

# Bovis Homes Group PLC

## Interim financial results 2012

Issued 20 August 2012

www.bovishomesgroup.co.uk



### Agenda

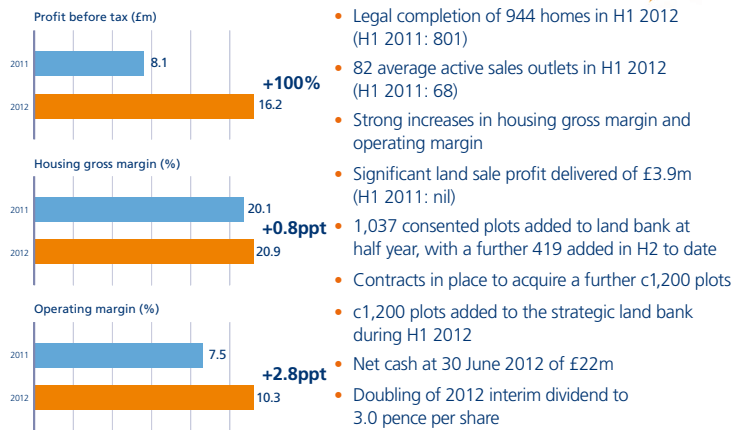
- **Highlights**
- Operations
- Financials
- Summary



Chilton Dene, Didcot

Frame 1

### Highlights - significantly increased profits with further growth secured



**Reaffirming ROCE guidance for 2012**

Frame 2

### H1 2012 compound positive effect

Revenue growth	<ul style="list-style-type: none"> <li>• 18% increase in legal completions</li> <li>• 1% increase in average sales price</li> <li>• £13m of land sales</li> </ul>	<p><b>+27%</b></p> <p><b>X</b></p>
Improving profit margins	<ul style="list-style-type: none"> <li>• 1% increase in housing gross margin</li> <li>• 1% improvement in overhead ratio</li> <li>• Strong margin from land sales</li> </ul>	<p><b>+37%</b></p> <p><b>=</b></p>
⇒ Significant increase in operating profit from compound positive effect		<b>+76%</b>

Frame 3

## Bovis Homes strategy remains on track

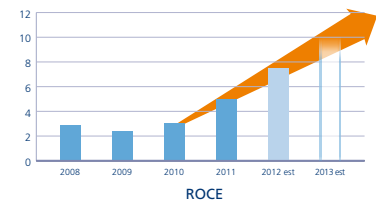
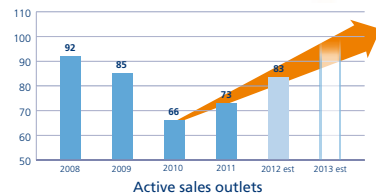
### Profit growth

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

### Capital efficiency

- Stable net land capital employed
- Improving WIP efficiency
- Better working capital turn

**Targeted ROCE approaching 7.5% on track for 2012 and significant further growth anticipated**



Frame 4

## Stable but challenging market conditions

- Affordability of owning a home compared to rental is good
- Mortgage availability continues to constrain market demand
- FirstBuy has provided an essential solution to assist first time buyers in buying their first home - likely to end during Q3 2012
- NewBuy is in place and is expected to provide a substitute for FirstBuy, in part
- Pricing stable on average with some regional variations
- Market for land is competitive, but residential land remains available for participating housebuilders

**The growth strategy can be successfully delivered during a period of stable market conditions, but is easily adaptable, should market conditions change**

Frame 5

## Agenda

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Marine View, Teignmouth

Frame 6

## Strong sales volumes in H1 2012

Six months ended 30 June	2011	2012	change %
Private reservations b/fwd	201	230	+14%
Private reservations in H1	802	993	+24%
Total private reservations	1,003	1,223	+22%
Social housing reservations	330	423	+28%
<b>Total reservations</b>	1,333	<b>1,646</b>	<b>+23%</b>

- Private reservations in first half of 2012 increased by 24% driven by:
  - Greater average active sales outlets of 82 compared to 68 in same period in 2011, +21%
  - Visitors per week averaging 338 in H1 2012 (2011 comparable: 213), an increase of 59%
  - Weekly sales rate of 0.47 net reservations per sales outlet per week (2011 comparable: 0.45)

Frame 7

## Active sales outlets growing strongly

- An average of 82 active sales outlets in H1 2012 (H1 2011: 68), an increase of 21%
- Pricing, margins and sales rates are stronger on new sales outlets
- c30 active sales outlets in total expected to open in 2012
- Active sales outlets at year end approaching 90, with average expected to be c83 for year
- c105 sales outlets owned, controlled or currently being acquired for active operation during 2013
  - expected to contribute c90 to the 2013 sales outlet average
  - land investments in H2 2012 will further contribute to the 2013 sales outlets average

Frame 8

## New southern sales outlets to drive growth

2012	Number of active sales outlets					H1 sales rate per outlet per week achieved
	1 January	New outlets	30 June	Change	Average H1	
South	47	8	53	+13%	51	<b>0.53</b>
Midlands/north	31	2	29	-6%	30	<b>0.36</b>
Retirement	2	-	-	-100%	1	<b>0.28</b>
<b>Total</b>	<b>80</b>	<b>10</b>	<b>82</b>	<b>+3%</b>	<b>82</b>	<b>0.47</b>

- Two-thirds of sales outlets as at 30 June 2012 located in stronger south of England
- Southern bias of sales outlets will increase further over coming years

Frame 9

## Stable prices

Private homes	2009	2010	2011	H1 2012	*cumulative H1 2012
Average sales price (£k)	165.5	172.3	180.1	<b>175.0</b>	<b>189.3</b>
Average sales price per sq ft (£)	166.6	171.6	175.7	<b>175.8</b>	<b>186.8</b>

\*Includes H1 2012 legal completions plus all private reservations expected to legally complete in 2012 as at 30 June 2012

- Underlying market prices are stable
- Cumulative position to date reverting to more expected mix as contribution from more traditional homes in southern locations increases
- Cumulative average sales price of £189,300 to H1 2012 represents a 5% increase over 2011 full year
- Increased contribution in H1 2012 from midlands/northern old sites being traded out has reduced the average sales price
  - strong mix improvements in the south of England have generated higher sales price
  - significant volume on constrained midland/northern sites has significantly held down the overall average

Frame 10

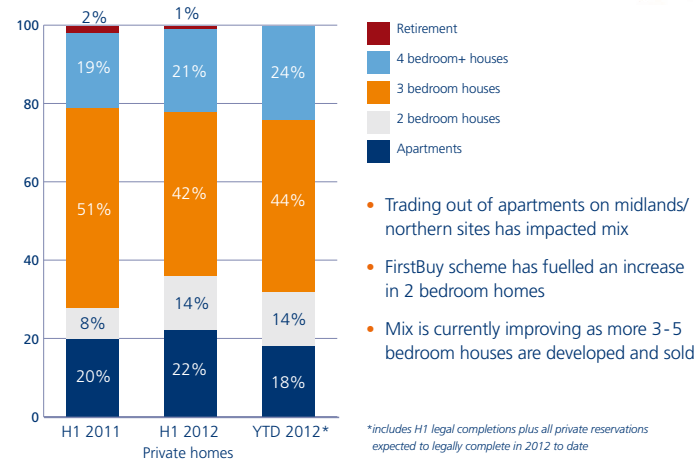
## Improving mix but with short term trade out impact

	H1 2011		H1 2012		Change	
	Units	ASP(£)	Units	ASP(£)	Units	ASP(£)
<b>Private</b>						
South	475	182,100	<b>523</b>	<b>195,100</b>	<b>+10%</b>	<b>+7%</b>
Midlands/north	206	160,400	<b>283</b>	<b>138,000</b>	<b>+37%</b>	<b>-14%</b>
	681	175,300	<b>806</b>	<b>175,000</b>	<b>+18%</b>	-
<b>Social</b>	120	95,500	<b>138</b>	<b>101,800</b>	<b>+15%</b>	<b>+7%</b>

- Strong positive mix improvements in south have been moderated in the period by a sizeable proportion of lower value homes sold in the midlands/northern areas

Frame 11

## Improving product mix despite short term influences



Frame 12

## Significant consented land investment continues in H1 2012

- 1,037 consented plots added to the land bank during H1 2012 across eight sites
  - Current day GDV of £239m
  - 76% located in south of England
- A further 419 consented plots on two sites added to land bank in H2 to date
  - Current day GDV of £115m, all located in south of England
- Contracts in place to acquire another c1,200 plots on ten sites, the majority of which are expected to be added to the consented land bank in H2 2012
  - 71% located in south of England
- In excess of 3,000 plots on 20 sites with terms agreed for acquisition

**The Group has flexibility to adjust its rate of land acquisitions, if market conditions change**

Frame 13

## Sites added to land bank to date in 2012



Frame 14

## Strategic land

Potential plots as at	31 Dec 2011	30 Jun 2012
South	10,645	<b>11,478</b>
Midlands	7,203	<b>7,200</b>
North	901	<b>1,151</b>
<b>Total</b>	<b>18,749</b>	<b>19,829</b>

- c1,200 potential plots added to the strategic land holdings during the first half of 2012
- 147 plots on two sites converted to the consented land bank during H1 2012

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

Frame 15

## Agenda

- Highlights
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Harrison Park, Droitwich Spa

Frame 16

## Summary of Group results

Six months ended 30 June (£m)	2011	2012	Change
Revenue	133.6	<b>170.3</b>	<b>+27%</b>
Gross profit	26.8	<b>36.8</b>	<b>+37%</b>
Administrative expenses	(16.8)	<b>(19.2)</b>	<b>+14%</b>
Operating profit	10.0	<b>17.6</b>	<b>+76%</b>
Finance cost	(2.0)	<b>(1.5)</b>	
Share of equity accounted entities	0.1	<b>0.1</b>	
Profit before tax	8.1	<b>16.2</b>	<b>+100%</b>
Taxation charge	(2.2)	<b>(4.3)</b>	
Profit after tax	5.9	<b>11.9</b>	<b>+102%</b>

- Growth in gross profit from both housing and land sales
- Overheads higher, as anticipated, as a result of:
  - Investment in sales and marketing as active sales outlets increase
  - Cost to progress newly acquired land through to build and sales phases

Frame 17

## Strong underlying housing profit improvements

Six months ended 30 June (£m)	2011*	2012		
		Excl land sales	Land sales	Total
Revenue	133.6	<b>157.1</b>	<b>13.2</b>	<b>170.3</b>
Gross profit	26.8	<b>32.9</b>	<b>3.9</b>	<b>36.8</b>
Administrative expenses	(16.8)	<b>(19.2)</b>	n/a	<b>(19.2)</b>
Operating profit	10.0	<b>13.7</b>	<b>3.9</b>	<b>17.6</b>
Gross margin	20.1%	<b>20.9%</b>	<b>29.5%</b>	<b>21.6%</b>
Operating margin	7.5%	<b>8.7%</b>	<b>29.5%</b>	<b>10.3%</b>

\*No land sales during H1 2011

- Gross margin (excluding land sales) increased by 0.8ppts
- Operating margin (excluding land sales) of 8.7%, an increase of 1.2ppts
- Land sales in the half year were strongly positive at the operating margin level

Frame 18

## Housing revenue analysis

Average sales price (£k)	H1 2011	H1 2012	Change
Private	175.3	<b>175.0</b>	-
Social	95.5	<b>101.8</b>	<b>+7%</b>
<b>Total</b>	<b>163.4</b>	<b>164.4</b>	<b>+1%</b>
<b>Volume</b>			
Private	681	<b>806</b>	<b>+18%</b>
Social	120	<b>138</b>	<b>+15%</b>
<b>Total</b>	<b>801</b>	<b>944</b>	<b>+18%</b>
<b>Revenue (£m)</b>			
Private legal completions	119.4	<b>141.1</b>	<b>+18%</b>
Social legal completions	11.5	<b>14.1</b>	<b>+23%</b>
<b>Housing revenue</b>	<b>130.9</b>	<b>155.2</b>	<b>+19%</b>
Other revenue	2.7	<b>1.9</b>	
<b>Total revenue</b>	<b>133.6</b>	<b>157.1</b>	<b>+18%</b>

Frame 19

## Housing gross margin progression

	H1 2010	H2 2010	H1 2011	H2 2011	H1 2012
Revenue	115.6	183.0	133.6	201.2	<b>157.1</b>
Revenue	100.0%	100.0%	100.0%	100.0%	<b>100.0%</b>
Land	24.0%	23.0%	24.6%	23.5%	<b>24.7%</b>
Build and other costs	59.7%	58.1%	55.3%	55.3%	<b>54.4%</b>
Gross margin	16.3%	18.9%	20.1%	21.2%	<b>20.9%</b>
Operating margin	4.2%	9.2%	7.5%	11.8%	<b>8.7%</b>

- Housing gross margin moderated during H1 2012 due to the sizeable proportion of homes sold on old midlands/northern sites  
- *limited impact expected at the 2012 year end*
- Overhead ratio has improved  
- *limited by lower ASP improvement*

Frame 20

## Enhanced private housing profits

Private homes (£k)	H1 2010	H1 2011	H1 2012
Average sales price	163.5	175.3	<b>175.0</b>
Average land cost	(41.9) <b>26%</b>	(48.1) <b>27%</b>	<b>(46.1) 26%</b>
Average build and other costs	(97.0) <b>59%</b>	(92.2) <b>53%</b>	<b>(91.7) 53%</b>
Average gross profit	24.6 <b>15%</b>	35.0 <b>20%</b>	<b>37.2 21%</b>

- 6% increase in gross profit per private home
- Increased contribution from midland/northern old sites has offset major profit per unit improvements associated with new post downturn sites
- Build costs remain stable and build costs as a percentage of sales price expected to reduce further with increasing contribution from new sites

Frame 21

## Imputed interest on land creditors drives the financial charge

Six months ended 30 June (£m)	2011	2012
Bank interest and commitment fees	(0.9)	<b>(0.9)</b>
Issue cost amortisation	(0.3)	<b>(0.5)</b>
Imputed interest on land	(2.2)	<b>(1.4)</b>
Pension financing	0.3	<b>0.4</b>
Imputed interest on available for sale assets	0.7	<b>0.7</b>
Other items	0.4	<b>0.2</b>
	(2.0)	<b>(1.5)</b>

- Decreased land creditors on average during H1 2012, compared to H1 2011, have reduced the imputed interest charge on land

Frame 22

## Generating cash to invest

Six months ended 30 June (£m)	2011	2012
Housing receipts	130.0	<b>155.9</b>
Construction expenditure	(64.3)	<b>(101.5)</b>
Overheads	(19.0)	<b>(20.6)</b>
<b>Operating cash flow</b>	<b>46.7</b>	<b>33.8</b>
Net cash expenditure on land	(45.9)	<b>(50.9)</b>
Other items	(6.8)	<b>(11.5)</b>
<b>Net cash flow</b>	<b>(6.0)</b>	<b>(28.6)</b>
Opening net cash	51.7	<b>50.8</b>
<b>Closing net cash</b>	<b>45.7</b>	<b>22.2</b>

- Operating cash flow was strongly positive in H1 2012
- The increase in construction expenditure reflects a greater number of larger houses being built and increasing infrastructure spend with more newer sites
- The Group remains in a strong net cash position at 30 June 2012

Frame 23

## Increase in net assets

As at (£m)	30 Jun 2011	31 Dec 2011	30 Jun 2012
Land	638.3	614.3	<b>630.2</b>
Land creditors	(153.1)	(128.8)	<b>(128.5)</b>
Land net of creditors	485.2	485.5	<b>501.7</b>
Work in progress	168.3	166.5	<b>173.8</b>
Land sales debtors	-	25.3	<b>21.3</b>
Other assets	129.5	130.9	<b>139.7</b>
Other liabilities	(111.7)	(130.4)	<b>(126.9)</b>
Net cash	45.7	50.8	<b>22.2</b>
<b>Net assets</b>	<b>717.0</b>	<b>728.6</b>	<b>731.8</b>
<b>Net assets per share</b>	<b>538p</b>	<b>545p</b>	<b>547p</b>

- Net land bank and work in progress remain in control
- Remaining land provision of £32m after £4m of utilisation in H1 2012

Frame 24

## Significant additional potential gross profit added

	Units No.	GDV £m	ASP £000	Land cost £m	Gross profit £m	Gross margin %
<b>H1 2012 additions</b>	<b>1,037</b>	<b>239.0</b>	<b>230.5</b>	<b>64.4</b>	<b>60.7</b>	<b>25.4%</b>
<b>Additions since 30 June 2012</b>	<b>419</b>	<b>115.3</b>	<b>275.2</b>	<b>45.5</b>	<b>32.2</b>	<b>27.9%</b>

Estimates based on prevailing sales prices and prevailing build costs

- Prime greenfield southern locations purchased with residential planning consent  
- Strong average sales prices and gross margins in line with hurdle rates
- 76% of additions in H1 2012 in south of England
- All of additions since H1 2012 in south of England

Frame 25

## 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>
H1 2012 additions	1,037	239	230.5	61	25.4%
<b>30 June 2012</b>	<b>13,620</b>	<b>2,539</b>	<b>186.3</b>	<b>574</b>	<b>22.6%</b>

Estimates based on prevailing sales prices and prevailing build costs  
\*As previously disclosed

- During H1 2012, gross margin potential in the land bank has increased by 1.2ppts
- ASP is 4.0% higher at 30 June 2012 than the start of 2012  
- higher value, new plots have replaced those of lower value used for legal completions
- 7,279 consented plots added in 2010, 2011 and H1 2012 with gross profit potential of £379m
- Price improvements and some social housing replans have contributed an additional c£20m in H1 2012

Frame 26

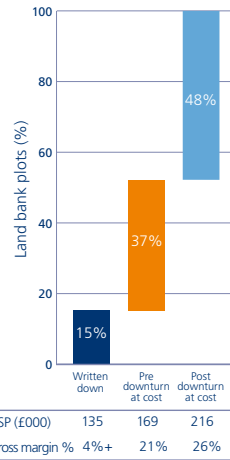
## New land acquisitions maintain southern bias

As at	31 Dec 2010		31 Dec 2011		30 June 2012	
	% land	Plots	% land	Plots	% land	Plots
South	69%	9,482	72%	9,813	<b>72%</b>	<b>9,765</b>
Midlands	21%	2,863	18%	2,528	<b>18%</b>	<b>2,433</b>
North	10%	1,421	10%	1,382	<b>10%</b>	<b>1,422</b>
<b>Group</b>	<b>100%</b>	<b>13,766</b>	<b>100%</b>	<b>13,723</b>	<b>100%</b>	<b>13,620</b>
Average plot cost (IFRS)		£39,800		£42,100		<b>£43,900</b>

- 13,620 plots with at least outline planning consent
- 72% of land bank in south of England
- 46% of land bank (6,291 plots) sourced through strategic land conversion

Frame 27

## New land investment driving future margin



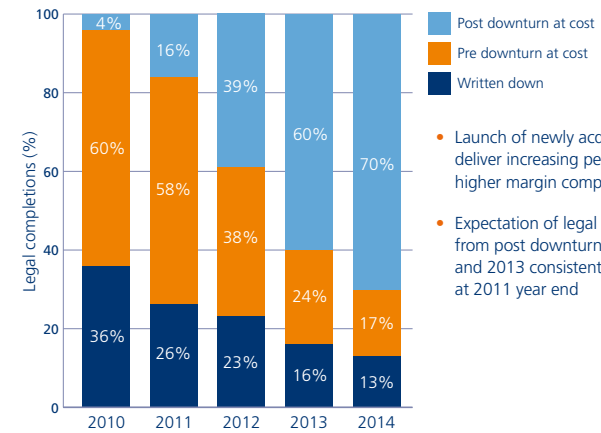
- Land acquisitions have strengthened the land bank

Land bank plots	31 Dec 2010	31 Dec 2011	30 June 2012
Post downturn at cost	3,931 29%	5,797 42%	6,557 48%
Pre downturn at cost	6,198 45%	5,561 41%	5,083 37%
Written down	3,637 26%	2,365 17%	1,980 15%
	13,766	13,723	13,620

- Since 31 December 2009:
  - written down land has reduced from 36% to 15% of the land bank
  - new land has grown from 3% to 48% of the land bank

Frame 28

## Potential land bank utilisation



- Launch of newly acquired sites will deliver increasing percentage of higher margin completions
- Expectation of legal completions from post downturn land for 2012 and 2013 consistent with view as at 2011 year end

Frame 29

## Agenda

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The Green, Cambourne

Frame 30

## Positive outlook for 2012 - based on stable market conditions

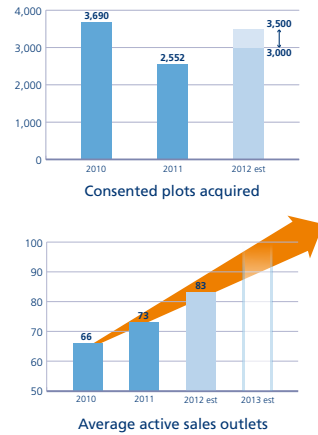
- Sales rates and increased average active sales outlets expected to deliver strong volume growth in 2012
  - 1,968 sales achieved for 2012 legal completion at week 33, c360 ahead of prior period
  - sales rates in the last seven weeks at 0.46, slightly ahead of comparable prior year period
  - 82 active sales outlets currently and expected to rise through balance of year
- Average sales price on all private homes sold during H1 2012 for legal completion in 2012 was 5% ahead of the average for the full year 2011
  - increase in overall average sales price for 2012 expected to be c6%
- Housing gross margin for full year 2012 expected to be between 21% and 22%
- Operating margin expected to be between 12% and 13% (2011: 10%)
- ROCE is expected to approach 7.5% (2011: 5.0%)
- Land acquisitions expected to total between 3,000 and 3,500 consented plots
- Expectation of modest net cash at year end, having entered net debt during H2 2012

Frame 31



## Bovis Homes growth strategy

- Strong period of land investment since downturn
- c50 new sites acquired since downturn by end of H1 2012
- Investment has led to strong profit growth from increased output capacity and improved profit margins
- 2012 investment will deliver sales outlet growth in 2013 and 2014
- Another year of successful land acquisition in 2013 will fuel growth in 2014 and 2015
- This consistent investment in good quality land will enable the Group to continue to improve returns for shareholders whilst not requiring a change in capital structure



Frame 32

## Summary

- Assuming stable market conditions, the ability to grow shareholder returns is in place:
  - Profits will grow from compound positive effect of:
    - increased volumes, given the increased number of sales outlets
    - higher average sales price from the southerly located, traditional housing mix
    - improved profit margins with increasing contribution from new full margin sites
  - Revenue growth will deliver improved capital turn, approaching one time
  - Shareholder returns will increase to levels above the Group's WACC

Frame 33

## 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 34

Bovis Homes Group PLC  
Interim financial results 2012

Appendices

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



Frame 35

## Other assets

As at (£m)	30 June 2011	31 Dec 2011	30 June 2012
Fixed assets	11.3	11.6	<b>11.5</b>
Part exchange properties	10.0	16.9	<b>16.4</b>
Debtors	72.0	63.7	<b>70.7</b>
Available for sale	34.1	38.7	<b>41.1</b>
Retirement benefits	2.1	-	-
<b>Other assets</b>	<b>129.5</b>	<b>130.9</b>	<b>139.7</b>

Frame 36

## Work in progress

As at (£m)	30 June 2011	31 Dec 2011	30 June 2012
Housing and site overheads	87.2	88.5	<b>86.6</b>
Roads and sewers	80.9	77.8	<b>87.0</b>
Development properties	0.2	0.2	<b>0.2</b>
<b>Work in progress</b>	<b>168.3</b>	<b>166.5</b>	<b>173.8</b>

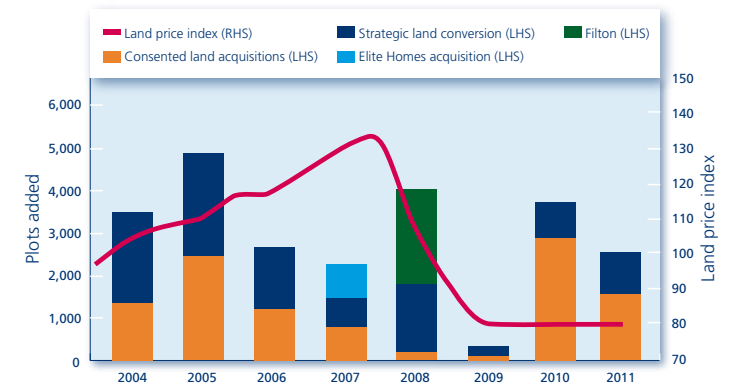
Frame 37

## Other liabilities

As at (£m)	30 June 2011	31 Dec 2011	30 June 2012
Creditors	108.2	124.7	<b>115.5</b>
Retirement benefits	-	2.4	<b>8.0</b>
Provisions	3.5	3.3	<b>3.4</b>
<b>Other liabilities</b>	<b>111.7</b>	<b>130.4</b>	<b>126.9</b>

Frame 38

## Consented land acquisitions increase



Frame 39