
The Berkeley Group Holdings plc

Preliminary Results Presentation

Year ended 30th April 2015

17th June 2015

Berkeley
Designed for life

St Edward
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St James
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St George
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St William
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Preliminary Results Presentation

Format of Presentation



Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Managing Director

Questions



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



Year ended	30 Apr 2015	30 Apr 2014	Change (£)	Change (%)
Profit before tax	£539.7m	£380.0m	+159.7m	+42.0%
EPS - Basic	313.0p	221.8p	+91.2p	+41.1%
EPS - Diluted	276.9p	188.4p	+88.5p	+47.0%
<u>Adjusted</u> *				
Profit before tax	£454.6m	£380.0m	+74.6m	+19.6%
EPS – Basic	263.6p	221.8p	+41.8p	+18.8%
Operating Margin	21.7%	23.1%		
Return on equity **	29.5%	27.5%		

* Adjusted figures exclude £99.8 million of revenue and £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



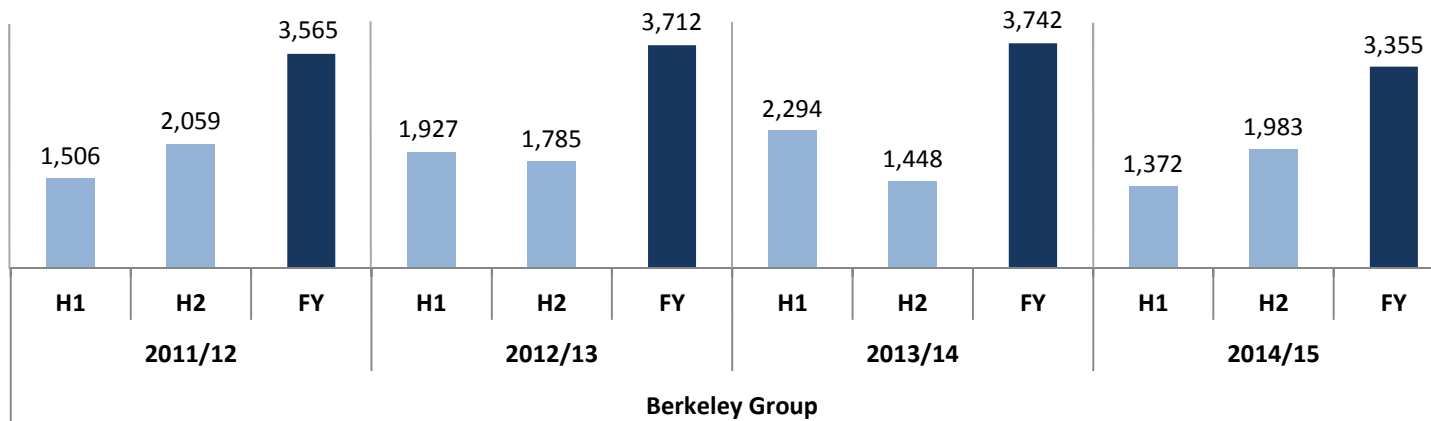
	April 2015	April 2014	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£1,637.9m	£1,441.3m	+£196.6m	+13.6%
Closing net cash	(£430.9m)	(£129.2m)	-£301.7m	
Capital Employed	£1,207.0m	£1,312.1m	-£105.1m	-8.0%
Net asset value per share	1,199p	1,066p	+133p	+12.5%
Shares in issue	136.6m	135.3m		
Land Holdings				
Plots	37,473	35,963	+1,510	+4.2%
Gross Margin	£5.3bn	£4.5bn	+£0.8m	+16.8%
Cash due on forward sales	£3.0bn	£2.3bn	+£0.7bn	+30.1%

Finance Review

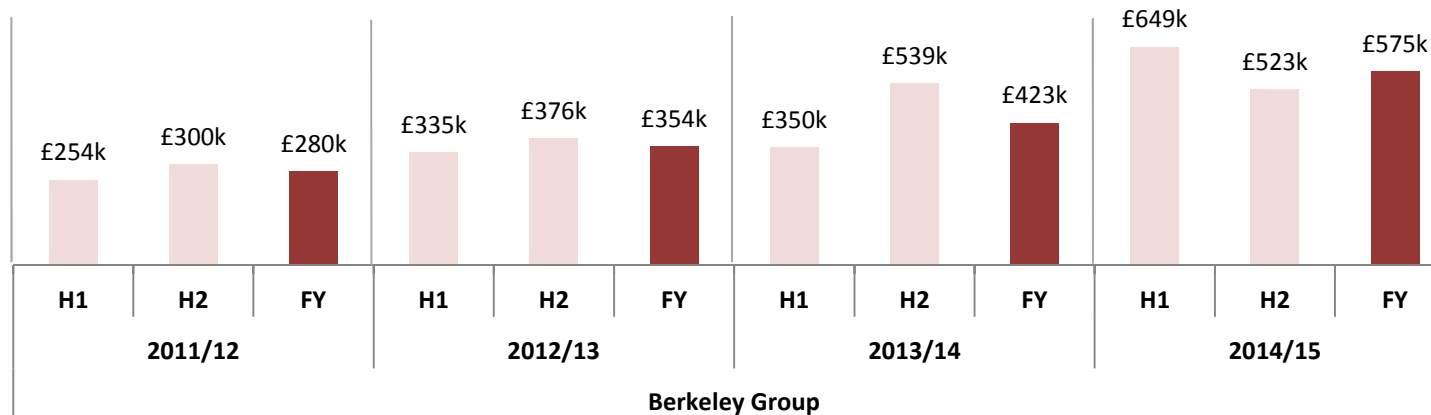
Homes Completed and ASP - Group



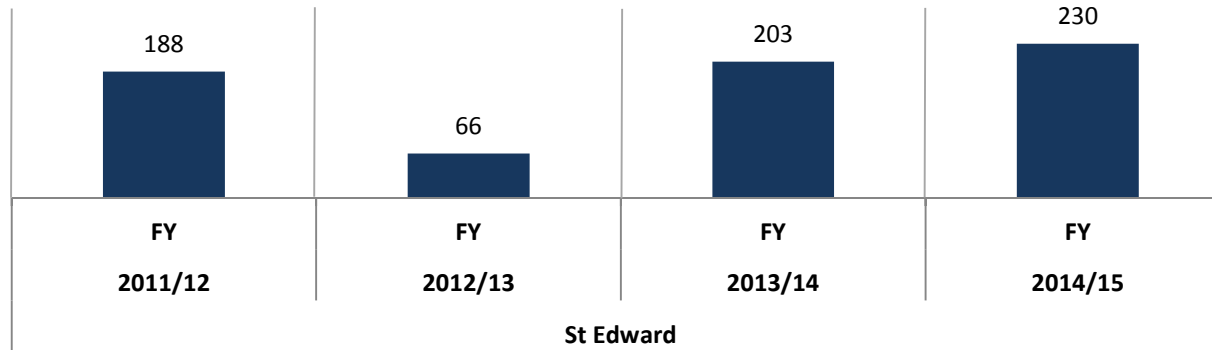
Plots



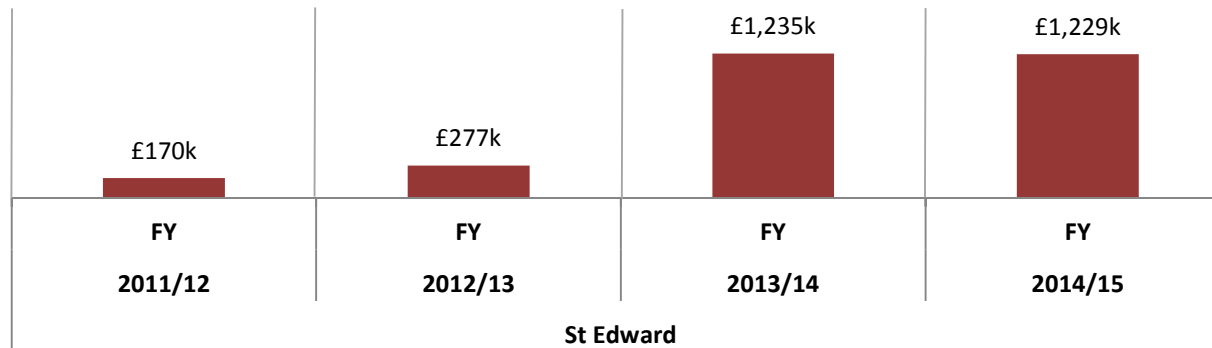
Average Selling Price



Plots



Average Selling Price



Finance Review

Income Statement



Year ended	Apr 2015 £m		Apr 2014 £m		Change £m	Change %
Operations *						
Revenue	2,020.2		1,620.6		+399.6	+24.7%
Gross profit	631.7	31.3%	508.9	31.4%	+122.8	+24.1%
Operating expenses	(192.7)	9.5%	(134.1)	8.3%	-58.6	-43.7%
Operating profit	439.0	21.7%	374.8	23.1%	+64.2	+17.1%
Net finance costs	(12.7)		(6.9)		-5.8	
Share of Joint Venture results	28.3		12.1		+16.2	
Adjusted Profit before tax *	454.6		380.0		+74.6	+19.6%
Profit from sale of ground rent assets	85.1		-		+85.1	
Profit before tax	539.7		380.0		+159.7	+42.0%
Tax	(116.2)	21.5%	(87.1)	22.9%	-29.1	
Profit after tax	423.5		292.9		+130.6	+44.6%

* Operations/Adjusted figures exclude £99.8 million of revenue and £85.1 million of profit on the sale of ground rent assets

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Finance Review

Abridged Cash Flow



Year ended		April 2015 £m	April 2014 £m
Adjusted profit before tax		454.6	380.0
Profit on sale of ground rents		85.1	-
Increase in inventory	(172.9)		(414.5)
Increase in customer deposits	179.2		315.6
Other working capital movements	108.9		21.0
Net reduction/(investment) in working capital		115.2	(77.9)
Profit from sale of rental fund		-	84.9
Net receipts from / (investment in) joint ventures		39.6	(5.2)
Tax paid		(140.5)	(92.4)
Other movements		(8.8)	(9.7)
Cash inflow before dividends		545.2	279.7
Dividends		(243.5)	(195.2)
Increase in net cash		301.7	84.5
Opening net cash		129.2	44.7
Closing net cash		430.9	129.2

Finance Review

Abridged Balance Sheet



	April 2015 £m	Movements £m	April 2014 £m
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	50.1	(11.3)	61.4
- Rental fund	12.2	(6.0)	18.2
- Deferred tax assets	72.7	11.6	61.1
- Property, plant and equipment	23.5	1.5	22.0
Total non current assets	175.7	(4.2)	179.9
Inventories	2,654.1	172.9	2,481.2
Debtors	145.6	(13.4)	159.0
Creditors and provisions	(1,768.4)	(260.4)	(1,508.0)
Capital employed	1,207.0	(105.1)	1,312.1
Net cash	430.9	301.7	129.2
Net assets	1,637.9	196.6	1,441.3
Net asset value per share	1,199p	133p	1,066p

Finance Review

Inventories



	April 2015 £m	Movements £m	April 2014 £m
Land not under development	342.0	(150.4)	492.4
Work in progress: Land cost	798.6	12.5	786.1
	1,140.6	(137.9)	1,278.5
Work in progress: Build cost	1,481.6	301.3	1,180.3
Completed units	31.9	9.5	22.4
Inventories	2,654.1	172.9	2,481.2

Finance Review

Creditors



	April 2015 £m	Movements £m	April 2014 £m
Trade creditors and accruals	509.5	94.0	415.5
Provision for liabilities	75.1	18.0	57.1
Deposits and on account receipts	920.9	179.2	741.7
Land creditors	205.1	(4.9)	210.0
Current tax liability	57.8	(25.9)	83.7
Total creditors	1,768.4	260.4	1,508.0
<u>Land Creditors</u>			
Land creditors < 12 months	73.5	12.1	61.4
Land creditors > 12 months	131.6	(17.0)	148.6
Total	205.1	(4.9)	210.0

Revolving Credit Facility

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



Handelsbanken



St Edward Facility

- £60 million facility was cancelled in December 2014

Finance Review

Land Holdings (now including pipeline)



	April 2015	Variance	April 2014
Owned	34,215	6,210	28,005
Contracted	3,258	(4,700)	7,958
Plots	37,473	1,510	35,963
Sales value	£17.1bn	£2.0bn	£15.1bn
Average selling price	£456k	£37k	£419k
Average plot cost	£58k	(£5k)	£63k
Land cost %	12.7%	(2.4%)	15.1%
Gross margin	£5.3bn	£0.8bn	£4.5bn
GM%	30.9%	1.0%	29.9%

Rob Perrins

Managing Director

Strategic Review

Introduction



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

Strategic Review

Performance Highlights



Highlights

- Adjusted PBT up 19.6% to £454.6 million
- Profit of £85.1 million from sale of ground rents
- Dividends paid of 180 pence
- Net cash of £430.9 million and ungeared throughout the year
- Cash due on forward sales up 30.1% to £3.0 billion
- 16.8% growth in gross margin in land holdings to £5.3 billion

Key Messages

- Signed St William joint venture with National Grid
- 28 new or revised planning consents

Strategic Review

Long Term Strategic Plan



Milestone	Committed		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 th September 2015	4.34	582	-	-	4.34	582
By 30 th September 2018	-	-	4.33	591	4.33	591
By 30 th September 2021	-	-	4.33	591	4.33	591
	4.34	582	8.66	1,182	13.00	1,764

Amendments to the scheme, approved in September 2012, require:

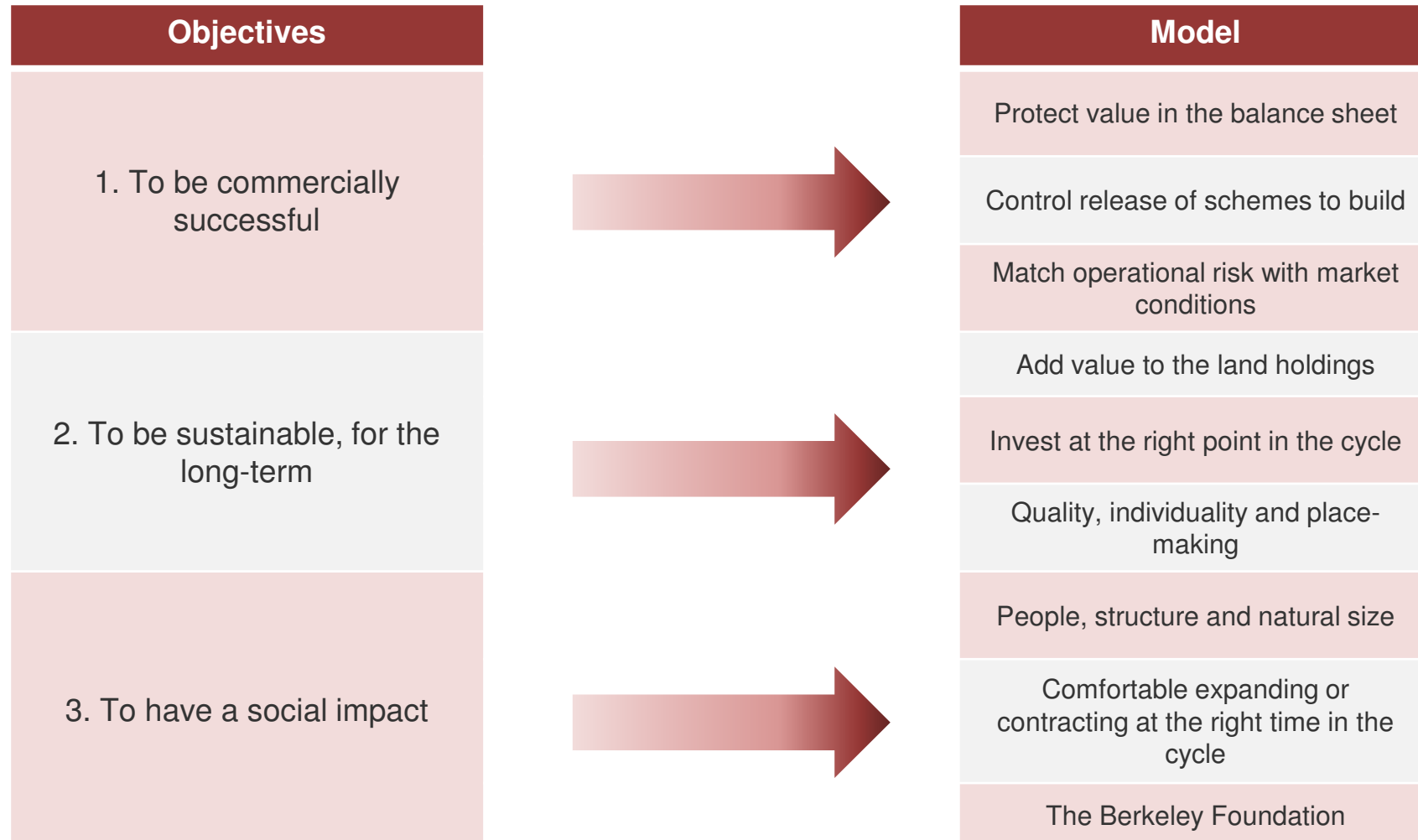
- Total dividends by 30 September 2021 no less than £13 per share
- Milestones can be met from combination of share buybacks and dividends

If further capital is generated:

- Further investment in the business
- Increase dividend over and above +£8.66 per share; and / or
- Share buybacks

Strategic Review

The Berkeley Difference



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 40% of sales

Underpinning the result

- London is a World City
- There is a shortfall of good quality new housing
- Mortgage rates have fallen further

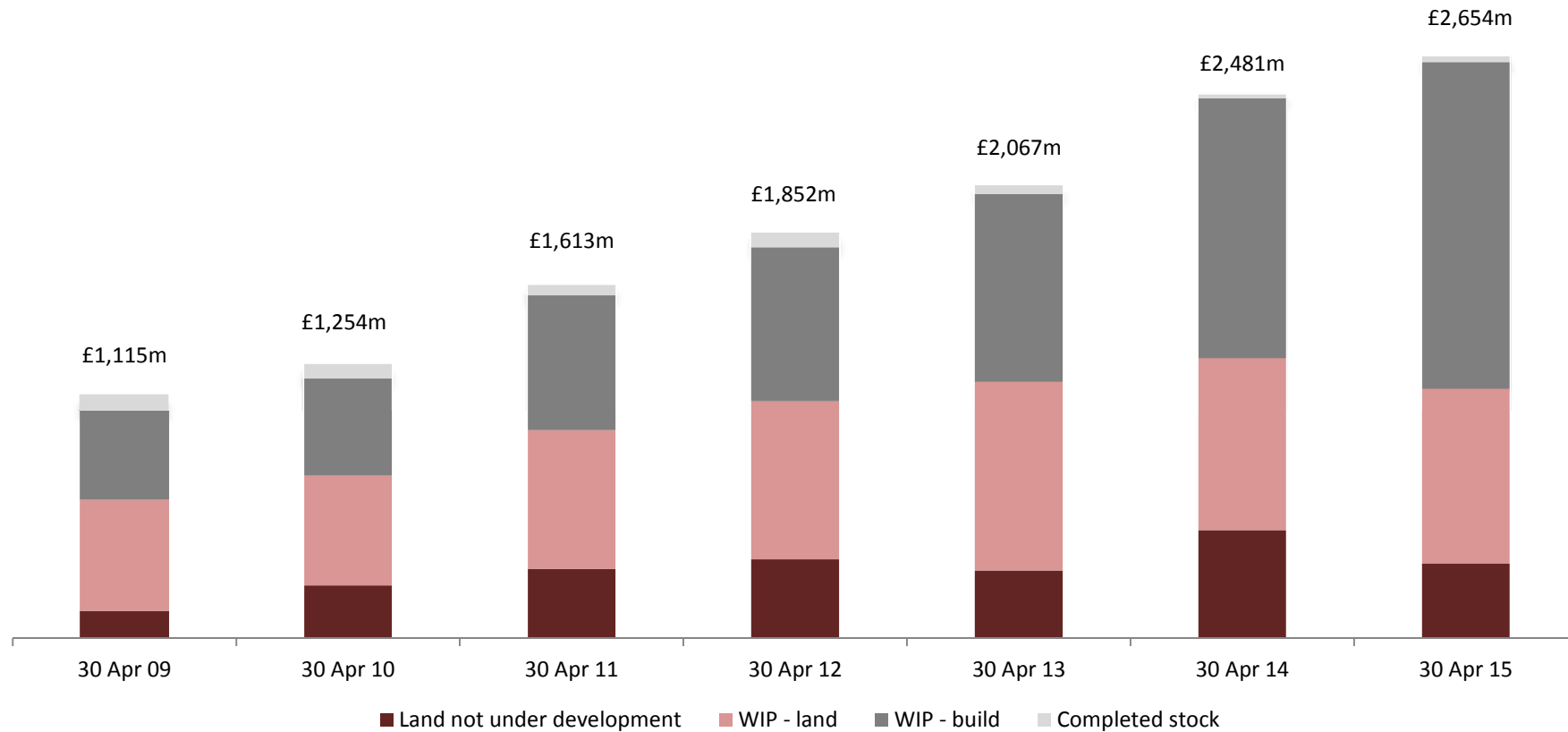
Land and Planning

- Selective opportunities are there; innovations like St William provide long-term land
- Good planning success in the period
- Planning tariff is increasing (CIL, s.106, affordable housing)

Build

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

Inventories



Strategic Review

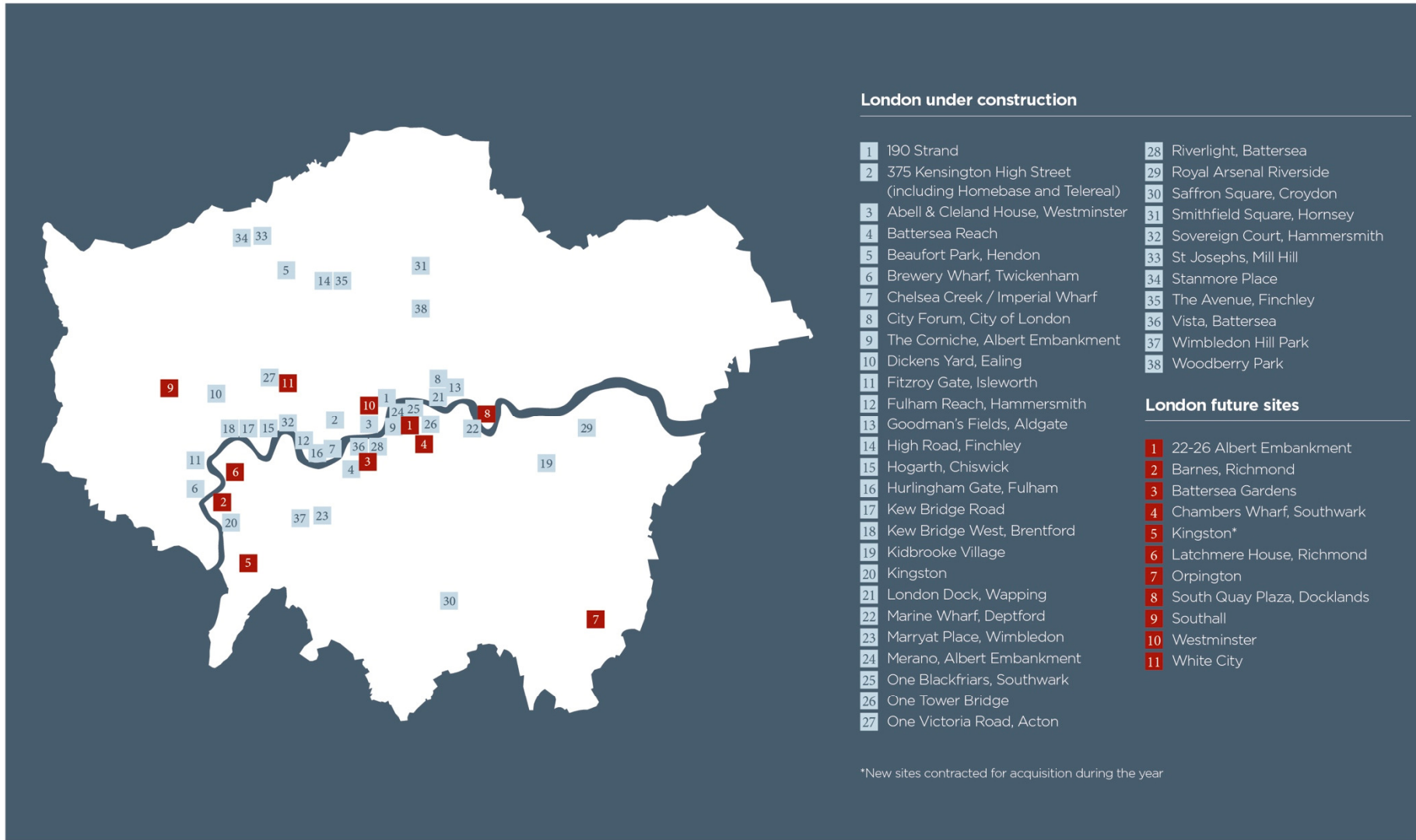
Land and Build Investment – Delivery



	London	South	Total
Delivery of Developments:			
In construction	38	19	57
Not yet in construction	11	6	17
Total developments	49	25	74
Of those not yet in construction			
Resolution to grant	6	1	7
Detailed consent, not yet implementable (vacant possession)	2	-	2
Outline consent, not yet implementable (vacant possession)	1	-	1
No planning consent	2	5	7
Not yet in construction	11	6	17
Proportion in construction (by sites)	78%	76%	77%
Proportion with planning (by sites)	96%	80%	91%
Split (by plots)	82%	18%	100%

Strategic Review

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 Chelsea Creek / Imperial Wharf
- 8 City Forum, City of London
- 9 The Corniche, Albert Embankment
- 10 Dickens Yard, Ealing
- 11 Fitzroy Gate, Isleworth
- 12 Fulham Reach, Hammersmith
- 13 Goodman's Fields, Aldgate
- 14 High Road, Finchley
- 15 Hogarth, Chiswick
- 16 Hurlingham Gate, Fulham
- 17 Kew Bridge Road
- 18 Kew Bridge West, Brentford
- 19 Kidbrooke Village
- 20 Kingston
- 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 Royal Arsenal Riverside
- 30 Saffron Square, Croydon
- 31 Smithfield Square, Hornsey
- 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

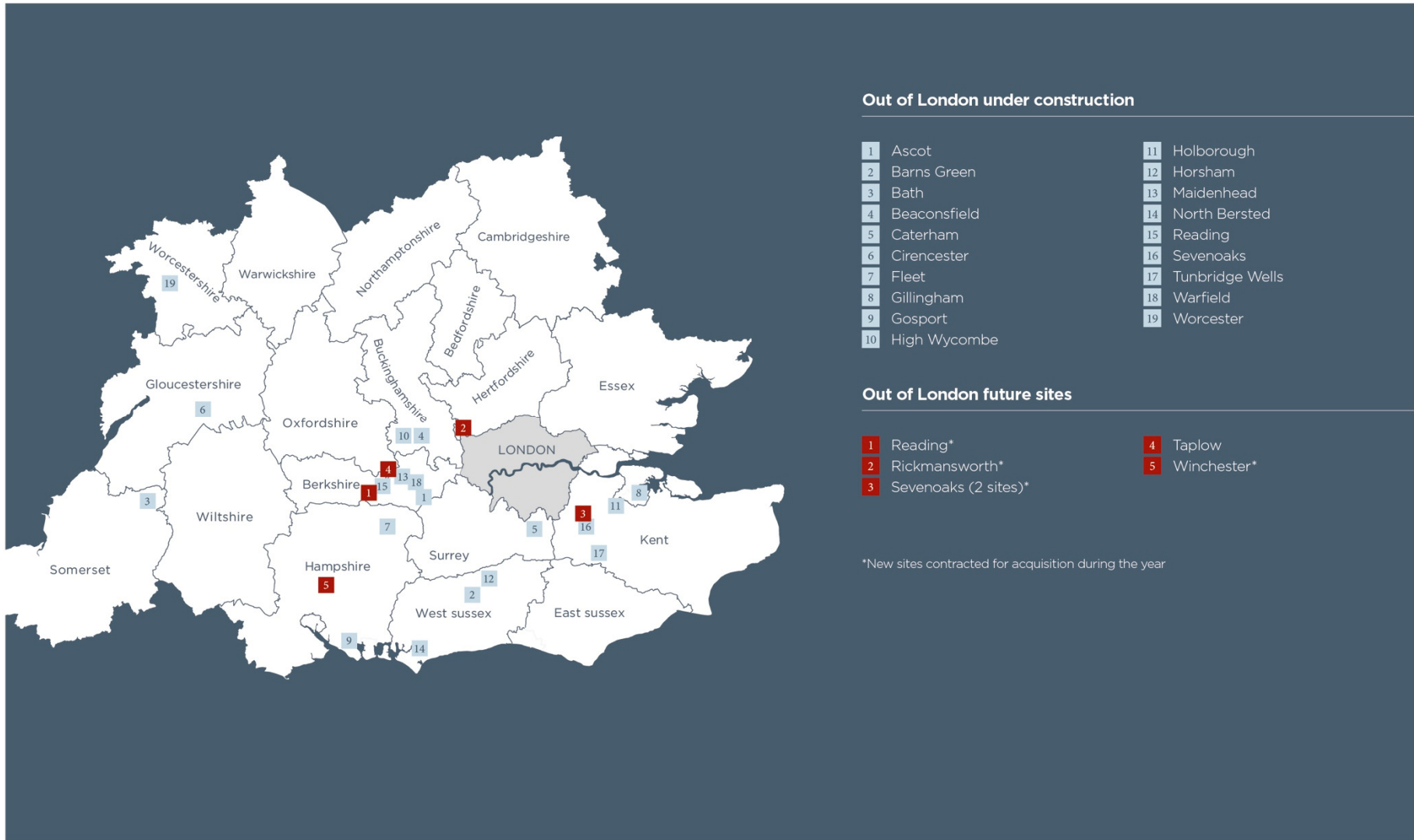
London future sites

- 1 22-26 Albert Embankment
- 2 Barnes, Richmond
- 3 Battersea Gardens
- 4 Chambers Wharf, Southwark
- 5 Kingston*
- 6 Latchmere House, Richmond
- 7 Orpington
- 8 South Quay Plaza, Docklands
- 9 Southall
- 10 Westminster
- 11 White City

*New sites contracted for acquisition during the year

Strategic Review

Land and Build Investment – Sites in the South of England



Out of London under construction

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

Out of London future sites

- | | |
|------------------------|---------------|
| 1 Reading* | 4 Taplow |
| 2 Rickmansworth* | 5 Winchester* |
| 3 Sevenoaks (2 sites)* | |

*New sites contracted for acquisition during the year

Strategic Review

Joint Ventures



St Edward

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



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Strategic Review

Joint Ventures



St William

- Joint venture with National Grid
- 2 schemes in Land Holdings (Battersea Gardens and Rickmansworth)
- Resolution to grant planning secured post year end for over 800 homes at Battersea



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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 planning zones
- 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
- 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"> 90p per share declared for Sept 2015 Will complete first milestone payment of 434p on schedule 	<ul style="list-style-type: none"> Current intention to pay regular equal dividends to meet September 2018 milestone
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 £50 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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