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Ticker TW (LSE)
Price GBp 107.15
Sector Homebuilder, Consumer Durables
Website <https://taylorwimpey.co.uk/corporate>

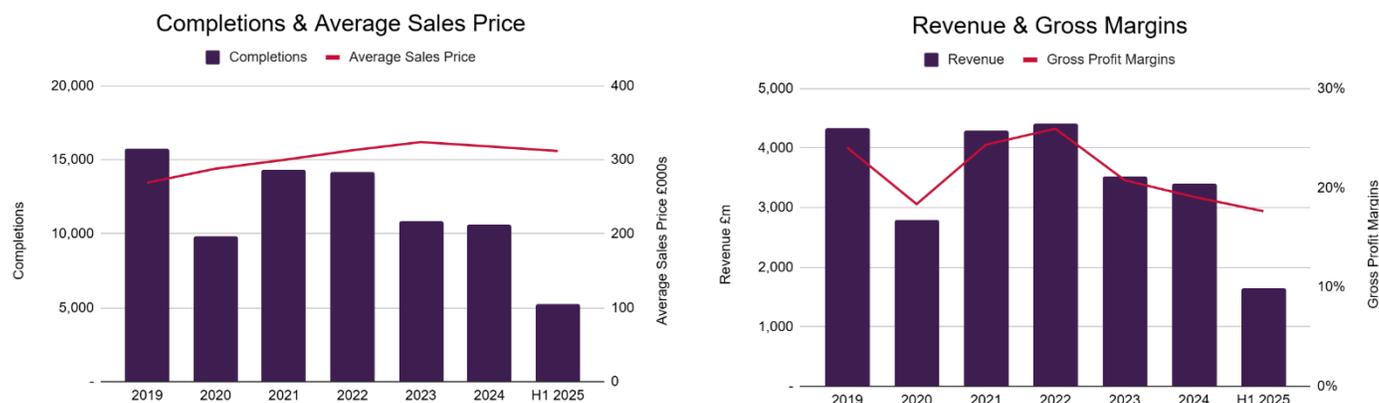


Taylor Wimpey is the 3rd largest UK homebuilder with 10,593 homes delivered in 2024 and an expected 10,400-10,800 UK completions in 2025. They also have a small homebuilding operation in Spain with 504 completions in 2024.

H1 2025 earnings

GBP millions	H1 2025	H1 2024	% change
Completions	5,264	4,728	11.3%
Average sales price £000s	312	315	-1.0%
Revenue	1,655	1,518	9.0%
Adj. operating income	161	182	-11.5%
Operating income	-80	94	-%
Net income	-62	73	-%
EPS common shareholders	-1.7	2.1	-%
Order book £m	2,116	2,012	5.2%
Cancellation rate	16%	14%	2%
Adj. operating margin	9.7%	12.0%	-2.3%
Net debt / equity	-7.8% (net cash)	-13.2% (net cash)	-5.4%
Equity	4,184	4,431	-5.6%
RoE (annualised)	-3.0%	3.3%	-6.3%

Quarterly Results Trend



Financial Highlights

- Homes delivered increased 11.3% YoY to 5,264 deliveries.
- Increased home deliveries drove revenue up 9.0% YoY to £1.66bn, with average sales price slightly down at £312,000. The decline in average sales price was largely driven by product mix, with a higher proportion of affordable housing sold in H1 this year.
- The order book increased 5.2% to £2.12bn, representing 7,269 homes.

- Gross margins dropped from 19.3% to 17.1% as average sales price declined 1.0% and build cost was up 0.5%. Cost of sales also included a one-off £20m charge in relation to defective workmanship which contributed to margin decline. The sub-contractor is being pursued for breach of contract.
- Adjusted operating margin dropped 2.3% from 12.0% to 9.7% and was nearly entirely due to the contraction in gross margins mentioned above. Actual operating profit included provisions of £240m, which reduced operating profit from £161m to -£80m. The £240m charge was made up of a £222m provision for fire safety cladding and £18m as part of a settlement of the CMA investigation into anti-competitive behaviour, which impacted all large UK homebuilders.
- The additional cladding provisions include £144.9 million for an expanded scope of works to remediate historical building defects. These building defects were not visible in earlier non-intrusive assessments. It also included £39.5 million for additional cladding-related remediation works and £37.8 million for site-specific cost increases, professional fees and contingencies.
- Cancellation rate was slightly higher at 16%, reflecting the affordability concerns that still exist and fragility in housing chains.
- Net income was reported at -£62m following the cladding provision. Net income is estimated at £115m without exceptional charges.
- Short-term landbank stood at 76k plots at the end of H1, down from 79k plots at H1 2024. However, the short-term landbank still represents around 6-7 years of future deliveries.
- Balance sheet remains very strong with £412m cash, £5,444m inventory, £86m debt and £4,184m equity.
- Taylor Wimpey returned £165m to shareholders via dividends and 4m via share repurchases.

Operational Highlights

- Private sales rate of 0.79 per outlet per week was an improvement on the 0.75 rate in H1 2024.
- Overall number of outlets dropped from 214 at the end of H1 2024 to 209 at the end of H1 2025.
- Recognised as a five-star builder according to the Home Builders Federation (HBF).
- Government policies (NPPF and Planning and Infrastructure Bill) designed to streamline the planning process continue to make progress.

Management Comments

- Jennie Daly, CEO: "We delivered a good underlying performance in the first half of 2025 in line with our expectations, notwithstanding softer market conditions in the second quarter. While affordability remains constrained, particularly amongst first-time buyers, lenders remain committed to the UK mortgage market and long-term fundamentals are positive, with significant unmet need for UK housing.
- Forward guidance of 10,400 – 10,800 UK completions with adjusted operating profit expected to be around £424m.
- The average sales price for FY 2025 is expected to be around £340,000. The increase is from greater mix of private sales in H2, including sales of higher priced properties in London.
- Taylor Wimpey does not expect significant further revisions to provisions.

Ben Jones Investments Outlook

- The results are mixed – we were pleased to see a return to completions growth, however, the large increase to cladding provisions was the major disappointment.
- We think Taylor Wimpey remains undervalued. Given that it trades at 0.91x book value, there is essentially zero value being placed on future cash flows. For a company that is consistently profitable, even in weaker years, that makes little sense to us.

- The decline in margins during periods of higher rates is not unusual, but we expect operating margins to normalise towards 15% over the long-run. We also expect completions to grow back towards the 14,000 per year long-run trend. Naturally, anticipating the timeframe of this is difficult, but we see sufficient margin of safety at current valuation that delays in normalisation are not detrimental to the investment decision.
- Taylor Wimpey has a very strong balance sheet with £412m cash and £86m debt, ensuring that they can comfortably withstand any further turbulence in the housing market.
- The key risk going forward in our view is future revisions to cladding provisions. The majority of provisions in the industry were made by 2022, so it's disappointing to see such large revisions now. The reality is that it's difficult to know whether there will be any further increases in provisions. Despite this risk, we still see sufficient margin of safety between the current valuation and our view of intrinsic value.
- We still see the UK as having a fundamental housing shortage that will help support property prices through periods of higher rates.
- Historically, higher rates driven by higher inflation tend to support real home prices as nominal home prices keep pace with inflation.
- At present valuations, we think share repurchases would be a better way of returning capital than dividends, but don't anticipate any change in a dividend policy which aims to pay out at least £250m per year or 7.5% of net assets.