



Full Year Results Presentation

Year to 30 June 2019

05 September 2019

Agenda

Chairman's Overview

John Tutte

Financial Results

Barbara Richmond

Operating Review

Matthew Pratt

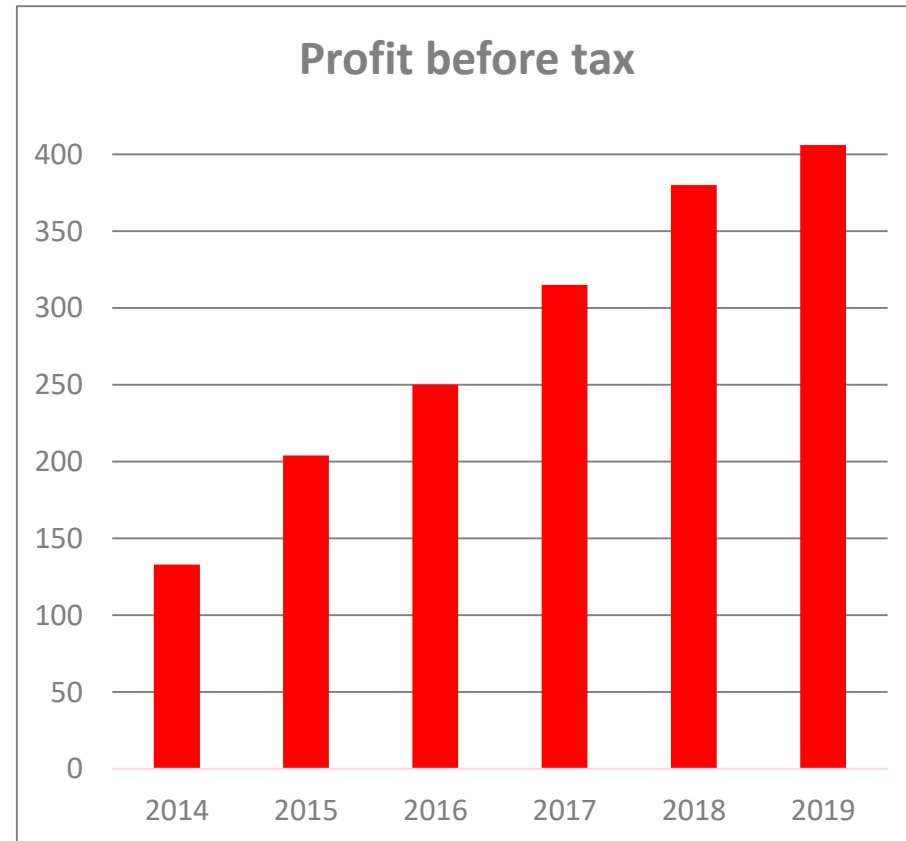
Strategy and Outlook

John Tutte

Questions

Highlights

- A sixth consecutive year of record results
- Record pre-tax profits of £406m up 7%
- Record legal completions at 6,443 up 13% on 2018
- ROCE of 28.5% (2018: 28.5%)
- Net cash of £124m at year end (2018: £63m)



Financial Results

Barbara Richmond – Group Finance Director

Financial Highlights



- Turnover up 10% to £2.1bn
- EPS up 8% to 92.3p
- Cash conversion of 90% (2018: 72%)
- Final dividend of 20.5p, making 30.5p for the full year, up 9% (2018: 28p)
- Total cash return of 60.5p per share

Income Statement

£m	FY	FY	Variance	
	2019	2018	£m	%
Turnover - Homes	2,091	1,900	191	10
Turnover - Other	21	20	1	5
Total Turnover	2,112	1,920	192	10
Gross profit	504	469	35	7
Operating expenses	(93)	(87)	(6)	(7)
Operating profit	411	382	29	8
Share of joint venture profits	-	5	(5)	(100)
Interest	(5)	(7)	2	29
Profit before tax	406	380	26	7

Analysis of private plots in Cost of Sales

Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

FY 2019	FY 2018
82	81
21	21

Turnover by Geography

- Growth in the mature Northern region of 3.5%
- Strong growth in Central and Southern regions
- London flat in 2019, down in 2020 due to phasing

	FY 2019		FY 2018	
	£m	%	£m	%
North	448	21	433	23
Central	527	25	445	23
South	815	39	726	38
Greater London	301	14	296	15
Total Homes	2,091	99	1,900	99
Other	21	1	20	1
Total	2,112	100	1,920	100

Homes Turnover Analysis

- Record Homes revenue of £2.1bn, up 10%
- Legal completions up 13% to 6,443
- Private ASP up 2% to £389.5k
- Apartments 19% of private sales revenue (2018: 22%)
- Affordable 12% of turnover (2018: 7.6%) and 27% of volume (2018: 19%)

	Turnover (£m)				Volume				ASP (£k)			
	FY 19	FY 18	Var	% Var	FY 19	FY 18	Var	% Var	FY 19	FY 18	Var	% Var
Private Houses	1,496	1,365	131	10	3,794	3,631	163	4	394.3	375.9	18.4	5
Private Apartments	347	390	(43)	(11)	937	985	(48)	(5)	370.3	395.9	(25.6)	(6)
Total Private	1,843	1,755	88	5	4,731	4,616	115	2	389.5	380.2	9.3	2
Affordable	248	145	103	71	1,712	1,102	610	55	144.9	131.6	13.3	10
Total Homes	2,091	1,900	191	10	6,443	5,718	725	13	324.5	332.3	(7.8)	(2)

Private Turnover Analysis

- Homes private turnover up 5% to £1.84bn
- Private volumes up 2% to 4,731
- Heritage Collection 79% of turnover (2018: 72%)
- Bespoke product 21% of turnover (2018: 28%)
- Help to Buy legal completions of 1,985 (2018: 1,850)

	Turnover (£m)				Volume				ASP (£k)			
	FY 19	FY 18	Var	% Var	FY 19	FY 18	Var	% Var	FY 19	FY 18	Var	% Var
Heritage	1,455	1,258	197	16	3,755	3,399	356	10	387.5	370.1	17.4	5
Bespoke	388	497	(109)	(22)	976	1,217	(241)	(20)	397.5	408.4	(10.9)	(3)
Total	1,843	1,755	88	5	4,731	4,616	115	2	389.5	380.2	9.3	2

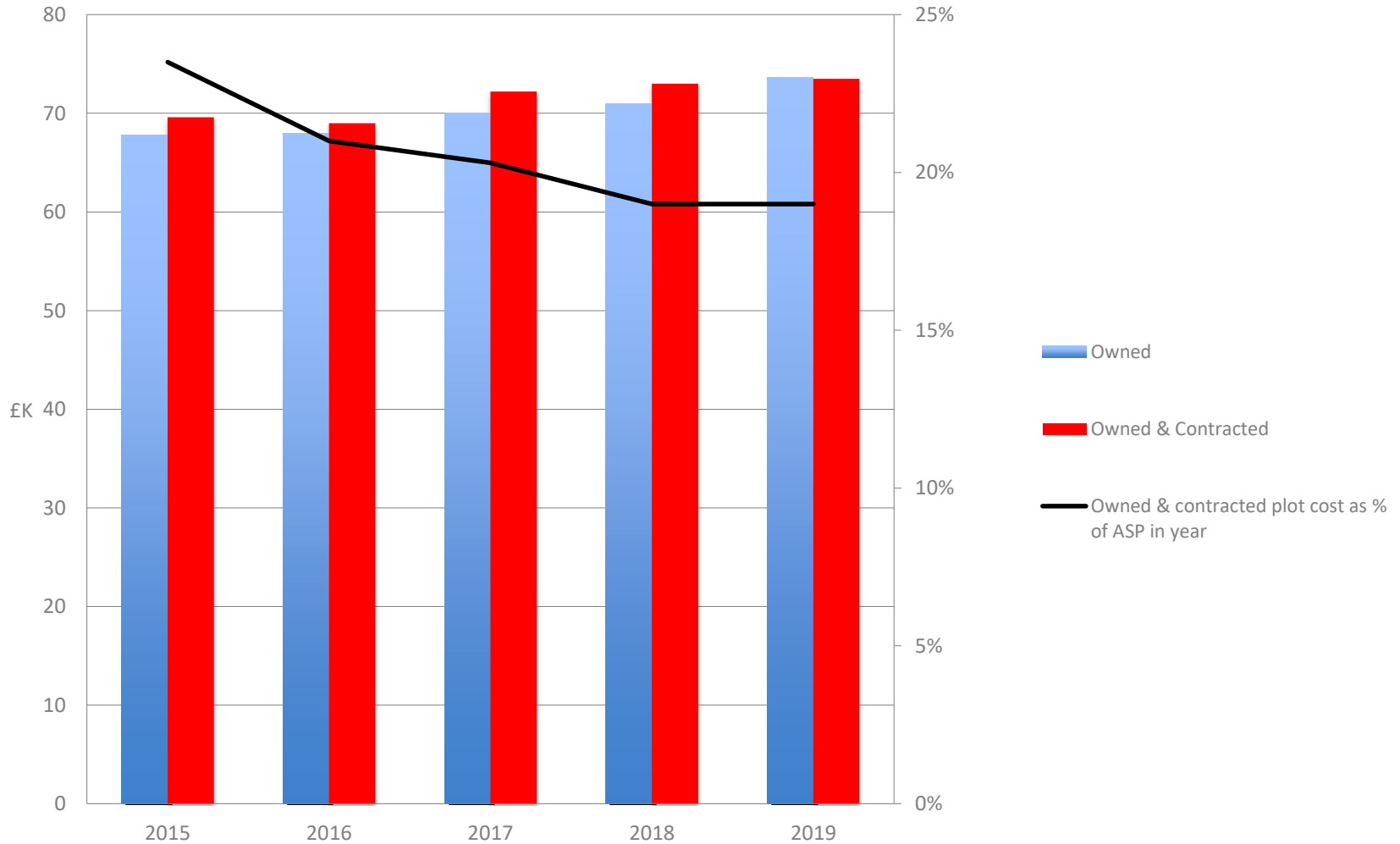
Cash Flow

	FY 2019 £m	FY 2018 £m		FY 2019 £m	FY 2018 £m
Operating cash flow			Net cash movement		
EBITDA	414	385	Operating cash flow	371	276
(Increase) in land	(76)	(127)	Net investment in JV	-	26
Movement in land creditors	51	36	Interest	(1)	(4)
Net (investment) in land	(25)	(91)	Tax	(77)	(74)
Movement in WIP	(3)	(40)	Dividend / Capital Return	(218)	(74)
Movement in NRV	-	(8)	Other	(14)	(14)
Other working capital movements	(15)	30	Net cash flow	61	136
Operating cash flow	371	276	Opening net cash/(debt)	63	(73)
Cash conversion	90%	72%	Closing net cash	124	63
			Average net cash	80	22

Net Assets

£m	June 19	June 18	Movement
Land	1,515	1,439	76
WIP	782	779	3
Land creditors	(438)	(387)	(51)
Net investment in inventory	1,859	1,831	28
Other working capital	(388)	(399)	11
Tax	(34)	(35)	1
Fixed Assets	18	17	1
Investment in JV	6	6	-
Capital Employed	1,461	1,420	41
Net cash	124	63	61
Net Assets	1,585	1,483	102

Plot Cost Carried Forward



Operating Review

Matthew Pratt – Chief Operating Officer

Land Highlights

- Land market remains attractive
- 7,371 plots with planning acquired
- 2,909 plots pulled-through from forward land holdings
- Larger sites acquired: c.200 plots
 - More scope to create great places
 - Relieve pressure on replacement
 - Allow broader range of product to be plotted which in turn enhances the sales rate



Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2018	25,800	1,830	27,630
Legal completions	(6,443)	-	(6,443)
Market additions	2,843	1,619	4,462
Forward land pull through	2,649	260	2,909
Transfers	1,134	(1,134)	-
Other (land sales and replans)	10	(2)	8
At 30 June 2019	<u>25,993</u>	<u>2,573</u>	<u>28,566</u>

Movement in Forward Land Holdings

	Total Plots
At 1 July 2018	30,700
Additions	5,338
Transfers to current land	(2,909)
Strategic review	(1,629)
At 30 June 2019	31,500

Analysis	Jun 19	Jun 18
Land owned without planning	3,185	2,973
Land contracted without planning	1,281	2,722
Options – allocations	9,935	12,257
– realistic prospect	17,099	12,748
	31,500	30,700

Land Holdings by Geography

	June 19			
	Current Land	%	Forward Land	%
North	5,580	20	11,321	36
Central	8,398	29	7,248	23
South	11,251	39	10,294	33
Greater London	3,337	12	2,637	8
	28,566	100	31,500	100

	June 18			
	Current Land	%	Forward Land	%
	5,331	19	12,805	42
	7,848	28	5,907	19
	10,356	38	10,131	33
	4,095	15	1,857	6
	27,630	100	30,700	100

Combined GDV c. £20bn

Outlets

	2018 Actual	2019 Actual	2020 Forecast
Average outlets	124	126	131

Sales 2019

Value of private net reservations (£m)
Private reservations per outlet per week
Closing private order book (£m)
Closing total order book (£m)
Cancellation rate (%)

2019	2018
1,673	1,730
0.66	0.70
720	890
1,015	1,144
16	15

Operational Highlights

Build

- Investing in quality control
- Build cost increases 3.5% - 4%
- Focus on cost control



Operational Highlights

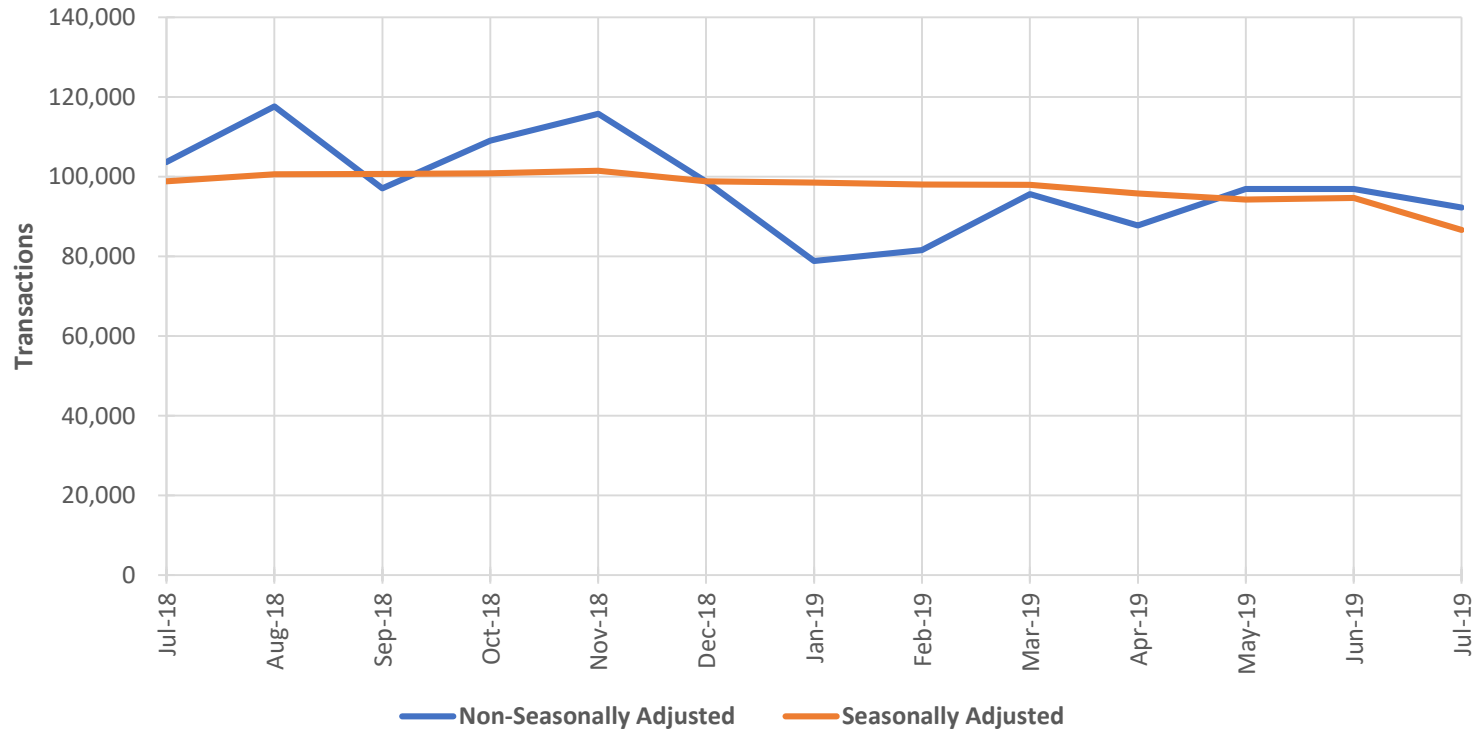
Customer Service

- 5 star status
- Online reservations launched
- Investment in systems and technology



Strategy and Outlook

John Tutte – Executive Chairman



- UK residential property transactions reduced in recent months
- *Brexit* uncertainty continues to impact the wider market
- SDLT rates affecting higher-priced homes
- New home sales increasingly supported by Help to Buy

Product & Placemaking

Targeting buyers in 'secondary' market

- Heritage collection
 - Broad appeal
 - Character
 - Space
 - *Customisation*
- Great places to live
 - Healthier lifestyles
 - Nature for people
 - *Designing a Better Way to Live*
 - Redrow 8



Divisions

- New Thames Valley division opened July 2019
- London consolidating into one office based at Colindale Gardens
 - Managed exposure through partnerships and PRS
- Divisional structure has capacity for c.8,000 completions
- Harrow Estates expanded and focused on *Forward Land* management



Note: West Country operates as a satellite to South West

Outlook

- New homes' market stable supported by Help to Buy
- Mortgage availability and pricing remains competitive
- Planning delays impacting outlet growth
- Strong sales rates being achieved on larger sites
- Further PRS sale for 347 apartments at Colindale Gardens post year end

2020 (First 9 weeks)

Value of private net reservations (excluding PRS) (£m)

Reservations per outlet per week (excluding PRS)

2020	2019
309	294
0.69	0.65



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