9 July 2024

Vistry Group

Continued strategic execution; on track to deliver 10%+ growth in completions in FY24

Vistry Group PLC (Vistry or the Group) is providing an update on trading in the period from 1 January 2024 to 30 June 2024 (the period).

Greg Fitzgerald, Chief Executive commented:
"The Group has delivered a strong performance in the first half which underpins the Board's confidence in its expectations for the full year. Our Partnerships model is significantly outperforming the broader housebuilding market and we are confident we will deliver over 18,000 completions for the full year and make progress towards our medium term targets.

"We look forward to working with the new Government to address the country's housing crisis and are extremely well placed to support its ambition of delivering the biggest boost to affordable housing in a generation."

Highlights

- Adjusted operating profit is expected to be up c. 10% on prior year at c. £227m (H1 23: £206.7m) with adjusted profit before tax up c. 7% at c. £186m (H1 23: £174.0m)
- Total completions up c. 8% to c. 7,750 (H1 23: 7,143) units
- On track to deliver more than 18,000 (FY23: 16,118) completions in FY24, underpinned by strong forward sales position, up 21% on the prior year and totalling £5.1bn (2023: £4.2bn)
- Group's sales rate[1] in the period stepped up to an average of 1.21 (H1 23: 0.86)
- Secured new land and development opportunities totalling 8,225 (H1 23: 6,561) mixed tenure homes across 32 sites in the period
- Awarded 38 NHBC Pride in the Job Quality Awards, showing our dedication to building homes to the highest quality
- Benefitted from lower year on year building material costs in H1 24 reflecting Group's ongoing engagement with the supply chain
- Group net debt position lower than last year at £323m as at 30 June 2024 (30 June 2023: £329m), despite an opening net debt position £207m higher than prior year
- The Group continues to execute the £100m share buyback programme commenced in April this year and remains committed to returning £1bn of capital to shareholders within three years through a combination of ordinary and special distributions

Strong demand

Total completions in the period increased by c. 8% to c. 7,750 (H1 23: 7,143) units, with this strong growth demonstrating the resilience of the Group's unique Partnerships model and representing a significant outperformance compared to the traditional housebuilding market.

The Group's sales rate in the period averaged 1.21[1] (H1 23: 0.86) units. The year on year increase reflects both stronger demand and the transition of our business to our 100% Partnerships model.

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[1] Sales rate includes Partner Funded sales (excluding S106 units and 100% Partner funded developments) and open market sales as a proportion of the number of sales outlets across the Group on an average weekly basis

We have continued to see a good level of demand from our Partners in the period with c. 75% of total completions being Partner Funded. Registered Providers (RPs) and Local Authorities (LAs) have secured good levels of additional affordable and S106 affordable housing, and we have continued to see a pick-up in demand from the Private Rented Sector (PRS).

As previously noted, there have been near-term demand pressures amongst some traditional RPs as they invest in the maintenance and remediation of existing housing stock which has particularly constrained some of the traditional RP capacity in London. We are maintaining delivery by continuing to work closely with our partners and ensure Vistry remains their partner of choice for their new housing investment.

In the period we entered into new agreements with 45 different partners. These included agreements with RPs such as Places for People, LiveWest, BHPA, SNG and Together, and PRS providers such as Sigma and Citra.

In May, we announced a further agreement with Leaf Living, a leading provider of PRS housing, for the sale of a portfolio of c. 1,750 homes across 36 Vistry developments totalling a gross development value of c. £580m. The portfolio largely consists of plots from our former Housebuilding landbank and the majority of homes are expected to complete within the next two years.

In the open market, we have seen some positive momentum in demand in the period and pricing has remained relatively flat, with incentives running at c. 4% of open market sales prices. Overall, the market remains relatively constrained reflecting ongoing macro and political uncertainty and the higher interest rate environment.

We expect Partner Funded sales to represent c. 75% of total completions in FY24 reflecting the stronger relative demand of the Partner Funded market this year. We expect the business to rebalance this mix towards c. 65% Partner Funded and 35% open market as demand in the open market recovers.

Securing high quality Partnership opportunities
The Group continues to secure a strong pipeline of attractive Partnership opportunities that support our growth strategy and meet our requirements for a minimum of 50% of units to be Partner Funded, a 40% return on capital employed and over 12% operating margin, with the Group's scale and cost efficiency a key competitive advantage. In the first half we secured new land and development opportunities totalling 8,225 (H1 23: 6,561) mixed tenure homes across 32 sites.

The Group is well positioned to secure land through both public procurement and private land sales. In the period, 35% of the land plots secured were from public land sources and 65% from the private market. The Group has all of the land secured for our FY24 targeted completions, and 80% of the land secured for our FY25 targeted completions.

High quality housing
Vistry is committed to delivering high quality homes and excellent customer service. We were pleased to have recently been awarded a total of 45 quality awards including 38 NHBC Pride in the Job Quality Awards, four Premier Guarantee Quality Recognition Awards and three LABC Bricks Awards. Alongside our 5-star HBF Customer Satisfaction rating for the fifth consecutive year, this shows our dedication to building homes to the highest quality as well as a strong record of health and safety, technical knowledge, and leadership. Congratulations to all our winners.

Driving efficiency
The Group has benefitted from lower year on year building material costs in the first half reflecting our ongoing engagement with our supply chain. The high level of visibility on forward sales and build

programme within our Partnerships model enables us to work closely with our subcontractors to secure beneficial terms. These cost benefits are expected to continue into the second half.

Balance sheet

The Group had a net debt position of £323m as at 30 June 2024 (30 June 2023: £329m), marginally lower than last year. With our opening net debt position in January 2024, £207m higher than in the prior year, this represents an improved H1 cashflow performance on prior year. The average month end net debt in the period was c. £490m (H1 23: £360m). We continue to target a year end net cash position as at 31 December 2024.

Government Housing Policy

We look forward to working closely with the new Government and are supportive of their plans to introduce mandatory housing targets, reform the national planning policy framework, add new planning officers and prioritise brownfield and 'grey belt' land.

Our unrivalled expertise and track record in Partnerships housing delivery and our current growth momentum, uniquely positions Vistry to play a key role in helping the Government address the country's affordable housing crisis. We are encouraged that they are seeking to move quickly and are in a strong position to support this: we have maintained investment in land and development opportunities, extended our relationships with a broad range of affordable housing partners, increased our timber frame capability, and ensured we have capacity for growth within our existing operational structure.

Outlook

The Group is well positioned to deliver more than 18,000 (FY23: 16,118) completions and full year profits ahead of last year in FY24, underpinned by our strong first half performance and our forward sales position. Forward sales are up 21% on the prior year and total £5.1bn (2023: £4.2bn), with £1.8bn for delivery in H2 2024.

We are focused on continuing to drive operational and capital efficiency across all 26 of our business units, and with a series of initiatives in place, expect to release capital in FY24.

We remain confident in achieving a 40% ROCE and £800m adjusted operating profit in the medium term. We are committed to returning £1bn of capital to shareholders within three years through a combination of ordinary and special distributions, with our latest £100m share buyback programme which commenced in April, having purchased £51m of shares as at the end of June.

The Group will report its half year results on 5 September 2024.

Greg Fitzgerald, Tim Lawlor and Stephen Teagle will host a call for analysts today at 8:30am. To join the call please register using the link:
https://www.netroadshow.com/events/login?show=5f1d8131&confId=67816
For operator assisted dial-in:
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 800 358 1035
Access Code: 773932

A playback facility will be available shortly afterwards.

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