13 November 2017

Taylor Wimpey plc

Trading statement

Overview

Pete Redfern, Chief Executive, commented:

"Taylor Wimpey has performed strongly during the second half of 2017, delivering excellent sales rates and making further good progress against our operational targets. While we are alert to potential political and economic risks, demand for new housing remains high across the UK and market conditions are favourable. Notwithstanding the recent small increase in the base rate, we have continued to see stability in trading patterns.

Looking ahead, we are on track to meet our full year expectations and deliver further growth and performance improvement in 2018. With a strong balance sheet in place and a high-quality landbank, our business is very well positioned to deliver sustainable growth".

UK current trading

The UK housing market has remained positive through the second half of 2017. Customer demand continued to be robust supported by healthy employment trends, a competitive mortgage market and the Government's Help to Buy scheme. We have experienced favorable trading patterns across our businesses, while in Central London market conditions remain stable.

Sales rates for the year to date have continued to be strong at 0.81 sales per outlet per week (2016 equivalent period: 0.75). For the second half of the year to date, sales rates are 0.71 (2016 equivalent period: 0.70), with a sales rate of 0.73 over the last 8 weeks (2016 equivalent period: 0.73). Cancellation rates for the year remain low at 13% (2016 equivalent period: 13%). For the year to date we have operated on an average of 290 outlets (2016 equivalent period: 291). Current outlets stand at 285, slightly higher than the equivalent period last year.

The current total order book, excluding joint ventures, of 8,751 homes, is slightly below last year (2016 equivalent period: 8,981), and stands at c.£2.2 billion (2016 equivalent period: c.£2.3 billion).

Build costs are expected to increase 3-4% this year, as previously indicated, with the greater pressure coming from labour costs and a more modest level of cost inflation in building materials.

Land

The land market remains very attractive and we continued to acquire land on compelling financial metrics. With our short term landbank at broadly optimal scale we are operating on a replacement basis, and therefore remain disciplined in our approach, only pursuing opportunities that meet our investment and location criteria. Having added c.13,700 plots to the short term landbank in the year to the end of October, the short term landbank has grown slightly to c.80k plots, with the strategic landbank at c.107k plots.

In August, as previously announced, the Group acquired part of the Mount Pleasant estate, in Central London, from the Royal Mail for a total cash consideration of £190 million. The development represents an excellent multi-year development opportunity in a high-quality location, with attractive financial metrics that meet all the Group's key investment criteria. Separately, our Major Developments business has recently announced a joint venture agreement with Wandsworth London Borough Council for the regeneration of Winstanley and York Road estates that will provide more than 2,200 new homes, in addition to significant new amenities and facilities for the local community.

Spain current trading

The Spanish housing market has remained strong throughout 2017. The order book for our Spanish business stands at 388 homes as of 5 November 2017 (2016 equivalent period: 342 homes). We expect the business to report another year of growth in operating profit* in 2017 (FY 2016: £20.6 million operating profit*).

Group financial position

We expect net cash at the end of 2017 to be around £500 million (31 December 2016: £365 million), subject to the timing of conditional land purchases, and after the payment of £450 million of dividends to shareholders in 2017.

Leasehold

At the conclusion of our leasehold review we made a provision in the first half accounts, before tax, of £130 million, which we continue to believe is an appropriate estimate. Following the launch of our Ground Rent Review Assistance Scheme in April, we were pleased to reach agreements with freeholders to enable the substantial majority of our customers with a ten-year doubling lease to convert ground rent terms to an RPI based structure, should they elect to participate. Converting to an RPI based structure addresses concerns about the mortgageability and saleability of these properties. We continue to make good progress towards securing agreements with other freeholders to also enable the conversion of the remaining doubling ground rent leases. We expect a modest cash impact in 2017 with the majority of the outflow to be spread over approximately the next two years.

Outlook

We are on track to deliver FY17 results in line with our expectations, and we expect to achieve further growth and performance improvement in 2018. In FY17 we expect to deliver an increase in the operating profit* margin (FY 2016: 20.8%), a return on net operating assets** of over 30% and we also confirm the FY18 total dividend of c.£500 million, subject to relevant shareholder approvals. We reiterate our intent to make further material capital returns in 2019 and beyond, and we will provide further details at our Strategy Day next year. We remain highly focused on driving improvements in all our operational disciplines and are pleased with the continued progress being made with both our customer and product offerings.

Whilst underlying market conditions remain healthy and we have seen no evidence of a change in trading patterns we are nevertheless alert to the potential risks from heightened political and economic uncertainty. Our strategy, based on a robust balance sheet, a high quality landbank and a strong order book, provides the flexibility and resilience to enable us to manage any change in market conditions, if required.

* 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 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.

For further information, please visit the Group's website www.taylorwimpey.com

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