

12 January 2021

Vistry Group PLC Trading update

Vistry Group PLC (the “Group”) is issuing a scheduled trading update for the year ended 31 December 2020, ahead of the publication of its full year results on 25 February 2021.

Highlights

- Strong second half performance with FY20 profit before tax¹ expected to be at the top end of the range at c. £140m
- Excellent progress at Vistry Partnerships with higher margin mixed tenure volumes up 28% in the year and 70% in the second half
- Strong sales revenue and tight management of working capital, achieving debt reduction ahead of expectations, with a net cash² position of c. £38m as at 31 December 2020, from a net debt² position of £357.3m as at 30 June 2020
- Active in good land market maintaining total controlled land bank plots whilst reducing the land creditor balance
- Group expects to be awarded 5-star HBF customer satisfaction rating for 2020
- Strong forward sales position with 55% of total Housebuilding and Partnership mixed tenure forecast units for FY21 already secured
- Assuming stable market conditions, the Group is well positioned to deliver a step-up in profit before tax¹ to £310m in FY21
- Resumption of dividends with Board’s intention to pay a modest final dividend in respect of FY20

Greg Fitzgerald, Chief Executive, commented:

“I am incredibly proud of all that the Group has achieved in 2020 and I would like to thank our employees for their effort and commitment. At the start of the year our priority was to successfully integrate the housing businesses and maximise the very significant benefits from the exciting new combination. We expect to deliver the full run rate of synergies of £44m by the end of FY21, 27% greater than initially expected and achieved at a lower cost.

Customer satisfaction has remained a key priority during 2020. The Group’s HBF customer satisfaction score has been consistently above 90% and we expect to be awarded the maximum 5-star rating for 2020.

Vistry Partnerships has made excellent progress against its ambitious growth strategy in 2020 with a near 30% increase in mixed tenure completions. The Group has strong forward sales and is well positioned to deliver a significant step-up in profitability in 2021.

I am delighted to report a net cash position of £38m as at 31 December 2020, reflecting our strong second half performance and firm focus on cash management. Given the robust balance sheet position, the Board now expects to resume dividend payments with a modest final dividend in respect of FY20.”

¹ Pre-exceptional items and amortisation of acquired intangible assets

² Net cash / debt is quoted excluding IFRS16 lease liabilities and includes £7.4m (HY20: £7.8m) impact from the fair value of future interest payments on US Private Placement notes

Strong demand

We have seen strong demand for our homes during 2020 with the Group's private sales rate per outlet per week increasing by 15% in the second half to 0.62 (H2 19: 0.54). Encouragingly, customers continued to reserve homes during the second national lockdown in November, and throughout December, with our underlying sales rate up c. 20% in the last 6 weeks of the year compared to the prior year equivalent period.

The Group has delivered completions in 2020 at the top end of expectations reflecting a strong second half performance. Pricing remained firm through the year and overall, we saw a modest increase in underlying prices.

For FY21 we have secured 40% of Housebuilding's forecast private units and 53% of Partnerships' forecast private mixed tenure units. Importantly, this includes a significant number of units for completion in Q2 2021, reserved by customers despite the changes to Help to Buy and the expected end to the Stamp Duty holiday at the end of Q1. In total we have 55% of total Housebuilding and Partnership mixed tenure forecast units for FY21 already secured.

Housebuilding has entered into a new agreement with Heylo Housing for 1,000 private units to be delivered in FY21 and FY22 (33 units included in Housebuilding forward sales). Our customers will utilise Heylo's shared ownership scheme, Home Reach, which has been selling well.

Vistry Partnerships' partner delivery (contracting) business has 80% of FY21 forecast revenue secured with a forward order book totalling £800m.

Operational update

Building high quality new homes and providing our customers with excellent service has remained a top priority during 2020. Our HBF Customer Satisfaction score for the year from 1 October 2019 is ahead of the prior year and we are confident the Group will be awarded the maximum 5-star HBF customer satisfaction rating for 2020. In addition, the new survey year has started well.

Our supply chain has remained resilient despite the challenges of both the pandemic and Brexit. We value our close working relationships with our suppliers and maintain regular dialogue with them to ensure we see a good supply of build materials and labour. In 2020, we saw low levels of cost inflation and expect this to continue into 2021.

The health and safety of our employees, sub-contractors, suppliers and customers remains a key priority. The construction industry has adapted well to working in a COVID-secure manner and we have comprehensive, COVID-secure working practices embedded across all areas of our business. There has been no requirement to change our business operations with this third national lockdown and all our sites remain open, with productivity at normal levels.

Vistry Housebuilding

Housebuilding delivered a total of 4,652 (FY19 proforma: 6,884) completions, including 820 (FY19 proforma: 946) from JVs. Private units in the year totalled 3,668 (FY19 proforma: 4,775) with 984 (FY19 proforma: 2,109) affordable units.

Total Housebuilding average selling price for FY20 was c. £302k with a private average selling price of c. £344k. Housebuilding is currently operating from 146 active sites and we expect the average for FY21 to be c. 150 sites.

Vistry Partnerships

Vistry Partnerships made excellent progress in the year demonstrating its high growth and robust operating model.

Mixed tenure completions increased by 28% in FY20 to 1,479 (pro forma FY19: 1,158) units, with completions in the second half up 70% year on year to 990 (pro forma H2 2019: 584) units. The average selling price of mixed tenure units in the year was £218k. Partner delivery³ equivalent units increased by c. 10% in the year. There is continuing demand amongst housing associations and local authorities to participate in joint ventures.

As at 31 December 2020 Vistry Partnerships was selling on 27 mixed tenure active sites and we expect this to increase to an average of c. 32 for FY21.

Increased land activity

We have been active in the land market during 2020 and have maintained the size of our controlled landbank at a total of c. 40,100 plots (31 Dec 2019 pro forma: 40,135).

In the year, Housebuilding secured 6,281 plots across 31 developments and has a strong land pipeline, with 100% of land required for forecast FY21 completions secured.

Partnerships is investing in its owned land bank to support its targeted step-up in mixed tenure and in the year secured 2,371 plots on 11 sites for mixed tenure development. It is also well positioned with 100% of the land required for forecast FY21 mixed tenure completions secured.

Strategic land is a key component of the Group's land supply and as at 31 December 2020 the Group had a total of c. 34,050 (31 Dec 2019 pro forma: 31,965) strategic plots. In the year, we are pleased to have secured options over 2,856 strategic land plots across 10 developments.

Balance sheet

The Group had a net cash position of c. £38m as at 31 December 2020 (30 June 2020: net debt of £357.3m). This has been driven by continued strong trading, good working capital management at an individual business level, and the ongoing benefits from the combination of the enlarged business.

The Group expects to carry an average net debt position in FY21 as we build for FY21 completions and deliver a stronger net cash position at 31 December 2021.

The Group is operating with substantial funding headroom, with committed banking facilities totalling £770m and well spread maturities out to 2027.

While the scale of the land bank has been maintained, the Group land creditor position as at 31 December 2020 is expected to be lower than the £372.3m as at 30 June 2020.

Dividend

With the Group's strong second half performance, the year-end net cash position and record forward sales, the Board is pleased to confirm its intention to resume dividend payments with a modest final dividend in respect of FY20.

³ Formerly classified as Vistry Partnerships contracting

Sustainability

During the year the Group has also prioritised a review of both performance and reporting around the broad scope of sustainability, including not only climate change, but also wider considerations of the environmental and social aspects of the way we operate. We will update on our achievements and importantly our targets when we report in February.

Outlook

Looking to FY21 we are alert to the wider market uncertainty, including the potential implications of the most recent lockdown, as well as for housebuilding specifically the changes from an end to the stamp duty holiday and existing Help to Buy scheme at the end of Q1. We are encouraged by the strength of the market in 2020 and the levels of demand during the second national lockdown in November, and whilst very early, we have seen no impact from this third national lockdown. Assuming stable market conditions, the Group remains confident it can deliver a step-up in completions for both Housebuilding and Partnerships in FY21 and increase Group profit before tax¹ to £310m.

There will be a conference call for analysts at 8:30am this morning. To join the call please dial: +44 (0)330 336 9411, confirmation code: 3607308. A replay facility will be available on our corporate website shortly after: www.vistrygroup.co.uk

Forward sales (£m)	31 December 2020
Housebuilding	
- Private	533
- Private JVs (100%)	176
- Affordable	389
- Affordable JVs (100%)	119
Total Housebuilding	1,217
Partnerships	
- Mixed tenure	145
- Mixed tenure JVs (100%)	200
Total mixed tenure	345
Total development	1,562
Total contracting	800
Total Group	2,362

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is being released on behalf of Vistry Group PLC by Earl Sibley, Chief Financial Officer.

Certain statements in this press release are forward looking statements. Forward looking statements involve evaluating a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends, results or activities should not be taken as representation that such trends, results or activities will continue in the future. Undue reliance should not be placed on forward looking statements.

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