

Redrow PLC

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Redrow profits plummet but new year is different story as sales surge

Redrow PLC (LON:RDW) shares eased on Wednesday as the housebuilder reported profits down by two thirds in the past year as the coronavirus (COVID-19) pandemic lockdown curtailed sales, although it said the new financial year is a different story.

The housebuilder, which as a result of changing demand during the pandemic announced that it was **pivoting away from London towards England's regions**, reported turnover of £1.34bn for the year to June 28, 2020, down 37% as house completions were lower in **both halves of the year**.

Profit before tax tumbled to £140m from £406m a year earlier and the balance sheet swung to a £126m net debt position from £124m net cash a year earlier.

Because of the bottleneck of completed sales during the lockdown period, the Flintshire-based builder amassed a record order book of £1.42bn that it carried into the new year, up 39% on the year before, and since climbing to £1.53bn.

It has also been making hay while the sun shines on the housing market, with a strong sales rate in the first 11 weeks of the new financial year of 0.84, compared to 0.68 a year ago.

"The COVID-19 pandemic had a profound impact upon the Group's performance in the 2020 financial year but we entered the new financial year in a position of strength," Redrow executive chairman John Tutte said in the results statement.

As well as the coronavirus lockdown helping build up the order book, Tutte said work in progress has also been boosted by increased investment earlier in the year in anticipation of strong demand for the Help to Buy scheme ahead of restrictions being introduced to the scheme next year.

The strong level of completions and reduced London investment are expected to deliver strong operating cash flow over the coming months and allow dividend payments to resume in 2021, he said, providing the market overcomes the expected hurdles for the British economy ahead.

Shares in Redrow fell 3% to 442.66p in early trade on Wednesday.

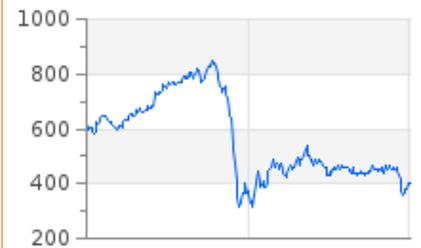
"This is another positive housebuilder update and should be a positive catalyst for the sector," analysts at broker Liberum said, noting that underlying PBT of £175m was better than its estimate of £168m.

"We see Redrow's shares at fair value. It has a relatively high average selling price, resulting in a high proportion of discretionary buyers who could leave the market first in the downturn, and it has a large Help to Buy risk from April 2021."

Price: 403

Market Cap: £1.42 billion

1 Year Share Price Graph



October 2019 March 2020 September 2020

Share Information

Code: RDW

Listing: LSE

| 52 week | High | Low |
|---------|--------|-----|
| | 850.76 | 293 |

Sector: Real Estate

Website: www.redrow.co.uk

Company Synopsis:

Redrow PLC is a United Kingdom-based Company engaged in residential and commercial property development. It operates in two business segments: home, and mixed use and regeneration.

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Liberum kept a 'hold' rating on the stock and raised its target price to 460p from 410p.

-- Adds share price and broker comment --

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