

# Interim Results Presentation

**Half Year ended 31 October 2011**

**2 December 2011**

# Format of presentation



**Chairman**

**Tony Pidgley**

**Finance Director**

**Nick Simpkin**

**Managing Director**

**Rob Perrins**

**Questions**

# TONY PIDGLEY

## CHAIRMAN

- 1. Strong trading performance**
- 2. Shareholder support for return of £13 per share**
- 3. Continued investment in Land and Build**
- 4. Balance sheet strength retained**
- 5. Continued evolution of Board**

# **NICK SIMPKIN**

## **FINANCE DIRECTOR**

# Review of interim results

- **Summary of performance**
- **Summary of financial position**
- **Income statement**
- **Homes completed and ASP**
- **Abridged cash flow**
- **Abridged balance sheet**
  - **Inventories**
  - **Creditors**
- **Land holdings**

# Summary of performance

	<u>6 months to</u> <u>Oct 2011</u>	<u>6 months to</u> <u>Oct 2010</u>	<u>Change</u>	
<b>Pre-exceptional operating profit</b>	<b>£76.4m</b>	<b>£58.6m</b>	<b>+ £17.8m</b>	<b>+ 30.4%</b>
<b>Pre-exceptional operating margin</b>	<b>18.9%</b>	<b>17.4%</b>		
<b>Profit before tax</b>	<b>£101.1m</b>	<b>£61.6m</b>	<b>+ £39.5m</b>	<b>+ 64.1%</b>
<b>EPS – Basic</b>	<b>56.7p</b>	<b>33.5p</b>	<b>+ 23.2p</b>	<b>+ 69.3%</b>
<b>Weighted ave. no. of shares</b>	<b>131.0m</b>	<b>132.9m</b>		
<b>Cash outflow before financing</b>	<b>(£28.1m)</b>	<b>(£34.2m)</b>		
<b>Return on equity</b>	<b>20.8%</b>	<b>14.4%</b>		

# Summary of financial position

	<u>Oct 2011</u>	<u>Apr 2011</u>	<u>Change</u>	
Shareholders' funds	£1,010.0m	£929.4m	+ £80.6m	+ 8.7%
Net asset value per share	770.8p	709.2p	+ 61.6p	+ 8.7%
Shares in issue	131.0m	131.0m	-	
Closing net cash	£13.9m	£42.0m	- £28.1m	
Land bank - Plots	26,404	27,026	- 622	
- Gross margin	£2,462m	£2,304m	+ £158m	+ 6.9%
Cash due on forward sales	£937.2m	£813.5m	+ £123.7m	+ 15.2%



# Income statement (1)

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>		<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Revenue	<u>404.9</u>		<u>336.2</u>		<u>+ 68.7</u>	+ 20.4%
Gross profit	116.5	28.8%	93.3	27.8%	+ 23.2	+ 24.9%
Overheads	<u>(40.1)</u>	9.9%	<u>(34.7)</u>	10.3%	<u>- 5.4</u>	+ 15.6%
Pre-exceptional operating profit	76.4	18.9%	58.6	17.4%	+ 17.8	+ 30.4%
Exceptional profit on disposal	<u>30.7</u>		<u>-</u>		<u>+ 30.7</u>	
Operating profit	<u>107.1</u>		<u>58.6</u>		<u>+ 48.5</u>	+82.8%

# Exceptional profit on disposal of subsidiary



In HY01 Berkeley disposed of its 51% shareholding in Winstanley 1 Limited.

	<u>Oct 2011</u> <u>£m</u>
<b>Berkeley's share of proceeds</b>	<b>75.7</b>
<b>Net assets disposed</b>	<b>(44.2)</b>
<b>Share of transaction costs</b>	<b>(0.8)</b>
<b>Exceptional profit</b>	<b><u>30.7</u></b>

# Income statement (2)

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>		<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Operating profit	<u>107.1</u>		<u>58.6</u>		<u>+ 48.5</u>	+82.8%
Net finance (costs)/income	(4.4)		1.8		- 6.2	
Joint ventures	(1.6)		1.2		- 2.8	
Profit before tax	<u>101.1</u>		<u>61.6</u>		<u>+ 39.5</u>	+ 64.1%
Tax	(27.1)	26.8%	(17.4)	28.2%	- 9.7	
Profit after tax	<u>74.0</u>		<u>44.2</u>		<u>+ 29.8</u>	+ 67.4%
Minority interest – loss	<u>0.3</u>		<u>0.3</u>		<u>0.0</u>	
Profit attrib. to shareholders	<u>74.3</u>		<u>44.5</u>		<u>29.8</u>	

# Homes completed and ASP

	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2011/12 HY01 St Edward Homes	<u>1,506</u>	<u>£254,000</u>	100	£170,000
2010/11 HY02	1,295	£280,000	2,544	£271,000
2010/11 HY01	<u>1,249</u>	<u>£262,000</u>		
St Edward Homes			164	£251,000
2009/10 HY02	1,287	£238,000	2,201	£263,000
2009/10 HY01	<u>914</u>	<u>£299,000</u>		
2008/09 HY02	533	£388,000	1,501	£395,000
2008/09 HY01	<u>968</u>	<u>£399,000</u>		
2007/08 HY02	1,537	£347,000	3,167	£295,000
2007/08 HY01	<u>1,630</u>	<u>£245,000</u>		

# Abridged cash flow

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>	<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>
Profit after tax	74.0	44.2
Increase in inventory – land	(115.0)	(211.8)
Increase in inventory – build WIP & stock	(59.2)	(104.3)
Transfer from inventory to rental fund	(23.2)	-
Increase in land creditors	80.5	171.1
Other working capital movements	(45.4)	64.7
Net proceeds on disposal of Winstanley	75.7	-
Other (investing, non-cash and other movements)	<u>(15.5)</u>	<u>1.9</u>
Cash (outflow)/inflow before financing	(28.1)	(34.2)
Share buy backs	<u>-</u>	<u>(30.0)</u>
Decrease in net cash	(28.1)	(64.2)
Opening net cash	<u>42.0</u>	<u>316.9</u>
Closing net cash	<u>13.9</u>	<u>252.7</u>

# Abridged balance sheet

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
<b>Non-current assets</b>			
- Intangible assets	17.2	-	17.2
- Investment properties	51.8	23.2	28.6
- Investment in JV's	37.8	(0.9)	38.7
- Other non-current assets	33.4	3.9	29.5
Inventories	1,787.4	174.2	1,613.2
Debtors	72.7	(24.0)	96.7
Creditors	<u>(1,004.2)</u>	<u>(72.1)</u>	<u>(932.1)</u>
Capital employed	996.1	104.3	891.8
Net cash	<u>13.9</u>	<u>(28.1)</u>	<u>42.0</u>
Net assets	1,010.0	76.2	933.8
Minority interest	<u>-</u>	<u>4.4</u>	<u>(4.4)</u>
Net assets attributable to shareholders	<u>1,010.0</u>	<u>80.6</u>	<u>929.4</u>

# Investment properties

	<u>No.</u>
<b>Total number of properties to be transferred</b>	<b>896</b>
<b>Properties transferred at 31 October 2011</b>	<b>364</b>
<b>Properties still to be transferred</b>	<b>532</b>

	<u>31 Oct 2011</u>
<b>Net book value of properties</b>	<b>£51.8 million</b>
<b>Market Value</b>	<b>£80.2 million</b>
<b>Gross running yield on Market Value</b>	<b>5.5%</b>

# Inventories

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
Land not under development	388.0	71.4	316.6
Work in progress: Land cost	<u>675.5</u>	<u>43.6</u>	<u>631.9</u>
	1,063.5	115.0	948.5
Work in progress: Build cost	664.5	48.8	615.7
Completed units	<u>59.4</u>	<u>10.4</u>	<u>49.0</u>
	<u>1,787.4</u>	<u>174.2</u>	<u>1,613.2</u>



# Creditors

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
Trade creditors and accruals	307.8	8.0	299.8
Deposits and on account receipts	448.5	(23.5)	472.0
Land creditors	146.9	80.5	66.4
Current tax liability	101.0	7.1	93.9
<b>Total creditors</b>	<b><u>1,004.2</u></b>	<b><u>72.1</u></b>	<b><u>932.1</u></b>
 <b><u>Land creditors</u></b>			
Land creditors < 6 months	89.7	74.3	15.4
Land creditors > 6 months	57.2	6.2	51.0
<b>Total</b>	<b><u>146.9</u></b>	<b><u>80.5</u></b>	<b><u>66.4</u></b>

# Land holdings

	<u>Oct 2011</u>	<u>Variance</u>	<u>Apr 2011</u>
Owned	26,101	- 764	26,865
Contracted	295	+ 148	147
Agreed	8	- 6	14
Plots *	<u>26,404</u>	<u>- 622</u>	<u>27,026</u>
Sales value	£8,712m	+ £577	£8,135m
Average selling price	£330k	+ £29k	£301k
Average plot cost	£51k	+ £7k	£44k
Land cost %	15.5%	+ 0.9%	14.6%
Gross margin	£2,462m	+ £158m	£2,304m
GM%	28.3%	+0.0%	28.3%

\* Includes 1,448 plots within joint ventures at 31 Oct 2011 (30 Apr 2011: 1,548)

# **ROB PERRINS**

## **MANAGING DIRECTOR**

# Performance Highlights

- 20.8% ROE
- £115 million land investment above replacement value
- Continued financial strength – ungeared
- Forward sales up 15.2% to £937 million

# Operational Plan - May 2010



## 5 year Operational Target

## Implied Outcome

12.5% compound ROE

Double PBT from £110 million to  
£220 million by April 2015

10.0% compound land bank  
growth

Increase land bank from £2 billion  
to £3 billion by April 2015

The original targets set in May 2010 reflected:

- GDP had shrunk 6.2% from peak to trough
- Forecast of 1.0% GDP growth in 2010
- Political uncertainty pending election
- 2.5 million unemployed (Q1 2010) forecast to rise to 2.65 million by (Q1 2011)
- Housing market had fallen circa 20% from peak in 2007 and stagnated

# Operational Plan – first 18 months

	<b>5 Year Operational Target</b>	<b>FY 2010/11 (Actual)</b>	<b>HY 2010/11 (Actual)</b>
<b>ROE</b>	12.5%	15.3%	20.8%
<b>Land Bank Growth</b>	10.0%	13.1%	6.9% (6 months)

# Strategic 10 Year Plan

In June 2011, we announced a plan to return £13 per share over 10 years:

<b>ROE Performance</b>	<b>Implied Impact on 10 Year Plan</b>
15.0%	<ul style="list-style-type: none"><li>- c. £10 per share delivered earnings</li><li>- c. £3 per share reduction in balance sheet</li></ul>
18.5%	<ul style="list-style-type: none"><li>- £13 per share delivered by earnings</li><li>- No reduction in balance sheet</li></ul>



- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size

# Protecting value on the balance sheet

- Securing planning consents
- Controlling our assets
- Intensive management
- Maintain balance sheet strength
- Maintain low financial risk

# Protecting value on the balance sheet

Planning consents:

Resolution to grant planning since April 2008:

	<b>No.</b>
H1 2011/12*	2,000
FY 2010/11	6,500
FY 2009/10	7,000
FY 2008/09	<u>4,500</u>
	<u>20,000</u>

*\*Includes Carnwath Road, Fulham Reach, Battersea Reach, Kew Bridge consented in H1 2010/11*

# Protecting value on the balance sheet

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# Under Construction and Future Sites in London at 31 October 2011



## London Under Construction

- |  |  |
|--|--|
| <b>1</b> 375 Kensington High Street    | <b>19</b> Marine Wharf, Deptford         |
| <b>2</b> Arton Wilson, Roehampton      | <b>20</b> New Cross                      |
| <b>3</b> Battersea Reach               | <b>21</b> One Tower Bridge               |
| <b>4</b> Beaufort Park, Hendon         | <b>22</b> Parkwest, West Drayton         |
| <b>5</b> Blackheath Road, Deptford     | <b>23</b> Putney                         |
| <b>6</b> Camberwell Grove              | <b>24</b> Queen Mary's Place, Roehampton |
| <b>7</b> Caspian Wharf, Bow            | <b>25</b> Riverlight, Battersea          |
| <b>8</b> Chelsea Creek                 | <b>26</b> Royal Arsenal Riverside        |
| <b>9</b> Costume Store, Acton          | <b>27</b> Saffron Square, Croydon        |
| <b>10</b> Dickens Yard, Ealing         | <b>28</b> St James Park Mews, Surbiton   |
| <b>11</b> Goodmans Fields              | <b>29</b> Stanmore Place                 |
| <b>12</b> Grosvenor Waterside          | <b>30</b> Terrace Yard, Richmond         |
| <b>13</b> Home Office, Acton           | <b>31</b> The Boatyard, Kingston         |
| <b>14</b> Kew Bridge Road              | <b>32</b> The Tower, One St George Wharf |
| <b>15</b> Kew Bridge West, Brentford   | <b>33</b> Winstanley, Clapham Junction   |
| <b>16</b> Kidbrooke Village            | <b>34</b> Woodberry Park                 |
| <b>17</b> Lewisham                     | <b>35</b> Worcester Park                 |
| <b>18</b> Lime Grove Mews, Hammersmith |  |

## London Future Sites

- |   |                                       |
|---|---------------------------------------|
| <b>1</b> 190 Strand                         | <b>9</b> Fulham Reach, Hammersmith    |
| <b>2</b> Abell & Cleland House, Westminster | <b>10</b> One Blackfriars, Southwark* |
| <b>3</b> Atkinson Morley, Wimbledon         | <b>11</b> One Ebury Square, Belgravia |
| <b>4</b> Carmelite Monastery, Finchley*     | <b>12</b> Queens Rise, Richmond*      |
| <b>5</b> Carnwath Road, Fulham              | <b>13</b> Roman House, City of London |
| <b>6</b> Chambers Wharf, Bermondsey         | <b>14</b> Sir Alexander Close, Acton  |
| <b>7</b> City Forum*                        | <b>15</b> Warwick Road, Kensington    |
| <b>8</b> Eastbury House, Albert Embankment* |                                       |

\* Acquired in the first six months of 2011/2012

# Under Construction and Future Sites in the South East at 31 October 2011



## Out of London Under Construction

- |    |                |    |                       |
|----|----------------|----|-----------------------|
| 1  | Basingstoke    | 16 | Holborough            |
| 2  | Beaconsfield   | 17 | Horsham               |
| 3  | Billingshurst  | 18 | North Bersted         |
| 4  | Cambridge      | 19 | Oxford                |
| 5  | Canterbury     | 20 | Portsmouth            |
| 6  | Cirencester    | 21 | Reading               |
| 7  | Eastbourne     | 22 | Royal Clarence Marina |
| 8  | East Grinstead | 23 | Royal Worcester       |
| 9  | Effingham      | 24 | Sevenoaks             |
| 10 | Esher          | 25 | St Albans             |
| 11 | Farnham Common | 26 | Wantage               |
| 12 | Fleet          | 27 | Weybridge             |
| 13 | Gillingham     | 28 | Woodstock             |
| 14 | Guildford      | 29 | Yarnton               |
| 15 | High Wycombe   |    |                       |

## Out of London Future Sites

- |   |                        |    |                        |
|---|------------------------|----|------------------------|
| 1 | Amersham*              | 10 | Hurstleigh Park, Ascot |
| 2 | Beaconsfield           | 11 | Maidenhead*            |
| 3 | Burleigh Road, Ascot   | 12 | Oxford                 |
| 4 | Caterham*              | 13 | Reigate                |
| 5 | Cheltenham             | 14 | Tadworth               |
| 6 | Claygate               | 15 | Wantage 1              |
| 7 | Cobham                 | 16 | Wantage 2              |
| 8 | Dagden Road, Shalford* | 17 | Windsor                |
| 9 | Fleet                  |    |                        |

\* Acquired in the first six months of 2011/2012

# Operational status

		London	South East	Total
<b>Delivery of Developments:</b>				
In construction	No. sites	35	29	64
Not in construction	No. sites	<u>15</u>	<u>17</u>	<u>32</u>
Total Developments	No. sites	50	46	96
<b>Planning:</b>				
Detailed consent	No. sites	35	29	64
Resolution to grant	No. sites	8	4	12
No current consent	No. sites	<u>7</u>	<u>13</u>	<u>20</u>
		50	46	96
Proportion with planning (by sites)		86%	72%	79%
Split (by plots)		70%	30%	100%



- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size

Demand has been strong for properties in:

- Best locations
- Build quality
- Well presented

Continued International demand

- London centric (zones 1 and 2)
- Circa 40% of private sales volumes
- Berkeley has completed >100 overseas exhibitions

## Market Drivers

- London as a world city
- Lack of supply in best locations
- Property is a stable asset class – wealth preservation
- Relative weakness of Sterling
- London and South East economy is stronger than balance of UK
- Rental demand and positive yields are attractive to investors

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# Adding value to the land bank

1. New land acquisition
2. Optimising existing land bank
  - Bulk and massing on schemes
  - Change of use reclassification
  - Affordable housing
  - Placemaking
  - Brand
3. St Edward
4. Strategic land
5. Regeneration land

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## Criteria

### Land

- Counter cyclical strategy
- Acquire where Berkeley can add value
- Achieve hurdle rates on absolute return and Return on Capital
- Acquire to a backstop

### Build

- Match with forward sales
- Balanced with earnings and dividend policy
- Potential to bring forward scheme if market conditions allow

### Shareholder returns

- Key focus is returning £13 per share as dividend
- Consideration of share buybacks to be undertaken opportunistically

## Delivery of Key London Schemes

	No. Units	Current estimated year of 1 <sup>st</sup> revenues	Likely Period of delivery
St George Tower	223	2015	3 years
Riverlight	750	2016	7 years
Chelsea Creek	889	2012	10 years
One Tower Bridge	396	2016	6 years
Kensington High Street*	529	2015	7 years
Ebury Square	71	2016	3 years
190 Strand*	<u>206</u>	2017	4 years
	<b><u>3,064</u></b>		

\*St Edward Joint Venture



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# People and Structure



# People and Structure



## Board

- Chairman
- Deputy Chairman
- 5 Executive Directors
- 6 Independent Non Executive Directors

## Brands

- 5 Core Brands

## Operating Teams

- 18 autonomous teams
- Three new teams created  
(Eastern, Three Valleys, Rental Fund)

## People

- 1,100 employees (2008: 700)
- 7,000 contractors (2008: 3,500)
- 100 apprentices

## Risks

- Macro economic uncertainty
- Slowing growth
- Credit restrictions

## Positives

- London is a world city
- Restricted supply
- Brand
- Weakness of Sterling
- Property as wealth protection

## 2011/12

- Aim to maintain H1 ROE at c. 20.0% for full year including exceptional profit on sale of subsidiary
- Land bank growth c.8-10% (opportunity led)

## 2012/13

- Aim to deliver ROE of c. 18.5% to achieve original 5 year plan target 2 years early
- Land bank growth c.8% (opportunity led)

## 2013/14

- Market led
- Aspiration to sustain ROE at c.18.5% subject to market conditions
- Potential to accelerate delivery of flagship schemes depending on market
- Land bank growth 0 – 5% driven by optimisation. Working capital neutral.

- Dividends no later than

	£
30 <sup>th</sup> September 2015	4.34
30 <sup>th</sup> September 2018	4.33
30 <sup>th</sup> September 2021	<u>4.33</u>
	<u>13.00</u>

- If ROE is maintained at c. 18.5% £13 per share will be delivered from future earnings.
- Dividend dates dependent on quality and timing of investment opportunities

# Questions



**Tony Pidgley**

**Chairman**

**Rob Perrins**

**Managing Director**

**Nick Simpkin**

**Finance Director**