



14 October 2020

Barratt Developments PLC

Continuing strong customer demand

Barratt Developments PLC (the 'Group') is holding its Annual General Meeting ('AGM') as a closed meeting at 12:00pm today. This trading update is for the period from 1 July to 11 October 2020 (the 'period'). All comparatives are to the prior year equivalent period ('2020') unless otherwise stated. Barratt Developments PLC's year end is 30 June 2021.

David Thomas, Chief Executive commented:

"Health and safety remains our number one priority and we remain focused on keeping our people safe while we rebuild completion volumes, bring further operational improvements to our business, and deliver on our commitment to build the highest quality homes across the country.

There is continuing strong customer demand for our homes and we have a healthy forward order book. As we look ahead, whilst significant economic and political uncertainties persist, we believe our disciplined approach and strong balance sheet provide us with the resilience and flexibility to react positively to future challenges."

Trading update

We are seeing continuing strong customer demand for our high quality new homes across the country. Our sales rate in the period was 0.87¹ net private reservations per active outlet per average week, up 20.8% on last year (2020: 0.72).

We operated from an average of 340 (2020: 374) active outlets (including 8 JVs (2020: 8)) reflecting the delay to site commencements created by the impact of the lockdown period on our operations. In line with our expectations, we have launched 33 (2020: 26) new developments (including JVs), helping underpin the expected recovery of our completion volumes.

In the period we delivered 4,032 (2020: 3,252) home completions (including JVs), up 24.0% on last year. Total forward sales (including JVs) as at 11 October 2020 were 15,135 homes (13 October 2019: 12,963 homes) at a value of £3,647.6m (13 October 2019: £3,070.2m).

Our sites continue to operate safely and successfully across the country, including areas of local lockdown, enabled by our extensive COVID-19 working practices and protocols. Construction activity remains in line with FY21 planned output, with an average of 294 equivalent homes constructed per week in the period.

Housing market fundamentals

The Government is targeting the construction of 300,000 homes a year by the mid-2020s to meet existing demand. We note the Government's continued focus on speeding up and simplifying the planning system and ensuring that local authorities plan positively for housing growth in their areas.

Whilst mortgage rates remain relatively attractive, since the pandemic there has been a material change in loan to value (LTV) lending criteria with no mainstream mortgage lenders providing mortgages at 95% LTV for new build homebuyers, increasing the reliance of first time buyers on Help to Buy. In the period 51% of our private reservations (2020: 45%) used Help to Buy of which 74% were first time buyers (2020: 70%). Those purchasers who will not qualify for the new Help to Buy scheme can access other mortgage products and use our part exchange schemes to assist in buying a new home.

Land

We continue to be disciplined and selective in our approach to acquiring new land, where we see attractive opportunities that meet our hurdle rates. This financial year, following the temporary suspension of land-buying during the COVID-19 lockdown, we have recommenced the acquisition of 4,160 plots across 15 sites and approved the purchase of a further 484 plots on 4 sites.

Balance sheet and liquidity

The Group continues to be financially strong, with a well-capitalised balance sheet and a robust cash and liquidity position. As at 9 October 2020 the Group had c. £570m of net cash². The Group also has an undrawn committed revolving credit facility of £700m. We continue to target minimal year end total indebtedness (net cash and land creditors) in the medium term.

Leadership in quality and customer service

We have an absolute and long term commitment to quality and customer service. Not only is this the right thing to do for customers, we believe it is also fundamental to business resilience. Our quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2020 our site managers were awarded 92 awards, more than any other housebuilder for the 16th consecutive year. We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 11 years in a row.

Outlook

We are focused on rebuilding our completion volumes to our medium term target and capacity of 20,000 homes. We have acquired land in recent years at a minimum 23% gross margin, and through our continued focus on operating efficiencies and the rebuilding of completion volumes, we continue to target a minimum 25% ROCE in the medium term.

Based on current market conditions, construction activity levels and assuming no further national lockdowns creating disruption to our construction sites, we continue to expect to grow wholly owned completions to between 14,500 and 15,000 homes in FY21, and in addition deliver around 650 completions from our joint ventures, whilst ensuring we maintain our industry leading standards of quality and service.

Whilst there continues to be economic and political uncertainty, the Group is in a strong position. We have a substantial net cash balance, a well-capitalised balance sheet, a healthy forward sales position, a continued focus on delivery of operational improvements across our business and an ongoing commitment to deliver high quality homes across the country.

The Board will continue to monitor the market and economy and believes that our strong financial position provides us with the resilience and flexibility to react to changes in the operating environment in FY21 and beyond.

Annual General Meeting

Following the Government's announcement of updated national measures to address the COVID-19 outbreak and the coming into force of the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Extension of the Relevant Period) Regulations 2020, the Company's AGM scheduled for 12 noon today will now be held as a closed meeting at the Company's office at 1st Floor, Kent House, 14-17 Market Place, London W1W 8AJ.

The AGM will be held with the minimum required quorum present, including the Chairman of the meeting and a limited number of directors and/or employees, in order to conduct the business of the meeting. The usual format of the AGM will be condensed and will include only the formal business of the meeting. We are of course disappointed that our AGM has been impacted, but the safety and security of our shareholders and colleagues remains our priority.

Further information

For further information please contact:

Barratt Developments PLC

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Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

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.

Notes:

(1) Unless otherwise stated, all numbers quoted exclude Joint Ventures (JVs) throughout this statement.

(2) Net cash comprises cash and cash equivalents, bank overdrafts, interest bearing borrowings, comprising of £200m of private placement notes and prepaid fees.

Appendix

1. Forward sales	11 October 2020		13 October 2019		Variance (%)	
	£m	Units	£m	Units	£m	Units
Private	2,129.2	6,424	1,634.4	5,172	30.3%	24.2%
Affordable	1,216.8	7,803	1,102.8	6,869	10.3%	13.6%
Wholly owned	3,346.0	14,227	2,737.2	12,041	22.2%	18.2%
JV	301.6	908	333.0	922	(9.4%)	(1.5%)
Total	3,647.6	15,135	3,070.2	12,963	18.8%	16.8%

2. Forward sales roll	Current Year		Prior Year		Variance (%)	
	Private	Total	Private	Total	Private	Total
June	5,320	14,326	3,827	11,419	39.0%	25.5%
Reservations	4,245	4,841	3,922	4,796	8.2%	0.9%
Completions	(3,141)	(4,032)	(2,577)	(3,252)	21.9%	24.0%
October	6,424	15,135	5,172	12,963	24.2%	16.8%