Trading Update

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Taylor Wimpey Trading Update

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Good morning all and thank you for joining us. I am joined as usual this morning by Chris Carney, our Group Finance Director. You will have already seen the trading statement this morning and I would expect much of your focus will be around what we are currently seeing in the market. I will concentrate my introductory comments there and I will give you a bit of colour on how we are managing the business in the current environment before we move on to your questions.

Taking it from the top then, I am pleased to say that despite the backdrop we are on track to deliver Group operating profit for 2022 in line with expectations. Although the shape of that will look a little different than we anticipated with Group completions broadly flat on last year. This performance has been achieved through the dedication and hard work of our people across all of our business and for which I thank them, and through our continuing focus on margin and our drive to deliver operational efficiency, ensuring that we deliver maximum value for our stakeholders. In line with our strategy of operational excellence we remain focused on cost control in all areas of the business including in supply chain and procurement, and of course benefitting from our land strategy.

Despite continuing concerns around the operation of the planning system at all levels and the challenges and frustrations this presents to our business and teams on the ground, I am extremely pleased to see that their focus has been rewarded by the increase in outlets coming through. This is also a testament I think to our strong land position which gives us and so our customers more choice, whilst providing the business with the opportunity to adapt more rapidly to the market conditions in front of us.

Since I last spoke with you there is no doubt that the landscape for our customers has changed as a result of cost of living concerns, the increase in mortgage rates and the resultant market uncertainty. As you know, mortgage availability came under pressure in late September as lenders temporarily withdrew products and although they quickly returned to the market they were at significantly higher levels. Unsurprisingly we saw an increase in cancellations around these events predominantly from customers early in the homebuying process.

Many lenders had already factored in last week’s Bank of England base rate announcement in their pricing and as a result have not raised rates. I am pleased to report that we have started to see a number of lenders moving to bring mortgage rates down from their peaks with a good range of mortgage availability across all LTVs. For example, last week we saw Barclays reduce their 85% LTV five-year fixed by 0.5%. I think that actions like this will go some way to supporting our customer confidence and stabilise mortgage rates and pricing.

Underlying demand does remain and we do not see this abating in the longer-term. Customer desire to get onto or move up the housing ladder continues to be encouraging with our teams reporting good levels of early interest. Albeit, as you might expect, we are seeing slower conversion rates. For customers in the order book with mortgages agreed prior to the recent changes or for those who have exchange contracts we see them continuing to be extremely keen to progress their home purchase. For customers whose mortgage deals are

coming to an end and will need to renew I do not think it will surprise you to hear that it is no longer a case of rolling over the same deal as mortgage servicing costs have risen materially in the last few weeks, so their decisions are more finely balanced. All this has played out in slower sales rates in the traditionally strong autumn selling season.

In terms of business and our strategy I set out our approach at the investor and analyst day in May and that keen focus on operational excellence and efficiency I think has positioned us well for the more challenging conditions we see today. We have acted quickly and decisively to mitigate risk. We further increased cost control, introducing a freeze on recruitment, increased management controls around spend and investment. In respect of build and infrastructure WIP releases specifically these are being closely managed as we transition build to reflect changes in the sales rate. We will continue to open new outlets whilst as I say managing WIP and infrastructure prudently because having these outlets open gives us and our customers choices and importantly allows us to flex and respond more quickly to changing market conditions.

Then looking at sales, site presentation has been reviewed to ensure an even more positive customer experience at every visit. Mystery shops, in which our teams have a history of scoring very well, have increased. We have also completed refresher training for all of our sales staff to ensure that they are fully equipped for selling in a tougher market. Though anecdotally I visited a number of sites across the businesses in recent weeks and they look good. Our sales teams are remaining positive about the quality and attractiveness of our homes and sites. We have and will continue to run the business with the cycle in mind and are monitoring changes in the market and the wider economic environment closely.

Then moving on to land, as you know, we are in a very strong position here, so we have had more choices than most. We are confident in the locational quality of our landbank in areas customers want, which is what we and our customers see as primary locations, which gives a greater resilience. It has also allowed us to be very selective with land acquisitions throughout 2022, something we expect to continue given current market conditions. With the strong land position we have continued to be highly selective and as a result year-to-date approvals are around 7,000 plots, similar to our half-year position. Although we are cautious given the current market dynamics we retain the ability to be opportunistic if it is the right thing to do. The optionality and flexibility provide by our strategic land portfolio will remain I think a key differentiator. Driven by our cautious approach to land and tight control on WIP we now expect our year-end cash position to be higher at about £800 million.

Looking ahead I do remain confident in the medium-to-long term fundamentals of our market and in the strength and resilience of Taylor Wimpey. While there is clearly a good deal of wider macro uncertainty we operate from a position of financial strength. Combined with the strength and positioning of our landbank and our sharp operational focus we remain confident in our ability to maximise value for our stakeholders. I am confident that we are well positioned for changing market conditions and should they arise to take advantage of opportunities. I hope that has been a helpful overview. I thank you for your time and Chris and I will be happy to take your questions now.

Q&A

Lars Kjellberg (Credit Suisse): Thank you, I just have two questions. I want to start with the land. We are seeing some pressure of course coming on UK house prices and you have talked about a competitive land market. What are you seeing in terms of price movement in that land market today? Also if you can comment at all how your valuation of your landbank is looking versus current transaction prices. That is the first question.

The second one is your cash balance is now increasing and it is good to have £800 million but what are your thoughts on redeploying that capital? Is that a nice to have buffer or do you see or envisage a potential increased shareholder returns? Those are my questions, thank you.

Jennie Daly: Okay, thanks Lars. I think first of all on the cash balance and deployment it is too early really for us to be commenting on that at the moment. But on land probably my reflection on land is it does take time for the land market to reset. There is a lag from movements in the market to play through to bidding and offer and negotiation stage. Whilst I think that there is definitely signs of a slowdown in the amount of land coming to the market I am not satisfied that prices have fully reset. I would expect it will take a little bit of time for that to really move its way through. We are taking a very cautious approach at the moment, as I just said, and remaining very cautious. I would go as far as to say I am feeling under no pressure at all. We have got an excellent land position and it has been well-bought.

To the second point around the valuation in the landbank, I repeat it has been well-bought and we have been fairly disciplined in the way that we have brought land into our portfolio. I talked I think in May at some length around what I see as the attributes to a quality landbank and split those down. I am very comfortable that the bank is in good shape from a margin perspective. We reported in half one that the gross margin was 25% so I think that is a good indication of just how robust our land position is. Chris, is there anything you would like to add?

Chris Carney (Group Finance Director, Taylor Wimpey plc): No, I do not think so. I think you covered it all. Jennie quite rightly references that gross margin that we achieved in the first half and I think that is a pretty good indicator of the order of margin that is embedded in our landbank as a result of a very disciplined land investment approach over the years.

Lars Kjellberg: Very clear, thank you.

Jennie Daly: Thanks Lars.

Aynsley Lammin (Investec): Morning everybody, just a couple of questions from me. Firstly I wondered if you would comment a bit more on pricing and what you have seen over the last six weeks. Have you cut prices at all? What kind of pressure do you see on pricing at the moment?

Secondly on cladding obviously one of your peers yesterday revised their cladding provisional quite markedly. I wondered if you had seen any need or risk in changing that, whether it is around build costs or increase in scope.

Then a third quick question, could you just remind us, I recall from your Capital Markets Day I think you said the dividend had been stress tested for a 20% fall in house prices and a 30% fall in volume. Could you clarify if that was correct? Thanks.

Jennie Daly: Okay, I will start at the end and work backwards and maybe Chris would you pick up the cladding point? The stress test that we referenced was yes -20% on price and -30% on volumes Aynsley.

On pricing it is early days, and it is likely that we have got quite a long way to go. We are seeing customers at the peak level of uncertainty at the moment. We have not seen any significant movement in price. We are using incentives and other tools in a controlled and targeted way so not seeing any movement. It would be hard for us to see that over such a discrete period in any event. Chris, on cladding?

Chris Carney: We booked a total of £245 million of provisions relating to fire safety and that remains our best estimate of the cost of the works that were committed to. It is based on us having already completed works on a number of buildings. Now, due to the complexity and the likely duration of the works I am not going to sit here and say there is absolutely no chance that the provision would need to increase at some point in the future but as of today it is our best estimate.

Aynsley Lammin: All very clear. Thank you very much.

Brijesh Siya (HSBC): Hello Jennie, hi Chris, I have three if I may. The first one is on the private reservation rate. Could you please give us the rate since the mini budget? If you could split that into before and after the mini budget.

The second one is on the demand side, could you please a little more flavour about across the price range how that demand is more resilient in the lower price ranges and more reflective of how people have restrained themselves buying high-valued houses?

The third one is on dividend. I appreciate that has been stress tested but it is still on a 7.5% net asset. One of your competitors has changed that to earnings. Are you looking to change that metric or any thoughts around it?

Jennie Daly: In terms of the private reservation rate from mini budget, I think that is week 39 onwards the rate in the last six weeks is 0.43x. Then on the demand side just checking that your question was around our price point. I think that I would repeat that we are in really good locations. We have got a broad mix of offer across all of the price ranges, and I think that that will make us both agile and responsive to changes in the market. Chris, if I can just pass on to you on the dividend question.

Chris Carney: Yes, of course. Brijesh we were very clear earlier this year that operating in a cyclical environment means that earnings fluctuate. Basing the ordinary dividend on the net asset position provides an increased degree of certainty for shareholders compared to earnings measures. As Jennie has already noted we are committed to continue to pay that ordinary dividend throughout the cycle including through various planning scenarios based on a normal downturn and including a scenario where the average selling price is reduced by 20% and volume is reduced by 30%. That said there is no change to our position.

Brijesh Siya: Got you. Jennie if I can check it, the 0.43x in the six weeks how does that compare with the same period last year?

Jennie Daly: I think that we were 0.9x, was it?

Chris Carney: We would have been around about 0.9x at that time.

Brijesh Siya: Okay, got that. Thank you very much.

Jennie Daly: Thank you.

Chris Millington (Numis): Morning Jennie, morning Chris.

Jennie Daly: Morning Chris.

Chris Millington: A few as always. I have always got a few. Can I just ask about land commitments for the remainder of this year and 2023? Obviously there will be conditional land still coming through so a quick comment around that would be helpful.

Next one is really around cost and your ability to manage administration costs if you do see lower volumes. What scope is there to reduce that?

Then sorry for this last one but it has got to be asked. How do you see outlets progressing now we have got this slower sales rate? Obviously you have got good openings in the second half but can you give us a feel for how you think the averages are going to be in the next couple of years? I know it has obviously got a few moving parts of the sales rate.

Jennie Daly: You were not wrong about it being difficult. I will start out with the outlets progressing and I will ask Chris to take a look at those land commitments while I am going through them. I have said in my opening, it would not be a comment from me if it did not include some comment about the frustration in planning. It really is quite a strong headwind and looking into the future years a lot of outlets openings are going to be a reflection of how resilient the market is, sales rates and then whether we have appetite to add land through that period or not. There are quite a number of moving parts but in the landbank that we own and control we are really focused on continuing to bring land forward to outlets. I think the team has done really well given the current planning environment. In the discussions that we have had right through the business it is one of their focuses and top priorities to keep that outlet moving. Probably the only other point is to recognise that in a slower sales rate environment that our existing outlets remain open for longer which will be an overall benefit to a broader customer offering through that period as well.

On cost we have acted I think really quite quickly as a business to take actions to support the changing environment. We have talked about pulling back on land, that recruitment freeze and focus on build and WIP releases. We are really focused and continue to look for further efficiencies Chris to ensure that we are running the businesses as sustainably as possible. It is not appropriate to get into layers of the detail but we are a business where there is no sacred cows. We are really quite lean and we have demonstrated in the past that we will make the tough decisions if they become necessary.

Chris Carney: Yes Chris just on the land commitment and to put it in the context of the cash guidance, obviously the guidance at half-year was for year-end net cash of £600 million. We have upgraded that by £200 million to £800 million for the year-end and within that forecast there is an allowance of around about £800 million of land spend. In the year-to-date we have actually spent £660 million on land. That gives you a pretty good view of commitments for the balance of this year. Then looking into next year obviously we have got unwind of

some land creditors and I think that is probably of the order of about £350 million for 2023. However, in addition to that there will be some contracts that are currently conditional that may then get the conditions satisfied. That number would then increase but as of commitments today that is the position.

Chris Millington: Okay, that is helpful Chris. On those commitments could that number be as high as the land creditor unwind or would it be somewhat lower? I am trying to get a feel of the proportion there.

Chris Carney: Yes it will definitely be lower than the absolute land creditor balance and you will see if you go back to the half-year that there is an aging analysis of that land creditor balance. You have got a pretty reasonable –

Chris Millington: Sorry Chris I meant versus the £350 million you are talking about unwinding in terms of commitments into 2023, not the whole land creditor balance.

Chris Carney: Yes the £350 the vast majority of that will be land creditor unwind. Then as things transition from conditional to unconditional that is when they typically get then recorded in land creditors. That is why I was trying to give you a sense of there will be contracts that as we progress through the next couple of months as we get to the year-end where we will inevitably get planning and that may well be a condition that satisfies the contract.

Chris Millington: Okay. Okay, thanks so much.

Jennie Daly: Thanks Chris.

Will Jones (Redburn): Thank you I will get a few if I could please as well. The first just to check about whether the sales issues are pretty uniform from a regional perspective.

Second is more understanding around mortgages. Have you noticed any changes in criteria or is it really just the issue of rates? Then linked to that what insight do you have or not on what your customers are paying in a given period? For our understanding do they agree their rate pre or post the reservation moment please, as best you know?

Then maybe just to finish any comment you would make around the ability to start pushing back on labour and labour rates as volumes start to fall. Thank you.

Jennie Daly: Okay. I think in terms of differentials across regions nothing particularly to flag. We are still relative early days and we are not seeing any meaningful changes in trends. To that point on mortgages and criteria we have not seen any significant change in criteria that lenders are offering. In our conversations with lenders they remain committed to lending and to confidence in the UK market but it is the affordability calculators that are playing in at the moment.

On the mortgage offers pre or post, we run a fairly disciplined approach to pre-qualification of our customers prior to them coming in for appointments. The vast majority have a mortgage offer in principle or one being processed at the time that they are coming in for reservations. Obviously there has been quite a transitional period over the last six weeks in particular which has made some of those mortgages needing to be re-evaluated.

Finally on the labour point, yes Chris and I have spoken to all of the MDs in the last couple of weeks and it is certainly one of the questions that we have been asking them. I would say

tentative or very early signs of some movement in labour but it is still a really busy time out on site so contractors are still really busy. I would probably have a bit more confidence in looking at some labour rate movements into the new year than I do just at this point in time Will.

Will Jones: Great, thank you.

Glynis Johnson (Jefferies): Morning, three if I may and actually I am going to steal one that Will usually asks. In terms of the reservations that have been done particularly in the last couple of weeks or so what is the proportion that has been done on the new world of mortgage rates? How many are using new mortgage approvals post mini budget? I would have assumed given limited availability that you probably have on site that it is probably quite a large proportion but if you can help put any colour around that, that would be useful.

Second of all in terms of the incentives that you have talked about that you are using as tools since the mini budget, is that to get people over the line, so where reservations are already done, potentially even where you may have exchanged, just to make sure completions happen? Or is that incentives in terms of new customers coming on site who may have higher mortgage price offers?

Then lastly in terms of the land market clearly we look at your landbank as a Group but actually it is made up of a whole number of divisions. I am just wondering how long you can stay out of the land market. How many of your divisions would you classify as having short landbanks where actually they will need to buy land as you go through 2023? How many of them can effectively be very flexible in terms of staying away should market conditions continue to not be reflected in the land market?

Jennie Daly: Okay, thanks for that Glynis. I think first of all on the new mortgage world versus old mortgage world the relationship for our customers is with their IFAs so other than anecdotally what they might talk to the sales team about I really cannot put very much colour on that. In those conversations that we have been having with MDs I think that those customers coming in post the mini budget who are new to the market or did not have a mortgage promise in hand they are obviously sitting in a new reality and may be more settled or at peace with that. I would expect that transitional shift that we are experiencing to play out relatively quickly now in the market.

On the land market in divisions our divisions are multi business units rather than what some of our peer group would call divisions which is each operational business. However, we are in a really good place. Land does not flow like water so it is not universal but I think I used the term earlier I am not feeling under any pressure. I am not feeling under any pressure in any particular business. We are in a good place.

On incentives I think just stepping back and what are we using incentives for, we are really controlled and quite disciplined around the use of incentives. I think my experience in this kind of environment when there is an expectation of price movement it is important that we watch and carefully monitor. That is not doing anything but watching and the first thing that we would do is ensure that we have got all the basics right. Not going straight to incentives. I have mentioned some of those in my opening such as site presentation, sales training and the like. We have got great sites, well located and they are in good and resilient markets. We are opening more outlets as you see.

I am very careful that we are not using incentives in a way that effectively would lead the market down. I am not intending to lead the market down. They are tools, we will use them if there is good opportunities for a sustainable sale but throwing incentives into an uncertain environment is not going to retain sales. That is not something that I or the team are keen to do. Targeted, looking at what is a specific objection or concern of a customer and applying them on a plot by plot basis. As we open new sites I think it is fair to say dynamics wise we will hold our price because we believe in the quality and the resilience of that market. There might be a little bit more flexibility on some older sites so there is a bit of dynamics in there as well. Not using them to get completions over the line would be the summary on that Glynis, being quite controlled. Incentives are a tool.

Glynis Johnson: Can I just come back on the comment about the number of customers who are in the new world so to speak in terms of their mortgage offers? What is the availability of your stock? If someone is coming on to site now can they reserve something which will be delivered within six months of when the mini budget was? Within six months of the start of October. Do you have availability for people to use previous approvals, pre mini budget approvals to buy homes on your sites?

Jennie Daly: Yes, it is improving. Availability is improving and certainly we have availability into the first half of next year. That would fit that criteria.

Glynis Johnson: Okay. Thank you.

Jennie Daly: Thanks Glynis.

Marcus Cole (UBS): Hi, morning all, two questions as well. I was wondering when you were running your stress test exercise at what sort of level of house price decline would be needed to start thinking land impairment. Then the second one is on the SAP software. It seems to be working now. I wondered now you are using it have you got an updated cost assumption for Part L. Thank you.

Jennie Daly: Okay. I will take the SAP and hand the stress test to you Chris. The SAP software is up and running and the assumption that I think I mentioned in the summer that we were making on the basis of our assessments on technical specifications are solid. I think that we are in a good place from L&F and have not had to modify any of our assumptions. Chris, on that stress test?

Chris Carney: Yes Marcus, I am going to go back to we reported gross margin at 25% in the first half and on that basis you can see we have a pretty significant degree of protection against the need to be making NRV provision. When I last did the exercise, which would have been around the half-year, there was only around about 5% of our plots that had gross margins of less than 20%.

Marcus Cole: Thank you.

Jennie Daly: Thanks Marcus.

Harry Goad (Berenberg): Good morning Chris and Jennie.

Jennie Daly: Morning Harry.

Harry Goad: A question from me is please can you talk a little bit about how you think about almost tactics of trading in the next six months or so and how you when you are talking to

your business units how you are prioritising the trade off between volume, sales rates, profit? What are the key metrics that you are targeting? Maybe within that is there a sales rate below which you are just unwilling to fall?

Then the supplementary to that is in that context how do you think about alternative or possible alternative sales channels next year with regard to bulk sales, PRS deals, maybe more with HAs? Anything around that would be interesting, thank you.

Jennie Daly: Okay, thanks Harry. I think I mentioned the word iterative earlier. It is an iterative process around sales rate and we are working with all of our teams to assess the resilience of our business and they are obviously undertaking various modelling. It is difficult to say what an acceptable sales rate is. As we look back through history there has been quite a range over the last 15 years, quite a range. We size our business and our build expectations on a site-by-site basis. You will have heard me say that we are working with our teams on our WIP and cost control on sites now to transition our build to reflect sales rates. It really is a balance of all those three that you mentioned, volume, sales rate and profit. To drive a sales rate where you are really taking lumps out of profits is not a good approach but we want to try and find a sustainable volume on which to run the business. An iterative process that we will continue to work on and no doubt we will talk about more as we get to the prelims next year.

On alternative sales channels I think it is a really good question. We have not needed to really use bulk sales in recent years but we do have established relationships with a number of the institutions. It is fair to say that they are not immune to the erratic behaviour in the markets and any of them that are debt facing have been cooling their heels so to speak in recent weeks also. However, it is certainly something that we are very open minded about and we will take it on a site by site, case by case basis.

Harry Goad: Great, thank you very much.

Charlie Campbell (Liberum): Morning, a couple from me please. I wonder if you can help us split the order book between private and social. It would be really helpful.

Then I realise this might fall under the category of customers and IFAs but just wondering if you are hearing from them about people taking longer mortgages, switching the 25s to 35s and 40s or even to variable rate mortgages to find ways of mitigating the affordability challenge. Thank you very much.

Jennie Daly: Okay I will take the last one. I think Chris will get the number on the split for you. As you know, we do not have direct relationships so this is anecdotal. We have heard from some customers extending their mortgages. I have to say not in the 35-40 range in my hearing Charlie but certainly 30 years is something that we have seen some customers use. In terms of variable rate that is an individual customer choice based on their own personal circumstances but it is an option with the way that the mortgage market is at the moment and we are hearing of some customers choosing to take variable in order to let that market settle.

Chris Carney: Charlie on order book split the private units in the order book are 5,005 and the affordable are 4,148. Hopefully I have got my maths right to add up to the number that is in the statement.

Charlie Campbell: Very good, yes. Thank you very much. Thank you.

Jennie Daly: Thank you.

Clyde Lewis (Peel Hunt): Morning Jennie, morning Chris.

Jennie Daly: Morning Clyde.

Clyde Lewis: I think I have still got three if I may. One on obviously your comments around planning ahead and managing the infrastructure work and new sites and the cash that goes into there but how does that tie in with obviously the extra costs from part L, part F, part L in particular and where you are in your thoughts about putting down foundations in particular ahead of June next year? That is the first one.

The second one was on land hurdle rates/factoring in softer pricing going forward again. I appreciate your comments around you backed away from the land market but traditionally obviously you have used current prices and current cost to look at hurdle rates. Are you getting to a point where given the risks potentially of softer selling prices over the next 12-18 months you are starting to factor that into maybe higher hurdle rates or a different calculation when it comes to looking at the gross margins that you are trying to get?

The last one was around your comment about customer visits to the website continuing to be at good levels. It would be interesting to hear a little bit about that, particularly the last six weeks. Did that drop very sharply and then it has recovered? Also not just website but maybe sales appointments as well whether you track that and how that pattern has evolved?

Jennie Daly: Okay I think it is actually a really good question on parts L and F. If we had not been going through the market dynamic that we are now seeing the likelihood is that there would be a lot of businesses across the sector looking to get their foundations in. We are well advanced in our foundations for 2023 as you would expect at this point and heading into the winter. However, now we do need to balance that around is it good work in progress? Is it sustainable? On a slower sales rate assessment how long would it take you to get to that foundation and therefore is it a good quality investment? Foundations rarely go in on their own and there are other WIP, roads and infrastructure, that go with them. We are taking a reassessment on that and ensuring that we are investing in good quality and sustainable WIP, balancing that against whether there is a benefit or a dis-benefit on the parts L and F.

On land hurdle rates I think in the current climate you have heard me and I have repeated it that we are cautious in the market and not feeling under any pressure. On a purely academic basis Clyde you have got to start an appraisal from somewhere and so current price, current cost is still going to be where you start. You put in, as we have been doing for a couple of years now, visible future costs like parts L and F of Future Home Standards. Then you apply a really good dollop of current market not necessarily reflecting outlook downside scenarios and you would really stress test that. However, that is on the basis that you want to do that and that you feel that you have to. There might be good opportunities. Usually they stand out a mile whether it is quality of location or the quality of the price or a combination of both. I am not going to get too twisted around hurdle rates. It always tends to imply then it sets a low bar. I would be setting a very high bar in the current climate.

Then customer visits to the website we have seen good levels. I would absolutely flag for you that some of that is now driven by more paid advertising and media than we have seen in the past. We did talk about increasing our media spend at the half-year but there is good levels of interest. Some of those early conversations with our sales teams show that customers are still really interested in new homes but it is not converting to appointments. We have seen appointments continue to fall and the conversion rate then from those visitors also increase. You can see that then playing out in how the sales rate has moved and how quickly it has moved. Was that helpful?

Clyde Lewis: Perfect, thank you. Yes, no, no, very but would there have been an improving or a deteriorating trend? Obviously mini budget and probably the two weeks after that I suspect was probably the worst bump, the worst moment in terms of that sort of activity. Have you seen it pick up at all or has it continued to fall?

Jennie Daly: No, it has been on a downward trend since the mini budget but I would also say we are now in the second week of November and we would traditionally expect to see appointment requests starting to slow quite meaningfully. I am not trying to make it opaque but we are in the time of year that we would expect to go slow in any event but yes appointments have been trending downwards.

Clyde Lewis: Okay. Perfect, thank you.

Jon Bell (Deutsche Bank): Morning, I think I have got three. Jennie you mentioned the Barclays mortgage rate cut from last week which is helpful but it still leaves their rate very high relative to swaps. I wonder what noises you hear when you have your discussions with the lenders about their appetite and any future mortgage rate changes that we might have coming down the pipe.

The second one is a follow up to a previous question. Apologies, it is on the dividend. Just to clarify you are happy for your dividends to be uncovered if they need to be should profitability fall materially over the next year or two.

The third one is on pricing discipline. You have outlined your position very clearly. What do you see around you? Anyone breaking rank because obviously that can have a knock-on effect? Thank you.

Jennie Daly: Okay, I think on that mortgage rate still high relative to swaps, yes. In our conversations with lenders and again anecdotally we are expecting rates to start coming in. Just how quickly that happens I am unclear about but that is certainly the intent and the nature of the conversations that we are having with lenders. I remain hopeful but there will be continuing stabilisation of rates and maybe a little bit of good news for customers in coming weeks.

On pricing discipline as I said in my experience a good position is to watch and monitor but in the end we do need to watch what is happening around us. I am not necessarily going to call out any particular competitor but we can see that incentives are becoming an increasing part of the dialogue. You can see that in advertising across some parts of the sector and the use of part exchange is starting to increase. We will be responsive to market changes. We are not going to defy gravity. We will look to the market around us but as I say I do not feel the

need to lead the market there. The use of incentives in a controlled way remains our position at this point.

Chris, on that dividends question?

Chris Carney: Yes, I think Jon you probably know the answer because if we take the scenario that I mentioned earlier on the call where average selling price has reduced by 20% and we are currently operating at the 20% operating margin, then by default that would mean that the ordinary dividend would not be uncovered. However, we said that we are basing our commitment on a normal downturn and in any sort of normal downturn you would expect to see a recovery as well. It is not that that scenario stays at 20% down and 30% down on volume for perpetuity. I think you can work the numbers through the spreadsheet as well as I can.

Jon Bell: Thanks very much. Thank you.

Jennie Daly: Thanks Jon.

Ami Galla (Citigroup): Thank you, just one question from me. One on the social order book. I am wondering if you can give us some colour in terms of response that you have had from housing associations on the back of the higher mortgage rate and downturn in the market that we have seen so far. How has their appetite for future volumes changed?

The second is connected to that. The social order book that sits here is the bulk of that for delivery into 2023?

Jennie Daly: Okay, maybe Chris if you could pick up the order book question. In terms of housing associations we have got very long, established relationships Ami with housing associations and anything reflected in our order book is contracted. That is fully secured. Appetite wise actually I would probably say there is quite a diversity out there. There are some housing associations, particularly those who have issues that they need to address around fire safety or those with older stock looking to invest in some environmental and energy improvements, who are being a little bit more cautious and less visible in the market. However, we continue to see a significant number of housing associations active and looking to contract and to negotiate deals with our teams.

Chris Carney: Yes, your question was does the bulk of the order book for affordable unwind next year and beyond. The answer is yes.

Ami Galla: Thank you.

Jennie Daly: Thanks Ami. Thank you everyone for joining us this morning and hopefully it has been a useful Q&A as well. I look forward to seeing you in the new year.

[END OF TRANSCRIPT]