

## **Chairman's Statement**

In this, my final report as Chairman, it gives me great pleasure to announce that Redrow has once again delivered record results for the first half of the financial year. During the period legal completions increased by 12% to 2,970, whilst pre-tax profits were up 5% to £185m.

## **Financial Results**

Group Revenue increased by 9% to £970m, due to the increase in legal completions. Revenue from private legal completions increased by 4% to £847m (2018: £816m) and from affordable completions was 97% higher at £114m (2018: £58m). The average selling price of our private homes increased by 4% from £375,000 to £391,000 and affordable homes by 15% to £141,000 (2018: £123,000), mainly due to the growth of the Southern businesses.

As a consequence of the change in balance of tenure, gross margin reduced slightly from 24.5% to 24%.

Overheads increased from £43m to £46m, due to the further growth in the business. However, as a percentage of turnover they reduced from 4.8% to 4.7%.

Operating profit increased by 7% to £187m (2018: £175m) and pre-tax profits were 5% higher at £185m (2018: £176m), despite there being no Joint Venture contribution this year (2018: £4m after tax). Earnings per share at 41.5p were 5% up on the previous year (2018: 39.5p).

Net cash at the end of December 2018 was £101m (June 2018: £63m).

In line with our policy of a 33% full year dividend payout ratio, the Board has declared an interim dividend of 10p per share (2018: 9p). The interim dividend will be paid on 9 April 2019 to holders of ordinary shares on the register at the close of business on 8 March 2019.

As a result of our continuing strong earnings and cash performance, we are proposing a 30p per share cash return to shareholders through a B Share Scheme, which will be in addition to the interim dividend. This Scheme enables all shareholders to participate equally in proportion to their holdings and should be treated as capital for most UK tax resident shareholders. Assuming it is approved by shareholders payment is expected to be made in April 2019. The Scheme will be accompanied by a share consolidation to maintain share price comparability.

## **Trading**

Our sales rate per outlet per week for the first half was 0.61, slightly lower than the 0.64 for the same period last year. Sales were negatively affected towards the end of the calendar year as a result of the political uncertainty surrounding Brexit and the effect of high Stamp Duty Tax, which has disrupted the normal trade-up/down-sizing market. Despite this, the value of private reservations in the first half was in line with the prior year at £795m (2018: £795m).

At the end of December 2018 we had a record total order book of £1.2bn, up 11% on December 2017. In the first half of the financial year 39% of our private reservations utilised Help to Buy. Outlets averaged 129 in the period, two higher than the first half last year. We expect the full year average outlets to be at a similar level.

Over the period we have experienced a reduction in cost pressures with sub contract, materials and labour markets all easing.

I am delighted that our customer satisfaction scores have run at 91% over the last 12 months which should ensure Redrow's status as a 5 Star Builder under the Home Builders Federation Survey. I am also delighted that Redrow were awarded the coveted titles of Large Housebuilder of the Year and UK Housebuilder of the Year at the 2018 WhatHouse Awards.

## **Land and Planning**

We continue to see excellent opportunities in the land market. However, we have taken a cautious approach to land acquisition, preferring to concentrate on those select sites which suit the Redrow product.

Our owned and contracted current land holdings at 31 December 2018 are in line with those at the end of the last financial year at 27,540 plots (June 2018: 27,630). Our forward land holdings at 31 December 2018 are also in line with those at the end of June at 30,500 (June 2018: 30,700).

## **People**

Our directly employed workforce continued to increase due to the ongoing growth of the business.

Over the last 10 years, since I returned to Redrow, the then 600 employees has increased four-fold to just under 2,400 today. During that time we have recruited over 1,000 trainees into the business, ranging from apprentices to graduates.

We have an ongoing commitment to develop our own talent, leading the way in trying to resolve the shortage of skilled labour in the industry. Redrow is at the forefront of actively encouraging young people to develop successful careers across all disciplines.

I am proud of the Redrow team as we continue to grow the business and, as always, I thank them for their commitment.

## **Current Trading and Outlook**

The market during the run up to the festive period and the first two weeks of 2019 was subdued by macroeconomic and political uncertainty. However, sales over the last three weeks have bounced-back with reservations running at similar levels to last year's strong market activity. Overall, private sales for the first 5 weeks of 2019 were £156m (2018: £166m). Nevertheless our strategy remains on track and given our record £1.2 billion order book, I have every confidence that this will be another year of significant progress for Redrow.

It is nearly 45 years since I founded Redrow and when I step down as Chairman next month it will be exactly 10 years since I returned to the business. I am proud of the legacy I leave behind having completed over 6,000 homes for the first time in 2018 and handed over our 100,000<sup>th</sup> Redrow home last October.

Redrow has a very strong team, an excellent balance sheet and the Heritage Collection product which I believe is the best in the industry. Most importantly, Redrow has a great future under John Tutte's leadership who will take over from me as Chairman.

Steve Morgan  
Chairman