

Bellway p.l.c.

Trading Update

Tuesday 7 February 2017

Bellway p.l.c. is today issuing a trading update for the six months ended 31 January 2017 ahead of its interim results announcement on Tuesday 21 March 2017.

Highlights

- Further growth in volume with a 6.5% increase in the number of housing completions to 4,462 (2016 – 4,188).
- A substantial forward order book with a value of £1,121 million (2016 – £1,027 million), comprising 4,487 homes (2016 – 4,434).
- A strong trading performance is expected to result in an operating margin of around 22%.
- Significant investment in land with £380 million spent on land and land creditors (2016 – £315 million), supporting the Group's ongoing growth strategy.

Ted Ayres, Chief Executive, commented:

“Bellway has delivered another strong half year result, increasing both the number of legal completions and the value of the forward order book. Market conditions remain positive and accordingly Bellway is continuing to invest in a controlled manner, both in land and work in progress, in order to achieve further disciplined volume growth, thereby creating additional value for shareholders.”

Market conditions and trading

Customer demand continues to be robust and the purchase of a new home remains affordable, supported by a competitive mortgage environment and the continued availability of the Government's Help to Buy scheme. This strong demand, together with an ongoing programme of site openings, has helped the Group achieve a reservation rate of 166 homes per week (2016 – 156), an increase of over 6% compared to the same period last year.

Results

Against this positive market backdrop, Bellway is continuing to pursue its established growth strategy and as a result, the number of homes legally completed rose by 6.5% to 4,462 (2016 – 4,188). In addition to achieving this growth in volume, the value of the forward order book at 31 January 2017 rose by over 9% to £1,121 million (2016 – £1,027 million) and comprises 4,487 homes (2016 – 4,434).

The average selling price of private completions rose by over 4% to £291,000 (2016 – £279,053). For the full financial year, the Group should achieve at least this rate of growth in private average selling price (31 July 2016 – £278,403), following investment in higher value locations over recent years. The overall average selling price of completions was £256,000 (2016 – £257,280), slightly dampened by a greater proportion of lower value social homes, with this percentage rising, as previously guided, to almost 21% of the total (2016

– 13%). The overall average selling price is still expected to rise to around £260,000 for the year ending 31 July 2017 (31 July 2016 – £252,793).

Geographically, all divisions are performing well and whilst the rate of house price inflation has moderated, sales prices achieved on reservations have been in line with or modestly ahead of expectations. Sales prices and demand for Bellway product in London remain firm, where there continues to be a significant requirement for affordable homes.

Housing completions taken from land bought at attractive returns, which have been improved by historical house price inflation and strong cost control, should result in an operating margin of around 22% for the six months ended 31 January 2017. The Group should be able to maintain an operating margin at a similar level for the full financial year, provided that current market conditions continue.

Further investment to secure future growth

The Board remains mindful of uncertainty with regards to the economic outlook following the vote to leave the EU. The land market does however remain attractive and our land teams continue to identify opportunities that meet or exceed the Group's minimum financial acquisition criteria in respect of gross margin and return on capital employed. Whilst adopting a cautious approach, Bellway has contracted to acquire 6,287 plots in the period (2016 – 5,445 plots) and has spent £380 million on land and land creditors (2016 – £315 million).

In addition, in order to secure future growth in this year and beyond and notwithstanding the industrywide challenges with regards to the availability of labour, the Group has invested significantly in work in progress.

After taking into consideration this increased investment in land and work in progress and following the dividend payment of £90.6 million in January 2017, Bellway ended the period with net bank debt of £175 million (31 January 2016 – £58.9 million), representing modest gearing of around 9% (31 January 2016 – 3.5%). This level of net bank debt is expected to reduce by the end of the financial year.

Outlook

The strong order book and investment in work in progress should mean that the Group is able to deliver further volume growth of around 5% in the current financial year. In targeting growth this year and over the longer term, the Board will maintain its operational focus, prioritising build quality, customer care and upholding high standards of health and safety, whilst at the same time delivering further sustainable returns for shareholders.

FOR FURTHER INFORMATION PLEASE CONTACT:

TED AYRES, CHIEF EXECUTIVE AND 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.