Trading Update

Thursday, 14 January 2021

Trading Overview

Pete Redfern and Chris Carney

Chief Executive and Group Finance Director, Taylor Wimpey Plc

Thanks very much and thanks everybody for joining us. I think we see this as a fairly straightforward, very much a trading update call rather than anything deeper. Obviously, we gave you a very full run-through in November and moved, kind of, guidance and expectations for 2020 and 2021 materially. This is more of a reassuring that's all in line and I'm very happy to talk about how we see current trading and the current market and our views for this year in terms of the market, but I don't think there's any dramatic new news.

But, I think, overall, we feel very positive about how the last couple of months since that trading update have gone and very much the plan that we set out on cost savings and how we wanted to run the business and investment in land have continued to follow the track that we set out there and we see good evidence of the execution of those things, and I think particularly, the land will continue to jump out at you which I will come back to.

First of all, running over the 2020 numbers, I think, very much solidly in line with what we set out. Sales prices, probably, will be the number that surprises you the most and I will come back to that as we look forward but up around 6%. The biggest part of that is around mix, but we did continue to push price through the second half of the year and that 6% is after offsetting the care worker discount, 5% on those plots but a cost of about £20 million on revenue next year. So, even with that, we still see a meaningful improvement in price.

Construction activity remained, sort of, very much in line with what we set out in November, pretty much at normal levels through to the year-end and beyond and, again, I'll talk about that a bit more when I talk about 2021 but no, sort of, material change. We still see, sort of, friction at a site level in terms of making it more difficult for our guys to manage but not enough to impact on the level of construction that we saw through to the end of the year or that we expect and, I think particularly, reassuring that our WIP levels, particularly as we look at vertical WIP, driving completions for early 2021, ended the year in a good place, I'd say, probably, slightly ahead of what we would normally expect rather than behind and, I think our tactics have been slightly different to others in terms of focusing on ability to move the business forward through 2021 and beyond and, actually, pushing our guys to do the right build last year rather than maximise the last completions last year; I think, leaves us in a good place.

You can see in the stats, that Help to Buy 2 which for us we were able to use in a formal reservation way only from about 15 of December, helped the post-November sales rate to about 0.92 so, ahead of the year to date and ahead of the rest of the second half.

I think, if you stand back from that, because, obviously, you know, we said to you in November that we felt sales rates were slightly depressed because we didn't have Help to Buy and, in effect, through the previous few weeks that catch up could risk exaggerating it. If you smooth that out over the period, I think, we saw a very solid but relatively normal sales rate through that period. And I think as we go into 2021, I would still say that construction slightly lags where our order book is overall as we still catch up from second quarter but not by a lot. So we expect a more normalised performance as we go through this year. Availability is not quite normal, but it's getting there and so we have a relatively clean entry, I think, into 2021, in terms of those stats.

And we were pleased that the outlet numbers remain stable. Obviously, with the slow down in activity and slow down in some areas in planning activity risk, the new outlet openings would have been affected in the final quarter but, again, because our focus was very much on the forward position in the medium-term, I think, we devoted more time and effort to getting outlet numbers open through late 2020 and to create that stability. Still see that 2021 might see a small dip and then start to grow materially as we set out in November but probably slightly less of a risk than we saw a couple of months ago.

And as I say land purchases continued at a high level post the November trading update. To give you, a context, £1.3 billion of new land approvals equates to a normal year's land purchase plus the £500 million capital raise, all committed in roughly a seven-month period and all that returns and margins that very much sit in or slightly above our longer-term guidance for financial performance. So, very pleased with that and very pleased with the breadth and mix of those sites with, as we said before, more smaller sites but still a decent number of strategic sites coming through.

I think our take on that hasn't changed. We expect land purchases through the next year to remain positive but more like normal levels. We don't expect to run at that kind of run rate into 2021 but it also isn't the case of we make those additional purchases and then sit back and see them slide backwards; we expect to continue to drive normal levels of land purchase through this year broadly. Obviously, we'll be opportunity-led, but that's our broad expectation.

If I then look at 2021 and beyond and I've, obviously, touched on a couple of leads into this year in that, historical run-through. I think, it's been a good start to the year. It's clearly, a different mood out there with the third shut down and, you know, more concern over this wave of the pandemic certainly than the November shut down. But from a construction point of view, government guidance is clear. I think, there was a point a week or so ago, where there was a risk that the housing market was more – you know, became more restricted. I think that risk has reduced over the last few days. We've had fairly clear guidance both publicly and privately from government that they expect construction activity to continue.

Where there is a little bit of risk is that some of the sales processes may become restrictive, but I don't think that risk is high and with the strength of the order book and the level of capacity we now have doing most of the process remotely, I think we see that risk as being relatively low. And we haven't seen, interestingly any real impact of that on customer demand we came into the year clearly, with people being in a more cautious mindset about the pandemic but in January we had our third best day ever of website interest, and the level of activity and interest across all of our forward indicators has remained at good levels. You know, it's one week, so I wouldn't want to pretend this is a statistical piece of analysis but our sales rate for the first week of the year was well above last year. We continue to see Help to Buy 2 sales probably running at a higher than normal level as a bit of catch-up being part of that. But just ordinary sales also remain solid. And we're not seeing a big sea change in the confidence or approach of our customers.

We are going slightly above and beyond the government guidance from a safety point of view on things like sales. You know, we are operating an appointment system in our sales offices, but we're trying to make sure that our people can work from home if they don't have appointments and to make sure that there are some restrictions around the appointment; the number of people from one family that attend those sorts of things to fit into the spirit of the guidance as well as the detail. But you know, both on construction and on sales, what we are seeing at the moment through this third shutdown is that we can manage it without material additional cost or change and as I say, more challenging for our people to manage but not any fundamental difference and not something that sort of, affects our guidance and not something as things stand at the moment that we expect to.

As I said, we entered the year; with WIP in a good position. We expect a stronger first quarter as we catch up what would have been our fourth quarter of 2020 completions and with the strength of the order book, you know, and you know we run with an order book that tends to be longer than the sector so to be a good 10% plus ahead of that puts us in a strong place. It continues to give us the opportunity to push price which we expect to do and not going to give you a big update on that today but we'll – yeah, I would expect us to come back in February and give you a clear picture of what price movements we've seen and how we see that impacting as we move forward.

On costs, I think it's been a pleasant surprise, but overall that remains benign. I think, the strength of the market and, obviously, the Brexit risk, there was some risk that we would start to see cost inflation coming back in towards the end of the year. Probably, the one area where we see material cost inflation is timber which you'll understand as a more international, rather than a UK housebuilding, sort of, thing but we are seeing some offset. So actually, our view of cost remains running below the level that we've seen over the last few years. Not zero but – at a slightly lower level. So, that balance of price and cost feels healthy. Certainly, feel that they're offsetting each other and that there's a bit of upside as we go through this year, but a bit early to build that into our guidance and we'll come back and talk about that in a bit more detail, I think, in February.

And, I think overall as we look at this year, we continue to see this as a year where, clearly, we can show significant improvement from last year but actually more importantly, if we look at it from a long-term value, that we can show real improvement in some of the underlying metrics and give real confidence and how we can then build both volumes and margins as we go into 2022, 2023, 2024.

I'm still of the view that the volume growth piece will come as outlets open. Outlets should open in 2022, but the volume uplift of that comes largely in 2023, 2024 but we should be able to show you improving margin dynamics sort of, over the next 12, 18 and 24 months.

I'm going to stop there. I think that's the key headlines. Really would like to focus the questions and the discussions around the fact that this is a trading update. Happy to talk about our views of the market but February is a better time to talk about longer-term, longer forward-looking metrics.

Chris, anything I've missed? I'm conscious I didn't cover lots of numerical data though very happy if you want to give a bit more on guidance and on cash position sits, etc., etc.

Chris Carney: No, I think, that's all in the statement, Pete, so happy to move on to questions.

Pete Redfern: Great. So Melanie, if we can open up for questions, please.

Q&A

Operator: Yes, thank you, Sir, and if you wish to ask a question over the phone, please press star one on your telephone and please wait for your name to be announced. If you wish to cancel your request, you may press the hash key. And your first question comes from the line of Aynsley Lammin from Canaccord your line is now open.

Aynsley Lammin (Canaccord): Thanks, morning. There, just two questions from me, really. Maybe, Pete, if you could give a bit more colour on the land market? It seems as though you've, kind of, gone out there quite aggressively, obviously, buying land. Is your view now that, you know, any bargains that may have been there are kind of less opportunity in 21, it's more of normalised market, but kind of still meeting your hurdle rates? So just your view really, on the land market and the outlook.

And then, secondly, the forward sales position, which I think is 50% forward sold for product completions this year. Just could you remind us how that compares to a kind of, more normal year and is that higher forward sales a reflection of you de-risking this year a bit or is it just, kind of, you know, delays rolling over into 21 in terms of build? Thanks.

Pete Redfern: Yeah, so I think on the land market, normalising but not yet normal. So, you know, we do still see some extra opportunities. It does vary hugely on the size of the site, the nature of site, the local area, you know. Whatever thus, but I'd say that variation is probably bigger than usual you've seen land sellers broadly return to the market, and you do see a little bit of a drive from some nervousness about future capital gains that is bringing some land to market which is a newer dynamic back end of last year, early this year.

But I would not say we're now in a massively unusual market. I'd say it's getting closer to normal. There are still some players who are not in the market, there are some who are. And you can see from our public competitors, obviously, that, you know, others have been – have taken a different view through that and a different timing through that, time and execution will tell which of those approaches paid off. But you can see from their statements very clearly that, you know, we were more active than others from very early in the year.

So, it's not been normal – it's not quite normal there, but it's close and, I think if I put it in margin terms, we were buying land at about 21% operating margin but with a heavy mix of strategic land within that. You know, through this period, we've been buying land at more like 22, 22.5; so above but not massively above but with a lot more short-term, smaller purchases in there and so it's really hard to totally benchmark that because you've got a different mix, but you can see in the stats in the mix and you can see from some of the data we quoted, and we'll quote in more detail in February. Yeah, the mix of sites is different. We'd have had to pay more for those sites in other conditions but is it a fire sale land market?

No. But is it better than usual, is there opportunity to do more deals in the short-term market with more smaller sites, that underpin that medium-term performance? Absolutely. So, it's shades of grey.

In terms of forward sales, I mean, the forward sales were above 50%, we're always nervous about quoting an absolute percentage because it feels like a formal forecast of volume and if we give you the order book and an absolute percentage, but they are a bit above 50%. Normal is more like 35, 36 and what's driving that?

It is more weighted towards the business rebalancing as construction has been catching up with sales, you know? It's a bit that our order book at the end of the year continued to perform better than we expected so, both outlet numbers and the year-end order book are slightly above our forecast from a couple of months earlier.

You know, I don't think it's really driven by caution but it's still the case that although construction is – you know, activity is looking pretty normal in terms of the rate on-site, I do think it would be brave to think that we could suddenly accelerate production, maintain the COVID guidance, keep build quality and costs in line and catch up with sales rates. So, I do think the construction activity will continue to be the limiting factor but, again, as we said before, that gives us the opportunity to just focus a bit more on price, focus a bit more on efficiency and that's not a bad place to be, given our objectives around margin recovery leading volume growth.

Aynsley Lammin: All very clear. Thank you very much.

Pete Redfern: No worries.

Operator: Thank you. And your next question comes from the line of Gavin Jago of Barclays. Your line is now open.

Gavin Jago (Barclays): Yeah, good morning, everyone. Thanks for taking my questions. Just a few, if I could? The first one's just to revisit your comments on build cost, Pete. Obviously one of your peers yesterday talking about build cost this year probably being up a few percentage points. I think – I just wondered – so I'm interested where you think it could be in terms of the mix between labour and materials this year.

The second one's, I guess, a revisit on one of the questions back in November and obviously your pipeline forward order book and delivery for Q1, and I guess, the risks around construction and meeting, I guess, for your customers who've got Stamp Duty savings to come towards them by the end March. And the final one was just an estimate of any change in mix between private and affordable, just given where that forward order book is for FY21. Thank you.

Pete Redfern: Yeah. So, on build cost, we haven't given a numerical number at this point, partly because the movements are so small that, actually, it'd be quite hard to pin it down and that's broadly true on both materials and labour.

Gavin Jago: Yes.

Pete Redfern: As I say on the material side, we are seeing pressure on timber, specifically. A bit of pressure on other things but offset by you know some savings elsewhere on materials and I do think, we've been very clear and very open; we fully acknowledge that through you know, particularly, early 2019, we saw more cost inflation than some of our peers actually Jennie has refocused our central procurement team and we're seeing some good efficiencies come through that.

You know, it's not – so I think, we probably have a slightly different set of things that we can go for and that's probably helping us a little so I don't know which peer you're talking about who gave you numbers yesterday but I would be below 3 to 3.5 at the moment but we are consciously waiting until February to be able to give you a slightly, sort of, clearer numerical guidance but it feels a bit more benign than that but as I say we've probably got a bit of catch up in there, relative to peers as well as, you know, seeing a broadly stable environment. And sort of similar on the labour side we're not seeing big pressure but as ever, you know, it's very much you'll see some pressure in one regional area or one particularly trade because of availability but you get some savings elsewhere.

We expect to see cost inflation this year, but it's not huge and, against the price dynamic we see, I think, our underlying guidance selling price inflation offsetting cost inflation feels secure with a bit of upside but a bit too early to put a number on it.

Gavin Jago: Sure, okay, thank you.

Pete Redfern: Sorry, and pipeline for Q1, I think the point, as I say, a week, sort of ten days ago, where it did feel there was pressure on the government to constraint construction activity, build activity then clearly, that would have an impact on our ability to deliver Q1 plots, you know? If you have to close sites for a period, then so, there's not a lot of safety factor in there.

That risk largely feels like it's reduced so in the environment we see at the moment with, as I say some friction with some tighter rules with making sure our own rules are applied really closely and we've gone back, probably, three or four times, you know over the course of the last seven months and really reinforced the rules to makes sure they're genuinely operated on each site. I don't think that that creates a risk against quarter one delivery. You know there will be a small number of plots; there always are in the mix but overall, in terms of delivering to those customers within that timeframe I think, it's within our capacity.

We feel in a good place with where work in progress is and I go back to we – you know, we managed to build recovery carefully and we set out an objective we knew our people could meet and we, kind of, increased that steadily as we saw performance match it through last year. So, I think, we finished the year in a good place with our sites, sort of, feeling like they delivered the right completions last year and that they were set up right for the first quarter of this year and, I think what I'm about to say is probably a given but it is important. You know, we expect our business to be much smoother during 2021 than it's been for a long time.

Now obviously, how last year went has enabled us to make more progress on that than we would otherwise have expected. So, the risk through the year on construction delivery is lower than normal and so that enables us to absorb some of that sort of, friction around build that we're seeing without, sort of, having to either change our forecast or see material risk to delivery on timing for customers.

And then the final question on affordable private mix. I think I'm right in saying Chris that the affordable mix would probably be down a bit this year but that's just to do with the contractual delivery and timing and how the different phases of sales and production have worked through the pandemic. I think our underlying level of affordable housing through the next two, three, four years is – you know, 2019 is probably a better measure of mix there than 2020, 2021, will be. I think, that's fair, isn't it, Chris, in terms of 2021?

Chris Carney: Yeah, I mean, the affordable mix as you know tends to vary around the midpoint of about 20% from year-to-year. A couple of years ago, it was at 23%. In 2020, it was given the statement that it's at 20%, and as Pete says we'd expect it to be a bit lower next year, perhaps around the 18% – 17 and 18% mark in 2021.

Gavin Jago: Brilliant. That's useful. Thanks very much, gents.

Pete Redfern: No worries.

Operator: Thank you, your next question comes from the line of Brijesh Siya of HSBC. Your line is now open.

Brijesh Siya (HSBC): Thank you. I have two questions, if I may? The first one is on the pricing. If you can a give little bit flavour on what have you done since 1 January, whether you have made any size increases across the sites or any reasonable difference there? If you can elaborate more on that.

And secondly on the planning delays. I recollect in November; you were talking about, probably, you are slightly down where you were planning to be. Can you tell us where you are right now and what was your expectation to be so, whether there is a significant difference or you're, kind of, more trending towards what you thought you would be?

Pete Redfern: Yeah, so – so, in terms of selling price increase, we did not on this occasion give, as we did 12 months ago, an absolute across the board price increase, partly, because we'd seen our businesses increase prices through November, December and so they were in slightly different places and so it was appropriate to have a slightly different approach site by site.

We have seen, and the underlying instruction to our teams is, where they are sensibly forward sold to start to test and move price up and we have seen, statistically, that happen in the first week or two of the year. So, yeah, if somebody isn't then, we'll pick it up very quickly but there's not been a standing instruction on this occasion.

But the overall sense of just kind of, making positive movement on price and using the stronger forward order book remains. I'm not going to put a number on it today. We will come back in February as I say and talk about it in more detail. It's just a bit early days and, I think we feel pretty good about the strength of the underlying market this year. You can't get away from there being some risk around where this third shutdown goes and its impact on confidence. At the moment, the signs are good, but it feels a bit early to give a lead. And sorry, could you just repeat – oh yes, the second question was on the impact of planning delays on outlet openings.

I think, you know, I mean, many of you have heard me say many times we expect planning delays so we should build them into our forecast so they shouldn't generally be a big reason why we see a difference and it – I will make the same comment today I'm not talking about a slower planning as being a reason why our outlets will be down in 2021 or changing our volume forecast. They remain very robust, but I think we are seeing you know both because of the pandemic and its impact on local authorities and just their priorities and their resources; it is a grind to get through the system.

And I expect the next couple of years not to be much different from that, having more sites and having more sites in the hopper, I think is a key strength in that period and we built that into how we talked about the timing of outlet openings and the timing of how we expect volume growth to come through, but that is what we are seeing. You know, I think yeah, if we were where we were 18 months ago with less outlets coming forward, that would make me far more nervous than it does today, but I don't expect the planning environment to suddenly be easier over the next 12 or 18 months so the best way of dealing with that is to have more choices, so you are not too dependent on any one of them and again, I go back to having more sites in those choices, so a better mix of smaller and larger ones. And I think you can see that in some of our competitor's commentary and where you know, outlet numbers are likely to stand in the sector. You know, they are likely to be lower in January 2020 than they were in January 2019, and I don't think that's going to reverse overnight.

Brijesh Siya: Thank you very much.

Operator: Thank you and your next question is from the line of Sam Cullen of Peel Hunt. Your line is now open.

Sam Cullen (Peel Hunt): Yeah, morning everyone. Just one question for me, thanks. In terms of the price mix in the order book, can you talk perhaps about the prices you're seeing in the private completions including the order book and how the mix is shifted?

And then also in terms of how much of that order book is weighted towards the first quarter versus the second and third quarter perhaps and where does that fit versus the last couple of years? Would be helpful to know.

Pete Redfern: So on price mix, I mean we quote the movement on sort of private price over the year, and actually that's probably pretty reflective of what's in the order book in terms of private price. You know, and that price movement is on the private side. The affordable side tends to not move that quickly.

You know, where is that mix – the mix part of that coming from? I would say it's principally coming from the fact that as we talked about a couple of times through the last six to eight months that in the late stages of the quarter two shutdown and all the way through last year, the part of the market that relatively performed strongest – and I'm careful of my use of the word 'relative'; it's not that first-time buyers were slower, first-time buyers continued to be pretty healthy, but they've been pretty healthy through previous years.

The secondhand market moved better in late 2020 than it had done for a while, and we see that in our mix of properties and prices. So sites with larger products and larger sites with some larger products on them, we've seen just a greater volume on sales rate at healthier prices on those larger sites, and that's probably the biggest change year-on-year that the part of the market that had been slowest seem to be more affected by effectively the dynamic of people staying at home and thinking, I want to get on with my life, I want to make a move, and it did seem to create a bit more movement in that secondhand market as the upper end of the market and upper for us.

So we're talking about you know, £300,000 plus - you know in sort of Midlands and the North and £500,000 plus in the South East. So that's what's driving the mix is a similar level of first-time buyers you know sort of, and you know, particularly if you smooth out the Help to Buy impact and a higher level of other customers in the second hand move-up market. And sorry, Sam, there was a second question wasn't there?

Sam Cullen: Yeah, just the weighting of the order book in the first – that you have at the moment – first quarter versus second?

Pete Redfern: Yeah, I mean, Chris, you may have the absolute data in front of you, but I can tell you, we are sold out in the first quarter. We are heavily sold for the first half, and a lot of our sales at the moment are going into July, August and September. You know, there are some products still to sell for June, but there isn't much before June.

So from that, you can say the order book is pretty evenly spread between first and second quarter and then with a decent you know, level of sales into the second half of 2021.

Chris Carney: Yeah, I think that's right, Pete. So you know, you're probably looking at 40% to 45% of the private order book is for the first quarter on that basis.

Sam Cullen: Okay thank you, and sorry just to come back on the first question, are you saying, you're seeing more sort of fresh demand for those properties, I guess? Or is it you're seeing more effective demand because second-time buyers can actually sell their existing homes to buy one of your homes?

Pete Redfern: I'd say it's both, but the one bit that I'd pick up on is I don't think that it was that those second-time buyers couldn't sell their property. I think it's that price was the dynamic in the market of those second time buyers, taking a 1% or 2% view on price to get liquidity and move. There wasn't enough will in the second hand market to get it moving.

I don't think that – I think anybody who wanted to sell their house in 2019 at a reasonable price could have done and wouldn't have to take a big discount. But if you want to get moving and you want to sell, you've got to take a view and make a decision, and we're seeing just far more will to make that decision.

And I think you know, to a certain extent yes, there's the psychology of the lockdowns and peoples view of their houses. It's also just a pure confidence piece of you know, a housing market that's remained stable to positive through the Brexit period, through general elections, and then through the pandemic.

You know those second time buyers do tend to be more cautious in their nature than first-time buyers, and I think that's quite a lot of people who looked at and thought well if it's going to stay resilient and prices aren't going to go backwards in any circumstance, I want to get on with it. It was caution that was probably holding them back before more than the fact they couldn't sell.

Sam Cullen: Okay, thank you.

Operator: Thank you. Your next question comes from the line of Arnaud Lehmann of Bank of America. Your line is now open.

Arnaud Lehmann (Bank of America): Thank you very much. Good morning gentlemen. Just one question on my side, could you give us a bit of colour on the trend in, again, in the sales rates, now that you're able to book Help to Buy 2.0 how much of that boosted your, your sales rate in December or January?

And what would you expect now, you know in the context of the solid demand environment, but at the same time maybe a bit of a constraint on the supply side for the industry? What do you think should be normalised sales rate for 2021 assuming there's no major macro disruption?

Pete Redfern: So I think if you looked at the period pre-Help to Buy 2 coming in, the actual sales rate was in the low 0.7s. So I mean 0.72 was a reasonable indication of where it was. Then obviously we had a sort of a couple of weeks where sales rate was artificially high.

If you just sensibly smooth that out and adjusted a little bit for you know not all of the reservations would have come into the December period, some of them would come into early January. I think the sales rate last year at Help to Buy in those last sort of three months of the year, Help to Buy 2 would been there throughout, would have been something like 0.80-0.83 you know, and that's taking into account the fact that we had as we talked about several times relatively low availability, and you know, obviously, high order book, low availability go hand in glove.

So I think if I look to what we'd expect this year, it starts with a 0.8. And I think you know depending on where we are in the year availability, underlying strength will probably govern whether that's 0.80 or 0.88 or 0.89, but that's probably the range, and with the length of order book we've got the impact to us this year's completions on where we sit in that range isn't huge, just more about where the order book then lands for 2022 and beyond.

And I mean, do you think that sort of view Chris at 0.8 something for the end of last year if you'd have smoothed Help to Buy out, and that view of this year. Do you feel that's reasonable?

Chris Carney: Yeah, I mean, the intervening period between sort of our update in November and the end of the year, that sales rate then was boosted by the additional Help to Buy sales was 0.92. So obviously that was an elevated level, so I think you know, where you have got to Pete is very – very fair.

Pete Redfern: I mean, we would not want, in the ideal world our order book to be as elevated at the end of 2021 as it is at the moment. You know, it's fine where it is now because of the circumstances have driven it there, but actually, I still think the right distance to be selling out in normal circumstances, the right balance between volume and price, the right kind of forward look for customers is more like five months than it is six, six and a half.

Arnaud Lehmann: Very clear, thank you very much.

Operator: Thank you. The next question is from the line of Marcus Cole of Liberum. Your line is now open.

Marcus Cole (Liberum): Hello, good morning, both. Three questions if I may? I was just wondering if you could add a bit more colour to the land spend since the equity raise, and just in terms of what was that number last year?

And then just any colour you can sort of add to the forward indicators, any numbers you can give? And then just finally on the dividend policy, I assume it remains unchanged to the 7.5% of ordinary, of net assets that was before COVID.

Pete Redfern: Yeah, in terms of land, there's not a lot of additional colour to give at this point. I mean, I would say, a normal years land purchase would be in the order of £700 million, and you know and obviously in the order of 15,000 plots, so £1.3 billion and you know 22,000 plots you know, gives you a pretty clear indication of where that is.

It's important, and I hope we are very clear in the way that we state this. Obviously, you know because we're trying to give people a clear sense of where we're going, the number we're quoting is new land we've approved rather than what's come on the balance sheet. You know, you can see in the land bank numbers, a chunk of that started to come on to the balance sheet, but you know you'll see the land bank step up this year as those plots go through from approvals to contracts, and we were quite pleased with the pace with which those first stages post approval were running at, through late November and December. You know, we were slightly nervous that it would slow down a bit because just at the level of activity and just people taking you know, sort of a slower route through the pandemic, but we haven't seen that.

So we're seeing good traction on that coming through. But I think you know if you look at, roughly that £1.3 billion, you know set against the normal £700 million, you get a sense of the pace last year, but the impact of that on the balance sheet spread out into this year. And sorry there was a second question?

Marcus Cole: Oh, it was just – there were two actually. There was just one on sort of forward indicators. Are there any sort of numbers you can give for the initial trading in January just to give us a bit more flavour?

And then the other question was just on dividend policy, does it sort of remain unchanged and what it was before COVID?

Pete Redfern: Yeah so, I think on the dividend policy, we said, we expect to pay ordinary dividends from this year at a similar level per share for the 2019 dividend and that remains the same. We'll come back to the special dividend policy later in the year, but that doesn't signal that we're expecting to fundamentally change it, but I think it's right to set it out in the context of a post-pandemic world, but we expect there to be material special dividends and that they're likely to resume from next year.

In terms of forward indicators, it is too early to give you something numerical. I think first week, sales rates are above last year by a meaningful amount, but that's helped by Help to Buy 2; activity levels and interest such as are at good healthy levels at or above normal levels, but I'm nervous about giving you a single week's sales rate because that just sort of doesn't – I don't think that's particularly helpful.

Marcus Cole: Okay, thank you very much.

Operator: Thank you, and your next question comes from the line of Will Jones of Redburn. Your line is now open.

Will Jones (Redburn): Thanks, good morning. Three as well if I could please and I think mostly an extension of some of the points already discussed, but just going back to the land that £1.3 billion, would you be able to give us a broad feel as to how much of that you feel was on the balance sheet at the end of the year or maybe another way of answering I suppose is, if you were to say broadly replaced – going forward in 2021, do you have an idea of again the cash land spend demand on the business through this year?

Second, one was just come back on outlets. Could you give us a feel, I think you mentioned the likelihood of a slippage through 2021, I appreciate it will be a function of sales as well, but is there a number you might be willing to put on that is it seven to ten from the 240 odd?

And then did you say in the opening remarks Pete that a material lift in 2022? And if so is that the core business kind of catching up? Because I think you've guided that the new land money if you like really kicks in from 2023 on sites.

And then finally, would you be drawn at all on how you think completions may split this year between the first half and the second half because you had a strange 2020 in that regard and the big order book, and just wondering how much you might be able to book of your target by the six months stage? Thanks.

Pete Redfern: Yeah. So Chris, if I – if on the land one and how much is on the balance sheet and the cash impact, if I leave that to you I'll pick up the other three, you know and then come back to you on that one.

On outlets, it's quite possible our outlets will remain stable about the 240 level. But as I've said numerous times you know sort of it's not entirely in our gift, and the sort of range probably is ten as we go through this year and the impact of last year and slower planning kind of means new starts were a bit slower, so the range is – it dips a bit.

But as we said in November, we expect it to dip a little and then more or less end the year in the same sort of level that we're at, at the moment. In terms of material lift in 2022, and you know I'll be very careful and precise in my wording. What I'm saying is that we should see in the late 2022, the first of the outlets from new land purchase that have an impact over and above the core business starting to come on and that's when we should start to see outlets begin to increase.

Where we talked about the impact on the business, I'm talking particularly about then completions impacting on 2023/2024. You know so we should be selling from some of those new sites in the second half of last year, but the material impact on completions in 2023/2024. And that hasn't changed from the dialogue we have with investors back in you know, May/June, you know that that's where the impact on completion has come through.

But you know, we do recognise that it's really important to be able to show you the forward indicators, so whilst we don't necessarily split because you know, at the end of the day for one of our businesses it's – you know, there's no distinction between the land that was bought from the capital raise and the land that we would have bought anyway. You can you see that we have secured more sites, but would be artificial for us to run the businesses as if they were different. You know, the aim is to get the value of the time out all of them, but we will you know, be continuing to show you how that wave of additional land is progressing through the business through to those outlet openings and that future volume because it's our way of giving you confidence that volume growth is there.

But it's a bit arbitrary to split them as totally different sites, but yeah, outlets in the second half of 2022, completions in 2023/2024.

And Chris, if you want to pick up the land. I think on the half, one half, two completions split Will much closer to 50-50. I think sat here today, I'd still guide to slightly second-half weighted high 40s to low 50s, but much closer to 50-50 than we've been in a while, yeah.

Chris Carney: Yeah, and just on the land, Will, you know, of course, not all of that, that spend is going to be reflected on the December 2020 balance sheet because you know, some of it still to be contracted or is already contracted, but conditionally contracted, but even so you will be able to see an increase in net land in the balance sheet compared to 12 months ago.

And when I say net land, I mean, land – net of land creditors I think that was something like £2.0 billion at the end of December 2019, and I'd expect that to be around about £2.2 billion in the December balance sheet when we report that at the prelims.

Will Jones: Great, thanks a lot.

Operator: Thank you, and your next question comes from the line of Christopher Fremantle of Morgan Stanley. Your line is now open.

Christopher Fremantle (Morgan Stanley): Hi, good morning, two questions from my side. The first is on Help to Buy and Stamp Duty deadlines. I just want to understand your view on, to what extent, those deadlines have really pulled forward demand as well as you obviously satisfying the pent-up demand from the initial lockdown.

And if you can just talk about Help to Buy, what percentage of your second half volumes are Help to Buy volumes, and how does that compare to previous periods? And if possible, you can tell us what proportion of those Help to Buy volumes are the non-first-time buyers that would be helpful.

And then the second question was about margins and the focus about returning to 21%-22% operating margin. I appreciate you don't want to be too specific at this point, but is that something you aspire to achieve you know in 2021 or should we be assuming that that's a 2022 aspiration?

Pete Redfern: Yeah, I think in terms of the Help to Buy, Stamp Duty deadlines, you know, we've been of the view through the last six months that the impact of Stamp Duty was not huge and particularly if I look at economists commentary and you know press commentary, there's almost an assumption– well, I say, almost assumption – there is an assumption the Stamp Duty holiday has been the reason why the housing market has been much stronger in the second half of 2020 than everybody thinks. I just think that's wrong.

I think every bit of data that we look at in terms of actual performance and the anecdotal data of our conversations of our customers says, that it's a component, but it's not anything like the most significant component, and therefore, I am unconvinced that it has had a big impact in driving demand into a particular period. I think that's the underlying market, people's desire to move, low-interest rates, mortgage availability.

Help to Buy is much more impactful, I think, and that you know, you can see in our sales rates; it clearly has an impact on phasing you know, when one scheme runs out, and another one comes in. So you know and the biggest piece of evidence that I can give you for that view on Stamp Duty is what we said to you in November and is true in spades now that we don't see a disjoint between our sales performance on rate and price when we move from selling you know product that will complete in March 2021 to a product that we will complete in April 2021. And we try to be very, very clear with customers, on what that timing impact is likely to be like because obviously that will make customer relationship management very difficult if we tell people we can deliver a product you know they're going to benefit from that then we can't, so we've been very careful with that.

So we do not see a, price reduction in the sales we're taking in the second quarter, and we're pretty well sold through the second quarter already, and into the third quarter. So I think you know, we have clear evidence on that, that it's continued to head in the same direction.

I think you asked about the proportion of Help to Buy in the second half sales in proportion of first-time buyers. It will be lower because of the period where we didn't have Help to Buy. I haven't got the numbers because we tend to look at it on the completion basis, so we haven't got the full data yet, but I would imagine the Help to Buy sales, the reservations in the second half as we look back will be you know low 40s or even high 30s rather than high 40s.

You know will it have dipped just because of the period of under availability and the catch-up in December wasn't a complete catch-up. But I would think if we look back once Help to Buy 2 has got its full capacity, and we're looking at it on a completions basis as we look back at 2020 and 2021, it won't have dipped very much.

And so you know, your question about what proportion of first-time buyers and you know, an extension to that question, and there about what proportion would have fallen outside of the price caps. About 20%, but I still think that the underlying demand from first-time buyers within the price caps is enough that it will keep Help to Buy in that 40% ish kind of range through this year. It's an important part of the sales piece, and that's why I would play down the impact of Stamp Duty on the market in 2020 and 2021, but I wouldn't play down the importance of Help to Buy as we look forward at 2023 and what government decides to do around first-time buyers I suppose, and that I think continues to be a material debating question for the housing market.

Stamp Duty, if I'm honest, is a bit more about noise, and you know, I don't think it had a big distorting effect. Does that, you know sort of – I don't know, this is going to help our margins Chris, but does that's the overall question you're asking around Help to Buy, and it's –

Christopher Fremantle: Yeah, thank you.

Pete Redfern: –impact. Okay. I think on margins we have never said, and we will continue to say that we get back to that 21% to 22% level in 2021. You know, we won't have a fully normal level of volume; that brings a bit of inefficiency, the overhead cost savings recorded last year will impact this year, but there's still noise around the business. We're not back to normality this year. We're heading there and you know our plan and our goal is to get as close as we possibly can, but our guidance is absolutely not for that range this year and never has been.

It's not necessarily to get into that range for 2022, but I'd say that's the first year where it's feasible, but we would certainly be disappointed if 2022 didn't start with a two in terms of margin. And you know, we'll come back and give you a bit more guidance on how we expect that to progress through the next couple of years in February, and then during the course of the year because obviously, there's a lot of water to go under the bridge, we expect to see material progression this year against obviously a very weak 2020 and to be able to continue to map out that path back to that 21% to 22% margin in the short-medium-term if that makes sense?

Christopher Fremantle: Very helpful, thank you.

Operator: Thank you. The next question comes from the line of Gregor Kuglitsch of UBS. Your line is now open.

Gregor Kuglitsch (UBS): Hi, good morning, thanks for taking my questions, and I hope you're doing well. Maybe on ASP if I may? So obviously, your private ASP was quite high, I think relative to history and you kind of flag mix. But I guess the question that I have is, it sounds like as if this year, there is not going to be much change in that regard, correct me if I'm wrong, but as we think about sort of medium-term and looking at the land that you're buying, how do you think the mix – is there a mix unwind I guess we should be thinking about? Or putting the question differently if you printed nearly £290k of ASP, how does that compare to your land bank ASP as you kind of stand here today maybe factoring in you know, as well the land acquisitions that obviously aren't necessarily in the land bank yet? That's question one.

Question two is on volumes. I think previously, you sort of said 85-90% for this year if we take 2019 as a benchmark for this year, right? And then can you just remind us how you map that into 2022 and beyond? Do you think in 2022 you can really match the 2019 level? I appreciate the new sites only contribute later; I get that, but those were I think incremental. So if you just maybe map out for us the volume path as well as you see it today. I'll leave it there. I had one other question, but those are the two main questions, yeah.

Pete Redfern: Yeah, so Gregor, I'm going to sort of go through those questions, and I'm happy to answer them. But we're starting to stray into things that I think are better talked about in February, so I'll cover those. Probably you know as people if people want to expand on those, I'm probably going to kick them back and so we'll come back to you in a couple of months.

I think on the average selling price unwind, no, we don't expect a material average selling price unwind you know. I think you know, whilst there was an improvement in mix through this year was that those higher-priced properties started to get we start to see more traction. I see that as more of a normalisation to what we would ordinarily expect it having been held back rather than a sort of – a totally temporary thing.

Now you know, there's a bit of a judgement in that. It's hard to know how the strength of these different parts of the market will behave. But if you look at our land bank, I don't think our average selling price in our land bank at the end of 2020 is fundamentally different to the average selling price on completions delivered in 2020.

So you know, it will vary a bit from period-to-period depending on the exact mix, but I don't think it's still we're guiding you to it, going backwards. And of course, that's helped a bit by some of that is in inflationary shift. It's not the biggest component, but it is in there, so there's that in there as well.

In terms of volume unwind, yes, we've guided you to 85% to 90%. We're not changing that; we feel increasingly more confident about that. We haven't got formal guidance for 2022, but I think we would say 2019 is a good place to start, but probably slightly below 2019 rather than slightly above if we had to cut it today, but not a long way off.

And then as you say sort of starting to see that volume growth past 2019 and 2023 and 2024, but I wouldn't want to be drawn on anything more numerical than at this stage. And you know, by the end of this year, I think we'll be mapping out for you, as those outlets flow through, a fairly clear trajectory on both margin and on volume, but I think at this point we've given you, I think, pretty clear guidance about the overall direction and given the amount uncertainty and change going on, that feels like a pretty fair place to give you in terms of sort of planning certainty.

Gregor Kuglitsch: Thank you, and then maybe just on the Help to Buy side, so I think if I look back, your completion mix was on private historically, I don't know maybe, I think in 2019 was like 45%. With the new scheme, what do you think is realistic? Like half that level or more or less?

Pete Redfern: No, no, definitely significantly more than half. You know sort of, and you know against 45-40, you know sort of, it's a bit less, but it's not massively less I don't think, you know? You'll see –

Gregor Kuglitsch: Yeah.

Pete Redfern: – every – every developer will have regions where they're very unaffected by the price caps and regions where they've got a couple of sites that have products just over the price caps and the effective grade the overall, as we look nationally I don't see it having a dramatic impact, you know? There continues to be good demand for it within the price caps and with the first-time buyer limitation.

Gregor Kuglitsch: Okay. That's really clear. Thanks a lot.

Pete Redfern: No worries.

Operator: Thank you. The last question comes from the line of Ami Galla of Citigroup. Your line is now open.

Ami Galla (Citigroup): Yeah. Good morning, guys. Just one question from –

Pete Redfern: Hi.

Ami Galla: I was wondering if you could give us some colour on the demand trends that you're seeing in the London market and how is planning really progressing in that market?

Pete Redfern: Yeah. I mean, I think on the demand side it's been probably encouragingly and probably mildly surprisingly, resilient, you know? So I know people talk a lot about an exodus from London. I think if – if you're looking at the rental market you've clearly got less people moving into London obviously because the rental market is shorter term, but I think most people's sort house-buying decisions are longer-term than that. And so, we haven't seen a material drop-off in demand in London relative to the rest of the country.

And I think on the planning side though, we continue to see a reasonably challenging environment with the interplay between national government strategy and the mayor's strategy. So we continue to see, particularly for Central London a more challenged planning environment than – than elsewhere than historically. And as we said in November, we've – we've shifted our focus in London. We don't expect to be adding in new sites to what would be our – historically our Central London business, but we still remain committed to London, and we have bought sites in London and in the immediate surrounding areas. So it – it is slightly different to the picture elsewhere, but I think, particularly, if you look at demand it remains sort of reasonably robust.

Ami Galla: Thank you.

Operator: Thank you. 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. And thank you for questions and thank you for – for keeping them sort of largely pretty tightly around the trading update. You know we're looking forward to February and sort of talking a bit more forward-looking, a bit longer-term. But you know, we sit here at the beginning of 2021 and feel good about where the business is, you know.

Sort of I think 2020 gave us the chance to adjust some things on costs to make a big step forward in land purchase and having not driven for the absolute maximum construction completions at the end of the year, WIP – and the forward-looking sort of part of the business it feels in a healthy place. Clearly, some broader uncertainty, but I think we – we still sit pretty strongly within that. So look forward to catching up properly in a couple of months' time. Thanks very much.

[END OF TRANSCRIPT]