



## A transformational year

There are many positives from 2020 and despite the obvious challenges and impact on the year's financial performance from Covid-19, the Group has made much progress across all areas of the business.

As I commented on in the 2019 Annual Report and Accounts, the rationale for the Acquisition<sup>(10)</sup> of Linden Homes and Vistry Partnerships which completed on 3 January 2020 (the "Acquisition"), was strong, and one year on I am pleased to report the benefits, both operational and financial, have exceeded our expectations.

*"The enlargement of the Group enriches our purpose of developing sustainable new homes and communities across all sectors of the housing market"*

Synergies will total £44m, ahead of the initially expected £35m and the cost to deliver them will be c. £27m, below the initial £35m expectation. The Housebuilding business restructured quickly and with national coverage, the operating structure has the capacity to deliver c. 8,000 Housebuilding units.

Vistry Partnerships, a key driver for the Acquisition, demonstrated its strong market resilience in 2020, making excellent progress towards delivering its targets of £1billion of revenue and at least a 10% operating margin in 2022.

Our focus is on one Vistry and on leveraging the capability and relationships across the entire Group. With expertise in all segments of the housing market, Vistry Group is uniquely positioned, and the combination of Vistry Partnerships and our two leading housing brands, Bovis Homes and Linden Homes offers an exciting future. Fully aligned, the Group is set to maximise the significant growth opportunities ahead.

## Response to Covid-19

The health and safety of our employees, subcontractors, suppliers and customers has been and remains our top priority during the Covid-19 pandemic. I am pleased to report the Group has delivered a rapid and co-ordinated response to challenges and I wish to thank all our employees for their enormous commitment, resilience and hard work during what has been a testing period.

The Group took the decision to close all construction sites and sales offices in late March, with our sales teams remaining in contact with customers on a remote basis. Vistry Partnerships demonstrated its strong market resilience with its high proportion of secured revenue from partner delivery and pre-sold developments, and led our early return to site in late April. Site closures during March and April did however significantly impact the production, output and first half performance of the Group, and of our Housebuilding business in particular.

As part of our response to Covid we instigated a temporary salary reduction for 3 months, for all employees other than those whose salary was below a certain threshold. This was later reversed with salaries repaid. We are also pleased to have repaid all monies received by the Group from the Government's Job Retention Scheme and have not benefitted from any Government schemes related to supporting businesses and employees during the Covid-19 pandemic.

Covid-safe operating procedures are embedded across all areas of the business, productivity is back to normal levels, and we will continue to work with Government guidance and protocol going forwards.

## Sustainability

We took the opportunity of the merger to reinvigorate and relaunch our focus on the sustainability of our operations, focusing on the social and environmental elements of the ESG agenda. Our increased scope, and in particular the focus of our new Partnerships business on the affordable marketplace, reinforces and enhances the Group's purpose of developing sustainable new homes across all segments of the UK housing market.

During the year we have conducted a full review of our risks and opportunities, consulting widely with stakeholders (including our people, our customers and our investors), in order to inform our priorities. We are refining our strategy for sustainability, which will launch in March, and which will set out our aims and targets.

Focusing on our people, our operations and our homes and communities, this will include a timetable to address the challenge of Net-Zero, our aims for biodiversity on our projects and the social value of our operations, both in terms of the homes and places we create, and the economic and social mobility opportunities we generate through building.

We have described our findings and proposals in the Strategic Review on pages 22 to 44 and Sustainability Review on pages 66 to 73.

(10) Acquisition by Vistry Group PLC of Linden Homes and Partnerships & Regeneration businesses from Galliford Try, completed on 3 January 2020 (the "Acquisition").

### Quality and service

High quality build and customer service has remained a top priority in 2020 and I am pleased to report further improvements, with the Group increasing its HBF Customer Satisfaction score in 2020 and achieving the highest 5-Star rating.

We continue to invest in our customer service platform and in the year saw the roll-out of our bespoke customer service relationship platform, 'Keys' across the enlarged housebuilding business. Our aim of changing the way we interact with our customers to provide a seamless single journey with Vistry has been accelerated by the pandemic.

We have invested in digital content, digital processes and most recently, have re-organised our sales teams into a regional hub structure. This allows us to best serve our customers whilst maximising the sales opportunities across the entire Vistry product range. This investment continues into in 2021.

### People

Attracting and retaining high quality people within the business is a key priority and I am pleased to report our latest Peakon employee engagement study reported a score of 7.9, an improvement on the previous score in August 2020 and ahead of the benchmark at 7.4.

Mental health has been a key focal point for this year, with the leadership team recognising the importance of supporting our people and maintaining good, open lines of communication.

Mental Health First Aiders have been trained up across the business and a number of new regular online employee communications platforms have been introduced including the weekly 'Time to Talk', designed to specially address the challenges of working during the pandemic.

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

## *“The benefits of the Acquisition, both operational and financial have exceeded our expectations”*

### Dividends

In light of the impact of the Covid-19 pandemic on the Group's performance, the Board took the decision not to pay the Second Interim Dividend declared with the Acquisition in cash, but to return value to shareholders by way of a bonus issue to shareholders, who were on the register on 27 December 2019.

Following the Group's strong second half performance, year-end net cash position and strong forward sales position, the Board is pleased to confirm the resumption of dividends with a 20 pence per share final dividend in respect of FY20 which represents a pre-exceptional dividend cover of 2.8 times.

Looking forwards, the Group is targeting to maintain a strong balance sheet and reduce this dividend cover to a level towards 1.75 times.

### The Board

As set out in more detail in the Governance report, other than the very welcome addition of Graham Prothero to the Board following the Acquisition, the Board took a conscious decision not to change its composition during 2020 to more effectively provide continuity, support and challenge through the integration process and then through the impacts of Covid-19. One consequence of this decision has been that we have not been able to meet the minimum target for female representation on the Board as at the end of 2020 recommended by the Hampton Alexander Review. We remain unequivocally supportive of both the recommendations of this review and its underlying philosophy. We are now in a strong position to review our Board composition so that it most effectively supports the enlarged Group and we are committed to being fully compliant with the Hampton Alexander recommendations by 31 December 2021.

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 another busy and significant year for the Group.

### Looking ahead

For 2021, our top priority remains the health and safety of our employees, all those that we work with, and our customers, and we are committed to operating in a Covid-safe way and supporting our people as best as we can.

The market fundamentals remain strong and whilst we see lots of great opportunity, we are alert to the wider market uncertainty. Housebuilding is committed to delivering controlled volume growth and driving its margin towards the 24.2% gross margin embedded in its owned land bank, and Partnerships is on track to deliver accelerated growth and profitability driven by a significant increase in higher margin mixed tenure completions. Above all, as one Vistry, the Group looks to maximise its unique strengths and grasp the many exciting growth opportunities ahead. I look forward to updating you with our progress.

**Ian Tyler**  
Chairman

# Housing market overview

## Despite the economic uncertainty of Brexit and the impacts of Covid-19, the demand for housing of all tenures continue to increase

Despite the economic uncertainty of Brexit and the impacts of Covid-19, the demand for housing of all tenures continue to increase. Last year, 243,770 net additional dwellings were added to the housing stock from April 2019 to March 2020 of which 220,600 were new build homes. Although this was the highest number since 1987, this falls short of the UK government's longstanding target for 300,000 new homes each year. The impact of Covid-19 has inevitably had an impact on the number of starts in 2020 across the UK and the resultant short-term impact of reduced number of completions will only increase the latent demand for housing.

### Focus of the demand for new homes

Whilst the demand for new homes is evident across all aspects of the housing market, affordability remains a key concern with average house prices being c. 6x average incomes raising to 10x in London. As a result, there is a particular focus of the unmet demand/supply deficit on sub-market (affordable and intermediate) housing tenures. Savills estimate that current sub-market housing delivery is 50,000 homes per annum against an annual demand of 100,000 homes.

The UK Housing Market has become more multi-layered than ever before and has moved away from the traditional three housing options of '1. Council Housing 2. Private Rent 3. Private Sale'. Now there are a variety of tenures which sit alongside private sale and support those who cannot access outright sale which is particularly prevalent in the younger generations.

These tenures include:

- a. Social Rent
- b. Affordable Rent
- c. Intermediate Rent
- d. Private Rented Sector
- e. Right to Shared Ownership
- f. Right to Buy
- g. Rent to Buy
- h. Shared Ownership
- i. First Homes/Discount Market Sale
- j. Help to Buy

Vistry operates across each of these tenures and enables us to access all parts of the growing housing market directly and through our partners.

### Government Intervention and Investment

For a number of years there has been cross party consensus and support for new housing across government which has been driving funding and policy support for new housing in England. In the last 12 months, we have seen some significant policy announcements which support the delivery of new homes:

- £11.5bn Affordable Housing Funding Programme to build 180,000 new homes (of which 50% will be for shared ownership) between 2021 and 2026. This represents annual funding of £2.3bn per annum which is the highest annual amount for 10 years.
- Introduction of a new First Homes tenure to support First Time Buyers access home ownership.
- £10bn Housing Infrastructure funding for local authorities to accelerate housing delivery.
- £400m for Combined Authorities to develop out brownfield sites.

In addition, as a short-term support for the impact of Covid-19, the government announced a stamp duty holiday ('SDLT') for transactions up to £500,000 until 31 March 2021 and extended the timetable for completion of properties funded through Help to Buy until 28 February 2021. This followed the general support for construction sites and the housing market to remain open following the initial shut down in March and April last year.

These interventions demonstrate a strong government commitment to support the housing market and meets Boris Johnson's call to 'build, build, build'. This, coupled with the extension of the Help to Buy scheme to March 2023, demonstrates a strong political focus on assisting young and lower income households into home ownership. Vistry continue to have a direct relationship with government through MHCLG and Homes England, to influence government interventions to where they are most impactful.

### Open market purchaser appetite

2020 represented a strong sale year across England despite the impacts of Covid-19 and supported by the government support on SDLT and Help to Buy. Enquiries remain strong and reservations continue at pre-Covid-19 levels including for homes to be built post March 2021. Despite the economic uncertainty of 2020, lender appetite remains strong and whilst there has been a reduction in high loan to value mortgage for first time buyers, we have not seen this as having a material impact.

### Partner capacity and appetite

There remains continued demand from the purchasing sector to buy housing for affordable housing, private rented sector (PRS) and housing for the elderly. This is a strong, active and financially group of segments who want to participate in housing delivery for value driven and commercially driven outcomes.

Housing Associations continue to participate in the new supply of housing through purchasing S106 affordable housing and progressing their own developments both for affordable housing and for open market sale. For the 12 months to September 2020, Housing Associations invested £10.6bn on new supply of housing which was impacted by Covid-19 in March and April. Whilst the funding of new supply is being balanced against fire safety and sustainability work on existing stock, the new government funding programme will ensure this is a sector which consistently invests a minimum of £12bn per annum in new supply and relies heavily on the private sector for development and construction skills.

We are also increasingly seeing new entrants into the affordable housing market through 'for profit' Housing Associations. An example would be Sage (who are funded by Blackstone) who invested in c. £400m of new affordable housing in 2020 with a target of owning 20,000 homes.

Local Authorities continue to grow their development programmes to build affordable, PRS and open market housing. Further growth is forecast with 78% of local authorities having local housing companies and 57% of councils operating in a housing delivery joint venture. Although it is still a long way to grow to get to the levels of local authority housing delivery in the 1960s and 1970s, this is an active and growing source of supply.

The combination of a financially strong purchasing sector combined with business models which operate and support housing delivery across the economic cycles and a reliance on the private sector for development and construction expertise places Vistry Group in a strong position to benefit from this demand.

### Land availability for new homes

Land availability remains good and is supported by the overall planning regime across the country, with land vendors remaining incentivised to bring land forward as a result of a large number of local authorities still failing tests set by the National Planning Policy Framework ('NPPF'). The planning system continue to be complex, time consuming and expensive and the timescales for planning applications being determined has been impacted by Covid-19 in 2020 although we anticipate this returning to normal in 2021.

We support the announcement of the government's intention to radically reform the planning system in July 2020 and we would welcome clarity on how and when this will be introduced to ensure that it does not create an environment of uncertainty for landowners and planning authorities. Public land remains a key part of our land supply and we are Homes England's leading partner on their land having been successful on 25% of all land releases under the Delivery Partner Panel.

The size and strength of the Vistry Group enables us to target larger sites where we can develop using both Housebuilding and Partnerships.

### Supply chain and employment market

Following the initial lockdown, our supply chains have returned to normal service with efficiency on site close to pre Covid-19 levels. We will continue to monitor the short-term impact of Brexit on the construction labour market with our subcontractors, and the medium-term impact of the skills shortage within the construction industry. We are supporting new entrants to the construction industry directly through our apprenticeship and trainee programmes as well as supporting our subcontractor and local authority partners through our skills academies to enable them to invest in new employees. We recognise that investing in bringing new people into the industry at all levels is essential for the sustainability of UK construction.

### Summary

Despite the uncertainties due to Covid-19 and Brexit, the UK Housing market continues to support the delivery of new homes across all tenures with a strong tail wind of the continued years of undersupply which supports both our Housebuilding and Partnerships business models who operate across all of these tenures.

