

Group Chief Executive's Statement

Overview

In the first half of the financial year, we have demonstrated the continued success of Redrow's strategy, with a product range, which perfectly meets customers' needs. It is clear the 'race for space' is a long-term trend, directly supporting our larger, quality homes and differentiated market position.

By continuing to evolve, rather than revolutionise, our highly successful Arts & Crafts style Heritage Collection, we have capitalised on strong demand; improved sales margins and continued to invest for growth. The value of our first half reservations was £884m, an increase of 6% on the same period last year (2021: £836m), and our total order book increased to £1.5bn (2021: £1.3bn).

Profit before tax is up 17% to £203m (2021: £174m). This was achieved with an operating margin of 19.5% for the first six months and we expect to deliver a similar margin for the full year. This means the Group will have returned to a normalised margin a full twelve months ahead of our previous guidance.

As a result of this strong performance the Board has declared an interim dividend of 10p, up 67% on the prior year (2021: 6p) as we return to a 33:67 payout ratio. The interim dividend will be paid on 8 April 2022 to shareholders on the register at the close of business on 25 February 2022.

We continued to purchase land in line with our growth strategy, adding 3,316 plots to our current land holdings with a GDV of c£1.2bn (2021: 2,284 plots and £800m GDV) and 2,945 to our strategic land bank (2021: 3,754).

Our guidance for active outlets in 2024 has reduced from 137 to 134, mainly due to planning delays.

It is clear the planning system is now at its lowest point for a number of years. Local Authority planning teams are experiencing resourcing issues, with a number of in-house planning officers choosing to leave and join the private sector. This is compounding the ongoing issues caused by a bureaucratic and unacceptably slow system.

While we can manage these issues, it is a particularly challenging barrier for small and medium sized housebuilders to overcome. It is in everyone's interests to see a vibrant small and medium-sized enterprise (SME) market - building on the construction skills pool and supporting a healthy subcontractor base. All these dynamics, when working in harmony, create a positive economic multiplier effect, which benefits local economies across the country. Therefore, we would repeat our call for Government to address these crucial planning problems.

The scale down of our London business is progressing to plan. We have disposed of all the sites we decided not to build out and by the end of the next financial year, our only London development will be at Colindale.

I am very pleased to welcome Oliver Tant to the Board as an Independent Non-Executive Director and Audit Committee Chair Designate. Oliver brings strong financial and audit experience as well as broader commercial and operational expertise.

Financial Overview

Group revenue increased to £1,052m (2021: £1,041m), a new record for the first half of the year, as we capitalised on the strong demand for the superior quality of our homes and developments. The Average Private Selling Price of our homes rose by 8% to £419,000. This reflects geographical mix; house price inflation and a large increase in customers personalising their homes with extras.

Total completions in the first half were lower than the same period last year at 2,749 (2021: 3,065). Completions of private homes were 140 lower at 2,290 homes. This was due to a reduction in apartment completions due to the transition out of London, and outlet constraints in some areas of the country due to very high demand and planning delays. Affordable completions were down 176 homes at 459. This was a timing difference with significantly higher affordable completions planned in the second half.

We increased our operating profit by 15% to £205m from £178m in the first half last year, and in doing so restored our operating margin to the 2019 level of 19.5%. Build costs continue to rise and we expect cost inflation of c6% for the full financial year. We are working closely with our partners to mitigate supply and cost issues. Despite ongoing build cost inflation, the house price increases embedded in our order book mean we expect to deliver a similar operating margin for the full year.

With interest expense at £2m, our Profit before Tax was £203m, up 17% on last year. Our Earnings per Share is up 17% to 48.1 pence.

We have more than doubled our Return on Capital Employed to 21.5% and are on target to return to 25% over the medium term.

We ended the first half with net cash of £242m (June 2021: £238m) and our average monthly net cash for the first half was higher at £257m (H1 2021: £66m).

The Redrow Difference

Recent Bank of England research of housing transactions during the pandemic found that just under half of the recent price increase could be attributed to the ‘race for space’ as people seek and value larger spaces outside city centres. (BOE: 13th December 2021: ‘How much of the recent house price growth can be explained by the ‘race for space?’).

Customers desire our premium quality, larger detached homes more than ever before. They provide modern and flexible interior spaces, accommodating the blending of family and work life. At the same time, our Arts & Crafts style exteriors give homeowners the sense of well-being and comfort they want.

Our homes particularly appeal to second movers and rightsizers – who would usually look to the second hand market – and are well insulated from affordability issues.

Our highly successful ‘My Redrow’ online service enables customers to personalise their homes online. We have added Garden Rooms and fitted studies to our extensive range of options, which are more popular than ever before.

Our developments, designed with our 8 Redrow placemaking principles, are a key part of the Redrow difference. With the trend for more people working from home expected to continue, the concept of the ‘walkable community’ will become more desirable. We have responded to this in the design of our communities by delivering local mini destinations in the form of ponds, nature areas, walking and running routes, outdoor gyms, community orchards and allotments.

Customers are willing to move longer distances to secure their dream Redrow home and location. The interactive screens in our new Customer Experience Suites now give our Sales Consultants access to every one of our sites across England & Wales and our investment in digital technology allows us to be much more flexible in meeting customer requirements and helps us achieve a deeper engagement with them.

Meeting the ESG Challenge

We have made significant progress in the area of Environmental, Social and Governance (ESG). We have set out our intention to achieve net zero carbon by 2050 and are working towards our new developments achieving a minimum 10% biodiversity net gain.

In September 2021, we set an ambitious target to achieve net zero across the whole business and supply chain by 2050:

- We have signed up to the Science Based Targets initiative’s (SBTi) highest business ambition of pursuing efforts to limit global warming to 1.5°C.
- We will set interim, science-based targets across scopes 1, 2, and 3 in 2022.
- Redrow has joined the UNFCCC Race to Zero, becoming one of 3,067 companies globally committing to setting more ambitious climate targets.
- The Carbon Trust have been appointed to help Redrow model its targets and develop its

approach to meeting this strategy.

With new Building Regulations due in June 2022, we are actively preparing our building specification to ensure the roofs, walls, floors, windows and doors for all our new homes will meet the new Fabric Energy Efficiency Standards. We are currently trialling a range of new technologies to help us meet our aims, including air source heat pumps and our gas-free, low-carbon home in Yorkshire.

As part of our Building Responsibly strategic pillar, the Group continues to maintain its high level of customer satisfaction with a score of 93.7% in the latest NHBC's 8-week quarterly customer recommend score (2021: 92.9%). It is also pleasing to note that every one of our divisions are currently achieving a Five Star customer recommend score, which is a minimum of 90% satisfaction.

We welcome the introduction of the New Homes Ombudsman Scheme and see it is an opportunity to further highlight the quality of our product and services. We intend to register for the Scheme at the earliest opportunity. This will enable us to begin a process of preparation and transition to the new arrangements for future completions, all in conjunction with the New Homes Quality Board.

Since the launch last year of our ambitious Redrow 2025 vision – which was preceded by the biggest colleague consultation in the company's history – we have made significant progress. This includes the creation of a new 'agile office' concept to support truly flexible working, the groundwork for the launch of our new volunteering policy and an enhanced focus on health and well-being. I would like to thank all our colleagues and partners for their hard work and support, playing a key role in the Group's strong performance.

Fire Safety Improvement Works

The Rt. Hon Michael Gove MP (Secretary of State for Levelling Up, Housing & Communities and Minister for Intergovernmental Relations) recently announced his intention to secure more funding from developers to remediate the unsafe cladding on apartments by widening the scope of buildings concerned from those over 18 metres to those over 11 metres high.

As we are predominantly a builder of family detached houses, we have only developed a relatively small number of high-rise apartment schemes. However, as a consequence of the widening in scope of buildings concerned and more detailed cost estimates for the work required, we have increased our fire safety provision by £10m to £36m. This provision is for the estimated remediation of buildings for which we are the Principal Contractor. The level of this provision will be reassessed as work progresses, Government legislation or regulation changes as a result of the above announcement or if the Group makes any further commitments with respect to this matter.

We do believe the whole industry should play its part in tackling the cladding issue but in a fair and proportionate way. Alongside the Home Builders Federation, we will continue to try and work with Government to find answers to these issues, whilst trying to help meet this country's chronic housing shortage.

Current Trading & Outlook

We have made a strong start to the second half, with the value of private reservations per outlet per week for the 5 weeks to 6 February averaging £417,000 in total and £367,000 excluding a bulk deal in London (2021: £301,000). As stated in our 2021 Annual Report, and as expected, outlet numbers are lower at 112 (2021: 117) but we expect them to increase over time as new land comes on stream to satisfy continued strong demand for our products. We have appointed the leadership team for our new Southern division, which will open this summer and is currently acquiring its first sites.

I am confident the business will deliver further progress in the second half, combining a strong financial performance alongside our commitment to sustainable and responsible operating practices. Redrow will also continue to innovate to ensure we meet the needs of customers and our other stakeholders.