

# Bovis Homes Group PLC

## Preliminary financial results 2011

Issued 27 February 2012

www.bovishomesgroup.co.uk



### Agenda

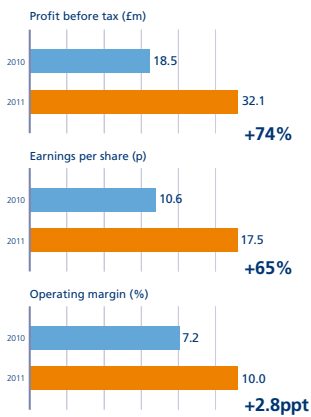
- Highlights
- Operations
- Financials
- Strategy



The Homelands, Bishop's Cleeve

Frame 1

### Highlights - strong profit improvements and positioned for significant growth



- Volumes and profits in line with guidance
- 73 average sales outlets in 2011 (2010: 66) with 80 at the start of 2012
- Housing gross margin at 20.8% (2010: 17.9%)
- Consented land bank managed well
  - c2,600 plots added
  - c500 plots sold as land sales with profit
- Growth in strategic land bank with c2,400 plots added and c1,000 plots transferred to consented
- Net cash at year end of £51m (2010: £52m)
- 2011 full year dividend of 5.0 pence per share, up 67%

Frame 2

### 2011 compound positive profit effect

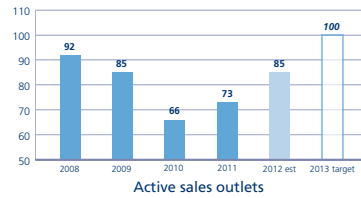
	2011
Volume growth	+8%
<b>X</b>	
Growth in average sales price	+1%
<b>X</b>	
Improving operating profit margin	+2.8ppts
<b>=</b>	
Significant increase in operating profit	+69%

Frame 3

## Bovis Homes strategy remains on track

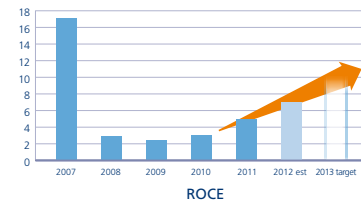
### Profit growth

- Rebuilding volumes
- Higher ASP
- Increasing margins
- Improving overhead efficiency



### Capital efficiency

- Stable net land capital employed
- Improving WIP efficiency
- Lower working capital



**Targeted ROCE growth in 2011 achieved and significant further growth anticipated**

Frame 4

## Agenda

- Highlights
- **Operations**
- Financials
- Strategy



Frame 5

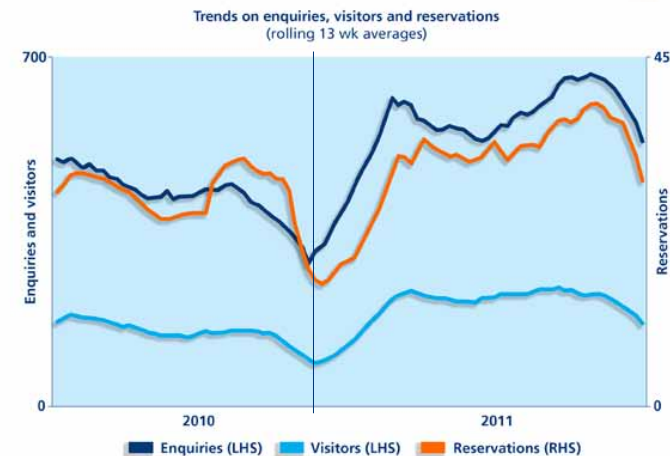
## Strong sales volumes in 2011

Year ended 31 December	2010	2011	Change
Reservations b/fwd	643	420	
Reservations:			
Private	1,334	1,653	+24%
Social	344	540	+57%
Total	1,678	2,193	
Legal completions	(1,901)	(2,045)	+8%
Carried forward	420	568	+35%

- Private reservations in the year increased by 24%, driven by:
  - 11% increase in active sales outlets
  - 11% increase in sales rates
- Forward order book improved by 35% with:
  - 15% increase in private reservations
  - 54% increase in social reservations mainly due to new sites

Frame 6

## Growth in active sales outlets driving enquiries, visitors and reservations



Frame 7

## Active sales outlets growing strongly

- An average of 73 active sales outlets in 2011 (2010: 66)
- Pricing, margins and sales rates are stronger on new sales outlets
- 33 active sales outlets opened in 2011
- Active sales outlets at year end of 80
- Average active sales outlets for 2012 expected to be 85  
- of which 81 are currently owned or controlled

**With the pipeline of further land acquisitions, the Group remains confident of achieving 85 average active sales outlets in 2012**

Frame 8

## New southern sales outlets to drive growth

2011	number of active sales outlets					weeks 1-52 sales rate per outlet per week achieved
	week 1	new outlets	week 52	change	avg weeks 1-52	
South	31	23	47	+52%	40	<b>0.55</b>
Midlands/North	29	10	31	+7%	30	<b>0.31</b>
Retirement	6	-	2	-67%	3	<b>0.11</b>
<b>Total</b>	<b>66</b>	<b>33</b>	<b>80</b>	<b>+21%</b>	<b>73</b>	<b>0.43</b>

- The increase in southern sales outlets supported the 2011 sales rate  
- Sale rate increased by 11% to 0.43 (2010: 0.39)
- c60% of sales outlets at year end located in stronger south of England
- Southern bias will increase further over coming years

Frame 9

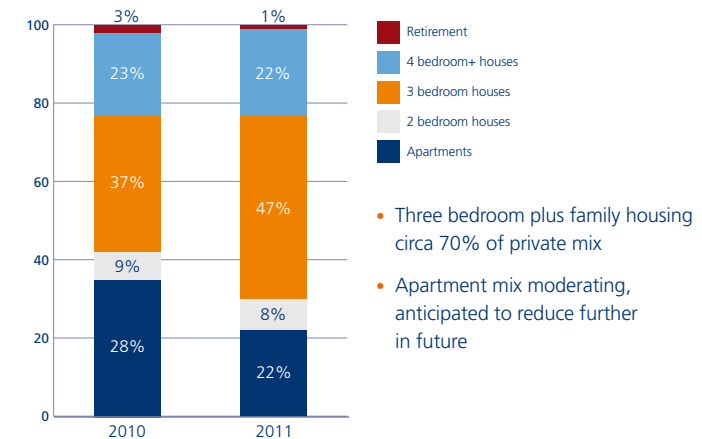
## Robust sales prices

Private homes	2009	2010	Annual change	2011	Annual change
Average sales price (£k)	165.5	172.3	+4%	<b>180.1</b>	<b>+5%</b>
Average sales price per sq ft (£)	166.6	171.6	+3%	<b>175.7</b>	<b>+2%</b>

- Market sales pricing relatively stable, small decreases in 2011 reported by external indices (Halifax -1.3%)
- 5% increase in average sales price in 2011 to £180,100  
- Increased contribution from family homes  
- Increased contribution from homes in south of England  
- Underlying sales prices in line with stable marketplace

Frame 10

## Improving private product mix of larger houses



Frame 11

## Solid consented land investment in 2011

- 2,552 plots on 18 new sites added to the consented land bank in 2011
  - Current day GDV of £542m
  - 88% located in south of England
- c2,000 plots on 20 sites with terms agreed for acquisition
  - c750 consented plots on five sites at advanced stage with targeted acquisition date in H1 2012
  - c500 plots on five sites contracted, subject to planning, with good prospects of planning in 2012

**Continuing to improve spread and quality of land bank**

Frame 12

## Sites added to land bank during 2011



Frame 13

## Land sales delivered

- Four land sales completed
  - Serviced parcel of c300 plots at Filton
  - Serviced parcel of 100 plots in Cheltenham
  - Serviced parcel of 63 plots in Reading
  - Serviced parcel of 72 plots in Buckingham
- Fifth targeted land sale completed on 13 January 2012
  - Site of 121 plots at Sudbury

**To improve the Group's capital efficiency, land sales will continue in 2012**

Frame 14

## Enhanced strategic land investment

Potential plots as at 31 December	2010	2011
South	9,299	10,645
Midlands	7,125	7,203
North	901	901
<b>Total</b>	<b>17,325</b>	<b>18,749</b>

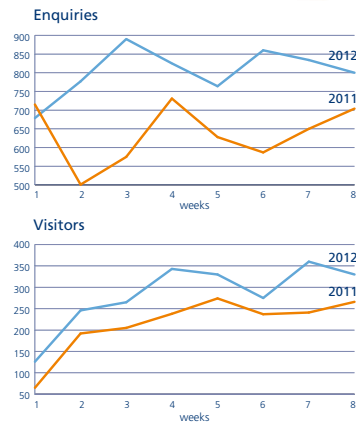
- c2,400 potential plots added to the strategic land holdings during 2011
- c1,000 plots converted to the consented land bank during 2011
  - Representing 40% of consented land bank additions

**Bovis Homes continues to view strategic land as important in supplying good quality residential land at a discount to market value**

Frame 15

## Good start for 2012 during first 8 weeks

- Average active sales outlets increased by 28% to 83 (2010: 65)
- 26% increase in customer enquiries
- 32% increase in site visitors
- Average sales rates running at 0.48 net reservations per site per week (2011: 0.44), an increase of 10%
- Net reservations are 41% ahead
- Sales prices modestly better than management expectations



Frame 16

## Stable but challenging market conditions

- Affordability of owning a home compared to rental is good
- Mortgage availability continues to constrain market demand
- FirstBuy started in Q3 2011 and Government backed MIG product expected during Spring 2012
- Pricing stable on average with some regional variations
- Market for land competitive, but residential land remains available for participating housebuilders

**The success of the growth in returns is not reliant on an improvement in general housing market conditions**

**The strategy will be developed as market conditions evolve**

Frame 17

## Agenda

- Highlights
- Operations
- **Financials**
- Strategy



Brook Valley, Congleton

Frame 18

## Summary of Group results - strong profit improvements

Year ended 31 December (£m)	2010	2011	Change
Revenue	298.6	364.8	+22%
Gross profit	53.4	72.2	+35%
Administrative expenses	(31.8)	(35.8)	+13%
Operating profit	21.6	36.4	+69%
Finance cost	(3.2)	(4.5)	+40%
Share of equity accounted entities	0.1	0.2	
Profit before tax	18.5	32.1	+74%
Taxation charge	(4.5)	(8.8)	
Profit after tax	14.0	23.3	+66%

- Strong growth in revenue and gross profit
- Delivering leverage benefit over administrative expenses
  - Administrative expenses include sale and marketing costs
- Stronger growth in operating profit and profit before tax

Frame 19

## Strong underlying housing profit improvements

Year ended 31 December (£m)	2010* Total	2011		
		Excl land sales	Land sales	Total
Revenue	298.6	334.8	30.0	364.8
Gross profit	53.4	69.5	2.7	72.2
Administrative expenses	(31.8)	(35.8)	-	(35.8)
Operating profit	21.6	33.7	2.7	36.4
Gross margin	17.9%	20.8%	9.0%	19.8%
Operating margin	7.2%	10.1%	9.0%	10.0%

\*No land sales during 2010

- Gross margin (excluding land sales) increased by 2.9 ppts
- Operating margin (excluding land sales) has reached 10.1%, plus 2.9 ppts
- Land sales in the year were marginally dilutive at the operating margin level
- Total land sales of £38m with £30m recognised as revenue, due to one land swap

Frame 20

## Housing revenue analysis

Average sales price (£k)	2010	2011	Change
Private	172.3	180.1	+5%
Social	100.8	94.3	-6%
<b>Total</b>	<b>160.7</b>	<b>162.4</b>	<b>+1%</b>
<b>Volume</b>			
Private	1,592	1,624	+2%
Social	309	421	+36%
<b>Total</b>	<b>1,901</b>	<b>2,045</b>	<b>+8%</b>
<b>Housing revenue (£m)</b>			
Private	274.5	292.5	+7%
Less: JV deal revenue deferral	(12.9)	-	
Social	31.1	39.7	+28%
<b>Net housing revenue</b>	<b>292.7</b>	<b>332.1</b>	<b>+13%</b>
Other income	5.9	2.7	
<b>Revenue</b>	<b>298.6</b>	<b>334.8</b>	<b>+12%</b>

Frame 21

## Good housing gross margin progression

	FY 2010	H1 2010	H2 2010	H1 2011	H2 2011	FY 2011
Revenue	298.6	115.6	183.0	<b>133.6</b>	<b>201.2</b>	<b>334.8</b>
Revenue	100.0%	100.0%	100.0%	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Land	23.4%	24.0%	23.0%	<b>24.6%</b>	<b>23.5%</b>	<b>23.9%</b>
Build and other costs	58.7%	59.7%	58.1%	<b>55.3%</b>	<b>55.3%</b>	<b>55.3%</b>
Gross margin	17.9%	16.3%	18.9%	<b>20.1%</b>	<b>21.2%</b>	<b>20.8%</b>
Operating margin	7.2%	4.2%	9.2%	<b>7.5%</b>	<b>11.8%</b>	<b>10.1%</b>

- Benefit of build cost savings feeding into profit margin (+3.4ppts)
- Increased contribution from homes in the south with higher land cost ratio (+0.5ppts)
- Increased revenue on stronger gross margin homes  
- H2 2011 housing operating margin of 11.8%

Frame 22

## Enhanced private housing profits

Private housing (£k) - IFRS	2009	2010	2011
Average sales price	165.5	172.3	<b>180.1</b>
Average land cost	(37.8)	<b>23%</b> (44.5)	<b>26%</b> (49.0)
Average build and other costs	(101.4)	<b>61%</b> (97.2)	<b>56%</b> (94.2)
Average gross profit	26.3	30.6	<b>36.9</b>
Private housing gross margin	15.9%	17.8%	<b>20.5%</b>

- Increase in average sales price with shift in product mix and location of legal completions
- Average land cost increased to 27% of revenue  
- Increase in new southern sites  
- Reduced contribution from written down sites
- Average build and other costs have reduced significantly to 52% of revenue

Frame 23

## Cost savings improving profit margins

- As reported previously, construction cost base operating c12% below pre downturn levels, including c20% labour savings
- All new sites using new construction cost base
- Tenders in 2011 delivered small savings against the new construction cost base
- Materials modestly inflationary, 0% to 1% increase in price on average
- Reduction in waste generated per home built in 2011
  - Reduced cost of materials
  - Lower costs of removal
- Actions being taken by Group to mitigate cost pressures in 2012
  - Specification
  - Waste reduction
  - Below ground materials/design

Frame 24

## Imputed interest on land creditors drives the financial charge

Year ended 31 December (£m)	2010	2011
Bank interest and commitment fees	(1.6)	(2.0)
Issue cost amortisation	(0.6)	(0.8)
Imputed interest on land	(2.7)	(4.3)
Pension financing	0.2	0.6
Imputed interest on available for sale assets	1.2	1.6
Other items	0.3	0.4
	(3.2)	(4.5)

- Increased land creditors on average during 2011, compared to 2010, increased the imputed interest on land

Frame 25

## Generating cash to invest

Year ended 31 December (£m)	2010	2011
Cash income (excluding land sales)	300.5	319.2
Construction expenditure	(177.5)	(169.7)
Overheads	(30.4)	(35.4)
<b>Operating cash flow</b>	<b>92.6</b>	<b>114.1</b>
Cash expenditure on land	(137.3)	(116.9)
Land sales receipts	-	20.6
Non-trading items	(15.9)	(18.7)
<b>Net cash flow</b>	<b>(60.6)</b>	<b>(0.9)</b>
Opening net cash	112.3	51.7
<b>Closing net cash</b>	<b>51.7</b>	<b>50.8</b>

- Operating cash flow was strongly positive in 2011
  - Limited construction expenditure increase even with a high number of site starts
- The Group remains in a strong net cash position at 31 December 2011

Frame 26

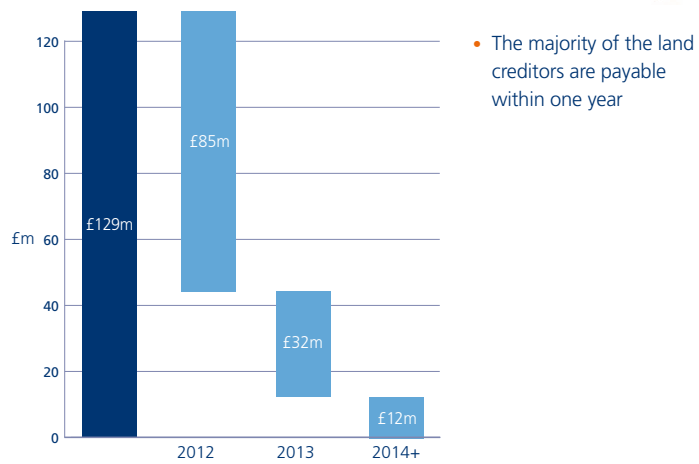
## Increase in net assets

Year ended 31 December (£m)	2010	2011
Land	582.0	<b>614.3</b>
Land creditors	(102.6)	<b>(128.8)</b>
Land net of creditors	479.4	<b>485.5</b>
Work in progress	171.0	<b>166.5</b>
Land sales debtors	-	<b>25.3</b>
Other assets	112.1	<b>130.9</b>
Other liabilities	(103.4)	<b>(130.4)</b>
Net cash	51.7	<b>50.8</b>
<b>Net assets</b>	<b>710.8</b>	<b>728.6</b>
<b>Net assets per share</b>	<b>533p</b>	<b>545p</b>

- Remaining land provision of £36m after £8m of utilisation in 2011
- All land sales debtors are recoverable in 2012

Frame 27

## Land creditor payments



Frame 28

## Significant additional potential gross profit added

	Units No.	GDV £m	ASP £000	Land cost £m	Gross profit £m	Gross margin %
<b>2011 additions</b>	<b>2,552</b>	<b>542</b>	<b>212.4</b>	<b>134</b>	<b>137</b>	<b>25.3%</b>
<b>Split:</b>						
Southern	2,252	476	211.0	116	120	25.4%
Midlands/Northern	300	66	221.1	18	17	25.0%

*Estimates based on current sales prices and current build costs*

- Prime greenfield southern locations purchased with residential planning consent  
- Strong average sales prices and gross margins in line with hurdle rates
- 88% of additions in 2011 in south of England

Frame 29

## Growing gross profit potential from land bank

	Consented Plots	Revenue £m	ASP £000	Gross profit £m	Gross margin %
2010 additions	3,690	711	192.7	181	25.5%
<b>31 December 2010</b>	<b>13,766</b>	<b>2,307</b>	<b>167.1</b>	<b>461</b>	<b>20.0%</b>
2011 additions	2,552	542	212.4	137	25.3%
<b>31 December 2011</b>	<b>13,723</b>	<b>2,445</b>	<b>178.2</b>	<b>524</b>	<b>21.4%</b>

*Estimates based on current sales prices and current build costs*

- In 2011, gross margin potential in the land bank has increased by 1.4ppts
- ASPs have increased by 6.6% during 2011 as higher value, new plots are added to the land bank
- 6,242 consented plots added in 2010 and 2011 with gross profit potential of £318m
- Cost savings, replans and other added value changes have contributed c£69m
- As part of robust capital management, 2011 land sales reduced gross profit potential by £26m

Frame 30

## New land acquisitions increase southern bias

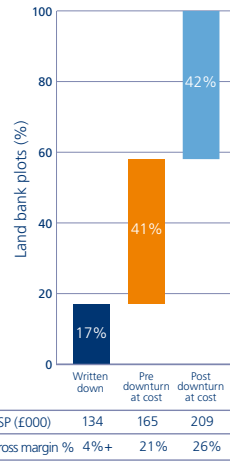
As at	31 Dec 2009		31 Dec 2010		31 Dec 2011	
	% land	Plots	% land	Plots	% land	Plots
Southern	65%	7,822	69%	9,482	<b>72%</b>	<b>9,813</b>
Midlands	23%	2,735	21%	2,863	<b>18%</b>	<b>2,528</b>
North	12%	1,485	10%	1,421	<b>10%</b>	<b>1,382</b>
<b>Group</b>	<b>100%</b>	<b>12,042</b>	<b>100%</b>	<b>13,766</b>	<b>100%</b>	<b>13,723</b>
Average plot cost (IFRS)		£34,900		£39,800		<b>£42,100</b>

- 13,723 plots with at least outline planning consent, representing circa 6.7 years of supply
- 72% of land bank in south of England
- 48% of land bank (6,579 plots) sourced through strategic land conversion

Frame 31



## New land investment driving future margin



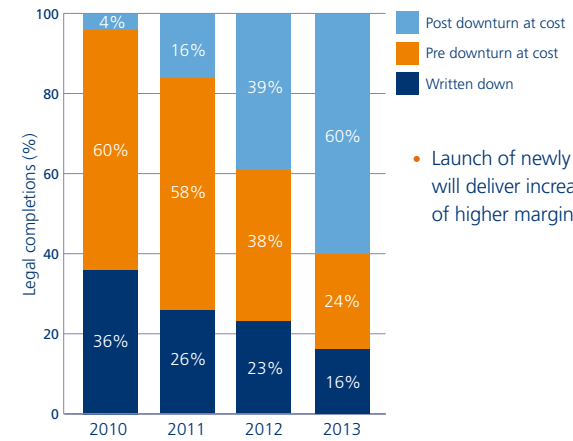
- Land acquisitions have strengthened the land bank

Land bank plots	31 Dec 2009	31 Dec 2010	31 Dec 2011
Post downturn at cost	348 3%	3,931 29%	5,797 42%
Pre downturn at cost	7,367 61%	6,198 45%	5,561 41%
Written down	4,327 36%	3,637 26%	2,365 17%
	12,042	13,766	13,723

ASP (£000)	134	165	209
Gross margin %	4%+	21%	26%

Frame 32

## Potential land bank utilisation



- Launch of newly acquired sites will deliver increasing percentage of higher margin completions

Frame 33

## Agenda

- Highlights
- Operations
- Strategy
- Financials
- Strategy**



Little Wellthorne, Ingberthworth

Frame 34

## 2011 - another year of strategy delivery

- Consistent strategy message over last three years
- Improving return on capital employed
- Increasing output capacity through sales outlet growth
- Improving average sales price through prime locations and traditional mix
- Increasing margins through cost savings and introduction of new full margin sites
- Strategic approach to delivering land for development
  - Recently - consented land after land price falls from downturn
  - Currently - blend of consented and strategic land
  - Future - more focused on strategic land as market land competition increases
- Managing land bank through land sales
- Increasing speed of work in progress asset turn

Frame 35

## Update on strategic growth plan

Commitment made at start of 2011

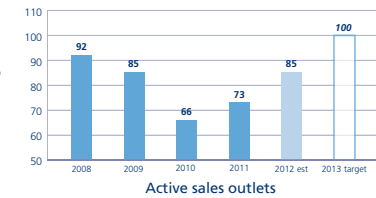
	2011 commitment	2011 result
Increasing volume	Sales outlet growth More sites acquired	<ul style="list-style-type: none"> <li>Outlets grown from 66 to 80 in year</li> <li>2,552 new consented plots</li> <li>2,400 new strategic plots</li> <li>Increase in family homes in mix</li> </ul>
Increasing ASP	Traditional product Prime locations Traditional product	<ul style="list-style-type: none"> <li>88% of plots added in south</li> <li>4.5% increase in private sales price</li> </ul>
Increasing margins	New sites Traditional product	<ul style="list-style-type: none"> <li>33 new sales outlets launched in year</li> <li>Housing gross margin increased to 20.8%</li> </ul>
Improved overhead efficiency	Increase revenues Overhead control	<ul style="list-style-type: none"> <li>Revenues increased by 22%</li> <li>Overhead ratio improved by 1ppt</li> </ul>
Increasing ROCE	Profit growth Land management Land sales WIP control	<ul style="list-style-type: none"> <li>69% increase in operating profit</li> <li>Better spread land bank, similar net capital</li> <li>c500 plots sold</li> <li>Reduced WIP compared to increased output</li> </ul>

Frame 36

## Strategy going forward

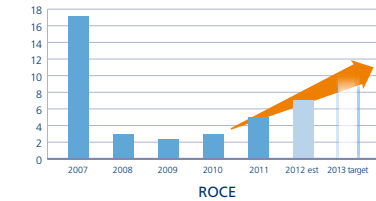
### Delivering compound effects of

- Increased volumes
  - Increased sales outlets at 85, +16%
  - Stronger sales rates
- Higher ASP from mix benefits
- Increasing margins
- Improving overhead efficiency



### Increasing capital efficiency with

- Stable net land capital employed
- Improving WIP efficiency
- Lower working capital



**Delivery of ROCE of at least 7% in 2012 with further improvements beyond**

Frame 37

## Disclaimer - important notice

Certain statements in this presentation are forward looking statements

Forward looking statements involve evaluating a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements

Forward looking statements regarding past trends, results or activities should not be taken as a representation that such trends, results or activities will continue in the future

Undue reliance should not be placed on forward looking statements

Frame 38

Bovis Homes Group PLC  
Preliminary financial results 2011

Appendices

[www.bovishomesgroup.co.uk](http://www.bovishomesgroup.co.uk)



Frame 39

## Other assets



As at 31 December (£m)	2010	2011
Fixed assets	11.3	11.6
Part exchange properties	11.4	16.9
Debtors	58.3	63.7
Available for sale assets	31.1	38.7
<b>Other assets</b>	<b>112.1</b>	<b>130.9</b>

Frame 40

## Work in progress



As at 31 December (£m)	2010	2011
Housing and site overheads	88.8	88.5
Roads and sewers	82.0	77.8
Development properties	0.2	0.2
<b>Work in progress</b>	<b>171.0</b>	<b>166.5</b>

Frame 41

## Other liabilities



As at 31 December (£m)	2010	2011
Creditors	96.9	124.7
Retirement benefits	2.9	2.4
Provisions	3.6	3.3
<b>Other liabilities</b>	<b>103.4</b>	<b>130.4</b>

Frame 42

## ASPs on 2011 legal completions



£	2010	2011
Apartments	106,900	112,900
2 bedroom houses	134,300	131,700
3 bedroom houses	182,000	183,900
4 bedroom plus houses	249,200	253,700
Retirement	198,300	206,200
Social and partnership	100,800	94,300
<b>Group</b>	<b>160,700</b>	<b>162,400</b>

Frame 43

## Divisional performance - 12 months ended 31 December

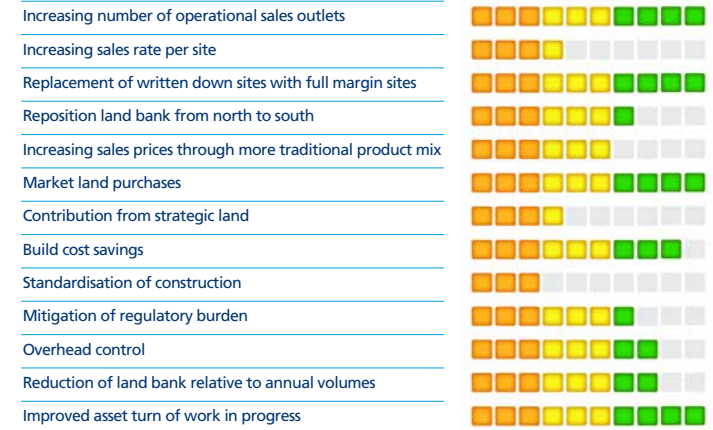


	2010		2011	
	Units	ASP (£)	Units	ASP (£)
<b>South East</b>				
Private	567	197,900	559	<b>205,000</b>
Social	106	104,400	107	<b>107,500</b>
	673	183,200	666	<b>189,300</b>
<b>South West</b>				
Private	368	155,300	464	<b>157,800</b>
Social	104	115,300	236	<b>89,400</b>
	472	146,500	700	<b>134,700</b>
<b>Central</b>				
Private	657	159,800	601	<b>174,200</b>
Social	99	81,900	78	<b>91,000</b>
	756	149,600	679	<b>164,700</b>
<b>Group</b>				
Private	1,592	172,300	1,624	<b>180,100</b>
Social	309	100,800	421	<b>94,300</b>
	1,901	160,700	2,045	<b>162,400</b>

Frame 44

## Improving returns 2011 - 2013

### Contribution to improving ROCE 2011 - 2013



Frame 45

## Improving returns beyond 2013

### Contribution to improving ROCE beyond 2013



Frame 46

## Group overview



### Compound profit effect of:

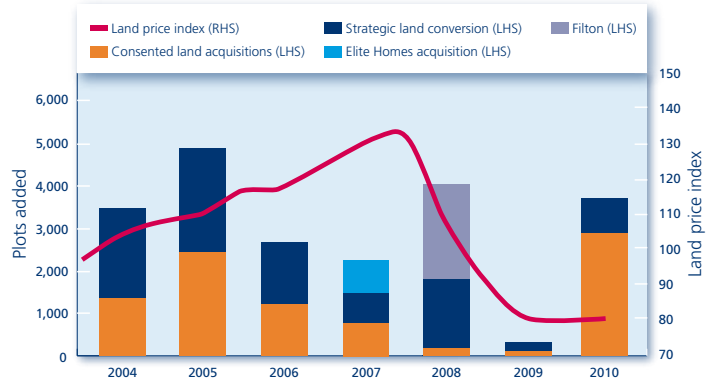
- **Strong volume growth** from increased output capacity and better sales rates
- **Improving sales prices** from better mix of traditional homes in good locations
- **Increased profit margins from:**
  - **Significant cost reductions** on existing sites now delivered
  - **Better margins** from new sites

### Improved efficiency of capital employed from:

- **Stronger land bank** through acquisition and strategic conversion
- **Improved capital churn** through land and work in progress management
- **Prudent balance sheet** with net cash position
- **Delivering improvements** in shareholder returns on track

Frame 47

# Consented land acquisitions increase



Frame 48