20 July 2023

Vistry Group

Vistry Group PLC - Trading Update

Vistry Group PLC (the "Group") is providing an update on trading in the period from 1 January 2023 to 30 June 2023 (the "period").

Greg Fitzgerald, Chief Executive commented:
"The Group delivered a half year performance in line with our expectations despite the challenging macro-economic conditions and higher interest rate environment. Partnerships is demonstrating its resilience and remains on track to deliver revenue growth in the full year. Housebuilding is maintaining a controlled and disciplined approach, taking the opportunity to deliver bulk sales to support overall sales rates and open market pricing. I would like to thank our people, our subcontractors, suppliers and partners for their tremendous efforts and ongoing commitment to the success of Vistry Group."

Key points

- The Group's average weekly sales rate for the period was 0.86 (2022: 0.84), and excluding bulk sales in Housebuilding was 0.67 (2022: 0.82)
- The integration of Countryside is well progressed, and the Group is on track to deliver £25m of synergies from the combination in FY23 and the full run rate of £60m by the end of FY24
- Partnerships continues to demonstrate resilience and has good visibility on revenues with 80% of forecast FY23 mixed tenure units secured and all of forecast FY23 partner delivery revenues secured
- Housebuilding completions were down 22% on proforma H1 22 reflecting the more challenging market conditions
- Housebuilding has a good forward sales position with 76% of forecast FY23 units secured
- Following the recent increase in the Bank Rate and mortgage costs we have seen a slowdown in the open market private sales rate, with both Partnerships and Housebuilding mitigating this through bulk transactions
- The Group continues to target the offset of build cost increases in FY23 after the benefit of cost synergies
- Net debt of c. £330m as at 30 June 2023, with net debt expected to reduce to c. £150m as at 31 December 2023
- Given the strength of the Group's forward order book, the progress on integration and targeted cost savings, the Board continues to expect to deliver adjusted profit before tax for FY23 in excess of £450m

H1 performance

Partnerships
Countryside Partnerships, our leading partnerships business focused on the delivery of much needed affordable housing, has demonstrated its market resilience. With a strong first half performance, the business is on track to deliver revenue growth in FY23 on pro forma FY22 (£2,006m). Working in partnership, we continue to see good levels of demand for affordable and mixed tenure housing from Housing Associations and Local Authorities, supported by an additional grant funding award from Homes England.

Partnerships delivered 3,203 (2022: 1,106) mixed tenure completions in the period, up 6% on pro forma H1 22. Adjusted revenue for H1 23 for Partnerships is expected to be c. £930m (2022: £426m) including c. £240m (2022: £204m) partner delivery revenue.

Partnerships continues to invest in its owned land bank to support the ambitious growth strategy for mixed tenure revenues. The business has been opportunistic in a marketplace where demand for land has decreased. In the period, the business secured 3,848 (2022: 2,166) plots on 10 sites (2022: 12) for mixed tenure development with all land secured meeting the minimum hurdle rates of 50% presold units and a minimum 40% target return on capital employed, and deferred payment terms where possible. Partnerships is well positioned on land with 95% of the land for FY23 completions and 85% of the land for FY24 completions secured.

Housebuilding

Our Housebuilding business has faced more challenging market conditions in the period with the higher mortgage rate environment and broader macro-economic challenges, particularly impacting first time buyers. In this more competitive market, the business is focused on operational excellence, tight cost control and the delivery of the highest quality new homes. Open market pricing has remained relatively stable, supported by an increased level of incentives.

The Group's strong relationships with Housing Associations, Local Authorities and PRS providers, and excellent track record of delivery of mixed tenure housing, positions our Housebuilding business to maximise the opportunity for bulk transactions in the current market. The business has entered into a number of these transactions in the period which is supporting the sales rate and helping to hold firm on private sales prices, whilst assisting with subcontract savings and the management of preliminary costs.

Housebuilding delivered 2,847 (2022: 3,219) completions in the period, down 22% on pro forma H1 22, with adjusted revenue of c. £810m (2022: £902m).

Housebuilding continues to see attractive high quality land opportunities and has maintained a highly selective approach to land acquisition in the period with minimum hurdle rates of 25% gross margin and 25% return on capital employed, and deferred payment terms where possible. In the period, the business has secured 3,058 (2022: 3,360) plots across 14 (2022: 16) sites. Housebuilding has a strong deliverable pipeline of land with all of the land for FY23 forecast completions and 95% of the land for forecast FY24 completions secured.

Group developments

The Group is pleased to have secured a further £67m from Homes England to deliver grant funded affordable homes under its current Affordable Homes Programme running to 2026. This brings the total Strategic Partnership affordable housing grants funding to £150m and will enable Vistry to deliver around 2,400 affordable homes in partnership with Housing Associations and Local Authorities across England. A significant proportion of the homes to be built will utilise Vistry's timber frame manufacturing capability.

This grant funding was instrumental to our recent partnership with Sage Homes where, through Sage's new Home Stepper shared ownership model, we will deliver an initial portfolio of around 800 shared ownership homes nationally with a market value of over £250m. This will be across both Countryside Partnerships and Vistry Housebuilding. The scheme has had an encouraging start, with strong customer interest and around 60 reservations since launch in June.

The enlarged Group is benefiting from its revised arrangements with its supply chain partners. The greater level of visibility on forward sales, build programmes and revenues within Partnerships is also delivering a competitive advantage, in particular with subcontractors. The Group continues to target the offset of build cost increases in FY23 after the benefit of cost synergies, and reflecting the anticipated decline in overall industry output, sees opportunity to work with its supply chain partners, particularly given the Group's forward sales visibility, to reduce costs going forward.

The Group is pleased to have re-opened the newly branded Vistry Works East Midlands timber frame manufacturing plant earlier this month. Combined with Vistry's existing two factories in Warrington and Leicester, the Group has the capacity to deliver 5,000 new timber frame homes in FY24, supplying both Partnerships and Housebuilding. This timber frame capability will allow the Group to capitalise at scale on the benefits of factory manufactured construction, delivering high quality sustainable homes faster.

We are proud to have announced the highest number of NHBC Pride in the Job Quality Award winning site managers for the Vistry Group to date, with 40 site managers picking up the prestigious award. This fantastic achievement highlights the Group's ongoing commitment to delivering the highest quality new homes for our customers and clients.

Balance sheet

The Group had a net debt position of c. £330m as at 30 June 2023 (30 June 2022: £115m net cash). The year-on-year increase reflects the working capital requirements of the enlarged group, investment for growth in the Partnerships business, and cash spend on integration and fire safety. The Group expects net debt to reduce to c. £150m as at 31 December 2023.

In recent weeks, Housebuilding has implemented tighter controls around work in progress, with investment restricted to sold units, and site starts and new phase starts being carefully considered.

The Board is committed to retaining a strong balance sheet. In March we announced a review of the enlarged Group's capital allocation policy to ensure it remains appropriate, and in doing so we have been consulting with shareholders. Following the conclusion of the review, the Board will provide an update to shareholders with the Half Year results announcement on 11 September.

Outlook

Partnerships has a strong forward order book totalling £3.0bn with 80% of forecast FY23 mixed tenure units secured and all of forecast FY23 partner delivery revenues secured, and we remain confident the business will deliver revenue growth in FY23 against pro forma FY22. It is very well positioned to meet the strong levels of demand for mixed tenure housing, demonstrating the resilience of the partnerships business model. The business is firmly focused on its strategy of delivering 10% revenue growth p.a. in 2024 and beyond and a 40%+ return on capital employed.

Following the recent increase in the Bank Rate and mortgage costs we have seen a slowdown in the open market private sales rate over the past four weeks. Both our Housebuilding and Partnerships businesses are mitigating this through bulk transactions with Housing Associations and Local Authorities.

Housebuilding's forward order book totals £1.2bn, with 76% of forecast FY23 units secured. With a highly experienced management team, the business is maintaining a controlled approach focused on operational excellence and tight working capital management and cost control. The expected year on year reduction in private sales rate for Housebuilding is reflected in our build rates.

Given the strength of the Group's forward order book, the progress on integration and the Group's targeted cost savings, the Board continues to expect the Group to deliver adjusted profit before tax for FY23 in excess of £450m.

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)	**30 June 2023**	30 June 2022
Housebuilding		
- Private	**564**	718
- Private – Vistry share of JVs	**105**	115
- Affordable	**472**	450
- Affordable – Vistry share of JVs	**77**	54
Total Housebuilding	**1,218**	1,337
Partnerships		
- Mixed tenure	**1,462**	342
- Mixed tenure – Vistry share of JVs	**422**	148
Total mixed tenure	**1,884**	490
Total partner delivery	**1,088**	835
Total Partnerships	**2,972**	1,325
Total Group	**4,190**	2,662

Note: 30 June 2022 forward sales restated to include Vistry share of JVs (previously included 100% of JV forward sales)