
The Berkeley Group Holdings plc

Interim Results Presentation

Six months ended 31st October 2015

4th December 2015

Preliminary Results Presentation

Format of Presentation



Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Managing Director

Questions



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Tony Pidgley CBE

Chairman

Richard Stearn

Finance Director

Finance Review

Introduction



- Summary of performance

- Summary of financial position

- Future potential share dilution

- Homes completed and Average Selling Price

- Income statement

- Abridged cash flow

- Abridged balance sheet

- Financing

- Land holdings

Finance Review

Summary of Performance



Six months ended	31 Oct 2015	31 Oct 2014	Change (£)	Change (%)
Profit before tax	£293.3m	£304.9m	-£11.6m	-3.8%
EPS - Basic	166.9p	178.6p	-11.7p	-6.6%
EPS - Diluted	149.2p	158.8p	-9.6p	-6.0%
<u>Adjusted</u> *				
Profit before tax	£242.3m	£219.8m	+£22.5m	+10.2%
EPS – Basic	137.9p	128.9p	+9.0p	+7.0%
Operating Margin	22.1%	23.3%		
Return on equity **	28.5%	29.2%		

* Adjusted figures exclude £53.4 million (2014: £99.8 million) of revenue and £51.0 million (2014: £85.1 million) of profit on the sale of ground rent assets

** Return on equity is calculated as profit before tax divided by the average of opening and closing net assets

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Finance Review

Summary of Financial Position



	Oct 2015	April 2015	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£1,760.0m	£1,637.9m	+£122.1m	+7.5%
Closing net cash	(£263.1m)	(£430.9m)	+£167.8m	
Capital Employed	£1,496.9m	£1,207.0m	+£289.9m	+24.0%
Net asset value per share	1,289p	1,199p	+90p	+7.5%
Shares in issue	136.6m	136.6m		
Cash due on forward sales	£3.1bn	£3.0bn	+£0.1bn	+3.3%
Land Holdings				
Plots	38,233	37,473	+760	+2.0%
Gross Margin	£5.4bn	£5.3bn	+£0.1m	+1.9%

Finance Review

Future potential share dilution



	No. (million)	Exercise Price*	Vesting Date	Approved by shareholders
Shares in issue at 1 May 2014	135.3			
2009B LTIP tranche 1	1.3	£4.96	April '15	Apr '09
Shares in issue at 31 October 2015	136.6			
2009B LTIP tranche 2	1.3	£4.06	April '16**	Apr '09
2011 LTIP	17.1	£8.66	September '21***	Sep '11
	155.0			

* Dividend adjusted as at 31 October 2015

** Performance condition of £9.00 NAV per share by the vesting date; assumes participant income tax and national insurance contributions are paid by the company in lieu of issuing shares (as occurred for the tranche 1 vesting)

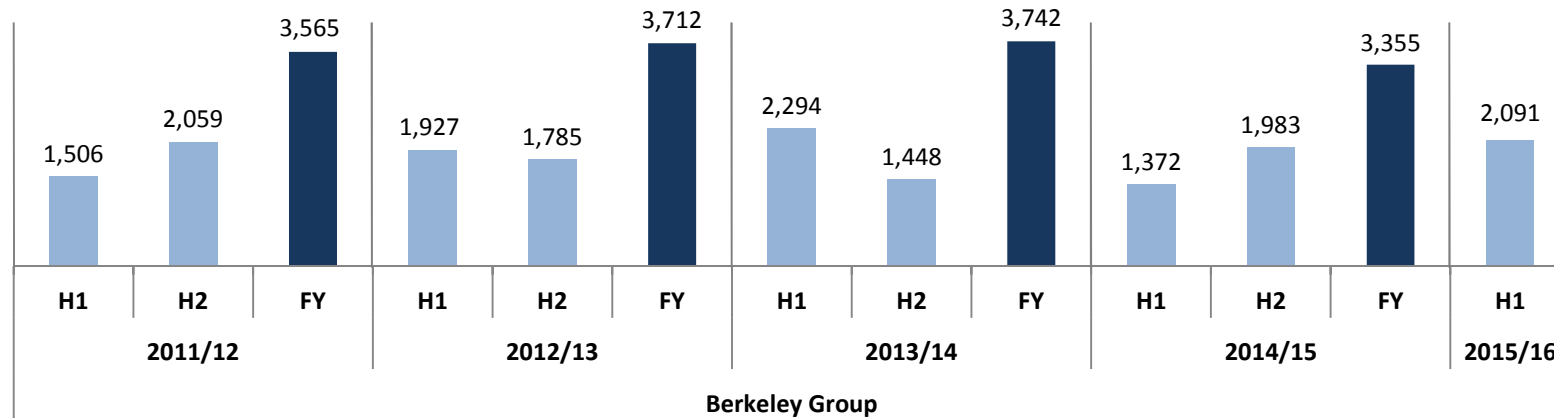
*** Or on completion of £13 per share return if earlier, achieving hurdles by September 18 and September 2021

Finance Review

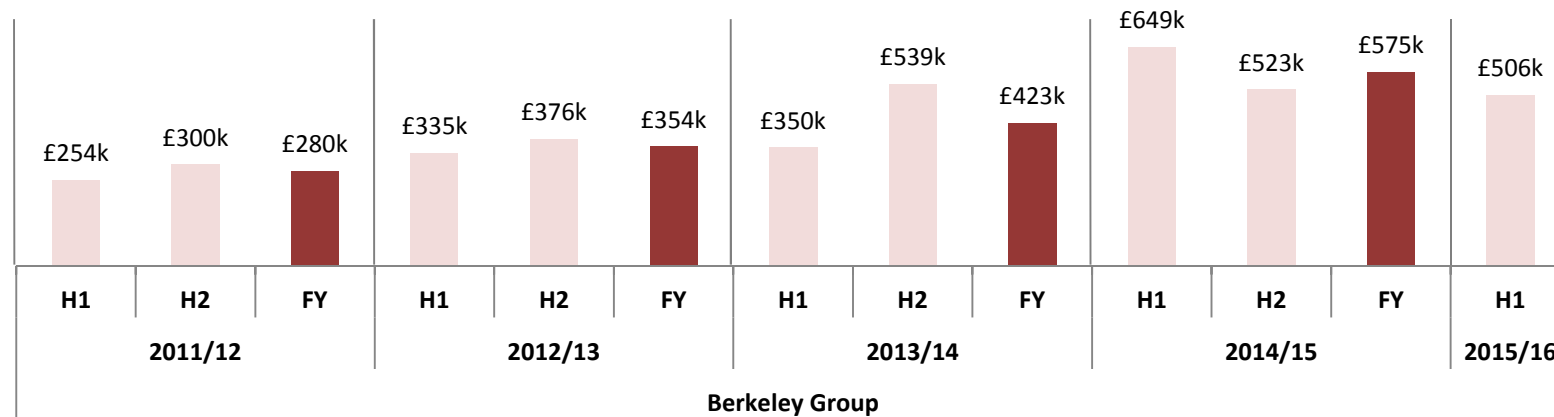
Homes Completed and ASP - Group



Plots



Average Selling Price

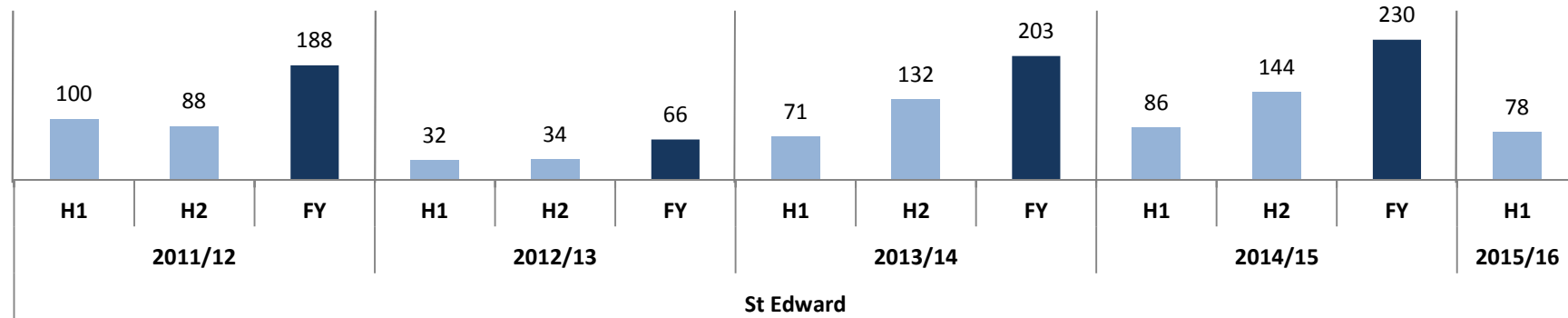


Finance Review

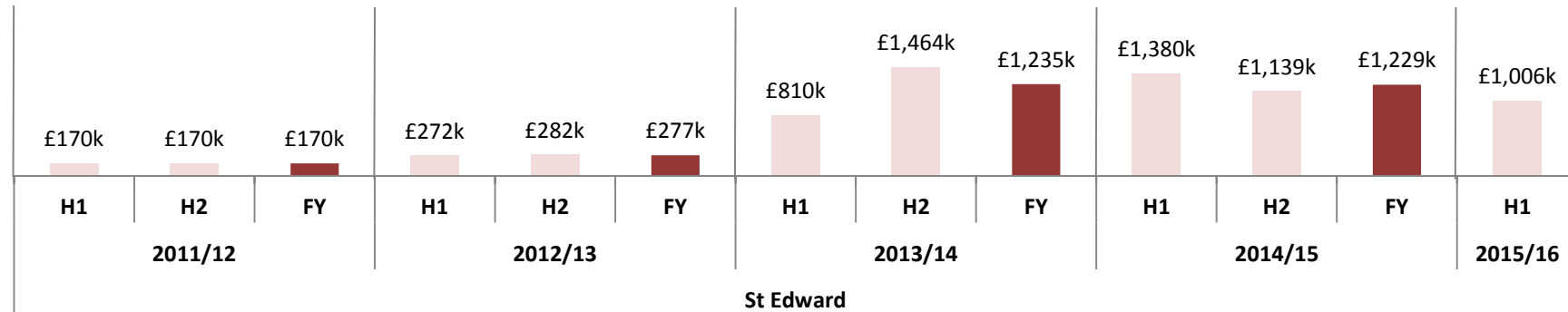
Homes Completed and ASP – Joint Ventures



Units



Average Selling Price



Finance Review

Income Statement



Year ended	Oct 2015 £m		Oct 2014 £m		Change £m	Change %
<i>Operations *</i>						
Revenue	1,085.3		922.4		+162.9	+17.7%
Gross profit	340.4	31.4%	288.6	31.3%	+51.8	+17.9%
Operating expenses	(100.7)	9.3%	(74.1)	8.0%	-26.6	-35.9%
Operating profit	239.7	22.1%	214.5	23.3%	+25.2	+11.7%
Net finance costs	(1.0)		(4.0)		+3.0	
Share of Joint Venture results	3.6		9.3		-5.7	
Adjusted Profit before tax *	242.3		219.8		+22.5	+10.2%
Profit from sale of ground rent assets	51.0		85.1		-34.1	
Profit before tax	293.3		304.9		-11.6	-3.8%
Tax	(65.5)	22.3%	(63.2)	20.7%	-2.3	
Profit after tax	227.8		241.7		-13.9	-5.8%

* Adjusted figures exclude 53.4 million (2014: £99.8 million) of revenue and £51.0 million (2014: £85.1 million) of profit on the sale of ground rent assets

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Finance Review

Abridged Cash Flow



Year ended		Oct 2015 £m		Oct 2014 £m
Adjusted profit before tax		242.3		219.8
Profit on sale of ground rents		51.0		85.1
Increase in inventory	(262.3)		(130.0)	
Other working capital movements	19.0		7.6	
Net reduction/(investment) in working capital		(243.3)		(122.4)
Proceeds from sale of rental fund		12.8		6.4
Net receipts from / (investment in) joint ventures		(58.0)		40.3
Tax paid		(50.1)		(83.7)
Other movements		0.4		(4.6)
Cash inflow before dividends		(44.9)		140.9
Dividends		(122.9)		(121.7)
Increase in net cash		(167.8)		19.2
Opening net cash		430.9		129.2
Closing net cash		263.1		148.4

Finance Review

Abridged Balance Sheet



	October 2015 £m	Movements £m	April 2015 £m
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	108.1	+58.0	50.1
- Rental fund	-	-12.2	12.2
- Deferred tax assets	60.1	-12.6	72.7
- Property, plant and equipment	22.0	-1.5	23.5
Total non current assets	207.4	+31.7	175.7
Inventories	2,916.4	+262.3	2,654.1
Debtors	242.2	+96.6	145.6
Creditors and provisions	(1,869.1)	-100.7	(1,768.4)
Capital employed	1,496.9	+289.9	1,207.0
Net cash	263.1	-167.8	430.9
Net assets	1,760.0	+122.1	1,637.9
Net asset value per share	1,289p	+90p	1,199p

Finance Review

Inventories



	October 2015 £m	Movements £m	April 2015 £m
Land not under development	522.2	+180.2	342.0
Work in progress: Land cost	804.8	+6.2	798.6
	1,327.0	+186.4	1,140.6
Work in progress: Build cost	1,570.7	+89.1	1,481.6
Completed units	18.7	-13.2	31.9
Inventories	2,916.4	+262.3	2,654.1

Finance Review

Creditors



	October 2015 £m	Movements £m	April 2015 £m
Trade creditors and accruals	551.4	+41.9	509.5
Provision for liabilities	85.8	+10.7	75.1
Deposits and on account receipts	1,001.7	+80.8	920.9
Land creditors	185.4	-19.7	205.1
Current tax liability	44.8	-13.0	57.8
Total creditors	1,869.1	+100.7	1,768.4
<u>Land Creditors</u>			
Land creditors < 12 months	96.8	23.3	73.5
Land creditors > 12 months	88.6	-43.0	131.6
Total	185.4	-19.7	205.1

Revolving Credit Facility

Amount:	£575 million
Maturity:	March 2020 (with optional extensions to March 2022)
Utilisation and Non-Utilisation Fees:	Market rates



Finance Review

Land Holdings



	October 2015	Variance	April 2015
Owned	33,766	-449	34,215
Contracted	4,467	+1,209	3,258
Plots	38,233	+760	37,473
Sales value	£18.1bn	+£1.0bn	£17.1bn
Average selling price	£473k	+£17k	£456k
Average plot cost	£66k	+£8k	£58k
Land cost %	13.9%	+1.2%	12.7%
Gross margin	£5.4bn	+£0.1bn	£5.3bn
GM%	30.0%	(0.9%)	30.9%

Rob Perrins

Managing Director

Strategic Review

Introduction



- Performance highlights
- Long term strategic plan
- The Market
- Land and build investment
- Joint ventures
- Outlook
- Guidance
- Conclusion

Strategic Review

Performance Highlights



Highlights

- Adjusted PBT up 10.2% to £242.3 million
- Profit of £51.0 million from sale of ground rents
- Dividends paid of 90 pence (£122.9 million)
- Net cash of £263.1 million and ungeared throughout the half year
- Cash due on forward sales up 3.3% to £3.1 billion
- 2.7% growth in gross margin in land holdings to £5.4 billion
- On track to deliver pre-tax profits of £2 billion in aggregate over the next three years

Strategic Review

Long Term Strategic Plan - current



Milestone	Paid		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 th September 2015	4.34	582	-	-	4.34	582
By 30 th September 2018						
- Guided for Jan/Sep 2016	-	-	1.45	197	1.45	197
- Guided for Jan/Sep 2017	-	-	1.44	197	1.44	197
- Guided for Jan/Sep 2018	-	-	1.44	197	1.44	197
By 30 th September 2021	-	-	4.33	591	4.33	591
	4.34	582	8.66	1,182	13.00	1,764

Current plan requires:

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

Previously stated intentions if further capital were to have been generated:

- (i) Further investment in the business; (ii) increase dividend over and above +£8.66 per share; and/or (iii) share buybacks

Rationale for current review

- London's emergence from the financial crisis firmly at the centre of the global economy
- Berkeley's strategy to acquire a number of outstanding sites from 2009 to 2013 which are now being delivered
- Market stability following the May 2015 General Election result



Strategic Review

Long Term Strategic Plan – proposed revision



Milestone	Paid		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 th September 2015	4.34	582	-	-	4.34	582
January 2016	-	-	1.00	137	1.00	137
Year ending 30 April 2017	-	-	2.00	274	2.00	274
Year ending 30 April 2018	-	-	2.00	274	2.00	274
Year ending 30 April 2019	-	-	2.00	274	2.00	274
Year ending 30 April 2020	-	-	2.00	274	2.00	274
Year ending 30 April 2021	-	-	2.00	274	2.00	274
Year ending 30 April 2022	-	-	1.00	137	1.00	137
	4.34	582	12.00	1,644	16.34	2,226

Impact:

- Total dividends by 30 September 2021 no less than £16.34 per share (a further £12 per share)
- Regular dividend of £2.00 per annum forecast until 2021
- Planned investment of remaining surplus cash in the business
- Remuneration Committee to consult with shareholders on alignment of 2011 LTIP

Sales

- Sales rates remain at normal levels in line with last year
- A number of successful sales launches
- Investors comprise 50% of sales, and non-UK buyers 40% of sales

Market Fundamentals

- London is a World City
- There is a shortfall of good quality new housing
- Mortgage rates remain low
- Government support for housebuilding
- Uncertainty and complexity from transaction tax changes
- Global political and economic instability

Backdrop for a normal market

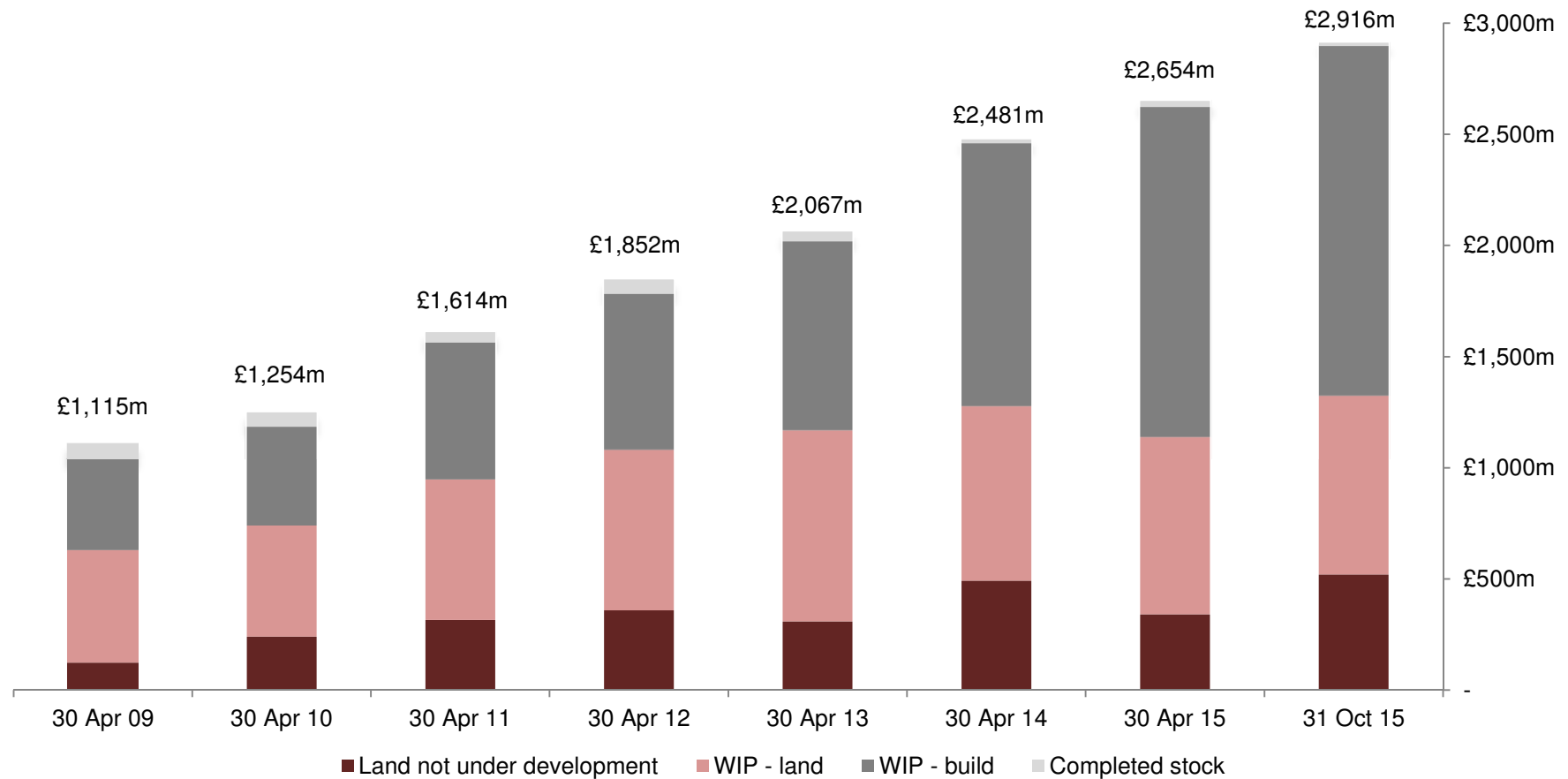
Land and Planning

- Selective opportunities are there, which have led to six new land purchases in the period
- Good planning success in the period
- Planning tariff is increasing (CIL, s.106, affordable housing)

Build

- Pressure on trades still evident
- Build cost inflation overall is easing as a result of input prices falling
- Lead times for materials returning to normal

Inventories



Strategic Review

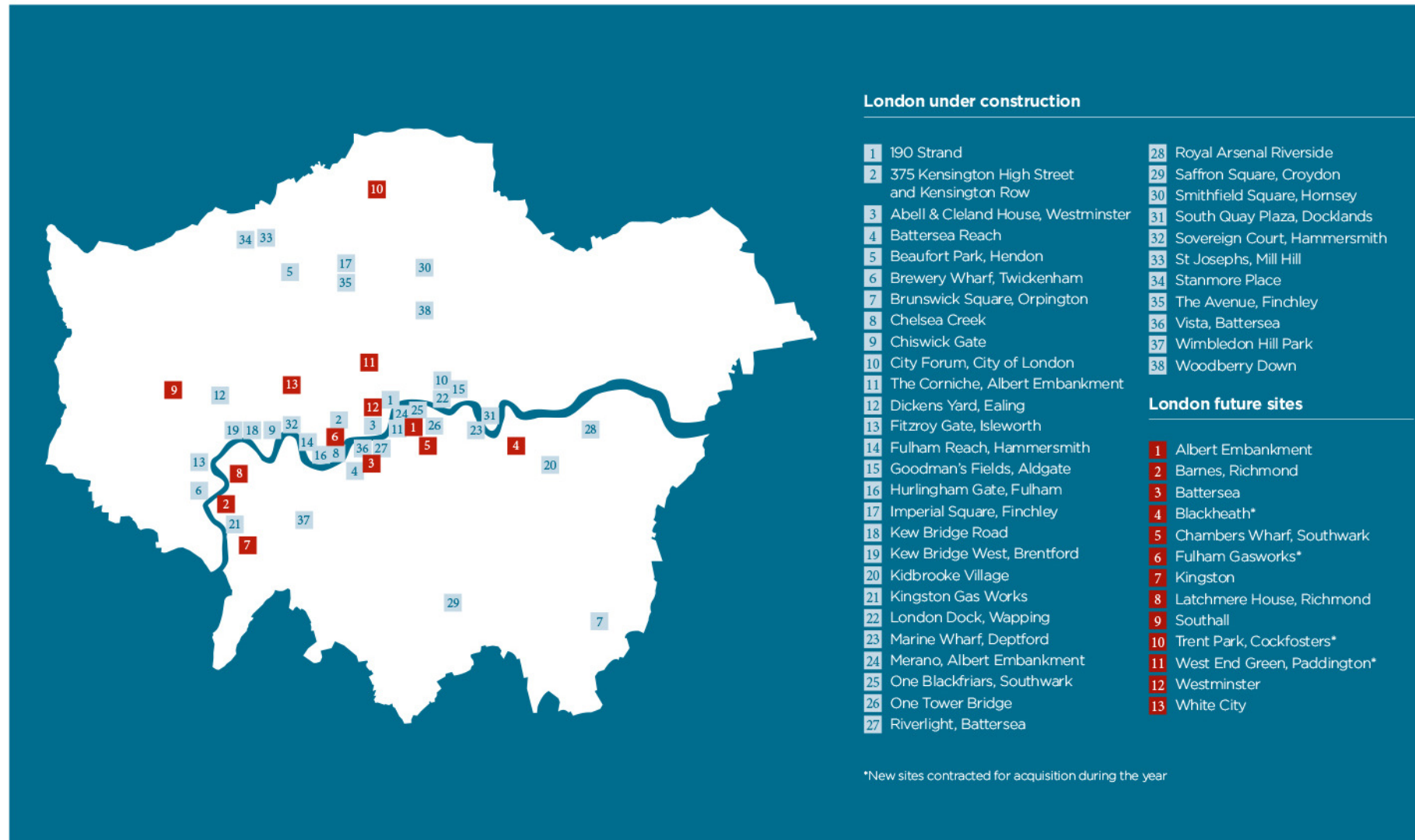
Land and Build Investment – Delivery



	London		South		Total	
Delivery of Developments:						
In construction	38	75%	18	75%	56	75%
Not yet in construction	13	25%	6	25%	19	25%
Total developments	51	100%	24	100%	75	100%
Proportion with planning (by sites)	92%		79%		88%	
Number of plots	31,651	83%	6,582	17%	38,233	100%

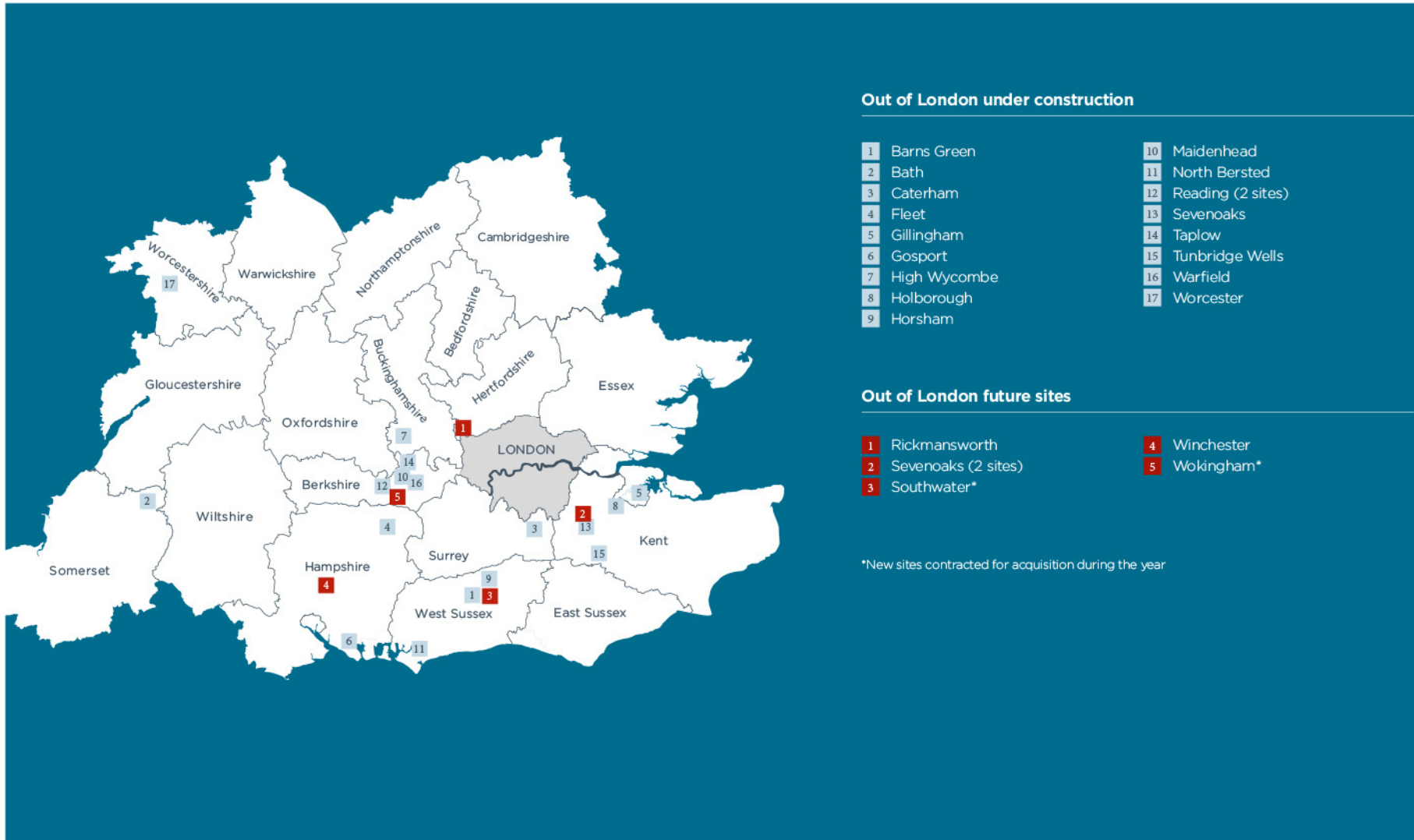
Strategic Review

Land and Build Investment – Sites in London



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Land and Build Investment – Sites in the South of England



Taplow

- Consent secured in September 2015 for 199 homes, including 40 retirement homes and a restaurant.
- First phase has detailed planning and is in construction
- First completions targeted for 2018



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Joint Ventures

St Edward

- Joint venture with Prudential
- Four schemes in construction (Stanmore, 375 Kensington High Street, 190 Strand and Green Park Reading)
- Other sites in the land bank include Westminster



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Joint Ventures



St William

- Joint venture with National Grid
- Three schemes in Land Holdings (Battersea, Rickmansworth and, contracted this period, Fulham)



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Positive Signs

- Strong underlying demand in best locations
- Limited supply in best locations
- Homes are affordable when customers have equity
- Government stimulus – Help to Buy and starter homes
- Attractive rental yields relative to other asset classes
- GDP and wage growth
- London is a World City
- Political stability following General Election
- Property is a good long-term investment

Risks

- Eurozone and World events undermining confidence
- Tax changes (including transaction taxes)
- Currency fluctuations deterring overseas buyers
- Monetary policy and interest rate rises
- Regulation of banks
- Build cost inflation and labour shortages
- Planning risk and cost
- Political risk (Mayoral election and European referendum)
- Property market is cyclical

Strategic Review

Guidance



	Performance	Guidance
Dividend	<ul style="list-style-type: none"> Completed first milestone payment of 434p by September 2015 on schedule 90p per share declared for Sept 2015 	<ul style="list-style-type: none"> Increased regular dividend to £2 per share through to September 2021 Remaining return increased from £8.66 to £12.00 by 2021
Land Holdings	<ul style="list-style-type: none"> Estimated gross margin over £5 billion 	<ul style="list-style-type: none"> Long term norm of £3 billion to £4 billion
FY 2015/16	-	<ul style="list-style-type: none"> Adjusted earnings expected to be similar to 2014/15 excluding profit from further ground rent sales of £51 million (2015: £85 million)
FY 2015/16 FY 2016/17 FY 2017/18	-	<ul style="list-style-type: none"> 3 year pre-tax profit targeted in region of £2 billion in total Weighted towards 2016/17 and 2017/18

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