

12 January 2023

## Trading Statement

Persimmon Plc today announces the following update ahead of its Final Results for the year ended 31 December 2022, which will be released on 1 March 2023.

Dean Finch, Group Chief Executive, commented:

“Persimmon has delivered a strong performance for 2022 which has been achieved despite headwinds from supply constraints in the early part of the year and a more challenging sales environment in the second half. We delivered 14,868 new homes to customers in the year, towards the top end of our guidance, whilst maintaining five-star quality. Customers remain at the heart of our business with our continued focus on quality and affordability.

“In the second half of the year, rising interest and mortgage rates, inflation and weaker consumer confidence began to impact customer behaviour across the housing market. This change in market conditions gathered pace in the fourth quarter and is reflected in the reduction in our recent weekly sales rates and a lower forward sales position as we enter the new financial year. However, with high quality land holdings, a strong balance sheet and an experienced management team, Persimmon is well placed to navigate this challenging short-term backdrop, whilst continuing to take advantage of any opportunities that may arise.

“The longer-term demand for new homes remains strong. We have made significant progress over the past two years in augmenting the Group’s longstanding commercial excellence with renewed operational capabilities building a stronger, more sustainable business for the future.

“I would like to thank our colleagues, sub-contractors and suppliers for their commitment and support in 2022. Their hard work has helped ensure that Persimmon remains well positioned to serve customers across the UK who seek high quality, sustainable and energy efficient homes at a price they can afford.”

### Highlights

	2022	2021	% change
<b>New home completions</b>	<b>14,868</b>	14,551	+2%
<b>Average selling price</b>	<b>c. £248,600</b>	£237,078	+5%
<b>Average open sales outlets</b>	<b>259</b>	260	
<b>Cash at 31 December</b>	<b>£0.86bn</b>	£1.25bn	
<b>Current forward sales position</b>	<b>£1.0bn</b>	£1.6bn	-36%
<b>Of which private forward sales</b>	<b>£0.5bn</b>	£1.1bn	-56%
<b>Land holdings (plots owned and under control)</b>	<b>c. 87,200</b>	88,043	

### Trading

The Group traded well in 2022 completing the sale of 14,868 new homes, towards the top end of previous guidance. This has been achieved despite the Group only beginning the rebuild of its outlet position during the year. Execution of our build programmes was strong, particularly in the second half, with a 15% increase in build rates compared with H2 2021, supporting the delivery of over 8,200 homes in H2 2022. Overall build rates in the year tracked c. 8% ahead of 2021, with an average of 276 equivalent units built per week (2021: 255). This significant achievement has been accomplished while maintaining our focus on building high quality homes, with the “Persimmon Way” embedded across the business, and our teams working hard to further improve build efficiency. We continue to put our customers at the heart of the business and we are delighted to be a five-star homebuilder, delivering high quality homes to our customers at a price they can afford.

The Group's private average selling price increased by c. 5% to c. £272,200 (2021: £259,231) reflecting the mix of developments and house types sold along with overall house price inflation during the course of 2022. The Housing Association average selling price increased by 8% to c. £142,000 (2021:

£131,976). House price inflation along with our focus on build efficiency helped offset cost inflation during 2022 with our industry-leading operating margins broadly maintained.

Our vertically integrated manufacturing facilities continue to support delivery across the business with Brickworks, Tileworks and Space4 all increasing production compared with the prior year and plans for the new Space4 factory remain on track.

In line with the broader market, we saw notably weaker customer demand in the second half of the year as concerns over the economy, mortgage rates and the cost of living weighed heavily on consumer confidence. Overall in 2022 private net sales were 0.69 per outlet per week for the year (2021: 0.83). The change in market conditions gathered pace in the final months of the period, with private net sales reducing to 0.30 per outlet per week in Q4 (Q4 2021: 0.77), with the last 7 weeks of 2022 at 0.19 per outlet per week (2021: 0.61). The trading performance weakened across all geographies with the biggest impact on sales seen in our Southern regions. We saw a particularly sharp fall in demand on those sites where Help to Buy was more widely used once the scheme in England closed for new applications from 31 October.

As a result of the lower sales rates and elevated cancellations in the second half, and against a strong comparative at the start of 2022, our forward sales position has reduced year on year to £1.0bn (2021: £1.6bn), of which £0.5bn relates to private forward sales (2021: £1.1bn).

### **Land**

Land spend for the year was c. £665m (2021: £460m) of which c. £210m was the settlement of land creditors (2021: £179m). Land payments in Q4 were at a lower level compared with the first three quarters at c. £120m of which c. £52m was in relation to the settlement of land creditors. Our owned and under control land holdings stood at c. 87,200 plots at 31 December 2022 (2021: 88,043 plots) and the embedded margin of the land portfolio remains industry-leading. With this strong position, we are taking action to manage the impact of the uncertain outlook for the UK housing market and have already taken action to either renegotiate or pause the start of around 30 sites. We expect land spend in 2023 to predominantly relate to the settlement of land creditors, and we will take a highly selective approach to any new land purchases, investing only where we see the very best opportunities.

### **WIP and cash**

We ended the year with a strong and well capitalised balance sheet with c. £860m of cash and c. £475m of land creditors. We also start 2023 with a healthy level of work in progress with c. 3,900 equivalent units on the balance sheet. In response to the uncertain market conditions, we will continue to pursue a highly disciplined approach to work in progress investment taking into account current levels of demand, and the cash cost of fire safety remediation works and land creditor commitments. The Group operates from an already lean fixed cost base and our well established and disciplined cost control processes will continue.

### **Building Safety**

We remain committed to undertaking any cladding or life-critical fire safety remediation works for buildings that we constructed, as quickly as practicable, and to protecting leaseholders from the cost. Many developments have either been completed or we are on site, and we expect works will be commenced on all other developments by the end of 2023. We have continued to constructively engage with Government to agree the 'Long Form Contract' which turns the Building Safety Pledge into binding commitments for the industry and welcome its finalisation shortly.

### **New Homes Quality Code**

The Group became one of the first homebuilders to formally commence the registration process for the New Homes Quality Code (NHQC) in 2022. We welcome the introduction of the NHQC, which aims to drive up quality, consistency and customer service standards across the industry. Compliance with the code will require all new homes to be build complete further ahead of legal completion.

### **Outlook**

Higher mortgage rates, inflation, heightened market uncertainty and the end of reservations under Help to Buy in England, had a sharp impact on the Group's private sales rates in the fourth quarter and will have an adverse impact on the outlook for 2023. Taking together the absence of Help to Buy and the increase in mortgage rates, we estimate that the monthly cash cost of mortgage payments for some first time buyers has approximately doubled over the past year<sup>1</sup> compounded by limited availability of high loan to value mortgages. While we are promoting initiatives to stimulate demand, including the

recent launch of our “10 months mortgage free” customer offer, which generated a strong increase in website enquiries in its first week, it is too early to predict when there will be a recovery in demand. We remain focused on achieving quality returns rather than volume and we will provide a further update on the market outlook for 2023, at our 2022 results on 1 March.

The Group has entered this period of uncertainty with a strong balance sheet, including a robust cash position and industry-leading embedded margins in our land holdings. We currently anticipate average outlets will remain broadly similar during 2023 at 250-260 open selling outlets, although we have opportunities to increase this if demand improves as we progress through the year.

The longer-term demand outlook for new homes remains favourable. We have made significant progress over the past two years in augmenting the Group’s longstanding commercial excellence with renewed operational capabilities. As a five-star builder, with private average selling prices below the market average<sup>2</sup>, high quality land holdings, and a robust balance sheet, Persimmon remains well-positioned for the recovery when it emerges.

**Persimmon will host a conference call with analysts at 08.30am today.**

All participants must pre-register to join this conference using the Participant Registration link. Once registered, an email will be sent with important details for this conference, as well as a unique Registrant ID.

Participant registration page:

<https://register.vevent.com/register/B1e9f34af65da045dd8472e97ad0ffabad>

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<sup>1</sup>Illustration based on a property price of £250,000 with an estimated monthly mortgage cost of £753 in March 2022 (Help to Buy customer, with 5% deposit, 75% loan to value mortgage at a rate of 1.53% and 25 year term) compared with an estimated monthly mortgage cost of £1,488 in December 2022 (Deposit Unlock customer with 5% deposit, 95% loan to value mortgage at a rate of 5.71% and 25 year term).

<sup>2</sup>The Group’s private average selling price of £272,200 for the year to 31 December 2021 was lower than the national selling price for new built homes (£375,299 YTD as at August 2022; £334,047 for 2021). Sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry.

## Appendices:

1. 2022 quarterly performance	Q1	Q2	HY	Q3	Q4	FY
Completions	1,950	4,702	6,652	2,270	5,946	14,868
Net private sales rate	0.98	0.89	0.91	0.63	0.30	0.69
FTB % (private completions)	33%	46%	42%	42%	42%	42%
HTB% (private reservations)	23%	21%	23%	21%	8%	21%
Average sales outlets	245	255	250	269	267	259

2. Completions (homes)	2022	2021	Variance
Private	12,174	12,018	+156
Housing Association	2,694	2,533	+161
<b>Total</b>	<b>14,868</b>	<b>14,551</b>	<b>+317</b>

3. ASP	2022	2021	Variance
Private	c. £272,200	£259,231	+5%
Housing Association	c. £142,000	£131,976	+8%
<b>Total</b>	<b>c. £248,600</b>	<b>£237,078</b>	<b>+5%</b>

4. Forward sales	31 December 2022		31 December 2021		Variance	
	Value	Homes	Value	Homes	Value	Homes
Private	£0.5bn	1,696	£1.1bn	4,305	£(0.6)bn	(2,609)
Housing Association	£0.5bn	3,966	£0.5bn	4,089	-	(123)
<b>Total</b>	<b>£1.0bn</b>	<b>5,662</b>	<b>£1.6bn</b>	<b>8,394</b>	<b>£(0.6)bn</b>	<b>(2,732)</b>

### Cautionary statements

Some of the information in this document may contain projections or other forward-looking statements regarding future events or the future financial performance of Persimmon Plc and its subsidiaries (the Group). You can identify forward-looking statements by the terms such as “expect”, “believe”, “anticipate”, “estimate”, “intend”, “will”, “could”, “may” or “might”, the negative of such terms or similar expressions. Persimmon Plc (the Company) wishes to caution you that these statements are only predictions and that actual events or results may differ materially and as such undue reliance should not be placed on these statements. The Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group, including among others, general economic conditions, the competitive environment as well as many other risks specifically related to the Group and its operations. Past performance of the Group cannot be relied on as a guide to future performance.

Please see the most recent Annual Report and Accounts of Persimmon plc and other disclosures through the Regulatory News Service (“RNS”) for further details of risks, uncertainties and other factors relevant to the business and its securities.

The information in this trading statement is unaudited.