

## **THIRD QUARTER TRADING STATEMENT**

**THURSDAY 7 NOVEMBER 2019**

Persimmon plc today releases its third quarter Trading Statement which covers the period from 1 July 2019 to 6 November 2019.

### **Highlights**

“Persimmon’s top priority is the delivery of higher levels of quality and customer service through the implementation of its detailed customer care improvement plan. Central to this plan is putting customers before volume, with sales volumes in the first half of the year being 6% lower than last year, together with making significant additional investments in both our annual customer care resources, by c. £15m each year, and in the level of the Group’s work in progress, which amounted to c. £140m at 30 June 2019.

“The Group has continued to make good progress with these plans through the second half. On 1 July Persimmon became the first UK house builder to introduce a customer retention scheme, placing us at the forefront of strengthened consumer rights for homebuyers. I am pleased that our progress to date has resulted in Persimmon achieving the Four Star status level in the latest quarterly HBF customer satisfaction survey results and we are currently trending strongly ahead of the Four Star threshold. I am determined to ensure that the Group makes further headway by implementing our additional quality and customer care initiatives.

“I am confident that the continued successful implementation of our detailed customer care improvement plans together with our strengthened forward build position, healthy forward sales, robust balance sheet and industry-leading land holdings provide a sound platform for the successful future development of the Group.”

*Dave Jenkinson, Group Chief Executive*

### **Trading**

Trading over the summer weeks was in line with our expectations, with the Group seeing the usual pick-up in customer activity as we moved into the autumn season. Consumer confidence has remained resilient despite the continued uncertainties around the timing and nature of the UK’s withdrawal from the EU and the broader challenges surrounding the UK economy. The resilience of the housing market continues to reflect the strong levels of employment in the UK and some real wage growth, together with low interest rates and a competitive but disciplined mortgage market.

The Group is well positioned in its regional markets, remaining focused on delivering a good range and choice of new homes at lower price points, the Group’s average selling price being c.17% lower than the national average for newly built homes sold to owner occupiers<sup>1</sup>. Supporting sustainable communities and delivering housing to lower income families in the communities we serve remains a key component of the Group’s development approach, with over 2,100 new homes being delivered to our housing association partners in the financial year to date.

The Group is encouraged by the ongoing progress being made through the implementation of its detailed customer care improvement plan, achieving the Four Star status level in the most recent HBF quarterly customer satisfaction survey, and trending strongly ahead of that threshold in recent months. Whilst we now believe we have sufficient momentum to be confident of an overall rating of Four Stars for the 2018/2019 survey year as a whole, our recent actions together with additional initiatives that are currently being introduced should enable the Group to continue to deliver sustainable improvements in quality and customer service into the future.

As previously reported, to support our customer care improvement plans, we have continued to restrict the release of new homes for sale in higher demand areas until construction reaches the appropriate advanced stage, both on selected new sites and, in some cases, on existing sites. As expected, this has reduced the

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<sup>1</sup> National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average selling price for the first half of 2019 was £242,912.

number of sales reservations that earlier release would have delivered and resulted in the Group having c. 5% lower average active sales outlets year on year, at c. 350 sites. Our substantial additional investment in work in progress, which amounted to c. £140m at June 2019, has been a fundamental driver of the improvements in quality and service, and will continue with further investment through to the year end.

Trading has continued to be resilient through the second half of the year with the Group's average weekly private sales reservation rate per site of c. 0.67 being in line with last year. We are now fully sold up for the current year and have c. £950 million of forward sales reserved beyond 2019 (2018: c. £987 million). Sales prices remain firm across our regional markets, with customers continuing to make carefully considered reservation commitments, particularly in relation to higher value new homes. Cancellation rates continue to run in line with last year, at historically lower levels.

In the first half of the year the Group's approach of releasing homes for sale only at a more advanced stage of construction resulted in total legally completed sales volumes reducing by 6% year-on-year to 7,584 homes. Whilst we currently expect our consistent application of this approach to result in a similar situation in the second half of the year, we anticipate that second half volumes will be greater than for the first half, reflecting the normal seasonality of the market.

In the second half of 2018, in response to customer feedback, the Group launched a new business, FibreNest, to provide ultrafast, full fibre to the home broadband services. The Group has continued to invest in establishing its full fibre network and currently has over 3,350 customers enjoying this fast and reliable service across more than 100 developments, with plans for a continued rollout.

We are mindful of the uncertainties facing the UK economy but remain keen to bring new developments through the planning system as promptly as possible to enable construction activity to commence and new homes to be delivered to the communities we serve. This will help ensure that Persimmon's home building activities continue to support c. 50,000<sup>2</sup> construction jobs on the Group's sites and in its supply chain. The Group's investment in high quality land holdings over many years provides a sustainable long-term platform for each of our 31 regional house building businesses. The Group has continued to be selective in its land replacement activity having secured over 3,700 new plots of land, and spent over £170 million, including payment of deferred land creditors, during the period to date. Of the replacement land secured so far this year c. 38% has been converted from the Group's strategic land holdings.

We will give a further update on progress and trading, following the year end, on Wednesday 15 January 2020.

Persimmon will host a conference call with analysts at 9.00 a.m. today. To participate please dial +44 (0) 33 3300 0804. The access pin is 77391028# and the password is "Persimmon".

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<sup>2</sup> Economic Toolkit estimate