Taylor Wimpey plc

Trading Update

Thursday, 11 November 2021

Overview

Pete Redfern

Chief Executive, Taylor Wimpey Plc

Morning everybody, thanks for joining us. I think this is a very straightforward statement overall, and seeing the reaction from your notes this morning, it feels like you agree. So I will probably keep my comments a little bit shorter than usual, but run through the key areas as ever.

First of all, just talking about the current market. I do not think it will surprise you, you see it in all the stats that you see and others' commentary, that the underlying market has continued to perform well. And I would reinforce the comments that we made at the half year, across all geographies in all product areas, underlying demand is good, prices have continued to slowly grow since the half year. And we will come back to that when we talk about cost in terms of the net impact.

We are continuing to see post-stamp duty holiday, post immediate post lockdown return to market, continuing to see strong underlying demand and good forward indicators on pretty much all measures across all geographies. And I think whilst we have slightly taken it for granted over recent months, I think it is important to remind ourselves of that, it remains good and the forward-look remains good.

I also think it is worth touching on, because we have to keep an eye on the longer term future on interest rates and Help to Buy, I think the experience over the last year or so, has made me certainly slightly more relaxed about the Help to Buy exit next year. The fact that we are out of it in Scotland, the fact that we have a Deposit Unlock scheme, which cannot be tested properly until Help to Buy is not there, but gives an important tool for customers who really, really, really needed Help to Buy. And we have continued our level of dependence on Help to Buy at a much lower level this year, for various reasons to do with timing and the pandemic and underlying demand and improvement in the second-hand market. But all of those have given us continued confidence in the underlying resilience of the market.

And I think it is also worth touching on interest rates. We were not biting our nails, as we saw the MPC's decision last week, but I think the forward signal about how far rates might go up is far more important to us, than whether we see a rate rise in December or January and February. It is about where they end up, and I think we look at that, and feel that the sort of range that most commentators are expecting at the moment is something that can be absorbed by the strength of the current housing market rather than seeing it as a big risk.

Those are the two areas I do think we still need to continue to keep a watching brief on, so I think it is important to have those in mind, but, that is, as I say, against the context of current demand being very resilient.

Now, just touching on land, planning, outlets, I think again, talked about by many others over recent weeks. And we said at the half year, we had seen a more competitive land market that had grown up late in the first quarter and through the second quarter. I think that has continued. It makes us particularly pleased with the early investments that we had made last year in the good pipeline of land. And you can still see that coming through onto the balance sheet as the land bank numbers have ticked up again in this period, and we believe will continue to tick up over the next six or nine months and absorb some of the excess cash that we still hold.

I think it has also been well publicised that planning has been more challenging, but we are pleased with that pipeline coming through. The number of outlet openings that we have made in the period has been bang-on our expectations.

Our outlets have continued to remain below normal levels because of the pace of closing. And a number that we have not put in the statement, but I think gives you a sense, we have somewhere in the mid-60s of outlets that are sold out and therefore not counted as outlets, but will continue to deliver completions in the balance of this year and through to the half year next year. And with the higher sales rates which have remained above normal levels, given the state of the market, that level is quite a long way above normal, which artificially suppresses outlet numbers today, but is important in understanding volume dynamics to get a sense of that.

But, overall, we are very pleased with the way our teams are handling a more challenging planning environment and, as I say, pleased with the early investments that we have made that I think give us more choices than most.

Touching on build costs and particularly the key area of material availability. The challenge remains in materials rather than labour, which I think is important to understand. But, as you can see in the statement, and again, I do not think it will entirely surprise you, we have seen both the pressure on material costs and the availability of materials ease slightly over the course of the last few weeks. It varies a lot from material to material. The one I would call out that has probably eased the most in both price and availability is timber, which really comes down to worldwide commodity supply-demand balance and cost.

I think the other big dynamic we see is that our own teams and the supply chain as a whole has got better during the course of the last six months in dealing with those challenges. So it is not that they necessarily massively changed at the front end, but they have adapted. Our teams have gotten used to it. They have gotten used to longer lead times, and so the level of pressure is less and they are managing it well. And as you can see from the overall message in the statement, that we are reiterating our guidance for this year. We expect to deliver towards the top end of the range of volumes that we set out – 13,200–14,000 at the half year. Nothing has changed. Our teams are having to work hard under the surface and are doing a good job in getting there, but I think overall we feel that it is being managed well.

I said I would come back to selling prices. In the context of costs, we would continue to say that the improvement we have seen on selling price over the last 12 months, relative to the additional cost, is giving us a slight tailwind rather a slight headwind, so we are getting a little bit more from selling price than we are on cost. We were cautious at the half year because you could have created a scenario where selling prices would flatten and costs would continue to rise; the first of those has not happened, the second has. However, overall, that same dynamic is a slight help rather than a slight hindrance overall.

I think overall a very straightforward statement reiterating where we are for this year and the key drivers for next year and beyond. There is plenty going on out there. As I say, it is hard work for our teams, but they are doing a very good job of delivering the business plan that we have set out.

Chris, anything that I have missed that I should have covered?

Chris Carney: No, nothing to add Pete.

Q&A

Brijesh Kumar Siya (HSBC): Thank you and good morning Pete and Chris. I have two questions, the first one is on labour. Your comments on build cost are helpful, but when the supply chain situation improves, how does the labour availability play? Do you see if there is any risk coming in terms of inflation towards earlier next year when things normalise so there is more supply availability? That is probably my first question.

And the second one is on land. You made a comment that the land market is competitive. We are hearing from a few of the competitors that a few of the housebuilders are putting house price inflation in when they are trying to bid for land, so if you can give a little more colour on what you see in the market actually. Thank you.

Pete Redfern: Yeah, I think it is a fair hypothesis on labour, Brijesh. I would not give a formal forecast but if we look at next year's balance of cost inflation, I think we would expect to see less significant material cost inflation, particularly, as you see some areas – as I say, we have seen timber already start to come back. Because where it is pure commodity-driven inflation, then there is a reasonable argument that it is going to reduce and not just go flat. But, probably a slightly bigger component from labour, both because the pressure on wages is well documented in the country as a whole. And because, at the moment, particularly for smaller developers, build is limited by material availability, then it is one of the reasons why the pressure on labour has been less than you might otherwise would have expected.

I see it as being different components going into next year, but I think given the volatility we have seen on material supply and cost, I do not look at next year and think net-net that there is a bigger risk there, if you see what I mean. I just think the pressure points will be in slightly different places.

And on the land market being competitive, just to be clear, we do not put house inflation in our land appraisals. We never have, and we certainly will not in my time and that of the senior team. It is just a dangerous game to get into. I think it is far more important to be really brutally honest with yourself. If it is difficult, you look at it and say it is difficult – what is the right decision for us to take?

I have not picked up that as a dynamic with competitors. You have seen some smaller competitors – and I have said this before – particularly where a mid-tier companies are opening a new region, they definitely will make a more bullish assessment of both selling prices and costs, and probably be less firm on the margin they will accept. We have seen some higher bids. We have definitely seen an environment with a bit less discipline than we have seen through the most of the last few years.

I would say, already in the back end of 2021, we have seen that lessen a bit. I think everybody was playing catch-up on land in the first half of the year, and I think some of that pressure has eased. But, it is not going to go away overnight, particularly with a more challenging planning environment in the short-term.

Brijesh Kumar Siya: Okay. Really helpful, thank you.

Rajesh Patki (JP Morgan): Yeah. Thank you, good morning all. Firstly, on the order book, I appreciate you providing the value and unit figures, albeit it rough figures. Could you help us break down the private and affordable components within it, and also understanding in how the private in the order book has changed over the last 12 months.

And, secondly, on net cash. Can you confirm the previous guidance and are there any incremental moving parts than those mentioned in the first half? Thank you.

Pete Redfern: Yeah. I will defer to Chris on both of those, but to give him a sec to think about it. I would say there has been no big change in the build-up of the order book, it is broadly the same mix as we have through the last year.

But Chris, order book and a view on cash.

Chris Carney: Okay. Rajesh, I will take cash first. We continue to expect year end net cash to be similar to end of 2020, around £700 million, subject to the timing of land payments, so the risk, if there is any, would be to the upside.

On the order book, what Pete has just said is absolutely right, the broad make up of the order book is very similar to last year. I think in volume terms, you see, overall, it is 8% down year-on-year. Obviously, 2020 was an unusual period – and it is up on 2019. But, if you look at 8% and you apply it across the private, there is a very similar level of movement.

Rajesh Patki: Got it. Thank you.

Will Jones (Redburn): Morning, thanks. Three hopefully from me, please, but just quite quick. The first is around Help to Buy. I think in the first half of the year, you talked about around a quarter of the sales – I think 27% – being under Help to Buy. If you could just update us maybe on the latest flow on that scheme. And when you think about the Scottish business that you highlight, which I think we are now six months in from the end of Help to Buy there, would the Scottish business perform to budget even without the support this year, do you think, and just how has that played through there?

Second one was just on build rates and whether you could help us on whether the pace of build has changed in the second half versus the first. I appreciate there is seasonality in there, but has it got slightly faster perhaps? And where do you expect to end the year in terms of the look forward around WIP?

And the last one is really just pulling together price and cost in the context of your prior margin and target ambitions. Would it be fair to say that what you have had so far this year, and maybe you said it yourself with the tailwind comment, but probably you fall on the right side of the line on market assistance in reaching those targets over the next couple of years? Thanks.

Pete Redfern: Thanks. So just on Help to Buy – Chris – may be able to give you a specific number, but it has not massively changed since the first half of the year. I would expect as we go through to December completions and into next year, it will climb back up again, because I think 2021 will end up being the lowest year. Because there is a mix of things that have affected 2021 that have continued to affect it through to October, including the handover from Help to Buy one to Help to Buy two, the length of the order book coming into the year, all have had an impact that kept it lower. So, I think that we are still in the 20s, but I do think it reflects a subdued year rather than that is what it will be now till the end of the scheme. I expect it to be somewhere in the 30s next year, probably the bottom half of the 30s, but hard to call.

On the Scottish business – will they perform to budget – our Scottish business always perform to budget. You've given me the chance to praise them there. We have a very good, very strong Scottish team. It is one of our most resilient teams and they are in a good place. And they actually have gone through the Help to Buy shift without any material - I think it is helped by the fact that they have not been able to depend on Help to Buy as a totally consistent underlying part of their structure historically. I do not think it is a complete guide for what will happen in England but I do think it is indicative.

I think touching on Help to Buy in a bit more depth, the key thing – because I would not want you to take my comments overall to say that the early 2023 risk from Help to Buy is zero to negligible; it is something we need to keep an eye on. I think the key thing is the underlying resilience of the market at that point in time. If we are in anything like the market conditions we are in at the moment with good underlying demand, real need for product for move-up customer, which has been some of the product that has been sold to first-time buyers in the Help to Buy this year, and interest rates not at the current level but not massively different to today, then I think I have a pretty high degree of confidence, it does not make too much difference, particularly with the length of order book that we have.

And we would view our order book as being at an artificially high level at the moment, but would expect to probably keep it that way through 2022. And one of the reasons for that is just a weather eye on Help to Buy in early 2023, and then probably trying and actively easing it back, because we think a better dynamic for us on the balance of price and cost with a slightly shorter order book, and a better dynamic for customers in terms of the consistency of product delivery and timing and risk.

I think our comments on the order book is it is probably as high as we would ever want it to be still stand, and that is one of the things that has us keep it there, because it feels like the wrong time to shorten that because of that slight risk. But, as I say, I think the overall risk that I have seen for a number of years, is one of the more significant market risks I think, has reduced and the evidence for that has been pretty good.

I think on pace of build, we were saying at the half year we did not see any meaningful constraint from COVID. The limit on pace of build is around material availability. I would not say it has particularly increased over the course of the last few months. I would say it is about the same. And it continues to be hard work for the team. Focusing on delivering year-end plots and the right level of WIP going into next year is key and not easy for them.

On price and cost, yes, I would say that we have had a slight headwind. It is slight, and we have talked for some time about the regulatory impact of Future Home Standard and the like, and said it is one of the moving parts that we are dealing with. If we get a positive against that, we will definitely take that.

We are not changing our 21-22% medium term guidance. We still believe it is the right guidance. We expect to make margin improvements next year, and the rough size of that has not changed in terms of that internal forecast. There are lots of moving parts, but fundamentally, we are still expecting to get to that level over the timeframe we talked about before. But, we will talk in a bit more detail about our views of the margin for next year with the prelims, I am sure, in early March.

Will Jones: Great, thank you.

Emily Biddulph (Credit Suisse): Morning guys, I hope you are well. I have got three questions please. Firstly, just coming back on planning delays. When you are talking about your incremental 50 sites by mid-2023, and that being still an achievable target, are you basing this assumption on the idea that planning delays you are seeing at the moment are likely to ease in the relative short-term? Or if we are still in the same situation where you are still seeing the same delays you are now in the middle of next year, do you start to worry about that or is there enough contingency built-in that that still feels very achievable?

Secondly, I just want to come back on demand. You usually give us some nice stats on website traffic and other lead indicators there, and just wondered how they were trending?

And then back on the private order book, if you end this year where you expect to be and sales rates continue as they are, can you just give us your sense of how far forward sold you are likely to be for 2022 and how that compares to where you normally are? Thanks very much.

Pete Redfern: On planning delays, just to be clear, in nearly 21 years in the business, there has never been a year where we are not worried about outlet openings and planning delays, so of course it is the thing. As you have heard others perhaps be a bit more open about that than they normally are over recent weeks, it is always a challenge. I do think it is a bit more of a challenge at the moment, but we knew that when we talked to you at the half-year. And that was factored into our guidance, which is why we are not changing anything.

But, it is something our teams will have to continue to work at and strive. We are not factoring in things getting better in the short term. I will be disappointed if in a year's time, we are not seeing that normalise, particularly where it relates to resource requirements. A little bit where it relates to the national focus on housing volumes. But, we are certainly not thinking we get into January next year, everything normalises. It is certainly something that we continue to have to really work hard at, and it is the key area of focus for all of our management teams. We go back to, we secured a lot of sites when others were not in the market. That gives us choices. It does not give us perfect risk coverage, but it puts it in a different place and I think that is important.

And so, it is never fully in our control but it is also always partly in our control, and I think I am pretty pleased with how our teams have focused and performing on it at the moment.

In terms of website stats, I have not got them to hand, but there is no reason for particularly excluding them. Generally, we have continued to see high levels of interest, good appointment bookings and good website interest. Because we have switched to a largely appointment-only model, we still see lower levels of visitors per site than we would have done pre-pandemic, but that is more a structural change rather than anything else and we see higher conversion rates. We will update the graphs we have given you historically but there is nothing that would tell you that would concern you.

And then in terms of the order book and forward sold and where we are now in terms of how far ahead we are selling, it will not have changed very much in December. Just to be clear, we are not selling anything for December at the moment. We are selling, probably on an average site, about seven months ahead and that is as far as we would ever want to sell. I think if you take my comments around, once we have gone through the Help to Buy change in 2023 and if we are actively trying to normalise it, the range is somewhere between 5-6 months. Probably, in the perfect theory, it is five. But, the reality is, if the opportunity is there to be a bit ahead, then I think it helps your pricing dynamic, so it is that range of 5-6 months. It is not a massive shift, but I do think it is important to understand that where we are now is at the top end of the range in terms of the length of order book.

Emily Biddulph: Great. Thanks, guys.

Jon Bell (Deutsche Bank): Morning, Pete. Morning, Chris. I have got two questions actually. You have commented on the land market. I think at one point you used to give us the contribution margin on new input land. I just wonder where you might see that today in general terms.

And then second one is, could you give us an update on Postmark, to what extent you have seen sales pick up since London reopened and how is pricing? Thank you.

Pete Redfern: Yeah. We would not normally give a contribution margin on a trading update, but I think the sense of where we are in terms of land acquisition margins is very much in line with where we were at the half year; there has been no big change.

Chris, you tend to be closer to Postmark than I do, so I will leave that one to you.

Overall sense of London, it has started to improve. I am fairly upbeat about London if you look over the next 2-3 years. But, I will say it is still lagging behind the market as a whole. That is not a specific Postmark comment, which I will leave to Chris, but it is a general London comment.

Chris Carney: Yeah. And you have caught me, Jon, without having actually had an update recently from Postmark, but I would agree with Pete's comment. Generally, London and certainly prime London are slightly lagging the market but nothing that is outside our expectation for that development anyway.

Pete Redfern: No. And I think we will continue to expect to earn a decent return on Postmark despite the various market uncertainties in London. I am not flagging in my broader comments on London, that we are certainly about to make huge investments. It still remains quite difficult to get the investment-risk balance right overall in London, because I still think there is greater planning risk, and probably the Help to Buy risk in London is greater. We continue to have a London strategy that is focused on lower price points than we would have been a few years ago. The general sense of the London housing market, it is increasingly positive.

Jon Bell: Yeah. Okay, thank you.

Gavin Jago (Barclays): Morning gents, a few from me please. The first one is just on Help to Buy and just maybe just explore a few things. Just to think about the timing, you talking about how forward sold you are, would it be right in thinking that you will pretty much only be taking reservations for Help to Buy probably into the middle of next year because completion has got to be done by December, is that right?

Pete Redfern: A bit later than the middle of next year. But, certainly, fairly early in H2, yes, we would expect them to be minimal.

Gavin Jago: Yeah, okay. And then, just following on from Will's Scotland comments, are you able to put a number on what proportion of Scottish reservations that Help to Buy was when it was in place?

And then a final one, just any views on whether or not Michael Gove's appointment has presented any upside risk to Help to Buy actually being extended beyond March 2023, given the levelling up agenda, and the relative low use of Help to Buy given the price caps in the North and Midlands at the moment?

Pete Redfern: Yeah. I cannot give you a number on Help to Buy in Scotland. And as I touched on earlier, Help to Buy in Scotland has always been more volatile in the sense we have always gone through periods of six months where it was available but it was always rationed. It would have been lower than England, but it was material at different points. As I said earlier, I would not point to Scotland as being perfect evidence. I actually think the impact of the price caps and the level of sales, as we went from Help to Buy one and Help to Buy two in England, are probably, in some ways more important. And collectively, you just take all of those data points together, it's that that just makes me feel, and I would probably have been a bit more at the cautious end, it just makes me feel a bit more relaxed than I would have done. So I would not just point to Scotland.

I think we effectively did not have Hep to Buy at all as a sales tool for reservations from – and Chris correct me if I am wrong – but effectively from late September last year until middle of December, and a bit of a catch-up in the middle of December. We had already gone through a period in England where we didn't – and whilst we saw a dip because people were waiting for Help to Buy to be available, actually, even given that, the dip was much smaller than I think we would have imagined. But, that has been in the context of a good market. I go back to my comment about what is important is the underlying market strength at that point.

Moving on to the question about Michael Gove, I have not seen any specific signs that that drives the change in Help to Buy. One thing I would reiterate is whatever happens, if there is a Government-driven replacement, it will not be called Help to Buy, even if it looks quite like it, because I think there is quite a significant stance on coming to the end of the scheme. I do still feel there is a place for a much lower number of completions that are means tested to really help first-time buyers who might otherwise go into more directly Government-funded housing. But we will see. I am still of the view, and have been since the beginning of Help to Buy, that the more the industry can stand on its own two feet, the better for the long term, even if we have to manage the transition in 2023. And given the strength of the underlying housing market, where interest rates sit and are likely to continue to sit, and the length of order books, I think we are in a good place to do that.

Gavin Jago: Very good, thanks. And one quick follow-up just on the Future Home Standard, just thinking about supply chain and labour pressures there. Are you getting any more clarity as you move to the interim stage and then the full Future Home Standard of what sort of cost increases you might be faced with, all other things being equal?

Pete Redfern: I think we talked before about the cost impact in 2023, and we have not changed that view. It is a bit lower than we first talked about back in 2020, as we have gone through the standards and our teams have worked out more detailed costings. I do not think we have got a really clear stance because we do not really know the measurement framework for 2025 changes, so I do not think we can give you any more guidance on that.

But, we are working very actively on both labour and supply chain on how we execute the various different parts of that. The classic one that gets talked about, and that we would have flagged six or nine months ago, if not more, is around heat pumps. But, talking with basically both the supply chain on the equipment supply but also really thinking about accreditation, workforce, how we work with some of our bigger, more professional regional subcontractors to make sure that they are investing in the right skills and people, and whether we effectively go into a degree of partnership with them in the next two or three years to do that, those conversations have been moving on at pace.

And we see, and this is a broader sustainability point, and a broader climate change – both regulatory and other things – point, we really see this next year as working through a lot of detail on how we execute. And for the first time, also see some market upside as we see customers really starting to understand the cost implications of new homes versus second homes; the environmental performance of new homes versus second homes; and the adaptability of new homes

I think it is a big topic, but it has gone from being a pure regulatory cost-driven thing to a more balanced market and execution-driven thing. I feel we are in a good place. There is an awful lot of projects running in the business at the moment and I think people feel they are really getting to grips with what they need to do and what they need to change as we move from theory to practice.

Gavin Jago: Very good. Thank you very much.

Gregor Kuglitsch (UBS): My question is on volumes, and the ramp-up profile. If you could maybe, firstly, obviously, guide for next year, if you could perhaps elaborate. I think previously your modest comment was 4-5%. I do not know if you are confirming that today, but just wanted to double-check that. Then the medium-term question is to get to that target of 17,000-18,000 units, if you care to elaborate a little bit on the timeline and perhaps the site count that you think you need to actually achieve that. That is the second question. Thank you.

Pete Redfern: Okay. I think it is an important question, Gregor, but we are not either changing our guidance or going to go into more detail on a trading update. We still see our guidance for modest growth next year to be right. We would, as we always have done, counsel the stronger the volume performance in our own range this year, our number for next year is not going to suddenly change up because of that. It is about site availability, material availability more than it is about the market, and that we see material growth in 2023, in completions. I am sure we will talk about it in more detail both with the prelims and through the half year next year and give you a bit more of a flavour. But, we are not changing our expectations today. And I do not think there is a lot more detailed granularity we can give you today on how that profile will work.

Gregor Kuglitsch: Okay. And then can you remind us what you are budgeting for the two phases of the environmental regs?

Pete Redfern: We have not given a number for the second phase, as I touched on earlier, because we still think there is too much uncertainty around. We know what it will look like, we do not yet know how it is measured. And so we know some of the things we will do, but it is very hard to pin down a number.

Chris, on the first stage?

Chris Carney: Yeah. It is round about £3,500, a bit less for three beds, so closer to the £3,000 per plot, and then a bit more for four beds, closer to £4,000 per plot, for the first stage in 2023.

Gregor Kuglitsch: Excellent. Thank you very much.

Pete Redfern: No problem.

Clyde Lewis (Peel Hunt): Good morning, Pete. Morning, Chris. A couple if I may. One around the land market and whether or not you are seeing different types of sellers coming on post-budget and changes that we are seeing, and whether you are seeing any real differences regionally or by site size around the inflation level in the land market at the moment?

The second one was around cancellation rates and mortgage valuations and whether again you have seen any change in pattern in the last couple of months in those two factors?

Pete Redfern: Morning Clyde, in terms of the land market, not a material shift in terms of new sellers. We did see, a few weeks ago and it is probably still there, just a bit more commentary around some land sellers coming to market just being a little unsure about capital gains tax. And often pre- any budget, there is just that sense of, 'I want to get it done now just in case,' so we saw a bit of that. I do not think any major change. I do think there are some underlying changes. It is a more difficult environment, for instance, for land promoters to do their job. There are some sites in the strategic land environment that are coming to us rather than necessarily going to land promoters because the dynamics for them are not particularly good at the moment.

On site size, there is not a new dynamic; still that same sense that large sites are less competitive. Going back to the first half, early in the second half, we did see some of our larger competitors being more aggressive in the land market than we have seen for a while to catch up. I do think there is a little bit – and I am not going to go into individuals, it varies depending on the region, the month of the individual competitor. I think there was a bit of we have got to get something done and then back off, so behind the comment, I would say it has normalised a little bit over the last six weeks or so. However, no big change in sellers. And on site size, it is still the sense that larger sites are less competitive for obvious reasons, but not fundamentally different.

And regionally, the only dynamic is the one I touched on many times around when we see a competitor open up a new business, it would distort regional competition. But, we are not seeing it being fundamentally different in the North or the South or anything like that.

And on valuations and cancellations, very robust. Very low levels of valuation issues and totally normal cancellation levels; nothing unusual at all. Very much the normal pattern. Valuations probably running below any kind of long-term norm, but they have been for a while, as in down valuations running below normal levels.

Including the build-up to the MPC's interest rate decision when one or two mortgage deals were getting more expensive, we get a genuinely sanguine sense from the mortgage lenders about their view of the housing market. If we go back to August-September 2020, a bit of a sense from some mortgage lenders, are things getting too heated as we got the rebound post-pandemic. Whereas, actually roll forward to 2021 and actually they are competing for market share, they seem to be very comfortable to lend to the UK housing market. And that is reflected in that low level of down valuations and relatively sanguine view from valuers about price increases.

If you look back to the immediate post-financial crisis period, it was very much valuers who kept a cap on prices for a period because they almost did not want to believe that prices could go up. I think at the moment they are doing their job site by site and looking at actual demand, which generally is pointing to prices going up.

Clyde Lewis: Okay. Perfect, thank you very much.

Ami Galla (Citi): Morning, guys. A couple of follow-ups from me. The first one, if you could update us on how the remediation claims are going through and how should we expect the utilisation of provisions over the next two years?

And the second one related to cash flow, as we think about the growth in outlets in 2022 and 2023 that you flagged, how should we think about working capital investment in the business?

Pete Redfern: Both for you I think, Chris.

Chris Carney: Yeah. Looking at the leasehold provision, at the end of June, we had £56 million remaining. I think since then, so in the four months to the end of October, we paid £2.4 million of cash. I think that is a decent run rate to go with towards the end of this year. We will update our guidance on that when we get to the prelims.

And similarly, with the cladding provision, at the end of June, we had £150 million of that provision remaining. We've paid £3.3 million in the period since then, so the provision now sits at £146.2 million, and you can take that run rate, certainly for the balance of this year. And that is one that we will have more specific detail on when we get to the prelims in terms of the unwind.

I think in terms of, I think you effectively ask about WIP investment, we came into 2021 with £1.66 billion of WIP and that obviously reflected the delay of Q4 completions from 2020 into 2021. The WIP levels reduced at the half year to £1.54 billion, and for this year end I am expecting to land somewhere between the two. And as Pete already said, we are working hard with the teams to push on and try and get as much WIP in the ground as we can.

And then, as we go through next year, I would probably expect in line with the investment in opening new outlets to see a bit more investment in WIP, which is entirely consistent with the plans that we set out earlier.

Ami Galla: Thank you.

Pete Redfern: Thanks everybody for the time this morning. There is not a lot to add, as I said at the beginning; I think a fairly straightforward update, that we are very much in line with where we expected to be. I am pleased with the work of our team in what is a pretty difficult operating environment on the build side, but they are doing a very good job of it. And look forward to catching up again in early 2022.

[END OF TRANSCRIPT]