
The Berkeley Group Holdings plc

Full Year Results Presentation

Year ended 30th April 2020

17th June 2020

Preliminary Results Presentation

Format of Presentation

Tony Pidgley CBE
Chairman

Richard Stearn
Finance Director

Rob Perrins
Chief Executive



Kidbrooke Village

Tony Pidgley CBE

Chairman

Richard Stearn

Finance Director

- Summary of Performance

- Summary of Financial Position

- Homes Completed and Average Selling Price

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- Abridged Balance Sheet

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- Creditors

- Financing

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Finance Review

Summary of Performance

Year ended	30 April 2020	30 April 2019	Change £	Change %
Profit before tax	£503.7m	£775.2m	-£271.5m	-35.0%
EPS – Basic	324.9p	481.1p	-156.2p	-32.5%
EPS – Diluted	313.4p	469.9p	-156.5p	-33.3%
Operating margin	24.5%	26.0%		
Pre-Tax Return on Equity *	16.6%	27.9%		

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

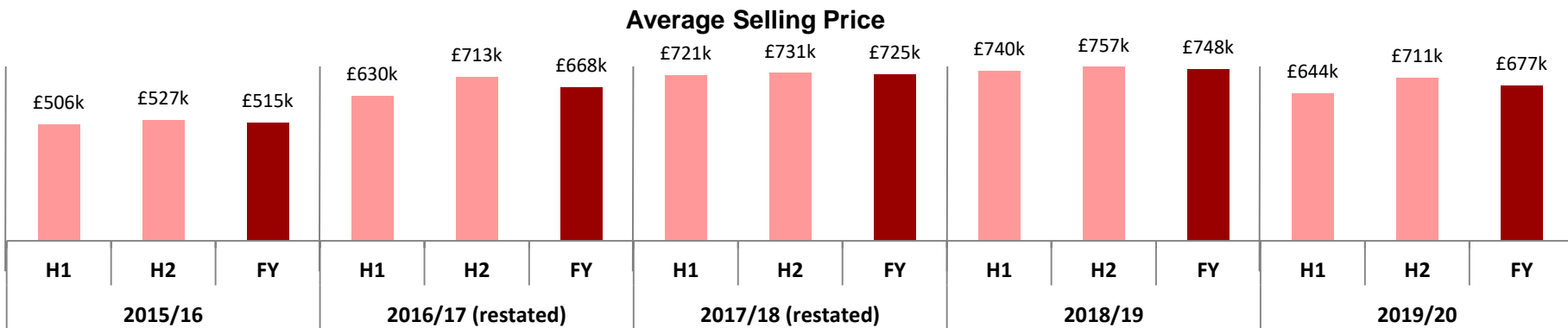
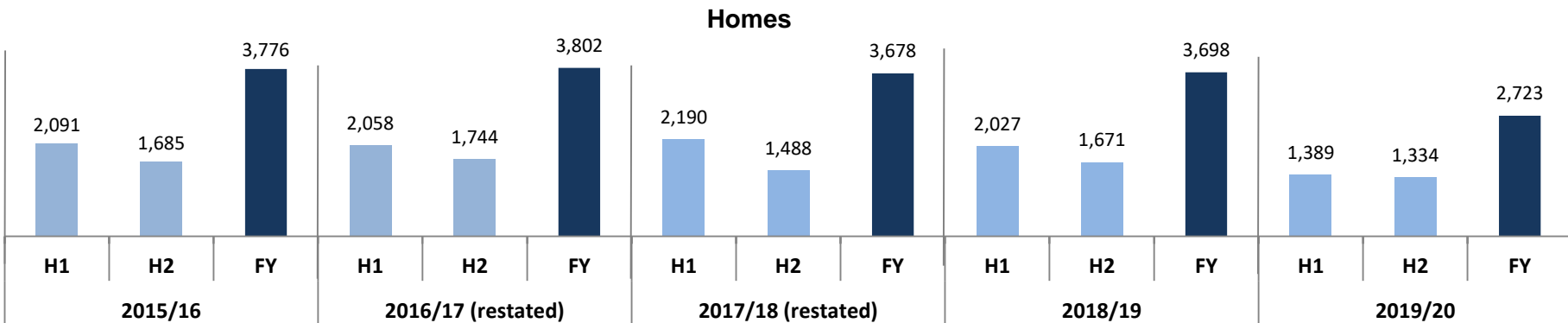
Finance Review

Summary of Financial Position

	As at 30 April 2020	As at 30 April 2019	Change £	Change %
Balance Sheet				
Shareholders' funds	£3,101.6m	£2,963.3m	+£138.3m	+4.7%
Closing net cash	(£1,138.9m)	(£975.0m)	-£163.9m	+16.8%
Capital employed	£1,962.7m	£1,988.3m	-£25.6m	-1.3%
Net asset value per share	2,472p	2,305p	+167p	+7.2%
Total shares in issue – excluding Treasury & EBT shares	125.5m	128.6m	-3.1m	-2.4%
Cash due on forward sales	£1,857.7m	£1,831.2m	+£26.5m	+1.4%
Land Holdings				
Plots	58,413	54,955	+3,458	+6.3%
Gross margin	£6,417.4m	£6,247.1m	+£170.3m	+2.7%

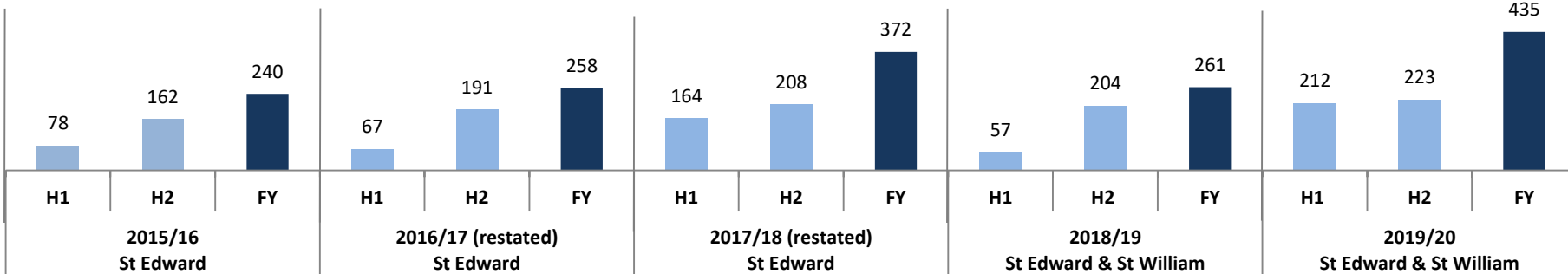
Finance Review

Homes Completed and ASP - Group

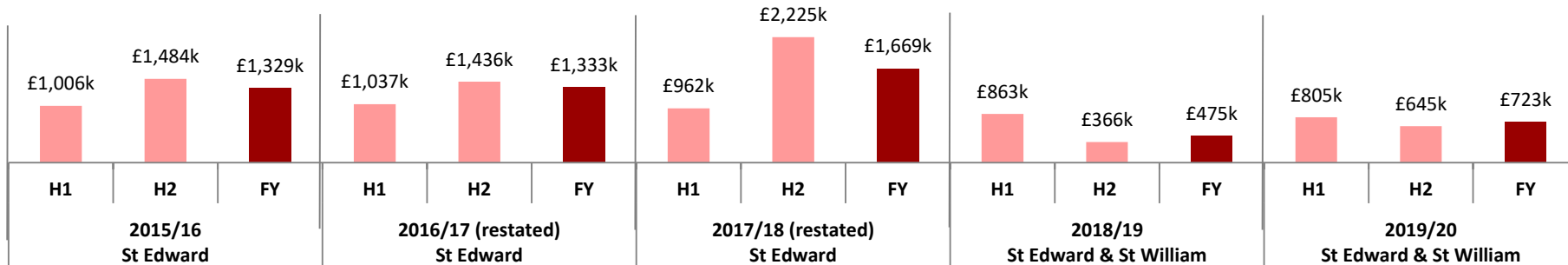


Homes Completed and ASP – Joint Ventures (St Edward & St William)

Homes



Average Selling Price



Finance Review

Income Statement

Year ended	30 April 2020 £m		30 April 2019 £m		Change £m	Change %
Revenue	1,920.4		2,957.4		-1,037.0	-35.1%
Gross profit	637.4	33.2%	926.2	31.3%	-288.8	-31.2%
Operating expenses	(167.7)	8.7%	(157.8)	5.3%	-9.9	+6.3%
Operating profit	469.7	24.5%	768.4	26.0%	-298.7	-38.9%
Net finance income / (costs)	0.7		(2.0)		+2.7	
Share of Joint Venture results	33.3		8.8		+24.5	
Profit before tax	503.7		775.2		-271.5	-35.0%
Tax	(93.6)	18.6%	(147.8)	19.1%	+54.2	
Profit after tax	410.1		627.4		-217.3	-34.6%
EPS – Basic	324.9p		481.1p		-156.2p	-32.5%

Finance Review

Abridged Cash Flow

Year ended		30 April 2020 £m		30 April 2019 £m
Profit before tax		503.7		775.2
(Increase) / decrease in inventory	(440.2)			181.9
Increase/ (decrease) in customer deposits	97.4			(208.9)
Other working capital movements (mainly land creditors)	267.7			49.0
Net (increase) / reduction in working capital		(75.1)		22.0
Net receipts from / (investment in) joint ventures		112.9		(62.8)
Tax paid		(89.8)		(178.8)
Other movements		(7.5)		(16.0)
Cash inflow before share buy-backs and dividends		444.2		539.6
Shareholder returns - share buy-backs		(130.5)		(198.9)
Shareholder returns - dividends		(149.8)		(53.0)
Increase in net cash		163.9		287.7
Opening net cash		975.0		687.3
Closing net cash		1,138.9		975.0

Finance Review

Abridged Balance Sheet

	As at 30 April 2020 £m	Movements £m	As at 30 April 2019 £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in joint ventures	261.8	-112.9	374.7
- Deferred tax assets	53.6	+7.8	45.8
- Right-of-use assets	2.5	+2.5	-
- Property, plant and equipment	48.5	+6.0	42.5
Total non-current assets	383.6	-96.6	480.2
Inventories	3,554.9	+440.2	3,114.7
Debtors	73.4	+5.4	68.0
Creditors and provisions	(2,049.2)	-374.6	(1,674.6)
Capital employed	1,962.7	-25.6	1,988.3
Net cash	1,138.9	+163.9	975.0
Net assets	3,101.6	+138.3	2,963.3
Net asset value per share	2,472p	+167p	2,305p

Finance Review

Inventories

	As at 30 April 2020 £m	Movements £m	As at 30 April 2019 £m
Land not under development	519.7	+124.5	395.2
Work in progress: Land cost	907.9	+101.2	806.7
	1,427.6	+225.7	1,201.9
Work in progress: Build cost	1,987.8	+209.8	1,778.0
Completed units	139.5	+4.7	134.8
Total inventories	3,554.9	+440.2	3,114.7

Creditors

	As at 30 April 2020 £m	Movements £m	As at 30 April 2019 £m
Trade creditors and accruals	775.6	-41.2	816.8
Provision for liabilities	114.9	+35.8	79.1
Deposits and on account receipts	783.5	+97.4	686.1
Land creditors	372.7	+280.1	92.6
Lease liability	2.5	+2.5	-
Total liabilities before borrowings	2,049.2	+374.6	1,674.6
Borrowings	500.0	+200.0	300.0
Total liabilities	2,549.2	+574.6	1,974.6
<u>Land Creditors</u>			
Land creditors < 12 months	109.0	+56.9	52.1
Land creditors > 12 months	263.7	+223.2	40.5
Total	372.7	+280.1	92.6

Finance Review

Financing

Banking Facilities	GROUP	ST WILLIAM
Amount:	£750 million	£360 million
Term:	£300 million (fully drawn)	N/A
RCF:	£450 million (£200 million drawn)	£360 million
Maturity:	November 2023	March 2023 (option to extend by further two years in one year increments)



Finance Review

Land Holdings

	As at 30 April 2020	Variance	As at 30 April 2019
Owned	50,558	+8,919	41,639
Contracted	7,855	-5,461	13,316
Plots	58,413	+3,458	54,955
Sales value	£23.7bn	+£1.1bn	£22.6bn
Average selling price (ASP)*	£473k	+£1k	£472k
Average plot cost	£45k	-£6k	£51k
Land cost %	11.0%	-1.5%	12.5%
Gross margin	£6,417m	+£170m	£6,247m
GM%	27.1%	-0.5%	27.6%

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

Rob Perrins

Chief Executive

Unprecedented operational challenge

- First priority has been the health, safety and well-being of our people, supply chain and customers
- Human tragedy with potentially profound economic consequences

Construction Sites

- Quickly adapted site operating procedures to adhere to Government and Industry guidance
- Production capacity on sites initially reduced to 40% - now returned to around 80% with social distancing and additional monitoring

Supply Chain

- Initial material shortages as much of supply chain shut down – now largely reversed
- Berkeley recognised throughout supply chain for maintaining activity and demand

Marketing Suites

- Marketing suites closed from 24 March and re-opened from 16 May with clear policies to ensure social distancing is enforced
- Transition to use of technology to support sales and completions

Offices

- Office based employees able to seamlessly move to remote working
- Safe operating procedures at our offices to operate a balanced hybrid model to support colleagues on site and in marketing suites

Government Covid-19 support

- No drawing on Government furlough scheme
- No participation in Covid Corporate Financing Facility

Summary of Performance and Financial Strength

2019/20 Performance

- Pre-tax profits of £504 million exceeded our initial expectations going into lockdown of £475 million
- In line with guidance at start of the year which was for profit to fall by one third
- Transition from Central London developments acquired after the financial crisis to unique regeneration business of scale
- Additional £210 million investment in construction

Financial Strength

- £1.1 billion of net cash (plus £750 million of facilities)
- £1.9 billion of forward sales
- £6.4 billion of future profit in the land holdings

Long-term Developments

- More than 25 large, complex, long-term regeneration developments coming forward with opportunity to add value for all stakeholders
- Berkeley is the only developer with resources, expertise and risk appetite to do this at scale

Strategic Review

Long-term Regeneration Sites in Land Holdings

Berkeley is delivering over 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*

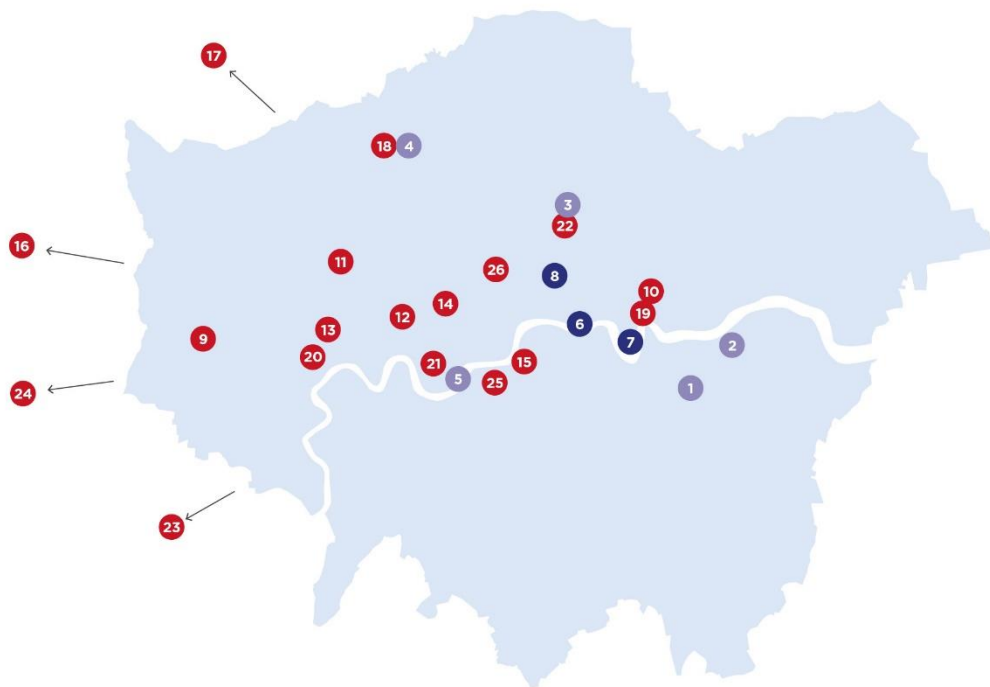
Acquired 2011 – 2013

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

Acquired after 2013

- 9 Southall Waterside*
- 10 TwelveTrees Park, Newham
- 11 Grand Union Place, Brent*
- 12 White City Living*
- 13 Malt Street, Southwark
- 14 West End Gate, Paddington*
- 15 Oval Village*
- 16 Horlicks, Slough
- 17 St Albans Road, Watford
- 18 Silk Stream, Barnet
- 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*
- 26 Camden

* In production at 30 April 2020



Strategic Review

Long-Term Purpose and Strategy

Purpose

- Berkeley's purpose is to build homes, strengthen communities and improve lives
- Sustained commercial success enables enduring contributions to society, the economy and the natural world
- Continued investment in unique operating model to deliver its large, complex regeneration sites
- Berkeley's brand attributes will be an advantage in post Covid-19 environment – Quality of life, nature, open spaces, connectivity, community and well-being

Long-term Plan

- Targeting cumulative pre-tax ROE of at least 15% per annum over the cycle
- Underpinned by land holdings, forward sales and placemaking expertise
- Provides confidence to re-affirm commitment to annual shareholder returns of £280 million

Surplus Capital

- Plans for return of £455 million surplus capital deferred for up to two years
- Reflects current volatility and potential to use part of surplus capital to acquire incremental land should opportunities arise
- Incremental land represents cash spent on land over and above the cost of land used in the income statement from 1 May 2020

Sales Performance

- Three new major development launched in London in the year: Grand Union in Brent, King's Road Park in Fulham (St William) and Royal Exchange in Kingston
- Five new developments launched in the South East
- Increased launch activity and continued stability in our markets for the majority of the year 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

- Going into the lockdown period, Berkeley was experiencing a stable trading environment with sentiment having been buoyed by the decisive UK election result
- Sales in April and May reflected the impact of lockdown and were at levels 50% below normal market conditions
- Activity levels increasing as economy gradually re-opens but it is still too early to determine where demand will settle over the coming months
- To kick-start the economy, reductions in SDLT, an extension of Help to Buy, longer mortgage offer periods and investment in truly affordable homes are required
- The fundamentals remain positive – The market is under-supplied, interest rates low and London has unique and enduring attributes

Strategic Review

Land and Planning

Land and Planning

- Six new developments added to the land holdings, comprising around 4,500 new homes
- Includes long-term sites in London in Old Kent Road (1,300 homes), Brentford (1,900 homes) and Camden (650 homes)
- Continued focus on bringing through the pipeline of new regeneration developments
- Eight new planning consents obtained in the year
(St William's Poplar and Hertford sites, Abbey Barn Park in High Wycombe, London Road in Staines, Centre House at White City, Horlicks in Slough, Sunningdale Park and Eastside Locks in Birmingham)
- Planning environment remains inconsistent and bureaucratic
- CIL should be abolished for large sites with Section 106 obligations focused on delivering benefits for the local community

Build

- Build cost inflation continued at around 4% per annum until the end of 2019
- From the beginning of 2020 build costs have been neutral
- As the UK emerges from lockdown we expect further deflationary pressure on costs in the short-term
- Continuing to work with supply to mitigate risks from either a second wave of Covid-19 or should the UK not be able to agree a new trade agreement with the EU
- Around 11,000 people working across our sites, including some 300 apprentices, with a total 32,000 UK jobs supported directly and indirectly
- Fit-out of the Berkeley Modular facility is underway, with the machinery being installed ahead of production of the first module proto-types next year

Strategic Review

Land and Build Investment - Delivery

As at 30 April 2020	London		Out of London		Total	
Delivery of Developments:						
In construction	33	74%	37	70%	70	71%
Not yet in construction – owned sites	6	13%	10	19%	16	16%
Not yet in construction – contracted sites	6	13%	6	11%	12	13%
Total developments	45	100%	53	100%	98	100%
Proportion with planning (by sites)	89%		85%		87%	
Number of plots	42,233	72%	16,180	28%	58,413	100%
Proportion with planning (by plots)	92%		84%		90%	

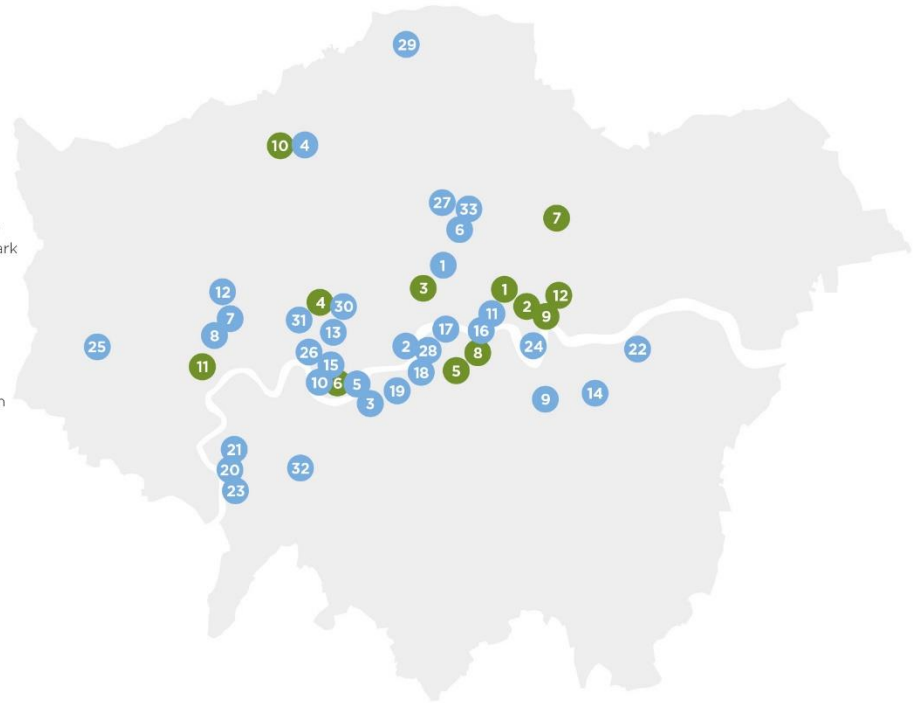
Land and Build Investment Sites in London

London under construction

- | | | | |
|----|---|----|-----------------------------------|
| 1 | 250 City Road, Islington | 21 | Richmond Chase |
| 2 | 9 Millbank, Westminster | 22 | Royal Arsenal Riverside, Woolwich |
| 3 | Battersea Reach | 23 | Royal Exchange, Kingston |
| 4 | Beaufort Park, Hendon | 24 | South Quay Plaza, Docklands |
| 5 | Chelsea Creek | 25 | Southall Waterside |
| 6 | Clarendon, Haringey | 26 | Sovereign Court, Hammersmith |
| 7 | Dickens Yard, Ealing | 27 | The Cottonworks, Finsbury Park |
| 8 | Filmworks, Ealing | 28 | The Dumont, Albert Embankment |
| 9 | Forbury, Blackheath | 29 | Trent Park, Enfield |
| 10 | Fulham Reach | 30 | West End Gate, Paddington |
| 11 | Goodman's Fields, Aldgate | 31 | White City Living |
| 12 | Grand Union Place, Brent | 32 | Wimbledon Hill Park |
| 13 | Kensington Row and Royal Warwick Square | 33 | Woodberry Down, Finsbury Park |
| 14 | Kidbrooke Village | | |
| 15 | King's Road Park, Fulham | | |
| 16 | London Dock, Wapping | | |
| 17 | One Blackfriars, Southwark | | |
| 18 | Oval Village | | |
| 19 | Prince of Wales Drive, Battersea | | |
| 20 | Queenshurst, Kingston | | |

London future sites

- | | |
|----|---------------------------|
| 1 | Bethnal Green |
| 2 | Bow Common |
| 3 | Camden Goods Yard* |
| 4 | Centre House, Wood Lane |
| 5 | Chambers Wharf, Southwark |
| 6 | Fulham |
| 7 | Lea Bridge |
| 8 | Malt Street, Southwark* |
| 9 | Poplar |
| 10 | Silk Stream, Barnet |
| 11 | Syon Lane, Hounslow* |
| 12 | TwelveTrees Park, Newham |



*New sites contracted for acquisition during the year

Land and Build Investment

Sites outside of London

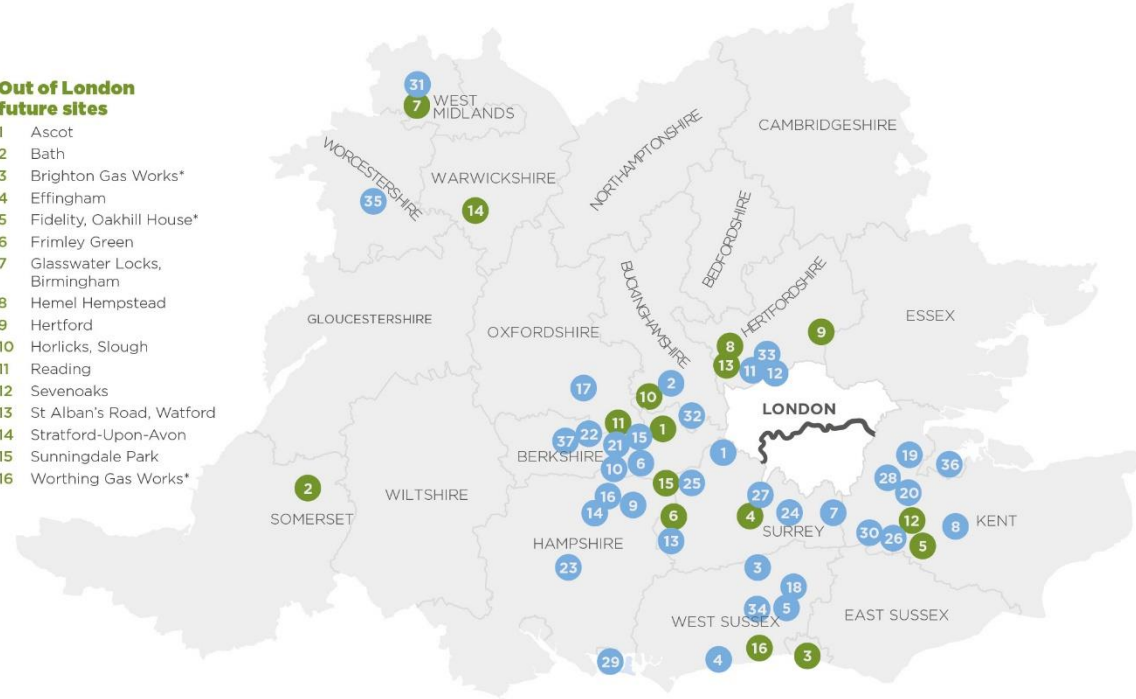
Out of London under construction

- 1 17 - 51 London Road, Staines
- 2 Abbey Barn Park, High Wycombe
- 3 Broadacres, Southwater
- 4 Bersted Park
- 5 Barleycroft, Rudgwick
- 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 Fleet
- 15 Green Park Village, Reading
- 16 Hartland Village, Fleet
- 17 Highcroft, Wallingford
- 18 Highwood Village, Horsham

- 19 Holborough Lakes
- 20 Hollyfields, Hawkenbury
- 21 Huntley Wharf, Reading
- 22 Kennet Island, Reading
- 23 Knights Quarter, Winchester
- 24 Leighwood Fields, Cranleigh
- 25 Lumina, Camberley
- 26 Paddock Wood
- 27 Princes Chase, Leatherhead
- 28 Quinton Court, Sevenoaks
- 29 Royal Clarence Marina, Gosport
- 30 Royal Wells Park, Tunbridge Wells
- 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 Brighton Gas Works*
- 4 Effingham
- 5 Fidelity, Oakhill House*
- 6 Frimley Green
- 7 Glasswater Locks, Birmingham
- 8 Hemel Hempstead
- 9 Hertford
- 10 Horlicks, Slough
- 11 Reading
- 12 Sevenoaks
- 13 St Alban's Road, Watford
- 14 Stratford-Upon-Avon
- 15 Sunningdale Park
- 16 Worthing Gas Works*



*New sites contracted for acquisition during the year

Strategic Review

Joint Ventures

St Edward

- Joint venture with M&G
- Land holdings of 5,300 homes
- Five sites in production
- Wallingford started in the year



Hartland Village, Fleet



Strategic Review

Joint Ventures

St William

- Joint venture with National Grid
- Land holdings of 10,900 homes
- Eight sites in production
- Planning achieved at Poplar and Hertford
- Bank facilities refinanced and increased to £360 million



Prince of Wales Drive, Battersea

nationalgrid

Macro-environment

- Forecasting in these volatile times is inherently difficult given unprecedented nature of macro risks
- Berkeley will always prioritise protecting its balance sheet ahead of annual profits

Financial strength is paramount

- Net cash of £1.1 billion, plus £750 million of bank facilities
- Forward sales at £1.86 billion at 30 April 2020, in line with business profile
- Unrivalled land holdings

Profit guidance

- FY21 profit anticipated to be similar to FY20 with weighting towards second half (one-third / two thirds)
- 15% cumulative pre-tax ROE target for six years ending 30 April 2025
- Equivalent to average annual pre-tax profit of approximately £500 million

Land holdings

- Investing selectively in new opportunities that meet our criteria and bringing through the next wave of regeneration sites
- Estimated gross margin in land holdings targeted to grow to £7.5 billion over the six year period to 30 April 2025

Ongoing Shareholder Returns

- Annual Shareholder Return of £280 million re-affirmed to 2025
- Effective annual return of £280 million now equivalent to £2.23 per share; an increase of 11% on the initial £2 per share
- Berkeley has returned £514 million via 14.6 million share buy-backs at an average cost of £35.25 pence per share since December 2016
- Next £140 million return to 30 September 2020 already committed (£6.0 million returned to date via share buy-backs)

Surplus Capital

- Return of £455 million of surplus capital deferred for up to two years, reflects current volatility
- Flexibility to use part of surplus capital to acquire incremental land should opportunities arise to enhance shareholder value over the cycle
- We do see the potential for such incremental investment due to the macro uncertainty and volatility, and this will be defined as:
“Cash paid on land interests, over and above the cost of land used in the income statement, from 1 May 2020”
- The surplus capital will remain on the balance sheet until it is used for either enhanced cash returns or incremental land investment