

Henry Boot PLC Investor Presentation September 2015

Henry Boot





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- Very satisfactory first half trading performance.
- Election delayed completion of transactions during the period. Planning, in particular, was affected.
- Activity levels have recovered since. Confidence quickly returned to markets.
- Commercial development activity really strong. More work in progress and opportunities (actively working on 25+ schemes) than ever before. 2016-19 looks very encouraging.
- Strategic land bank over 10,500 acres. Indications are that demand is picking up since the Election. Consent on 12,000+ units with further 11,500 in planning pipeline, 6,000 approaching application.
- Surprise reduction in affordable housing support could have an effect on the timing of sales (more negotiation time) and marginally affect profitability of land sales.
- Construction and PFI project trading well in line with expectations. Plant hire trading very well.
- House building JV building land bank to circa 300 units with potential to add circa 100 units over next twelve months.
- Succession planning process in place, board changes with effect from 31 December 2015 announced.

Henry Boot PLC – Financial Highlights

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HALF YEAR

	2015	2014	2013	2012
Turnover	£79.2	£65.8	£81.8m	£43.3m
Trading Profit	£11.8m	£11.9m	£8.1m	£3.9m
Revaluation Surplus/(Deficit)	£1.8m	£1.8m	(£0.5m)	£1.8m
Profit before tax	£14.0m	£13.4m	£7.4m	£5.5m
EPS	7.8p	7.4p	3.6p	2.2p
Interim Dividend	2.3p	2.1p	1.95p	1.80p
Net Debt	£55.4m	£33.1m	£36.1m	£22.0m
Gearing	26%	17%	19%	12%
NAV per share	160p	149p	143p	135p

- Turnover higher as we sold land at Exeter as owner.
- Profitability in the period similar in all segments to 2014.
- PBT: 4% higher at £14m. EPS: 7.8p (↑ 5.4%).
- Revaluation surplus depressed by reduction in value of The Axis, Nottingham property after lower than anticipated bids. Also reduced value of site in Rotherham after bidder withdrew – B&Q potentially earmarked for closure – and Bodmin.
- Gearing increased as a result of development work in progress. Timing, as two industrial units sold at Markham for circa £13m, with completion in the second half.
- 10% ↑ in interim dividend to 2.3p.
- NAV per share 160p. Net assets £211m.
- Pension deficit £20m, down from £28m at year end 2014.
- Trading in line with Board's expectations for full year.

- Interest in land through purchase, option or as agent (10-20%) operating nationwide through seven offices.
- Good supply of land with permission. House builders are able to buy competitively but are building and selling well. Therefore, need to replenish land banks.
- Too early to tell if the Tories will change planning process. We sense it may get tougher.
- We are very active in land market. Selling 747 plots in period. Gained planning on 1,600 plots. Some 2,000+ plots the subject of sales agreements.

Land Bank

	June 15 acres	Dec 14 acres	Dec 13 acres	Dec 12 acres
Total	10,547	9,985	9,723	9,011
Owned	1,810	1,819	1,791	1,765
Agency/Optioned	8,737	8,166	7,932	7,246

Investment in Land Holdings

	June 15		Dec 14		Dec 13		Dec 12	
	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000	£m	Per acre/ £'000
Owned	71.0	39	72.4	40	63.3	35	58.8	33
Agency/Optioned	29.5	3	27.2	3	20.6	3	16.6	2
Total	100.5	10	99.6	10	83.9	9	75.4	8

Sites in Planning Process

Sites	75	65	65	45
Plots	26,675	22,193	19,925	11,497
Permissioned	12,505	11,547	10,438	6,296
Plots sold	747	1,107	1,177	253

KEY EVENTS IN THE PERIOD

- Completed four land sales, 747 units. Gross profit £12k per plot on sales made.
- Exchanged on two other sites for 2015 completion, on 30 June 2015.
- In discussion on 11 other site sales with several close to agreed terms. A total of 2,000+ units.
- Further 27 sites in planning process for circa 14,000 units.
- Working towards an application on 17 sites for 6,000 units over 2015/16.
- Total of 188 sites in portfolio. By value, 70% of the portfolio is in the South, South West and South Midlands.
- All processes slowed around the Election, now back on track.

KEY EVENTS IN THE PERIOD

- Industrial
 - Completed and agreed sale on 150,000 sq ft at Markham August £13m. Agreed development and pre-funding terms for 470,000 sq ft and very close to another 220,000 sq ft agreement. Thorne 130,000 sq ft grant assisted in progress, agreed letting terms on half.
- Retail
 - Beeston and Bodmin Phase 1 complete, Livingston, Aberdare, Monmouth, Brighouse (circa £20m in total) to come, subject to planning.
- Offices
 - 22,000 sq ft to W S Atkins completed and sold. Uxbridge 37,000 sq ft, Manchester 30,000 sq ft, Epsom 100,000 sq ft to come.
- Aberdeen Exhibition Centre
 - In for detailed planning, expect start on site 2016. GDV £300m, includes three hotels.
- York
 - Permission granted, agreement signed with JV developer, PJ Livesey. Expect development to start in late 2015. First sales second half of 2016.
- Residential
 - Building plot portfolio to circa 300 units. Will deliver 40+ units this year. Planning Permission obtained on former Leeds High School site and now on site (106 units). Average selling price circa £225-250k. Potential PRS scheme in Manchester and student housing in Bristol in discussion.



KEY EVENTS IN THE PERIOD

- Workloads are good. Pricing continues to be competitive. Activity in the period, £52m (2014: £45m).
- No material contract issues as our contracts are smaller value (£1m-£5m typically) and short term. Prudent profit taken up to contract completion. Watching raw material and labour inflation carefully.
- Larger Stocksbridge contract progressing well.
- Plant hire very strong, heading for a record year of activity and profit.
- Adding circa £4m of new plant hire assets in year, average age of plant fleet circa five years, accommodation seven years.
- Road Link (A69) PFI has just completed its 19th year and trading in line with expectations. There are 11 years left on the franchise.

- Triennial valuation due 1 January 2016. Company currently contributing £3.7m per annum in recovery contributions. Aim will be to reduce this.
- IAS 19 deficit reduced to £20m (31 December 2014: £28m) after the discount rate increased by 20bps – volatility high.
- Scheme break even return circa 4.7%. Actually achieved double this over last four years.
- Very few long dated index linked gilts in Scheme – currently too much capital risk. Expect long dated gilt holding to be lower by end 2015.
- Mismatch between use of gilt yields to derive IAS 19 discount rates and assets which are invested globally with managers targeting a weighted average return of circa 8%.
- Possible direction of travel for interest rates is upwards. This should be positive for discount rate and therefore scheme deficit.



LAND DEVELOPMENT

- Buoyant end markets, house builders very profitable and cash generative.
- Very strong interest in sites for sale in good locations. Sale process protracted.
- Now 188 sites in hand, approximately 50% of which are either permissioned (12,500 units), in planning process (14,000 units) or to be submitted (6,000 units). Unprecedented levels.
- It is a highly political process at both local and national level – this will remain the case. “Land Tax” through S106 and CIL increasing.
- Budget increased cost of affordable housing. House builders making strong representations. More negotiation on price likely.

PROPERTY INVESTMENT AND DEVELOPMENT

- Very strong development pipeline. Good level of new opportunities.
- Tenant and investment requirements are very positive.
- Yield compression now more or less complete. Rental growth is required for asset values to increase.
- Broad range of uses in our development portfolio of 25+ sites. Seven schemes active in 2015. GDV of all these sites in aggregate £700m+.
- Small JV house builder looking to produce 40+ units again in 2015. Won Planning Permission for 106 units site in Leeds and has 110 units site in Sheffield in mind for 2016/17.
- All major schemes have progressed as expected in the period. 2016 should see York, Aberdeen, Markham and Epsom on site. (GDV £400m+)

GROUP

- Continued high capital allocation to land and particularly property development (including residential development).
- Pre-sale and funding arrangements in place for certain larger schemes. Interest in this type of arrangement very strong.
- £60m facilities recently renewed. Introduced debt to NHS JV to repay our development funding at 55% LTV.
- Maintaining 2.5-3.0 x dividend cover to allow for reinvestment in the opportunity portfolio.
- Trading in line with Board's expectations for the full year.



Changes in Board Structure wef 31.12.15

We have also announced today:

- John Brown and Mike Gunston to retire after nine years on the Board at 31 December 2015
- Jamie Boot – CEO for 30+ years to move to Non-executive Chairman
- John Sutcliffe – GFD for nine years to move to CEO
- Darren Littlewood – GFC for seven years to move to GFD
- New independent Non-executive Directors to join James Sykes with effect from 1 October 2015:

Joanne Lake

- Deputy Chair, Mattioli Woods
- NED, Gateley (Holdings)
- Corporate financier

Peter Mawson

- Ex CEO of Donaldson LLP prior to its acquisition by DTZ
- Ex CEO of West Northamptonshire Development Corporation
- Very experienced planning & development consultant

Gerald Jennings

- Ex-Portfolio Director for Land Securities in the North
- Responsible for the one million sq ft Trinity Leeds retail development
- Very experienced commercial developer

- Top 10 Institutional Shareholders as at 7 August 2015
- Share price - benchmark indices graph covering the previous 12 months
- Current Projects:
 - Henry Boot Developments
 - Stonebridge Homes
 - Hallam Land Management
 - Henry Boot Constructions

Top 10 Institutional Shareholders as at 7.8.15

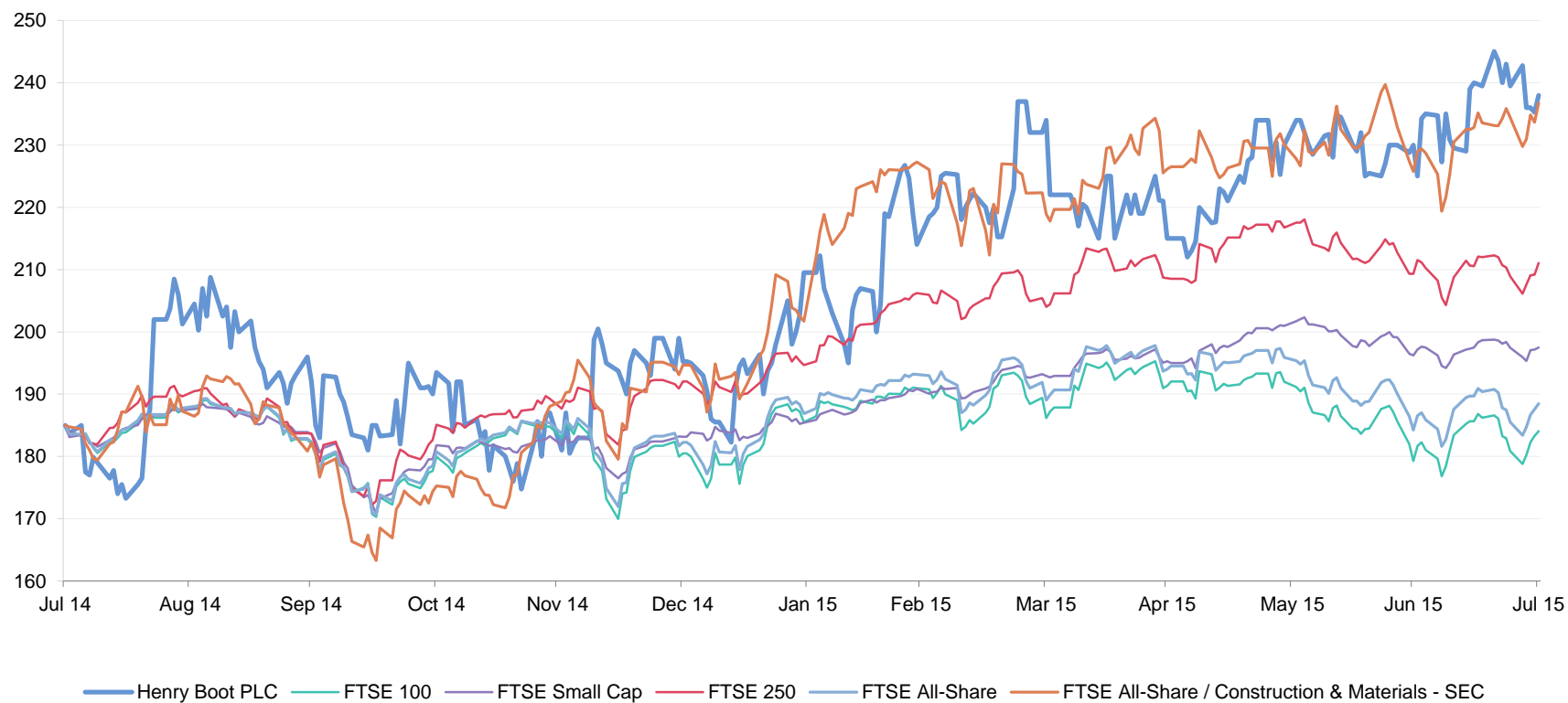
The Henry Boot logo is located in the top right corner of the slide. It consists of the words "Henry Boot" in a white, sans-serif font, with a horizontal line underneath the word "Henry". The logo is set against a dark blue rectangular background.

Henry Boot

	Shareholding
• Standard Life	7,619,886
• Hargreave Hale Stockbrokers	5,130,000
• Fidelity Management & Research	4,036,900
• Miton Asset Management	3,057,018
• Legal & General Investment Management	2,573,652
• Schroder Investment Management	2,565,620
• Allianz Global Investors Europe (UK)	2,532,630
• West Yorkshire Pension Fund	2,008,931
• Dimensional Fund Advisors	2,007,545
• Hargreave Lansdown Stockbrokers (EO)	1,842,030

Henry Boot vs benchmark indices - previous 12 months

Henry Boot



Markham Vale, Derbyshire

Henry Boot



200 acre business park, in partnership with Derbyshire County Council, to create 5,000 sustainable new jobs

Direct access off the M1, Junction 29A

The East Midlands most active development site

Enterprise Zone status granted

Industrial / Warehouse / Offices

Sustainable development with the benefit of two rail heads

Occupiers include Andrew Page, Chesterfield College, Euro Garages, Holdsworth Foods, Ready Egg Products, Smurfit Kappa and Gould Alloys

Great Bear Distribution

490,000 sq ft distribution warehouse pre-let to Great Bear Distribution Limited

Forward sold to M&G

Development due to commence on site in September 2015

Completion expected June 2016



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DEVELOPMENTS

Meir Park – Recticel (UK) Ltd - Stoke on Trent

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18 acre business park adjacent to A50 Highway

Recticel (UK) Ltd

123,519 sq ft purpose built production and warehouse facility

64,067 sq ft production hall

56,059 sq ft warehouse

69,000 sq ft warehouse extension completed

Regearged Lease to a new 20 year term



Henry Boot
DEVELOPMENTS

The Pennine Property Partnership, Huddersfield

Henry Boot



An innovative joint venture company set up in partnership with Calderdale & Huddersfield NHS Trust to realise the maximum value of surplus property assets and provide new accommodation for the Trust

First phase comprises 56,000 sq ft of new clinical and office accommodation within a converted listed mill

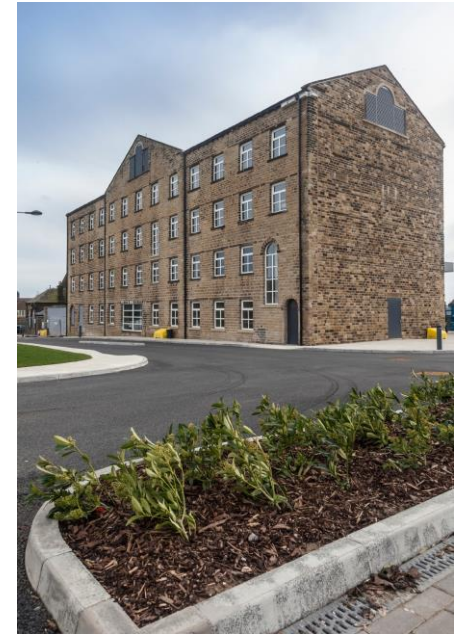
New accommodation to be leased to the Trust and retained by the partnership

Shell and fit out works completed Winter 2014

Second phase of development to comprise the mixed-use redevelopment of a 23 acre former hospital

Planning consent secured

Active appraisal of additional property development opportunities by the Partnership underway



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DEVELOPMENTS

The Chocolate Works, York

Henry Boot



Acquired the 27 acre site, formerly Terry's Chocolate Factory, in 2013.

The site includes distinctive and iconic listed buildings totalling 236,806 sq ft plus cleared development land

Immediately adjacent to York Racecourse

Planning consent which secures a variety of uses across the site

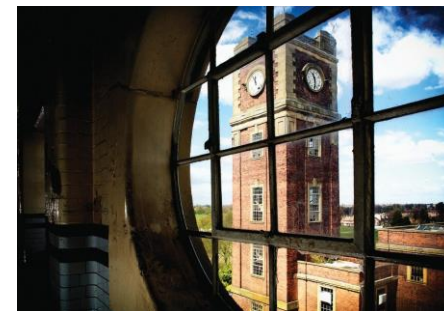
David Wilson Homes have purchased 13.5 acres with plans to commence a 270 unit high quality residential scheme imminently

Detailed planning permission secured for the conversion of the main factory building for residential apartments

Joint Venture Agreement exchanged with P J Livesey to undertake the residential conversion

Development work to commence on site in September 2015

Sale Contracts exchanged with healthcare provider for the sale of the HQ building



Henry Boot
DEVELOPMENTS

Paradise Road, Richmond Upon Thames

Henry Boot



Henry Boot Developments has secured planning permission for a 78 bed hotel on Paradise Road in the centre of Richmond upon Thames

Construction of the 20,000 sq ft new build development is underway and is due to be completed in November 2015 with a pre-let in place to Travelodge on a 35 year lease

Pre-sale agreement to Aberdeen Asset Management on practical completion.

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DEVELOPMENTS

Livingston Town Centre, Scotland

Henry Boot



We acquired this 6.8 acre site in Livingston Town Centre to undertake a leisure and retail development

We are now in detailed negotiations with a number of occupiers and will be submitting an application for Planning Permission in early 2015

Our proposal for this site includes approximately 40,000 sq ft of retail warehouse accommodation, a family pub/restaurant and a drive through, leaving approximately 0.6 acres remaining for future development

The site is well located within the retail core, adjacent to two of the town's retail parks and a short distance from the shopping centre

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DEVELOPMENTS

Aberdeen Exhibition and Conference Centre, Aberdeen

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Since being appointed at the beginning of 2014 we have developed our plans for the 130 acre site of the new Aberdeen Exhibition and Conference Centre at the Rowett Institute, Dyce, and the existing 50 acre AECC site at the Bridge of Don

Masterplans for both of these sites are now in final form

Detailed designs for the new AECC facility have also progressed well and we have terms agreed with hotel operators in respect of the three hotels planned for the Dyce site

The site is to be powered by its own Energy Centre, producing biogas and associated green power, heating and cooling, making it one of the most sustainable commercial developments in the UK

Henry Boot
DEVELOPMENTS

Townsend Way, Malvern

Henry Boot



This one acre site has excellent frontage on to Townsend Way a major through route and forms part of the very successful Enigma Business Park

Whitbread Plc were attracted to the site due to its location and HBDL were able to secure a subject to planning pre-let agreement for a 66 bedroom Premier Inn hotel

Detailed planning and Licensing were granted in mid 2014 and construction commenced in September

The development was completed in June 2015

Whitbread will take a 20 year lease on completion of the scheme



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DEVELOPMENTS

Former Leeds Girls' High School Headingley, North Leeds

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Our jointly owned house builder, Stonebridge Projects, has purchased this historic site of 5.97 acres in a popular area of North Leeds. We have recently achieved planning permission for 101 new homes to be built with works starting August 2015.

The Victoria Gardens development will see a mix of townhouses and apartments, blending new build and sympathetic renovation, in an established woodland area only two miles for the city centre.




Stonebridge
Homes



Biddenham, Bedfordshire

Hallam have had an interest in this jointly owned site of approximately 180 acres since the late 1990s. In March 2014 we secured an outline planning permission for 700 plots, 500 plots on land owned by Hallam. The site was put to the market in June 2014 and a sale has been agreed with a national developer. The conclusion of the first phase of this three phase sale will take place in September this year.



Repton, Derbyshire

A site of 14 acres which has been in Group ownership since the 1970s. A planning application was submitted in 2013 for 40 new homes and permission for development was received in March 2014. This parcel of land was sold to a national developer in late 2014. A further application for 75 properties on the remaining land was submitted in December 2014 and planning permission secured in March 2015. The S104 agreement was signed in July and a sale is expected to be concluded in December this year.



**Hallam Land
Management**

Schemes currently in hand

Henry Boot



Blaby, Leicester

A minded to grant resolution was secured for 4,250 homes in Spring 2013. We have a joint venture with two other developers and our consortium share is 1,593 properties. The scheme also includes a 50 acre business park, a district centre, two local centres, a secondary school and two primary schools. In early 2014 we signed a highly complex Section 106 agreement confirming our largest ever single planning permission. The first stages of the infrastructure works have commenced and the first land sale agreement has been concluded.



Cranbrook, Devon

Hallam secured its interest in this shared site in 1999 and after much preparation work, the development is well underway. Currently we have planning permission for 3,500 homes which will probably rise to over 5,000 homes. 950 houses have now been built and occupied, with floor slabs laid for a further 250 plots, and works have also been completed on the St Martin's Primary School (80 pupils to date), a community building, a combined heat and power energy centre, and the Clyst Honiton Bypass. Works are also underway on the Cranbrook Secondary School (proposed completion June 2015) and the railway station (on the Exeter-Waterloo line), which is expected to be open in Autumn 2015.



**Hallam Land
Management**



Haddington, East Lothian

A planning in principle application was approved on appeal on part of Hallam's optioned site. The approved scheme is for 113 units and will include an affordable housing element of 25% with the site having a gross area of 16 acres with 11 acres developable. Also included as part of the Section 75 agreement are contributions towards the expansion of the nearby Secondary School as well as planning conditions that will see various transport improvements carried out. We agreed terms with a national house builder and concluded the sale in June of this year.



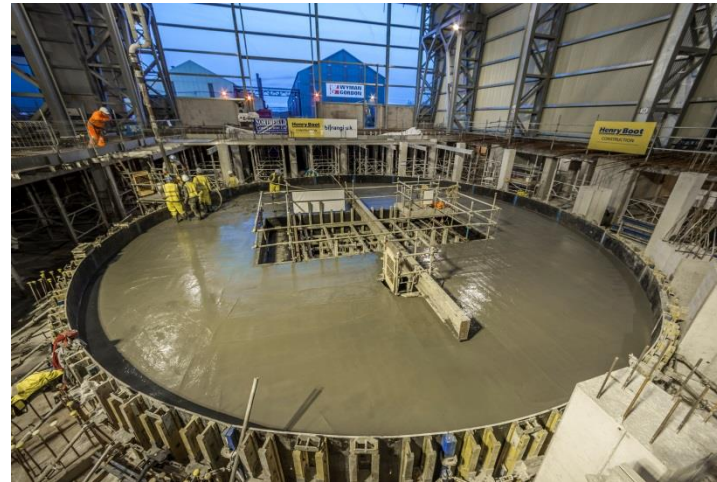
Alton, Hampshire

Hallam signed a planning promotion agreement for this site of 29 acres in December 2013. A planning application was submitted to East Hampshire District Council in May 2014 for 180 new homes with associated landscaping and dedicated open space areas. A resolution to grant was obtained in February 2015 and a planning permission was granted in May of this year. Preparations are being made to put the site to the market with an anticipated completion late 2015 or early 2016.



Fox Valley, Stocksbridge, South Yorkshire

A new development to transform a 15 acre former industrial site. The scheme will create retail, leisure and office space and 114 houses which our JV, Stonebridge Homes, will develop. The first phase of the development involved relocating Tata Steel's storage warehouse. We will then start work on creating a new commercial heart of the town bringing 900 new jobs to the area. The development is due to complete in 2016.



Bifragi UK Lincoln

The award of the contract to Henry Boot Construction is part of Bifragi's major investment in their UK facilities, which manufactures and supplies castings. The contract to build a new 8,000m² Screw Press House at Lincoln included 12,000m³ of bulk excavation, 1,100 piles, a heated ground floor slab capable of taking high loadings, 800t of steelwork and 14,000m² of roof sheeting and wall cladding. The project was completed in the Summer of 2014. Due to its success, we have been awarded the contract to build a new Research and Development facility at the same location.