

CHIEF EXECUTIVE'S REVIEW



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GREG FITZGERALD
Chief Executive Officer

It has been another busy year at Vistry as we have implemented change and navigated market challenges, and I am very grateful to all of Vistry's employees and our partners for their hard work and commitment.

In 2023, Vistry established its position as the country's leading Partnerships business. The Group successfully integrated Countryside Partnerships, and in September updated its strategy to fully focus on its high growth, capital light Partnerships model. We have made significant progress since then, with the organisational changes implemented, and the transition of the former Housebuilding land bank progressing well.

Our purpose as a responsible developer is to work in partnership to deliver sustainable homes, communities, and social value, leaving a lasting legacy of places people love. We see high demand for mixed tenure housing and regeneration across the country and are uniquely placed to deliver on this market opportunity, helping address the country's significant need for affordable housing.

Our Partnerships model is positioned to deliver sustained growth and market resilience through the cycle. The model provides visibility of future revenue and enables us to deliver new homes at greater scale and pace. We work in partnership on each of our developments, with a target of c. 65% of the total homes across our portfolio of developments presold to our partners – our Partner Funded sales. The further c. 35% of new homes are sold in the Open Market to private buyers, resulting in a significantly lower proportion of private sales at Vistry than in a traditional housebuilder model.

We have an excellent track record of working with Registered Providers (RPs), Local Authorities (LAs) and the Private Rented Sector (PRS) and this is reflected in our established and trusted relationships across the sector. We work closely with Homes England, and grant funding from the Affordable Housing Programme is a key part of our business model.

Delivering high quality homes and excellent customer service remains paramount and later this month we expect to be awarded a 5-star HBF Customer Satisfaction rating for the fifth consecutive year.

We are pleased to report our highest ever number of Pride in the Job quality awards at 40 (2022: 29), with a further 15 Seals of Excellence. In addition, our site teams have been awarded nine Premier Guarantee and seven LABC Bricks Site Recognition awards during 2023.

The Group has a clear set of medium-term financial targets. Our Partnerships business is a high growth, capital light model and the delivery of a 40% return on capital employed is a key priority. During the year we also confirmed our capital allocation policy and our target to distribute £1bn of capital to our shareholders over the next three years.

2023 REVIEW

The resilience of our Partnerships model was clearly demonstrated in 2023. The Group delivered a total of 16,118 new homes, down only 5.4% on prior year proforma, outperforming the wider peer group. Excluding the former Housebuilding business, the Partnerships business delivered year on year growth in revenue against proforma 2022, and maintained a ROCE of c. 40%.

The transition to a fully Partnerships business made significant progress, and 67% (10,722) of the total homes delivered were Partner Funded with 33% (5,396), Open Market sales. In the year, the Group's sales rate averaged 0.96 (2022: 0.71) sales per week per site, with the sales rate for our differentiated Partnerships business higher than that for traditional housebuilding.

We saw good levels of demand throughout the year for Partner Funded sales. Demand from RPs for additional affordable homes beyond Section 106 (S106) sales remained robust, with For Profit Registered Providers (FPRPs), a smaller but high growth sub-sector of this market, demonstrating particularly strong demand.

Demand from PRS was more constrained during the year reflecting the sector's greater sensitivity to the higher interest rate environment. We were pleased to see a step-up in demand from PRS in Q4 2023 which has continued into 2024.

We were pleased to announce a significant new agreement with PRS provider, Leaf Living and RP, Sage Homes in November for the sale of over 2,800 homes with a total gross development value of c. £800m. The units, which were formerly part of the Group's Housebuilding land bank, are located across c. 70 developments, with delivery by the end of 2025.

During the year, the Group secured an additional £87m of affordable housing grant funding under our Strategic Partnership with Homes England taking the Group's total grant funding under the current Affordable Homes Programme, running to 2026, to £170m. The use of grant funding plays an important part in supporting many of our Partner Funded development opportunities, particularly when accessing the growing for profit registered provider sector.

Open Market demand from private buyers remained suppressed during 2023 with our private sales rate significantly below prior years. This reflected higher mortgage borrowing costs, inflationary cost pressures on household income and wider macroeconomic and political uncertainty. The Group used incentives of up to c. 5% of the Open Market sales price to support demand during the year.

The Group's total average selling price in 2023 was £276k (2022 proforma: £289k), with our Partner Funded average selling price at £222k (2022 proforma: £194k) and Open Market average selling price at £390k (2022 proforma: £381k).

The Home Stepper shared equity product, which we have offered in partnership with Sage Homes since July 2023, has been successful in helping Open Market buyers with lower incomes and smaller deposits afford their own home. Since launch, we have taken over 450 reservations using the Home Stepper product.

Group adjusted revenue increased by 30% to £4,042.1m (2022: £3,115.1m) reflecting a full year of results for the enlarged Group. On a proforma basis, adjusted revenue decreased by 9%. On a reported basis, the Group delivered revenue of £3,564.2m (2022: £2,771.3m).

EXECUTIVE LEADERSHIP TEAM (ELT)

The Group operates through its Board of Directors with day-to-day management and operation delegated to the Chief Executive Officer (CEO) and the ELT. The CEO leads, and is a member of, the ELT.



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1. EARL SIBLEY
Chief Operating Officer

2. TIM LAWLOR
Chief Financial Officer

3. CLARE BATES
General Counsel &
Group Company Secretary

4. MICHAEL STIRROP
Chief Commercial Officer

5. STEPHEN TEAGLE
Chief Executive – Partnerships

6. MIKE WOOLLISCROFT
Group Business Improvement
Director & London Divisional Chair

🔗 ELT biographies are available at www.vistrygroup.co.uk/about-us/leadership/executive-leadership-team.



Against a backdrop of inflationary cost pressures, we continue to take a very proactive approach to managing our cost base. The Group procures c. 90% of its construction materials centrally and benefits from its scale and its growth strategy. In addition, given our high level of visibility on forward sales and build programme under our Partnerships model, we are able to offer greater continuity, certainty and longevity of work to our supply chain which helps us to negotiate competitive terms. In the year, the Group offset inflationary build cost increases post the cost benefit of synergies from the combination with Countryside (the Combination). The Group renegotiated its supply contracts in the second half of the year and expects continued benefit from these throughout 2024.

During 2023, the Group achieved synergy savings from the Combination of c. £50m, ahead of the £25m targeted for 2023 at the time of the acquisition, as the integration progressed at a faster pace than expected. Our expectations for future annualised savings as a result of the Combination remain unchanged at c. £60m. In addition, we expect to deliver c. £15m of cost savings in 2024 from our simplified operating structure under our new fully Partnerships strategy, with the full run rate of c. £25m to be achieved by the end of 2024.

Group adjusted profit before tax was in line with prior year at £419.1m (2022: £418.4m), with adjusted earnings per share of 88.2p (2022: 137.5p) down 36% on prior year. On a reported basis, the Group delivered profit before tax of £304.8m (2022: £247.5m) and earnings per share of 64.6p (2022: 86.5p). This was after exceptional expenses of £65.6m (2022: £153.8m) comprising £46.3m relating to integration and restructuring costs, and a further £19.3m in relation to fire safety provisions.

The Group had a net debt position as at 31 December 2023 of £88.8m (31 December 2022: net cash £118.2m). This was a significant reduction from the Group's net debt position as at 30 June 2023 of £328.7m. The Group is committed to maintaining a strong balance sheet and is targeting a year end net cash position as at 31 December 2024 and the elimination of average net debt in the medium term.

The Group delivered a return on capital employed in the year of 21.3% (2022: 25.0%) down on prior year reflecting increased capital employed and lower volumes in the legacy Housebuilding business as a result of tougher market conditions. Delivering a 40% ROCE is a key priority for the Group. We are targeting a reduction in capital employed during 2024 whilst growing the business, and are confident of achieving our 40% ROCE target in the medium term.

FIRE SAFETY AND REQUIREMENT FOR SECOND STAIRCASE

Vistry Group is committed to playing its part in delivering a lasting industry solution to fire safety and on 13 March 2023, signed the Department for Levelling Up, Housing and Communities' Developer Remediation Contract.

The Group's fire safety provision as at 31 December 2023 totalled £289.0m and we remain confident this will cover the cost of fire safety works in accordance with the Group's obligations. We continue to make good progress with the remediation works which are managed by our dedicated team.

In addition, the Group has been contributing approximately 4% of relevant profits through the Residential Property Developer Tax (RPDT) since its introduction on 1 April 2022, with a total of c. £20.2m paid to date. RPDT is intended to raise at least £2bn from the industry over a ten-year period to fund the cost of remediating fire safety issues which have been borne by the government.

In 2023 we have recognised a further expense of £19.3m, principally due to the additional requirements for second staircases in high-rise residential schemes. This represents additional costs to be incurred on sites we are committed to build and to reduce the value of some inventory on the impacted sites.

COMPETITION AND MARKETS AUTHORITY (CMA) HOUSEBUILDING MARKET STUDY

We welcome many of the findings in the CMA's final market study report published on 26 February 2024 and believe Vistry's differentiated Partnerships model is well aligned with its recommendations in respect of planning and management companies. We also agree with recommendations that would continue to drive quality through the sector and operate under the consumer code and have registered under the New Homes Ombudsman Scheme.

Vistry has participated positively in this year-long market study and will continue to engage proactively with the CMA on its further investigation and ongoing work with the sector.

VISTRY WORKS

The Group has made significant progress with its timber frame operations and capability during the year. Increasing the use of timber frame construction is a key part of our operational and sustainability strategy. There is clear environmental benefit to using timber frame over traditional brick and block construction methods, with the embodied carbon associated with the timber frame construction of a typical low-rise house over a 60-year life shown to be 30% lower than that from a traditionally constructed equivalent house.

We were pleased to re-open and deliver more than 300 units last year from our Vistry Works, East Midlands timber frame manufacturing plant following the completion of a strategic review. Combined with our factories in Warrington and Leicester, the Group currently has the capacity to deliver c. 8,000 units from its operations. As planned, in 2023 we delivered 2,500 timber frame units and we expect this to step up to over 4,000 units in 2024, as we increase production towards capacity and beyond.

We are manufacturing open panel and hybrid panel timber frames for Vistry business units across the country and our product includes standard house types for our affordable housing range and all three of our brands: Bovis Homes, Linden Homes and Countryside Homes. We have also introduced roof trusses and floor cassettes to our production lines, with full integration of production of this line being effective from H2 2024 onwards.

We are committed to a programme of training and development in 2024 and further implementation of enhanced systems to ensure we drive efficiency and deliver the highest standard product.

VISTRY INNOVATION CENTRE

We were delighted to open the Vistry Innovation Centre on 1 February this year at Vistry Works, East Midlands. Using our most plotted Vistry house type, the Eveleigh, the Innovation Centre showcases innovative solutions for Future Homes Standard and beyond, working with 18 different trades and 54 suppliers. Featuring over 100 different products, the technology includes Modern Methods of Construction, multiple different heating solutions, smart technology and sustainable building materials.



Stoneleigh View Sales Centre

SUSTAINABILITY

Sustainability is at the core of our business model and in the year, we have made good progress with our sustainability strategy. I am delighted to be a member of our new Sustainability Committee where I am joined by colleagues from across the business to debate and drive forward our sustainability agenda. The Committee is chaired by the Group's COO, Earl Sibley.

Following the Combination, we carried out a double materiality assessment which involved engagement with 340 of our stakeholders including our partners, our supply chain and our shareholders. This process identified the sustainability issues most important to our Group and helped design our revised sustainability strategy for the enlarged Group.

During the year, we launched our Carbon Action Plan which is focused on measure, reduce, report and provides a consistent approach to emissions reduction across our regional businesses. We reset our science-based targets, including setting our commitment to achieve net zero carbon by 2040.

Our partners place great importance on developing sustainable communities as they look to future proof their housing stock and offer the best solutions available to the local communities and their customers today. On a number of developments, we are working ahead of standards, including the delivery of 600 zero carbon (in-use) homes on current projects. This provides Vistry with valuable learning opportunities and best prepares us for forthcoming regulatory changes.

BOARD UPDATE

The Board is making good progress with its search for an experienced Senior Independent Director and up to two additional, high calibre Independent Non-Executive Directors of the Company, and will update on these appointments in due course.

CURRENT TRADING AND OUTLOOK

We are encouraged by the increase in the Group's sales rate since the start of the year to 0.72 (FY23: 0.61) sales per week per site. The Group is on track to deliver a strong growth in completions in 2024, targeting in excess of 17,500 units, underpinned by its forward sales position totalling £4.6bn, of which £2.1bn is for delivery in 2024.

We have seen a notable pick-up in demand from PRS providers in recent months, and the easing of mortgage rates at the start of the year has had a positive impact on Open Market demand. We are optimistic that this trend will continue during 2024.

We continue our transition to a capital light Partnerships model and are targeting the release of capital through a series of initiatives. We remain confident of driving towards our 40% ROCE target in the medium term.

GREG FITZGERALD

Chief Executive Officer

14 March 2024

