Trading Update

Monday, 17 January 2022

Opening Remarks

Pete Redfern

Chief Executive, Taylor Wimpey Plc

Good morning everybody and thank you for joining us. There is quite a lot to get through, both in our statement and I am sure plenty going on in the sector so plenty of questions. If I just stand back for a second and talk about the overall position, we obviously see this as a very reassuring statement restating our performance for last year and setting out how the business is set up for 2022.

If I stand back and look at last year as a whole, we are very pleased with the performance. You will remember we upgraded pretty much every time we came back to the market during the first half of the year. Then against quite a difficult operational backdrop of build availability on materials and labour we delivered exactly what we said at the half year and set up the business very well for the future.

Touching first of all on the housing market, it clearly was a very positive housing market last year. I think we were the first to be positive about the market and to stress the underlying strength and we have seen that through to the end of 2021, through the Christmas period, where we have seen continued good interest from customers and a very healthy start to 2022. The business has a strong order book. It continues to be slightly above what we would see as the long-range level so it gives us plenty of choices as we look at the market going into this year. But, our overall sense is although for the year as a whole it might not be quite as strong as the conditions we saw last year, the signals are still very positive and we are certainly not seeing any sign of weakness at the moment. I think you have seen that reported more broadly both in our sector and in the wider housing sector as a whole. I am sure there will be questions on regional variations and product variations. I think they are not particularly significant, so we continue to see a good market in all of our main operating geographies and across the full range of our products and our customer groups.

On the materials side, and the build side that has clearly been the bigger challenge through 2021 for the whole of the sector. Particularly material availability and price but as we set out through the course of the second half of last year, we expected to see the price gains that we made fully offset the cost impact. We have been very pleased with the way our teams, both regional and site teams but also our central procurement and logistics functions, have handled the availability challenges. We have seen a very good performance from the business delivering exactly the volume that we have been setting out for the whole of the course of the year.

Going into 2022 we see some amelioration in the availability and pricing challenges on materials. It is not across the board so some areas are still pretty challenging but very pleased with the way some of the strategic work we have done with our logistics function, which we will spend more time on with the full year results, have performed and very pleased with the way our teams have worked at a site level. Set against that, particularly pleased that we continue to be a five-star builder but also that our performance in the NHBC construction quality scores is the best in the volume industry. That has been a very key measure for us. We do not think that just customer surveys give a good sense of the quality of how a business delivers because customers cannot always see quality issues. Whereas if you look at both the customer quality scores and that NHBC quality score you get a really good sense of overall performance. Very pleased with the rounded performance from our teams in some relatively challenging environments.

I think as we go into this year, we do not see those limitations having a material impact on 2022, but it will continue to be a challenge through the next few months and our teams will continue to work hard.

If we now move on to land and planning, you see in this calendar year the real impact of our early land investment post the capital raise and net land on both strategic and short-term has increased. The total of the two is about 14,000 plots. We continue to expect both, particularly the short-term land bank, to increase as we get a full flow-through of the plots that we acquired in 2020 and the first half of 2021. We are in a more or less replacement phase on new input coming in today but there is still some flow-through that we will see and that land bank continue to rise. We remain very confident that that underpins the growth aspirations for 2023 and beyond that we have talked about.

I think what should have been very clear to you over the course of the last 6-8 months from the general sector reporting is that the land environment has tightened but that more particularly the planning environment has been pretty challenging with low resource levels in local authorities and some political steps away from driving housebuilding at a local level. We feel in a very strong position in that more difficult, challenging environment. Our early land investment means we have a bigger hopper of sites coming through and as I know Chris has stressed to many of you, although our outlets are at a level that we would like to see grow, we currently have 120 sites with detailed or outline permission owned and controlled that we are bringing through the planning system. That is what drives our confidence in the increase in outlet numbers that we have set out that we expect to come through in the second half of 2022, setting us up for 2023.

Moving on from the operating side of the business, some of the broader customer and political issues. I am talking firstly about cladding which has obviously been a subject of intense debate over the course of the last week. I want to be very clear with what we set out nearly a year ago and reiterate our financial position and just as importantly our position on how we are dealing with our customers. We set out with our prelims that we, Taylor Wimpey, would pick up the costs of bringing any Taylor Wimpey building built in the last 20 years up to current standards. We have used the EWS1 form to define those current standards. We made an estimate of what that cost would be and that includes buildings that we own still and buildings that we do not. It includes buildings above 18 metres and buildings between 11 metres and 18 metres. The provision that we set out at that point in time was an additional £125 million. We still believe that is the right commitment. We think it is the right moral thing for the business to do and puts us in a strong position in conversations with Government. We still think that that is a very sound estimate of the cost of that work. We have been in ongoing dialogue with building owners and progressing both the plans and in some instances the work on those buildings. We continue to believe that we did the right thing at that point in time and that we made the right financial estimates of that cost.

I just very briefly wanted to touch on leasehold and CMA investigation. It was pleasing to get that resolved with the CMA just before Christmas and hopefully draw a line under that particular issue.

The last thing I wanted to cover before I hand it over to Chris was the statement we have made on a share buyback. I think you were all expecting from us some kind of capital return from 2022. We have talked about that with investors. We have talked about that with analysts. Since the capital raise, 2022 will be the year that we returned to more significant capital return dividends but it is a key decision that the Board took to weight that towards a share buyback. The exact quantum and the exact structure will depend on the conditions when we announce it finally with the prelims but we just wanted to set out our current expectation.

Financial update

Chris Carney

Group Finance Director, Taylor Wimpey Plc

I think it is important to note that the increases in both volume and operating margin drove strong cash generation in 2021. Although we ended the year with more cash than we originally guided to, we still spent over £1 billion in cash on land in the year. I am expecting lower land spend in 2022 as we migrate to a replacement basis. That will be offset by increased WIP investment as we grow our outlet position. Even so we still expect to generate strong operating cash inflows in 2022.

In terms of the balance sheet, you know we are starting this year with over £0.5 billion more land than this time last year, about £100 million less WIP and overall net assets of around £4.3 billion. If you apply our ordinary dividend policy at 7.5% of net assets, that alone would generate a dividend yield of getting towards 6% this calendar year based on Friday's closing price, subject of course to shareholder approvals. When you consider that together with the strength of the land bank, the pipeline of outlets it provides, what that means for volumes in 2023 and beyond and the cash that the business will generate as a result, it is easy to see where our confidence in delivering sustained shareholder value comes from.

Q&A

Brijesh Siya (HSBC): Good morning gents, I have two questions. The first one is on outlet growth. In the first half you said around 37 new outlets open by early November it was 67. If you could tell us what was the number for full year 2021 and your expectation for 2022 in terms of average outlets and what that means in terms of completion growth for 2022.

The second question is on the share buyback. Has the Board decided what kind of criteria they are going to look into what amount of cash will be used for the share buyback?

Pete Redfern: Thank you. I will leave Chris to pick up the first part of the outlet question on specific growth numbers. I think looking at 2022 we have been very clear through the course of last year. From the point of the capital raise the outlet growth was setting us up for 2023 completions rather than 2022. We actually are in a strong position for our volume expectations and the volume guidance we have given you for 2022 from our existing outlets and certainly from those that already have planning. We are not exposed in terms of volume risk in a meaningful way this year to that outlet growth. That is obviously consistent with the outlet growth coming in the latter part of the year setting us up for next year. I am not going to give you specific guidance. We expect outlets to remain pretty stable through the next few months but then start to grow later in the year. But, when you look at our order book and where our outlets are site by site, the kind of level of growth that we talked about for this year, which we have always said would be low single digit, we are in a good place off existing outlets to deliver that. It is the outlet growth through the course of the year to deliver completions for next year.

Chris Carney: Obviously the average outlets in 2021 were 225. We started this year with a few more at 228. I think I am probably repeating what Pete said but I am expecting that to stay pretty flat between now and the half year because the market is strong and sales rates are likely to be reasonably strong too. We are continuing to make really good progress with the planning. We still expect to show that net growth in outlets in half two, weighted towards the end of the year. I think Brijesh you might have been asking about something we disclosed at the end of November which was the number of outlets that we have sold out and therefore are not counted as outlets anymore. They are not counted as outlets in the 228 and we had 42 outlets that are sold out in that status at the year-end.

Pete Redfern: Thank you and moving on to the share buyback question Brijesh, I think I can answer part of the question today, which is how we will think about the quantum. I am not going to go into it in any detail so if there are any supplementary questions I will have to defer to the prelims. I think our take is the amount of capital that we see available is a similar sort of approach to how we have looked at our cash returns over the course of the last few years. We look at our current land investment, our expectation of current performance and near-term need for investment. So in an environment where we are expecting to grow the land bank, which is not materially where we would expect to be as we go through this year, then we would obviously set that aside. But, looking at that near-term investment and that is what defines the amount of capital that we return. I would reiterate, and I am sure we will at the prelims, reiterate the comments that we have made consistently over the last few years that we believe that a housebuilder should have a strong balance sheet both because of the underlying cyclical nature of the business and the opportunity to be opportunistic with land. We expect there to be excess capital. We expect that to be a normal part of the business's delivery over the next few years. We will be returning it but whilst retaining a cautious balance sheet.

Brijesh Siya: Understood, thank you very much.

Aynsley Lammin (Investec): Morning Pete, morning Chris, just two questions for me please. First of all I wondered if you could give us a bit more on what you expect for build cost inflation for 2022 and maybe draw a bit into materials and labour within that.

The second question on cladding, can I clarify? Essentially what you are saying is even if the Government pushes the whole £4 billion repair bill that they have tabled onto the developers only, the provision you have made you are comfortable that that would cover all the repair work you would need to make within that £4 billion if the scope does not widen out to maybe material suppliers or contractors, for example. Thanks.

Pete Redfern: Thank you. On build cost inflation, as I touched on, on the materials side we see some softening of the pressure, but it is still above normal levels. I think we all across the sector expect some of the wage inflation we have seen in the wider economy to impact on the sector during this year. Our gut feel and I would say it is a gut feel rather than formal guidance at this stage, the 5% level that we saw in 2021 is a reasonable estimate of 2022. Obviously, as we go through the next few months we will be getting new data to firm that up and we will tell you if it changes. But we think that is a reasonable view sat here today. Certainly what we are seeing at the moment, both in terms of the carry forward sales price growth from last year, that is in the order book and in current sales, and the ongoing sales price growth means we are really comfortable with that underlying guidance that we expect the sales price growth to offset that cost inflation. We are not flagging any change in our margin guidance because of those two moving parts.

On cladding there are two very different things there. We are very clear with the responsibility we believe we have to people who live in Taylor Wimpey buildings and we believe our provision is right for those buildings. In terms of any Government wider effort, particularly tax driven, to recover further funds from the sector as a whole, we will absolutely be arguing the point about the commitment we have made and that we are taking responsibility for any issues that relate to Taylor Wimpey. I think you will understand fully that none of us really know where the £4 billion number comes from and therefore it is very hard for us to make a definitive commitment if Government has a wider push. I think we all perfectly reasonably expect that Government should be going back to the wider industry, but we all recognise the fact that housebuilders are large businesses that are public and very visible. It is not possible for me to make commitment about any wider Government initiative. All I can do is talk about the position we are in in relation to our buildings, and we will be making that argument strongly to Government.

Aynsley Lammin: Great, all very clear. Thank you very much.

Will Jones (Redburn): Morning, three if I could please. The first was just whether you would be able to review what you perceived to be in your like-for-like house price experience through last year, January to December on the private business. Then any help for us this year in terms of mix effects to bear in mind for the P&L.

The second was really around sales strategy this year. Obviously you have got a long order book coming into the year, prices generally rising and the influence perhaps through the year of Help to Buy cut off points moving into sites. I was wondering around that sales rate number what the optimal approach is for 2022.

Then coming back to the balance sheet, I appreciate it is all to be decided ahead of the full year results but am I right in thinking in the past you have talked about modest adjusted gearing as something you would be comfortable with when we think about net cash less land creditors? Thank you.

Pete Redfern: Great, thanks Will. If I defer the last one to you Chris and I will pick up the first two. On like-for-like house price growth from a spot point at the beginning of the year to the end between 6% and 7% give or take. Then the number you see on the P&L movement from 2020 to 2021 will be slightly lower because there was a particularly big mix of larger product in the second half of 2020. Post-lockdown you saw that dynamic being more material. I would say that is still there a little bit in 2021 but we expect to see it in 2022 as well. To me we have returned to what I would see as a normal mix through the course of this year where with the larger product, having been relatively suppressed through the early Brexit years, and then almost bouncing back very strongly immediately post the first lockdown. Now we are selling, as I would see it, more or less our average product represents what is in our P&L for 2021. I would not expect there to be a big mix shift from 2021 to 2022. I think we are at a normal level. Continue to see some price growth today, would not give you a formal forecast but I think we would be optimistic to think that it was the 6-7% level. I would be very surprised if it is not more than the 2-3% level unless the market changes materially due to some external factor during the course of the year.

On sales strategy, you are right. In an environment where new outlets are a premium, sales are relatively straightforward to achieve and build is challenged, then I do not think it takes a genius to work out that our strategy will be weighted towards price over volume and therefore price over sales rate. We would be quite comfortable if the sales rate came down a little bit. As I say, I still see our order book at the longer end of what we need and what is right but there is still that weather eye on Help to Buy and new sales from Help to Buy effectively coming to an end in the autumn. We will be pushing to get the right price, making sure that we make the most of the market conditions that are there, particularly with the cost inflation. A weighting towards price over volume but wanting to keep a reasonably long order book by normal standards until we see how the Help to Buy exit actually performs.

Will Jones: Yes, thank you.

Chris Carney: I think I have said before Will that land creditors have fixed maturities, the majority falling due in the short-to-medium term. We do not see that it is appropriate for them to finance land. Our approach is really to maintain adjusted gearing at low levels to maintain resilience and financial strength as you go through the cycle.

Chris Millington (Numis): Morning Pete, morning Chris. I will ask the first one on the profile of completions through FY21, particularly with regards to that Q4 weighting obviously you came at prior to the pandemic. Perhaps you could just comment how that is likely to evolve into 2022.

The second one, you sounded quite confident about your position on planning. I wonder if you could elaborate a little bit further and maybe give us a feel as to what proportion of plots you have got planning for versus your expectations this year.

Then the final one is on price versus cost. I appreciate you probably do not want to go too far on this, but a lot of the commentary seems to be about an offsetting scenario, whereas the numbers you are painting there seem to point to quite a big margin tailwind. Perhaps you could just comment if there is any sort of offsetting tactics with regard to the price versus cost dynamic and why it should not feed through to that sort of margin growth we would usually expect.

Pete Redfern: Thanks Chris. I think I captured all of those. It is possible I might have to come back to you but I think probably the second question will go to Chris. He may have got the detail of that. On the 2020/21 balance through the year we obviously do not want to get back to the quarter four weighting we were back in 2019. We openly said that was not where we wanted to be and that we just had too much volume in that final quarter which put the business under pressure. At the same time 2021 was extreme the other way because we obviously had a big carry-through of the quarter four plots that were delayed from 2020. We had a very, very favourable first half/second half balance. We would normally expect to see a bigger balance in the second half of the year. I think you will see this year nothing like 2021 in terms of the first-half/second-half balance but more normal than last year. We would expect first half volumes to probably be below last year and see the growth in the second half.

I will pick up the price costs tailwind and let Chris pick up the planning and outlook position and where we are for plots this year. I think in principle you are right, we could see a tailwind from that balance. Certainly if it is there then tactically we want to take advantage of it. I think quite rightly in the second half of this year, as shown across the sector, we were quite cautious in our first half guidance because you could not tell how the cost and material dynamic was going to go. I think we were right to be because it let us run the year properly and our teams delivered not just the volume that we were expecting but the quality as well. What we do not want to do is put a lot of pressure on them. There is some upside if that price/cost balance materialises, but we are in a really uncertain environment still, particularly on the materials side. It is there, it is probably there in late this year and then into next year. But it just does not feel responsible to call it out now when there are so many other pressures. We are seeing the changing regulations; the cost of the new Part L&F coming in. We have got good estimates, but it still needs to be executed. In the balance we think our guidance is in the right place but from the pure dynamic of the market I think there is a bit of upside if that comes through as we currently expect.

Chris Carney: Chris, I think your outlet question was targeted at security of volume for 2022. As we came into the year and looking forward at that point, over 95% of this year's completions were from sites that we were already on. Actually a very small percentage for this time of year of risk associated with outlet openings for this year's volumes.

Chris Millington: That is very clear, thank you gentlemen.

Rajesh Patki (JP Morgan): Good morning all, I have got two questions please. The first one is on the cash position which came in ahead of your expectations. Just to understand that better, apart from timing of land investment is there any other moving part that you would like to highlight at this stage?

Secondly, the mix of affordable units in the overall Group completions was very low at 18%. Where do you see that ending up this year and do you see the Group ASP level holding despite this negative mix impact if the mix of affordable units goes up? Thank you.

Chris Carney: On the cash, yes the 2020 improvement compared to guidance was due mainly to the land spend but also to strong working capital management and also the fact that it is reasonably difficult to spend as much on WIP as we would like to due to the material and labour availability. As I mentioned earlier, we ended the year with a WIP balance about £100 million lighter than the end of last year. In terms of the affordable mix if you exclude JVs we ended up at 17.6% and actually we guided to 17% so it is very consistent with our guidance. Going forward yes, we would expect it to return to a more normal level around about the 20% mark for 2022. You are quite right, in terms of blended selling prices then obviously that will reduce and therefore the year-on-year blended average selling price will be reasonably flat.

Rajesh Patki: Thank you.

Emily Biddulph (Credit Suisse): Morning guys, I hope you are all well. I have got three questions please. The first one is on the orderbook. Can you tell us what the ASP is in the private order book and where the volume sits?

Secondly, I wanted to come back on Chris's comments on the cash demands for the business in the coming year. I think you effectively said land commitments from now on you will be at replacement level so for the coming year we should assume that inflows on land are still higher than replacement levels but relative to this year the WIP increase year-on-year will be higher and the land investment will be lower. Should we assume that the two effectively offset one another and the increase on inventory will be similar? Is it fair to assume that it will still be less than it was in 2021? What are the other cash demands on the business that we should bear in mind? Where does the fire safety provision sit and what is a reasonable assumption for cash outflow for that for the coming year? Thanks guys.

Pete Redfern: Thanks Emily and I hope you are well too. On the land investment if I can pick up one piece because I may not have been as clear as I should have been. When I said we are at more of a replacement level I was talking about at the front end. The number of new land exercises, the number of new approvals that we are expecting is broadly balanced. As we always have been, we are expecting to see some growth in the land bank as the deals we have done flow through. There will continue to be some cash outflow over and above normal land investment through the course of 2022. You can see some of that in the elevated land creditors and some of that in plots that are controlled. My comment was more about the front end. I think it will be the end of this year that we are at more of a balance sheet neutral position, which is always why our view would be we would go back into having a meaningful additional cash return this year. But 2023 will be the first full year where we are back to the full balance between cash coming in and cash coming out.

Chris Carney: The selling price is in the order book and if you divide one by the other in the statement is up 1%. Emily, were you specifically asking about the private? Yes, so that is up 4.6% year-on-year. On the cash question Emily we will provide an update on the various elements of the cash guidance at the prelims when we announce the quantum on the excess capital returns.

Pete Redfern: Emily if you take that order book selling price and just think about our comment earlier that average selling price from January 2021 to December 2021 went up 6% and 7% but the mix at the end of 2020 was particularly weighted towards larger plots and now it is more normalised. That is where you get the 4.6% price uplift. You can feel more or less what is going on there in the dynamic.

Emily Biddulph: Thank you.

Gavin Jago (Barclays): Good morning, thanks for taking my questions. Just a few if I could please. The first one is back on the cladding situation and Michael Gove's view is to look back 30 years. What work have you done at these early stages to think what might fall into scope in terms of what was being built in the 1990s by George Wimpey and Taylor Woodrow?

The second one was around Deposit Unlock and I wondered if you have got any stats you can share around how much usage that has had in the regions where I guess the price cuts under Help to Buy are quite restrictive for your product and whether Deposit Unlock is starting to take up some of that slack.

Then the final one was on land creditors. I do not know if it is in the statement, I have not seen it, but if you could just put a number on that at the year-end, please.

Pete Redfern: Thanks, I will leave the last one to Chris and I will pick up the first two. It is too early to have gone back to 30 years. We have not done a full detailed exercise, but I think there are two or three areas of comfort that I can give you. We chose 20 years because we felt it was the right length of time, not because there was a big weight of problems before that. In fact, to Chris and my knowledge we have not had a single customer issue with a mortgage, with an EWS1 form relating to a building prior to 2000. There was a reason why 20 years felt right and when I go back and I joined the business around 20 years ago on the turn of the millennium which makes me sound old, I go back before that. The McLean business which was the biggest part of the George Wimpey business was very much low-rise housing. The Bryant business and the Taylor Woodrow Homes business were also very much low-rise housing prior to their merger. The only part of the business that had any kind of mid-rise was Wimpey Homes. ACM did not really exist as a product so what I am trying to say to you is I could not categorically say today there could not be a building in the 1990s, but we do not think that suddenly the scale of the cost balloons if 30 years becomes the accepted norm. I could not say it was zero, but we are not suddenly expecting it to change dramatically because of that. We have really had no issues raised by customers or building owners in buildings from that period.

Then specifically on Deposit Unlock, we have not been driving it hard. Help to Buy is still there in the marketplace. It is signed off, it is available. We have not in all honesty seen enough of a challenge from the price caps for us to need to use Deposit Unlock, which obviously has a cost and is therefore a choice that we would challenge our businesses to use carefully. We have not been pushing uptake and therefore it is too early for us to tell you that we think it will look like x, y or z. It is there as a useful tool, but it is not needed yet. We do not want our teams to use it unless they need it.

Chris Carney: On the land creditors I would expect that when we get to March, we will be reporting year-end land creditors just in excess of £800 million.

Gavin Jago: All very clear, thanks very much.

Ami Galla (Citigroup): Thank you guys, just two questions from me. The first one is on the land market. If you could give us some colour in terms of what is happening to land price inflation and are the intake margins in the sector broadly similar to what they were normally pre-pandemic?

The second one really is as we think about the new sites that are going to be open in the second half of 2022, is there any change in the natural absorption rate in the business 2024 onwards?

Pete Redfern: Thanks Ami and on the land market we have said before and I touched on it very briefly, it has undoubtedly tightened through the course of this year. The planning dynamic that we see will also add to that because we can see peers who are short of outlets to fill their plans. The sector is still being responsible in how it is buying land so we are definitely seeing land price inflation but obviously in an inflationary housing market you would expect to see that. I think we are not seeing material suppression of intake margins. What you do go back to though in that environment is having to be very clear about the merits of each site. Strategic land starts to become much more critical again, which is obviously a strength for the business. I think as we have talked about many times over the last 2-3 years, the balance between larger sites where there is less competition and smaller sites is key. We are very clear, we want to buy a mix but there will fairly clearly be a differential in the margin on acquisition between those two types of sites. You have got to take your choice through that and maintain a balance in the business. It is why the comment in the statement that we are pleased that we continue to see smaller sites acquired by the teams which continues to be key but also some larger ones as well. Sorry, can you repeat the second question?

Ami Galla: As we think about the new sites that get opened in the second half of 2022, do the average private sales rate in the business, which was typically a function of larger sites, does that mix shift that slightly lower in the future years?

Pete Redfern: It does flow on from the previous answer. Not massively. If you went back to 2019, we had a higher sales rate and we said at the time, higher than we felt was quite right in the conditions at that point. We do not expect to be back at that level, but the sales rate that we have been running at through the last 12 months we see as a reasonable reflection of the right thing to do. You have to remember that we have a different way of counting outlets to some of our peers, particularly the two bigger peers who have two brands. We will often have one outlet with a higher sales rate on a site whereas they may have two outlets with different brands with individually lower sales rate. But, the total level of competition on our sites is no greater so that is what tends to lead to us having a higher sales rate. It is the lack of two brands rather than any different view on the pace you run the site overall. I do not see it changing materially as we go through the next couple of years if market conditions are stable. I think that change already came between 2019 and today effectively.

Ami Galla: Thank you, that is very helpful.

Arnaud Lehmann (Bank of America): Good morning gentlemen. I missed the beginning of the call so apologies if my questions have already been asked. Firstly a question for Pete. You announced your upcoming step-down as CEO soon. Can you give us a bit of colour around your decision? Is that a personal life decision or is it anything related to the business?

Secondly, I guess one of your shareholders has made a case that your margin should be in the mid-20%s rather than the low-20%s, if I remember the comments well. I appreciate you might not want to discuss every conversation you have with your shareholders but in principle do you think there could be upside to your medium-term margin guidance? Thank you.

Pete Redfern: Thank you Arnaud. On a personal level very comfortable to talk about that. Obviously I have been in the job for a long time. It has been my plan to leave for some time now and in fact my original plan would have been to leave around my 50th birthday which was in August 2020. But, a combination of the necessary Chairman change and making sure that we balanced that right and then the pandemic meant that effectively we pushed that back. But, the Board and I have then been discussing it, particularly between Irene our new Chairman and I, for some time now. Main drivers are mostly personal in the sense of I have been doing it for a long time. I am looking forward to first of all having a rest and spending some time doing far too many hobbies that I do not get a chance to do. Then working out what I want to do next career-wise. I certainly do not see it as full retirement but definitely time for a change.

Of course there are also business-related in the sense of you do not do a job like this certainly for as long as I have done it without having a real connection with the company and the people in it. It has been really important to me that we manage it at a time that we think is right for the business. Hence, not doing it when we are going through a Chairman change or through the early stages of the pandemic. I think the business is in a very strong place. The land investment that we have made gives the business far more momentum than anybody else in the sector. The internal team is of a high quality and is in a very stable position. That means that actually a new CEO, whether internal or external, who takes on that role, has got a real window when they can get to know the business. They can actually form their own views about what is right knowing that the business is moving forward. I have seen too many times when you have got long-serving CEOs that actually the business totally lacks momentum as they leave and that is not healthy. The underlying driver is personal, but the timing feels like the right time for the business.

You are right, I would never comment on a discussion with any specific shareholder. I do not think any company would but in terms of margin direction, if you go back over my comments we have been clear on our guidance of 21-22% for a long period of time. I think that is responsible and sustainable guidance. It is not always easy, but I think it is deliverable and importantly it is deliverable sustainably. But, I have always been clear and it has come up on this call, there are certain circumstances where it can be a bit better. If you have got the right tailwinds and you manage everything perfectly it can be a bit better. Can it be 26% sustainably? I do not believe so and I do not believe that anybody with a broad geographic mix looking sustainably at the business, at quality, at customer service, at people retention can deliver that sort of sustainable level of margin.

Arnaud Lehmann: That is very helpful. Thank you so much.

Pete Redfern: Thank you. I will not make too much more because I am conscious that there were lots of questions there and thank you for that. In a sense I have already said what I wanted to finish with. I think the business is in a very strong place at this point in time and has the real potential and momentum to deliver a really solid performance in 2022. But actually the interesting bit there is the real underlying growth, in a sector which is going to be growth-constrained because of planning in 2023 and beyond, because of the decisions that we have taken on land investment through the pandemic. Thank you very much for your time today and look forward to seeing you at the prelims.

[END OF TRANSCRIPT]