
The Berkeley Group Holdings plc

Interim Results Presentation

Six months ended 31st October 2019

Interim Results Presentation

Format of Presentation

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Grand Union, Northfields

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**
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- **Financing**
- **Land Holdings**

Finance Review

Summary of Performance

Six months ended	31 October 2019	31 October 2018	Change £	Change %
Profit before tax	£276.7m	£401.2m	-£124.5m	-31.0%
EPS – Basic	176.4p	246.0p	-69.6p	-28.3%
EPS – Diluted	170.4p	240.0p	-69.6p	-29.0%
Operating margin	27.5%	24.3%		
Pre-Tax Return on Equity *	18.4%	30.5%		

(*) 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

	As at 31 October 2019	As at 30 April 2019	Change £	Change %
Balance Sheet				
Shareholders' funds	£3,046.8m	£2,963.3m	+£83.5m	+2.8%
Closing net cash	(£1,060.6m)	(£975.0m)	-£85.6m	
Capital employed	£1,986.2m	£1,988.3m	-£2.1m	-0.1%
Net asset value per share	2,425p	2,305p	+120p	+5.2%
Total shares in issue – excluding Treasury & EBT shares	125.6m	128.6m	-3.0m	-2.3%
Cash due on forward sales	£1,887.3m	£1,831.2m	+£56.1m	+3.1%
Land Holdings				
Plots	57,122	54,955	+2,167	+3.9%
Gross margin	£6,317.0m	£6,247.1m	+£69.9m	+1.1%

Future Potential Share Dilution

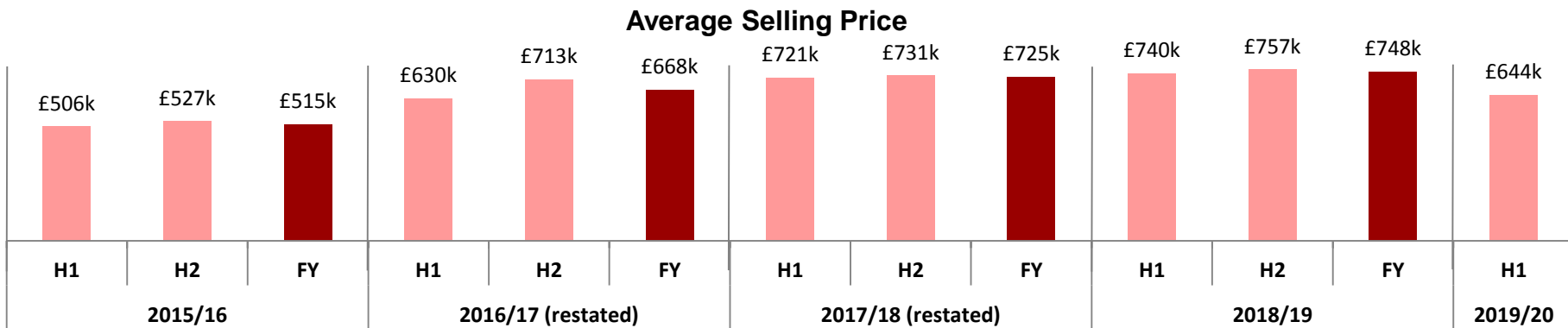
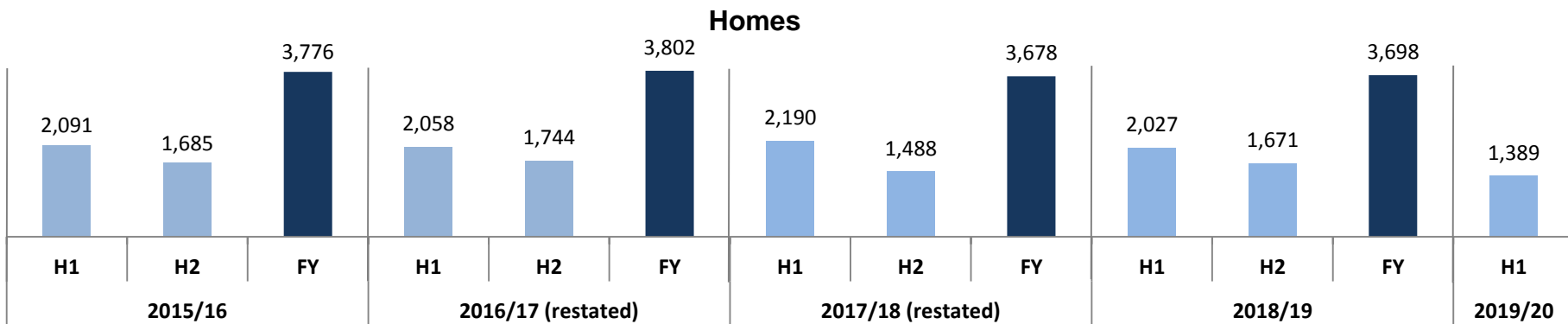
	Vesting Date	No. (million)
Shares in issue at 1 May 2019 excl. Treasury/EBT shares		128.6
Share buy-backs		(3.3)
2011 LTIP vesting – tranche 4	September 2019	0.4
Shares in issue at 1 Nov 2019 excl. Treasury/EBT shares		125.6
2011 LTIP vestings *	September 2020	0.4
	September 2021	0.4
	September 2022	0.4
	September 2023	0.4
	September 2024	0.4
	September 2025	0.4
		128.0

(*) Assumes 2011 LTIP participants' PAYE and NIC is cash settled by the Company. If shares are issued instead, future shares in issue would increase to 130.4m.

The above includes immaterial rounding adjustments

Finance Review

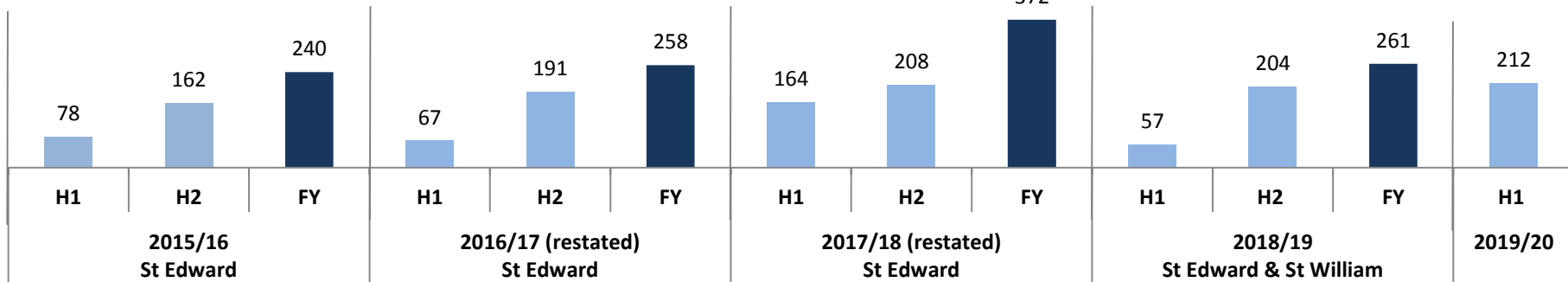
Homes Completed and ASP - Group



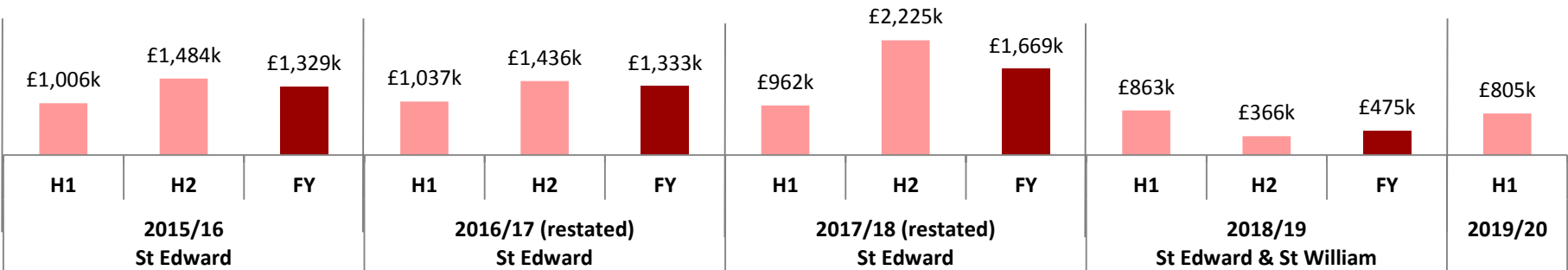
Finance Review

Homes Completed and ASP – Joint Ventures (St Edward & St William)

Homes



Average Selling Price



Finance Review

Income Statement

Six months ended	31 October 2019		31 October 2018		Change	Change
	£m		£m		£m	%
Revenue	930.9		1,653.4		-722.5	-43.7%
Gross profit	336.3	36.1%	482.8	29.2%	-146.5	-30.3%
Operating expenses	(79.9)	8.6%	(80.7)	4.9%	+0.8	+1.0%
Operating profit	256.4	27.5%	402.1	24.3%	-145.7	-36.2%
Net finance income / (costs)	0.9		(3.2)		+4.1	
Share of Joint Venture results	19.4		2.3		+17.1	
Profit before tax	276.7		401.2		-124.5	-31.0%
Tax	(53.0)	19.2%	(76.1)	19.0%	-23.1	
Profit after tax	223.7		325.1		-101.4	-31.2%
EPS – Basic	176.4p		246.0p		-69.6p	-28.3%

Finance Review

Abridged Cash Flow

Six months ended	31 October 2019 £m		31 October 2018 £m	
Profit before tax		276.7		401.2
(Increase) / decrease in inventory	(158.9)		185.1	
Increase/ (decrease) in customer deposits	54.4		(90.6)	
Other working capital movements	7.2		31.5	
Net (increase) / reduction in working capital		(97.3)		126.0
Net receipts from / (investment in) joint ventures		126.8		(19.1)
Tax paid		(61.4)		(90.6)
Other movements		(9.4)		(7.6)
Cash inflow before share buy-backs and dividends		235.4		409.9
Shareholder returns - share buy-backs		(124.6)		(193.7)
Shareholder returns - dividends		(25.2)		(43.8)
Increase in net cash		85.6		172.4
Opening net cash		975.0		687.3
Closing net cash		1,060.6		859.7

Finance Review

Abridged Balance Sheet

	As at 31 October 2019 £m	Movements £m	As at 30 April 2019 £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in joint ventures	247.9	-126.8	374.7
- Deferred tax assets	55.9	+10.1	45.8
- Right-of-use assets	5.5	+5.5	-
- Property, plant and equipment	45.1	+2.6	42.5
Total non-current assets	371.6	-108.6	480.2
Inventories	3,273.6	+158.9	3,114.7
Debtors	98.6	+30.6	68.0
Creditors and provisions	(1,757.6)	-83.0	(1,674.6)
Capital employed	1,986.2	-2.1	1,988.3
Net cash	1,060.6	+85.6	975.0
Net assets	3,046.8	+83.5	2,963.3
Net asset value per share	2,425p	+120p	2,305p

Finance Review

Inventories

	As at 31 October 2019 £m	Movements £m	As at 30 April 2019 £m
Land not under development	219.8	-175.4	395.2
Work in progress: Land cost	953.5	+146.8	806.7
	1,173.3	-28.6	1,201.9
Work in progress: Build cost	1,931.9	+153.9	1,778.0
Completed units	168.4	+33.6	134.8
Total inventories	3,273.6	+158.9	3,114.7

	As at 31 October 2019 £m	Movements £m	As at 30 April 2019 £m
Trade creditors and accruals	780.0	-36.8	816.8
Provision for liabilities	105.2	+26.1	79.1
Deposits and on account receipts	740.5	+54.4	686.1
Land creditors	125.9	+33.3	92.6
Lease liability	6.0	+6.0	-
Total liabilities before borrowings	1,757.6	+83.0	1,674.6
Borrowings	300.0	-	300.0
Total liabilities	2,057.6	+83.0	1,974.6
<u>Land Creditors</u>			
Land creditors < 12 months	65.1	+13.0	52.1
Land creditors > 12 months	60.8	+20.3	40.5
Total	125.9	+33.3	92.6

Banking Facilities

Amount:	£750 million
Term:	£300 million
RCF:	£450 million
Maturity:	November 2023
Margin, utilisation and commitment fees:	Market rates



Finance Review

Land Holdings

	As at 31 October 2019	Variance	As at 30 April 2019
Owned	43,329	+1,690	41,639
Contracted	13,793	+477	13,316
Plots	57,122	+2,167	54,955
Sales value	£23.1bn	+£0.5bn	£22.6bn
Average selling price (ASP)*	£469k	-£3k	£472k
Average plot cost	£47k	-£4k	£51k
Land cost %	11.6%	-0.9%	12.5%
Gross margin	£6,317m	-£70m	£6,247m
GM%	27.4%	-0.2%	27.6%

(*) ASP reflects joint venture revenue at 100%.

Rob Perrins

Chief Executive

1. Good start to £3.3 billion six-year pre-tax profit target

- £277 million PBT delivered for six months to 31 October 2019 – down 31% on last year, as anticipated, and in line with full-year consensus
- £158 million invested in inventory
- Pre-tax profit returned to normal levels
 - Mix of Central London developments acquired after the financial crisis (substantially ending in 2020/21) and established regeneration sites
 - Pre-tax ROE of at least 15%, consistent with the long-term regeneration activities of the business
 - Operating margins will normalise to long term range of between 17.5% and 20.0%

2. Financial strength

- Net cash of over £1.0 billion
- Cash due on forward sales of £1.9 billion
- Net assets of £24.25 per share

3. Well placed to deliver value in land holdings

- £6.3 billion of estimated future gross margin provides the visibility to deliver the £280 million annual shareholder return to 2025
- Berkeley is delivering 25 large and extremely complex regeneration schemes in London and the South East
- Unique expertise to unlock the social and economic value in these hugely complex and capital intensive sites

Strategic Review

Long-Term Regeneration Sites in Land Holdings

Berkeley is delivering 25 of the largest regeneration schemes in London and the South East

Acquired before 2011

- 1 Kidbrooke Village*
- 2 Royal Arsenal Riverside, Woolwich*
- 3 Woodberry Down, Finsbury Park*
- 4 Beaufort Park, Hendon*
- 5 Chelsea Creek*

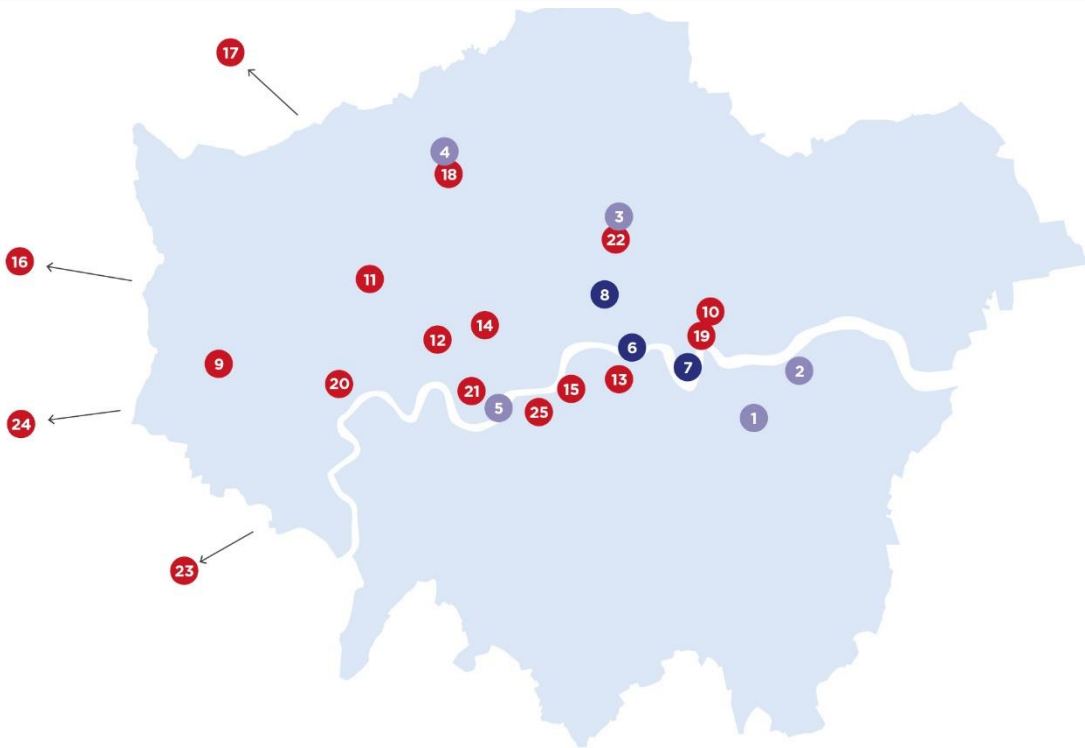
Acquired 2011 – 2013

- 6 London Dock, Wapping*
- 7 South Quay Plaza, Docklands*
- 8 250 City Road, Islington*

Acquired after 2013

- 9 Southall Waterside*
- 10 Stephenson Street
- 11 Grand Union Place, Brent*
- 12 White City Living*
- 13 Old Kent Road, Southwark
- 14 West End Gate, Paddington*
- 15 Oval Village*
- 16 Slough
- 17 Watford
- 18 Hendon
- 19 Poplar
- 20 Syon Lane, Brentford
- 21 King's Road Park, Fulham*
- 22 Clarendon*
- 23 Hartland Village, Fleet*
- 24 Green Park Village, Reading*
- 25 Prince of Wales Drive, Battersea*

* In production at 31 October 2019



Sales Performance

- 2 new regeneration sites launched in London in the period: Grand Union in Brent and Kings Road Park in Fulham (St William)
- A further 4 new developments launched in the South East and 1 in London in the period
- Increased launch activity and continued stability in our markets has seen reservation levels ahead of last year by some 10%
- Pricing stable, covering build cost increases
- Sales continue to be split broadly evenly between owner occupiers and investors

Sales Market

- Markets in London and the South East are under-supplied with demand good for well-located, quality product
- High transaction costs in the form of SDLT and mortgage restrictions on income multiples and offer periods continue to impact the market
- The prevailing uncertainty persists with the General Election next week and in the delay from the UK's proposed departure from the European Union
- The fundamentals are very positive. The market is under-supplied and London has unique and enduring attributes

Strategic Review

Land and Planning

Land and Planning

- 2 new long-term developments added to the land holdings, comprising more than 3,000 new homes
- Continued focus on bringing through the pipeline of new regeneration developments
- Three new planning consents obtained in the period
(St William's Poplar, Abbey Barn Park in High Wycombe and 17 – 51 London Road in Staines)
- Planning environment remains inconsistent and bureaucratic
- 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 72 developments in production in the period, including over 300 apprentices
- Fit-out of the Berkeley Modular facility is underway, with commissioning of machinery and production of the first module proto-types due to start next year

Strategic Review

Land and Build Investment - Delivery

	London		Out of London		Total	
Delivery of Developments:						
In construction	35	76%	37	72%	72	78%
Not yet in construction – owned sites	2	4%	8	16%	10	6%
Not yet in construction – contracted sites	9	20%	6	12%	15	16%
Total developments	46	100%	51	100%	97	100%
Proportion with planning (by sites)	87%		84%		86%	
Number of plots	41,710	73%	15,412	27%	57,122	100%
Proportion with planning (by plots)	89%		72%		85%	

Land and Build Investment Sites in London

London under construction

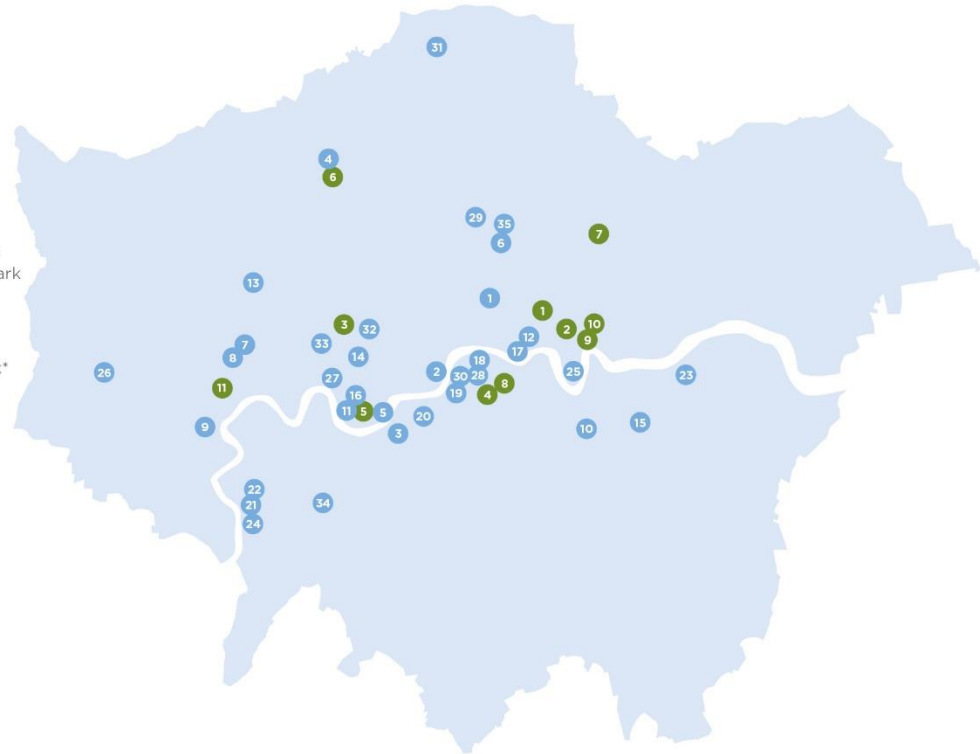
- 1 250 City Road, Islington
- 2 9 Millbank, Westminster
- 3 Battersea Reach
- 4 Beaufort Park, Hendon
- 5 Chelsea Creek
- 6 Clarendon
- 7 Dickens Yard, Ealing
- 8 Filmworks, Ealing
- 9 Fitzroy Gate, Isleworth
- 10 Forbury, Blackheath
- 11 Fulham Reach
- 12 Goodman's Fields, Aldgate
- 13 Grand Union Place, Brent
- 14 Kensington Row and Royal Warwick Square
- 15 Kidbrooke Village
- 16 King's Road Park, Fulham
- 17 London Dock, Wapping
- 18 One Blackfriars, Southwark
- 19 Oval Village
- 20 Prince of Wales Drive, Battersea

- 21 Queenshurst, Kingston
- 22 Richmond Chase
- 23 Royal Arsenal Riverside, Woolwich
- 24 Royal Exchange, Kingston
- 25 South Quay Plaza, Docklands
- 26 Southall Waterside
- 27 Sovereign Court, Hammersmith
- 28 The Corniche, Albert Embankment
- 29 The Cottonworks, Finsbury Park
- 30 The Dumont, Albert Embankment
- 31 Trent Park, Enfield
- 32 West End Gate, Paddington
- 33 White City Living
- 34 Wimbledon Hill Park
- 35 Woodberry Down, Finsbury Park

London future sites

- 1 Bethnal Green
- 2 Bow Common
- 3 Centre House, Wood Lane
- 4 Chambers Wharf, Southwark
- 5 Fulham
- 6 Hendon
- 7 Lea Bridge
- 8 Old Kent Road, Southwark*
- 9 Poplar
- 10 Stephenson Street
- 11 Syon Lane, Brentford*

* New sites contracted for acquisition during the half year



Land and Build Investment

Sites outside of London

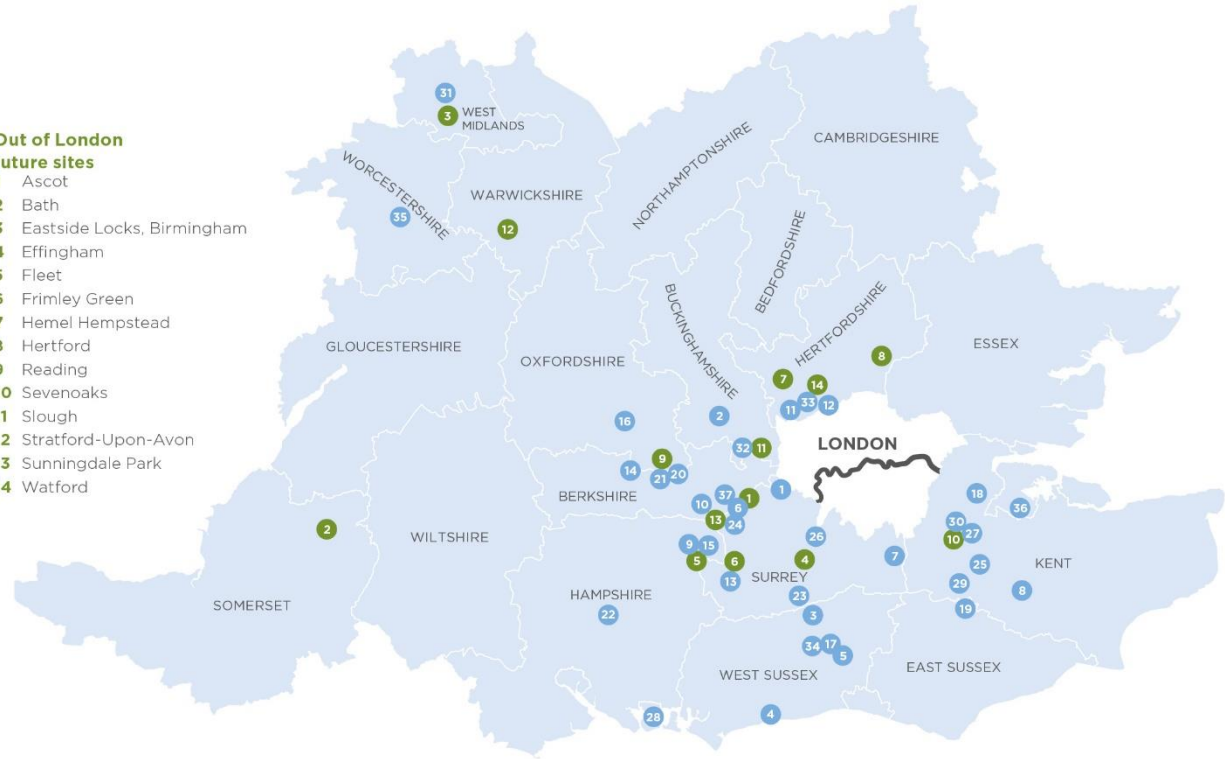
Out of London under construction

- 1 17 - 51 London Road, Staines
- 2 Abbey Barn Park, High Wycombe
- 3 Barleycroft, Rudgwick
- 4 Bersted Park
- 5 Broadacres, Southwater
- 6 Brompton Gardens, Ascot
- 7 Courtyard Gardens, Oxted
- 8 Cranbrook
- 9 Edenbrook Village, Fleet
- 10 Eldridge Park, Wokingham
- 11 Elmswater, Rickmansworth
- 12 Fairwood Place, Borehamwood
- 13 Farnham
- 14 Green Park Village, Reading
- 15 Hartland Village, Fleet
- 16 Highcroft, Wallingford
- 17 Highwood Village, Horsham
- 18 Holborough Lakes

- 19 Hollyfields, Hawkenbury
- 20 Huntley Wharf, Reading
- 21 Kennet Island, Reading
- 22 Knights Quarter, Winchester
- 23 Leighwood Fields, Cranleigh
- 24 Lumina, Camberley
- 25 Paddock Wood
- 26 Princes Chase, Leatherhead
- 27 Quinton Court, Sevenoaks
- 28 Royal Clarence Marina, Gosport
- 29 Royal Wells Park, Tunbridge Wells
- 30 Ryewood, Sevenoaks
- 31 Snow Hill Wharf, Birmingham
- 32 Taplow Riverside
- 33 The Arches, Watford
- 34 The Paperyard, Horsham
- 35 The Waterside, Royal Worcester
- 36 Victory Pier, Gillingham
- 37 Woodhurst Park, Warfield

Out of London future sites

- 1 Ascot
- 2 Bath
- 3 Eastside Locks, Birmingham
- 4 Effingham
- 5 Fleet
- 6 Frimley Green
- 7 Hemel Hempstead
- 8 Hertford
- 9 Reading
- 10 Sevenoaks
- 11 Slough
- 12 Stratford-Upon-Avon
- 13 Sunningdale Park
- 14 Watford



Strategic Review

Joint Ventures

St Edward

- Joint venture with M&G
- Six developments in the land holdings (5,300 homes)

Schemes:

- Green Park Village, Reading
- Kensington Row & Royal Warwick Square
- 9 Millbank, Westminster
- Hartland Village, Fleet
- Highcroft, Wallingford
- Syon Lane, Brentford



Highcroft, Wallingford, Oxfordshire

Strategic Review

Joint Ventures

St William

- Joint venture with National Grid
- Sixteen developments in the land holdings (9,600 homes)

Schemes:

- | | |
|------------------------------------|----------------------|
| ▪ Prince of Wales Drive, Battersea | ▪ Poplar |
| ▪ Elmswater, Rickmansworth | ▪ Hemel Hempstead |
| ▪ Fairwood Place, Borehamwood | ▪ Ascot |
| ▪ Cottonworks, Highbury | ▪ Bethnal Green |
| ▪ Clarendon, Hornsey | ▪ Bath |
| ▪ King's Road Park, Fulham | ▪ Lea Bridge, Leyton |
| ▪ Courtyard Gardens, Oxted | ▪ Hertford |
| ▪ The Arches, Watford | ▪ Bow Common |



King's Road Park, Fulham

Strategic Review

Long Term Strategic Plan

Milestone	Paid or announced		Outstanding		Total	
	£/share	£'m	£/share	£'m	£/share	£'m
To 30 September 2019	12.34	1,690.4	-	-	12.34	1,690.4
By 31 March 2020	1.00	140.1	-	-	1.00	140.1
Returns - announced	13.34	1,830.5	-	-	13.34	1,830.5
By 30 September 2020	-	-	1.00	140.1	1.00	140.1
By 30 September 2021	-	-	2.00	280.2	2.00	280.2
By 30 September 2022	-	-	2.00	280.2	2.00	280.2
By 30 September 2023	-	-	2.00	280.2	2.00	280.2
By 30 September 2024	-	-	2.00	280.2	2.00	280.2
By 30 September 2025	-	-	2.00	280.2	2.00	280.2
Future returns	-	-	11.00	1,541.1	24.34	3,371.6

Shareholder Returns Programme:

- Returned £15.3 million of the announced £140.1 million due to be returned by 31 March 2020
- Since amendment to the Shareholder Returns Programme (December 2016), Berkeley has returned £508.3 million via 14.4 million share buy-backs at an average cost of £35.27 pence per share
- Consequently, the £280 million annual return now equates to £2.23 per share; an 11% increase to the initial £2.00 per share

	Outlook
PBT Guidance	<ul style="list-style-type: none">▪ Plan to deliver £3.3 billion of pre-tax profit in the six years ending 30 April 2025, with any one year in a range of £500 - £700 million▪ Good start made with £276.7 million delivered for the first half of 2019/20▪ Long-term pre-tax ROE estimated at 15% in line with regeneration activities▪ Long-term operating margin of between 17.5% and 20%
Forward Sales and Financial Strength	<ul style="list-style-type: none">▪ Forward sales have stabilised alongside the level of profit, in line with new business profile▪ Financial strength maintained at all times▪ Surplus capital of up to £500 million
Land Holdings	<ul style="list-style-type: none">▪ 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 the six year period to 30 April 2025
Shareholder Returns	<ul style="list-style-type: none">▪ Annual Shareholder Return of £280 million extends to 2025▪ Six-monthly £140.1 million return to 31 March 2020 already committed, of which £15.3 million returned via share buy-backs▪ Effective annual return of £280 million now equivalent to £2.23 per share; an increase of 11% on the initial £2 per share.

Questions

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive



Latchmere House, Richmond Chase