

Chairman's Statement

I am delighted to report that Redrow has once again delivered another year of strong growth and record financial results, achieved by completing 5,913 new homes (including our Croydon Joint Venture), an increase of 9% on the previous year.

Financial Results

Group turnover rose by 16% to £1.92bn (2017: £1.66bn) as a result of the increase in legal completions to 5,913 together combined with a 7% rise in average selling price to £332,300 (2017: £309,800). The increase in average selling price was mainly due to the relatively faster growth of our southern businesses.

Gross profit at £469m was £64m above the 2017 level and gross margin was in line with last year at 24.4%.

With firm control of costs, operating expenses only increased by £4m to £87m, resulting in operating expenses reducing as a percentage of turnover from 5% in 2017 to 4.5% in 2018.

Operating profit was £382m, up 19% (2017: £322m), with an operating margin of 19.9% (2017: 19.4%).

Pre-tax profits were £380m, up 21% (2017: £315m) including a £5m after tax contribution from our Croydon Joint Venture. Earnings per share increased by 22% to 85.3p (2017: 70.2p).

This excellent trading performance and tight control of working capital enabled us to achieve strong cash generation which resulted in the Group moving from a net debt position of £73m at the end of the previous financial year to a positive cash position of £63m at the end of June 2018.

Our Return on Capital Employed also improved from 26.0% to 28.5% and Return on Equity from 27.7% to 28.0%.

In March 2017 we announced our intention to increase our dividend payout ratio to 33% over the medium term. Due to our ongoing strong cash position the Board is proposing a final dividend of 19p per share for 2018 (2017: 11p), making 28p per share for the full year an increase of 65% on the prior year. This equates to a payout ratio of 33% (2017: 24%), achieving our target ahead of plan.

Subject to shareholder approval at the Annual General Meeting, this will be paid on 13 November 2018 to shareholders on the register as at close of business on 21 September 2018.

Market

Despite the uncertainty surrounding Brexit, demand for new homes continues to be robust, and overall house price inflation has moderated to a sustainable 2%. We entered the current year with a strong order book of £1.14bn, an increase of £110m over the previous year.

Mortgage availability is excellent, and with low interest rates by historic levels, the mortgage market remains very competitive.

Help to Buy continues to support home buyers and the housing industry. In the last financial year 1,794 of our private reservations were secured through Help to Buy, a similar level to the previous year.

Land & Planning

During the year we added 7,455 plots to our current land holdings. Of these, 2,727 were converted from our strategic land. As a result, net of completions and re-plans, our current land holdings increased by 1,530 plots to 27,630 (2017: 26,100). Our strategic land holdings also increased by a net 4,300 plots to 30,700 (2017: 26,400).

Growing the number of outlets in line with the increased land holdings remains a challenge as the journey from 'outline planning permission' to 'implementable planning permission' remains as bureaucratic as ever.

The gross development value of our total land holdings now stands at £20bn giving Redrow an outstanding platform for continued growth.

People

As we continue to grow the business we continue to add to our workforce, creating a further 100 jobs in 2018. We now directly employ 2,300 people (2017: 2,200), with many thousands more supported indirectly through our subcontractors and suppliers.

We have recruited 173 (2017: 150) new apprentices, trainees and graduates in the last year making 343 in total, an industry leading 15% of the workforce. We have been awarded a Top 100 Apprentice Employer by the National Apprentice Awards for the fifth consecutive year.

Our excellent growth record is due to the ongoing commitment and hard work of the whole Redrow workforce together with our subcontractors and suppliers, for which I thank them.

Current Trading and Outlook

We have excellent products, especially the Heritage Collection, and demand for our homes is strong. Despite Brexit uncertainty and the exceptional summer weather, sales revenue in the first 9 weeks is in line with last year. We expect to continue to grow our land holdings and increase the number of average outlets in the current year by 5% to 130 (2018: 124).

Redrow is committed to growing our output to help the country's requirement to increase the number of new homes built. We have a very strong forward order book, first class land holdings, an excellent balance sheet and we are able to react quickly to changing circumstances. However, there is no doubt that clarity over Brexit and the future of Help to Buy would improve market sentiment. Given that clarity, we will continue to deliver.

Steve Morgan
Chairman