



Chief Executive's statement

Delivering on what we set out to do and building for the future



Having successfully navigated through an uncertain 18 months, our focus remains on optimising value across all areas of the business while investing in our long term success."

Jennie Daly
Chief Executive



Scan to see Chief Executive Jennie Daly and Group Finance Director Chris Carney presenting our Full Year 2023 results

Dear shareholder,

We came into 2023 in a strong financial position, which stood us in good stead in what was a challenging year for the industry and for our customers, who were impacted by both cost of living challenges and significantly increased mortgage rates. With a strong balance sheet and landbank, experienced management team and a focus on execution and cost discipline, I am extremely pleased to report to you that we delivered a good set of results in these challenging market conditions.

We couldn't achieve this without the dedication of our employees and supply chain partners. Almost 60% of our staff are currently shareholders or are participating in one or more employee share plan, further directly aligning their interests with you, our shareholders.

Delivering in a challenging market

2023 saw UK total housing transactions reduce substantially due to higher mortgage costs, cost of living pressures and lower consumer confidence. To give you a sense of the change experienced by our customers, in 2023, the base rate was at its highest since 2007, more than 15 years ago, and we entered the year with energy costs at historic highs.

Trading in the first quarter of 2023 was encouraging as mortgage rates eased back from the peak of 2022. However, higher than expected inflation in the second quarter led to rate increases culminating in the base rate rising to 5.25%, well above initial market expectations. Whilst remaining high compared to recent years, mortgage rates started to fall towards the end of the year. You can read more about the market environment on pages 21 to 29.

Against that backdrop, I am pleased we delivered Group completions, including joint ventures, of 10,848 homes (2022: 14,154) and £470.2 million operating profit*, which was at the top end of guidance (2022: £923.4 million), with an operating profit margin* of 13.4% (2022: 20.9%). You can read more about our financial performance on pages 78 to 81.

We operate in a cyclical industry, therefore the ability to navigate changing economic conditions is central to our success and we are pleased that we have been able to perform strongly in a weaker market.

Our business and strategy is deliberately set up to perform through the cycle and our differentiated Ordinary Dividend Policy reflects this and I'm very pleased that shareholders continue to see the benefit of this. Due to the strength of the balance sheet and having been tested against our clear capital allocation framework and Ordinary Dividend Policy, I am delighted we have continued to pay a dividend returning £337.9 million to our shareholders in 2023.

2023 decisive management action

Given the challenging market conditions in 2023, our highly experienced teams focused on driving value through all the levers available to us. Cost discipline was a core focus, especially given the inflationary environment and we took appropriate action across all areas of operations. In particular, we tightened controls across our work in progress and restricted all discretionary spend, including recruitment.

In 2023, we conducted a detailed review to ensure our customer offering remains competitive which targeted cost savings.

In early 2023, we delivered annualised cost savings of £19 million with a one off cost to achieve these of £8 million.



Chief Executive's statement continued

We also significantly reduced land approvals. With our sector leading strategic land pipeline and the expertise of our teams, we benefitted from a high level of strategic conversion in the year at c.8k plots (2022: c.4k plots). Our strategic land pipeline is a key competitive advantage in a challenging planning environment and, accordingly, our short term landbank remains strong at c.80k plots (2022: c.83k plots).

Building for the future

While much of our focus in 2023 has rightly been on protecting value and optimising the here and now, a key priority has been to continue to invest in the things that matter for the long term success of the business and to ensure we are poised for recovery and future growth, when conditions allow. This includes continuing to invest in training our highly engaged workforce to ensure they have the appropriate skills to drive the business forward. This is reflected by the theme of this year's Annual Report and Accounts, 'Building for the future'.

We believe a holistic future focus is needed for success across every area of the business which includes the important area of ESG. Continuous business improvement also remains fundamental to how we protect stakeholder value against a backdrop of increasing regulatory and economic demands. This includes componentisation, standardisation and modern methods of construction such as timber frame. Our approach to standardisation and simplification, which I first set out in May 2022, will play a crucial role in allowing us to protect value and scale up at the appropriate time and we have continued to embed this in the business. During 2023, as part of our investment in the future, we opened our own timber frame facility located adjacent to our logistics function in Peterborough to drive efficiencies,

environmental benefits and enhance security of supply. In combination with our existing suppliers, our own facility will help us in our goal to increase timber frame usage to 30% of our production by 2030. The first units will be delivered to our business in 2024.

We are also ensuring a positive approach to continued innovation and R&D and we are pushing ourselves to be more ambitious, than we have been historically, in some areas such as IT which will benefit the business in the longer term.

This year we have launched our zero carbon ready homes prototypes as we prepare for the Future Homes Standard, a generational step change in building regulations. At our site in Sudbury, we delivered a Future Homes Standard pilot, which was an industry first on a live development site. Five prototype zero carbon ready homes tested a range of innovative technologies and over 450 stakeholders from employees, investors to MPs and customers have visited our site to ask questions and provide feedback. We fundamentally believe we have a responsibility to do what we can to support the wider sector, particularly smaller homebuilders (SMEs). Accordingly, we have shared the lessons and insights learnt on Sudbury with the Future Homes Hub and held a separate SME call and presentation.

Delivering value through our purpose

Our purpose is to build great homes and create thriving communities. We believe having a shared purpose across our whole business and value chain is critical and I am delighted to say I see this in action every day on our sites and in our local businesses. While relatively simple, our purpose not only is vital for our customers but also has far reaching societal impacts of which we are extremely proud.

Delivering for our communities

In 2023, we invested £405m in the communities in which we build via planning obligations, including:



Education

£53.2m

(2022: £47.5m)



Public transport

£6.0m

(2022: £4.8m)



Public open space / sports pitches / play areas

£5.9m

(2022: £5.8m)



Highways

£7.0m

(2022: £9.3m)

We build much needed homes, create new and enhance existing communities, deliver much needed infrastructure and are a significant contributor to local economies across the UK.

We are part of an industry that has the opportunity to transform not just places but the privilege to directly improve lives. New housing can contribute to improved economic and social mobility, community cohesion and renewal, better health outcomes and increased educational attainment.

As a national builder operating at a local level throughout the UK, we want to be seen as a valuable partner to the communities we work in and welcome the responsibility that goes along with this. We work hand in hand with local residents and other businesses to not only demonstrate the value of what we can bring to a local area, but to hear their aspirations and concerns and, where we can, look to fulfil and address these. A key part of this is a commitment to deliver on our promises, and address the things that haven't gone as we hoped, promptly and in the right way.

During 2024, the UK will be holding local and mayoral elections across the country, in addition to a General Election expected in the second half of the year. We welcome the recognition from both main political parties of the importance of housebuilding to economic growth and prosperity in the UK and continue to engage with the full range of political stakeholders at every level of the business.

We have a strong culture at Taylor Wimpey which is very visibly demonstrated in our latest employee survey with a 93% engagement score. We can gain more insight through our local and national employee forums and all employee Q&A and engagement sessions which I personally run regularly with the senior team.



Chief Executive's statement continued

I have spent a lot of this year out and about in the business and on site and speaking to employees, and their feedback has been extremely valuable. We are proud of our approach to talent development at Taylor Wimpey. 45% of our regional business unit management teams have been promoted from within Taylor Wimpey and 62% of Site Managers were promoted from within the business. We have a low voluntary turnover level of 14.2% (2022: 17.7%). During 2023 we introduced a new employee recognition scheme, giving employees with long service additional holiday.

While I am very pleased with the performance of the business, there are areas we need to continue to work on. Customer service was a real focus for 2023 and while we have increased our 8-week 'Would you recommend score' to 92% (2022: 90%), we have not yet seen the same increase in our 9-month score and we will be ensuring that we address this area in 2024.

Strategy and 2024 priorities

Our strategy is to build a stronger and more resilient business and deliver superior returns. This has been a consistent strategy for the Group over several years as we seek to manage the business through the cycle for the benefit of all stakeholders. Our strategy is centred on four strategic cornerstones: land, operational excellence, sustainability and capital allocation. These strategic cornerstones guide our principles of working but allow us to be flexible and agile even during challenging and volatile market conditions.

This approach enables us to optimise value for our stakeholders and, through our differentiated Ordinary Dividend Policy, to provide a reliable income stream for our investors through the cycle.

Our strategic cornerstones



Land

An agile approach to optimising value

- Focused on progressing land through the planning system to open quality outlets
- Strong landbank a benefit in difficult planning environment and enables a selective approach to new land, balancing value and risk

i Read more on **pages 31 to 32**



Operational excellence

Driving efficiency and execution

- Continued focus on driving performance
- Investing in the long term success and sustainability of business
- Advanced preparation for changing regulations
- Optimising value across all areas of the business

i Read more on **pages 33 to 34**



Sustainability

Investing to protect long term value for stakeholders

- Continue to advance environment strategy
- Embed net zero plan in business
- Creating thriving communities through placemaking
- Prioritise value over volume

i Read more on **pages 35 to 36**



Capital allocation

A clear and disciplined approach

- Maintain a strong balance sheet
- Funding business needs including land investment and WIP
- Clear and sustainable ordinary dividend to provide visibility to shareholders

i Read more on **pages 37 to 38**



2024 priorities

As we look forward in 2024 and beyond, we will continue to prioritise value over volume. Driving increased operating efficiency, cost savings and value improvement will remain a key focus for our business, but we will also continue to invest in areas that matter for the long term success and sustainability of the business to ensure we are poised for growth from 2025, assuming a supportive market.



Chief Executive's statement continued

Having successfully navigated through an uncertain 18 months, our focus remains on optimising value across all areas of the business. Our strategy encompasses building greater discipline through each element of our business model to improve efficiency, protect value and ensure we are fit for the future. In this year's Annual Report, we have increased disclosure in this important area to give you a greater insight into how we create, enhance and realise value at every stage.

Our key performance indicators, which we use to measure success and progress, are aligned to our strategic cornerstones and you can read more on pages 31 to 38.

As we look forward in 2024 and beyond, we will continue to prioritise value over volume. Driving increased operating efficiency, cost savings and value improvement will remain a key focus for our business but we will also continue to invest in areas that matter for the long term success and sustainability of the business to ensure we are poised for future growth, from 2025, assuming a supportive market.

Competition and Markets Authority (CMA) housebuilding market study

Taylor Wimpey welcomes the CMA's final report, published on 26 February 2024, from its housebuilding market study with its focus on improving the planning system, adoption of amenities and outcomes for house buyers. Taylor Wimpey notes the new investigation opened by the CMA under the Competition Act 1998, and we will cooperate fully in relation to this.

Current trading and outlook

Whilst still early in the year and at the beginning of the Spring selling season, current trading shows some encouraging signs of improvement with reduced mortgage rates positively impacting affordability and confidence in our customer base.

The year-to-date net private sales rate (w/e 25 February 2024) is 0.67 per outlet per week (2023 equivalent period: 0.62).

The cancellation rate is 12% (2023 equivalent period: 17%) and the level of down valuations remains low.

Appointments and overall customer interest in our homes remain at good levels, supported by our quality product, site locations and focused sales and marketing efforts. However, conversions from enquiry to reservation continue to take longer when compared to pre Q2 2023.

As previously noted, we came into 2024 with a lower order book against a strong comparator. As at 25 February 2024, our total order book excluding joint ventures was £1,949 million (2023 equivalent period: £2,154 million), comprising 7,402 homes (2023 equivalent period: 8,078 homes).

Accordingly, and given prevailing market conditions, we remain focused on optimising value and currently expect 2024 UK completions (excluding JVs) to be in the range of 9.5k to 10k homes, with completions weighted 45/55% in favour of the second half of the year. First half operating profit margin will reflect slightly lower pricing in the order book, build cost inflation embedded in work in progress of around 4% and investment in IT and timber frame to drive operational efficiencies.

The prevailing underlying annualised build cost inflation on new tenders is c.1% and reduces to zero when taking into account the savings arising from our value improvement programme.

Despite significantly reduced land approvals over the last 18 months our landbank, as at 31 December 2023, remains very strong at c.80k plots (2022: c.83k plots) and is underpinned by the supply of our industry leading strategic land pipeline. We will remain selective in our approach to land but will be active where we see opportunities that balance risk, reward and returns to create shareholder value. We have approved an additional c.1k plots in the year-to-date as we have crystallised deals that our teams have been working on for some time.

While the constraining impact of planning on site openings is unlikely to abate in the near-term for the sector, our strong landbank and highly experienced teams who take a proactive approach to generating high-quality planning applications, ensure we are well positioned for growth from 2025, assuming supportive market conditions. As a business in a strong financial position, we also continue to provide a reliable income stream to our investors via our differentiated Ordinary Dividend Policy to return 7.5% of net assets per annum, or at least £250 million annually throughout the cycle.

Looking ahead, Taylor Wimpey is a strong and resilient company with a strategy to manage the cycle over the long term. We operate in an attractive market with significant underlying demand for the quality homes we build. We have a clear strategy focused on driving value and operational excellence, while investing in the long term success and sustainability of the business.

Jennie Daly
Chief Executive

“Our strong landbank and proactive approach to planning ensures we are well positioned for growth from 2025, assuming supportive market conditions.”

* Definitions and reconciliations of our APMs to the equivalent statutory measures are included in Note 32 of the financial statements. Please see page 81 for definitions.