## GROUP CHIEF EXECUTIVE'S REVIEW

### Overview

It's been another excellent year of achievement for the Group. We have grown the business, whilst continuing to evolve our successful strategy based on our market leading Heritage Collection and prime locations.

Our underlying[1] profits have returned to the record levels achieved in 2019 pre Covid-19.

Our quality new homes reflect timeless exteriors with flexible and modern living spaces. Customers appreciate the additional value this brings and the unique way they can blend personal and work life to create a better way to live.

Cash buyers represented 33% (2021: 23%[2]) of our reservations as we continued to tap into the resilient downsizer market. Customers upgraded their homes with extras in record numbers, whether that be bespoke flooring, granite worktops or home offices. This continues to be a key point of differentiation for the business with customers selecting and completing their choices via the award winning My Redrow online service.

We have created sustainable value for our stakeholders and successfully delivered a number of strategic projects during the financial year, many of these as part of our successful Redrow 2025 initiative to accelerate innovation across the business. We have improved the customer experience; driven efficiency and pushed forward on improvements to our product range, in part to incorporate our climate change objectives.

All these factors have ensured the underlying demand for our quality new homes continues to remain strong. Total legal completions increased to 5,715 from 5,620 in the previous year with revenues increasing by 10% to £2.14bn (2021: £1.94bn).

Reflecting the differentiation of our premium homes, the reservation value per outlet increased to £311k per week (2021: £288K) as we continued to deliver industry leading reservation rates on a revenue basis. Our average weekly reservation rate for the year was 0.68 (2021: 0.70) per outlet as we achieved a successful balance between pricing and volume.

Help to Buy was just 8.6% (2021: 28%[2]) of our reservations in the financial year under review (7% outside of London) as we successfully finalised our transition away from the scheme.

As we expected, its removal has had no impact on our reservations. This reflects the strategic advantage of Redrow's Heritage Collection and how it continues to set us apart from the rest of the market.

The intrinsic value of our quality homes, along with sales discipline, also enabled us to capitalise on strong overall house price inflation (HPI). Reservation prices increased on average by 12% across the financial year due to a combination of geographical and product mix and HPI. The effective management of HPI placed the business in a strong position and, going forward, will help to insulate the Group from any macro-economic challenges ahead.

This offset build cost inflation at around 10%. Commodity prices were driven higher as global inflation accelerated, along with demand for building materials. Material availability is now improving across many areas and shortages are beginning to ease. As supply increases, we expect prices to moderate. Furthermore, our strong supplier relationships continued to help us mitigate build cost inflation and fulfilment issues. Our site teams worked largely uninterrupted, whilst improving both production output and build quality.

We ended the financial year with a strong forward order book of £1.44bn (2021: £1.43bn) of which 76% (2021: 73%[2]) is exchanged. As we executed our previously announced strategy to exit our London sites (with the exception of Colindale Gardens), the cash generated from these disposals funded land acquisitions within our strong regional network. This included our new Southern division which formally opened at the end of June 2022. It will contribute to profits in the current financial year. Covering Surrey and East and West Sussex, it is in a perfect position to capitalise on strong demand for our homes within London's commuter belt.

During the financial year under review, our land buying activity was selective. We focused on land replacement and moderate growth - all at normal average hurdle rates. We were able to do this because of our substantial land investment in 2021, when we added over £3bn of Gross Development Value to our land holdings with planning.

We added 5,958 plots with planning across 24 sites in the year, with a GDV of over £2.3bn. During the year we also purchased a number of sites, some of which were allocated through the local plans at enhanced margins to reflect the time-risk associated with getting them through the planning process.

As previously guided our average outlets were 111 (2021: 117), which was in part a result of our reduced land purchases during the early stage of the Covid-19 pandemic, but particularly due to our strong sales rate, which meant outlets closed more quickly than originally expected.

We expect next year's outlets to increase to 120 as a result of our land purchases in 2020, which are now coming on-stream.

We ended the year with net cash of £288m (2021: £160m). Having considered our strong land position, the cash needs of the business to achieve our growth plans and the prevailing share price, the Board concluded the Group has sufficient funds to enter into a capital return in the form of a Share Buy Back programme up to a maximum of £100m. Announced in July, it is delivering value for our shareholders, whilst maintaining our growth strategy.

**Strategy and Meeting the Climate Challenge**

Our purpose is to create a better way to live. We have a robust strategy in place to deliver on this aim, which is based on our three pillars: Thriving Communities, Building Responsibly and Valuing People. It focuses on the activities we believe will create the most value in the long term, for our stakeholders.

During the financial year we conducted an assessment using the double materiality approach to ensure that we continue to understand what matters most to our stakeholders. Understanding their most pressing issues is crucial to help shape our business strategy. It's clear one of the top issues is the shared goal of addressing climate change and reducing carbon emissions.

Steady progress has been made to reduce our Scope 1 and 2 emissions and we are taking further actions this year to make sure emissions continue to come down. We have taken the significant step of setting, and submitting for validation, our ambitious near-term science-based carbon reduction targets for Scope 1, 2 and 3 in line with the goals of the Paris Agreement.

Our Redrow 8 Placemaking principles, which we have been following for more than three years, are a key point of differentiation for Redrow. They are at the heart of what we do and have created a culture of great placemaking within the business, which is instrumental in delivering wider social value and benefits for wildlife – generating greater wellbeing for customers, communities and nature.

The housing industry is subject to intense Government pressure and a rapidly moving regulatory agenda. The upheaval in Westminster, with another recent change of Housing Minister, is unhelpful. This is particularly the case in an industry which benefits from a long-term strategic approach to housing.

Despite this, the Group is well positioned to embrace all aspects of the current Government policy plans.

We welcome the introduction of the New Homes Quality Code and the New Homes Ombudsman which will help to improve the reputation of the industry and provide additional reassurance to customers.

From our perspective it will help to further differentiate our approach to build quality and customer service. The introduction of our online Homeowner Support Portal with over 90% of customers submitting their moved-in incidents online; the launch of our new online complaints system and our extensive colleague training programme, means we are in an excellent position to embrace the new regime. We were very pleased that 94.5% of our customers would recommend Redrow as part of the NHBC survey and we continue to be rated as 'excellent' on Trustpilot.

In April 2022 we signed the Building Safety Pledge, formally agreeing to the principle that leaseholders should not have to pay for any costs associated with life critical fire-safety remediation work arising from the design, construction or refurbishment of buildings of over 11 metres and going back 30 years.

We have appointed a project team and scoped the number of buildings that fall within the pledge criteria. We have written to all responsible entities in relation to these buildings. The process of remediating affected blocks will take a number of years but we are committed to completing the process as efficiently as possible.

We repeat our calls for overseas-based developers to be subject to the same framework as domestic-based organisations. Equally relevant, materials providers in the supply chain need to address their responsibilities and contribute to the cost.

It is fundamentally unfair for domestic developers to bear the sole financial burden, whilst overseas developers seemingly evade any sort of contribution.

The Group is prepared for the introduction of the Part L regulations and has reflected the additional cost within all land purchases and existing sites. We are currently trialling Air Source Heat Pumps as part of our Future Homes Standard plans and have a clear pathway to meeting the required standards.

The 'fabric first' energy efficiency of our homes is the fundamental starting point and places new build at an advantage to second hand homes. This plays directly into our successful strategy of targeting that part of the overall housing market.

An overly bureaucratic planning system continues to be a significant constraint on house builders, but also the economy as a whole. In addition, there are not enough council planning officers and the process continues to be beset with delays. This is further exacerbated by the water neutrality and nutrient neutrality issues.

The knock-on effect within the supply chain is very significant and ultimately it means communities do not have the opportunity to secure the quality new housing they so badly need. As a large housebuilder we are best placed to navigate these challenges, but inevitably they will eventually drive smaller to medium sized house builders out of the market.

**People**

In our recent Insight survey over 94% of our colleagues were, once again, proud to work for Redrow. We are delighted with this feedback, reflecting the moves we've made to modernise the way we work and the quality of our product and customer experience.

Around 15% of our workforce are trainees as we continue to inspire the next generation to build as part of our Valuing People strategic pillar. Our inhouse training team deliver a range of programmes to develop our trainees as they grow throughout the business. Pleasingly, in the financial year under review, we had 261 internal promotions.

**Market Outlook**

Over the last two years the market has been incredibly strong with elevated demand, partly resulting from people's changed priorities around working from home. We are now seeing a return to a more normal market where demand is moderating to historical levels.

We capitalised on last year's strong market with our focus on HPI. This was possible because of our strong, differentiated product and these gains are now embedded in our forward order book.

This provides the business with additional resilience to weather any potential deterioration in the macro-economic picture.

In this market environment our Heritage Collection remains highly desirable. Our focus on innovative placemaking, paired with our premium detached homes, keeps us well positioned to meet the requirements of our potential customers.

The fundamentals of the market remain good. Interest rates, despite recent increases, are at historically low levels; mortgage availability is very good and employment levels are strong.

We are well aware of the challenges of the increasing cost of living. It's clear our quality new homes will have a growing and additional point of differentiation from the second hand market around energy efficiency.

In the first 10 weeks of the new financial year demand has moderated to historic levels. The value of private reservations was £360m (2022: £340m) and, more importantly, our revenue per outlet per week continued to be at a market leading level of £296k (2022: £294k) demonstrating the desirability of our Heritage Collection.

Our colleagues and partners strive every day to create quality homes and places for our customers and I'd like to, once again, thank them for their dedication, hard work and support, which is so crucial to Redrow's ongoing success.

The advantage derived from our people, combined with our approach to evolve our proven strategy, places Redrow in an excellent position to continue its strong progress.

Matthew Pratt
Group Chief Executive

Footnotes:
[1] Redrow uses a variety of statutory performance measures and alternative performance measures when reviewing the performance of the Group. Underlying is defined as any statutory or alternative performance measure pre exceptional items. See note 10 for an explanation and reconciliation of these alternative performance measures.
[2] 2021 comparatives are for a like for like 53 week year.