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# The Berkeley Group Holdings plc

## Half Year Results Presentation

### Six months ended 31<sup>st</sup> October 2016

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2<sup>nd</sup> December 2016

Tony Pidgley CBE  
Chairman

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Richard Stearn  
Finance Director

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Rob Perrins  
Chief Executive

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Questions



Woodhurst Park, Warfield

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# Tony Pidgley CBE

## Chairman

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# Richard Stearn

## Finance Director

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- 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	31 Oct 2016	31 Oct 2015	Change (£)	Change (%)
Profit before tax	£392.7m	£293.3m	+\$99.4m	+33.9%
EPS – Basic	225.7p	166.9p	+58.8p	+35.2%
EPS – Diluted	209.6p	149.2p	+60.4p	+40.5%
Operating Margin	27.7%	25.5%	+2.2%	
Return on equity *	41.5%	34.5%		

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

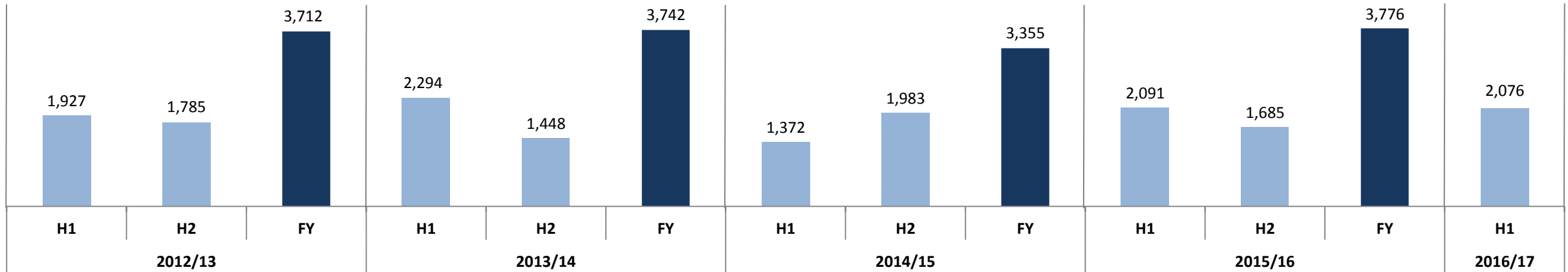
	Oct 2016	April 2016	Change (£)	Change (%)
<b>Balance Sheet</b>				
Shareholders' funds	£1,969.1m	£1,812.8m	+\$156.3m	+8.6%
Closing net cash	(£207.9m)	(£107.4m)	-\$100.5m	
Capital Employed	£1,761.2m	£1,705.4m	+\$55.8m	+3.3%
Net asset value per share	1,418p	1,314p	+104p	+7.9%
Shares in issue	138.8m	137.9m		
<b>Cash due on forward sales</b>	£2.90bn	£3.25bn	-\$0.35bn	-10.8%
<b>Land Holdings</b>				
Plots	42,125	42,858	-733	-1.7%
Gross Margin	£5.9bn	£6.1bn	-\$0.2bn	-3.3%

	Vesting Date	No. (million)	Exercise Price	Approved by shareholders
Shares in issue at 1 May 2016		137.9		
Company share purchase		(0.9)		
2011 LTIP vesting	September 2016	1.8	£10.00	September 2011 & February 2016
Shares in issue at 1 Nov 2016		138.8		
2011 LTIP vestings*	September 2017	1.4	£8.00	September 2011 & February 2016
	September 2018	1.6	£6.00	
	September 2019	1.7	£4.00	
	September 2020	1.9	£2.00	
	September 2021	2.1	-	
		147.5		

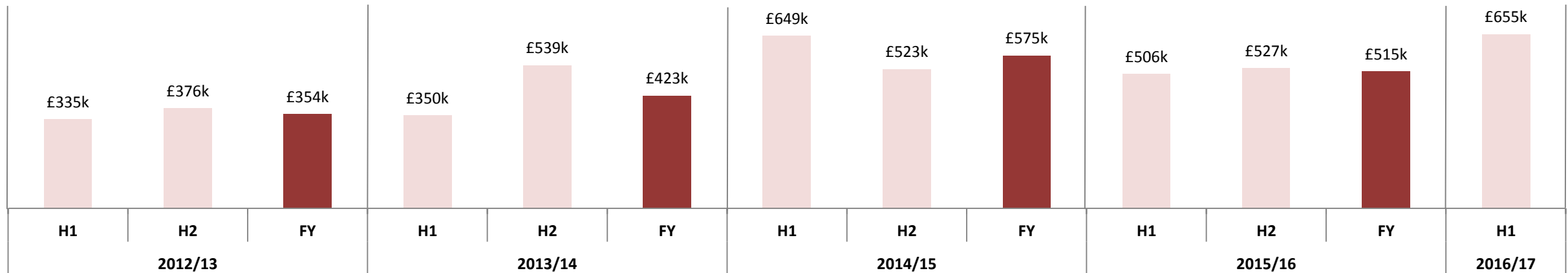
\* Net options vesting is based on an illustrative share price of £25.00 adjusted for the dividend plan. This slide assumes no share repurchases.



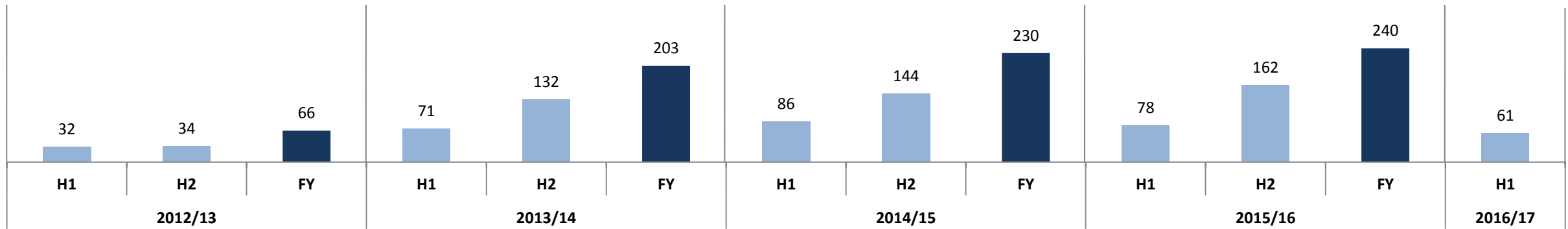
### Plots



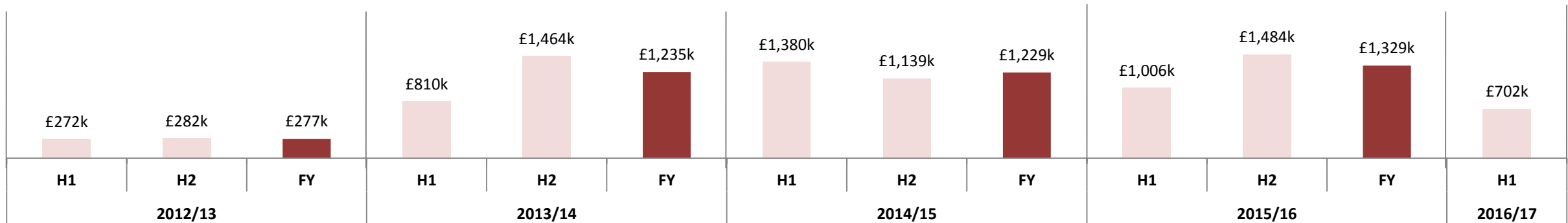
### Average Selling Price



### Units



### Average Selling Price



# Finance Review

## Income Statement

Year ended	Oct 2016 £m		Oct 2015 £m		Change £m	Change %
Revenue	1,413.4		1,138.7		+274.7	+24.1%
Gross profit	503.6	35.6%	391.4	34.4%	+112.2	+28.7%
Operating expenses	(112.2)	7.9%	(100.7)	8.8%	-11.5	+11.4%
Operating profit	391.4	27.7%	290.7	25.5%	+100.7	+34.6%
Net finance costs	(3.2)		(1.0)		-2.2	
Share of Joint Venture results	4.5		3.6		+0.9	
Profit before tax	392.7		293.3		+99.4	+33.9%
Tax	(82.2)	20.9%	(65.5)	21.5%	-16.7	
Profit after tax	310.5		227.8		+82.7	36.3%

# Finance Review

## Abridged Cash Flow

Year ended		October 2016 £m		October 2015 £m
Profit before tax		392.7		293.3
Increase in inventory	(90.1)		(262.3)	
(Decrease) / increase in customer deposits	(69.0)		80.8	
Other working capital movements	40.3		61.8	
Net (investment) / reduction in working capital		(118.8)		(243.3)
Share repurchases		(20.1)		-
Net receipts / (investment in) from joint ventures		32.5		(58.0)
Tax paid		(62.2)		(50.1)
Other movements		13.4		13.2
Cash inflow / (outflow) before dividends		237.5		(44.9)
Dividends		(137.0)		(122.9)
Increase / (decrease) in net cash		100.5		(167.8)
Opening net cash		107.4		430.9
Closing net cash		207.9		263.1

# Finance Review

## Abridged Balance Sheet

	October 2016 £m	Movements £m	April 2016 £m
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	117.6	-32.4	150.0
- Deferred tax assets	59.9	-12.0	71.9
- Property, plant and equipment	21.8	-1.7	23.5
<b>Total non current assets</b>	<b>216.5</b>	<b>-46.1</b>	<b>262.6</b>
Inventories	3,346.2	+90.1	3,256.1
Debtors	212.3	-	212.3
Creditors and provisions	(2,013.8)	+11.8	(2,025.6)
Capital employed	1,761.2	+55.8	1,705.4
Net cash	207.9	+100.5	107.4
Net assets	1,969.1	+156.3	1,812.8
Net asset value per share	1,418p	+104p	1,314p

	October 2016 £m	Movements £m	April 2016 £m
Land not under development	466.4	+82.3	384.1
Work in progress: Land cost	907.4	-68.4	975.8
	1,373.8	+13.9	1,359.9
Work in progress: Build cost	1,937.7	+59.6	1,878.1
Completed units	34.7	+16.6	18.1
<b>Inventories</b>	<b>3,346.2</b>	<b>+90.1</b>	<b>3,256.1</b>

	October 2016 £m	Movements £m	April 2016 £m
Trade creditors and accruals	671.7	+93.3	578.4
Provision for liabilities	94.6	+6.1	88.5
Deposits and on account receipts	1,036.8	-69.0	1,105.8
Land creditors	131.0	-43.7	174.7
Current tax liability	79.7	+1.5	78.2
<b>Total creditors</b>	<b>2,013.8</b>	<b>-11.8</b>	<b>2,025.6</b>
<b><u>Land Creditors</u></b>			
Land creditors < 12 months	61.5	-22.9	84.4
Land creditors > 12 months	69.5	-20.8	90.3
<b>Total</b>	<b>131.0</b>	<b>-43.7</b>	<b>174.7</b>

### Banking Facilities

Amount:	£750 million
Term:	£300 million
RCF:	£450 million
Maturity:	November 2021 (with optional extensions to November 2023)
Margin, utilisation and commitment fees:	Market rates





	October 2016	Variance	April 2016
Owned	33,457	-329	33,786
Contracted	8,668	-404	9,072
<b>Plots</b>	<b>42,125</b>	<b>-733</b>	<b>42,858</b>
Sales value	£20.3bn	-0.5bn	£20.8bn
Average selling price (ASP)*	£481k	-£3k	£484k
Average plot cost	£63k	-	£63k
Land cost %	13.2%	+0.3%	12.9%
Gross margin	£5.9bn	-£0.2bn	£6.1bn
GM%	29.1%	-0.5%	29.6%

\* Adjusted ASP with joint venture revenue at 100% is £529k (April 2016: £529k)

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# Rob Perrins

## Chief Executive

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- Performance highlights
- Macro backdrop and market fundamentals
- The Market
- Land and Build Investment
- Joint ventures
- Long term strategic plan
- Guidance

### Highlights

- Adjusted PBT up 33.9% to £392.7 million
- Dividends paid of 100 pence (£137.0 million)
- £100 million of cash generated in the period
- Cash due on forward sales £2.9 billion (FY 2016: £3.25 billion)
- Gross margin in land holdings at £5.9 billion (FY 2016: £6.1 billion)
- Net assets of £2.0 billion and net cash of £207.9 million

### Key messages

- Strong results reflect decisions taken after the 2008 financial crisis to acquire land at the right time in the cycle
- On track to deliver pre-tax profits of £2 billion in aggregate over the three years ending 30 April 2018
- Business plan visibility and resilient market conditions underpin a new £3 billion 5-year target commencing 1 May 2016
- Cautious land investment in the period with ongoing commitment to build
- Well placed and ungeared

### Global Political and Economic Instability

#### UK Political Backdrop

- EU referendum result uncertainty
- Government support for housebuilding
- SDLT changes
- New London Mayor
- Tension between CIL and Affordable Housing

#### 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
- Prevailing low interest rate environment with good mortgage availability
- New starts in London falling – Q3 45% down compared to Q3 2015

### Sales

- Began 2016 strongly forward sold
- Excluding a hiatus around Brexit, reservations remain 20% down on 2015.
- The transaction volume fall is across all price points
- Investor mix reflects impact of SDLT changes on UK investors and currency on international customers

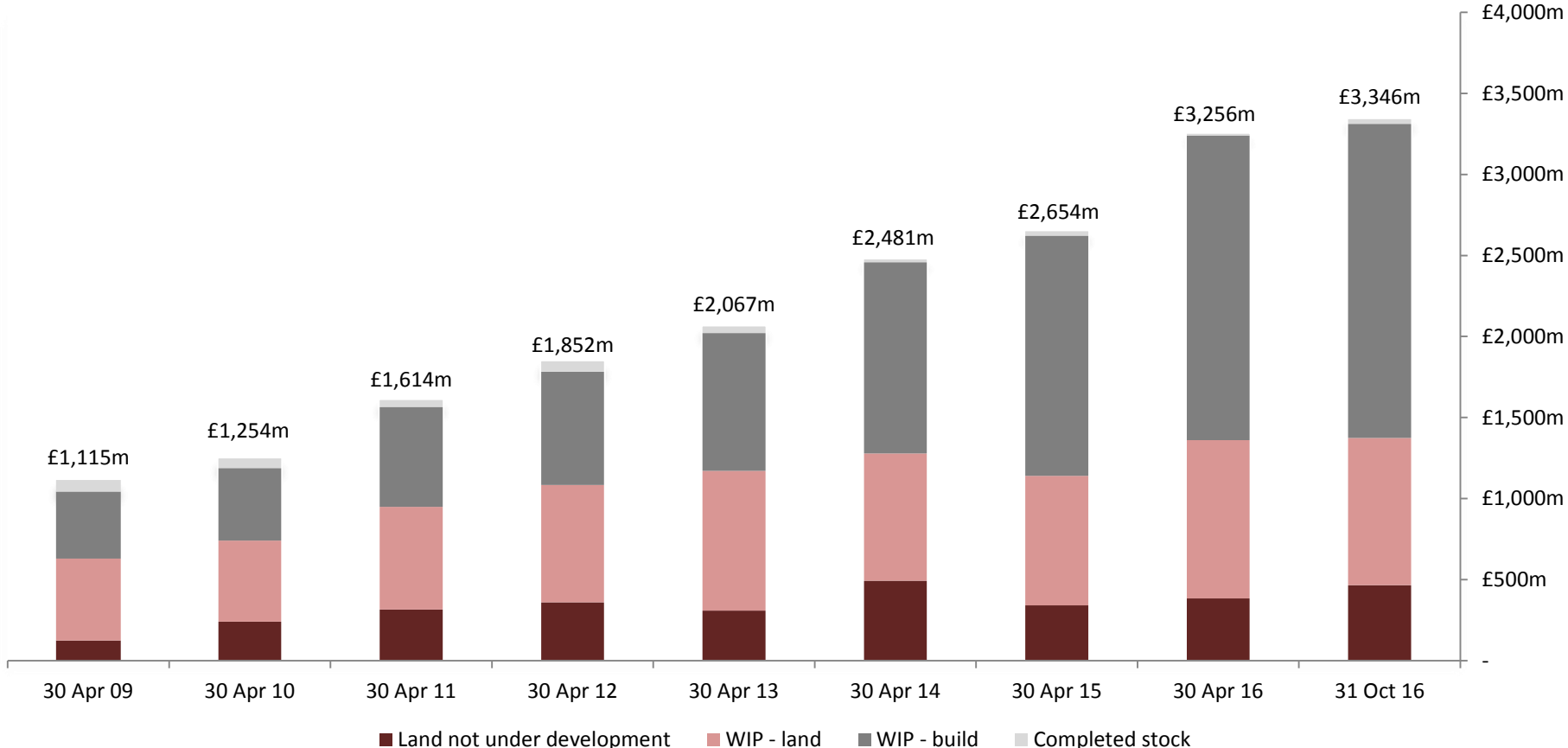
### Land and Planning

- Cautious investment in the period, with two sites acquired
- 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
- Getting on site once planning secured remains challenging

### Build

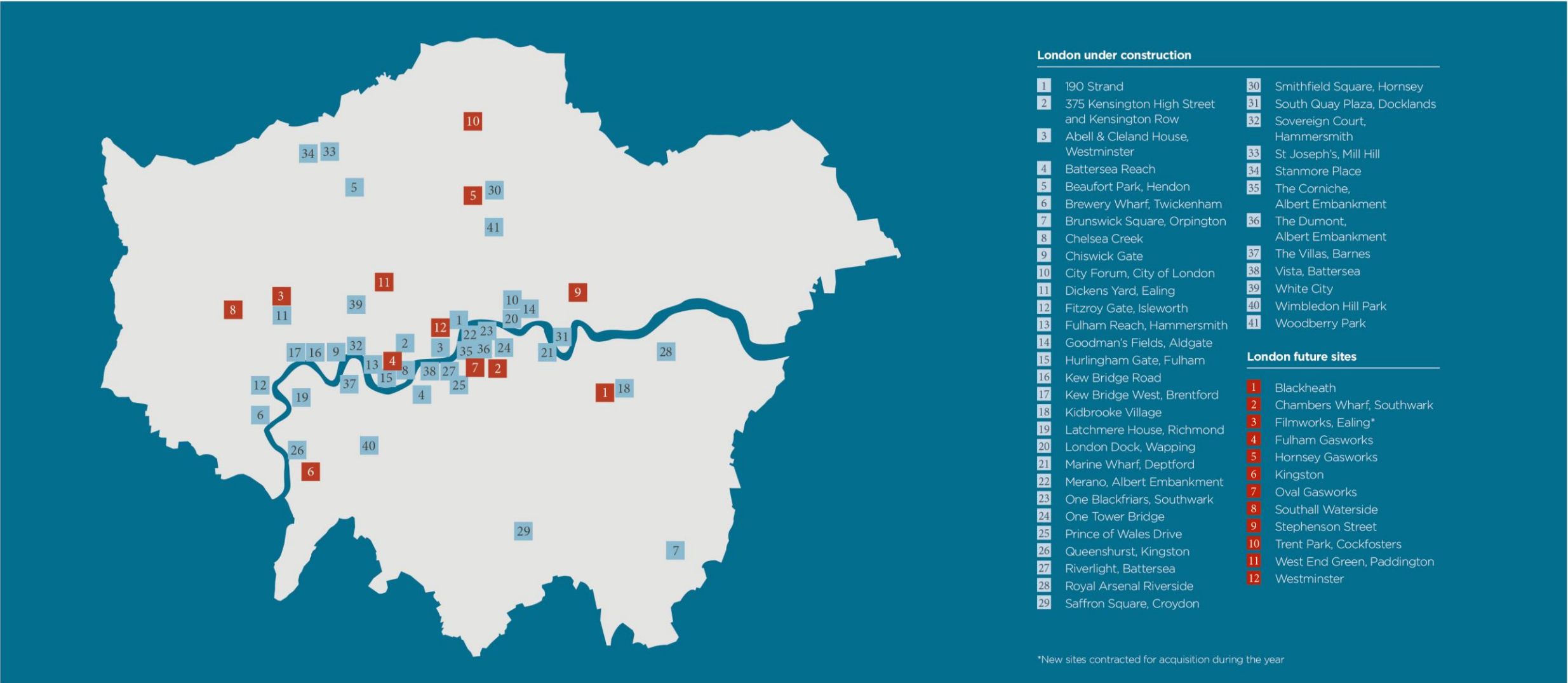
- Skills shortage
- Build cost inflation overall is moderating
- Urban House and modern methods of construction

### Inventories



	London		South		Total	
<b>Delivery of Developments:</b>						
In construction	41	77%	15	58%	56	71%
Not yet in construction	12	23%	11	42%	23	29%
<b>Total developments</b>	<b>53</b>	<b>100%</b>	<b>26</b>	<b>100%</b>	<b>79</b>	<b>100%</b>
Proportion with planning (by sites)	87%		88%		87%	
Number of plots	35,246	84%	6,879	16%	42,125	100%
Proportion with planning (by plots)	78%		98%		81%	





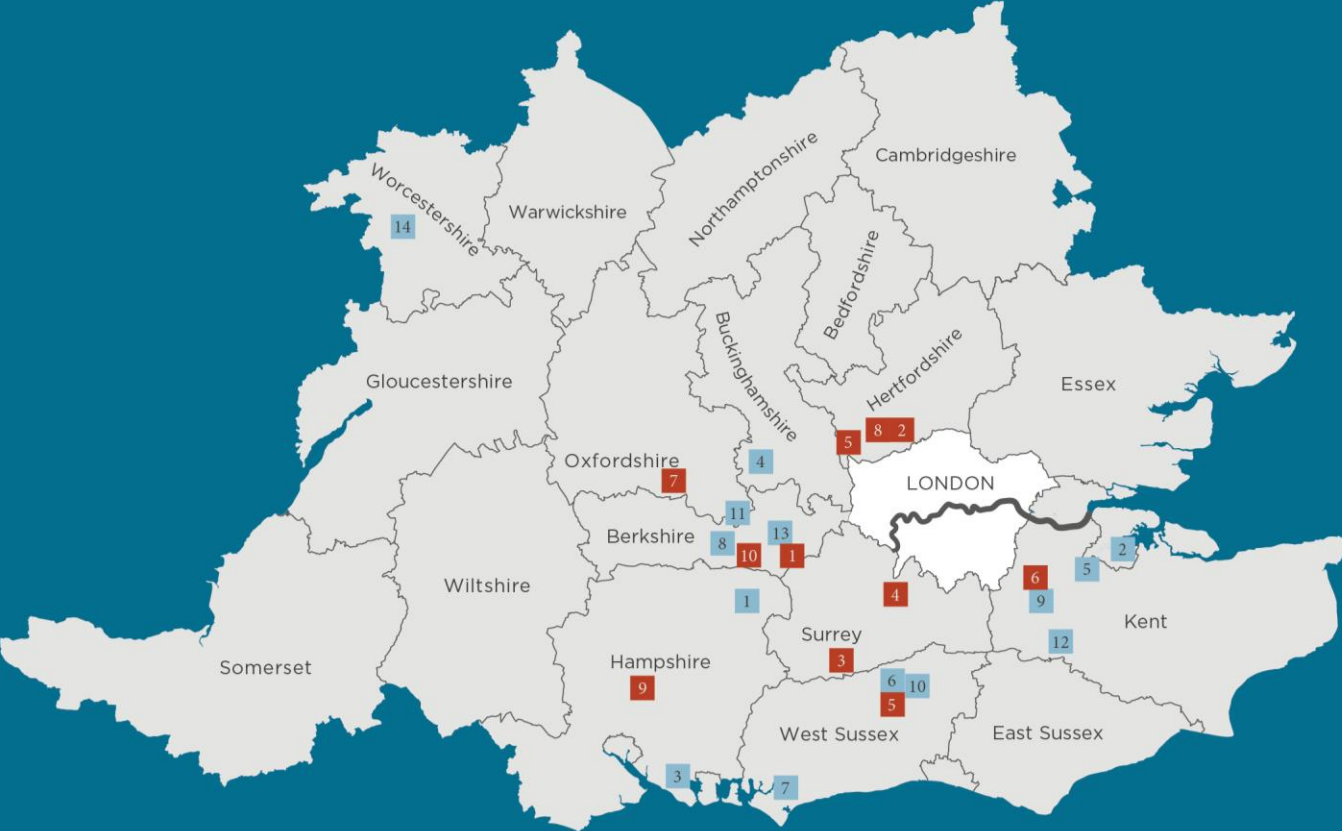
**London under construction**

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

**London future sites**

- 1 Blackheath
- 2 Chambers Wharf, Southwark
- 3 Filmworks, Ealing\*
- 4 Fulham Gasworks
- 5 Hornsey Gasworks
- 6 Kingston
- 7 Oval Gasworks
- 8 Southall Waterside
- 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 Fleet
- 2 Gillingham
- 3 Gosport
- 4 High Wycombe
- 5 Holborough
- 6 Horsham
- 7 North Bersted
- 8 Reading (2 sites)
- 9 Sevenoaks
- 10 Southwater
- 11 Taplow
- 12 Tunbridge Wells
- 13 Warfield
- 14 Worcester

**Out of London future sites**

- 1 Ascot
- 2 Borehamwood Gasworks
- 3 Cranleigh
- 4 Leatherhead\*
- 5 Rickmansworth
- 6 Sevenoaks (2 sites)
- 7 Wallingford
- 8 Watford Gasworks
- 9 Winchester
- 10 Wokingham

\*New sites contracted for acquisition during the year



### 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)



Milestone	Paid		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
By 30 <sup>th</sup> April 2016	5.34	718	-	-	5.34	718
Year ending 30 April 2017	1.00	137	1.00	139	2.00	276
Year ending 30 April 2018	-	-	2.00	278	2.00	278
Year ending 30 April 2019	-	-	2.00	278	2.00	278
Year ending 30 April 2020	-	-	2.00	278	2.00	278
Year ending 30 April 2021	-	-	2.00	278	2.00	278
Year ending 30 April 2022	-	-	1.00	139	1.00	139
	6.34	855	10.00	1,390	16.34	2,245

### Shareholder Returns Programme:

- Remaining £10.00 per share to be made through a combination of share buy-backs and dividends, not solely dividends
- Future payments to be re-characterised from a value per share per annum to an absolute value per annum
- Same quantum of cash to be returned to shareholders as previously anticipated
- This quantum of cash will be returned on a smaller number of shares, to the extent share buy-backs occur
- The absolute value per annum will be increased for any new shares issued
- Remuneration Committee to consult with shareholders on consequential changes to the 2011 LTIP prior to EGM in the New Year
- EGM to include a new Remuneration Policy which will include annual caps on Executive Remuneration, materially reducing the future value vesting under the 2011 LTIP

	Performance	Guidance
Returns	<ul style="list-style-type: none"> <li>£6.34 per share paid to date</li> <li>£1.00 per share (£138.8m) announced to be paid by 31 March 2016</li> </ul>	<ul style="list-style-type: none"> <li>Remaining £10.00 per share converted to absolute value and flexibility introduced to include dividends and share buy-backs</li> </ul>
Land Holdings	<ul style="list-style-type: none"> <li>Estimated gross margin of £5.9 billion</li> </ul>	<ul style="list-style-type: none"> <li>Capacity to increase investment in new long-term opportunities</li> </ul>
Forward Sales	<ul style="list-style-type: none"> <li>£2.9 billion</li> </ul>	<ul style="list-style-type: none"> <li>Forward sales will normalise towards £2.0 billion</li> </ul>
3 Year PBT	<ul style="list-style-type: none"> <li>£0.5 billion delivered for 2015/16</li> <li>£0.4 billion delivered for half year 2016/17</li> </ul>	<ul style="list-style-type: none"> <li>On track to meet £2 billion guidance for three years ending 30 April 2018</li> </ul>
5 Year PBT	<ul style="list-style-type: none"> <li>£0.4 billion delivered for half year 2016/17</li> </ul>	<ul style="list-style-type: none"> <li>New guidance to deliver at least £3.0 billion for five years ending 30 April 2021</li> <li>Returns to normalise to long-term range (ROE: 20% / OM: 17% - 20%)</li> </ul>



Tony Pidgley CBE  
Chairman

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Finance Director

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Chief Executive

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Questions



Abell & Cleland, Westminster