

Bellway p.l.c.

COVID-19 Update

Thursday 30 April

Bellway p.l.c. (“Bellway” or the “Group”) is today issuing an update in respect of the actions taken by the business in response to the evolving situation presented by COVID-19 and our plans to recommence activity on site.

Ensuring the health, safety and wellbeing of our employees, customers and subcontractors

Throughout this crisis, our priority has been to protect the health, safety and wellbeing of our colleagues, customers, and subcontract workers. As part of this commitment and following the Prime Minister’s announcement on 23 March 2020, the Board took the decision to cease construction activity, close sales centres, and transition to home working as soon as practicably possible.

Actions to date

In addition to prioritising health and safety, the Board has taken several other actions in order to ensure the continued long-term resilience of the Group. These include:-

- Postponing the decision in relation to the payment of the interim dividend until a time when there is more certainty with regards to the future economic outlook;
- Deferring all discretionary land expenditure;
- Introducing a moratorium on all new recruitment activity;
- Supporting customers, where appropriate and for properties where the construction process has concluded, to legally complete the purchase of their new home; and
- Responding to all customer care queries via telephone or email, whilst at the same time suspending all but essential home visits.

Furthermore, in recognition of the disruption that COVID-19 is having on communities across the country, the Board of Directors has volunteered a temporary 20% reduction in basic salary and fees, effective from 1 April until 31 May 2020. This will be donated to various charities and Bellway will also match-fund the donations with a contribution to its national charity partner, Cancer Research UK.

The purpose of this overall approach is to conserve cash and protect liquidity, maintain high standards of service for our customers, insofar as is operationally possible, and safeguard the long-term inherent potential within the business.

A responsible approach to site openings

The construction industry is a significant contributor to the UK economy and as such, the Government has issued guidance stating that sites should continue to operate where they comply with the Construction Leadership Council's Site Operating Procedures and Public Health England guidance.

Over recent weeks, Bellway has been reviewing these procedures in order to establish a safe method of working for its site operatives. As a result, we have developed measures to ensure social distancing and have produced strict guidelines for workers on our sites. Working collaboratively with our supply chain, this will enable us to resume some construction work, initially on a phased basis, from Monday 4 May 2020.

The wellbeing of our employees, customers, subcontract workforce and the general public remains our priority. In order to help meet the expectations of those customers who were expecting to move into their new home over recent weeks, we are concentrating our efforts on those properties that are in the latter stages of construction. We will only be undertaking tasks that can be performed by our employees and subcontractors working in a safe and responsible manner, whilst adhering to strict social distancing measures.

We remain committed to providing the highest levels of customer care possible during the current situation and all customer care calls and emails will continue to be responded to as normal during this period. All but essential maintenance work in customers' homes, however, remains suspended. Our sales centres and show homes will remain closed, although we will continue to offer a telephone sales service across all our developments.

Supporting our colleagues

Following our initial decision to close sites, the Group initiated measures to furlough approximately 75% of employees, with this principally comprising directly employed site tradesmen, site managers and sales advisers. As a responsible and supportive employer, Bellway has committed to paying these employees full basic salary throughout April and May.

The Group is eligible to claim a grant for furloughed employees using the Government's Coronavirus Job Retention Scheme ("CJRS"), however, the decision to submit a claim has been deferred until the Group is in a better position to assess the financial effect of its planned site reopening programme.

In addition to supporting colleagues with full basic pay, we have introduced several support initiatives, including suggestions to encourage good mental and physical health, throughout this period of uncertainty.

Trading update

In the period from 1 August 2019 to 26 April 2020, the Group completed the sale of 6,506 homes (28 April 2019 – 6,596 homes), including 493 which completed on or after 23 March 2020. Our order book remains substantial, with a value of £1,567 million at 26 April 2020 (28 April 2019 – £1,655 million) and comprises 5,976 plots (28 April 2019 – 6,334 plots).

Whilst our sales centres have been closed since 23 March, we have continued to achieve a modest number of weekly reservations via telephone. We do, however, expect sales activity to remain severely restrained until we can re-open sales outlets. The cancellation rate, measured as a percentage of the reduced reservation rate over the same period, was 27%.

The initial recommencement of construction works will enable Bellway to target the sales completion of a limited number of new homes over the coming weeks, although the extent to which this is achieved will depend upon customers' ability to complete and the ability of the supply chain to safely support the industry.

Funding and liquidity

As previously reported, the Group has committed bank facilities of £545 million. Since 23 March, Bellway has extended the maturity dates of tranches totalling £125 million, which were otherwise due to expire in this financial year, to July 2021. These extensions will help to ensure the ongoing liquidity of the Group and evidence the good, long-term relationships that Bellway has with each of its UK based banking partners. The commercial terms remain in line with those included within the overall facility.

In addition, Bellway has been confirmed as an eligible issuer for the Covid Corporate Financing Facility ("CCFF") with an issuer limit of £300 million. This source of funding is currently undrawn but remains in place as a prudent back-up should there be a continued and prolonged period of economic inactivity. Together with the Group's committed banking facilities, this provides Bellway with access to funds of £845 million.

In this context, the Group had net bank debt of £98 million² at 26 April 2020 (28 April 2019 – £229 million), which is stated after making the payment of substantially all liabilities in relation to goods and services supplied in February. Whilst actively managing cash flows is a priority, Bellway continues to treat its suppliers and subcontractors fairly, thereby engendering long-term support and loyalty. The Group therefore remains committed to paying outstanding amounts as they fall due and in accordance with our normal payment terms. The amount outstanding in respect of works undertaken in March, prior to site closures, is around £155 million, with the majority of this expected to be paid by the end of April.

Committed land obligations for the remainder of the financial year are expected to remain modest, at around £60 million, and fixed monthly cash running costs are around £15 million per month, assuming that the Group does not recover any costs through the CJRS. Bellway therefore has ample headroom to continue to meet its liabilities as they fall due for the foreseeable future.

Looking ahead

Given the continued uncertainty, financial guidance remains suspended, however, measures taken by the Group to date will ensure that Bellway remains resilient. Our approach, together with the Group's upfront investment in land and work in progress, should enable Bellway to emerge positively from this unprecedented crisis.

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

2 Net bank debt is cash plus cash equivalents, less bank debt.

For further information, please contact:

Bellway p.l.c.

Jason Honeyman, Group Chief Executive
0191 217 0717

Keith Adey, Group Finance Director
0191 217 0717

Media enquiries

Paul Lawler, Group Head of Communications
paul.lawler@bellway.co.uk
07813 392 669

Smithfield

Ged Brumby
gbrumby@smithfieldgroup.com
07540 412 301

Rob Yates
ryates@smithfieldgroup.com
07715 375 443

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