



Immediate release

12 November 2014

## **Barratt Developments PLC**

### **Interim Management Statement**

Barratt Developments PLC is holding its Annual General Meeting at 2:30pm today in London. This Interim Management Statement issued by the Group covers the 19 week period from 1 July to 9 November 2014 (the 'period').

#### **On track to deliver another significant improvement in performance**

##### **Highlights**

- Market conditions remain robust across all regions of the country
- Group sales rate is strong and we are on track to deliver our target of 15,000 completions (excluding joint ventures ('JVs')) for FY15
- Net private reservations per active site per week (excluding JVs) of 0.63 (2013: 0.71) for the period, with the strength in the prior year reflecting the launch of Help to Buy in April 2013
- Private forward sales up 11.9% to £1,261.6m (2013: £1,127.4m) and JV private forward sales, which largely relate to our London business, up 49.7% to £293.1m (2013: £195.8m)
- Continued momentum on pricing driven by further mix changes, and some underlying house price inflation
- Continue to secure excellent land opportunities

##### **Mark Clare, Group Chief Executive commented,**

"We are on track to see another significant improvement in performance by continuing to focus on delivering high quality, well designed homes in places where people want to live. Our disciplined approach to investment in new sites is underpinning our confidence that by FY17 we can deliver at least a 20% gross margin and a minimum return on capital of 25%."

## Trading update

Market conditions remain robust, with high levels of customer interest and good demand across all regions of the country. This more stable market will allow the business to deliver sustainable growth and achieve its medium term targets.

We are seeing improvements in mortgage availability and the range of products on offer as competition increases. This has resulted in some of the lowest mortgage rates we have seen for some time.

The Group sales rate of 0.63 (2013: 0.71) net private reservations per active site per week (excluding JVs) in the period is strong, and we are on track to deliver our target of 15,000 completions, with an additional c. 700 completions from our JVs, in FY15. In the prior year comparable period, the sales rate was exceptionally high reflecting the launch of Help to Buy in April 2013.

Our focus remains on getting the right balance between volume and price, and we have seen continued positive momentum on pricing in the period driven by further changes in product mix, and some underlying house price inflation.

Our forward order position remains strong with private forward sales (excluding JVs) up by 11.9% on the prior year to £1,261.6m (2013: £1,127.4m), equating to 4,845 plots (2013: 4,514 plots). Of this, 4,693 plots are due for completion in FY15.

JV private forward sales, which largely relate to our London region, were up 49.7% to £293.1m (2013: £195.8m), equating to 529 plots (2013: 356 plots). Of this, 263 plots are due for completion in FY15.

We expect to deliver a higher proportion of our completions for the current financial year in the first half, compared with H1 FY14, as a result of our success in rebuilding our forward order book over the past 18 months.

We have increased our rate of site openings in the period, launching 80 new developments (including JVs), and are forecasting the number of active sites (including JVs) to be around 400 by 30 June 2015 (30 June 2014: 366).

Over the past five years we have replenished our landbank with new higher margin land, and as at 30 June 2014 had 4.7 years (excluding JVs) of owned and conditionally contracted land. We continue to target a regionally balanced land portfolio and a 4.5 year landbank, and as such we expect our rate of land acquisition to moderate with the approval of around 16,000 plots in FY15 (FY14: 21,478 plots). Strategic land is expected to contribute an increasing proportion to our land holdings with a target of 20% of completions coming from this source by FY17.

The land market remains attractive across all regions, and in the period we have approved the purchase of £312.7m (2013: £377.7m) of land equating to 43 sites (2013: 62 sites) and 5,146 plots (2013: 8,150 plots).

## Board change

As previously announced, after more than six years as Chairman, Bob Lawson will step down from the Board after the AGM today. John Allan who joined the Board on 1 August as Chairman Designate, will become Chairman.

Mark Rolfe, Senior Independent Director, said: "Bob Lawson became Chairman at a time when the financial crisis had led to the collapse of new housing sales. Since then, Bob has overseen the restructuring, turnaround and strong recovery of the business, gaining the respect of colleagues throughout the organisation. The Board is immensely grateful to Bob and delighted to have found a worthy successor in John Allan."

## Outlook

The Group expects to deliver a further significant improvement in performance in FY15, and make good progress towards delivering its medium term targets of a minimum gross margin of 20% and minimum ROCE of 25% by FY17. This strong performance supports the Group's Capital Return Plan which is expected to return around £950m<sup>(1)</sup> of cash through ordinary dividends and special cash payments to our shareholders over the next three years.

Notes:

- (1) Based on a proposed final dividend of 7.1p per share for FY14 and Reuters consensus estimates of earnings per share of 42.3p for FY15, 50.2p for FY16 and 54.2p for FY17 as at 8 September 2014 and applying a 3x dividend cover in line with previously announced policy, and 984,983,475 shares as at 30 June 2014.
- (2) All final dividends and the special cash payment programme are subject to shareholder approval

**This Interim Management Statement 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**

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:30am today, Wednesday 12 November 2014, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: +44 (0) 20 3427 0503

Passcode: 5939970

A replay facility will be available shortly after:

Dial-in: +44 (0) 20 3427 0598

Passcode: 5939970

## **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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