



Immediate release

11 November 2015

Barratt Developments PLC

Trading Update

Barratt Developments PLC is holding its Annual General Meeting at 2:30pm today in London. This Trading Update covers the 19 week period from 1 July to 8 November 2015.

On track to deliver further progress in performance

Highlights

- Market conditions remain strong, with high levels of consumer demand across all regions
- Net private reservations per week increased by 12.5% to 261 (2014: 232) for the period with a sales rate of 0.70 (2014: 0.63) net private reservations per active site per week
- Total forward sales (including joint ventures ('JVs')) up by 20.7% to £2,499.7m (2014: £2,071.7m)
- To address the need for additional skilled labour, we have recruited 250 graduates, trainees and apprentices for FY16
- As previously announced, the Board has proposed a record dividend payment of over £200m

David Thomas, Chief Executive commented,

"Against the backdrop of a significant structural shortage of new homes in Britain, we have made a strong start to the year. Operationally the business is performing well with strong sales, good control of input costs and continued land investment. Our targeted recruitment programme has delivered a further 250 new apprentices, graduates and trainees to the business.

With our disciplined strategy and focus on achieving efficiencies across the business, we are on track to deliver further good progress in FY16. The outlook is positive and we are driving towards our FY17 targets of at least a 20% gross margin and at least a 25% return on capital employed."

Trading update

Market conditions remain strong, with the Group trading well since the start of the new financial year.

There is good consumer demand for our homes across the country, supported by a positive economic backdrop. With demand outpacing supply, we are committed to helping address the existing undersupply in the market.

The Government remains focused on enabling additional housebuilding and it continues to seek to increase supply through improving the planning system and implementing its public land release programme. We will continue to support the Government on its Starter Homes Scheme that is aimed at providing 200,000 homes for first time buyers over the next five years. Help to Buy (Equity Loan), which has been confirmed to run until 2020, remains an important scheme for our customers particularly in helping first time buyers into the market.

The increasing competition within the mortgage sector has resulted in good availability of attractive mortgage finance, which continues to support consumer demand.

Our average net private reservations per week increased to 261 (2014: 232) for the period, resulting in average net private reservations per active site per week of 0.70 (2014: 0.63).

We have made good progress on new site openings launching 49 new developments (including JVs) (2014: 80) in the period, in line with our expectations. Given the strength of the sales rate we sold through developments faster than expected and are currently operating from 380 active sites (including JVs) (2014: 395). We continue to expect to see controlled growth in site numbers in FY16.

We are on track to deliver a higher proportion of our FY16 completions in the first half, compared with H1 FY15, as we continue to rebalance our completions delivery profile. This will ensure efficiency across our build processes.

We continue to see some pressure on skilled labour supply, with shortages remaining location and trade specific. We are investing in training programmes to help address the labour shortage and in FY15 we employed 327 new graduates, trainees and apprentices, and we have recruited another 250 for FY16. Our materials supply chain is performing well as a result of our strong supplier relationships and centralised procurement approach. Overall, we expect build costs for FY16 to increase by c. 3-4%, in line with previous guidance.

Forward sales

Our forward order position remains strong, with total forward sales (including JVs) up 20.7% on the prior year at a value of £2,499.7m (2014: £2,071.7m), equating to 11,033 plots (2014: 9,734 plots).

	2015		2014		Variance (£m)
	£m	Plots	£m	Plots	%
Private	1,521.4	5,252	1,261.6	4,845	20.6
Affordable	499.6	4,373	370.0	3,353	35.0
Sub total	2,021.0	9,625	1,631.6	8,198	23.9
JVs	478.7	1,408	440.1	1,536	8.8
Total	2,499.7	11,033	2,071.7	9,734	20.7

Land

The land market remains attractive and we are securing excellent opportunities that at least meet our minimum hurdle rates of 20% gross margin and 25% ROCE⁽¹⁾. We are on track to achieve our target land bank of c. 3.5 years owned land and c. 1.0 year of conditional land.

In the period, we approved the purchase of £255.8m (2014: £312.7m) of land, equating to 36 sites (2014: 43 sites) and 5,336 plots (2014: 5,146 plots). We expect to approve c. 16,000-18,000 plots in FY16.

We approved the options on 19 strategic sites (2014: 12 sites) in the period, equating to 3,414 plots (2014: 3,225 plots), and we remain on track to achieve our target of 20% of our completions sourced from strategic land by FY17.

Cash returns

With the FY15 results announcement the Board proposed a final dividend of 10.3 pence per share (2014: 7.1 pence per share) to be paid on 20 November 2015. In addition to this, the Board proposed the first special cash payment of £100m, equating to 10.0 pence per share, to be paid as a special dividend also on 20 November 2015. This takes the FY15 total dividend payment, including the special dividend, to 25.1 pence per share (2014: 10.3 pence per share).

Board change

As previously announced, Neil Cooper will join the Board on 23 November 2015 as Chief Financial Officer. Neil was most recently Group Finance Director of William Hill PLC and was formerly Group Finance Director of Bovis Homes PLC.

Outlook

The Group has made a strong start to the current financial year, supported by the positive market backdrop. We are well positioned to deliver further good progress in performance in FY16 and expect to drive towards our medium term targets of a minimum gross margin of 20% and minimum ROCE⁽²⁾ of 25%. This strong performance supports the Group's Capital Return Plan which is expected to return around £987m⁽³⁾ of cash through ordinary dividends and special cash payments to our shareholders over three years.

Notes:

- (1) 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
- (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) Based on a proposed final dividend of 10.3p per share for FY15 and Reuters consensus estimates of earnings per share of 52.7p for FY16 and 57.9p for FY17 as at 4 September 2015 and applying a 3x dividend cover in line with previously announced policy, and 995,452,663 shares as at 30 June 2015.
- (4) All final dividends and the special cash payment programme are subject to shareholder approval

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

David Thomas, Chief Executive will be hosting a conference call at 08:30am today, Wednesday 11 November 2015, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0) 20 3427 1910

Passcode: 9259421

A replay facility will be available shortly after:

Dial-in: +44 (0) 20 3427 0598

Passcode: 9259421

Annual General Meeting

Barratt Developments PLC will be holding its Annual General Meeting today at 2:30pm at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London, NW1 4LE.

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