



Preliminary Results Presentation

Year to 30 June 2017

05 September 2017

Agenda

Chairman's Overview

Steve Morgan

Financial Results

Barbara Richmond

Review of Operations

John Tutte

Summary and Outlook

Steve Morgan

Record Results from Record Completions

- Record pre-tax profits of £315m up 26%
- Record legal completions at 5,416 (incl. JV) up 15% on 2016
- Turnover £1.66bn up 20%
- ROCE up from 23.7% to 26.0%
- Order Book £1.1bn up 14% (2016: £967m)



Financial Results

Barbara Richmond – Group Finance Director

Financial Highlights



- Homes revenue up 21% to £1.65bn
- Operating margin 19.4% (2016: 18.9%)
- EPS up 27% to 70.2p
- Full year dividend of 17p, up 70% (2016: 10p)
- Net debt £73m, Gearing 6% (June 2016: £139m, 13%)
- ROE 27.7% (2016: 26.1%)

Income Statement

£m	FY	FY	Variance	
	2017	2016	£m	%
Turnover - Homes	1,648	1,361	287	21
Turnover - Other	12	21	(9)	(43)
Total Turnover	1,660	1,382	278	20
Gross profit	405	334	71	21
Operating expenses	(83)	(73)	(10)	(14)
Operating profit	322	261	61	23
Share of joint venture profits	1	-	1	-
Interest	(8)	(11)	3	27
Profit before tax	315	250	65	26

Analysis of private plots in Cost of Sales

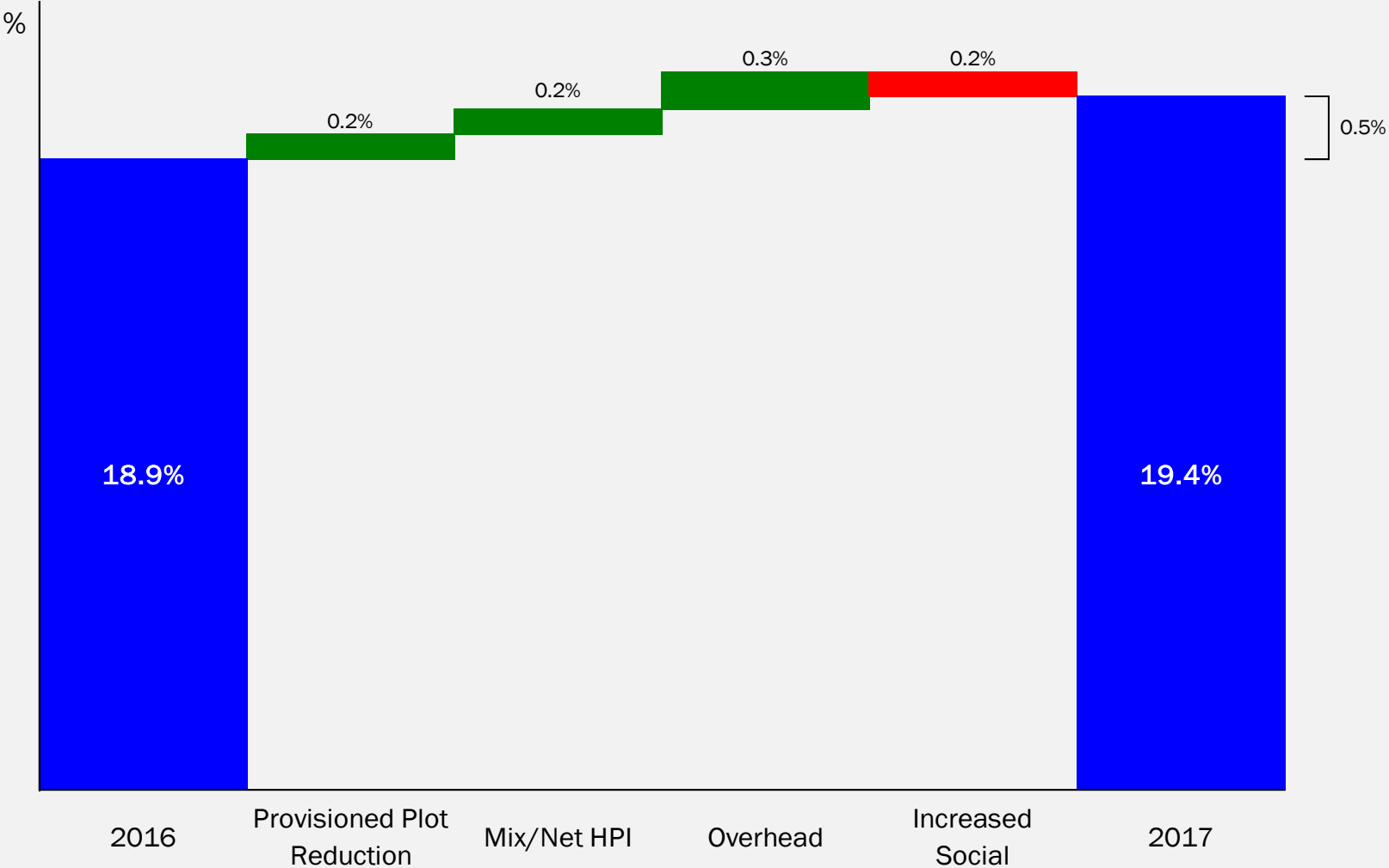
Average plot cost eliminated (£k)

Average plot cost as percentage of ASP

Percentage of eliminated plots with NRV provision

	FY 2017	FY 2016
Average plot cost eliminated (£k)	75	70
Average plot cost as percentage of ASP	21	21
Percentage of eliminated plots with NRV provision	4	6

Operating Margin Bridge



Turnover by Geography

- Strong growth in all regions
- 50% of Turnover in the South of England (incl London)

	FY 2017		FY 2016	
	£m	%	£m	%
North	461	28	376	27
Central	360	21	322	23
South	609	37	511	37
Greater London	218	13	152	11
Total Homes	1,648	99	1,361	98
Other	12	1	21	2
Total	1,660	100	1,382	100

Homes Turnover Analysis

- Record Homes revenue of £1.65bn, up 21%
- Legal completions up 15% to 5,416 including JV
- Apartments 19% of private sales turnover (2016: 15%)
- Private ASP up 8% to £356,100
- Social units over 19% of volume

	Turnover (£m)				Volume				ASP (£k)			
	FY 17	FY 16	Var	% Var	FY 17	FY 16	Var	% Var	FY 17	FY 16	Var	% Var
Private Houses	1,248	1,088	160	15	3,627	3,420	207	6	344.1	318.1	26.0	8
Private Apartments	285	187	98	52	678	462	216	47	420.4	404.8	15.6	4
Total Private	1,533	1,275	258	20	4,305	3,882	423	11	356.1	328.5	27.6	8
Social	115	86	29	34	1,014	834	180	22	113.4	103.1	10.3	10
Total Homes	1,648	1,361	287	21	5,319	4,716	603	13	309.8	288.6	21.2	7

Private Turnover Analysis

- Home private turnover up 20% to £1.5bn
- Private volumes including JV up 13% to 4,402
- Heritage Collection 75% of private turnover (2016: 82%)
- Bespoke product 25% of private turnover (2016: 18%)
- Help to Buy legal completions of 1,717 (2016: 1,567)
- ASP higher due to geographical and product mix and HPI

	Turnover (£m)				Volume				ASP (£k)			
	FY 17	FY 16	Var	% Var	FY 17	FY 16	Var	% Var	FY 17	FY 16	Var	% Var
Heritage	1,151	1,042	109	10	3,352	3,230	122	4	343.4	322.6	20.8	6
Bespoke	382	233	149	64	953	652	301	46	400.8	357.4	43.4	12
Total	1,533	1,275	258	20	4,305	3,882	423	11	356.1	328.5	27.6	8

Cash Flow

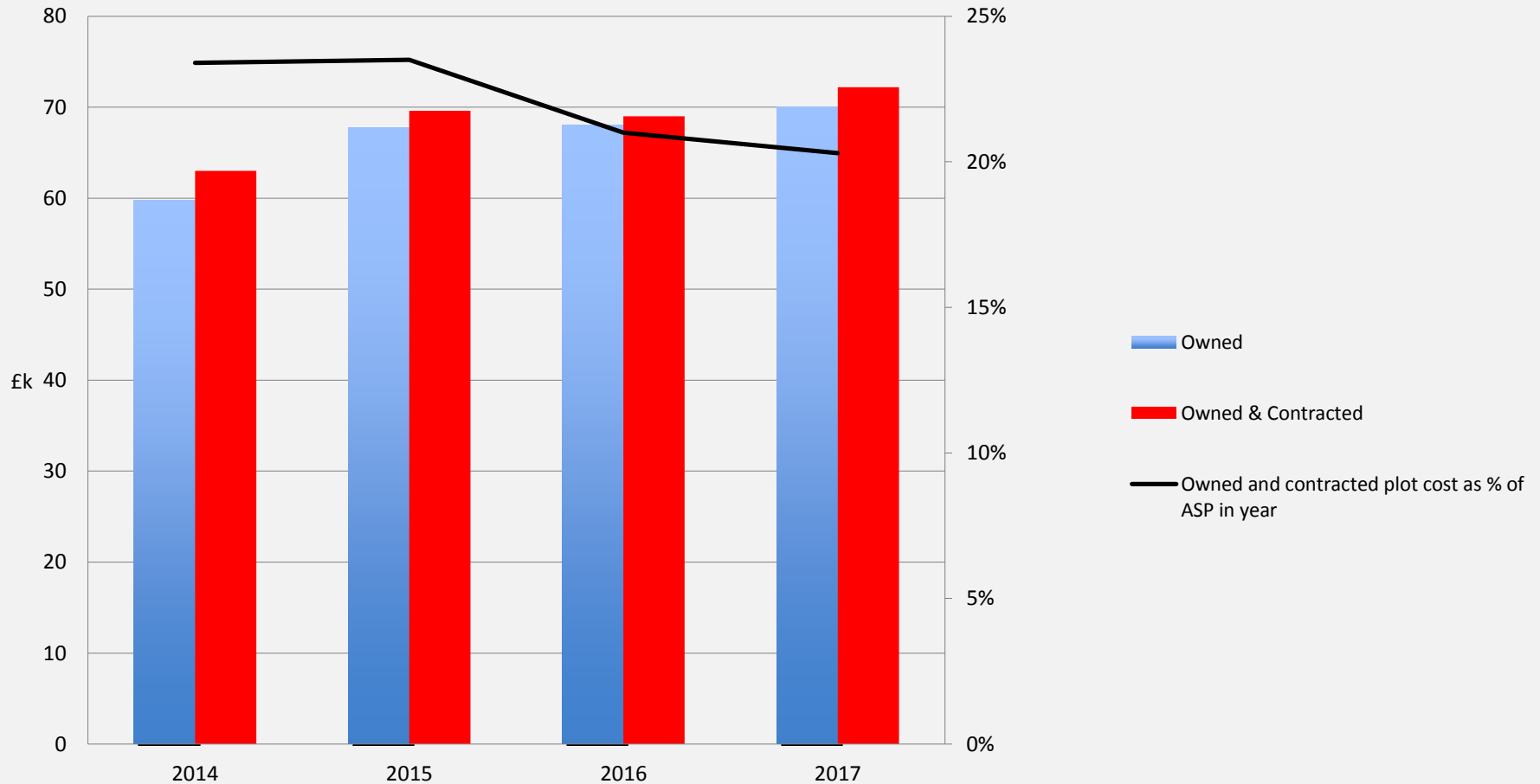
	FY 2017 £m	FY 2016 £m		FY 2017 £m	FY 2016 £m
Operating cash flow			Net debt movement		
EBITDA	324	262	Operating cash flow	189	130
(Increase) in land	(41)	(204)	Net investment in JV's	(1)	(11)
Movement in land creditors	(27)	112	Interest	(5)	(6)
Net (investment) in land	(68)	(92)	Tax	(56)	(46)
Movement in WIP	(88)	(160)	Dividend	(44)	(30)
Movement in NRV	(11)	(9)	Other	(17)	(22)
Other working capital movements	32	129	Net cash flow	66	15
Operating cash flow	189	130	Opening net debt	(139)	(154)
			Closing net debt	(73)	(139)
			Gearing	6%	13%

Net Assets

£m	June 17	June 16*	Movement
Land	1,312	1,271	41
WIP	739	651	88
NRV Provision	(8)	(19)	11
Land creditors	(351)	(378)	27
Net investment in inventory	1,692	1,525	167
Other working capital	(395)	(362)	(33)
Tax	(34)	(27)	(7)
Fixed Assets	18	19	(1)
Investment in JV	27	25	2
Capital Employed	1,308	1,180	128
Net debt	(73)	(139)	66
Net Assets	1,235	1,041	194

* Restated for change in accounting policy

Plot Cost Carried Forward



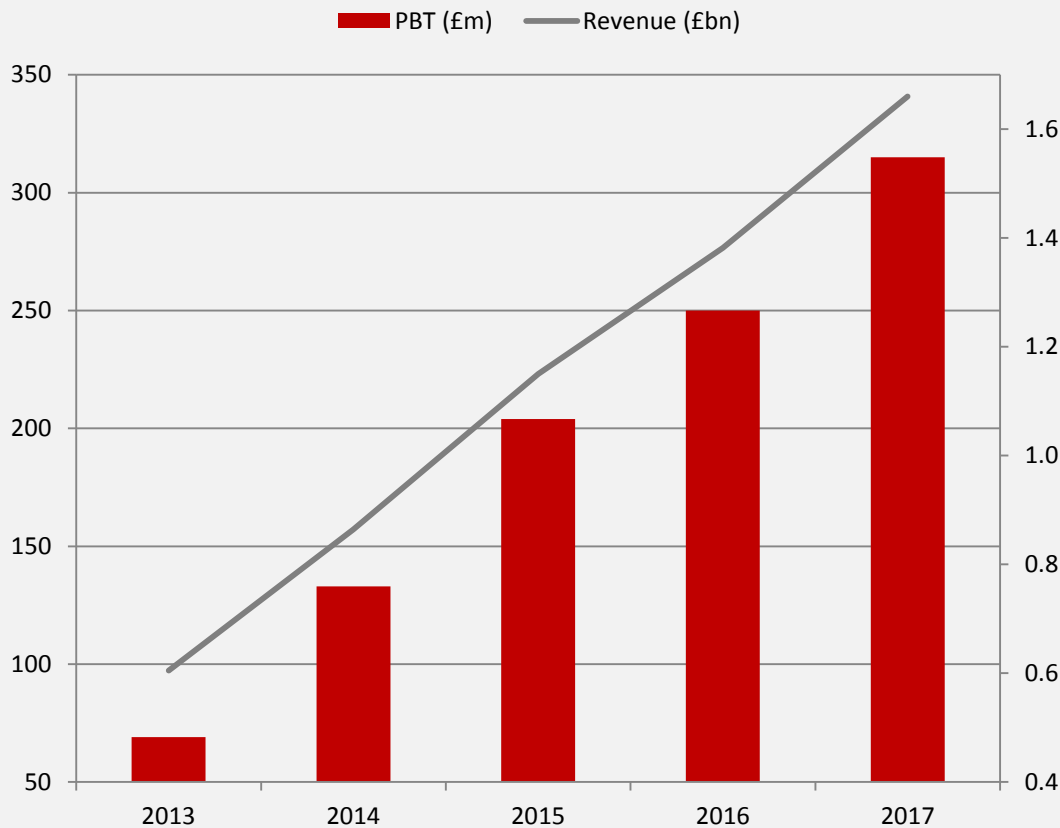
2020 Guidance

	2020
Turnover	c£2.2bn
PBT	c£430m
EPS (fully diluted)	95p
Dividend	32p
ROCE	25+%

Review of Operations

John Tutte – Group Chief Executive

Delivering Growth



4 Year Growth Record

- Turnover +174%
- Profit before Tax +357%

Delivering Growth - Geography



North
Central
South
Greater London
Total Homes

FY 2017	FY 2013	GROWTH
£m	£m	%
461	191	141
360	168	114
609	230	165
218	12	1,717
1,648	601	174

- Divisional capacity for c.£2,400m turnover
- Opportunities for divisional expansion

Strategy for Regions

Focus on award-winning Heritage Collection

- 85% - 90% of Regional output
- Target mixes in 900sqft – 1,800sqft range
- Average floor area 1,290sqft
- Roll-out of more downsizer product

Private selling prices

- Divisional ASP's £270,000 to £430,000

Land

- Blend of sites
 - Large high output single flag
 - Smaller less capital intensive

Placemaking

- Garden Village design principles



Strategy for Regions

- Acquisition of Derby-based homebuilder
- Opportunity to accelerate opening of new East Midlands' division
- Integration successfully completed
- Trading in-line with expectations
- Strong pipeline of forward land sites



Strategy for Greater London

Focus on outer boroughs zones 3 – 6

- Mainly medium rise apartment schemes
- Private ASP c.£500,000

Land

- Blend of sites
 - Major regeneration schemes
 - Typical size 250 – 500 units
 - Joint Ventures

Design and build

- Masonry and glass elevations
- In-house construction



Major Regeneration Schemes

Colindale Gardens

- >3,000 homes
- c.600 homes under construction
- Order book >£190m
- Completions from end 2017

Alton Estate, Roehampton

- Wandsworth BC development partner
- c.1,000 homes
- Site start 2020



Land Highlights

- 5,480 plots with planning acquired across 40 sites
- Land buying momentum returned in H2
 - H1: 1,760 plots
 - H2: 3,720 plots
- Strong forward land pull-through: 3,356 plots
- Land acquired by geography
 - North 1,285 plots
 - Central 2,169 plots
 - South 1,724 plots
 - Greater London 302 plots
- Disciplined approach
- Current land bank plot cost 20% ASP



Land and Planning

Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 1 July 2016	23,374	2,626	26,000
Legal completions	(5,319)	-	(5,319)
Market additions	1,090	1,034	2,124
Forward land pull through	3,294	62	3,356
Transfers	1,578	(1,578)	-
Other (land sales and replans)	(37)	(24)	(61)
At 30 June 2017	<u>23,980</u>	<u>2,120</u>	<u>26,100</u>
GDV (@ 2017 ASP)			c£8.2bn

Land and Planning

Movement in Forward Land Holdings

	Total Plots	
At 1 July 2016	25,634	
Additions	4,002	
Transfers to current land	(3,356)	
Strategic review	120	
At 30 June 2017	26,400	
Analysis	Jun 17	Jun 16
Land owned without planning	2,820	3,364
Land contracted without planning	1,357	539
Options – allocations	11,614	12,233
– realistic prospect	10,609	9,498
	26,400	25,634

Land and Planning

Land Holdings by Geography

	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	–
	26,100	100	26,400	100

	June 16			
	Current Land	%	Forward Land	%
	5,753	22	12,914	50
	5,579	22	4,838	19
	10,420	40	7,882	31
	4,248	16	–	–
	26,000	100	25,634	100

Outlets

	2017 Actual	2018 Forecast
Open	56	50
Close	52	47
Active outlets	132	135

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

Operational Highlights

People

- 228 new jobs created
- c. 2,200 employees
- 95% employee satisfaction
- 15% workforce trainees
- Top 100 Apprentice Employer for the 4th consecutive year

Build costs

- Materials – managing supply issues
- Labour – underlying skill shortages

Quality and customer service

- 27 NHBC Awards
- 89% customer recommendation
- ISO14001 Accreditation



Sales Market - 2017

	2017	2016
FY		
Value of private reservations *	£1,618m	£1,538m
Private reservations per outlet per week *	0.68	0.70
Closing private order book (incl. JV)	£984m	£877m
Closing total order book **	£1,099m	£967m
Cancellation rate	15%	15%

* Figures are 53 weeks LFL and excluding PRS

** Includes JV and Social

- Exceptionally strong order book – almost 50% of 2018 FY forecast completions secured
- Anticipate order book unwinding over next year partly due to Colindale PRS
- Help to Buy 40% of private legal completions
- My Redrow sales £20m

Current Sales Market

Private Reservation statistics 9 weeks to 1 September

Volume of net reservations

Reservations per outlet per week

Average number of outlets

2018	2017
791	735
0.68	0.66
130	124

- Demand remains robust
- Help to Buy 37.5% private reservations
- Prices marginally ahead of expectations

Summary and Outlook

- Market stable, demand remains robust
- Mortgage availability and pricing good
- Help to Buy continues to deliver economic growth and jobs
- Planning delays remain an issue
- Outlook





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