

Results Presentation



Year ended
31 July 2021



Agenda



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



Unless otherwise stated, all numbers throughout this presentation excludes the Group's share of its joint ventures.

Introduction



Jason Honeyman
Chief Executive



Highlights



Housing revenue

**Underlying
profit before taxation**

**Record
order book**

**Record
land bank**

£3,107.1m
+40.9%

£530.8m
+71.6%

£2,022.3m
+14.9%

86,571 plots¹
+19.6%

¹ Includes the Group's share of land owned and controlled through joint venture partners comprising 938 plots (2020: 472 plots).

Notes



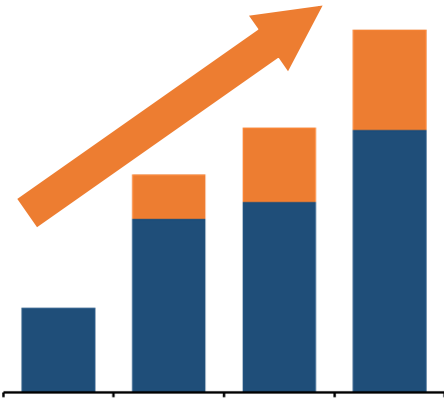
Strategic priorities



Volume growth



Value creation





Notes



Record land investment supports growth



Land contracted in year	
Contracted value¹  £1,066.0m +37.1%	Contracted plots¹  19,819 plots +63.5%

¹ Includes the Group's share of land contracted through joint venture partners comprising 882 plots (2020 – 203 plots), with a contract value of £39.2m (2020 – £15.3m).

Three investment drivers
Front footed and disciplined approach to acquire sites at good margins.
Strengthened land bank, providing greater depth and platform for growth.
Increased number of selling outlets will help to mitigate loss of Help-to-Buy in 2023.

Notes



Volume growth



Short-term

Land investment

Increased selling outlets

Strong order book



c.20% growth in output by FY23.

Longer-term

Structural demand

Political support

Strengthened land bank

Further divisional expansion

Strong financial returns and balance sheet



Target of 16,000 – 18,000 homes p.a.

Disciplined approach will deliver 18%-19% operating margin, over the long-term, without HPI.

No detrimental impact on build quality or Customer First.

Notes



Finance review



Keith Adey
Finance Director



Notes



Financial performance



For the year ended 31 July

		2021			2020			Change	
		Underlying	Adjusting items	Total	Underlying	Adjusting items	Total	Underlying	Total
Revenue	Housing revenue	£3,107.1m	-	£3,107.1m	£2,204.4m	-	£2,204.4m	40.9%	40.9%
	Other revenue	£15.4m	-	£15.4m	£21.0m	-	£21.0m	(26.7%)	(26.7%)
	Total revenue	£3,122.5m	-	£3,122.5m	£2,225.4m	-	£2,225.4m	40.3%	40.3%
Trading	Gross profit	£651.9m	(£51.8m)	£600.1m	£422.2m	(£71.9m)	£350.3m	54.4%	71.3%
	<i>Gross margin</i>	20.9%		19.2%	19.0%		15.7%	190bps	350bps
	Operating profit	£531.5m	(£51.8m)	£479.7m	£321.7m	(£72.6m)	£249.1m	65.2%	92.6%
	<i>Operating margin</i>	17.0%		15.4%	14.5%		11.2%	250bps	420bps
Earnings	Profit before taxation	£530.8m	(£51.8m)	£479.0m	£309.3m	(£72.6m)	£236.7m	71.6%	102.4%
	Earnings per share	350.9p	(34.0p)	316.9p	204.3p	(47.7p)	156.6p	71.8%	102.4%
RoCE	RoCE	16.9%		15.2%	10.8%		8.3%	610bps	690bps
	RoCE incl. land creditors	15.0%		13.6%	9.8%		7.6%	520bps	600bps

Notes



Housing revenue



For the year ended 31 July

	2021		2020	
	Units	ASP	Units	ASP
Private	7,896	£346.7k	5,851	£332.9k
Social	2,242	£165.0k	1,671	£153.4k
Bellway completions	10,138	£306.5k	7,522	£293.1k
Share of JVs	134	£466.6k	21	£204.6k
Total completions	10,272	£308.6k	7,543	£292.8k

Strong H1 completions reflecting pent up demand and brought forward WIP investment.

Rise in ASP driven by focus on higher value homes prior to Help-to-Buy rule change and underlying HPI of 3% to 5%.

Expect ASP in FY22 of £295k as mix changes to help deal with withdrawal of Help-to-Buy in March 2023.

£10m profit from JVs will halve in FY22 to c.£5m due to phasing of build and sales.

Notes



Geographic and brand analysis

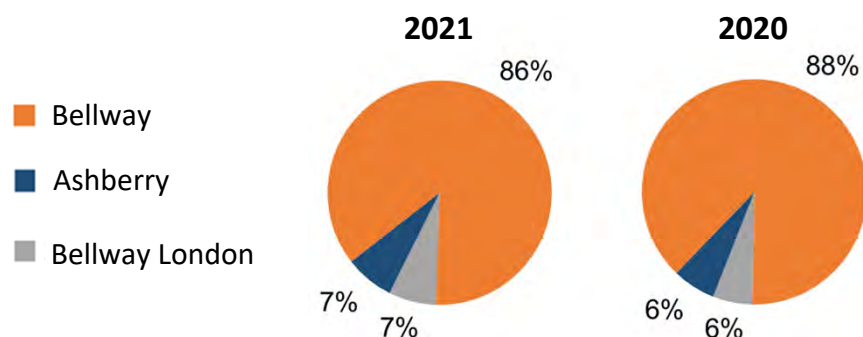


For the year ended 31 July

Group	2021		2020	
	Units	ASP	Units	ASP
North	4,697	£275.9k	3,708	£257.7k
South	5,441	£332.9k	3,814	£327.4k
Total	10,138	£306.5k	7,522	£293.1k

Bellway London	2021		2020	
	Units	ASP	Units	ASP
Private	417	£408.1k	348	£514.3k
Social	301	£239.4k	118	£258.2k
Total	718	£337.3k	466	£449.5k

Completions by brand



Ashberry Homes	2021		2020	
	Units	ASP	Units	ASP
Ashberry	693	£293.7k	429	£284.9k

Notes



Legacy building safety



For the year ended 31 July

	2021
Additional provision	(£66.9m)
Recoveries	£15.1m
Net legacy building safety expense	(£51.8m)

Responsible approach

£165m set aside since 2017.

£116m provision remaining at 31 July 2021.

In the year ahead

Could be some additional costs but known issues are fully provided.

Continuing to pursue recoveries from third parties.

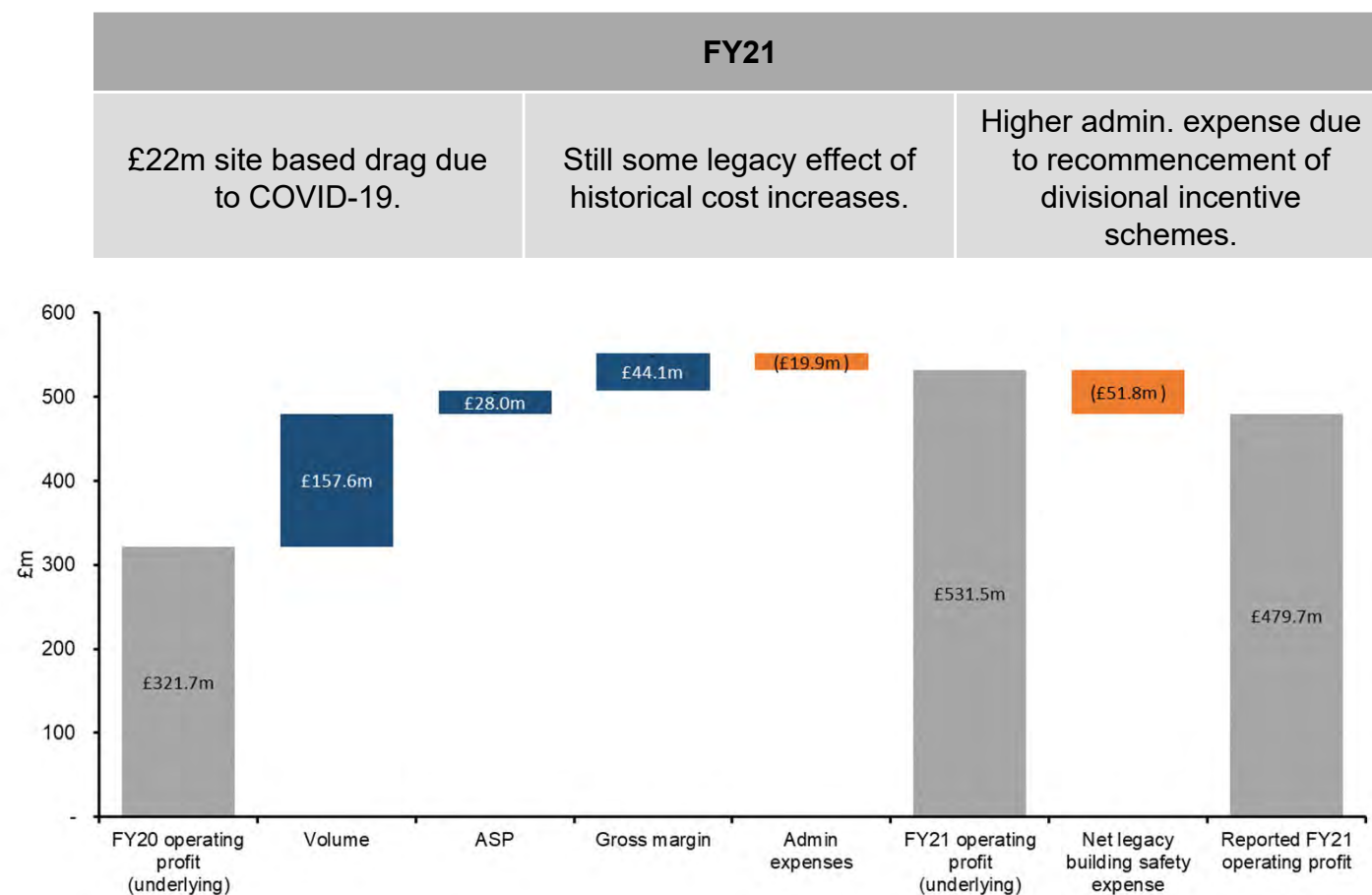
Notes



Operating performance



For the year ended 31 July



Looking forward

New land and commercial initiatives will improve margin in the year ahead.

Manageable cost pressures in supply chain and admin. overheads.

FY22 underlying operating margin of c.18%.

Medium-term underlying operating margin target of 18% to 19%, without HPI.

Notes



Taxation



For the year ended 31 July

	2021
Profit before taxation	£479.0m
Taxation	(£88.3m)
Profit after taxation	£390.7m
<i>Effective tax rate</i>	<i>18.4%</i>

Effective tax rate of 18.4% will increase.

Standard rate of corporation tax will increase to 25% from April **2023**.

Residential Property Developer Tax ('RPDT') likely to affect all housebuilders, possibly from April **2022**.

Effective tax rate will increase in stages.

Notes



Balance sheet



As at 31 July

		2021	2020	Change
Assets	Fixed assets	£35.7m	£36.7m	(£1.0m)
	Investments in joint arrangements	£55.3m	£60.8m	(£5.5m)
	Inventory	£4,032.2m	£3,863.0m	£169.2m
	Land	£2,483.9m	£2,216.2m	£267.7m
	WIP	£1,548.3m	£1,646.8m	(£98.5m)
	Debtors	£93.3m	£71.7m	£21.6m
	Net cash	£330.3m	£1.4m	£328.9m
Total assets		£4,546.8m	£4,033.6m	£513.2m
Liabilities	Creditors*	(£687.2m)	(£625.7m)	(£61.5m)
	Land creditors	(£455.8m)	(£343.6m)	(£112.2m)
	Legacy building safety provision*	(£116.0m)	(£70.3m)	(£45.7m)
	Total liabilities	(£1,259.0m)	(£1,039.6m)	(£219.4m)
NAV	Net assets	£3,287.8m	£2,994.0m	£293.8m
	NAV per share	2,664p	2,427p	9.8%

Pension asset of £10.2m.

£116.0 million legacy building safety provision.

Higher land creditors reflect additional land buying activity.

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

Notes



Highly cash generative

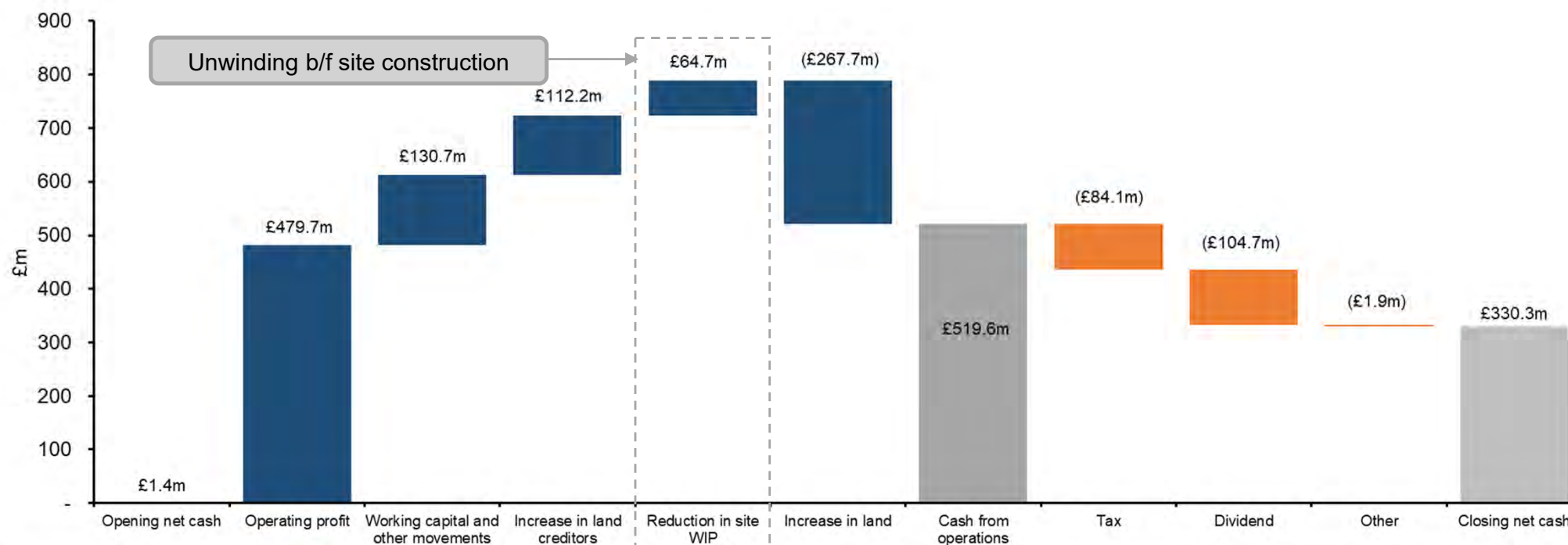


For the year ended 31 July

Low gearing of 3.8% including land creditors.

Average net cash, excluding land creditors, of £75m in FY22.

Committed facilities at 18 October, including USPP, of £500m, provides resilience and strategic flexibility.



Notes



Land with detailed planning permission ¹



As at 31 July

	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	12,782	£722.2m	£56.5k	9,390	£564.4m	£60.1k
Sold	(10,138)	(£657.1m)	£64.8k	(7,522)	(£451.7m)	£60.1k
At 31 July	30,933	£1,808.4m	£58.5k	28,289	£1,743.3m	£61.6k

Land bank ASP
Additions in period have expected ASP of c.£280k.
ASP of DPP land bank is c.£290k.

Future sales completions	
FY22 ASP c.£295k	FY23 ASP c.£290k
Lower ASP will help to maintain sales rates on expiry of Help-to-Buy.	

¹ See appendix 12 for definitions.

Notes



Overall land bank ¹



As at 31 July

	2021	2020
Land with DPP	30,933	28,289
Pipeline	24,300	16,300
Bellway owned and controlled plots	55,233	44,589
Bellway share of land owned and controlled by joint ventures	938	472
Total owned and controlled plots	56,171	45,061
Strategic plots	30,400	27,300
Overall land bank plots	86,571	72,361

Bellway owned and controlled land bank is c.5.4x FY21's actual 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 £2.5bn.

¹ See appendix 12 for definitions.

Notes



Work-in-progress



As at 31 July

	2021	2020	Change
Site WIP	£1,431.4m	£1,496.1m	(£64.7m)
Showhomes	£115.1m	£124.6m	(£9.5m)
Part-exchange stock	£1.8m	£26.1m	(£24.3m)
Total WIP	£1,548.3m	£1,646.8m	(£98.5m)

Site WIP is at earlier stages of production compared to a year ago.



Manageable, yet ongoing sector-wide supply chain constraints.



Volume growth in FY22 expected to be H2 loaded.

Part-exchange is unusually low.

Expect to revert to normal, higher levels in future.

Notes



Dividend and value creation



For the year ended 31 July

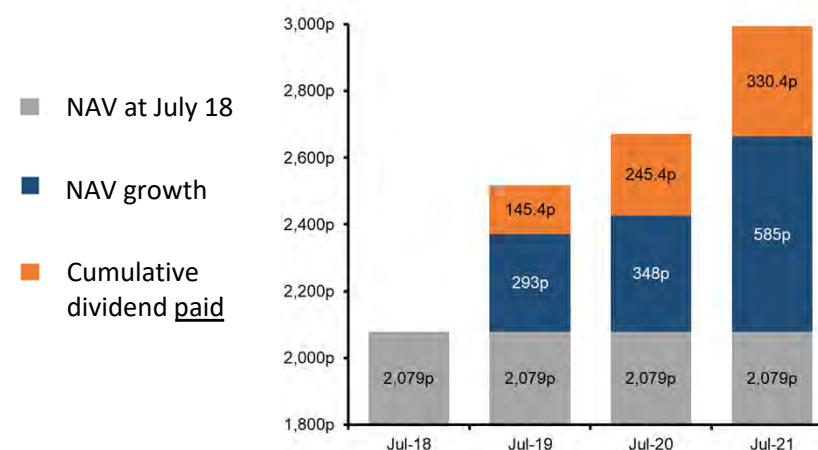
	2021	2020	Change
Interim dividend	35.0p	nil	100.0%
Proposed final dividend	82.5p	50.0p	65.0%
Total dividend	117.5p	50.0p	135.0%

Dividend cover of 3x underlying earnings is reasonable guide to future pay-out given growth potential.

Target to generate £1.25bn of underlying PBT over the next two financial years.

After paying tax, expect to return 1/3 of residual amount to shareholders.

12.9% p.a. return over three years



Return on equity

12.4%
(FY20: 6.5%)
+590bps

NAV

2,664p
(FY20: 2,427p)
+9.8%

Notes



Better with Bellway



Flagship priorities		
Customer First	Employer of Choice	Carbon reduction



Notes



Carbon reduction



Developing strategy to reduce:

Carbon output
within our
business.

Carbon
embedded
throughout the
supply chain.

Carbon arising
through
household
emissions.



Ambitious science-based carbon
reduction targets in 2022.

Actions

Future Homes Standard working group.

Controllable office, stock plot and compound
energy supplies use renewable sources.

24% reduction in Scope 1 and Scope 2 carbon
emissions per home sold since 2018.

Investigating site based bio-fuel.

Reviewing car scheme.

Notes



Summary of guidance



	FY22	FY23	Long-term
Volume growth	+10% to > 11,100	+10% y.o.y to c.12,200	16,000 to 18,000
Overall ASP	c.£295k	c.£290k	
Underlying operating margin	c.18%	18% to 19% without HPI	
Underlying profit before tax	£1.25bn		
Dividend	1/3 of underlying after tax earnings		

Notes



Operating review



Jason Honeyman
Chief Executive



Notes



Trading review



For the year ended 31 July

Weekly reservation rate ~

	2021	2020	Change
Private	169	141	19.9%
Social	36	37	(2.7%)
Total	205	178	15.2%

Average outlets ~

	2021	2020	Change
Average outlets	270	275	(1.8%)

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

Sales at start of FY21 were inflated due to pent up demand and stamp duty holiday before moderating.

HPI of around 3% to 5% in FY21 – expect it to moderate in FY22.

Supportive mortgage market, but lacking widely available 95% LTV products.

Help-to-Buy accounted for 30% of reservations in FY21, but fell to c.20% in last three months of the year.

Notes



Land



For the year ended 31 July

Contracted plots and sites

	2021	2020	Change
Bellway	18,937	11,921	7,016
Bellway's share of JVs	882	203	679
Total contracted plots	19,819	12,124	7,695

	2021	2020	Change
North	48	33	15
South*	61	36	25
Total contracted sites	109	69	40

Investment of over £1bn.

Large sites provide foundation for growth and higher margins.

Investment in London is focused on outer boroughs.

Expanding strategic land team and step-change in approach to investment.

* Contracted sites includes two sites (2020 – one site) in the south relating to land contracted through joint venture partners.

Notes



Productivity and costs



Production

Realistic construction plans and strong management teams.

Supply chain constraints not expected to ease in immediate future.

Good relationships with suppliers.

Treat subcontractors fairly.

Costs

Average cost increases of around 5%.

Majority of suppliers are acting responsibly.

Artisan Collection

Plotted across 29,000 plots on 212 developments.

Procurement benefits, including economies of scale, help mitigate cost pressures.



Notes



Future Homes Standards



Artisan provides a solid platform to meet the 2023 and 2025 building regulations.

Artisan can be updated centrally, avoiding duplication of costs.

Three sites identified as case studies to develop knowledge on energy efficiency and running costs.

Partnered with the University of Salford to build a house in laboratory conditions to trial new low carbon technology.

Plan to research air source heat pumps, underfloor heating and battery storage in Spring 2022.

Notes



Better with Bellway – employer of choice



Being an 'Employer of Choice' is a key priority.

Flexible Working Policy.

Senior Leaders
Development Programme.

Early careers programme.

Equality, Diversity and
Inclusion Policy.

8.5% of colleagues are in
'learning and earning'
roles.

89% of colleagues say
Bellway is a great place to
work.

Notes



Better with Bellway - Customer First



Target to further improve build quality and customer service levels.

Re-training all staff across the business and training business partners.

More quality inspections.

New customer portal.

More resources in customer care.

Notes



Current trading and order book



Order book at 3 Oct 2021 (2020: 4 Oct)



Robust reservation rate of 218 per week in the first nine weeks (FY20: 239, FY19: 183).

9% behind unusually strong FY20 comparator, but 19% ahead of FY19 in first 9 weeks.

Help-to-Buy has reduced to 18% of reservations in the period.

Outlets are slightly lower than FY21, but expect them to recover in H2 of FY22.

Strong orderbook of nearly £2bn.

Notes



Outlook



Volume growth	Growth of 20% across next two financial years.
	Opportunity to grow business to beyond 16,000 homes p.a. in the longer-term.
Value creation	Anticipated improvements in underlying operating margin.
	Significant value for shareholders through growth in NAV and dividends.
Better with Bellway	Responsible and sustainable approach to business.
	Targets to be reported in new year.

Notes



Q&A



The Vickers Ely, Cambridgeshire



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



Notes



Appendix 1 - Income statement



For the year ended 31 July

	2021				2020			Change	
	Underlying		Adjusting items	Total	Underlying	Adjusting items	Total		
Homes sold	10,138		-	10,138	7,522	-	7,522	34.8%	
Average selling price	£306,479		-	£306,479	£293,054	-	£293,054	4.6%	
Housing revenue	£3,107.1m		-	£3,107.1m	£2,204.4m	-	£2,204.4m	40.9%	
Other revenue	£15.4m		-	£15.4m	£21.0m	-	£21.0m	(26.7%)	
Total revenue	£3,122.5m		-	£3,122.5m	£2,225.4m	-	£2,225.4m	40.3%	
Gross profit	£651.9m	20.9%	(£51.8m)	£600.1m	£422.2m	19.0%	(£71.9m)	£350.3m	54.4% ¹
Net PX trading loss	(£0.3m)	(0.1%)	-	(£0.3m)	(£3.1m)	(0.1%)	-	(£3.1m)	(90.3%)
Administrative expenses	(£120.1m)	(3.8%)	-	(£120.1m)	(£97.4m)	(4.4%)	(£0.7m)	(£98.1m)	23.3% ¹
Operating profit	£531.5m	17.0%	(£51.8m)	£479.7m	£321.7m	14.5%	(£72.6m)	£249.1m	65.2% ¹
Net finance expense	(£11.1m)		-	(£11.1m)	(£13.4m)		-	(£13.4m)	(17.2%)
Share of JV result	£10.4m		-	£10.4m	£1.0m		-	£1.0m	940.0%
Profit before taxation	£530.8m		(£51.8m)	£479.0m	£309.3m		(£72.6m)	£236.7m	71.6% ¹
Taxation expense	(£98.1m)		£9.8m	(£88.3m)	(£57.6m)		£13.8m	(£43.8m)	101.6%
Profit after taxation	£432.7m		(£42.0m)	£390.7m	£251.7m		(£58.8m)	£192.9m	102.5%
Earnings per share	350.9p		(34.0p)	316.9p	204.3p		(47.7p)	156.6p	102.4%

¹ Underlying

Notes



Appendix 2 – Net finance expense



For the year ended 31 July

	2021	2020	Change
Net bank interest payable including fees	£3.1m	£6.0m	(48.3%)
Fixed rate sterling USPP notes	£1.6m	-	100.0%
Other interest:	£6.4m	£7.4m	(13.5%)
Made up of:-			
Land creditors / debtors – IFRS 9	£6.5m	£6.9m	(5.8%)
Lease liabilities – IFRS 16	£0.5m	£0.5m	-
Other interest receivable	(£0.6m)	-	100.0%
Total	£11.1m	£13.4m	(17.2%)

Notes



Appendix 3 – Housing revenue

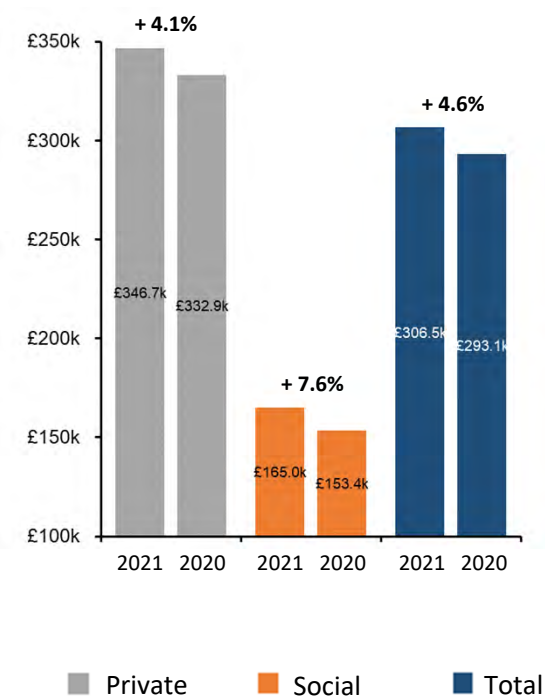


For the year ended 31 July

	Homes sold (No.)								
	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	3,983	714	4,697	3,182	526	3,708	25.2%	35.7%	26.7%
South	3,913	1,528	5,441	2,669	1,145	3,814	46.6%	33.4%	42.7%
Group	7,896	2,242	10,138	5,851	1,671	7,522	35.0%	34.2%	34.8%

	Average selling price (£000)								
	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	304.4	116.7	275.9	281.8	112.4	257.7	8.0%	3.8%	7.1%
South	389.7	187.5	332.9	394.0	172.2	327.4	(1.1%)	8.9%	1.7%
Group	346.7	165.0	306.5	332.9	153.4	293.1	4.1%	7.6%	4.6%

Average selling price ('ASP')



Notes



Appendix 4 – ASP per square foot



For the year ended 31 July

	2021			2020			Change		
	Private	Social	Total	Private	Social	Total	Private	Social	Total
North	250	147	240	236	142	227	5.9%	3.5%	5.7%
South - made up of:-	360	235	333	367	214	330	(1.9%)	9.8%	0.9%
London	516	316	434	585	299	513	(11.8%)	5.7%	(15.4%)
Non-London	347	217	321	341	204	308	1.8%	6.4%	4.2%
Group average	302	207	286	292	192	275	3.4%	7.8%	4.0%

Notes

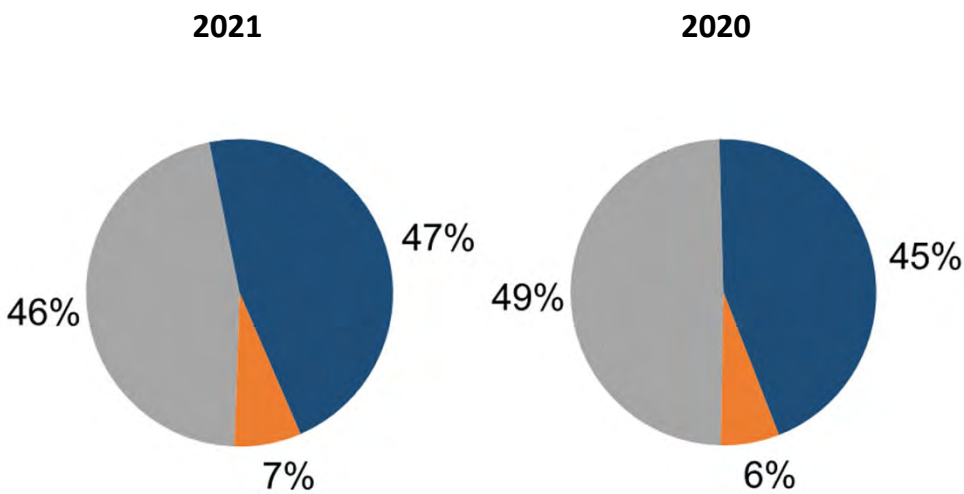


Appendix 5 – Geographic split

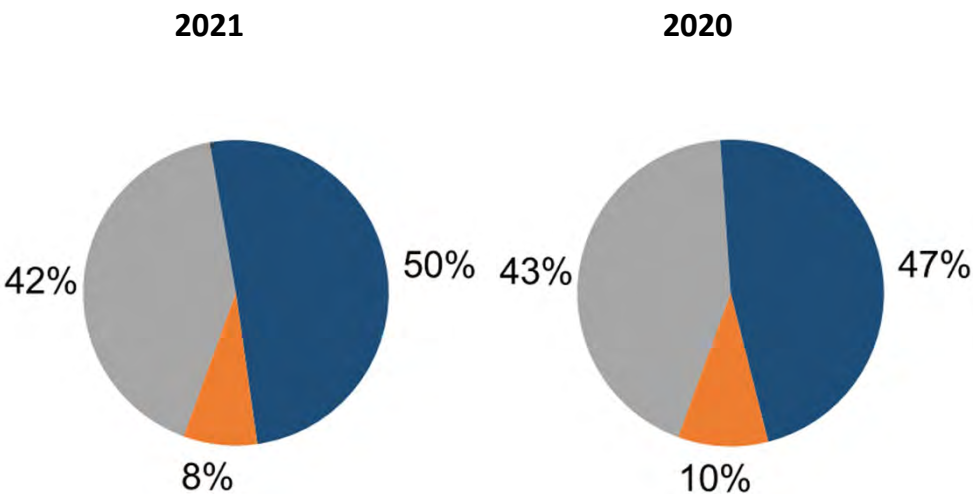


For the year ended 31 July

Completion analysis



Revenue analysis



■ North ■ South (excl. London) ■ London

Notes

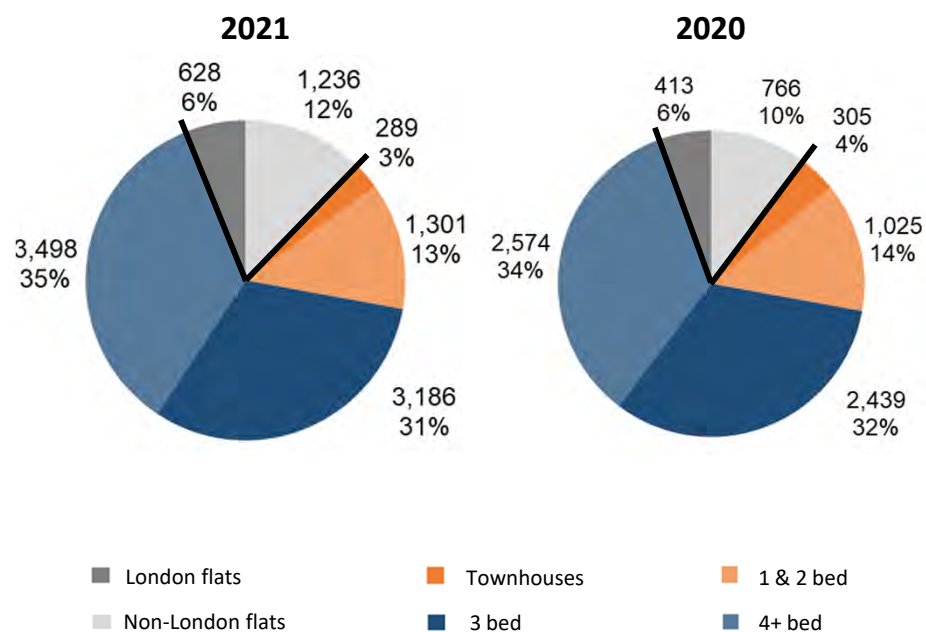


Appendix 6 – Product analysis



For the year ended 31 July

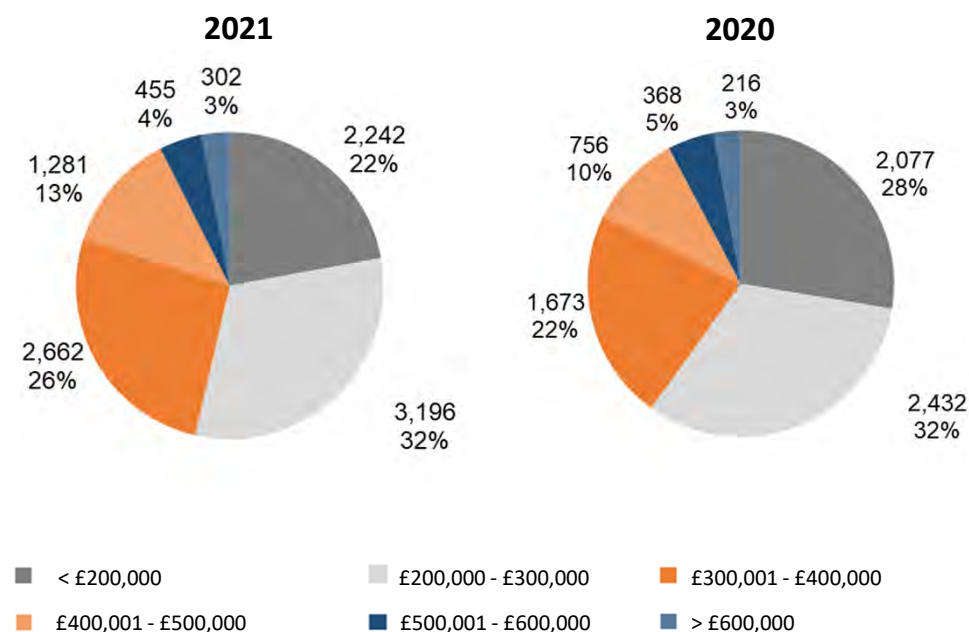
Product mix analysis



Flats

Houses

Selling price analysis



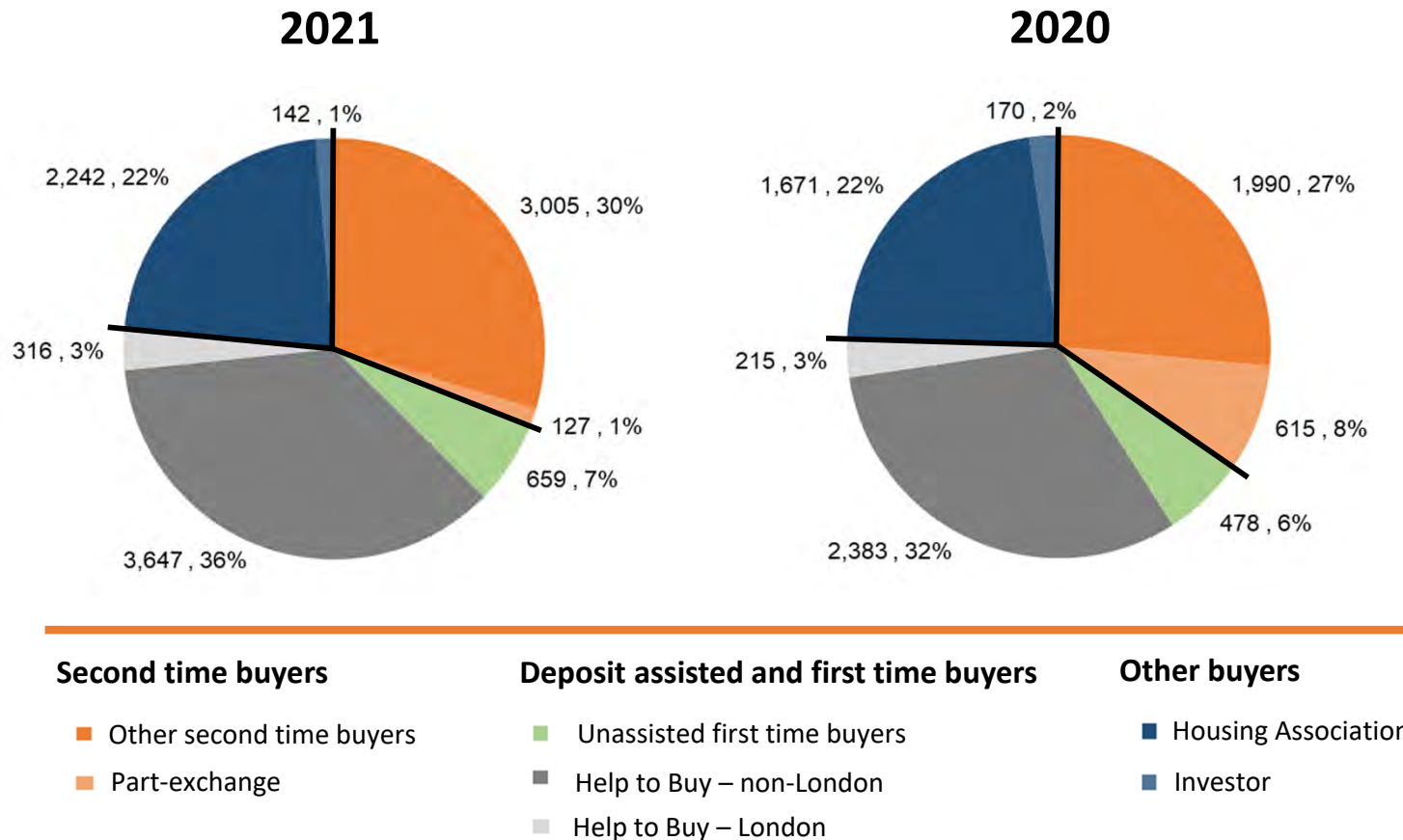
Notes



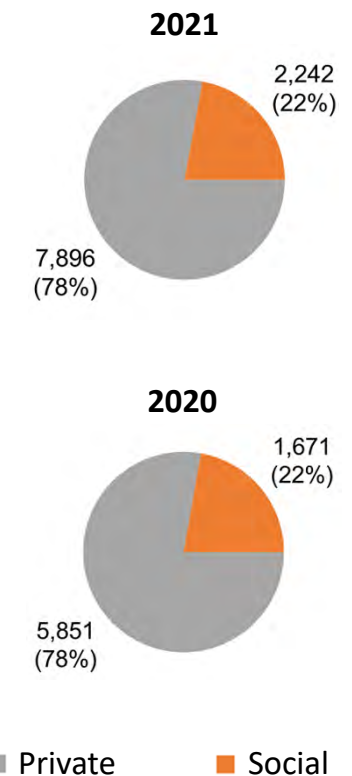
Appendix 7 – Buyer analysis



For the year ended 31 July



Homes sold



Notes



Appendix 8 – Order book at 31 July



	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	8,786	1,846	10,632	7,318	1,914	9,232	20.1%	(3.6%)	15.2%
Completions	(7,896)	(2,242)	(10,138)	(5,851)	(1,671)	(7,522)	35.0%	34.2%	34.8%
At 31 July	4,991	2,091	7,082	4,101	2,487	6,588	21.7%	(15.9%)	7.5%

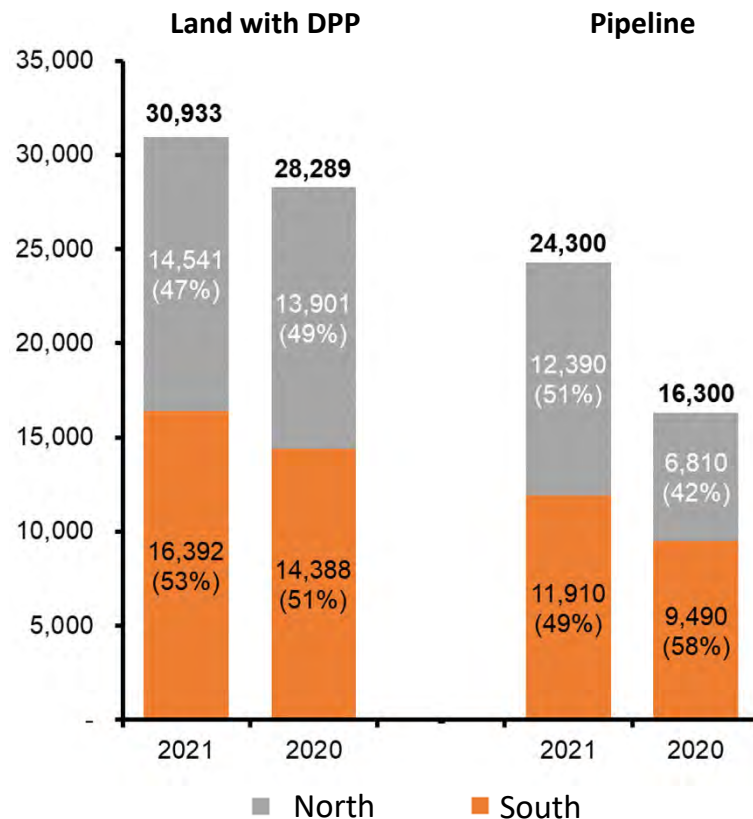
Notes



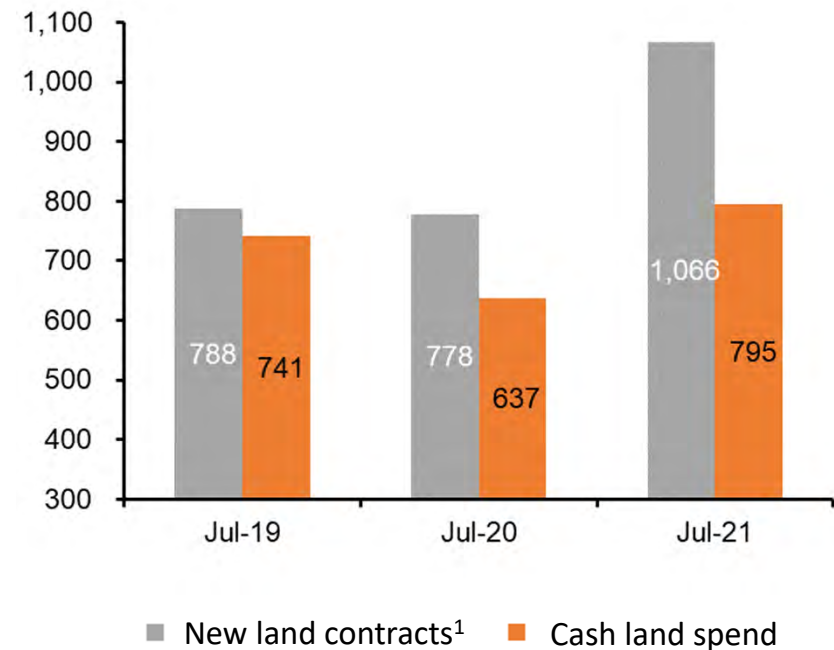
Appendix 9 – Land supply



Bellway owned and controlled land (plots)



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



¹ Includes the Group's share of land contracted through joint venture partners with a contract value of £39m (2020: £15m, 2019: £6m).

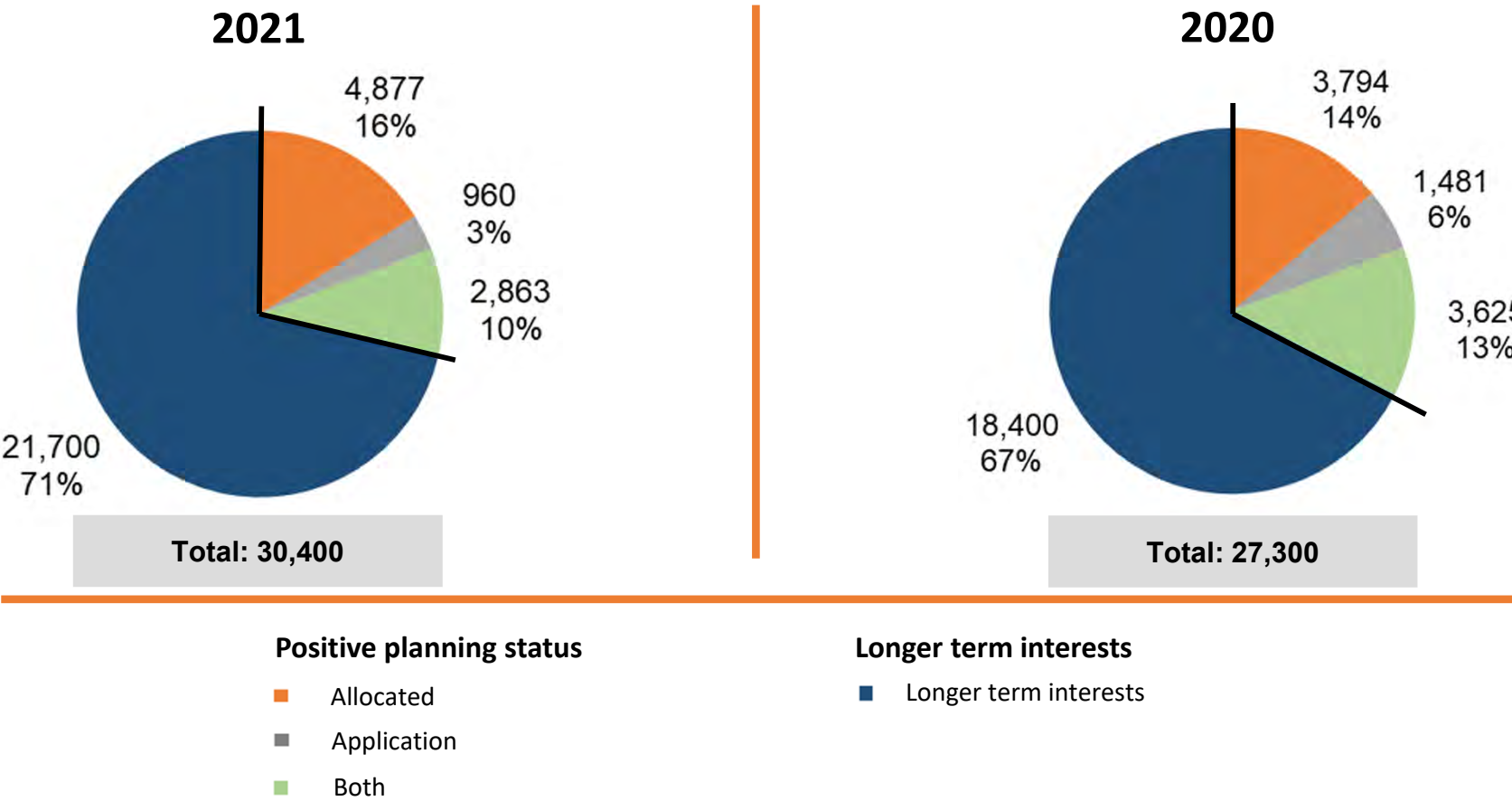
Notes



Appendix 10 – Strategic land



As at 31 July



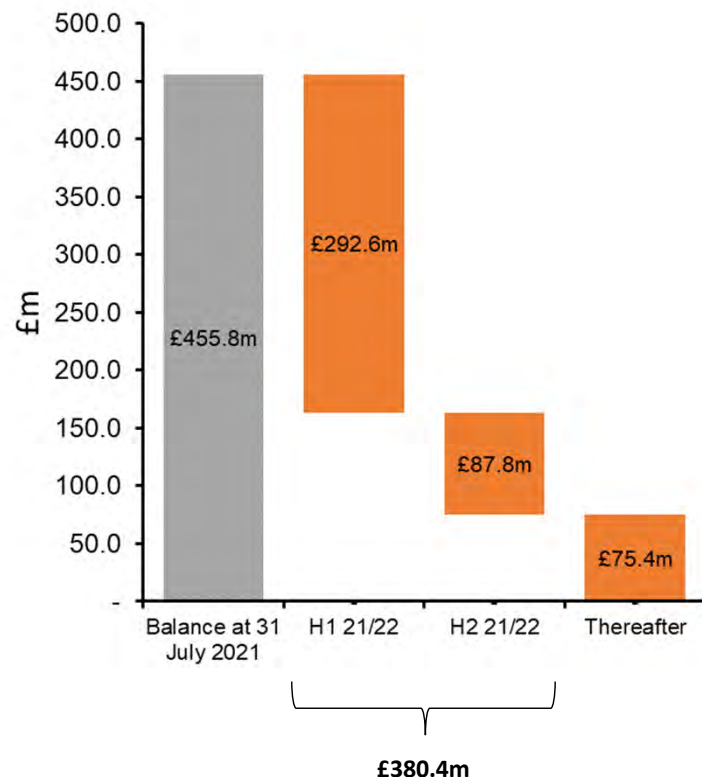
Notes



Appendix 11 – 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.
- £380.4m 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



Disclaimer



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