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Ticker PSN (LSE)
Price GBp 1,134.5
Sector Homebuilder, Consumer Durables
Website <https://persimmonhomes.com/corporate>

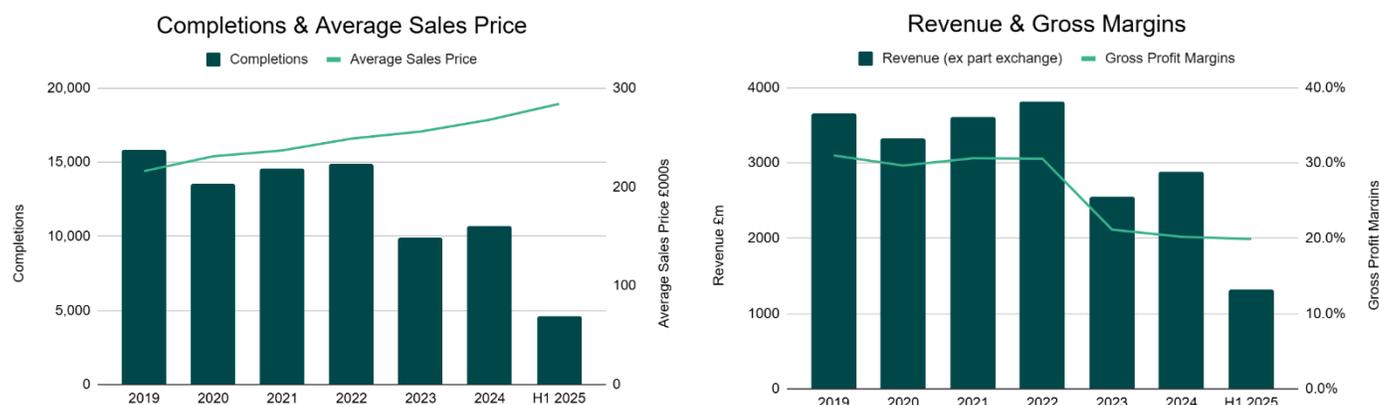


Persimmon is the 4th largest UK homebuilder with 10,664 homes delivered in 2024 and an expected 11,000-11,500 UK completions in 2025. Persimmon position themselves as an affordable builder with a lower average sales price than competitors.

H1 2025 earnings

GBP millions	H1 2025	H1 2024	% change
Completions	4,605	4,445	3.6%
Average sales price £000s	284	263	8.0%
Revenue	1503	1317	14.1%
Adj. operating income	170	151	12.6%
Operating income	154	149	3.4%
Net income	100	111	-10.0%
EPS common shareholders	30.9	34.3	-10.0%
Order book £m	1,555	1,418	9.7%
Adj. operating margin	11.3%	11.5%	-0.2%
Debt / equity	0.0%	0.0%	0.0%
Equity	3,485	3,408	2.3%
RoE (annualised)	5.7%	6.5%	-0.8%

Quarterly Results Trend



Financial Highlights

- Homes delivered increased 3.6% YoY to 4,605 deliveries.
- Average sales price (ASP) increased 8.0% YoY. We attribute about 6% to home price increases and 2% to the changed product mix, with a higher proportion of private sales relative to partnership sales in Q2 2025.

- A combination of higher volumes and higher sales price drove home sales revenue up 11.8% YoY to £1.32bn. Total revenue was up 14.1% due to higher sales of exchange properties.
- The order book increased 9.7% to £1.56bn, representing 7,005 homes, and completing the entire H2 2025 sales.
- Gross margin was flat YoY at 20.1%. The long-run average gross margin for Persimmon is 23-24% and we generally expect margins to return to normal as lower rates encourage home buying, pushing home prices moderately above cost inflation over the medium term.
- Adjusted operating margin dropped slightly from 11.5% to 11.3%. Actual operating profit included a £16m settlement relating to the CMA investigation into anti-competitive behaviour, which impacted all large UK homebuilders.
- Profit before tax was flat YoY and net income was down 10% due to a higher tax charge for H1 this year.
- Persimmon added 5,729 new plots to their land holdings, a replacement rate of 124%.
- Total plots owned and controlled rose 0.5% from 82,084 to 82,584. Of these plots, 40,566 have detailed planning, ensuring a 3+ year supply of homes with planning already exists.
- Land cost to assumed revenue remains around 12%, a level that has been stable over the last few years. Again, this points towards support for margins over the medium term.
- Balance sheet remains very strong with £123m cash, £4,211m inventory, £0m debt and £3,485m equity.
- Persimmon returned £128m to shareholders via dividends.

Operational Highlights

- Persimmon sold FibreNest (a full fibre broadband service provider) for £100m cash. The cash raised can be used to grow the landbank. The sale of FibreNest will reduce annual capex by £10-15m.
- New automated production line at Space4 factory is now operational. Space4 is Persimmon's timber frame company and a part of their efforts to grow vertical integration.
- Brickworks (Persimmon's solely owned brick factory) is now operating 24/7, with production up 25% on last year.
- Tileworks production is up 62% on last year.
- Persimmon estimates average cost savings of £5,500 per plot from using their own timber, bricks and tiles.
- Private sales rate of 0.70 per outlet per week was similar to the 0.71 rate in H1 2024.
- Outlets grew 4% YoY to 277 compared to the industry average which saw outlets shrink 3% YoY.
- Website visitors up 20% YTD and website enquiries up 12% YTD
- Recognised as a five-star builder according to the Home Builders Federation (HBF).
- Government policies (NPPF and Planning and Infrastructure Bill) designed to streamline the planning process continue to make progress.

Management Comments

- Dean Finch, CEO: "Our average sales price, sales, completions, planning approvals, active sites and forward order book are all up, many against industry trends, showing that our strategy including a focus on self-help has continued to deliver."
- Reiterated forward guidance of 11,000 – 11,500 completions for FY 2025 and suggested 12,000 completions for FY 2026, with operating margins similar to 2025.

Ben Jones Investments Outlook

- The results are in line with expectations. We are pleased to see a return to completions growth and no further deterioration in margins.

- We think Persimmon remains undervalued. Given that it trades around book value, there is essentially zero value being placed on future cash flows. For a company that is consistently profitable, even in weaker years, that makes little sense to us.
- The decline in margins during periods of higher rates is not unusual, but we expect operating margins to normalise towards 18% over the long-run. We also expect completions to grow back towards the 14,000 per year long-run trend. Naturally, anticipating the timeframe of this is difficult, but we see sufficient margin of safety at current valuation that delays in normalisation are not detrimental to the investment decision.
- Persimmon has a very strong balance sheet with £123m cash, an additional £100m cash receivable on the sale of FibreNest and £0m debt, ensuring that they can comfortably withstand any further turbulence in the housing market.
- A return to trend completions and margins would see Persimmon's net income grow from around £300m currently towards £600m. We think the market is overly pessimistic about the future of the UK housing market and expect this will only be corrected when rates drop.
- We still see the UK as having a fundamental housing shortage that will help support property prices through periods of higher rates.
- Historically, higher rates driven by higher inflation tend to support real home prices as nominal home prices keep pace with inflation.
- At present valuations, we think share repurchases would be a better way of returning capital than dividends, but don't anticipate any change in dividend policy.