



# Preliminary Results Presentation

Year to 30 June 2016

06 September 2016

# Agenda

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 £250m up 23%
- Turnover £1.4bn up 20%
- ROCE up from 22.8% to 24.2%
- Private Order Book £807m up 54% (2015: £524m)
- 12,700 plots added to current landbank
- Outlets up 9% at 128



# Financial Results

---

Barbara Richmond – Group Finance Director

# Financial Highlights



- Private homes revenue up 24% to £1.3bn
- Operating margin 18.9% (2015: 18.5%)
- EPS up 24% to 55.4p
- Full year dividend of 10p, up 67% (2015: 6p)
- Net debt £139m, Gearing 14% (June 2015: £154m, 18%)
- ROE 27% (2015: 26%)

# Income Statement

£m	FY	FY	Variance	
	2016	2015	£m	%
Turnover - Homes	1,361	1,085	276	25
Turnover - Other	21	65	(44)	(68)
Total Turnover	1,382	1,150	232	20
Gross profit	334	274	60	22
Operating expenses	(73)	(61)	(12)	(20)
Operating profit	261	213	48	23
Interest	(11)	(9)	(2)	(22)
Profit before tax	250	204	46	23

# Analysis of private plots in Cost of Sales

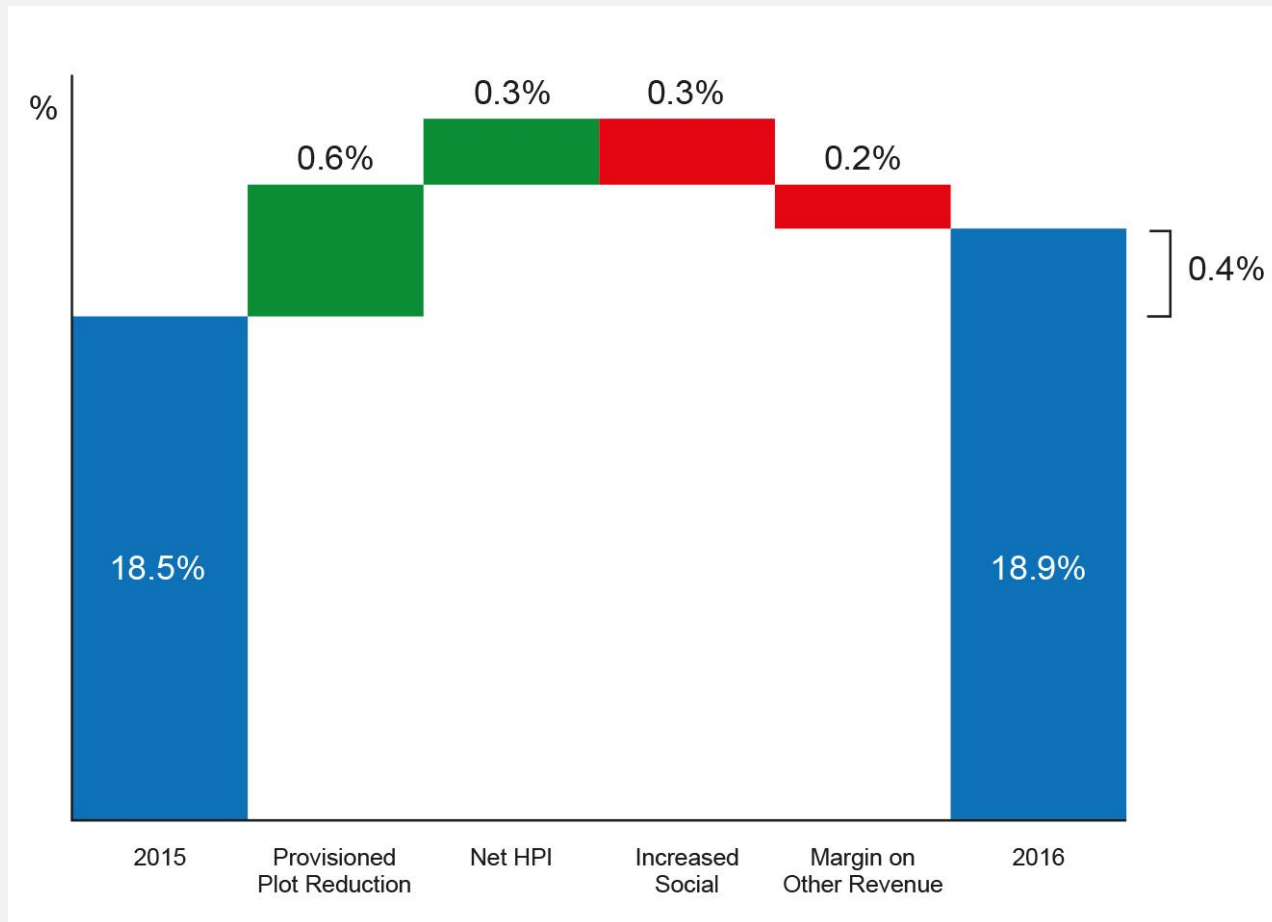
Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

Percentage of eliminated plots with NRV provision

	FY 2016	FY 2015
Average plot cost eliminated (£k)	70	62
Average plot cost as percentage of ASP	21	21
Percentage of eliminated plots with NRV provision	6	12

# Operating Margin Bridge





# Turnover by Geography

- Strong growth in all regions but particularly the South which grew by 57%

	FY 2016		FY 2015	
	£m	%	£m	%
North	376	27	282	24
Central	322	23	297	26
South	511	37	326	28
Greater London	152	11	180	16
Total Homes	1,361	98	1,085	94
Other	21	2	65	6
Total	1,382	100	1,150	100

# Homes Turnover Analysis

- Record Homes revenue of £1.36bn, up 25%
- Apartments represent 15% of private sales turnover (2015: 20%)
- Private ASP up 10% to £328,500
- Social units 18% of volume (2015: 14%)

	Turnover (£m)				Volume				ASP (£k)			
	FY 16	FY 15	Var	% Var	FY 16	FY 15	Var	% Var	FY 16	FY 15	Var	% Var
Private Houses	1,088	824	264	32	3,420	2,940	480	16	318.1	280.3	37.8	13
Private Apartments	187	202	(15)	(7)	462	511	(49)	(10)	404.8	395.3	9.5	2
Total Private	1,275	1,026	249	24	3,882	3,451	431	12	328.5	297.3	31.2	10
Social	86	59	27	46	834	571	263	46	103.1	103.3	(0.2)	-
Total Homes	1,361	1,085	276	25	4,716	4,022	694	17	288.6	269.8	18.8	7

# Private Turnover Analysis

- Heritage Collection 78% of private turnover (2015: 76%)
- Regent Collection 4% of private turnover (2015: 4%)
- Help to Buy legal completions of 1,567 (2015: 1,374)
- ASP higher due to geographical mix, product mix and HPI

	Turnover (£m)				Volume				ASP (£k)			
	FY 16	FY 15	Var	% Var	FY 16	FY 15	Var	% Var	FY 16	FY 15	Var	% Var
Heritage	990	777	213	27	3,078	2,795	283	10	321.6	278.0	43.6	16
Regent	52	39	13	33	152	143	9	6	342.1	272.7	69.4	25
Bespoke	233	210	23	11	652	513	139	27	357.4	409.4	(52.0)	(13)
<b>Total</b>	<b>1,275</b>	<b>1,026</b>	<b>249</b>	<b>24</b>	<b>3,882</b>	<b>3,451</b>	<b>431</b>	<b>12</b>	<b>328.5</b>	<b>297.3</b>	<b>31.2</b>	<b>10</b>

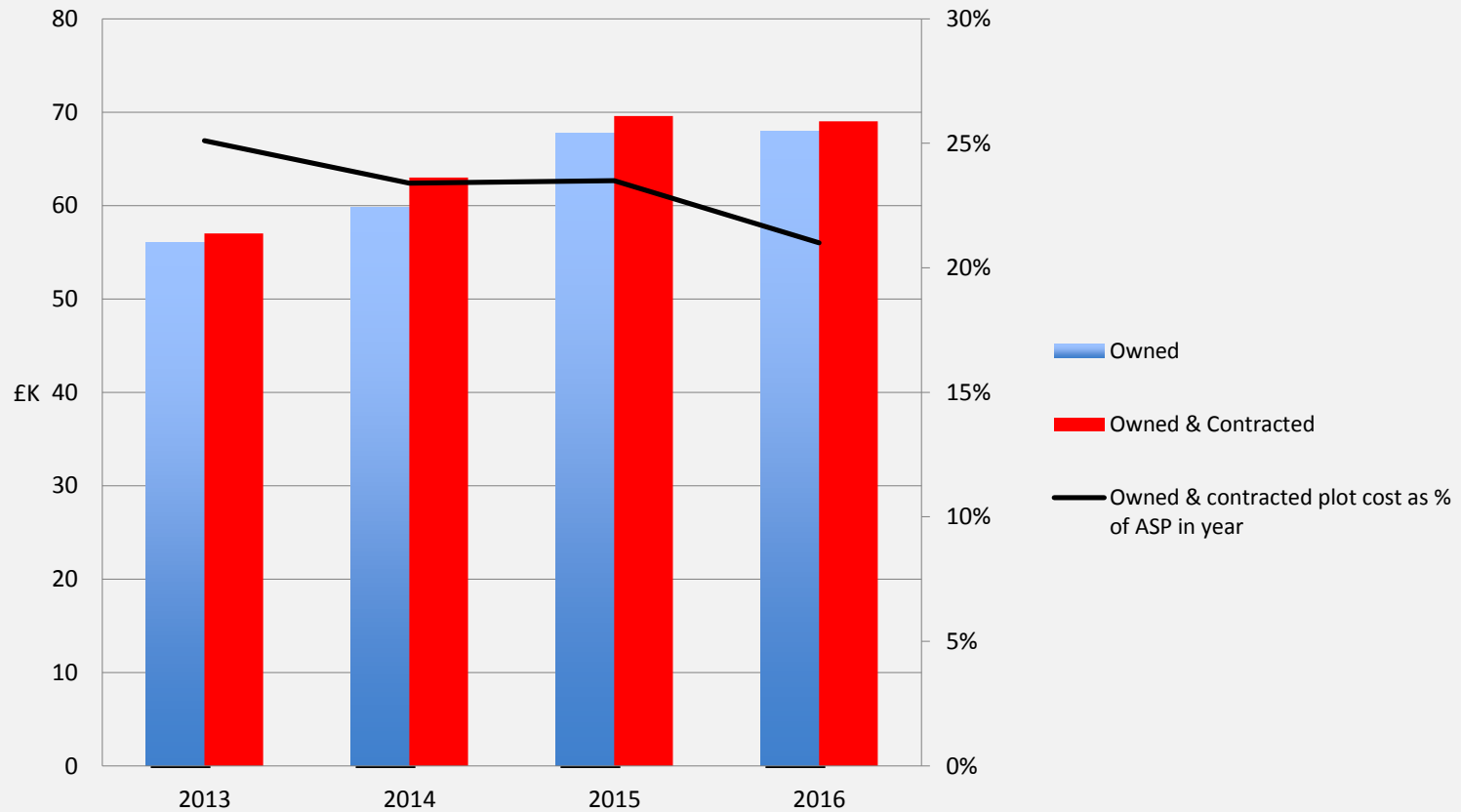
# Cash Flow

	FY 2016 £m	FY 2015 £m		FY 2016 £m	FY 2015 £m
<b>Operating cash flow</b>			<b>Net debt movement</b>		
EBITDA	262	214	Operating cash flow	130	61
(Increase) in land	(187)	(201)	Net investment in JV	(11)	(6)
Movement in land creditors	112	108	Interest	(6)	(6)
Net (investment) in land	(75)	(93)	Tax	(46)	(22)
Movement in WIP	(112)	(122)	Dividend	(30)	(15)
Movement in NRV	(9)	(20)	Other	(22)	6
Other working capital movements	64	82	Net cash flow	15	18
Operating cash flow	130	61	Opening net debt	(154)	(172)
			Closing net debt	(139)	(154)
			Gearing	14%	18%

# Net Assets

£m	June 16	June 15	Movement
Land (Gross)	1,224	1,037	187
WIP (Gross)	603	491	112
NRV Provision	(19)	(28)	9
Land creditors	(378)	(266)	(112)
Net investment in inventory	1,430	1,234	196
Other working capital	(297)	(247)	(50)
Tax	(21)	(15)	(6)
Fixed Assets	19	14	5
Investment in JV	25	17	8
Capital Employed	1,156	1,003	153
Net debt	(139)	(154)	15
Net Assets	1,017	849	168

# Plot Cost Carried Forward

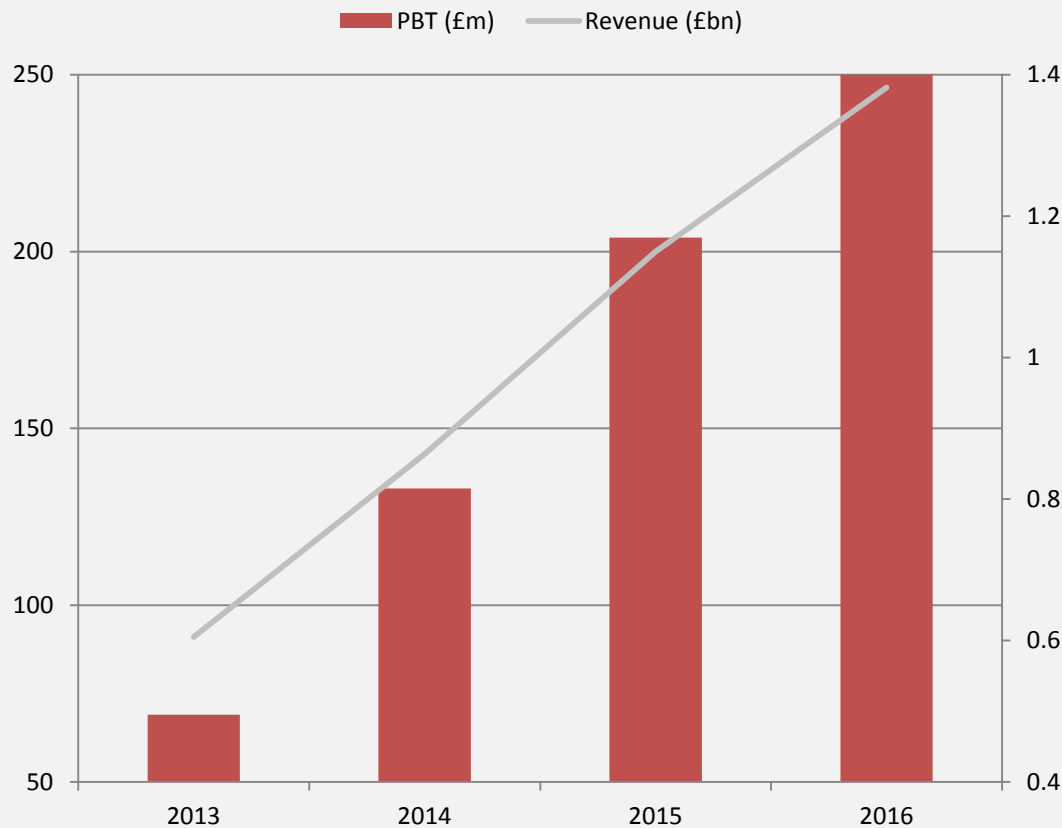


# Review of Operations

---

John Tutte – Group Chief Executive

# Delivering Growth



## 3 Year Growth Record

- Turnover 128%
- Profit before Tax 262%



# Strategy for continued growth

- Grow existing divisions
  - 13 operating divisions with capacity for >6,500 homes per annum
  - A number of divisions reaching 'maturity' in next two years
- Scope to expand geographically and open new divisions
- Product
  - Traditional housing in regions: Heritage and Regent
  - Apartments (mainly Greater London)
- Focus on outlet growth including multiple outlets on larger sites



# Woodford Garden Village

- 920 homes
- Extra Care accommodation
- 90,000 sq ft employment space
- New primary school
- Local centre
- Over 90 acres of public open space



# Strategy for London

- Operate within zones 3 – 6
- Private selling prices c£600 per sq ft
- Sales underpinned by local market and Help to Buy
- Established team with expertise to undertake construction in-house
- Access to sites through GLA, TfL and partnerships

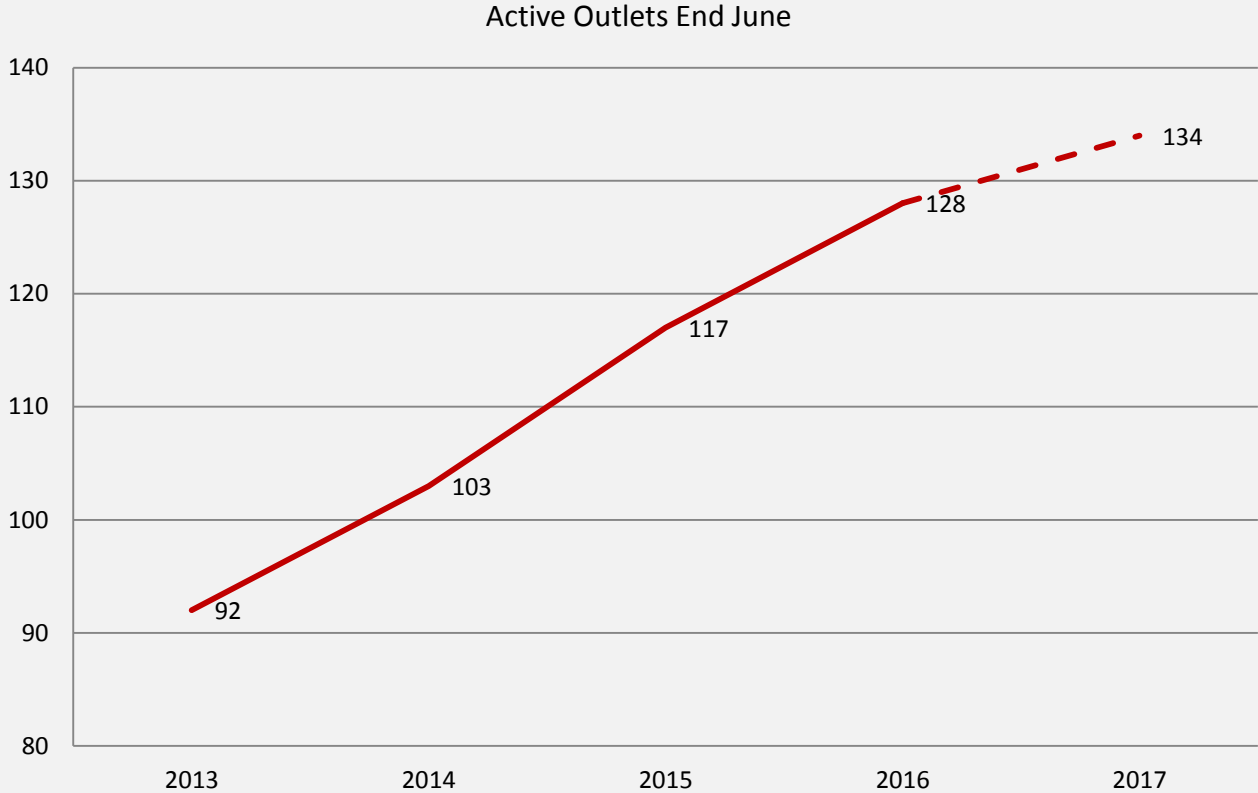


# Colindale Gardens, NW9

- PRS apartment sale (211 plots)
- Over 300 private sales (incl PRS)
- ASP c£400k
- Order Book c£120m
- Help to Buy from July 2017
- Legal completions from Jan 2018



# Outlet Growth



# Outlets

	2016 Actual	
	H1	H2
Open	20	34
Close	16	27
<b>Active outlets</b>	<b>121</b>	<b>128</b>

	2017 Planned	
	H1	H2
	22	27
	23	20
	127	134

# Land Acquired

- 12,724 plots acquired across 46 sites
- Forward land pull-through 5,372 plots
  - Colindale 2,900
  - Woodford 920
  - Balance 1,552 across 8 sites
- Land acquired by geography
  - North 2,588 plots
  - Central 2,625 plots
  - South 4,114 plots
  - Greater London 3,397 plots
- Current land bank plot cost 21% private ASP

# Land and Planning

## Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2015	15,537	2,679	18,216
Legal completions	(4,716)	–	(4,716)
Market additions	5,596	1,756	7,352
Forward land pull through	5,372	–	5,372
Transfers	1,809	(1,809)	–
Other (land sales and replans)	(224)	–	(224)
At 30 June 2016	<u>23,374</u>	<u>2,626</u>	<u>26,000</u>
GDV (@ 2016 ASP)			c£7.5bn



# Land and Planning

## Movement in Forward Land Holdings

	Total Plots	
At 1 July 2015	29,580	
Additions	2,760	
Transfers to current land	(5,372)	
Strategic review	(1,334)	
At 30 June 2016	25,634	
Analysis	Jun 16	Jun 15
Land owned without planning	3,364	5,800
Land contracted without planning	539	–
Options – allocations	12,233	12,489
– realistic prospect	9,498	11,291
	25,634	29,580

# Land and Planning

## Land Holdings by Geography

	June 16			
	Current Land	%	Forward Land	%
North	5,753	22	12,914	50
Central	5,579	22	4,838	19
South	10,420	40	7,882	31
Greater London	4,248	16	–	–
	<b>26,000</b>	<b>100</b>	<b>25,634</b>	<b>100</b>

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

# Operational Highlights

## People

1,962 directly employed:  
over 300 new jobs created  
c300 Apprentices and Trainees  
15% trainees

## Build Costs

Materials  
Labour

## Customer Service

Institute of Customer Service  
Accreditation achieved  
My Redrow sales £17m up 70%



# Sales Market

FY	2016	2015
Value of private reservations	£1,558m	£1,068m
Private reservations per outlet per week	0.72	0.68
Closing private order book	£807m	£524m
Cancellation rate	15%	13%
<b>Private Reservation statistics weeks 1-10</b>	<b>2017</b>	<b>2016</b>
Volume of net reservations	883	820
Reservations per outlet per week	0.71	0.68
Average number of outlets	124	120

# Summary and Outlook

- Market stable, demand remains robust
- Mortgage availability and pricing good
- Help to Buy continues to deliver economic growth and jobs
- Planning policy more favourable
- Outlook





Redrow plc  
Redrow House  
St. David's Park  
Flintshire CH5 3RX

Tel  
Fax  
DX  
Email  
Website

01244 520044  
01244 520720  
708570 St. David's Park  
[groupservice@redrow.co.uk](mailto:groupservice@redrow.co.uk)  
[www.redrow.co.uk](http://www.redrow.co.uk)