

## **THIRD QUARTER TRADING STATEMENT**

**TUESDAY 10 NOVEMBER**

Persimmon plc today announces its third quarter Trading Statement which covers the period from 1 July 2020 to 9 November 2020 ('the period').

### **Highlights**

Dean Finch, Group Chief Executive, commented:

"Persimmon continues to perform robustly despite the significant challenges presented by the Covid-19 pandemic and we are currently on course to deliver a good result for 2020.

"The health and safety of our colleagues, customers and communities remains our top priority and we have been carefully following each of the devolved Government's measures to curb the spread of the pandemic. In England's second lockdown, our Covid-secure sales offices, sites and manufacturing facilities are remaining operational, in line with Government guidance, as we continue to support our customers and deliver their new homes.

"In my first weeks as CEO I have been getting around the Group to understand the business better, including the significant opportunities we have ahead of us. Throughout the organisation, the team's focus on quality and serving our customers has been impressive.

"Our commitment to helping to level up opportunities and to supporting our communities, through initiatives such as the Social Mobility Pledge, are more crucial than ever as we strive to deliver much needed new homes across the country, and to support the UK economy's recovery from the impacts of the pandemic.

"Persimmon is undoubtedly a strong market leader with an excellent management team and workforce, and significant high quality assets. The task in front of us is to continue to build a sustainable business in every sense – one that can maintain a strong financial performance whilst continually improving customer service, and fulfilling our important role in the economy, in our communities and for the environment."

- The Group's Covid-secure sales offices, sites and manufacturing facilities, spread across the UK, are all operational, in line with devolved Government guidance.
- Strong third quarter performance, supported by firm selling prices and resilient demand for new build homes.
- Average private weekly sales rates per site for the period 38% ahead of 2019.
- Fully sold up for the current year and c. £1.36bn of forward sales reserved beyond 2020, 43% up on last year (£0.95bn).
- Well established strategy of careful management of the housing cycle through minimising financial risk and investing capital at the right time – c.1,700 plots of land secured in the year to date (2019: c. 7,300 plots).
- Strong liquidity with a cash balance of c. £960m at 31 October 2020 (2019: £371m).
- Current customer satisfaction score of 89.8%<sup>1</sup> for the period from 1 October 2019, with the Group trending ahead of the five star threshold since January 2020.
- The Sustainability Committee continues to make good progress against the Group's strategy of ensuring that the business delivers long term sustainable benefits for all stakeholders. It has recently engaged an independent expert to assist in setting a science based carbon reduction target.
- Reflecting the Group's continuing strong performance, a further interim dividend of 70p per share will be paid on 14 December 2020, which together with the interim dividend of 40p per share paid in September, replaces the previously postponed 110p per share final dividend declared for 2019.

## **Covid-19 update**

The wellbeing of our colleagues, customers, and local communities remains our top priority.

Throughout the initial national lockdown period, we retained all of our staff on full pay, without recourse to Government assistance, and provided necessary support to our suppliers and subcontractors to ensure operational continuity and enable a safe and structured re-start to site operations. This effective response meant that the Group had established Covid-secure sites, offices and manufacturing facilities, in line with Government guidelines, by the end of April. The Group has not accessed any of the UK Government's Covid-19 financial support schemes and has no plans to do so.

From 1 July 2020 the Group, which operates on sites right across the UK, has continued to operate in full compliance with devolved Government guidelines. Our sales offices in Wales closed during the local two week lockdown and re-opened on 9 November. These measures, together with the recent tightening of Covid-19 restrictions across England and Scotland, had a relatively limited impact on the Group's operations.

For the second national lockdown in England, which is scheduled to last until 2 December, our Covid-secure sales offices, sites and manufacturing facilities are remaining operational, in line with Government guidelines, as we continue to support our customers and deliver their new homes. Our safe operating procedures, which maintain the stringent two metre social distancing rules, have been embedded across all of our operations since site works re-commenced in April, allowing the Group to continue to operate safely. Pre-Covid build rates were achieved by the end of June and have been maintained since. Our customer care teams have resumed scheduled works and this will continue, applying our Covid-secure operational procedures.

Our well-established remote working policies and practices meant that our office based colleagues, who had started to return to their workplaces where safe to do so, have reverted to working remotely. Currently all of our regional offices are closed, with only a skeleton staff to facilitate the wider workforce working from home.

We are well prepared for this second lockdown and continue to work with our subcontractors and supply chain to maintain the Group's operations. We remain mindful, however, of the potential for further disruption from additional Government mandated measures to control the pandemic and the impact of ongoing uncertainty on the UK economy.

We are immensely proud of how our colleagues, subcontractors and supply chain partners have performed during this time and would like to thank them all for their hard work and commitment in such difficult circumstances.

## **Trading**

Trading through the summer weeks was robust, with sales rates remaining strong thanks to good availability of homes at an advanced stage of construction. The Group's increased investment in work in progress over the last eighteen months was designed to position the business to be able to support more customers to achieve their aspiration of owning a newly built home, putting the business in a good position to satisfy this demand. Demand for new homes has remained resilient despite the continued challenges surrounding the Covid-19 pandemic, the UK economy and the uncertainty relating to the nature of the UK's future global trading arrangements. The Group's average private weekly sales rate for the period was c. 38% higher than last year driven by the strength of the Group's gross sales levels net of slightly higher cancellation rates. As anticipated, as the wider housebuilding industry has gradually returned to greater activity, the Group's market share has started to trend towards more normal levels in recent weeks, although sales rates remain ahead of the prior year.

We remain confident that legal completions in the second half of this year will be at least in line with the second half of 2019, supported by robust build rates, subject to there being no significant disruption to the construction industry due to additional measures introduced to control the pandemic.

## **Continuing to support our customers**

The Group remains committed to improving build quality and customer service. Specific initiatives from our customer care improvement plan continue to be embedded across the business and are delivering the anticipated improvements in the quality of our new homes and the service levels we provide.

The development of “the Persimmon Way”, the consolidation of the Group’s ‘end to end’ approach to new home construction, aims to ensure that we deliver good quality homes consistently to all of our customers. The implementation of the Persimmon Way has progressed well and it remains on track to be operational across the Group by the end of the year.

We continue to put customers before volume and are focused on ensuring that our build programmes allow for consistent and effective quality assurance processes across all of our development sites. Additional quality assurance of our construction approach will be obtained through external audit processes which will be in place for implementation through 2021.

Persimmon’s unique Homebuyer Retention Scheme has been utilised by 47% of our private new home customers since 1 July 2020 and is helping to drive cultural change within the business. We are pleased that the Consumer Code for Housebuilders has highlighted this industry leading scheme as an area of good practice in relation to customer service.

Responding to feedback, the Group continues to invest in improving its communication with customers and our comprehensive customer portal, which will provide support from the point of reserving a new home, is currently being rolled out.

These initiatives are driving improvements in our build quality and customer service. The Group’s current HBF customer satisfaction score for surveys performed from 1 October 2019 to 30 September 2020 is 89.8%<sup>1</sup> and has been trending ahead of the five star threshold since January 2020.

In the current environment, FibreNest, the Group’s ultrafast, full fibre broadband service, is more important than ever for our customers as they rely on the service to work from home or access essential services online. FibreNest, which is highly rated by our customers, now serves c. 9,800 new homes across 170 of our developments.

## **Continuing to support our communities**

Persimmon plays an important role in providing much needed homes, job opportunities and wider support to our local communities.

The Group’s affordable price points provide ‘homes for all’ and access to the housing market for customers wanting to move into their first home. Our private average selling price of £246,208 at 30 June 2020 (2019: £242,912) is c. 19%<sup>2</sup> below the UK national average and approximately 50% of our private home completions for the ten months to 31 October 2020 have been to first time buyers. In addition to providing new homes, our activities support a directly employed workforce of c. 5,000 and a further c. 50,000<sup>3</sup> jobs across our communities and within our wider supply chain.

The Group also plays a wider part in the communities it serves. The Group’s ‘Building Futures’ campaign which, in conjunction with Team GB, supports community projects that benefit young people across the UK in the areas of sport, education and arts and health, has donated over £1m in 2020. As part of the campaign, a public vote was held to select 96 finalists from more than 2,000 nominated charities. The finalists received a total of c. £940,000 with the top three winners in each category receiving £100,000, £50,000 and £20,000 donations respectively. Beneficiaries included hospital charities, local sports groups, eco activity centres and refugee support groups. Further information can be found at <https://www.persimmonhomes.com/building-futures>. In addition, our Community Champions campaign had donated c. £685,000 in the ten months to 31 October 2020 including supporting charities that assist the over-70s, a group that has been particularly affected by the pandemic.

Persimmon's important contribution to the creation of job opportunities and its Building Futures and Community Champions campaigns were recognised recently by the Social Mobility Pledge, which the Group is a signatory to.

### **Continuing to support our environment**

Persimmon is determined to contribute positively to the achievement of the Government's ambition to find an effective solution to delivering low carbon homes that are affordable 'for all'.

The Sustainability Committee continues to make good progress in implementing the Group's strategy of ensuring that the business delivers longer term sustainable benefits for all stakeholders. It has recently engaged an independent expert to assist in setting a science based carbon reduction target. This will provide a clear pathway to identify further opportunities to reduce the Group's greenhouse gas emissions and contribute to global climate change efforts.

Regional environmental champions have been appointed to implement and enhance the Group's environmental policies and procedures across all developments, providing increased investment and resource to this important area.

### **Careful management of the housing cycle**

The Group's established strategy, implemented over many years, of minimising financial risks and deploying capital at the right time, recognises the cyclical nature of the UK housing market and ensures the business is well positioned to face periods of uncertainty.

During the year the Group has remained cautious in its assessment of potential land opportunities, judging each purchase against strict criteria, bringing c.1,700 new plots of land into the business. The Group spent c. £260m in the ten months to 31 October 2020, including payment of deferred land commitments.

The Group held c. £960m of cash at 31 October 2020 and had deferred land commitments of c. £325m. Of the Group's current land creditors c. £70m is to be paid by 31 December 2020 resulting in an estimated £255m remaining at the end of the year, supporting the Group's strong liquidity.

In addition, the Group has an undrawn £300m Revolving Credit Facility which has a five year term out to 31 March 2025.

### **Capital return plan**

Given the substantial and immediate uncertainties facing the UK economy at the onset of the Covid-19 pandemic, in late March, the Board cancelled the interim dividend for the 2019 financial year which was to be paid in early April. Remaining mindful of the challenges facing the UK economy the Board also decided to postpone the payment of the 2019 final dividend of 110p per share, due to be paid in early July, to enable the Board to assess the pandemic's impact on the Group.

Given the progress the business has made in these difficult circumstances, the Board made a part payment (of 40p per share) of the postponed final dividend for 2019 in September. In light of the continued strong performance and in line with the long term strategic objectives of the Group, which includes recognising the importance of dividend receipts to pension schemes in supporting retired workers and their families, the Board is pleased to announce a second interim dividend of 70p per share which will be paid on 14 December 2020 to shareholders on the register on 27 November 2020 in satisfaction of the Board's previously indicated final dividend for 2019. No further dividend payments will be made in relation to the 2019 financial year.

An update on the Group's capital return plan will be provided in the Group's 2020 full year results announcement on 3 March 2021.

### **Strong platform to deliver the homes the country needs**

Trading has continued to be strong through the second half of the year with selling prices remaining firm and the Group's average weekly private sales rate per site being c. 38% ahead of last year.

Persimmon's c. 305 active outlets (c. 13% lower than last year reflecting the strong sales rates being achieved) provide a strong and diverse network of developments across the Group's 31 operating businesses nationally.

The Group is fully sold up for the current year and has c. £1.36bn of forward sales reserved beyond 2020, 43% ahead of the prior year (2019: c. £0.95bn), with strong rates of build supporting future delivery.

We believe the longer term fundamentals of the UK housing market remain favourable. However uncertainties remain including those posed by further Covid-19 disruption, rising unemployment and the potential impact of the outcome of trade negotiations with the European Union and the rest of the world.

Persimmon's strategy of providing good quality homes, delivering wider community benefits, minimising financial risks and deploying capital at the right time in the cycle provides a strong platform to navigate these unprecedented circumstances and continue to deliver sustainable returns for the benefit of all of the Group's stakeholders.

We will give a further update on progress and trading, following the Group's year end, on Wednesday 13 January 2021.

Persimmon will host a conference call with analysts at 9am today. To participate please use the details below:

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#### Footnotes

1. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.
2. 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.
3. Estimated using an economic toolkit.