

Immediate release

14 January 2015

## **Barratt Developments PLC**

### **Strong first half completions**

Barratt Developments PLC ('the Group') is today issuing a trading update in respect of the six months ended 31 December 2014 (the 'period') ahead of its half year results announcement on 25 February 2015.

Six months ended 31 December	2014	2013	Change
<b>Total completions (including JVs)</b>	6,971	6,195	12.5%
<b>Average selling price ('ASP')</b>			
- Total	c. £229k	£211.2k	c. 8.4%
- Private	c. £253k	£225.3k	c. 12.3%
<b>Active sites (including JVs) as at 31 December</b>	399	380	5.0%
<b>Net private reservations per active site per week</b>	0.58	0.67	(13.4%)
<b>Total forward sales (including JVs)</b>	£1,680.8m	£1,435.3m	17.1%

Note: All figures exclude joint venture completions in which the Group has an interest unless otherwise stated

#### **Mark Clare, Group Chief Executive commented,**

"We have delivered a strong performance in our first half including a 12.5% step up in completion levels. We are on track for another significant improvement in our financial performance for the full year as we continue to operate in a disciplined way, building the highest quality homes in places people want to live.

"Our significant investment programme in new land continues to pay off and over the next six months we plan to open around 90 new sites which will give us the highest average number of developments for six years. Over their lifetime, these new sites will deliver another 13,500 much needed new homes."

## Trading update

Consumer demand across all of our regions has remained robust. Mortgage availability and the range of products and rates on offer to our customers continue to improve as competition amongst mortgage providers increases.

Total completions (including JVs) were up by 12.5% in the period to 6,971 units (2013: 6,195 units).

<b>Completions (units)</b>	<b>2014</b>	<b>2013</b>	<b>Variance</b>
Private	5,563	5,202	6.9%
Affordable	1,149	751	53.0%
JV	259	242	7.0%
<b>Total</b>	<b>6,971</b>	<b>6,195</b>	<b>12.5%</b>

We have been successful in returning the Group to a more balanced delivery profile in terms of both revenue and profit, and given first half completions, we expect to be close to achieving our target of 45% of completions in the first half, for FY15.

Whilst delivering increased completion volumes we also remain focused on achieving the best possible price for the outstanding homes we sell. In the period we have seen good positive momentum on pricing, reflecting further changes in product mix and underlying house price inflation.

For the period, total ASP on completions increased by c. 8.4% to c. £229k (2013: £211.2k), with private ASP up by c. 12.3% to c. £253k (2013: £225.3k), the increase split broadly equally between changes in mix and house price inflation. We expect the year on year increase in private ASP in the second half of FY15 to be lower than that of the first half. This reflects the mix of the London completions in the second half of FY14 which included The Courthouse in Westminster which had an ASP of £1.4m.

With the sales rate of 0.58 (2013: 0.67) net private reservations per active site per week in the period we are on-track to deliver our target of 15,700 completions (including 700 JV completions) in FY15. The sales rate in the prior year comparable period was exceptionally high reflecting the launch period of Help to Buy in 2013.

We have increased our rate of site openings, launching 96 (2013: 81) new developments (including JVs) in the first half. We expect to open a further 90 in the next six months including Hollygate Park, the former Cotgrave colliery in Nottinghamshire; Baggeridge Village in Staffordshire, built on the former Baggeridge brickworks; Brooklands in Milton Keynes; and The Chocolate Works in York, the re-development of the former Terry's chocolate factory. As at 31 December 2014 the Group operated from 399 (2013: 380) active sites (including 14 JVs (2013: 9)), and expects to see controlled growth in site numbers going forward.

Margins are increasing in line with expectations reflecting the higher proportion of completions from newer higher margin land, growth in volumes, operational improvements, and the benefit from underlying house price inflation net of cost inflation.

### Forward sales

Our total forward sales (including JVs) as at 31 December 2014 were up 17.1% on the strong prior year figures at a value of £1,680.8m (2013: £1,435.3m), equating to 8,300 plots (2013: 7,291 plots).

	2014		2013		Variance (£m)
	£m	Plots	£m	Plots	%
Private	901.9	3,425	872.9	3,331	3.3%
Affordable	381.6	3,418	392.9	3,676	(2.9%)
<b>Sub total</b>	<b>1,283.5</b>	<b>6,843</b>	<b>1,265.8</b>	<b>7,007</b>	<b>1.4%</b>
JV	397.3	1,457	169.5	284	134.4%
<b>Total</b>	<b>1,680.8</b>	<b>8,300</b>	<b>1,435.3</b>	<b>7,291</b>	<b>17.1%</b>

### Land

The land market remains attractive across all regions and in the period we secured further excellent operational and strategic land opportunities that at least meet our minimum hurdle rates.

We continue to target a regionally balanced portfolio with a c. 4.5 year owned and conditionally contracted landbank. As such, we expect to approve a total of c. 16,000 plots in the full financial year (FY14: 21,478 plots) with 7,242 plots (2013: 11,394 plots) being approved in the first half. Strategic land is expected to increase its contribution to completions with our target of 20% of completions from strategically sourced land in FY17.

Reflecting our success with planning over the past 12 months we are very well positioned, with 86% of expected FY16 completions (2013: 82% of FY15 completions) having either full or outline planning consent.

### Net debt and land creditors

Net debt as at 31 December 2014 is expected to be c. £135m (2013: £155.0m). The cash outflow from our net cash position of £73.1m as at 30 June 2014 reflects normal seasonal trends, the Group's build programme, and the payment of the final dividend. We are targeting a modest net cash balance as at 30 June 2015.

We continue to secure attractive deferred payment terms on land and expect land creditors as a proportion of the owned land bank to be maintained at around one-third.

On 17 December 2014 the Group amended its financing agreements relating to the £700m revolving credit facility ('RCF'), £100m term loan and \$80m (£48m) private placement notes.

This resulted in slightly improved commercial terms than in the original agreements. The RCF now extends to 17 December 2019 (previously 14 May 2018) and the step down in the facility from £700m to £550m is now extended to 29 December 2017 (previously 30 June 2016).

We believe the Group has appropriate financing facilities in terms of size, maturity and pricing.

## **Outlook**

Barratt continues to benefit from operational changes introduced to the business and is on track to deliver a further significant improvement in performance in FY15. We have re-balanced the delivery profile of the business and significantly strengthened our forward order position, both of which are reflected in the strong first half performance.

The Group is making good progress towards achieving its medium term targets of a minimum gross margin of 20% and minimum ROCE of 25% by FY17.

This strong performance supports the Group's Capital Return Plan<sup>(1)</sup> which is expected to return £400m of special cash payments in addition to c. £490m<sup>(2)</sup> of ordinary dividends by November 2017.

### **Notes:**

- (1) All final dividends and the special cash payment programme are subject to shareholder approval
- (2) Based on Reuters consensus estimates of earnings per share of 42.8p for FY15, 50.9p for FY16 and 55.2p for FY17 as at 9 January 2015 and applying a 3x dividend cover in line with previously announced policy, and 991,943,159 shares as at 31 December 2014.

**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 14 January 2015, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0) 20 3427 1900

Passcode: 2572196

A replay facility will be available shortly after:

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

Passcode: 2572196

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