

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

### **Annual General Meeting and Interim Management Statement**

**Friday 12 December 2014**

Bellway p.l.c. is holding its Annual General Meeting today, at 12.00 noon and is issuing an Interim Management Statement relating to the 18 week period from 1 August 2014 to 30 November 2014.

#### **Highlights**

- The reservation rate remains robust at 147 per week (2013 – 144 per week).
- The Group has made a significant investment of £233 million (2013 – £121 million) on attractive land opportunities.
- The operating margin is expected to be around 20% for the current financial year.
- The Group is well placed to deliver further disciplined volume growth, slightly in excess of 10% for the year ending 31 July 2015, with further improvements in profitability and return on capital employed.

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

“Demand for new housing is resilient across the country and continues to be supported by the availability of affordable, higher loan to value mortgages and in particular, the continuation of the Government’s Help to Buy scheme. Further disciplined investment in land should mean that the Group is well placed to deliver continued volume growth, further improvements in return on capital employed and another significant increase in profitability in the current financial year.”

#### **Market and current trading**

Trading has returned to a more normal seasonal pattern, with a slow-down in the summer months, followed by an increase in the sales rate throughout autumn. Total reservations taken since 1 August have averaged 147 per week (2013 – 144 per week), ahead of the same period last year. Whilst the private reservation rate has slowed, this is set against a particularly strong comparative, with the opening months of the previous financial year benefiting from an initial surge in activity which continued throughout the winter of 2013, following the introduction of Help to Buy. The Mortgage Market Review, whilst improving long term stability, has not had a detrimental effect on sales, with cancellation rates remaining low by historic standards at around 10.4% (2013 – 11.9%).

Constraints in the sub-contract supply chain, especially around London, remain a substantial challenge for the industry, however, the Group’s strong forward sales position and the significant investment made in site construction should enable Bellway to achieve volume growth slightly in excess of 10% in

the current financial year. Subject to the achievement of construction programmes, the strength of the brought forward order book at 31 July 2014 is likely to result in the rate of volume growth being weighted towards the first half of the financial year.

The London market remains strong and the Group continues to experience high levels of demand for its product, which remains affordable in the context of this region. Notwithstanding the requirement for new homes in the Capital, the significant growth in revenue recently experienced on certain London developments has now abated, resulting in a return to more sustainable market conditions.

Across the rest of the country, the pricing environment remains positive with the strong demand ensuring that incentives continue to be used sparingly. This has resulted in the Group still achieving selling prices in line with, or slightly in excess of, initial acquisition expectations.

These positive market conditions, together with strong control of administrative and construction costs, should result in continued operating margin progression. This will be enhanced this year as the gross margin on completions should benefit from historic revenue gains on London schemes acquired in recent years. As a consequence, the Group should be able to achieve an operating margin of around 20% for the year ending 31 July 2015.

### **Land buying and financial position**

Bellway has continued to be successful in the land market having spent £233 million on land and land creditors (2013 – £121 million) on opportunities that meet or exceed the Group's minimum acquisition criteria. Furthermore, the Group has heads of terms agreed on a further 4,400 plots (2013 – 4,000 plots) with a value of £320 million (2013 – £220 million). The availability of good quality land, a disciplined approach to investment and a focus on acquiring those sites where an attractive return on capital can be achieved, should enable Bellway to continue to deliver its strategy of volume growth and generate long term value for shareholders.

Bellway has recently renewed revolving credit facilities of £125 million, thereby providing committed bank funding on favourable terms for the next five years and contributing to the Group's total bank facilities of £300 million. The controlled expenditure on land has resulted in net debt of £162 million (30 November 2013 – net cash of £73 million<sup>1</sup>) and average net debt is expected to remain at a similar level for the remainder of the year.

### **Dividend**

The recommended final dividend of 36.0 pence per ordinary share (2013 – 21.0 pence), if approved at today's AGM, will be paid to shareholders on 14 January 2015. This will bring the total dividend for the year ended 31 July 2014 to 52.0 pence (2013 – 30.0 pence), an increase of 73.3% and this represents a continuation of the Group's policy of paying a regular and progressive dividend to its shareholders, balanced with ongoing capital growth.

---

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

## **Outlook**

Plans are at an advanced stage to open a sixteenth division in the second half of this financial year and this should enable the Group to continue its disciplined growth strategy. Market conditions with respect to both sales and land buying continue to be favourable and provided they remain unchanged, Bellway should be able to deliver significant earnings growth and ongoing improvements in return on capital in the year ahead.

A Trading Update will be issued on Tuesday 10 February 2015 following the conclusion of the six month trading period ending 31 January 2015.

### **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.*