

Bellway p.l.c.

COVID-19 Update

Tuesday 9 June 2020

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

Overview

- Construction activity has recommenced on around 230 sites, with a continuing focus on ensuring safe working practices, and on those homes which are in the latter stages of production.
- All remaining sales offices reopened in England on 1 June, following the success of a trial beginning on 18 May. Viewings are limited to single family groups and are on an appointment only basis, thereby ensuring the wellbeing of our customers and colleagues.
- The balance sheet remains strong, with net bank debt of only £157 million² at 31 May (2 June 2019 – £261 million) and committed bank facilities of £545 million. In addition, although undrawn, the Group has been confirmed as an eligible issuer for the Government’s Covid Corporate Financing Facility (‘CCFF’), with an issuer limit of £300 million.
- The forward sales position is substantial, with an order book comprising 6,038 homes (2 June 2019 – 6,312 homes) and a value of £1,568 million (2 June 2019 – £1,643 million). This, together with Bellway’s responsible site re-opening programme, should enable the Group to preserve its strong liquidity position in the months ahead.
- All furloughed employees have remained on full basic pay throughout April and May and Bellway has no current plans to claim grant using the Government’s Coronavirus Job Retention Scheme (‘CJRS’).

Jason Honeyman, Chief Executive, commented:

“Our priority remains the health, safety and wellbeing of our colleagues, customers and subcontractor workers. With this in mind and following updated Government guidance with regards to restarting the housing market, we have carefully and gradually recommenced onsite construction and sales activity in England and Wales, whilst introducing strict social distancing requirements. This measured approach has enabled us to continue serving our customers and has facilitated the safe return to work for many of our employees.”

A measured and responsible approach to site-based construction

As previously reported, we began the process of resuming construction activity on a phased basis on Monday 4 May, focusing primarily on those properties in the latter stages of production. This approach was designed to enable safe social distancing, with initially only one tradesperson operating in a home at any given time. In addition, it has enabled us to progress exchanged plots through to

completion, helping us to meet the expectations of customers hoping to move into their new home, whilst supporting the Group's liquidity position.

Following the success of this trial, Bellway has now restarted construction activity on around 230 sites, although productivity is reduced, and work is still primarily limited to those homes which are nearing completion. Over the coming weeks, the careful introduction of further social distancing working practices should enable more than one tradesperson to work in a home at the same time, albeit on separate floors. This will help to increase the construction rate, whilst maintaining a safe onsite working environment.

Re-establishing a sales environment which is safe for both customers and colleagues

Bellway has maintained a telephone and online sales presence since the onset of the crisis. Following the issuance of Government guidance with effect from 13 May, we reintroduced a limited onsite sales presence from 18 May. Strict protocols have been established to ensure the safety of both our customers and sales personnel, with show home viewings limited to single family groups and strictly by appointment only, amongst other measures. Given the success of this trial, the Group reopened the remainder of its sales outlets in England, on a similar basis, from 1 June.

We remain committed to providing the highest levels of customer care possible during the current situation and will respond to all customer care calls and emails during this period. In addition to limited home visits for essential maintenance work, we intend to recommence home visits for more routine maintenance items, gradually and safely, from mid-June.

Supporting our colleagues during the pandemic

Following our decision on 23 March to close sites, the Group furloughed around 75% of its workforce, with this principally comprising directly employed site tradespeople, site managers and sales advisers. We have paid these employees full basic salary throughout April and May. Although eligible, Bellway has not applied for a grant using the CJRS and currently does not intend to do so.

Except for Scotland, where government restrictions regarding onsite activity remain in place, our phased and carefully executed reopening plan has enabled us to provide a safe environment for our site-based employees and subcontractors to return to work. In addition, we are in the process of finalising new working practices for our Head Office and divisional office-based employees, in order that we can facilitate a gradual return from homeworking at the appropriate time.

Trading update

In the period from 1 August 2019 to 31 May 2020, the Group completed the sale of 6,721 homes (1 August 2018 to 2 June 2019 – 7,674 homes), including 708 which completed on or after 23 March 2020. Our order book remains substantial, with a value of £1,568 million at 31 May (2 June 2019 – £1,643 million) and comprises 6,038 homes (2 June 2019 – 6,312 homes).

Sales activity has remained restrained since initially closing our sales centres, with the net reservation rate rapidly declining to an average of 71 homes per week in the ten weeks from 23 March to 31 May (25 March to 2 June 2019 – 231 per week). Pricing has remained firm and our sales centre reopening programme is leading to a gradual pick-up in customer interest. Notwithstanding this, we expect year-

on-year sales activity to be severely constrained until a time when 'lockdown' restrictions are further lifted.

Funding and liquidity

The Group benefits from a strong balance sheet, with net bank debt of £157 million² at 31 May (2 June 2019 – £261 million). Following recommencement of onsite construction works, the total amount payable to suppliers and subcontractors at 31 May is around £65 million, with the majority of this expected to be paid by the end of June. Land spend from 1 August to 31 May was £597 million (1 August 2018 to 2 June 2019 – £677 million) and committed land obligations for the remainder of the financial year are expected to remain modest, at around £35 million. In general, new land buying activity remains suspended, however, the Board continues to assess individual land deals on their own merit. Given the reduction in activity, our plans for opening new divisions have been curtailed.

As previously reported, the Group has committed bank facilities of £545 million and has been confirmed as an eligible issuer for the CCFF, with an issuer limit of £300 million. The CCFF is currently undrawn but remains in place as a prudent backup should there be a prolonged period of economic inactivity.

Looking ahead

Given the ongoing uncertainty, financial guidance remains suspended, however, the resumption of build programmes should enable Bellway to slowly increase the number of completions throughout the late summer and autumn months.

Our actions to date, together with our sizeable forward order book and strong, asset backed balance sheet should ensure that Bellway remains well positioned to emerge positively from this period of uncertainty.

- 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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