

TRADING UPDATE **THURSDAY 8 JULY 2021**

This announcement contains inside information.

Persimmon plc (“the Group”) announces the following trading update ahead of its Half Year Results to 30 June 2021, which will be released on Wednesday 18 August 2021. This statement covers the period from 1 January 2021 to 30 June 2021.

Dean Finch, Group Chief Executive, said:

“Persimmon performed well during the first half of the year delivering new home sales completions approaching the levels achieved in the first half of 2019. I am particularly pleased that we are continuing to achieve pre-Covid build rates across our sites whilst successfully maintaining higher levels of build quality and customer service. Our current HBF customer satisfaction score is 91.9%¹, with Persimmon’s monthly performance trending ahead of five star for the last eighteen months. We are providing much needed new homes to our customers whilst continuing to drive forward our ambition of building right, first time, every time.

“Customer demand for our new homes has been strong right across the UK with healthy sales reservation rates through the period. The Group has an excellent forward order book at the end of June of £1.82bn.

“In supporting the Group’s high quality growth we are taking advantage of attractive land investment opportunities and successfully brought over 10,000 new plots into the business across 48 locations in the period. We remain focused on progressing our pipeline of new sales outlets through the planning system and into production, and on our ongoing build programmes, to provide improved stock availability and choice for our customers.

“Persimmon is well placed for the future with a strong balance sheet and healthy liquidity. As such, we are pleased to announce the accelerated payment of the surplus capital distribution of 110p per share in respect of the year ended 31 December 2020, which will be paid on 13 August 2021.”

- Highlights
 - 7,406 legal completions (2020: 4,900, 2019: 7,584)
 - Total revenue of £1.84bn (2020: £1.19bn, 2019: £1.75bn)
 - Forward sales of £1.82bn (2020: £1.86bn, 2019: £1.62bn)
 - c. 285 active sales outlets on average throughout the first half with c. 85 forecast to open in H2 2021
 - Cash of £1.32bn (2020: £0.83bn) and land creditors of c. £365m (2020: £374.5m)

Trading review

The Group has performed well in the six months to 30 June 2021. Total revenues² for the period were £1.84bn (2020: £1.19bn, 2019: £1.75bn). The Group delivered 7,406 new homes to its customers (2020: 4,900, 2019: 7,584), generating housing revenues of £1.75bn (2020: £1.10bn, 2019: £1.65bn). The Group’s total average selling price has increased by 4.9% over the first half of last year to c. £236,200 (2020: £225,066, 2019: £216,942) reflecting the stronger market conditions experienced throughout the period. This includes 6,104 sales into the owner occupier market with an average selling price of c. £258,200 (2020: £246,208, 2019: £242,912). Currently this house price growth is mitigating the effect of the upwards pressure being experienced on the industry’s cost base.

UK housing market fundamentals remain supportive with low interest rates, improving levels of mortgage availability, ongoing Government support and strong customer demand. The Group’s average weekly private sales rate per site for the first half was over 30% ahead of 2020, the increase reflecting the unprecedented site shutdowns in 2020 due to the pandemic, but was also c. 20% ahead of 2019.

We continue to focus on advancing our build programmes to improve the level of stock availability and choice for customers. The implementation of the Group’s consolidated approach to construction, the Persimmon Way, is reinforcing the consistent application of our quality assurance processes, which is instrumental in delivering high quality homes to our customers. We are pleased with the build rates being achieved by the Group, which returned to pre-Covid levels by the end of June 2020, and are now following the normal seasonal pattern. The Group had work in progress of c. 4,800 equivalent units of new home construction at the end of June (2019: c. 6,150), reflecting the strength of legal completions over the last twelve months, the anticipated reduction in the number of sales outlets and the effect of the lower construction activity in the first half of 2020 due to the initial measures introduced to mitigate the impact of the pandemic.

The Group has continued to add to its high quality land holdings, pursuing land investment opportunities selectively, resulting in land spend of c. £200m. During the period, the Group brought over 10,000 new plots into the business across 48 locations. The strength of the Group's land holdings and our continued responsible replacement strategy provide excellent support for Persimmon's future high quality growth.

Persimmon's balance sheet and liquidity remain robust. The Group held £1.32bn of cash at 30 June 2021 (2020: £0.83bn) with deferred land commitments of approximately £100m to the end of the current year. In addition, the Group has an undrawn £300m Revolving Credit Facility which has recently been extended, having a five year term out to 31 March 2026.

Operational review

We have taken steps to further strengthen the implementation of the Persimmon Way, the Group wide consolidated approach to new home construction, to realise our ambition of building right, first time, every time. The number of Independent Quality Controllers has increased by 70% since 31 December 2020, with the aim of doubling the team by the end of the year. In addition, Persimmon has signed up to the 'Building a Safer Future Charter', which is aiming to raise standards and improve building safety culture and leadership, demonstrating the Group's commitment to raising build quality standards.

The improvements these initiatives are bringing, whilst also continuing to grow the business, are increasingly recognised by our customers. The Group's HBF customer satisfaction score continues to trend ahead of the five star threshold of 90% and is currently 91.9% for the survey year beginning on 1 October 2020¹. We welcome the introduction of the New Homes Ombudsman to drive quality improvements throughout the industry.

As announced on 10 February 2021, the Group set aside £75m to assist with works to ensure the safety of residents of multi-occupancy properties built by Persimmon which contain banned cladding. All relevant management companies, managing agents, or building owners have been contacted and this work is progressing.

The Group is pleased to have reached an agreement with the Competition and Markets Authority ("CMA") on its enquiries into the sale of leasehold houses, as announced on 23 June 2021. The voluntary undertakings agreed with the CMA largely extend the Group's existing Right to Buy scheme and offer further support to our customers. We believe these voluntary undertakings, together with the other changes to the Group's processes that are underway, further emphasise our commitment to customers and build quality and will position the business well for the introduction of the New Homes Quality Code, once the current consultation process is complete.

Sustainable communities

The Group plays an important role in the communities it serves, providing local job opportunities and much needed new homes at affordable prices. Our average private selling price is c. 15% lower than the national average for new-build homes sold to owner occupiers³ and, in the period, approximately 50% of our private new homes were delivered to first time buyers. In addition, the Group has delivered 1,302 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 (2020: 871, 2019: 1,621).

Capital Return Programme

The Board re-iterated its commitment to total capital returns of 235p per share in respect of the financial year ended 31 December 2020, at the release of Persimmon's final results on 3 March 2021. The Group announced the acceleration and payment of the regular annual distribution for the year ended 31 December 2020 of 125p per share as an interim dividend, which was paid on 26 March 2021. In addition, the Group announced its intention to split the 110p per share surplus capital payment into two payments, one to be paid in August 2021 and the second in December 2021.

Given the Group's ongoing strong performance and cash generation, the Board is pleased to announce today that it intends to return the 110p per share of surplus capital as a single additional interim dividend payment in relation to the financial year ended 31 December 2020. This payment will be made on 13 August 2021 to shareholders on the register on 23 July 2021, accelerating and consolidating the previously indicated payments, and returning the Group to distributing two capital return payments every 12 months, a year earlier than originally envisaged. There will be no further dividend payments in relation to the year ended 31 December 2020.

As indicated at the release of Persimmon's final results on 3 March 2021 the Board intends to return to the pre-Covid profile of capital return payments in 2022, being distributions in relation to the financial year ending 31 December 2021. The payment of the regular annual distribution of capital of 125p per share will be paid in early July 2022 and any surplus capital in relation to the financial year ended 31 December 2021 will be paid in late March/early April

2022. The value of the surplus capital return, as always will be subject to continual assessment by the Board in line with the Group's strategy.

Outlook

As noted above, the Group's average weekly private sales rate per site was ahead of both 2020 and 2019 in the period and customer enquiry levels remain strong. As at 30 June 2021, the value of the Group's forward sales remained healthy at c. £1.82bn (2020: £1.86bn, 2019: £1.62bn). The average selling price of new homes forward sold to owner occupiers was c. £250,350, c. 3.3% ahead of the prior year (2020: £242,400). The total number of new homes forward sold at 30 June 2021 was c. 9,550 (2020: 10,105) with c. 4,950 sold into the private market (2020: 5,151). We are experiencing improvements to selling price across our regional markets which will continue to mitigate supply chain cost pressures.

Persimmon has a strong national site network and is expected to operate on c. 300 sales outlets on average throughout the year. Our regional management teams are working hard with local planning authorities and communities to commence construction on c. 85 new sales outlets during the second half of the year, reinforcing the Group's platform for future high quality growth. As previously reported, the Group expects to deliver a similar level of new home completions in the second half of the year to that achieved in the first six months.

The Board recognises the positive impact the vaccination roll-out programme is having on the UK's economic performance and prospects. However, as the pandemic continues we remain mindful of the on-going uncertainties regarding the UK economy, including employment levels, consumer confidence, and the supply chain impacts of both Brexit and the pandemic. Despite this, the longer term fundamentals of the housing market remain strong and, with the Group's UK wide network offering new homes at compelling value, we are confident of Persimmon's future success. Our long-term strategy, which recognises the risks associated with the cyclical nature of the housing market by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, will continue to ensure that 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.

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

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.

For further information please contact:

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Footnote 1

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 2

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 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.