

TRADING STATEMENT – WEDNESDAY 13 JANUARY

Persimmon plc today announces the following update ahead of its Final Results for the year ended 31 December 2020, which will be released on 3 March 2021.

Highlights

Dean Finch, Group Chief Executive, commented:

“Against the backdrop of the unprecedented challenges of 2020, Persimmon produced a robust performance for the year, as we continued to deliver the new homes the country needs. The Group’s strong second half completions were supported by its advanced build coming into the year, an agile and effective response to the Covid-19 pandemic and resilient customer demand. I would like to take this opportunity to thank my colleagues and our suppliers and subcontractors for their continued hard work and commitment throughout this challenging period.

“The health, safety and wellbeing of our customers, our workforce and our communities has been paramount throughout and all of the Group’s businesses continue to operate in line with our Covid-secure policies and procedures.

“We continue to improve our customer service and build quality and I am pleased at the level of commitment I have seen from within the business to achieving these aims, as recognised in our current customer satisfaction scores which have been trending ahead of the 5 star HBF rating since January 2020. Looking ahead, we are focused on delivering further improvement and consistency in the way we serve our customers and build our homes, whilst reducing our impact on the environment.

“Recent events have served to further demonstrate the continuing near term uncertainties arising from the Covid-19 pandemic. However, we believe that the longer term fundamentals of the UK housing market remain resilient and I am confident Persimmon will continue to deliver superior long term value for all of its stakeholders.”

Highlights

	2020	2019
New home completions	13,575	15,855
Average selling price	c. £230,500	£215,709
Total Group revenues	£3.33bn	£3.65bn
New housing revenues	£3.13bn	£3.42bn
Cash at 31 December	£1,234m	£844m
Current forward sales position	£1.689bn	£1.356bn
Dividend paid in the year	110p per share	235p per share

Trading

Group trading has been robust despite the challenges arising from the pandemic, including the ongoing increase in the time taken to progress and complete sales contracts. The robust performance in the second half of the year, delivering 8,675 new home legal completions, has mitigated some of the impact of the delays caused by the initial Covid-19 lockdown period in the first half.

Total Group revenues of £3.33bn, (2019: £3.65bn) were generated in the year, with new housing revenues of £3.13bn (2019: £3.42bn). New home legal completions of 13,575, (2019: 15,855), include 11,363 new homes sold to private owner occupiers (2019: 12,463). The Group’s average selling price increased by c. 7% to c. £230,500, resulting from the 6% higher proportion of new homes delivered to owner occupiers in our total sales for the year. The average selling price of new homes sold to owner occupiers improved by 3.7% to c. £250,900 (2019: £241,985), largely reflecting year on year changes in the mix of active sales outlets and homes sold.

Demand for new homes has remained resilient throughout the second half with the Group’s average weekly sales rate per site being 39% higher than the second half of last year in part supported by the

temporary adjustment to the Government's stamp duty regime. The Group's sales in the second half were delivered from c. 305 active outlets on average through the period (2019: c. 345 outlets). The Group's average weekly sales rate during the final quarter of the year trended towards more normalised levels from the elevated rate seen over the summer months, the latter having been supported by the Group's prior investment in stock and a degree of pent up demand. As a result, the Group's sales levels over more recent weeks reflect lower active outlet numbers and some constraints on stock availability, together with delays to reservations while first time buyers awaited the opening of the new Help to Buy scheme on 16 December 2020. The Group's forward sales at 31 December 2020 were £1.689bn, 25% ahead of last year (2019: £1.356bn).

Capital Discipline Maintained

The Group has maintained its disciplined approach to potential land investment opportunities in line with its long established strategy, which recognises the cyclical nature of the housing market, and after exercising caution with regard to the increased near term uncertainties caused by the Covid-19 pandemic, with the Group's current active outlet levels and continued strong liquidity reflecting this approach. The Group spent c. £330m in the year on land investment, including payments of deferred land commitments of c. £220m, and brought c. 6,700 plots of new land into the business across 33 locations.

The Group's liquidity remains strong. Cash balances of £1,234m, after returning £351m to shareholders during the year, and deferred land commitments of c. £330m were held at 31 December 2020, providing further opportunity to invest in the future growth of the business.

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

Covid-19

The wellbeing of our colleagues, customers, and local communities remains the Group's top priority.

Throughout the first national lockdown period starting in March 2020, 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 in late April 2020.

The Group has not accessed any of the UK Government's Covid-19 financial support schemes and has no plans to do so.

Our Covid-secure operating procedures, which maintain the stringent two metre social distancing rules, are embedded across all of our operations.

During the current phase of tighter restrictions, we remain confident in our ability to continue to operate safely and effectively, having further adjusted our existing high level of Covid secure safe operating procedures throughout the business as we continue to comply with all relevant regulations. While the Group has achieved pre-Covid build rates since the end of June 2020, including during all subsequent lockdowns imposed in England, Scotland and Wales, we recognise the elevated risk to the Group's planned build programmes presented by the higher transmission rates of the new variant of the Covid-19 virus. Our regional businesses are currently managing resource efficiently, to support productivity where unplanned absences occur, and we remain in close liaison with our work force and supply chain to address these increasing operational challenges.

Continuing to support our customers

The Group maintained its focus on improving build quality and customer service through continued improved communication, commencing the roll out of a Group wide consolidated approach to new home construction, "the Persimmon Way", increased digitalisation and enhanced quality assurance processes.

We continue to put customers before volume to ensure that our quality assurance processes across all of our development sites remain effective and that we deliver high quality homes consistently to all of our customers. External audits of our processes will be in place for implementation through 2021 and will further enhance our quality assurance.

The Group's customer portal, which will provide support to our customers from the point of reserving a new home, is currently being rolled out. Once fully established, this will facilitate improved support for all of our customers throughout their two year warranty period, ensuring that we continue to provide the highest level of care and support well after they have moved into their new home.

In the period since 1 July 2020, c. 50% of our private new home customers have utilised Persimmon's unique Homebuyer Retention Scheme which continues to drive positive behavioural change within the business. We actively encourage all of our customers, including those who do not formally utilise the scheme, to complete a seven-day inspection review following their moving in day.

We are delighted that our customers are seeing the benefit of these improvements, with c. 89.8%¹ of customers that have moved into their new home since 1 October 2019 for the 2019/2020 HBF survey year saying they would recommend Persimmon to a friend. The Group has continued to trend ahead of the 90% HBF survey five star threshold since January 2020.

FibreNest, the Group's ultrafast, full fibre broadband service, continues to grow, serving c. 11,700 new households across 198 of our developments. The service, which is highly rated by our customers, is becoming increasingly important as families rely on it to support their efforts to work from home and to access essential services online.

Our communities

The Group continues to deliver "homes for all" providing a range of house types at affordable price points and access to the housing market for customers wanting to move into their first home. Our private average selling price of c. £250,900 for the year to 31 December 2020 (2019: £241,985) is c. 16%² below the UK national average and approximately 50% of our private home completions for the year have been to first time buyers.

The Group is Industry lead to the Social Mobility Pledge, which encourages businesses to boost social mobility in the UK, and a signatory to the Covid-19 Business Pledge supporting colleagues, customers and communities through the pandemic crisis.

Persimmon recognises the importance of the wider role it has to play in its communities. The Persimmon Foundation'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. Further information can be found at <https://www.persimmonhomes.com/building-futures>. In addition, our Community Champions campaign donated c. £740,000 in the year including supporting charities that assist the over-70s, a group that has been particularly affected by the pandemic.

Minimising our environmental impact

Persimmon is committed to playing its part in reducing greenhouse gas emissions. Significant progress is being made to establish the Group's science based carbon reduction targets, assisted by an independent expert, covering emissions from our operations, our homes and our supply chain. These targets will follow the latest criteria and recommendations of the Science Based Target initiative³ and will be externally accredited. Setting these targets will further support our actions in achieving measurable improvements in activities across our operations designed to reduce carbon emissions by all stakeholders in the business. In addition, we are progressing our work to identify a pathway to deliver net zero carbon homes for our customers, through our 'low carbon homes' steering group and through engagement with the wider industry.

The Group's five regional environmental champions continue to develop Persimmon's Construction Environmental Management systems together with the development of environmental performance measures for on-site inspections.

Strong platform to deliver the homes the country needs

The Group has a strong record of managing the housing cycle through a long established strategy of minimising financial risk and disciplined capital investment at the right time in the cycle, acquiring high quality land to deliver the new homes required to fulfil the housing needs of local communities whilst generating robust liquidity. This strategy ensures that the Group remains resilient and maintains the appropriate levels of working capital investment to generate and secure superior long term sustainable returns for all of our stakeholders.

A total forward sales value of £1.689bn at 31 December 2020 (2019: £1.356bn) provides Persimmon with a strong platform as we enter 2021. The Group currently has c. 300 active sales outlets (2019: c. 350 outlets) reflecting the Group's capital discipline and the strong sales rate seen through the second half of 2020. Approximately 10 sites are under construction awaiting their first sales release and we plan to open a further c. 50 new sites in the first half of the year, providing further strength to the Group's diverse outlet network.

The recovery of the Group's build rates to pre-Covid levels from the end of June 2020 supported the delivery of new homes to our customers in the second half of 2020. The Group's level of work in progress of c. 5,600 equivalent units of new home construction at 31 December 2020 is 8% lower than last year (2019: c. 6,100 equivalent units) due to the combined effect of the Covid-19 associated disruption in the first half of 2020 together with the reduction in the number of active sales outlets. As we move into 2021 the Group remains focused on achieving similarly strong levels of build and managing the increased operational challenges caused by the Covid-19 pandemic.

On entering the third phase of tighter Covid-19 restrictions, whilst recognising the commencement of the nation-wide vaccine rollout, the uncertainties surrounding the potential impact of the pandemic remain, particularly with regard to unemployment levels and consumer confidence. We are also mindful of the potential impact of an end to the stamp duty holiday.

In addition, whilst the completion of the free trade agreement between the UK and the EU has relieved some immediate concerns, including regarding increased customs duties on supplies imported from the EU, the broader impact of these new trade arrangements has yet to be seen.

Despite the impact of the unprecedented events of 2020, the levels of customer interest Persimmon has experienced, particularly through the second half of the year, demonstrate the resilient demand for new homes which has been supported by the Government response to the pandemic and the Group's positioning in its markets. The Group's strategy, which is designed to help mitigate the impact of downside risks to the housing cycle, provides the robust platform required to continue to generate superior long term value for the benefit of all stakeholders in the business.

We will give an update on our assessment of the housing market over the early weeks of 2021 when we announce our results for the year ended 31 December 2020 on Wednesday 3 March 2021.

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

Dial in: +44 (0) 20 3003 2666

Passcode: Persimmon

For further information please contact:

Dean Finch, Group Chief Executive
Mike Killoran, Group Finance Director
Persimmon Plc

Kevin Smith Tel: +44 (0) 7710 815 924
Jos Bieneman Tel: +44 (0) 7834 336 650
Ellen Wilton Tel: +44 (0) 7921 352 851

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. SBTi Criteria and Recommendations v4.1: <https://sciencebasedtargets.org/wp-content/uploads/2019/03/SBTi-criteria.pdf>