



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
September 2016

This presentation contains forward looking statements. Although the Group believes that the estimates and assumptions on which such statements are based are reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Group's control. The Group does not make any representation or warranty that the results anticipated by such forward looking statements will be achieved and this presentation should not be relied upon as a guide to future performance.

Key messages

- Strong first half, forecast upgraded in June before EU vote reiterated.
- £333m Aberdeen scheme unconditional and on site.
- No deal lost after EU vote. All progressing as anticipated.
- GDV of development schemes in pipeline over £700m.
- Strategic land portfolio now circa 11,500 acres, 15,000 units permissioned, 11,000 in process, 9,000 likely to be applied for in next 18 months – unprecedented levels. 187 schemes including 30 with board approval.
- Increased underpin of 2017-2019 forecasts via developments; and strategic land deals exchanged for completion in 2017.
- Transition to new Executive and Non-executive team working well.

PBT
↑ 49% to
£20.8m

EPS
↑ 53% to
11.9p

**Interim
Dividend**
↑ 9% to 2.5p

NAV per share
↑ 7% to 171p

Financial Highlights

Half Year

	2016	2015	2014	2013
Turnover	£107.3m	£79.2m	£65.8m	£81.8m
Trading Profit	£21.6m	£11.8m	£11.9m	£8.1m
Revaluation (Deficit)/Surplus	(£1.1m)	£1.1m	£1.8m	(£0.5m)
Profit on sale of IP	£0.6m	£0.4m	£0.3m	£0.2m
Profit before tax	£20.8m	£14.0m	£13.4m	£7.4m
EPS	11.9p	7.8p	7.4p	3.6p
Interim Dividend	2.5p	2.3p	2.1p	1.95p
Net Debt	£56.2m	£55.4m	£33.1m	£36.1m
Gearing	25%	26%	17%	19%
NAV per share	171p	160p	149p	143p

- Turnover higher as we sold land at Marston Moretaine in advance of our September forecast.
- Profitability in the period significantly ahead as Marston Moretaine was disposed of in two lots over 2016/17 rather than the three lots originally anticipated.
- PBT: 48.6% higher at £20.8m. EPS: 11.9p (↑ 52.6%).
- Revaluation deficit resulting from - an increase in stamp duty land tax - reduced value of a site in Rotherham after neighbouring B&Q closed - offset by uplift to market value of an industrial unit at Stoke following fixed price purchase agreement expiry.
- Gearing in-line with previous year. Potential reduction at Year end given cost recovery re Aberdeen and a number of deferred land disposal receipts.
- 8.7% ↑ in interim dividend to 2.5p.
- NAV per share 171p. Net assets £226m ↑ 7%.

Henry Boot PLC – Funding of Assets

	2016		2015		Change
	Half Year		Full Year		£'000
	£'000		£'000		
Investment properties	105,303		110,579		(5,276)
Development sites	72,471		53,739		18,732
Strategic land	111,688		106,819		4,869
Road Link investment	5,551		5,757		(206)
Plant	15,381		13,005		2,376
	<u>310,394</u>	<u>310,394</u>	<u>289,899</u>	<u>289,899</u>	<u>20,495</u>
Receivables	73,005		64,955		8,050
Deferred tax asset/Tax creditor	2,053		687		1,366
Other assets	5,708		4,884		824
	<u>80,766</u>	<u>80,766</u>	<u>70,527</u>	<u>70,527</u>	<u>10,240</u>
Total Assets		<u>391,160</u>		<u>360,425</u>	<u>30,735</u>
Funded by					
Bank debt & grants	56,209		38,932		17,277
Pension obligation	25,564		19,577		5,987
Trade credit	74,009		71,023		2,986
Provisions for strategic land costs	9,697		9,344		353
Non controlling interests	1,268		1,883		(615)
Share capital and reserves	224,413		219,666		4,747
			<u>219,666</u>		<u>4,747</u>
Total Funding Sources		<u>391,160</u>	<u>360,425</u>	<u>360,425</u>	<u>30,735</u>

Land Development



Land Bank

	Jun 16 acres	Dec 15 acres	Dec 14 acres	Dec 13 acres
Total	11,416	11,061	9,985	9,723
Owned	1,740	1,804	1,819	1,791
Agency/Optioned	9,676	9,257	8,166	7,932

Investment in Land Holdings

	Jun 16		Dec 15		Dec 14		Dec 13	
	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000
Owned	74.2	43	73.9	41	72.9	40	63.3	35
Agency/Optioned	37.5	4	32.9	4	26.7	3	20.6	3
Total	111.7	10	106.8	10	99.6	10	83.9	9

Sites in Planning Process

	Jun 16	Dec 15	Dec 14	Dec 13
Sites	74	72	65	65
Plots	24,683	26,811	22,193	19,925
Of which permissioned	15,183	12,043	11,547	10,438
Plots sold in year	741	1,763	1,107	1,177
Gross profit per plot sold £'000	£20.0	£15.0	£17.9	£13.4

- Henry Boot PLC's strategic land business. Acquires land through outright purchase, option or as agent (10-20% interest). Operating nationwide through seven offices.
- 3,221 acres with permission or with allocation in plan. Over 150 sites in portfolio in total.
- Sold 741 plots so far this year (2015: 1,763).
- Supply of land with permission continues to increase – house builders have full land banks and could slow purchases.
- 2016 looks secure, we have a number of sales exchanged for 2017.
- No change to planning policy following Brexit and number of permissions remains strong.

Land Development



- Turnover £30.0m (2015: £21.6m), PBT & Interest £13.4m (2015: £6.9m). 741 units sold in period.
- Six deals completed in the period. Largest Marston Moretaine circa £7m gross profit.
- Continue to be very busy in planning terms. Sites with planning permission now over 15,000 units, after 4,175 units permissioned in the period.
- Detailed planning submitted and in progress on circa 28 schemes including 9 at Appeal for circa 11,000 units.
- Further planning applications expected to go forward in 2016/2017 on circa 25 sites for some 9,750 units and over 100 acres industrial B8 use.
- 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 can be many months apart. Detailed consent often required before completion takes place.
- Strategic land holdings increased to over 11,400 acres. Investment increased to £111m. We expect that values will stabilise as more sites are sold and major infrastructure at Bridgwater and Exeter completes through 2016-18. No revaluation of planning gain, all plots and sites held at cost.
- Continuing to acquire new schemes to replenish land bank, driver for long term shareholder value creation.
- The EU vote initially saw UK house builders increase caution – increasingly reverting to pre-Brexit stance. They have strong land banks of 5-6 years.

Property Investment and Development



- Holds investment property of circa £105m, rent passing £6.0m. Also, over 20 development sites in progress or at due diligence phase. GDV over £700m with 10% return.
- 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. We pre-fund where appropriate. Assets may be retained as investments.
- Aberdeen £333m, Markham £80m+, Epsom £47m, York £50m, in progress. Manchester £180m+ at planning and looking increasingly likely to be added to these.
- Aberdeen – conference centre and hotels. Manchester and York – PRS and residential. Markham – industrial. Epsom – offices.
- Good pipeline of other schemes in discussion. No Brexit issues have arisen yet, however, it is too early to assess the full impact of the decision.
- Possible downside valuation risk driven by falling values in London.
- Small house builder JV up to 65 units 2016, targets 100 2017.

Construction



- Division consists of Construction, Plant Hire and Road Link (A69).
- Divisional turnover £40m (2015: £52m). Trading profit £4.9m (2015: £4.9m). Workloads are good but pricing competitive at Construction, expect activity to catch up in second half, profit will be in line with 2015.
- Construction - mainstay frameworks centrally funded, Education, Local Authority and NHS. Levels of activity going forward on target for 2016. 2017 orders over 50% of budget for £63m turnover, also some 20% of 2018.
- 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 £7.0m p.a. Toll inflation negative due to falling oil prices does impact turnover and profit.
- Plant performed well circa 12% net return on sales. Outlook stable but UK construction markets need to maintain momentum. Continuing to invest in new plant in line with demand.
- Net zero capital employed in this segment. Returns help support more capital intensive land and development investments.

Pensions

- Triennial valuation due 1 January 2016 now agreed. Company contributing £2.5m (previously £3.7m) per annum in recovery contributions.
- IAS 19 deficit £25m (31 December 2015: £20m) after the discount rate increased by 80bps – low interest rates after Brexit.
- Scheme break even return now below 4%. Assets have achieved much better returns than this over last ten years.
- Very few long dated index linked Gilts in Scheme.
- Mismatch between use of gilt yields to derive IAS 19 discount rates and assets which are invested globally with managers targeting a weighted average return of circa 7.5%.
- Possible direction of travel for interest rates is upwards. This should be positive for discount rate and therefore Scheme deficit.

Outlook

Land Development



- Post Brexit housing market so far unchanged.
- House builders financially strong but have long land banks.
- 187 sites on hand. Some 50% have either: permission, 15,000+ units, in the planning process, 11,000+ units, or in application preparation 9,000+ units.
- Average gross profit £15,000 per unit over last five years.
- Portfolio held as inventory at lower of cost or NAV – no revaluation uplift on planning success.

Property Investment and Development



- No deals lost post Brexit vote – ongoing discussions maintained.
- House builders subsidiary 65 units in 2016, towards 100 in 2017. ASP = £250k.
- GDV of developments in progress over next three years over £700m. Progressing well.
- Possible valuation risk but probably less in provinces than London.
- £333m Aberdeen development agreed, now on site, to be completed 2019.

Construction



- Outlook steady, pricing tight but stable.
- 50% 2017 work already secured.
- Central funding for projects likely to continue.
- Plant pricing tight but activity and profit stable.
- Road Link expected to continue as forecast. Ten years remain on the agreement.

Outlook

Group

- Continue high capital allocation to land and developments.
- Looking to de risk 2017-2019 profit forecasts via forward land sales matching house builder requirements.
- Longer term developments pre-sold. Therefore, profits spread across future years. Aberdeen 2016-2019.
- Should be cash generative over 2016-2019, therefore, if cyclical downturn occurs, resources available to acquire next phase opportunities.
- Trading in line with expectations for 2016 and 2017. Potential risk on the upside for both years.
- Look for 3x dividend cover to invest in risk assets without recourse to high level leverage. Maximum facility gearing 30%, utilisation at year end 2016 expected to be circa 15%.

Top 10 Institutional Shareholders as at 4 August 2016

	Shareholding
Hargreave Hale Ltd Stockbrokers	8,452,751
Standard Life	5,939,312
Miton Group plc	4,030,694
Fidelity Management & Research	3,900,000
BlackRock Inc	3,418,337
Schroder Investment Management	2,784,182
Legal & General Group	2,621,947
Dimensional Fund Advisors	2,082,946
City of Bradford Metropolitan District Council	2,008,931
Hargreave Lansdown PLC	1,949,250

Henry Boot PLC vs Benchmark Indices



Group Structure – Board of Directors



Jamie Boot
Chairman



John Sutcliffe
Chief Executive Officer



Darren Littlewood
Group Finance Director



Joanne Lake
Non-executive Director, 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

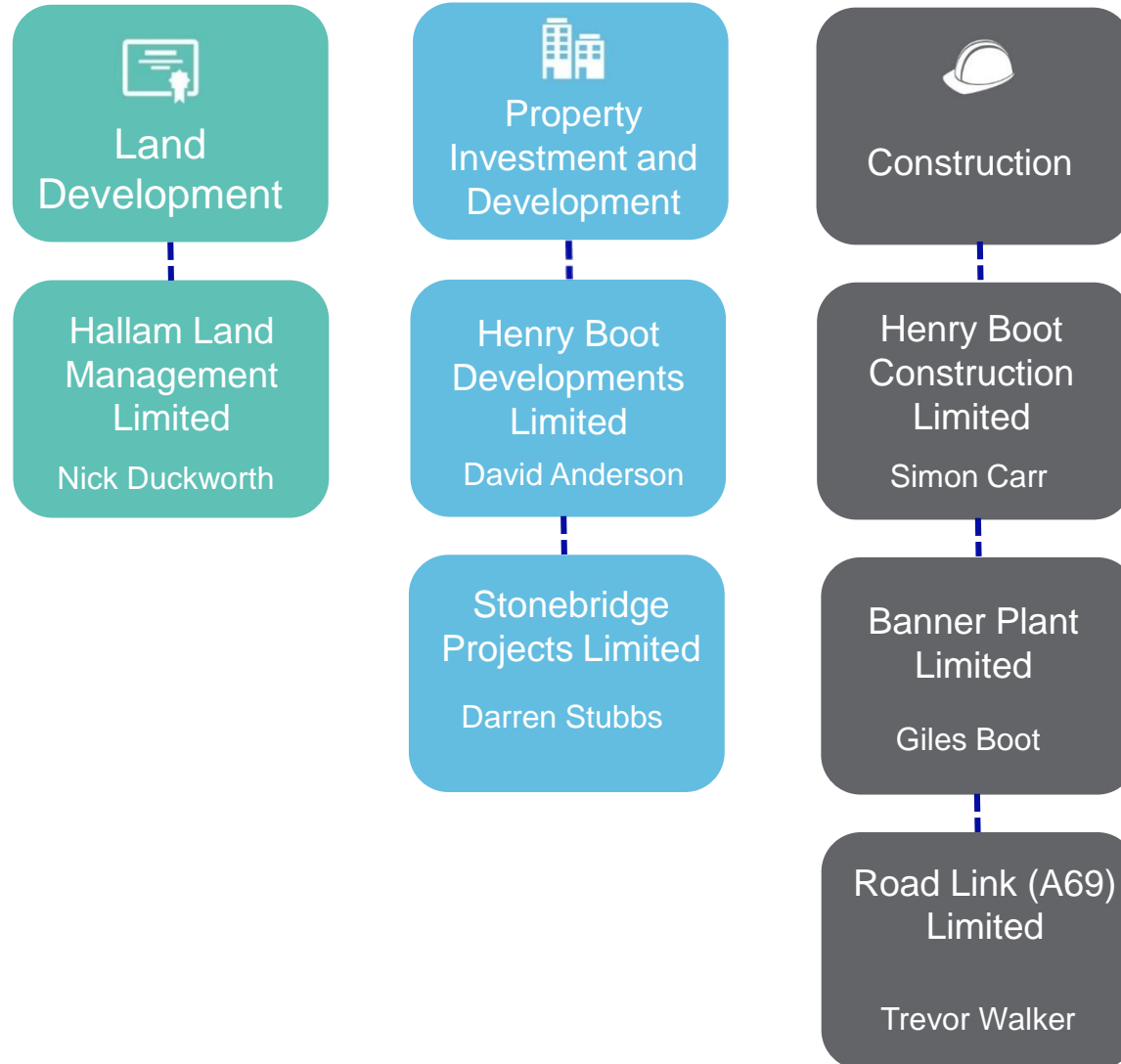


Gerald Jennings
Non-executive Director



Russell Deards
General Counsel & Company
Secretary

Group Structure – Senior Management



Land Development



Biddenham, Bedfordshire

- HLM 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 second phase of this three phase sale will take place in September this year.



Land Development



Marston Moretaine

- Site acquired 2007/8 with 50% overage back to landowner.
- Initial phase sold three years ago.
- Re planned initial industrial consent to housing.
- Sold in June 2016 in two parts (second 2017). Profit circa £15m across the two years.



Land Development



Cranbrook, Devon

- HLM 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 School is now open.
- New railway station now open on the Exeter-Waterloo line.
- Very successful site.
- Further future expansion land in our control.



Land Development



Bridgwater, Somerset

- Wm Morrison Supermarkets plc Regional Distribution and 2,000 homes.
- House sales have gone well, expect further land sales through to 2020.
- Commercial use likely to be delivered by Henry Boot Developments.
- Site at bottom of photo possible Hinkley Point key worker location.



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.
- Bilstein 220,000 sq ft on site late 2016. Sold to the occupier.
- Further 750,000 sq ft for delivery in 2017 across five units including another 490,000 sq ft unit.



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 signed with Aberdeen.
- Construction agreements signed and on site.
- Completion 2019.
- 400,000 sq ft business park and current exhibition site to bring forward after 2019.



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, 160 units. Circa 80 reservations and first sales H2 2016.
- Sale completed in December 2015 with healthcare provider for HQ building.
- Circa six acres of additional residential land to sell.



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. Sales now being taken, site selling well.
- 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 Projects, will develop. Sales now in progress and going well.
- 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.

