

Results Presentation



Half year ended
31 January 2021



Agenda



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



Jason Honeyman
Chief Executive



Overview



Sales	Land	Summary
Selling environment is robust.	Record investment.	Deeper land bank will help deliver future growth.
Optimism for Spring selling period.	Contracted to buy 8,848 plots in the period at attractive rates of return.	Strong net cash of £346.4m at 31 January 2021.
Order book of 6,028 homes at 14 March 2021.	New land will promote margin recovery.	Higher profit expectation for current financial year.

Notes



Finance review



Keith Adey
Finance Director



Notes



Financial performance



For the half year ended 31 January

		2021			2020	Change	
		Before legacy building safety	Net legacy building safety	Total		Before legacy building safety	Post-legacy building safety
Revenue	Housing revenue	£1,714.9m	-	£1,714.9m	£1,524.8m	12.5%	12.5%
	Other revenue	£5.6m	-	£5.6m	£16.6m	(66.3%)	(66.3%)
	Total revenue	£1,720.5m	-	£1,720.5m	£1,541.4m	11.6%	11.6%
Trading	Gross profit	£357.5m	(£20.3m)	£337.2m	£356.5m	0.3%	(5.4%)
	<i>Gross margin</i>	20.8%		19.6%	23.1%	(230 bps)	(350 bps)
	Operating profit	£297.7m	(£20.3m)	£277.4m	£297.2m	0.2%	(6.7%)
	<i>Operating margin</i>	17.3%		16.1%	19.3%	(200 bps)	(320 bps)
	Share of JV result	£7.9m	-	£7.9m	£0.5m	1,480.0%	1,480.0%
Earnings	Profit before taxation	£300.5m	(£20.3m)	£280.2m	£291.8m	3.0%	(4.0%)
	Earnings per share	199.2p	(13.3p)	185.9p	194.4p	2.5%	(4.4%)
RoCE	RoCE	19.3%		18.0%	19.9%	(60 bps)	(190 bps)
	RoCE incl. land creditors	17.3%		16.1%	18.2%	(90 bps)	(210 bps)

Notes



Housing revenue



For the half year ended 31 January

	2021		2020	
	Units	ASP	Units	ASP
Private	4,435	£339.6k	4,077	£326.8k
Social	1,221	£171.0k	1,244	£154.7k
Bellway completions	5,656	£303.2k	5,321	£286.6k
Share of JVs	105	£447.5k	14	£170.4k
Total completions	5,761	£305.8k	5,335	£286.3k

Strong brought forward
WIP with more units in
latter production stages.



Accelerated higher value
housing due to Help-to-
Buy rule change.



Strong growth in private volume and ASP

- Expect overall ASP in excess of £295k for the full year.
- JV profit approaching £10m for full year.

Notes



Geographic and brand analysis



For the half year ended 31 January

Group	2021		2020	
	Units	ASP	Units	ASP
North	2,566	£274.1k	2,631	£256.1k
South	3,090	£327.4k	2,690	£316.3k
Total	5,656	£303.2k	5,321	£286.6k

Ashberry	2021		2020	
	Units	ASP	Units	ASP
Ashberry	334	£304.8k	275	£295.5k

London	2021		2020	
	Units	ASP	Units	ASP
Private	183	£440.4k	227	£497.4k
Social	212	£225.0k	94	£261.8k
Total	395	£324.8k	321	£428.4k

- Strong growth in the south reflecting construction progress.
- New Eastern Counties division is performing well.
- Strong demand in London in affordable commuter zones such as Beckton, Bexleyheath and Hornchurch.

Notes



Legacy building safety



For the half year ended 31 January

	2021
Additional provision	(£33.8m)
Recoveries	£13.5m
Net legacy building safety expense	(£20.3m)

- MHCLG guidance in 2020 considered **whole wall systems** on historical buildings.
- Total provision of £131.6m since 2017 and remaining provision of £91.6m at 31 January 2021.
- Believe vast majority of liabilities are provided for, but some future risk due to ongoing investigative work.
- Actively pursuing third party recoveries but will take several years.

Notes



Operating performance



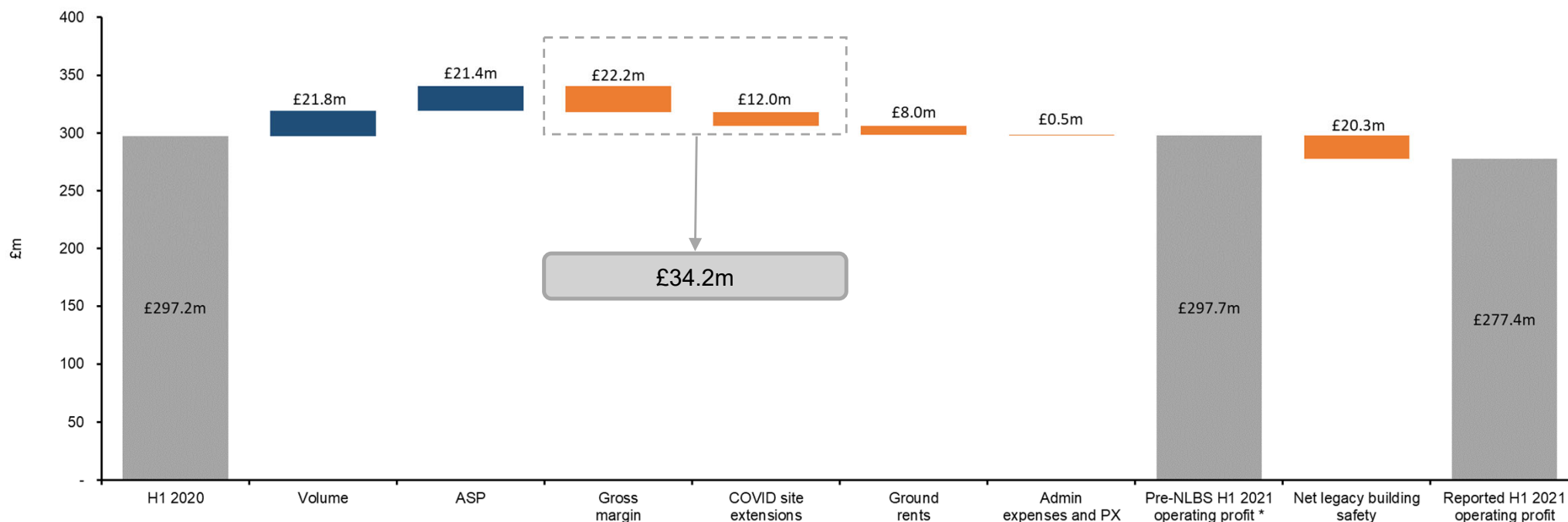
For the half year ended 31 January

Gross margin will improve in H2.

Lower H2 volume will result in reduced overhead efficiency.

Full year operating margin c.17%.

New land and commercial initiatives will lead to further margin recovery in the year ahead.



* Net Legacy Building Safety expense ('NLBS')

Notes



Balance sheet



As at 31 January

		2021	2020	Change
Assets	Fixed assets	£36.9m	£35.2m	£1.7m
	Investments in joint arrangements	£43.1m	£50.5m	(£7.4m)
	Inventory	£3,678.5m	£3,581.2m	£97.3m
	Land	£2,241.0m	£2,068.3m	£172.7m
	WIP	£1,437.5m	£1,512.9m	(£75.4m)
	Debtors	£106.9m	£162.8m	(£55.9m)
	Net cash	£346.4m	£4.6m	£341.8m
Total assets		£4,211.8m	£3,834.3m	£377.5m
Liabilities	Creditors*	(£586.1m)	(£484.6m)	(£101.5m)
	Land creditors	(£371.7m)	(£274.9m)	(£96.8m)
	Legacy building safety provision*	(£91.6m)	(£35.9m)	(£55.7m)
	Total liabilities	(£1,049.4m)	(£795.4m)	(£254.0m)
NAV	Net assets	£3,162.4m	£3,038.9m	£123.5m
	NAV per share	2,564p	2,467p	3.9%

- Robust balance sheet.
- £91.6m legacy building safety provision.
- Land creditors are low at £371.7m.

* At 31 January 2020 the legacy building safety provision was included within 'creditors', but has been separately analysed to allow comparability.

Notes



Highly cash generative

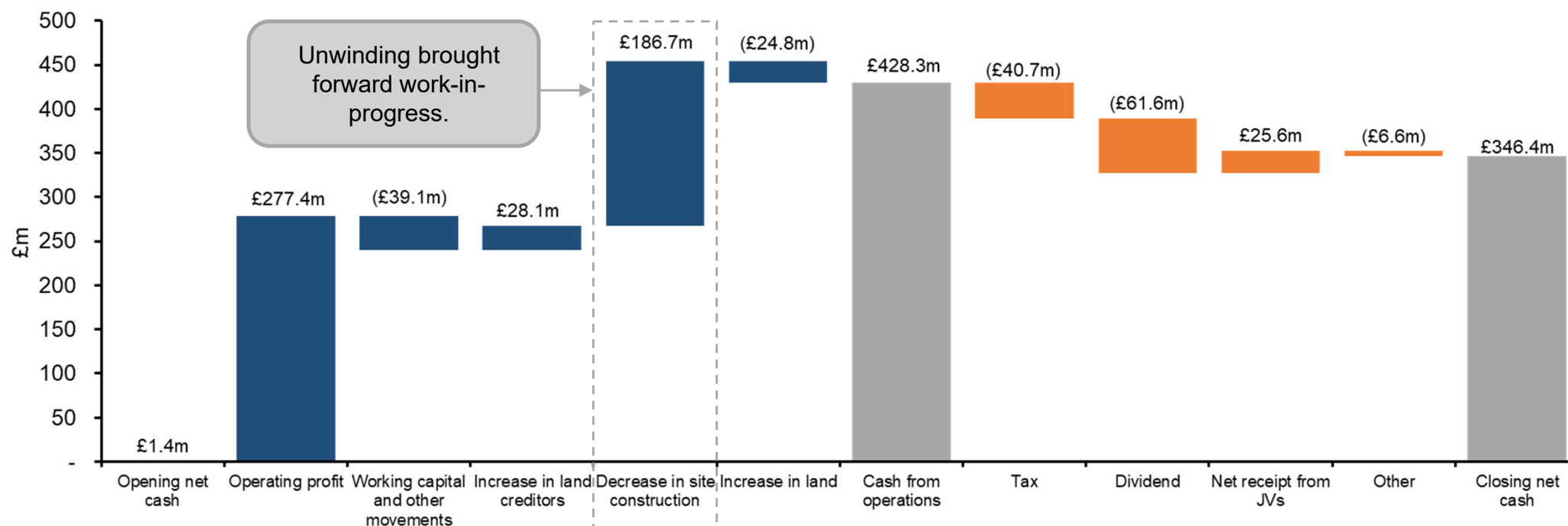


For the half year ended 31 January

Negligible adjusted gearing, including land creditors, of 0.8%.

Total debt capacity of £625m, excluding land creditors.

Year end net cash expected to be in excess of £100m.



Notes



Land with detailed planning permission ¹



As at 31 January

	2021			2020		
	Plots	Cost	Average plot cost	Plots	Cost	Average plot cost
At 1 August	28,289	£1,743.3m	£61.6k	26,421	£1,630.6m	£61.7k
Net purchases	4,673	£273.7m	£58.6k	4,177	£232.1m	£55.6k
Sold	(5,656)	(£356.2m)	£63.0k	(5,321)	(£306.8m)	£57.7k
At 31 Jan	27,306	£1,660.8m	£60.8k	25,277	£1,555.9m	£61.6k

Land bank ASP

DPP land bank additions have ASP of c.£270k.

Carried forward DPP land bank ASP is c.£285k.

Future sales completions

Expect sales completions to have an ASP of >£295k in FY21, c.£290k in FY22, followed by further moderation in FY23.

Reducing ASP will help maintain sales rates as Help-to-Buy evolves, then expires.

¹ See appendix 12 for definitions.

Notes



Overall land bank ¹



As at 31 January

	2021	2020
Land with DPP	27,306	25,277
Pipeline	21,700	18,800
Bellway owned and controlled plots	49,006	44,077
Land with DPP – JVs	146	258
Total owned and controlled plots	49,152	44,335
Strategic plots	27,700	25,700
Overall land bank plots	76,852	70,035

- Owned and controlled land bank is c.4.9x this year's anticipated output.
- Strengthened land bank – more outlets and future growth.
- Land contracted has gross margin of c.23% and will drive margin improvement in the years ahead.
- Overall land value of £2.2bn.

¹ See appendix 12 for definitions.

Notes



Work-in-progress



	31 Jan 2021	31 Jan 2020	Change Jan 21 v Jan 20	31 July 2020	Change Jan 21 v July 20
Site construction	£1,309.4m	£1,333.2m	(£23.8m)	£1,496.1m	(£186.7m)
Showhomes	£117.9m	£126.9m	(£9.0m)	£124.6m	(£6.7m)
Part-exchange stock	£10.2m	£52.8m	(£42.6m)	£26.1m	(£15.9m)
Total WIP	£1,437.5m	£1,512.9m	(£75.4m)	£1,646.8m	(£209.3m)

- Completions are in early production stages compared to six months ago ➡ constraint to H2 completions.
- PX usage initially restricted to protect balance sheet and then reduced need because of strong market.
- PX is likely to increase in the future.

Notes



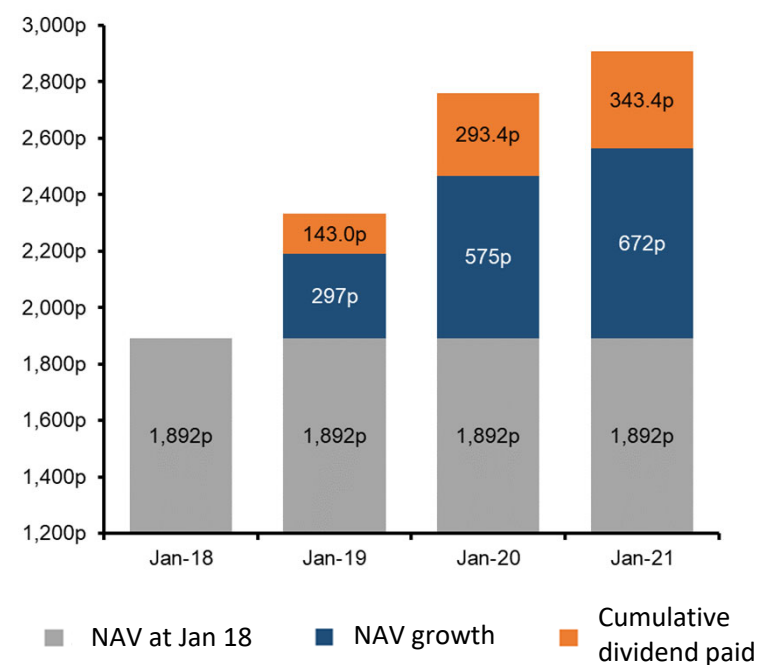
Dividend



	2021	2020
Interim dividend	35.0p	Nil

- Reinstated interim dividend.
- Full year dividend weighted towards H2.
- Expect full year dividend cover of c.3x earnings.
- Majority of earnings reinvested given continuing growth potential.

15.4% p.a. return over three years



Notes



Financial summary



Substantial revenue growth in H1 due to strong market, brought forward order book and WIP investment.

Strengthened land bank will improve gross margin and we retain significant financial resource to invest in more sites.

Interim dividend restored and expect to retain c.3x cover for the full year.

Long-term industry fundamentals are positive – capacity for Bellway to grow is strong.

Notes



Operating review



Jason Honeyman
Chief Executive



Notes



Trading review



Weekly reservation rate ~

	2021	2020	Change
Private	156	151	3.3%
Social	35	43	(18.6%)
Total	191	194	(1.5%)

Average outlets ~

	2021	2020	Change
Average outlets	278	274	1.5%

Help-to-Buy reservations in period until original scheme ended were 41% of total reservations.

Since 1 January, Help-to-Buy reservations were 29% of total reservations.

Encouraged by extension of stamp duty holiday.

Localised HPI of 1% or 2% in certain areas.

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

Notes



Land



Contracted plots and sites

	2021	2020	Change
Contracted plots	8,848	7,005	1,843

	2021	2020	Change
North	20	24	(4)
South	34	17	17
Total contracted sites	54	41	13


- There has been less competition than normal in the land market.
- Hope to contract around 16,000 plots in FY21.
- Continue to focus on outlet growth at lower ASPs following changes in Help-to-Buy rules.

Notes



Productivity and costs



Production	Artisan	Site layouts	'Back to Basics'
Modest cost pressures of 1% to 2% p.a.	Continues to be plotted across the Group.	Review of site layouts pre-planning.	Ground works design.
Additional costs for 2023 Building Regulations are included in viabilities.		Extra Group resource.	Cost reviews.
	Reduced design fees, site overheads and customer care costs.	Improved coverage and more saleable product.	'Margin Improvement Plans'.

Notes



Customer First



- Achieved 5* rating for fifth consecutive year.

- Score of 93.5%.

- 'Customer First' has four stages:

Planning
Building
Selling
After sales care

Notes



Environment and climate change



Working towards embedding a new Sustainability Strategy

Established a 'Zero Carbon Team'.

Appointed The Carbon Trust to establish science based target reductions.

Committed to creating sustainable and enjoyable places to live.



Notes



Building safety



Making progress on ACM cladding replacement for buildings > 18m.

Now focused on wider issue of all building envelopes on legacy buildings.

Issue exacerbated by 'EWS 1' forms where lenders have their own interpretation of fire building safety.

Bellway continues to take the issue very seriously

Established a 'Fire Safety Team'.

Engage with building owners, local authorities, fire engineers and residents.

Bellway has set aside £131.6m over recent years, with £91.6m remaining.

Notes

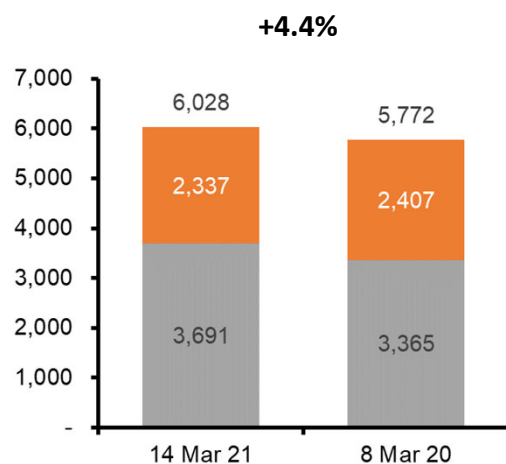


Current trading and order book



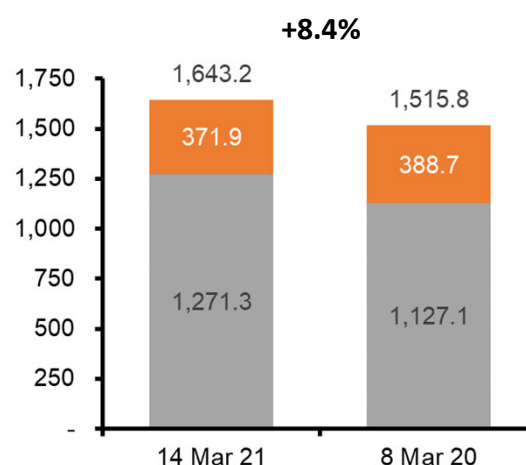
Order book at 14 March 2021 (2020: 8 March)

Order book units (number)



■ Private

Order book value (£m)



■ Social

- Weekly sales rate in the six weeks since 1 February 2021 has reduced by 5.4% to 263 (2020 – 278) – to be expected given ‘lockdown’.
- Outlets are currently 267 (2020 – 277).
- Strong order book of £1,643.2m with 6,028 plots.

Notes



Outlook



Bellway is well positioned to continue its long-term, disciplined growth strategy.

Remains a strong customer appetite to purchase new homes.

Competitive mortgage market.

Expect to deliver c.10,000 homes this year.

Longer-term capacity to deliver c.14,000 homes.

Notes



Q&A



Dargavel Village Bishopton, Glasgow



Notes



Appendices



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 January
9. Land supply
10. Strategic land
11. Land creditors
12. Land bank glossary



Notes



Appendix 1 - Income statement



For the half year ended 31 January

	2021			2020		Change
	Before legacy building safety	Net legacy building safety	Total			
Homes sold	5,656	-	5,656	5,321		6.3%
Average selling price	£303,206	-	£303,206	£286,570		5.8%
Housing revenue	£1,714.9m	-	£1,714.9m	£1,524.8m		12.5%
Other revenue	£5.6m	-	£5.6m	£16.6m		(66.3%)
Total revenue	£1,720.5m	-	£1,720.5m	£1,541.4m		11.6%
Gross profit	£357.5m	20.8%	(£20.3m)	£356.5m	23.1%	(230 bps)*
Net PX trading loss	(£0.3m)	-	(£0.3m)	(£2.6m)	(0.1%)	10 bps
Administrative expenses	(£59.5m)	(3.5%)	(£59.5m)	(£56.7m)	(3.7%)	20 bps
Operating profit	£297.7m	17.3%	(£20.3m)	£297.2m	19.3%	(200 bps)*
Net finance expense	(£5.1m)	-	(£5.1m)	(£5.9m)		(13.6%)
Share of JV result	£7.9m	-	£7.9m	£0.5m		1,480.0%
Profit before taxation	£300.5m		(£20.3m)	£291.8m		(4.0%)
Taxation expense	(£54.9m)		£3.9m	(£52.5m)		(2.9%)
Profit after taxation	£245.6m		(£16.4m)	£239.3m		(4.2%)
Earnings per share	199.2p		(13.3p)	194.4p		(4.4%)

* Before net legacy building safety expense

Notes



Appendix 2 – Net finance expense



For the half year ended 31 January

	2021	2020	Change
Net bank interest payable including fees	£1.6m	£2.0m	(20.0%)
Non-bank interest:	£3.5m	£3.9m	(10.3%)
Made up of:-			
Land creditors / debtors – IFRS 9	£3.3m	£3.6m	(8.3%)
Lease liabilities – IFRS 16	£0.2m	£0.3m	(33.3%)
Total	£5.1m	£5.9m	(13.6%)

Notes



Appendix 3 – Housing revenue

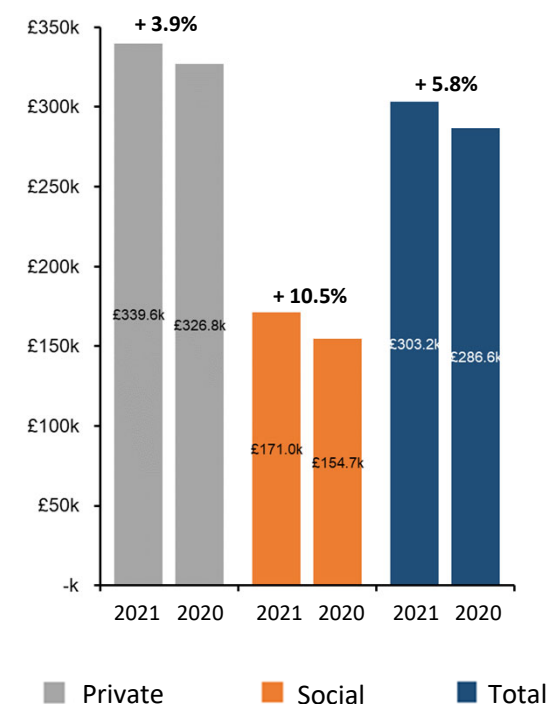


For the half year ended 31 January

	Homes sold (No.)								
	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	2,259	307	2,566	2,253	378	2,631	0.3%	(18.8%)	(2.5%)
South	2,176	914	3,090	1,824	866	2,690	19.3%	5.5%	14.9%
Group	4,435	1,221	5,656	4,077	1,244	5,321	8.8%	(1.8%)	6.3%
London	183	212	395	227	94	321	(19.4%)	125.5%	23.1%

	Average selling price (£000)								
	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	295.8	114.5	274.1	280.3	112.0	256.1	5.5%	2.2%	7.0%
South	385.1	189.9	327.4	384.3	173.3	316.3	0.2%	9.6%	3.5%
Group	339.6	171.0	303.2	326.8	154.7	286.6	3.9%	10.5%	5.8%
London	440.4	225.0	324.8	497.4	261.8	428.4	(11.5%)	(14.1%)	(24.2%)

Average selling price ('ASP')



Notes



Appendix 4 – ASP per square foot



For the half year ended 31 January

	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	244	144	236	234	142	225	4.3%	1.4%	4.9%
South - made up of:-	357	238	329	355	216	319	0.6%	10.2%	3.1%
London	556	326	441	557	298	482	(0.2%)	9.4%	(8.5%)
Non-London*	344	216	317	332	205	299	3.6%	5.4%	6.0%
Group average	296	215	283	290	180	269	2.1%	19.4%	5.2%

* The allocation between private and social in H1 2020 has been revised from that previously reported.

Notes

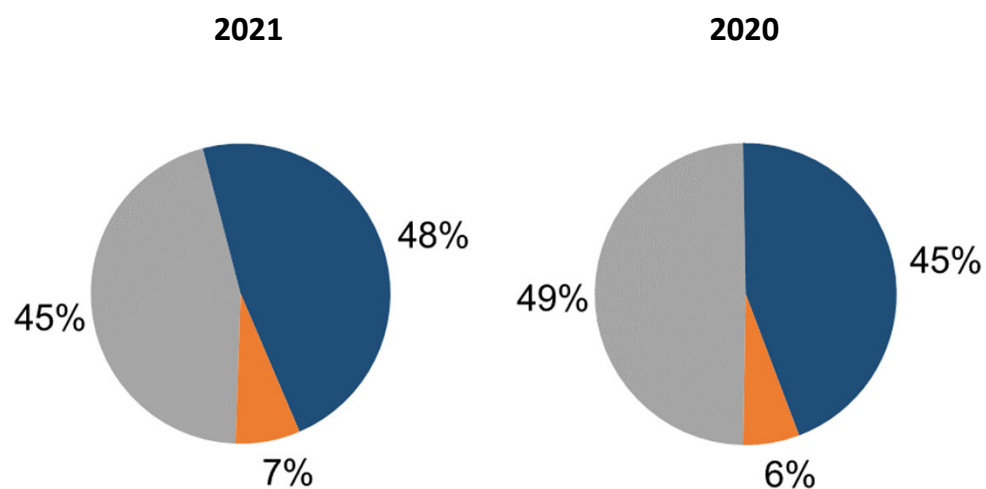


Appendix 5 – Geographic split

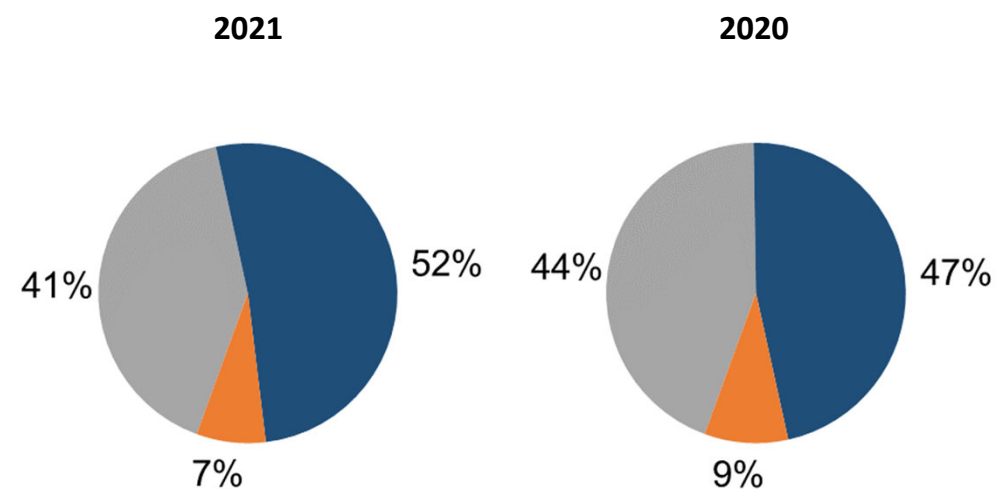


For the half year ended 31 January

Completion analysis



Revenue analysis



■ North ■ South (excl. London) ■ London

Notes

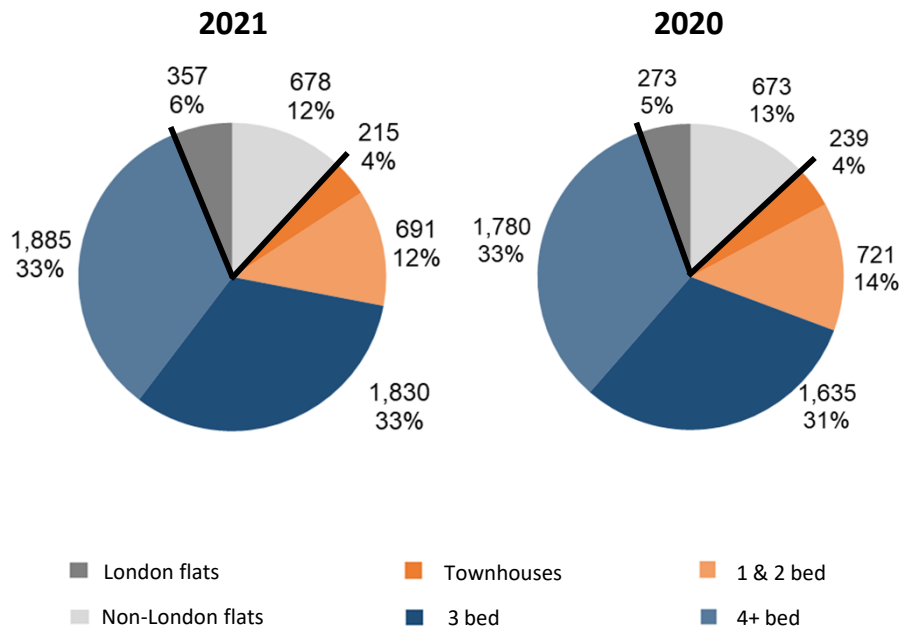


Appendix 6 – Product analysis

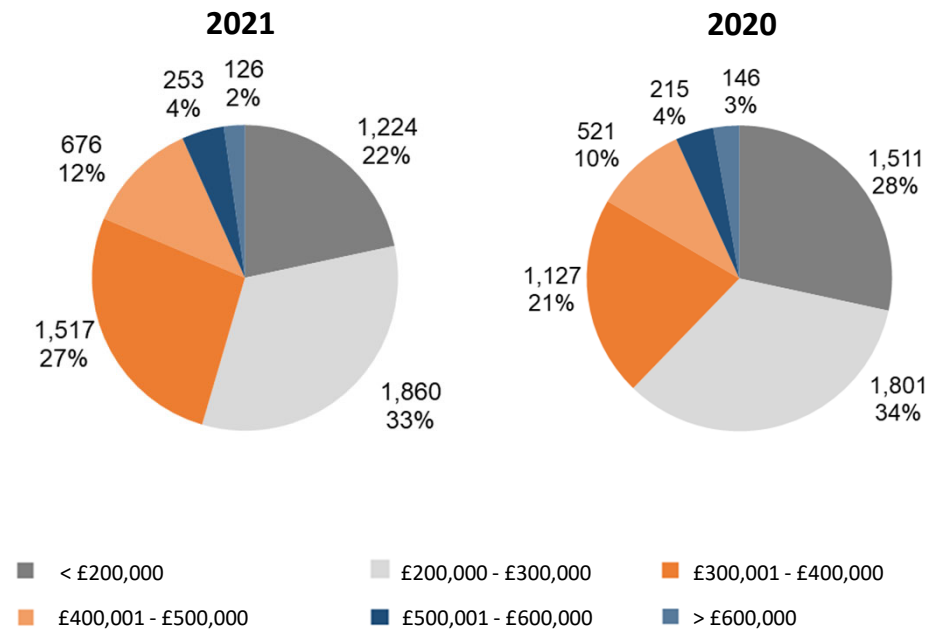


For the half year ended 31 January

Product mix analysis



Selling price analysis



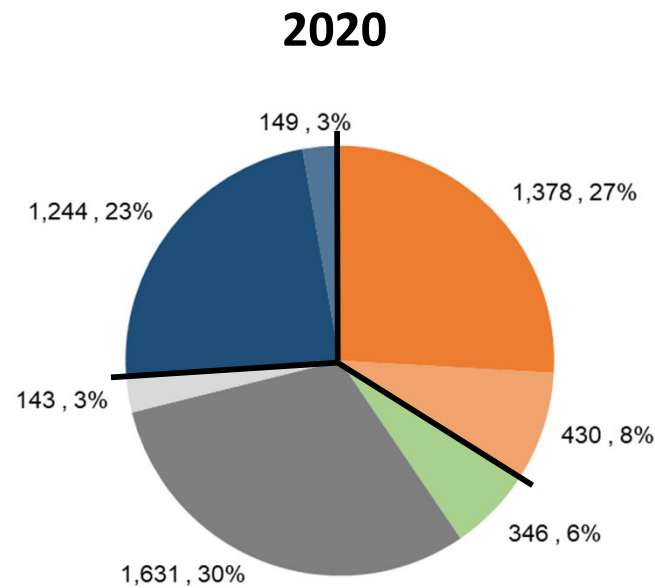
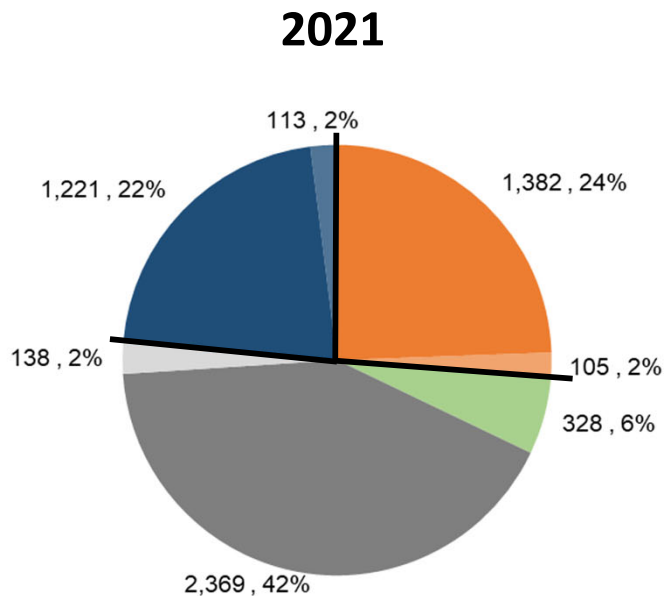
Notes



Appendix 7 – Buyer analysis



For the half year ended 31 January



Second time buyers

- Other second time buyers
- Part-exchange

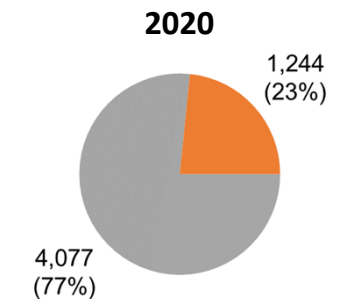
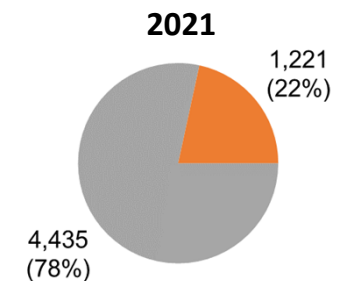
Deposit assisted and first time buyers

- Unassisted first time buyers
- Help-to-Buy – non-London
- Help-to-Buy – London

Other buyers

- Housing Association
- Investor

Homes sold



Private Social

Notes



Appendix 8 – Order book at 31 January



	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
At 1 August	4,101	2,487	6,588	2,634	2,244	4,878	55.7%	10.8%	35.1%
Reservations	4,058	899	4,957	3,916	1,125	5,041	3.6%	(20.1%)	(1.7%)
Completions	(4,435)	(1,221)	(5,656)	(4,077)	(1,244)	(5,321)	8.8%	(1.8%)	6.3%
At 31 January	3,724	2,165	5,889	2,473	2,125	4,598	50.6%	1.9%	28.1%

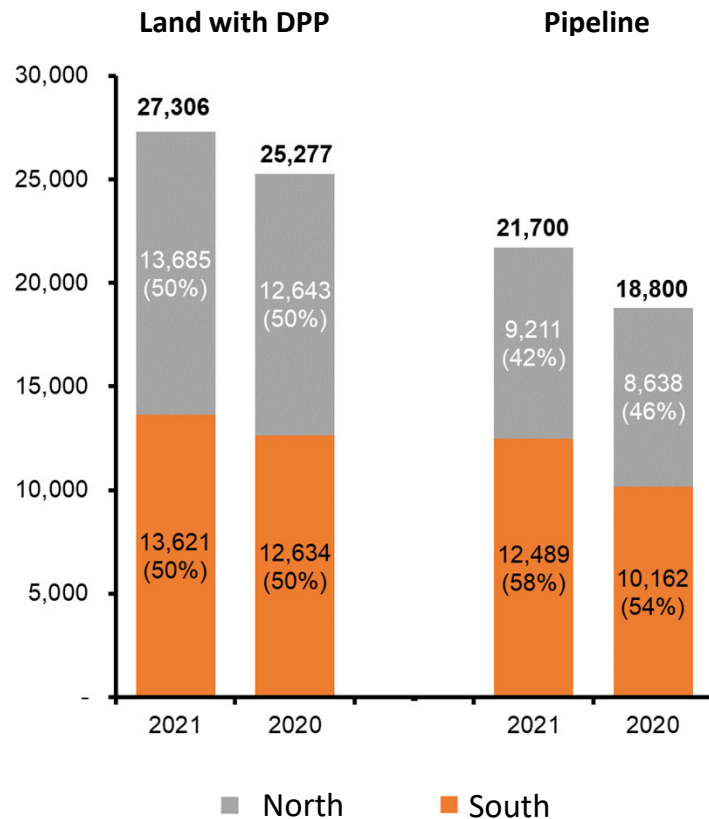
Notes



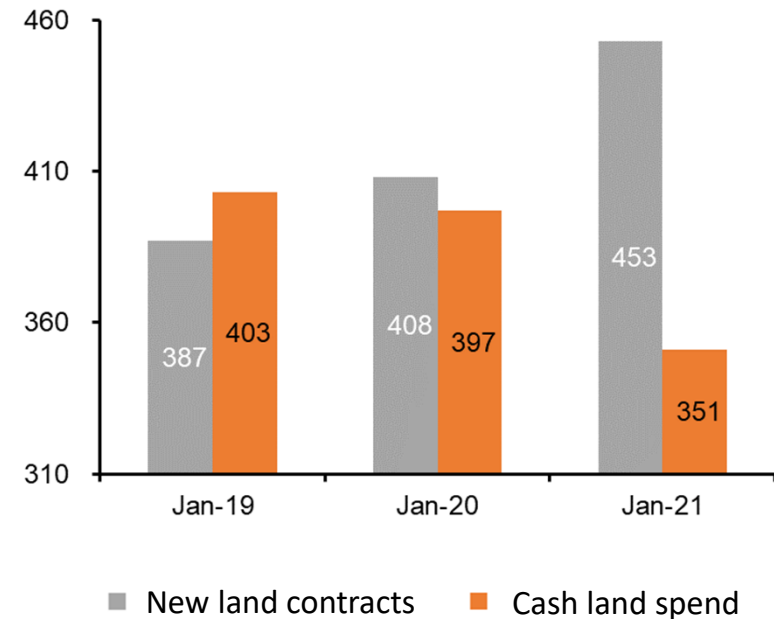
Appendix 9 – Land supply



Owned and controlled land (plots)



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



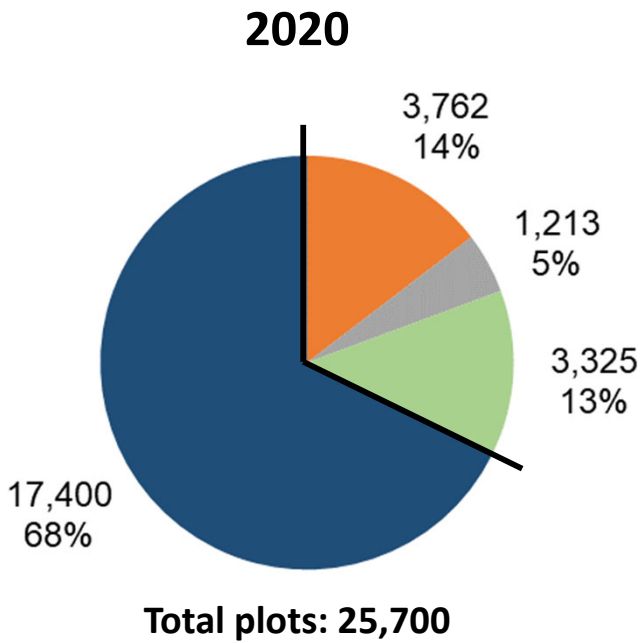
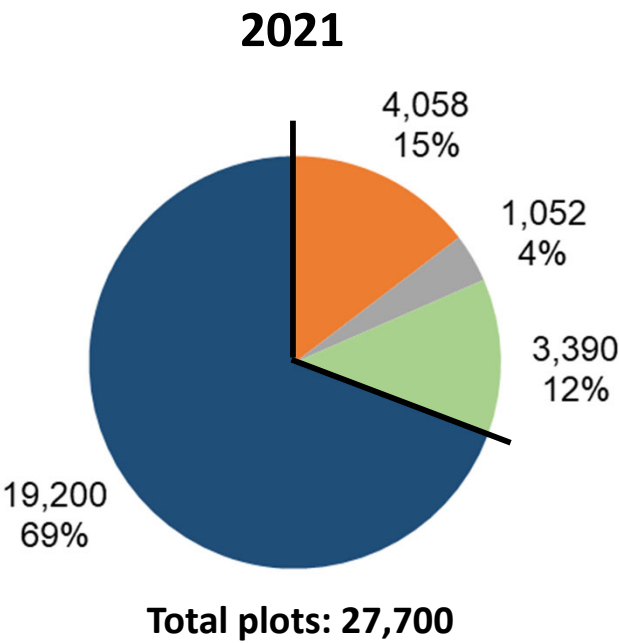
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Appendix 10 – Strategic land



As at 31 January



Positive planning status

- Allocated
- Application
- Both

Longer term interests

- Longer term interests

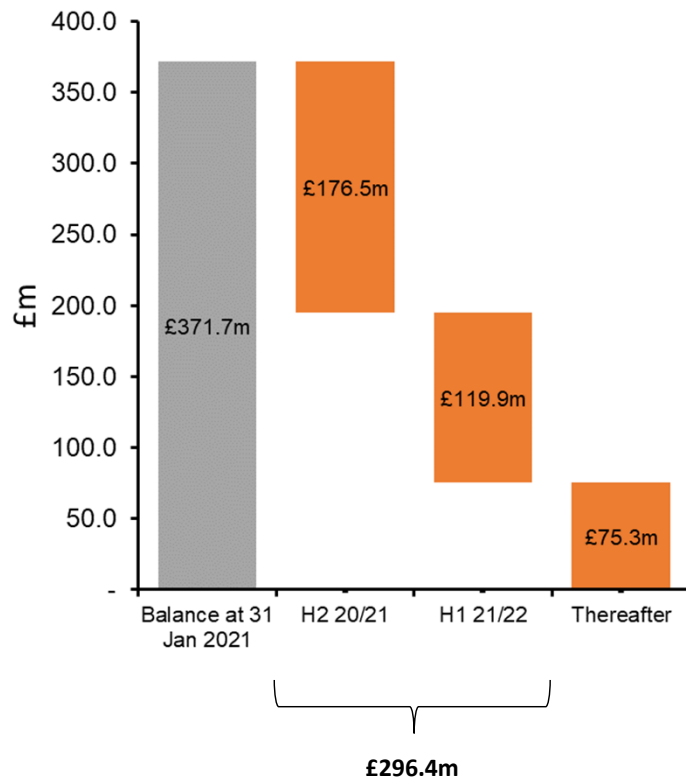
Notes



Appendix 11 – Land creditors



As at 31 January



- 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.
- £296.4m due for payment in the next 12 months.

Notes



Appendix 12 – Land bank glossary



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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