

# **Preliminary Results Presentation**

**Year to 30 June 2015**



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# Agenda



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- Chairman's Overview Steve Morgan
  - Financial Results Barbara Richmond
  - Review of Operations John Tutte
  - Summary and Outlook Steve Morgan

# Overview – Record results



- Record pre-tax profits of £204m up 53%
- Record turnover of £1.15bn up 33%
- ROCE up from 18.0% to 22.8%
- Private ASP up 10% to £297,300
- 5,900 plots added to current landbank



# Financial Results

Barbara Richmond – Group Finance Director

# Financial Highlights



- Private homes revenue up 29% to over £1bn
- Operating margin 18.5% (2014: 15.9%)
- EPS increased 56% to 44.5p
- Final dividend proposed of 4p (2014: 2p)
- Gearing 18% (June 2014: 25%)
- ROE 26% (2014: 20%)

# Income Statement



£m	FY	FY	Variance	
	2015	2014	£m	%
Turnover - Homes	1,085	861	224	26
Turnover - Other	65	3	62	
Total Turnover	1,150	864	286	33
Gross profit	274	188	86	46
Operating expenses	(61)	(50)	(11)	(22)
Operating profit	213	138	75	54
Share of results of Joint Ventures	-	3	(3)	
Interest	(9)	(8)	(1)	(13)
Profit before tax	204	133	71	53

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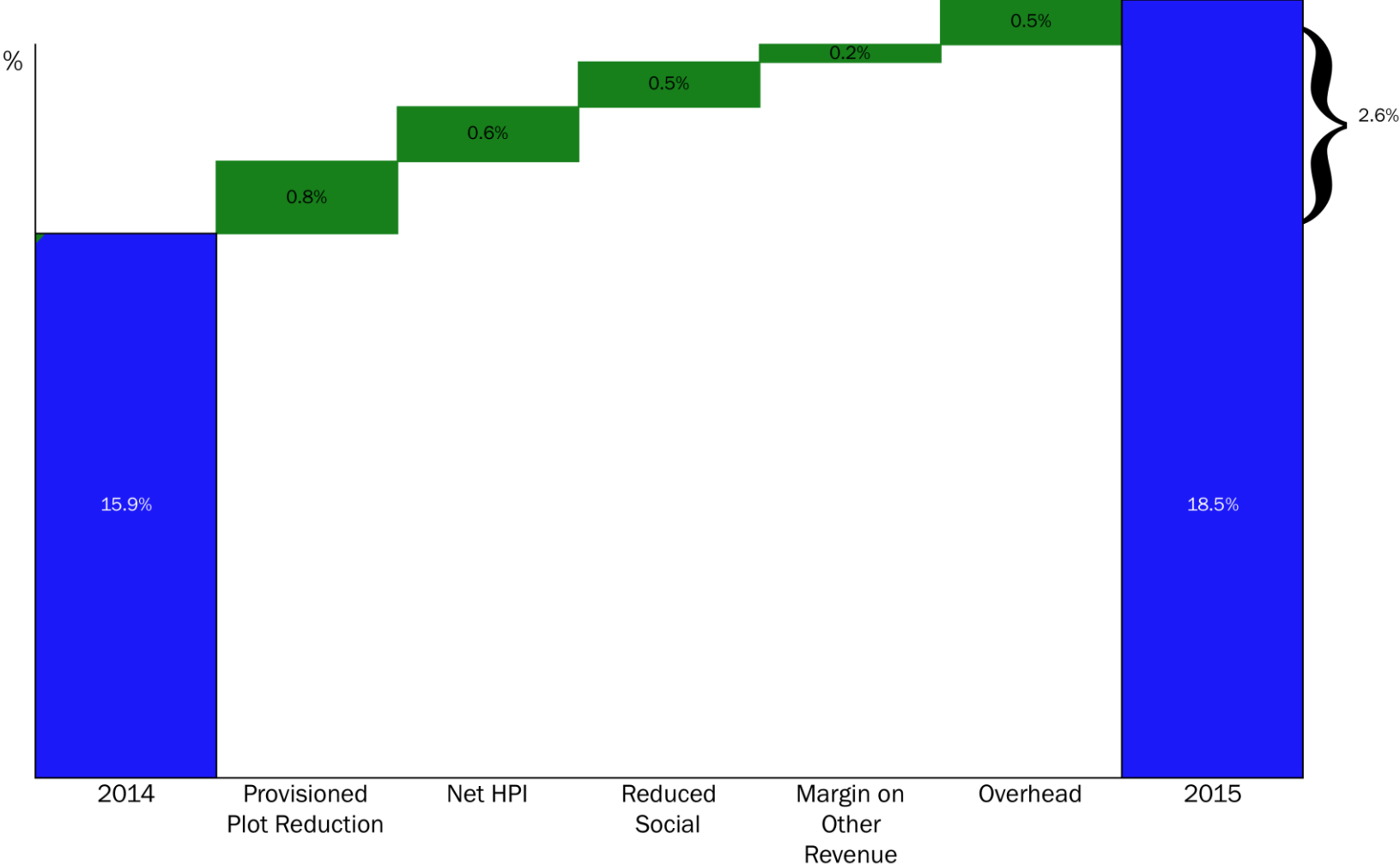
# Analysis of private plots in Cost of Sales

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	FY 2015	FY 2014
Average plot cost eliminated (£k)	62	60
Average plot cost as percentage of ASP	21	22
Percentage of eliminated plots with NRV provision	12	20

# Operating Margin Bridge





# Homes Turnover Analysis



- Record Homes revenue of just under £1.1bn, up 26%
- Apartments now represent 20% of private sales turnover (2014: 18%)
- Private ASP up 10% to £297,300

	Turnover (£m)				Volume				ASP (£k)			
	FY 15	FY 14	Var	% Var	FY 15	FY 14	Var	% Var	FY 15	FY 14	Var	% Var
Private Houses	824	653	171	26	2,940	2,551	389	15	280.3	256.0	24.3	9
Private Apartments	202	145	57	39	511	412	99	24	395.3	352.0	43.3	12
Total Private	1,026	798	228	29	3,451	2,963	488	16	297.3	269.3	28.0	10
Social	59	63	(4)	(6)	571	634	(63)	(10)	103.3	99.4	3.9	4
Total Homes	1,085	861	224	26	4,022	3,597	425	12	269.8	239.5	30.3	13

# Private Turnover Analysis



- Heritage Collection 76% of private turnover (2014: 77%)
- Regent Collection 4% of private turnover (2014: 1.6%)
- Help to Buy legal completions of 1,374 (2014: 1,023)
- ASP higher due to product mix, geographical mix and HPI

	Turnover (£m)				Volume				ASP £k			
	FY 15	FY 14	Var	% Var	FY 15	FY 14	Var	% Var	FY 15	FY 14	Var	% Var
Heritage	777	613	164	27	2,795	2,383	412	17	278.0	257.2	20.8	8
Regent	39	13	26	200	143	59	84	142	272.7	220.3	52.4	24
Bespoke	210	172	38	22	513	521	(8)	(1)	409.4	330.1	79.3	24
Total	1,026	798	228	29	3,451	2,963	488	16	297.3	269.3	28.0	10

# Turnover by Geography



- Strong growth in all regions
- London and the South now represents 47% of Homes Turnover

	FY 2015		FY 2014	
	£m	%	£m	%
North	282	24	221	26
Central	297	26	253	29
South	326	28	248	29
Greater London	180	16	139	16
Total Homes	1,085	94	861	100
Other	65	6	3	
Total	1,150	100	864	100

# Cash Flow



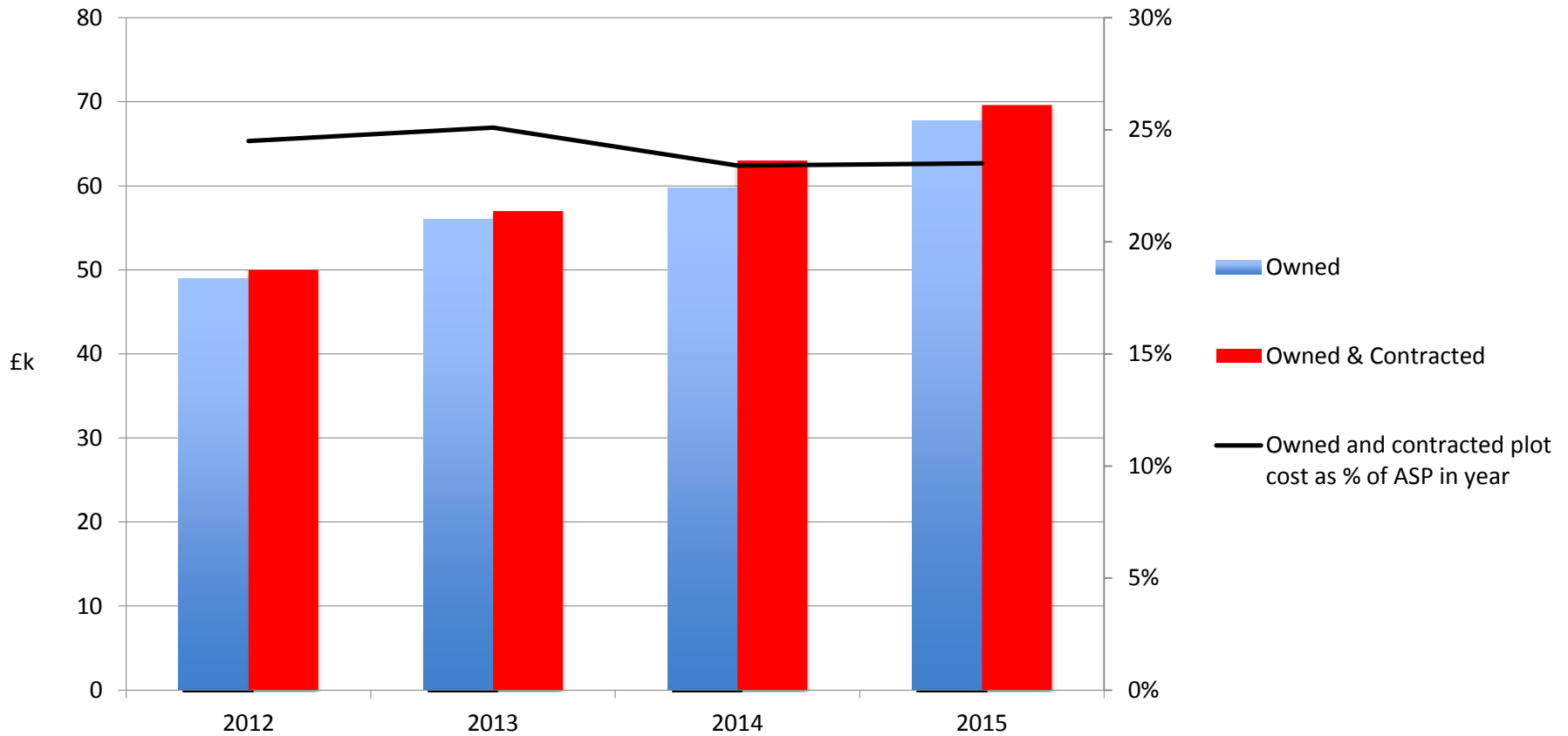
	FY 2015 £m	FY 2014 £m		FY 2015 £m	FY 2014 £m
Operating cash flow			Net debt movement		
EBITDA	214	139	Operating cash flow	61	(73)
(Increase) in land	(201)	(162)	Net investment in JV's	(6)	5
Movement in land creditors	108	34	Interest	(6)	(9)
Net (investment) in land	(93)	(128)	Tax	(22)	-
Movement in WIP	(122)	(76)	Dividend	(15)	(7)
Movement in NRV	(20)	(24)	Other	6	3
Other working capital movements	82	16	Net cash flow	18	(81)
Operating cash flow	61	(73)	Opening net debt	(172)	(91)
			Closing net debt	(154)	(172)
			Gearing	18%	25%

# Net Assets



£m	Jun 15	Jun 14	Movement
Land (Gross)	1,037	836	201
WIP (Gross)	491	369	122
NRV Provision	(28)	(48)	20
Land creditors	(266)	(158)	(108)
Net investment in inventory	1,234	999	235
Other working capital	(247)	(162)	(85)
Tax	(15)	7	(22)
Fixed Assets	14	13	1
Investment in JV's	17	11	6
Capital Employed	1,003	868	135
Net debt	(154)	(172)	18
Net Assets	849	696	153

# Plot Cost Carried Forward



# Review of Operations

John Tutte – Group Chief Executive

# Land and Planning

## Movement in Current Land Holdings



	Plots owned	Contracted plots	Total
At 1 July 2014	14,372	2,352	16,724
Legal completions	(4,022)	–	(4,022)
Market additions	1,700	2,217	3,917
Forward land pull through	1,932	43	1,975
Transfers	1,790	(1,790)	–
Other (land sales and replans)	(235)	(143)	(378)
At 30 June 2015	<u>15,537</u>	<u>2,679</u>	<u>18,216</u>
GDV (@ 2015 ASP)			c£4.7bn



# Land and Planning

## Movement in Forward Land Holdings



	Total Plots	
At 1 July 2014	28,245	
Additions	5,888	
Transfers to current land	(1,975)	
Strategic review	(2,578)	
At 30 June 2015	29,580	
Analysis	Jun 15	Jun 14
Land owned without planning	5,800	2,878
Land contracted without planning	-	2,564
Options – allocations	12,489	12,927
– realistic prospect	11,291	9,876
	29,580	28,245

# Land and Planning

## Land Holdings by Geography



	Jun 15			
	Current Land	%	Forward Land	%
North	4,510	25	14,047	47
Central	4,395	24	5,337	18
South	8,188	45	7,296	25
Greater London	1,123	6	2,900	10
	<b>18,216</b>	<b>100</b>	<b>29,580</b>	<b>100</b>

	Jun 14			
	Current Land	%	Forward Land	%
	4,639	28	15,485	55
	4,635	28	5,275	19
	6,094	36	4,868	17
	1,356	8	2,617	9
	<b>16,724</b>	<b>100</b>	<b>28,245</b>	<b>100</b>

# Outlets



	2015 Actual		2016 Planned*	
	H1	H2	H1	H2
Open	25	29	23	32
Close	22	18	17	27
Active outlets	106	117	123	128

## Product at the Centre of Divisional Growth



# Product – Heritage Collection



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# Product – Regent Collection

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# Product – Abode



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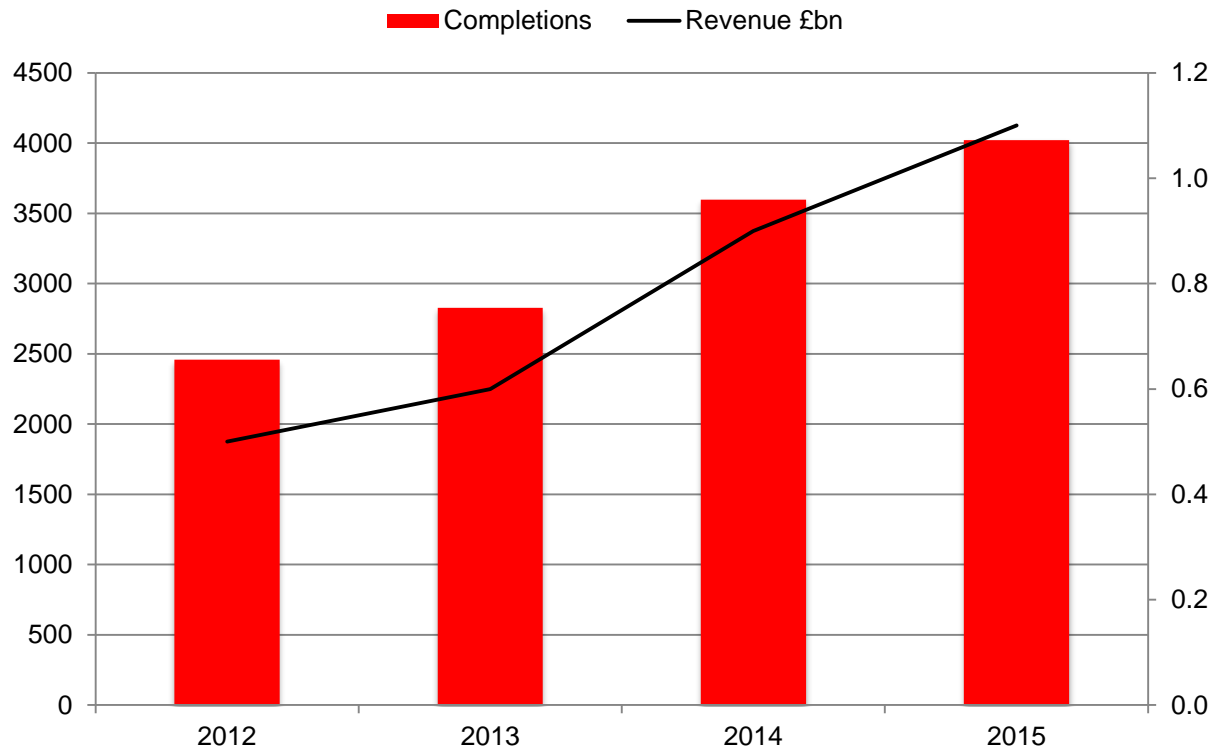
# Product – Bespoke

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# Delivering Growth

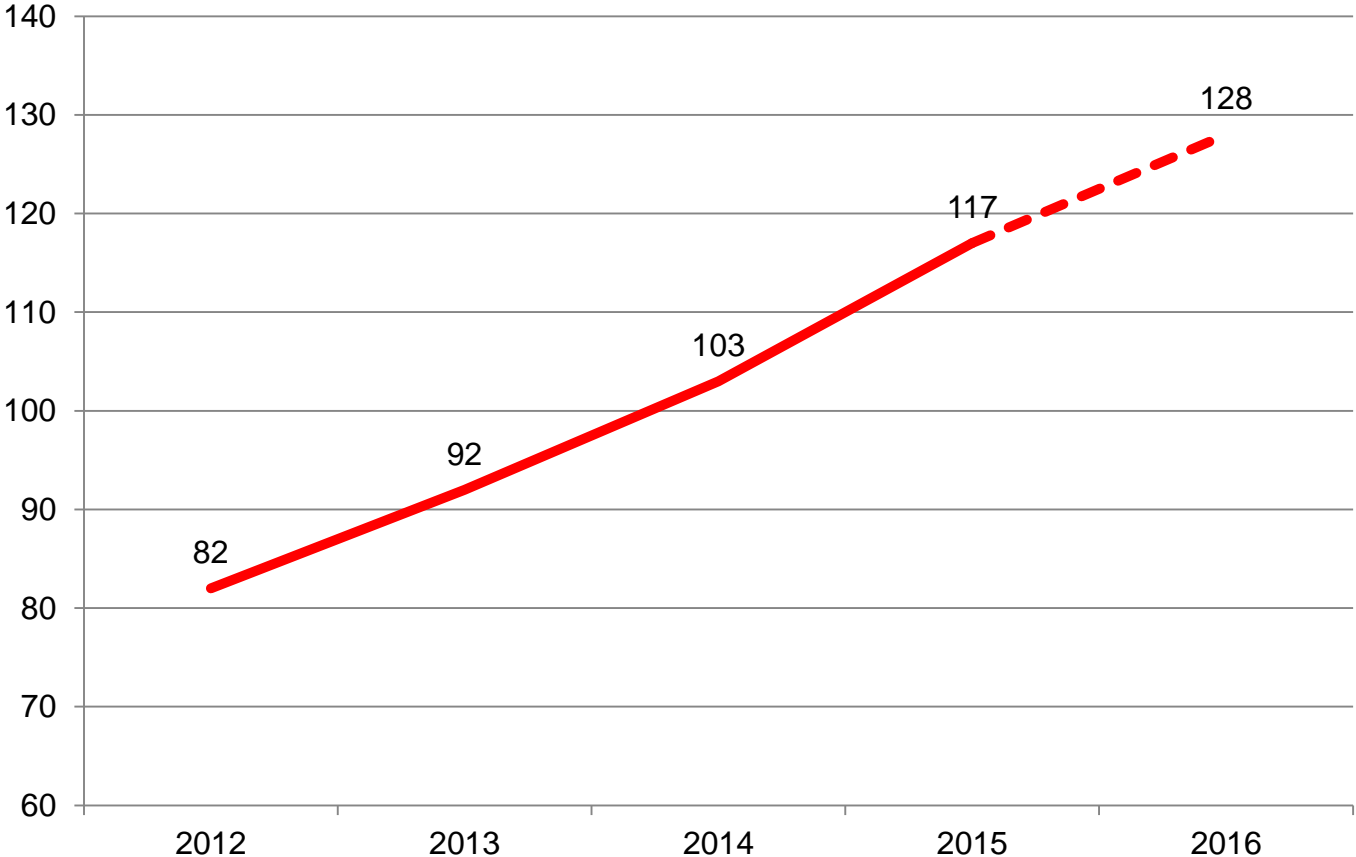


3 Year Growth	
	%
Legal Completions	64
Turnover	140
Profit before Tax	374

# Delivering Growth



Active Outlets End June



# 2018 Targets



	Actuals 2015	Previous Targets 2017	New Targets 2018
Turnover	£1.15bn	£1.3bn	£1.6bn
Operating Margin	18.5%	18%	19%
EPS	44.5p	48p	62p
ROE	26.4%	–	25%
ROCE	22.8%	20%	21%

# Divisional Expansion



## North

Yorkshire  
Lancashire  
NW

## Central

Midlands  
South Midlands  
South Wales

## South

Eastern  
South East (2015)  
Southern Counties (2013)  
South West  
West Country (2014)

## Greater London

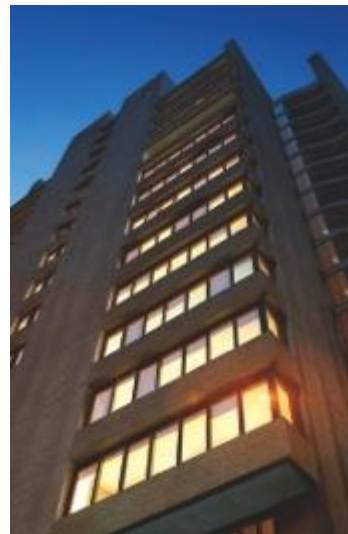
## Harrow Estates



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# Greater London Developments

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# Colindale Gardens

- Resolution to grant planning July 2015
- 2,900 residential units
- Detailed consent on Phase 1 (888 units)
- 10,000m<sup>2</sup> of Commercial space
- s106 being finalised
- Autumn 2015 site start



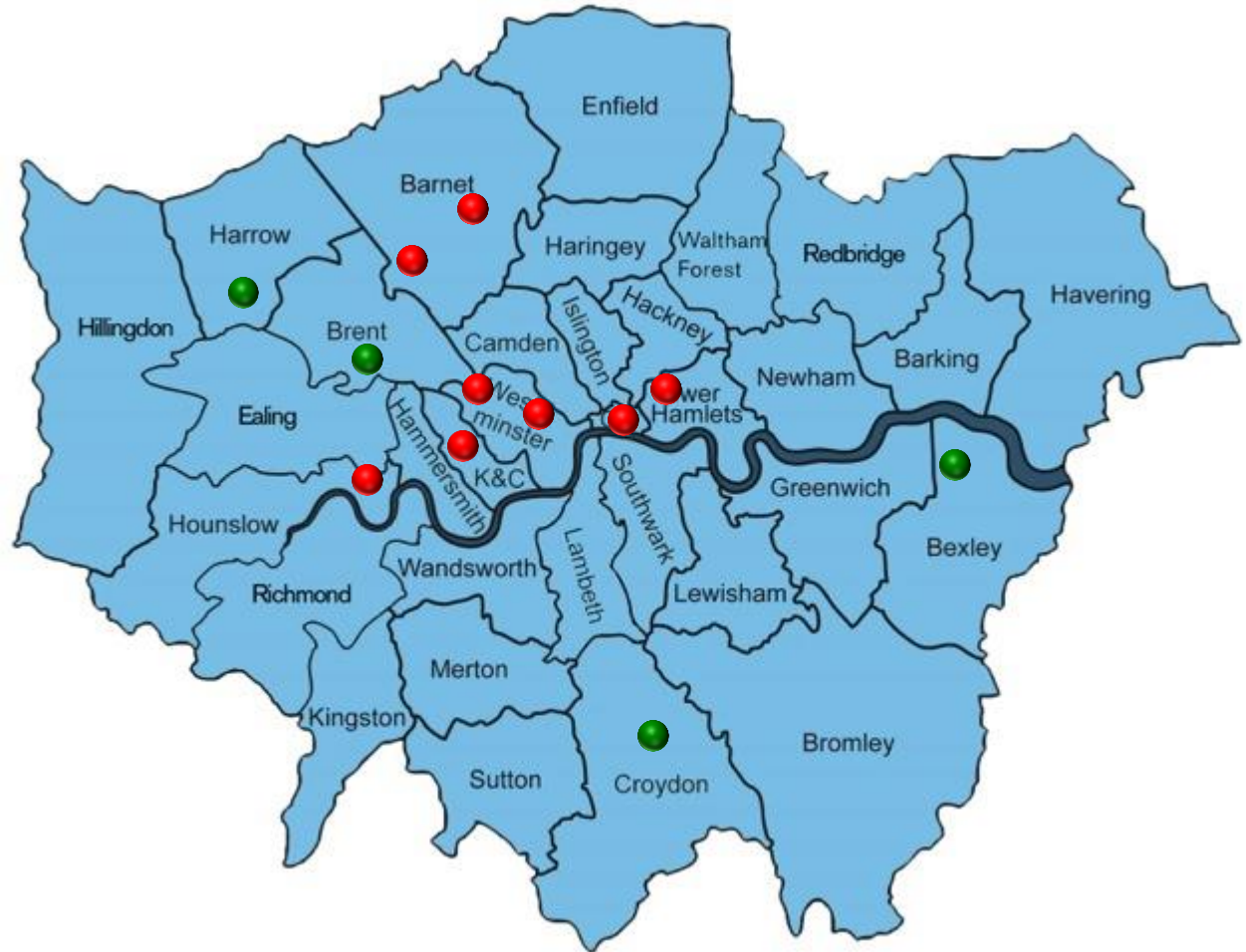
# Greater London

## Central London

- Blake Tower EC2
- Connaught Place W2
- Holland Park Ave W11
- One Commercial Street E1
- Westbourne Place W9

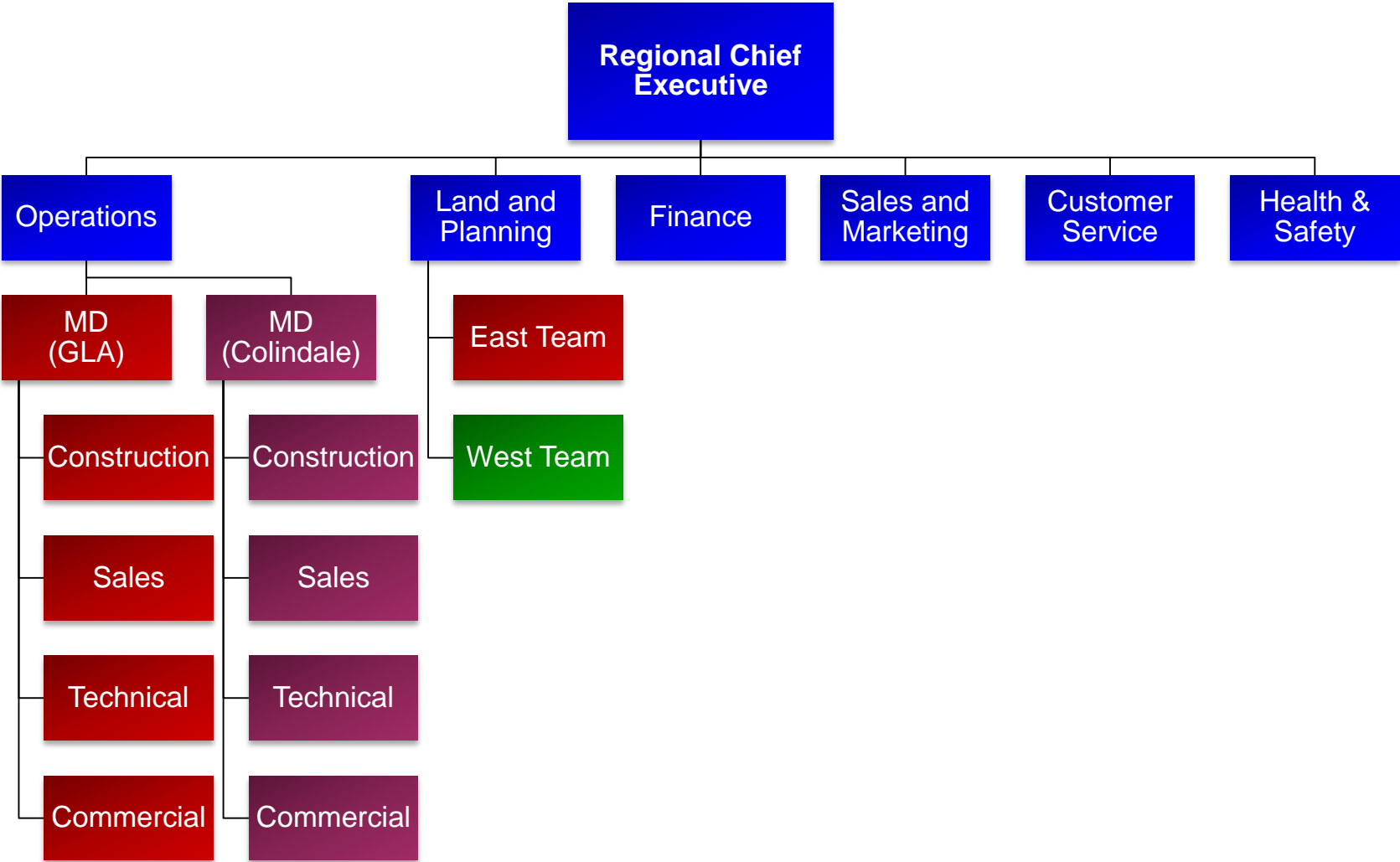
## Outer London

- Chiswick High Road W4
- Colindale Gardens NW9
- Lyon Square, Harrow
- Northway House N20
- Ratio, Bexley
- Royal Waterside NW10
- Morrello, Croydon (JV)



- Original London Division
- Eastern Division

# Greater London Organisation





# Harrow Estates

- Maidenhead, Berkshire
  - Brownfield site within the Green belt
  - Detailed planning consent achieved for 271 apartments and townhouses
  - Easy access to town centre and Crossrail station
  - Scheme to be developed by Redrow Southern Counties
- Hockley, Essex
  - Conditional contracts exchanged on former HM Prison site
  - Brownfield site within the Green belt
  - Planning application for 60 dwellings submitted



# Operational Highlights



- **People**

- 1,651 directly employed:  
over 300 new jobs
- 130 Apprentices
- 15% trainees

- **Build Costs**

- Materials
- Labour

- **Customer Service**

- 5 Star Award HBF 2015  
Survey
- My Redrow sales £10m



# Sales Market



FY	2015	2014
Value of private reservations	£1,068m	£1,021m
Private reservations per outlet per week	0.68	0.70
Closing private order book	£524m	£482m
Cancellation rate	13%	13%

Private Reservation statistics from 1/7 to 4/9	2016	2015
Volume of net reservations	820	640
Reservations per outlet per week	0.68	0.65
Average number of outlets	120	99

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# Summary and Outlook

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- Market stable – return to normal seasonality
- Help to Buy continues to deliver economic growth and jobs
- Planning policy more favourable
- Outlook

