



Bovis Homes Group plc

Acquisition of Galliford Try's Housing Businesses

November 2019

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Transaction overview



- Acquisition of Galliford Try's Linden Homes and Partnerships & Regeneration divisions (the "Housing Businesses")
- Housing Businesses valued at £1.075 billion⁽¹⁾:
 - Linden Homes valued as a multiple of 2019 TGAV⁽²⁾
 - Partnerships & Regeneration valued as a multiple of earnings⁽³⁾
- Acquisition financed by:
 - £675m of Bovis Homes Shares⁽⁴⁾
 - £100m transfer of Galliford Try's 10-year debt private placement to Bovis Homes
 - £300m in cash financed by:
 - 9.99% Accelerated Bookbuild (up to £157m)⁽⁵⁾
 - £100m New Term Loan
 - Utilisation of the Company's balance sheet resources
 - £60m capital return to be paid prior to completion; returned by way of a bonus issue subject to shareholder approval⁽⁶⁾
- Key dates:
 - ABB launched: 7 November 2019
 - Acquisition documents signed: 7 November 2019
 - Galliford Try GM: 29 November 2019
 - Bovis Homes GM: 2 December 2019
 - Expected completion date: 3 January 2020

(1) Calculated using the Company's closing share price of £10.59 as at 9 September 2019. Total consideration is subject to a customary completion mechanism linked to Linden Homes' and Partnerships & Regeneration' assets position

(2) Based on Linden Homes' TGAV as at June 19 of £728.1m – the difference between this and Linden Homes' last reported TGAV of £759.2m is a £31.1m intercompany balance between Linden Homes and Galliford Try plc (which sits in Linden Homes' working capital/receivable balances) and will be settled prior to completion. This is why it has been excluded from the TGAV calculation

(3) Based on Partnerships' EBIT as at June 19 of £34.8m (see slide 21)

(4) The issue to Galliford Try shareholders of 63,739,385 Bovis Homes shares (in aggregate) valued at £675m based on Bovis Homes' closing share price on 9 September 2019 (being the last business day prior to the announcement that preliminary terms had been agreed); the valuation based on the closing share price on 6 November 2019 of £11.63 is £741m

(5) Based on the closing share price on 6 November 2019 of £11.63

(6) The Bonus Issues would be satisfied through the issue of fully paid Bovis Homes shares to Bovis Homes shareholders. The Bonus Issue would equate to 5,665,723 shares (in aggregate) valued at £60m based on a Bovis Homes share price of £10.59, being the closing share price on 9 September 2019; the valuation based on the closing share price on 6 November 2019 of £11.63 is £66m

Strong strategic and financial rationale



Top 5 national housebuilder

- Creation of a top 5 housebuilder by volume, with capacity to deliver >12k completions p.a.⁽¹⁾
- Platform with national scale and coverage to compete against established major housebuilding players
- Over 33k owned land plots and 33k strategic land plots

Bovis Homes becomes a market leader in Partnerships housing

- Gives Bovis Homes a leading position in the high-growth Partnerships and Regeneration market
- Diversification into Partnerships reduces risk
- Opportunity to shift Partnerships' revenue mix towards higher margin land-led development

Complementary geographic footprint with two leading housing brands

- Expand Bovis Homes' current geographic footprint
- Dual branding on sites increasing overall production and sales
- Scope to rationalise footprint resulting in synergies where there is overlap

Management capability

- Greg Fitzgerald uniquely positioned to integrate the businesses successfully, having previously been CEO and then Executive Chairman of Galliford Try over a period of eleven years
- Strong leadership across all business areas – taking the best from both teams
- Integration de-risked by management continuity

Attractive financial returns whilst retaining a robust balance sheet

- It is anticipated that at least £35 million run-rate cost synergies will be achieved by the end of the second full year post completion
- It is anticipated that the transaction will be low double digit EPS enhancing in the first full year post completion with further significant EPS enhancement in the second full year
- Transaction structured to ensure a robust balance sheet post completion

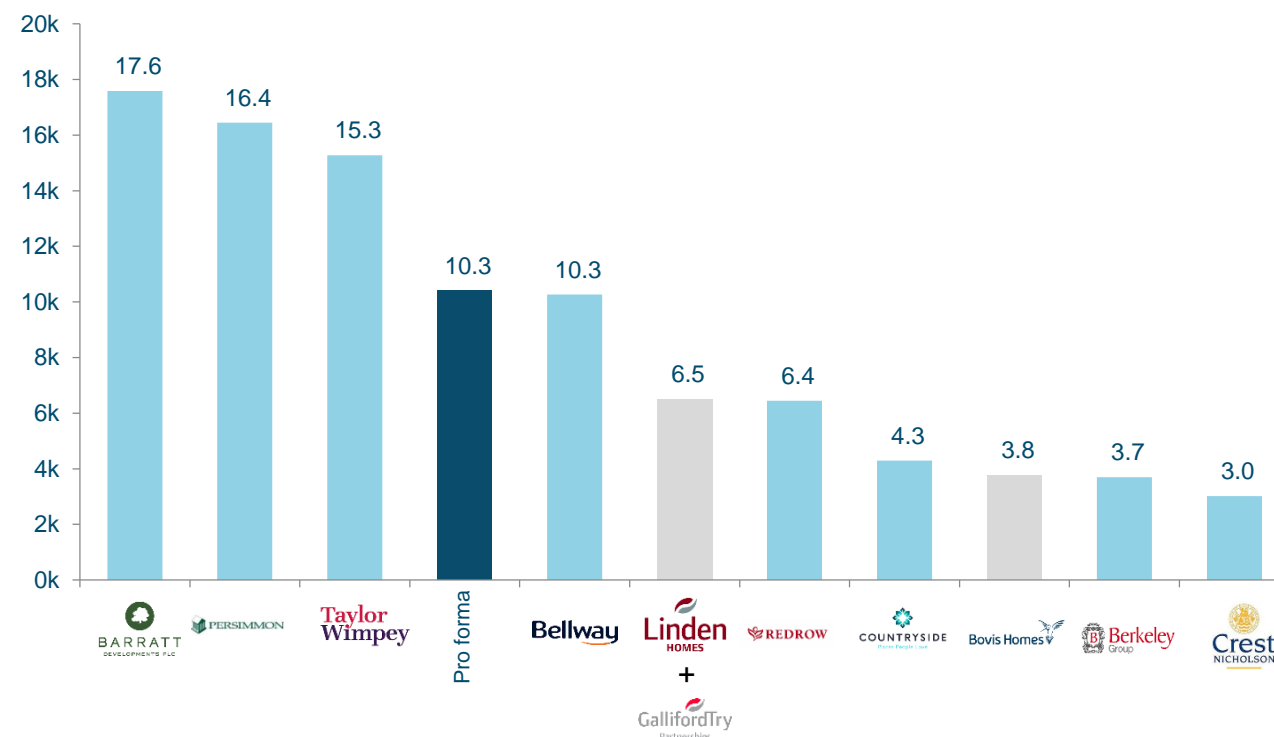
(1) Including completions in Partnerships

Creation of a top 5 national housebuilder



- Transaction creates a top 5 UK housebuilder by volume
- High-quality land bank
- Lower risk, diversified and more resilient business
 - Bovis Homes will become a leading provider of Partnership housing
 - Combination of two leading housing brands
 - Rare opportunity to consolidate in the housebuilding market
- Opportunity to realise significant benefits of scale, including:
 - Operational synergies
 - Procurement savings
 - Dual-branding sales capability
 - Land buying
 - Land bank optimisation

UK Housebuilders by volume (homes p.a.)



Bovis Homes becomes a market leader in Partnerships housing



1 Attractive growth market

- Strong growth market less connected to the housing market cycle
- Government ambition to build 300k new homes p.a. across all tenures
- Support from all political parties for greater mixed tenure and partnerships housing
- Investment from housing associations and local authorities

2 Bovis Homes launched its new Partnerships Housing Division in February 2019

- Land-led development strategy allowing Bovis Homes to optimise returns, particularly on larger sites
- Reflects Bovis Homes' significantly strengthened relationships with Housing Associations
- Good progress made in the year to date with seven partnership developments established

3 Galliford Try Partnerships & Regeneration is a leading business in this area

- Will provide immediate access to a large scale Partnerships operations platform with a strong track record of growth
- Excellent reputation for delivery, quality and sector knowledge
- Firmly established relationships with Governmental Bodies, Housing Associations, Institutional Investors and Local Authorities
- Significant opportunity to shift business mix to more land-led higher margin developments supported by the enlarged group balance sheet

Enhanced geographic footprint



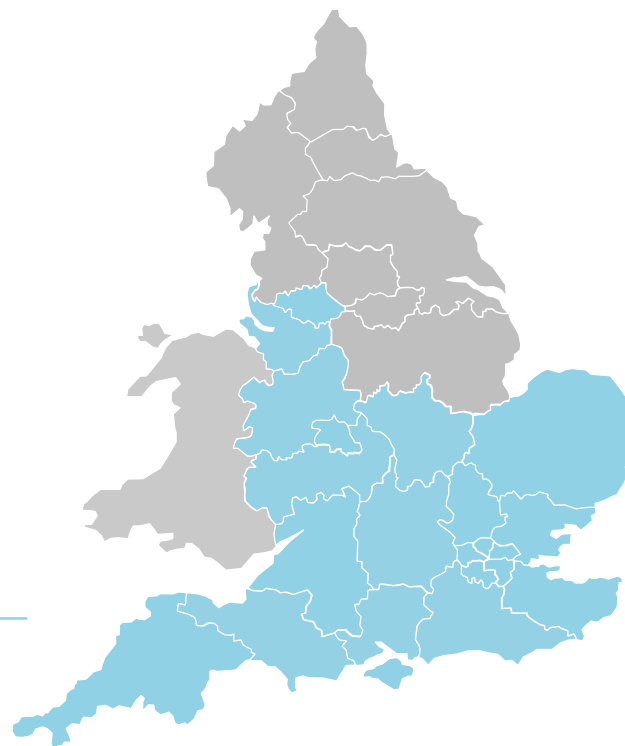
Housebuilding

- Geographic reach is highly complementary:
 - Attractive new region - Yorkshire
 - Strengthens core areas - South Coast
 - Ability for controlled growth nationally
- Synergy opportunities from significant geographic overlap
- Creation of optimal structure
 - Expect to have 12-14 housebuilding operating regions (17 regions at completion)
 - Optimal region size of c.550 – c.625 units p.a.
 - Potential to grow and deliver more than 8,000 units from housebuilding p.a. (pro forma completions of 7,055 units in 12 months June 2019)

Partnerships

- Partnerships business to work alongside the housebuilding operating regions
 - No plans to change the existing structure from 10 regions
 - Strong growth potential

Bovis Homes



Combined Group



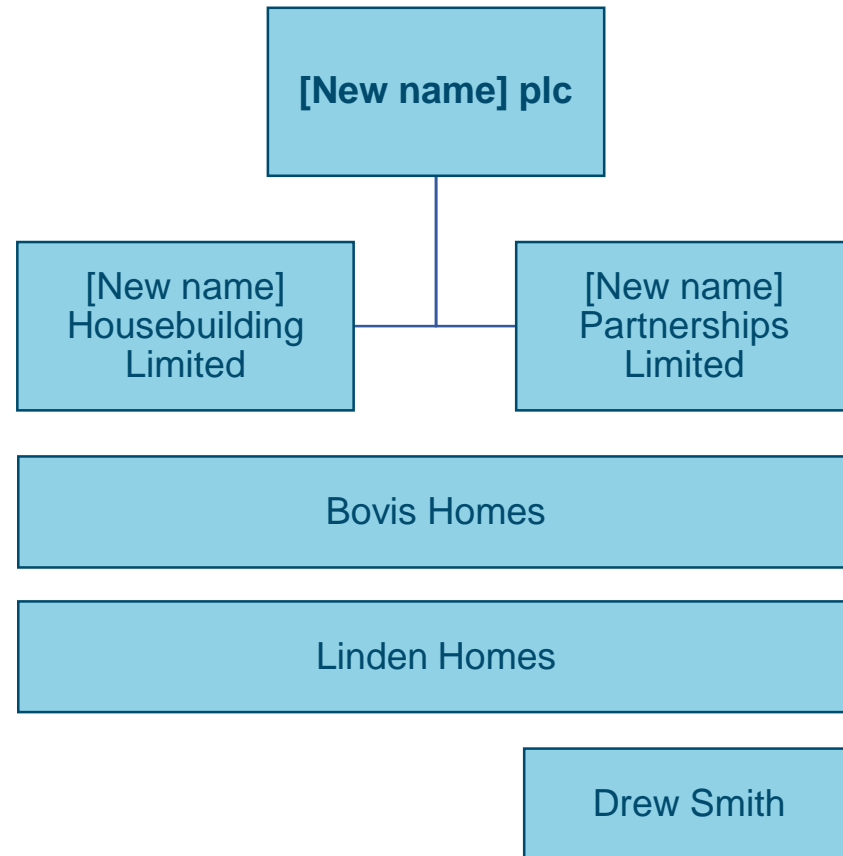
Housebuilding Units

Linden	3,229
Bovis	3,826
Pro forma to June-19	7,055

Group structure and management team



Group Structure



Executive Leadership Team



Greg Fitzgerald
Group CEO
(Bovis Homes)



Graham Prothero
Chief Operating Officer
(Galliford Try)



Earl Sibley
Group Finance Director
(Bovis Homes)



Stephen Teagle
CEO, Partnerships
(Galliford Try)



Keith Carnegie
Executive Director
(Bovis Homes)



Martin Palmer
Company Secretary
(Bovis Homes)

Housebuilding



Two leading housing brands



- New Phoenix housing range
 - 28 new house types for both private and affordable
 - First completions in June 2019; excellent customer feedback
 - >850 units in production
- New range will deliver
 - Enhanced sales proposition for customers
 - Improved build efficiency
 - Reduction in build costs
 - Increased competitiveness in land market



Phoenix range, The Aspen, Wellington



- The Linden collection
- 22 standard house types with 13 core designs
- Strategy to increase standardisation of layouts and processes to reduce costs and build programmes



The Linden Collection

THE OPPORTUNITY

1

Optimal scale

- > Optimal geographic coverage
- > Consolidation opportunity
- > Significant cost and procurement synergy savings

2

Ability to select most suited brand for each development opportunity

- > Dual branding
- > Re-position each brand to ensure differentiated target markets
- > Housing brands support partnerships business

3

Maximise dual branding opportunities

- > Increase overall production, demand and sales rates
- > Deliver higher returns on larger sites
- > Advantages in land buying, planning, marketing and sales
- > Specification rationalisation

High-quality homes leading to excellent customer feedback



Consistent high-quality build

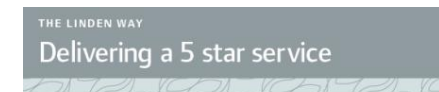
- Development and recruitment of top-rated site managers
- Build quality metrics at least in line with industry benchmarks

Excellent customer feedback

- Trending at a 5 star Home Builders Federation (HBF) customer satisfaction rating
- Recently launched market leading customer relationship management system, 'Keys'



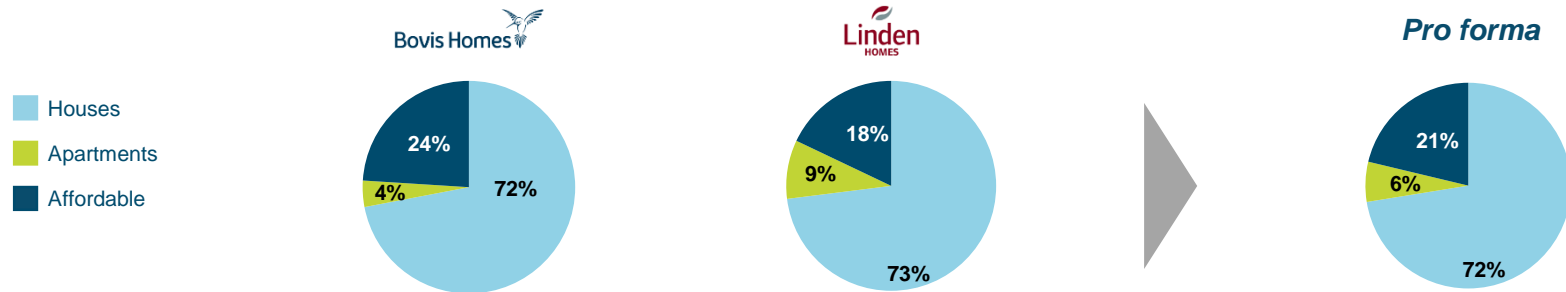
- Focus on increased standardisation and improved processes is delivering higher quality
- 4 star housebuilder
- 'The Linden Way' is committed to delivering a consistent customer journey and high levels of customer service whilst ensuring the sharing of best practice across the business



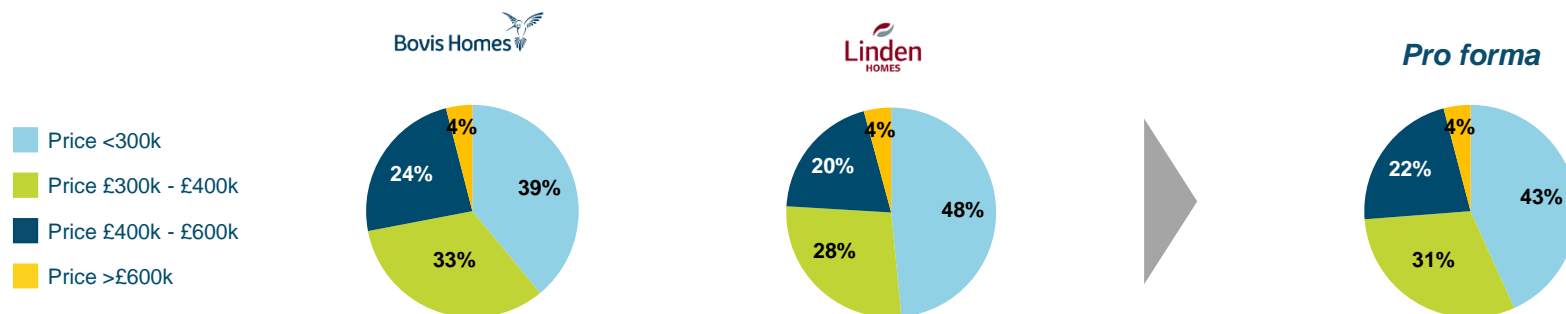
Attractive market positioning



Tenure



Price



- Balanced land portfolio across the enlarged business
- Enlarged group has 96% of private land bank plots with Average Selling Price (ASP)⁽¹⁾ <£600K, 43% with ASP <£300k
- Land acquisition for both brands increasingly focused on a higher proportion of 2/3 bedroom homes, reducing overall Enlarged Group ASP
 - Bovis Homes ASP - £316k
 - Linden Homes ASP - £284k
- Owned land bank average gross margin (as at 30 June 2019):
 - Bovis Homes – 24.9%
 - Linden Homes – 24.4%

Source: Company annual accounts; last reported financials (as at 30 June 2019 for Bovis and 9 September 2019 for Linden Homes)
 Note: Calculated based on owned land bank and share of JVs for Bovis Homes and 100% of JVs for Linden Homes
 (1) Average Selling Price of all units

Partnerships



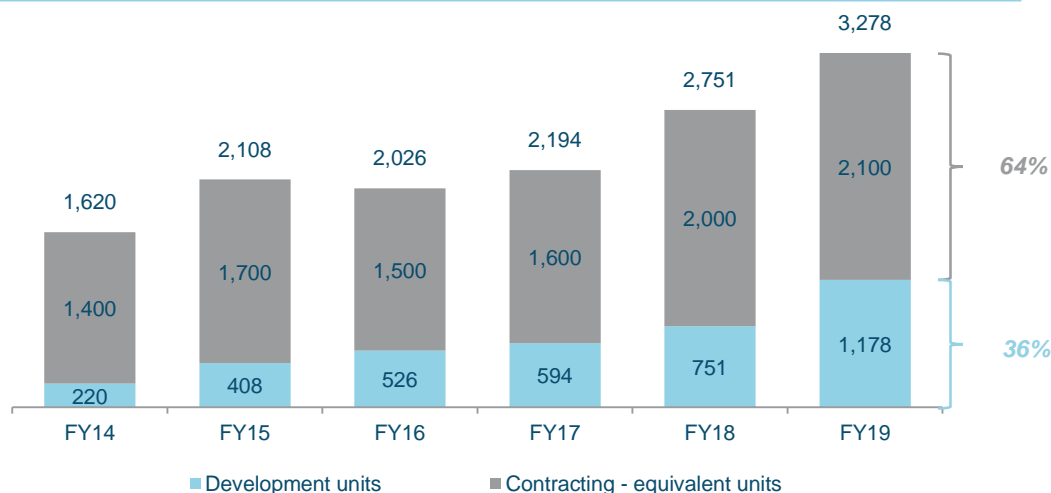
Galliford Try's Partnerships and Regeneration



The business

- A market leader within the highly attractive partnerships business, delivering accelerated growth in revenue and earnings
- Resilient earnings across the cycle
- Established national scale with local delivery and strong relationships with Governmental Bodies, Housing Associations, Institutional Investors and Local Authorities
- Leading regeneration specialist
- Excellent people and strong order book

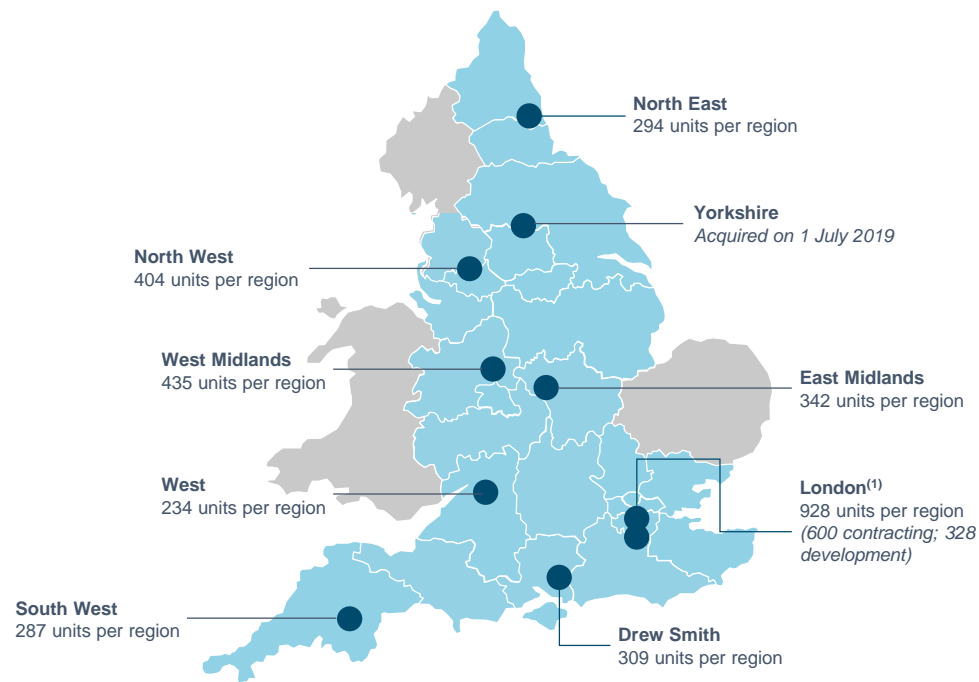
Strong track record of growth



Source: Company annual accounts; last reported financials (as at 30 June 2019)

(1) London is split into two regions: contracting and development

Geographic coverage



- Three divisions, and 10 regions across England
- Significant growth opportunities

The Partnership's business model



Securing revenue opportunities across the housing market

Affordable rent Social rent Supported housing Discounted Market Sale PRS/Rent to Buy Shared ownership Help to Buy Private sale



Housing Associations



*Government

Local Authorities



Institutional investors



- Unique and powerful platform combining contracting and development capabilities
- Excellent relationships with Governmental Bodies, Housing Associations, Institutional Investors and Local Authorities
- A leading reputation for delivery, quality and sector knowledge across all housing tenures

Accelerated growth and margin potential



1

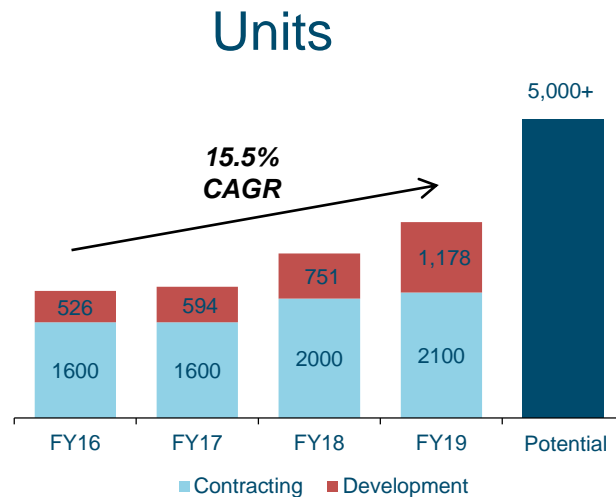
Grow business through existing structure and further expansion into new geographies

2

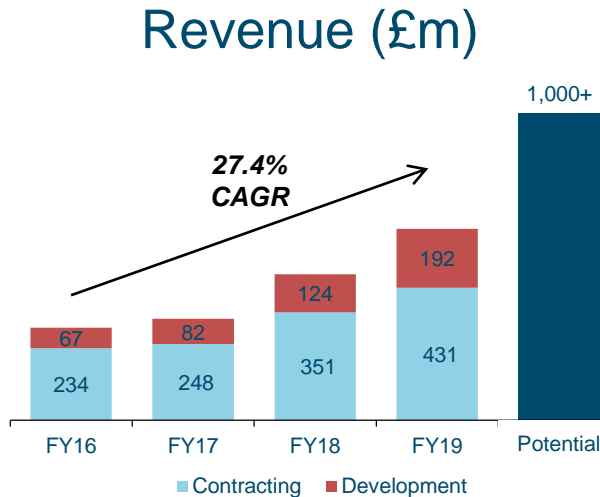
Growth from increasing development revenues

3

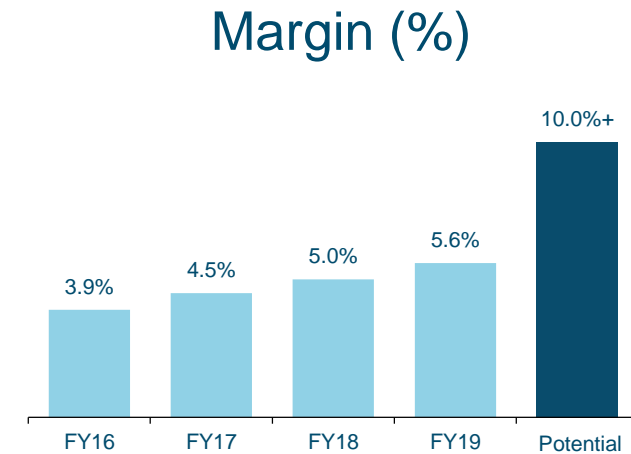
Drive margin improvement through change in overall revenue mix



- Achieved 3 year CAGR of 15.5% between 2016 – 2019 in units (27.4% revenue CAGR)
- Future growth supported by enlarged combined land bank



- £1bn+ revenue potential
- Increase development revenues to 50% of total revenues
- Retain stable contracting revenues



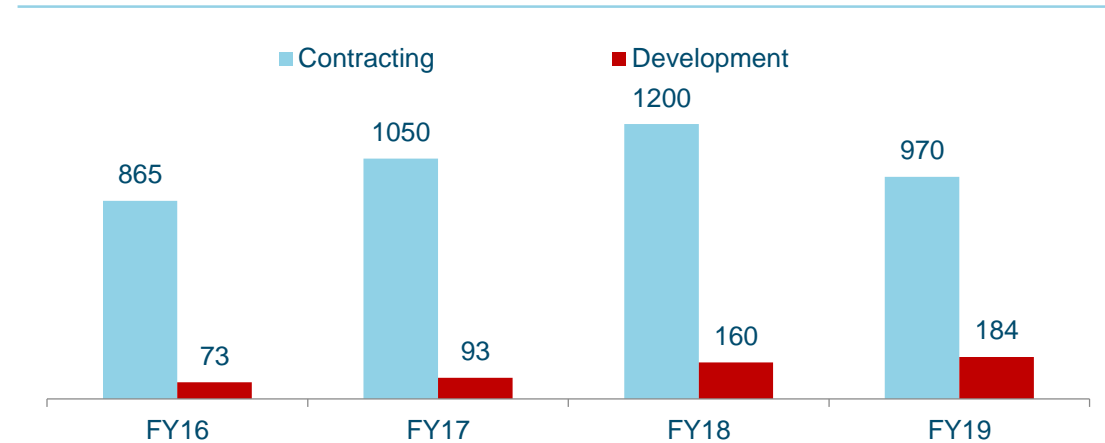
- Opportunity to materially increase operating margin through an increase in higher margin development revenues (14%-18% operating margin)
- Targeting accelerated margin growth for Partnerships



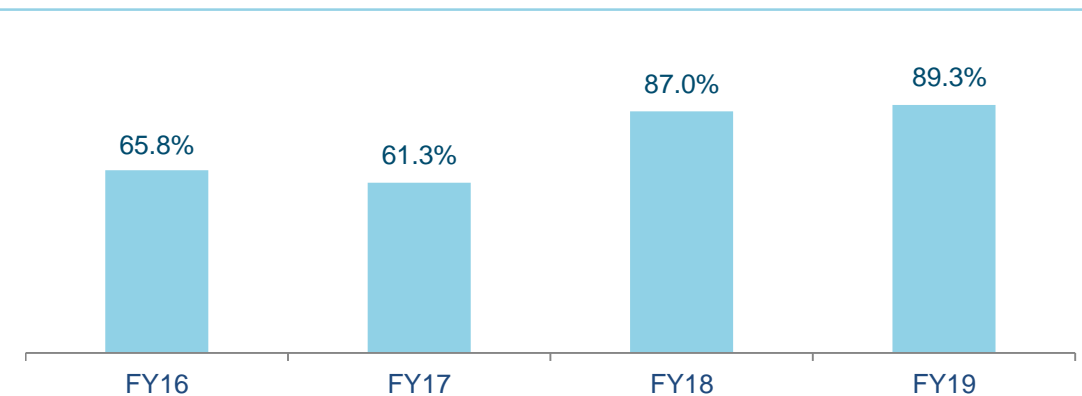
Strong order book underpins future growth

- £970m contracting order book⁽¹⁾ (2018: £1.2bn)
- Future growth underpinned
 - Development sales reserved, contracted or completed of £184m (2018: £160m) underpins future growth
- 'Work on the bench' of a further £1.6bn associated with the land bank and schemes at preferred bidder stage
- 5,400 plot partnerships development land bank (excluding specialist contracting) (2018: 3,760)
- Significant opportunity to pull through land from the Housing businesses in particular on larger sites
- Recent client wins include:
 - 4 new schemes awarded by Homes England to deliver 850 homes across the UK, under the Delivery Partner Panel
 - Selected by Enfield Council to build the first 725 homes at the £6.0bn Meridian Water development in the Lea Valley
 - New mixed-use scheme, including 470 homes, for Ealing Council

Order book / sales in hand (£m)





















Order book % secured for next year



Partnerships & Regeneration - competitor landscape



	GT Partnerships	Countryside	Kier	Lovell	Mears
Land sourcing					
JV expertise					
Contracting					
National					
Housebuilding brand					



Land bank

High-quality combined land bank



	Bovis (30-Jun-19)	Linden (30-Jun-19)	Partnerships & Regeneration (30-Jun-19)
Owned land bank plots	13,161	8,600	3,050
Joint venture plots ⁽¹⁾	3,054	3,300	2,250
Total consented land bank	16,215	11,900	5,300
Average plots per site ⁽²⁾	127	97	113
Average sales price	£316k	£284k	£217k ⁽³⁾
Average land cost per plot	£58k	£62k	£41k
Plot cost / ASP	18.4%	20.5%	15.6%
Average gross margin	24.9%	24.4%	16.8% ⁽⁴⁾

- Detailed due diligence review has been undertaken on the land bank being acquired
- Combined consented land bank of 33,415 plots
- More competitive in the open land market
 - Improved efficiency
 - Dual branding
 - Increased appetite for larger sites

Source: Company accounts; last reported financials (as at 30 June 2019)

(1) Bovis JV plots relate to Wellingborough (1,558 units) and Sherford (1,496 units) as at 30 June 2019

(2) Calculated based on owned land bank and share of JVs



(3) Development ASP

(4) Higher proportion of JVs where P&R generate profits from being a contractor to the JV, management fees, land fees – all of which are reflected outside site gross margin. Margin reflects higher presale and hence reduced funding requirement for the mixed tenure schemes

Strength in Strategic Land



Summary

	Bovis Homes 		Linden HOMES 		Pro forma	
	Total sites	Total plots	Total sites	Total plots	Total sites	Total plots
Planning agreed	11	6,178	1	150	12	6,328
Planning application	5	2,690	8	1,759	13	4,449
On-going promotion	38	10,877	65	11,331	103	22,208
Total	54	19,745	74	13,240	128	32,985

The Opportunity

- The enlarged group is well positioned to continue developing its strategic land bank
 - Combined strategic land bank of 32,985 plots
 - Good track record with established strategic land teams
 - Strong pipeline – 6,328 plots with planning agreed
- Increased opportunity to acquire strategic land
 - Increased appetite for larger sites
 - Land-led Partnership opportunities
 - Dual branding opportunities
 - Wider geographic footprint



Financials and transaction structure

Segmental financial information



	2017	2018	2019
Linden Homes			
Units	3,296	3,442	3,229
Revenue	£937m	£947m	£820m
Operating profit	£170.3m	£184.4m	£160.5m
Operating margin	18.2%	19.5%	19.6%
Sales mix			
Private	2,537	2,587	2,227
Affordable	855	855	1,002
Average sales price	£300k	£310k	£284k
TGAV	619.9	623.1	759.2
<i>Return on capital employed</i>	<i>25.4%</i>	<i>27.3%</i>	<i>17.6%</i>

Partnerships			
Revenue	£330m	£475m	£623m
Contracting	£248m	£351m	£431m
Development	£82m	£124m	£192m
Operating profit	£14.9m	£23.6m	£34.8m
Operating margin	4.5%	5.0%	5.6%
Units delivered			
Development	594	751	1,178
Equivalent contracting	1,600	2,000	2,100
Average sales price	£186k	£220k	£217k
TGAV	44.9	64.7	57.0
<i>Return on capital employed</i>	<i>18.5%</i>	<i>24.0%</i>	<i>39.0%</i>

- Linden Homes performance**

- Slightly reduced unit numbers, from 3,442 in 2018 to 3,229 in 2019, reflecting market conditions and a desire to refocus from London which has also seen a reduction in ASP

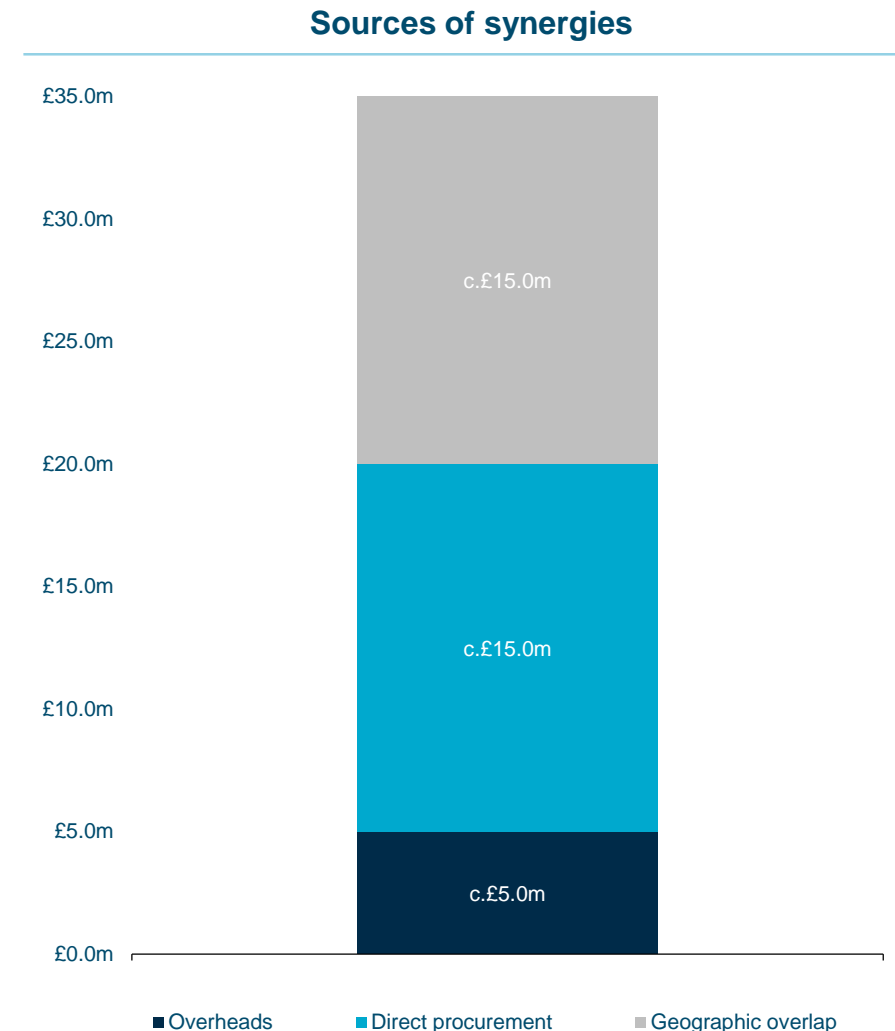
- Partnerships & Regeneration**

- Continue to deliver strong growth in development revenues (up 55% to £192m), which now represent 31% of the business
- Increased the blended margin from 5.0% to 5.6%

Synergies and integration plan



- The Directors expect:
 - the Acquisition to result in estimated run-rate pre-tax cost synergies of at least £35 million per annum by the end of the second year following Completion (2020 c.£12m)⁽¹⁾
 - the realisation of these cost synergies will require one-off implementation costs of approximately £35 million. These are expected to be phased across a two year period following Completion
- Synergies from:
 - Overhead savings
 - Procurement savings
 - Geographic overlap – plan to close duplicate business units across the enlarged group
- Comprehensive integration plan
 - As a result of the significant integration plan, no growth in unit delivery is expected in 2020 for housebuilding
- Greg Fitzgerald best positioned to lead the integration process, having previously been CEO and then Executive Chairman of Galliford Try over a period of eleven years
 - Integration de-risked by management continuity



⁽¹⁾ The Bovis Homes Directors have undertaken a rigorous process to evaluate and assess the potential synergies available from the Acquisition. The cost synergies have been assessed relative to the pre-Acquisition cost base of the carved out Target Businesses for the year ended 30 June 2019 (2019) and of the Bovis Homes Group for the LTM period ended 30 June 2019. The Directors have sought to normalise costs to reflect a more typical cost position, including adjusting overhead costs for reflect current forecast unit volumes and normalised staff costs. The cost synergies indicated in this presentation are contingent on completion of the Acquisition and could not be achieved independently of the Acquisition. The cost synergies reflect both beneficial elements and relevant costs associated with achieving these cost synergies.

Transaction and funding highlights



Sources & Uses

Sources	£m
Shares issued to Galliford Try ⁽¹⁾	675
9.99% share placing ⁽²⁾	157
New Term Loan	100
Utilisation of the Company's balance sheet resources	65
Total Sources	997
Uses	£m
Total Equity Consideration	975
Transaction Costs	22
Total Uses	997

- Capital structure of Enlarged Group retains capital discipline
- New banking facilities include:
 - £375m RCF
 - £100m Term Loan
 - £100m USPP
- Cash transferred on completion is subject to a customary completion mechanism linked to closing working capital position
 - Bovis will pay Galliford on a pound for pound basis for any increase in the TGAV level of Linden Homes at completion
- The Acquisition is not conditional on CMA clearance⁽³⁾
- There will be a number of accounting adjustments post completion
- Pro forma gearing as at December 2019 expected to be less than 10% excluding land creditors and more than 30% including land creditors
 - This is expected to decrease below 30% by December 2020 and continue to decline in 2021
- Galliford Try's Final Salary Pension Scheme to transfer into the Enlarged Group
 - Total pension surplus of £7m
 - Monthly payments
 - Continuation of c.£400k per month contribution until 31 January 2021
 - Additional fixed monthly contributions of £126.7k to 31 January 2021
 - Additional fixed monthly contributions of £234.9k from 1 February 2021 to 30 September 2022

Source: Company information

(1) The issue to Galliford Try shareholders of 63,739,385 Bovis Homes shares (in aggregate) valued at £675m based on Bovis Homes' closing share price on 9 September 2019 (being the last business day prior to the announcement that preliminary terms had been agreed); the valuation based on the closing share price on 6 November 2019 of £11.63 is £741m

(2) Based on the closing share price on 6 November of £11.63

(3) Both parties will jointly submit a briefing paper to the CMA explaining why the Acquisition does not raise any competition concerns. If, contrary to expectation, there is a regulatory investigation, this could delay the speed at which Bovis Homes can integrate the Housing Businesses and realise the synergies arising from the Acquisition.

2019 dividend and future dividend policy



2019 dividends

- Final dividend: replaced by a second interim cash dividend to be paid in May only to existing Bovis shareholders (Ex-dividend date on 24 December 2019)
- Special dividend: £60m to be paid as a bonus issue only to Bovis shareholders on 3 January 2020 (Ex-dividend date on 3 January 2020)
- The Accelerated Bookbuild shares will be entitled to the bonus issue and second interim cash dividend

Dividend policy of Enlarged Group

- The Board intends to continue its strategy of maintaining a robust and efficient balance sheet and delivering sustainable dividends to shareholders
- Ordinary dividend cover of 2x initially moving towards 1.75x following a period of integration and deleveraging
- Reflecting the Enlarged Group's new strategy driven by the proposed acquisition, no further special dividend payments to be paid in relation to the £180m capital return previously set out in September 2017

Current trading



- The Group has traded well during H2 to date maintaining an average sales rate per outlet per week of 0.6
- Fully sold for targeted 2019 completions
 - Expect to deliver another controlled and disciplined December period end
- Uncertainty surrounding Brexit in recent weeks resulted in some increased pressure on pricing
 - H2 c. 1-2% reduction in underlying sales prices
- Offset by a reduction in build cost inflation and Group's own build cost saving and margin initiatives
- Customer satisfaction remains a top priority
 - Trending at a 5-star HBF customer satisfaction rating (above 90%) for the HBF year from 1 Oct 2018
- Further progress with Partnerships business
 - Two new land-led Partnerships formed with LiveWest in H2
- Strong outlook for 2020
 - All land required for 2020 secured
 - More than 20% of 2020 private sales secured, a higher proportion than in previous years
 - All 2020 affordable units secured



- Since 11 September 2019 there has continued to be political and macroeconomic uncertainty affecting the markets in which our businesses operate, particularly Linden Homes and Construction
- The Galliford Try Board remains confident in achieving the Group's full year expectations, but anticipates that the result will be more weighted to the second half year than in previous years
- Galliford Try is continuing its negotiations with Transport Scotland in relation to the Aberdeen Western Peripheral Route claim, and separately our £54m claim for three contracts with a single client remains ongoing

Enlarged Group guidance



Enlarged group guidance

- It is anticipated that the transaction will be low double digit EPS enhancing in the first full year post completion with further significant EPS enhancement in the second full year

Housebuilding

- During 2020 the intention is to steady state both Bovis Homes and Linden Homes revenues as we focus on a successful integration of the two businesses
- Return to volume growth in 2021 once the Housing Businesses have been integrated

Partnerships

- Strong growth in the Partnerships expected to continue in 2020 and 2021 with an opportunity to drive margin improvement

Investment highlights



1

Creation of a new top 5 housebuilder

2

Bovis Homes becomes a market leader in Partnerships housing

3

Strong geographic complementarity with two leading housing brands

4

Management capability to ensure successful integration

5

Attractive financial returns whilst retaining a robust balance sheet

Q&A

