9 July 2020

Vistry Group

Vistry Group PLC

Half year trading update

Vistry Group PLC (the "Group") is issuing a trading update for the six-month period ended 30 June 2020.

Key Highlights

- Sales have continued throughout lockdown with our sales rate increasing to an average of 0.62 in the last four weeks and pricing remaining firm
- Successful return to site with particularly resilient first half performance from Vistry Partnerships
- Excellent progress on integration with synergies expected to be higher than level assumed at acquisition
- Reduction in net debt to c. £355m (18 May 2020: £476m), ahead of our expectations at the start of the pandemic
- Strong forward sales position with housing reservations (including Vistry Partnerships activity) totalling £1.66bn[1] (20 May 2020: £1.5bn) and Vistry Partnerships' contracting forward order book totalling £920m (20 May 2020: £827m)
- Group awarded 5-star HBF Customer Satisfaction rating for 2019 with score remaining at this level

Greg Fitzgerald, Chief Executive commented:

"With our integration ahead of plan and enormous commitment from our employees and supply chain, the business has successfully managed through the challenges since mid-March. We have focused on delivering excellent service to our customers, maintaining our HBF 5-star customer satisfaction score. We have also managed our liquidity position, achieving net debt significantly lower than our expectations, without compromising on our investment for 2021.

"Vistry Partnerships has demonstrated its market resilience and has been quick to accelerate productivity as lockdown restrictions have eased. This high growth, counter cyclical part of the business is a significant differentiator for the Group.

"We have seen an ongoing pick up in sales over the past eight weeks with prices remaining firm, giving us a strong forward order book and confidence for the second half."

Trading[2]

Our sales teams remained open for business throughout the lockdown period, offering virtual tours, taking new reservations, progressing exchanges and handing over completed homes where a customer has wanted to move in. Over the past ten weeks we have seen a week-on-week increase in our sales rates, and over the last four weeks our average private sales rate per site per week including Vistry Partnerships' mixed tenure operations has been 0.62 (0.50 excluding bulk sales). Our pricing has remained firm across all areas of the business.

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[1] Total forward sales of £1.66bn includes £0.24bn in respect of our joint venture partners' share of revenue

[2] Pro forma H1 2019 completions calculated using published data for Linden Homes and Vistry Partnerships and represent the Vistry Group H1 period of 1 Jan 2019 to 30 June 2019

Vistry Partnerships led the Group's return to site at the end of April, being the most market resilient part of our business with its high proportion of revenue from contracting and pre-sold developments. Housebuilding's initial focus was on homes which were watertight and where there was clear visibility of completion. With positive sales trends and the Group's strong cash management and liquidity, housebuilding has now commenced new infrastructure and groundworks which will benefit performance in 2021. Across the business, our sites are now able to deliver productivity at around 90%, with several sites already well ahead of this, utilising extended working hours where appropriate and matching output with sales demand.

In the first half, Vistry Partnerships delivered a total of 489 (2019: 574) units from its mixed tenure operations with an average selling price of £233k. This resulted in revenue from mixed tenure housing in the period of £84m (2019: £94m). Contracting revenue totalled £213m (2019: £244m) with equivalent units of 1,250 (2019: 1,140). Revenue from Vistry Partnerships in the period totalled £297m (2019: £338m).

Public sector land continues to be a strong source of opportunities for Vistry Partnerships and in the period, we exchanged contracts with Homes England on five sites. In addition, we have obtained detailed planning on two Homes England sites – Sandymoor, Runcorn and Lea Castle, Kidderminster, which will provide over 900 new homes.

Housebuilding delivered a total of 1,235 (2019: 3,371) completions in the first half of which 975 (2019: 2,199) were private units and 260 (2019: 1,172) were affordable units. Private average selling price in the period was £329k. Total average selling price was £290k. Revenue from housebuilding activities in the period totalled £344m (2019: £854m).

As at 30 June 2020 Vistry Partnerships were selling on 29 mixed tenure active sites and housebuilding on 168 active sites, and we expect these levels to be similar at the full year.

The wide-ranging effects of COVID-19 are expected to impact margin for the first half across the business. The business has incurred additional costs directly related to the period of lockdown, lower levels of operating efficiency from social distancing and the lengthening of development period expectations. Margin is also impacted by our policy of recognising the full sales and marketing costs across the financial year, similar to administrative expenses, rather than apportioning them by volume.

The Group has a strong forward sales position, with housebuilding reservations totalling £1.26bn (including joint ventures)[1] and Vistry Partnerships' mixed-tenure reservations totalling £393m. The Vistry Partnerships' contracting forward order book totals £920m, the same level as at the beginning of January.

Funding and liquidity

Decisive management actions taken since mid-March have delivered a reduction in the Group's net debt at 30 June to c. £355m (18 May 2020: £476m). This is ahead of our expectations at the start of the pandemic reflecting the earlier return to site within Partnerships including their contracting business, and improved completion levels, putting the Group in a financially strong position.

The Group has committed banking facilities totalling £770m, with well spread maturities out to 2027. In addition, the Group has the ability to increase liquidity through the Covid Corporate Financing Facility ("CCFF"), although there is no present intention to draw on this.

Customer service
Delivering high quality homes and excellent customer service remains a key priority. The Group achieved a 5-star HBF Customer Satisfaction rating for 2019 and we are pleased to report that our score continues to trend at above 90% from c. 1,300 responses. We continue to see an improving score for the Group for the HBF nine-month survey.

Integration and synergies
We have made excellent progress with the integration of Linden Homes and Vistry Partnerships, with the operational restructuring within housebuilding achieved ahead of expectations. We have closed four regional offices, restructured our teams and completed our work on procurement. The implementation programme for a common IT environment, along with consistent systems and processes is progressing well and will be delivered ahead of our initial expectations removing third party dependencies for the acquired businesses.

As previously reported, additional opportunities to drive efficiency across the Partnerships division and within our Central Services Team have been actioned. With our increased site numbers, we also see significant opportunity to improve our sales function through adopting a more centralised, digital and less site-based approach.

Land
The Group has remained active in the land market throughout the year, contracting and progressing new development opportunities. Whilst all discretionary land spend was paused at the end of March, we have continued to progress opportunities in all regions to meet our requirements for 2021 and beyond. We have been successful in negotiating option agreements, conditional contracts and deferred payment terms to minimise our cash expenditure in the near term.

During the period, our housebuilding business acquired 1,815 plots across eight sites and conditionally contracted on 823 plots on three sites. We continue to make good progress on strategic land including the pull through of 1,000 plots at our development in Collingtree, planning consent gained for 640 plots at Salisbury and a further 1,426 strategic land plots contracted under options in the period.

Vistry Partnerships added a total of 725 plots on one site to the mixed tenure land bank in the period and conditionally contracted on a further 420 plots across three sites. The land pipeline for Vistry Partnerships is strong with 314 plots across two sites with terms agreed.

Dividends
In light of the impact of the COVID-19 pandemic, the Board took the decision not to pay the Second Interim Dividend of £60 million in cash, but to return value to shareholders by way of a bonus issue to shareholders on the Company's register of members as at 6.00 p.m. on 27 December 2019. The Bonus Issue, which is subject to shareholder approval, will equate to 4,369,992 ordinary shares of £0.50 each in the capital of the Company (in aggregate) valued at £60 million based on a share price of £13.73, being the closing share price of the Company on 27 December 2019. The Board recognises the value of dividends to shareholders and will consider this in its future dividend strategy.

Outlook
We are pleased to report a continuing improvement in market trends over recent weeks in terms of increased consumer demand. House prices have remained stable and we currently see deflationary pressure in our supply chain. This, combined with completions returning to a more normal level and the flow-through of synergy benefits, will support an anticipated restoration of gross margin in the second half and retain the strong value from the margin in our future land bank.

We are commencing new groundworks and progressing the build programme across our developments and expect to see an increase in the level of completions in the coming months.

Vistry Partnerships continues to see a good pipeline of opportunities both in contracting and mixed-tenure developments, and in larger regeneration projects. The business is increasing and diversifying its range of partners and remains confident of rapid growth in a strong and resilient market.

We welcome the Chancellor's announcement yesterday regarding a stamp duty exemption for homes worth up to £500,000 until 31 March 2021. We anticipate this positive stimulus will support buyers as well as the wider economy.

Given the present economic uncertainty, short-term financial guidance remains suspended. We will provide a further update with our Half Year results in September.

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.

Appendices

1. Completions - units	**H1 2020**	**H1 2019**
Housebuilding		
- Private	830	1,854
- Affordable	236	1,016
- JV's (100%)	169	501
Total housebuilding	**1,235**	**3,371**
Partnerships		
- Mixed tenure	299	288
- JV's (100%)	190	286
Total mixed tenure	**489**	**574**
Contracting equivalent units	**1,250**	**1,140**

Note: Pro forma H1 2019 completions calculated using published data for Liden Homes and Vistry Partnerships and represent the Vistry Group H1 period of 1 Jan 2019 to 30 June 2019

2. Forward sales - £m	**30 June 2020**
Housebuilding	
- Private	660
- Affordable	330
- JV's (100%)	274
Total housebuilding	**1,264**
Partnerships	
- Mixed tenure	178
- JV's (100%)	215
Total mixed tenure	**393**
Contracting	**920**

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