

13 January 2023

Taylor Wimpey plc

Trading statement for the year ended 31 December 2022

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2022, which will be announced on 2 March 2023.

Overview

Jennie Daly, CEO, commented:

"The business performed well in 2022, as our tight operational controls and price discipline led to an improved operating margin[†]. Despite the economic and political backdrop through the second half, I am pleased that we expect to report full year operating profit in line with expectations¹."*

"As previously reported, we have acted quickly and decisively to address changing market conditions and continue our efforts to maximise efficiency."

"Taylor Wimpey is a strong and agile business benefitting from a high quality and well located landbank, a strong balance sheet and unwavering focus on operational execution as we continue to manage the business with discipline to deliver value for all our stakeholders. Despite near term uncertainty we remain confident that the medium to long term fundamentals of our business remain highly attractive."

2022 performance

The business performed well in 2022 due to our tight operational controls and selling price discipline leading to an improved operating margin. As guided in November, Group completions for the full year were broadly in line with the prior year and we expect to report 2022 full year operating profit in line with expectations.

Total Group completions (including joint ventures) were 14,154 (2021: 14,302). UK home completions (including joint ventures) were 13,773 (2021: 14,087), which included 2,920 affordable homes (2021: 2,501) equating to 21% of total completions (2021: 18%). Our net private reservation rate for 2022 was 0.68 homes per outlet per week (2021: 0.91). The cancellation rate for the full year was 18% (2021: 14%). In the second half of 2022 our net private reservation rate was 0.48 homes per outlet per week (2021: 0.85) and the cancellation rate was 23% (2021: 14%).

UK average selling prices on private completions increased by 6% to £352k (2021: £332k) with the overall average selling price increasing by 4% to £313k (2021: £300k). We ended the year with an order book valued at £1,941 million (31 December 2021: £2,550 million), excluding joint ventures, which represents 7,499 homes (31 December 2021: 10,009 homes).

In the UK, we traded from an average of 232 outlets in 2022 (2021: 225). As guided, we increased our total number of outlets to end the year with 259 (31 December 2021: 228).

Land and planning

As at 31 December 2022, our short term landbank stood at c.83k plots (2021: c.85k). Our strategic land pipeline was c.144k potential plots (2021: c.145k potential plots).

With a strong land position, we continued to be highly selective in our landbuying in the second half of 2022 and, as a result, 2022 approvals were c.7k plots, a similar level to half year 2022.

The planning environment continues to be challenging with delays and resource pressures impacting housing land supply. Proposed amendments to the National Planning Policy Framework announced by the Government in December 2022 include positive measures to support improved quality of design and placemaking. However, other changes including amendments to the approach to housing numbers locally, a relaxation of the soundness test for plan-making and the removal of the need for Planning Authorities to maintain a five-year supply of deliverable housing sites could result in further delays and a shortfall in the supply of sites. In addition, the transitional arrangements proposed are likely to result in a meaningful hiatus in plan-making which is likely to further constrain the availability of land for housing. We welcome proposed amendments to the Levelling Up and Regeneration Bill to help address Nutrient Neutrality constraints that affect more than 74 local authorities in England.

Spain current trading

The business performed well with 381 homes completed in 2022 (2021: 215) at an average selling price of €383k (2021: €417k), with the movement in pricing reflecting mix as we completed a greater proportion of properties in the Alicante region, which has a lower average selling price. The total order book as at 31 December 2022 stood at 448 homes (31 December 2021: 324 homes).

Group cash position

We ended the year with strong net cash[†] of £864 million (31 December 2021: £837 million net cash). This was ahead of expectations largely as a result of reduced land spend in the second half reflecting our highly selective approach to landbuying as well as tight control on work in progress release to reflect the lower sales rates.

Response to changing market conditions

As market conditions changed at pace in the third quarter we acted quickly and decisively implementing even tighter cost scrutiny, significantly reducing land commitments, and closely controlling the release of investment in work in progress.

As we focus on maximising the efficiency of all our operations, we have begun a consultation on a series of proposed changes which, if they go ahead, would be expected to generate annualised savings of around £20 million, and the costs to achieve these would be c.£8 million. This incorporates proposed changes identified as part of our ongoing drive to increase operational efficiency and others that, if implemented, would reduce overheads to reflect market conditions. The proposed changes would neither affect our existing market coverage or ability to deliver volumes from our landbank, nor our ability to deliver high quality product and service to our customers.

Ongoing commitment to sustainability

We remain committed to the long term sustainability of the business. In 2022, we progressed our net zero transition plan and we submitted our net zero targets to the Science Based Targets initiative (SBTi) for independent assessment.

Taylor Wimpey ranked fifth out of the FTSE 100 and was the highest scoring housebuilder in the Responsibility100 Index Walk Score that assesses companies on their commitment to key social, environmental, and ethical objectives.

We have retained our focus on build quality and are the highest rated major housebuilder in the independently measured 2022 NHBC Construction Quality Review (CQR).

Outlook

Although we have strengthened our outlet position during 2022 as planned, the ongoing market uncertainty means that sales remain significantly below levels seen prior to the rise in mortgage rates in Q3 2022. Accordingly, we enter 2023 with a lower private order book than in recent years and we expect overall volumes to reduce in 2023. We continue to focus on sales and supporting customers through their purchasing decisions.

Pricing in the land market is yet to reflect the changing market environment and with a strong land position and high quality outlets, we will continue to operate on a highly selective basis.

We remain confident that the medium to long term fundamentals of our business remain highly attractive. With a strong balance sheet, excellent landbank and a focus on operational execution, we continue to run the business in the interests of all our stakeholders, maximising long term shareholder value whilst delivering much needed high quality homes.

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

*† Operating margin is defined as operating profit divided by revenue.

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

Note:

¹As published on 12 January 2023, the Company compiled consensus expectation for full year 2022 Group operating profit including joint ventures and excluding exceptional items is c.£921 million.

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