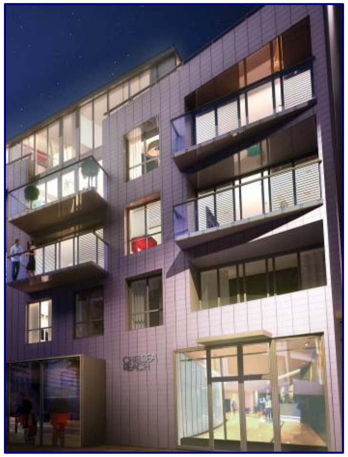
Bellway

Results Presentation
Year ended 31 July 2013






Agenda

1. Highlights
2. Strategy
3. Finance review
4. Operating review
5. Current trading and outlook
6. Questions and answers
7. Appendices

Highlights

Ted Ayres

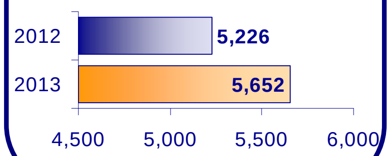
Chief Executive

Highlights

Bellway

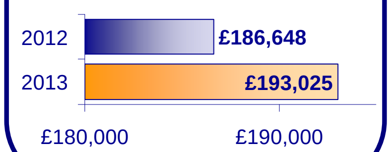
+ 8.2%

No. of homes sold



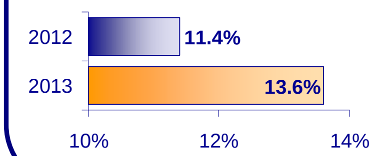
+ 3.4%

Average selling price



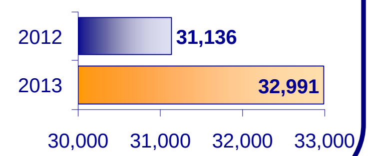
+ 220bps

Operating margin



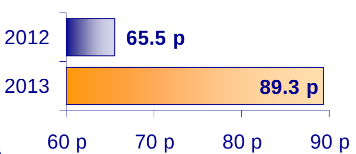
+ 6.0%

Land bank plots



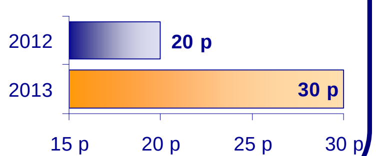
+ 36.3%

Earnings per share



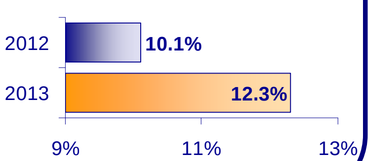
+ 50.0%

Total dividend



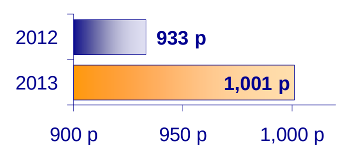
+ 220bps

Return on capital



+ 7.3%

Net asset value



Notes

Strategy

Ted Ayres

Chief Executive

Notes

Building shareholder value through…

Volume growth due to **operational** and **balance sheet** capacity

+

A strong focus on return on capital

Growth in net asset value

+

Progressive dividend policy

Notes

Operational and balance sheet capacity

Operational capacity

- 13 divisions at 31 July 2013
- Two new divisions since 1 August 2013
- Total capacity of c. 7,500 units and beyond
- National expansion possible
- Established presence in London

Balance sheet capacity

- Bank facilities of £300m
- Low net debt
- Land creditors used only when cost effective
- Strong balance sheet

Further volume growth

Notes

A strong focus on ROCE

Bellway

Land acquisitions

- ROCE and gross margin – key metrics in appraisal of new sites
- Focus on land with DPP and conditional contracts
- Strong relationships with housing associations

Operational efficiency

- Reviewing national house types
- Trading out old, impaired land
- London apartments generate higher returns

Additional improvements in ROCE

Notes

Finance review

Keith Adey

Finance Director

Notes

Group results

For the year ended 31 July

	2013		2012		Mvt
Revenue	£1,110.7m		£1,004.2m		10.6%
Gross profit	£203.3m	18.3%	£162.1m	16.1%	25.4%
Administrative expenses	(£52.2m)	(4.7%)	(£47.5m)	(4.7%)	9.9%
Operating profit	**£151.1m**	**13.6%**	**£114.6m**	**11.4%**	**31.8%**
Net finance costs	(£10.2m)		(£9.3m)		9.7%
Profit before taxation	**£140.9m**		**£105.3m**		**33.8%**
Taxation charge	(£32.3m)		(£26.0m)		24.2%
Profit after taxation	**£108.6m**		**£79.3m**		**36.9%**

Notes

Revenue

For the year ended 31 July

	2013	2012	Mvt
Homes sold	5,652	5,226	8.2%
Average selling price	£193,025	£186,648	3.4%
Housing revenue	£1,091.0m	£975.4m	11.9%
Non housing revenue	£19.7m	£28.8m	(31.6%)
Total revenue	**£1,110.7m**	**£1,004.2m**	**10.6%**

Notes

Housing revenue

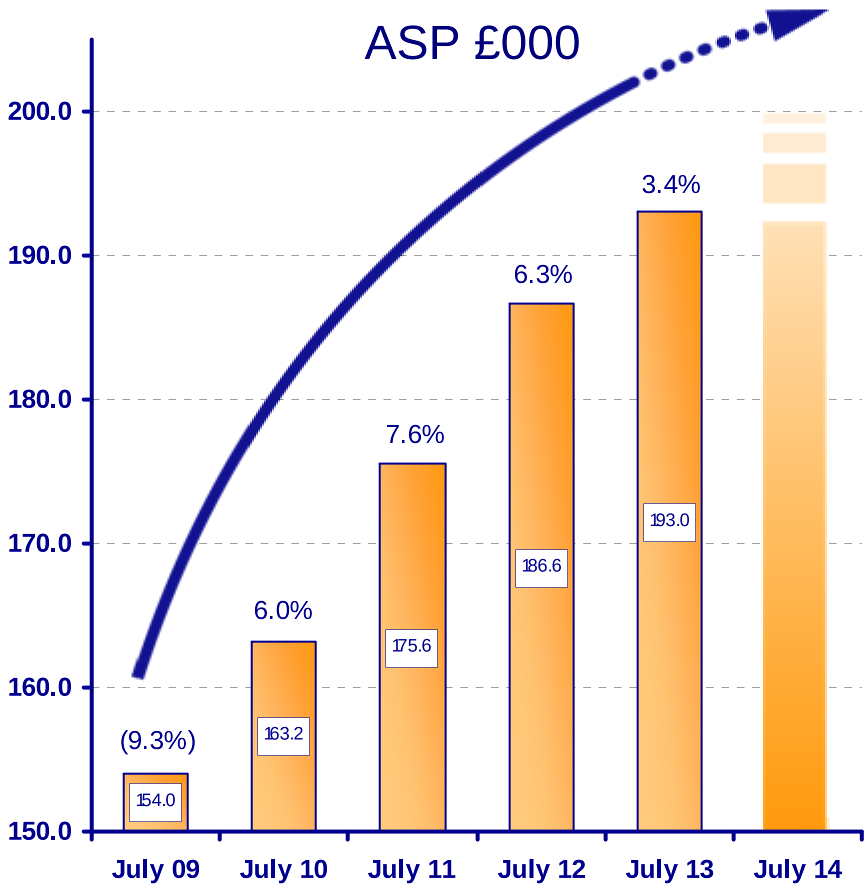
For the year ended 31 July

	2013	2012	Mvt
Private housing			
Homes sold	4,694	4,358	7.7%
Average selling price	£207,322	£200,287	3.5%
Social housing			
Homes sold	958	868	10.4%
Average selling price	£122,971	£118,171	4.1%

Notes

Average selling price growth

Bellway



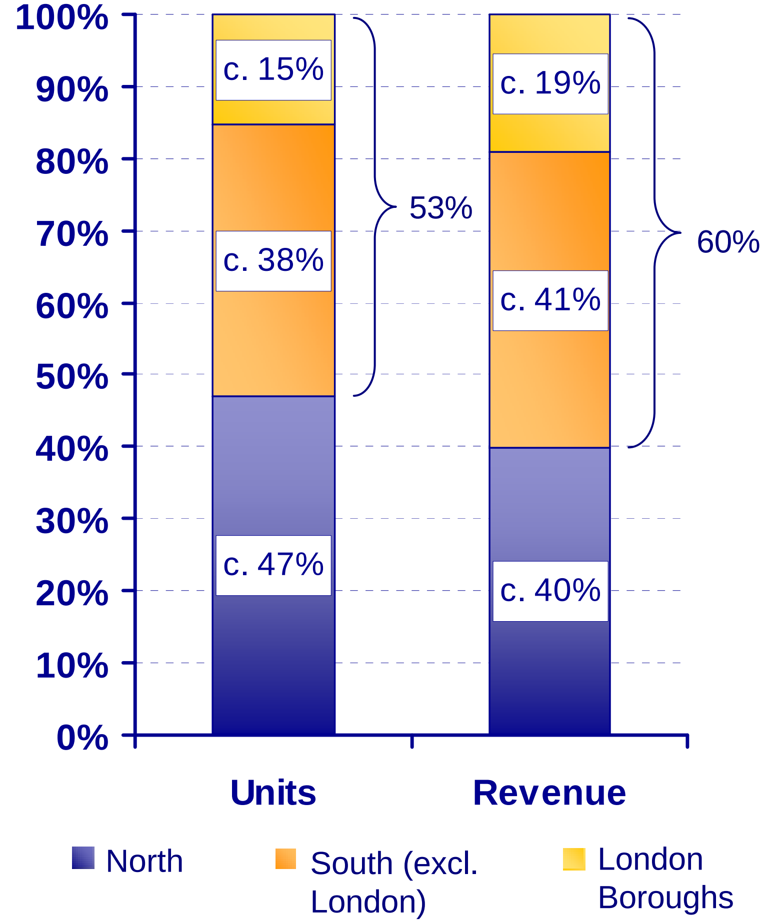
- Prices stable but incentives falling
- Expect ASP of c.£200k for full year ending 31 July 2014
- 25% improvement in average selling price achieved since 2009

Notes

National coverage

Bellway

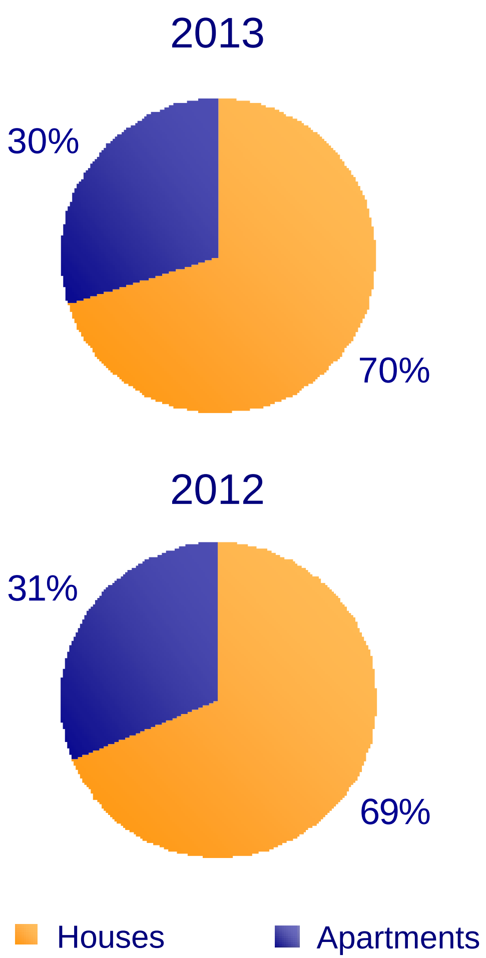
- 60% of housing revenue generated in the south
- Ability to respond to strengthening demand in regional markets
- 19% of housing revenue generated in London Boroughs



Notes

Apartments

For the year ended 31 July



- Tend to have a faster sales rate
- Nearly half of all apartment sales are in London
- ASP of London apartments is c. £240,000
- Demand is robust in this relatively affordable segment of the London market

Notes

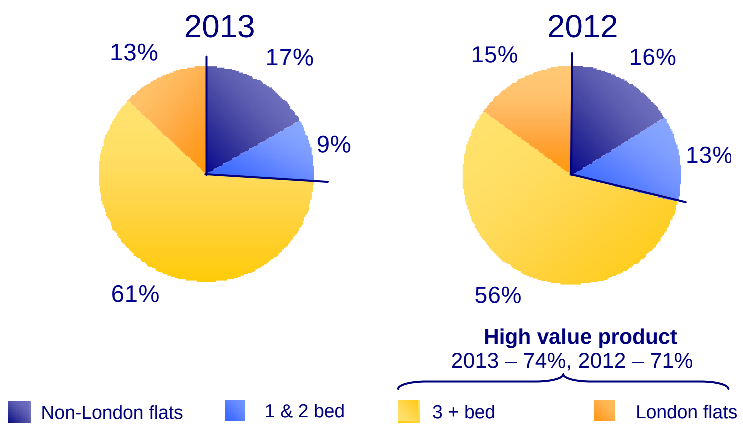
A wide product mix

For the year ended 31 July

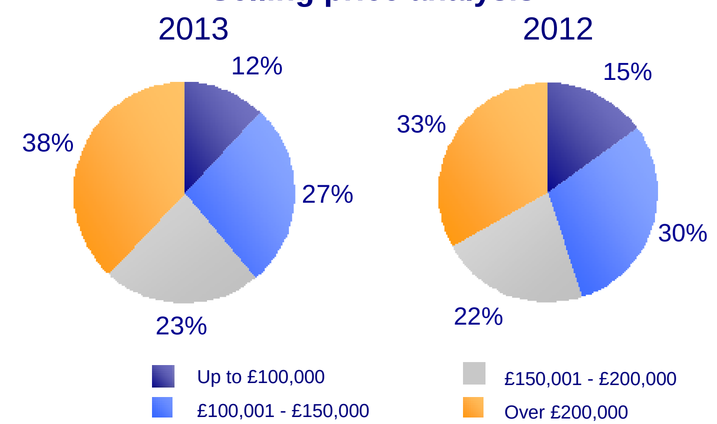
	2013	2012
Size		
Av. Sq. feet / home	988	951
ASP / square foot	£195	£196

- Continued evolution in product mix
- Focus on higher value product

Product mix analysis



Selling price analysis



Notes

Operating performance

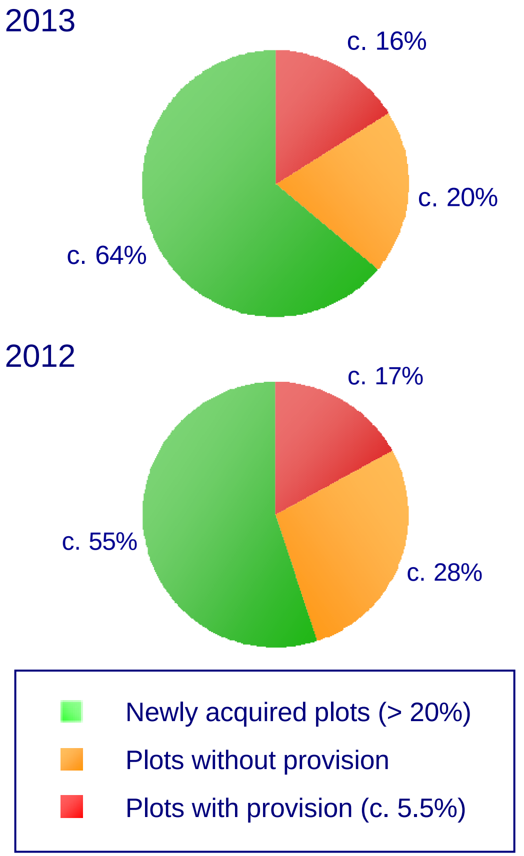
Bellway

For the year ended 31 July

	2013 FY	2013 H2	2013 H1	2012 FY
Gross profit	**£203.3m**	£113.6m	£89.7m	£162.1m
	18.3%	*18.7%*	*17.9%*	*16.1%*
Admin. Expenses	**£52.2m**	£26.9m	£25.3m	£47.5m
	4.7%	*4.4%*	*5.1%*	*4.7%*
Operating profit	**£151.1m**	£86.7m	£64.4m	£114.6m
	13.6%	*14.3%*	*12.8%*	*11.4%*

- 220 bps improvement in gross margin
- Admin. expenses remain at 4.7% of revenue
- Expect operating margin of c. 15% at July 2014

Completions by land type



Notes

Finance expense

For the year ended 31 July

	2013	2012	Mvt
Land creditors / debtors – IAS 39	£4.7m	£3.0m	56.7%
Net bank interest payable inc. fees	£3.7m	£4.7m	(21.3%)
Preference dividend	£1.9m	£1.9m	-
Pension cost	£0.3m	£0.5m	(40.0%)
Other interest	(£0.4m)	(£0.8m)	(50.0%)
Net finance expense	**£10.2m**	**£9.3m**	**9.7%**

Notes

Earnings

For the year ended 31 July

	2013	2012	Mvt
Profit before taxation	£140.9m	£105.3m	33.8%
Taxation	(£32.3m)	(£26.0m)	24.2%
Effective tax rate	*23.0%*	*24.7%*	
Profit after taxation	**£108.6m**	**£79.3m**	**36.9%**
Earnings per share	89.3p	65.5p	36.3%
Dividend	30.0p	20.0p	50.0%
Dividend cover	3.0	3.3	

Notes

Balance sheet

as at

	31 July 2013	31 July 2012
Assets		
Fixed assets	£19.0m	£21.2m
Inventory	£1,513.5m	£1,399.8m
Shared equity	£34.5m	£35.1m
Debtors	£60.4m	£74.4m
	£1,627.4m	**£1,530.5m**
Liabilities		
Pension deficit	(£9.0m)	(£11.5m)
Creditors	(£227.8m)	(£204.7m)
Land creditors	(£146.0m)	(£120.6m)
	(£382.8m)	**(£336.8m)**
Capital employed	**£1,244.6m**	**£1,193.7m**

Notes

Inventory

as at

	31 July **2013**	31 July **2012**
DPP: land with detailed planning permission	£782.5m	£687.6m
Pipeline and strategic land	£124.8m	£165.3m
Work in progress	£535.0m	£479.5m
Showhomes	£52.8m	£45.5m
Part exchange stock	£18.4m	£21.9m
Total	**£1,513.5m**	**£1,399.8m**

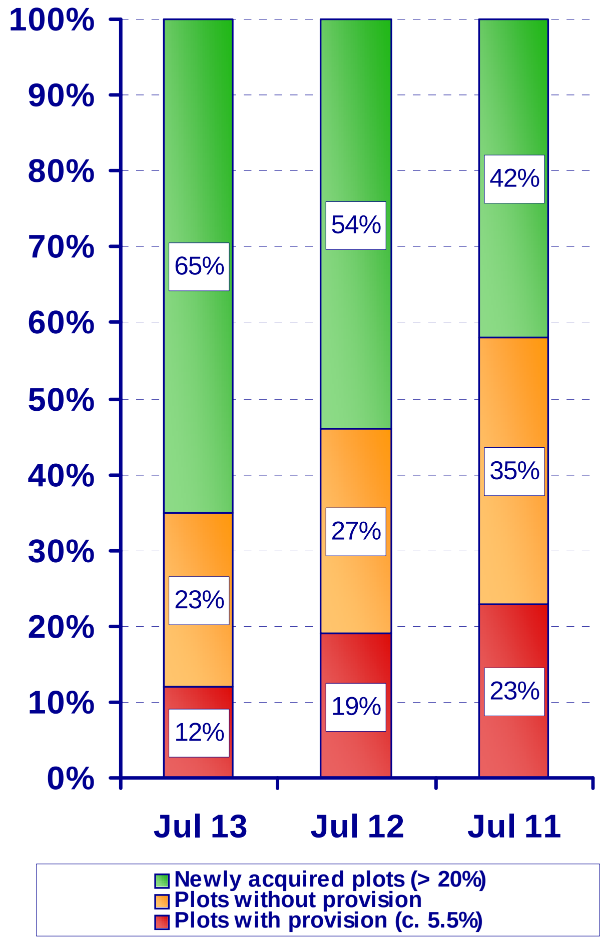
Notes

Land with detailed planning permission

	Plots	Cost	Average plot cost	Average selling price
Brought forward 1 August 2012	17,636	£687.6m	£39.0k	c. £193k
Sold	(5,652)	(£273.4m)	£48.4k	£193k
	11,984	**£414.2m**	**£34.6k**	**c. £193k**
Net purchases	7,007	£368.3m	£52.6k	c. £205k
Carried forward 31 July 2013	**18,991**	**£782.5m**	**£41.2k**	**c. £197k**

Notes

Analysis of plots with DPP



- 65% of land bank with DPP now at a gross margin in excess of 20%.
- Average gross margin of land with DPP is between 19% and 20%.

Notes

Shared equity

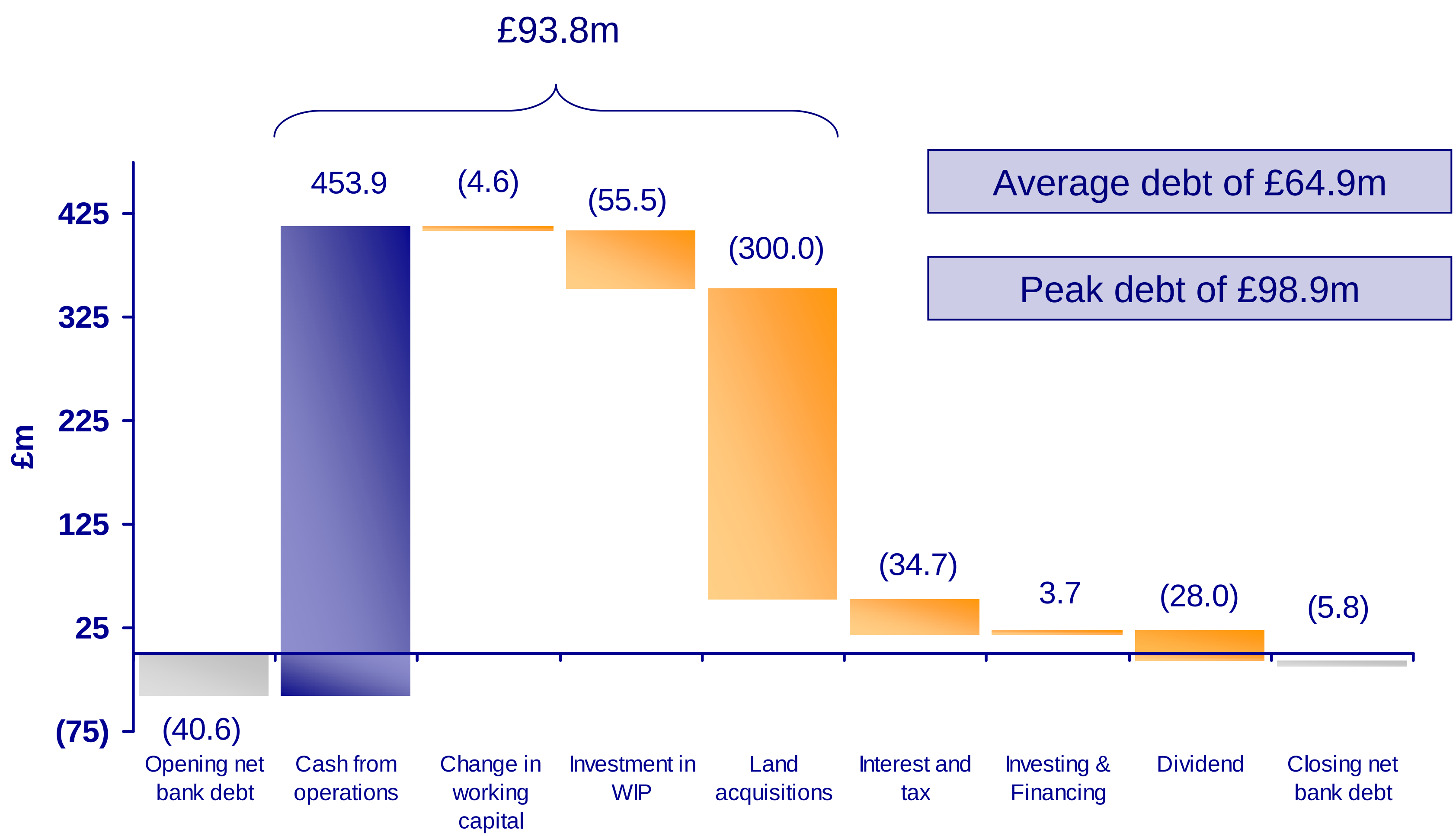
as at

	31 July 2013	31 July 2012
Number of assets owned	2,843	2,728
Book value (BV)	£34.5m	£35.1m
Original loan (OL)	£74.9m	£74.6m
BV / OL	46%	47%
Cumulative redemptions to date (units)	310	232
Cumulative redemption proceeds as % of OL	76%	72%

Notes

Cash flow

For the year ended 31 July



Notes

Capital structure

as at

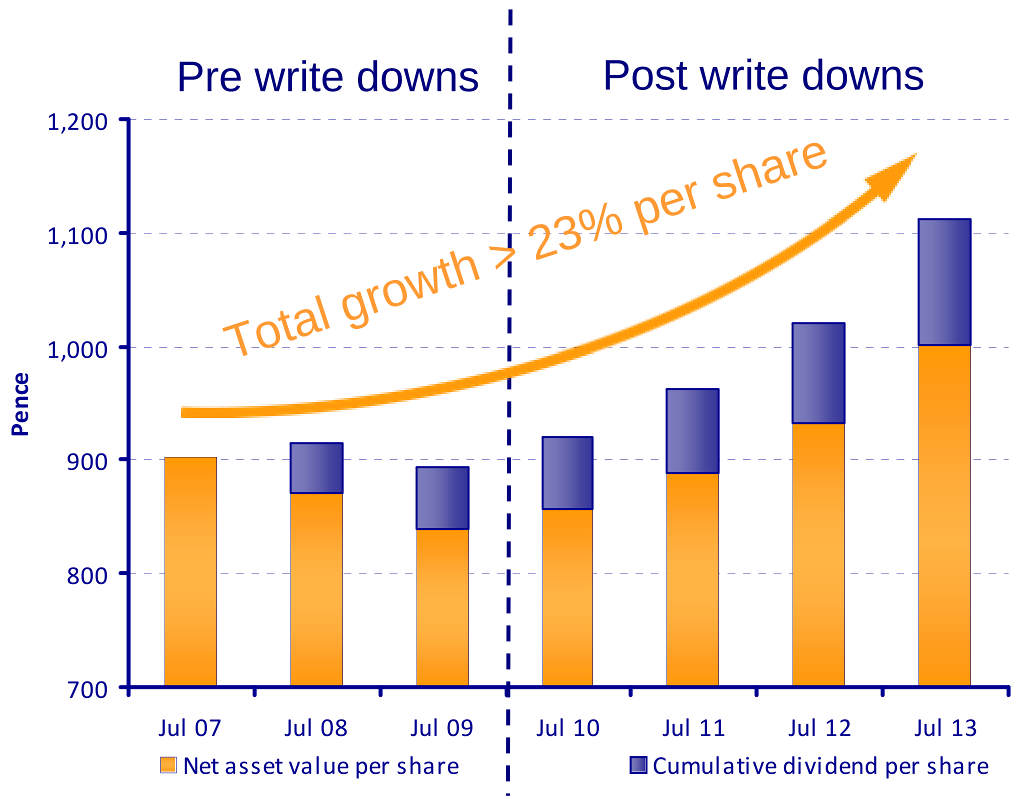
		31 July 2013	31 July 2012
Net bank borrowings	- average cost < 200 bps above LIBOR	£5.8m	£40.6m
Preference debt	- 9.5% dividend	£20.0m	£20.0m
Net debt		£25.8m	£60.6m
Equity		£1,218.8m	£1,133.1m
Capital employed		£1,244.6m	£1,193.7m
Gearing		2.1%	5.3%

Land creditors	£146.0m	£120.6m
Capital employed including land creditors	£1,390.6m	£1,314.3m

Notes

Value creation

For the year ended 31 July



	2013	2012
Dividend	30.0p	20.0p

	2013	2012
NAV	1,001p	933p

	2013	2012
RoCE	12.3%	10.1%

Notes

Finance summary

	Movement
Volume growth	+8.2%
Average selling price growth	+3.4%
Operating margin growth	+220 bps
Earnings per share growth	+36.3%
Return on capital growth	+220 bps
Dividend growth	+50.0%
Net asset value growth	+7.3%

Notes

Operating review

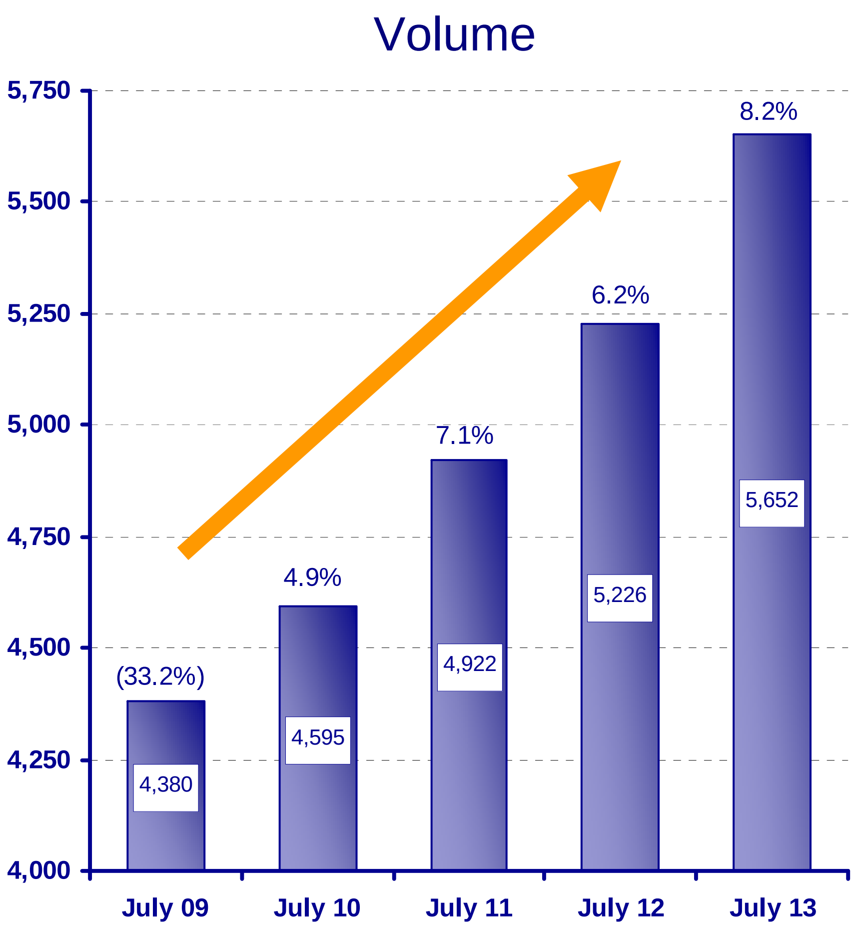
Ted Ayres

Chief Executive

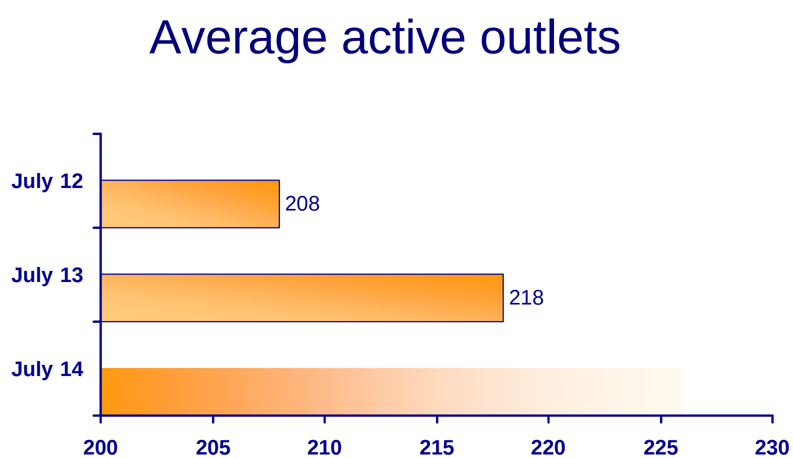
Notes

Volume growth

Bellway



- Opened 40 outlets during the year
- Two new divisions will contribute completions this year
- Existing divisions have capacity to deliver more
- Expect outlets to increase by around 5%



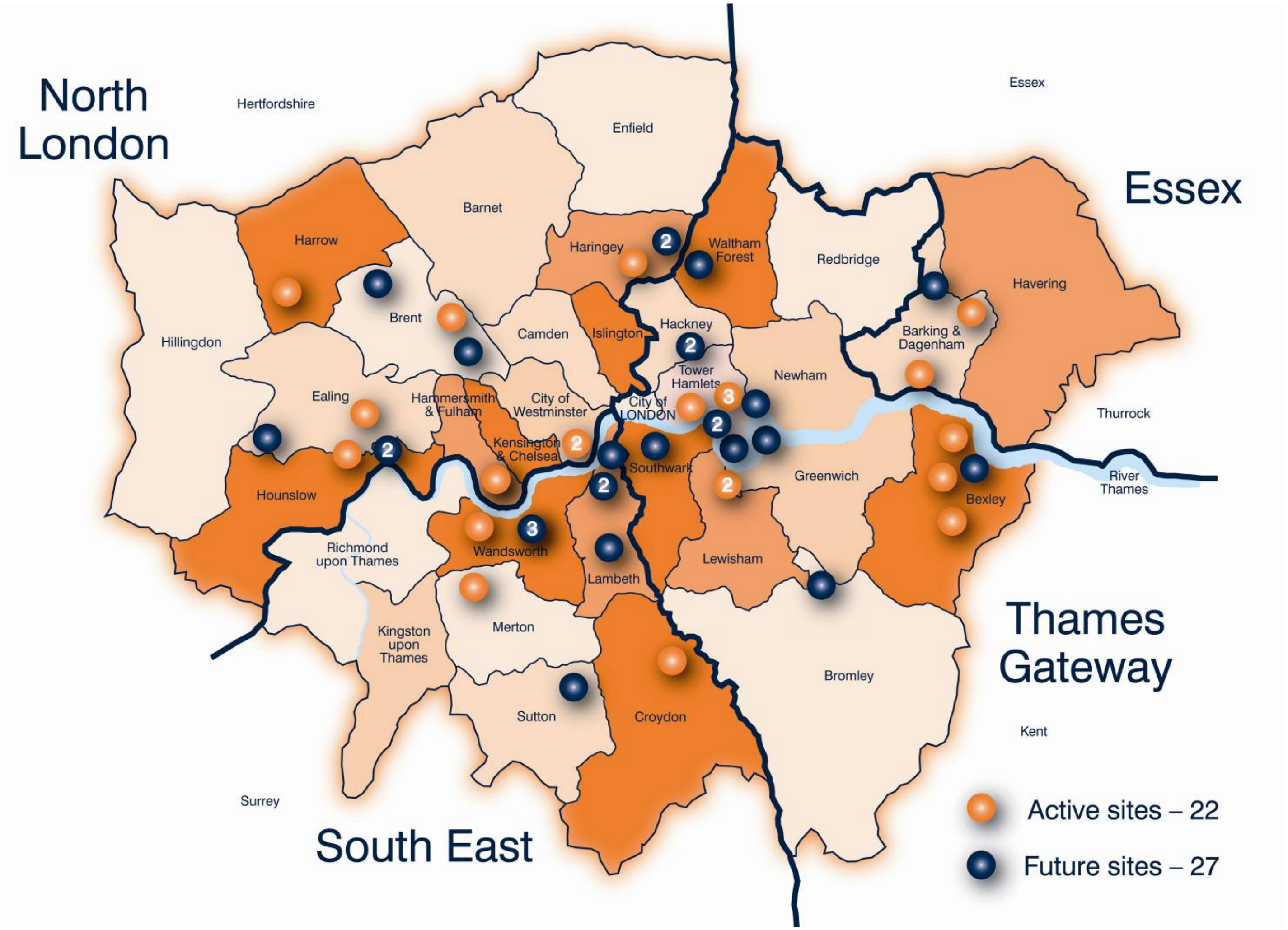
Notes

National coverage

	2013	2012	Mvt
North			
Homes sold	2,652	2,375	11.7%
Average selling price	£163,534	£151,376	8.0%
South (inc. London)			
Homes sold	3,000	2,851	5.2%
Average selling price	£219,094	£216,031	1.4%
London Boroughs			
Homes sold	865	906	(4.5%)
Average selling price	£240,539	£229,794	4.7%

Notes

Strong presence in London



Notes

Focus on return on capital

So Stepney, Tower Hamlets

Case study

- Site contracted conditionally for £11.4 million
- Completion deferred pending planning and vacant possession
- Two blocks bulk sold to investors with the benefit of a 10% deposit
- 129 affordable housing units sold with payments on monthly valuations
- Gross margin approaching 30%
- RoCE in excess of 25%

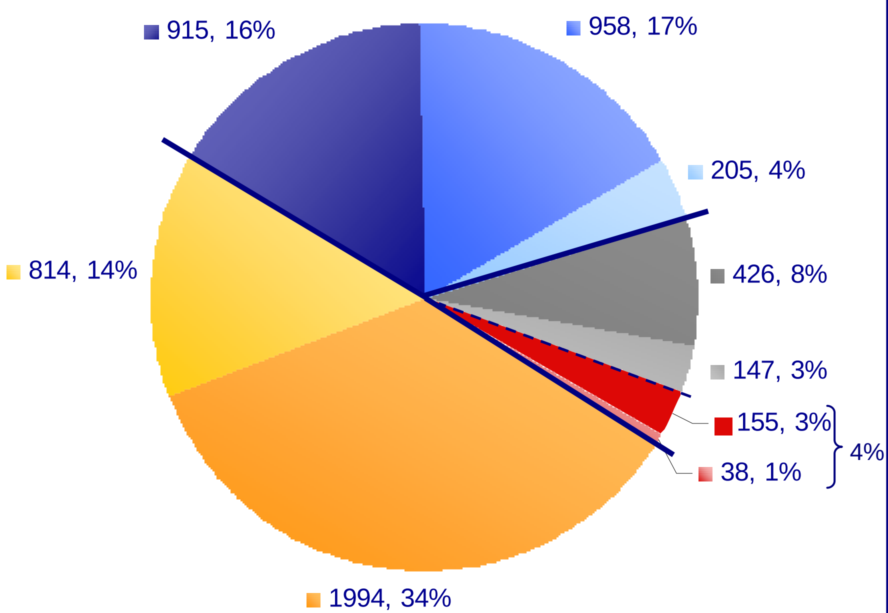
Notes

Completion analysis

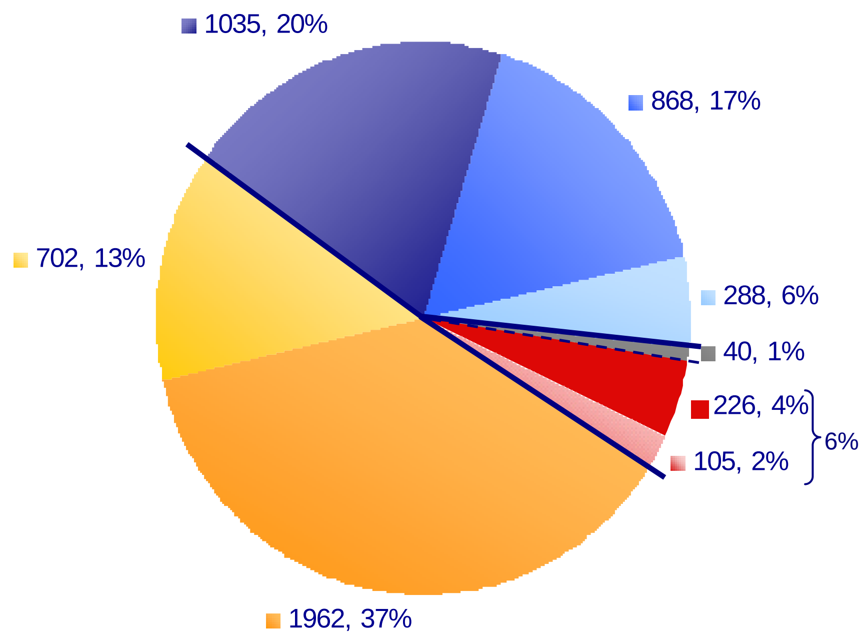
Bellway

For the year ended 31 July

2013



2012



Second time buyers	Other buyers	Deposit assisted
Other second time buyers	Unassisted first time buyers	NewBuy / MI New Home
Part exchange used as an incentive	Housing associations	Help to Buy
	Investor	HomeBuy / First Buy
		Bellway shared equity

Notes

Strong cost control

Bellway

- Build costs relatively benign
- Vast majority of materials are centrally procured
- Small increases in timber, chipboard and brick prices
- Some material and sub-contract shortages in recent months
- Industry volume growth will lead to cost pressures
- Strong relationships with suppliers and sub-contractors will help minimise cost increases

Notes

Standard house types

- Designed 33 two storey house types
- Two divisions are trialling the new range
- Intend to undertake a full critique before further roll out
- Possible procurement savings could help control cost base

Notes

Land buying

- Expended £300m on land and land creditors
- Focus on land with DPP, or conditional on implementable DPP
- Focus on brownfield opportunities
- Achieving at least 20% gross margin and minimum ROCE of 15% to 20%
- All land in place for this financial year
- 80% of land in place for next year

Notes

Land bank

Bellway

For the year ended 31 July

	2013	2012
3 levels to our land bank		
DPP: Plots with **detailed** planning permission	18,991	17,636
Pipeline: Plots pending an implementable DPP	14,000	13,500
Total plots	**32,991**	**31,136**
Strategic: Long term potential plots	>4,400	>3,900

Heads of terms agreed on further 4,700 plots as at 29 September

Notes

Current trading and outlook

Ted Ayres

Chief Executive

Notes

Market place

Bellway

- Reservations during year av. 128 per week – up 27%
- Reservations since 1 August av. 122 per week – up 33%
- Sales rates improved since introduction of Help to Buy equity loan

Notes

Order book

- Order book at 29 September
  - 3,316 plots
  - £644.2m
  - Value up 47% compared to last year

Notes

Summary

- Increased operational capacity of 7,500 homes
- Volume growth of up to 15% by July 2014
- H1 2014 will benefit from strong order book
- Strong balance sheet
- Further value creation through growth in net asset value and dividend

Notes

Questions and answers

The Asters, Sunningdale

Notes

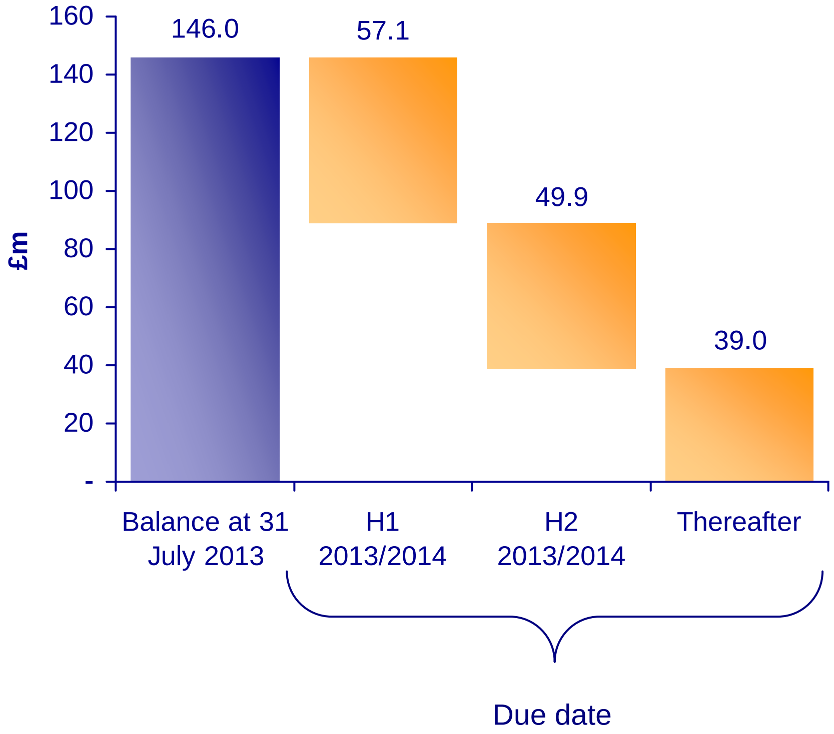
Appendices

1. Land creditor payments
2. Land buying
3. Order book at 31 July

Notes

Appendix 1 - Land creditor payments

Bellway

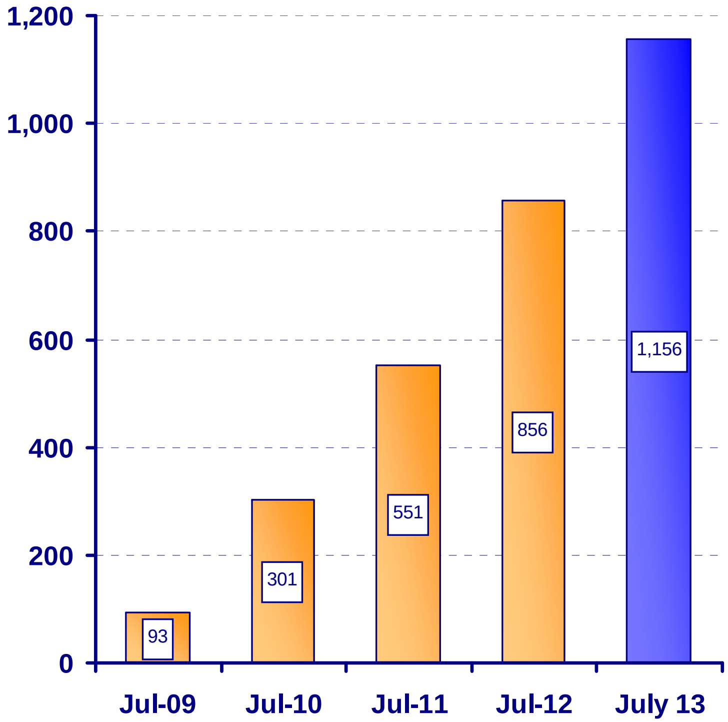


- Land creditors represent only 16% of land book value
- Only £107m of committed land expenditure within next twelve months

Notes

Appendix 2 – Land buying

Cumulative land expenditure since downturn (£m)



- Over £1.1bn expended on higher margin land since downturn.
- Average gross margin on new land acquisitions is c. 22%

Notes

Appendix 3 – Order book at 31 July

	31 July 2013			31 July 2012			Movement		
	Private	**Social**	**Total**	**Private**	**Social**	**Total**	**Private %**	**Social %**	**Total %**
At 1 August	**1,499**	**1,034**	**2,533**	1,485	1,012	2,497	*0.9%*	*2.2%*	*1.4%*
Reservations	**5,698**	**946**	**6,644**	4,372	890	5,262	*30.3%*	*6.3%*	*26.3%*
Completions	**(4,694)**	**(958)**	**(5,652)**	(4,358)	(868)	(5,226)	*7.7%*	*10.4%*	*8.2%*
At 31 July	**2,503**	**1,022**	**3,525**	**1,499**	**1,034**	**2,533**	***67.0%***	***(1.2%)***	***39.2%***