

# **THE BERKELEY GROUP HOLDINGS PLC**

## **PRELIMINARY RESULTS PRESENTATION**

**YEAR ENDED 30TH APRIL 2014**

**18<sup>th</sup> June 2014**

# 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 (paid)	20 December 2013	17 January 2014	90	118
Fourth dividend (proposed)	22 August 2014	26 September 2014	90	121
			<b><u>254</u></b>	<b><u>336</u></b>

# **NICK SIMPKIN**

## **FINANCE DIRECTOR**

# Review of Results

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

# Summary of Performance



<u>Year ended</u>	<u>30 Apr 2014</u>	<u>30 Apr 2013</u>	<u>Change (£)</u>	<u>Change (%)</u>
Operating Profit	£374.8m	£280.1m	+£94.7m	+33.8%
Operating Margin	23.1%	20.4%		
Profit before tax	£380.0m	£270.7m	+£109.3m	+40.4%
EPS – Basic	221.8p	160.0p	+61.8p	+38.6%
Return on equity	27.5%	22.4%		

# Summary of financial position

	<u>April 2014</u>	<u>April 2013</u>	<u>Change (£)</u>	<u>Change (%)</u>
Shareholders' funds	£1,441.3m	£1,322.4m	+£118.9m	+9.0%
Closing net debt/(cash)	<u>(£129.2m)</u>	<u>(£44.7m)</u>	<u>-£84.5m</u>	
Capital Employed	£1,312.1m	£1,277.7m	+£34.4m	+2.7%
Net asset value per share	1,066p	1,009p	+57p	+5.6%
Shares in issue	135.3m	131.0m		
Land Holdings - Plots	24,006	25,684	-1,678	-6.5%
- Gross Margin	£3,014m	£2,852m	+£162m	+5.7%
- With planning	84%	87%		
Cash due on forward sales	£2,274m	£1,453m	+£821m	+56.5%
Deposits on account receipts	<u>£742m</u>	<u>£426m</u>	<u>+£316m</u>	+74.2%
Total forward sales	£3,016m	£1,879m	+£1,137m	+60.5%



## Future Potential Share Dilution

	No. (million)	Exercise Price*	Vesting Date	Approved by shareholders
Shares in issue	135.3			
2009 B LTIP tranche 1	3.0	£6.76	Apr'15**	Apr'09
2009 B LTIP tranche 2	3.0	£6.76	Apr'16**	Apr'09
2011 LTIP	<u>19.6</u>	£11.36	Sep'21***	Sep'11
	<u>160.9</u>			

\*Dividend adjusted as at 30 April 2014

\*\* Performance condition of £5.94 NAV per share by 30 April 2015

\*\*\* Or on completion of £13 per share return if earlier, achieving hurdles by Sept 15, Sept 18 and Sept 2021

# Income statement

<u>Year ended</u>	<u>Apr 2014</u>		<u>Apr 2013</u>		<u>Change</u>	<u>Change</u>
	<u>£m</u>		<u>£m</u>		<u>£m</u>	<u>%</u>
Revenue	<u>1,620.6</u>		<u>1,372.6</u>		<u>+248.0</u>	+18.1%
Gross profit	508.9	31.4%	403.4	29.4%	+105.5	+26.2%
Operating expenses	<u>(134.1)</u>	8.3%	<u>(123.3)</u>	9.0%	<u>-10.8</u>	-8.8%
Operating profit	<u>374.8</u>	23.1%	<u>280.1</u>	20.4%	<u>+94.7</u>	+33.8%
Net finance costs	(6.9)		(8.1)		+1.2	
Share of Joint Venture post tax results	<u>12.1</u>		<u>(1.3)</u>		<u>+13.4</u>	
Profit before tax	380.0		270.7		+109.3	+40.4%
Tax	<u>(87.1)</u>	22.9%	<u>(61.0)</u>	22.5%	<u>-26.1</u>	
Profit after tax	<u>292.9</u>		<u>209.7</u>		<u>+83.2</u>	+39.7%

# Homes completed and ASP

	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
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			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			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>Year ended</u>	<u>April 2014</u> <u>£m</u>	<u>April 2013</u> <u>£m</u>
Profit before tax	380.0	270.7
- Increase in inventory – land	(107.8)	(86.4)
- Increase in inventory – build WIP & stock	(306.7)	(158.1)
- Increase in land creditors	29.1	58.1
- Other working capital movements	<u>307.5</u>	<u>83.6</u>
Net investment in working capital	(77.9)	(102.8)
Rental fund	84.9	18.8
Net investment in St Edward	(17.4)	2.5
Tax paid	(92.4)	(69.2)
Other (investing and other movements)	<u>2.5</u>	<u>2.3</u>
Cash inflow before dividends	279.7	122.3
Dividends	<u>(195.2)</u>	<u>(19.7)</u>
Increase in net cash/(decrease in net debt)	84.5	102.6
Opening net cash/(debt)	<u>44.7</u>	<u>(57.9)</u>
Closing net cash/(debt)	<u>129.2</u>	<u>44.7</u>

# Abridged balance sheet



	<u>April 2014</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	61.4	17.3	44.1
- Rental fund	18.2	(84.1)	102.3
- Deferred tax assets	61.1	4.4	56.7
- Property, plant and equipment	22.0	5.7	16.3
Inventories	2,481.2	414.5	2,066.7
Debtors	159.0	32.2	126.8
Creditors and provisions	<u>(1,508.0)</u>	<u>(355.6)</u>	<u>(1,152.4)</u>
Capital employed	1,312.1	34.4	1,277.7
Net cash/(debt)	<u>129.2</u>	<u>84.5</u>	<u>44.7</u>
Net assets	<u>1,441.3</u>	<u>118.9</u>	<u>1,322.4</u>

# Inventories



	<u>April 2014</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2013</u> <u>£m</u>
Land not under development	492.4	182.4	310.0
Work in progress: Land cost	<u>786.1</u>	<u>(74.6)</u>	<u>860.7</u>
	1,278.5	107.8	1,170.7
Work in progress: Build cost	1,180.3	329.3	851.0
Completed units	<u>22.4</u>	<u>(22.6)</u>	<u>45.0</u>
	<u>2,481.2</u>	<u>414.5</u>	<u>2,066.7</u>

# Creditors



	<u>April 2014</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>April 2013</u> <u>£m</u>
Trade creditors and accruals	415.5	1.1	414.4
Provision for liabilities	57.1	28.1	29.0
Deposits and on account receipts	741.7	315.6	426.1
Land creditors	210.0	29.1	180.9
Current tax liability	<u>83.7</u>	<u>(18.3)</u>	<u>102.0</u>
<b>Total creditors</b>	<b><u>1,508.0</u></b>	<b><u>355.6</u></b>	<b><u>1,152.4</u></b>
 <u>Land Creditors</u>			
Land creditors < 12 months	61.4	(4.0)	65.4
Land creditors > 12 months	<u>148.6</u>	<u>33.1</u>	<u>115.5</u>
<b>Total</b>	<b><u>210.0</u></b>	<b><u>29.1</u></b>	<b><u>180.9</u></b>

# Land holdings



	<u>April 2014</u>	<u>Variance</u>	<u>April 2013</u>
Owned	23,486	(1,569)	25,055
Contracted	<u>520</u>	<u>(109)</u>	<u>629</u>
Plots	<u>24,006</u>	<u>(1,678)</u>	<u>25,684</u>
Sales value	£10,062m	£355m	£9,707m
Average selling price	£419k	£41k	£378k
Average plot cost	£72k	£10k	£62k
Land cost %	17.3%	0.9%	16.4%
Gross margin	£3,014m	£162m	£2,852m
GM%	30.0%	0.6%	29.4%



# **ROB PERRINS**

## **MANAGING DIRECTOR**

# Introduction



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

# 1. Performance Highlights

## Highlights

- PBT up 40.4% to £380.0 million
- Dividends paid of 149 pence
- Net cash of £129.2 million and ungeared throughout the year
- 9 sites acquired for £353 million
- Increased investment in build inventory by £306 million in year
- Cash due on forward sales up 56.5% to £2,274 million
- 5.7% growth in gross margin in land holdings to £3,014 million

## Key Messages

- Declared a further dividend of 90 pence per share in September 2014
- Underlying earnings in line with market expectations going forwards with additional benefit of ground rent sales of £80 million on top

## 2. Long Term Strategic Plan

Milestone	Committed		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 <sup>th</sup> September 2015	2.54	336	1.80	244	4.34	580
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>
	2.54	336	10.46	1,416	13.00	1,752

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

The total cash returnable has increased by c. £50 million following the issue of new shares in January 2014.

# 3. 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

## 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-UK buyers comprise 30% of sales

### *Land and Planning*

- £353 million invested in the period – there are opportunities in the market
- Planning remains challenging
- Surplus land not being released to developers

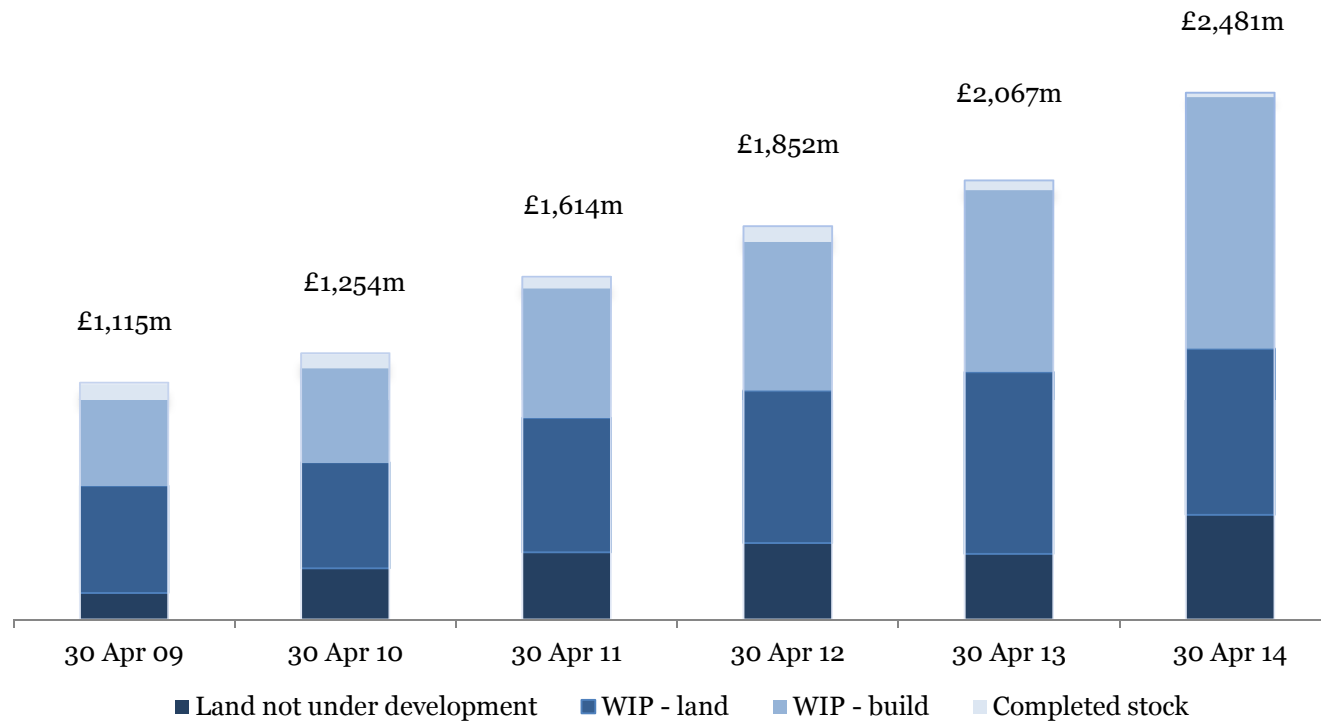
### *Build*

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

# 5. Land and Build Investment Inventories



## Inventories

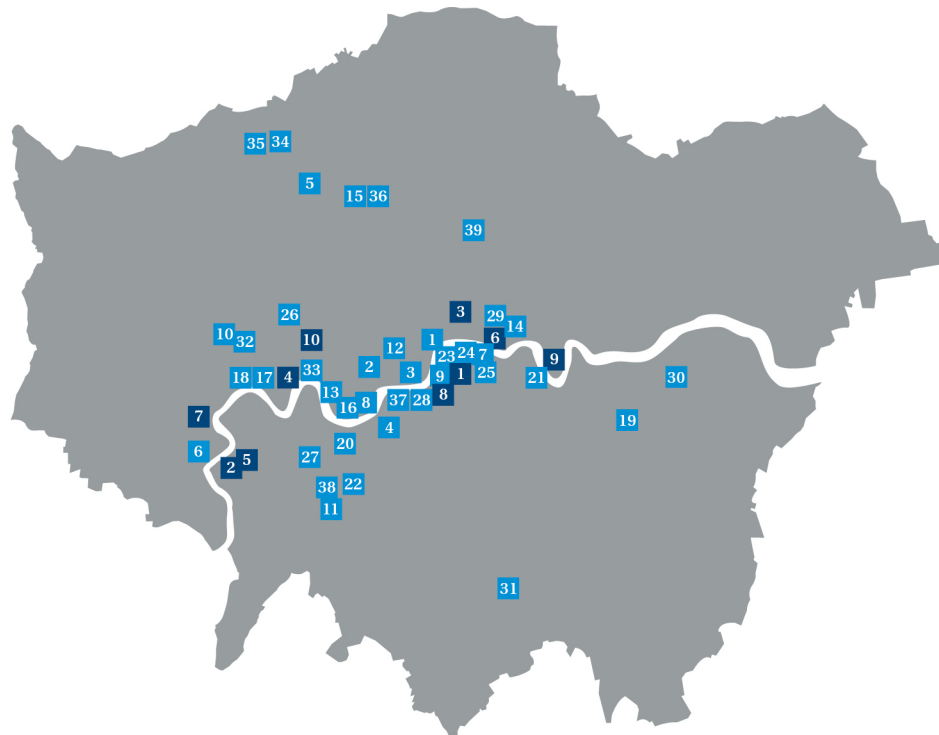


## 5. Land and Build Investment Delivery

		<u>London</u>	<u>South</u>	<u>Total</u>
<b>Delivery of Developments:</b>				
In construction	No. sites	39	26	65
Not yet in construction	No. sites	<u>10</u>	<u>2</u>	<u>12</u>
Total developments	No. sites	<u>49</u>	<u>28</u>	<u>77</u>
<b>Of those not yet in construction</b>				
Intended for re-planning	No. sites	1	-	1
Resolution to grant	No. sites	2	1	3
No current consent	No. sites	<u>7</u>	<u>1</u>	<u>8</u>
		<u>10</u>	<u>2</u>	<u>12</u>
Proportion in construction (by sites)		80%	93%	84%
Proportion with planning (by sites)		82%	93%	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 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 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 Hurlingham Gate, Fulham
- 17 Kew Bridge Road
- 18 Kew Bridge West, Brentford
- 19 Kidbrooke Village
- 20 Langham Square, Putney
- 21 Marine Wharf, Deptford
- 22 Marryat Place, Wimbledon
- 23 Merano, Albert Embankment
- 24 One Blackfriars, Southwark
- 25 One Tower Bridge
- 26 One Victoria Road, Acton

- 27 Queen Mary's Place, Roehampton
- 28 Riverlight, Battersea
- 29 Roman House, City of London
- 30 Royal Arsenal Riverside
- 31 Saffron Square, Croydon
- 32 Sir Alexander Close, Acton
- 33 Sovereign Court, Hammersmith
- 34 St Josephs, Mill Hill
- 35 Stanmore Place
- 36 The Avenue, Finchley
- 37 Vista, Battersea\*
- 38 Wimbledon Hill Park
- 39 Woodberry Park

## LONDON FUTURE SITES

- 1 22-26 Albert Embankment\*
- 2 Barnes, Richmond\*
- 3 City Forum, City of London
- 4 Hogarth, Chiswick
- 5 Latchmere House, Richmond
- 6 London Dock, Wapping
- 7 Old Isleworth\*
- 8 Prince Consort House, Albert Embankment\*
- 9 South Quay Plaza, Docklands
- 10 White City\*

\* Sites purchased during the year

# 5. Land and Build Investment Sites in the South of England



### OUT OF LONDON UNDER CONSTRUCTION

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

### OUT OF LONDON FUTURE SITES

- |   |            |
|---|------------|
| 1 | Maidenhead |
| 2 | Taplow*    |

\* Sites purchased during the year

## 5. Land and Build Investment Land Holdings

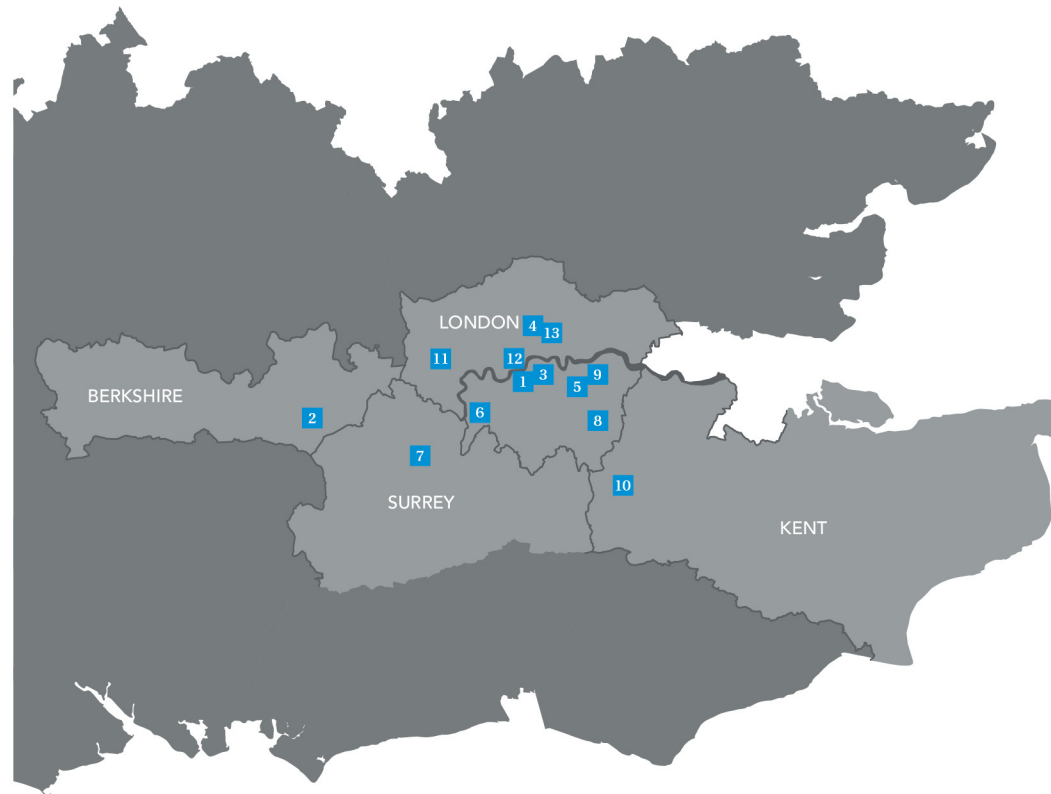
	<b>Units No.</b>	<b>Revenue £m</b>	<b>Average Selling Price</b>	<b>Gross Margin £m</b>	<b>Gross Margin %</b>
At 30 April 2009	30,044	7,181	£239k	2,014	28.0
At 30 April 2010	28,099	7,220	£257k	2,038	28.2
At 30 April 2011	27,026	8,136	£301k	2,304	28.3
At 30 April 2012	26,021	8,989	£345k	2,580	28.7
At 30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

### Key messages:

- £3 billion land holdings target achieved
- Acquired 9 sites in the year for £353 million at an ASP of £675k
- Delivered 10% via optimisation which is accretive to future margin potential

# 5. Land and Build Investment

## Land Pipeline



### THE PIPELINE

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

\* 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 originally guided

# 7. Outlook

## Positive Signs

- Strong 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
- Build cost inflation
- Planning risk
- Property market is cyclical

## 8. Guidance

### Performance

### Guidance

Dividend	90p per share declared 254p per share cumulative	Regular dividends up to September 2015
Land Holdings	Achieved target of £3 billion estimated gross margin	Maintain at £3 billion
FY 2014/15	-	Underlying earnings expected to be in line with market expectations before one-off £80 million impact of ground rent sale
FY 2015/16	-	Continued investment in WIP and continued earnings growth

# Questions



Tony Pidgley CBE

Chairman

Rob Perrins

Managing Director

Nick Simpkin

Finance Director