

Bellway p.l.c.

Trading Update

Tuesday 11 June 2019

Bellway is today issuing a trading update in respect of the period from 1 February to 2 June 2019.

Highlights

- Strong sales demand in the period, with a 4.7% increase in the reservation rate to 244 per week (2018 – 233 per week), underpins the Group’s ongoing growth strategy.
- Our responsible approach to growth and high levels of customer satisfaction, has resulted in Bellway retaining its status as a five-star home builder².
- Further, disciplined investment in financially attractive land opportunities, with 10,620 plots contracted (3 June 2018 – 8,942 plots), ensures all land is in place to meet next year’s growth targets.
- A strong forward order book, with the number of plots rising by 2.7% to 6,312 homes (3 June 2018 – 6,144 homes), ensures that Bellway is well placed to deliver further earnings growth this financial year, in line with the Board’s expectations.

Jason Honeyman, Chief Executive, commented:

“This has been another successful trading period for the Group, during which we have made further disciplined investment in order to grow the number of sales outlets and build upon last year’s strong trading performance. Customer satisfaction remains high and this has helped secure our position as a five-star home builder² for another year. Going forward, we are on track to deliver further earnings growth this financial year and beyond that, our strong balance sheet ensures that Bellway is in a good position to continue its long term growth strategy.”

Market and current trading

Demand for good quality, affordably priced new homes continues to be strong, supported by high levels of employment, low interest rates and the continued availability of Help to Buy. There has been an encouraging increase in the weekly reservation rate, commensurate with the onset of a positive spring selling season and driven by further investment in new sales outlets. As a result, since 1 February, the Group has taken an average of 244 reservations per week (2018 – 233 per week), an increase of 4.7% compared to the same period last year, with this being achieved from an average of 272 outlets (2018 – 251 outlets). Customer confidence is resilient and despite the ongoing political uncertainty, the cancellation rate since 1 August has moderated to 12% (2018 – 11%), a reduction from the 13% reported in March at the Interim Results.

While house prices in general remain firm, the benefit of house price inflation continues to diminish. In addition, as has been the case for a number of years, cost increases continue to be experienced throughout the broader construction sector. Bellway's strong operational focus, with an embedded culture of cost management, has ensured that our cost base remains well controlled and this has helped to mitigate some of the pressure on the gross margin.

At the same time as growing output year on year, Bellway has not only made a significant contribution to the supply of much needed new homes, but it has achieved this at the same time as maintaining high standards of customer care. In addition to retaining our status as a five-star home builder², our responsible approach has helped twelve accomplished site managers to achieve NHBC Health and Safety Awards. This represents 23% of the total awards issued across the industry and proportionate to volume output, it is the highest of any national housebuilder.

Land buying and financial position

Our land teams continue to identify good opportunities in the marketplace, focusing on financially attractive sites, in desirable locations and with an affordable mix of product. While adopting strict capital disciplines and a thorough approach towards appraising potential land investments, the Group has contracted to acquire some 10,620 plots since 1 August 2018 (3 June 2018 – 8,942 plots), at an anticipated gross margin of around 24%. In addition, there are heads of terms agreed and solicitors instructed, to purchase a further 7,500 plots. Bellway now owns all the land required, with the benefit of an implementable detailed planning permission, in order to meet next year's growth target.

As at 2 June, the Group had net bank debt of £261 million³ (3 June 2018 – £278 million), representing modest gearing of approximately 9%⁴ (3 June 2018 – 11%), a reduction compared to the same time last year. The Board expects Bellway to end the year with net cash of around £150 million (31 July 2018 – £99.0 million), depending upon the timing of land opportunities.

Outlook

Notwithstanding the growth in completions already achieved to date, the forward order book has risen by 2.7% to 6,312 homes (3 June 2018 – 6,144 homes), with 68% of these plots contracted. The value of the order book is modestly lower at £1,643 million (2018 – £1,703 million), a reflection of the planned growth in lower value social completions this year, with this being in accordance with previous guidance. This strong sales position ensures that Bellway is well placed to meet the Board's expectations with regards to earnings growth in the current financial year.

Thereafter, the strong order book, and further investment in sales outlets, provide an excellent platform from which Bellway can continue its disciplined growth strategy. This, together with a solid balance sheet and a flexible capital structure, ensures that Bellway is well positioned to deliver further value for shareholders.

- 1 All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group's share of its joint ventures.
- 2 As measured by the Home Builders' Federation Customer Satisfaction survey.
- 3 Net bank debt is cash plus cash equivalents, less bank debt.
- 4 Gearing is calculated as net bank debt divided by total equity.

FOR FURTHER INFORMATION PLEASE CONTACT JASON HONEYMAN, CHIEF EXECUTIVE AND KEITH ADEY, FINANCE DIRECTOR FROM 7:00 AM ONWARDS ON 0191 217 0717.

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