



Cohesive Consistent Confident

“As we progress and evolve our key objective remains consistent... to maximise shareholder value in the long term”

Henry Boot PLC
Investor Presentation
March 2016

Key messages

- Good year once again, house builders doing well and buying land to replenish land banks.
- A number of deals achieved towards the end of the year.
- Debt £38m, gearing 18% as 2014. Committed three year facilities in place for £60m.
- Gross development value in progress of £500m. Most schemes will start this year or are already on site.
- Strategic land portfolio over 11,000 acres with over 12,000 permissioned units and 15,000 units in planning process.
- Early 2016 trading underpins forecasts for the year.
- Transition to the new board achieved seamlessly. From 1 January 2016: Jamie Boot Chairman, John Sutcliffe CEO, Darren Littlewood Group FD. NEDs - Joanne Lake, Peter Mawson, Gerald Jennings and James Sykes.

PBT
↑ 14% to
£32.4m

EPS
↑ 8% to
17.5p

Dividend
↑ 9%
to 6.1p

NAV per share
↑ 10% to
168p

ROCE
↑ 12%

TSR
↑ + 78%
over last
three years

Financial Highlights

	2015	2014	2013	2012
Turnover	£176.2m	£147.2m	£153.8m	£103.1m
Trading Profit	£32.4m	£25.6m	£20.3m	£11.8m
Revaluation	(£1.1m)	£3.1m	(£1.6m)	£1.4m
Profit on sale of IP	£1.2m	£0.4m	£0.3m	£1.0m
Profit before tax	£32.4m	£28.3m	£18.4m	£13.9m
EPS	17.5p	16.2p	8.6p	7.0p
Dividend	6.10p	5.60p	5.10p	4.70p
Net Debt	£38.9m	£36.4m	£36.1m	£21.9m
Gearing	18%	18%	19%	12%
NAV per share	168p	152p	148p	137p

- Higher land sales and development activity increased sales to £176m.
- Higher trading profits from strategic land sales.
- Revaluation losses after two site write-downs at Rotherham (£1.7m) and Tamworth (£3.2m).
- 9% increase in dividends. We are now at the appropriate cover level of 2.5-3.0 times.
- Debt includes £8m of HCA loans repayable on house sales.
- NAV helped by reduction in pension deficit helped by slight increase in discount rate 3.8% v 3.6% in 2014.

Henry Boot PLC – Funding of Assets

	2015		2014		Change
	£'000		£'000		£'000
Investment properties	110,579		106,152		4,427
Development sites	53,739		60,273		(6,534)
Strategic land	106,819		99,627		7,192
Road Link investment	5,757		6,733		(976)
Plant	13,005		11,382		1,623
	<u>289,899</u>	<u>289,899</u>	<u>284,167</u>	<u>284,167</u>	<u>5,732</u>
Receivables	64,955		54,902		10,053
Deferred tax asset/Tax creditor	687		5,147		(4,460)
Other assets	4,884		2,296		2,588
	<u>70,527</u>	<u>70,527</u>	<u>62,345</u>	<u>62,345</u>	<u>8,181</u>
Total Assets	<u>360,425</u>	<u>360,425</u>	<u>346,512</u>	<u>346,512</u>	<u>13,913</u>
Funded by					
Bank debt & grants	38,932		36,401		2,531
Pension obligation	19,577		28,158		(8,581)
Trade credit	71,023		71,972		(949)
Provisions for strategic land costs	9,344		9,507		(163)
Non controlling interests	1,883		1,988		(105)
Share capital and reserves	219,666		198,486		21,180
	<u>360,425</u>	<u>360,425</u>	<u>346,512</u>	<u>346,512</u>	<u>13,913</u>
Total Funding Sources	<u>360,425</u>	<u>360,425</u>	<u>346,512</u>	<u>346,512</u>	<u>13,913</u>

Land Development



Land Bank

	Dec 15 acres	Dec 14 acres	Dec 13 acres	Dec 12 acres
Total	11,061	9,985	9,723	9,011
Owned	1,804	1,819	1,791	1,765
Agency/Optioned	9,257	8,166	7,932	7,246

Investment in Land Holdings

	Dec 15		Dec 14		Dec 13		Dec 12	
	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000
Owned	73.9	41	72.9	40	63.3	35	58.8	33
Agency/Optioned	32.9	4	26.7	3	20.6	3	16.6	2
Total	106.8	10	99.6	10	83.9	9	75.4	8

Sites in Planning Process

	Dec 15	Dec 14	Dec 13	Dec 12
Sites	72	65	65	45
Plots	26,811	22,193	19,925	11,497
Of which permissioned	12,043	11,547	10,438	6,296
Plots sold in year	1,763	1,107	1,177	253
Gross profit per plot sold £'000	£15.0	£17.9	£13.4	£14.7

- Henry Boot PLC's strategic land business. Acquires land through outright purchase, option or as agent (10-20% interest). Operating nationwide through seven offices.
- 3,170 acres with permission or with allocation in plan. Over 150 sites in portfolio in total.
- Sold 1,763 plots in year (2014: 1,107).
- Supply of land with permission is increasing – house builder land banks largely in equilibrium at circa five years supply.
- 2016-19 look more active in sales terms and we remain busy with applications.
- Brexit could cause planning disruption, as General Election in 2015 did.

Land Development



- Nine deals completed in the year. Profit £19.1m (2014: £13.1m).
- Continue to be very busy in planning terms. Sites with planning permission for over 12,000 units.
- Planning consent won at 14 sites for over 2,400 units in 2015 (2014: 15 sites, 2,250 units).
- Detailed planning submitted and in progress on circa 26 schemes.
- Further planning applications expected to go forward in 2016 on circa 26 sites.
- Planning process remains very difficult and time consuming. As does the selling process with house builders looking to achieve detailed consent before buying land. Sale exchange and completion could be many months apart.
- Strategic land holdings increased to over 11,000 acres in 2016. Investment increased to £107m. We expect that values will stabilise as more sites are sold and major infrastructure at Bridgwater and Exeter completes and we realise through cost of sales during 2016-18.
- Continuing to acquire new schemes to replenish land bank.

Property Investment and Development



- Holds investment property of circa £110m, rent passing £7.0m. Also, over 15 development sites with potential, valued at £54m.
- We look to achieve a developer's return based on prudent appraisal yields, pre-lets and conservative construction costs. Hurdle rate of 12%-15% aimed for.
- GDV of schemes in progress over £500m, over 90% pre-let, pre-sold and pre-funded.
- Aberdeen £300m, Markham £50m+, Epsom £47m, York £50m, others £45m. Manchester £100m+ looking increasingly likely to be added to the above.
- Aberdeen – conference centre and hotels. Manchester and York – PRS and residential. Markham – industrial. Epsom – offices.
- Good pipeline of other schemes including potential for another £30m distribution unit scheme at Markham Vale.

Property Investment and Development



- At Markham over 200,000 sq ft either built or in progress. In legals for a further 400,000 sq ft unit. Also completed 69,000 sq ft extension to existing investment. Also grant assisted development at Thorne 140,000 sq ft completed and sales in progress.
- Two hotels completed in 2015, Malvern (Premier Inn) to be kept. Travelodge at Richmond on Thames pre-sold to A.A.M.
- Retail at Beeston, Bodmin and Livingston in progress. On completion these are probable sales – Beeston 2016.
- Offices in progress at Uxbridge 37,500 sq ft, and a pre-let to W S Atkins 110,000 sq ft at Epsom.
- Site sales Chesterfield and Hull in progress for 2016.
- Some smaller investments expected to be sold and capital recycled.
- Opportunities in the future at Manchester, Leicester, Luton and Southend look positive. Always looking at new opportunities.
- Our profitable small house builder JV sold 41 units in 2015, target 65 in 2016, land bank now 300+ units. Average selling price £230k-£250k. Also, in this JV, small serviced office business developing in Leeds and Manchester, expect this to be profitable in 2016.

Construction



- Division consists of Construction, Plant Hire and Road Link (A69).
- Divisional turnover as last year at £91m. Trading profit 2015 £9.9m (2014: £10.1m). Workloads are good but pricing very competitive at Construction.
- Construction activity £68m (2014: £65m). Mainstay frameworks centrally funded, Decent Homes, Prison Alliance. Levels of activity going forward on target for budget 2016. 2016 orders 80% of budget for £65m turnover.
- Road Link performed to expectations. Cash generation strong. Ten years remain on franchise. No impact on business over the winter. Very solid underpin of segment returns. FCF circa £7.5m p.a. Toll inflation negative due to falling oil prices during 2015/16 impacts turnover and profit.
- Plant performed well in 2015, profit £1.5m (2014: £1.3m), a 12% return on sales. Outlook for 2016 positive but UK construction markets need to maintain momentum. Continuing to invest in new plant in line with demand.

Outlook

Land Development



- Options and land available and we remain buyers. Now 11,000+ acres.
- Competition and pricing for sites is increasing again, especially in the south and south east. Land pricing still better in south, weaker further north. Site location crucial to value achieved.
- Planning costs are increasing as complexity grows. Planners and other agencies increasingly looking to share in planning gain.
- High level of planning activity continues. 25+ new site applications expected in 2016.
- House builders looking to defer payment still common, timescales 2-3 years.
- House builder volumes growing, selling prices and margins strong. However, the supply of sites with permission is also good, therefore, land price inflation still low.
- Funding for Lending, Help to Buy and mortgage availability supporting growth in housing development.
- We have 12,000 units with permission and over 15,000 units in planning process. We sold 4,300 units over the four years 2012-15.
- In discussion on 730 acre Leeds urban extension scheme.

Outlook

Property Investment and Development



- Largest ever value of schemes in progress over 2016-19.
- 90% pre-sold, pre-let and pre-funded, therefore de-risked other than construction.
- Yields stable overall, strong at prime level, potential for regional values to improve slightly. Rents beginning to rise especially industrial space.
- Bank funding to the sector improving. Three year facilities in place to 2019. We utilise facilities to fund development where specific funding is expensive.
- Several JVs in place to develop sites. Others in progress. Low cost entry into development opportunities.
- House building JV, looking to produce and sell 65 units in 2016. Longer term plan is to develop this to 100 units per year. Average selling price circa £230k- £250k, 3/5 bed family units. Need to build land bank from 300 to 500+ units.

Outlook

Construction



- Solid order book for 2016, activity expected to be similar to 2015.
- Central funding for all programmes still tight. However, frameworks such as YORbuild coming through and Amey (Sheffield roads).
- Stocksbridge regeneration contract £30m over three years (2014-16) has gone well. New £35m scheme to follow on in Barnsley, good underpin for next three years.
- Strong balance sheet crucial to winning work. Pricing continues to be very competitive. Private sector workloads growing.
- Road Link (A69) performing well. Continues to be very cash generative. Debt was fully repaid 2015, cash generation now even better. Ten years remain on agreement. Possible dualling of the A69 announced in Budget 2016.
- Plant Hire – house building and general construction activity levels good. 2016 started in line with 2015. Net profit 12%+ on sales. Selectively looking to add one or two more locations in the Midlands and north west.
- Segment activity in 2016 looks promising, the year has started well.

Outlook

Group

- Continued higher capital allocation to land and property development.
- Red tape and bureaucracy stifle deals which means they take longer and cost more to complete.
- Three year £60m committed facilities in place until 2019 – relationships with our banks very good.
- Able to support development without recourse to further facilities. Debt forecast to fall slightly in 2016 – depends on completed sales.
- The proposed full year dividend in 2015 is above pre-recession levels at 6.1p now target 2.5-3.0 times cover to allow reinvestment in asset base.

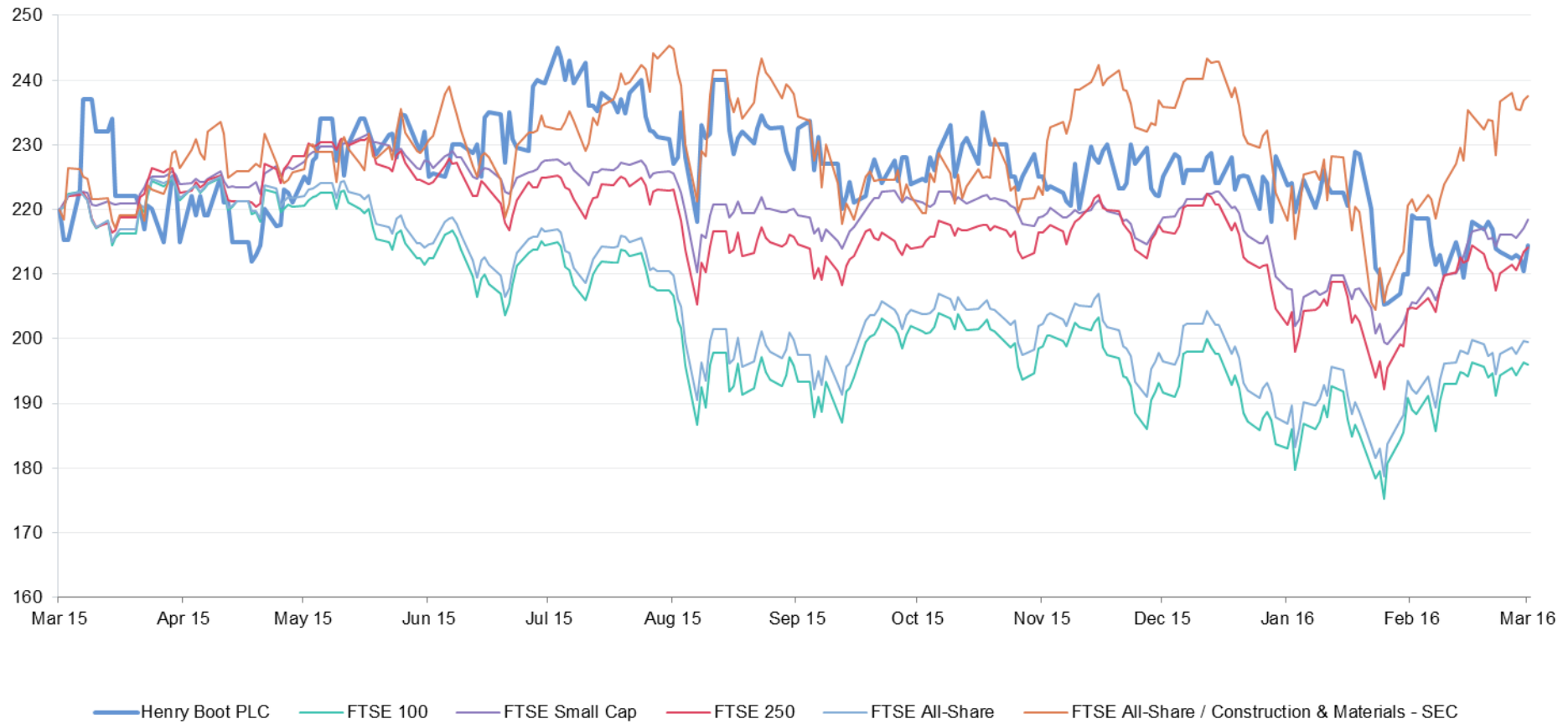
PENSIONS

- Triennial valuation at 1 January 2016 due mid year.
- Aspiration to reduce recovery contributions from £3.75m per annum.
- IAS 19 deficit at 31.12.15 = 12p of NAV – asset performance okay in a difficult year. Discount rate 3.8%. Scheme breakeven 4.75% return.
- Long term investment returns over last ten years 6.5%, ahead of long term Scheme breakeven return.
- Mismatch between use of UK bonds and gilts for discount rate when Scheme assets invested globally in return seeking assets. Managers targeting a weighted average return of circa 8%.

Top 10 Institutional Shareholders as at 3 March 2016

	Shareholding
Standard Life	8,085,812
Hargreave Hale Ltd Stockbrokers	6,475,875
Miton Group plc	4,988,085
Fidelity Management & Research	3,900,000
BlackRock Inc	2,794,760
Schroder Investment Management	2,791,644
Legal & General Group	2,621,947
Dimensional Fund Advisors	2,054,460
City of Bradford Metropolitan District Council	2,008,931
Hargreave Lansdown PLC	1,912,309

Henry Boot PLC vs Benchmark Indices



Group Structure – Board of Directors



Jamie Boot
Non-executive
Chairman



John Sutcliffe
Chief Executive Officer



Darren Littlewood
Group Finance Director



Joanne Lake
Deputy Chairman & Chairman
of the Remuneration
Committee



James Sykes
Non-executive Director &
Chairman of the Audit
Committee



Peter Mawson
Senior Independent Non-
executive Director & Chairman
of the Nomination Committee

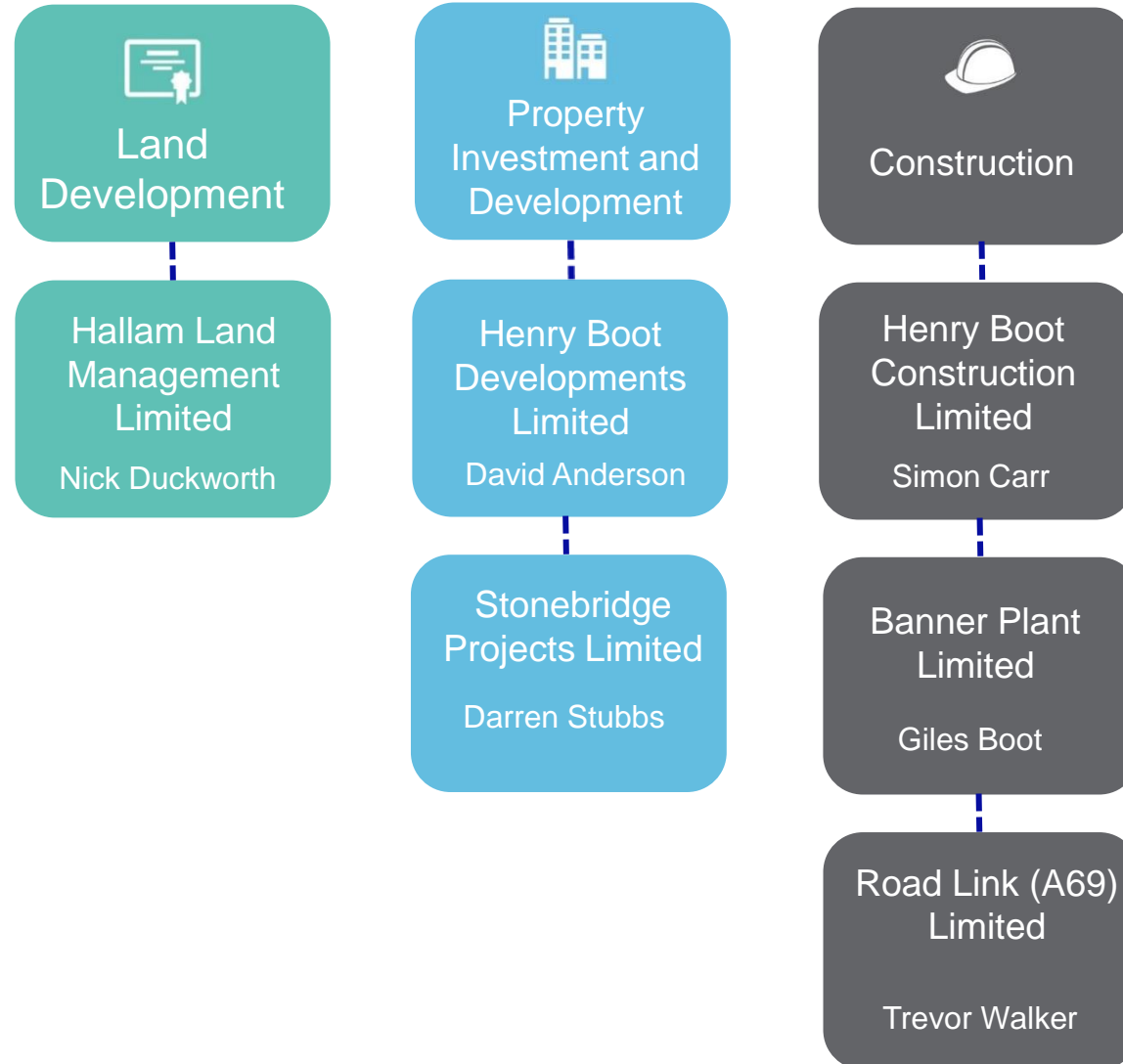


Gerald Jennings
Non-executive Director



Russell Deards
General Counsel & Company
Secretary

Group Structure – Senior Management



Land Development



Biddenham, Bedfordshire

- Hallam have had an interest in this jointly owned site of approximately 180 acres since the late 1990s. In March 2014 we secured an outline planning permission for 700 plots, 500 plots on land owned by Hallam.
- The site was put to market in June 2014 and a sale has been agreed with a national developer.
- The conclusion of the first phase of this three phase sale in September 2015 followed by September 2016 and 2017.



Land Development



Lubbersthorpe, Leicestershire

- A minded to grant resolution was secured for 4,250 homes in Spring 2013.
- We have a joint venture with two other developers and our consortium interest is in 1,593 properties.
- In early 2014 we signed a highly complex Section 106 agreement confirming our largest ever single planning permission.
- The first stages of the infrastructure works have commenced and the first land sale agreement has been concluded.



Land Development



Alton, Hampshire

- Hallam signed a planning promotion agreement for this site of 29 acres in December 2013. A planning application was submitted to East Hampshire District Council in May 2014 for 180 new homes.
- A resolution to grant was obtained in February 2015 and a planning permission was granted in May 2015.
- The site was put to the market and sold to a national developer in January 2016.



Land Development



Cranbrook, Devon

- Hallam secured its interest in this shared site in 1999 and after much preparation work, the development is well underway. Currently we have planning permission for 3,500 homes.
- 1,150 properties now occupied, floor slabs laid for a further 350 plots.
- Cranbrook Secondary and two primary schools are now open.
- New railway station now open on the Exeter-Waterloo line.
- Very successful site.



Property Investment and Development



Markham Vale, Derbyshire

- 200 acre business park, in partnership with Derbyshire County Council, to create 5,000 sustainable new jobs.
- The East Midlands most active development site.
- 490,000 sq ft distribution warehouse pre-let to Great Bear Distribution Limited forward sold to M&G.
- Bilstean 220,000 sq ft onsite late 2016. Sold to the occupier.



Property Investment and Development



AECC, Aberdeen

- Appointed in 2014.
- Full planning in place for 130 acre site and 50 acre redevelopment site of former AECC.
- Funding agreements close to signing.
- Construction agreements are close to signing.
- Aberdeen City Council should sign all outstanding points in May/June with a start on site in July/August 2016.



Property Investment and Development



The Chocolate Works, York

- Acquired the 27 acre site, in 2013.
- Planning consent which secures a variety of uses across the site.
- David Wilson Homes purchased 13.5 acres with plans for a 270 unit high quality residential scheme.
- JV exchanged with P J Livesey to undertake the residential conversion, 150 units, Showhomes now open.
- HQ building sale completed in December 2015 with healthcare provider.



Property Investment and Development



Richmond Upon Thames

- Secured planning permission for a 78 bed hotel on Paradise Road in the centre of Richmond upon Thames
- Construction of the 20,000 sq ft new build development is underway and is due to be completed in November 2015 with a pre-let in place to Travelodge on a 35 year lease
- Pre-sale agreement to Aberdeen Asset Management. Completed December 2015.



Property Investment and Development



Headingley, Leeds

- Our jointly owned house builder, Stonebridge Projects, has purchased this historic site of 5.97 acres in a popular area of North Leeds. We have recently achieved planning permission for 101 new homes to be built with works starting August 2015. Phase 1 sales now being taken.
- The Victoria Gardens development will see a mix of townhouses and apartments blending new build and sympathetic renovation, in an established woodland area only two miles from the city centre.



Construction



Fox Valley, Stocksbridge

- A new development to transform a 15 acre former industrial site.
- The scheme will create retail, leisure and office space and 114 houses which our JV, Stonebridge homes, will develop.
- The first phase of the development involved relocating Tata Steel's storage warehouse. We will then start work on creating a new commercial heart of the town bringing 900 new jobs to the area.
- The development is due to complete in 2016.

