



Interim Results Presentation

6 Months to 31 December 2018

6 February 2019

Agenda

Chairman's Overview

Financial Review

Operating Review

Summary and Outlook

Steve Morgan

Barbara Richmond

John Tutte

Steve Morgan

Overview

Steve Morgan - Chairman

Another record first half

- Record legal completions up 12% to 2,970
- Completed 100,000th home
- Record turnover of £970m up 9%
- Record pre-tax profits of £185m up 5%
- Net cash of £101m
- Cash return of 30p per share through a B Share Scheme, in addition to the 10p interim dividend



Financial Review

Barbara Richmond – Group Finance Director

Highlights



- Homes turnover up £87m at £961m
- EPS up 5% to 41.5p
- Cash conversion of 77% (2018: 56%)
- Interim dividend up 11% at 10p per share (2018: 9p)
- In addition a cash return of 30p per share
- ROCE of 28.4% (2018: 25.4%)

Cash Return

- £111m (30p per share) intended to be returned to shareholders through a B Share Scheme
- Scheme is in addition to the 10p per share interim dividend
- If approved, payment to be made in April 2019
- All shareholders participate equally in proportion to their holdings
- Capital treatment for most UK tax resident shareholders
- Accompanied by share consolidation to maintain share price comparability
- The mechanism delivers shareholder value irrespective of the prevailing share price

Additional Cash Returns

- Future cash surpluses are intended to be returned to shareholders subject to:
 - Internal cash requirements to deliver Group strategy
 - Ongoing dividend payout ratio of 33%
 - Prevailing economic conditions
- This approach optimises return on equity whilst maintaining flexibility and is a prudent approach through the economic cycle

Income Statement

£m	H1 2019	H1 2018	Variance	
			£m	%
Turnover - Homes	961	874	87	10
Turnover - Other	9	16	(7)	(44)
Total Turnover	970	890	80	9
Gross profit	233	218	15	7
Operating expenses	(46)	(43)	(3)	(7)
Operating profit	187	175	12	7
Share of JV profits	-	4	(4)	(100)
Interest	(2)	(3)	1	33
Profit before tax	185	176	9	5

Analysis of private plots in Cost of Sales **REDROW** A BETTER WAY TO LIVE

Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

H1 2019	H1 2018
84	81
21	22

Revenue by Geography

- Strong revenue growth in Central and Southern regions
- Stable in the North and London

	H1 2019		H1 2018	
	£m	%	£m	%
North	201	21	207	23
Central	249	25	205	23
South	385	40	338	38
Greater London	126	13	124	14
Total Homes	961	99	874	98
Other	9	1	16	2
Total	970	100	890	100

Homes Turnover Analysis

- Record Homes first half revenue of £961m, up 10%
- Legal completions up 12% to 2,970
- Private ASP up 4% to £391k due primarily to mix
- Affordable turnover up 97% to £114m
- Affordable ASP up 15% due to geographical mix

	Turnover (£m)				Volume				ASP (£k)			
	H1 19	H1 18	Var	% Var	H1 19	H1 18	Var	% Var	H1 19	H1 18	Var	% Var
Private Houses	687	646	41	6	1,720	1,766	(46)	(3)	399	366	33	9
Private Apartments	160	170	(10)	(6)	444	408	36	9	360	417	(57)	(14)
Total Private	847	816	31	4	2,164	2,174	(10)	-	391	375	16	4
Affordable	114	58	56	97	806	472	334	71	141	123	18	15
Total Homes	961	874	87	10	2,970	2,646	324	12	324	330	(6)	(2)

Homes Private Turnover Analysis

- Homes private turnover up 4% to £847m
- Heritage Collection 80% of private turnover (2018: 72%)
- Help to Buy legal completions of 865 (2018: 897)

	Turnover (£m)			Volume			ASP		
	H1 19	H1 18	Var	H1 19	H1 18	Var	H1 19	H1 18	Var
Heritage	674	586	88	1,732	1,604	128	389	365	24
Bespoke	173	230	(57)	432	570	(138)	400	404	(4)
Private Total	847	816	31	2,164	2,174	(10)	391	375	16

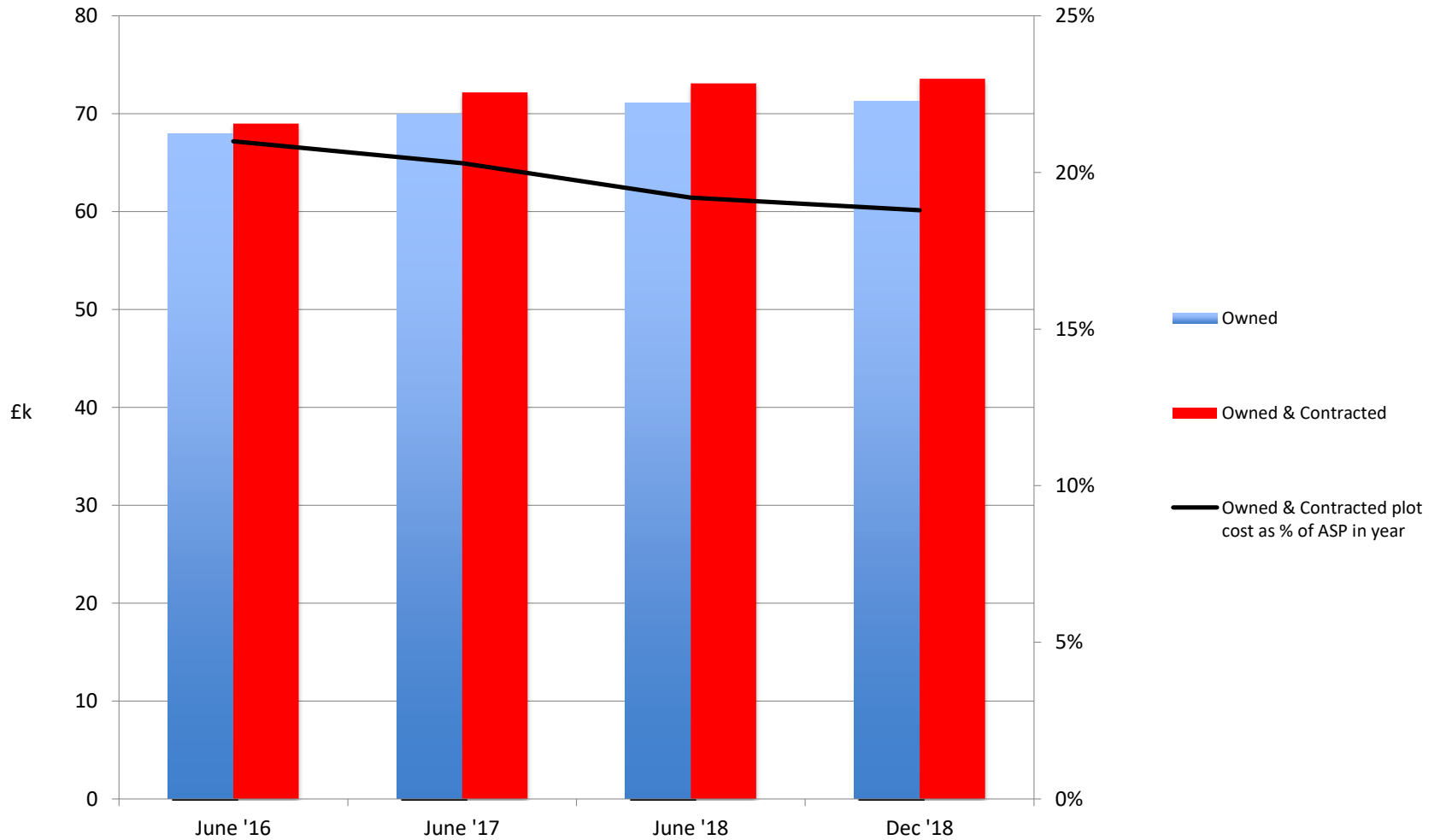
Cash Flow

	H1 2019 £m	H1 2018 £m		H1 2019 £m	H1 2018 £m
Operating cash flow			Net debt movement		
EBITDA	188	176	Operating cash flow	145	98
(Increase)/decrease in land	(21)	(64)	Net receipts from JV	-	13
Movement in land creditors	-	31	Tax paid	(35)	(32)
Cash investment in land	(21)	(33)	Dividend	(70)	(41)
Movement in WIP	(19)	(47)	Other	(2)	-
Other working capital movements	(3)	2	Net cash flow	38	38
Operating cash flow	145	98	Opening net cash/(debt)	63	(73)
			Closing net cash/(debt)	101	(35)
Cash conversion %	77	56	Average net cash/(debt)	125	(11)

Net Assets

£m	Dec 18	Jun 18	Movement
Land	1,460	1,439	21
WIP	798	779	19
Land creditors	(387)	(387)	-
Net investment in inventory	1,871	1,831	40
Other working capital	(401)	(399)	(2)
Tax	(34)	(35)	1
Fixed Assets	23	23	-
Capital Employed	1,459	1,420	39
Net Cash	101	63	38
Net Assets	1,560	1,483	77

Plot Cost Carried Forward



Operating Review

John Tutte – Group Chief Executive

Sales Market - Highlights

- ***Brexit*** – market caution towards end H1
- **Improved but cautious start to 2019**
- **London market affected most**
 - Further PRS sale in London
- **Pricing generally stable**
 - Disciplined use of incentives
 - Help to Buy continues to support market
 - SDLT affecting higher-priced homes
- **Total order book value up 11%**



Sales Market - Trading

H1

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
795	795
0.61	0.64
840	894
1,162	1,047
16	15

H2 (first 5 weeks)

Value of private net reservations (£m)

Reservations per outlet per week

2019	2018
156	166
0.65	0.71

Sales Market - Outlets

2019		2018	
H1 Actual	FY Forecast	H1 Actual	Full Year
129	130	127	124

Land - Highlights

- **Current land**
 - 3,020 plots acquired in H1
 - Good pipeline of opportunities
 - Maintaining a prudent approach
- **Forward land**
 - Strong pull-through in H1
 - Draft allocation for further 750 plots at Woodford Garden Village
 - Additional c.400 plots identified at Colindale Gardens



Goffs Oak, Waltham Cross

Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2018	25,800	1,830	27,630
Legal completions	(2,970)	-	(2,970)
Market additions	1,474	329	1,803
Forward land pull through	1,151	66	1,217
Transfers	827	(827)	-
Other (land sales and replans)	12	(152)	(140)
At 31 December 2018	<u>26,294</u>	<u>1,246</u>	<u>27,540</u>

Movement in Forward Land Holdings

	Total Plots
At 1 July 2018	30,700
Additions	1,721
Transfers to current land	(1,217)
Strategic review	(704)
At 31 December 2018	30,500

Analysis	Dec 18	Jun 18
Land owned without planning	3,131	2,973
Land contracted without planning	1,937	2,722
Options - allocations	11,862	12,257
- realistic prospect	13,570	12,748
	30,500	30,700

Land Holdings by Geography

	Dec 18			
	Current Land	%	Forward Land	%
North	5,080	18	12,172	40
Central	7,853	29	6,343	21
South	10,828	39	9,794	32
Greater London	3,779	14	2,191	7
	27,540	100	30,500	100

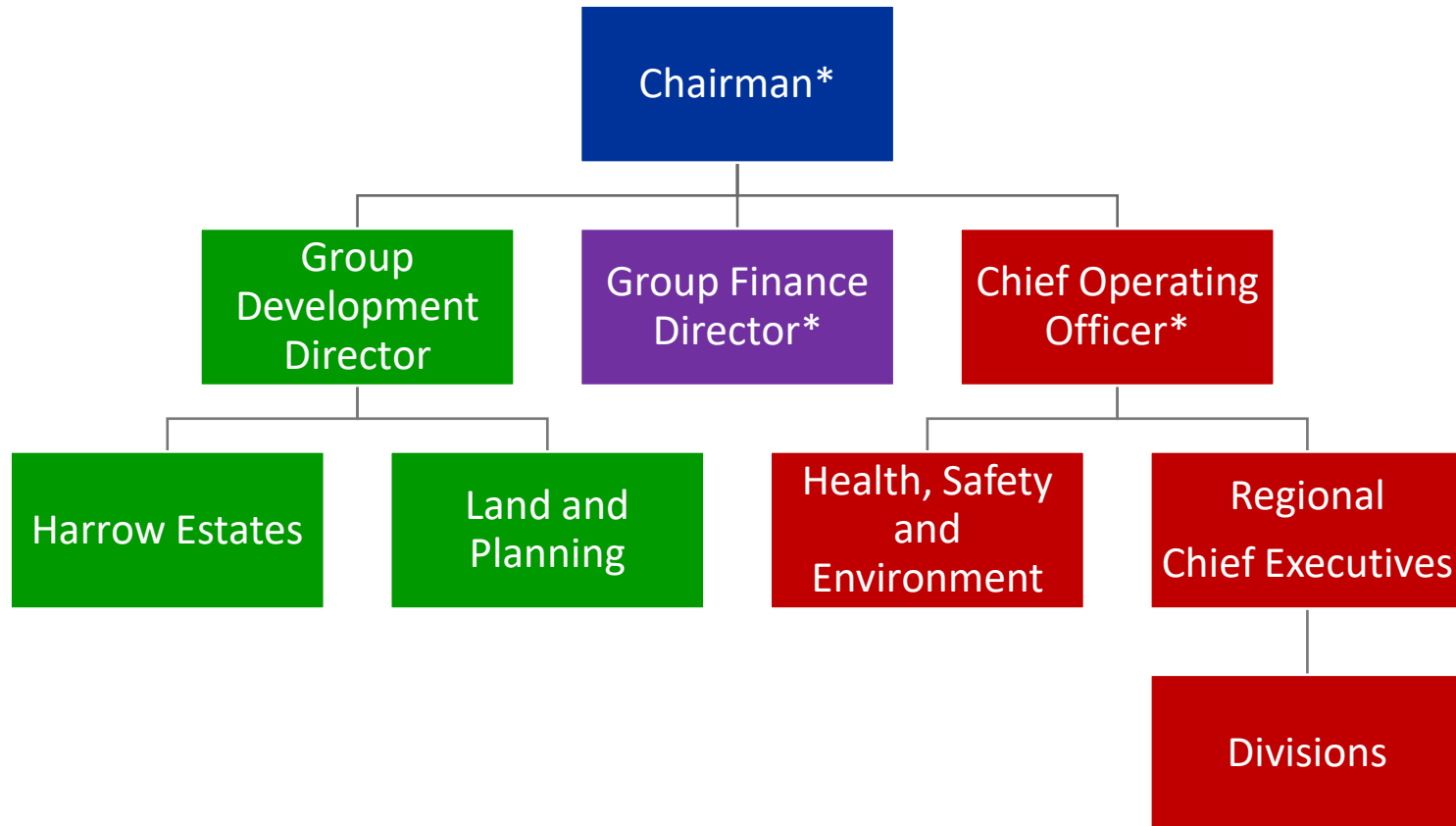
	Jun 18			
	Current Land	%	Forward Land	%
North	5,331	19	12,805	42
Central	7,848	28	5,907	19
South	10,356	38	10,131	33
Greater London	4,095	15	1,857	6
	27,630	100	30,700	100

Operations - Highlights

- **Completions**
 - 6,042 (excluding JV) calendar year 2018
- **Product**
 - Demand-led mixes
 - Emphasis on placemaking
- **Build**
 - Underlying cost pressures easing
 - Focus on building faster to reduce costs
- **Customer Service**
 - Investing in systems to improve both quality and service
 - Customer satisfaction >90%
- **People**
 - > 2,350 directly employed
 - Continuing to invest in the next generation of housebuilders



Organisational Changes April 2019



* Main board

Summary and Outlook

Steve Morgan - Chairman

Summary and Outlook

- Demand stable
- Welcome extension of Help to Buy
- Land holdings to support continued growth
- Strong balance sheet
- Record order book
- Cash return of 30p per share in addition to 10p interim dividend





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