

Results presentation

Six months ended 31 December 2016

22 February 2017

David Thomas
Chief Executive



Strong financially and operationally

**Record H1
PBT**

£321.0m

Net cash⁽¹⁾

£196.7m

ROCE⁽²⁾

27.0%

**Record⁽³⁾
forward
order book**

£3,018.2m

**Improved &
extended
Capital
Return Plan**

**Experienced
build and
sales teams**

**80 NHBC Pride
in the Job
Awards & HBF
5 Star
housebuilder**

**Operating
margin⁽⁴⁾**

17.8%

(1) Net cash/debt is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. (2) Return on Capital Employed ('ROCE') is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items for the 12 months to December, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments; (3) Includes Joint Ventures ('JVs'), JV numbers referenced throughout the presentation are the total of JVs of which the Group has an interest, unless otherwise stated; (4) Operating margin is calculated as profit from operations (pre exceptionals) divided by revenue

Profit & loss

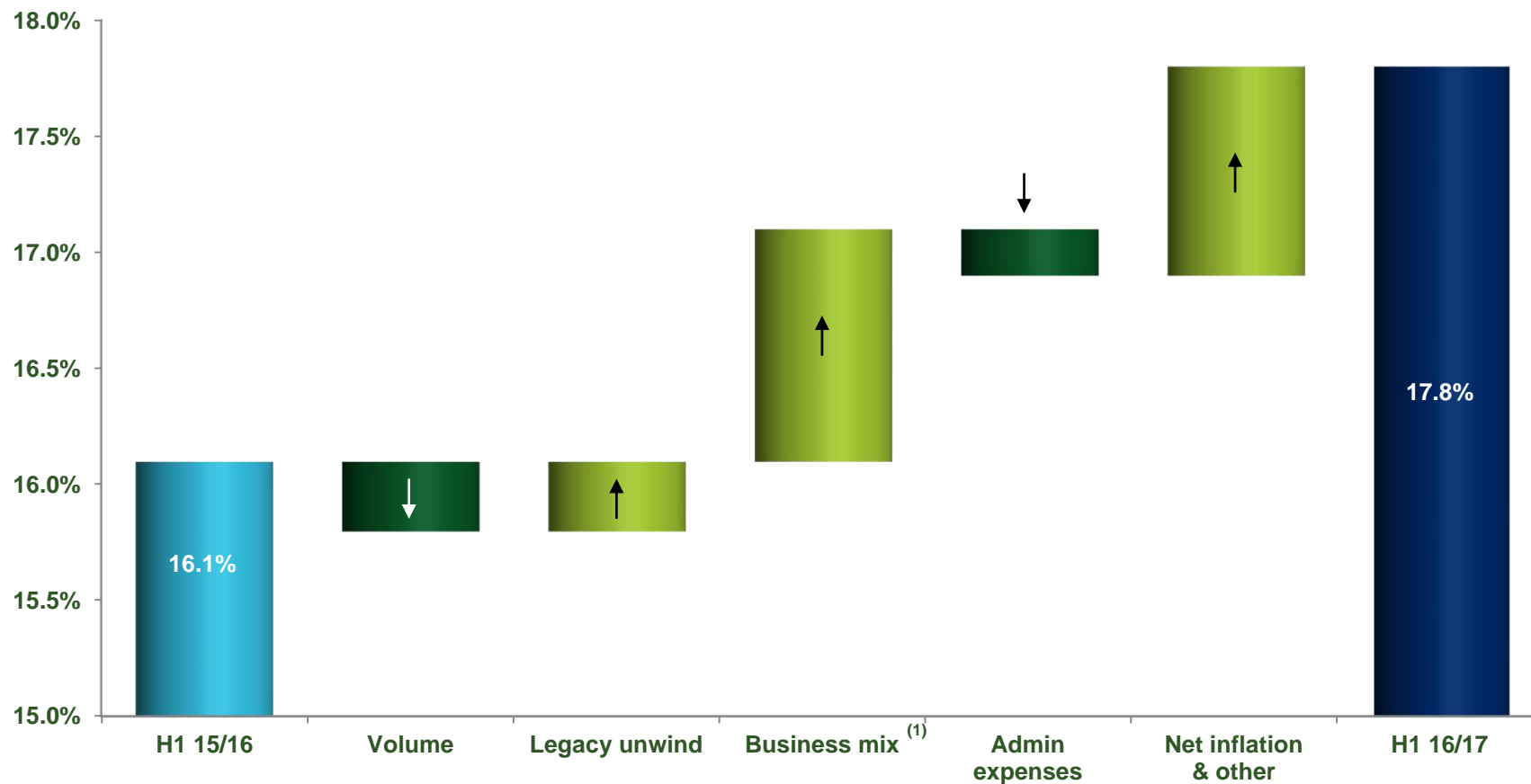
£m (unless otherwise stated)	H1 16/17	H1 15/16	Change
Revenue	1,816.2	1,875.5	(3.2%)
Gross profit	375.2	348.4	7.7%
<i>Gross margin</i>	20.7%	18.6%	2.1ppts
Total administrative expenses	(51.2)	(46.6)	(9.9%)
Operating profit	324.0	301.8	7.4%
<i>Operating margin</i>	17.8%	16.1%	1.7ppts
Finance costs	(29.4)	(29.8)	1.3%
Share of profit - JV/associates	26.4	23.0	14.8%
Profit before tax	321.0	295.0	8.8%

Revenue Summary⁽¹⁾

	H1 16/17	H1 15/16	Change
Completions			
Private	5,561	5,993	(7.2%)
Affordable	1,221	1,114	9.6%
Total	6,782	7,107	(4.6%)
% Affordable	18%	16%	2ppts
JV	398	519	(23.3%)
Total completions (inc JV)	7,180	7,626	(5.8%)
ASP (£'000)			
Private	296.4	281.1	5.4%
Affordable	115.3	109.2	5.6%
Total	263.8	254.2	3.8%
JV	528.8	360.6	46.6%

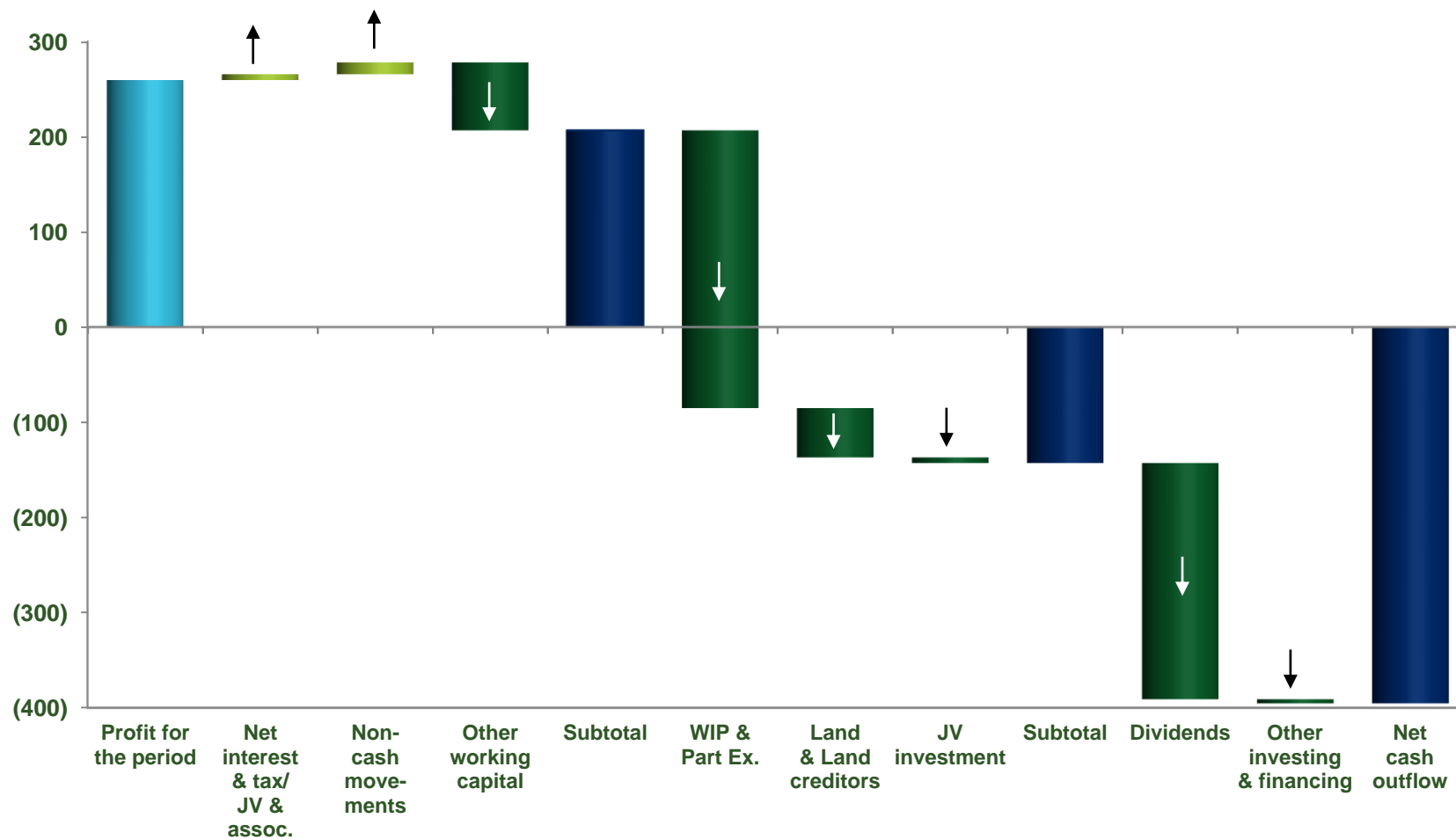
(1) Unless otherwise stated, all numbers exclude JVs throughout the presentation

Operating margin bridge



(1) Includes private / affordable, product, location and regional mix

Cash flow



Legacy assets reduced by 42%

£m	31 December 2016	31 December 2015
Old land ⁽¹⁾	149.6	218.3
WIP on old land	119.2	182.6
Equity share	4.3	92.3
Equity share – JV	22.3	25.5
Commercial pre 2009	20.4	25.7
Total	315.8	544.4

(1) Old land contracted prior to re-entry into land market in mid-2009

Guidance for FY17

Completions:	Modest growth in wholly owned completions c. 18% affordable c. 700 JV
ASP:	Total ASP in owned land bank of £267k
Total admin expenses:	c. £160m
JV share of profits:	c. £45m
Interest cost:	c. £65m (£25m cash, £40m non-cash)
Land cash spend:	c. £1bn
Land creditors:	30% to 35% of owned land bank
Year end net cash:	£350m to £400m

Imperial Park,
Northwich



Steven Boyes
Chief Operating Officer

Strong first half sales performance

- Strong sales performance in the first half, with regional⁽¹⁾ completions at their highest level in 9 years
- Help to Buy at 35% of total completions
- PX remains low at 9% of total completions
- Investor sales at 6% of total completions

	Average net private reservations per active outlet per week			Average net private reservations per week		
	H1 16/17	H1 15/16	Change	H1 16/17	H1 15/16	Change
Regional	0.66	0.63	4.8%	229	226	1.3%
London	1.20	1.43	(16.1%)	18	20	(10.0)%
Group	0.68	0.66	3.0%	247	246	0.4%
JV	1.27	1.00	27.0%	14	15	(6.7)%

(1) Other regions excluding London

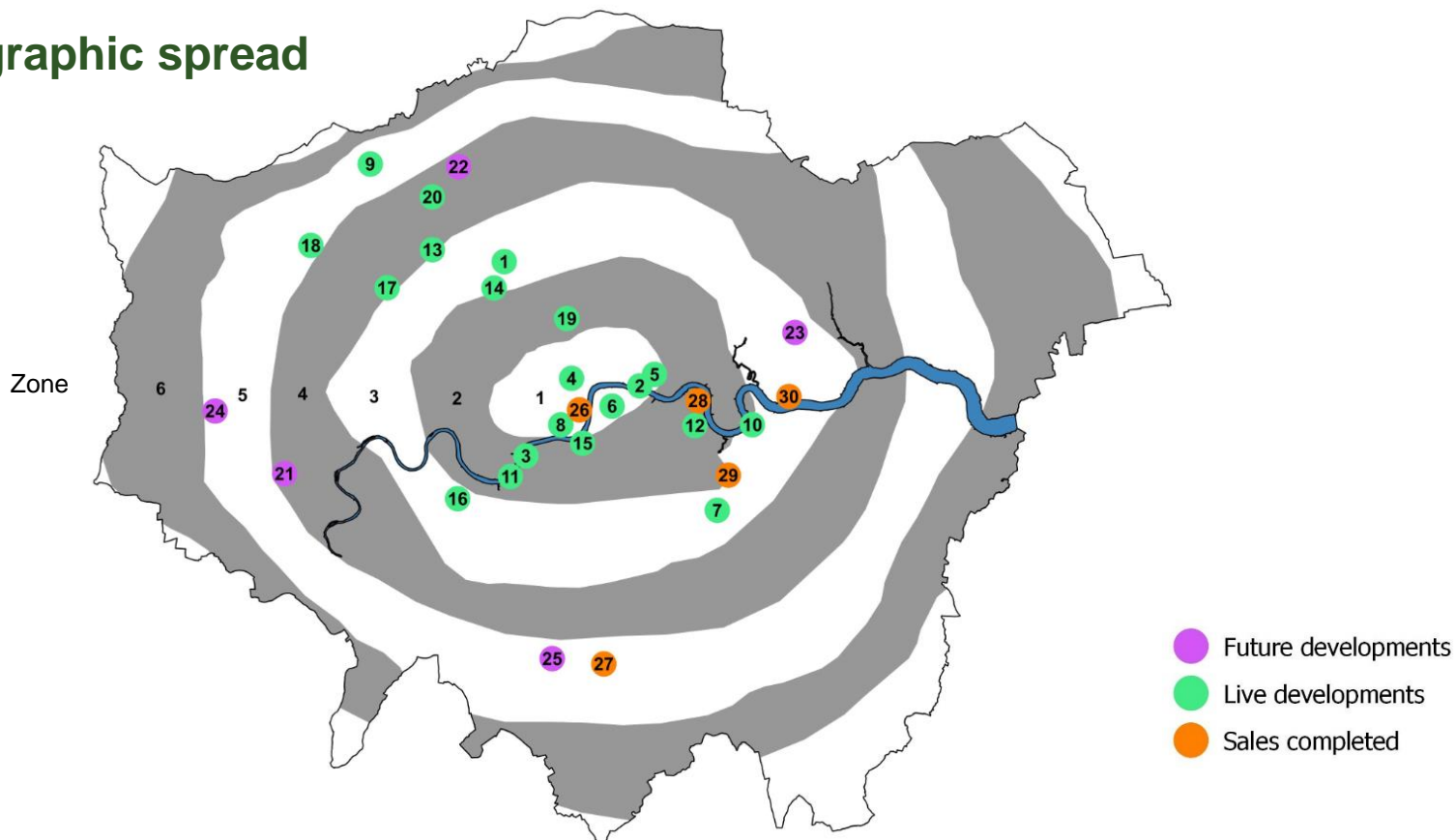
Pricing trends remain positive

- Good pricing trends across all regions, benefiting from mix and some underlying inflation
- London pricing affected by:
 - Rollout of high end London product
 - Less available product below £600k

Private ASP (£'000)	H1 16/17	H1 15/16	Change
Regional	286.0	266.4	7.4%
London	725.2	451.7	60.5%
Group	296.4	281.1	5.4%
JV	621.7	410.3	51.5%

Barratt London – balanced portfolio

Geographic spread

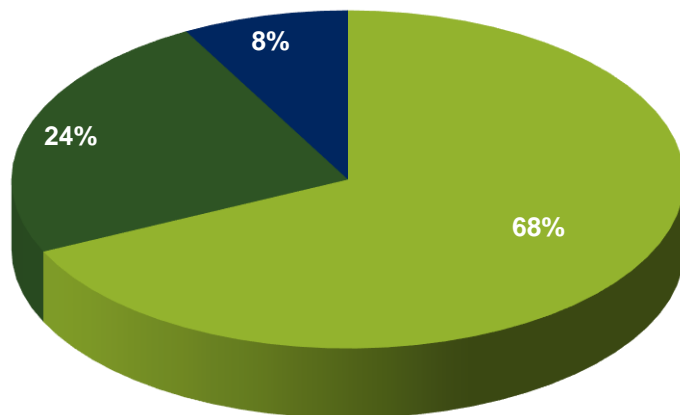


1) Hampstead Reach 2) Landmark Place 3) Lombard Wharf 4) Soho Thirteen 5) Aldgate Place 6) Blackfriars Circus 7) Catford Green 8) Chapter Street 9) Edgware Green, 10) Enderby Wharf 11) Fulham Riverside 12) Greenland Place 13) Hendon Waterside 14) Kidderpore Green 15) Nine Elms Point 16) Putney Rise 17) Wembley Park Gate 18) Harrow Square, 19) Camden Courtyards 20) Trinity Square 21) High Street Quarter 22) Mill Hill 23) Upton Gardens 24) Hayes 25) New Mill Quarter 26) Great Minster House 27) New South Quarter 28) Redwood Park 29) Renaissance 30) Waterside Park

Barratt London – balanced portfolio

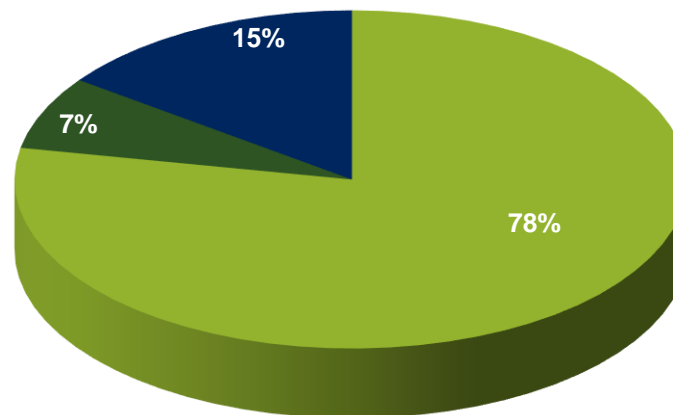
Land bank

92% of the London land bank is now below £1m



■ up to £600k ■ £600k to £1m ■ £1m+

78% of the land bank is now in Zones 3+



■ Zones 3+ ■ Zone 2 ■ Zone 1

Number of
locations

15

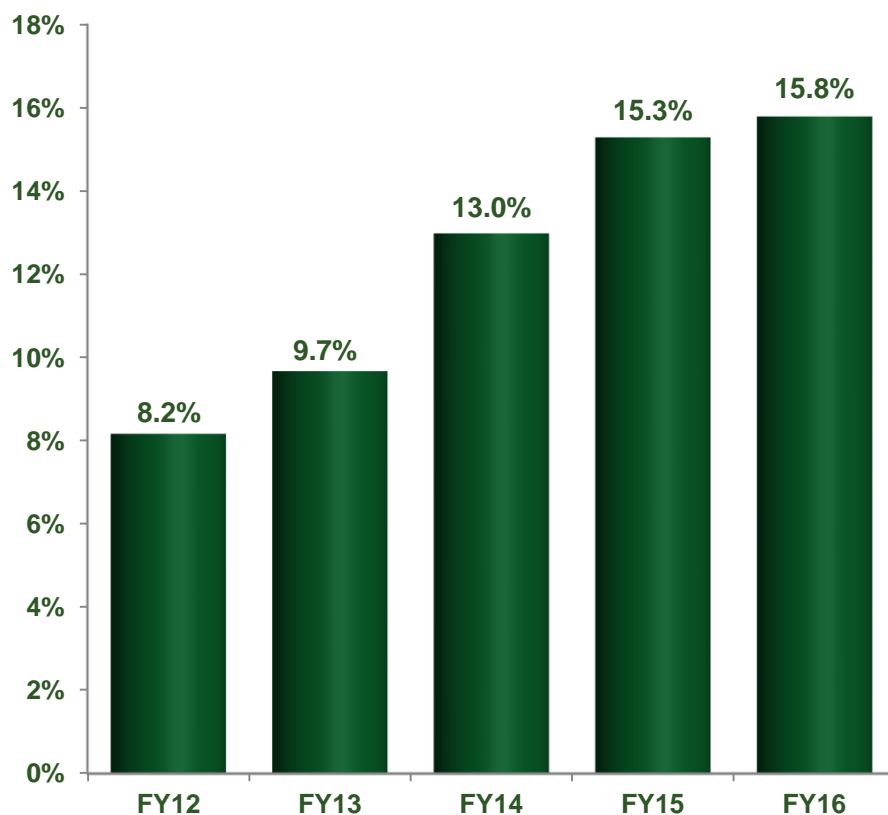
4

6

(1) Based on private owned and controlled land bank plots including JVs as at 31 December 2016

Driving operating margin

Barratt operating margin

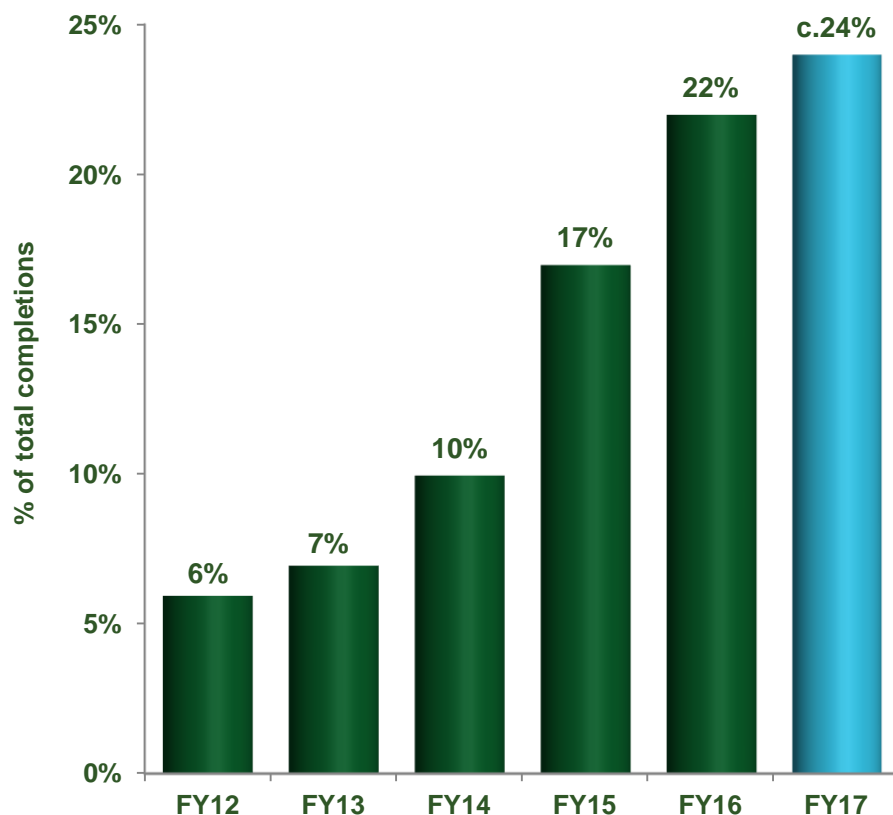


Key drivers

- Strategic land
- New product ranges
- Layout optimisation

Driving operating margin - strategic land

Strategic land completions



Increased contribution from strategic land

- Expect c. 24% of total completions in FY17
- Strategic portfolio of 11,400 acres⁽¹⁾ (270 locations)
- H1 16/17 – approved 689 acres (17 locations)
- H1 16/17 – converted 1,407 plots (10 locations) to owned land bank
- Average margin uplift of c. 300 basis points on strategic land acquired since mid-2009

(1) As at 31 December 2016

Driving operating margin – product type

Launch of new Barratt and David Wilson ranges

- 80% standard product outside of London
- Comprehensive market mix
- 32 different Barratt⁽¹⁾ housetypes
- Simpler to build but retains architectural value
- Reduced build cost
- Increased suitability for Modern Methods of Construction



(1) England and Wales range

Driving operating margin – plotting

Layout optimisation

- Product designed to maximise layout efficiency
- Housing white paper encourages higher density and efficient use of land
- Versatility of the range allows mix to be interchanged
- Coverage improvement of c.3% YTD



Cost environment

Build materials

- Modest inflationary pressures on material costs
- 90% of materials centrally procured
- 100% of material pricing fixed for FY17
- More than 40% of material pricing fixed for FY18

Currency

- 90% of materials manufactured in the UK
- Some products' supply chain could be affected by currency fluctuation
- Currency impact limited

Labour

- Labour cost increases in specific trades and locations
- Cost increases starting to moderate
- Implementing design changes to simplify build
- Increased use of off-site manufacturing

Expect build costs to increase by c. 2-3% in FY17 and c. 3-4% in FY18

An excellent performance in the first half

- Strong Group sales rate
 - Positive pricing trends
 - Focused on improving operating margin whilst maintaining our market leading build excellence and customer service
 - Continued increase in contribution from strategic land
 - New product ranges and greater efficiencies
 - Continue to actively manage our cost base
-

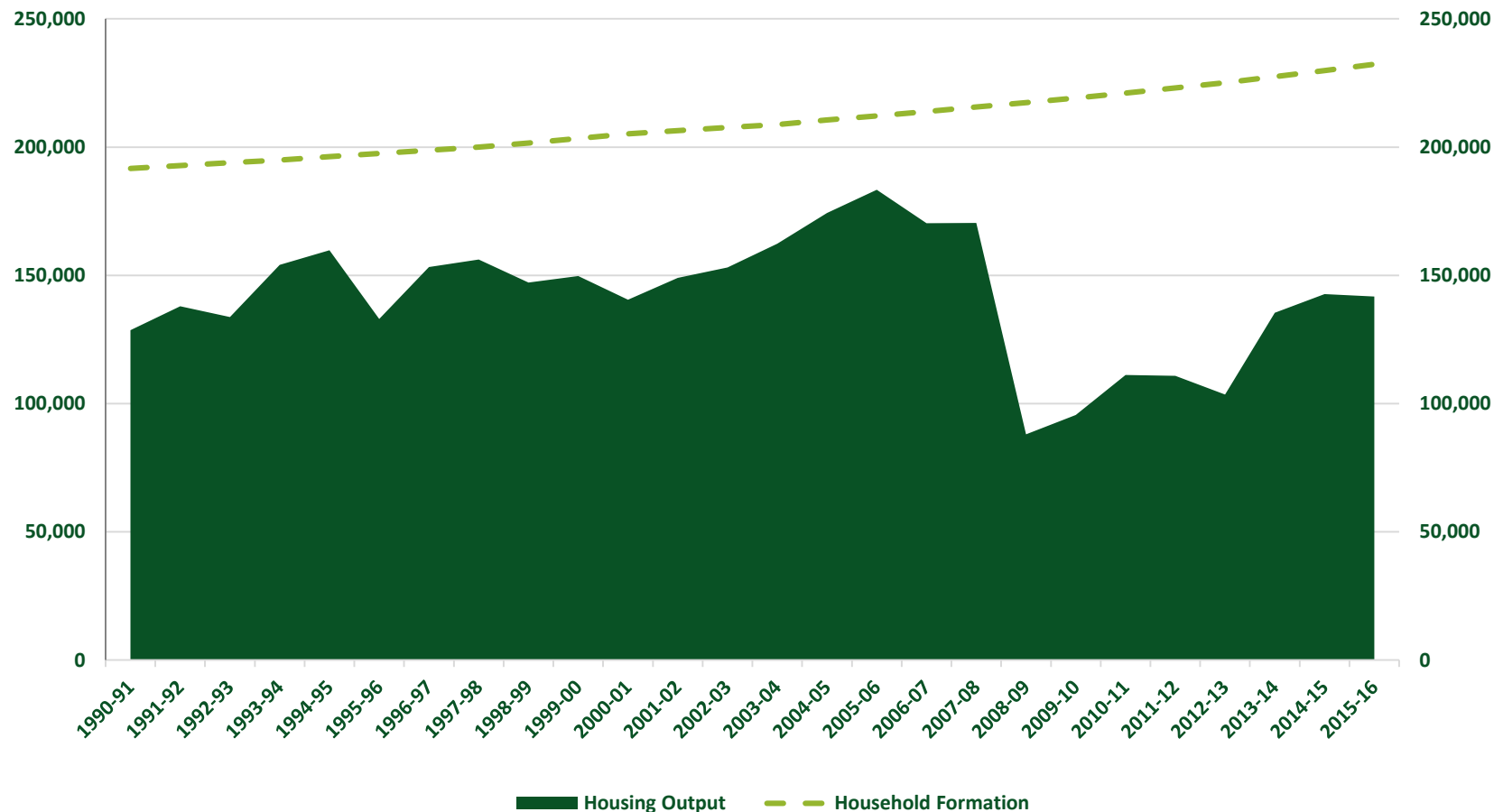
David Thomas
Chief Executive



Market fundamentals remain attractive

- Demand continues to exceed supply
- Strong Government support
- Positive lending environment
- Attractive land market

Demand continues to exceed supply



Strong Government support continues



National Planning Policy Framework



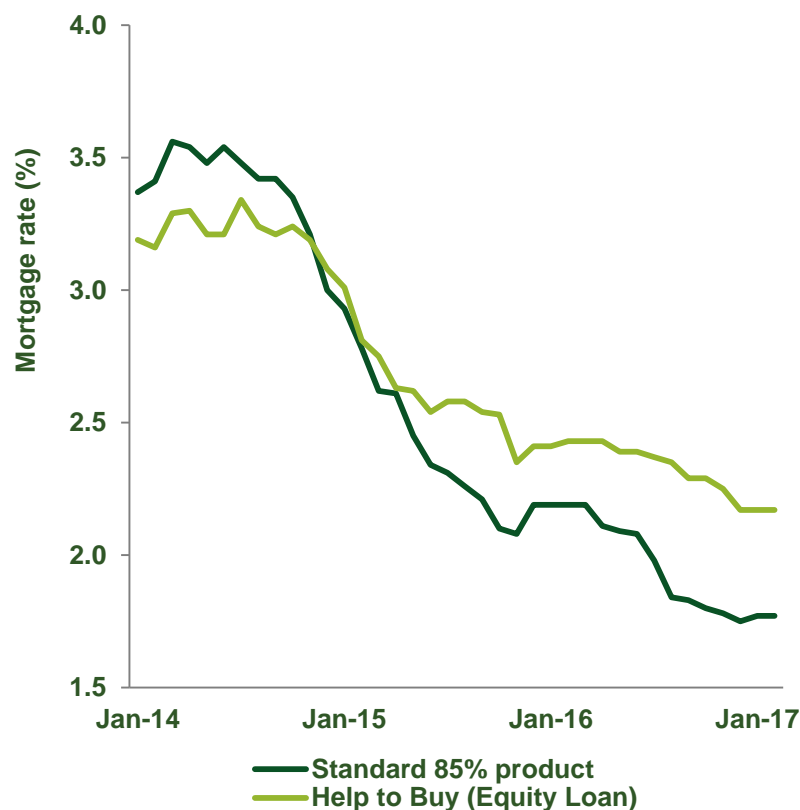
Leithfield Park, Godalming, ex NHS site

Government white paper

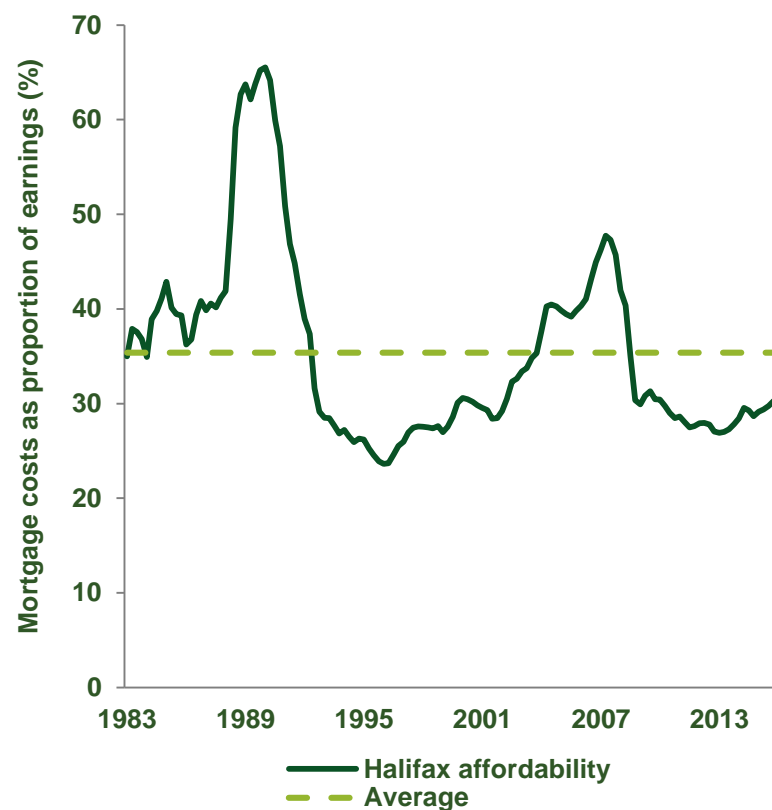
- Help to Buy reconfirmed to 2021
- Measures to increase supply of land and speed up planning
- Further pressure on local councils to properly assess their housing need and put in place plans
- Pressure regarding stalled sites unlikely to affect Barratt given our fast build and sell model

Affordable mortgage rates

Average mortgage rates⁽¹⁾



Halifax Mortgage Affordability Index⁽²⁾

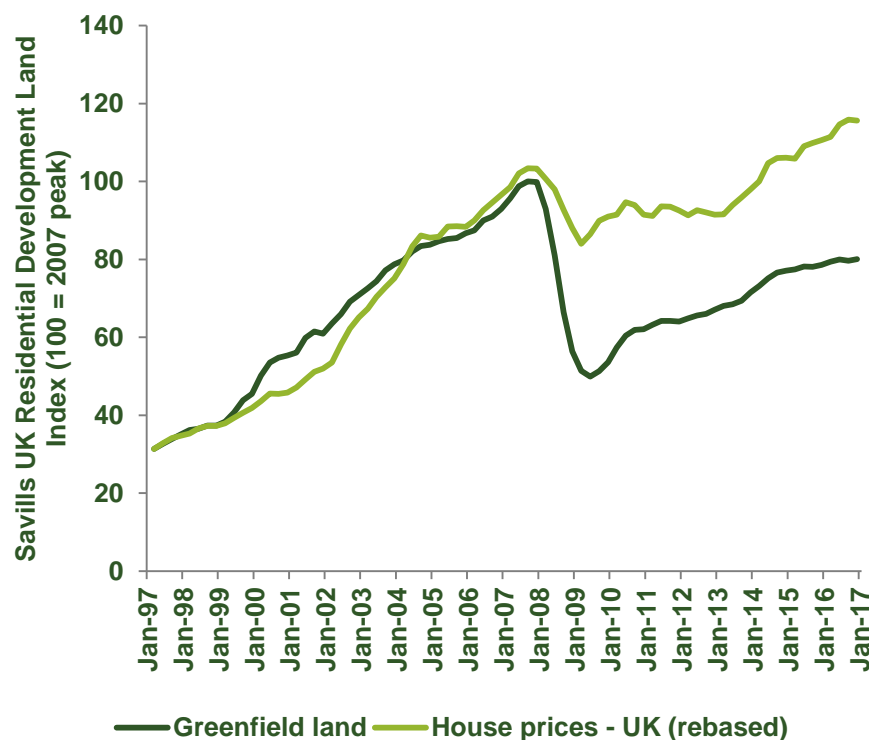


(1) Rates are an average from a basket of six lenders. Standard 85% product based on the best available rate with a fee not exceeding £1,000. HTB product based on the best available HTB equity share rate with no fee. Rates as at 26 January 2017

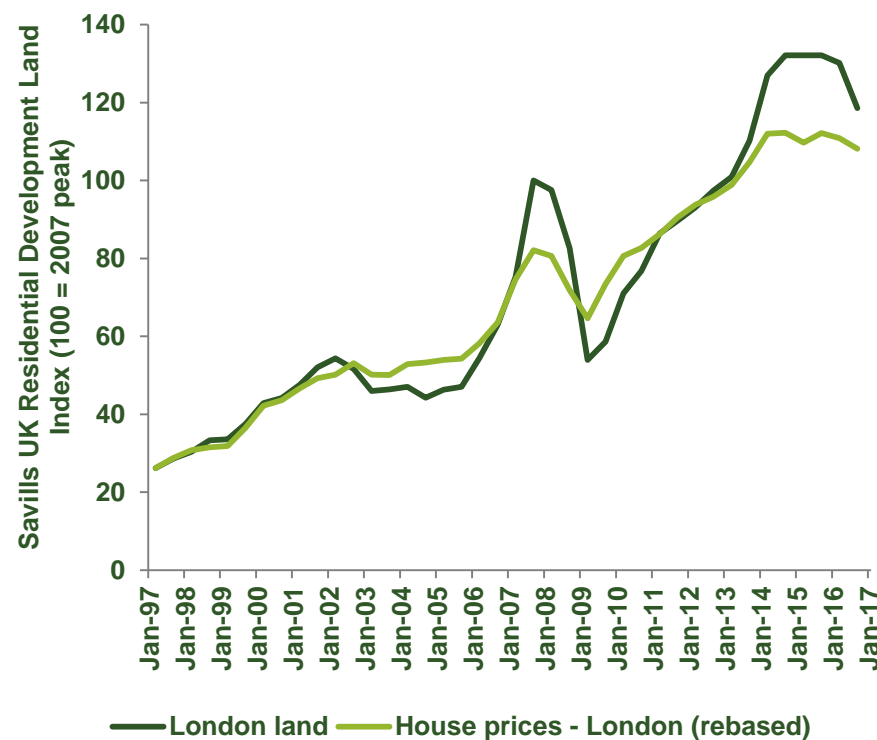
(2) The mortgage to earnings ratio is calculated using the Halifax standardised average house price (seasonally adjusted), average disposable earnings (calculated from average earnings for all full time employees (ASHE)) and the Bank of England monthly average rate for new advances to households (CFMBJ95)

Land market – London vs regional market

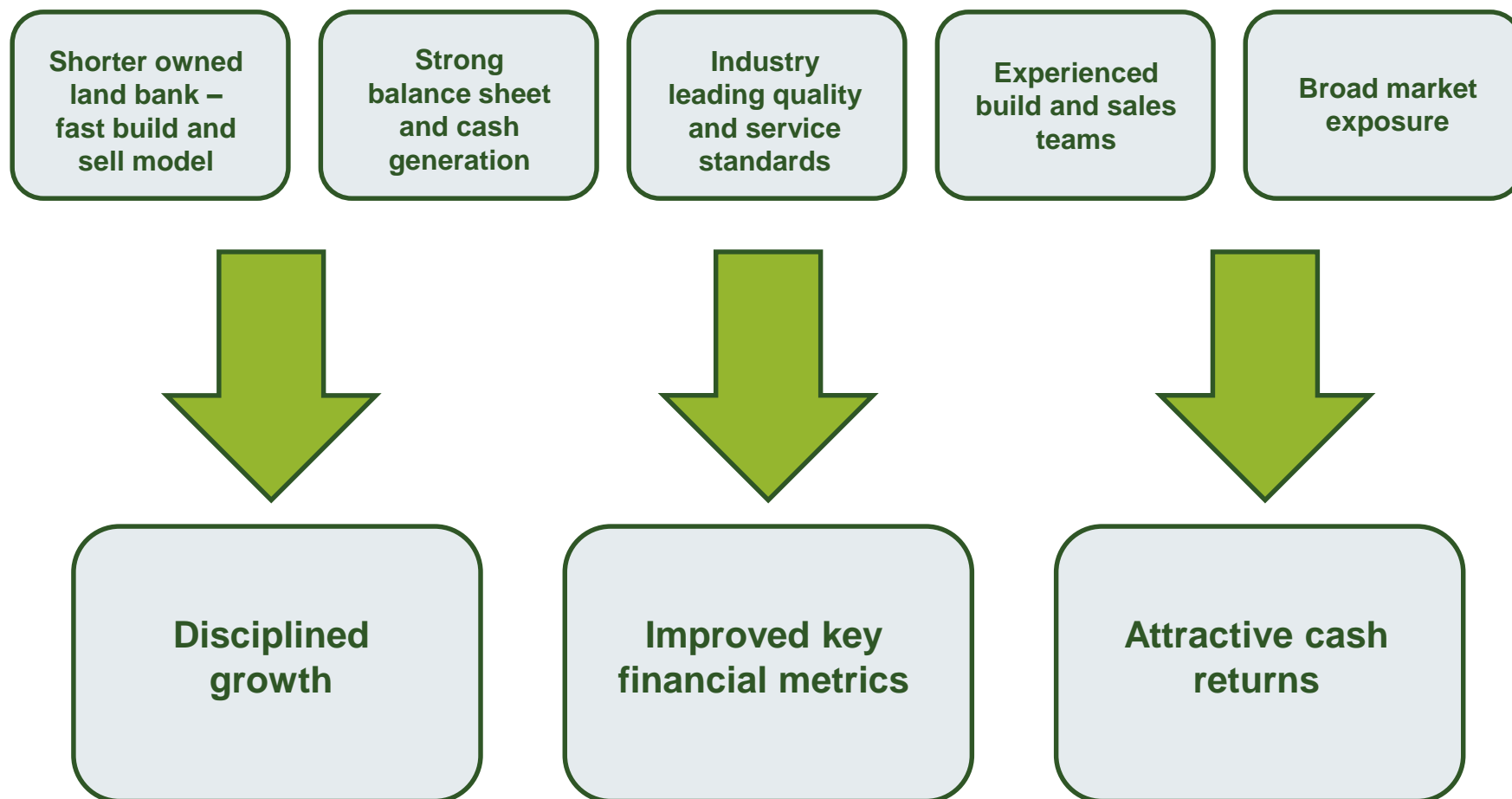
UK greenfield land vs UK house prices



London land vs London house prices



Investment proposition



Improved capital return plan⁽¹⁾

Ordinary dividend	Level of dividend cover 2.5x versus 3x previously
Special dividend programme	Special dividends of £175m proposed for November 2017 and November 2018
Summary	Expect to pay out c. £1.4bn in the four years to November 2018⁽²⁾
Interim dividend	One-third of expected full year ordinary dividend⁽²⁾
	7.3 pence per share (2016: 6.0 pence per share)

(1) All dividend payments are subject to shareholder approval

(2) Based on current Reuters consensus estimates of earnings

Operating framework

Targets for FY17

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⁽¹⁾	2.5x ordinary dividend cover
	Special dividend programme

(1) Subject to Shareholder approval



BARRATT
DEVELOPMENTS PLC

Current trading – record forward order book

	H2 16/17 to date	H2 15/16 to date	Change
Net private reservations per active outlet per average week	0.77	0.76	1.3%
Net private reservations per average week	290	280	3.6%
Total forward sales (including JV's)⁽¹⁾	£3,018.2m	£2,579.5m	17.0%

(1) As at 19 February 2017 and 21 February 2016

Positive on outlook

- Strong market fundamentals
- Attractive investment proposition
- We are focused and not complacent
- Clearly defined operating framework
- Strong current trading

Further good progress expected in FY17



Beecham Place, Midsomer Norton

Q&A



Appendices

Appendices

	Page
• Capital return plan	35
• Completions analysis	36
• Balance sheet	37
• Balance sheet – land bank	38
• Balance sheet – stock & WIP	39
• Strong first half sales performance	40
• Pricing trends remain positive	41
• Land bank by land type	42
• Land creditors payment profile	43
• Owned and conditional land bank by region	44
• Investment in joint ventures and associates	45
• Joint ventures breakdown	46
• Net interest charge analysis	47
• Financing arrangements	48
• Forward sales position	49

Capital return plan⁽¹⁾

Capital Return Plan ¹	Ordinary dividend £m	Special dividend £m	Total £m	Total pence per share
Year to November 2015	150.6	100.0	250.6	25.1
Year to November 2016	183.7	124.7	308.4	30.7
Year to November 2017	220.5 ^{(2),(3)}	175.0	395.5	39.3 ⁽³⁾
Year to November 2018	227.5 ^{(2),(3)}	175.0	402.5	40.0 ⁽³⁾
Total	782.3	574.7	1,357.0	135.1

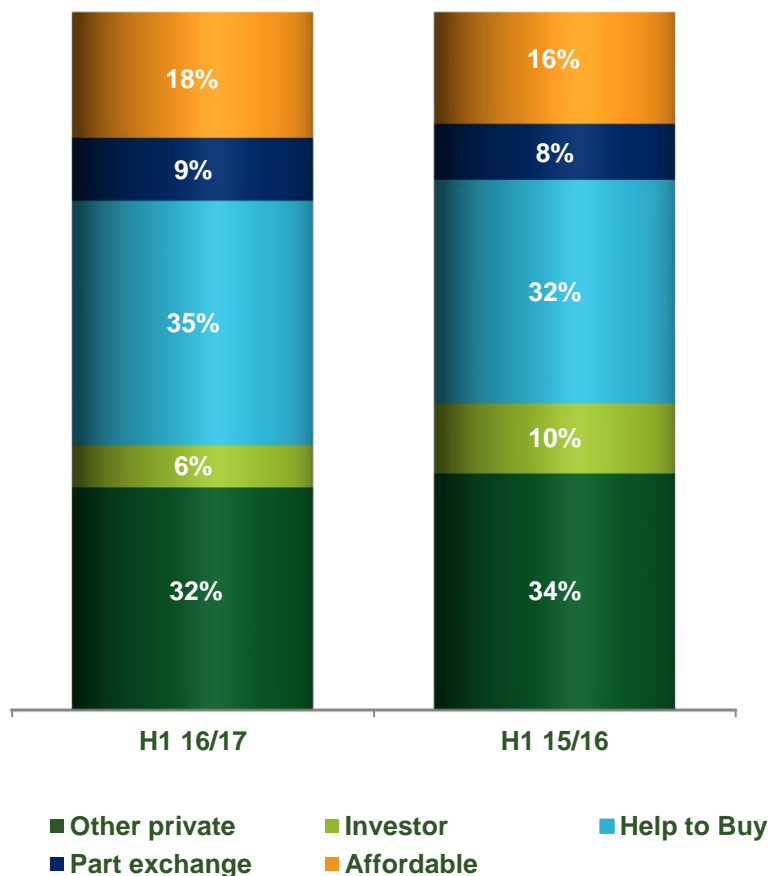
(1) All future ordinary and special dividends are subject to shareholder approval

(2) Based on Reuters consensus estimates of earnings per share of 54.7p for FY17 and 56.4p for FY18 as at 17 February 2017 and applying a two and a half times dividend cover in line with the announced policy

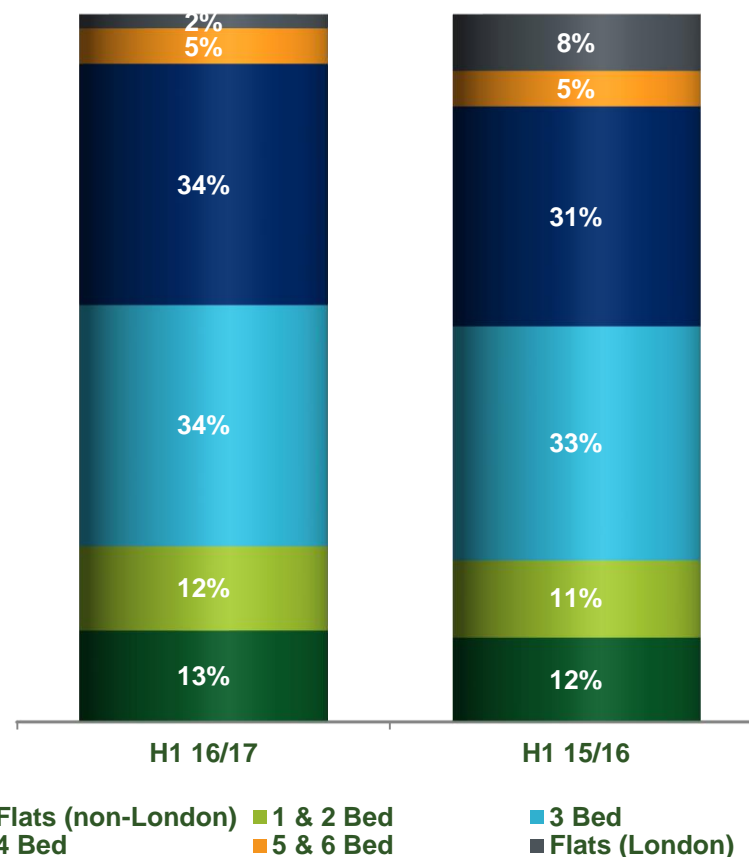
(3) Based upon 31 December 2016 share capital of 1,006,940,985 shares for proposed payments

Completions analysis

Buyer type



Product mix



Balance sheet

£m	31 December 2016	31 December 2015
Goodwill and intangible assets	892.2	892.2
Equity share asset	4.3	92.3
Investment in joint ventures and associates	254.6	223.3
Pension scheme liability/asset	(10.2)	19.6
Gross land bank	2,801.3	2,860.1
Land creditors	(961.6)	(1,025.8)
Net land bank	1,839.7	1,834.3
WIP	1,673.8	1,448.8
Other assets	170.8	153.7
Net cash	196.7	24.2
Trade payables	(325.9)	(310.8)
Other payables ⁽¹⁾	(608.3)	(539.3)
Tax liabilities	(68.9)	(59.8)
Net swaps ⁽²⁾	(8.5)	(14.8)
Net assets	4,010.3	3,763.7

(1) Excluding land creditors

(2) Excluding foreign exchange swaps

Balance sheet – land bank

	31 December 2016	31 December 2015
Land bank plots		
Owned / unconditional contracts	52,976	52,007
Conditional contracts	24,120	19,949
Total land bank plots	77,096	71,956
JV plots – owned / conditional	4,911	6,124
Total land bank plots (including JV's)	82,007	78,080
Land bank years		
Years supply – Total⁽¹⁾	4.9	4.5
Years supply – Total (including JV's)⁽²⁾	4.9	4.6
Land bank pricing (£'000)		
Cost of plots acquired	39.3	50.6
Cost of plots in P&L	50.9	51.5
Cost of plots in balance sheet	50.5	52.7

(1) Based on 15,580 completions for the 12 months to 31 December 2016 and 15,994 completions for the 12 months to 31 December 2015

(2) Based on 16,873 completions including JVs for the 12 months to 31 December 2016 and 17,102 completions including JVs for the 12 months to 31 December 2015

Balance sheet – stock & WIP

	31 December 2016		31 December 2015	
	Units	£m	Units	£m
Stock (build complete)				
- Reserved	313		324	
- Unreserved	402		409	
- Showhomes	95		110	
Total	810	147	843	141
<i>Unreserved per active site</i>	<i>1.1</i>		<i>1.1</i>	
WIP (including build complete stock)		1,674		1,449
Part-exchange				
- Reserved	149	30	135	21
- Unreserved	173	34	145	24
Total	322	64	280	45

Strong first half sales performance⁽¹⁾

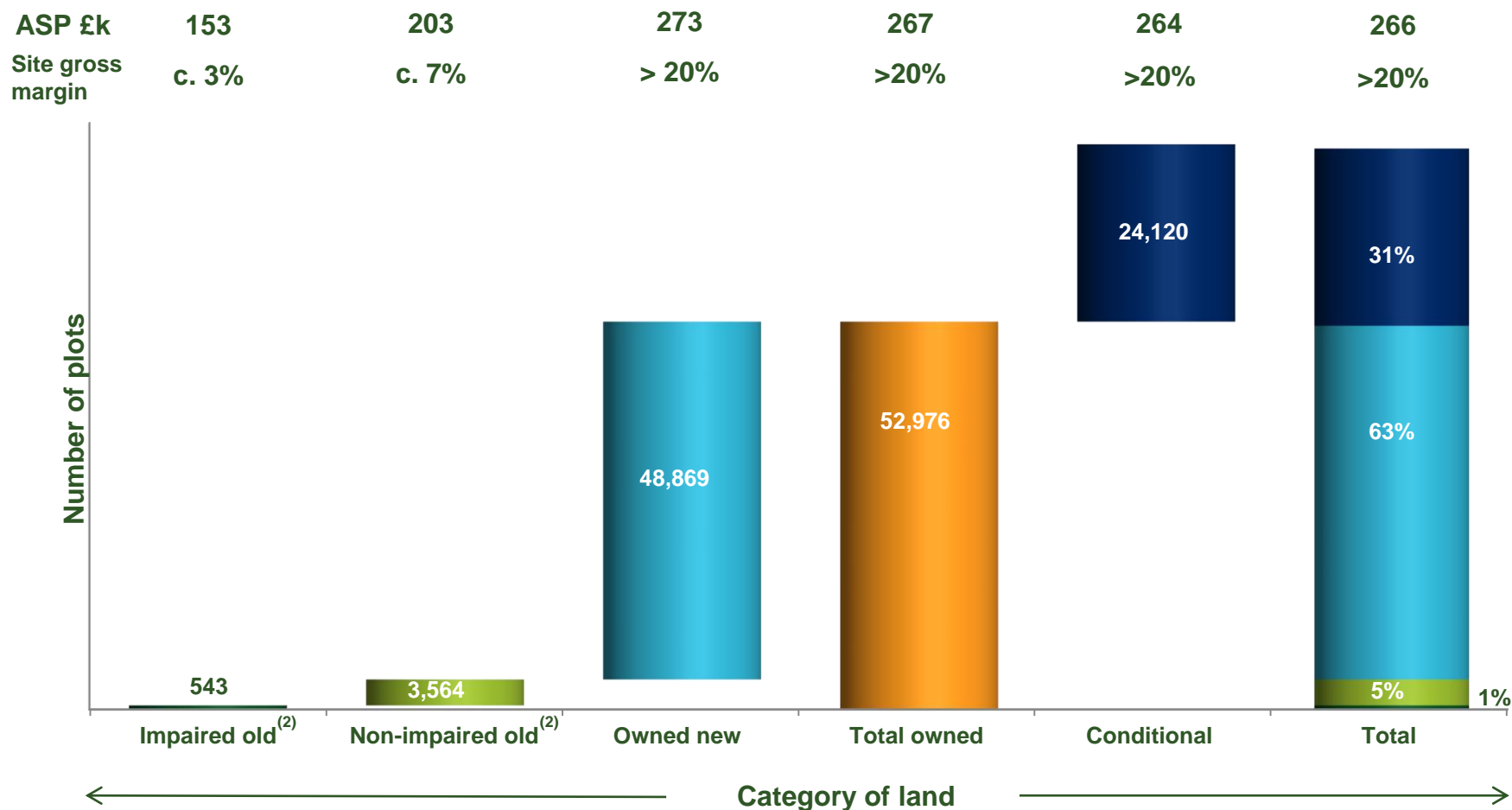
Average net private reservations per active outlet per week	H1 16/17	H1 15/16	Change
Scotland	0.67	0.61	9.8%
Northern	0.64	0.59	8.5%
Central	0.62	0.58	6.9%
East	0.70	0.67	4.5%
West	0.59	0.63	(6.3%)
London	1.20	1.43	(16.1%)
Southern	0.80	0.80	-
Group	0.68	0.66	3.0%

(1) H1 15/16 restated under H1 16/17 regional structure, Scotland and Northern were previously combined as Northern and the Eastern Counties division has moved to be part of East region from Southern region. This is replicated throughout the presentation where a regional split is shown.

Pricing trends remain positive

Private ASP (£'000)	H1 16/17	H1 15/16	Change
Scotland	242.3	221.7	9.3%
Northern	248.1	229.9	7.9%
Central	239.4	226.1	5.9%
East	295.1	282.1	4.6%
West	308.0	281.7	9.3%
London	725.2	451.7	60.5%
Southern	396.0	369.3	7.2%
Group	296.4	281.1	5.4%

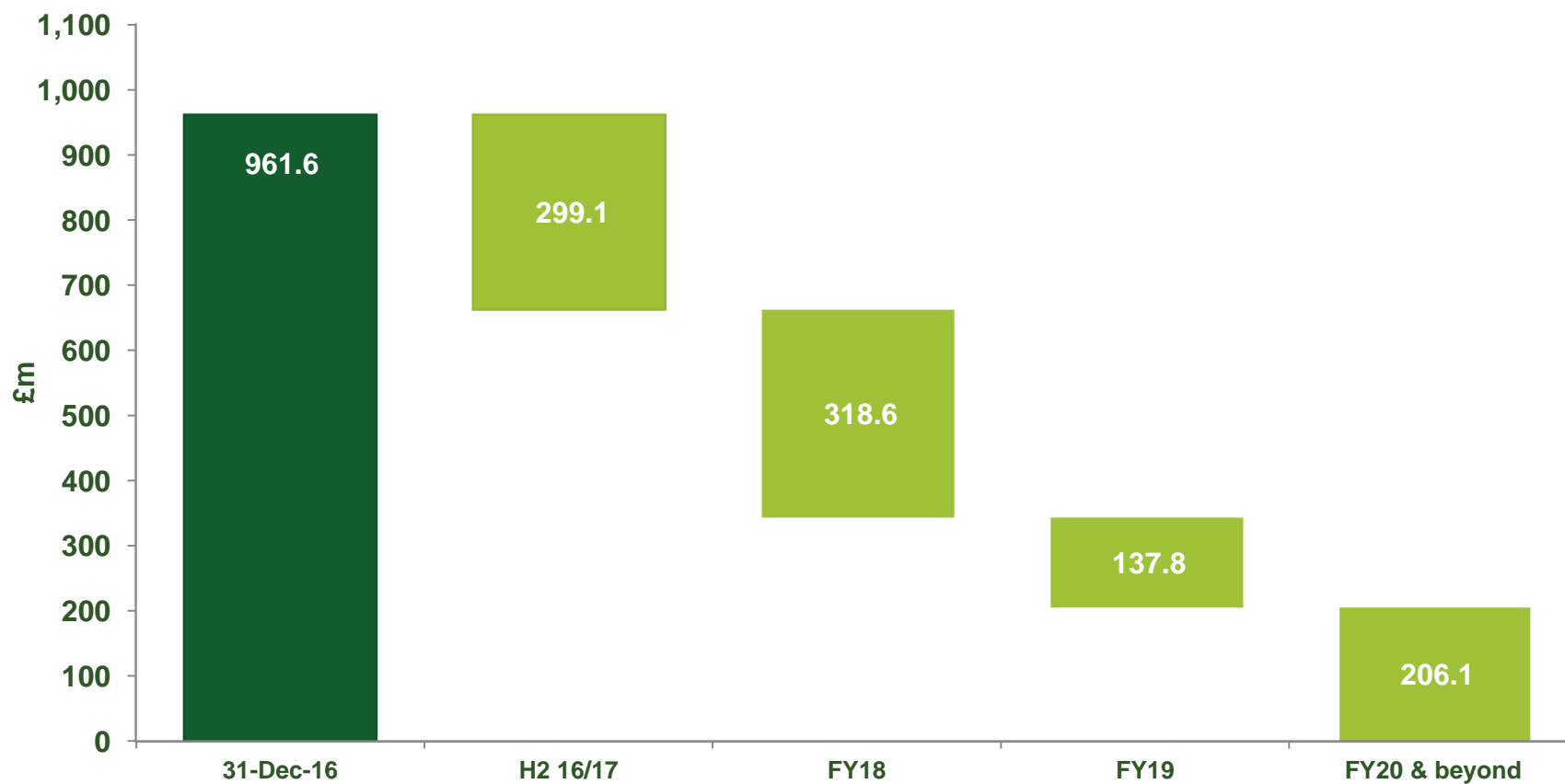
Land bank by land type⁽¹⁾



(1) Analysis is based on land bank as at 31 December 2016 and on current selling prices

(2) Old land contracted prior to re-entry into land market in mid-2009

Land creditors payment profile





BARRATT
DEVELOPMENTS PLC

Owned and conditional land bank by region

Years supply⁽¹⁾ owned and conditional land



	Plots as at 31 December 2016
Owned land	52,976
Conditional land	24,120
Total controlled	77,096
JV owned & conditional	4,911
Total	82,007

(1) Years supply based on completion volumes in the 12 month period to December and includes JVs



BARRATT
DEVELOPMENTS PLC

Investment in joint ventures and associates

£m	31 December 2016	31 December 2015
<u>Housebuilding</u>		
London	193.8	154.0
Non-London	36.0	40.8
Total housebuilding	229.8	194.8
<u>Other</u>		
Commercial	2.1	2.8
Equity share joint venture	22.3	25.5
Associates	0.4	0.2
Total	254.6	223.3

Joint ventures breakdown

Housebuild JV's only	FY17 (f'cast)	FY16	FY15
Completions			
- London	c. 400	927	501
- Non-London	c. 300	487	347
Total	c. 700	1,414	848
Share of profit⁽¹⁾			
- London	c. £35m	£54.9m	£35.5m
- Non-London	c. £10m	£17.3m	£10.1m
Total	c. £45m	£72.2m	£45.6m

(1) JV income is accounted for in the Group Consolidated Income Statement net of interest and net of tax for limited companies but not LLPs

Net interest charge analysis

£m	H1 16/17	H1 15/16
Interest on term debt and overdrafts	1.7	2.3
Interest on private placement notes	2.0	2.0
Utilisation / non-utilisation fees on RCF's	2.1	2.3
Swap interest	3.4	3.6
Other interest	2.4	1.4
Total cash interest	11.6	11.6
Land creditors / deferred payables	16.5	18.7
Financing fees	1.5	1.5
Equity share	-	(1.8)
Pension	(0.2)	(0.2)
Total non-cash interest	17.8	18.2
Total interest	29.4	29.8

Financing arrangements

Loan Facility	Amount	Maturity	Interest basis
RCF facilities	£700m ⁽¹⁾	December 2021	LIBOR +1.25% ⁽²⁾
Private placement notes - May 2011 Issue	£48m ⁽³⁾	August 2017	8.1%
Pru M&G UK Companies Fund	£100m	July 2019 – July 2021 ⁽⁴⁾	3m LIBOR +4.00% ⁽⁵⁾
Get Britain Building & Growing Places Fund	£22m	March 2017 – March 2018	EU ref rate +1%
Interest rate swaps ⁽⁶⁾	£137m		c. 6.0%

(1) Amend and Extend completed in December 2016 to remove the £150m step-down and extend RCF from 2019 to 2021

(2) Does not include utilisation and non-utilisation fees, based on margin applied as at 31 December 2016

(3) Amount is net of gain on US\$ foreign exchange swaps. Private placement notes have a make-whole provision for early redemption

(4) Loan Can be repaid penalty free from 1 January 2017

(5) Based on margin applied as at 31 December 2016

(6) £112m of interest rate swaps mature in May 2017 and the £25m May 2022 swap contains a clause that allows the Group or counterparts to cancel the swap in May 2017 at fair value

Forward sales position

	19 February 2017		21 February 2016		£m change
	£m	Plots	£m	Plots	
Private	1,945.8	5,579	1,564.1	5,169	24.4%
Affordable	769.8	6,187	523.4	4,448	47.1%
Wholly owned	2,715.6	11,766	2,087.5	9,617	30.1%
JV	302.6	965	492.0	1,369	(38.5%)
Total	3,018.2	12,731	2,579.5	10,986	17.0%

Disclaimer

This document has been prepared by Barratt Developments PLC (the “**Company**”) solely for use at a presentation in connection with the Company's Half Year Results Announcement in respect of the six months ended 31 December 2016. For the purposes of this notice, the presentation (the “Presentation”) shall mean and include these slides, the oral presentation of the slides by the Company, the question-and-answer session that follows that oral presentation, hard copies of this document and any materials distributed at, or in connection with, that presentation.

The Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire, securities of the Company in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

Statements in this Presentation, including those regarding the possible or assumed future or other performance of the Company or its industry or other trend projections may constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of this Presentation and the Company undertakes no obligation to update these forward-looking statements.

The information and opinions contained in this Presentation do not purport to be comprehensive, are provided as at the date of the Presentation and are subject to change without notice. The Company is not under any obligation to update or keep current the information contained herein.
