

## **TRADING UPDATE** **THURSDAY 9 JULY 2020**

This announcement contains inside information.

Persimmon plc (“the Group”) announces the following trading update ahead of its Half Year Results to 30 June 2020, which will be released on Tuesday 18 August 2020. This statement covers the period from 1 January 2020 to 30 June 2020.

### **Highlights**

Dave Jenkinson, Group Chief Executive, said:

“Throughout the period, we continued to be guided by our clear purpose of delivering long term sustainable returns in the best interests of all our stakeholders, while managing the risks inherent to the housing market cycle. The benefits of this consistent approach can be seen in the strength of Persimmon’s performance in a first half dominated by the challenges of Covid-19.

“The safety of our colleagues, customers and suppliers has been paramount. When lock down restrictions required the suspension of site-based activity, Persimmon demonstrated its responsiveness with colleagues working from home continuing to progress site preparation work and our sales teams continuing to take reservations online. This dynamic response was made possible by the retention of all of our staff on full pay, without recourse to Government assistance, and provision of necessary support to our suppliers and subcontractors, to ensure operational continuity and enable a safe and structured re-start to site operations. As a result, our build programmes had returned to normal levels by period end, and we have seen encouraging sales levels throughout the period, in particular, over the last six weeks when net reservations have been c. 30% ahead year on year.

“We enter the second half in a strong position, with work in progress well advanced, forward sales c. 15% ahead year on year, and cash holdings of c. £830m.

“Our financial strength and the agility of the business in responding to Covid-19 has ensured Persimmon is in robust health, and fully able to play its part in delivering the new homes the country needs to support the UK’s recovery, in a range of future economic scenarios.”

- Covid-19 update
  - The safety, health and wellbeing of our customers, our colleagues and the public remain our top priority and Persimmon continues to follow all public health guidance
  - The Group has not made use of the Government’s Coronavirus Job Retention Scheme to furlough staff and has no plans to access any UK Government’s Covid-19 funding
  - Having developed and tested new site protocols incorporating the latest Government and Construction Leadership Council guidance, the Group began a phased restart to work on site on 27 April 2020, with site-based sales offices re-opening on 15 May 2020
- Trading highlights
  - Total revenues<sup>1</sup> of £1.19bn (2019: £1.75bn)
  - New home legal completions of 4,900 (2019: 7,584)
  - Average selling price of c. £225,050 (2019: £216,942)
  - Use of online resources ensured sales continued through the lock down period, with c. 1,600 gross reservations secured in the 9 weeks ended 17 May 2020
  - Strong performance in the six week period since sales offices re-opened in mid-May - with average weekly net private sales reservations of 278 new homes, c. 30% higher than the same period last year
  - Encouraging forward order book with forward sales of new homes at 30 June 2020 of £1.86bn (2019: £1.62bn), c. 15% higher than last year
  - Cancellation levels remain in line with historic trends
- Customers remain at the centre of our business
  - Customer care improvement plan now fully embedded in the business and continuing to deliver significant progress

- Persimmon's HBF survey rating<sup>2</sup> has been trending above the five star threshold since the start of 2020
  - Communications with customers strengthened through the use of enhanced digital technology and more frequent contact
  - Our customer care teams remained in close contact with our customers throughout the shutdown and, in England and Wales, scheduled work re-commenced on 15 June 2020
  - Our industry leading Homebuyer Retention Scheme has been well received with over 40% of new private customers taking advantage of the Scheme
  - 'The Persimmon Way', the consolidation of the Group's approach to new home construction, is progressing well and will be fully operational by the end of the year
- Continuing to support our communities
    - Committed to providing 'homes for all' with a private average selling price of c. £246,200, (2019: £242,912), c. 17% below the UK national average<sup>3</sup>
    - c. 50% of our legal completions in the six months to 30 June 2020 were to first time buyers
    - Invested over £675m in local communities over the last eighteen months, including the delivery of 4,263 new homes for lower income families to our housing association partners
    - Our Community Champions campaign donated over £370,000 in the first half and, from 1 April 2020, began to target its support to charities that assist the over-70s, a group who have been particularly affected by the pandemic
    - Our successful Building Futures campaign, joining forces with Team GB, is in its second year and will donate c. £1m in 2020 to local community projects which benefit young people across the UK
    - Persimmon is a signatory to the Covid-19 Business Pledge and is industry lead to the Social Mobility Pledge
- Land
    - Total land holdings at 30 June 2020 of c. 89,200 plots (December 2019: 93,246)
    - Over 850 plots added in the period (2019: 3,582), with total cash spend of c. £165m (2019: £239m) including land creditor payments of c. £105m (2019: £127m)
    - Deferred land commitments of c. £120m to be paid by 31 December 2020 (2019: £115m paid); total land creditors outstanding at 31 December 2020 estimated at £250m (December 2019: £435m) with the majority being settled over the next 3 years supporting the Group's strong liquidity
- Careful management of housing cycle risk is enabling Persimmon to respond to the crisis from a position of strength
    - A strong sustainable business model that: places customers at the centre of our business, maintains high quality land holdings, judges capital deployment at the right time in the cycle and minimises financial risk
    - Robust liquidity with cash reserves of c. £830m (2019: £833m)
    - Land replacement over the last two years running at c. 55% of consumption levels

## Covid-19 update

The welfare of our customers and workforce is paramount and in response to the pandemic, the Group has introduced Covid-19 secure operating procedures which are fully aligned with Government guidance.

On 25 March 2020, the Group announced a controlled and orderly shutdown of its sites, sales offices, and off-site manufacturing facilities.

The Group's strong financial position enabled us to: maintain our workforce on full pay, including those colleagues that were stood down, without recourse to Government funding; offer necessary support to our suppliers and subcontractors; and to maintain our community and charity programmes, throughout this time. The Group's operating margin for the first six months of the year will reflect this ongoing investment in the business and a necessarily reduced level of first half completions.

While lock down restrictions required the suspension of site-based activity, the business responded proactively to the challenge, transitioning smoothly to remote working and preserving operational continuity throughout. Momentum on key activities was maintained, with colleagues working from home progressing

planning and construction management work, enabling a safe and structured re-start to site operations. Our sales teams also remained fully operational throughout the shutdown, using online resources, including virtual viewings, and our digital sales reservation platform.

During the shutdown period, Covid-19 safe operating procedures, which are fully compliant with all relevant Government and construction industry guidance, were developed for each of our sites, sales offices, regional offices and off-site manufacturing facilities. Appropriate guidance and training was provided to all personnel as part of the re-start process. Once all Covid-19 safety protocols were in place, our sites in England and Wales commenced a phased re-opening on 27 April 2020 for construction operations and on 15 May 2020 in England, 22 June 2020 in Wales and 29 June 2020 in Scotland for site-based sales activity.

These strong protocols are embedded within all Group operations. All our site construction and sales team colleagues must confirm their adherence to the relevant Covid-19 safe operating procedures before they can be provided with a 'Covid-19 Passport to Work' which allows them access to site. Each of our teams of Independent Quality Inspectors, Group Health, Safety and Environment Inspectors, and senior site management is continuing to actively monitor and review the implementation of these procedures across the Group in a disciplined and structured approach.

## **First half trading**

### *Sales*

The Group entered 2020 with a robust forward order book and made a good start to the year, against a backdrop of strong customer demand. In the first 11 weeks of the year the average private sales rate per site was c. 10% ahead year on year.

As expected, from week 12, the impact of the Covid-19 pandemic, and the Government's social distancing measures, resulted in delays to the Group's build programmes and legal completions. All our sales teams continued to work remotely using online resources throughout the shutdown period, enabling sales to continue. Customer enquiries remained at healthy levels throughout the lockdown period resulting in the Group securing a weekly average of c.177 gross private sales reservations from week 12 through to week 20. In addition, where appropriate, we continued to complete and deliver homes for certain customers to avoid leaving them in a vulnerable position.

Customer demand in the six weeks since the re-opening of our sales offices in England has been positive, with weekly average net private sales reservations of 278 new homes being c. 30% higher than the same period last year. As anticipated, the Group is benefitting from its decision to increase its investment in work in progress in expectation of increased demand ahead of the end of the current Help to Buy scheme.

We are pleased that on re-opening our sites in England and Wales our construction teams are now achieving normal levels of production, assisted by improved availability of sub-contract labour, with all teams adhering to the Group's Covid-19 safe operating procedures. The Group's work in progress position represents c. 70% of the Group's forward sales at 30 June 2020, with c. 14% more equivalent units of build carried forward at 30 June over last year.

Persimmon's total revenues<sup>1</sup> for the first six months of 2020 were £1.19bn (2019: £1.75bn). Housing revenues for the first six months of £1.10bn were 33% lower than the prior year (2019: £1.65bn), with new housing legal completion volumes of 4,900 (2019: 7,584) at an average selling price of c. £225,050 (2019: £216,942) reflecting resilient selling prices throughout the period.

### *Cash and liquidity*

The Group's long term strategy, which focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining flexibility, together with management's preparedness, agility and responsiveness through this period of extreme challenge, has placed the business in a strong position to best serve the long term interests of all stakeholders. At 30 June the Group held c. £830m of cash (2019: £833m) and had deferred land commitments of c. £120m to be paid by 31 December 2020 (2019: £115m paid in the six months to 31 December 2019). Of the Group's current land creditors, c. £250m is estimated to remain at 31 December 2020 (December 2019: £435m) supporting the Group's strong liquidity. In

addition, the Group has an undrawn Revolving Credit Facility of £300m, which has a five-year term out to 31 March 2025. As a result Persimmon is well placed to address the risks associated with a range of possible future economic scenarios.

In current circumstances the Group expects to continue to take a highly selective approach to land replacement, with only those opportunities that can meet strict criteria being considered.

## **Operational review**

### *Our ongoing customer care improvement plan*

The Group continues to focus on the implementation of its build quality and customer service initiatives. Development of the Persimmon Way has continued to progress well. This Group wide consolidated approach to build programmes and inspections, and the supporting digital technology, is being piloted across five operating businesses and will be rolled out across the Group on completion of the pilot study. We have developed a number of training modules for our site and inspection teams and they are being delivered to all relevant staff. The Persimmon Way will be fully operational by the end of this year.

The planned enhancement of our approach to customer communications has continued and our comprehensive customer portal, which will support our customers from the point of reserving their new home, will be implemented in the second half of 2020.

Over 40% of our private new home legal completions from 1 January 2020 have utilised our industry leading Homebuyer Retention Scheme, which seeks to empower our customers and drive behavioural change throughout the business. Our investment in the Scheme, and in customer care resource and training, had led to a c. 20% reduction in the time taken to resolve snagging items in the period prior to the onset of the Covid-19 outbreak. Our Covid-19 safe operating procedures included protocols for our customer care teams to resume non-emergency scheduled works which recommenced from 15 June 2020 in England and Wales.

The Group's customer care improvement plan is now fully embedded in the business. The significant progress being achieved is illustrated by Persimmon's most recent HBF survey rating<sup>2</sup>, which has been trending above the five star threshold since the start of 2020.

We welcome the planned introduction of the New Homes Ombudsman which will further enhance consumer rights in our industry.

### *Providing 'homes for all'*

To help meet local communities' housing needs, Persimmon delivers good quality homes at affordable prices in areas where people wish to live and work across the UK.

Approximately 50% of our private new homes were delivered to first time buyers in the first half of the year, a similar proportion to the prior year. Our commitment to delivering affordable homes is further demonstrated by the Group's average private selling price which is c. 17% lower than the national average for new-build homes sold to owner occupiers<sup>3</sup>.

In addition, in the first half of the year the Group delivered 871 new homes to its housing association partners for provision of new housing to lower income families supporting the creation of inclusive communities across the UK. The Group is a leading builder of social housing in the UK delivering £1.5bn of affordable housing to local communities over the last five years.

### *Our national site network*

The Group has a strong national site network of c. 335 sales outlets. Whilst all non essential construction works and site-based sales activity ceased during the lockdown period, in line with our business continuity plans, the Persimmon sales team remained fully open for business, allowing customers to reserve homes remotely. We welcome the recent Government guidance on opening up the planning system, including the use of social media to conduct planning consultation processes. We commenced construction on 57 sites during the first half. Working with local planning authorities and local communities we plan to commence

construction on a similar number of sites during the second half and we are confident that the hard work done during lockdown will support a healthy outlet network for the balance of the year.

### *Our land holdings*

In recognition of the risks associated with the cycle, during the last couple of years, prior to the onset of the Covid-19 outbreak, the Group's investment in new land had become increasingly selective. Reflecting this cautious approach to land replacement, the Group's total land spend in the period, including c. £105m of land creditors, was c. £165m (2019: £239m). The Group added over 850 plots to its land holdings in the first half of the year. The Group's high quality land holdings and network of 31 housebuilding businesses across the UK provide a strong platform for its future growth.

### *Off-site manufacturing*

Our off-site manufacturing capabilities for timber frames, room-in-the-roof systems, bricks and roof tiles have ensured strength and security of supply of key materials on the reopening of our construction sites and have eased the burden on our supply chain.

### **Outlook**

We are encouraged by the level of customer reservations in the period since our sales offices reopened in mid-May with customer website enquiries and sales office appointments continuing at healthy levels. Selling prices have remained firm. As at 30 June 2020, the value of the Group's forward sales of new homes was c. 15% ahead of the prior year at £1.86bn (2019: £1.62bn). The average selling price of the c. 5,150 forward sold private new homes was c. £242,400 (2019: c. £238,350). c. 4,950 homes were forward sold to the Group's housing association partners with an average selling price of c. £123,280 (2019: c. £120,900).

As previously announced, the proposed 125p per share interim dividend payment of surplus capital due to be paid on 2 April 2020 was cancelled and the proposed annual final dividend of 110p per share due to be paid on 6 July 2020 was postponed. The payment of a final dividend for the year ended 31 December 2019 will be re-evaluated in the second half of this year.

The longer-term impact of the Covid-19 pandemic on consumer confidence and the UK economy has yet to be seen. However, despite this uncertainty, we remain confident of the Group's future success. Our long-term strategy, which recognises the risks associated with the cyclical nature of the housing market by maintaining operational flexibility, minimising financial risk and deploying capital at the right time in the cycle, has ensured that the Group is well prepared with the necessary strength and resilience to address a range of future economic scenarios.

The strength of Persimmon's position and its performance through the first half is testament to the dedication and skill of the Persimmon team and the Board would like to thank them all for their continued hard work and commitment.

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

Telephone number: +44 (0)33 3300 0804

PIN: 81364047#

Password: Persimmon

An audiocast of the call will be available on [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate) from this afternoon.

For further information please contact:

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The person responsible for the release of this announcement on behalf of the Group is Tracy Davison, Company Secretary.

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.

Footnote 3

National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.