11 November 2014
Taylor Wimpey plc
Interim management statement for the period from 30 June 2014 to the date of this announcement

Overview

Pete Redfern, Chief Executive, commented:

"We are encouraged that conditions have moderated but remained positive. Today we are operating in a UK housing market which is growing steadily and sustainably.

It is particularly pleasing to be able to upgrade our guidance for operating margin growth for 2014 to 400 bps. We are confident that our ongoing focus on the highest quality sites and financial returns will enable us to deliver the significant performance growth set out in our medium term financial targets."

UK current trading

The UK housing market continues to grow, with demand at a healthy level and customer confidence good.

Sales rates for the year to date at 0.66 sales per outlet per week are slightly ahead of last year (2013 equivalent period: 0.65 to date). For the second half to date, sales rates of 0.60 are around 5% below 2013. Cancellation rates of 13% for the year to date remain historically low (2013 equivalent period: 13%).

We have been selling from an average of 306 outlets in the year to date (2013 equivalent period: 313).

As expected, the introduction of new regulations following the Mortgage Market Review and the recently published guidelines from the Bank of England have not adversely impacted our business and we welcome them as a positive move for the long term health of the market. In this environment, accessibility to finance for customers who can afford a mortgage has improved and affordability has not been further stretched. Our customers are also continuing to use Help to Buy, predominately to take the first step on the property ladder.

We are fully sold for our targeted 2014 completions and are building our order book for 2015. We are 25% forward sold for 2015 completions. The current total order book represents 7,814 homes (week ended 10 November 2013: 7,557) and stands at £1.7 billion excluding joint ventures (week ended 10 November 2013: £1.5 billion), with private average selling prices in the order book up 19% year on year.

As we expected, build costs have increased in line with our guidance of around 5% year on year as the sector adjusts to increased demand from a more robust housing market. These build cost increases continue to be more than offset by sales price inflation.

As a result of our disciplined processes and in this healthy environment, we are now confident of driving an improvement of c.400 basis points in 2014 operating margin* (FY 2013: 13.6%) and a return on net operating assets** of over 20%.

Land and planning

As stated at our half year results, we have moved into the delivery phase of our strategy, having reached our optimal size range for the short term landbank. While we continue to source and invest in short term value-creating land opportunities at similar margins to 2013, we are currently maintaining, rather than growing, the short term proportion of our landbank. We remain focused on promoting our strategic pipeline land through the planning process for development.

Over the last five years we have consistently maintained our commitment to build and strengthen our strategic pipeline. We have continued our success in the second half of the year and in the year to date we have converted 8,381 plots from the strategic pipeline. This is more than at any time in our history and is ahead of our expectations. Our investment in the strategic pipeline proportion of our landbank continued in 2014 and we are well positioned to achieve our medium term target of sourcing 40% of completions from the strategic pipeline.

Spain

The Spanish market is currently stable. Our newly acquired sites have driven a significant improvement in the quality of sales and a subsequent increase in the order book. As a result, we anticipate that the Spanish business will deliver an improved operating performance in 2014 (FY 2013: £0.1 million operating profit*).

Group financial position

We expect net cash at the end of 2014 to be around £100 million (31 December 2013: £5.4 million net cash), subject mainly to the timing of cash payments on conditional land purchases.

Following the completion of the initial valuation for the merged pension scheme as at 31 December 2013, we are pleased to announce that we have reached agreement with the pension trustees on the future deficit repair contributions. Total contributions will be reduced to £23 million per annum from 2015 onwards, from £53 million previously committed, with a 2014 full year commitment of £40 million. This reduction in the funding requirement reflects the decrease in the pension deficit, due mainly to asset performance and the various liability management initiatives we have undertaken in conjunction with the trustees, as well as the improvement in the strength of the business.

Outlook

We are still operating in the early stages of the housing cycle. The UK housing market continues to show good signs of recovery and the pace of growth has moderated to a more healthy and sustainable level. With a reduced risk of interest rate increases in the near term, but also with tighter but sensible regulation, we believe that UK house prices are most likely to closely reflect inflation and recovery in the underlying UK economy. This stable but improving environment should be positive for both homebuyers and homebuilders.

We are confident that our strategy and disciplined processes will drive an improvement in operating margin of c.400 basis points in 2014 and, looking ahead, we are well positioned to deliver further improvements across the business in 2015 – 2017, as set out in our medium term financial targets.

* Operating profit is defined as profit on ordinary activities from continuing operations before finance costs and exceptional items, after share of results of joint ventures.
** Return on net operating assets is defined as 12 month rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.

Ends

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Notes to editors:
Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our vision is to become the UK's leading residential developer for creating value and delivering quality.

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

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