

Bellway p.l.c.

Trading update

Tuesday 15 June 2021

Bellway p.l.c. (“Bellway” or the “Group”) is today issuing a trading update in respect of the period from 1 February to 6 June 2021.

Highlights

- Strong sales demand in the period, with an average of 239 reservations per week (2020 – 158 per week, 2019 – 244 per week), an increase of 51.3% compared to the equivalent period in the prior year, which was detrimentally affected due to COVID-19.
- Record investment in land providing a strong platform for growth and margin recovery in future years, with 15,982 plots contracted since 1 August 2020 (2020 – 10,079 plots, 2019 – 10,620 plots) at attractive rates of return.
- Strong balance sheet with net cash of £408 million² (31 May 2020 – net debt of £157 million, 2 June 2019 – net debt of £261 million) provides resilience and flexibility.
- Continued focus on quality with the launch of our “Customer First” programme in April and ongoing recognition as a five-star home builder in the HBF’s Customer Satisfaction survey.
- A robust forward sales position, with the value of the order book rising by 20.5% to £1,889 million³ (31 May 2020 – £1,568 million, 2 June 2019 – £1,643 million) and comprising 6,763 homes (31 May 2020 – 6,038 homes, 2 June 2019 – 6,312 homes).
- Housing completions for the full year are expected to be around 10,000 homes (31 July 2020 – 7,522 homes, 31 July 2019 – 10,892 homes) and the average selling price is now expected to rise further, to in excess of £300,000 (31 July 2020 – £293,054, 31 July 2019 – £291,968).

Jason Honeyman, Chief Executive, commented:

“Demand for our high-quality new homes continues to be strong and customer confidence throughout the wider housing market is resilient. Customer satisfaction is high and our recently launched “Customer First” programme will help to improve quality further and will build upon our continued success as a five-star home builder.

We have continued our front-footed approach to land acquisition, making a record investment in new sites, thereby enabling us to grow sales outlets and meet the ongoing demand for new homes in the years ahead. This disciplined investment approach, together with our strong balance sheet, ensures that Bellway is in a good position to continue its long-term growth strategy.”

Market and current trading

Bellway continues to perform well in the second half of the financial year, experiencing strong customer demand for our high-quality new homes. The pricing environment remains positive, with some house price inflation benefiting selected sites, in localities where demand is particularly strong.

Since 1 February, the Group has achieved an average of 239 reservations per week (2020 – 158 per week, 2019 – 244 per week), from an average of 266 active outlets. The weekly reservation rate represents an increase of 51.3% compared to the equivalent period in the prior year, during which the sales rate was detrimentally affected following the closure of outlets from 23 March 2020, due to COVID-19. Average private weekly reservations during the same period were 193 per week (2020 – 120 per week, 2019 – 190 per week), an increase of 60.8%. Customer confidence is resilient and the cancellation rate since 1 August remains low at 13% (2020 – 15%, 2019 – 12%).

Notwithstanding the introduction of lower regional Help-to-Buy price caps, outside of London, and the restriction of the scheme to first time buyers only, with effect from April 2021, the demand for larger, higher value homes remains encouraging. This has been supported by the extended stamp duty land tax holiday and more broadly, ongoing customer aspirations for more home-working space. As a result, the Board now expects that the average selling price for the current financial year will rise further than previously guided, to in excess of £300,000 (31 July 2020 – £293,054, 31 July 2019 – £291,968), before moderating in the year ending 31 July 2022, because of ongoing product mix changes.

Strong cost control

Bellway continues to adopt several ‘business-as-usual’ quality, cost control and efficiency initiatives, such as strong procurement disciplines, site groundwork reviews, internal cost-saving campaigns, and further house-type standardisation. These are expected to maintain and contribute towards gross margin improvement in the year ahead.

Securing high quality labour and materials also remains a priority for the Group, however, the global increase in construction activity is resulting in growing demand for both skilled labour and material resources. This is leading to some upward pressure on costs throughout the wider industry and for Bellway, these are most pronounced when routine group procurement agreements approach their normal, staggered renewal dates.

House price growth is, in general, currently offsetting these sector-wide cost pressures and in turn, helping to preserve site-based margins. In addition, Bellway continues to advance its construction programmes with the intention of securing resources at competitive rates. This approach also ensures that the Group is well positioned to further increase output in the next financial year.

Building homes to be proud of

Our commitment to quality throughout the organisation is ingrained within our approach to business and embodied within our group-wide “Customer First” programme, formally launched internally in April this year. This is designed to further raise awareness and standards throughout all organisational disciplines, thereby contributing to a positive experience for our customers. While this approach is cultural, we also continue to use a range of metrics to quantitatively assess our performance in relation

to quality and customer satisfaction. In that regard, we are delighted to have retained our five-star home builder rating from our customers in the HBF Customer Satisfaction survey for the fifth consecutive year.

Disciplined investment in high quality land opportunities

Bellway's solid, asset-backed balance sheet, substantial cash resources and long-term committed financing arrangements, have enabled the Group to continue its front-footed, yet disciplined approach to land acquisition.

As a result, Bellway has contracted to acquire some 15,982 plots since 1 August 2020 (2020 – 10,079 plots, 2019 – 10,620 plots), at attractive rates of return, continuing the momentum from the last quarter of the previous financial year, when competition in the land market was generally less pronounced. The value of those plots contracted is a record £891 million (2020 – £651 million, 2019 – £631 million) and the average anticipated gross margin, based upon revenue and cost at the time of acquisition, is around 23%. In addition, there are heads of terms agreed and solicitors instructed, to purchase a further 9,000 plots.

The continued effects of COVID-19 have led to some inevitable delays in the planning process, however, this period of enhanced land investment serves to strengthen the depth of the Group's land bank. This will contribute to continued, well-controlled outlet growth, both in the next financial year and beyond and this will help to maintain overall sales rates as the Help-to-Buy scheme draws to a close in March 2023.

Financial position

As at 6 June, the Group had net cash of £408 million² (31 May 2020 – net debt of £157 million, 2 June 2019 – net debt of £261 million), representing an ungeared⁴ position (31 May 2020 – gearing of 5%, 2 June 2019 – gearing of 9%). The Board expects Bellway to end the year with net cash of around £100 million² (31 July 2020 – £1.4 million, 31 July 2019 – £201.2 million), depending upon the timing of land opportunities.

Outlook

As previously reported, the reduced level of work-in-progress at 31 January, compared to July 2020, will result in a lower level of completions in the second half of this financial year, compared to the first half. The Board therefore still expects that Bellway will complete the sale of around 10,000 homes (31 July 2020 – 7,522 homes, 31 July 2019 – 10,892 homes) in the current financial year.

Notwithstanding the growth in completions already achieved to date, the value of the forward order book has risen by 20.5% to £1,889 million³ (31 May 2020 – £1,568 million, 2 June 2019 – £1,643 million) and comprises 6,763 homes (31 May 2020 – 6,038 homes, 2 June 2019 – 6,312 homes), with 60% of these contracted. This strong order book, together with further investment in land, work-in-progress and sales outlets, provides an excellent platform from which Bellway can continue its disciplined growth strategy and generate 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 Net cash/debt is cash plus cash equivalents, less debt financing.
- 3 Order book is the total expected sales values of reservations that have not legal completed.
- 4 Gearing is net debt divided by total equity.

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