

TRADING UPDATE **THURSDAY 7 JULY 2022**

Persimmon plc (“the Group”) announces the following trading update ahead of its Half Year Results to 30 June 2022, which will be released on Wednesday 17 August 2022. This statement covers the period from 1 January 2022 to 30 June 2022.

Dean Finch, Group Chief Executive, said:

“I am pleased we have further enhanced our build quality in the period while also driving build efficiency to historical highs and increasing housing gross margin. We continued to complement this progress with high quality, disciplined investments in land driving growth in our outlet position. We have delivered this despite the significant on-going challenges being faced by the industry. As we rebuild our outlet position, delays in the planning system, disruption in material supply chains and challenges in securing labour have impacted completions in the period. We anticipate, however, profit at the half year to be modestly above our expectations reflecting strong demand and positive pricing conditions. Our forward sales position is robust.

“Our disciplined investment is further enhancing our strong land holdings which alongside our rigorous focus on margins is underpinning our continued financial strength. We are expanding our unique vertical integration capabilities to provide further supply resilience and cost efficiency. Our enhanced product range and service quality are strengthening our customer proposition. My ambition firmly remains for Persimmon to become Britain’s best housebuilder for both customers and shareholders alike, by resolutely focusing on the delivery of high quality homes, improved customer service and strong financial returns.”

- Highlights
 - 6,652 legal completions (2021: 7,406)
 - Total revenue¹ of £1.69bn (2021: £1.84bn)
 - Forward sales of £1.87bn (2021: £1.82bn)
 - Improving housing gross margin with house price inflation currently offsetting build cost inflation
 - c. 300 active outlets at 30 June 2022 with c. 70 forecast to open in H2 2022
 - c. 8,800 plots of land brought into the business across 37 sites at industry-leading embedded margins
 - c. £0.78bn of cash at 30 June 2022 (June 2021: £1.32bn)
 - Five-star builder – improving current customer satisfaction score of 92.2%²

Trading review

The Group delivered 6,652 new homes in the first half of the year (2021: 7,406) which, as guided, was below the first half of 2021, but also slightly lower than we previously expected due to further delays in the planning system and material and labour shortages. Total revenues¹ for the period were £1.69bn (2021: £1.84bn) including housing revenues of £1.63bn (2021: £1.75bn).

The Group’s average selling price increased by 4.0% year on year in the first half to c. £245,600 (2021: £236,199) reflecting strong demand and a reduction in the proportion of homes sold to our housing association partners. In the period, 5,553 (83%) of the Group’s legal completions were delivered to owner occupiers (2021: 6,104 (82%)) with an average selling price of c. £267,300 (2021: £258,220).

Rising energy prices, supply constraints on certain materials and increased labour costs are driving upward pressure on total build costs. Currently, house price inflation is continuing to offset these increases. As a result, we expect to deliver a housing gross margin that is slightly ahead year on year, although, the lower number of completions will result in a slight fall in operating margin reflecting the reduced efficiency of the Group’s overhead recovery rates. Despite this, we anticipate the Group’s profit at the half year to be modestly above our expectations.

As previously announced, the Group entered the year with a low number of outlets (c. 290) reflecting its robust volume performance in 2020 and 2021 together with relatively fewer land additions in 2019 and 2020. As a result of the Group’s high quality land investment, we successfully brought c. 65 outlets into construction in the period, however, the planning system remains slow impacted by a Covid-related backlog and increasing complexity. For example, across the industry there are c. 120,000 plots in England currently stalled within the system due to Natural England’s nutrient neutrality guidance. In the absence of firm guidance from government this uncertainty will continue. Persimmon currently has around 1,500 plots affected by this issue which were due for delivery to local communities over the next five years.

Building an even stronger business

The Group continues to invest in high quality land opportunities at industry-leading embedded margins providing excellent support for Persimmon's high quality growth. During the period, c. 8,800 new plots were brought into the business across 37 locations. As at 30 June 2022, the Group held around 89,000 plots in its owned and under control land holdings and around 100,000 plots in its strategic land portfolio.

Persimmon has a robust balance sheet and high levels of liquidity. After returning £399m to shareholders on 1 April 2022, investing £416m (2021: £200m) in high quality land opportunities at industry-leading embedded margins and increasing investment in the Group's work in progress balance, the Group held £0.78bn of cash at 30 June 2022 (December 2021: £1.25bn) with deferred land commitments of approximately £125m to the end of the current year. At 30 June 2022, the Group had work in progress of c. 4,400 equivalent units of new home construction (December 2021: c. 4,100). In addition, the Group has an undrawn £300m Revolving Credit Facility which is in place until 31 March 2026.

The Persimmon Way, the Group's construction excellence programme, continues to drive benefits throughout the business. Whilst delivering higher quality homes with great levels of customer service, and in a highly challenging operating environment where we have seen material and labour shortages, our build rates are improving and since March, have exceeded historical performance. The vertical integration afforded by our own Brickworks and Tileworks manufacturing facilities has helped mitigate some material shortages.

FibreNest, the Group's ultrafast full fibre broadband service, continues to grow, providing our customers with a key utility from moving in day. FibreNest currently has c. 24,000 customers across 315 of our developments (2021: c. 16,500 customers).

As previously announced, on 5 April 2022, Persimmon signed the Department for Levelling Up, Housing and Communities' Developer Pledge on cladding removal and fire safety remediation. Our proactive approach and engagement with Management Companies, or their agents, is actively helping progress remediation of a number of buildings.

Capital Return Programme

On 2 March 2022, the Board re-iterated its intention to return 235p per share in 2022. The first payment of the regular annual distribution of 125p per share was made on 1 April 2022 (rather than July 2022 as originally intended). As announced on 27 April 2022, 110p per share of surplus capital will be returned to shareholders on 8 July 2022. There will be no further dividend payments in relation to the year ended 31 December 2021.

Outlook

Demand across the UK remains strong. During the first six months of the year, the Group's average private weekly sales rate per site was around 1% ahead of that achieved during the same period in 2021. Customer enquiry levels are healthy and cancellation rates low. As at 30 June 2022, the value of the Group's forward sales was robust at c. £1.87bn (2021: £1.82bn) with c. 8,800 homes (2021: c. 9,550) in our forward order book at 30 June 2022, c. 4,680 of which are sold into the private market (2021: c. 4,950). The Group is around 75% forward sold for the full year. The average selling price of new homes forward sold to owner occupiers was c. £280,700, c. 12% ahead of the prior year (2021: c. £250,350).

At 30 June 2022, the Group had c. 300 active outlets across the UK and, subject to planning, we expect to bring c. 70 outlets into the business in the second half of the year, enabling us to deliver a strong increase in our net outlet position. Whilst there are a number of external factors outside of the Group's control which are impacting volume delivery and making it difficult to forecast with accuracy, we currently anticipate delivering around 14,500 to 15,000 legal completions this year while retaining our industry-leading margins and securing profit growth.

Persimmon is performing strongly within all the areas it directly controls whilst actively managing broader economic and regulatory challenges. The Group is investing in high quality land, improving its build rates and through its relentless pursuit of both quality and service, strengthening its product appeal in its core markets. With the longer-term fundamentals of the housing market remaining strong, we are confident that with this progress together with our continued disciplined approach to investment, the Group is well positioned for the future.

The Board would like to take this opportunity to thank the Persimmon team for their hard work and commitment throughout this period.

There will be a call for analysts at 09.00 BST today. Please use the dial-in details below:

Telephone number: +44 (0) 33 0551 0200

Password: Persimmon

An audiocast of the call will be available on www.persimmonhomes.com/corporate from this afternoon.

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Footnote 1

Total Revenues – The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. Housing revenues are the revenues generated on the sale of newly built residential properties only.

Footnote 2

The Group participates in a National New Homes Survey, run by the Home Builders Federation, the rating system is based on the number of customers who would recommend their builder to a friend.