13 July 2023

Barratt Developments PLC
Strong performance in a challenging year

Barratt Developments PLC (the 'Group') is today issuing a trading update for the year ended 30 June 2023 (the 'year' and 'FY23') ahead of publication of its annual results on 6 September 2023(1). Comparatives are to the year ended 30 June 2022 ('FY22') unless otherwise stated.

David Thomas, Chief Executive, commented:

"During a year of economic and political uncertainty, we have delivered a strong operational and financial performance, while maintaining our industry-leading quality, customer service and sustainability credentials.

Whilst the trading backdrop has become more challenging in recent months, with many of our customers facing significant cost of living pressures, we have responded decisively - increasing our reservations into the private rental sector, using incentives for customers in a disciplined way, and flexing our build activity, land-buying and operating costs to reflect market conditions.

As a result, we enter the new financial year in a robust financial position with a solid forward order book and we are ready to respond to any further changes in the housing market."

Highlights

- Net private reservations per active outlet(2) per week of 0.55 (FY22: 0.81)(3) including a contribution of 0.10 (FY22: 0.03) from increased reservations into the private rental sector and to registered providers of social housing.

- Total home completions of 17,206 (FY22: 17,908) including 828 from JVs (FY22: 746).

- Adjusted profit before tax is anticipated to be in line with current market expectations(4). This is stated before total adjusted items (including JVs) of c. £180m (FY22: £412.5m) relating to building safety.

- Balance sheet strength maintained with year-end net cash(5) of c. £1,070m (30 June 2022: £1,138.6m) after completing the £200m share buyback and land spend of c. £820m during the year.

- A solid order book for FY24 with total forward sales (including JVs) at 30 June 2023 of 8,995 homes (30 June 2022: 13,579) at a value of £2,223.4m (30 June 2022: £3,622.3m) with the order book normalising to more typical levels of next year's completions.

- Awarded 96 Pride in the Job Awards for outstanding site management in the June 2023 NHBC Awards, more than any other housebuilder for the 19th consecutive year.

- Continued to demonstrate our leading design and innovation capabilities, with the launch and testing of the 'eHome2' within the Energy House 2.0 at the University of Salford.

Trading

Our net private reservation rate for FY23 was 0.55 (FY22: 0.81) per active outlet per week, down 32.1%. This includes a contribution of 0.10 (FY22: 0.03) from increased reservations into the private rental sector ('PRS'), principally to Citra Living, and additional reservations of private units to registered providers of social housing ('RPs').

As outlined previously, we experienced a significant deterioration in demand during the second quarter and, whilst the position improved during the third quarter, reservations then slowed more than normal seasonal trends from mid-May to the end of June 2023.

Given this backdrop and building on our strategic partnership with Citra Living, as well as our long-standing relationships with RPs, we successfully secured additional private reservations, which will support build activity and completions in FY24. Since our last trading update covering the period to 23 April 2023, our net private reservation rate has been 0.67 (FY22: 0.70), including a contribution of 0.24 (FY22: 0.02) from reservations to the PRS and RPs, largely arising from a significant sale of 604 homes to Citra Living in June 2023 (Appendix 1).

Following the end of Help to Buy and increases in mortgage interest rates, first time buyer reservations in the year reduced by 49% compared to FY22, and accounted for more than half the decline in our total reservation rate. Demand amongst existing homeowners was more resilient.

Our use of part exchange, to help our customers, has remained carefully controlled, with part exchange used on 11% of private reservations in the year (FY22: 4%). Our holdings of unsold part exchange stock, at 146 homes at the year end (30 June 2022: 31), remained below those of the two years prior to the pandemic.

We operated from an average of 367 (FY22: 332) active sales outlets (including 8 JVs (FY22: 7)). The increase in average outlets included the opening of 104 new sales outlets in the year (FY22: 118) together with the impact of the slower private reservation rate, which extended the sales activity of several outlets. At 30 June 2023 we were operating from 389 (30 June 2022: 352) active sales outlets (including 9 JVs (30 June 2022: 9)).

In FY24, we expect average active sales outlets, including JVs, to reduce by around 6% reflecting both reduced outlet openings given our step back from the land market and the impact of sites ending where sales activity was extended by lower reservation rates. Notwithstanding this expected decline in the FY24 average active sales outlets, the Group will still be operating with average outlets ahead of those in FY21 and FY22, reflecting the strength and planning status of our land bank.

Total home completions reduced by 3.9% in FY23 to 17,206 (FY22: 17,908). The strength of our order book and demand in the first quarter of the year supported growth of 6.9% in total home completions in the first half. However, the significant change in reservation activity during the second quarter and the slower rate of reservations from the start of the new calendar year resulted in a 12.8% decline in home completions in the second half. As anticipated at the half year, the affordable housing share of wholly owned home completions increased to 23.9% (FY22: 22.3%) (Appendix 2).

We have delivered a total average selling price ('ASP') for the year of c. £320k (FY22: £300.2k), with the private ASP up 8.0% at c. £368k (FY22: £340.8k) and the affordable ASP at c. £167k (FY22: £159.4k) (Appendix 3).

Our forward sales position has returned to more normal levels this year, with total forward sales (including JVs) of £2,223.4m at 30 June 2023 (30 June 2022: £3,622.3m), equating to 8,995 homes (30 June 2022: 13,579). At 30 June 2023, 73% of these homes (30 June 2022: 72%) were contractually exchanged (Appendices 4 and 5).

We estimate the underlying fall in house prices within our order book was approximately 3.5% over the year to 30 June 2023. The private ASP in our forward order book at 30 June 2023 was £342.9k (30 June 2022: £375.4k).

The 8.7% reduction in the private order book ASP reflected four factors:

- The increased use of sales incentives, notably from late September 2022;
- A lower proportion of London units;
- Increased reservations into the private rental sector, principally Citra Living; and
- Some offset through a greater proportion of larger homes, outside of London, within the order book at 30 June 2023, relative to the position at 30 June 2022.

We pro-actively managed our construction activity during the year to reflect the slower sales environment, with an average 322 (FY22: 352) equivalent homes (including JVs) built per week in the year. We will continue the disciplined management of our construction activity to ensure we have efficient working capital across our sites and build stages.

We experienced total build cost inflation of between 9% and 10% in FY23, in line with our previous guidance. Reflecting the slowdown in the market, we expect total build cost inflation to abate, with average total build cost inflation anticipated to be around 5% in FY24.

Costs associated with legacy properties
Adjusted items recognised in the year relate to costs associated with legacy properties and totalled c. £180m (FY22: £412.5m) (including JVs). Of this total charge c. £115m (FY22: £377.7m) relates to future commitments in relation to fire safety and external wall systems with c. £60m (FY22: £34.8m) relating to remedial works arising from the review of reinforced concrete frames we announced in July 2020, following the issues we discovered at Citiscape. A further c. £5m was expensed in the half in relation to two other separate developments where investigations are ongoing.

Fire safety and external wall systems
In relation to fire safety and external wall systems, the additional costs relate to: an increase in the number of buildings within scope, from 223 at 30 June 2022 and 228 at 1 January 2023, to 278 at year end, following the signing of the Self-Remediation Terms and Contract in March 2023; an update to cost estimates across the portfolio; offset by a reduction due to an increase in the discount rate applied to the provision, arising from the recent increase in UK gilt rates.

In addition, we signed the Scottish Safer Buildings Accord on 31 May 2023. Industry negotiations over the legal agreement between the Scottish Government and Homes for Scotland are continuing and there remains uncertainty around the extent of remediation required in Scotland. Existing provisions for Scotland have been made on a consistent basis with England & Wales and as these negotiations advance, we will further update the market.

Reinforced concrete frames
In relation to the Citiscape associated review, following a first half charge of £20m, during the second half of the year we finalised remediation plans for the one remaining development in that review where work is required across five buildings, for which we have provided a further c. £40m.

In addition to this review, we have identified two further developments where remediation work may be required. As at 30 June 2023, and as noted above, c. £5m had been expensed for some initial remediation works at these developments, undertaken in the second half of the year. The full extent of any required remediation works is not yet known and further analysis is required to reliably estimate future costs, which could be up to a further c. £40m. No provision has been recorded for these additional costs as at 30 June 2023 and we will provide an update on this position with our results in September 2023.

Whilst the charges in respect of legacy properties reflect our current best estimates of the extent and future costs of work required, as assessments and work progresses, estimates may have to be updated.

Leadership in sustainability and innovation
Innovation and sustainable outcomes continue to be critical for our long-term success, and as such, we remain focused on the practical delivery of our commitments.

On net zero and carbon, where we are building on the knowledge and understanding gained from the Zed House project, our leadership around innovation has been particularly notable during the year. In partnership with Saint-Gobain and other value chain partners, we completed the construction - and started the testing - of the 'eHome2', our concept home, constructed inside the Energy House 2.0 on the University of Salford campus. The 'eHome2' was constructed using advanced build processes and innovative building materials, as well as new technologies, and we are now testing the home's performance under different climate conditions. The data collected will help to inform how both Barratt and the wider housebuilding industry can design homes that are future-proofed, whilst cutting bills for consumers.

We are now identifying a minimum biodiversity net gain of 10% across all new development designs submitted for planning – this began more than nine months ahead of legislation. We have successfully embedded a comprehensive operational framework to drive this, including colleague training, calculation tools, automated data collection and a network of divisional representatives.

Our industry-leading sustainability performance has been recognised, with the Group joining the CDP's Climate Change A List for Leadership, one of fewer than 300 companies worldwide, and placing the Group as the most highly rated UK housebuilder. We were also given 'Prime' status by ISS and ranked as 'Low Risk' and the leading UK housebuilder by Sustainalytics - assessed as 2nd out of 86 housebuilders globally.

Leadership in quality and customer service
Our long-term commitment to quality and customer service is more important than ever given the challenging market backdrop. Once again, the standard of our build quality across our sites has been recognised through the NHBC Pride in the Job Awards for build quality and site management with our site managers achieving 96 awards in June 2023, more than any other housebuilder for the 19th consecutive year.

These awards complemented the recognition of our focus on quality and customer service by our customers who awarded us the maximum 5 Star rating in the HBF customer satisfaction survey for the 14th successive year, more than any other major housebuilder.

Supporting our employees
Having recognised the challenges of the cost of living squeeze on our employees, in spring 2022 we brought forward our annual pay award for FY23 and introduced salary supplements during the year as a temporary support measure. For FY24, as part of our usual annual salary review, we have introduced tiered salary increases, designed to ensure our less senior employees are supported as the salary supplements come to an end.

Land
Given the market backdrop, we stepped back from the land market in September 2022. We have adopted a highly selective approach to buying land, particularly as prevailing land prices have not yet adjusted to the changed market conditions. As a result, gross site approvals increased by 31 new sites during the year, including two sites through planning amendments. These were offset by 33 previously approved sites which, reflecting

their economic viability in the market, will no longer proceed, resulting in a net decrease of two sites in the year (FY22: net approval of 102 sites).

The approved sites along with planning amendments added 4,821 plots, at a cost of £345.2m, with 5,633 plots removed with respect to the sites no longer proceeding, at a previously agreed cost of £360.1m. The result was a net reduction of 812 plots in the year (FY22: net addition of 19,089 plots) and a net decrease of £14.9m (FY22: net increase of £1,396.1m) (Appendix 6).

In line with our operating framework, we continue to target an owned and controlled land bank of around 4.5 years in the medium-term. Reflecting the developable strength of our existing land bank, the ongoing volatility in the sales market and only a modest reduction in residential land values, we anticipate that we will maintain our highly selective approach to land buying for the foreseeable future.

Balance sheet, liquidity and shareholder returns

The Group remains financially strong, with a well-capitalised balance sheet and substantial cash and additional liquidity. As at 30 June 2023 the Group held net cash(5) of c. £1,070m (30 June 2022: £1,138.6m) and an undrawn committed revolving credit facility of £700m, extended during the year to mature in November 2027. The year end net cash position reflected strong working capital discipline, the completion of the £200m share buyback and reduced land spend of c. £820m (FY22: £1,036m).

Land creditors, at the end of the financial year of around £511m (30 June 2022: £733.6m), equated to c. 16% (30 June 2022: 22.0%) of the owned land bank. We continue to operate in line with our operating framework, creating discipline across our operations and resilience in our balance sheet.

The Board intends to declare an ordinary dividend based on FY23 dividend cover of 2.0 times adjusted earnings per share and will continue to review the Group's capital allocation policy in light of market conditions. We will provide an update with our detailed FY23 financial results on 6 September 2023.

Outlook

We have delivered a strong performance in what has been a challenging year and, as a result, we expect to deliver FY23 adjusted profit before tax in line with current market expectations(4).

Looking ahead, we recognise that there are significant macro-economic headwinds, most notably persistent inflation and a higher interest rate environment, which will impact UK economic growth, employment, and consumer confidence and spending.

Given these variabilities in the year ahead, based on current market conditions and the reservation rates experienced over the past six weeks; our order book position, enhanced through PRS reservations; and, the evolution of our sales outlets in the coming year; we anticipate total home completions will be in a range of 13,250 to 14,250 in FY24, including c. 650 completions from our JVs and c. 750 completions for the private rental sector.

We have significant net cash(5), a well-capitalised balance sheet and a solid forward sales position. We are responding to market conditions by driving revenue through the use of private rental sector sales and the focused use of incentives.

The Board is monitoring changes in both the housing and land markets as well as the wider economy, but believes that our operating performance, forward order book and very strong financial position provide us with resilience and flexibility to adjust to changes in the operating environment in FY24, and as the market evolves thereafter.

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) All of the information in this statement is unaudited with respect to the year ended 30 June 2023.
(2) An active outlet is defined as an outlet with at least one plot for sale. Our definition remains consistent across all reporting periods.
(3) All figures within this statement exclude joint venture (JV) completions in which the Group has an interest unless otherwise stated.
(4) Market expectations, as at market close on 12 July 2023, reflecting Bloomberg consensus adjusted profit before tax at £880.6m based on 18 analyst estimates.
(5) Net cash is comprised of cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.

Conference call for analysts and investors

David Thomas, Chief Executive, Steven Boyes, Deputy Chief Executive and Chief Operating Officer and Mike Scott, Chief Financial Officer will be hosting a conference call at 08:30am today, Thursday 13 July, to discuss this Trading Update.

To access the conference call we would advise calling in 10-15 minutes ahead of the 8.30am start time on:
Dial-in (UK & International): +44 (0)330 551 0200
Dial-in (Toll free): 0808 109 0700

Access to the conference call will require sharing a password with the operator. The password is: **Barratt123**

A recording of the conference call will be available on our website during the afternoon of 13th July.

For further information, please contact:

Barratt Developments PLC

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Appointment of Corporate Broker
Following a review of its corporate broking arrangements, Barratt Developments PLC has appointed Barclays alongside its existing corporate brokers, UBS and Credit Suisse.

Financial reporting calendar
The Group's next scheduled announcement of financial information is the FY23 full year results announcement on 6 September 2023.

Appendices

1. Sales Rate	1 Jan to HY results announcement [1]	HY results announcement to May trading update [2]	May trading update to year-end [3]	H2	H1	FY
FY23	**0.49**	**0.71**	**0.67**	**0.65**	**0.44**	**0.55**
FY22	0.90	0.94	0.70	0.84	0.79	0.81
FY23 vs FY22	(45.6%)	(24.5%)	(4.3%)	(22.6%)	(44.3%)	(32.1%)

Notes:

(1) Trading period through to 29 January 2023 and 30 January 2022, the cut-offs on current trading for the half year FY23 and FY22 results announcement.
(2) Sequential trading period through to 23 April 2023 and 24 April 2022.
(3) Sequential trading period from 24 April 2023 and 25 April 2022 to 30 June 2023 and 2022 respectively.

2. Completions (homes)	FY23	FY22	Variance
Private	**12,456**	13,327	(6.5%)
Affordable	**3,922**	3,835	2.3%
Wholly owned	**16,378**	17,162	(4.6%)
JV	**828**	746	11.0%
Total	**17,206**	**17,908**	**(3.9%)**

3. ASP (£'000)	H1	H2	FY23	H1	H2	FY22
Private	**372.0**	**c. 363**	**c. 368**	327.4	351.4	340.8
Affordable	**170.4**	**c. 165**	**c. 167**	157.1	161.4	159.4
Total ASP	**330.1**	**c. 309**	**c. 320**	288.0	310.1	300.2

	30 June 2023		30 June 2022		Variance	
4. Forward sales	**£m**	**Homes**	£m	Homes	£m	Homes
Private	**1,331.9**	**3,884**	2,292.9	6,108	(41.9%)	(36.4%)
Affordable	**746.2**	**4,659**	1,083.4	6,730	(31.1%)	(30.8%)
Wholly owned	**2,078.1**	**8,543**	3,376.3	12,838	(38.5%)	(33.5%)
JV	**145.3**	**452**	246.0	741	(40.9%)	(39.0%)
Total	**2,223.4**	**8,995**	**3,622.3**	**13,579**	**(38.6%)**	**(33.8%)**

	FY23		FY22		Variance	
5. Forward sales roll (homes)	**Private**	**Total**	**Private**	**Total**	**Private**	**Total**
30 June 2022 / 2021	**6,108**	**13,579**	5,724	14,334	6.7%	(5.3%)
Reservations	**10,232**	**12,622**	13,711	17,153	(25.4%)	(26.4%)
Completions	**(12,456)**	**(17,206)**	(13,327)	(17,908)	(6.5%)	(3.9%)
30 June 2023 / 2022	**3,884**	**8,995**	**6,108**	**13,579**	**(36.4%)**	**(33.8%)**

	Number of sites			Number of plots		
6. Land approval movements	**H1 FY23**	**H2 FY23**	**FY23**	**H1 FY23**	**H2 FY23**	**FY23**
Approved or amended	**16**	**15**	**31**	3,003	1,818	4,821
Cancelled	**(22)**	**(11)**	**(33)**	(3,293)	(2,340)	(5,633)
Net Approvals / (Cancellations)	**(6)**	**4**	**(2)**	**(290)**	**(522)**	**(812)**