



Immediate Release

16 November 2016

## **Barratt Developments PLC**

### **Trading continues well, with ongoing strong demand**

Barratt Developments PLC (the 'Group') is today issuing a trading update in respect of the period from 1 July to 13 November 2016 (the 'period'). All comparatives are to the prior year equivalent period ('2015') unless otherwise stated.

The Group is holding its Annual General Meeting today at 2.30pm in London.

### **Highlights**

- Overall market conditions remain healthy, with the Group trading well since the start of the new financial year
- Sales rate of 0.74 (2015: 0.71) net private reservations per active outlet per average week
- Total forward sales (including joint ventures ('JVs')) up by 4.3% to £2,654.3m (2015: £2,544.6m), with wholly owned forward sales up strongly by 19.5% to £2,466.1m (2015: £2,062.9m)
- As previously announced the Board has proposed a record dividend payment of £248m payable on 21 November 2016

### **David Thomas, Chief Executive commented,**

"This has been another good trading period for the Group. Consumer demand is strong supported by good mortgage availability.

We are mindful of the potential for economic uncertainty created by the outcome of the EU Referendum. However, market fundamentals are robust, and we remain a housebuilder of choice.

Barratt's commitment to quality design, build and excellence in market-leading customer service has supported our strong sales performance. Our focus remains on maintaining good operational and financial performance, and delivering attractive shareholder returns."

## Trading update

Market conditions remain healthy, with the Group trading positively since the start of the new financial year. In general, consumer demand is robust, driven by an undersupply of homes, good mortgage availability and a supportive Government policy environment including Help to Buy (Equity Loan).

Our net private reservations per average week were in line with the prior year at 265 (2015: 265) with a sales rate of 0.74 (2015: 0.71) net private reservations per active outlet per average week. Sales rates compared to last year remain softer in London. Sales rates in our Northern and Central regions are strongly outperforming the prior year.

Market conditions in London at higher selling prices remain more challenging. To mitigate these risks we have taken pricing action on a number of our sites in London. Further actions to de-risk London delivery include an exchanged build and sale agreement on a bespoke development of 39 apartments for a total value of £47m.

We launched 69 new developments in the period (including JVs) (2015: 51). We are currently operating from 385 sites (including JVs) (2015: 380), with average site numbers (including JVs) for the period to date of 370 (2015: 386), down 4.1% on the comparable period, reflecting the lower opening position. We now expect to see average site numbers remain broadly flat in FY17 versus FY16.

The Group is committed to building the highest quality homes. There remain some sector-wide constraints in skilled labour supply and as such we continue to invest in our internal training programmes with 642 graduates, trainees and apprentices currently employed across the company. We are also assessing, trialling and selectively implementing modern construction methods to reduce our dependency on certain trades.

## Forward Sales

Total forward sales (including JVs) as at 13 November 2016 were up 4.3% on the prior year at a value of £2,654.3m (15 November 2015: £2,544.6m), equating to 11,733 plots (15 November 2015: 11,133 plots). Wholly owned forward sales were up strongly by 19.5% to £2,466.1m (2015: £2,062.9m).

## Land and planning

The land market remains attractive and we are securing operational land opportunities that at least meet our minimum hurdle rates of 20% gross margin and 25% ROCE<sup>(1)</sup>.

During the period the purchase of £200.2m (2015: £255.8m) of operational land was approved, equating to 15 sites (2015: 36 sites) and 2,864 plots (2015: 5,336 plots). Whilst this is less than we would normally expect in this period, it was impacted by our caution immediately following the EU referendum. We expect to approve around 15,000 plots in FY17 as a whole and we remain on track to achieve our targeted owned land bank of 3.5 years by the year end.

We continue to invest in strategic land and approved the options on 15 strategic sites (2015: 19 sites), equating to 4,258 plots (2015: 3,414 plots).

## Cash Returns

The Board proposed a final ordinary dividend of £123m or 12.3 pence per share (2015: 10.3 pence per share) to be paid on 21 November 2016. Under the special cash payment programme, a payment of £125m (12.4 pence per share) was proposed with the Group's FY16 results and will also be payable on 21 November 2016. The FY16 total dividend payment, including the special and interim dividend, is 30.7 pence per share (2015: 25.1 pence per share) equating to a total of £308m.

Our dividend plan was announced in September 2014 and continues to deliver attractive future cash returns through an ordinary dividend of one third of earnings and a special dividend of £400m in aggregate with made or planned payments of £100m, £125m and £175m over the three years to November 2017.

## Board change

As previously announced, Mark Rolfe, after eight years of distinguished service, will step down from the Board following the AGM today. Jock Lennox, who joined the Board on 1 July 2016, will take over as Chair of the Audit Committee and Richard Akers, who joined the Board on 2 April 2012, will take over as Senior Independent Director.

## Outlook

The Group expects to deliver further good progress on operating performance in FY17, with modest growth in wholly owned completions, and is on track to achieve its target of a minimum ROCE<sup>(2)</sup> of 25%. We remain focused on delivery of 20% gross margin for FY17 notwithstanding that the high-end London market presents some headwinds in this regard. Overall trading remains in-line with market expectations.

We remain committed to our cash return policy and expect to deliver cash returns of c. £1bn<sup>(3)</sup> of dividends (based on consensus earnings) in the three year period to November 2017.

Notes:

- (1) Site Return on Capital Employed ('ROCE') on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overhead) divided by average investment in site land, work in progress and equity share
- (2) ROCE is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
- (3) Includes FY14 final dividend of £70m, FY15 £251m, proposed FY16 total dividend payment of £308m and FY17 proposed special cash dividend of £175m and ordinary dividend based on Reuters consensus estimates of 51.4p earnings per share for FY17 as at 11 November 2016 and applying a 3x dividend cover in line with previously announced policy, and 1,003,607,066 shares as at 30 June 2016. All dividends and the special cash payment programme are subject to shareholder approval

**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.**

**This announcement contains inside information.**

## Appendix

Forward sales	2016		2015		Variance (£m)
	£m	Plots	£m	Plots	%
Private	1,788.8	5,371	1,568.8	5,397	14.0%
Affordable	677.3	5,664	494.1	4,329	37.1%
<b>Wholly owned</b>	<b>2,466.1</b>	<b>11,035</b>	<b>2,062.9</b>	<b>9,726</b>	<b>19.5%</b>
JVs	188.2	698	481.7	1,407	(60.9%)
<b>Total</b>	<b>2,654.3</b>	<b>11,733</b>	<b>2,544.6</b>	<b>11,133</b>	<b>4.3%</b>

### Conference call for analysts and investors

David Thomas, Chief Executive and Neil Cooper, Chief Financial Officer will be hosting a conference call at 08:30am today, Wednesday 16 November, to discuss this Trading Update.

To access the conference call:

Participant dial in: +44 (0)203 043 2002

Passcode: 2562601

24 hr replay dial in:

Tel: +44 (0) 207 660 0134

Passcode: 2562601

### Annual General Meeting

Barratt Developments PLC will be holding its Annual General Meeting today at 2:30pm at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London, NW1 4LE.

### For further information please contact:

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