



10 May 2017

## **Barratt Developments PLC**

### **Strong performance and confident outlook**

Barratt Developments PLC (the 'Group') is today issuing a trading update in respect of the period from 1 January to 7 May 2017 (the 'period'). All comparatives are to the prior year equivalent period ('2016') unless otherwise stated. Barratt Developments PLC's year end is 30 June 2017.

#### **Highlights**

- Total completions (including joint ventures ('JVs')) expected to be around 17,350 for the year, the highest number of completions in nine years
- Commitment to build quality and customer service reflected in the award of the Home Builder Federation's maximum five star customer satisfaction rating for the eighth consecutive year
- FY17 profit before tax expected to be at the top of the range of current analyst estimates<sup>(1)</sup>
- Sales rate of 0.80 (2016: 0.78) net private reservations per active outlet per average week
- Total forward sales (including JVs) at record levels, up by 12.7% as at 7 May 2017, to £3,205.7m (8 May 2016: £2,844.0m)
- Net cash position at 30 June 2017 is now expected to be around £600m

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

"This has been another strong period both operationally and financially for the Group. We remain firmly committed to delivering industry leading build quality and customer service, recognised by the award of the Home Builder Federation's maximum five star customer satisfaction rating for the eighth consecutive year.

Our controlled approach to growth means we are on track to deliver 17,350 completions in the year, the highest number of completions in nine years. This, combined with the strong market backdrop, means we now expect full year profit before tax to be at the top of the range of current analyst estimates<sup>(1)</sup>"

## **Trading update**

Market conditions remain good, with the Group delivering a strong performance since the start of the calendar year. Increased competition within the mortgage market has resulted in wide availability of attractive mortgage finance which, alongside Help to Buy, continues to support the very strong consumer demand.

This strong demand has helped drive volumes and we are on track to deliver c. 16,650 wholly owned completions for the full year. This, alongside c. 700 JV completions would result in 17,350 total completions, the highest total in nine years.

We are the largest UK Housebuilder and continue to address the UK's housing needs by growing volumes in a controlled manner allowing us to maintain quality and customer service.

We have launched 46 new developments in the period (including JVs), operating from 384 active outlets (including JVs) per average week (2016: 375). We expect average outlet numbers to remain broadly flat for the full year when compared to the prior year.

Net private reservations per average week were 299 (2016: 282) for the period, resulting in an improved sales rate of 0.80 (2016: 0.78) net private reservations per active outlet per average week.

We continue to see upward momentum on private average selling prices ('ASPs'), benefitting from changes in mix as well as some underlying house price inflation.

We remain committed to building high quality new homes across the country, as well as addressing the skills shortage that the industry faces through investment in modern methods of construction and our award-winning apprenticeship, trainee and graduate schemes.

In March we became the only major housebuilder to be rated five star for customer satisfaction for eight years in a row and our site managers have won more Pride in the Job Awards than any other housebuilder for the past 12 years. Our focus on quality is not only positive for the customer, it provides earnings sustainability, reduces the cost of customer after-sales care and ensures that excellent operational processes are in place.

## **Forward sales**

Our total forward sales (including JVs) as at 7 May 2017 were at record levels up 12.7% on the prior year comparable at a value of £3,205.7m (2016: £2,844.0m), equating to 12,822 plots (2016: 11,605 plots). Private forward sales were up 21.7% at £2,194.6m (2016: £1,803.2m).

## **Land and planning**

The Group continues to secure excellent operational land opportunities that at least meet our minimum hurdle rates of 20% gross margin and 25% site ROCE<sup>(2)</sup>.

We expect to approve the purchase of c. 17,000 plots (2016: 24,387 plots) in the current financial year. On strategic land we are continuing to make good progress and expect to grow the participation of strategically sourced land in the medium term.

We continue to secure attractive deferred payment terms on land and expect land creditors to be between 30% and 35% of the land bank in the medium term.

## Capital Structure and returns

We now expect the net cash<sup>(3)</sup> position at 30 June 2017 to be around £600m (30 June 2016: £592.0m), ahead of previous expectations, due to strong trading and the timing of land and working capital payments.

We remain committed to our cash return policy and expect to deliver cash returns of c. £1.4bn<sup>(4)</sup> of dividends (based on consensus earnings) in the four year period to November 2018.

## Outlook

The Group remains well on track to achieve its target of a minimum ROCE<sup>(5)</sup> of 25%. We remain focused on delivery of 20% gross margin for full year 2017.

The Group continues to drive operational improvements throughout the business. We have a particular focus on improving operating margin over the medium term through an ongoing focus on all key aspects of operational efficiency. As a Group we are committed to investing in new, more efficient ways to design and build homes, whilst maintaining our focus on build quality and customer service.

Given strong demand we expect to deliver completion and ASP growth for the full year. As a result of this strong performance, we expect full year profit before tax to be at the top end of the range of current analyst estimates<sup>(1)</sup>.

Notes:

- (1) Based on Reuters consensus estimate range of FY17 PBT £675m-£733m as at 5 May 2017
- (2) Site return on capital employed ('ROCE') is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share
- (3) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
- (4) Based on Reuters consensus estimates of earnings per share of 55.9p for FY17 and 58.1p for FY18 as at 5 May 2017. Applying a two and a half times dividend cover in line with the announced policy, and upon 31 December 2016 share capital of 1,006,940,985 shares for proposed payments. All final dividends and the special cash payment programme are subject to shareholder approval
- (5) 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

## Appendix

1. Forward sales	2017		2016		Variance (£m)	
	£m	Plots	£m	Plots		%
Private	2,194.6	6,120	1,803.2	5,746		21.7%
Affordable	707.6	5,752	561.5	4,631		26.0%
<b>Wholly owned</b>	<b>2,902.2</b>	<b>11,872</b>	<b>2,364.7</b>	<b>10,377</b>		<b>22.7%</b>
JV	303.5	950	479.3	1,228		(36.7%)
<b>Total</b>	<b>3,205.7</b>	<b>12,822</b>	<b>2,844.0</b>	<b>11,605</b>		<b>12.7%</b>

**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**

### **Conference call for analysts and investors**

David Thomas, Chief Executive, will be hosting a conference call at 08:30am today, Wednesday 10 May 2017, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0)330 336 9412

Passcode: 4111443

A replay facility will be available shortly after:

Dial in: +44 (0)207 660 0134

Passcode: 4111443

### **For further information please contact:**

#### **Barratt Developments PLC**

David Thomas, Chief Executive

020 7299 4896

#### **Analyst / investor enquiries**

Chloé Barnes, Investor Relations

020 7299 4895

#### **Media enquiries**

Tim Collins, Head of Corporate Communications

020 7299 4874

Derek Harris, Head of Public Relations

020 7299 4873

#### **Brunswick**

Jonathan Glass/Wendel Verbeek

020 7404 5959

[www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk)