

Half Year Results to 31 December 2014

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Agenda

- **Overview**
- **Strategy to 2018**
- **Financial Review**
- **Operating Review**
- **Outlook and Summary**
- **Appendices**

Overview



Overview

Group

- Record half year result
- Excellent cash performance
- Improved return on net assets
- Significant increase in interim dividend
- CEO search progressing on plan
- Encouraging progress against strategy to 2018

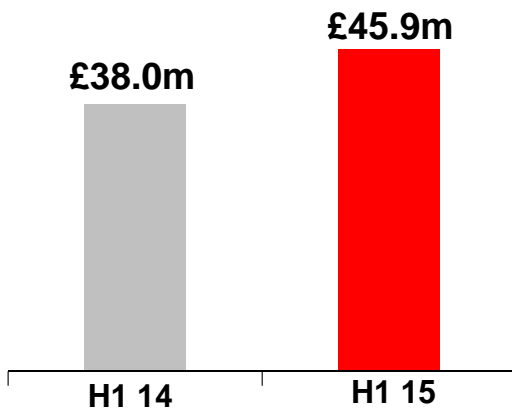
Housebuilding

- Strong in hand position at £747m
- Record landbank of 14,300 units
- Linden Homes margin of 15.1%
- Positive growth in Partnerships ahead of strategy

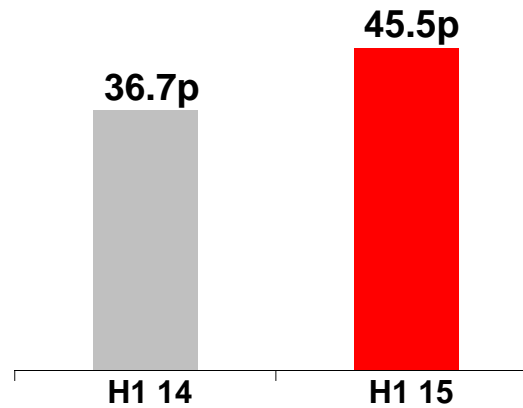
Construction

- Record order book of £3.25bn in a rapidly improving market
- Miller Construction integration successfully completed; synergies forecast to exceed expectations
- Margins at expected level with outstanding cash performance

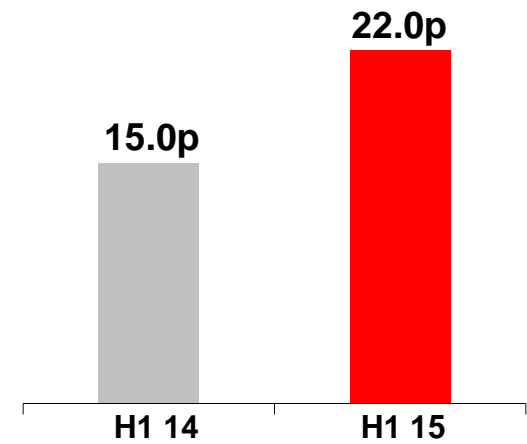
PBT up 21%¹



EPS up 24%¹

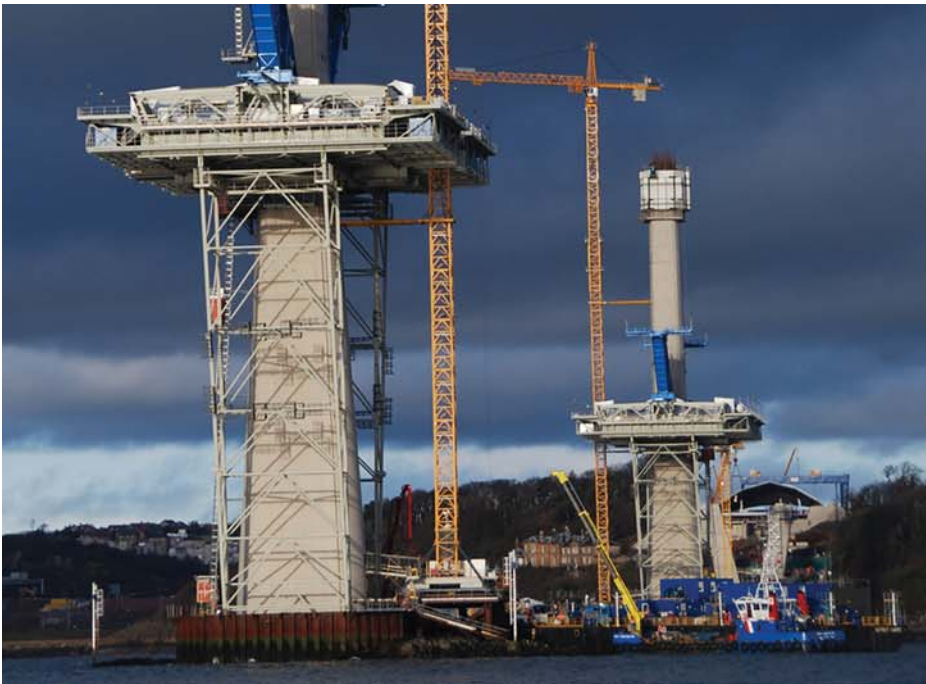


Dividend up 47%



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

Strategy to 2018



Strategy to 2018

- Linden Homes to focus on margin enhancement towards 18% and increase volumes by circa 50% over FY13 (£632m)
 - > *On track*
- Partnerships to increase contracting revenue by 200% over FY13 (£97m), and mixed tenure revenue to over £60m, targeting blended margin of 3.5% - 4.0%
 - > *Revenue target now increased to over £400m and now targeting blended margin of at least 4.0%; looking at potential to increase our investment*
- Construction to grow building and infrastructure by 50% over FY13 (£822m), targeting improvement in margins to 2.0%
 - > *Revenue target subsequently increased to £1.5bn*
- Addressing the challenge of recruitment for growth
 - > *600 employees acquired with Miller; 145 apprentices and graduates hired in 2014*
- Balance sheet gearing restricted to 30%; focus on improving return on capital
 - > *On track*
- Dividend cover reducing from 1.9x in FY13 to 1.8x in FY14 and to 1.7x thereafter
 - > *Now enhanced; aiming to reduce cover to 1.5x*

Strategy to 2018 enhanced

Financial Review



Financial Review

Summary Income Statement: Half Year to 31 December

£m	2014³	2013	FY to 30 June 2014
Revenue¹	1,124.6	836.0	1,850.8
Profit from operations	55.3	44.0	110.5
Profit before exceptional items² and tax	45.9	38.0	94.9
Profit before tax	42.5	38.1	95.2
Earnings per share:			
pre-exceptional²	45.5p	36.7p	94.2p
post-exceptional	42.0p	36.8p	94.6p
Dividend per share	22.0p	15.0p	53.0p

¹ Includes share of joint ventures

² Exceptional items represent £3.4m integration costs of Miller Construction in the period to 31 December 2014

³ Miller Construction contributed circa £169m revenue

Financial Review

Segmental Analysis: Half Year to 31 December

£m	2014			FY to 30 June 14
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin	Operating Margin
Housebuilding				
Linden Homes	346.1	52.1	15.1%	15.1%
Partnerships	157.6	3.6	2.3%	2.1%
Construction	604.8	5.9	1.0%	1.0%
PPP Investments	15.9	(0.6)	NA	NA
Group	0.2	(5.7)	NA	NA
TOTAL	1,124.6	55.3	4.9%	6.0%

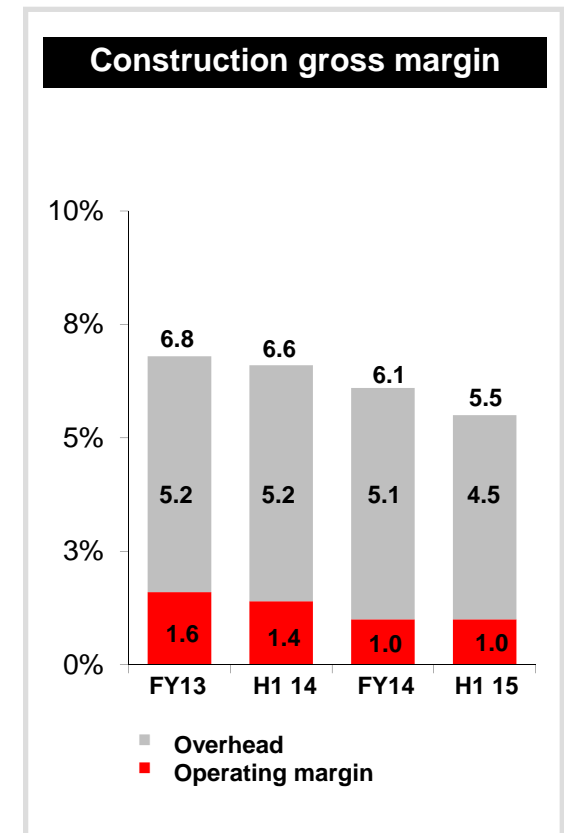
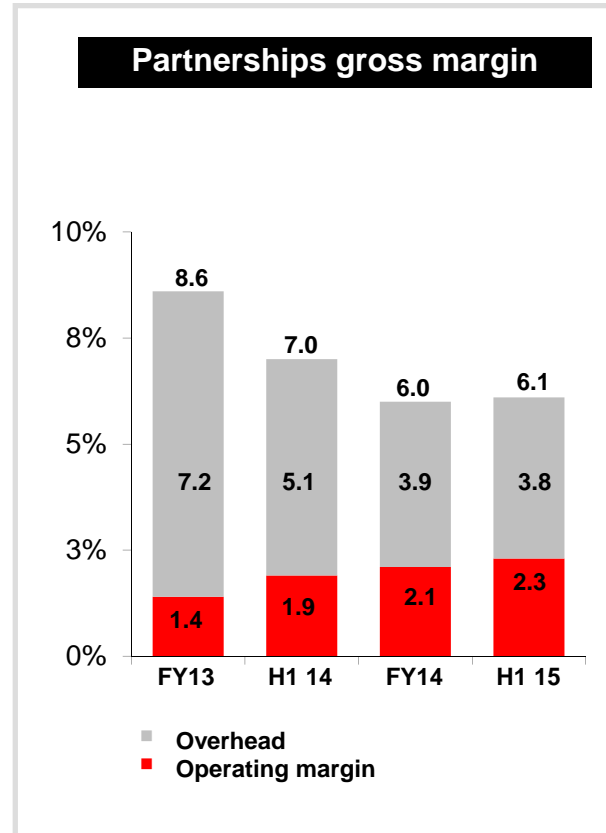
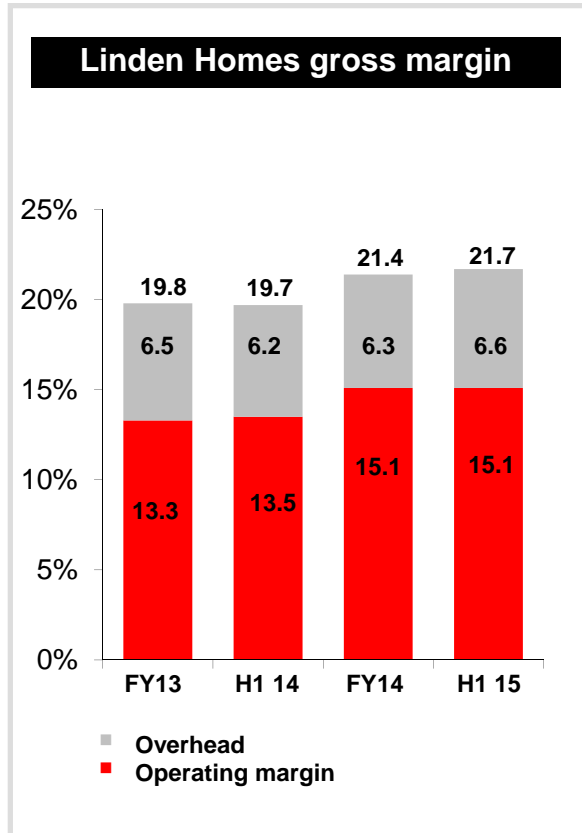
£m	2013		
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin
Housebuilding			
Linden Homes	328.2	44.1	13.5%
Partnerships	100.9	1.9	1.9%
Construction	398.1	5.5	1.4%
PPP Investments	8.6	(1.6)	NA
Group	0.2	(5.9)	NA
TOTAL	836.0	44.0	5.3%

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

Gross Margins



Financial Review

Miller Construction Integration

- **Provisional fair value exercise complete – minimal variation from pre-acquisition estimates**
- **Exceptional integration costs £3.4m; less than budgeted £4m**
- **Anticipated synergy savings of £7m in 2015 and £8m pa thereafter; ahead of expectation**
- **Capitalised intangible assets £12.1m**
 - **Amortisation £2.2m in FY15 and FY16; £1.0m thereafter to 2024**
- **Acquired cash balance of £23.6m**
- **Goodwill of £14.4m**

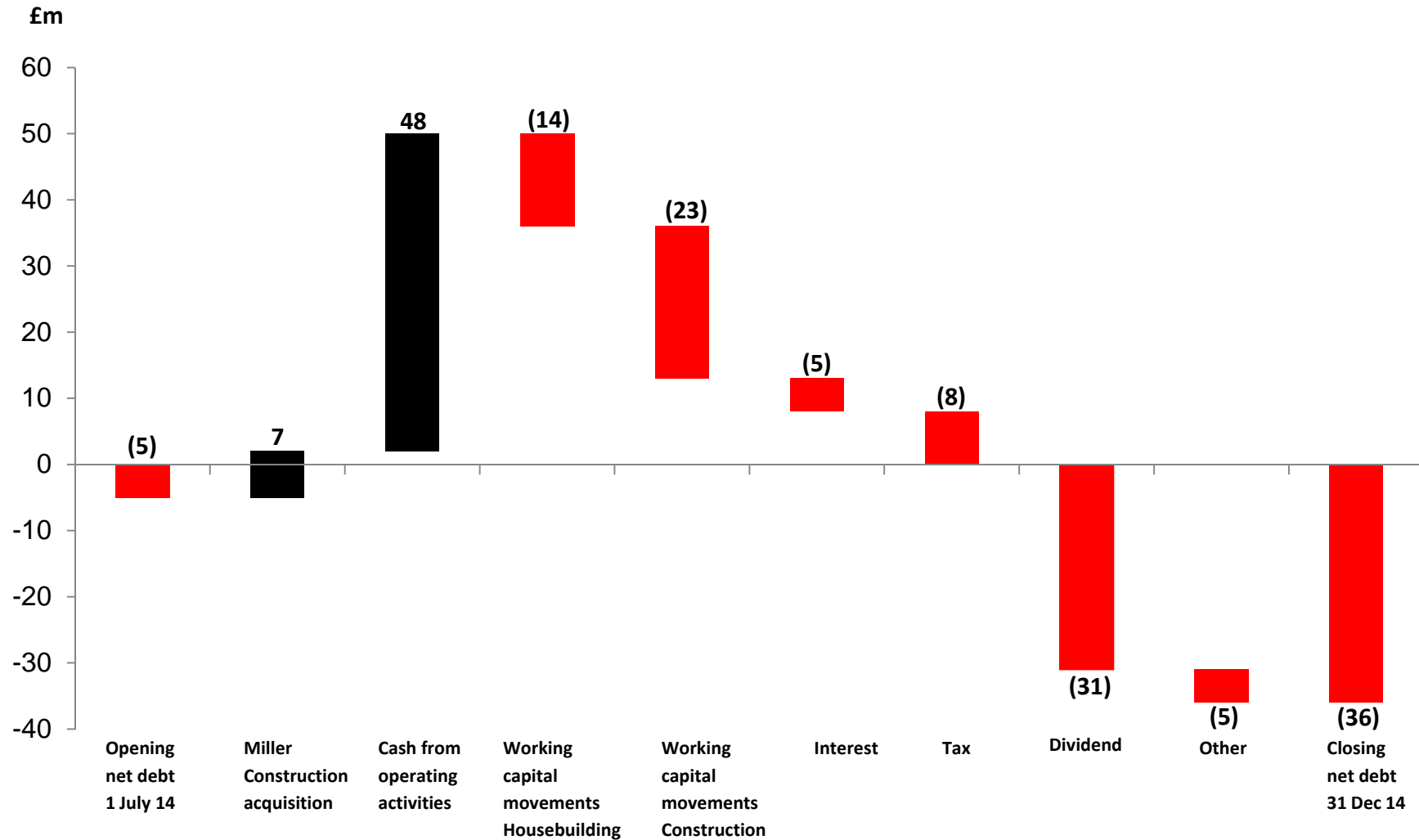
Financial Review

Cash Management

- **Amendment and extension to £400m bank facility; reduced margin and now matures February 2020**
- **New £100m five year interest rate hedge at 1.4%**
- **Continuing focus on working capital management; forecast remains within plan**
- **Average net debt for the six months of £137m**
- **Period end gearing of 7%**
- **Linden Homes continues to benefit from deferred land payments**
- **Partnerships currently self-financing**
- **Strong cash performance in Construction at £158m and 13% of annualised turnover**

Financial Review

Cash Flow



Financial Review

Balance Sheet Highlights

£m	December 2014	June 2014	December 2013
Net asset value	528.2	534.2	502.4
Tangible net assets	375.7	406.1	372.5
Net (debt)	(35.9)	(5.1)	(85.9)
Gearing %	7%	1%	17%

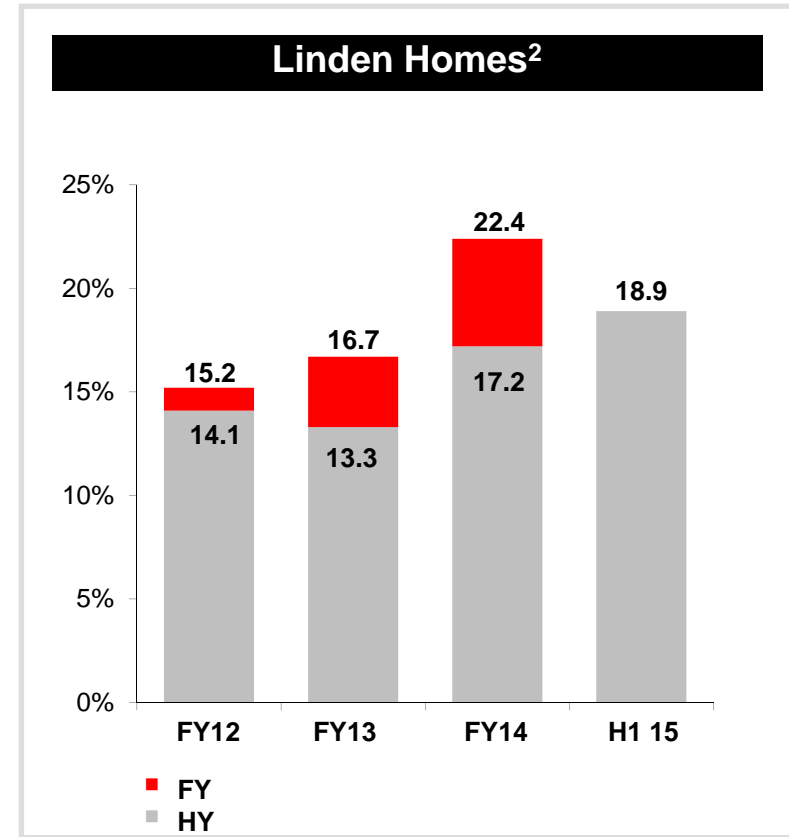
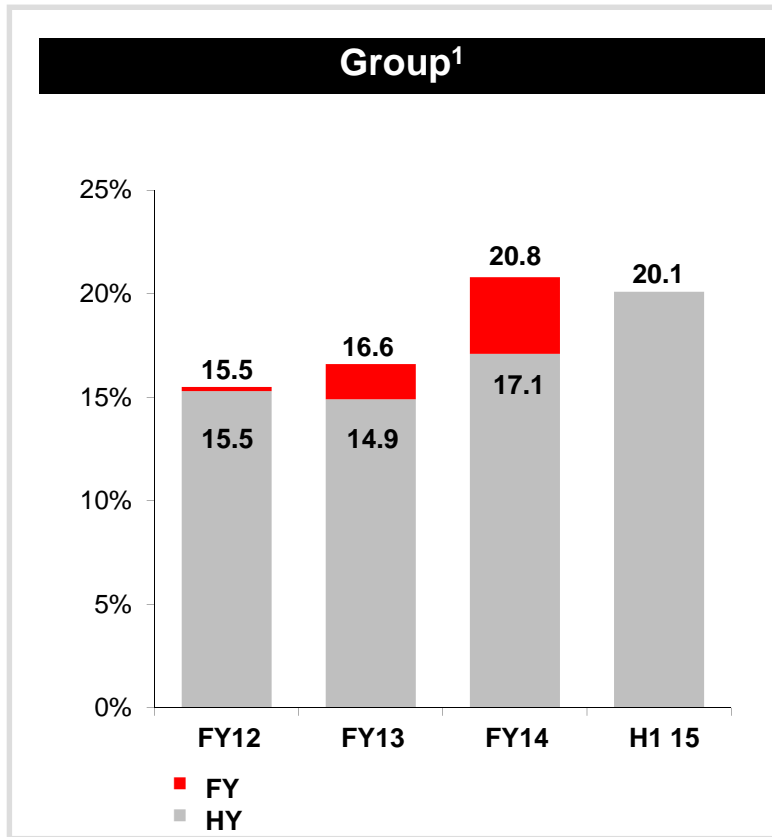
Financial Review

Investment in Housebuilding

£m	December 2014	June 2014	December 2013
Amounts invested in joint ventures	110.9	103.2	71.6
Land	660.1	607.6	585.9
Work in progress	234.5	239.6	216.7
Total invested in housebuilding developments & JVs	1,005.5	950.4	874.2
Land creditors	(277.9)	(233.4)	(218.3)
Net capital employed	727.6	717.0	655.9

Financial Review

Return On Net Assets



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

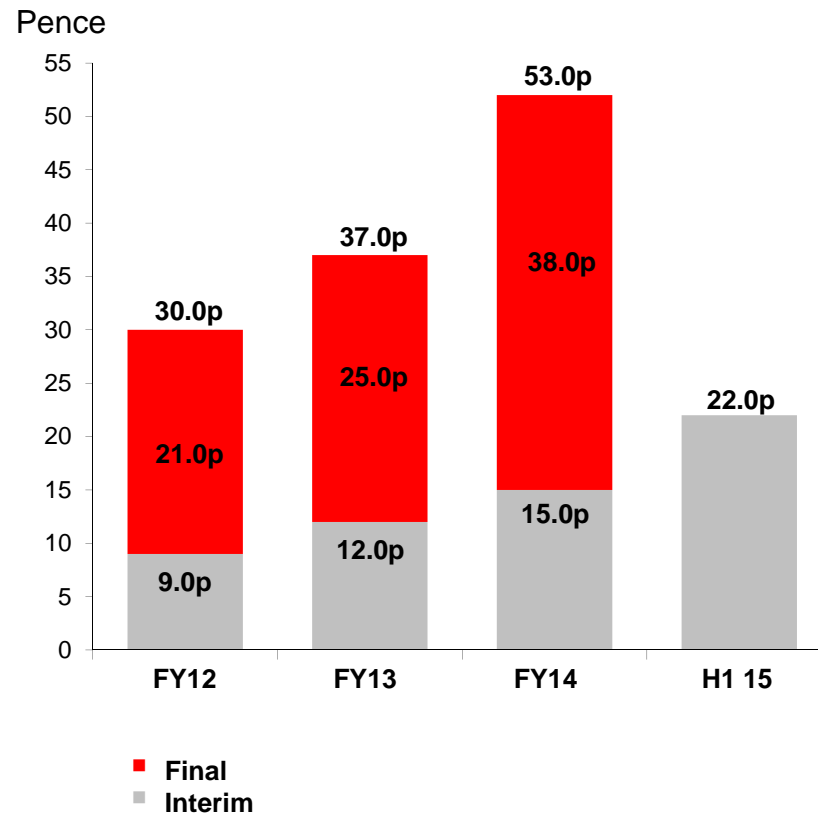
² Linden Homes RONA is calculated as Linden Homes EBITA divided by average net assets including goodwill

Financial Review

Dividend

Cover	2.0x	1.9x	1.8x
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- Sustainable and progressive dividend policy
- Interim dividend up 47%
- Dividend cover policy enhanced; aiming to reduce cover to 1.5x



Operating Review

Housebuilding – Linden Homes & Galliford Try Partnerships



Operating Review - Housebuilding

REVENUE	up 17%
£503.7m	(H1 14: £429.1m)

COMPLETIONS	up 13%
Units:	1,529 (H1 14: 1,359)
Equivalent Contracting Units:	1,050 (H1 14: 640)

LANDBANK ^{1,2}	up 6%/15%
Units:	14,300 (H1 14: 13,500)
GDV:	£3.9bn (H1 14: £3.4bn)

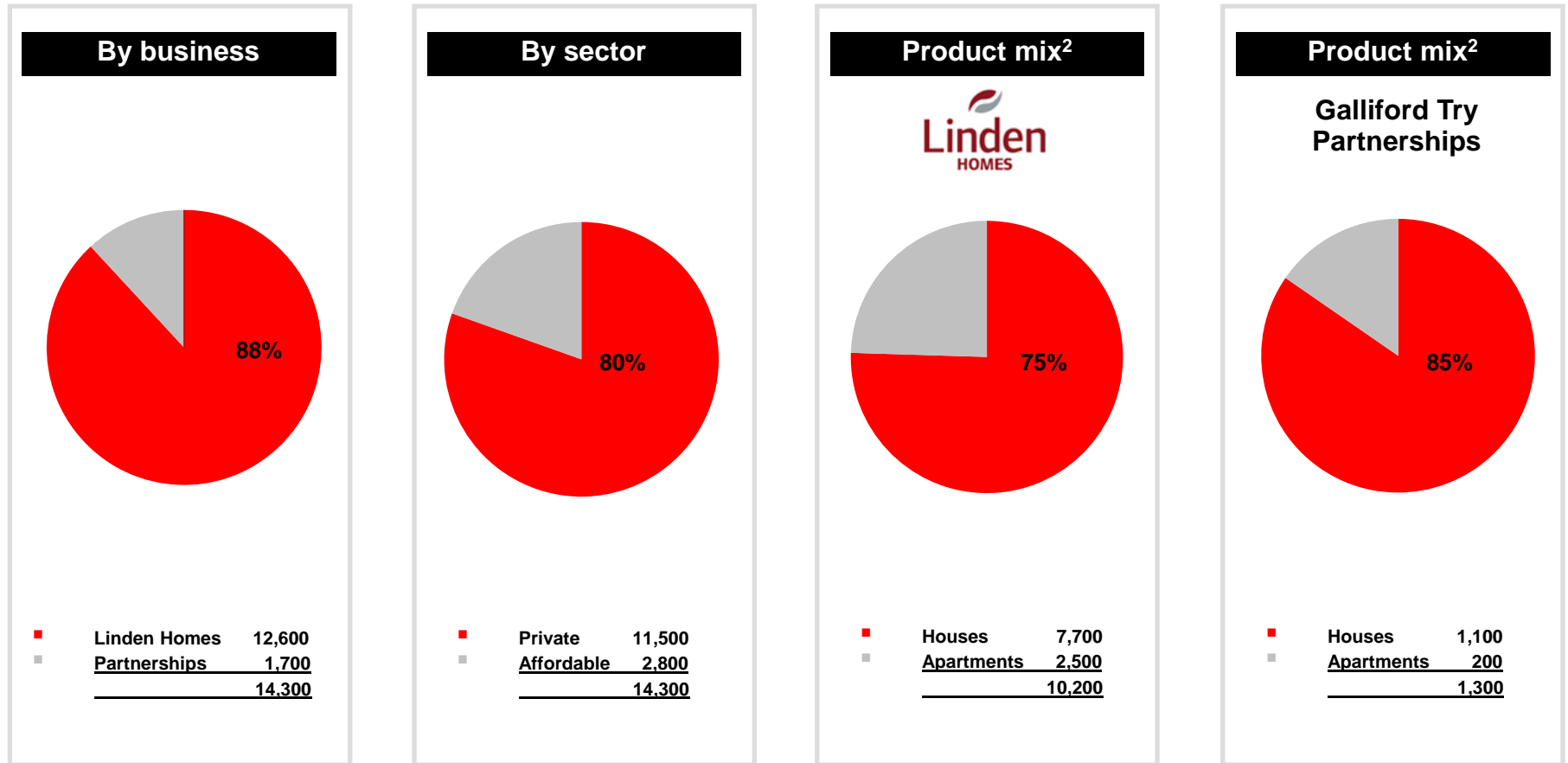
SALES IN HAND/ORDER BK¹	up - /30%
Sales in hand:	£747m (H1 14: £744m)
Order book:	£650m (H1 14: £500m)

¹ Current at 16 February 2015

² Plots owned and controlled

Operating Review - Housebuilding

Landbank analysis¹



¹ Current at 16 February 2015

² Excludes affordable

Operating Review - Housebuilding

Affordable Housing & Regeneration

- **Contribution to margin progression and cash position**
- **Maximising grant drawdown from HCA 2011-15 and 2015-18 awards**
- **Significant public land wins in London and regions bringing total GDV wins to £1.3bn**
- **Increased joint ventures with Registered Providers**
- **Continued Government support**
- **Detailed sector knowledge generating volumes and optimising revenues**

Operating Review

Housebuilding – Linden Homes



Operating Review - Housebuilding

Linden Homes

COMPS/REVENUE		Revenue up 5%
Units:	1,364	(H1 14: 1,300)
Revenue:	£346m	(H1 14: £328m)

MARGIN		up 1.6pts
15.1%		(H1 14: 13.5%)

SALES IN HAND¹	
£677m	(H1 14: £693m)

LANDBANK UNITS^{1,3}		up 2%
12,600		(H1 14: 12,300)

AVERAGE SALES PRICE²		up 7%
£310k		(H1 14: £291k)

LANDBANK GDV^{1,3}		up 13%
£3.6bn		(H1 14: £3.2bn)

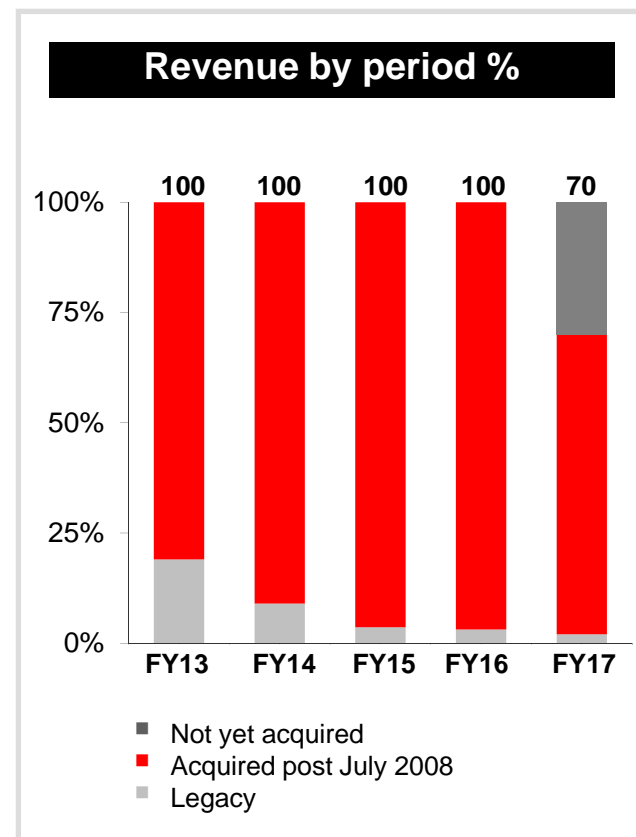
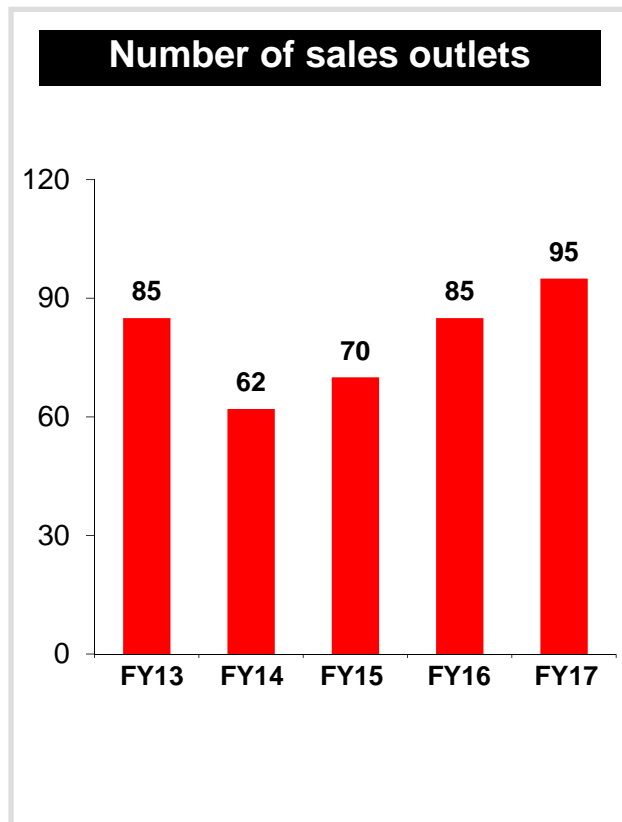
¹ Current at 16 February 2015

² Excludes affordable

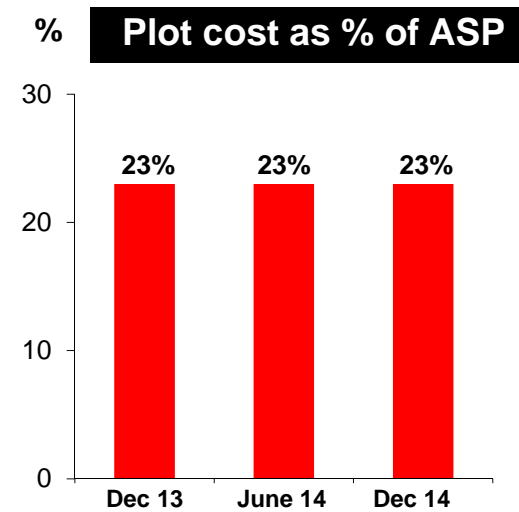
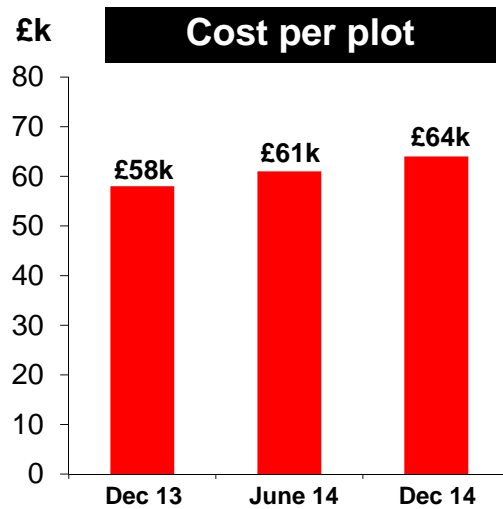
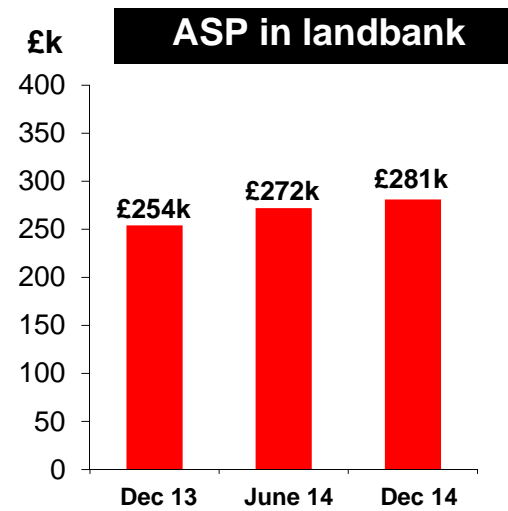
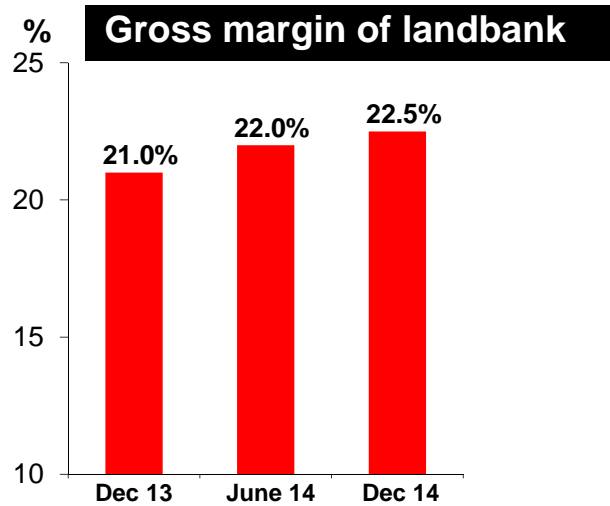
³ Plots owned and controlled

Operating Review - Housebuilding

Linden Homes: forecast outlets and revenue



Linden Homes: landbank analysis¹



¹ Includes affordable

Operating Review - Housebuilding

Linden Homes

- Land market good in all regions, hurdle rate increased to 24% from 1 January 2015
- 100% of land owned for FY16
- Planning environment remains favourable although detailed planning consents still subject to delay
- Availability of materials has eased although demand for trades remains high
- 20 sales outlets expected to open during second half of year
- Encouraging sales since 1 January 2015
- Good progress being made on margin improvement plan

Operating Review - Housebuilding

Strategic Land

- **300 plots delivered to the consented land bank in the period across three sites**
- **Circa 1,610 currently in for planning across seven sites**
- **Circa 1,350 acres held in strategic landbank at December 2014**
- **2,370 plots delivered to landbank to date**
- **Expanded team in place to increase delivery both short and longer term**

Operating Review

Housebuilding – Galliford Try Partnerships



Operating Review - Housebuilding

Galliford Try Partnerships

REVENUE		up £45.4m and £11.3m
Contracting:	£139.9m	(H1 14: £94.5m)
Mixed tenure:	£17.7m	(H1 14: £6.4m)

MARGIN		up 0.4pts
2.3%		(H1 14: 1.9%)

ORDER BOOK/SALES IN HAND¹		up 30%/37%
Contracting:	£650m	(H1 14: £500m)
Mixed tenure:	£70m	(H1 14: £51m)

LANDBANK^{1,2}		up 42% and 22%
Units:	1,700	(H1 14: 1,200)
GDV:	£313m	(H1 14: £256m)

¹ Current at 16 February 2015

² Plots owned and controlled

Operating Review - Housebuilding

Galliford Try Partnerships

- **Strategy to increase mixed tenure activity making good progress**
- **Strong level of opportunities with significant project wins**
 - **Silvertown Way, London; £360m (GDV)**
 - **Retirement and Care projects; £70m**
- **HCA 2015-18 grant funding starting to produce opportunity**
- **Potential to accelerate growth through increased investment**
- **On target to open office in North West**

Operating Review Construction



MARGIN	in line with expectations
1.0%	(H1 14: 1.4%)

CASH	strong
£158m	(H1 14: £122m)

ORDER BOOK¹	high quality
£3.25bn	(H1 14: £1.25bn)

WORK SECURED¹	record visibility
75% (for 2015/16)	(H1 14: 66%)

¹ Current at 16 February 2015

Operating Review - Construction

Miller Construction Acquisition Update

- **Outstanding acquisition and integration**
- **Integration successfully completed with costs below budget with revised management structure fully operational**
- **Combined business exceeding our objectives**
- **Order book significantly strengthened both in size and quality**
- **600 former Miller Construction employees now part of Galliford Try team, including several business unit MDs and divisional board members**
- **Tactical acquisition accelerates Group strategy**

Operating Review - Construction

Building Division

- **Business successfully reorganised following integration of Miller Construction**
- **Revenue increased, partly through contribution of Miller Construction**
- **Margin constrained by inflation as we complete historical projects, but no exceptional losses**
- **New work contains appropriate margin and inflation allowances**
- **Increasing use of two-stage contract negotiations**
- **Good wins in period, including Next Generation Estates Contracts framework**

Operating Review - Construction

Infrastructure Division

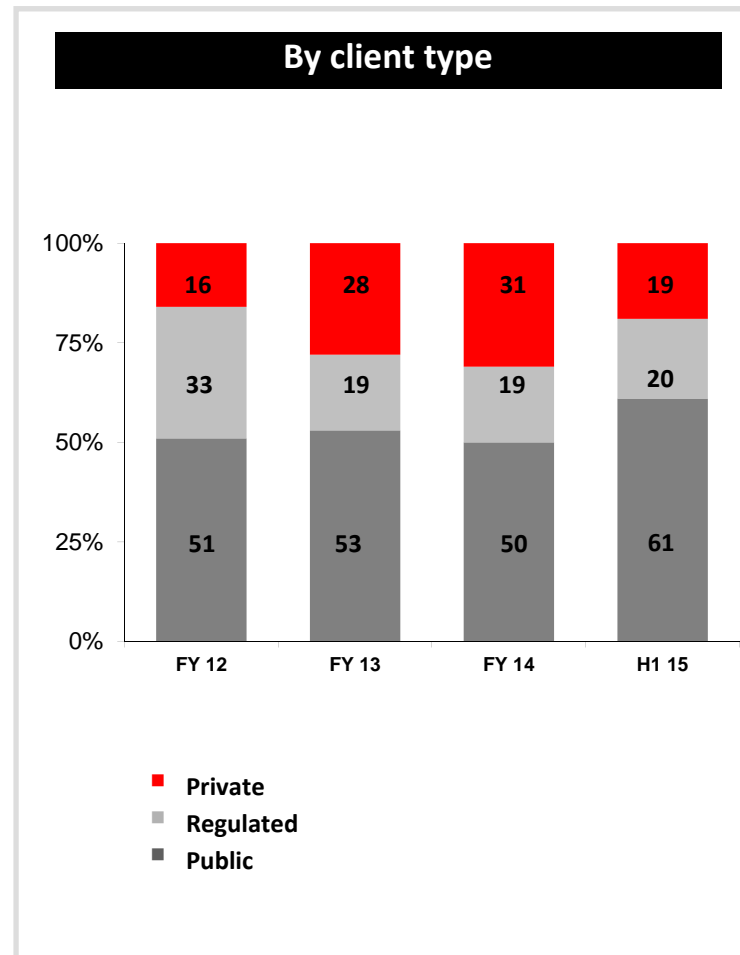
- Revenue up in period; margin starting to recover
- Strong sector focus and success in securing major projects and national frameworks
 - Highways Agency
 - Aberdeen Western Peripheral Route
- Market strong allowing us to be selective in pursuing opportunities

Investments Division

- Financially closed three projects in the period
- Strong presence in Scotland proving advantageous

Operating Review - Construction

Order book transformed



Outlook and Summary



Outlook

Positive outlook across the Group

Housebuilding

Linden Homes

- **Good progress towards target operating margin of 18% by 2018**
- **Land market good, hurdle rate increased to 24%**
- **Encouraging sales since 1 January**
- **Strong in hand position**

Galliford Try Partnerships

- **Excellent wins in the period**
- **Strong pipeline with 64% of contracting revenue for 2016 secured**
- **Currently self-funded; may increase our investment**
- **Margin growth to at least 4% with increased focus on mixed tenure**

Outlook

Positive outlook across the Group

Construction

- Record order book of £3.25bn
- Rapidly improving market
- A record of 75% secured for 2015/16 (66% last year)
- Trading conditions remain challenging particularly in Building; margin constrained
- Targeting £1.5bn and 2% margin by 2018
- Benefits of Miller Construction acquisition starting to be seen
- Continue to focus on cash and robust risk management

Group

- Continued government support for housebuilding
- Production environment and cost pressures remain a key focus for management
- Challenge of recruiting and retaining the best people in an improving market
- Market conditions are supporting growth across our business

Summary

- **Excellent Group results and cash position**
- **Improved Linden Homes margin in line with strategy**
- **Galliford Try Partnerships continues to deliver revenue and margin growth**
- **Record Housebuilding landbank**
- **Robust Construction performance; excellent order book**
- **Miller Construction integration successfully delivered**
- **Strong balance sheet and improved funding position**
- **CEO search progressing on plan**
- **Aim to reduce dividend cover to 1.5x**

Confident of achieving enhanced strategy to 2018

Appendices



Appendices

- 1. Cash flow summary**
- 2. Net finance costs**
- 3. Housebuilding Division**
 - 3.1 Housebuilding – completed units**
 - 3.2 Forecast land creditors' payment profile**
- 4. Housebuilding: Partnerships business model**
- 5. Housebuilding: Linden Homes**
 - 5.1 Revenue analysis regional**
 - 5.2 Analysis of sales reserved, contracted and completed**
 - 5.3 Sales, completions by buyer type**
 - 5.4 Trading overview**
 - 5.5 Private sales, analysis of incentives on reservations**
 - 5.6 Strategic use of joint ventures**
 - 5.7 Landbank delivery**
 - 5.8 Landbank valuation**
- 6. Construction**
 - 6.1 Segmental analysis**
 - 6.2 Order book**
- 7. Forecast assumptions**

Appendices

1. Cash Flow Summary – Half Year to 31 December 2014

£m	2014	2013
Cash from operating activities	48.2	42.0
Working capital movements	(36.5)	(76.2)
Net cash generated from/(used in) operations	11.7	(34.2)
Interest, tax and dividends	(44.6)	(26.3)
Acquisition (including cash acquired)	7.0	-
Other	(4.9)	(11.0)
Net cash (outflow)	(30.8)	(71.5)
Opening net debt	(5.1)	(14.4)
Closing net debt	(35.9)	(85.9)
Cash Analysis - £m	2014	2013
Linden Homes (includes loans to JVs)	(579.4)	(579.5)
Galliford Try Partnerships	18.0	17.4
Construction	158.0	121.5
Group and others	367.5	354.7
TOTAL	(35.9)	(85.9)

2. Net Finance Costs – Half Year to 31 December 2014

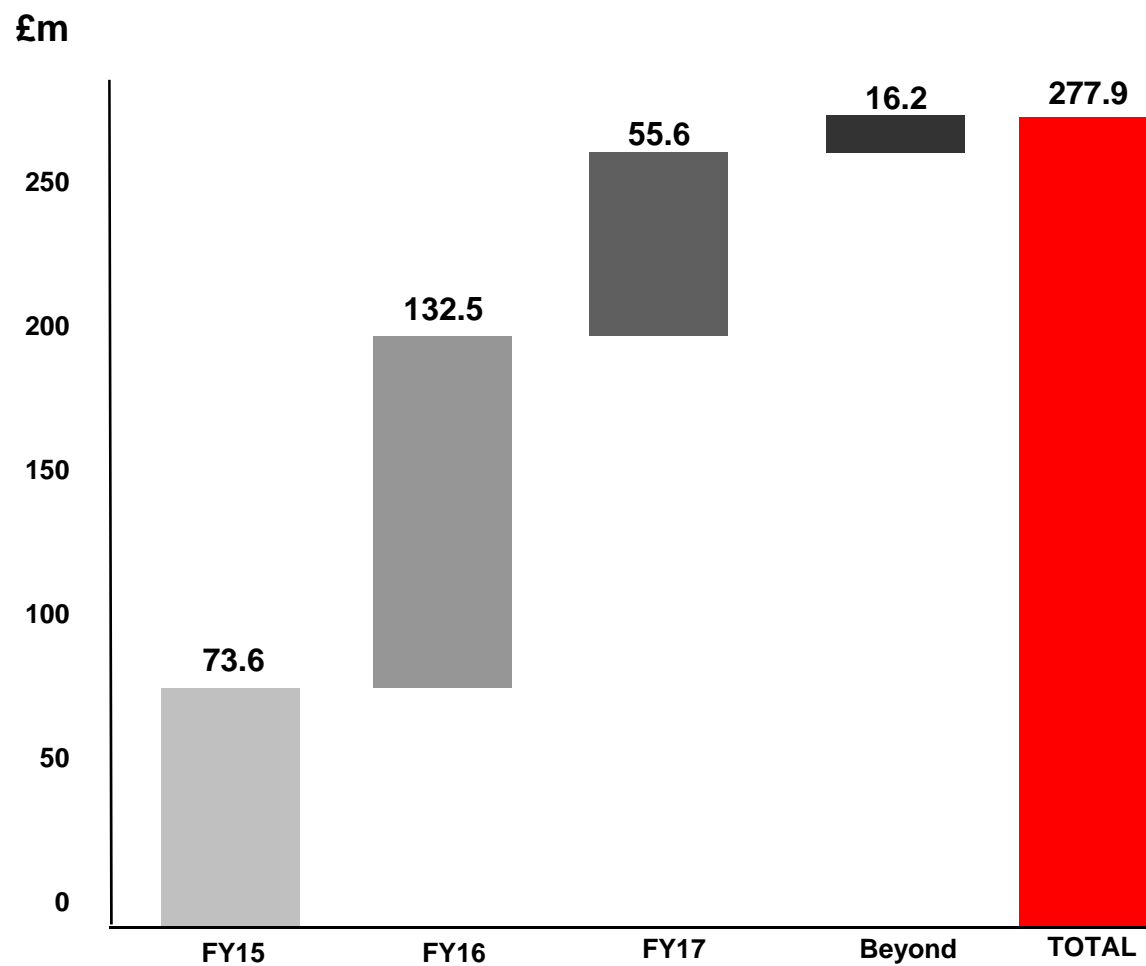
£m	2014	2013
Net interest payable on borrowings	(5.4)	(4.6)
Interest receivable from joint ventures	0.4	-
Unwind of discount on shared equity receivables	0.7	0.9
Unwind of discount on payables	(1.0)	(0.8)
Other	(0.2)	0.1
TOTAL	(5.5)	(4.4)

Appendices

3.1 Housebuilding – completed 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	984	935	73	58	1,057	993
Affordable	380	343	92	68	472	411
TOTAL	1,364	1,278	165	126	1,529	1,404
Contracting (equivalent units)	-		1,050	1,050	1,050	1,050
TOTAL	1,364	1,278	1,215	1,176	2,579	2,454

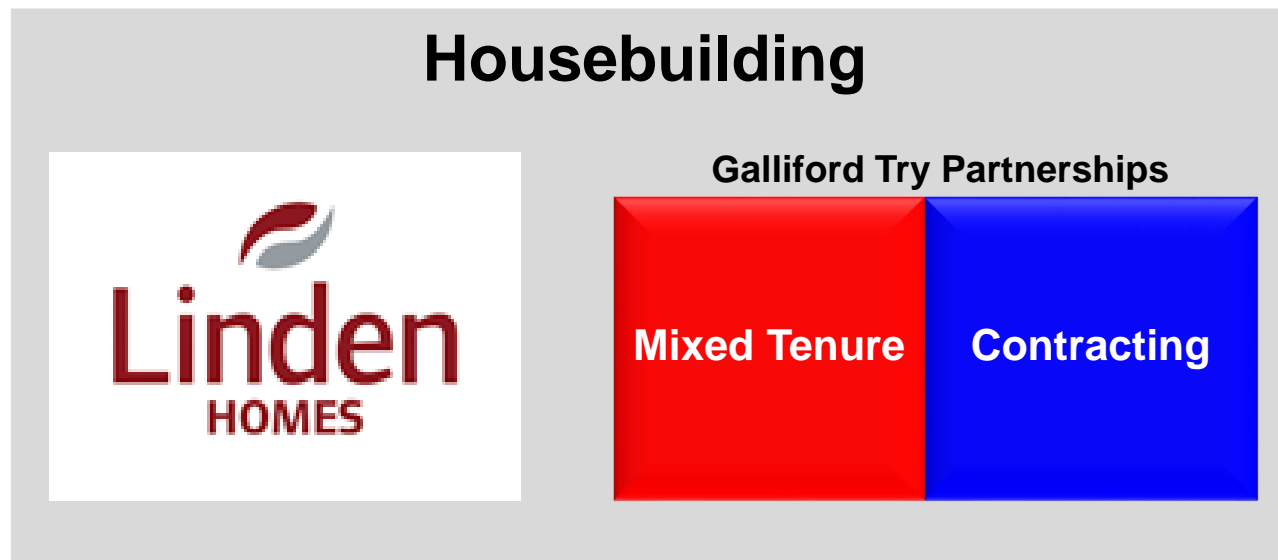
3.2 Housebuilding - forecast land creditors' payment profile



Appendices

4. 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
 - 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

5.1 Linden Homes – revenue analysis, regional at 31 December 2014

TOTAL

- Units 1,364
- Revenue £346.1m



SOUTH

- Units 585 (43%)
- Revenue £125.4m (36%)

MIDLANDS/EAST

- Units 333 (24%)
- Revenue £70.2m (20%)

SOUTH EAST

- Units 446 (33%)
- Revenue £150.5m (44%)

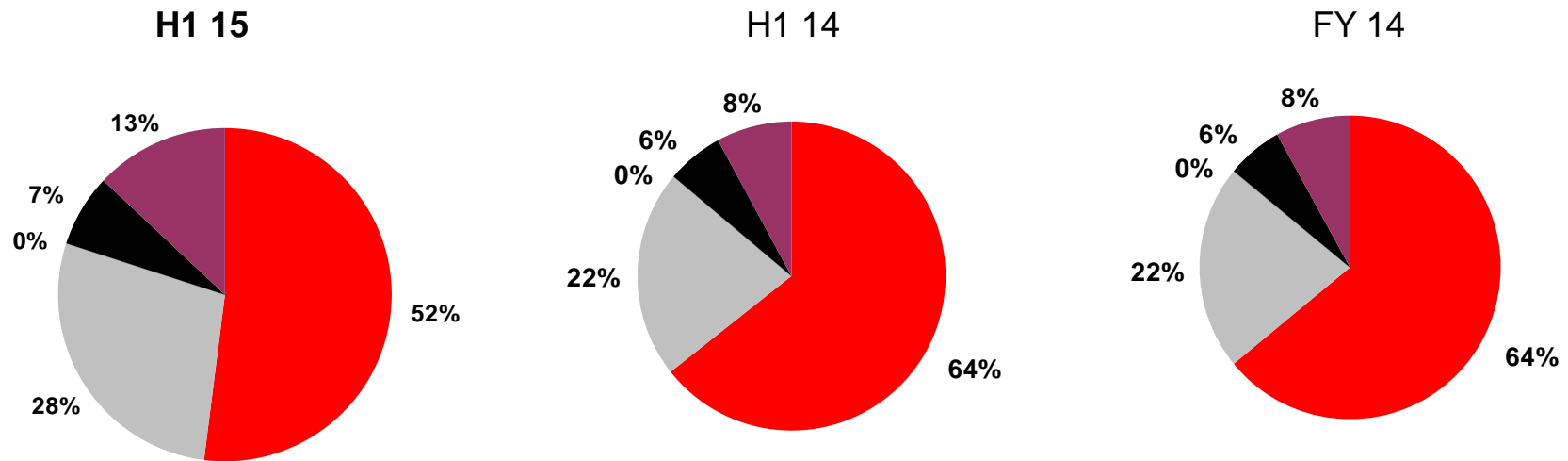
Appendices

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

	Feb 15	Dec 14	Feb 14
£m			
Private	519.7	444.8	562.3
Affordable	147.2	124.1	126.6
Land Sales	9.7	9.7	4.1
Total	676.6	578.6	693.0
For completion in FY15	540.0	471.9	597.4
For completion post FY15	136.6	106.7	95.6
Total	676.6	578.6	693.0
% of projected FY15 revenue secured	66%	58%	75%
Units			
Private	1,643	1,407	1,927
Affordable	1,274	1,078	1,179
Total	2,917	2,485	3,106

Appendices

5.3 Linden Homes – sales, completions by buyer type



- Private
- Affordable
- Private with Shared Equity
- Private with Part Exchange
- Private - Investor

Based on 1,364 completions

5.4 Linden Homes – trading overview

	H1 15	H1 14	FY14
Revenue (£m)	346	328	760
Land cost	22.9%	24.2%	24.4%
Build cost	55.4%	56.1%	54.2%
Gross margin	21.7%	19.7%	21.4%
Admin expense	6.6%	6.2%	6.3%
Operating margin	15.1%	13.5%	15.1%

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

Proportion of units	H1 15	H2 14	H1 14
No incentives	38%	53%	41%
Incentives			
Part exchange	11%	8%	7%
Assisted move	2%	1%	2%
Shared equity	-	-	-
NewBuy	-	-	-
Help to Buy	23%	30%	39%
Investor sales	26%	8%	11%
TOTAL	100%	100%	100%

Appendices

5.6 Linden Homes – strategic use of joint ventures

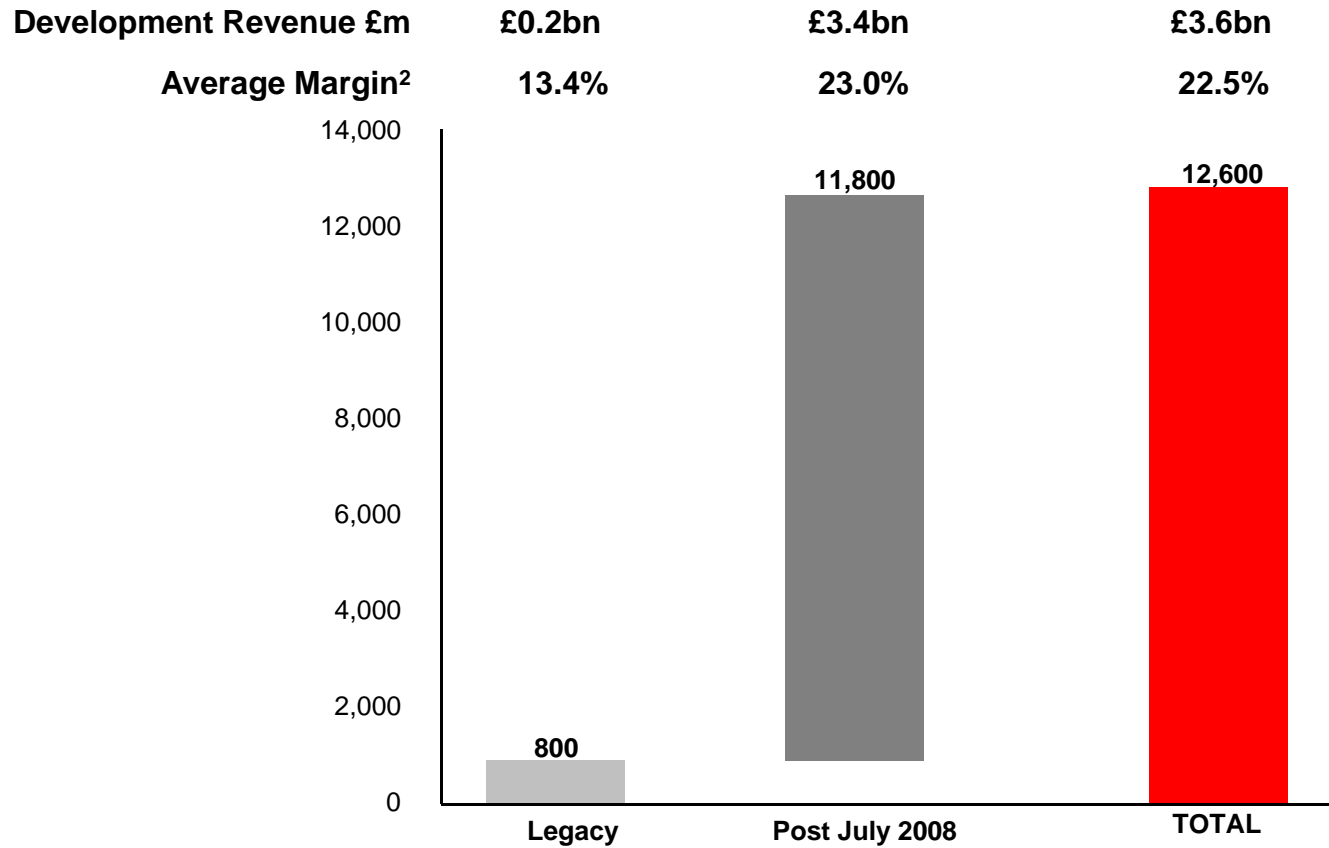
		H1 15			
		Completions (Units)		Revenue (Linden Homes only)	ASP
		Gross	Net of JV partner	£m	£000
Direct	- private	883	883	274	310
	- affordable	296	296	33	113
Other income, including land sales				15	-
JOs ¹	- private	76	38	7	188
	- affordable	7	4	1	123
		1,262	1,221	330	
JVs ²	- private	25	14	8	611
	- 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

5.7 Linden Homes – landbank delivery¹



¹ Current at 16 February 2015

² Blended private/affordable – after sales costs of circa 2%

5.8 Linden Homes - landbank valuation¹

Cost per plot £000	<u>December 2014</u>			<u>December 2013</u>			<u>June 2014</u>		
	South East	South	Midlands/ East	South East	South	Midlands/ East	South East	South	Midlands/ East
Opening landbank	114	38	54	108	38	45	108	38	45
Closing landbank	121	42	52	116	34	50	114	38	54
Weighted ASP in landbank	446	232	207	391	210	193	425	225	199
Plot cost as % of weighted ASP	27%	18%	25%	30%	16%	26%	27%	17%	27%

¹ Excluding strategic landbank of 8,000 plots

Appendices

6.1 Construction – segmental analysis

£m	December 2014			June 2014
	Revenue ¹	Profit from Operations	Margin	Margin
Building	413.3	3.2	0.8%	0.7%
Infrastructure	191.5	2.7	1.4%	1.3%
TOTAL	604.8	5.9	1.0%	1.0%

£m	December 2013		
	Revenue ¹	Profit from Operations	Margin
Building	211.6	2.1	1.0%
Infrastructure	186.5	3.4	1.8%
TOTAL	398.1	5.5	1.4%

¹ Including share of joint ventures

Appendices

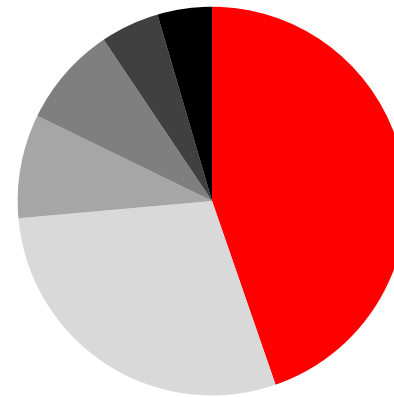
6.2 Construction - Order book

Building



	£m
■ Education	647
■ Commercial	399
■ Health	329
■ FM	326
■ Other Public & Regulated	324
■ Custodial	55

Infrastructure



	£m
■ Transport	523
■ Water	338
■ Power	101
■ Rail	98
■ Flood Alleviation	57
■ Other Civil Engineering	53

Appendices

7. Forecast assumptions

1. Macro-economic assumptions

- **Economic stability; growth continues as per current consensus**
- **Interest rate rises gradually from second half 2015**
- **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, beyond the election**
- **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 just above 2014 levels**
- **Landbank target (14,000 units) achieved; expect to stay at, or just above this**

Appendices

7. Forecast assumptions (continued)

3. Financial assumptions

Linden Homes

- Mid/high single digit growth in unit numbers from FY16
- Proportionate mix of private/affordable units remains stable
- Operating margin progression towards 18% in 2018
- No new business units in Linden Homes (one new satellite office likely)

Partnerships

- Mixed tenure unit numbers doubling between 2014 and 2016
- Total revenue continues to grow strongly
- Margin growth towards 4% by 2017-2018
- One new Partnerships office (North West); numbers already reported within Partnerships

Construction

- 2015 turnover circa £1.2bn
- Revenue growth towards £1.5bn - steady growth over the period from 2015
- Margin growth to 2% - steady growth over the period

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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 2014, 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.