

Bellway p.l.c.

Trading Update

Wednesday 10 February 2016

Bellway p.l.c. is today issuing a trading update for the six months ended 31 January 2016 ahead of its interim results announcement on Tuesday 22 March 2016.

Highlights

- Further volume growth, with an 11.6% rise in the number of housing completions to 4,188 (2015 – 3,754).
- The average selling price has risen by 17% to a record £257,000 (2015 – £219,343).
- Significant investment in land with 5,445 plots contracted (2015 – 3,824 plots) at attractive rates of return to secure future growth.
- A substantial forward order book comprising 4,434 homes (2015 – 4,213 homes) with a value of £1,027 million (2015 – £975 million) supports the Group's continued growth ambitions.

Ted Ayres, Chief Executive, commented:

“We have achieved a strong performance for the half year to 31 January 2016, delivering a further increase in both volume and average selling price, which should result in a substantial rise in earnings. We have made a significant investment in land at attractive rates of return to secure future growth and this, together with the positive market conditions and government support for new housing, should lead to further value creation for our shareholders.”

Market conditions and trading

The Group has achieved another period of strong growth, completing the sale of 4,188 homes (2015 – 3,754), an increase of 11.6% compared to the same period last year. The average selling price of homes sold has risen by 17% to a record £257,000 (2015 – £219,343), primarily as a result of the completion of a number of high value London apartments, together with a smaller proportion of lower value social housing completions. The ongoing investment in higher value locations throughout the country has also had a positive effect on the average selling price achieved in the period. The average selling price for the full financial year is expected to increase by around 10% (31 July 2015 – £223,821), in line with previous guidance.

The strong trading performance should lead to a significant rise in housing revenue of over 30%, which should exceed £1,075 million (2015 – £823.4 million).

Trading conditions continue to be favourable and this has helped Bellway achieve an average reservation rate of 156 homes per week (2015 – 139 per week), an increase of 12.2% compared to the same period last year. The average private sales rate has risen by 12.4% to 127 homes per week (2015 – 113 per week). Customer confidence remains strong and the Group's cancellation rate remains low at only 11% (2015 – 11%).

Bellway ended the period with a strong order book comprising 4,434 homes (2015 – 4,213 homes), with a value of £1,027 million, (2015 – £975 million), a rise of 5.3%. This substantial forward sales position supports the Group's continued growth ambitions.

Land buying

Our land teams continue to source good quality development sites, maintaining strong capital disciplines in respect of both gross margin and return on capital employed. To that extent, the Group has entered into contracts, typically conditionally, to acquire 5,445 plots (2015 – 3,824 plots) across 45 sites (2015 – 42 sites).

The land market remains attractive and the Group has a strong pipeline of future acquisitions with heads of terms agreed on some 4,700 plots.

Financial position

Notwithstanding cash expenditure of £315 million on land and land creditors (2015 – £355 million), Bellway had net bank debt of £59 million at 31 January (31 July 2015 – £38.5 million), representing modest gearing of less than 4% (31 July 2015 – 2.4%).

Outlook

The Group has achieved a strong first half performance and has both the order book and land in place to continue to deliver ongoing volume growth. Bellway remains on target to increase volume by around 10% this financial year, supported by positive government initiatives to increase national housing output. The strategy of ongoing volume growth, together with a focus on return on capital employed, is continuing to deliver substantial value for shareholders.

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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