
The Berkeley Group Holdings plc

Full Year Results Presentation

Year ended 30th April 2016

15th June 2016

Questions



Tony Pidgley CBE

Chairman

Richard Stearn

Finance Director

- 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 2016	30 Apr 2015	Change (£)	Change (%)
Profit before tax	£530.9m	£539.7m	-£8.8m	-1.6%
EPS – Basic	295.8p	313.0p	-17.2p	-5.5%
EPS – Diluted	268.7p	276.9p	-8.2p	-3.0%
<u>Adjusted</u> *				
Profit before tax	£479.9m	£454.6m	+£25.3m	+5.6%
EPS – Basic	267.3p	263.6p	+3.7p	+1.4%
Operating Margin	22.6%	21.7%		
Return on equity **	27.8%	29.5%		

* Adjusted figures exclude £53.4 million (2015: £99.8 million) of revenue and £51.0 million (2015: £85.1 million) of profit on the sale of ground rent assets

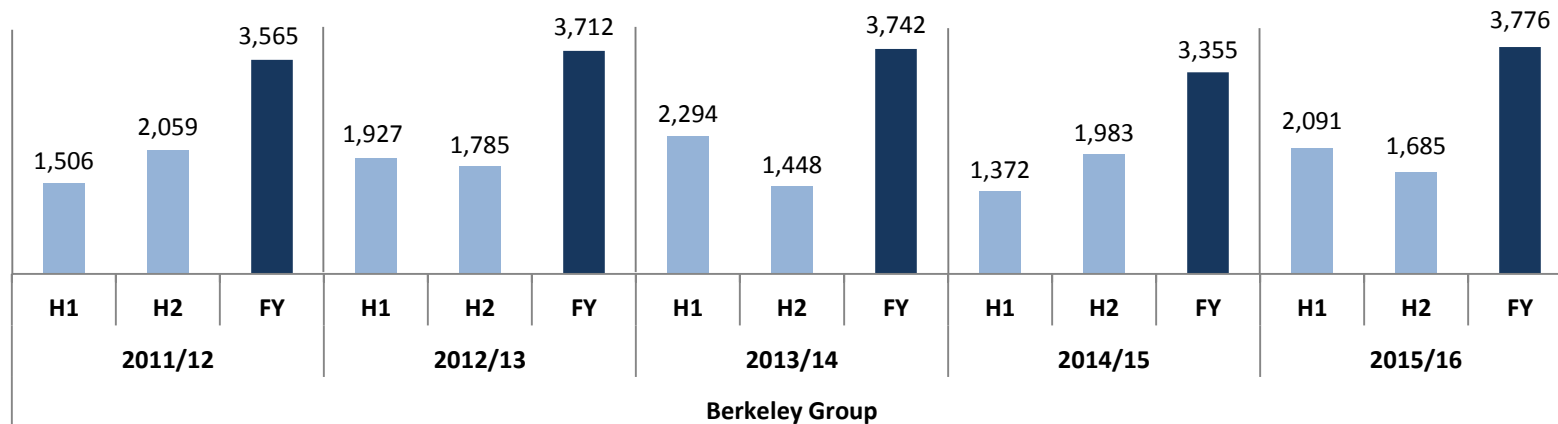
** Return on equity is calculated as profit before tax divided by the average of opening and closing net assets

	April 2016	April 2015	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£1,812.8m	£1,637.9m	+£174.9m	+10.7%
Closing net cash	(£107.4m)	(£430.9m)	+£323.5m	
Capital Employed	£1,705.4m	£1,207.0m	+£498.4m	+41.3%
Net asset value per share	1,314p	1,199p	+115p	+9.6%
Shares in issue	137.9m	136.6m		
Cash due on forward sales	£3.25bn	£2.95bn	+£0.30bn	+10.2%
Land Holdings				
Plots	42,858	37,473	+5,385	+14.4%
Gross Margin	£6.1bn	£5.3bn	+£0.8m	+16.6%

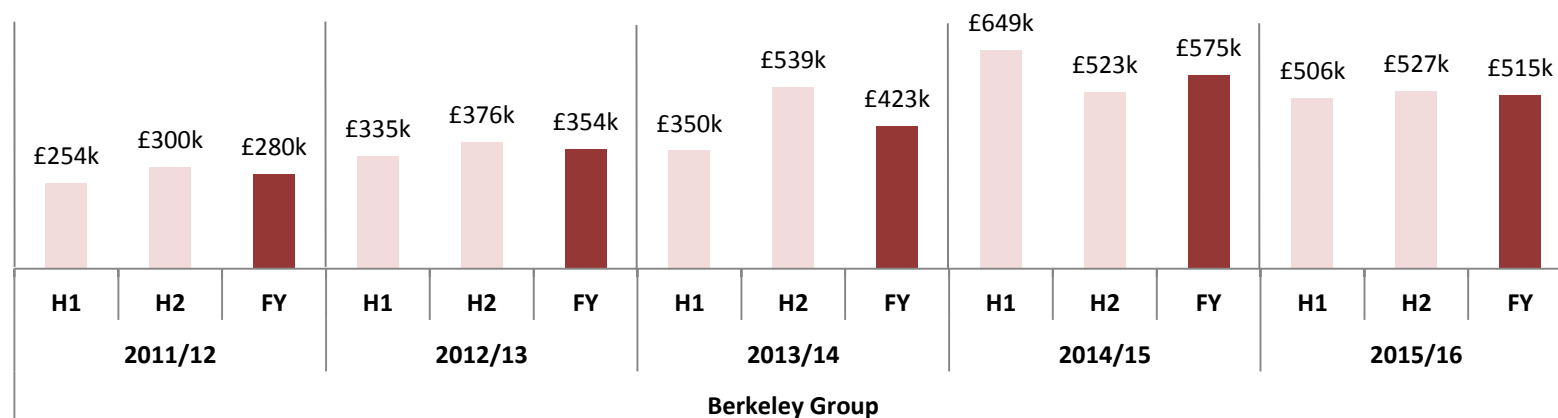
	Vesting Date	No. (million)	Exercise Price	Approved by shareholders
Shares in issue at 1 May 2014		135.3		
2009b LTIP tranche 1	April '15	1.3	£4.96	April 2009
2009b LTIP tranche 2	April '16	1.3	£3.06	
Shares in issue at 1 May 2016		137.9		
2011 LTIP Vestings*	September 2016	3.7	£10.00	September 2011 & February 2016
	September 2017	1.6	£8.00	
	September 2018	1.8	£6.00	
	September 2019	1.9	£4.00	
	September 2020	2.1	£2.00	
	September 2021	2.2	-	
		151.2		

* Net options vesting is based on the 30 April 2016 share price of £29.95 adjusted for the dividend plan

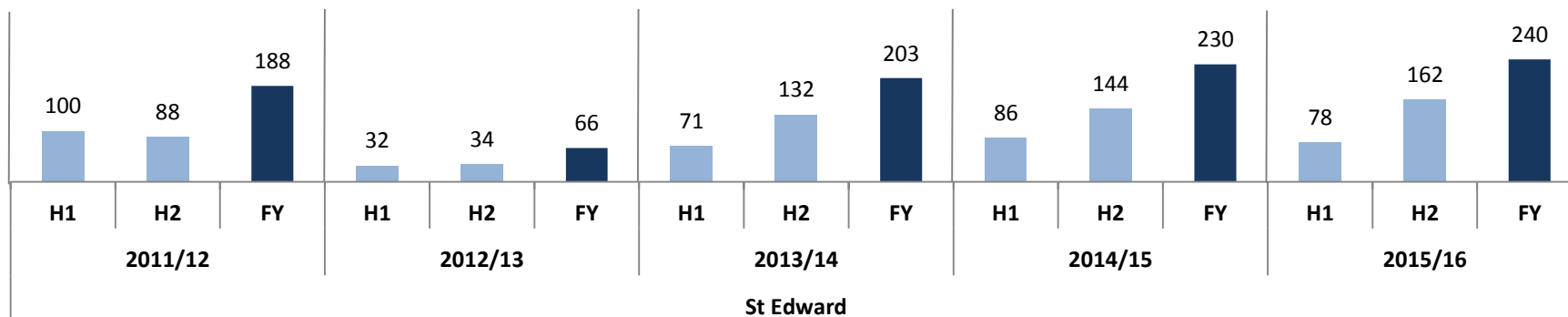
Homes



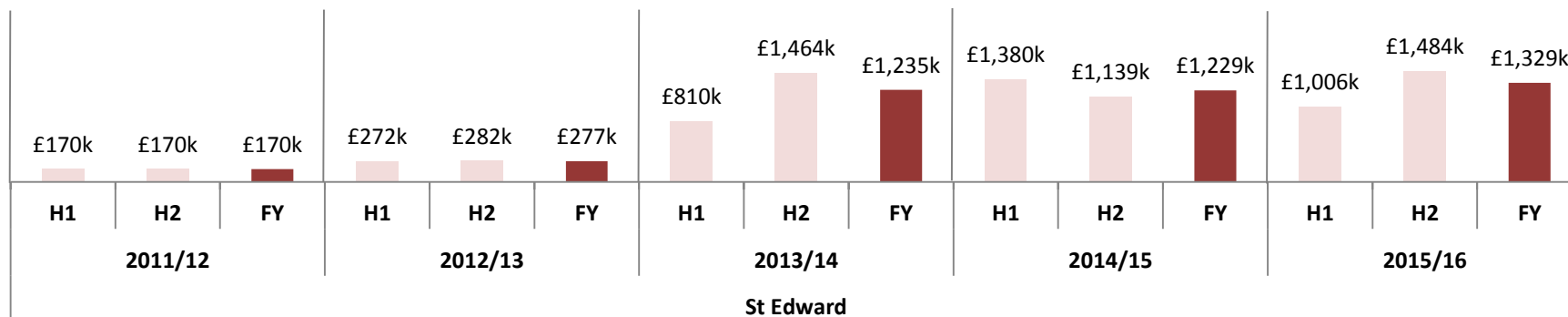
Average Selling Price



Homes



Average Selling Price



Finance Review

Income Statement

Year ended	Apr 2016 £m		Apr 2015 £m		Change £m	Change %
<i>Operations *</i>						
Revenue	1,994.1		2,020.2		-26.1	-1.3%
Gross profit	650.7	32.6%	631.7	31.3%	+19.0	+3.0%
Operating expenses	(199.8)	10.0%	(192.7)	9.5%	-7.1	+3.7%
Operating profit	450.9	22.6%	439.0	21.7%	+11.9	+2.7%
Net finance costs	(7.5)		(12.7)		+5.2	
Share of Joint Venture results	36.5		28.3		+8.2	
Adjusted Profit before tax *	479.9		454.6		+25.3	+5.6%
Profit from sale of ground rent assets	51.0		85.1		-34.1	
Profit before tax	530.9		539.7		-8.8	-1.6%
Tax	(126.8)	23.9%	(116.2)	21.5%	-10.6	
Profit after tax	404.1		423.5		-19.4	-4.6%

* Adjusted figures exclude £53.4 million (2015: £99.8 million) of revenue and £51.0 million (2015: £85.1 million) of profit on the sale of ground rent assets

Finance Review

Abridged Cash Flow

Year ended		April 2016 £m		April 2015 £m
Adjusted profit before tax		479.9		454.6
Profit on sale of ground rents		51.0		85.1
Increase in inventory	(602.0)		(172.9)	
Increase in customer deposits	184.9		179.2	
Other working capital movements	(21.2)		108.9	
Net (investment) / reduction in working capital		(438.3)		115.2
Proceeds from sale of rental fund		12.8		-
Net (investment in) / receipts from joint ventures		(63.2)		39.6
Tax paid		(100.8)		(140.5)
Other movements		(5.4)		(8.8)
Cash (outflow) / inflow before dividends		(64.0)		545.2
Dividends		(259.5)		(243.5)
(Decrease) / increase in net cash		(323.5)		301.7
Opening net cash		430.9		129.2
Closing net cash		107.4		430.9

Finance Review

Abridged Balance Sheet

	April 2016 £m	Movements £m	April 2015 £m
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	150.0	+99.9	50.1
- Rental fund	-	-12.2	12.2
- Deferred tax assets	71.9	-0.8	72.7
- Property, plant and equipment	23.5	-	23.5
Total non current assets	262.6	+86.9	175.7
Inventories	3,256.1	+602.0	2,654.1
Debtors	212.3	+66.7	145.6
Creditors and provisions	(2,025.6)	-257.2	(1,768.4)
Capital employed	1,705.4	+498.4	1,207.0
Net cash	107.4	-323.5	430.9
Net assets	1,812.8	+174.9	1,637.9
Net asset value per share	1,314p	+115p	1,199p

	April 2016 £m	Movements £m	April 2015 £m
Land not under development	384.1	+42.1	342.0
Work in progress: Land cost	975.8	+177.2	798.6
	1,359.9	+219.3	1,140.6
Work in progress: Build cost	1,878.1	+396.5	1,481.6
Completed units	18.1	-13.8	31.9
Inventories	3,256.1	+602.0	2,654.1

	April 2016 £m	Movements £m	April 2015 £m
Trade creditors and accruals	578.4	+68.9	509.5
Provision for liabilities	88.5	+13.4	75.1
Deposits and on account receipts	1,105.8	+184.9	920.9
Land creditors	174.7	-30.4	205.1
Current tax liability	78.2	+20.4	57.8
Total creditors	2,025.6	+257.2	1,768.4
<u>Land Creditors</u>			
Land creditors < 12 months	84.4	10.9	73.5
Land creditors > 12 months	90.3	-41.3	131.6
Total	174.7	-30.4	205.1

Revolving Credit Facility

Amount:	£575 million
Maturity:	Extended by a further year to March 2021 (with additional optional extension to March 2022)
Margin, utilisation and commitment fees:	Market rates



LLOYDS BANK



Handelsbanken



HSBC 

	April 2016	Variance	April 2015
Owned	33,786	-429	34,215
Contracted	9,072	+5,814	3,258
Plots	42,858	+5,385	37,473
Sales value	£20.8bn	+£3.7bn	£17.1bn
Average selling price (ASP)	£484k	+£28k	£456k
Average plot cost	£63k	+£5k	£58k
Land cost %	12.9%	+0.2%	12.7%
Gross margin	£6.1bn	+£0.8bn	£5.3bn
GM%	29.6%	(1.3%)	30.9%

* Adjusted ASP with joint venture revenue at 100% is £529k (2015: £486k)

Rob Perrins

Chief Executive

- **Berkeley Today**
- **Customers**
- **Land acquisition and development**
- **Quality of product and place**
- **Sustainability leadership position**
- **Business model and people**
- **Joint ventures**
- **Performance highlights**
- **Long term strategic plan**
- **Macro backdrop and market fundamentals**
- **The Market**
- **Guidance**

Customer experience

- Net promoter score of 71.2 – ahead of many large global brands and all housebuilders
- Only housebuilder accredited by the ICS
- Won ICS “Best customer focus: Large business” award

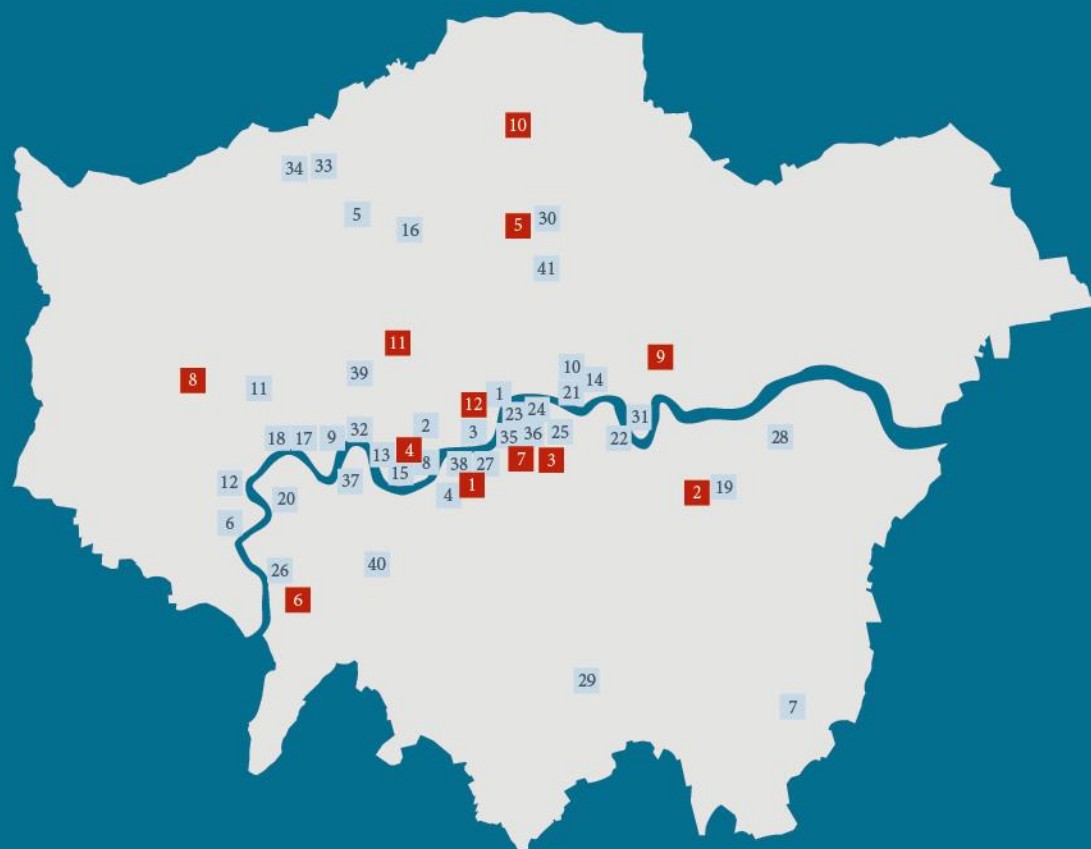
2015/16 sales

- Reservations 4% lower than prior year in line with normal market
- Cancellation rates remain around 10%
- Limited new launch activity in last 5 months in lead up to European Referendum

	London		South		Total	
Delivery of Developments:						
In construction	41	77%	15	63%	56	73%
Not yet in construction	12	23%	9	37%	21	24%
Total developments	53	100%	24	100%	77	100%
Proportion with planning (by sites)	78%		73%		77%	
Number of plots	36,461	85%	6,397	15%	42,858	100%

Strategic Review

Land and Build Investment – Sites in London



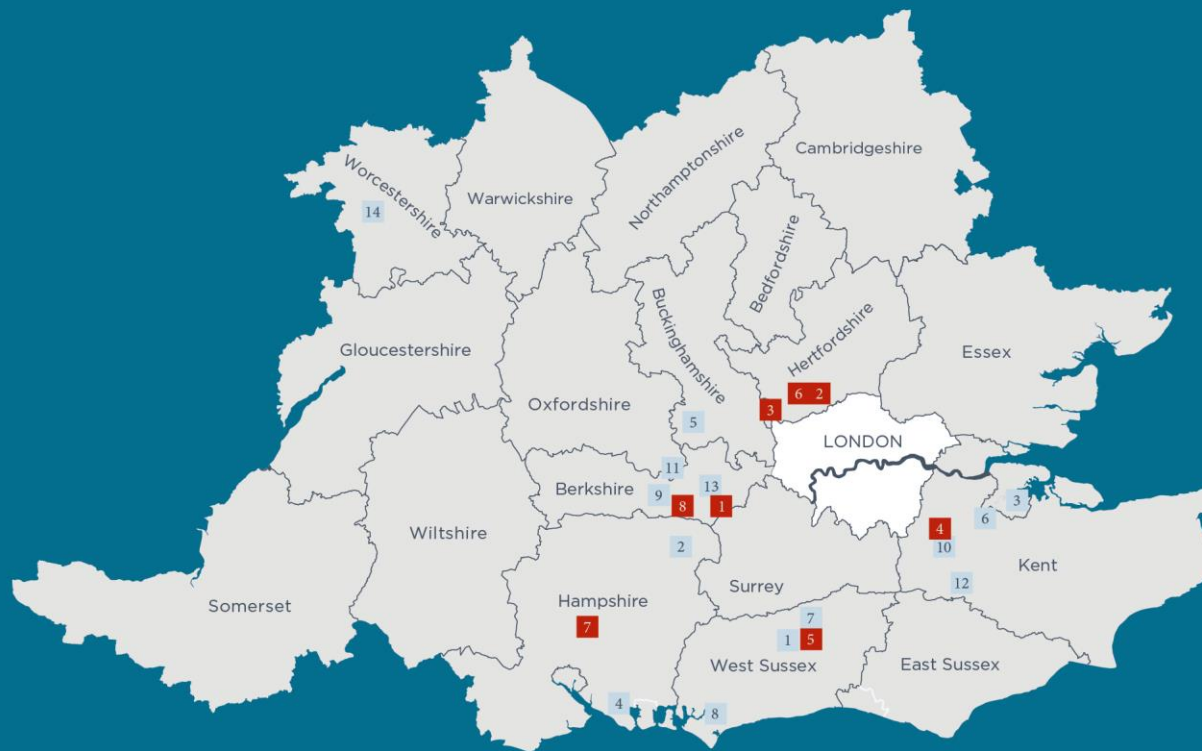
London under construction

- | | | | |
|----|---|----|---------------------------------|
| 1 | 190 Strand | 30 | Smithfield Square, Hornsey |
| 2 | 375 Kensington High Street and Kensington Row | 31 | South Quay Plaza, Docklands |
| 3 | Abell & Cleland House, Westminster | 32 | Sovereign Court, Hammersmith |
| 4 | Battersea Reach | 33 | St Josephs, Mill Hill |
| 5 | Beaufort Park, Hendon | 34 | Stanmore Place |
| 6 | Brewery Wharf, Twickenham | 35 | The Corniche, Albert Embankment |
| 7 | Brunswick Square, Orpington | 36 | The Dumont, Albert Embankment |
| 8 | Chelsea Creek | 37 | The Villas, Barnes |
| 9 | Chiswick Gate | 38 | Vista, Battersea |
| 10 | City Forum, City of London | 39 | White City |
| 11 | Dickens Yard, Ealing | 40 | Wimbledon Hill Park |
| 12 | Fitzroy Gate, Isleworth | 41 | Woodberry Park |
| 13 | Fulham Reach, Hammersmith | | |
| 14 | Goodmans Fields, Aldgate | | |
| 15 | Hurlingham Gate, Fulham | | |
| 16 | Imperial Square, Finchley | | |
| 17 | Kew Bridge Road | | |
| 18 | Kew Bridge West, Brentford | | |
| 19 | Kidbrooke Village | | |
| 20 | Latchmere House, Richmond | | |
| 21 | London Dock, Wapping | | |
| 22 | Marine Wharf, Deptford | | |
| 23 | Merano, Albert Embankment | | |
| 24 | One Blackfriars, Southwark | | |
| 25 | One Tower Bridge | | |
| 26 | Queenshurst, Kingston | | |
| 27 | Riverlight, Battersea | | |
| 28 | Royal Arsenal Riverside | | |
| 29 | Saffron Square, Croydon | | |

London future sites

- | | |
|----|-----------------------------|
| 1 | Battersea |
| 2 | Blackheath* |
| 3 | Chambers Wharf, Southwark |
| 4 | Fulham Gasworks* |
| 5 | Hornsey Gasworks* |
| 6 | Kingston |
| 7 | Oval Gasworks* |
| 8 | Southall |
| 9 | Stephenson Street* |
| 10 | Trent Park, Cockfosters* |
| 11 | West End Green, Paddington* |
| 12 | Westminster |

*New sites contracted for acquisition during the year



Out of London under construction

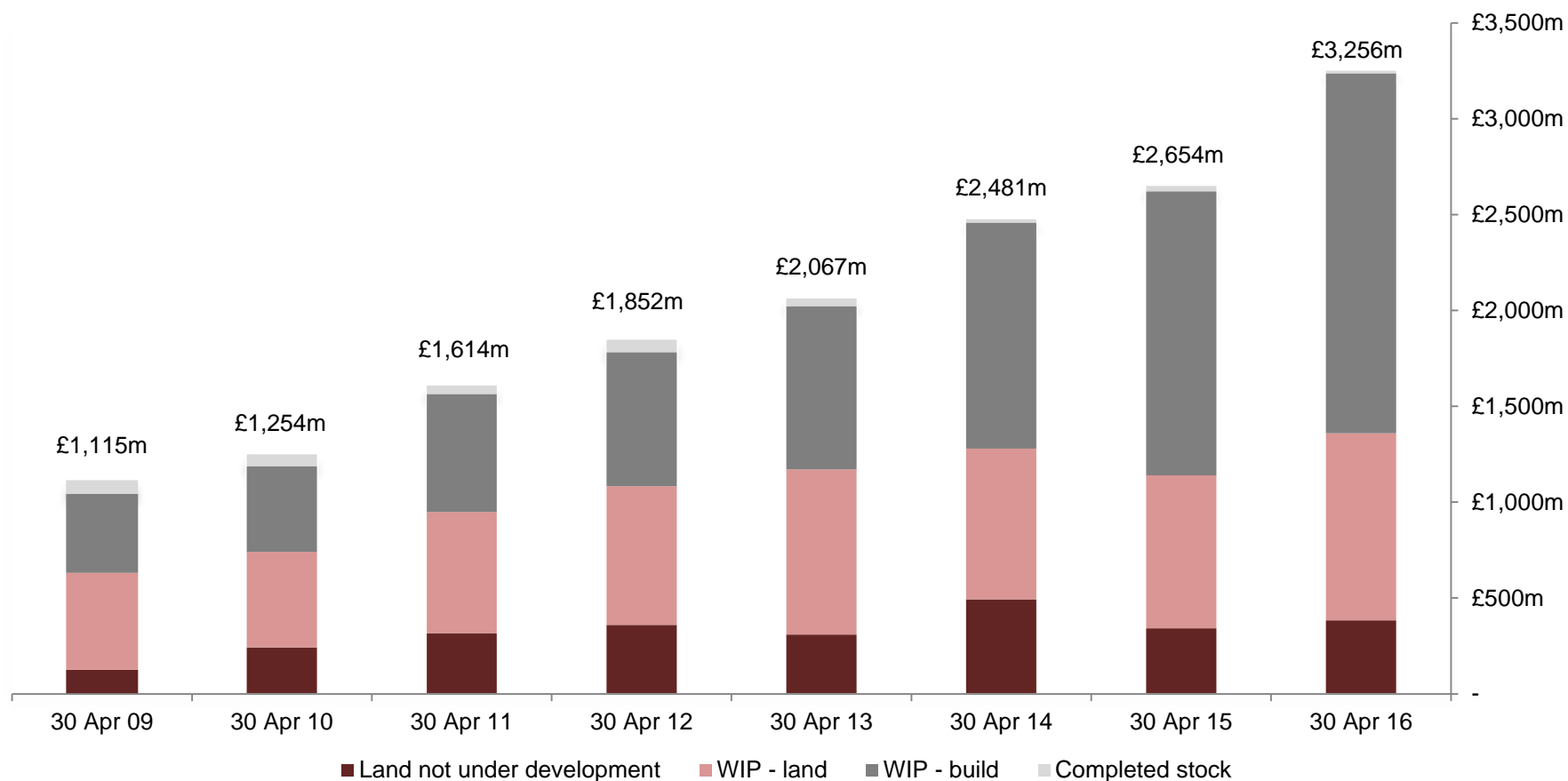
- 1 Barns Green
- 2 Fleet
- 3 Gillingham
- 4 Gosport
- 5 High Wycombe
- 6 Holborough
- 7 Horsham
- 8 North Bersted
- 9 Reading (2 sites)
- 10 Sevenoaks
- 11 Taplow
- 12 Tunbridge Wells
- 13 Warfield
- 14 Worcester

Out of London future sites

- 1 Ascot*
- 2 Borehamwood Gasworks*
- 3 Rickmansworth
- 4 Sevenoaks (2 sites)
- 5 Southwater*
- 6 Watford Gasworks*
- 7 Winchester
- 8 Wokingham*

*New sites contracted for acquisition during the year

Inventories



Unique operating model

- Strategic appreciation that the market is inherently cyclical
- Added value over volume
- Market leading in Sustainability
- Focus on long-term complex sites with place-making potential
- London and South East focus with emphasis on local relationships and knowledge
- Recognised brands and autonomous, experienced teams
- Operational risk managed through retaining financial strength at all time
 - Well bought land bank
 - Strong forward sales
 - Strong balance sheet with net cash and available facilities
- Operational strategic focus articulated through Our Vision

St Edward

- Joint venture with Prudential
- Four schemes in development (Stanmore, Kensington High Street, 190 Strand and Green Park Reading – pictured below)



St William

- Joint venture with National Grid
- Six schemes in Land Holdings (Battersea – pictured below, Rickmansworth, Fulham, Hornsey, Borehamwood & Watford)



Highlights

- Adjusted PBT up 5.6% to £479.9 million
- Profit of £51.0 million from sale of ground rents
- Dividends paid of 190 pence (£259.5 million)
- Cash due on forward sales up 10.2% to £3.25 billion (2015: £2.95 billion)
- 16.6% growth in gross margin in land holdings to £6.1 billion (2015: £5.3 billion)
- Net cash of £107.4 million and ungeared throughout the half year

Key messages

- Over £600 million invested in inventory and £100 million in joint ventures
- On track to deliver pre-tax profits of £2 billion in aggregate over the three years ending 30 April 2018

Strategic Review

Long Term Strategic Plan

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	276	2.00	276
Year ending 30 April 2018	-	-	2.00	276	2.00	276
Year ending 30 April 2019	-	-	2.00	276	2.00	276
Year ending 30 April 2020	-	-	2.00	276	2.00	276
Year ending 30 April 2021	-	-	2.00	276	2.00	276
Year ending 30 April 2022	-	-	1.00	138	1.00	138
	5.34	719	11.00	1,518	16.34	2,237

Plan Distributions and Investment:

- Total dividends by 30 September 2021 no less than £16.34 per share – increased by £3.34 in the year
- Regular dividend of £2.00 per annum targeted until 2021
- Next £1 per share dividend announced for payment in September 2016
- Planned investment of remaining surplus cash in the business
- 2011 LTIP modified to reflect dividend plan change – approved by 94% of shareholders voting at February 2016 EGM

Global Political and Economic Instability

UK Political Backdrop

- EU referendum
- Government support for housebuilding
- Level of property transaction taxes
- New London Mayor

Market Fundamentals

- London is and will remain a World City
- There is a shortfall of good quality new housing in London and the South East
- Mortgage rates remain low

Sales

- Began the period strongly forward sold
- Value of new reservations 4% lower than 2014/15 on a marginally higher number of transactions
- New reservations 20% lower in first 5 months of 2016 reflecting macro factors, property taxation and Brexit uncertainty

Land and Planning

- Selective opportunities are there, which have led to twelve new land purchases in the period
- Focus on long-term, complex regeneration sites and St William pipeline
- Further planning success with new and improved consents
- Planning tariff is high with competition between CIL, s.106 and affordable housing
- Pre-commencement conditions taking longer to clear

Build

- Pressure on trades still evident
- Build cost inflation overall is moderating, primarily as a result of input prices falling
- Lead times for materials returning to normal
- Modern methods of construction

	Performance	Guidance
Dividend	<ul style="list-style-type: none"> £5.34 per share paid to date £1.00 per share declared for payment in Sept 2016 	<ul style="list-style-type: none"> Dividend plan increased from £13.00 to £16.34 per share Annual dividends of £2.00 per share through to Sept 2021
Land Holdings	<ul style="list-style-type: none"> Estimated gross margin over £6 billion 	<ul style="list-style-type: none"> Long term norm of £4 billion to £5 billion
Forward Sales	<ul style="list-style-type: none"> £3.25 billion 	<ul style="list-style-type: none"> At peak levels as we enter enhanced delivery Forward sales will normalise towards £2.0 billion over the next two years
FY 2015/16 FY 2016/17 FY 2017/18 Beyond	<ul style="list-style-type: none"> £0.5 billion delivered in 2015/16 at top end of expectations 	<ul style="list-style-type: none"> On track to meet £2 billion guidance for three years ended 30 April 2018 Thereafter returns to normalise to long-term norms (ROE: 20% / OM: 17% - 20%)

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Chairman

Rob Perrins
Chief Executive

Richard Stearn
Finance Director

