



10 May 2018

Barratt Developments PLC

Strong performance and outlook

Barratt Developments PLC (the 'Group') is today issuing a trading update in respect of the period from 1 January to 6 May 2018 (the 'period'). All comparatives are to the prior year equivalent period ('2017') unless otherwise stated. Barratt Development PLC's year end is 30 June 2018.

Highlights

- Trading is strong and the outlook for the full year remains in line with the Board's expectations
- Sales rate in line with the prior year at 0.80 (2017: 0.80) net private reservations per active outlet per average week⁽¹⁾
- Total forward sales (including JVs) at record levels, up 2.5% as at 6 May 2018, to £3,286.7m (7 May 2017: £3,205.7m)
- Awarded the Home Builder Federation's maximum five star customer satisfaction rating for the ninth consecutive year reflecting our commitment to build quality and customer service
- Expect to approve the purchase of more than 20,000 (FY17: 18,497) plots for the full year to help support future volume growth
- Net cash⁽²⁾ position at 30 June 2018 is expected to be better than previous guidance at around £550m (30 June 2017: £723.7m)

David Thomas, Chief Executive commented:

"Trading since the beginning of the year has been strong across the country driven by good customer demand for our high quality new homes and an attractive lending environment. We have a healthy forward order book and a robust balance sheet.

"We are proud to have been awarded five stars for customer satisfaction for the ninth consecutive year, reflecting our commitment to industry-leading quality and customer service. We will celebrate our 60th anniversary next week, and as the UK's largest housebuilder we continue to focus on growing our housing output, creating jobs and supporting economic growth across the country."

Trading update

The market fundamentals remain supportive, with the Group delivering a strong performance across the business since the start of the calendar year driven by robust customer demand for our high quality new homes and the wide availability of mortgage finance.

Net private reservations per average week were 302 (2017: 299) for the period, resulting in a sales rate of 0.80 (2017: 0.80) net private reservations per active outlet per average week.

We have launched 33 new developments in the period (including JVs), operating from 388 (2017: 384) active outlets (including JVs) per average week.

In 2016, the Group undertook a review of its housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us reduce build cost and waste and are more suitable to modern methods of construction. We continue to roll out the new housing ranges across the business with the new Barratt range now identified for 174 sites (February 2018: 157 sites) across the country and we currently have 85 sites (February 2018: 81 sites) under construction. The planned rollout of the new product ranges should increasingly benefit margin going forward.

Central to our market proposition is the commitment to build high quality new homes and provide good customer service. Our focus on quality and service is not only positive for our customers, it provides earnings sustainability, reduces the cost of customer after-sales care and ensures that excellent operational processes are in place. In March, we became the only major housebuilder to be rated five star for customer satisfaction for nine years in a row. Our ongoing focus on industry-leading customer satisfaction and build quality has also been demonstrated by winning more Pride in the Job Awards than any other housebuilder for the past 13 years and one of our site managers winning the 2017 Large Builder NHBC Supreme National Award.

We remain focused on helping to address the skills shortage facing the industry and continue to invest in trials for modern methods of construction and in FY18 we expect to build and sell over 1,900 units using timber frame, large format block or light gauge steel frame. We also continue to invest in our award-winning training schemes. We currently have 538 apprentices, graduates and trainees, including our 2017 intake of 197, on various programmes.

Forward sales

Our total forward sales (including JVs) as at 6 May 2018 were up 2.5% on the prior year comparable at a value of £3,286.7m (7 May 2017: £3,205.7m), equating to 13,655 plots (7 May 2017: 12,822 plots). Private forward sales value was up 0.2% at £2,198.4m (7 May 2017: £2,194.6m).

Land and planning

The Group continues to secure excellent operational land opportunities that exceed our hurdle rates. We continue to expect to approve the purchase of more than 20,000 plots (FY17: 18,497 plots) in the current financial year.

We continue to secure attractive deferred payment terms on land and expect land creditors to be between 30% and 35% of the land bank at 30 June 2018. Reflecting the excellent land opportunities we have seen, we expect the land cash spend for FY18 to be higher than FY17 at around £1.1bn.

Capital Structure and returns

We expect the net cash position at 30 June 2018 to be better than previous guidance at around £550m (30 June 2017: £723.7m).

We remain committed to our cash return policy and expect to deliver cash returns of c. £1.9bn⁽³⁾ of dividends (based on consensus earnings) in the five year period to November 2019.

Outlook

Group trading is strong and the outlook for the full year remains in line with the Board's expectations.

As a Group, we are committed to investing in new, more efficient ways to design and build homes, whilst maintaining our focus on build quality and customer service.

We have set out our strategy to improve operating margin over the medium term and are on track in implementing our margin improvement initiatives.

Notes:

- (1) All figures exclude joint venture (JV) completions in which the Group has an interest unless otherwise stated
- (2) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
- (3) Based on Reuters consensus estimates of earnings per share of 64.6p for FY18 and 68.0p for FY19 as at 4 May 2018. Applying a two and a half times dividend cover in line with the announced policy, and upon 31 December 2017 share capital of 1,011,532,123 shares for proposed payments. All final dividends and the special cash payment programme are subject to shareholder approval

Appendix

1. Forward sales	2018		2017		Variance (£m)
	£m	Plots	£m	Plots	%
Private	2,198.4	6,530	2,194.6	6,120	0.2%
Affordable	816.6	6,296	707.6	5,752	15.4%
Wholly owned	3,015.0	12,826	2,902.2	11,872	3.9%
JV	271.7	829	303.5	950	(10.5%)
Total	3,286.7	13,655	3,205.7	12,822	2.5%

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

David Thomas, Chief Executive, and Jessica White, Chief Financial Officer, will be hosting a conference call at 08:30am today, Thursday 10 May 2018, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0)330 336 9105

Passcode: 8350875

A replay facility will be available shortly after:

Dial in: +44 (0) 207 660 0134

Passcode: 8350875

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