Trading Update

Tuesday, 14 January 2020

UK Current trading overview

Pete Redfern

Chief Executive, Taylor Wimpey plc

Thank you. Good morning everybody, thank you for joining us. I think this is a fairly straightforward update and, obviously, given the timing, very early in 2020, it's more a confirmation on 2019 and a first flavour of the year we've just come into, but obviously early to give you too much sense of how the market has started this year.

Looking back at 2019 overall, I think the key thing you'll take away is: overall in line, and no surprises in the latter part of the year. Very much where we'd guided to sort of through the second half and probably slightly higher volume than you expected overall. Everything else very much sort of in line but probably the strong order book, even stronger than you might have expected, and those sales rates up 19% year on year in half two, even if I exclude bulk deals, and in the low 20s sort of with them, I think particularly strong, which we'll come back to. I'll give you a flavour of particularly where our objectives are for 2020, more than necessarily where the market will be, which – we'll touch on what we think it might look like but it – but still, as I say, too early to say.

I think last quarter of the year, no major market changes, the cost pressures easing that we talked about. In the late autumn we continued to see being the same pattern, and sales – by the time the election result happened, too late in the year to see any meaningful change, the reservations we take after that would always be low. But definitely finished the year, post-election, with more of an air of confidence, across the sector, with agents, with our own salespeople, and you know, to the extent that we can judge it, with customers coming through the door as well.

I'm going to keep saying it's very early to say how that will go into 2020. I'll probably say it an annoying number of times in this overview and in the Q&A, so – but it is. I think if you look at the first sort of – and we've really had one trading week in January – positive, no surprises and definitely more of a feel of confidence but statistically, not particularly meaningful. So I think there's potential for market upside this year on last but, you know, we'll be able to give you a much better feel and I think in all honesty we'll probably have a very good flavour for it by the time we come to the prelims.

I think what's most important in that, though – and yeah, probably the most important take away – is where our balance is, year on year. To a certain extent, through 2019, the way I would express it, we were managing for risk. You know, a lot of uncertainty, particularly on cost but actually in the market as well. Whilst trading continued to be strong and the sales rates were strong, with the uncertainty of Brexit and the inevitability of a general election at some point of the year and the potential range of outcomes, actually ending the year with a strong order book was always a very key goal for us and being able to get the volume growth and that strong order book, we've exceeded our expectations.

I think, as we go into 2020, whilst risk hasn't completely gone and we still clearly have a Brexit process to go through, we do feel it's materially reduced and so I think the balance of where we're managing will switch and it's about a more balanced risk and opportunity. And I think where we will see that most clearly and where we're most focused on the moment is the balance between sales rate and price. You know, a strong order book – and we'll come onto whether that's selling too far ahead or whether it's about right, but actually it gives us choices and so, we would not be disappointed to see sales rates slightly down in the first quarter if we can make up that difference in price and that's where our focus is. And I don't mean 3%, 4%, 5% on price but actually in the sort of – in this kind of market with balanced cost and price movements, you know, every 0.5% makes a big difference either way, so I think that's where our emphasis will be and it will be slightly different to last year.

So I'm not flagging that sales rates will be materially down, they may not, but actually our balance and our focus is slightly more weighted towards price in this environment and that election result and the air of confidence that that has created I think gives us, the feeling that that's, A) the right balance and B) that there is the potential for some price growth, which is quite important in our sort of chase to recover some margin.

I think if I run through the other key areas, I touched briefly on cost but less pressure in late 2019 than we'd seen. It was particularly earlier in 2019 that we saw the material cost pressure. That had eased by the time we got to September/October. We haven't seen that change, very late on in the year. Obviously, again, too early to call where that will be sort of strongly this year but certainly start from a normal year, overall, on costs, with a bit of upside against that potentially. And very much again, I think our focus is the important point that I want to put across – through the last quarter of last year and going into early 2020, I think our cost focus is much stronger and I would say it's slightly broader than just cost, it's cost and simplification. We've done a lot over the last three or four years on customer service, on quality; we don't want to go backwards but we want to do less new stuff in 2020 and make it easier for our people to focus on cost and efficiency and really delivering that customer service, that quality but in as simple and efficient a way as possible and changing less things.

And I think that message is, you know, quite strong in the business at the moment and has landed very well. So I think both on price and cost our focus is on self-help in a world that we can't control, you know, rather than just on what the market can do for us.

Not a lot to say on the land market. I think, sort of unchanged through the year. Again, I think, a year in 2019 where we were managing slightly for risk, looking at the uncertainties politically and not wanting to go too deep, so our purchases were focused very heavily on strategic land. I think, we would like to see more potential outlets coming through; it's not a short-term sort of pressure point and it's not deeply concerning but I think, that sort of general reduction in outlets that we've seen over time is not something we want to see continue, so making sure that we've got the right balance of investment between smaller and larger sites is going to be important to us. And that, you know, if we get that right, I wouldn't be surprised to see 2020 being a bit of a stronger land purchasing year. I would say, at that point, that I don't want you to over-read that. I'm not talking about something that would impact materially on cash or our sort of dividend strategy or anything like that but definitely, on balance, after a year where the focus has been on risk, just being –sort of edging forward a little bit more to build the outlets for 2021, 2022.

And I think coming onto an overview of outlook and I've touched on several things, we talked about a half – in the statement a half-two weighting. I think, you know, we've still got a bit of tailwind from 2019 on margin and on cost, which affects particularly, I think, half one. You know, we have the sales in the order book but we've still got to deliver properly on the completions and very committed to getting that build quality right and not putting the teams under too much pressure.

We do think it will be a smoother half one, as in not too weighted towards June but, you know, actually the weighting of completions should be –will continue to be more towards the second half of the year and our focus is on reducing that as we go through 2021 and 2022. I think price, as I touched on, a very key factor, probably the most important for us in 2020. We've come into the year with a pretty clear set of targets. I'm not going to be explicit on what we think we can achieve because it's too early but I'm sure when we come back to the prelims, we will.

Cost control - in our own gift on control, but a better environment than we saw last year and areas where we can make not massive but meaningful reductions in overheads and efficiency and as I say, particularly simplifying things for people and not giving them too much new stuff.

And you know, relatively stable volume over 2019. I think 5% was the top end of our growth expectations; it was higher than we came into the year expecting. Some of that was that our strategy on sales rates – on private sales was more effective; some of it was that we consciously decided to take bulk sales, given the overall market risk. So I think 2020 won't see continued volume growth but I don't think it will be a meaningful shift either way and our focus will be on sort of maximising the margin as we deal with a sort of 2019 cost follow-on but try and get price back and set ourselves for 2021.

Chris, anything I've missed?

Group Financial Position

Chris Carney

Group Finance Director, Taylor Wimpey plc

Yeah, just a couple of things from me, Pete. Firstly, I think, at a time when there's a growing interest and appreciation of the importance of company culture from all stakeholders, I think it's worth noting that we were included in Glassdoor's top 50 places to work in the UK for the third year running, which is pleasing.

Secondly, just on Spain, 2019 was another strong year for us. An increase in demand from Eastern European buyers comfortably offset any Brexit-related uncertainty from UK buyers and although we'd expect operating margins to moderate over time from what was a very high level of 28% in 2018, you know, we still expect them to compare favourably to, say, UK margins in 2019 and as we move into 2020.

And then – and lastly, I suppose it would be remiss of me not to remind everybody that we've £546 million of net cash at the end of the year. You know, we retain a very strong balance sheet and there is no change in our dividend plan for 2020, with the ordinary dividends at £250 million plus £360 million of special dividends in July subject to shareholders' approval, yielding a total dividend for 2020 at £610 million.

Pete Redfern: Thanks Chris. If we can open up for questions, Nadia, please?

Q&A

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star and one on your telephone keypad and wait for a name to be announced.

The first questions come from the line of Brijesh Siya. Please ask your questions.

Brijesh Kumar Siya (HSBC): Thank you. Good morning both of you; two questions from my side. First one is: have you seen any – if you can give me a reasonable flavour of price increases, or sentimental change-led price improvements post-election, whether it's in the north or it's across regions, or it's – I mean, is it broad-based or it's only specific – site-specific? Have you done any kind of blanket increase of prices? So if we could get a little more flavour on price improvements post-election, that would be great.

And the second one is on the outlets. I appreciate you are guiding outlets as relatively flat, this year compared to last year. Considering that there will be – your intention to increase the land buying, would you expect that – outlets to be materially higher in 2021 compared to 2020? And if you can link that to the impending changes in the Help to Buy programme from March 2021, so how do you want to basically balance that out? Thank you.

Pete Redfern: Thank you. I mean as I touched on in terms of price movements post-election, what's actually happening in the marketplace, it's too early to say. The feel is positive but, you know, it would be wrong to give you too strong of a confident view of how that plays out over time because it's – the evidence just isn't there yet either way. I wouldn't expect it to be, you know, sort of – we've had a month since the election of which, at least three weeks of the period where active sales are always very low because of the time of year you're in, calendar-wise. So what I can touch on but I, you know, won't go too deeply into is our own plans on price.

We have made a – you know, almost entirely across the board changes to price from 1st January. I'm not going to tell you the exact amount because I think we don't know how much of that will land and that will vary geographically and that's how we would tend to do it but that's certainly pushing harder than we were 12 months ago, largely because we feel that the environment is there and a little bit because we feel, on the balance – as I touched on before, on the balance sheet, sales rate and price last year, you know, we were switched slightly the other way. So a bit of that is making up some ground. But it isn't just a case-by-case piece.

I think the most important bit of that but the hardest piece to call is what happens in London and the South East. You know, I think there is – and you obviously saw Savills' comments yesterday – there is more potential upside in terms of recovery in London and the South East but it really is too early to say and I think it will take a little bit longer. The air is more positive there but I think it will take a little bit more time for people to really kind of think, 'Yeah, actually, there is enough certainty now for me to take a big decision.'

So I think it's reasonable to say it will be more positive than 2019, but the degree to which it's more positive will – it's far too early to say. But I think, you know, for me personally I'm more interested in what happens in London and the South East in terms of price than anything else because I think it's a big swing factor. That part of the business for us has been relatively tough for the last 18 months to two years and it's probably – if you split things out geographically, it is a sort of more meaningful headwind and so the impact is, you know, sort of more significant.

I think, on outlets, do we expect outlets to be materially higher at the end of the year? No. We just want to make sure that we have the opportunity to maintain and grow outlets as we go through the next two to three years.

And you know, it's not that – coming back to your risk question about Help to Buy – it's not that we think, 'Right, election, that means it's time to go deep into land,' we just have to push harder – and we touched on this in the last half of last year – of making sure we get the balance of sites between smaller sites which help our outlet numbers more and longer sites, which help our margins more, right.

And you know, smaller sites have certain extra risks but certain actual risk mitigations as well, so it's getting that balance right. And if I could get a bit of growth in small sites, and that means a bit more land spend and still see through the higher-margin strategic purchases; that's where it might be that we would spend a bit more on land, but the risk element of that is not significantly different.

We are very focused on the risk of Help to Buy but that's about making sure we've got the right product on those sites, we've got the right timing for the product we bring forward through the period of price caps and the initial period after Help to Buy is removed. And it's also about working out what are the choices our customers have got and how we, mortgage providers and government can help them with that.

Brijesh Kumar Siya: Thank you, that's all clear.

Pete Redfern: Thank you.

Operator: Thank you. The next questions come from the line of Aynsley Lammin. Please ask your questions.

Aynsley Lammin (Canaccord Genuity): Hi, morning and just two quick ones from me.

Pete Redfern: Hi Aynsley.

Aynsley Lammin: Morning. Just, first of all, can you just remind us of the bulk sales you did in 2019? And I wondered if you'd have a kind of estimate of the impact on the net margin of those bulk sales?

And then secondly, just coming back on the kind of land market and the confidence post the election, have you seen – I know it's early days and all the comments but just in London is there a bit more activity in the land market? I'm just sort of interested in your views there, what you may have seen and expectations specifically for London land? Thanks.

Pete Redfern: I'll pass the first question to Chris but I'll take the second one, just to give him a second. The – I still think it's too early to see any movement on land in London. Deals that were lined up for the end of the year happened and I'm not just talking about our deals. I think looking at the sector overall people who might have been waiting for the election results as a swing factor went ahead with those deals as far as I can see, in the marketplace. So you could point to that as a sign and that probably colours, you know, somebody like Savills' very strongly in terms of their perspective. And I also think you see a meaningful change in enquiries from both overseas and local buyers of higher end of London product but it's really, you know, sort of – it's a feeling and – rather than big sort of movements overall. And I think it will take time before you see London land really get back to some sort of normality because I think, you know, we've had political and sort of market uncertainty, but we still have the planning and you know more local political uncertainty, which I think is still an issue around Central London land and getting sites to be truly viable.

So, you know, I would – I think it'll be something we'll be talking about through the course of the year and hope by the time we get to the half-year I would give you more certainty but I certainly am not expecting us to be making material Central London land purchases, for instance, in the first six months off the back of an election result. I just think it removes one of the shadows.

I think what will also be interesting in the budget process is to see if anything happens to stamp duty because obviously that's, you know, one of the other big shadows that there's been on the higher-end London market and that will also have an impact on land.

But I think that in the general market, including the South East and more normal London product, I think we could see a positive effect kind of develop and be measurable over the course of the next two to three months. I think in London land and the higher end it's a bit slower but I may be wrong on that.

Chris Carney: Yeah and on bulk deals, Aynsley, you know, I haven't got the exact number to hand but to give you a feel for it, you know, through the course of the year I think there were probably in the range of something like 10–15 bulk deals done, anywhere from, like, ten units to over 100 units and, you know, the impact on margin is – is obviously – it varies quite significantly from deal to deal. You know, at the end of the year, I think in the November trading update, we referenced a couple of bulk deals in Central London, where there was an opportunity there for us to liquidate some stock and that did have an impact on margin but actually some of the other bulk deals earlier in the year, you'll recall, we did at – at the point of land acquisition that had absolutely no impact on the margin. So, you know, it's – it's probably not quite as much as you might think it would be.

Aynsley Lammin: Sure. And just to clarify, for 2020, at this point, you wouldn't really expect any bulk deals, the need for any, given you're focused a bit more on margin?

Pete Redfern: I think we'd expect less. I think it'd be a strong statement because I don't think we look at – I don't think we look at them and think, 'Oh no, we wish we hadn't done that.' There's a lot – you know, where you've got large sites and actually the main aim of some of the bulk deals and one of the reasons they tend to push up the order book a bit, is because they don't sacrifice your short-term completions, so actually where we've got large sites and a good strategic land bank where we can replace those large sites, there is still a very strong logic for doing them. So to say we wouldn't expect anything would be wrong to say the balance of risk and opportunity is slightly different than we'd expect less is a much sort of more reasonable statement I think.

Aynsley Lammin: Great. Thank you very much.

Operator: Thank you. The next question comes from the line of Will Jones. Please ask your question.

William Jones (Redburn): Good morning guys. Three for me as well, if I could please. The first was just around, I guess, outlets just reflecting on decline in the numbers last year of, I think, 20 or so on an average basis. How would you split those if you think if broadly speaking between what was in your control, i.e., was a function of maybe higher sales rate through the year than you anticipated or maybe not as you say lack of land spend versus say things like planning delays, just trying to get a feel for to an extent you control you'd be the face on that number this year and I guess within that how quickly do you think you get up to the 250 number that you expect to average versus the 240 today?

The second area was just around margin. Obviously, pricing build costs are going to be two big inputs to that which it's too early to call, but when you look at other moving parts, I guess mix issues around the quality of land coming through year-on-year, London's impact or not, just – are there any kind of factors that you kind of have visibility on at this stage around margin you can help us with?

And then I guess the final one was just around the cash flow side of things. It's probably too early but if you have any idea of your cash land spend number for last year and any idea on how that may move this year? And any other stuff I think we have the guidance on the extra tax from November, but provision payments, again just anything you can help us with in terms of the cash moving parts as well. Thanks.

Pete Redfern: Yeah. I'll – I'll let Chris take the cash flow question in a second.

On outlets, so I would actually say sort of this has been true for years but I've always felt uncomfortable when I say sort of our peers kind of complaining about planning and its impacts on outlets because if you don't understand the planning impacts on outlets, then you don't really know what the business is about, if you see what I mean. So I don't wish to resist complaining about that. And actually I'd say it would be completely unfair for me to complain about that this year. Planning process remains hard. We have delays that we didn't expect but actually we're forecasting them very well. So our outlet opening timings are very much in line with what we expect probably and we tracked it more closely during 2019.

So it's more to do with things that are in our control. And actually it's more to do with, I think, land purchase and large size versus small size than it is to do with sales rates and closing outlets more quickly. If we were taking bulk sales to close our outlets, sacrificing price but not then having the choice in the marketplace of having the outlet that would be the wrong strategy. Those bulk sales are on large size where we have lots of – yeah, so we're not closing the outlet because of those sales.

So it's in our control. But if you look at the land spend piece, if you look at 2018, 2019 for instance, the balance of our land spend have already touched on weighted towards larger sites, weighted towards strategic land, weighted towards higher future margins but not weighted therefore towards giving us more outlets. And also geographically, because of the uncertainty in London, and to a certain extent the wider South East market, if you looked over the last two years at our purchases, they've been weighted away from sort of London and the South East West where site sizes tend to be smaller and therefore they proportionally push up your outlet numbers.

Now I don't regret any of those things, but sort of you're still got to look at the outlets and think number to sort of continue to decline. So if we kind of see a bit more certainty and potentially in the South East, then as I say over the course of six months sort of then that weight push us towards slightly more smaller sites. And we've been actively pushing our teams to look a broader mix of sites. And that's what I'd like to see happen overall. So I think the outlook movement, it isn't that we are kind of getting disappointed because we're losing five openings in sort of a month or sort of a quarter. That's just generally not happening sort of we've got much better at forecasting and allowing for planning delays that happen but it is underlying.

We've got to make sure we've got the broader mix of sites. And it's finding a balance. If you get the – if we can get that long-term sales rate balance right and we want to continue to maintain the sales rate which is above the sector norm and above history, there's nothing I've said on that price volume balance that moves away from that. It's shading it a bit. Sort of then we don't need as many outlets, then actually bigger higher value outlets where there is less competition is the right place for us to be but it's balance and I just don't want that balance to push too, too far that way.

On margins, I mean, you've got the main moving parts. There is the 2019 cost movements that impact on 2020. There are some bulk sales in 2019 that will come through in the first half of 2020. Those two sort of affect the first half, second half weighting. Our cost savings sort of come through sort of a bit in the first half but actually more weighted towards the second half inevitably because of timing.

But the big movement is about price, sort of can we – can we squeeze our price over the course of the next two to three months, because if we can it impacts on this year, again particularly in the second half completions. But I think the potential is there in a way that it wasn't during the course of last year and the focus is there but that's what we'll be updating you on with the prelims I think.

William Jones: Great. And are you reflected on experience last year. I think you said sequentially you were pretty flat in the first half, would that – and that would obviously autumn was a tad weaker in London and South East. Would you say group-wide you were flat again in the second half, so it was a year of no movement?

Pete Redfern: I would've said so, yeah. Some small local movements but overall that would be – to the level of experimental measurement error, flat, and I think I'd be disappointed if this year was flat, but what – well, it's too early to call what that number is.

Chris Carney: Yeah. And just going back to your question on cash, Will, the net land spend in 2019 was around £680 million, so roundabout £100 million more than 2018. Bit early to be giving you year-end cash guidance but I'll aim to give you something on that at the prelims and as ever land will be a key element of that.

Touching briefly on 2020, I previously mentioned the fact that we have two extra UK corporation tax payments in the first half amounting to about £70 million, and those together with about £50 million of spend on the exceptional provisions amount to about £120 million of one-time cash flows in 2020.

And that alone would suggest a net reduction in the cash balance at the end of 2020 compared to 2019. But I'll give you more of a feel for the quantum of that in February when we see how trading has gone in the first couple of months.

William Jones: Great. Thanks a lot.

Operator: Thank you. The next question comes from the line of Gregor Kuglitsch. Please ask your question.

Gregor Kuglitsch (UBS): Hi. Good morning.

Pete Redfern: Hi Gregor.

Gregor Kuglitsch: I've got couple of questions. So just – sorry to come back to the margin. Just to be crystal clear, are you suggesting given the – where the order book is, obviously you've sold forward quite a lot as you said that in the first half your margins will be down year-on-year. Is that what you're kind of hinting at? And on a similar note, as we think about the year as a whole, I appreciate the pricing variable is obviously too early to call and still very early. But if you have a similar situation as last year where pricing is flat, are you suggesting you'd be down? So in other words you need some price increases to hold the line on margin just to sort of get a sense where you are starting.

Pete Redfern: Yeah, so I think on the first one in the first half, I think, yes, that is what we're saying that actually – and it's not so much about selling forward, although that obviously means we know what the price is more or less. But because we have the cost inflation in 2019, in those first half numbers and we know more or less what the price is, then yes, I think we are saying that the margin would be down year-on-year. I think for the full year, what we – if again same sort of answer to way, we got cost inflation that came through last year which isn't fully annualised. We've got cost inflation that we expect albeit significantly reduced in 2020 but are obviously not a full year impact.

And so if you saw nothing on price, then we can offset some of that by our actions. But then yes, you would expect to see margins down. I think mathematically that's absolutely right.

Gregor Kuglitsch: Okay. And if you can —

Pete Redfern: But I think there is a lot – but I think there is an awful lot of potential that the second half margin actually is up sort of certainly on the first half but also up year-on-year.

Gregor Kuglitsch: Okay, that's clear. Thank you. And then if you could just give us sort of anecdotally what you've procured on sort of the major costs, I don't know, thinking bricks, blocks, tiles, and then perhaps some of the key labour items. I mean, just to give you – give us a little bit of a sense, I don't know, if you kind of at this point securing new six, nine months contracts or whatever, how the inflation rates have trended in some of the items?

Pete Redfern: Yeah. So I would say – and I'm not going to get into specifics, you know, sort of, but overall I would say we've obviously been generally talking about a cost inflation environment of sort of, 3-4% through the last three or four years which then picked up to 4-

5% last year and then, you know, sort of, softened again a bit during the course of the year and ended at about 4.5%. I think if I were to give that same number today, you're probably about 3%. So, you're at the – and when I've said at normal, we're at the low end of what we've seen as normal on cost, and I'd say there's probably a bit of upside against that, I'm probably being slightly cautious on how I'm reporting what's happening because I think on materials it's more like 1-2 and on wages, it's more like 2-3 right now, and 3% may be a little bit lower.

Gregor Kuglitsch: Okay, thank you. That's really helpful.

Operator: Thank you. The next question comes from the line of Charlie Campbell. Please ask your question.

Charlie Campbell (Liberum Capital): A couple of questions from me if I can? So, the first question was just, kind of, just trying to square the order book with the comments on the weighting for the year. Is that because there's quite a lot of maybe affordable in there that comes through in the second half? Is that's what's there? Or is the comment really that actually the year is just less second-half-weighted than last year, but still second-half-weighted? Just to sort of, clarify that.

And then secondly, I know you said at the beginning and it is early days, but I suppose just really curious about some of the sort of, leading indicators i.e. you know, thinking about things like, you know, website traffic, visitors on the ground or enquiries. Just any sort of, quantum you can give us on how that's moved I suppose, in the month since the election.

Pete Redfern: Yes, so on the order book there is a higher proportion of affordable in the order book at the end of this year, but that's not the sort of, main reason for the growth. So, I think the private order book is up 12%, so, you know, sort of, the affordable order book is up a bit more but both are up materially and so yes, that does that means you can't mathematically take the order book and proportionally work it through but there is still mid-growth but we have to – we are sold slightly further ahead. You know, we have to build those homes and build them properly so it's about matching the build and the sales, and I think – I said I would touch on it and then I didn't to what – when you can be selling too far ahead and particularly from a customer service point of view. We were one of the first to say, look, you know, if we sell too far ahead then we create more uncertainty for our customers if we're not careful and more likelihood the dates will shift. I think what we felt during the course of last year, that having invested heavily in build process and quality we are far more confident that we can execute our build programmes to our original plan.

Our outlet openings are really good outlet openings. Now that may sound like a trite comment, but it means when we open, we know what we're going to do. We have all the information and the plan is up and running. It feels far more controlled.

Charlie Campbell: Yes.

Pete Redfern: So that gives us the confidence there from a service point of view. Of course, you always have a sort of – a price versus risk dynamic in that and if prices were increasing by 6 or 7% a year then it becomes a meaningful trade-off. If say this year, prices increase by 2% the impact of selling ahead an extra two months is academic, if you see what I mean?

Charlie Campbell: Yes.

Pete Redfern: So, although, you know, at this point in time when we've had a year last year where prices were under pressure and a year where we hoped they'd be better, you kind of think well, maybe the balance isn't quite right. Actually, generally, I think a longer order book gives you the confidence to sell well both on price and from a customer service point of view. So I don't think we're losing out a lot from that, but I wouldn't want to see if get much – much bigger.

Charlie Campbell: Yes.

Pete Redfern: So, I think the balance is about right, but sorry I missed the other part of the question.

Chris Carney: It's lead indicators, so -

Pete Redfern: Yes. Sorry, lead indicators, yes. Yes, I think generally positive but not big swings, but you'd never see big swings in visitors and website enquiries and things in December. So – and actually lead indicators were all very good through 2019. So they all look positive, but they haven't not looked positive. It's just that what we are seeing is people coming through the door. The conversation we have is more confident and I think I would expect over the course of the next couple of months cancellation rates to be a little bit lower, which makes a bit of a difference to net sales rates. I would so, all of those things are there but I think it would be wrong to say suddenly a switch has turned onactually last year it wasn't bad but actually just trying to grind out price was tough. I think, you know, that environment feels better, and we can see that from our early conversations but it is really, really early.

Charlie Campbell: Yes. Yes, yes. You can't blame me for trying but yes, thank you very much. No, good luck with the year to come, yes. Thank you.

Pete Redfern: No, thank you.

Operator: Thank you. The next question comes from the line of Jon Bell. Please ask your question.

Jon Bell (Deutsche Bank): Good morning Pete, Chris, Debbie. Three I think I've got. The first one is on customer satisfaction. I think the last time you updated us it was seeming quite likely you'd drop down to four star, albeit a cigarette paper below five star. I'm just keen for your updated thoughts on that. Second one was on London. I wonder whether you could just update us at Postmark on sales rates and prices. And then the third one finally on help-to-buy regional price caps. There was some discussion some time ago about some lobbying, maybe to iron out some regional inconsistencies. Is that still going on? Any traction? Anything like that? Thank you.

Pete Redfern: Yes, on customer satisfaction I think no change. Unfortunately, on the year ending in October 2019 I think we will be at 89.4 or 5. So just under the 5-star rating. Yes, that's partly a signalling thing that is frustrating but, you know, I think that's highly likely. We have about 500 completions in the new customer care year, so we've still not got the full set of results for last year. It's just the way the timing works of the 500 of new, and they're at 5-star and you know, the trend, as I've said before, has been at five star but I think unfortunately, we will have dipped below that sort of level. I'll – I don't know if Chris has got post – up to date Postmark data. He tends to, so I'll let him -

Chris Carney: Yes, so we sold 83 units at postmark in 2019, and that makes a sales rate I think of 1.92 since we opened there, so that's pretty pleasing.

Pete Redfern: And I think on regional price caps you may remember me saying before, we specifically have been – have not lobbied on regional price caps and I have a view with how we deal with government that when they know what they are trying to do and they do and what they do makes sense to what they're trying to achieve, then lobbying to change it isn't particularly effective and helpful for a long-term relationship.

I think the price caps – look anomalous if you look at it from a developer's point of view, from a government point of view what they're trying to do is steer towards certain parts of the market and you know, therefore – and therefore they are conscious regionally, so we have not lobbied for that. I'm aware that a conversation happened, as far as I know that conversation has sort of, fizzled out and there isn't – there isn't a change, but I haven't argued for one because I think what they are doing is reasonable and it's up to us to manage it.

I think what will be interesting – and it's the one bit where although you know I have a long-term view that we should be finding a way out of help-to-buy, I do think having a kind of, much smaller in terms of the volume of customers that it can affect, but a bridging piece of help-to-buy post-2023. I think as we get closer, I think that will be an interesting conversation with government, and I – I mean, so – maybe it's means tested and it's focused on customers who are not just first-time buyers but really marginal first-time buyers and you know, sort of, it's a bridge between affordable housing and private housing, but at maybe 10-15% of the volume of help-to-buy, not 50 or 60. That, I think – that I would be happy to sort of, lobby for, because I think that would be long-term sustainable and healthy from a market point of view as a bridge.

Jon Bell: Very good, thank you.

Operator: Thank you. The next question comes from the line of Sam Cullen. Please ask your question.

Sam Cullen (Berenberg): Yes, morning everyone. Just one left really from me. Just kind of, following on from Will's question on outlets really. I guess if you do see a – I take your point that it's two weeks into the year. If you do see a volume recovery across the whole market as we move through January, February, March, how quickly can you guys respond to that? I take your point that you want to take price over volume, but at some point, clearly if the market does recover more rapidly, you'd want to take volume also. Yes, how quickly can you increase the outlet numbers across the group?

Pete Redfern: I think, in terms of increasing the outlet numbers in a meaningful way, we can't, and neither can anybody else. It's just if you have outlets that you are able to open in our business then you open them, if you're able to. You know, you might – there might be a delay that you consciously choose to take of a few weeks as you get the details and the information right or get your sales sort of, presence in the right place, but you don't have outlets waiting in the wings.

I can see that might be slightly different for a very London-centric developer at the moment who maybe had a few sites they've mothballed that they could then open up again, but in a more general sense, but what we can do, and what I think we are better placed than anybody else to do, and last year to a certain extent was about testing this, is increase our capacity on individual sites, and those same large sites which can be a challenge to average out the numbers are an asset and in letting you be flexible with the market. And that's why we wanted to test the higher sales rates and what the balance was because if I look at the last five years, there's been a missed opportunity because we didn't have the control over our build, we had a step up by 20% over the course of this year and felt like we could do it properly, manage quality, manage customers, resource it, and I feel we are much better placed to be able to do that.

Now, it still takes six months for that to have an impact on completions, at least, but still, you know, we are – we can actually make that shift quite quickly and impact on half two next year and into 2021, whereas in the past, actually stepping up build on individual sites, we didn't – very nervous because it would tend to come with quality problems and real management issues. And I feel much more confident that we have the control and the production mentality to be able to get that right.

Sam Cullen: Okay. Thanks.

Operator: thank you. Dear participants, as a reminder, if you wish to ask a question, please press star and one on your telephone keypad and wait for your name to be announced. The next question comes from the line of Ami Galla. Please ask your question.

Ami Galla (Citi): Good morning guys. Just one question from me. On the land bank, I was wondering if you could give us a comment on the plot cost to revenue ratio at the end of the year. Were there any meaningful shifts as a result of the strategic conversions that you've seen?

And on the – on the broader land market, I hear your comments in London and the South East but on the broader land market, do you see more competition tightening the intake margins in this space?

Pete Redfern: Sorry, I might need to get you to repeat the second one. On the first one, I don't think – yeah, because we've not fully processed the account, so I don't think we can give you a specific number on plot cost to revenue ratio but I certainly don't expect it to have moved significantly over the course of 2019. And certainly, you know, generally it has remained low by a long-term historic standards and a combination of the strategic land and the overall land environment will help to continue to make it do so.

And sorry, the question on London land. I missed the question, so…

Ami Galla: My question was really on the intake margins in the broader land market. Do you see that tightening over the course of 2020 to an extent?

Pete Redfern: No, sorry I – it wasn't about London at all, was it. No, I don't particularly expect that to tighten. I think and in a way, the earlier question about Help to Buy and risk is part of that. Whilst I think, you know, inevitably there is a more of an air of confidence in the market overall, and that includes therefore the land market, I don't think the dynamic that we've seen for the last, you know, ten years, which is what's driven that kind of higher intake margin, lower plot cost to revenue, I don't think that's changed. You know – and I don't think it's about to change. You know,– and it – in the same way, I don't suddenly think that with the general election results somebody turned a switch on the market. I think that is true on land as well. It is a more positive environment. But actually, I think it works – it might actually help us on intake margins particularly in London because as we've touched on before actually there is a level below which land sellers won't go, there's a level in London where alternative use starts to kick in over residential and that's made buying land at reasonable margins very difficult in Central London for a little while and so actually seeing a more positive market environment will actually help that because it will, I think, sort of help residential compared to certain other land uses and it will kind of help the maths on site. So I don't – I'm –that's not me flagging the margins will go up materially on purchases but I don't see that we've sensed there's an area where there's a meaningful sort of extra degree of pressure.

Ami Galla: Thank you.

Operator: This concludes our question and answer session for today. I will now handover back to Pete Redfern for the closing remarks. Thank you.

Pete Redfern: Thank you and thank you everybody. Not – not many extra remarks closing. Looking forward to seeing you at the prelims when we will be updating you on, you know, really the key first two months of trading. Thank you very much.

[END OF TRANSCRIPT]