



# Full Year Results Presentation

52 weeks to 28 June 2020

16 September 2020

# Agenda

Chairman's Overview

John Tutte

Financial Results

Barbara Richmond

Operating Review, Strategy  
and Current Trading

Matthew Pratt

Summary and Outlook

John Tutte

# Highlights

## COVID-19 impact on business

- Turnover £1.34bn (2019: £2.11bn)
- PBT £140m (2019: £406m)
- Net Debt £126m (2019: Net Cash £124m)
- No use of Job Retention Scheme or CCFF

## Strategy

- Regional growth focus on Heritage Collection
- Scaling down of London business

## Future prospects

- Record order book and strong WIP position
- Resilient post-lockdown demand
- Expect to be cash positive by June 2021



# Financial Results

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Barbara Richmond – Group Finance Director

# Financial Highlights

COVID-19 impacted all the financials

- Turnover down 37%
- Gross margin down from 23.9% to 18.1%
- Operating margin of 11.1% (2019: 19.5%)
- Net Debt £126m (2019: Net Cash £124m)

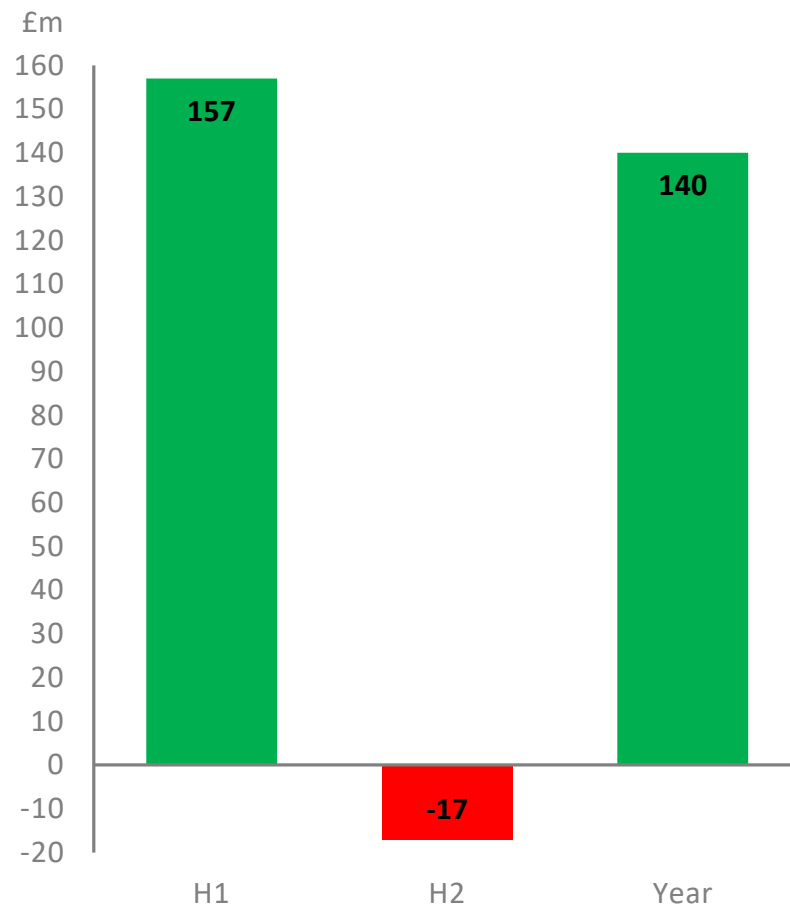


# Income Statement

£m	FY	FY	Variance	
	2020	2019	£m	%
Turnover - Homes	1,332	2,091	(759)	(36)
Turnover - Other	7	21	(14)	(67)
Total Turnover	1,339	2,112	(773)	(37)
Gross profit	242	504	(262)	(52)
Operating expenses	(94)	(93)	(1)	(1)
Operating profit	148	411	(263)	(64)
Interest	(8)	(5)	(3)	(60)
Profit before tax	140	406	(266)	(66)

# Phasing of 2020 Profit Before Tax

- Dramatically reduced turnover in Q4
- Cost of sales in Q4 with no/ little production
  - Time related site costs (including direct divisional staff)
  - Sales and Marketing costs
  - Direct COVID expenses
- London scale down provision £35m mainly impairment (cash element <£4m)
- Operating expenses incurred on a time basis



# Analysis of private plots in Cost of Sales

Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

FY 2020	FY 2019
83	82
21	21



# Turnover by Geography

- All regions affected by COVID-19
- Geographical split of turnover very similar to 2019

	FY 2020		FY 2019	
	£m	%	£m	%
North	310	23	448	21
Central	345	26	527	25
South	498	37	815	39
Greater London	179	13	301	14
Total Homes	1,332	99	2,091	99
Other	7	1	21	1
Total	1,339	100	2,112	100

# Homes Turnover Analysis

- Homes revenue of £1.3bn, down 36%
- Legal completions of 4,032, down 37%
- Blended ASP up 2% to £330.4k
- Apartments 13% of private sales revenue (2019: 19%)

	Turnover (£m)				Volume				ASP (£k)			
	FY 20	FY 19	Var	% Var	FY 20	FY 19	Var	% Var	FY 20	FY 19	Var	% Var
Private Houses	1,040	1,496	(456)	(30)	2,629	3,794	(1,165)	(31)	395.6	394.3	1.3	-
Private Apartments	154	347	(193)	(56)	459	937	(478)	(51)	335.5	370.3	(34.8)	(9)
Total Private	1,194	1,843	(649)	(35)	3,088	4,731	(1,643)	(35)	386.7	389.5	(2.8)	(1)
Affordable	138	248	(110)	(44)	944	1,712	(768)	(45)	146.2	144.9	1.3	1
Total Homes	1,332	2,091	(759)	(36)	4,032	6,443	(2,411)	(37)	330.4	324.5	5.9	2

# Private Turnover Analysis

- Homes private turnover £1.2bn (2019: £1.8bn)
- Heritage Collection 84% of turnover (2019: 79%)
- Bespoke product 16% of turnover (2019: 21%)
- Help to Buy legal completions of 1,322 (2019: 1,985)

	Turnover (£m)				Volume				ASP (£k)			
	FY 20	FY 19	Var	% Var	FY 20	FY 19	Var	% Var	FY 20	FY 19	Var	% Var
Heritage	1,007	1,455	(448)	(31)	2,591	3,755	(1,164)	(31)	388.7	387.5	1.2	-
Bespoke	187	388	(201)	(52)	497	976	(479)	(49)	376.3	397.5	(21.2)	(5)
Total	1,194	1,843	(649)	(35)	3,088	4,731	(1,643)	(35)	386.7	389.5	(2.8)	(1)

# Cash Flow

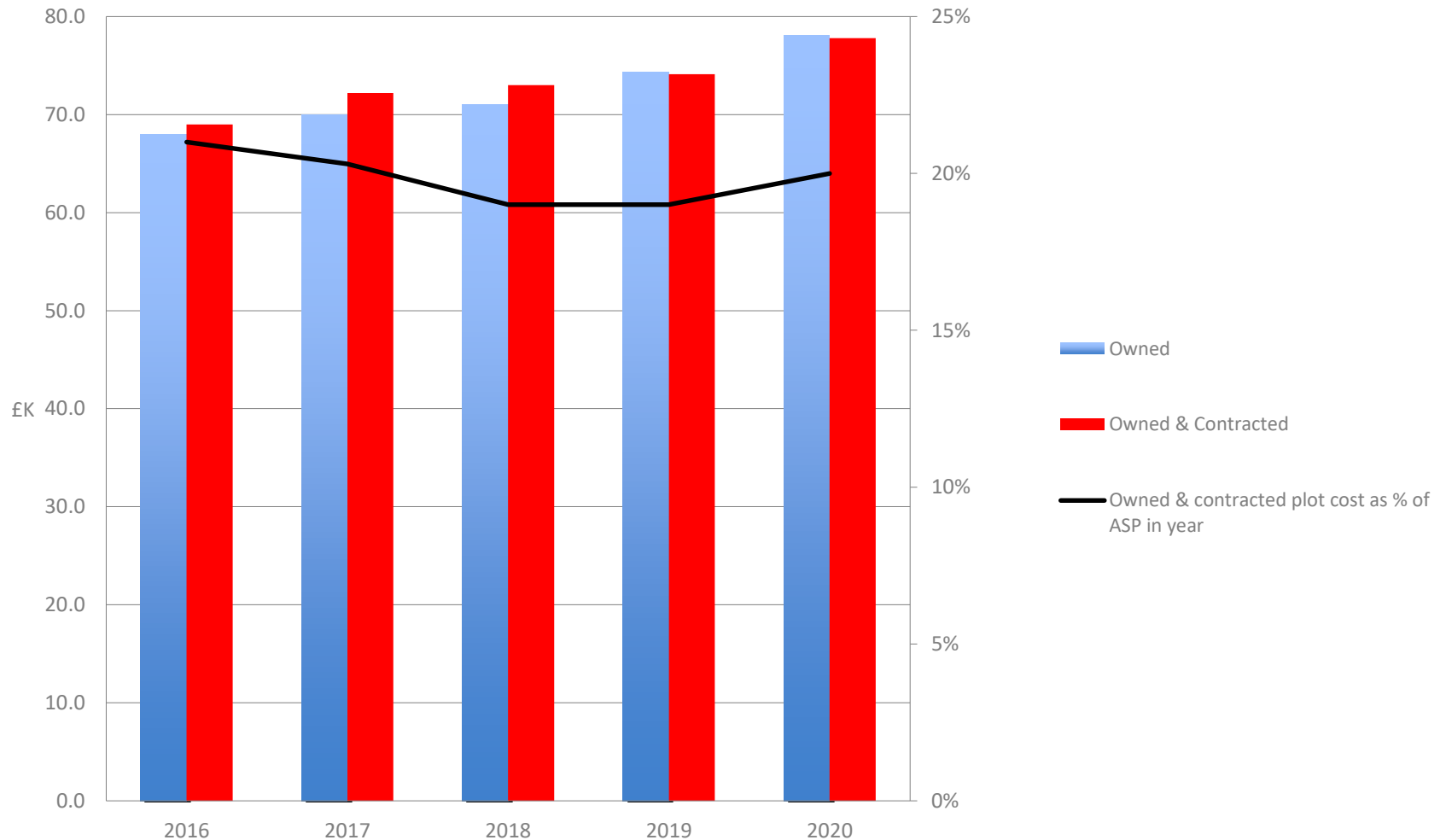
	FY 2020 £m	FY 2019 £m		FY 2020 £m	FY 2019 £m
Operating cash flow			Net cash movement		
EBITDA	155	414	Operating cash flow	(80)	371
Decrease / (Increase) in land	14	(76)	Interest	(5)	(1)
Movement in land creditors	(136)	51	Tax	(64)	(77)
Net (investment) in land	(122)	(25)	Dividend / Capital Return	(72)	(218)
Movement in WIP	(137)	(3)	Other	(29)	(14)
Other working capital movements	24	(15)	Net cash flow	(250)	61
Operating cash flow	(80)	371	Opening net cash	124	63
			Closing net (debt)/cash	(126)	124
			Average net cash	2	80

# Net Assets

£m	June 20	June 19	Movement
Land *	1,501	1,515	(14)
WIP *	919	782	137
Land creditors	(302)	(438)	136
Net investment in inventory	2,118	1,859	259
Other working capital	(406)	(388)	(18)
Tax	3	(34)	37
Fixed Assets	28	18	10
Investment in JV	9	6	3
Capital Employed	1,752	1,461	291
Net (debt) / cash	(126)	124	(250)
Net Assets	1,626	1,585	41

\* Land and WIP are net of payments on account

# Plot Cost Carried Forward



# Operating Review

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Matthew Pratt – Chief Executive

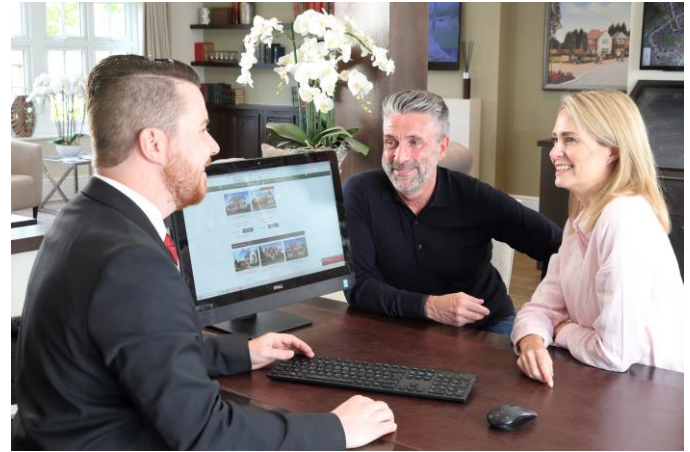




# Operational Highlights

## Sales

- Strong sales prior to and post lockdown
- Use of Help to Buy post “lockdown”
- Industry leading technology helping to support remote working
- Strong Order book of £1.4bn



# Sales 2020

	2020	2019
Value of private net reservations (£bn)	1.61	1.67
Private reservations per outlet per week	0.74	0.66
Closing private order book (£bn)	1.1	0.7
Closing total order book (£bn)	1.4	1.0
Cancellation rate (%)	19	16

Value of private net reservations (£bn)

Private reservations per outlet per week

Closing private order book (£bn)

Closing total order book (£bn)

Cancellation rate (%)

# Land Highlights

- 3,620 additional plots
  - 1,899 plots with planning acquired
  - 1,721 plots pulled-through from forward land holdings
- Scale down of London operations removes 551 plots from current Land and 1,466 plots from the forward land banks



Wrexham Road site

# Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2019	25,993	2,573	28,566
Legal completions	(4,032)	-	(4,032)
Market additions	1,273	626	1,899
Forward land pull through	1,188	533	1,721
Transfers	1,186	(1,186)	-
London scale down	(551)	-	(551)
Other (land sales and replans)	73	(676)	(603)
At 28 June 2020	<u>25,130</u>	<u>1,870</u>	<u>27,000</u>

# Movement in Forward Land Holdings

	Total Plots
At 1 July 2019	31,500
Additions	5,323
Transfers to current land	(1,721)
London scale down	(1,466)
Strategic review	(2,936)
At 28 June 2020	30,700

Analysis	Jun 20	Jun 19
Land owned without planning	2,504	3,185
Land contracted without planning	2,577	1,281
Options – allocations	8,618	9,935
– realistic prospect	17,001	17,099
	30,700	31,500

# Land Holdings by Geography

	June 20			
	Current Land	%	Forward Land	%
North	5,459	20	10,206	33
Central	8,024	30	7,808	26
South	10,785	40	11,673	38
Greater London	2,732	10	1,013	3
	<b>27,000</b>	<b>100</b>	<b>30,700</b>	<b>100</b>

	June 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
	<b>28,566</b>	<b>100</b>	<b>31,500</b>	<b>100</b>

Combined GDV c. £19bn

# Outlets

Average outlets

2019 Actual	2020 Actual	2021 Forecast
126	110	118

# Strategy and Current Trading

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Matthew Pratt – Chief Executive



# London Restructuring

- Complete existing in-build sites
- Exit sites not in build
- Thereafter Colindale Gardens only
- Cash released re-invested in growing the regional divisions faster



# Strategy

- A great and highly desired product
- Recognisable quality, complemented by a strong belief in placemaking
- Constant strong sales rate, turnover per outlet higher than our peers
- Investment in WIP to recognise the changes to Help to Buy



# Strategy

- Strong customer service offering through technology and innovation
- Nature friendly biodiversity strategy launched in partnership with the Wildlife Trust
- Quality of product & service recognised with Five Star HBF customer rating and 'Excellent' trust pilot reviews



# Current Trading

- New homes market strong supported by Help to Buy and temporary Stamp Duty reduction
- Mortgage availability and pricing remains competitive up to 85% LTV
- Planning delays impacting outlet growth
- Strong sales rates being achieved

## 2021 (First 11 weeks)

Value of private net reservations (£m)

Reservations per outlet per week

	2021	2020*
Value of private net reservations (£m)	416	372
Reservations per outlet per week	0.84	0.68

\* Excluding Colindale PRS

# Summary and Outlook

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John Tutte – Chairman

# Summary and Outlook

## **COVID-19 severely impacted operations and results**

### **Emerged from lockdown in a position of strength**

- Record order book and high levels WIP

### **Resilient post-lockdown demand**

- 2021 (first 11 weeks) reservations 12% ahead

### **Strategy for regional growth**

- Product aligned with changing customer priorities
- Releasing capital from scaling-back London

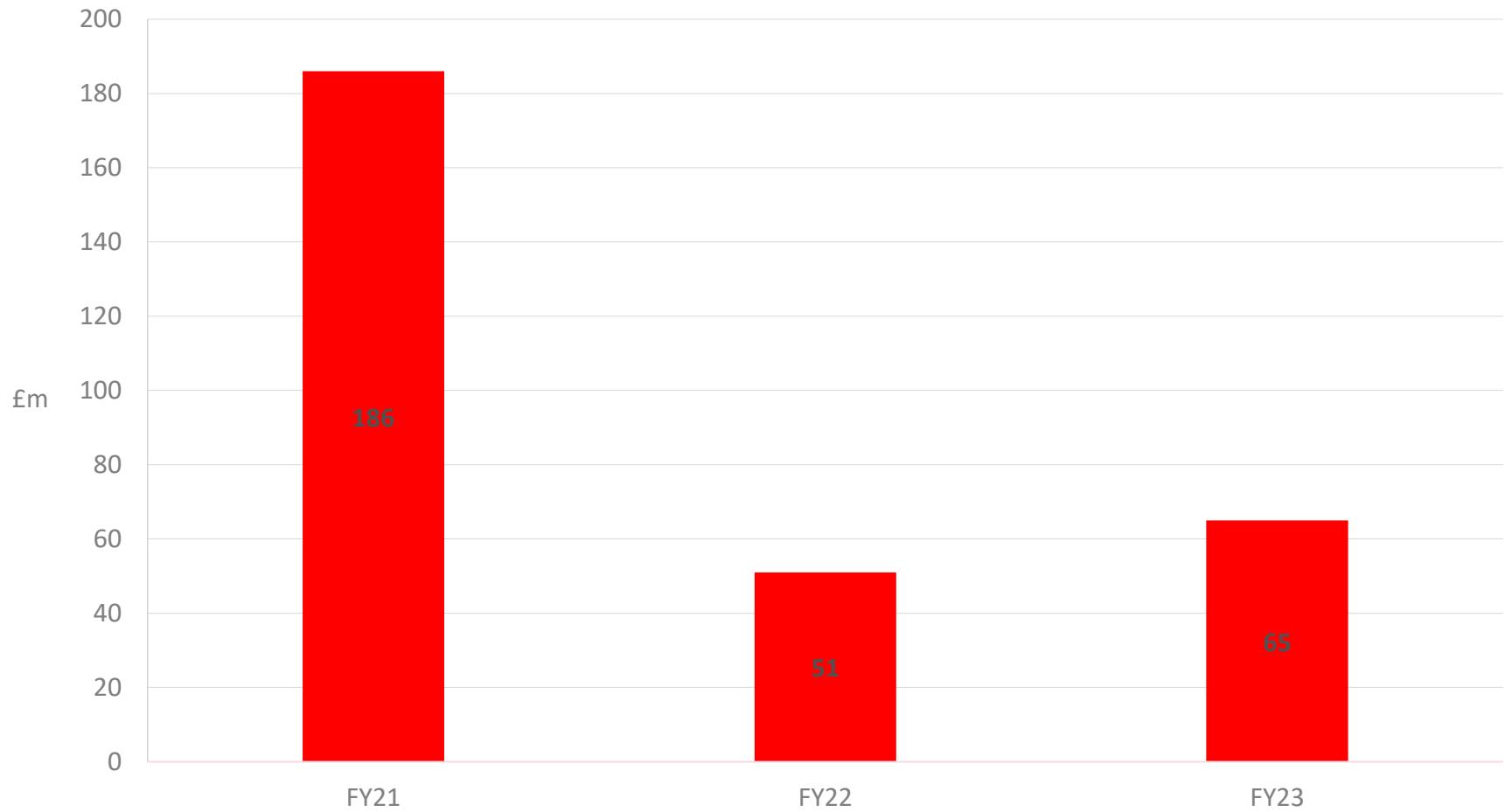
### **Well-positioned**

- Expect strong first half turnover and cash generation
- Responsive to changing market conditions

# Appendices

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# Appendix 1: Land Creditor Payment Profile





# Appendix 2: Current Trading – Order Book Roll Forward

	FY2021 wk 11		FY2020 wk 11		% change	
	Private £m	Total £m	Private £m	Total £m	Private	Total
26th June 2020/28th June 2019	1,135	1,422	720	1,015	+58	+40
Reservations	416	457	372	402	+12	+14
PRS Deal *	-	-	120	120	-100	-100
Completions	312	349	200	211	+56	+65
11th Sept 2020/13th Sept 2019	1,239	1,530	1,012	1,326	+22	+15

\* PRS Deal at Colindale Gardens



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Redrow plc  
Redrow House  
St. David's Park  
Flintshire CH5 3RX

Tel  
DX  
Website

01244 520044  
708570 St. David's Park  
[www.redrow.co.uk](http://www.redrow.co.uk)