
The Berkeley Group Holdings plc

Interim Results Presentation

Six months ended 31st October 2020

4th December 2020

Interim Results Presentation

for the six months ended 31 October 2020

Rob Perrins
Chief Executive

Introduction

Richard Stearn
Finance Director

Finance review

Rob Perrins
Chief Executive

Strategic Review

Introduction

1. Covid-19 and the future operating environment
2. Resilient operating performance underpinned by Berkeley's unique long-term operating model
3. Continued investment in the business
4. Our Vision is being relaunched for the next 10 years, to include science-based targets on climate change

Richard Stearn

Finance Director



Kidbrooke Village

- **Summary of Performance**

- **Summary of Financial Position**

- **Homes Completed and Average Selling Price**

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- **Financing**

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Finance Review

Summary of Performance

Six months ended	31 October 2020	31 October 2019	Change	Change %
Profit before tax	£230.8m	£276.7m	-£45.9m	-16.6%
EPS – Basic	149.6p	176.4p	-26.8p	-15.2%
EPS – Diluted	146.2p	170.4p	-24.2p	-14.2%
Operating margin	25.4%	27.5%		
Pre-Tax Return on Equity *	14.9%	18.4%		

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

Finance Review

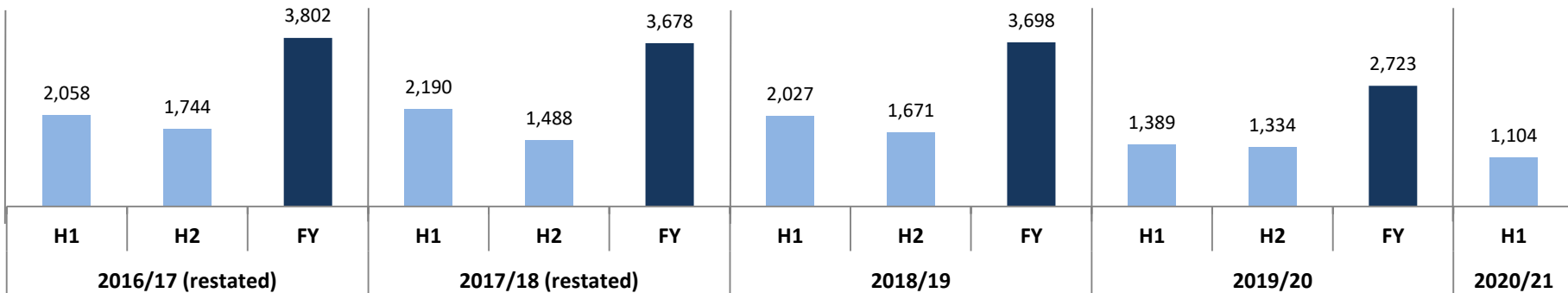
Summary of Financial Position

	As at 31 October 2020	As at 30 April 2020	Change	Change %
Balance Sheet				
Shareholders' funds	£3,105.2m	£3,101.6m	+£3.6m	+0.1%
Closing net cash	(£954.3m)	(£1,138.9m)	+£184.6m	-16.2%
Capital employed	£2,150.9m	£1,962.7m	+£188.2m	+9.6%
Net asset value per share	2,482p	2,472p	+10p	+0.4%
Total shares in issue – excluding Treasury & EBT shares	125.1m	125.5m	-0.4m	-0.3%
Cash due on forward sales	£1,937.2m	£1,857.7m	+£79.5m	+4.3%
Land Holdings				
Plots	60,327	58,413	+1,914	+3.3%
Gross margin	£6,650.8m	£6,417.4m	+£233.4m	+3.6%

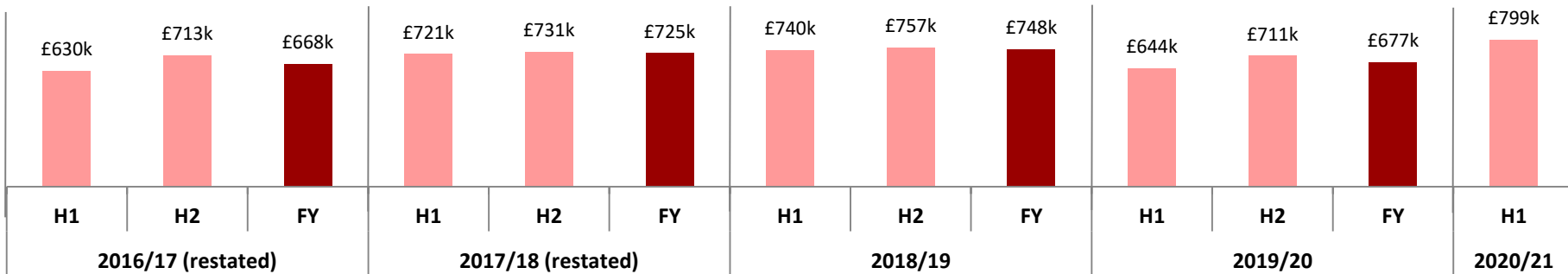
Finance Review

Homes Completed and ASP - Group

Homes



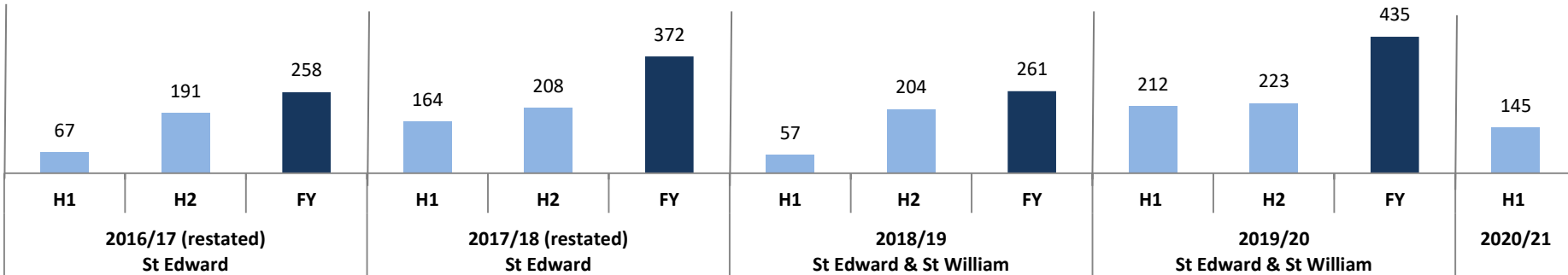
Average Selling Price



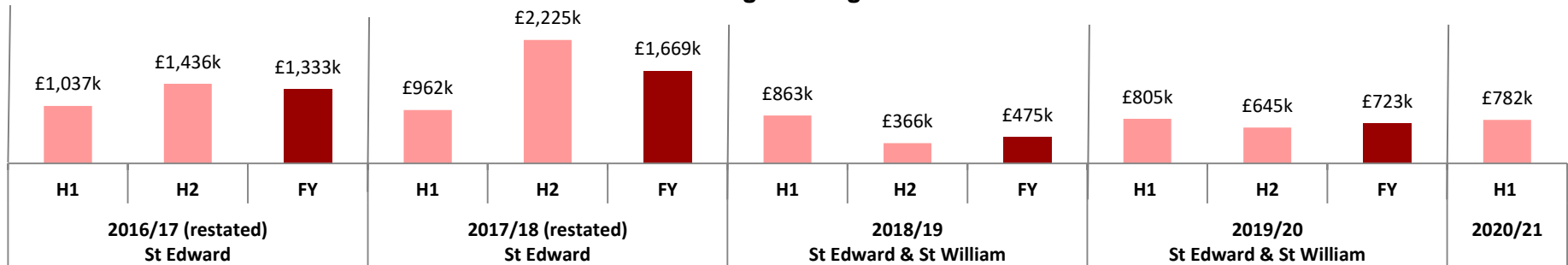
Finance Review

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

Homes



Average Selling Price



Finance Review

Income Statement

Six months ended	31 October 2020 £m		31 October 2019 £m		Change £m	Change %
Revenue	895.9		930.9		-35.0	-3.8%
Gross profit	289.2	32.3%	336.3	36.1%	-47.1	-14.0%
Operating expenses	(61.2)	6.8%	(79.9)	8.6%	+18.7	+23.4%
Operating profit	228.0	25.4%	256.4	27.5%	-28.4	-11.1%
Net finance (costs)/income	(3.8)		0.9		-4.7	
Share of joint ventures	6.6		19.4		-12.8	
Profit before tax	230.8		276.7		-45.9	-16.6%
Tax	(43.1)	18.7%	(53.0)	19.2%	+9.9	
Profit after tax	187.7		223.7		-36.0	-16.1%
EPS – Basic	149.6p		176.4p		-26.8p	-15.2%

Finance Review

Abridged Cash Flow

Six months ended	31 October 2020		31 October 2019	
	£m		£m	
Profit before tax		230.8		276.7
Increase in inventory	(329.4)		(158.9)	
Increase in customer deposits	53.6		54.4	
Other working capital movements (mainly land creditors)	97.7		7.2	
Net increase in working capital		(178.1)		(97.3)
Net (investment in) / receipts from joint ventures		(6.6)		126.8
Tax paid		(47.1)		(61.4)
Other movements		(12.2)		(9.4)
Cash (outflow) / inflow before share buy-backs and dividends		(13.2)		235.4
Shareholder returns - share buy-backs		(37.1)		(124.6)
Shareholder returns - dividends		(134.3)		(25.2)
(Decrease) / Increase in net cash		(184.6)		85.6
Opening net cash		1,138.9		975.0
Closing net cash		954.3		1,060.6

Finance Review

Abridged Balance Sheet

	As at 31 October 2020 £m	Movements £m	As at 30 April 2020 £m
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment in joint ventures	268.4	+6.6	261.8
- Deferred tax assets	42.6	-11.0	53.6
- Right-of-use assets	3.1	+0.6	2.5
- Property, plant and equipment	47.2	-1.3	48.5
Total non-current assets	378.5	-5.1	383.6
Inventories	3,884.3	+329.4	3,554.9
Debtors	81.0	+7.6	73.4
Creditors and provisions	(2,192.9)	-143.7	(2,049.2)
Capital employed	2,150.9	+188.2	1,962.7
Net cash	954.3	-184.6	1,138.9
Net assets	3,105.2	+3.6	3,101.6
Net asset value per share	2,482p	+10p	2,472p

Finance Review

Inventories

	As at 31 October 2020 £m	Movements £m	As at 30 April 2020 £m
Land not under development	340.1	-179.6	519.7
Work in progress: Land cost	1,270.5	+362.6	907.9
	1,610.6	+183.0	1,427.6
Work in progress: Build cost	2,200.4	+212.6	1,987.8
Completed units	73.3	-66.2	139.5
Total inventories	3,884.3	+329.4	3,554.9

Creditors

	As at 31 October 2020 £m	Movements £m	As at 30 April 2020 £m
Trade creditors and accruals	790.0	+14.4	775.6
Provision for liabilities	124.0	+9.1	114.9
Deposits and on account receipts	837.1	+53.6	783.5
Land creditors	438.8	+66.1	372.7
Lease liability	3.0	+0.5	2.5
Total liabilities before borrowings	2,192.9	+143.7	2,049.2
Borrowings	300.0	-200.0	500.0
Total liabilities	2,492.9	-56.3	2,549.2
<u>Land Creditors</u>			
Land creditors < 12 months	100.5	-8.5	109.0
Land creditors > 12 months	338.3	+74.6	263.7
Total	438.8	+66.1	372.7

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 March 2020 repaid in September 2020)	£360 million
Maturity:	November 2023	March 2023 (option to extend by further two years in one year increments)
		

Finance Review

Land Holdings

	As at 31 October 2020	Variance	As at 30 April 2020
Owned	53,363	+2,805	50,558
Contracted	6,964	-891	7,855
Plots	60,327	+1,914	58,413
Sales value	£24.6bn	+£0.9bn	£23.7bn
Average selling price (ASP)*	£472k	-£1k	£473k
Average plot cost	£45k	-	£45k
Land cost %	10.9%	-0.1%	11.0%
Gross margin	£6,651m	+£234m	£6,417m
GM%	27.0%	-0.1%	27.1%

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

Rob Perrins

Chief Executive



Broadacres, Southwater

Four Key Focus Areas

1. How Berkeley has responded to Covid-19 and the increasing complexity of the operating and regulatory environment.
2. A resilient operating performance during the first six months of the financial year, underpinned by Berkeley's uniquely long-term operating model and its financial strength.
3. The continued investment in our business during this period, supporting the anticipated future growth in housing delivery over the six year business plan period ending in 2024/25.
4. Berkeley's purpose and relaunch of "Our Vision" to ensure Berkeley continues to deliver a positive and lasting contribution to society, the economy and natural world; including the establishment of new science-based targets for climate change.

Guidance

1. Profit and Land Holdings
2. Shareholder Returns and Surplus Capital

Covid-19

- First priority has been the health, safety and well-being of our people, supply chain and customers
- Our experience and expertise means disruption has been minimised – we now have 10% more people on our sites than before the pandemic
- We have adapted our sales and marketing practices to protect customers and employees with rapid deployment of digital technology

Future Operating Environment

- Resilient market during the first half of our financial year, aided by the Government's temporary reduction in stamp duty
- Berkeley's long-term regeneration approach with focus on place-making, nature, community, connectivity and quality of life is a distinct advantage post Covid-19
- Our belief in London and our development approach is resolute and we remain committed to our core markets

Regulatory Framework

- White Paper: Planning for the Future
 - Berkeley believes CIL should be abolished for sites > 300 homes and replaced with a locally negotiated S.106 agreement to reflect unique local circumstances
- Draft Building Safety Bill 2020 – *bill to make provision about the safety of people in or about buildings and the standard of buildings*
 - Berkeley is very supportive of Government's determination to ensure buildings are safe for the people that live in them
 - Holistic and comprehensive solution, based upon science and risk assessment, needed to release all safe buildings for mortgage valuation purposes
- Future terms of the UK's trading relationship with the EU and the rest of the world

Performance

- First half pre-tax profits exceeded expectations at the start of the financial year
- Firmly on track to meet FY21 profit and pre-tax ROE target, underpinning £280 million shareholder return commitment
- Long-term model and financial strength has enabled continued investment in the business:
 - Acquired four major new sites (3 in London)
 - Moved five sites into production, including 4 long-term regeneration developments
 - Net £210 million invested into build work in progress

Long-term Developments

- 28 large, complex, long-term regeneration developments coming forward in London and the South East, with opportunity to add value for all stakeholders
- Berkeley is the only developer with resources, expertise and risk appetite to do this at scale
- These sites underpin Berkeley's anticipated 50% increase in housing delivery by 2024/25 from levels achieved in 2018/19 (the start of the business plan period)

Strategic Review

Long-term Regeneration Sites in Land Holdings

Berkeley is delivering 28 of the largest regeneration schemes in London and the South East

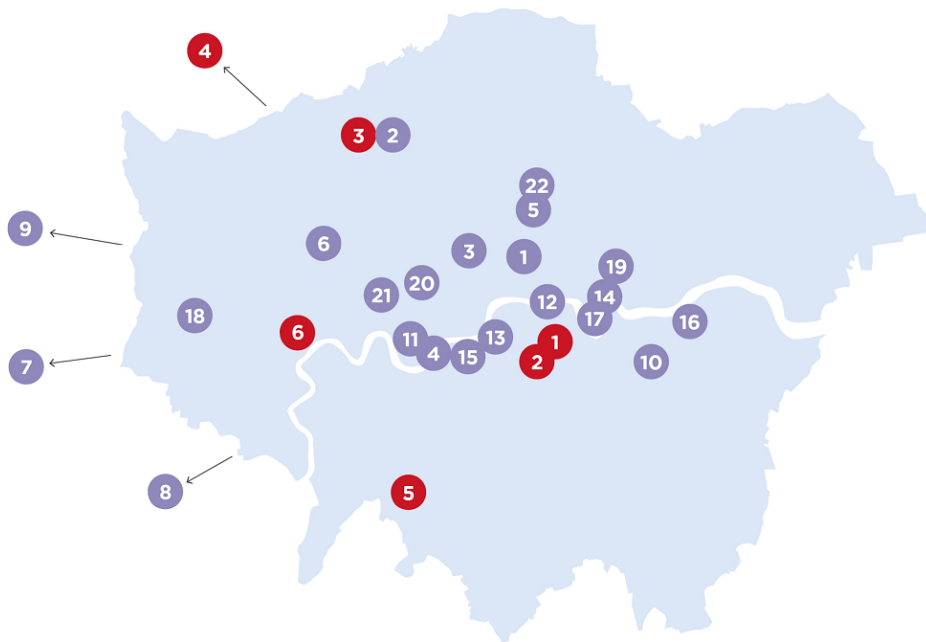
In production

- 1 250 City Road, Islington
- 2 Beaufort Park, Hendon
- 3 Camden Goods Yard
- 4 Chelsea Creek
- 5 Clarendon, Haringey
- 6 Grand Union Place, Brent
- 7 Green Park Village, Reading
- 8 Hartland Village, Fleet
- 9 Horlicks, Slough
- 10 Kidbrooke Village
- 11 King's Road Park, Fulham
- 12 London Dock, Wapping
- 13 Oval Village
- 14 Poplar
- 15 Prince of Wales Drive, Wandsworth
- 16 Royal Arsenal Riverside, Woolwich
- 17 South Quay Plaza, Docklands
- 18 Southall Waterside
- 19 TwelveTrees Park, Newham
- 20 West End Gate, Paddington
- 21 White City Living
- 22 Woodberry Down, Finsbury Park

Future sites

- 1 Borough Triangle*
- 2 Malt Street, Southwark
- 3 Silk Park, Barnet
- 4 St Albans Road, Watford
- 5 Sutton*
- 6 Syon Lane, Brentford

* Acquired in the period to 31 October 2020



Sales Performance

- Sales have been resilient and at levels which support the business plan
- For Berkeley, sales for the six month period are around 15% lower than the annualised run rate for the 2019/20 financial year
- Cash due on forward sales increased to £1.94 billion at 31 October 2020, from £1.86 billion at year end
- One development launched in London in the year:
 - TwelveTrees Park in West Ham
- Three developments launched in the South East, including two in our joint ventures:
 - Eden Grove in Staines
 - In joint ventures: St William's The Arches in Watford and St Edward's Highcroft in Wallingford
- Sales continue to be split broadly evenly between owner occupiers and investors

Sales Market

- SDLT holiday scheme for the first £500,000 of sales value, announced 8 July 2020, has eased a financial barrier and stimulated household mobility
 - Berkeley believes that SDLT should remain at zero below £500,000 and current rates should be halved above this level
- Housing market activity in this period has clearly demonstrated that there is strong underlying demand for housing if the right conditions for growth are in place
- The fundamentals remain positive – the market is under-supplied, interest rates remain at an historic low and London has unique and enduring attributes

Land & Planning

- Four new developments added to the land holdings, covering over 2,800 new homes. Includes:
 - Unconditional sites in London at Borough Triangle in Southwark, Sutton and Paddington (adjacent to West End Gate)
 - Conditional site in Wallingford, Oxfordshire – a previous long-term option site
- Continued focus on bringing through the pipeline of new regeneration developments
- Two new planning consents obtained on long-term regeneration developments in the period:
 - Malt Street in Southwark (1,350 homes) and Silk Park in Barnet (1,300 homes)
- 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 costs stable in the period reflecting the Government's message that the construction industry, including housebuilding, should remain open
- Materials are generally on extended lead times when compared to those available at the start of 2020, although this is easing
- We anticipate build costs to be benign as we move into 2021, particularly in London with the backdrop of falling supply
- Continue to support 32,000 UK jobs directly and indirectly through our supply chain
- Good progress at Modular Factory in Ebbsfleet, with first production scheduled for 2021

Strategic Review

Land and Build Investment - Delivery

As at 31 October 2020	London		Out of London		Total	
Delivery of Developments:						
In construction	33	75%	33	68%	66	71%
Not yet in construction – owned sites	6	14%	10	20%	16	17%
Not yet in construction – contracted sites	5	11%	6	12%	11	12%
Total developments	44	100%	49	100%	93	100%
Proportion with planning (by sites)	84%		86%		85%	
Number of plots	43,941	73%	16,386	27%	60,327	100%
Proportion with planning (by plots)	88%		87%		88%	

Land and Build Investment Sites in London

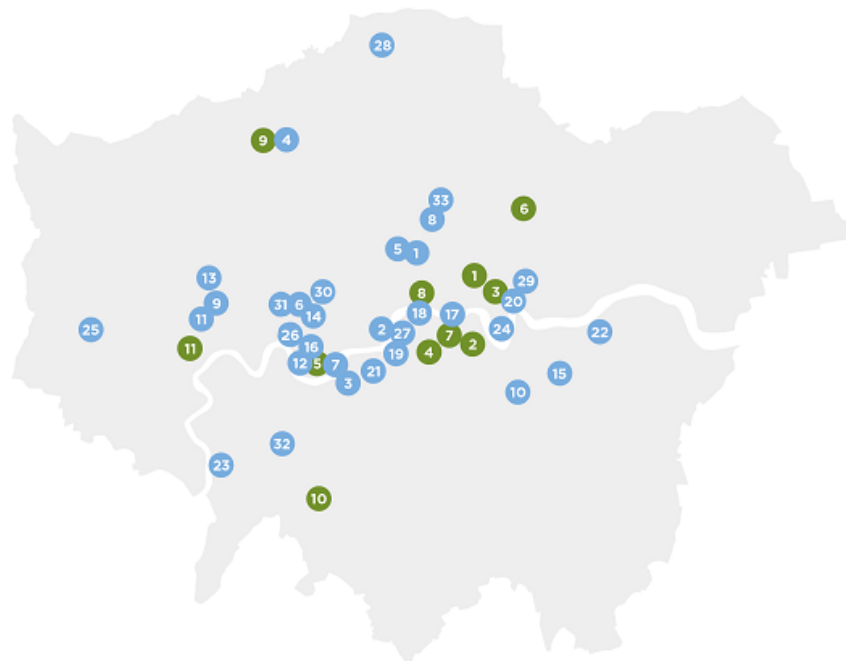
London under construction

- 1 250 City Road, Islington
- 2 9 Millbank, Westminster
- 3 Battersea Reach
- 4 Beaufort Park, Hendon
- 5 Camden Goods Yard
- 6 Centre House, Wood Lane
- 7 Chelsea Creek
- 8 Clarendon, Haringey
- 9 Dickens Yard, Ealing
- 10 Forbury, Blackheath
- 11 Filmworks, Ealing
- 12 Fulham Reach
- 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 Poplar
- 21 Prince of Wales Drive, Wandsworth
- 22 Royal Arsenal Riverside, Woolwich
- 23 Royal Exchange, Kingston
- 24 South Quay Plaza, Docklands
- 25 Southall Waterside
- 26 Sovereign Court, Hammersmith
- 27 The Dumont, Albert Embankment
- 28 Trent Park, Enfield
- 29 TwelveTrees Park, Newham
- 30 West End Gate, Paddington
- 31 White City Living
- 32 Wimbledon Hill Park
- 33 Woodberry Down, Finsbury Park

London future sites

- 1 Bethnal Green
- 2 Borough Triangle*
- 3 Bow Common
- 4 Chambers Wharf, Southwark
- 5 Fulham
- 6 Lea Bridge
- 7 Malt Street, Southwark
- 8 Paddington Green*
- 9 Silk Park, Barnet
- 10 Sutton*
- 11 Syon Lane, Brentford

* New sites contracted for acquisition during the period.



Land and Build Investment

Sites outside of London

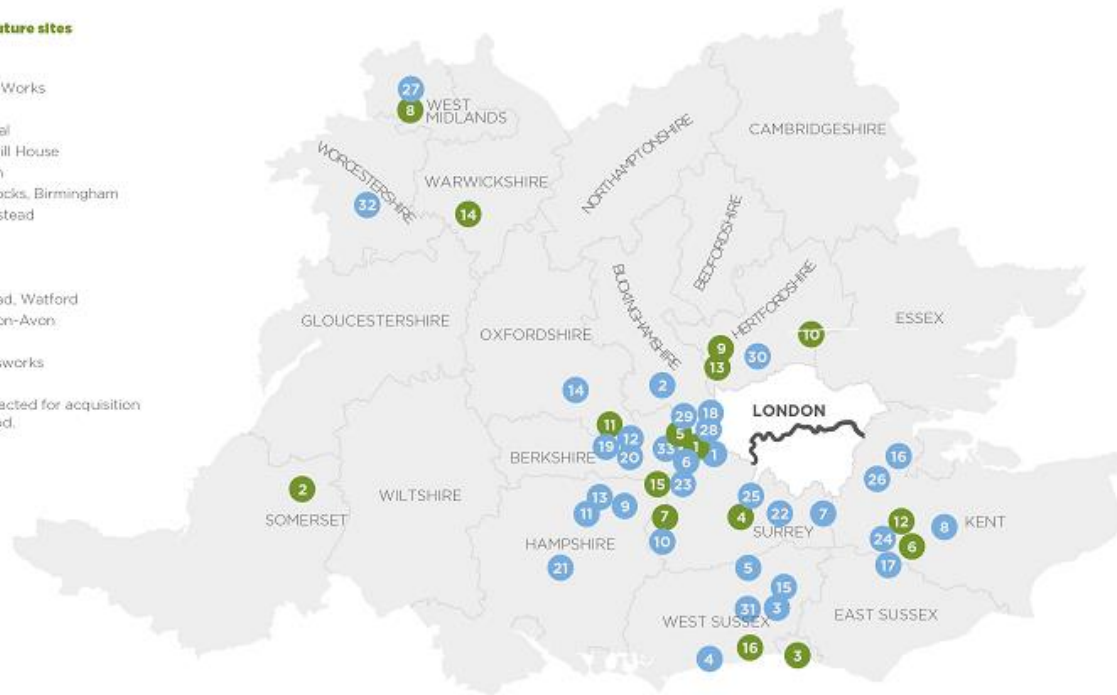
Out of London under construction

- 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 Farnham
- 11 Fleet
- 12 Green Park Village, Reading
- 13 Hartland Village, Fleet
- 14 Highcroft, Wallingford
- 15 Highwood Village, Horsham
- 16 Holborough Lakes
- 17 Hollyfields, Hawkenbury
- 18 Horlicks, Slough
- 19 Huntley Wharf, Reading
- 20 Kennet Island, Reading
- 21 Knights Quarter, Winchester
- 22 Leighwood Fields, Cranleigh
- 23 Lumina, Camberley
- 24 Paddock Wood
- 25 Princes Chase, Leatherhead
- 26 Quinton Court, Sevenoaks
- 27 Snow Hill Wharf, Birmingham
- 28 Sunningdale Park
- 29 Taplow Riverside
- 30 The Arches, Watford
- 31 The Paperyard, Horsham
- 32 The Waterside, Royal Worcester
- 33 Woodhurst Park, Warfield

Out of London future sites

- 1 Ascot
- 2 Bath
- 3 Brighton Gas Works
- 4 Effingham
- 5 Farnham Royal
- 6 Fidelity, Oakhill House
- 7 Frimley Green
- 8 Glasswater Locks, Birmingham
- 9 Hemel Hempstead
- 10 Hertford
- 11 Reading
- 12 Sevenoaks
- 13 St Albans Road, Watford
- 14 Stratford-Upon-Avon
- 15 Wallingford*
- 16 Worthing Gasworks

* New sites contracted for acquisition during the period.



Strategic Review

Joint Ventures

St Edward

- Joint venture with M&G
- Land holdings of 5,250 homes
- Five sites in production
- One site in planning



Green Park Village, Reading



Strategic Review

Joint Ventures

St William

- Joint venture with National Grid
- Land holdings of 10,860 homes
- Poplar moved into production in the period
- Bank facilities of £360 million



Prince of Wales Drive, Battersea

nationalgrid

Strategic Review

Long-Term Purpose and Our Vision

Purpose

- Berkeley's purpose is to build homes, strengthen communities and improve lives
- Our long-term regeneration developments form the backbone of our purpose and strategy, and our commitments to our stakeholders
- "Our Vision" is Berkeley's strategy for the business, articulating the positive contribution we make to society, the economy and natural world

Our Vision

- Our Vision is being relaunched in the New Year for the next 10 years
- Focus on tackling climate change alongside new targets for the increasing use of digital technology and advanced manufacture, as well as building on Berkeley's well established focus areas of our people, our customers, nature and community.
- In terms of climate change, new science-based targets developed:
 - Reduce emissions from our sites, sales suites and offices by 50% by 2030
 - Reduce the carbon intensity of the homes we build by 40% by 2030.
- The latter target covers both the energy used by our residents over an 80 year period and the embodied carbon within the services and materials used to construct our homes
- Berkeley has been carbon neutral within our direct activities since May 2017 and holds a sector leading A- score for transparency and action on climate change from the CDP

Profit guidance

- FY21 profit anticipated to be similar to FY20
- 15% cumulative pre-tax ROE target for six years ending 30 April 2025, equivalent to average annual pre-tax profit of approximately £500 million
- In periods of extreme volatility, it is more difficult to accurately forecast profits in any single accounting period
- Berkeley will always prioritise its financial strength ahead of the income statement when appropriate

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 from 1 May 2019 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 £2.25 per share; an increase of 12.5% on the initial £2.00 per share
- Berkeley has returned £551.3 million via 15.5 million share buy-backs at an average cost of £35.62 pence per share since January 2017
- Next £140.6 million return to 31 March 2021 committed (£37.1 million returned to date via share buy-backs, acquiring 0.9 million shares at an average cost of £41.59)

Surplus Capital

- The previously earmarked £455 million surplus capital, which was to be delivered in instalments by March 2021, is deferred by up to two years
- This will be delivered by 30 April 2023 through either enhanced cash returns to shareholders, incremental land investment or a combination thereof
- Incremental land investment is “cash paid on land interests, over and above the cost of land used in the income statement, from 1 May 2020”
- In this period, land spend has exceeded the cost of land used in the income statement by around £50 million