

Half Year Results to 31 December 2015

Peter Truscott, Chief Executive, and Graham Prothero, Finance Director



Peter Truscott

CHIEF EXECUTIVE



Agenda

- Highlights
- Operating Review
- Financial Review
- Strategy to 2018
- Outlook
- Appendices

Highlights



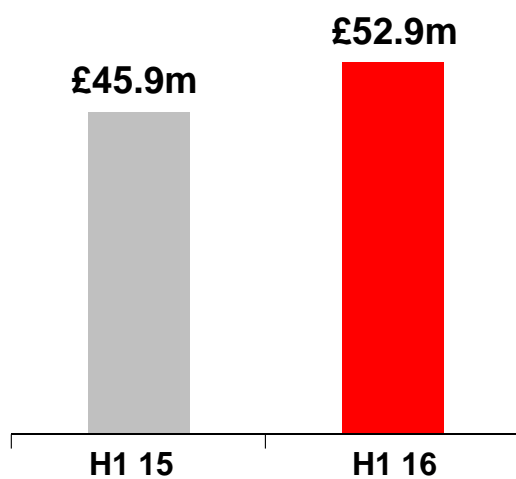
Highlights

Group

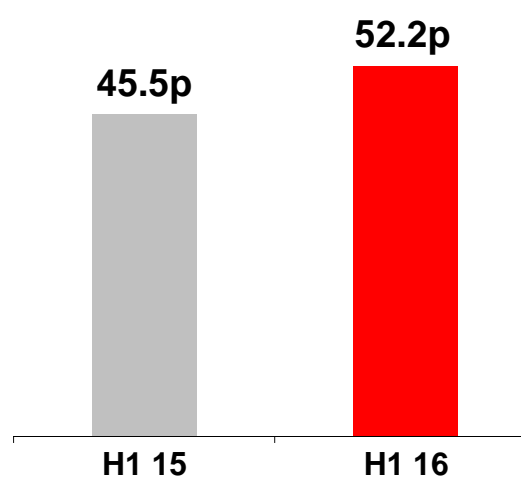
- Record half year profit before tax of £52.9m
- Return on net assets increased to 21.7%
- Interim dividend up 18% to 26p per share
- Net debt of £95.7m, increased in accordance with plan
- Total of 2,403 units delivered across Linden Homes and Galliford Try Partnerships
- Plans include new Linden Homes and Galliford Try Partnerships business units
- Continued encouraging progress of disciplined strategy to 2018

Highlights

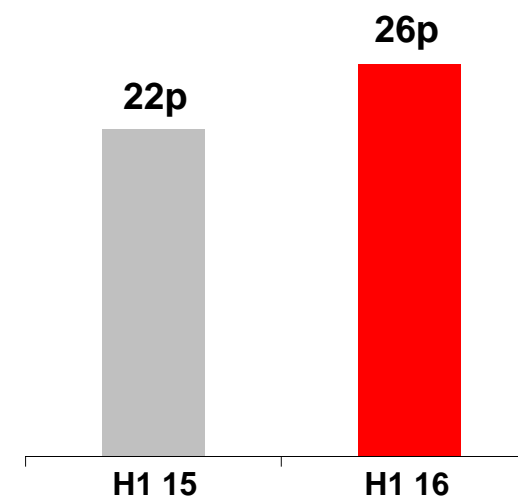
PBT up 15%¹



EPS up 15%¹



Dividend up 18%



¹ Stated before exceptional items of £3.4m at December 2014

Operating Review

LINDEN HOMES



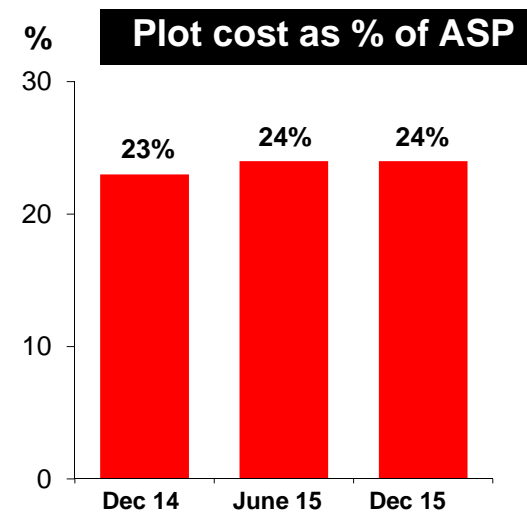
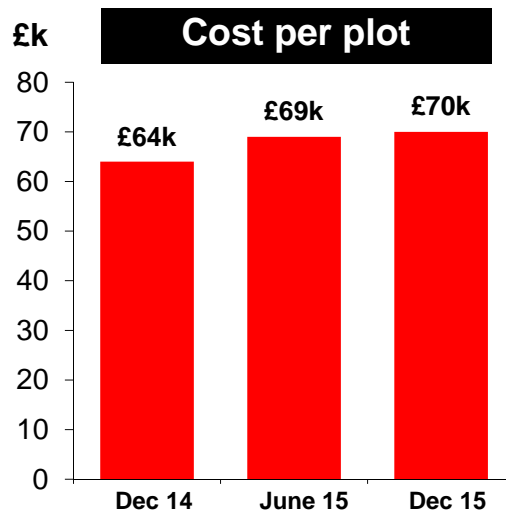
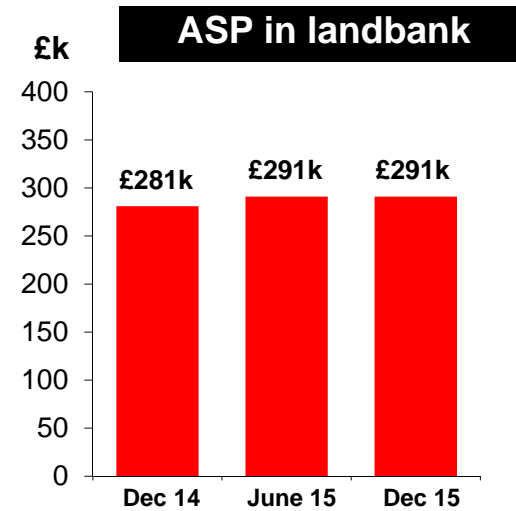
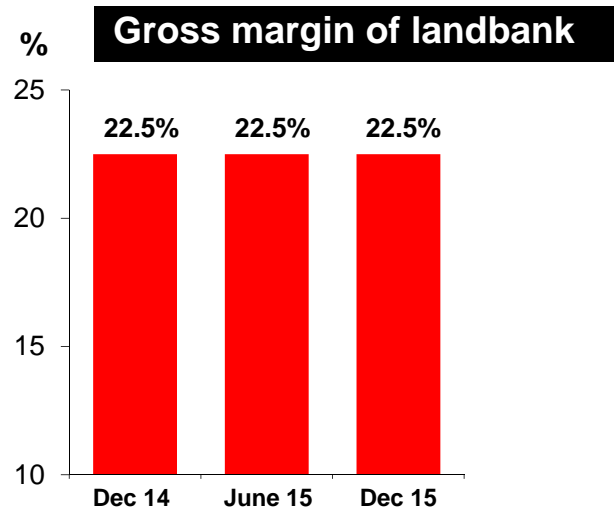
Overview

- 1,357 completions in the period, generating increase in revenue and 17.0% operating margin
- 12,800 plots in landbank with GDV of £3.8bn
- Strong in-hand position of £793m
- Average outlets increased to 76; sales per outlet per week increased to 0.57 (HY15: 0.51) and improved further in 2016
- Recent rationalisation reduces cost base by £5 million (neutral in current year), but does not reduce capacity; further Yorkshire business unit to open in 2016
- Land market remains positive
- Planning environment remains favourable although detailed planning consents still subject to delay

Operating Review – Linden Homes



Landbank analysis¹



¹ Includes affordable

Operating Review – Linden Homes

Market opportunity

- Encouraging sales since 1 January 2016
- 100% of land secured for FY17 and 75% for FY18
- 1,700 acres in strategic land, 245 plots granted planning in period
- Margin improvement strategy continues to progress with focus on standardising operating processes
- Capacity to grow business organically within current structure

Operating Review

GALLIFORD TRY PARTNERSHIPS



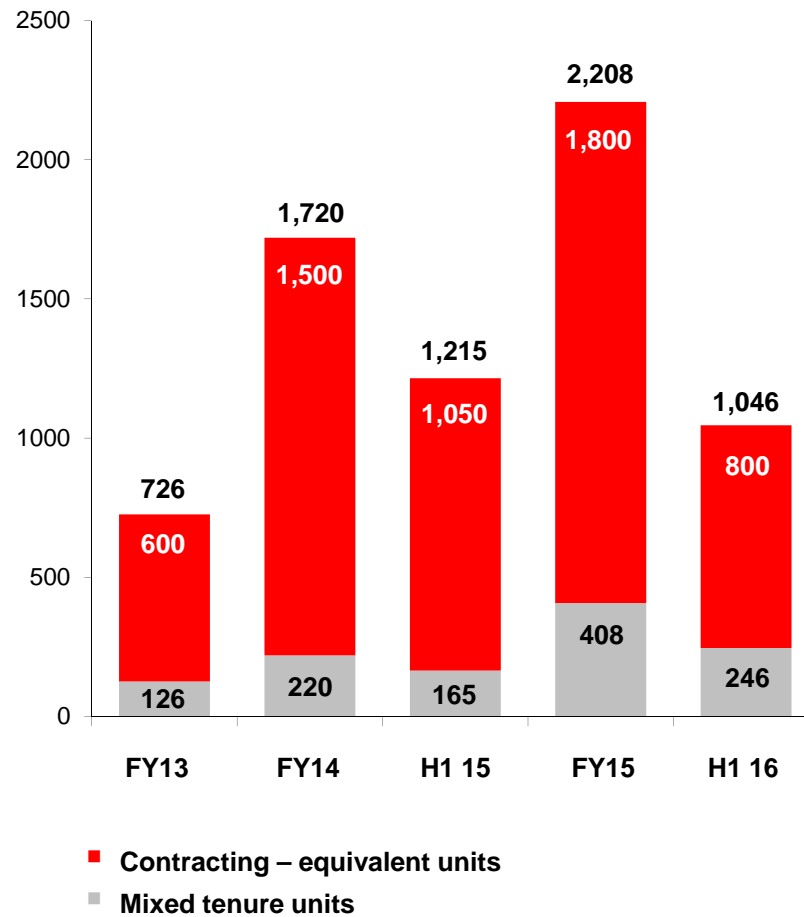
Operating Review – Galliford Try Partnerships

Overview

- Combination of contracting and mixed tenure development
- Growth in landbank to 2,700 units with GDV of £664m
- Largely self funded, with impressive returns on capital
- Contracting work cash generative
- Opportunity to invest further in mixed tenure to accelerate margin improvement

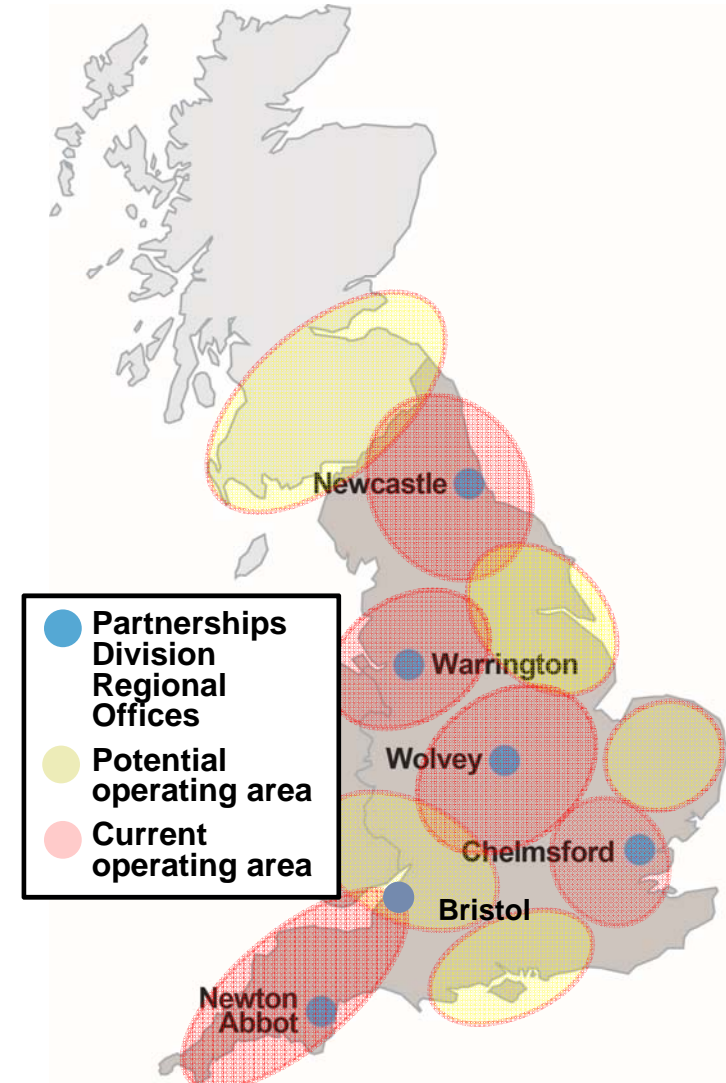
Operating Review – Galliford Try Partnerships

Units delivered



Market opportunity

- Client business plans re-profiled, restoring investment and activity levels
- Growth in platform of joint ventures with registered providers
- Increased commissioning from local authorities in joint venture model on public land
- Client emphasis on home ownership driving mixed tenure opportunities
- Scope for further geographical expansion



Operating Review

CONSTRUCTION



Operating Review - Construction

Overview

- Revenue increased, as new opportunities begin to take effect
- Margin stable, and remains constrained pending completion of historical projects and until benefit of new work comes through
- £3.7bn order book; 71% of work secured for 2016/17
- New work contains appropriate margin and inflation allowances; focus on frameworks and two-stage negotiated work
- High-quality people and order book provide confidence for future targets
- Market outlook continuing to improve, but at a slower rate than anticipated

Operating Review - Construction

Major wins

Building

- East Lothian Community Hospital (£72m)
- Arena Central, Birmingham (HSBC) (£66m)
- Anderson High School, Shetland (£55m)
- Ministry of Defence Frameworks, South West/South East (£1bn framework value)

Infrastructure

- Smart Motorways Framework, M1 (£1.5bn framework value)
- Biomass energy plants (£75m)
- AMP 6 (Water Frameworks) starting to come through

FM

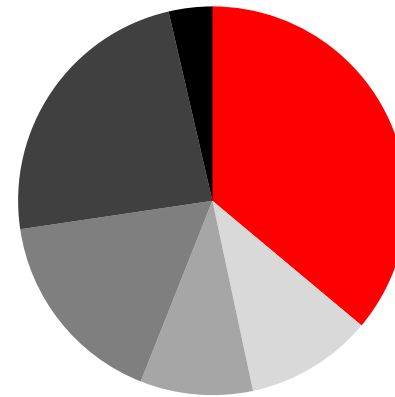
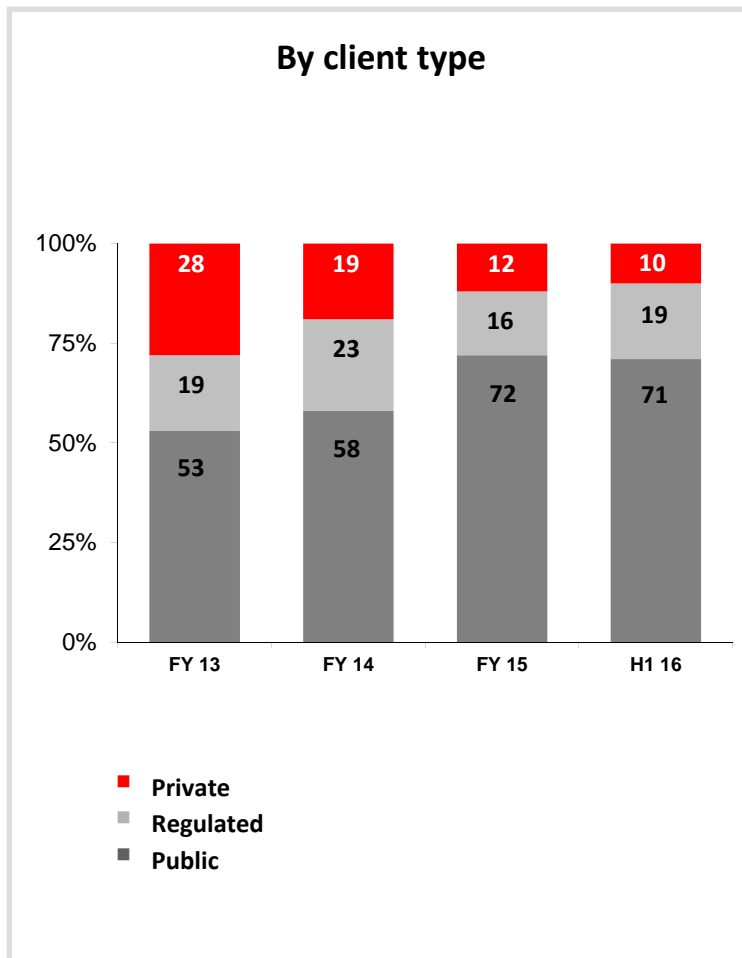
- Crown Commercial Service Framework (£3.5bn framework value)



Arena Central, Birmingham

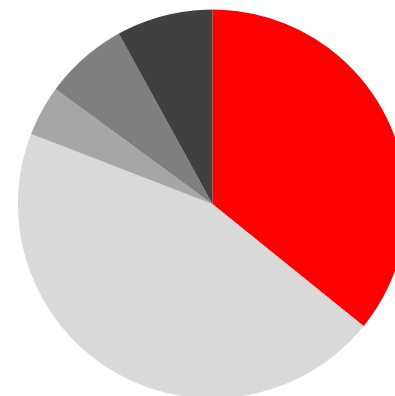
Operating Review - Construction

Order book strengthened



Building

- Education
- Commercial
- Health
- FM
- Other Public & Regulated
- Defence



Infrastructure

- Transport
- Water
- Power
- Flood Alleviation
- Other Civil Engineering

Graham Prothero

FINANCE DIRECTOR



Financial Review



Financial Review

Summary Income Statement: Half Year to 31 December

£m	2015	2014	FY to 30 June 2015
Revenue¹	1,264.9	1,124.6	2,430.7
Profit from operations²	65.9	55.3	138.9
Profit before exceptional items³ and tax	52.9	45.9	117.7
Profit before tax	52.9	42.5	114.0
Earnings per share:			
Pre-exceptional³	52.2p	45.5p	116.3p
Post-exceptional	52.2p	42.0p	112.8p
Dividend per share	26.0p	22.0p	68.0p

¹ Includes share of joint ventures

² Profit from operations stated before finance costs, amortisation, exceptional items, joint ventures' interest and tax, and taxation

³ Exceptional items represent £3.4m in the period to 31 December 2014 and £3.7m in the year to 30 June 2015

Financial Review

Segmental Analysis: Half Year to 31 December

£m	2015			FY to 30 June 15
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin	Operating Margin
Linden Homes	362.7	61.5	17.0%	16.0%
Partnerships	150.2	4.5	3.0%	2.9%
Construction	738.6	8.5	1.2%	1.2%
PPP Investments	12.9	(1.7)	NA	NA
Group	0.5	(6.9)	NA	NA
TOTAL	1,264.9	65.9	5.2%	5.7%

£m	2014		
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin
Linden Homes	346.1	52.1	15.1%
Partnerships	157.6	3.6	2.3%
Construction	604.8	5.9	1.0%
PPP Investments	15.9	(0.6)	NA
Group	0.2	(5.7)	NA
TOTAL	1,124.6	55.3	4.9%

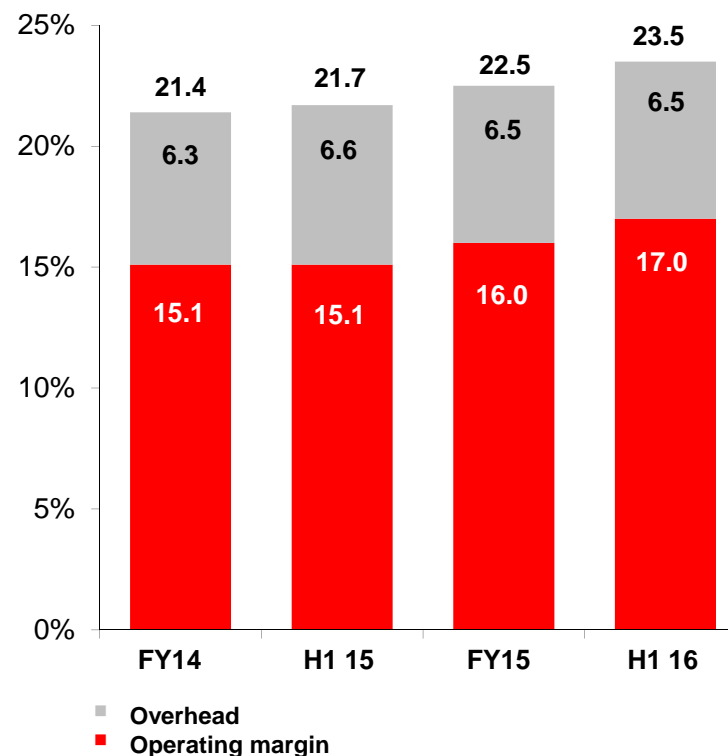
¹ Revenue includes share of joint ventures

² Profit from operations stated before finance costs, amortisation, exceptional items, joint ventures' interest and tax, and taxation

Financial Review – Linden Homes

COMPS/REVENUE		Revenue up 5%
Units:	1,357	(H1 15:1,364)
Revenue:	£362.7m	(H1 15: £346.1m)
SALES MIX (UNITS)		
Private:	1,124	(H1 15: 984)
Affordable:	233	(H1 15: 380)
AVERAGE SALES PRICE ¹		up 8%
£334k		(H1 15: £310k)
RETURN		up 1.3pts
Return on net assets: 20.2%		(H1 15: 18.9%)
SALES IN HAND ²		
£793m		(H1 15: £677m)

Linden Homes gross margin



¹ Excludes affordable

² Current at 14 February 2016

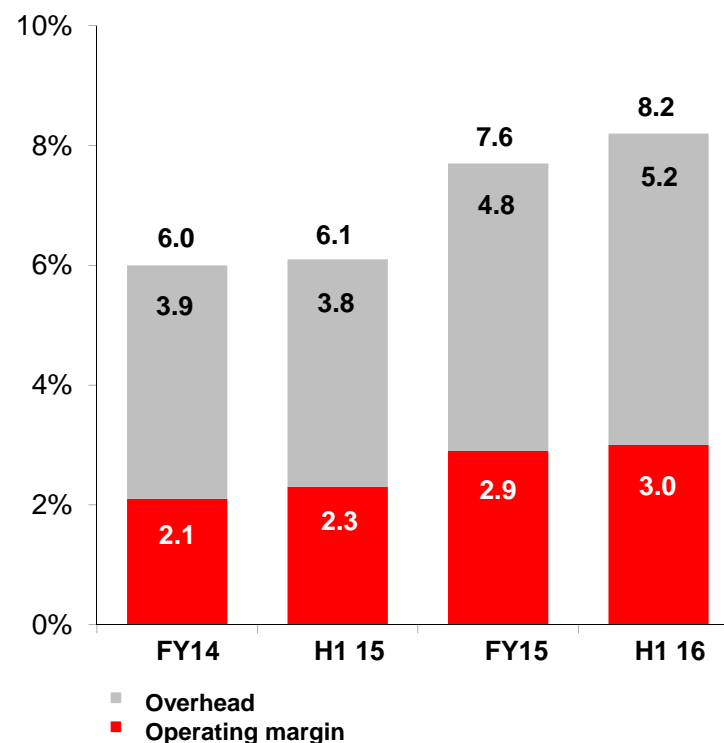
Financial Review - Galliford Try Partnerships

REVENUE		
		down £7.4m
Contracting:	£120.5m	(H1 15: £139.9m)
Mixed tenure:	£ 29.7m	(H1 15: £ 17.7m)

UNIT SALES		
Equivalent contracting units:	800	(H1 15: 1,050)
Mixed tenure:	246	(H1 15: 115)

ORDER BOOK/SALES IN HAND ¹ up 35%/13%		
Contracting:	£875m	(H1 15: £650m)
Mixed tenure:	£ 79m	(H1 15: £ 70m)

Partnerships gross margin



¹ Current at 14 February 2016

Financial Review - Construction

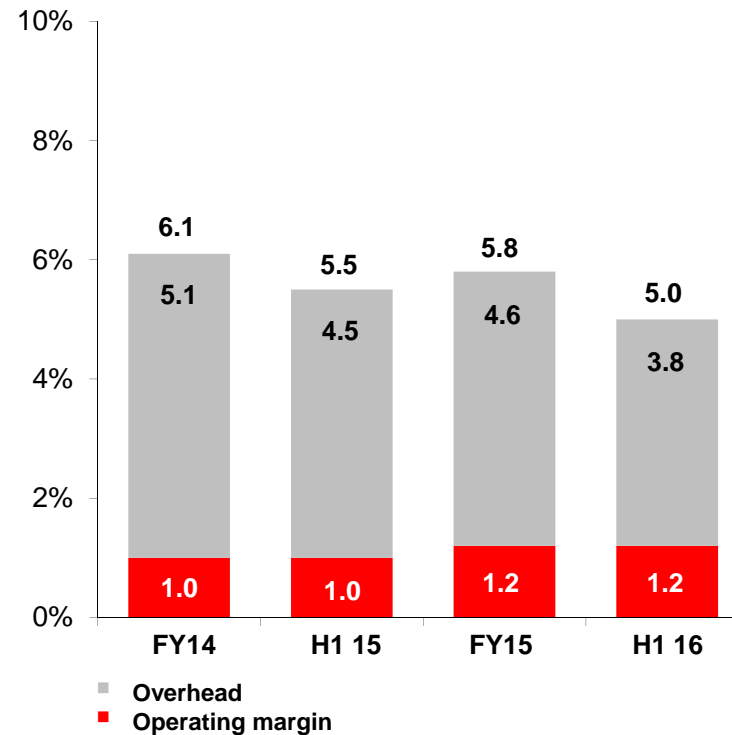
REVENUE	up £133.8m
£738.6m	(H1 15: £604.8m)

CASH	robust
£154.7m	(H1 15: £158.0m)

ORDER BOOK¹	high quality
£3.7bn	(H1 15: £3.25bn)

WORK SECURED¹	good visibility
71% (for 2016/17)	(H1 15: 75%)

Construction gross margin



¹ Current at 14 February 2016

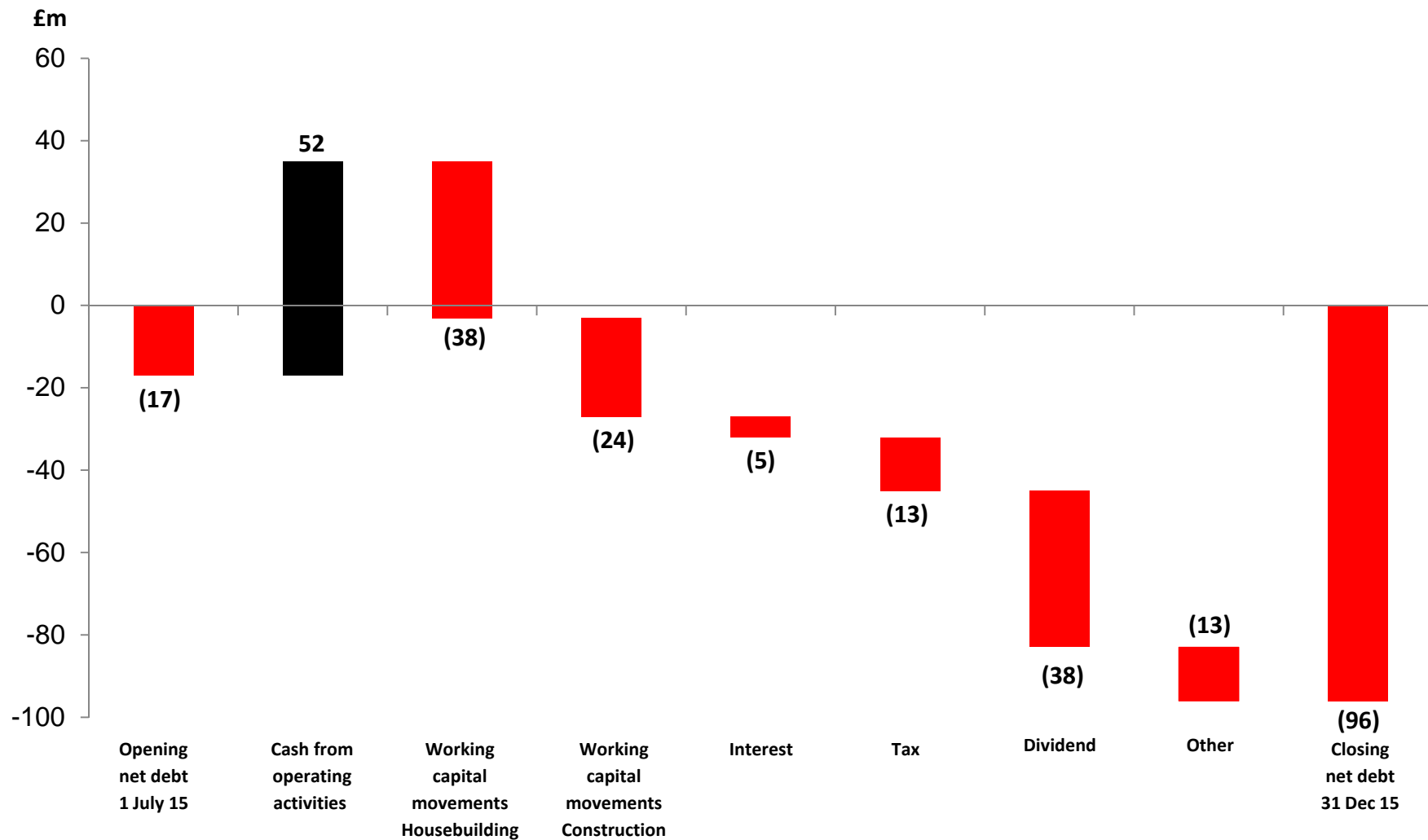
Financial Review

Cash Management

- Strong continuing focus on working capital management
- Increased average borrowing as anticipated; forecast remains within plan
- Average net debt for the six months of £194m
- Period end gearing of 17%, in line with stated objective
- Continue to benefit from deferred land payments, with £343m land creditors
- Robust cash performance in Construction at £154.7m and 10.5% of annualised turnover

Financial Review

Cash Management



Financial Review

Balance Sheet Highlights

£m	December 2015	June 2015	December 2014
Net asset value £m	570.0	569.2	528.2
Tangible net assets £m	415.7	412.8	375.7
Net (debt) £m	(95.7)	(17.3)	(35.9)
Gearing %	17%	3%	7%

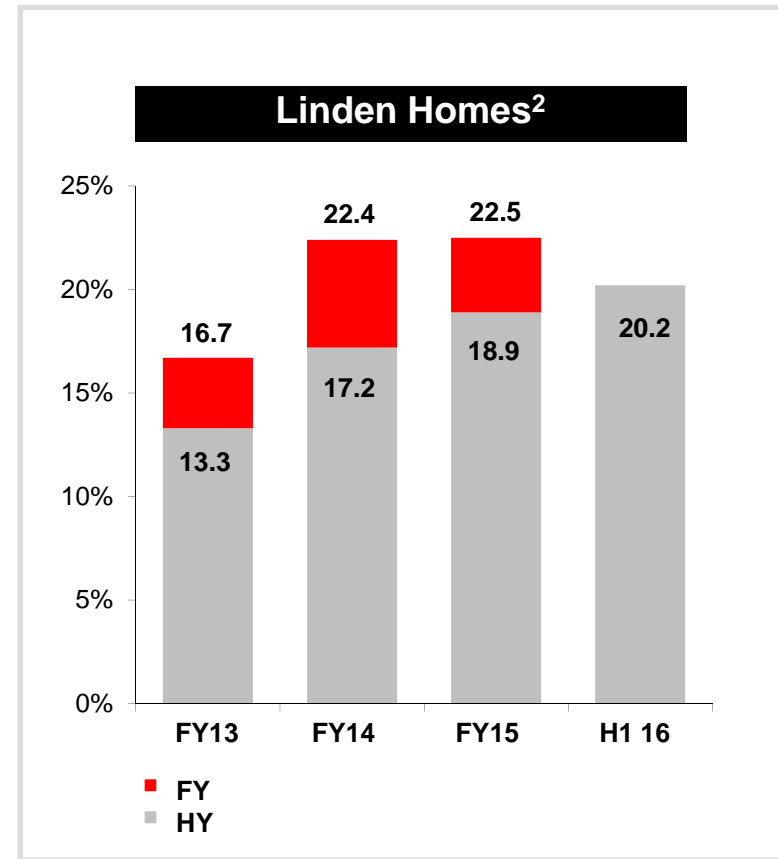
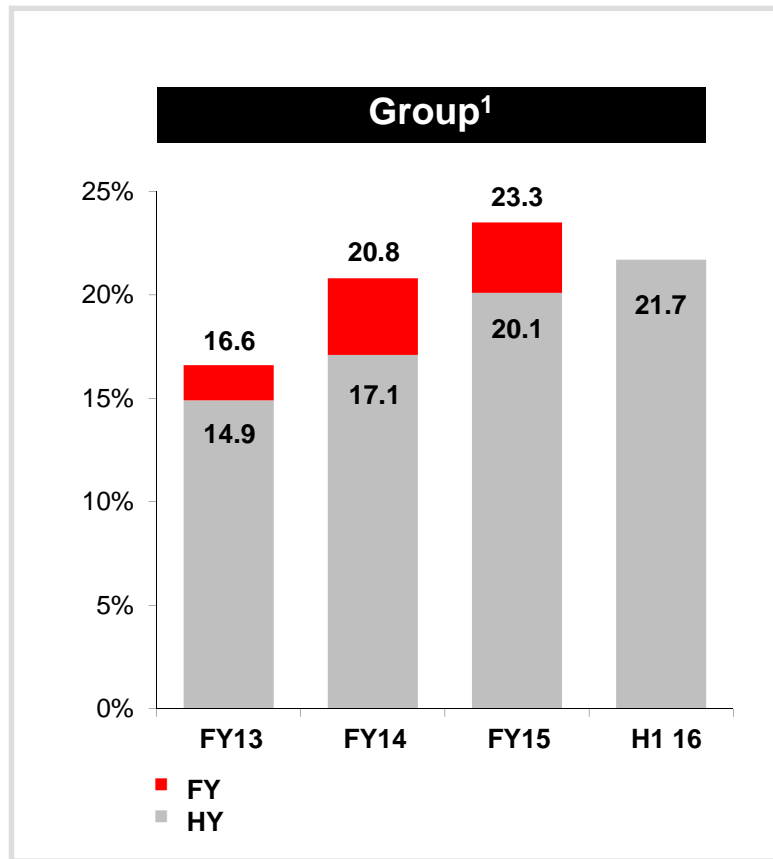
Financial Review

Investment in Linden Homes and Galliford Try Partnerships

£m	December 2015	June 2015	December 2014
Amounts invested in joint ventures	202.3	180.2	110.9
Land	708.5	745.4	660.1
Work in progress	253.4	234.0	234.5
Total invested in housebuilding developments & JVs	1,164.2	1,159.6	1,005.5
Land creditors	(342.7)	(390.9)	(277.9)
Net capital employed	821.5	768.7	727.6

Financial Review

Return On Net Assets



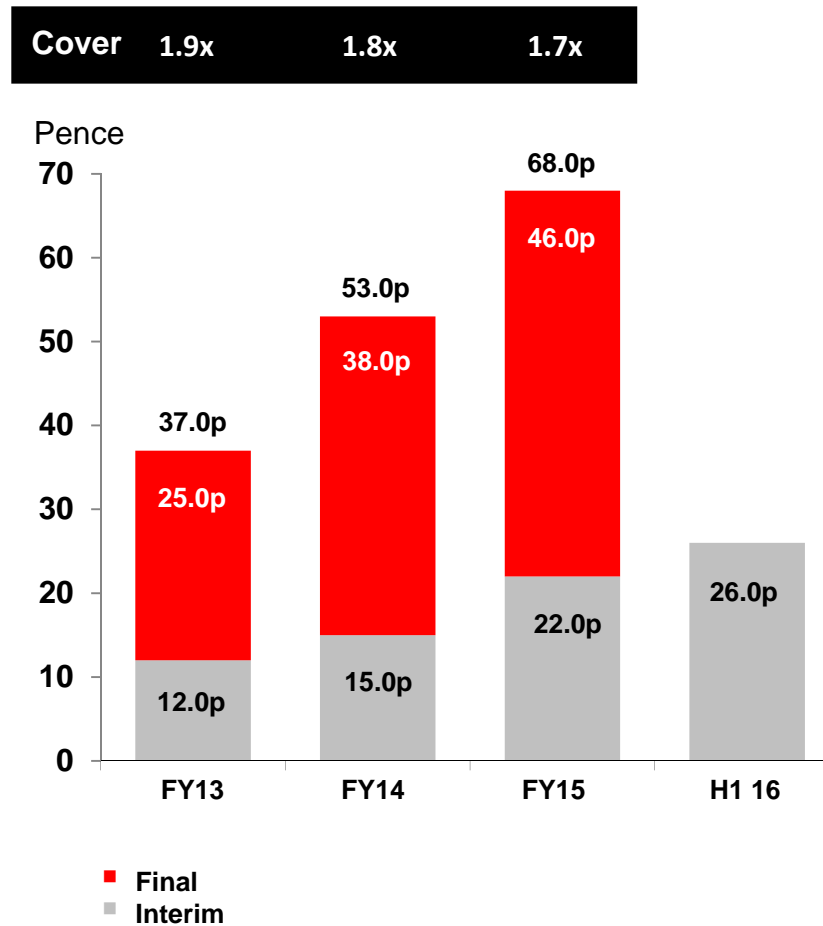
¹ Group RONA is calculated as EBITA divided by average net assets including goodwill

² Linden Homes RONA is calculated as Linden Homes EBITA divided by average net assets including goodwill

Financial Review

Dividend

- Sustainable and progressive dividend policy
- Interim dividend up 18%

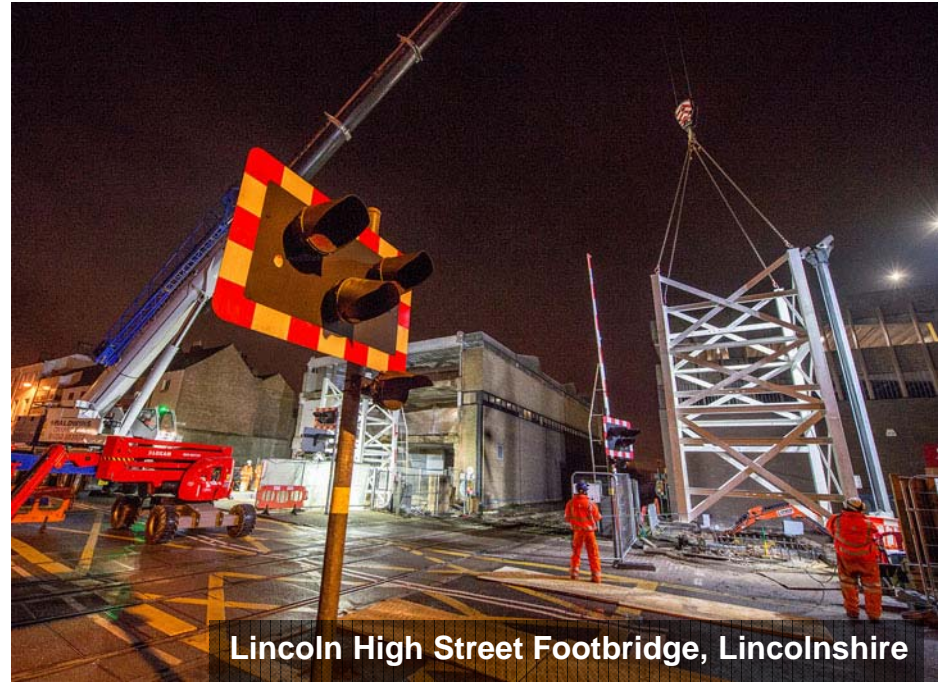


Peter Truscott

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Strategy to 2018



Strategy to 2018

- Linden Homes on track to achieve revenue growth target and operating margin of 18%
- Galliford Try Partnerships revenue on track to exceed £400m, with margin of at least 4.0%
- Construction revenue target of £1.5bn; margin improving towards target of 2.0%
- Strong focus on recruitment and people development
- Balance sheet gearing remains restricted to 30%; focus on improving return on capital
- Dividend cover reduced from 1.9x in FY13 to 1.7x in FY15; aiming to reduce to 1.5x
- The business is well placed to achieve its strategy to 2018

Outlook



- Linden Homes' land markets and sales opportunities remain positive
- Galliford Try Partnerships continues to benefit from growth in affordable demand supported by government initiatives
- Construction has good visibility with a focus on frameworks and two-stage negotiations
- Build cost increases moderated; availability of skilled labour improved
- Market conditions continue to support growth across the Group

- **All businesses continuing to make good progress in line with strategy**

Appendices



Appendices

1. Group

- 1.1 Cash flow summary
- 1.2 Net finance costs
- 1.3 Completed housing units
- 1.4 Forecast land creditors' payment profile

2. Linden Homes

- 2.1 Revenue analysis regional
- 2.2 Analysis of sales reserved, contracted and completed
- 2.3 Sales, completions by buyer type
- 2.4 Trading overview
- 2.5 Private sales, analysis of incentives on reservations
- 2.6 Strategic use of joint ventures (Dec 15 and Dec 14)
- 2.7 Landbank valuation
- 2.8 Landbank analysis
- 2.9 Forecast outlets and revenue
- 2.10 London locations

3. Galliford Try Partnerships

- 3.1 Business model

4. Construction

- 4.1 Segmental analysis
- 4.2 Order book

5. Strategy assumptions

Appendices

1.1 Cash Flow Summary – Half Year to 31 December 2015

£m	2015	2014
Cash from operating activities	52.3	48.2
Working capital movements	(62.0)	(36.5)
Net cash (used in)/generated from operations	(9.7)	11.7
Interest, tax and dividends	(55.9)	(44.6)
Acquisition (including cash acquired)	-	7.0
Other	(12.8)	(4.9)
Net cash (outflow)	(78.4)	(30.8)
Opening net debt	(17.3)	(5.1)
Closing net debt	(95.7)	(35.9)
Cash Analysis - £m	2015	2014
Linden Homes (includes loans to JVs)	(640.2)	(579.4)
Galliford Try Partnerships	(2.6)	18.0
Construction	154.7	158.0
Group and others	392.4	367.5
TOTAL	(95.7)	(35.9)

Appendices

1.2 Net Finance Costs – Half Year to 31 December 2015

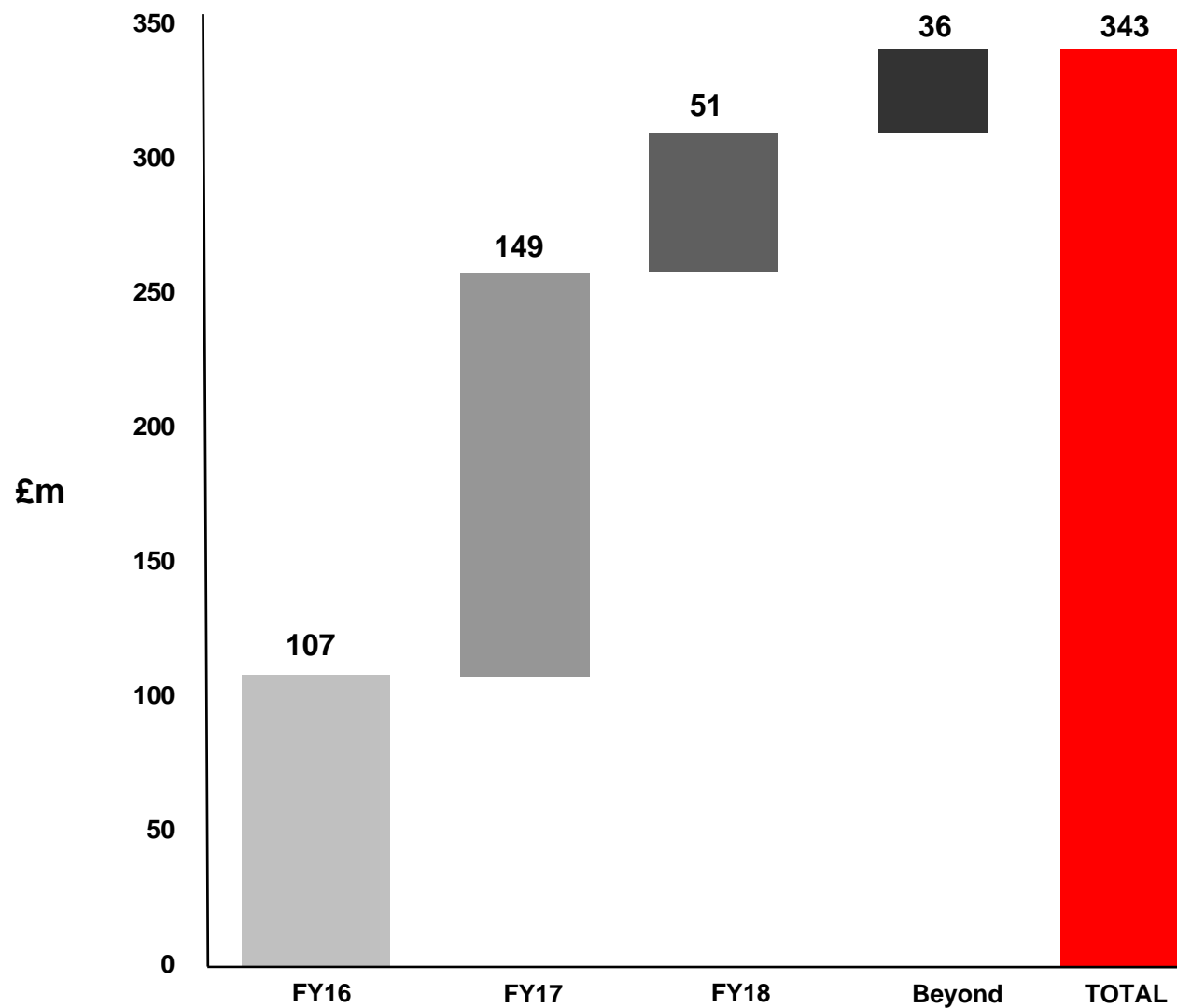
£m	2015	2014
Net interest payable on borrowings	(7.2)	(5.4)
Interest receivable from joint ventures	1.5	0.4
Unwind of discount on shared equity receivables	-	0.7
Unwind of discount on payables	(1.1)	(1.0)
Other	0.1	(0.2)
TOTAL	(6.7)	(5.5)

Appendices

1.3 Completed housing units

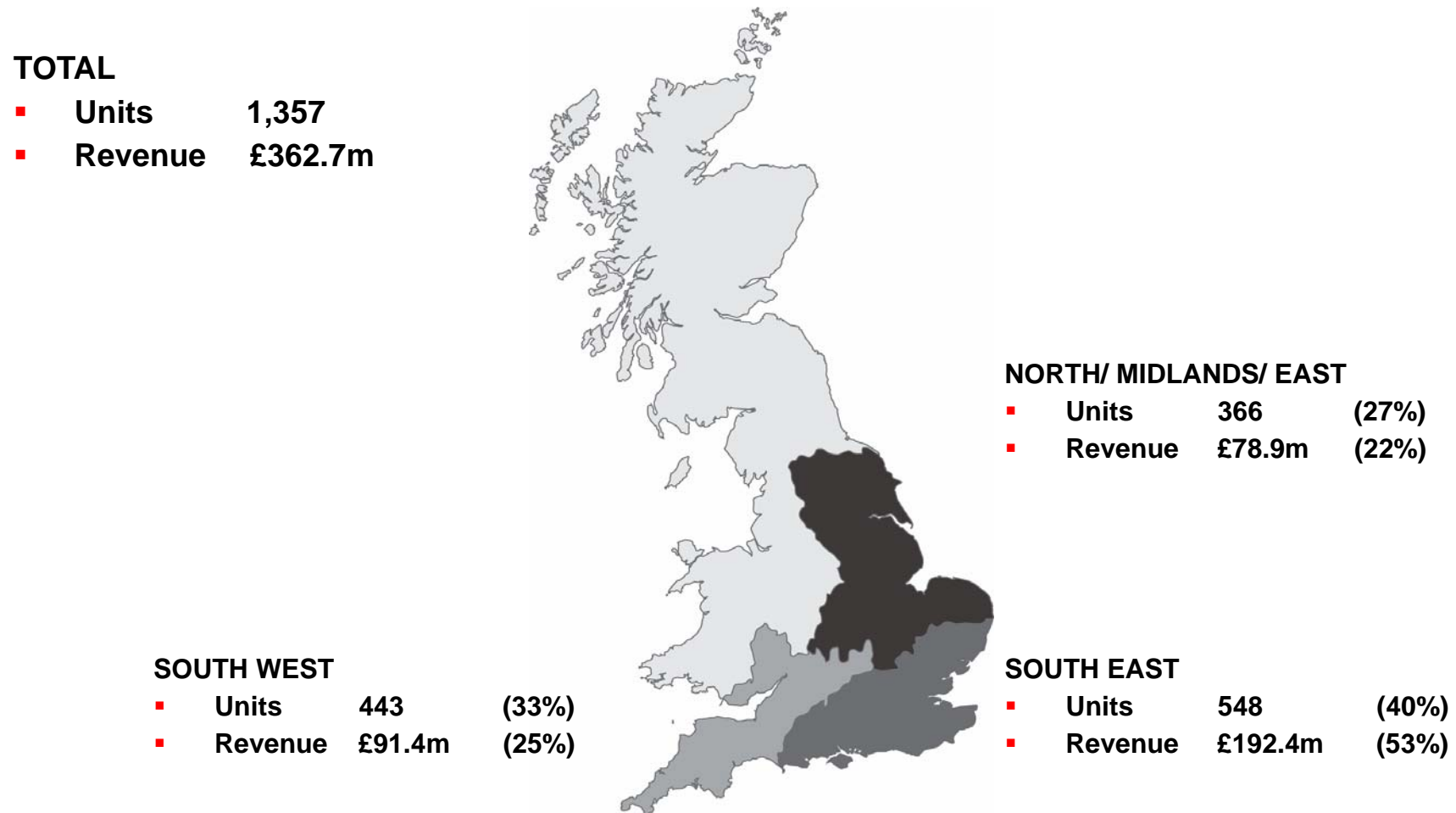
Units	Linden Homes	Linden Homes	Partnerships	Partnerships	TOTAL	TOTAL
	Incl. JVs	net of partner share	Incl. JVs	net of partner share	incl. JVs	net of partner share
Private	1,124	964	133	108	1,257	1,072
Affordable	233	207	113	83	346	290
TOTAL	1,357	1,171	246	191	1,603	1,362
Contracting (equivalent units)	-	-	800	800	800	800
TOTAL	1,357	1,171	1,046	991	2,403	2,162

1.4 Forecast land creditors' payment profile



Appendices

2.1 Linden Homes – revenue analysis, regional at 31 December 2015



Regions updated to reflect operating structure from 1 July 2015

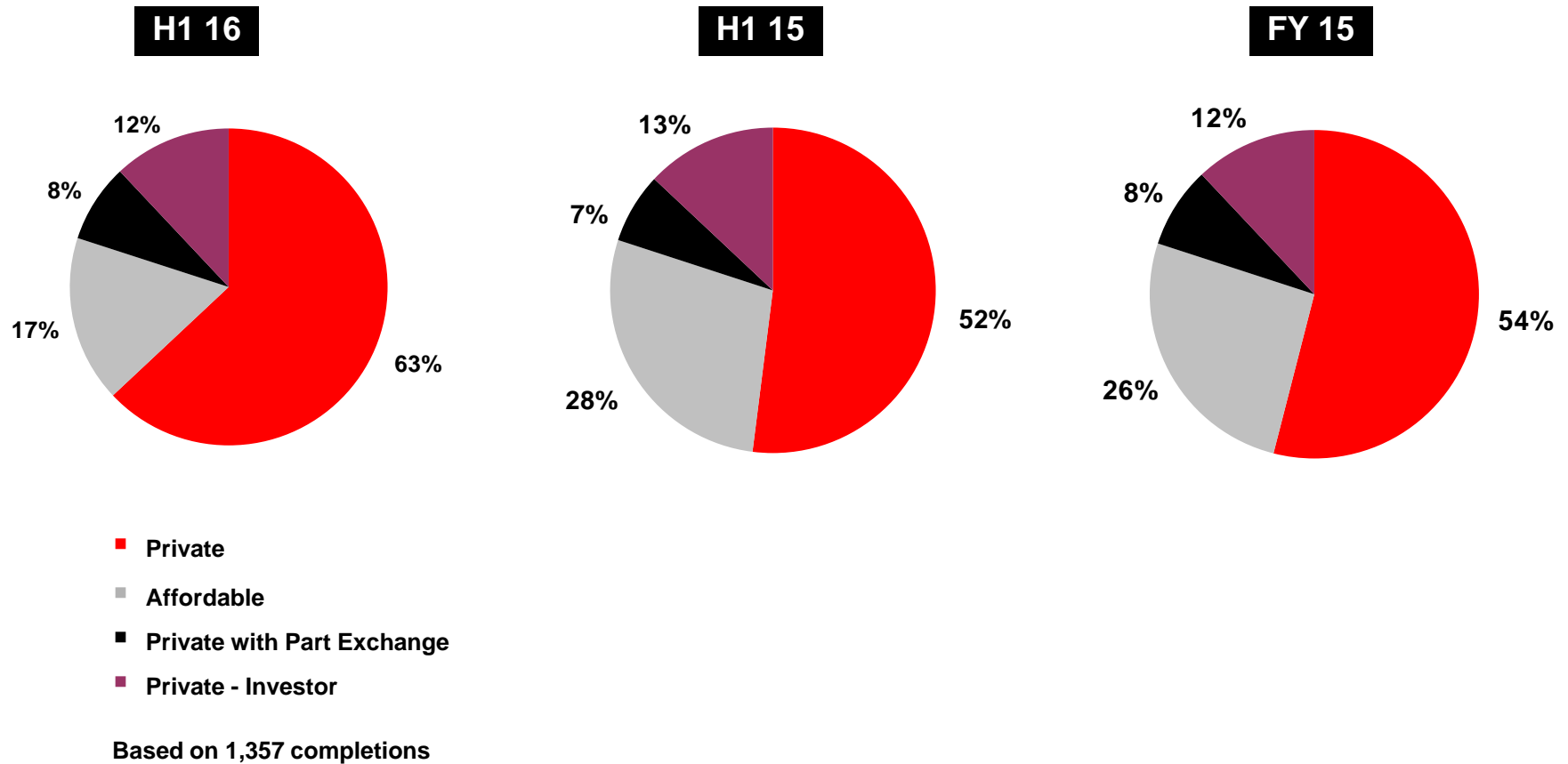
Appendices

2.2 Linden Homes – analysis of sales reserved, contracted, and completed

	Feb 16	Dec 15	Feb 15
£m			
Private	644.3	527.4	519.7
Affordable	143.4	140.0	147.2
Land Sales	5.6	5.6	9.7
Total	793.3	673.0	676.6
For completion in FY16	619.7	516.4	540.0
For completion post FY16	173.6	156.6	136.6
Total	793.3	673.0	676.6
% of projected FY16 revenue secured	71%	59%	69%
Units			
Private	1,933	1,581	1,643
Affordable	1,325	1,283	1,274
Total	3,258	2,864	2,917

Appendices

2.3 Linden Homes – sales, completions by buyer type



Appendices

2.4 Linden Homes – trading overview

	H1 16	H1 15	FY15
Revenue (£m)	363	346	779
Land cost	25.1%	22.9%	27.0%
Build cost	51.4%	55.4%	50.5%
Gross margin	23.5%	21.7%	22.5%
Admin expense	6.5%	6.6%	6.5%
Operating margin	17.0%	15.1%	16.0%

2.5 Linden Homes – private sales, analysis of incentives on reservations

Proportion of units	H1 16	H2 15	H1 15
No incentives	44%	36%	38%
Incentives			
Part exchange	7%	11%	11%
Assisted move	3%	3%	2%
Help to Buy	34%	31%	23%
Investor sales	12%	19%	26%
TOTAL	100%	100%	100%

Appendices

2.6 Linden Homes – strategic use of joint ventures (Dec 15)

		H1 16			
		Completions (Units)		Revenue (Linden Homes only)	ASP
		Gross	Net of JV partner	£m	£000
Direct	- private	804	804	252	314
	- affordable	181	181	19	104
Other income, including land sales				17	-
JOs¹	- private	120	60	16	262
	- affordable	10	5	1	104
		1,115	1,050	305	
JVs²	- private	200	100	55	548
	- affordable	42	21	3	166
TOTAL		1,357	1,171	363	295

¹ Joint Operations (JOs) proportionally consolidated within Linden Homes under IFRS11

² Joint ventures equity accounted under IFRS11

Appendices

2.6 Linden Homes – strategic use of joint ventures (Dec 14)

		H1 15			
		Completions (Units)		Revenue (Linden Homes only)	ASP
		Gross	Net of JV partner	£m	£000
Direct	- private	883	883	274	310
	- affordable	296	296	33	113
Other income, including land sales				15	-
JOs¹	- private	76	38	7	188
	- affordable	7	4	1	123
		1,262	1,221	330	
JVs²	- private	25	14	8	611
	- affordable	77	43	8	179
TOTAL		1,364	1,278	346	259

¹ Joint Operations (JOs) proportionally consolidated within Linden Homes under IFRS11

² Joint ventures equity accounted under IFRS11

Appendices

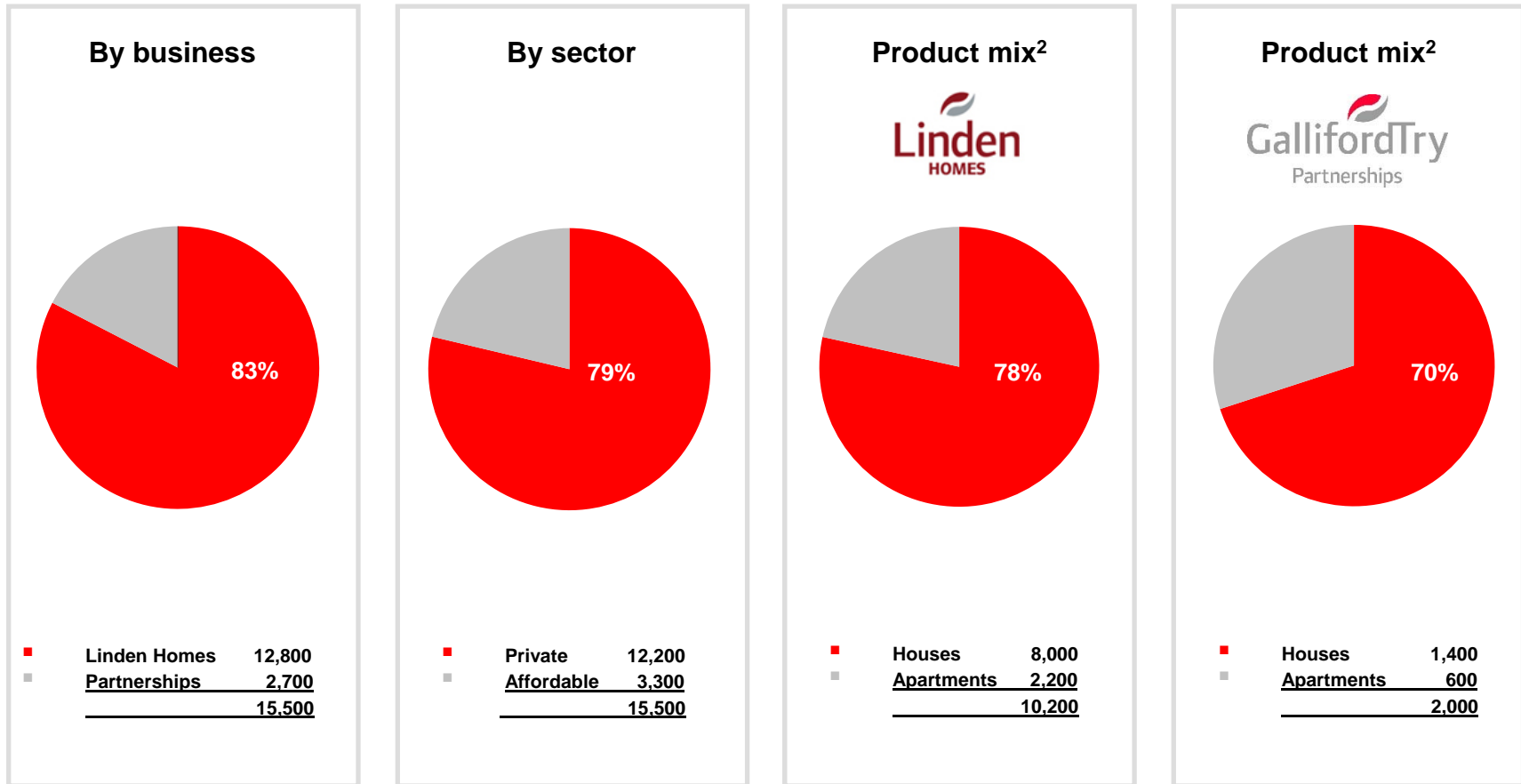
2.7 Linden Homes - landbank valuation¹

Cost per plot £000	<u>December 2015</u>			<u>December 2014</u>			<u>June 2015</u>		
	South East	South West	North/ Midlands/ East	South East	South West	North/ Midlands/ East	South East	South West	North/ Midlands/ East
Opening landbank	114	44	54	107	34	54	107	34	54
Closing landbank	110	49	56	105	39	52	114	44	54
Weighted ASP in landbank	407	244	230	401	226	207	421	229	228
Plot cost as % of weighted ASP	27%	20%	24%	26%	17%	25%	27%	19%	24%

¹ Excluding strategic landbank of 9,000 plots

Appendices

2.8 Landbank analysis¹

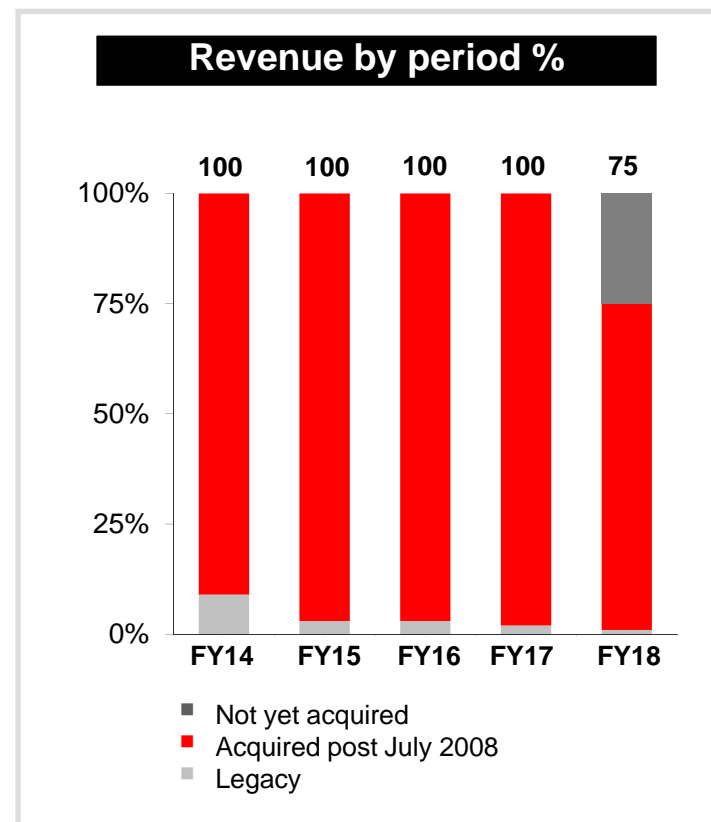
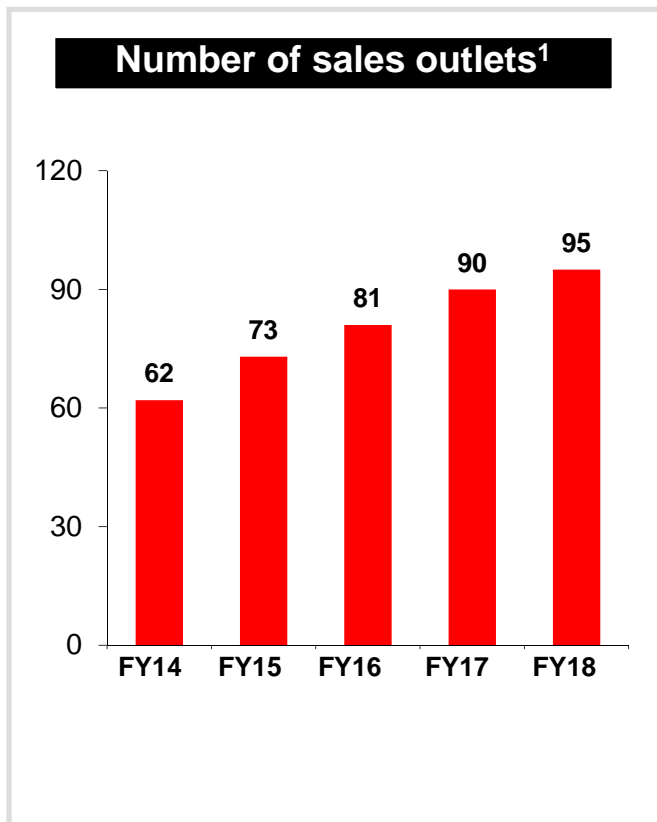


¹ Current at 14 February 2016

² Excludes affordable

Appendices

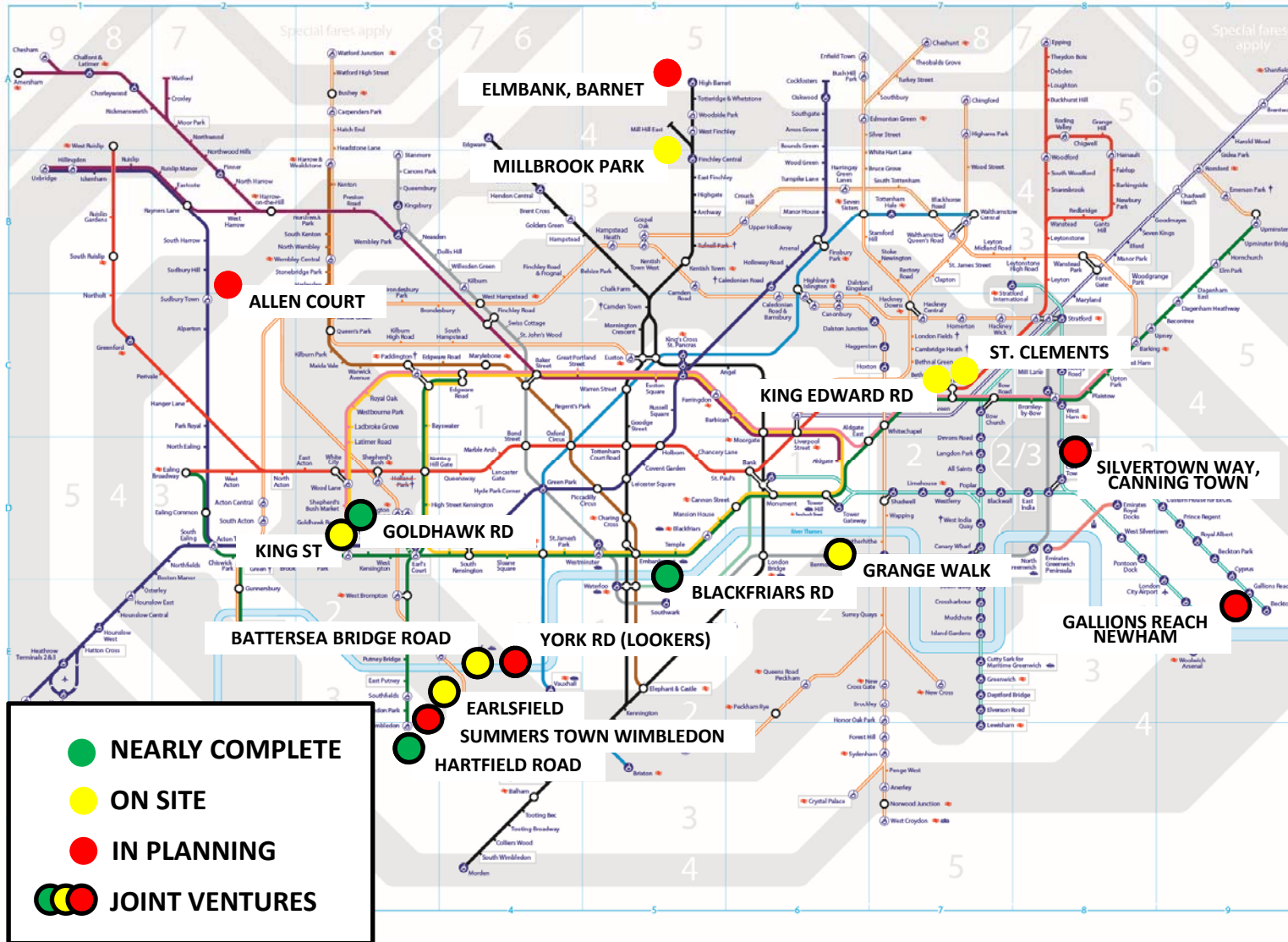
2.9 Linden Homes: forecast outlets and revenue



¹ As at end of financial year

Appendices

2.10 London locations



Appendices

3.1. Galliford Try Partnerships – business model

- Contractor/developer hybrid and partnering ethos perfectly aligned to market
- Attractive financial characteristics with strong blended margin and returns
 - Good margin and strong cash generation in contracting
 - Opportunities to invest in mixed tenure development sites
 - High development return on capital
- Mixed tenure value enhanced through use of Linden Homes brand
- Scope to grow in Extra Care and private rented sectors

Appendices

4.1 Construction – segmental analysis

£m	December 2015			June 2015
	Revenue ¹	Profit from Operations	Margin	Margin
Building	517.8	3.7	0.7%	0.9%
Infrastructure	220.8	4.8	2.2%	2.0%
TOTAL	738.6	8.5	1.2%	1.2%

£m	December 2014		
	Revenue ¹	Profit from Operations	Margin
Building	413.3	3.2	0.8%
Infrastructure	191.5	2.7	1.4%
TOTAL	604.8	5.9	1.0%

¹ Including share of joint ventures

Appendices

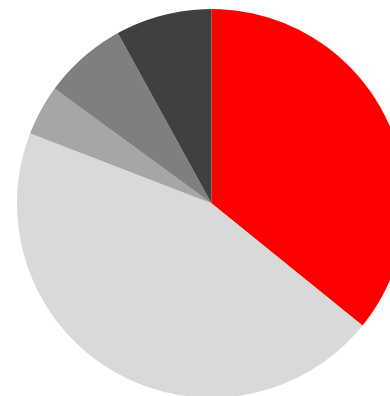
4.2 Construction - order book

Building



	£m
■ Education	867
■ Commercial	254
■ Health	225
■ FM	400
■ Other Public & Regulated	570
■ Defence	87

Infrastructure



	£m
■ Transport	470
■ Water	591
■ Power	55
■ Flood Alleviation	91
■ Other Civil Engineering	105

Appendices

5. Strategy assumptions

1. Macro-economic assumptions

- Economic stability in UK; growth continues as per current consensus
- Interest rate rises gradually from end of 2016
- Private housing market continues 'as is'
- Mortgage availability and flexibility maintained
- Help to Buy not materially changed from announced scale or duration
- Continuing central government support for affordable housing
- Continuing steady recovery in construction market

2. Group modelling assumptions

- Financing in place through period
- Dividend cover reducing as indicated
- No house price inflation assumed
- Average debt rising in line with plan
- Landbank target achieved (currently 15,500 units); expect to stay at, or just above this
- Amortisation charge c.£4.3m in FY16; c.£3.1m in FY17; c.£2.1m in FY18

Appendices

5. Strategy assumptions (continued)

3. Financial assumptions

Linden Homes

- High single digit growth in unit numbers from FY16
- Proportionate mix of private/affordable units remains stable
- Operating margin progression towards 18% in 2018
- One new business unit (Yorkshire)

Galliford Try Partnerships

- Mixed tenure unit numbers contributing c.25% of revenue by 2018
- Margin growth to at least 4.0% by 2018
- One new business unit (Bristol); opportunity for further geographical expansion

Construction

- Revenue growth towards £1.5bn - steady growth over the period from 2015; likely to achieve earlier than 2018
- Margin growth towards 2% - steady growth over the period

Disclaimer

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The financial information set out in this document does not constitute the Company’s statutory accounts. Statutory accounts for the financial year ended 30 June 2015, which received an auditors’ report that was unqualified and did not contain any statement concerning accounting records or failure to obtain necessary information and explanations, have been filed with the Registrar of Companies.

Half Year Results to 31 December 2015

Peter Truscott, Chief Executive, and Graham Prothero, Finance Director



Bell's Yard, Lincolnshire