
The Berkeley Group Holdings plc

Full Year Results Presentation

Year ended 30th April 2018

20th June 2018

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Chiswick Gate

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

Year ended	30 Apr 2018	30 Apr 2017	Change (£)	Change (%)
Profit before tax	£934.9m	£812.4m	+£122.5m	+15.1%
EPS – Basic	562.7p	467.8p	+94.9p	+20.3%
EPS – Diluted	550.2p	451.4p	+98.8p	+21.9%
Operating Margin	28.8%	27.8%		
Return on equity *	39.3%	41.1%		

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

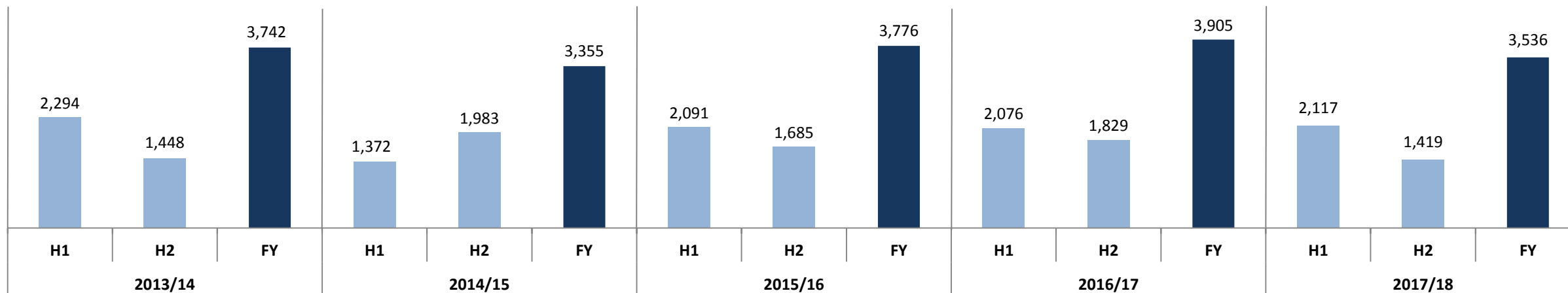
	April 2018	April 2017	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£2,620.0m	£2,136.9m	+\$483.1m	+22.6%
Closing net cash	(£687.3m)	(£285.5m)	+\$401.8m	
Capital Employed	£1,932.7m	£1,851.4m	+\$81.3m	+4.4%
Net asset value per share	1,959p	1,556p	+403p	+25.9%
Total shares in issue – excluding Treasury & EBT shares	133.7m	137.3m	-3.6m	-2.6%
Cash due on forward sales	£2.19bn	£2.74bn	-\$0.55bn	-20.1%
Land Holdings				
Plots	46,867	46,351	+516	+1.1%
Gross Margin	£6.0bn	£6.4bn	-\$0.4bn	-6.3%

	Vesting Date	No. (million)	No. (million) – adjusted **
Shares in issue at 1 May 2017 (net of Treasury and EBT shares)		137.3	
Share buy-backs		(4.0)	
2011 LTIP vestings – Tranche 2	September 2017	0.4	
Shares in issue at 1 May 2018		133.7	133.7
2011 LTIP vestings *	September 2018	0.7	0.4
	September 2019	0.7	0.4
	September 2020	0.7	0.4
	September 2021	0.7	0.4
	September 2022	0.6	0.3
	September 2023	0.6	0.3
		137.7	135.9

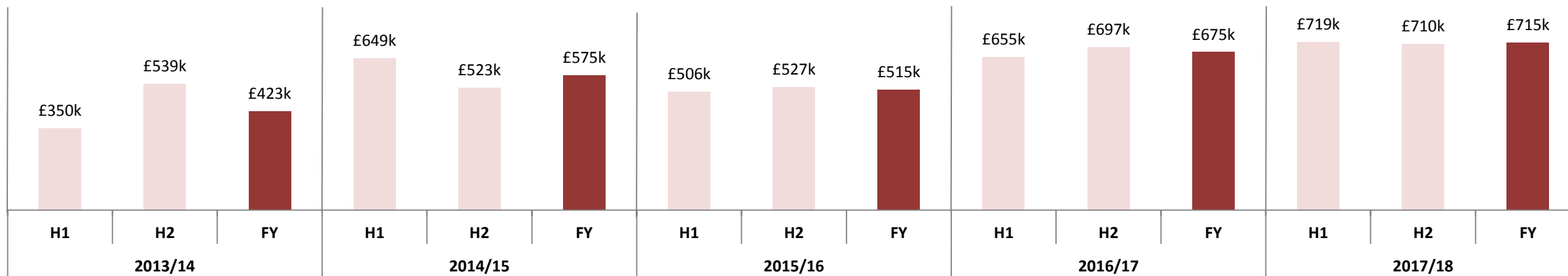
* Net options vesting is based on an illustrative share price of £40.72. This slide assumes no further share buy backs.

** Number of shares to be issued if 2011 LTIP participants' PAYE and NIC is cash settled by the Company.

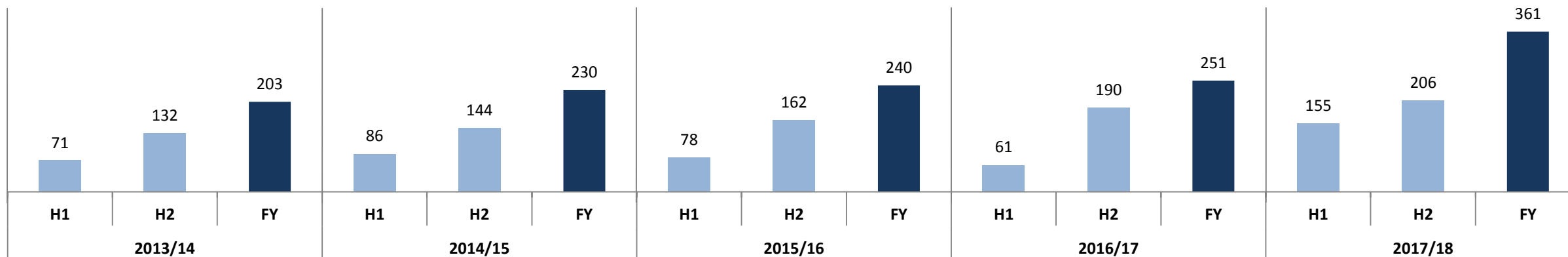
Homes



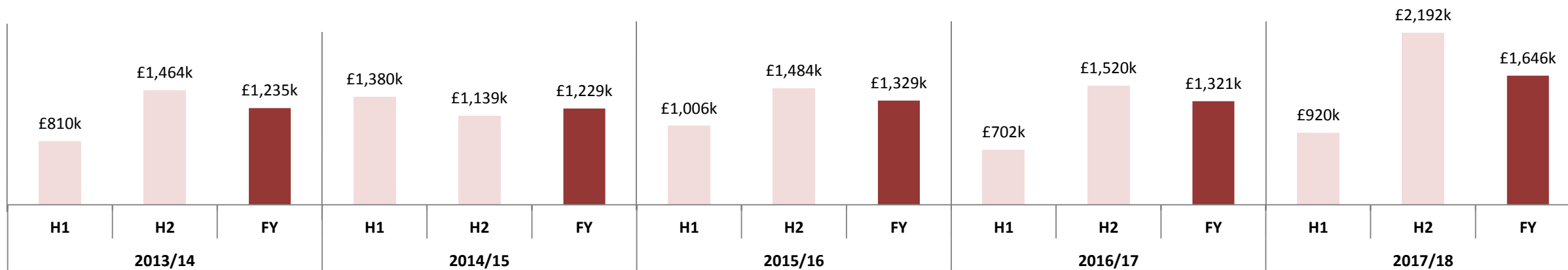
Average Selling Price



Homes



Average Selling Price



Finance Review

Income Statement



Year ended	Apr 2018 £m		Apr 2017 £m		Change £m	Change %
Revenue	2,703.7		2,723.5		-19.8	-0.7%
Gross profit	946.1	35.0%	939.8	34.5%	+6.3	+0.7%
Operating expenses	(166.5)	6.2%	(183.6)	6.7%	+17.1	+9.3%
Operating profit	779.6	28.8%	756.2	27.8%	+23.4	+3.1%
Net finance costs	(2.7)		(7.6)		+4.9	
Share of results of Joint Ventures	158.0		63.8		+94.2	
Profit before tax	934.9	34.6%	812.4	29.8%	+122.5	+15.1%
Tax	(172.8)	18.5%	(167.3)	20.6%	-5.5	
Profit after tax	762.1		645.1		+117.0	+18.1%
EPS – Basic	562.7p		467.8p		+94.9p	+20.3%

Finance Review

Abridged Cash Flow

Year ended		April 2018 £m		April 2017 £m
Profit before tax		934.9		812.4
Decrease / (increase) in inventory	243.5		(227.3)	
Decrease in customer deposits	(79.9)		(130.9)	
Other working capital movements	2.7		125.1	
Net reduction / (investment) in working capital		166.3		(233.1)
Net (investment in) / receipts from joint ventures		(180.0)		15.0
Tax paid		(238.0)		(115.6)
Other movements		5.7		18.5
Cash inflow before share buy-backs and dividends		688.9		497.2
Shareholder returns - share buy-backs		(140.4)		(64.5)
Shareholder returns - dividends		(146.7)		(254.6)
Increase in net cash		401.8		178.1
Opening net cash		285.5		107.4
Closing net cash		687.3		285.5

Finance Review

Abridged Balance Sheet



	April 2018 £m	Movements £m	April 2017 £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in JVs	315.0	+180.0	135.0
- Deferred tax assets	58.9	-0.5	59.4
- Property, plant and equipment	25.9	+3.1	22.8
Total non-current assets	417.0	+182.6	234.4
Inventories	3,239.9	-243.5	3,483.4
Debtors	132.3	-97.2	229.5
Creditors and provisions	(1,856.5)	+239.4	(2,095.9)
Capital employed	1,932.7	+81.3	1,851.4
Net cash	687.3	+401.8	285.5
Net assets	2,620.0	+483.1	2,136.9
Net asset value per share	1,959p	+403p	1,556p

	April 2018 £m	Movements £m	April 2017 £m
Land not under development	337.7	-76.4	414.1
Work in progress: Land cost	728.7	-190.3	919.0
	1,066.4	-266.7	1,333.1
Work in progress: Build cost	2,051.1	-11.6	2,062.7
Completed units	122.4	+34.8	87.6
Inventories	3,239.9	-243.5	3,483.4

	April 2018 £m	Movements £m	April 2017 £m
Trade creditors and accruals	727.2	-33.4	760.6
Provision for liabilities	81.8	-18.1	99.9
Deposits and on account receipts	895.0	-79.9	974.9
Land creditors	105.2	-37.7	142.9
Current tax liability	47.3	-70.3	117.6
Total liabilities before borrowings	1,856.5	-239.4	2,095.9
Borrowings	300.0	-	300.0
Total liabilities	2,156.5	-239.4	2,395.9
<u>Land Creditors</u>			
Land creditors < 12 months	42.6	-31.1	73.7
Land creditors > 12 months	62.6	-6.6	69.2
Total	105.2	-37.7	142.9

Banking Facilities

Amount:	£750 million
Term:	£300 million
RCF:	£450 million
Maturity:	November 2022 (with optional extension to November 2023)
Margin, utilisation and commitment fees:	Market rates



	April 2018	Variance	April 2017
Owned	32,921	-850	33,771
Contracted	13,946	+1,366	12,580
Plots	46,867	+516	46,351
Sales value	£21.3bn	-£0.5bn	£21.8bn
Average selling price (ASP)*	£507k	-£13k	£520k
Average plot cost	£61k	-£1k	£62k
Land cost %	13.3%	+0.1%	13.2%
Gross margin	£6.0bn	-£0.4bn	£6.4bn
GM%	28.2%	-1.1%	29.3%

* ASP reflects joint venture revenue at 100%

Rob Perrins

Chief Executive

- Results
- Macro Environment – uncertainty balanced with opportunity
- The Market
- Land and Build Investment
- Joint ventures
- Long term strategic plan
- Guidance

Macro Environment – uncertainty balanced with opportunity (1)

Macro uncertainty

- Evolving planning environment through changes to the NPPF and London Plan
- Land is slow to come forward for development
 - High demands from Affordable Housing, S.106 and CIL
 - Infrastructure and Utilities
 - Under-resourced Local Authority planning departments
- Stamp Duty constraining London Market
 - Overall market transactions (including second hand) down 19% in two years
 - New housing starts in London down 30% since 2015
- 3% second home charge and mortgage interest deductibility
- Mortgage regulation on income multiples and offer periods
- The Letwin Review
- Hackitt Review
- Brexit

Macro Environment – uncertainty balanced with opportunity (2)

Opportunity

- Under-supply
- High barriers to entry
 - Small developers cannot compete due to funding, complexity and risk
 - Large developers are also leaving or scaling back operations
 - Berkeley has the necessary financial resources and expertise
- London is a fantastic world-class city with unique and enduring attributes
- Good value for those able to look beyond short term volatility
- Central Government and GLA will to increase delivery requires the right conditions for growth
- Opportunities for Berkeley outside London

Sales

- New development launches in the year (in London at White City, Ealing Filmworks and Millbank)
- Run rate for private reservations up 12% on last year - steady not spectacular
- Customer mix reflects taxation changes and other macro factors
- Continue to sell at or above our business plan prices

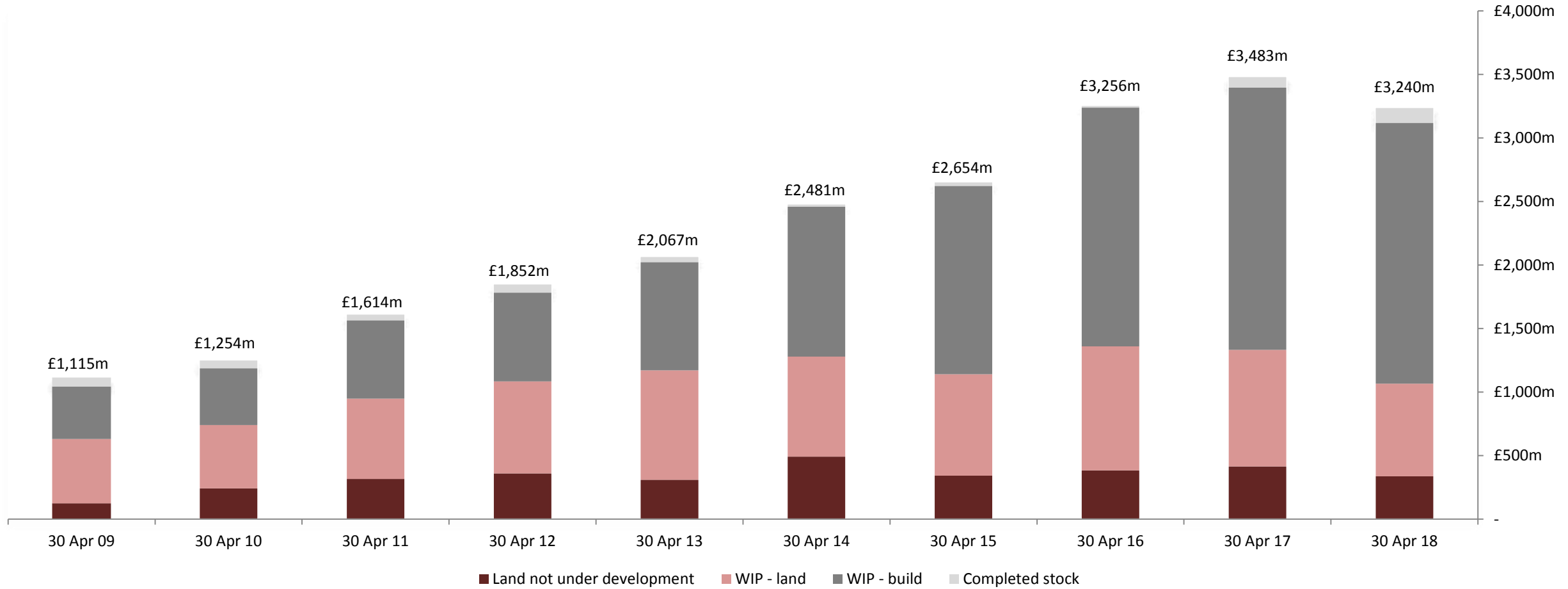
Land and Planning

- Focus on long term, complex regeneration sites to which we can add value over time and St William pipeline
- Twelve new sites added to the land bank, including four in London acquired on conditional terms and eight outside the Capital
- Eight new consents obtained, with a significant number of revisions to existing consents
- Getting on site once planning secured remains challenging

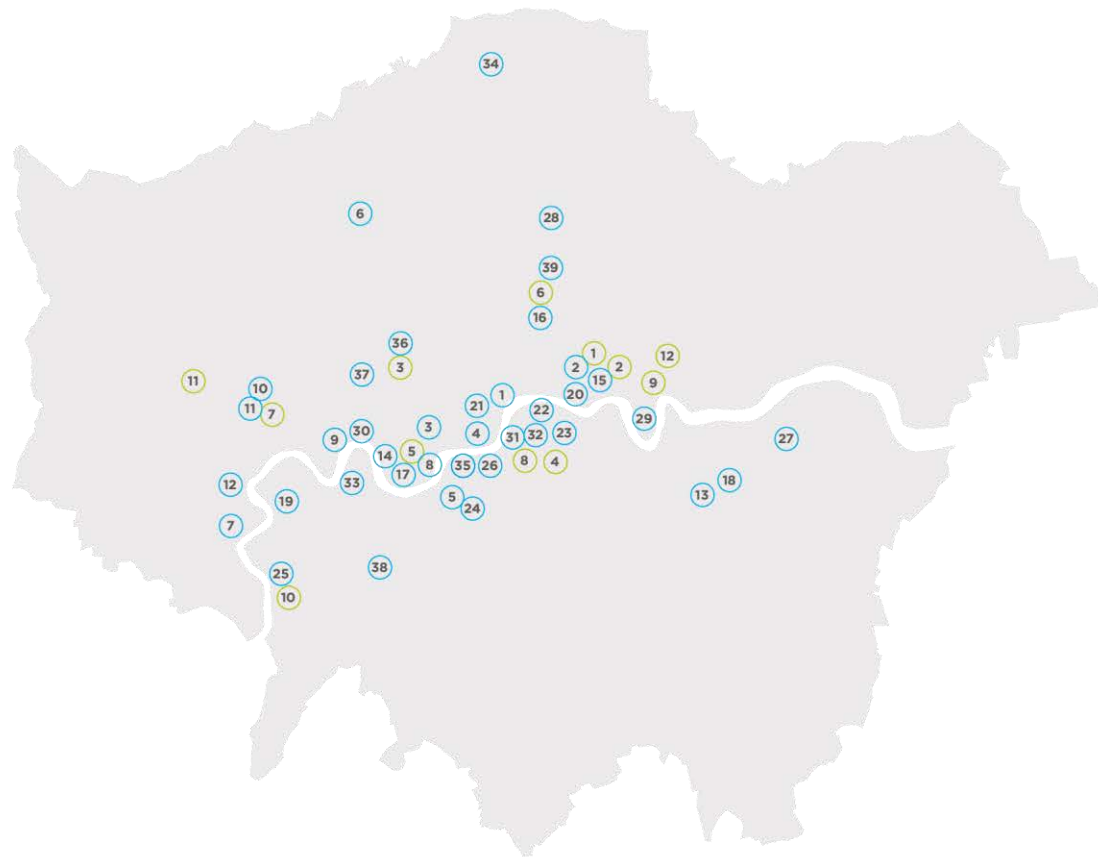
Build

- Skills shortage remains and uncertainty around future EU skilled labour
- Build cost inflation is between 4% and 5% per annum
- Site acquired for modular construction factory, planning permission granted and construction commenced

Inventories



	London		Out of London		Total	
Delivery of Developments:						
In construction	39	75%	23	56%	62	67%
Not yet in construction	13	25%	18	44%	31	33%
Total developments	52	100%	41	100%	93	100%
Proportion with planning (by sites)	81%		83%		82%	
Number of plots	38,073	81%	8,794	19%	46,867	100%
Proportion with planning (by plots)	67%		83%		70%	



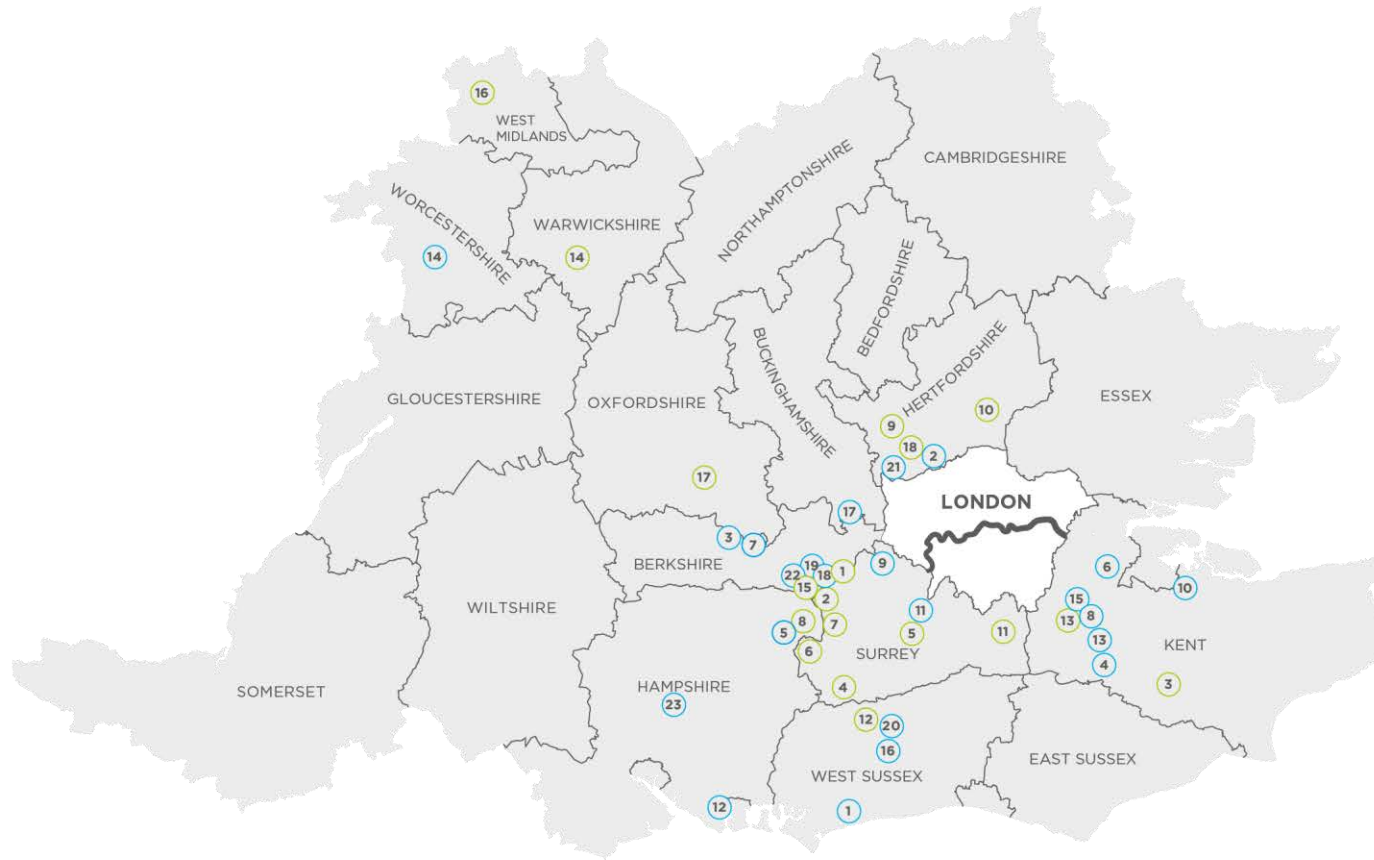
LONDON UNDER CONSTRUCTION

- ① 190 Strand
- ② 250 City Road, City of London
- ③ 375 Kensington High Street & Kensington Row
- ④ Abell & Cleland, Westminster
- ⑤ Battersea Reach
- ⑥ Beaufort Park, Hendon
- ⑦ Brewery Wharf, Twickenham
- ⑧ Chelsea Creek
- ⑨ Chiswick Gate
- ⑩ Dickens Yard, Ealing
- ⑪ Filmworks, Ealing
- ⑫ Fitzroy Gate, Isleworth
- ⑬ Forbury, Blackheath
- ⑭ Fulham Reach, Hammersmith
- ⑮ Goodman's Fields, Aldgate
- ⑯ Highbury*
- ⑰ Hurlingham Gate, Fulham
- ⑱ Kidbrooke Village
- ⑲ Latchmere House, Richmond
- ⑳ London Dock, Wapping
- ㉑ Millbank, Westminster
- 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 Smithfield Square, Hornsey
- ㉙ South Quay Plaza, Docklands
- ㉚ Sovereign Court, Hammersmith
- ㉛ The Corniche, Albert Embankment
- ㉜ The Dumont, Albert Embankment
- ㉝ The Villas, Barnes
- ㉞ Trent Park, Cockfosters
- ㉟ Vista, Battersea
- ㊱ West End Gate, Paddington
- ㊲ White City
- ㊳ Wimbledon Hill Park
- ㊴ Woodberry Down, Finsbury

LONDON FUTURE SITES

- ① Bethnal Green*
- ② Bow Common*
- ③ Centre House, Wood Lane
- ④ Chambers Wharf, Southwark
- ⑤ Fulham
- ⑥ Clarendon
- ⑦ Northfields
- ⑧ Oval* (two sites)
- ⑨ Poplar
- ⑩ Royal Exchange, Kingston
- ⑪ Southall
- ⑫ Stephenson Street

*New sites contracted for acquisition during the year



OUT OF LONDON UNDER CONSTRUCTION

- ① Bersted Park
- ② Fairwood Place, Borehamwood
- ③ Green Park Village, Reading
- ④ Hawkenbury
- ⑤ Edenbrook Village, Fleet
- ⑥ Holborough Lakes
- ⑦ Kennet Island, Reading
- ⑧ London Road, Sevenoaks
- ⑨ London Road, Staines*
- ⑩ Victory Pier, Gillingham
- ⑪ Padesham, Leatherhead
- ⑫ Royal Clarence Marina, Gosport

- ⑬ Royal Wells Park, Tunbridge Wells
- ⑭ The Waterside, Royal Worcester
- ⑮ Ryewood Meadows, Sevenoaks
- ⑯ Broadacres, Southwater
- ⑰ Taplow Riverside
- ⑱ The Brackens, Ascot
- ⑲ Warfield, Bracknell
- ⑳ Highwood, Horsham
- ㉑ Elmswater, Rickmansworth
- ㉒ Eldridge Park, Wokingham
- ㉓ Winchester

OUT OF LONDON FUTURE SITES

- ① Ascot
- ② Camberley*
- ③ Cranbrook*
- ④ Cranleigh
- ⑤ Effingham*
- ⑥ Farnham
- ⑦ Frimley Green*
- ⑧ Grove Farm, Fleet*
- ⑨ Hemel Hempstead
- ⑩ Hertford
- ⑪ Oxted
- ⑫ Rudgwick
- ⑬ Sevenoaks
- ⑭ Stratford-Upon-Avon*
- ⑮ Sunningdale Park
- ⑯ Snow Hill Wharf, Birmingham*
- ⑰ Wallingford
- ⑱ Watford

*New sites contracted for acquisition during the year

St Edward

- Joint venture with Prudential
- Five developments in the land holdings (1,835 units)

Schemes:

- 190 Strand
- Green Park Village, Reading (Opposite)
- 375 Kensington High Street, Kensington Row & Royal Warwick Square
- Millbank
- Wallingford, Oxfordshire



St William

- Joint venture with National Grid
- Fourteen developments in the land holdings (7,900 units)

Schemes:

- | | |
|------------------------------------|-----------------|
| ▪ Prince of Wales Drive, Battersea | ▪ Highbury |
| ▪ Clarendon | ▪ Bow Common |
| ▪ Borehamwood | ▪ Bethnal Green |
| ▪ Fulham | |
| ▪ Hemel Hempstead | |
| ▪ Hertford | |
| ▪ Ascot | |
| ▪ Oxted | |
| ▪ Poplar | |
| ▪ Rickmansworth (Opposite) | |
| ▪ Watford | |



Chief Executive's Review

Long Term Strategic Plan

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
To 31 March 2018	1.34	139.2	-	-	1.00	139.2
By 30 September 2018	1.00	139.2	-	-	1.00	139.2
Returns - announced	10.34	1,411.0	-	-	10.34	1,411.0
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
	10.34	1,411.0	6.00	835.2	16.34	2,246.2

(*) Shareholder Return per share expressed illustratively, prior to any share buy-backs. The effective annual per share Return today is £2.08 as a result of share buy-backs since December 2016.

Shareholder Returns Programme:

- Since amendment to the Shareholder Returns Programme a year ago, Berkeley has returned £184.8m via share buy-backs acquiring 5.5 million shares
- Remaining £6.00 per share to be made through a combination of share buy-backs and 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"> £9.34 per share returned to date £1.00 per share (£139.2 million) announced to be returned by 30 September 2018 Effective annual return now £2.08 per share 	<ul style="list-style-type: none"> Remaining £6.00 per share (absolute value: £835.2 million) to be made through mix of dividends and share buy-backs £32.2 million of share buy-backs made towards September 2018 return
Land Holdings	<ul style="list-style-type: none"> Estimated gross margin of £6.0 billion 	<ul style="list-style-type: none"> Cautious investment strategy but capacity to invest significantly in right long-term opportunities
Forward Sales	<ul style="list-style-type: none"> £2.2 billion 	<ul style="list-style-type: none"> Moderation as revenue reduces and customers purchase later in the cycle in normal market conditions
5 Year Profit Before Tax	<ul style="list-style-type: none"> £812 million delivered in 2016/17 £935 million delivered in 2017/18 	<ul style="list-style-type: none"> 2018/19 profit to reduce on this year by approximately 30%. Guidance for 2 years ending 30 April 2019 raised by £75 million to at least £1.575 billion. No change in outer years, with 5 year guidance to 30 April 2021 at least £3.375 billion. Long-term ROE target of around 20% - adjusted for surplus cash

Tony Pidgley CBE
Chairman

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Finance Director

Rob Perrins
Chief Executive

Questions



The Bridge Theatre, One Tower Bridge