

Results Presentation



Half year ended
31 January 2020



Agenda



1. Introduction and COVID-19
2. Finance review
3. Operating review
4. Q&A
5. Appendices



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

Introduction and COVID-19



Jason Honeyman
Chief Executive



COVID-19



- Unprecedented uncertainty ➡ intend to manage business in a similar way as in 2008
- Remain flexible and will adjust as necessary as pandemic evolves
- Planning for the future ➡ provides opportunity to invest and grow again when normal times return

Notes



COVID-19 strategy



Cash conservation

In last two weeks WIP spend and labour focused on sold or part complete homes

Land spend is suspended – only £275m of land creditors at 31 January 2020

Divisional expansion suspended

Interim dividend decision postponed to later in the calendar year

Safety and support for our staff

Head office and divisional offices were closed yesterday

Sales offices closed, but contactable by phone

Building sites will be closed by noon on Friday

Supporting staff in every way we can

Notes



Current trading



Week 33 (week ended 15 March)

Reservations in line with expectations

Decline in visitor numbers

Week 34 (week ended 22 March)

Visitor numbers
Down 50-60%

Cancellation rate
c.30%

Net reservation rate
Down c.40%

Weeks ahead

Expect decline to accelerate

Cash is priority

Notes



Finance review



Keith Adey
Finance Director



Notes



Balance sheet



As at 31 January

		2020	2019	Change
Assets	Fixed assets	£35.2m	£29.6m	£5.6m
	Investments in joint arrangements	£50.5m	£46.6m	£3.9m
	Inventory	£3,581.2m	£3,423.4m	£157.8m
	Land	£2,068.3m	£2,033.0m	£35.3m
	WIP	£1,512.9m	£1,390.4m	£122.5m
	Debtors	£162.8m	£113.3m	£49.5m
	Net cash	£4.6m	-	£4.6m
Total assets		£3,834.3m	£3,612.9m	£221.4m
Liabilities	Creditors	(£520.5m)	(£598.0m)	£77.5m
	Land creditors	(£274.9m)	(£294.5m)	£19.6m
	Net bank debt	-	(£26.6m)	£26.6m
	Total liabilities	(£795.4m)	(£919.1m)	£123.7m
Capital	Net asset value	£3,038.9m	£2,693.8m	£345.1m
	Net bank debt	-	£26.6m	(£26.6m)
	Capital employed	£3,038.9m	£2,720.4m	£318.5m

- Net assets > £3bn and ungeared position at 31 January
- Land creditors on **unconditional** contracts low at £275m
- Adjusted gearing of only 9%
- Operating comfortably within bank covenants

Notes



Prioritising cash



Financing

Committed bank facilities of £545m

Good, long-term relationships with three supportive UK banks

All facilities currently fully drawn ➡ providing certainty of funding

Operations

Strong order book of £1.5bn at 8 March ➡ 62% of plots contracted

Mindful that completions could be severely delayed over coming months, yet historic obligations fall due

Controlling all land and WIP spend

Low monthly running costs of c.£15m per month (excluding land and WIP)

Cash is our priority

Notes



Shareholder returns



For the half year ended 31 January

	2020	2019
Interim dividend	Nil	50.4p

Preserve balance sheet resilience at a time when liquidity could be severely restricted throughout the wider economy

Reduced risk appetite due to COVID-19

Decision to pay interim dividend has been postponed to later in the calendar year

Group retains ability to pay dividends over the medium-term

Fundamental long-term view of the business is unchanged

Notes



Results



For the half year ended 31 January

		2020	2019	Change
Units	Homes sold	5,321	5,007	6.3%
	Average selling price	£286,570	£293,832	(2.5%)
Revenue	Housing revenue	£1,524.8m	£1,471.2m	3.6%
	Other revenue	£16.6m	£16.8m	(1.2%)
	Total revenue	£1,541.4m	£1,488.0m	3.6%
Trading	Gross profit	£356.5m 23.1%	£377.5m 25.4%	(230 bps)
	Net PX trading loss	(£2.6m)	(£2.9m)	10.3%
	Operating profit	£297.2m 19.3%	£319.8m 21.5%	(220 bps)
Earnings	Profit before taxation	£291.8m	£313.9m	(7.0%)
	Earnings per share	194.4p	207.5p	(6.3%)

Notes



Housing revenue

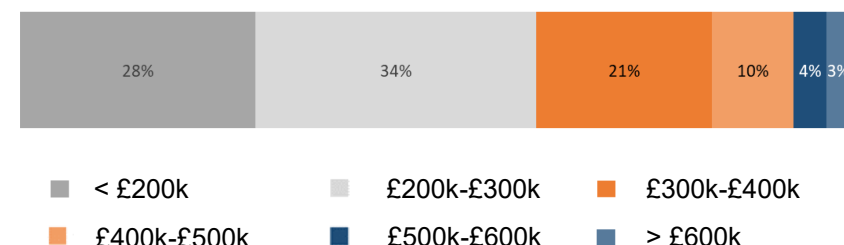


For the half year ended 31 January

	2020		2019	
	Units	ASP	Units	ASP
Private	4,077	£326.8k	3,928	£333.9k
Social	1,244	£154.7k	1,079	£147.8k
Bellway completions	5,321	£286.6k	5,007	£293.8k
Share of JVs	14	£170.4k	25	£229.3k
Total completions	5,335	£286.3k	5,032	£293.5k

- Ashberry > 5% of completions ➡ aids RoCE
- Help to Buy used in 33% of completions, but only 10% in Scotland
- Underlying ASP excluding 9 Elms rose by 2% to £285k

ASP of Bellway completions



Notes



Geographic analysis



For the half year ended 31 January

UK

	2020		2019	
	Units	ASP	Units	ASP
North	2,631	£256.1k	2,442	£239.8k
South	2,690	£316.3k	2,565	£345.3k
Total	5,321	£286.6k	5,007	£293.8k

- c.50:50 split of completions between north and south
- Strongest performing divisions are those offering affordably priced homes irrespective of geography

London

	2020		2019	
	Units	ASP	Units	ASP
London	321	£428.4k	506	£503.0k

- 6% of completions
- Demand is strongest in more affordable outer zones
- 20 completions at Nine Elms (2019 – 125) at ASP of £761k (2019 – £829k)

Notes



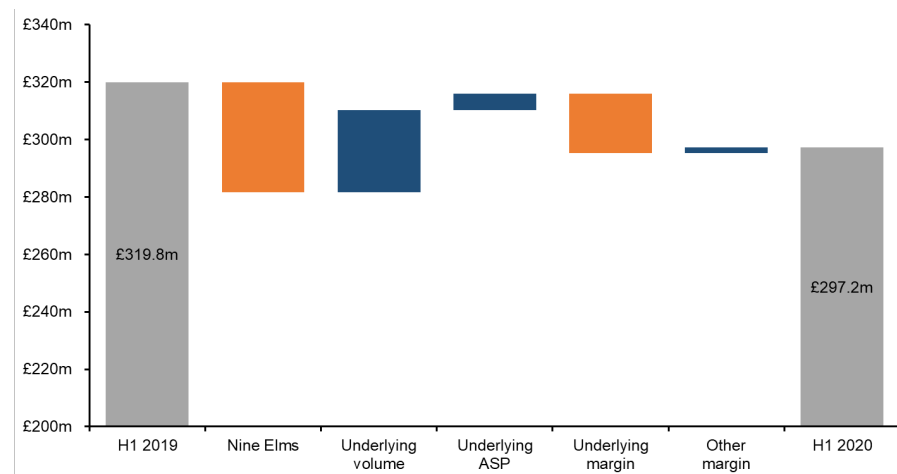
Operating performance



For the half year ended 31 January

	2020	2019	Change
Gross profit	£356.5m 23.1%	£377.5m 25.4%	(£21.0m) (230 bps)
Net PX trading loss	(£2.6m) (0.1%)	(£2.9m) (0.2%)	£0.3m 10 bps
Admin. expenses	(£56.7m) (3.7%)	(£54.8m) (3.7%)	(£1.9m) - bps
Operating profit	£297.2m 19.3%	£319.8m 21.5%	(£22.6m) (220 bps)

Operating profit bridge



Notes



Owned and controlled land bank [^]



As at 31 January

	2020			2019		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
Land with DPP						
Brought forward 1 August	26,421	£1,630.6m	£61.7k	26,877	£1,679.0m	£62.5k
Net purchases	4,177	£232.1m	£55.6k	5,691	£338.5m	£59.5k
Sold	(5,321)	(£306.8m)	£57.7k	(5,007)	(£312.4m)	£62.4k
Carried forward 31 January	25,277	£1,555.9m	£61.6k	27,561	£1,705.1m	£61.9k
Pipeline	18,800	£512.4m		14,700	£327.9m	
Bellway owned and controlled plots	44,077	£2,068.3m		42,261	£2,033.0m	
Land with DPP - JVs	258			203		
Total owned and controlled plots	44,335			42,464		

[^] See appendix 11 for definitions.

ASP of additions is c.£275k ➡ less reliance on Help to Buy

Notes



Overall land bank [^]



As at 31 January

	2020	2019
Total owned and controlled plots	44,335	42,464
Positive planning status	8,300	8,100
Longer term interests	17,400	13,300
Strategic plots	25,700	21,400
Overall land bank plots	70,035	63,864

- 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
- A solid platform with access to over 70,000 plots

[^] See appendix 11 for definitions.

Notes



Work in progress

Bellway

As at 31 January

	2020	2019	Change
Site construction	£1,333.2m	£1,236.1m	£97.1m
Showhomes	£126.9m	£112.4m	£14.5m
Part-exchange stock	£52.8m	£41.9m	£10.9m
Total WIP	£1,512.9m	£1,390.4m	£122.5m

- Investment in WIP helps maintain a quality product
- PX closely monitored – marginally up on the £49.5m reported at July 2019



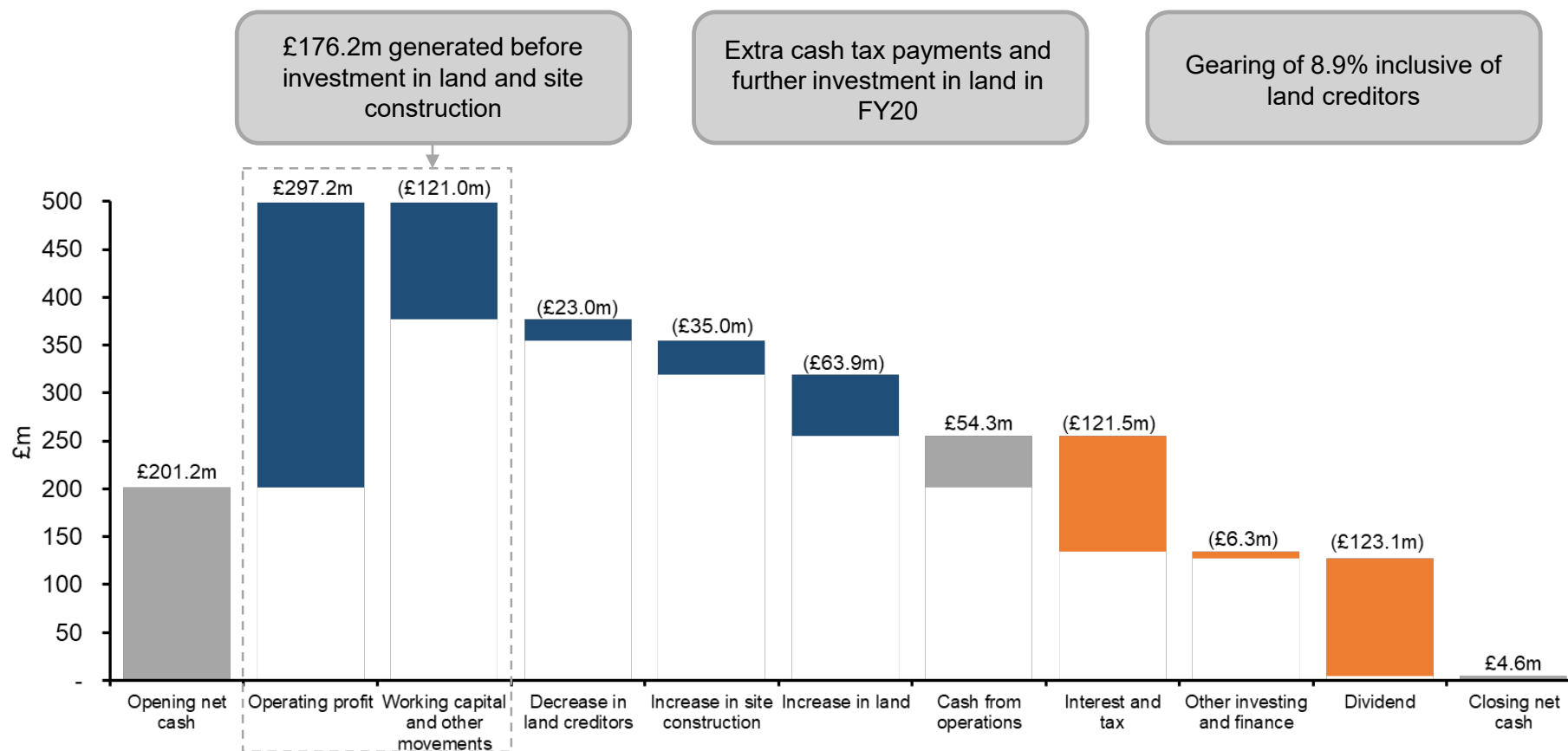
Notes



Cash generation



For the half year ended 31 January



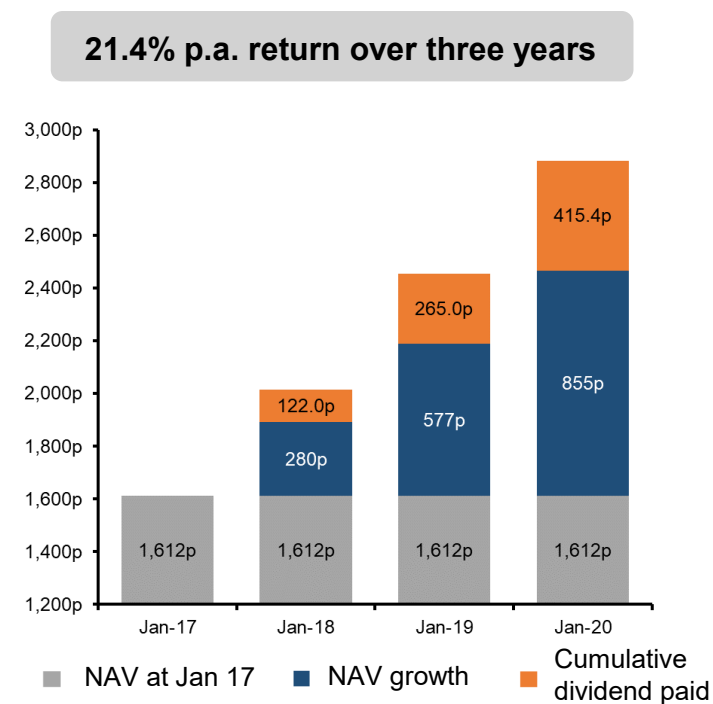
Notes



Good capital disciplines



RoCE 19.9% 2019: 24.2% (430 bps)	RoE 16.1% 2019: 19.4% (330 bps)
Adjusted RoCE 18.2% 2019: 21.5% (330 bps)	NAV 2,467p 2019: 2,189p +12.7%



Notes



Financial summary



- Lowly geared balance sheet provides flexibility with resilience and strength
- Focused on preserving cash during this current period of global uncertainty
- Good overall performance in H1
- Business is in good health, and beyond COVID-19, the underlying industry fundamentals remain strong



Notes



Operating review



Jason Honeyman
Chief Executive



Notes



Land



Contracted plots and sites

	2020	2019	Change
Contracted plots	7,005	5,980	1,025

	2020	2019	Change
North	24	24	-
South	17	21	(4)
Total contracted sites	41	45	(4)

- Buying some larger sites provides an opportunity for two outlets
- Land market was competitive for sites within Help to Buy time limits
- Average intake margin was 23%
- For the foreseeable future land acquisitions will be paused in response to COVID-19

Notes



Driving down costs



Cost inflation c.3% p.a.	New building regulations will add cost pressures
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	The Artisan Collection			
	c.300 forecast completions in FY20	13,000 plots currently in planning	c.2,200 completions forecast in FY21	c.3,800 completions forecast in FY22
	Cost savings of £2k per plot			

 wide ranging cost saving initiatives	 in 18 divisions will provide better benchmarking
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Notes



Sustainable approach

- First step in delivering 'Future Homes Standard' housing
- Standards to improve energy efficiency and encourage low carbon heating
- Expect increased costs of c.£3-4k per plot



Notes



Appointing the right people



- Bellway Academy will aid training for site managers, apprentices, young people and our health and safety team

- 38 graduates appointed
- Target of 50 female site managers and assistant site managers



Notes



Strengthening the brand



New 'Customer First' approach		
Service before	Legal completion	Service after

Notes



Trading review



Weekly reservation rate ~

	2020	2019	Change
Private	151	136	11.0%
Social	43	47	(8.5%)
Total	194	183	6.0%

Average outlets ~

	2020	2019	Change
Average outlets	274	262	4.6%

HPI flat in H1

Green shoots in 2020

Risk from COVID-19

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

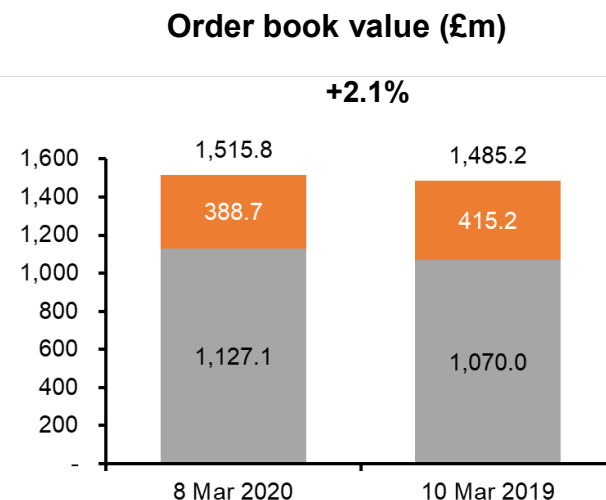
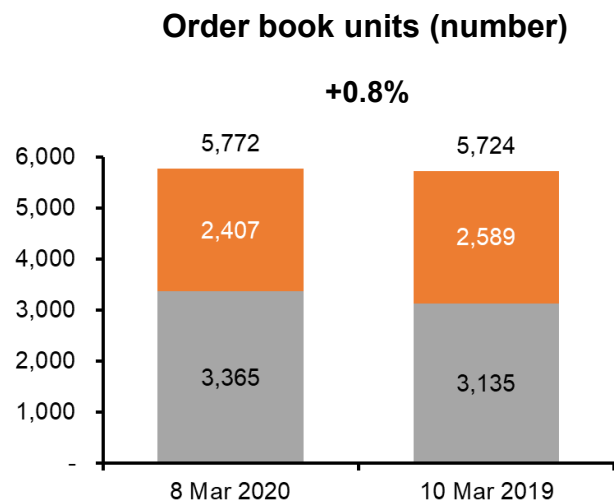
Notes



Current trading and order book



Order book at 8 March 2020 (2019: 10 March)



■ Private

■ Social

Reservations up 7.3% in six weeks since 1 February to 278 p.w.

Order book is in addition to greater number of completions in the year to date

Notes



Outlook



- Rapidly changing environment makes it impossible to predict outcome of FY20
- High quality and strong balance sheet
- Focus on maintaining a robust and resilient balance sheet to manage a period of disruption

Notes



Q&A

Bellway

The Oaks Kings Norton



Notes



Appendices

1. Income statement
2. Net finance expense
3. Geographic analysis
4. ASP per square foot
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 January



Notes



Appendix 1 - Income statement



For the half year ended 31 January

	2020		2019		Change
Homes sold	5,321		5,007		6.3%
Average selling price	£286,570		£293,832		(2.5%)
Housing revenue	£1,524.8m		£1,471.2m		3.6%
Other revenue	£16.6m		£16.8m		(1.2%)
Total revenue	£1,541.4m		£1,488.0m		3.6%
Gross profit	£356.5m	23.1%	£377.5m	25.4%	(230 bps)
Net PX trading loss	(£2.6m)	(0.1%)	(£2.9m)	(0.2%)	10 bps
Administrative expenses	(£56.7m)	(3.7%)	(£54.8m)	(3.7%)	- bps
Operating profit	£297.2m	19.3%	£319.8m	21.5%	(220 bps)
Net finance expense	(£5.9m)		(£7.3m)		(19.2%)
Share of JV result	£0.5m		£1.4m		(64.3%)
Profit before taxation	£291.8m		£313.9m		(7.0%)
Taxation expense	(£52.5m)	18.0%	(£58.8m)	18.7%	(10.7%)
Profit after taxation	£239.3m		£255.1m		(6.2%)
Earnings per share	194.4p		207.5p		(6.3%)

Notes



Appendix 2 – Net finance expense



For the half year ended 31 January

	2020	2019	Change
Net bank interest payable including fees	£2.0m	£3.2m	(37.5%)
Non-bank interest:	£3.9m	£4.1m	(4.9%)
Made up of:-			
Land creditors / debtors – IFRS 9	£3.6m	£4.0m	(10.0%)
Lease liabilities – IFRS 16	£0.3m	£0.2m	50.0%
Other interest receivable	-	(£0.1m)	(100.0%)
Total	£5.9m	£7.3m	(19.2%)

Notes



Appendix 3 – Geographic analysis



For the half year ended 31 January

Homes sold (No.)

	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	2,253	378	2,631	2,097	345	2,442	7.4%	9.6%	7.7%
South	1,824	866	2,690	1,831	734	2,565	(0.4%)	18.0%	4.9%
Group	4,077	1,244	5,321	3,928	1,079	5,007	3.8%	15.3%	6.3%
London	227	94	321	408	98	506	(44.4%)	(4.1%)	(36.6%)

Average selling price (£000)

	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	280.3	112.0	256.1	260.8	112.2	239.8	7.5%	(0.2%)	6.8%
South	384.3	173.3	316.3	417.8	164.5	345.3	(8.0%)	5.3%	(8.4%)
Group	326.8	154.7	286.6	333.9	147.8	293.8	(2.1%)	4.7%	(2.5%)
London	497.4	261.8	428.4	568.1	231.6	503.0	(12.4%)	13.0%	(14.8%)

Notes



Appendix 4 – ASP per square foot



For the half year ended 31 January

	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	234	142	225	229	144	221	2.2%	(1.4%)	1.8%
South - made up of:-	369	195	319	402	210	357	(8.2%)	(7.1%)	(10.6%)
London	557	298	482	750	297	661	(25.7%)	0.3%	(27.1%)
Non-London	346	183	299	334	197	301	3.6%	(7.1%)	(0.7%)
Group average	290	180	269	306	189	286	(5.2%)	(4.8%)	(5.9%)

Notes

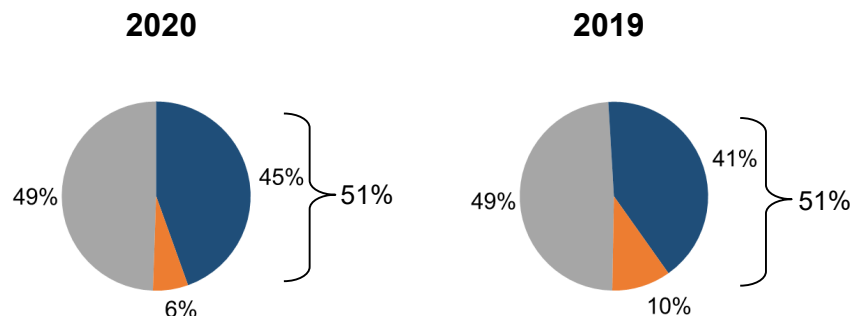


Appendix 5 – Housing revenue

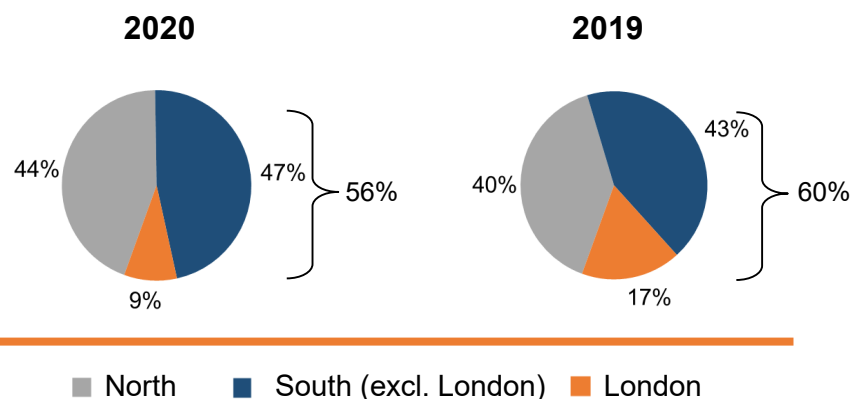


For the half year ended 31 January

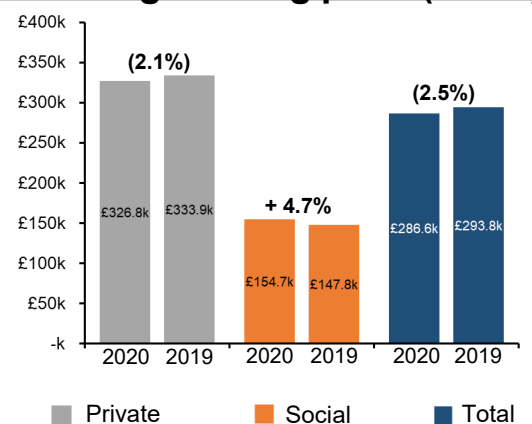
Completion analysis



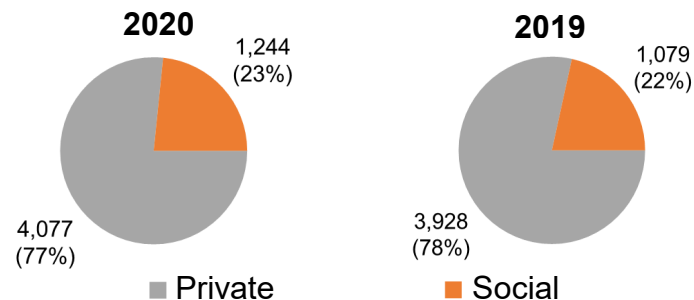
Revenue analysis



Average selling price ('ASP')



Homes sold



Notes

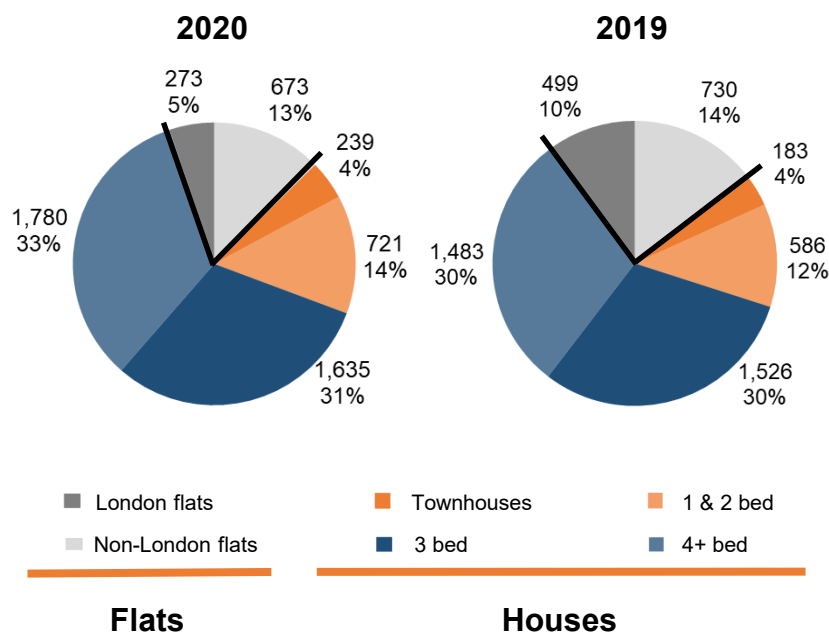


Appendix 6 – Product analysis

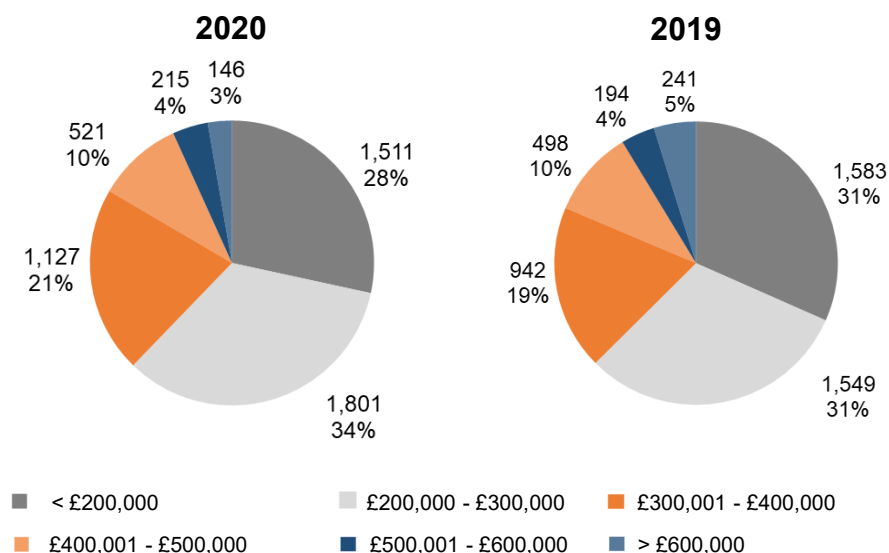


For the half year ended 31 January

Product mix analysis



Selling price analysis



Less than 3% of completions above £600,000

Notes

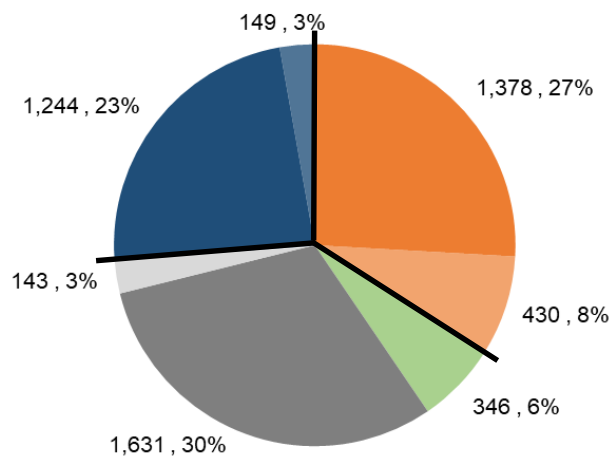


Appendix 7 – Completion analysis

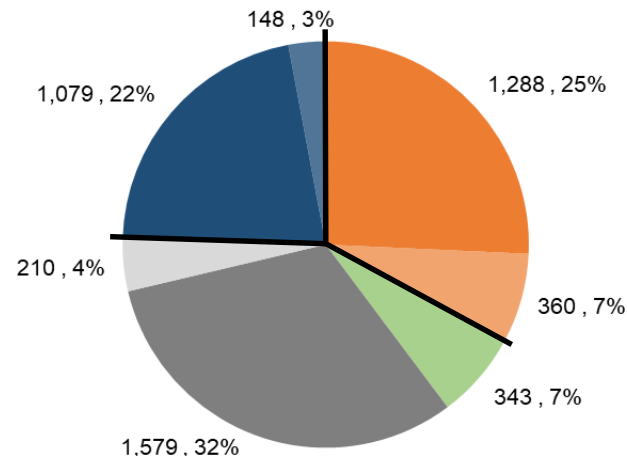


For the half year ended 31 January

2020



2019



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

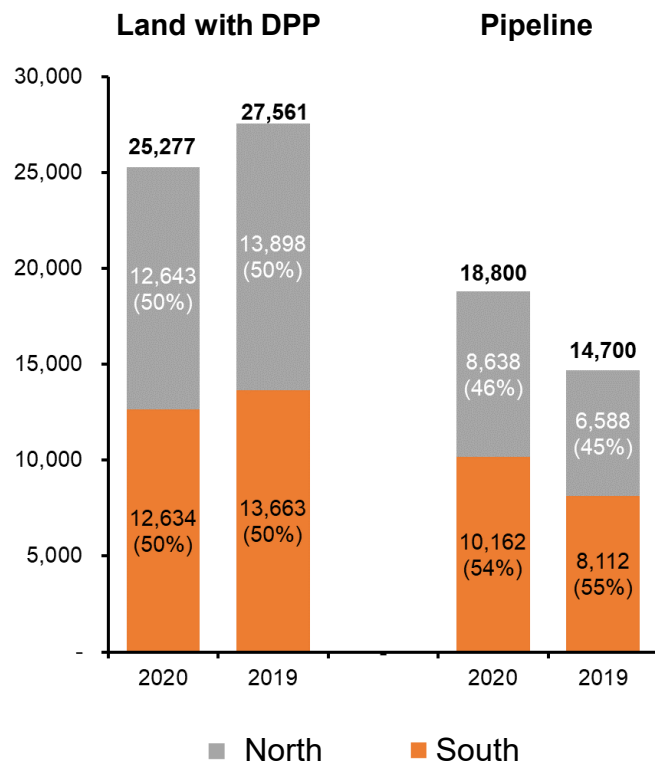
- Housing Association
- Investor

Notes

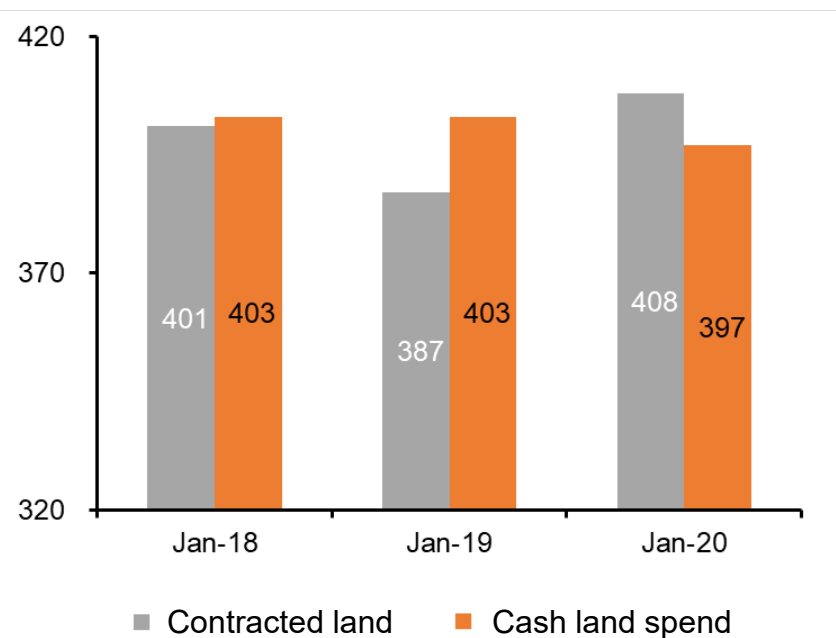


Appendix 8 – Land supply

Owned and controlled land (plots)



Land spend and contracted land (£m)



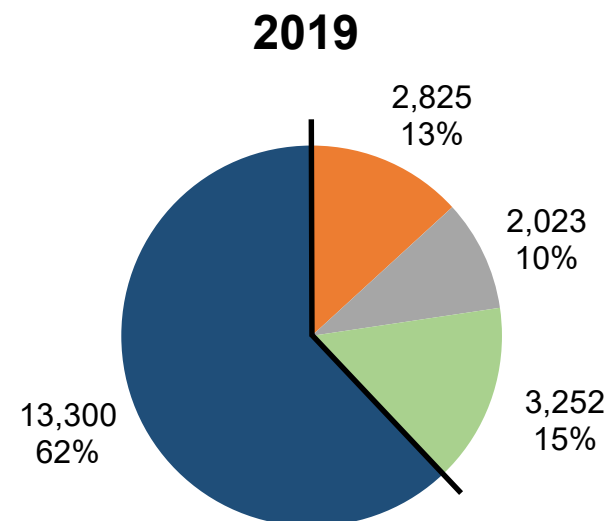
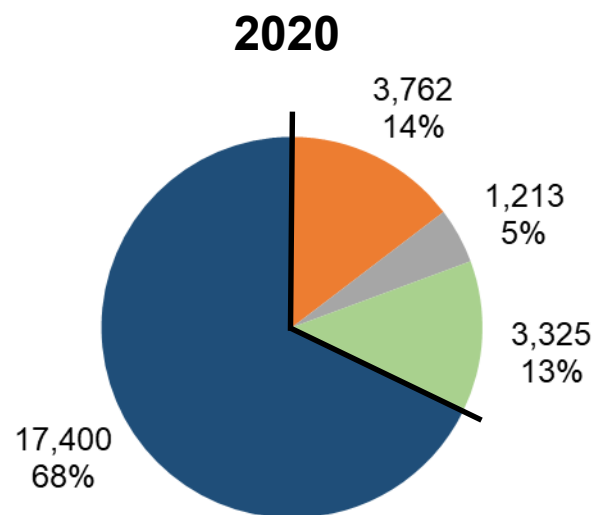
Notes



Appendix 9 – Strategic land



As at 31 January



Positive planning status

- Allocated
- Application
- Both

Longer term interests

- Longer term interests

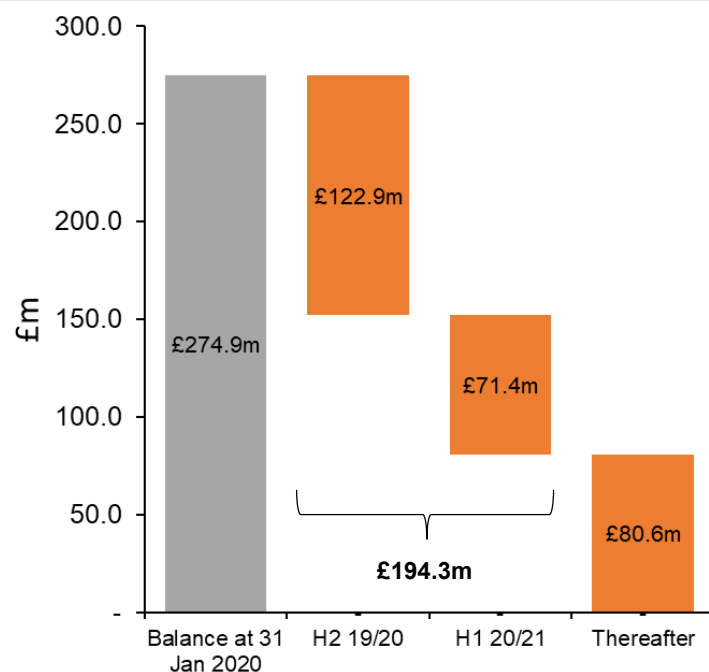
Notes



Appendix 10 – Land creditors

As at 31 January

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
- £194.3m due for payment in next 12 months

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 January



	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
At 1 August	2,634	2,244	4,878	2,767	2,074	4,841	(4.8%)	8.2%	0.8%
Reservations	3,916	1,125	5,041	3,536	1,217	4,753	10.7%	(7.6%)	6.1%
Completions	(4,077)	(1,244)	(5,321)	(3,928)	(1,079)	(5,007)	3.8%	15.3%	6.3%
At 31 January	2,473	2,125	4,598	2,375	2,212	4,587	4.1%	(3.9%)	0.2%

Notes



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Bellway