14 January 2020

Taylor Wimpey plc

Trading statement for the year ended 31 December 2019

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2019, which will be announced on 26 February 2020.

Overview

Pete Redfern, Chief Executive, commented:

"Our results for the year to 31 December 2019 will be in line with our expectations. Despite an uncertain political and economic backdrop in 2019, we have continued to experience a good level of demand for our homes and trading in the second half of the year was as anticipated. The Group has again delivered a record sales rate and we increased home completions by c.5% in the year.

In 2019, our focus was on strengthening the long term sustainability of the business, further improving our build quality and customer offering, as well as increasing operating capacity and flexibility. In 2020, we will continue with these initiatives and will also prioritise a renewed cost focus and process simplification improvements."

UK current trading

Despite ongoing economic and political uncertainty, the housing market remained stable throughout 2019, albeit with more challenging conditions in London and the South East and at higher price points.

In 2019, total home completions increased by c.5% to 15,719, including joint ventures (2018: 14,933). During 2019, we delivered 3,548 affordable homes (2018: 3,416), including joint ventures, equating to 23% of total completions (2018: 23%). Our net private reservation rate for 2019 was 0.96 homes per outlet per week (2018: 0.80). Cancellation rates remained low at 15% (2018: 14%). Average selling prices on private completions increased by 1% to £305k (2018: £302k), with the overall average selling price increasing to £269k (2018: £264k).

We ended 2019 with a record total order book valued at £2,176 million as at 31 December 2019 (31 December 2018: £1,782 million), excluding joint ventures, which represents 9,725 homes (31 December 2018: 8,304 homes). We traded from an average of 250 outlets in 2019 (2018: 273) and enter 2020 with 240 outlets (31 December 2018: 256). As previously guided, we expect 2020 outlet numbers to be broadly similar to 2019.

Build cost inflation in 2019 was c.4.5%. As stated in November, over recent months we have seen a softening in the cost pressures experienced in 2019.

During 2019, we invested in new programmes specifically focused on enhancing build quality and increasing our production capacity and followed through on our 2017 and 2018 investments in customer service and process. We are pleased that the National House-Building Council (NHBC) Construction Quality Review* measure indicates we are an industry leader in terms of build quality.

We continue to see the 'would you recommend' score in the Home Builders Federation survey as an important measure of initial customer satisfaction, alongside other key metrics, and whilst disappointed that we dipped just below 90%, we are pleased that recent performance is back at a five-star level.

Land

The land market remained stable in 2019 and as at the end of December, our short term landbank stood at c.76k plots (2018: c.76k plots). We are operating a broadly replacement approach to our landbank which currently represents c.4.8 years of supply at our current rate of completions (2018: c.5.1 years). Our strategic land pipeline was c.140k potential plots (2018: c.127k plots), after the successful conversion of c.8k plots into the short term landbank (2018: c.8k). Our strong strategic land pipeline remains a key strength of our business, reducing the need to compete in the short term land market and helping underpin future growth and forward planning, in a very capital efficient manner.

Spain current trading

The Spanish market remained healthy throughout the year. We completed 323 homes in 2019 (2018: 342) at an average selling price of €429k (2018: €344k). The total order book as at 31 December 2019 stood at 217 homes (31 December 2018: 284 homes).

Group financial performance and dividend

We will report full year 2019 results in line with our expectations, delivering an operating profit** margin of c.19.6% (2018: 21.6%), as previously guided, and a return on net operating assets*** of c.31% (2018: 33.4%).

We ended the year with a strong net cash balance of c.£546 million (31 December 2018: £644.1 million net cash), ahead of expectations, due to the timing of certain land investments. This is after the payment of c.£600 million of dividends to shareholders in 2019 (2018: £499.5 million).

We remain a very cash generative business and, as previously announced, intend to return £610 million to shareholders by way of total dividend in 2020, subject to shareholder approval.

2020 priorities and outlook

We made good progress throughout 2019 in improving our build quality and investing to further improve our customer offering and underpin our future production capacity. This includes a significant increase in the number of apprentices.

While 2020 will continue to be a year of change for the UK, we welcome the increased political stability following the general election. We start the year with a strong order book and continue to target a smoother profile of completions throughout the year but expect 2020 to continue to be second half weighted.

We will continue to embed the improvements we are making across the business and will focus on cost discipline and process simplification.

-Ends-

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* 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.
** Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.
*** Return on net operating assets (RONOA) is defined as rolling 12-month operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash, excluding net taxation balances and accrued dividends.

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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