



12 January 2017

Barratt Developments PLC

Good reservation trends leave the Group well on track for the full year

Barratt Developments PLC (the 'Group') is issuing a trading update in respect of the six months ended 31 December 2016 (the 'period') ahead of publication of its interim results on 22 February 2017. All comparatives are to the prior year equivalent six month period (the 'comparable period') ended 31 December 2015 ('2015') unless otherwise stated.

Highlights

- Overall market conditions are healthy with strong demand in the period for new homes
- Sales rate of 0.68 (2015: 0.66) net private reservations per active outlet per week⁽¹⁾
- Completions outside of London are at the highest level for nine years, offset by lower completions in London primarily reflecting the planned HY1/HY2 build programme on wholly owned sites, resulting in total completions for the period (including joint ventures ('JVs')) of 7,180 (2015: 7,626)
- Profit before tax for the period is expected to be around £315m, c.7% higher than the comparable period (2015: £295.0m)
- Strong half year end net cash⁽²⁾ position, at around £195m, an increase of £170.8m on 31 December 2015 (£24.2m)
- Total forward sales (including JVs) are up 15.8% against a strong prior year comparative at £2,336.6m (2015: £2,017.8m), with wholly owned forward sales up by 35.2% to £2,167.5m (2015: £1,603.0m)

David Thomas, Chief Executive commented,

"This has been another good half year for the Group. Consumer demand is strong benefiting from good mortgage availability and ongoing government support. Our healthy forward order book and this strong demand leaves us on track to deliver on our volume guidance for the full year.

Barratt's continued commitment to quality design, build and excellence in market-leading customer service is reflected in our strong performance and ensures we remain a housebuilder of choice. Our focus remains on maintaining good operational and financial performance, and delivering attractive shareholder returns. The fundamentals of the market are robust."

Trading update

Overall

The Group has delivered a good first half performance and has secured attractive land opportunities whilst maintaining discipline around our land acquisition financial hurdles. This performance is supported by ongoing healthy market conditions driving robust consumer demand. We continue to benefit from good mortgage availability and a supportive Government policy environment including Help to Buy (Equity Loan).

Our average net private reservations per week were 247 (2015: 246) for the period.

We launched 83 new developments in the period (including JVs) (2015: 63) and operated from an average of 374 outlets (including JVs) (2015: 386). We expect to see average outlet numbers remain broadly flat for the full year against the prior year.

Total completions (including JVs) were 7,180 (2015: 7,626) units.

Total average selling price ('ASP') on completions increased by 3.9% in the period to c.£264k (2015: £254.2k), with private ASP up by 5.3% to c.£296k (2015: £281.1k) benefiting from mix as well as some underlying house price inflation.

The Group anticipates around 7% growth in profit before tax in the first half, to around £315m (2015: £295.0m).

We are committed to investing in the future of housebuilding as the largest employer of apprentices in the industry, and continue to develop, trial and implement modern methods of construction which can help address industry-wide skills challenges and support future growth.

Regional

Completions (including JVs) outside of London reached their highest levels in nine years, at 6,813 (2015: 6,784). We also saw stronger reservation trends, particularly in Scotland, the North of England, the North West and West Midlands.

Completions (including JVs) in our London region were 367, versus 842 in the comparable period. This expected reduction in the first half was primarily driven by the planned build programme between the first and second half impacting wholly owned site product availability.

Our previously outlined pricing action at a small number of London sites has successfully stimulated reservations rates in the second quarter, and we have further de-risked London delivery through targeted bulk deals, including the December completion of a 54 apartment deal at our JV sites in Fulham and Aldgate.

Forward Sales

Our total forward sales (including JVs) as at 31 December 2016 were up 15.8% on the prior year comparable at a value of £2,336.6m (2015: £2,017.8), equating to 10,520 plots (2015: 9,317). Private forward sales were up 34.3% at a value of £1,451.8m (2015: £1,081.2m). This strong forward order book positions us well for the second half of the year.

Land and Planning

The land market remains attractive and we are securing operational land opportunities that at least meet our minimum hurdle rates of 20% gross margin and 25% site ROCE⁽³⁾.

During the period the purchase of £328.2m (2015: £558.7m) of operational land was approved, equating to 39 sites (2015: 54 sites) and 5,262 plots (2015: 10,967 plots). For the period this is lower than historical levels impacted by our caution immediately following the EU referendum. We expect to approve around 15,000 plots in FY17 as a whole and we remain on track to achieve our targeted owned land bank of at least 3.5 years by the year end.

We continue to invest in strategic land and approved the options on 17 strategic sites (2015: 23 sites), equating to 6,562 plots (2015: 4,822 plots). We remain on track to deliver in excess of 25% of completions from strategic land in the medium term.

Net Cash

Net cash as at 31 December 2016 was around £195m (31 December 2015: £24.2m). The cash outflow from our net cash position of £592.0m as at 30 June 2016 reflects normal seasonal trends and the payment of £248m of dividends in November.

We further strengthened our balance sheet capacity in December, amending and extending our existing revolving credit facility, removing the £150m stepdown in facility size previously due in December 2017 and extending our £700m facility to December 2021.

Outlook

Barratt's ongoing commitment to quality design, build and excellence in market-leading customer service has supported our strong performance. Our focus remains on maintaining good operational and financial performance, and delivering attractive shareholder returns.

The Group continues to focus on driving operational improvements throughout the business. Given good demand and our healthy forward order book we continue to expect to deliver on our full year volume guidance: modest volume growth for wholly owned completions and 700 JV completions.

We remain on track to achieve our target ROCE⁽⁴⁾ of 25%, and remain focused on delivery of a 20% gross margin for FY17 notwithstanding that the high-end London market presents some headwinds in this regard.

We remain committed to our cash return policy and expect to deliver cash returns of c. £1bn⁽⁵⁾ of dividends (based on consensus earnings) in the three year period to November 2017. We will comment on our plans beyond this period at our interim results on 22 February 2017.

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.

This announcement contains inside information.

Notes:

- (1) All figures exclude joint venture completions in which the Group has an interest unless otherwise stated
- (2) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
- (3) Site Return on Capital Employed ('ROCE') on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overhead) divided by average investment in site land, work in progress and equity share
- (4) ROCE is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
- (5) Includes FY14 final dividend of £70m, FY15 £251m, FY16 £308m and FY17 proposed special cash dividend of £175m and ordinary dividend based on Reuters consensus estimates of 54.4p earnings per share for FY17 as at 6 January 2017 and applying a 3x dividend cover in line with previously announced policy, and 1,006,940,985 shares as at 31 December 2016. All dividends and the special cash payment programme are subject to shareholder approval

Appendices

1. Completions (units)	2016	2015	Variance
Private	5,561	5,993	(7.2%)
Affordable	1,221	1,114	9.6%
JV	398	519	(23.3%)
Total	7,180	7,626	(5.8%)

2. ASP	2016	2015	Variance
Private	c.£296k	£281.1k	5.3%
Affordable	c.£115k	£109.2k	5.3%
Total	c.£264k	£254.2k	3.9%

3. Forward sales	31 December 2016		31 December 2015		Variance (£m)
	£m	Plots	£m	Plots	%
Private	1,451.8	4,037	1,081.2	3,675	34.3%
Affordable	715.7	5,802	521.8	4,413	37.2%
Wholly owned	2,167.5	9,839	1,603.0	8,088	35.2%
JV	169.1	681	414.8	1,229	(59.2%)
Total	2,336.6	10,520	2,017.8	9,317	15.8%

Conference call for analysts and investors

David Thomas, Chief Executive and Neil Cooper, Chief Financial Officer will be hosting a conference call at 08:30am today, Thursday 12 January, to discuss this Trading Update.

To access the conference call:

Participant dial in: +44 (0)330 336 9105

Passcode: 1598824

24 hr replay dial in:

Tel : +44 (0) 207 660 0134

Passcode: 1598824

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