Full Year 2023 Results

Wednesday, 28 February 2024

2023 trading and market backdrop

Jennie Daly

Chief Executive, Taylor Wimpey plc

Okay. Good morning everyone and thank you for joining Chris and I today. We also have our senior leadership here as usual, so I know many of you know them well.

Agenda

So a fairly straightforward agenda this morning. As usual, I'll give a brief overview of 2023 trading and the market backdrop before Chris gives you a run through of our financial performance and guidance for the year. I'll then come on to how we are positioning the business for the future, our priorities and outlook.

Delivering a good performance by managing through the cycle

So reflecting on the year, I'm very pleased with our financial and operational performance in a challenging market. During 2023, we focused on driving value from our operations using all the levers available to us with cost discipline a core focus. There are a number of highlights here on the slide, but I'll just pull out a few this morning.

First, our sales rate. We achieved a net private sales rate of 0.62 and I'm really pleased with this because it's not been at the expense of price or driven by large bulk deals. The performance I think is a testament to the quality of our product, locations of our sites, and a continued proactive sales effort. And so a big thanks goes to our teams on the ground for their continued hard work.

Second, our strong landbank position. As you know, we were highly selective on new land acquisitions during the year and we've been comfortable doing so.As I've highlighted many, many times, one of Taylor Wimpey's key differentiators is the strength of our landbank. So with strategic land conversions of 8,000 plots last year, we still have a high level of plots in our short term landbank at 80,000 plots. This is a really good number; but even more pleasing, over three quarters of these are owned.

And third, again, as you've heard me mentioned many times before, our strategy very deliberately has been to set the business up to perform through the cycle. Our differentiated dividend policy reflects this and I'm really very pleased that shareholders continue to benefit from this. While much of our focus in 2023 has been on driving value and maintaining our sharp operational focus, we have continued to look to the future and invest in areas that we believe will be the driver for long term success and sustainability of our business, ensuring that we are poised for market recovery and positioned for growth from 2025, assuming supportive market conditions.

UK trading performance impacted by affordability and customer confidence

And moving on to trading performance in 2023. The chart on the left of this page shows that mortgage rates impacted sales over the year. You can see here the reduction in sales rate as mortgage rates peaked followed by a gradual return as rates moderated in the second half. It's not a perfect representation, obviously given seasonal impact, but hopefully gives you a good sense.

In summary, a weaker than usual summer and a flat autumn period, then weaker trading in the second half. And as we flagged in November and again in January, that muted second half of the year impacted the order book coming into this year and consequently will impact 2024 volumes.

Cancellation rates were stable overall averaging 18%, in line with 2022. Average selling prices on completions increased year on year largely due to mix. Pricing remained fairly firm. All told then, we have seen a low single digit house price deflation from the peak in September 2022.

And we'll talk about it later, but while we would always like to have more outlets, I'm very pleased that against an extremely difficult planning backdrop and aligned with our plans, we opened 47 new outlets in the year.

And so now I'll hand over to Chris.

Financial review

Chris Carney

Group Finance Director, Taylor Wimpey plc

Summary Group results

Thanks Jennie. Good morning everyone. So the market conditions in 2023 were difficult, but we delivered a good set of results in line with expectations and at the top end of our guidance range.

This slide clearly illustrates that the financial performance of the business in 2023 doesn't bear comparison to the record performance we delivered in a very different market in 2022, and this is because low sales rates in 2023 meant lower volumes, lower revenues and lower profits. But those reduced profits even with an increase in tax rate, covered the dividend and generated a small increase in tangible net asset value per share.

UK performance summary

The step down in UK completions in 2023 was due to the lower order book at the start of the year in the wake of the mini budget and a lower sales rate throughout the year, the 5.1% increase in private average selling price is mainly due to an increase in Central London completions in the sales mix, plus some underlying house price inflation. Year on year house price inflation on completions was running at 4% in the first half, but that reduced to around 1% for the full year as the impact of increased incentives started to flow through. And I'm expecting prices on private completions to reduce slightly in half one this year as the Central London mix reduces and as prices on reservations from half two last year are realised. Affordable selling prices also nudged up in 2023 and I'm expecting them to continue to increase in half one 2024. So as private prices moderate and affordable prices continue to increase, that should mean a blended rate for average selling prices in half one this year, somewhere around the £320,000 mark. Completions from JVs reduced as expected and they will stay around the same level in 2024.

UK operating margin reflects build cost inflation and reduced volume

The two largest contributors to the reduction in operating margin in 2023 were build cost inflation and lower volumes. The largest of these was build cost inflation, which ran at 8.5% on completions and reduced margin by over 500 basis points year on year. The reduced

recovery of fixed costs is mostly seen in the net operating expenses and direct selling costs, which together total 260 basis points. There's a small 20 bps drag from landbank evolution, which is the impact of older sites with the cumulative impact of house price and build cost inflation being replaced by newer sites, and this reflects a smaller percentage of completions from high margin land purchased in 2016 to 2018 after the Brexit vote.

Looking forward, just a few thoughts on the impacts to operating margin in half one this year. We expect the gross margin in half one to continue to reduce from the 19.1% achieved in half two last year, but the rate of reduction will slow. As disclosed in our January update, we expect underlying build cost inflation of around 4% in the half one income statement compared to half one 2023 as the inflation contained in the opening WIP balance is realised. And we will see a small impact on half one margin from lower net pricing compared to half one last year and there will also be some small impacts as we continue to invest for the future as noted here too. As we move into half two, the impact from build cost inflation will be much smaller and any impact from net pricing will be a function of how the remainder of the spring selling season goes. But so far so good with pricing stable since the start of the year.

Summary Group balance sheet

Turning to the balance sheet, the strength of our balance sheet is sector leading, taking account of net cash, land creditors and provisions. And we think that strength, just like our dividend policy is a differentiator and illustrates the point that Jennie's just made, that this business has been set up to perform through the cycle.

As you would expect, land and land creditors continue to reduce during the year reflecting the very low level of purchases. WIP increased in line with our expectations to £1.9 billion mainly as a result of build cost inflation. And the largest element of the provisions balance is the cladding provision, which was £192 million at the end of the year and we're continuing to make good progress with 47 buildings fully remediated and a further 19 underway out of a total of 214. And we expect to pay out around £60 million pounds on cladding remediation during 2024.

Group cashflow

We ended the year with £678 million of net cash, which is a strong position and slightly ahead of our guidance, mainly due to lower than expected land spend towards the end of the year. The net investment in land you can see on the slide reflects reduction in land creditors during the year exceeding the reduction in land. Tax payments reflect a UK headline rate of corporation tax for the period of 23.5% plus a further 4% for the residential property developer tax. And as things stand, the combined tax rate will increase to 29% this year.

Our capital allocation priorities

So turning to capital allocation. Our approach and priorities remain unchanged. We have a very strong balance sheet giving us the flexibility to respond to changing market conditions, which continues to be important in a General Election year. Retaining our balance sheet strength will continue to be a priority. I'm confident that we have better control of build releases than at any other point in my 18 years in the business, and that's saying something when you consider 2009, 2010. When and by how much we decide to invest in WIP in

response to improved demand in order to support growth in 2025 is something we are monitoring closely.

Our dividend policy remains unchanged, continuing to provide a reliable return for shareholders amidst the unpredictability of the housing market. And so today, we've declared the final dividend for 2023 at 4.79 per share, which is due for payment in May subject to shareholder approval.

2024 guidance

So looking forward to the balance of this year, we are guiding to a range of 9,500 to 10,000 completions in the UK excluding joint ventures, which will be supplemented by an additional 500 completions from our Spanish business. So 10,000 to 10,500 wholly owned completions across the Group compared to 10,766 in 2023. The reduction year on year being the result of entering this year with a lower order book. The upper end of the volume range at 10,000 completions has been set to allow for an increased order book going into 2025 to position the business for volume growth and price optimisation, assuming stable market conditions.

Admin expenses were £233 million in 2023 and we're anticipating they will remain broadly similar in 2024, slightly weighted to the second half. And that will be achieved through efficiency savings along with the absence of the £8 million of restructuring costs incurred in 2023, and those will be replaced with some salary inflation, a full year of cost relating to our timber frame operations and targeted IT spend to modernise and improve future productivity. We're also guiding to £5 million of net finance charges and a £1 million contribution from joint ventures.

So in summary, we've retained a very strong balance sheet in a difficult year. We've tightly controlled both costs and WIP investment reflecting market conditions, and the business is very well set up to return to growth from 2025 with a strong landbank position, a highly engaged and experienced workforce and a continued focus on operational excellence.

And I'll hand you back to Jennie.

Building for the future: Priorities for the year and outlook

Jennie Daly

Chief Executive, Taylor Wimpey plc

Short term drivers of demand – early signs of improvement

Okay. So I said last month that we were seeing some encouraging early signs of improvement in the market, and I'm pleased to say that that has continued with positive feedback from our teams on the ground. You'll all be familiar with the reduction in mortgage rates that started at the end of last year; and importantly, there are more mortgage products available at higher LTVs and even more competition among the banks. I think it is important to say that throughout the last 18 months, the banks have continued to be positive about UK home lending and the new homes market generally and down valuations throughout have been low.

As a consequence of these movements and our sales toolkits, which we talked about previously, our teams are having greater success in driving increased levels of customer interactions and visits to our sites. We've seen some improvement on first time buyer

enquiries and improving picture in terms of mortgage costs versus rental costs. However, whilst confidence is improving, it is worth keeping in mind the time lag between initial interest and making a reservation. But we are encouraged by recent trends in lead indicators, and this is reflected in our guidance volume range for 2024.

A number of you have asked me a few times about regional variations, so the bottom right hand graph will be of interest. The main takeaway here is that there's been no fundamental shift in affordability across the regions with the exception of London and the South East, which as you know has its own dynamic.

Fundamentals remain positive

So taking a step back, I think it's important to remember that chronic undersupply and regulation mean that the medium to a long term outlook for the new build housing market remains extremely attractive. I think this underpins our confidence and informs how we position the business to lean into this. Whilst there remains economic and geopolitical instability, unemployment levels remain at very low levels and is forecast to remain so. We're seeing real pay growth which together with a reduction in real house prices will flow through to aid affordability overall.

And whether we look at household formation rates or population increases in absolute terms, these are only adding to an already significantly undersupplied position for housing in the UK.

Current trading

Turning now to current trading. So we're eight weeks into the year, so it's still early days and the key weeks of the spring selling season are ahead of us, but to date trading has continued to be encouraging. Sales rates of 0.67 are ahead of last year. There are no bulk sales in the period, which isn't unusual of course for this time of year. Our approach to bulks hasn't changed. And I would expect to see some level, generally on our larger sites planned at acquisition, just to drive capital turn.

And as I said, pricing remains reasonably firm with incentives at around the 5-6% mark where they've been for much of 2023. And as a reminder, we use tailored incentives such as help with deposits and option upgrades as a tool which our sales teams personalise for each customer. Pricing is tested on a weekly basis and the same is true for incentives both on a site by site and plot by plot basis in line with our focus on our value optimisation.

Interest levels supported by a step up in marketing intensity

As you can see from the two graphs here, organic interest, which is the measure of general property searches that come to our website, is being supplemented with the work that we are doing to drive engagement to our website through social media ads, mail shots and the like, as well as targeted marketing using our sales databases. Customer visits continue to be at good levels, and I've been really pleased at the success of our national campaigns like the one you saw on your screens outside or the events we hold on site with our IFAs. We often talk about the customer funnel and you can think of the journey from first interest to conversion in a number of ways, but in this market, I particularly like this more circular version from Google. What we are seeing from customers in this environment, perhaps not surprisingly, is that they're spending longer on the evaluation stage.

So conversion time from first registering to reservation has increased. It's not a huge increase, but just to give you some sense, average days from registration to reservation have increased from 78 days in June 2022 to around 85 days in January of this year, and they peaked at around 89 days last year. So overall confidence is improving, but the ability to convert remains slower. Delivering a robust and engaging customer experience through the whole process, including an extended front end is key. The quality of our staff, the quality of our product, and the ability of our sales teams to sell that is fundamental in this market and enables us to optimise the value of our homes.

Responding to and understanding our customers

I think we've never better understood our customers; what motivates them, what drives them. I've shown you these stats before and I know that there was quite a lot of interest and so we've updated them again. But they can be quickly summed up by saying we have a resilient customer base that's in a good income bracket and generally has a relatively high deposit even on average our first time buyers, and this is largely unchanged over the past year.

I spoke to you around the focus we have on getting close to our customers and leveraging the systems that we put in place to support those efforts, re-educating and upskilling our sales force. And we can see the benefit of this coming through and informing the way that we are approaching marketing. Working our large database has been key in this environment and our systems have I think come into their own and to specifically allow us to target tailored messages to our customers which will resonate with them and provide them with a reason to revisit their interest in buying a home with us. So for example, the recent drop in mortgage rates from when customers first registered has given our sales teams a good reason to reach out and reignite the conversation with those prospects.

We've also been able to innovate in this environment and add value to the overall customer experience through the use of, for example, interactive tools. Some of you will have seen those at our site at Sudbury last year, and these have been rolled out to all of our sales centres and really demonstrate I think the benefits of our new homes.

Focused on progressing land through planning

So there is no doubt that we are all experiencing a challenging planning backdrop, which is likely to remain the case in the very near term, particularly in the purdah period in the run up to local elections in May and where necessary the resetting of planning committees as a result. And this is having a direct impact on progress to outlets in the near term. However, as it's not a surprise, we have been focused on this for some time. But as you know, the time taken to navigate the system has been increasing significantly. So for example, 10 to 15 years ago we used to talk about planning permissions in terms of weeks, 16 weeks, 20 weeks, 26 weeks. But now we talk about them in terms of months and unfortunately years with our current applications now taking anywhere between 9 and 28 months. And that's after I have to say removing the outliers. And the average time taken in the 2023 actuals was 19 months.

The planning horizon continues to move out further for all the reasons that we've talked about in the past and we have had to do the same. As you may recall, we've been giving you insight into the number of plots that we have in the system for a while now. At the close of 2023 we

had 30,000 plots in the planning system for first principle determination. Though the path to approval is very frustrating, the scale of our activity and planning I think does clearly show our firepower and the opportunity we have to deliver much needed housing across the country. We continue to grind away at the system, but I think the important thing is that if national policy were to move to support increased housing delivery more actively, we are on our toes and we are very well prepared to seize the opportunity. This is why we think we have the best in class landbank.

The maturity of our strategic land pipeline enables us to be enterprising and prepare for just such an opportunity and is really important part of our strategy and how we have set up the business. And I do want to be really clear about this; we do adopt a proactive approach doing everything we can to put ourselves in the best possible position to accelerate growth when both the market and the policy environment allow. Our application submissions are the best quality that I have seen, and while we have always valued and will continue to value our ability to work collaboratively with local authorities, we will be assertive in using the appeal system for example, when needed. Our clear priority across the business is liberating our landbank through planning and getting outlets open. And as you would expect, we entered the year building, or due to start building in the first quarter, on 99.6% of sites with implementable planning consent with a remainder due to start in the second quarter.

And here I think is perhaps a good place just to pause and comment on this week's CMA update. We very much welcome the focus on improving the planning system as well as the adoption of amenities and ensuring good quality outcomes for home buyers. We do note the CMAs decision to investigate information sharing. There's nothing we can really say here other than to be really clear that we will fully cooperate with the CMA.

Differentiated by high quality landbank and resilient outlets

Let's now take a look at our differentiated landbank. We have long maintained that we have one of if not the strongest landbank in the sector. So let me just break that down for you.

We have 80,000 plots in our short term landbank and an industry leading strategic pipeline feeding into that. Our short-term landbank has only decreased by 3,000 plots, the owned landbank by 2,000 plots in the year, which given that we've been out of the land market for 18 months is a great result and shows you how hard the work has been behind the scenes to support our resilience.

I think this gives us choices to protect value. With the benefit of a very high-quality landbank and strategic pipeline and with the vast majority of our planning in place for 2024, we had the advantage of being highly selective in 2023 to meet demand and drive value.

So you can see that new approvals in 2023 were meaningfully down. On new land going forward, we will remain selective given the strength of the landbank and particularly our owned position. But the dynamic is shifting and we will be active where we see opportunities. We've approved around a thousand plots in the year to date, which is largely the result of deals the teams have been working on for some time. So we're not expecting that to be the run rate. Ultimately it'll be a balance between risk, reward and value. Our land teams do hear me regularly say that land doesn't flow like water, and as a result decisions are very local and the balance in each area and each site will be different.

Resilient landbank and well positioned for recovery

So what do we mean when we say a resilient landbank? For us that means the breadth and depth of our landbank. I last shared this data, you may remember in May 2022 and as you might expect, it hasn't meaningfully shifted. I've been asked quite a lot recently about our approach to single branded sites. So it's a good opportunity perhaps to remind you about our outlet philosophy and why we do it the way we do. You'll remember that we recognise our outlets once the sales infrastructure is in place. Our preference is to open a show home rather than a cabin which helps the customer visualise what it will be like to live on the development. And this I believe is particularly important during times of uncertainty.

For the most part, we tend to have one sales outlet per site. You'll remember that when we redesigned our house type range, and we spoke about that a few years ago, we ensured that it included a range of homes that were capable of serving the whole price and size range from one-bedroom apartments to five- and six-bedroom homes. This range can be designed in the vernacular to meet a range of environments and setting and our placemaking skills create attractive and desirable communities. So when sales planning for specific sites, our teams ensure that through market research and local knowledge that we utilise the optimum extent of our house type range to drive interest and demand increasing the breadth of market that we serve and the pool of potential customers within that market area. But of course, we can offer a variety and we can nuance those requirements to the site and market specifics, so by varying sales specifications and customer options to meet varying customer and affordability requirements. We see significant benefit in creating diverse and mixed communities on all of our sites; and in doing so, optimise value and of course sales.

Where we do double head sites, they are almost exclusively on larger sites where there's a depth of market that can absorb demand without cannibalising our own sales rates. And in these instances, we often have the benefit of different accesses and differentiated feel, so for example, different character areas like high density areas or woodland edge areas. Where we do see more opportunity for value in better market conditions is by running more than one build team on a site. And this allows us to flex our production capacity.

Continued focus on protecting value

So continuous business improvement is the way we strive to protect shareholder value against a backdrop of increasing regulatory demands. And I talked to you about our value improvement programmes in 2022 and again throughout last year. And I'm really very pleased that this is getting embedded in the business and I just wanted to give you a bit of a flavour, a sense of some of the examples.

So in 2023 we undertook a full spec review. We systematically assessed our offering for value improvement opportunities, which importantly wouldn't impact health and safety, brand, quality or the customer experience. This has also been the subject of extensive customer feedback and competitor review. So for example, double ovens have been replaced with single ovens in our standard specification, which brings us in line with main competitors saving close to £1.4 million. We've also benchmarked across the business, undertaken more direct sourcing and for example saved around £2 million in directly sourcing floor beams. So you'll have heard Chris and I previously say that we've been increasingly challenging of our supply chain for savings and efficiency improvements and we've negotiated commercially

enhanced deals across a number of our nationally managed categories and we've also managed down the reliance on highly priced material SKUs.

For us, this is about discipline and execution and whilst individually these are modest savings, there are many others in hand and in the Group and I think they will and do add up.

Driving efficiencies through operational excellence

And I think that's a good place maybe for me to remind you that we are the only house builder that has its own logistics business, catchily called Taylor Wimpey Logistics. This enables us just in time delivery of build packs across the vast majority of our sites. This also helps with the security of supply and maximise efficiencies and the reduction of wastage. So for example, TWL supplied 99% of build packs on time in full to our sites versus 87% on time in full to Taylor Wimpey Logistics by the wider supply chain.

And as you know, part of our investment in the long term is in a timber frame factory, which is helpfully located right next door to TWL. The first units from that factory will come off the production line and will be delivered in half one 2024. We will of course take some time to scale up the factory on build, but ultimately it will support our goals of increasing timber frame usage across the business, which in turn will assist us with future skills, buildability and of course our environmental goals.

And finally on this slide, our subcontractor portal, My Task is an example of how we have invested in digitisation to improve the efficiency and quality of our customer service. This allocates tasks to subcontractors and enables our teams to closely monitor progress. It's been very positive in practical application in how works are managed on our customer satisfaction and of course on WIP efficiency.

Prepared for future regulation

And I know many of you came to Sudbury last summer and saw our prototypes, but in advance of that, we carried out quantitative research with a thousand customers across the country and got some interesting results. The data suggested that 72% would be more likely to buy a home if it were built to Future Homes Standard specification. 66% expected those homes to have cheaper bills and around half expected to pay more for it. So we are quite early in the customer education journey, but it's encouraging signs ahead of that major move away from gas. And as demonstrated, we are well prepared for the upcoming Future Homes Standard and we'll be submitting our response to the Government consultation in the next month.

We are also well prepared for the recently activated requirements of biodiversity net gain. We've known this has been coming for some time, have planned for it and included it in our land appraisals assessments. So some of our sites are already being built to these standards because local authorities moved ahead of regulation.

Outlook and priorities

And we're almost there. So let's move on to our priorities for the year. Our focus remains on optimising value across all of the business. We have a very clear strategy to build a stronger and more resilient business and deliver superior returns underpinned by our industry leading landbank. We will flex build to reflect demand and are focused on building a strong order book to optimise price and support growth through 2025. And this is consistent with our intention

to prioritise value. Whilst we remain selective in acquiring new sites, we will be active where we see good opportunities to create value for shareholders. And we will continue to intensely focus on getting our significant landbank through the planning system to support growth. And we'll continue to invest in long term sustainability of the business including to develop our highly engaged employees.

And to finish outlook, as I said, it's still relatively early days but it is encouraging to see signs of improvement as we come into that all important spring selling season. As expected, we came into the year with a lower order book which will impact completions in 2024. Planning and, as a result, site openings are likely to be a constraining factor for the sector in the near term. However, we have a very strong landbank including an industry leading strategic pipeline, and this has served us very well over the last 18 months and positions us well for the future subject to market conditions.

We remain confident in the medium and long term with a recognised imbalance in the supply and demand for new housing. And our belief in the structural demand for our homes is unchanged. Our business is very well positioned and has been set up to manage through the cycle. We have shown you what we can do with a strong landbank and with a clear strategy focused on operational excellence. We remain firmly focused on value. All levers are being pulled to optimise this and to ensure that we are poised for growth from 2025 assuming supportive market conditions.

So thank you. And Chris and I happy now to take your questions.

Q&A

Will Jones (Redburn Atlantic): Thanks Will Jones from Redburn Atlantic. Three please. The first just around the order book, it seems like that's a governing factor behind your thinking for completions in 2024. Do you have any levels in mind about where you'd ideally want that order book to be sitting at the end of the year?

The second one is really just the extent to which you're confident that first half margins will be the trough for the P&L and whether there's any comment around landbank gross margins that we might set against that.

And then the last one was just coming back to the comments around double headed sites; of the 240 or so you had last year, how many of those would've been double-headed? Roughly, does that need to rise? And perhaps you can link that back to the preference in the Group for just the one brand approach. Thanks.

Jennie Daly: Okay. If I take the first and last, Chris, and if I can ask you to speak to the margin and landbank margin.

I mean order book wise, traditionally we have always managed a strong order book and that's a position that we would like to return to. And the 35% of future year volumes would be our target within the business. It's going to take time to recover that, but that would be the ideal level that we would seek to get to.

On double headed sites, I think that we had fewer last year given market conditions. I don't think that it would've been very many more than a dozen in the portfolio.

Chris on half one margins.

Chris Carney: Yeah, I think the question was beyond half one margins, if I'm right, Will. Yeah, I mean we've not given you margin guidance for the balance of the year. Obviously we've given quite a lot of detail on that first half. I think there are things that I would point to though that are pricing has been very stable now for six months and we're reporting today the build cost inflation is flat. So when we look at the margin reconciliation, that tells you that the nature of the items that are going to influence margin in the future, because they are the same things that have influenced margin in the past. And so those two big ticket items are sort of neutral at the moment. So yeah, I think it really is all about how those trend from here as to where margins in the relatively short to medium term go.

Aynsley Lammin (Investec): Morning Aynsley Lammin from Investec, I think I've just got three quite quick ones. Just on the year-to-date sales rate. Just interested how that trend has been. Obviously mortgage rates have ticked up in recent weeks. Has the momentum been sequentially very positive as you have seen it edge back a bit maybe recently?

And then secondly, just as if you reach where you want to get to on the order book, what sales rate assumption underlies the kind of 9,500 to 10,000 volume guidance compared to the 0.62 obviously you did last year?

And then just interested here, lots in the media around the Budget, interested in your thoughts, what you are hearing. Obviously closer to it than most people, what might come up in the Budget. Thanks.

Jennie Daly: Okay, thanks. Aynsley. Year to date sales rate, yes, I mean we have seen a sequential improvement. If I look at February, we've had against a 0.67 year to date, I think the February sales rate was 0.73 and that was comparable to February in 2023 of 0.66. So we are seeing that sequential improvement. And we really haven't seen any sort of change in customer behaviour. Compared to the volatility that we saw last year, the nudging around that we are seeing with mortgage rates, really they're not that significant. And I think when we're talking about customer conversions taking longer, there's definitely a sense that a number of customers are in the market doing the comparative shopping for want of a better phrase. And with an eye to sort of potential Bank of England movements later in the year.

On the sales rate, that sort of underpins the volume guidance allowing for that building of a strong order book into 2025, it's in the 0.6-0.7 range. So the current trading sales rate gives you a good sense we're in that place.

And on the Budget, I mean conversations with Treasury tend to be very one way. We talk to Treasury, we don't often get a lot back, but what I would say is there's certainly been inquisitive conversations from Treasury around what the various impacts of a range of options would include. And like me, you'll have read the press around 99% mortgage guarantee being one that seems to be picking up some of the traction. How meaningful that would be to the market I think remains to be seen. We don't actually have very many lenders in 95% and there's obviously a significant view that banks would have to take around their own trading and how much of a 99% mortgage they could support even with a mortgage guarantee scheme there.

Ami Galla (Citi): Thanks. Ami Galla from Citi. Just two questions from me. The first one was on build cost inflation at spot levels. Can you give us some colour between materials, labour, what are the trends that you're seeing today?

And the second one was one on land market. On the back of the transaction that we've heard from Barratt and Redrow, do you anticipate in future it'll be a lot more challenging or competitive to get onto some of the largest size that you historically had access to? I mean, what are your thoughts in terms of how this shapes the future competitive landscape in the land market?

Jennie Daly: Okay, I'll take the land market in if you will, the materials and labour.

I mean look, I'm not going to comment as a point of principle, wouldn't comment on the M&A and particularly not of competitors. But from a land market perspective, we've talked last year about a lack of actual availability, and that currently remains a constraint. Large sites tend to have particular complexities in their delivery and we have been delivering these larger sites for a significant amount of time within our business. There are hard lessons to learn in the acquisition management and delivery of those and I think that we have that knowledge within the business and the management team sitting among you. So I think I'm not concerned about our ability should we wish to buy, to differentiate it and compete really positively and really strongly with anyone else in that market. But the buying is easy, the delivery is where the challenge and expertise is.

So on that build cost inflation.

Chris Carney: The really short answer is materials up a bit, labour down a bit. If you look at sort of things like commodities, timber saw lower prices in 2023, but we're now seeing very early indications of price rises in 2024 due to rising log prices. We have some prices fixed until the end of June and we have the ability to forward buy when we deem that that's sort of advantageous. Steel is sort of a similar story in that prices were lower in 2023, but we're starting to see them increase very slowly, expecting less volatility with steel than we've seen in the recent past. And again, we've got dynamic pricing in place with some of our suppliers to mitigate against that. Gas prices materially lower than they were and got to see where they go. But I think the forecast is for them to rise this year. And generally price requests from suppliers have been managed but that will get incrementally harder as and if the market picks up. And yeah, so no real change on labour costs. They're slightly down.

Ami Galla: One follow up on the labour costs. Regionally, are there any pockets of meaningful difference? I mean are you seeing the scope of actually bringing those down more significantly in certain areas?

Chris Carney: I mean if you go to quite local sort of sites, you always see different pricing dynamics depending on the availability of certain trades in certain locations. But there's nothing that I would pull out on a regional basis that has sort of evident at the moment.

Jennie Daly: No, I think where we see the differences, as Chris has said, across all things pricing, customer behaviour and other things, and to the point on that regional graph, they've tended to move in exactly the same relative balance that they always have. So very local.

Ami Galla: Thank you.

Marcus Cole (UBS): Hi, I've got the microphone in the back of the room. It's Marcus Cole at UBS.

Jennie Daly: Hi Marcus.

Marcus Cole: Just two questions from me. I just wanted to double check your outlets assumption for this year. It seems like you're assuming stable outlets from here for the year end, is that correct?

And then just the second one is around estate management charges. We don't have much colour on the run rate of what's been going on the last couple of years. Could you just add maybe some rough numbers to the profit you've recognised there in relation to the CMA? Thanks.

Jennie Daly: Okay, well I'll go straight to the estate management. We don't recognise any profits at all, and I can be really very clear about that on estate management practices, Marcus.

On outlets, as you know we don't guide, but it would be wrong to assume a flat stable outlets. We're well positioned to open outlets through the year. I was really pleased with the 47 that we opened last year given all of the headwinds that we've referred to, we'll have a strong opening in half one, certainly better than half one last year.

Lukha Aggarwal (Bank of America): Morning Lukha here from Bank of America. Just two quick questions. One Chris, could I get clarification on the ASP. You said blended average £320k, is that for H1 or full year?

And second, what conditions would you need to see for you to be going back and active in the land market?

Jennie Daly: Okay, again, I'll take the land and Chris can take the ASP question. I mentioned in my narrative that the balance is shifting and we will be looking at the market for opportunities. But we continue to have a very strong landbank and so we're not going to feel under pressure to commit into that. But the land market is also going to be a reflection of land availability, overall, the level of competition. And availability is not free flowing. It is still quite constrained. So I'm expecting that although we've approved quite a number in the last eight weeks, that that's not likely to be the run rate and not likely to be the run rate for a range of reasons: that we don't require a significant level of land, that the land availability is going to be tight, and so the quality isn't necessarily going to be there. So I would say we will be active in the land market, but you should always bear in mind that that might be to actively say no.

Chris Carney: Yeah, on the ASPs, I think in the January call I was very specific that the £320k was for the first half, but I also, I don't think you would go massively wrong to assume around about that level for the full year.

Jennie Daly: And Glynis is at the back when Chris is finished. Yeah. Yes, of course you've been very kind already.

Chris Millington (Deutsche Numis): Sorry. Morning Chris Millington, Deutsche Numis. Just the first one is just about your relative sales rate. If we look back in history, your sales rate used to be 30, 40% higher than most of the peers. It seems more recently it's kind of

converged somewhat. I'm just wondering what you think the reasons for that are and kind of how you think you could propel it to that higher level just to kind of offset where your outlets are. Sorry, a bit of a convoluted one, but I'll go one at a time if that's okay.

Jennie Daly: Yeah, okay. I mean look, I think that when sales rates fall, the relativity of the gap or the delta becomes tighter and tighter. In a constrained sales market that's naturally going to be the pace. But I think that we are performing well and I think the reliance of the market and the sector overall on bulks and other things needs to be taken into account. I do think that we have a really strong product. I strongly believe in the quality of the locations that we've invested in and we have a very strong sales team. And so I do believe that market conditions will support driving that differential again. But affordability is definitely something that is affecting us all at this point.

Chris Millington: That's helpful, thank you. Next one's just really on confidence around fire safety. There's still quite a lot which are in scope, still quite a lot which are in design. I mean how confident are you that the provision is right?

Chris Carney: Yeah, I mean the provision hasn't moved and we're very confident that that provision is our best estimate at this date as to what it's going to cost us to remediate those properties. And we are making good progress with them. Pleased with the progress, we would love it to be faster, and I've said this before, due to the sort of duration and the complexity of what we're doing, it's not impossible that the provision would need to change, but at this point in time it's our best estimate.

Chris Millington: And last one, just the kind of key moving parts in cash and land creditors. And I think you mentioned in the statement that you'd like to have low adjusted gearing. Perhaps you could just kind of qualify that a little bit.

Chris Carney: Yeah, I have been asked on the low adjusted gearing in the past and I've tended to avoid giving an absolute number simply because it depends a little bit on where you are in the cycle. But also I never wanted to tie the business' hands. Let's say, I think the example I've given in the past was, if there was a fantastic land deal to be done, I don't want the tail wagging the dog in terms of us really trying to hit a particular adjusted gearing number and saying, no to Jennie, you really can't do that. So I've always been reluctant to sort of give a particular number.

In terms of the other part of question moving parts, so I mean we started obviously the year with £678 million of net cash, £516 million of land creditors. So strong position. By the time we get to the half year, I would expect cash to be lower reflecting land creditor payments in the period and the final dividend in May. And some of the numbers I think in respect to the first half, you could assume £6 million spend on pensions, around about £25 million spend on cladding, the final dividend, £169 million. So yeah, some of the items

Chris Millington: And have you put the profile of land creditors in the statement how much roll off this year?

Chris Carney: Yes, it's in the appendices.

Chris Millington: Thank you. Thanks for that.

Jennie Daly: Thanks Chris.

Glynis Johnson (Jefferies): Glynis Johnson, Jefferies. Just two actually probably slightly more big picture. Strategic land, you had some really good levels of conversion in 2023. I appreciate its lumpy, I appreciate its slightly crystal ball territory. But in terms of your intake of land in 2024, do you think the proportion will be more skewed towards strategic land than perhaps has been historically the case? I'm just wondering if there's a bulge that we might be seeing there.

And then secondly, just in terms of what is the constraint on building more homes if the demand is there? Obviously, you talk about your landbank, but are there bottlenecks in terms of certain products that you are just not sure you would get in time? Is there a lead time that we need to be thinking about in terms of when you want to turn the taps on, when your suppliers can start fulfilling that? Are there certain trades which are short, maybe later cycle trades that would be the constraint? What are the bottlenecks?

Jennie Daly: Okay. On strategic land, Glynis, it's very much a view of what's available in the market in terms of the intake into our strategic land pipeline. We have a really strong position, 142,000 plots under active management and they're very rigorously managed and driven. Given the slowdown in local plan sort of adoption and development, there is quite a lot sitting in our strategic land. If I called it a pregnant sort of land position, I think that's probably the best description that I can find. So we've got a lot of activity, and we've been at this, it's not even years now, it's decades. So we're in a very mature position. So our intake will be driven by quality, and quality of the site and its provenance and quality of the deal.

On constraints on building homes, I am tempted to say, well, there are many, but we have been really thinking about that over the last few years and very actively putting our business in a position where we can grow and that we can navigate those bottlenecks.

So around materials for example, we've talked about the importance of our Taylor Wimpey Logistics business and the way that we procure in ensuring that we've got as much buffer that we can, and that is part of our active planning around those bottlenecks. We map the chess board of where we think material constraints will be. And if I think back, we have done that more recently with the issues in the Suez Canal. We did it before through 2021, 2022, through covid, Brexit. So we are really now very skilled and our procurement teams really are constantly scanning for where material issues are. Lead times, where we've been managing the business, Chris talked about our WIP controls and managing build to sales, and I think that we've executed that extremely well within the business as we brought WIP control, under control and we're using the same signals in order to determine when we would start to loosen the reins and allow things to go. And Chris I think reflected on the thoughtfulness of the conversation that's ongoing through the business. So we will also play in a little bit of gut feel and intuition into that as well.

And around trades, I mean I think it's just a continuous area of concern. We look at trades where we think we are going to have more challenges. As with the conversation that we were having with Ami, it tends to be quite local, it's not necessarily the same trade right across the business. We have areas that are more constrained than others. It's one of the reasons why we're looking at timber frame. It's one of the reasons why we wanted to be very much on the front foot and practical about the Future Homes Standards assessments. I think that we've got a very practical bent within our business and how to address these. And part of that assessment has been to look at the trades and how the trades will be able to navigate that.

So the buildability and the ability to step up our production is something that we're trying to be really thoughtful and pre-planning in.

Clyde Lewis (Peel Hunt): Clyde Lewis, Peel Hunt. I've still got three if I can, Jennie. One on cancellation rate. It's obviously a nice improvement there. Just be useful to get a little bit more colour around I suppose the improvement there and whether you think that's sustainable.

The second one was really around the timber frame, and obviously you are going to ramp that business up now. And I'd be interested to hear your thoughts around what that will do in terms of build costs. Do you think it's neutral in terms of build costs or do you think it's actually probably a slight headwind and the trade off is obviously the faster build rates?

And the last one was around your, I suppose you're thinking about the mix of product that you're going to look at delivering. I mean it looks very much, obviously the writings on the wall for this current Government, there's going to be a change and there's going to be a lot more focus and effort I suspect pushed towards more affordable type product. So it'd be interesting to hear your thoughts as to where you've got to on that side at the moment.

Jennie Daly: Okay. Alright. Cancellation rates, it is really pleasing. 12% is sub-normal I would say. The main reason for cancellations through the last year have been heavily driven by three factors; change in personal circumstances, unable to secure mortgage, so affordability, and chain collapsing. So we are seeing just the things like the change in personal circumstances as customer confidence returns, that component just easing down a bit. Chain stickiness of chains I think is still an issue that I'm hearing back from the business. I can see Ingrid sort of nodding there in her division. But I would put a normal market cancellation rate at around 14%. So I think that it's really healthy and I would read to that consumer confidence improving.

On the timber frame and ramping up, it's not quite cost neutral but there's familiarity in the business. There's other opportunities, build quality, lack of delays on site, which really go into the experiential end of timber frame and I think do work then to bring it back to that neutral position.

The fact that we can deliver our own through Taylor Wimpey timber frame business I think will also allow us to leverage all of the incremental elements of that. And I would reflect on the question that Glynis was asking around bottlenecks. So if we think about bricklaying, timber frame will take that off the critical path. So it will insulate you to an extent around some of the delays which cost but are very difficult to assess at the point of appraisal. But I think we're working really well. And I can see Ian Drummond from our Scotland, North East and Yorkshire business and they use a substantial amount of timber frame and it drives an efficiency within those businesses that I would like to see more of across our wider Group footprint.

And then on sort of a mix of product, I think that we deliver a really strong mix. We try to curate it specifically for the site in the market that we think is going to drive the optimum outcome. Things like tenure mix, whether it's the Government policy driving more affordable products or others, it really needs to stay within the realms of retaining viability because otherwise they end up with a hundred percent of nothing. So I think that there's a balance there, and we really need to see some of the details of how Government in the future would

want to deliver some of those policies. And I think that certainly the rhetoric that we've seen from Labour to date is reflective of the need to retain viability and that the first step is to drive up delivery overall and once returning that to a level of health start to widen the tenure mix.

Okay. Anyone else? No. I know we've kept you maybe a bit longer than usual this morning. Thank you very much for your questions and we look forward to seeing you later in the summer. Thank you.

[END OF TRANSCRIPT]