7 July 2021

Vistry Group

Vistry Group PLC - Half year trading update

Vistry Group PLC (the "Group") is today providing an update on trading for the six-month period ended 30 June 2021 ahead of its half year results which will be released on 7 September 2021

Key highlights

- Strong H1 performance significantly ahead of our expectations at the start of the year, supported by positive customer demand
- Step up in average weekly private sales rate to 0.76 in the period, an increase of 10% on 2019 (2020: 0.45, 2019: 0.69[1])
- Group forward sales position of £2.7bn, with 93% of forecast FY21 total Housebuilding units and Partnership mixed tenure units secured, a much higher level than in prior years
- Delivering high quality homes remains a top priority and we are pleased to see a further improvement in our HBF 12 months rolling Customer Satisfaction Survey score to 92.6% in the latest quarterly data
- Active period in the land market securing a total of 5,642 new plots, with Group's total controlled land bank increasing by c.1,600 in last 12 months
- Group net cash position of c. £32m as at 30 June 2021 (30 June 2020: net debt £357.3m), stronger than anticipated reflecting the first half performance and ongoing robust working capital management, and supports our improved expectations for 31 December 2021 net cash position
- Housebuilding increased completions in H1 21 to 3,126 (H1 20: 1,235) units and is firmly on track to deliver c. 6,500 (FY20: 4,652) units in FY21 and an adjusted gross margin of c. 22% (FY20: 17.6%)
- Vistry Partnerships increased higher margin mixed tenure completions in H1 21 to 895 (H1 20: 489) units and expects to report an increase in adjusted operating margin in H1 21 from the 8.7% reported in H2 20, making excellent progress towards its FY22 targets of £1bn revenue and a 10% plus adjusted operating margin
- The Group is well positioned for the full year, is confident it will deliver consensus market expectations[2] for FY21, and maintains its expectations for FY22

Greg Fitzgerald, Chief Executive commented:

"The Group has had a very strong first half with a step up in completions, price increases, improved profitability and strong cash generation, all ahead of our expectations at the start of the year. These results would not have been possible without the hard work and dedication of our employees and supply chain, to whom I extend my sincere thanks.

Market trends remain positive and we are seeing good demand for completions beyond the end of the Stamp Duty holiday. There is some pressure across the material supply chain in terms of price increases and extended lead times, but we are working well with our partners to ensure successful delivery of our build programme and expect this position to ease through the second half. House price inflation is more than offsetting any cost pressure.

With 93% of forecast FY21 units already secured, a significantly higher level than in prior years, we are well positioned for the full year and are positive on the outlook as the strategic benefits of the enlarged Group are starting to be realised."

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[1] Pro forma Vistry Group sales rate

[2] Bloomberg consensus (6 July 2021) FY21 adjusted profit before tax: £329m

Trading
There has been strong demand across all business areas during the first half with our average weekly private sales rate increasing to 0.76, up 10% on the pre-pandemic pro forma 2019 rate of 0.69[1]. Importantly we are seeing sustained demand for units scheduled to complete in Q4 2021, post the end of the Stamp Duty holiday. With this strong demand, prices have increased across all geographies that we operate within.

The Group's forward sales position has further strengthened with 93% of forecast FY21 total Housebuilding units and Partnership mixed tenure units secured, significantly ahead of the forward sold position in prior years. Housebuilding forward sales total £1.5bn and Partnerships' mixed tenure forward sales total £391m. The Partner Delivery forward order book totals £890m with 95% of forecast FY21 Partner Delivery revenue secured.

Our sites are operating well, and first half completions were delivered in a controlled manner with a firm focus on quality. The significant step up in production across the industry has led to some pressure on the materials supply chain resulting in extended lead times and inflationary pressures on certain products. Working in close partnership with our suppliers, we are actively managing this ongoing situation. We have full visibility on our material requirements out to the end of the financial year and an agreed supply programme in place. The supply agreements entered into on the formation of Vistry Group are delivering an enhanced service and providing some protection in respect of cost inflation, with the benefit from sales price increases more than offsetting any cost inflation for the Group.

H1 performance
Total Housebuilding completions increased in the first half to 3,126 (H1 20: 1,235) including 604 (H1 20: 169) JV units. Of this 2,294 (H1 20: 975) completions were private units and 832 (H1 20: 260) were affordable units. Total Housebuilding average selling price[3] in the period was c. £299k (H1 20: £294k) with a private average selling price[3] of £350k (H1 20: £332k). Housebuilding sold from on average of 145 sites in the first half and we expect this to remain stable for the full year.

The business is firmly focused on driving margin improvement and is on track to deliver an adjusted Housebuilding gross margin for FY21 of c. 22%.

Vistry Partnerships saw a strong increase in mixed tenure completions in the first half to 895 (H1 20: 489) including 487 (H1 20: 190) JV units. Mixed tenure average selling price[3] was c. £255K (H1 20: £222k). Vistry Partnerships is currently selling on 34 mixed tenure sites and we expect site numbers to increase to c.40 at the full year. Partner Delivery revenue totalled £226m (H1 20: £223m) in the first half in line with our expectations.

With this significant increase in higher margin mixed tenure revenues, Vistry Partnerships expects to report a progression in adjusted operating margin in the first half from the 8.7% achieved in H2 20 and is making excellent progress towards its target adjusted operating margin of at least 10% in FY22.

Customer service
Delivering high quality homes and excellent customer service remains a key priority. The Group maintained its 5-star HBF Customer Satisfaction Rating for 2020 and is pleased to see a further improvement in the latest quarterly date with our 12-month rolling score increasing to 92.6%.

People
Investment in the development and training of our people to ensure a committed, motivated, and engaged workforce is a key priority. Mental health awareness and wellbeing is an area of significant

[3] Including share of JV completions

focus and investment and mental health training and support is now embedded across the Group. We have trained around 90 Mental Health First Aiders who are present in each of our business units, and discussion forums and drop-in sessions have been introduced.

We are committed to increasing our number of apprentices and trainees. We currently have a total of 130 across the Group and have a programme established to appoint around 100 additional trainees, spread equally across our 23 business units this year.

We have recently completed our Peakon engagement survey which is sent to all employees and are pleased to report a further improvement in the Group score to 8.1, up from 7.9 in January and compares to an industry benchmark of 7.6.

High quality land acquisition
The Group has had a successful six months in the land market increasing the size of its overall landbank. Housebuilding secured 4,143 plots across 20 developments in the period and has excellent visibility on land, with 100% of land required for forecast FY22 completions now secured. Partnerships has stepped up its land acquisition to support its strong growth in mixed tenure completions. In the period, Partnerships has secured 1,499 plots on 8 sites for mixed tenure development and has 98% of land required for forecast FY22 mixed tenure completions secured.

Strategic land is a key source of land for both Housebuilding and Partnerships and with our combined business model we are able to maximise the benefits and returns from this valuable asset, particularly on larger strategic sites. In the period, we secured options over 4,660 strategic land plots across 6 developments and have a strong pipeline.

Balance sheet and liquidity
The strong first half performance is mirrored in an improved cashflow, and the Group's net cash position of c. £32m as at 30 June 2021 is significantly ahead of our expectations at the beginning of the year, reflecting the strong trading period and ongoing robust working capital management. We expect Group month-end average net debt for FY21 to be less than £150m and to deliver a strong year on year improvement in our net cash position as at 31 December 2021 (31 December 2020: £38.0m net cash).

Sustainability
Having launched our new sustainability strategy earlier this year we are making good progress. Our work is well under way in determining our Science-Based Targets and route to Net Zero for the Group and we will provide the details of this with our half year results in September.

Outlook
We continue to see strong demand across all areas of the business, our sites are operating well, and the strategic benefits of the enlarged Group are starting to be realised.

With a strong first half performance the Group is well positioned for the full year and is confident it will deliver consensus market expectations[2] for FY21 and maintains its expectations for FY22.

Housebuilding remains on track to deliver a significant step-up in completions to c. 6,500 units, and an improvement in adjusted gross margin to c. 22% in FY21. Partnerships expects to deliver significant growth in higher margin mixed tenure completions in FY21, driving margin progression and is firmly on track to meet its FY22 targets of £1bn revenue and an adjusted operating margin of 10% plus.

Completions	H1 21	H1 20
Housebuilding		
- Private	1,853	830
- Private JVs (100%)	441	145
- Affordable	669	236
- Affordable JVs (100%)	163	24
Total Housebuilding	**3,126**	**1,235**
Partnerships		
- Mixed tenure	408	299
- Mixed tenure JVs (100%)	487	190
Total Mixed Tenure	**895**	**489**

Forward sales (£m)	30 June 2021	30 June 2020
Housebuilding		
- Private	621	660
- Private JVs (100%)	239	178
- Affordable	485	330
- Affordable JVs (100%)	111	96
Total Housebuilding	**1,456**	**1,264**
Partnerships		
- Mixed tenure	200	178
- Mixed tenure JVs (100%)	191	215
Total Mixed tenure	**391**	**393**
Total Development	**1,847**	**1,657**
Total Partner delivery	**890**	**920**
Total Group	**2,737**	**2,577**

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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