Trading Update

Wednesday, 9 January 2019

UK Current Trading Overview

Pete Redfern

Chief Executive, Taylor Wimpey plc

Good morning everybody, thanks for joining us. If, as ever, I just go through a quick summary, give Chris a chance to add in anything I may have missed and then we'll open up for questions.

I think, you know, you should all take a significant amount of comfort from this statement in a time when I think we're all, you know, uncertain about how trading will perform in the short term, that through the backend of 2018 performances continued to be strong. I think, you know, to have finished the year with a sales rate ahead of last year, with a record order book – which I will come back to – is a strong performance, but also shows what we've seen, you know, sort of, out in the field, that the market has remained pretty stable.

As we said to you in our last trading update, we wouldn't, you know, say to you that there is no uncertainty out there in our customer base. You know, there are definitely marginal customers who have decided, 'I'll leave it for a bit,' but actually there are still, you know, sort of, plenty of customers to continue to trade at the level that we have expected and plan to. And many of the things that we've been doing over the last year plus in terms of making sure that, particularly those larger sites, we have the right product on the ground, the right sales techniques, the right, you know, sort of, price points and people, we think also have fed into that strong sales rate performance.

I think, you know, I said I'd come back to the order book. Probably our strongest focus through the second half of 2018 was not on 2018 performance, it was on making sure we went into 2019 with the strongest order book possible. As the statement sets out, the majority of the growth is in the scale of the affordable housing order book, which, if you remember last year was reasonably low at this point. But to maintain the strength of the private order book, which is – you know, sort of, continues to be at an all-time high over the last couple of years, and, you know, to be trading this far ahead in the kind of conditions that we're seeing we think is a very good performance, and is the right thing to do in terms of managing the overall balance of risks and returns in the business.

I think, if I move on to land, we have seen a land market where buyers have been less confident in the last three months, that we still continue to see deals done, but there have been opportunities to renegotiate on price. And we've continued to acquire land, but probably at a slightly lower rate than we would have done without the overall uncertainty. And to give you just a sense of scale, just to give you some, you know, sort of, indications, without that uncertainty there are probably an additional six or seven sites that we might have bought and an additional 2,000 or so plots, you know, sort of, which we were in the process of either renegotiating or deferring. Those opportunities, you know, remain there; we're not seeing, you know, sort of, competition step up. But at the same time, you know, we think it's the right balance to continue to acquire sites at good margins, but not to overstretch ourselves; it's certainly not time to bet the farm.

Just briefly on build costs. The conditions have continued to be, sort of, pretty stable through 2018. Our guidance going in 2019 remains the same sort of level in terms of annual build cost inflation. I think our sense on that is there's probably a bit of upside, as in the inflation may actually be a little bit less than that, but it is pretty patchy – you know, it depends very much on the particular commodity, you know, the particular, sort of, level of subcontract resource. We are not seeing any meaningful signs of, you know, subcontract labour leaving the workforce, and, you know, now's not the time to go into it in detail, but we're definitely seeing some material benefits from our extended apprenticeship programmes, which we'll come back to, I'm sure, at the prelim stage.

If I look at, sort of, 2019 and, sort of, forward guidance, we go into it, as I say, with a very strong order book. We go into it with a record cash position. Those are both very conscious things to do. You know, we can't predict with certainty where the first half trading of 2019 will be. It's very early. You know, sort of, initial signs are actually at the positive end, but it's so early that I wouldn't read too much into those. But making sure that we're in as strong a position as possible, and reading, you know, sort of, how conditions haven't materially changed during the second half of 2018 should give us all some – some confidence. Our broad guidance remains for a flat 2019 in terms of volumes and margins, so nothing really has changed there, and as I look ahead further into 2020, we still have significant potential for volume growth 2020 and beyond.

I would say – and I know, you know, sort of – and I'll touch briefly on outlets – but many of you will look at the outlet number and still, sort of, see a degree of concern in that. I would refer you back to the beginning of 2018, where there were similar concerns and we assured you that we had the potential to manage sales rates perhaps more effectively than people thought, and obviously, as we look back at 2018, now you can see that that was true. But I won't pretend that outlets don't – don't make any impact whatsoever. And it does remain the case that we have to take the right decisions on each individual piece of land investment against the conditions that we see.

So we have lots of potential growth for 2020 and beyond, but it will, to some extent, depend on trading performance in the first half of this year as to how aggressive we are in seeing through land purchases and making sure that they happen. You know, the, sort of, most bearish views of market obviously will impact on that. So that – that remains a, sort of, factor that we'll keep you updated on through the course of the next six months, but overall, as I say, our guidance remains, you know, for a flat 2019 with potential growth beyond that, sort of, in a reasonably meaningful way.

Chris, is there anything here that I've – I've missed in that?

Group Financial Position

Chris Carney

Group Finance Director, Taylor Wimpey plc

Just a couple of quick points, I think, from me. Firstly, you know, the continued strength of the Group's cash generation and balance sheet discipline. Net cash ended £132 million up year-on-year, despite paying more tax, more dividends and spending around £30 million on leasehold and cladding. So I'm pleased with the – you know, the flexibility that cash generation gives us. Also pleased that our revolving credit facility wasn't drawn on at all during 2018.

I can probably say this, as we're in different locations, but I think modesty probably prevents Pete from commenting on Glassdoor, so I will. You know, we have one of, if not the lowest rate of staff turnover – pardon me – in the industry because we invest in the training and the development of our employees, and very importantly, you know, we have a culture that our teams are really proud to be part of. So to be voted ninth best place to work in the UK by employees is a great achievement for the company, and, as you can imagine, that brings lots of value in attracting and retaining the best people, but it can also give you an insight into how different we are from our competitors.

And then, lastly, a more general point that in February, you know, when we report the 2018 results in full, you know, I expect to be showing you improvement over 2017 in pretty much all of our key financial metrics. And I emphasise that just because I think it's really easy to get distracted away from the strength of our performance in 2018 with everything that's going on at the moment.

Pete Redfern: Yeah. Thank you, Chris. Can we open up for questions there, Carl?

Operator: Yes. Ladies and gentlemen, we will now begin the question and answer session. As a reminder, * and 1 if you wish to ask a question. And right now, sir, we have three participants and counting. And your first question comes from the line of Aynsley Lammin. Your line is now open.

Q&A

Aynsley Lammin (Canaccord Genuity): Oh, great. Hi, morning – Happy New Year to everybody. And just two questions, actually. I know you don't like to give much guidance on, kind of, site numbers, but obviously last year the average sites were down 5%, and the current spot number I think you give is down around 9%. Just wondered if you could say a bit more? I mean, do you expect to be opening, you know, more sites as we enter this year, and would the, kind of, site numbers be, you know, down by less than the 5% they were down in '18?

And then, secondly, obviously you talk about the customer, kind of, caution seen in London South East. I wondered if you could comment on markets in the Midlands and further north? Presumably, they're still strong and not showing any of that, kind of, caution. And I think your cancellation rate was up 14% for the year. Did you see any increase in that as we got towards the end of 2018? Thanks.

Pete Redfern: Thanks, Aynsley. I think that was three questions, not two.

Aynsley Lammin: Two and a half.

Pete Redfern: Yeah. On outlet numbers, I think, you know, we do expect to open more outlets during 2019. All things being equal, we expect outlet numbers to increase during the year, but not by massive quantities. I'm not going to give you specific guidance. I think the outlets that we need completions on in 2019 are highly secure, so they're either already open or we have planning and we're literally in the final stages. You know, our, sort of, outlet opening risk in terms of its impact on 2019 completions is very low.

As I touched on, the balance is are conditions strong enough for us to see through every land purchase in our plans, you know, and bring things through at the same pace as to how many outlets we exit the year and then 2020? That's a bigger swing, which we'll keep you updated on. I'm not trying to give you a signal that that has changed, but I don't want us to be in a position where, if conditions are weaker in the next six months, we're chasing a number and, you know, sort of, trying to do the wrong thing. What that would do would be to defer the growth, you know, sort of, into later 2020, but that's the swing factor more than 2019 volumes. Does that make sense?

Aynsley Lammin: Yeah, that's all very clear. Thanks.

Pete Redfern: Yeah. I think if you look at, you know, sort of the South East market versus, yeah, Midlands and the North, I think – and we've touched on this before – I think people oversimplify and, you know, almost everybody sort of accepted that the – London and the South East is – is weaker and – and is then very nervous about talking anything other than everywhere else is strong. I think that exaggerates both positions, you know? It is true that the higher price points, which are weighted towards London and the South East, are generally weaker and the balance of the market is generally stronger. But I actually don't think there's as big a difference as people sort of would imply. So we haven't suddenly seen a weakening in the Midlands and in the North. But I think through the last 12 months, they've not quite – been quite as strong as they were 12 months ago. And if I look at London and the South East broadly, yeah, we still generally have high sales rates in many of those markets than we do in the Midlands and in the North. So, you know, sort of I'm not changing the position, but I do think there's just a slight mis-message sometimes that, you know, sort of people like a simple story. The reality is, you know, sort of actually it's not quite as black and white and that.

In terms of cancellation rates, no, we haven't seen any meaningful change. You know, obviously, the points where you tend to see cancellation rates spike, if they are going to is, yeah, right at the period of peak completions before the half years and full years. And we didn't see that at all in December. You know, there was no kind of pattern of sort of increased cancellations, nor was there anything like down valuation issues or any of those normal signals.

And I, yeah, sort of am looking at in front of me that sheet of four graphs that we sometimes use in presentations just to give you a broader sense of market resilience. And if you looked at that, you know, with the trends of things like, you know, online sort of appointment bookings and brochure requests and those sorts of things that we look at as forward indicators, you would not, you know – if you looked at it, you would not see any trend that you thought, 'Oh, I wonder what's going on there?' It – statistically, everything looks pretty – pretty normal.

Aynsley Lammin: Great, that's all very clear and helpful. Thanks.

Pete Redfern: No problem.

Operator: Okay. Your next question comes from the line of Jon Bell. Your line is now open. Mr Jon Bell, your line is now open. You can now ask a question.

Pete Redfern: I think, Carl, maybe if you move on to the next question and come back to Jon. Either it's sort of a – he may have a technical issue.

Operator: Sure, sir. Okay, your next question comes from the line of Chris Millington. Your line is now open, sir.

Chris Millington (Numis): Good morning, gents. Happy New Year.

Pete Redfern: Hi, Chris.

Chris Millington: Hi. Just a – just couple from me. I'm just wondering if you could comment on kind of pricing trends through '18 and kind of how – how you saw that exit and whether or not you kind of feel there's enough in the – in the system to kind of offset the build cost inflation you're seeing. So that – that's the first one.

The second one is just about your commentary, Pete, around some renegotiation opportunities on land. I don't know. Is – is – is this kind of mirroring what you saw post the – the EU referendum back in June 2016, or is it a slightly more moderate profile?

And the final one was just about this comment around significant growth in 2020. I'm just wondering if you could kind of flesh that out a little bit more. I think everyone interprets the word significantly differently. So I'd – I'd just welcome your sort of thought on – on what you're implying by that.

Pete Redfern: Yeah, okay. So first, I feel with the – the renegotiation on land question first, then the pricing and then the growth – yes and no. I think, you know, we've – we've got a – a longer period now where I think land owners and, you know, particularly land promoters sort of bringing forward schemes have had a building of uncertainty – you know, the same uncertainty that you see in the share price, the same uncertainty that, you know, we all feel about not quite sure where the world is going. It seems okay at the moment but, you know, sort of not quite sure where the next few months will take us.

And so because of that, you've got a nervous set of landowners, you know, who want to close deals and you've got, you know, sort of slightly more sellers than buyers. And we've said although the land market has been good over the last sort of four, five years in a historic context, it's been balanced. And I think that shift has – has gone, you know, sort of further sort of in our – in our favour in that – over the last few months.

That's slightly different to the immediate post-referendum period simply because that kind of uncertainty takes time to build up, yeah? At the end of the day, when you get a sudden, you know, amount of uncertainty and they all suddenly hold post the referendum, actually you get one or two marginal sellers who really panic or who desperately need the cash then. Now, you got a more general trend of uncertainty.

So maybe the movements are smaller but it's more general across all land deals, you know? Sort of, so I don't think you could really see that in the overall land price statistics. I think what we see at the moment, you probably will start to, you know? It's – it may change quite quickly in the new year. But it – definitely through the last two to three months, there has been, you know, a shift in the level of confidence in the land market. And that – that we have to see from our perspective as say, as a positive, but we've got to choose how to use it, you know? Is it – is it to do some deals and not others, to, you know, to push on pricing? It's a mix of all of the above.

Chris Millington: Got you, got you.

Pete Redfern: I think in terms of fleshing out the growth, I'm going to duck that question for now and come back to you in February. I'm happy to talk about it, but I think it's better talked about in a couple of months' time, with a couple of months of – of extra certainty and also where we've got a bit more time, because it's about choices, you know? And I don't – it's – it's not about, you know, we have the capacity which we haven't really had for the last couple of years. But as I've said before, it will depend on seeing through land investments and, you know, the scale of the work-in-progress investments we make. And I, you know, I – I think, you know, sort of the – the scale potential is significant, you know, however you define it. It's the timing that's the choice. And so that – that's more of a strategic question so better done I think, you know, face-to-face and, you know, in a presentation.

Chris Millington: Understood.

Pete Redfern: And then on pricing, I think it's fair to say that – that there's a balance. You know, there is risk in there. I think there will be some cost inflation and we don't know what price inflation we'll see. I think if you look at the last six months, we've still seen net net a small positive price trend. You know, is it compared to, you know, sort of say April last year 1.5%, something like that? It's that sort of order. That – that about offsets the cost movements. But it's – but it's close. There's not a lot of buffer there. So, you know, it's – it's the main reason we'll, you know, we'd guide you to – to flat. We've got to, you know, push our own costs hard and, you know, make some savings in – yeah, as – as we talked about in our strategy presentation back in April and May, we have some things in our own gift. So that all goes into the mix. So we still think that guidance is – is a good one, but yeah, the market is not going to do us any – any favours in that. So we've got to work hard to make sure that happens.

Chris Millington: That's great. Thanks so much.

Pete Redfern: No problem.

Operator: Okay. Your next question comes from the line of Andy Murphy. Your line is now open.

Andy Murphy (BofA Merrill Lynch): Good morning, Pete. Good morning, Chris. Happy New Year to you both. Quite a few of my questions have been answered, but I've still got a handful left. Just from a social context, up from 19 to 23%, can you just talk a little bit about the trends behind that, what's – what's the driver and whether that's going to be representative of the 23% level or – or different in – in sort of '19 and '20?

And on the forward sales being up, I'm just wondering if you could talk a little bit about how that's been achieved and to what extent you maybe have been deferring or holding back sales. Because obviously if that number is very good but your site numbers are down, it – it sort of perhaps suggests that something else is going on.

And then finally on the quality side of things, you – you said previously that you'd been striving to – to improve basically your sort of customer experience, the sort of build quality. Just wondering, well, what – what you can point to to say what you've done and what the evidence is of – of achieving those kind of milestones in terms of quality.

Pete Redfern: Chris, are you happy to take the social proportion and the forward sales and I'll take the quality one?

Chris Carney: Yeah. Shall I go first?

Pete Redfern: Sure.

Chris Carney: Okay. So in terms of the proportion of social to, you know, yes, you said 19% last year to 23 this. But, I think, you know, over the last ten or so years, we've seen that the – the contribution of affordable homes in the northern regions has increased quite a bit. You know, I think, as councils have got more sophisticated and viabilities and there's been a greater desire for affordable homes in – you know, more widely across the UK. So I think, you know, the 19 was probably a low. I think whilst the 23% is – is reasonably high, it's probably not the extreme. But I wouldn't be, you know, I think you – you were asking for guidance going forward. I would, you know, I would be saying closer to the 23 than the 19.

In terms of the forward sales – and I think, you know, you – you asked whether something else was going on – not at all. You know, the – the order book we're obviously pleased with – 16% up in volume, nearly 10% up in value. Those increases, you know, driven by affordable homes. And we see that across all three of the divisions in the affordable order book, but mostly in London and the South East. And that increase in affordable, also, obviously, explains the 6% reduction in the blended ASP in that order book.

Pete Redfern: Thanks, Chris. And coming back to the quality question, Andy, I think that there are two main types of measures that we are tracking. One is the – the sort of pure customer feedback, and that measures well one kind of quality which is, you know, sort of final finish, the handover, you know what – you know, you tend to think of as number of snagging issues and the like. And yeah, we can both [inaudible] overall numbers and then specifics; like the number of snagging issues is a specific feedback number. But also increasingly, we're able to track specific quality measures. So for instance, the NHBC started, about three years ago, construction quality review audits, which are aimed to – to help businesses improve and test and work out where issues sit, and we've seen material improvement during 2018 on all of those measures. So if you take the – the latter, the construction quality reviews, our performance went from mid-table to top three during the course of 2018, across, you know, the sort of 28 largest, you know, sort of builders in the sector. And if you look at our customer satisfaction scores, year-to-date scores have gone up to about 90.3, you know, sort of from 88-point-something, you know, sort of, a year earlier.

So on both of those measures, which measure slightly different facets of quality – both of which matter – you know, you can see both real and relative improvements over the course of – of the last 12 months; and as we look forward, those will be, you know, I think increasingly important measures, not just for us, but for the sector – you know, both for customers and for, you know, sort of, you know the potential for a quality ombudsman.

Andy Murphy: Great. Okay. Thank you very much.

Pete Redfern: No worries.

Operator: Okay. And your next question comes from the line of Will Jones. Your line is now open.

William Jones (Redburn): Thanks. Morning, guys. I've got three, if I could, please, as well. The first is whether it's just possible to give us the – the private volumes in the order book at year end, please, separate from the social, and how, if possible, outlook compared to the same point last year. And then I guess when you think about that number, is there a particular floor you have in mind as to what you'd ideally want, I guess, as a minimum when you go forward into any given financial year, I guess, thinking 12 months ahead?

The second, I think I'm right in saying there was a bulk deal in your sales towards the end of the year; perhaps you could just touch on that. And again, as we look to '19 what's your, I guess, propensity to do bulk deals, and how available are those, I guess, in the marketplace generally?

And then the last one was just touching base on mix for the ASP. I think in November you talked about a couple of per cent on mix in '19? From memory, you had always talked about this year as being one where central London dropped as a potential revenue just given timing. Is that still the case? And if so, what's helping get that mix back up as a positive? Thanks.

Pete Redfern: Sorry can you – I got that the last question, Will, was about mix, but I was still noting down the previous two. Can you just –

William Jones: Sorry; yeah, yeah. It was just – yeah, it was just – I think you had talked about it being a couple of per cent positive on mix, for the ASP in '19, but thinking back to previous comments, you'd always highlighted 2019 as being a year when Central London drops as a percentage of revenue, given timing. If that's still the case, what is it that's allowing the mix to be a positive in the current year?

Pete Redfern: Yeah, okay. I think a – a floor on the private order book number – not in absolute terms. The way we tend to think about it is at a business unit and site level, a proportion of following year's completions, and I personally tend to think about it more how far ahead we're selling on it on each individual site. So yeah – and we've touched on this before. You know, so if our sites are selling, you know, sort of less than three months ahead, I think it starts to impact on price and confidence. It's not the end of the world, you know, sort of, but it's not ideal; if they're selling more than six months ahead, then it tends to impact on service and, you know, accuracy of forecasting and delivery timetables. So you know, the sweet spot is probably somewhere around four and a half to five and a half months, and we're comfortably in that range at the moment on the majority of sites. So you know, it's that balance, and we look at – then at individual sales rates site by site as well.

So it's not – whilst inevitably, from an external and macro point of view, you look at an order book number, I think that timing of when we're selling, you know – have we got a decent amount on release on each side, but are we actually, you know, sort of not selling from, you know, sort of finished stock or close-to-finished stock, improves the confidence for customers and for our own sales.

William Jones: Yeah.

Pete Redfern: Think about it. You're right; there was a block deal. I mean, that is relatively unusual for us. I think the decision for us is very much about it is a period of uncertainty. You know, we've gone and been very clear and making sure the order book was as strong as possible at the end of ’18 is a key point. We weren’t particularly trying to fill a gap; it wasn’t, you know, sort of big enough for that. But the pricing felt right, the timing felt right, so you know, sort of it was – felt like the right thing to do. There are things out there. It’s relatively rare, I think, that they come together and you think, ‘That’s the right price and it’s the right balance.’ So although there is lots of interest, you know, it’s not something that we particularly feel the need to chase.

Impact on the year, you know, sort of relatively small, which is why they haven’t – they’ve sort of talked about it, they haven’t particularly quoted it. So you know, sales rates, for instance, would still be ahead year on year and those sorts of things. It doesn’t distort any of those underlying sort of messages. I don’t expect us particularly to be doing something similar in the next three months, but you know, will something similar happen in 2019? Maybe. You know, it’s institutional-backed money, but through a registered provider. It’s a fairly normal deal, you know, sort of, I think across the sector, but just felt like a good timing to have that extra breadth in the order book.

And then – and then mix –

William Jones: Great.

Pete Redfern: – it’s a really hard question to answer, because it’s the pot, it’s movement of lots of small, things, it’s, you know – you're right, we expect 2019 to be very low on Central London completions. We see, sort of, completions coming back in from Central London in 2020 and 2021, you know, sort of. But the reason over 2018 and 2019 there was a bit more positive mix variance, despite that, it’s just quality of locations. It’s more that than really big regional shifts, you know, we’re – I don’t think we see a meaningful shift from, you know, sort of north to south. It’s more just the quality of locations at an individual, regional level. It’s not particularly bigger product, either, our average sort of location relatively stable, but it’s, you know, just generally we've seen – and you see [inaudible] been able to [inaudible] location at a regional level.

William Jones: Great, thank you. And just one follow up on the order book. Would you be willing to give the private units in the order book at the moment?

Pete Redfern: Oh, sorry, yeah.

William Jones: Thank you.

Pete Redfern: I – I don’t know of the exact number. The private number is very flat, which is why the reference in the statement to, you know, the growth, comes from affordable housing. Do you have the absolute number to hand, Chris? I don’t have it on the sheet in front of me.

Chris Carney: Yeah. It’s 3,852, Will.

William Jones: Great. Thanks a lot.

Operator: Okay; and your next question comes from the line of Gregor Kuglitsch. your line’s now open.

Gregor Kuglitsch (UBS): Hi, good morning; thanks for taking my questions. There's only a couple left. So the first one is on margins. Not sure, I may have misheard you, Pete, but you were kind of saying flat volume and you also threw in margins in that sentence in your initial comment, so I want to understand if that is indeed what you were trying to say, because obviously I believe in November you were kind of talking for some modest compression, I think, and the number that you flagged was something like 50bps as we think about ’19. So I want to understand if anything has changed in that position and perhaps today you have some visibility in your order book what the margin is, relative to the ’18 outturn. So if you could give us some colour there, that would be helpful.

And then secondly, this perhaps is not a question necessarily for a trading update call, but I’ll ask it regardless. So obviously you're committing your £600 million dividend payment – I think that works out as something like 12%, 13% yield. Are you thinking about perhaps giving yourself flexibility to deploy that capital either partly or in whole to share buybacks, rather than dividends, or is that not something you think makes any sense for you? Thanks.

Pete Redfern: Okay. Just on margins, I did and was referring to flat margins, but I don’t see that as being fundamentally different from what we said in November about potential for sort of 50bps compression. You know, it’s very small numbers in difference at the beginning of the year. So you know, and as I touched on the terms of the balance between price and cost, you know, sort of, it feels hard to see an enormous amount of upside in the balance on price and cost this year; we’re not seeing a huge amount of downside either. But the balance is probably on the 50bps downside. So no real change from November, but pretty flat overall.

In terms of share buyback, I mean, I think you probably know – if you don’t, it’s certainly no secret because we wrote to all of our shareholders that we got a shareholder approval to – for the – to increase our potential to do share buybacks. That doesn't mean that we're suddenly about to use that. That was over the Christmas period. We had an extraordinary general meeting just to give ourselves that flexibility. It doesn't mean we expect to use it. In fact, in the very short term before the results we couldn't use it because we were in a closed period. But I think when you look at how we're seeing trading, the strength of the cash position, the potential for, you know, sort of dividends and growth into 2020 and 2021 and where the share price is, it would be irresponsible of us not to at least be considering it. And I don't want you to take that as a strong indication that we will definitely do it, but we wanted to make sure that, depending on how things go, both in terms of the share price and trading over the course of the next three to four months, that we have the potential to do share buybacks if it felt right. So we're certainly open-minded about it but please don't take that as a signal that you should expect something in the immediate future. And I'm sure we'll come back to that at the prelims.

Gregor Kuglitsch: Thanks, but just to be clear, if you were to – I understand you have the authority to do buybacks, but would you basically take that funding out of dividends, or on top, or is kind of all open?

Pete Redfern: It's – it’s very open, Gregor, because it depends on the circumstance. I think we're very aware that, you know, for certain investors, you know, sort of favour buy-backs, certain investors are very wedded to dividend structure. You know, we're not naïve about the impact of doing it in various different ways, but it does depend massively on the circumstances – you know, where the share price sits, where we see trading, where the balance sheet sits. You know, sort of – so I'm – I'm not going to pin it down any more than that. We're open-minded about, you know, the various different options. But it would be wrong, given the, you know, sort of volatility in the share price, and the – you know, the underlying strength of trading for us at least not to be thinking about it at this point.

Gregor Kuglitsch: Yeah, understood. Thanks a lot.

Pete Redfern: No problem.

Operator: Okay. And your next question comes from the line of Glynis Johnson. Your line is now open.

Glynis Johnson (Deutsche Bank): Morning, everybody. It's just a quick one, just, unfortunately, covering the Brexit topic. I'm just wondering if there's anything in terms of how you are running your business, managing your – your WIP on site, your product – your materials on site – you know, are you changing how you're running the business given the uncertainty on Brexit and you know, what will happen around the March time?

Pete Redfern: Yeah, I think we've touched on the main areas, Glynis. You know, it's – it's undoubtedly affected, you know, sort of – the – the sort of marginal land purchases in November and December. It's affected, you know, sort of drive for a strong order book at the end of the year. You know, it's affected our desire to just protect cash that little bit more and give ourselves just that bit more flexibility. I would say it's not, in a material way, affected, you know, sort of where we are with work in progress. You know, we feel work in progress is reasonably under control in our – in our businesses. We're well covered by the scale of the forward order book. But you know, sort of across the whole of the business, across the cost base, across how we're investing in – in new skills, you know, it's there in the background, just perhaps tweaking – tweaking, you know, those individual decisions. But it – apart from those areas of where the order book sits and land purchases, I wouldn't say the impact is particularly material, but it's there – you know, we take it into account.

Glynis Johnson: Thank you.

Operator: Okay, then your next question comes from the line of Rajesh Siya. Your line is now open.

Rajesh Siya (HSBC): Hi, I have two, or, well, there's a kind of – and third. The first one is on incentive levels. So are you kind of seeing any kind of spike in the incentive level probably end of the year, or early this year? Have you seen kind of any spike happening there? I mean, customers are asking for more goodies or putting extra things into your homes?

The second one is on the land. I see your comment about you have kind of some – some timing issues led to additional cash generation for this year, but is it also a conscious decision from your side to – to – to see that the land market cracks a bit more and you wait and see a right opportunity to go to the market and buy it? Or is it also driven by your target of cutting down the land bank close to one year?

Pete Redfern: So, yeah – no, thank you for both those. On incentive levels, no, we haven't seen any change. I mean as, you know, you will all know, we always talk about pricing net of incentives anyway, so you would see that in all of our other comments. But no – yeah, I mean I don't think I need to sort of explain that in the prime Central London market there are more incentives than there were three years ago but not particularly more incentives than there were six months ago. But if you look across the – the business as a whole, there's no change in the level of – of incentive levels.

If you look on land, absolutely it's a – it’s a conscious decision. You know, when I say it's a timing issue, it's a conscious decision for there to be a change in timing – as in, we might have delayed the purchase, you know, sort of, but still keep that option open. Yes, you know, I think there is – you know, certainly in terms of how we kind of explain our views on land to our own teams internally ,there's an element of, 'Look, you know, at the end of the day it's in our interests for the land market not to become overheated.' I wouldn't say that – that, you know, we'd be as conceited as to view that – that we could change that, you know, sort of overall but there's a responsibility to make sure that you don't, you know, sort of – that you do reflect risk in how you buy land, and obviously for the bigger players that tends to have a broader impact on the market overall over time. So – but it is a conscious view.

Is it – is – is the phenomenon I'm talking about related to, you know, our longer-term sort of plan that our land bank will shorten as – as volumes grow? Less so because the 2,000 or so plots that I was talking about was – was relative to our plans, perhaps, six or nine months earlier for 2018. So, you know, those – those plans already reflected, you know, sort of – with a – that view of a shorter, longer-term – you know, shorter land bank over time. So you know, it's more about the shorter-term market uncertainty and the opportunities in the land bank than it is about that, you know, longer-term strategy.

Rajesh Siya: Thank you.

Operator: Okay, sir and your last question comes from the line of Mr Jon Bell. Your line is now open.

Jon Bell (Barclays): Morning all. Apologies, I got cut off earlier. I've got – got three questions for you, actually. Firstly, could you just comment on the land creditor position at the year-end?

Second, I know you've touched on some of those forward or lead indicators, but I just wonder whether you could just comment on things like web hits and site visitor numbers, albeit at this early stage.

And then thirdly, you've got one notable Central London scheme down at the bottom of Exmouth Market there. I just wonder whether you could comment on sales rates and progress there. Thank you.

Pete Redfern: Yeah, so do you want to pick up the land creditor last, Chris, and if I touch on the, you know, sort of forward indicators in Central London?

Chris Carney: Yeah, yeah. No problem.

Pete Redfern: So, in terms of forward indicators, you know, I – as I said before, there is nothing in, you know, website hits or brochure requests that would concern you. They're very consistent with the last two to three years, you know, sort of and were through the December period. You know, sort of there's no – there's no individual trends that you would look at and sort of either worry about or saying, 'Wow, that's – that's massively better than I thought.' They're very much in line.

I think in terms of, you know, sort of our newer Central London schemes, I'm not going to go into individual sales rates, but sales performance on both pricing and rate has been where we expected on pricing and ahead of where we expected on rate. Yeah, which, to be honest – I know this sounds a little bit sort of wrong – but to be honest it's what we'd expect – we'd have expected in this kind of environment, because we'd have been relatively cautious on both and you know, sort of – so for us to be ahead on rate is what we would want to see, rather than being a massive shock.

And Chris, do you want to pick up the land creditor?

Chris Carney: Yeah – or actually, you know, I think John is referring to Mount Pleasant, isn't he? And –

Pete Redfern: Yeah.

Chris Carney: – and I actually popped down there last week and I think since we launched in September we've had something like 45 sales. So, you know, that is – that is a scheme that's looking good on both build and sales front. But on land creditors, they've increased by about £70 million since the half year, but the increase in net cash obviously means that adjusted gearing has actually reduced. I think, you know, buying larger sites obviously increases the opportunities for deferral on attractive terms and – and the numbers tend to reflect that. You know – yeah.

John Bell: Okay, thank you very much.

Pete Redfern: Thank you. So [inaudible] –

Operator: Okay, that's –

Pete Redfern: Sorry, go on.

Operator: Oh. Yes sir, sorry. We have one question – last – it's from Andy Murphy. Your line is now open.

Andy Murphy (BofA Merrill Lynch): Yes, sorry, just to – just to catch you before you leave, just on that Brexit issue, can you give us a flavour for the goods and products that you're importing and to what extent you're thinking or actively stockpiling any important bits? I'm thinking about maybe boilers in particular might be an issue. I'm just wondering how you're thinking about that and what – what activity you're actually – action you're taking.

Pete Redfern: Yeah, I think, you know, as you all know, for – for us and I think for – for the vast majority of our sector, our – our level of direct imports is very low. There's very little that we ourselves import, you know, so that the – it's more a component issue in the supply chain to make sure that our supplier base is thinking and planning ahead. You know, so – you know and on things like bricks, where we've had a degree of imports over the sort of growth in the market, that level of imports has already dropped off pre – you know, pre-

Brexit kind of discussions anyway. So it's more about our procurement teams being close to our customer base to make sure that we can see any, you know, sort of potential bottlenecks for them. We also have – as you all know, which is unusual in the sector – an internal business called Taylor Wimpey Logistics, which does give us the capacity to actually stockpile things at a national level, if we feel the need. At the moment, you know, the number of areas we think that's necessary is – is very small but it is – obviously we're watching pretty closely.

But, you know, for us, as a – as a business, the direct impact is both relatively small, but also it's slower to – to impact because it's further down the supply chain.

Andy Murphy: Right, thank you very much.

Pete Redfern: Thanks, Andy.

Operator: Okay, that concludes our Q&A session for today. I will now hand over back to Pete Redfern for his closing remarks.

Pete Redfern: Thank you Carl. Thanks, everybody, for the question and thank you for the – the sort of – the number and depth of the – the questions. You know, I think, you know, sort of, hopefully our position is fairly clear. We're pleased with 2018, we're pleased with the way that we go into 2019 but we're not naïve about the level of risk and we're not pretending to you that there isn't any risk. You know, our job is to make sure that if it's – it's the best end of potential market performances, we can take advantage of that, particularly into 2020 and beyond, and if it's a bit tougher, the business is in – is in as strong a position as it possibly can be. And I think, you know, you can see from the stats and our comment that – that we're on top of both of those. So thank you very much, and you know, look forward to catching up properly in a couple of months.

[END OF TRANSCRIPT]