



12 July 2017

## **Barratt Developments PLC**

### **Continued strong performance**

Barratt Developments PLC (the 'Group') is today issuing a trading update for the year ended 30 June 2017 (the 'period') ahead of publication of its annual results on 6 September 2017. All comparatives are to the year ended 30 June 2016 ('2016') unless otherwise stated.

#### **Highlights**

- The UK's largest housebuilder with total completions including joint ventures ('JVs') at 17,395 (2016: 17,319), the highest level of completions in nine years
- Profit before tax expected to increase to around £765m (2016: £682.3m), ahead of market expectations<sup>(1)</sup>
- Expect to deliver our financial targets set in 2014 of 20% gross profit margin and 25% return on capital employed ('ROCE')<sup>(2)</sup> for FY17
- Year end net cash<sup>(3)</sup> balance of c. £720m (30 June 2016: £592.0m), ahead of guidance, driven by strong performance and the timing of land and working capital payments

#### **David Thomas, Chief Executive commented,**

"It has been another very strong year for the Group both operationally and financially. We have delivered our highest number of completions for nine years, more than any other housebuilder, and continue to see a positive mortgage environment and strong consumer demand.

In March we were recognised as a five star builder by the Home Builders Federation for the eighth year in a row and we are determined to lead the industry in quality and service as we drive operational improvements through the business."

## Trading Update

The Group has traded well throughout the year, once again delivering against our financial and operational targets. Market conditions remain supportive, with attractive mortgage financing and the support of Help to Buy driving strong consumer demand.

Completions (including JVs) for the period were 17,395 units (2016: 17,319 units). Affordable housing represented 20% (2016: 17%) of total completions.

Profit before tax for the period is expected to be around £765m (2016: £682.3m) and ahead of market expectations. We expect to meet our FY17 financial targets, set in 2014, of 20% gross profit margin and 25% ROCE, with ROCE expected to increase to around 29% (2016: 27.1%).

Total average selling price ('ASP') on completions in the year increased by c. 5.9% to c. £275k<sup>(4)</sup> (2016: £259.7k), with private ASP increasing by c. 8.0% to c. £313k (2016: £289.8k) benefiting from mix changes as well as some underlying house price inflation.

The sales rate for FY17 was 0.72 (2016: 0.69) net private reservations per active outlet per week in the full year and 0.76 (2016: 0.72) in the second half. During the year, we operated from an average of 377 active outlets including JV's (2016: 378).

We lead the industry in the high quality of our homes and our customer service. That quality is recognised through the NHBC Pride in the Job Awards where we have achieved more than any other housebuilder for the 13<sup>th</sup> consecutive year. We remain the only major housebuilder to be rated five star by our customers in the HBF customer satisfaction survey for eight consecutive years.

We are committed to investing in the future of housebuilding. We are one of the largest employers 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.

## Forward Sales

Our forward sales position is strong, with total forward sales (including JVs) as at 30 June 2017 at a value of £2,144.4m (2016: £1,762.0m), equating to 9,762 plots (2016: 8,724 plots). Our wholly owned forward sales were up by 18.8% on the prior year to £1,909.2m (2016: £1,607.2m), equating to 8,953 plots (2016: 8,054 plots).

## Land and Planning

The land market remains attractive and we continue to secure operational land opportunities that meet or exceed our minimum hurdle rates of 20% gross margin and 25% site ROCE<sup>(5)</sup>.

We approved £957.2m (2016: £1,095.6m) of operational land for purchase in the period, which we expect to equate to 18,497 plots (2016: 24,387 plots). Whilst this is lower than historical levels, it reflects our caution immediately following the EU referendum. At 30 June 2017 the Group had around a 4.5 year supply of owned and controlled land, in line with our target.

## Capital Structure and Returns

As at 30 June 2017 the Group had a net cash balance of c. £720m (2016: £592.0m), ahead of guidance, driven by strong performance and the timing of land and working capital payments.

We remain committed to our capital return policy announced in February and will announce in September the proposed full year ordinary dividend based on 2.5 times dividend cover. As previously announced, the Board also proposes to pay a special dividend of £175m in November 2017 and 2018. We expect to deliver cash returns of c. £1.4bn<sup>(6)</sup> of dividends (based on consensus earnings) in the four year period to November 2018.

## Outlook

This has been another strong year for the Group and we continue to drive operational improvements through the business, with a particular focus on improving operating margin.

In FY18 we expect to deliver modest growth in wholly owned completions year on year.

We will update on current trading and our guidance for FY18, alongside our full year results announcement on 6 September 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) Based on Reuters consensus estimate range of FY17 PBT £699m-£740m as at 7 July 2017
- (2) 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
- (3) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
- (4) All figures exclude joint venture completions in which the Group has an interest unless otherwise stated
- (5) Site 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
- (6) Based on Reuters consensus estimates of earnings per share of 58.2p for FY17 and 60.4p for FY18 as at 7 July 2017. Applying a two and a half times dividend cover in line with the announced policy, and upon 30 June 2017 share capital of 1,007,899,274 shares for proposed payments. All final dividends and the special cash payment programme are subject to shareholder approval

## Appendices

<b>1. Completions (units)</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Private	13,303	13,198	0.8%
Affordable	3,342	2,707	23.5%
<b>Wholly owned</b>	<b>16,645</b>	<b>15,905</b>	<b>4.7%</b>
JV	750	1,414	(47.0%)
<b>Total</b>	<b>17,395</b>	<b>17,319</b>	<b>0.4%</b>

<b>2. ASP (£k)</b>	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Private	c. 313	289.8	8.0%
Affordable	c. 124	113.2	9.5%
Total	c. 275	259.7	5.9%

<b>3. Forward sales</b>	<b>2017</b>		<b>2016</b>		<b>Variance (£m)</b>
	£m	Plots	£m	Plots	%
Private	1,247.7	3,528	1,016.6	3,165	22.7%
Affordable	661.5	5,425	590.6	4,889	12.0%
<b>Wholly owned</b>	<b>1,909.2</b>	<b>8,953</b>	<b>1,607.2</b>	<b>8,054</b>	<b>18.8%</b>
JV	235.2	809	154.8	670	51.9%
<b>Total</b>	<b>2,144.4</b>	<b>9,762</b>	<b>1,762.0</b>	<b>8,724</b>	<b>21.7%</b>

### Conference call for analysts and investors

David Thomas, Chief Executive and Jessica White, Chief Financial Officer will be hosting a conference call at 08:30am today, Wednesday 12<sup>th</sup> July, to discuss this Trading Update.

To access the conference call:

Participant dial in: +44 (0)330 336 9411

Passcode: 6001266

24 hr replay dial in:

Tel: +44 (0)808 101 1153

Passcode: 6001266

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