13 November 2018

Taylor Wimpey plc

Trading statement

Overview

Pete Redfern, Chief Executive, commented:

“We have delivered a strong performance during the second half of 2018, with very good sales rates supported by positive customer demand and a supportive lending environment. This builds on our strong forward order book and puts us on track to meet full year expectations.

Looking ahead to 2019, we remain mindful of wider political and economic risks and the potential impact on customer confidence. However, with a strong balance sheet in place and a high-quality landbank, our business is well positioned to deliver further sustainable growth and cash flow over the medium term.”

UK current trading

The UK housing market has remained stable through the second half of 2018, despite the wider political and economic uncertainty. Customer demand for new build homes continues to be robust, underpinned by low interest rates, a wide choice of mortgage deals and the Government’s Help to Buy scheme.

Sales rates for the year to date have remained strong at 0.81 sales per outlet per week (2017 equivalent period: 0.81), with all three of our Divisions experiencing good levels of customer demand. Consistent with our strategy to optimise our large sites, and our long term approach to reducing cyclical risk by creating a strong order book, we have achieved a very good sales rate of 0.77 in the second half of the year to date (2017 equivalent period: 0.71). Cancellation rates for the year to date remain low at 14% (2017 equivalent period: 13%).

We have operated on an average of 275 outlets in the year to date (2017 equivalent period: 290) and have started to increase the number of build teams on certain larger sites as we target increased efficiency. Current outlets stand at 261 (2017 equivalent period: 285), slightly lower than expected, as delays have impacted outlet opening timing.

Our current total order book, excluding joint ventures, represents 9,783 homes, which is 12% above last year (2017 equivalent period: 8,751). This order book stands at c.£2.4 billion (2017 equivalent period: c.£2.2 billion), an increase of 9%. This is at the upper end of our expectations at this stage, and we would expect this to reduce naturally towards the end of the year as more homes complete. Underlying prices in the period, and in the order book, remain in line with the first half of the year.

Build costs are expected to increase 3-4% this year, as previously indicated.

Land

Against the backdrop of a positive and stable land environment, and as set out at our Capital Markets Day in May, our focus is on working our landbank harder and smarter to increase new home supply for a wider range of customers and to generate better capital efficiency for shareholders. We are also focused on adding larger sites, particularly from our strategic land pipeline, where the financial returns and growth opportunities are greatest.

Given the strength of the landbank, and in light of the wider economic uncertainty, we have once again taken the precaution of increasing the investment margins and returns at which we acquire land. We added over 10,400 plots to the short term landbank in the year to the end of October. The short term landbank is broadly flat at c.75k plots, with the strategic land pipeline increasing to over 120k potential plots as at the end of October 2018, providing opportunities for growth and margin improvement in future years.

Spain current trading

The Spanish housing market has remained positive throughout 2018. The order book for our Spanish business stands at 330 homes as of 4 November 2018 (2017 equivalent period: 388 homes) due to the timing of development completions. We expect the business to deliver another strong operating profit* in 2018 (FY 2017: £26.8 million operating profit*).

Group financial position

We expect to end 2018 with a net cash balance of around £600 million (31 December 2017: £511.8 million), subject to the timing of conditional land purchases, and after the payment of £500 million of dividends to shareholders in 2018.

Political outlook

We are pleased that the Government, and all main political parties, continue to recognise the need for increased levels of housebuilding and the wider benefits housebuilding brings to the economy. We are very supportive of the plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry. We have already refocused our strategy to become a truly customer-centric housebuilder by better identifying and responding to our customers' needs, which we believe will ultimately make us a higher quality and more sustainable business.

We welcome the Government's announcement within the Autumn Budget to introduce tapering measures to the Help to Buy scheme as the equity loan scheme transitions to a close in 2023. Help to Buy has been popular with our customers and has supported them in getting onto and moving up the housing ladder, however we believe that the changes announced are appropriate and are in the best interests of the long term health and fairness of the market. As announced at our Capital Markets Day in May, we will continue to develop our own plans to extend the affordability and accessibility of our homes, providing a wider range of high-quality homes for more people.

Market outlook

We are on track to deliver full year 2018 results in line with our expectations, and subject to shareholder approval, we reiterate our commitment to return £600 million by way of total dividend to shareholders in 2019, a 20% increase on 2018.

Looking ahead, whilst current forward indicators for sales continue to be solid, unsurprisingly due to the heightened political and economic uncertainty, we have seen some signs of customer caution, particularly in the South East. We expect next year's volume to be broadly flat in current market conditions. As we transition to our new strategy, there is the potential for significant growth from 2020 onwards, as previously indicated.

We continue to monitor the potential risks around general customer confidence given the political and economic uncertainty. However, with a very real underlying need for more homes in the UK, the key drivers over the medium term for our customers will remain interest rates and mortgage availability, together with wage growth. Our strong, well-capitalised balance sheet and excellent order book give us the resilience and flexibility to react to any potential changes in the operating environment in 2019 and beyond. We are well positioned to deliver on our strategy and make good progress towards achieving our targets over the medium term.

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

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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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