10 July 2024

Barratt Developments PLC
Strong delivery in a challenging market

Barratt Developments PLC (the 'Group') is today issuing a trading update for the year ended 30 June 2024 (the 'year' and 'FY24') ahead of publication of its annual results on 4 September 2024[1]. Comparatives are to the year ended 30 June 2023 ('FY23') unless otherwise stated.

David Thomas, Chief Executive, commented:

"During another year of economic and political uncertainty, we have delivered a strong operational performance, reflecting the exceptional work of our employees, sub-contractors and suppliers, and their commitment to delivering high quality homes that people want to live in.

Whilst we continue to navigate a challenging macroeconomic backdrop, we are delivering industry leading build quality, sustainability and customer service. Combined with the strength of our balance sheet, this has ensured we remain resilient and responsive through the cycle.

Looking ahead, we are pleased that the proposed combination with Redrow was strongly supported by both sets of shareholders in the Spring and, subject to the CMA's approval, we look forward to bringing together two businesses to create an exceptional UK housebuilder ensuring we are well-positioned for the future."

Highlights

- Net private reservations per active outlet[2] per week of 0.58 (FY23: 0.55)[3] including a contribution of 0.08 (FY23: 0.10) from the private rental sector and additional sales to registered providers of social housing.

- Total home completions at the upper end of our guidance range for FY24 at 14,004 (FY23: 17,206) including 536 from JVs (FY23: 828).

- Total forward sales (including JVs) at 30 June 2024 of 7,239 homes (30 June 2023: 8,995) at a value of £1,912.3m (30 June 2023: £2,223.4m), in line with expectations.

- Adjusted profit before tax is anticipated to be slightly ahead of our previous expectations.

- Legacy property charges of c. £192m (FY23: £179.2m) recognised as adjusted items, including the first half charge of £61.9m and c. £130m in H2 relating to legacy property issues previously disclosed.

- Strong balance sheet position with year-end net cash[4] of c. £865m (30 June 2023: £1,069.4m) which positions us well as land market activity increases.

- Given the expected profile of sales outlet openings in FY25, we anticipate total home completions in a range of 13,000 to 13,500 in FY25, including c. 600 completions from our JVs.

- Awarded 89 Pride in the Job Awards for outstanding site management in the 2024 NHBC Awards, more than any other housebuilder for the 20th consecutive year.

- The combination of Barratt and Redrow was approved by both sets of shareholders on 15 May 2024. The CMA's Phase 1 review commenced on 13 June 2024 and we are co-operating fully with their enquiries, which we expect will be decided by 8 August 2024.

Trading

Reservation rates
Our net private reservation rate for FY24 was 0.58 (FY23: 0.55) per active outlet per week, an increase of 5.5%. This included a contribution of 0.08 (FY23: 0.10) from reservations into the private rental sector ('PRS'), principally to Citra Living, and additional reservations of private units to Registered Providers of social housing ('RPs') (Appendix 1).

Underlying private sales activity has remained sensitive to mortgage availability and affordability. As outlined in our interim results, we saw an improving reservation rate during the first half as mortgage rates began to ease lower from August 2023 and this trend continued through the second half of the year.

First time buyer activity has stabilised and shown some recovery, accounting for 27% of FY24 private reservations (FY23: 25%). Meanwhile demand amongst existing homeowners remained resilient, albeit with continuing elevated levels of sales incentives and increased use of part exchange, at 16% of private reservations in the year (FY23: 11%). We are tightly controlling part exchange transactions with unsold part exchange stock of 120 homes at the year end (30 June 2023: 146).

We continue to drive revenue across all tenures by increasing sales into the private rental and affordable housing sectors. Our strategic partnership with Citra Living advanced during FY24 and was complemented by additional sales to a growing portfolio of PRS providers. Overall, through PRS related activity and the strength of our long-standing relationships with RPs, we successfully secured 1,452 (FY23: 1,769) private reservations, which supported both build activity and completions in FY24, and our order book into FY25 and FY26.

Sales outlets
Across FY24 we operated from an average of 346 (FY23: 367) active sales outlets (including 9 JVs (FY23: 8)) as we traded through those outlets where activity was extended by the reduced reservation rates experienced from Autumn 2022. At 30 June 2024 we were operating from 326 (30 June 2023: 389) active sales outlets (including 10 JVs (30 June 2023: 9)).

Due to lower land buying activity in 2022 and 2023 and the annualised impact of sales outlets closing in the second half of FY24, we forecast average sales outlets will reduce by around 9% in FY25. We expect this reduction to be temporary with significant net sales outlet growth in Q4 FY25 and FY26 supporting average sales outlets for FY26 above FY24 levels.

Home completions and ASPs
Total home completions (including JVs) reduced by 18.6% in the year to 14,004 (FY23: 17,206). As we reported in February, our lower order book and more muted demand in the first quarter of the year resulted in a 28.5% decline in total home completions in the first half. With reservation activity improving on a sustained basis throughout the second quarter and continuing from the start of the new calendar year, total home completions declined by a more modest 8.7% in the second half. The affordable housing share of wholly owned home completions reduced to 20.8% (FY23: 23.9%) (Appendix 2).

The total average selling price ('ASP') for the year was c. £307k (FY23: £319.6k), with the private ASP reducing by 6.4% at c. £344k (FY23: £367.6k) and, excluding PRS and RP completions, reduced by 4.9% to c. £355k (FY23: £373.2k). The affordable ASP was c. £165k (FY23: £167.2k).

Order book
Our forward sales position has continued to normalise during FY24, with total forward sales (including JVs) of £1,912.3m at 30 June 2024 (30 June 2023: £2,223.4m), equating to 7,239 homes (30 June 2023: 8,995). At 30 June 2024, 73% of these homes (30 June 2023: 73%) were contractually exchanged (Appendices 3 and 4).
Excluding PRS and RP reserved plots, the private ASP in the order book at 30 June 2024 was £368.6k (30 June 2023: £376.9k). The 2.2% reduction in the ASP reflected several factors but included an estimated 2.7%

underlying reduction in house prices, as well as a positive impact through a greater proportion of London homes in the order book at 30 June 2024 when compared with the prior year end.

Build activity
During FY24 we managed our site-based construction activity to reflect our order book position coming into the year, the prevailing reservation rates achieved and the reduced number of sales outlets, with an average 257 (FY23: 322) equivalent homes (including JVs) built per week in the year. The disciplined management of our construction activity to ensure we have efficient working capital across our sites and build stages is a constant focus.

We experienced total build cost inflation of approximately 5% in FY24, in line with our previous guidance. We expect total build cost inflation to abate, with average total build costs anticipated to be broadly flat in FY25.

Adjusted items - costs associated with legacy properties and Redrow transaction costs
Adjusted items recognised in the year relate to costs associated with legacy properties and totalled c. £192m (FY23: £179.2m), as well as costs in relation to the Redrow transaction of c. £23m.

The legacy property costs of c. £192m, includes the first half adjusted item charge of £61.9m, which related to an increase in the fire safety and external wall systems contingency, based on latest information in relation to the Government's Building Safety Fund expenditure, as well as remediation costs for atypical buildings within our portfolio.

The second half charges in relation to legacy properties of c. £130m relate to developments previously identified as potentially requiring remediation work, which have been previously disclosed.

In relation to fire safety and external wall systems, the charge relates to the development first disclosed as a contingent liability in our FY24 interim results. The charge in relation to reinforced concrete frame relates to the remediation of two developments in London, first referenced as contingent liabilities in FY23. Remaining building safety provisions are in line with our previous expectations.

The Group signed the Scottish Safer Buildings Accord commitment letter on 31 May 2023 and the Housing (Cladding Remediation) (Scotland) Act 2024 received Royal Assent on 21 June 2024, codifying the principles of the Accord into law. The Single Building Assessment specification, being the required methodology for assessing in-scope buildings, was published in its final form on 21 June 2024 and negotiations continue with the Scottish Government over the developer remediation contract, which is currently due to be published in draft in July 2024. The adoption of a similar fire risk assessment process to England, based on PAS 9980, is positive but there remains uncertainty over the standard of remediation that will be required on buildings in scope. No provision has been recognised in relation to the Accord, with existing provisions for Scotland made on a consistent basis with England and Wales. As these negotiations advance, we will further update the market.

Leading on sustainability and innovation
Innovation and sustainable outcomes continue to be critical to our long-term success, and as such we remain focused on the practical delivery of our commitments.

Our Group Design and Technical team continue to develop plans to meet the requirements of the Future Homes Standard in 2025/2026. Our eHome2 project is providing real world data on how the house is performing across various external temperatures and weather conditions, created within the Energy House 2.0 chamber at the University of Salford. The team is developing and evolving our house type designs to meet the step change in both the design of, and materials used in, the homes we will build under the new Standard.

Our industry-leading sustainability performance continues to be recognised, with the Group maintaining its position in the CDP's Global Climate Change A List for Leadership, one of fewer than 365 companies worldwide, and placing the Group, once again, as the most highly rated UK national housebuilder.

Leadership in quality and customer service

Our commitment to leading build quality and customer service is more important than ever given the more difficult market backdrop. Once again, the standard of build quality across our sites has been recognised through the NHBC Pride in the Job Awards for build quality and site management with our site managers achieving 89 awards in June 2024, more than any other housebuilder for the 20th consecutive year.

These awards complemented the recognition of our focus on quality and customer service by our customers who awarded us the maximum 5 Star rating in the HBF customer satisfaction survey for the 15th successive year, a record which is unique amongst the major housebuilders.

Land

We have continued our disciplined approach to land approvals throughout FY24, but we did see an increase in development sites coming to market, particularly through the final quarter. As a result, our land approval activity has increased with net approvals of 58 sites in the year (FY23: net cancellation of 2 sites). Overall, this land activity led to a net increase of 12,439 plots in the year (FY23: net reduction of 812 plots) and a net increase of £646.9m in future approved land costs (FY23: net decrease of £14.9m) (Appendix 5).

Our cash land spend in FY24, on approved land or the settlement of land creditors, reduced to c. £680m (FY23: £822.8m), a reflection of the limited land approvals in FY23 and early FY24.

Following the acceleration in land approvals during the final quarter of FY24 and based on current market conditions, we now expect our land spend in FY25 will show a significant increase relative to FY24. In line with our operating framework, we continue to target an owned and controlled land bank of around 4.5 years in the medium term.

Balance sheet, liquidity and shareholder returns

The Group remains financially strong, with a well-capitalised balance sheet, substantial cash and additional liquidity. As at 30 June 2024 the Group held net cash(4) of c. £865m (30 June 2023: £1,069.4m) and an undrawn committed revolving credit facility of £700m, extended during the year to mature in November 2028. The year end net cash position reflected strong working capital discipline.

Land creditors, at the end of the financial year of c. £473m (30 June 2023: £506.7m), equated to c. 15% (30 June 2023: 16.1%) of the owned land bank, at the bottom of our target range, reflecting our step back from the land market from September 2022. We expect land creditors to move higher in FY25 as a result of the growing momentum in land approvals.

The Board intends to declare an ordinary dividend in line with policy, with dividend cover of 1.75 times adjusted FY24 earnings per share, with the FY24 results.

Barratt Redrow

The proposed combination with Redrow was strongly supported by both sets of shareholders. We look forward to welcoming new colleagues from Redrow into the Group and moving forward with the integration of the two businesses to create an exceptional UK housebuilder, following the completion of the CMA merger assessment process.

Outlook

We have delivered a strong operational performance in what has been another challenging year and, as a result, we expect to deliver FY24 adjusted profit before tax slightly ahead of our previous expectations.

We welcome the new Government's urgency and focus on housebuilding and reform of the planning system as key to both unlocking economic growth and tackling the chronic undersupply of new homes. We look forward to working with Government and wider stakeholders to address supply side constraints and deliver the new homes, of all tenures, the country needs.

Given the profile of land acquisition over the past 24 months, we expect to see a reduction in average outlets in FY25 which will impact volume delivery but are confident that average outlet numbers will grow into FY26.

Although the macro backdrop remains challenging, particularly demand sensitivity to current mortgage pricing and availability, and with lower average sales outlets, we anticipate total home completions, including JVs, will be in a range of 13,000 to 13,500 in FY25, including c. 600 completions from our JVs.

We have significant net cash(4), a well-capitalised balance sheet and a solid forward sales position all of which allow us to enter FY25 with confidence.

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.

Notes:

(1) All of the information in this statement is unaudited with respect to the year ended 30 June 2024.
(2) An active outlet is defined as an outlet with at least one plot for sale. Our definition remains consistent across all reporting periods.
(3) All figures within this statement exclude joint venture (JV) completions in which the Group has an interest unless otherwise stated.
(4) Net cash is comprised of cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.

Conference call for analysts and investors
David Thomas, Chief Executive, Steven Boyes, Deputy Chief Executive and Chief Operating Officer and Mike Scott, Chief Financial Officer will be hosting a conference call at 08:00am today, Wednesday 10 July, to discuss this Trading Update.

To access the conference call we would advise calling in 10-15 minutes ahead of the 8.00am start time on:
Dial-in (UK & International): +44 (0)33 0551 0200

The password phrase for the call is: "Barratt Trading July" and please be prepared to give both your full name and organisation, as these details must be submitted to the Takeover Panel at the end of the conference call.

A recording of the conference call will be available on our website during the afternoon of 10th July.

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Financial reporting calendar
The Group's next scheduled announcement of financial information is the FY24 full year results announcement on 4 September 2024.

Appendices

1. Sales Rate	H1	H2	FY
FY24	**0.48**	**0.69**	**0.58**
FY23	0.44	0.65	0.55
FY24 vs FY23	9.1%	6.2%	5.5%
Of which PRS & RPs			
FY24	**0.06**	**0.10**	**0.08**
FY23	0.05	0.13	0.10

2. Completions (homes)	FY24	FY23	Variance
Total private completions	**10,666**	12,456	(14.4%)
Of which private exc. PRS and RPs	**8,851**	11,676	(24.2%)
PRS	**1,048**	258	306.2%
RPs	**767**	522	46.9%
Affordable	**2,802**	3,922	(28.6%)
Wholly owned	**13,468**	16,378	(17.8%)
JV	**536**	828	(35.3%)
Total	**14,004**	17,206	**(18.6%)**

	30 June 2024		30 June 2023		Variance	
3. Forward sales	**£m**	**Homes**	£m	Homes	£m	Homes
Total private	**1,196.4**	**3,386**	1,331.9	3,884	(10.2%)	(12.8%)
Of which private exc. PRS & RPs	**930.0**	**2,523**	1,003.0	2,661	(7.3%)	(5.2%)
PRS	**129.0**	**400**	247.6	899	(47.9%)	(55.5%)
RPs	**137.4**	**463**	81.3	324	69.0%	42.9%
Affordable	**568.2**	**3,462**	746.2	4,659	(23.9%)	(25.7%)
Wholly owned	**1,764.6**	**6,848**	2,078.1	8,543	(15.1%)	(19.8%)
JV	**147.7**	**391**	145.3	452	1.7%	(13.5%)
Total	**1,912.3**	**7,239**	2,223.4	8,995	(14.0%)	(19.5%)

	FY24		FY23		Variance	
4. Forward sales roll (homes)	**Private**	**Total**	**Private**	**Total**	**Private**	**Total**
30 June 2023 / 2022	**3,884**	**8,995**	6,108	13,579	(36.4%)	(33.8%)
Reservations	**10,168**	**12,248**	10,232	12,622	(0.6%)	(3.0%)
Completions	**(10,666)**	**(14,004)**	(12,456)	(17,206)	(14.4%)	(18.6%)
30 June 2024 / 2023	**3,386**	**7,239**	3,884	8,995	(12.8%)	(19.5%)

	Number of sites			Number of plots		
5. Land approval movements	**H1 FY24**	**H2 FY24**	**FY24**	**H1 FY24**	**H2 FY24**	**FY24**
Approved or amended	**13**	**56**	**69**	1,990	13,243	15,233
Cancelled	**(7)**	**(4)**	**(11)**	(2,244)	(550)	(2,794)
Net approvals	**6**	**52**	**58**	(254)	12,693	12,439