
The Berkeley Group Holdings plc

Full Year Results Presentation

Year ended 30th April 2017

21st June 2017

Preliminary Results Presentation

Format of Presentation



Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Highwood, Horsham, West Sussex

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

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- Creditors

- Financing

- Land holdings

Berkeley
Designed for life

St Edward
Designed for life

St George
Designed for life

St James
Designed for life

St William
Designed for life

St Joseph
Designed for life



Finance Review

Summary of Performance



Profit before tax	£812.4m	£530.9m	+£281.5m	+53.0%
EPS – Basic	467.8p	295.8p	+172.0p	+58.1%
EPS – Diluted	451.4p	268.7p	+182.7p	+68.0%
Operating Margin	27.8%	24.5%		
Return on equity *	41.1%	30.8%		

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

Finance Review

Summary of Financial Position



	April 2017	April 2016	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£2,136.9m	£1,812.8m	+£324.1m	+17.9%
Closing net cash	(£285.5m)	(£107.4m)	+£178.1m	
Capital Employed	£1,851.4m	£1,705.4m	+£146.0m	+8.6%
Net asset value per share	1,556p	1,314p	+242p	+18.4%
Shares in issue	140.2m	137.9m		
Cash due on forward sales	£2.74bn	£3.25bn	-£0.51bn	-15.7%
Land Holdings				
Plots	46,351	42,858	+3,493	+8.2%
Gross Margin	£6.4bn	£6.1bn	+£0.3bn	+4.9%

Finance Review

Future potential share dilution



	Vesting Date	No. (million)	Approved by shareholders
Shares in issue at 1 May 2016 (net of Treasury and EBT shares)		137.9	
2011 LTIP vestings – Tranche 1	September 2016	1.8	September 2011 February 2016
Share buy-backs – June 2016		(0.9)	
Share buy-backs – Shareholder return		(1.5)	
Shares in issue at 1 May 2017		137.3	
2011 LTIP vestings *	September 2017	0.8	September 2011 February 2016 February 2017
	September 2018	0.8	
	September 2019	0.8	
	September 2020	0.8	
	September 2021	0.8	
	September 2022	0.6	
	September 2023	0.6	
		142.5	

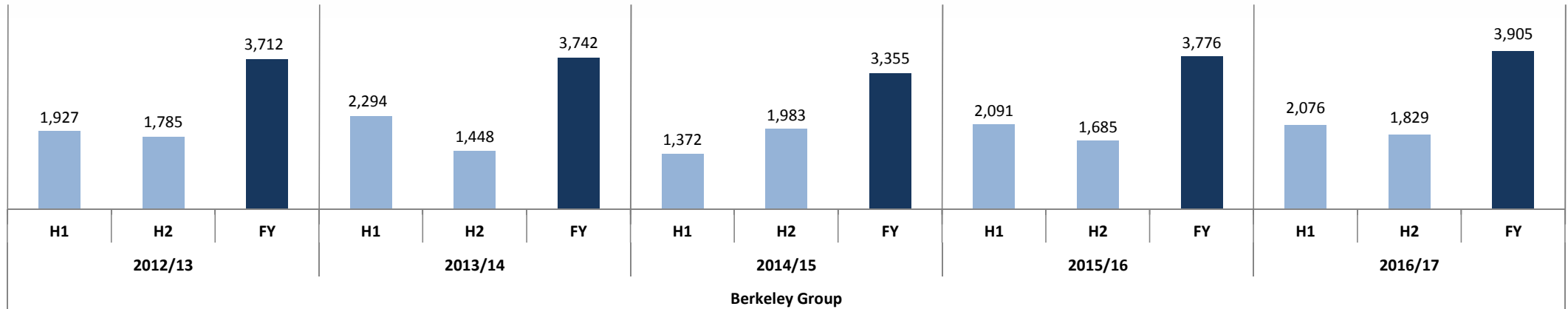
* Net options vesting is based on an illustrative share price of £32.50. This slide assumes no further share buy backs.

Finance Review

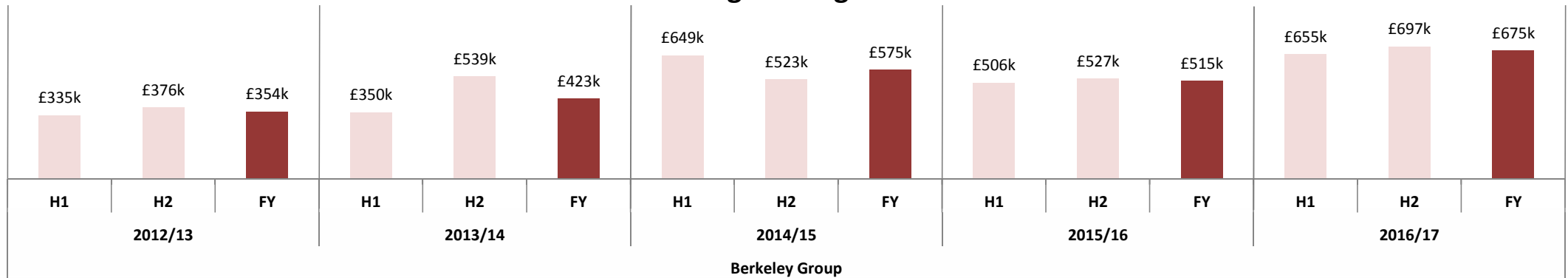
Homes Completed and ASP – Group



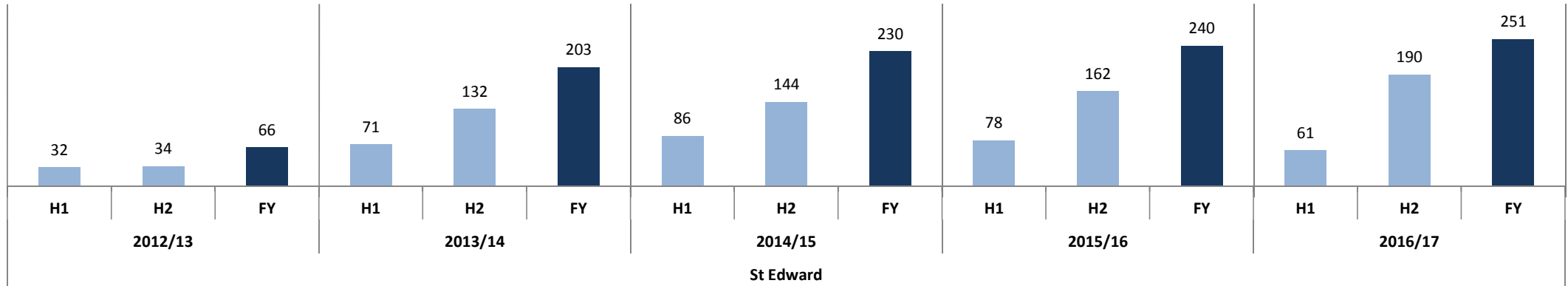
Homes



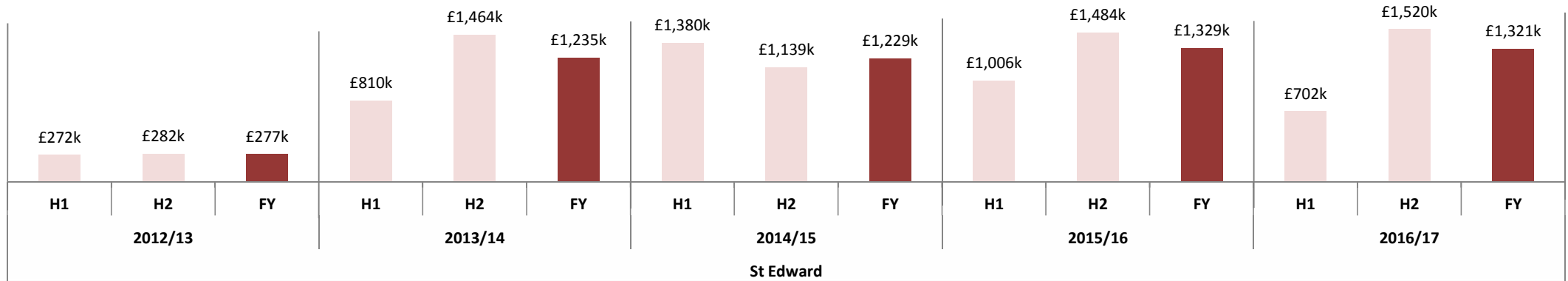
Average Selling Price



Homes



Average Selling Price



Finance Review

Income Statement



Year ended	Apr 2017 £m		Apr 2016 £m		Change £m	Change %
Revenue	2,723.5		2,047.5		+676.0	+33.0%
Gross profit	939.8	34.5%	701.7	34.3%	+238.1	+33.9%
Operating expenses	(183.6)	6.7%	(199.8)	9.8%	+16.2	-8.1%
Operating profit	756.2	27.8%	501.9	24.5%	+254.3	+50.7%
Net finance costs	(7.6)		(7.5)		-0.1	
Share of Joint Venture results	63.8		36.5		+27.3	
Profit before tax	812.4	29.8%	530.9	25.9%	+281.5	+53.0%
Tax	(167.3)	20.6%	(126.8)	23.9%	-40.5	
Profit after tax	645.1		404.1		+241.0	+59.6%

Finance Review

Abridged Cash Flow



Year ended		April 2017 £m		April 2016 £m
Profit before tax		812.4		530.9
Increase in inventory	(227.3)		(602.0)	
(Decrease) / increase in customer deposits	(130.9)		184.9	
Other working capital movements	125.1		(21.2)	
Net investment in working capital		(233.1)		(438.3)
Net receipts from / (investment in) joint ventures		15.0		(63.2)
Tax paid		(115.6)		(100.8)
Other movements		18.5		7.4
Cash inflow / (outflow) before share buy-backs and dividends		497.2		(64.0)
Purchase of own shares		(64.5)		(4.8)
Dividends		(254.6)		(259.5)
Increase / (decrease) in net cash		178.1		(323.5)
Opening net cash		107.4		430.9
Closing net cash		285.5		107.4

Finance Review

Abridged Balance Sheet



	April 2017 £m	Movements £m	April 2016 £m
Non current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	135.0	-15.0	150.0
- Deferred tax assets	59.4	-12.5	71.9
- Property, plant and equipment	22.8	-0.7	23.5
Total non current assets	234.4	-28.2	262.6
Inventories	3,483.4	+227.3	3,256.1
Debtors	229.5	+17.2	212.3
Creditors and provisions	(2,095.9)	-70.3	(2,025.6)
Capital employed	1,851.4	+146.0	1,705.4
Net cash	285.5	+178.1	107.4
Net assets	2,136.9	+324.1	1,812.8
Net asset value per share	1,556p	+242p	1,314p

Finance Review

Inventories



	April 2017 £m	Movements £m	April 2016 £m
Land not under development	414.1	+30.0	384.1
Work in progress: Land cost	919.0	-56.8	975.8
	1,333.1	-26.8	1,359.9
Work in progress: Build cost	2,062.7	+184.6	1,878.1
Completed units	87.6	+69.5	18.1
Inventories	3,483.4	+227.3	3,256.1

Finance Review

Creditors



	April 2017 £m	Movements £m	April 2016 £m
Trade creditors and accruals	760.6	+182.2	578.4
Provision for liabilities	99.9	+11.4	88.5
Deposits and on account receipts	974.9	-130.9	1,105.8
Land creditors	142.9	-31.8	174.7
Current tax liability	117.6	+39.4	78.2
Total liabilities before borrowings	2,095.9	+70.3	2,025.6
Borrowings	300.0	+300.0	-
Total liabilities	2,395.9	+370.3	2,025.6
Land Creditors			
Land creditors < 12 months	73.7	-10.7	84.4
Land creditors > 12 months	69.2	-21.1	90.3
Total	142.9	-31.8	174.7

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



Finance Review

Land Holdings



	April 2017	Variance	April 2016
Owned	33,771	-15	33,786
Contracted	12,580	+3,508	9,072
Plots	46,351	+3,493	42,858
Sales value	£21.8bn	+£1.0bn	£20.8bn
Average selling price (ASP)*	£520k	-£9k	£529k
Average plot cost	£62k	-£1k	£63k
Land cost %	13.2%	+0.3%	12.9%
Gross margin	£6.4bn	+£0.3bn	£6.1bn
GM%	29.3%	-0.3%	29.6%

* ASP reflects joint venture revenue at 100%

Rob Perrins

Chief Executive

Strategic Review

Introduction



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

Highlights

- Profit before tax up 53.0% to £812.4 million
- Net assets of £2.1 billion and net cash of £285.5 million
- Cash due on forward sales £2.74 billion (2016: £3.25 billion)
- 3.8% growth in gross margin in land holdings to £6.4 billion (2016: £6.1 billion)

Key messages

- Strong results reflect decisions taken after the 2008 financial crisis to acquire land at the right time in the cycle
- Berkeley is in great shape
- Conditions support delivery of at least £3.0 billion of pre-tax profits in aggregate over the five years ending 30 April 2021
- Uncertainty and heightened macro risk not being reflected in the planning and taxation environments
- Conditions for growth and lower barriers to entry are required to support increased delivery across all tenures

Global Political and Economic Instability

UK Political Backdrop

- Impact of the recent UK election result on domestic policies and Brexit negotiations remains to be seen
- New starts in London falling – down some 30% from a year ago
- Government support for housebuilding
- Increasing planning demands from the combination of affordable housing, CIL, section 106 obligations and review mechanisms
- SDLT changes and partial reduction in mortgage interest rate deductibility

Market Fundamentals

- London is and will remain a World City
- Exchange rate movements have been favourable for overseas customers
- Prevailing low interest rate environment with good mortgage availability
- There is a shortfall of good quality new housing in London and the South East
- Underlying demand is robust, albeit certain market segments such as the UK investor is currently subdued.
- Supply constrained with high barriers to entry for small developers and new entrants

Sales

- Including the disruption either side of the EU Referendum sales in 2016/17 were 25% down on 2015/16
- The decline has now fully reversed with return to more normal stable market conditions
- Investor mix reflects impact of taxation policy on UK investors and currency devaluation on international customers
- Continue to sell at or above our business plan prices

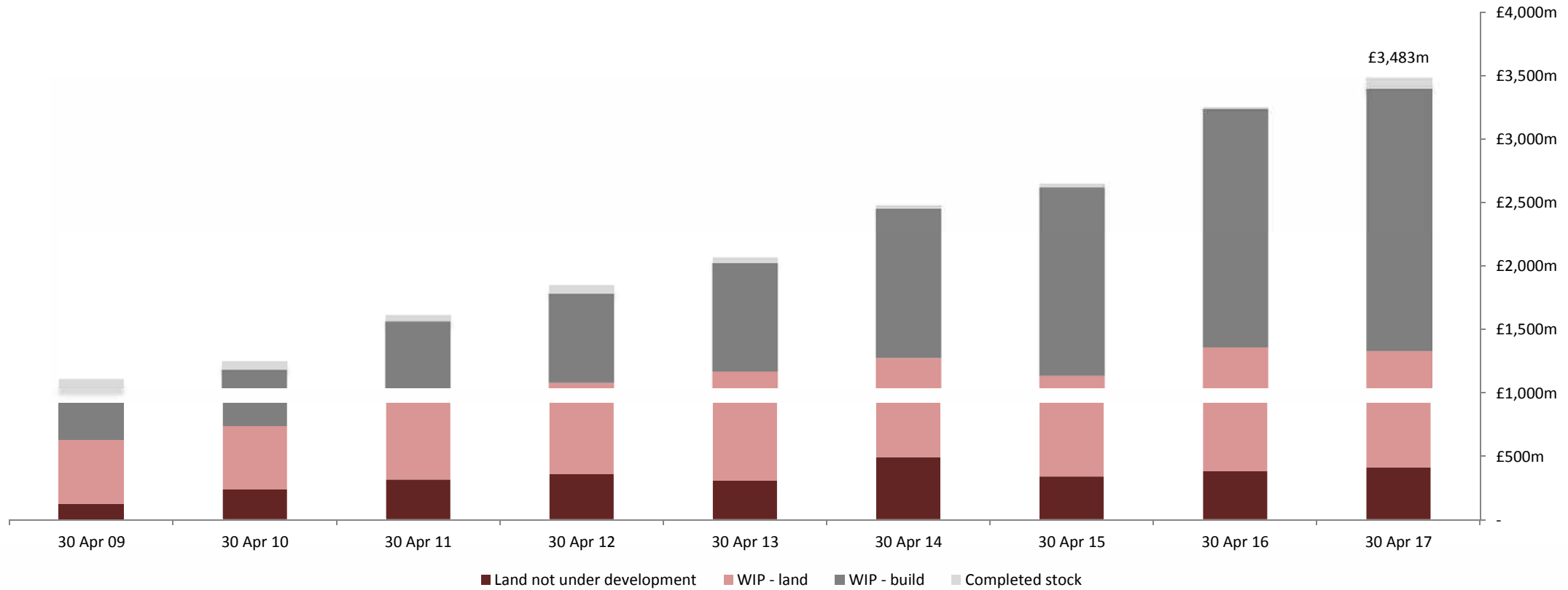
Land and Planning

- Focus on long-term, complex regeneration sites and St William pipeline
- Risk remains difficult to price, with cautious approach adopted investing opportunistically.
- 16 new sites added to the land bank, of which 9 contracted conditionally
- Further planning gain with 10 new and over 30 improved consents
- Getting on site once planning secured remains challenging

Build

- Skills shortage
- Urban House and modern methods of construction
- Build cost inflation overall is around 6% with currency movements impacting materials pricing

Inventories



Strategic Review

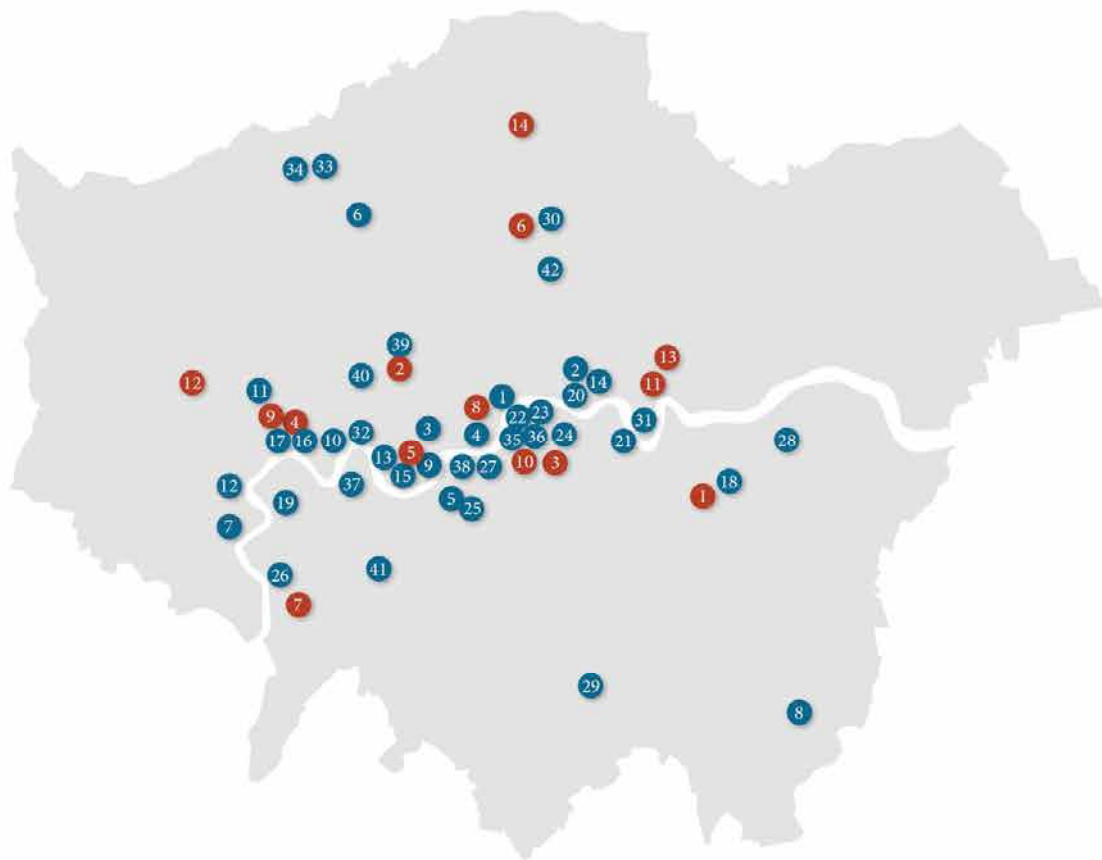
Land and Build Investment – Delivery



	London		South		Total	
Delivery of Developments:						
In construction	42	75%	16	47%	58	74%
Not yet in construction	14	25%	18	53%	32	36%
Total developments	56	100%	34	100%	90	100%
Proportion with planning (by sites)	82%		76%		80%	
Number of plots	38,507	83%	7,844	17%	46,351	100%
Proportion with planning (by plots)	65%		84%		69%	

Strategic Review

Land and Build Investment – Sites in London



LONDON UNDER CONSTRUCTION

- | | |
|---|-------------------------------------|
| 1 190 Strand | 23 One Blackfriars, Southwark |
| 2 250 City Road, City of London | 24 One Tower Bridge |
| 3 375 Kensington High Street & Kensington Row | 25 Prince of Wales Drive, Battersea |
| 4 Abell & Cleland, Westminster | 26 Queenshurst, Kingston |
| 5 Battersea Reach | 27 Riverlight, Battersea |
| 6 Beaufort Park, Hendon | 28 Royal Arsenal Riverside |
| 7 Brewery Wharf, Twickenham | 29 Saffron Square, Croydon |
| 8 Brunswick Square, Orpington | 30 Smithfield Square, Hornsey |
| 9 Chelsea Creek | 31 South Quay Plaza, Docklands |
| 10 Chiswick Gate | 32 Sovereign Court, Hammersmith |
| 11 Dickens Yard, Ealing | 33 St Josephs, Mill Hill |
| 12 Fitzroy Gate, Isleworth | 34 Stanmore Place, Harrow |
| 13 Fulham Reach, Hammersmith | 35 The Corniche, Albert Embankment |
| 14 Goodman's Fields, Aldgate | 36 The Dumont, Albert Embankment |
| 15 Hurlingham Gate & Walk, Fulham | 37 The Villas, Barnes |
| 16 Kew Bridge Road, Brentford | 38 Vista, Battersea |
| 17 Kew Bridge West, Brentford | 39 West End Green, Paddington |
| 18 Kidbrooke Village | 40 White City |
| 19 Latchmere House, Richmond | 41 Wimbledon Hill Park |
| 20 London Dock, Wapping | 42 Woodberry Park |
| 21 Marine Wharf, Deptford | |
| 22 Merano, Albert Embankment | |

LONDON FUTURE SITES

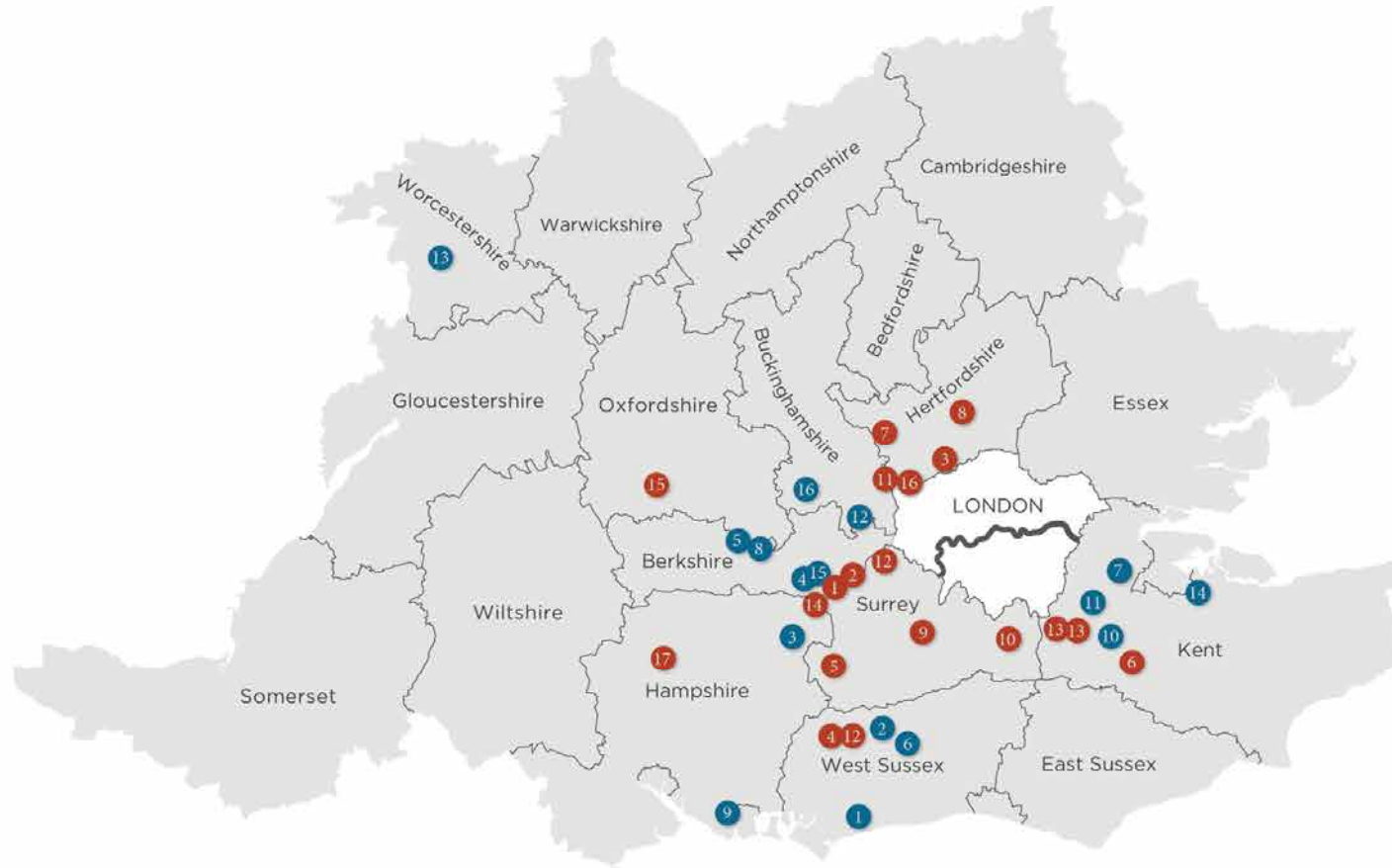
- | | |
|-----------------------------|----------------------------|
| 1 Blackheath | 8 Millbank, Westminster |
| 2 Centre House, Wood Lane* | 9 Northfields* |
| 3 Chambers Wharf, Southwark | 10 Oval Gasworks |
| 4 Filmworks, Ealing* | 11 Poplar Gasworks* |
| 5 Fulham Gasworks | 12 Southall |
| 6 Hornsey Gasworks | 13 Stephenson Street |
| 7 Kingston | 14 Trent Park, Cockfosters |

*New sites contracted for acquisition during the year



Strategic Review

Land and Build Investment – Sites in the South of England



SOUTH OF ENGLAND UNDER CONSTRUCTION

- 1 Bersted Park, North Bersted
- 2 Broadacres, Southwater
- 3 Edenbrook, Fleet
- 4 Eldridge Park, Wokingham
- 5 Green Park Village, Reading
- 6 Highwood, Horsham
- 7 Holborough Lakes
- 8 Kennet Island, Reading
- 9 Royal Clarence Marina, Gosport
- 10 Royal Wells Park, Tunbridge Wells
- 11 Ryewood Meadows, Sevenoaks
- 12 Taplow Riverside
- 13 The Waterside, Royal Worcester
- 14 Victory Pier, Gillingham
- 15 Warfield, Bracknell
- 16 Wye Dene, High Wycombe

SOUTH OF ENGLAND FUTURE SITES

- 1 Ascot
- 2 Ascot Gasworks*
- 3 Borehamwood Gasworks
- 4 Cranleigh*
- 5 Farnham*
- 6 Hawkenbury*
- 7 Hemel Hempstead Gasworks*
- 8 Hertford Gasworks*
- 9 Leatherhead*
- 10 Oxted Gasworks*
- 11 Rickmansworth Gasworks
- 12 Rudgwick*
- 13 Sevenoaks (2 sites)
- 14 Sunningdale Park*
- 15 Wallingford*
- 16 Watford Gasworks
- 17 Winchester

*New sites contracted for acquisition during the year

Strategic Review

Joint Ventures



St Edward

- Joint venture with Prudential
- Five developments in the land holdings

Schemes:

- 190 Strand (opposite)
- Green Park, Reading
- Kensington High Street & Kensington Row
- Stanmore
- Millbank
- Wallingford, Oxfordshire



Strategic Review

Joint Ventures



St William

- Joint venture with National Grid
- Eleven developments in the land holdings

Schemes:

- Prince of Wales Drive, Battersea (opposite)
- Ascot Gasworks
- Borehamwood Gasworks
- Fulham Gasworks
- Hemel Hempstead Gasworks
- Hertford Gasworks
- Hornsey Gasworks
- Oxted Gasworks
- Poplar Gasworks
- Rickmansworth Gasworks
- Watford Gasworks



Strategic Review

Long Term Strategic Plan



Milestone	Shareholder Return		Return Mechanism		
	£/share	Value £'m	Dividends	Buy backs	
To 30 th September 2016	6.34	854.9	854.9	-	
To 30 March 2017	1.00	138.8	117.7	21.1	
By 30 September 2017	1.00	138.8	*	23.3	
Returns – announced	8.34	1,132.5	972.6	44.4	
By 30 September 2018	2.0	277.7			
By 30 September 2019	2.0	277.7			
By 30 September 2020	2.0	277.7			
By 30 September 2021	2.0	277.7			
Returns – to come	8.0	1,110.8			
Shareholder Returns Programme	16.34	2,243.3			

* As of 20 June 2017

Shareholder Returns Programme:

- Payments re-characterised from a value per share per annum to an absolute value per annum from December 2016
- Same quantum of cash to be returned with the absolute value per annum increasing for any new shares issued
- Share buy-backs since December 2016 have totalled £44.4 million across 1.53 million shares (£28.96 per share)
- As announced in February, the next £138.8 million return will be made by 30 September 2017, with £23.3 million already returned via share buy-backs

Shareholder Returns	<ul style="list-style-type: none"> £7.34 per share paid to date £1.00 per share (£138.8 million) announced to be paid by 30 September 2017; of which £23.3 million paid via share buy-backs 	<ul style="list-style-type: none"> Remaining £8.00 per share (£1.1 billion) to be delivered evenly over next 4 years through combination of dividends and share buy-backs
Land Holdings	<ul style="list-style-type: none"> Estimated gross margin of £6.4 billion 	<ul style="list-style-type: none"> Capacity to increase investment in new long-term opportunities
Forward Sales	<ul style="list-style-type: none"> £2.74 billion 	<ul style="list-style-type: none"> Forward sales will normalise towards £2.0 billion
5 Year Profit Before Tax	<ul style="list-style-type: none"> First £0.8 billion delivered in 2016/17 2017/18 profit to be at least equal to 2016/17 	<ul style="list-style-type: none"> Guidance to deliver at least £3.0 billion for five years ending 30 April 2021 Returns to normalise to long-term range (ROE: 20% / OM: 17% - 20%)

Questions

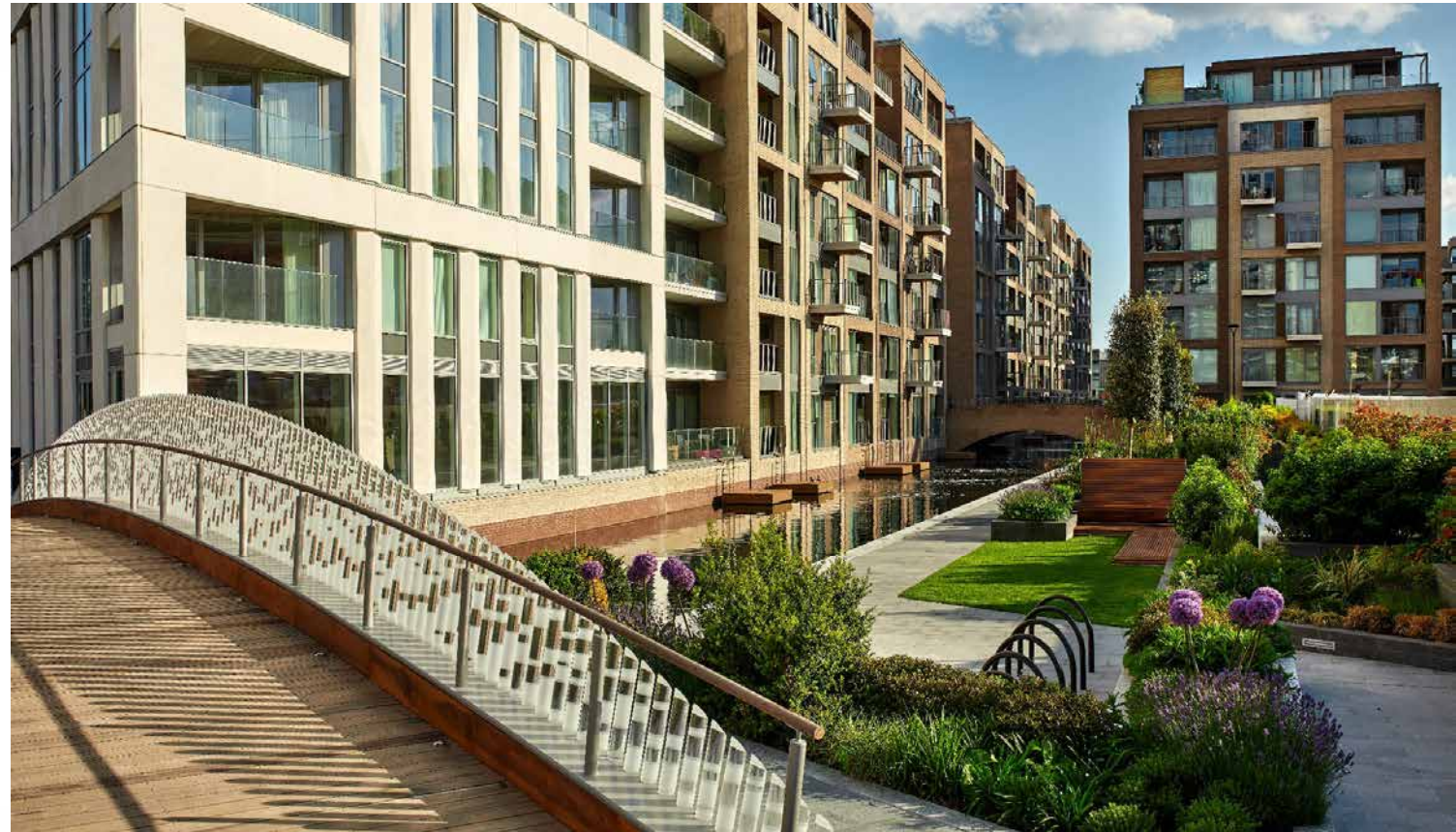


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Questions



Chelsea Creek