Focused on driving performance and protecting value

“I am pleased with the operational discipline our teams have shown in controlling costs and managing working capital to protect stakeholder value.”

Chris Carney
Group Finance Director

Income statement

Group revenue was £3,514.5 million in 2023 (2022: £4,419.9 million), with Group completions, excluding JVs, being 22.7% lower at 10,766 (2022: 13,932). The UK average selling price on private completions increased by 5.1% to £370k (2022: £352k), due to both house price inflation and positive mix. The increase in the total UK average selling price was 3.5% to £324k (2022: £313k) as a result of the greater proportion of affordable housing in 2023 (23%) than the prior year (2022: 21%), and a small increase in the UK average selling price on affordable housing to £168k (2022: £166k).

Group gross profit decreased to £716.5 million (2022: £1,132.4 million), the impact of build cost inflation and fixed build and selling costs being absorbed over fewer completions, resulting in a gross margin of 20.4% (2022: 25.6%).

Net operating expenses were £248.7 million (2022: £304.9 million), the comparative including £80.0 million of exceptional costs relating to the cladding fire safety provision following the signing of the Government's Building Safety Pledge for Developers in April 2022, with no such amount in the current year. Excluding exceptional costs, the net operating expenses were £248.7 million (2022: £224.9 million), which was predominantly made up of administrative costs of £232.7 million (2022: £220.7 million). The increase in administrative costs over the comparative period was driven mainly by the non-recurring costs associated with the change programme announced at the start of the year and the annual pay review process, partially offset by a portion of the savings associated with the change programme. This resulted in a profit on ordinary activities before financing of £467.8 million (2022: £827.5 million), £467.8 million (2022: £907.5 million) excluding exceptional items.

Value distributed during 2023

Contribution to local communities via planning obligations

£405.2m

(2022: £454.6m)

Employment

£270.7m

(2022: £290.0m)

Dividends paid in year

£337.9m

(2022: £323.8m)

Group financial review continued

Completions from joint ventures in the year were 82 (2022: 222). The lower level was a result of both the current market and the status of the joint ventures' developments. As a result of the decreased joint venture completions, the share of joint ventures' profit in the period was £2.4 million (2022: £15.9 million). When including this in the profit on ordinary activities before financing, the resulting operating profit* was £470.2 million (2022: £923.4 million), delivering an operating profit margin* of 13.4% (2022: 20.9%). The total order book value of joint ventures as at 31 December 2023 decreased to £6 million (31 December 2022: £26 million), representing nine homes (31 December 2022: 56).

The net finance income of £3.6 million (2022: £15.5 million expense) represents interest earned on deposits in the current year, more than offsetting the imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme.

Profit on ordinary activities before tax decreased to £473.8 million (2022: £827.9 million). The total tax charge for the period was £124.8 million (2022: £184.3 million), a rate of 26.3% (2022: 22.3%); the prior year included a credit of £17.6 million in respect of the exceptional charge recognised in that year and a £1.7 million credit arising from the remeasurement of the Group's UK deferred tax assets following the introduction of the new Residential Property Developer Tax. The pre-exceptional tax charge was £124.8 million (2022: £201.9 million), representing an underlying tax rate of 26.3% (2022: 22.2%).

As a result, profit for the year was £349.0 million (2022: £643.6 million).

Basic earnings per share was 9.9 pence (2022: 18.1 pence). The adjusted basic earnings per share* was 9.9 pence (2022: 19.8 pence).

Spain

Our Spanish business primarily sells second homes to European and other international customers, with a small proportion of sales being primary homes for Spanish occupiers. The business completed 410 homes (2022: 381) with the average selling price increasing to €400k (2022: €383k), due to regional mix. The total order book as at 31 December 2023 increased to 490 homes (31 December 2022: 448 homes).

Gross margin decreased to 28.1% (2022: 29.7%), due to timing variances on the recognition of sales commissions that had a positive impact on the prior year; this flowed through to an operating profit* of £35.3 million (2022: £32.6 million) and an operating profit margin* of 24.7% (2022: 26.2%).

The total plots in the landbank stood at 2,755 (31 December 2022: 2,544), with net operating assets* of £94.0 million (31 December 2022: £89.8 million).

2023 Group results

	UK	Spain	**Group**
Completions including joint ventures	10,438	410	**10,848**
Revenue (£m)	3,371.7	142.8	**3,514.5**
Operating profit* (£m)	434.9	35.3	**470.2**
Operating profit margin* (%)	12.9	24.7	**13.4**
Profit before tax and exceptional items (£m)			**473.8**
Profit for the year (£m)			**349.0**
Basic earnings per share (p)			**9.9**
Adjusted basic earnings per share* (p)			**9.9**

Group financial review continued

Balance sheet

Net assets at 31 December 2023 increased marginally to £4,523.4 million (31 December 2022: £4,502.1 million), with net operating assets* increasing by £204.2 million, 5.6%, to £3,823.7 million (31 December 2022: £3,619.5 million). Return on net operating assets* decreased to 12.6% (31 December 2022: 26.1%) primarily due to the reduction in Group operating profit in the year, and to a lesser extent by the increase in average net operating assets. Group net operating asset turn* was 0.94 times (31 December 2022: 1.25), reflecting the decreased revenue in the year.

Land

Land as at 31 December 2023 decreased by £158.8 million in the year to £3,269.5 million as the highly selective approach to acquiring new land continued throughout the year, resulting in land creditors decreasing to £516.1 million (31 December 2022: £725.6 million). Included within the gross land creditor balance is £44.9 million of UK land overage commitments (31 December 2022: £43.0 million). £301.2 million of the land creditors is expected to be paid within 12 months and £214.9 million thereafter.

As at 31 December 2023, the UK short term landbank comprised 80,323 plots (31 December 2022: 82,830), with a net book value of £2.8 billion (31 December 2022: £2.9 billion). Short term owned land had a net book value of £2.7 billion (31 December 2022: £2.8 billion), representing 61,190 plots (31 December 2022: 63,088). The controlled short term landbank represented 19,133 plots (31 December 2022: 19,742).

The value of long term owned land decreased to £242 million (31 December 2022: £311 million), representing 34,319 plots (31 December 2022: 36,646), with a further total controlled strategic pipeline of 107,676 plots (31 December 2022: 107,739). Total potential revenue in the short and long term owned and controlled landbank was £61 billion (31 December 2022: £61 billion).

Work in progress (WIP)

Total WIP investment, excluding part exchange and other, increased to £1,871.0 million (31 December 2022: £1,725.9 million) due primarily to build cost inflation. This also resulted in average WIP per UK outlet to increase to £7.6 million (31 December 2022: £6.4 million).

Provisions and deferred tax

Provisions decreased to £286.7 million (31 December 2022: £290.3 million), primarily due to utilisation of the cladding fire safety provision (£16.8 million) as works have been carried out, which was offset by increases in other provisions which largely relate to remedial works on a limited number of sites around the Group.

Our net deferred tax asset of £23.4 million (31 December 2022: £26.0 million) relates to our pension deficit and UK and Spanish provisions that are tax deductible when the expenditure is incurred.

Pensions

As a result of the 31 December 2019 triennial valuation, a funding arrangement was agreed with the Trustee of the Taylor Wimpey Pension Scheme (TWPS) that committed the Group to paying up to £20.0 million per annum into an escrow account between April 2021 and March 2024.

"As at 31 December 2023, the UK short term owned landbank comprised 61,190 plots, with a net book value of £2.7 billion."

Chris Carney
Group Finance Director

Pension contributions

£22.2m

(2022: £22.5m)

Taxes

£155.9m

(2022: £208.7m)

Following an initial contribution totalling £10.0 million, all further payments into the escrow account are subject to a quarterly funding test, effective from 30 September 2021. Should the TWPS Technical Provisions funding position at any quarter end be 100% or more, payments into the escrow account are suspended and would only restart should the funding subsequently fall below 98%. The funding test at 30 September 2021 showed a funding level of 103% and has remained above 100% since then and therefore escrow payments were suspended on, and from, 1 October 2021. The most recent funding test at 31 December 2023 showed a surplus of £54 million and a funding level of 103.3% and as a result no payment into escrow is due in the first quarter of 2024.

The Group continues to provide a contribution for Scheme expenses (£2.0 million per year) and also makes contributions via the Pension Funding Partnership (£5.1 million per year). Total Scheme contributions and expenses in the period were £7.1 million (2022: £7.1 million) with no further amounts paid into the escrow account (2022: nil). At 31 December 2023, the IAS 19 valuation of the Scheme was a surplus of £76.7 million (31 December 2022: £76.6 million). Due to the rules of the TWPS, any surplus cannot be recovered by the Group and therefore a deficit has been recognised on the balance sheet under IFRIC 14. The deficit is equal to the present value of the remaining committed payments under the 2019 triennial valuation. Retirement benefit obligations of £26.5 million at 31 December 2023 (31 December 2022: £29.9 million) comprise a defined benefit pension liability of £26.3 million (31 December 2022: £29.6 million) and a post-retirement healthcare liability of £0.2 million (31 December 2022: £0.3 million).

Group financial review continued

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The triennial valuation of the TWPS with a reference date of 31 December 2022 is in progress.

Net cash and financing position

Net cash decreased to £677.9 million at 31 December 2023 from £863.8 million at 31 December 2022, due to the settlement of land creditors and payment of dividends in the year. Average net cash for the year was £606.6 million (2022: £595.7 million).

The decrease in completions caused cash generated from operations to decrease in the year and resulted in a cash conversion* of 61.4% of operating profit for the year ended 31 December 2023 (2022: 76.3%).

Net cash, combined with land creditors, resulted in an adjusted gearing* of (3.6)% (31 December 2022: (3.1)%).

At 31 December 2023, our committed borrowing facilities were £687 million, of which the revolving credit facility was undrawn throughout the year. In July 2023, the Group renewed its revolving credit facility, increasing it to £600 million with a maturity of July 2028 and the option to request an extension for two further years. In December 2022, the Group entered into an agreement to refinance the €100 million 2.02% senior loan notes due June 2023 with €100 million 5.08% senior loan notes due June 2030. The weighted average maturity of the committed borrowing facilities at 31 December 2023 was 4.8 years (31 December 2022: 1.9 years).

The new revolving credit facility includes three sustainability-linked performance targets, which adjust the margin by a small amount. The three performance targets are: (1) reductions in scope 1 and 2 GHG emissions; (2) reductions in waste; and (3) reductions in carbon emissions of the homes we build.

Dividends

Subject to shareholder approval at the AGM scheduled for 23 April 2024, the 2023 final ordinary dividend of 4.79 pence per share will be paid on 10 May 2024 to shareholders on the register at the close of business on 2 April 2024 (2022 final dividend: 4.78 pence per share). In combination with the 2023 interim dividend of 4.79 pence per share, this gives total ordinary dividends for the year of 9.58 pence per share (2022 ordinary dividend: 9.40 pence per share).

The dividend will be paid as a cash dividend, and shareholders have the option to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which are available on our website www.taylorwimpey.co.uk/corporate.

Going concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provide both the necessary liquidity and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the financial statements are prepared on a going concern basis, see Note 1 of the financial statements for further details of the assessment performed.

Definitions of APMs

- Operating profit is defined as profit on ordinary activities before financing, exceptional items and tax, after share of results of joint ventures.
- Operating profit margin is defined as operating profit divided by revenue.
- Return on net operating assets (RONOA) is defined as rolling 12 months' operating profit divided by the average of the opening and closing net operating assets of the 12-month period, which is defined as net assets less net cash, excluding net taxation balances and accrued dividends.
- Tangible net assets per share is defined as net assets before any accrued dividends excluding intangible assets divided by the number of ordinary shares in issue at the end of the period.
- Adjusted basic earnings per share represents earnings attributed to the shareholders of the parent, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.
- Net operating asset turn is defined as 12 months' rolling total revenue divided by the average of opening and closing net operating assets of the 12-month period.
- The Annual Injury Incidence Rate (AIIR) is defined as the number of incidents per 100,000 employees and contractors, calculated on a rolling 12-month basis, where the number of employees and contractors is calculated using a monthly average over the same period.
- Net cash is defined as total cash less total borrowings.
- Cash conversion is defined as operating cash flow divided by operating profit or loss on a rolling 12-month basis, with operating cash flow defined as cash generated by operations (which is before income taxes paid, interest paid and payments related to exceptional charges).
- Adjusted gearing is defined as adjusted net debt divided by net assets.
- Adjusted net debt is defined as net cash less land creditors.

A reconciliation of Alternative Performance Measures to statutory measures is disclosed in Note 32 of the financial statements.

* Definitions and reconciliations of our APMs to the equivalent statutory measures are included in Note 32 of the financial statements.