

RESULTS PRESENTATION

Year ended 30 June 2018

5 September 2018

Saxon Gate, Stonehouse



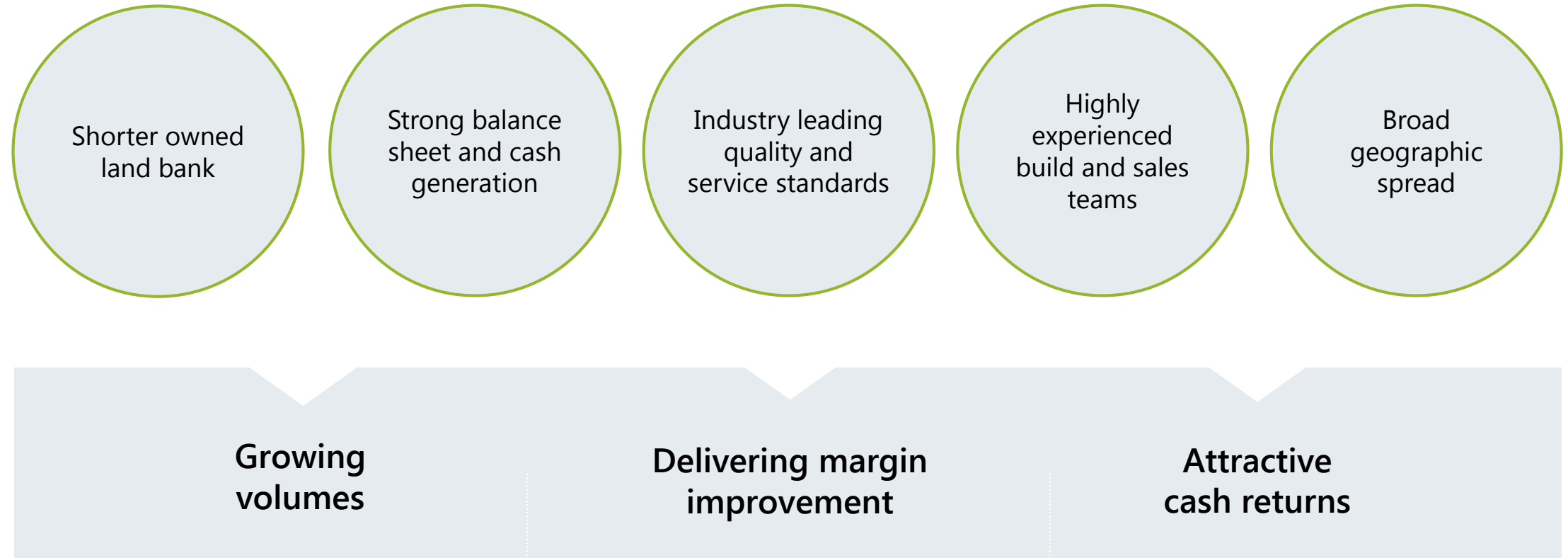
David Thomas
Chief Executive

St Wilfrid's Walk, Brayton

KEY HIGHLIGHTS

- Strong financial and operational performance for the full year
- Strong market fundamentals
- Highest number of completions in a decade – commitment to grow volumes
- Margin improvement initiatives starting to deliver
- Attractive cash returns
- Confidence in the business going forward - new medium term targets

INVESTMENT PROPOSITION



MEDIUM TERM TARGETS

Completions	3-5% growth per annum Present business capacity of 20,000
Gross margin	New land acquisitions at minimum 23% gross margin
ROCE	Minimum 25%

A row of modern, two-story brick houses with grey tiled roofs. The houses feature a mix of red brick and cream-colored rendered sections. The central house has a prominent yellow gable and a small porch. The houses are set back from a paved road by a green lawn and small shrubs.

Steven Boyes
Chief Operating Officer

STRONG SALES PERFORMANCE

- Consistent sales rate of 0.72, in-line with strong prior year
- H2 sales rate of 0.77, also in-line with prior year
- Strong JV sales rate with prior year impacted by bulk sales

	Average net private reservations per active outlet per week		
	FY18	FY17	Change
Regional	0.71	0.70	1.4%
London	1.08	1.07	0.9%
Group	0.72	0.72	-
JV	1.00	1.27	(21.3%)

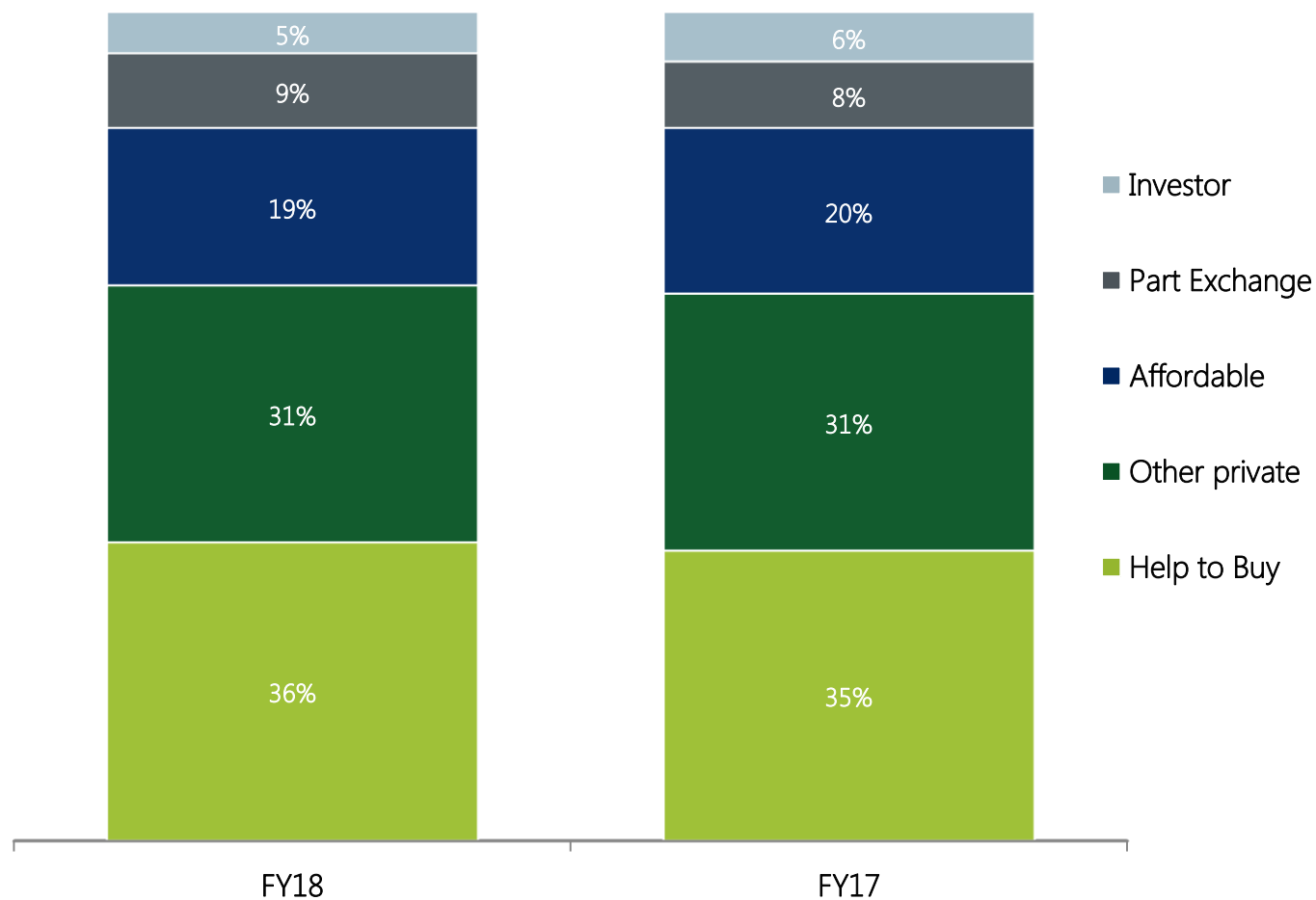
COMPLETION GROWTH

- Completions at highest level for a decade
- Wholly owned London completions lower
 - in-line with build programmes
 - strong trading into year-end
- JV completion growth driven by London sites in Outer London

	Completions		
	FY18	FY17	Change
Regional	15,866	15,500	2.4%
London	814	1,145	(28.9%)
Group	16,680	16,645	0.2%
JV	899	750	19.9%
Total	17,579	17,395	1.1%

COMPLETIONS ANALYSIS – BUYER TYPE

- Similar profile year on year
- Help to Buy remains an important customer proposition



PRICING TRENDS REMAIN POSITIVE

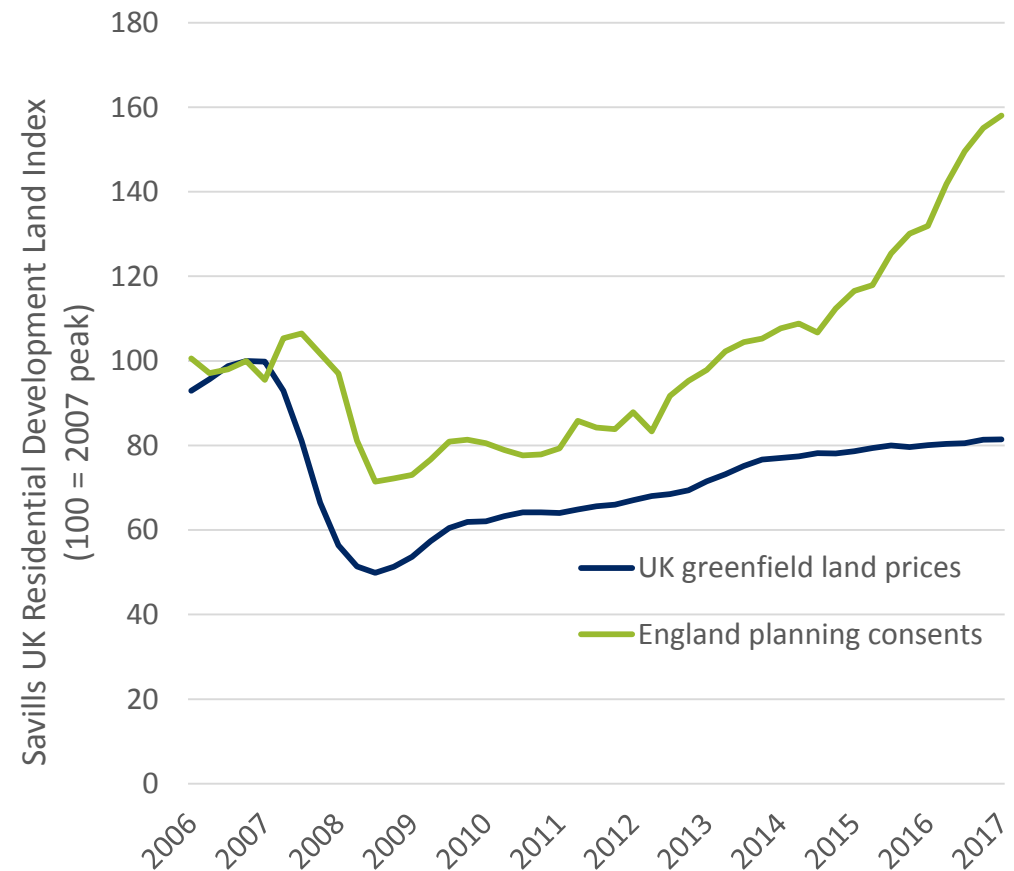
- Good pricing trends across the regional business
- London up significantly due to roll-out of higher ASP sites

	Private completions average selling price (£'000)		
	FY18	FY17	Change
Regional	302.4	291.5	3.7%
London	809.8	621.2	30.4%
Group	328.8	313.1	5.0%
JV	520.7	589.1	(11.6%)

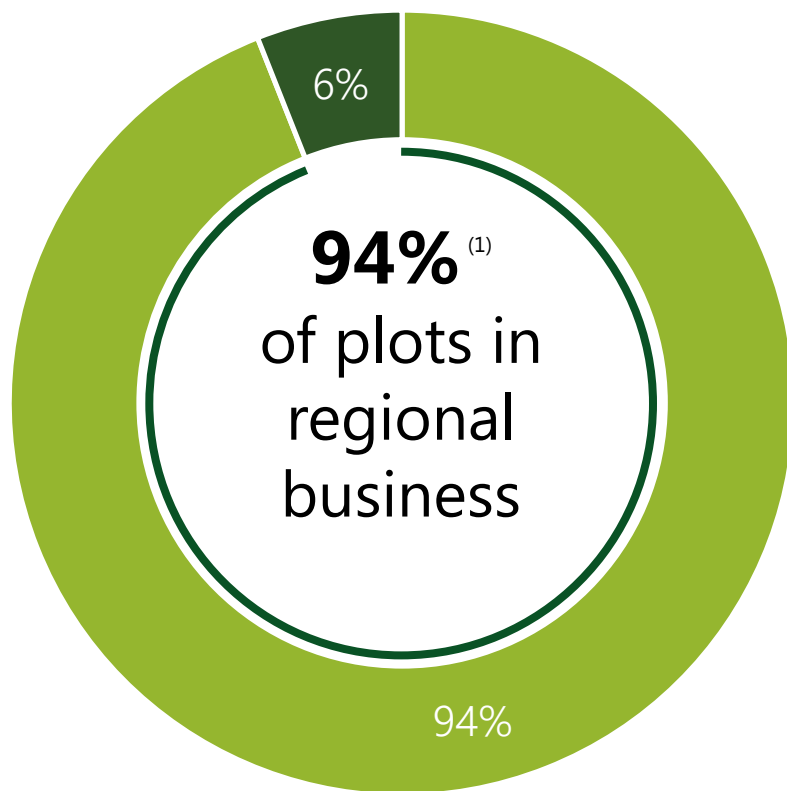
LAND MARKET

- Land prices remain broadly flat
- High quality land opportunities across the country
- Significant increase in planning consents granted
- Improved layout coverage with standard product in regional business
- Land approvals
 - FY18: 20,951
 - Medium term: 18,000-22,000 plots per annum

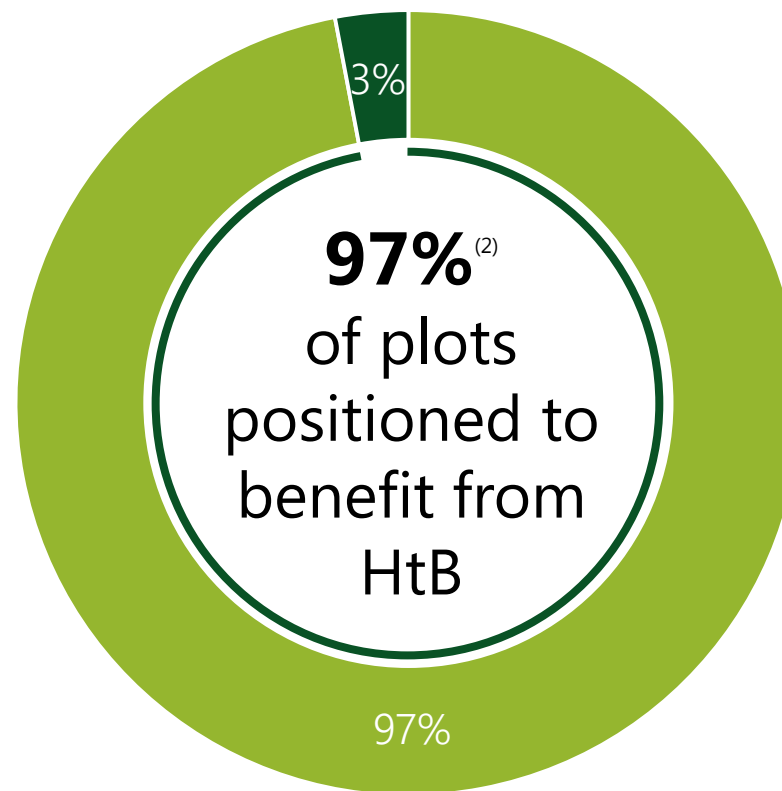
Savills UK Residential Land Index versus HBF planning consents



LAND BANK

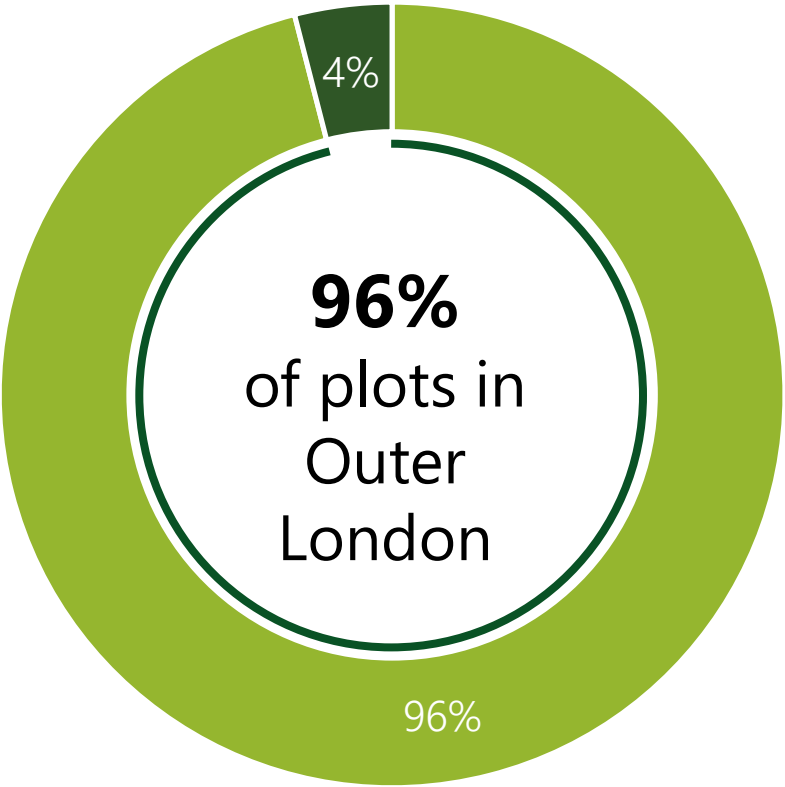


■ Regional ■ London

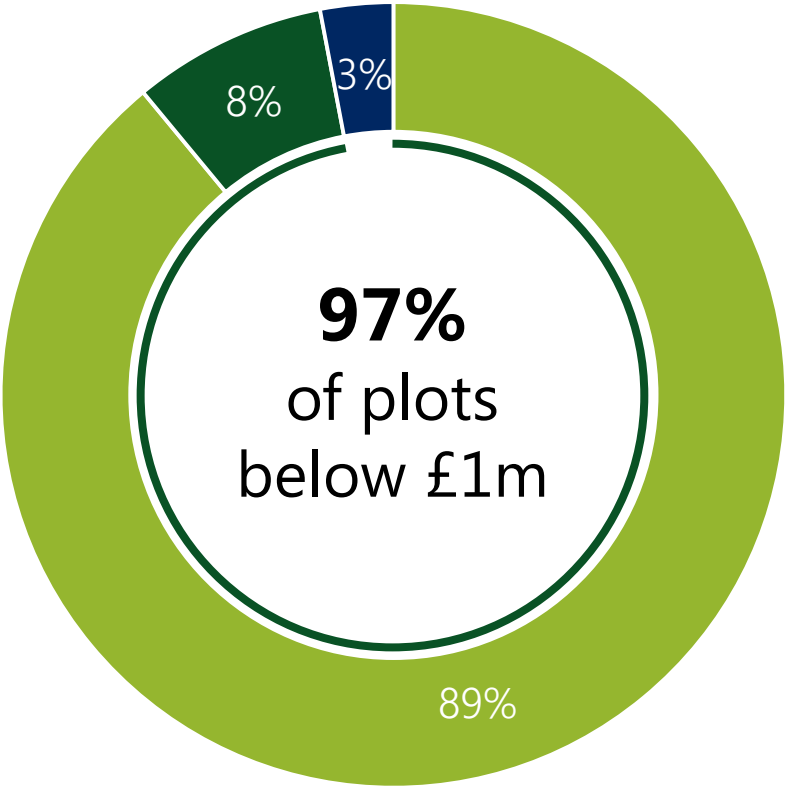


■ up to £600k ■ £600k+

BARRATT LONDON – WHOLLY OWNED LAND BANK⁽¹⁾



■ Outer London ■ Central London



■ up to £600k ■ £600k to £1m ■ £1m+

Current: 118 Central London private, wholly owned units remaining, 77 reserved

(1) Private owned and controlled land bank plots excluding JVs as at 30 June 2018

WESTERN CIRCUS, EAST ACTON



- Existing use: Homebase store
- GDV: £173m
- Private ASP: c. £540k



- Total units: 333
- Affordable units: 114
- First private completions: March 2021

ROMANS' QUARTER, BINGHAM, NOTTINGHAMSHIRE



- Existing use: Agricultural
- GDV: £278m
- Private ASP: c. £300k

- Total units: 1,050
- Affordable units: 200
- First private completions: May 2019

DRIVING OPERATING MARGIN - STRATEGIC LAND

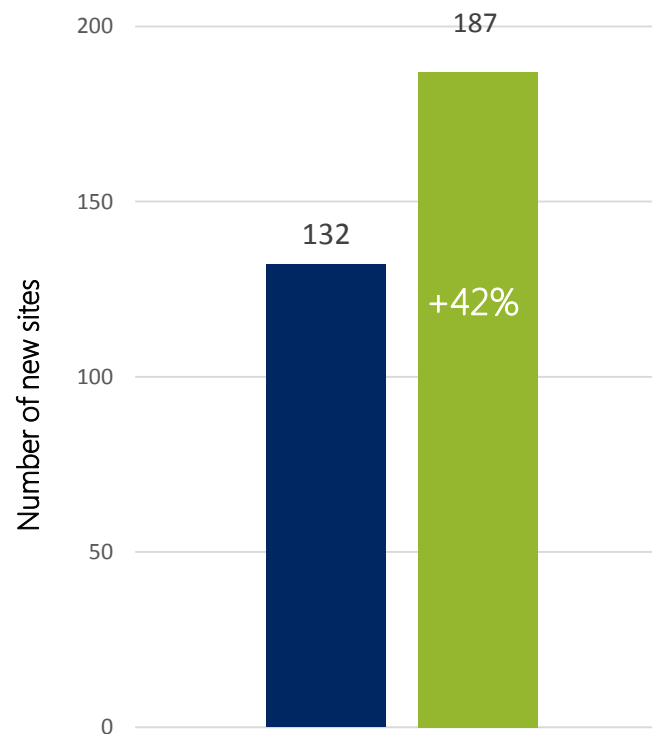
- Made good progress towards medium term target of 30% of completions
- Enhanced margin of c. 300 basis points⁽¹⁾
- Strategic land bank increased in size and quality

	FY18	FY17
Completions from strategic land	27%	25%
Acres held	12,435	11,737
Number of locations	268	267

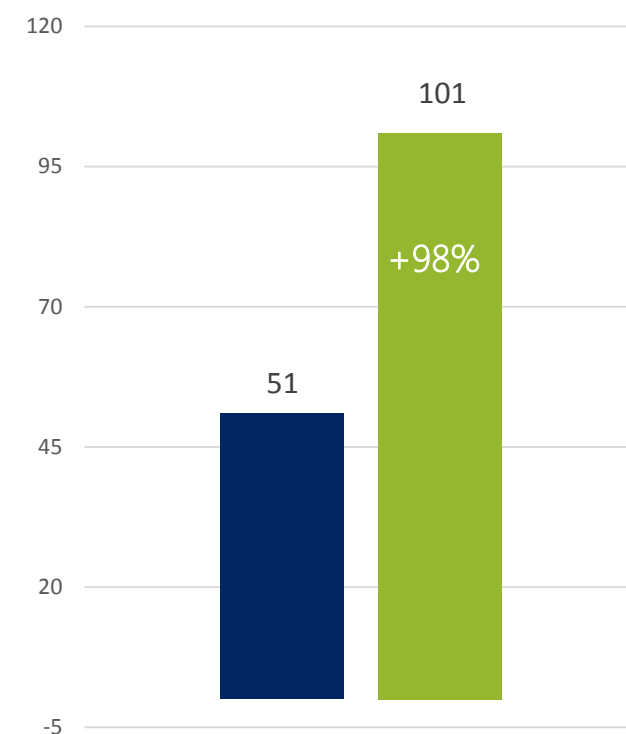
DRIVING OPERATING MARGIN - NEW PRODUCT ROLL-OUT

- New product ranges and floorplans well received by customers
- Build teams finding ranges easier and quicker to build
- Completions⁽¹⁾ in FY18
 - Barratt: 1,209
 - All⁽²⁾: 1,522
- Roll-out of the new product ranges will increasingly benefit margin going forward

Identified for new Barratt range



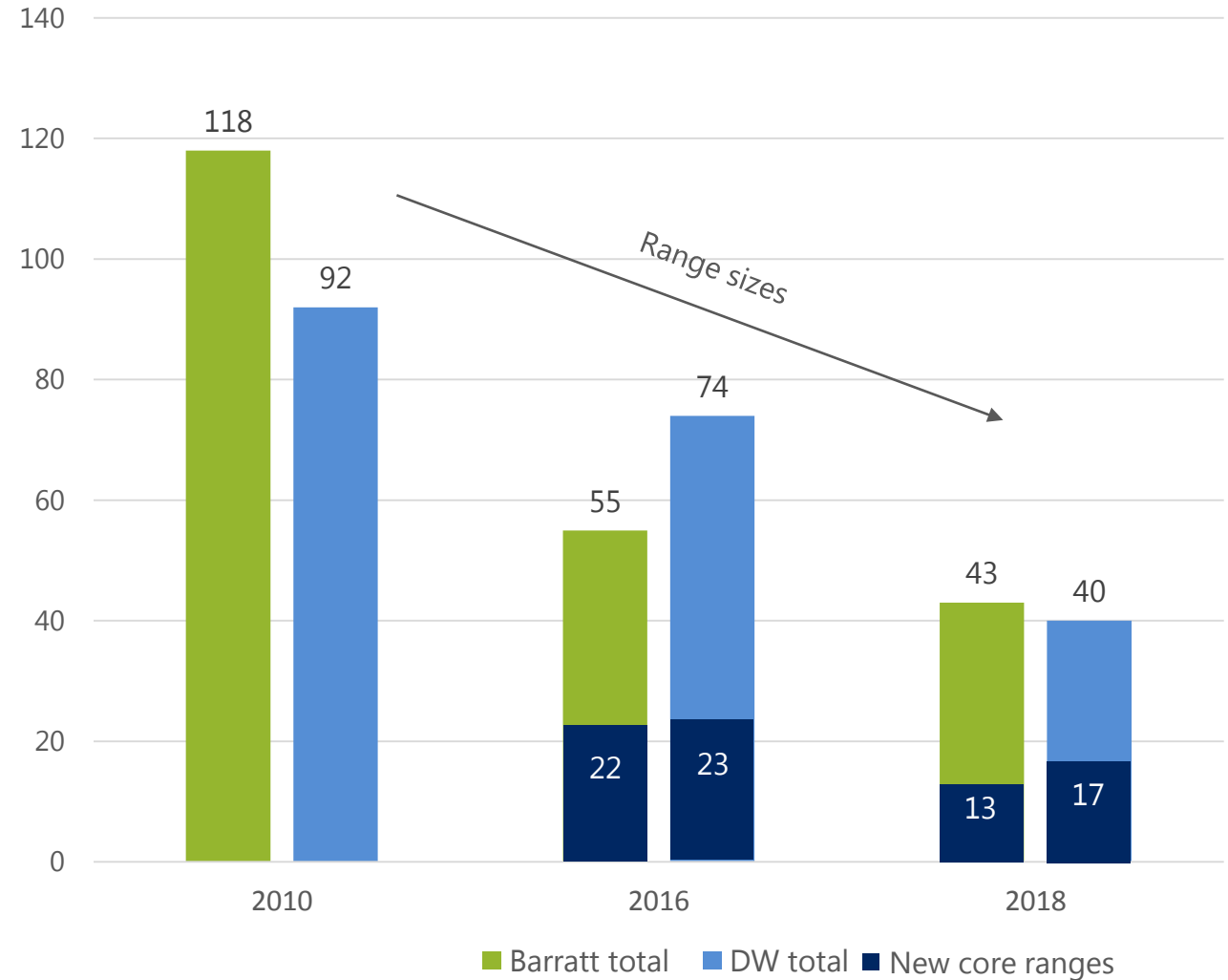
Building new Barratt range



■ Sep-17 ■ Sep-18

PRODUCT RATIONALISATION

- New ranges developed with customer involved focus groups
- Development of core and occasional ranges
 - target 80% plotted from core range
- Continual reviews have allowed further rationalisation



MANAGING THE COST ENVIRONMENT

Materials

- Some specific pressures
- 96% of pricing fixed to December 2018
- 75% of pricing fixed to June 2019

Labour

- Regional pockets of cost pressures
- Simplified, faster build
- Increased use of off-site manufacturing
- 204 new apprentices, trainees and graduates in FY18

Build costs increased by c. 3% in FY18

3-4% inflation expected in FY19

AFFORDABLE HOMES

- Local planning authorities determine content
- Factored into land acquisition margin hurdle rates
- Group material suppliers used
- Standard range of affordable product
- No compromise to quality or service

A critical part of our business

Barratt FY18 statistics

- 3,241 completions
- 19% of total completions

STRONG PERFORMANCE

- Consistent, strong sales rate and positive pricing trends
- Continued focus on improving operating margin
- Actively manage our cost base
- No compromise on health and safety, customer service or quality





Jessica White
Chief Financial Officer

KEY HIGHLIGHTS

£m (unless otherwise stated)	FY18	FY17	Change
Revenue	4,874.8	4,650.2	4.8%
Gross profit	1,008.9	932.0	8.3%
<i>Gross margin %</i>	<i>20.7%</i>	<i>20.0%</i>	<i>70 bps</i>
Operating profit	862.6	799.2	7.9%
<i>Operating margin %</i>	<i>17.7%</i>	<i>17.2%</i>	<i>50 bps</i>
PBT	835.5	765.1	9.2%
Earnings per share <i>pence</i>	66.5p	61.3p	8.5%
Net cash	791.3	723.7	9.3%
ROCE %	29.6%	29.8%	(20 bps)

REVENUE SUMMARY

£m (unless otherwise stated)	FY18	FY17	Change
Completions			
Private	13,439	13,303	1.0%
Affordable	3,241	3,342	(3.0%)
Total completions	16,680	16,645	0.2%
% Affordable	19%	20%	(100bps)
JV	899	750	19.9%
Total completions (inc JVs)	17,579	17,395	1.1%
ASP (£'000)			
Private	328.8	313.1	5.0%
Affordable	123.7	124.0	(0.2%)
Total	288.9	275.2	5.0%
JV	437.8	504.5	(13.2%)

PRIVATE AVERAGE SELLING PRICE

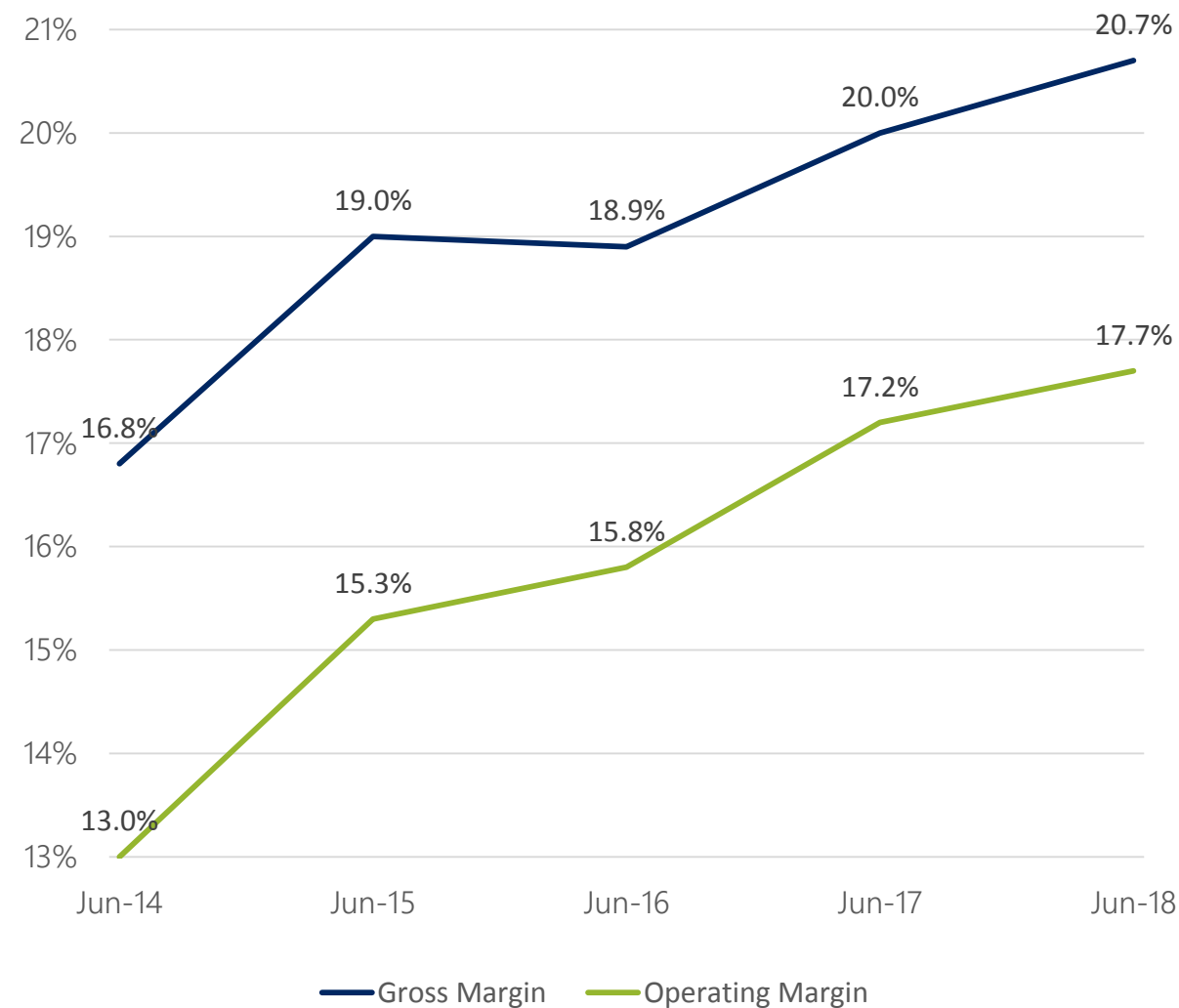
	FY18		FY17	
	Units	ASP (£000)	Units	ASP (£000)
Central London	357	1,023.9	351	720.3
Outer London	342	586.4	521	554.5
London total	699	809.8	872	621.2
Regional total	12,740	302.4	12,431	291.5
Total private	13,439	328.8	13,303	313.1

30 June 2018: 145 Central London private, wholly owned units remaining

FY19 guidance: ASP to reduce due to less Central London product

DELIVERING MARGIN IMPROVEMENT

- Margin improvement despite Central London headwinds
- New sites driving margin improvement
- Some underlying sales price inflation and build cost inflation



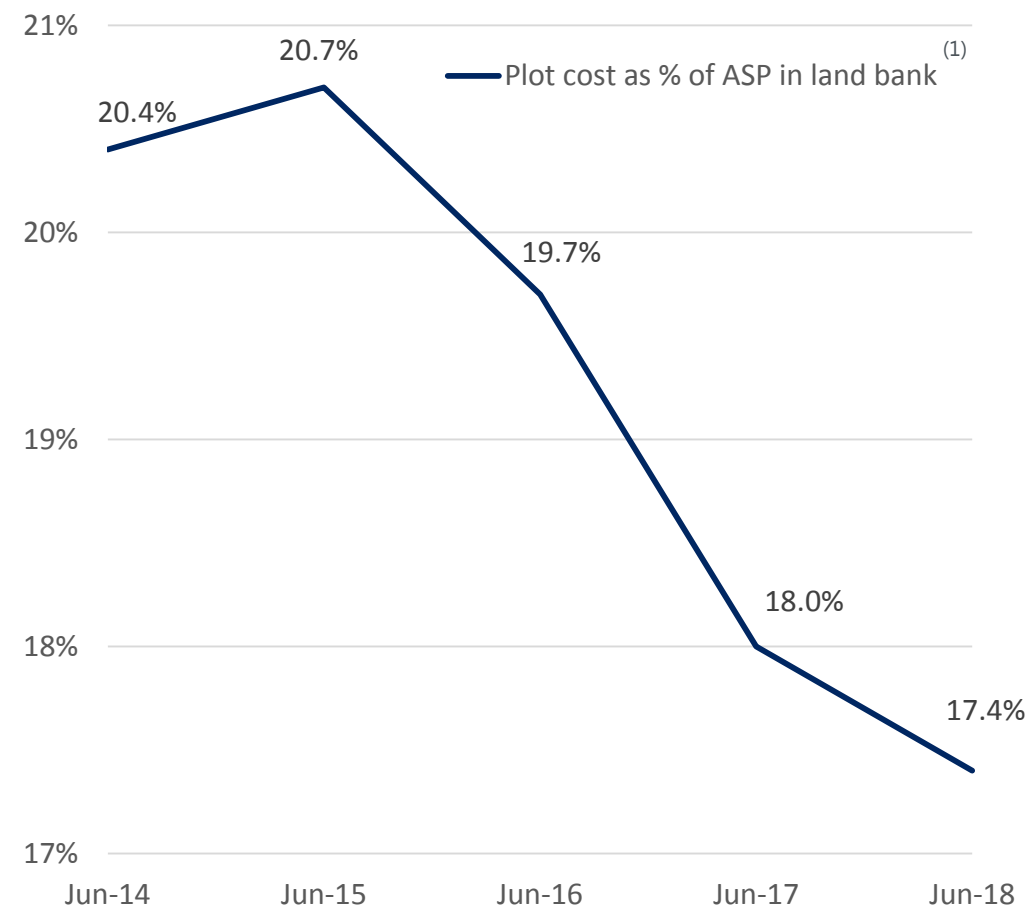
OPERATING MARGIN BRIDGE



BALANCE SHEET

£m	30 June 2018	30 June 2017
Goodwill and intangible assets	892.2	892.2
Investment in joint ventures and associates	234.1	213.1
Gross land bank	2,963.4	2,895.6
Land creditors	(996.7)	(1,064.0)
Net land bank	1,966.7	1,831.6
<i>Land creditor %</i>	<i>33.6%</i>	<i>36.7%</i>
WIP	1,463.1	1,509.1
Net cash	791.3	723.7
Trade payables	(361.1)	(376.6)
Other working capital	(336.2)	(399.6)
Other net assets / liabilities	(52.4)	(71.3)
Net assets	4,597.7	4,322.2

LAND BANK

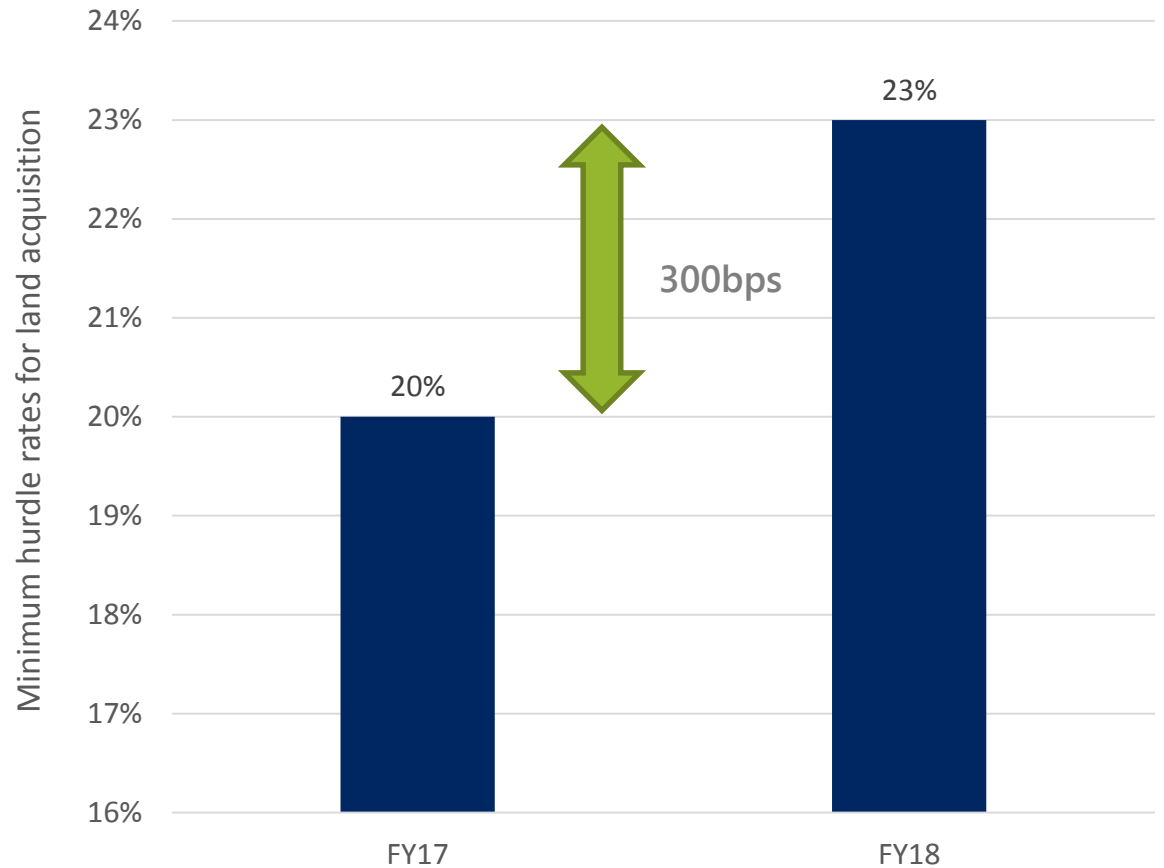


Land bank plots	30 June 2018	30 June 2017
Owned	61,504	58,965
Controlled	17,928	16,078
Total	79,432	75,043
<i>Land bank years</i>	<i>4.8</i>	<i>4.5</i>
JV – Owned and controlled	5,137	5,709
Total including JV	84,569	80,752

(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

GROSS MARGIN HURDLE RATES

- Land consistently purchased above previous hurdle rate
- New minimum gross margin hurdle rate - 23%
- New land acquisitions to come through the P&L over medium term



JOINT VENTURES - HOUSEBUILDING

	Number of JVs ⁽¹⁾	Plots ⁽¹⁾	Reserved (%)	ASP (£'000)	Balance sheet investment (£m)
Central London	3	588	46	951	83.9
Outer London	4	2,182	9	384	124.8
Regional	2	1,229	29	306	23.9
Total	9	3,999	21	441	232.6

FY19 guidance: 650 completions
Share of profit c. £20m

WORK IN PROGRESS

- WIP is tightly controlled
- Reduction reflects the trade through from some high value London sites
- Unsold stock per site remains stable



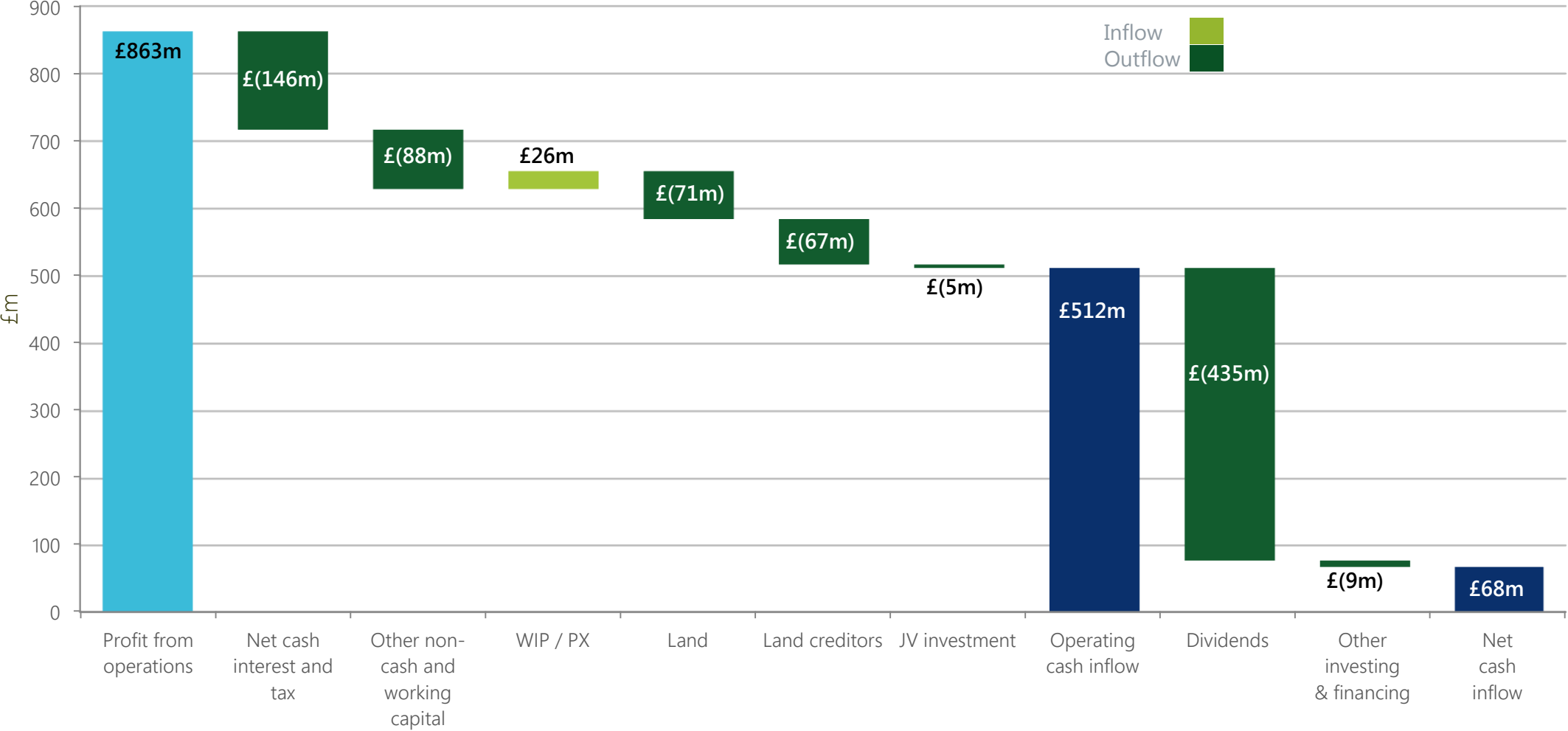
Unsold stock per active outlet

1.0

1.1

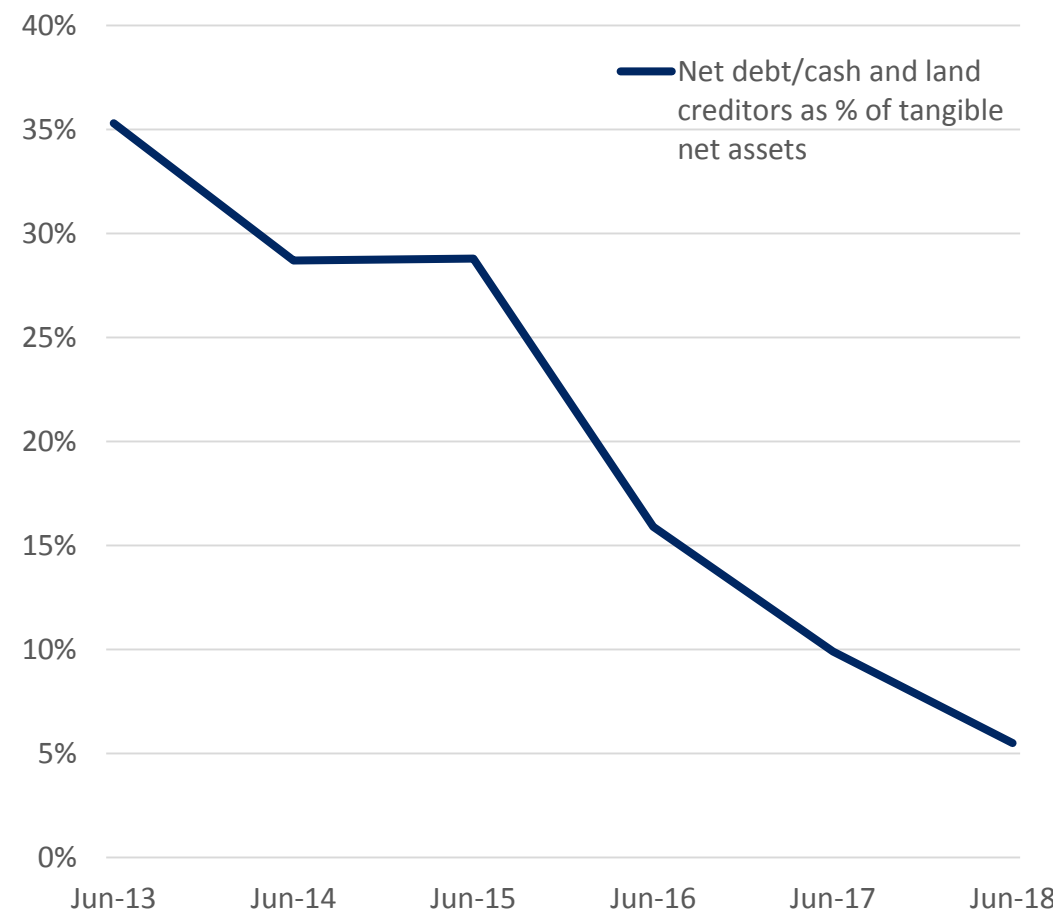
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CASH FLOW



GEARING

- Highly cash generative business
- Focus on managing total gearing across the cycle
- Modest average net cash and year-end net cash



ATTRACTIVE CASH RETURNS

Capital Return Plan Framework

Ordinary dividend	Payable through the cycle 2.5x dividend cover
Special returns	When market conditions allow Payment of special dividends preferred, with share buybacks considered at certain share price points

Proposed payments⁽¹⁾

FY18 payments	Interim ordinary dividend: 8.6p Final ordinary dividend: 17.9p	Total ordinary: 26.5p
	Special dividend: 17.3p	
FY19 returns	Ordinary dividend of 2.5x cover November 2019: £175m special return	

GUIDANCE FOR FY19

Completions	3-5% growth in wholly owned completions c. 19% affordable c. 650 JV
ASP	ASP reducing due to less Central London product
Total admin expenses	c. £165m
JV share of profits	c. £20m
Interest cost	c. £45m (£12m cash, £33m non-cash)
Land cash spend	c. £1.0bn
Land creditors	30 – 35% owned land bank
Year-end net cash	c. £550m
Ordinary dividend	2.5x cover
Special return	£175m

OPERATING FRAMEWORK

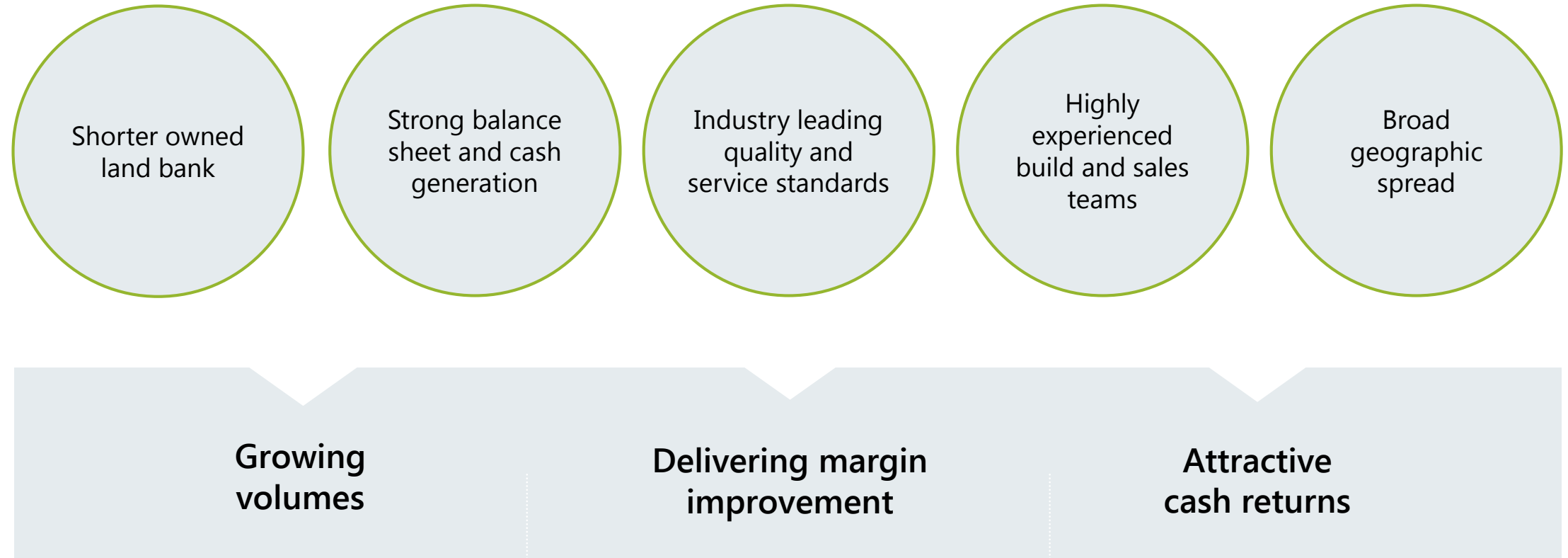
Land bank	c. 3.5 years owned and c. 1.0 year controlled
Land creditors	Reduce usage to 25 - 30% of owned land bank over the medium term
Net cash	Modest average net cash
	Year-end net cash
Treasury	Appropriate financing facilities
Capital Return Plan	2.5x ordinary dividend cover
	Supplemented by special returns when market conditions allow



David Thomas
Chief Executive



INVESTMENT PROPOSITION



MARKET FUNDAMENTALS REMAIN ATTRACTIVE

1.85%
average 2 year
fixed rate at 85%
LTV⁽¹⁾

Positive lending
environment



Strong Government
support

Projected
household
growth expected
to average
210,000 per year
from 2014 to
2039⁽²⁾

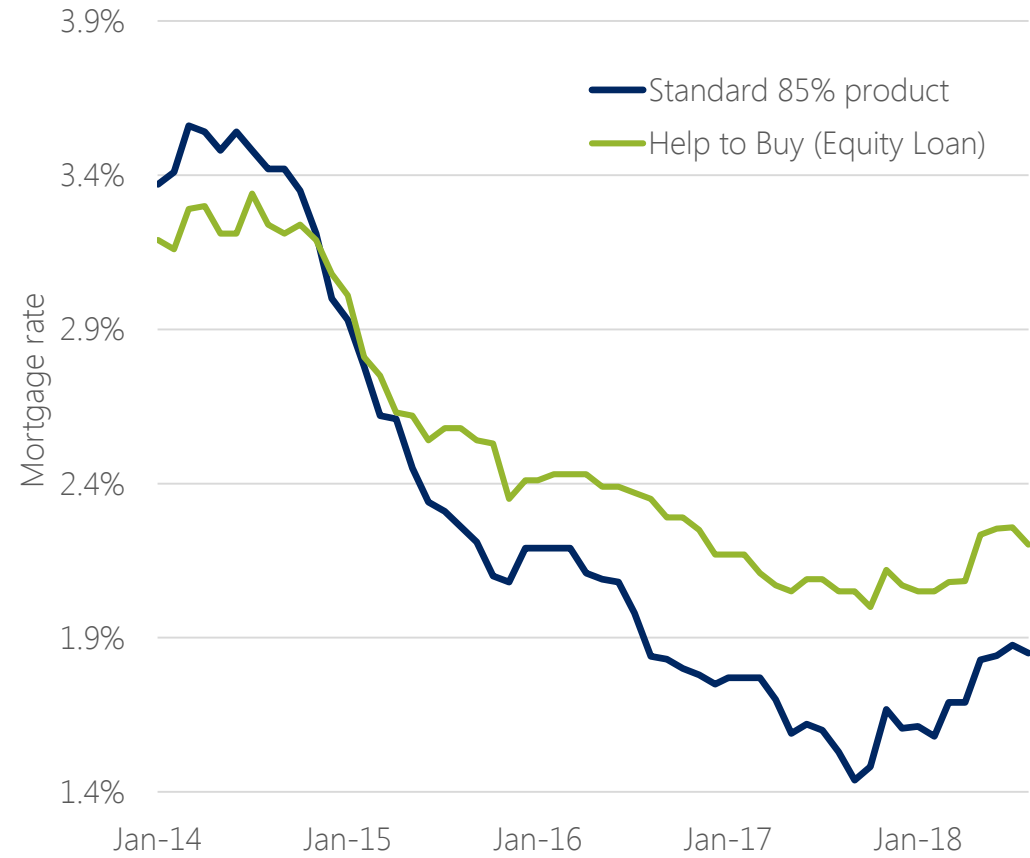
Demand continues
to exceed supply



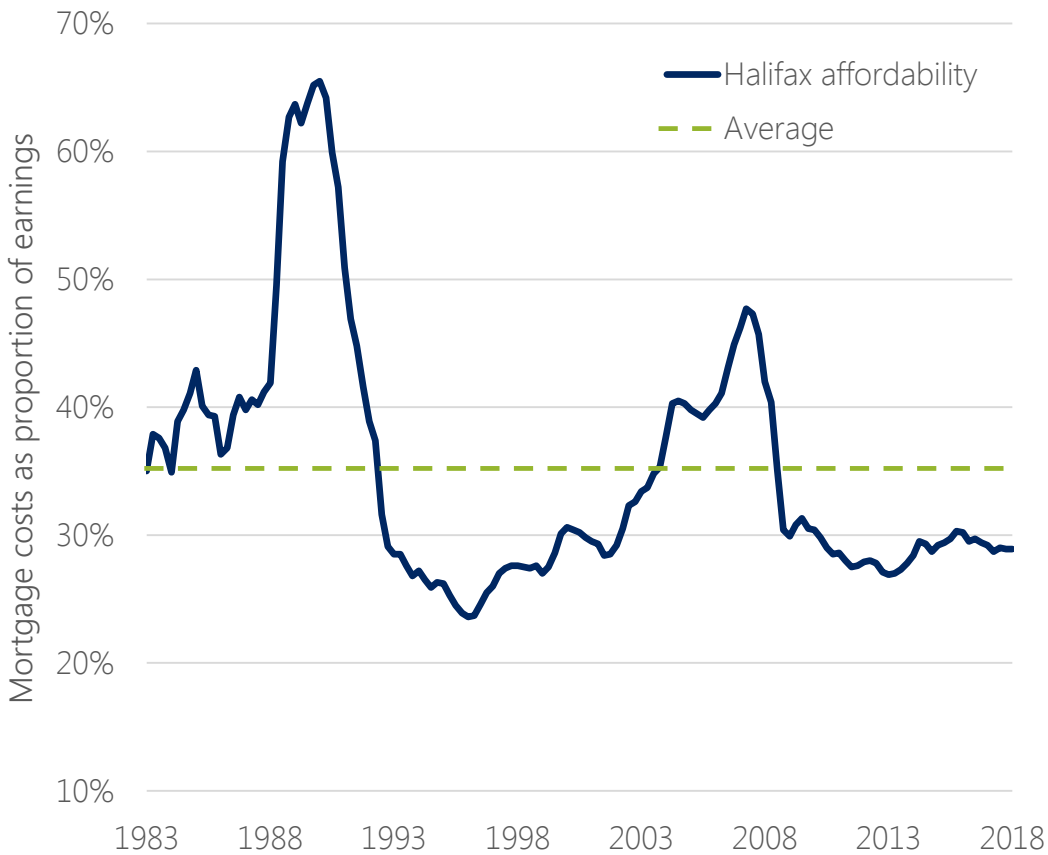
Attractive land market

POSITIVE LENDING ENVIRONMENT - AFFORDABILITY

Average mortgage rates⁽¹⁾



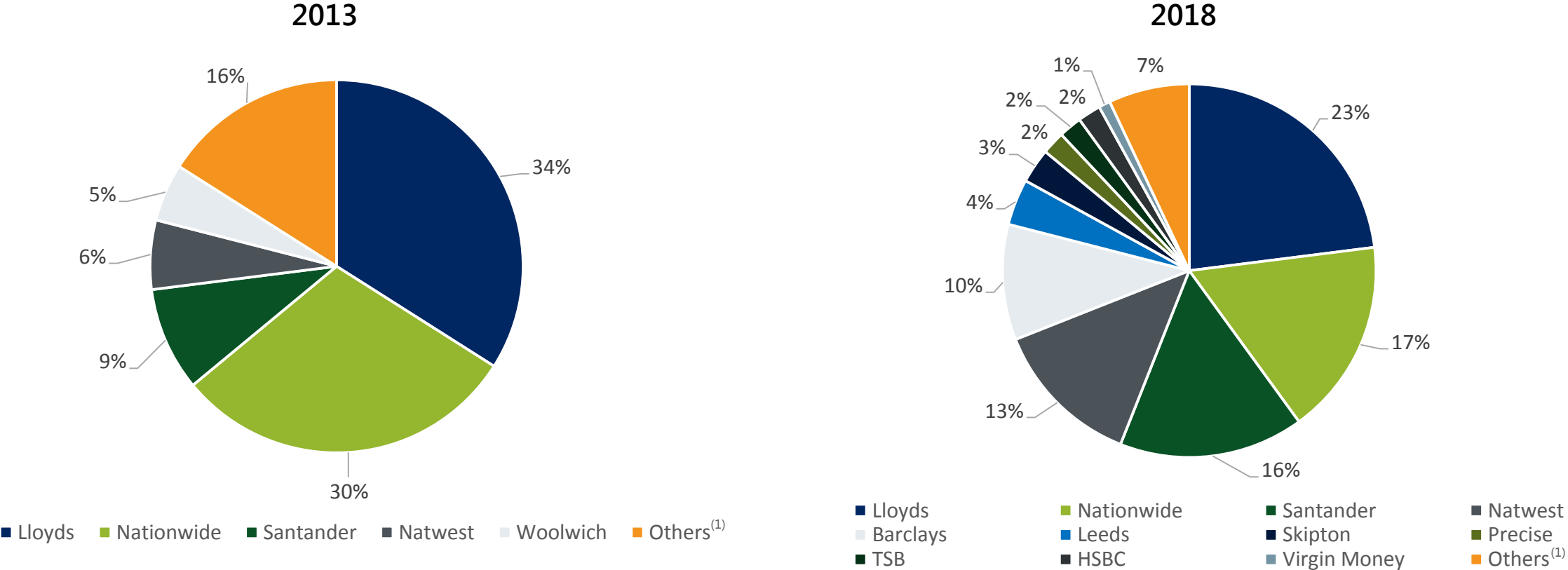
Halifax Mortgage Affordability Index⁽²⁾



(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 22 August 2018

(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

POSITIVE LENDING ENVIRONMENT - GREATER COMPETITION IN NEW BUILD SECTOR



Working with a broader spread of lenders to support new build with improving products, criteria and processes

(1) Others include all lenders with <1% market share

STRONG GOVERNMENT SUPPORT - HELP TO BUY EQUITY LOAN

GOVERNMENT STATISTICS⁽¹⁾

- 169k homes have been bought under the scheme since inception
- 81% bought by first time buyers
- Average price of home purchased: £250k
- Average household income: £51k
- Just 4% of purchasers have household income >£100k

BARRATT STATISTICS⁽²⁾

	Average ASP of HtB purchase
Regional	£285k
London	£445k
Total	£292k

Government remain focused on addressing the supply-demand imbalance

ADDRESSING MARKET CHALLENGES

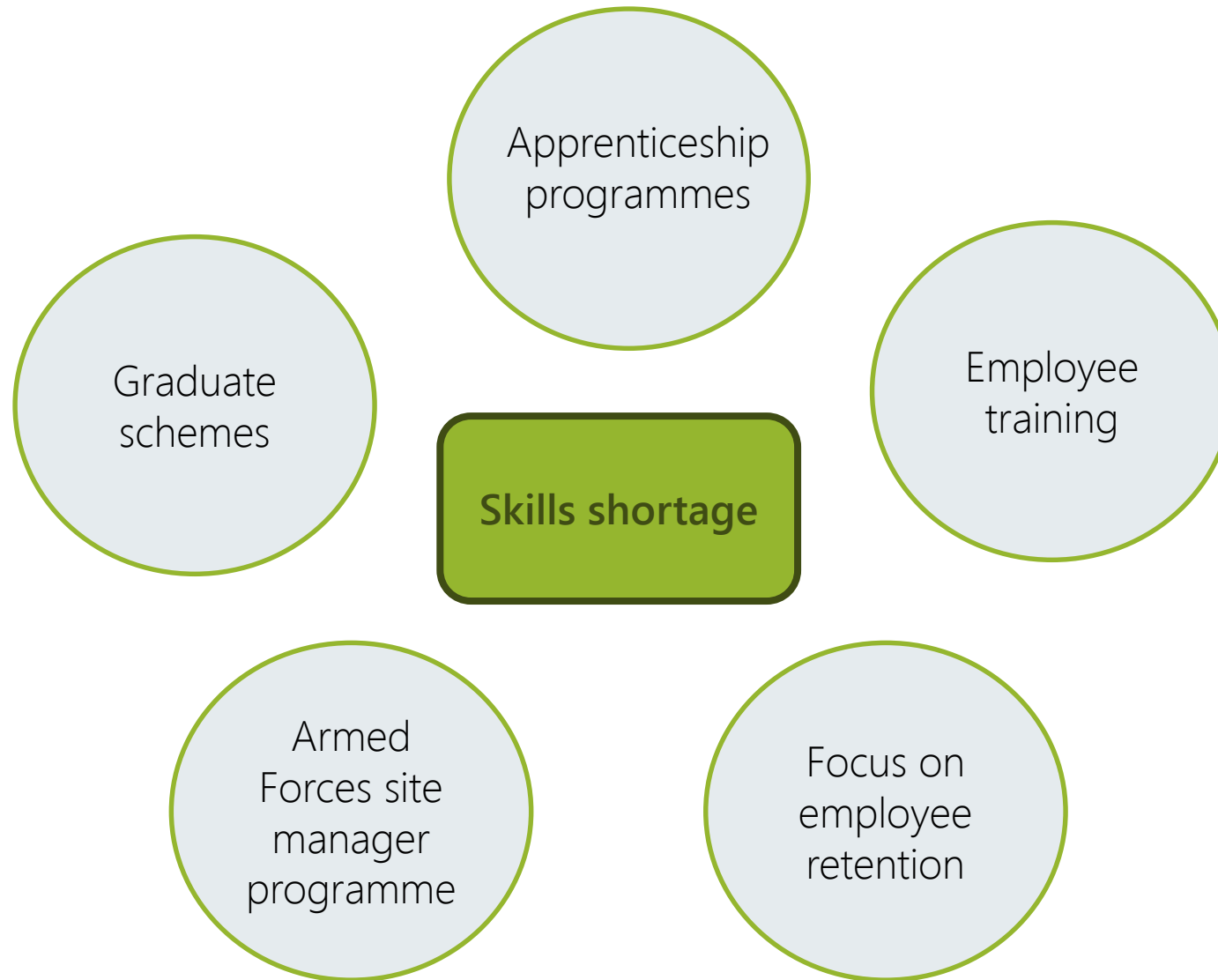


Skills shortage

Alternative
methods of
construction

Quality and
service

ADDRESSING THE SKILLS SHORTAGE



ALTERNATIVE METHODS OF CONSTRUCTION

- Increasing the number of homes built using some element of off-site construction in FY18 including:
 - Timber Frame – 1,683 units
 - Light Gauge Steel Frame – 138 units
 - Large Format Concrete Block – 113 units
- Further methods to be rolled out via our new product introduction process



Off-site foundation system trial

QUALITY, SERVICE AND HEALTH & SAFETY



83 NHBC Pride in the Job Awards – more than any housebuilder for **14th** year



HBF **5 star** customer recommendation award – **9th** consecutive year



9 site managers were awarded 'highly commended' status and **National Award** in the Large Builder category

CURRENT TRADING

	FY19 to date	FY18 to date	Change
Net private reservations per active outlet per average week	0.75	0.74	1.4%
Average active outlets	352	356	(1.1%)
Net private reservations per average week	264	265	(0.4%)
Total forward sales (including JVs) ⁽¹⁾	£3,054.0m	£2,749.9m	11.1%

POSITIVE ON OUTLOOK

- Strong market fundamentals
- New, clearly defined medium term targets
- Strong forward order book
- Confidence in the business going forward





Q&A

Merrington Park, Spennymoor

APPENDICES – INDEX

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Current trading – forward order book	61

DEFINITIONS

- Active outlet is a site with at least one plot for sale
- ASP is average selling price
- Average debt is calculated on annual average daily closing position
- Central London is defined as Zones 1 and the inner edge of Zone 2. Outer London is the remainder within the M25
- 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
- HBF is Home Builders Federation
- Help to Buy (HtB) is Government equity loan scheme
- Land bank years is calculated as total owned and controlled land bank plots divided by wholly owned completions in the 12 months to June
- 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
- PBT is profit before tax
- 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
- Unless stated Joint Ventures (JVs) in which the Group has an interest are not included throughout the presentation

P&L

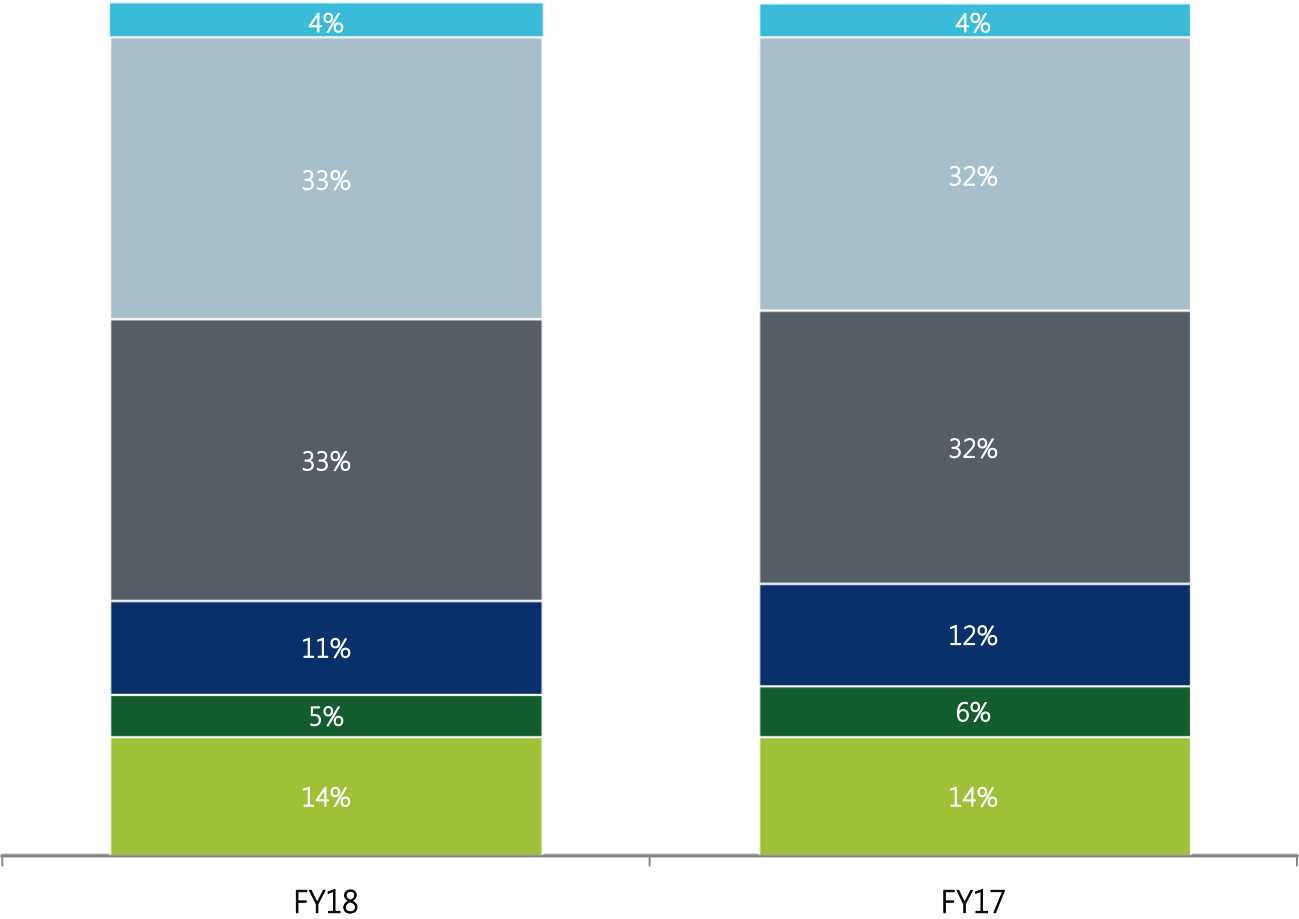
£m (unless otherwise stated)	FY18	FY17	Change
Revenue	4,874.8	4,650.2	4.8%
Cost of sales	(3,865.9)	(3,718.2)	(4.0%)
Gross profit	1,008.9	932.0	8.3%
<i>Gross margin</i>	<i>20.7%</i>	<i>20.0%</i>	<i>70 bps</i>
Administrative expenses	(146.3)	(132.8)	(10.2%)
Operating profit	862.6	799.2	7.9%
<i>Operating margin</i>	<i>17.7%</i>	<i>17.2%</i>	<i>50 bps</i>
Net finance costs	(45.1)	(59.7)	24.5%
Share of JV/assoc profit	18.0	25.6	(29.7%)
PBT	835.5	765.1	9.2%

BALANCE SHEET – LAND BANK

Land bank plots	30 June 2018	30 June 2017
Owned / unconditional contracts	61,504	58,965
Conditional contracts	17,928	16,078
Total land bank plots	79,432	75,043
JV plots – owned / conditional	5,137	5,709
Total land bank plots (including JV's)	84,569	80,752
Land bank pricing (£'000)		
Cost of plots acquired	50.2	42.4
Cost of plots in P&L	54.7	54.4
Cost of plots in balance sheet	47.1	47.6
Owned land bank ASP (£'000)	270	265

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

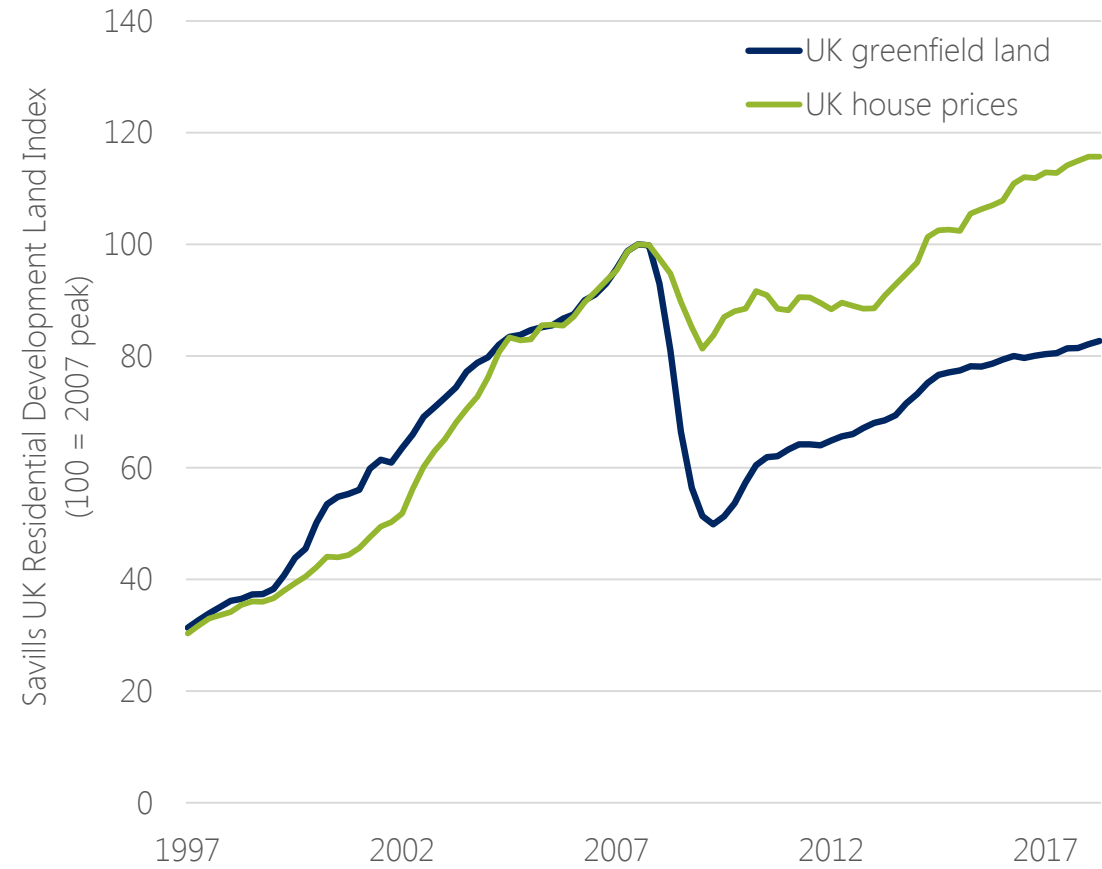
£m	30 June 2018	30 June 2017
<u>Housebuilding</u>		
London	208.7	186.3
Non-London	23.9	24.2
Total housebuilding	232.6	210.5
<u>Other</u>		
Commercial	1.5	2.0
Associates	-	0.6
Total	234.1	213.1

JOINT VENTURES BREAKDOWN

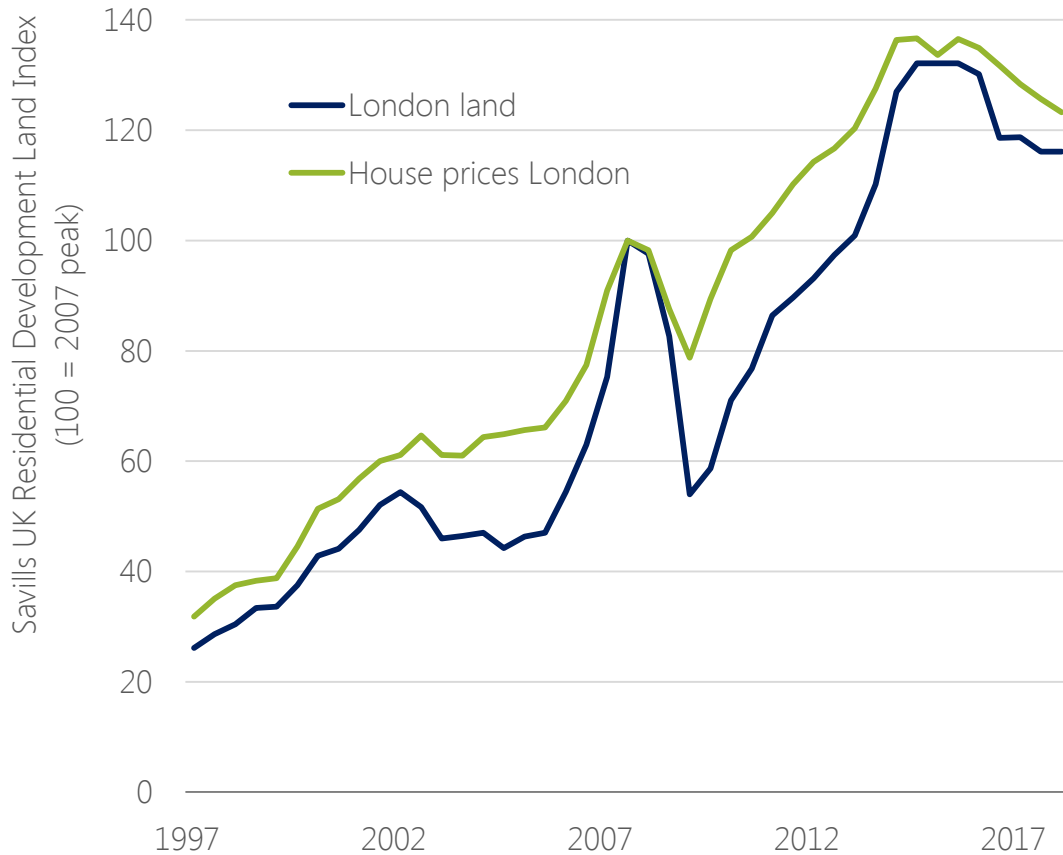
Housebuild JV's only	FY19 (f'cast)	FY18	FY17
Completions			
- London	c. 380	555	409
- Non-London	c. 270	344	341
Total	c. 650	899	750
Share of profit ⁽¹⁾ £m			
- London	c. 7	4.0	10.0
- Non-London	c. 13	15.1	16.3
Total	c. 20	19.1	26.3

LAND PRICES VERSUS HOUSE PRICE INFLATION

Greenfield land



Prime London land



NET INTEREST CHARGE ANALYSIS

£m	FY18	FY17
Interest on term debt and overdrafts	(0.6)	3.3
Interest on private placement notes	5.3	3.9
Utilisation / non-utilisation fees on RCF's	4.0	4.1
Swap interest	-	11.9
Other interest	0.6	1.1
Total cash interest	9.3	24.3
Land creditors / deferred payables	34.3	32.5
Financing fees	2.1	3.3
Pension	(0.6)	(0.4)
Total non-cash interest	35.8	35.4
Total interest	45.1	59.7

FUTURE FINANCING ARRANGEMENTS

Loan Facility	Amount	Maturity	Interest basis
RCF facilities	£700m	December 2022	LIBOR +1.25-2.75% ⁽¹⁾
Private placement notes	£200m	August 2027	2.77%

CURRENT TRADING – FORWARD ORDER BOOK

	2 Sep 18		3 Sep 17		% change	
	£m	Plots	£m	Plots	£m	Plots
Private	1,650.4	5,273	1,722.3	4,994	(4.2)%	5.6%
Affordable	1,013.1	6,592	749.0	6,260	35.3%	5.3%
Wholly owned	2,663.5	11,865	2,471.3	11,254	7.8%	5.4%
JV	390.5	783	278.6	906	40.2%	(13.6)%
Total	3,054.0	12,648	2,749.9	12,160	11.1%	4.0%

DISCLAIMER

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