



# RESULTS PRESENTATION

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Year ended 30 June 2017

6 September 2017

St Wilfrid's Walk, Selby – new Barratt range



**David Thomas**  
Chief Executive



## STRONG FINANCIALLY AND OPERATIONALLY

£765.1m

Record PBT

£723.7m

Net cash

29.8%

ROCE

£2,749.9m<sup>(1)</sup>

Strong forward order  
book

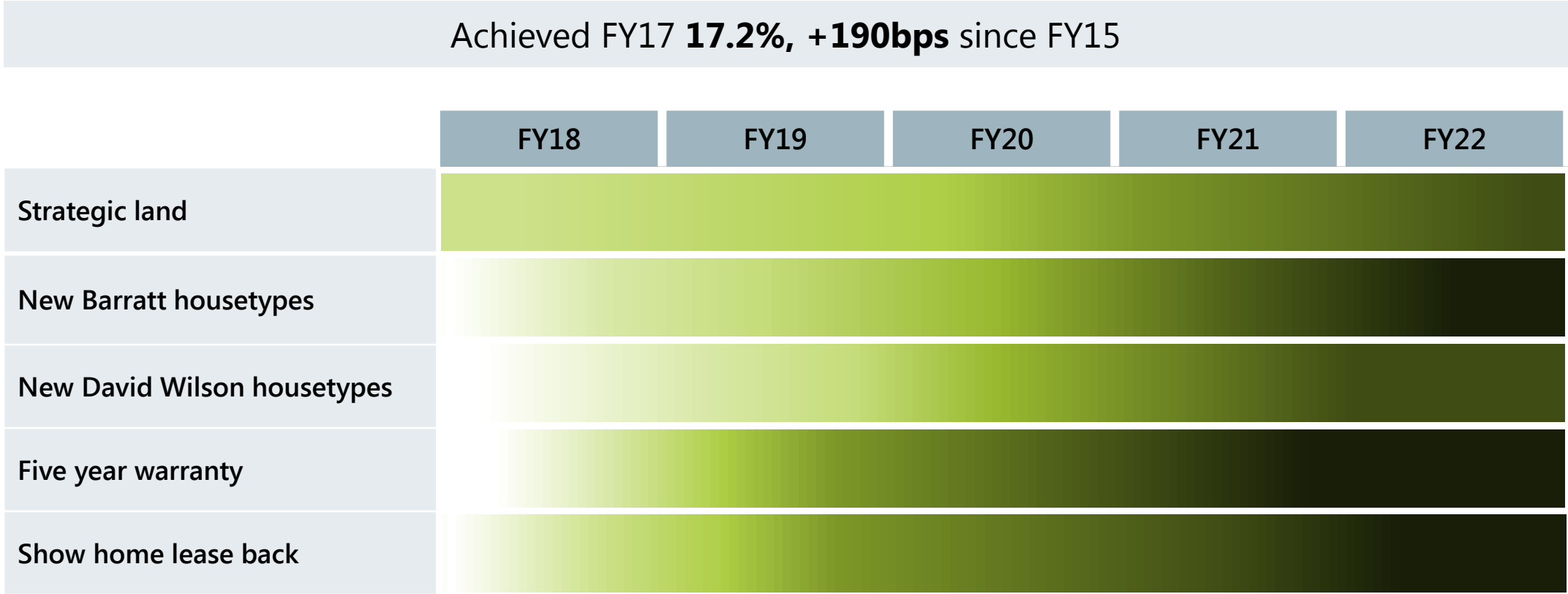
Improved and  
extended Capital  
Return Plan

Experienced build  
and sales teams

74 NHBC Pride in the  
Job Awards & HBF 5  
Star housebuilder

20.0%  
Gross margin

# IMPROVING KEY FINANCIAL METRICS – DRIVING OPERATING MARGIN







**Steven Boyes**

Chief Operating Officer

Beecham Place, Midsomer Norton

## STRONG SALES PERFORMANCE

- Strong performance for the year
- Group private sales rate of 0.72
- London sales rate impacted by
  - challenging central London market
  - reduced availability of <£600k product
- JV sales rate increased - bulk sale agreements

Average net private reservations per active outlet per week			
	FY17	FY16	Change
Regional	0.70	0.67	4.5%
London	1.07	1.29	(17.1%)
Group	0.72	0.69	4.3%
JV	1.27	1.15	10.4%

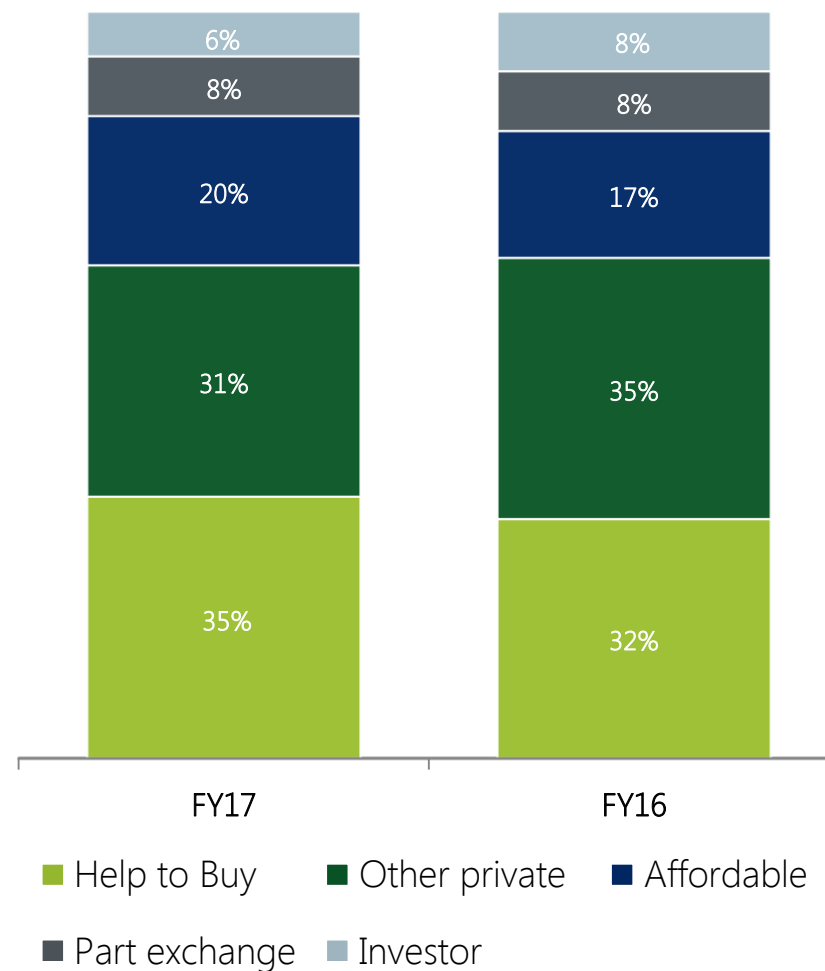
## COMPLETION GROWTH

- Group completions at highest level for nine years
- Significant growth in regional business
- JV volumes in-line with guidance

	Completions		
	FY17	FY16	Change
Regional	15,500	14,778	4.9%
London	1,145	1,127	1.6%
Group	16,645	15,905	4.7%
JV	750	1,414	(47.0%)

## COMPLETIONS ANALYSIS – BUYER TYPE

- Slight increase in Help to Buy influenced by 40% level in London
- Affordable increase due to timing of delivery
- Investor sales impacted by tax changes





## PRICING TRENDS REMAIN POSITIVE

- Good pricing trends across the regional business
- Target a full market mix and optimise use of brands
- London up significantly due to roll out of higher ASP sites

	Private completions average selling price (£'000)		
	FY17	FY16	Change
Regional	291.5	275.0	6.0%
London	621.2	483.7	28.4%
Group	313.1	289.8	8.0%
JV	589.1	506.6	16.3%

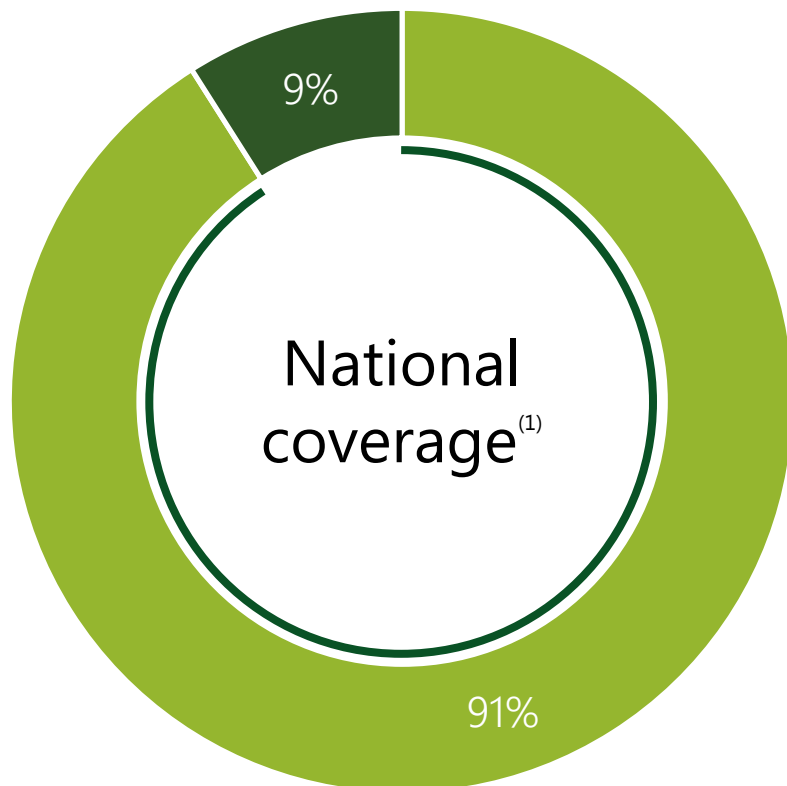
## LAND MARKET

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- Excellent opportunities available nationally that exceed our hurdle rates
- Standard product in regional business
- Focus on Zones 3+ in London
- Land approvals
  - FY17: 18,497
  - FY18e: 20,000+

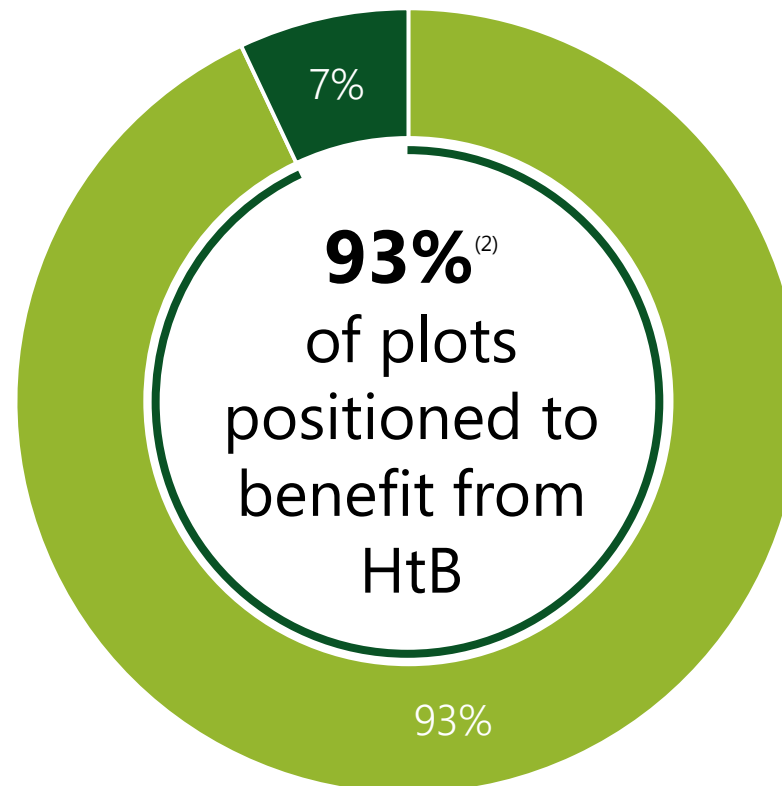


## LAND BANK



■ Regional

■ London

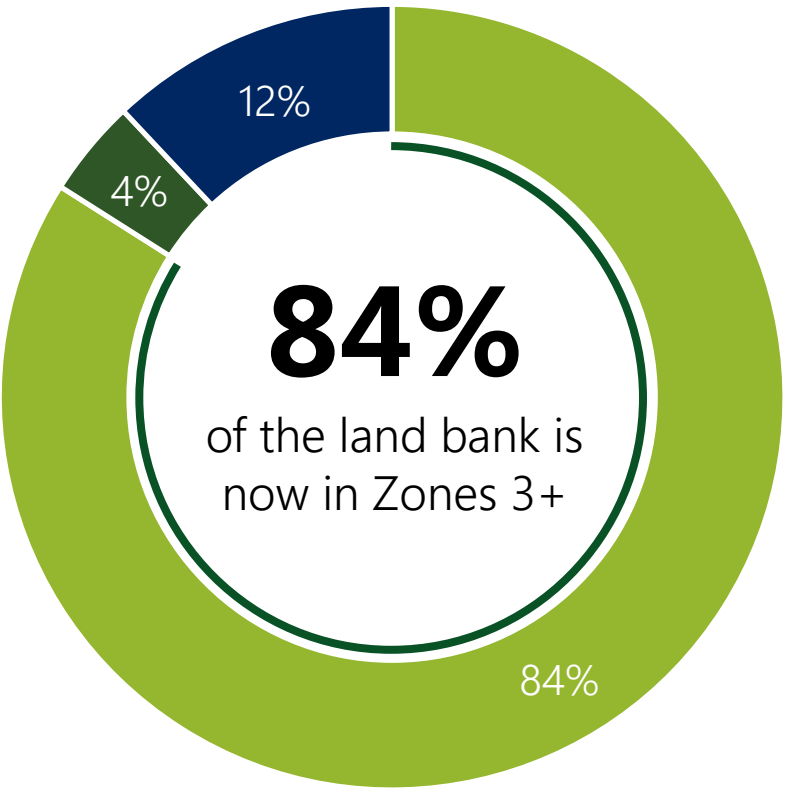


■ up to £600k

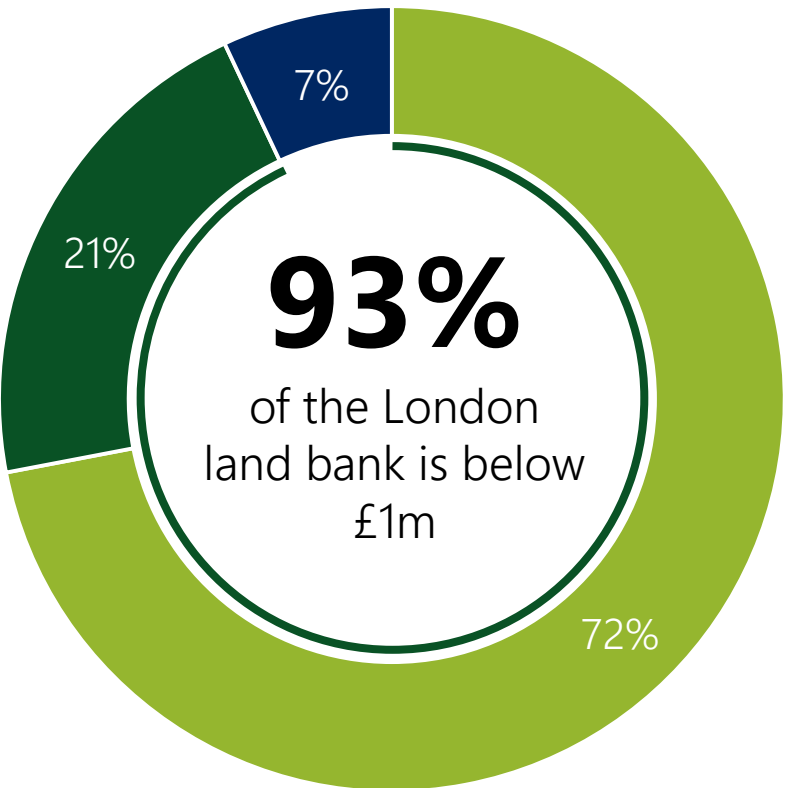
■ £600k+



**BARRATT LONDON – LAND BANK<sup>(1)</sup>**



■ Zones 3+ ■ Zone 2 ■ Zone 1



■ up to £600k ■ £600k to £1m ■ £1m+

(1) Private owned and controlled land bank plots including JVs as at 30 June 2017

## DRIVING OPERATING MARGIN - STRATEGIC LAND

- Delivered medium term target: 25% completions from strategic land
- Targeting further growth in completions in the medium term
- Enhanced margin of c. 300 basis points<sup>(1)</sup>
- Significant increase in conversions to owned land bank
- Remaining disciplined and well positioned

	FY17	FY16
Completions from strategic land	25%	22%
Conversions to owned land bank (plots)	6,757	4,558
Acres held	11,737	11,709
Number of locations	267	277

## DRIVING OPERATING MARGIN - PRODUCT

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- Footprint and external projections simplified
- Reduced build cost
- More efficient to build
- Better suited to modern methods of construction
- Identified for new range:
  - 132 sites / c. 19,000 plots
- Currently building on:
  - 51 sites / c. 5,800 plots



St Wilfrid's Walk, Selby - new Barratt range



## DRIVING OPERATING MARGIN – LAYOUT

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- Continue to drive layout optimisation
- Training and plotting guides launched
- High quality schemes maintained



Liberty Green, Hull

## SECURITY OF SUPPLY CHAIN

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- Central procurement for 95% of standard housebuild product material costs
- High quality products and materials
- Proven and reliable suppliers
- 90% of spend manufactured/assembled in UK
  - less supply risk
  - less direct currency risk
  - simplifies logistics
  - beneficial to UK economy



## MANAGING THE COST ENVIRONMENT

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### Materials

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- Modest inflationary pressure
- 100% pricing fixed to Dec 2017
- 75% pricing fixed to June 2018

### Currency

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- 90% of materials manufactured/assembled in the UK
- Limited impact of currency fluctuation

### Labour

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- Labour cost increases have eased
- Simplifying build
- Increased use of off-site manufacturing

**Build costs expected to increase by c. 3-4% in FY18**



## STRONG PERFORMANCE

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- Strong sales rate
- Positive pricing trends
- Actively manage our cost base
- Focus on improving operating margin
- No compromise on health and safety, customer service or quality







**Jessica White**  
Chief Financial Officer

Cheshire Limes, Crewe



## KEY HIGHLIGHTS

£m (unless otherwise stated)	FY17	FY16	Change
Revenue	4,650.2	4,235.2	9.8%
Gross profit	932.0	800.4	16.4%
<i>Gross margin %</i>	<i>20.0%</i>	<i>18.9%</i>	<i>1.1ppts</i>
Operating profit	799.2	668.4	19.6%
<i>Operating margin %</i>	<i>17.2%</i>	<i>15.8%</i>	<i>1.4ppts</i>
Share of JV/assoc profit	25.6	72.1	(64.5%)
PBT	765.1	682.3	12.1%
Earnings per share <i>pence</i>	61.3p	55.1p	11.3%
Net cash	723.7	592.0	22.2%
Tangible net assets per share <i>pence</i>	340p	311p	9.3%
ROCE %	29.8%	27.1%	2.7ppts

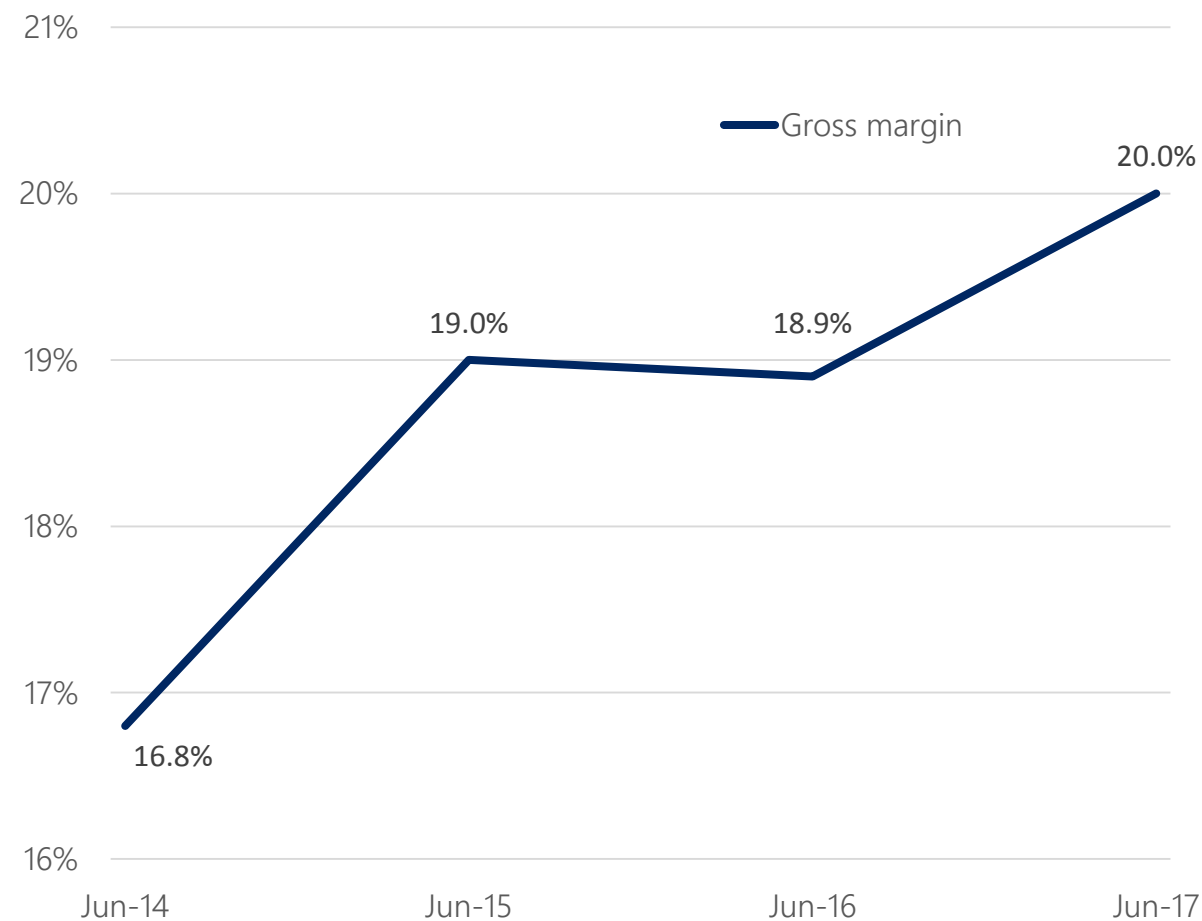


## REVENUE SUMMARY

£m (unless otherwise stated)	FY17	FY16	Change
Completions			
Private	13,303	13,198	0.8%
Affordable	3,342	2,707	23.5%
Total completions	16,645	15,905	4.7%
% Affordable	20%	17%	3ppts
JV	750	1,414	(47.0%)
Total completions (inc JV's)	17,395	17,319	0.4%
ASP (£'000)			
Private	313.1	289.8	8.0%
Affordable	124.0	113.2	9.5%
Total	275.2	259.7	6.0%
JV	504.5	445.6	13.2%

## DELIVERING MARGIN IMPROVEMENT

- Achieved target set in 2014 of 20%
- Continued benefit from unwind in legacy land
- Some underlying sales price inflation and build cost inflation
- Benefit from mix of new sites and product mix



# DRIVING OPERATING MARGIN – SHOW HOMES

FY08 to FY17	
Show homes sold and leased back to Barratt <i>Aggregate current value c. £230m</i>	
From 1 July 2017 <i>Full benefit expected in FY22</i>	
Barratt sells show home at end of development	
<b>Pros</b> Improves margin Improves profit In line with peers	<b>Cons</b> Decreases ROCE

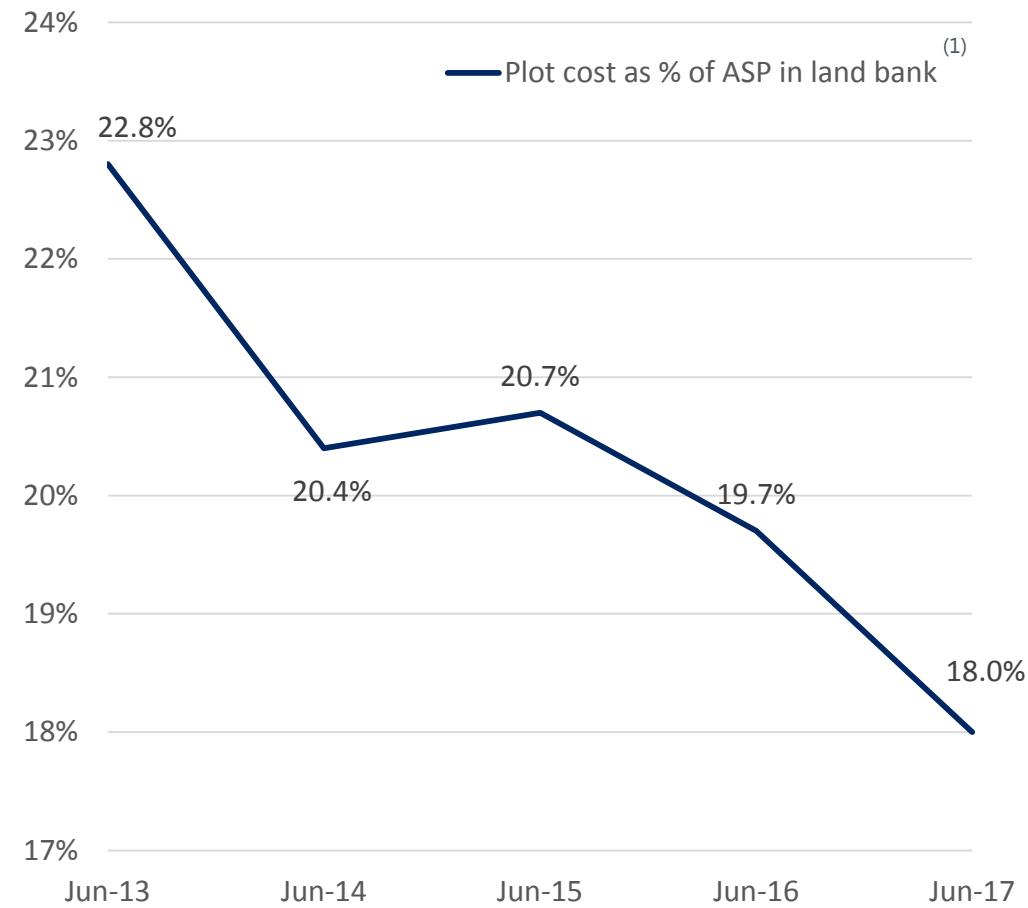




## BALANCE SHEET

£m	30 June 2017	30 June 2016
Goodwill and intangible assets	892.2	892.2
Investment in joint ventures and associates	213.1	255.9
Gross land bank	2,895.6	2,880.2
Land creditors	(1,064.0)	(1,086.8)
Net land bank	1,831.6	1,793.4
<i>Land creditor %</i>	<i>36.7%</i>	<i>37.7%</i>
WIP	1,509.1	1,386.3
Net cash	723.7	592.0
Trade payables	(376.6)	(393.8)
Other working capital	(399.6)	(437.3)
Other net assets / liabilities	(71.3)	(78.5)
Net assets	4,322.2	4,010.2

# LAND BANK

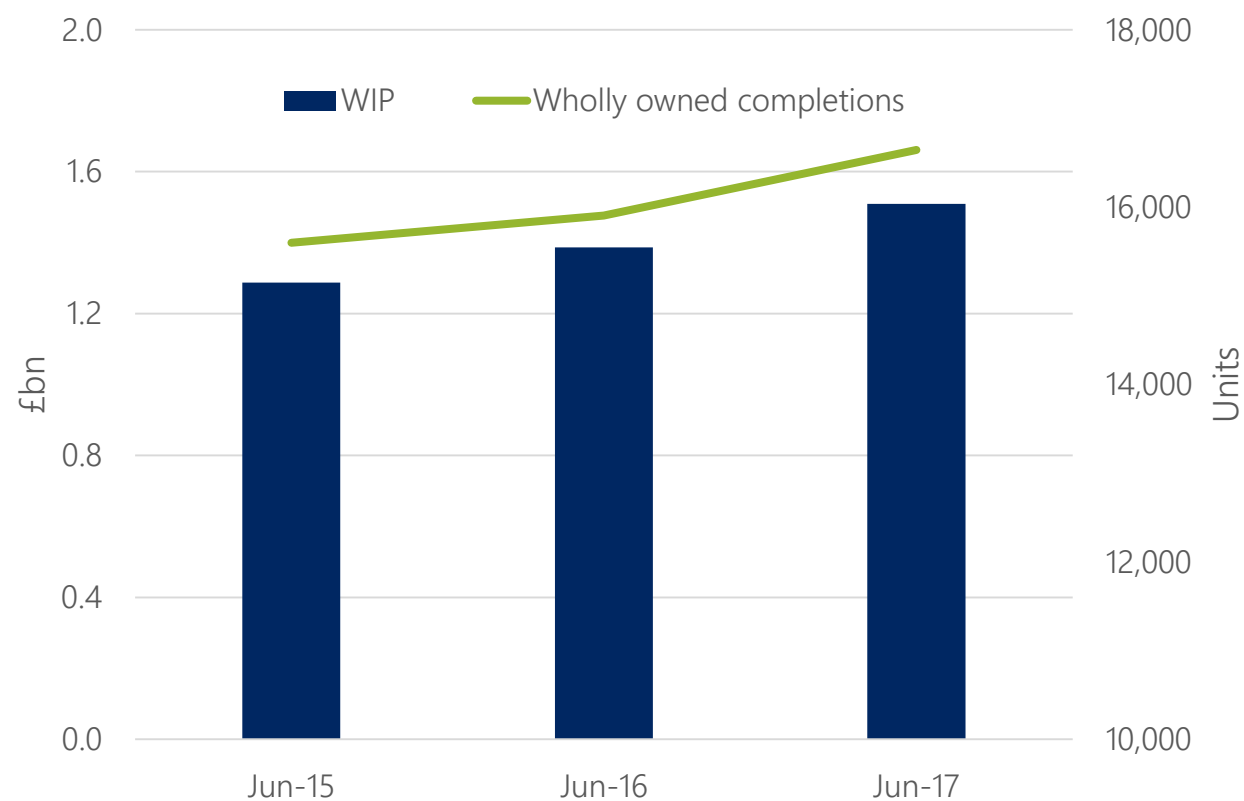


Land bank plots	30 June 2017	30 June 2016
Owned	58,965	53,849
Controlled	16,078	17,502
Total	75,043	71,351
<i>Land bank years</i>	4.5	4.5
JV – Owned and controlled	5,709	5,309
Total including JV	80,752	76,660

(1) Calculated as average land bank value per plot in the balance sheet at year end divided by ASP at current prices on owned plots in the land bank

## WORK IN PROGRESS

- WIP growth is tightly controlled and reflects
  - growth in completions
  - increased infrastructure on new site starts
- Unsold stock per site remains stable



Unsold stock per active outlet

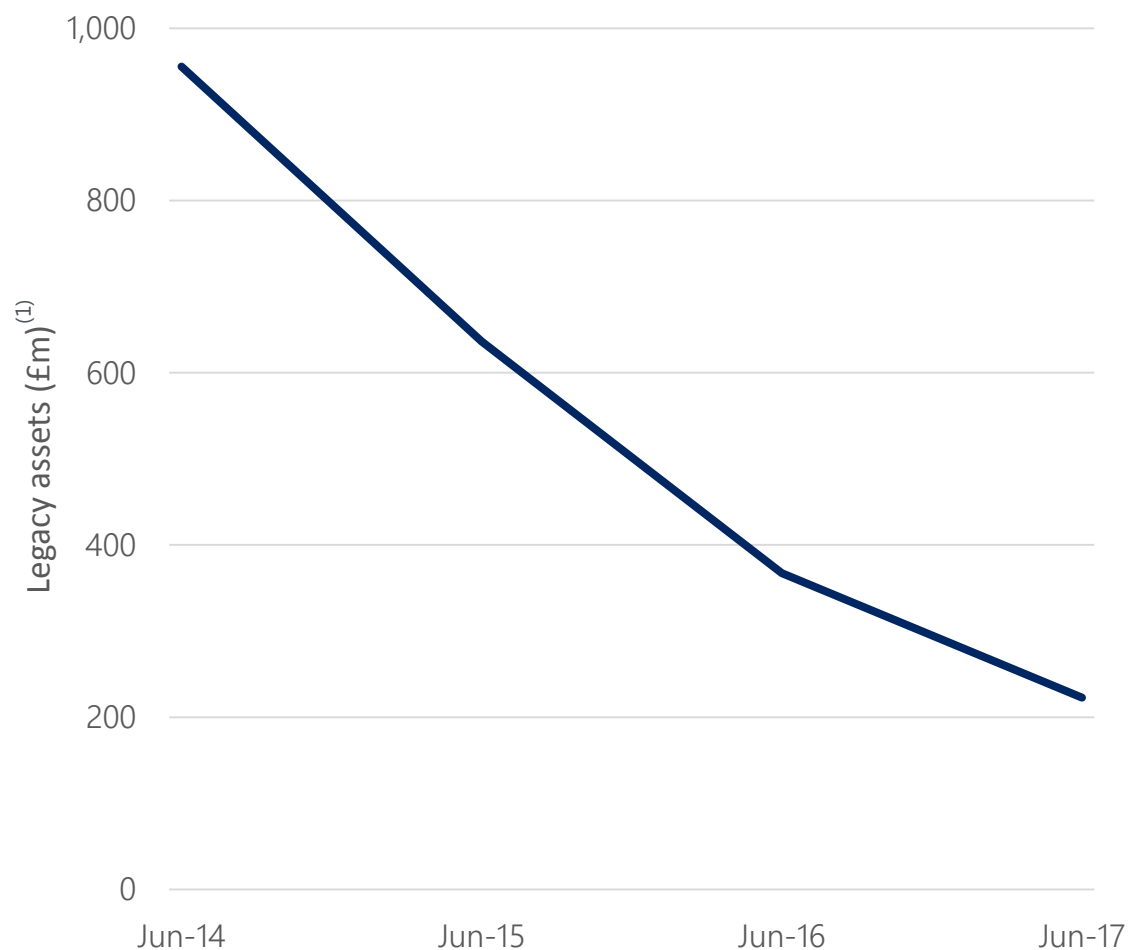
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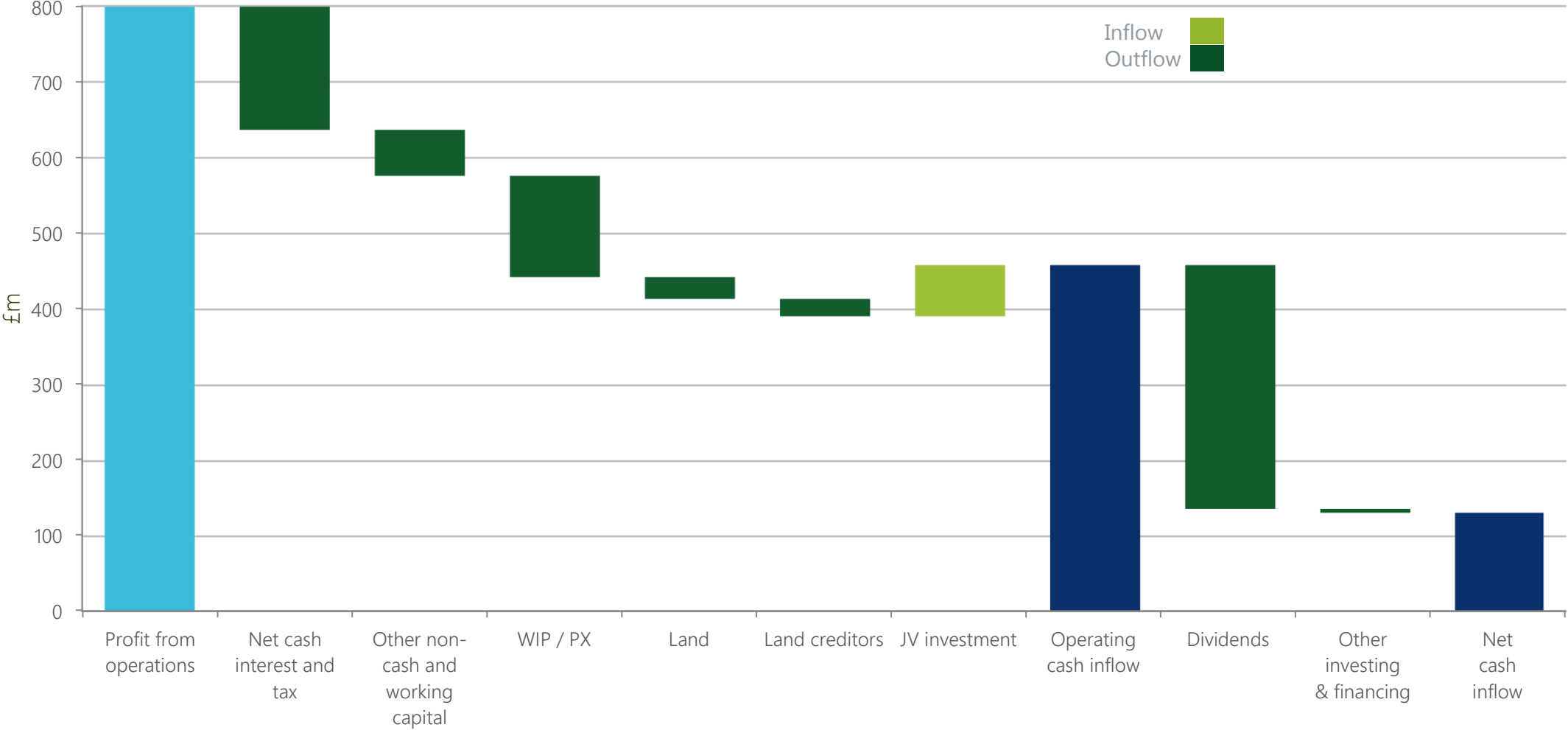
## LEGACY ASSET REDUCTION



£m (unless otherwise stated)	30 June 2017	Legacy	Ongoing
Equity share asset	3.9	3.9	-
Investment in JVs & associates	213.1	1.0	212.1
Gross land bank	2,895.6	112.3	2,783.3
Land creditors	(1,064.0)	(19.4)	(1,044.6)
Net land bank	1,831.6	92.9	1,738.7
WIP	1,509.1	105.4	1,403.7
Other assets and liabilities	(780.1)	(77.3)	(702.8)
Capital employed	2,777.6	125.9	2,651.7
ROCE (%)	29.8	15.8	30.9
Gross margin (%)	20.0	11.0	20.8

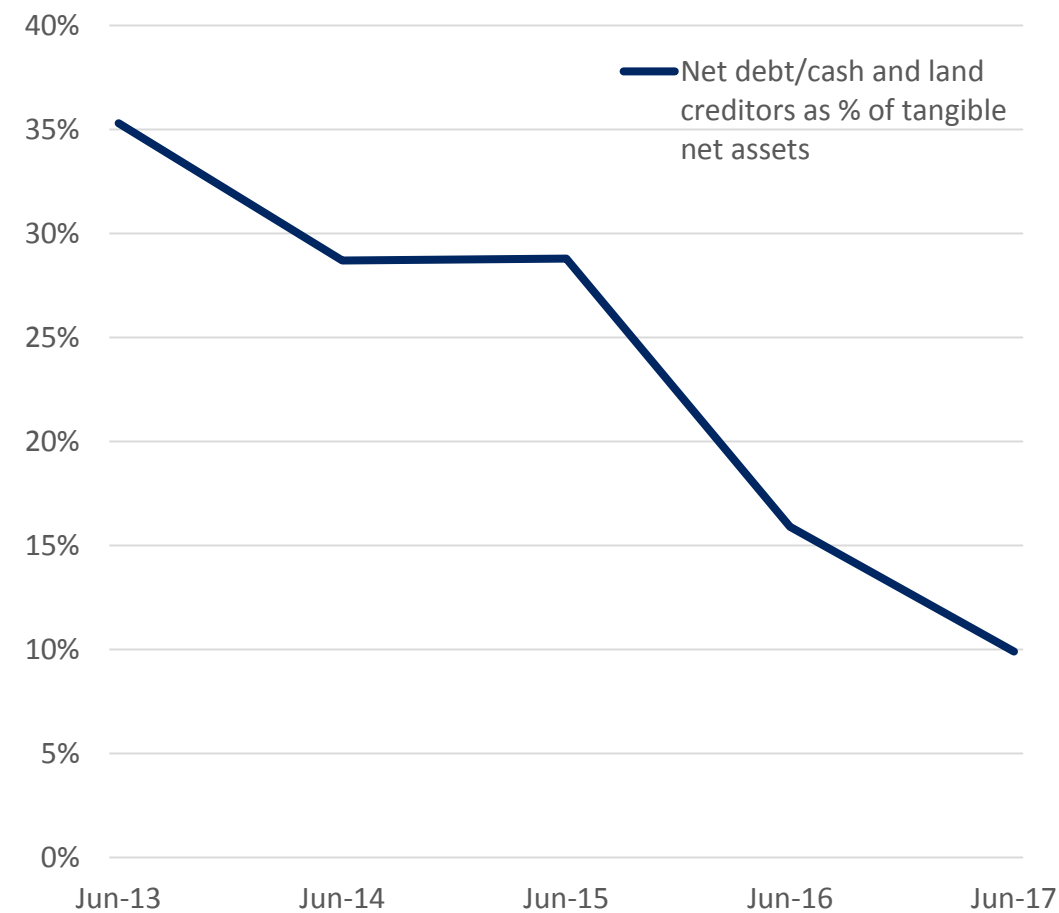
(1) Does not include liabilities

# CASH FLOW



## GEARING

- Highly cash generative business
- Generated a net cash inflow over each of the last five years
- Focus on managing total gearing across the cycle
- Net cash at year end





## GUIDANCE FOR FY18

Completions	Modest growth in wholly owned completions c. 20% affordable c. 750 JV
ASP	Total ASP in owned land bank of £265k
Total admin expenses	c. £150m
JV share of profits	c. £25m
Interest cost	c. £50m (£15m cash, £35m non-cash)
Land cash spend	c. £1bn
Land creditors	30% to 35% of owned land bank
Year end net cash	c. £500m
Ordinary dividend	2.5x cover
Special dividend	£175m

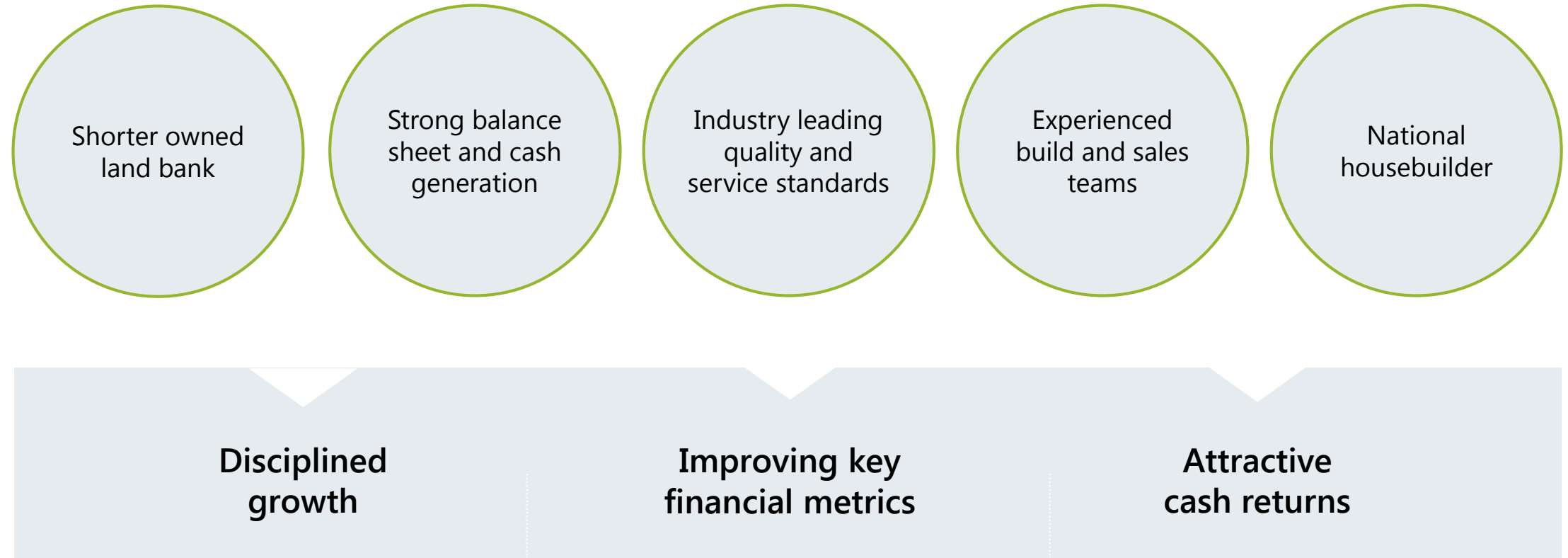


**David Thomas**  
Chief Executive

Saxon Place, Maidstone

## INVESTMENT PROPOSITION

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## MARKET FUNDAMENTALS REMAIN ATTRACTIVE

**1.58%**  
average 2 year  
fixed rate at 85%  
LTV<sup>(1)</sup>

Positive lending  
environment



Strong Government  
support

Household  
projections:  
**210k** needed  
per annum<sup>(2)</sup>

New home net  
additions  
2015/16: **190k**<sup>(3)</sup>

Demand continues  
to exceed supply

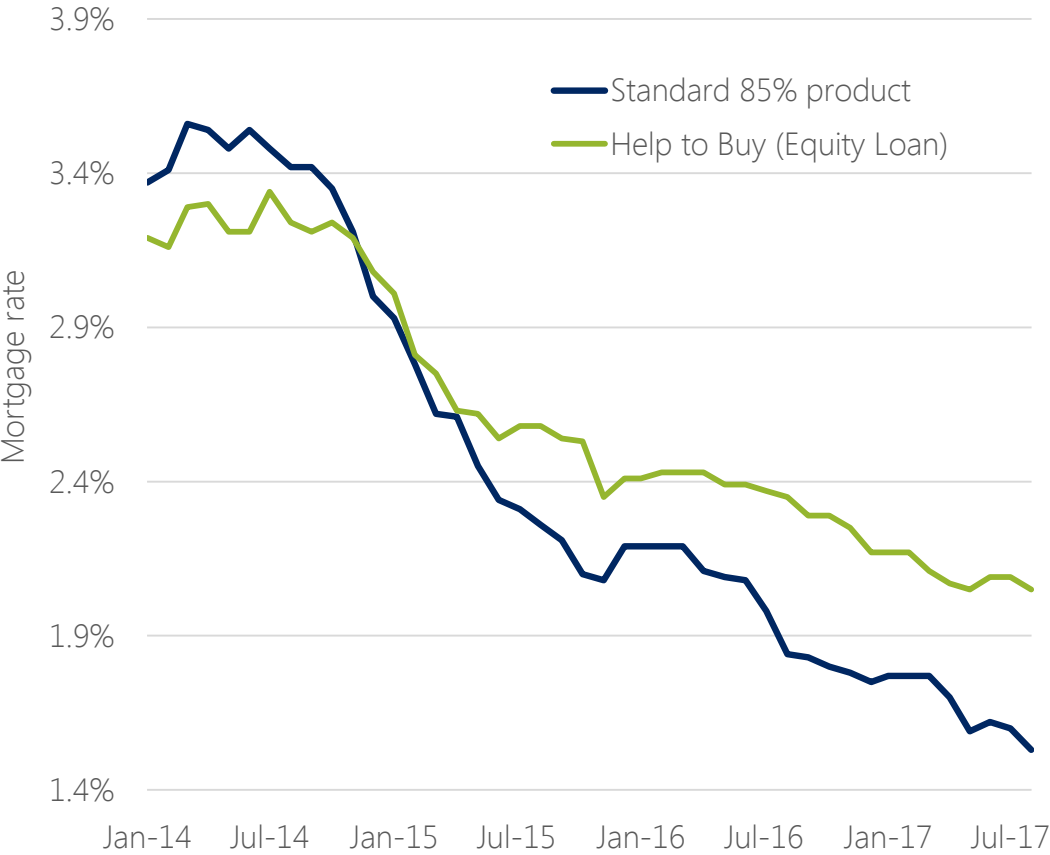


Attractive land market

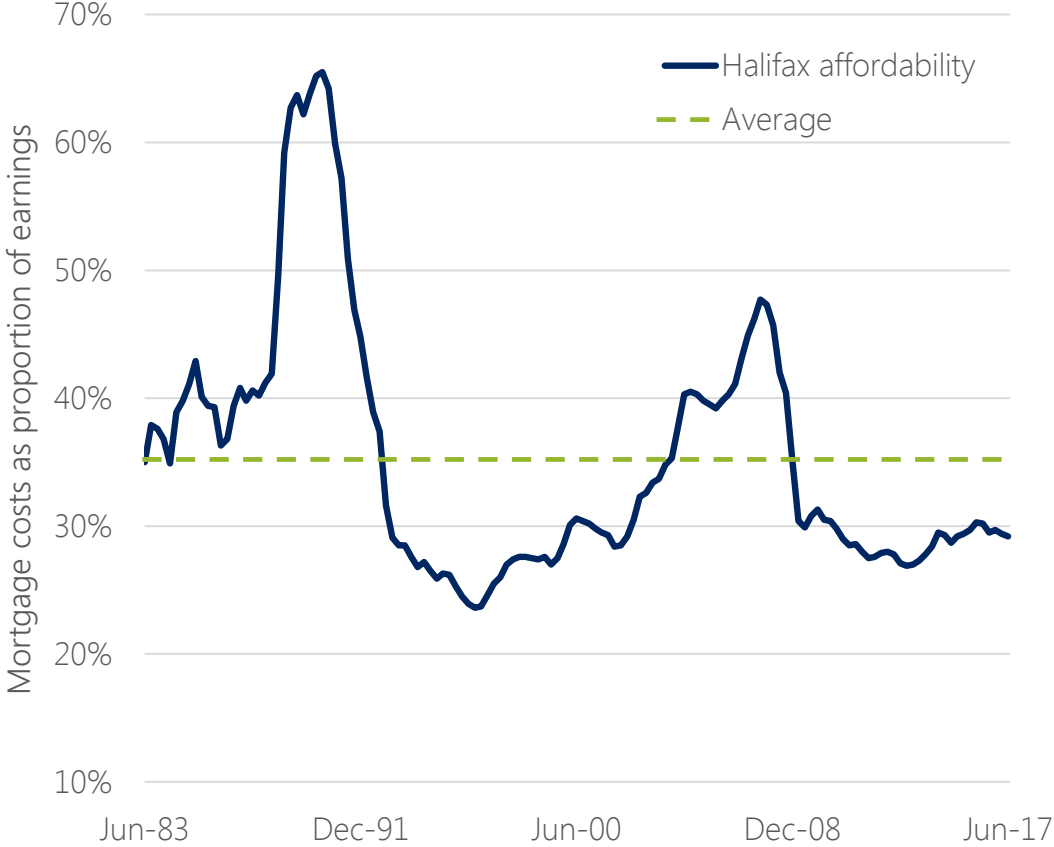


# POSITIVE LENDING ENVIRONMENT

Average mortgage rates<sup>(1)</sup>



Halifax Mortgage Affordability Index<sup>(2)</sup>



(1) Rates are from an average of five lenders. Standard 85% product based on available rate with a fee not exceeding £1,000. HtB product based on the best available HTB equity share rate with no fee. Rates as at 31 July 2017  
(2) The mortgage to earnings ratio is calculated using the Halifax standardised average house price (seasonally adjusted), average disposable earnings for all full time employees and the BoE monthly average rate for new advances to households

## SUPPORTING INCREASED SUPPLY OF NEW HOUSES

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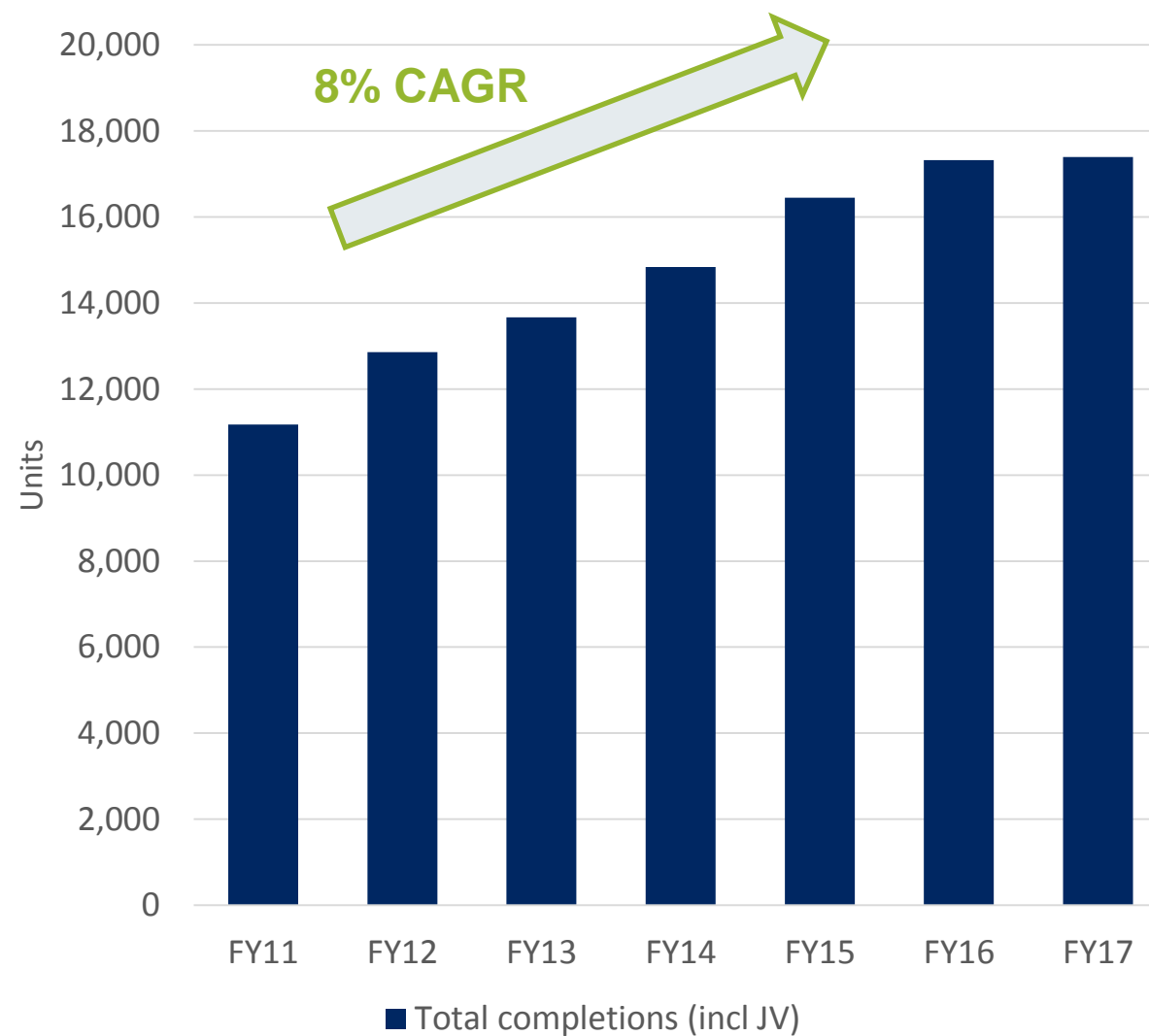
- Highest volumes in nine years
- Investing in apprenticeships and traineeships nationally
- Recruiting skilled workers from outside of building industry- e.g. armed forces
- Modern methods of construction



Greig Mills (centre) with fellow ex-forces colleagues Ross Pearson and Ross Carey

## DISCIPLINED GROWTH - QUANTITY

- Grown completions by more than 55% over the last six financial years
- Further growth ambitions



## DISCIPLINED GROWTH - QUALITY

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HBF **5 star**  
customer  
recommendation  
award – eighth  
consecutive year



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**74** NHBC Pride in  
the Job Awards –  
more than any  
housebuilder for  
13<sup>th</sup> year



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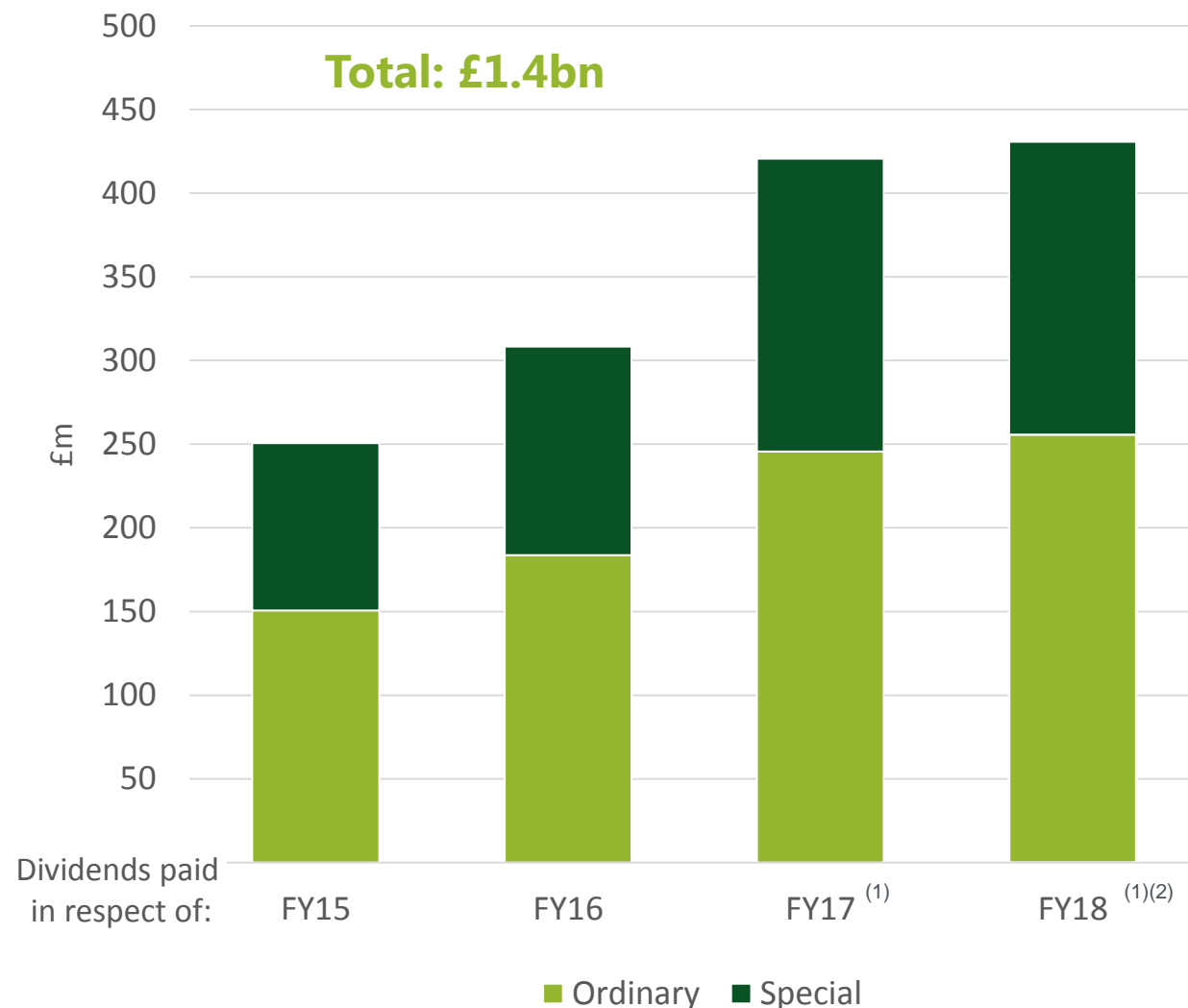
**56** Built for Life  
accreditations – more  
than all other  
housebuilders  
combined



## ATTRACTIVE CASH RETURNS

### Capital Return Plan

- Ordinary dividend payable through the cycle:
  - 2.5x dividend cover
- When market conditions allow, excess cash will be returned to shareholders in the form of special dividends:
  - November 2017: £175m<sup>(1)</sup>
  - November 2018: £175m<sup>(1)</sup>
- FY17:
  - Final dividend: 17.1p
  - Special dividend: 17.3p



(1) Proposed FY17 and FY18 dividends subject to shareholder approval

(2) Based on Reuters consensus estimates of earnings per share of 63.4 pence for FY18 as at 31 August 2017 and applying a two and a half times dividend cover in line with previously announced policy, and upon 30 June 2017 share capital of 1,006,729,041 shares, for proposed payments

## OPERATING FRAMEWORK

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Land acquisition	Gross margin - minimum 20%
	ROCE - minimum 25%
Land bank	At least 3.5 years owned land and 1 year controlled
	Land creditors 30% to 35% of owned land bank
Treasury	Year end net cash
	Average annual net debt of £150m to £200m
Capital Return Plan	2.5x ordinary dividend cover
	Special dividend programme

## CURRENT TRADING – FORWARD ORDER BOOK

	H1 18 to date	H1 17 to date	Change
Net private reservations per active outlet per average week	0.74	0.75	(1.3%)
Total forward sales (incl JVs) <sup>(1)</sup>	£2,749.9m	£2,416.5m	13.8%

## POSITIVE ON OUTLOOK

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- Strong market fundamentals
- Attractive investment proposition
- Focused on driving operating margin
- Clearly defined operating framework
- Attractive cash returns
- Strong forward order book
- Further progress expected in FY18







**Q&A**

**Northwalls Grange, Taunton**

## APPENDICES - INDEX

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	Page
Definitions	45
Balance sheet - land bank	46
Land creditors - payment profile	47
Completions - product type	48
Investment in joint ventures and associates	49
Joint ventures breakdown	50
Net interest charge analysis	51
Future financing arrangements	52



## DEFINITIONS

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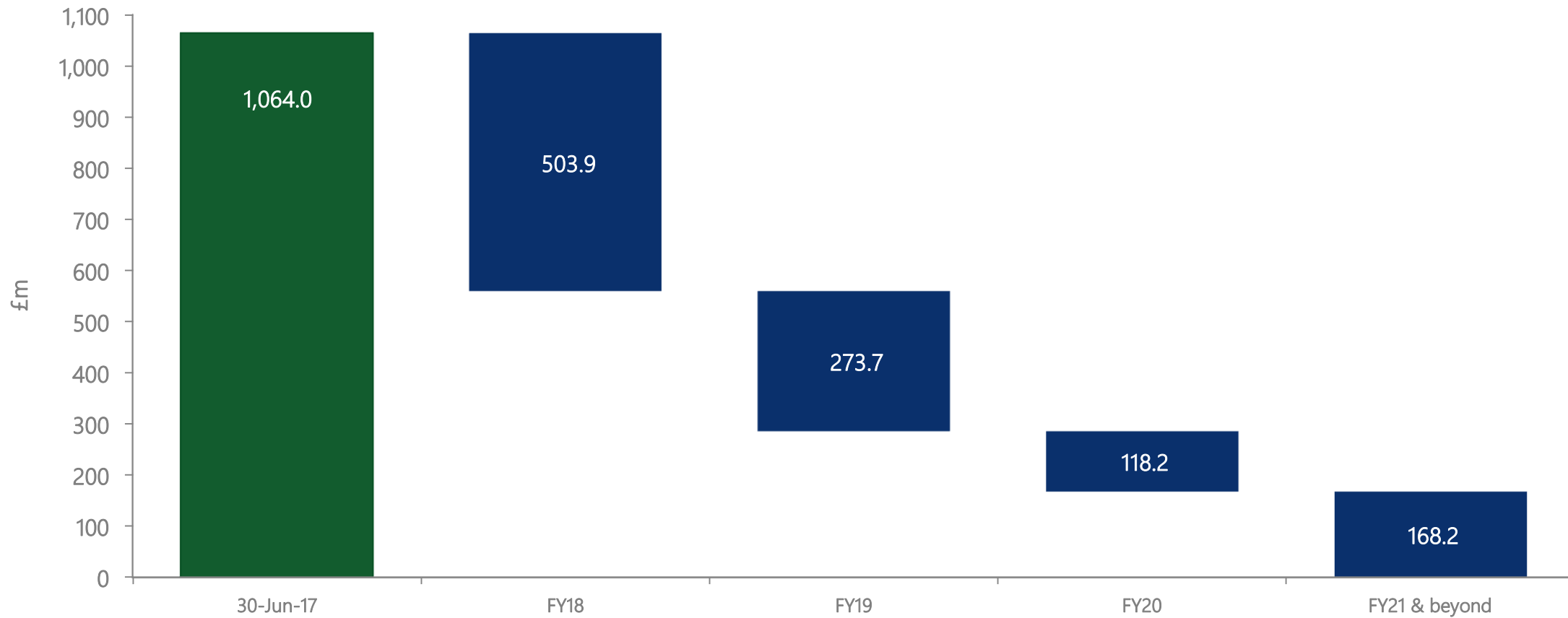
- Active outlet is a site with at least one plot for sale
- Average debt is calculated on annual average daily closing position
- CAGR is compound annual growth rate
- Earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust
- FY refers to financial year ending 30 June
- Gross margin is calculated as gross profit divided by total revenue
- Help to Buy (HtB) Government equity loan scheme
- Land bank years is calculated as total owned and controlled land bank plots divided by wholly owned completions in the year
- Net cash is calculated as cash and cash equivalents, less total borrowings being total drawn debt, plus / minus the value of any foreign exchange swaps
- Operating margin is calculated as operating profit divided by total revenue
- Regional includes all regions excluding London
- Return on Capital Employed (ROCE) is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or 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
- Tangible net assets per share calculated as Group net assets less other intangible assets and goodwill divided by shares in issue at 30 June
- Unless stated Joint Ventures (JV) are not included throughout the presentation

## BALANCE SHEET – LAND BANK

Land bank plots	30 June 2017	30 June 2016
Owned / unconditional contracts	58,965	53,849
Conditional contracts	16,078	17,502
Total land bank plots	75,043	71,351
JV plots – owned / conditional	5,709	5,309
Total land bank plots (including JV's)	80,752	76,660
Land bank pricing (£'000)		
Cost of plots acquired	42.4	48.5
Cost of plots in P&L	54.4	52.7
Cost of plots in balance sheet	47.6	51.3
Owned land bank ASP (£'000)	265	261

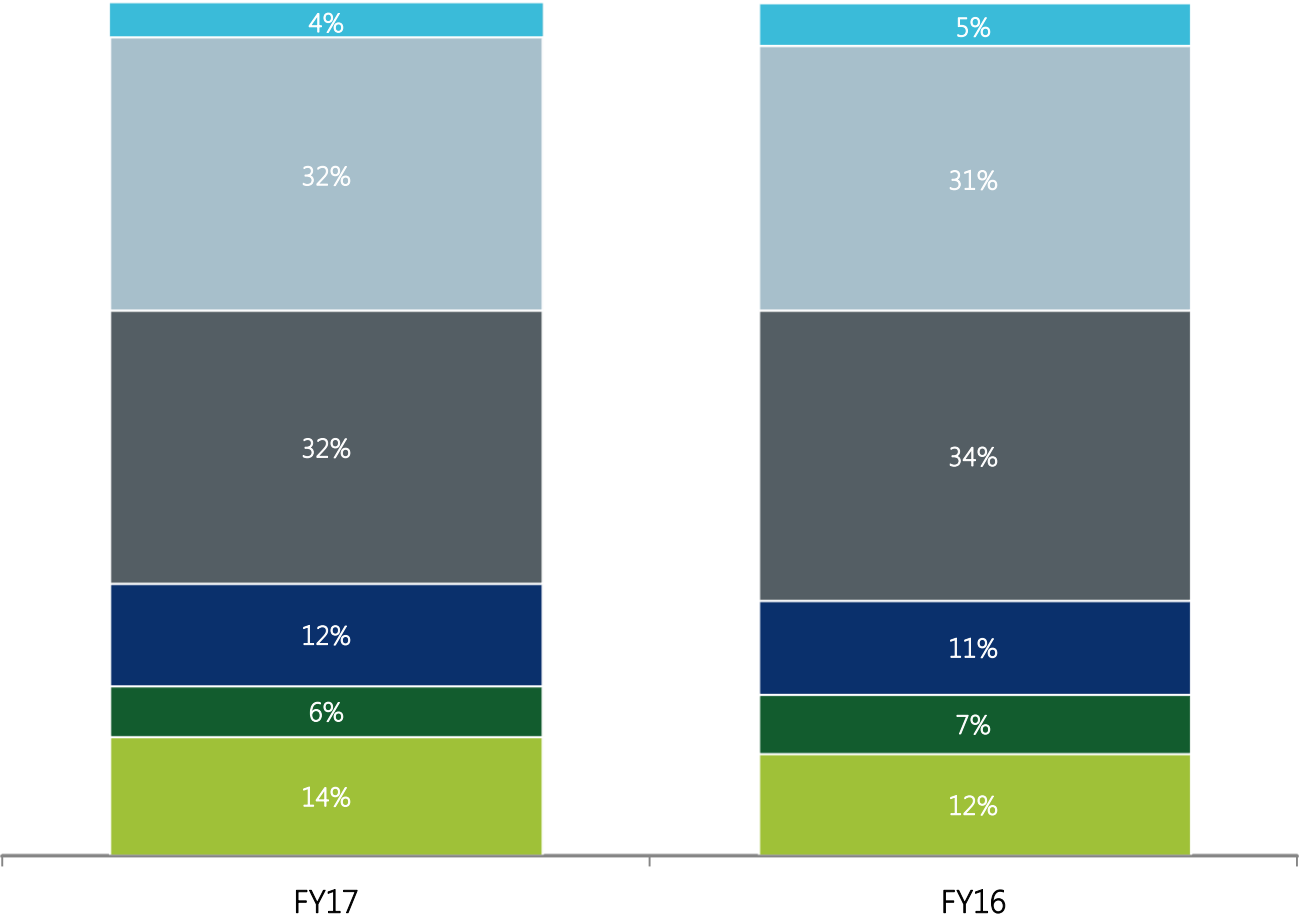


## LAND CREDITORS - PAYMENT PROFILE



# COMPLETIONS ANALYSIS – PRODUCT TYPE

- Flats (non-London)
- Flats (London)
- 1 & 2 Bed
- 3 Bed
- 4 Bed
- 5 & 6 Bed



## INVESTMENT IN JOINT VENTURES AND ASSOCIATES

£m	30 June 2017	30 June 2016
<u>Housebuilding</u>		
London	186.3	177.7
Non-London	24.2	52.0
Total housebuilding	210.5	229.7
<u>Other</u>		
Commercial	2.0	2.8
Equity share joint venture	-	23.1
Associates	0.6	0.3
Total	213.1	255.9

## JOINT VENTURES BREAKDOWN

Housebuild JV's only	FY18 (f'cast)	FY17	FY16
Completions			
- London	450	409	927
- Non-London	300	341	487
Total	750	750	1,414
Share of profit <sup>(1)</sup>			
- London	£15m	£10.0m	£54.9m
- Non-London	£10m	£16.3m	£17.3m
Total	£25m	£26.3m	£72.2m



## NET INTEREST CHARGE ANALYSIS

£m	FY17	FY16
Interest on term debt and overdrafts	3.3	5.1
Interest on private placement notes	3.9	3.9
Utilisation / non-utilisation fees on RCF's	4.1	4.4
Swap interest	11.9	7.8
Other interest	1.1	2.9
<b>Total cash interest</b>	<b>24.3</b>	<b>24.1</b>
Land creditors / deferred payables	32.5	34.5
Financing fees	3.3	2.9
Equity share	-	(2.9)
Pension	(0.4)	(0.4)
<b>Total non-cash interest</b>	<b>35.4</b>	<b>34.1</b>
<b>Total interest</b>	<b>59.7</b>	<b>58.2</b>

## FUTURE FINANCING ARRANGEMENTS

Loan Facility	Amount	Maturity	Interest basis
RCF facilities	£700m	December 2021	LIBOR +1.50% <sup>(1)</sup>
Private placement notes	£200m	August 2027	2.77%
Get Britain Building	£16.8m	March 2018	EU ref rate +1%

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