

**10 January 2018**

**Taylor Wimpey plc**

**Trading statement for the year ended 31 December 2017**

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2017, which will be announced on 28 February 2018.

### **Overview**

Pete Redfern, Chief Executive, commented:

“We achieved a strong financial and operational performance in 2017 and are continuing to deliver against our strategy. Despite wider macroeconomic uncertainty, housing market fundamentals remain solid and our trading performance has been good. We continue to increase housing completions, achieving 5% growth during the year, and ended 2017 with a good forward order book.

We were particularly pleased with the improvements in our customer satisfaction metrics during the year, which were the result of a number of changes made to our approach in 2016. In the last six months we recorded average customer satisfaction scores of over 90%, and we will continue to prioritise making further improvements in this area.

We go into 2018 with positive momentum and expect to achieve further progress against our medium term targets. Our focused strategy of managing the business through the cycle, while also driving further operational improvements, will enable us to continue to deliver long term value for shareholders.”

### **UK current trading**

Against the backdrop of a positive housing market in 2017, we continued to see good demand and trading throughout the year. Customers continued to benefit from a wide range of mortgage products, low interest rates and the Government’s Help to Buy scheme. Employment trends continue to be healthy and customer confidence remains robust.

In 2017 total home completions increased by 5% to 14,541, including joint ventures (2016: 13,881). During 2017 we delivered 2,809 affordable homes (2016: 2,690), including joint ventures, equating to 19% of total completions (2016: 19%).

Our net private reservation rate for 2017 was 0.77 homes per outlet per week (2016: 0.72), and cancellation rates remained low at 13% (2016: 13%). Average selling prices on private completions increased by 3% to £296k (2016: £286k), with the overall average selling price increasing by 4% to £264k (2016: £255k).

We ended 2017 with an order book valued at £1,628 million as at 31 December 2017 (31 December 2016: £1,682 million), excluding joint ventures. This order book represents 7,136 homes (31 December 2016: 7,567 homes), which has fallen slightly, as we have increased the pace of production so as to meet market demand in the year.

We enter 2018 with 278 outlets (31 December 2016: 285) and traded from an average of 287 outlets in 2017 (2016: 290). Build cost inflation in 2017 was 3-4% and we expect a similar rate of inflation in 2018 given resourcing pressures in the sector.

Following the introduction of a number of changes to our customer service approach in 2016, we are pleased to note an improvement in customer satisfaction, averaging a score of over 90% in the last six months.

## **Land**

The short term land market continued to be positive in 2017. As planned, we operated at broadly replacement levels given our landbank is around optimal scale. As at the end of December 2017, our short term landbank stood at c.75k plots (2016: c.76k plots). The strategic landbank has expanded further to c.117k plots (2016: c.108k plots), even after the successful conversion of c.8k plots from the strategic land pipeline into the short term landbank (2016: c.10k) in the year.

## **Spain current trading**

The Spanish market remained strong in 2017. We completed 301 homes in 2017 (2016: 304) at an average selling price of €352k (2016: €358k). The total order book as at 31 December 2017 stood at 329 homes (31 December 2016: 293 homes). We expect to report a significantly improved operating profit\* for the Spanish business in 2017 (2016: £20.6 million operating profit\*). The business is well positioned for further growth in 2018.

## **Group financial position**

We ended the year in a robust position with net cash of c.£512 million (31 December 2016: £365 million net cash), after the payment of £450 million of dividends to shareholders in 2017 (2016: £356 million).

We have now secured agreements with 90% of freeholders to enable our customers with a ten-year doubling ground rent lease to convert to an RPI-based structure, should they elect to participate in our assistance scheme. We continue to make good progress towards securing agreements with the other freeholders. Our estimate on the total cost remains in line with prior commentary.

## **Outlook**

We will report FY 2017 results in line with our expectations, and we expect to achieve further growth and performance improvement in 2018. For FY 2017 the Group will deliver an improved operating profit\* margin of c.21.2% (2016: 20.8%) and a return on net operating assets\*\* of over 32% (2016: 30.7%). We will pay a total dividend in FY 2018 of c.£500 million, subject to shareholder approvals, and reiterate our intention to make further material capital returns in 2019 and beyond, with details to be provided at our Strategy Day scheduled for H1 2018.

We start this year in a strong financial and operational position with significant embedded value in our short term landbank and strategic pipeline. Whilst we are aware of potential political and economic risks, we expect to demonstrate further progress in 2018 against our medium term financial targets, whilst also driving further operational improvements where we can add value, including customer service and product quality.

\* Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.

\*\* Return on net operating assets is defined as 12-month operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash less net tax balances, excluding any accrued dividends.

-Ends-

**Taylor Wimpey plc**

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**Notes to editors:**

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain.  
For further information, please visit the Group's website:

[www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

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