

6 May 2021

## **Barratt Developments PLC**

### **Strong operational performance delivers an increase in expected full year completions**

Barratt Developments PLC (the 'Group') is today issuing a trading update in respect of the period from 1 January 2021 to 2 May 2021 (the 'period'). Comparatives are to the prior year equivalent periods ('2020' and '2019') unless otherwise stated. Barratt Development PLC's year end is 30 June 2021.

***David Thomas, Chief Executive commented:***

"We have seen strong demand for our high quality, energy efficient homes on well-designed developments which means we now expect to increase wholly owned completions to between 16,000 and 16,250 homes this year, along with around 650 JV home completions. As construction activity has increased our employees and sub-contractors have worked hard to maintain our high standards of quality and service and we are proud that for the 12<sup>th</sup> successive year, our customers have rated us as a 5 star housebuilder.

Our priority continues to be keeping our customers and colleagues safe as we deliver high quality sustainable homes and developments the country needs, creating jobs and supporting economic recovery across England, Scotland and Wales."

#### **Highlights**

- Net private reservations per active outlet per average week of 0.83 (2020: 0.52; 2019: 0.79)<sup>(1)</sup>
- Fully forward sold for FY21 with total forward sales (including JVs) at 2 May 2021 of £3,696.3m (3 May 2020: £2,834.0m; 5 May 2019: £3,365.1m)
- Strong well capitalised balance sheet with expected improvement in year end net cash position
- Construction activity progressing well with an average of 321 equivalent homes (including JVs) built per average week in the period
- Highest scoring national housebuilder in the 2020 NextGeneration Sustainability Benchmark Report
- FY21 wholly owned completions expected to increase to 16,000 to 16,250 homes with around 650 JV home completions, resulting in an outlook for the full year modestly above the Board's previous expectations

#### **Trading**

The Group has performed well since the start of the calendar year reflecting underlying market strength and strong customer demand for our high quality sustainable new homes. Overall, our net private reservation rate was strong at 0.83 (2020: 0.52; 2019: 0.79) per active outlet per average week with some positive house price inflation experienced across the country. The reservation rate increase of 59.6% on last year reflects the comparative period including the impact of the unprecedented closure of our sales outlets and sites by 27 March 2020 due to COVID-19.

During the period, we operated from an average of 346 (2020: 362; 2019: 388) outlets including 8 JVs (2020: 9; 2019: 9) per average week. New outlet openings are progressing well and we have launched 57 (2020: 29; 2019: 47) new outlets in the period (including JVs) positioning us well for FY22.

In the period we delivered 4,481 (2020: 3,504, 2019: 4,239) total home completions (including JVs of 149 (2020: 216, 2019: 258)) bringing total home completions in the financial year to date to 13,558 (2020: 11,818; 2019: 11,861). The increase in completions in the period reflects the delivery of customers' homes in line with the original Help to Buy scheme and the stamp duty holiday deadlines.

Total forward sales (including JVs) as at 2 May 2021 were 14,846 homes (3 May 2020: 12,205 homes; 5 May 2019: 14,181 homes), 4.7% ahead of 2019. The value of our total forward sales was £3,696.3m (3 May 2020: £2,834.0m; 5 May 2019 £3,365.1m), 9.8% ahead of 2019. Reflecting our strong reservation rate, we are now fully forward sold for FY21 and substantially more forward sold for FY22 than we were at the same point in FY19 for planned FY20 home completions.

As a result of the continued commitment of our site teams and sub-contractors, construction activity has been ahead of planned output, with an average of 321 equivalent homes (including JVs), built per average week in the period. Construction output has equated to 304 equivalent homes per week in the financial year to date. Given the continued strength of the market, we are now seeing increases in build costs, currently running at c. 3%, however we continue to expect build cost inflation will be in the range of 1% to 2% for FY21.

### **The housing market and fundamentals**

Despite the continued economic uncertainties, the housing market fundamentals remain attractive. There is strong demand for new homes across the country and years of undersupply underpins the Government's ongoing target of 300,000 new homes each year. We are well positioned to deliver the high quality sustainable homes and developments the country needs across England, Scotland and Wales.

For the industry to continue to increase supply, it is vital that home buyers are able to access sustainable and competitive mortgage finance. There have been some modest reductions in mortgage interest rates in recent weeks, but there remains limited availability of higher loan to value ('LTV') mortgages for new build homes compared to the rest of the market.

### **COVID-19**

We have industry-leading and British Safety Council accredited COVID-secure policies in place and our priority is to keep our employees, sub-contractors, suppliers and customers safe. We continue to manage the operational challenges created by COVID-19 across our business providing flexibility and support for employees. We recognise that following the initial national lockdown, unlike many other industries, we have been fortunate in our ability to continue operations across the country. As a result, we are in a strong financial position and, in recognition of this, the Board has agreed to refund c. £3.5m of business rate relief on showhomes and sales offices offered by local authorities due to COVID-19. This is in addition to the £26.0m of Coronavirus Job Retention Scheme grant income voluntarily refunded by the Group in the first half of FY21. We now expect net administrative expenses to be around £210m for FY21.

### **Leadership in quality and customer service**

Our long term commitment to quality and customer service remains absolute. This is the right thing to do for our customers and is fundamental to the resilience of our business. Our quality has been recognised through the NHBC Pride in the Job Awards for build quality and site management. In June 2020 our site managers were awarded 92 awards, more than any other housebuilder for the 16<sup>th</sup> consecutive year. In the subsequent Regional NHBC Pride in the Job Awards, we secured seven of the ten regional awards where we operate. In February 2021, our site managers secured both the Supreme Award and runner-up in the Large Builder category. This is the second year in a row that our site managers have secured the Supreme Award and the fifth time in the last six years highlighting the long term commitment of our site management teams to deliver excellent build quality on safe and efficient sites across the country.

We are also delighted that in March 2021 we retained our maximum 5 Star rating from our customers in the HBF customer satisfaction survey for the 12<sup>th</sup> successive year, a unique achievement amongst the major national housebuilders.

### **Sustainability**

Sustainability is central to everything we do and we were delighted to advance our ranking in the 2020 NextGeneration Sustainability Benchmark Report published in March 2021. NextGeneration conducts a comprehensive annual benchmarking of the 25 largest UK housebuilders, in which we were the highest scoring national housebuilder and achieved second place overall. As a top performing housebuilder, we were also awarded the NextGeneration Gold Award.

### **Land**

We remain disciplined and selective in our land purchasing and have approved the purchase of 6,399 plots on 31 sites in the period, bringing our total for the financial year to date to 12,034 plots across 66 sites. We are seeing a good range of land buying opportunities and continue to expect to approve between 14,000 and 16,000 plots in FY21. In line with our operating framework, we are targeting an owned and controlled land bank of around 4.5 years in the medium term with land approvals in FY22 expected to be between 18,000 and 20,000 plots.

### **Balance sheet and liquidity**

The Group remains financially strong, with a well-capitalised balance sheet and a substantial cash and liquidity position. As at 30 April 2021 the Group had c. £1,075m of net cash<sup>(2)</sup> and an undrawn committed revolving credit facility of £700m. Reflecting the expected delivery of additional wholly owned completions, year end net cash is now expected to be around £1.0bn. We continue to operate in line with our well embedded operating framework creating discipline in our operations and resilience in our balance sheet.

### **Costs associated with legacy properties**

#### ***Cladding and the associated review***

We recognise that the wider complex issues surrounding fire safety guidance have caused distress for affected homeowners, as regulations and requirements have continued to evolve, and that a long term solution is required involving industry, the supply chain and Government. We will continue to dedicate significant focus to this area, as we have done to date, as founding signatories to the Building Safety Charter and active members of the Early Adopters Group, which is committed to protect life by putting safety first ahead of all other building priorities.

All of our buildings, including the cladding and complete external wall systems used, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of construction. In the aftermath of the tragedy at the Grenfell Tower, we acted to remove and replace ACM cladding from the small number of legacy developments where this material had been installed. Now, alongside evolving Government advice on fire safety for multi-storey buildings, we are working with building owners, management companies and expert engineers on assessments of buildings we have constructed and the solutions needed to support leaseholders and residents.

#### ***Citiscap and the associated review***

During the period we have incurred a cash outflow of c. £31m in relation to Citiscap in line with the provision as at 31 December 2020. The associated review of reinforced concrete frames announced in July 2020 is now complete.

#### ***Cost incurred with respect to legacy properties***

In aggregate, from FY18 to date, we have incurred charges of £163.1m<sup>(3)</sup> (Appendix 4) in respect of legacy properties across both the cladding and Citiscap reviews, of this £85.6m remains to be spent. Whilst the charges reflect the current best estimate of the extent and future costs of work required, as assessments and work progresses or if Government legislation and regulation further evolves, estimates will be updated.

## **Dividend**

Our interim dividend of 7.5 pence per share<sup>(4)</sup> (2020: nil), will be paid on Monday 10 May 2021 to all shareholders that were on the register on Friday 16 April 2021. The Board continues to target a full year dividend based on a dividend cover of 2.5 times earnings.

## **Outlook**

The business is in a strong position with substantial net cash, a well-capitalised balance sheet and a healthy forward sales position. We remain focused on delivering both operational improvements across our business and high quality, sustainable homes and developments across the country. However, we remain mindful of the continued economic uncertainties.

Reflecting both strong trading and our successful increase in construction activity, we now expect FY21 wholly owned completions to be between 16,000 and 16,250 homes and to deliver around 650 JV home completions. As a result, we now expect an outturn for the full year modestly above the Board's previous expectations.

We remain focused on our medium term targets. Firstly rebuilding total home completions in FY22 to FY19 levels and then progressing towards our medium term target and current capacity of 20,000 homes. In order to do this, we are investing in work in progress and seeking to increase site numbers to support growth. We have acquired land in recent years at a minimum 23% gross margin and through our continued focus on operating efficiencies and optimising performance, we continue to target a minimum 25% ROCE.

The Board will continue to monitor the market and the wider economy but believes that our operating performance and strong financial position provide us with the resilience and flexibility to react to changes in the operating environment through the balance of FY21 and beyond.

### **Notes:**

- (1) All figures exclude joint venture (JV) completions in which the Group has an interest unless otherwise stated.
- (2) Net cash comprises cash and cash equivalents, bank overdrafts, interest bearing borrowings, and prepaid fees.
- (3) Legacy property costs include costs relating to cladding remedial works and associated reviews, as well as costs relating to Citiscape and associated reviews. Joint venture costs are not included.
- (4) The FY21 interim dividend equates to £76.3m (2020: £nil).

### **Note on forward looking statements**

**Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements. Unless otherwise required by applicable law, regulation or accounting standards, the Group does not undertake to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise.**

### **Conference call for analysts and investors**

David Thomas, Chief Executive, Steven Boyes, Chief Operating Officer and Deputy Chief Executive and Jessica White, Chief Financial Officer, will be hosting a conference call at 08:30am today, Thursday 6 May 2021, to discuss this Trading Update.

To access the conference call:

**Dial-in UK & International: +44 (0) 330 336 9104**

UK toll free: 0800 358 6374

**Passcode: 552984**

A replay facility will be available shortly after:

Dial-in UK & International: +44 (0) 330 336 9104

UK toll free: 0800 358 6374

**Passcode: 8160592**

### **For further information please contact:**

#### **Barratt Developments PLC**

Jessica White, Chief Financial Officer

01530 278 259

#### **Analyst/investor enquiries**

John Messenger, Group Investor Relations Director

07867 201 763

#### **Media enquiries**

Tim Collins, Head of Corporate Communications

020 7299 4874

#### **Brunswick**

Jonathan Glass/Rosie Oddy

020 7404 5959

[www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk)

Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

### **Financial reporting calendar**

The Group's next scheduled announcement of financial information is the FY21 full year trading update on 14 July 2021.

## Appendices:

1. Sales Rate	H2 to date	H1	FY
<b>FY21</b>	<b>0.83</b>	<b>0.77</b>	<b>n/a</b>
<b>FY20</b>	0.52	0.69	0.60
<b>FY21 vs FY20</b>	59.6%	11.6%	n/a
<b>FY19</b>	0.79	0.64	0.70
<b>FY21 vs FY19</b>	5.1%	20.3%	n/a

2. Forward sales	2 May 2021		3 May 2020		Variance		5 May 2019		Variance	
	£m	Homes	£m	Homes	£m	Homes	£m	Homes	£m	Homes
Private	2,197.1	6,508	1,496.5	4,623	46.8%	40.8%	1,821.9	5,924	20.6%	9.9%
Affordable	1,204.8	7,480	1,067.9	6,767	12.8%	10.5%	1,186.7	7,496	1.5%	(0.2%)
<b>Wholly owned</b>	<b>3,401.9</b>	<b>13,988</b>	<b>2,564.4</b>	<b>11,390</b>	<b>32.7%</b>	<b>22.8%</b>	<b>3,008.6</b>	<b>13,420</b>	<b>13.1%</b>	<b>4.2%</b>
JV	294.4	858	269.6	815	9.2%	5.3%	356.5	761	(17.4%)	12.7%
<b>Total</b>	<b>3,696.3</b>	<b>14,846</b>	<b>2,834.0</b>	<b>12,205</b>	<b>30.4%</b>	<b>21.6%</b>	<b>3,365.1</b>	<b>14,181</b>	<b>9.8%</b>	<b>4.7%</b>

3. Forward sales roll	FY21		FY20		Variance		FY19		Variance	
	Private	Total	Private	Total	Private	Total	Private	Total	Private	Total
<b>30 June</b>	<b>5,320</b>	<b>14,326</b>	<b>3,827</b>	<b>11,419</b>	<b>39.0%</b>	<b>25.5%</b>	<b>3,863</b>	<b>10,155</b>	<b>37.7%</b>	<b>41.1%</b>
Reservations	11,588	14,078	9,745	12,604	18.9%	11.7%	11,443	15,887	1.3%	(11.4%)
Completions	(10,400)	(13,558)	(8,949)	(11,818)	16.2%	14.7%	(9,382)	(11,861)	10.9%	14.3%
<b>May</b>	<b>6,508</b>	<b>14,846</b>	<b>4,623</b>	<b>12,205</b>	<b>40.8%</b>	<b>21.6%</b>	<b>5,924</b>	<b>14,181</b>	<b>9.9%</b>	<b>4.7%</b>

4. Legacy property costs charged to the income statement <sup>(3)</sup>	FY18	FY19	FY20	H1 FY21	H2 FY21 to date	Total
Costs charged in ordinary operations	4.1	17.3	28.7	1.8	1.5	53.4
Costs charged in adjusting items	4.0	6.9	39.9	56.3	2.6	109.7
<b>Total legacy property costs</b>	<b>8.1</b>	<b>24.2</b>	<b>68.6</b>	<b>58.1</b>	<b>4.1</b>	<b>163.1</b>