

Bellway p.l.c.

Trading Update

Tuesday 8 August 2017

Bellway is today issuing a trading update for the year ended 31 July 2017 ahead of its preliminary results announcement on Tuesday 17 October 2017.

Highlights

- Housing revenue is expected to increase by over 13% to £2.5 billion (2016 – £2,204.6 million).
- Further volume growth with a 10.6% increase in the number of housing completions to 9,644 (2016 – 8,721).
- The operating margin is expected to rise to slightly in excess of 22% (2016 – 22.0%).
- Excellent forward sales position with a 16% growth in the value of the forward order book to £1,296.3 million (2016 – £1,117.1 million).
- Substantial growth achieved whilst maintaining balance sheet strength, with net cash of £16 million (2016 – £26.5 million) providing significant capacity for future investment.

Ted Ayres, Chief Executive, commented:

“A focus on delivering growth, set against a backdrop of favourable market conditions, has helped Bellway to surpass last year’s record in respect of both volume and operating margin and further increase the Group’s contribution to the supply of much needed new homes. This excellent trading performance, together with additional investment in attractive land opportunities, ensures that Bellway is well placed to continue its disciplined growth strategy.”

Market and current trading

Throughout the year, robust consumer demand for new homes has been supported by the ongoing availability of cost effective mortgage finance and the continued provision of Help to Buy. This has contributed to the rate of sale, enabling the Group to record an average of 187 reservations per week (2016 – 169), an increase of almost 11% compared to last year.

The private sales rate gathered pace in the second half of the financial year as a result of new site openings and ongoing investment in work in progress. Demand since the General Election has remained strong, with customers’ appetite to purchase a new home so far unaffected by any uncertainty in the wider economy.

Results

Bellway completed the sale of 9,644 new homes (2016 – 8,721), 923 more than last year and an increase of 10.6%. The average selling price of homes sold rose by 2.9% to a record £260,000 (2016 – £252,793),

with this diluted by a higher proportion of lower value social housing completions, which represented almost 22% of the total (2016 – 16%). The pricing environment remained positive, supported by robust demand throughout the country.

The growth in volume and average selling price should result in housing revenue increasing by over 13% to £2.5 billion (2016 – £2,204.6 million). This is almost 2.3 times the housing revenue reported just four years ago for the year ended 31 July 2013, demonstrating the rapid rate of increase achieved as a result of the ongoing growth strategy.

As previously reported, the operating margin for the full financial year is expected to rise to slightly in excess of 22% (2016 – 22.0%).

Land buying and financial position

The land market remains attractive and our land teams continue to identify value enhancing opportunities to support the growth strategy in the future. Bellway contracted to acquire 11,613 plots (2016 – 9,555) on sites that meet or exceed our minimum acquisition criteria in respect of gross margin and return on capital employed. As a result of this investment, all of the land required is in place to meet the Board's growth aspirations in respect of the financial year ending 31 July 2018.

Notwithstanding significant investment in both land and work in progress, Bellway ended the year with net cash of £16 million (2016 – £26.5 million).

Outlook

At the same time as achieving significant volume growth, the forward sales position is strong and the order book at 31 July 2017 rose by 16% to £1,296.3 million (2016 – £1,117.1 million), with this representing 4,749 homes (2016 – 4,644 homes).

Bellway has significant capacity for further volume growth, both from its existing divisional structure and as a result of its ability to open new divisions in areas of strong demand. This capacity, together with a strong balance sheet, is enabling the Group to continue its disciplined growth strategy and deliver further value for shareholders.

** All figures exclude joint venture completions in which the Group has an interest.*

FOR FURTHER INFORMATION PLEASE CONTACT:

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

Certain statements in this announcement are forward-looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.