



Interim Results Presentation

6 Months to 31 December 2019

5 February 2020

Agenda

Chairman's Overview

John Tutte

Financial Review

Barbara Richmond

Operating Review

Matthew Pratt

Summary and Outlook

John Tutte

Overview

John Tutte – Executive Chairman

Results in line with expectations

- Turnover down 10% to £870m (2019: £970m) due to phasing of legal completions
- Profit down £28m due to the reduced turnover
- Record first half reservations of £936m (2019: £795m)
- Interim dividend up 5% at 10.5p (2019: 10p)
- Confident we will increase full year turnover and profit
- Board changes continue the transition to a more conventional structure



Financial Review

Barbara Richmond – Group Finance Director

Highlights



- Homes turnover of £863m (2019: £961m)
- Gross margin of 23.9% (2019: 24.0%)
- EPS of 37.2p (2019: 41.5p)
- ROCE of 25% (2019: 28%)
- Net cash of £14m

Income Statement

£m	H1 2020	H1 2019	Variance	
			£m	%
Turnover - Homes	863	961	(98)	(10)
Turnover - Other	7	9	(2)	(22)
Total Turnover	870	970	(100)	(10)
Gross profit	208	233	(25)	(11)
Operating expenses	(49)	(46)	(3)	(6)
Operating profit	159	187	(28)	(15)
Interest	(2)	(2)	-	-
Profit before tax	157	185	(28)	(15)

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 2020	H1 2019
82	84
21	21

Revenue by Geography

- Revenue growth in the North
- Revenue reduction in Central due to outlet timing
- Significant revenue reduction in the South and Greater London as expected due to the timing of legal completions on apartment schemes

	H1 2020		H1 2019	
	£m	%	£m	%
North	212	24	201	21
Central	230	26	249	25
South	329	38	385	40
Greater London	92	11	126	13
Total Homes	863	99	961	99
Other	7	1	9	1
Total	870	100	970	100

Homes Turnover Analysis

- Private Houses first half revenue of £705m, up 3%
- Private Apartments revenue down 41%
- Private ASP down 1% to £387k due to mix
- Affordable turnover down 44% to £64m due to reduction in apartment completions in London

	Turnover (£m)				Volume				ASP (£k)			
	H1 20	H1 19	Var	% Var	H1 20	H1 19	Var	% Var	H1 20	H1 19	Var	% Var
Private Houses	705	687	18	3	1,780	1,720	60	3	396	399	(3)	(1)
Private Apartments	94	160	(66)	(41)	285	444	(159)	(36)	330	360	(30)	(8)
Total Private	799	847	(48)	(6)	2,065	2,164	(99)	(5)	387	391	(4)	(1)
Affordable	64	114	(50)	(44)	489	806	(317)	(39)	131	141	(10)	(7)
Total Homes	863	961	(98)	(10)	2,554	2,970	(416)	(14)	338	324	14	4

Homes Private Turnover Analysis

- Homes private turnover down 6% to £799m
- Heritage Collection 87% of private turnover (2019: 80%)
- Bespoke only 13% of private turnover due to the reduced number of apartment scheme completions
- Help to Buy legal completions of 866 (2019: 865)

	Turnover (£m)			Volume			ASP		
	H1 20	H1 19	Var	H1 20	H1 19	Var	H1 20	H1 19	Var
Heritage	696	674	22	1,790	1,732	58	389	389	-
Bespoke	103	173	(70)	275	432	(157)	375	400	(25)
Private Total	799	847	(48)	2,065	2,164	(99)	387	391	(4)

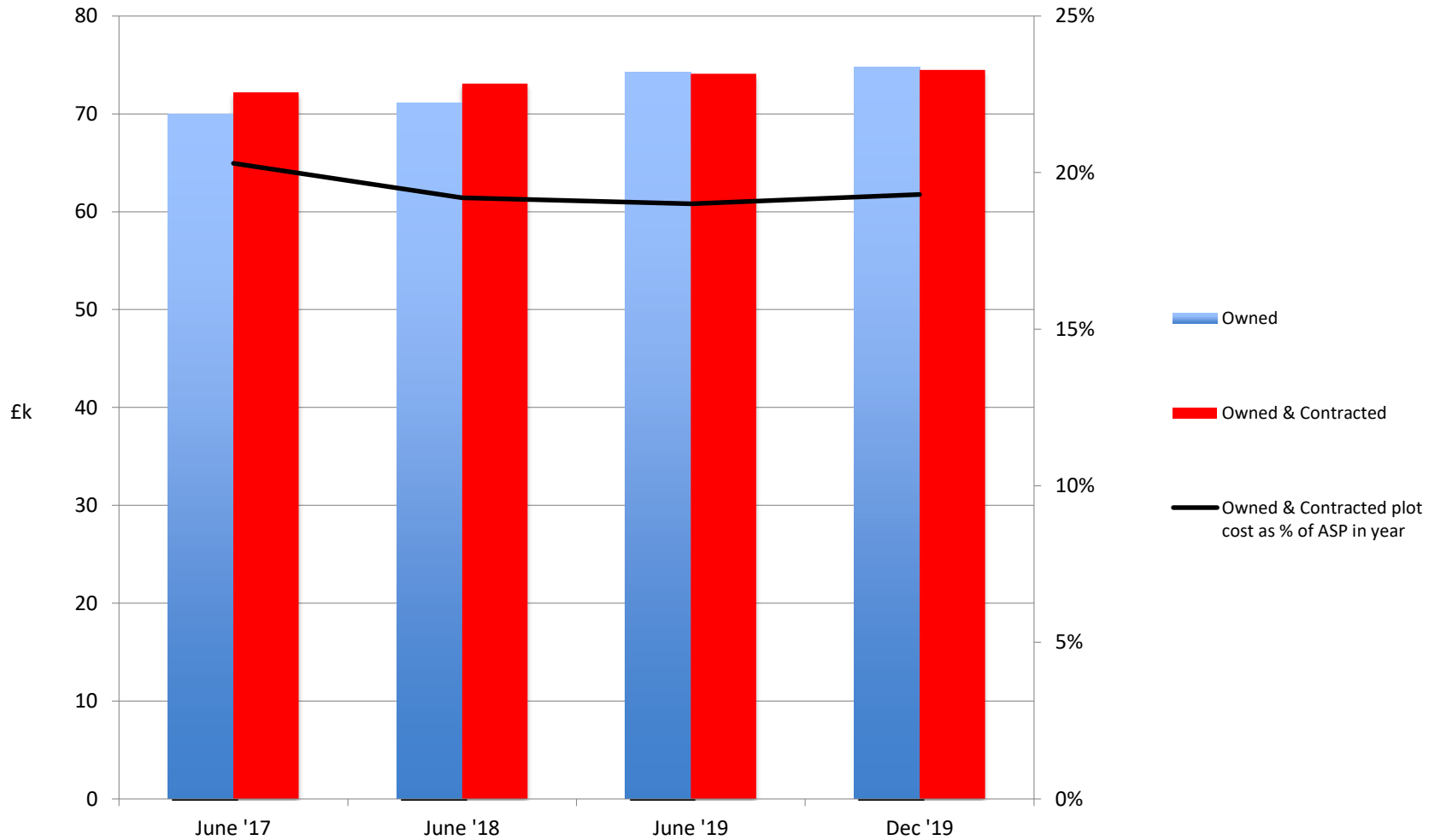
Cash Flow

	H1 2020 £m	H1 2019 £m		H1 2020 £m	H1 2019 £m
Operating cash flow			Net cash movement		
EBITDA	162	188	Operating cash flow	45	145
Decrease/(increase) in land	51	(21)	Tax paid	(77)	(35)
Movement in land creditors	(84)	-	Dividend	(72)	(70)
Cash investment in land	(33)	(21)	Other	(6)	(2)
Movement in WIP	(104)	(19)	Net cash flow	(110)	38
Other working capital movements	20	(3)	Opening net cash	124	63
Operating cash flow	45	145	Closing net cash	14	101
Cash conversion %	28	77	Average net cash	62	125

Net Assets

£m	Dec 19	Jun 19	Movement
Land	1,464	1,515	(51)
WIP	886	782	104
Land creditors	(354)	(438)	84
Net investment in inventory	1,996	1,859	137
Other working capital	(417)	(388)	(29)
Tax	14	(34)	48
Fixed Assets	35	24	11
Capital Employed	1,628	1,461	167
Net Cash	14	124	(110)
Net Assets	1,642	1,585	57

Plot Cost Carried Forward



Operating Review

Matthew Pratt – Chief Operating Officer

Sales Market - Highlights

- ***Brexit*** – market caution ahead of the General Election
- **London market starting to improve**
 - Further PRS sale at Colindale
- **Encouraging start to 2020**
- **Pricing stable**
 - Disciplined use of incentives
 - Help to Buy continues to support market
 - SDLT continues to affect higher-priced homes
- **Total order book value at the end of December 2019 in line with last years' record £1.2bn**



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 (£bn)

Cancellation rate (%)

2020	2019
936	795
0.62	0.61
857	840
1.2	1.2
15	16

H2 (first 5 weeks)

Value of private net reservations (£m)

Reservations per outlet per week

2020	2019
180	156
0.70	0.65

* Excluding Colindale PRS of 347 units & £120m

Sales Market – Average Outlets



2020		2019	
H1 Actual	FY Forecast	H1 Actual	Full Year
129	131	129	126

Land - Highlights

- **Current land**
 - 1,946 plots acquired in H1
 - Maintaining a disciplined approach
 - Good pipeline of opportunities
- **Forward land**
 - Pull through weighted to H2



Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2019	25,993	2,573	28,566
Legal completions	(2,554)	-	(2,554)
Market additions	281	845	1,126
Forward land pull through	100	720	820
Transfers	1,005	(1,005)	-
Other (land sales and replans)	167	-	167
At 31 December 2019	<u>24,992</u>	<u>3,133</u>	<u>28,125</u>

Movement in Forward Land Holdings

	Total Plots
At 1 July 2019	31,500
Additions	4,981
Transfers to current land	(820)
Strategic review	(2,361)
At 31 December 2019	33,300

Analysis	Dec 19	Jun 19
Land owned without planning	3,601	3,185
Land contracted without planning	4,235	1,281
Options - allocations	9,424	9,935
- realistic prospect	16,040	17,099
	33,300	31,500

Land Holdings by Geography

	Dec 19			
	Current Land	%	Forward Land	%
North	5,498	20	10,248	31
Central	7,919	28	7,203	22
South	11,391	40	13,160	39
Greater London	3,317	12	2,689	8
	28,125	100	33,300	100

	Jun 19			
	Current Land	%	Forward Land	%
North	5,580	20	11,321	36
Central	8,398	29	7,248	23
South	11,251	39	10,294	33
Greater London	3,337	12	2,637	8
	28,566	100	31,500	100

Operations - Highlights

- **Build**
 - Underlying cost inflation reducing
 - Cost Saving Initiatives
 - Reduction of waste
 - Quality
 - Tablet based quality management system
- **Customer Service**
 - Customer satisfaction 91.8%
 - Online reservation process
- **Product**
 - Heritage Collection
 - Increased lifestyle product rolled out
- **Social impact review 2020**



Summary and Outlook

John Tutte – Executive Chairman

Summary and Outlook

- Promising start to second half
- Pricing remains stable
- Build cost inflation easing
- Outlet numbers rising in H2
- Confident we will increase Turnover and Profits for the full year





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