



# Full Year Results Presentation

## Year to 30 June 2018

04 September 2018

# Agenda

Chairman's Overview

Financial Results

Review of Operations

Summary and Outlook

Steve Morgan

Barbara Richmond

John Tutte

Steve Morgan

# A fifth consecutive year of record results

- Record pre-tax profits of £380m up 21%
- Record legal completions at 5,913 (incl. JV) up 9% on 2017
- Turnover £1.92bn up 16%
- ROCE up from 26.0% to 28.5%
- Net cash of £63m at year end (June 2017 Net debt: £73m)



# Financial Results

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Barbara Richmond – Group Finance Director

# Financial Highlights



- Homes turnover up 15% to £1.9bn
- Operating margin 19.9% (2017: 19.4%)
- EPS up 22% to 85.3p
- Cash conversion of 72% (2017: 58%)
- Final dividend of 19p, up 73% (2017: 11p)
- ROE 28.0% (2017: 27.7%)

# Income Statement

| £m                             | FY    | FY    | Variance |     |
|--------------------------------|-------|-------|----------|-----|
|                                | 2018  | 2017  | £m       | %   |
| Turnover - Homes               | 1,900 | 1,648 | 252      | 15  |
| Turnover - Other               | 20    | 12    | 8        | 67  |
| Total Turnover                 | 1,920 | 1,660 | 260      | 16  |
| Gross profit                   | 469   | 405   | 64       | 16  |
| Operating expenses             | (87)  | (83)  | (4)      | (5) |
| Operating profit               | 382   | 322   | 60       | 19  |
| Share of joint venture profits | 5     | 1     | 4        | -   |
| Interest                       | (7)   | (8)   | 1        | 13  |
| Profit before tax              | 380   | 315   | 65       | 21  |

# Analysis of private plots in Cost of Sales

Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

| FY<br>2018 | FY<br>2017 |
|------------|------------|
| 81         | 75         |
| 21         | 21         |

- Continued discipline on land buying

# Turnover by Geography

- Stronger H2 performance in the Northern region
- 24% growth in the Central region
- 36% growth in London with first legal completions at Colindale

|                | FY 2018 |     | FY 2017 |     |
|----------------|---------|-----|---------|-----|
|                | £m      | %   | £m      | %   |
| North          | 433     | 23  | 461     | 28  |
| Central        | 445     | 23  | 360     | 21  |
| South          | 726     | 38  | 609     | 37  |
| Greater London | 296     | 15  | 218     | 13  |
| Total Homes    | 1,900   | 99  | 1,648   | 99  |
| Other          | 20      | 1   | 12      | 1   |
| Total          | 1,920   | 100 | 1,660   | 100 |



# Homes Turnover Analysis

- Record Homes revenue of £1.9bn, up 15%
- Legal completions up 9% to 5,913 including JV
- Private ASP up 7% to £380,200
- Apartments 22% of private sales revenue (2017: 19%)
- Social revenue 7.6% of turnover (2017: 7%) and 19% of volume (2017: 19%)

|                    | Turnover (£m) |       |     |       | Volume |       |     |       | ASP (£k) |       |        |       |
|--------------------|---------------|-------|-----|-------|--------|-------|-----|-------|----------|-------|--------|-------|
|                    | FY 18         | FY 17 | Var | % Var | FY 18  | FY 17 | Var | % Var | FY 18    | FY 17 | Var    | % Var |
| Private Houses     | 1,365         | 1,248 | 117 | 9     | 3,631  | 3,627 | 4   | -     | 375.9    | 344.1 | 31.8   | 9     |
| Private Apartments | 390           | 285   | 105 | 37    | 985    | 678   | 307 | 45    | 395.9    | 420.4 | (24.5) | (6)   |
| Total Private      | 1,755         | 1,533 | 222 | 14    | 4,616  | 4,305 | 311 | 7     | 380.2    | 356.1 | 24.1   | 7     |
| Social             | 145           | 115   | 30  | 26    | 1,102  | 1,014 | 88  | 9     | 131.6    | 113.4 | 18.2   | 16    |
| Total Homes        | 1,900         | 1,648 | 252 | 15    | 5,718  | 5,319 | 399 | 8     | 332.3    | 309.8 | 22.5   | 7     |

# Private Turnover Analysis

- Homes private turnover up 14% to £1.8bn
- Private volumes including JV up 9% to 4,811
- Heritage Collection 72% of turnover (2017: 75%)
- Bespoke product 28% of turnover (2017: 25%)
- Help to Buy legal completions of 1,850 (2017: 1,717)
- ASP higher due to geographical and product mix

|          | Turnover (£m) |       |     |       | Volume |       |     |       | ASP (£k) |       |      |       |
|----------|---------------|-------|-----|-------|--------|-------|-----|-------|----------|-------|------|-------|
|          | FY 18         | FY 17 | Var | % Var | FY 18  | FY 17 | Var | % Var | FY 18    | FY 17 | Var  | % Var |
| Heritage | 1,258         | 1,151 | 107 | 9     | 3,399  | 3,352 | 47  | 1     | 370.1    | 343.4 | 26.7 | 8     |
| Bespoke  | 497           | 382   | 115 | 30    | 1,217  | 953   | 264 | 28    | 408.4    | 400.8 | 7.6  | 2     |
| Total    | 1,755         | 1,533 | 222 | 14    | 4,616  | 4,305 | 311 | 7     | 380.2    | 356.1 | 24.1 | 7     |

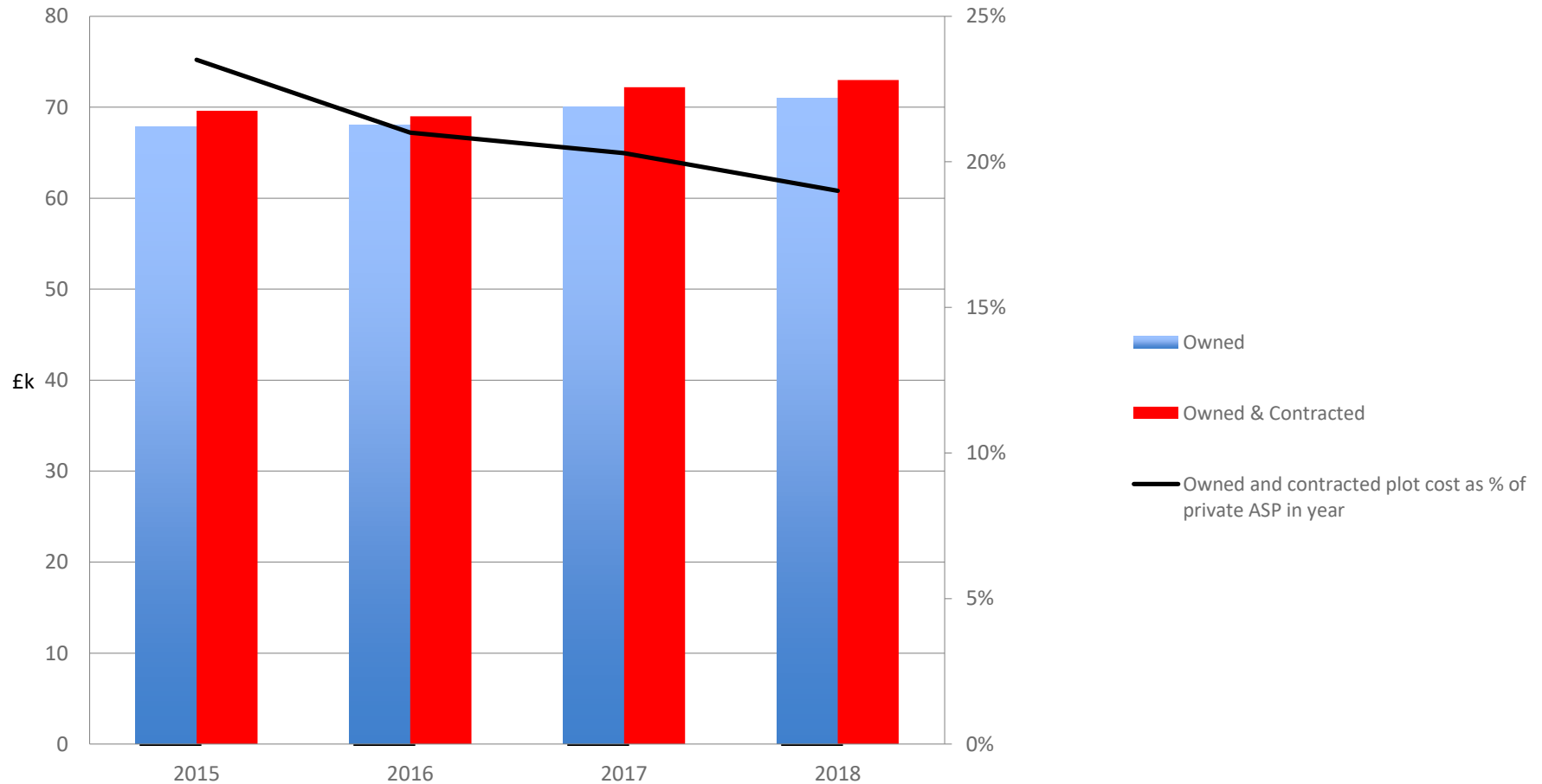
# Cash Flow

|                                 | FY<br>2018<br>£m | FY<br>2017<br>£m |                                | FY<br>2018<br>£m | FY<br>2017<br>£m |
|---------------------------------|------------------|------------------|--------------------------------|------------------|------------------|
| <b>Operating cash flow</b>      |                  |                  | <b>Net debt movement</b>       |                  |                  |
| EBITDA                          | 385              | 324              | Operating cash flow            | 276              | 189              |
| (Increase) in land              | (127)            | (41)             | Net movement in JV's           | 26               | (1)              |
| Movement in land creditors      | 36               | (27)             | Interest                       | (4)              | (5)              |
| Net (investment) in land        | (91)             | (68)             | Tax                            | (74)             | (56)             |
| Movement in WIP                 | (40)             | (88)             | Dividend                       | (74)             | (44)             |
| Movement in NRV                 | (8)              | (11)             | Other                          | (14)             | (17)             |
| Other working capital movements | 30               | 32               | Net cash flow                  | 136              | 66               |
| Operating cash flow             | 276              | 189              | Opening net debt               | (73)             | (139)            |
| <b>Cash conversion</b>          | <b>72%</b>       | <b>58%</b>       | Closing net cash/(debt)        | 63               | (73)             |
|                                 |                  |                  | <b>Average net cash/(debt)</b> | <b>22</b>        | <b>(67)</b>      |

# Net Assets

| £m                          | June 18 | June 17 | Movement |
|-----------------------------|---------|---------|----------|
| Land                        | 1,439   | 1,312   | 127      |
| WIP                         | 779     | 739     | 40       |
| NRV Provision               | -       | (8)     | 8        |
| Land creditors              | (387)   | (351)   | (36)     |
| Net investment in inventory | 1,831   | 1,692   | 139      |
| Other working capital       | (399)   | (395)   | (4)      |
| Tax                         | (35)    | (34)    | (1)      |
| Fixed Assets                | 17      | 18      | (1)      |
| Investment in JV            | 6       | 27      | (21)     |
| Capital Employed            | 1,420   | 1,308   | 112      |
| Net cash/(debt)             | 63      | (73)    | 136      |
| Net Assets                  | 1,483   | 1,235   | 248      |

# Plot Cost Carried Forward

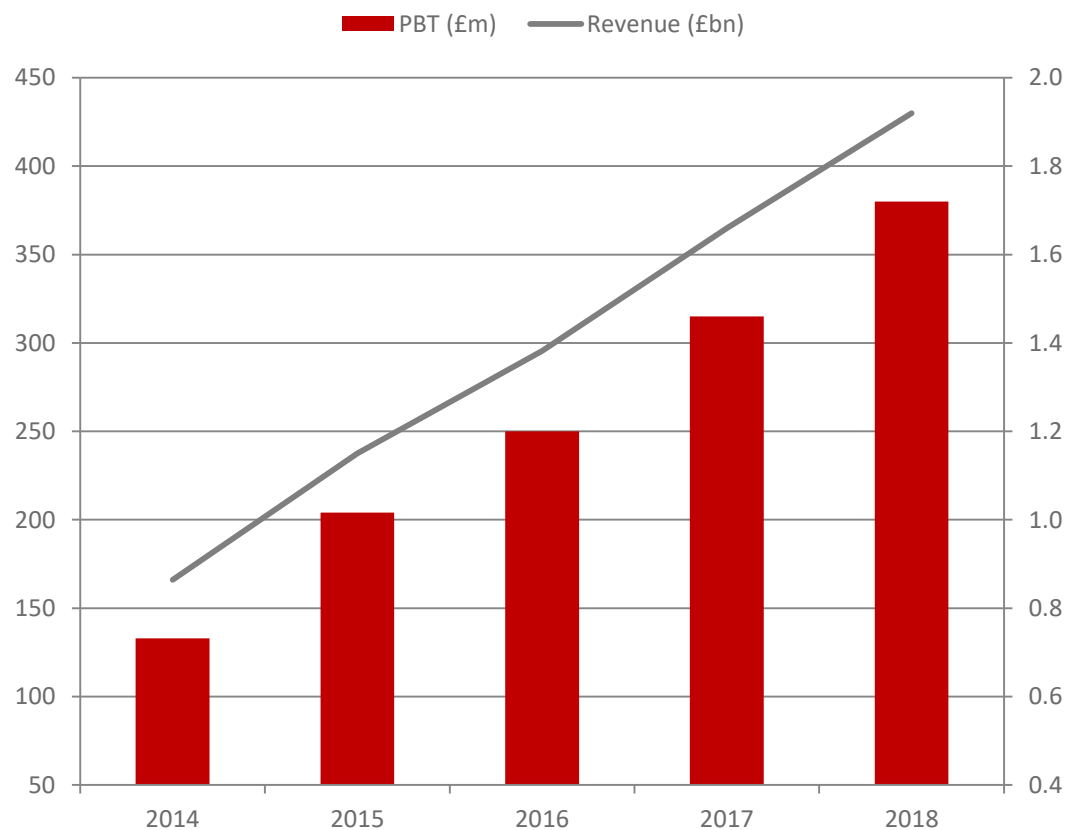


# Review of Operations

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John Tutte – Group Chief Executive

# Continued growth and expansion



## 4 Year Growth Record

- Turnover +122%
- Profit before Tax +186%

# Continued growth and expansion

## Divisions

- 15 homes' divisions
- New division in Thames Valley
- Greater London reorganised into East and West divisions

## Harrow Estates

- Restructured to manage group-wide forward land activities





# Continued growth and expansion

## Regions

- First full year contribution from East Midlands
- Strong growth in Central and South regions
- Good demand across all regions

## Greater London

- 186 apartments sold to M&G for PRS at Colindale Gardens
- Planning application at Alton Estate, Roehampton for c.1,100 homes to be submitted in October
- Stable market in outer boroughs



# Investing in places

## Highlights

- Land market remains attractive
- 7,455 plots with planning acquired
- 2,727 plots pulled-through from forward land holdings
- Larger sites acquired: c.180 plots
  - Relieve pressure on replacement
  - Allow broader range of product to be plotted
  - More scope to create great places



Barrington Cement Works, Cambridge

## Movement in Current Land Holdings

|                                | Plots<br>owned | Contracted<br>plots | Total         |
|--------------------------------|----------------|---------------------|---------------|
| At 1 July 2017                 | 23,980         | 2,120               | 26,100        |
| Legal completions              | (5,718)        | -                   | (5,718)       |
| Market additions               | 3,493          | 1,235               | 4,728         |
| Forward land pull through      | 2,627          | 100                 | 2,727         |
| Transfers                      | 1,458          | (1,458)             | -             |
| Other (land sales and replans) | (40)           | (167)               | (207)         |
| At 30 June 2018                | <u>25,800</u>  | <u>1,830</u>        | <u>27,630</u> |

# Investing in places

## Movement in Forward Land Holdings

|                           | Total Plots |
|---------------------------|-------------|
| At 1 July 2017            | 26,400      |
| Additions                 | 8,484       |
| Transfers to current land | (2,727)     |
| Strategic review          | (1,457)     |
| At 30 June 2018           | 30,700      |

| Analysis                         | Jun 18 | Jun 17 |
|----------------------------------|--------|--------|
| Land owned without planning      | 2,973  | 2,820  |
| Land contracted without planning | 2,722  | 1,357  |
| Options – allocations            | 12,257 | 11,614 |
| – realistic prospect             | 12,748 | 10,609 |
|                                  | 30,700 | 26,400 |

# Investing in places

## Land Holdings by Geography

|                | June 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          |
|                | <b>27,630</b> | <b>100</b> | <b>30,700</b> | <b>100</b> |

|                | June 17       |            |               |            |
|----------------|---------------|------------|---------------|------------|
|                | Current Land  | %          | Forward Land  | %          |
| North          | 5,382         | 21         | 12,407        | 47         |
| Central        | 6,483         | 25         | 6,041         | 23         |
| South          | 9,963         | 38         | 7,845         | 30         |
| Greater London | 4,272         | 16         | 107           | –          |
|                | <b>26,100</b> | <b>100</b> | <b>26,400</b> | <b>100</b> |

Combined GDV c. £20bn

# Operational Highlights

## **THRIVING COMMUNITIES**

- Great homes: great places
  - Product
  - Placemaking
- Health and well-being
- Nature for People
- Community infrastructure



# Operational Highlights

## VALUING PEOPLE

- c.100 new jobs created
- c. 2,300 directly employed
- 95% proud to work for Redrow
- 15% workforce trainees
- Top 100 Apprenticeship Employer for 5<sup>th</sup> consecutive year



# Operational Highlights

## **BUILDING RESPONSIBLY**

- Restructured Health, Safety and Environmental Management teams
- NextGeneration Gold standard
- Investing in quality control
- Customer recommendation 89.1%
- Off-site manufacture
- Build cost increases c.4%





# The Market and Outlook

## Sales Market 2018

|  | 2018    | 2017    |
|--|---------|---------|
| FY   |         |         |
| Value of private reservations *            | £1,730  | £1,562  |
| Private reservations per outlet per week * | 0.70    | 0.67    |
| Closing private order book (excl. JV)      | £890m   | £915m   |
| Closing total order book (excl. JV) **     | £1,144m | £1,030m |
| Cancellation rate                          | 15%     | 15%     |

\* Figures are 52 weeks LFL

\*\* Includes Social

- Sales rate excluding PRS 0.67 (2017: 0.67)
- Total order book up 11%
- Cancellation rate unchanged

# The Market and Outlook

## Outlets

|                 |             |             |               |
|-----------------|-------------|-------------|---------------|
|                 | 2017 Actual | 2018 Actual | 2019 Forecast |
| Average outlets | 124         | 124         | 130           |

- Openings in line with forecast
- Closures higher than forecast due to better than expected sales rates

# The Market and Outlook

## Current Sales Market

Private Reservation statistics 9 weeks to 31 August

Volume of net reservations

Reservations per outlet per week

Average number of outlets

| 2019 | 2018 |
|------|------|
| 760  | 791  |
| 0.65 | 0.68 |
| 130  | 130  |

- Demand remains good
- Pricing stable

# Summary and Outlook

- Market stable
- Mortgage availability and pricing competitive
- Help to Buy continues to deliver economic growth and jobs
- Planning delays impacting outlet growth
- Outlook





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