



Full Year Results Presentation

Year to 30 June 2018

04 September 2018

Agenda

Chairman's Overview

Financial Results

Review of Operations

Summary and Outlook

Steve Morgan

Barbara Richmond

John Tutte

Steve Morgan

A fifth consecutive year of record results

- Record pre-tax profits of £380m up 21%
- Record legal completions at 5,913 (incl. JV) up 9% on 2017
- Turnover £1.92bn up 16%
- ROCE up from 26.0% to 28.5%
- Net cash of £63m at year end (June 2017 Net debt: £73m)



Financial Results

Barbara Richmond – Group Finance Director

Financial Highlights



- Homes turnover up 15% to £1.9bn
- Operating margin 19.9% (2017: 19.4%)
- EPS up 22% to 85.3p
- Cash conversion of 72% (2017: 58%)
- Final dividend of 19p, up 73% (2017: 11p)
- ROE 28.0% (2017: 27.7%)

Income Statement

£m	FY	FY	Variance	
	2018	2017	£m	%
Turnover - Homes	1,900	1,648	252	15
Turnover - Other	20	12	8	67
Total Turnover	1,920	1,660	260	16
Gross profit	469	405	64	16
Operating expenses	(87)	(83)	(4)	(5)
Operating profit	382	322	60	19
Share of joint venture profits	5	1	4	-
Interest	(7)	(8)	1	13
Profit before tax	380	315	65	21

Analysis of private plots in Cost of Sales

Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

FY 2018	FY 2017
81	75
21	21

- Continued discipline on land buying

Turnover by Geography

- Stronger H2 performance in the Northern region
- 24% growth in the Central region
- 36% growth in London with first legal completions at Colindale

	FY 2018		FY 2017	
	£m	%	£m	%
North	433	23	461	28
Central	445	23	360	21
South	726	38	609	37
Greater London	296	15	218	13
Total Homes	1,900	99	1,648	99
Other	20	1	12	1
Total	1,920	100	1,660	100

Homes Turnover Analysis

- Record Homes revenue of £1.9bn, up 15%
- Legal completions up 9% to 5,913 including JV
- Private ASP up 7% to £380,200
- Apartments 22% of private sales revenue (2017: 19%)
- Social revenue 7.6% of turnover (2017: 7%) and 19% of volume (2017: 19%)

	Turnover (£m)				Volume				ASP (£k)			
	FY 18	FY 17	Var	% Var	FY 18	FY 17	Var	% Var	FY 18	FY 17	Var	% Var
Private Houses	1,365	1,248	117	9	3,631	3,627	4	-	375.9	344.1	31.8	9
Private Apartments	390	285	105	37	985	678	307	45	395.9	420.4	(24.5)	(6)
Total Private	1,755	1,533	222	14	4,616	4,305	311	7	380.2	356.1	24.1	7
Social	145	115	30	26	1,102	1,014	88	9	131.6	113.4	18.2	16
Total Homes	1,900	1,648	252	15	5,718	5,319	399	8	332.3	309.8	22.5	7

Private Turnover Analysis

- Homes private turnover up 14% to £1.8bn
- Private volumes including JV up 9% to 4,811
- Heritage Collection 72% of turnover (2017: 75%)
- Bespoke product 28% of turnover (2017: 25%)
- Help to Buy legal completions of 1,850 (2017: 1,717)
- ASP higher due to geographical and product mix

	Turnover (£m)				Volume				ASP (£k)			
	FY 18	FY 17	Var	% Var	FY 18	FY 17	Var	% Var	FY 18	FY 17	Var	% Var
Heritage	1,258	1,151	107	9	3,399	3,352	47	1	370.1	343.4	26.7	8
Bespoke	497	382	115	30	1,217	953	264	28	408.4	400.8	7.6	2
Total	1,755	1,533	222	14	4,616	4,305	311	7	380.2	356.1	24.1	7

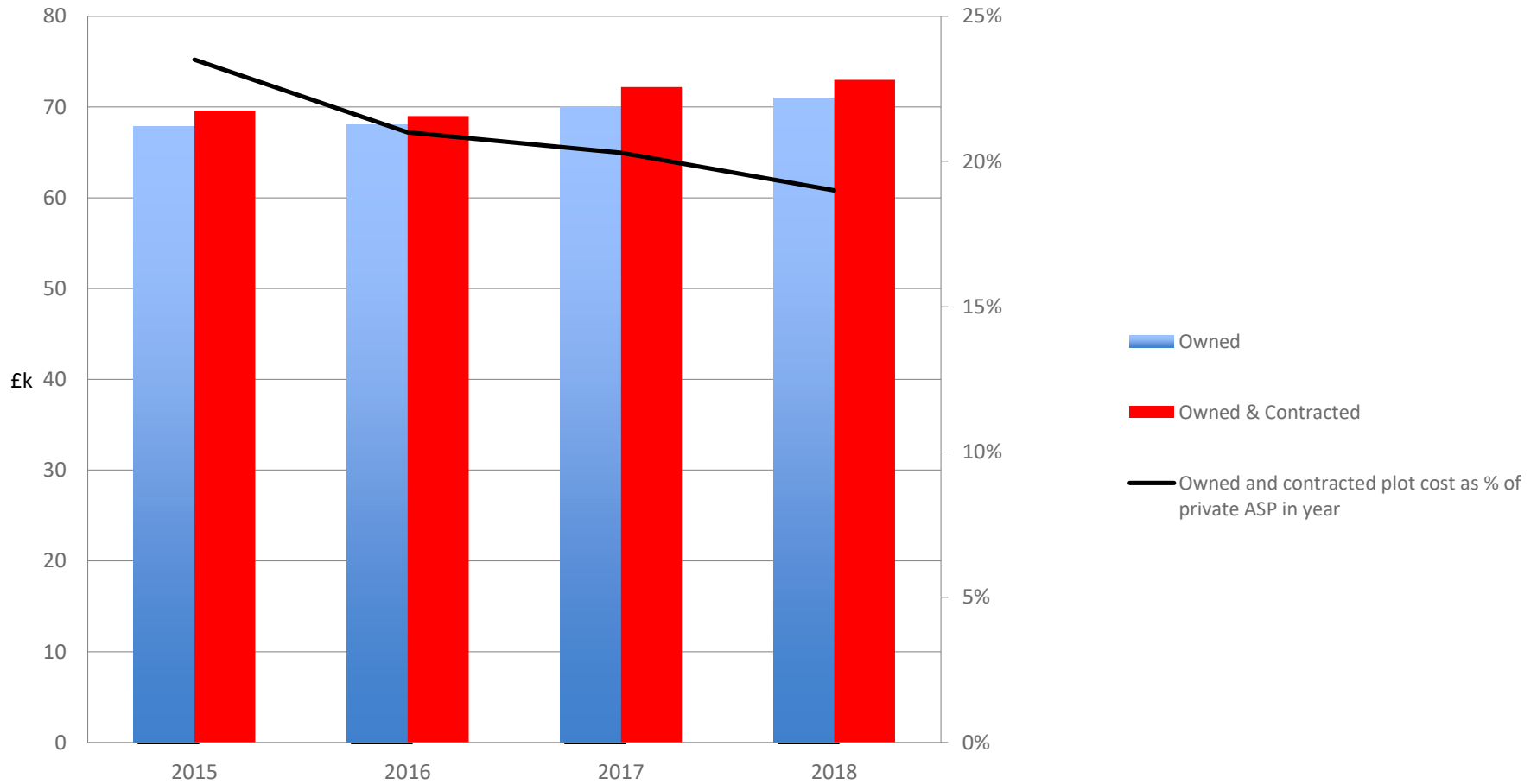
Cash Flow

	FY 2018 £m	FY 2017 £m		FY 2018 £m	FY 2017 £m
Operating cash flow			Net debt movement		
EBITDA	385	324	Operating cash flow	276	189
(Increase) in land	(127)	(41)	Net movement in JV's	26	(1)
Movement in land creditors	36	(27)	Interest	(4)	(5)
Net (investment) in land	(91)	(68)	Tax	(74)	(56)
Movement in WIP	(40)	(88)	Dividend	(74)	(44)
Movement in NRV	(8)	(11)	Other	(14)	(17)
Other working capital movements	30	32	Net cash flow	136	66
Operating cash flow	276	189	Opening net debt	(73)	(139)
Cash conversion	72%	58%	Closing net cash/(debt)	63	(73)
			Average net cash/(debt)	22	(67)

Net Assets

£m	June 18	June 17	Movement
Land	1,439	1,312	127
WIP	779	739	40
NRV Provision	-	(8)	8
Land creditors	(387)	(351)	(36)
Net investment in inventory	1,831	1,692	139
Other working capital	(399)	(395)	(4)
Tax	(35)	(34)	(1)
Fixed Assets	17	18	(1)
Investment in JV	6	27	(21)
Capital Employed	1,420	1,308	112
Net cash/(debt)	63	(73)	136
Net Assets	1,483	1,235	248

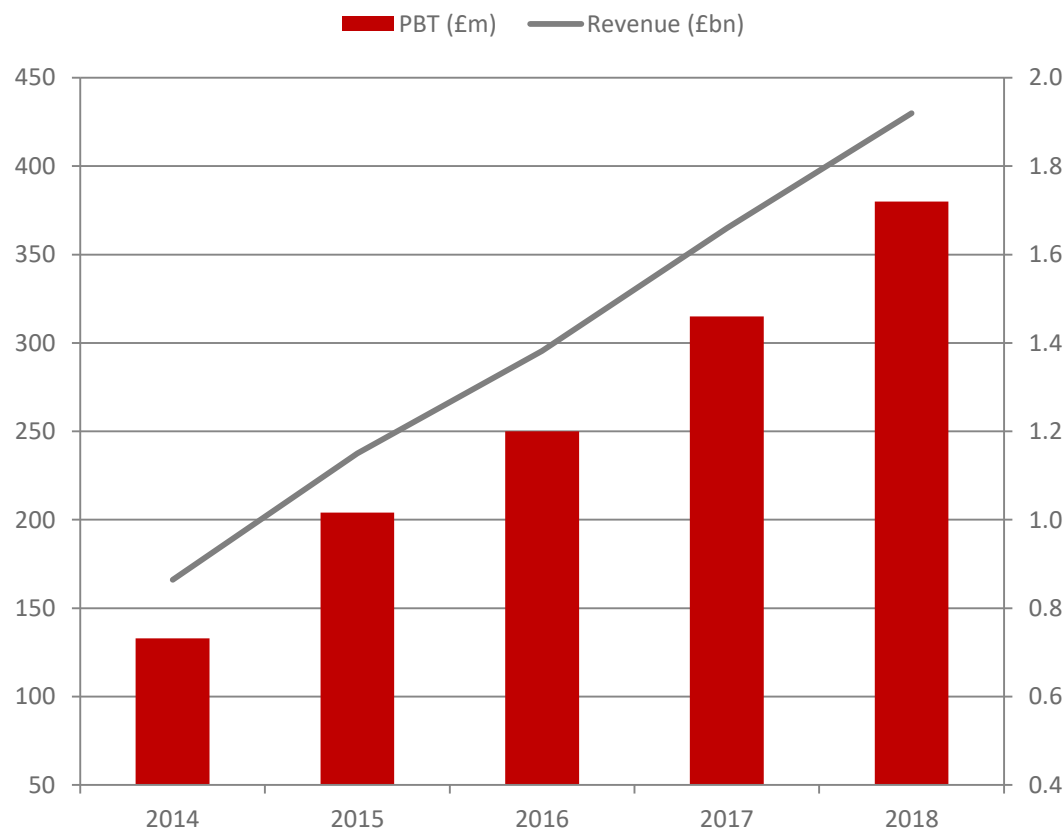
Plot Cost Carried Forward



Review of Operations

John Tutte – Group Chief Executive

Continued growth and expansion



4 Year Growth Record

- Turnover +122%
- Profit before Tax +186%

Continued growth and expansion

Divisions

- 15 homes' divisions
- New division in Thames Valley
- Greater London reorganised into East and West divisions

Harrow Estates

- Restructured to manage group-wide forward land activities



Continued growth and expansion

Regions

- First full year contribution from East Midlands
- Strong growth in Central and South regions
- Good demand across all regions

Greater London

- 186 apartments sold to M&G for PRS at Colindale Gardens
- Planning application at Alton Estate, Roehampton for c.1,100 homes to be submitted in October
- Stable market in outer boroughs



Investing in places

Highlights

- Land market remains attractive
- 7,455 plots with planning acquired
- 2,727 plots pulled-through from forward land holdings
- Larger sites acquired: c.180 plots
 - Relieve pressure on replacement
 - Allow broader range of product to be plotted
 - More scope to create great places



Barrington Cement Works, Cambridge

Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2017	23,980	2,120	26,100
Legal completions	(5,718)	-	(5,718)
Market additions	3,493	1,235	4,728
Forward land pull through	2,627	100	2,727
Transfers	1,458	(1,458)	-
Other (land sales and replans)	(40)	(167)	(207)
At 30 June 2018	<u>25,800</u>	<u>1,830</u>	<u>27,630</u>

Investing in places

Movement in Forward Land Holdings

	Total Plots
At 1 July 2017	26,400
Additions	8,484
Transfers to current land	(2,727)
Strategic review	(1,457)
At 30 June 2018	30,700

Analysis	Jun 18	Jun 17
Land owned without planning	2,973	2,820
Land contracted without planning	2,722	1,357
Options – allocations	12,257	11,614
– realistic prospect	12,748	10,609
	30,700	26,400

Investing in places

Land Holdings by Geography

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

	June 17			
	Current Land	%	Forward Land	%
North	5,382	21	12,407	47
Central	6,483	25	6,041	23
South	9,963	38	7,845	30
Greater London	4,272	16	107	–
	26,100	100	26,400	100

Combined GDV c. £20bn

Operational Highlights

THRIVING COMMUNITIES

- Great homes: great places
 - Product
 - Placemaking
- Health and well-being
- Nature for People
- Community infrastructure



Operational Highlights

VALUING PEOPLE

- c.100 new jobs created
- c. 2,300 directly employed
- 95% proud to work for Redrow
- 15% workforce trainees
- Top 100 Apprenticeship Employer for 5th consecutive year



Operational Highlights

BUILDING RESPONSIBLY

- Restructured Health, Safety and Environmental Management teams
- NextGeneration Gold standard
- Investing in quality control
- Customer recommendation 89.1%
- Off-site manufacture
- Build cost increases c.4%



The Market and Outlook

Sales Market 2018

	2018	2017
FY		
Value of private reservations *	£1,730	£1,562
Private reservations per outlet per week *	0.70	0.67
Closing private order book (excl. JV)	£890m	£915m
Closing total order book (excl. JV) **	£1,144m	£1,030m
Cancellation rate	15%	15%

* Figures are 52 weeks LFL

** Includes Social

- Sales rate excluding PRS 0.67 (2017: 0.67)
- Total order book up 11%
- Cancellation rate unchanged

The Market and Outlook

Outlets

	2017 Actual	2018 Actual	2019 Forecast
Average outlets	124	124	130

- Openings in line with forecast
- Closures higher than forecast due to better than expected sales rates

The Market and Outlook

Current Sales Market

Private Reservation statistics 9 weeks to 31 August

Volume of net reservations

Reservations per outlet per week

Average number of outlets

2019	2018
760	791
0.65	0.68
130	130

- Demand remains good
- Pricing stable

Summary and Outlook

- Market stable
- Mortgage availability and pricing competitive
- Help to Buy continues to deliver economic growth and jobs
- Planning delays impacting outlet growth
- Outlook





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