



# Cohesive Consistent Confident

“Our strategy and the Company organisation remains unchanged. 2017 has started well in all our businesses and we confidently look forward to a year of further progress.”

Henry Boot PLC  
Full Year Results Presentation  
March 2017

# Key Highlights

## Operational

- Strong performance with profit and EPS growth of over 20%.
- House builders doing well and buying land to replenish land banks.
- Major Aberdeen contract progressing well – on time and on budget.
- A number of deals achieved towards the end of the year, especially York and Aberdeen, resulted in revenue up 74% to £307m.
- Gross development value in progress of £800m. Most schemes will start this year or are already on site.
- Strategic land portfolio over 11,800 acres with over 16,000 permissioned units and 10,000 units in planning process.
- Committed deals for 2017 underpin trading forecasts for the year.
- Transition to the new board achieved seamlessly.

## Financial

**PBT**  
↑ 22% to  
£39.5m

**EPS**  
↑ 23% to  
21.5p

**Dividend**  
↑ 15%  
to 7.0p

**NAV per share**  
↑ 5% to  
177p

**ROCE**  
↑ 14%

**TSR**  
↑ 9%  
over last  
three years

## Financials – Profit & Loss

### Full Year

	2016	2015
Turnover	£306.8m	£176.2m
Trading Profit	£40.6m	£32.4m
Revaluation	(£1.8m)	(£1.1m)
Profit on sale of IP	£0.6m	£1.2m
Profit before tax	£39.5m	£32.4m
EPS	21.5p	17.5p
Dividend	7.0p	6.1p

- Higher development activity increased sales to over £300m. York and Aberdeen.
- Higher trading profits from developments, as above.
- Revaluation losses after site write-downs at Bodmin and Rotherham.
- Increase in dividends. Achieved a cover level of 3.0 times.

## Financials - Segmental Results

Segmental Revenue (£m)	FY 2016	FY 2015	Variance
Property Investment and Development	176.2	49.9	253.1%
Land promotion	51.2	46.7	9.6%
Construction	79.4	79.5	-
<b>Total</b>	<b>306.8</b>	<b>176.1</b>	<b>74.2%</b>

Segmental PBT (£m)	FY 2016	FY 2015	Variance
Property Investment and Development	11.2	3.5	220.0%
Land Promotion	17.7	19.1	(7.3)%
Construction	11.0	9.9	11.1%
Group overheads and eliminations	(0.4)	(0.1)	(0.5)%
<b>Total</b>	<b>39.5</b>	<b>32.4</b>	<b>21.9%</b>

- Property investment and development results boosted by Aberdeen, York and Markham Vale.
- Land promotion revenue up, slightly lower return due to mix of plot ownership and location.
- Construction revenue maintained, slight improvement in margins.

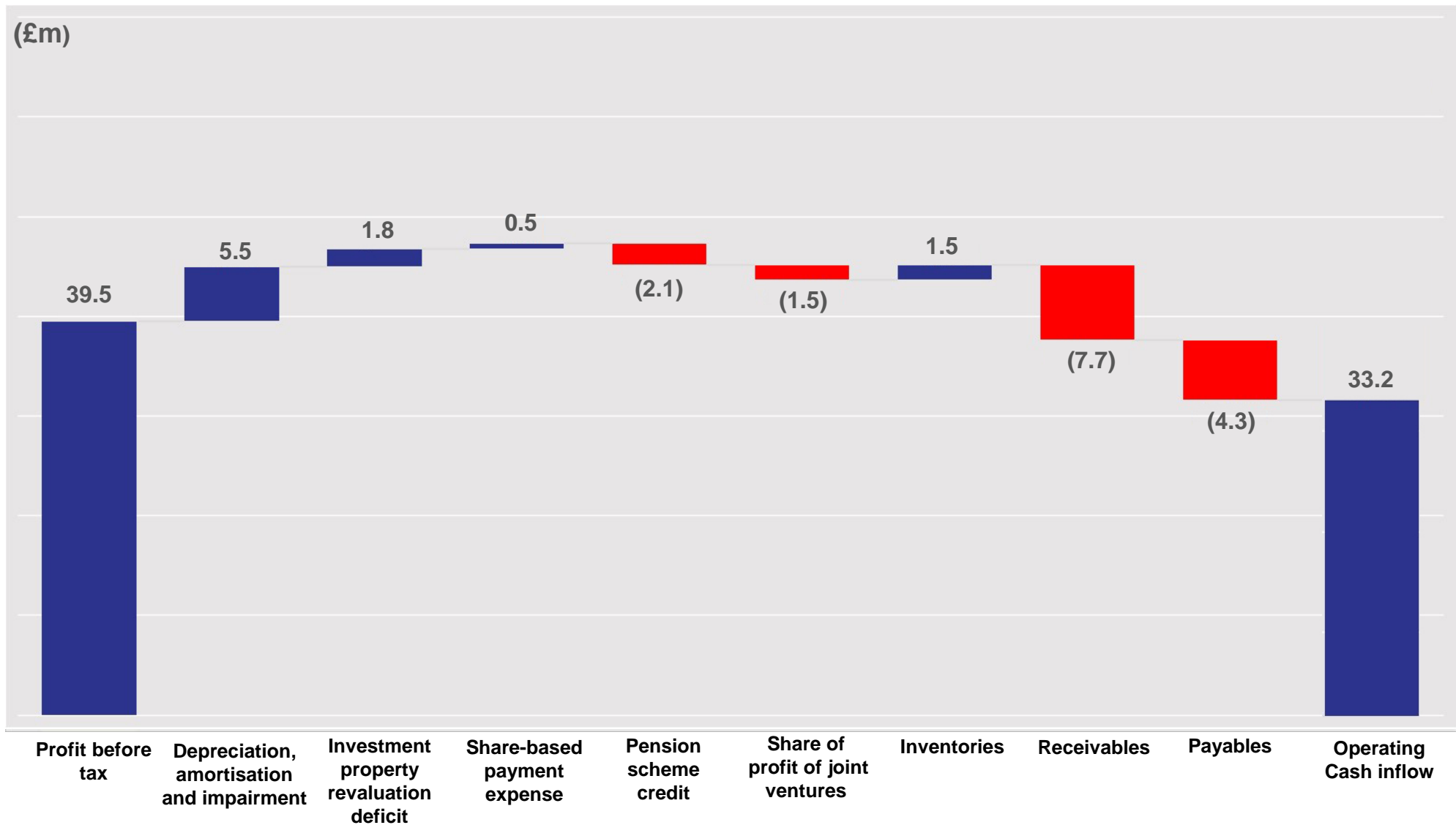
# Financials – Balance Sheet

	2016 (£m)	2015 (£m)		2016 (£m)	2015 (£m)
Intangible assets (Road Link)	4.9	5.8	Property, Plant & Equipment		
Property, Plant & Equipment	22.0	21.0	Group occupied (Investment) property	6.5	6.9
<b>Investment properties</b>	<b>123.7</b>	<b>125.3</b>	Equipment held for hire	11.5	10.4
Investment in joint ventures	5.1	3.8	Vehicles & Office Equipment	4.0	3.7
Trade and other receivables	5.6	10.5	<b>Total</b>	<b>22.0</b>	<b>21.0</b>
Deferred tax assets	5.2	4.3			
<b>Fixed assets</b>	<b>166.5</b>	<b>170.7</b>	<b>Investment properties</b>		
			Completed investment property	101.0	103.7
<b>Inventories</b>	<b>137.9</b>	<b>138.9</b>	Investment property under construction	22.7	21.6
Trade and other receivables	67.0	54.5	<b>Total</b>	<b>123.7</b>	<b>125.3</b>
Cash and Cash equivalents	7.4	12.0			
Assets classified as held for sale	1.0	-	<b>Inventories</b>		
<b>Current assets</b>	<b>213.3</b>	<b>205.4</b>	Developments in progress	17.0	24.1
			House builder land and work in progress	13.0	7.9
Borrowings	(40.3)	(51.0)	Land held for development or sale	70.1	74.0
Retirement benefit obligations	(26.4)	(19.6)	Options to purchase land	10.7	9.3
Other liabilities	(79.5)	(84.0)	Planning promotion agreements	27.1	23.6
<b>Total liabilities</b>	<b>(146.2)</b>	<b>(154.6)</b>	<b>Total</b>	<b>137.9</b>	<b>138.9</b>
Shareholders' Equity	231.7	219.6			
Minority interests	1.9	1.9			
<b>Total Equity</b>	<b>233.6</b>	<b>221.5</b>			
Net debt	(32.9)	(39.0)	• Debt includes £8m of HCA loans repayable on house sales in Exeter		
Gearing (debt/equity)	14%	18%	• Prudent gearing levels		
NAV per share	177p	168p	• NAV helped by retained earnings offset by increased pension deficit		

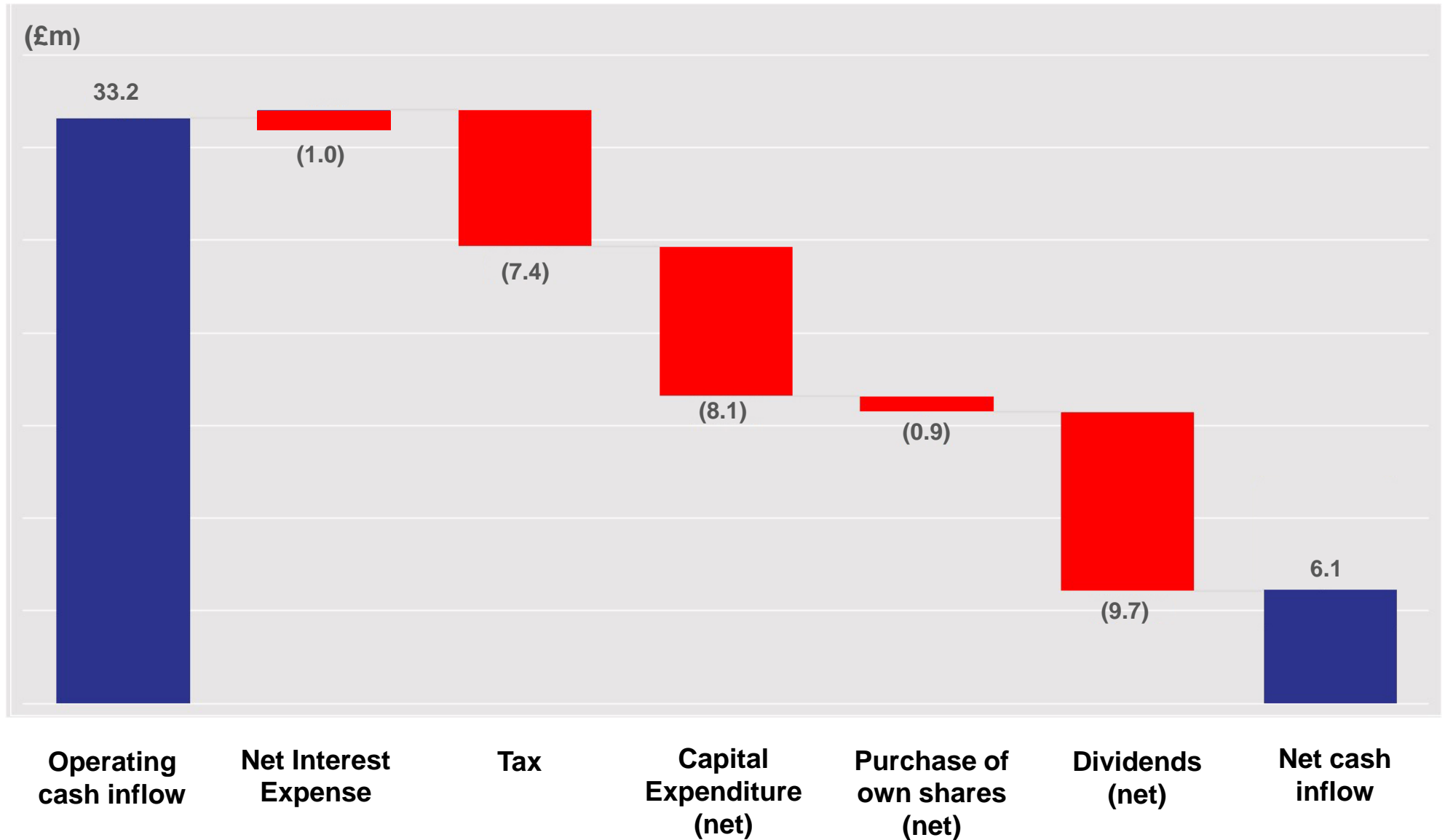
## Financials - Pensions

- Triennial valuation at 1 January 2016 settled, deficit £20m.
- Recovery contributions reduced from £3.75m to £2.5m per annum.
- IAS 19 deficit at 31.12.16 = 16p of NAV – asset performance +11%. Discount rate 2.8%. Scheme breakeven return 4.05%.
- Long term investment returns over last ten years 6.5%, well ahead of long term Scheme breakeven return.
- Mismatch between use of UK bonds and gilts for discount rate when Scheme invested globally in return seeking assets. Managers targeting a weighted average return of circa 7%.

# Financials - Cash Generation



## Financials - Movement in Net Debt





## Financials – 2017 Guidance

- Revenue – marginal increase on 2016 from continued high levels of property development.
- PBT – even weighting due to apartment sales at York in H1 and land disposals in H2.
- Potential significant cash outflows from new Investment property acquisitions (Nottingham – Imperial and Manchester).
- Potential significant cash inflows from Investment property disposals (Nottingham – Axis and Bromley).
- Potential plant depot acquisition NAV £1.8m offset by new HP funding line.
- Net finance cost, similar to 2016 subject to timing of investment property acquisitions and disposals.
- Share of JV profits, similar to 2016 (Manchester PRS).
- Tax – standard rate subject to + revaluation deficit – revaluation surplus.
- Continued investment in house builder, WIP circa £25m.

## Land Promotion - 2016



- Profit £17.7m (2015: £19.1m), nine deals completed in the year.
- Continue to be very busy in planning terms. Sites with planning permission for over 16,000 units (end Q1 2017 18,000).
- Planning consent won for 5,900 units in 2016 (2014: 2,200 units, 2015: 2,300 units).
- Detailed planning submitted and in progress on circa 25 schemes, circa 10,000 units. Continuing to acquire new schemes to replenish land bank.
- Further planning applications expected to go forward in 2017 on circa 25 sites, circa 10,000 units.
- 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 11,800 acres. Investment £107m. Expect values will stabilise as more sites are sold and major infrastructure at Bridgwater and Exeter completes and we realise through cost of sales during 2017-2020.
- Acquisition of J J Gallaghers by L&Q quoted as 42,500 plots, price £500m underpins market value.

# Land Promotion - Inventory



## Land Bank

	Dec 16 acres	Dec 15 acres	Dec 14 acres	Dec 13 acres
Agency/Optioned	10,139	9,257	8,166	7,932
Owned	1,749	1,804	1,819	1,791
Total	11,888	11,061	9,985	9,732

## Investment in Land Holdings

	Dec 16		Dec 15		Dec 14		Dec 13	
	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000
Owned	70.1	40	73.9	41	72.9	40	63.3	35
Agency/Optioned	37.8	4	32.9	4	26.7	3	20.6	3
Total	107.9	9	106.8	10	99.6	10	83.9	9

## Sites in Planning Process

Sites	79	72	65	65
Plots	26,869	26,811	22,193	19,925
Of which permissioned	16,417	12,043	11,547	10,438
Plots sold in year	1,609	1,763	1,107	1,177
Gross profit per plot sold £'000	£14.7	£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.
- 3,483 acres with permission or with allocation in plan. Over 150 sites in portfolio in total.
- Sold 1,609 plots in 2016 (2015: 1,763).
- Supply of land with permission continues to increase – house builders have full land banks and could slow purchases.
- 2017 looks secure as we have a number of sales exchanged for 2017.
- No change to planning policy following Brexit and number of permissions remains strong.

## Land Promotion – current sites



### Biddenham, Bedfordshire

- Hallam has 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 agreed with a national developer.
- The conclusion of the third phase of this three phase sale will take place in September this year. Profit circa £15.5m across the three years.



### 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 September 2017). Profit circa £15m across the two years.



## Land Promotion – current sites



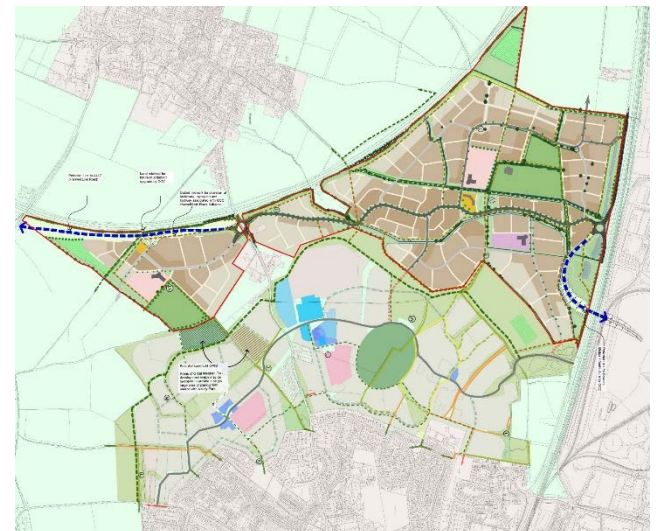
### Bridgwater, Somerset

- Wm Morrison Supermarkets plc Regional Distribution and 2,000 homes.
- House sales have gone well, expect further land sales through to 2020. 130 plots sold to a national developer in January 2017 for circa £1.8m profit.
- Commercial use likely to be delivered by Henry Boot Developments.
- Nearby site possible Hinkley Point key worker location.



### Didcot

- Hallam began promotion of land (200 acre our share) west of Didcot, Oxfordshire, in 2013.
- Planning application for 4,240 plots (2,170 plots our share) and secured a resolution to permit in April 2016. This permission includes two primary schools; a Special Education Needs school; two Local Centres; and associated community sports and recreational facilities.
- In 2017 Hallam are in the final stages of negotiating the Section 106 legal agreement with the District and County Council, which will secure an infrastructure package to deliver the scheme in coming years.
- First sale anticipated in 2019.



## Land Promotion - Outlook



- Options and land available and we remain buyers.
- Competition and pricing for sites 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 2017.
- House builders looking to defer payment and tinker with their timescales 2-3 years, all report hurdle rates of return on land purchases have increased.
- House builder volumes slowly growing, selling prices and margins strong. However, the supply of sites with permission is also good, therefore, land price inflation still low. Mid tier house builders becoming more active.
- Funding for Lending, Help to Buy and mortgage availability supporting growth in new housing development.
- We have 18,000 units with permission and over 10,000 units in planning process.
- We sold 6,000 units over the five years 2012-2016 @ an average of £14,000 gross profit per plot.

## Property Investment and Development – 2016



- Holds investment property of circa £101m, rent passing £6.7m. Also, over 15-20 development sites with potential or in progress.
- We look to achieve developer's return based on prudent appraisal yields, pre-lets and conservative construction costs. Target hurdle rate of 12%-15%. Lower returns when pre-let and pre-funded, higher value where we take more risk.
- Gross Development Value of schemes in progress over £800m, over 90% pre-let, pre-sold and pre-funded. In addition, potentially £600m of opportunities progressing.
- Aberdeen £300m, Markham £50m+, Epsom £47m, York £50m, others £45m. Manchester £200m+. On site in 2017-2020.
- Aberdeen – conference centre and hotels. Manchester and York – PRS and residential. Markham – industrial. Epsom – offices.
- So far little impact on commercial property development from Brexit negotiations, however, mindful that the separation process could have an impact on the UK property market and we continue to monitor the situation.

## Property Investment and Development – Current Schemes



### 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.



### 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 – Current Schemes



### 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 sales in H2 2016.
- Sale completed in December 2015 with healthcare provider for HQ building.
- Circa six acres of additional residential land to sell.



### 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.



## Property Investment and Development - Outlook



- Largest ever value of schemes in progress over 2017-2020.
- 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.
- Industrials and residential (including PRS and student) strongest segments. Retail weakest.
- Bank funding to the sector improving. Three year facilities in place to 2020. 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. Most notable, Manchester PRS scheme.
- House building, sold 70 units in 2016. Target 100 units 2017. Average selling price circa £230k- £250k, 3/5 bed family units. Building land bank from 300 to 500+ units. Target 130 units in 2018.

## Construction - 2016



- Division consists of Construction, Plant Hire and Road Link (A69).
- External turnover flat at £79m. Trading profit circa £11.0m (2015: £9.9m). Workloads good but pricing very competitive at Construction.
- Segment has very low levels of capital employed, helps fund more cash/equity intensive development.
- Construction activity £60m (2015: £68m). Mainstay frameworks centrally funded. Levels of activity going forward on target for 2017 at 90% of budget for £65m turnover.
- Road Link performed to expectations. Cash generation strong. Nine 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 after a 2.75% deduction was negative due to falling oil prices during 2015/16 and is now beginning to reverse.
- Plant performed well in 2016, profit £1.6m (2015: £1.5m), a 11.5% return on sales. Outlook for 2017 positive but UK construction markets need to maintain momentum. Continuing to invest in new plant in line with demand. Possible small acquisition of a two depot plant and tool hire business in Leicester which moves us further down the M1 corridor.

## Construction – Current Schemes



### **Fox Valley, Stocksbridge**

- A new development to transform 15 acre former industrial site.
- The scheme has created retail, leisure and office space and will deliver 114 houses through our JV, Stonebridge Projects. Sales now in progress and going well.
- The scheme has created a new commercial heart of the town bringing 900 new jobs to the area.
- The commercial development was successfully completed in 2016.



## Construction - Outlook



- Solid order book for 2017, activity expected to be higher in 2017 than 2016.
- Central funding for all programmes still tight. However, Brexit rhetoric encouraging for frameworks.
- £35m scheme 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. Nine years remain on agreement. Possible major works schemes on the A69 announced in Budget 2016, no more heard yet.
- Plant Hire – house building and general construction activity levels good. 2017 started in line with 2016. Net profit 11%+ on sales. Looking to add one more location in Leicester.
- Segment activity in 2017 looks promising, the year has started well.

# Summary

- Continued higher capital allocation to land and property development
- Strong development pipeline
- Full year dividend of 7p up 15%, covered three times
- 2017 has started well in line with expectations
- Full year outlook unchanged

# Appendices

- Group structure – Board of Directors
- Group structure – Senior Management
- Top 10 Institutional Shareholders as at 3 March 2017
- Five year track record of strong growth
- Henry Boot PLC share price 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



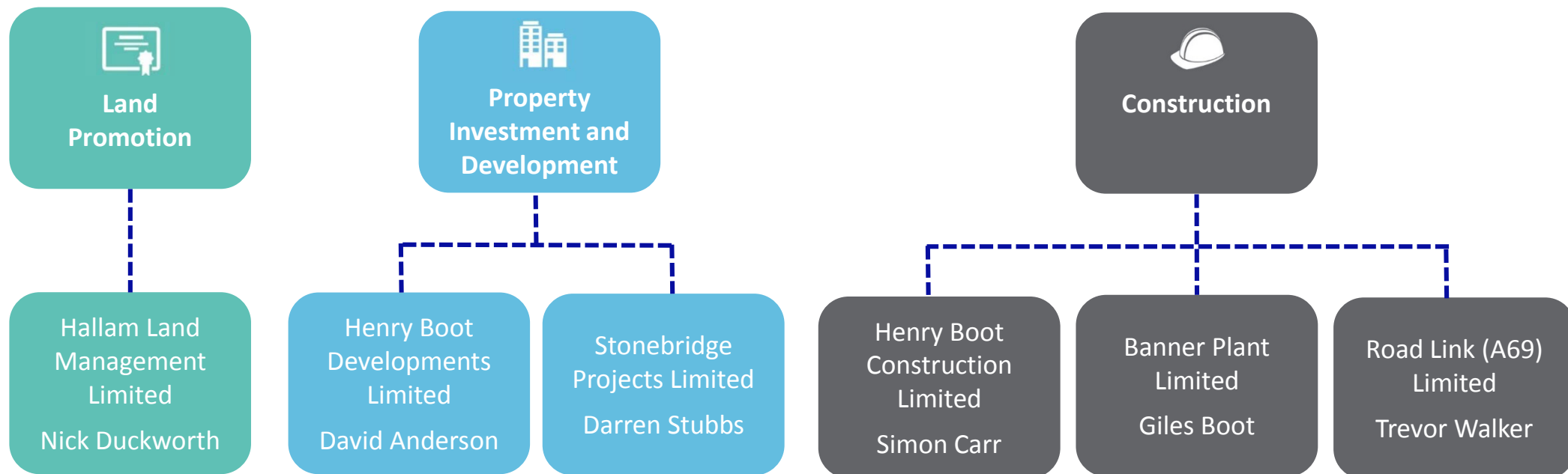
**Gerald Jennings**  
Non-executive Director



**Russell Deards**  
General Counsel & Company  
Secretary



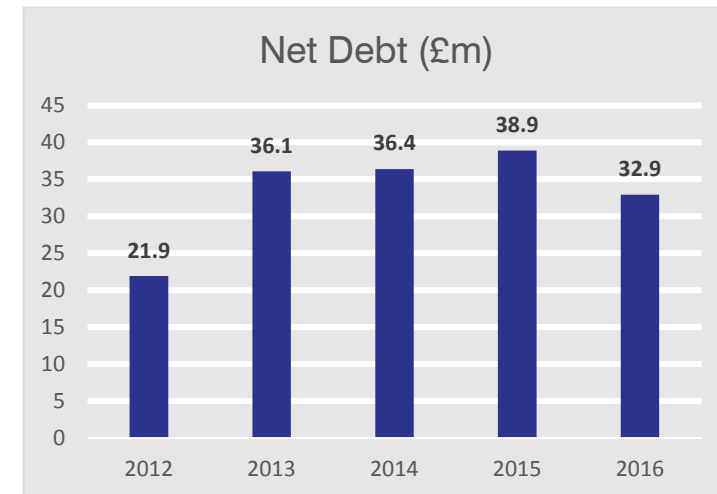
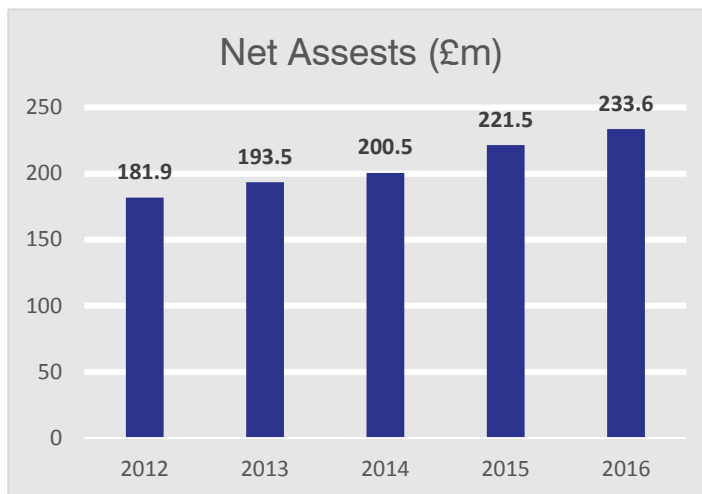
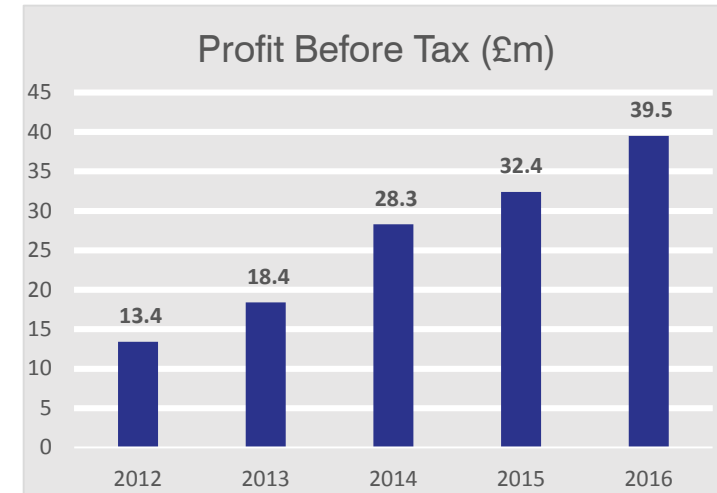
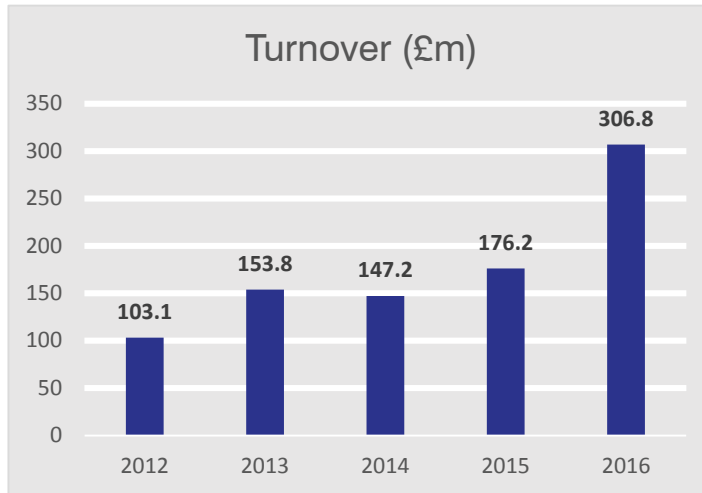
## Group Structure – Senior Management



## Top 10 Institutional Shareholders as at 3 March 2017

	Shareholding
Hargreave Hale Ltd Stockbrokers	8,727,439
Fidelity Management & Research	3,900,000
Ennismore Fund Management	3,106,027
Schroder Investment Management	2,796,355
Legal & General Investment Management	2,631,962
BlackRock Investment Management	2,261,537
Dimensional Fund Advisors	2,215,778
Hargreaves Lansdown Asset Management	2,118,494
West Yorkshire Pension Fund	2,008,931
Miton Asset Management	1,950,000

## Five Year Track Record of Strong Growth



# Henry Boot PLC Share Price vs Benchmark Indices



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