



9 May 2019

Barratt Developments PLC

Strong performance and firmly on track for the full year

Barratt Developments PLC (the 'Group') is today issuing a trading update in respect of the period from 1 January to 5 May 2019 (the 'period'). All comparatives are to the prior year equivalent period ('2018') unless otherwise stated. Barratt Development PLC's year end is 30 June 2019.

Highlights

- Net private reservations per active outlet per average week of 0.79 (2018: 0.80)⁽¹⁾
- Total forward sales (including JVs) were up 2.4% to £3,365.1m as at 5 May 2019 (6 May 2018: £3,286.7m)
- Awarded the Home Builder Federation's maximum 5 Star customer satisfaction rating for ten years in a row, the only major housebuilder to do so, reconfirming our industry-leading customer service and build quality
- Good progress on medium term targets
- Outlook for the full year modestly above the Board's previous expectations

David Thomas, Chief Executive commented:

"This has been another strong period for the Group. As Britain's largest housebuilder we remain firmly committed to delivering industry-leading build quality and customer service and we are proud to have been awarded 5 stars for customer satisfaction for ten years in a row.

'Trading since the beginning of the year has been strong, the outlook for the year is modestly ahead of our previous expectations and we are encouraged by our continued progress in driving operating efficiencies through the business.

'Whilst we continue to monitor the market closely, we are confident of delivering a good financial and operational performance in FY19.'

Trading update

The Group has delivered a strong performance since the start of the calendar year with good customer demand for high quality new homes supported by a stable market backdrop. Overall our net private reservation rate for the period was strong at 0.79 (2018: 0.80) per active outlet per average week.

During the period, we operated from 388 (2018: 388) outlets (including JVs) per average week. We have launched 47 (2018: 33) new developments in the period (including JVs), and continue to expect average active outlet numbers for the full year to be similar to last year.

We are making good progress on our medium term targets. We continue to focus on driving margin improvements through the business, which are expected to deliver a modest improvement to the Board's previous expectations this financial year.

The operational improvements that we have made through our new product range, including our concentration on standardised product, underpin our ability to acquire land at a minimum 23% gross margin. We continue to expect to approve between 18,000-22,000 plots for purchase per annum over this year and for the next two financial years, which will support our volume growth aspirations.

To improve our cost profile, we have made further refinements to our new housing ranges this financial year, without affecting our quality or design standards. We continue to roll these ranges out across the business, providing us with the flexibility to replan sites to suit market conditions and meet consumer demands should the need arise. Our new housetype ranges are suitable for modern methods of construction ('MMC'). We continue to develop, trial and implement MMC and aim to use it in the construction of 20% of our homes by 2020.

As previously guided, build cost inflation is expected to be 3-4% for FY19 and we anticipate a similar level of inflationary pressures to continue for the rest of the 2019 calendar year. We have a robust and carefully managed supply chain with around 90% of housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK.

Cash generation remains strong and we continue to expect year end net cash⁽²⁾ to be c. £600m - £650m.

Forward sales

Our total forward sales (including JVs) as at 5 May 2019 were up 2.4% on the prior year comparable at a value of £3,365.1m (6 May 2018: £3,286.7m), equating to 14,181 units (6 May 2018: 13,655 units).

Leadership in quality and customer service

We believe our industry leadership in quality and customer service is fundamental to the strength and resilience of our business. In March, we were rated 5 Star in the HBF customer satisfaction survey which means that more than 90% of our customers would recommend us. We are the only major housebuilder to be rated 5 Star for ten years in a row.

Capital returns

In February, we extended our capital return plan to pay special returns, subject to shareholder approval, of £175m in November 2019 and November 2020. This commitment to return surplus

cash to shareholders is in addition to our existing dividend policy to pay ordinary dividends covered 2.5 times by earnings.

Outlook

The outlook for the full year is modestly above the Board's previous expectations.

Based on current market conditions, we continue to expect to grow volume towards the lower end of our medium term target range in FY19, in line with current market expectations, whilst ensuring we maintain our industry-leading standards of quality and service. The housing market fundamentals remain attractive, with a long term undersupply of new homes, strong Government support for the sector and a positive lending environment.

We remain focused on driving further margin improvement and delivering our medium term targets of volume growth of 3-5% over the medium term, land acquisition at a minimum 23% gross margin and a minimum 25% ROCE.

Whilst the future departure of the UK from the EU has created increased levels of economic and political uncertainty, the Group is in a strong position, operating with average net cash, a strong balance sheet, a healthy forward sales position and an experienced management team.

The Board will continue to monitor the market and economy. Our disciplined approach and financial strength give us the resilience and flexibility to react to potential changes in the operating environment in 2019 and beyond, enabling us to keep investing in the business and the future of housebuilding whilst delivering returns for our shareholders.

Notes:

- (1) All figures exclude joint venture (JV) 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, prepaid fees and foreign exchange swaps

Appendix

	5 May 2019		6 May 2018		Variance %	
1. Forward sales	£m	Units	£m	Units	£m	Units
Private	1,821.9	5,924	2,198.4	6,530	(17.1)	(9.3)
Affordable	1,186.7	7,496	816.6	6,296	45.3	19.1
Wholly owned	3,008.6	13,420	3,015.0	12,826	(0.2)	4.6
JV	356.5	761	271.7	829	31.2	(8.2)
Total	3,365.1	14,181	3,286.7	13,655	2.4	3.9

2. Net reservations per active site per week

	FY19			FY18	
H1	Period	YTD	H1	Period	YTD
0.64	0.79	0.70	0.68	0.80	0.72

Note on forward looking statements

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. The person responsible for arranging for the release of this announcement on behalf of Barratt Developments PLC is Jenny Matthews (Interim Head of Investor Relations).

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, Thursday 9 May 2019, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0)330 336 9125

Passcode: 4414397

A replay facility will be available shortly after:

Dial in: +44 (0) 207 660 0134

Passcode: 4414397

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