18 January 2023

Vistry Group PLC
Trading update

Vistry Group PLC ("Vistry" or the "Group") announces a scheduled trading update for the year ended 31 December 2022, ahead of the publication of its full year results on 22 March 2023.

Greg Fitzgerald, Chief Executive, commented:
"2022 was another year of excellent progress for Vistry, and despite the more challenging market conditions following the September mini-budget, profits are in-line with expectations and ahead of where we were at the start of the year. I would like to thank all of our employees and subcontractors for their continued hard work and dedication.

"The combination with Countryside Partnerships in November provided a transformative opportunity for the Group to accelerate its strategy of rapidly growing its high return, less cyclical revenues, and has firmly positioned Vistry as a leading provider of affordable homes. The integration process is making excellent progress and I am confident that with the combined expertise, track record and assets, we are extremely well positioned to maximise the opportunities from the continued strong demand for affordable housing across the country.

"We start this year focused on maximising Vistry's unique capability as a leading housebuilder and partnerships business to increase the delivery of high quality housing across all tenures. The Group's forward sales position totals an encouraging £4.6bn and we have a strong pipeline of new opportunities within Partnerships. It is too early in the current year to predict the outturn for private sales, however I remain cautiously optimistic that buyer sentiment will improve over the coming months."

Full year highlights

- Transformational acquisition of Countryside Partnerships ("Countryside") completed on 11 November 2022, with integration making excellent progress and strong cultural alignment across the enlarged Partnerships business
- Confident of delivering at least £50m synergies from the combination and in excess of our target of £19m synergies in FY23
- Expect FY22 adjusted profit before tax[1] to increase by c. 21% to c. £418m (FY21: £346.0m), in-line with our expectations
- Group net cash position is ahead of expectations at c. £115m (31 December 2021: £234.5m), following the payment of £300m cash as part of the consideration for Countryside and £35m share buy-back
- Excellent full year performance for Housebuilding with completions[2] increasing by 3% to 6,774 units (FY21: 6,551), and adjusted gross margin[3] expected to increase to at least 23% (FY21: 22.3%)
- Partnerships continues to deliver excellent growth in higher margin mixed tenure revenues, with mixed tenure completions[2] up 17.6% to 2,455 units (FY21: 2,088) and adjusted operating margin expected to increase to at least 10% (FY21: 9.2%)
- Continued delivery of high quality build and customer service, with a step up in construction quality awards and sustained HBF 5-star customer satisfaction rating
- Successful year in the land market with Group well positioned on land and planning for FY23

[1] Adjusted profit before tax is stated excluding exceptional items and amortisation of acquired intangibles
[2] Completions include 100% of JVs
[3] Adjusted basis to include the proportional contribution of joint ventures

Current trading and outlook

- The Group starts the year with forward sales totalling £4.6bn (31 Dec 2021: £2.7bn) including £3.6bn for the enlarged Partnerships business
- We are seeing a sustained level of demand across Partnerships from Housing Associations, Local Authorities and the private rented sector, with a strong Q1 pipeline
- We believe the Partnerships model is resilient and are confident that there is clear potential to generate material value with enhanced scale and superior returns over the medium-term
- Housebuilding forward sales totals £1.0bn (31 December 2021: £1.3bn), an encouraging position given the challenging market conditions and significant step-down in private sales rates in Q4 22
- Our two businesses are firmly focused on cost reduction opportunities within our supply chain, including synergistic benefits, and optimising work in progress
- The Group has a strong pipeline of land for FY23 and will continue to secure land on a selective basis
- We will continue to ensure the Group has a healthy and resilient balance sheet
- A fuller outlook for FY23 will be provided with our FY22 results announcement in March

Operational update

The Group delivered a strong operational performance in FY22 with good progress made across all business areas.

We saw a very strong start to 2022 with high levels of demand resulting in increased sales rates and higher house prices. This trend continued throughout the first half and the Group reported an average weekly private sales rate per outlet in H1 22 of 0.84 (H1 21: 0.76), up 11% on the prior year. Our sales performance remained robust during the summer months. In the fourth quarter we saw demand for private sales reduce significantly reflecting the heightened level of macro uncertainty and step-up in mortgage costs. The Group achieved a weekly private sales rate per outlet[4] of 0.46 in the fourth quarter, and 0.71 (FY21: 0.76) for the full year. Our pricing remained firm in final quarter of FY22, and this has continued in FY23 to date.

The combination of wider macro uncertainty and uncertainty around the Government's Social Housing rent ceiling generated hesitancy amongst housing providers during the fourth quarter which is now dissipating.

Delivering high quality new homes and excellent customer satisfaction remained our top priority in 2022. We are pleased to report the continuation of an improving trend for our HBF customer satisfaction survey which is sent out 9 months after completions and a sustained HBF 5-star customer satisfaction rating for our 8 week survey.

Our sites have operated well during the year, and we were delighted to have achieved our highest number of NHBC Pride in the Job Quality Awards this year, totalling 34 for the enlarged Group. We have seen good labour availability throughout the year and more recently some reduction in labour costs, a trend which we expect to continue in 2023.

We continue our constructive engagement with the Department for Levelling Up, Housing and Communities in relation to the legal agreement to codify the principles of the Building Safety Pledge.

[4] Excludes any contribution from Countryside Partnerships

Housebuilding[4]

Housebuilding delivered 6,774 units (FY21: 6,551) in FY22, including 1,348 (FY21: 1,287) from JVs. Private units in the year totalled 5,184 (FY21: 4,891) with 1,600 (FY21: 1,590) affordable units.

Total Housebuilding average selling price for FY22 increased by c. 6% to c. £324k (FY21: £305k), reflecting changes in mix and house price inflation across the year. Housebuilding's private average selling price increased to c. £376k (FY21: £356k) and affordable average selling price increased to c. £163k (FY21: £158k). Housebuilding operated from an average of 142 (FY21: 143) active sites in FY22 and we expect this to be at a similar level in FY23.

The business made further progress with its strategy of delivering controlled volume growth and significant margin progression, with adjusted gross margin expected to increase to at least 23% (FY 21: 22.3%) in FY22.

Vistry Partnerships[4]

Vistry Partnerships made excellent progress in the year with its strategy of rapidly growing higher margin mixed tenure revenues, with mixed tenure completions up by 17.6% to 2,455 (FY21: 2,088) units including 938 (FY21: 904) from JVs. The average selling price of mixed tenure units in the year was c. £256k (FY21: £237k) and Partnerships operated from an average of 28 (FY21: 33) active mixed tenure sites in FY22.

Vistry Partnerships continued to drive its operating margin through increasing the proportion of higher margin mixed tenure revenues and expects FY22 adjusted operating margin to be at least 10% (FY21: 9.2%).

Countryside Partnerships

The Group completed the acquisition of Countryside Partnerships on 11 November 2022 forming one of the country's leading homebuilders. The integration process is making excellent progress, with the new organisational structure established and effective since the start of January.

The majority of the acquired business is merging with the Vistry Partnerships business and is already operating under the single Countryside Partnerships brand. We are pleased to see strong support for the combined business from our Partnerships' clients who value the opportunity to work with a leading provider.

Certain acquired sites which have characteristics more akin to housebuilding are being transferred from Countryside Partnerships to Housebuilding and will be reported within this segment from 2023.

We have made good progress in reviewing the cost base and engaging with suppliers of the enlarged business and have increased confidence in delivering at least £50m synergies from the combination, and in excess of our £19m target for synergies in FY23.

For the short stub period between 11 November and 31 December 2022, Countryside Partnerships has continued to perform in line with our expectations during what is typically a low volume period of the year for the business.

Land[4]

The Group has a high quality, deliverable land bank reflecting a successful year in the land market.

Housebuilding secured 5,352 (FY21: 7,667) plots across 30 (FY21: 38) developments. The rate of land acquisition in Housebuilding consciously slowed in the fourth quarter reflecting the increased level of uncertainty in the housing market. The business continues to progress land opportunities on a selective basis and has a strong deliverable land pipeline for FY23 completions.

Vistry Partnerships grew the size of its owned land bank in FY22 to support continued strong growth in mixed tenure completions, and in the year secured 3,061 (FY21: 4,131) plots on 17 (FY21: 23) sites for mixed tenure development, significantly ahead of replacement level. The business has a strong pipeline of development opportunities, in particular working alongside Housing Associations and Local Authorities.

Balance sheet

The Group had a net cash position of c. £115m as at 31 December 2022 (31 December 2021: net cash of £234.5m) following the payment of £300m cash as part of the consideration for Countryside and £35m share buy-back. This is ahead of our expectations for the Group post acquisition and reflects stronger cash generation in the second half at both Vistry and Countryside Partnerships.

We will continue to ensure the Group has a healthy and resilient balance sheet and retain the opportunity to selectively invest in land and development opportunities as they arise.

Outlook

We start the year with forward sales totalling £4.6bn (31 Dec 2021: £2.7bn) including £3.6bn for the enlarged Partnerships business. We are seeing a sustained level of demand across Partnerships from Housing Associations, Local Authorities and the private rented sector and with a higher level of pre-sold units and a different portfolio of customers, the Partnerships business is less sensitive to levels of open market demand than Housebuilding.

Housebuilding forward sales totals £1.0bn (31 December 2021: £1.3bn), an encouraging position given the challenging market conditions and significant step-down in private sales rates in Q4 22.

Our two businesses are firmly focused on cost reduction opportunities within our supply chain, including synergistic benefits, and best managing work in progress. The Group has a strong pipeline of land for FY23 and will continue to secure land on a selective basis.

The combination with Countryside had a highly compelling strategic rationale and has created a leader in the partnerships housing sector, with the scale and expertise to accelerate profitable growth across both Partnerships and Housebuilding, and expand the delivery of much needed affordable housing across England. Whilst the short term outlook for the UK housing market is uncertain, we believe the Partnerships model is resilient and that there is clear potential to generate material value with enhanced scale and superior returns over the medium-term.

A fuller outlook for FY23 will be provided with our FY22 results announcement on March 2023.

Greg Fitzgerald, Earl Sibley and Tim Lawlor will host a call for analysts today at 8:00am. To join the call please dial: UK-Wide: +44 (0) 33 0551 0200, UK Toll Free: 0808 109 0700. Please quote Vistry when prompted by the operator.

For further information please contact:

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Forward sales (£m)	**31 December 2022**	**31 December 2021**
Housebuilding		
- Private	330	554
- Private JVs (100%)	117	245
- Affordable	440	432
- Affordable JVs (100%)	85	118
Total Housebuilding	**972**	**1,349**
Vistry Partnerships		
- Mixed tenure	391	309
- Mixed tenure JVs (100%)	291	282
Total mixed tenure	**682**	**591**
Total partner delivery	**976**	**740**
Total Vistry Partnerships	**1,658**	**1,331**
Total Countryside Partnerships (inc 100% JVs)	**2,019**	**n/a**
Total Group	**4,649**	**n/a**

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 pasttrends, 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.