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Glenveagh H1 2023 Results

Thursday, 14th September 2023

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Operator: Hello, and welcome to the Glenveagh Properties Plc Interim Results 2023. My name is Caroline, and I'll be your coordinator for today's event. Please note this call is being recorded, and for the duration of the call, your lines will be on listen-only mode. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your questions. If you require assistance at any point, please press star zero and you will be connected to an operator.

I will now hand over the call to your host, Jack Gorman to begin today's conference. Thank you.

Jack Gorman: Thank you, Caroline, and good morning to everyone on the call. My name is Jack Gorman, and I'm Head of IR and Corporate Affairs at Glenveagh.

I'd like to thank you all for taking the time to join us for our conference call and webcast, which relates to our half one 2023 results statements that we released this morning. I'm joined on the call today by our CEO, Stephen Garvey; and our CFO, Michael Rice.

In a moment, I'll hand you over to Stephen to begin the presentation. Following that, we will open up the call to Q&A. I would also like to draw your attention to the forward-looking statements included at the end of today's presentation. Thank you very much.

And with that, I'll pass it over to Stephen.

Stephen Garvey: Thank you, Jack, and welcome everyone to the call for Glenveagh's First Half Results for 2023. Joining me here at Maynooth is my colleague Michael Rice, our CFO.

We are going to focus on the formal part of the presentation this morning, on the key summary slides that are at the front of the deck up to slide 10. This will allow us to give you a clear picture of the most important moving parts in the business for both 2023 and into 2024, and will hopefully give plenty of time for us to answer any questions that you may have on those key messages, but also any part of today's results.

Let's begin on slide four, where I would like to first provide some high level comments about H1. The Group performed in line with expectations and increased suburban margin, commenced both of its Partnership sites, and benefitted from the strong improvement in planning momentum. This leaves us on track to deliver on our guidance for the full year.

We also launched our new offsite manufacturing business in the first half of this year. With this now at scale to deliver over 2,000 units in 2024, NUA gives us an excellent platform for delivering greater volumes of sustainable high-quality, energy-efficient new homes using modern methods of construction.

Most of you on the call will be already aware of the moving parts in the first half numbers, but it is worth noting briefly that the headline profitability in the period was impacted by the reduced forward funding transaction levels in the urban business this year, compared to the high base in the first half of 2022, that was helped by the €63 million East Road transaction. There was also an increase in finance costs year-on-year.

There are four key elements that I would like to explore in a little more detail on this slide.

Firstly, after a challenging start to the year due to planning delays, we are very happy with the progress in our suburban business. There was a 30% increase in units closed in the first half. Our strategy of supply chain integration, combined with our scale and long-term supply chain

commitments, enabled us to mitigate build cost inflation between 4% and 5% in the period. And our operating efficiencies underpinned a 140 bp increase in our suburban margin year-on-year. We continue to operate in the market with excellent fundamentals, and our own experience in 2023 today is that there is a really strong demand for the right product in the market segments that we are targeting.

Secondly, our urban business is also on track, as we focus on building out our already contracted portfolio of 700 apartments and also continue to progress the 250,000 commercial space, in both the hotel and office. While we have substantially derisked our urban portfolio in recent years, there is now the potential to activate some of the rest of the portfolio to align with government initiatives on affordable urban development, such as the Croí Cónaithe City Living programme, for example, where one of our schemes of over 250 units has been approved and is expected to commence in Q4 this year.

Thirdly, we are delighted to report that enabling works have commenced on both our partnership sites in Ballymastone and Oscar Traynor Road. This is a huge milestone for the business, and I would like to thank all my Glenveagh colleagues and our partners in both Fingal and Dublin City Council for their support and dedication throughout the process.

Finally, on this slide and after a slow and often frustrating 2022, we have seen strong upturn in our planning permissions granted throughout 2023. We have been granted permissions for approximately 4,000 units so far this year, 700 of which are currently post-grant appeals period. This means that the Group has planning permission for all of its expected deliveries for the full year of 2024.

We have also been very busy enlarging further planning applications. 2,400 units so far this year have been lodged. And we expect our total to come to about 3,000 units by the end of the year. Based on all of this, over 70% of the current landbank will have full planning permission by the end of 2024 and will be - and be ready for development from there on.

Before I talk about our business segments in more detail, I want to take a few moments on slide five to outline how the government is activating its range of demand, supply-side initiatives to support home ownership and to accelerate housing supply over the coming years.

The housing for all programme remains the central pillar to these initiatives. The plan was introduced in 2021 and aims to deliver 300,000 units by 2030, a figure that already may not be enough given the demographic and economic advances made in recent years. It aims to secure delivery of large scale, sustainable, mixed tenure communities through a range of schemes, mainly focused on shared equity, Help-To-Buy cost rental, affordable purchase and social housing.

The government has already committed to spending €20 billion in the period '22 to '26 on this programme. Fortunately, it's clear that increase in firepower is available to match the political will that has now been demonstrated of late. In this regard, estimates suggest that Ireland could benefit from a cumulative €65 billion surplus over the period to 2026. And we expect that the upcoming budget may reveal more details on how government plans to increase the spending on housing.

There is the potential to underpin initiatives with sensible policy advances as well. There has been a lot of activity here this year. We are encouraged by government's draft sustainable and

compact growth guidelines for planning authorities released in August of this year. Its effective implementation can ensure that medium density residential schemes are more viable for developers and more affordable for purchasers. We are also assessing how these changes and density requirements may impact the provision of apartments in certain locations.

While the Draft Planning and Development Bill in 2022 was published January of this year, and following extensive review and consultation, new legislation is expected before government before the end of the year. The review of the National Planning Framework is also underway. We would urge that the review accurately reflects the present and future population requirements, adequate headroom that allows for development cycles between planning and actual development, supports viability and allows for the design of house types that the country wants and needs.

Solving the housing crisis effectively also requires appropriate resourcing across all aspects of design, planning and development lifecycle. We would emphasise that providing ample resourcing to planning bodies, local authorities and utility companies in the near term is critical for the country to deliver sustainable house delivery on an ongoing basis.

Moving to slide six, where I will take - where we will take a closer look at our suburban business segment. The demand backdrop remains very positive here, driven by a combination of continued strong demand, alongside a range of well-received, well-structured government initiatives that we have already discussed.

We continue to provide a very attractive product offering to the deeper segment of the market at affordable pricing. 90% of our suburban product is priced at €400,000 or less and 87% of our first-homes are within the price caps. In addition, 100% of completed units in the period have the highest building energy rating of A1 or A2, providing a significant energy saving cost to our customers and highlighting the key role that sustainability plays in how we are building our business.

We have had a positive first half in suburban. We closed 333 units, which is a 30% increase on the previous year, and leaves us in a comfortable position with full year guidance. We have increased our margins significantly year-on-year to 18.7%. Looking forward, the picture is also very positive. All our units capable of closing for this year are now either sold, signed or reserved. We expect further suburban margin expansion to approximately 19% for the full year.

And we have the planning for all our expected deliveries for the full year 2024, which gives us increased visibility on our 2024 targets. And all of this is underpinned by a sustainable operation of excellence right across our network of 19 active suburban sites. Our focus now is on effective delivery, excellent build quality, and top-of-class customer service, alongside our increasing emphasis on standardising our product and embedding sustainability into our land use, our energy-efficient homes and how we help communities to thrive.

Moving on to slide seven and the Urban business. We continue to make good progress here with particular focus this year on building out the significant projects that are already underway. The first half revenue of €62 million is primarily comprised - comprises of €13 million from the forward fund transaction of the Premier Inn hotel expected to be completed before year-end, the €24 million of forward fund transaction from the 320 apartments in Citywest, and €23 million from the forward fund of 192 apartments in Castleknock.

We have made substantial WIP investment in the first half in our urban business. The increase year-on-year related to forward fund development sold included were in Blackrock and our Marina Village in Greystones, and ongoing construction of the office development in the Dublin docklands. The total WIP is €78 million as of June of this year, with all projects on track for delivery before year-end or into 2024.

After significant monetisation of our urban assets between the periods '21 and '22, the remaining urban assets account for less than 13% of the overall landbank value. Opportunities are now emerging to activate many of these remaining urban assets, aligned to government initiatives on affordable urban development. One of these is the Croi Cónaithe City Living programme, where one of our urban schemes of over 250 units has been approved. And also potentially through partnerships with the Land Development Agency, as it develops its strategies to accelerate housing supply with additional funding.

Now I'd like to switch to slide eight and speak about our partnerships. We began the year in 2023 with no planning achieved in our partnership segment and now we are effectively commenced on both sides. This has been a milestone year for our partnerships business. We are proving that both public and private entities can work successfully together to deliver sustainable mixed tenure developments. This leaves us ideally placed to deliver on our target of revenue and profits for this segment in 2024.

We expect to achieve revenue of over €100 million on these two sites in that year with anticipated gross margin of approximately 15%. In addition to these two milestones, we believe the partnership model could be the ideal mechanism through which the state can activate its own land bank, which is the largest in the country.

New resources and funding are now being provided by government for supply-side initiatives and the more significant recent one, which has proposed further funding of up to €8 billion in the Land Development Agency. There is a compelling opportunity to combine the best of government and industry resources to meet the housing supply shortfall across all tenures. The large majority of landbank in Ireland is controlled by the state through semi-state bodies, the Land Development Agency or its local authorities.

The first LDA report on this in March of this year outlines that there is huge potential to activate the largest landbank in the state, identifying approximately 70,000 units that could be built.

Established operators such as Glenveagh have the operational capability, the planning expertise, the manufacturing experience, the scale and track record of building communities on a sustainable basis. Only a small number of operators have the potential to be a solution provider in partnership with the government.

On funding, we have noted that the state has been instrumental in a host of demand side initiatives in recent years and have been supportive of affordability and demand in the Irish market. There is a pressing need to accelerate resources across the various supply side initiatives that have also being developed for the housing sector. And we welcome the LDA's initiatives in this context.

From a shareholder perspective, this provides the potential to generate significant incremental revenue and profits on an ongoing basis for the Group in the medium term, while continuing to

complement our established suburban business that is underpinned by a buoyant private demand.

With that, I'll pass you over to Michael to cover the financial overview.

Michael Rice: Thanks, Stephen, and good morning, everyone. As Stephen has alluded to, our focus for the presentation is very much forward-looking towards full year and even into 2024 in some cases. I only have one slide that I want to spend some time on, and we've pulled out some of the key numbers of our H1 performance also providing full year guidance for each of them.

So if we can turn over to slide nine. Overall, the Group had total revenue of just over 171 - just over €171 million in H1, and this came from our normal two income streams. So €110 million from our suburban business, which predominantly relates to our 333 suburban units closed in the period. This suburban revenue was up 23% compared to the same period last year, reflecting the strong performance for that part of the business.

We had €62 million of revenue from our urban business, relating to the ongoing developments from our forward fund contracts, and urban revenue has decreased about €50 million or 44% compared to last year, and that's solely due to the East Road transaction of €63 million that we had last year. So a pretty high comparable number.

In line with guidance, our expectation for revenue for the full year is €580 million, roughly split €460 million in suburban and €120 million in urban. One of the highlights for the period was the continued progression of the suburban margin, and we saw this increase to 18.7% for the period and gives us confidence of the suburban margin of approximately 19% for the full year.

Deviating slightly from the slide, our overall gross profit for the first half amounted to €27.9 million with an overall gross margin of 16.3%. When compared to the prior year, the strong performance and growth in the suburban profit and margin has been offset by the decrease in the urban profit and margin, but in line with my comments on revenue, this is due to the profits from East Road in H1 2022.

Our EPS for H1 was a modest 0.21 cents compared to 1.32 cents in the prior year. This reduction flows down from the gross profit line. But we've also seen a significant increase in finance costs to €7.5 million, primarily impacted by the increased interest rates, higher average debt levels and a one-off release of €1.8 million associated with our previous financing facility.

Our expectation for the second half of the year is that profitability improves considerably, and we continue to reiterate our EPS guidance for the full year of between €0.75 and €0.08.

Looking at some of our key balance sheet items, and consistent with prior periods, the business has invested in inventory in the first half of 2023 with total inventory of €764.6 million at period end, an increase of nearly €80 million when compared to 31st December '22.

If we look at the different components of inventory and in line with our land efficiency strategy, our net investment in land reduced to €447 million at 30th June. We believe further reductions can be made while still supporting the significant growth the business has projected in the coming years. And we expect to reduce land inventory towards €400 million by year-end.

The Group has continued to invest in work-in-progress with the period-end balance of €317.6 million, an increase of €90 million since year-end. This increase predominantly relates to our

investment in the urban business, namely our forward-sold apartment developments in Cluain Mhuire in Dublin and the ongoing construction of the office development in the Dublin docklands.

Our expectation is to reduce WIP to approximately €300 million by year-end through the natural unwind of WIP from closing units and this - and the gross reduction will be offset somewhat by further investments in WIP for our 2024 units and sites.

Net debt at period end increased to €182 million, in line with the normal H1 trend for the business and is consistent with our WIP investments in both our suburban and urban segments that I've just mentioned.

Looking towards year-end again, we continue to anticipate that net debt will be approximately 10% to 15% of net assets by the end of 2023.

Overall, we continue to remain focused on enhancing capital efficiency and cash generation across the business with - as Stephen mentioned, with a renewed focus on investment in specific urban projects. As always, once our capital allocation priorities are satisfied, we will continue to return excess cash to shareholders. This will ensure optimal - the optimal return for shareholders with a return on equity target of 15% in 2024 remaining to be our key capital metric.

Just like to thank everyone for joining this morning and look forward to seeing and speaking to you over the coming weeks. And I'll pass you back to Stephen for his concluding remarks.

Stephen Garvey: Thank you, Michael. To conclude, let's turn to slide 10.

Firstly, and as outlined earlier, our first half is in line with expectations and we advanced each of our three business segments successfully with improved planning momentum. Secondly, we are on track to deliver our '23 expectations. We reiterated our EPS guidance for this year. We see a continued positive demand backdrop for the business with strong private demand underpinned by robust economic environment, and a fast-growing population and supportive demand side initiatives from the government.

As Michael indicated earlier, we expect full year further efficiencies in our landbank as we progress towards year-end to approach €400 million in value, with further efficiencies expected in 2024. Thirdly, we are feeling increasingly confident about how we are set up to deliver on our 2024 targets.

We remain very well-placed to take advantage of the compelling market opportunity for housing in Ireland. Our forward order book is close to €1.2 billion, spanning all three business segments and demonstrates the continued strength.

Our strong focus on capital efficiencies in both land and work-in-progress will continue to allow us to make informed and effective decisions on capital allocation that will benefit all stakeholders. We reiterate our commitment to return any excess cash to shareholders once our capital priorities are satisfied. And all of this will be done with a 15% - to return on equity as the key capital metric for 2024.

Finally, and before I turn over to questions, I would like to take this opportunity once more to recognise and thank the entire Glenveagh team and our industry partners for their hard work and dedication so far in 2023. Together, we are driving towards the achievement of our vision

that everyone should have the opportunity to access great value, high-quality homes in flourishing communities across Ireland.

With that, I'll pass you over for any questions you may have. Thank you.

Questions and Answers

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from line of Shane Carberry. The line is open.

Shane Carberry (Goodbody): Hi guys. Can you hear me? Thank you very much, and thank you Stephen and Michael. Three from me, if I may. The first one, just in terms of the land market and just a little bit more colour in terms of what you're seeing there. I am particularly wondering if you've seen any impact yet or kind of change in behaviours from the orders that are healthy, or is it just a little bit too early from that perspective?

The second is just in terms of inflation and kind of your outlook maybe into 2024. I know you gave a little bit of colour around kind of 2023. But any colour into 2024, particularly what you're seeing kind of labour versus materials would be helpful.

And then thirdly, obviously, kind of milestones have been made on the partnership side. I was just wondering, I suppose the kind of longer-term outlook from a partnerships perspective, like how many deals do you think you'd be able to kind of juggle here at the one time if there is anything else that came up for tendering would you be interested? Or just how we should think about the kind of scale of the partnerships division going forward would be helpful. Thanks very much guys.

Stephen Garvey: Thanks, Shane. Yeah. The land market in general has been quite benign throughout the year. As you can see, there's been numerous reports released by various estate agents saying the quantum of land that's trading is down on years and I think we're seeing that across the board. Also there is an element of land availability as well due to the National Planning Framework.

We expect changes after the view on the amount of land that may be available. Our main concentration will be on doing subject to planning deals, and we've seen a number of them come through the system this year. We are seeing more opportunities. I suppose, you would say, we're seeing some sellers in the market that haven't got the capability of delivering and we're seeing some of those opportunities come out.

So overall land, it's very steady and you're not seeing big quantum of it - big quantum of a trade. And while there's less capital available for the purchase of land for probably medium to smaller operators due to the movements in interest rates and the cost of capital.

The RZLT[?], we would be supportive in the tax. It probably needs a little bit of tweaking around the edges. Our view is this is to incentivise land into the system to deliver on housing. So if you produce houses, you should be incentivized. If you hoard land, you're inevitably going to be punished.

I think there's probably going to be a few tweaks towards the back end of the year. It's going to move from the local authorities to revenue commissioners. So it will be probably more robust, and we will probably see more ramifications as the next 12 months evolve.

On the inflation side, this year a lot more steadier than the previous years. We're kind of seeing 4% to 5%. And a little bit of volatility in materials. We've obviously seen the introduction by government of the concrete levy. Now, obviously, that's been amended on precast. A lot of the suppliers have been backing that in early. We just got to see how that evolves.

We're pretty comfortable where inflation is sitting. And our view is, we've kind of called this out in the presentation. A lot of our largest sites to deliver into 2024 are already in the system, and we're locking in longer supply deals. So we're pretty comfortable where we see inflation into next year. Availability of labour is quite good. There's certainly a fallout from the commercial market, in the sense of large office developments are slowing down on commercial space. So you are seeing a bit of evolution there where contractors are moving over.

So I'd be positive. It all just depends on the international markets and where commodities go, at least that are completely out of our control. But at this moment in time, we'd be positive where things are going.

On the partnership side, it's been a bit of a journey to get the two up and running. It's great to see them now in progress. I know the Minister was at the opening of Ballymastone. I imagine there'd be a bigger opening to Oscar Traynor Road in the official day. This is a big milestone. I think we are delighted that we've got the two biggest partnerships in the country. And I suppose, goes back to my point earlier saying, the state now is the biggest landowner. It not only controls land, but it's also buying land in the market as well.

They could have by the next 12 to 24 months, 100,000 units. They don't have the capabilities to master plan, plan it, put the right product on it, have the factories to supply, and also deal with the customer at their end. That is a massive operation, and I suppose our expertise is all of that in the middle. And I think that's where the real opportunity for us will be to team up and to deliver that.

So there's very few operators that have that skill set right across the development cycle. There will be only a few of us. So we think that's an opportunity. And I suppose take where the UK was maybe 10 or 15 years ago. It was a very immature business in this cycle. You're now seeing it move to the fore of delivering in housing in the UK.

And I think the reality is we're in two very good positions. We have a very rapid growing population and we have a budget surplus. The government has the firepower to really move the dial here, and partnerships is one initiative that they could do. As a business, I think we'd be quite comfortable dealing with four or five of these at any one point in time. We'd be very comfortable with two. We brought them through seamlessly. It took a bit of time, but there's an awful lot of learnings from them too that you could apply to new ones and say this is a much quicker way to streamline that process.

So we're there and willing to work with government. I think the impetus is now on government and the political will there is to deliver mixed tenure on a large scale and we'd be happy to work with them.

Shane Carberry: That's really clear, Stephen. Thanks very much for your time.

Operator: Thank you. We'll take the next question from the line Colin Sheridan from Davy. The line is open now. Please go ahead.

Colin Sheridan (Davy): Thank you. Good morning, guys. Congratulations on results. Just a few left for me, if that's alright. Just firstly, I think the very impressive number on the suburban margin relative to last year [inaudible] percentage points. Just wonder if you just take us through - you spoke about the build cost trends. If you could just take us through the moving parts within that, because obviously [inaudible] house price inflation too, maybe some efficiencies on top of that. So maybe just give us a better feel for what has happened year-on-year and maybe to what extent those trends may continue into at least 2024 on those fronts.

Due to a ban on WIP and land, you've given pretty clear guidance obviously for the end of 2023, but encouraged to see that you're stepping up the land buying, particularly in relation to buying conditional on planning, and I wonder if that could potentially change the trajectory of those numbers, particularly with [inaudible] deals potentially coming in, in the next couple of years as well. And whether it's - on absolute terms whether those numbers could actually go down, going beyond the end of this year.

And then finally on planning, fairly an awful lot of extremely good progress for you to-date that have sort of boxed you for 2024. I mean, ultimately there's a feel like the planning system is back to a manageable place at this point in time, particularly in relation to your own concept for the next few years in terms of compact growth. Does it feel like it's now a little bit easier to deal with, in general, maybe before how things with [inaudible] starts to go around. Thanks.

Stephen Garvey: Thanks, Colin. I suppose I'll maybe start with planning. Yeah, we're seeing great momentum throughout the year. I suppose we've seen a very frustrating 2022. I've been on the record, we got a minimal amount of units through the system. I think what we're really seeing working really well is the large residential development planning process is working much better and sticking to the timelines. It's a very streamlined process.

I think it's learned from the flaws that were in SHD and it's functioning quite well. The Board has obviously been resourced. It probably is more resourced. It's certainly dealing with the front end much better, and it's clearing the backlog to a certain degree. So if LRD, in our view, is functioning really well, I suppose the thing is, can they clear the backlog by resourcing up? If they do that they're in a much better place.

Beyond that, I suppose planning the two big things is we talked about the draft guidelines that have been published for sustainable compact growth. In our view, these are a real positive. They create more viability for the developer and they create more affordability or help us to control costs moving forward. So that's a real positive.

And the next big thing that's probably the planning bill is expected to be implemented by the yearend. There has been a lot of involvement and consultation on that. I think the government understands the issues better and I think they're going to simplify the bill to address those issues. So I see that as a positive.

And the final thing is, obviously, the planning - the National Planning Framework Review have just commenced. The things we would encourage, and to a degree, we've been crippled by our own success a little bit. In 2016, when the NPF was designed, I think no one could have expected the population growth that we would have. No one could have expected the economic

circumstances and the inward migration, all those positive things that came about over the coming years.

I think lessons need to be learned that instead of being conservative, we need to be ambitious and have a high ceiling number, more like be capable of delivering that. It shouldn't be a ceiling, it should be a floor on the amount of units delivered. I think it's also taking into account the lifecycle. From the day you get the site, to the day you go through the system, to the day you actually hand over the keys is longer than expected. And that headroom needs to be increased to 75%, to probably two or three times the amount in the development plan. And we'd encourage that.

And I suppose the other point on the planning - on the NPF is we really do need to examine where is the biggest economic growth going to be, where do people want to live and what do they want to live in. That's something that we have to have flexibility. I certainly feel there is an appetite now amongst policyholders to nearly - except where there has been flaws, address them flaws, we won't at all get everything we want, but I certainly think we get to a place that makes development a lot more sustainable. So I'd be positive on that side.

And I'm sure there's people who are still stuck in SHD[?] are critical, but I suppose we made the decision. It didn't work in 2022. We switched quickly to LRD and we're now reaping the benefits.

On land and WIP - I suppose I'm taking these in reverse. On land and WIP, I certainly see the trajectory heading lower. I suppose the dynamics for that are a number of things. How we're bringing our land in subject to planning permission, getting more of the landbank working, reducing the average cost per plot. It's probably moved in the last six years from 55,000 to 60,000 to 30,000 on an average basis.

I also think it's an evolution of our own landbank. Very much the one thing we focus on here is how do we get as much of our land activated as possible. How do we get it making a dollar every day. And I think you're starting to see that flow through, and I think you'll see more of that flow through in '24, '25.

I think what's favourable to us in the land market is the government are designing the initiatives to support the transfer of land from landowners to land to home producers. And I think that's a positive step going forward. So I'd be positive in the sense of where I think we can hold. I think we can grow our business but still control the quantum of land. And as potentially we lean more into partnerships and we see this as an opportunity coming down the stream, it allows us to deliver more units. We'll be consistently efficient on that land number.

Dealing with WIP, obviously, this year is a little bit of an anomaly with the amount of the Cluain Mhuire development that we're doing on a forward commit, and obviously the capital that's in, in the office development. You'll see that unwind as we go through 2024. And again, I would see the government having more of an interest now to front foot the capital going in, and I could see an opportunity where instead of just on a forward-commit basis, they will go to a model of forward funding the development to expedite the delivery.

The main focus now for government is to get as many units open to production as quickly as possible, and they are realising that putting the capital upfront can really have that. But they can only do that with so many operators.

On the inflation and the view of that, where, as I outlined to Shane, we're probably looking at our larger scheme starting. We're locking in a little bit more. I think the real benefit of 2024 as we transition into it is standardisation for us, a bit like the partnerships had been a long process, has now finally come into the fore.

You're seeing some of the schemes this year being standardised, but a lot more of them will be standardised in 2024. You'll have two big benefits to that. It will help with central costs because it reduces the procurement process, you're dealing with a lot more similar products. It really helps with the factories, because they are producing more and more content of standardised housing. And then it allows the site teams to produce at a faster scale.

So I think we're on the front foot now with inflation and have been positive in the trajectory there. Obviously, conscious of volatility in external commodities.

Colin Sheridan: That's great. Thanks.

Stephen Garvey: Thank you.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the next question from line Jonny Coubrough from Numis. The line is open now. Please go ahead.

Christen Hjorth (Numis): Hi there. Hi, it's actually Christen Hjorth, Jonny's colleague. But two questions from me, if that's okay. The first one, obviously, you split out the guidance for the full year, which implies a reasonably heavy second-half weighting. Can you just talk through the potential risks of - I assume that would be around build and how we should think about that weighting between Q3 and Q4.

And the second question is just sort of a follow-up on the ability to retain investments in land and WIP whilst growing the business. What does that mean, or how should we think about the evolution of return on equity of the medium term based on that dynamic? Thank you.

Stephen Garvey: Yeah. Sure, Jonny. Yeah, I suppose we've reiterated guidance for this year. We pretty much have a good idea of where we are. Obviously, as usual, the weighting of closings are coming to the second half of the year. That's just the business. A, it's obviously growing and we're trying to balance that out. As we get to a stable state in the years to come, you'll see a more weighting towards the first half of the year.

I suppose, where I would say that I'd have good confidence in, years ago we would have looked at utility company as being a challenge. That's probably not the same challenges that once was. So we'd be in a pretty comfortable place that we know what's coming and how it's coming. So I'd have no major concerns there. We have to let more into the second half of last year, and we're definitely in a better position this year with more stock closed, and we - on an ongoing basis, we're closing at pretty steady rates at this stage. So pretty comfortable where we stand.

And I suppose we've always had the [inaudible] for the last number of years of making an effective balance sheet, both in WIP and both in the amount of inventory we have in land. We're certainly progressing that. As I said, there's probably more to do, certainly, with the dynamics that are at play in the market as we see them at this moment in time. As we've emphasised, the key priorities for us is, have the right amount of land for the business. We certainly think we're in a pretty good place on that. We certainly have a clear line of sight of where the WIP needs to be.

We certainly feel that governments are going to be more on the front foot on putting their capital in much area. So that's a positive as well. And when you have that, as well as the manufacturing, we're in a very good place. We've invested in the manufacturing. We now have a scale being capable of delivering over 2,000 units next year. It doesn't need further investment here to grow for the foreseeable future. So that box is ticked.

When you have all of them ticked and if we have excess capital, as we've always outlined in our capital allocation policy, we'll return capital to shareholders. So we got to see where the land sits in the first quarter of next year, how we're looking. We've got to see what WIP we need to do. We have the manufacturing box ticked. At that stage, if we have excess capital, we will return it to shareholders quickly.

I suppose the key metric as I outlined on the bottom of my notes was the main key metric for us is that 15% return on equity. We pretty much feel we're very close to that now at this stage. So next year is kind of that pivotal year for that on – for us on that.

Christen Hjorth: Brilliant. Thank you very much.

Stephen Garvey: Thank you.

Operator: Thank you. There is no further question in the queue. I'll hand it back over to your host.

Jack Gorman: Great, thank you. Thank you very much everyone for joining us today. And we'll also get on the road over the course of the next couple of weeks. Be very happy to engage and look forward to meeting with many of you on our road show. Thanks very much and good morning.

Operator: Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]