Taylor Wimpey plc

Trading Update

Monday 16th November 2015

Pete Redfern, Group Chief Executive

Thank you. Good morning everybody and thanks for joining us. I'll as ever run through some opening comments on the statement just highlighting the key areas, then give Ryan a chance to add anything that I have missed and then we'll open up for questions.

Overall you can see from the statement that the market over the course of the last few months has continued to be healthy: we saw a good summer trading season and a very good autumn, as you can see from the statistics. Probably the statistics that will jump out at you most is that sales rates over the second half of the year to date are about 22% up. We're not chasing volume on those outlets and against that backdrop our outlook level has stayed healthy where the year to date average is more or less in line with last year, where we are today slightly ahead of this point last year. So we're very comfortable with where trading sits.

In that environment prices have moved up steadily, not showing the rampant price growth of 2013 and early '14 but showing price growth in the order of 4% to 5% year to date: it's been slightly more weighted towards the second half of the year so the impact of that is more into 2016 than in 2015.

I think many of you have drawn a contrast with some of the comments you hear from some of the agents reporting in the market, I think the biggest difference is that our forecast and our trading is not dependent on strong overall market growth, it's dependent on the dynamics of our land bank, how our staple market is improving, and so we just need a stable environment to deliver on the forecast that we set rather than strong underlying market growth. And probably also helped by the fact that the new build sector is generally stronger than second-hand in trading with the support from some of the government incentives and a combination of those two.

On costs we still see inflation but the level of pressure is definitely reducing, we've seen that trend in a slow way during the course of the year so our guidance for 2016 in terms of cost inflation is slightly below the 5% we've seen in 2015. This time last year when we first guided towards about 5% for '15 we felt the risk that it might be slightly more than slightly less, I think sitting here today that risk just feels like it's slightly shrunk. And you see the benefits of our investments in people and the overall sector and supply chain investments in new production of materials and the main assets that we use.

I think we're also adding more in the way of specification to our plots, particularly as we move more upmarket, I don't think you'll see that in a material way in terms of P&L impact but certainly for us getting that product quality right and making sure our specification is right for the customers that we're selling to is key.

There's not a lot of new news on the land market, it continues to be benign. You can see the stats with another strong performance on strategic land bringing forward nearly 8,000 plots in the year to date. The short-term land market remains sensible and our focus has continued to be on high margin sites but particularly driving forward the return on capital.

A brief comment on Spain where we've seen a generally more positive environment. You can see we're flagging improvements in results in 2015, and I think we'll see continued improvement into 2016. I think that's most strongly driven where we've been able to invest in a small way but in new sites in very high quality locations, but also the overall trading environment is better as well.

I'll just make one other comment on guidance and leave Ryan to talk about return on net assets and cash, but on margin I think we're guiding you to about the 20% level, at least 200 basis points up on last year, and potential for some growth into 2016.

Ryan Mangold, Group Finance Director

Thanks Pete, and good morning everybody.

From a cash perspective we're expecting to end the year at about £220m net cash, that's after returning £308m to shareholders during the course of 2015: I'll just remind the listeners of the £300m that we're going to be paying next year in July as well as the maintenance dividend. Net strong cash position results in us making very good progress and significant progress towards our medium term targets of converting 65% of operating profits into cash for the year. And that's driving balance sheet efficiencies with our return on net operating assets, expected to be in excess of 25 percentage points for the year. So strong progress in that regard year-on-year. And as Pete mentioned before, the guide on operating margin being in excess of 200 basis points year-on-year growth.

Q&A Session

Question 1

Will Jones, Redburn

Morning guys. A couple of topics - pricing and cash if we could. Firstly, obviously Pete you mentioned in the opening remarks of running at around the 4% to 5% mark, would you say that's still indicative of the annualisation of sequential moves through the second half of the year in terms of where you're currently at and are there any major regional variations within that?

And I think Pete back at the April trading statement I think it was you made a comment then that you thought we could be looking at three to four years of around a c.4% like-for-like inflation. I appreciate it's a forward looking comment but is there anything that might have changed in the last six months to impact that thought at all?

And finally on pricing just to confirm will you be exiting this year with a positive price versus build cost spread in the order book to provide that early cushion for the 2016 P&L?

Then just in terms of cash am I right in thinking backing up the numbers from the implied net cash balance that you might actually be slightly ahead of the 65% conversion ratio shown this year?

And Ryan perhaps you can just give us a bit of an update on what other working capital items above and beyond ongoing land investment you think we need to be aware of for the next year or two, particularly I guess I'm thinking around the London work in progress line? Thanks.

Pete Redfern

I'm not sure I think there were about eight sub questions as well.

Will Jones

I did say two topics.

Pete Redfern

Well the very first one about sequential or seasonal movements in price. Yeah I think the sort of price inflation we've seen for the year, slightly backend loaded in terms of when the price movements occurred because the first three to four months of the year was fairly flat, so with a long order book that obviously tends to delay the impact of those price movements. But it isn't that we've suddenly seen prices take off in the last two or three months, it's been pretty steady. And to be honest in saying 4% to 5% I'm probably being on the slightly cautious side, so it's probably actually when we look back with proper accuracy and hindsight we'll probably be calling it as having been slightly higher than that. And you'll have to tell me in a second whether I've answered your first question.

Regional variations – not huge. It won't surprise you that the higher end of Central London is slower in volume terms but we're not seeing meaningful weakness in price, we're not seeing much price growth there either but some, if we've got the sites right and as you know we don't have a huge business there and we're very happy with the quality of our locations. So for us we don't see a big variation and Central London lagging the rest of the market in any material sense. But you may have one or two that are in more competitive parts of that Central London market who might tell you a slightly different story. But overall it's generally across the board rather than big regional variations.

And I'm slightly concerned that I apparently gave a three to four year minimum, I'm surprised, that doesn't sound like me, I must have been in a very good mood that day. But fortunately I wouldn't contradict that view but price rises in the 3% to 4% over three to four years is not a bad base case. And around that we'd expect to see some volatility that some periods will be more like the 5% level and some periods might be more like the 1% level but that still doesn't feel like a bad base case for what we'd see in the dynamics of supply and demand that we see at the moment.

And then coming to your last question on price do we expect to be exiting the year with a positive spread on house prices versus cost inflation in the order book? Yes. It's not massive as we get towards the sort of margins in the low 20s that impact plateaus a little bit, as we've talked about before, but yeah, plateauing but with a positive trend.

Ryan Mangold

Good morning, Will. Just on your questions on cash and the cash conversion ratio, there are some pretty material land deals that the business is looking at, at the moment, that we're busy going through the process on. If those land deals come through this year then it could be an extra £20m over and above the £220m guide we've given.

There's not too much more on other working capital movements, we're pretty much in good shape this year for knowing where we're going to end with six weeks or so to go until Christmas, so there's not too many other levers from a working capital perspective that you need to know about.

The land creditors' balance we're expecting to grow marginally year-on-year but in the same token our gross land value has grown year-on-year as we continue to reshape and drive the mix from improvement from a quality perspective inherent in the balance sheet.

Will Jones

Thank you. And things like London work in progress that you flagged up to us at the start of the year for 2015?

Ryan Mangold

Yeah the London business is well on with construction. They are actively constructing on several schemes, some of them you can witness quite nicely as you go around London. They are absorbing capital as we guided before. We expected to have approximately 20% of our capital invested into the London market and that still is the broad direction of travel. There's a bit more growth to go into 2016 from where we are today and clearly growth from '14 into '15 as some of these larger schemes are under construction and they will consume some capital but it's not extensive.

Question 2

Gregor Kuglitsch, UBS

Hi I've got three questions. Can you just elaborate a little bit on your comment on margins, just correct me if I'm wrong, I think you said this year give or take 20 and then you flagged another good base for progress into 2016. Is that what you're saying?

The second question on land market I think you gave us the strategic conversions, I guess the number that I was also looking for is the open market land, can you give us an update, what intake you've been doing and perhaps any colour on any particular intake metrics, hurdle rates, how they've evolved, if at all?

And then finally with regards to volumes I think you were trying to build an order book for next year given that you're complete for volumes this year, can you give us some kind of sense what kind of growth you're guiding for next year or is it too early to say?

Pete Redfern

On margins yes we do think we've got a good base for progress in 2016, but I would just repeat the comments that I made at the half year and I think made at the prelims that as we get to this plateauing point you shouldn't expect us to be delivering the percentage growth in the margins that we delivered through 2012, '13, '14. There's an inevitability that the pace of

that improvement will slow down just because of the dynamics of how that improvement is driven. But we do still see a good base for margin growth into 2016.

On land and on short-term land, in terms of volume, our short-term landbank will have grown over the course of the year. It's not massive, it will probably still be in the 70,000 units level. So year to date we've added slightly more than we've used on short-term land, but not massively. And we stand by what we said in the past. But we're largely on a replacement track with our short-term land and taking an increasing proportion of our land input into the landbank from strategic land.

In terms of margins and returns on those short-term sites, no real change from the roughly 20% operating margin on new acquisitions, but as we flagged over the course of the last couple of announcements, an increasing focus on driving with those high margin returns on capital where we think there is opportunity, and we're using that more benign land environment to focus on that. We don't think there's a lot of mileage to drive operating margins on short-term land acquisitions up much further than they are, but because we can be very selective we can select those higher return sites but maintaining that higher margin.

Volume growth into 2016, I would again largely reiterate what we've said in the past; we think getting that 6% to 7% growth rate that we've delivered over the last couple of years would expect to this year, and don't see that as being fundamentally different into next year. I know one or two of you were concerned at the beginning of this year with a general election and with outlook numbers flat that volume growth this year would be under risk. We never felt concerned about that, and we feel very similarly going into 2016. If the market is a bit slower our outlook numbers will naturally step up and there's quite a good balancing piece there. And because we're not heavily exposed to large numbers of sites where we need to get sites open really quickly just to get volume growth we're fairly resilient. So I think that 6% to 7% rough volume growth for next year still remains good guidance.

<u>Question 3</u>

Charlie Campbell, Liberum Capital

I'm just trying to explore the build cost inflation comments a bit more. I'm just wondering if you could split out experience to date and also the guidance for next year between materials and labour?

Pete Redfern

You'll understand Charlie that the guidance is pretty broad-brush and that's it very hard, with anything other than hindsight, to exactly split out the difference.

We're still seeing that the bigger drive on inflation, even with that slightly slower level of inflation, is weighted towards labour rather than materials. Both are inflating. Is it fair to say that materials are inflating by 1.5% to 2% and labour is inflating by maybe 6% and 6.5%? That's probably fair overall. But I could give you examples in labour costs where they're flat or even going backwards, and examples in materials where they're going up by bigger percentages. So it's definitely more weighted towards labour, but very much region by region and trade or material type by trade or material type.

Charlie Campbell

And then the comments about inflation moderating, is that a comment on labour or materials or even both?

Pete Redfern

It was more on labour. I think we saw material cost inflation moderate from 12 months ago, even a little bit earlier, so definitely the bigger driver of growth in 2015 has been labour; probably more weighted that way than the view I've just given you for 2016. So the moderation is almost by definition then more related to labour.

It's the same sort of dynamic that the industry's strongest period of growth in actual production was the back end of 2013 through the first half of 2014, and so that has a ripple effect which takes a time to bed in. We're in an environment where we still have to work hard and retain high-quality labour, so that drives some inflation. But the balance of that is not quite where it was, it's more benign than it was 12 months ago. If the market softened or price growth softened then that would adapt to that fairly quickly, so it's partially self-correcting.

But we still will see inflation in our industry that is ahead of underlying inflation, just less than we've seen over the last 12 months, which was less than we saw over the 12 months before that.

Ryan Mangold

Charlie, if you think of the scale of delivery in the sector more widely we've indicated previously that we think the pace of delivery is roughly about 160,000 odd. I think some statistics came out over the weekend that would suggest the number of homes completed was actually 155,000 as opposed to 123,000 that the government had previously indicated. But the pace of delivery really running at that more elevated level relative to the targets that have been set just means that the capacity returning to the market should have less of an impact than it did when we stepped up significantly from 2013 to 2015, as Pete mentioned before.

Charlie Campbell

Do you think that there is more or less competition from the non-residential sectors? So, are the bits of construction maybe starting to bid up for labour a bit more than you've seen in the last few years?

Pete Redfern

Not massively on labour, and there are exceptions. You roll the clock back and you think about the Olympic construction period and did we see a marked impact – no, not really. You get the odd trade where there is significant crossover, probably more so on the materials side where material supply, concrete, which is not a huge part of our cost base, but where it's very much a local spot market, then you're more likely to see an impact. But overall it's actually quite an insular labour base and material supply base and so the read across is not huge.

And it means that it's very responsive, and there's good and bad in that. So you're unlikely to see a scenario where residential volumes are static or falling, or residential prices are not

rising and labour costs or material costs for our industry are going up, the two are linked. So an environment where costs rise above selling prices, for instance, is quite unlikely in anything other than the short term. Because the two run on slightly different timelines you could see it for six months or so, but it tends to correct. And, as I say, there's good and bad in that: on the downside risk is a good thing; on the upside risk it does mean that the cost pressures do step up.

Question 4

Andy Murphy, Bank of America Merrill Lynch

I just wanted to try and explore the lack of growth in supply coming from the second-hand market and what you put that down to, and whether that implies that there's any additional pressure applied to yourselves and your peer group in terms of increasing volumes on the new build side.

Pete Redfern

I think the second-hand market is definitely slower. There are a number of reasons for that, some of which are about positives for new build, about financing and about the industry being focused on maintaining a degree of volume in different market conditions. But I think it's more about negatives in the second-hand market around transaction costs, and moving particularly in the upper end of the market with the stamp duty changes.

I just think it does feel like a reasonably underlying, probably long-term view of a different sort of length of time that people expect to remain in their house. People do seem to be focusing that bit more on staying longer in that same home, their aspirations to move up the chain are just slightly less. So that does favour new build, particularly where we can drive an entry point for somebody over second-hand.

But it's not like the second-hand market – a lot of the second-hand market is a lack of new supply rather than people not choosing to buy those second-hand homes. So it's just people staying in the same housing for longer, whether that's for financial reasons, as I say, or just an underlying cultural shift.

For our industry, in the balance of supply and demand we see over the next five or six years, I don't think that causes us a concern. For some parts of the general sector, like agents, then that lower level of transactions, which does seem to be quite long term, is a bit more of a negative.

Question 5

Gavin Jago, Peel Hunt

I've got a couple of questions; one's on starter homes and how this might be impacting your land buy. I know there's obviously this consultation, the New Housing Bill; does that have any kind of impact on your land buying business at the moment and the pricing?

Also if you can follow up on that with any comments around London at the moment, what you're seeing on pricing and maybe at different price points, particularly given what we've heard around stamp duty and the effect on demand at the higher-end levels?

Pete Redfern

I think the forward view on starter homes is about as clear as your name is, Giovanni. The Housing and Planning Bill, for what it is, hasn't really added a lot to our knowledge. It reminds me of the Localism Bill of a few years ago in that it's a collection of enabling legislation to enable regulations to be put in place. And so it doesn't tell you an awful lot about the policy. We're kind of still where we were at the half year in that we see risk in it and we see opportunity in it and there's a reasonably sensible debate about making it as realistic as possible, but there are still an awful lot of questions to be answered. And there's not a lot I can say – and not because of confidentiality; it's still not clear what direction those regulations will take around some of the key questions.

The only thing we know now that we didn't know at the half year is that we are now certain that it will be a planning driven policy, and so it will be about driving effectively a different use class within affordable housing at local authority level. But there are a number of local authorities who are reasonably resistant or at least very cautious about that; there are some wrinkles about how that impacts on Section 106s and the delivery of infrastructure. So there are lots of questions. So it's very hard to know at this moment how significant and deliverable that policy will end up being; we just don't know right now.

Sorry, there was a second part to the question?

Gavin Jago

It was just around how it's impacting your decisions around land buying at this stage? How does the uncertainty weave into your land buying, particularly around the affordable side?

Pete Redfern

It doesn't have too much of an impact on the view on affordable because actually it sort of feels financially as a bit of a zero sum game, and that actually on that side there may be upside against that zero sum game from a developer's point of view.

The bit where we are slightly cautious and certainly careful if we're looking at larger developments with higher numbers of entry-level product is if there is a knock-on impact on pricing of that product if you've got a lot of starter homes on that development. Because our focus has been moving upmarket generally I think it affects us less than one or two others. But big schemes are going to be around for a long time that are heavily focused on first time buyer product we'd be slightly cautious of, but overall it is a little bit of watch this space.

Gavin Jago

The other follow up is just on London and pricing in London may be at different price points of what you've seen over the last six to nine months, certainly with the higher end being hit by stamp duty – you guys are obviously experiencing it – but is there a clear shift between the high end and lower end stuff? What are you seeing?

Pete Redfern

There's no doubt that the lower end of the London market and outer London generally remains buoyant and healthy. You see price growth is not a dissimilar trend to that, we've described in the country overall, and sales rates remain higher than they are outside London. At the higher end things are slower. I don't think prices are generally falling. I wouldn't say they're generally rising either. I think there will be specific sites where people have got a lot of supply where there may be some pressure on pricing. We haven't got any

that we'd put in that bracket. Our pricing on most Central London schemes is pretty flat. There's the odd one with a bit of upside but not a lot.

Sales rates on those sorts of schemes are slower, but for our schemes we don't operate large scale Central London schemes as a general rule, and so actually on many of them we're so far sold ahead that short-term sales rates are really not a concern for us, and we haven't got any schemes we're looking at thinking we don't know how this will sell. We have, for instance, a scheme in Battersea which people would tend to point to as the area with most supply, but our acquisition pricing on that scheme at the time was 20-25% what the market was doing, and so we started off with such an upside driven by planning that we're very relaxed on price and delivering far more than the financial metrics on which we bought the scheme. So again, you're going back to if you buy the land well and you're in good places then that sort of market condition isn't an issue. If people are overstretched and have got large scale schemes with a lot of competition, I'm sure there's a lot more pressure.

Question 6

Kevin Cammack, Cenkos Securities

A couple from me really, which I guess are really more about general industry things although obviously very relevant to yourselves as well. Virtually everyone in really the last two years, I guess, in relation to when asked about their land buying etc, have all come out with this theme of we're being very selective and we're basically buying better quality sites to underscore the improvement recovery etc. I'm in a way quite interested where this sort of endless chain of better quality sites ultimately is coming from. My first assumption would be that the answer to the question in a way is there's just more land coming on and it just so happens that that land coming on seems to be of better quality locations. But I'd just like your reassurance I suppose or comments around this sort of conveyor belt of better quality land that's around.

The second question I suppose relates back a little bit to this issue of the two different cycles that appear to be happening between second-hand and new build. Again, I'd just be interested in your comments around, I suppose, the breadth and depth of improvement that you see in the market? And if it's possible – I don't know if it is – but is it possible to make any comments around your own experience if you exclude Help to Buy and focus on your open market sales which don't enjoy any specific impetus from Help to Buy; has your experience across that range of purchasers been equally similar?

Pete Redfern

Taking the first question; first of all, I wouldn't quite agree that everybody in the market, as in all of our competitors, are even saying that they are and have been consistent in saying they are, materially selecting better sites. If I were to do an exercise and go back through statements and comments on these calls about how consistent that theme was, I think you would find that it would have been consistent for longer with ourselves than most. And without naming names, I can absolutely point to one or two in the market who are absolutely not doing that and who are more focused on bottom end affordability and how to provide as cheap as possible a product rather than quality of locations. I think that does come through their statements even if they wouldn't necessarily quite put it that way. So I don't think it's quite as black and white as that.

But overall, I wouldn't argue with the point that there are a number who would say they are buying better sites, and generally for those who are saying it consistently and clearly it's probably reasonably true. There certainly isn't an endless chain of higher quality sites, but

you did answer a large part of the question yourself, there is more land available, and that does mean that collectively as an industry we can be more selective. It tends to mean that the real bottom end of sites in quality terms don't get brought forward to the market at all because landowners and agents recognise there isn't really a strong market for them, and that the only sites that don't get bought are at the bottom end level. The bottom end you could describe in so many different ways, but sites that have various different challenges, which may be about quality of location or whatever. So there are more sites. Whilst I wouldn't say that means all sites that are coming forward are great, the average quality of the sites that are coming forward is better, and not everybody is focusing in as clear cut a way on the quality of those locations as opposed to the short-term on paper financials.

I think the other thing is there are a couple of other dynamics that mean the same piece of land today may deliver you a better quality product and set of financials and customer attractiveness than the equivalent piece of land 10 years ago. Planning is that bit more realistic. I remember many, many conversations around sites under PPG3 that the local authority didn't want to have parking. I remember one site in Hook where we had four and five bed housing with at most one parking space, and that included the garage, per house. We just don't have those arguments in the same way, planning is that bit more responsive to accepting that there is a market need for certain parts. And that makes it a better quality site. That same site with two or three parking spaces per house is a significantly more saleable site. It isn't just about purist location.

The last piece I would say is that combination of planning and industry dynamic, that same site with 50% apartments gives you a lot lower quality of location and product than that site if it's got 10% apartments and mix of house. So there's a whole series of dynamics, it's not just that suddenly the average bit of land in the UK is so much better, that make it possible. But it is judgemental and there is a range, just as you know that we have to assess the financial performance on sites, so history will tell that some have got that a bit more right than others. But the industry overall I think we will have collectively got it more right than we have done in the past.

Kevin Cammack

In a way what you're saying is that it's basic market efficiency. The land agents know where the demand is and are not going to bother bringing on a whole stream of "non-prime sites" because there simply isn't a demand there.

Pete Redfern

That's absolutely right. If you said there are 100 sites and in the previous ultra-competitive land environment all 100 of those sites will come forward and pretty much all 100 of them will get bought, well actually in this environment there'll be maybe 10-15 of those sites that just never come to market at all because the land agents know they won't sell or won't sell at a viable price, so only 85 of them come to market, but there are more sites in total. There'll be a small handful of those that then don't get sold. And the numbers that don't get sold are small, but it tends to be quality reasons why they don't get sold.

Kevin Cammack

And would you say you're seeing as many sites you'd be happy to bid on today as you were a year ago?

Pete Redfern

Yeah, I would say so. I don't think there's been a fundamental seed change in that period. I wouldn't say it's materially more, but I'd say it is as many; and for us as a business with the level of sites that are coming through strategic land we need less of those short-term sites to work. Which is why the comments about them being able to be more selective particularly on the returns on capital. I don't think the land market has massively changed in the last year. It ebbs and flows on a regional level, but overall I don't think it's much different. But where we are has shifted in that 12 month period from the tail end of growing the land bank to the point that we felt it should be at for this cycle, to that replacement dynamic that we've talked about.

Coming onto your second question of second-hand versus new build. It's a two-edged sword, there are positives and negatives in it. I think underlying your question is a general sense which I would agree with, that the overall market is more sustainable and stronger if you've got a healthy level of second-hand supply coming to the market and sales in that environment. So if you've got too much of the market being taken by new build, does that mean that when the supply side of the second-hand market improves that new build comes under pressure?

I think there's some truth in that, but at the same time there's just as much upside in the fact that overall there is a depth of demand out there which is still balanced on affordability and pricing. So I think what we've seen over the course of the last five or six years is real evidence that the demand side of UK housing is strong in a way that we talked about through the last cycle and questioned during the 2008 period, but actually that demand is there. What we see at the moment is real balance. I would rather that we saw a healthier second-hand industry in terms of scale than we see today. But I think there's at least as much upside from the underlying level of demand that's out there as there is risk from additional second-hand supply.

And going back to your question which was a good one on Help to Buy; it is really hard to scientifically assess when it's been in the market for the last three years what it's incremental effect is today, definitely since it was put in place things have changed, the mortgage market particularly has materially improved in terms of depth and cost over that three years period.

The one piece of evidence that I would point to is that we've seen over the last few months a Scottish market where there is effectively no Help to Buy. And in a sense in terms of short term market dynamics, worse than that, there is no Help to Buy today but there's the promise that there will be a Help to Buy in a few months' time. So if you're a customer you have to question, why wouldn't I sort of put off that purchase if Help to Buy is the thing that's driving the timing of my purchase or my ability to do it.

And in that environment we have been positively surprised by how that Scottish business has continued to trade on sales rates. I wouldn't say we've not seen any impact but the impact, and you can see from our overall sales rate, the impact can't have been significant to the overall drive. We've continued to sell homes without Help to Buy in Scotland, where our product is generally targeted very much. And levels of Help to Buy usage in Scotland were very high when it was there, and whilst it's in a bit of a dip as it's gone it's not been material and wouldn't have been material enough to affect our volume delivery during the course of 2015 and '16 in those markets.

That's the first time we've had a meaningful piece of evidence about what a market that's previously had Help to Buy might perform like afterwards. I wouldn't say there's a perfect read across to England but it's actually quite encouraging in terms of the underlying depth of market demand and mortgage availability.

Ryan Mangold

And again if we look at the statistics our percentage of sales under the Help to Buy product has stayed pretty static for the last two years, you know, quite a big shift in 2013 but it was a new product with high demand that covered the sort of pent up levels; but going into ’14 and ’15 from a comparative perspective the percentage is almost identical year-on-year. It’s very positive and popular with first time buyers which make up about three quarters of our sales in Help to Buy.

Pete Redfern

My argument on Help to Buy remains what it’s always been, Kevin, that I think it’s a good short term market incentive but in a perfect world I don’t think you’d have it in the long term because the longer term you have it the bigger the adjustment. So I’d still like to see it sort of gradually reduced over the course of two or three years. Now I don’t think that’s going to happen before 2020 but if that can happen in sort of 2020 and onwards I think the market can manage without it. It’s the method of exit that’s probably the more sort of significant thing to me than whether in the end it’s around or not.

Question 7

Glynis Johnson, Deutsche Bank

Morning everybody. It’s just one actually, you’ve obviously seen your site numbers slip due to the higher selling rate, so I just wonder if you can just give us a little bit more colour about how easy you’re finding or hard you’re finding the opening of new sites, are you seeing it becoming quicker to get through the pre-commencement conditions? Is there any kind of movement in terms of the ease of opening sites?

Pete Redfern

Now, Gwyneth, before I answer I assume that you and Giovanni are going to get together after this and swap name spellings. Yes, I wouldn’t say we’ve seen a shift, so I’m probably going to repeat what I said before, the process of getting a planning permission is a bit easier, the process of then getting that sort of planning permission through to getting the site opening is probably a bit harder, then there’s probably a slight positive, but we definitely lose time relative to where we were three, four, five years ago from post-planning sort of issues around pre-commencement conditions from local authorities. And purely the increase in legislation around environmental conditions and getting conditions signed off, particularly with resourcing and planning departments who often need to sign a piece of paper to allow a site construction to start even once we have a planning permission to take place.

So it does mean that getting out what’s open isn’t really any materially easier for our business units, but it also means that we have a better site as we look at next year of where those outlets are coming from, because it may take us a few weeks longer than we think is right but we’re not dependent to the same extent we were on a slightly binary political decision in a planning department, we have a better idea of where those are going to go. We effectively have planning on quite a lot of the outlets we’ll open in the first quarter of next year, so it’s a case of getting condition sign off. We know what will happen, we just don’t quite know when.

So it’s not a lot easier, it’s not accelerated, it does mean the land bank isn’t naturally shortening, if that process shortened the land bank would naturally shorten, we’d have more outlets open, sort of more choices and it would be a better environment for the overall

industry. But I don't see there's much chance of getting particularly more resources into planning departments. It's the one thing that central government really doesn't want to listen to as an underlying issue for a constraint on the industry. They're quite open-minded about other things but because I think it links into local authority funding they're very resistant to the idea that that's a constraint. I think they're wrong, but I don't think we're going to persuade them of that any time soon.

Glynis Johnson

And there's no change since the change since April when you were supposed to be able to have the presumption of approval once you'd put in the report for a certain number of weeks?

Pete Redfern

No, not yet. Not all of those changes have taken practical effect at regional level, and as I say a lot of it gets down to resourcing so the regulations may improve, but it will be slow before we see that happen. I think if we're having this conversation in six months' time maybe at that point we'll be able to tell you whether we've seen those changes have any material impact but we haven't seen it yet.

Question 8

Peter Tester, One Investments

Hi, thanks. Three short questions please. One, the plus 5% on build costs, is that Taylor Wimpey or the market?

Two, on social housing if you could give some understanding of what the social housing numbers are, some context for the social housing mixes in the order book please?

And then lastly, just on some understanding of London's impact on ASP or units and maybe a comment on the path of mixed trends in the rest of the UK versus the past? Thank you.

Pete Redfern

Okay, if I take the first and the last and I think Ryan will pick up the social housing question. The 5% is an inflation number, so it's not sort of what we would see in our P&L as year-on-year build cost number but an inflation number, but it is a TW mixed inflation number, so it's assuming our geographic mix, our mix of sites. So it's kind of a little bit of both but it's close to a market number for a house builder shaped like us than it is to a Taylor Wimpey sort of year-on-year cost increase number.

London impact, we've done about 640 completions in London so far this year, the overall proportion for the business will be probably slightly lower next year, but more because of timing of build on apartments than because of sort of sales rates. The London order book remains longer than the order book in the rest of the country, so sort of market conditions don't affect that volume significantly. And we would still see over the sort of medium to longer term that number growing slightly from the kind of 900/1,000 roughly we've been at.

And within that, the mix of London completions isn't materially changing, but it does tend to be a little bit volatile just because of those individual blocks. So if we have a couple of blocks from our Central London business in a particular period it will distort it, but the underlying

sort of level isn't fundamentally different. And because of the scale of the business overall it's unlikely to have a material impact on sort of external statistics in any given period. I think next year sort of that Central London delivery is slightly back end loaded because of completions, again I don't think you'll particularly see it but it's probably the only point when you might just about see it in overall Group numbers in terms of phasing, but not fundamentally.

Ryan Mangold

And then, Peter, on the affordable housing, the £2.1bn worth of sales proceeding, order book, roughly £300m of that relates to affordable housing of which about half is for delivery in 2016 and the balance thereafter. So these are slightly longer dated contracts that we've agreed with affordable housing providers.

Peter Tester

Right okay. And sorry, just the other thing was on comments on path of mixed trends for Taylor Wimpey in the ex-London, any particular change in path versus what we've seen?

Pete Redfern

Sorry, yes I missed that one didn't I. No, no particular change, we'd still see mix-driven price sort of increases during the course of 2016 over '15, sort of again we would expect selling prices next year to be in the sort of 7% to 8% sort of up of which roughly 50/50 between market price increases that we have seen or are seeing and sort of that mix number.

<u>Question 9</u>

Clyde Lewis, Peel Hunt

Morning Pete, morning Ryan. I think just one for me, we've obviously covered a lot of ground this morning, but just one I had was on part-ex, I mean given what's happening in the second-hand market and where we are in terms of as you said the stability in terms of your Help to Buy activities what are you thinking in terms of part-ex now in this marketplace and how does that play a role for the business over the next 12, 18 months?

Pete Redfern

We don't use an enormous amount of part-ex, we never have as a business and I think particularly through the downturn you'd have seen our level of part-ex and balance sheet exposure on part-ex run at about half the level of our similar sized competitors, that trend on a relative basis is still true through today, I mean I think we've tended to be balance sheet level at the end of the year about £20m Ryan, order of magnitude?

Ryan Mangold

Yes, max £20m.

Pete Redfern

Yes, and as Ryan said, max £20m and in recent years below that, I don't see that fundamentally changing. We use it in particular circumstances, we have our own sort of scheme which works slightly differently and doesn't involve us taking that sort of property onto the balance sheet and underwriting the price effectively, we help the customer to sell their own home. And that trend continues, so we use it but it's never been a particularly material factor for us and we're pretty disciplined about the circumstances in which we allow our local businesses to use it.

Concluding Comments: Pete Redfern

Thank you Tyler, thank you everybody for your time and for joining us. As I said at the beginning, a good trading environment for us and pleased to again be able to sort of guide you for this year and next year to continued improvement and grow as we deliver on our three year plan. Thank you.