

Bellway p.l.c.

Trading Update

Friday 5 August 2016

Bellway is today issuing a trading update for the year ended 31 July 2016 ahead of its preliminary results announcement on Tuesday 18 October 2016.

Highlights

- Housing revenue is expected to increase by around 27% to £2.2 billion (2015 – £1,735.1 million).
- Further volume growth with a 12.5% increase in the number of housing completions to 8,721 (2015 – 7,752).
- A record pre-exceptional operating margin¹, which is expected to rise by around 150 basis points to approach 22%.
- A substantial forward order book comprising 4,644 homes (2015 – 4,568 homes) with a value of £1,117.1 million (2015 – £1,087.9 million) provides a solid foundation for the next financial year.
- Strong balance sheet with net cash of £26 million (2015 – net bank debt of £38.5 million).

Ted Ayres, Chief Executive, commented:

“The Group has delivered an outstanding trading performance, achieving new records for Bellway in respect of both volume and operating margin. We have invested in high quality land and have maintained a significant forward order book, thereby ensuring that the Group is well placed to continue its sizeable contribution to meeting the UK’s requirement for new homes in the year ahead. It is still too early to assess the effect of the EU referendum result, however trading in recent weeks has been encouraging and Bellway, with its strong balance sheet and robust land bank, can be flexible and respond opportunistically to any changes in market conditions.”

Market and current trading

Customer confidence and trading conditions have remained strong throughout the year, notwithstanding the wider economic uncertainty in the weeks preceding and following the EU referendum, in late June. This has been supported by an environment of low interest rates and the continued presence of Help to Buy, contributing to good availability of affordable mortgages.

The Group has taken an average of 169 reservations per week (2015 – 153 per week), an increase of over 10% compared to last year. Since the result of the EU referendum, there has been some modest caution from a small number of visitors to our developments at the higher value end of the London

¹ Pre disposal of Barking Riverside which is treated as an exceptional item and is excluded from operating profit.

market, where Bellway has only limited exposure. Overall, visitor numbers are still strong and the cancellation rate remains at a historic low.

Bellway has continued with its plans to open a nineteenth trading division in Durham, utilising land and reallocating internal resources, primarily from our very successful neighbouring North East division, which was previously operating at full capacity. The new division opened on 1 August and will provide the Group with an ability to deliver additional output at minimal extra overhead, thereby ensuring Bellway is well placed to cost effectively deliver its long term growth strategy.

Results

The Group completed the sale of 8,721 homes (2015 – 7,752), an increase of 12.5% compared to last year's record. The average selling price of completions rose by almost 13% to £252,700 (2015 – £223,821), influenced in part by a lower proportion of social housing completions, which represented 16% of the total (2015 – 20%). As a result of the growth in volume and average selling price, housing revenue has risen by around 27% to £2.2 billion (2015 – £1,735.1 million).

In line with previous guidance, the pre-exceptional operating margin is expected to rise by around 150 basis points to approach 22%. This excludes the benefit of the £17.3 million exceptional profit arising on the disposal of the Group's interest in Barking Riverside.

Notwithstanding the rapid rate of growth, this record operating performance has been achieved whilst maintaining a focus on quality, with 43 of the Group's site managers awarded NHBC Pride in the Job Awards (2015 – 33), the highest number Bellway has ever achieved.

Land buying and financial position

The land market has remained attractive throughout the year and Bellway has therefore continued to selectively acquire those sites that meet its minimum hurdle rates in respect of gross margin and return on capital employed. Accordingly, the Group has contracted to acquire 9,555 plots (2015 – 9,128) across 88 sites (2015 – 88 sites). Following the EU referendum result, the Group is proceeding cautiously with a number of site acquisitions pending the outcome of the Autumn selling season.

Notwithstanding cash expenditure of some £670 million on land and land creditors (2015 – £620 million), the Group ended the year with net cash of £26 million (2015 – net bank debt of £38.5 million).

Outlook

Whilst it is too early to determine the extent to which the EU referendum may have an effect on longer term customer confidence, the underlying demand for new homes remains strong, supported by lenders' willingness to provide ongoing access to affordable mortgage finance.

Bellway is in a solid position and has built up a healthy forward order book comprising 4,644 homes (2015 – 4,568 homes) at a value of £1,117.1 million (2015 – £1,087.9 million), with this increase achieved whilst also delivering significant volume growth. Together with a strong balance sheet and an expanding structure of nineteen trading divisions, this ensures that Bellway retains the flexibility and operational capacity to adapt to changes in market conditions. If required, the Group can moderate the rate of land investment in the short term to preserve maximum value for shareholders.

Notwithstanding this, the Group is well placed to continue its long term growth strategy, whilst maintaining a focus on return on capital employed.

FOR FURTHER INFORMATION PLEASE CONTACT:

TED AYRES, CHIEF EXECUTIVE AND KEITH ADEY, FINANCE DIRECTOR FROM 7:00 AM ONWARDS ON 0191 217 0717.

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