



## Results Presentation

Half year ended 31 January 2013



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



**John Watson**  
Non Executive Chairman



- Homes sold up 5.8% to 2,597
- ASP up 2.6% to £187,426
- Total revenue increased by 9.6% to £502.5m
- Operating margin up 270 ppts to 12.8%
- Profit before taxation up 47.5% to £59.9m
- Earnings per share up 50.4% to 37.9p
- Return on capital employed increased to 10.5%
- Net asset value increased to 957p
- Land bank increased to 32,025 plots
- Interim dividend increased by 50% to 9.0p



# Strategic and operating review **Bellway**

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**Ted Ayres**  
Chief Executive





- Creating shareholder value through:-
  - Growth in net asset value
  - Progressive annual dividend payments

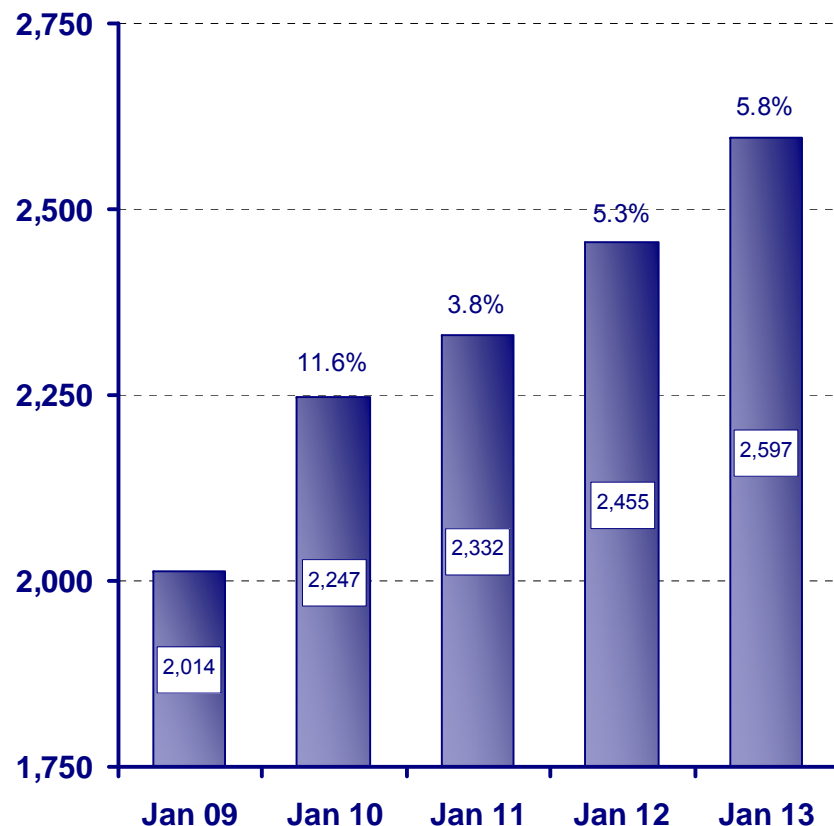


- Improvement in NAV through:-
  - Volume growth
  - Average selling price growth
  - Operating margin growth
  - Improvement in return on capital employed



# Volume growth

Volume



- 5.8% increase in volume
- Average growth of 6.1% in previous 3 financial years
- Strong performance in north – up 9%
- In the south volumes have increased by 2.9%



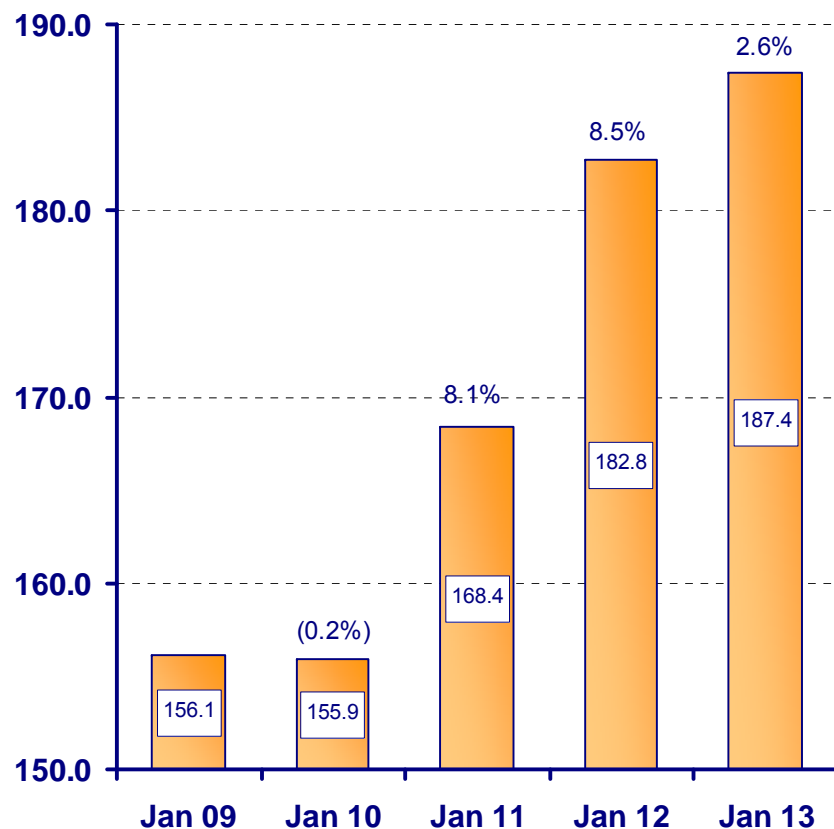
- Volume growth driven by more sales outlets:-
  - Expect average sales outlets to increase by 5% compared to last year
  - Average of 215 outlets in H1
  - Expect average of 218 outlets for full year
- New divisions possible
- Ability to extend capacity beyond 6,500 units



# Average selling price growth



ASP £000



- ASP increased over period of nil house price inflation
- Ability to adapt to changes in the market place
- National coverage has enabled increased exposure to the south where demand remains strongest
- Focus on family housing and London apartments
- Mix changes through re-planning layouts

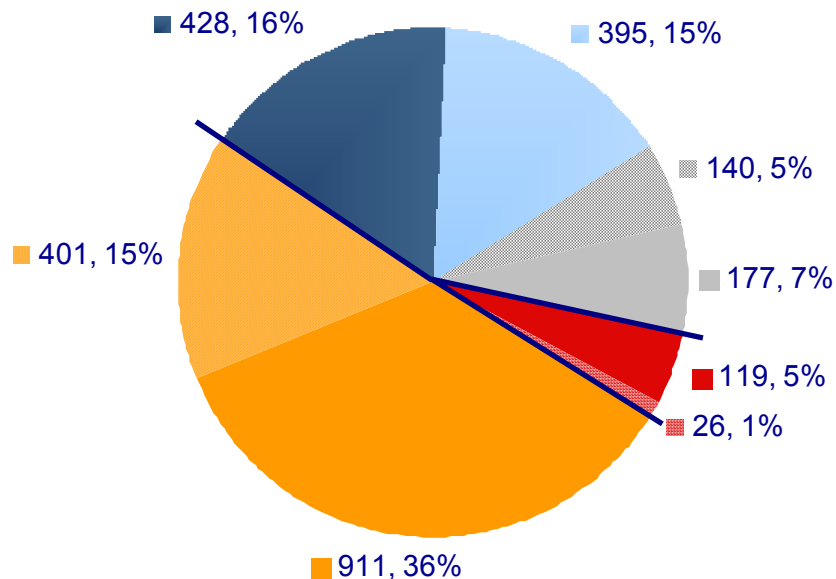


- Presence in London market:-
  - 25 active sales outlets in London
  - Expertise in development of high rise apartments
  - Private average selling price in London of around £240k – affordable in the context of the London market

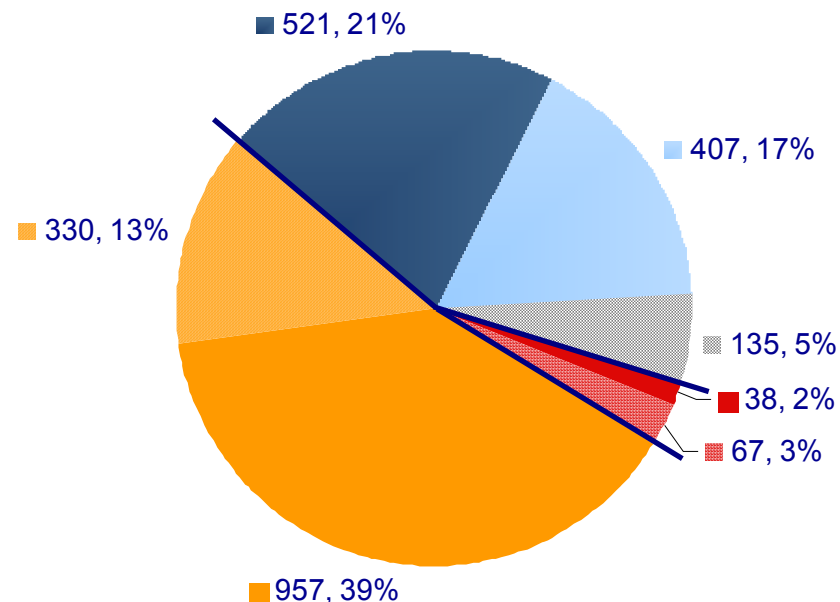


# Completion analysis



**2013**





**2012**



## Second time buyers

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

## Shared equity

-  Bellway shared equity
-  Homebuy / First Buy

## Other buyers

-  Housing association
-  Unassisted first time buyers
-  Investor
-  NewBuy / MI New Home



- Operating margin growth driven by:-
  - Acquisition of higher margin land
  - Reduction in impaired land
  - Efficient control of cost base



- Subcontract increases benign – 0.5% to 1.0%
- Minor increases in bricks, blocks and timber
- Cost pressures of building regulations / code
- Standardised product could mitigate cost pressures





Twickenham, London

- Minimum hurdle rates on land acquisition
  - Forward funding from HAs helps to achieve higher returns
- 
- Site contracted in November 2010
  - Agreed land price of £3.4 million
  - 10% deposit
  - Balance due on receipt of DPP
  - Gross margin > 21%
  - Bulk disposal to HA – staged payments
  - Forecast RoCE > 25%



- £145 million expended on land and land creditors
- Land market softer for acquisitions in excess of £10 million
- Strong competition for traditional housing sites below £5 million



- Land bank increased to 32,025 plots
- Pipeline increased by 1,400 plots
- 1,723 plots moved from pipeline to land with DPP
- 363 plots acquired with the benefit of a DPP



as at

	31 January 2013	31 July 2012
<b>3 levels to our land bank</b>		
<b>DPP:</b> Plots owned with planning	17,125	17,636
<b>Pipeline:</b> Plots pending planning	14,900	13,500
<b>Total plots</b>	<b>32,025</b>	<b>31,136</b>
<b>Strategic:</b> Long term potential plots	>4,000	>3,900

**Heads of terms agreed on further 4,300 plots as at 10 March**



**Keith Adey**  
Finance Director





# Group results



For the six months ended 31 January

	2013		2012		Mvt
Revenue	£502.5m		£458.6m		9.6%
Gross profit	£89.7m	17.9%	£69.9m	15.2%	28.3%
Administrative expenses	(£25.3m)	(5.1%)	(£23.5m)	(5.1%)	7.7%
<b>Operating profit</b>	<b>£64.4m</b>	<b>12.8%</b>	<b>£46.4m</b>	<b>10.1%</b>	<b>38.8%</b>
Net finance costs	(£4.5m)		(£5.8m)		(22.4%)
<b>Profit before taxation</b>	<b>£59.9m</b>		<b>£40.6m</b>		<b>47.5%</b>
Taxation charge	(£13.9m)		(£10.2m)		36.3%
<b>Profit after taxation</b>	<b>£46.0m</b>		<b>£30.4m</b>		<b>51.3%</b>



# Revenue



For the six months ended 31 January

	2013	2012	%
Homes sold	2,597	2,455	5.8%
Average sales price	£187,426	£182,753	2.6%
Housing revenue	£486.7m	£448.7m	8.5%
Non housing revenue	£15.8m	£9.9m	59.6%
<b>Total housing revenue</b>	<b>£502.5m</b>	<b>£458.6m</b>	<b>9.6%</b>



# Sales statistics



For the six months ended 31 January

	2013	2012	%
<b>Private housing</b>			
Homes sold	2,202	2,048	7.5%
Average selling price	£199,140	£193,095	3.1%
<b>Social housing</b>			
Homes sold	395	407	(2.9%)
Average selling price	£122,131	£130,715	(6.6%)



# Sales statistics

For the six months ended 31 January

	2013	2012	%
<b>North</b>			
Homes sold	1,278	1,173	9.0%
Average selling price	£160,500	£151,468	6.0%
<b>South (inc. London)</b>			
Homes sold	1,319	1,282	2.9%
Average selling price	£213,516	£211,378	1.0%
<b>London Boroughs</b>			
Homes sold	413	326	26.7%
Average selling price	£214,072	£249,447	(14.2%)



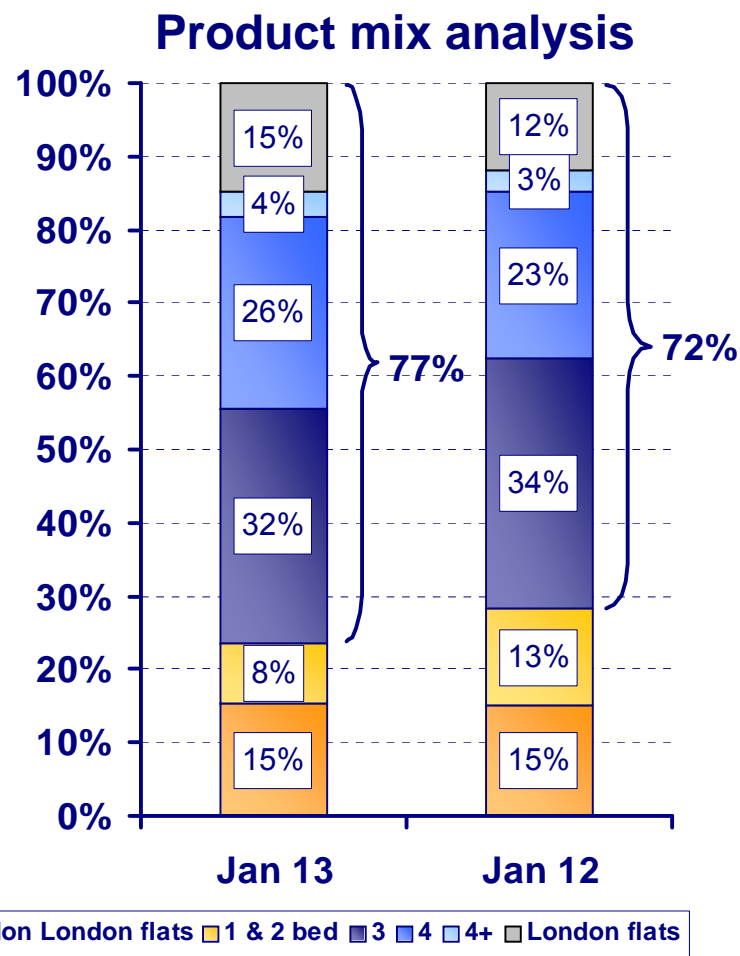


# Sales statistics



For the six months ended 31 January

	2013	2012
<b>Houses vs Flats</b>		
Houses	70%	73%
Apartments	30%	27%
<b>Size</b>		
Av. Sq. feet / home	984	959
ASP / square foot	£192	£191





# Sales statistics



For the six months ended 31 January

Selling price	2013	2012
Up to £100,000	12%	14%
£100,001 to £150,000	28%	32%
£150,001 to £200,000	25%	23%
£200,001 to £250,000	35% { 17% 18%	31% { 14% 17%
Over £250,000		



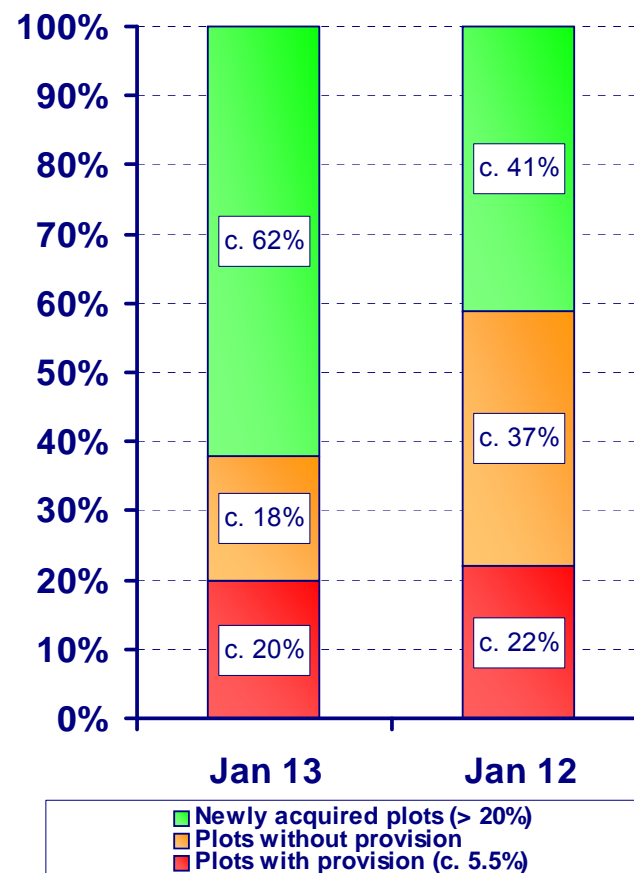
# Operating performance



For the six months ended 31 January

	2013	2012
Gross margin	17.9%	15.2%
Admin. expenses	(5.1%)	(5.1%)
<b>Operating margin</b>	<b>12.8%</b>	<b>10.1%</b>
Operating profit	£64.4m	£46.4m

## Completions by land type





# Finance expense



For the six months ended 31 January

	2013	2012	%
Net bank interest payable inc. fees	£1.8m	£3.0m	(40.0%)
Preference dividend	£1.0m	£1.0m	-
Land creditors / debtors – IAS 39	£1.8m	£1.6m	12.5%
Pension cost	£0.2m	£0.2m	-
Other interest	(£0.3m)	-	-
<b>Net finance expense</b>	<b>£4.5m</b>	<b>£5.8m</b>	<b>(22.4%)</b>



# Earnings



For the six months ended 31 January

	2013	2012	%
Profit before tax	£59.9m	£40.6m	47.5%
Taxation	(£13.9m)	(£10.2m)	36.3%
<i>Effective tax rate</i>	23.2%	25.1%	
<b>Profit after tax</b>	<b>£46.0m</b>	<b>£30.4m</b>	<b>51.3%</b>
Earnings per share	37.9p	25.2p	50.4%
Dividend	9.0p	6.0p	50.0%
Dividend cover	4.2	4.2	



# Capital structure



as at

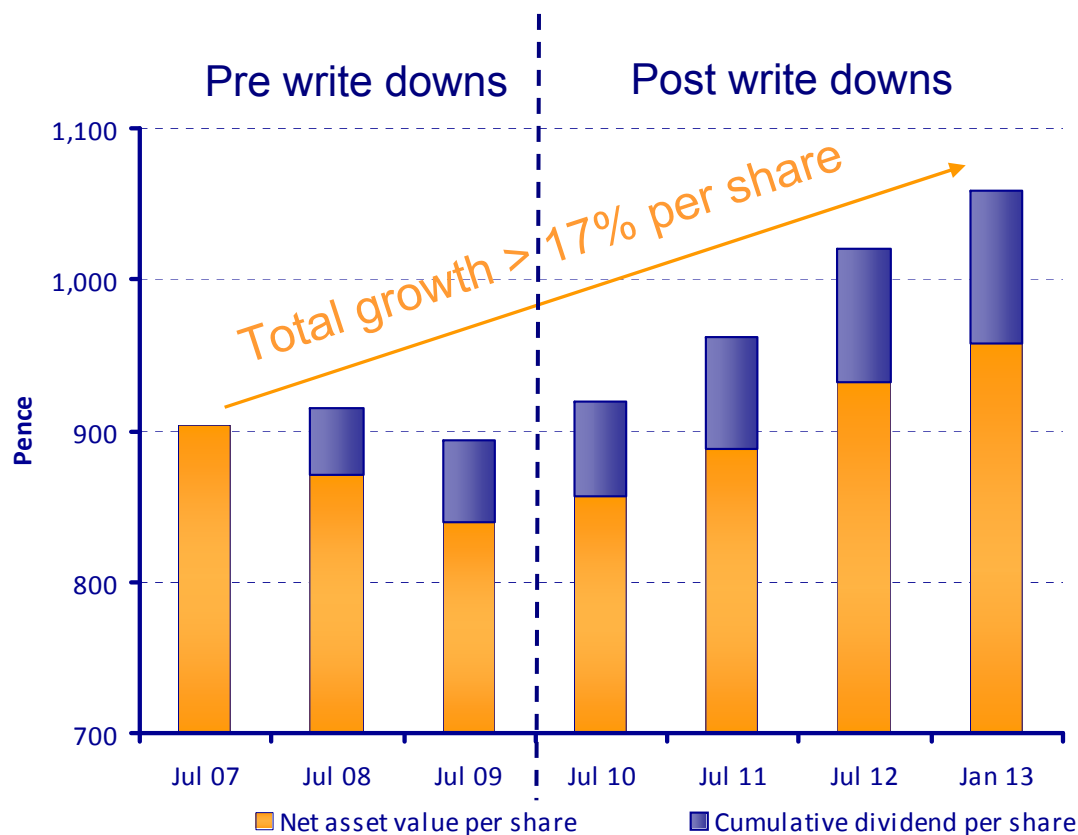
	31 January <b>2013</b>	31 July <b>2012</b>
Net bank borrowings	£75.4m	£40.6m
Preference debt	£20.0m	£20.0m
Net debt	£95.4m	£60.6m
Equity	£1,164.3m	£1,133.1m
Capital employed	£1,259.7m	£1,193.7m
Gearing	8.2%	5.3%
Land creditors	£147.3m	£120.6m
Capital employed including land creditors	£1,407.0m	£1,314.3m
Gearing including land creditors	20.8%	16.0%



# Value creation



as at



	31 January 2013	31 January 2012
RoCE	10.5%	8.4%
	31 January 2013	31 January 2012
Dividend	9.0p	6.0p
	31 January 2013	31 July 2012
NAV	957p	933p



# Capital employed



as at

	31 January 2013	31 July 2012
<b>Assets</b>		
Fixed assets	£19.8m	£21.2m
Inventory	£1,485.1m	£1,399.8m
Shared equity	£35.1m	£35.1m
Debtors	£67.5m	£74.4m
	<b>£1,607.5m</b>	<b>£1,530.5m</b>
<b>Liabilities</b>		
Pension deficit	(£10.9m)	(£11.5m)
Creditors	(£189.6m)	(£204.7m)
Land creditors	(£147.3m)	(£120.6m)
	<b>(£347.8m)</b>	<b>(£336.8m)</b>
<b>Capital employed</b>	<b>£1,259.7m</b>	<b>£1,193.7m</b>



# Inventory



as at

	31 January <b>2013</b>	31 July <b>2012</b>
Land with planning	£705.8m	£687.6m
Land pending planning	£198.5m	£165.3m
Work in progress	£506.0m	£479.5m
Showhomes	£50.3m	£45.5m
Part exchange stock	£24.5m	£21.9m
<b>Total</b>	<b>£1,485.1m</b>	<b>£1,399.8m</b>



# Land with planning



	Plots	Cost	Average plot cost
Brought forward 1 August 2012	17,636	£687.6m	£39.0k
Sold	(2,597)	(£119.9m)	£46.2k
	<b>15,039</b>	<b>£567.7m</b>	<b>£37.7k</b>
Net purchases	2,086	£138.1m	£66.2k
<b>Carried forward 31 January 2013</b>	<b>17,125</b>	<b>£705.8m</b>	<b>£41.2k</b>



# Shared equity



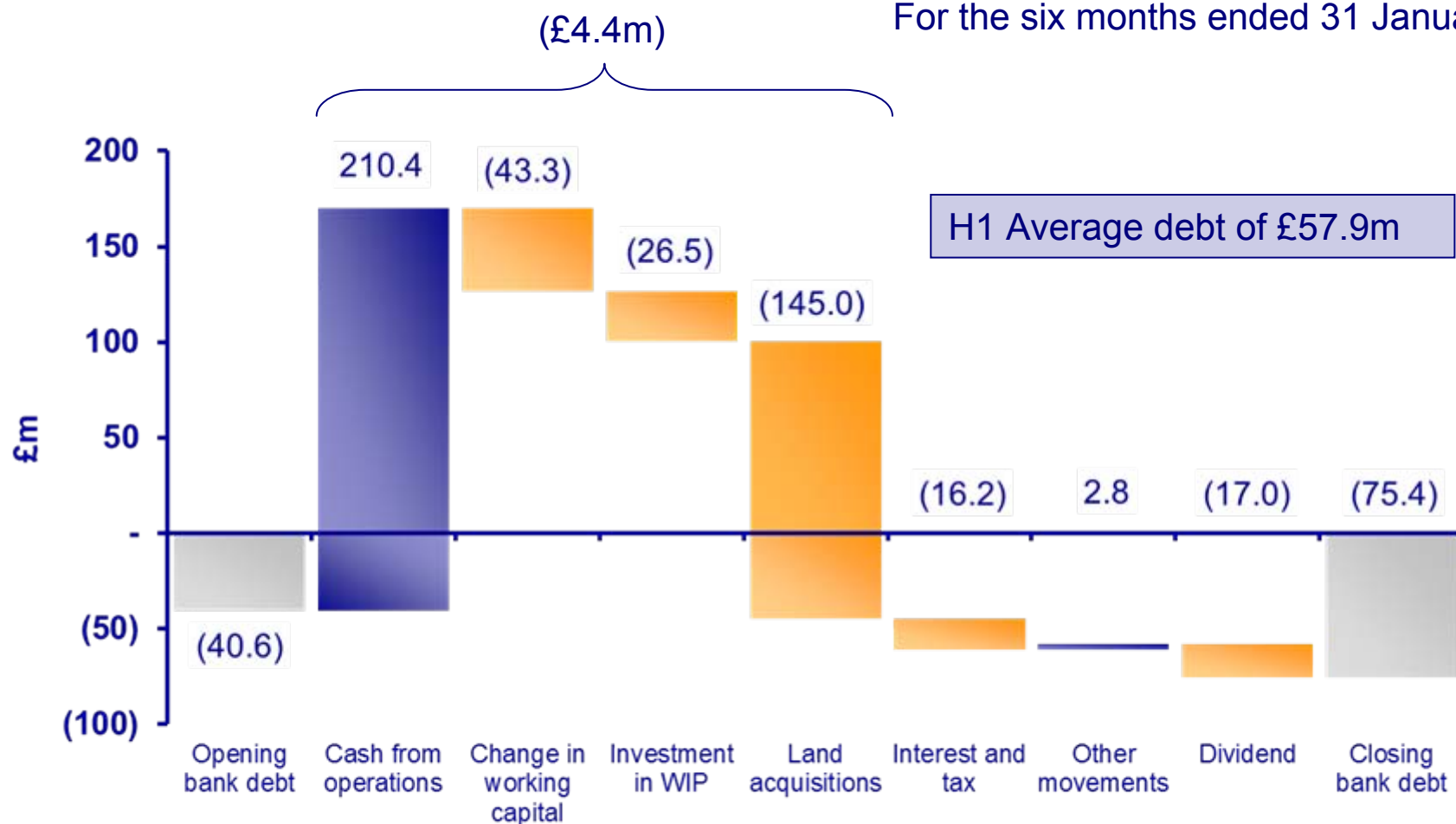
as at

	31 January <b>2013</b>	31 July <b>2012</b>
Number of assets owned	2,838	2,728
Book value (BV)	£35.1m	£35.1m
Original loan (OL)	£75.7m	£74.6m
BV / OL	46%	47%
Cumulative redemptions to date (units)	267	232
Cumulative redemption proceeds as % of OL	74%	72%



# Cash flow

For the six months ended 31 January





# Finance summary



For the six months ended 31 January

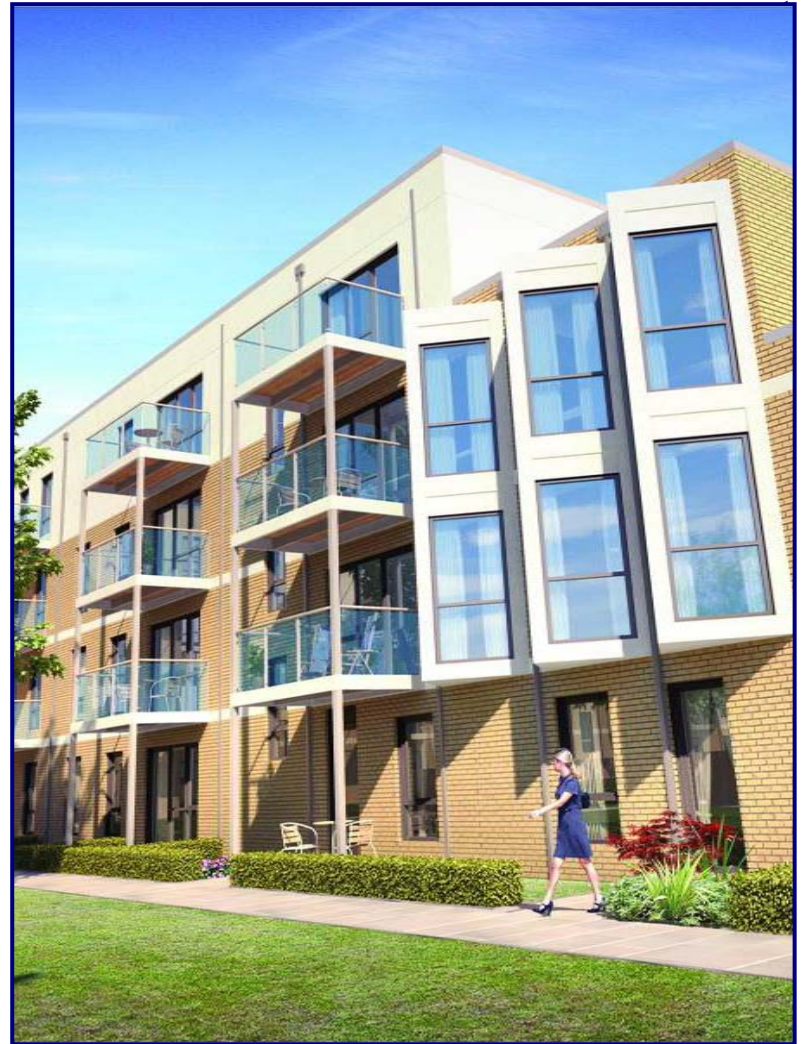
	Movement
Volume growth	+5.8%
Average selling price growth	+2.6%
Operating margin growth	+270 ppts
Profit before taxation growth	+47.5%
Return on capital growth	+210 ppts
Dividend growth	+50%
Net asset value growth	+24p



# Current trading and outlook **Bellway**

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**Ted Ayres**  
Chief Executive





- Averaged 97 reservations per week in H1
- Averaged 133 reservations per week since 1 February – an increase of over 10%
- NewBuy has accounted for 12% of reservations since 1 February



- Current order book of £507.4 million compared to £498.5 million last year
- Order book made up of 963 social homes and 1,783 private homes
- 53% of order book contracted
- 94% of current year target secure



- Organic growth strategy should maximise value creation through:-
  - Increase in net asset value
  - Growing annual dividend payments





The Coppice, Takeley



1. Land creditor payments

2. Land bank

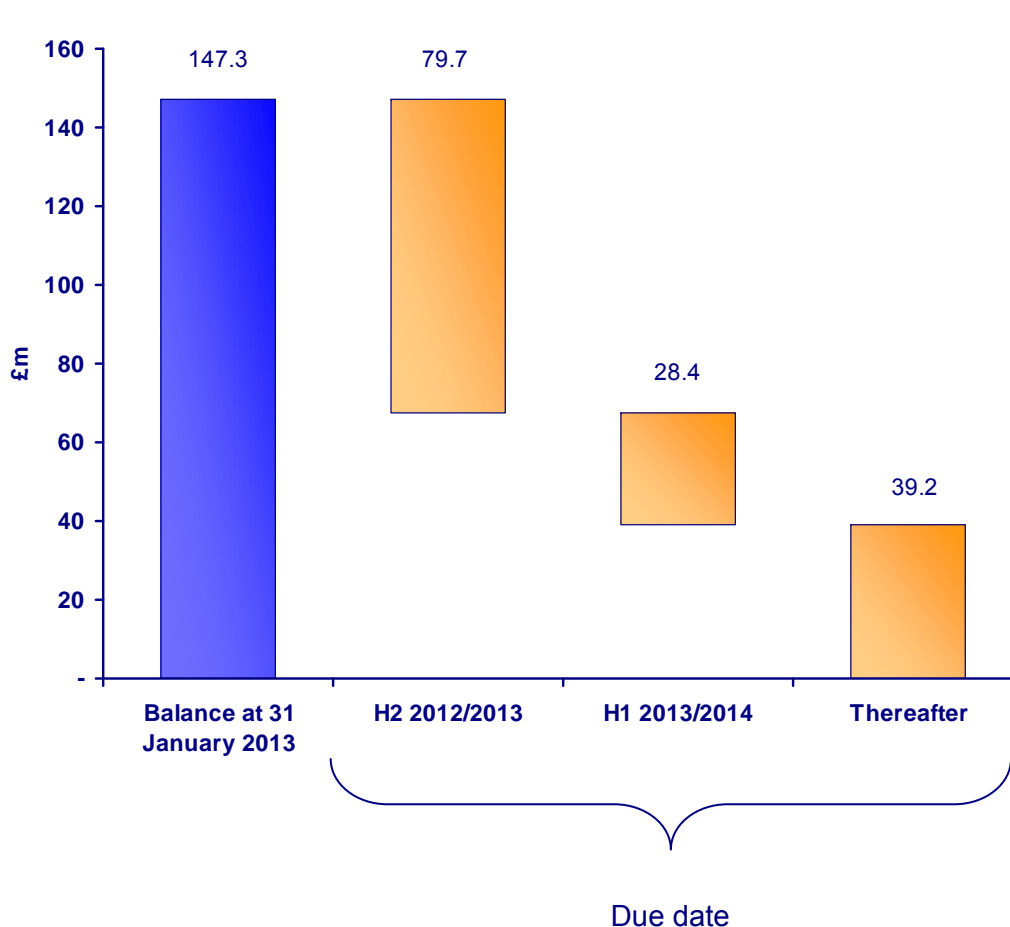
3. Order book





# Appendix 1 - Land creditor payments **Bellway**

For the six months ended 31 January

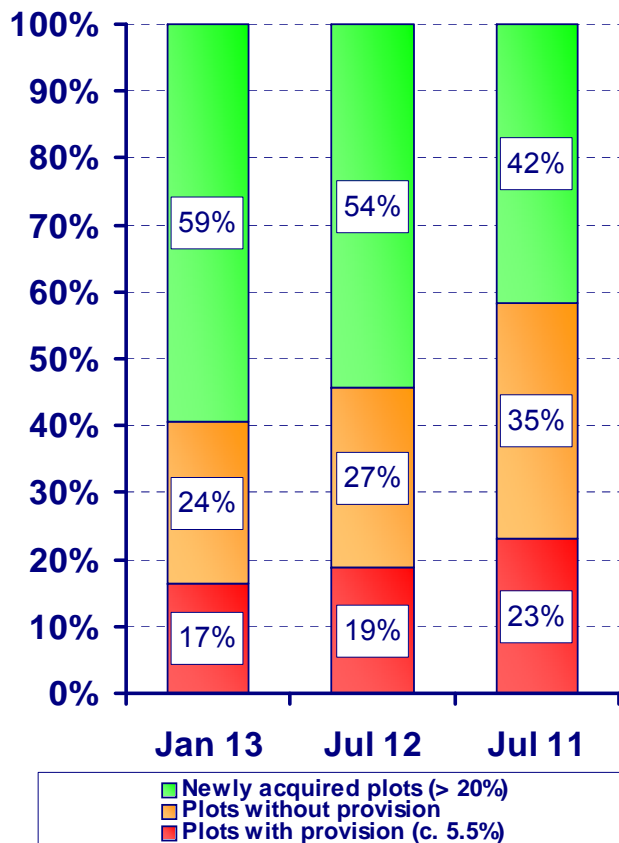


- Land creditors represent 16% of land book value.
- Only £108m of committed land expenditure within next 12 months.



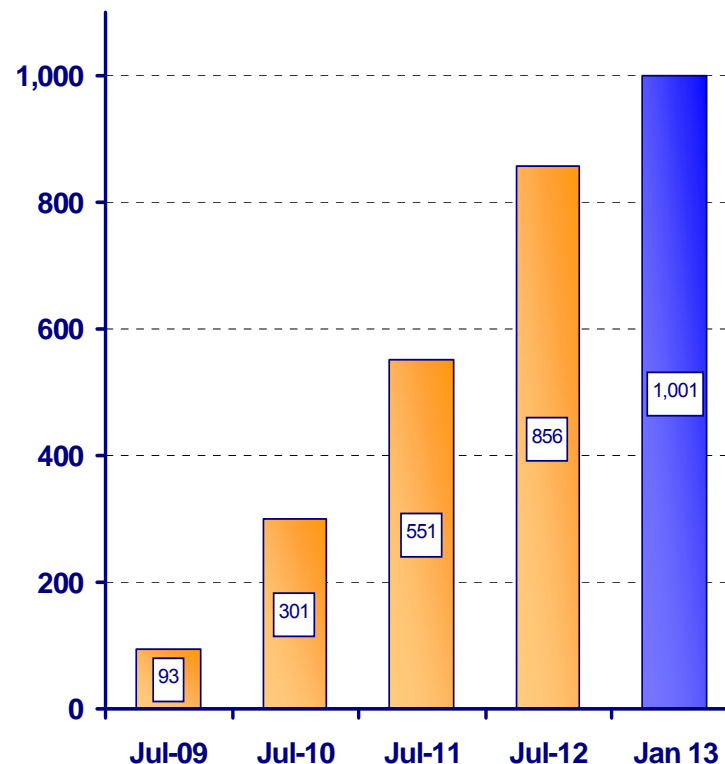
# Appendix 2 – Land bank

**Analysis of plots in land bank with DPP**



- 59% of land bank with DPP now at a gross margin in excess of 20%.

**Cumulative land expenditure since downturn (£m)**



- Over £1bn expended on higher margin land since downturn.



# Appendix 3 – Order book



as at

	31 January 2013			31 January 2012			Movement		
	Private	Social	Total	Private	Social	Total	Private %	Social %	Total %
At 1 August	1,499	1,034	2,533	1,485	1,012	2,497	0.9%	2.2%	1.4%
Reservations	2,181	350	2,531	1,977	340	2,317	10.3%	2.9%	9.2%
Completions	(2,202)	(395)	(2,597)	(2,048)	(407)	(2,455)	7.5%	(2.9%)	5.8%
<b>At 31 January</b>	<b>1,478</b>	<b>989</b>	<b>2,467</b>	<b>1,414</b>	<b>945</b>	<b>2,359</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.6%</b>