

**14 January 2021**

**Taylor Wimpey plc**

**Trading statement for the year ended 31 December 2020**

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2020, which will be announced on 2 March 2021.

### **Overview**

Pete Redfern, Chief Executive, commented:

“Our focus remains on the continuing safety of our colleagues, customers, suppliers and subcontractors as the country continues to deal with the COVID-19 pandemic.

Our 2020 results will be in line with market expectations. While operations were impacted by the shutdown period in the second quarter, the subsequent return to near normal construction capacity and continuing resilience of the UK housing market enabled sales and production to recover strongly towards the end of the year. We increased new investment in land in the second half of the year as high quality land became available at attractive margins.

We start the year with an excellent order book and ongoing focus on strengthening the business and improving margins. This will position Taylor Wimpey well to deliver strong and reliable returns for our stakeholders over the medium term.”

### **2020 performance**

We entered 2020 with a healthy sales rate underpinned by strong demand for our homes and with a focus on driving margin performance. Our operations were inevitably significantly impacted by the shutdown period in the second quarter of 2020, when we acted quickly to put in place the safety measures necessary to operate in a COVID-secure manner. However, the UK housing market has remained resilient and our production and sales have recovered strongly since the shutdown. We expect to report full year 2020 results in line with market expectations<sup>1</sup>.

Total UK home completions (including joint ventures) decreased by c.39% to 9,609 in 2020, due primarily to the impact on production capacity during the second quarter shutdown (2019: 15,719), and we delivered 1,904 affordable homes (2019: 3,548), including joint ventures, equating to 20% of total completions (2019: 23%). Our net private reservation rate for 2020 was 0.76 homes per outlet per week (2019: 0.96). Cancellation rates for the full year were above normal levels at 20% (2019: 15%), but normalised in the final quarter, at 16%, (2019: 16%). Average selling prices on private completions increased by 6% to £323k (2019: £305k), with the overall average selling price increasing to £288k (2019: £269k), driven mostly by change in mix.

<sup>1</sup>: The current Company compiled average consensus expectation for 2020 is for operating profit, which includes share of results of joint ventures, of £293 million. Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.

We returned to near normal levels of production capacity towards the end of 2020 and continue to operate effectively in a COVID-secure way.

With demand for our homes remaining strong, we ended the year with a total order book valued at £2,684 million (31 December 2019: £2,176 million), excluding joint ventures, which represents 10,685 homes (31 December 2019: 9,725 homes). We traded from an average of 240 outlets in 2020 (2019: 250) and enter 2021 with 239 outlets (31 December 2019: 240). From 16 December, we began taking reservations under the new phase of the Help to Buy scheme and, up to 31 December, made 650 reservations under the new scheme for completions from the second quarter of 2021.

We have a clear focus to return the business to 21-22% operating margin\* and we continue to target a number of areas to achieve this: cost, process simplification and enhancing the core drivers of value for our business. In November, we announced that we had undertaken a detailed review of our organisational and cost structure in addition to cost reduction and management programmes already in place. We have delivered the planned savings outlined in November, which will be realised from the beginning of 2021. These changes will not affect the ability of the business to generate future growth or to deliver a high quality product and service to our customers.

We have retained our focus on build quality where we lead the volume industry and on customer service where we expect to return to a five-star builder rating in the upcoming Home Builders Federation survey.

Build cost inflation has remained lower than in recent years. At this stage, we have not experienced any significant supply chain issues associated with Brexit.

## **Land**

As at 31 December 2020, our short term landbank stood at c.77k plots (2019: c.76k plots). Our industry leading strategic land pipeline was c.139k potential plots (2019: c.140k plots), after the successful conversion of c.4k plots into the short term landbank (2019: c.8k plots).

We continue to approve land acquisitions following our June 2020 equity raise and have now agreed terms on and authorised c.£1.3 billion of gross land purchases, comprising 93 sites and c.22,600 plots, significantly ahead of our normal rate of acquisition. These sites have been secured at attractive returns in line with our medium term operating margin target of 21-22% and with an average return on capital employed\*\* of c.34%. This investment provides us with a route to high quality growth in the medium term from our strong landbank, with new land expected to deliver outlet growth during late 2022 and volume growth from 2023.

## **Spain current trading**

The Spanish second-homes market has been impacted by travel restrictions as a result of COVID-19. We completed 190 homes in 2020 (2019: 323) at an average selling price of €375k (2019: €429k). The total order book as at 31 December 2020 stood at 126 homes (31 December 2019: 217 homes). We expect the business to begin to normalise when foreign travel returns to more normal levels.

## **Group cash position and dividend**

We ended the year with strong net cash<sup>†</sup> of c.£719 million (31 December 2019: £545.7 million net cash). We expect net cash to reduce through 2021 as we progress the new land acquisitions over the next 18 months.

As previously stated, we expect to recommence ordinary dividend payments in 2021, starting with the payment of the 2020 final dividend. We will review the special dividend in 2021 for payment in 2022.

## **Outlook**

Recognising the importance of the industry, the Government has confirmed that the housing market will remain open during the current lockdowns in England, Scotland and Wales and all Taylor Wimpey construction sites will remain open. We will continue to operate our sites under strict COVID-secure guidelines and our sales centres and show homes will remain open for appointments with the exception of Wales, where our sales centres are closed and show homes are open on an appointment only basis.

Throughout 2020 we were encouraged by the continued resilience of the UK housing market, underpinned by low interest rates and strong customer demand, and despite the further lockdown in January 2021, interest levels remain good. We enter the year more than 50% forward sold for 2021 private completions.

Whilst there remains some economic uncertainty given the COVID-19 pandemic and Brexit, the outlook for the UK housing market remains robust. We start 2021 in an excellent financial position, with a strong order book and a clear focus on cost and efficiency. We remain confident of achieving our medium term operating margin target of 21-22% and are well placed to deliver strong and reliable returns for our stakeholders.

-Ends-

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\* Operating margin is defined as operating profit or loss divided by revenue. With operating profit defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.

\*\* Return on capital employed is defined as rolling 12 months operating profit or loss divided by the average capital employed calculated on a monthly basis over the period.

‡ Net cash is defined as total cash less total borrowings.

## **Notes to editors:**

Taylor Wimpey plc is a customer-focused homebuilder, operating at a local level from 23 regional businesses across the UK. We also have operations in Spain.

For further information, please visit the Group's website: [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

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