Chairman's Statement

I am immensely proud of the way our team and the wider workforce responded to the COVID-19 crisis and continue to do so. I am also grateful to everyone associated with Redrow for their willingness to embrace our new ways of working that prioritise the health and wellbeing of our customers, employees, subcontractors and suppliers.

Our immediate response to the pandemic in March was to temporarily close all our sales centres and construction sites. An orderly and phased return to construction only began in May when it was safe to do so following the development and implementation of robust COVID-19 protocols. Sales centres in England also re-opened in May for customers on an appointment only basis with stringent safeguarding measures in place, and fully opened in mid-June as non-essential retail restrictions were relaxed. Sales offices in Wales opened later in June as restrictions there were lifted.

As a precaution against the risk of an extended lockdown, the Group acted decisively to put in place measures to protect its cash flow and arrangements to increase its banking facilities. The Revolving Credit Facility was increased by £100m to £350m and the Group gained eligibility as an issuer for the Government's COVID Corporate Funding Facility (CCFF) with an insurer limit of £300m. Given the timely return to work and the effectiveness of measures to protect its cash flow, the Group has not drawn on the CCFF.

As part of its measures to protect cash flow, the Group furloughed around 80% of its employees and the entire directorate volunteered to take a 20% cut in salary and the Executive team also waived their 2020 bonus entitlement. The Group's advanced and robust IT systems support remote working and, whilst divisional offices have re-opened, many colleagues continue to work effectively from home on a full or part-time basis. All furloughed employees returned to work by the end of June and, as a result of the Group's resilient cash flow, we decided not to utilise the Government's Job Retention Scheme and returned all payments received under the Scheme.

The COVID-19 pandemic had a profound impact upon the Group's performance in the 2020 financial year but we have entered the new financial year in a position of considerable strength. We have a record order book of £1.42bn (2019: £1.02bn) and brought forward very high levels of work in progress. This was due in part, to increased investment earlier in the year in anticipation of strong demand for Help to Buy ahead of changes to the scheme next year. Our robust COVID-19 protocols are operating well across the business and, as the workforce have adjusted to the new ways of working, build output is progressively returning to pre-COVID levels commensurate with reducing work in progress. We expect, and have planned for, our protocols to remain in place for many months to come.

Financial Results

The Group's results were significantly affected by COVID-19 in a financial year that was budgeted to be disproportionately weighted to the final quarter. The temporary closure of sites and adapting to new ways of working, resulted in only 264 completions in the final quarter of the year compared to 2,345 in 2019. As a consequence, turnover for the year was down by 37% to £1.34bn (2019: £2.11bn).

The significantly reduced turnover combined with substantial costs attributable to COVID-19 and impairments associated with the decision to scale back the London business, resulted in a loss in the second half and pre-tax profits reducing to £140m (2019: £406m) for the year.

Despite the reduction in turnover in the second half, the measures taken to protect cash flow resulted in the Group ending the financial year with £126m of net debt (2019: £124m net cash).

Strategy

The housing market is entering a period of change. The COVID-19 pandemic will have an enduring impact upon the market as the economy recovers and consumer experiences during lockdown influence future preferences and priorities. The successful Help to Buy scheme is also scheduled to change at the end of March 2021 and end in March 2023. The scheme has supported thousands of buyers since its inception in 2013 across a wide range of homes and locations.

Redrow's reputation for placemaking to create great places to live, and its established award winning Heritage Collection of homes, position the business to meet changing customer priorities. The Collection appeals to a broad range of buyers across new and second hand markets and has proved remarkably adaptable over the years as it has evolved in response to changing customer and regulatory demands. The Collection achieves high levels of customer satisfaction with a five star rating in the HBF Annual Customer Satisfaction Survey.

The Heritage Collection is well established across all our regional businesses and our teams are accustomed to plotting the product to consistently achieve superior returns compared to bespoke designs. There remains considerable scope to further utilise the Heritage Collection to grow the regional divisions and expand into new geographical areas. We have therefore decided, following a detailed review, the Group should focus on this core strength together with a continuing emphasis on quality, service, addressing climate change and improving biodiversity – putting customers and the environment at the heart of our strategy.

As part of this strategy, the Group announced at the end of June it is scaling back its London business. Our plan is to principally limit the Group's London activities to the successful Colindale Gardens development. The significant impairments and related costs totalling £35m associated with scaling back the London business have been fully provided for in the 2020 accounts.

Board Changes

Matthew Pratt was appointed Group Chief Executive on 1st July 2020. Matthew has extensive operational experience in the industry and has worked for Redrow for over 17 years. His career has progressed through all senior management levels within the Group and prior to his appointment as Chief Executive, he was Chief Operating Officer.

My intention was to step back to Non-Executive Chairman at the end of June to coincide with Matthew's appointment and to retire from the business ahead of the 2021 AGM. However, in response to the ongoing challenges due to COVID-19, and at the request of the Board, I have agreed to continue in an executive capacity to support Matthew and the senior management team until November 2020. I will then continue as Non-Executive Chairman until a replacement is appointed ahead of the AGM in 2021 for which a search has already commenced.

I was delighted to welcome Nicky Dulieu to the board as a Non-Executive Director during the year. Nicky has extensive board experience and considerable knowledge of the retail sector.

Vanda Murray has decided to step down from the Board due to work commitments. I am grateful for Vanda's valuable contribution during her tenure and wish her every success for the future. Nicky Dulieu will replace Vanda as Chair of the Remuneration Committee following the close of this year's AGM.

Trading and Outlook

The Group secured 4,222 private reservations in the year with a value of £1.61bn (2019: £1.67bn). As a result of the Group's strong sales performance earlier in the year, and the significant shortfall in legal completions due to the COVID-19 lockdown, the Group entered the new financial year with a record order book of £1.42bn (2019: £1.02bn).

Since sales centres re-opened in May, the Group has seen strong demand, especially from buyers wanting to use the Help to Buy scheme ahead of next year's changes and those wishing to benefit from the Stamp Duty Land Tax (SDLT) holiday. However, whilst the Group is well positioned it is also conscious of a number of factors that could adversely affect the market in the medium term. In particular, the ongoing impact of the COVID-19 pandemic, the possibility of a no-deal exit from the EU and the ending of the SDLT holiday.

Whilst there remains a significant under-supply of new homes, the demand for open-market housing is very dependent upon the strength of the economy and in particular, the availability and affordability of mortgages and buyers being able to fund deposits. Low interest rates continue to keep mortgages at historically affordable levels, however, the recent reduction in the availability of high loan to value products will affect some buyers, particularly those that will not qualify for the Help to Buy scheme next year.

We broadly welcome the Government's 'Planning for the Future Consultation' which, in time, proposes to streamline and modernise the planning process and improve the supply and delivery of new homes. The immediate priority however, must be to support the demand-side through this period of economic uncertainty. The impact of the SDLT holiday expiring in March to coincide with the changes to the Help to Buy scheme could disrupt a sustainable recovery. We would therefore urge government to consider taking steps to avoid a hiatus in the market, including a long-term reform of SDLT to free-up more cash for deposits at a time when the high loan to value mortgage market is constrained. The SDLT holiday is clearly demonstrating that cutting rates is a highly effective way to stimulate the entire housing market and help revitalise the wider economy.

Although there remains uncertainty on the horizon, the Group is well placed to deliver a robust performance. We have completed substantially more homes in the first few weeks of the new financial year than during the comparable period last year whilst maintaining a record order book as a result of keen demand for our Heritage Collection homes.

This, combined with reduced investment in London, will deliver strong operating cash flow over the coming months to support our regional growth plans and we expect to be cash positive at the end of the financial year. As a result, and subject to market conditions, we expect to resume dividend payments in 2021.

The Group's resilience in these challenging times is testament to the dedication and commitment of the whole Redrow team and, as ever, I am hugely grateful for their ongoing support.

John Tutte
Executive Chairman