
The Berkeley Group Holdings plc

Half Year Results Presentation

Six months ended 31st October 2017

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Fulham Reach

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

- Inventories

- Creditors

- Financing

- Land holdings

Finance Review

Summary of Performance

Six months ended	31 Oct 2017	31 Oct 2016	Change (£)	Change (%)
Profit before tax	£533.3m	£392.7m	+£140.6m	+35.8%
EPS – Basic	316.6p	225.7p	+90.9p	+40.3%
EPS – Diluted	308.2p	209.6p	+98.6p	+47.0%
Operating Margin	31.8%	27.7%	+4.1%	
Return on equity *	46.9%	41.5%		

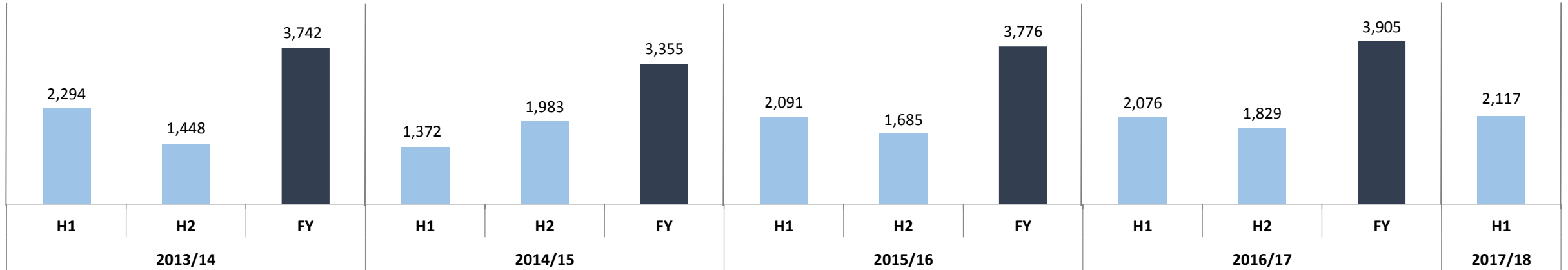
* Return on equity is calculated as profit before tax divided by the average of opening and closing net assets

	Oct 2017	April 2017	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£2,408.6m	£2,136.9m	+£271.7m	+12.7%
Closing net cash	(£632.8m)	(£285.5m)	-£347.3m	
Capital Employed	£1,775.8m	£1,851.4m	-£75.6m	-4.1%
Net asset value per share	1,785p	1,556p	+229p	+14.7%
Total shares in issue – excluding Treasury & EBT shares	135.0m	137.3m	-2.3m	-1.7%
Cash due on forward sales	£2.45bn	£2.74bn	-£0.29bn	-10.6%
Land Holdings				
Plots	45,811	46,351	-540	-1.2%
Gross Margin	£6.0bn	£6.4bn	-£0.4bn	-6.3%

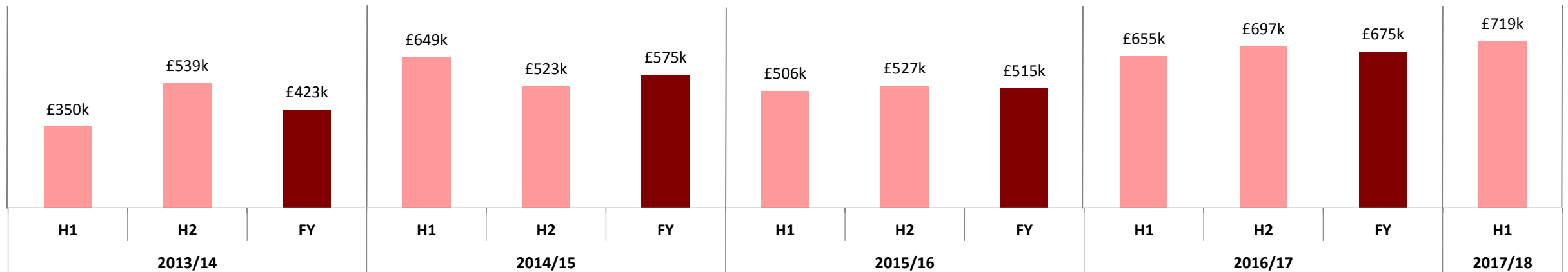
	Vesting Date	No. (million)	Approved by shareholders
Shares in issue at 1 May 2017 excl. Treasury/EBT shares		137.3	
Share buy-backs		(2.7)	September 2011 February 2016
2011 LTIP vesting – tranche 2	September 2017	0.4	
Shares in issue at 1 Nov 2017 excl. Treasury/EBT shares		135.0	
2011 LTIP vestings*	September 2018	0.8	September 2011 February 2016 February 2017
	September 2019	0.8	
	September 2020	0.7	
	September 2021	0.7	
	September 2022	0.6	
	September 2023	0.6	
		139.2	

* Net options vesting is based on an illustrative share price of £37.40 adjusted for the dividend plan. This slide assumes no further share buy-backs.

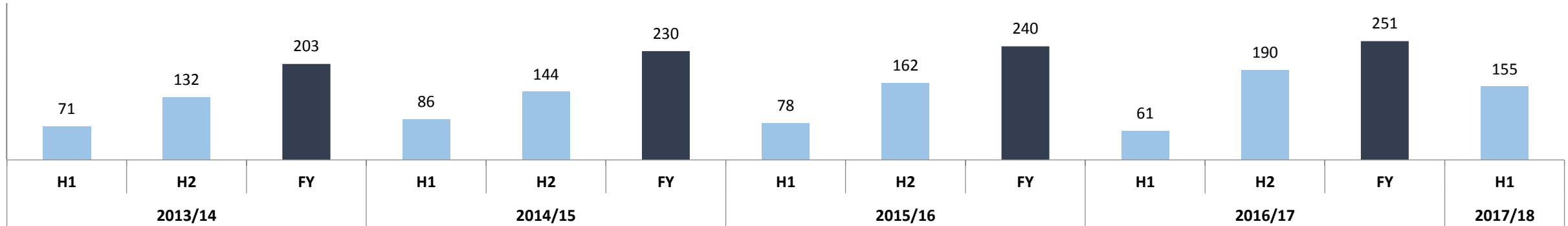
Berkeley Group - Plots



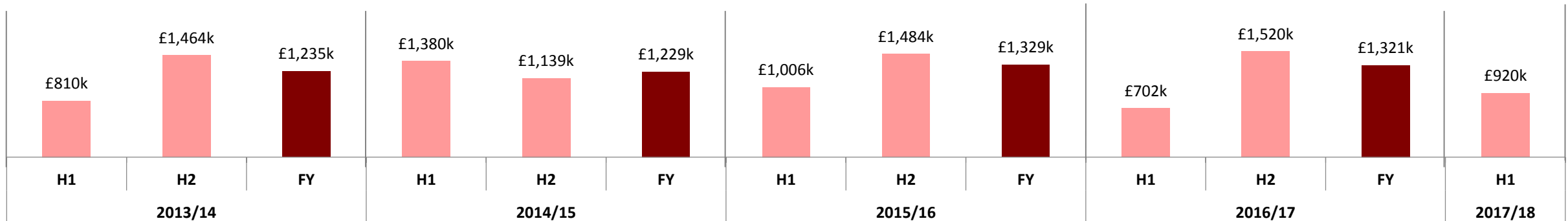
Berkeley Group - Average Selling Price



St Edward - Units



St Edward - Average Selling Price



Finance Review

Income Statement

Six months ended	Oct 2017 £m		Oct 2016 £m		Change £m	Change %
Revenue	1,607.7		1,413.4		+194.3	+13.8%
Gross profit	590.4	36.7%	503.6	35.6%	+86.8	+17.2%
Operating expenses	(79.6)	5.0%	(112.2)	7.9%	+32.6	-29.1%
Operating profit	510.8	31.8%	391.4	27.7%	+119.4	+30.5%
Net finance costs	(2.1)		(3.2)		+1.1	
Share of Joint Venture results	24.6		4.5		+20.1	
Profit before tax	533.3		392.7		+140.6	+35.8%
Tax	(100.3)	18.8%	(82.2)	20.9%	-18.1	
Profit after tax	433.0		310.5		+122.5	+39.5%

Finance Review

Abridged Cash Flow



Six months ended		October 2017 £m		October 2016 £m
Profit before tax		533.3		392.7
Decrease / (increase) in inventory	271.5		(90.1)	
Decrease in customer deposits	(91.9)		(69.0)	
Other working capital movements	(72.2)		40.3	
Net reduction / (investment) in working capital		107.4		(118.8)
Share buy-backs (post Brexit)		-		(20.1)
Net (investment in) / receipts from joint ventures		(30.1)		32.5
Tax paid		(100.2)		(62.2)
Other movements		0.1		13.4
Cash inflow before shareholder returns		510.5		237.5
Shareholder returns - share buy-backs		(92.8)		-
Shareholder returns - dividends		(70.4)		(137.0)
Increase in net cash		347.3		100.5
Opening net cash		285.5		107.4
Closing net cash		632.8		207.9

Finance Review

Abridged Balance Sheet

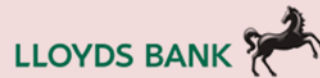
	October 2017 £m	Movements £m	April 2017 £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	165.1	+30.1	135.0
- Deferred tax assets	52.1	-7.3	59.4
- Property, plant and equipment	25.7	+2.9	22.8
Total non-current assets	260.1	+25.7	234.4
Inventories	3,211.9	-271.5	3,483.4
Debtors	185.7	-43.8	229.5
Creditors and provisions	(1,881.9)	+214.0	(2,095.9)
Capital employed	1,775.8	-75.6	1,851.4
Net cash	632.8	+347.3	285.5
Net assets	2,408.6	+271.7	2,136.9
Net asset value per share	1,785p	+229p	1,556p

	October 2017 £m	Movements £m	April 2017 £m
Land not under development	397.3	-16.8	414.1
Work in progress: Land cost	765.4	-153.6	919.0
	1,162.7	-170.4	1,333.1
Work in progress: Build cost	1,945.1	-117.6	2,062.7
Completed units	104.1	+16.5	87.6
Inventories	3,211.9	-271.5	3,483.4

	October 2017 £m	Movements £m	April 2017 £m
Trade creditors and accruals	681.2	-79.4	760.6
Provision for liabilities	93.2	-6.7	99.9
Deposits and on account receipts	883.0	-91.9	974.9
Land creditors	117.0	-25.9	142.9
Current tax liability	107.5	-10.1	117.6
Total liabilities before borrowings	1,881.9	-214.0	2,095.9
Borrowings	300.0	-	300.0
Total liabilities	2,181.9	-214.0	2,395.9
<u>Land Creditors</u>			
Land creditors < 12 months	48.3	-25.4	73.7
Land creditors > 12 months	68.7	-0.5	69.2
Total	117.0	-25.9	142.9

Banking Facilities

Amount:	£750 million
Term:	£300 million (drawn at 31 October 2017)
RCF:	£450 million (undrawn at 31 October 2017)
Maturity:	November 2022 (with one remaining optional extension to November 2023)
Margin, utilisation and commitment fees:	Market rates



	October 2017	Variance	April 2017
Owned	32,916	-855	33,771
Contracted	12,895	+315	12,580
Plots	45,811	-540	46,351
Sales value	£21.3bn	-£0.5bn	£21.8bn
Average selling price (ASP)*	£515k	-£5k	£520k
Average plot cost	£61k	-£1k	£62k
Land cost %	13.2%	-	13.2%
Gross margin	£6.0bn	-£0.4bn	£6.4bn
GM%	28.5%	-0.8%	29.3%

* ASP reflects joint venture revenue at 100%

Rob Perrins

Chief Executive

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

Highlights

- Pre-tax profit up 36% to £533 million
- Net assets of £2.4 billion and net cash of £633 million
- £347 million of cash generated in the period after shareholder returns of £163 million
- Cash due on forward sales of £2.45 billion
- Future gross margin in the land holdings of £6.0 billion

Key messages

- Strong results reflect decisions taken after the 2008 financial crisis to acquire land and obtain planning consents at the right time in the cycle
- Business plan visibility underpins updated £3.3 billion 5-year target ending 30 April 2021
- Cautious approach to land investment in the first half of 2017/18 given the macro uncertainty

Macro back-drop and market fundamentals

Global Political and Economic Instability

UK Political Backdrop

- Unstable political environment and uncertain economic outlook
- Uncertainty impacts confidence and sentiment which is essential to a thriving housing market and leads to lower investment levels
- Government support for housebuilding
- Inefficient planning environment
- London Plan – revised target of 66,000 yet new starts currently below 25,000
- SDLT – constraint on social mobility and transaction levels which, in London, are down 18% since last year

Market Fundamentals

- London is and will remain a World City
- Exchange rate continues to be relatively favourable for overseas customers
- There is a shortfall of good quality new housing in London and the South East
- Fundamentally low interest rates with good mortgage availability and robust underlying demand, albeit with subdued UK investor appetite
- New starts remain more than 30% down on 2015
- Supply constrained with high barriers to entry for small developers and new entrants

Sales

- Three new development launches in the period have gone well (White City, Eldridge Park in Wokingham and St William's Elmswater in Rickmansworth)
- Annualised run rate for private reservations up more than 20% on last year and 10% below 2015/16, in line with business plan requirements.
- Investor mix reflects the impact of taxation policy on UK investors and currency devaluation on international customers
- Continue to sell at or above our business plan prices

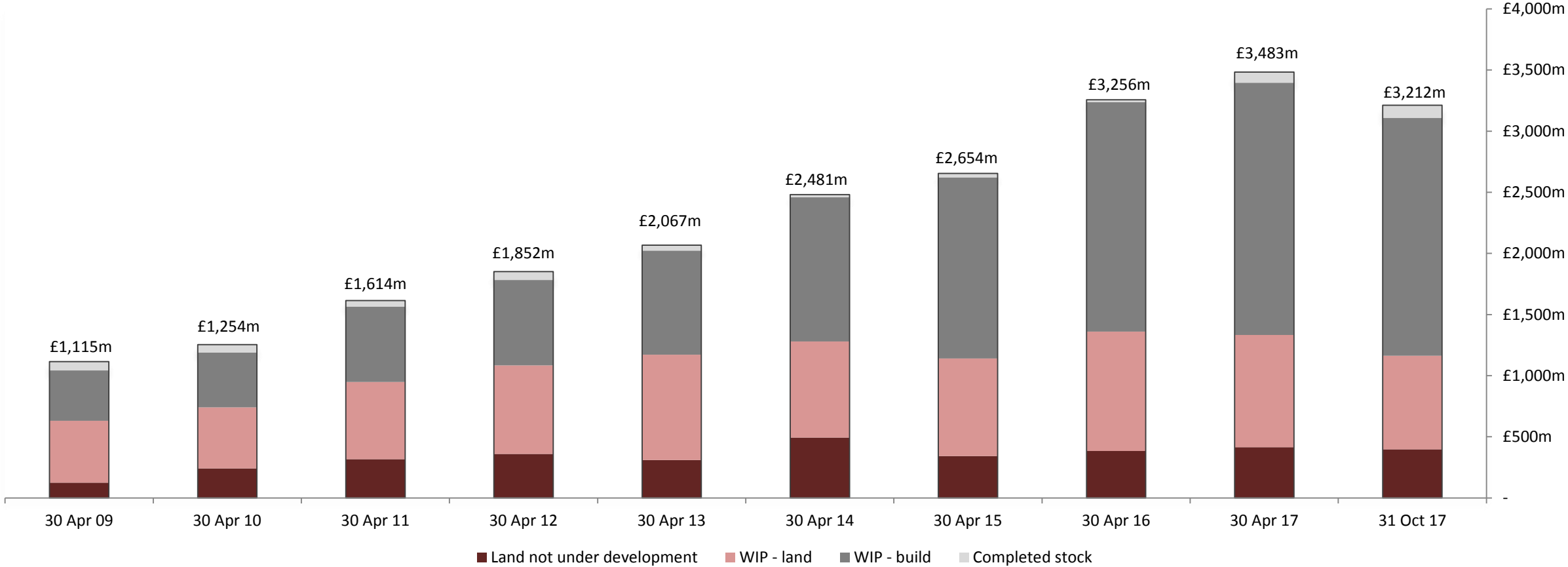
Land and Planning

- Focus on long-term, complex regeneration sites to which we can add value over time and St William pipeline
- Cautious investment in the period, with five sites added to the land bank including two in St Joseph
- Two new consents obtained, with in excess of 20 revisions to existing consents
- Getting on site once planning secured remains challenging

Build

- Skills shortage
- Build cost inflation is steady at 5% per annum
- Site acquired for modular construction factory

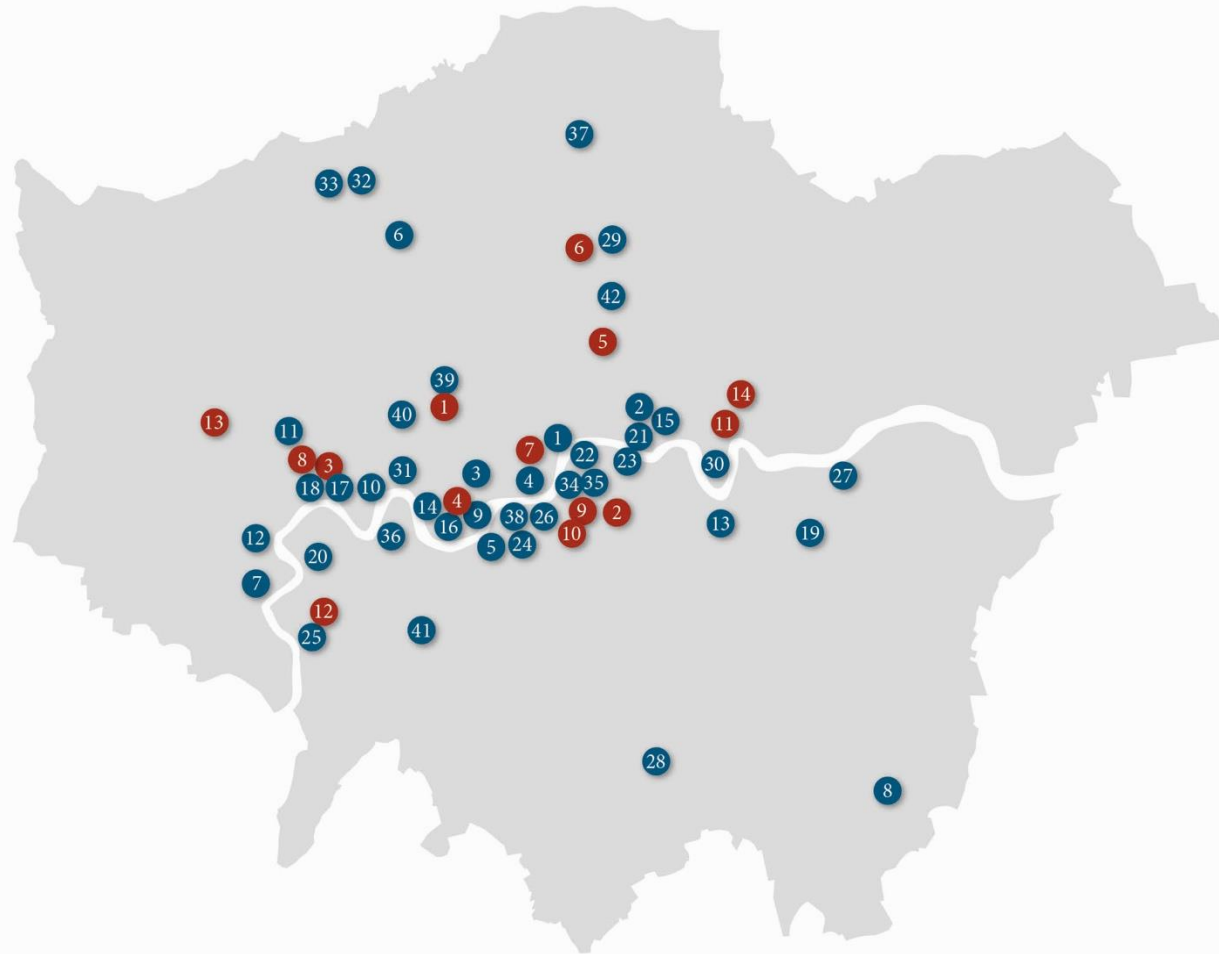
Inventories



	London		South		Total	
Delivery of Developments:						
In construction	42	75%	18	50%	60	65%
Not yet in construction	14	25%	18	50%	32	35%
Total developments	56	100%	36	100%	92	100%
Proportion with planning (by sites)	80%		75%		78%	
Number of plots	37,547	82%	8,264	18%	45,811	100%
Proportion with planning (by plots)	67%		75%		69%	

Land and build investment

Sites in London



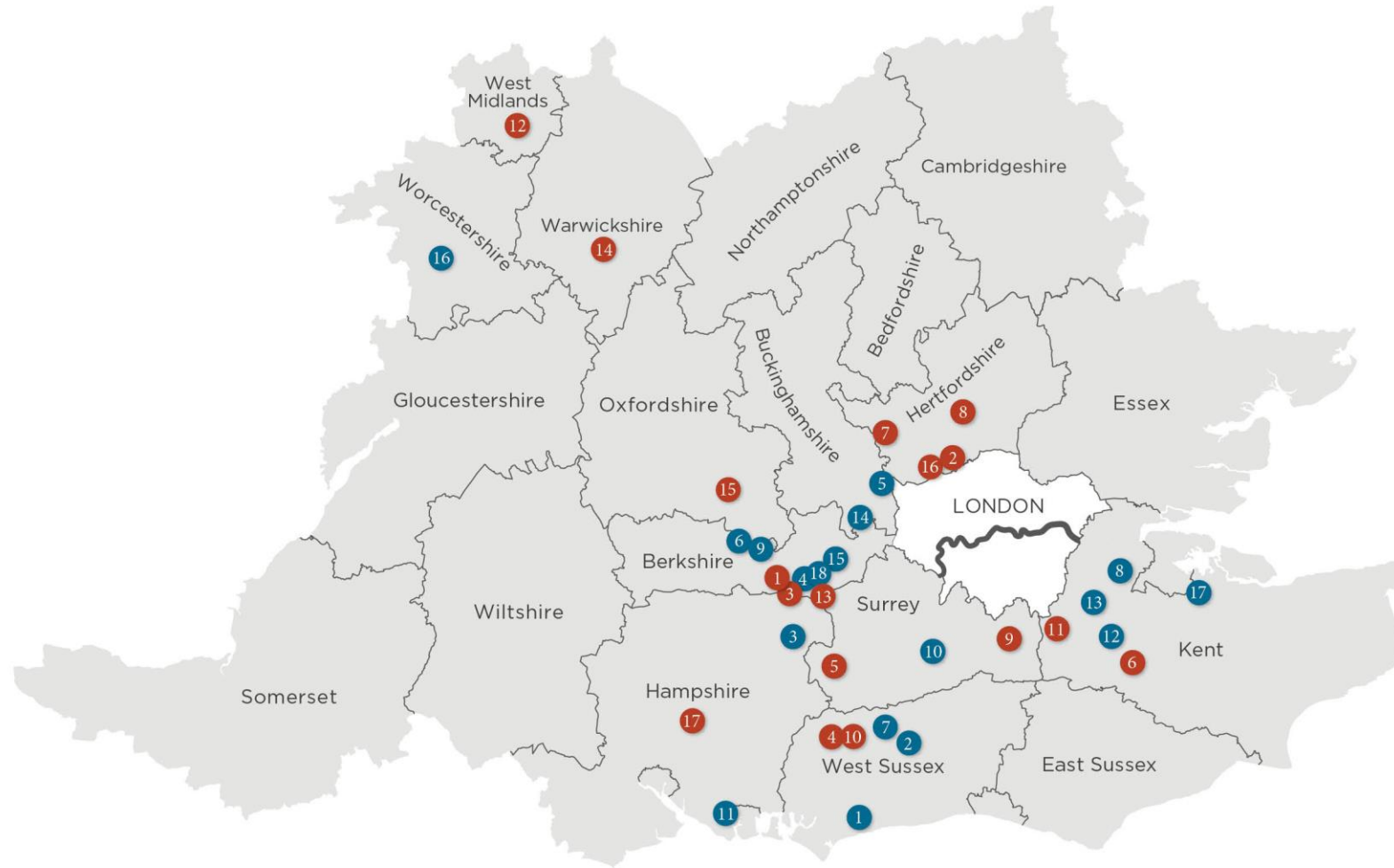
LONDON UNDER CONSTRUCTION

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

LONDON FUTURE SITES

- 1 Centre House, Wood Lane
- 2 Chambers Wharf, Southwark
- 3 Filmworks, Ealing
- 4 Fulham Gasworks
- 5 Highbury*
- 6 Hornsey Gasworks
- 7 Millbank, Westminster
- 8 Northfields
- 9 Oval Gasworks
- 10 Oval*
- 11 Poplar Gasworks
- 12 Royal Exchange, Kingston
- 13 Southall Gas Works
- 14 Stephenson Street

*New sites contracted for acquisition during the period



SOUTH OF ENGLAND UNDER CONSTRUCTION

- | | |
|-------------------------------|--------------------------------------|
| 1 Bersted Park, North Bersted | 10 Pachesham, Leatherhead |
| 2 Broadacres, Southwater | 11 Royal Clarence Marina, Gosport |
| 3 Edenbrook, Fleet | 12 Royal Wells Park, Tunbridge Wells |
| 4 Eldridge Park, Wokingham | 13 Ryewood Meadows, Sevenoaks |
| 5 Elmswater, Rickmansworth | 14 Taplow Riverside |
| 6 Green Park Village, Reading | 15 The Brackens, Ascot |
| 7 Highwood, Horsham | 16 The Waterside, Royal Worcester |
| 8 Holborough Lakes | 17 Victory Pier, Gillingham |
| 9 Kennet Island, Reading | 18 Warfield, Bracknell |

SOUTH OF ENGLAND FUTURE SITES

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

*New sites contracted for acquisition during the period

St Edward

- Joint venture with Prudential
- Six developments in the land holdings (2,019 units)

Developments:

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



St William

- Joint venture with National Grid
- Twelve developments in the land holdings (6,494 plots)

Developments:

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



Milestone	Paid or announced		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
To 30 September 2017	8.34	1,132.6	-	-	8.34	1,132.6
By 31 March 2018	1.00	139.2	-	-	1.00	139.2
Returns - announced	9.34	1,271.8	-	-	9.34	1,271.8
By 30 September 2018	-	-	1.00	139.2	1.00	139.2
By 30 September 2019	-	-	2.00	278.4	2.00	278.4
By 30 September 2020	-	-	2.00	278.4	2.00	278.4
By 30 September 2021	-	-	2.00	278.4	2.00	278.4
	9.34	1,271.8	7.00	974.4	16.34	2,246.2

Shareholder Returns Programme:

- Since amendment to the Shareholder Returns Programme a year ago, Berkeley has returned £137.2m via share buy-backs acquiring 4.23 million shares
- Remaining £7.00 per share to be made through a combination of share buy-backs and dividends, not solely dividends
- 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
- New remuneration policy agreed at EGM to introduce annual caps on Executive Remuneration, materially reducing the future value vesting under the 2011 LTIP

	Performance	Guidance
Shareholder Returns	<ul style="list-style-type: none"> £8.34 per share returned to date £1.00 per share (£139.2m) announced to be returned by 31 March 2018 Effective annual return now £2.06 per share 	<ul style="list-style-type: none"> Remaining £7.00 per share converted to absolute value and to be made through mix of dividends and share buy-backs £47.5 million of share buy-backs made towards March 2018 return
Land Holdings	<ul style="list-style-type: none"> Estimated gross margin of £6.0 billion 	<ul style="list-style-type: none"> Cautious current investment strategy but capacity to invest significantly in right long-term opportunities
Forward Sales	<ul style="list-style-type: none"> £2.45 billion 	<ul style="list-style-type: none"> Forward sales will continue to moderate towards £2.0 billion as customers purchase later in the cycle in normal market conditions
5 Year PBT	<ul style="list-style-type: none"> £0.8 billion delivered for 2016/17 £0.5 billion delivered in first half of 2017/18 	<ul style="list-style-type: none"> Updated guidance to deliver at least £3.3 billion for five years ending 30 April 2021 £1.5 billion to be delivered in two years ending 30 April 2019 (approximately 60% weighted to the current financial year) Returns to normalise to long-term range (ROE: 20% / OM: 17% - 20%)

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Questions

One Tower Bridge

