

# **Bellway p.l.c.**

## **Trading Update**

**Tuesday 10 February 2015**

Bellway p.l.c. is today issuing a trading update for the six months ended 31 January 2015 ahead of its interim results announcement on Wednesday 25 March 2015.

### **Highlights**

- Further volume growth with a 15.7% increase in the number of housing completions to 3,754 (2014 – 3,245).
- Strong forward sales position with growth of 24.5% in the value of the forward order book to £975 million (2014 – £783 million).
- Operating margin expected to approach 20% for the period ended 31 January 2015 (2014 – 15.6%).
- Significant investment in land with around £355 million expended on land and land creditors (2014 – £240 million).
- Plans to open a sixteenth operating division in the current financial year.

### **Ted Ayres, Chief Executive, commented:**

“The Group’s strategy of delivering volume growth, with a strong focus on return on capital employed has resulted in a further significant rise in profitability. With advanced plans to open a sixteenth division in the second half of the financial year, Bellway is well positioned to deliver further earnings growth.”

### **Market conditions and trading**

Market conditions remain favourable with continued demand for new homes across the country. Accordingly, the Group has taken an average of 139 reservations per week (2014 – 137 per week), a slight increase compared with the same period last year. As expected, the rate of private reservations has slowed compared with the first half of the previous financial year, which benefited from particularly strong sales demand due to the initial surge in activity following the introduction of Help to Buy.

## Results

The Group has completed the sale of 3,754 homes (2014 – 3,245 homes), an increase of 15.7% compared with the same period last year. As previously reported, the Board expects that the rate of volume growth will be more heavily weighted to the first half of the current financial year.

The growth in volume in the north of the country was particularly strong, with the Group completing the sale of 1,822 homes (2014 – 1,474 homes) across its seven northern divisions. This represents an increase of 23.6% compared to last year, with significant land investment resulting in a strong performance in Scotland and the North East, where our divisions completed the sale of 327 and 431 homes respectively.

The Group's southern divisions also performed well, completing the sale of 1,932 homes (2014 – 1,771), a rise of 9.1% compared with last year and demand for our homes in London remains strong.

The average selling price of homes sold has risen by 3% to around £219,000 (2014 – £212,071) and the average selling price of private homes sold has risen by 7% to around £240,000. The improvement has been driven by the strong pricing environment and greater investment in primary locations over recent years. Whilst the pricing environment remains favourable, the rate of house price growth has moderated, particularly in and around London, resulting in only modest but sustainable pricing improvements on certain sites.

Housing revenue has risen by approximately 19% to over £820 million (2014 – £688.2 million) and the operating margin for the first half of the year is expected to approach 20% (2014 – 15.6%).

## Land buying and financial position

The Group continues to identify attractive land opportunities, having spent around £355 million on land and land creditors (2014 – £240 million). Recent land acquisitions at Kempshott Park in Basingstoke, Stokesley Road in Guisborough and Kings Hill in West Malling are all expected to be released for sale in the next 12 months. The Group's ability to continue investing in high quality development opportunities such as these should help to ensure that Bellway is well placed to continue delivering attractive rates of return in the years ahead.

Notwithstanding this significant investment in land, the Group ended the period with modest net bank debt of £93 million (31 July 2014 – net cash of £3.6 million<sup>1</sup>).

## Outlook

The order book at 31 January stood at £975 million (2014 – £783 million), representing 4,213 homes (2014 – 3,836 homes). Plans are well advanced to open a sixteenth division in the second half of the financial year and this, together with the strong order book and significant, disciplined investment in land should ensure that the Group is well placed to deliver further volume and profit growth in the current financial year.

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<sup>1</sup> Restated following the introduction of IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements'.

**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.*