Results Presentation

Half year ended 31 January 2014



Agenda

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

Strategic update

Ted Ayres
Chief Executive

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

Balance sheet capacity

- Low net bank debt of only £16.4m -
- Bank facilities of £300m -
- Low exposure to underperforming assets -
- Ability to invest -

Operational capacity

- Two new divisions opened on 1 August 2013 -
- Structure of 15 divisions -
- Capacity to deliver in excess of 8,000 homes -
- Further opportunity for growth -
- Ability to expand without encroaching on existing divisional structure -

25% growth in volume to 3,245 homes

Notes

A strong focus on ROCE

Bellway

Land acquisitions

- Focus on acquiring land deliverable in short to medium term -
- Minimum risk adjusted hurdle rates of at least 15% to 20% -
- Strong presence in London market -

Operational efficiency

- Strong management of land bank and work in progress -
- Accelerate trading from impaired land -
- Ongoing control over cost base -

660 bps improvement in ROCE to 17.1%

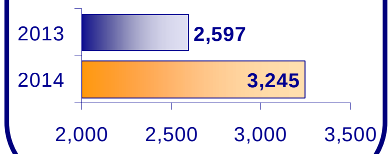
Notes

Delivering strategy

Bellway

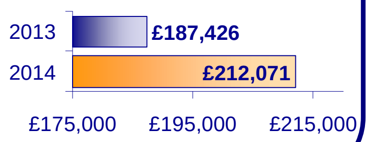
+ 25.0%

No. of homes sold



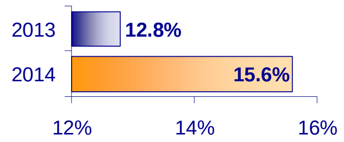
+ 13.1%

Average selling price



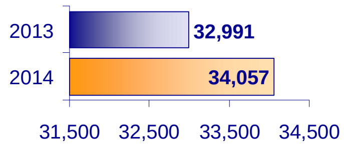
+ 280bps

Operating margin



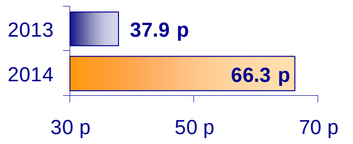
+ 3.2%

Land bank plots *



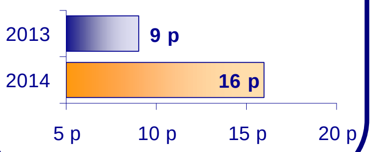
+ 74.9%

Earnings per share



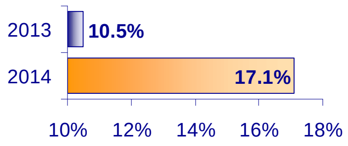
+ 77.8%

Interim dividend



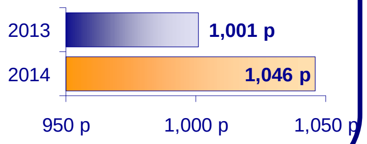
+ 660bps

Return on capital



+ 4.5%

Net asset value *



*** Comparative figures are at 31 July 2013**

Notes

Finance review

Keith Adey
Finance Director

Notes

Group results

For the six months ended 31 January

	2014		2013		Mvt
Revenue	£701.1m		£502.5m		39.5%
Gross profit	£138.6m	19.8%	£89.7m	17.9%	54.5%
Administrative expenses	(£29.4m)	(4.2%)	(£25.3m)	(5.1%)	16.2%
Operating profit	**£109.2m**	**15.6%**	**£64.4m**	**12.8%**	**69.6%**
Net finance expense	(£5.4m)		(£4.5m)		20.0%
Profit before taxation	**£103.8m**		**£59.9m**		**73.3%**
Taxation charge	(£23.1m)		(£13.9m)		66.2%
Profit after taxation	**£80.7m**		**£46.0m**		**75.4%**

Notes

Revenue

For the six months ended 31 January

	2014	2013	Mvt
Homes sold	3,245	2,597	25.0%
Average selling price	£212,071	£187,426	13.1%
Housing revenue	£688.2m	£486.7m	41.4%
Non housing revenue	£12.9m	£15.8m	(18.4%)
Total revenue	**£701.1m**	**£502.5m**	**39.5%**

Notes

Housing revenue: social mix

For the six months ended 31 January

	2014	2013	Mvt
Private housing			
Homes sold	2,891	2,202	31.3%
Average selling price	£224,901	£199,140	12.9%
Social housing			
Homes sold	354	395	(10.4%)
Average selling price	£107,298	£122,131	(12.1%)

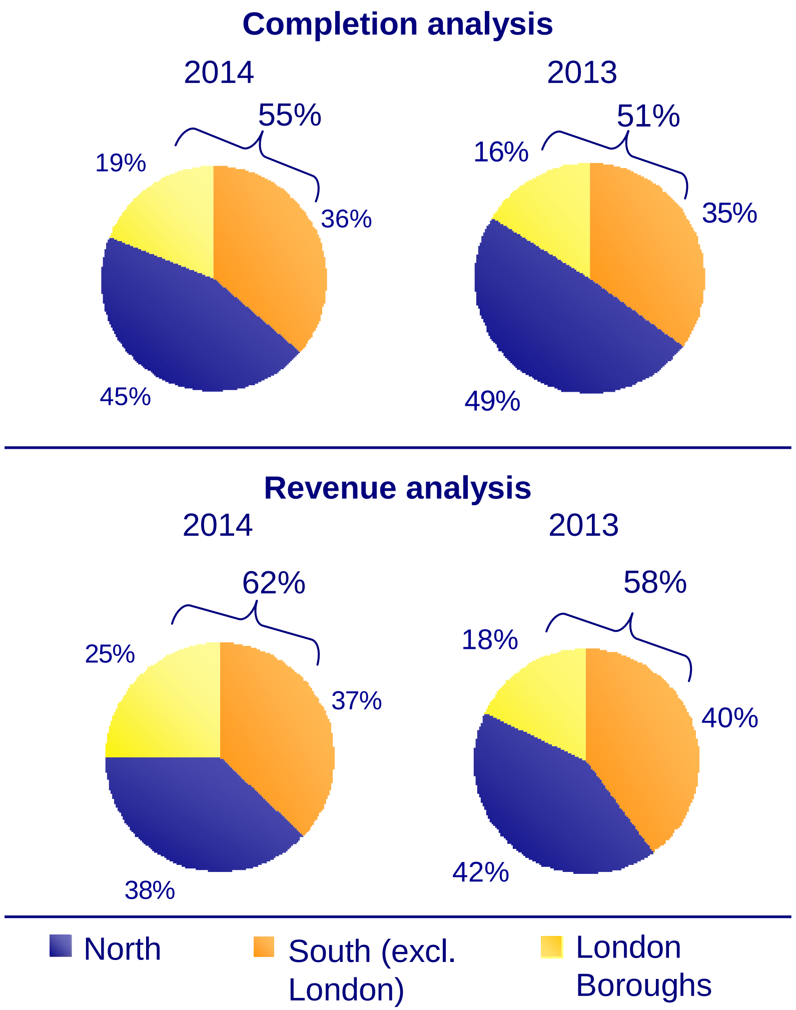
Notes

Housing revenue: geographic mix

Bellway

	2014	2013	Mvt
North			
Homes sold	1,474	1,278	15.3%
Average selling price	£177,526	£160,500	10.6%
South (inc. London)			
Homes sold	1,771	1,319	34.3%
Average selling price	£240,823	£213,516	12.8%
London Boroughs			
Homes sold	614	413	48.7%
Average selling price	£284,308	£214,072	32.8%

For the six months ended 31 January



Notes

Operating performance

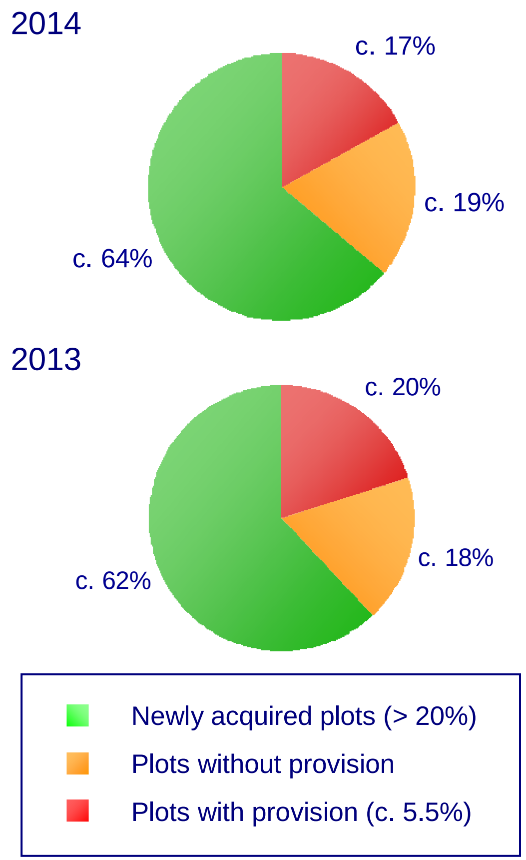
Bellway

For the six months ended 31 January

	2014 H1	2013 H1	2013 H2	2013 FY
Gross profit	**£138.6m**	£89.7m	£113.6m	£203.3m
	19.8%	*17.9%*	*18.7%*	*18.3%*
Admin. expenses	**£29.4m**	£25.3m	£26.9m	£52.2m
	4.2%	*5.1%*	*4.4%*	*4.7%*
Operating profit	**£109.2m**	£64.4m	£86.7m	£151.1m
	15.6%	*12.8%*	*14.3%*	*13.6%*

- Strong presence in London
- Reducing incentive costs
- Growing proportion of completions from new land
- Expect operating margin of 16% to 17% for full year

Completions by land type



Notes

Finance expense

For the six months ended 31 January

	2014	2013	Mvt
Land creditors / debtors – IAS 39	£2.9m	£1.8m	61.1%
Net bank interest payable inc. fees	£1.4m	£1.8m	(22.2%)
Preference dividend	£1.0m	£1.0m	-
Pension cost	£0.2m	£0.2m	-
Other interest	(£0.1m)	(£0.3m)	(66.7%)
Net finance expense	**£5.4m**	**£4.5m**	**20.0%**

Notes

Earnings and dividend

Bellway

For the six months ended 31 January

	2014	2013	Mvt
Profit before taxation	£103.8m	£59.9m	73.3%
Taxation	(£23.1m)	(£13.9m)	66.2%
Effective tax rate	*22.3%*	*23.2%*	
Profit after taxation	**£80.7m**	**£46.0m**	**75.4%**
Earnings per share	66.3p	37.9p	74.9%
Dividend	16.0p	9.0p	77.8%
Dividend cover	4.1	4.2	

Expect full year dividend cover of around 3 times

Notes

Balance sheet

As at

	31 January 2014	31 July 2013
Assets		
Fixed assets	£18.6m	£19.0m
Inventory	£1,639.5m	£1,513.5m
Shared equity	£33.5m	£34.5m
Debtors	£77.4m	£60.4m
	£1,769.0m	**£1,627.4m**
Liabilities		
Pension deficit	(£9.9m)	(£9.0m)
Creditors	(£246.8m)	(£227.8m)
Land creditors	(£201.8m)	(£146.0m)
	(£458.5m)	**(£382.8m)**
Capital employed	**£1,310.5m**	**£1,244.6m**

Notes

Inventory

As at

	31 January 2014	31 July 2013
Owned and controlled land	£1,026.8m	£907.3m
Made up of:-		
DPP: land with **detailed** planning permission	£841.1m	£782.5m
Pipeline and strategic land	£185.7m	£124.8m
Work in progress	£544.2m	£535.0m
Showhomes	£57.0m	£52.8m
Part exchange stock	£11.5m	£18.4m
Total	**£1,639.5m**	**£1,513.5m**

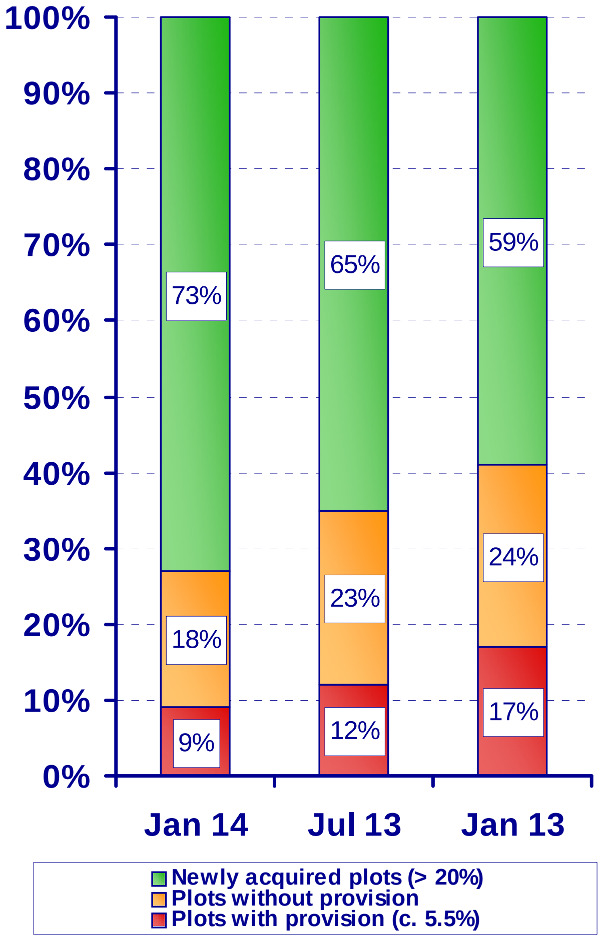
Notes

Land with detailed planning permission

	Plots	Cost	Average plot cost	Average selling price
Brought forward 1 August 2013	18,991	£782.5m	£41.2k	c. £197k
Sold	(3,245)	(£174.0m)	£53.6k	£212k
	15,746	**£608.5m**	**£38.6k**	**c. £194k**
Net purchases	3,911	£232.6m	£59.5k	c. £225k
Carried forward 31 January 2014	**19,657**	**£841.1m**	**£42.8k**	**c. £200k**

Notes

Analysis of plots with DPP



- Sales accelerated from impaired sites
- Almost £1.4bn spent on land since downturn
- 73% of land bank with DPP now at gross margin of around 22%
- Average gross margin of all land with DPP is around 21%

Notes

Shared equity

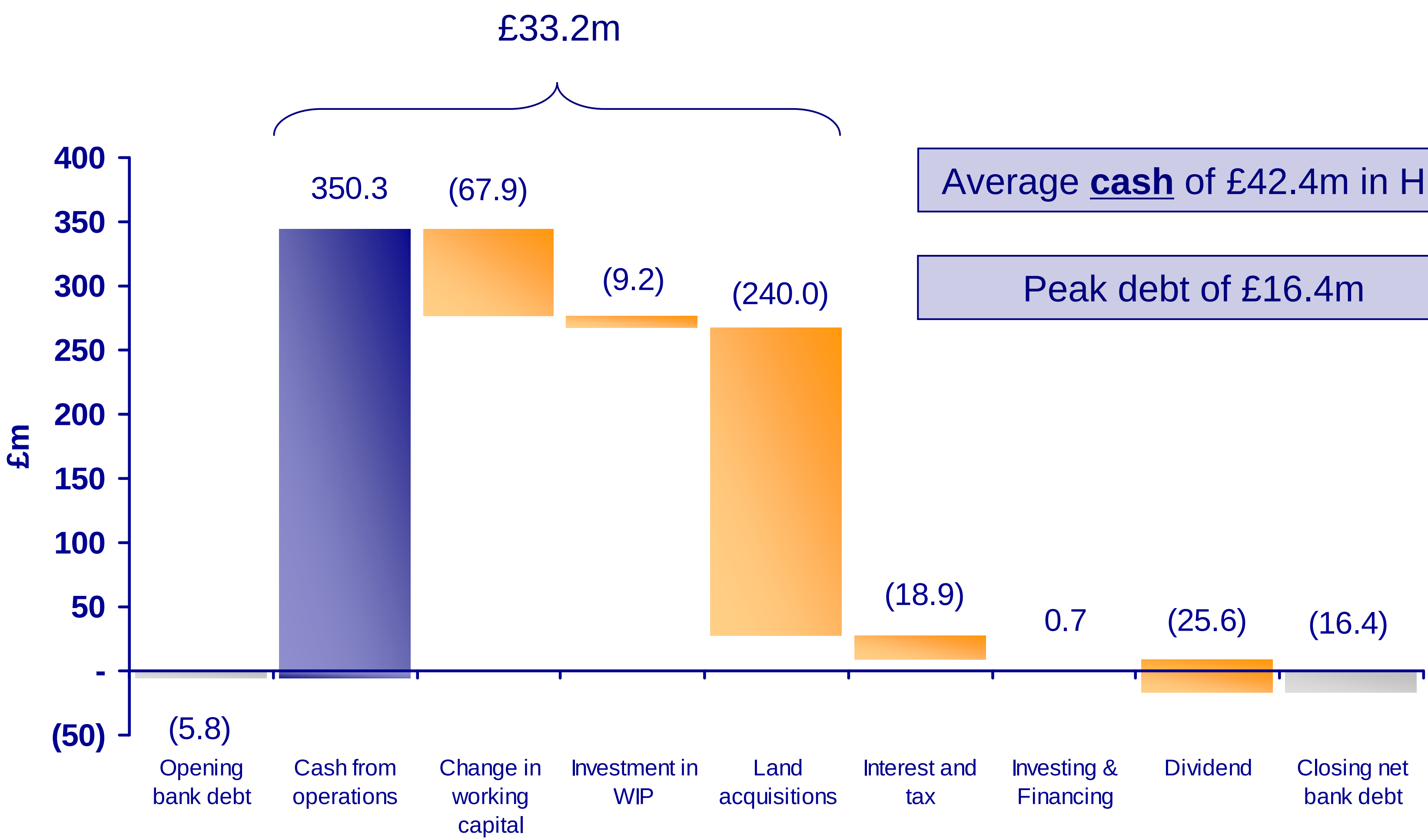
As at

	31 January 2014	31 July 2013
Number of assets owned	2,778	2,843
Book value (BV)	£33.5m	£34.5m
Original loan (OL)	£73.0m	£74.9m
BV / OL	46%	46%
Cumulative redemptions to date (units)	383	310
Cumulative redemption proceeds as % of OL	79%	76%
Book value / Net asset value	2.6%	2.8%

Notes

Cash flow

For the six months ended 31 January



Average **cash** of £42.4m in H1

Peak debt of £16.4m

Notes

Capital structure

As at

	31 January 2014	31 July 2013
Net bank borrowings	£16.4m	£5.8m
Preference debt	£20.0m	£20.0m
Net debt	£36.4m	£25.8m
Equity	£1,274.1m	£1,218.8m
Capital employed	£1,310.5m	£1,244.6m
Gearing	2.8%	2.1%

	31 January 2014	31 January 2013
Capital turn	1.1	0.8

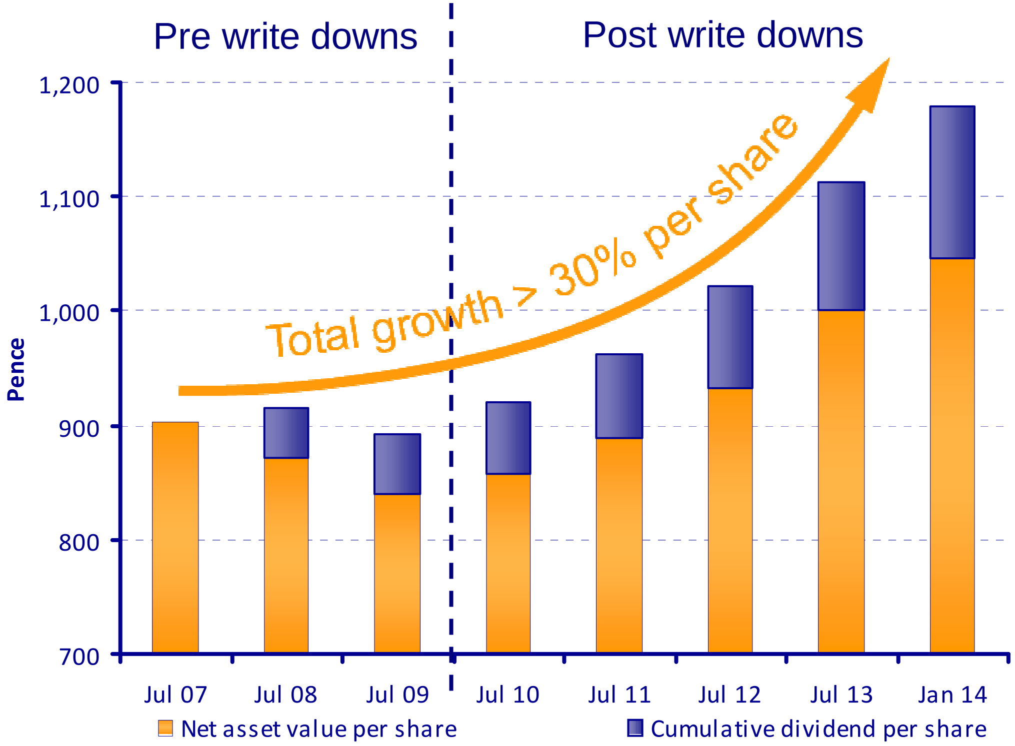
	31 January 2014	31 January 2013
Return on equity	12.9%	8.0%

Tight controls over capital allocation

Notes

Bellway

Value creation



As at

	31 January 2014	31 January 2013
Dividend	16.0p	9.0p

	31 January 2014	31 July 2013
NAV	1,046p	1,001p

	31 January 2014	31 January 2013
RoCE	17.1%	10.5%

£156.9m paid in dividends since July 2007

Notes

Operating review

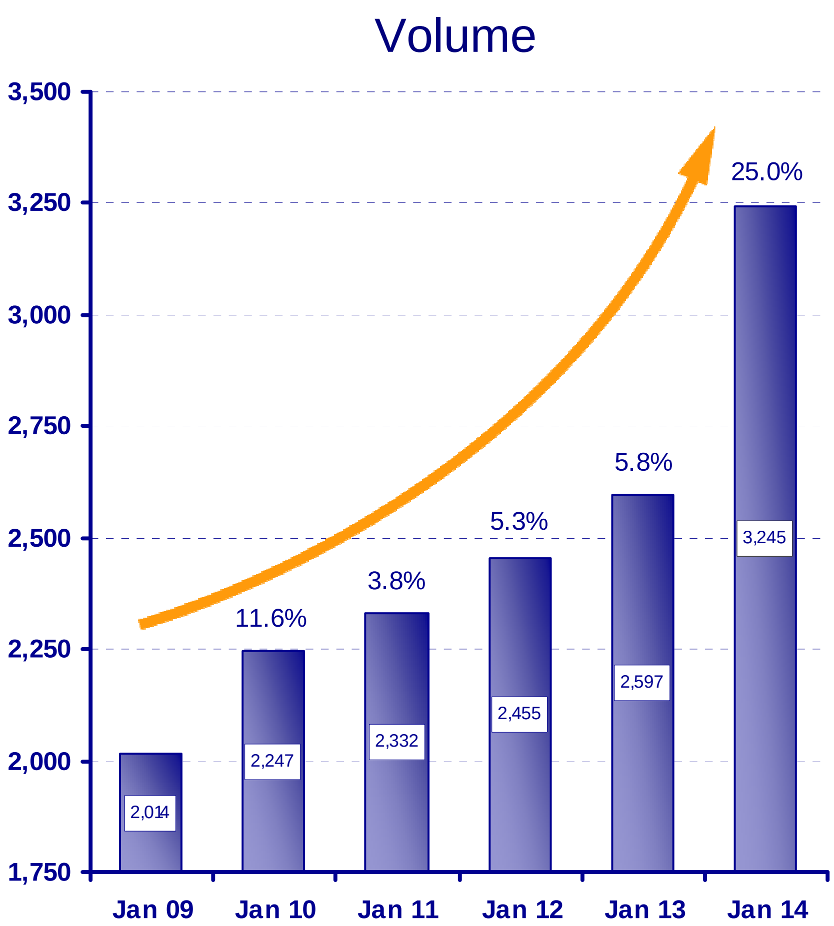
Ted Ayres

Chief Executive

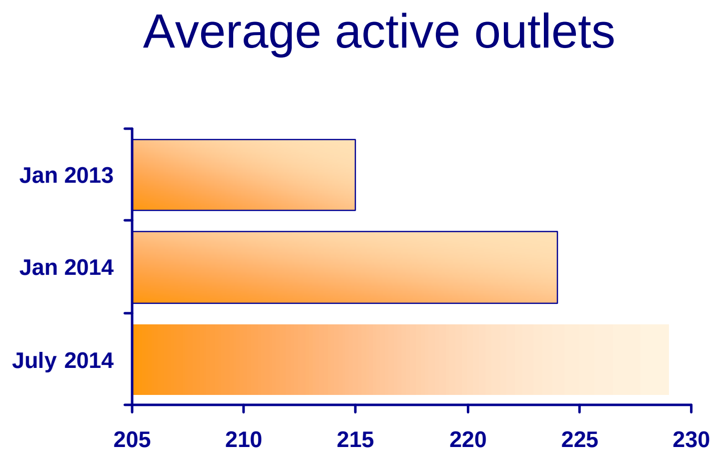
Notes

Volume growth

Bellway



- Average outlets increased by 4%
- Opened 42 new outlets during the period
- Average outlets for the full year could increase by 5% from 218 last year



Notes

National coverage

Bellway

- 15 divisional offices
- Invest in primary locations and areas where there is a significant urban population
- North has performed well bolstered by strong performance in Scotland and West Midlands
- South is robust with outperformance in Essex and North London

Notes

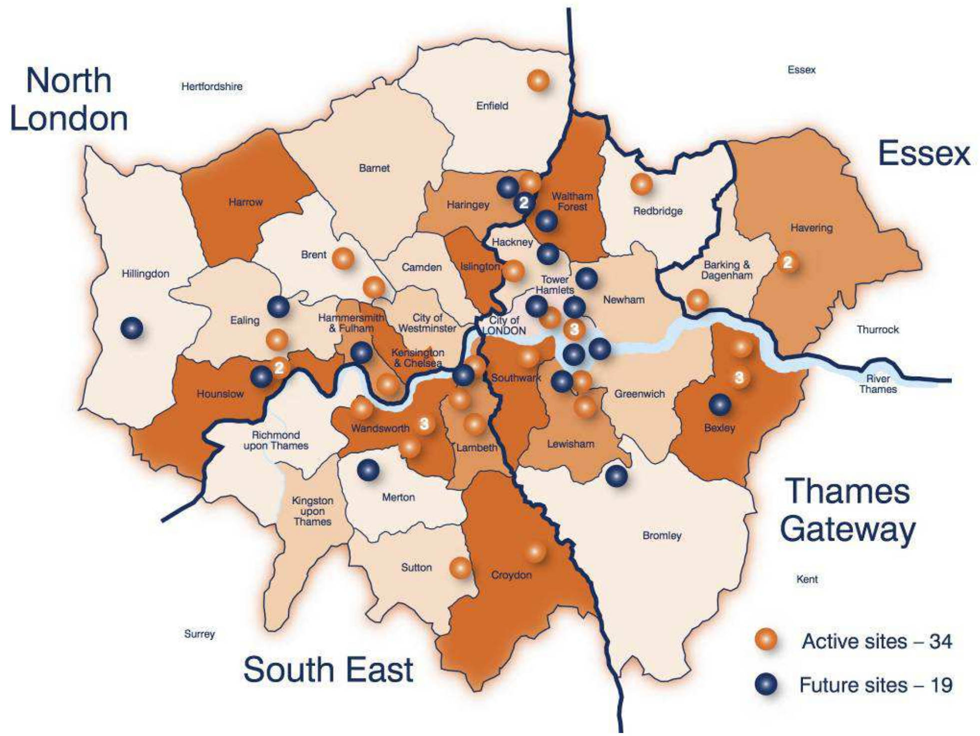
Two new divisions

- New offices in Manchester and Thames Valley
- Two new divisions have contributed 62 legal completions
- Land expenditure and overheads tightly controlled to ensure growth is **sustainable**
- Rate of output will increase as more sales outlets are brought to the market
- Opportunity for further expansion without entering secondary locations

Kenavon Drive, Reading

Notes

Strong presence in London

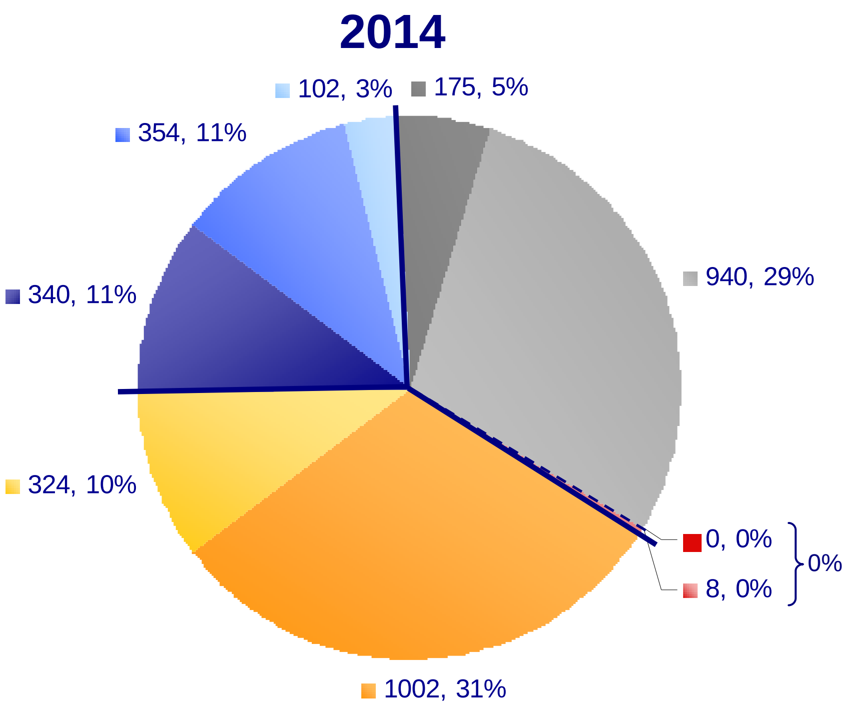


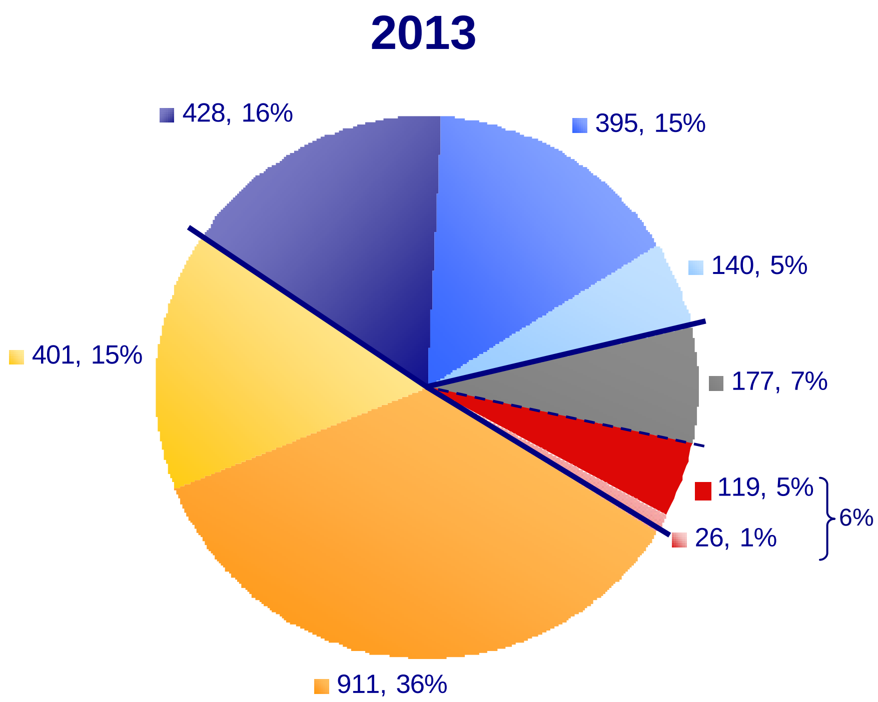
- Net pricing gains on recently released developments
- Focus on affordable, high rise apartments outside zone 1
- Over half of apartments sold are within London
- Strong balance sheet enables consideration of the majority of London land opportunities
- Outsourcing to contractors provides certainty over costs
- Established relationships with London housing associations

Notes

Completion analysis

For the six months ended 31 January





Second time buyers
- Other second time buyers
- Part exchange used as an incentive

Other buyers
- Unassisted first time buyers
- Housing associations
- Investor

Deposit assisted
- NewBuy / MI New Home
- Help to Buy
- HomeBuy / First Buy
- Bellway shared equity

Notes

Strong cost control

Cost pressures

- Upward cost pressures throughout supply chain
- Material contracts fixed for periods of 12 months or more
- Increases of 5% to 10% from brick and block suppliers
- Divisional teams managing sub-contract pressures

Savings

- Increasing trade rebates
- Site overhead savings mitigating increases

Expect modest increases in the year ahead

Notes

Standard house types

- Now being constructed on a site in Leeds
- Construction will commence soon on a site in Northampton
- Further customer feedback will be sought
- Will assist in maintaining strict build cost control in the future

Notes

Land bank

As at

	31 January 2014	31 July 2013
Owned and controlled plots	**34,057**	32,991
Made up of:-		
DPP: plots with **detailed** planning permission	19,657	18,991
Pipeline: plots pending an implementable DPP	14,400	14,000
Strategic plots	**> 4,300**	> 4,400

Strategic plots are **only** those long term plots which currently have a positive planning status

Heads of terms agreed on further **4,700** plots as at 9 March

Notes

Land buying

- £240m expended on land
- 64% of expenditure in south
- Increased competition matched by increased availability
- Increased pricing pressure in south but minimum hurdle rates being met or exceeded
- Help to Buy considered as part of land buying process

Notes

Land buying: planning environment

As at

	31 January 2014	31 July 2013
Brought forward at 1 August	18,991	17,636
Already controlled: DPP obtained in the period	2,847	4,252
Bought with benefit of DPP	1,064	2,755
Total additions	**3,911**	**7,007**
Sold	(3,245)	(5,652)
Plots with implementable DPP	**19,657**	**18,991**

- Previously controlled plots promoted from 'pipeline'
- Represents 73% of additions to land with DPP (31 July 2013: 61%)

- Divisional teams securing planning with help of NPPF
- Brownfield sites provide greatest opportunity

Notes

Drayton Village

Drayton Village, Hillingdon

Case study

- Site added to controlled pipeline section of land bank in June 2013
- Site acquired with outline planning permission
- Fully serviced
- Vendor responsible for discharging planning conditions
- DPP received in October 2013
- Site transferred to land with DPP
- Expect margin of c.23%

Notes

Current trading and outlook

Ted Ayres
Chief Executive

Notes

Market place

- Reservations in first 6 months average 137 per week – up 41%
- Reservations since 1 February averaged 138 per week – up 4%
- Help to Buy accounted for around 32% of reservations in the first six months
- Extension of Help to Buy gives greater clarity over future outlook
- Positive impact on sales rates in Scotland and Wales with the introduction of their respective equity loan schemes

Notes

Order book

- Order book at 9 March
  - 3,944 homes
  - £829.5m
  - Value up 63.5% compared to last year

Notes

Summary

- Supply constraints are the most significant challenge to the Group
- Volume growth of up to 20% by July 2014
- Further sustainable growth through investment in attractive land opportunities
- Capacity for expansion has helped deliver a 74.9% increase in earnings per share

Strategy for growth is continuing to deliver further enhancements in shareholder value

Notes

Questions and answers

Copper Beeches, Wantage

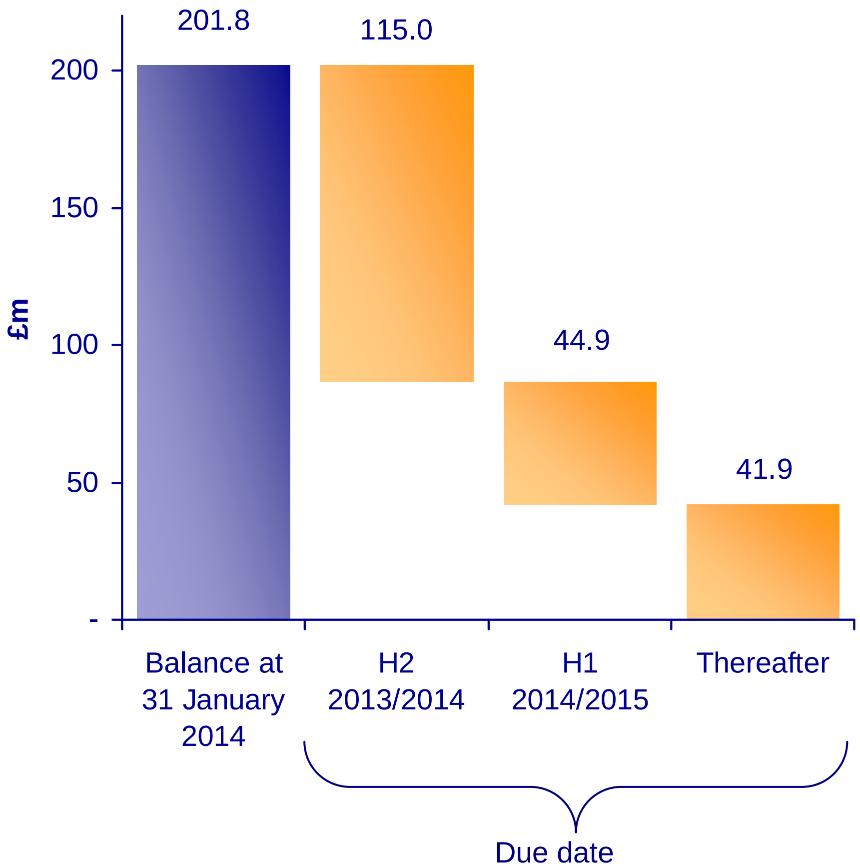
Notes

Appendices

1. Land creditor payments
2. Land buying
3. A wide product mix
4. Sales mix
5. Order book at 31 January
6. Land bank glossary

Notes

Appendix 1 - Land creditor payments

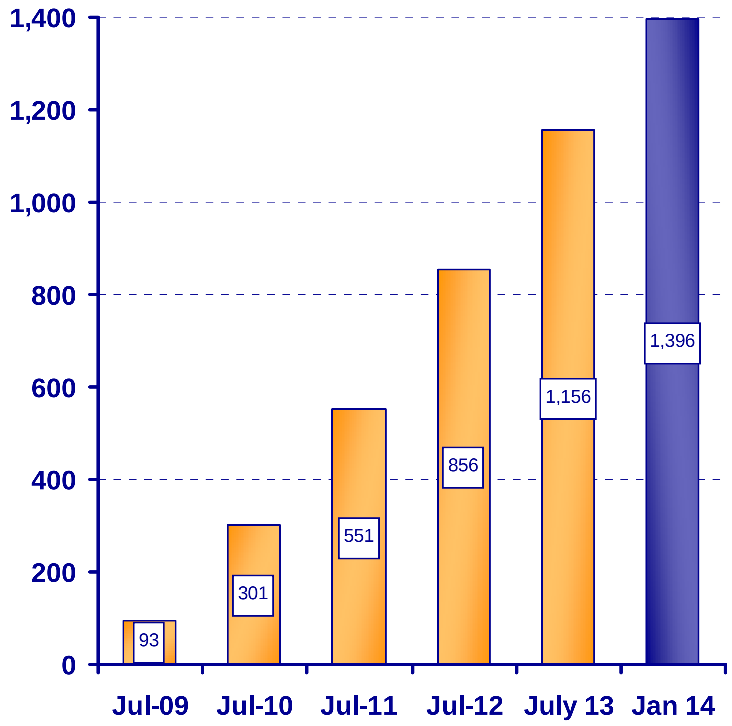


- Land creditors represent only 20% of land book value
- £115.0m of committed land expenditure within next six months

Notes

Appendix 2 – Land buying

Cumulative land expenditure since downturn (£m)



- Almost £1.4bn expended on higher margin land since downturn.
- Average gross margin on new land acquisitions is c.22%.

Notes

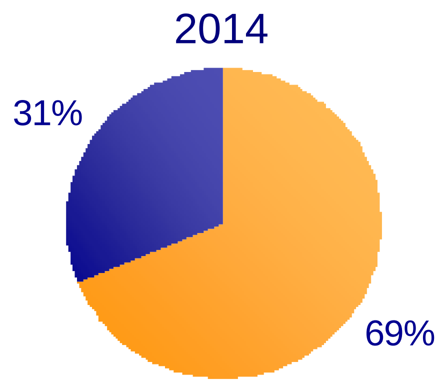
Appendix 3 - A wide product mix

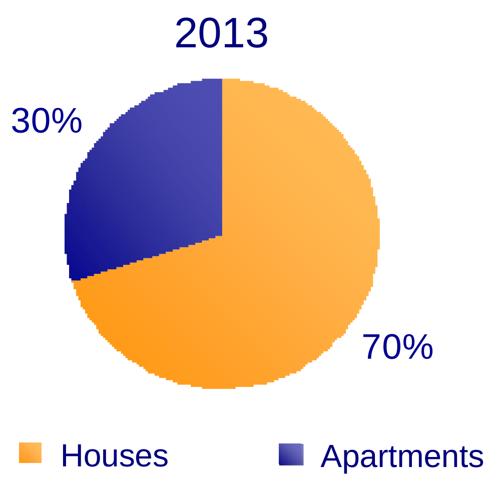
For the six months ended 31 January

	2014	2013
Size		
Av. Sq. feet / home	983	984
ASP / square foot	£216	£192

- Focus on higher value, two storey family housing
- Expertise in delivery of high rise London apartments

Apartments



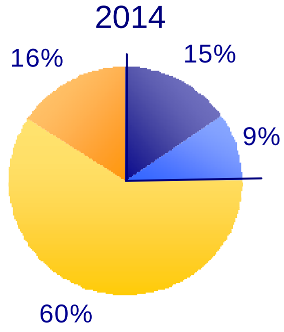


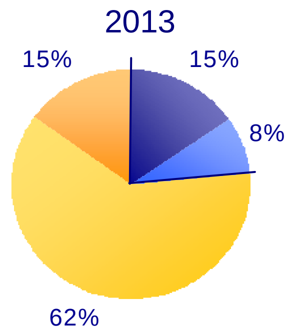
Notes

Appendix 4 - Sales mix

For the six months ended 31 January

Product mix analysis

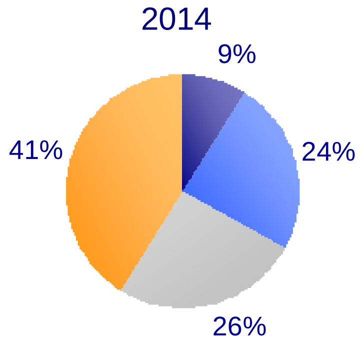


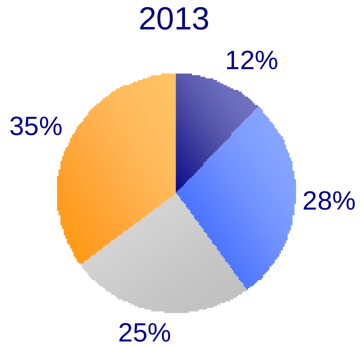


Non-London flats
1 & 2 bed
3 + bed
London flats

- London flats represent 16% of completions
- Focus on traditional two storey family housing

Selling price analysis





Up to £100,000
£100,001 - £150,000
£150,001 - £200,000
Over £200,000

- Average selling price continues to change in line with product mix
- The Group has achieved a 36% increase in average selling price since January 2009

Notes

Appendix 5 – Order book at 31 January

As at

	31 January 2014			31 January 2013			Movement		
	Private	**Social**	**Total**	**Private**	**Social**	**Total**	**Private %**	**Social %**	**Total %**
At 1 August	**2,503**	**1,022**	**3,525**	1,499	1,034	2,533	*67.0%*	*(1.2%)*	*39.2%*
Reservations	**3,338**	**218**	**3,556**	2,181	350	2,531	*53.0%*	*(37.7%)*	*40.5%*
Completions	**(2,891)**	**(354)**	**(3,245)**	(2,202)	(395)	(2,597)	*31.3%*	*(10.4%)*	*25.0%*
At 31 January	**2,950**	**886**	**3,836**	1,478	989	2,467	***99.6%***	***(10.4%)***	***55.5%***

Notes

Appendix 6 – Land bank glossary

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.