



14 July 2021

**Barratt Developments PLC**  
**A year of excellent performance. Well positioned for FY22**

Barratt Developments PLC (the 'Group') is today issuing a trading update for the year ended 30 June 2021 (the 'year') ahead of publication of its annual results on 2 September 2021. Comparatives are to the years ended 30 June 2020 ('2020') and 30 June 2019 ('2019') unless otherwise stated.

**David Thomas, Chief Executive, commented:**

"It is thanks to the hard work, resilience and flexibility of our employees and sub-contractors that we made such excellent progress this year, whilst maintaining our high standards of quality and service.

We have seen continued strong demand for our high quality, energy efficient homes on well-designed developments, enabling us to deliver 17,243 home completions this year. Whilst these are still uncertain times, we enter the new financial year in a strong position and remain focussed on our medium term targets, including delivering 20,000 homes a year."

**Highlights**

- Strong demand across the country resulted in net private reservations per active outlet<sup>(1)</sup> per week of 0.78 (2020: 0.60; 2019: 0.70)<sup>(2)</sup>
- Excellent recovery of completion volumes; 17,243 total homes completed in the year (2020: 12,604 homes; 2019: 17,856 homes) including 726 from JVs (2020: 570; 2019: 745), ahead of previous guidance
- Adjusted profit before tax is anticipated to be marginally above the top end of the range of market expectations<sup>(3)</sup>
- Profit before tax, after adjusted items of c. £107m, is expected to be at the top end of the range of market expectations<sup>(4)</sup>
- Strong well-capitalised balance sheet with year-end net cash<sup>(5)</sup> of around £1,315m (30 June 2020: £308.2m; 30 June 2019: £765.7m), ahead of previous guidance, reflecting the timing of land expenditure and the delivery of additional completions
- Awarded 93 Pride in the Job Awards in the June 2021 NHBC awards, more than any other housebuilder for the 17<sup>th</sup> consecutive year
- Well positioned for FY22 with total forward sales (including JVs) as at 30 June 2021 of 14,334 homes (30 June 2020: 14,326 homes; 30 June 2019: 11,419 homes) at a value of £3,473.5m (30 June 2020: £3,249.7m; 30 June 2019: £2,604.1m)

**Trading**

The Group has delivered an excellent performance throughout the year, reflecting underlying market strength and strong customer demand for our high quality sustainable new homes. Overall, our net private reservation rate was strong at 0.78 (2020: 0.60; 2019: 0.70) per active outlet per week. The reservation rate increase of 30.0% on last year reflects the impact in the comparative period caused by the unprecedented closure of our sales outlets and sites by 27 March 2020 due to COVID-19.

During the year, we operated from an average of 343 (2020: 366; 2019: 379) active outlets (including 8 JVs (2020: 9; 2019: 9)). We launched 144 new outlets in the year (2020: 75; 2019: 163), positioning us well for FY22 and beyond. As at 30 June 2021 we were operating from 358 (2020: 348; 2019: 371) active outlets (including 8 JVs (2020: 8; 2019: 7)).

We have delivered an excellent recovery in home completions this year. Total home completions (including JVs) were 17,243, 36.8% up on last year and only 3.4% below our total home completions in 2019 (2020: 12,604 homes; 2019: 17,856 homes). This reflects our drive, post the initial COVID-19 lockdown, to return to FY19 volumes, which we continue to expect to deliver in FY22.

We have seen positive house price inflation and have delivered a total average selling price ('ASP') for the year of c. £289k (2020: £280.3k; 2019: £274.4k), with private ASP at c. £325k (2020: £310.6k; 2019: £312.0k) with the increase driven mainly by inflation.

Our forward sales position is strong, with total forward sales (including JVs) as at 30 June 2021 at £3,473.5m (30 June 2020: £3,249.7m; 30 June 2019: £2,604.1m), equating to 14,334 homes (30 June 2020: 14,326 homes; 30 June 2019: 11,419 homes). As at 30 June 2021, 75% of these homes (2020: 73%; 2019: 76%) were contractually exchanged. The private ASP in our forward order book at 30 June 2021 was £339.8k (30 June 2020: £320.2k; 30 June 2019: £312.3k) reflecting house price inflation and a modest increase in the proportion of larger family homes within the order book.

Reflecting our strong reservation rate, we are substantially more forward sold for FY22 than we were at the same point in 2019 for planned FY20 home completions. We are therefore well positioned for FY22, with the high level of forward sales providing us with increased visibility for our build programmes and a strong platform for the year ahead.

The continued commitment of our site teams and sub-contractors has delivered an excellent rebuild in our construction activity ahead of planned output, with an average of 311 equivalent homes (including JVs) built per week in the year and an average of 324 equivalent homes (including JV's) built per week in the second half. We have seen build cost inflation of c. 2% in FY21 in line with our guidance. Given the continued strength of the market and constraints in parts of our supply chain, we are currently experiencing build cost inflation of 3% to 4%.

### **Leadership in quality and customer service**

Our long term commitment to quality and customer service remains absolute. This is the right thing to do for our customers and is fundamental to both the resilience of our business and maintaining our position as the leading national sustainable housebuilder.

Our quality has once again been recognised through the NHBC Pride in the Job Awards for build quality and site management. In June 2021, our site managers were awarded 93 awards as part of the 2021 NHBC award programme, more than any other housebuilder for the 17<sup>th</sup> consecutive year. These awards complement the recognition of our focus on quality and service by our customers who awarded us the maximum 5 Star rating in the HBF customer satisfaction survey for the 12<sup>th</sup> successive year, a unique achievement amongst the major national housebuilders.

### **Sustainability**

Sustainability is central to everything we do and having advanced our ranking in the industry specific 2020 NextGeneration Sustainability Benchmark Report, published in March 2021, we were delighted that our sustainability actions, not just our commitments, were recognised in the wider context of the FTSE100 with our 11<sup>th</sup> rank in the Responsibility 100 Index, developed by Tortoise, in April 2021. Our constant commitment

to lead the industry in both quality and sustainability means that our customers will live in high quality, low carbon, energy efficient homes, which have a lower impact on our environment.

### **Adjusted items**

Adjusted items in the year comprise grant income of £26m repaid under the Coronavirus Job Retention Scheme ('CJRS') in the first half and costs associated with legacy properties (including JVs) of c. £81m for the year.

### **Costs associated with legacy properties**

We recognise that the complex issues surrounding fire safety guidance are causing distress for affected homeowners across the country. We will continue to dedicate significant focus to this area, as founding signatories to the Building Safety Charter and active members of the Government's Early Adopters Group, which is committed to protecting life by putting safety first ahead of all other building priorities.

All of our buildings, including the cladding and external wall systems used, were signed off by approved inspectors as compliant with the relevant Building Regulations at the time of construction. Alongside evolving Government advice on fire safety for multi-storey buildings, we are working with building owners, management companies and expert engineers on assessments of buildings we have constructed and the solutions needed to support leaseholders and residents at those buildings. We now expect an additional charge of c. £30m in the second half and therefore legacy property costs (including JVs), comprising both the cladding and Citiscape and associated reviews, are now expected to total c. £81m for the year. Whilst the charges in respect of cladding and external wall systems reflect our current best estimate of the extent and future costs of work required, as assessments and work progresses or if Government legislation and regulation further evolves, estimates may have to be updated.

### **Land**

Following our return to the land market in August 2020, we have secured land approvals ahead of our expectations whilst maintaining discipline and selectivity in our land purchasing. In the year we approved £876.8m (2020: £368.1m; 2019: £859.8m) of operational land for purchase, equating to 18,067 plots (2020: 9,441 plots; 2019: 18,448 plots) on 97 new sites (2020: 51; 2019: 90), in attractive locations that meet our hurdle rates. Changes in the timing of land approvals moving through to purchase has resulted in land spend of c. £750m, c. £100m lower than our previous guidance of £850m.

In line with our operating framework, we continue to target an owned and controlled land bank of around 4.5 years in the medium term and, in line with previous guidance, we expect land approvals in FY22 to be between 18,000 and 20,000 plots.

### **Balance sheet and liquidity**

The Group remains financially strong, with a well-capitalised balance sheet and substantial cash and additional liquidity. As at 30 June 2021 the Group had net cash<sup>(5)</sup> of c. £1,315m (30 June 2020: net cash £308.2m; 30 June 2019: net cash £765.7m), ahead of previous expectations, and an undrawn committed revolving credit facility of £700m. The increase in year end cash holdings reflects changes in the timings of land expenditure and the delivery of additional completions, above previous expectations and guidance. We continue to operate in line with our well embedded operating framework, creating discipline in our operations and resilience in our balance sheet.

Land creditors of around £660m (2020: £791.9m; 2019: £960.7m), have reduced to c. 22% (30 June 2020: 25.4%; 30 June 2019: 31.3%) of the owned land bank in line with our operating framework range of 15% to 25%.

### **Defined benefit pension scheme**

In June 2021, we completed a buy out of our defined benefit pension scheme with a leading insurer, securing the pensions of members for the future. As a result, the assets and liabilities of the pension scheme have been derecognised. The buyout and derecognition of the assets and liabilities of the pension scheme will result in a one off income statement charge of c. £1m.

### **Dividend**

The Board continues to recognise the importance of dividends to all shareholders with a dividend policy based on a full year dividend cover of 2.5 times.

### **Outlook**

We have delivered excellent performance this year and, as a result of our successful rebuild of completion volumes, we expect to deliver an adjusted profit before tax marginally above the top end of the range of market expectations<sup>(3)</sup> with profit before tax, after adjusting items of c. £107m, expected to be at the top end of the range of market expectations<sup>(4)</sup>.

The business is in a strong position with substantial net cash, a well-capitalised balance sheet and a healthy forward sales position. We continue to deliver operational improvements throughout our business alongside high quality, sustainable homes and developments across the country. However, we recognise that the UK economy continues to face economic uncertainties arising from COVID-19.

We remain focused on our medium term targets. Our priority remains rebuilding our completion volumes back to FY19 levels in FY22 and thereafter delivering sustainable growth towards our medium target and current capacity of 20,000 homes over the next three to five years. In order to deliver this growth we will be investing in additional work in progress and seeking to increase average site numbers. We have acquired land in recent years at a minimum gross margin of 23% and through our continued focus on operating efficiencies and optimising our performance, we continue to target a minimum 25% ROCE.

The Board will continue to respond to changes in the market and the wider economy but believes that our operating performance, strong forward order book and further strengthened financial position provide us with the resilience and flexibility to react to changes in the operating environment in FY22 and beyond.

**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) An active outlet is defined as an outlet with at least one plot for sale. Our definition remains consistent across all reporting periods, unaffected by the closure of our sales centres across the Group during the lockdown period.
- (2) All figures within this statement exclude joint venture (JV) completions in which the Group has an interest unless otherwise stated.
- (3) Market expectations, as at market close on 12 July 2021, reflecting Company compiled consensus adjusted profit before tax at £878m with a low:high range of £860m to £899m, based on the 18 analysts who have updated forecasts since 6 May 2021.
- (4) Market expectations, as at market close on 12 July 2021, reflecting Company compiled consensus profit before tax at £791m with a low:high range of £761m to £812m, based on the 18 analysts who have updated forecasts since 6 May 2021.
- (5) Net cash is comprised of cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.

## Appendices

1. Completions (homes)	2021	2020	Variance	2019	Variance
Private	13,134	9,568	37.3%	13,533	(2.9%)
Affordable	3,383	2,466	37.2%	3,578	(5.4%)
<b>Wholly owned</b>	<b>16,517</b>	<b>12,034</b>	<b>37.3%</b>	<b>17,111</b>	<b>(3.5%)</b>
JV	726	570	27.4%	745	(2.6%)
<b>Total</b>	<b>17,243</b>	<b>12,604</b>	<b>36.8%</b>	<b>17,856</b>	<b>(3.4%)</b>

2. ASP (£'000)	2021			2020		
	H1	H2	FY	H1	H2	FY
Private	319.5	c. 332	c. 325	312.0	307.7	310.6
Affordable	145.3	c. 148	c. 146	160.0	169.7	163.0
<b>Total ASP</b>	<b>283.5</b>	<b>c. 295</b>	<b>c. 289</b>	<b>279.8</b>	<b>281.5</b>	<b>280.3</b>

3. Forward sales	30 June 2021		30 June 2020		Variance		30 June 2019		Variance	
	£m	Homes	£m	Homes	£m	Homes	£m	Homes	£m	Homes
Private	1,945.2	5,724	1,703.3	5,320	14.2%	7.6%	1,195.2	3,827	62.8%	49.6%
Affordable	1,259.1	7,861	1,274.1	8,201	(1.2%)	(4.1%)	1,088.3	6,720	15.7%	17.0%
<b>Wholly owned</b>	<b>3,204.3</b>	<b>13,585</b>	<b>2,977.4</b>	<b>13,521</b>	<b>7.6%</b>	<b>0.5%</b>	<b>2,283.5</b>	<b>10,547</b>	<b>40.3%</b>	<b>28.8%</b>
JV	269.2	749	272.3	805	(1.1%)	(7.0%)	320.6	872	(16.0%)	(14.1%)
<b>Total</b>	<b>3,473.5</b>	<b>14,334</b>	<b>3,249.7</b>	<b>14,326</b>	<b>6.9%</b>	<b>0.1%</b>	<b>2,604.1</b>	<b>11,419</b>	<b>33.4%</b>	<b>25.5%</b>

4. Adjusting items (including JVs) charged / (credited) to the income statement (£m)	H1 FY21	H2 FY21	FY21	H1 FY20	H2 FY20	FY20
Costs associated with legacy properties (including JVs)	51.0	c. 30	c. 81	17.8	22.1	39.9
CJRS (receipt) / repayment	26.0	0.0	26.0	0.0	(26.0)	(26.0)
<b>Total adjusted items (including JVs) charged / (credited)</b>	<b>77.0</b>	<b>c. 30</b>	<b>c. 107</b>	<b>17.8</b>	<b>(3.9)</b>	<b>13.9</b>

## Conference call for analysts and investors

David Thomas, Chief Executive and Steven Boyes, Chief Operating Officer will be hosting a conference call at 08:30am today, Wednesday 14 July, to discuss this Trading Update.

To access the conference call:

Dial-in: +44 (0)330 336 9434

Passcode: 3765227

A replay facility will be available shortly after through to 11.30am on Monday 19 July:

Dial-in: +44 (0)207 660 0134

Passcode: 3765227

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**Financial reporting calendar**

The Group's next scheduled announcement of financial information is the FY21 full year results announcement on 2 September 2021.