Bellway p.l.c.

Trading Update

Tuesday 12 June 2018

Bellway is today issuing a trading update in respect of the period from 1 February to 3 June 2018.

Highlights

- For the full year, anticipated volume growth of around 600 homes should enable the Group to complete the sale of in excess of 10,000 homes for the first time in its history.
- In addition, an expected average selling price in excess of £280,000 and an anticipated operating margin of around 22%, should contribute to another year of substantial earnings growth.
- A responsible, sustainable and customer focussed approach to growth has resulted in Bellway maintaining its status as a five star housebuilder[2] for the second year in succession.
- Market conditions remain favourable, with the Group achieving a 5.4% increase in the reservation rate in the period to 233 per week (2017 – 221 per week).
- The forward sales position is excellent, with the value of the order book 7.8% ahead at £1,703 million (4 June 2017 – £1,580 million).
- Substantial investment in land, with £678 million spent on land and land creditors since 1 August (2017 – £586 million), securing future growth at attractive rates of return.

John Watson, Executive Chairman, commented:

"This has been another successful trading period for Bellway, in which the demand for new build homes remained strong, enabling the Group to continue delivering its long term and sustainable strategy of increasing shareholder value through responsible volume growth. We have retained our status as a five star housebuilder[2] and reservations are ahead of the same period in the previous financial year. For the full year, Bellway is on target to complete the sale of in excess of 10,000 homes for the first time in its history and in doing so, achieve another record year of earnings. Furthermore, we have invested a substantial amount in new land, laying the foundations for further growth, beyond this financial year."

Market and current trading

The underlying requirement for new homes remains robust and is supported by favourable, stable market conditions and the continued availability of Help to Buy. Demand is most pronounced for affordably priced family homes countrywide, with divisions operating in locations as dispersed as Scotland, Essex and the Midlands all continuing to show strong performance.

The pricing environment is firm, with many sites reporting modest, single digit price rises, although the rate of increase has moderated compared to last year. In certain areas, where affordability is a greater constraint, customer interest is less pronounced for particularly large or higher priced homes. Accordingly, the use of incentives, whilst low by historical standards, is generally focussed towards more expensive properties, where sales rates can be slower.

Since 1 February, notwithstanding the period of inclement weather in early March, the Group has achieved 233 reservations per week (2017 – 221 per week), an increase of 5.4% from an average of 251 active outlets (2017 – 235). This is a good performance, particularly given the strength of the comparator period, during which reservations were almost 13% ahead of the equivalent period in the year before last. Overall, customer confidence remains strong and the cancellation rate is low, at only 11% (2017 – 11%).

The Group is committed to delivering growth in a sustainable and responsible manner and retains a focus on build quality, customer care and health and safety. For the second year in succession, Bellway has maintained its status as a five star housebuilder[2], reflecting our commitment to delivering a high quality product. In addition, eleven of our site managers have recently received NHBC health and safety commended awards, which recognise their success in this important area. Proportionate to volume output, this record performance represents the highest number of awards of any national housebuilder.

Land buying and financial position

The land market continues to provide an ample supply of opportunities at attractive margins and healthy rates of return on capital employed. Good quality sites continue to be identified across the country, however, in order to maintain strict capital disciplines, activity in London is focussed on the more affordable end of the market. Proposals to acquire new sites are carefully appraised to ensure the product mix is appropriate for the location and the financial assumptions are robust.

In the period since 1 August, the Group has spent £678 million (2017 – £586 million) on land and land creditors. The average gross margin on land contracted over the same period is expected to be in excess of 24%, based on anticipated selling prices and costs at the time of acquisition. Bellway has land in place, with the benefit of detailed planning permission, to meet next year's volume growth aspirations. In addition, the Group has agreed heads of terms and instructed solicitors on the purchase of a further 6,800 plots.

At 3 June, the Group had net bank debt of £278 million[3] (4 June 2017 – £317 million), representing modest gearing of approximately 11%[4] (4 June 2017 – 15%). In accordance with previous guidance, the Group is expected to end the year with net cash of around £50 million, depending upon the timing of land opportunities.

Outlook

The Board expects completions for the year ending 31 July 2018 to exceed those achieved last year by around 600 units. This forecast volume growth, together with the previously reported rise in the average selling price, which is expected to be in excess of £280,000 and an anticipated operating margin of around 22% (31 July 2017 – 22.3%), should result in Bellway achieving another year of substantial earnings growth.

In addition, the value of the order book at 3 June is 7.8% ahead at £1,703 million (4 June 2017 – £1,580 million) and comprises 6,144 homes (4 June 2017 – 5,819 homes), of which 67% are contracted. This should contribute to further growth in both this year and in the next financial year. Beyond that, Bellway still has potential to expand the existing divisional structure, thereby continuing its long term and disciplined strategy of enhancing value for shareholders through volume growth, provided market conditions remain supportive.

1 All figures relating to completions, order book, reservations, cancellations and average selling price exclude the Group's share of its joint ventures.
2 As measured by the Home Builders' Federation Customer Satisfaction survey.
3 Net bank debt is cash plus cash equivalents, less bank debt.
4 Gearing is calculated as net bank debt divided by total equity.

FOR FURTHER INFORMATION PLEASE CONTACT:

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