



## Further progress, delivering a record year of profits

2019 has been another very positive year for the Group with continued improvement in build quality and customer satisfaction, the successful launch of our new housing range and the continued investment in people, systems and infrastructure.

Delivering high quality homes and excellent customer service has been an absolute priority for the Group and at that core of all we have done over the past three years. As such, I am delighted to report that the Group has been awarded a 5-star HBF customer satisfaction rating for 2019.

The Group delivered another record year of profits with pre exceptional profit before tax increasing by 12.0% to £188.2m (2018: £168.1m). Operating margin improved by 60 basis points to 17.0% despite a backdrop on on-going market uncertainty during the year, and return on capital employed increased by 300 basis points to 22.3% (2019: 19.3%).

## Transformational acquisition

It is from this position of strength that the Group entered into discussions with Galliford Try regarding a potential combination with their housebuilding businesses. Following a period of detailed due diligence, the Group agreed to acquire the Linden Homes and Partnerships & Regeneration businesses from Galliford Try for an agreed price of £1.075 billion (the "Acquisition") on 7 November 2019. In order to fund the Acquisition, the Group completed a placing (the "Placing") of 13,472,591 new ordinary shares at a price of 1130 pence per Placing share with existing and new institutional investors, raising net proceeds of c. £150m.

This transformational acquisition was a unique opportunity for Bovis Homes to acquire both a top UK housebuilder in Linden Homes and a leading partnerships business. The combination is expected to deliver annualised pre-tax cost synergies of at least £35m, with £12m expected to be achieved in 2020. The Acquisition was completed on 3 January 2020 and as a first step of the integration process, the Group was renamed Vistry Group PLC, with the new corporate name being used for the Vistry Partnerships business.

## A top five UK housebuilder

Vistry Group is a top five national housebuilder with the capacity to grow and deliver c. 14,000 new units p.a. The enlarged Group has an enhanced national customer proposition and coverage, enabling it to compete more effectively against the major players in the UK private and affordable housebuilding sector.

## Leading partnerships business

The Acquisition has firmly established Vistry Group as a leader in the high growth, counter cyclical partnerships sector. Vistry Partnerships is one of the leading and most established national brands and, with a very strong track record of growth, is a partner of choice for housing associations, local authorities and government agencies. There remains a fundamental housing shortage in the UK, and government support to increase housing supply is strong, with a significant increase in investment from housing associations in particular.

Vistry Partnerships combines contracting and development capabilities, supplying new homes across all housing tenures. As part of Vistry Group with its strong balance sheet, land supply, and strategic land capability, our strategy, whilst retaining the core ethos of the business, is to accelerate Vistry Partnerships' revenue growth with an increase in higher margin, development led revenues. The business is targeting increasing volumes to 6,000 units p.a., revenues to over £1 billion and an operating margin in excess of 10 per cent.

## Two leading housebuilding brands

Bovis Homes and Linden Homes bring together two high quality, well-recognised housebuilding brands. For 2020, we are firmly focused on successfully integrating the housebuilding businesses and establishing the best operating structure from which to maximise the benefits of the combination, including the significant cost synergies. For 2021 and beyond, the strategy is to maximise output through controlled volume growth, and driving margin progression. We will maximise the benefits from dual branding, especially increasing output and returns on our larger developments.

## Senior management

Greg Fitzgerald, CEO of the Group, is uniquely positioned to successfully integrate the businesses having formerly been CEO and then Executive Chairman of Galliford Try plc over a period of 11 years until 2016. Greg has established a strong leadership team across the enlarged Group bringing the best from each business, and this continuity of management will help mitigate risks arising through the integration process.

I am delighted to welcome Graham Prothero, former CEO of Galliford Try plc, Stephen Teagle, Managing Director of Galliford Try's partnerships business (now Vistry Partnerships) and Andrew Hammond, former Managing Director of Linden Homes, to our senior leadership team following the Acquisition on 3 January 2020. I believe the combination of our two managements creates a strong and experienced team to deliver value from the Acquisition.

## People

People remain a key priority and we continue to invest in the training and development of our employees and subcontractors. In the year, there has been a particular focus on mental health, and we have rolled out our mental health first-aid programme across the business. We remain very committed to our Vistry Group Apprenticeship and Trainee Assistant Site Manager Schemes.

On behalf of the Board, I would like to thank all of our employees for their commitment and hard work in delivering the successful performance across all business areas in 2019, and in particular the attainment of our 5-star HBF customer satisfaction rating.

We welcome our new colleagues at Linden Homes and Vistry Partnerships and look forward to working with them and delivering the benefits from this exciting combination. I recognise the period of integration will have its challenges and thank everyone for their patience, dedication and enthusiasm through this.

## *“Bovis Homes and Linden Homes brings together two high quality, well-recognised housebuilding brands”*

I would also like to extend my thanks to our subcontractors, suppliers and partners who have supported us during the year, and with this acquisition, and are such an important and valued component of our business.

## Ordinary dividends and capital return plan

The Group dividend policy has been, and will continue to be, to maintain a robust and efficient balance sheet to deliver sustainable dividends to our shareholders.

With the Acquisition we announced the return of a further £60m to our shareholders by way of a bonus issue of shares in January 2020 on completion of the transaction.

The Board recommended that instead of paying the Bovis Homes 2019 final dividend, it would pay a second interim cash dividend of 41 pence per share on 29 May 2020 to shareholders on the register on 27 December 2019. This takes the total ordinary dividend for 2019 to 61.5 (2018: 57.0) pence per share, an increase of 8 per cent.

Going forwards the Group expects to maximise sustainable dividends to shareholders through an initial ordinary dividend cover of 2 times, moving towards a cover of 1.75 times following a period of integration and deleveraging. The Board will also consider the prevailing strength of the balance sheet and general economic circumstances, with particular regard to the cyclicity of the industry.

## The Board

I would like to thank my colleagues on the Board for their support and guidance to the leadership team and to me personally in what has been a busy and significant year for the Group.

I am pleased to welcome Graham Prothero to the Group and to the Board. Graham, who was previously the Chief Executive of Galliford Try plc joined the Group as Chief Operating Officer following the Acquisition on 3 January 2020. Graham brings deep knowledge of the acquired businesses as well as broad sector experience.

## The future

The Group has an exciting future with very significant opportunities to be realised from the Acquisition. The progress, achievements and learning from the past three years positions us well, and the integration process, taking the best from both, is well underway. The market fundamentals remain strong and with greater political certainty, we have seen a welcome increase in consumer confidence and demand for our new houses. I look forward to updating you with our progress.

Ian Tyler  
Chairman

Directors Remuneration  
Report pages 88 to 106

