BARRATT
DEVELOPMENTS PLC

11 July 2018

Barratt Developments PLC

Strong full year performance

Barratt Developments PLC (the 'Group') is today issuing a trading update for the year ended 30 June 2018 (the 'year') ahead of publication of its annual results on 5 September 2018. All comparatives are to the year ended 30 June 2017 ('2017') unless otherwise stated.

Highlights

- Strong financial and operational performance for the full year
- 17,579 total completions (including JVs) (2017: 17,395) - the highest level of completions in a decade
- Profit before tax expected to be around £835m (2017: £765.1m), driven by a strong end to the financial year and early progress on margin initiatives
- Sales rate of 0.72 (2017: 0.72) net private reservations per active outlet per week(1)
- Total plots forward sold (including JVs) as at 30 June 2018 up 4.0% at 10,155 plots (30 June 2017: 9,762 plots) at a value of £2,175.7m (30 June 2017: £2,144.4m)
- Awarded 83 NHBC Pride in the Job Awards, more than any other housebuilder for the 14th consecutive year, and awarded the HBF's maximum five star customer satisfaction rating for the ninth year in a row, reflecting our commitment to build quality and customer service
- Year-end net cash(2) balance of c. £790m (30 June 2017: £723.7m), ahead of guidance, reflecting our strong end to the financial year

David Thomas, Chief Executive commented,

"It has been a very good year for the Group both operationally and financially with strong customer demand for our high quality new homes across our business. As we celebrate our 60th anniversary we have delivered our highest number of completions in a decade, reinforcing our position as the UK's largest housebuilder, whilst continuing to lead the industry in customer satisfaction and build quality.

We begin the new financial year with a healthy forward order book, a strong cash position and a continued focus on delivery of operational improvements across our business. Across the country we are building much-needed new homes, creating jobs and supporting economic growth."

Trading Update

The Group has traded well throughout the year, and delivered a strong financial and operational performance. Market conditions remain supportive, with attractive mortgage financing available and strong consumer demand for our homes across the country.

Reflecting our strong performance, profit before tax for the year is expected to be around £835m (2017: £765.1m), at record levels. Our regional business has performed particularly strongly over the year and as a result we have seen incremental improvement in operating margin of around 50bps, to c. 17.7% (2017: 17.2%), as our margin initiatives are beginning to deliver. We are pleased to see our initiatives start to impact positively on margin, however, we remain focussed on driving further improvements over the medium term.

We have seen better than expected year end trading in Central London. Since our update in May we have legally completed 190 private units from wholly owned Central London sites at an average selling price ('ASP') of c. £1,190k. We now have just 145 private units remaining on these sites.

Completions (including JVs) for the year were 17,579 units (2017: 17,395 units). Affordable housing represented 19% (2017: 20%) of wholly owned completions. Total ASP on completions in the year increased by c. 5.0% to c. £289k (2017: £275.2k), with private ASP increasing by c. 5.1% to c. £329k (2017: £313.1k), benefiting from mix changes as well as some underlying house price inflation.

The sales rate for FY18 was 0.72 (2017: 0.72) net private reservations per active outlet per week in the full year and 0.77 (2017: 0.76) in the second half. During the year, we opened 142 (2017: 142) new developments (including JVs) and operated from an average of 380 (2017: 377) active outlets (including JVs).

In 2016, the Group undertook a review of its housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us reduce build cost and waste, and are more suitable to modern methods of construction. We continue to roll out the new housing ranges across the business with the new Barratt range now identified for 181 sites (June 2017: 124 sites) across the country and we currently have 89 sites (June 2017: 47 sites) under construction. The planned rollout of the new product ranges should increasingly benefit margin going forward.

We lead the industry in the high quality of our homes and our customer service, and we believe it is fundamental to our ongoing success. That quality was recognised in June through the achievement of 83 NHBC Pride in the Job Awards, an increase of nine from last year, and more than any other housebuilder for the 14th consecutive year. We remain the only major housebuilder to be rated five star by our customers in the HBF customer satisfaction survey for nine consecutive years. Reflecting our ongoing commitment to health and safety, nine of our site managers were awarded the prestigious "highly commended" status at the recent NHBC Health and Safety Awards, and our site manager at Ness Castle, Inverness was awarded the National Award in the Large Builder category.

We are committed to investing in the future of housebuilding and are one of the largest employers of apprentices in the industry. In 2013 we created the UK's first ever degree programme in housebuilding, in partnership with Sheffield Hallam University, with the first students having graduated this summer with a BSc in Residential Development and Construction. The course was designed specifically for Barratt employees, and helps to address industry-wide skills challenges and support future growth. We also continue to develop, trial and implement modern methods of construction and in FY18 we built and sold over 1,900 units using timber frame, large format block or light gauge steel frame.

Balance Sheet

As outlined above, in light of the overall strong trading into year end, and in particular better than expected Central London trading, as at 30 June 2018 the Group had a net cash balance of c. £790m (30 June 2017: £723.7m), ahead of guidance. Cash land spend for the financial year was £1.1bn, and as guided in February we have reduced land creditors to c.34% of our land bank, in line with our operating framework of 30-35%. Tangible net assets increased by c. 7% to c. £3.65 per share (30 June 2017: £3.40 per share).

Forward Sales

Our forward sales position is strong, with total forward sales (including JVs) as at 30 June 2018 at a value of £2,175.7m (30 June 2017: £2,144.4m), equating to 10,155 plots (30 June 2017: 9,762 plots). Our wholly owned forward sales were up 5.6% on the prior year at £2,016.1m (30 June 2017: £1,909.2m), equating to 9,609 plots (30 June 2017: 8,953 plots).

Land and Planning

The land market remains attractive and we continue to secure operational land opportunities that exceed our minimum hurdle rates.

The Group approved £933.9m (2017: £957.2m) of operational land for purchase in the year, which we expect to equate to 20,951 plots (2017: 18,497 plots). Reflecting the excellent opportunities we have seen in the market, as well as our future growth aspirations, as at 30 June 2018 the Group had around a 3.7 year supply of owned and consented land and a further 1.1 years of controlled land, resulting in 4.8 years in total.

Capital Returns

We remain committed to our capital return policy and will announce in September the proposed full year ordinary dividend based on 2.5 times dividend cover. As previously announced, the Board also proposes to pay special dividends of £175m in November 2018 and 2019. We expect to deliver cash returns of c. £1.9bn[3] of dividends (based on consensus earnings) in the five year period to November 2019.

Outlook

This has been another strong year for the Group, both financially and operationally. We continue to drive the business forward with a particular focus on further margin improvement, volume growth and continuing to deliver the highest quality houses across the country.

The Board is confident in the future progress of the Group and we enter our new financial year with good momentum supported by a strong forward order book.

We will update on current trading, guidance for FY19 and our medium term outlook, alongside our full year results announcement on 5 September 2018.

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. This announcement contains inside information.

Notes:

(1) All figures exclude joint venture completions in which the Group has an interest unless otherwise stated
(2) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
(3) Based on Reuters consensus estimates of earnings per share of 64.7p for FY18 and 67.6p for FY19 as at 6 July 2018. Applying a two and a half times dividend cover in line with the announced policy, and upon 30 June 2018 share capital of 1,012,722,682 shares. All final dividends and the special cash payment programme are subject to shareholder approval

Appendices

1. Completions (units)	2018	2017	Variance
Private	13,439	13,303	1.0%
Affordable	3,241	3,342	(3.0%)
Wholly owned	**16,680**	**16,645**	**0.2%**
JV	899	750	19.9%
Total	**17,579**	**17,395**	**1.1%**

2. ASP (£k)	2018	2017	Variance
Private	c. 329	313.1	5.1%
Affordable	c. 124	124.0	-
Total	**c. 289**	**275.2**	**5.0%**

	30 June 2018		30 June 2017		Variance (£m)
3. Forward sales	£m	Plots	£m	Plots	%
Private	1,222.1	3,863	1,247.7	3,528	(2.1%)
Affordable	794.0	5,746	661.5	5,425	20.0%
Wholly owned	**2,016.1**	**9,609**	**1,909.2**	**8,953**	**5.6%**
JV	159.6	546	235.2	809	(32.1%)
Total	**2,175.7**	**10,155**	**2,144.4**	**9,762**	**1.5%**

Conference call for analysts and investors

David Thomas, Chief Executive and Jessica White, Chief Financial Officer will be hosting a conference call at 08:30am today, Wednesday 11th July, to discuss this Trading Update.

To access the conference call:
Dial-in: +44 (0)330 336 9411
Passcode: 6059626

A replay facility will be available shortly after:
Dial in: +44 (0)207 660 0134
Passcode: 6059626

For further information please contact:

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