Half Year Results 2022

Wednesday, 3 August 2022

Highlights and current trading

Jennie Daly

CEO, Taylor Wimpey plc

Welcome

Morning everyone. I know that we are a couple of minutes behind time so I will get started. It is good to see you all here today. Thank you for taking the time. I will jump straight in with the agenda. I will run through the highlights for Taylor Wimpey, current market conditions and trading which I know you will be particularly interested in. We will try to give you a bit more insight here. Chris will talk you through the financials and guidance as usual and then I will return remind you of the inherent strength of our business, which I outlined at the investors and analyst update in May, and our focus on building a stronger and more resilient business.

Well positioned: a strong and resilient business

Let us start with the results. It has been an excellent first half for the business, operationally and financially, against a strong set of comparators. I am pleased to say that our results are slightly ahead of our expectations and, as we announced today, we are now guiding to full year operating profit around the top end of consensus expectations. As you know, we have been very focused on driving operating and financial performance and embedding a cost discipline mindset focused on operational excellence. It is very pleasing to see the further progression in our operating profit margin increasing to 20.4%, benefitting in the period from planned land sales and a strong performance from joint ventures. We have been very focused on optimising sales price balanced against sales rate and delivery, so we are very pleased to see a continuing strong and high-quality order book.

We are working hard on execution and delivery from our landbank, and I am happy to tell you that we come into the second half with outlets slightly above where we guided, which is a fantastic result and no mean feat. This has been the result of lots of hard work by our teams in a difficult planning and technical environment. We need to keep our eyes sharply focused here but we remain on track to increase outlets at the end of the year and into next year. Importantly we are achieving this in the right way. We are leading the sector on production quality, again achieving the highest CQR score in the major builders, which we see as an advantage coming into the era of the New Homes Ombudsman. We have great people who have performed well and are vital to our progress, so I am delighted to say that we have again won recognition in TheJobCrowd awards as well as improving our ranking overall, which is voted for by our employees. During the period we have continued to progress work on fire safety with building owners, management companies and leaseholders and remain committed to resolving these issues as soon as possible for our customers.

Current market backdrop

The wider political and economic backdrop is more turbulent than we have all seen in some time, resulting in higher inflation and interest rates than we all anticipated at the start of the year. However, the housing market has been and continues to be very resilient. Of course, as you have heard me say before, we do not operate in a bubble and we are very conscious of the increase to cost of living, higher inflation and the potential impact on our customers. Certainly, for now we are seeing no meaningful change in the trends. The demand for our homes continues to outstrip current availability. In addition, mortgages remain affordable by historic standards and banks want to lend to UK homebuyers and are pricing mortgages competitively. We are in a strong place and our clear focus on building a stronger and more resilient business positions us well should conditions change. As you know, the sector has seen pressures on costs and materials across the last 12 months and Chris will talk to you more about this. But, we have been able to offset build cost inflation with healthy gains in house prices and on tight control on costs. We are focused on the things in our control and continue to perform well as a Group with the help of our central procurement, our national scale supported by national agreements, and Taylor Wimpey Logistics.

Finally on this slide and very briefly on Help to Buy, following the updated Homes England guidance we will stop taking Help to Buy reservations by the end of October and are well-progressed to deliver build completions by the end of the year and legal completions by 31st March 2023.

Market performance – to date

Turning now to our position as we go into half two, we have had a really strong first half. Given the length of the order book we have consciously prioritised optimising price and revenue in a good market and been disciplined in our approach to sales rate. We have achieved a good balance with an efficient sales rate of 0.9 for the first half. Our order book as at 31st July is around 10,400 units. On private homes we are currently selling six months ahead which is still a little longer than we would ideally like but allows us to continue to drive price whilst continuing to give some transitional support on the withdrawal of Help to Buy. We are now 92% forward sold for this year so very little to sell for this year and we are now releasing availability and actively selling into quarter one of 2023. You will see here our sales rate second half to-date of 0.57. We should remember that we are only four weeks into the second half having actively managed our order book length, which has constrained availability, improved its quality and maintained the discipline of driving price. As this period was impacted too with lead times to sales including the double bank holiday in June.

As I mentioned earlier, we remain very comfortable as regards to demand. Customer interest remains strong, and we are continuing to see good price improvements across the Group. You will recall that cancellation rate is simply a function of gross cancellations over gross sales. Cancellations in absolute numbers are 9% down on the same period last year and 29% down on the same period in 2019. We have seen very few cancellations from customers based on sentiment or concerns around affordability to-date. Down valuations remain low, as do the use of incentives. I know that there have been some questions on regional variations in recent weeks. Looking at the data there are no discernible changes to previous patterns of reservations, price growth, cancellations and the like so there are no outliers for me to flag for you today. Today's planning environment, which I will come onto, does remain a real challenge so we are pleased to have opened 50 outlets in the period, which is testament to the skills of the team in a clearly more difficult environment. It remains our focus to open these as efficiently as possible.

Positive sales momentum and forward indicators

Forward indicators remain positive, tracking closely to pre-Covid metrics in 2019 though clearly lower than we have seen in the less comparable years of 2020 and 2021. Appointments, enquiries and website visits remain at good levels and reassuringly this is still with media spend running at about a third less than 2019. We have some flex there if we were to need it. You will also see a dip in appointments at the Jubilee bank holiday where as part of our community engagement events we were open to walk-ins, so the appointments model did not capture the data in the normal way.

I wanted to share with you more of an insight into what our customers are looking for and the key areas factoring into their decisions. It is worth saying that in all of my discussions with the sales teams across the business in recent weeks they continue to comment on the positive sentiment of our customers keen to get on with the process. Looking a little deeper into the available data our customers are feeling secure in their employment, supported by good accessibility and affordability of mortgages. For example, from the qualifications carried out by our largest IFAs we can see that the savings on deposit data we shared with you in May continues to support first-time buyers with the majority funding their deposit from savings. We continue to embed the use of and improve the quality of the data flowing from our adoption of dynamics for our sales and customer service. From that data we can see continuing strong prospects in the early pipeline with enquirers sitting comfortably within our pricing offer. A high number continue to be from first-time buyers and on average enquirers are looking to move within the coming year.

What our customers want is reflected in the quality of our locations

We think there is more potential to unlock in knowing our customers better to enable us to have a sharper and more meaningful customer proposition. I mentioned at the investor and analyst event in May that we would be undertaking some data-driven customer research, and this is still ongoing. I will update you more comprehensively at the full year. However, as part of the research we carried out our biggest data-led customer surveys together with focus groups. I can share with you a few snippets today from one of the surveys which sampled 1,500 recent homebuyers and those in the market looking to move in the next year. Firstly, and confirming what we know there continues to be a strong appetite for home ownership with demand outstripping supply. The move for more green space we saw during Covid continues, which obviously plays to our strength particularly given the focus on master planning and placemaking we have had in recent years. The research also confirms that purchasers value those attributes such as good transport connections, community services and facilities that are already accounted for in our placemaking and more broadly in our locational quality matrix, which you will be familiar with, and which assesses land on a macro and micro location basis at the time of land acquisition.

We were very encouraged by the findings so far. It reinforces that Taylor Wimpey has adopted the right approach to land buying, focusing on those sites our customers desire the most and ensuring that we do indeed have the best quality landbank in the sector. All this reinforces our confidence in the overall resilience of our outlets and land holdings should the market change.

Just before I hand over to Chris, I will step back for a second. I have talked to you a lot about sharper operational focus and building a greater resilience and continuing to drive operational excellence across the business. We are well-positioned, are agile and have the ability to act swiftly should conditions change. I will hand over to Chris now. Thank you.

Financial Review

Chris Carney

Group Finance Director, Taylor Wimpey plc

Summary Group results

Thanks Jennie and good morning, everyone. These are an excellent set of half one results which show progress for both gross and operating profit and their respective margins against some very tough comparatives from last year. You will recall that in half one last year it benefitted from completions delayed from Q4 2020 due to Covid and that is the reason why you see a reduction in revenue year-on-year. The reduction in adjusted EPS is driven by an increase in the pre-exceptional tax rate from 18.3% last year to 22.1% this year, mainly as a result of the introduction of the residential property developer tax. As you would expect, the reduced number of shares in issue as a consequence of the buyback partially offset that tax impact. Despite the investment in operating assets in the period, which you will see on the balance sheet, the 12-month rolling return on net operating assets also showed good progress increasing to 24.4%.

UK performance summary

Turning to UK performance we were very pleased to be able to deliver just a little bit more in completions in the period than the expectation of 45% of full year completions. When you combine that with a sector-leading build quality score it really is an excellent performance. Affordable homes contributed 22% of wholly owned completions in the period and our guidance for the full year of 20% remains unchanged. The blended average selling price was pretty flat year-on-year due to the increased proportion of affordable homes. The 3% increase on private selling prices is less than the underlying inflation of 6.5% that you will see on the next slide because the average size of the homes completing in the period was 2.6% smaller and slightly more weighted towards the north. In contrast the growth in affordable selling prices is mainly due to those completions being much more weighted towards the south. A combination of mix and inflation will push the private average selling price higher in the second half of the year and a greater share of affordable completions from the north will at the same time generate a slight reduction in the affordable selling price. Overall, we expect blended average selling prices for the fully year to be 4-5% ahead of 2021.

There was a strong performance from JVs in the period and we are increasing our expectations for the share of JV results to £14 million for the year. Those of you with eagle eyes will have spotted that the UK gross and operating margins are slightly less than the Group figures shown on the previous slide and that is because we had a strong performance from Spain which included a small one-time accounting benefit. However, even on an underlying basis their margins were still ahead of the UK.

UK operating margin

This slide provides the drivers of the improvement in margin period-on-period. Consistent with our guidance you can see that market inflation on selling price has more than offset build cost inflation for completions in the period. Whilst we have very good data on pricing it is not easy to discern how much of the uplift is market and how much is down to our focus on price optimisation. But, with the benefit of an excellent order book we have been more focused on price this year than ever before. The 6.5% shown on the slide is the underlying price inflation captured on completions in the period compared to the first half of last year. Build cost inflation on legal completions coming through the income statement in the second half of last year was 5%. In March I said that had pushed up a bit further at the start of this year and you can see that we are showing 6.5% included in the slide for half one. Today's prevailing rate of cost inflation is higher at around 9-10% because the pressure from both material and labour costs have increased with more of that pressure coming on the material side driven by higher energy and fuel costs. Despite this higher level of cost inflation, the pricing we are seeing on sales means we continue to expect price growth to offset build cost inflation.

You can see that the margin in half one also benefitted from the improved JV performance and a handful of planned land sales which were mainly phases of larger sites where the sale was either anticipated on acquisition or is related to a swap with another developer. We are not expecting to repeat the same level of JV profits or land sales in half two. As you would expect, we continue to be very disciplined on cost. The negative impact from net operating expenses is a combination of lower fixed cost recovery as volumes were less than last year and increased expenses principally as a result of higher salaries from annual pay rises and benchmarking exercises but also due to increased insurance costs and a return to more normal spend on travel and subsistence. For the full year our margin guidance remains unchanged. We continue to anticipate underlying year-on-year progression towards the 21-22% target range.

Summary Group balance sheet

What you see on this slide is that we have maintained a strong balance sheet with low adjusted gearing and at the same time continued with our measured investment in the business to put us in a position to deliver future growth assuming a stable market. The increase in land is a reflection of the growth in the short-term owned landbank from 59,000 plots 12 months ago to over 66,000 plots at the end of June. This brings the total short-term landbank to 88,000 plots which is 10,000 more than two years ago and is bang in line with what we committed to deliver at the time of the equity raise.

Following the same theme, the growth in WIP balance is also in line with our guidance as we look to grow our outlet numbers at the end of this year. At the end of June, we had already started on site at 24 of the outlets that we plan to open in half two and we own and have detailed planning for a further 17 outlets also for half two. The increase in provisions is consistent with the additional £80 million of fire safety remediation commitments we announced in April when we signed the Government's Fire Safety Pledge.

Group cashflow

As expected, the Group's net cash position reduced in the period largely due to the investment in land and WIP. The 2021 final dividend of £161 million was paid in May and today we have declared an interim dividend for this year to be paid in November of £163 million or 4.62 pence per share. This together with £150 million buyback which was completed in the first half means we will return £474 million to shareholders in 2022. It is probably the right time to emphasise that our ordinary dividend policy is different to the rest of the sector. In a cyclical environment earnings fluctuate so basing our ordinary dividend policy on net assets significantly improves the consistency and reliability of those returns to shareholders compared to earnings measures. Clearly, we are very mindful of the prevailing general economic uncertainty but with our fantastic landbank and strategic pipeline we are more confident than ever that we can continue to pay an ordinary dividend of at least £250 million in a normal downturn, which we have previously put parameters around and we would still emerge in a very strong position.

2022 guidance

By now I am sure you are all aware, not least because Jennie's already mentioned it, that today based on our performance in the first half and current market conditions we are upgrading our guidance for 2022 Group operating profit including JVs to be around the top end of the current consensus range which is £924 million. Our UK completions guidance is reassuringly unchanged at 2-3% growth on 2021 and affordable at 20%. Blended average selling prices on completions based on the order book and current prices for unsold plots are now expected to be 4-5% up on last year. Our cash guidance is unchanged at £600 million and as always it is very dependent on the timing of land spend but with the increased profit the risk is probably a bit more weighted to the upside. We are continuing to approve land on a replacement basis with around 7,000 plots approved in the first half. We have updated our guidance on net finance charges to £20 million which reflects the increase in interest we expect to receive on our cash deposits. Lastly, I mentioned earlier we have increased our expectations on share of JV profit to £14 million for the year. Looking further forward and as Jennie's already said, we remain on track to increase our outlet numbers at the end of this year. If market conditions remain stable that positions us for growth. But, whatever the market conditions we face in 2023 those additional outlets will give us flexibility to continue to optimise our sales and returns for shareholders.

Well Positioned: A strong and resilient business

Jennie Daly

CEO, Taylor Wimpey plc

Building a stronger, more resilient business

Thank you, Chris. I just want to take a few moments to remind you of what we set out at the investor and analyst day and do not worry, I am not going to repeat it ad nauseum. I just wanted to remind you at a very high level of our focus. It is worth repeating that our clear focus is on building a stronger and more resilient business and that there are four cornerstones of value which are key to delivering shareholder value and returns: land, operational excellence, sustainability and capital allocation, which going forward you will hear from us time and time again. Our financial targets are simple. 21-22% operating margin and return on net operating assets of 30%. I did say I would not linger too long.

Operational KPIs

The whole business is very focused on these KPIs, and we have simplified and aligned them with the cornerstones. Again, it is back to simplification and driving value where it matters. Some of the KPIs, for example employee engagement and carbon reduction, are only annual measures so going forward this will be the last time that you will see these at half-year. Instead, we will give you an update at each full year. I will not dwell on the detail, but I will highlight just a couple of things I think you will be interested in. Land as a percentage of selling price has increased. This is not a surprise. The market, as I have mentioned quite a few times over the last year, is more competitive and there are a smaller number of pull-through plots in the period from strategic land. However, it also reflects the locational quality of the acquisitions, a higher proportion of smaller site sizes and more advanced planning provenance, which obviously reduces risk in absolute terms but also the risk of planning delay, which is as I have indicated previously a continuing challenge for the sector. All that being said the acquisitions continue to support our margin target. Our focus on health and safety is consistent and why we perform well ahead of industry. We are continuously striving to drive down injury rates as much as possible. Build quality is important for the customer proposition but it is also more efficient to get things right first time and I am very pleased that we remain the leader in the sector on construction quality.

House type range

I spoke to you about our new house type range last year at the 2020 full year results when they were just computer graphics. In a moment I will show you a step on from this with a video flythrough but the message you will hear is the same. As a reminder the objective was to produce a customer-focused range of houses with great kerb appeal and liveability and that provides us with an efficient tool to buy land and gain planning consents, while being simple, cost effective and safe to build. The first homes sold; I can now confidently say that the range is delivering on all fronts. The range was developed with the new regulations in mind, which will help us ease through transition, so we are in a good place. The new range supports the principles of simplification, standardisation, yields greater efficiency, increases the uptake of the national sales and technical specifications and maximises the benefit of our central procurement processes.

The range comprises a core of 28 new homes, and you can see how that compares to over 100 back in 2017. This very efficient range provides us now with the resource ability to introduce a small number of additional house types such as a small urban range which will support our competitiveness for denser urban and brownfield sites. As a reminder, we sold the first new house types this year. These are available for plotting across the business and will be on the majority of our sites by 2025, reflecting planning progression.

You may have seen reference in this morning's statement to a current position regarding the Standard Assessment Procedure, SAP, which is the methodology provided by Government to assess and compare energy and environmental performance of homes. The new Part L regulations came into force on 15th June this year, however the sector continues to experience issues with the new SAP software, and we remain unable to conclude our future specifications until these are resolved. It is increasingly important that these issues are corrected, and the complete and accurate SAP modelling software published by Government to ensure that the sector is prepared prior to the end of the transitional period in June 2023 to enable the industry to model new sites.

We continue to support the Future Homes Hub and engage with government to address this. In terms of preparing for Future Homes we will beginning construction of pilot homes later this year and these will provide us with invaluable insights into the best technology solutions for net zero homes and well ahead of the introduction of the Future Homes Standard in 2024 in Scotland and 2025 in England and Wales.

Finally on this slide, I know there is quite a lot of information here, you will see a table from DLUHC. It was published only last week, showing what we already know to be the case.

When considering the average cost of energy per home new build is significantly less compared to the existing housing stock. Whilst we have referred to it previously based on anecdotal evidence, the data from our customer research I referred to earlier now confirms that the cost-of-living crisis and energy costs are causing some customers to re-evaluate that balance of benefits such as energy efficiency and maintenance costs in favour of new build.

Tetford flythrough

I would like to show you a flythrough of the Tetford home from our new range. It is just over 1,000 square feet net sales area and it meets the space and accessibility standards of the majority of the new homes that we have created. Customer research describes this home as an entertainer and customers particularly liked the separate but connected use of double doors and the open plan wow factor. Hopefully as the video plays, I will just call out some of the features for you. You will see additional light and space in these homes with more open plan living. We have used those in between spaces, the liminal spaces, for desks and workspace to provide flexibility to work from home, even in our smaller homes. The kitchen, being the prime living space for many of our customers, has been enhanced by removing laundry, increasing attractiveness and useability of the living space. This has been a feature in a number of our larger homes for a long time, but the new range extends this principle to all homes no matter how small. You will see through the video various examples of how we have used previous dead space such as below stairs built-in storage.

To reiterate, as well as a customer-facing design feature in the range it has also been designed to be cost effective and efficient to build. It is more concise, less complex and with designed-in external options to ensure that there is less need for bespoke non-standard house types to be plotted. Unfortunately, we did not get the chance to show you around our prototypes given the pandemic restrictions that operated at the time and before they were successfully sold. However, we do hope later in the year to get some of you out on site to have a look at the new house types.

Land market

We spoke about this in May in some detail, so it is not going to be surprising to you to hear me reiterating that it is very competitive. That is not to say that there are not opportunities to be had but we are certainly seeing the benefit of having built a long land position and have an excellent strategic land pipeline, which becomes a clear competitive advantage in a market like this. We remain active in the market which is important but with the strength of our landbank we have some inbuilt protection and the benefit of being selective. On the planning side it continues to be very frustrating, and our teams are really working hard to get their sites through. You will remember me telling you that this now extends to all areas of planning, not just the initial planning decision and it is clear that it will take some time for this to be resolved.

The more recent issue is the increase in the number of planning authorities impacted by nutrient neutrality following the Natural England announcement in March of this year, which extended the areas affected. HBF data indicates that this now affects 74 authorities and up to 120,000 potential homes across England. This has the potential to cause delays to site starts and could affect up to 1,500 owned Taylor Wimpey plots expected for completion in the next five years. This restriction is also impacting land availability in the affected areas, but we are actively engaged with Government, local authorities and other stakeholders seeking a resolution. Overall, there is no doubt that it is a difficult backdrop, but we are very pleased to have ended the half-year with a higher number of outlets and remain on track to increase outlet numbers at the end of this year.

Current land market backdrop

I always like to give you some reference data and this chart from Savills shows you what has been going on with land values. If you look at the purple line, which is probably for some of you a black line, you can see that pricing for UK greenfield land has stepped up. According to Savills UK greenfield land values increased in quarter two 2022 by 2.2% taking annual growth to 9.9% with UK greenfield values now only 1% below their 2007-2008 peak. These figures demonstrate the competitiveness of the market now and really underlines, I believe, the quality of the acquisitions we undertook in 2020 and early 2021 in particular when compared to today's market.

Strong planning status of completions

Having talked about the very difficult planning environment I hope that the next two slides will give you comfort on the visibility that we have on our volume delivery. You can see that the extra land we have acquired since 2020 and the excellent work of our teams means that despite the difficulties, we have capacity to deliver outlet-led growth subject to stable market conditions, with planning well-advanced on our sites for 2022 and 2023. You can see here the progress we made on the 2023 planned completions since the full year with 99% of plots already with planning. I am particularly pleased that we have advanced our owned with planning plots to 80% from 61% at the time of the full-year reporting.

On track to deliver growth

On this slide you will see that we have good visibility with all of our outlets for 2022 owned and controlled. We have started work on 24 outlets due to open in the second half of this year and 93% of our new outlets for the first half of 2023 are already owned or controlled. We remain focused on opening new outlets late this year and just to stress we mean really late this year, November and December, to deliver on growth in 2023. Locational quality has and continues to be a key investment criteria for Taylor Wimpey and so our outlets coming on stream are in quality locations supported by strong demographics. We are confident about their underlying resilience.

Summary

Then on the final slide this morning in summary we are in a really good place and our disciplined focus on building a stronger and more resilient business positions us very well. Whilst the housing market has continued to perform well amid wider macro uncertainty and the fundamentals are strong, we are not complacent. We are monitoring the data and the environment very closely. We will continue to prioritise margin over volume growth and on delivering outstanding homes and service from our quality locations. We have clear levers to pull should it be necessary, and we have the agility and ability to act swiftly should there be a market change. We are very clear in all market conditions that we can continue to drive performance and our focus on building a stronger and more resilient business. We remain confident in our ability to deliver superior returns through our sector-leading landbank and enhanced value through sharper operational focus. Thank you for your attention this morning. Chris and I are now happy to take your questions.

Q&A

Will Jones (Redburn): Thanks, three please. The first around outlets, lots of helpful data in the pack but would you be willing to put a view on where you see that year-end position potentially finishing and maybe even a view as to how that might sit in June of next year on the base case? Linked to that, on the slide around the planning status I think it is about 88% of outlets for next year that have got detailed planning. Would that be a normal percentage at this time of year for looking into the year ahead? The second one was then about land buying, that 21% plot cost on approvals versus I think 16% as an average for last year. Different things going on there, but would you be willing to put a view on how much of that is mix factors as opposed to underlying margin pressure? The last one was around price. Clearly lots of focus in the business around that this year. Do you think again as a base case you might be able to edge prices higher through the second half or is it more about defending what you have done? Thanks.

Jennie Daly: Okay. Thank you. That was four by my count. I will come back to you Chris on the outlets if you do not mind. In terms of 88% of outlets with approval for next year, it can be variable, but I think that in recent years that is a really strong position and particularly the comfort that I want to give you is you will have heard lots of frustrations in the planning system, and we are in a very good place compared to many. I am very happy with the position that we are in.

On land buying we have indicated that it has been quite competitive. There is definitely quite a bit of geographical mix in that. There has been less acquisition in the north of the business in the period and I would flag that low level of strategic land pull-through which has quite an effect on the levels. We come at the acquisitions on a site-by-site basis, and I would flag too that the site size mix is more weighted towards smaller sites in this half than we have seen previously. The underlying land cost as a percentage of ASP of owned land in the landbank remains very low at 14.3%.

On price the business is very focused on price, and we have seen incrementally month-on-month, May, June, July continuing price momentum. We will continue with that strategy but very aware of the wider market and reading the data closely, Will. Chris, can I pass the outlet question to you please?

Chris Carney: Yes, obviously average outlets for last year 2021 were 225. We started this year with 228. In January and again in March I said that we were expecting them to be pretty flat up to the half-year. We closed the half at 233 and at week 30 we are sitting at 229. We are continuing to make very decent progress navigating the various planning challenges that we face, and we still expect to show outlet growth in half two with that growth coming right at the end of the year. Am I going to give you a number, Will? No.

Sam Cullen (Peel Hunt): I have got three also. You helpfully gave your margin bridge. Assuming that things remain stable, how should we think about that bridge for next year? I am guessing the net economic benefit captured at the 0.6 that you saw in the first half of this year that will probably close in 2023 as the delta between sales price and build cost inflation probably closes relative to where it has been in the first half of this year at least. Whether some of those one-offs around land and JVs might repeat and help you next year or whether they will normalise again. That would be helpful. Secondly on the SAP point you mentioned, Jennie, what happens if that is not fixed in the next 10, 12, 16 weeks? What is the runway you have got and what happens if it does not come through? Then the last one I think the chart on page 20 you helpfully pull out the different energy costs. Obviously, you know it, the Government now knows it, do customers know it? Are they willing to pay for it, as it were?

Jennie Daly: Okay, I will take the last two, Chris, and then I will come back to you on the margin bridge. On SAP it is a really good question and we have been engaged with Government to try and resolve the issues. At this point we are funnelling down the priorities. For volume homebuilders that are delivering high volumes asking Government officials to concentrate on the elements that go to our repeatability. I think that there is reasonable prospect that we will resolve this by the end of September. It would still leave some specialist areas that I think would still have some issues and that creates a problem. Less for Taylor Wimpey and our house type range but for those who are in the more specialist end of the market. The reason that I flag it is that this is the concern that we have with this plot-by-plot transition. It does require all parties to be understanding the criticality of the change. Historically with a site-by-site transition if there had been a little bit of slippage it would not have been as critical as it is now, where we really must have the fully verified SAP models as soon as possible.

Obviously, the level of concern around energy costs in the last six months and the last three or four months in particular have increased the level of inquisitiveness and concern that customers have. They are asking for more information around energy efficiency. As I said, from the customer research that we did it really did stand out. We felt that that has been coming for a while but the customer research which was in the field and over the last few months indicates that it really has gone up the customers' list of priorities. Whether they would pay more, we have always taken the costs of energy efficiency Part L and F as a cost to land. You will know that we have been embedding that in our land acquisitions. If there was a benefit, whether it is green mortgages or in affordability calculations, then that would be very, very positive. Chris, to the margin bridge.

Chris Carney: Sam, the margin bridge that I presented back in March that bridges to the 21-22% range is still our view of the path to get there. That included three components. The first was the efficiency benefit associated with higher volumes and that was the largest component of the bridge. We have reiterated today that we remain on track to grow outlets and obviously if the market remains stable that will position us for that growth. Landbank evolution also makes a contribution and actually you see some of that in this period's rec. then there were other operational improvements. Things like the new house type range that Jennie's talked about and also the implementation of the new Microsoft Dynamic CRM system which is now fully rolled out. Those are the things that will get you to the level, all things being equal.

Charlie Campbell (Liberum): Thanks very much, a couple of questions please. Jennie, you mentioned when you are talking about transitional support for people on Help to Buy. I wondered what you meant by that particularly and I suppose a broader question really about Deposit Unlock and how well you think that might work going forward. Then the second related issue is mortgage lenders have seemingly changed their attitudes towards new build. I wondered how widespread that is, whether more lenders will change policies as well and generally how supportive mortgage availability is.

Jennie Daly: Okay, thank you for that. My reference to the transition support around Help to Buy was more in respect of the length and quality of the order book so that gives us just a little bit of runway should there be any negative impacts from the unwind of Help to Buy. On the positive and very pleasingly from the information that we are getting from the IFAs is that first-time buyers are funding deposits from savings and those savings are significant at the moment. Deposit Unlock was designed to support the sector on the unwind of Help to Buy and obviously Taylor Wimpey has been involved in that. We have had Deposit Unlock available for some time. Actually, uptake at the moment is really very low and I would stress the very low. I think that indicates the quality of the offers that are available from the lenders in the wider market. However, it is there, and it will be a useful tool in our toolkit should it be necessary.

That final point on the attitude of lenders to new build, it is really positive for them to now see those benefits, maintenance costs and more energy efficiency. Obviously, the introduction of the EPC threshold for rental properties around 2026 and transitioning into 2027 is factoring there as well. From a lending point of view knowing that those homes are fit for the future as opposed to needing a retrofit it is very pleasing to see lenders recognising that. Thank you.

Ami Galla (Citigroup): Three questions from me. The first one on build cost inflation that you have guided at this stage, I am wondering if you can give us some colour as to the tenure over which it has been fixed for. What sort of visibility do we have of that 9-10% at this stage? The second one on the land market, given the sort of pressures around pricing and costs over the next 12-24 months for that matter, are you planning to increase your hurdle rates on land as you go forward in 2023? The third one, in terms of the potential buyers that are coming to your sites, are you seeing more requests for part exchange or some sort of incentives moving forward?

Jennie Daly: Okay. On the part exchange, no significant movement so no, the sales teams are not relying on part exchange at all. It is at a very low level. On the land market and pricing in cost, we assess our land acquisition on current costs, current sales prices. Not all of our competitors are perhaps as up to speed on build cost movements as we would be through the processes and communication that we have got in the business but that is our behaviour. Current price and movements in price will be factored in.

Around run rate on land acquisitions, we have indicated that we are in a really strong position. We are being selective about the sites that we are acquiring. We are looking at it neutrally as replacement level, but it really then does depend on the quality. We have the benefit of that longer landbank so that we can be selective and make the right decisions for the right reasons.

Then on build cost inflation, Chris, do you want to tackle that?

Chris Carney: Yes. In a more normal market, it would be a perfectly reasonable question in the context that when we agree prices with our suppliers then in a normal market they tend to go to the duration of the contract. What we have seen in recent times is that they are coming back to us because their input costs are changing in such a rapid way. I do not really want to have a crystal ball and give you an answer because things are changing. Steel prices are ones that we talk about along with timber quite a lot over the last couple of years. They dropped towards the end of last year. They peaked again with the Russian sanctions and then they have dropped off again. Who knows what is going to happen to those as gas costs increase in the second half. Then with timber it has been very volatile, and prices increased quite a lot in the second half of last year, softened since then and the indications are that there might be a little bit of continued softening going forward. But, it is very hard to call that. When you have to look at each one of the inputs it is a fairly complicated assessment to make for each one and then you have got to add them all up together. That is why I am not inclined to give you a number, I am afraid, Ami.

Marcus Cole (UBS): Hi, I was wondering if you could give us some colour on the H1 intake margin at all. Then can you remind us what the margin differential is between the new and existing housing ranges? Thanks.

Jennie Daly: In terms of intake margin, I reconfirm that the opportunities that we have given approval to are supportive of our margin targets. In respect of the new house type range from a design perspective we have never relied on improved revenues, Marcus. We would always take the view that that is a positive additional benefit. I believe that these are attractive homes with strong kerb appeal addressing what customers want in modern living. The customer feedback from the prototypes has been really very encouraging. On a build cost perspective, we said cost effective we would expect some benefit from the simplicity of some of the build as well. We are now in the thick of tendering the new house type range on a more significant level and that is something that we can come back to maybe at full year.

Gregor Kuglitsch (UBS): Thanks, maybe quickly on the volumes and the sites, I am trying to get a picture of if the market holds and everything is fine what are you actually gunning for in terms of volume growth next year? I am looking at your site numbers that you gave that are pretty low-single digit. The sales rate obviously dropped off. I think that is a bit of a supply issue. If perhaps the sales rate normalises, what are we actually looking at here in terms of the potential volume growth assuming the macro is where it is today?

Jennie Daly: I think that is pitched at you, Chris.

Chris Carney: Okay. Our expectations for 2023, Gregor, have not changed. I am not expecting you to change your number at the moment. I think we just need to see how things pan out through the second half of the year. The normal routine in any case is for us to provide an update at the end of the year and that is obviously what we will do.

Rajesh Patki (JP Morgan): The first one is just a clarification, Chris. I think you have commented on the affordable ASP. If you can just catch us up on that again. The second one is just the moving parts in terms of the second half cashflow. What would be the key moving parts apart from the interim dividend payment in November? Thank you.

Chris Carney: Yes, the clarification, the increase in the affordable ASP in the first half was weighting affordable completions towards the south. It was heavily mix related. Hopefully that answers the first question. Then cash, we have not changed our guidance for cash for the full year, at £600 million. Net planned spend within that is around about £1 billion. We have obviously got extra WIP associated with those increasing outlets, and I have said before that we are targeting to try and get to £1.7 billion by the end of the year and that is still the target. There are no additional pension deficit contributions because you can see that we are in surplus and that is in the slides. The payments on exceptional provisions I am currently estimating around about £90 million for the year.

Jennie Daly: Okay, I think if we are all done for questions thank you again for coming out this morning. Hopefully you have heard that these have been excellent results which Chris and I have been delighted to deliver, positioning us really well for the second half of the year. We look forward to speaking to you later in the year. Thank you.

[END OF TRANSCRIPT]