

Bellway p.l.c.

Pre-Close Trading Update

Friday 7 August 2015

Bellway p.l.c. is today issuing a pre-close trading update for the year ended 31 July 2015 ahead of its preliminary results announcement on Tuesday 13 October 2015.

Highlights

- A record number of homes sold with a 13.2% increase in the number of housing completions to 7,752 (2014 – 6,851).
- A further improvement in the average selling price with a 5% increase to around £224,000 (2014 – £213,182).
- The operating margin is expected to increase by around 300 basis points to over 20% (2014 – 17.2%).
- A substantial forward order book comprising 4,568 homes (2014 – 4,363 homes) with a value of £1,087.9 million (2014 – £924.3 million).
- A record £620 million spent on land and land creditors (2014 – £460 million) thereby securing the Group's ability to deliver further volume growth at attractive rates of return.
- A strong balance sheet with net debt of only £39 million (2014 – net cash of £3.6 million¹) ensures that Bellway is well placed to invest in further land opportunities.
- A new division now open in Kent will assist in driving future growth plans.

Ted Ayres, Chief Executive, commented:

“The Group has continued to trade well, against a backdrop of favourable market conditions, delivering a record number of legal completions, whilst further adding to an already strong forward order book. We have made a substantial investment in attractive land opportunities and the Group has the balance sheet and operational capability to invest further, thereby enabling Bellway to continue delivering additional and much needed new homes.”

Market Conditions and Trading

Demand for new homes has remained strong throughout the year, supported by more widely available and increasingly competitive mortgage finance. The Bank of England base rate remains at a historic low and notwithstanding the possibility of an interest rate rise, new homes remain a very attractive and affordable option for purchasers.

¹ Restated following the introduction of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'

The Group has taken an average of 153 reservations per week (2014 – 148 per week) for the year ended 31 July 2015, an increase of over 3% compared to last year, with the private sales rate gathering pace in the second half of the financial year as a result of new site openings and the ongoing investment in work in progress. The pricing environment has remained positive, supported by robust demand throughout the country.

Results

In the context of this positive trading environment, Bellway has completed the sale of 7,752 homes (2014 – 6,851), an increase of 13.2% compared to last year and a record for the Group.

The average selling price of homes sold rose by 5% to around £224,000 (2014 – £213,182), with the increase attributable to further changes in mix, together with modest underlying increases in sales prices. The strong growth in both volume and average selling price has led to an overall increase in housing revenue of over 18% to around £1,730 million (2014 – £1,460.5 million).

The operating margin for the full financial year is expected to rise by around 300 basis points to over 20% (2014 – 17.2%). As previously reported, this figure excludes the £6.9 million exceptional profit arising on the sale of the Group's shared equity assets for cash consideration of £32.5 million.

Land Buying and Financial Position

The Group contracted to acquire 88 sites during the year and has spent a record £620 million (2014 – £460 million) on land opportunities that meet or exceed its minimum acquisition criteria in respect of both gross margin and return on capital employed. The land market remains attractive and the recent confirmation that the Help to Buy shared equity scheme will be extended to 2020 in England, provides stability and visibility when assessing future land opportunities.

Notwithstanding the significant investment in land, the Group ended the year with modest net debt of £39 million (2014 – net cash of £3.6 million¹), representing gearing of less than 3% (2014 – nil).

Outlook

Whilst completing the sale of a record number of homes, the order book has also risen to 4,568 homes (2014 – 4,363 homes) with a value of £1,087.9 million (2014 – £924.3 million), an increase of 17.7% compared to last year.

On 1 August 2015, Bellway opened its seventeenth operating division, located in Kent and this follows in quick succession after the new South West division, which, as previously reported, commenced operations in February 2015. These new divisions further enhance the Group's capacity to deliver new homes in areas of high demand.

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.