Investor and analyst update

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Building a stronger and more resilient business

Jennie Daly

CEO, Taylor Wimpey

Welcome

Good afternoon, everyone. Thank you all for coming here today. I am delighted to be here in my first few weeks as CEO to talk to you about where I see the priority areas for the future, and where there is the potential to create more value.

Today is not about strategy change or relaunch. I do not believe the business needs this. This is an outstanding business with the best landbank in the sector, and a talented and committed team, but there is absolutely more value here, more value to be realised.

Today, we will talk to you about our continuing ambition for the business, and importantly, how our approach will deliver a stronger, more resilient business, and why I am confident we can deliver superior returns for shareholders. I have met many of you, but certainly not all. And so I thought I would start by setting out what I bring to the table as CEO, and what you can expect from me going forward.

I am performance driven and have a vision for a performance-driven business, a sector-leading performer that delivers through our sharper operational focus. I know this business and the sector from the roots up. As you know, I have 30 years experience in land, planning and housing, starting out as a planning officer in local authority.

I have wide ranging experience spanning over 20 years of working constructively with local government, negotiating and delivering complex developments and with national Government across departments, and have developed an enviable network, through which to engage and influence.

My prior roles at Taylor Wimpey include: Land and Planning Director, Group Operations Director and Divisional Chair. And I have also worked at other house builders in senior roles in land, planning and as an MD.

All of this has given me detailed insight into the operational areas, which generate the most value and will help drive our future successes. And you can be assured that we will be pulling on all of the levers hard. I have a track record of building and leading high-performing teams, who deliver results, driving myself and my teams with energy and pace.

Examples of this are in the development schemes that I have delivered in the past, and more recently, the work that I have led as Group Operations Director, such as with our production teams to drive build quality and right first time, and we now lead the sector in the NHBC CQR scores.

I am a Non-Executive Director of the New Homes Quality Board, and will join the Board of the Homebuilders Federation in the summer. You will often hear me talk of simplification, standardisation and discipline. So here are some practical examples of what I mean.

We have, in the past, tried to do too much. We will be more disciplined. We will prioritise the areas that really matter, and do these exceptionally well. Some of our processes are too complex, they could be simpler and more efficient, but continue to deliver what we and our stakeholders need.

Examples of this are: our approach to customer service, which we have recently simplified; returning responsibility for resolution of issues back to site for the initial eight week period after completion; or in the streamlining of our national sales specification.

We need to drive more standardisation because it is efficient and cost-effective and can deliver better outcomes. Examples include reducing the house type range from over 120 house types to around 45, and standardising our build packs, about which Nick will say more later.

Taylor Wimpey is a great company and in a strong position, but we can always improve. And I will talk to you about how we can deliver enhanced value through our sharper operational execution and focus.

However, I do also want to recognise the specialness of the Taylor Wimpey culture and values. I understand and share the pride of our employees and what we feel for the business. We have worked hard over the years to create our culture, a culture where: people can be themselves; where people are proud to work for Taylor Wimpey and will go the extra mile; where they are respectful of each other; and where people come to work wanting to make a difference for our customers and communities.

At Taylor Wimpey, we are proud and thrive on always doing the right thing. I believe that that shared culture is central to enabling me to bring our teams on this journey, to make us an even better company for all of our stakeholders.

What you will hear today

And that takes me nicely on to what we can expect to hear today. We believe we are in great shape and through today's presentations, you will hear why. But in a nutshell is because we have: a sector leading landbank; a strong balance sheet; and great people, who believe in our culture and values and will continue to do the right thing.

But the single most important message I hope you hear today is that we believe there is more potential to drive greater resilience and reliability of performance and superior returns. I believe there are still levers available to unlock that potential.

Our approach will be to drive performance. And as part of that, our organisation will look ahead and be more future-focused. That is critical if we are to succeed in protecting and optimising value. I am determined that we will drive efficiencies across all aspects of our operations and ensure that Taylor Wimpey is prepared and well-positioned for the many changes that are coming our sectors way. We will be proactive and move at pace.

We are reconfirming today our current guidance for operating margin and outlet-led volume growth and prioritising delivery against financial targets for operating margin of 21% to 22% and RONOA of 30%, which Chris will talk about later.

So my hope is that you walk out of today's presentations, sharing the team's confidence in the future direction of Taylor Wimpey and clearer about the levers we have to improve performance and deliver enhanced value.

Introducing today’s presenters

So today, we have some members of the senior management team with us to take you on a deeper dive into some of those areas, and builds on what we also discussed at full year.

Stephen Andrew is our Group Technical Director; Nick Wright, our Group Supply Chain Director; and Lee Bishop, our Group Managing Director of Strategic Land; and of course, Chris Carney, our Group Finance Director, who you know very well.

And you know, too, that Chris has significant industry experience not only as a Finance Director, but also operationally, having previously served both as an MD and as Chair of Taylor Wimpey's London and South East division.

You can also see here a bit more clearly the credentials of the presenters today. And you will note the wealth of experience we have in the senior team, much of it at Taylor Wimpey, but as today's presenters demonstrate, we also benefit over many years from fresh thinking brought by joiners across the industry.

Agenda

I will just quickly run through the agenda for the rest of the afternoon. As well as an introduction, I will talk about where we see those opportunities and challenges, and round up this section with some comments on the four cornerstones of value for Taylor Wimpey.

Stephen will talk to you about how we are proactively approaching changes in the building regulations and our focus on efficient production. And he will then pass over to Nick, who will talk about the great work our teams have been doing in simplifying and standardising the business, work that has already benefited us through a challenging supply environment, and again contributes to a future and value-driven focus.

After a short coffee break, I will be joined by Lee. So we can explain in a little bit more detail why we believe our landbank is in such good shape. And Lee will take you into the value drivers of strategic land. And I'll are making no apology for claiming that our approach to land is a major strength and a key differentiator for Taylor Wimpey, and all the more so given the current land market.

And then to round up the main presentations, Chris will talk about: our capital allocation priorities; cash generation; shareholder returns; and run you through our targets.

So we have split the sessions into two with a Q&A and coffee break in the middle. And if you would hold your questions until the end of each section, I would be grateful.

One more point before I move on. You will notice that this presentation does not have a section on ESG. This is deliberate because we see good ESG as embedded throughout the business. You can see this through our approach to health and safety, to communities and our response to climate change. So you can expect to hear ESG woven into each presentation today. ESG is not a nice to have but a business imperative.

So we only have a couple of hours for presentations and we want plenty of time for Q&A. We cannot cover everything today, but we would like to keep a regular dialogue with you. And I am keen to engage to establish any other areas that you would like us to cover in the future.

So let us get started.

Strong and experienced operational management team

So I am delighted to be joined by Irene, our Chair, and I am also joined by members of our operational management team. And I hope that you do take the opportunity to catch up with them over the course of this afternoon.

Many of the teams have operated right through the business across a range of roles and geographies, and lived through a number of housing cycles. I am especially proud that a number of them have come all the way through our graduate and development programmes, something that will remain a key part of our people agenda going forward.

A core strength of Taylor Wimpey is experience. And the 10 members of the Group management team have 200 years of experience in the sector between them. You know that we made changes to the divisional structure back in 2020 to remove a layer of senior management between the divisional chair and the regional businesses. That is something that I was particularly keen to achieve at the time to improve the accountability and performance of the businesses overall. And I am pleased to say that it is working well.

On track to deliver our 2022 and 2023 priorities

So this slide will be familiar with you, so I will not spend very much time on it. And I want to reassure you upfront that our immediate focus is on delivering margin improvement as we strive towards our margin target of 21% to 22%, and opening new outlets in the second half of this year, to deliver on the growth in 2023 from our recent land investments.

To achieve this, we must stay focused on: driving price; controlled execution; and delivery. And I am confident that we will.

A strong purpose

Our strong purpose does not change either: to build great homes and create thriving communities. This is what we do and why we exist. And I am passionate about the social importance of good quality housing and the role it plays in all our lives, including health and wellbeing, social mobility and cohesion, and these deeply held personal beliefs are fully aligned with those of Taylor Wimpey and our people.

However, we do recognise that this purpose must coexist with a strong financial and operational performance. And I hope that you will get a clear sense of how we are going to go about that today.

Taylor Wimpey is a strong business

So, as I mentioned at the outset, we are in a very strong position. It is not just the land acquisitions we have made during the last couple of years, but the maturity of our positions; the scale; the quality of the landbank; and the land strategy embedded throughout the business.

We have a very clear and disciplined process in place and have experienced land teams across the business with excellent relationships. First and foremost, our business, simply put is about buying land at the right price, and then protecting and enhancing that value through the planning, production and sales process.

Simple in essence, yes, but this becomes critically important when the land market is constrained because a strong well bought landbank offers protection and allows us to be selective. I believe Taylor Wimpey is in this place. And I will come back to you later to explain why. Land is a key differentiator for Taylor Wimpey.

And I am also delighted that we are recognised as a five-star builder, and that we have, since its introduction, led the volume house builders in build quality. You cannot achieve this overnight, and this has been the result of a lot of planning, discipline and investment in the business over the last few years. It puts us in a great place for changes coming in regulation and with the New Homes Ombudsman.

Third, as I said earlier, we have an excellent culture. And this attracts and retains some of the best people who live and breathe the Taylor Wimpey culture and want to do the right thing. As a customer-facing business, our people are central to our success. They are highly engaged in driving the business forward and with a significant proportion of the company shareholders themselves, their interests are very aligned.

And last but certainly not least, we have a strong balance sheet and are highly cash-generative and have a track record of returning cash to our shareholders.

Focusing on our value chain

So I remember some years ago, not very long, in fact, after I joined Taylor Wimpey, I had a 360 exercise. I think you will know them, the personnel assessments, where your peer group are asked questions about your strengths and weaknesses, development points. One of the overwhelming comments that came back then was that she is always talking about value. And I do. How to create it, optimise it, protect it, realise it. I think of our business as a value chain, and therefore areas where we can target focus and drive a performance culture.

So let me put a little bit of colour about what I mean by value chain. This approach is about introducing more accountability and rigour, holding our feet to the fire, if you will. We will dial up our focus on performance with an even greater focus on each and every detail of our operations. And I am confident that we can improve further with the support of the businesses established culture of doing the right thing, ensuring that this has meaning for business outcomes and benefits our shareholders too.

So we have aligned the business model to be very explicit around the approach to value, where value is created and enhanced in land acquisition and the planning process by buying land well and achieving the right planning. And if you remember, we showed you some recent examples of this at the full year. And there are a few more examples in Lee's presentation. Where it is protected, through technical execution, optimised through efficiencies in the development and procurement process.

A good example of this would be the complimentary work we have been doing with our technical and commercial teams in respect of ground works, improving skills and technical solutions for ground works. Then capturing improvements in the negotiation, monitoring and management of ground work contracts.

And then realised in production, sales, the quality of the customer journey, building safely, right first time and keeping an efficient build programme, optimising sales price, delivering a service to our customers that they value and that is consistent. And I hope this all gives you a sense of how we are thinking about operations going forward. And you will hear these themes come through in the presentations from others today. We will also come back to this concept of value when we meet in the future.

Creating more value by having a clearer operational focus

So we think this an important slide. And as I said in my introduction, some things will stay reassuringly the same. Health and safety remains our number one priority. A sector leading landbank, positioning us for growth, supplemented by a best-in-class strategic land portfolio. A five-star performer in customer service. And leading the volume builders and build quality.

Our culture and values. We need to retain that culture, doing the right thing, but at the same time being competitive so that we maintain a strong business that balances the needs and requirements of all of our stakeholders; and of course, the balance sheet. We operate in the cycle, and so it remains a Board priority to produce reliable and consistent investor returns. So nothing has changed there.

But what will be different under my leadership? And how will you be able to tell the difference? I want to focus on the areas where we can get the best return for our efforts. We have improved operations significantly over the last few years, but we need to keep going. There is more we can do by making processes simpler such as: increased use of build componentry; streamlined option ranges; and making objectives clear such as meeting build programmes and building right first time; and giving the teams more ownership and accountability to drive performance.

We have an opportunity and a need to be more focused on what is coming down the line for the sector and the business. So for example, we have sometimes been guilty of being too slow to act such as bringing technology or innovation to site.

Going forward, we will be more proactive to change with an increased appetite and expectation of pace required to keep our business at the forefront of industry best practice. We are looking for solutions that will help protect value without overloading the business. We will be clear around costs and benefits.

A good example of this would be the adoption of timber frame, which Stephen will talk to you about later, or as we have done recently, realigned and now expanded the reach of Taylor Wimpey Logistics to all our businesses.

We are entering a different regulatory environment and we need to make sure that we have the right approach to skills and resources. Working with Government and industry partners to train the next generation of workers for our sites, which will have different skill sets such as installing air source heat pumps and PV panels.

Standardisation, benefits come both in familiarity for the teams and in some subcontractors and getting it right first time and with build efficiency.

We have built a good base. And now we really need to push the benefits of these to see positive impacts on build programmes and time lost due to rework. We have a central procurement team, and are also the only housebuilder with a logistics business. These are two of the levers we have in our business to reduce risk and add value. And you will hear more about this in Nick’s presentation.

We have seen the really significant benefits of this in terms of the security of product supply to our sites in a particularly challenging environment, product quality, and of course, cost control. And we will benefit further through simplification and standardisation as the new house type range gathers momentum.

Getting the customer proposition right is key, not just for our customers, but also to make sure we are realising the value from our products and services and seeing that reflected in price. I have been on numerous sites across our divisions in the last few weeks, and the site and sales arenas look great.

It was really good to see and talk to our very well trained sales teams and hear how well our appointment system is working both for our customers and for our sales teams. They all demonstrated detailed knowledge of our homes, the importance of the customer experience, and are commercially savvy.

These excellent skills developed in our in-house sales academy will become even more important as a key part of selling new homes in the future, as we educate our customers in environmentally friendly new homes. And we can see real opportunity and benefit in getting this right.

Well positioned to deliver for customers

When I think of customer aspirations and actions, I see it as an elastic triangle. I am always doing this. So forgive the simplicity. But think about what a potential homeowner wants. Everyone is prepared to make slightly different sets of compromises. You may be prepared to move further than you would ideally like to get on the ladder, or if you value more space, while others may compromise the size of their home to get the right location for them.

As we developed the new house type range, we had significant customer insight and engagement. And we think that our new house type range does hit the spot. The right product, well built, and intensely focused approach to the sales experience and good customer service places us very well.

But as we settle into a post-pandemic phase and we look forward, we are undertaking more data-driven customer research. And this, together with the completed rollout of dynamics for sales and customer service, means that we can and will be more data-driven about our decisions and choices going forward.

Sector fundamentals remain robust

So I think it is worth spending a few slides to look at the market backdrop. We are very much alive to the current macro-environment, and as a cyclical industry, we are aware of the potential impact on the sector.

But we are in a good place to monitor this because we see customer behaviour in real time. We are acutely mindful of inflation, interest rates and the cost of living challenges. To-date, we are seeing no discernible customer impacts. We continue to see good levels of customer interest, with housing demand continuing to significantly exceed supply.

And whilst we have not given any updated sales data today, I can tell you that the trends we outlined at the AGM just four weeks ago, strong sales rate, customer forward interest, and low cancellations remain the same. Demand for new homes remains resilient, and we continue to prioritise revenue growth.

So whilst being aware of the macro-economic uncertainty, when we look at our sector fundamentals, they remain robust with an underlying imbalance between supply and demand. Employment is high, and there is a good availability of mortgages at affordable rates from banks who want to lend.

Looking at the graphs on this slide, we can see on the left that customers have been able to save more than their underlying trend over the last couple of years building up resilience. And this, along with continuing high employment on the second chart, and still low interest rates is supportive of our market.

You can also see on the graph on the right that while there are clearly other advantages to homeownership, according to Halifax, it continues to remain attractive to buy housing against the cost of rent purely on a monthly outgoings alone.

I do note that Rightmove issued an update earlier in the week, indicating in April that the average monthly mortgage payments overtook monthly rental payments. However, interestingly, they also noted that rents were currently rising at the fastest pace that Rightmove has ever recorded. So demand for new homes remains high. We operate in strong market locations, where customers want to live. And we have a long order book.

Well placed to face new build market challenges

So I have already touched on some of the challenges facing the sector. But I think it is important that we are upfront on these, and why I think that we are well placed to face into them.

The political backdrop is critical and an area which I know and understand well. We will take a proactive role as a business and we will continue to be at the forefront of debate and influencing outcomes. We do the right thing. Our early announcements in 2018, and again in 2021 regarding our cladding provision, our front footedness in respect of the pledge and our approach to leaseholder resolutions. We stepped up first and ensured that we did the right thing by our customers.

The approaching transition to the New Homes Ombudsman, both for Taylor Wimpey and the sector, is a challenge. And as I mentioned that I am on the Board of the New Homes Quality Board. So I have been involved in this process from the start representing the major home builders and providing the industry's perspective.

This is a welcome step for customers. It will increase the sector's focus on build quality and customer service, but also the risk of escalating reputational issues. But we have made great progress here over the years. And as I mentioned before, we lead the industry on build quality. And having that renewed mindset of simplification, standardisation and discipline, I believe, will support this further.

We are experiencing a generational step change in building regulations. Cost and technical execution, alongside skilling the workforce to meet these changes, do increase risk. And this is of course tied to the ESG and climate change agenda.

We have been preparing for this for some time and have been very focused on the opportunities that this presents for a business of Taylor Wimpey’s quality. And Stephen will come on to how we are preparing for these changes.

In the last few weeks, I have reviewed the outlook for each of our 23 business units. And amongst the discussion points was the feedback that the land market has become extremely competitive. However, we have a strong and well bought landbank, which puts us in a very good place to make choices in the current land market.

It would not surprise you either to hear that they also have much to say about challenges in the planning environment. It has been a challenge for many years, and with our highly experienced teams, Taylor Wimpey has weathered the challenges better than most.

However, it is clear that the pandemic has placed further strain on an already under resourced planning departments. And this resource crisis has become a limiting factor to development of all types. There is no easy fix to this. But our teams are experienced and highly professional and have a long history of working in partnership with local authorities, and Lee will illustrate some of those examples.

In the meantime, we continue to raise our concerns with Government and have indicated our desire to work in partnership with central and local Government to resolve the issue. News of increased planning fees and the Levelling-Up and Regeneration Bill are only likely to relieve the situation in the medium term. And only then if the increased fees secured are ring-fenced within planning departments.

But with challenges come opportunities for value and differentiation, probably now more than at any other time, if we address them well. And as you've heard, I believe we can.

Cornerstones of value and a clear strategic focus

So let us run through our opportunities, the real cornerstones of value for Taylor Wimpey. Land, as I have said, a key driver of value. And as you know, if you do not get it right, then it is a struggle. But I think that we have this very right.

With a strong long position in hand, we can now take a more agile approach to land, flexing within the market conditions to maintain and protect value and future margin, whilst continuing to deliver growth. And Lee and I will go into more detail later. And you will see how we believe this is a key differentiator.

In the short term, we remain committed to delivering additional volumes in 2023, because of our increased land buying over the last couple of years. The land market is tougher today than in recent history. But our landbank and strong relationships with vendors gives us choices. And we can be selective about new land purchases without sacrificing our focus on profitable growth.

While we remain active in the land market, an agile land strategy is needed to drive and deliver the most value from our assets. We continue to believe that we have the capacity to deliver volume growth to around 17,000 to 18,000 completions within our existing structure. However, if market conditions deteriorate, we will prioritise margin.

Our strategic land pipeline is a competitive advantage in its own right, giving increased optionality and opportunities to protect value. This is an area that we have invested in continuously for decades, building a sector-leading position. And having done so, we have been more recently focusing on securing delivery from our mature pipeline, and transferring the assets to the operational businesses.

As a bit of an old land hand, it is great to see sites that I walked and signed off on in my early years at Taylor Wimpey coming through, including in fact one of the examples that Lee will share with you in Greater Manchester, which we acquired freehold and will be going into production next year.

We benefit from a deep and mature strategic land pipeline, which we control at very low cost. And strategic land becomes a bigger differentiator when the short-term market is more competitive as it is now. But I will leave it to Lee to get into the detail with you.

Operational excellence means an efficient business model, targeting operational excellence including better understanding of our customer, a viable plan for future skills and resources and addressing regulatory changes with effective and efficient technical solutions, including, where appropriate, modernisation of construction methods.

While land is ultimately the key driver of value, an efficient business model is needed to, minimise execution risk, manage the headwinds in regulation, and increase and sustain margin.

We will take a rigorous approach to driving value from all areas of the business. And you can hear that that is something that I am personally very focused on. This sharper operational focus is a discussion ongoing across the business in all functions and will extend the way we report internally. An example would be our increasing focus on key areas such as production efficiency and cost management.

But to be clear, there is no single shot in the arm. Our improvements will come through small incremental improvements, as I have illustrated in some of today's examples. But it is in the attention to detail, which I am extremely focused on and which I know will ensure that Taylor Wimpey delivers sector-leading outcomes.

Investors can rely on Taylor Wimpey to take a future-focused approach to modernisation of construction methods and build innovation, including expanding our use of timber frame, driving standardisation, and efficiencies. For example, our review of design and technical specifications removed recurring areas of build complexity. An example of this would be structural bays, and increase the opportunity to utilise offsite componentry, improving build quality, reducing reliance on constrained skills, reducing waste, and providing improved cost management.

We have made great strides in build quality. As I said, we are a five-star customer service builder. And we need to better understand our customer to ensure that we meet their expectations, particularly in their expectations of the environmental agenda and drive opportunities to further enhance value through selling prices.

And that leads me nicely on to sustainability. From a sustainability perspective, I believe that Taylor Wimpey has been an industry leader around many areas including community, workplace gender balance, and the environment.

As we all strive to create a better reduced carbon world, our work continues at pace, which is important for all stakeholders. This is an area which is evolving quickly, and we will keep pace, ensuring that our plans maintain our reputation, our competitiveness, and that it is deliverable.

Sustainability has always been an important part of Taylor Wimpey, and is an area where we have challenged ourselves to be even more ambitious. ESG is embedded in all areas of our business. And we continue to target areas where we can make the most difference to future-proof the business as we transition to new regulations. And this includes continuing to make progress on our net zero plan, which you will hear more about next year.

And of course, capital allocation and shareholder returns. We have demonstrated that we are a highly cash-generative business in all stages of the cycle. And whilst Chris will take you through this in more detail, I also wanted to be clear that we will remain disciplined in all areas of capital deployment, be it in land investment, delivering, against our dividend policy, or returning excess capital to shareholders.

Capital allocation is central to our investment proposition. And we remain focused on optimising our capital to deliver superior returns for shareholders.

So I will now hand over to Stephen and to Nick, who will be talking to you about some key areas within operational excellence and how we are driving out further efficiencies. Thank you.

Operational excellence and fit for the future

Stephen Andrew

Group Technical Director, Taylor Wimpey

What you will hear

Thank you, Jennie. Good afternoon, everyone. Thank you for coming. I am Stephen Andrew. I am the Group Technical Director for Taylor Wimpey.

And today, I am delighted to have the chance to talk you through our preparations for the future at Taylor Wimpey, particularly our comprehensive preparations for the change in building regulations from 2022 through 2025. And then I will describe some of our innovation work and how we are driving modern and offsite construction techniques. And I will explain our holistic business-wide approach to preparing our business for the zero carbon challenge.

Then Nick Wright, our Group Supply Chain Director will take you through how we are driving operational excellence through procurement efficiencies and our successes around simplification and standardisation of supply chain, while managing and mitigating supply chain risk. Nick will describe the meaningful benefit and value that Taylor Wimpey Logistics brings to our business and will explain the collaborative approach to our supplier training programme.

Adapting to meet changing regulations and protect margin

So, on my first slide, you can see the timeline of upcoming regulatory change, which we have been preparing for, for some time. I would not go through every stage here. But I think it is useful to highlight the high tempo of change we face as an industry. And you can see how we need to continue to be agile in our thinking to adapt to these.

To highlight two main milestones that are the short-term changes to regulations, which is: Part L - Energy; Part F - Ventilation; Part O - Overheating; and Part S - EV Charging.

You may be familiar with some of these. These come into effect in England from 15 June this year, with a one year transition for existing sites to 15 June 2023. Since the Government published its consultation paper for Part L and F back in October 2019, we have been making preparations for its introduction. We are therefore confident in a range of solutions, which I will talk you through in a moment.

The second significant milestone is the Future Homes Standard, which will come into effect in 2025, and a year earlier in Scotland. My next few slides will explain through illustrations, how we are adapting to these challenges.

Current Taylor Wimpey home

So what do the changes look like? If you look at a typical Taylor Wimpey house that we construct today, it is a very good start. The homes are well insulated with good fabric performance through the walls, floors, roofs, and windows. With heat and hot water from natural gas boilers. And would typically have around 64% lower carbon emissions than a similar older second-hand property.

Part L&F compliant home

And here is what our house would look like incorporating Parts L, F, O and S. So a typical house in all sites in England in just over one year's time. This will deliver the interim target of a 31% reduction in carbon emissions measured against the emissions of our current homes. This is done through improvements in fabric performance and addition of low carbon technologies.

To give you a sense of the impact of these changes, we have been factoring in the costs of Parts L, F, O and S of £3,500 per plot into our land purchases for some time now, and have also factored in allowances into our strategic land procurement. It is worth pointing out that we await the final version of the industry energy modelling software SAP to be issued from Government. However, we expect our complaint specification to be something very similar to this image.

And for the customer, this will reduce the emissions of the home whilst also reducing the energy demand, further increasing the attractiveness of our customer proposition in terms of energy use and cost, which is obviously top of the mind at the moment.

As Jennie mentioned at full year, we expect this will set our homes apart from the existing housing stock. We expect to be introducing some energy generation technologies on these homes such as PV panels, together with a series of energy saving heat exchange technologies, such as wastewater heat recovery and flue gas heat recovery systems, both of which transfer residual waste heat from wastewater or hot flue exhaust gases to preheat incoming cold water feeds. This reduces the energy required to heat this water.

We also expect to upgrade the fabric of our homes to ensure that we are further reducing the heating demand. This could be through improvements to insulation in floors, walls, roofs, and possibly a change to our glazing specification to triple-glazing. The proposed thermal break lintel will assist in reducing heat loss from the inner to outer leaf of the home. And a modest reduction in air tightness figure will reduce the energy loss from the home while maintaining a good air quality within the home.

The fabric and technology advancements illustrated here have either already been trialled in our businesses or are already in use in areas such as Scotland, where solar PV panels are already installed. This gives us confidence that these are viable and tested solutions to meet the regulations and are proving attractive to our customers.

Future Homes Standard home

And finally, in the graphics, the most significant move to Future Homes Standard in 2025, that will require a 75% to 80% reduction in the carbon emissions from new homes, again measured against our current homes. This will also require heating and hot water in these homes to be provided from a low carbon source, meaning we will no longer be able to use natural gas in new homes from 2025.

We are already planning for this. These homes can be described as 'zero carbon-ready homes', where they are highly energy efficient, and they would be considered zero carbon homes after the decarbonisation of the national electricity grid.

In addition to the enhancements described on the previous slide, we aim to make further fabric and technology improvements in 2025. The range of solutions illustrated will vary for each house typology, as the carbon emissions vary across house types. For example, a large family detached home will generate more carbon than a small terraced home and the specifications may then vary to meet the Future Homes Standard.

The major addition you can see here is the inclusion of an air source heat pump as an example of a low carbon heating source. We are trialling other low carbon heating technologies in addition to looking at underfloor heating and smart technology, for example to control the heating demand and distribution of heat and hot water more efficiently throughout the home.

To successfully reduce the heating demand on the home, we need further advances in fabric performance, and that is likely to involve increases in the cavity size to accommodate more insulation in the walls.

We currently await the Future Homes Standard Government consultation, which is due in spring 2023, before we can formalise any of the thinking. However, we are engaged with supply chain and we have a good understanding of current process. Our peers have quoted in the region of up to £10,000 allowance for 2021 Parts L, F or S, and 2025 Future Homes Standard combined. And we are comfortably within this, and are making allowances for this in our land acquisitions.

As you can see from the graphics, there are a lot of benefits to the customer. And in this time of rising energy prices, it is clear to see how a home with a 75% reduction in carbon emissions will be an increasingly attractive proposition for our customers and will help differentiate new build from existing housing stock.

I will talk a little bit more about customers when I take you through our approach. But it is fair to say these are significant changes, and we are very aware that we need to get this right and that we take customers with us on this journey. So a lot of thought is currently going into this.

Planning and preparing for changing regulations

So what are we doing to prepare? You will be pleased to know we have a lot of experience managing changing regulations at pace. And we have done a lot of work to get out in front of these changes. We have a dedicated R&D resource, which is constantly testing new innovations, and carrying out regular trials of construction technologies and build methodologies to improve our build efficiencies, whilst considering changes to skills and workforce, reducing waste and improving build efficiency.

We have used this data-driven approach to inform our preparation for L and F. And the same will be true for Future Homes Standard. Richard Kinloch, our R&D Manager, is in the room today, and he will be happy to discuss any innovation work with you following the presentations.

We will trial a short-listed range of fabric and technology solutions on a live site later this year, which will enable us to assess and progress these early next year. The trials will encompass traditional masonry construction, and timber frame, combined with fabric upgrades, and a range of low carbon heat and hot water configurations, aimed to create a robust, deliverable, customer-focused and design-friendly specification for Future Homes Standard 2025.

We have mentioned the technology solutions we will be looking at, which are listed on the screen in front of you. Referring back to the images, it is worth noting that many of the proposed solutions for upcoming changes have been used in parts of our business already. For example, triple-glazing and underfloor heating used in some London properties. And we have been using PV panels for some time across the business and fully in Scotland for over five years.

So just to give some reassurance that we have extensive knowledge on how a number of these technologies work, and how to implement them. So the challenge is more one of scaling up and securing the supply chain, than reinventing the wheel.

Holistic approach to net zero carbon

So far, we have established there are a lot of challenges. And here, we just want to give you the sense of how we are tackling these challenges holistically across our business. As much as this is a technical and design issue to solve, it is also an operational and production issue. Making sure we have the relevant skills in place to implement solutions is vitally important, and the supply chain there to support that. And as I also mentioned, it is a customer issue.

We have to bring the customer with us on this journey. They have been used to decades of gas boilers. And with a new heating solution that does not work in the same way, we need to educate the customers on that. So the sales and marketing effort and the customer education is important.

It is therefore a coordinated business-wide approach, which is required to successfully deliver the net zero carbon agenda. To ensure this, we have an active cross-functional team across Taylor Wimpey, tasked with preparing all parts of the business for the future. And this diagram shows all of the areas involved to manage and deliver a roadmap to zero carbon.

The team is comprised of the functional heads and meets regularly reporting to the Group Management Team. And when you think back to the timeline on my first slide, this is a group responsible for ensuring we are well placed for the future and prepared ahead of time for the upcoming changes associated with the climate emergency.

This team working collaboratively across functions will reduce risk and maximise the outcome from a customer, resource, cost, margin and efficiency perspective. The team are also engaged with external industry and Government groups to influence and support the changes associated with the climate emergency agenda.

As Jennie mentioned, ESG is embedded in our business, and we have a proven track record of successfully delivering regulatory changes on time over two decades across England, Wales and Scotland. And whilst, this is a step change in standards, we are confident in our experienced team to deliver.

Sudbury – the heat network

And here is a great example of where Taylor Wimpey is leading industry with an exemplar air source heat pump district heating system. We are familiar with similar systems which have been installed previously in some London apartment buildings.

However, this is our first housing development to be served by a networked air source heat pump solution. The district heating system offers an alternative to individual air source heat pumps to each individual property and will provide heating and hot water across the development from a centralised energy centre and pipe network.

This is an efficient and cost-effective approach on large development sites. This development is already underway and will deliver a community air source heat pump solution across 950 homes. This demonstrates it can be delivered at scale to meet our future low carbon aspirations.

I would not go through all the technical specifics on this slide, but the system requires no hot water cylinder in the home or underfloor heating. It will work with a smart metre allowing online account management and is future-proofed to convert to hydrogen, if that proves viable in the future.

Simplification, standardisation and innovation

And if you now expand from meeting the challenges of regulation to some of the inroads we are making into modern methods of construction, or MMC, we do not tend to shout about this a lot and it is not new to us. But we do, do a lot of work to continually improve our build quality of our homes through innovation and simplification. And with ESG embedded in the business, we are further forward with sustainable construction than you might think.

As I mentioned, we are constantly trialling new technologies and processes and those that enhance efficiency, safety, and reduce costs are quickly embedded into our business.

Offsite manufacturing is also one way we can mitigate the skill shortage in our industry, whilst improving the quality of our homes. So to give you a sense, here are the elements where we incorporate MMC into our homes. And you can see that in 2021, nearly 90% of Taylor Wimpey UK homes used elements of MMC and we remain active in advancing innovation and are progressive in outlook.

We continue to test this and look to expand usage where it is beneficial to the business. And as Jennie says, we have increased appetite to accelerate the pace, and which I will come on to now with timber frame, which is important to us.

Driving value from timber frame

An example of our use of MMC is timber frame, which you will all be familiar with. This is attractive for a number of reasons. It offers: offsite manufactured products; improves the accuracy, quality and consistency of onsite works; and can increase the speed of build.

From an ESG standpoint, timber frame also offers lower embodied carbon alternative to brick and block and helps to underpin our strategy for the Future Homes Standard. We have previously trialled advanced timber frame solutions. However, while we constantly challenge ourselves to find the best products for customers and wider stakeholders, we also balance our cost discipline and supply chain security.

Timber frame is important to us, very much fitting into what Jennie called out in terms of simplification and helping us address the skills challenges. In the chart, you can see our progress in timeframe adoption. And we continue to target increasing take-up throughout the business. So this is very much in our plans, and you can expect to hear more on timber frame for us going forward.

I will now hand over to Nick to take you through operational excellence. Thank you.

Nick Wright

Group Supply Chain Director, Taylor Wimpey

Procurement – standardisation, simplification and supply chain security

Thank you, Stephen. Good afternoon, everyone. It is a pleasure of mine to be here today to talk to you about our ongoing supply chain journey. I just want to start by taking you through the TW procurement strategy that we launched in 2019.

The benefits to the business are a number of key outcomes, but primarily improving build quality, speed, and enhancing our offering to our customer.

There has been, in recent years, a greater intensity and focus on driving Taylor Wimpey to be a more efficient and disciplined business. This focus continues, and there remains further target areas. This enhanced and increasing discipline has enabled us to clearly differentiate ourselves by bringing multiple benefits to the business, such as: supporting the introduction of the Taylor Wimpey new house type range by standardising products within it; achieving cost benefits by removing costly special products and outliers; improving material availability by being able to more accurately forecast demand to our suppliers across a much smaller number of SKUs; and it also supports improved quality installation because of the repeatability of the product being installed, which improves build quality and is further supported by our supplier training programme, and I will touch on that a bit later in the presentation.

SKU reduction – internal doors and appliances (examples)

As an example of the strategy, the Group procurement team have worked extensively with our appliance partner, to realign our range in line with a much more prevalent retail sector. This included simplifying our appliance offering to our customers by removing an interim brand to reduce customer confusion on the brand offering, whilst being able to secure greater material availability with increased cost savings.

Another win is the improved ability for TW to forecast demand to our partners far more accurately on the 44 models of appliances that we end up with rather than the initial 185. This in turn leads the supplier to be able to hold stock with confidence, shortening their lead times and ensuring material availability while reducing costs through the removal of higher cost specials.

The door example you see on the screen required a combined exercise of significantly reducing our complexity by reducing the number of door styles we had, at the same time as dual sourcing to protect future supply.

Managing supply chain risk

Moving on to managing supply chain risk. We have been working hard improving our supplier risk process for a number of years now. And as a result, our visibility and understanding of our supply chain has increased considerably.

The above are just five of a large number of questions we have been asking our suppliers over the last two to three years. And it gives some insight into the level of detail that the procurement team have reviewed to improve their understanding. And have enhanced the supply chain risk management process to highlight risks across the whole supply chain, rather than just our first tier suppliers.

This includes understanding all points within the supply chain, in addition to recently reviewing supplier ownership. This has helped hone our thinking around risk to the business originating within our supply chain, resulting in us changing a number of our supply chain routes to further improve supply chain material availability.

The benefits of this approach is that we have been able to secure supply on a number of critical products, allowing continuation of build and keeping our customer commitments.

As I mentioned, our work resulted in changing a number of these supply chain routes to improve material availability, which in itself means on-time delivery, customer satisfaction, and delivering financial results.

A robust onboarding process for new products

Following on from Stephen's update on our readiness for regulatory change, the procurement team implemented a robust cross-functional sourcing onboarding process to ensure that critical actions are addressed as we embed these new technologies into our homes.

This covers not only the commercial and technical aspects of the supplier's offering, but importantly, introduces factors around long-term viability of a supplier to produce a new product at required future volumes. Our procurement, technical and R&D functions have been assessing the wider marketplace, specific technologies and suppliers, which includes gaining a detailed understanding of potential suppliers' approaches to ramping up production to meet these future volumes, as well as understanding warranty provisions and preventative care regimes of some of the more fledgling technologies.

In summary, running the business with this adherence to process and discipline protects the business in the future.

Sustainability – Taylor Wimpey and supplier actions

Jennie mentioned earlier that you will see ESG woven through each presenter's slides today and procurement is no different. Working with our suppliers, Taylor Wimpey Group procurement supplier collaboration has resulted in us working much more closely with our partners on their sustainability strategy.

Given the impact of our supply chain on our Scope 3 targets, the TW procurement team, with the support of the TW Sustainability Director, have issued a detailed supplier questionnaire to help us understand the maturity of our supply chain when it comes to sustainability, so that we are in a better position to deliver against the wider Taylor Wimpey sustainability commitments whilst working towards our supplier sustainability strategy and plan that will form part of our future sourcing and selection process.

Supplier training programme

I want to move on to an activity that we feel sets Taylor Wimpey apart from our peers. Taylor Wimpey are the only major housebuilder to have been introduced a supplier training programme. The supplier training programme is a cross-functional collaboration, including procurement, production, technical, and health and safety. And is aimed at ensuring our direct labour and our subcontract base are fully trained and compliant to the latest manufacturer's installation and fitting guidelines.

The aims of the programme are to instil expert knowledge across direct trades and subcontractors that drives quality right first-time installation, and not only does this improve speed and quality of build, it reduces customer care issues significantly and tightens our relationship with the suppliers.

TW Logistics

Moving on to Taylor Wimpey Logistics. Taylor Wimpey Logistics, for those of you who do not know, provide value-added service to our business units, by primarily providing pre-kitted build packs comprising of various products that align with our build stages of production on site. This aids production, improves speed of build, and significantly reduces site traffic.

Whilst being in existence for over 20 years, the Taylor Wimpey Logistics business has grown to become much more than an internal distribution business. This benefit can clearly be seen by taking April this year as a real example. The combined impact of the 28 suppliers, who deliver product into Taylor Wimpey Logistics was 78% on-time delivery. As a direct result of the strategic stockholding strategy employed within Taylor Wimpey Logistics, they were able to improve this inbound 78% and provide 97% on-time delivery build packs to our sites.

It now offers over and above delivery of these pre-kitted products to site a raft of other benefits, such as: producing takeoff and scheduling services, relieving the business units of this activity; safeguarding the BUs against fluctuating supplier performance and price volatility by holding strategic stock with annual pricing to the business units; and ensuring adherence and alignment to our standardisation and SKU reduction procurement strategy.

TW Logistics build packs

To move further on to driving efficiency with Taylor Wimpey Logistics, this slide highlights the logistics build packs that we offer to the business, what is contained within them and how they are aligned to our build phases on site.

Over the last two years, we have standardised our build packs so that they aid discipline to our standard house types, whilst ensuring product integrity. The build packs aid speed of build while ensuring the correct product for critical compliance and safety components. The majority of build pack products are internal to the property, and we are working with our production colleagues on enhancing trade-related build packs to support consistency in our build process.

Having moved to larger premises in 2021, the team are now well placed to further drive efficiencies, while expanding the offering we give to the business. Working closely with our R&D team and the business units, we are continually assessing what extra value Taylor Wimpey Logistics can bring to the business such as improving supply of these new emerging technologies.

Operational excellence and fit for the future summary

So in summary, by employing a sharp operational focus, we are ensuring Taylor Wimpey is future fit. The rigour and discipline being applied to all aspects of our operational excellence ensure risk is managed, while at the same time driving discipline and compliance throughout the business that will allow us to protect Taylor Wimpey from these changes and challenges.

The cost benefits, along with increased supply assurance, highlight the effectiveness of our underlying operational excellence. These activities both in terms of our readiness for the regulatory changes that Stephen took you through, and the elements of our procurement strategy, will continue at a pace, with work ongoing to achieve the desired outcomes, whilst differentiating and protecting the business.

Thank you for your time today.

Q&A

Jennie Daly: Okay. I hope you found that a very interesting deep dive into our technical and procurement world. And congratulations to both Nick and Stephen for using as few acronyms as they could manage. Sometimes they can be quite a mouthful. So we have some time before a coffee break for Q&A. So really just interested in who has got some questions.

Ami Galla (Citi): Just two questions from me. The first one on the MMC components. Are there any parts that you currently produce in-house? And how do you consider the decision between producing it in-house or relying on external supply partners for that?

And the second one really is on the suppliers and how they are pricing in this current volatile cost environment. What proportion of your suppliers are now resorting to, say, dynamic pricing versus say fixed price agreements historically?

Nick Wright: So I will take the second one first, then. So I think given the environment in terms of cost pressure that we see on products across a whole range of products, a number of more commodity-driven products have moved to a more dynamic pricing. But we have been fortunate that in a lot of these, timber being primary example, that we have put in what we believe to be very robust cost control methodologies that allow us to track that commodity pricing globally and take advantage of those prices when they start to change going forward.

Jennie Daly: And then, so your first question, Ami?

Ami Galla: On the MMC components? I am assuming most of the components that are currently used in production are sourced from external supply partners. How do you think in future, is there a scale at which the cost, it is more optimal to produce that in-house? And how do you think about that decision?

Jennie Daly: Yeah. Well, maybe if I just take that to start with. So yes, we procure all of our components and materials externally. It is probably worth saying that vertical integration is something that we do continue to look at. We have looked at a variety of targets over the years. But it is really important that we find one that delivers real efficiency, and added value to the business. So I would say, we are very open-minded, but we have not quite found the right component, or the right material to commit to that at the moment.

Aynsley Lammin (Investec): Just on the £10,000 extra cost you estimate for the Part L, F, S and the Future Homes Standard. I mean, do you think the land market will absorb that? Do you think you can pass ones on to the customer? Just interested in your views. Or indeed, could it be actually less than £10,000 when we get the technology, etc.?

Jennie Daly: Well, there is two elements. And I think as Stephen pointed out, the L and F costs, we have been through the consultation, the regulations are live. Stephen can talk to you about the frustrations that we have with government's release of SAP software, maybe he can comment on that on a moment. But those are technologies that are fairly familiar and so we are feeling quite robust around the pricing of that.

Future Homes Standards, we still have not had the consultation, so we are working on our best informed estimates of where we think that is going. We have been building in the costs for L and F, that definitive cost, for some time in our land acquisitions, and we are making allowances for Future Homes. But really, we are looking at it as a cost to land.

Where the customer is at? I think, and we talked about this at full year. With the increasing energy prices, we can see that our customers are becoming more interested in energy efficiency and sustainability. But it is not yet a primary driver in the decisions that they are making. There is some benefit in green mortgages and that is helping extend affordability and that is very welcome.

So I do not think that we are there yet, Aynsley, in terms of the customer seeing additive value for the green technology and the regulations approvals. But I think that we are getting closer to the tipping point and as homeowners become more aware potentially of the cost of retrofitting, as we get closer and closer to the escalation, then that is potentially something that could come.

Do you want to just mention about SAP and how that is playing through at the moment, Stephen?

Stephen Andrew: Yeah, absolutely. I am quite happy to. So SAP is our energy modelling software. So it's produced by BRE working with government to produce a piece of software, and our industry uses that to model the homes and the solutions for the homes from a fabric and technology perspective. We would benefit from that as early as possible in a changing regulatory environment.

The way that SAP is rolling out at the moment, we're expecting SAP on 15th of June or thereabouts. So we are going to have to react fairly quickly on the back of that, which, again from our point of view is really just confirming all of the modelling and work that has been done to-date rather than starting afresh, it's just confirming with the latest set of SAP modelling.

So it is an important step for us, it is an important tool for the industry. But we are nearly there, we have nearly got it from government but there has been a lot of work and a lot of lobbying through ourselves and we are part of the Future Homes Hub, which is a cross industry group working with DLUHC and everybody involved in SAP. So there is a concerted effort to get SAP over the line.

Jennie Daly: Yes. It is a bit of a frustration. Glynis, you have been very patient.

Glynis Johnson (Jefferies): I will rattle through a few and I might send a few your way Jennie as well. Just in terms of the quick ones, in terms of you mentioned increased cavity might be required on walls. Does that mean smaller amounts of internal space? In which case, have you factored that into the profitability calculations?

Second of all, just logistics. Forgive me, I do not know enough about this business. Everything goes to one place, you send it on? It looked like everything came from one dock that was slightly west of East Anglia. Given the increased cost of fuel, what is the balance in terms of those extra costs that might incur versus the benefits of having the supply?

And also, do you provide Lego kits? Is it just that you package together in one box the bits they need for certain build parts or build programmes? Or do you put them together, so actually on site, it literally just fits together and one piece arise? Just understand quite whether it is you effectively creating MMC, but without really doing the bits and pieces.

Got to keep going while I am at it. The heat network, how applicable is that going to be? I guess the question is, who maintains it if it goes down to 950 homes lose their hot water? Is it part of the community charge they would have to pay, a service charge? I am just wondering how applicable it versus individual homes having their own heating?

And then Jennie, couple for you, if I may. Customer service is gone local. What does that mean? What has changed in terms of customer service? Is that you keep someone on site for longer? What exactly does that mean? And then you have talked about the land market becoming more competitive. Can you just put that in perspective of two years ago, three years ago, four years ago, obviously, there has been a much better land market post-COVID, so just to get us the right context.

Jennie Daly: Okay. I am starting at the back, land market. We are going to come on to that, Glynis, in the second session. And if you still got questions, then we will come to that at the end. So let us put a pin on that one for now.

And on customer service, to an extent, yes, in some sites, there may be a house finisher. It is one of those roles where there is a number of different titles. But essentially, in our customer service handover from sales to customer service and the way that we have dealt in the past with snagging issues from customers, often it is they are effectively going through many hands.

And we recognise then there is a degree of frustration from the customer, because they see all of the production teams coming onto site and they do not understand why is that chap just not fixing my issue, and it is a really good question.

So one of the reasons that we changed originally was because we wanted more visibility of the issues, and so that we could record some of those improvements that we have been talking about around build quality. It was a good way of trapping that information and data, but really trying to improve the speed with which we are resolving issues with the customer. And actually, our Site Managers really do enjoy the customer contact, and they get a lot of pride out of it.

So there is a little bit of a resource redistribution, but not as much as you might expect. And I think that the customer and site have a better relationship.

So quite a few questions then on the technical detail. So Stephen that point on cavity walls and the cavity wall widths, do you want to just make a comment on that?

Stephen Andrew: Absolutely, yeah. So what I would say about Future Homes Standard just now is we’ve still quite a long way to go before 2025. We have got the Government consultations to come to understand what weighting the Government will put on various parts of fabric and technology. So what we have illustrated today is our knowledge at the moment in terms of what is in front of us.

The specific point on cavities, to make air source heat pumps efficient, we need a very efficient fabric for the home. So we are spending money to heat the air within a home. So we want to heat as little air as possible to keep the energy charges down. So the better the fabric, the less we need to heat that air. That then makes air source heat pumps very efficient.

Now, building additional insulation into the walls is an effective way to do that. Now, clearly, we have got three, four years worth of innovation to get to that point. So insulation products will improve, and various other technologies and fabric options will present themselves. So it might be that we do not need to do anything with cavities in 2025. But at the moment we are planning for that just now, and the teams are aware of that in the business, and has been advice given to them about the plotting and densities around that point.

To reassure you on the very specific point about the internal space, it is likely that the cavity would move outwards rather than inwards.

Jennie Daly: Yeah. And I think probably just the point that I would add, Glynis, the properties that are likely to need that increase, if that is the solution, and there are many other solutions that we are looking at, are predominantly detached. So the way that we plot those gives us lots of flexibility. It is not something that we are greatly concerned about. But nevertheless, re-doing all the technical work for these guys is quite a feat.

I will just stick with you then Stephen on the heat network. So there were a few points that Glynis has raised; who maintains it, pricing, and how is that structured on site?

Stephen Andrew: Yeah, happy to take that. So the heat network itself, obviously, this is an innovative solution for us. It is our first development like this. The effectiveness of this heat network, it depends on the scale of the site. So there is a tipping point where that becomes an effective solution.

You can use it down to sites of about 150 units. But from a cost perspective, it becomes more efficient and more effective when you get to the 500 units. So it is a scalability point on the heat networks, and then it becomes more efficient as the scale of site increases. So that is the background of the heat network. There are a couple of good points in there. One, heat network energy is not regulated until next year. So it is going to be regulated by the Government next year.

But until then, we have had to put a lot of safeguards in place on this particular site to apply that regularly to the governance to the site. The maintenance aspect of it and the residual backup was a good question. There is resilience in the system. So if the air source heat pumps go down for whatever reason, there is electric generator back-up to the network. So the customer would not be without heat or hot water at any point. There is also telemetry through the pipe network. If there is a leak or a burst, the company will know where that is, and they can go very quickly and address that.

Jennie Daly: I think it is also worth saying, Glynis, that although the example that Stephen has shown, low-rise suburban approach to district heating, actually, we have been doing this really successfully in London apartment schemes and higher density developments. And although the typology is different, the actual theory and the mechanisms are all the same.

So it is quite tried and tested from a customer interface point of view, how the energy companies and the management companies work. What is different is getting into that low-rise more suburban structure for it.

And then Nick, there was two questions around logistics, the location, which is Peterborough. So we have recently moved there, as Nick mentioned. Fuel costs, and just you know that cost benefit balance is it moving at all with the increase in fuel.

Nick Wright: Yeah, certainly. So I will try and blend both of those questions together for you. So I think, just aside from Taylor Wimpey Logistics, we monitor and starting to talk to all our suppliers about the sustainability impact of all the miles travelled of all of the products. And when I mentioned the questionnaire that we have just put out, it is to try and understand the maturity of those suppliers of can they even model that? Do they know what the impact of a brick going from Leicester to Exeter is, etc.? And we are starting to do that this year to give us greater understanding of how we put that into our sustainability strategy.

So to hone that into Taylor Wimpey Logistics, we have got 28 different suppliers delivering at one point rather than going to 250 sites. So we then kit those. There is no MMC in there. There is effectively discrete products that are aligned with build phases. Then kitted, packed and then go to site.

But I think while that miles travelled is a very important measure, I think the other benefits of having that less site traffic, not having 28 suppliers turn up on site, I think the security of supply has obviously been one of the biggest drivers and ensuring that there is product integrity and that we know that that product is going to that site, and we have got governance over that.

And also reducing damage, by the way, we kit those and package all those ready for site. So I think all of that goes together, and I think we will increase our understanding of that ESG impact of all of our products, not just the Taylor Wimpey ones, but also the direct supply ones over the next year. We start to model where products should go from and to.

Jennie Daly: And I think, Glynis, if we think back to last year when there were transportation issues, the ability to control transportation logistics became a real benefit for the business, when a lot of the suppliers could not get extended transport to sites.

Will Jones (Redburn): Just a couple from me. The first time is around the house type range. I think you mentioned 45 or so now. How evenly are they used? Or is it the case that maybe 15 or 20 of them are dominant within the volume? And just can you remind us on how the phasing of that is playing out in terms of percentage of completions over the next few years? And then the last one is just reminder on what you are doing on plotting efficiencies? I think you touched on it at the full year, but has it come up as yet?

Jennie Daly: Yeah. Okay. So the house type range, I mean, we have had a number of steps over the years, which I have discussed in the past. But we started off with quite an expanded range. And it does happen, because we introduce over time for different local authorities, different space standards and so the house type range tends to swell, and it needs to be managed and culled every now and again or retired.

So we went from over 120 to a consolidated range of about 45. And we have been operating on that basis for a number of years. The new house type range has a core number of house types of about 28, Will, and then there are, what we would, call toolkit house types that specifically help us, for example, if there is a particularly narrow plot or if it is very broad frontage or to respond to a local authority design requirements in a way that continues to maintain all of our benefits of standardisation. So there are a few specials for want of a better word.

We have been designing now and plotting with the new house type range for a while. The first homes for sale that were not part of our prototype exercise will be in August. I was just looking at what the ramp up looks like last week. By the time we hit 2025, and that is the date that we have been targeting because of the regulatory changes that Stephen has taken us through, then we should be at a more dominant output, because it does obviously take time this dynamic to ease out of the existing range.

So we are seeing the uptake in that really accelerating and we do expect with the new range that that will encourage our businesses to change over more quickly than would historically have been the case.

On plotting efficiency, we are consistently driving our business to improve plotting efficiency. The new house type range for reasons that I explained, and again, in the past does plot much more efficiently than our previous range, because we have taken out some of the complexities, so it plots much more easily, which means that we also get benefits with on plot parking, which can cause inefficiencies in plotting. And at the moment, and Stephen will correct me, if I am wrong, we are about 300 square foot to 400 square foot more efficient on a net acre basis. So that is a continuing discipline.

And both with plotting efficiency and you will have seen on my notes earlier, the design, the office of place and the increasing importance of design. We have been investing for a number of years and improving our design capability within the technical teams. So I think plotting efficiency is a constant, continuous improvement exercise.

Charlie Campbell (Liberum): Just a couple. Just to carry on with that standardisation point. Is there a build cost saving as well? I cannot quite remember that if there is saving on that side as well. And then you did mention planning delays? I do not know if this was something you want to talk about later. But where are we on the way the planning is working? Is that getting any easier as people maybe come back to offices? Any signs of that getting any better?

Jennie Daly: Okay. I will address the standardisation Charlie, but we will come back to planning. And I think if everyone wants a cup of tea, probably not good to get me started on planning this side of the afternoon.

So there are build cost savings in standardisation. As Nick described, actually just reducing the SKUs, the number of components that we require reduces and makes it more efficient in the purchasing. So there is cost there.

But there is also then costs in prelims actually the speed of work with the familiarity of standard designs and standard components. And then we are not likely to have issues around build quality, requiring rework with that level of familiarity. So there are small incremental but that is the benefit of standardisation that you get all of those incremental improvements through your production.

Sam Cullen (Peel Hunt): I have got three I think all for you, Jennie, and you may kick the next one into the next session. But the first point in the presentation is the sector-leading landbank. If you looked across the sector, you could find other companies with probably higher embedded gross margins in their landbank. So just interested to understand what you think makes your landbank sector-leading in that context?

The second one is on your six value creation points. How would you rank them in terms of the most or least important? And would you put a weighting on that? Would land be 70% of importance for the value creation of the business?

And then the third one on your triangles? Are you seeing any change rather in alternatives in terms of more existing stock coming to the market, which is impacting the affordability calculation and the price you can achieve?

Jennie Daly: Okay. I think, landbank, I will come back to because we are going to take you through quite a deconstruction of the landbank.

On the six values, and putting them in priority order, you have got to start with the creating. I mentioned in my opening session, if we do not get land acquisition right, you just do not have the raw material. So creating, getting the quality of the deal and securing the best possible planning at the right time would be the real core.

But I would not sacrifice others. We do have to apply a really strong discipline across all of them. Because then there is no point in buying really well, and getting really great planning, if there is leakage through the production and procurement process. And as a customer-facing organisation, we have really got to get that build quality, customer service and sales experience right.

And then to the triangle and more existing stock coming to the market. I mentioned we are seeing an extremely robust sales environment with very committed customers. We are seeing all kinds of customers first-time buyers, second steppers. So there is quite a breadth of that demand, and not seeing any discernible change with movements in the second-hand market or increased numbers of existing stock coming to the market.

Chris Millington (Numis): There was quite a lot of emphasis on timber frame, or timber built houses in the presentation. Now, there is clearly been some pretty material price moves in timber. So perhaps you can just comment on the relative cost of that versus traditional build and also the timing component? And also, where can you see yourself getting to in terms of percentage of build?

And then just a quick one on Scope 3 emissions. When do you think you will be able to accurately assess what those Scope 3 emissions are and be able to report them?

Jennie Daly: Okay. So I will take the Scope 3 emissions. And Stephen, then if you could just comment on timber frame and our plans there. I mean, Scope 3, you have just picked probably the most complex and challenging question of the afternoon.

It is very much driven by our supply chain. You will have heard that we are interrogating the detail within our supply chain, now quite incrementally, and in quite a lot of detail, driven by a number of events, sustainability in our own plans to try and address a carbon reduced world, but also that security of supply and some of the issues through Brexit, the issues last year, the conflict in Ukraine.

Nick was talking about origination and ownership, which is not really something that we would have really have thought that we needed to do until earlier this year. So it does require an alliance to address Scope 3. We work really closely with our suppliers, and their understanding and appetite and realisation that they need to move quicker is increasing.

And our Group Commercial Director is engaging with groundwork contractors around what they are doing in their sustainability plans, all the way through material supply chain. So not a great detailed answer other than it is really very difficult. But what we are keen to do is to drive as much of our supply chain to meet our aspirations around Scope 3 management as we can.

Chris Millington: Do you think we are two years away from it, five years? Is there any timelines you can give us?

Jennie Daly: It is not three years. So if I was to pick the other alternative, it is five plus. There is a lot of work to be done there. So, Stephen, the relative cost of timber frame versus traditional build, and then what is the percentage of build for timber frame?

Stephen Andrew: Yeah. I am happy to take those, Jennie. So the material cost of timber frame is higher than masonry construction. So what we need to do though is balance that conversation because the benefits of timber frame then bring into the construction on site, through this speed of build and the better working environment, and the pace at which we get other trades into the homes quicker, there is a balancing part to that conversation. So the material costs are higher, but there are other cost benefits that timber frame naturally brings with the methodology of the build.

In terms of percentage wise, you have just mentioned Scope 3 there quite rightly. So sustainability is a big part of where we are, we're on that journey. Timber frame is an important part of our build methodology. We can see ourselves continuing with a masonry methodology and a timber frame methodology.

We do expect with the introduction of embodied carbon potentially as a measurement at some point in the future of that, the benefit of timber frame will increase, which is why you have seen from the presentation we are pushing timber frame further into the business now. So in percentage terms, we certainly will be looking to increase that conservatively across the following years. We may get to a point where we are at 30% or so in a number of years time.

Jennie Daly: Okay. I am conscious of time, but we will take another and then we will have a coffee break. And just to remind you guys that Stephen and Nick, and Stephen mentioned Richard Kinloch will be around for the coffee break and later this afternoon as well.

Andrew Evans (Sanlam Investments): Quick question, slide two, more potential to unlock through delivery of financial targets. If I look across the pond in the US, there is a big shift there towards asset turn, rather than margin in terms of mentality of those builders. And the best performing builder over the last 25 years in the world has pursued a very asset-light approach rather than focusing on margins. I know the markets are very different. But if I look at your targets there 30% and 21% for margins, suggests a bigger focus on margin rather than asset turn. Can you just talk about that margin versus asset turn focus for you guys? Where is the direction of travel in the business next five to 10 years?

Jennie Daly: Okay. I think I am probably going to say that Chris and I will tackle again some of that in the next section. So can I stick a pin on it? So I think there is two things that I have definitely reserved for the next session.

So, on that basis, I am going to just wind up this session, some tea and coffee. I think if we try to be back for 16.00, that gives us a little bit of time, and we will get on to the next areas. Thank you very much.

Land: optimising value

Jennie Daly

CEO, Taylor Wimpey

What you will hear

So hopefully you are all refreshed and ready for round two. We are going to kick off with land. And so we talked a little bit in the first section about the importance of land. And my opening comment is land is the key driver value for a housebuilder.

As you know, we tend to think of our land in two buckets: the short term landbank, which is owned and controlled, with at least a resolution to grant planning permission; and strategic land, which is longer term in nature but provides considerable support and additive value to the operational businesses.

I will be joined in this section by Lee Bishop, our Group Managing Director of Strategic Land, who will take you on that deeper dive into the strategic land pipeline, and why this is such a benefit and value driver for Taylor Wimpey.

So what you will hear in this section is our focus on optimising value from our owned and controlled landbank, and our sector-leading strategic land pipeline. Our priority will be to focus on the execution and delivery to outlets with a particular focus on recent land acquisitions. We have an excellent land portfolio, and a highly experienced team who are market-leading at what they do.

And this underpins our confidence in meeting our operating margin target. Given the considerable delays the whole market is experiencing in planning and technical approvals, as well as the competitiveness we are seeing in the current short-term land market, there is virtue in having a slightly longer land position at this time.

We will talk too a bit more about the current land market. Our approach will be agile. We will continue to actively pursue good opportunities when and where available. However, we are in a good position and have the option to utilise our strong land position to avoid highly competitive behaviours.

Land quality remains a focus, that is a preference for solid, attractive market locations assessed against our internal locational quality matrix, focusing in areas where there is market depth desired by our customers, and which have the ability to achieve our margin expectations. The quality of land intake margins therefore remains a focus.

We have been holding, working and maturing strategic land for a long time. The key value differentiator in our strategic land pipeline is its maturity and its depth. And Lee will take you through that.

Land market and planning environment

So I spoke to you earlier about the housing market, and I will now turn to the land and planning environment.

As we flagged previously, the competition in the land market has been increasing. We are now operating in what I would classify as a very competitive land market. Good opportunities do remain, though these are less obvious in smaller site sizes, where competition is greatest.

I should remind myself and you all that when we talk about the planning environment, we really mean the broader regulatory environment, which includes technical discharges, such as section approvals, like highway approvals and the like. And it is starting to get difficult to find the correct adjective for how we are finding the regulatory environment at present, though frustrating, I think serves best.

However, our experienced teams are working hard to gain momentum and advance land to outlet opening. And I have added a section here acknowledging the medium term anticipated changes. Stephen has addressed the environmental targets earlier, but safe to say identifying and addressing these issues as part of the benefits of a future fit approach.

Consents and delivery

So what is causing the tightening? It can be attributed to two main influences. I think high demand from competitors, who effectively stopped acquiring in 2020, and lower levels of supply due to local plan and planning determination delays.

So the graph on the left while reflecting up to quarter two of 2021. I think the overall trend remains. I will also just explain the Y axis for you, is the proportion of homes consented on site size in England. And the reference to 150 units as large sites reflects the regulatory rather than the Taylor Wimpey definition. So hopefully that just clarifies that a little bit and allows you some time to have a look at it.

The bottom line shows that small sites are extremely tight and getting tighter. Medium sites have shown similar trends on the middle line there in green. And although the top line, larger sites have been what is driving consent growth, which you will have heard in press and the like over the last year or more, you can see that this is also now dipping. But overall, it is painting a picture of a challenging backdrop of reducing site availability.

And as I said earlier, the trend I think is exacerbated by resource issues within local authorities. The map on the right further reinforces this, showing the average difference between consents issued and housing completions between 2015 and 2020, with the redder tones illustrating areas where consents have run at a deficit to completions over the same period.

We benefit from a stronger land position, providing more options

So in an environment with increasingly complex planning and technical challenges and delays, the control of good quality land has never been more important. In such circumstances, a slightly longer landbank becomes something of a virtue, but it gives us more choice, helps us to absorb the impacts of new challenges, such as the recently expanded nutrient neutrality declared by Natural England whilst continuing to meet our planned levels of completions.

And just on the topic of nutrient neutrality, we are working our way through those issues and identifying mitigating strategies as needed.

The map shows the distribution of our short-term landbank. It is well spread, where demand is strong. And it has got a good mix of sites. And it has been enhanced by the land which we bought over the last couple of years, giving us more options, and putting us in a great place to continue to deliver homes for our customers and value for our shareholders.

Land – a robust governance process

So a good point here for me just to pause and give a reminder of our internal governance processes around land review, acquisition, land monitoring, and management.

It is a very comprehensive process that is well embedded within the business. And it starts with the initial land identification. And as it moves to an initial land purchase exercise, it is put together by the regional business. It is based on current sales prices and current build costs. It is then supported by the Divisional Chair, and myself by considering the detailed financial metrics and ensuring that the proposition contributes to the overall Group investment criteria.

This formal process is supplemented by ongoing discussions around the business and the Group management team on a very regular basis, and also ad hoc on a specific site basis. We proactively think about our impacts on the environment and the local communities within which we work, and deliver mitigation required through the development process. So, for example, delivering road and infrastructure improvements.

And I think you all also know that we have an extremely well embedded approach to community engagement. And it is worth remembering too that we also deliver a significant local infrastructure through our social commitments in establishing local schools, medical centres, creating sustainable communities and providing employment land.

What makes a good short term landbank

So I said that we would take a little deeper dive. And one of the questions would be, well, what makes a good landbank? There are five main ways, I think, that you can measure a landbank length, weight, shape, efficiency, and quality.

Some of these go hand in hand, of course, but it is a helpful discipline, even though at different times in the cycle and operating conditions, you will prize some over others.

So given the things that I said earlier about the macro-environment, but also the competitiveness of the land market, and frustrations in the regulatory processes, it would not surprise you I think to learn that underlying quality and length feel quite important at the moment.

So we have applied these measures to our short term landbank and given you a more tangible way of measuring it.

Length and weight, our current short term landbank is sitting it a slightly extended length of 6.6 years, which reflects the level of acquisition activity we committed to in 2020. However, it will start to normalise as we increase volumes in future years. But actually for where we are right now, I think longer is better. And we measure weight based on the cost per plot as a percentage of average selling price.

Shape means a mix of site sizes well distributed geographically. A balance is needed to make sure we have options, and so that we can operate across the full price range of our standard product. Through acquisitions over the last few years, we sought the right shape of opportunities and locations and markets we value and balanced our scorecard of site sizes with a focus on increasing outlet numbers. The landbank therefore offers us welcome choices in the current market environment.

And then efficiency, which there is a number of measures often measured as here in terms of return on net operating assets. But other areas that we review on an ongoing basis include managing and monitoring our planning performance to outlet opening, and of course, production efficiency, sales rate.

And quality, I will focus on locational quality here. The locational quality preference remains as our existing strategy that is a preference for solid attractive market locations as per our internal locational matrix, where the market has depth and the ability to achieve margins.

Length and weight

So Chris is going to go into more detail on a version of this side. So I would not say too much other than I think it demonstrates these points effectively. The landbank now stands at 87,000 plots. And over the last two years to quarter one 2022, we added over 26,500 plots to the landbank.

We converted 12,000 units from our strategic land pipeline, and overall invested £1.7 billion in sites. The length of our land position means that we are able to operate an agile approach in today's challenging market.

And in terms of weight, the average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.4%, demonstrating how well we have bought.

Shape – short term land

So shape. I think, as you know, smaller sites are, as a general rule, far more competitive. And we recognise previously that if we continually drove towards the highest possible margin, we would also drive towards larger sites. We continue to see value in having large sites as part of our portfolio. And it is worth noting that these most frequently come through our strategic land pipeline.

And as a result, are well planned and phased. We continue to have the technical and production expertise to manage large sites effectively. But over the last few years, we have been mindful, despite the increasing tendency of planning authorities to allocate larger sites to achieve more balance in our site sizes. And we took that opportunity when the market was more muted in 2020, to pursue a greater number of smaller sites.

But with the step-up in competition, small sites have become even more sought after. But given our activity in the last few years, I think we are well placed. And we can, as I say afford to be agile and selective more so than many others.

Efficiency

And then efficiency, so I would not linger on RONOA because Chris will cover that. But we remain really focused on progressing our new acquisitions through the planning and technical stages and opening quality outlets. This is a key focus for our management and operational teams. All are clear on the actions required to ensure we deliver, and as we gain momentum for growth, positioning our business to deliver increased volume growth in 2023.

We consider all the activities which contribute to efficiency. We monitor WIP deployment, production efficiency and sales, as you would expect. However, with specially trained project managers operating in each of our business units, we also review that planning performance through to outlet opening of land acquisitions on an ongoing basis.

The starting point is to focus on setting realistic programmes at the point of acquisition. We then track and report predevelopment progress and performance against these programmes, which ensures that we have accurate budgeting and forecasting exercises in place to support our delivery plans.

Quality landbank key to success

And then quality. I believe that we started showing you this locational matrix well before my time, so that was pre-2014. And it remains the way that we talk about locational quality in the business and is a key investment criterion reviewed on every purchase.

Our land portfolio is located in good quality areas, where demand is strong and people want to live. We continue to believe that the quality of location is critically important alongside a strong balance sheet and reduces the cyclical risk for our business.

You will see here that around 60% of our short term landbank is now located in BA and BB locations, which for shorthand means that those are what we believe to be the optimal locations for investment. And 85% located in the top four tiles of the matrix. That represents significant progress in land quality movement in the business over the last decade.

We remain confident that our landbank is well positioned and in good quality locations where people want to live and will provide good opportunities for future average selling price growth in stable market conditions and resilience in more challenging times.

What makes a good short term landbank

So just to sum up. So against all five measures in our short term landbank, I believe we score very well.

And to draw my little section to a close, I particularly call out the choices that having a slightly longer landbank gives us in the current environment and the locational quality of the landbank, which underpins our confidence in the future profitability and resilience of the business.

So I will hand over to Lee now, who will take us through the strategic landbank. Thank you.

Lee Bishop

Group Managing Director Strategic Land, Taylor Wimpey

Strategic land a key differentiator

Afternoon. Thank you, Jennie. With 38 years with the company, and all but three of those in land promotion and acquisition, including many of them in the operation of business, I can tell you from experience, how important having a strategic land supply is. Plot security and improved margins over open market being the two key attributes.

Control of land supply is the key to our business, for plot security and to support optionality, while allowing us to respond to current market conditions, a strong strategic pipeline supports and enhances that choice. And I am very confident when I say that our strategic land portfolio is industry leading. And through my presentation, I hope I am going to demonstrate to you why.

Strategic land at Taylor Wimpey

Firstly, a reminder, teach-in, that Taylor Wimpey defines strategic land as land which does not have any form of residential planning consent at the time that we take a commercial interest. This is most commonly agricultural land, but could also be land with an employment or a commercial designation.

We hold the land in a number of ways: we either own it outright; we own it with an uplift in the future; or controlled via an option or a hybrid agreement.

And a hybrid agreement is a balance between an option and a promotion agreement, where we are guaranteed a part of that land to be developed.

At Taylor Wimpey, we do not pursue pure promotion agreements. Our overall aim in owning and controlling strategic land is to provide future development opportunities, and therefore turnover to our operational businesses at enhanced margins when compared to the open market, not as a profit centre in and of itself. This means we focus our skills and our resources on securing and maturing sites in the locations our businesses want us to be.

As a mature strategic pipeline, we are delivering approximately 50% of our annual completions from historic strategic land sources. Here come the numbers. Delivering 73,737 plots over the last nine years at an average of 8,193 per year.

Our team are highly skilled and experienced with a leading reputation in the market. The senior strategic land team of six with skills in land, planning, technical and finance, have 180 years of industry experience, 120 of those are with Taylor Wimpey.

Benefits of industry leading strategic land pipeline

As you will see year-on-year when we report on our strategic land conversions to the short term landbank, strategic land is a key input into the short term landbank and provides an alternative land supply for the operational business other than the current land market.

We demand a discount to open market value. Our options within the portfolio have a discount, helping us to protect that margin. With greater control over the quality and the readiness of the planning permissions that we receive, so where our timing, our design and our infrastructure can be optimised to what Taylor Wimpey need.

We can adapt quickly. The depth and distribution of our positions means that we can flex to changes in Government policy and guidance quickly. This delivers added value across the market cycle. And for example, by its very nature, it becomes even more of a competitive advantage as we face into a more challenging land and planning environment. It carries lightly on our balance sheet and is therefore very efficient.

At the end of Q1 2022, our strategic land is held on our balance sheet for a total of £419 million. 145,041 plots, at an average of about £3,000 a plot. Just to give you an idea, and you come to it in a little while, our option plots are held very lightly at £1,000 a plot.

Strategic land allows us to deliver both great places to our customers and value to Taylor Wimpey but also to the landowners that we take land from.

Value added from strategic land

One thing I am keen to demonstrate to you today is the value chain created through our strategic land activities and to illustrate for you where and how our strategic land position adds value, and then later give you a sense of that absolute potential.

So like a business model that you saw earlier, we can think of strategic land also as a value chain. The first stage, value creation, is about our teams proactively identifying sustainable opportunities that offer housing potential in the future. So we are looking for sites that are in locations where: the demographics are strong; they have good future planning prospects, such as growth areas, areas expecting major infrastructure investment; they are likely to be deliverable and viable with headroom for future policy movements.

We operate both off-market by private treaty, and also within the strategic land market itself. Though, in this market, expertise, track record and sustainability of a business is key, all of which our teams demonstrate.

So if we find value in the locations, we then negotiate each opportunity individually with entry terms and contract type reflective of the planning provenance. And that is how soon it is likely to achieve a consent and the way we are going to control it, whether it is via an acquisition or through an option.

The duration of control is dictated by how long is needed to secure that planning permission. Overall, deliverability, for example, infrastructure requirements, resolving constraints to development, we balance all of these to reflect the entry cost and the overall expectation of discount for individual opportunities.

Our process looks to enhance upon this at an early stage, often before securing the asset we establish, where our site could fit in the overall housing delivery numbers, most frequently by virtue of that local plan process. Though, we are always assessing opportunities in localised circumstances where an early application ahead of, or in parallel with, a local plan can be made.

Strategic land by its nature does require a degree of patience. But we actively work on our assets, maturing them over time. At Taylor Wimpey, we are committed to community engagement. And this approach is threaded all the way through our promotional strategies. We undertake thorough and transparent stakeholder engagement, which includes local communities and the local planning authority. And of course, we keep our landowners fully advised of that progress.

Detailed technical assessment to test and prove deliverability, phasing and viability also ensure that we protect value created through the planning process. And that ultimately, when we are negotiating the final purchase for the scheme, all the relevant costs are included in that valuation process. Achieving that resolution to grant is the point where we have secured and protected the value that we originally identified.

Optimisation occurs when planning permission is realised. The process moves on to one of price negotiation with our landowners. This is a progressive negotiation over a timeframe often aligned with the latter stages of the planning process. The benefit starts with the fact that it is a one-to-one negotiation, not a competitive market one, remembering always that we are entitled to a discount from the agreed open market value. This can, if needed, be the subject to a third-party RICS Redbook Valuation, which maintains tension for both parties in the process.

So full realisation comes when the price is agreed. Bearing in mind the very advanced stage, the asset has reached in planning and technical approvals, the site is transferred to a business unit ready to be acquired in an almost bucket-ready state. Much further advanced than the majority of sites acquired on the open market, providing benefits in return on capital.

I will not complicate it. But it is probably worth noting that there are often opportunities to acquire earlier in that value chain, in which case, it is a matter of balancing that risk and that reward, which come in further enhanced terms or this further improved discount to the open market.

What makes a good strategic and pipeline

So what is it that makes a good land pipeline? And why can I say with conviction that we look very good?

On an earlier slide, Jennie showed you how we assess our short term landbank. Our shape measured by way of site size, mix and geography is constant in the way that we assess our strategic land. The quality that Jennie talked about locational quality earlier, but just to confirm our strategic land teams follow exactly the same locational quality disciplines as the operational businesses.

Efficiency in strategic land is different. This is where our value-add, our strategic land sites have a margin enhancement benefit by virtue of an embedded discount to open market value. We are rewarded for investing our skills and resources and our patience. The outcomes are schemes delivered in collaboration with local authorities, communities and landowners, delivering great places for the customer to live.

And from a margin enhancement perspective, the discount to open market potential embedded in our strategic landbank is in the order of 13%. I am going to give you a little more detail on the most important factors of control and maturity.

Strategic land pipeline (control and maturity/depth)

Control provides us with the security of supply. Whether owned or optioned, this creates enhanced value through the acquisition at a discount to open market value. We seek a balance that you will see holds the land lightly on the balance sheet with 23% of our landbank freehold and the majority, 70%, under straight option.

When we talk about depth, we mean the time period over which the land pipeline operates. So for example, aside for the freehold land, we hold option positions on land all the way out to 2043. This provides opportunity over a number of local plan cycles to achieve an allocation. This depth is particularly important when the plan process such as now is beset with delays.

Maturity, on the other hand, is about the provenance of the asset maturing in planning terms. So right now we have 13,000 plots within local plan allocations, which are now making their way through the planning application process. Some managed by strategic land, my team, some by the operational businesses depending upon the level of complexity of the individual site.

We carry 145,000 plots very lightly on our balance sheet when compared to short term land, just under £3,000 a plot, which is good value, particularly when you consider the number of plots already allocated in local plans, and that this includes a very strong freehold position.

Strategic land pipeline (shape and spread)

I am really pleased to be able to show you this. This is the map that clearly shows the distribution across the UK and the larger circles are the larger sites. I am particularly pleased that it shows a broad mix of sizes that enables us to be responsive to changing local politics to pivot when policy direction changes and to support our operational businesses local preferences for certain geographies and markets.

Whilst not easy anywhere, it is less challenging to develop a portfolio in areas of high growth. But for some time, we have sought to ensure that all of our divisions are supported by strategic land opportunities. As a result, we have got really good geographic distribution, pretty evenly spread across our divisions.

The overall average size of our sites is 320 plots, is higher than the short term landbank, though this is reflective of the increasing tendency of local authorities to allocate larger sites, capable of delivering near key infrastructure and facilities.

Scale of strategic land opportunity

So let us see the scale of the strategic land opportunity. This graph illustrates what we have achieved and also what is in play, based on our current assessment of local plan review timescales and planning application determination dates.

As you will see, our consistent approach through the cycle has delivered over 8,000 plots per annum, delivering 73,000 plots in the last nine years. The team are currently working on promoting sites with the potential to deliver up to 65,000 plots. But I would stress there are inevitably delays when attempting to forecast in a strategic environment. And we would fully expect potential plots to be delayed and for the green bars to move to the right. However, we expect the conversion of an average of 8,000 plots per annum to continue.

Though, timing delays in current planning system can be frustrating, it is mostly a matter of when, not if, for the plots that we show here. We have a strong track record of delivery. Strategically sourced land makes up circa 50% of our annual completions.

Reputation matters with potential partners and success breeds success. We have a mature strategic land pipeline, well located across the country, and it takes time to build a viable strategic land pipeline. It cannot be done overnight. You can see from our depth and maturity that we have the potential to continue to meet these figures even in the tightening market, where planning and political pressures are delaying many of the local plans that we are working upon.

I would like to show you now three examples, each from a different division, that reflect these principles that we have highlighted.

Efficient: case study – West Scotland

West Scotland. We talked patience. This is an eight-year old opportunity for just under 200 plots that was optioned. After stakeholder engagement, we captured value through both the local plan and through being encouraged to make an application for planning to the local authority that could speed up delivery. We were close to delivering plots before we had to pay, effectively an efficient shovel-ready site and a good reflection of the time taken to deliver a successful outcome.

Patience: case study – Buckinghamshire

Eight years is efficient, patience. Our site in Buckinghamshire. This site I am especially proud of, as is our Divisional Chair, Nigel is hiding somewhere at the back. Our original option was first signed on this site when I became a Managing Director in 2003. Over those 19 years, the site has evolved. And in that time, we have had one Project Director, who has led that work in conjunction with the business unit.

We have met the local housing need in that area for all of those 19 years. And this site, 3,000 homes, gives us the ability to deliver for the next 20.

Originally, this was a hybrid promotion. And we have now secured the acquisition of the whole site. The great opportunity which has come through due to our expertise and patience, took three local plan reviews, a planning application. And here it comes, more than 17 housing ministers, just for patience.

We acquired the site this month, the whole site, and anticipate being rewarded for this success with an outlet in spring of 2024. Patience.

Freehold: case study – Manchester

As Jennie said, she actually visited this one, first round. This was a freehold acquisition in 2016 in Manchester, made at a time when we were predicting a period of constrained land supply due to the spatial plan, I wish we were wrong. This is a great opportunity which will deliver superior returns compared to current opportunities in Greater Manchester. In an otherwise very constrained land market, this provides our business unit with four years of land supply, and we expect our outlet to open in June 2023.

So I have shown you freehold case, a demonstration of patience. 19 years is a bit patience. And efficiency at eight years.

Summary

So in summary, land remains as always, the key driver of value.

We continue to focus on optimising the landbank, both short term and long term. Our highly skilled teams with extensive industry knowledge and experience are based in those land markets. We have made good progress on recent land acquisitions, giving us increased options for the future.

We continue to be agile in the land market, and we benefit from a strategic land that I think is a key differentiator for us. Our strong pipeline means that we are constantly refilling our hopper. We are able to be agile and pivot, should planning policy change, meaning that we have interests well distributed to draw on and ensure that we continue to deliver support to our short term land teams.

I would like to thank you, and hand over to Chris.

Targets and capital allocation

Chris Carney

Group Finance Director, Taylor Wimpey

A growing business with further potential

Thanks, Lee, and good afternoon, everyone. First thing that I would say is that there are not going to be any big surprises from me today. You already know that we are in very good shape financially. And as you have heard from Jennie earlier, the guidance I set out in March is unchanged. We are very confident we can continue to improve our operating margin and deliver growth in outlets towards the end of this year.

And some of that confidence is down to the quality and depth of our landbank. Some of it, as you have already heard, is because of the detailed planning and proactive actions across the business to professionally and efficiently manage the various regulatory challenges we face. And some of it is down to the renewed focus on performance management and operational excellence that Jennie's leadership brings.

Looking at our landbank, the short term landbank comprises both owned and controlled plots. And this chart shows the historical profile of our owned plots. And you can see, they are greater now than at any point in the last 10 years, and that reflects the investment over the last two years since the equity raise, which positions us for volume growth this year and in 2023, as we previously guided, and of course, also over the medium term.

All that said, when we think about how we grow the business, we will, of course, always be highly cognisant of housing market conditions and set volume guidance on an annual basis as we have done in the past. And as Jennie noted, the volume capacity of our current business unit structure remains in the 17,000 to 18,000 unit range.

Today, we remain confident of growing our outlets towards the end of the year, as anticipated, but again, as you heard from Jennie, Government and Natural England are not making this any easier for us at the moment.

The red line on this chart shows the land cost as a percentage of selling price in our owned landbank, which has trended lower over the last 10 years, and now sits at its lowest point. A lower land cost is a good indicator of the value in the landbank. It is not a coincidence that this is the lowest that we have seen that ratio. It is driven both by our long-standing disciplined investment in strategic land that you have just heard about from Lee, and our activity over the last 24 months, which has put us in a great position.

So this slide is telling you that the size of our own landbank is underpinning our expected growth in outlets and completions. And assuming a stable market, the quality of the landbank will contribute to margin improvement going forward.

A highly cash generative business

Now, whilst we see growth and further margin potential, we are also a highly cash generative business, and we remain extremely focused on cash discipline across the Group.

Over the last 10 years, we have generated significant operating cash inflows, as you can see from the chart on the left of the slide. And last year, we delivered 14,300 Group legal completions, and £575 million of net operating cash inflows. This year, we will deliver low-single-digit growth in completions and more material volume growth next year, which will in turn generate even more significant operating cash inflows.

The chart on the right shows that we have a history of disciplined land investment, allowing us to return £2.6 billion of cash to shareholders over the 10 years to 2021. And we will return a further £474 million this year. Our balance sheet land investment, consistent with our owned landbank, is at a 10-year high. And as you can see in the green line on the chart, this means you can expect the business to continue to be highly cash generative in the future, because we can be flexible with our delivery.

If the market conditions are benign, then the existing investment in land will drive both cash generation and volume growth. And if the market conditions worsen, we can continue to generate cash by reducing land spend. Either way, this business will continue to generate significant amounts of cash.

Our capital allocation priorities

Now, I showed you this slide back in March, but I think capital allocation is an important enough topic to justify repeating it. We are a highly cash generative business, which means we can deliver attractive returns to investors. We operate in a cyclical industry, which means our first priority for capital allocation is to maintain a strong balance sheet with low adjusted gearing.

At the same time, we want to ensure that we are investing in WIP to support outlet openings and to drive growth, as dictated, of course, by market conditions and the ability to generate strong returns for shareholders. In normal market conditions, where we have excess cash after funding that growth and paying the ordinary dividend, we are committed to returning that to shareholders.

Reliable shareholder returns across the cycle

So looking at those cash returns in a little bit more detail, we are mindful that we operate in a cyclical industry and we are very much aware of how important it is for us to provide shareholders with a reliable return.

Our commitment to pay an ordinary dividend, which is set at each year at 7.5% of net assets, is driven by that desire for consistency and reliability. And it recognises that whilst in a cyclical environment, earnings can fluctuate from one year to the next, basing the ordinary dividend on the net asset position provides an increased degree of certainty compared to earnings measures.

We remain committed to continue to pay that ordinary dividend throughout the cycle including through various planning scenarios based on a normal downturn. And including a scenario where average selling price is reduced by 20%, and volumes reduced by 30%.

We review the excess cash generated by the business on an annual basis at the time of the full year results in March each year. At the same time, we also decide whether to return excess cash via a buyback or a special dividend. In March this year, we assessed the excess cash at £150 million and announced a buyback reflecting the Board's view of the share price.

To date, we have bought £110 million worth of shares and are on track to complete the programme in advance of our half year results presentation in August.

Targeting operational and financial excellence for all stakeholders

We believe shareholder value will be optimised by focusing on two key financial targets: operating margin and Return on Net Operating Assets.

There is no change to our operating margin target of 21% to 22%. It is our priority and remains the right one for the business as we focus on the quality of our earnings. We have made good progress towards it since 2020. And assuming house price inflation continues to offset build cost inflation, we remain confident we can achieve it.

In the current more challenging land market, has this target got more challenging? Yes, it has. But we still see it as achievable and a valid target for the business. We are adjusting our Return on Net Operating Assets target to 30%. The reduction in this target level from 35% set in 2018 reflects the landbank we have built today, a slightly longer landbank, which provides the business with greater flexibility to ensure sustainable volume delivery.

In the near term, our Return on Net Operating Assets will, of course, be slightly below this, reflecting the additional land investment we have undertaken in recent years ahead of volume growth.

Summary

So, as Jennie set out earlier, we are mindful of the economic backdrop that we face. But we also recognise that underlying demand for housing remains strong. And that this, coupled with a competitive mortgage market, mean that the fundamentals for the sector remain positive overall.

But perhaps more importantly, and as you have heard today, we are a business that has prepared rigorously for the challenges the industry faces. We are confident that whatever is thrown at us, we will manage it better than most because of the strength of our team and the strength of our land position. And it is that relative performance that will drive value for our shareholders.

And I will pass now back to Jennie.

Closing Remarks

Jennie Daly

CEO, Taylor Wimpey

Okay, guys. We are on the homestretch now. We are nearly there. So thank you, Chris, and thank you to all of the presenters this afternoon. I hope that you find the presentations of interest and informative.

Taylor Wimpey is a business in great shape with an excellent short term landbank. And I hope now that you have got some of the tools to agree with us, providing momentum to grow in the coming years, and a sector-leading strategic land pipeline, which provides us with more options and opportunities, particularly given the current land market. I believe that our land position, both short term and strategic is a clear differentiator for Taylor Wimpey.

We have a highly experienced management team, great people across the business with an excellent culture and values, who will continue to do the right thing. And as you have also heard a little bit more about me, how I am performance-focused and intend to drive that focus through the business and into our operational execution.

We are moving with purpose and pace to ensure that we are well placed to meet the regulatory changes ahead. And by doing this really, really well, we can create further opportunity for the business and enhanced returns through improved operational performance and execution.

I told you at the start, if you can cast your mind back a few hours, that if there is one thing I want you to take away from today is that there is more potential here. We have shown you some of the levers of how we believe we can unlock it through our cornerstones of value; land; operational excellence; sustainability; and capital allocation. And why I am confident we can deliver superior returns to our shareholders.

And as I draw our presentations this afternoon to a close, I will, end as I started, I am very proud to be leading Taylor Wimpey. This is a great business. And we have a great team and an excellent opportunity to become a stronger business in the coming years. I am extremely excited about the potential ahead of us.

So thank you very much for your attention. We will move on now to Q&A.

Q&A

Jennie Daly: So just to get us started on the Q&A, I stuck a pin in a couple of questions. Andrew, who asked about our asset turn and a lighter, speedier approach. Unfortunately, when I spoke to Andrew after the Q&A, he had to leave. There was a little bit of an emergency at his office. So I talked him through my answer to that. But Chris, just to get us started, would you like to give the answer for the wider audience?

Chris Carney: Yeah. Of course, no problem. So yeah, Andrew's question I think was based on a US developer. And obviously the land market in the US is very different. You have the ability to pull down plots at stages, so you can hold land basically of the access to land a lot more likely than you can in the UK.

But having said that, I still think it is a pretty good question. And obviously, our return on net operating assets is essentially margin multiplied by asset turn. So we are very focused on asset turn, as a business, and it reminded me actually of a visit I got in 2012, when I was an MD in the in the business unit. And the visit was from the Chief Exec at the time. And one of my team was a surprise to me asked Pete, what is the priority? Is it margin, or is it return on capital?

And the reason that I flagged that is that is a debate that has been well embedded within our business for a long time. And we want both, obviously. And yeah, so there are times where you ebb and flow from one to the other, depending on the type of the market. But yes, our priority absolutely is margin. But that does not mean that we have lost any appetite at all. So to make sure that our asset turn is good, because we have still got that RONOA target as well to hit.

Jennie Daly: Excellent. Thank you, Chris. And then Glynis, you asked about the land market. So you have heard me describe it in lots of different ways today, but mainly that it is now very competitive. And I think that your question, but correct me if I am recollecting this wrong was, how does it compare to two years ago or four years ago?

So small sites are now very, very competitive. There are more small competitors in the market. And we have not seen land conditions like it in this cycle today. Two years ago, I would say, exactly now May 2020, it was quite muted, as you know, and we took the opportunity to be quite front-footed and to go into the market. And we had some good acquisitions. You will know by late 2020, others were coming back into the market.

Four years ago, around that 2018, I would have said it was quite benign. It was very balanced. Land supply was good. There were a broad spread of opportunities across a broad range of markets. So 2018 was very reflective of much of the previous years, where good land supply fuelled by NPPF, and five-year housing land supply, but probably was starting to get to the point where those larger sites were starting to dominate the market coming through local plans.

And if you remember, the graph that I showed small sites were starting to get quite tight, but I would go benign, muted because of the wider economic issues to very competitive. That would be the progression. Have I got that right? Yeah. Okay, so I will open up to questions.

John Fraser-Andrews (HSBC): My questions will come back to the ebb and flow between margin and return on assets. So the first one is margin. I believe consensus is tracking about 20% or just under this year for 2022. Your guidance is obviously 100 bps to 200 bps higher than that. But it seems that you have got many sources to achieve that. So perhaps in your answer, you could say whether you are getting a premium so far this year on trading between house price inflation and your input costs?

Also, how you could split that margin gain you are expecting between operational efficiencies that were referred to, and also land and strategic land. It seems not growing too much in terms of what is coming through, but your buying margins, how they are contributing? So that is first question.

The second question is size of sites and this ebb and flow that Chris was referring to. 2019, I think you had a much higher proportion of large sites than the quarter that you show on slide 48. So is it fair to say that these large sites, by definition, have a lower return on assets? And so there is a compromise there, but with a higher input margin. So is there an advantage on margin on those? And perhaps, given where your landbank is and where the market is, perhaps you will be ebbing back to larger sites, given the state of the land market?

And the final question is your product positioning. Jennie, as the new leader of the company, are you happy with the product positioning that the company has? Are there any changes to make? I realise that these things take time. But are you happy sitting in there in the middle to upper rather than looking across the sector, there is a certain company that generates higher returns and higher margins? So perhaps you could comment on that.

Jennie Daly: Okay. All right. Thank you for that. So if I start off with the site size, and then I will address the product point. And then Chris, if I could ask you to do the balance of the margin and ROCE.

Site size is not always in our gift. We operate within a market, planning delivers sites and therefore, we are competing within the environment where local authorities and local plans deliver sites. And we have said before, and it is patently clear that local authorities have a preference for large sites. But it is how you tackle them. It is how you manage them through your portfolio.

The strategic land sites, the lands that are larger, we have years to mature our thinking about how we are going to deliver those and ensure that they are effective and efficient that they are set up well. And frankly, if we did not think that the market or the shape and way that the site was going to be delivered through planning was going to be efficient and effective, then we, to be quite blunt about it, we would cull it out of our strategic land. So we are constantly rescoping through strategic land, because we get to see the plot flow coming in. So if it is not measuring up, then we would allow it to leave our strategic landbank. We would not invest time and resources in it anymore.

And so you would tend to see, and if you think of Lee's slide of the large shapes, you only tend to see those large sites in areas where there is robust markets, where the sites are viable to deliver the scale of infrastructure and community investment that are required. So we are very selective. And we were reviewing those and challenging ourselves constantly. But I go back to, if the planning environment is delivering larger sites, then that will continue to make up part of our portfolio. But we really do, do them well.

We know what we are doing. We have been doing them for a long time. So it is not always a preference. But we have worked really hard through the last few years to ensure that there is more of a balance. And so that does mean that we are balancing some of those higher margin large sites with some of the more competitive lower margin small sites, to ensure that we have got that flexibility and optionality.

So I talk a lot about balanced scorecard. It can be very difficult, because you are operating in on a market where you are receiving rather than always been able to drive. And so we would prefer to keep a broad balance of sites to maintain that optionality.

On product positioning, I am really comfortable, where we are. That broader market gives us security. It gives us a broader customer base. And it supports our view of that locational quality that we talked about, has been a real driver.

Now, that does not mean the most expensive locations. It means the most robust and resilient. So we would often talk about chimney pots. It is where people want to live, where there is a higher number of population and good transport links. So I think that there are some elements. I talked about the customer research that we are undertaking at the moment, John, and I think it is important that we are open-minded as to what that tells us. But that broad middle market, I am extremely comfortable in.

So, Chris, over to you on the margin, RONOA balance.

Chris Carney: Yeah. So it is probably worth starting to reiterate our margin guidance, which everything you have heard about today reflects that existing margin guidance. So last year's operating margin, including JVs, was 19.3%. We have said that we will improve on that this year, and that we will beat the 19.6% that we reported in 2019. And consensus of operating margin, including JVs, for this year, currently sits at 20.1%. We are absolutely fine with that.

And then looking forward into 2023, assuming a stable market, we said that we will be targeting to get to the bottom end of that 21% to 22% range. So no change there from anything that we set out in March at the full year results.

In terms of the HPI versus build cost inflation premium, we said in our April AGM update that they were offsetting. When we get to the first half, we will provide you with a margin reconciliation at that time. I would suspect that the market impact that you see on that will be a very small positive. But yeah, so I think that answers John's question on that.

And then, I think you had one on buying margins as well. And obviously, we have talked about land market being tougher at the moment. But the great land position that we have got means that we can be agile and we can pick and choose which opportunities we go for.

Jennie Daly: So I think that there was probably just one other element about the operating efficiencies and what that would add. I think I was quite clear that there is no single shot or uplift. These are all incremental continuous improvement measures, which we do think will layer up on an already strong business to add benefit, but not something that we think would move the dial if you would put any of the individual components into your model, for example.

Will Jones (Redburn): Just a couple. In previous CMDs, there has been mention of cash flow conversion percentages. I do not think it is there today. Just wondered why that is, and where you might think that could set as a range, I guess, over the next few years? I appreciate things like provision payments and the like are additional things to factor in that were not there before. But just any comment around that?

And the other one was really around just sales rates. In the last few years, I guess, there has been some movement in the company strategy around the optimal sales rate. But Jennie, if you could just outline where you think that should land based on the landbank today is 0.9, give or take the right number?

Jennie Daly: Yeah. Okay. Well, I will take the sales rate question. And then I will ask Chris to address the cash flow conversion. From a sales rate perspective, I mean, the market is really robust. We have got a long order book. I think we have said and you will have heard us say before, it is longer than we would like.

We have been prioritising revenue growth with the teams and just easing back on the sales rate. As we broaden our outlets, then we can afford to spread our exposure to the market and continue to drive revenue. So I am pretty happy where the sales rate is at the moment.

Obviously, given the wider market, it is something that we are keeping a very close eye on, but that prioritising revenue with the right balance of rate, rather than driving rate and potentially leaving something on the table, I think it is where we are at.

So cash flow conversion.

Chris Carney: Yeah. I mean, the first thing I would say is, the fact that there is not a cash conversion target going forward does not mean that we are any less focused on cash disciplines across the Group, as I mentioned in my piece. Previously that range was 70% to 100%. I think clearly this year, we have got investment in WIP that I have talked about in terms of getting to around about £1.7 billion by the end of the year. And then volumes grow considerably in 2023 off the back of that enlarged landbank, which then will generate cash conversion towards the upper end of that range.

So, yeah, there is nothing other than a real desire for us to be focused with our targets. It is possible, isn’t it, to have too many targets and get distracted by them. We think we have got two very good targets in operating profit and return on capital or return on net operating assets. But bear in mind that that return on net operating assets requires cash discipline as well.

Sam Cullen (Peel Hunt): I have got three. First one is hopefully pretty easy. On slide 48, where you have got the plot percentages in terms of big to large. Does that vary at all, regionally? Are there some regions where you have got a higher percentage of larger plots under clubbing on smaller plots? Or is it fairly standard across the regions or your chimney pot regions that you referred to them?

Secondly, coming back to your question before on sector leading landbank. If I look at those five buckets that you talk about, I presume it is not leading in the length or the weight sections. Would it be the shape that you think is better than other peers? And some thoughts around that will be helpful.

And then lastly, on Chris's capital allocation slide. If going forward, the market remains robust, the land market is tight, valuations across the sector remain where they are, why would you not look at potential M&A, given some of the comparatively cheap valuations across the wider piece?

Jennie Daly: Okay. So if I pass you the capital allocation and M&A question. I mean, on site sizes, the distribution varies. I mean, it is constantly oscillating, and there are likely to be some regional variations depending where local plans are and their evolution at any one time. But there is a broad distribution, and I would sort of encourage you back although it gets a bit solid in places to look at that map of where our landbank is distributed. And you will see that there is a fairly broad and consistent distribution around the divisions.

On the sector leading landbank, I do think that the length at the moment is a virtue. And some of our peer group are operating on extremely tight landbank lengths. And whilst that can be a virtue too, and we had a target at one point of reducing our landbank length, given the friction that is in the planning and regulatory environment, given the significant delays, I think having some options to perm from is really beneficial.

And then the quality, more than the shape or site sizes is what I would call out, particularly given the broader macro-economic environment, which we are all watching very closely to have a landbank, that has been well managed over a long period to be in good market locations, where the resilience is higher, and where we can drive the best possible price and rate, I think, is a real virtue. So those would be the two that I would call out.

Efficiency is something, again, we have got a RONOA target. We are running our land positions as efficiently as possible. It goes to Will's point, there is always an optimum to balance between the revenue and the rate.

So capital allocation, Chris?

Chris Carney: So in answering this, I will try and set aside the accepted wisdom that all transactions are value destructive. I had interesting discussion on that recently, but I would not bore you with that.

It all goes down to the land market, does not it? Because, certainly over the last 10 years, there has been sufficient supply of land in the market to be able to grow organically without needing to assume the risk that is undoubtedly associated with M&A.

When I first joined the business in 2006, the land market was quite different. And you will probably remember those of you who were around at that point, that there was some consolidation in the market. So it is not a crazy hypothesis. I do not think we are there yet. The land market would have to get, I think, considerably tighter for that to actually, financially, and from a risk perspective, makes sense.

And clearly, you have heard a lot today from Lee, about the strength of our strategic landbank, and it means that we have less pressure, as Jennie touched on, to want to do something like that, because we have got more supply, the certainty of supply.

Clyde Lewis (Peel Hunt): Just coming back on the strategic landbank, and I appreciate the comments on the numbers. But if you turn it on its head, the key question is going to be, well, if you have got the best strategic landbank and you can fix all the operational issues you have got, the question is going to be, well, should your margins be right at the top of the industry pile? And clearly, there is a sizable gap between the two. Do you think there are some structural differences between what you have got as a business? What you have got as a strategic landbank? So that was the first one.

The second one was on land buying. I mean, I am old enough to remember before 2006. So back in 2001, 2002, 2003, 2004, the market was very good. Land prices were going up at similar rates that we are currently seeing. And in some ways, there was a little bit of indiscipline that crept in at that point with the one eye shut when you were looking at the build costs, the selling prices, the value that you could get from sites. And lo and behold, margins peaked in 2004, not in 2007, when activity was peaking.

So the question is, are you starting to put in place now, if you like, double checks? And are you starting to actually take a slightly more cautious view around build cost inflation maybe exceeding price inflation over the next 12, 18 months? I mean, the market is telling us we are going into recession. So there has got to be a better than normal chance of that happening at the moment.

Jennie Daly: Okay. I am wearing well, but I do remember 2001, 2002 and 2004. It is one of the reasons why we included the land governance slide. We have a very robust process. And we do check. There are many points where we test the sales values, the build cost. Some of the build cost, I mean, very high build cost pressure.

As you know, we are through supply chain. Nick is constantly feeding into the businesses where build cost is moving. So we have got extremely accurate sort of build cost assumptions. And sales price, we always run on current, not forward forecasting sales, is a very strong discipline that some businesses learned to their pain in that sort of 2006, 2007 period.

So I remain very confident that we have a very disciplined approach to land acquisition. And the fact that we are building in Part L and F, and we are building them in on a land cost basis rather than the assumptions of some of the questions earlier, will the customer pay? We are taking the view that that is a build cost, and that we would not be able to recover that from customer and improved pricing. So there is caution already built in around some of those changes as well.

So I think that governance piece, the fact that we have got very strong and established appraisal methodology, based on current pricing. And then margin as a reflection of the risk, and the overall risk balance. So is there planning in place? Have we got all of the Section 106 costs? Have we got all the technical costs? So I think that we have got a really good discipline.

On the strategic land, I mean, when I joined Taylor Wimpey, I was asked to do a bit of tyre kicking on the strategic landbank. And I was absolutely amazed at the quality, that depth and maturity and it is only continued to mature.

You have to have patience. Lee talked a lot about patience that developed the provenance of their portfolio over time. And not just the provenance of the land in the portfolio, but actually that management depth that Lee talked about how to craft and create an option agreement that you can actually crystallise. It is really easy just to have an option agreement. But how easy and how much experience do you have in converting that into the land that lands?

So our distribution of strategic land is very good, as you saw on the map, so all of our divisions benefit. If you looked at the levelling up agenda, for example, and the potential that we may have to pivot, we have pieces on the chess board, I think, is probably a good description.

The point about, again, that Lee mentioned that these are options, either freehold ownership or options. Options mean plots. Promotion means maybe some profit, no right to the plots. So this is future development potential. And again, I think that that really sets us apart from some of our competitors who have been playing more in the promotional environment and maybe less so in the option environment. So the ability to convert plots is a real value. So distribution, the carrying cost, sort of £1,000 a plot from an option perspective, the fact that we have got over 24%, 25% freehold owned. And so that quality is really just there to be unlocked.

But as Lee mentioned in the graph, that will move. We have to be really realistic about that. But you have got to be in it to win it. And as the Levelling-Up agreement and Regeneration Bill moves and starts to talk about no speculative development and development having to come through local plans, then a strategically mature position is going to be really valuable.

Aynsley Lammin (Investec): I guess, just assuming there is a stable market into next year, which might feel like a big assumption at the moment, but the critical priority is obviously going to be to deliver the volume growth for next year. I just wonder if you could give us a bit more detail on where you are with the land coming through for next year? How much is already got detailed planning? What is your target for site numbers by the end of the year, or average for 2023 on 2022? So just a bit more colour there, i.e., what is the risk that that does not come through?

And then secondly, on the build rate also for next year. You are confident, again, assuming stable market. But you can get the labour and the build rate to be maintained, at a level, you need to deliver that material increase in volume.

Jennie Daly: Yeah. Okay, so for 2023, we have all our land either owned or controlled to deliver our volumes on 2023. So our confidence levels are very high. And I think even looking into 2024, we have got a high level of land under control.

The build rate, I mean, labour, there are labour challenges, but at the moment, it is quite erratic. There is a bit here and a bit there. As volumes in the sector increase, then I think that that is more of a challenge. And you have heard us talk today about that need to have a skills and resources plan. And we are working through our skills, availability and skills gap.

I am not unduly concerned about 2023. I think that we have got the labour and subcontractor capacity to deliver that. But if we kick the can down the road every year, and it is next year's problem, it will creep up on us. So we are very focused on that, but probably into the medium term.

Material wise, which has been a challenge. I think, if you have the materials, then you can get the labour. At the moment, Nick and his team are already out in the market, securing all the materials that we need for 2023, and making really good and committed progress on that, which is a lot earlier than we would ever usually do that, Aynsley.

Ami Galla (Citi): My first question is on Section 106. Government has touched upon changes in that. Can you give us your thoughts of how does that shape in the future? And how does that change your preference between smaller sites versus larger sites?

The second one really is one for Chris. Assuming your normal downturn scenario, how do you think about your appetite to continue paying ordinary dividends to shareholders versus maybe capitalising on the land or opportunities that might come through? Is there a ceiling in terms of how much capital would you want to block for land in a recession?

Jennie Daly: Okay, on Section 106, it was just mentioned the Levelling-Up and Regeneration Bill. So that has now introduced the prospect of an infrastructure levy, although it will take quite a bit of time for that to, I think, come to fruition. And my understanding is that it is intended to be rolled out over a period rather than instantaneously.

I mean, Section 106 is a really frustrating process, but I like it for a number of reasons. I mean starting off as a negotiator. If you have got someone who is a good negotiator, then potentially you can do better in the shape of the Section 106.

But it gives both the developer in agreement with the local authority, the ability to prioritise where local community and the local authority think that mitigation is required, whether that is in highway infrastructure, or if it is a school or other things. The difficult bit is that when there is a need for something to be compressed, that it is often affordable housing. And I think that that is one of the reasons why it has become quite difficult.

But Section 106 is respectful of the fact that every site is different. And the circumstances of every site is different. And so it allows flexibility. An infrastructure levy creates an absolute. It is mandatory of the established at a local level on a percentage of GDV, which means that recognising technical complexities, ground conditions, significant infrastructure delivery, could mean that that site becomes unviable and that could have delivery issues.

But I think even more importantly, actually the ability to deliver whatever is required in a timely manner, alongside the impacts of your development leaves the developer and move to the local authority or maybe Homes England. And so the disconnect in engagement with communities about mitigating our impacts, I think could be challenging.

From a land point of view, from a calculating what the cost is going to be, an infrastructure levy is relatively straightforward. But it becomes a really binary answer then. And I think, could have challenges on just overall availability of land.

Whether there are smaller sites, larger sites, there will be a payment in kind structure for large sites under the infrastructure level, because some of the scale of infrastructure will be beyond the capability of local authorities. So a daughter of Section 106 is likely to continue there. Smaller sites, it could speed up the delivery of smaller sites, but really it is not Section 106 that is holding up small sites. It tends to be other issues or just sheer availability.

And then ordinary dividends, Chris?

Chris Carney: Yeah. So the scenarios that we looked at for a normal downturn, I do not want to give you the impression that we think 20% on price and 30% on volume is normal downturn. That was a pretty pessimistic view. But having said that, we can still buy land in that scenario and pay the ordinary dividend. So it is not that it is either one or the other.

Yes, there is always going to be a limit to the extent of how much you can access the opportunity at that point. But that is one of the reasons, and hopefully, you have heard it very loud and clear that our first priority on capital allocation is to maintain a strong balance sheet. So that actually, you can be agile and take those opportunities when they come around, but that would not need to be at the expense of shareholder returns.

Glynis Johnson (Jefferies): Firstly, your predecessor used to tell us 5.25 years worth of land. It went down to something beginning with four. Can we push you what is the right landbank length for Taylor Wimpey?

Second of all, there used to be a chart, I used to call it the blob chart very elegantly that used to plot the intake margins. Your plot cost ASP does depend how ASP moves. So I am just wondering, is there any update on that?

Thirdly, the small sites, they look like in terms of the number of sites that are very low at smallest level actually have almost doubled, but a site that is in the 70s, in terms of number of plots you will sell through in a year. So how should we think about your outlook progression 2024-2025? And what should that landbank look like, so that you are not always continually running to standstill effectively?

I am going to keep rolling them off. Customer quality, you have talked about location, but what about first-time buyers versus second steppers? What about who you are selling to? Does that make a difference or perhaps it does not?

Lee, I promised you a few questions going to reel them off as well. You said it is not a question of if, but when? What is the risk adjustment you have put on terms of those plots you put in strategic? Is it 50% chance they will come through? Is it 75%? Your peers all have different versions of it. So if you could just understand that?

And then lastly, the question that is probably the toughest one. The change in terms of what has been coming through the Regeneration, Levelling-Up. In terms of those local plans, what does that mean for your strategic land? Does it push things back? Does it make things potentially less likely to come through? I appreciate its early stages. But any kind of directional would be very useful.

Jennie Daly: Okay. So if I go backwards on the four that were directed to me, locational quality. I mean, I talked about the ability to utilise the whole breadth of our house type range. So we have a very good spread of first-time buyers, second steppers. I am trying to find a nice way to say older people moving down. But so there is a broad. And our locational quality is one thing and then the depth of the mix and how well that is crafted based on our assessments, our Sales Directors' assessments, our research on our location. So it is quite broad.

On the small sites, you raised a really good point, and it is one of the reasons why having a balance of some larger sites is really important. Otherwise, the teams are on a hamster wheel, and it is constantly revolving.

The one thing that I would point out is the average plot size on that slide is the diminishing. So that is live sites moving. So we do not buy many sites with 70 units on it, maybe in higher GDV areas in London and the South East. But that would be rare for other divisions. So the turnover and the workload that our teams have in opening new outlets is something that we assess quite regularly and very much during our budgeting and forecasting process, and ensuring that they have got the capacity and resources to do that.

I knew someone was going to ask me about intake margins. And so I am going to answer it in a slightly different way. All of the land that we need for this year is in. All of the land for 2023 is owned and controlled, so we know the price of it. And a substantial amount for 2024.

So we have talked about being disciplined in the current land environment. We have talked about being agile, not losing that discipline and feeling forced into following some of the tighter, competitive behaviours. And the fact that we have got a strong landbank gives us some protection there. So it would be sometime probably 2026, really before that would really start to affect our margins.

And then what is the right size of landbank length? Depends where you are looking at it from is the short answer. And at the moment, I genuinely believe, given all of the issues that we are having in land availability, delays in local plan, which you ask Lee a question, he will address for you the regulatory and planning changes, the fact that we have had now a Government bringing forward a new bill, which is likely to create some tension or delay for local authorities again. So having a slightly longer landbank at this stage.

You asked about what was the land market back in 2018? 2018 in a benign land environment with good availability, I would have been saying actually a shorter landbank is manageable, because there is the throughput. But things have changed quite meaningfully over the last couple of years, Glynis.

So Lee, the question is, not if, when, and what is your risk adjustment factor? And then how do you see the changes coming through local plan delays and the like?

Lee Bishop: So when we talk if, but when, we probably put a 50% factor on is it going to deliver or is it not? Yeah. And if it is less than 50%, we kind of put it in the green thing on the side of the desk, which is the bin. The reality of it is, is that when you look at that, if we think it is going to be a longer term opportunity, our input costs are lower. At the start, we do not give them so much of a premium. And we will look for a longer term to actually get us through one or two plan cycles, because it comes back to that bit I said about patience.

Our reality is we are realistic with ourselves. And in a tighter market, there are some people out there telling our potential vendors things like 'we can get you in'. Well, yeah, you can, but you have never shown it before. So for me that maturity, that depth, that bit that we talked about is the bit that we turn around and say we have got time on our hands. We will work that for you, the vendor to a maximum. But more importantly, they do not really make land, unless you live in Holland, there are no dikes going out into the channel to actually create more. So there are protections around our land around greenbelt bits and pieces, which talks to your regeneration. But because they are not remaking it, there will come a point in time where that depth of time and challenge will mean that they have got to move away back from regeneration, back to what is needed in those local markets, because housing is always needed, whether it is first-time buyer or second-time buyer. And that is that balance. It is that practical view of what we do.

Jennie Daly: Thanks, Lee. So I am conscious now that we are eating into everyone's evening. So unless there is a really burning question left in the room, I would like to thank you all again for coming. It has been great to see you. And hopefully you do still have enough time to join us for a drink in the bar afterwards. So thank you to the presenters. Thank you again and have a good evening.

[END OF TRANSCRIPT]