



Interim Results Presentation

6 Months to 31 December 2017

7 February 2018

Agenda

Chairman's Overview

Steve Morgan

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Barbara Richmond

Review of Operations

John Tutte

Summary and Outlook

Steve Morgan

Overview

Steve Morgan - Chairman

Delivering much needed new homes in England and Wales

- Legal completions up 14% to 2,811 (incl. JV)
- Record first half turnover of £890m up 20%
- Record first half pre-tax profits of £176m up 26%
- ROCE of 25% (2017: 23%)



Financial Results

Barbara Richmond – Group Finance Director

H1 Financial Highlights



- Homes turnover up £141m at £874m
- Operating margin 19.7% (2017: 19.5%)
- EPS up 27% to 39.5p
- Interim dividend up 50% at 9p per share (2017: 6p)
- Net debt of £35m (June 2017: £73m)
- ROE of 26.3% (2017: 24.8%)

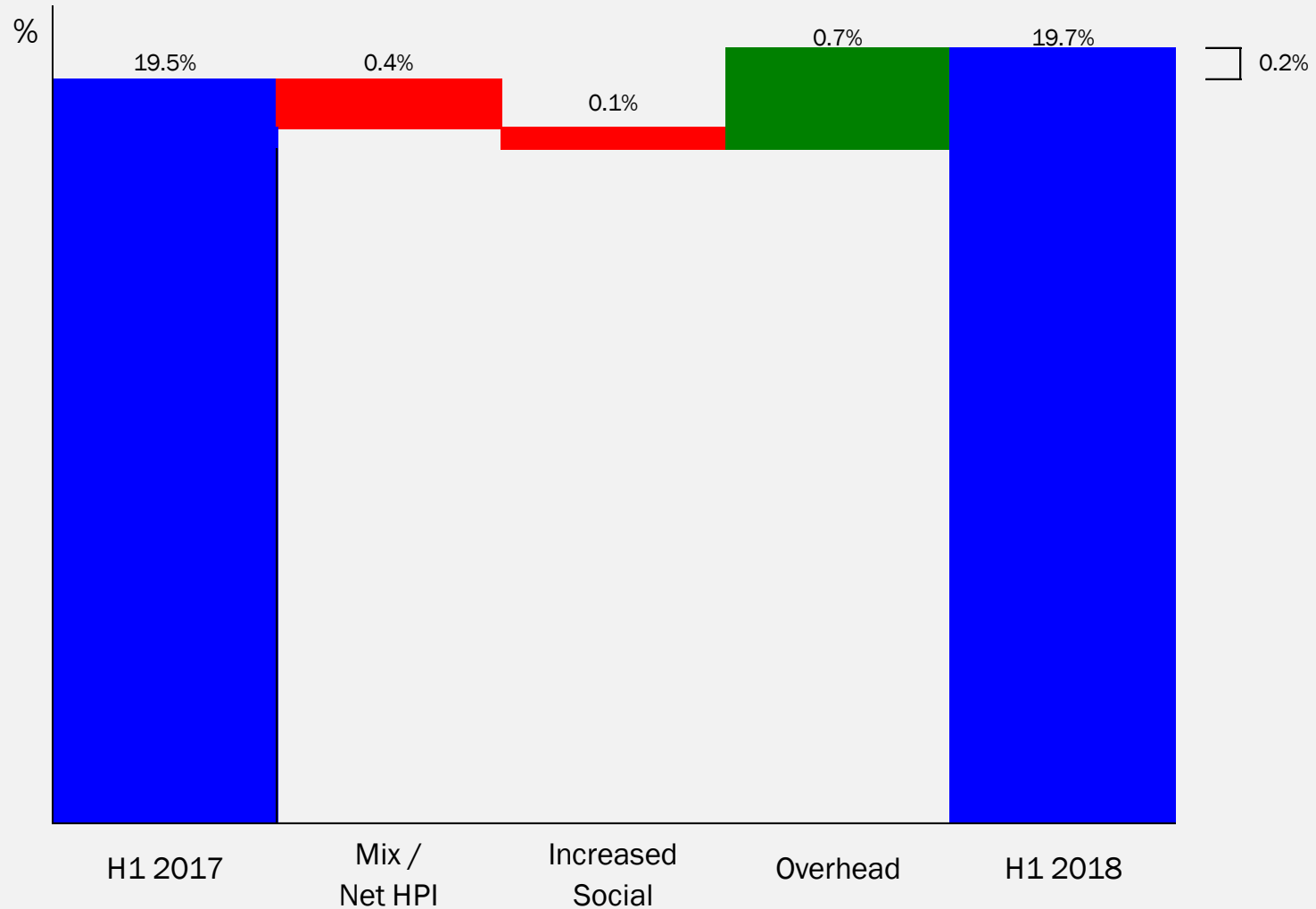
Income Statement

£m	H1 2018	H1 2017	Variance £m	Variance %
Turnover - Homes	874	733	141	19
Turnover - Other	16	6	10	167
Total Turnover	890	739	151	20
Gross profit	218	185	33	18
Operating expenses	(43)	(41)	(2)	(5)
Operating profit	175	144	31	22
Share of JV profits	4	-	4	N/A
Interest	(3)	(4)	1	25
Profit before tax	176	140	36	26

Analysis of private plots in Cost of Sales

	H1 2018	H1 2017
Average plot cost eliminated (£k)	81	72
Average plot cost as percentage of ASP	22	21
Percentage of eliminated plots with NRV provision	4	4

Operating Margin Bridge



Revenue by Geography

- Strong revenue growth in all regions except the North
- Mature North region down YOY in H1 due mainly to phasing of legal completions

	H1 2018		H1 2017	
	£m	%	£m	%
North	207	23	232	31
Central	205	23	158	21
South	338	38	266	36
Greater London	124	14	77	11
Total Homes	874	98	733	99
Other	16	2	6	1
Total	890	100	739	100

Homes Turnover Analysis

- Record Homes first half revenue of £874m, up 19%
- Legal completions up 14% to 2,811 including JV
- Apartments were 21% of private sales turnover (2017: 17%)
- ASP on private houses up 9% to £366k due to mix and HPI
- Overall private ASP up 9% to £375k due primarily to mix and HPI

	Turnover (£m)				Volume				ASP (£k)			
	H1 18	H1 17	Var	% Var	H1 18	H1 17	Var	% Var	H1 18	H1 17	Var	% Var
Private Houses	646	569	77	14	1,766	1,689	77	5	366	337	29	9
Private Apartments	170	118	52	44	408	309	99	32	417	382	35	9
Total Private	816	687	129	19	2,174	1,998	176	9	375	344	31	9
Social	58	46	12	26	472	418	54	13	123	110	13	12
Total Homes	874	733	141	19	2,646	2,416	230	10	330	303	27	9

Homes Private Turnover Analysis

- Homes private turnover up 19% to £816m
- Private volumes including JV up 15% (298) to 2,339
- Private volumes excluding JV up 9% (176) to 2,174
- Heritage Collection 72% of private turnover (2017: 79%)
- Help to Buy legal completions of 897 (2017: 745)
- Heritage Collection ASP up £25k to £365k

	Turnover (£m)			Volume			ASP (£k)		
	H1 18	H1 17	Var	H1 18	H1 17	Var	H1 18	H1 17	Var
Heritage	586	545	41	1,604	1,605	(1)	365	340	25
Bespoke	230	142	88	570	393	177	404	361	43
Private Total	816	687	129	2,174	1,998	176	375	344	31

Cash Flow

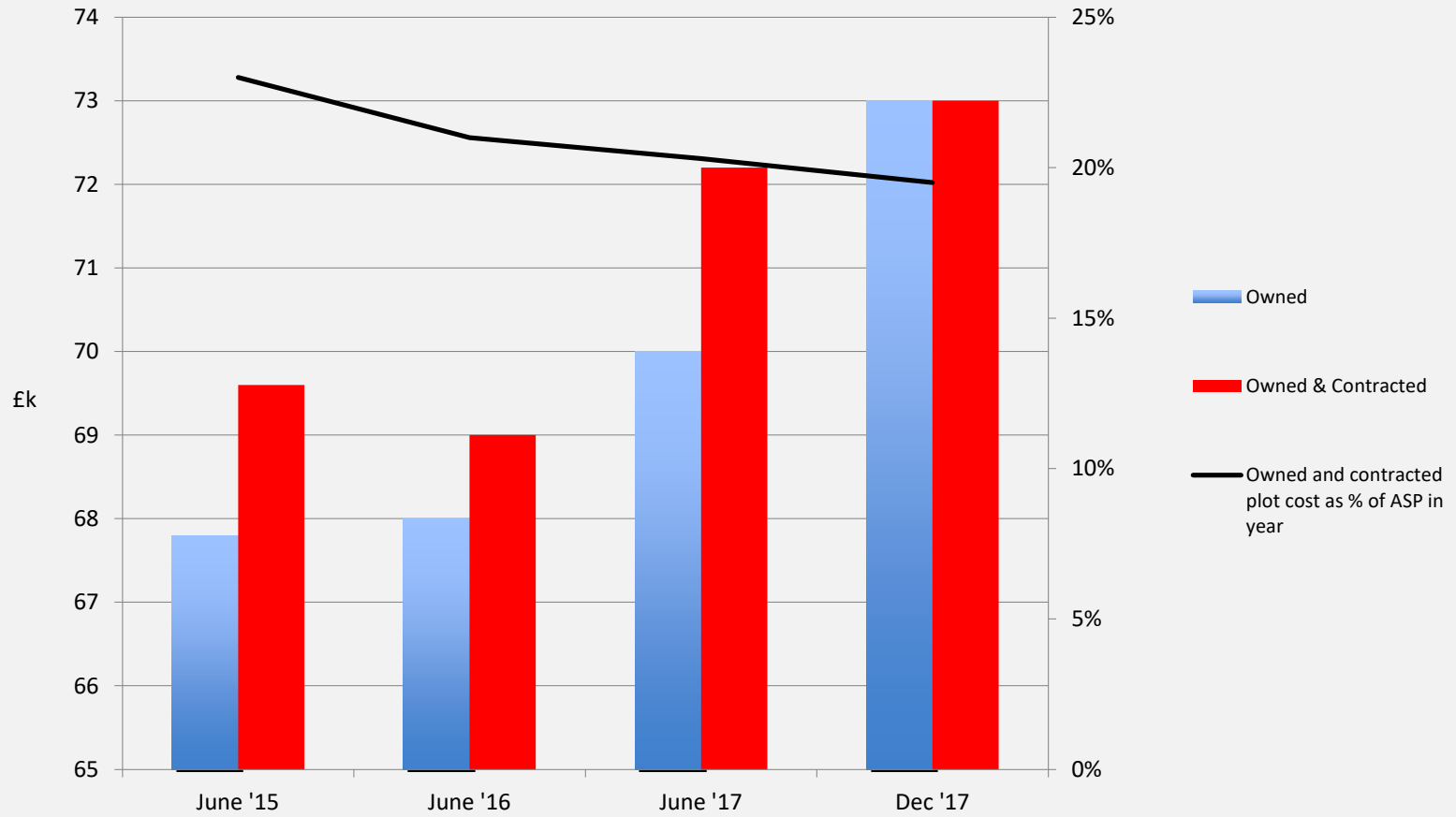
	H1 2018 £m	H1 2017 £m
Operating cash flow		
EBITDA	176	145
(Increase)/decrease in land	(64)	6
Movement in land creditors	31	16
Cash investment in land	(33)	22
Movement in WIP	(47)	(38)
Other working capital movements	2	5
Operating cash flow	98	134

	H1 2018 £m	H1 2017 £m
Net debt movement		
Operating cash flow	98	134
Net receipts from JVs	13	–
Interest	1	(3)
Tax paid	(32)	(26)
Dividend	(41)	(22)
Other	(1)	–
Net cash flow	38	83
Opening net debt	(73)	(139)
Closing net debt	(35)	(56)
Gearing	3%	5%

Net Assets

£m	Dec 17	Jun 17	Movement
Land	1,376	1,312	64
WIP	778	731	47
Land creditors	(382)	(351)	(31)
Net investment in inventory	1,772	1,692	80
Other working capital	(395)	(395)	-
Tax	(36)	(34)	(2)
Fixed Assets	18	18	-
Investment in JV	19	27	(8)
Capital Employed	1,378	1,308	70
Net Debt	(35)	(73)	38
Net Assets	1,343	1,235	108

Plot Cost Carried Forward



Review of Operations

John Tutte – Group Chief Executive

Highlights

- c.4,300 plots acquired in current land holdings
- 19 new outlets opened: on-track to open >30 outlets in H2
- First 82 legal completions at Colindale Gardens
- c.100 new trainees and apprentices recruited



Land and Planning

Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2017	23,980	2,120	26,100
Legal completions	(2,646)	-	(2,646)
Market additions	1,292	2,440	3,732
Forward land pull through	583	-	583
Transfers	1,061	(1,061)	-
Other (land sales and replans)	(20)	(149)	(169)
At 31 December 2017	24,250	3,350	27,600

Land and Planning

Movement in Forward Land Holdings

	Total Plots	
At 1 July 2017	26,400	
Additions	5,179	
Transfers to current land	(583)	
Strategic review	804	
At 31 December 2017	31,800	
Analysis	Dec 17	Jun 17
Land owned without planning	3,456	2,820
Land contracted without planning	2,337	1,357
Options - allocations	13,652	11,614
- realistic prospect	12,355	10,609
	31,800	26,400

Land and Planning

Land Holdings by Geography

	Dec 17			
	Current Land	%	Forward Land	%
North	5,798	21	13,117	41
Central	7,874	29	6,716	21
South	9,755	35	10,327	33
Greater London	4,173	15	1,640	5
	27,600	100	31,800	100

	Jun 17			
	Current Land	%	Forward Land	%
	5,382	21	12,407	47
	6,483	25	6,041	23
	9,963	38	7,845	30
	4,272	16	107	-
	26,100	100	26,400	100

Outlets Update

	2018	
	H1 Actual	H2 Forecast
Open	19	32
Close	28	20
Active Outlets	123	135

London and Colindale Gardens

- First 82 legal completions at Colindale Gardens, ahead of plan
- Robust demand in outer London zones
- Docklands site acquired in partnership with Peabody (294 plots)
- 1,100 unit Alton Green regeneration partnership with Wandsworth BC progressing through pre-planning stage



Operational Highlights

Build costs

- Materials – some cost pressures
- Labour – cost pressures easing

Quality and Customer Service

- Customer Recommendation 89%

Placemaking and Sustainability

- Thriving Communities
- Building Responsibly
- Valuing People



People & Training

- Workforce c.2,300
- >15% workforce trainees including 250 apprentices
- Top 100 Apprenticeship Employer for the fifth consecutive year
- Dedicated housebuilding degree



Sales Market H1 2018

- Good mortgage availability at competitive rates
- Help to Buy continues to support new home sales
- Higher-priced sales affected by secondary market and SDLT

H1*	2018	2017
Value of private net reservations (£m)	795	720
Private reservations per outlet per week	0.64	0.64
Closing private order book (£m)	894	897
Closing total order book (£m)	1,047	997
Cancellation rate (%)	15	17

* Figures are 26 weeks LFL

Sales Market H2 2018

Private reservation statistics for the first 5 weeks of H2	2018	2017
Volume of net reservations	437	435
Reservations per outlet per week	0.71	0.73
Average number of outlets	123	120

Summary & Outlook

Steve Morgan - Chairman

Summary and Outlook

- Demand robust
- Strong order book
- Cost inflation
- Strong balance sheet
- Progressive dividend
- Land holdings to support continued growth





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