

27 April 2017

Taylor Wimpey plc

Trading statement for the period covering 1 January 2017 to today

Taylor Wimpey plc is holding its Annual General Meeting (AGM) at 11:00 today in London, where the following comments will be made regarding current trading, financial performance and outlook for the financial year.

Overview

Pete Redfern, Chief Executive, commented:

“We’ve had a good start to 2017, with positive customer demand and good mortgage availability supporting a strong sales rate. We remain well positioned to make further progress in 2017 which supports us in our strategy to deliver sustainable growth and returns through the cycle.

In previous election periods, we have seen a slowdown in the housing market as customers pause before making major financial decisions like buying a home. We are optimistic that in 2017, assuming no major policy changes, the upcoming General Election will not disrupt this positive market sentiment.

Our review of leases with ten year doubling ground rents is now complete and, following conversations with freeholders and lenders, we are today announcing measures which will address our customers’ concerns in an appropriate and fair manner. Whilst there is a financial cost to the Group related to this course of action, we confirm that our dividend targets and land investment programme are not impacted”.

UK current trading

In the first four months of 2017, the housing market remained positive, with continued good accessibility to mortgages at competitive rates. In central London, the market remains stable.

Against this backdrop, we have performed very well, with increasing customer demand driving a strong sales rate. Average private net reservation rates were 16% ahead of the prior year at 0.93 sales per outlet per week for the year to date (2016 equivalent period: 0.80). Cancellation rates remained low at 10% (2016 equivalent period: 11%).

Our total order book currently stands at 9,219 homes (2016 week 16: 8,811 homes), excluding legal completions to date. The total order book value has increased by 2% to approximately £2,210 million from the equivalent point last year (2016 week 16: approximately £2,168 million), and by 31% from the year end.

Land portfolio, planning and outlets

The short term land market remains stable, and we continue to be able to source land at investment operating profit margins similar to those achieved in 2016. In this environment, we remain disciplined and committed to improving our return on capital employed. At the end of March 2017, our short term landbank stood at c.75k plots, following the conversion of over

2k plots from the strategic land pipeline, and remains within the planned range for our business. Our strategic land pipeline stood at c.108k potential plots, as at the end of March 2017.

We are currently operating from 289 outlets, excluding joint ventures (2016 week 16: 292). We remain focused on progressing our sites through the planning system to enable us to open all sites with implementable planning as efficiently as possible.

Leasehold review

As noted in our Full Year results statement, following concern expressed by some customers we have been in the process of carrying out a review into historic lease structures. The latter stages of the review have focused on a specific lease structure which provides that the ground rent doubles every 10 years until the 50th year, at which point the rent is capped. This review has now been completed and we are able to announce our conclusions and will now commence the process of communicating our proposals to our customers.

This lease structure was introduced by Taylor Wimpey in good faith in 2007. It was one of a variety of lease types used on new developments during that period until late 2011, when we stopped using them on new developments commenced after that date. From this date, our new developments have used RPI based clauses which reflect broad economic cost and wage growth, and which have over time become the industry norm.

The doubling clauses are considered to be entirely legal and are clearly set out in the relevant lease documentation. In addition, when buying their Taylor Wimpey property, all customers received independent legal advice as part of the standard conveyancing process.

However, notwithstanding the above, it is clear from our review that the impact of these doubling rent review clauses is now causing some of our customers understandable concern. We acknowledge that the introduction of these doubling clauses was not consistent with our high standards of customer service and we are sorry for the unintended financial consequence and concern that they are causing. In line with normal practice the relevant freehold reversions have been sold by the Group to a number of third parties over a number of years. For those customers who acquired from, and remain the owner of a Taylor Wimpey leasehold property which is subject to this specific doubling clause, we have already entered into negotiations with the respective owners of the majority of the freeholds to alter the terms of the doubling lease to materially less expensive ground rent review terms, with the Group bearing the financial cost of doing so. In the event that we are not able to reach agreement with individual freeholders, we will continue to pursue other avenues to help our customers.

As a consequence of this decision, the Group will make a gross provision of c.£130 million that will be recorded as an exceptional item in the 2017 first half accounts, which will have an impact of c.3% of net assets. We expect that the total cash outflow will be spread over a number of years.

Dividends

Subject to shareholder approval at today's AGM, we will be paying a final ordinary dividend of 2.29 pence per share on 19 May 2017 (2015 final dividend: 1.18 pence per share), giving a total ordinary dividend for the year of 2.82 pence (2015 total dividend: 1.67 pence per share).

As previously announced, we will also be paying a special cash dividend of 9.20 pence per share on 14 July 2017 (July 2016: 9.20 pence per share), subject to shareholder approval.

Outlook

Trading through the first four months of the year has been encouraging and positions the Group well. The UK housing market continues to be underpinned by good mortgage availability and healthy employment prospects. We anticipate build cost inflation of 3-4% in 2017, as previously indicated. Throughout 2017 we expect to demonstrate further progress against all our medium term targets, including the announced £450 million total dividend payment to shareholders in 2017.

We believe the conclusions we have reached in our leasehold review and the actions we are proposing address our customer concerns in an appropriate and fair manner. The leasehold provision that we have taken will not impact our target to return total dividends of £1.3 billion over the period 2016-18, or our ongoing land investment programme. We expect to maintain a strong balance sheet and anticipate ending the year with a net cash position broadly similar to year end 2016.

We remain in an excellent financial and operational position with significant embedded value in both the short term and strategic landbank, which supports us in our strategy to deliver sustainable growth and returns through the cycle. We also continue to focus on areas of the operational business where we can add value, including driving further improvements in our customer service processes and product quality.

-Ends-

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Notes to editors:

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain.

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

www.taylorwimpey.co.uk

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