Full Year 2022 Results

Thursday, 2 March 2023

2022 trading and market backdrop

Jennie Daly

Chief Executive, Taylor Wimpey plc

Welcome

Good morning, everyone. I think we are ready to roll. I think there was a bit of a queue to get everybody past security this morning. But thank you very much for joining us. And as you can see, I am joined as usual by Chris, and I hope that at least the majority of you managed to have time for a coffee and a catch up with all of the management team, who I am pleased are here with us this morning.

Agenda

So 2022 was a very interesting year to say the least. But I am really pleased that we delivered an excellent overall financial and operational performance, where we increased profitability and margin despite the market backdrop, particularly in the final quarter.

We demonstrated through proactive action that we are a strong, agile business with a clear operational focus, performing well in challenging and changing market conditions. A performance supported by our fully integrated Dynamics CRM system, which is now fully embedded across the business, giving us more customer insights than ever before.

So I will start by giving you an overview of the year. And then Chris will take you through the detailed financials, and I will come back to talk about our strategy, priorities and outlook.

2022 year of delivery

So in May last year, I set out focus areas, and I am pleased that this greater operational focus has positioned us well and helped to deliver a really strong 2022 performance. We delivered operating profit in line with expectations. And on margin, we delivered a significant improvement in Group operating margin to 20.9%, very close to our 21% to 22% target range.

You will hear more on this from Chris. But this clearly demonstrates the focus we have had on driving price over volume, operational excellence and very tight operational cost control.

While we are rightly focused on managing short term conditions, we run the business for the long term and have continued to invest in areas that will yield future value. So for example, you will hear more today around our approach to net zero and our investment in timber frame.

Given the challenging planning environment, I am absolutely delighted that our teams opened 104 outlets in the year. This gives us the best outlet position that we have had in years and importantly provides increased flexibility and sales opportunity as we start 2023 and face into uncertain market conditions.

We talked previously about levers available to manage market change, and I believe that by moving early and decisively, reducing land activity, introducing a recruitment freeze, maintaining that sharp operational focus, tightening controls and taking additional cost action, we are well prepared for the near-term market, and we are well positioned to recover strongly.

A few other areas to comment on quickly, CQR score and customer service. As you know, fundamental quality has been a major driver for us. And I am pleased to say that we continue to lead the volume housebuilders in this measure and have done so since its introduction. I am also pleased that we have retained our five-star builder status. Both these areas, quality and service, will remain a key focus for us going forward.

And last, but certainly not least, we have a differentiated dividend policy within the industry. And our priority is to provide a reliable return to shareholders across the cycle. And as you can see by our announcement this morning, we are delivering on this.

UK trading performance – a year of two halves

So without being football pundit, 2022 was a year of two halves. And our sales rate, I think, best demonstrates the very different market environment in the first compared to the second half of the year.

We pushed very hard on price in the first half but still achieved a sales rate of 0.9, and we benefited from this in the second half. As you know, the second half was heavily impacted by increased economic uncertainty, significant increases in mortgage interest rates and the resulting deterioration in customer confidence and affordability. The sales rate for the second half was 0.48, giving a sales rate overall for the year of 0.68.

Whilst you can see our sales and cancellation rates deteriorating, I do want to highlight the private half two completions price for 2022 increasing, which shows the focus on price discipline. We recorded a private sales price on completions of £367,000 in the second half of 2022, up from £337,000.

I know you will be keen to have more colour on current trading and how we are managing the business in the current environment. And I will talk you through that detail later on.

But for now, I'll hand over to Chris to take you through the financials. Thank you.

Financial review

Chris Carney

Group Finance Director, Taylor Wimpey plc

Summary Group results

Thanks, Jennie. Good morning, everyone. So this time last year, I said margin and quality of earnings would remain our focus over volume in 2022, and that is exactly what we delivered. Our disciplined focus on operational excellence has helped us deliver an excellent set of results, and I am particularly pleased with the improvement in our operating margin at 20.9%. This is a whisker away from our 21% to 22% target range and substantially above the 19.6% we reported in 2019 prior to COVID, and it was achieved despite rising build costs.

And that margin performance means that Taylor Wimpey generated more operating profit in 2022 than it ever has before, over £40 million more than our previous best in 2018. And this demonstrates the quality and embedded margin in our landbank and the strong operational platform of the business, which will support us in a more uncertain market in 2023.

Driven by our strong operating result and assisted in part by the buyback, we delivered a 10% increase in adjusted EPS in the year despite the introduction of the Residential Developer Property Tax, which increased the effective tax rate to 22% for the year. As you have already heard from Jennie, we successfully increased our outlet numbers at the end of the year and the investment increased our operating assets by 5%, so to deliver an improvement in the overall return on our operating assets is very pleasing.

UK performance summary

So wholly owned UK completions reduced by 3% year-on-year due to increased uncertainty across the housing markets in the second half. The growth in overall average selling prices year-on-year at 4% was a function of mix with a greater proportion of affordable homes. The increase in private prices at 6% is driven by underlying inflation, offset partially by slightly smaller plots on average. The 12% increase in affordable pricing in 2022 was largely driven by geographical mix, with more plots from higher price point locations in London and the south east.

JV completions peaked in 2022, and we completed the final phase of the Olympic Park scheme, and we are expecting profit from joint ventures to fall back to around £2 million in 2023 as JV volumes reduce.

UK performance summary continued

Before I move on to margin, I thought it would be helpful to demonstrate how our focus on pricing discipline delivered for the Group in 2022. We reported underlying year-on-year price inflation in half one of 6.5% after adjusting for mix. In half two, that underlying inflation increased to more like 9% to 10%, giving 8% for the full year, which you will see on the next slide. So the step-up in inflation, along with positive mix accounts for the increase in private average selling prices between half one and half two.

And in the first half of 2023, I am expecting the private average selling price to be similar to the £367,000 average from the second half of last year with mix compensating for reductions to underlying prices.

Similarly, for affordable homes, I am expecting average prices in the first half of this year to be broadly similar to the £162,000 average we reported for half two last year. So that should help you understand how we are thinking about the half one pricing dynamics for 2023 based on our year-to-date delivery and order book position.

In 2022, completions were very well weighted between half one and half two as the market softened and cancellations increased in the second half. In 2023, I would expect us to return to a 45-55 half one, half two split reflecting the slower sales rate since Q3 last year.

And lastly, there was a greater mix of affordable homes in 2022 at 21%. Looking forward, we expect the mix of affordable homes in 2023 to be slightly higher, dependent on the private sales rate performance in the year.

UK operating margin

So back to our margin performance in 2022. House price inflation running at the same rate as build cost inflation was a significant net contributor to the increase in operating margin. And given 2022 was more than any other year, a year of two halves, it is worth noting that just

under half of 2022 private legal completions were reserved in 2021, and most of the balance were reserved in half one 2022.

So the fact that we had a very strong order book through 2021 and the first half of 2022 allowed us to focus on price optimisation. So it is therefore no surprise to see underlying price inflation on these completions averaging 8% for the period.

Build cost inflation on half one legal completions was 6.5%, and increased to 9% to 10% in half two, averaging out at around 8% for the full year. And whilst the net impact of inflation on the 2022 income statement was a very clear benefit, that position is going to reverse in 2023 because prices on reservations peaked in Q3 last year and have lost ground since then as incentives have increased.

In addition, the prevailing rate of annualised build cost inflation remains at around 9% to 10% with energy and wage inflation being the primary drivers. I am not expecting it to stay there because there are already some signs of moderation. And as volumes reduce, that will play through to costs, particularly those that have increased the most in recent years.

A deterioration in fixed cost recovery will also weigh on margins in 2023 as volumes reduce, though this will be mitigated slightly by the efficiency improvements we announced in January.

Typically, at this time of the year, in normal market conditions, I would aim to give you a degree of margin guidance, but given the level of uncertainty, we are not in a position to give guidance on that at this point in the year. What I can say though is that 2023 will continue to see us focus on margin and quality of earnings over volume. And a key element of that will be rebuilding our order book this year to provide a platform to optimise price in the medium term.

Summary Group balance sheet

Our selective approach to land acquisition throughout 2022 resulted in a relatively modest increase in land value on the balance sheet, which is consistent with similarly modest increase in the number of owned plots in the short term landbank. You can also see that land creditors reduced by £81 million as the flow of new sites and creditors slowed.

WIP increased, as planned, as a result of achieving growth in outlet numbers towards the end of the year. And where WIP goes from here will be a function of sales and the size of the business. But given the reduced order book and tougher trading conditions, it is likely that WIP will reduce as we tighten our approach to WIP investment right across the business to ensure that we do not build too far ahead of sales.

Higher trade creditors are the driver of the increase in other creditors with more work being done in the lead up to the year-end, opening those new outlets. And provisions have increased due to the additional £80 million fire safety provision booked in the first half of the year, which takes me on to the next slide.

Building safety update

So you will have heard us say this before, and I will say it again, it is our firm belief that leaseholders should not have to pay for necessary fire safety remediation works to their homes. And that is why we acted very early and proactively well in advance of signing the

DLUHC pledge last year, setting aside significant funding to remediate our affected buildings for leaseholders.

We have a clear view on the number of TW buildings requiring remediation works. And as you can see on the chart on the left, we are well underway with our ongoing programme of works. Of the 207 buildings identified for works, 25 have been fully remediated, 14 are in progress and 39 are expected to start on-site in 2023. So it is pleasing to see this progress continue, thanks to the efforts of the dedicated remediation team that we have in place.

In terms of the developer remediation contract, our signing of this will change very little for leaseholders living in buildings that we construct because we have already committed to do the right thing and make those buildings safe. Our £245 million provision remains our best estimate of the cost of the required remediation work and is underpinned by our experience of having remediated or being in the process of remediating 39 of the 207 buildings.

On durations, I expect that the bulk of these works will be completed in the next three to four years. So the five to six years referenced on the slide reflects the timeline to complete the projects with the greatest complexity.

Group cashflow

In 2022, we continued our track record of strong cash generation, driven from earnings. This time last year, I was guiding to year-end cash of about £600 million on the assumption that we would spend £1 billion in land. The increasingly selective approach that we took on land acquisitions as we progressed through 2022 meant that our net land spend in the year ended up at just under £700 million. And that reduction in spend, along with the excellent profitability were the main drivers of the increase in our closing cash balance.

The introduction of the Residential Development Property Tax in April 2022 resulted in additional tax payments of £23 million last year. And the increase in corporation tax rate in April this year will see our effective rate increase further to 27.5% in 2023. As you are also aware, we returned £474 million to shareholders by way of both dividends and the share buyback.

Our capital allocation priorities

I have shown you this slide in presentations over the last 12 months, and it outlines our differentiated approach to capital allocation. The first and most important pillar of our approach is to maintain a strong balance sheet. And the measures we took on land in 2022 demonstrate this and position us well to navigate more uncertain markets in 2023.

In terms of future land investment, we will maintain our disciplined approach, being selective and opportunistic, which is something we are able to do because of the quality and profile of our land holdings. Our Ordinary Dividend Policy is to pay approximately 7.5% of net assets each year in two equal instalments in May and November. That policy is intentionally based on our net asset position in order to provide increased dividend stability for shareholders compared to an earnings cover based policy.

Today, we have declared final dividend for 2022 at 4.78p per share, which is due for payment in May, subject to shareholder approval.

We have stress-tested our Ordinary Dividend Policy. And accordingly, the Board continues to expect to pay the ordinary dividend throughout the cycle, including through a normal downturn and a scenario where average selling prices reduced by 20% from the peak and volumes reduced by 30%.

The Board also remains committed to returning excess capital to shareholders, and we have a track record of doing that at the appropriate times. Given the current levels of market uncertainty, the Board is not proposing any return of excess capital at this time. However, we will continue to review that throughout the year.

2023 guidance

So given the uncertain market outlook, we are providing a range for 2023 volumes. The business is capable of delivering volumes significantly in excess of this range, but delivery in 2023 will depend on the level of customer demand.

The lower end of the range at 9,000 UK completions equates broadly to 0.5 sales rate. And the upper end, 10,500 UK completions is around 0.7, which is a plausible range of outcomes based on what we know at this point in the year.

There are a few things to bear in mind when considering the range. 2023 completions are dependent on both the current order book and the future sales rates in 2023 for homes that will be completed in the current year.

Our priority is to maximise value for shareholders in the medium and long term, not volume in the short term. So building an order book which allows us to optimise price as we go into 2024 is important. And it means that not all of the reservations that we take between now and the end of September will be for completion in 2023.

Given the increase in outlets at the end of last year and the sales rate of 0.4 in Q4, if we end up towards the middle of the volume range, that is likely to generate the normal half one, half two split with 45% of completions in half one.

As I mentioned earlier, we expect the mix of affordable homes in 2023 to be slightly higher than 2022’s 21%, dependent on the private sales rates performance in the year. On cash, we will aim to preserve our strong position, and I expect that we will remain in a net cash position throughout the year at all points within the volume guidance range.

I am not putting any specific cash guidance out there at the moment because that would involve layering price and cost uncertainty on top of the volume range, but I will aim to provide cash guidance later in the year.

On land, we intend to remain cautious but opportunistic with new land purchases. I am expecting 2023's net finance charge to be less than 2022, probably somewhere around the £10 million mark.

And lastly, as I mentioned earlier, we are expecting a reduction in contribution from JVs this year with our share of JV profit at around £2 million.

So to conclude, we delivered an excellent set of results in 2022. Going into 2023, we have got a balance sheet that has never been stronger with no gearing and an excellent landbank. We have seen a pickup in sales rates from Q4. And although it is still pretty hard to call how the

housing market will continue to evolve from here, we are confident that we are in a strong position to navigate the challenges posed by the market.

And lastly, we have a dividend policy that supports reliable and transparent returns for shareholders. And we have a very experienced management team, and that combination together leaves us well placed to deliver value for all our stakeholders.

Priorities for the year and outlook

Jennie Daly

Chief Executive, Taylor Wimpey plc

Market backdrop: long term dynamics supportive despite near term challenges

Thanks, Chris. So whilst there are undoubtedly challenges in the near term, we see UK homebuilding as an industry underpinned by supportive long term trends. Overall, new homebuilding in the UK has not kept pace with demand and household formation over many decades. As a result, we expect demand to continue to outstrip supply in the future, particularly given the planning environment, which I will come on to a little later.

At a fundamental level, the UK has a housing deficit. And we anticipate that this will underpin demand for our homes over the long term, creating an attractive market for Taylor Wimpey. Demand is also supported by low levels of unemployment, which is forecast to stay relatively low by historic comparison and is well below the levels we saw in previous downturns.

So in the near term, availability and pricing of mortgages continues to improve following significant disruption and wage increases in 2022, albeit costs are expected to remain higher than we are used to in the last decade or so.

What we are hearing and seeing is that lenders continue to have a good appetite to provide mortgages and there is a healthy level of competition between lenders in mortgage rates available to customers. However, we know that first time buyers have been particularly affected by increased rates. And as I said in November, there is a period of adjustment for customers to this new reality.

But overall, our market remains fundamentally attractive, and some of the near-term headwinds are stabilising.

Current trading

So it is still early in the year and the spring selling season has started better than we might have expected just a few months ago, with sales rates improved relative to the weaker environment in quarter four. So the sales rates for this year so far is 0.62. There are however, continuing uncertainties in the year ahead, and we will continue in our agile approach.

When I visited sites over the last few weeks, I have heard from our sales teams that customers are grappling with issues related to affordability, general cost of living increases and cost of mortgages. And the most common reasons for cancellations, they tell me are a change of mind usually linked to economic concerns, the ability to access a mortgage or chains collapsing.

As we came into January with lower forward sales in the year, it would not come as a surprise that it is likely, as a result that 2023 completions will be more weighted towards half two. Chris reminded you that our priority is to maximise value over volume. And we continue to manage the business for maximum shareholder value creation over the medium and long term.

We have the sites and the build capacity to deliver to the top of our volume range, but subject to market conditions. And our teams are focused on maintaining a careful balance between sales price and sales rate in the short term.

As I said, in both November and in January, our approach to pricing is to monitor the market carefully and respond to prevailing market conditions, not to lead the market down. We do continue to use incentives in a targeted way, utilising a bespoke approach to address individual customer needs. Incentives across the sector increased in late autumn, but it is a reflection I believe of the robustness in pricing in most markets that down valuations thus far have not been a factor.

Prices are reasonably firm overall. However, as we respond to the market, it does vary plot to plot and location to location. We are maintaining discipline. And as you can see, we are achieving a reasonable sales rate as a result. Overall, I do not believe there is a need for prices to fall. However, in the next few months as the market continues to evolve, we will monitor this closely and respond appropriately.

Interest levels supported by increased media spend

So we are taking proactive action to stimulate customer interest and sales leads through all the tools available to us. Knowing and supporting our customers has never been a higher priority for the business and we will continue to focus here, especially given that challenging backdrop.

We have increased our media and promotion activities within target demographics to support customer engagement, while organic web visits have fallen and web traffic is lower, we supported our overall interest by increased media spend. Whilst pre-booked appointments via our website have fallen, we have adapted our operating model from appointment only to appointment preferred. So visits to our sales centres actually remain healthy when compared to previous years, supported by walk-ins.

Our sales teams have been working on the database and our Dynamic system enables them to match customer needs on affordability, house type and proceedability with homes on sales release. This has also enabled the teams to increase the number of appointments that they are booking directly with the customer. And this has been really successful, and I think demonstrates the skills and expertise of our sales teams.

It also speaks to the levels of underlying customer interest, though conversion does, of course, remain key.

Working hard to understand and support our customers

So understanding our customer is the single most important thing to enable us to drive sales through providing the right type of support. We have a clear priority to understand and support our customer base even better to affect a conversion to sale.

I spend as much time as possible visiting our sites, and I am very pleased with how they are looking. Our teams consistently tell me that they feel well prepared for the market challenges and have the right tools to do their job, from upskill training, enhanced product knowledge and really importantly, driving the value of our fantastic database. We can also see this coming through in the increase in manual appointments booked by our sales teams.

And here, you can see some stats taken from our dynamics platform and also from our panel brokers, which demonstrates that our customers are in a good income bracket. They tend to favour a five-year fixed rate mortgage. And that first time buyers are purchasing with an average deposit of 22%. Typically, customers visit our website a number of times and are likely to visit sales centres several times before reserving a property, so it is important that our sites and the website, our virtual shop window if you will, look as good as they possibly can.

The majority of our customers have not taken financial advice when they come through our door, which reinforces the importance of experienced sales teams to supporting customers through their buying decisions, directing them to various sources of independent and qualified financial advice so that they can understand what they can afford.

I believe we have an attractive offer for our customers from our high-quality locations, the quality of our build and the energy savings of new homes right through to the support that we will provide throughout the customer journey.

A clear strategy to manage through changing market conditions

So you will now be familiar with the cornerstones of our strategy, which I first set out in May: land, operational excellence, sustainability and capital allocation.

These foundations of our strategy are essential in ensuring that we have a strong, resilient business that can deliver for all our shareholders throughout the cycle. I remain convinced that these are the right areas of focus and have set us up well for a changing market, allowing us to be agile across all market conditions. And I will take you through some of the initiatives of these cornerstones.

Land: high-quality landbank a differentiator enabling agile approach

So starting first with land. The quality of our landbank is a clear differentiator, which becomes even clearer in an uncertain market. The quality is graded by macro and micro location and is a key part of our customer proposition. Quality locations are more resilient.

A key differentiator for Taylor Wimpey is that in 2020 and 2021, we took a different view of land acquisition to many of our peers, investing opportunistically at good intake margins, taking advantage of a slowdown by others to buy sites in excellent locations and ensuring we had a variety of sites in terms of size, and I believe that you can see the benefit of this.

Given this strong position, since early in 2022, we have been increasingly selective in the land market, with the benefit of 83,000 plots in our short term landbank and a strategic pipeline of 144,000 potential plots, we were early to signal a significant reduction in land spend, given increased market risk.

The primary focus of our land teams is progressing our existing land assets through the planning system and getting outlets open because whatever the market, more outlets, prudently managed gives us more choices.

Our short term landbank also has the added advantage of being anchored in that mature strategic pipeline. As always, forecast conversions from strategic land have a tendency to move to the right. And you might remember that our Group Strategic Land Managing Director, Lee Bishop, who is here with us this morning, telling you strategic land required patience.

You are likely to see this exacerbated by the recent uptick in planning challenges, especially those impacting local plan progression, but it remains a clear benefit, and allows us to be flexible in our approach to the short term land market, while providing us with ongoing visibility of future supply. And of course, we benefit from a discount to open market value and a degree of flexibility in the timing of its conversion to our short term landbank.

We have not seen the land market reflect current market conditions. And given our incredibly strong landbank and strategic pipeline, we can continue to be highly selective. We are, however, continuing to monitor the market and have the ability to act opportunistically in appropriate circumstances.

Well positioned against challenging planning backdrop

I do now want to spend a few minutes of your time talking about the extremely challenging planning environment that we and indeed the whole sector are grappling with. In particular, I want to be clear that I am very confident that Taylor Wimpey is well positioned. As you know, I have over 30 years land and planning experience. And I honestly cannot remember a time when it has been so difficult.

As a result of the confusion in the strategic planning environment in recent years, the progress of local plans has slowed meaningfully. A near paralysis of the strategic planning system has worsened since the parliamentary debate on the proposed changes in the Levelling Up and Regeneration Bill. And more recently, the consultation of changes to the NPPF announced prior to Christmas.

These strategic challenges also come at a time when the development management system, that's the process of determining planning applications at a local level is also under extreme stress, application backlogs, significant staff vacancies and an absence of investment in resources. These changes are having a visible impact on our sector, which is illustrated in the graph from Savills, where you can see planning approvals dipping.

In the medium term, the supply of new homes looks set to be constrained. The number of homes gaining planning consent has dropped to pre-2016 levels. And Savills indicated in their research that in 2022, every English region saw fewer new homes gaining planning permission than in 2021.

For a number of years, we have been keeping an absolute record of the number of sites and resulting plots for which we are seeking first principal planning approval as at 31 December each year. So to clarify, this excludes reserve matters applications, replans and the like.

Our average run rate for the years from 2017 to 2021 has been remarkably stable at around 16,500 plots across a range of site numbers, the highest in the period being 85 sites in 2021.

But as of 31 December 2022, we had 25,500 plots in the planning system for first principal determination, an increase of over 50% over a five-year run rate.

These plots were spread over 122 sites. Whilst this number reflects, for sure, the increased land activity that you saw at Taylor Wimpey in 2020 and 2021, I believe it is also a compelling illustration of the level of opportunity both for Taylor Wimpey and investment into the wider economy that has been frustrated by the difficulties in our national planning system.

I do want you to bear in mind that you should not think of those sites as outlets just yet. It takes a long time to get from here to there these days.

And briefly on nutrient neutrality, this remains a significant issue. However, encouragingly so a positive, there has been a step-up in Government engagement on the subject. And whilst comprehensive solutions are likely to take some time to emerge, a more collaborative approach is very welcome.

But despite these very real quite tangible frustrations, we are in a good place. It was with much hard work and focus that our teams progressed as many outlets as we did in 2022. And this was possible because we were in a good place, quite advanced given the additional land we had bought.

And we have stayed focused on pushing hard on planning. We have got a significant amount in the planning system, as you have just heard. We are locked and loaded for anticipated 2023 completions in a good place for 2024.

Operational excellence: actions to protect value for shareholders

So on to operations. I know that we spoke about these levers over the course of the trading updates at the back end of last year and the early part of this. As a management team, we acted quickly, decisively to mitigate risk and ensure that we protect the business in uncertain terms.

Build and infrastructure WIP releases are being closely managed as we align, build progress to prevailing sales rates on a site-by-site basis. As announced in our January trading update, we entered into consultation on a series of business changes to optimise our performance and in response to market conditions, targeting annualised savings of around £20 million with an anticipated cost of around £8 million.

The consultation processes across the regional businesses has now either closed or are anticipated to conclude in the near future. This process has unfortunately resulted in some redundancies, and where this has been the outcome, we have put additional support in place for the individuals concerned and for our wider teams.

This has also resulted in a change to our business structure with the closure of our Oxfordshire business and the migration of land and outlets to neighbouring businesses. The proposed changes will not affect our existing market coverage or ability to deliver volumes from our landbank nor the ability to deliver high-quality product and service to our customers.

Operational excellence: continuing to drive performance

So sticking with operations. I believe that Taylor Wimpey is a great business. And for us, operational excellence is about tightening all the nuts and bolts, and as much efficiency as possible.

I told you in May last year that we were doubling down on this. And together with the work that we have put in, in the last few years, we are well prepared for uncertain market conditions. However, we continue to test and challenge ourselves, particularly around cost control. We continue to find opportunities to drive efficiency through simplification and standardisation.

Some examples of this can be seen in a new standard apartment range and the addition of a small number of higher density house types to aid plotting. We have also improved and simplified guidance on earthworks, foundations and retaining walls, which has reduced technical excesses and improved workmanship. And work has progressed on commercial excellence activities, too, with improved reporting and subcontractor engagement. These actions and others increased transparency, quality and support cost reductions.

I told you back in May that we would take an innovative approach to MMC. I am pleased to confirm today that we have secured a lease on a timber frame production facility located in Peterborough, very close to our Taylor Wimpey Logistics business, which will support our aim to increase timber frame usage on our sites, improve visibility of supply, and offer operational and environmental benefits.

The first delivery from the factory is expected in the second half of 2023, and full capacity is targeted for 2025-2026. The facility is also future proofed to allow both volume and product expansion.

I do, though, want to be very clear. This is a cost-effective step that is evolutionary, not revolutionary, with a low capital investment profile. But it does move us on considerably. Importantly, it gives us options to scale up and expand into other related areas of componentry in due course.

We are also well prepared for Future Homes changes. We are in advanced stages of build on five different prototype houses in our site in Sudbury, which will test an array of solutions for future homes, including air source heat pumps, solar panels and infrared ceiling panels. Customers will live in properties and give live feedback of their experience. And that will enable us to understand how our customers feel about the new technologies and what works best for them.

So we will finalize these prototypes in the spring, and we look forward to inviting you along to see them in action along with some of our Group Management Team.

Sustainability: our journey to net zero

So I mentioned this right upfront, and we are really pleased to have published our net zero target of 2045, which is five years ahead of regulation. Our intention is to be net zero in our operations in homes in use by 2035 and net zero emissions across our value chain by 2045.

We wanted to ensure a credible plan that we can stand behind and deliver. And work is ongoing in our businesses to ensure that this is the case with specific targets on energy,

carbon and waste, together with guidance and training. And our targets have been submitted to the Science Based Targets initiative for independent assessment.

Some businesses are early adopters of Future Homes principles. And we are very proud of the recently announced agreement with the Defence Infrastructure Organisation to deliver 176 new carbon zero ready homes for soldiers and their families at our Whittle Gardens development.

Our environment targets include biodiversity net gain requirements and go beyond regulation to deliver priority wildlife enhancements as well as our Towards Zero Waste strategy developed in 2022.

Sustainability: customers getting on board

So during the year, we carried out some specific sustainability research with 500 people who have purchased or intend to purchase a home either in the last or in the next three years with a preference for new homes. There were some useful insights.

Sustainability now features far more highly when selecting a homebuilder than it did even a few years ago. It is also pleasing to see that our approach is gaining traction, and we are seeing our customers identifying us as more green than other housebuilders.

Customers are motivated to be green, predominantly because it is the right thing to do, but also to save money, though the biggest barrier to being green is cost. There is also, of course, the financial benefit of owning a new, more energy-efficient home, which is a key differentiator for the new homes market, and we believe this is only likely to grow of importance in the long term.

Outlook and priorities

So on to our outlook and priorities. We have seen some positive improvements in the sales environment since quarter four last year, supported by a gradual reduction in mortgage interest rates, particularly from January and a continuing appetite by UK lenders to lend into the new homes sector.

There is a well documented disconnect between the demand for new homes in the UK versus supply and other fundamentals such as low levels of unemployment remains supportive.

Despite this, however, the market and the year ahead remains uncertain, and concerns remain over customer confidence and affordability, particularly for first time buyers. We have taken early action and have been and will continue to be laser focused on those key operational areas of driving an efficient sales rate, aligning our WIP commitments and the prevailing sales rate and running the business with tight cost control.

We have set out a number of near-term priorities, most of which I have already touched on today. In any environment, but especially in a challenging sales environment, it is essential that we stay close to our customers and understand their requirements fully. We have shared with you some insights, but it is early days and we will continue to develop and evolve our customer offering. Getting this right will ensure that we achieve the appropriate balance between sales rate and price in all our markets and run the business for best value overall.

We will be working to improve our customer service further to ensure that our customer experience is everything our customers expect it to be when buying a Taylor Wimpey home.

We will continue to ensure tight cost management and WIP control discipline, aligning build to sales rates on a site-by-site basis.

We run the business to maximise shareholder value in the medium and long term as opposed to driving volume in the short term, and that means building an order book, which allows us to optimise price going into 2024. And as a result, not all reservations we take between now and the end of September will be for completion in 2023.

And finally, whilst we are very pleased to have announced our environmental targets and transition plan to net zero, this is a marathon, not a sprint. We will therefore be bringing forward implementation and communication plans right across the business. And I look forward to updating you in the future.

So to round up then, we have delivered a really strong 2022 performance. And whilst market uncertainty remains, we are focused on controlling all aspects that we can to drive the best outcomes. Our balance sheet is extremely strong. We have an excellent landbank, experienced management teams, and a clear focus on sales performance and operational excellence. We are in the best shape possible to navigate the market backdrop we currently face, and to deliver value for all our shareholders.

Thank you. So we can move on to questions.

Q&A

Aynsley Lammin (Investec): Just three, please. First of all, on your volume guidance. I wonder if you could share with us the assumptions you made about average site numbers for this year versus the 232 you had last year?

And then secondly, just on incentives. Are you using part exchange more, what percentage has that got to?

And thirdly, just on the building safety provision. As you work through that long-form contract, you are still very confident that, that number is not at risk of materially changing.

Jennie Daly: Okay. Thanks, Ansley. I will come back to the volume guidance and just on part exchange. I think level of part exchange within the business over the last few years has been extremely low. I think in 2022, it was about 2%. We have seen it increase. We are now at about 5% on sales year-to-date. It is dealt in a very managed way within Taylor Wimpey. We ensure that the quality of the product that we are buying in is attractive in the second homes market.

We have a requirement that there is at least a 30% differential between the home coming in and the new home being sold, and that they are valued to sell. And our average target sales is between six and eight weeks, and we are hitting that pretty squarely at the moment and carrying in historic terms, still quite light on the balance sheet.

On the outlets and the volume guidance, we are not going to give guidance on outlets. I mean, not least for some of the planning reasons that I mentioned previously. You do need to consider that there is some land not purchased in there, Ansley, which we mentioned at the start of the year. And importantly, there will be some variability of outlets depending on whether sales rates are low or higher.

But I will pass over to Chris to pick up anything on that volume guidance point and the building safety provision.

Chris Carney: Yes. So just continuing on from what Jennie said, and just to give you a bit more detail on how that volume guidance is calculated. So at week eight, we had an order book of 8,078 units with approximately 65% of that for delivery in 2023, which I think amounts to about 5,250 units. Year-to-date, legal completion is about 736 units. So total delivery in 2023 from year-to-date completions and week eight order book is about 6,000 units.

Then if you assume a sales rate, and I will take the middle of the range, 0.6 for 31 weeks, that generates about another 4,500 units. But you need to bear in mind that in a tight market, it is unlikely that all of those sales would be for 2023 completion, and we would consciously, as we have said, want to go into 2024 with a strong order book to optimise price. So if you assume 0.5 of the 0.6 delivery in 2023 and 0.1 deliver in 2024. That leaves you with about 3,750 plots to add to the 6,000, which then gets you bang into the middle of the range. I did all that without saying outlets.

And then can you just remind me on the building safety question?

Aynsley Lammin: As you are working through the long-form contracts, how confident are you there would not be any material change to that provision? Is it sufficient for what you see?

Chris Carney: Yes. We are absolutely confident that we have got a very detailed analysis of that provision. It remains our best estimate at this point in time. I have said this before, I'm not going to give you a gold-plated, this number will never change, just because of the durations and the complexity. But yes, that is our best estimate at this point in time.

Ami Galla (Citi): Just two questions from me. When we think about the land market and you are talking about being very selective and opportunistic here, what hurdle rates would you be really looking at in this market? And structurally, how much do build costs increase as we think about delivery beyond 2025?

The second one is really on build cost inflation. What conversations are you having with material suppliers? How long are you getting fixed contracts from them here? And when we think about the labour cost side of things? Do subcontracted trades that you deal with essentially work in the new build? Or do they participate in other end markets in construction? Do we need to see more declines there to get more preferential rates?

Jennie Daly: Okay. Chris, maybe if you would take the build cost question. But on land market, Ami, opportunity is exactly that as it arrives. We have the benefit of an excellent and well-bought landbank, and so we can be selective. Our teams continue to operate in the market, conversations are continuing to take place. But because of some of those moving parts that you have just covered, build cost being one of them, we are taking a cautious view.

We will look at higher hurdle rates than we have in the past. I am not really going to get into the detail of that. I have previously said an appraisal has to start somewhere. And the somewhere is based on current price, current cost, but with a view to ensuring then that we are scenario planning around some of those moving book ends on house prices and build costs.

Planning risk is also now something that I think given the environment that I have just painted for you is something that we are reflecting on much more carefully. But I want to be clear that we are being very disciplined, and we have a live conversation with our businesses on an ongoing basis, but given those moving parts cautious, but remembering that if opportunity came, we will be keen. And we have the firepower to take advantage of it.

Chris, on build cost.

Chris Carney: Yes. So just to reiterate, today, we are seeing the spot for annualised build cost inflation is still at 9% to 10%. And I am not expecting it to stay there, certainly not for very long because we are already seeing some signs of moderation as volumes reduce, that will play through to costs, and particularly as I said in the presentation, those that have increased the most in recent years, are the ones that are easiest to target. Part of the reason, it is not particularly plain sailing is you got lots of factors going on.

Obviously, HS2 is driving quite a lot of demand for cement and sand and that plays through to some extent to elements like blocks. I previously mentioned a bit of frustration in terms of energy because although those costs have come down, we are not necessarily seeing all of the benefit of that because of supplier hedging policies and conversations along the lines of the spot rate still being ahead of the hedge price that has come to an end.

So needing to work through that. And then there is still, to some extent, some wage inflation to flow through. But it is not all doom and gloom. We are seeing price reductions. They have started to come through relatively few to date, and they tend to be quite dependent on the dynamics of who you are negotiating with in terms of how well stocked their order books are and whether they are financed privately or with bank finance. So lots of dynamics going on there.

What I would say is that we are very active at this point in time, that is why I am not necessarily expecting that spot rate to stay there for very long. Anecdotally, to give you an example, our central procurement team, over the last, I think, week to 10 days has met with 22 of our largest suppliers to look at driving value in the materials that we purchased from them, value not just limited to a discounted price.

And yes, I think Ami, you asked about the length of contracts as well. I think if you went back to more stable times, then typically, you would be looking at annual price agreements. And I think it got to be shorter term over recent years, but we would not see anything less than three months and typically more like six months, and we still have some that are on annualised.

Jennie Daly: I think I would just add to that, where we are seeing some of those early signs, it is in the earlier trades where that build sales rate alignment is starting to become more visible for them and really just to underpin Chris' comment about our central procurement and meeting with suppliers, not just around costs, but driving long term efficiencies and continuing that operational excellence engagement with our supply chain.

Clyde Lewis (Peel Hunt): Two if I may, Jennie. One on land prices. I think you referred to you are not seeing any reductions yet in land prices. I would just like to ask why not, given the backdrop and softer demand?

And the second one was a bit of a theoretical one, but if you remove the demand constraints at the moment, and if we look forward over the next three or four years, what do you think is the maximum response that Taylor Wimpey could deliver in terms of growth in volumes. I am partly thinking ahead because obviously, we have got an election next year. What will the Government do to pump prime is going to have to try and do something, pull some rabbit out of the hat somewhere along the line. That demand softness that we are seeing at the moment, could there be a big shot in the arm? What could you do as a business to ramp up volumes?

Jennie Daly: Thanks, Clyde. Well, on land price, I mean, look, I am not entirely surprised at this point not to see meaningful or recognisable price movements. There is always a lag. And we have not actually seen an awful lot new coming to the market, and that is landowners and agents just holding off on their own uncertainty, too.

Look, there is always something, and which is why we include the opportunistic element if a landowner needs to move, if they are sitting on a significant investment or have a cash flow issue. So there are always some exceptionals. But setting those aside, we are not seeing that movement yet. So I think that there is a degree of land owners and agents just waiting to see if this is a persistent issue. And I think that, that is now more likely to be the case that they are looking at the year ahead.

On the demand constraints, I mean, look, crystal ball gazing is not my strong point. To an extent, we have made sure and the first thing would be to reassure that in the changes that we have made that we have we retained our ability to grow if the conditions are right in the market and the planning environment and supply chains after the last few years, I retain every confidence that Taylor Wimpey has the ability to partake in that growth and to drive our business on.

Clyde Lewis: Can I just follow that up? Do you ever think though you could deliver a year-on-year 20% increase in volumes? Or do you think a 10%, 12% number is probably the maximum that the business could handle?

Jennie Daly: We are getting into the realms of theoreticals and you are very aware of how many moving parts and ducks that have to line up for that. Even with all the fair wind, 20% year-on-year-on-year growth is a big ask of a business with the runways that we required. But we can still have year-on-year growth of a meaningful level of growth, but that is a big lump, I think.

William Jones (Redburn): Three, if I can, please. First, if we could just understand in a bit more detail the overall price experience in, let us say, the last year, if you were to, say, index your prices overall, I know it is difficult net of incentives. Where are they today versus start of year versus peak in autumn and versus this time last year? Best judgments, please.

The second one was just on the indicator charts. I think your inquiries are usefully higher than 2020, but other indicators are in line or lower. I just wondered why the two might differ there?

And then finally, just around the landbank. In the last few years, you have been willing to talk about the number of plots you would like to carry. And I think give or take, the 80,000 mark has been a number you have mentioned, and I think just over that at the end of last year, I

guess it will be a function of demand from here, but how you are thinking about that number on a two to three year view in terms of where it might need to be in the new world?

Jennie Daly: Okay. Look, Chris, if I can come back to you on that. I like the price experience. From an inquiries perspective, there is a change in the way that we are driving inquiries through 2020-2021 and certainly the first half of 2022. And there was a very high level of organic inquiries that we were not having to motivate in the market.

So our web visits have fallen only a little, but you will see that our organic inquiries have come off quite a lot, I think, about 35%, and how we are making up the differences in that media targeting and specifically around demographic locations.

Someone was asking me earlier about sales strategy, and sales strategy starts from the site level. We do have a strategic sales strategy within the business, but then we are targeting on a site-by-site, plot-by-plot basis.

On landbank, you answered your own question. It is a function of demand, and also a nature of that sort of intake. We have said that we are going to be cautious, though, opportunistic in the market. And that means that we are likely to be below replacement levels this year. And then really it is a function of how we engage the market beyond that.

So Chris, that pricing.

Chris Carney: Yes, pretty tricky question to answer on an absolutely underlying basis, but I will have a go. So if we went from your baseline of 12 months ago today, then what I would be expecting is we saw price growth from that point through to the peak that I mentioned in, let us say, at the beginning of September. It is probably about 3%. I think we are probably about 2% down from that peak based on the increase in incentives. So that would get you to around about 1% up year-on-year or something like that. That is my gut feel.

Rajesh Patki (JP Morgan): Two questions from me, please. I appreciate you do not want to give any guidance on margins. But if you could provide some building blocks? And is the transition from 2019 to 2020, a good indicator to think about margins? Because the volume drop we are looking at is similar to those levels.

And secondly, maybe within the build cost inflation, some idea on wage inflation, what you are looking at, at the moment?

Jennie Daly: Okay. Chris?

Chris Carney: Yes, that's fine. So I mean you are absolutely right. We are not giving margin or profit guidance. And what I have tried to do through today is to give you much more visibility on half one. So I have identified that the private average selling price in half one, we're expecting to be in line with the selling price for the second half of last year. Obviously, the mix change is slightly in between affordable, but the individual components very similar.

I think I have also said recently that you could broadly assume about £300 million of fixed costs, with about 25% of those in gross margin. It is probably a little bit more than £300 million. It is probably a bit more weighted towards cost of sales, but for modelling purposes, perfectly accurate.

And then admin expenses in the first half, we have got the cost of the change scheme that will be incurred in the first half that you need to bear in mind but that will be partially offset

by some of the savings start to come through in Q2. So you would expect there to be a bit of an increase year-on-year. But all of that gives you quite a lot of pretty good insight into where the first half would land.

Your question, I think, is a good one in terms of what can you learn from the dynamics of operating leverage, I think, going through from 2019 to 2020 to 2021. And you remember that we have given you an operating margin rec slide all the way through that period. And so directing you back to those slides, and specifically, I think 12 months ago on that slide, I pulled out the operating leverage impact and it was a benefit wasn't it because we were going back from 2020 to 2021.

And if my memory serves me right, I think volumes in 2020 were about 9,400 in the UK. So yes, I mean, a pretty reasonable proxy I think for you to then use as an assessment.

Rajesh Patki: Wage inflation, please?

Chris Carney: Wage inflation. So certainly, in that spot rate that I talked about, materials would be higher than the 9% to 10% and wages would be lower. And yes, we would expect, and Jennie mentioned that the earlier trades are where the conversations have been had at the moment, and that is because they feel the reduction in volumes fastest.

Chris Millington (Numis): I totally understand your reticence Chris, on guidance, but I am going to ask you different questions, which is not guidance, and that is your order book margin at the moment and how that has changed maybe at the gross level. And then the second one, just to understand a bit more about your policy on incentives. How are you rolling it out? How selective are you being? Is it out there on all sites at the moment? Just a little bit more colour around the incentives, if possible.

Jennie Daly: Okay. Well, I will take the incentive if you take the margin on the order book. I mean, we continue to talk about targeting of incentives, but I did mention that the market moved on incentives quite meaningfully at the final quarter, in particular for the incentive market.

I think the levels that we were running at in 2021 and in 2022 first half, were extremely low than we would be used to. And I think overall in 2022, our incentive level was about 2.4%.

Now coming into this year, we are more around 4% to 5%. And around a policy, we have set a campaign up 'let us take care of it', and we talked about it during the trading update. And it is established to be fairly bespoke to give our sales teams tools rather than a single solution to work with their customers around building an incentive that gets them as an individual to the point of affordability or affecting that sale.

It is managed very carefully. Our management team that are here today, we are having conversations right down through their businesses to ensure that we are using it prudently. And in the end, an incentive is something that we use to get a conversion. So are we getting the conversion, which actually Will, to your point, around the differences in some of the indicator metrics.

We are talking a lot about conversion at the moment. But the one thing that I missed in interpreting that is, of course, we needed less inquiries a few months ago to affect a sale, the lead multiple is a bit higher.

So that guidance on margin?

Chris Carney: I mean, on the basis that we are 87% forward sold for half one, I think if I was to give you that, I would be giving you exactly profit and margin guidance. So I am going to resist that. But what I will say, Chris, is that if you look at the individual components of the order book, the average pricing in the order book is up double-digit on this time last year, which is why we can confidently give you the guidance that we are for half one prices.

John Fraser-Andrews (HSBC): Three for me, please. The first one is on land. Just noticing the tick-up in the proportion of sales coming through in land approvals. Is there anything strategic in that? Is that smaller sites that you are turning quicker? It is quite a 300 bps jump. It is quite significant. So that is the first one.

Secondly, on the £20 million cost save. Can you give the headcount reduction in that? And even if that is a percentage of sales. And coming back to Clyde's point on that and perhaps drawing one figure from the past, I appreciate it is a long way off where we sit today. But 17,000 to 18,000 completions, do you have the headcount, an operating structure to achieve those if the market allows?

And then finally, Spain. Can we have an update how that market is looking? How reliant it is on mortgages, British versus local buyers, that kind of thing?

Jennie Daly: Okay. Just on the land cost as a percentage of GDV on approvals. We talked about that actually at the half year last year. You will see us actually come in a bit from half year last year. And it was a mix of a number of things, some of which you mentioned, John, site size, and there were a larger community of smaller sites. There was also a number of sites in there that were serviced. So you would expect as a percentage of GDV, that land cost will be a bit higher because you are not carrying quite so much infrastructure costs and some geographical mix in there as well. So there is a number of elements flowing through.

On the change programme, John, because we still got parts of the change programme that are open, it is not, I am afraid, appropriate for me to really go into that level of detail. But very happy to pick it up with you in the future when it does.

Around the 17,000 to 18,000 completions, we were always going to have to grow into that, not in terms of our underlying business structure, but in terms of our capability, and that remains the case. I mean what I am confident of is that the efficiencies that we have made, some of them were for operational efficiencies that would have been made in any event as well as some to reflect the market that the shape of the business and the structure of the business is more than capable of growing back and to deliver increased volumes going forward. And that structure remains, I think, capable of delivering the 17,000 to 18,000, but on a headcount basis, there would obviously be some increases there.

And then from a Spain perspective, I mean, our British buyers is actually a relatively small proportion. And we have a very broad, I have to say, a surprisingly broad spectrum of nationalities, buying homes in our Spanish business. And the majority of them do not require a mortgage. I will probably remind you that our Spanish business is predominantly a second home-facing market and they tend to be cash buyers.

John Fraser-Andrews: Just on Spain, any comments on the local market there in terms of demand, pricing, build costs?

Jennie Daly: So build cost movements look considerably better than they have for us here in the UK. I think probably running at around 3% over the last year. They did have some supply challenges sort of early in the pickup post-COVID but they resolve themselves relatively quickly. Sorry, the other question, John?

John Fraser-Andrews: It was demand and pricing trends, recent months.

Jennie Daly: Yes, I mean so we came into this year with a really strong position for Spain, and I am looking to Chris about 400 in the order book for Spain. So we are in a very good place. We do not tend to sell homes in Spain to the domestic Spanish business. They are predominantly second home to a wide range of nationalities.

Anthony Manning (Bank of America): Just a couple, if I may. On the fixed costs, just to go back to that, is that all we can expect from the changes made so far? Or were any further identified that could be achieved later on?

And then secondly, just your thoughts on the CMA study that has recently been announced?

And then finally, on your new net zero strategy. Should we expect just a steady decline with that? Or are there any specific larger incremental gains that will be coming?

Jennie Daly: Okay. So in terms of other actions, I mean, incremental actions through that consistent reviewing and refining, yes. On an individual element basis, they will just incrementally work through. I am confident that the change programme that we have introduced is all that we need to do at this point. And certainly, if the market remains roughly where it is, I am very comfortable.

On the CMA study, we just had confirmation of the scope in the last few days. The Secretary of State has invited the CMA to undertake a housing study. These studies come with quite a lot of demand for information. We look forward to meeting with the CMA and partaking in the submission of evidence. But there is no doubt that they can also be quite distracting and time consuming. And at a time when there is plenty of other issues to be dealt within the housing sector, that is a little bit of a concern. But we will work with the CMA through the process.

And then to net zero, yes, I mean, actually, there are a number of event driven requirements there. Part L & F, which is already in effect, obviously, is a tailwind there. Then we have got Future Home Standard in 2025. I think there is a consultation that is ongoing Government consultation that will give us a little bit more of an indication, and that would take homes to 75% carbon reduction.

And then, very pleasingly, and Chris mentioned our supply chain engagement with suppliers, a lot of work ongoing with our supply chain around what they can do for net zero as well and ensuring that they are keeping pace with us, and that we are benefiting from any of the innovations that they are bringing forward.

Glynis Johnson (Jefferies): Three I if I may, actually. The first one just to you, Chris. Just can you help us with other cash outs, you have kindly talked through land creditors and conditional land. But what about cladding this year? What about pensions? And what about WIP? How should we be thinking about how you might end 2023? If you are taking orders for 2024, is that WIP number by the end of the year, actually not going to show a huge amount of movement? That is all one question.

Second of all, in terms of Jennie, when you talk about vertical integration, you talked about potential for other components. What do we mean? Do we mean concrete bricks and roof tiles? Do we mean closed panel timber frames? Any kind of help there would be useful.

And then engagement with, I was going to say Government, but political parties, I think I'll phrase it as. Can you just talk us through what engagement you have had? What have been the topics they have wanted to talk about? What topics that you wanted to talk about have they been willing to listen on?

Jennie Daly: Okay. Chris, do you want to head out first on the cash?

Chris Carney: On sort of fire safety remediation, we probably target around about £50 million of spend this year. Leasehold, relatively slow burn these days probably single-digit millions. The pensions likely to be £7 million again, but obviously, is subject to the quarterly test and there is detail on that in the appendices.

On WIP, and I think I said it in my presentation, I would probably expect the WIP balance over the course of the year to reduce. So yes.

Glynis Johnson: Any quantification of what WIP might do either build equivalent units going into next year or?

Chris Carney: Yes. I mean it is a bit like the volume guidance, isn't it? So it is entirely dependent on the sales rate, and therefore, then your expectation of what the market is going to be going in. So yes, I think it is not really something that I can be giving you too much guidance on at this point in time.

Jennie Daly: I'm going to start answering so that you cannot ask Chris anymore. So well spotted on the potential for other componentry. Look, we want to get up and running and make sure that that we are doing everything right. And we have a great advantage with the experience through our logistics business. So we have got a really good connection around call-offs and understanding build progresses there.

But we do have aspirations to keep stretching out, although I said evolutionary, not revolutionary. That should not be seen as a cap on our aspiration to keep moving the business forward. Floor cassettes would be a start Glynis, staircases, other elements, particularly sort of timber-based elements that can be added to timber frame.

You mentioned closed panel. There is a range of getting from open panel all the way through to closed panel. And those do remain options. But we are keen that we make sure that we are in control of the cost environment that is additive to the business and that we are doing it well.

And I think on the political engagement, I mean the first thing that I would say is that there has been more meaningful and regular Government engagement over the last few months, which is very, very pleasing. I mentioned the neutral neutrality. I would say there is not a meeting that happens anywhere that that is not on the agenda for discussion, other topics, getting to understand the dynamics of the market, how we are reading it.

Some of the feedback that we would be giving is around that particular concern first time buyer affordability, access to mortgage and planning in all its technicolour glory of all types and discussion, and that is right across the political parties.

Okay. Thank you very much. I appreciate your patience. It has been longer than our usual this morning, but I hope that you found it helpful. It has been good to see you all, and I look forward to seeing you again next time.

[END OF TRANSCRIPT]