

Barratt Developments

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Barratt wobbles as it tempers growth expectations

The UK's largest housebuilder, Barratt Developments PLC (LON:BDEV), saw its shares wobble on Wednesday as despite a good start to the year the firm reiterated its growth expectations would be at the lower end of its target range.

In a trading update for the 15 weeks ended 13 October, the FTSE 100 group said that based on current market conditions it expected volume growth for its current year would be "towards the lower end" of its medium-term target range of 3-5% growth per year.

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 Barratt acknowledged that Brexit would play a part in its economic outlook, though chief executive David Thomas said the company's "strong balance sheet and cash position" would allow it to adapt to any potential changes in the market.

For the first quarter of its trading year, 3,252 houses were completed, up 14% on the prior year, while total forward sales of 12,963 compared to 12,903 a year ago.

The sales rate held steady year-on-year at 0.72 private reservations per outlet per week, better than an underlying rate of 0.69 last year.

Analysts satisfied

Noting that Barratt shares have done well in part because there is lower perceived risk on the group's profit margins, which has impacted investor opinions on others in the sector, UBS noted that the company gave few specifics on margin expectations except for the group stating it is "making good progress".

"Given the margin pressure seen elsewhere in the sector (e.g. Bellway yesterday) and Barratt's upward trajectory, we note that Barratt's margins will be similar to its closest peers, such as Bellway and Taylor Wimpey," UBS analysts observed, up from a gap of 3-5 percentage points two years ago.

Broker Peel Hunt, which rates Barratt at 'hold' with a 650p price target, said they expected the firm to maintain margins over the year as new house types offset a "negative impact" from costs.

With the company's shares "the best performers in the sector" and existing investors should "sit tight" through the upcoming UK market cycle.

However, Barratt's shareholders seemed to have a different idea, with the stock falling 3.7% to 658p in early deals.

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Price: 664.4

Market Cap: £6.77 billion

1 Year Share Price Graph



Share Information

Code: BDEV

Listing: LSE

52 week	High	Low
	702.8	430

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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