Trading Update

Wednesday, 30 April 2025

Trading Update

Jennie Daly

Chief Executive, Taylor Wimpey plc

Good morning, everyone, and thank you for joining Chris and I this morning. You will have seen the statement which is pretty straightforward. There are no surprises. We are reiterating the full year UK completions and Group operating profit guidance we provided in our prelims in February.

Clearly, we are alive to the recent volatility in global markets. However, our customers have remained resilient and our sales performance has continued as anticipated. Mortgage rates have ticked down and mortgage product availability remains good.

Our sales teams have continued to work hard to support our customers through their buying journey, drawing on the high-quality and location of our products, with incentives remaining a key feature in the new homes market. We continue to see better price opportunity in the North and more challenging conditions in the South owing to the more stretched affordability. But overall, we continue to see the flat underlying year-on-year pricing we noted at the time of our full year announcement.

The cancellation rate of 16% is robust, but does reflect challenges being experienced by some first time buyers following the stamp duty changes.

Overall, we are where we expected to be at this point in the year, with a year-to-date sales rate, net of cancellations of 0.77. So very much in line with our expectations.

I know you will be interested in how the land and planning backdrop is evolving. We have seen progress on some sites that would have taken longer, I believe, before the NPPF changes, and we look forward to additional impetus and decision making when the Planning and Infrastructure Bill is passed into law.

Whilst still early and we did not expect planning to be fixed overnight, we have been very pleased to see the recent planning changes which we believe are capable of delivering a step change in planning outcomes. That said, there is a need for increased resources across local planning authorities and for there to be a real focus on the implementation phase now to drive meaningful and consistent outcomes.

As for our own position, as I have noted previously, we are in an excellent place with a significant number of applications in the system and more in preparation that will help support local authorities to meet their housing targets. Given our strong position, we can continue to be selective and opportunistic in the land market.

Outlet openings have been in line with our plans. We are currently operating from 201, which is as we expected, and we operated from an average of 208 outlets during the period. Our plans are to open more outlets this year than last year, weighted towards the end of the year positioning us well for sustained growth.

Full year 2025 guidance is unchanged. We expect to deliver between 10,400 and 10,800 UK completions, consistent with what we told you at the full year. As we also flagged, first half Group operating margin will be lower than underlying margin in half one 2024, which was 11%, excluding high margin land sales. This is due to the impact of underlying pricing in the order book at the start of this year, which was around 0.5% lower year-on-year, flowing through to completions in the period and the return of a low level of build cost inflation.

We are pleased to be able to pay a reliable dividend through our differentiated Ordinary Dividend Policy and, as previously announced, we will pay a 2024 final ordinary dividend of 4.66p per share in May, subject to shareholder approval at today's AGM.

In conclusion, current trading has remained resilient. We expect to deliver growth this year, and we remain confident in the medium to long term characteristics of the UK housing market. There is a significant underlying demand for new homes, and our actions over the cycle mean that we are well placed with an optimised structure and teams, strong landbank and balance sheet and consistent strategy to deliver sustained growth.

Happy to take questions now. Thank you.

Q&A

Will Jones (Redburn Atlantic): I might try three, if I could. First, around trading. We can see that the sales rate is pretty robust for the year-to-date. But just wondering when buyers digest the latest global headlines, whether you have seen any change in the lead indicators you track such as website enquiries, appointment bookings and the like.

Second was on outlets. You have guided to openings up year-on-year, which are still the case. How about closings? Do you have any view there? I guess put differently, can we expect you to exit with outlets higher at the end of December compared to start of year?

The last was around the Building Safety Levy. We have had more detail on that since you last spoke. Just wondering on your interpretation of that and when you might think it could start impacting the P&L.

Jennie Daly: Okay. Thanks for that, Will. On trading, I think that despite the volatility, our customers have remained fairly resilient. I think you can see that playing out in a strong sales performance for the period. We are watching those lead indicators quite carefully. But we are not seeing anything dramatic at this point. We will continue to keep quite close to our customers.

On outlets, I mean, as you know, we do not guide on outlets, but I think that we have been really clear consistently through the last few calls that we will open more outlets this year than last year, and that we feel that we will be well placed for sustained growth into 2026, all other things being equal. Hopefully that will give you an indication of where we expect to leave the year.

On the Building Safety Levy. I mean, I think, still a level of disappointment, Will, that Government are continuing to pursue the Building Safety Levy, given all the other measures that housebuilders have put in place. The delay by a year is welcome, but it is not sufficiently addressing the level of sort of concern that the sector is expressing.

You will be aware that when the announcement on the delay came through, we also saw the individual rates. We are now able to make a better assessment of what we should be backing into land appraisals and land acquisitions going forward, so that is helpful.

The way that we see it is there is a year's delay. We will see, obviously, what the regulations say. There is still a lack of clarity around payment structure and the like. Then there is a level of self-help mitigating practices that we can employ and deploy. Really, I think that we are going to be four years potentially down the line before there is a real impact that is not played through on land acquisition.

Look, I think that there is still water to flow under the bridge. Certainly, we would be still seeking engagement with Government to understand both the principle of the Building Safety Levy and then the effective mechanisms.

Will Jones: Thanks, Jennie. Just to be clear that four years, is that a reference to when you first think you will start incurring the charge in completions because of what you can do on Building Control ahead of next Autumn?

Jennie Daly: Yes, exactly.

Allison Sun (Bank of America): Just two questions from my side. First, on the cost inflation. Just to confirm it is still a low single digit number expected for this year, right? But do we have any expectation for first half versus second half? Is it low single digit for both halves. Question number one.

Number two is have we heard any update from the CMA investigation which has been delayed until May aka next month? Have we heard any update from authorities yet?

Jennie Daly: Okay. Thanks for that, Allison. Our guidance on build cost inflation is still very much in low single digits, so between 2% and 3%. Our teams have worked hard. We have been negotiating hard. Some of that is now present. But we also have some of those agreements that will be delayed until later in the year. Probably a little bit lighter in the first half with the full weight of that 2% to 3% in the second half.

As for update on the CMA, they announced at the start of the year that they would update in May. We continue to engage constructively with the CMA, and there is very little more that I can add at this time.

Marcus Cole (UBS): I have got three as well. The first one is just going back to the sales outlets. I know you do not want to guide in terms of the net outlets for the rest of the year. But can you confirm, is this where you think the sales outlets will trough in terms of the period of the year?

Then for the guidance, I work out that the H2 margin should be 200 basis points ahead of the first half margin of around 10.5% or so. Can you just talk us through the drivers, I know there is additional volumes, but can you talk us through the other drivers that are the building blocks for that?

Then the final one is just on sales rates are very strong at the moment. I just wondered when you start to think about increasing pricing or reducing sales incentives?

Jennie Daly: Okay. If I take the first and last question. Chris, you can cover the margin. I think confirming a trough, qualifies as guidance, Marcus. But look, we are where we expected to be. You will know that sales outlet movement is very much a function of sales rates. I also said that this is the expected sales rate that we anticipated for this time of time of year.

We have got excellent visibility on delivery from outlets this year, and we have got really solid visibility on the outlets that we will be opening through the year, including those weighted towards the end. So I would just reiterate my comment that I made to Will, we expect to leave the year with the ability to grow into 2026, all things being equal.

On sales rates, yes, they are strong at this point. Marcus, sorry, your point on sales rate.

Marcus Cole: Yes. The question was that given the high level, when will you start thinking about either increasing pricing?

Jennie Daly: We are always thinking about pricing. Our teams are working hard. In my narrative to start, I commented that we do see better pricing opportunity in the North and where that opportunity is available anywhere, we are pushing it. But there are definitely sites where there is some demand weakness and achieving pricing is much more challenging.

We are also seeing that, given the level of competition now in the second hand market, that sales incentives are remaining quite a factor in commitment for customers and achieving the deal. But look, I would assure you that where price opportunity exists, our teams are pushing for it.

Chris Carney (Group Finance Director, Taylor Wimpey plc): Then Marcus, on your margin question, you are absolutely right. The guidance does assume an improvement in both gross and operating margins from half one to half two. Clearly part of that is volume being increased in half two. Our guidance is consistent with February in terms of 45% in the first half, 55% in the second half. That gives us a better recovery of fixed costs in the second half. But also there will the gradual evolution of sites. We have got increased numbers of completions from new sites with improved margins in the second half and generally just better quality site mix across the second half. I should probably add, we obviously have very good visibility of that.

Chris Millington (Deutsche Bank): First one, sorry to revert back to outlets. You mentioned about the back end loading. I am not asking on numbers here, but how back end loaded are those sites? Do you think there is any risk of planning delays pushing them into 2026? That was number one.

Second one I just wondered if you could just comment specifically around how London trading has been manifesting over the last few months.

Then the final one is just really just about this price cost dynamic. If we look at it on a spot basis, do you think pricing is broadly washing its face with cost, given you have seen a little bit of pricing at the start of this year, or is it a little bit of a headwind as we move into H2?

Jennie Daly: Thanks, Chris. I will just start with London. I mean, London trading, I think, has been weaker. Affordability is definitely a challenge outside those prime central London locations. The Help to Buy effect, I think, in London has been quite significant given the scale of the equity support that existed there.

In terms of how secure they are, our outlets for 2025, the back end sort of loading. We have got really good visibility. We have got very strong planning position. Look, one of the reasons that we do not like to guide on outlets is because there is a number of third party issues that need to be resolved in order to get outlets open. But I am as confident as I have ever been on those openings.

Whether they would push into 2026? Equally, there would be potentially the opportunity to pull forward and advance some that are early in 2026. I think that I am happy in the balancing of that, Chris.

Then just on that price cost dynamics?

Chris Carney: Yes, I think, Chris, your characterisation is probably pretty accurate. What we are saying is net selling prices on average are flat year-on-year. We have got low levels of build cost inflation. You put those together and yes, a little bit of headwind going into half two. But absolutely assure you that the teams are working very hard to offset that.

Aynsley Lammin (Investec): I think I have got two, actually. Just firstly, a bit more colour on the sales rate. I know you said it has been holding up, and you have not really seen much impact from the recent macro volatility and maybe some negative headlines. But just on that sales rate in terms of the weekly sales rate sequentially, has that been improving from January, February into March, April, or has it stabilised recently? I mean, just a bit more colour. Anything you could provide there would be helpful.

Then secondly, on the mortgage market, obviously swap rates have come down. There is some positive headlines around what the mortgage lenders might be doing. Just interested to hear your view, are you seeing cheaper mortgage rates on the ground. How is that all impacting or is it too early yet to actually see cheaper interest rates for borrowers?

Jennie Daly: Okay. I think, incrementally, we have seen week-on-week improvements. The slightly slower start to the new year, as is often the case, although, our weeks one to eight, as you will recall from the prelims was quite strong versus 2024. Weeks nine to 17 sales rate was 0.79. That is a build on the first eight weeks of the year of 0.75.

Even as we exclude bulks, you will see that that was an improvement over the first eight weeks. We are coming through the Easter holidays now. The Spring selling season will be starting to ease off. But I think a really good performance from the team, Aynsley, on sales.

Then mortgage market. I mean, the mortgage market continues to be really competitive. We are seeing lenders pushing their rates where they can. We are seeing incremental week-on-week improvements in mortgage rates. Then obviously we have had some benefit with a number of the main lenders changing their loan to income multiples, and some of their other stress testing.

So no big step change, but lots of incremental improvements, I think, to help customers. We are seeing that gradually help.

Ami Galla (Citi): A couple of questions from me. The first one was just an update on the section 106 data. Have you seen any improvements to that dynamic?

The second one was on build cost inflation. Can you give us some colour, especially on labour cost side, how the NI impact on the subcontractor trades is coming through? Is there any colour incrementally of how that dynamic is evolving?

The last one was on the planning point. You had previously commented that you had applied significant permits for first principal at the start of the year. Any colour of how that has evolved in the last four months. Are you seeing that progress through the system? On average, how long does it now take versus maybe last year in getting those permits in place?

Jennie Daly: Okay. Just on your first question, Ami. Was the question in respect of the affordable housing Section 106?

Ami Galla: Yes.

Jennie Daly: Yes. Okay. Thanks for that. We have not seen any improvement in the affordable housing debate. I have to say it is on every agenda for every meeting with officials and Government. The teams continue to work with our well-established partners. There are deals being done, but it is a strain. It is definitely something that we would be looking to Government to address.

We would be seeking a written Ministerial Statement to encourage local authorities to engage in what is called the cascade mechanism, which I think would be of great assistance.

In terms of build cost. We are not seeing a great deal of pressure on labour cost at this point in time. There is conversations starting and we are certainly feeling a little bit more pressure, but we are pushing back on that quite robustly. Whereas other parts of the labour supply chain are still, I think, digesting the impacts of NI on their operations.

Then on planning. I mean, I think the team are making good progress and we continue to prepare evermore applications. We are very active in that regard. But as you will have heard in my opening narrative, and you may recall my saying at the full year, the overarching and strategic planning changes are very welcome and very pleasing, but we do still need to see more resources going into local authorities.

We are continuing to see some of the processing challenges that we have experienced in recent years still prevalent, and until we get more investment there, we would not get a fully free flowing benefit. All that said, the tone and sentiment of discussions in many authorities has improved. I do not underestimate the value of that.

Zaim Beekawa (JP Morgan): Just a couple on land. I think you have mentioned, there is some attractive opportunities. Could you just perhaps provide some colour on the regional split of these and perhaps the size of these plots?

Then secondly, on the pricing in the land market, if that has come off a little bit.

Jennie Daly: I mean, in terms of availability, I probably characterise it overall as continuing to be constrained. There are some geographies that do not have that same heightened level of constraint and competition.

Varying lot sizes. There are some quite large sites that are being presented to the market. Smaller sites, there is a higher level of competition. So that dynamic has been observable for quite some time. We approved quite a significant number, 12,000 plots last year. We started the year with a very strong short term landbank.

We are now in the place where it is the quality of the location, quality of the return that will drive our land investment. So this year, more opportunistic and very much about the quality of the investment.

Glynis Johnson (Jefferies): Just two for me actually. One, how far forward are you sold for the year?

Then two, is there anything in terms of promotions that you have been doing post the Easter period? I am just wondering what you think is capturing the customer's attention? Is it more about the higher loan to value mortgages and aiming at the first time buyers, or it is still very heavily focused on the part exchange? Just what kind of promotions have been rolled out in the more recent weeks?

Jennie Daly: Okay. In terms of forward sold, Glynis. If you take the middle of the volume range that we have given, we are just over 70% forward sold for the year, which I think is just slightly ahead of where we were at this point last year.

Then promotions, we do not have any significant Group-wide promotions. It is my expectation that our teams are driving local outlet openings, Easter days, maybe a May bank holiday type of marketing activity. There is always a real buzz around our sites on good bank holiday weekends.

PX has not been a particularly significant tool recently. It is something that is available to our teams and if that is helpful for the customer, then something that we are willing to consider. There is nothing especially that we are driving, Glynis, to drive the sales rate other than our normal practices. We still try to build our deal structure and any incentives around the individual customer needs. By doing so, ensuring that we are not overindexing incentives for any particular customer.

Peter Ajose-Adeogun (Morgan Stanley): One from me. I just wanted to ask around potentially how you are thinking about the opportunity in growing volumes through increased partnerships. I know some of your peers seem to be leaning into this, and it does seem aligned with the Government's housebuilding agenda. So, just wanted to understand if there was any appetite from your end to lean into that. And if not, why? Maybe just because it is helpful to drive volumes faster. So it would be interested to know either way.

Jennie Daly: Okay. Bulk deals over a variety of partnerships has been a tool in our arsenal for a long time. It is something that we are willing to consider, depending on the quality of the return, and the impact, on a very project by project basis.

If you look at, for example, sales rate towards the end of last year that we declared in our January trading statement, there was a large bulk deal there, for example, that was part of a planned scheme that we have been aware of for some time.

But there are benefits and disbenefits in all of these arrangements, partnerships or large scale sales do tend to come with discounts, sometimes quite meaningful discounts. And if the delivery of those homes spread over a multiple year basis or a multi-year deal runs the risk of having set revenues but potentially incurring significant build cost increases. It is always a balance.

We have a number of partners with whom we have worked over a very long and consistent period of time to the benefit of both sides of the partnership. That is very much our mindset.

We are not especially leaning into it, but by that, you should not read that we do not utilise it as a tool. As we see volumes increase, then we will make those decisions on a deal by deal and project by project basis.

Harry Goad (Berenberg): My question was going back to your first comment on the Building Safety Levy. Are you able to give any initial guide on what you think it could be in terms of incremental cost on a per plot basis on average?

Then I guess, slightly associated to that. As you look out over the next couple of years.

Jennie Daly: Sorry, Harry, we lost you again. We got to your Building Safety Levy question on a per plot basis, and then we lost you.

Harry Goad: Sorry. Then I was saying are there any other issues when you think about Building Regs over the next couple of years that will increase average build cost per plot on a normalised basis. Just thinking about what you need to do to regarding land prices over the next couple of years.

Jennie Daly: Okay. I think that it is going to be difficult for us to give a per plot number. The various rates are available on the Government website. But it really will depend then on what our regional mix and greenfield, brownfield and a variety of other issues there. But look, that is something that we will build on over the coming years.

In terms of other Building Regulation costs. I mean, there is the well trailed Future Home Standard would probably be the other costs that I would flag for you. We are still waiting for the response on the Future Home Standard. It is expected this Summer. There is quite a wide range of options. If you remember from the original consultation, there were two options. They had quite significantly different cost implications.

Being able to define what the impact of that is, we will have to wait until we have a clearer idea of which option Government decide to back.

Okay. Thank you all for your questions this morning. We look forward to seeing you again at the interims in the Summer.

[END OF TRANSCRIPT]