

7 July 2014
Taylor Wimpey plc

Trading update for the period ended 29 June 2014

Trading update ahead of the half year results for the period ended 29 June 2014, to be announced on 30 July 2014.

Overview

We have performed strongly in the first half of 2014, with sales rates and pricing at the upper end of our expectations. We expect to report improvements in all of our key financial objectives, with good progress made towards each of our medium term targets, which we announced in May. We expect operating profit margin for the first half of 2014 to be c.16% (H1 2013: 13.1%). We remain on track to deliver an increase in operating margin of at least 300 basis points in 2014.

UK current trading

We are operating in a balanced housing market, with sales rates in the first half of 2014 showing the benefit of the traditionally strong spring selling season. After several years where a weak economy has reduced the number of customers able to get a mortgage, we have seen market-led house price increases across all of our regional markets. Customer confidence remains good, with increased employment security and a more affordable and accessible mortgage market underpinning demand. Visitor levels are strong, even against high year-on-year comparators.

During the first half of 2014, we achieved an average private net reservation rate of 0.71 per outlet per week (H1 2013: 0.67) and we completed 5,766 homes (H1 2013: 5,191), an increase of 11%. Of this, 4,755 were private completions (H1 2013: 4,229), 940 were affordable (H1 2013: 930) and 71 were joint venture completions (H1 2013: 32).

The average selling price of completions also increased to c. £206k (H1 2013: £188k). The average selling price on private completions increased by 9% to £224k (H1 2013: £205k). This increase is due to our continued weighting towards better quality locations and the benefit of the wider housing market improvement.

Cancellation rates remain very low at 11% (H1 2013: 14%), as both our internal processes and the lenders' own strict criteria continue to ensure that customers are well qualified before reservation. We are focused on the long term and delivering sustainable returns for our shareholders and so welcome sensible measures to reduce long term risk and protect stability, such as the new regulations following the Mortgage Market Review and the measures announced by the Bank of England in June. We consider these to be positive moves for the housing market and our business, reducing the risk of overheating and increasing the long term health of the market. We have not experienced, nor do we anticipate, any significant adverse impact on our customers.

The total order book, excluding completions to date and joint ventures, is at an optimal level and stands at £1,584 million as at 29 June 2014 (30 June 2013: £1,255 million), reflecting the continued strong private order book. The total order book represents 7,587 homes (30 June 2013: 7,101 homes).

The Help to Buy equity loan remains very popular with our customers, predominately first time buyers, at an average selling price of c. £207k. During the first half of 2014 we completed approximately 42% of private homes through the scheme and are currently working with around 2,000 households to take the first step to home ownership or to move up the housing ladder.

Land and planning and build costs

The land market has remained balanced and disciplined throughout the first half of 2014. During the period we continued to add to our short term landbank by securing new opportunities at similar margins to 2013, and increasingly from a higher conversion of our strategic land pipeline. We will continue to monitor the short term land market carefully in the second half of the year at a local level and, with land substantially secured for future completions into and beyond 2017, we will continue to invest where we see value as well as promote our existing sites through the planning process.

The strength and quality of our strategic pipeline is a key differentiator for Taylor Wimpey, underpinning future improvements in performance and our confidence in delivering sustainable margins through the cycle. In the medium term, we are confident that we will be able to source approximately 40% of our annual completions from the strategic pipeline. During the first half of 2014, we have successfully converted a record of c.7k plots from the strategic pipeline.

As anticipated, we are seeing some build cost increases in certain trades and materials, however these are being maintained at manageable levels.

We are currently operating from 308 outlets including joint ventures (30 June 2013: 322), with the faster sales pace resulting in outlets closing earlier.

Spain

The housing market in Spain remains challenging, although the wider market environment is now stable.

We completed 20 homes in Spain during the first half of 2014 (H1 2013: 27) at an average selling price of €254k (H1 2013: €216k). The order book value was £65 million at 29 June 2014 (30 June 2013: £37 million), representing 284 homes (30 June 2013: 174 homes). Our Spanish business is expected to make a positive contribution to 2014 performance, with new sites adding to profitability and completions from the second half.

Group financial position

Net debt at 29 June 2014 was c. £40 million (30 June 2013: £68.4million).

On 3 July we paid c. £49.7 million by way of a special dividend, equating to 1.54 pence per share, to shareholders on the register at the close of business on 6 June 2014.

Given the positive market environment and outlook, our regular half year net realisable value review of inventory is expected to result in the write back of some of the impairment against UK inventory as an exceptional gain, albeit the impact is anticipated to be lower than in 2013, given the significantly reduced level of impaired inventory. We will provide further detail in our half year results.

Outlook

We believe that the market risk in the short to medium term has reduced in the first half of 2014 due to a general underlying economic improvement, the extension of Help to Buy to 2020 and balanced prudential measures to reduce long term risk. We remain disciplined and focused on the long term health of the business to deliver the best quality and sustainable returns to our shareholders through the housing cycle. We are confident of delivering on our full year expectations and building on our solid base to deliver our medium term targets from 2015 and beyond.

This trading update may contain certain statements about the future outlook for Taylor Wimpey. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

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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
Follow us on Twitter @TaylorWimpeyplc