

Barratt Developments

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Barratt Developments falls as bosses warn volume growth will be at lower end of guidance this year

Barratt Developments PLC's (LON:BDEV) results were bang in line with guidance on Wednesday, but the recent share price surge came to an end as bosses warned volume growth for the year ahead would be at the lower end of their expectations.

The housebuilder sold 17,856 homes in the year ended 30 June, 1.6% more than it did in 2018 (2018: 17,579).

READ: Deutsche Bank upbeat on housebuilders, thinks Help to Buy could be extended beyond 2023

That helped pre-tax profits to climb 9% to £909.8m (2018: £835.5m), as a pick-up in margins more than offset a slight decline in selling prices.

Management had previously told investors that the number of homes sold would increase by as much as 5% in the current year, but it has now conceded that growth will be closer to 3%.

"It has been another outstanding year delivering a strong operational and financial performance," said chief executive David Thomas.

"Whilst there is increased economic and political uncertainty, we begin the new financial year with a strong forward order book, balance sheet and cash position which we believe provides us with the resilience and flexibility to react to potential changes in the operating environment in FY20 and beyond."

New year off to decent start

In the opening couple of months of the new year, Barratt's active developments are adding an average of 0.70 reservations a week (2018: 0.75 reservations).

As of 1 September, the company has forward sales of 12,911 homes (Sep 18: 12,648 homes) at a value of £3.0bn (Sep 18: £3.1bn).

City broker Liberum said analysts are unlikely to change their forecasts for the year on the back of today's outlook, while Peel Hunt cut its rating to 'add' from 'buy'.

"In P/NAV terms Barratt is now trading on a 1.55x multiple for CY19 and 1.45x for CY20, modestly ahead of the sector average of 1.45x and 1.35x respectively. The dividend yield is c7.4% and 7.6% for 2019 and 2020 respectively," said Peel Hunt in a note to clients.

"These multiples look about right given the market backdrop so after the strong run this year we move our recommendation to 'hold' from 'add'."

Barratt shares are up by more than a third this year - a significant outperformance versus the rest of the UK's housebuilders - but the stock is down by almost 3% Wednesday morning to 606p.

Price: 537.6

Market Cap: £5.47 billion

1 Year Share Price Graph



Share Information

Code: BDEV

Listing: LSE

52 week High Low
979.54 349.4

Sector: Builders and building materials

Website: www.barratthomes.co.uk

Company Synopsis:

Barratt Developments is a United Kingdom-based company engaged in housebuilding and commercial development.

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