

Results Presentation



Year ended
31 July 2019



Agenda



1. Highlights and strategic update
2. Finance review
3. Operating review
4. Q&A
5. Appendices



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

Highlights and strategic update



Jason Honeyman
Chief Executive



Highlights



Volume	Operating profit	Operating margin	Total dividend	Strong balance sheet	Customer care
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10,892 +5.7%	£674.9m +3.4%	21.0% (110 bps)	150.4p +5.2%	£201.2m net cash	5* homebuilder for the third consecutive year
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Notes



Market backdrop (1)



Demand is robust for affordably priced homes

Most popular homes are 2, 3 and small 4 beds

London most active in Greater London boroughs

Reservations up – due to investment in outlets

Market resilient – despite Brexit

Sales rates per outlet are a little slower

Notes



Market backdrop (2)



Residential market focused on new build sector:-

Competitive mortgage finance

Help to Buy support

SDLT supportive for lower value homes

April 2021 changes to Help to Buy are affecting how we operate:-

Different schemes in England, Scotland and Wales

Strong selling tool in England

Ensuring product mix is appropriate on new land to accommodate new rules

Notes



Strategic priorities



No HPI

Cost inflation

Strong demand

Focus on margin protection

Deliver growth

Drive down costs

Appoint the right
people

Strengthen the
brand

Deliver value through long term growth and increasing dividend

Notes



Finance review



Keith Adey
Finance Director



Notes



Strong earnings growth



For the year ended 31 July

		2019	2018 *	Change
Units	Homes sold	10,892	10,307	5.7%
	Average selling price	£291,968	£284,937	2.5%
Revenue	Housing revenue	£3,180.1m	£2,936.8m	8.3%
	Other revenue	£33.1m	£20.9m	58.4%
	Total revenue	£3,213.2m	£2,957.7m	8.6%
Trading	Gross profit	£790.2m 24.6%	£757.5m 25.6%	(100 bps)
	Net PX trading loss	(£5.6m)	(£4.1m)	(36.6%)
	Operating profit	£674.9m 21.0%	£652.9m 22.1%	(110 bps)
Earnings	Profit before taxation	£662.6m	£641.1m	3.4%
	Earnings per share	437.8p	423.4p	3.4%

* Restated – see appendix 13.

Notes



Housing revenue

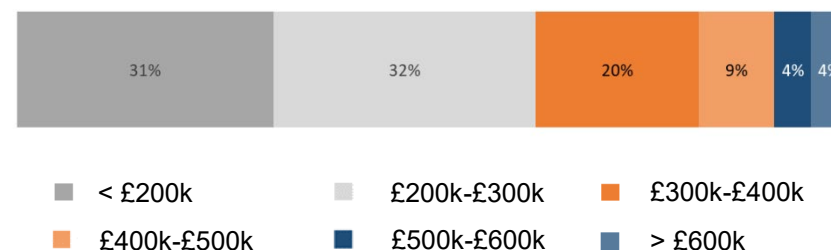


For the year ended 31 July

	2019		2018	
	Units	ASP	Units	ASP
Private	8,442	£333.5k	8,263	£323.4k
Social	2,450	£148.8k	2,044	£129.3k
Bellway completions	10,892	£292.0k	10,307	£284.9k
Share of JVs	41	£217.1k	42	£200.0k
Total completions	10,933	£291.7k	10,349	£284.6k

- Private price improvement due to location of sites
- More social completions in higher value areas
- Help to Buy used in 36% of completions

ASP of Bellway completions



Overall ASP in FY20 expected to be > £285,000

Notes



Geographic analysis



For the year ended 31 July

	2019		2018	
	Units	ASP	Units	ASP
North	5,200	£240.1k	5,061	£229.5k
South	5,692	£339.4k	5,246	£338.4k
Total	10,892	£292.0k	10,307	£284.9k

	2019		2018	
	Units	ASP	Units	ASP
London	1,010	£499.6k	1,118	£414.9k

- London represents 9% of completions
- London ASP excluding Nine Elms was £413k – demand robust at this price point
- 214 apartments sold at Nine Elms at ASP of £820k representing almost 6% of housing revenue – **margin and selling price benefit will not be repeated**
- 5% of homes sold using Ashberry – helps increase sales rate and RoCE on larger sites
- Wide geographic presence provides platform for future growth

Notes



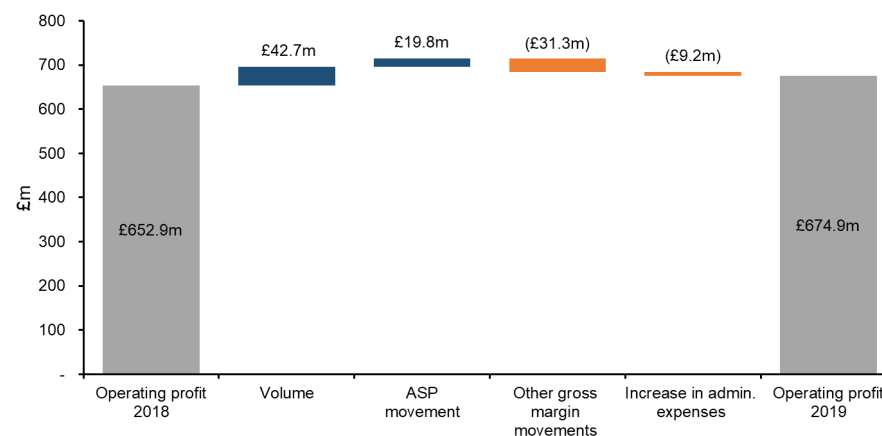
Operating performance



For the year ended 31 July

	2019	2018 *	Change
Gross profit	£790.2m 24.6%	£757.5m 25.6%	£32.7m (100 bps)
Net PX trading loss	(£5.6m) (0.2%)	(£4.1m) (0.1%)	(£1.5m) (10 bps)
Admin. expenses	(£109.7m) (3.4%)	(£100.5m) (3.4%)	(£9.2m) - bps
Operating profit	£674.9m 21.0%	£652.9m 22.1%	£22.0m (110 bps)

Operating profit bridge



Build cost increases continue,
consistent with prior year

HPI close to flat on most sites

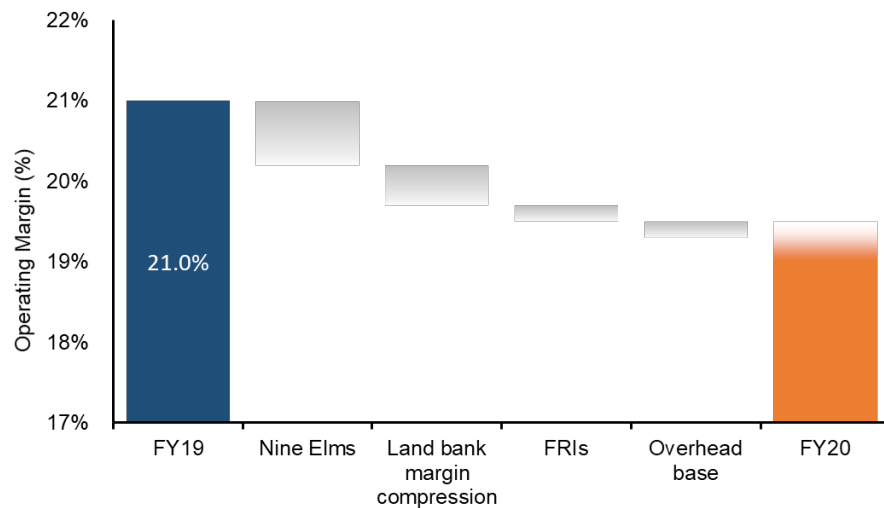
Notes



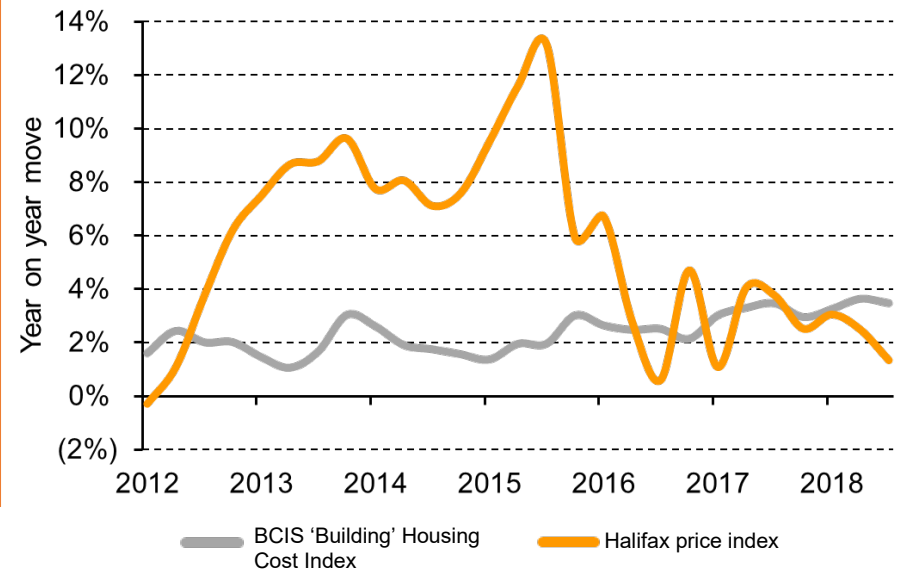
Operating performance in the year ahead



Further margin normalisation



Industrywide cost increases exceed HPI



Moderating effect on margin in FY20 will be more pronounced than FY19

Working hard to mitigate cost increases

Notes



Balance sheet



As at 31 July

	2019	2018	Change
Assets	Fixed assets	£13.1m	£16.7m
	Investments in joint arrangements	£43.5m	£6.4m
	Inventory	£3,271.6m	£206.0m
	Land	£2,011.9m	(£7.5m)
	WIP	£1,259.7m	£213.5m
	Debtors	£116.0m	£12.6m
	Pension asset	£1.3m	£1.5m
	Net cash	£99.0m	£102.2m
	Total assets	£3,544.5m	£345.4m
Liabilities	Creditors	(£622.0m)	(£48.8m)
	Land creditors	(£365.4m)	£67.5m
	Total liabilities	(£987.4m)	£18.7m
	Capital employed	£2,557.1m	£364.1m

Notes



Owned and controlled land bank [^]



As at 31 July

	2019			2018		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
Land with DPP						
Brought forward 1 August	26,877	£1,679.0m	£62.5k	25,655	£1,546.1m	£60.3k
Net purchases	10,436	£622.8m	£59.7k	11,529	£738.4m	£64.0k
Sold	(10,892)	(£671.2m)	£61.6k	(10,307)	(£605.5m)	£58.7k
Carried forward 31 July	26,421	£1,630.6m	£61.7k	26,877	£1,679.0m	£62.5k
Pipeline	16,300	£373.8m		14,200	£332.9m	
Bellway owned and controlled plots	42,721	£2,004.4m		41,077	£2,011.9m	
Land with DPP - JVs	272			226		
Total owned and controlled plots	42,993			41,303		

[^] See appendix 11 for definitions.

ASP of DPP land is approaching £290k

Only 3% of plots with DPP have ASP > £600k

Notes



Overall land bank [^]



As at 31 July

	2019	2018
Total owned and controlled plots	42,993	41,303
Positive planning status	8,800	8,500
Longer term interests	16,800	11,900
Strategic plots	25,600	20,400
Overall land bank plots	68,593	61,703

- Plots with a **positive planning status** are allocated in local plans or are the subject of planning applications
- **Longer term** strategic plots have a higher planning risk

[^] See appendix 11 for definitions.

Notes



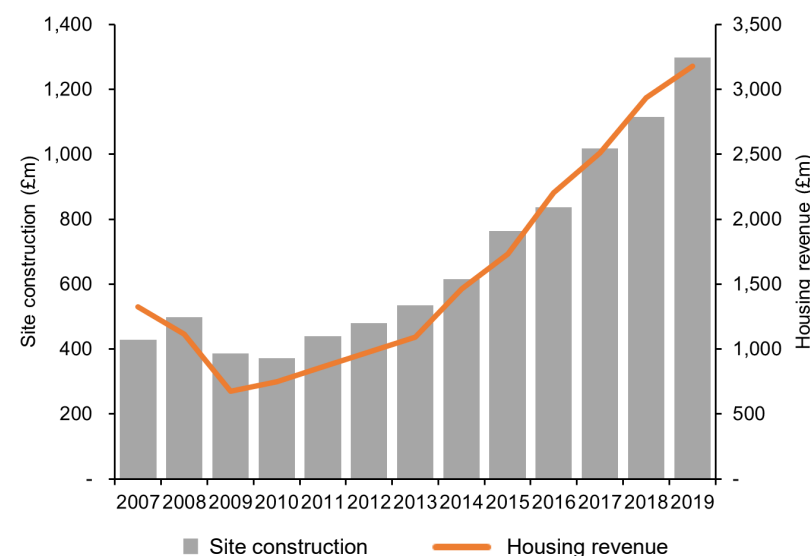
Work in progress



As at 31 July

	2019	2018	Change
Site construction	£1,298.2m	£1,115.1m	£183.1m
Showhomes	£125.5m	£97.4m	£28.1m
Part-exchange stock	£49.5m	£47.2m	£2.3m
Total WIP	£1,473.2m	£1,259.7m	£213.5m

Site construction vs housing revenue



Absence of HPI creates less urgency to reserve

WIP turn is a little slower

Further investment in showhomes to showcase product

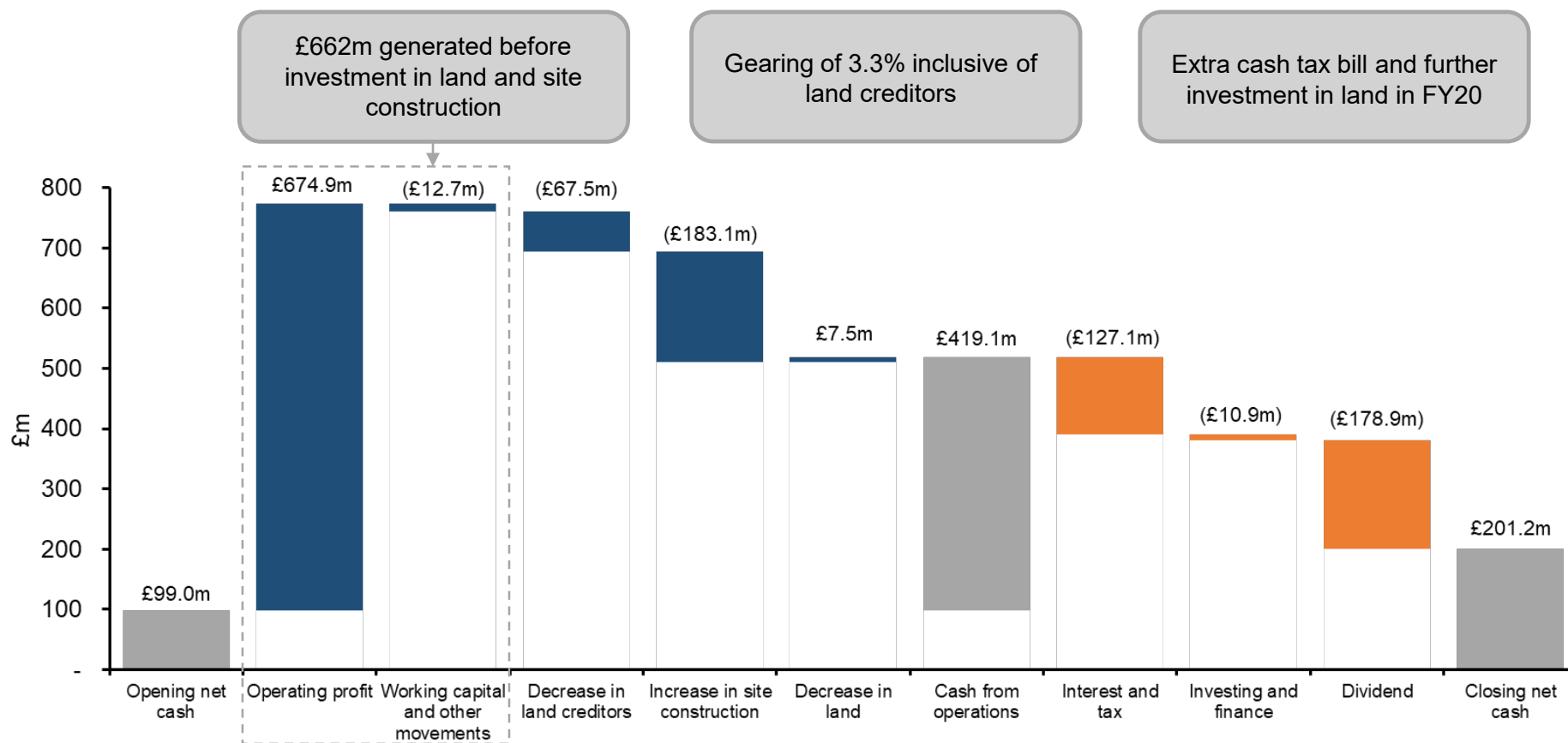
Notes



Balanced and flexible capital structure



For the year ended 31 July



Notes



Dividend

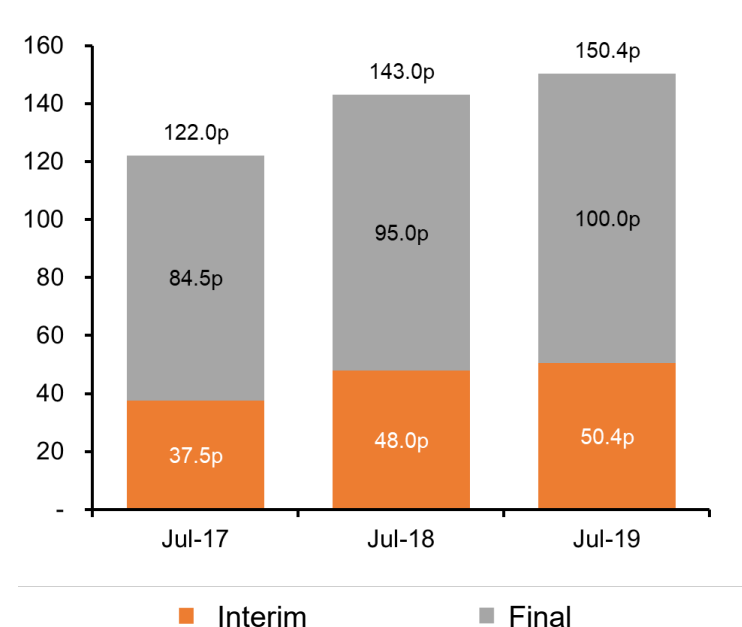


For the year ended 31 July

	2019	2018	Change
Interim dividend	50.4p	48.0p	5.0%
Proposed final dividend	100.0p	95.0p	5.3%
Total dividend	150.4p	143.0p	5.2%

- Dividend cover 2.9x earnings
- Long term dividend promise would restrict flexibility

Dividend per share (p)



Expect further increase in dividend in FY20

Notes

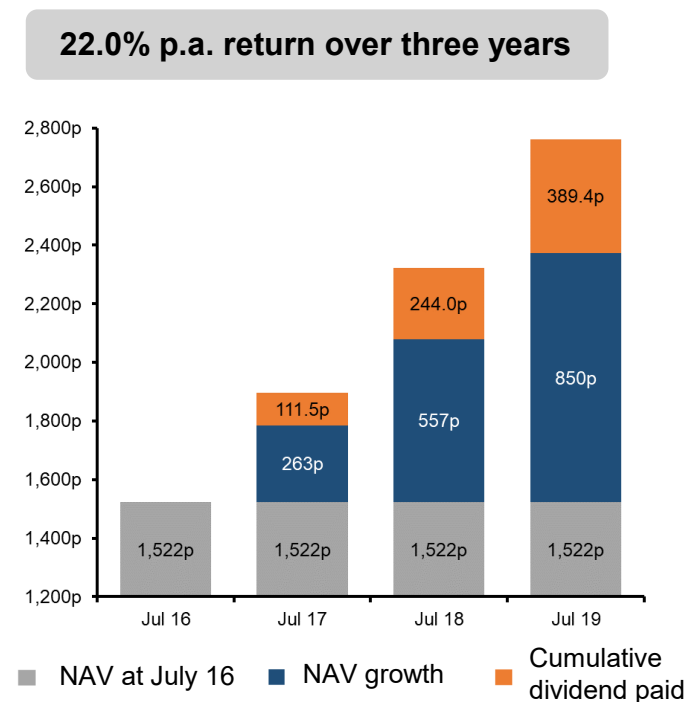


Delivering enhanced shareholder value



RoCE	RoE	NAV
24.7%	19.8%	2,372p
2018: 27.2% (250 bps)	2018: 22.1% (230 bps)	2018: 2,079p +14.1%

RoCE affected by margin dilution and slower WIP turn
Strong culture of cost control
Ability to invest in new divisions and outlets
Margin normalisation and Brexit may dampen FY20
Further potential for EPS growth in FY21 and beyond



Cash generation provides scope for further increases in the dividend

Notes



Operating review



Jason Honeyman
Chief Executive



Notes



Delivering growth through divisional expansion



- New Scotland East division completed 273 homes
- Eastern Counties and London Partnerships are expected to deliver completions in the year ahead
- Further divisional expansion in North West possible towards end of next calendar year
- Current divisional structure can deliver 13,000 homes per annum



● Mature divisions ● Newer divisions

Capacity to grow with new divisions

Notes



Delivering growth through buying land



Contracted plots and sites

	2019	2018	Change
Contracted plots	13,113	12,962	151

	2019	2018	Change
North	45	51	(6)
South	48	49	(1)
Total sites	93	100	(7)
Options contracted	29	27	2
Total contracted sites	122	127	(5)

- Intend to increase land buying in the year ahead
- New outlets are driving growth
- Strict focus on mix to deal with new Help to Buy rules
- A handful of large sites provides certainty of land supply without changing overall risk profile


Notes




Driving down costs



Cost inflation c.3%	New Group Commercial Director	Some signs of better deals
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	The Artisan Collection			
	Customer choice with economies of scale	Will complete c.500 Artisan homes in FY20	Faster planning applications and reduced design fees	Future procurement savings
	No compromise to build quality			

	Cost saving initiative
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	in 50% of divisions providing better benchmarking
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Notes



Appointing the right people



- Strong culture of promoting from within – particularly for senior managers and directors
- New careers website – aimed at apprentices, young people, graduates and site managers
- 40 graduates and 50 apprentices to be appointed in 2020



Notes



Strengthening the brand



- Success with new website and social media hub
- Will continue to ensure customers can 'trust' the Bellway brand
- Over 92% of customers 'would recommend Bellway to a friend'
- Focus ahead is on post move-in response

Notes



Trading review



Weekly reservation rate ~

	2019	2018	Change
H1	183	178	2.8%
H2	238	222	7.2%
Total	210	200	5.0%

Average outlets ~

	2019	2018	Change
Average outlets	268	247	8.2%

- HPI is flat with some pockets of good news
- Private sales rate up 5%
- Strong selling divisions include Manchester, Northern Home Counties and both Scotland divisions
- London and the south more sensitive to Brexit
- Investment in outlets is driving sales rates

~ Weekly reservation rates and average outlets are rounded to the nearest integer.

Notes

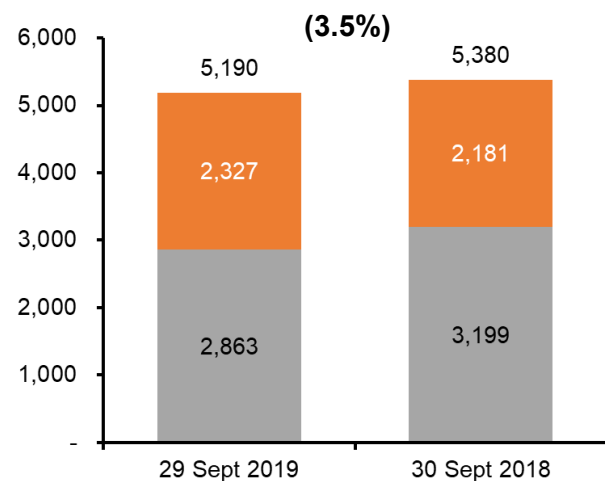


Current trading and order book

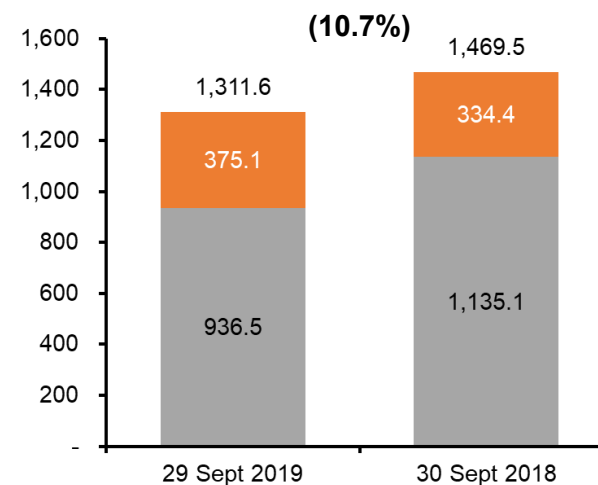


Order book at 29 Sept 2019 (2018: 30 Sept)

Order book units (number)



Order book value (£m)



■ Private

■ Social

Reservations in first 9 weeks up 4% to 183 p.w.

Modest decline in order book reflects greater number of completions in the year to date

Notes



Outlook



Growth this year	Extra c.300 homes	Brexit uncertainty	General Election can impact sales
Growth beyond this year	Building the order book		Foundations for new division
Operational focus	Further improve customer service	Deliver cost saving initiatives	Maintain operating margin > 19% in medium term
Increase the dividend			

Notes



Q&A



Lion Wharf Isleworth, London



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
13. Accounting standards



Notes



Appendix 1 - Income statement



For the year ended 31 July

	2019		2018 *		Change
Homes sold	10,892		10,307		5.7%
Average selling price	£291,968		£284,937		2.5%
Housing revenue	£3,180.1m		£2,936.8m		8.3%
Other revenue	£33.1m		£20.9m		58.4%
Total revenue	£3,213.2m		£2,957.7m		8.6%
Gross profit	£790.2m	24.6%	£757.5m	25.6%	(100 bps)
Net PX trading loss	(£5.6m)	(0.2%)	(£4.1m)	(0.1%)	(10 bps)
Administrative expenses	(£109.7m)	(3.4%)	(£100.5m)	(3.4%)	- bps
Operating profit	£674.9m	21.0%	£652.9m	22.1%	(110 bps)
Net finance expense	(£14.4m)		(£13.6m)		5.9%
Share of JV result	£2.1m		£1.8m		16.7%
Profit before taxation	£662.6m		£641.1m		3.4%
Taxation expense	(£124.0m)	18.7%	(£121.2m)	18.9%	2.3%
Profit after taxation	£538.6m		£519.9m		3.6%
Earnings per share	437.8p		423.4p		3.4%

Notes



Appendix 2 – Net finance expense



For the year ended 31 July

	2019	2018	Change
Net bank interest payable including fees	£6.3m	£5.2m	21.2%
Non-bank interest:	£8.1m	£8.4m	(3.6%)
Made up of:-			
Land creditors / debtors – IFRS 9	£7.7m	£8.3m	(7.2%)
Pension cost	-	£0.1m	(100.0%)
Lease liabilities – IFRS 16	£0.5m	-	100.0%
Other interest receivable	(£0.1m)	-	-
Total	£14.4m	£13.6m	5.9%

Notes



Appendix 3 – Geographic analysis



For the year ended 31 July

Homes sold (No.)

	2019			2018			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	4,397	803	5,200	4,171	890	5,061	5.4%	(9.8%)	2.7%
South	4,045	1,647	5,692	4,092	1,154	5,246	(1.1%)	42.7%	8.5%
Group	8,442	2,450	10,892	8,263	2,044	10,307	2.2%	19.9%	5.7%
London	814	196	1,010	901	217	1,118	(9.7%)	(9.7%)	(9.7%)

Average selling price (£000)

	2019			2018			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	264.0	108.8	240.1	258.0	95.8	229.5	2.3%	13.6%	4.6%
South	409.1	168.3	339.4	390.1	155.2	338.4	4.9%	8.4%	0.3%
Group	333.5	148.8	292.0	323.4	129.3	284.9	3.1%	15.1%	2.5%
London	562.6	238.2	499.6	468.5	192.4	414.9	20.1%	23.8%	20.4%

Notes



Appendix 4 – ASP per sq ft



For the year ended 31 July

	2019			2018			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	230	142	220	226	126	213	1.8%	12.7%	3.3%
South - made up of:-	394	213	351	373	196	342	5.6%	8.7%	2.6%
London	753	305	663	605	241	533	24.5%	26.6%	24.4%
Non-London	333	201	301	328	186	303	1.5%	8.1%	(0.7%)
Group average	304	190	285	295	166	276	3.1%	14.5%	3.3%

Notes

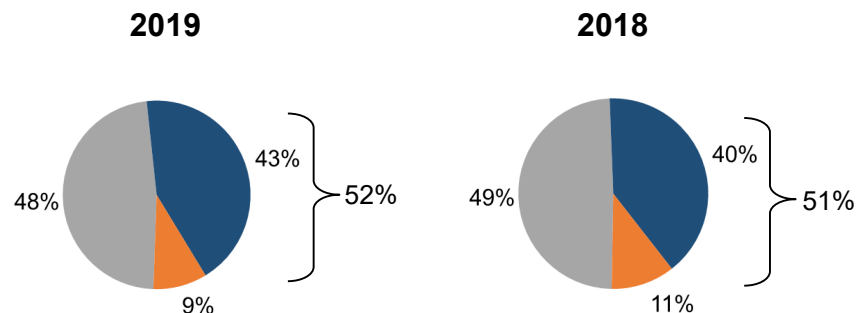


Appendix 5 – Housing revenue

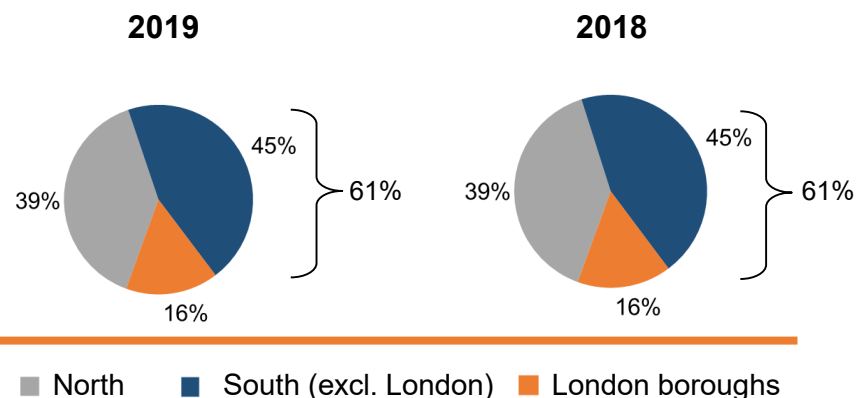


For the year ended 31 July

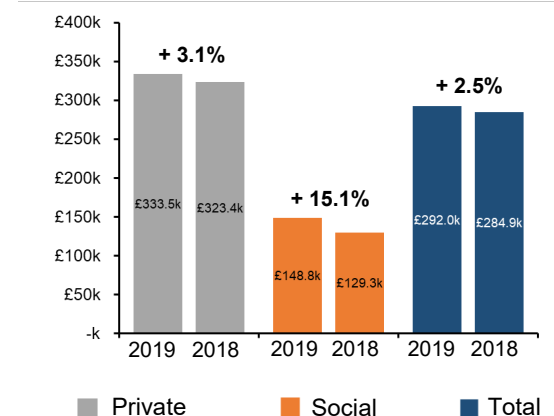
Completion analysis



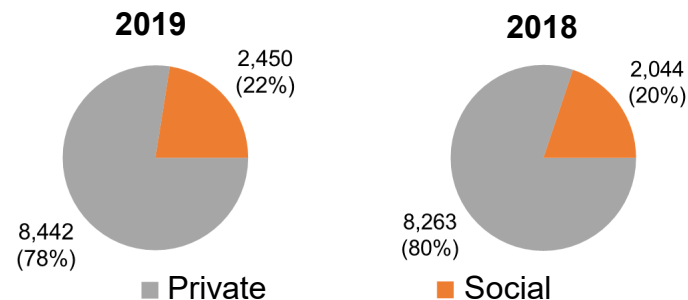
Revenue analysis



Average selling price ('ASP')



Homes sold



Notes

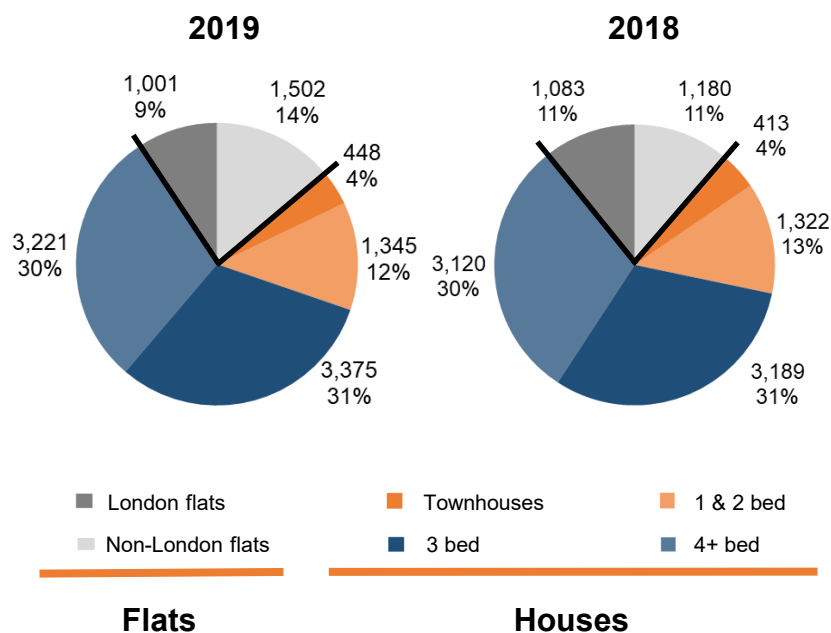


Appendix 6 – Product analysis

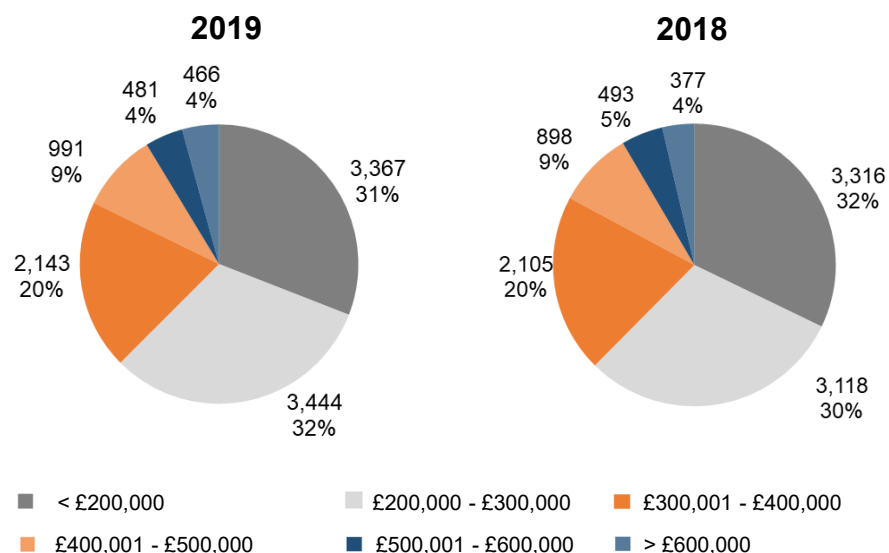


For the year ended 31 July

Product mix analysis



Selling price analysis



Only 4% of sales above £600,000

Notes

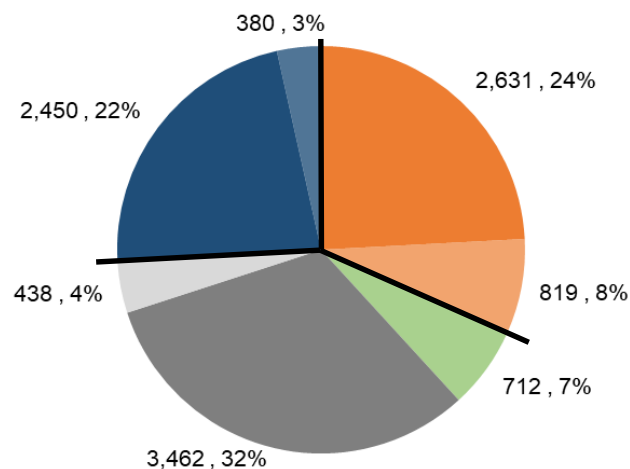


Appendix 7 – Completion analysis

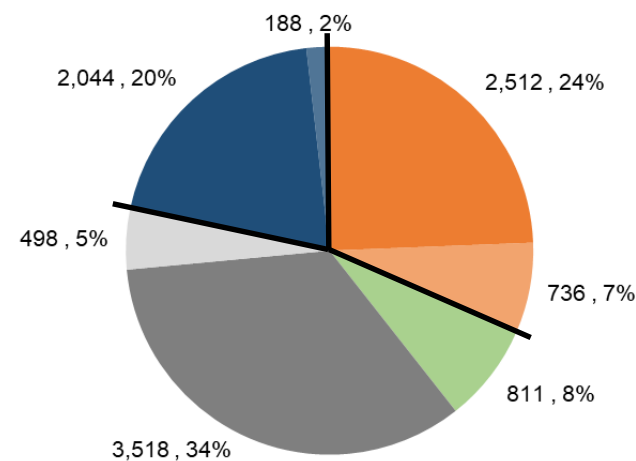


For the year ended 31 July

2019



2018



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

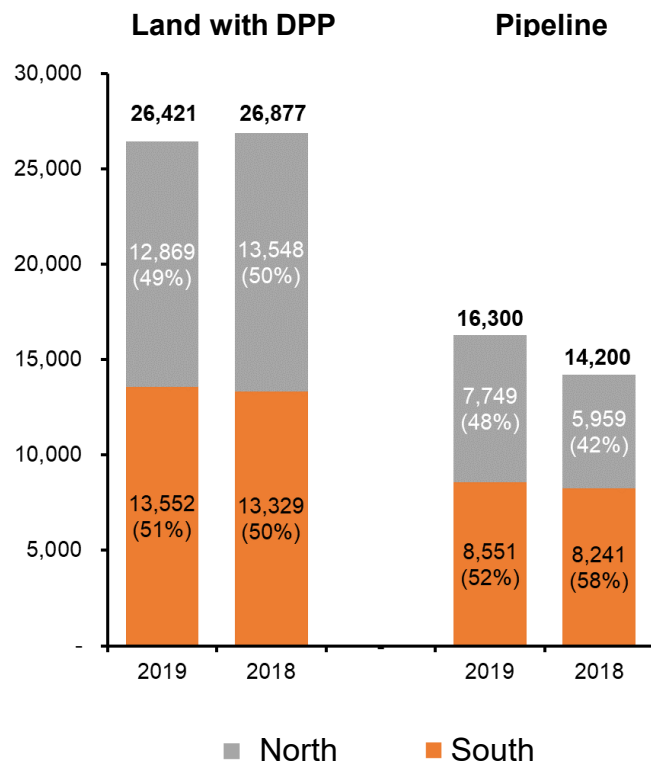
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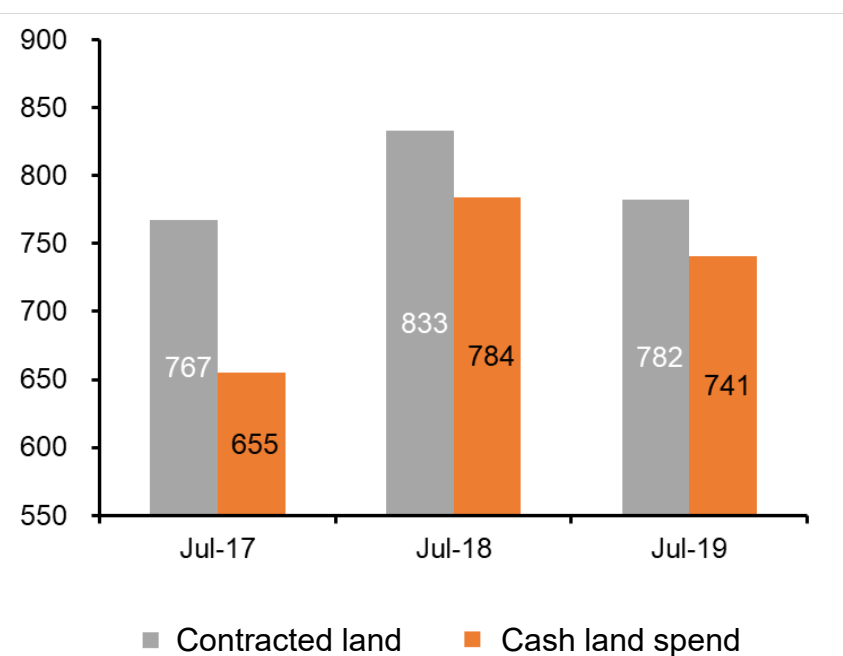
Appendix 8 – Land supply



Owned and controlled land (plots)



Land spend and contracted land (£m)



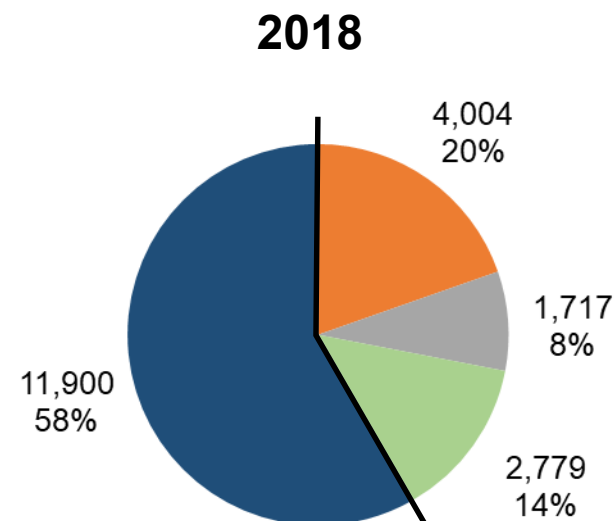
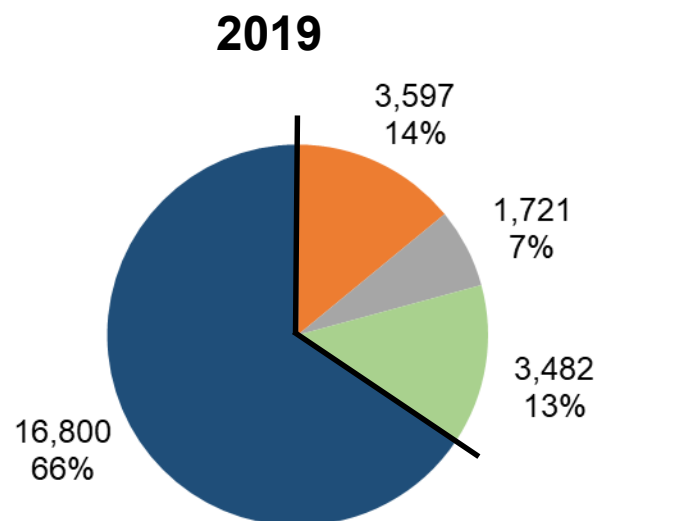
Notes



Appendix 9 – Strategic land



As at 31 July



Positive planning status

- Allocated
- Application
- Both

Longer term interests

- Longer term interests

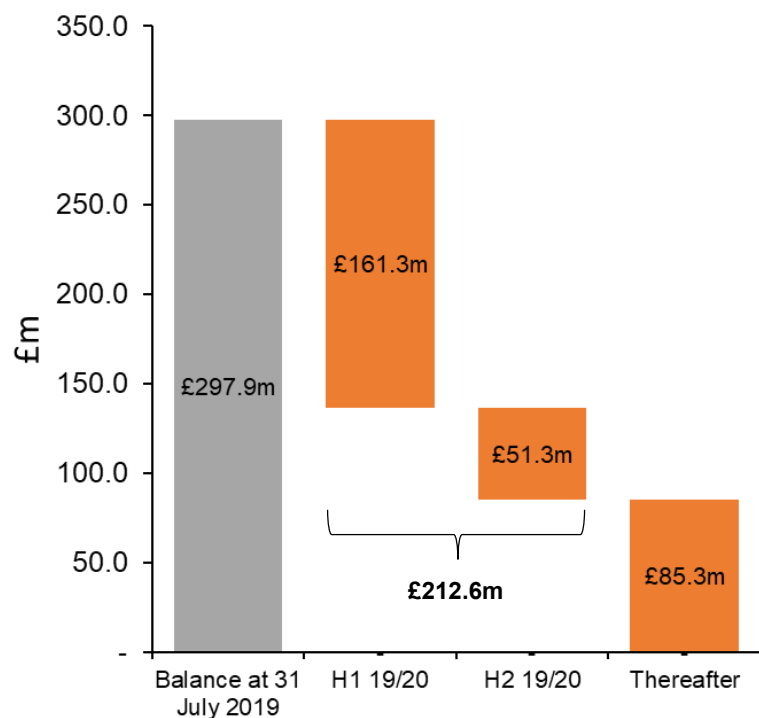
Notes



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
- £213m due for payment in 2019/20

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:** Longer term plots which are typically held under option.

Notes



Appendix 12 – Order book at 31 July



As at 31 July

	2019			2018			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
At 1 August	2,767	2,074	4,841	3,126	1,623	4,749	(11.5%)	27.8%	1.9%
Reservations	8,309	2,620	10,929	7,904	2,495	10,399	5.1%	5.0%	5.1%
Completions	(8,442)	(2,450)	(10,892)	(8,263)	(2,044)	(10,307)	2.2%	19.9%	5.7%
At 31 July	2,634	2,244	4,878	2,767	2,074	4,841	(4.8%)	8.2%	0.8%

Notes



Appendix 13 – Accounting standards



IFRS 15 'Revenue from contracts with customers'

- In previous years IFRSs allowed the sale of part-exchange units to be included within cost of sales in the income statement on a net basis.
- On 1 August 2018 the Group adopted IFRS 15 'Revenue from contracts with customers'.
- The adoption of this new IFRS required the revenue and costs associated with the sale of part-exchange units to be recognised separately below gross profit within the income statement.
- This restatement has resulted in some very minor changes to gross profit and gross margin, but no changes to operating profit, operating margin, profit after tax, net assets or RoCE.
- Throughout the results presentation the restatements are marked with '*'.

IFRS 16 'Leases'

- In previous years, in accordance with IFRSs, the asset and liability associated with an operating lease were not recorded on the balance sheet of the Group.
- On 1 August 2018 the Group adopted IFRS 16 'Leases'.
- The adoption of this new IFRS required the vast majority of operating leases to be capitalised and the associated asset and liability recognised on the balance sheet.
- As permitted by IFRS 16, the balance sheet and income statement for the comparative period have **not** been restated to reflect this change.

Notes



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