13 November 2019

Taylor Wimpey plc

Trading statement

Overview

Pete Redfern, Chief Executive, commented:

"We are on track to deliver full year 2019 results in line with our expectations driven by an industry-leading sales rate. In spite of wider political and economic uncertainty, housing market conditions have remained resilient. We are focused on the delivery of the highest service and build quality to our customers and investing in the sustainability and future capacity of our business.

In the second half, we continued to see good demand for our homes and have built a very strong order book. Looking ahead, our cash generation and financial position are very strong and we reiterate our commitment to returning c.£610 million by way of total dividend to shareholders in 2020."

UK market backdrop

The UK housing market remained resilient through the second half of 2019, continuing to benefit from strong underlying demand, low interest rates, a competitive mortgage market and the Government's Help to Buy scheme. Forward indicators for sales have remained at healthy levels albeit we have seen some increasing customer caution, particularly in the higher-priced markets of London and the South East, as a result of the ongoing political and economic uncertainty.

UK current trading

Sales rates for the year to date have remained strong at 0.96 sales per outlet per week (2018: 0.81), driven by our high-quality sites and improvements in both product availability and build capacity that we have made over the last 18 months, in line with our strategy. We achieved a very good sales rate of 0.92 in the second half of the year to date (2018: 0.77) and cancellation rates for the year to date remain low at 15% (2018: 14%). We operated on an average of 252 outlets in the year to date (2018: 274).

It remains our view that a strong order book is key to managing short term market uncertainty. Our current total order book, excluding joint ventures, represents 10,433 homes (2018: 9,843) as at 10 November 2019. The order book stands at c.£2.7 billion (2018: c.£2.4 billion), an increase of 12.5%.

Over recent months we have seen a softening in the cost pressure experienced earlier in the year and expect that cost inflation will reduce as we go into 2020. We are focused on increasing cost discipline to mitigate future build cost inflation and optimise margin.

Land

Land buying conditions remained stable in the second half of the year. Given the strength and scale of our landbank, we continue to push for the best possible mix of site quality and financial returns on new acquisitions. We remain active acquirers and expect the year end landbank to be broadly in line with the end of 2018. During the second half up to the end of October, we added 3,222 (2018: 2,851) plots to the landbank at strong acquisition margins, similar to those achieved in 2018, with over 60% of our short term landbank strategically sourced. Our short term landbank stood at c.76.5k plots (30 June 2019: c.77.1k) and our strategic land pipeline remained stable at c.133k potential plots as at the end of October 2019 (30 June 2019: c.131k).

Spain current trading

The Spanish housing market remained stable throughout 2019 and the order book for our Spanish business stands at 296 homes as at 10 November 2019 (2018: 330 homes). We expect the business to deliver a strong operating profit* in 2019 (FY 2018: £29.2 million operating profit*).

Group financial position

We expect to end 2019 with a net cash balance of around £500 million (31 December 2018: £644.1 million), subject to the timing of conditional land purchases and after the payment of c. £600 million of dividends to shareholders in 2019.

Building our sustainable future

Our strategy is focused on our customers and we continue to believe that by identifying and better responding to their needs, we will have a higher quality and more sustainable business.

There are three key areas that our customers have told us are priorities for them: service, delivery timing and finishing quality; underlying build quality and consistency; and the creation of outstanding places and communities. We have, and will continue to invest, in improving our offer across each of these areas, and measuring that improvement.

During 2019 we invested in new programmes that are specifically focused on enhancing build quality and increasing our production capacity and we also followed through on our investments in 2017 and 2018 in other areas around customer service and process. The build quality programmes include additional resources on site including greater depth of Site Managers, Quality Managers and directly employed finishing trades, plus the introduction and implementation of a set of national build quality standards. Despite the cost pressures experienced during the year, we have also maintained our construction and sales specification, in order to meet our customers' high expectations. We are pleased that the NHBC Construction Quality Review** measure, which we introduced in late 2017, shows that we lead the industry in build quality. Whilst it is disappointing that our 'would you recommend' score in the Home Builders Federation survey dipped just below the 90% level earlier in the year, we continue to see this measure of initial customer satisfaction as important and are pleased that recent performance is back at a five-star level.

We remain committed to investment in areas that will bring long term benefits and drive future value for customers and investors, such as our investment in apprentices and our direct labour recruitment. We see the long term shortage and quality of construction skills as a key pressure for the industry and so we are particularly pleased to note that we now employ over 640 apprentices, which has tripled in the last four years to an all-time record as we have moved from pilot into implementation. This will provide a pipeline of future talent for our direct labour requirements.

We welcome the tapering measures previously announced by the Government for the Help to Buy scheme as the equity loan scheme transitions to a close in 2023. We continue to develop our own plans to extend the affordability and accessibility of our homes across a range of market conditions, including in an environment without Help to Buy. Our approach to reducing cyclical risk and running our business for the long term positions us well whilst ensuring the business retains the flexibility and potential to grow, without compromising on quality, in the right market conditions.

Outlook

We are on track to deliver full year 2019 results in line with our expectations, albeit with slightly higher volumes and slightly lower operating margins than we guided at the half year.

We are operating in a market environment where economic and political uncertainty has increased as the year has progressed. We are focused on the core drivers of value for customers and our investors. We believe the Group is well positioned for all potential market outcomes due to our strong balance sheet, high-quality landbank, healthy cash generation and strong order book. As we move into 2020, we will continue to prioritise these, in addition to increasing our focus on costs.

* Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures
**The NHBC Construction Quality Review is an average score, out of six, achieved during an in-depth annual review of construction quality on a site-specific basis.

Note:
2018 relates to 2018 equivalent trading period, unless stated.

-Ends-

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Notes to editors:

Taylor Wimpey plc is a customer-focused homebuilder, operating at a local level from 24 regional businesses across the UK. We also have operations in Spain.

For further information please visit the Group’s website: www.taylorwimpey.co.uk

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