

# BELLWAY PLC - Trading Update

PR Newswire

London, August 7

**Bellway p.l.c.**

**Trading Update**

**Thursday 8 August 2019**

Bellway is today issuing a trading update for the year ended 31 July 2019 ahead of its preliminary results announcement on Tuesday 15 October 2019.

## Highlights

- Successful delivery of our growth strategy, with housing revenue expected to rise by over 8% to almost £3.2 billion (2018 – £2,936.8 million).
- Further volume growth, with the number of housing completions rising by 5.7% to 10,892 (2018 – 10,307), a record for the Group.
- Profit before tax is expected to be in line with current market estimates<sup>4</sup> with the operating margin continuing to moderate towards a more normalised level.
- A continued focus on build quality and customer care has resulted in Bellway being recognised as a five-star homebuilder<sup>2</sup> for the third year in succession.
- Significant financial flexibility and capacity for future investment, with a strong balance sheet and net cash of £201 million<sup>3</sup> (2018 – £99.0 million).
- A strong forward order book, comprising 4,878 homes (2018 – 4,841 homes), provides a solid platform from which to deliver further, more moderate volume growth in the year ahead.

## Jason Honeyman, Chief Executive, commented:

“Bellway has concluded another successful year, further increasing the supply of much needed new homes and delivering a record number of housing completions. Quality and customer care remain a priority for the business and this has helped the Group achieve recognition as a five-star homebuilder<sup>2</sup> for the third year in succession. Trading conditions remain stable and customer confidence is resilient. This, together with a strong forward order book and a healthy balance sheet, ensures that Bellway is well placed to continue its long term growth strategy.”

## Market and current trading

There continues to be a strong underlying demand for good quality new homes, supported by the ongoing availability of Help to Buy and an environment of low interest rates.

Against this backdrop, Bellway has made further investment in order to achieve growth, opening an additional 110 new sales outlets, thereby enabling the Group to trade from an average of 268 active sites (2018 – 247). As a result of this investment, the average weekly reservation rate rose by 5.0% to 210 per week (2018 – 200 per week), a strong performance, with sites across the country performing well. In particular, divisions operating in Essex, Manchester and Scotland delivered solid results, with demand most pronounced for affordably priced homes in desirable locations.

Customer confidence was resilient and despite the evolving political backdrop, trading in the second half of the financial year was more robust, benefitting from site openings and the usual increase in demand throughout the spring selling season. The cancellation rate for the year remained low, at just 12% (2018 – 11%).

## Results

In the context of this stable, yet favourable trading environment, Bellway has delivered substantial growth in housing revenue, which rose by over 8% to almost £3.2 billion (2018 – £2,936.8 million). This has principally been driven by the completion of an additional 585 new homes, a rise of 5.7% to 10,892 (2018 – 10,307), representing the tenth successive year in which the Group has increased output, in accordance with its ongoing growth strategy. In addition, further changes in product and geographical mix resulted in the overall average selling price rising by around 2.5% to £292,000 (2018 – £284,937).

As previously reported, whilst the pricing environment remained firm, the margin enhancing benefit of house price inflation continues to diminish. This will result in further moderation in the operating margin from the 21.5% reported at 31 January 2019 (31 July 2018 – 22.1%). Notwithstanding this, the Board expects to deliver full year profit in line with current market expectations<sup>4</sup>.

## A responsible approach to growth

As Bellway continues to deliver additional, much needed new homes, it does so whilst adopting responsible business practices. As a result of this approach, the Group has once again been recognised as a five-star homebuilder<sup>2</sup>, achieving this accolade for the third year in succession, further building upon our reputation as a leading, national housebuilder.

In addition, ensuring our building sites and new homes are safe places to work and live remains of the utmost importance to the Group. In this vein, Bellway has again performed well in the recent NHBC Health and Safety Awards, with 12 site managers receiving Commended Awards (2018 – 11). Furthermore, Bellway continues to work proactively with government and our delivery partners, along with the wider housebuilding sector, in relation to fire safety measures on apartment schemes.

## Land buying and financial position

The land market remains attractive and our land teams continue to identify value enhancing opportunities in accordance with the Group's requirements in respect of both gross margin and return on capital employed. Bellway has contracted to acquire 13,113 plots (2018 – 12,962 plots) across 93 sites (2018 – 100 sites), further strengthening the owned and controlled land bank. As a result, all land is in place, with the benefit of an implementable detailed planning permission, in order to deliver the planned completion forecast for the next financial year.

Notwithstanding this investment in land, the balance sheet at 31 July was ungeared, with net cash of £201 million<sup>3</sup> (2018 – £99.0 million). This robust financial position, together with committed bank facilities totalling £575 million, ensures that Bellway is able to respond positively should the ongoing political backdrop result in any unexpected changes to the economic environment.

## Outlook

In addition to the strong growth in completions, the Group has maintained a sizeable forward order book at 31 July, comprising 4,878 homes (2018 – 4,841 homes), with a value of £1,223.9 million (2018 – £1,301.1 million). This solid position should enable the Group to deliver further, more moderate volume growth in the year ahead.

Bellway can deliver this growth from its existing divisional structure and, over the medium term, has the potential to expand beyond this. The Group therefore remains well placed to continue its long term growth strategy and this, together with its strong financial position, should enable Bellway to deliver further value for shareholders.

<sup>1</sup> All figures relating to completions, order book, reservations, cancellations, average selling price and land exclude the Group's share of its joint ventures.

<sup>2</sup> As measured by the Home Builders' Federation Customer Satisfaction survey.

<sup>3</sup> Net cash is cash plus cash equivalents, less bank debt.

<sup>4</sup> Based on consensus profit before tax of £664 million, calculated as an average of estimates on Reuter's and Bloomberg as at 7 August 2019.

**FOR FURTHER INFORMATION PLEASE CONTACT 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.*