

# Taylor Woodrow Interim Results

Tuesday 10 September 2002



craftmanship



expertise



imagination

# Dr Robert Hawley Chairman

**Interim Results 2002**



Taylor Woodrow

# Agenda

Introduction

Dr Robert Hawley

Operational Highlights

Iain Napier

Financial Results

Adrian Auer

Conclusion

Iain Napier

Questions and Answers

Dr Robert Hawley



# Iain Napier Chief Executive Officer

**Interim Results 2002**



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# 2002 First Half Key Highlights

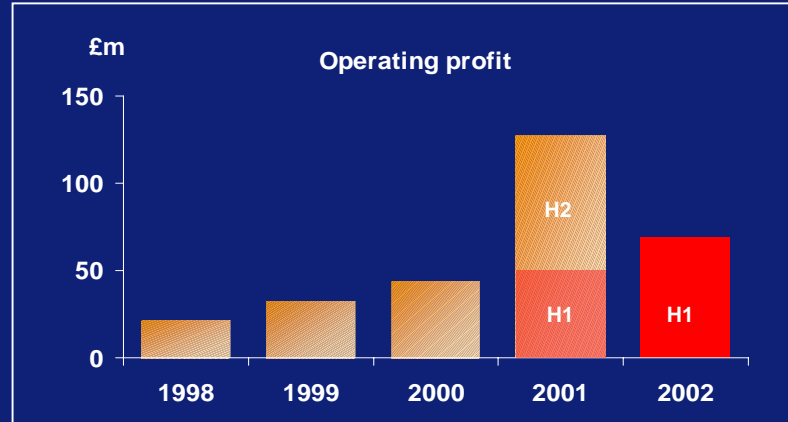
- Housing now 84% of operating profits
- Strong performance from Bryant
  - 14% growth in average selling prices
  - 17% growth in volumes
  - 39% growth in operating profits
- North American housing
  - California back to profit in H1
  - Florida and Canadian markets remain strong
- Other businesses performed well



# UK Housing

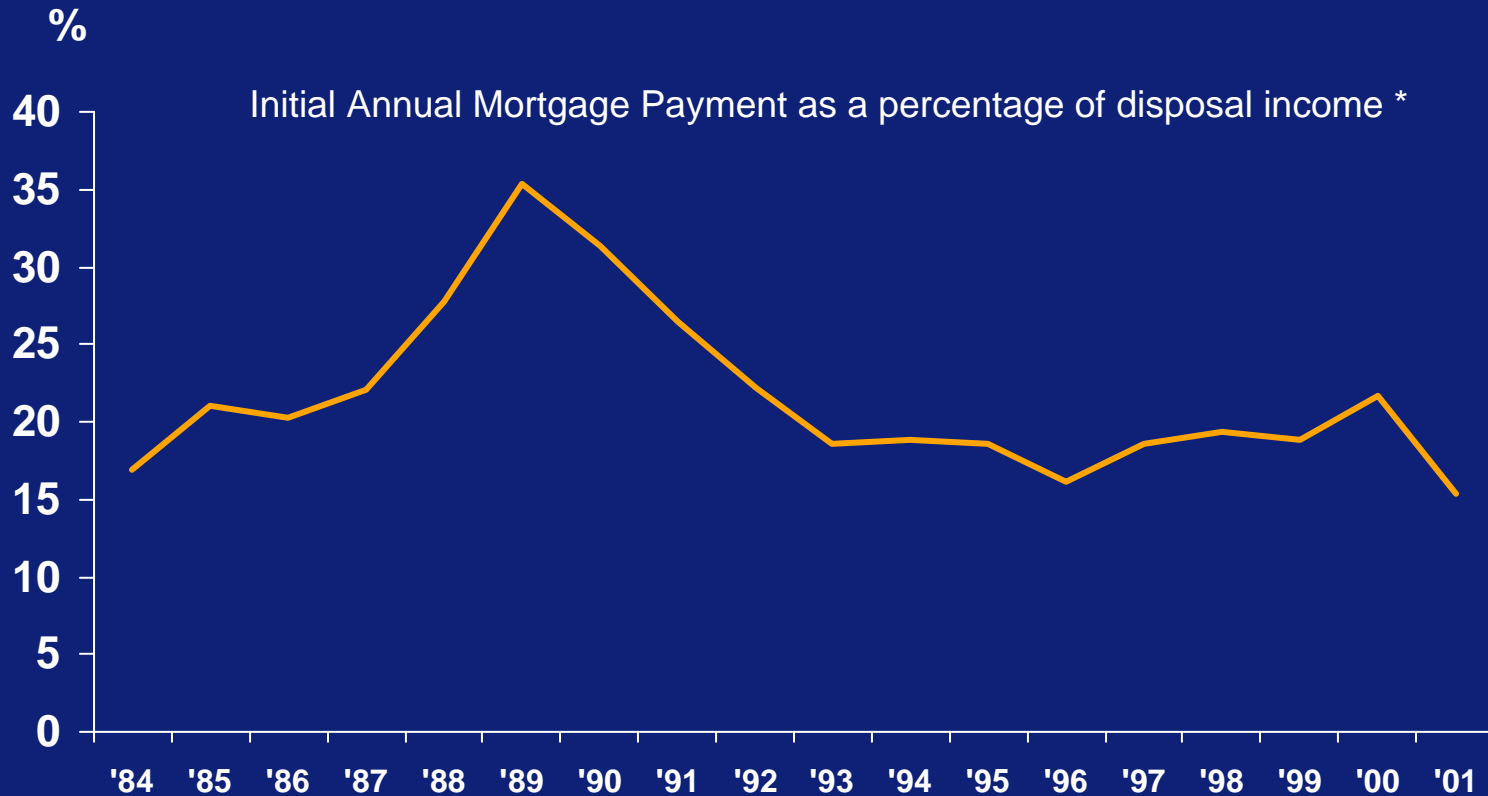


*Bishops Mead, Essex*



- Full six months operating profit from Bryant
- Bryant £399m order book, up 38% on H1 '01
- Underlying market remains favourable

# UK Housing Affordability



\* Source HBOS plc

# Bryant performance

- Lower H1 2002 number of sites will be recovered in H2 2002

– Average sites H1 2002	138
– Average sites FY 2001	152
– Year End 2002 forecast	147

- Strong land bank

– Land bank	3.3 years; 20,496 plots
– Strategic land	13,046 acres

- Large 60 acre recent MOD land purchase

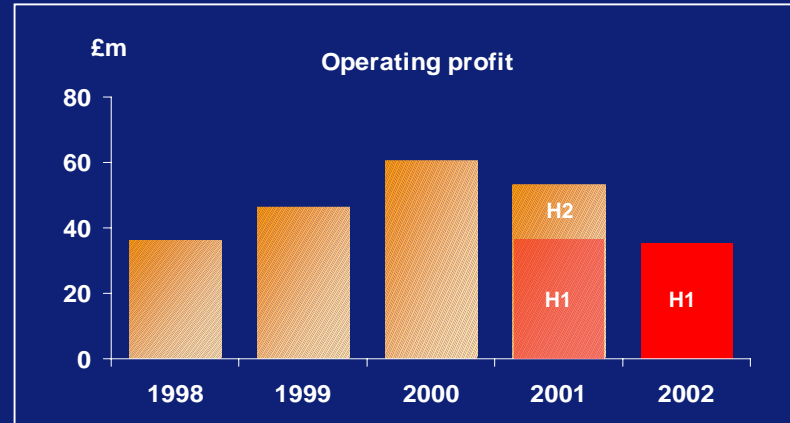




# North American Housing



Watermark, California



- Underlying operating profit up 17%
- Strong order book
- Market demand remains steady

# Journey Homes

- Acquired 15 August 2002 for £28.7m
- Phoenix market has 35,000 new starts per year
- Phoenix based developer of affordable housing
- Management committed to working with Taylor Woodrow
- Strong financial performance anticipated in 2003



# North American Housing Performance

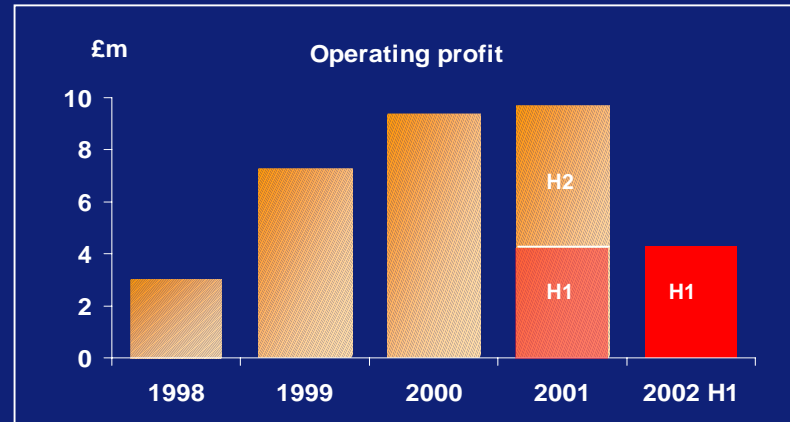
- California
  - reduced inventory of upper market homes
  - purchasing middle market lots
  - 1.8 years land bank
- Toronto
  - buoyant high rise market
  - 2.2 years land bank
- Florida
  - 3 new master planned communities launched
  - 4.7 years land bank



# Other Housing



*Los Arqueros, Spain*



- Steady profit performance
- Successful Los Arqueros development

# Other Business

- Property
  - Commercial property sales delivered £12m of profits
  - Investment property rental incomes fell by 33%
- Construction
  - Top quartile operating margin performance
  - £593m order book
  - Growing to 30% internal workload
- Investment property
  - £32m NBV disposals in H1 '02



# Adrian Auer Finance Director

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# Financial Highlights

	H1'02	H1'01		FY '01
Turnover	984.3	977.2	1%	2,138.4
Operating profit	122.4	108.7	13%	224.2
Profit before tax - reported	108.1	103.8	4%	202.3
Profit before tax - underlying*	106.5	94.5	13%	194.4
Dividends per share	2.2p	2.0p	10%	6.7p
Gearing	17.2%	28.4%		21.9%

\* Underlying PBT excludes profit on disposals

# Operating Profit Analysis

£m	H1 '02	H1 '01	FY '01
Bryant *	70.4	50.6	125.7
TWCD	(1.5)	(0.6)	2.0
North American Housing	35.1	36.1	53.4
Other Housing	4.3	4.3	9.7
Property	15.2	23.7	41.7
Construction	5.3	6.4	12.7
Goodwill	(6.4)	(4.3)	(10.7)
Restructuring	-	(7.5)	(10.3)
Group Operating Profit	122.4	108.7	224.2

\* Bryant results are after fair value adjustments of £3.8m in H1'02  
(£1.4m H1 '01, £6.4m FY '01)



# Statutory Profit and Loss Account

£m	H1 '02	H1 '01	FY '01
Turnover	984.3	977.2	2,138.4
Operating Profit	122.4	108.7	224.2
Profit from JV's	1.8	2.1	3.3
Profit on Disposals	1.6	9.3	7.9
Net Interest Payable	(17.7)	(16.3)	(33.1)
Pre-tax Profit	108.1	103.8	202.3
<i>Tax Rate</i>	<i>35.0%</i>	<i>33.0%</i>	<i>32.0%</i>
<i>Interest Cover</i>	<i>7x</i>	<i>7x</i>	<i>7x</i>

# Tax

- Goodwill/fair value adds 3.3% to tax rate
- Year end tax rate should be c.35%



# Cash Flow

£m	H1 '02	H1 '01	FY '01
Operating Profit	122.4	108.7	224.2
Working Capital	(64.1)	(70.4)	(27.2)
Depreciation/Amortisation	10.5	9.5	22.0
Acquisitions and Disposals	-	(280.3)	(280.3)
Capex and Financial Investment	35.5	63.6	129.0
Tax/Interest/Dividends	(47.0)	(57.3)	(153.2)
<b><i>Net Flow Before Financing</i></b>	<b>57.3</b>	<b>(226.2)</b>	<b>(85.5)</b>

# Balance Sheet

£m	H1 '02	H1 '01	FY '01
Shareholders' Funds	1,389.6	1,384.8	1,356.8
Net Debt	239.6	393.6	297.6
Capital Employed	1,629.2	1,778.4	1,654.4
<i>Shareholders' Funds per Share</i>	<i>251.5p</i>	<i>238.5p</i>	<i>245.9p</i>
<i>Gearing</i>	<i>17.2%</i>	<i>28.4%</i>	<i>21.9%</i>
<i>ROCE</i>	<i>15.0%</i>	<i>12.2%</i>	<i>13.6%</i>

\*Land Creditors at 30.06.02 were £64.4m (30.06.01: £57.6m)

# Bryant Performance

	H1 '02	H1 '01	FY '01
Average Selling Price (£k)	172.7	152.0	156.8
House Completion	2,476	2,121	5,115
Lots Completion	392	331	657
Turnover (£m)	463.9	343.5	847.7
Operating Profit (£m)	70.4	50.6	125.7
Operating Margin (%)*	15.2	14.7	14.8
ROCE (%)	19.4	13.7	17.1

\* Pre fair value operating margins were 16.0% in H1 '02  
(15.1% in H1 '01, 15.6% FY '01)

# N American Housing Performance

	H1 '02	H1 '01	FY '01
Average Selling Price (£k)	215.8	318.1	319.0
House Completions	902	714	1,569
Lots Completions	473	1,821	2,305
Turnover (£m)	220.4	290.7	581.3
Operating Profit (£m)	35.1	36.1	53.4
Operating Margin (%)	15.9	12.4	9.2
ROCE (%)	22.7	20.7	18.9

# Property Performance

£m	H1 '02	H1 '01	FY'01
Net Rental Income			
- <i>Commercial Properties</i>	0.5	2.6	3.9
- <i>Investment Properties</i>	7.7	11.5	18.3
Commercial Profits	12.1	13.4	29.2
Overheads/Other Income	(5.1)	(3.8)	(9.7)
<b>Operating Profit</b>	<b>15.2</b>	<b>23.7</b>	<b>41.7</b>
<i>UK Property</i>	13.6	17.3	35.4
<i>Other Property</i>	1.6	6.4	6.3

# Construction performance

£m	H1' 02	H1' 01	FY' 01
External turnover *	179.4	221.6	438.7
Underlying profit (margin %)	5.3 (3.0%)	6.4 (2.9%)	12.7 (2.9%)
Redundancy /restructuring	-	(0.8)	(1.9)
Operating profit	5.3	5.6	10.8
Profit on disposal of properties	-	-	0.2
PFI joint ventures	1.7	2.0	3.2
PFI interest expense	(1.8)	(2.1)	(4.1)
PFI investment disposal	0.1	6.8	6.4
Net interest income	2.8	2.5	6.3
Profit before tax	8.1	14.8	22.8

\* Total turnover comprised of £179.4m of external work and £37.8m of internal work.



# Iain Napier Chief Executive Officer

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# Outlook

- Bryant Homes
  - Targeting 6,000+ completions for full year
  - More sites to open in second half
  - House price inflation may slow down in H2
- North American Housing
  - All markets enjoying strong performance
- Other Businesses
  - Property to have 2-3 more completions in H2
  - Construction to maintain operating margins



# One Taylor Woodrow

- Focus on key processes
- Simplification of organisational structure
  - Clearer, shorter reporting lines
  - Rationalisation of regional offices
  - Relocation of support functions and corporate offices

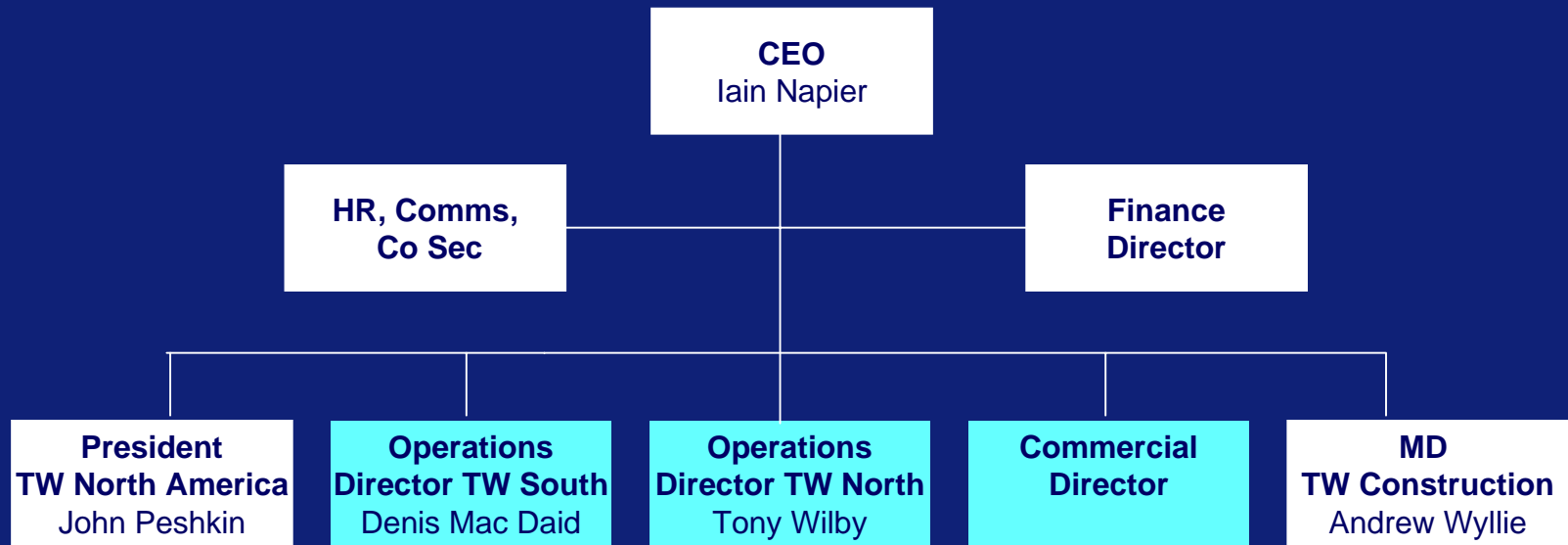


# Value Processes

- Providing a quality land bank
- Leveraging when purchasing services & materials
- Delivering projects on time and budget
- Succeeding in complex mixed use schemes



# One Taylor Woodrow



- London
- South East
- Eastern
- South West
- Thames Valley & Wessex
- Spain/Gibraltar

- Scotland
- West Midlands
- North West
- East Midlands
- Yorkshire & North East

- Land & Planning
- Sales & Marketing
- Supply Chain
- Business Strategy
- Technical Services

# One Taylor Woodrow Savings

£m	Profit and Loss	Cash
2002	(12)	(10)
2003	21	28
2004	30	34

- Annual savings of £21m in 2003, rising to £30m in 2004
- Costs of £12m in 2002



# Conclusion

- Clearly focused on value
- Housing is the driver of future growth
- Bryant in excellent shape - record order book
- California back in profit
- Other North American businesses performing well
- Further cost savings to come in 2003
- Financially strong position gives us further growth options



# Questions & Answers

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# Handouts

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# Next Guidance to Market

- Pre close period trading statement Dec '02/Jan '03
- Prelims 2003 4 Mar '03



# Historic Operating Profit

£m	H1 '02	H1 '01	2001	2000	1999
UK Housing	68.9	50.0	127.7	43.6	32.4
North American Housing	35.1	36.1	53.4	60.6	46.4
Other Housing	4.3	4.3	9.7	9.4	7.3
Property	15.2	23.7	41.7	48.8	43.4
Construction	5.3	6.4	10.8	1.1	2.8
Goodwill	(6.4)	(4.3)	(10.7)	-	-
Integration Costs	-	(7.5)	(8.4)	-	-
Other <i>(Mainly Greenham)</i>	-	-	-	2.2	7.0
<b>Operating Profit</b>	<b>122.4</b>	<b>108.7</b>	<b>224.2</b>	<b>165.7</b>	<b>139.3</b>

# Interest

£m	Interest for 6 months	Average Balance	Average Rate	Balance 30 June '02
Fixed Rate Debt	16.5	391.9	8.4%	443.8
Floating Rate Debt	1.8	66.8	5.4%	19.3
Cash Balances	(2.4)	(114.1)	4.2%	(223.5)
FRS 9 JV interest	1.8			
Total	<u>17.7</u>			

- Average interest rate for fixed debt at 30 June 2002 is 7.6%

# Turnover variances



# PBT variances



# Exchange & dividends

Exchange (£m)	N American	Other	Total
Turnover	(12.9)	0.7	(12.2)
Operating profit	(1.9)	0.2	(1.7)
Profit before tax	(1.9)	0.2	(1.7)

	(US)	(CAN)
2002 H1 Exchange Rate	1.49	2.30
2001 H1 Exchange Rate	1.42	2.17

## Dividends

Dividend up 10% to 2.2p

# First Half v Second Half

%	Operating Margins		
	2002 H1	2001 H2	2001 FY
Bryant*	15.2	14.9	14.8
TWCD	(7.5)	10.3	5.3
N American Housing	15.9	5.9	9.2
Other Housing	19.7	18.1	17.2
Construction	3.0	2.9	2.9
Property	19.4	19.1	23.6
Total*	13.1	10.7	11.4

\* pre goodwill and integration costs



# Adjusted Earnings per Share

	H1'02	H1'01
	No. m	No. m
– Opening Shares	551.5	383.0
– Bryant Issue	-	196.3
– Options	1.0	1.2
– Closing Shares	552.5	580.5
– Weighted Average	549.8	492.5
	£m	£m
– Net Earnings	69.9	68.4
– Add Net Exceptional Costs	-	5.0
– Adjusted Earnings	69.9	73.4
<b>Adjusted Earnings per Share</b>	<b>12.7p</b>	<b>14.9p</b>

# Fair Value Adjustment

- H1 '02 fair value charge of £3.8m
- Future fair value adjustments (timing depends on land utilisation)

2002	2003	2004	2005	2006	After
(£8-10m)	(£7-9m)	(£4m)	(£2m)	(£1m)	(£1.2m)

# UK Land Bank

	Bryant H1'02	TW Capital Development H1'02	Bryant H1 '01	TW Capital Development H1 '01
Plots Owned/Controlled with Planning (plots)	20,496	1,346	16,566	1,124
Net Book Value (£m)	581.9	45.3	547.9	18.2
Average Land Cost per Home Owned Lots (£k)	38.7	33.7	35.6	16.2
Land Cost/House Price Ratio (%)	22.4	11.3	23.4	2.8

# Bryant Homes Analysis

	Southern	Central	Northern	Scotland	Total
Plots Owned	4,563	4,467	4,108	1,902	15,040
Controlled Plots	<u>2,402</u>	<u>1,561</u>	<u>592</u>	<u>901</u>	<u>5,456</u>
Total Plots with Planning	6,965	6,028	4,700	2,803	20,496
Total NBV (£m)	221.1	168.6	109.7	82.5	581.9
Land Bank Years	3.4	2.5	4.3	4.4	3.3
Completions (homes)	827	941	397	311	2,476
<i>Mvmt since H1 '01</i>	+40.4%	+23.0%	+0.3%	(16.2%)	+16.7%
ASP (£k)	200.8	155.9	151.4	175.6	172.7
<i>Mvmt since H1 '01</i>	+0.4%	+17.9%	+21.7%	+20.2%	+13.6%
ASP/sq ft (£k)	186	140	136	130	153
Forward Order Book (units)	747	488	643	390	2,268
<i>Mvmt since H1 '01</i>	+26%	(10%)	+89%	+120%	+38%

# Bryant Sales Mix

	Bryant H1'02	%	Bryant H1 '01	%
1 bed	105	4	54	3
2 bed	629	25	518	24
3 bed	755	31	690	32
4 bed	904	37	821	39
5+ bed	83	3	38	2
Total	2,476		2,121	
Made up of:				
- Houses	1,855	75	1,747	82
- Apartments	621	25	374	18

# Bryant Land Bank

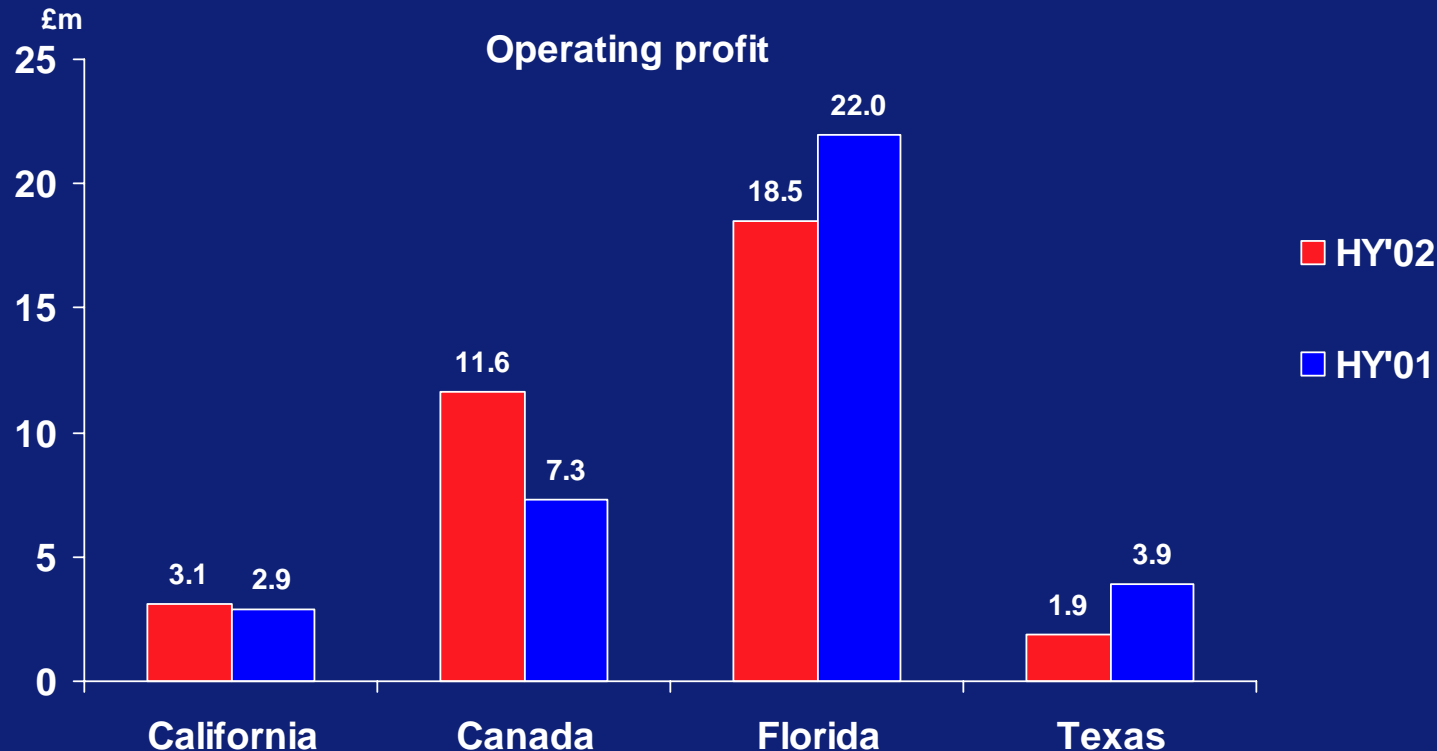
	Plots
Owned Land Bank at 01.01.2002	14,369
Planning Changes	215
Purchases	3,324
Completions - Houses	(2,476)
Completions - Lots	(392)
Owned Land Bank at 30.06.2002	15,040



# TWCD Performance

	H1 '02	H1 '01	FY '01
Average Selling Price (£k)	298.9	578.5	332.6
House Completions	61	21	111
Lots Completions	-	-	-
Turnover (£m)	20.0	12.4	37.6
Operating Profit (£m)	(1.5)	(0.6)	2.0
Operating Margin (%)	(7.5)	(4.8)	5.3
ROCE (%)	(3.1)	(2.2)	2.3

# North American Housing Performance



- Florida and Texas benefited in H1 '01 from £6.2m of one-off lot sales



# North American Housing Performance

	California		Canada		Florida		Texas		Total	
	H1		H1		H1		H1		H1	
	'02	'01	'02	'01	'02	'01	'02	'01	'02	'01
<b>Completions</b>										
- Homes	111	180	656	353	118	160	17	21	902	714
- Lots	4	2	183	158	270	1,225	16	436	473	1,821
<b>ASP (£) *</b>										
- Homes	675	658	95	133	445	356	280	225	216	318
- Lots	236	165	32	23	45	32	100	26	43	30

\* Average Selling Price

# North American Land Bank

	California	Canada	Florida	Texas	Total
Owned Plots	438	4,079	3,299	1,985	9,801
Planning Change	(3)	131	(28)	-	100
Purchases	233	277	228	1	739
Completions	(115)	(839)	(388)	(33)	(1,375)
Owned Plots	553	3,648	3,111	1,953	9,265
Land Bank Years	1.8	2.2	4.7	17.8	3.4

# Other Housing Performance

	H1 '02	H1 '01	FY '01
Average Selling Price (£k)	139.2	153.8	126.7
House Completions	153	92	301
Lots Completions	2	262	1,493*
Turnover (£m)	22.3	26.6	56.4
Operating Profit (£m)	4.3	4.3	9.7
Operating Margin (%)	19.7	16.2	17.2
ROCE (%)	35.2	13.8	38.0

\* Representing the sale of the Australian housing business in 2001