

Bellway p.l.c.

Trading Update

Wednesday 14 June 2017

Bellway is today issuing a trading update in respect of the period from 1 February to 4 June 2017.

Highlights

- Sales demand in the period was strong, with a 13% increase in the reservation rate to 221 per week (2016 – 196 per week).
- The increase in housing completions for the full year to 31 July 2017 is expected to approach 10% (2016 – 8,721), another year of significant volume growth.
- A robust trading performance should result in an operating margin slightly in excess of 22% (2016 – 22%) for the full financial year.
- Significant investment in land, with 10,250 plots contracted (2016 – 8,600 plots) and all land in place to meet next year's growth target.
- Value of forward order book of homes due for completion beyond 31 July 2017 is ahead at £900 million (2016 – £846 million).
- A commitment to customer care has resulted in Bellway regaining its status as a five star housebuilder.*

Ted Ayres, Chief Executive, commented:

“Robust market conditions, together with a clear operational focus, is enabling Bellway to continue increasing its contribution to the supply of much needed new homes. We have made a significant investment in land and work in progress over a number of years and this, together with a strong balance sheet and substantial operational capacity for expansion, should ensure that Bellway is well positioned to deliver further volume growth, this year and beyond. This successful implementation of our disciplined growth strategy is leading to ongoing enhancements in shareholder value.”

Market and current trading

The housing market remains positive and continues to be supported by low unemployment, good availability of affordable mortgage finance and the continued provision of Help to Buy. Customer demand for new homes remains strong across all regions and has increased throughout Spring, in accordance with the usual seasonal trend, unabated by any uncertainty in the weeks preceding the recent General Election. These favourable market conditions, together with a 6% increase in the number of active outlets to 237 (2016 – 223), has led to the Group achieving 221 reservations per week (2016 – 196 per week), an increase of almost 13% compared to the same period last year.

As a result of this strong sales performance, together with the substantial investment in work in progress, the Board is now confident that volume growth should approach 10% for the year ending 31 July 2017, ahead of our original target.

At the same time as delivering this growth, Bellway maintains its emphasis on build quality, customer care and health and safety. This sustainable and responsible approach to building new homes has resulted in Bellway regaining its status as a five star housebuilder, the highest rating achievable and one of only two national housebuilders to achieve this accolade. In addition, ten of our site managers have recently received NHBC health and safety awards, recognising their success in this important area, with this strong performance representing 18% of the total awards issued across the industry.

In line with previous guidance, the Board still expects that the Group will achieve an average selling price of around £260,000 in the current financial year. The pricing environment remains positive, with modest pricing gains being achieved on most new sites brought to the market. This, together with previous investment in higher value locations, should result in further improvements to the average selling price, beyond this financial year.

The positive trading environment, together with the Group's strong financial disciplines, means that the Board now expects the operating margin for the full financial year to be slightly in excess of 22% (2016 – 22%), improving further upon last year's record performance.

Land buying and financial position

The strategy of volume growth is supported by the availability of good quality land at attractive rates of return and as a result of ongoing investment, Bellway has contracted to acquire some 10,250 plots since 1 August 2016 (2016 – 8,600 plots). In addition, there are heads of terms agreed, and solicitors instructed, to purchase a further 5,500 plots. Bellway now owns all of the land required, with the benefit of a detailed planning permission, in order to meet next year's growth target.

Depending upon the timing of land opportunities, the Board expects net bank debt to be less than £50 million by 31 July 2017.

Outlook

The total order book at 4 June 2017, of which 70% is contracted, stood at 5,819 homes (5 June 2016 – 5,346 homes) and includes reservations with a value of £900 million (2016 – £846 million) due for completion beyond 31 July 2017. This strong forward sales position not only supports this year's volume growth target, but should also ensure that Bellway is well placed to deliver further growth next year, subject to market conditions remaining unchanged.

Whilst the outcome of the general election has provided a degree of instability with regards to future Government policy, all political parties recognise the need for increased housing output. The Board also remains mindful of the wider uncertainty as negotiations to leave the EU commence, however, the Group's strong forward order book, consistent capital disciplines and strong operational focus should ensure that it is well placed to continue its strategy of disciplined volume growth.

* As measured by the Home Builders' Federation Customer Satisfaction survey

FOR FURTHER INFORMATION PLEASE CONTACT:

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