

Preliminary Results for the year ended 30 September 2015

19 November 2015

Agenda

Investing in homes since 1912
grainger plc

1. Welcome

Baroness Ford

2. Overview

Andrew Cunningham

3. Financial highlights

Mark Greenwood

4. Operational highlights

Nick Jopling

5. Summary

Andrew Cunningham

Grainger overview

- A market leading residential property owner and manager
- Robust income from reversionary portfolio to grow private rented sector (PRS) business
- Highly cash generative business model
- A high quality, national portfolio
- Well placed to develop a leading PRS portfolio



Wellesley, Aldershot

Simplifying the business

- Sale of Sovereign JV
- Disposal of German wholly owned assets underway
- Sale of German JV

Reduced funding costs

- Syndicate refinancing

Accelerating growth in PRS

- Successful launch of Abbeville Apartments
- Acquisition of 927 tenanted PRS units during the period
- Pipeline of over 1,500 PRS units

Financial highlights

Gross NAV ↑
(EPRA NAV)

+9.7%

319p
(FY14: 291p)

NNNAV ↑
(EPRA NNNAV)

+8.8%

263p
(FY14: 242p)

Total dividend ↑

+10.0%

2.75p
(FY14: 2.50p)

Operational highlights

Reversionary Business

Trading performance

Profit on vacant reversionary sales up at £68.4m

(FY14: £60.6m)



**Vacant sales
Prices 9.1% above
Sept 14 values**



PRS Business

Rental performance

+2.4% on renewals



**+5.6% on new
lets on like-
for-like basis**

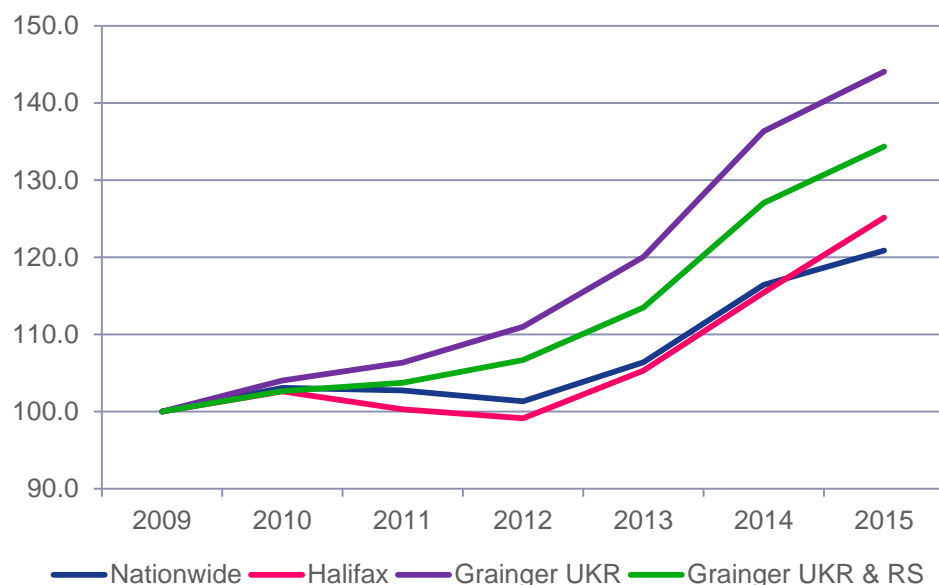


Pipeline

- Abbeville launch – c.10% above original ERV
- 927 tenanted PRS units acquired during the period
- Pipeline of over 1,500 PRS units

Valuations

Long term outperformance



Robust trading

- Normal vacant sales achieved prices **9.1%** above last year's vacant possession value
- Sales velocity:
Keys to cash in **100** days
- Current trading very robust:
At 31 October 2015 our total Group sales pipeline including those for sale¹ amounted to £91m, which should deliver a profit of £40m (Oct 14: £90m, £40m respectively)

¹ Completed sales, contracts exchanged, properties in solicitors' hands and properties for sale.

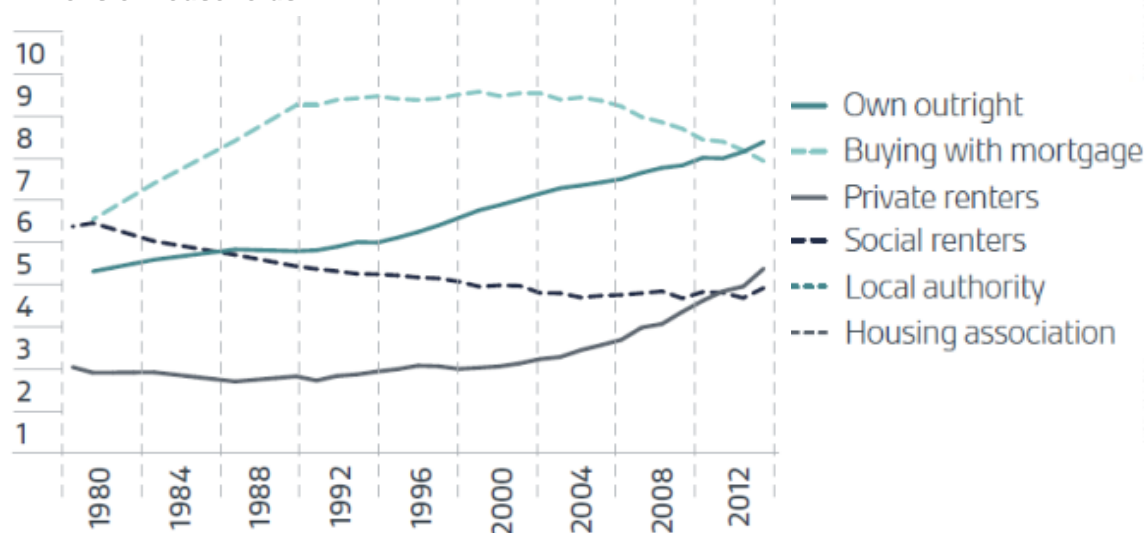
Excluding properties for sale, the pipeline amounted to £68m, which should deliver £33m of profit (Oct 14: £77m and £35m respectively).

Housing market commentary

- On-going signs of improvement and house price inflation in the English regions
- Slower rate of inflation in London
- Strong underlying fundamentals, supporting longer term HPI
 - Population growth
 - Economic growth
 - Supply demand imbalance
 - Political support for housing supply

UK housing tenures

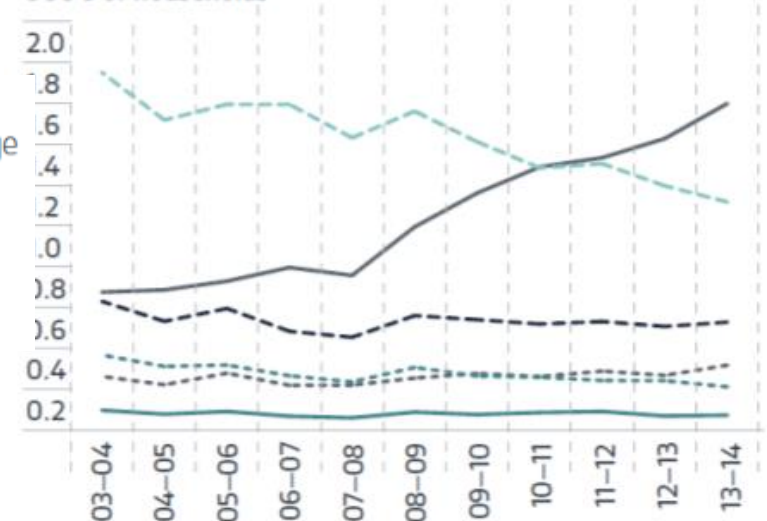
Millions of households



Source: English Housing Survey, February 2015

Age of household reference person, by tenure, 25–34 years

000's of households



Source: English Housing Survey, February 2015

Grainger's portfolio

- Grainger's portfolio is resilient due to:
 - Asset type and property conditions
 - Low average value
 - Location
 - Purchaser characteristics: i.e. low levels of mortgage dependence
- Increasing market demand has driven the narrowing of the discount applied to vacant possession value



Mariners Cottages, South Shields

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2015 financial highlights: Balance sheet

Gross NAV ↑
(EPRA NAV)

+9.7%

319p
(FY14: 291p)

NNNAV ↑

+8.8%

263p
(FY14: 242p)

Group LTV ↓

-100bps

45.5%
(FY14: 46.5%)

Cost of debt* ↓

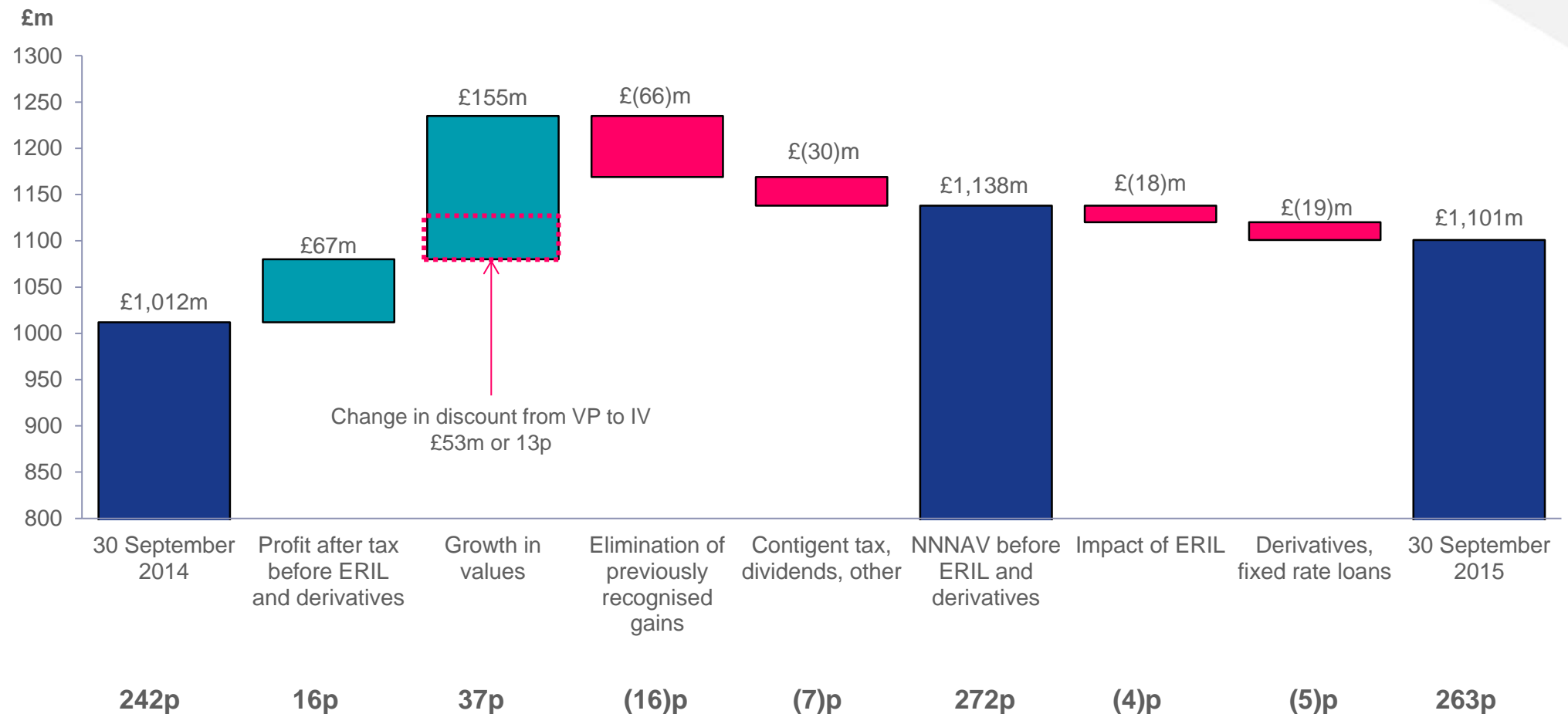
-80bps

4.6%
(FY14: 5.4%)

* At balance sheet date, including costs but excluding commitment fees

Movement in NNNAV

NNNAV up by 21p per share (+8.8%) since 30 Sept 2014



Income statement highlights

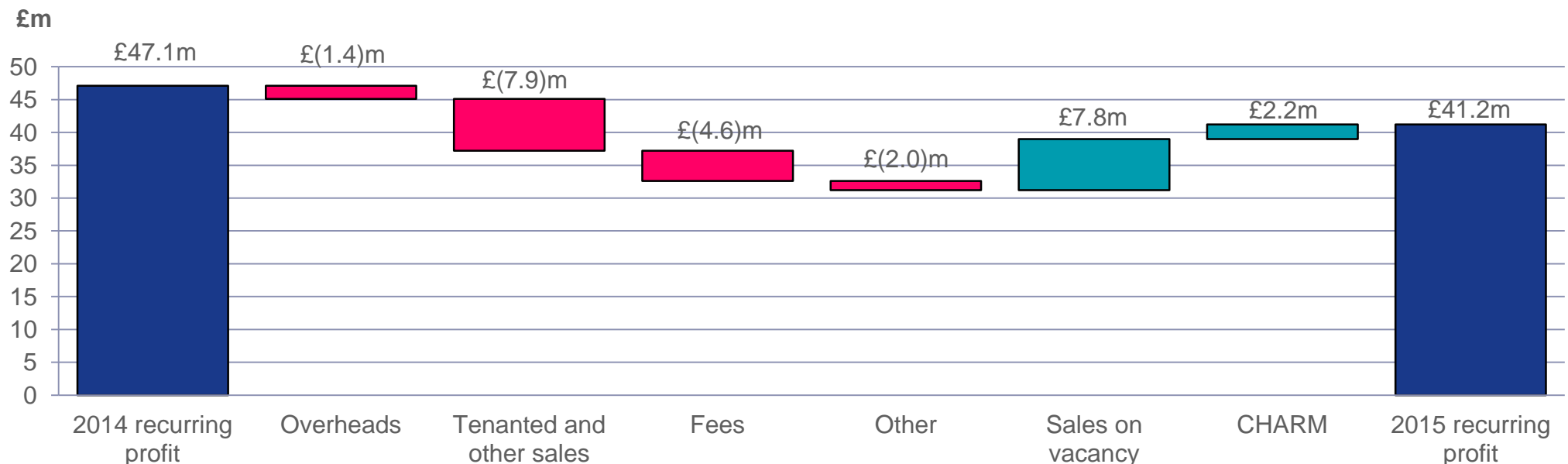
Recurring profit

£41.2m
(FY14: £47.1m)

Profit before tax

£50.0m
(FY14: £81.1m)

Movement in recurring profit



Debt position

Reduced funding costs

Capital structure highlights

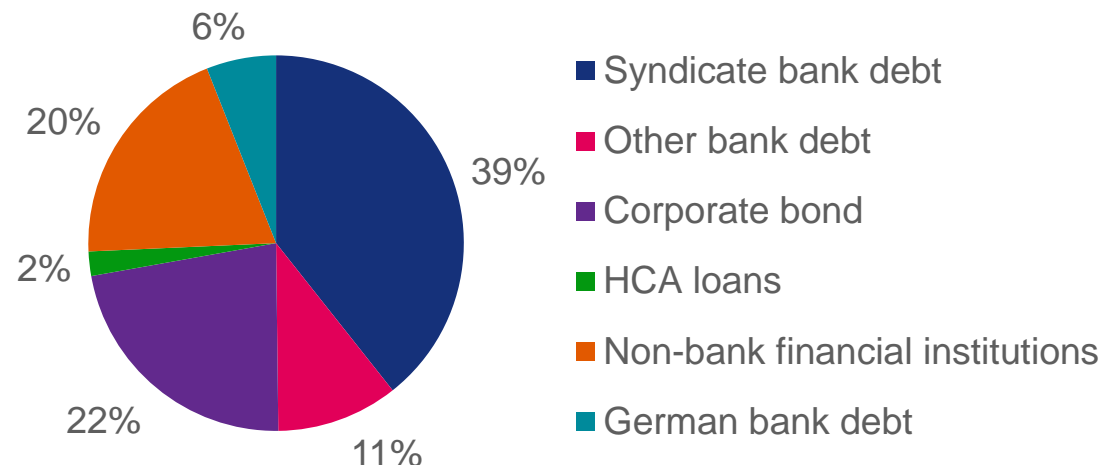
- Syndicate refinance
- Reduction in average cost of debt* to 4.6% (2014: 5.4%)
- Interest costs have benefitted from broken and replacement swaps
- No material refinancing required until 2020
- 77% hedged

* As at balance sheet date, including costs, excluding commitment fees

** Reflects G:Invest refinance and sale of German JV

	Pro forma** FY15	FY15	FY14
Net Debt	£1,104m	£1,138m	£1,044m
Consolidated Loan to Value	44.5%	45.5%	46.5%
Average maturity of drawn facilities	5.7 yrs	5.2 yrs	4.8 yrs
Headroom	£217m	£142m	£297m
Average cost of debt at period end*	4.6%	4.6%	5.4%

Diversified Funding



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Operational highlights

- Abbeville Apartments, Barking
- Recent PRS acquisitions
- Overview of PRS business



Argo Apartments, Canning Town (GRIP w Bouygues)

Abbeville Apartments, Barking

- Build to Rent, first of its kind
- Excellent launch and performance
- Fully let in under two months
- Leased up at £1.47m per annum, compared to original ERV of £1.34m
- Gross yield on cost of c.10%



Recent acquisitions

Stabilised PRS Assets

Year ended 30 Sept 2015

Portfolio	Location	Units (circa)	Purchase price (£m)	Gross rent (£m)
Circle Portfolio	Northern regions	172	9.9	0.7
Spectrum Building	Liverpool	28	2.7	0.2
Bristol Road	Birmingham	28	1.9	0.2
Resi Portfolio	Northern regions	593	56.0	4.1
Abbeville Apartments	Barking, London	100	14.5	1.5
Other		6	1.7	0.1
Total		927	86.7	6.7*

Post period end

Northstar	Leeds, Newcastle, Whitley Bay	112	10.4	0.7
Total		1,039	97.1	7.4

Total gross yield of **c.7.7%**



Canal House, Calverley, Leeds (Northstar)



Sandown, Whitley Bay (Northstar)

* Please note that the above table may not cast due to rounding.

Overview of our PRS business

Existing portfolio	Market value (£m)	Units
Wholly owned assets	399	1,739
Assets under management (co-investment)	625	1,914
Total PRS units as at 30 Sept 2015	1,024	3,653

Acquisitions this year	Units
Completed in twelve months to 30 Sept 2015	927

Secured pipeline	Units
Berewood, Waterlooville and Wellesley, Aldershot	210
Sites with the Royal Borough of Kensington and Chelsea	120
Canning Town (GRIP)	150
Northern PRS Portfolio (Completed Oct 15)	112
Total	592

Unsecured pipeline (Preferred Bidder / Advanced Appraisal)	Units
Partnership with Sigma Capital Group	150
Pontoon Dock with Bouygues and LPFA	140
Other	700
Total unsecured pipeline	990

Total pipeline	1,582
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Pontoon Dock, with Bouygues and London Pension Funds Authority

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Summary and outlook

CONTINUED GROWTH

Gross NAV

+9.7%

NNNAV

+8.8%

SIMPLIFICATION

Disposal of
German wholly
owned assets
underway

Sale of German JV

GROWTH IN PRS

Acquired over
900 PRS units

1,500 Build to
Rent PRS units in
pipeline

REDUCED FUNDING COSTS

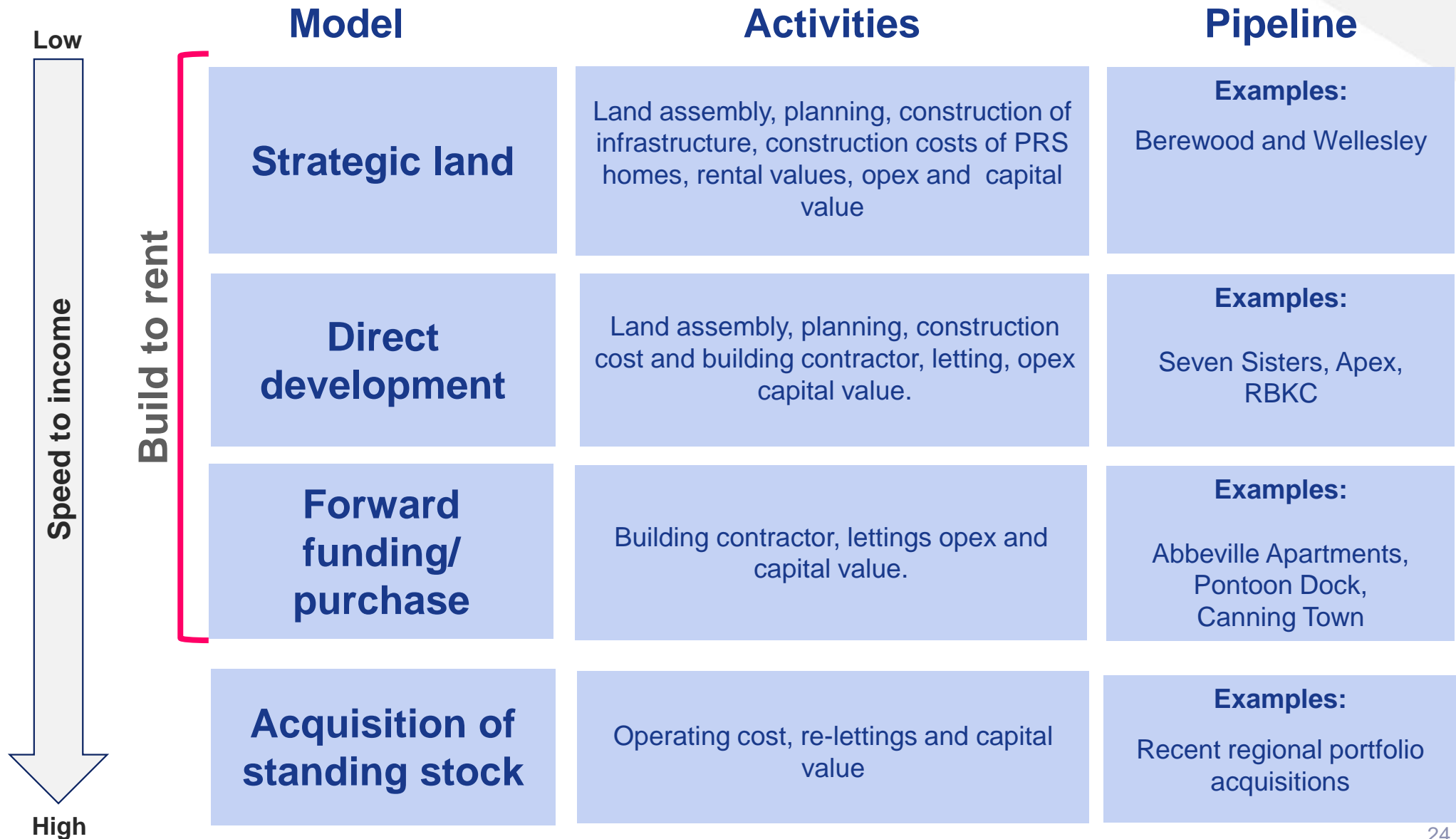
Syndicate
refinance

Thank you

Appendices

Routes to market

Our delivery model in PRS



Portfolio summary (wholly owned)

	No. of units	Market Value £m	VP Value £m	Reversionary surplus £m	IV/VP %	Gross rent £m	Gross sales proceeds £m	Profit on sale £m
Reversionary Assets								
Regulated	3,631	1,167	1,435	268	81%	28	11	2
Vacant	331	76	76	-	100%	-	92	52
RS Reversion	3,514	318	496	179	64%	2	35	16
CHARM	758	94	94	-	100%	-	8	-
	8,234	1,654	2,101	447	79%	30	146	70
Development*		95	95	-	100%		34	10
Total	8,234	1,749	2,196	447	80%	30	180	80
Market Rented Assets								
Germany	2,813	143	143	-	100%	10	2	-
AST	1,398	245	262	16	94%	8	9	3
Tricomm (MOD)	317	111	111	-	100%	9	-	-
Other	24	43	57	15	75%	2	4	3
Market Rented Total	4,552	542	573	31	95%	29	15	6
Overall Total	12,786	2,291	2,769	477	83%	59	195	86
Total at 30 September 2014	11,315	2,048	2,503	455	82%	57	275	89
Assets under management								
UK	14,160							
Germany	5,330							
Total AUM	19,490							

Valuation methodology

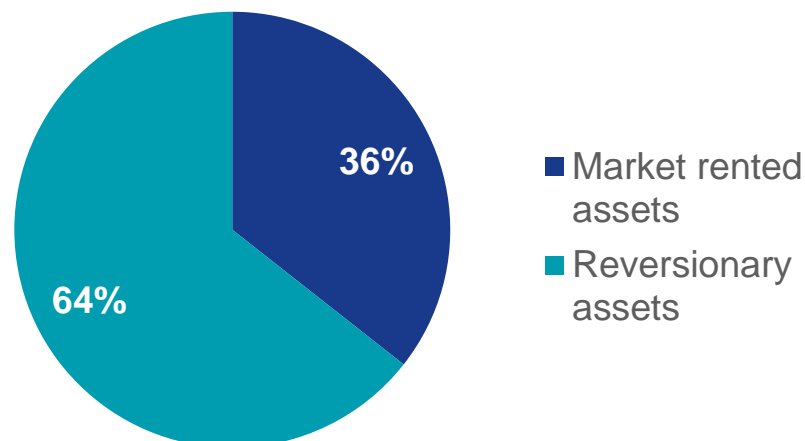
- Market value of our portfolio enhanced by a reduction in the discount applied to the vacant possession value of tenanted properties
- Based on advice from independent valuers to reflect current market conditions

	Regulated		AST	
	IV Discount %		IV Discount %	
IPD Region	2014	2015	2014	2015
1-3 London	77.5%	80.0%	90.0%	95.0%
4-12 Other regions	75.0%	80.0%	90.0%	95.0%

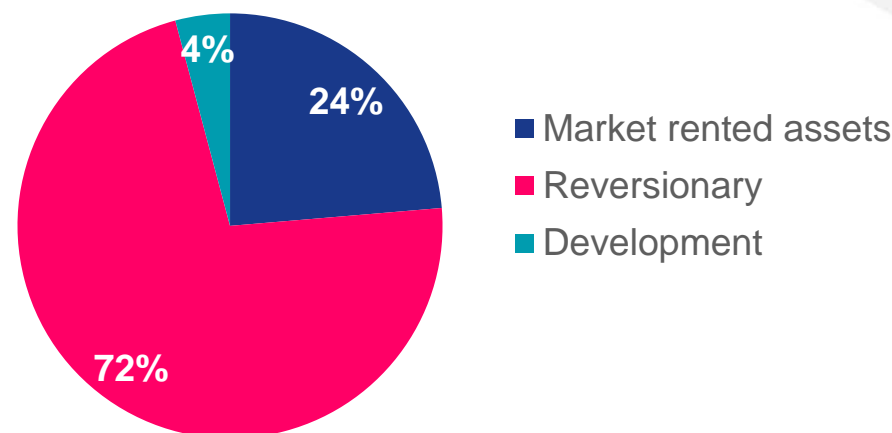
Grainger's portfolio

Wholly owned

Asset type by units



Asset type by market value (£m)



	No. of units	Market Value £m	VP Value £m	Reversionary surplus £m	IV/VP %	Annualised running gross rent £m
Reversionary Assets	8,234	1,654	2,101	447	79%	30
Market Rented Assets*	4,552	542	573	31	95%	32
Development		95	95	-	100%	-
Total	12,786	2,291	2,769	477	83%	62

* Including German assets (2,813 units), market value of £143m
FY Results 2015

Our UK geographical exposure (wholly owned)



IPD region	No of units	% by units	Vacant Possession Value (£m)	% by VP	Avg VP* (£k)
1 London (Total)	2,346	24%	1,351	53%	587
2 South East	1,422	14%	290	11%	245
3 South West	1,359	14%	264	10%	221
4 East	922	9%	150	6%	200
5 East Midlands	563	6%	58	2%	129
6 West Midlands	809	8%	130	5%	183
7 Wales	104	1%	12	0%	150
8 Yorkshire	505	5%	59	2%	146
9 North West	1,538	15%	172	7%	125
10 North East	313	3%	34	1%	128
11 Scotland	82	1%	10	0%	134
12 N. Ireland	10	0%	1	0%	146
	9,973	100%	2,531	100%	277

* Calculated using full VP value whereas rest of table shows only Grainger's share

Portfolio summary by division

£m	FY 2015		FY 2014	
	Vacant Possession	Market	Vacant Possession	Market
	Value	value	Value	value
UK Residential Retirement Solutions Portfolio	1,920	1,622	1,793	1,448
Development Portfolio	611	432	454	345
UK Joint Ventures and Associates*	95	95	107	107
German Portfolios*	254	224	281	233
Total	3,070	2,564	2,830	2,328

Asset performance

	FY 2015		FY 2014	
	Vacant Possession	Market	Vacant Possession	Market
	Value	Value	Value	Value
Grainger's UK Residential portfolio	5.6%	10.2%	14.6%	15.9%
Grainger's Retirement Solutions portfolio	5.9%	6.6%	6.0%	9.4%
Grainger's combined UK portfolio	5.7%	9.6%	12.0%	14.6%

* Includes our share of assets in Joint Ventures/Associates
FY Results 2015

JV & Associates

Asset overview

	Joint Ventures				Associates		
	Prague/ Zizkov	Hammersmith	Curzon Park	Walworth	Heitman	GRIP	Total
£m							
Property assets	23	11	35	190	193	517	969
Other assets	1	1	-	7	35	37	81
Total assets	24	12	35	197	228	554	1,050
External debt	(7)	-	-	(60)	(99)	(196)	(362)
Loans to/(from) Grainger	-	(6)	(9)	(6)	-	(24)	(45)
Other liabilities	(17)	(6)	(35)	(24)	(42)	(84)	(208)
Total liabilities	(24)	(12)	(44)	(90)	(141)	(304)	(615)
Net assets	-	-	(9)	107	87	250	435
Grainger share	50%	50%	50%	50%	25.0%	24.9%	
Grainger share £m	-	-	(4)	54	22	62	134
Loans net of provisions	-	6	9	6	-	24	45
Total Grainger investment	-	6	5	60	22	86	179
Vacant possession value				212	193	594	999
Reversionary surplus				22		77	99
Grainger share of reversionary surplus				11		19	30

Profit summary

	FY 2015	FY 2014
	£m	£m
Profit on sale of assets*	86.3	88.6
Net rents	37.9	37.0
Management fees	8.2	12.8
CHARM	8.8	6.4
Overheads and other expenses	(39.3)	(37.3)
Operating profit**	101.9	107.5
Finance costs, net	(62.3)	(63.4)
JV's and associates	1.6	3.0
Recurring profit before tax	41.2	47.1
Valuation movements	32.3	34.5
Derivative movements	(6.2)	0.8
Non-recurring items	(17.3)	(1.3)
Profit before tax	50.0	81.1
Tax	(7.3)	(6.4)
Profit after tax	42.7	74.7

Non-Recurring	FY 2015	FY 2014
	£m	£m
Profit on disposal of subsidiary/JV	4.4	0.8
ERIL - impairment of receivable	(11.4)	-
ERIL – impairment due to mark to market debt adjustment	(6.8)	-
Other non-recurring costs	(3.5)	(2.1)
	(17.3)	(1.3)

* Includes tenanted sales

** OPBVM - Operating profit before valuation movements/non-recurring items

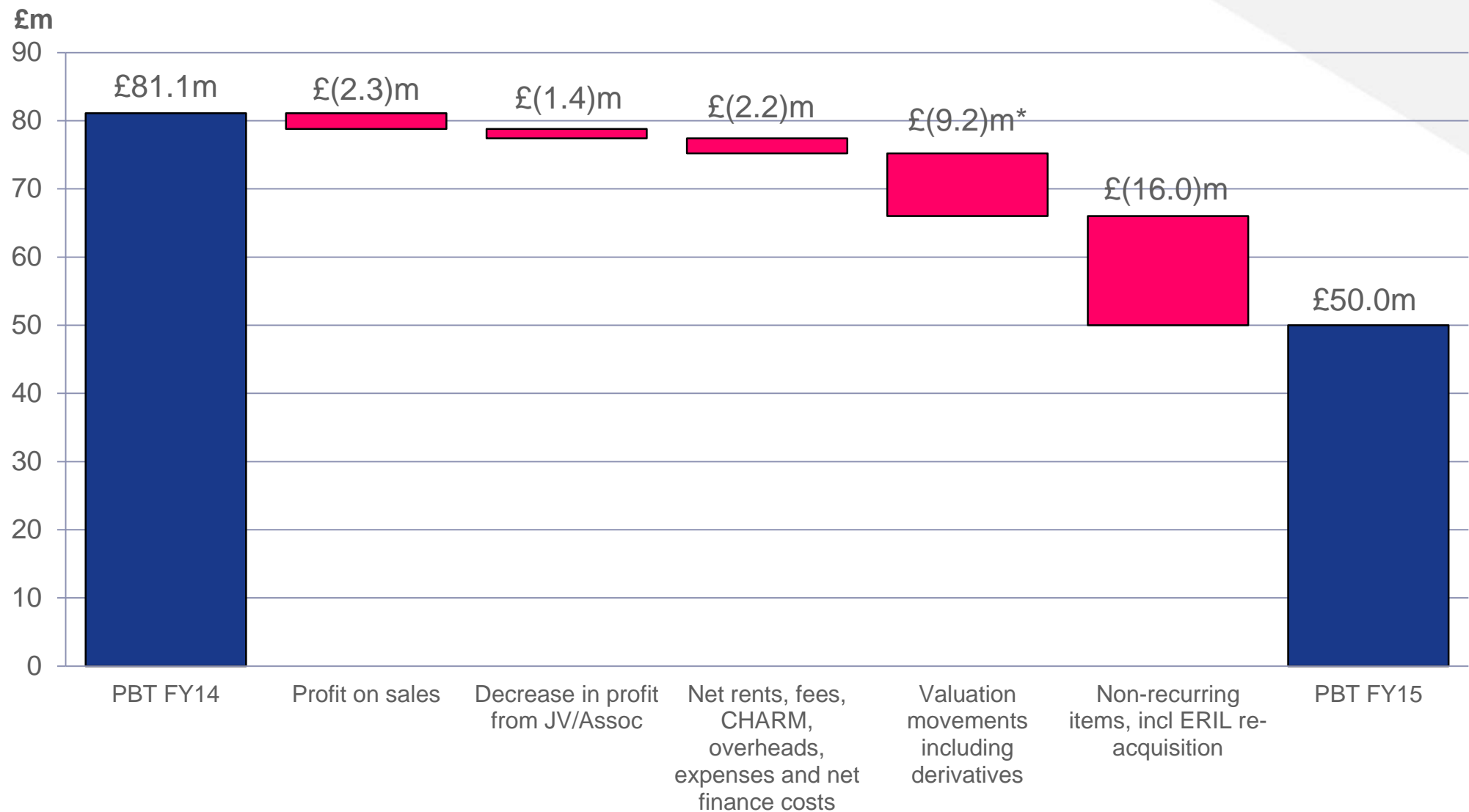
Property sales and profits

	FY 2015			FY 2014		
	No. of units	Gross sales value (£m)	Profit (£m)	No. of units	Gross sales value (£m)	Profit (£m)
Trading sales on vacancy						
UK Residential	310	92.0	52.8	287	78.1	42.9
Retirement Solutions	321	43.4	15.6	364	45.2	17.7
	631	135.4	68.4	651	123.3	60.6
Tenanted and other sales	130	23.5	8.0	1,358	103.1	15.9
Residential Total	761	158.9	76.4	2,009	226.4	76.5
Development	-	33.7	9.8	-	32.8	12.3
UK Total	761	192.6	86.2	2,009	259.2	88.8
Germany	43	2.3	0.1	191	15.2	(0.2)
Overall Total	804	194.9	86.3	2,200	274.4	88.6
Deduct: Sales of CHARM properties	(61)	(7.5)	(0.4)	(67)	(7.2)	(0.6)
Statutory sales and profit	743	187.4	85.9	2,133	267.2	88.0

Regular, resilient cashflows

£m	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Gross rents										
UK Residential	47	44	51	58	51	39	41	42	39	47
Retirement Solutions	2	2	4	5	5	6	6	6	2	-
Development	-	-	-	-	-	1	1	1	2	1
Germany	10	11	16	27	30	30	30	22	10	5
Total	59	57	71	90	86	76	78	71	53	53
Property Sales net of sales fees										
UK Residential	113	94	260	172	148	118	139	137	125	124
Retirement Solutions	43	92	55	38	27	29	27	27	19	12
Development	33	32	15	18	22	19	46	10	39	56
Germany	2	15	17	24	21	4	3	2	2	1
Total	191	233	347	252	218	170	215	176	185	193
Fees/other income	8	13	13	11	8	7	7	9	6	3
Overall Total	258	303	431	353	312	253	300	256	244	249

Movement in PBT



* 2015 includes £1.5m benefit from the reduction in the discount from Vacant Possession Value to Investment Value

NAV measures reconciliation*

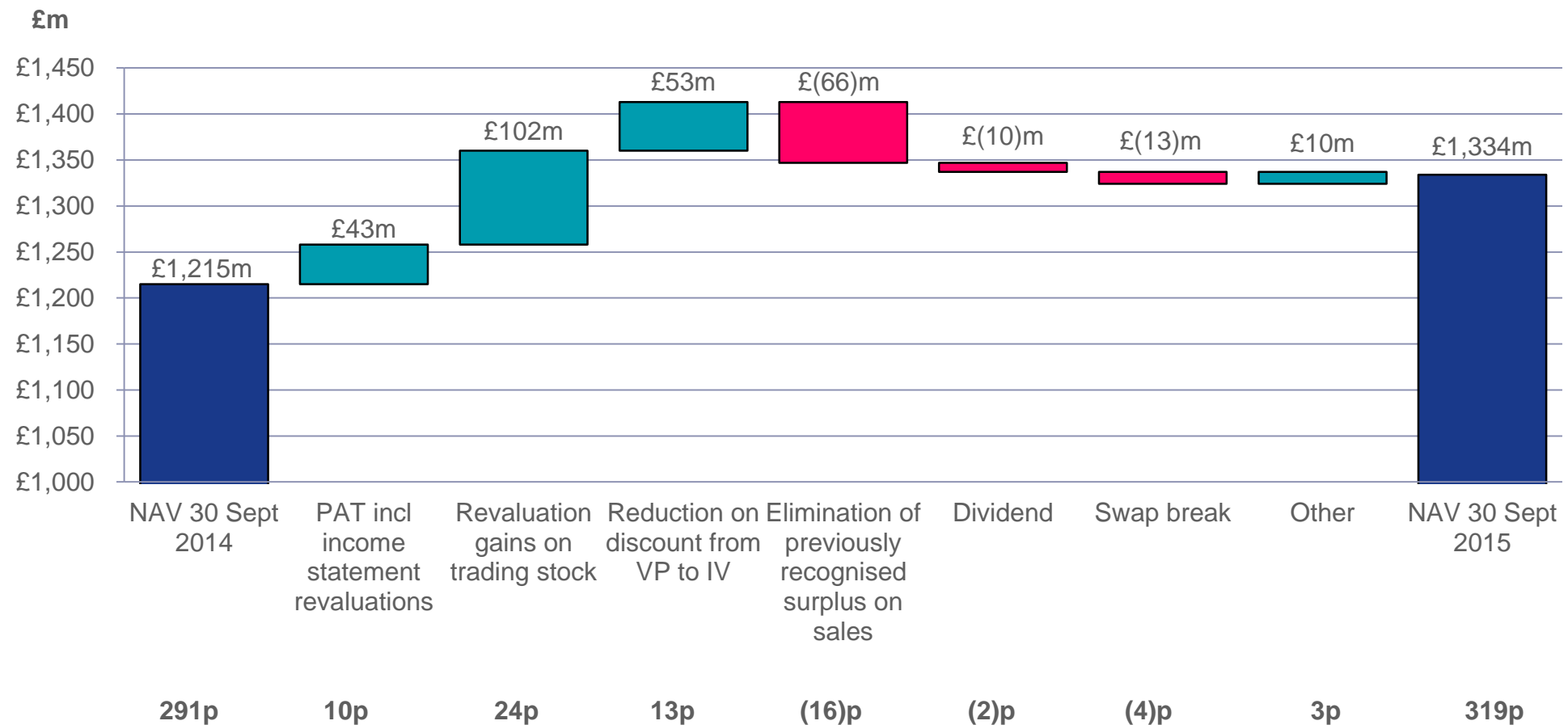
	Statutory Balance Sheet	Market Value Adjustments	Market value Balance Sheet	Add back Def Tax on property	Add back Fair value of derivative financial instruments	Gross NAV	Adj IAS 39 re fixed rate loan and derivative financial instruments	Deferred and Contingent Tax	NNNAV Balance Sheet	Grainger NAV Adjustments	Grainger NNNAV **
Investment Property	357.8		357.8			357.8			357.8		357.8
CHARM	93.7		93.7			93.7			93.7		93.7
Trading stock	1,152.2	687.7	1,839.9			1,839.9			1,839.9	258.5	2,098.4
JV/Associates	179.2		179.2	11.3	1.5	192.0	(1.5)	(11.3)	179.2		179.2
Cash	88.8		88.8			88.8			88.8		88.8
Deferred tax	12.0		12.0		(7.1)	4.9	13.6		18.5		18.5
Other assets	36.0	12.3	48.3			48.3			48.3		48.3
Total assets	1,919.7	700.0	2,619.7	11.3	(5.6)	2,625.4	12.1	(11.3)	2,626.1	228.8	2,884.6
External debt	(1,226.4)		(1,226.4)			(1,226.4)	(32.3)		(1,258.7)		(1,258.7)
Derivatives	(33.5)		(33.5)		33.5	-	(33.5)		(33.5)		(33.5)
Deferred tax	(32.3)		(32.3)	30.0		(2.3)		(167.6)	(169.8)	(51.7)	(221.5)
Other liabilities	(62.6)		(62.6)			(62.6)			(62.6)		(62.6)
Total liabilities	(1,354.8)		(1,354.8)	30.0	33.5	(1,291.3)	(65.8)	(167.6)	(1,524.6)	(51.7)	(1,576.3)
Net assets	564.9	700.0	1,264.9	41.4	27.9	1,334.1	(53.7)	(178.9)	1,101.5	177.1	1,308.3
Net assets per share pence	135.1	167.4	302.4	9.9	6.7	319.0	(12.8)	(42.8)	263.4	42.3	312.8
Shares	418,256,902										
Treasury/EBT Shares	5,162,396										

* Please note that the above table may not cast due to rounding.

**Grainger NNNAV calculated by discounting the reversionary surplus using (WACC), deducting tax at the prevailing rate

Movement in NAV

NAV up 28p per share since 30 September 2014



Look through debt

Counterparty	Group Debt	Heitman	WIP	GRIP	Other	3rd Party Debt	Total Debt	3rd Party Share	Group Share
-	(£m)	25%	50%	25%	50%	(£m)	(£m)	(£m)	(£m)
Syndicate	483						483		483
Corporate Bond	275						275		275
M&G	100						100		100
Core Total	858						858		858
Bilateral	129						129		129
HCA funding	26						26		26
Insurance Companies	142						142		142
Joint Ventures and Associates		100	60	197	7	364	364	(256)	108
Germany	74						74		74
Total Group Gross Debt	1,229	100	60	197	7	364	1,593	(256)	1,337
Cash	(89)						(89)		(89)
Finance Costs	(2)						(2)		(2)
Total Group Net Debt *	1,138	100	60	197	7	364	1,502	(256)	1,246
Group Property and investment assets (IV)	2,482	228	197	552	72	1,050	3,532	(721)	2,811
Group LTV *	45.5%					34.7%			44.0%
Core Property and investment assets (IV)	2,132								
Core facility LTV (at IV)	40.6%								
Core Property and investment assets (VP)	2,559								
Core facility LTV (at VP)	33.9%								

* Excludes £8.2m Fair Value Adjustment on acquired debt for purposes of Group LTV

- The Group has an overall tax charge of £7.3m for the year (2014: £6.4m), comprising a £7.4m UK tax charge and a £0.1m overseas tax credit.
- The Group has made corporation tax payments totalling £4.9m in the year.
- The Group works in an open and transparent manner with the tax authorities. HM Revenue & Customs classes the group as a “low risk” taxpayer and has reconfirmed this status during the year. The Group is committed to maintaining this status.

	2015 £m
Pre-tax profit for the year	50.0
Expected tax charge at 20.5%	10.2
Prior period tax credit	(4.7)
JAV/Assoc tax above tax line in income statement	(2.8)
Other losses and non-taxable items	(0.3)
Non-deductible expenditure	4.9
Actual tax charge for the year	7.3

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