
The Berkeley Group Holdings plc

Interim Results Presentation

Six months ended 31st October 2018

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Tony Pidgley CBE

Chairman

Richard Stearn

Finance Director

- Summary of Performance

- Summary of Financial Position

- IFRS 15 Restatement and Guidance

- 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 October 2018	31 October 2017 (Restated)	Change (£)	Change (%)
Profit before tax	£401.2m	£539.9m	-£138.7m	-25.7%
EPS – Basic	246.0p	320.5p	-74.5p	-23.2%
EPS – Diluted	240.0p	312.0p	-72.0p	-23.1%
Operating Margin	24.3%	30.9%	-6.6%	
Pre-Tax Return on Equity *	30.5%	48.8%		

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

	As at 31 October 2018	As at 30 April 2018 (Restated)	Change (£)	Change (%)
Balance Sheet				
Shareholders' funds	£2,671.0m	£2,591.2m	+£79.8m	+3.1%
Closing net cash	(£859.7m)	(£687.3m)	-£172.4m	
Capital Employed	£1,811.3m	£1,903.9m	-£92.6m	-4.9%
Net asset value per share	2,074p	1,938p	+136p	+7.0%
Total shares in issue – excluding Treasury & EBT shares	128.7m	133.7m	-5.0m	-3.7%
Cash due on forward sales	£1.9bn	£2.2bn	-£0.3bn	-13.6%
Land Holdings				
Plots	52,202	46,867	5,335	+11.4%
Gross Margin	£6,042m	£6,003m	+£39m	+0.7%

Finance Review

IFRS 15 Restatement and Guidance

	HY 2017/18			FY 2017/18		
	GDV £m	PBT £m	No of units	GDV £m	PBT £m	No of units
As previously reported	1,607.7	533.3	2,117	2,703.7	934.9	3,536
30 April 2017 Cut-off units	226.4	77.7	293	226.4	77.7	293
31 October 2017 Cut-off units	(169.6)	(71.1)	(220)	-	-	-
30 April 2018 Cut-off units	-	-	-	(89.2)	(35.6)	(151)
Restated position	1,664.5	539.9	2,190	2,840.9	977.0	3,678

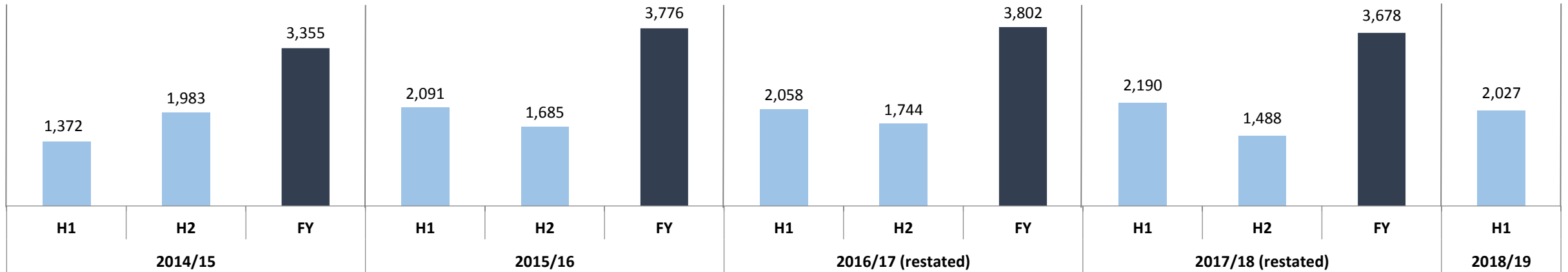
- Following the adoption of IFRS15 Berkeley has moved to a legal completion policy on sales. Consequently, £35.6 million of profit has moved into 2018/19.
- Pre-tax profit guidance for the current financial year increased by more than 5%, with full year split between first and second half anticipated to be similar to last year (55:45).
- Details of the impact of the comparative results for 30 April 2018 and 31 October 2017 are shown in note 8 of the interim financial results.

	Vesting Date	No. (million)	No. (million) adjusted **
Shares in issue at 1 May 2018 excl. Treasury/EBT shares		133.7	
Share buy-backs		(5.4)	
2011 LTIP vesting – tranche 3	September 2018	0.4	
Shares in issue at 1 Nov 2018 excl. Treasury/EBT shares		128.7	128.7
2011 LTIP vestings*	September 2019	0.8	0.4
	September 2020	0.8	0.4
	September 2021	0.8	0.4
	September 2022	0.7	0.4
	September 2023	0.7	0.4
		132.5	130.7

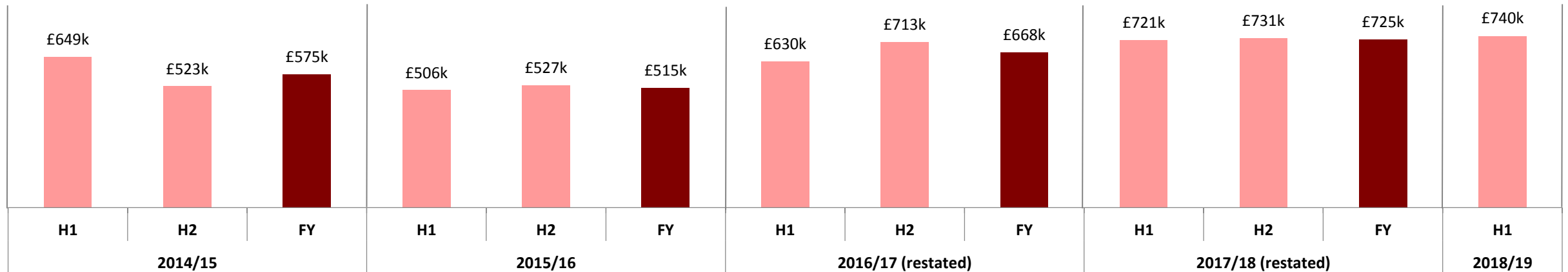
* Net options vesting is based on an illustrative share price of £35.01 adjusted for the dividend plan. This slide assumes no further share buy-backs.

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

Berkeley Group - Plots

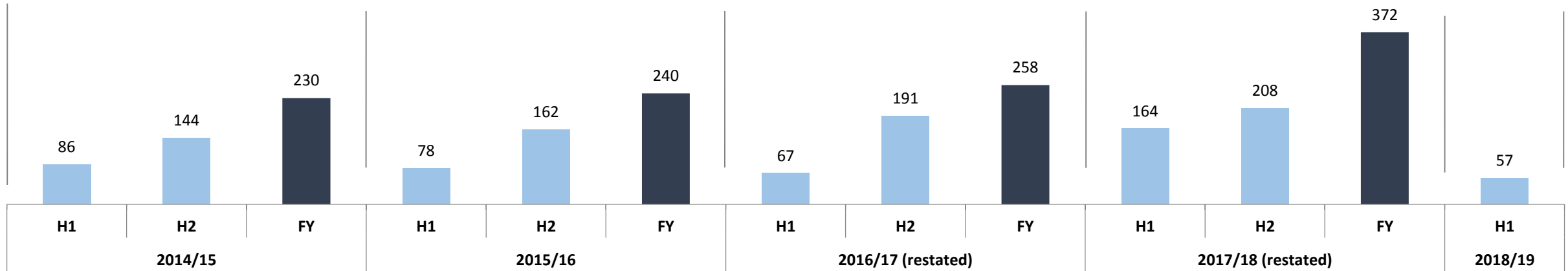


Berkeley Group - Average Selling Price

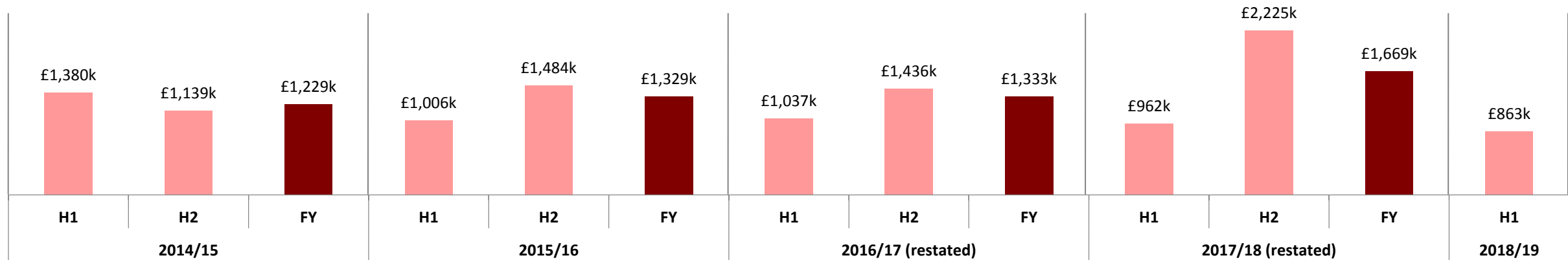


Homes Completed and ASP – Joint Ventures

St Edward - Units



St Edward - Average Selling Price



Finance Review

Income Statement

Six months ended	31 October 2018 £m		31 October 2017 £m (Restated)		Change £m	Change %
Revenue	1,653.4		1,664.5		-11.1	-0.7%
Gross profit	482.8	29.2%	593.8	35.7%	-111.0	-18.7%
Operating expenses	(80.7)	4.9%	(79.6)	4.8%	-1.1	+1.4%
Operating profit	402.1	24.3%	514.2	30.9%	-112.1	-21.8%
Net finance costs	(3.2)		(2.1)		-1.1	
Share of Joint Venture results	2.3		27.8		-25.5	
Profit before tax	401.2		539.9		-138.7	-25.7%
Tax	(76.1)	19.0%	(101.5)	18.8%	+25.4	
Profit after tax	325.1		438.4		-113.3	-25.8%

Finance Review

Abridged Cash Flow



Six months ended	31 October 2018 £m	31 October 2017 £m (Restated)
Profit before tax	401.2	539.9
Decrease in inventory	185.1	324.9
Decrease in customer deposits	(90.6)	(91.9)
Other working capital movements	31.5	(129.0)
Net reduction in working capital	126.0	104.0
Net investment in joint ventures	(19.1)	(33.3)
Tax paid	(90.6)	(100.2)
Other movements	(7.6)	0.1
Cash inflow before shareholder returns	409.9	510.5
Shareholder returns - share buy-backs	(193.7)	(92.8)
Shareholder returns - dividends	(43.8)	(70.4)
Increase in net cash	172.4	347.3
Opening net cash	687.3	285.5
Closing net cash	859.7	632.8

Finance Review

Abridged Balance Sheet

	As at 31 October 2018 £m	Movements £m	As at 30 April 2018 £m (Restated)
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in joint ventures	331.0	+19.1	311.9
- Deferred tax assets	45.9	-19.8	65.7
- Property, plant and equipment	30.6	+4.7	25.9
Total non-current assets	424.7	+4.0	420.7
Inventories	3,111.5	-185.1	3,296.6
Debtors	71.0	+27.9	43.1
Creditors and provisions	(1,795.9)	+60.6	(1,856.5)
Capital employed	1,811.3	-92.6	1,903.9
Net cash	859.7	+172.4	687.3
Net assets	2,671.0	+79.8	2,591.2
Net asset value per share	2,074p	+136p	1,938p

	As at 31 October 2018 £m	Movements £m	As at 30 April 2018 £m (Restated)
Land not under development	497.5	+159.8	337.7
Work in progress: Land cost	636.4	-100.8	737.2
	1,133.9	+59.0	1,074.9
Work in progress: Build cost	1,852.6	-246.7	2,099.3
Completed units	125.0	+2.6	122.4
Inventories	3,111.5	-185.1	3,296.6

	As at 31 October 2018 £m	Movements £m	As at 30 April 2018 £m (Restated)
Trade creditors and accruals	797.9	+70.7	727.2
Provisions for liabilities	82.7	+0.9	81.8
Deposits and on account receipts	804.4	-90.6	895.0
Land creditors	96.8	-8.4	105.2
Current tax liabilities	14.1	-33.2	47.3
Total liabilities before borrowings	1,795.9	-60.6	1,856.5
Borrowings	300.0	-	300.0
Total liabilities	2,095.9	-60.6	2,156.5
Land Creditors			
Land creditors < 12 months	39.2	-3.4	42.6
Land creditors > 12 months	57.6	-5.0	62.6
Total	96.8	-8.4	105.2

Banking Facilities

Amount:	£750 million
Term:	£300 million (drawn at 31 October 2018)
RCF:	£450 million (undrawn at 31 October 2018)
Maturity:	November 2023
Margin, utilisation and commitment fees:	Market rates



	As at 31 October 2018	Variance	As at 30 April 2018
Owned	38,299	+5,378	32,921
Contracted	13,903	-43	13,946
Plots	52,202	+5,335	46,867
Sales value	£21.7bn	+£0.4bn	£21.3bn
Average selling price (ASP)*	£470k	-£37k	£507k
Average plot cost	£54k	-£7k	£61k
Land cost %	12.9%	-0.4%	13.3%
Gross margin	£6,042m	+£0.39m	£6,003m
GM%	27.9%	-0.3%	28.2%

* ASP reflects joint venture revenue at 100%

Rob Perrins

Chief Executive

- Sales Performance and Market
- Land and Planning
- Build
- Strategy Update
- Key Sites – 2019/20 and Beyond
- Land and Build Investment
- Joint Ventures
- Shareholder Returns
- Outlook

Sales Performance

- Trading conditions and the value of new reservations have remained consistent with the previous 18 months
- Pricing and cancellation rates stable
- Sales continue to be split broadly evenly between owner occupiers and investors
- Five new development launches in the period (Trent Park in Enfield, St William's Clarendon in Hornsey, Knights Quarter in Winchester, Brompton Gardens in Ascot and St Joseph's first development in Birmingham, Snow Hill Wharf)

Sales Market

- Markets in London and the South East lack urgency
- Policy interventions constraining the market – high transaction costs in the form of SDLT and mortgage restrictions on income multiples and offer periods
- Sentiment also impacted by uncertain economic outlook largely linked to Brexit
- But the fundamentals are very positive. The market is under-supplied and London has unique and enduring attributes

Berkeley

- We expect the current market conditions to persist in the short-term
- The markets in their current state support Berkeley's business plan with pricing above requirements and transaction volumes sufficient
- The right conditions for growth could well enable supply to increase to meet the resultant demand

Land and Planning

- 11 new sites added to the land bank, all outside of London, comprising some 6,500 new homes
- Focus on bringing through the pipeline of new regeneration developments
- Five new planning consents obtained in the period (Stephenson Street, Northfields, Oval, Hartland Village in Fleet and Paddock Wood in Kent)
- Getting on site once planning secured remains time consuming and complex

Build

- Build cost inflation is steady at 4% per annum
- Working with supply chain to assess risks around availability of labour and potential cost implications of the Brexit scenarios, to the extent possible
- Over 11,000 people working across Berkeley's 64 developments in production in the period, including over 350 apprentices
- Opened the West London Construction Academy at Southall Waterside, delivered in partnership with West London College
- Delivery of the Berkeley Modular facility is now underway, with production due to start in 2020 after fit-out

	As at 30 April 2011	Change	As at 31 October 2018
Net assets	£0.9bn	+ £1.8bn	£2.7bn
Shares in issue	131.0m	- 2.3m	128.7m
NAVPS	£7.09	+ £13.65	£20.74
Net cash	£0.0bn	+ £0.9bn	£0.9bn
Forward sales	£0.8bn	+ £1.1bn	£1.9bn
Land bank:			
- Plots	27,026	+ 25,176	52,202
- Gross margin	£2.3bn	+ £3.7bn	£6.0bn
Shareholder value:		Per share:	Total:
• Value created		£24.99	£3.3bn
• Value returned		£(11.34)	£(1.5)bn
• Net increase in NAVPS / net assets		£13.65	£1.8bn

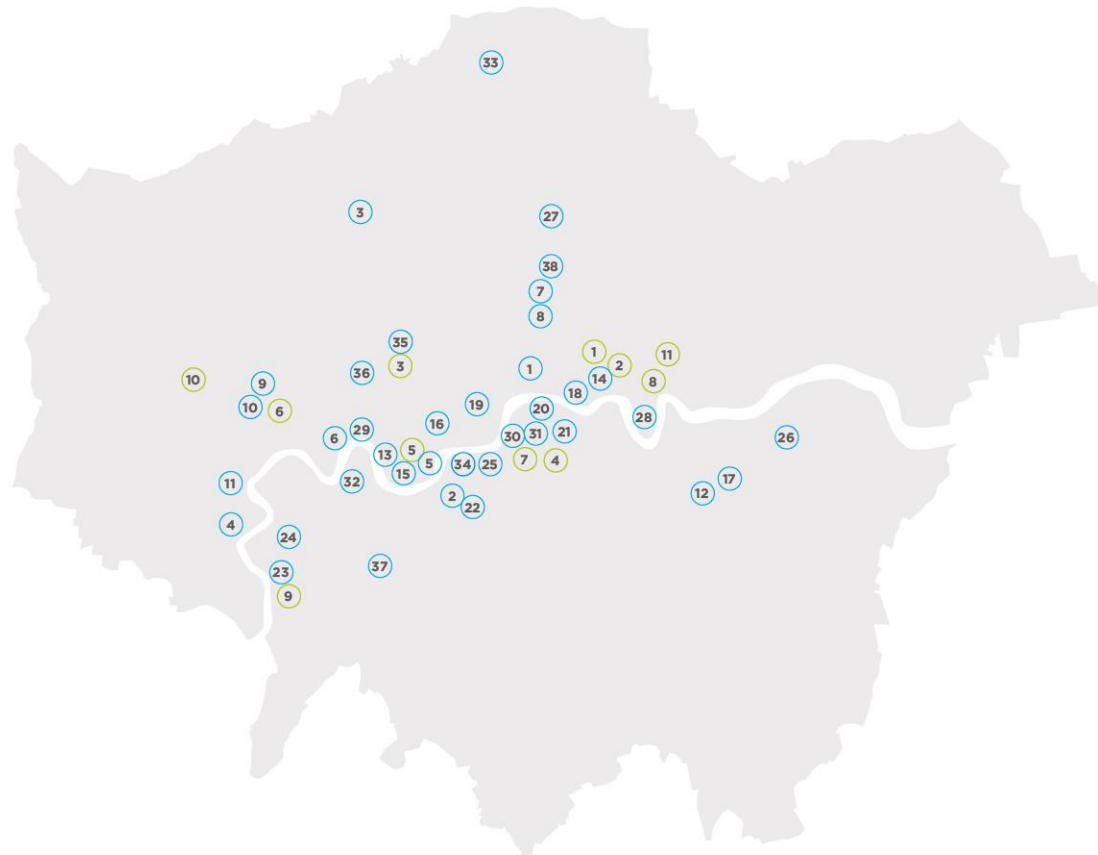
Ongoing

<u>Group</u>	<u>JV</u>
Royal Arsenal Riverside	Green Park, Reading
Woodberry Down	Kensington
Kidbrooke Village	
Beaufort Park	
London Dock	
Chelsea Creek	
One Blackfriars	
250 City Road	

Future

<u>Group</u>	<u>JV</u>
Southall Waterside	Prince of Wales Drive
White City	Clarendon, Hornsey
Grand Union, Northfields	Poplar
Oval	Fulham
Stephenson Street, West Ham	Hartland Village, Fleet
Slough	
Birmingham (various)	
Reading	
South Quay Plaza	
West End Gate	

	London		South		Total	
Delivery of Developments:						
In construction	38	76%	26	51%	64	63%
Not yet in construction	12	24%	25	59%	37	37%
Total developments	50	100%	51	100%	101	100%
Proportion with planning (by sites)	86%		75%		80%	
Number of plots	36,710	70%	15,492	30%	52,202	100%
Proportion with planning (by plots)	83%		65%		78%	



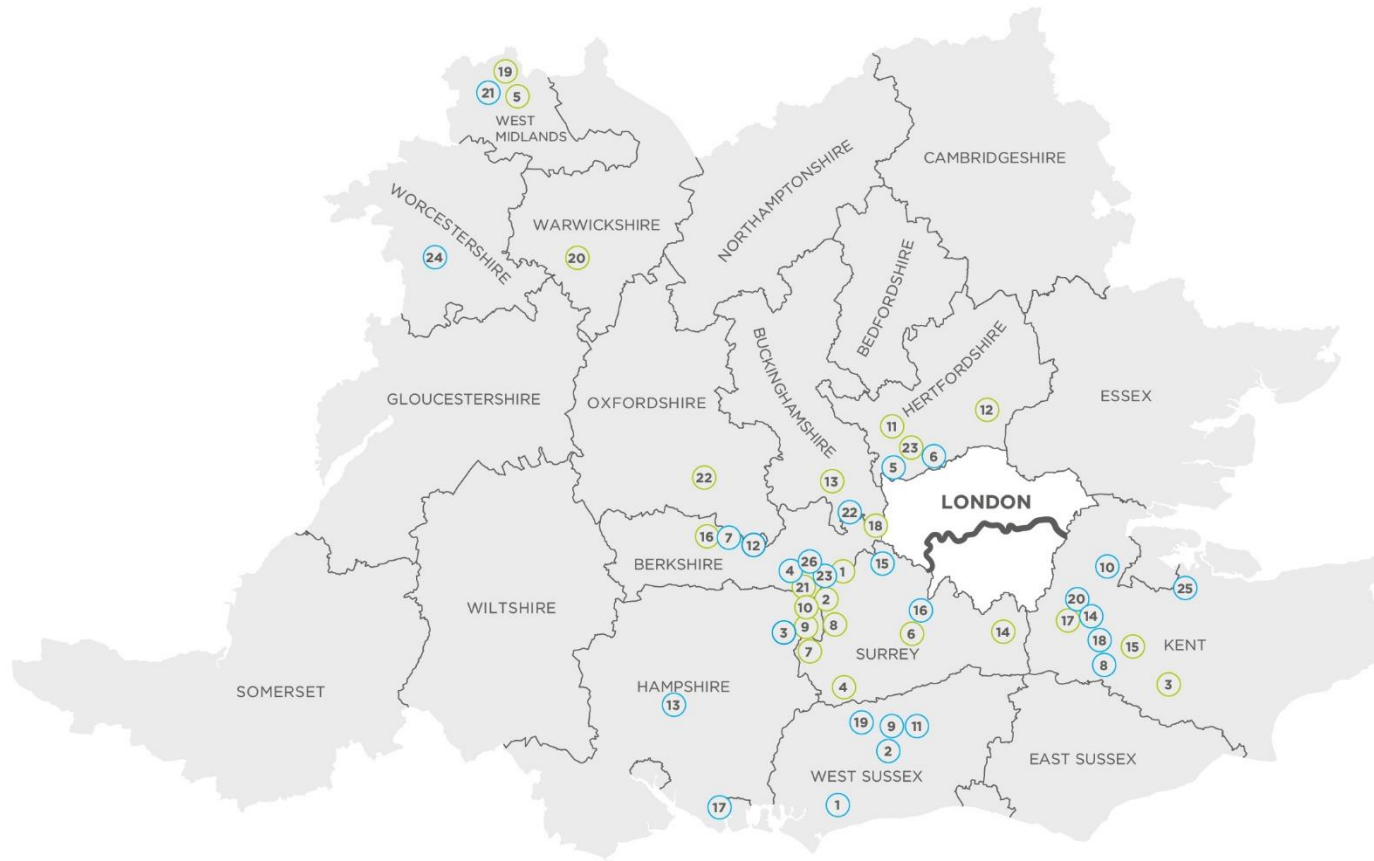
LONDON UNDER CONSTRUCTION

- ① 250 City Road, City of London
- ② Battersea Reach
- ③ Beaufort Park, Hendon
- ④ Brewery Wharf, Twickenham
- ⑤ Chelsea Creek
- ⑥ Chiswick Gate
- ⑦ Clarendon
- ⑧ Cottonworks, Highbury
- ⑨ Dickens Yard, Ealing
- ⑩ Filmworks, Ealing
- ⑪ Fitzroy Gate, Isleworth
- ⑫ Forbury, Blackheath
- ⑬ Fulham Reach
- ⑭ Goodmans Fields, Aldgate
- ⑮ Hurlingham Gate, Fulham
- ⑯ Kensington Row and Royal Warwick Square
- ⑰ Kidbrooke Village
- ⑱ London Dock, Wapping
- ⑲ Millbank, Westminster
- ⑳ One Blackfriars, Southwark
- ㉑ One Tower Bridge
- ㉒ Prince of Wales Drive, Battersea
- ㉓ Queenshurst, Kingston
- ㉔ Richmond Chase
- ㉕ Riverlight, Battersea
- ㉖ Royal Arsenal Riverside
- ㉗ Smithfield Square, Hornsey
- ㉘ South Quay Plaza
- ㉙ Sovereign Court, Hammersmith
- ㉚ The Corniche, Albert Embankment
- ㉛ The Dumont, Albert Embankment
- ㉜ The Villas, Barnes
- ㉝ Trent Park, Enfield
- ㉞ Vista, Battersea
- ㉟ West End Green, Paddington
- ㊱ White City
- ㊲ Wimbledon Hill Park
- ㊳ Woodberry Down, Finsbury

LONDON FUTURE SITES

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

No new sites contracted for acquisition during the period.



OUT OF LONDON UNDER CONSTRUCTION

- 1 Bersted Park
- 2 Broadacres, Southwater
- 3 Edenbrook Village, Fleet
- 4 Eldridge Park, Wokingham
- 5 Elmswater, Rickmansworth
- 6 Fairwood Place, Borehamwood
- 7 Green Park Village, Reading
- 8 Hawkenbury
- 9 Highwood, Horsham
- 10 Holborough Lakes
- 11 Horsham*
- 12 Kennet Island, Reading
- 13 Knights Quarter, Winchester
- 14 London Road, Sevenoaks
- 15 London Road, Staines
- 16 Pachesham, Leatherhead
- 17 Royal Clarence Marina, Gosport
- 18 Royal Wells Park, Tunbridge Wells
- 19 Rudgwick
- 20 Ryewood Meadows, Sevenoaks
- 21 Snow Hill Wharf, Birmingham
- 22 Taplow Riverside
- 23 The Brackens, Ascot
- 24 The Waterside, Royal Worcester
- 25 Victory Pier, Gillingham
- 26 Warfield, Bracknell

OUT OF LONDON FUTURE SITES

- 1 Ascot
- 2 Camberley
- 3 Cranbrook
- 4 Cranleigh
- 5 Eastside Locks, Birmingham*
- 6 Effingham
- 7 Farnham
- 8 Frimley Green
- 9 Grove Farm, Fleet
- 10 Hartland Park, Fleet*
- 11 Hemel Hempstead
- 12 Hertford
- 13 High Wycombe*
- 14 Oxted
- 15 Paddock Wood*
- 16 Reading (2 sites)*
- 17 Sevenoaks
- 18 Slough*
- 19 Snow Hill Queensway, Birmingham*
- 20 Stratford-Upon-Avon*
- 21 Sunningdale Park
- 22 Wallingford
- 23 Watford (two sites)*

*New sites contracted for acquisition during the period.

St Edward

- Joint venture with Prudential
- Six developments in the land holdings (3,926 units)

Developments:

- Green Park, Reading
- Kensington Row & Royal Warwick Square
- Millbank, Westminster (opposite)
- Hartland Village, Fleet
- Wallingford, Oxfordshire
- Queensway, Birmingham



Millbank, Westminster

St William

- Joint venture with National Grid
- Fourteen developments in the land holdings (8,861 plots)

Developments:

▪ Prince of Wales Drive, Battersea	▪ Oxted
▪ Elmswater, Rickmansworth	▪ Watford
▪ Fairwood Place, Borehamwood	▪ Ascot
▪ Cottonworks, Highbury	
▪ Clarendon, Hornsey (opposite)	
▪ Fulham	
▪ Poplar	
▪ Hemel Hempstead	
▪ Hertford	
▪ Bow Common	
▪ Bethnal Green	



Milestone	Paid or announced		Outstanding		Total	
	£/share *	£'m	£/share *	£'m	£/share	£'m
To 30 September 2018	10.34	1,411.0	-	-	10.34	1,411.0
By 31 March 2019	1.00	139.7	-	-	1.00	139.7
By 30 September 2019	1.00	139.7	-	-	1.00	139.7
Returns - announced	12.34	1,690.4	-	-	12.34	1,690.4
By 30 September 2020	-	-	2.00	279.4	2.00	279.4
By 30 September 2021	-	-	2.00	279.4	2.00	279.4
Existing returns	-	-	4.00	558.8	16.34	2,249.2

(*) Shareholder Return per share expressed illustratively, prior to any share buy-backs. The effective annual per share return today is £2.16 as a result of share buy-backs since December 2016.

Shareholder Returns Programme:

- £130.5 million of the return due by 31 March 2019 already made via share buy-backs
- Interim dividend of 7.12p announced (£9.2 million) to be paid on 16 January 2019 to complete the return
- Next £139.7 million return announced, to be made by share buy-backs or dividends, with the absolute value increased for any new shares issued
- Remaining £4.00 per share to be made through a combination of share buy-backs and dividends, with the absolute value increased for any new shares issued
- Since amendment to the Shareholder Returns Programme, Berkeley has returned £378.5 million via 10.9 million share buy-backs

Current quantum of £280 million per annum to continue to September 2025 assuming no material deterioration in the operating environment

	Outlook
PBT Guidance	<ul style="list-style-type: none"> 2017/18 PBT guidance increased by at least 5% with split between first and second half anticipated to be similar to last year (55:45) Guidance for next two years unchanged, based upon current market conditions Thereafter ROE moving towards 15%
Forward Sales and Financial Strength	<ul style="list-style-type: none"> Forward sales will moderate further during the second half of the current year whilst revenue delivery remains enhanced. Will stabilise during next financial year (2019/20) Financial strength maintained at all times
Land Holdings	<ul style="list-style-type: none"> New investment phase - both in new opportunities and in bringing through the next wave of regeneration sites Estimated gross margin in land holdings to grow to £7.5 billion over next 7 years to 2025
Shareholder Returns	<ul style="list-style-type: none"> Next £139.7 million (£1.00 per share) return to 30 September 2019 committed Therefore £12.34 of a total £16.34 committed, with remaining £4.00 per share due over the 2 years to September 2021 Current £280 million annual return to continue beyond 2021 to 2025, based upon current market conditions.

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions

