



## Results Presentation

Half year ended 31 January 2017



# Agenda

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



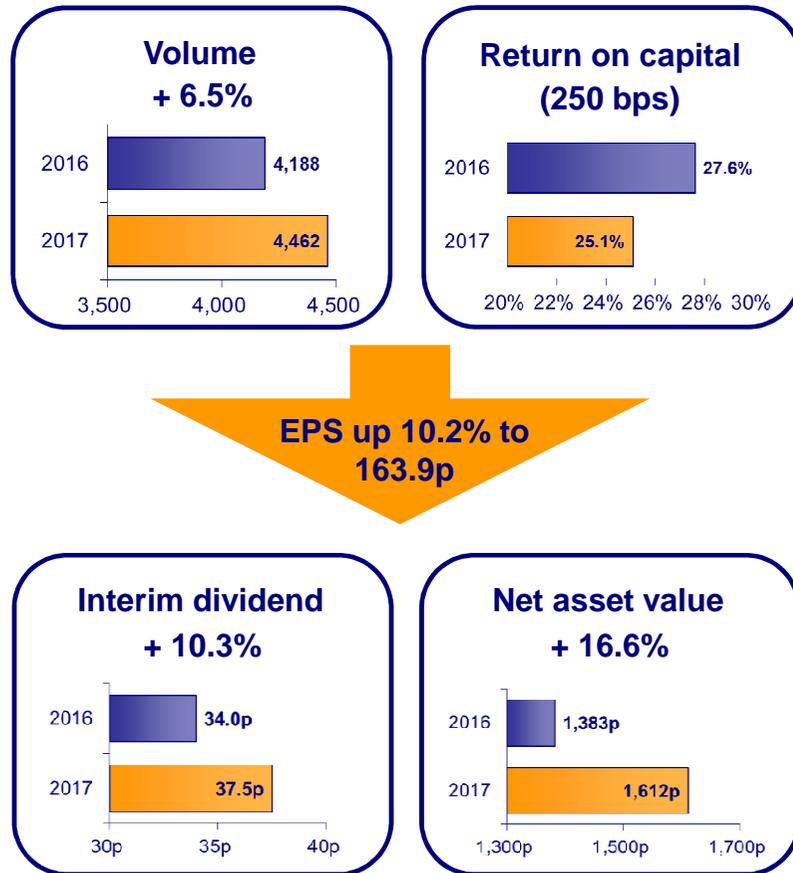
# Highlights

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**Ted Ayres**  
Chief Executive

# Further disciplined volume growth



## Operational highlights

- Investment in WIP to facilitate further growth with 9,603 plots under production.
- Contracted to acquire 6,287 plots in the period.
- Order book increased to £1.4 bn at 12 March.

Delivering value for shareholders

Unless otherwise stated, all numbers throughout this presentation exclude joint ventures.

# Notes

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# Finance review

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**Keith Adey**  
Finance Director

# Notes

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# Operating result



For the half year ended 31 January

	2017		2016		Mvt
Homes sold	4,462		4,188		6.5%
Average selling price	£256,140		£257,280		(0.4%)
Housing revenue	£1,142.9m		£1,077.5m		6.1%
Other revenue	£5.6m		£7.4m		(24.3%)
Total revenue	£1,148.5m		£1,084.9m		5.9%
<b>Gross profit</b>	<b>£296.7m</b>	<b>25.8%</b>	<b>£272.4m</b>	<b>25.1%</b>	<b>70bps</b>
Administrative expenses	(£44.1m)	(3.8%)	(£39.9m)	(3.7%)	10.5%
<b>Operating profit</b>	<b>£252.6m</b>	<b>22.0%</b>	<b>£232.5m</b>	<b>21.4%</b>	<b>60bps</b>

# Notes

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# Further revenue growth



For the half year ended 31 January

## Homes sold (No.)

	2017			2016		
	Private	Social	Total	Private	Social	Total
North	1,846	371	2,217	1,704	269	1,973
South	1,697	548	2,245	1,940	275	2,215
Group	3,543	919	4,462	3,644	544	4,188
London	268	33	301	771	15	786

## Average selling price (£000)

	2017			2016		
	Private	Social	Total	Private	Social	Total
North	223.7	101.0	203.2	222.1	90.3	204.1
South	365.2	132.7	308.4	329.1	132.1	304.6
Group	291.5	119.9	256.1	279.1	111.4	257.3
London	457.1	169.3	425.5	370.1	193.3	366.8

- Social housing represented 21% of completions.
- Private ASP rose by >4% due to investment in higher value locations and modest HPI.
- Social housing expected to be >20% of total for FY17.
- Overall ASP expected to rise by 3% to c.£260k for FY17.
- Strong performance in the north.
- Trading is robust in London.
- ASP in London well within scope of Help to Buy.

# Notes

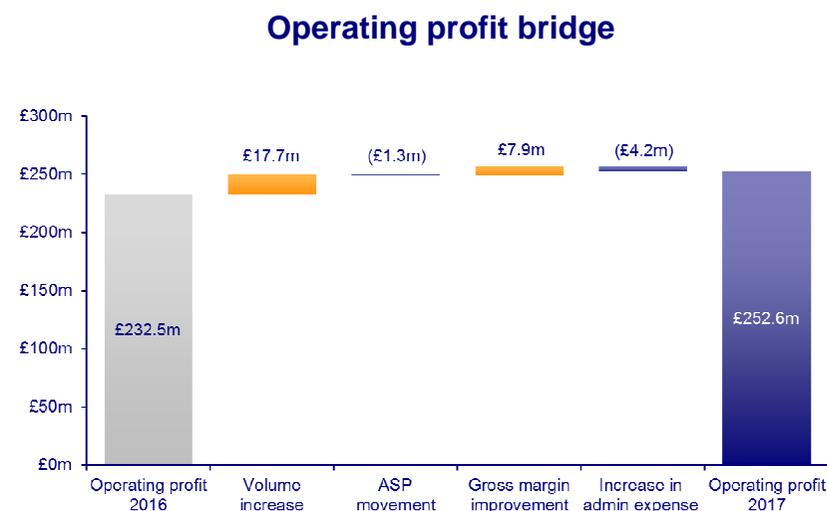
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# Operating performance



	2017 H1	2016 H1	2016 H2	2016 FY
Gross profit	<b>£296.7m</b> <b>25.8%</b>	£272.4m 25.1%	£302.4m 26.2%	£574.8m 25.7%
Administrative expenses	<b>(£44.1m)</b> <b>(3.8%)</b>	(£39.9m) (3.7%)	(£42.9m) (3.7%)	(£82.8m) (3.7%)
Operating profit	<b>£252.6m</b> <b>22.0%</b>	£232.5m 21.4%	£259.5m 22.5%	£492.0m 22.0%



- Gross margin improvement influenced by historical HPI, net of industrywide build cost increases.
- Continued investment in divisional structure to facilitate further growth.
- Expect to achieve operating margin of around 22% for FY17.
- Operational capacity provides scope for further profit growth.

# Notes

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# Earnings growth



For the half year ended 31 January

	2017	2016	Mvt
Operating profit	£252.6m	£232.5m	8.6%
Net finance expense	(£5.0m)	(£5.7m)	(12.3%)
Share of result of JVs	-	(£0.2m)	-
Profit before tax	£247.6m	£226.6m	9.3%
Taxation	(£46.9m)	(£44.5m)	5.4%
<i>Effective tax rate</i>	18.9%	19.6%	(70 bps)
<b>Profit after tax</b>	<b>£200.7m</b>	<b>£182.1m</b>	<b>10.2%</b>
Earnings per share	163.9p	148.7p	10.2%

# Notes

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# Balance sheet



	As at 31 January		
	2017	2016	Mvt
<b>Assets</b>			
Fixed assets and investment in joint ventures	£48.6m	£19.1m	£29.5m
Inventory	£2,796.7m	£2,334.8m	£461.9m
Land	£1,761.7m	£1,464.7m	£297.0m
WIP	£1,035.0m	£870.1m	£164.9m
Debtors	£113.7m	£76.0m	£37.7m
Assets held for sale	-	£26.2m	(£26.2m)
	<b>£2,959.0m</b>	<b>£2,456.1m</b>	<b>£502.9m</b>
<b>Liabilities</b>			
Pension deficit	(£8.8m)	(£6.1m)	(£2.7m)
Net bank debt	(£175.1m)	(£58.9m)	(£116.2m)
Creditors	(£496.1m)	(£420.5m)	(£75.6m)
Land creditors	(£301.7m)	(£275.7m)	(£26.0m)
	<b>(£981.7m)</b>	<b>(£761.2m)</b>	<b>(£220.5m)</b>
<b>Net asset value</b>	<b>£1,977.3m</b>	<b>£1,694.9m</b>	<b>£282.4m</b>
Net bank debt	£175.1m	£58.9m	£116.2m
<b>Capital employed</b>	<b>£2,152.4m</b>	<b>£1,753.8m</b>	<b>£398.6m</b>

# Notes

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# Land bank<sup>^</sup>



As at 31 January

	2017			2016		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
<b>Land with DPP</b>						
Brought forward 1 August	24,879	£1,373.1m	£55.2k	21,411	£1,040.9m	£48.6k
Net purchases	5,914	£401.9m	£68.0k	5,856	£353.8m	£60.4k
Sold	(4,462)	(£244.0m)	(£54.7k)	(4,188)	(£229.2m)	£54.7k
<b>Carried forward 31 January</b>	<b>26,331</b>	<b>£1,531.0m</b>	<b>£58.1k</b>	23,079	£1,165.5m	£50.5k
<b>Pipeline</b>	<b>11,600</b>	<b>£230.7m</b>		14,800	£299.2m	
<b>Owned and controlled land</b>	<b>37,931</b>	<b>£1,761.7m</b>		37,879	£1,464.7m	
<b>Land with DPP - JVs</b>	<b>286</b>			-		
<b>Total owned and controlled plots</b>	<b>38,217</b>			37,879		

The Group has 5,650 strategic plots with a positive planning status (2016 – 6,600)

<sup>^</sup> See appendix 9 for definitions.

# Notes

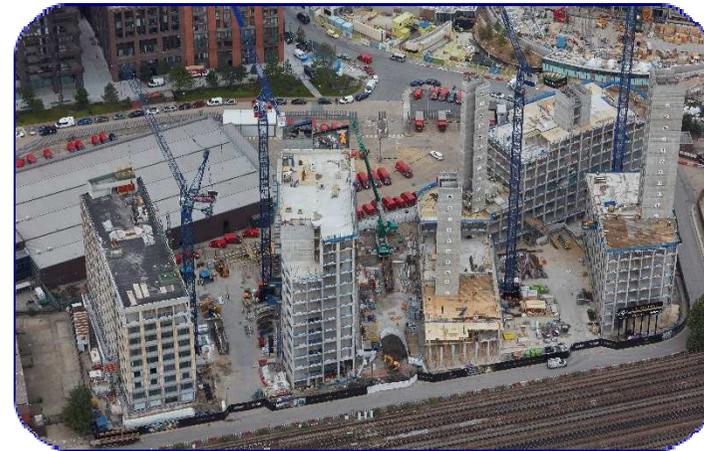
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# Work in progress

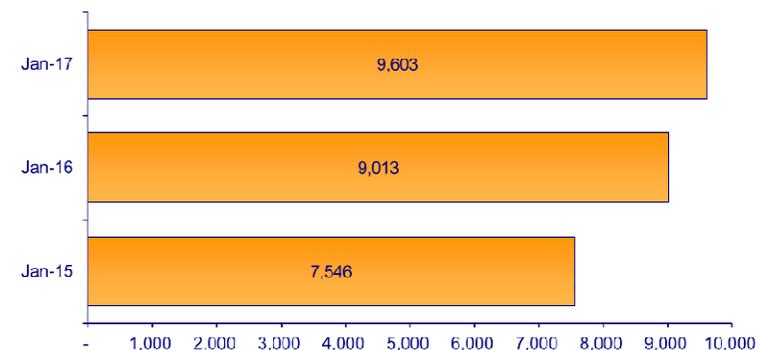
As at 31 January

	2017	2016	Mvt
Site construction	£941.0m	£792.0m	£149.0m
Show homes	£71.8m	£61.2m	£10.6m
Part exchange stock	£22.2m	£16.9m	£5.3m
<b>Total WIP</b>	<b>£1,035.0m</b>	<b>£870.1m</b>	<b>£164.9m</b>



- WIP includes investment of £80m at Nine Elms.
- Substantial WIP investment required to successfully deliver complicated London schemes.
- Investing in WIP in a market where resource is essential to secure operational certainty and provides scope for future volume growth.
- Investment in WIP is balanced with focus on RoCE.
- Plots in production are at a more progressed build stage compared to last year.

## Units in production



# Notes

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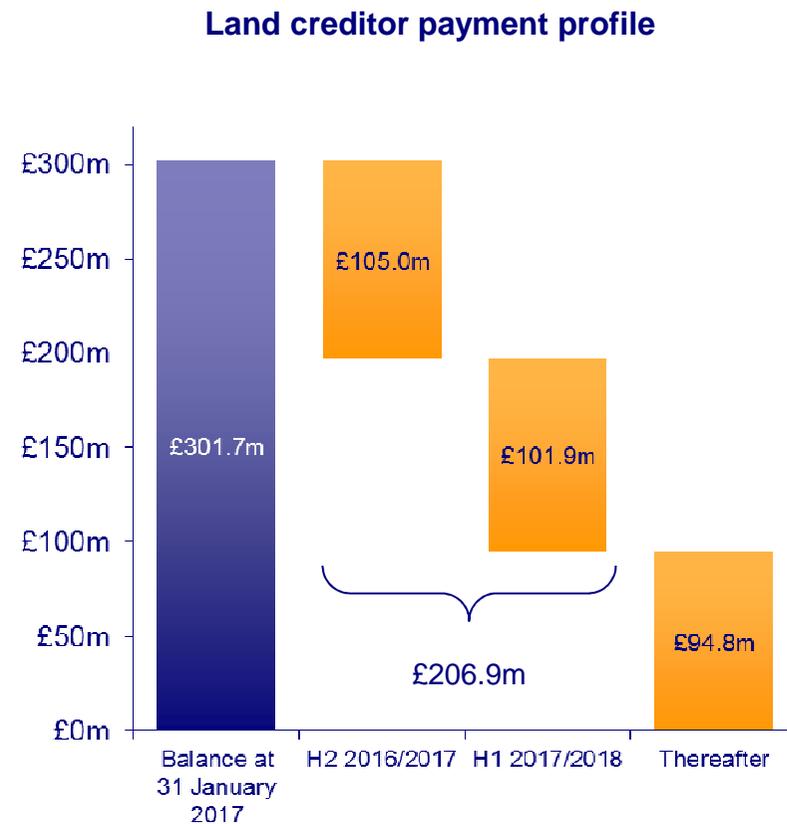


# Capital employed



As at 31 January

	2017	2016
NAV	£1,977.3m	£1,694.9m
Net bank debt	£175.1m	£58.9m
<b>Capital employed</b>	<b>£2,152.4m</b>	<b>£1,753.8m</b>
Land creditors	£301.7m	£275.7m
Pension deficit	£8.8m	£6.1m
Joint venture finance	-	-
Goodwill	-	-
<b>Adjusted capital employed</b>	<b>£2,462.9m</b>	<b>£2,035.6m</b>



# Notes

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# A focus on return on capital employed



As at 31 January

- Focus on RoCE when assessing land and continually review the balance sheet to ensure all assets are generating the best possible return.
- Increased amount invested in land and WIP by £241m in six months to secure future growth.
- RoCE is diluted by lag between investing and recognising a return when site sales commence.

	2017	2016
Capital turn	1.14	1.28
RoCE	25.1%	27.6%
Adjusted RoCE	21.8%	24.1%

# Notes

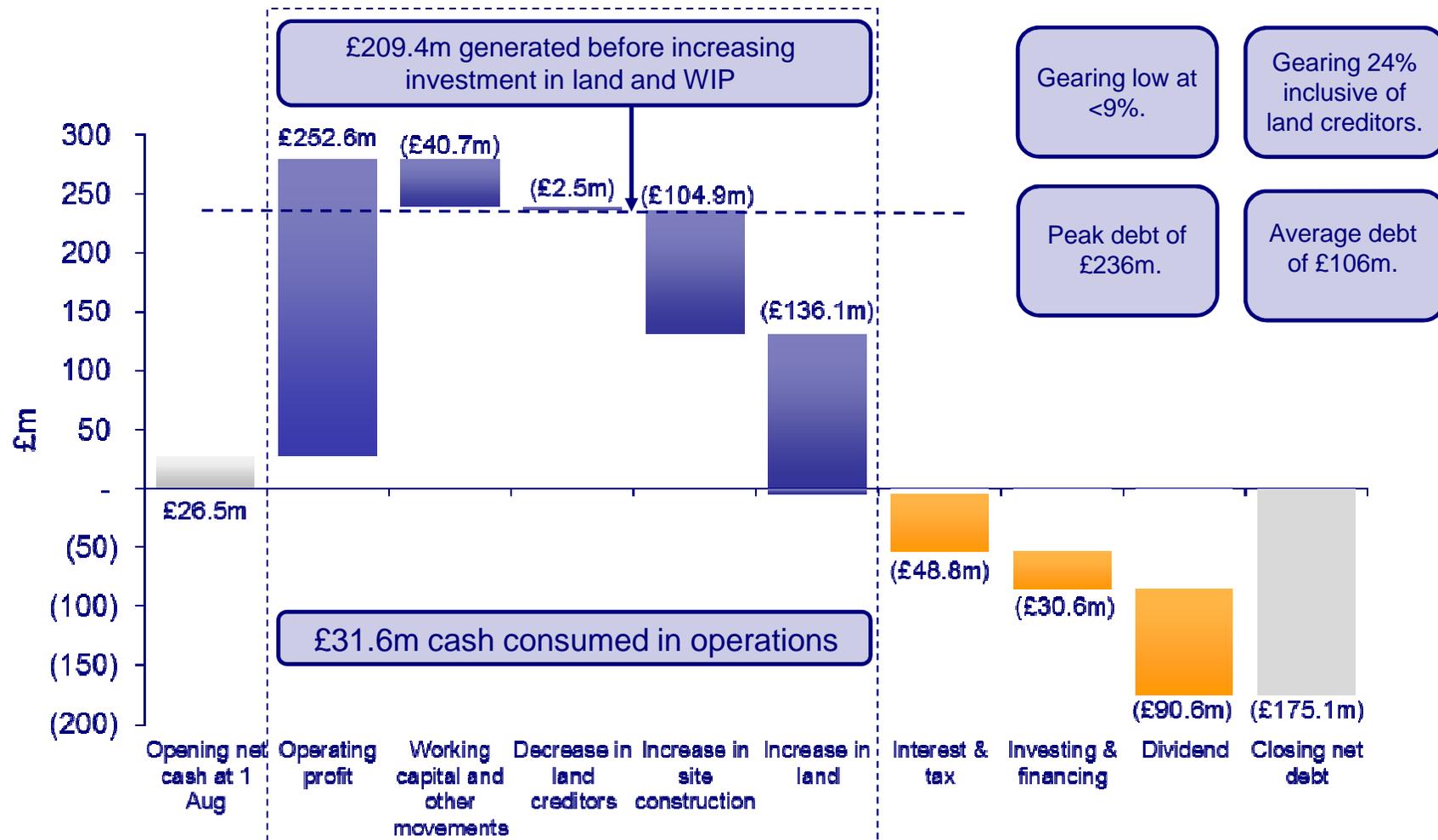
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# Strong cash generation



For the half year ended 31 January

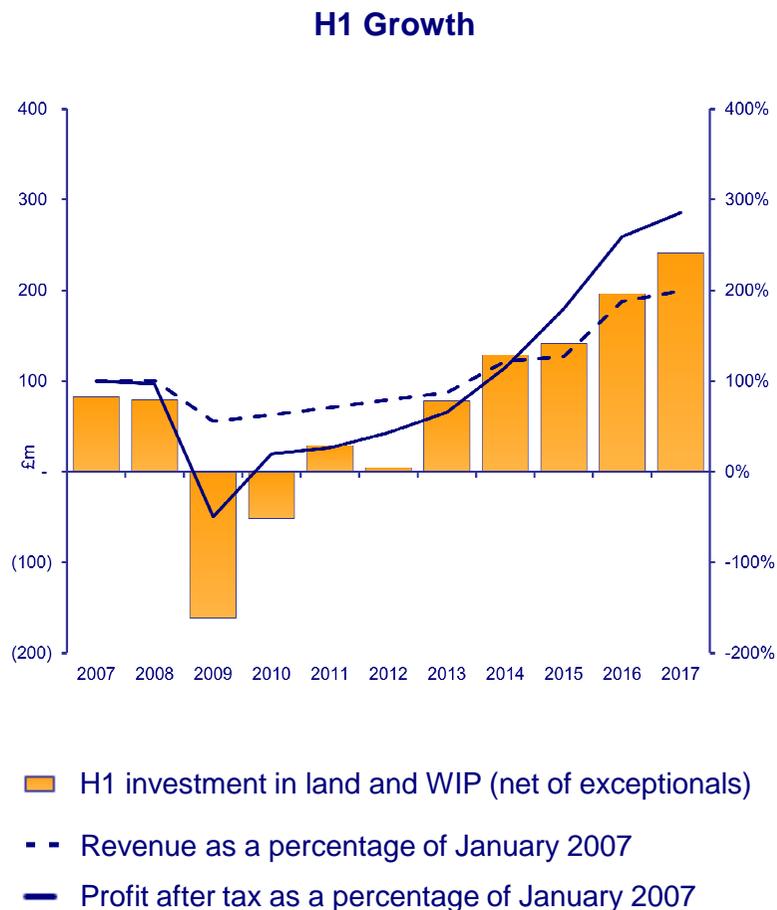


# Notes

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# Investing for growth



- Since the pre-recession peak in January 2007:-
  - Revenue is 2 times higher
  - Profit after tax is 2.9 times higher.

Reinvestment of profits is having a compounding effect on earnings growth.

# Notes

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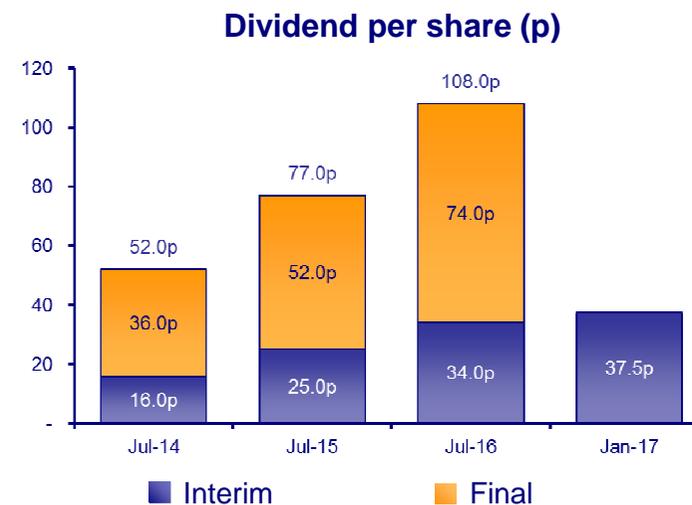
# Dividend



- Retain ability to be flexible and respond to changes in market conditions.
- Continue to see attractive growth opportunities and expect to grow the business whilst maintaining a full year dividend cover of 3 times.
- Return for shareholders is delivered through a growing dividend and capital growth.

For the half year ended 31 January

	2017	2016	Mvt
Interim dividend	37.5p	34.0p	10.3%



# Notes

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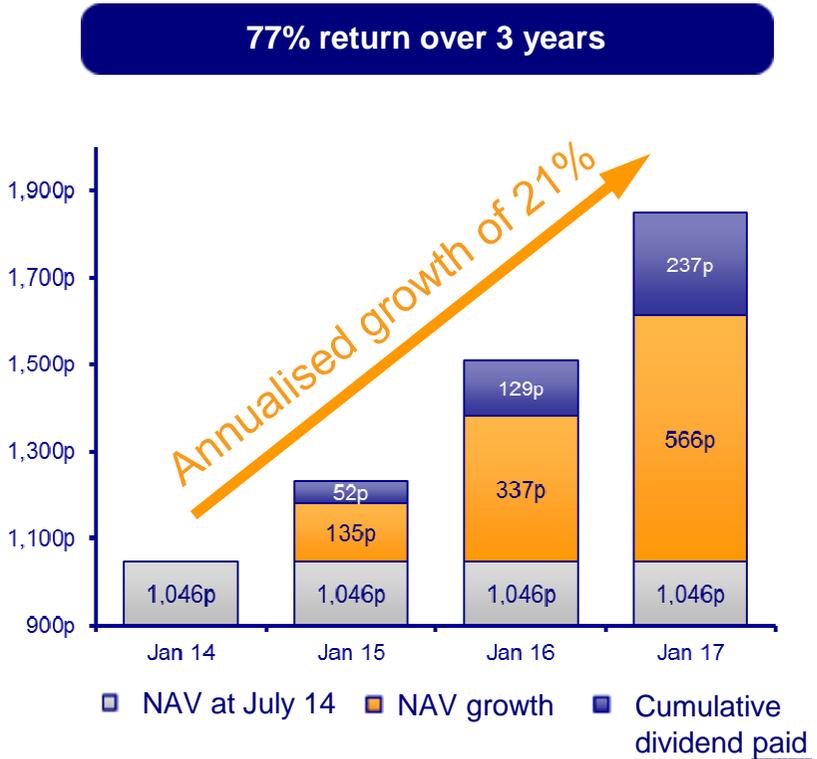


# Value creation



As at 31 January

	2017	2016	Mvt
NAV	1,612p	1,383p	16.6%
RoE	20.9%	22.3%	(140 bps)



Strategy for growth and progressive dividend delivering substantial value.

# Notes

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# Strategic update

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**Ted Ayres**  
Chief Executive

# Notes

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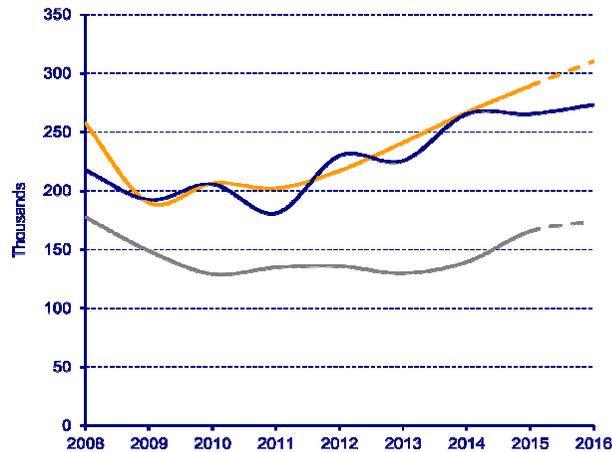


# Market backdrop supports growth



## Supply and demand (Great Britain)

- Planning environment is positive with the Housing Bill and White Paper providing further support.
- Land market is attractive with good availability and returns above historical norms.



— Planning permissions     — New build completions  
— Formations

Source: HBF and Government

## Mortgage rates

- Government commitment to Help to Buy in England until 2021.
- Good mortgage availability at low interest rates ensures purchasing a new home remains affordable.



— 2 year fixed 75% LTV     — 2 year fixed 95% LTV  
— BoE Base Rate (or equivalent)     — 2 year fixed HTB rate

Source: Bank of England, Halifax

Long term growth strategy is appropriate

# Notes

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# Capacity for growth

- 19 divisions provide capacity of c.11,000 homes per annum.
- Strong balance sheet and operating capacity provides ability to progress further divisional expansion and volume growth.
- Diverse range of product allows divisions to bid on a wide range of sites.
- Experienced high rise London developer with an affordable price point.



# Notes

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# Operating review

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**Ted Ayres**  
Chief Executive

# Notes

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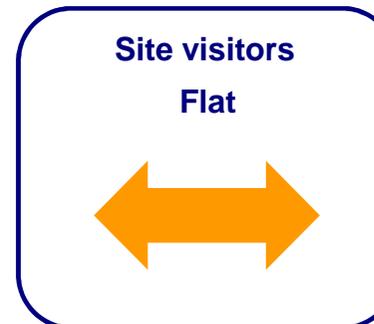
# Trading review



## Weekly reservation rate

	2017	2016	Mvt
North	78	75	4.0%
South	88	81	8.6%
<b>Total</b>	<b>166</b>	<b>156</b>	<b>6.4%</b>

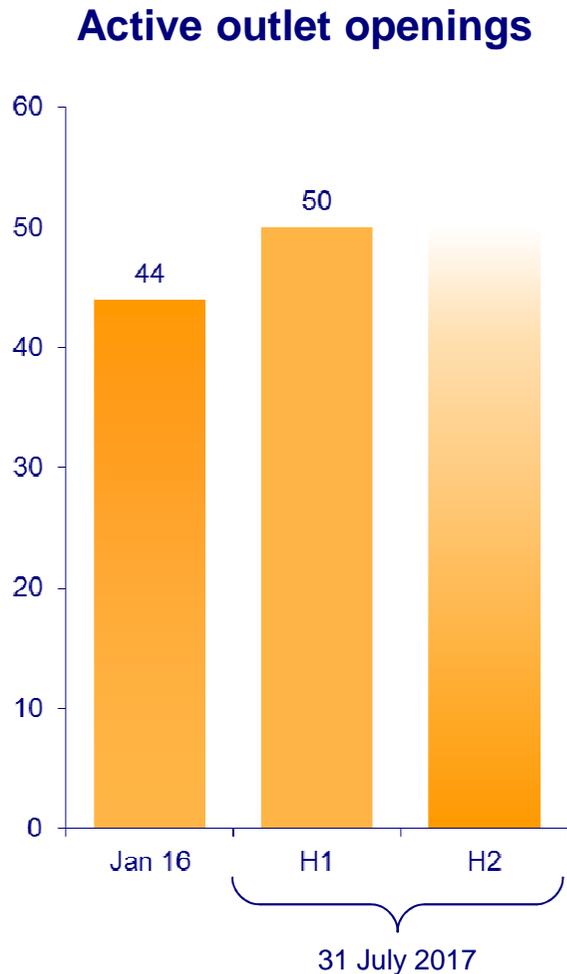
- Reservation rate strengthened in north by new divisional offices in Darlington and Coventry.
- Wessex and Thames Gateway are showing strong performance in the south driven by site openings.
- Help to Buy is 37% of reservations enabling incentives to remain low.
- Cancellation rate low at under 12%.



# Notes

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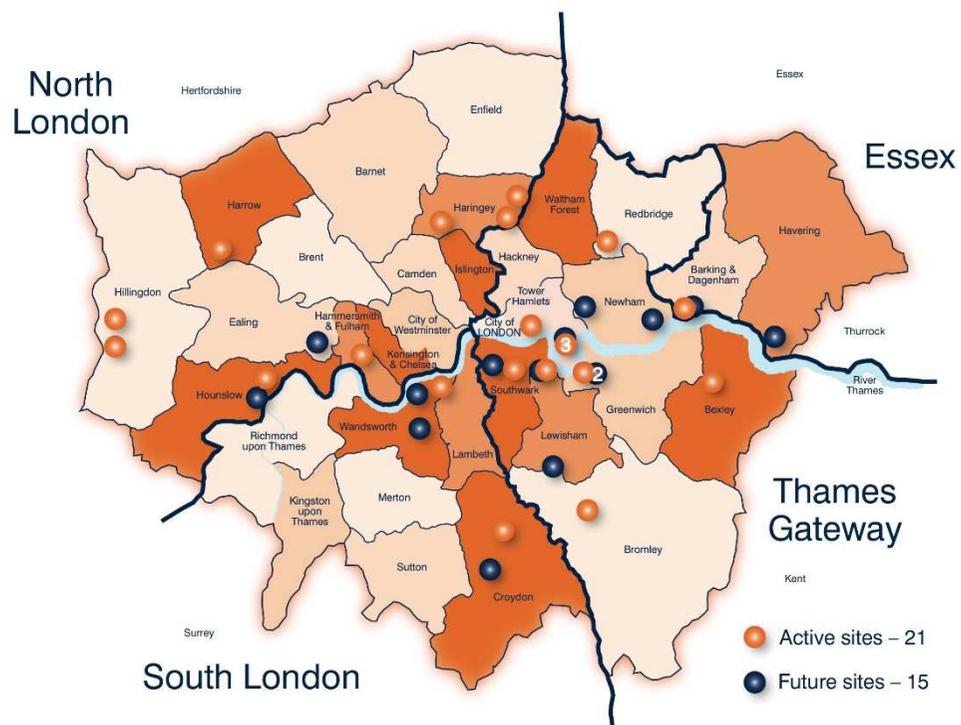
- New outlets drive sales.
- New site launches often result in significant reservations before demand moderates.
- Expect to open 50 outlets in H2.
- Expect average outlets to approach 230 for full year.

# Notes

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# London



- Help to Buy is 32% of reservations in Capital.
- c.20% of the Group's capital is in London.
- 454 plots >£800 psf including 320 at Nine Elms.
- 52 reservations taken at Nine Elms on site launch.
- 57% of Nine Elms is reserved and 53% is contracted.

## Location of sites

	Sites
Zone 1	1
Zone 2	15
Zones 3 – 6	20

## London land bank

	Plots
Under £250 psf	234
Under £500 psf	925
Under £800 psf	1,284
Under £1,000 psf	429
Over £1,000 psf	25
<b>Total</b>	<b>2,897</b>

# Notes

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## Materials

- Some cost increases due to industrywide shortages and exchange rate movements.
- Mitigated through central procurement team and growing buying power.
- Overall material cost increases expected to be around £410 on a typical Bellway home.

## Subcontract

- Continued lack of availability of trades, particularly in the south leading to the continuation of previously reported increases.

Overall cost increases around 3%.

Sales prices above expectations therefore costs should not erode margins.

# Notes

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# Strong operational focus



- Focused on quality control to ensure completed product meets customer expectations.
- Review a number of measures to assess our performance.
- Expect to be a 5\* builder in imminent HBF Awards – one of only two national housebuilders.
- 43 site managers received NHBC Quality Awards – one of the best in sector relative to our size.
- Long term approach gives customers confidence to buy and provides sustainability of returns for shareholders.



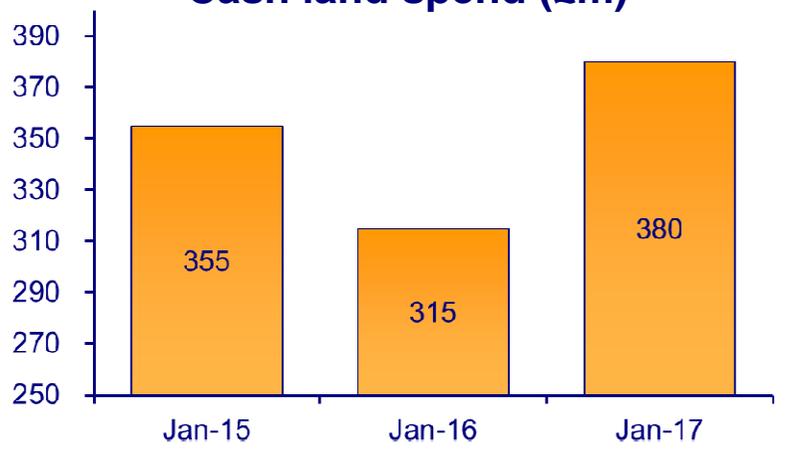
# Notes

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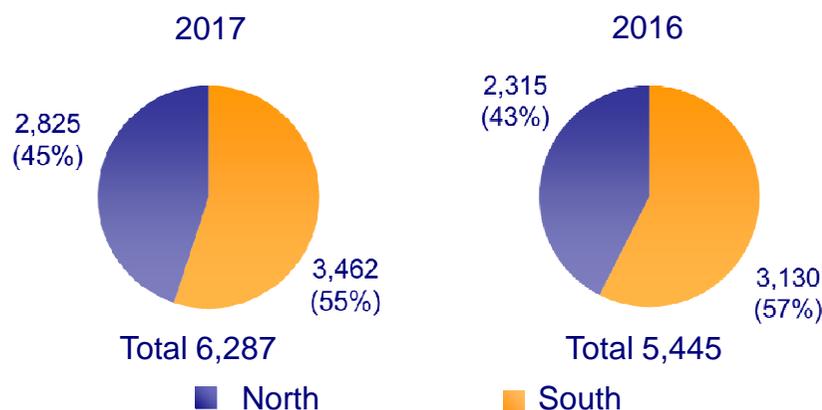


# Land procurement

**Cash land spend (£m)**



**Contracted plots**



- Contracted to acquire 6,287 plots.
- Identify good opportunities with average intake margins around 23% and RoCE in excess of 20%.
- Entered into 9 new option agreements in the period.
- Obtained planning permission on 2,085 plots previously included in strategic land bank.
- Strategic land does not always provide better returns throughout the cycle but provides an important supply for a growing business.
- All land in place to meet this year's forecast plus 90% of next year's forecast.

# Notes

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# Current trading and outlook



**Ted Ayres**  
Chief Executive

# Notes

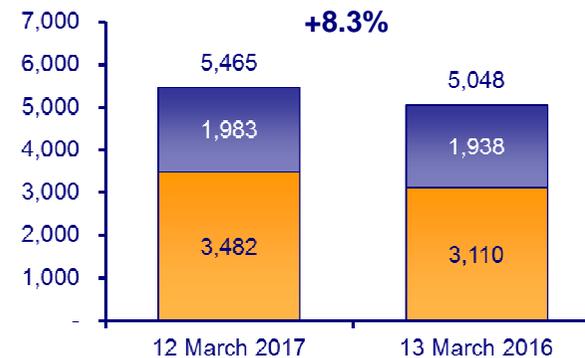
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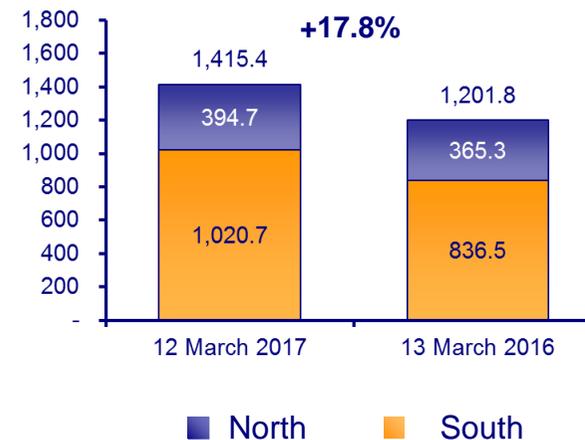
# Current trading and order book **Bellway**

- Sales up 18% to 246 per week since 1 February.
- Includes 52 reservations at Nine Elms.
- Like for like reservations are more than 13% ahead.
- Article 50 may affect customer confidence but early start to spring selling season is encouraging.
- Order book at 12 March increased to £1.4 bn.

## Current order book Units



## Value (£m)



# Notes

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- Strong market conditions and sustained government support for housing supports growth.
- Volume growth of at least 5% in the current financial year.
- Strong operational focus.

Long term returns for shareholders

# Notes

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# Questions and answers



Highgate Court, London

# Notes

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# Appendices

1. Guidance
2. Housing revenue
3. ASP analysis
4. Product analysis
5. Completion analysis
6. Net finance expense
7. Land supply
8. Strategic land
9. Land bank glossary
10. Order book at 31 January



# Notes

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# Appendix 1 – Guidance



	31 July 2017
ASP	Around £260k
Volume growth	At least 5%
Operating margin	Around 22%
Year end bank debt	£50m to £100m
Social completions	>20%
Dividend	3x cover

# Notes

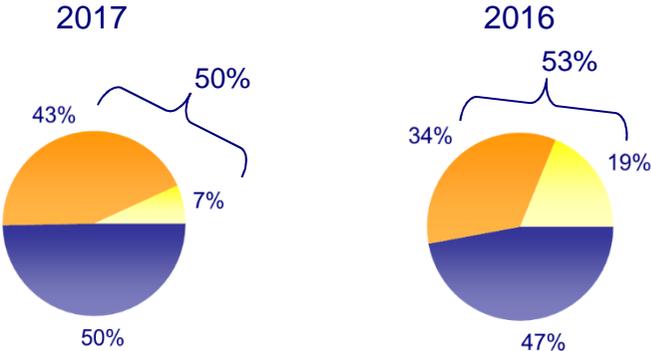
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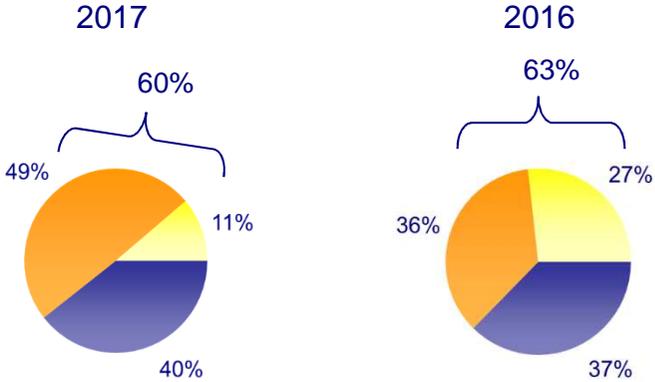
# Appendix 2 - Housing revenue



### Completion analysis

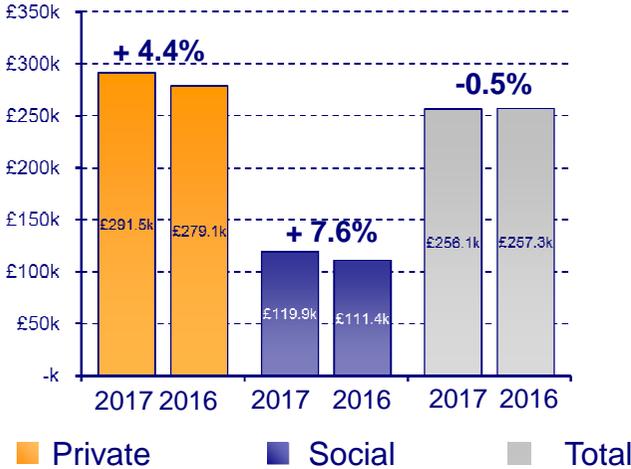


### Revenue analysis

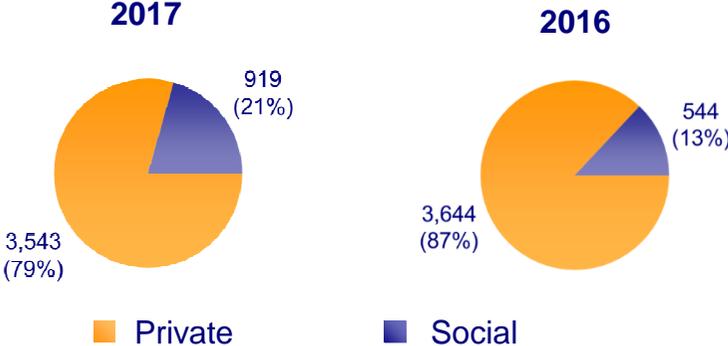


■ North    ■ South (excl. London)    ■ London boroughs

### For the half year ended 31 January Average selling price ('ASP')



### Homes sold



# Notes

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# Appendix 3 – ASP analysis



For the half year ended 31 January

## ASP / square foot (£)

	2017			2016			Mvt		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	203	122	193	197	115	188	3.0%	6.1%	2.7%
South - made up of:-	340	171	308	349	158	328	(2.6%)	8.2%	(6.1%)
London	533	224	503	483	276	480	10.4%	(18.8%)	4.8%
Non-London	312	168	283	285	153	265	9.5%	9.8%	6.8%
<b>Group average</b>	<b>268</b>	<b>151</b>	<b>249</b>	<b>271</b>	<b>138</b>	<b>257</b>	<b>(1.1%)</b>	<b>9.4%</b>	<b>(3.1%)</b>

# Notes

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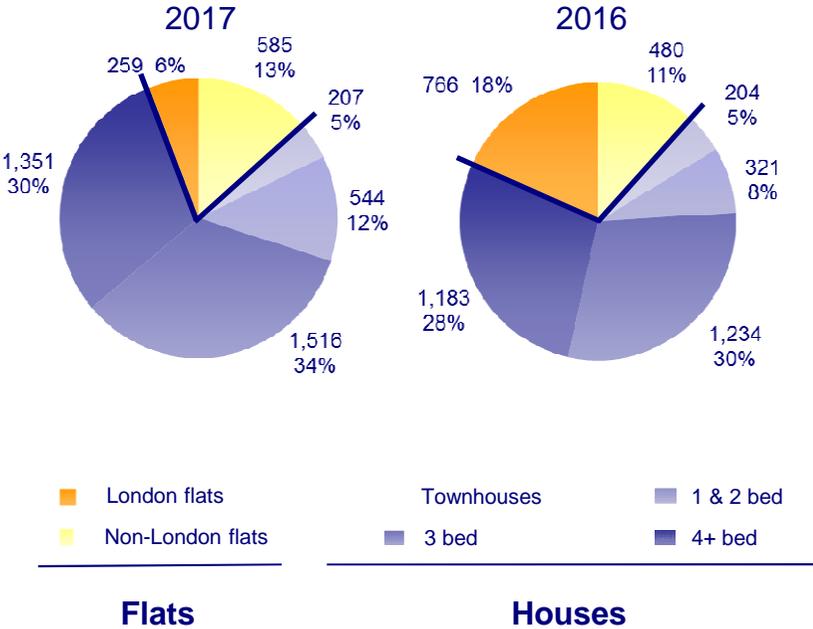


# Appendix 4 – Product analysis

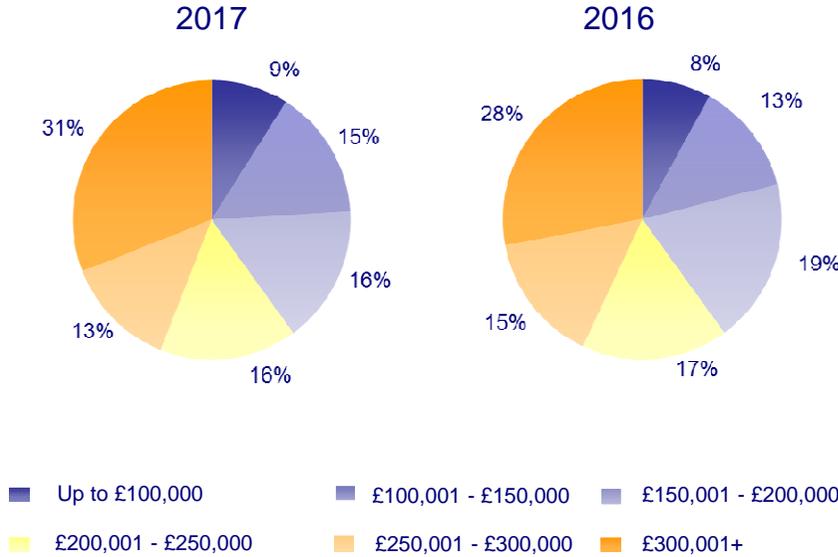


For the half year ended 31 January

## Product mix analysis



## Selling price analysis



Proportion of flats has fallen due to fewer London completions.

# Notes

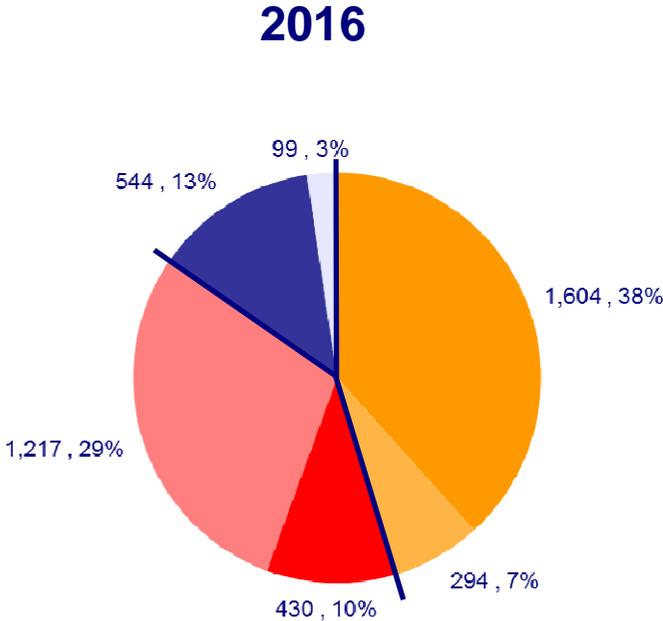
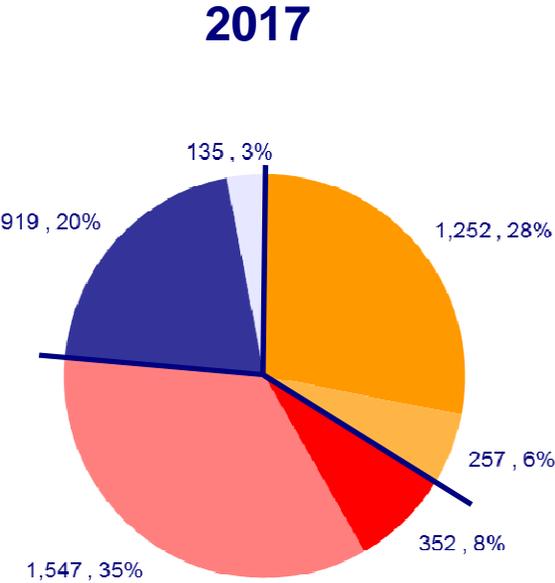
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# Appendix 5 – Completion analysis



For the half year ended 31 January



<b>Second time buyers</b>	<b>Deposit assisted and first time buyers</b>	<b>Other buyers</b>
<ul style="list-style-type: none"> <li>Other second time buyers</li> <li>Part exchange</li> </ul>	<ul style="list-style-type: none"> <li>Unassisted first time buyers</li> <li>Help to Buy</li> </ul>	<ul style="list-style-type: none"> <li>Housing Association</li> <li>Investor</li> </ul>

# Notes

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# Appendix 6 - Net finance expense



For the half year ended 31 January

	2017	2016	Mvt
Net bank interest payable inc. fees	£2.0m	£2.1m	(4.8%)
Non bank interest:	£3.0m	£3.6m	(16.7%)
<b>Made up of:-</b>			
Land creditors / debtors – IAS 39	£2.8m	£3.7m	(24.3%)
Pension cost	£0.1m	£0.1m	-
Other interest	£0.1m	(£0.2m)	(50.0%)
<b>Total</b>	<b>£5.0m</b>	<b>£5.7m</b>	<b>(12.3%)</b>

# Notes

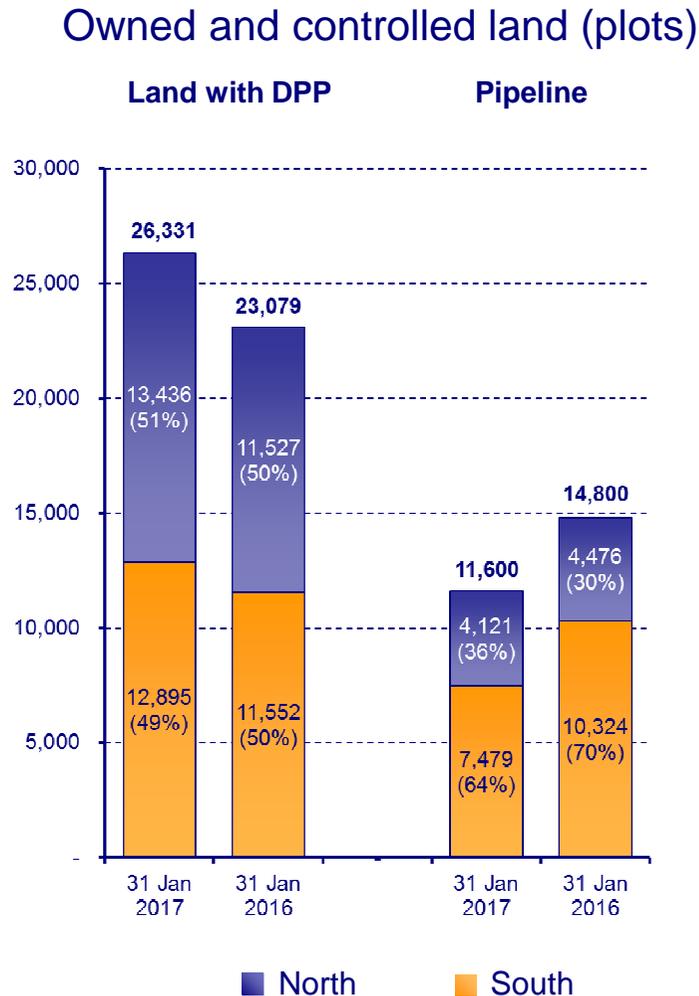
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# Appendix 7 – Land supply



As at 31 January



- Wide geographic presence enables Bellway to benefit from growth opportunities in north, south and London markets.
- Pipeline reduced by 2,100 plots due to disposal of Barking Riverside.
- Quality land bank.

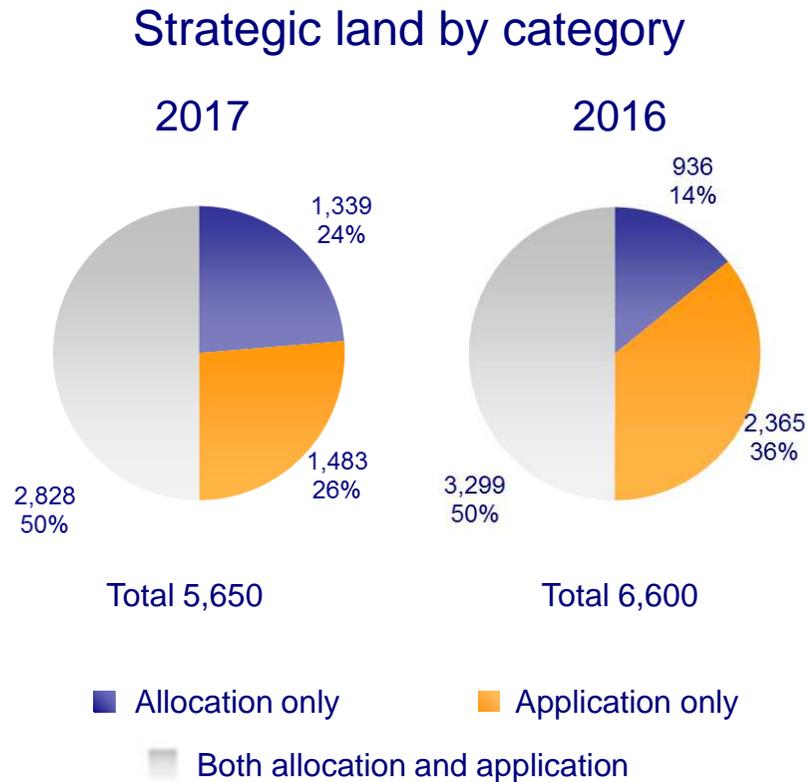
# Notes

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# Appendix 8 – Strategic land

As at 31 January



- 5,650 plots with positive planning status.
- 9 options entered in to in period.
- Successfully obtained planning on 2,085 plots in the period.

# Notes

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## Owned and controlled plots

- **DPP:** Plots owned or unconditionally contracted by the Group where there is an implementable **detailed planning permission**.
- **Pipeline:** Plots owned or controlled by the Group pending an implementable detailed planning permission, with development generally expected to commence within the next three years.

## Strategic plots

- **Strategic:** Long term plots which currently have a positive planning status and are typically held under option.

# Notes

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# Appendix 10 – Order book at 31 January



As at 31 January

	2017			2016			Movement		
	Private	Social	Total	Private	Social	Total	Private %	Social %	Total %
At 1 August	2,995	1,649	4,644	3,305	1,263	4,568	(9.4%)	30.6%	1.7%
Reservations	3,328	977	4,305	3,291	763	4,054	1.1%	28.0%	6.2%
Completions	(3,543)	(919)	(4,462)	(3,644)	(544)	(4,188)	(2.8%)	68.9%	6.5%
<b>At 31 January</b>	<b>2,780</b>	<b>1,707</b>	<b>4,487</b>	<b>2,952</b>	<b>1,482</b>	<b>4,434</b>	<b>(5.8%)</b>	<b>15.2%</b>	<b>1.2%</b>