

TRADING STATEMENT

THURSDAY 13 JANUARY 2022

Persimmon plc today announces the following update ahead of its Final Results for the year ended 31 December 2021, which will be released on 2 March 2022.

Highlights

Dean Finch, Group Chief Executive, commented:

“Persimmon’s performance has been excellent through the year, delivering high quality growth. I would like to thank my colleagues and our wider workforce for their hard work and commitment in achieving the Group’s strong performance. Whilst continuing to provide five star levels of customer satisfaction the business provided 14,551 new homes at an anticipated full year underlying operating margin of c. 28%¹, maintaining our industry-leading performance.

“We have continued to secure high quality land opportunities, bringing over 20,500 new plots into the business in 2021 representing in excess of 140% of current consumption levels. This strong pipeline provides excellent momentum for the Group’s future growth. Our teams are working diligently to bring these sites into construction as soon as possible to enable us to deliver much needed homes across the UK.

“Whilst the industry continues to face the ongoing operational and economic challenges as a consequence of the pandemic, particularly as the Omicron outbreak unfolded in the last six weeks of the year, the Group continues to manage these ongoing challenges comprehensively. The long term fundamentals of the UK housing market remain strong and I am confident of Persimmon’s future success.”

Highlights

	2021	2020
New home completions	14,551	13,575
Average selling price	c. £237,050	£230,534
Total Group revenues	£3.61bn	£3.33bn
New housing revenues	£3.45bn	£3.13bn
Cash at 31 December	£1.25bn	£1.23bn
Current forward sales position	£1.62bn	£1.69bn
Dividend paid in the year	235p per share	110p per share

Trading

Persimmon has delivered total Group revenues of £3.61bn, (2020: £3.33bn) in the year. New housing revenues of £3.45bn were c. 10% ahead of last year (2020: £3.13bn) and c. 1% ahead of 2019 (2019: £3.42bn). As expected, new home legal completions of 14,551 were c. 7% ahead of the prior year (2020: 13,575) and included 12,018 new homes sold to private owner occupiers (2020: 11,363). The Group’s average selling price increased by 2.8% over last year to c. £237,050, reflecting in part the greater proportion of new homes sold to our housing association partners compared with last year. At c. £259,200, the average selling price of our new homes sold to owner occupiers was c. 3% ahead of the prior year (2020: £250,897), the underlying improvement in selling prices being diluted to a degree by the year on year changes in the regional mix of sales achieved. However, with the second half benefitting from the particular mix of legal completions achieved in the period, we anticipate the Group’s industry-leading underlying operating margin for the full year will be c. 28%¹ (2020: 27.6%).

The Group delivered 2,533 new homes to its housing association partners representing 17.4% of total homes delivered, an increase from 16.3% last year. We look forward to delivering further growth in sales to our housing association partners as the Group brings through its new outlets planned for 2022 and beyond.

The Group has seen good levels of demand throughout the second half of the year underpinning positive pricing conditions. The Group's sales rates were c. 20% higher than those in the second half of 2019 (a more comparable period given the pandemic-related disruption to the industry in 2020) reflecting Persimmon's positioning in a strong market. Our customer enquiry levels have remained encouraging throughout the period despite the changes in the Government's Help to Buy scheme and the stamp duty regime. Cancellation rates have remained in line with historical low levels throughout the period.

The business has managed the ongoing challenges of the pandemic well, including disruption to the supply chain and customer support services which increased in the latter part of 2021 with the onset of the new Omicron variant. The corresponding updated Government guidance has led to a pick-up in sickness related absenteeism, with some customers also choosing to delay moving into their new home as they isolated in line with best advice. Through these challenges, the Group maintained its focus on delivering high quality homes consistently to our customers.

Our vertical integration through our Brickworks, Tileworks and Space4 timber frame manufacturing facility has continued to assist in securing supply of key materials. As indicated, we anticipate that our industry leading margins will remain resilient after recognising the expected increase in our build cost inflation of c. 5.0% in 2021.

Persimmon traded from c. 285 active outlets on average in the second half compared with c. 305 in 2020. The Group continues to bring new land through into construction although there have been delays to some outlet openings due to the slower planning system experienced across the industry. At the end of the year the Group had 290 developments under construction across the UK reflecting the combined effect of both the healthy sales rates we have achieved and the planning delays. The Group has a strong pipeline of sites progressing through the planning system and our teams are focused on opening these new outlets into the traditionally strong spring season, taking advantage of the healthy levels of interest already expressed by customers.

The Group's forward sales at 31 December 2021 were £1.62bn, c. 20% ahead of 2019 (2019: £1.36bn) (2019 being a more comparable year due to the pandemic-related disruption to 2020).

We have maintained our well-established disciplined land replacement whilst continuing to take advantage of exciting opportunities in the market. Over 20,500 plots have been brought into the business during the year, representing over 140% of current consumption levels, strengthening the Group's UK wide network. The Group's land spend for the year to date is c. £460m (including c. £180m of deferred land creditor payments).

The Group's balance sheet and liquidity remain robust. The Group held £1.25bn of cash at 31 December 2021 with deferred land commitments of c. £400m. In addition, the Group has an undrawn £300m Revolving Credit Facility which has a five year term out to 31 March 2026.

Continuing to support our customers

The Group places customers at the centre of our business as we strive to 'build right, first time, every time'. Whilst achieving good rates of construction we continue to control the timing of release of homes for sale on new developments and existing sites to ensure we can provide both greater predictability of "moving-in" date to support higher levels of customer satisfaction, and to maintain build quality. The Persimmon Way, our end-to-end consolidated construction process, is operating well across the business.

The expansion of the Group's team of Independent Quality Controllers is delivering the anticipated benefits of strengthening site supervision, assisting site management teams in monitoring build at key construction stages and providing further guidance and training, as well as enforcement of the Group's quality standards. As planned, this is now also being complemented with the external verification of our processes with the aim of covering all the Group's operating companies by summer 2022. We welcome the appointment of a New Homes Ombudsman partner and the publication of the New Homes Quality Code, which was published on 17 December 2021, and their aim of driving up build quality and customer service standards across the industry. We expect to register for the new Code shortly.

Our customers are already experiencing the benefits of some of these improvements. Over 92%² of customers that have moved into their new home since 1 October 2020 for the 2020/2021 HBF survey year say 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.

We share the Secretary of State's aspiration that leaseholders should not have to pay to remove cladding. Indeed, we made a commitment a year ago that leaseholders in buildings constructed by Persimmon, including all those above 11 metres, should not have to cover the cost of cladding removal. We have constructed only a very small proportion of buildings affected by this issue. In common with the rest of the housebuilding industry, we will shortly begin paying the cladding levy announced in the Budget.

Our communities

The Group is proud to deliver a range of house types making owning a home accessible for all whilst creating attractive neighbourhoods for people to enjoy. Our private average selling price of c. £259,200 for the year to 31 December 2021 (2020: £250,897) is c. 18%³ below the UK national average with c. 50% of our private home completions for the year having been to first time buyers.

FibreNest, the Group's ultrafast, full fibre broadband service, continues to grow, serving c. 20,500 new households across c. 260 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.

Minimising our environmental impact

Persimmon is committed to playing its part in reducing greenhouse gas emissions, helping to create an enduring sustainable legacy for future generations. Earlier in the year, the Group set science based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative. It also set ambitious 'net zero' targets, aiming to deliver 'net zero' homes in use to its customers by 2030 and become 'net zero' in its operations by 2040.

Our homes are already significantly more energy efficient than existing housing stock and our pathway to 'net zero' homes in use by 2030 has clear interim milestones. For example, prior to the full implementation of the Future Homes Standard, there will be a step change to improve the energy efficiency of our homes which will increase by a further c. 30% as we improve the fabric efficiency of our homes, install more efficient heating systems and increase usage of solar PV.

The Group has already made good progress on its carbon reduction roadmap with a number of projects to research the most effective method of delivering a 'net zero' home in use and engaging a third party expert to measure the embodied carbon of our homes. In our operations, the Group has introduced electric vehicle options into its fleet, is now purchasing 100% renewable energy for its offices and manufacturing facilities and is investigating methods of reducing the Group's red diesel consumption and increasing the use of alternative fuels.

Outlook

The longer term fundamentals of the housing market remain positive with resilient consumer confidence, demand continuing to outstrip supply across the UK and good levels of mortgage availability. Some nearer term uncertainties remain as the pandemic continues. Our vertical integration through our Brickworks, Tileworks and Space4 manufacturing facilities mitigate some supply chain disruption risk and the current positive pricing conditions are anticipated to accommodate potential cost inflation. Interest rates, whilst anticipated to rise over the short term, remain at historically low levels, with owning a home, rather than renting, continuing to be the most affordable option. The Group aims to continue to focus on helping as many families as possible to realise their life ambition of acquiring their own home by offering an affordable range and choice of high quality homes across all our new developments at compelling prices. The pandemic appears to have led many customers to re-assess the type of accommodation that they wish to enjoy. Persimmon is well placed to help communities fulfil these needs.

Persimmon is in a strong position with industry leading margins remaining resilient, a strong management team and high quality land holdings providing an excellent platform for future growth. Our well established strategy of recognising the risks associated with the economic cycle and the housing market, minimising associated financial risk and judging the deployment of capital on high quality land at the right time in the cycle safeguards a strong balance sheet and the Group's future success.

We enter the new year with the value of the Group's total forward sales at £1.62bn (2019: £1.36bn). The Group's strong pipeline of outlets adds to the Group's robust platform with c. 75 new outlets forecast to open in the first half of 2022, assuming the planning system proves supportive.

The Group has maintained pre-Covid build rates throughout the year, supporting the delivery of the increased volume of new homes to our customers. We are focused on driving strong levels of build throughout 2022 and managing the continuing operational challenges and those associated with the ongoing pandemic to invest further in Group inventories, add to stock levels and provide compelling choice for our customers. The Group's level of work in progress of c. 4,100 equivalent units of new home construction at the end of the year provides a robust opening position from which the Group will be able to realise its ambitions for 2022.

We will give an update on our assessment of the housing market over the early weeks of 2022 when we announce our results for the year ended 31 December 2021 on Wednesday 2 March 2022.

Persimmon will host a conference call with analysts at 09.00 am today. To participate please use the details below:

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Footnotes

1. Stated on new housing revenue and underlying profit from operations and calculated before goodwill impairment.
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.
3. Rolling 12 month 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.