



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 |

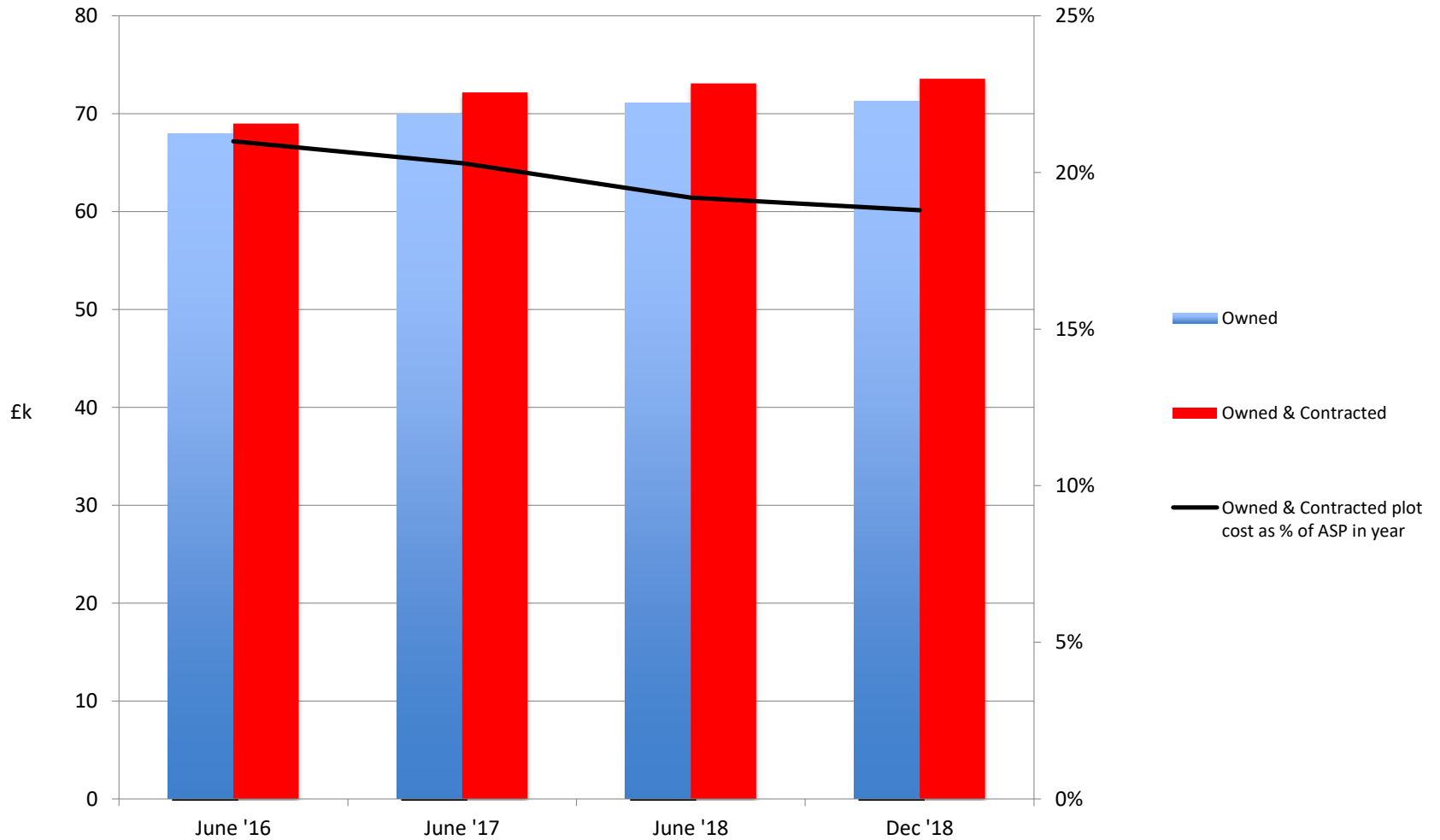
Cash Flow

| | 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 |

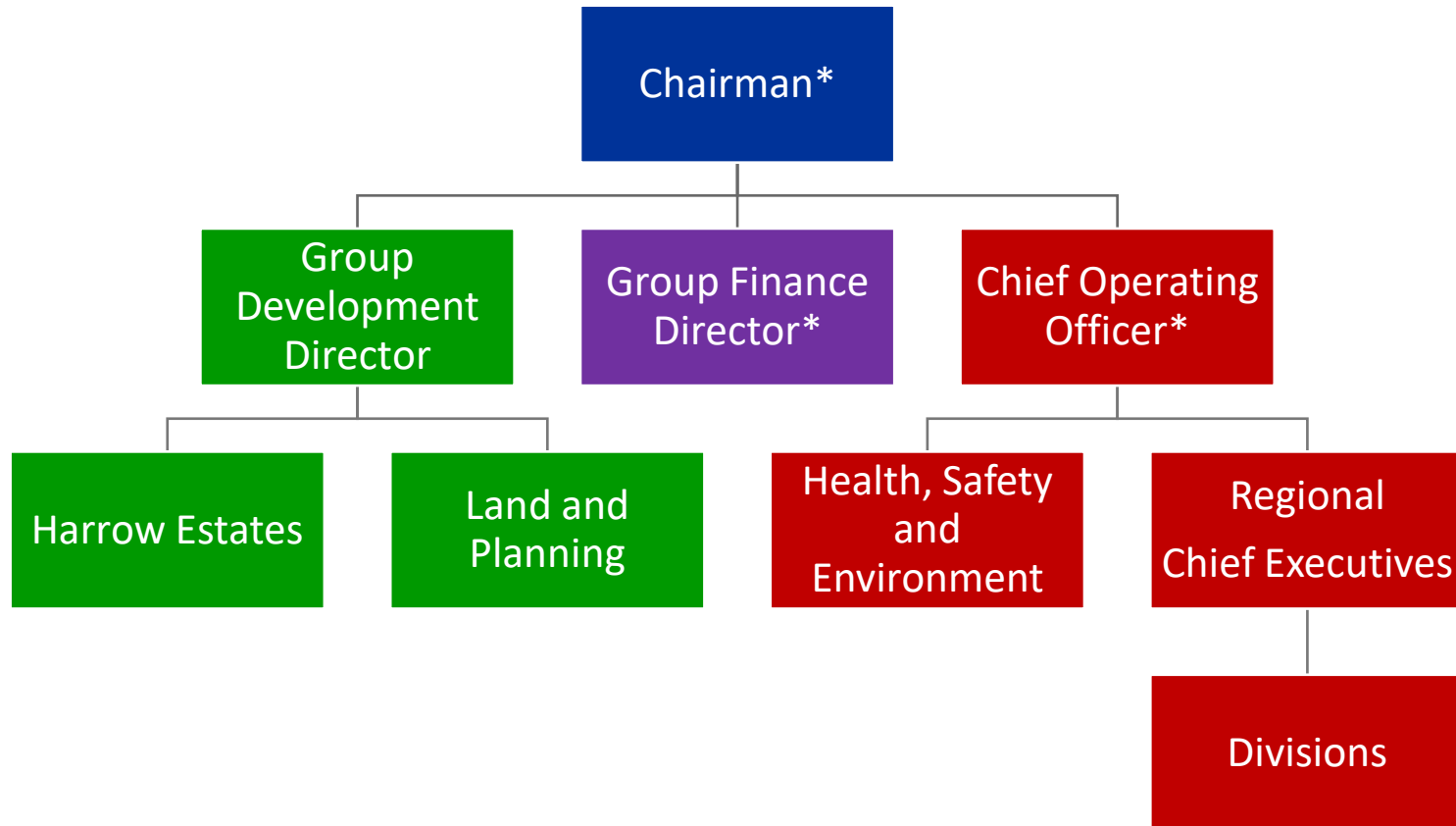
| | Jun 18 | | | |
|----------------|--------------|-----|--------------|-----|
| | Current Land | % | Forward Land | % |
| North | 5,331 | 19 | 12,805 | 42 |
| Central | 7,848 | 28 | 5,907 | 19 |
| South | 10,356 | 38 | 10,131 | 33 |
| Greater London | 4,095 | 15 | 1,857 | 6 |
| | 27,630 | 100 | 30,700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





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
groupservices@redrow.co.uk
redrow.co.uk