3 May 2023

Barratt Developments PLC

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 2023 to 23 April 2023 (the ‘period’). Comparatives are to the prior year equivalent period (‘2022’) unless otherwise stated. Barratt Developments PLC’s year end is 30 June 2023.

David Thomas, Chief Executive commented:
“In February we reported early signs of recovery in our reservation rates following the exceptionally challenging trading conditions experienced at the end of 2022. Whilst the economic backdrop remains difficult, we are pleased that more positive sales rates have been maintained through this period and we are now fully forward sold for FY23. As a result, we expect to deliver full year adjusted profit before tax in line with current market expectations(1).

We remain committed to leading our industry in quality, customer service and sustainability. We are proud to be the only major housebuilder awarded 5 stars by our customers for the 14th successive year in the Home Builders Federation awards and we remain focused on delivering the high quality and sustainable homes the country needs, creating jobs and supporting the economy.”

Highlights

- Net private reservations per active outlet per average week of 0.65 (2022: 0.93)(2)
- Fully forward sold for FY23 with total forward sales (including JVs) at 23 April 2023 of £2,956.5m (24 April 2022: £4,505.5m)
- Construction activity has been adjusted to the slower trading backdrop with 303 equivalent homes (including JVs) built per average week in the period (2022: 359)
- Balance sheet strength maintained with year-end net cash(3) expected to be around £0.9bn in line with previous guidance
- Trading outlook for the full year remains in line with the Board’s previous expectations with the Group on track to deliver total home completions of between 16,500 and 17,000 homes including around 750 JV home completions

Trading
On 8 February 2023 we outlined that the net private reservation rate from 1 January to 29 January had bounced back from 0.30 in the final quarter of 2022 to 0.49 per active outlet per average week (2022: 0.90). We are pleased to report that over the subsequent 12-weeks of trading through 23 April 2023 activity improved again with the net private reservation rate at 0.71 (2022: 0.94). Across the whole period from 1 January to 23 April, the net private reservation rate was 0.65, down 30.1% on the exceptionally strong prior year period (2022: 0.93) (Appendix 1).

Reservation activity in the period has reflected the more challenging backdrop for first time buyers but resilient demand amongst existing homeowners, where limited homes for sale in the wider market, the energy efficiency of our new homes and the backdrop of significant rental cost growth, have helped to support demand(4).

Our reservation rate has been complemented by increased multi-unit sales into the private rented sector along with additional private unit sales to registered social landlords ("RSL's"), which has mitigated sales risk during the period. The net private reservation rate into the private rented sector, along with additional private units to RSL's, equated to 0.08 (2022: 0.03) in the period.

During the period, we operated from an average of 375 (2022: 326) active sales outlets including 9 JVs (2022: 7) per average week. We have launched 21 (2022: 27) new outlets in the period (including JVs) with the increase in average sales outlets reflecting both new outlets opening and the slower private sales rate since the start of FY23.

In the period we delivered 3,194 (2022: 3,915) total home completions (including JVs of 187 (2022: 114)) bringing total home completions in the financial year to date to 11,820 (2022: 11,982). The higher level of JV completions in the period reflected the timing of completions on sites in London. The decrease in wholly owned completions in the period reflected:

- the reduction in the forward order book carried into the period, following the sharp reduction in reservations experienced in the final quarter of 2022, compared to a stronger forward order book in the comparative period; and
- the impact of the closure of the Help to Buy scheme, where reservations taken prior to 31 October 2022 were mostly completed before the end of the calendar year.

Total forward sales (including JVs) as at 23 April 2023 were 11,525 homes (24 April 2022: 16,236), a decline of 29.0%. The value of our total forward sales was £2,956.5m (24 April 2022: £4,505.5m), a decline of 34.4%. Notwithstanding the slower reservation rate, we are now fully forward sold for FY23.

As we have responded to the changed market backdrop, build activity has continued to reduce in line with reservation activity over the period with 303 (2022: 359) equivalent homes (including JVs) built per average week. Construction output in the financial year to date has equated to 319 (2022: 345) equivalent homes per week. We will continue to pro-actively manage our construction activity to ensure we have efficient working capital across our sites and build phases.

As indicated at the interim results, we expect total build cost inflation (including infrastructure, materials and labour) of around 9% to 10% for FY23. Whilst the outlook for total build cost inflation in FY24 remains uncertain, we currently anticipate a slowing to around 5% for FY24.

Land

Our highly selective approach to buying land has continued throughout the period in which we approved the purchase of two new sites, with four sites, previously approved, no longer proceeding. Through planning amendments, we also added a further two sites to our land approvals position. As a result, we have seen a net reduction of 1,125 plots on an unchanged number of sites in the period (2022: net approvals of 4,761 plots on 27 sites).

Through the financial year to date we have experienced a net reduction of 1,415 plots across 6 sites (2022: net approvals of 13,630 plots across 75 sites) (Appendix 4).

Building safety

In line with our previous commitments on building safety, we signed the Self-Remediation Terms and Contract on 13 March 2023 for buildings in England, in line with the 2022 Building Safety Pledge. The industry is in discussions with the Scottish Government with respect to the terms of a Scottish Safer Buildings Accord and Single Building Assessments. While these discussions are ongoing, we remain committed to completing any necessary works on buildings we developed in Scotland.

Throughout the country, we have always been clear that we do not believe leaseholders should pay for the necessary remediation of life-critical fire safety issues with their homes.

Balance sheet and liquidity

The Group remains financially strong, with a well capitalised balance sheet and a disciplined operating framework. As at 23 April 2023 the Group had c. £600m of net cash(3) and the Group's committed, sustainability-linked, revolving credit facility of £700m remained undrawn throughout the period. Year-end net cash is expected to be in line with previous guidance at around £0.9bn.

Our £200m share buyback programme remains ongoing and through Friday 21 April 2023 we have purchased 38.6m shares at a total cost of £154.5m for cancellation.

Leading the industry in build quality, customer service and sustainability

Our commitment to build quality and customer service remains undiminished and was, once again, externally recognised with the Group awarded 5 stars by our customers for the 14th successive year in the Home Builders Federation awards, a unique record amongst the major housebuilders.

We are also determined to maintain our position as the leading national sustainable housebuilder. All of our sites now being submitted for planning are identifying a minimum bio-diversity net gain of 10% and, following its completion and launch in February 2023, our eHome2 concept home, in partnership with Saint Gobain and the University of Salford, is now undergoing comprehensive climate testing.

Outlook

Reflecting the recovery in reservations through the period, we expect FY23 total home completions will be between 16,500 and 17,000 homes including around 750 JV home completions. As a result, we expect trading for FY23 will be in line with current consensus(1) expectations.

Our business remains fundamentally strong, both operationally and financially, with an experienced leadership team, a strong net cash position and a resilient and flexible business model. We are, therefore, well-placed to navigate the challenges ahead. We remain focused on delivering high quality, sustainable homes and developments needed across the country and excellent service for our customers.

Notes:

(1) Based on current Bloomberg consensus adjusted profit before tax of £876.8m as at 2 May 2023.
(2) All figures exclude joint ventures (JVs) in which the Group has an interest unless otherwise stated.
(3) Net cash comprises cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.
(4) The net private reservation rate, with respect to homes scheduled for completion during FY23 was 0.46 (2022: 0.37), with the balance of the net private reservation rate building our order book for private completions in FY24 and beyond.

Note on forward looking statements

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements. Unless otherwise required by applicable law, regulation or accounting standards, the Group does not undertake to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise.

Conference call for analysts and investors

David Thomas, Chief Executive, Steven Boyes, Chief Operating Officer and Deputy Chief Executive and Mike Scott, Chief Financial Officer, will be hosting a conference call at 8:30am today, Wednesday 3 May 2023, to discuss this Trading Update.

To access the conference call:
Dial-in UK & International: +44 (0) 330 551 0200
UK toll free: 0808 109 0700

A recording of the conference call will be available during the afternoon of 3 May 2023 on the Group website at: www.barrattdevelopments.co.uk

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Barratt Developments PLC LEI: 2138006R85VEOF5YNK29

Financial reporting calendar
The Group's next scheduled announcement of financial information is the FY23 full year trading update on Thursday 13 July 2023.

Appendices:

1. Sales Rate	1 Jan to HY results announcement [1]	HY results announcement to trading update [2]	H2 to date [3]	H1	FY
FY23	**0.49**	**0.71**	**0.65**	**0.44**	**n/a**
FY22	0.90	0.94	0.93	0.79	0.81
FY23 vs FY22	(45.6%)	(24.5%)	(30.1%)	(44.3%)	n/a

	23 April 2023		24 April 2022		Variance	
2. Forward sales	**£m**	**Homes**	**£m**	**Homes**	**£m**	**Homes**
Private	1,849.6	5,148	3,087.3	8,428	(40.1%)	(38.9%)
Affordable	929.1	5,776	1,125.5	6,926	(17.5%)	(16.6%)
Wholly owned	**2,778.7**	**10,924**	**4,212.8**	**15,354**	**(34.0%)**	**(28.9%)**
JV	177.8	601	292.7	882	(39.3%)	(31.9%)
Total	**2,956.5**	**11,525**	**4,505.5**	**16,236**	**(34.4%)**	**(29.0%)**

	FY23		FY22		Variance	
3. Forward sales roll	**Private**	**Total [4]**	**Private**	**Total [4]**	**Private**	**Total [4]**
30 June	**6,108**	**13,579**	**5,724**	**14,334**	**6.7%**	**(5.3%)**
Reservations	7,871	9,766	11,563	13,884	(31.9%)	(29.7%)
Completions	(8,831)	(11,820)	(8,859)	(11,982)	(0.3%)	(1.4%)
At end of period [5]	**5,148**	**11,525**	**8,428**	**16,236**	**(38.9%)**	**(29.0%)**

	Number of sites			Number of plots		
4. Land approval movements	**H1 FY23**	**H2 to date [3]**	**FY23 to date [6]**	**H1 FY23**	**H2 to date [3]**	**FY23 to date [6]**
Approved	16	2	18	3,047	121	3,168
Amended	-	2	2	(44)	(155)	(199)
Cancelled	(22)	(4)	(26)	(3,293)	(1,091)	(4,384)
Net Approvals / (Cancellations)	**(6)**	**-**	**(6)**	**(290)**	**(1,125)**	**(1,415)**

Notes:

(1) Trading period through to 29 January 2023 and 30 January 2022, the cut-offs on current trading for the half year FY23 and FY22 results announcement.
(2) Sequential trading period through to 23 April 2023 and 24 April 2022.
(3) Trading period from 1 January through to 23 April 2023 and 24 April 2022.
(4) Total include joint ventures (JVs) in which the Group has an interest unless otherwise stated.
(5) Equates to 23 April 2023 in respect of FY23 and 24 April 2022 in respect of FY22.
(6) Trading period from 1 July 2022 through to 23 April 2023.