9 January 2019

Taylor Wimpey plc

Trading statement for the year ended 31 December 2018

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2018, which will be announced on 27 February 2019.

Overview

Pete Redfern, Chief Executive, commented:

"I am pleased to report another year of strong performance, in line with our expectations. Despite wider macroeconomic uncertainty, the housing market remained stable during 2018 and we had a good trading performance. We are continuing to deliver against our strategy and ended the year in a positive position, underpinned by our strong order book and balance sheet.

As we enter 2019, we maintain our guidance for stable volumes although are mindful of market sensitivity. We are confident that our focused strategy of managing the business through the cycle and driving further operational improvements will enable us to continue to deliver a high-quality product and service to our customers, long term value for shareholders and growth into 2020."

UK current trading

We will report 2018 full year results in line with expectations. The housing market remained stable throughout 2018, set against the backdrop of an uncertain macroeconomic and political environment. During the year, we saw good levels of demand, which converted into strong sales rates across the business.

In 2018, total home completions increased by 3% to 14,947, including joint ventures (2017: 14,541). During 2018, we delivered 3,416 affordable homes (2017: 2,809), including joint ventures, equating to 23% of total completions (2017: 19%).

Our net private reservation rate for 2018 was 0.80 homes per outlet per week (2017: 0.77). Cancellation rates remained low at 14% (2017: 13%). Average selling prices on private completions increased by 2% to £301k (2017: £296k), with the overall average selling price remaining flat at £264k (2017: £264k). Trading was robust despite, as previously reported, seeing some signs of increasing customer caution towards the end of 2018 in London and the South East.

We ended 2018 with an excellent total order book valued at £1,782 million as at 31 December 2018 (31 December 2017: £1,628 million), excluding joint ventures, as a result of our strategy to increase efficiency and drive growth through the targeted operation of our large sites. This order book represents 8,304 homes (31 December 2017: 7,136 homes), with the growth due to affordable housing.

We enter 2019 with 256 outlets (31 December 2017: 278) and traded from an average of 273 outlets in 2018 (2017: 287). As we have previously reported, this is slightly lower than expected with delays impacting opening timing, and the higher sales rate achieved in the second half of the year resulting in closing outlets slightly earlier.

Build cost inflation in 2018 was 3-4%, in line with previous guidance.

Customers

We are very pleased that the improvement in our customer satisfaction score has been sustained, and we have achieved an average customer satisfaction score of 90% in 2018, as measured by the Home Builders Federation (HBF) eight-week survey.

Employees

We are delighted to have been named in the top 10 places to work in the UK, by Glassdoor, as voted for by employees, once again the only commercial housebuilder to make the list.

Land

The short term land market continued to be positive in 2018. As at the end of December 2018, our short term landbank stood at c.76k plots (2017: c.75k plots). We have grown our strategic land pipeline to c.127k plots (2017: c.117k plots), including the successful conversion of c.8k plots into the short term landbank (2017: c.8k). This increase in the strategic land pipeline will help underpin future volume growth, without substantially increasing cyclical and market risk.

Spain current trading

The Spanish market remained positive in 2018. We completed 342 homes in 2018 (2017: 301) at an average selling price of €344k (2017: €352k). The total order book as at 31 December 2018 stood at 284 homes (31 December 2017: 329 homes). Spain will deliver an improved operating profit* in 2018 (2017: £26.8 million operating profit*) and is well placed to continue to progress in 2019.

Group financial position

We ended the year with a strong net cash balance of c.£644 million (31 December 2017: £511.8 million net cash), ahead of expectations and due to the timing and quantum of land investment. This is after the payment of £500 million of dividends to shareholders in 2018 (2017: £450.5 million).

Following the landmark legal judgment in October last year, ruling on the equalisation of guaranteed minimum pensions for men and women in UK defined benefit pension plans, we have reviewed our own position with our Pension Scheme Trustees. Accordingly, we currently estimate that the Scheme's liabilities will increase by £15-20 million on an accounting basis and expect to record this as an exceptional charge in the 2018 full year results. The position will be kept under review, including the amount of the liability, pending any further clarification and Government guidance.

Outlook

We will report full year 2018 results in line with our expectations and, as previously announced, remain committed to returning £600 million to shareholders by way of total dividend in 2019, subject to shareholder approval.

Whilst it is clearly too early to give a definitive view on 2019 trading, we continue to see solid forward sales indicators and start the year with a very strong order book. We are pleased that customers remain able to access a wide range of mortgage products at competitive interest rates. Employment trends also remain at healthy levels and customers will be able to benefit from the Government's Help to Buy scheme until 2023. However, we will continue to closely monitor market conditions for any potential impact on customer confidence in light of the wider political and economic uncertainty.

We have made good progress throughout 2018 in embedding further enhancements for our customers and further improving our employee experience, whilst realising the investments we have made to underpin future growth capability and delivery success. As we transition to our new strategy announced in May 2018, we reiterate our previous guidance for 2019 for similar volumes to 2018, in current market conditions, with significant volume growth potential for 2020 onwards. We will provide further guidance on 2019 as the year progresses.

* 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.co.uk

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