

Persimmon

20:24 15 Jan 2020

Persimmon keeps schtum over cash plans as the housebuilder's sales slow

Persimmon PLC (LON:PSN) had a huge cash balance of £844mIn at the end of 2019 even though new home sales fell compared to the previous year as the firm focused on improving build quality.

In its year-end 2019 trading update, the FTSE 100 housebuilder made no comment about its intentions for this cash nor about the state of the housing market after a year when completion volumes fell 3.6% to 15,855 and average selling prices (ASPs) were flat at £215,700

READ: Persimmon takes its time over new builds, shrinking sales Looking to the year ahead, Persimmon said it was "in a strong market position" with an order book modestly down at £1.4bn, 365 developments in construction across the UK, plans to open 80 more in the first half of the year and a "conservative balance sheet".

"Delivering the maximum benefit to our customers from our quality and service improvement initiatives will continue to be my top priority for 2020," said chief executive Dave Jenkinson.

Jenkinson and the builder's board expect group pre-tax profits to be in line with the average analyst forecast, which is for just over £1bn.

Reacting to growing complaints in recent years about shoddy and potentially unsafe homes, punitive leasehold terms and an excessive executive bonus scheme, the group has looked to refurbish its tarnished reputation, slowing the pace at which homes are sold in order ensure they are completed on time and to an acceptable standard.

This led to the group's revenue falling 2.4% to £3.65bn last year and flattened ASPs, partially because of a higher proportion of sales from its housing association partnerships, which increased to 21.4% of the sales mix from 18.9% the year before. The ASP for private sales was up 1.5% at £241,975.

Return to volume growth ahead Moving into 2020, Persimmon said its total forward sales value stands at almost £1.4bn, up from £950mIn in November. The shares were up 2% to 2,848p on Wednesday morning, approaching their all-time high from summer 2018.

Analysts at UBS said completions volumes were slightly above the City consensus, mainly driven by higher affordable housing sales.

They predicted that Persimmon will return to volume growth in 2020, noting that completions were only down 1% year-on-year in the second half after a 6% decline in the first.

Richard Hunter at Interactive Investor said that having "grasped the nettle" on build quality, this could lead to "a rather more comfortable 2020", even though the combined threat of removal of the Help to Buy scheme some years ahead

Price: 2368

Market Cap: £7.55 billion

1 Year Share Price Graph



Share Information

Code: PSN

Listing: LSE

52 week High Low
3328 1367.5

Sector: Builders and building materials

Website corporate.persimmonhomes.com

Company Synopsis:

*Persimmon is a house building company, which has been trading since 1972, and operates under three main brands, Persimmon Homes, Charles Church and Westbury Partnerships. *

action@proactiveinvestors.com.au

and Brexit negotiations in the coming year "casts a shadow over the sector.

Even so, he said Persimmon has much in its favour, including a deep land bank, strong balance sheet, and recent history of lofty special dividends that leads to a projected dividend yield of over 8%.

--Adds share price, broker comment--

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.