

Bellway p.l.c.

Trading Update

Thursday 9 June 2016

Bellway is today issuing a trading update in respect of the period from 1 February to 5 June 2016.

Highlights

- Housing completions for the full year to 31 July 2016 are expected to rise by at least 10% (2015 – 7,752).
- Strong sales performance with an 8% increase in the weekly reservation rate to 196 per week during the period (2015 – 182 per week).
- Interest in Barking Riverside Limited sold resulting in an exceptional profit of £17.3 million, whilst retaining a pre-emption to purchase around 2,600 development plots.
- Plans to open a nineteenth operating division to support the Group's ongoing growth strategy are well progressed.

Ted Ayres, Chief Executive, commented:

“The continued positive trading environment, the availability of good quality land opportunities and disciplined investment in an expanding divisional structure are enabling Bellway to continue delivering ongoing volume growth. This strategy for growth, together with a focus on return on capital employed, should lead to another record performance in the year ending 31 July 2016, resulting in further value creation for shareholders.”

Market and current trading

Market conditions are robust and customer demand for new homes remains positive, assisted by good accessibility to affordable mortgage finance.

Against this backdrop, there has been an encouraging start to the second half of the financial year, with the rate of reservation improving throughout the traditionally stronger spring months. As a result, the Group has achieved an average reservation rate of 196 per week since 1 February (2015 – 182 per week), an increase of 8% compared to the equivalent period last year.

Demand for affordably priced homes remains healthy and has been further supported by the introduction of London Help to Buy on 1 February 2016, enabling customers to purchase a new home with an increased equity share proportion of up to 40%. As a consequence, the usage of Help to Buy has risen to some 14% of reservations in the Capital (2015 – 4%).

Notwithstanding the uncertainty surrounding the impending EU referendum, the Group has not experienced any noticeable effect on trading, with customer confidence continuing to be strong and the cancellation rate remaining low at just 11% (2015 – 10%).

Land buying and financial position

The land market continues to be attractive and our land teams continue to identify good quality opportunities that meet or exceed our minimum hurdle rates in respect of gross margin and return on capital employed. The Group has contracted to acquire some 8,600 plots since 1 August (2015 – 5,950 plots) and has spent £606 million (2015 – £500 million) on land and land creditors, with the sites acquired spread geographically across eighteen operating divisions. In addition, the Group has agreed heads of terms and instructed solicitors on the purchase of a further 6,200 plots.

At 5 June, the Group had net bank debt of £161 million (31 May 2015 – £191 million), representing modest gearing of approximately 9% (2015 – 13%). Net bank debt is expected to reduce throughout the remainder of the financial year reflecting the expected timing of receipts from housing completions.

Barking Riverside

As previously reported, the Group disposed of its entire interest in Barking Riverside Limited to L&Q New Homes Limited on 7 March 2016 and in doing so retained a pre-emption to purchase around 2,600 development plots. Bellway will receive total consideration with a fair value of £43.5 million over the next three years, including £17 million received in March on completion. The disposal proceeds will be reinvested in additional land opportunities, at attractive rates of return, thus creating further value for shareholders. The initial profit of £17.3 million, arising on disposal, will be treated as an exceptional item in the results for the full year ending 31 July 2016.

Outlook

Notwithstanding an increase in the number of homes which have legally completed compared to the equivalent period last year, Bellway has maintained a substantial order book with a value of £1,293 million at 5 June (31 May 2015 – £1,270 million), representing 5,346 homes (31 May 2015 – 5,502 homes).

The strong forward sales position means that the Group remains on target to deliver at least a 10% growth in volume in the current financial year (31 July 2015 – 7,752). In addition, the average selling price is expected to increase by around 10% (31 July 2015 – £223,821) and the operating margin, before exceptional items, is expected to approach 22% (31 July 2015 – 20.4%) for the full year ending 31 July 2016, in line with previous guidance.

Government policy continues to support home ownership and whilst we await the outcome of the consultation relating to the forthcoming Starter Homes Initiative, we are hopeful that this should assist in the continued provision of affordably priced new homes.

Plans are well advanced to open a nineteenth operating division, in the North of England, in the first half of the next financial year and this will further strengthen the Group's ability to continue its strategy of disciplined volume growth.

Bellway will release a trading update for the financial year ending 31 July 2016 on Friday 5 August.

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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