

Bellway p.l.c.

Annual General Meeting and Trading Update

Friday 11 December 2015

Bellway p.l.c. is holding its Annual General Meeting today, at 2pm and is issuing a Trading Update relating to the 18 week period from 1 August 2015 to 6 December 2015.

Highlights

- The reservation rate has increased by 12% to 165 homes per week (2014 – 147 per week) in the period.
- Housing completions for the full year to 31 July 2016 are expected to increase by around 10% (2015 – 7,752).
- The average selling price of completions in the current financial year is expected to rise by around 10%.
- The operating margin is expected to rise to at least 21% in the current financial year, contributing to a further anticipated improvement in return on capital employed.

Ted Ayres, Chief Executive, commented:

“The Group is committed to its strategy of creating shareholder value through disciplined volume growth and increasing the supply of much needed new homes. The measures announced in the government’s recent autumn statement, particularly in relation to the amendments to the Help to Buy scheme in London and its extension in England until 2021, not only provide access to mortgages for homebuyers but also provide further visibility in relation to the longer term outlook when assessing land opportunities. The Group continues to trade well and is favourably positioned to continue delivering volume growth, whilst maintaining a strong focus on return on capital employed.”

Market and current trading

Customer demand has continued to be robust throughout the usually quieter summer months and on into the traditionally stronger autumn selling season, with favourable market conditions and investment in production contributing to an average weekly reservation rate of 165 per week (2014 – 147 per week), an increase of 12% compared to the same period last year. The Group’s most recently opened operating divisions, located in Bristol and Kent, are both performing well, with high customer demand in respect of the homes they are constructing.

The average selling price in respect of reservations taken in the period has risen by 5.8% to £252,100 (2014 – £238,200). The increase is modestly ahead of expectations, influenced by the favourable pricing environment and is reflective of the ongoing investment in higher value locations. The Board anticipates that the average selling price of completions in the current financial year will rise by around 10%, although the rate of increase in the six months to 31 January 2016 is likely to be higher due to the legal completion of a number of high value London apartments.

The operating margin continues to rise as a result of the Group acquiring higher margin sites and this has been strengthened further in instances where revenues have risen above initial acquisition expectations. The strong operating performance and focus on cost control should allow the Group to further improve the operating margin to at least 21% in the current financial year (2015 – 20.4%¹).

Land buying and financial position

Our land buyers have continued to identify and acquire opportunities, predominantly on brownfield sites, that meet or exceed our minimum acquisition criteria in respect of gross margin and return on capital employed and as a result, Bellway has spent £235 million on land and land creditors in the period (2014 – £233 million) and has heads of terms agreed on a further 4,500 plots (30 November 2014 – 4,400 plots).

Notwithstanding the investment in land, Bellway had net bank debt of £136 million at 6 December (30 November 2014 – £162 million), representing modest gearing of around 8% (30 November 2014 – 11%).

Dividend

The proposed final dividend of 52.0 pence per ordinary share (2014 – 36.0 pence), if approved at today's AGM, will be paid to shareholders on 13 January 2016. This will bring the total dividend for the year ended 31 July 2015 to 77.0 pence (2014 – 52.0 pence), an increase of 48.1% compared to the prior year. The progressive dividend policy, together with the ongoing reinvestment of earnings to achieve further capital growth, continues to deliver substantial value for shareholders.

Outlook

The Group has made an excellent start to the current financial year, supported by the strong market conditions and an increase in the number of units in production. The Group's disciplined growth strategy should lead to volume growth of around 10% in the year ending 31 July 2016 and this, together with an expected improvement in both operating margin and return on capital employed, will lead to further value creation for shareholders.

A Trading Update will be issued on Wednesday 10 February 2016 following the conclusion of the six month trading period ending 31 January 2016.

FOR FURTHER INFORMATION PLEASE CONTACT:

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

¹ Before exceptional item.

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.