

Group Chief Executive's Statement

Our order book represents a strong foundation to underpin the business in 2021.

Introduction

The onset of COVID-19 had a significant impact on the business in the financial year under review. Total legal completions (including JV) reduced to 4,032 compared to 6,443 in the previous year with revenues falling to £1.34bn (2019: £2.11bn).

We ended the financial year with a record forward order book of £1.42bn (2019: £1.02bn) of which 70% was already exchanged. This represents a strong foundation to underpin the business in 2021, particularly in terms of cash generation through what might be an uncertain trading period.

This is an extraordinary time for the business, and indeed the nation. I'm exceptionally proud of our teams and how they have and continue to respond to the challenge. Our colleagues, suppliers, and subcontractors are tirelessly working together to deliver the best possible outcomes for our customers. This close collaboration is also helping to prepare the business for the long-term changes being driven by COVID-19.

As everyone adapts to the impact of the pandemic, customers are naturally reassessing what is important to them. Our strategy of delivering high quality, predominantly detached homes – combined with our strong placemaking principles – are now more desirable than ever before to homebuyers searching for more space and 'a better way to live'.

This strategy gives us a high level of differentiation, and together with disciplined cost control, means Redrow is well positioned to navigate all market conditions. Our average private selling price of £386,700 (2019: £389,500) combined with a strong rate of sale, delivers industry-leading revenues on an outlet basis for a typical housing development.

Last year our average private house floor area was 1,294sqft and the desirability of Heritage homes which already account for over 80% of turnover is further increasing as customers realise how important the space and layout of their home is when potentially faced with having to spend more time at home. As we continue to build in prime locations many of our homes are within reach of families aspiring to a larger home.

Taking these facts and trends into account my aim is to evolve, rather than revolutionise, our successful strategy. At the same time we will drive forward our market advantage in areas such as digital and online services.

Following a strategic review of our London operations we made the decision to exit from all sites over time, with the exception of our Colindale Gardens development.

Making acceptable returns in London has become increasingly more difficult in recent years. There remains downward pressure on the London market created by weak overseas demand, shifting social trends, which suggest many buyers are now looking to live and work outside the Capital, and a convoluted two-tier planning system that has not responded to any of these changes.

We will however continue with our Colindale Gardens development, on the site of the old Hendon Police Training College and on the outskirts of the Capital. During the year we received a planning resolution for a further 1,200 plots, which will result in the development delivering c.4,000 homes and continuing to account for the majority of our London-associated revenue. The size of the scheme has allowed us to integrate many of our Redrow placemaking principles, which will ensure this will be a desirable location long after we have finished construction.

Our well established divisional network across England and Wales has the capacity to offset the reduction in London and maintain overall growth whilst still continuing to satisfy strong consumer demand for our core Heritage product.

Following lockdown our sales rate has remained strong highlighting the demand for our quality homes and places.

In anticipation of the strong demand for Help to Buy ahead of the planned changes to the scheme next year, we have entered the year with a very strong WIP position. We have increased the number of plots under construction by 13%. This, together with advanced build stages results in the equivalent units work in progress being 48% ahead of the previous year.

Ensuring the safety of all personnel remains our priority and, as trades have become more familiar with revised working practices, productivity has continued to improve. Meanwhile, our strong opening WIP position is compensating for reduced productivity until we fully return to pre-COVID-19 levels.

Investing in Places

Prior to the COVID-19 pandemic the Group added 3,614 plots to the current land bank and, after taking into account legal completions, land sales, re-plans and our London review, our owned and contracted land holdings with planning totalled 27,000 plots (2019: 28,566 plots). Pull through from Forward Land accounted for 1,721 of the plots added.

We temporarily postponed the purchase of new land as part of measures to protect cash flow at the onset of COVID-19 and also renegotiated favourable deferment terms on our existing obligations.

Post lockdown we have returned to the market, taking a sensible and balanced view with regard to land acquisition. Land agreements will be made on a case by case basis, with preference given to those deals which are either at strong margins or alternatively are subject to planning with walk away provisions should we see any material changes in the market.

Our cautious and selective approach to the land market will inevitably have an impact upon outlet growth in the next financial year. We do however, continue to target moderate growth and we will accelerate our land buying activities when the time is right.

As part of our strategy to create better places to live, we are progressing our work to address climate change and improve biodiversity. We have been awarded a gold level status in this year's NextGeneration Benchmark, retaining third place for the fourth year in a row. The NextGeneration Benchmark assesses and ranks the sustainability performance of the UK's 25 largest housebuilders.

This success follows us receiving the 2019 NextGeneration Innovation Award in June, which is awarded to a homebuilder that has demonstrated initiatives that go far beyond the criteria used for the benchmark.

We were recognised for our commitment to supporting healthy communities by developing a unique social value calculator.

From guaranteeing that 99.9% of our timber was responsibly sourced to ensuring 97.7% of our waste was diverted from landfill in 2019, we have continued to fulfil our company ethos of building responsibly and protecting the environment.

We have also teamed up with The Wildlife Trusts to develop a robust group-wide wildlife strategy for all of our sites, and we are also partners with the Bumblebee Conservation Trust, which has seen us introduce a variety of pollinator-friendly measures, resulting in the implementation of hedgehog highway networks, bat bricks and bird boxes to encourage local wildlife.

People

At the beginning of COVID-19 we took immediate steps to protect the business, whilst supporting customers, colleagues and front-line workers.

We were proud to support the NHS during the crisis with a number of initiatives, including offering our Show Homes on a site near Basildon for doctors and nurses to sleep between shifts; donating personal protection equipment to NHS Hospitals across the country and supporting colleagues who selflessly decided to volunteer whilst on furlough.

The Health & Wellbeing of our people remains a priority. We have now trained over 200 Mental Health First aiders and earlier this year we supported the 'Time to Talk' day aimed at raising awareness of mental health issues. Notwithstanding this, colleagues, subcontractors and their families will still have access to a 24-hour confidential phone line externally manned by professionals to help in times of need.

Health, Safety & Environmental

Early on in the COVID-19 outbreak, our teams began to plan for return to work protocols and liaised closely with industry bodies to develop best practice.

Our construction, sales centre and customer service videos received thousands of views both from within, and outside, the housebuilding industry. We were proud not just to support our own colleagues, but to help others, in particular, SME's without the resources to develop and promote protocols.

All our workplaces are COVID-19 secure and we helped to shape the co-produced Government and Home Builders Federation charter on safe working practice with regard to COVID-19 safety protocols.

Reflecting our commitment to Health, Safety & Environmental, three of our site managers have received 'Highly Commended' awards at the NHBC's annual Health and Safety Awards. Now in their tenth year, the awards are given to site managers who demonstrate an outstanding level of health and safety management from planning through to execution.

Customers & Quality

Once again, we were proud to secure a number of top customer service accolades.

We were again a HBF Five Star Customer Excellence Award winner, with our score trending above the majority of the major homebuilders with a recommendation score of 91.9%.

Throughout the year, we were continually rated as 'Excellent' on Trustpilot and it was particularly pleasing to see the many positive customer comments about colleagues across the business, working in sales, construction and customer service.

Twenty one of our site managers were awarded NHBC Pride in the Job awards recognising their dedication to quality and will now go forward to the next stage of the awards.

This customer service performance is underpinned by our iPad quality inspection tool which enables site managers to take before and after pictures of every build stage. This industry leading technology is the foundation of our customer service performance and we are already beginning to see the benefits in further improved quality and efficiencies.

We remain the only major homebuilder to be a member of the Institute of Customer Service (ICS), sponsoring a number of colleagues on its industry accreditation scheme and sharing best practice.

In response to the COVID-19 pandemic we expanded our customer experience, including introducing zoom calls for potential homebuyers and virtual Hard Hat tours by site teams to guide customers around their homes at pre-plaster stage. Our inspection apps were also adapted to enable customers to complete their own Home Preview tours whilst maintaining social distancing.

Market Outlook and Current Trading

The government has recognised that the home building industry has a big role to play in the country's economic recovery. It is committed to tackling the chronic housing shortage and meeting its 300,000 new homes per year target by the mid 2020's.

We welcome both the introduction of the stamp duty holiday and the extension of Help to Buy to ensure prospective homeowners aren't disadvantaged by changes to build schedules caused by COVID-19.

Once again, I would like to thank the Redrow team, customers, shareholders and all partners for their support, dedication and understanding during the last few months.

It is likely there will be a level of market uncertainty for the foreseeable future. However, Redrow is very well placed to navigate all market conditions. Our level of differentiation, combined with social trends towards customers desiring quality family homes in great places, has resulted in an encouraging sales rate following the business' re-start. For the first 11 weeks of the current financial year our sales rate has been very strong at 0.84 (2019: 0.68). We currently have a record forward order book of £1.53bn (2019: £1.33bn), which provides further certainty going forward. Overall, we have an excellent platform to continue delivering and evolving Redrow's successful strategy in the future.

Matthew Pratt
Group Chief Executive