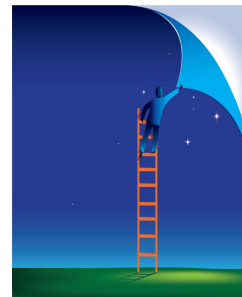
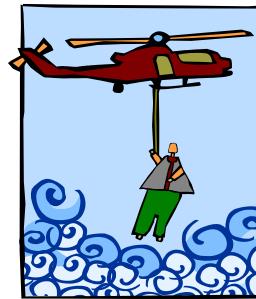


# BUILDING VALUE

## Pitfalls, Recovery and Opportunities

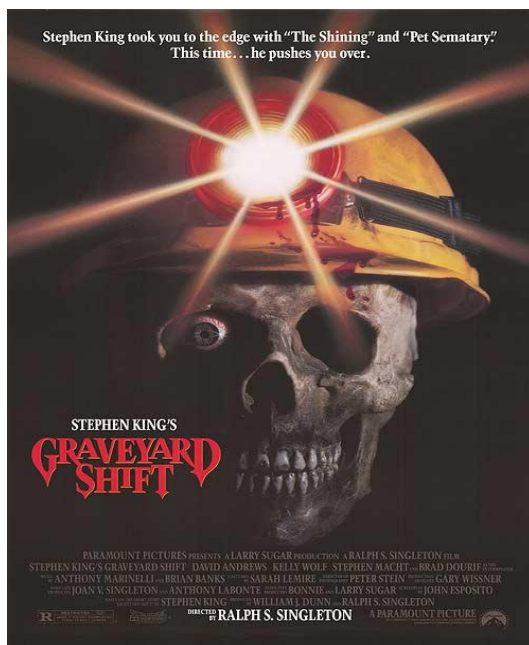
- case studies and lessons learned -



It's 4.45pm on a Friday



Stephen King took you to the edge with "The Shining" and "Pet Sematary."  
This time... he pushes you over.



STEPHEN KING'S  
**GRAVEYARD  
SHIFT**

PARAMOUNT PICTURES PRESENTS A LARRY SUGAR PRODUCTION A RALPH S. SINGLETON FILM  
STEPHEN KING'S GRAVEYARD SHIFT DAVID ANDREWS KELLY WOLF STEPHEN MARCH BRAD DOURIE  
ANTHONY MARINELLI BRIAN BANKS SARAH LEMIRE PETER STEIN GARY WISSNER  
JOAN V. SINGLETON ANTHONY LABONTE BONNIE LARRY SUGAR JOHN ESPOSITO  
STEPHEN KING STEPHEN KING STEPHEN KING STEPHEN KING STEPHEN KING  
WRITTEN BY RALPH S. SINGLETON A PARAMOUNT PICTURE

## Learning from mistakes

*“The past can hurt, but  
the way I see it, you  
can either run from it  
or learn from it”*



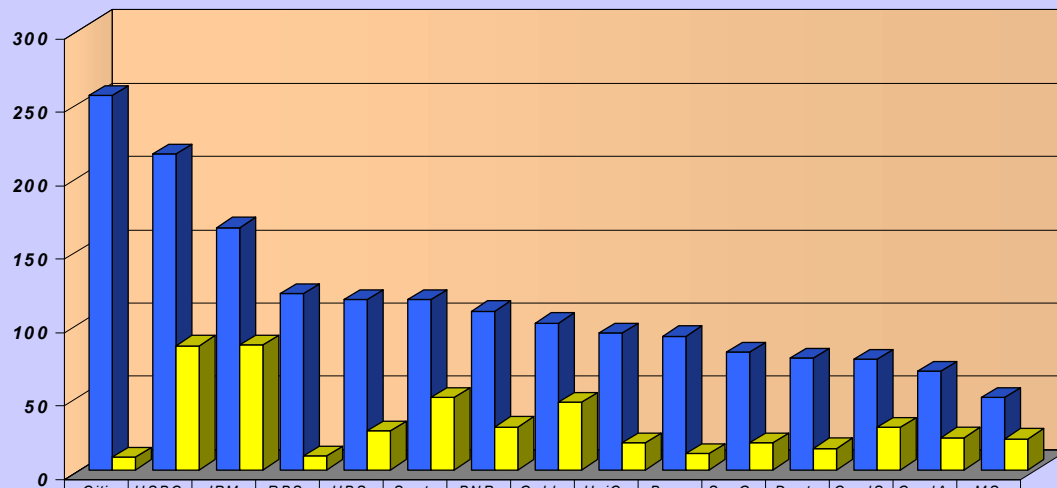
# The GFC



The World has changed

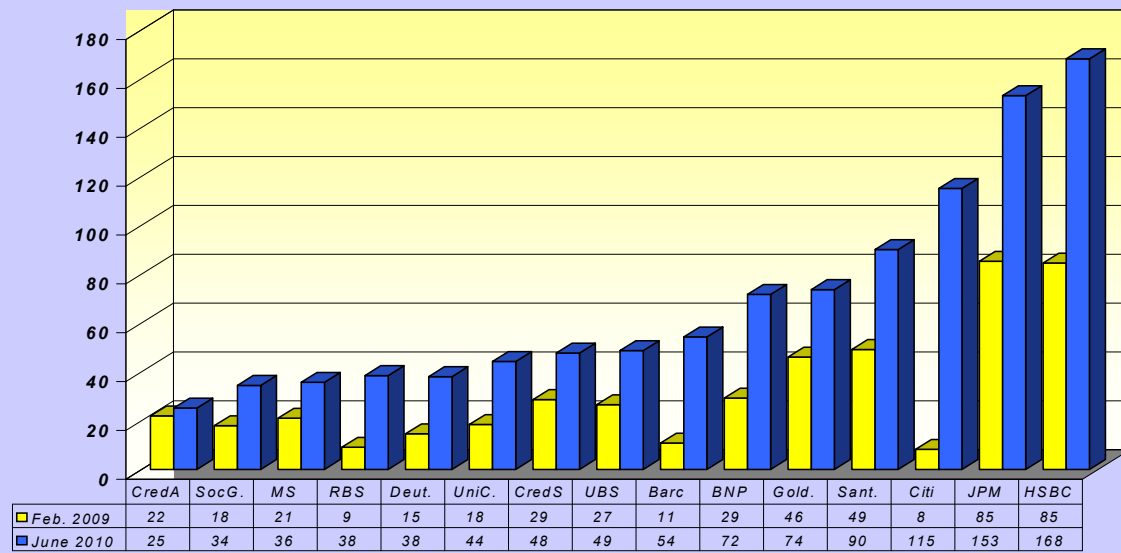


**Market value of banks: June 2007 (blue) vs Feb. 2009 (yellow)  
\$US billions**



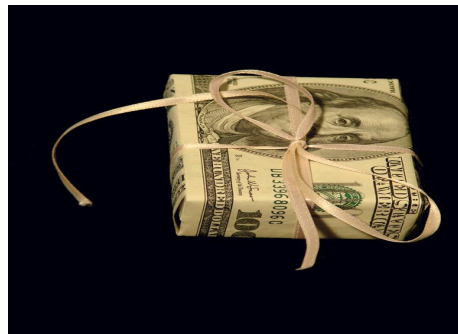
	Citi	HSBC	JPM	RBS	UBS	Sant.	BNP	Gold.	UniC.	Barc	SocG.	Deut.	CredS	CredA	MS
■ Q2 2007	255	215	165	120	116	116	108	100	93	91	80	76	75	67	49
■ 27/02/2009	8	85	85	9	27	49	29	46	18	11	18	15	29	22	21

**Market value of banks: Feb. 2009 (yellow) vs June 2010 (blue)  
\$US billions**

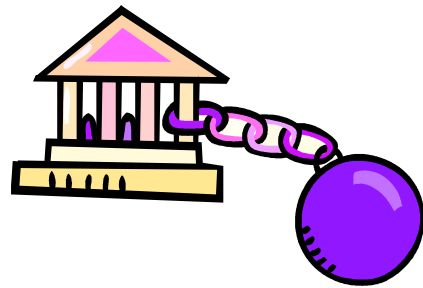




\$1,799



## Government debt & more regulation



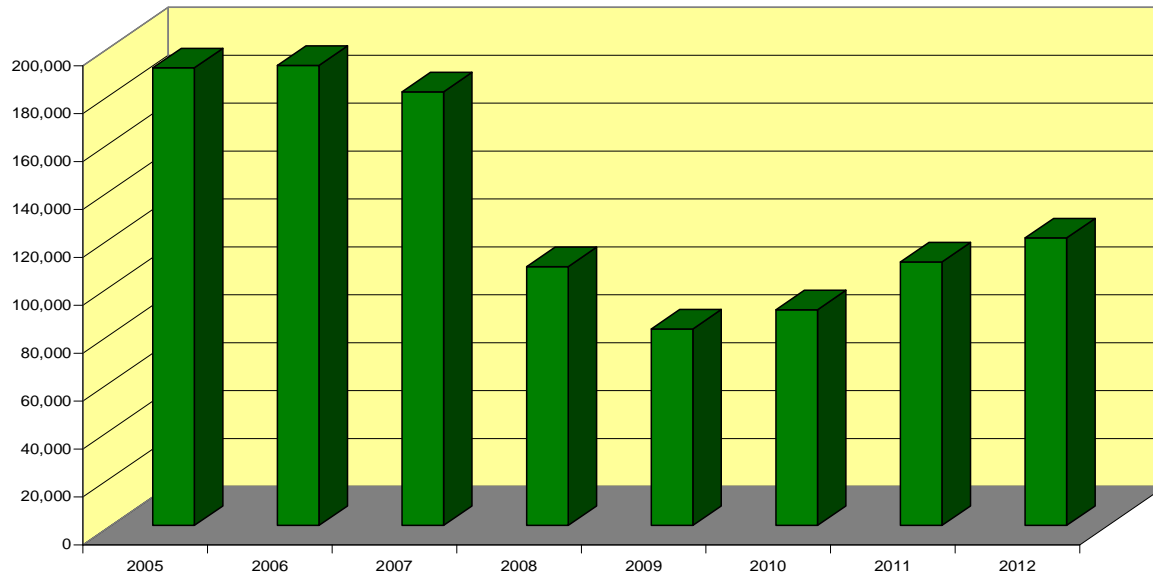
## First principles

- Civil servants will be more powerful – and can be expected to become “the new investment bankers”
- Public Private Partnership (PPP & PFI) is even more important; plus ‘asset management’
- Be a legal eagle
- Opportunities in developing markets where.....
- .....many construction markets will double over the next 10 years

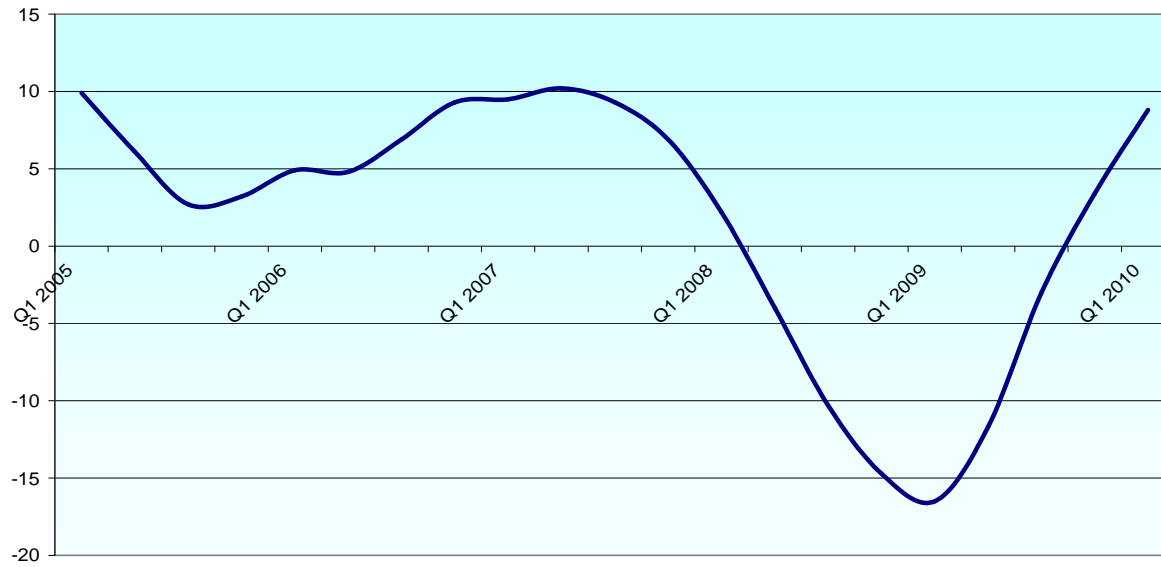
## Surgical cost cutting

- Salary reduction and holidays; no bonus; and/or link pay to performance or budget
- Sabbaticals; three and four days weeks
- Merging subsidiaries; rationalising premises; sale and lease back of offices and other premises
- Pay creditors more slowly; abandon employee perks; and eschew corporate entertainment (both as supplier and guest)

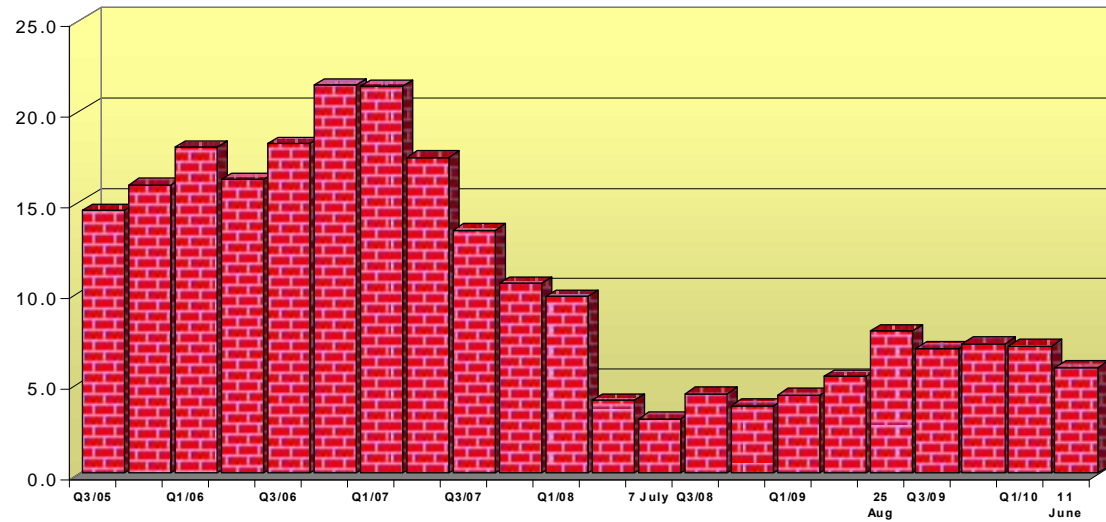
**UK private housing starts 2005 - 2012F**



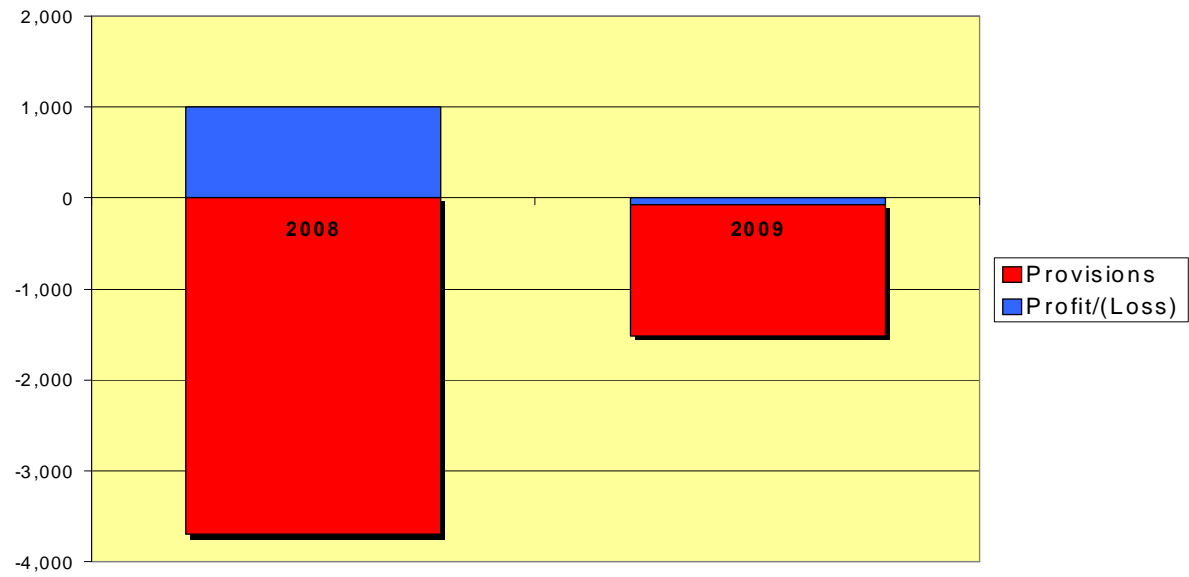
UK house prices Q1 2005 - Q1 2010 (quarterly % change)



**UK Housebuilding Sector - market capitalisation (£bn)**  
**30 Sept. 2005 to 11 June 2010**  
plus 7 July 08 (most recent low); 25 August 09 (most recent high)

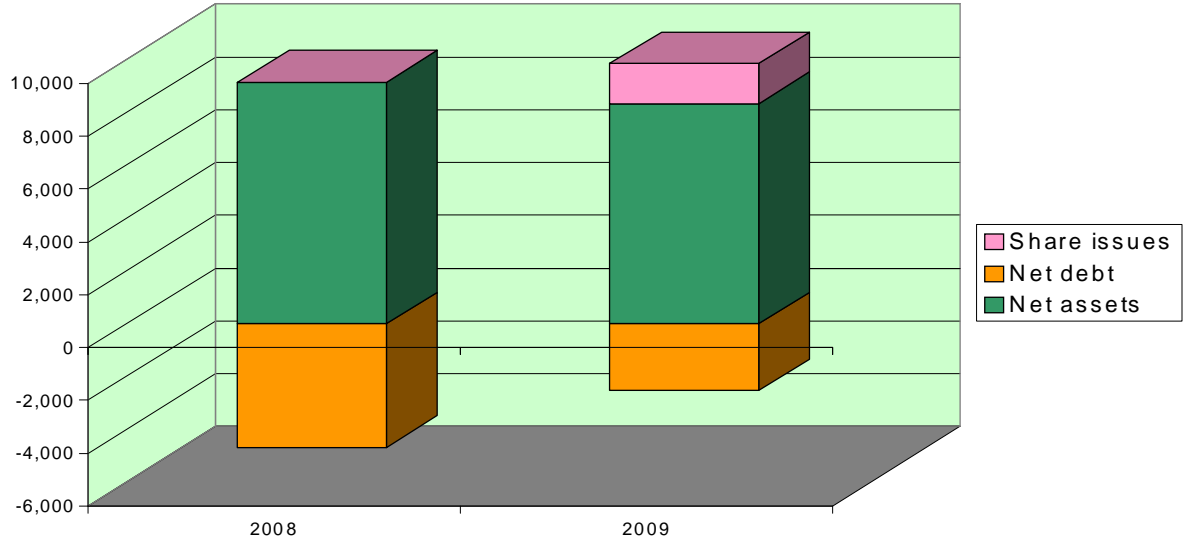


**Composition of pretax results : 2008 & 2009 (£m)**





**Net assets, net debt & share issues 2008 & 2009 (£m)**



## Darwinian Man matures

- Resourceful; adversity breeds innovation; population growth creates demand
- Competitive advantage has a short shelf life
- Prone to cyclicality; competitive pressures are endemic; being asked to do 'more for less'
- Quality and punctiliousness
- "We are all salesmen"
- Reputation is a fickle bedfellow

## The famous five

- Cash is King
- Be aware of change; and embrace it
- “Construction is the infantry” (10.9% of W. European GDP)
- Scale, spread and structure
- TKF – “the killing fields”

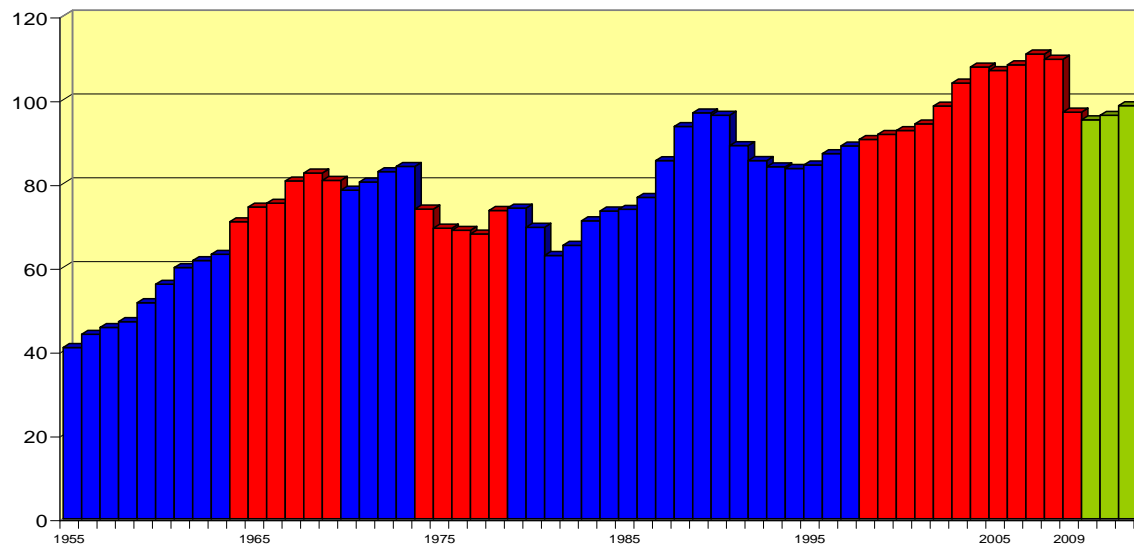
## Strategic options

- Growth by region
- Growth by product or discipline
- M&A: mergers & acquisitions
- New external investors/private equity/public to private
- Public listing/right issues/ share placings/ IPOs
- Status quo

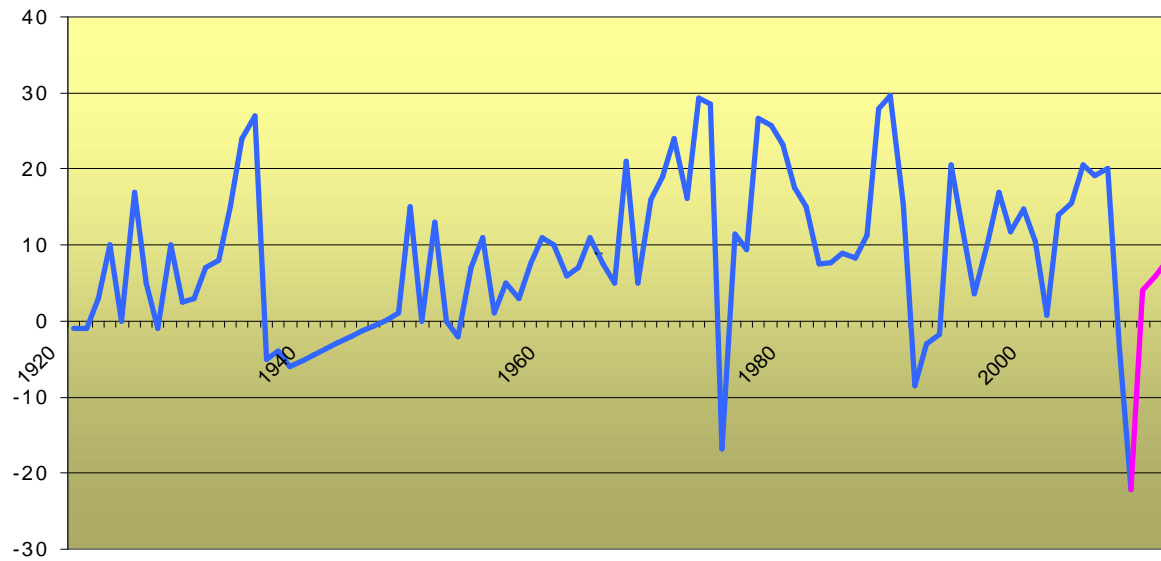
## Strategic options 2

- China (the 21<sup>st</sup> Century's new power); and Australia (minerals, population growth; & life expectancy is 79.7 years)
- Water is the new oil – China has 20% of the World's population but only 7% of its fresh water
- M&A climate has turned sharply positive; and where \$1 of assets is valued at more than \$1
- Being publicly listed: the FTSE 100 is up 50% since March 2009; only one quoted UK housebuilder has gone bust
- Standing still is not a long term option

### UK Construction Output & Politics 1955 - 2012E £ billion at 2005 prices



**Total Annual Return (%) UK Property: 1921 - 2011F**



# FTSE 100 recovery



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# Dow Jones “V”



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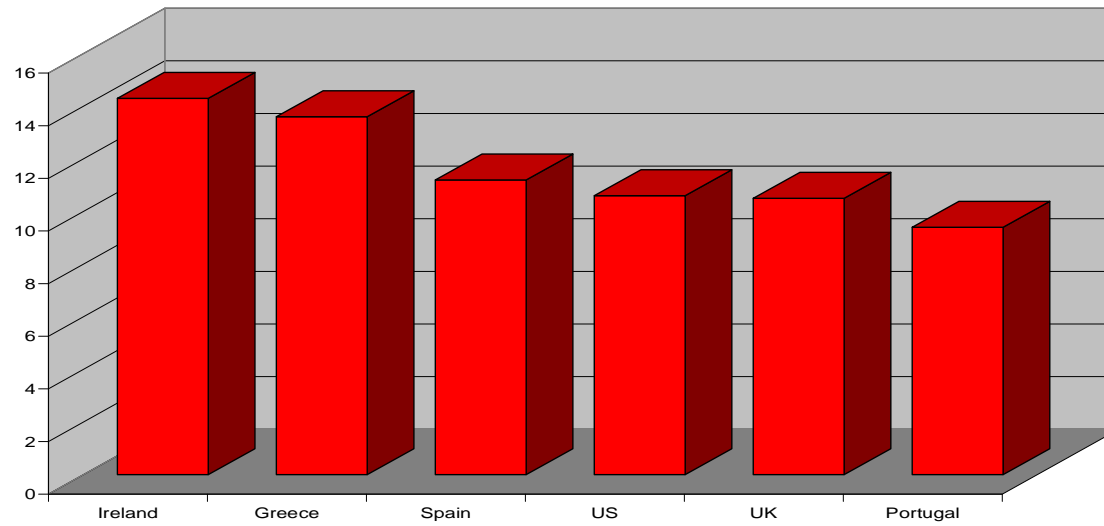
## Building Value's 21 Cs

courage	compassion	character
conception	competence	conveyance
consult	challenge	communicate
cooperation	coordination	certainty
capability	coherence	commonsense
conscience	commitment	conservation
cash	costs	capital (return on)

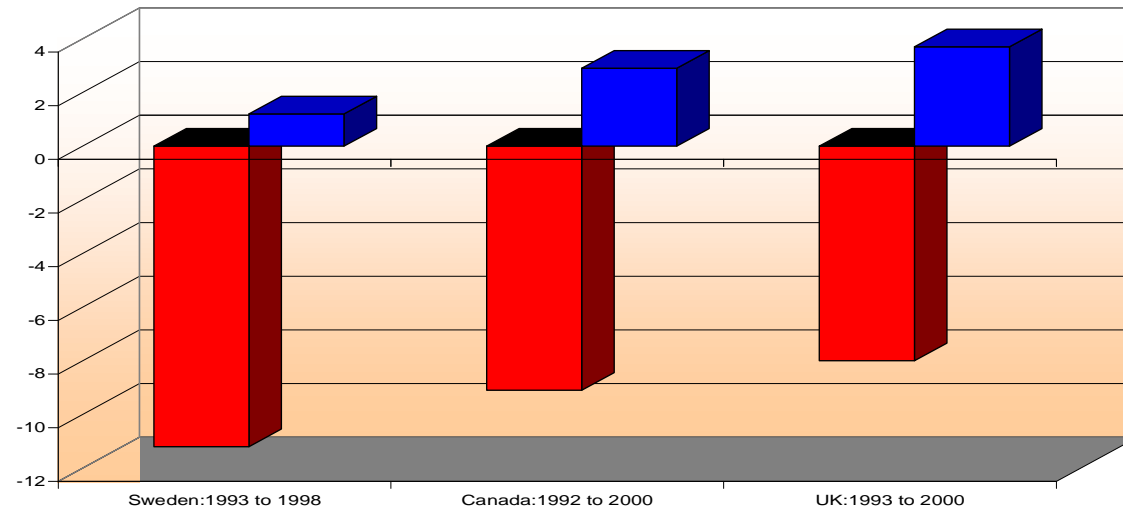
## Glass half full?

- World Bank is worried about sovereign wealth default
- Without it, GDP growth in the developed world should be 2.3 to 2.7% pa to 2012; with developing nations: 6.0 to 6.2%
- The UK, will grow at 1.3% this year and 2.6% in 2011....
- .....and we have a rare Coalition Government (and an Italian as the England Football team Manager); plus an “OBR”
- “PIGS + 2”; but the UK spent £90 billion bailing out three banks – but could already recoup £41 billion

### “PIGS+2”: budget deficits as % of GDP



## Life after death: deficit reductions (% of GDP)



## Learning from mistakes

*“Why do we fall, Sir?  
So that we can learn  
to pick ourselves up”*





the independent strategic advisor to the building materials,  
construction & support services sectors

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