



## Results Presentation

Year ended 31 July 2017



# Agenda

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



# Highlights

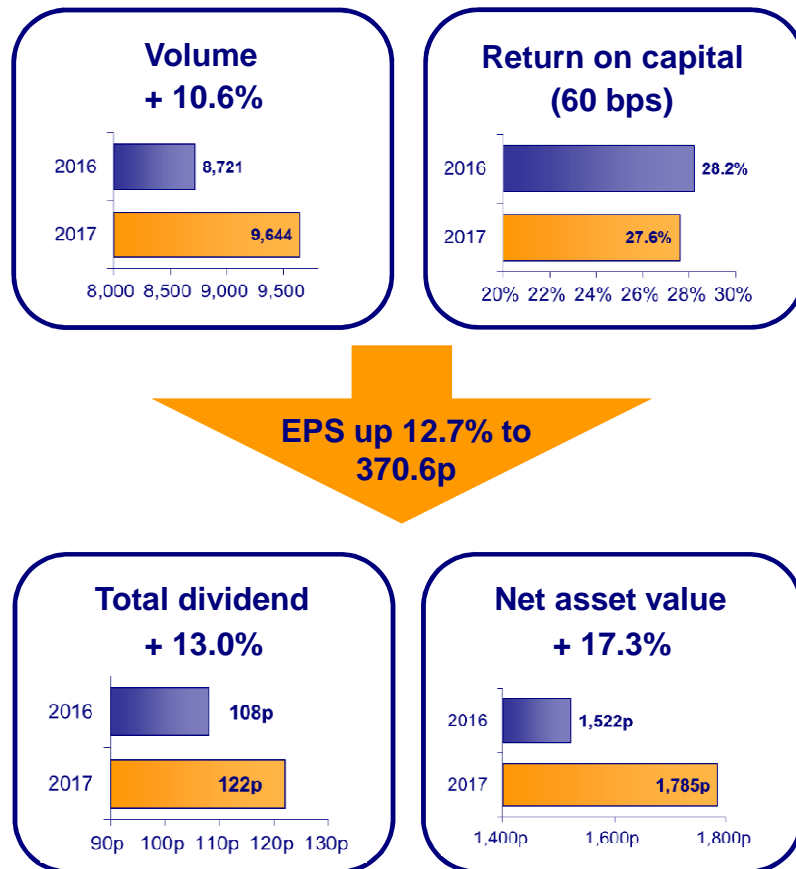
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**John Watson**  
Executive Chairman



# Further disciplined volume growth



## Operational highlights

- Contracted to acquire 11,613 plots.
- Significant investment in WIP with 10,251 plots under production.
- Order book of £1,361.5m at 1 October.
- Regained status as 5\* homebuilder.

The Group is well placed to deliver future growth

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





# Strategic update

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**John Watson**  
Executive Chairman



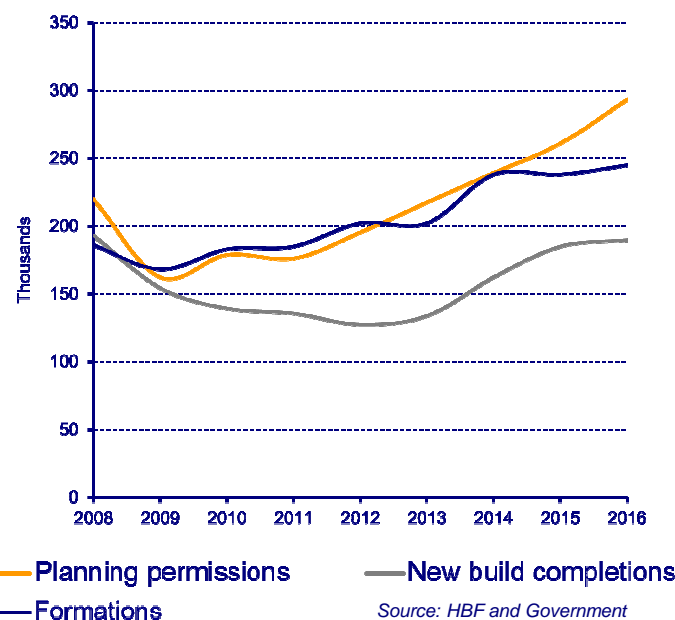


# Strategic update



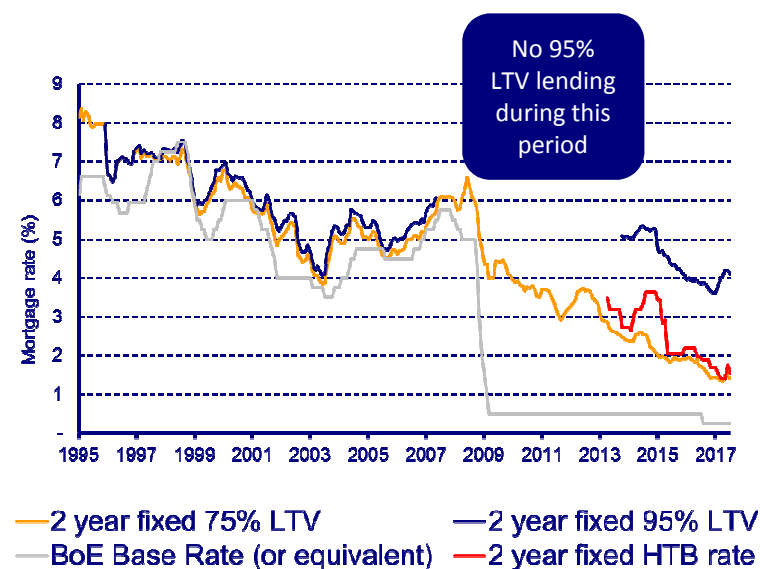
## Supply and demand (England)

- There remains a gap between supply and demand.
- Planning environment is positive supporting the availability of good quality, high return land.



## Mortgage rates

- Financing a new home is affordable.
- Many borrowers are able to access funds at rates <2%.



Continued growth provides an opportunity to generate compelling returns for shareholders





# Finance review

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**Keith Adey**  
Finance Director



# Operating result



For the year ended 31 July

	2017	2016	Mvt
Homes sold	9,644	8,721	10.6%
Average selling price	£260,354	£252,793	3.0%
Housing revenue	£2,510.9m	£2,204.6m	13.9%
Other revenue	£47.7m	£36.1m	32.1%
Total revenue	£2,558.6m	£2,240.7m	14.2%
<b>Gross profit</b>	<b>£661.6m 25.9%</b>	<b>£574.8m 25.7%</b>	<b>20bps</b>
Administrative expenses	(£90.0m) (3.6%)	(£82.8m) (3.7%)	10bps
<b>Operating profit</b>	<b>£571.6m 22.3%</b>	<b>£492.0m 22.0%</b>	<b>30bps</b>



# Further revenue growth



For the year ended 31 July

## Homes sold (No.)

	2017			2016		
	Private	Social	Total	Private	Social	Total
North	3,897	758	4,655	3,651	536	4,187
South	3,670	1,319	4,989	3,694	840	4,534
Group	7,567	2,077	9,644	7,345	1,376	8,721
London	739	220	959	1,208	52	1,260

## Average selling price (£000)

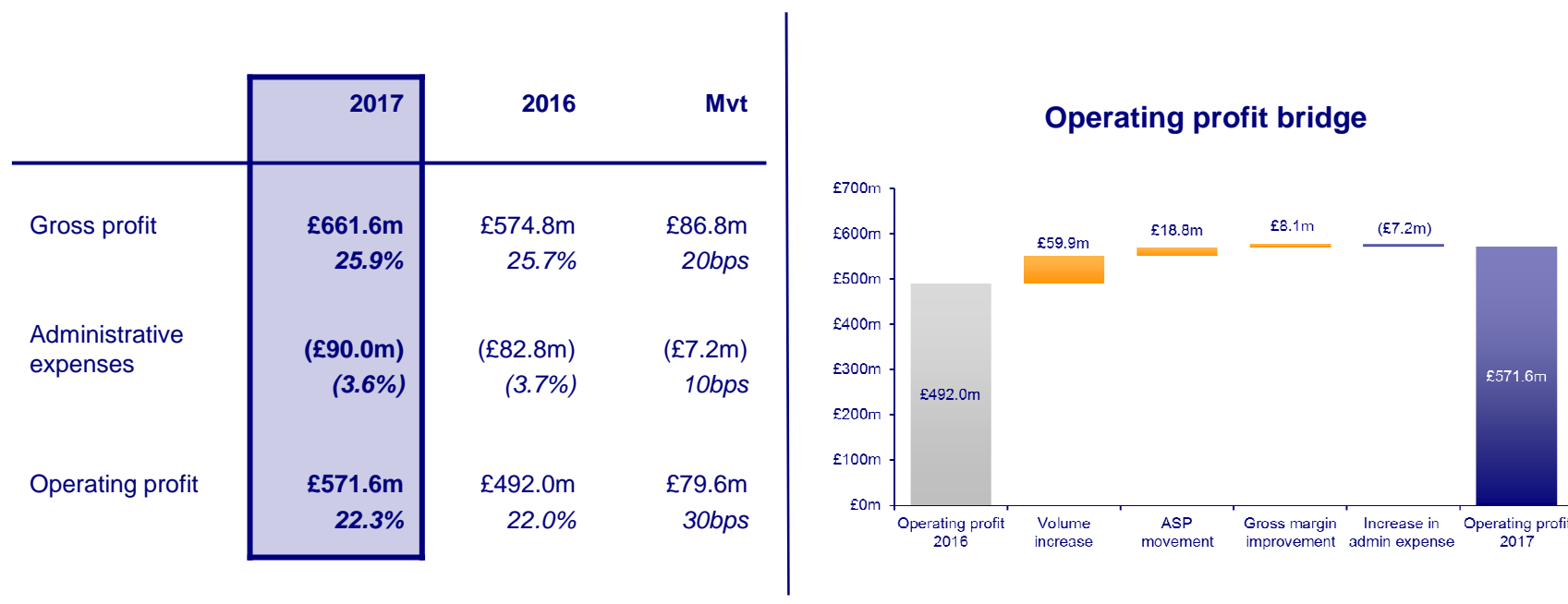
	2017			2016		
	Private	Social	Total	Private	Social	Total
North	233.3	97.9	211.3	220.6	92.2	204.2
South	362.6	149.1	306.2	335.6	131.3	297.7
Group	296.0	130.4	260.4	278.4	116.1	252.8
London	417.4	218.7	371.8	386.0	171.0	377.1

- New divisions in South Midlands and County Durham achieved 327 completions.
- 6 new divisions opened since August 2013 contributed 1,829 completions.
- Capacity to deliver 11,000 to 12,000 homes per annum.
- Growth in private ASP reflects investment in higher value locations and modest HPI.
- ASP of Help to Buy completions was c.£270k – significantly below £600k limit.
- Expect ASP to grow to c.£280k in FY18 due to further mix changes.





# Operating performance



- Good quality land, strong cost control and HPI contributed to gross margin of 25.9%.
- Land contracted in the year has an average expected gross margin of c.24%.
- Administrative expenses have fallen to 3.6% of revenue.
- Expect to maintain an operating margin of c.22% in FY18.
- ASP is likely to be the main driver for profit growth in FY18.



# Earnings growth



For the year ended 31 July

	2017	2016			Mvt
	Total	Pre-exceptional	Exceptional	Total	
Operating profit	£571.6m	£492.0m	-	£492.0m	16.2%
Profit on sale of Barking	-	-	£17.3m	£17.3m	-
Net finance expense	(£11.2m)	(£11.1m)	-	(£11.1m)	0.9%
Share of JV result	£0.4m	(£0.3m)	-	(£0.3m)	233%
Profit before tax	£560.8m	£480.6m	£17.3m	£497.9m	12.6%
Taxation	(£106.7m)	(£95.0m)	-	(£95.0m)	12.3%
<i>Effective tax rate</i>	<i>19.0%</i>	<i>19.8%</i>	-	<i>19.1%</i>	<i>(10 bps)</i>
<b>Profit after tax</b>	<b>£454.1m</b>	<b>£385.6m</b>	<b>£17.3m</b>	<b>£402.9m</b>	<b>12.7%</b>
Earnings per share	370.6p	314.6p	14.1p	328.7p	12.7%



# Balance sheet



As at 31 July

	2017	2016	Mvt
<b>Assets</b>			
Fixed assets and investment in joint ventures	£45.6m	£19.4m	£26.2m
Inventory	£2,968.1m	£2,548.3m	£419.8m
Land	£1,838.2m	£1,625.6m	£212.6m
WIP	£1,129.9m	£922.7m	£207.2m
Debtors	£87.6m	£94.1m	(£6.5m)
Net cash	£16.0m	£26.5m	(£10.5m)
	<b>£3,117.3m</b>	<b>£2,688.3m</b>	<b>£429.0m</b>
<b>Liabilities</b>			
Pension deficit	(£4.0m)	(£8.0m)	£4.0m
Creditors	(£555.2m)	(£509.1m)	(£46.1m)
Land creditors	(£366.8m)	(£304.2m)	(£62.6m)
	<b>(£926.0m)</b>	<b>(£821.3m)</b>	<b>(£104.7m)</b>
<b>Net asset value</b>	<b>£2,191.3m</b>	<b>£1,867.0m</b>	<b>£324.3m</b>
Net bank debt	-	-	-
<b>Capital employed</b>	<b>£2,191.3m</b>	<b>£1,867.0m</b>	<b>£324.3m</b>





# Land bank<sup>^</sup>



As at 31 July

	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	10,420	£685.1m	£65.7k	12,189	£780.8m	£64.1k
Sold	(9,644)	(£512.1m)	£53.1k	(8,721)	(£448.6m)	£51.4k
<b>Carried forward 31 July</b>	<b>25,655</b>	<b>£1,546.1m</b>	<b>£60.3k</b>	24,879	£1,373.1m	£55.2k
<b>Pipeline</b>	<b>12,200</b>	<b>£292.1m</b>		10,100	£252.5m	
<b>Owned and controlled land</b>	<b>37,855</b>	<b>£1,838.2m</b>		34,979	£1,625.6m	
<b>Land with DPP - JVs</b>	<b>268</b>			-		
<b>Total owned and controlled plots</b>	<b>38,123</b>			34,979		

The Group has 6,900 strategic plots with a positive planning status (2016 – 6,300)

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



# Work in progress



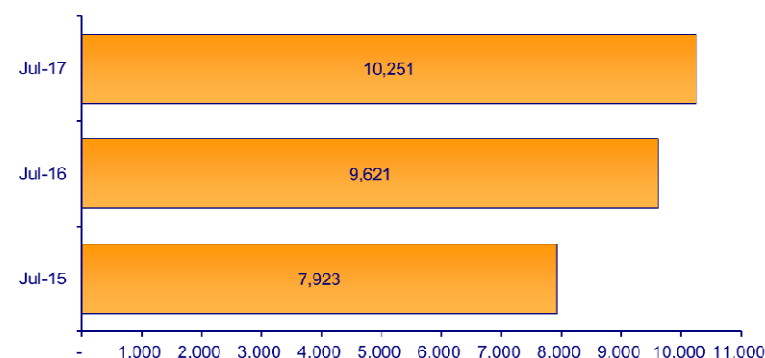
As at 31 July

	2017	2016	Mvt
Site construction	£1,017.7m	£836.1m	£181.6m
Showhomes	£78.2m	£70.3m	£7.9m
Part exchange stock	£34.0m	£16.3m	£17.7m
<b>Total WIP</b>	<b>£1,129.9m</b>	<b>£922.7m</b>	<b>£207.2m</b>

- Significant increase in WIP to meet growth aspirations.
- Nine Elms has a gross investment of £123m contributing to increase in WIP.
- Investment in production is commensurate with strength of order book.



## Units in production



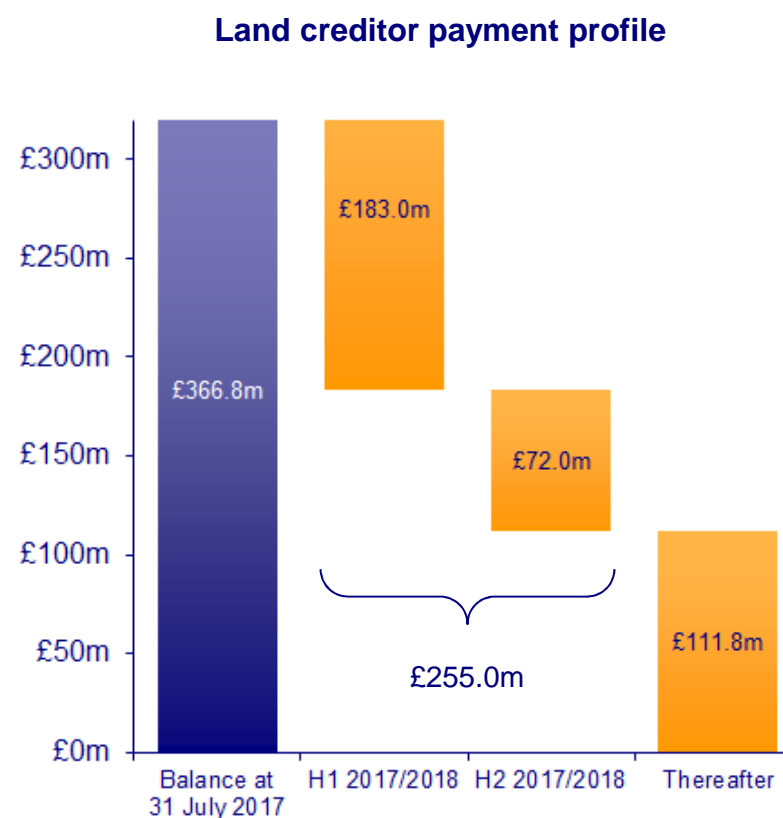


# Capital employed



As at 31 July

	2017	2016
NAV	£2,191.3m	£1,867.0m
Net bank debt	-	-
<b>Capital employed</b>	<b>£2,191.3m</b>	<b>£1,867.0m</b>
Land creditors	£366.8m	£304.2m
<b>Adjusted capital employed</b>	<b>£2,558.1m</b>	<b>£2,171.2m</b>







# A focus on return on capital employed



As at 31 July

- RoCE is diluted by lag between investing and recognising a return when site sales commence.
- Ashberry brand improves returns on larger sites.
- A returns based approach to assessing land, a focus on sales rate and effective on-site management help maintain RoCE.

	2017	2016
RoCE	27.6%	28.2%

	2017	2016
Adjusted RoCE	23.9%	24.5%

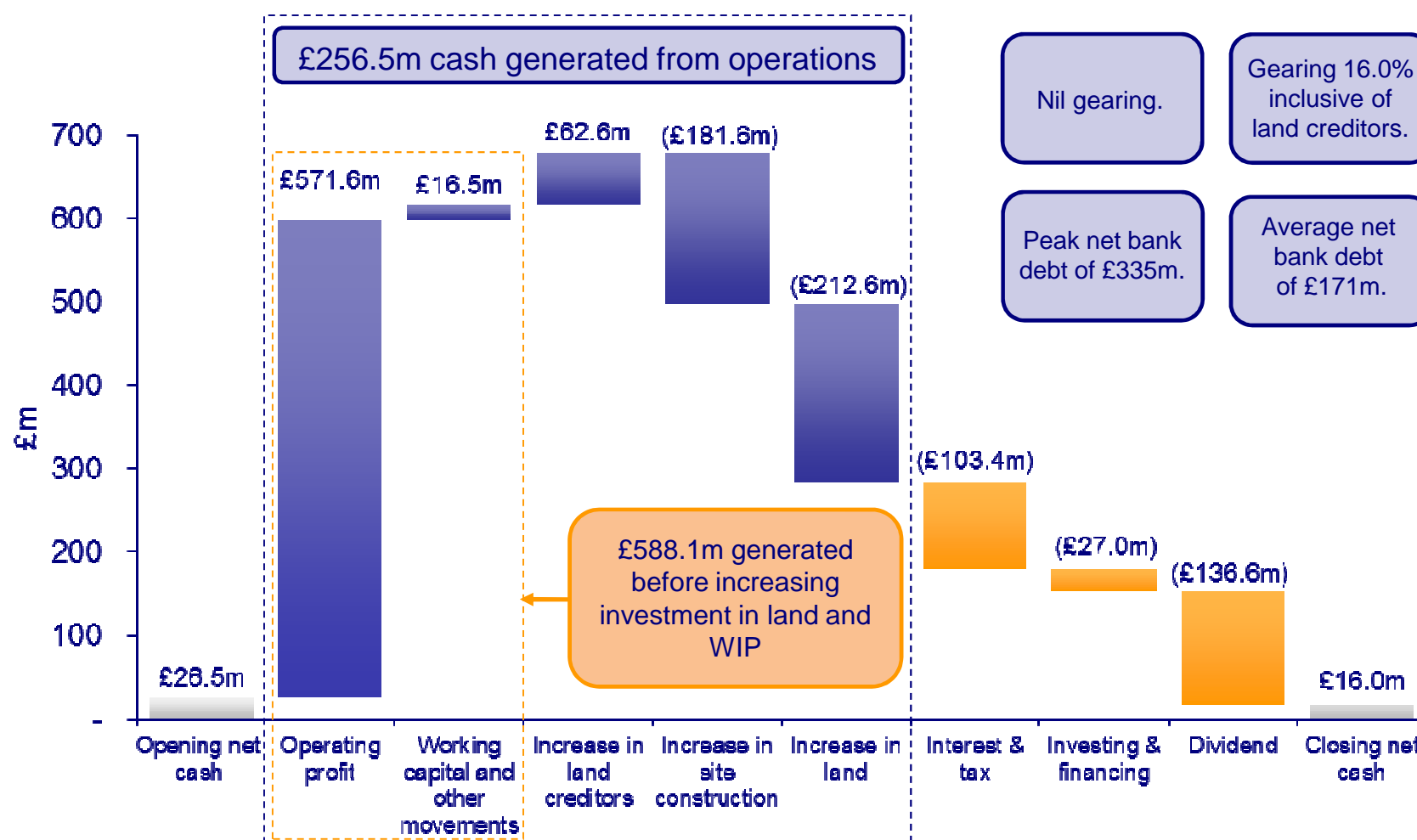
	2017	2016
Capital turn	1.24	1.28



# Strong cash generation



For the year ended 31 July



Nil gearing.

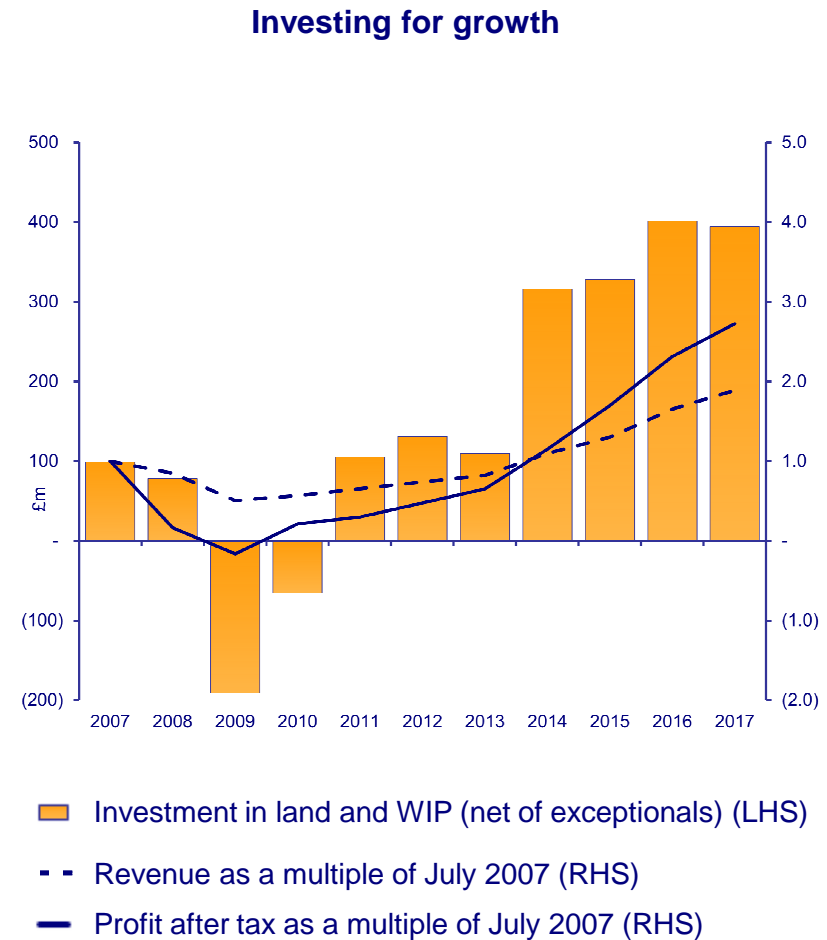
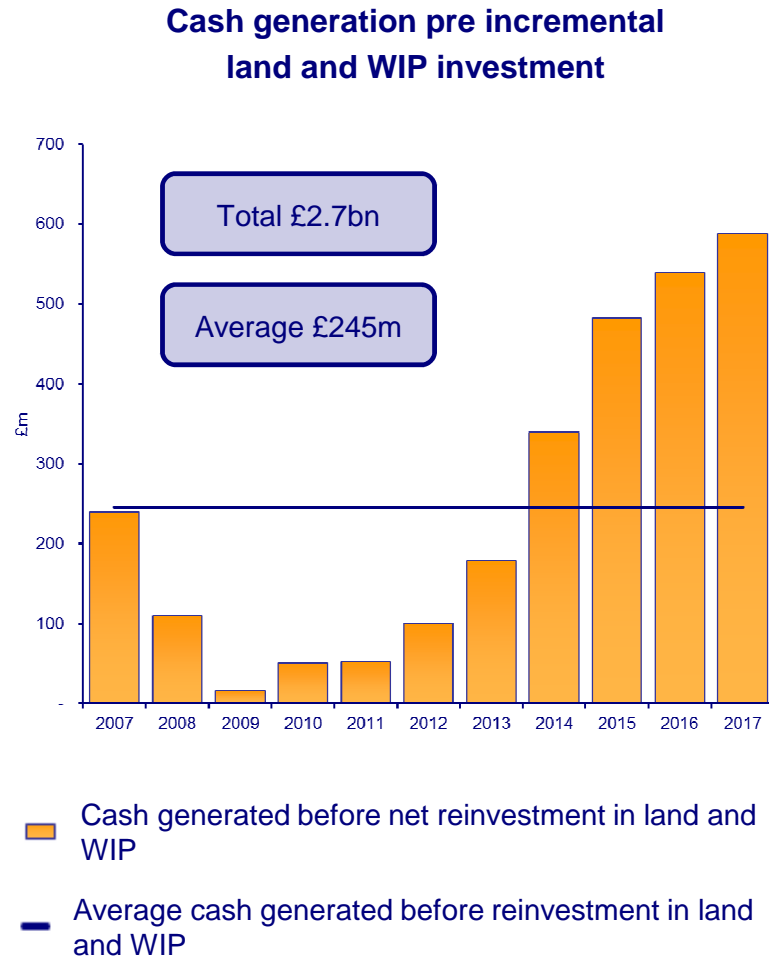
Gearing 16.0% inclusive of land creditors.

Peak net bank debt of £335m.

Average net bank debt of £171m.



# Investing for growth







# Dividend

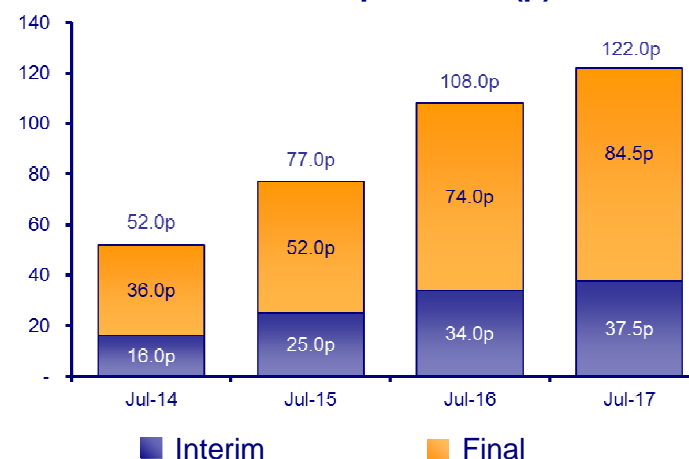


- Recognise importance of paying a dividend to shareholders whilst pursuing growth.
- Expect to maintain dividend cover of three times for foreseeable future.

For the year ended 31 July

	2017	2016	Mvt
Interim dividend	37.5p	34.0p	10.3%
Proposed final dividend	84.5p	74.0p	14.2%
<b>Total dividend</b>	<b>122.0p</b>	<b>108.0p</b>	<b>13.0%</b>

Dividend per share (p)





# Value creation

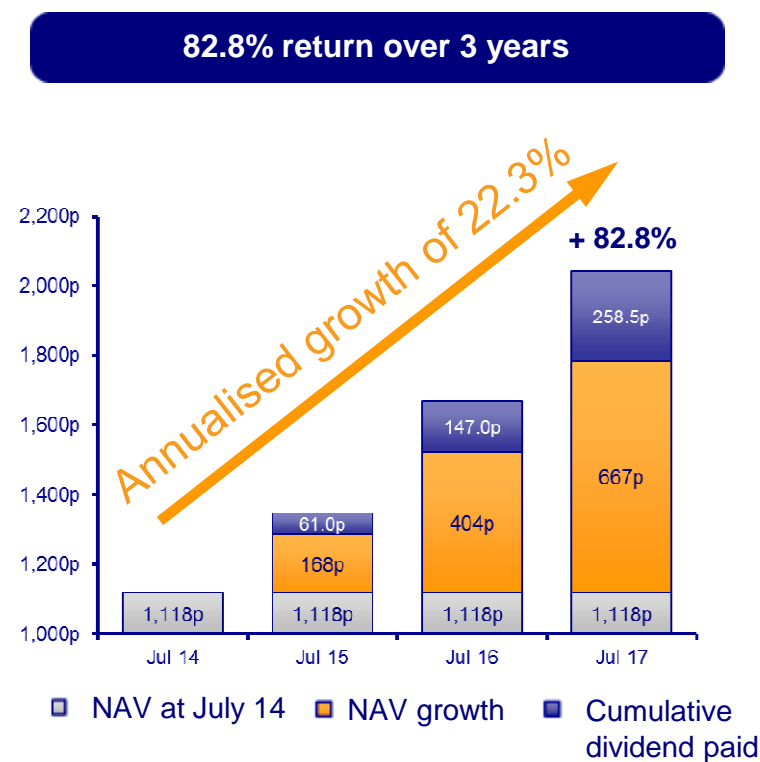


As at 31 July

	2017	2016	Mvt
NAV	1,785p	1,522p	17.3%

	2017	2016	Mvt
RoE	22.6%	23.5%	(90 bps)



Strategy for growth is delivering substantial growth for shareholders



# Operating review

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**Jason Honeyman**  
Chief Operating Officer





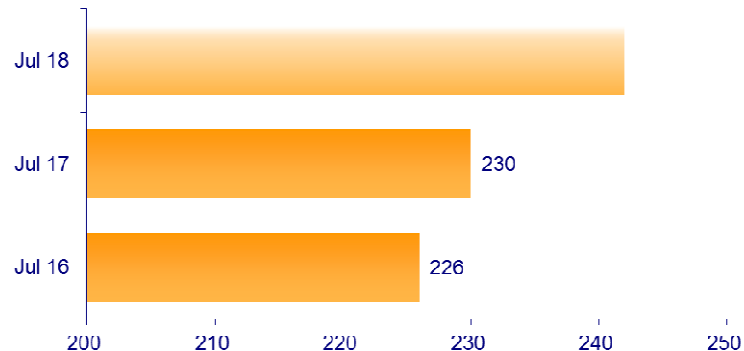
# Trading review



## Weekly reservation rate

	2017	2016	Mvt
H1	166	156	6.4%
H2	209	182	14.8%
Full year	187	169	10.7%

## Average active outlets



Reservations  
+ 10.7%



Cancellation rate  
11%



Site visitors  
+ 10%



Website traffic  
+ 13%



Positive pricing  
environment



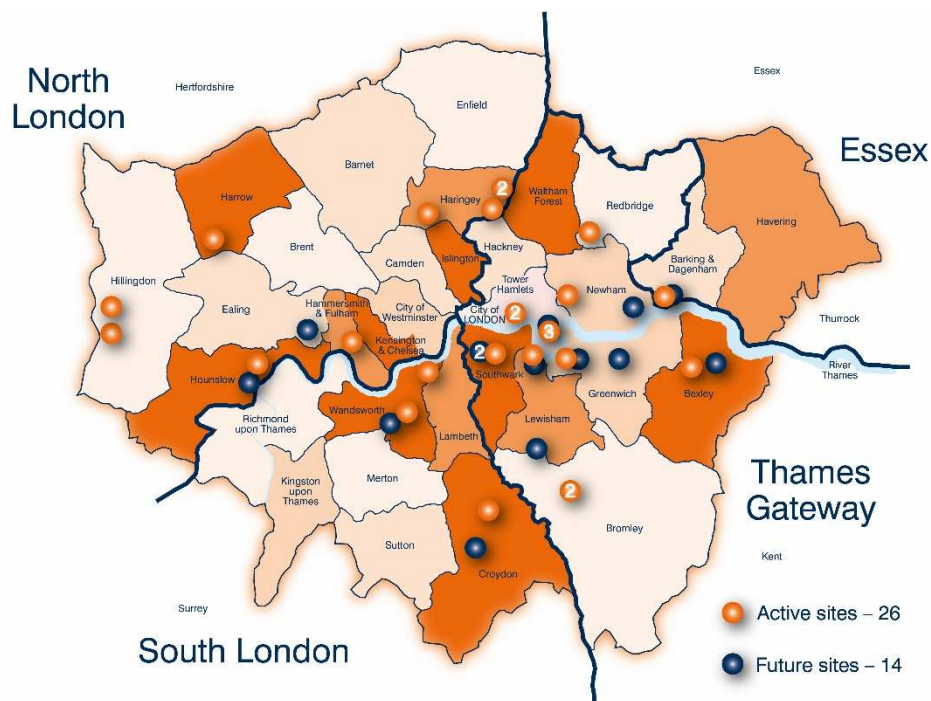
Incentives  
remain low







# London



## London land bank

	Plots
Under £250 psf	216
Under £500 psf	588
Under £800 psf	1,226
Under £1,000 psf	252
Over £1,000 psf	146
<b>Total</b>	<b>2,428</b>

- London represented 10% of completions and 14% of housing revenue at an affordable ASP of £372k.
- Nine Elms contributed 137 completions and 72% of this site is sold.
- 84% of plots in London are <£800psf and therefore within the scope of Help to Buy.
- Operational strength in London and strict capital disciplines when investing.



# Strong operational focus



- Securing construction resource is the biggest constraint with regards to sector growth.
- Well organised and properly managed construction sites help maintain standards in respect of build quality, health and safety and customer care.
- 10 site managers awarded NHBC Health and Safety Awards.
- 49 site managers awarded NHBC Pride in the Job Awards.
- Regained status as a 5\* homebuilder.
- Newly established Customer Experience Committee to drive future improvements.

Sustainable business model to benefit all stakeholders





## Subcontract

- Lack of skilled labour is still an issue.
- Sector relies on overseas labour but no reduction in availability.
- Ad hoc and localised upward pressure on subcontract costs for certain trades such as scaffolders and bricklayers.
- Some 300 trainees and apprentices employed by Bellway and subcontractors.

## Materials

- National deals cover majority of items in our supply chain.
  - Leverages Group-wide buying power and secures prices for around 24 months in advance.
- c.10% of materials are sourced from overseas representing c.3% of build costs – currency movements have no significant effect on site margins.

- Standard house types used on land acquisitions in seven divisions – should lead to cost savings and improve site efficiency —
- Overall labour and material costs have risen by c.3% in the year —



# Planning environment

- Positive planning environment evidenced by increase in number of planning permissions.
- Tendency for councils to grant planning permission on larger sites to meet five year housing supply.
- Average site contracted by Bellway was c.120 units providing a balance between operational certainty and disciplined approach to investment.
- Housing white paper includes favourable proposals such as 'brownfield' first, standard method for calculating housing need and requirement to publish 'ambitious' local plans.



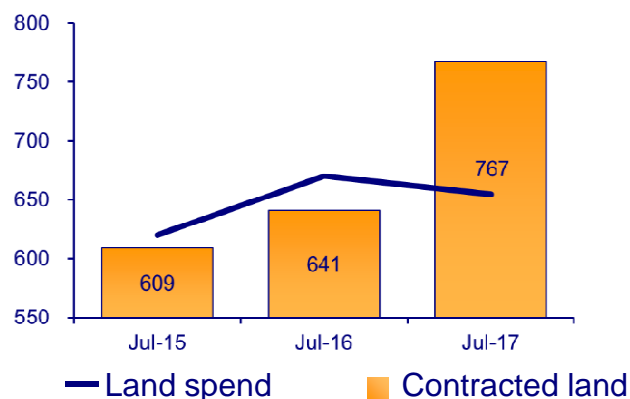




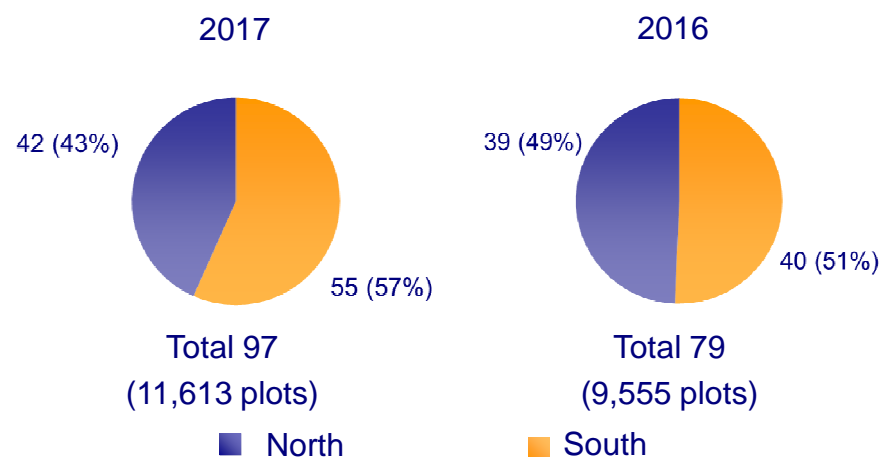
# Land procurement



## Land spend and contracted land (£m)



## Contracted sites



- Continue to identify land opportunities where forecast gross margin and RoCE is above historical norm.
- Contracted 97 sites with 43% in north and 57% in south.
- 26 option agreements signed up to strengthen land bank as the Group grows.



# Current trading and outlook



**Jason Honeyman**  
Chief Operating Officer

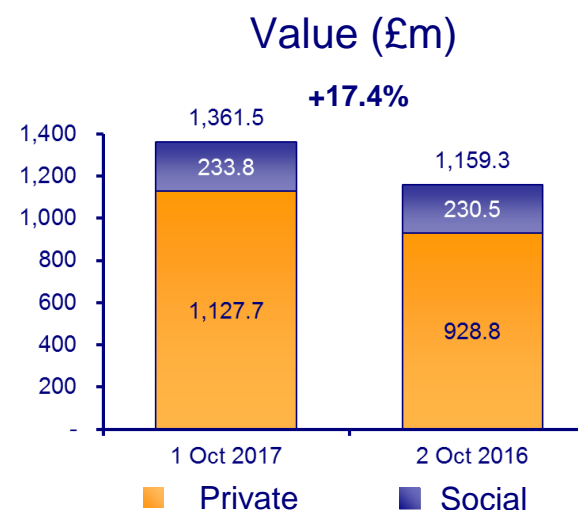
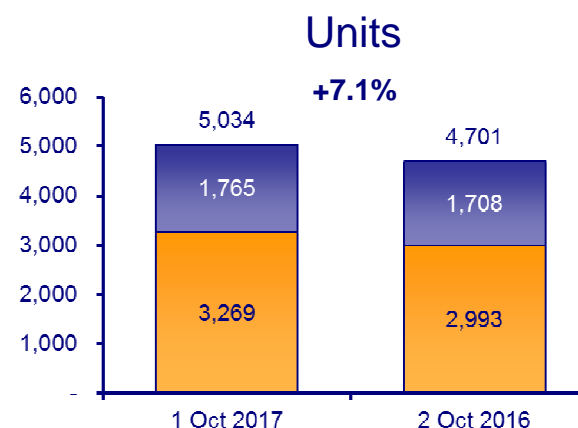




# Current trading and order book **Bellway**

- Sales up 5.6% to 171 per week in first 9 weeks.
- Order book benefits from higher value reservations at sites such as Nine Elms.
- 71% of order book is contracted giving comfort over outlook.

## Order book at 1 Oct 2017 (2016: 2 Oct)





- Volume growth of at least 5% in FY18.
- Beyond FY18 volume growth still provides greatest opportunity for earnings growth.
- New division to open in north of country in this financial year.
- Scope to increase divisional structure further.

Further investment to generate additional value for shareholders





# Questions and answers



**West End Quarter, Folkestone**



# 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 July





# Appendix 1 – Guidance



	31 July 2018
ASP	Around £280k
Volume growth	At least 5%
Operating margin	Around 22%
Average bank debt	£150m to £200m
Social completions	c. 20%
Dividend	3x cover

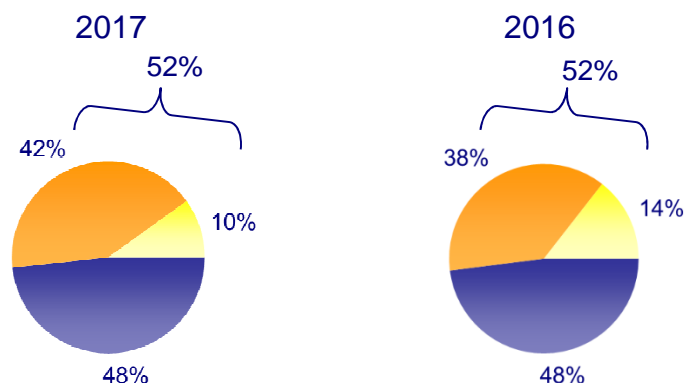


# Appendix 2 - Housing revenue

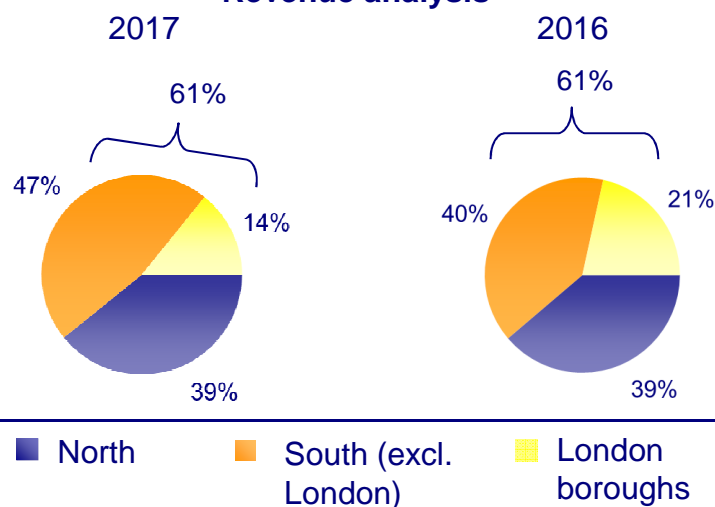


For the year ended 31 July

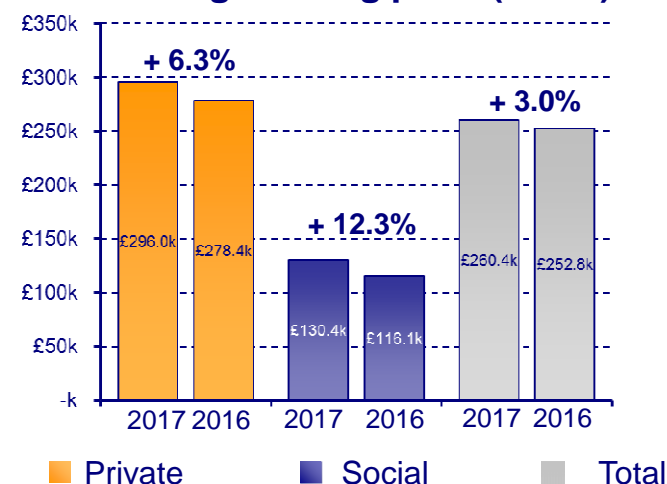
**Completion analysis**



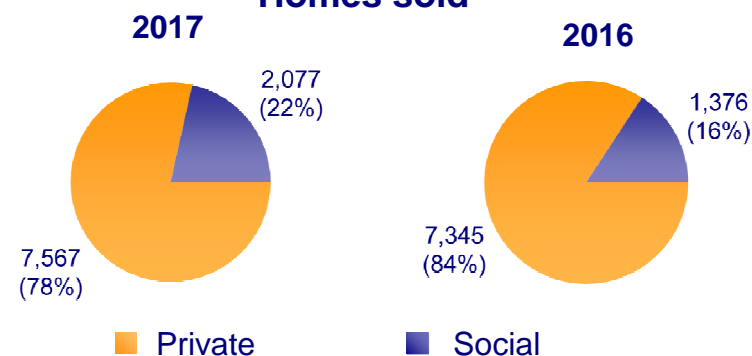
**Revenue analysis**



**Average selling price ('ASP')**



**Homes sold**







# Appendix 3 – ASP analysis



For the year ended 31 July

ASP / square foot (£)									
	2017			2016			Mvt		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	211	119	199	199	119	191	6.0%	-%	4.2%
South - made up of:-	348	189	314	342	162	314	1.8%	16.7%	-%
London	533	268	471	488	223	477	9.2%	20.2%	(1.3%)
Non-London	315	172	285	290	158	264	8.6%	8.9%	8.0%
Group average	275	163	256	266	146	251	3.4%	11.6%	2.0%

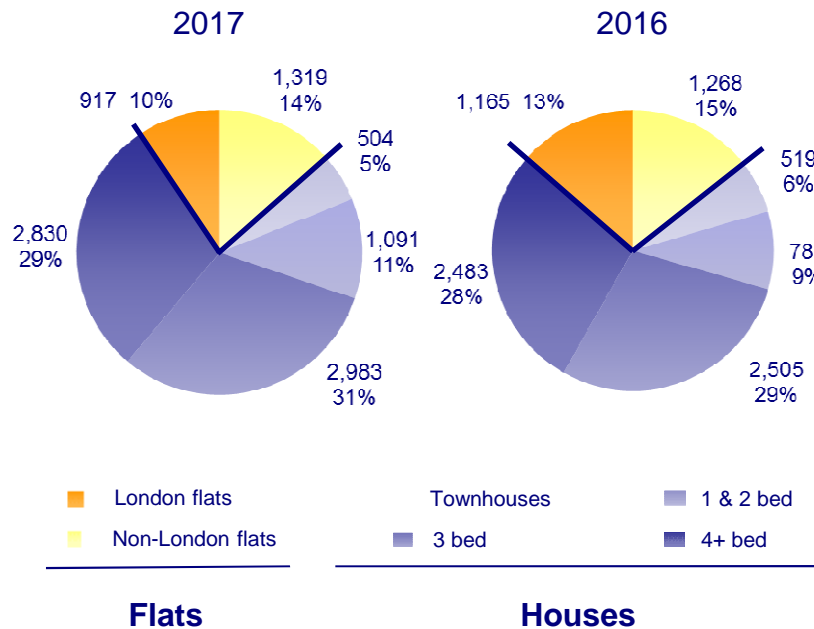


# Appendix 4 – Product analysis

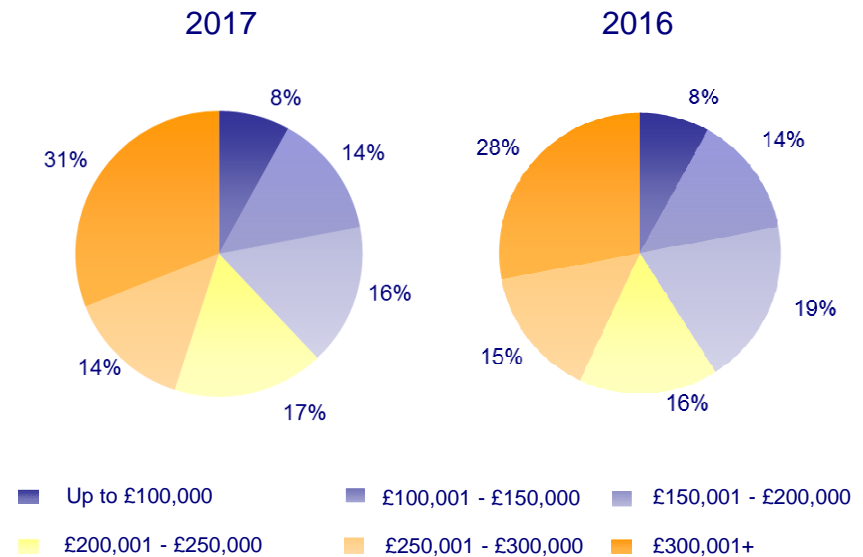


For the year ended 31 July

## Product mix analysis



## Selling price analysis

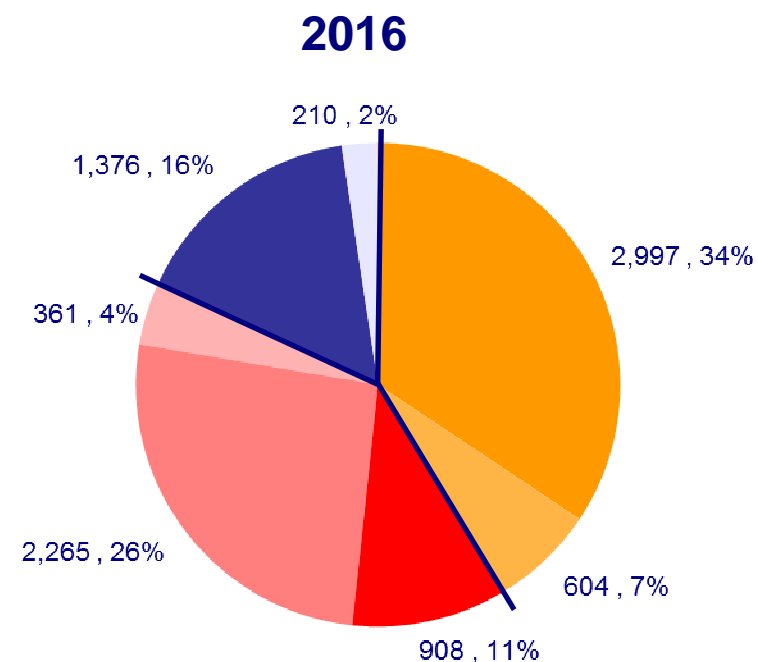
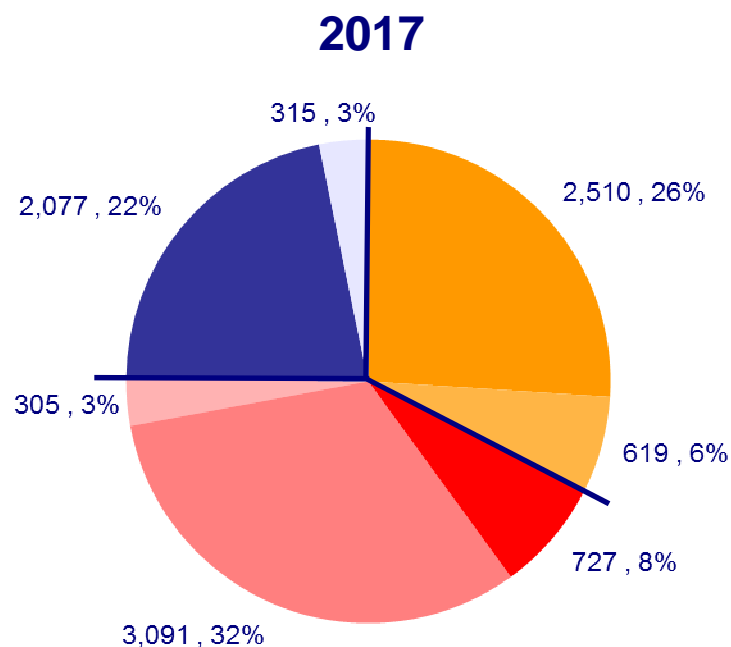


A wide variety of product leads to a flexible approach to land buying





# Appendix 5 – Completion analysis




For the year ended 31 July



## Second time buyers

-  Other second time buyers
-  Part exchange

## Deposit assisted and first time buyers

-  Unassisted first time buyers
-  Help to Buy – non London
-  Help to Buy – London

## Other buyers

-  Housing Association
-  Investor



# Appendix 6 - Net finance expense



For the year ended 31 July

	2017	2016	Mvt
Net bank interest payable inc. fees	£4.5m	£4.3m	4.7%
Non bank interest:	£6.7m	£6.8m	(1.5%)
<b>Made up of:-</b>			
Land creditors / debtors – IAS 39	£6.6m	£7.1m	(7.0%)
Pension cost	£0.2m	£0.2m	-
Other interest	(£0.1m)	(£0.5m)	(80.0%)
<b>Total</b>	<b>£11.2m</b>	<b>£11.1m</b>	<b>0.9%</b>

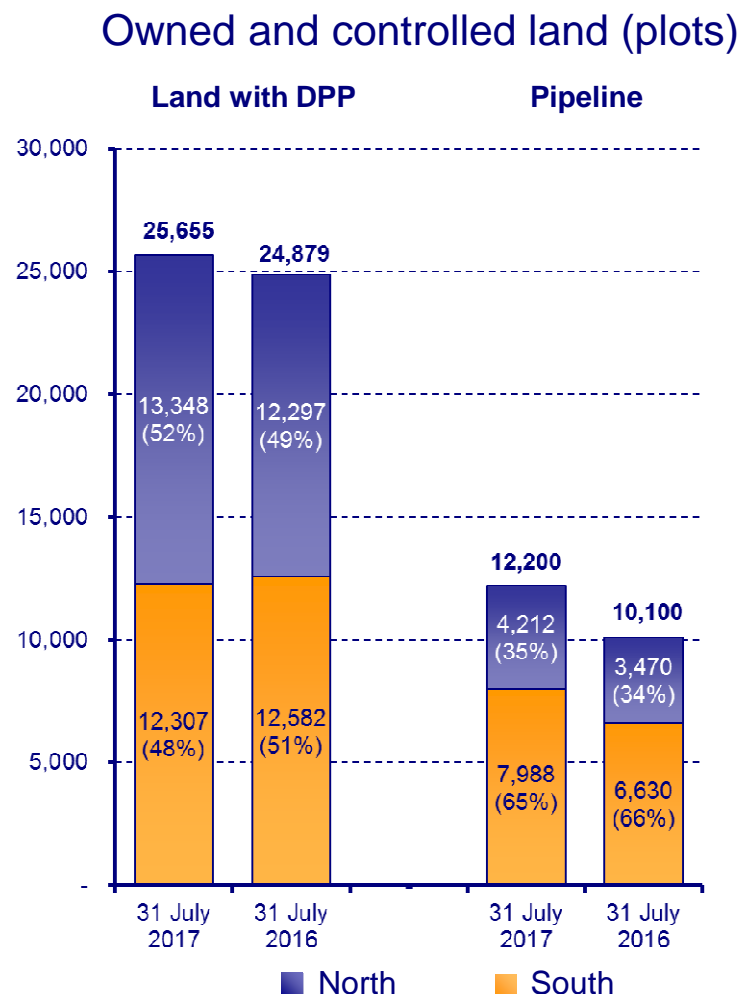




# Appendix 7 – Land supply



As at 31 July



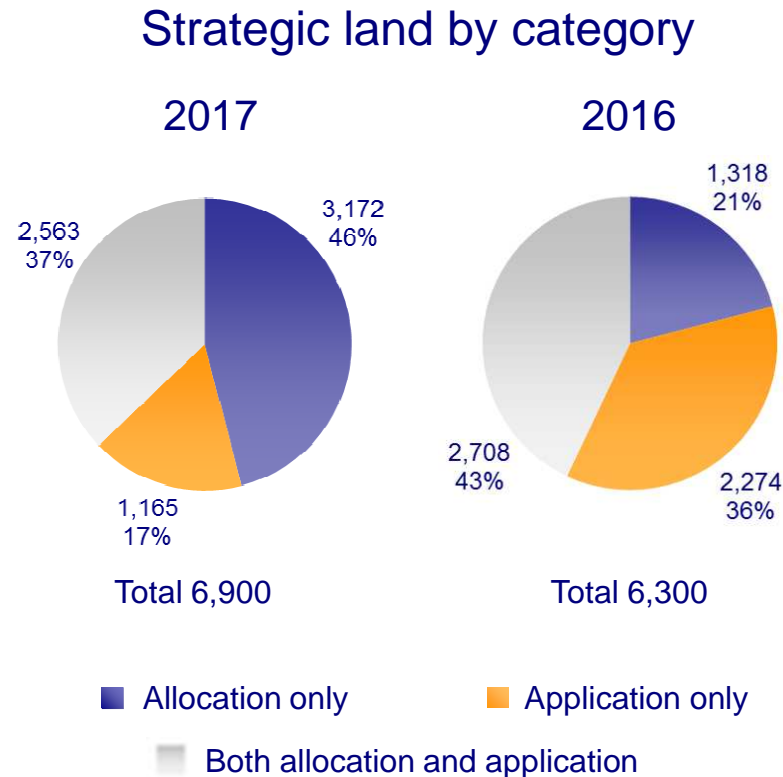
- Wide geographic presence enables Bellway to benefit from growth opportunities in north, south and London markets.
- Quality land bank.



# Appendix 8 – Strategic land



As at 31 July



- 6,900 plots with a positive planning status.
- The Group has further long term land holdings which do not yet have a positive planning status.



### 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.



## Appendix 10 – Order book at 31 July



As at 31 July

	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	7,698	2,051	9,749	7,035	1,762	8,797	9.4%	16.4%	10.8%
Completions	(7,567)	(2,077)	(9,644)	(7,345)	(1,376)	(8,721)	3.0%	50.9%	10.6%
<b>At 31 July</b>	<b>3,126</b>	<b>1,623</b>	<b>4,749</b>	2,995	1,649	4,644	4.4%	(1.6%)	2.3%





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