

Group Chief Executive's Statement

Overview

Despite numerous macroeconomic headwinds we have produced a resilient set of results. We continue to deliver on our proven strategy of creating aspirational homes from our award-winning Heritage Collection. All situated in beautiful, well-designed places.

Redrow's differentiated offering taps into the downsizer market. This is evidenced by our high number of cash buyers: 37% (H1 2023: 31%). However, even these customers still rely on a functioning housing market to complete sales chains.

It has been very challenging for homebuyers over the last six months, due in part to the rapid increase in mortgage rates over the course of 2023. In recent weeks, the housing market has shown signs of improvement as mortgage rates have started to come down as a result of lower inflation in the UK economy and competition amongst lenders. This in turn has increased homebuyer confidence and raised the prospects of a return to a more normal sales market. The country continues to have a chronic undersupply of new homes, which is recognised by the main political parties.

Financial Review

Redrow's private sales rate per outlet per week during the first half was 0.36 (H1 2023: 0.38) including bulk sales and 0.35 (H1 2023: 0.38) excluding bulk sales, reflecting the subdued market.

Once again, our differentiated products led to a high average selling price on private reservations of £465,000 (H1 2023: £481,000). This maintains Redrow as one of the leading housebuilders in terms of reservation turnover per outlet.

Group revenue was £0.76bn (H1 2023: £1.03bn) reflecting fewer outlet openings as we balanced work in progress with the sales rate.

Cancellations were elevated at 26% (H1 2023: 28%), reflecting the pressures on our purchasers' chains. This translated into total home legal completions in the first half of 1,894 (2023: 2,485). Profit before tax was £84m (H1 2023: £198m), with an operating margin of 11.4% (H1 2023: 19.3%).

Our earnings per share for the first half was 18.7p, compared with 45.4p for the same period last year.

We are continuing to closely monitor work in progress and are being very selective with any land opportunities. Given the market looks set to improve, we'll be reviewing our current cautious approach to one of more optimism. At the same time, we will invest in sensible and lower risk opportunities.

Return on Capital Employed was 15.4% (H1 2023: 23.2%). We ended the first half with net cash of £121m excluding lease liabilities (2023: £107m) and our average net monthly cash was £155m (H1 2023: £248m).

In line with our dividend policy, we have declared an interim dividend of 5 pence per share. This will be paid on 8 April 2024 to those shareholders on the register at the close of business on 23 February 2024.

As build rates across the industry have slowed, competition amongst sub-contractors and suppliers has increased. On that basis, we expect to see price reductions to reflect the changing market.

We have 24,565 (June 2023: 26,070) plots in our current land holdings with 37,500 (June 2023: 36,100) plots in our strategic land portfolio. Our continued focus is on obtaining planning permissions for our owned and controlled land. This will hopefully be made easier with an increased spotlight on Local Authorities to deliver on their housebuilding plans.

Our investment and focus on strategic land was driven by the attractiveness of the lower investment costs, whilst securing a realisable pipeline to replace immediate lost land opportunities. We believe cross-party political backing to build new homes will increase the number of consents going forward.

We continue to make positive progress in tackling issues of fire safety under the terms of the government's and the Welsh government's deed of bilateral contract relating to developer self-remediation to deliver safe residential and mixed-use buildings of 11m and over in height. All of our identified buildings have been fire assessed.

Redrow continues to actively progress all 59 identified buildings with known external and/or internal works. Contractors are on site at 28 of these buildings with the balance of 31 expected to commence within the next 12 to 18 months. Our fire safety provision remains adequate for the works we are required to complete including the government's additional requirement to undertake further works to internal common parts.

A Better Way to Live

With ongoing economic and regulatory pressures on the housebuilding sector, our 'Better way to live' purpose is keeping us focused on long-term sustainable value creation. Over the last six months, we've made a measurable and positive difference to society, with much-needed new homes, investment in community infrastructure and nature, skills and employability and credible net zero climate targets.

We remain rated as 'excellent' on Trustpilot based on over 7,475 customer reviews. We've held this industry leading position since 2018, which highlights the quality of our customer interactions across the entire home buying experience. This is in addition to our Five Star awards in the Home Builders Federation customer satisfaction survey, highlighting our commitment to customer service and build quality.

We were pleased to take the step of bringing forward our net zero target to 2045 (from 2050). We're accelerating decarbonisation initiatives across our operations, supply chain and product.

Redrow's eco-electric range has been pioneering for our sector. These homes are meeting market demand for smarter living, while significantly driving down emissions in the value chain.

My role as co-chair of the Future Homes Standard Implementation Board (part of the Future Homes Hub) demonstrates our commitment to help drive a smooth cross industry transition to the government's ambition to drive tighter energy efficiency standards in new homes. A critical element of this is the support given to small and medium-sized businesses (SMEs) who often don't have the specialist inhouse staff to focus and prepare for forthcoming building regulation changes.

We've created more Thriving Communities that offer better places for our customers and nature to live and thrive. Working closely with government and local planning authorities, we're helping to shape the local communities we work in so that district-wide design codes meet today's customer demand for beautiful detached/semi-detached homes and spacious neighbourhoods.

Likewise, we've joined up with industry stakeholders to welcome the imminent Biodiversity Net Gain (BNG) regulation – having applied it in principle for two years, we're sharing evidence-based proposals for how it could work even better for nature and communities.

In the continued challenging on-site environment, we could not be prouder of our teams. Taking forward the 20 National House Building Council (NHBC) Pride in the Job Awards in the summer, we were pleased to see that six of our Site Managers went on to attain Seals of Excellence.

Our Group Human Resources (HR) Director, Karen Jones, won the Lifetime Achievement Award at the 2023 Women in Construction Awards. The prestigious award is reserved for those who have dedicated their life to making a positive contribution to the industry and helping others to do the same.

Current Trading & Outlook

The new year traditionally results in increased activity across the housing market and this year it is pleasing to see a return of strong interest from customers.

We entered the second half with a total order book of £0.8bn of which £0.5bn was private. Our net private reservation rate per outlet per week over the first 5 weeks of calendar year 2024 was 0.52 (2023: 0.51).

We believe that Redrow is very well positioned to capitalise on any market upturn with tight cost control and a highly desirable product range which occupies a differentiated position within the new homes market. By operating with a social purpose and long-term outlook we look forward to creating many more Redrow homes and communities for years to come.