

Interim Results Presentation

6 Months to 31 December 2014



Agenda



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

Overview

Steve Morgan – Chairman

Overview – record results



- Record pre-tax Profits of £91.2m up 92%
- Record turnover of £561m up 54%
- ROCE up from 14% to 21%
- Private ASP up 14% to £300,000
- c2,100 plots added to current landbank



Financials

Barbara Richmond – Group Finance Director

H1 Financial Highlights



- Private homes turnover up 49% at £496m
- Operating margin up from 13.5% to 17.0%
- EPS up 93% to 19.9p
- Interim dividend doubled to 2p per share
- ROE up from 15.5% to 24.9%
- Gearing 18.3% (June 2014: 24.8%)



Income Statement



£m	H1 2015	H1 2014	Variance
Turnover - Homes	513.8	363.0	150.8
Turnover - Commercial	46.8	-	46.8
Total Turnover	560.6	363.0	197.6
Gross profit	125.4	73.6	51.8
Operating expenses	(30.0)	(24.6)	(5.4)
Operating profit	95.4	49.0	46.4
Share of results of Joint Ventures	-	2.8	(2.8)
Interest	(4.2)	(4.3)	0.1
Profit before tax	91.2	47.5	43.7

Analysis of private plots in Cost of Sales



Average plot cost eliminated*

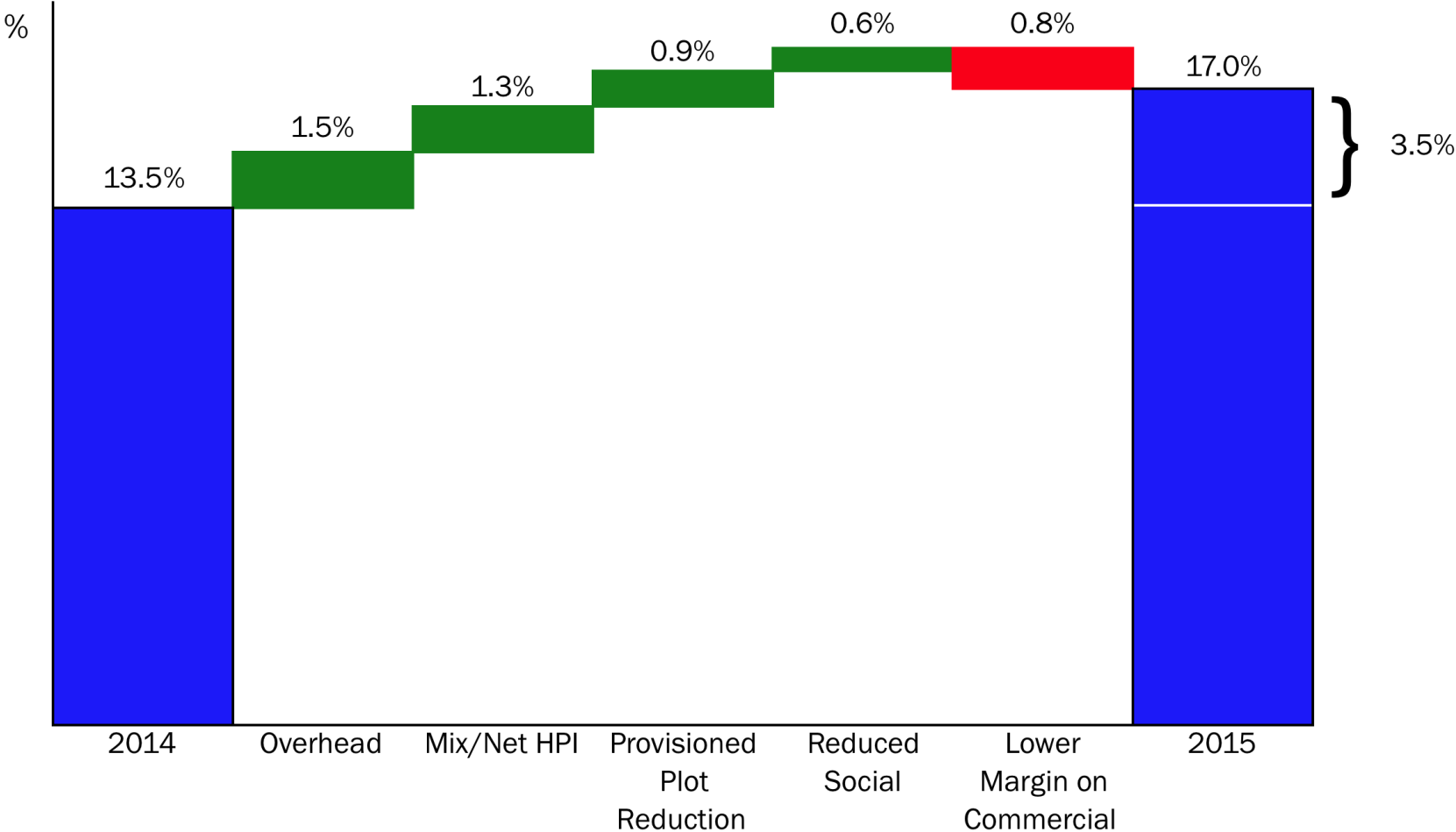
Average plot cost as percentage of ASP*

Percentage of eliminated plots with NRV provision

H1 2015	H1 2014
£67k	£57k
22	22
15	25

*Excludes Partnership

Operating Margin Bridge



Homes Turnover Analysis



- Private revenue up 49%
- London turnover H1 weighted
- Social housing 3% of homes revenue (2014: 9%)
- Private ASP up 14% to £300,000
- Private legal completions volumes up 30%

	Revenue (£m)				Volume				ASP (£k)			
	H1 15	H1 14	Var	% Var	H1 15	H1 14	Var	% Var	H1 15	H1 14	Var	% Var
Private Regional	398.1	298.6	99.5	33	1,481	1,206	275	23	269	248	21	8
London	98.0	33.5	64.5	193	173	63	110	175	566	532	34	6
Total Private	496.1	332.1	164.0	49	1,654	1,269	385	30	300	262	38	14
Social	17.7	30.9	(13.2)	(43)	196	296	(100)	(34)	90	104	(14)	(13)
Total Homes	513.8	363.0	150.8	42	1,850	1,565	285	18	278	232	46	20

Homes Private Turnover Analysis



- Heritage Collection 72% of private turnover in 2015 (2014: 82%)
- ASP up £38,000 to £300,000
- Help to Buy comprised 38% of private legal completions (2014: 30%)

	Turnover (£m)			Volume			ASP (£k)		
	H1 15	H1 14	Var	H1 15	H1 14	Var	H1 15	H1 14	Var
Heritage	356.0	272.4	83.6	1,311	1,064	247	272	256	16
Bespoke	140.1	59.7	80.4	343	205	138	408	291	117
Private Total	496.1	332.1	164.0	1,654	1,269	385	300	262	38

Revenue by Geography



- Strong revenue growth in all regions
- One off Commercial contribution
- 55% of Homes turnover is in the South of England

	H1 2015		H1 2014	
	£m	%	£m	%
North	131.2	24	100.8	28
Central	101.9	18	88.3	24
South	280.7	50	173.9	48
Total Homes	513.8	92	363.0	100
Commercial	46.8	8	-	-
Total	560.6	100	363.0	100

Cash Flow



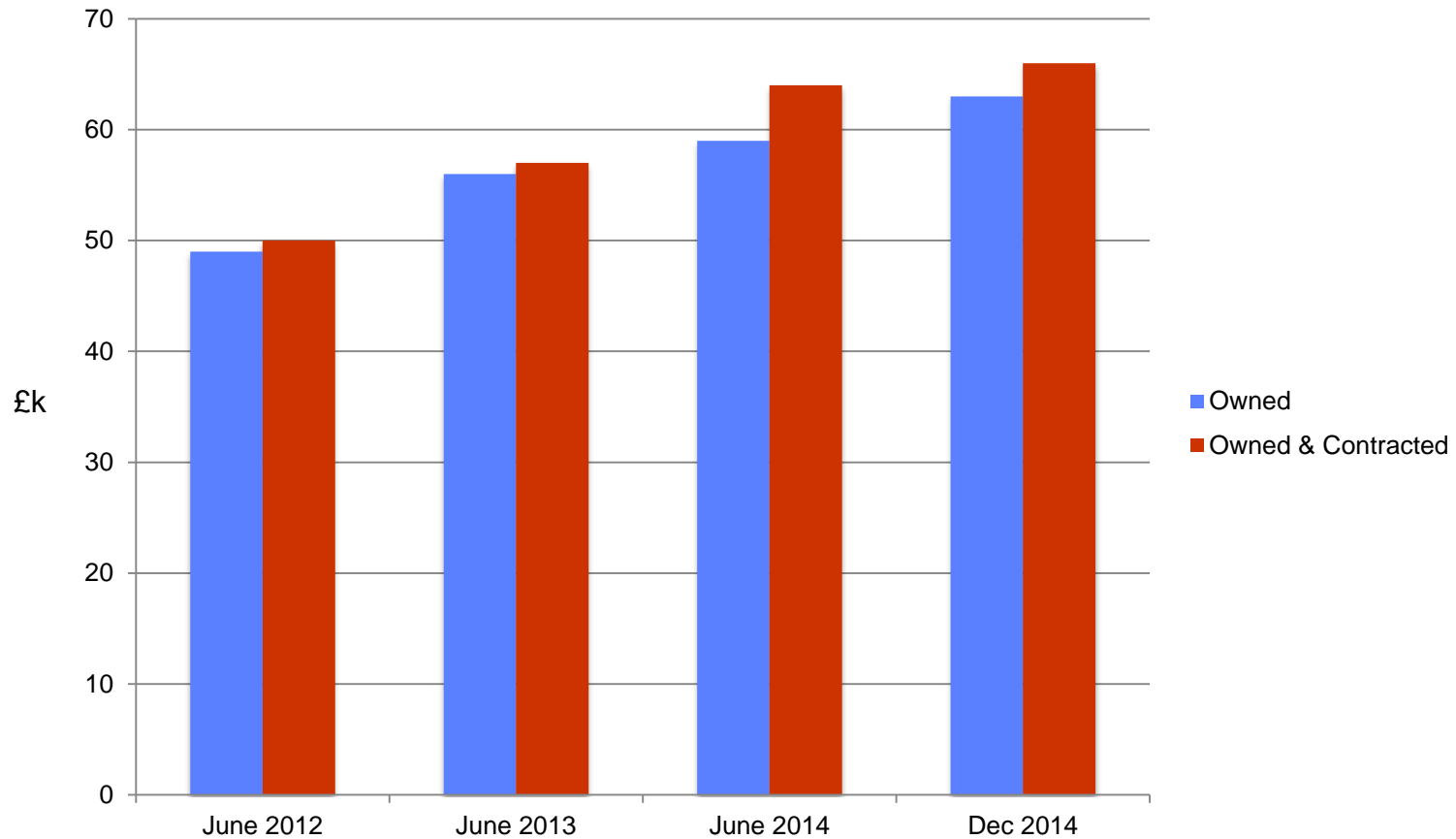
	H1 2015 £m	H1 2014 £m		H1 2015 £m	H1 2014 £m
Operating cash flow			Net debt movement		
EBITDA	95.9	49.5	Operating cash flow	34.8	(62.3)
(Increase) in land	(107.9)	(63.7)	Interest	(2.4)	(3.9)
Movement in land creditors	46.8	6.2	Tax paid	(0.7)	-
Cash investment in land	(61.1)	(57.5)	Dividend	(7.4)	(3.7)
			Other	8.3	11.9
Movement in WIP	(33.6)	(46.3)	Net cash flow	32.6	(58.0)
Movement in NRV	(5.7)	(9.7)	Opening net debt	(172.6)	(91.0)
Other working capital movements	39.3	1.7	Closing net debt	(140.0)	(149.0)
Operating cash flow	34.8	(62.3)			
			Gearing	18%	23%

Net Assets



£m	Dec 14	Jun 14	Movement
Land (Gross)	943.8	835.9	107.9
WIP (Gross)	403.1	369.5	33.6
NRV Provision	(42.5)	(48.2)	5.7
Land creditors	(205.2)	(158.4)	(46.8)
Net investment in inventory	1,099.2	998.8	100.4
Other working capital	(202.6)	(161.3)	(41.3)
Tax	(13.4)	7.0	(20.4)
Fixed Assets	24.1	23.8	0.3
Capital Employed	907.3	868.3	39.0
Net Debt	(140.0)	(172.6)	32.6
Net Assets	767.3	695.7	71.6

Plot Costs Carried Forward



Operational Highlights

John Tutte – Group Chief Executive

Divisions and Subsidiaries



North

Yorkshire
Lancashire
NW

Central

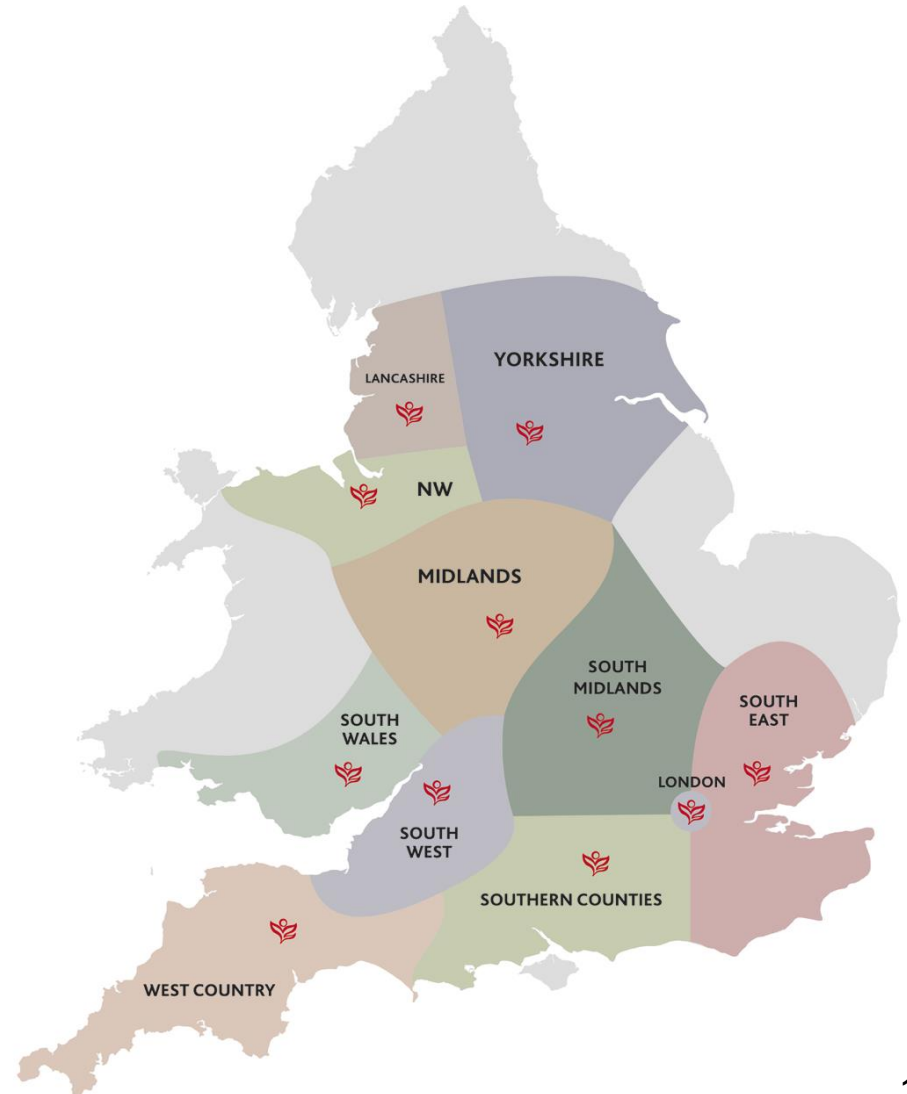
Midlands
South Wales

South

South Midlands
South East
Southern Counties (new 2014)
South West
West Country (new 2015)

London

Harrow Estates



Land and Planning

Movement in Current Land Holdings



	Plots owned	Contracted plots	Total
At 30 June 2014	14,372	2,352	16,724
Legal completions	(1,850)	–	(1,850)
Additions	428	718	1,146
Forward land pull through	861	43	904
Transfers	278	(278)	–
Replans	18	8	26
At 31 December 2014	<u>14,107</u>	<u>2,843</u>	<u>16,950</u>
London	184	217	401
Regions	<u>13,923</u>	<u>2,626</u>	<u>16,549</u>
	<u>14,107</u>	<u>2,843</u>	<u>16,950</u>
GDV (@ 2015 H1 ASP)			c£4.2bn

Land and Planning

Movement in Forward Land Holdings



	Total Plots
At 30 June 2014	28,245
Additions	2,764
Transfers to current land	(904)
Strategic review	(855)
At 31 December 2014	29,250

Analysis	Dec 14	Jun 14
Land owned without planning	5,686	2,878
Land contracted without planning	–	2,564
Options - allocations	12,280	12,927
- realistic prospect	11,284	9,876
	29,250	28,245

Land and Planning

Land Holdings by Geography



	Dec 14			
	Current Land	%	Forward Land	%
North	4,555	27	14,843	51
Central	2,651	16	3,915	13
South	9,343	55	7,875	27
London	401	2	2,617	9
	16,950	100	29,250	100

	Jun 14			
	Current Land	%	Forward Land	%
North	4,639	28	15,485	55
Central	3,118	18	3,543	13
South	8,454	51	6,600	23
London	513	3	2,617	9
	16,724	100	28,245	100

Major Sites



Woodford, South Manchester

- Site owned
- Planning permission for 920 homes
- Site start Spring 2015

Nethermayne, Basildon

- Contracts exchanged with HCA January 2015
- Outline permission for 725 homes
- Reserved matter application to be submitted Spring 2015
- Site start anticipated Spring 2016



Outlets Update



	2015		
	H1 Forecast	H1 Actual	H2 Forecast
Open	20	25	26
Close	19	22	17
Active Outlets	104	106	115

London



Sales

- Central London market more challenging
- 24 reservations in H1: ASP £875,000
- Amberley Waterfront, Holland Park and Kingston River Walk sold out
- Limited availability: 23 high value plots across three sites at end H1
- Demand remains strong in outer London

New Outlets

- Northway House, Barnet now launched for sales
- Fann Street, Barbican – planning obtained February
- Harrow Road, W6 – planning submitted and progressing

Land

- More cautious approach to Central London
- Chiswick High Road acquired – mixed-use scheme with detailed planning consent



Colindale NW9

Land

- Completed September 2014

Planning

- Submitted end August 2014
- Public consultations complete
- S106 negotiations underway
- Consent expected summer 2015

Scope of scheme

- Mixed-use predominantly residential (up to 2,900 plots)
 - Private
 - PRS
 - Affordable

Programme (subject to planning)

- Site start autumn 2015
- Sales launch early 2016
- First completions financial year 2017



Operational Highlights



- **Build**
 - Moderate build cost inflation from material and sub-contract cost increases
 - Managing isolated labour shortages
- **My Redrow**
 - Increased customer spend on extras
- **Selling prices**
 - Prices stable
- **People**
 - Growing intake of apprentices, trainees and graduates and increased investment in training
 - Further strengthened senior management team



H1 Sales Market



H1	2015	2014
Value of private net reservations		
Regions	£428m	£397m
London	£21m	£86m
Total	£449m	£483m
Private reservations per outlet per week		
Regions	0.61	0.68
London	0.21	1.05
Total	0.59	0.70
Closing private order book		
Regions	£334m	£256m
London	£101m	£155m
Total	£435m	£411m
Cancellation rate	11%	13%

Current Sales Market



Private reservation statistics for the first 6 weeks of H2

	2015	2014
Volume of private net reservations		
Regions	400	383
London	15	49
Total	415	432
Reservations per outlet		
Regions	0.64	0.74
London	0.79	1.36
Total	0.65	0.78
Average number of outlets	107	93

Summary and Outlook

Steve Morgan – Chairman

Summary and Outlook



- Normal seasonal market
- House prices and build costs stabilised
- Land market remains benign
- Policy of retaining cash reflected in growth

