

10 July 2014

## Barratt Developments PLC

### Full year housing completions at highest level in six years

Barratt Developments PLC is today issuing a trading update for the year ended 30 June 2014 ahead of its annual results announcement on Wednesday 10 September 2014.

#### Highlights

- Significant increase in housing completions with the Group responding to uplift in consumer demand
- Average selling price growth of c. 13% for FY14 to c. £220k (2013: £194.8k) driven by increased delivery of larger homes in attractive locations and house price inflation
- Profit before tax for FY14 expected to be ahead of the top end of analysts' estimates<sup>(1)</sup> at c. £390m (2013: £192.0m before exceptionals)
- Group expected to exceed 18% ROCE<sup>(2)</sup> target in FY14 (2013: 11.5%), two years ahead of schedule
- Year end net cash balance of c. £70m (2013: net debt £25.9m)
- Total forward sales up by 44.7% at £1,200.5m (2013: £829.7m)

	FY 14	FY 13	change
<b>Net private reservations per active site per week</b>	0.69	0.58	+19.0%
<b>Total completions<sup>(3)</sup></b>	14,838	13,663	+8.6%
<b>Total forward sales</b>			
- plots	6,280	4,898	+28.2%
- £m	£1,200.5m	£829.7m	+44.7%
<b>Total land purchases approved</b>			
- plots	21,478	18,536	+15.9%
- £m	£1,198.1m	£1,047.3m	+14.4%

#### Commenting on the results Mark Clare, Group Chief Executive said:

"The market remains positive with strong demand for new homes across the country. The land we have acquired in the last five years together with our disciplined operating model is delivering a very strong business performance. Our focused approach to land buying will enable us to maintain a land supply of around 4.5 years and support a significant increase in profitability and return on capital employed."

- (1) As per Thomson Reuters on 9 July 2014 where estimates for FY14 profit before tax ranged from £366.0m to £387.1m  
 (2) Return on Capital Employed ('ROCE') is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptionals, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments  
 (3) Includes joint venture ('JVs') completions in which the Group has an interest

## Overview

The Group has traded well throughout the financial year, delivering a very strong performance. We have seen significant improvements across all operating metrics and all six of our operating regions.

The disciplines and efficiencies now embedded within the business have delivered significantly better results, and will continue to drive improvements.

We welcome the recent recommendations from the Bank of England to put in place controls to limit the level of high loan to income lending from banks in the future and ensure appropriate levels of affordability testing. We believe the proposals will provide greater stability for the market, without significantly reducing the ability of customers to secure mortgage finance. We believe that a stable pricing environment is one that will enable us to drive sustainable returns over the long term for our shareholders.

Delivering the highest quality homes to our customers across all market segments remains at the core of our business and continues to drive sales and operating efficiencies. We are particularly pleased that in June 2014, our site managers have once again received the highest number of awards for quality workmanship in the NHBC Pride in the Job Quality Awards, the tenth consecutive year the Group has won more than any other housebuilder. Barratt Developments was also awarded Large Developer of the year at the 2014 RESI Awards and won seven commendations at the launch of the Building for Life 12 Awards for design.

## Trading update

Sales rates were up strongly in the year at 0.69 (2013: 0.58) net private reservations per active site per week. The sales rate in the second half was 0.71 (2013: 0.66) net private reservations per active site per week.

Completions for the full year were in line with previous guidance with total completions, including JVs, up 8.6% at 14,838 (2013: 13,663). Private completions were up by 8.7% to 11,936 (2013: 10,978), affordable completions were 2,255 (2013: 2,268), and JV completions in which the Group had an interest were 647 (2013: 417).

Total average selling price increased by c. 13% to c. £220k (2013: £194.8k) in the financial year. The majority of this increase continues to be driven by changes in mix but underlying sales prices have also strengthened throughout the year.

Private average selling price for FY14 increased by c. 13% to c. £241k (2013: £213.9k) and by c. 15% in the second half to c. £254k (2013: £221.5k).

Profit before tax for FY14 is expected to be ahead of the top end of analysts' estimates<sup>(1)</sup> at c. £390m (2013: £192.0m before exceptionals) driven by increased completion volumes, a greater proportion of completions from more recently acquired higher margin land, underlying house price inflation, and on-going efficiency gains.

## **Forward sales**

During the past 12 months the Group has considerably strengthened its forward order book. Total forward sales (excluding JVs) as at 30 June 2014 were £1,200.5m (2013: £829.7m), up 44.7% and equated to 6,280 plots (2013: 4,898 plots). Private forward sales were up by 65.6% to £870.1m (2013: £525.5m) equating to 3,315 plots (2013: 2,162 plots) and JV private forward sales, were £101.7m (2013: £121.9m) equating to 159 plots (2013: 221 plots).

## **Land**

We continue to secure excellent land opportunities across all regions that meet or exceed our minimum hurdle rates of 20% gross margin and 25% ROCE. In FY14 we have approved a total of £1,198.1m (2013: £1,047.3m) of land equating to 21,478 plots (2013: 18,536 plots), in line with previous guidance. For the year, the Group will achieve its target of maintaining a 4.5 year land supply currently comprising of c. 3.3 years owned land, and c. 1.2 years conditionally contracted land.

The transformation of our land from older low margin land to more recently acquired high margin land is nearly complete, and as at 30 June 2014, 84% (2013: 73%) of our owned and controlled land is high margin newer land.

Land creditors as at 30 June 2014 are expected to be c. £750m (2013: £744.4m), representing c. 32% (2013: 35%) of our owned land.

## **Return on capital employed**

The Group has focused on driving substantially improved ROCE and for FY14 we expect to exceed our target of 18% ROCE<sup>(2)</sup> (2013: 11.5%), two years ahead of schedule.

Our success reflects the Group's increased profitability combined with our fast asset turn model; a shorter consented landbank, deferred payment terms, standardised product, and the ability to sell through both our brands on larger sites.

## **Treasury**

As at 30 June 2014 the Group had a net cash balance of c. £70m (2013: net debt £25.9m).

The Group's finance charge for the year is expected to be c. £59m (2013: £68.0m before exceptionals), consisting of cash finance charge of c. £27m (2013: £47.5m) and c. £32m (2013: £20.5m) of non-cash charges.

## **Outlook**

We are positive on the outlook for the Group and expect to deliver a further significant improvement in performance in FY15. There is strong demand for new homes across the country. We are forecast to open around 180 sites in the year with attractive new developments across all regions. In FY15, the Group expects to make good progress towards achieving its FY16 target of 16,000 total completions (including JVs).

We are very pleased with the progress the Group has made in achieving its capital structure and ROCE targets for FY16 significantly ahead of schedule, and will update the market on our medium term targets with the presentation of our full year results in September.

**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**

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08.30am today, Thursday 10 July 2014, to discuss this trading update.

To access the conference call  
Dial-in: +44 (0)20 3427 1916  
Access code: 8595088

A replay facility will be available shortly after  
Dial-in: +44 (0)20 3427 0598  
Access code: 8595088

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