



11 January 2023

Barratt Developments PLC

Barratt Developments PLC (the 'Group') is issuing a trading update in respect of the half year ended 31 December 2022 (the 'period' or 'HY23') ahead of publication of its interim results on 8 February 2023.

David Thomas, Chief Executive commented:

"We have delivered a strong operating performance for the six months to 31 December 2022. This was possible because of our significant forward order book at 30 June 2022 and the tremendous efforts of our employees, sub-contractors and supply chain partners.

The first half of the financial year has however seen a marked slowdown in the UK housing market. Political and economic uncertainty impacted the first quarter; this was then compounded by rapid and significant changes in mortgage rates which reduced affordability, homebuyer confidence and reservation activity through the second quarter.

Our business remains fundamentally strong, both operationally and financially, with an experienced leadership team, a strong net cash position and a resilient and flexible business model. We are focused on successfully navigating the challenges ahead and continuing to deliver excellent quality and service for our customers."

Highlights

- Total home completions including joint ventures ('JVs') at 8,626 (HY22: 8,067).
- Sales rate of 0.44 (HY22: 0.79) net private reservations per active outlet per week¹ during the period with a net reservation rate per average week of 0.30 (HY22: 0.69) for the period from 10 October 2022, our AGM trading update, through to 31 December 2022.
- Total forward order book (including JVs) as at 31 December 2022 was 10,511 homes (31 December 2021: 14,818) at a value of £2,544.4m (31 December 2021: £3,794.3m).
- Net land approvals have been negative with a net 290 plots cancelled (HY22: 8,869 approved).
- Strong balance sheet with net cash² as at 31 December 2022 of c.£965m (30 June 2022: £1,138.6m; 31 December 2021: £1,131.7m), after dividend payment of £259.8m and share repurchases of c.£100m.
- Our sustainability performance recognised with the Group joining the CDP's Climate Change A List for Leadership, one of just 283 companies worldwide and the top-rated UK housebuilder.
- Assuming net reservation rates increase in line with normal Spring trading patterns to around 0.50 homes per active outlet per week, we will remain on track to deliver consensus total home completions of 17,475³. However, should the usual seasonal improvement not occur and trading remain at recent levels, the Group would expect to deliver total home completions for FY23 in the range of 16,000⁴ to 16,500⁴.

Trading

We delivered a strong financial and operational performance in the first half, with total home completions advancing 6.9% as we worked through our forward order book to deliver much-needed new homes across the country. We maintained our industry-leading performance in quality, customer satisfaction, health and safety and sustainability. The outlook reflects a challenging current market backdrop, as our customers face increased costs of borrowing and ongoing cost of living challenges, which will undoubtedly impact trading in the second half.

In the period our net private reservations¹ per week were 155 (HY22: 259) with the net private reservation rate per outlet per week at 0.44 (HY22: 0.79). The private net reservation rate per average week has shown a sequential slowdown from 0.60 through to 28 August 2022, to 0.48 during the subsequent trading period through to 9 October 2022 and 0.30 in the remainder of the period to 31 December 2022 (see Appendix 1).

The slowing reservation rate in the first quarter of FY23 reflected the political and economic uncertainties at that time, particularly around impending cost of living challenges, coupled with a limited availability of homes for early occupation given our strong forward order book. The second quarter saw a material impact from the significant escalation in mortgage interest rates on both affordability and homebuyer confidence.

In the half year, we operated from an average of 360 (HY22: 337) active outlets (including 8 JVs (HY22: 8)), an increase of 6.8% on the prior year. The growth in active outlets has been driven by a successful first half, launching 52 (HY22: 46) new outlets (including JVs), but also reflects the impact of the significantly lower private reservation rate, extending the average sale outlet's life.

We delivered 8,626 (HY22: 8,067) home completions (including JVs of 362 (HY22: 395)), representing growth of 6.9% on last year's first half. The growth in home completions in the period resulted from our particularly strong forward sales position and the increased level of work in progress carried into the new financial year, as well as strong construction activity in the period.

Construction activity was in line with planned output, with an average of 333 (HY22: 341) equivalent homes (including JVs) constructed per week. Construction activity moderated in the second half of the period as the business moved to align production with slowing reservation activity. During the second half, we anticipate construction activity will continue to moderate as customer commitments within our order book are satisfied and as construction activity continues to align with reservation activity.

Our total average selling price ('ASP') increased by c.14.6% to c. £330k (HY22: £288.0k), with private ASP up 13.6% to c. £372k (HY22: £327.4k), reflecting a positive mix impact, an increased proportion of London completions and underlying house price inflation.

Total forward sales (including JVs) as at 31 December 2022 have reduced by 29.1% to 10,511 homes (31 December 2021: 14,818). The value of the total order book (including JVs) as at 31 December 2022 has reduced by 32.9% to £2,544.4m (31 December 2021: £3,794.3m).

We are now 77%⁵ forward sold with respect to private wholly owned home completions for FY23 (FY22: 89%⁶), of which approximately 86% are either completed or exchanged (FY22: 80%).

Land

Throughout the period we have been very selective with respect to the land opportunities on which we have been prepared to bid, reflecting the increased uncertainty on the outlook for both the UK economy and the housing market. As a result of our continuing rigorous application of minimum investment hurdles to new land approvals, as well as the cancellation of some previous land approvals, which are no longer proceeding, net land approvals in the period have been negative.

In the period we have approved 16 new sites but these were more than offset by 22 previously approved sites which will no longer proceed, resulting in a net cancellation of 6 sites in the half (HY22: net approval of 48 sites). The approved sites added 3,003 plots, with 3,293 plots removed with respect to the sites no longer proceeding, resulting in a net cancellation of 290 plots in the half year (HY22: net addition of 8,869 plots).

Reflecting the strength of our existing land bank and the uncertainty in the sales market, we continue to anticipate that land approvals will be substantially below replacement level in FY23.

Balance sheet and liquidity

The Group remains financially strong with a net cash position this half year at c. £965m² from £1,138.6m at 30 June 2022 and £1,131.7m at 31 December 2021. The reduced level of net cash reflects committed land spend with respect to approvals secured in FY22, working capital investment, the payment of the final dividend for FY22 of £259.8m (HY22: £223.0m) and c.£100m with respect to the share buyback programme.

To date the Group has purchased 26.3 million shares for cancellation with respect to the buyback programme announced on 7 September 2022 and the Group intends to recommence the buyback following the end of the close period with the interim results announcement on 8 February 2023.

During the period, we also extended our £700m revolving credit facility to November 2027 with two further one-year extension periods through to November 2029, if agreed between the Group and its lenders. The extended revolving credit facility has also been amended to include sustainability linked performance measures, aligned with our Building Sustainably strategy.

Leading the industry in sustainability, build quality and customer service

We are determined to maintain our position as the leading national sustainable housebuilder and our commitments to build quality and customer service remain undiminished.

We were delighted that our sustainability performance has been recognised in the 2022 CDP annual results with Barratt Developments joining the CDP's Climate Change A List for Leadership, one of just 283 companies worldwide and the top-rated UK housebuilder.

In the industry specific NextGeneration awards, we were once again the highest ranked national housebuilder and at the *Housebuilder Awards* in November 2022, we were named "Large Housebuilder of the Year", for the third time in the last four years.

Our build quality continues to be recognised through the NHBC Pride in the Job Awards for site management. Following our site teams' success in June 2022, where our site managers secured 98 awards, more than any other housebuilder for the 18th consecutive year, at the Regional NHBC Pride in the Job Awards we secured five out of the ten awards in regions where we operate. This is a fantastic achievement and a huge credit to our site teams across the country.

We also remain the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 13 years in a row.

We remain in constructive discussions with the Department of Housing, Levelling-up and Communities in relation to the legal agreement to codify the principles of the Building Safety Pledge signed in April 2022.

Outlook

The outlook for the second half of FY23 is uncertain with homebuyer confidence and the availability and competitive pricing of mortgages critical to the health of the UK housing market in the coming months.

Our full year out-turn will depend on how the market evolves in the early months of 2023. Assuming net reservation rates increase in line with normal Spring trading patterns to around 0.50 homes per active outlet per week, we will remain on track to deliver consensus total home completions of 17,475³. However, should the usual seasonal improvement not occur and trading remain at recent levels, the Group would deliver total home completions for FY23 in the range of 16,000⁴ to 16,500⁴.

We have taken a number of actions to respond to current market conditions, including significantly reducing land approvals, pausing recruitment of new employees and introducing further controls for new site openings to manage our working capital deployment. Reservation activity in the first quarter of the new calendar year will determine whether any further action will be required.

The Group is in a strong financial position with a substantial net cash balance and a solid forward sales position. This provides us with a robust platform and gives us flexibility to continue to respond to market conditions as they evolve throughout the coming year.

With our excellent land bank and highly experienced operational teams throughout our business, we remain well placed to continue to deliver much-needed, high-quality and energy-efficient, sustainable homes across the country.

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.

Notes:

- (1) Unless otherwise stated, all numbers quoted exclude Joint Ventures (JVs) throughout this statement.
- (2) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.
- (3) Based on company compiled consensus wholly owned home completions for FY23 of 16,725 at 10 January 2023 and an additional 750 JV completions, in line with previous JV guidance.
- (4) Including 750 JV home completions.
- (5) Our forward sold position with respect to FY23 private wholly owned home completions is based on current consensus wholly owned home completions of 16,725 at 10 January 2023 and a 76%: 24%, private: affordable home completion mix, the increased affordable proportion of completions reflecting the slowdown in private sales.
- (6) Our forward sold position with respect to prior years is based on actual wholly owned private home completions reported for the respective financial year.

Conference call for analysts and investors

David Thomas, Chief Executive, Steven Boyes, Chief Operating Officer and Deputy Chief Executive and Mike Scott, Chief Financial Officer, will be hosting a conference call at 08:00 today, Wednesday 11 January 2023, to discuss this Trading Update.

To join the call, please dial in **10 minutes** before the start time of **08.00** to allow the operator to transfer you into the call for the scheduled start time.

Dial in number: +44 (0) 33 0551 0200

A replay facility will be available shortly after the call is completed:

Dial-in UK & International: +44 (0) 208 196 1480

A recording will also be available on the Group's website at www.barrattdevelopments.co.uk from the afternoon of 11 January 2023.

For further information, please contact:

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The person responsible for arranging the release of this announcement on behalf of Barratt Developments PLC is John Messenger (Group Investor Relations Director).

The Group's next scheduled announcement will be the HY23 interim results on 8 February 2023.

Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

Appointment of Corporate Broker

Following a recent review of its corporate broking arrangements, Barratt Developments PLC has appointed UBS alongside its existing corporate broker Credit Suisse.

Appendices:

1. Net private reservation rate per active outlet per average week	HY23	HY22	Change	HY20	Change
1 July to FY results announcement ¹	0.60	0.82	(26.8%)	0.70	(14.3%)
FY results announcement to AGM ²	0.48	0.90	(46.7%)	0.73	(34.2%)
AGM announcement to 31 December ³	0.30	0.69	(56.5%)	0.63	(52.4%)
1 July to 31 December ⁴	0.44	0.79	(44.3%)	0.69	(36.2%)

Note 1: Trading period through to 28 August 2022, 29 August 2021 and 1 September 2019, the cut-off on current trading for the FY22 results announcement.

Note 2: Sequential trading period through to 9 October 2022, 10 October 2021 and 13 October 2019, the cut-off on current trading for the FY22 AGM.

Note 3: Sequential trading period to 31 December 2022, 2021 and 2019.

Note 4: Private reservation rate throughout the half-year trading period.

2. Completions (Homes)	HY23	HY22	Change
Private	6,549	5,896	11.1%
Affordable	1,715	1,776	(3.4%)
Wholly owned	8,264	7,672	7.7%
JV	362	395	(8.4%)
Total	8,626	8,067	6.9%

3. ASP £k	HY23	HY22	Change
Private	c. 372	327.4	c. 13.6%
Affordable	c. 170	157.1	c. 8.2%
Total ASP	c. 330	288.0	c. 14.6%

4. Forward sales	31 December 2022		31 December 2021		Change	
	£m	Homes	£m	Homes	£m	Homes
Private	1,337.7	3,576	2,322.6	6,557	(42.4%)	(45.5%)
Affordable	1,000.2	6,259	1,205.7	7,439	(17.0%)	(15.9%)
Wholly owned	2,337.9	9,835	3,528.3	13,996	(33.7%)	(29.7%)
JV	206.5	676	266.0	822	(22.4%)	(17.8%)
Total	2,544.4	10,511	3,794.3	14,818	(32.9%)	(29.1%)

5. Forward sales roll	HY23		HY22		Change	
	Private	Total	Private	Total	Private	Total
30 June	6,108	13,579	5,724	14,334	6.7%	(5.3%)
Reservations	4,017	5,558	6,729	8,551	(40.3%)	(35.0%)
Completions	(6,549)	(8,626)	(5,896)	(8,067)	11.1%	6.9%
31 December	3,576	10,511	6,557	14,818	(45.5%)	(29.1%)