

# Results Presentation

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**Year ended**  
31 July 2020



# Agenda

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1. Introduction
2. Finance review
3. Operating review
4. Q&A
5. Appendices



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



# Introduction

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**Jason Honeyman**  
Chief Executive



# COVID-19

- Strong sales due to pent up demand during lockdown and SDLT holiday.
- All construction sites open with strict social distancing.
- Sales offices open by appointment only and demand is strong.
- Colleagues working from home or offices on a rotational basis.



Safety comes first



# Notes

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# Recovery

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## Significant capacity for growth

Short-term economic challenges, but strong medium-term prospects for housing.

Divisional structure in place to recover and grow with excellent geographical spread.

## Short-term priorities

Volume growth of around 20%.

Margin recovery.



# Notes

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# Summary

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<b>Operational strength</b>	Record order book, strong sales rate and robust WIP.
<b>Robust balance sheet</b>	Capacity to invest in land.
<b>Improving productivity</b>	Monthly improvements with some housing sites approaching pre-lockdown levels.
<b>Ongoing cash returns</b>	Dividend resumed for FY20.



# Notes

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# Finance review

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**Keith Adey**  
Finance Director





# Notes

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# Financial performance



For the year ended 31 July

		2020			2019	Change	
		Pre-exceptional	Exceptional items	Total		Pre-exceptional	Post-exceptional
Revenue	Housing revenue	£2,204.4m	-	£2,204.4m	£3,180.1m	(30.7%)	(30.7%)
	Other revenue	£21.0m	-	£21.0m	£33.1m	(36.6%)	(36.6%)
	<b>Total revenue</b>	<b>£2,225.4m</b>	<b>-</b>	<b>£2,225.4m</b>	<b>£3,213.2m</b>	<b>(30.7%)</b>	<b>(30.7%)</b>
Trading	Gross profit	£422.2m	(£71.9m)	£350.3m	£790.2m	(46.6%)	(55.7%)
	Gross margin	19.0%		15.7%	24.6%	(560 bps)	(890 bps)
	<b>Operating profit</b>	<b>£321.7m</b>	<b>(£72.6m)</b>	<b>£249.1m</b>	<b>£674.9m</b>	<b>(52.3%)</b>	<b>(63.1%)</b>
	Operating margin	14.5%		11.2%	21.0%	(650 bps)	(980 bps)
Earnings	Profit before taxation	£309.3m	(£72.6m)	£236.7m	£662.6m	(53.3%)	(64.3%)
	<b>Earnings per share</b>	<b>204.3p</b>	<b>(47.7p)</b>	<b>156.6p</b>	<b>437.8p</b>	<b>(53.3%)</b>	<b>(64.2%)</b>
RoCE	<b>RoCE</b>	<b>10.8%</b>		<b>8.3%</b>	<b>24.7%</b>	<b>(1390 bps)</b>	<b>(1640 bps)</b>
	RoCE incl. land creditors	9.8%		7.6%	22.1%	(1230 bps)	(1450 bps)



# Notes

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# Housing revenue



For the year ended 31 July

	2020		2019	
	Units	ASP	Units	ASP
Private	5,851	£332.9k	8,442	£333.5k
Social	1,671	£153.4k	2,450	£148.8k
<b>Bellway completions</b>	<b>7,522</b>	<b>£293.1k</b>	<b>10,892</b>	<b>£292.0k</b>
Share of JVs	21	£204.6k	41	£217.1k
<b>Total completions</b>	<b>7,543</b>	<b>£292.8k</b>	<b>10,933</b>	<b>£291.7k</b>

- Prior to lockdown, completions were 7% ahead of prior year.
- Social proportion likely to be similar in FY21.
- Pricing firm, but some downward pressure for homes approaching £600k Help to Buy threshold.
- Expect ASP of c.£290k in FY21, then a modest reduction as Help to Buy rules change.

# Notes

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# Geographic and brand analysis



For the year ended 31 July

	2020		2019	
	Units	ASP	Units	ASP
North	3,708	£257.7k	5,200	£240.1k
South	3,814	£327.4k	5,692	£339.4k
<b>Total</b>	<b>7,522</b>	<b>£293.1k</b>	<b>10,892</b>	<b>£292.0k</b>

## Including

	2020		2019	
	Units	ASP	Units	ASP
London	466	£449.5k	1,010	£499.6k
Ashberry	429	£284.9k	564	£263.7k

- National approach reduces exposure to localised market volatility.
- Strong performance in divisions such as Manchester, Northern Home Counties and Essex due to focus on affordable ASP.
- London investment focussed on affordable outer commuter zones.
- FY19 included 214 apartments at Nine Elms at ASP of £820k.
- Ashberry performing well and improves RoCE on larger sites.



# Notes

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# Exceptional items



For the year ended 31 July

	2020
Non-productive site costs	£14.5m
Aborted land contracts	£9.9m
Workforce rationalisation	£1.4m
<b>COVID-19 exceptional expense</b>	<b>£25.8m</b>
Legacy building safety	£46.8m
<b>Total exceptional expense</b>	<b>£72.6m</b>

Site running costs incurred during lockdown that cannot be capitalised.

Expected returns are not commensurate with capital outlay.

Structure still in place to recover and grow.

To help building owners remediate legacy apartment schemes.

# Notes

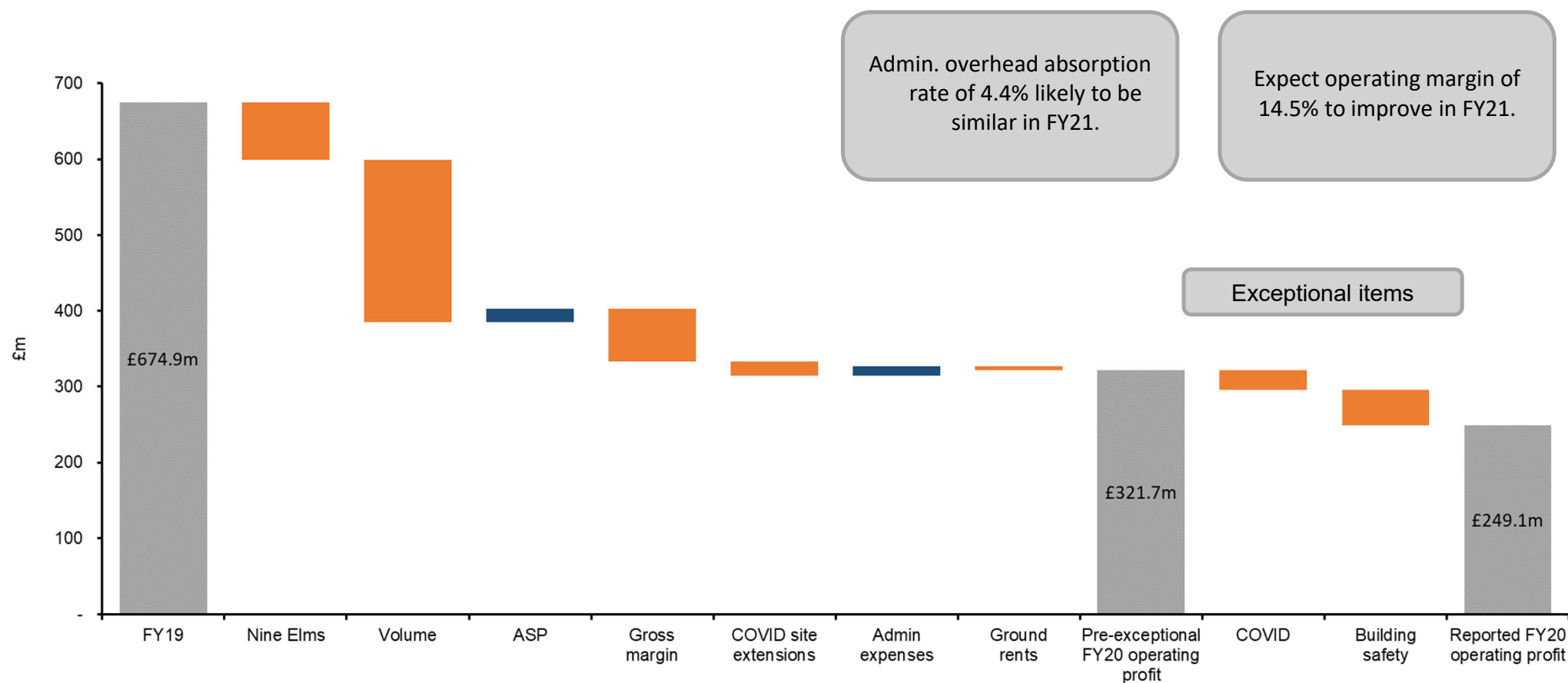
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# Operating performance



For the year ended 31 July





# Notes

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# Balance sheet



As at 31 July

		2020	2019	Change
Assets	Fixed assets	£36.7m	£29.8m	£6.9m
	Investments in joint arrangements	£60.8m	£49.9m	£10.9m
	Inventory	£3,863.0m	£3,477.6m	£385.4m
	Land	£2,216.2m	£2,004.4m	£211.8m
	WIP	£1,646.8m	£1,473.2m	£173.6m
	Debtors	£71.7m	£131.4m	(£59.7m)
	Net cash	£1.4m	£201.2m	(£199.8m)
Total assets		£4,033.6m	£3,889.9m	£143.7m
Liabilities	Creditors	(£696.0m)	(£670.8m)	(£25.2m)
	Land creditors	(£343.6m)	(£297.9m)	(£45.7m)
	Total liabilities	(£1,039.6m)	(£968.7m)	(£70.9m)
NAV	Net assets	£2,994.0m	£2,921.2m	£72.8m
	NAV per share	2,427p	2,372p	2.3%

- Clear, robust and transparent.
- Asset backed business.
- Strong order book is convertible into cash in the short-term.
- Land creditors are low with only £227m due this financial year.

# Notes

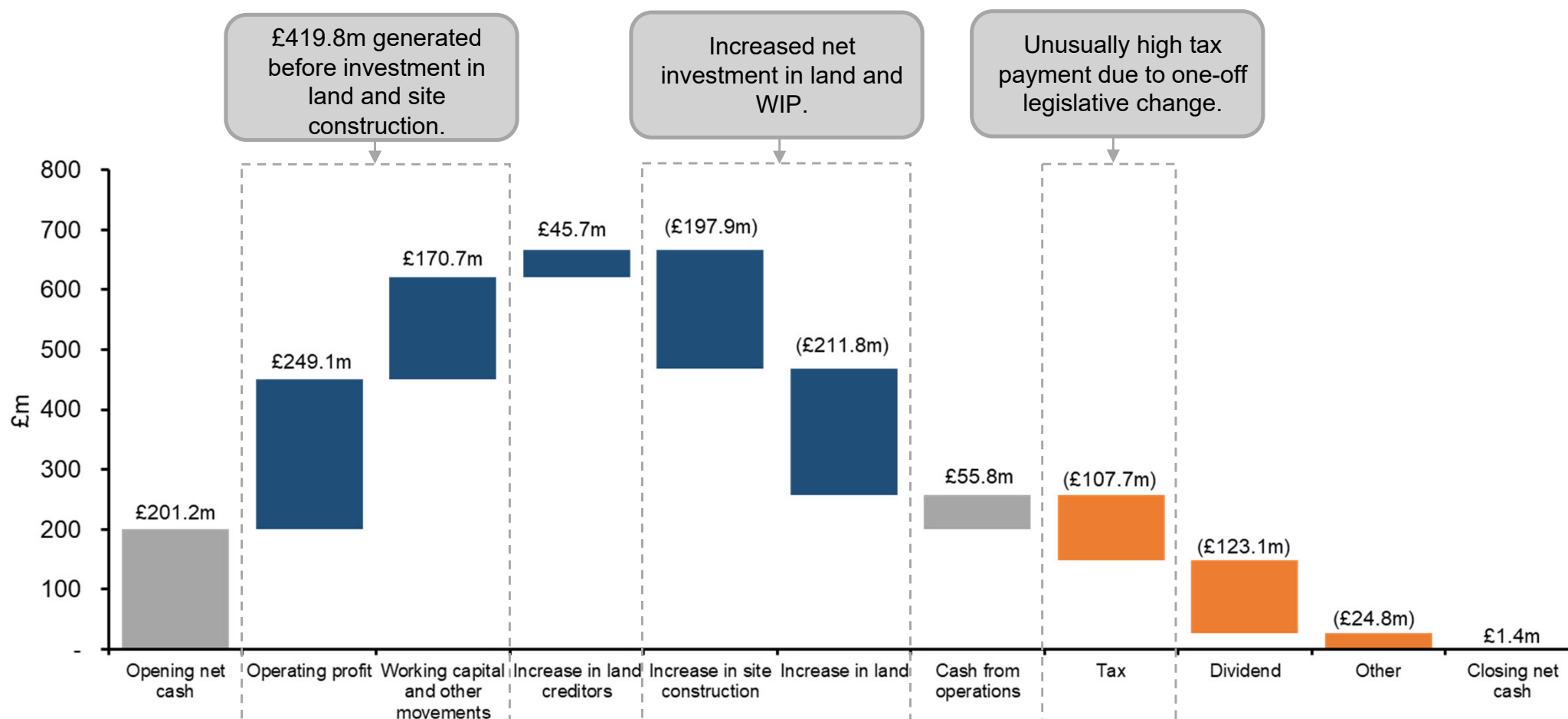
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# A solid financing structure



For the year ended 31 July





# Notes

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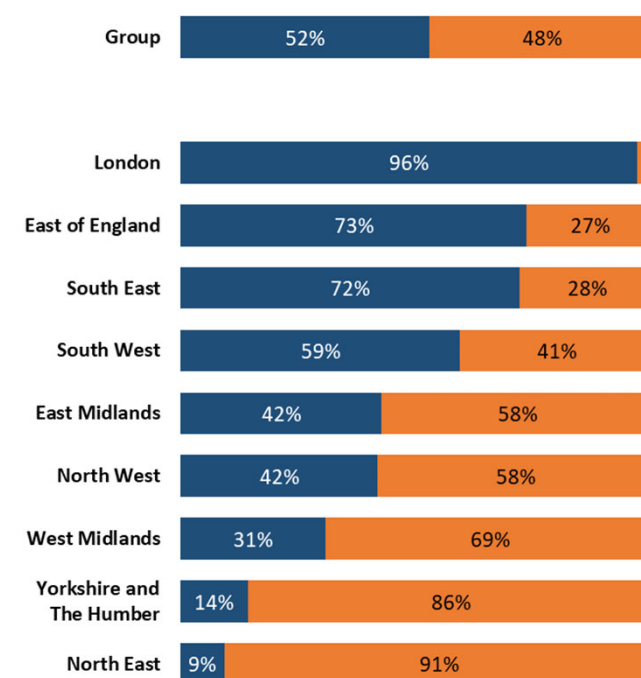
# Land with detailed planning permission <sup>1</sup>



As at 31 July

	2020			2019		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
At 1 August	26,421	£1,630.6m	£61.7k	26,877	£1,679.0m	£62.5k
Net purchases	9,390	£564.4m	£60.1k	10,436	£622.8m	£59.7k
Sold	(7,522)	(£451.7m)	£60.1k	(10,892)	(£671.2m)	£61.6k
At 31 July	28,289	£1,743.3m	£61.6k	26,421	£1,630.6m	£61.7k

## Land with DPP vs. new HtB price caps <sup>2</sup>



<sup>1</sup> See appendix 12 for definitions.

<sup>2</sup> Private land bank in England at 31 July 2020 that is expected to legally complete after 31 March 2021.

# Notes

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# Overall land bank <sup>1</sup>



As at 31 July

	2020	2019
Land with DPP	28,289	26,421
Pipeline	16,300	16,300
<b>Bellway owned and controlled plots</b>	<b>44,589</b>	<b>42,721</b>
Land with DPP – JVs	251	272
<b>Total owned and controlled plots</b>	<b>44,840</b>	<b>42,993</b>
Strategic plots	27,300	25,600
<b>Overall land bank plots</b>	<b>72,140</b>	<b>68,593</b>

- Total amount invested in land has increased to £2.2bn.
- A solid platform with access to over 72,000 plots.
- All land in place with DPP to meet this year's forecast.
- Substantial resources to target further opportunities in the land market.

<sup>1</sup> See appendix 12 for definitions.

# Notes

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# Work in progress



As at 31 July

	2020	2019	Change
Site construction	£1,496.1m	£1,298.2m	£197.9m
Showhomes	£124.6m	£125.5m	(£0.9m)
Part-exchange stock	£26.1m	£49.5m	(£23.4m)
<b>Total WIP</b>	<b>£1,646.8m</b>	<b>£1,473.2m</b>	<b>£173.6m</b>

- Strong order book approaching £1.9bn at 4 October.
- On track to deliver a solid H1 in the year ahead.
- PX strictly controlled and second-hand market is strong.

# Notes

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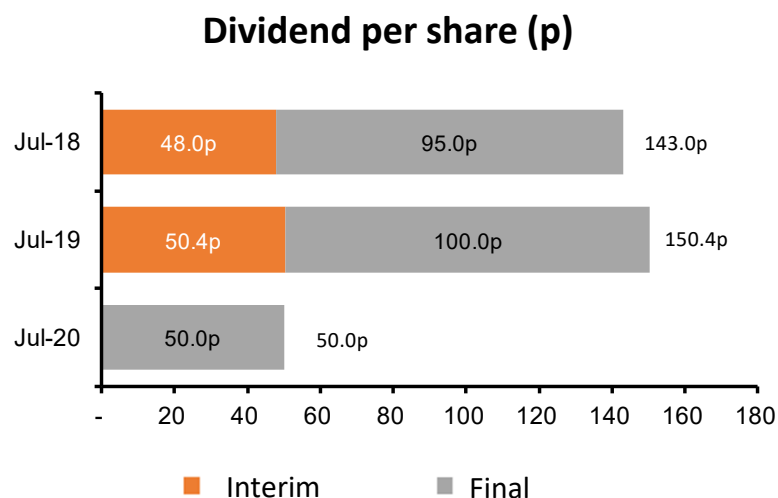


# Dividend



	2020	2019	Change
Interim dividend	nil	50.4p	(100.0%)
Proposed final dividend	50.0p	100.0p	(50.0%)
<b>Total dividend</b>	<b>50.0p</b>	<b>150.4p</b>	<b>(66.8%)</b>

- Interim dividend prudently cancelled.
- Strong liquidity and resilience to deal with second lockdown.
- No restrictions on capital.
- Unbroken dividend record.
- Expect to increase dividend, over time, commensurate with recovery in earnings.



# Notes

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# Financial summary



- Resilient financial performance given unprecedented circumstances.
- Ungearred balance sheet providing strength, flexibility and capacity for investment.
- Asset backed balance sheet and strong order book affords good liquidity.
- Expect to increase dividend, over time, commensurate with recovery in earnings.
- Industry fundamentals remain strong.



# Notes

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# Operating review

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**Jason Honeyman**  
Chief Executive





# Notes

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# Trading review



## Weekly reservation rate ~

	2020	2019	Change
Pre-lockdown <sup>(1)</sup>	211	201	5.0%
Lockdown and site re-openings <sup>(2)</sup>	100	230	(56.5%)
Post-lockdown <sup>(3)</sup>	165	220	(25.0%)
<b>Total</b>	<b>178</b>	<b>210</b>	<b>(15.2%)</b>

## Average outlets ~

	2020	2019	Change
Average outlets	275	268	2.6%

<sup>(1)</sup> Pre-lockdown is 34 weeks from 1 August 2019 to 22 March 2020.

<sup>(2)</sup> Lockdown and site re-openings period of 14 weeks from 23 March 2020 to 28 June 2020.

<sup>(3)</sup> Post-lockdown is 4 weeks from 29 June 2020 to 31 July 2020.

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

Positive trading until lockdown on 23 March.

Modest sales during lockdown supported by phone and website.

Encouraging recovery as sites re-opened and SDLT holiday introduced.

Prices firm throughout the year.

Pressure on lenders, surveyors and Help to Buy agents leading to delays.

Absence of higher LTV mortgages increasing reliance on Help to Buy.

# Notes

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# Land



## Contracted plots and sites

	2020	2019	Change
Contracted plots	11,921	13,113	(1,192)

	2020	2019	Change
North	33	45	(12)
South	35	48	(13)
Total contracted sites	68	93	(25)

- Sites bought in the year may be subject to extended preliminary costs.
- Cash preservation initially took priority after lockdown.
- Contracted 14 sites since lockdown with COVID clause or better margins.
- Land prices are stable.
- Intention to be 'front footed'.
- Good opportunities are available.
- Intend to increase outlets across the Group.

# Notes

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# Productivity



<b>Initial re-opening</b>	Phased re-opening of sites from 4 May.	Focus on finishing trades to convert WIP into cash and to train staff in COVID safe procedures.	
<b>Today</b>	Some housing sites approaching pre-lockdown productivity.	Restrictions include access, supply chain, service delays and positive COVID tests.	Overall productivity around 90% of pre-lockdown levels.
	Some sales delays.	Possible temporary site closures.	Expect improvement in new calendar year.
<b>Help to Buy and SDLT changes in March 2021</b>	Unprecedented industrywide completions expected in March 2021.	Expect pressure on mortgage approvals and supply chain.	

# Notes

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# Construction costs



Cost environment	Artisan	Back to Basics
Cost inflation is currently negligible for labour and materials.	Artisan standard house type is enabling us to be more efficient.	Site layout reviews.
		Site based margin improvement plans.
Cost pressures from extending site preliminary costs and new Building Regulations.		Plotted on 21,000 plots across 164 developments.
		Groundwork reviews.

# Notes

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# Appointing the right people



**BELLWAY**  
ACADEMY

Continue to recruit and develop young and diverse talent with 258 apprentices, graduates and trainees.

Plan to recruit a further 40 graduates in September 2021.

Bellway Academy is now built with training courses planned for the next calendar year.

# Notes

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# Customer First



- Commitment to quality and service remained unchanged during lockdown.
- Five-star homebuilder for fourth consecutive year.

## 'Customer First' approach

Investment in IT.

Improved communication and response times.

Customer at the heart of our culture.

# Notes

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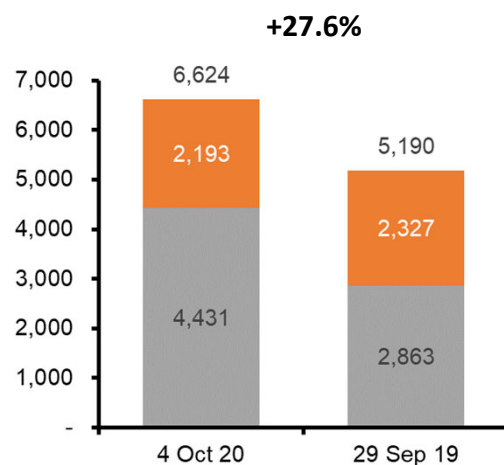


# Current trading and order book



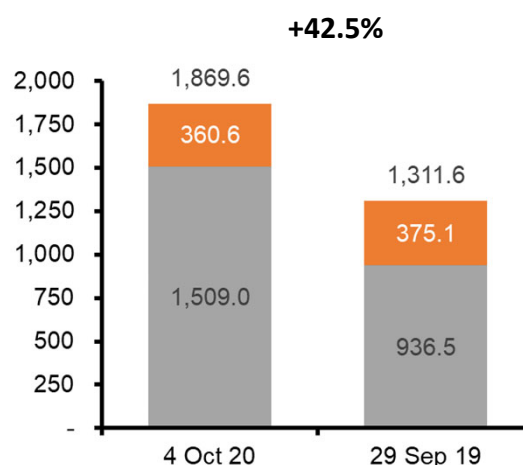
## Order book at 4 Oct 2020 (2019: 29 Sept)

Order book units (number)



■ Private

Order book value (£m)



■ Social

- Record start to the year, but sales rates are beginning to normalise.
- Overall, sales up 30.6% in first nine weeks to 239 per week (2019: 183).
- Started FY21 with 276 sites (2020: 271).
- Record order book of almost £1.9bn.
- Reassuring that customers are reserving beyond March 2021.



# Notes

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# Outlook and summary



**Housebuilders are key to driving economic growth**

<b>Track record</b>	Ten consecutive years of growth.
<b>Volume growth</b>	Around 9,000 homes this year with around 5,000 in H1.
<b>Operations</b>	Focus on margin and customer service.
<b>Balance sheet strength</b>	Capacity to invest in land.
<b>Cash returns</b>	Only volume housebuilder to pay a dividend for 11 consecutive years.

# Notes

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# Q&A

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## The Oaks Kings Norton



# Notes

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# Appendices

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1. Income statement
2. Net finance expense
3. Housing revenue
4. ASP per square foot
5. Geographic split
6. Product analysis
7. Buyer analysis
8. Order book at 31 July
9. Land supply
10. Strategic land
11. Land creditors
12. Land bank glossary



# Notes

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# Appendix 1 - Income statement



For the year ended 31 July

	2020			2019		Change
	Pre-exceptional	Exceptional items	Total			
Homes sold	7,522	-	7,522	10,892		(30.9%)
Average selling price	£293,054	-	£293,054	£291,968		0.4%
Housing revenue	£2,204.4m	-	£2,204.4m	£3,180.1m		(30.7%)
Other revenue	£21.0m	-	£21.0m	£33.1m		(36.6%)
<b>Total revenue</b>	<b>£2,225.4m</b>	-	<b>£2,225.4m</b>	<b>£3,213.2m</b>		<b>(30.7%)</b>
<b>Gross profit</b>	<b>£422.2m</b>	19.0%	<b>(£71.9m)</b>	<b>£790.2m</b>	24.6%	<b>(560 bps)*</b>
Net PX trading loss	(£3.1m)	(0.1%)	(£3.1m)	(£5.6m)	(0.2%)	10 bps
Administrative expenses	(£97.4)	(4.4%)	(£0.7m)	(£109.7m)	(3.4%)	(100 bps)*
<b>Operating profit</b>	<b>£321.7m</b>	14.5%	<b>(£72.6m)</b>	<b>£674.9m</b>	21.0%	<b>(650 bps)*</b>
Net finance expense	(£13.4m)	-	(£13.4m)	(£14.4m)		(6.9%)
Share of JV result	£1.0m	-	£1.0m	£2.1m		(52.4%)
<b>Profit before taxation</b>	<b>£309.3m</b>		<b>(£72.6m)</b>	<b>£662.6m</b>		<b>(64.3%)</b>
Taxation expense	(£57.6m)		£13.8m	(£124.0m)		(64.7%)
<b>Profit after taxation</b>	<b>£251.7m</b>		<b>(£58.8m)</b>	<b>£538.6m</b>		<b>(64.2%)</b>
<b>Earnings per share</b>	<b>204.3p</b>		<b>(47.7p)</b>	<b>437.8p</b>		<b>(64.2%)</b>

\* Pre-exceptional



# Notes

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## Appendix 2 – Net finance expense



For the year ended 31 July

	2020	2019	Change
Net bank interest payable including fees	£6.0m	£6.3m	(4.8%)
Non-bank interest:	£7.4m	£8.1m	(8.6%)
Made up of:-			
Land creditors / debtors – IFRS 9	£6.9m	£7.7m	(10.4%)
Lease liabilities – IFRS 16	£0.5m	£0.5m	-
Other interest receivable	-	(£0.1m)	(100.0%)
<b>Total</b>	<b>£13.4m</b>	<b>£14.4m</b>	<b>(6.9%)</b>

# Notes

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# Appendix 3 – Housing revenue



For the year ended 31 July

	Homes sold (No.)								
	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	3,182	526	3,708	4,397	803	5,200	(27.6%)	(34.5%)	(28.7%)
South	2,669	1,145	3,814	4,045	1,647	5,692	(34.0%)	(30.5%)	(33.0%)
<b>Group</b>	<b>5,851</b>	<b>1,671</b>	<b>7,522</b>	<b>8,442</b>	<b>2,450</b>	<b>10,892</b>	<b>(30.7%)</b>	<b>(31.8%)</b>	<b>(30.9%)</b>
London	348	118	466	814	196	1,010	(57.2%)	(39.8%)	(53.9%)

	Average selling price (£000)								
	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	281.8	112.4	257.7	264.0	108.8	240.1	6.7%	3.3%	7.3%
South	394.0	172.2	327.4	409.1	168.3	339.4	(3.7%)	2.3%	(3.5%)
<b>Group</b>	<b>332.9</b>	<b>153.4</b>	<b>293.1</b>	<b>333.5</b>	<b>148.8</b>	<b>292.0</b>	<b>(0.2%)</b>	<b>3.1%</b>	<b>0.4%</b>
London	514.3	258.2	449.5	562.6	238.2	499.6	(8.6%)	8.4%	(10.0%)



# Notes

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# Appendix 4 – ASP per square foot



For the year ended 31 July

	2020			2019			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	236	142	227	230	142	220	2.6%	-%	3.2%
South - made up of:-	367	214	330	394	213	351	(6.9%)	0.5%	(6.0%)
London	585	299	513	753	305	663	(22.3%)	(2.0%)	(22.6%)
Non-London	341	204	308	333	201	301	2.4%	1.5%	2.3%
Group average	292	192	275	304	190	285	(3.9%)	1.1%	(3.5%)

# Notes

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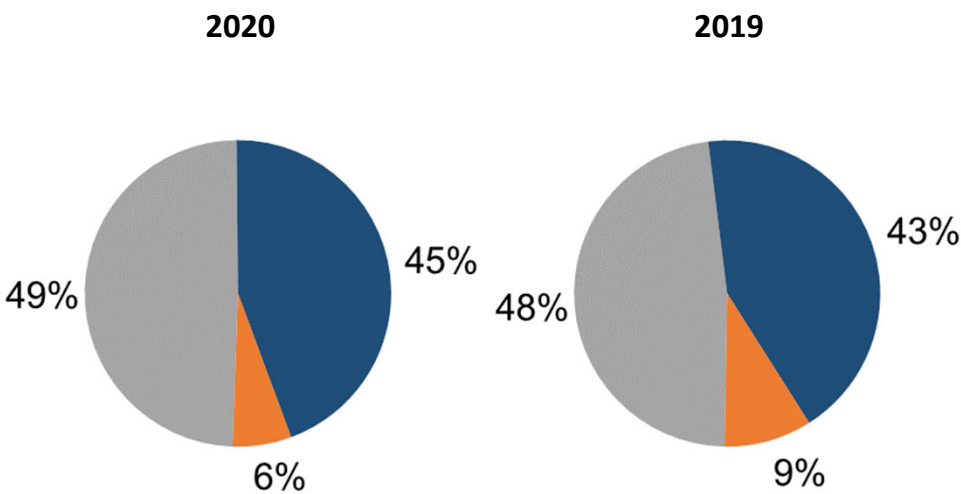


# Appendix 5 – Geographic split

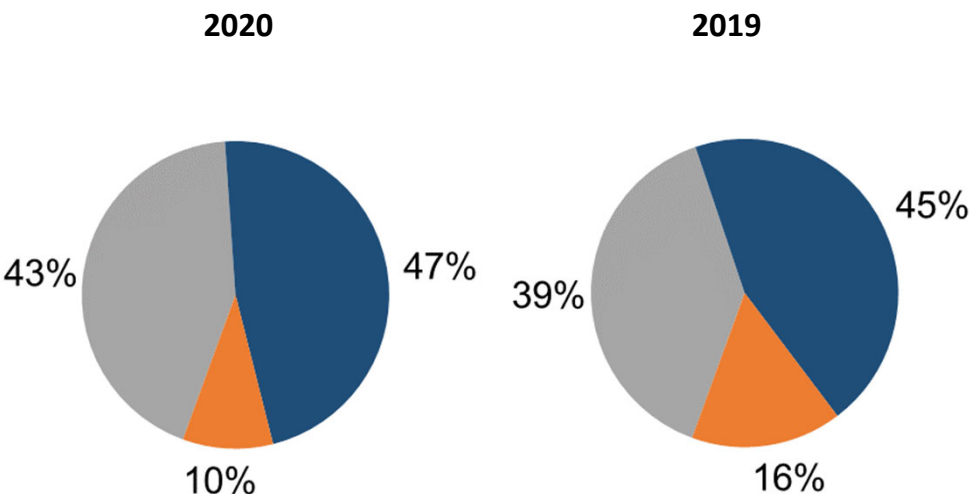


For the year ended 31 July

Completion analysis



Revenue analysis



■ North    ■ South (excl. London)    ■ London



# Notes

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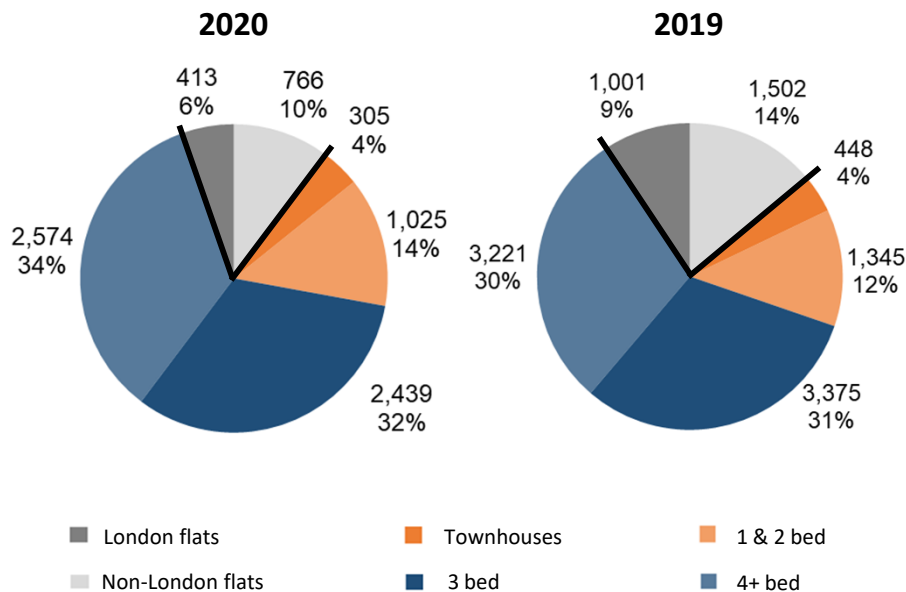


# Appendix 6 – Product analysis

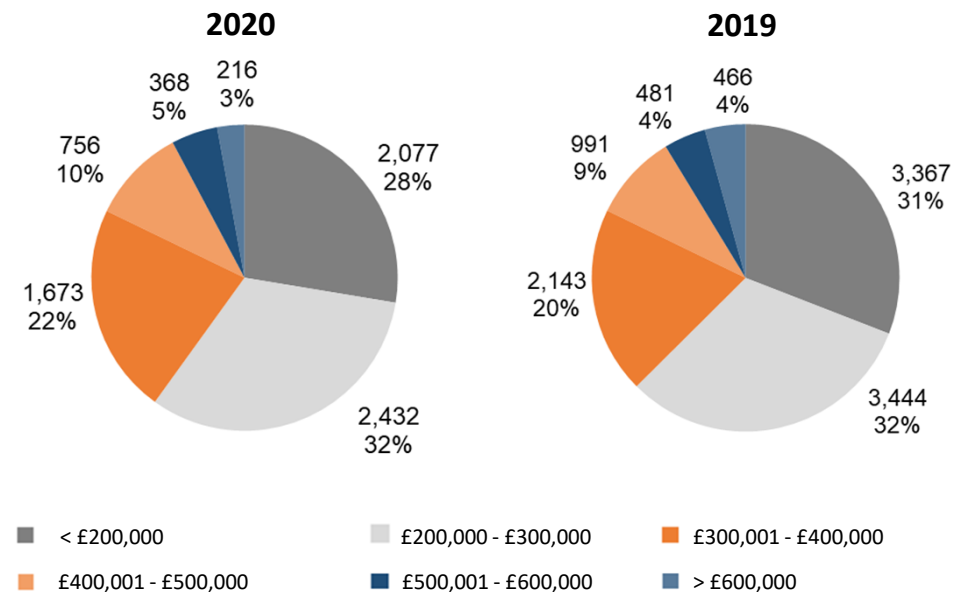


For the year ended 31 July

## Product mix analysis



## Selling price analysis



Less than 3% of completions above £600,000

# Notes

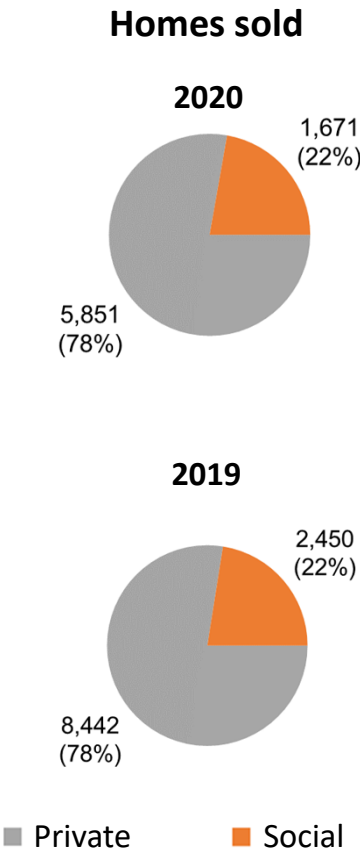
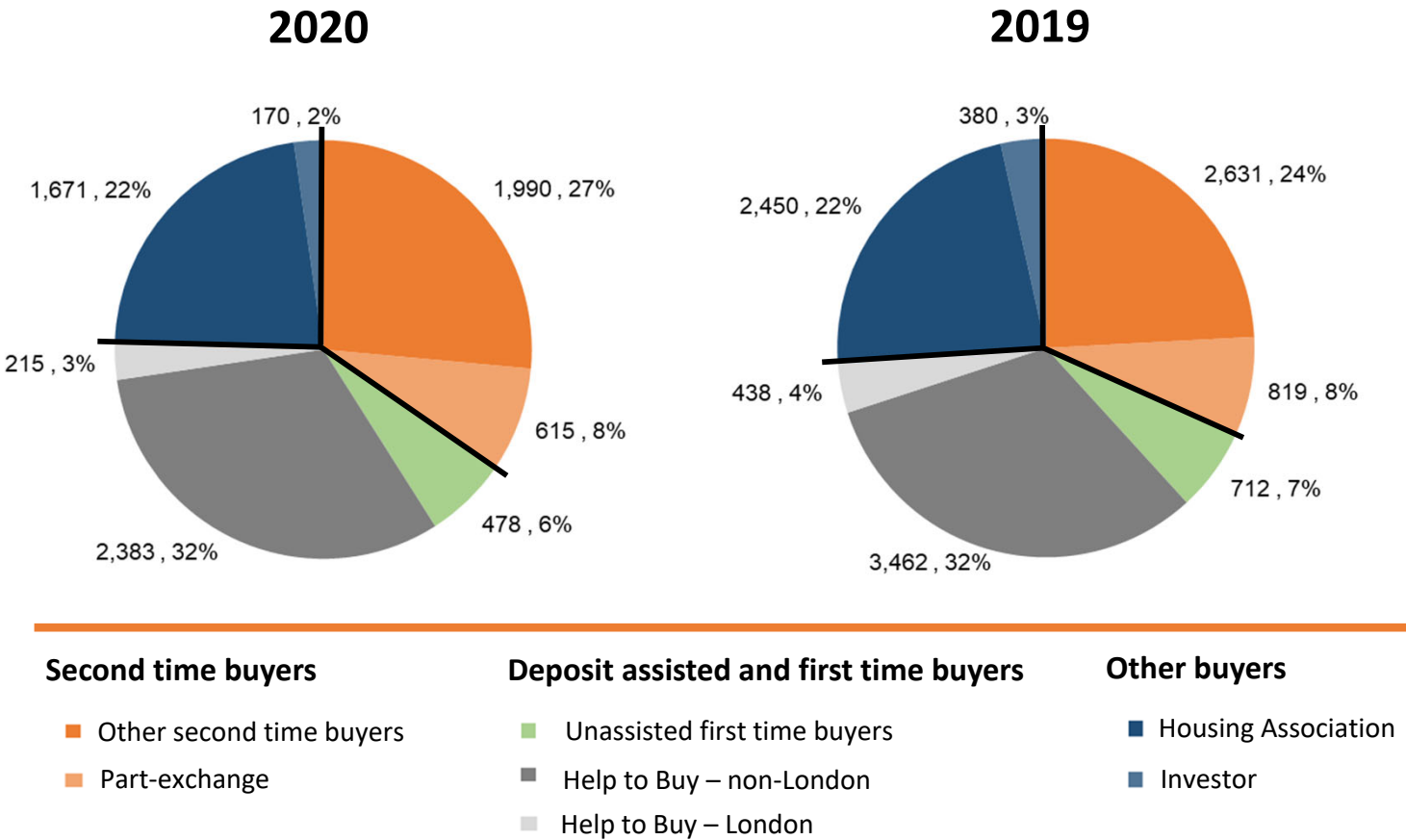
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# Appendix 7 – Buyer analysis



For the year ended 31 July



# Notes

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# Appendix 8 – Order book at 31 July



	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	7,318	1,914	9,232	8,309	2,620	10,929	(11.9%)	(26.9%)	(15.5%)
Completions	(5,851)	(1,671)	(7,522)	(8,442)	(2,450)	(10,892)	(30.7%)	(31.8%)	(30.9%)
<b>At 31 July</b>	<b>4,101</b>	<b>2,487</b>	<b>6,588</b>	<b>2,634</b>	<b>2,244</b>	<b>4,878</b>	<b>55.7%</b>	<b>10.8%</b>	<b>35.1%</b>

# Notes

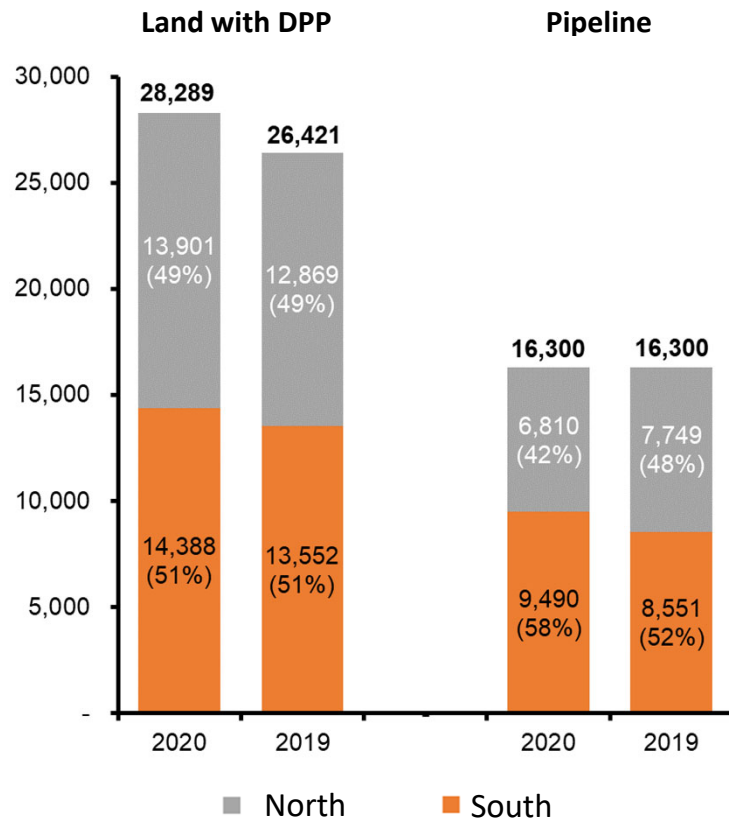
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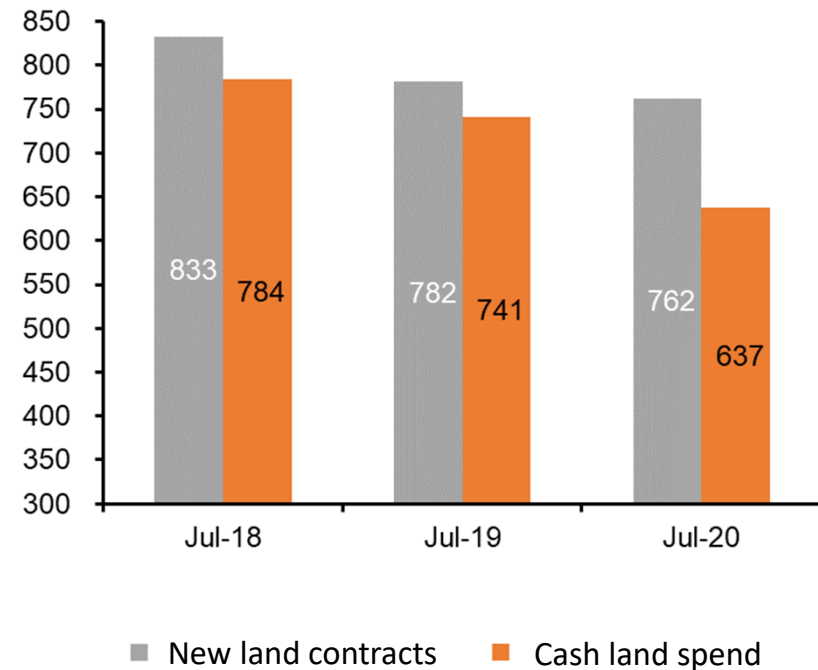
# Appendix 9 – Land supply



## Owned and controlled land (plots)



## Cash land spend and value of new land contracts (£m)





# Notes

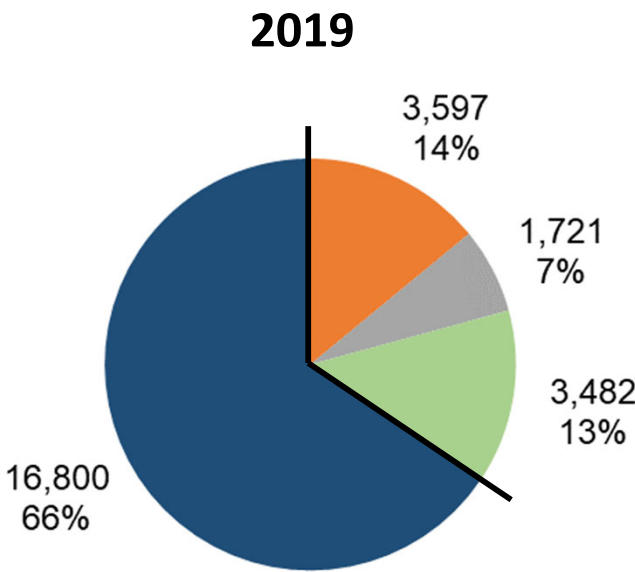
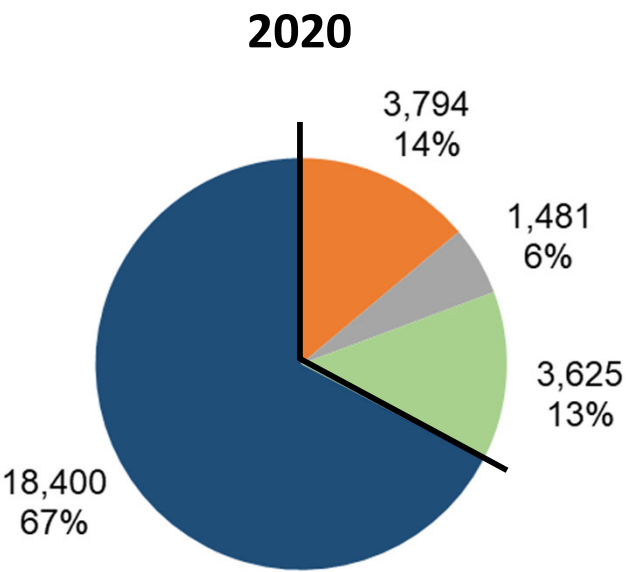
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# Appendix 10 – Strategic land



As at 31 July



**Positive planning status**

- Allocated
- Application
- Both

**Longer term interests**

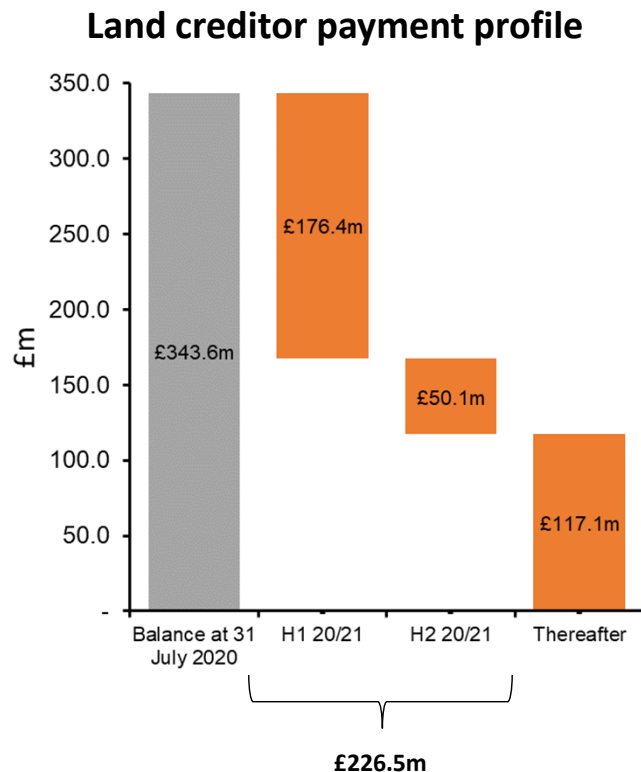
- Longer term interests

# Notes

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# Appendix 11 – Land creditors



- 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.
- £226.5m due for payment in the next 12 months.

# Notes

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# Appendix 12 – Land bank glossary



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## 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

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# Disclaimer

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