

Results Presentation



Year ended
31 July 2018



Agenda



1. Highlights
2. Strategic update
3. Finance review
4. Operating review
5. Q&A
6. Appendices



Highlights



John Watson
Chairman



Highlights



Financial highlights

Volume	RoCE	EPS	Dividend	NAV
10,307	27.2%	423.4p	143.0p	2,079p
+6.9%	(40 bps)	+14.2%	+17.2%	+16.5%

Operational highlights

Customer care	Land buying	Land bank	Order book	Growth
5* homebuilder	Contracted to acquire 12,962 plots	All land in place with DPP for year ahead	Strong order book of £1.5bn at 30 September 2018	New divisions coming on stream

Disciplined growth strategy

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

Notes



Strategic update



Jason Honeyman
Chief Executive



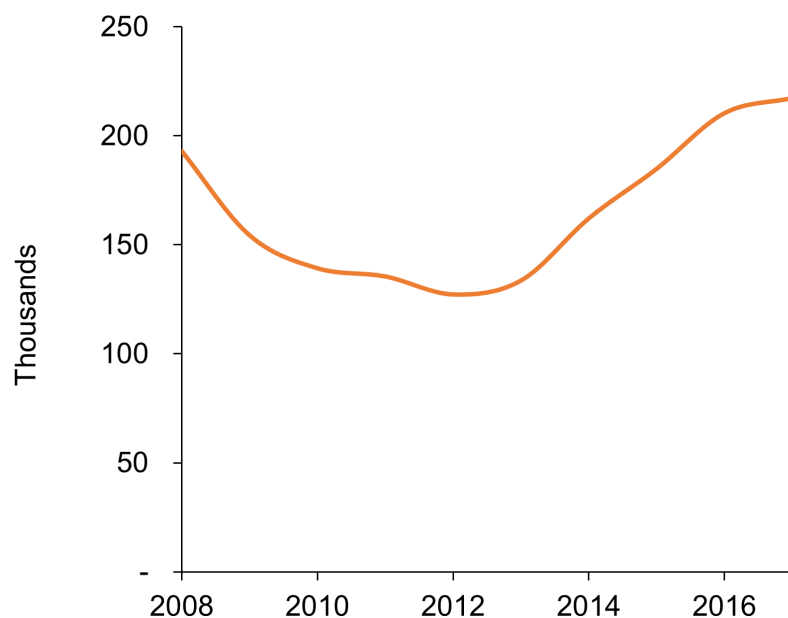
Notes



Strong customer demand



New build completions (England)



— New build completions

Source: Government

- There is strong demand for affordably priced new homes in many parts of the country
- Industry output in England is still below the government's ambition of 300,000 homes p.a.
- Cross-party support to increase the supply of new homes across all tenures

Notes



Market fundamentally strong



Demand	Mortgages	Help to Buy	Land	Labour and materials
<ul style="list-style-type: none">Unemployment is at a generational lowCustomer confidence is holding up well despite Brexit risk	<ul style="list-style-type: none">Access to low cost mortgage finance is goodResponsible and supportive lending environmentInterest rates are likely to remain low for the medium term	<ul style="list-style-type: none">Providing necessary boost for sectorAround 67% of Help to Buy customers are first time buyers	<ul style="list-style-type: none">Land availability is goodPlanning conditions can delay on-site starts	<ul style="list-style-type: none">Access to labour and materials still a challengeFrustrating industrywide rate of growthNot insurmountable with a strong operational focus

Notes



Delivering long term value for shareholders



Long term and sustainable approach

Flexibility required in cyclical market

Quality product

Strong brand reputation

Focus on customer service

Strong operational focus

Financial outperformance over the longer term

Notes



Strategic priorities



Volume growth

Focus on RoCE

Value creation through capital and dividend growth

Driving down costs

Appointing the right
people

Strengthening the
brand

Maintaining a
flexible capital
structure

Notes



Finance review



Keith Adey
Finance Director



Notes



Strong earnings growth



For the year ended 31 July

		2018	2017	Change
Units	Homes sold	10,307	9,644	6.9%
	Average selling price	£284,937	£260,354	9.4%
Revenue	Housing revenue	£2,936.8m	£2,510.9m	17.0%
	Other revenue	£20.9m	£47.7m	(56.2%)
	Total revenue	£2,957.7m	£2,558.6m	15.6%
Trading	Gross profit	£753.4m 25.5%	£661.6m 25.9%	(40bps)
	Operating profit	£652.9m 22.1%	£571.6m 22.3%	(20bps)
Earnings	Profit before taxation	£641.1m	£560.8m	14.3%
	Earnings per share	423.4p	370.6p	14.2%

Notes



Housing revenue

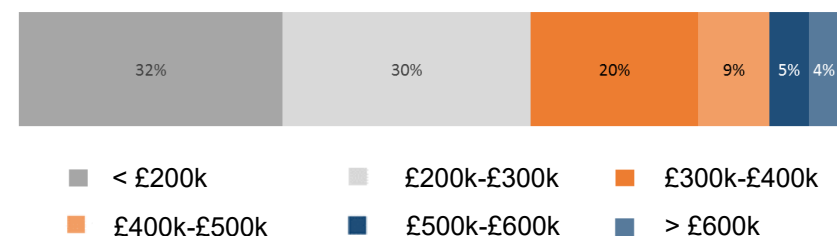


For the year ended 31 July

	2018		2017	
	Units	ASP	Units	ASP
Private	8,263	£323.4k	7,567	£296.0k
Social	2,044	£129.3k	2,077	£130.4k
Bellway completions	10,307	£284.9k	9,644	£260.4k
Share of JVs	42	£200.0k	19	£144.5k
Total completions	10,349	£284.6k	9,663	£260.2k

- Ashberry accounted for 348 homes and 3.4% of output
- Still potential for Ashberry to grow

ASP of Bellway completions



- Rise in private ASP driven by investment in desirable locations
- Focus remains on affordably priced, middle market family housing
- Exposure at the upper end of the market is limited
- Market slower at prices over £500k outside of London and £600k within London
- Help to Buy accounted for 39% of homes sold

Notes



Geographic analysis



For the year ended 31 July

	2018		2017	
	Units	ASP	Units	ASP
North	5,061	£229.5k	4,655	£211.3k
South	5,246	£338.4k	4,989	£306.2k
Total	10,307	£284.9k	9,644	£260.4k

- 6 most recently opened divisions making largest contribution to growth, accounting for 22% of homes sold
- 7 divisions delivering in excess of 600 homes p.a.
- Scotland West completed 794 homes spearheading new Scotland East division

	London			
	2018		2017	
	Units	ASP	Units	ASP
London	1,118	£414.9k	959	£371.8k

- London represented 11% of completions
- London ASP excluding Nine Elms is affordable at £376.0k
- Demand is robust at this price point
- Nine Elms contributed 132 completions in the year
- Only 62 apartments left to sell at 31 July

Notes



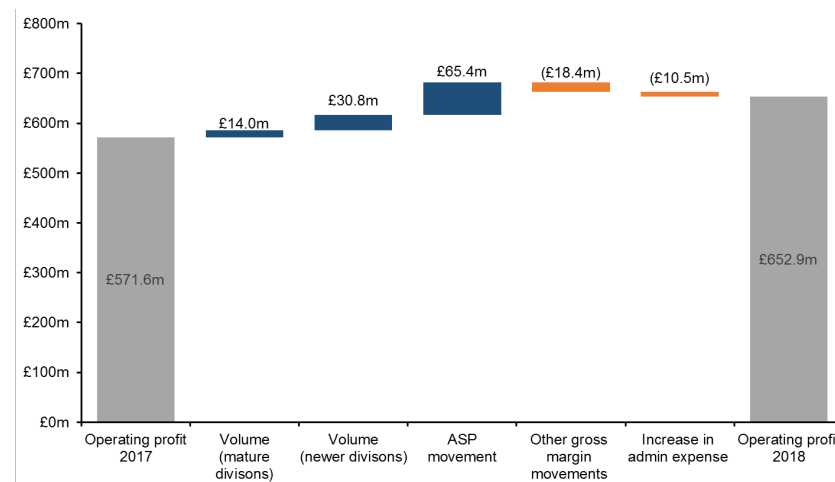
Operating performance



For the year ended 31 July

	2018	2017	Change
Gross profit	£753.4m 25.5%	£661.6m 25.9%	£91.8m (40bps)
Admin. expenses	(£100.5m) (3.4%)	(£90.0m) (3.6%)	(£10.5m) 20bps
Operating profit	£652.9m 22.1%	£571.6m 22.3%	£81.3m (20bps)

Operating profit bridge



Ground rent disposal contributed 20bps to gross margin (2017: 70bps)

Result includes a £5.9m allowance for ACM issues

Overhead absorption rate improved as the newer divisions gain critical mass

Positive cost control initiatives will help to protect the margin over the longer term

Notes



Balance sheet



As at 31 July

	2018	2017	Change
Assets			
Fixed assets	£13.1m	£11.3m	£1.8m
Investment in joint ventures	£43.5m	£34.3m	£9.2m
Inventory	£3,271.6m	£2,968.1m	£303.5m
Land	£2,011.9m	£1,838.2m	£173.7m
WIP	£1,259.7m	£1,129.9m	£129.8m
Debtors	£116.0m	£87.6m	£28.4m
Pension asset/(deficit)	£1.3m	(£4.0m)	£5.3m
Net cash	£99.0m	£16.0m	£83.0m
	£3,544.5m	£3,113.3m	£431.2m
Liabilities			
Creditors	(£622.0m)	(£555.2m)	(£66.8m)
Land creditors	(£365.4m)	(£366.8m)	£1.4m
	(£987.4m)	(£922.0m)	(£65.4m)
Capital employed	£2,557.1m	£2,191.3m	£365.8m

Notes



Land bank [^]



As at 31 July

	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	11,529	£738.4m	£64.0k	10,420	£685.1m	£65.7k
Sold	(10,307)	(£605.5m)	£58.7k	(9,644)	(£512.1m)	£53.1k
Carried forward 31 July	26,877	£1,679.0m	£62.5k	25,655	£1,546.1m	£60.3k
Pipeline	14,200	£332.9m		12,200	£292.1m	
Bellway owned and controlled plots	41,077	£2,011.9m		37,855	£1,838.2m	
Land with DPP - JVs	226			268		
Total owned and controlled plots	41,303			38,123		

[^] See appendix 11 for definitions

The Group has 8,500 strategic plots with a positive planning status (2017 – 6,900)

Notes



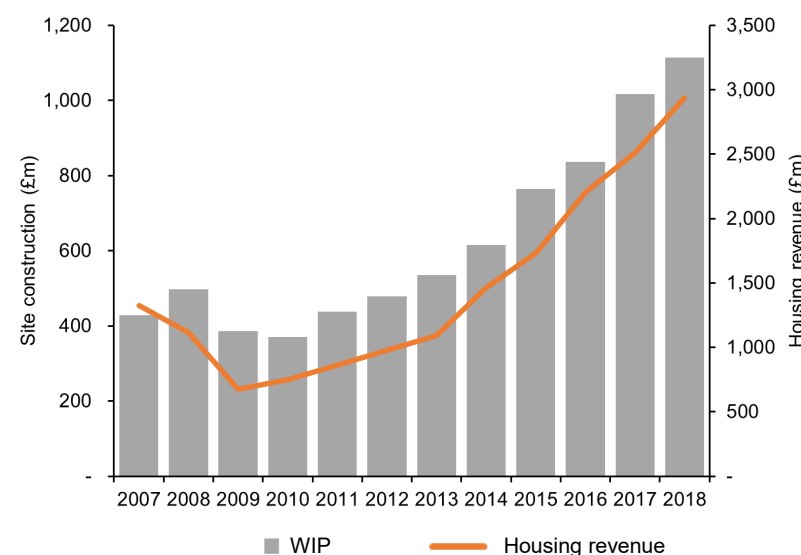
Work in progress



As at 31 July

	2018	2017	Change
Site construction	£1,115.1m	£1,017.7m	£97.4m
Showhomes	£97.4m	£78.2m	£19.2m
Part exchange stock	£47.2m	£34.0m	£13.2m
Total WIP	£1,259.7m	£1,129.9m	£129.8m

Site construction vs housing revenue



Site construction has fallen to 38% of housing revenue

Build releases are closely monitored

Proportion of unreserved production is the same as last year

Increase in part exchange stock reflects slower second hand market

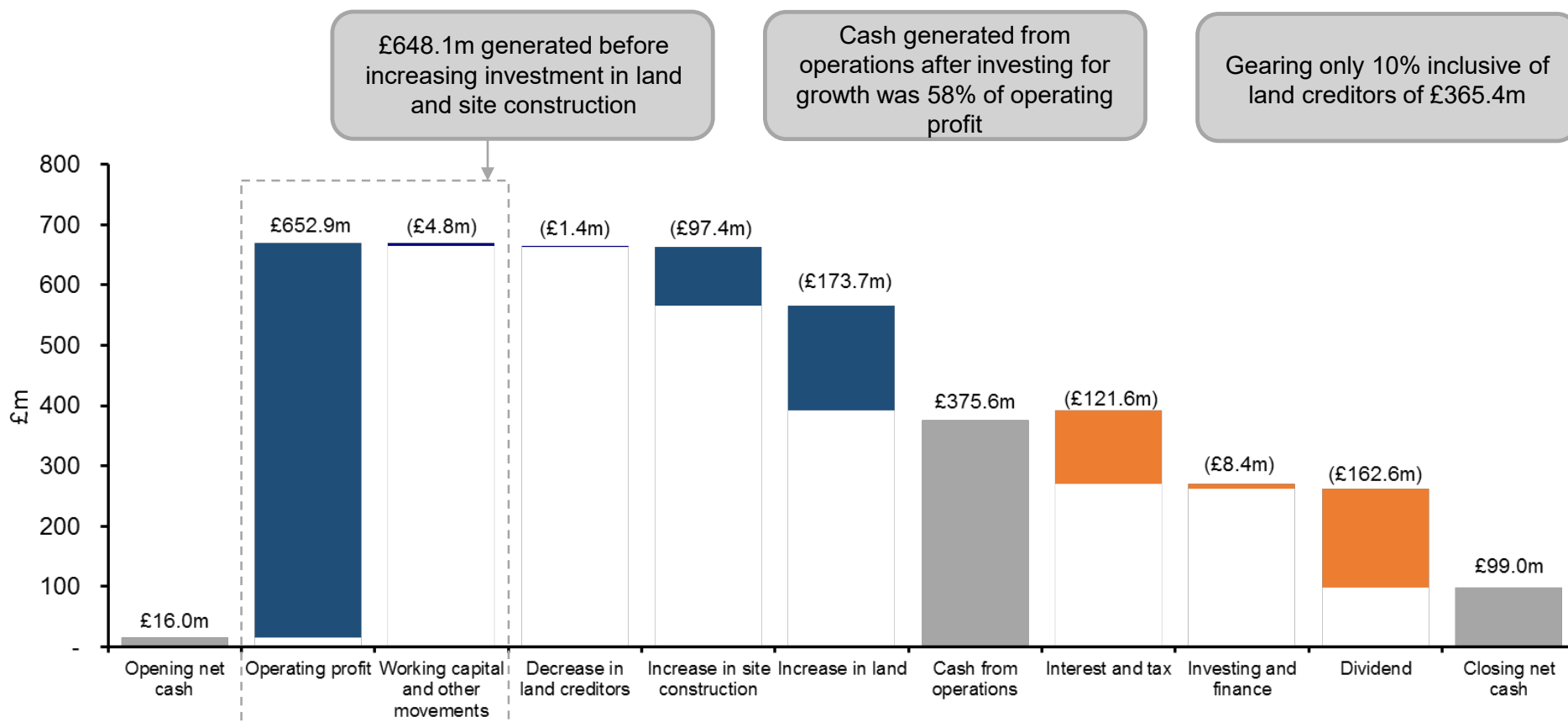
Notes



Balanced and flexible capital structure



For the year ended 31 July



Notes



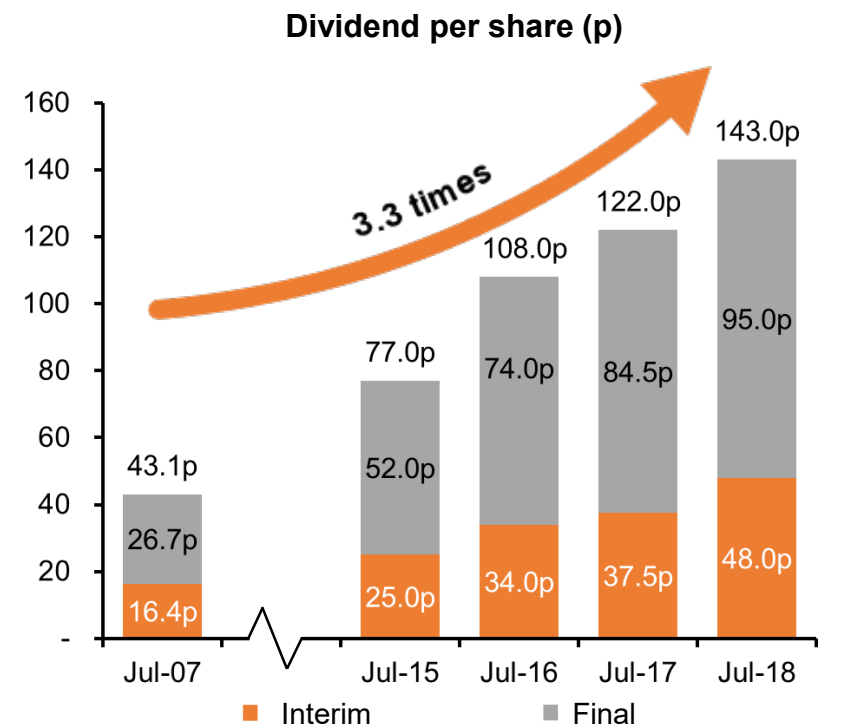
Dividend



For the year ended 31 July

	2018	2017	Change
Interim dividend	48.0p	37.5p	28.0%
Proposed final dividend	95.0p	84.5p	12.4%
Total dividend	143.0p	122.0p	17.2%

- Compounding effect as a result of reinvesting earnings back in to the business



Expect to maintain cover of 3 times for foreseeable future

Notes

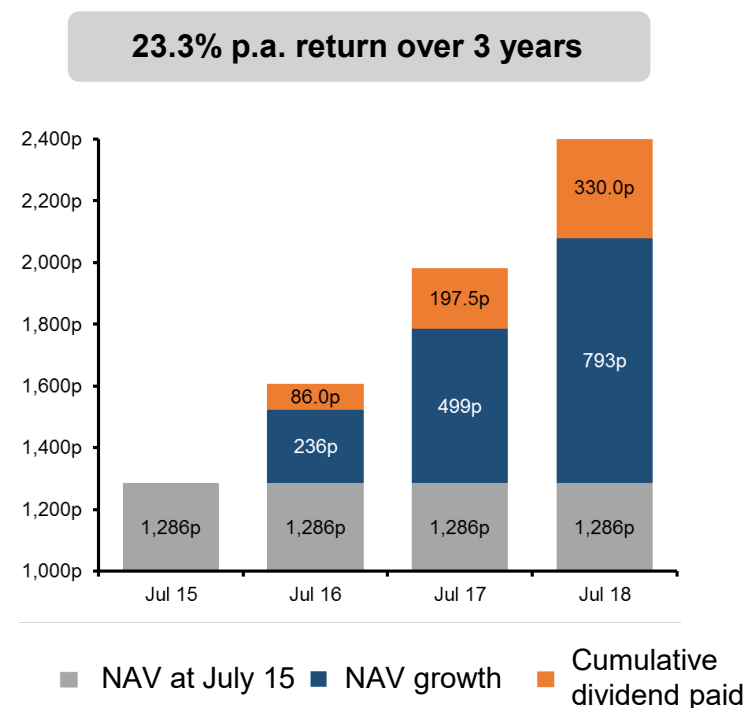


Delivering enhanced shareholder value



RoCE	RoE	NAV
27.2%	22.1%	2,079p
2017: 27.6% (40 bps)	2017: 22.6% (50 bps)	2017: 1,785p +16.5%

- Over the past three years:-
 - Revenue has increased by almost 68%
 - Earnings have risen by 84%



Bellway remains agile with a long term approach

Notes



Operating review



Jason Honeyman
Chief Executive



Notes



Delivering growth through divisional expansion (1) **Bellway**

- 7 new divisions opened since 2013
- Volume increased by 82% in same period
- Scotland East opened on 1 August 2018
- Combined Scotland divisions have capacity to deliver over 1,200 homes within the next few years
- Further expansion is planned with two new divisions: Eastern Counties and London Partnerships
- Both will commence construction in H2 and will contribute completions in FY20



Notes



Delivering growth through divisional expansion (2) **Bellway**

Eastern Counties

Eastern Counties will focus on good value family housing in and around Peterborough and Cambridge

- Investment in new divisions is driving growth
- New structure of 22 divisions will have a capacity of around 13,000 homes
- Our business is scalable and there is scope for further expansion in the years ahead

London Partnerships

Focus on strong relationships with RSLs and local authorities

Will provide lower cost homes in London where the shortage is most pronounced

Thames Gateway and Essex divisions have already carried out a number of regeneration schemes and JVs with housing associations

Barking Riverside project will be managed by the new team

800 plots with terms agreed with other RSL partners

Pre-funding will improve RoCE

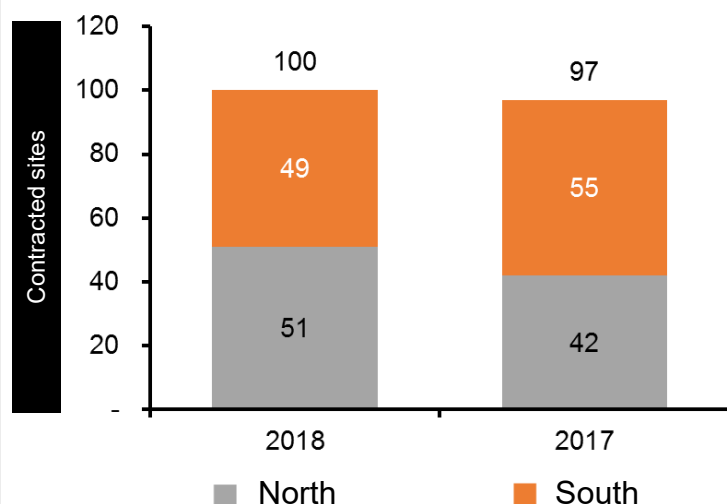
Notes



Delivering growth through buying land



Contracted sites and plots



	2018	2017	Change
Contracted plots	12,962	11,613	11.6%

- Contracted to buy 100 sites at an average gross margin of around 24%
- Outside of London, land buying has focused on affordably priced family homes
- Focus on sites with the right product mix and in locations that attract strong selling rates
- Focus on developments in Greater London boroughs or commuter areas around £375k
- There is a robust selling market at this price point
- All sites sourced locally in divisions but additional due diligence undertaken by Head Office to provide control over margin, ASP and unit mix

Notes



Delivering growth through further investment in strategic land

	2018	2017	Change
Plots promoted from strategic land	2,741	2,643	3.7%
New strategic agreements	27	26	3.8%
Strategic plots with positive planning status	8,500	6,900	23.2%



- Exercised option in Maidstone, Kent for 250 units at gross margin of 26%

Notes




Driving down costs



Strong culture of cost control	Cost pressures still exist for labour and materials	Some gaps still exist in the supply chain but easing in some parts of the country	Overall costs have increased by around 3%
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Simple approach to cost reductions:-		
The Artisan collection	New standard specification	New Head of Procurement
Intention to modernise the build process, accelerate build times and buy materials at lower prices		

 will be rolled out over the next 24 months to improve cost visibility

Notes



The Artisan Collection (1)



- 24 newly designed houses ranging from 2 to 5 bedrooms, 80% of range is under 1,200 sq ft
- Good value family homes
- Already plotted on 44 developments comprising 6,000 plots
- First planning permissions expected in November and occupations expected in summer 2019
- Range of elevations including bricks, weatherboarding, tile cladding or render
- Creates variety and enables localised design codes to be met, whilst meeting ambition of standardisation
- This approach maximises potential usage across the country



Notes



The Artisan Collection (2)

- Internal layouts based upon customer feedback and include family zones, improved storage space and open plan areas
- New standard specification includes hard wiring for broadband, USB points, LED down lighters and electric car charging points
- New house types are easier to build and could accelerate build times by up to two weeks per house
- Cost benefits could be c.£2k per plot from design, marketing, prelims and build cost savings

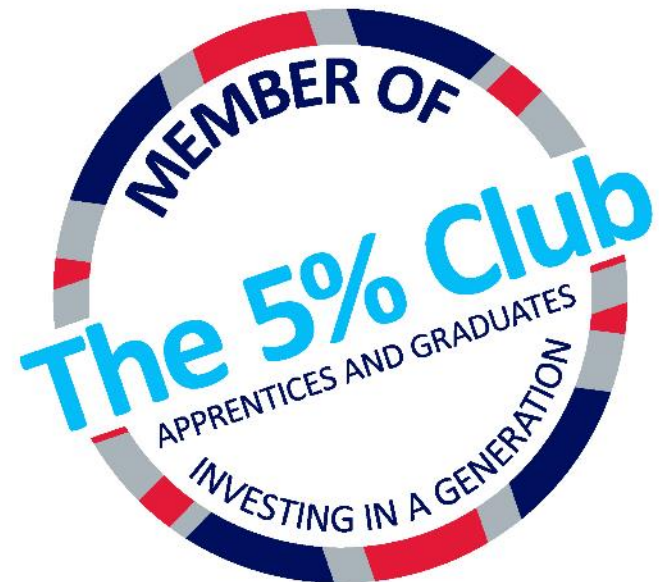


Notes



Appointing the right people

- We invest in people
- Everyone is encouraged to develop and progress in their discipline
- Operational strength has allowed us to grow volume and improve standards of quality and service
- Member of The 5% Club
- New Site Agent training scheme in place for summer 2019



Notes



Strengthening the brand



92.1% of customers
would recommend



49 Awards



New website



Bellway | London

Bellway | London

Bellway | London

Bellway | London

Notes



Trading review



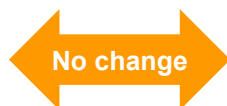
Weekly reservation rate

	2018	2017	Change
H1	178	166	7.2%
H2	222	209	6.2%
Full year	200	187	7.0%

Ave. active outlets
+ 7.4%



Cancellation rate
11%



- House price gains are modest, c.1% to 2%
- Price rises most pronounced on affordable sites in good residential locations
- Scotland, East Midlands and Essex all delivered strong performances

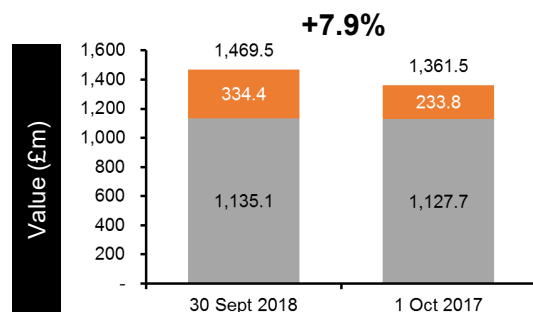
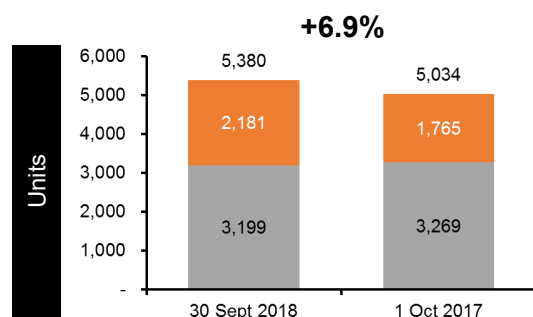
Notes



Current trading and order book



Order book at 30 Sept 2018 (2017: 1 Oct)



■ Private ■ Social

- Reservations 2.9% up in first nine weeks to 176
- Value of order book at 30 September up by 7.9%
- 68% of order book is contracted

Notes



Outlook



- Scotland East opened on 1 August 2018
- Two new divisions on stream from 1 February 2019
- Brexit poses some uncertainty and could affect busy spring selling season
- Standardisation will help mitigate margin pressure in the years ahead
- New Partnerships division provides an exciting opportunity to deliver more homes in London
- With the new divisions in place we have the platform to deliver further growth in the future

Notes



Q&A



Artisan Street scene



Notes



Appendices

1. Income statement
2. Net finance expense
3. Geographic analysis
4. ASP per sq ft
5. Housing revenue
6. Product analysis
7. Completion analysis
8. Land supply
9. Strategic land
10. Land creditors
11. Land bank glossary
12. Order book at 31 July



Notes



Appendix 1 - Income statement



For the year ended 31 July

	2018		2017		Change
Homes sold	10,307		9,644		6.9%
Average selling price	£284,937		£260,354		9.4%
Housing revenue	£2,936.8m		£2,510.9m		17.0%
Other revenue	£20.9m		£47.7m		(56.2%)
Total revenue	£2,957.7m		£2,558.6m		15.6%
Gross profit	£753.4m	25.5%	£661.6m	25.9%	(40bps)
Administrative expenses	(£100.5m)	(3.4%)	(£90.0m)	(3.6%)	20bps
Operating profit	£652.9m	22.1%	£571.6m	22.3%	(20bps)
Net finance expense	(£13.6m)		(£11.2m)		21.4%
Share of JV result	£1.8m		£0.4m		350.0%
Profit before taxation	£641.1m		£560.8m		14.3%
Taxation expense	(£121.2m)		(£106.7m)		13.6%
<i>Effective tax rate</i>	<i>18.9%</i>		<i>19.0%</i>		<i>(10bps)</i>
Profit after taxation	£519.9m		£454.1m		14.5%
Earnings per share	423.4p		370.6p		14.2%

Notes



Appendix 2 – Net finance expense



For the year ended 31 July

	2018	2017	Change
Net bank interest payable inc. fees	£5.2m	£4.5m	15.6%
Non bank interest:	£8.4m	£6.7m	25.4%
Made up of:-			
Land creditors / debtors – IAS 39	£8.3m	£6.6m	25.8%
Pension cost	£0.1m	£0.2m	(50.0%)
Other interest	£-m	(£0.1m)	(100.0%)
Total	£13.6m	£11.2m	21.4%

Notes



Appendix 3 – Geographic analysis



For the year ended 31 July

Homes sold (No.)

	2018			2017			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	4,171	890	5,061	3,897	758	4,655	7.0%	17.4%	8.7%
South	4,092	1,154	5,246	3,670	1,319	4,989	11.5%	(12.5%)	5.2%
Group	8,263	2,044	10,307	7,567	2,077	9,644	9.2%	(1.6%)	6.9%
London	901	217	1,118	739	220	959	21.9%	(1.4%)	16.6%

Average selling price (£000)

	2018			2017			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	258.0	95.8	229.5	233.3	97.9	211.3	10.6%	(2.1%)	8.6%
South	390.1	155.2	338.4	362.6	149.1	306.2	7.6%	4.1%	10.5%
Group	323.4	129.3	284.9	296.0	130.4	260.4	9.3%	(0.8%)	9.4%
London	468.5	192.4	414.9	417.4	218.7	371.8	12.2%	(12.0%)	11.6%

Notes



Appendix 4 – ASP per sq ft



For the year ended 31 July

	2018			2017			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	226	126	213	211	119	199	7.1%	5.9%	7.0%
South - made up of:-	373	196	342	348	189	314	7.2%	3.7%	8.9%
London	605	241	533	533	268	471	13.5%	(10.1%)	13.2%
Non-London	328	186	303	315	172	285	4.1%	8.1%	6.3%
Group average	295	166	276	275	163	256	7.3%	1.8%	7.8%

Notes

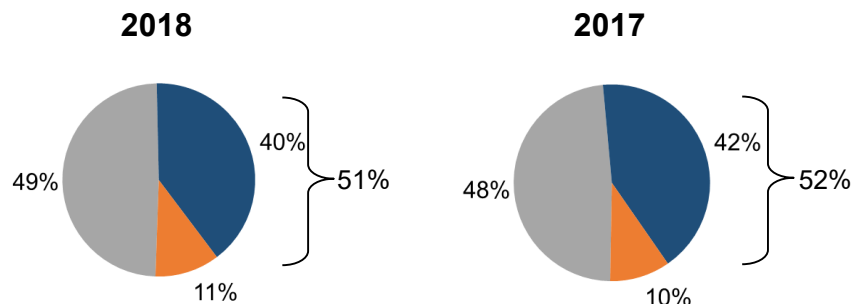


Appendix 5 – Housing revenue

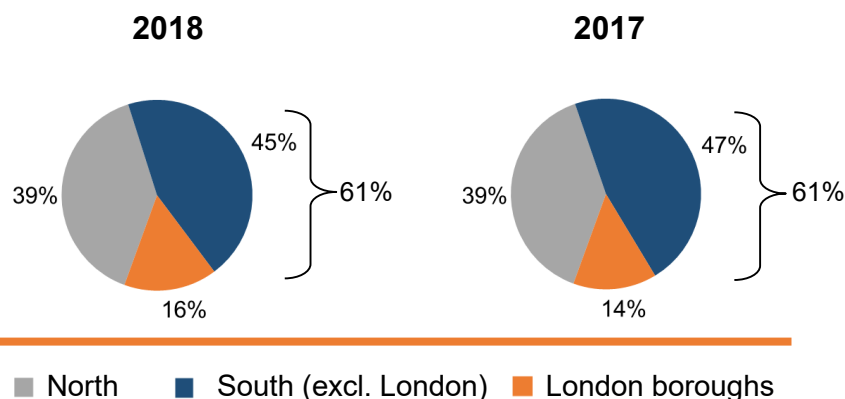


For the year ended 31 July

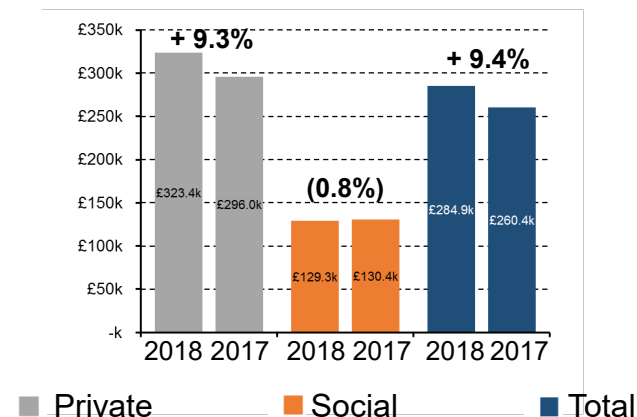
Completion analysis



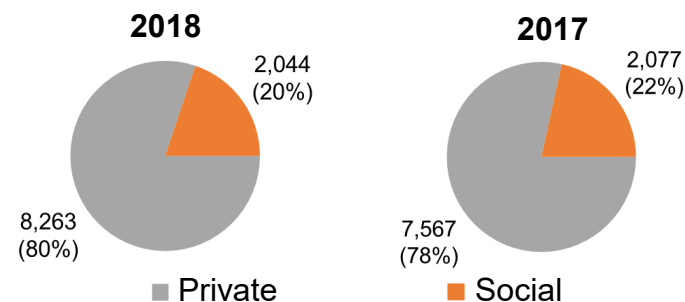
Revenue analysis



Average selling price ('ASP')



Homes sold



Notes

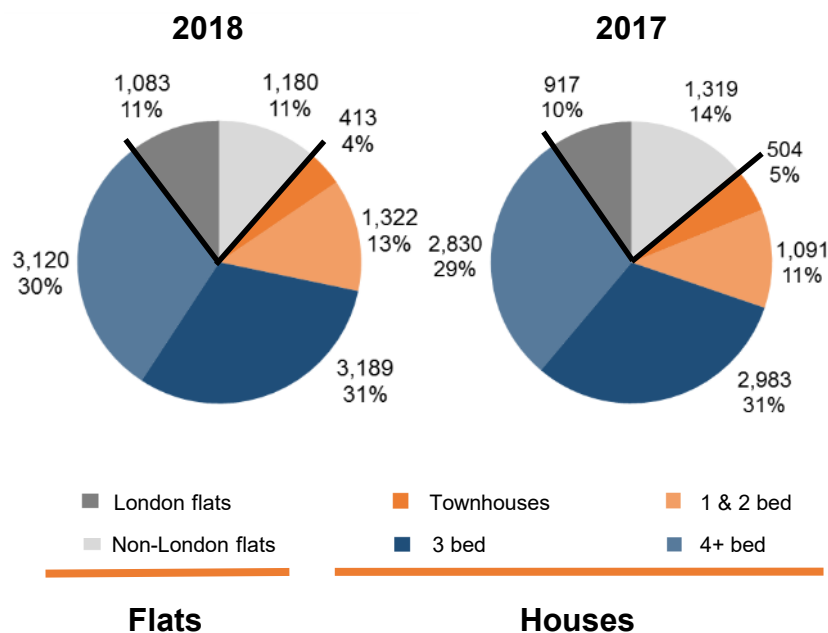


Appendix 6 – Product analysis

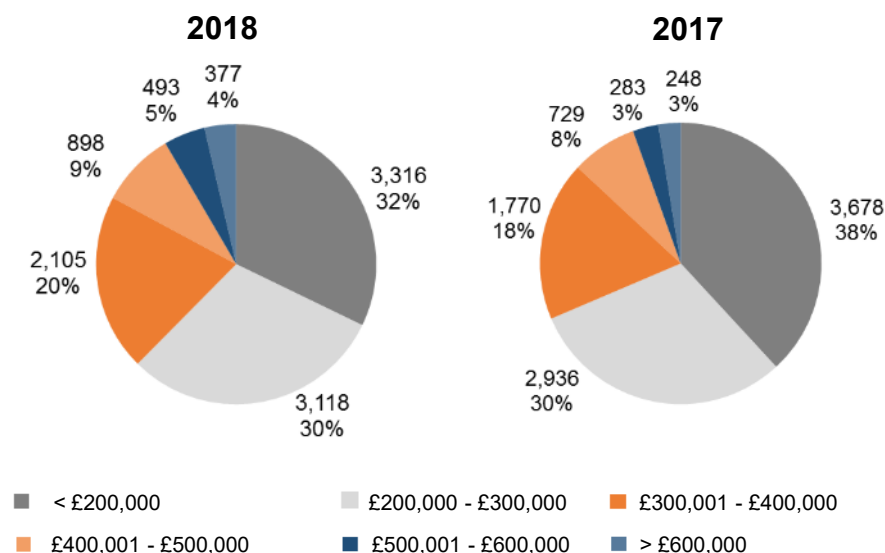


For the year ended 31 July

Product mix analysis



Selling price analysis



Only 4% of sales above £600,000

Notes

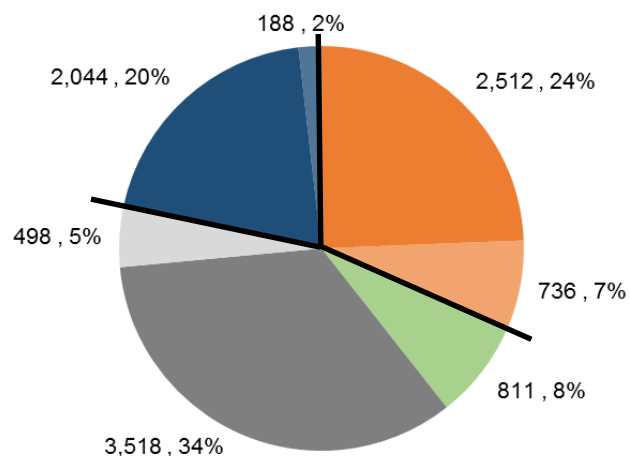


Appendix 7 – Completion analysis

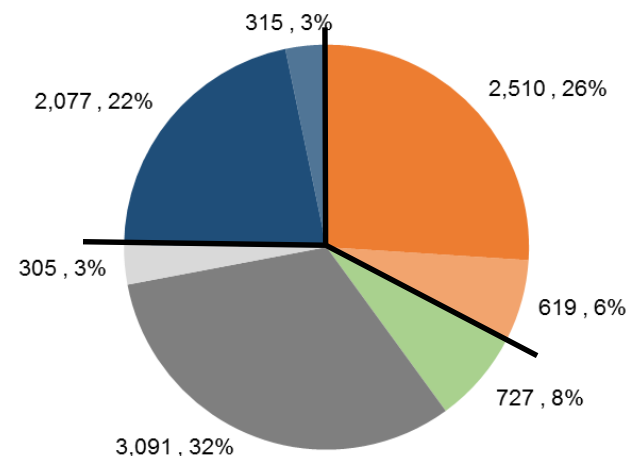


For the year ended 31 July

2018



2017



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

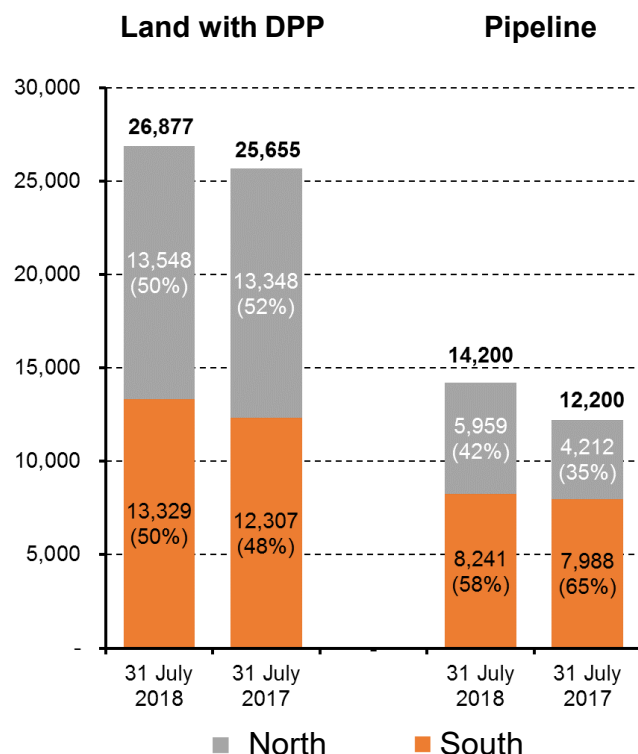
- Housing Association
- Investor

Notes

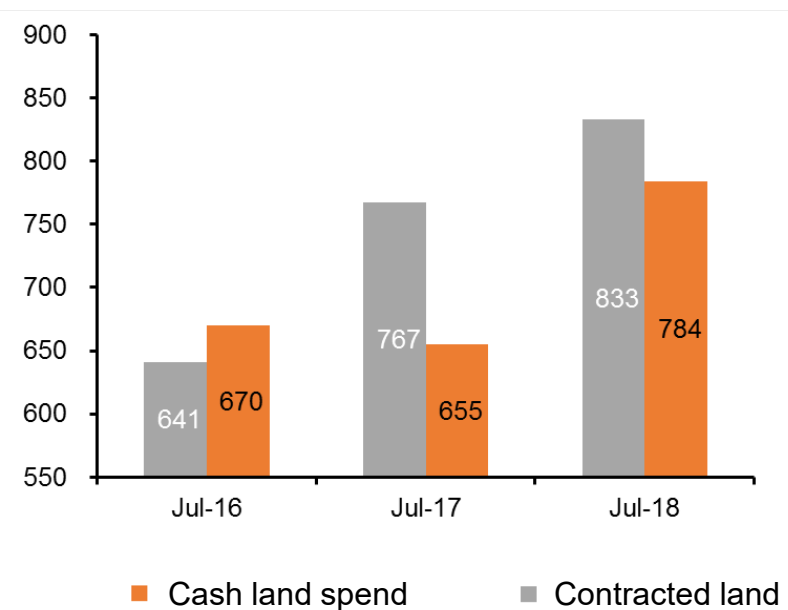


Appendix 8 – Land supply

Owned and controlled land (plots)



Land spend and contracted land (£m)



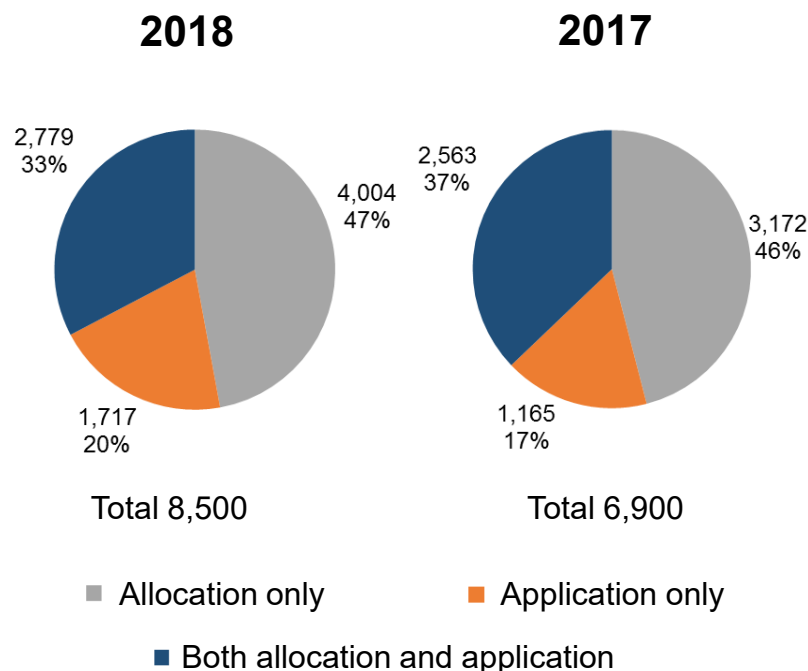
Notes



Appendix 9 – Strategic land

As at 31 July

Strategic land by category



- 8,500 plots with a positive planning status
- The Group has further long term land holdings which do not yet have a positive planning status

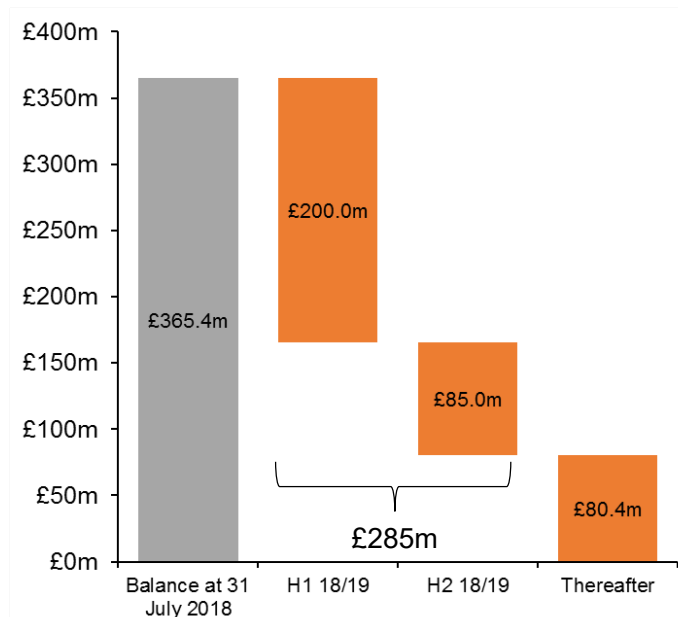
Notes



Appendix 10 – Land creditors

As at 31 July

Land creditor payment profile



- Often able to secure a discount on land deals in return for making up front payments
- Seek to defer payments where it is cost effective to do so
- £285m due for payment in 2018/19

Notes



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



Appendix 12 – Order book at 31 July



As at 31 July

	2018			2017			Change		
	Private	Social	Total	Private	Social	Total	Private %	Social %	Total %
At 1 August	3,126	1,623	4,749	2,995	1,649	4,644	4.4%	(1.6%)	2.3%
Reservations	7,904	2,495	10,399	7,698	2,051	9,749	2.7%	21.6%	6.7%
Completions	(8,263)	(2,044)	(10,307)	(7,567)	(2,077)	(9,644)	9.2%	(1.6%)	6.9%
At 31 July	2,767	2,074	4,841	3,126	1,623	4,749	(11.5%)	27.8%	1.9%

Notes



Disclaimer



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