



**16 November 2015**

**Taylor Wimpey plc**

**Trading statement**

## **Overview**

Pete Redfern, Chief Executive, commented:

“We have seen an excellent summer selling season strengthen further in the autumn period, with customer confidence high and demand underpinned by rising real wages and good access to a wide range of mortgage products. Against this backdrop, we are reporting record order book levels and expect to deliver an improvement in operating profit margin of over 200 basis points in 2015 and a return on net operating assets of over 25%. As we look forward, we are particularly pleased to see that the tighter lending requirements are helping to ensure that monthly payments remain affordable and sustainable, which contributes towards a healthy outlook for both homebuyers and homebuilders.”

## **UK current trading**

The UK housing market has continued to be very positive, with high levels of customer confidence and demand converting into increased sales and healthy sales price growth. We are pleased to see that customers are increasingly benefiting from a broad choice of mortgage products, across a range of loans to value, whilst tighter lending requirements continue to help ensure that monthly payments are affordable and sustainable.

Sales rates for the year to date are ahead of last year at 0.76 sales per outlet per week (2014 equivalent period: 0.66), as we saw the strong sales rate of the second quarter continue through the traditionally slower summer period and into the autumn. For the second half to date, sales rates are c.22% above the 2014 equivalent period at 0.73 (2014 equivalent period: 0.60).

Cancellation rates for the year to date continue to remain very low at 12% (2014 equivalent period: 13%).

During the year to date we operated on an average of 301 outlets (2014 equivalent period: 306). With the higher than expected sales rates and resulting order book, outlets are generally closing slightly earlier than planned.

We are fully sold for our targeted 2015 completions and are building our order book for 2016 and beyond. As at 8 November 2015, we are c.27% forward sold for our expected 2016 private completions. The current total order book represents 8,546 homes (week ended 9 November

2014: 7,814) and stands at a record £2.1 billion, excluding joint ventures (week ended 9 November 2014: £1.7 billion).

### **Build costs**

As previously guided, build costs have increased by c.5% during 2015. These build cost increases, which have been weighted towards labour costs, continue to be more than offset by sales price growth.

The forward pressure on build costs has stabilised and, at this point, we expect to see a slightly reduced level of build cost increase during 2016 to that experienced in 2015 as more capacity returns to the sector, including through our apprentice, management and graduate trainee schemes.

### **Land and planning**

The land market remains stable, with investment operating margins averaging c.20% and remaining above historical highs. We continue to benefit from a high quality short term landbank, which is at the optimum scale for our business. This, coupled with a strong strategic pipeline, means we are focused on investing selectively in great locations - balancing high margin with a high return on capital. During 2015 we have continued to successfully drive conversions from the strategic pipeline - working with land owners, local authorities and communities to convert over 7,600 plots (as at 25 October 2015) from the strategic pipeline into our short term landbank.

We continue to evaluate the increasing number of land opportunities available which have a lower land and capital risk funding structure and a high return potential, through our Major Developments team. This will remain an area of focus and is an attractive route to creating additional value whilst further reducing future cyclical risk.

### **Spain**

The Spanish market has shown meaningful improvement in 2015. Our newly acquired sites have driven a significant improvement in the quality of sales and performance. We anticipate that the Spanish business will deliver an improved operating performance in 2015 through increased volumes and profitability (FY 2014: £4.2 million operating profit\*).

### **Group financial position**

We expect net cash at the end of 2015 to be around £220 million (31 December 2014: £112.8 million), subject primarily to the timing of cash payments on conditional land purchases and after the payment of £308 million of dividends to shareholders in 2015. We expect to make significant progress in 2015 towards our medium term target to convert an average of 65% of operating profit\* into operating cash flow for 2015 - 2017.

### **Outlook**

Against a backdrop of rising real incomes and tighter mortgage regulation with good availability and affordability, we believe that consumers have resilience to future interest rate movements.

The Housing and Planning Bill is currently at the consultation stage and we look forward to evaluating the detail in due course. The real impact, particularly in the area of Starter Homes, will only be evident following the implementation of the supporting regulation.

In the first year of our medium term targets, we expect to deliver an improvement in operating profit\* margin of over 200 basis points in 2015 (FY 2014: 17.9%) and a return on net operating assets\*\* of over 25%.

We are also firmly committed to implementing and fully embedding improvements to our customer service experience and we have started to see some month on month improvement in customer service scores.

Looking ahead, we see an ongoing healthy backdrop for the UK housing market. We continue to focus on managing the business through the cycle and delivering on our medium term financial and quality objectives.

\* 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 rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash less deferred tax balances, less any accrued dividends.

-Ends-

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#### **Notes to editors:**

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our vision is to become the UK's leading residential developer for creating value and delivering quality.

For further information, please visit the Group's website:

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

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