

Persimmon Pretax Profit Rises as Sales Mix Improves Margins (1)

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(Updates with CEO's comment in fourth paragraph.)

By Simon Packard

Aug. 21 (Bloomberg) -- Persimmon Plc, the U.K.'s largest homebuilder by market value, increased profit before items by 65 percent in the first half as it sold more family houses to lift margins.

Pretax profit excluding one-time gains and losses rose to 98.7 million pounds (\$155 million) from 59.7 million pounds a year earlier, the York, England-based company said today in a statement. Revenue climbed 13 percent, while net asset value increased by 4 percent to 625.7 pence a share.

Persimmon lifted its operating margin to 12.2 percent of sales from 9 percent a year earlier as it built and sold more family houses on discounted land bought after prices fell in the 2009 recession. Chief Executive Officer Mike Farley is using the cash reserves generated by the company to pledge 1.9 billion pounds of dividend payments through 2021 and to step up land purchases.

"We're well on track to delivering the 75 pence dividend in 2013," Farley said on a conference call.

Persimmon declined 2.5 pence in London trading to 702.5 pence as of 8:10 a.m. That reduced the company's market value to

2.15 billion pounds.

The shares were the third-best performers in the 10-member U.K. Home Builder Index, gaining 50 percent from the start of the year through yesterday. The index has climbed almost 34 percent in the same period, reflecting homebuilders' efforts to restore profits even as new home completions dropped last year to the lowest during peacetime since 1924.

Government Push

The British government is seeking to boost housing starts by loosening social housing requirements in planning consents and encouraging investment by housing associations, non-profit residential landlords, the Financial Times reported last week.

Persimmon's home completions rose 6 percent to 4,712 as the average selling price increased 7 percent to 171,206 pounds. Pre-sales of homes to be built increased 4 percent to 1.04 billion pounds.

The company acquired 50 sites suitable for 5,779 homes during the first half, giving it a land bank equivalent to 6.5 years of sales.

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