

Bellway p.l.c.

Trading Update

Tuesday 13 June 2023

Bellway p.l.c. ('Bellway' or the 'Group') is today issuing a trading update in respect of the period from 1 February to 4 June 2023.

Highlights

- A sustained improvement in sales demand through the spring selling season compared to the challenging trading conditions in the fourth quarter of calendar year 2022.
- The overall reservation rate averaged 190 per week (2022 – 253) and the cancellation rate remained modest at 15% (2022 – 12%). The private reservation rate was 139 per week (2022 – 198).
- Overall, headline pricing has remained firm across our regions, although targeted incentives continue to be used in certain parts of the country, to attract customers and secure reservations.
- Reflecting the strength of our land bank and ongoing cautious approach towards land investment in the current uncertain market, 4,342 plots have been contracted since 1 August 2022 (2022 – 13,496 plots).
- Strong balance sheet with net cash of £42 million³ (5 June 2022 – £160 million). By the end of the financial year, net cash is expected to increase to around £200 million³ (31 July 2022 – £245.3 million), providing continued resilience and strategic flexibility.
- The £100 million share buyback launched on 28 March 2023 is progressing well, with 1.87 million shares purchased at a cost of £44.0 million during the period.
- A lower, yet still sizeable forward order book, with a value of £1,710 million⁴ (2022 – £2,404 million), which comprises 6,172 homes (2022 – 8,152 homes).
- In line with previous guidance, the Group is on track to deliver full year volume output of around 11,000 homes (31 July 2022 – 11,198 homes) and the overall average selling price is expected to be around £300,000 (31 July 2022 – £314,399).

Jason Honeyman, Group Chief Executive, commented:

“Bellway has delivered an encouraging trading performance, buoyed by a seasonal uplift through the spring, and the Group is on track to deliver full year volume output of around 11,000 homes.

While customer interest is currently healthy, the Board remains mindful that cost of living pressures and the uncertain path of future interest rates could impact housing demand. Notwithstanding this, Bellway’s experienced teams, strong balance sheet and high quality land bank, position the Group well to successfully navigate changing market conditions and continue to play an important role in increasing housing supply in the years ahead.”

Market and current trading

Customer demand for our energy efficient new homes has shown a sustained improvement compared to the very challenging trading environment in the fourth quarter of calendar year 2022. There was a week-on-week improvement in private reservations during January and February 2023, to levels which have been maintained throughout an encouraging spring selling season. While overall headline pricing has remained robust across our regions, we continue to use targeted incentives in some instances to secure reservations.

Mortgage rates are currently higher than the equivalent period last year, although customers are adapting to new higher borrowing costs and affordability has been helped, in part, by ongoing wage rises. While overall mortgage availability has improved in recent months, the re-pricing of mortgage products, as lenders respond to changes in interest rates, continues to affect shorter-term availability. The recent expiry of Help-to-Buy in England has led to lower year-on-year demand from first time buyers, and there remains a relative lack of affordably priced higher loan-to-value mortgage products.

Since 1 February, the overall reservation rate was 24.9% lower than the equivalent period in 2022 at an average of 190 per week (2022 – 253), with the Group's ongoing programme of accelerating the construction of social homes partially offsetting softer private demand. The average private weekly reservation rate reduced by 29.8% to 139 (2022 – 198) and was achieved from an average of 239 outlets (2022 – 240). Help-to-Buy, which is still available to customers in Wales, was used for only 1% of reservations in the period (2022 – 16%), and although overall sales rates are lower than the comparative period, the cancellation rate remained modest at 15% (2022 – 12%), reflecting good underlying customer confidence.

The lower reservation rate in the period has driven a reduction in the value of the forward order book, however, it remains sizeable with a value of £1,710 million⁴ (2022 – £2,404 million) and comprises 6,172 homes (2022 – 8,152 homes). Given the profile of completions in the coming months and prevailing reservation rates, a further decrease in the order book is likely by 31 July 2023 and, as previously guided, volume output is expected to moderate in the next financial year.

During the period, build cost inflation has persisted across the industry, for both labour and materials. Notwithstanding this, Bellway's strong commercial disciplines and renegotiation of terms with its supply chain partners are helping to offset some of these pressures. Since January 2023, lower demand for construction materials has supported an improvement in product availability across the Group and we continue to expect overall cost inflation to ease through the remainder of the calendar year.

Land investment

Given the depth of the Group's land bank and the current economic backdrop, Bellway's activity in the land market has remained highly selective. Since the first half of the financial year, investment continues to be focused on securing land interests which offer compelling and enhanced financial returns and, where possible, have significant flexibility in the contract terms.

Since 1 August 2022, the Group has contracted to purchase 4,342 owned and controlled plots (2022 – 13,496 plots) across 32 sites (2022 – 76 sites) with a total contract value of £362 million (2022 – £926 million). In the same period, the Group has continued to review previously contracted land, and decided not to proceed with the purchase of 886 plots across 4 previously approved sites.

Our experienced land teams continue to engage with vendors, although overall plots contracted in financial year 2023 are still expected to be materially below volume output. Notwithstanding this and the ongoing delays in the planning system, the disciplined growth of our land bank in recent years has provided vital strategic flexibility and a strong platform to deliver growth in outlet numbers in the next financial year. This is further supported by the expansion of our strategic land bank, which underpins the Group's longer-term prospects, with a relatively low initial capital outlay.

Financial position and capital returns

Bellway retains a strong balance sheet with net cash of £42 million³ as at 4 June 2023 (5 June 2022 – £160 million). We continue to take a highly disciplined approach to land and production expenditure and the Board expects the Group to end the current financial year with net cash of around £200 million³ (31 July 2022 – £245.3 million), providing continued resilience and strategic flexibility.

As announced at the Interim Results, the interim dividend has been held at 45.0p per share (2022 – 45.0p) and will be paid on 3 July 2023. The Board also continues to expect to maintain the total dividend for financial year 2023, in line with the prior year payment of 140.0p per share. The £100 million share buyback programme is progressing well, and 1.87 million shares have been purchased at a cost of £44.0 million in the period.

Carbon reduction

The Group remains fully committed to operating responsibly and sustainably through our 'Better with Bellway' strategy, which includes ambitious targets to significantly reduce carbon emissions. To help meet these targets, we have several research and development projects across the country, and their results will help to inform how Bellway will build homes in the years ahead and achieve the requirements of the Future Homes Standard.

Our flagship research project is at the University of Salford where a Bellway 'Future Home' has been constructed in the 'Energy House 2.0' environmental chamber, and testing is now underway for a variety of innovative technologies which are being trialled in a range of temperatures and weather conditions.

Building safety

With regards to building safety, good progress is being made on the remediation of legacy developments through our Building Safety division. On 13 March 2023, the Group signed the Self-Remediation Terms ('SRT') which convert the principles of the Building Safety Pledge into a binding agreement between Government and Bellway, while also providing improved clarity on the standards required for internal and external works on legacy buildings in England. On 25 May 2023, the Group also contractually committed to remediate its legacy buildings in Wales by signing the Pact with The Welsh Ministers.

As previously announced, in the period between 2017 and up to 31 January 2023, the Group has set aside £569.9 million to remediate legacy apartment blocks and the recent signing of both the SRT and Welsh Pact has not resulted in any increase in the provision.

Outlook

Overall reservations in the period have been lower than the prior year, however, we have been encouraged by the levels of customer interest and the seasonal uplift in demand. As a result, and in line with previous guidance, the Group is on track to deliver full year volume output of around 11,000 homes (31 July 2022 – 11,198 homes) with an overall average selling price of around £300,000 (31 July 2022 – £314,399). In financial year 2024, given our reduced order book, lower prevailing reservation rates and the uncertain interest rate environment, we continue to expect a lower year-on-year volume output.

Beyond the near-term, the Board is confident that, given the strength of the Group's land bank and balance sheet, Bellway is very well-placed to deliver longer-term volume growth which will further support ongoing value creation for shareholders.

The Group's next scheduled trading update, covering the financial year ending 31 July 2023, is on 9 August 2023.

Notes:

- 1 All figures relating to completions, order book, reservations, cancellations, and average selling price exclude the Group's share of its joint ventures.
- 2 Comparatives are for the period from 1 February to 5 June 2022 or as at 5 June 2022 ('2022') unless otherwise stated.
- 3 Net cash is cash plus cash equivalents, less debt financing.
- 4 Order book is the total expected sales value of reservations that have not legally completed.

For further information, please contact:

Bellway p.l.c.

Keith Adey, Group Finance Director

0191 217 0717

Gavin Jago, Group Investor Relations Director

0191 217 0717

Media enquiries

Paul Lawler, Group Head of Communications

paul.lawler@bellway.co.uk

07813 392 669

Ged Brumby

ged.brumby@edelmansmithfield.com

07540 412 301

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.