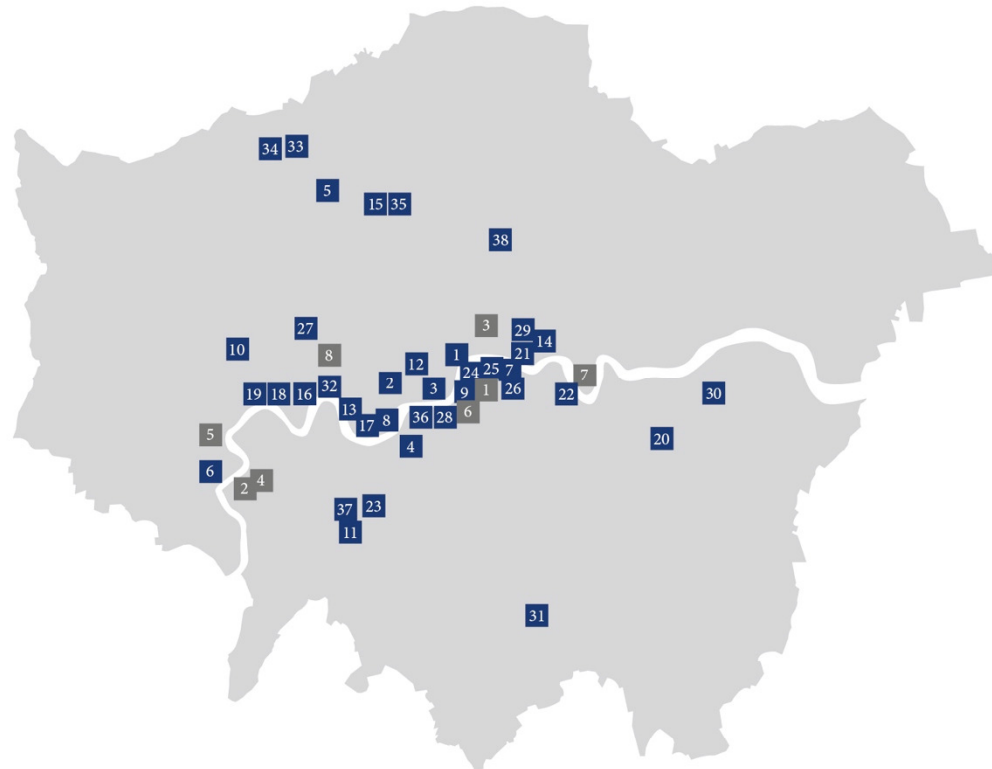
## Inventories



## 8. Land and Build Investment Delivery

		<u>London</u>	<u>South</u>	<u>Total</u>
<b>Delivery of Developments:</b>				
In construction	No. sites	38	24	62
Not yet in construction	No. sites	<u>8</u>	<u>3</u>	<u>11</u>
Total developments	No. sites	<u>46</u>	<u>26</u>	<u>72</u>
<b>Of those not yet in construction</b>				
Section 106 signed	No. sites	1	-	1
Resolution to grant	No. sites	2	1	3
No current consent	No. sites	<u>5</u>	<u>2</u>	<u>7</u>
		<u>8</u>	<u>3</u>	<u>11</u>
Proportion in construction (by sites)		83%	92%	86%
Proportion with planning (by sites)		85%	92%	88%
Split (by plots)		77%	23%	100%
<b>History</b>				
At 30 April 2014	No. sites	49	28	77
At 30 April 2013	No. sites	50	37	87
At 30 April 2012	No. sites	54	47	101

# 9. Land and Build Investment Sites in London



## LONDON UNDER CONSTRUCTION

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

## LONDON FUTURE SITES

- 1 22-26 Albert Embankment
- 2 Barnes, Richmond
- 3 City Forum, City of London
- 4 Latchmere House, Richmond
- 5 Old Isleworth
- 6 Prince Consort House, Albert Embankment
- 7 South Quay Plaza, Docklands
- 8 White City



# 10. Land and Build Investment Sites in South of England



## OUT OF LONDON UNDER CONSTRUCTION

- |                 |                    |
|-----------------|--------------------|
| 1 Ascot         | 13 Holborough      |
| 2 Barns Green   | 14 Horsham         |
| 3 Bath          | 15 Maidenhead      |
| 4 Beaconsfield  | 16 North Bersted   |
| 5 Cambridge     | 17 Oxshott         |
| 6 Caterham      | 18 Reading         |
| 7 Cheltenham    | 19 Sevenoaks       |
| 8 Cirencester   | 20 Shalford        |
| 9 Fleet         | 21 Tadworth        |
| 10 Gillingham   | 22 Tunbridge Wells |
| 11 Gosport      | 23 Worcester       |
| 12 High Wycombe |                    |

## OUT OF LONDON FUTURE SITES

- 1 Bracknell\*
- 2 Sevenoaks\*
- 3 Taplow

\*Includes sites contracted during the year or transferred from the land pipeline.

# 11. Land and Build Investment

## Land Holdings

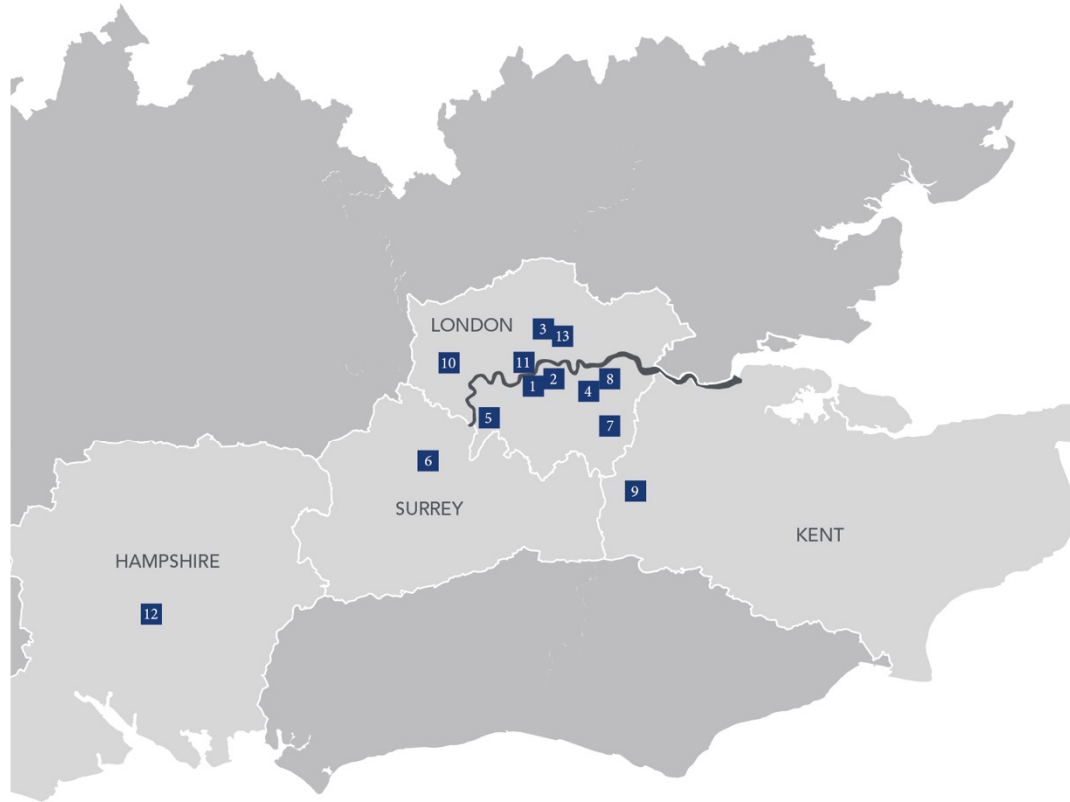
	<b>Units No.</b>	<b>Revenue £m</b>	<b>Average Selling Price</b>	<b>Gross Margin £m</b>	<b>Gross Margin %</b>
At 30 April 2009	30,044	7,181	£239k	2,014	28.0
At 30 April 2010	28,099	7,220	£257k	2,038	28.2
At 30 April 2011	27,026	8,136	£301k	2,304	28.3
At 30 April 2012	26,021	8,989	£345k	2,580	28.7
At 30 April 2013	25,684	9,707	£378k	2,852	29.4
At 30 April 2014	24,006	10,062	£419k	3,014	30.0
At 31 October 2014	24,381	10,678	£438k	3,201	30.0

### Key messages:

- Maintained land holdings at in excess of £3 billion
- 1,313 plots delivered into land holdings from the pipeline

# 12. Land and Build Investment

## Land Pipeline



### THE PIPELINE

- |   |                           |    |                |
|---|---------------------------|----|----------------|
| 1 | Battersea Gardens         | 9  | Sevenoaks      |
| 2 | Chambers Wharf, Southwark | 10 | Southall       |
| 3 | Hornsey                   | 11 | Westminster    |
| 4 | Kidbrooke Village         | 12 | Winchester*    |
| 5 | Kingston (2 sites)*       | 13 | Woodberry Park |
| 6 | Ockham                    |    |                |
| 7 | Orpington                 |    |                |
| 8 | Royal Arsenal Riverside   |    |                |

\* Includes sites contracted during the year

## 13. Joint Ventures

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### St Edward

- Joint venture with Prudential
- Three schemes in construction (Stanmore, 375 Kensington High Street and 190 Strand)
- New homes in delivery at 375 Kensington High Street and Stanmore Place

### St Katharine

- Joint venture with Wellcome Trust
- Potential capital investment of up to £400 million

### St William

- Joint venture with National Grid
- Initially working on acquiring ten sites from National Grid's land holdings
- Aims to deliver over 7,000 homes from these sites
- Targeting first completions in 2017/18

# 14. Outlook

## Positive Signs

- Good underlying demand in best locations
- Limited supply in best locations
- Homes are affordable when customers have equity
- Government stimulus through Help to Buy and planning zones
- Attractive rental yields relative to other asset classes
- GDP and wage 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
- Monetary policy and interest rate rises
- Regulation of banks
- Affordability
- Build cost inflation
- Planning risk
- Property market is cyclical

# 15. Guidance



	Performance	Guidance
Dividend	90p per share declared 344p per share cumulative	Regular dividends up to September 2015 A proportion of September 2018 milestone via regular payments
Land Holdings	Gross margin up to £3.2 billion	Maintain at above £3 billion
FY 2014/15	-	Underlying earnings expected to be in line with market expectations before one-off £85 million impact of ground rent sale
FY 2015/16	-	Continued investment in WIP and continued earnings growth

# Questions

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Tony Pidgley CBE

Chairman

Rob Perrins

Managing Director

Ben Marks

Financial Controller