12 January 2024

Vistry Group PLC
Trading update

Vistry Group PLC ("Vistry" or the "Group") announces a scheduled trading update for the year ended 31 December 2023 (the "period"), ahead of the publication of its full year results on 14 March 2024.

Full year highlights

- Group financial performance for FY23 ahead of guidance[1] with adjusted profit before tax expected to be in-line with prior year (FY22: £418.4m)
- Total completions were down only 5.4% to 16,124 units (pro forma FY22: 17,038), significantly outperforming our peers and reflecting the resilience of our Partnerships model
- Group proactively managed cost base with our key supply chain partners, resulting in material and labour cost reductions in H2
- We have remained active in the land market despite market uncertainty in FY23, securing 13,067 (FY22: 8,547) plots, demonstrating our commitment to our growth objectives and medium-term targets
- Year-end net debt of c. £90m (31 December 2022 net cash: £118.2m) in-line with guidance and significantly down from 30 June 2023 position (net debt: £328.7m)
- Group commenced £55m share buyback in December, with target to deliver £1bn of shareholder distributions over next 3 years

Outlook

- The Group has a strong forward sales position up 12.4% on prior year at £4.5bn (31 December 2022: £4.0bn)
- Good levels of demand for affordable homes from Registered Providers ("RPs"), and Local Authorities ("LAs"), and a notable increase in demand from the Private Rented Sector ("PRS") in Q4 and into 2024
- Transition of Group's former Housebuilding landbank to the Partnerships model is making good progress with new partnerships and pre-sale agreements progressing well
- Easing of mortgage rates in recent weeks is encouraging and we are optimistic that this will help stimulate demand in FY24
- Housing crisis expected to be at the top of the political agenda in the lead up to a general election, with Vistry extremely well positioned to play its part in increasing the delivery of affordable homes across the country
- A fuller outlook for FY24 will be provided with our full year results announcement on 14 March 2024

Greg Fitzgerald, Chief Executive, commented:
"The Group had a strong run into the year end and I'm pleased to report that adjusted profit before tax for FY23 is anticipated to be ahead of guidance. Our FY23 performance has demonstrated the resilience of Vistry's unique Partnerships model.

Looking ahead, working with our highly valued partners we are committed to increasing the delivery of much needed homes across the country, and in the fourth quarter have continued to secure exciting new developments that reflect our high return, asset-light partnerships model.

Our forward sales of £4.5 billion is up 12.4% on prior year and positions us well to deliver a step-up in total completions in FY24 and make progress towards our medium-term targets and the return of £1bn of capital to shareholders."

[1] Company guidance of Group adjusted profit before tax of £410m (23 October 2023 Trading Update)

Full Year performance

The Group's financial performance for FY23 is ahead of guidance with Group adjusted profit before tax for FY23 expected to be in-line with prior year (FY22: £418.4m).

Total completions for FY23 were 16,124 (pro forma FY22: 17,038) including 2,810 (pro forma FY22: 2,753) completions from JV's. The former Partnerships business demonstrated a very resilient performance considering the challenging market conditions faced by the broader housebuilding sector with completions up 3.3% to 9,422 units (pro forma FY22: 9,118). The former Housebuilding business delivered completions of 6,702 units (pro forma FY22: 7,920).

The Group delivered total adjusted revenues of c. £4.0bn (pro forma FY22: £4.46bn) in the period with a total average selling price across all tenures for FY23 of c. £277k (pro forma FY22: £289k).

The Group's sales rate[2] for FY23 averaged 0.96 (FY22: 0.71) sales per week per site, with the sales rate for our differentiated Partnerships business expected to be higher than that for traditional housebuilding. The Group currently has 217 open market sales outlets and is operating from a total of c. 350 build active sites.

In the pre-sale market, working with our partners, we continued to see good demand for affordable housing from RPs and LAs. Demand for PRS improved in the second half, with a notable increase in Q4.

Demand in the open market has remained suppressed throughout the year reflecting the higher interest rate environment and inflationary cost pressures on household income. Incentives have been used to support open market sales and have been running at c. 5% of open market price.

In July 2023, Vistry partnered with Sage Homes to launch the Homestepper scheme with an initial portfolio of c. 800 new homes. This shared equity product has been successful in helping open market buyers with lower income and smaller deposits afford their own home, and in the year, we have taken over 450 reservations using the product.

The Group has proactively managed its costs during the year and, working with our key supply chain partners, agreed cost reductions for all existing and future contracts in the second half. This reflects both improving market conditions on costs and the benefits to the Group from its scale, its growth strategy, and the high level of visibility on forward sales and build programmes under the Partnerships model which offers greater continuity of work to our suppliers.

Vistry Works, our timber frame operation, made good progress in the year delivering 2,500 timber frame units as planned. We expect output to double in FY24 as we increase production towards our overall capacity of c. 7,000 units from our three factories.

Delivering high quality new homes and excellent customer satisfaction has remained our top priority in 2023 and 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.

We are delighted to report our highest ever number of Pride in the Job quality awards at 40 (2022: 29), with a further 15 Seals of Excellence and two site managers going forward to the Supreme Awards later this month. In addition, our site teams have won 9 Premier Guarantee and 7 LABC Bricks Site Recognition awards in 2023.

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[2] Sales rate includes open market private sales and non-section-106 pre-sales

Progress on strategy
We are making good progress with our strategy of focusing our operations fully on our high growth, asset-light Partnerships model. The Group is operating as one Partnerships business with 6 operating divisions and 26 regional businesses. Each regional business has a strong, highly experienced management team. The Group's operating structure has the capacity to deliver a significant step-up in output in-line with the Group's medium-term targets.

As highlighted in our strategy update in September, as we move to a fully partnerships model with our ambition for c. 65% of Group completions to be pre-sold, c. 8,500 plots out of the 30,200 Housebuilding landbank plots as at 30 June 2023 are targeted for pre-sale. This transition is making good progress including units from our significant new agreement with long term partners Leaf Living and Sage Homes for the pre-sale of over 2,800 units which we announced in November.

The Group is securing high quality Partnership development opportunities in-line with our planned revenue growth of 5 to 8% p.a. and medium-term targets, and had a strong end to the year securing opportunities including:

- a new partnership with Together Housing in Darwen, Lancashire to deliver 477 new homes
- a development for 670 new homes in Stockton, Country Durham with the project benefiting from grant funding from Homes England
- a new site under our partnership with Goram Homes, Bristol City Council's housebuilding company, with outline planning secured for the next 140 homes at Dovercourt, Lockleaze in Bristol
- a prime site to the west of Windsor delivering 320 homes with c. 60% presold, secured on preferential payment terms
- the exchange of contracts for a new scheme in Thornbury, South Gloucestershire for the development of c. 600 new homes of which 50% to be presold
- a two-phase development in South Marston, Swindon for the delivery of 940 new homes, secured on favourable payment terms with 60% to be presold

In total, the Group secured 13,067 (FY22: 8,547) plots across 44 developments in FY23, of which 6,506 were secured in the second half. Strategic land continues to be an important source of development opportunities for the Group, and in the year, we secured new strategic land options across 7 (FY22: 9) potential developments totalling 7,360 (FY22: 4,503) plots.

The Group is well positioned on land for FY24 with over 90% of land required for planned completions secured.

Balance sheet
In-line with guidance, the Group had a net debt position of c. £90m as at 31 December 2023 (31 December 2022: net cash of £118.2m). This is a significant reduction from the Group's net debt position as at 30 June 2023 of £328.7m. Average net debt for the year was in-line with previous guidance at c. £450m.

In December we successfully concluded the process with our Lenders to extend our £400m term loan facility for a further 18 months, with the loan now maturing in September 2026.

We are making good progress with remediation works in relation to fire safety and remain confident that the Group's fire safety provision will cover the cost of these works in accordance with the Group's obligations.

The Group commenced a £55m share buyback programme on 11 December 2023 and as at 31 December 2023 had repurchased a total of 636,254 shares for a consideration of £5.3m.

Board changes
The Group has announced a number of Board changes today in a separate announcement.

Current trading and outlook
Following a period of reorganisation, we are pleased to start the year operating as one business fully focused on our Partnerships model and making progress towards our medium-term targets.

The Group has a strong forward sales position up 12.4% on prior year at £4.5bn (31 December 2022: £4.0bn), positioning us well to deliver a step-up in total completions in FY24.

We are seeing good levels of demand for homes from RPs and LAs, with an increasing demand profile from the PRS sector. The transition of our former Housebuilding landbank to our Partnerships model is making good progress, as we sign new and exciting development opportunities with our partners. The use of grant funding supports a number of these opportunities and we are pleased to have been awarded an additional £20m of affordable housing grant funding under the Strategic Partnership with Homes England, taking our total funding to £170m.

The easing of mortgage rates in recent weeks is encouraging and we are optimistic that this will help stimulate demand in FY24. We believe the country's housing crisis will be at the top of the political agenda over the coming months and that Government will need to allocate more funding towards housing. As the leading Partnerships business with strong growth ambitions, Vistry is extremely well positioned to play its part in increasing the delivery of much needed affordable homes across the country.

The Group made a one-time adjustment to expected site margins as a result of our change in strategy which gave rise to a £40m reduction in adjusted profit before tax in FY23, as disclosed in October's trading update. We are comfortable that consensus estimates reflect the revised margins for the business and that there are no further adjustments of this nature required.

A fuller outlook for FY24 will be provided with our full year results announcement on 14 March 2024.

Greg Fitzgerald and Tim Lawlor will host a call for analysts today at 8:00am. To join the call please register using the link:
https://www.netroadshow.com/events/login?show=433ef53d&confId=59449
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