

TRADING UPDATE
WEDNESDAY 27 APRIL 2022

Awarded 5-star builder for the first time in our history

Persimmon plc (“Persimmon” or “the Group”) is today providing an update on trading for the period from 1 January 2022 to date, ahead of its Annual General Meeting (“AGM”) which is being held at 12.00 noon today.

Dean Finch, Group Chief Executive, said:

“Persimmon continues to perform well. We are currently trading in line with expectations, demand remains strong, our private average sales rates are c. 2% higher year on year and we have a robust forward order book of c. £2.8bn.

“As expected, reflecting the profile of outlet openings, we anticipate that completions this year will be weighted towards the second half, with first half completions being lower than those delivered in the first half of 2021. We continue to expect to deliver volume growth for the full year 2022 of around 4-7% of 2021 levels, with resilient industry-leading margins.

“We were delighted to be awarded a five-star rating in the annual HBF survey for the first time in our history and are determined to continue to build on this excellent progress, delivering high quality homes consistently to our customers.

“Earlier this month we signed the Government’s pledge on cladding removal and fire safety remediation, the principles of which are consistent with the commitment we announced over a year ago. As such, we continue to believe the £75m provision we have already set aside remains appropriate.

“The UK housing market remains supportive and Persimmon is well-placed for the future, with a strong and experienced senior management team, positive momentum in outlet openings, improving build quality and customer service and growing land holdings with industry-leading embedded margins. While we remain mindful of current uncertainties, particularly regarding consumer confidence, rising interest rates and the impact of the tragic conflict in Ukraine, the Board is confident of the Group’s future disciplined growth and success.”

Trading

Persimmon’s market positioning, delivering a range of high quality homes that are attractively priced¹ in areas where people wish to live and work, has continued to generate strong demand in a supportive UK housing market. The Group, which had a relatively low number of outlets coming into the year (c. 290 active outlets), has had an encouraging start to 2022 with trading in line with expectations and private average weekly sales rates running c. 2% higher year on year. Demand for new homes continues to outstrip supply with good levels of customer enquiries and cancellation rates remaining at low levels.

The Group’s current forward sales position, including year to date legal completions, reflects this lower outlet position, at c. £2.8bn (2021: c. £3.0bn). The average selling price for homes sold to private owner occupiers in the forward order book is c. £266,000 (2021: c. £252,000).

We are seeing good momentum in growing our outlet position and are successfully bringing through sites into construction. The Group is currently on track to open c. 75 new outlets during the first half of 2022, subject to achieving timely planning consents. We had opened over half of these outlets by the end of March 2022, resulting in around 300 active outlets across the UK, providing a strong platform for growth. Advancing our build programmes, in order to meet demand and provide more choice for our customers, whilst maintaining high levels of build quality, remains a key focus for the business and we are pleased with the build rates we are achieving.

We are continuing to invest in high quality land opportunities at industry-leading embedded margins to provide a strong platform for the Group’s future growth. Approximately 6,600 plots have been brought into the business in 22 locations across the UK during the period, with almost half of last year’s delivered plots being replaced in the first three months of this year.

Our vertical integration, through our Space4 timber frame facility, and our Brickworks and Tileworks manufacturing facilities, continues to provide efficiencies in our build programme and enhanced security of supply. They also provide some mitigation to the cost pressures being experienced across the sector. There has been an easing of some of the supply chain issues experienced during 2021, however we are mindful that the situation remains uncertain, with some isolated instances of product shortages occurring which the business is currently managing. We expect our industry-leading margins to remain resilient, with good levels of price growth currently mitigating the impact of build cost inflation.

Persimmon has a strong balance sheet and high levels of liquidity. After returning £399m to shareholders on 1 April 2022 and investing £314m in high quality land opportunities at industry-leading embedded margins, the Group held £446m of cash at 22 April 2022 with deferred land commitments of approximately £160m to the end of the current year. In addition, the Group has an undrawn £300m Revolving Credit Facility, which has a four year term to 31 March 2026.

Building excellence: build right, first time, every time

The Group's unrelenting focus on 'build right, first time, every time', delivered through the implementation of the Persimmon Way, our construction excellence programme, continues to drive quality and customer service improvements across the business. We were delighted to be awarded a five-star rating in the annual HBF survey for the first time in Persimmon's history. We have continued to track ahead of the five-star threshold for this survey year and have made further advances with a current customer satisfaction score² of 92.3% (92.0% for the survey year to 30 September 2021).

Our customers consider broadband connectivity from moving in day to be an essential utility and we continue to support them through the provision of FibreNest, the Group's ultrafast full fibre broadband service. FibreNest, currently has c. 22,000 customers across more than 300 of our developments (2021: c. 14,000 customers) and enjoys strong online service ratings compared to other major operators.

Sustainable communities

We recognise our role as a responsible builder and remain focused on creating and supporting sustainable communities. Since announcing net zero carbon targets for our homes in use and our operations last year, we have undertaken several initiatives aimed at reducing our greenhouse gas emissions. Our homes are up to 30% more energy efficient than existing housing stock making them more economical for our customers to run. We have also already taken action to reduce our own emissions, switching all our offices, manufacturing facilities and on-site electrical use to 100% renewable energy last year. In addition, electric vehicles have been introduced into our fleet and we have recently commenced a trial of alternative fuel on a number of our sites as part of our efforts to drive down our operational emissions.

On 5 April 2022, we signed the Department for Levelling Up, Housing and Communities' Developer Pledge on cladding removal and fire safety remediation. The pledge was consistent with the industry-leading commitment we made over a year ago, that leaseholders in any multi-storey building Persimmon constructed would not have to pay to remove any cladding or correct fire related safety issues.

We have already pledged that we would not claim any money from the Government's Building Safety Fund to complete works on these buildings and will reimburse any funding already claimed by the Management Companies involved. Our Special Projects team, established specifically to manage relevant remediation works, continues to engage proactively with the Management Companies, or their agents, of the 33 developments we have identified as potentially requiring remediation, to progress works as quickly as reasonably possible. The £75m provision set aside (and announced alongside our February 2021 commitment) reflects the number of developments we have constructed which potentially require remediation, together with an assessment of the scope of works needed, and is subject to ongoing review as remediation works evolve.

On 13 April 2022, the Government announced that it intends to extend the Building Safety Levy ("the Levy") to all new residential developments in England to fund fire safety remediation work on 'orphaned' buildings between 11 and 18 metres. While many of the specific details remain subject to consultation, the Government has indicated that it expects the Levy to raise up to £3bn over ten years. Alongside the rest of the industry we will consult with Government over the design, implementation and scale of the Levy with the aim of ensuring that it fairly balances the funding needed with contributions already made by parts of the industry.

Capital Return Programme

On 2 March 2022, the Board re-iterated its intention to return 235p per share in 2022. The first payment of the regular annual distribution of 125p per share was made on 1 April 2022 (rather than July 2022 as originally intended). The Board remains committed to its well-established strategy of returning capital that is surplus to the needs of the business to its shareholders. Given the successful trading result of the Group in 2021 and its strong financial position, the Board is pleased to confirm that it will return 110p per share surplus capital on 8 July 2022, to shareholders on the register on 17 June 2022. There will be no further dividend payments in relation to the year ended 31 December 2021.

Outlook

Persimmon remains well-positioned in its markets. By offering high quality homes at attractive prices¹ we are widening the opportunity of home ownership to customers who otherwise may not be able to afford it. The Group's forward sales position is robust and as announced in March 2022, we expect to deliver volume growth of 4-7% for the full year 2022 from 2021 levels, whilst maintaining the Group's industry-leading margins. Reflecting the outlet growth profile of the business and resulting build progress, we anticipate that our first half completions will be lower than those delivered in the first half of 2021 but given the encouraging start to the year, we expect our first half result to fall only modestly short of that delivered to June 2021. We anticipate a greater proportion of completions in the second half of 2022 as our outlet numbers increase.

The UK housing market remains supportive and the longer-term fundamentals are strong. Demand for new build homes continues to outstrip supply and mortgage availability remains positive. We remain mindful, however, of the shorter-term uncertainties, particularly regarding consumer confidence, cost inflation, rising interest rates, the cessation of Help to Buy and the impact of the tragic conflict in Ukraine. Obtaining timely planning consents remains a challenge, with for example, the recent widening of the geographical areas impacted by elevated nutrient levels resulting in increased complexity and delay. Persimmon's market positioning, high quality land holdings, robust balance sheet and liquidity, together with its vertical integration and experienced and agile management team, provide a strong platform to navigate these uncertainties and the Board is confident of the Group's future disciplined growth and success.

Next Update

The Group will provide a further update in its next Trading Update on 7 July 2022.

- 1 The Group's private average selling price of £259,231 for the year to 31 December 2021 was over 20% lower than the UK national average. The national average selling price for newly built homes was sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry.
- 2 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.

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