



## Results Presentation

Year ended 31 July 2014



# Agenda

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



# Strategic update

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**Ted Ayres**  
Chief Executive

# Delivering strategy



**Volume growth** due to **operational** and **balance sheet** capacity

A strong focus on return on capital

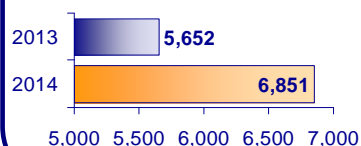
Progressive dividend policy

Growth in net asset value



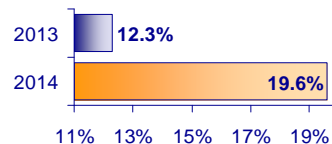
**+ 21.2%**

**No. of homes sold**



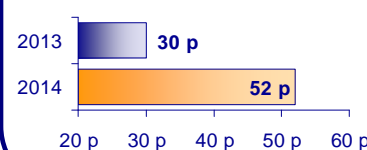
**+ 730bps**

**Return on capital**



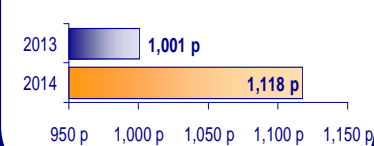
**+ 73.3%**

**Total dividend**



**+ 11.7%**

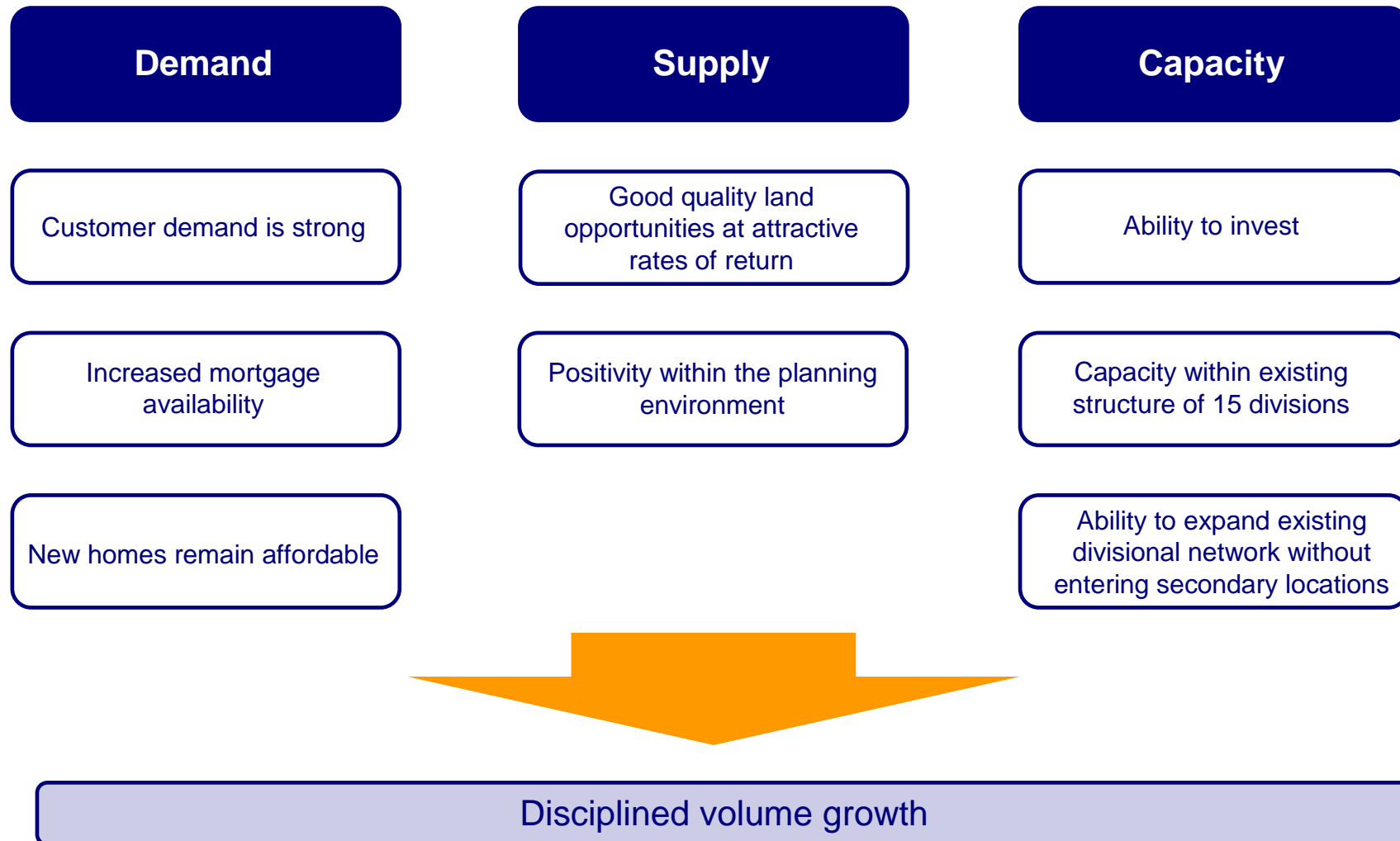
**Net asset value**



**75.8% increase in earnings per share to 157p – a record for the Group**



# Ongoing strategy for growth





# Finance review

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**Keith Adey**  
Finance Director



# Group results



For the year ended 31 July

	2014		2013		Mvt
Revenue	£1,486.4m		£1,110.7m		33.8%
Gross profit	£316.4m	21.3%	£203.3m	18.3%	55.6%
Administrative expenses	(£60.3m)	(4.1%)	(£52.2m)	(4.7%)	15.5%
<b>Operating profit</b>	<b>£256.1m</b>	<b>17.2%</b>	<b>£151.1m</b>	<b>13.6%</b>	<b>69.5%</b>
Net finance expense	(£10.2m)		(£10.2m)		-%
<b>Profit before taxation</b>	<b>£245.9m</b>		<b>£140.9m</b>		<b>74.5%</b>
Taxation charge	(£54.5m)		(£32.3m)		68.7%
<b>Profit after taxation</b>	<b>£191.4m</b>		<b>£108.6m</b>		<b>76.2%</b>



# Revenue



For the year ended 31 July

	2014	2013	Mvt
Homes sold	6,851	5,652	21.2%
Average selling price	£213,182	£193,025	10.4%
Housing revenue	£1,460.5m	£1,091.0m	33.9%
Non housing revenue	£25.9m	£19.7m	31.5%
<b>Total revenue</b>	<b>£1,486.4m</b>	<b>£1,110.7m</b>	<b>33.8%</b>



# Housing revenue: social mix



For the year ended 31 July

	2014	2013	Mvt
<b>Private housing</b>			
Homes sold	5,809	4,694	23.8%
Average selling price	£231,480	£207,322	11.7%
<b>Social housing</b>			
Homes sold	1,042	958	8.8%
Average selling price	£111,173	£122,971	(9.6%)



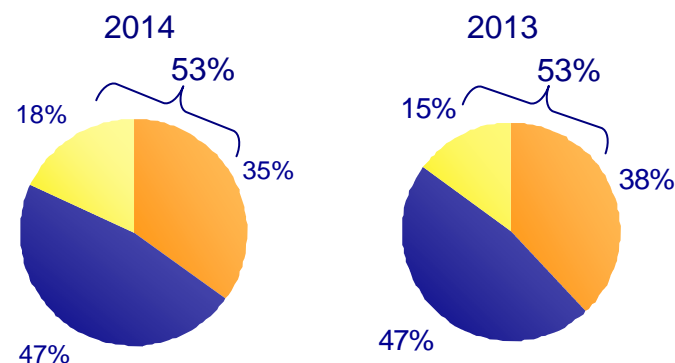
# Housing revenue: geographic mix



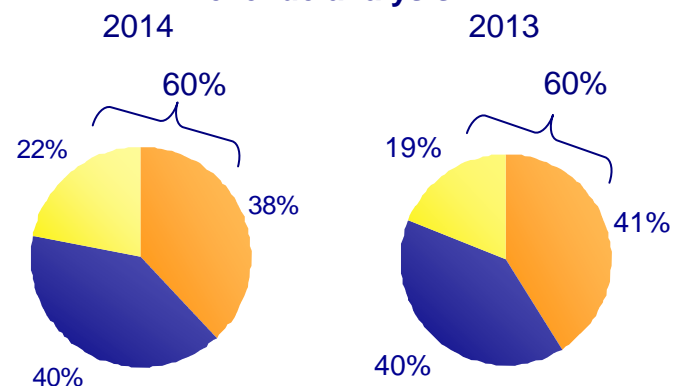
	2014	2013	Mvt
<b>North</b>			
Homes sold	3,223	2,652	21.5%
Average selling price	£183,047	£163,534	11.9%
<b>South (inc. London)</b>			
Homes sold	3,628	3,000	20.9%
Average selling price	£239,953	£219,094	9.5%
<b>London boroughs</b>			
Homes sold	1,236	865	42.9%
Average selling price	£259,810	£240,539	8.0%

For the year ended 31 July

## Completion analysis



## Revenue analysis



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



# Operating performance



For the year ended 31 July

	2014 FY	2014 H2	2014 H1	2013 FY
Gross profit	<b>£316.4m</b> <b>21.3%</b>	£177.8m 22.6%	£138.6m 19.8%	£203.3m 18.3%
Administrative expenses	<b>(£60.3m)</b> <b>(4.1%)</b>	(£30.9m) (3.9%)	(£29.4m) (4.2%)	(£52.2m) (4.7%)
Operating profit	<b>£256.1m</b> <b>17.2%</b>	£146.9m 18.7%	£109.2m 15.6%	£151.1m 13.6%

- Competitive recruitment environment
- Land and technical teams strengthened to facilitate future growth
- Expect to improve on H2 margin in year ahead



# Finance expense



For the year ended 31 July

	2014	2013	Mvt
Net bank interest payable inc. fees	£2.9m	£3.7m	(21.6%)
Non bank interest:	£7.3m	£6.5m	12.3%
<b>Made up of:-</b>			
Land creditors / debtors – IAS 39	£5.7m	£4.7m	21.3%
Preference dividend	£1.3m	£1.9m	(31.6%)
Pension cost	£0.4m	£0.3m	33.3%
Other interest	(£0.1m)	(£0.4m)	(75.0%)
<b>Total</b>	<b>£10.2m</b>	<b>£10.2m</b>	<b>-%</b>



# Earnings



For the year ended 31 July

	2014	2013	Mvt
Profit before taxation	£245.9m	£140.9m	74.5%
Taxation	(£54.5m)	(£32.3m)	68.7%
<i>Effective tax rate</i>	22.2%	23.0%	
<b>Profit after taxation</b>	<b>£191.4m</b>	<b>£108.6m</b>	<b>76.2%</b>
Earnings per share	157.0p	89.3p	75.8%

Earnings per share is highest achieved in the Group's history



# Balance sheet



As at 31 July

	2014	2013
<b>Assets</b>		
Fixed assets	£18.9m	£19.0m
Inventory	£1,822.7m	£1,513.5m
Shared equity	£32.2m	£34.5m
Net cash	£5.1m	-
Debtors	£75.6m	£60.4m
	<b>£1,954.5m</b>	<b>£1,627.4m</b>
<b>Liabilities</b>		
Pension deficit	(£7.9m)	(£9.0m)
Creditors	(£332.5m)	(£227.8m)
Land creditors	(£248.0m)	(£146.0m)
	<b>(£588.4m)</b>	<b>(£382.8m)</b>
<b>Capital employed</b>	<b>£1,366.1m</b>	<b>£1,244.6m</b>



# Inventory



As at 31 July

	2014	2013	Mvt
Owned and controlled land	£1,122.4m	£907.3m	£215.1m
Made up of:-			
DPP: land with <b>detailed</b> planning permission	£875.3m	£782.5m	£92.8m
Pipeline and strategic land	£247.1m	£124.8m	£122.3m
Work in progress	£635.9m	£535.0m	£100.9m
Showhomes	£52.9m	£52.8m	£0.1m
Part exchange stock	£11.5m	£18.4m	(£6.9m)
<b>Total</b>	<b>£1,822.7m</b>	<b>£1,513.5m</b>	<b>£309.2m</b>



# Land with detailed planning permission



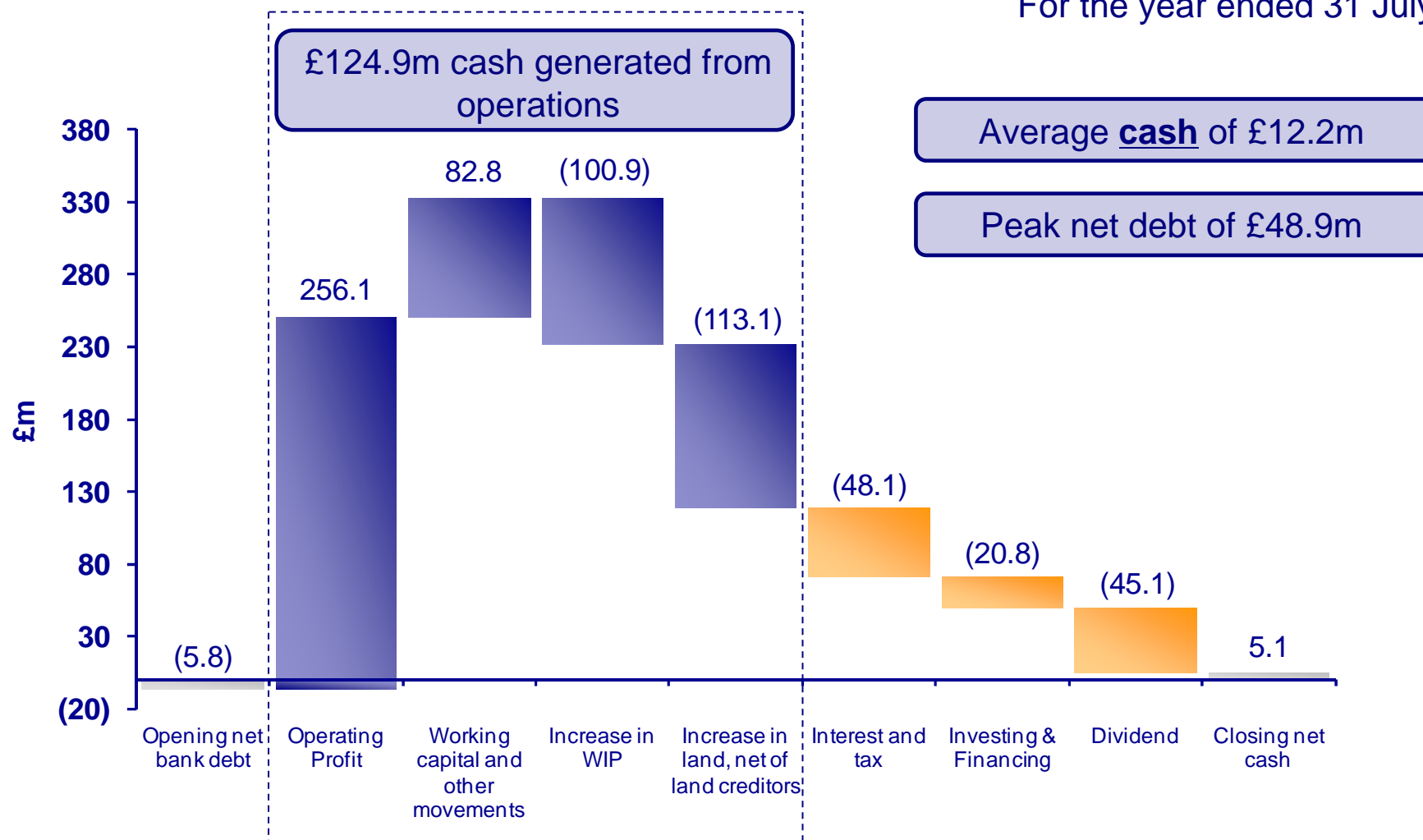
	Plots	Cost	Average plot cost
Brought forward 1 August 2013	18,991	£782.5m	£41.2k
Sold	(6,851)	(£352.1m)	£51.4k
	<b>12,140</b>	<b>£430.4m</b>	<b>£35.5k</b>
Net purchases	7,294	£444.9m	£61.0k
<b>Carried forward 31 July 2014</b>	<b>19,434</b>	<b>£875.3m</b>	<b>£45.0k</b>



# Cash flow



For the year ended 31 July





# Return on capital employed

- RoCE is a key land assessment metric
- RoCE on fully traded sites, acquired since the downturn is 25%
- Shared equity is limited to 2.4% of net asset value – minimal drag on balance sheet
- Help to Buy has accelerated trading through impaired sites

	2014	2013
Capital turn	1.1	0.9

	2014	2013
RoCE	19.6%	12.3%

Strong improvement in RoCE notwithstanding significant investment in land and WIP to achieve future growth



# Dividend



	31 July 2014	31 July 2013	Mvt
Earnings per share	157.0p	89.3p	75.8%
Dividend	52.0p	30.0p	73.3%
Dividend cover	3.0	3.0	

	Dividend
Dividend paid since July 2007	£176.4m
Final proposed dividend July 2014	£44.0m
Total dividend since July 2007	<b>£220.4m</b>

- Aim to:-
  - Re-invest sufficient earnings to generate future, sustainable growth
  - Provide certainty of returns to shareholders
- £220m dividend to shareholders since the onset of the downturn
- Expect dividend cover of 3 times in foreseeable future

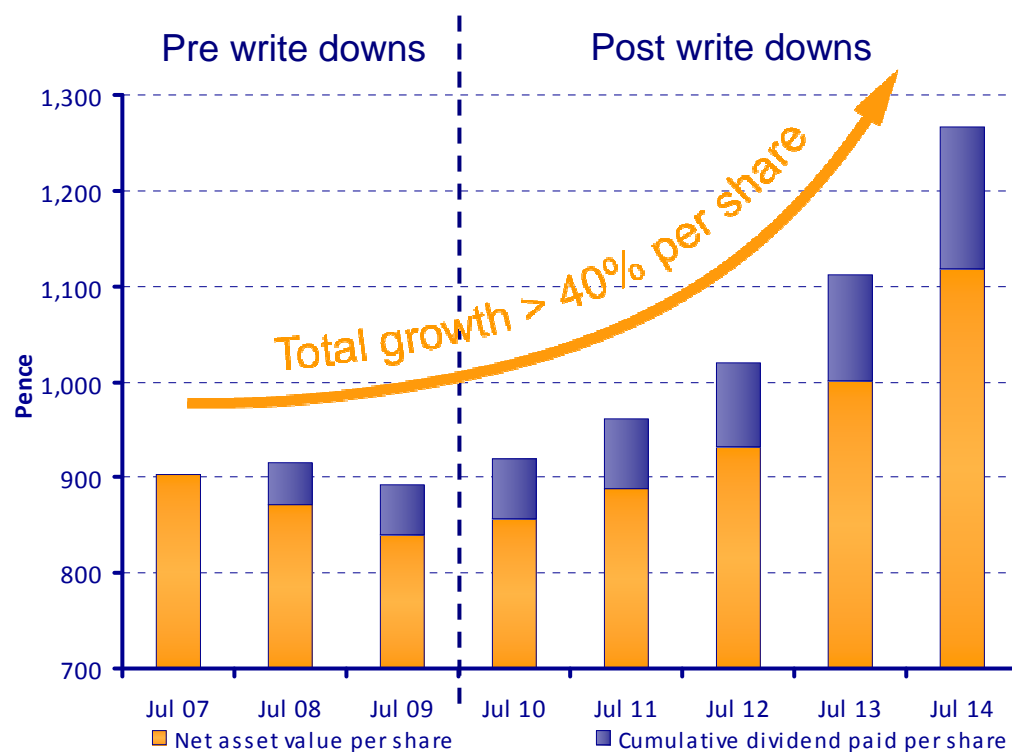
Flexible to respond to changes in market conditions as they arise



# Value creation



As at 31 July



	2014	2013
NAV	1,118p	1,001p

	2014	2013
RoE	14.9%	9.3%

£176.4m **paid** in dividends since July 2007



# Operating review

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**Ted Ayres**  
Chief Executive

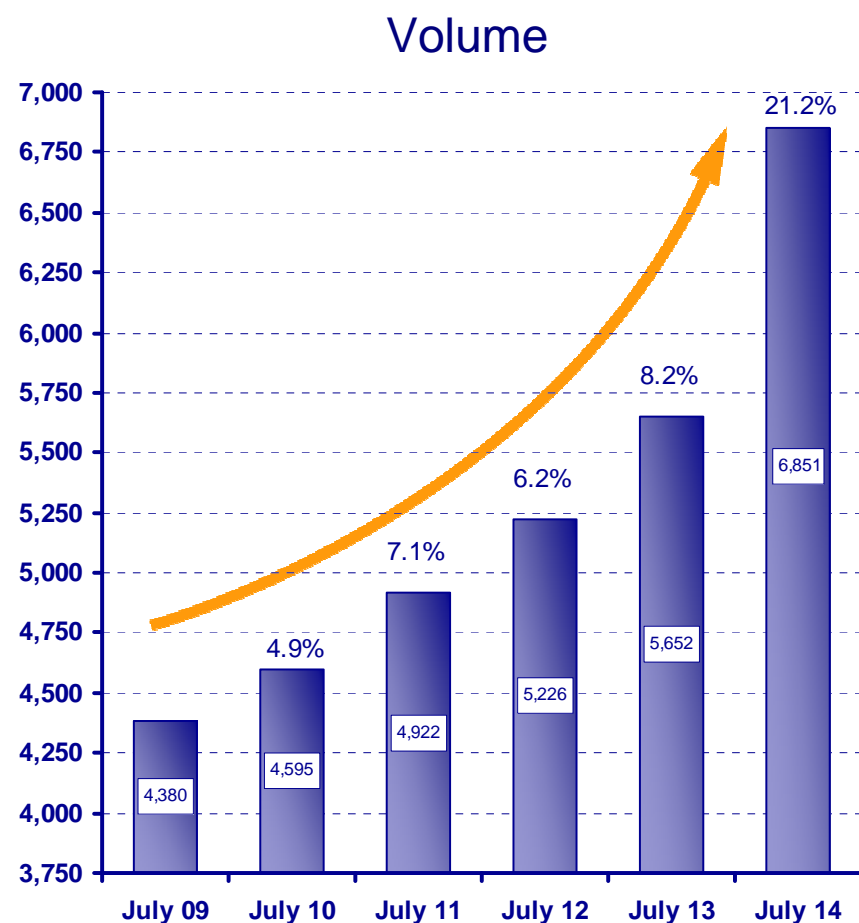


Reservations per week			
	H1	H2	FY
Year ended 31 July 2014	137	159	148
Year ended 31 July 2013	97	158	128
Increase	41.2%	0.6%	15.6%

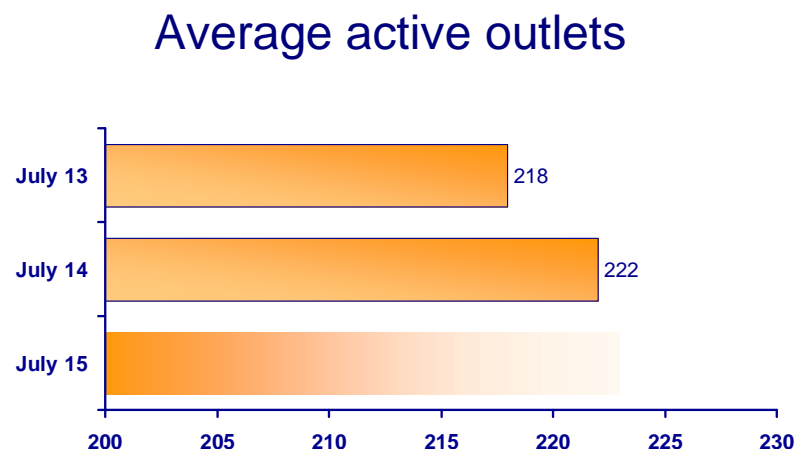
- Surge in reservations following introduction of Help to Buy
- No material impact from MMR
- Cancellation rates have fallen from 13.8% to 10.9%



# Volume growth



- 215 outlets at 31 July 2014
- Trading through sites faster than expected
- Expect to open 80 outlets in current year





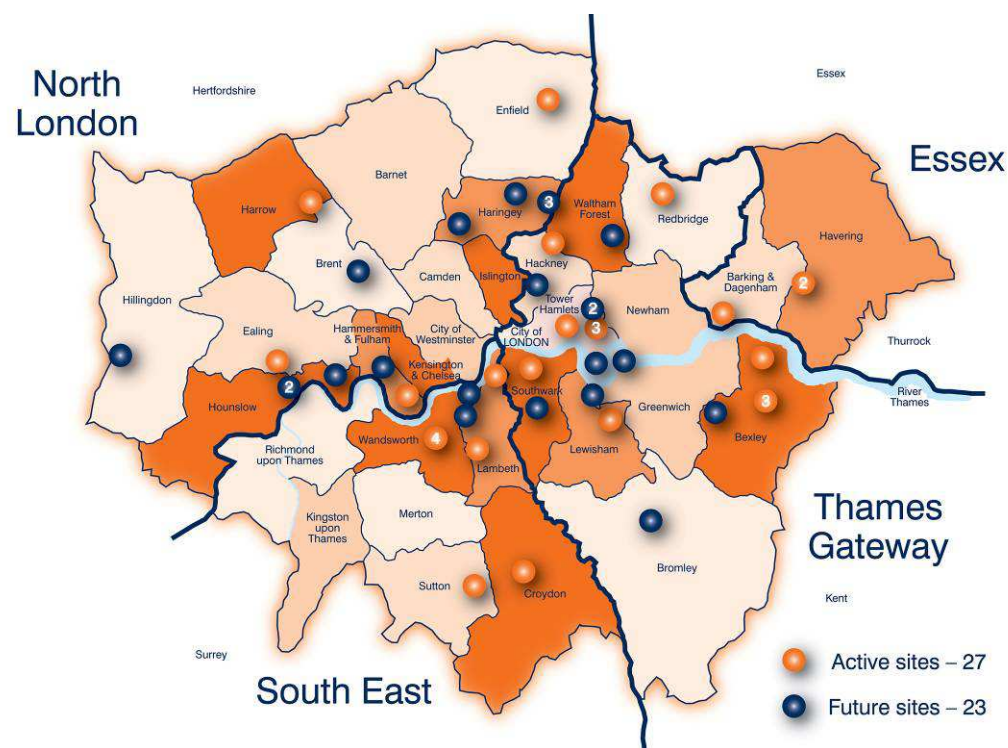
# National coverage

- Focus on investing in primary locations where there is significant urban population
- All 15 divisions have reported increases in both revenue and profit
- New divisions in Manchester and Thames Valley have completed 98 and 101 homes respectively
- We aim to add capacity through the opening of new divisions
- Land in place to open new division in south in second half of the year





# Strong presence in London **Bellway**



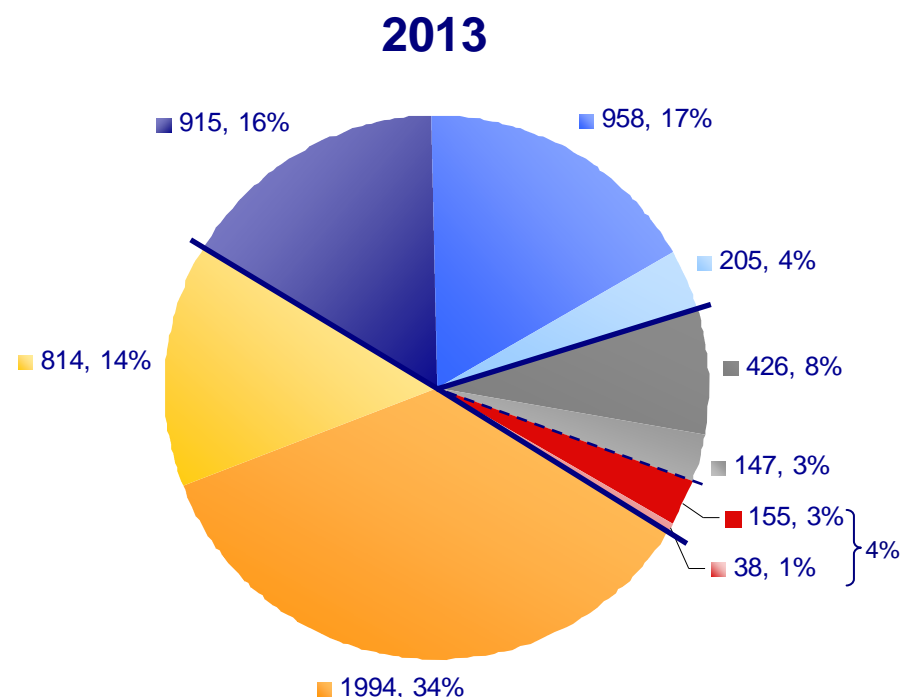
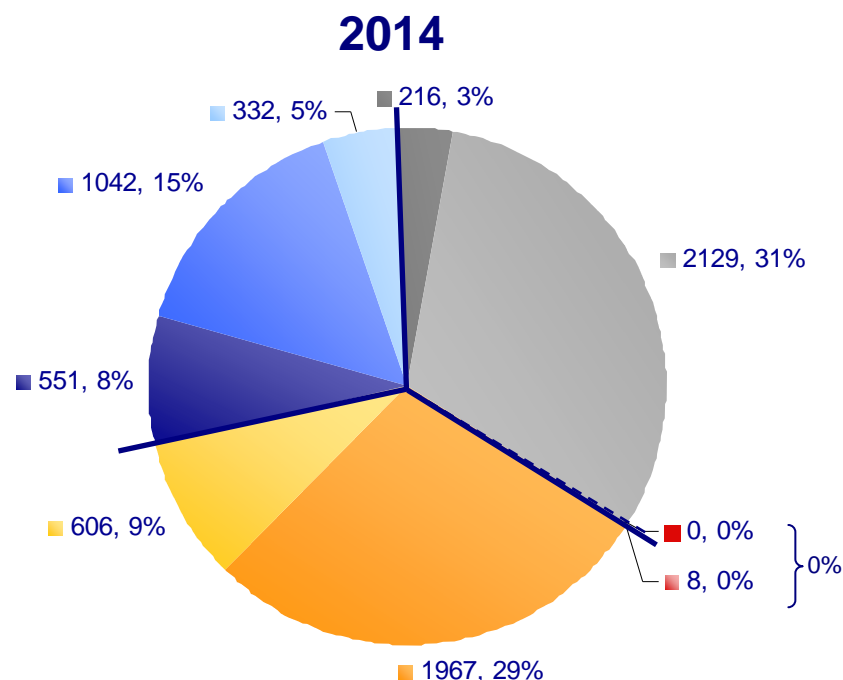
- 27 active sites in London
- Significant imbalance between supply and demand
- Net pricing gains up to 10%
- Focus on high rise, affordable apartments outside zone 1
- 23 sites will be released for sale in next 12 to 24 months



# Completion analysis



For the year ended 31 July



## 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



- Investment in work in progress to achieve growth aspirations
- Stock of completed units has fallen to 204
- Increased build rates have placed pressure on construction costs and the supply chain
- Reduced availability of bricks and blocks throughout the year
- Working closely with major brick and block manufacturers to ensure forward visibility



- Cost of bricks and blocks up 10% to 20%
- Only £450 per typical house
- Some minor increases in chipboard and timber products
- Upward pressure on subcontract trades especially in the south east



- Strong relationships with subcontractors help contain increases
- Cost increases mitigated by:
  - Reduced site overheads due to faster sales rates
  - Increased trade rebates
- Overall costs are up 3% to 5%



# Land bank



As at 31 July

	2014	2013
<b>Owned and controlled plots</b>	<b>35,434</b>	32,991
Made up of:-		
DPP: plots with <b>detailed</b> planning permission	19,434	18,991
Pipeline: plots pending an implementable DPP	16,000	14,000

## Strategic plots

**> 4,500**

> 4,400

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

**Heads of terms** agreed on further **5,300** plots as at 28 September



- £460m spent on land and land creditors
- Attractive land opportunities meet or exceed minimum hurdle rates
- Competition mainly from other major housebuilders
- Some inflationary pressure in London and the south east
- We remain disciplined in our approach to land buying
- All land in place for this year and 80% for next year



# Land buying: planning environment



As at 31 July

	2014	2013
Brought forward at 1 August	18,991	17,636
Already controlled: DPP obtained in the period	4,340	4,252
Bought with benefit of DPP	2,954	2,755
<b>Total additions</b>	<b>7,294</b>	<b>7,007</b>
Sold	(6,851)	(5,652)
<b>Plots with implementable DPP</b>	<b>19,434</b>	<b>18,991</b>

- Previously controlled plots promoted from 'pipeline'
- Represents 60% of additions to land with DPP (31 July 2013: 61%)

- Target brownfield land as greater chance of obtaining a planning permission
- 74% of legal completions taken from brownfield land



# Attractive land opportunities



## Pavilions 6, Tottenham Hale



- Plot cost £49k – 21% of ASP
- Strong relationship with vendor and local authority
- Forecast margin of 23% and RoCE of 26%
- Acquired directly with DPP

## Scalebor Grange, Burley in Wharfedale



- Plot cost £65k – 30% of ASP
- Contracted with low initial deposit of only £100k
- Forecast margin of 23% and RoCE of 30%
- Acquired through pipeline



# Current trading and outlook **Bellway**

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**Ted Ayres**  
Chief Executive



# Current trading and orderbook

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- Average weekly sales rate of 128 since 1 August – up 5%
- Expect sales rate to be stable
- Orderbook at 28 September:-
  - 4,435 homes
  - £975.4m
  - Value up 51.4% compared to last year



- Effective management of supply chain constraints
- Volume growth of 10% in current financial year
- Strong market conditions
- Operating and balance sheet capacity for growth
- Focus on return on capital employed
- Progressive dividend policy

Sustainable long term returns for shareholders



# Questions and answers



Blue Coats, Sheffield



# Appendices

1. A wide product mix
2. Sales mix
3. Order book at 31 July
4. Shared equity
5. Land creditor payments
6. Land buying
7. Owned and controlled plots
8. Land bank glossary





## Appendix 1 - A wide product mix

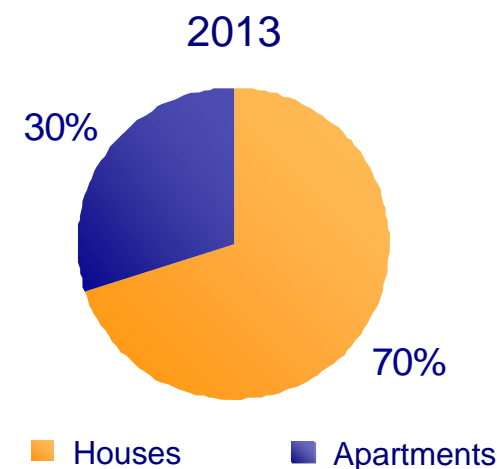
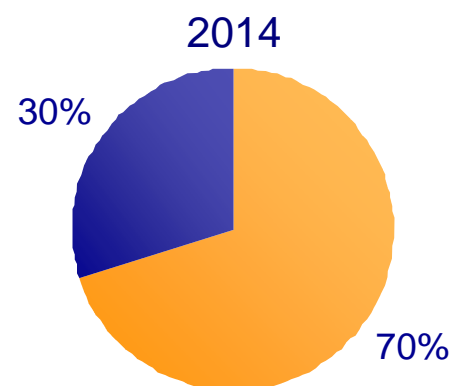


For the year ended 31 July

	2014	2013
<b>Size</b>		
Av. Sq. feet / home	989	988
ASP / square foot	£216	£195

- 30% of our output is apartments
- ASP per square foot continues to improve

### Apartments



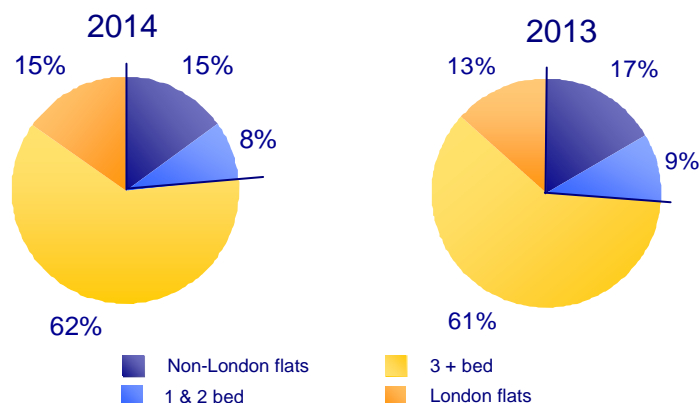


# Appendix 2 - Sales mix



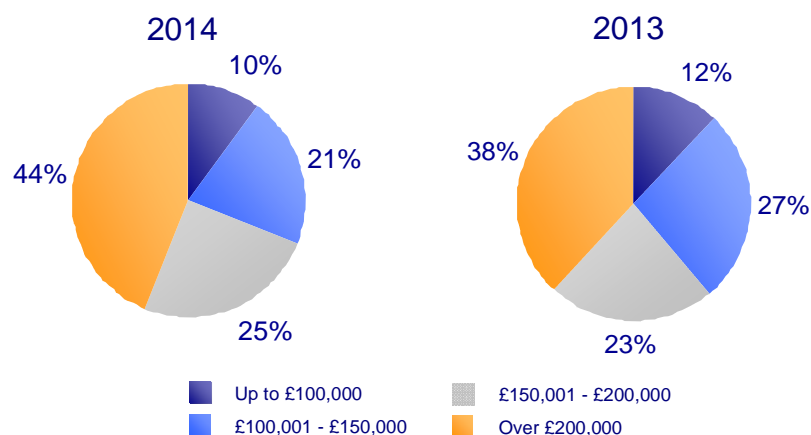
For the year ended 31 July

## Product mix analysis



- London flats represent 15% of completions
- Focus on traditional two storey family housing

## Selling price analysis



- Change in product and geographic mix continues to change selling price bands
- The Group has achieved a 38% increase in average selling price since July 2009



# Appendix 3 – Order book



As at 31 July

	2014			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	6,470	1,219	7,689	5,698	946	6,644	13.5%	28.9%	15.7%
Completions	(5,809)	(1,042)	(6,851)	(4,694)	(958)	(5,652)	23.8%	8.8%	21.2%
<b>At 31 July</b>	<b>3,164</b>	<b>1,199</b>	<b>4,363</b>	<b>2,503</b>	<b>1,022</b>	<b>3,525</b>	<b>26.4%</b>	<b>17.3%</b>	<b>23.8%</b>



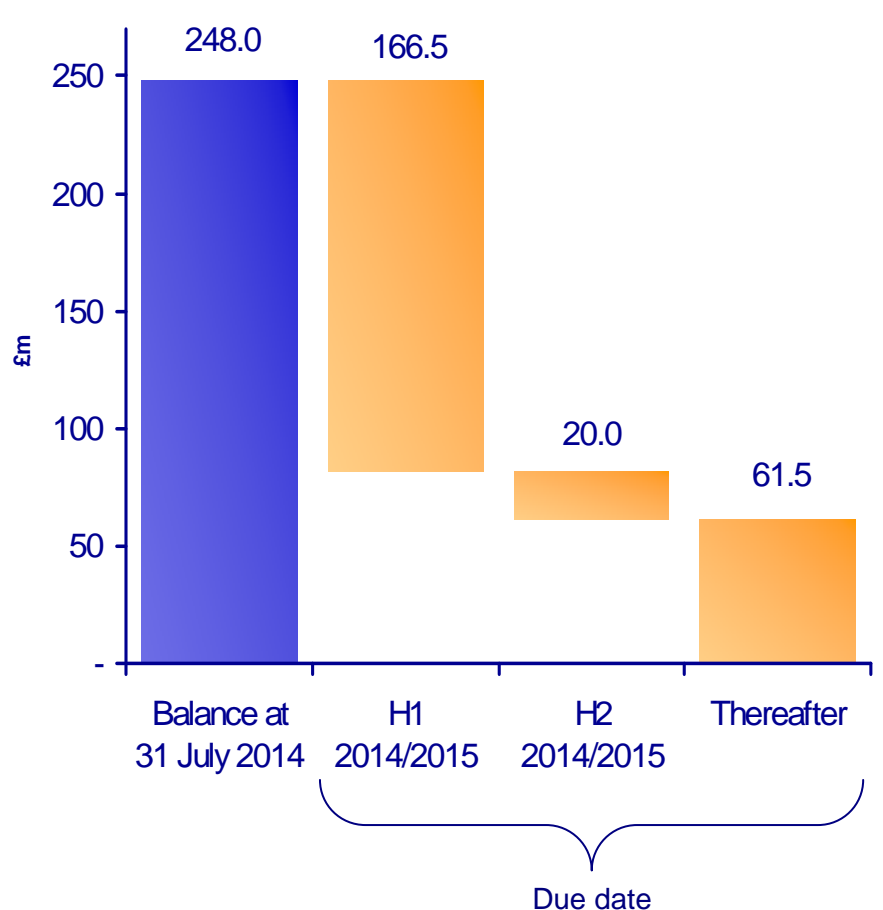
# Appendix 4 - Shared equity

As at 31 July

	2014	2013
Number of assets owned	2,682	2,843
Book value (BV)	£32.2m	£34.5m
Original loan (OL)	£70.4m	£74.9m
BV / OL	46%	46%
Cumulative redemptions to date (units)	479	310
Cumulative redemption proceeds as % of OL	81%	76%
Book value / Net asset value	2.4%	2.8%



## Appendix 5 - Land creditor payments **Bellway**



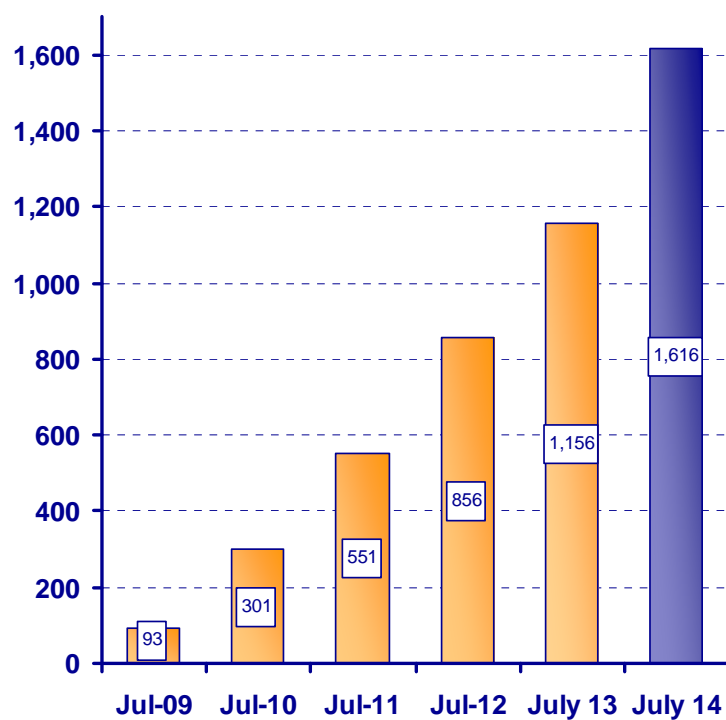
- Land creditors represent only 22% of land book value
- £186.5m of committed land expenditure within next twelve months



# Appendix 6 – Land buying



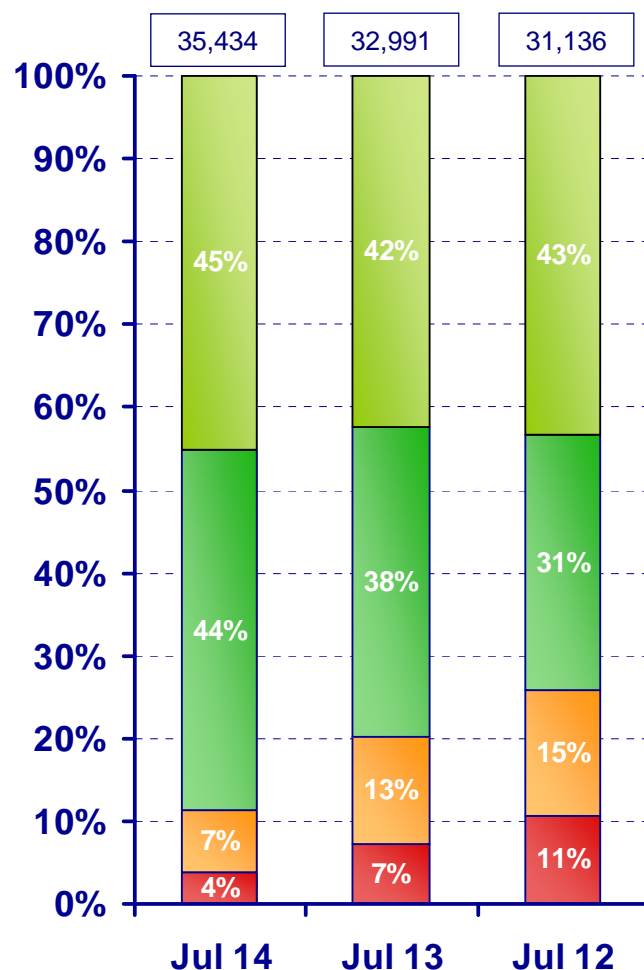
Cumulative land expenditure since downturn (£m)



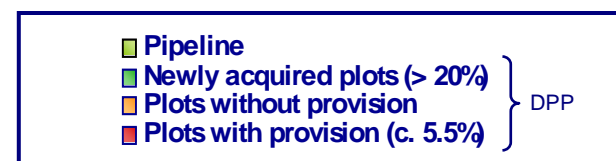
- Over £1.6bn expended on higher margin land since downturn.



## Appendix 7 - Owned and controlled plots



- Help to Buy has assisted trading on impaired sites
- Less than 4% of owned and controlled land bank represents plots impaired at July 2008 and January 2009





### 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.