

13 May 2015

BARRATT DEVELOPMENTS PLC

Trading update in respect of the 19 weeks from 1 January 2015 to 10 May 2015 (the 'period').
Barratt Developments PLC's year end is 30 June 2015.

Strong market conditions - increased output levels and record forward sales

- Market conditions have remained strong throughout the period with high levels of demand for new build homes across the country
- Net private reservations per week increased to 289 (2014: 280) for the period with a sales rate of 0.74 (2014: 0.77) net private reservations per active site per week
- Housing completions for FY15 expected to be ahead of previous guidance at c. 16,100 (FY14: 14,838) (including joint ventures ('JVs'))
- Total forward sales (including JVs) up by 17.9% as at 10 May 2015 to £2,592.3m (11 May 2014: £2,199.3m)
- Launched 64 new developments in the period and expect to deliver further controlled volume growth in FY16
- Continue to secure excellent operational and strategic land opportunities across all regions which meet or exceed our minimum hurdle rates

Mark Clare, Group Chief Executive commented:

"Our investment in c. £4.5 billion of approved land for new housing since 2009 continues to deliver results. Completions for FY15 are expected to increase by c. 9% and our forward order book, at more than £2.5 billion, is the highest level ever achieved by the Group. We remain committed to helping increase the number of new homes across the UK, with our completions increasing by more than 40% over the past 4 years.

We are on track to deliver a further significant step up in our financial performance in FY15, making good progress towards achieving our FY17 targets of a gross margin of at least 20% and return on capital employed of at least 25%."

Trading update

Following a good start to the calendar year our sales performance has remained strong, with net private reservations per week increasing to 289 (2014: 280) for the period, resulting in average net private reservations per active site per week of 0.74 (2014: 0.77).

The strong consumer demand we are seeing for new build properties is supported by an improved mortgage market, with the range of mortgage products available to our customers increasing and borrowing rates remaining at very competitive levels. The Help to Buy (Equity Loan) scheme continues to be a very attractive opportunity for our customers and, in particular, is supporting first time buyers.

The Group remains focused on achieving the best possible prices for the homes we sell and we continue to see upward momentum on private average selling prices, driven by a combination of on-going mix changes, and some underlying house price inflation.

The Group is committed to delivering the highest quality homes and excellent customer service, and we are delighted that Barratt Developments has been awarded the Home Builders Federation maximum five star rating for customer satisfaction for the sixth consecutive year. Our focus on quality and customer service not only drives revenues, but improves overall efficiency through the reduction of remedial costs.

We have launched 64 new developments in the period across the UK and are currently operating from 404 active sites (including JV sites) (2014: 362). Given the strength of our sales rate in the period we have sold through developments faster than anticipated. We expect to see further controlled growth in site numbers in FY16.

With the strong sales backdrop, we have been able to drive a higher level of reservations from our legacy, lower margin sites. As a result, we now expect completions for FY15 to be slightly higher at c. 15,250 (excluding JVs). The benefit to profit in the year from these 250 incremental units, will be c. £4m.

On JVs we have also seen strong reservations, for example from our sites at Enderby Wharf in Greenwich and Brooklands in Milton Keynes. We are now expecting to deliver c. 850 JV completions in FY15, with our share of JV profits expected to increase to c. £45m (FY14: £40.5m profit from JVs and associates).

Forward sales

The strong sales performance is reflected in our forward order position with total forward sales (including JVs) as at 10 May 2015 up 17.9% on the prior year figures at a value of £2,592.3m (2014: £2,199.3m), equating to 11,713 plots (2014: 10,082 plots).

	2015		2014		Variance (£m)	
	£m	Plots	£m	Plots		%
Private	1,623.9	5,995	1,572.4	5,837		3.3%
Affordable	455.6	4,072	396.9	3,677		14.8%
Sub total	2,079.5	10,067	1,969.3	9,514		5.6%
JVs	512.8	1,646	230.0	568		123.0%
Total	2,592.3	11,713	2,199.3	10,082		17.9%

Land and planning

The land market remains attractive and we are securing excellent operational land opportunities that at least meet our minimum land hurdle rates. For the year we continue to expect to approve a total of c. 16,000 plots (2014: 21,478), with 13,875 plots (2014: 19,439) approved in the year to date.

We are also making good progress on securing strategic land, with c. 9,900 strategic plots approved in the year to date. The Group is targeting c. 20% of annual completions to be sourced from strategic land by 2017.

The Group continues to target a 4.5 year land bank with c. 3.5 years of owned land and c. 1.0 year of conditionally contracted land.

We seek to defer payment for new land where possible to drive a higher return on capital. Land creditors are expected to be in line with our target of c. 35% of the owned land bank as at 30 June 2015 (30 June 2014: 33%).

We are well positioned on planning with either full or outline planning consent secured for all of our expected FY16 completions (2014: 98% of expected FY15 completions).

Net debt

In-line with previous guidance, we expect the Group to have a net cash position of between £50m and £100m as at 30 June 2015 (2014: £73.1m).

Housing policy

With the election now behind us, we anticipate a supportive environment in terms of a continuation of the Help to Buy (Equity Loan) Scheme, and further improvements to the planning system. The new Government has identified increasing housing as an important priority area, and we are committed to playing our part. We look forward to working with them to deliver this important objective which will need to be supported through further releases of public sector land, and continued pressure on local authorities to deliver local plans.

Outlook

The market remains positive and we expect to enter the new financial year with a strong forward order book. We are confident the Group will deliver a significant improvement in performance for the full year and make further good progress towards achieving its FY17 targets of a gross margin of at least 20% and return on capital employed⁽¹⁾ of at least 25%.

(1) Return on capital employed is calculated as earnings before interest, tax and operating exceptionals for the 12 months to December divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments.

This trading update contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Conference call for analysts and investors

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:30am today, Wednesday 13 May 2015, to discuss this trading update.

To access the conference call:

Dial-in: +44(0)20 3427 1906

Passcode: 5980520

A replay facility will be available shortly after:

Dial-in: +44(0)20 3427 0598

Passcode: 5980520

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