Results Presentation

Half year ended 31 January 2018

Agenda

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

Highlights

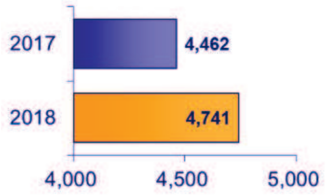
John Watson

Executive Chairman

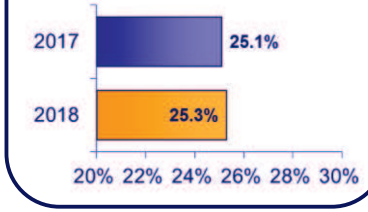
Further disciplined volume growth

Bellway

Volume
+ 6.3%

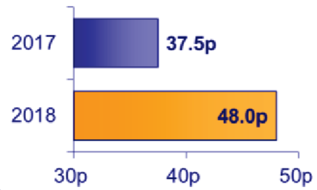


Return on capital
+ 20 bps

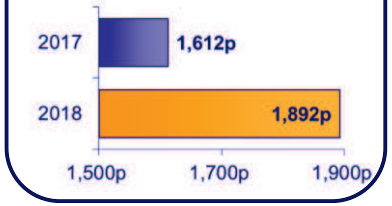


EPS up 16.9%

Interim dividend
+ 28.0%



Net asset value
+ 17.4%



Operational highlights

- Expect to maintain 5* homebuilder status
- Commitment to grow in a responsible and sustainable manner.
- Order book has risen by 7.7% to £1.5 billion at 11 March.
- Contracted to acquire 6,726 plots.

Strong foundation to deliver further growth

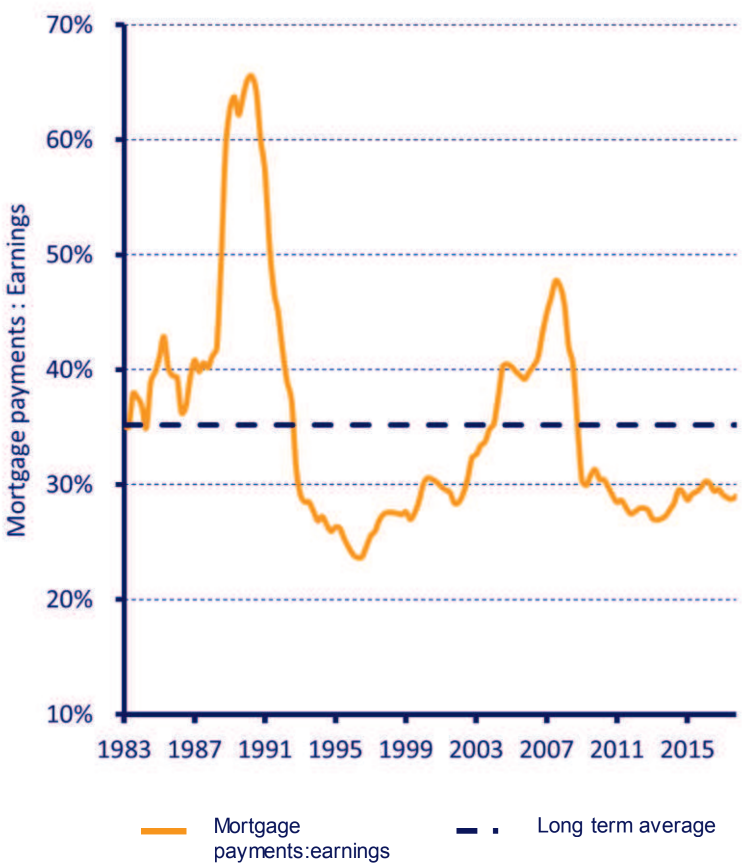
Unless otherwise stated, all numbers throughout this presentation exclude joint ventures.

Strategic update

John Watson

Executive Chairman

Strategic update



Source: Halifax

- Responsible and disciplined volume growth will deliver long term value for shareholders.
- Cross party support to increase supply of new homes.
- Good availability of land at attractive margins.
- Sustainable mortgage environment aided by Help to Buy.
- Cost of servicing a mortgage likely to remain below the long term average.
- Sizeable gap in number of completions between Bellway and its larger peers.
- Geographically spread structure capable of further expansion.

Operational structure and solid balance sheet provide opportunity for further disciplined growth

Finance review

Keith Adey

Finance Director

Operating result

For the half year ended 31 January

	2018		2017		Mvt
Homes sold	4,741		4,462		6.3%
Average selling price	£275,945		£256,140		7.7%
Housing revenue	£1,308.3m		£1,142.9m		14.5%
Other revenue	£16.1m		£5.6m		187.5%
Total revenue	£1,324.4m		£1,148.5m		15.3%
Gross profit	**£343.1m**	***25.9%***	**£296.7m**	***25.8%***	**10bps**
Administrative expenses	(£48.9m)	*(3.7%)*	(£44.1m)	*(3.8%)*	10bps
Operating profit	**£294.2m**	***22.2%***	**£252.6m**	***22.0%***	**20bps**

Further revenue growth

Bellway

For the half year ended 31 January

Average selling price (£000)

	2018 Private	2018 Social	2018 Total	2017 Private	2017 Social	2017 Total
North	**255.9**	**94.3**	**223.0**	223.7	101.0	203.2
South	**373.0**	**151.6**	**327.2**	365.2	132.7	308.4
Group	**315.3**	**123.7**	**275.9**	291.5	119.9	256.1
London	**419.8**	**201.3**	**384.3**	457.1	169.3	425.5

Homes sold (No.)

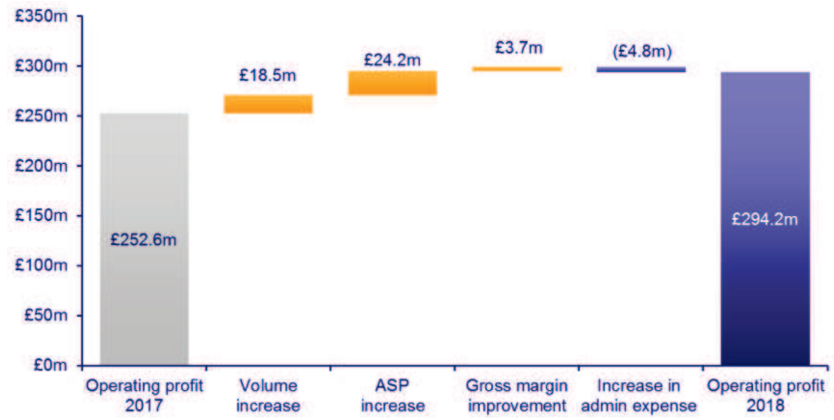
	2018 Private	2018 Social	2018 Total	2017 Private	2017 Social	2017 Total
North	**1,857**	**474**	**2,331**	1,846	371	2,217
South	**1,911**	**499**	**2,410**	1,697	548	2,245
Group	**3,768**	**973**	**4,741**	3,543	919	4,462
London	**469**	**91**	**560**	268	33	301

- Growth in ASP influenced by:-
  - Investment in higher value locations.
  - A greater proportion of completions from affordable areas of London.
  - HPI running at c.2% p.a..
- Full year ASP expected to be in excess of £280k.
- New divisions have contributed an additional 181 completions.
- Established divisions such as Scotland, Yorkshire and Essex have also increased output.

Operating performance

	2018 H1	2017 H1	2017 H2	2017 FY
Gross profit	**£343.1m**	£296.7m	£364.9m	£661.6m
	25.9%	*25.8%*	*25.9%*	*25.9%*
Administrative expenses	**(£48.9m)**	(£44.1m)	(£45.9m)	(£90.0m)
	(3.7%)	*(3.8%)*	*(3.3%)*	*(3.6%)*
Operating profit	**£294.2m**	£252.6m	£319.0m	£571.6m
	22.2%	*22.0%*	*22.6%*	*22.3%*

Operating profit bridge



- Gross margin achieved above 'intake' gross margin on new contracts due to planning enhancements and historical HPI, net of industrywide build cost increases.
- Sale of ground rent portfolios added 30 bps to margin in H1.
- Administrative expenses have fallen to 3.7% of revenue.
- Expect to maintain full year operating margin of c.22%.

Earnings growth

Bellway

For the half year ended 31 January

	2018	2017	Mvt
Operating profit	£294.2m	£252.6m	16.5%
Net finance expense	(£6.3m)	(£5.0m)	26.0%
Share of JV result	£0.8m	-	100.0%
Profit before tax	£288.7m	£247.6m	16.6%
Taxation	(£53.7m)	(£46.9m)	14.5%
Effective tax rate	*18.6%*	*18.9%*	*(30 bps)*
Profit after tax	**£235.0m**	**£200.7m**	**17.1%**
Earnings per share	191.6p	163.9p	16.9%

Balance sheet

Bellway

As at 31 January

	2018	2017	Mvt
Assets			
Fixed assets and investment in joint ventures	£51.1m	£48.6m	£2.5m
Inventory	£3,184.7m	£2,796.7m	£388.0m
Land	£1,985.4m	£1,761.7m	£223.7m
WIP	£1,199.3m	£1,035.0m	£164.3m
Debtors	£100.9m	£113.7m	(£12.8m)
	£3,336.7m	**£2,959.0m**	**£377.7m**
Liabilities			
Pension deficit	(£4.0m)	(£8.8m)	£4.8m
Net bank debt	(£131.4m)	(£175.1m)	£43.7m
Creditors	(£510.1m)	(£496.1m)	(£14.0m)
Land creditors	(£367.3m)	(£301.7m)	(£65.6m)
	(£1,012.8m)	**(£981.7m)**	**(£31.1m)**
Net asset value	**£2,323.9m**	**£1,977.3m**	**£346.6m**
Net bank debt	£131.4m	£175.1m	(£43.7m)
Capital employed	**£2,455.3m**	**£2,152.4m**	**£302.9m**

Land bank ^

As at 31 January

	2018			2017		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
Land with DPP						
Brought forward 1 August	25,655	£1,546.1m	£60.3k	24,879	£1,373.1m	£55.2k
Net purchases	5,380	£338.8m	£63.0k	5,914	£401.9m	£68.0k
Sold	(4,741)	(£254.6m)	£53.7k	(4,462)	(£244.0m)	£54.7k
Carried forward 31 January	**26,294**	**£1,630.3m**	**£62.0k**	26,331	£1,531.0m	£58.1k
Pipeline	**13,700**	**£355.1m**		11,600	£230.7m	
Owned and controlled land	**39,994**	**£1,985.4m**		37,931	£1,761.7m	
Land with DPP - JVs	**244**			286		
Total owned and controlled plots	**40,238**			38,217		

The Group has 6,850 strategic plots with a positive planning status (2017 – 5,650)

^ See appendix 9 for definitions.

Work in progress

As at 31 January

	2018	2017	Mvt
Site construction	£1,081.0m	£941.0m	£140.0m
Showhomes	£85.4m	£71.8m	£13.6m
Part exchange stock	£32.9m	£22.2m	£10.7m
Total WIP	**£1,199.3m**	**£1,035.0m**	**£164.3m**

- Continuous monitoring of WIP to ensure capital invested is appropriate to the size of the business.
- PX holding period influenced by slower second hand market, but capital invested is still low.

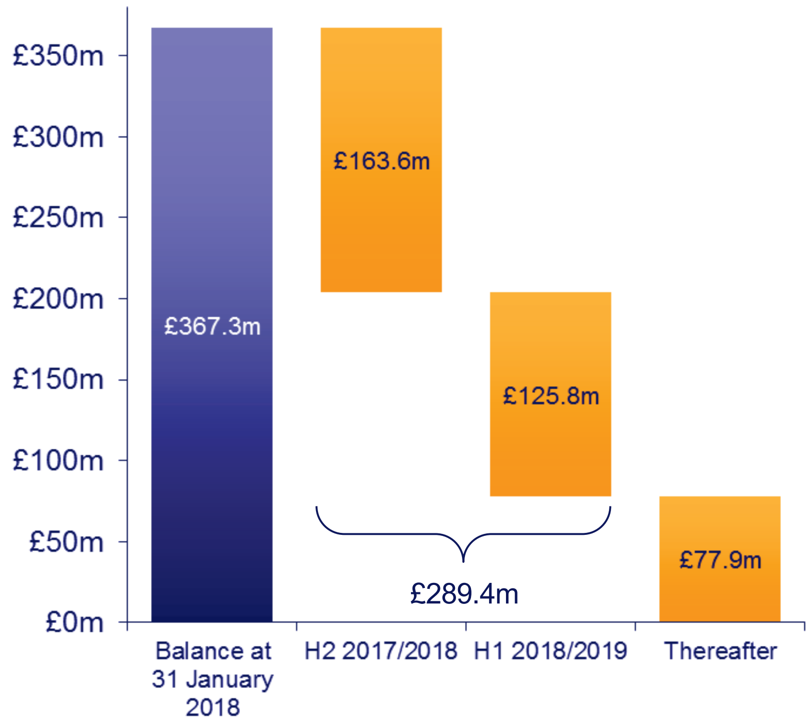
Units in production

Capital employed

As at 31 January

	2018	2017
NAV	£2,323.9m	£1,977.3m
Net bank debt	£131.4m	£175.1m
Capital employed	**£2,455.3m**	**£2,152.4m**
Land creditors	£367.3m	£301.7m
Adjusted capital employed	**£2,822.6m**	**£2,454.1m**

Land creditor payment profile



A focus on return on capital employed

- High RoCE achieved notwithstanding investment in land and WIP to achieve future growth.
- Every site is acquired with RoCE as a key metric.
- Continually review larger sites and those without planning to accelerate site delivery.
- Build starts still authorised by Regional Chairmen.
- Ashberry contributed 127 units representing 2.7% of output.

As at 31 January

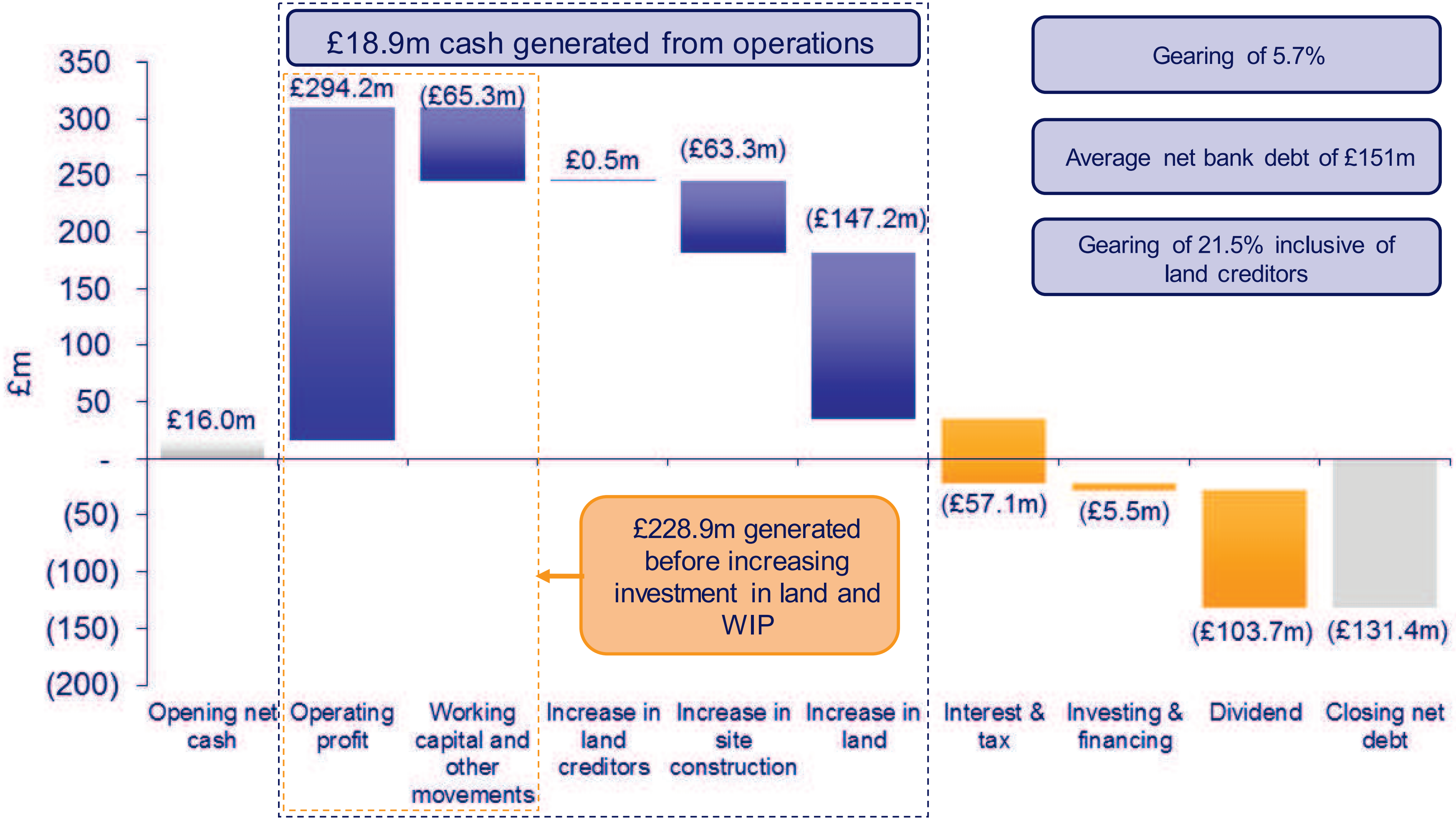
	2018	2017
RoCE	25.3%	25.1%

	2018	2017
Adjusted RoCE	21.9%	21.8%

	2018	2017
Capital turn	1.14	1.14

Strong cash generation

For the half year ended 31 January



Gearing of 5.7%

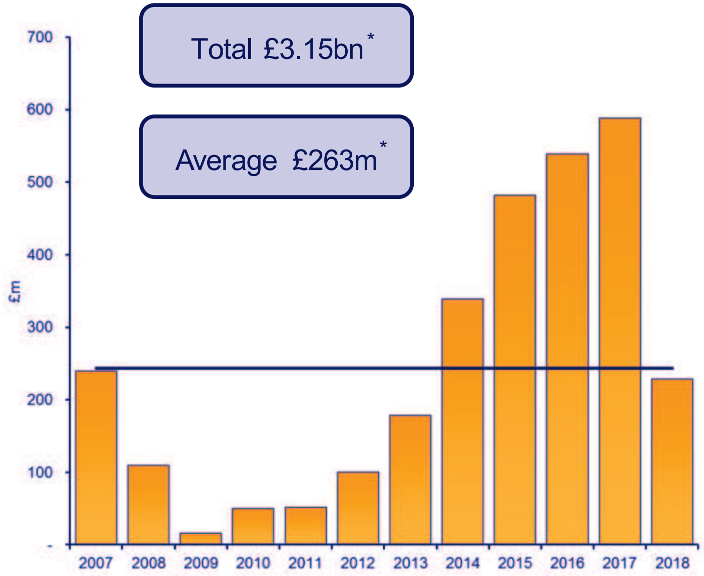
Average net bank debt of £151m

Gearing of 21.5% inclusive of land creditors

Investing for growth

Bellway

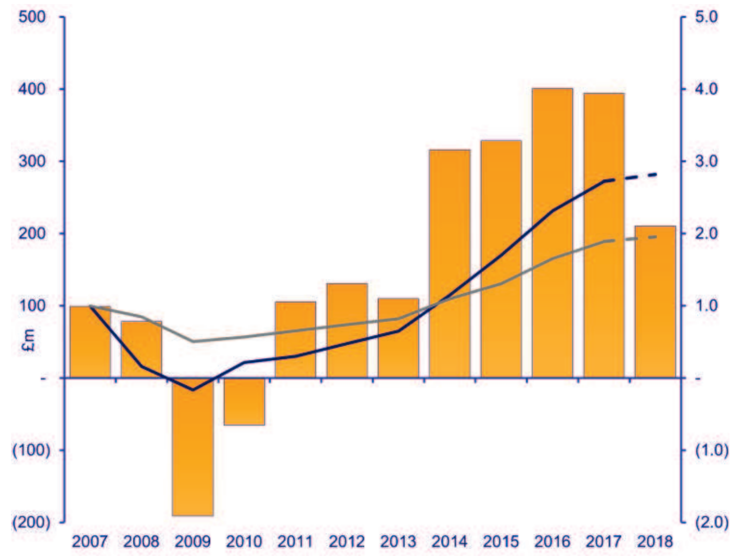
Cash generation pre incremental land and WIP investment



Cash generated before net reinvestment in land and WIP

Average cash generated before reinvestment in land and WIP

Investing for growth



Investment in land and WIP (net of exceptionals) (LHS)

Revenue as a multiple of July 2007 (RHS)*

Profit after tax as a multiple of July 2007 (RHS)*

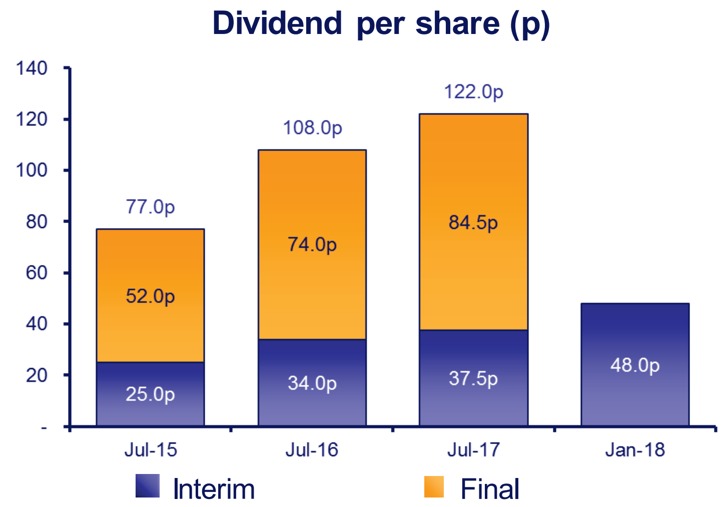
* Annualised for 2018

Dividend

- Still substantial potential for growth.
- Expect to maintain **sustainable** level of cover of three times earnings for full year.
- Increase in interim dividend is to help rebalance the H1:H2 split.

For the half year ended 31 January

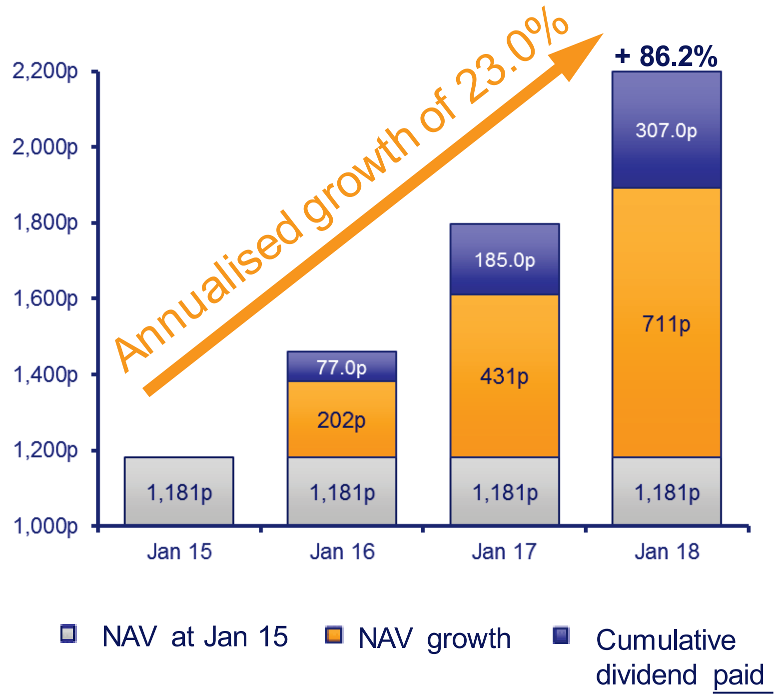
	2018	2017	Mvt
Interim dividend	48.0p	37.5p	28.0%



Value creation

As at 31 January

86.2% return over 3 years



	2018	2017	Mvt
NAV	1,892p	1,612p	17.4%

	2018	2017	Mvt
RoE	20.8%	20.9%	(10 bps)

The strategy for growth is still delivering substantial value for shareholders

Operating review

Jason Honeyman

Chief Operating Officer

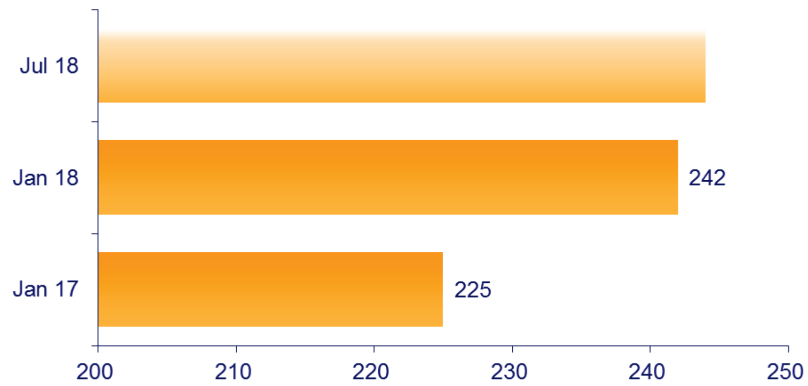
Trading review

Bellway

Weekly reservation rate*

	2018	2017	Mvt
North	86	78	10.8%
South	91	88	4.2%
Total	**178**	**166**	**7.2%**

Average active outlets

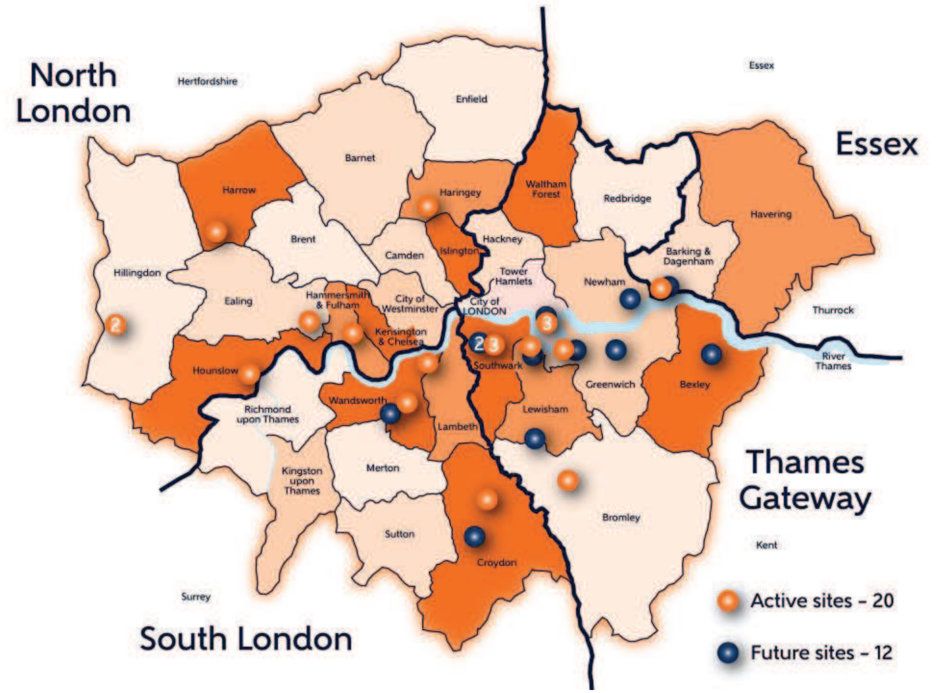


- Cancellation rate <11%.
- New site openings improve sales rate.
- Sales in north influenced by strong demand, investment in land and contribution from newer divisions.
- Positive pricing environment.
- Demand for large and high value homes is a little slower.
- Tailored land acquisition to meet market demand.
- Incentives remain low.
- Help to Buy accounted for 39% of completions.

* Weekly reservation rates and movements thereon are based on exact weekly reservation rate, rather than that rounded to the nearest integer.

London

Bellway



- London accounts for 12% of volume and 16% of housing revenue.
- Demand is robust for affordably priced homes.
- Market is slower above £700-£800 psf.

London land bank

	Plots
Under £250 psf	117
Under £500 psf	575
Under £800 psf	1,051
Under £1,000 psf	317
Over £1,000 psf	149
Total	**2,209**

- Only 466 homes priced above £800 psf including 320 homes at Nine Elms.
- Nine Elms is performing well and is over 80% sold at prices in line with or above the most recent site appraisal.
- Appetite to acquire sites jointly with HAs as lower capital outlay and de-risked sales position helps improve RoCE.

Strong operational focus

- Three priorities are:
  - Customer care
  - Health and safety
  - Good planning and site management

Customer care

- Expect to maintain status as a 5* homebuilder.
- Customer Experience Committee driving best practice.
- Focus on meeting customers' expectations.

Strong operational focus

Bellway

Health and safety

- Frequent training and site inspections.
- High standards maintained.
- Independent scores are better than industry average.

Good planning and site management

- Working with HBF and Home Building Skills Partnership to improve skills.
- Good forward planning disciplines.

Improved profitability through reduced site overheads and maintenance costs

Positive working environment helps to attract and retain high quality staff

Construction costs and supply chain

Bellway

Materials

- Bricks, roof tiles and insulation materials are in short supply with longer lead in times.
- Imported items such as timber have been adversely affected by the weaker exchange rate.

Subcontract

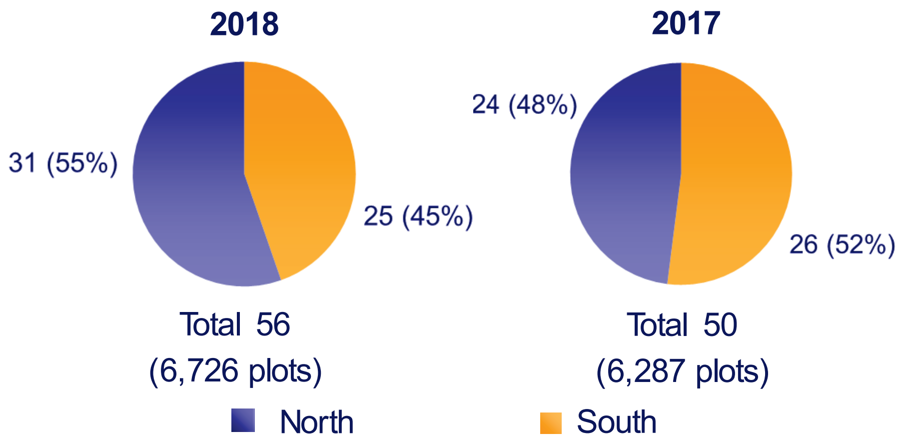
- Upward pressure less pronounced than twelve months ago and specific to certain trades and locations.
- Labour availability not affected by EU negotiations.

- Construction costs remain under pressure but are under control.
- Overall costs have increased by around 3%.
- Standardisation provides the opportunity to control costs.
- Standard house types will be reduced to 22 variants by June.

Land buying

Land spend and contracted land (£m)

Contracted sites



Battle Hospital, Portman Road, Reading

- 217 units at ASP of c.£270k.
- Bought unconditionally for £10 million.
- Opportunity to generate higher margins.

Strategic land and planning

Bellway

Strategic land

- Investment in strategic land function is showing benefits.
- Acquired or obtained DPP on 1,053 plots previously reported within strategic land bank.
- Entered in to nine option agreements where DPP is expected in short to medium term.

Planning

- Welcome government initiatives to improve planning.
- Growth strategy aligned to government targets.

Current trading and outlook

Jason Honeyman

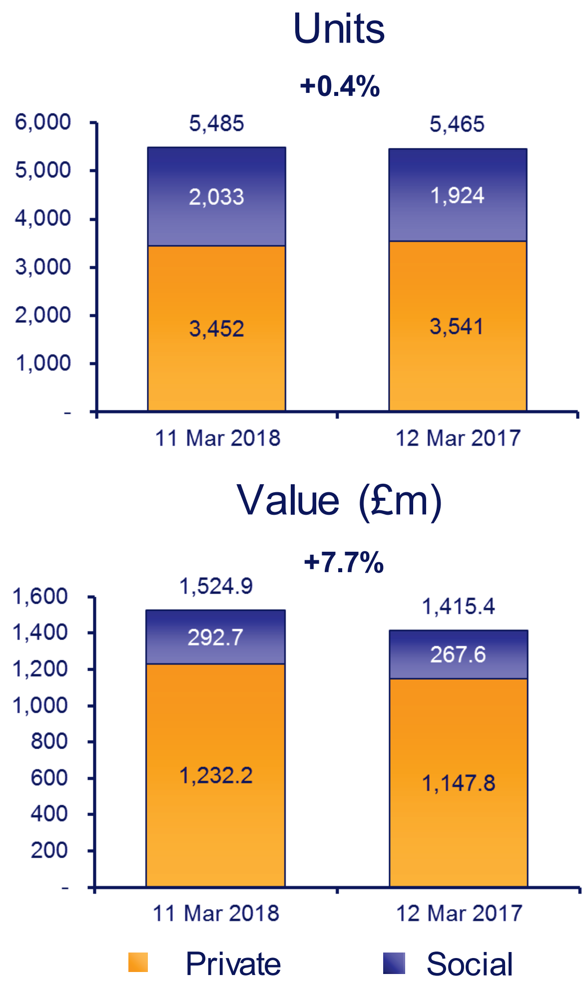
Chief Operating Officer

Current trading and order book

Bellway

- Reservations are slightly ahead at 248 per week since 1 February.
- Equivalent period in the prior year was 18% up and included 52 reservations at Nine Elms.
- Indicators suggest a positive spring selling season reinforced by programme of site openings.
- Quality order book with 68% of plots contracted.

Current order book



Outlook

- Land in place with DPP to meet 90% of FY19's forecast.
- Significant investment in WIP.
- Beyond Scotland East, plans afoot to open one to two more divisions in the foreseeable future, subject to market conditions.
- This could take capacity to 13,000 homes per annum, 30% more than current annualised output, with further growth potential beyond that.

Disciplined growth strategy is continuing to provide an opportunity to deliver further value enhancements for shareholders

Questions and answers

Trinity Point, Pendlebury, Manchester