
The Berkeley Group Holdings plc

Full Year Results Presentation

Year ended 30th April 2019

19th June 2019

Preliminary Results Presentation

Format of Presentation

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Oval Village

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

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- Creditors

- Financing

- Land Holdings

Finance Review

Summary of Performance



Year ended	30 April 2019	30 April 2018 (Restated)	Change £	Change %
Profit before tax	£775.2m	£977.0m	-£201.8m	-20.7%
EPS – Basic	481.1p	587.4p	-106.3p	-18.1%
EPS – Diluted	469.9p	574.3p	-104.4p	-18.2%
Operating margin	26.0%	28.8%		
Pre-Tax Return on Equity *	27.9%	41.9%		

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

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 Financial Position

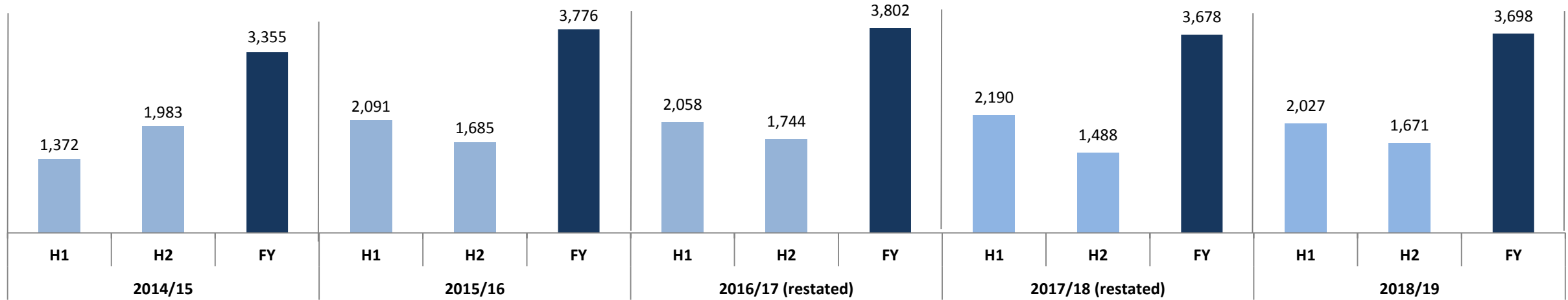
	As at 30 April 2019	As at 30 April 2018 (Restated)	Change £	Change %
Balance Sheet				
Shareholders' funds	£2,963.3m	£2,591.2m	+£372.1m	+14.4%
Closing net cash	(£975.0m)	(£687.3m)	-£287.7m	
Capital employed	£1,988.3m	£1,903.9m	+£84.4m	+4.4%
Net asset value per share	2,305p	1,938p	+367p	+18.9%
Total shares in issue – excluding Treasury & EBT shares	128.6m	133.7m	-5.1m	-3.8%
Cash due on forward sales	£1.8bn	£2.2bn	-£0.4bn	-18.2%
Land Holdings				
Plots	54,955	46,867	+8,088	+17.3%
Gross margin	£6,247m	£6,003m	+£244m	+4.1%

	Vesting Date	No. (million)	No. (million) – adjusted **
Shares in issue at 1 May 2018 excl. Treasury/EBT shares		133.7	
Share buy-backs		(5.6)	
2011 LTIP vesting – tranche 3	September 2018	0.5	
Shares in issue at 1 May 2019 excl. Treasury/EBT shares		128.6	128.6
2011 LTIP vestings *	September 2019	0.7	0.4
	September 2020	0.7	0.4
	September 2021	0.7	0.4
	September 2022	0.7	0.4
	September 2023	0.7	0.4
		132.1	130.6

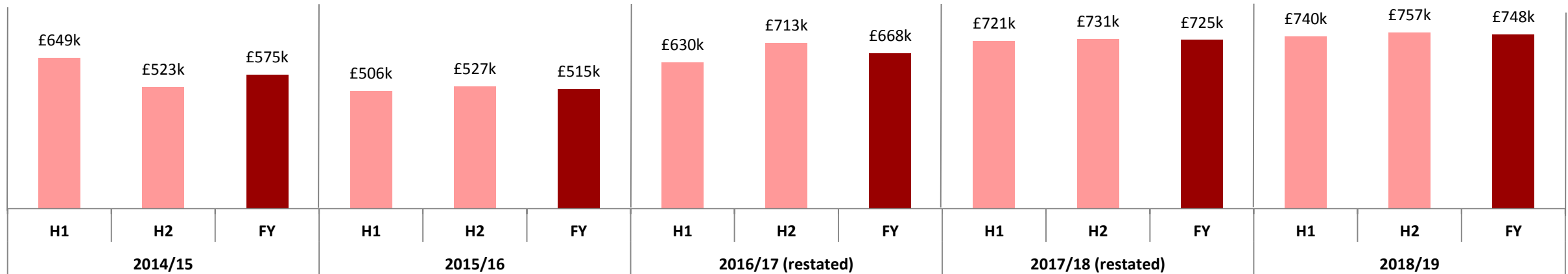
(*) Net options vesting is based on an illustrative share price of £37.56 adjusted for the dividend plan. This slide assumes no further share buy-backs.

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

Homes

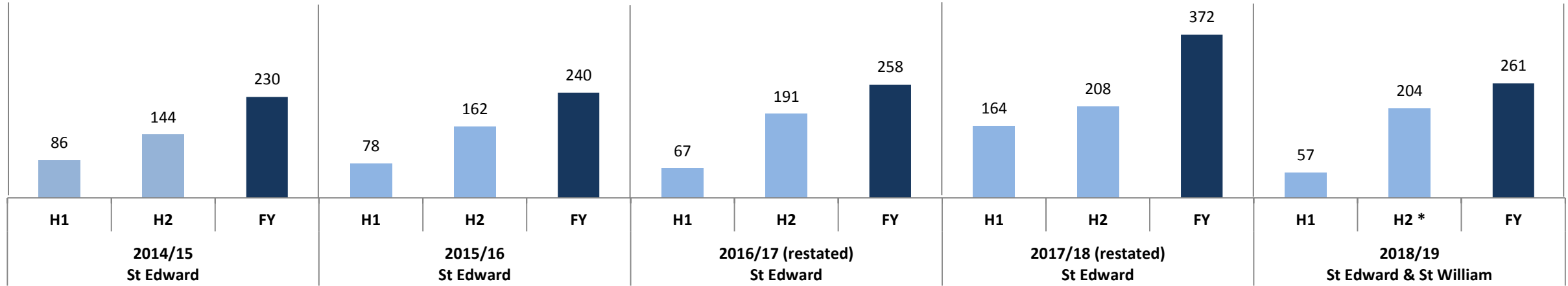


Average Selling Price

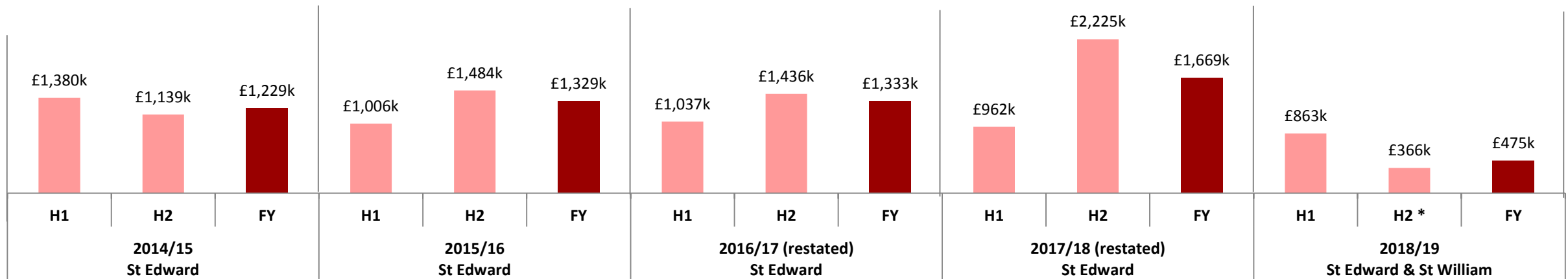


Homes Completed and ASP – Joint Ventures (St Edward and St William)

Homes



Average Selling Price



(* St William first take to sales in 2018/19 H2)

Finance Review

Income Statement



Year ended	30 April 2019 £m		30 April 2018 £m (Restated)		Change £m	Change %
Revenue	2,957.4		2,840.9		+116.5	+4.1%
Gross profit	926.2	31.3%	983.5	34.6%	-57.3	-5.8%
Operating expenses	(157.8)	5.3%	(166.5)	5.9%	+8.7	+5.2%
Operating profit	768.4	26.0%	817.0	28.8%	-48.6	-5.9%
Net finance costs	(2.0)		(2.7)		+0.7	
Share of Joint Venture results	8.8		162.7		-153.9	
Profit before tax	775.2	26.2%	977.0	34.4%	-201.8	-20.7%
Tax	(147.8)	19.1%	(181.5)	18.6%	+33.7	
Profit after tax	627.4		795.5		-168.1	-21.1%
EPS – Basic	481.1p		587.4p		-106.3p	-18.1%

Finance Review

Abridged Cash Flow



Year ended		30 April 2019 £m		30 April 2018 £m (Restated)
Profit before tax		775.2		977.0
Decrease in inventory	181.9			343.3
Decrease in customer deposits	(208.9)			(79.9)
Other working capital movements	49.0			(134.5)
Net reduction in working capital		22.0		128.9
Net investment in joint ventures		(62.8)		(184.7)
Tax paid		(178.8)		(238.0)
Other movements		(16.0)		5.7
Cash inflow before share buy-backs and dividends		539.6		688.9
Shareholder returns - share buy-backs		(198.9)		(140.4)
Shareholder returns - dividends		(53.0)		(146.7)
Increase in net cash		287.7		401.8
Opening net cash		687.3		285.5
Closing net cash		975.0		687.3

Finance Review

Abridged Balance Sheet



	As at 30 April 2019 £m	Movements £m	As at 30 April 2018 £m (Restated)
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in joint ventures	374.7	+62.8	311.9
- Deferred tax assets	45.8	-19.9	65.7
- Property, plant and equipment	42.5	+16.6	25.9
Total non-current assets	480.2	+59.5	420.7
Inventories	3,114.7	-181.9	3,296.6
Debtors	68.0	+24.9	43.1
Creditors and provisions	(1,674.6)	+181.9	(1,856.5)
Capital employed	1,988.3	+84.4	1,903.9
Net cash	975.0	+287.7	687.3
Net assets	2,963.3	+372.1	2,591.2
Net asset value per share	2,305p	+367p	1,938p

	As at 30 April 2019 £m	Movements £m	As at 30 April 2018 £m (Restated)
Land not under development	395.2	+57.5	337.7
Work in progress: Land cost	806.7	+69.5	737.2
	1,201.9	+127.0	1,074.9
Work in progress: Build cost	1,778.0	-321.3	2,099.3
Completed units	134.8	+12.4	122.4
Total inventories	3,114.7	-181.9	3,296.6

	As at 30 April 2019 £m	Movements £m	As at 30 April 2018 £m (Restated)
Trade creditors and accruals	816.8	+89.6	727.2
Provision for liabilities	79.1	-2.7	81.8
Deposits and on account receipts	686.1	-208.9	895.0
Land creditors	92.6	-12.6	105.2
Current tax liability	-	-47.3	47.3
Total liabilities before borrowings	1,674.6	-181.9	1,856.5
Borrowings	300.0	-	300.0
Total liabilities	1,974.6	-181.9	2,156.5
<u>Land Creditors</u>			
Land creditors < 12 months	52.1	+9.5	42.6
Land creditors > 12 months	40.5	-22.1	62.6
Total	92.6	-12.6	105.2

Banking Facilities

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



	As at 30 April 2019	Variance	As at 30 April 2018
Owned	41,639	+8,718	32,921
Contracted	13,316	-630	13,946
Plots	54,955	+8,088	46,867
Sales value	£22.6bn	+£1.3bn	£21.3bn
Average selling price (ASP)*	£472k	-£35k	£507k
Average plot cost	£51k	-£10k	£61k
Land cost %	12.5%	-0.8%	13.3%
Gross margin	£6,247m	+£244m	£6,003m
GM%	27.6%	-0.6%	28.2%

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

Rob Perrins

Chief Executive

1. Out-performance in 2018/19 by 15%

2. Returning to normal returns

- 17.5% to 20% operating margin
- Pre-tax ROE of 15% while we have surplus cash

3. Underinvested in last three years

- Net cash has risen from £0.1 billion to £1.0 billion
- £300 million term debt drawn in 2016 to buy land
- Currently £500 million to £750 million surplus net cash

4. Operating model

- Investing in our Brand
- Expertise to take high operating risk
- Low financial risk
- Unrivalled land holdings (99 sites, of which 22 in JVs)
- Risk managed through forward sales
- Innovating through modern methods of construction

Sales Performance

- Trading conditions and the value of new reservations continues to be stable – with 2018/19 slightly ahead of the previous 12 months
- Pricing stable, covering build cost increases
- Sales continue to be split broadly evenly between owner occupiers and investors
- 11 new development launches in the year

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 remains impacted by uncertain economic outlook largely linked to Brexit – some signs of “Brexit fatigue”
- 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 market does respond to quality homes in great locations with an excellent customer
- 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

- 14 new sites added to the land bank, 12 sites are outside of London, comprising some 8,700 new homes
- Focus on bringing through the pipeline of new regeneration developments
- Nine new planning consents obtained in the year
(including Stephenson Street in West Ham, Grand Union in Northfields, Oval Village and in St William at Kings Road Park in Fulham)
- Planning environment remains inconsistent and bureaucratic;
 - Planning tariff remains too high, relative to development risk
 - Can work well where the common will and right resources exist – Grand Union Northfields
- 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 69 developments in production in the period, including over 500 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.

	London		Out of London		Total	
Delivery of Developments:						
In construction	36	77%	33	63%	69	70%
Not yet in construction – owned sites	3	6%	12	23%	15	15%
Not yet in construction – contracted sites	8	17%	7	14%	15	15%
Total developments	47	100%	52	100%	99	100%
Proportion with planning (by sites)	85%		81%		88%	
Number of plots	39,083	71%	15,872	29%	54,955	100%
Proportion with planning (by plots)	87%		67%		81%	

London under construction

- 1 9 Millbank, Westminster
- 2 250 City Road, Islington
- 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 Kensington Row and Royal Warwick Square
- 14 Kidbrooke Village
- 15 Kings' Road Park, Fulham
- 16 London Dock, Wapping
- 17 One Blackfriars, Southwark
- 18 Oval Village

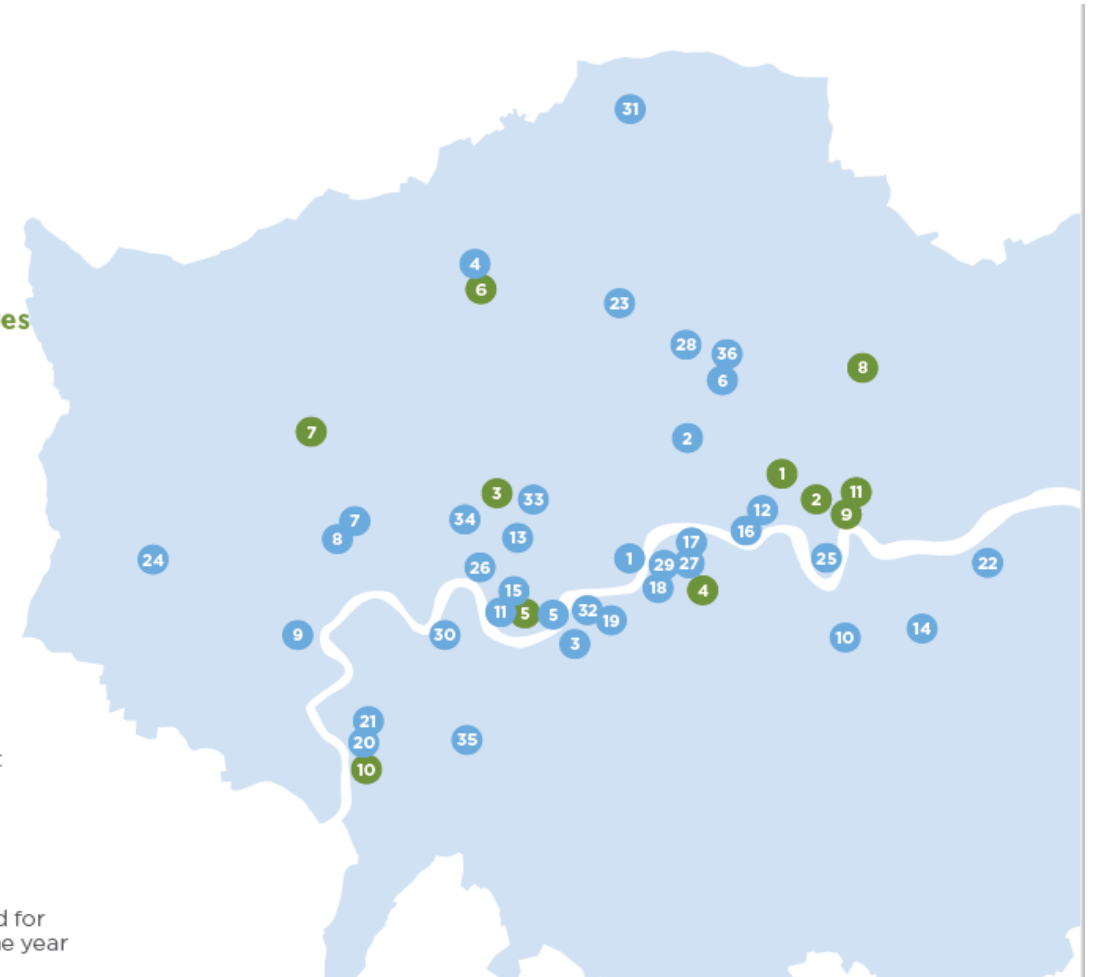
- 19 Prince of Wales Drive, Battersea

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

London future sites

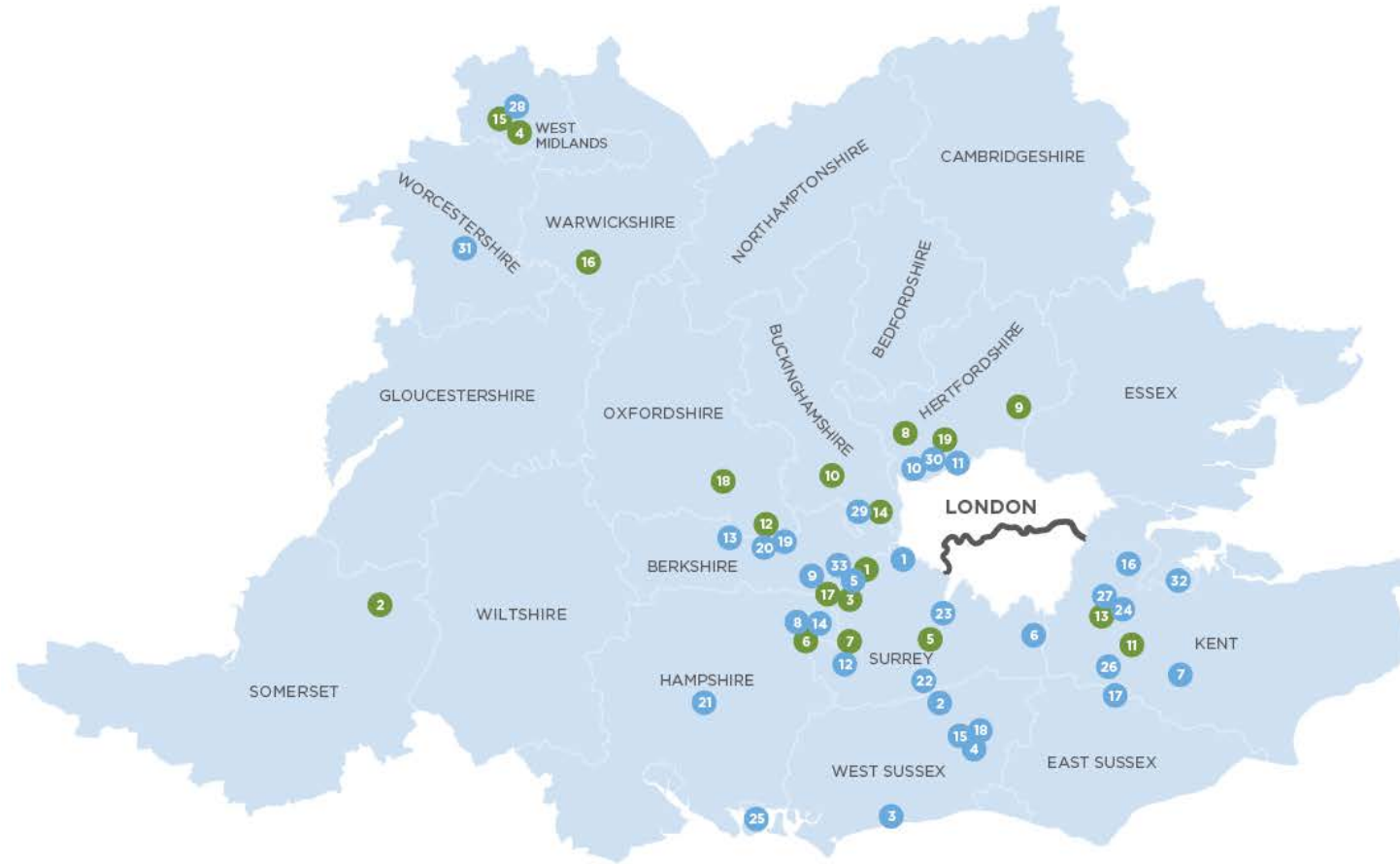
- 1 Bethnal Green
- 2 Bow Common
- 3 Centre House, Wood Lane
- 4 Chambers Wharf, Southwark
- 5 Fulham
- 6 Hendon*
- 7 Grand Union, Northfields
- 8 Lea Bridge*
- 9 Poplar
- 10 Royal Exchange, Kingston
- 11 Stephenson Street

* New sites contracted for acquisition during the year



Land and Build Investment

Sites outside of London



Out of London under construction

- 1 17 - 51 London Road, Staines
- 2 Barleycroft, Rudgwick
- 3 Bersted Park
- 4 Broadacres, Southwater
- 5 Brompton Gardens, Ascot
- 6 Courtyard Gardens, Oxted
- 7 Cranbrook
- 8 Edenbrook Village, Fleet
- 9 Eldridge Park, Wokingham
- 10 Elmwater, Rickmansworth
- 11 Fairwood Place, Borehamwood
- 12 Farnham
- 13 Green Park Village, Reading
- 14 Hartland Village, Fleet*
- 15 Highwood Village, Horsham
- 16 Holborough Lakes
- 17 Hollyfields, Hawkenbury
- 18 Horsham*
- 19 Huntley Wharf, Reading*
- 20 Kennet Island, Reading
- 21 Knights Quarter, Winchester
- 22 Leighwood Fields, Cranleigh
- 23 Princes Chase, Leatherhead
- 24 Quinton Court, Sevenoaks
- 25 Royal Clarence Marina, Gosport
- 26 Royal Wells Park, Tunbridge Wells
- 27 Ryewood, Sevenoaks
- 28 Snow Hill Wharf, Birmingham
- 29 Taplow Riverside
- 30 The Arches, Watford
- 31 The Waterside, Royal Worcester
- 32 Victory Pier, Gillingham
- 33 Woodhurst Park, Warfield

Out of London future sites

- 1 Ascot
- 2 Bath*
- 3 Camberley
- 4 Eastside Locks, Birmingham*
- 5 Effingham
- 6 Fleet
- 7 Frimley Green
- 8 Hemel Hempstead
- 9 Hertford
- 10 High Wycombe*
- 11 Paddock Wood*
- 12 Reading*
- 13 Sevenoaks
- 14 Slough*
- 15 Snow Hill Queensway, Birmingham*
- 16 Stratford-Upon-Avon
- 17 Sunningdale Park
- 18 Wallingford
- 19 Watford*

St Edward

- Joint venture with Prudential
- Six developments in the land holdings (3,700 homes)

Schemes:

- Green Park Village, Reading
- Kensington Row & Royal Warwick Square
- 9 Millbank, Westminster
- Hartland Village, Fleet
- Wallingford, Oxfordshire
- Snow Hill Queensway, Birmingham



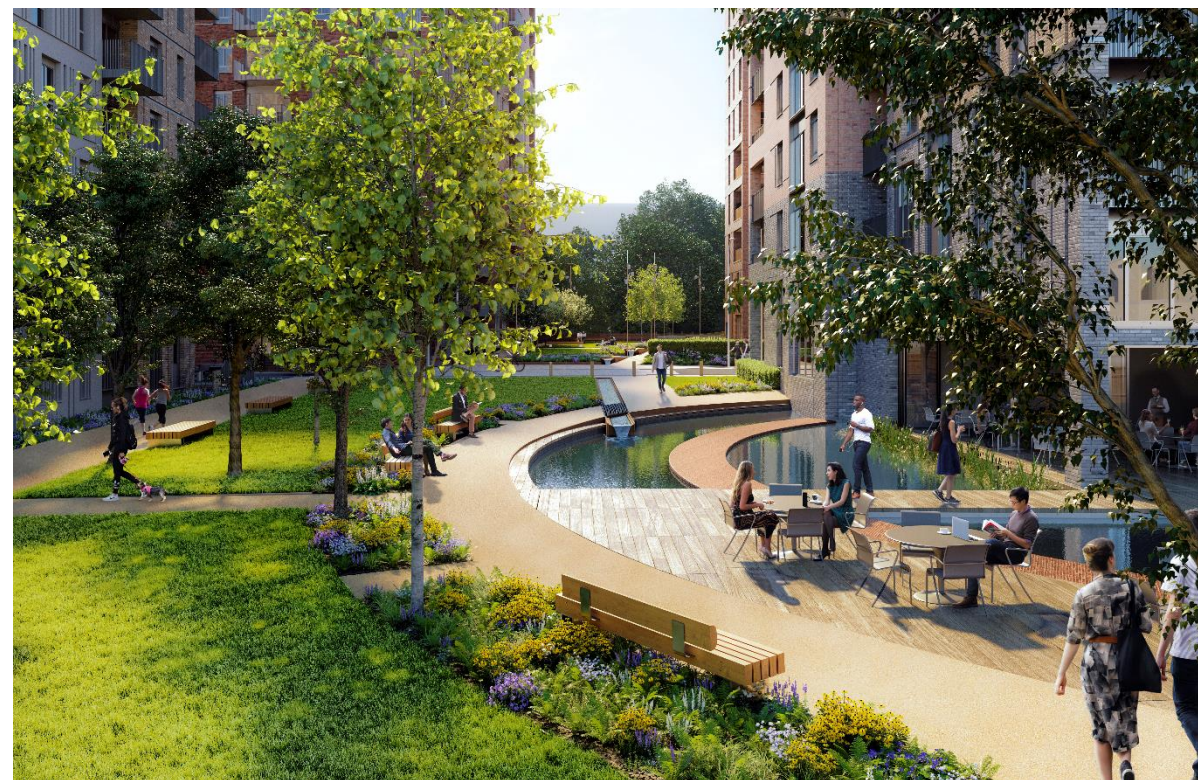
Hartland Village

St William

- Joint venture with National Grid
- Sixteen developments in the land holdings (9,800 homes)

Schemes:

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



Clarendon

Strategic Review

Long-Term Strategic Plan

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
2011 Shareholder Returns programme			4.00	558.8	16.34	2,249.2
By 30 September 2022	-	-	2.00	279.4	2.00	279.4
By 30 September 2023	-	-	2.00	279.4	2.00	279.4
By 30 September 2024	-	-	2.00	279.4	2.00	279.4
By 30 September 2025	-	-	2.00	279.4	2.00	279.4
Future returns	-	-	8.00	1,117.6	24.34	3,366.8

Shareholder Returns Programme:

- Returned £5.2 million of the current £139.7 million due to be returned by 30 September 2019
- Since amendment to the Shareholder Returns Programme, Berkeley has returned £383.7 million via 11.1 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"> ▪ Guidance for 2019/20 unchanged, with pre-tax profit anticipated to fall by a third, before stabilising at this level ▪ Long-term pre-tax ROE estimated at 15% ▪ Currently 18% outperformance against December 2016 plan to deliver £3.0 billion of pre-tax profit in five years ending 30 April 2021
Forward Sales and Financial Strength	<ul style="list-style-type: none"> ▪ Forward sales should stabilise with profitability as customers purchase later in the cycle in normal market conditions ▪ 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"> ▪ Six-monthly £139.7 million return to 30 September 2019 already committed, to be made by share buy-backs or dividends ▪ 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 ▪ Effective annual return now £2.16 per share

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive

Questions



Kidbrooke Village