Trading Update

Thursday, 16 January 2025

Jennie Daly

Chief Executive, Taylor Wimpey plc

Good morning, everyone, and Happy New Year to you all. As usual, I am joined by Chris this morning.

I know you will all have seen this morning's statement, but I will start by providing a brief summary of our full year trading and then open the floor for questions.

To open, I am pleased to report that we have delivered on expectations and traded the year out well. We delivered UK completions, excluding joint ventures, of 9,972, which, as expected, was towards the upper end of our previous guidance range and expect to deliver a gross margin of around 19%. As a reminder, this includes around a 50 basis points benefit from the land sales we flagged at the interims.

Our expectation for operating profit continues to be in line with our previous guidance at £416 million. We retain a strong balance sheet and ended the year with net cash of £565 million, coming in ahead of our guidance due to the timing of land transactions.

Our 2024 sales rate of 0.75 is a 21% increase on prior year, whilst excluding bulk sales, our net private sales rate for the year was 0.67.

We have achieved these results while maintaining our high-quality build and customer standards with our customer scores the highest they have ever been, which is really very pleasing and a testament I believe to the hard work and dedication of our teams right across the country.

The 2024 trading environment was pretty stable, but it is fair to say changing sentiment, in particular, the pushing back of expectations of interest rate cuts and some modest mortgage rate rises had some bearing on our customers' confidence in the second half.

In November, we called out that after a few years with no marked regional differences, conditions in the North and South of England had started to diverge with affordability more stretched in the South. This has the effect of softening sales pricing in the South, where average selling prices are higher, relative to the North of the country where we have captured pricing gains.

As a result, given our mix, underlying price in the UK order book is now around 0.5% lower year on year.

We had a good year in the land market in 2024 and approved 12,000 units that met with our strategy of targeting land in high quality locations where customers want to live. This was higher than we originally anticipated due to a number of attractive deals and some increased land owner activity in the lead up to the Budget.

Together with our already strong landbank, we are very well positioned for the coming years.

We were pleased to see the rapid progress from Government implementing the NPPF, which we expect will support sector-wide volumes in years to come. Taylor Wimpey is particularly well positioned in this regard with around 26,500 plots for first principal planning currently in the planning system.

A fully functioning planning system remains key to growth, both at Taylor Wimpey and across the sector. And while it will take time for these changes to result in additional sites for the sector, we are well placed with a healthy short term landbank to bridge the gap.

As you know, we do not give guidance for the current financial year with our January post close trading updates, but I would make some observations, which I hope you will find helpful.

We entered 2025 with a stronger private order book, which is up 25% by volume on last year, amounting to an additional 643 homes compared to the prior year. We start the year in a good place.

As you will appreciate, it is too early to say much that is meaningful about this year's trading, but we have had a positive start to our Boxing Day campaign. 'Stop waiting, start living' is a call to action for those customers who are in a position to buy, but who have perhaps been waiting on the sidelines. This has landed well with both our sales teams and customers and pleasingly has generated encouraging sales leads.

However, there remains market uncertainty with an increase in borrowing costs in January with the potential for that to impact mortgage rates, and therefore, affordability in 2025.

Noting yesterday's inflation data, we will be closely monitoring how interest rates and mortgage rates continue to evolve over the coming weeks and months, and we will, of course, update you more on sales progress at the full year results.

Turning now to build cost. We are now seeing signs of build cost inflation returning given cost pressures faced by UK businesses, including the impacts of increased employment costs as a result of the taxation changes announced in the Budget. It is too early to guide on this in detail given ongoing contractual discussions with suppliers, but we will provide an update at our prelims in February.

Progressing lands through planning remains a key priority for our teams. And to remind you of what we said in November, we expect to open more outlets this year than in 2024 with openings weighted towards the second half.

To conclude, we have delivered a strong 2024 performance in line with expectations. We are now focused on seeing how customer sentiment develops as the Spring selling season gets underway. But we are very pleased to be entering the year with a stronger order book and excellent visibility of land and outlets for 2025.

This positions us well to grow volumes in 2025, albeit, of course, we do remain vigilant to the evolution of borrowing rates and any impact this may have on customer affordability and confidence to transact.

Given the extreme undersupply of new housing and clear Government initiatives to address this, we remain excited about the market opportunity and are well placed to capitalise on the substantial underlying demand in the years to come as the market recovers and as Government action and planning reform improves visibility for the sector.

We can now open for questions.

Q&A

Aynsley Lammin (Investec): Just two questions from me, please. I'd appreciate a bit more colour around the commentary on pricing, which you said was obviously softer in the South East. Just wondered if you could give an indication of what incentives have been running at, did you increase them towards the end of the year? And tactically, how you plan incentives as you go into the Spring selling season?

Then secondly, I know you are not guiding and made that quite clear. But just on build cost inflation, others in the sector have pointed to low single-digit percentage for this year. Is that a level that you would concur with at this point? I know it is early, but bit more guidance on that would be great.

Jennie Daly: Yes. Morning, Aynsley. First of all, comment on pricing. I mean these are small movements, but as they are pulling in different directions, it is worth us flagging them for you.

Incentive-wise, I think most of last year, we would have been saying 5% to 6%. That has ticked up towards the end of the year, sort of 5.5% to 6% to support those sales. You mentioned the South East, I will probably just widen that, Aynsley. I am not talking about just the South East, it is a more broad South.

Now where the line is, I am probably not willing to get drawn, but it would be wrong to characterise it only as a South East issue.

On build cost inflation, look, we always want to try and play a straight bat with you. Normally, at this time of the year, we would have completed our negotiations, but we have been working with suppliers to understand their justification a bit more forensic as you have become used to and looking at ways to offset that.

The discussions are a bit lengthier than usual, and it is a dynamic process, and I do not really want to be negotiating in public. I am sure that you will understand that. But do not disagree with the peers that have gone earlier this week but we are sticking to our discipline and we will work through it, and we will give you a more detailed breakdown and colour at the prelims.

Will Jones (Redburn Atlantic): I will just try a quick three, if that is okay. The first perhaps if you could elaborate on the encouraging remark with regards to early year indicators. I know you have the various lead ones that you show us chart-wise at results. But how are they trending, if you might update us on that, please?

The second was just around the order book actually. Because I think if I look at it on a trailing basis, that private business is now 40% of last year's completions, and it was, I think, 30% a year before. So it looks quite high relative to usual proportions. I guess, would you potentially see scope for the order book to maybe ease a bit lower this year to help your completions?

Then the last one was just maybe around all things outlets and planning. I appreciate you will not guide on outlets, but the 26,000 number you mentioned, Jennie. Is that still applications coming out of the strategic landbank? How is the progress going in the owned and controlled? Just any wider planning commentary would be great.

Jennie Daly: Okay, Will. I will take the first and third. Chris, if you could pick up the order book. Look, I am very pleased actually with the early indications, it is really important that we recognise that it is a very short period, and we will be in a much better position to update you at the full year.

But website appointments were quite strongly up. Organic inquiries strongly up. Walk-in appointments were a bit weaker, but I know I am not supposed to have mentioned the weather, but it was pretty bad, particularly in the North. So all those early indicators are quite positive. I am very happy with how the new campaign has landed.

On outlets, look, again, we have tried to be helpful. I think in November, I gave you an indication of we expected to open more outlets in 2025 than we did in 2024, which I am really pleased about. We opened all the outlets that we planned, we opened them by the end of last year, which means we are in a good position for trading for this year.

So I think 98% of 2025 volumes will come from outlets that we are either already open on or that we are already on site and preparing to open. So good visibility there, Will.

On planning, you will see if you look back 26,500, we have brought that down a bit. We had some success in landing some of our strategic land conversions, still lower than I would like but starting to move in the right direction from strategic land.

We are starting to hear and feel a bit of sentiment change in local authorities. It is not consistent. So we have had some very positive outcomes. And I was just reflecting with one of the team this morning, a local authority where we have consistently had to go to planning committee repetitively for one decision, determined our next planning application on Tuesday night first time around. I think that that is a sentiment change that we are seeing in some authorities. But at this point, I would say it is still some, not most. Chris?

Chris Carney (Group Finance Director, Taylor Wimpey plc): Yes. On the order book, yes, we are really pleased with that strong private order book position that we have built. We would always, in pretty much every year, look to build a strong order book position ahead of the start of a new year. And that allows us to optimise price, especially in the Spring selling season.

I would expect that to be our modus operandi not just this year, but next year as well. And we look at the trading conditions in any market as we approach the end of the year and trade accordingly. So yes, really pleased with our order book position. It is where we want it to be.

Allison Sun (Bank of America): I just have one follow up question on the outlets number. Because it looks like you are left with a little bit extra that you did not intend on having this year. So will that affect your overall outlet plan in 2025?

Jennie Daly: Okay. Yes. I think when we spoke in November, we talked about expecting to end the year with just over 200 outlets. We have got, I think, 213 at close, and I think we are, on a spot basis, 213 today.

It is just the effect of closing outlets. It is an art, not a science. There have been just a few stragglers. So we would expect the number to come in. So as you say, just a small number of delayed outlet closing to take into account there Allison.

Zaim Beekawa (JP Morgan): Just two from my side. One on land. Can you just give us a view as to what you are expecting in 2025 in terms of maybe pricing and availability?

Then secondly, to come back on the build cost inflation, I appreciate you not guiding just yet, but I think historically, you have also mentioned a positive impact on the self-help? Could you just remind us what you are doing and how you see, what the measures you are able to pull in 2025 also?

Jennie Daly: Yes. Thanks. Good to speak to you, Zaim. From a land market perspective, I mean, I would say it is still competitive, but it is variable. It depends on the local market. And pricing has everything to do with availability in the area that you are looking to acquire land. So I would expect it to be still quite variable and choppy through the year.

As we start to see maybe the benefits of NPPF and land supply coming up, then I would hope that we would see some cooling in land price.

What we do this year? Look, I am not feeling under any pressure. We had a good year last year. Really happy with the quality of what we have acquired. So we will just reflect on how the market plays out and just make sure that we are doing the right thing on that basis.

On self-help, I mean we are busy. The teams are consistently pushing. So cost management is well ingrained in our business. We have a zero-based approach to budgeting each year. The teams will be working through both value improvement and cost management schemes at some pace.

As I mentioned earlier, we do take a partnership approach with our supply chain and engage with how we can both come out with a better result and those are part of the discussions that are ongoing at the moment. So working hard through all of those elements, and probably be able to give you a little bit more colour around that too at the full year.

Marcus Cole (UBS): I have got two questions as well. The first one is just on Spain. There is obviously quite a lot of news reports in terms of 100% property tax. I just wondered what you think about the implications for your Spanish business?

The second one is on margins. I know you do not want to give any guidance at this stage. But if I put together the building blocks you have given us on house prices - underlying small down, build cost inflation coming through and the one-off impacts of gross margins in terms of land sales in 2024, it seems directionally they will be down. I just wondered if you could flesh out any thoughts on that.

Jennie Daly: Okay. I will take Spain, and Chris, you pick up on the margin. So Spain is a small business you will have seen from the statement, delivering approximately 500 units, they have performed really well. And you will also see from the statements that they carry a pretty strong order book.

I mean the announcement has no real details to it at this point, or indeed, what the tax is taxing or when it would be introduced and we have a minority Government that would require the support of conservative parties to pass. So something that we will watch, but not unduly concerned about at this point.

But just to give you an idea, EU nationals are our predominant market, probably 75% - 80%. So of the 20% - 25%, 10% would be British buyers historically. And then there is a number of Schengen and we do not know because there is very little detail as to whether they are included or not. But something for us to watch, but not unduly concerned at this point, Marcus.

Chris Carney: Yes, you are quite right, we are not providing guidance for 2025. But I think you can see from the statement that we are trying to be helpful. We confirmed that the gross margin position for 2024, excluding land sales, is around 18.5%, which is obviously a good starting point. We have an increased order book to start 2025, but it does come with an underlying price which is down 0.5%, due to price growth in the North being more than offset by lower pricing in the South, as Jennie mentioned.

Also, as we have talked about already, we are seeing signs of build cost inflation. But as Jennie said, it is too early to guide on that, given the ongoing discussions with suppliers.

And yes, the other factor influencing the margin in 2025 is the degree of house price inflation that can be captured in the remaining sales for the year. And clearly, that is quite hard to gauge at this point with borrowing costs being reasonably volatile, which is why we provide guidance at the prelims. But of course, Marcus, if house prices were to stay exactly where they currently are, then yes, that together with the build cost inflation would obviously push the gross margin lower year on year.

Ami Galla (Citigroup): Just two questions from me. The first one was on the demand trends that you are seeing this year. Can you give us some colour between how is the mix between first time buyers and home movers? And is there at all any urgency or the thinking behind stamp duty changes in April working in their mind? Is there some pent up demand that we have seen in January market, which is a function of them anticipating stamp duty changes?

The second one is, could you give us some update in terms of Section 106 take up? Has that seen any improvement on the back of the measures that the Government has laid out so far?

Jennie Daly: Okay. A bit muffled, Ami, so hopefully I have got this right. In terms of the split for 2024 of buyers, I think we were 31% first time buyers, 39% second movers.

In terms of stamp duty demand, we do not think that is what is fuelling the customer inquiry levels. We do not actually have much availability for quarter one. And given how transaction times are taking with local solicitors, customers will be hard pushed now to beat the time scale. So I think what we are seeing is genuine customer demand at this point.

And on Section 106 take up, I mean we did what we needed to do by the end of the year. I will say that it was probably more challenging on both sides of the transaction, both housing associations and our teams, than it has been in the past. We know that the conditions that we talked about at the interims where housing associations were feeling under pressure for funds and they were reluctant to commit continues. So we have not seen the benefits of the additional funding mentioned in the Budget at this point.

Chris Millington (Deutsche Bank): Three quick ones, hopefully it will be quick. Just on bulk sales. Just wondering what your attitude is there and how you are seeing discounts feed through at the moment, probably particularly in light of the higher forward interest rate curve.

Second one is just really, obviously, everyone is talking about build cost inflation, but internal cost inflation has been quite an issue for the housebuilders over recent years. Do you see much in admin and the fixed costs which are sat in COGS over the course of 2025?

The last one is a bit of a follow on from the land question earlier. Can you possibly give the number of plots you have got detailed consent on? I know you talked about the pipeline plots, but those which have detailed consent.

Jennie Daly: Okay. Bulk sales, I mean, I think a quick answer to your quick question, attitude has not changed. Our preferred approach to bulk deals and relationships has always been to plan them in at the point of purchase. The bulks that went through at the end of 2024 are a good illustration of that. The sites were bought on the basis of having build to rent as part of them.

We do look at the balance of the benefit from a return on capital perspective versus the discounts. I think at this point, I can tell you that I am happy with the ones that we have taken, but there is probably very many that we have declined over the year because of the depth of discount.

I will leave it to Chris to do the internal cost. I mean clearly, and we mentioned in November, the NICs does have an impact on costs.

In terms of landbank with detailed planning permission, it is up a bit since half year. So detailed planning permission, I think we are about 35,800 - 36,000 thereabouts. Chris?

Chris Carney: And that is in the owned landbank. For the total of the short term landbank, it is closer to 40,000.

Jennie Daly: There we go. Thank you, Chris.

Chris Millington: Very helpful. Chris, did you have anything else to add just on that internal costs and maybe administration moves this year?

Chris Carney: Yes. Of course, you would expect me to say because it is very true. We are always very disciplined on cost. As a result, we run a lean business. But at the same time, we have been setting the business up for growth and investing in the future. And we will update you on our thoughts for 2025 when we get to the prelims, including on the cost side.

But we did, back in November, just confirm that the annualised cost of the increase in employees NI relating to our employees is between £5 million and £6 million. And with that increase effective from April, the additional cost for 2025 is £3.5 million to £4 million.

Chris Millington: Got it. But it sounds like there is probably a little bit more on top of that, just a general inflation and growth ambitions, Chris?

Chris Carney: Yes.

Charlie Campbell (Stifel): A couple of questions. One point of detail, and sorry if I missed it. Your number of sites opened in 2024, obviously significant net movement, but the gross would be interesting.

And then secondly, just wondered how quickly you think that grey belt might have an impact on sites acquired and whether it is realistic to think of companies such as yourselves buying or getting approval for grey belt land in this financial year?

Jennie Daly: Okay. Number of sites opened in 2024, 55.

On grey belt, I mean, I think we are still waiting for real clarity as to what the definition of grey belt is. But I prefer to think of it as the opening up of a discussion, Charlie, from a planning perspective. With the last Government, we ended up with this idea that all green belt was sacrosanct and that it was a permanent fixture.

And so the dialogue that the new Government have introduced around green belt, where there is a lack of housing delivery or grey belt to support short term housing needs is really helpful dialogue. In that 26,500 plots in first principal planning that I mentioned, there is a grey belt site by what we think is a definition or two, and there is certainly some that we are looking at in green belt or preparing at the moment.

So I think it is a matter of where the housing need is. If there is housing need and the authority are demonstrably not delivering it, then providing that all other good planning principles, sustainable location and etc. are in play, then there should be a reasonable discussion.

And I know that there was some recent appeal decisions, probably relatively small, but appeal decisions that start to guide that way. So we are feeling very much on the front foot. As we talked about last year, we have shaken down our strategic landbank. Our teams are very active. I am putting them under a lot of pressure to get applications in and we are engaging with local authorities in those areas.

Could we see some decisions this year? Yes, I think that we could. But really, I think it will take time to prepare the applications, get them in for determination.

I am feeling really fairly positive about the planning changes, but all the proof is in the pudding, as they say. And it is important that we see Government leaning into local authorities and that we see the decisions, but the indications are good.

Sam Cullen (Peel Hunt): It is basically on sales rates and affordability. I think in the past, you have given some charts looking at your sales rates versus mortgage rates and the corresponding drop-off as rates get above 5% - 5.5% at 75% LTV. Do you guys think that relationship still holds going forward? Or do you think the house buying public has moved on, obviously, your ad campaign that I can't remember the strap line is to try and encourage people to look further out and get busy living as it were. But should we think about that relationship still holding going forward?

Jennie Daly: Yes. Well, I am disappointed, Sam, you do not remember our 'stop waiting, start living' campaign. But I think that there is certainly a sense that has come from my discussions with our sales teams that there have been customers just a series of events that they have been watching, whether it is the Election, the Budget, just holding on, maybe waiting for rate reductions. And a sense that if it is going to take a little bit longer that maybe there are customers that just they cannot put their lives on hold any longer.

But there is a wide range of variables not just interest rates, wage growth, employment levels, the sentiment that need to be taken into account, the relative cost of renting in the case of first time buyers as well. So we will be watching all of that evolve over the coming weeks and we will probably, again, look to give you a bit more detail and colour on what we are seeing come the full year.

Cedar Ekblom (Morgan Stanley): One follow-up question on the gross margin. Is there a way to quantify what volume growth you need in order to offset the spread between the house price and build cost inflation in 2025 by any chance?

Chris Carney: Yes. So there is not a particularly specific calculation, but a bit of a rule of thumb, Cedar, in the past that I would have on these calls talked about maybe a 10 bps improvement in operating margin being derived from an extra 100 units of completions. So yes, that is still broadly the case.

So if you use that on an operating profit margin basis, then you should be able to backfill to get to what the gross margin impact is.

Jennie Daly: Well, thank you all for your time and for your questions this morning. I hope you found that helpful. As I said, we have delivered a strong performance for 2024 and are well placed for 2025. But we are aware that there is a fair amount of market uncertainty. We remain confident, though, that we operate in a very attractive market with substantial opportunity and that we are well placed having set the business up to capitalise on significant unmet demand for the years to come.

So we look forward to speaking to you again at the full year results in February. Thank you.

[END OF TRANSCRIPT]