

17 May 2016

Taylor Wimpey plc

Analyst and Investor Day

Strategy update, enhancements to Dividend Policy and financial targets

Today Taylor Wimpey plc will host an event for analysts and institutional investors, followed by a site visit to Great Western Park, Didcot, where it will be announcing the following:

- **Enhanced Dividend Policy:**
 - Ordinary dividend significantly upgraded to approximately 5% of net assets – minimum of £150m per annum – to be paid through the cycle from 2017
 - Special dividend of £300m to be paid in July 2017
 - In addition to £300m previously confirmed to be paid in July 2016
- Increased three year medium term financial targets for 2016 – 2018, covering return on net operating assets, profitability and total dividends to shareholders
- Continued investment in the future quality of the business and commitment to drive further operational improvement

The event will also include a brief update on current trading in the UK, which remains consistent with the positive trends outlined in the trading update published on 28 April 2016.

The presentation materials will be published on www.taylorwimpey.co.uk after the event has ended.

UK housing market update

The UK new build housing market remains very positive across most of our geographies, with a healthy and controlled lending environment providing good accessibility to mortgages at competitive rates. Consumer demand and confidence remain high. In central London, the market continues to be stable.

We continue to perform well in this environment and remain on track to deliver good progress. Our strong order book position, with over 70% sold for 2016 private completions as at the end of April 2016, positions us well for the remainder of this year and beyond.

Strategy

Our strategy, set out in 2011, has been focused on driving sustainable value through the housing cycle and delivering enhanced margins and returns, whilst continuing to invest in the future profitability and quality of the business.

We have remained disciplined in the implementation of our strategy and this, together with the positive market environment, has enabled us to make significant progress towards our

financial objectives and outperform the pace of performance improvement we targeted, both in 2011, and with our medium term targets in 2014.

Against the backdrop of a growing housing market, we have tested and challenged all elements of the strategy that we have been operating to for the last five years. Following a comprehensive review process, we have concluded that the principles of our current strategy remain right for the future, and we are confident that they will continue to create the best long term value for all of our stakeholders. There are, of course, opportunities and areas for further improvement within these principles, and with the underlying strength of the business and our assets, and the changes in the external environment, we believe that we can deliver enhanced value through the housing cycle and benefit shareholders by driving the outputs of our strategy in three main areas:

- Dividend Policy;
- Increased medium term financial targets 2016 – 2018; and
- Further continuous operational improvement

Dividend Policy

Our Dividend Policy, as an output of our strategy, is inherently linked to the cyclical market in which we operate. We continue to believe that our Dividend Policy should comprise a dividend to be paid throughout all stages of the housing cycle and additional significant surplus cash returns to be made at appropriate times in the cycle.

A key objective of running the business with a focus on value and long term sustainability has been to ensure the generation of healthy cash flows which give investors a significant and reliable income stream. We are confident that the quality of our short term landbank, with the underpin of our significant strategic land pipeline, will mean that we can continue to be cash generative through the cycle, enabling us to sustain a significant ordinary dividend to shareholders on an annual basis.

The Board is therefore pleased to announce today an updated, upgraded Ordinary Dividend Policy. From 2017, subject to shareholder approval, the Company will pay an ordinary dividend of approximately 5% of Group net assets and which will be at least £150 million per annum. This is intended to provide a minimum annual return to shareholders throughout the cycle, including through a 'normal downturn'. This ordinary dividend will be paid equally as a final dividend (in May) and as an interim dividend (in October) each year.

We are operating within the optimal size range of our short term landbank of between 75-80k plots and as a result, we are in "selective land replacement" mode in the short term land market. This, together with the increased profitability of the business, means that we will continue to generate cash that is surplus to the business's requirements. Shareholders will continue to benefit from this by way of a special dividend each year.

Our Special Dividend Policy is to pay out to shareholders the free cash generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the near term and the Group's ordinary dividend have been met. The special dividend will continue to be paid in July of each year.

These policies on ordinary and special dividends will apply for dividends paid from January 2017, with the current Maintenance Dividend Policy and Special Dividend Policy applying for the balance of 2016.

In 2016, shareholders will receive a total dividend (including ordinary and special dividends) of approximately £357 million or c.11.0 pence per share, comprising of an ordinary dividend of approximately £57 million and approximately £300 million (or 9.20 pence per share) by way of special dividend.

Subject to shareholder approval at the 2017 Annual General Meeting, the Board will recommend an ordinary dividend to be paid in May 2017 of £75 million (c.2.3 pence per share) and subject to that, will then make an interim dividend to be paid in October 2017 also of £75 million (c.2.3 pence per share). In addition, and again subject to shareholder approval, the Board is also today proposing that a special dividend be paid in July 2017 of £300 million (c.9.2 pence per share).

The Board intends to keep the mechanics of how the Company will pay its special dividends under regular review.

Accordingly, it is anticipated that shareholders will receive a total of £450 million or c.13.8 pence per share in 2017, an increase of 26% from 2016. Going forward, the proposed special dividend will continue to be announced one year in advance at the half year results.

We believe our combined Ordinary and Special Dividend Policies demonstrate strong, secure cash generation by the business.

We do not believe that it is in our shareholders' interest to use significant debt in order to make cash returns, but we also do not believe that zero debt or a positive cash position is a necessary or efficient way to deliver value from the business. Our priority will continue to be to maintain our high-quality strong balance sheet.

Increased medium term financial targets 2016 - 2018

Reflecting our confidence in the business and against the backdrop of a strong, growing housing market, we are also announcing increased medium term financial objectives. These target further improvement across three key areas, having delivered a record operating performance in 2015 where we met or exceeded the targets we set out in May 2014.

We believe that medium term targets offer shareholders visibility of management's priorities for financial performance. These have been set in the context of our long term strategy, which is deliberately set to apply through the cycle. These stretching new medium term targets, each of which apply for the period from 2016 to 2018, are to achieve:

- An average annual return on net operating assets* of 30%
- An average operating profit** margin of c.22%
- A total of £1.3 billion of dividends to be paid in cash to shareholders over the period

We are confident that our strategy and medium term targets position us well to deliver the best quality and most sustainable returns for our shareholders, without the need to compromise on quality, nor take significant additional land and cyclical risk.

Further continuous operational improvement

Since returning to the short term land market in 2009, it has remained fair and balanced and it has been possible to buy high-quality land at investment operating profit** margins, in excess of what we have seen historically. We believe that the land market is structurally different in this cycle, with fewer players and higher barriers to entry with increased upfront

capital costs and expertise required to progress sites through the planning system. Our long term focus on strategic land pipeline continues to contribute significantly to our business, and ongoing success in this market, together with our new Major Developments business, gives us access to ongoing growth which will contribute to much needed housing delivery without significant additional cyclical risk.

Whilst land remains the critical raw material for the business, we believe that other factors will also be increasingly important drivers of value during this cycle and potentially into the next one. We have always been clear that our quality measures are as important to us as our financial objectives and are key to the way we run our business. We will maintain a firm focus on health and safety, which will always be our non-negotiable top priority. We will also maintain a firm focus on continued business improvement through our investment in our people, product, processes and systems, through research and development and embedding improvements to our customer service processes.

We believe that these areas will become more important during this cycle, and will become an area of clear differentiation for Taylor Wimpey and contribute to our long term success.

* 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.

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

-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 be 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

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