12 January 2022

Vistry Group PLC
Trading update

Vistry Group PLC ("Vistry" or the "Group") announces a scheduled trading update for the year ended 31 December 2021, ahead of the publication of its full year results on 2 March 2022.

Highlights

- Excellent performance throughout the year across all business areas, with the Group expected to deliver FY21 adjusted profit before tax[1] of c. £345m (FY20: £143.9m), in line with previous guidance
- Strong balance sheet with net cash position as at 31 December 2021 of c. £234m (31 December 2020: £38.0m), reflecting both increased profits and good working capital management
- Continued improvement in Housebuilding with completions[2] increasing to 6,551 units (FY20: 4,652), and gross margin[3] anticipated in excess of 22% (FY20: 17.6%)
- 41% increase in higher margin mixed tenure completions[2] at Vistry Partnerships, with operating margin[3] increasing to over 9% (FY20: 6.7%) as expected
- Continued quality and customer service delivery with step up in construction quality awards and sustained HBF 5-star customer satisfaction rating
- Significant progress with sustainability strategy demonstrated through our commitment to setting science-based targets and our sign up to 'Business Ambition for 1.5°c'
- Success in the land market with the Group securing a total of 11,772 plots in FY21 (FY20: 8,652), ensuring growth in the land bank as well as having all land required for FY22 completions in place
- Strong forward sales position with total Housebuilding and Partnership mixed tenure forward sales as at 31 December up 24% to £1.94bn (31 December 2020: £1.56bn) with 54% of total forecast units for FY22 already secured
- Our sites have returned to work efficiently following the break, with no significant impact from Covid-related absence to date
- Group expects to deliver a significant step up in profits and returns in FY22

Greg Fitzgerald, Chief Executive, commented:

"2021 has been an excellent year for Vistry Group with progress and success achieved across all areas of the business. I am extremely proud of and grateful to our people who have shown huge talent, passion, and commitment to get us to where we are today. I am delighted this dedication has been recognised with Vistry being awarded Large Housebuilder of the year for 2021 at the recent Housebuilder Awards, less than two years since we formed the enlarged group.

We are focused on leveraging the Group's unique combination of Housebuilding and Partnerships assets as well as our strength and capability across all housing tenures, with our target of delivering sector leading returns in the medium term. I'm delighted with the progress in the year - our Housebuilding and Partnerships businesses are together securing new, high quality development opportunities, while working successfully alongside each other on a number of existing sites. This successful joint approach is delivering enhanced overall returns."

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

Operational update

It has been a very positive year with progress made across all areas of the business and the significant benefits and opportunities of the enlarged Group's unique market positioning and capability being realised. We were delighted with Vistry Group being awarded the Large Housebuilder of the year award at the recent Housebuilder Awards.

We have seen strong demand across all areas of our business during 2021, with the Group's average weekly private sales rate per outlet increasing to 0.76 (FY20: 0.53). The business performance has been consistent throughout the year and across all of our geographies. Aligned with this strong demand, we have seen c. 6% house price inflation in the year.

We have extended our work with client housing providers through increased land-led partner delivery and are the only listed developer to have been awarded Strategic Partner status by Homes England, further recognising the benefits of Vistry's unique delivery model and track record in the affordable and mixed tenure markets.

Delivering high quality new homes and excellent customer satisfaction remained our top priority in 2021 and we are confident of maintaining the maximum 5-star HBF customer satisfaction rating for 2021.

We have continued to see some pressure across the supply chain resulting in extended lead times on building materials and inflationary price increases on certain products and skilled labour. There was some easing towards the end of the year and, working in close partnership with our material suppliers, we continue to actively manage this challenge and are well positioned at the start of the new financial year. We expect construction output in the first half to be similar to that achieved in H1 21 and overall, expect our build cost inflation to run at c. 5% for FY22, with wage inflation likely to run ahead of materials cost inflation as we progress through the year.

Cladding and build safety

Following the recent public letter to developers from the Department for Levelling Up, Housing & Communities, we can confirm that we are supportive of the Government's ambition to derive a solution. We fully agree that the costs of remediation should not be borne by leaseholders and we will work directly with the Government as well as with the Home Builders Federation to deliver a solution. We will update on any implications for the Group as these suggestions evolve into clear proposals.

We continue to consider all relevant cases and are committed to meeting any liability which we identify. In addition, we are committed to offering appropriate support in circumstances where building owners do not meet their obligations.

Vistry Housebuilding

Housebuilding delivered a significant step up in completions in FY21 to 6,551 units (FY20: 4,652), including 1,287 (FY20: 820) from JVs. Private units in the year totalled 4,891 (FY20: 3,668) with 1,660 (FY20: 984) affordable units.

Total Housebuilding average selling price for FY21 remained stable at c. £304k (FY20: £303k) reflecting the increase in affordable homes as a percentage of total completions. Private average selling price increased to c. £355k (FY20: £343k) with house price inflation in part offset by changes in product and geographical mix. The affordable average selling price in FY21 increased to c. £159k (FY20: £152k).

Importantly, the business is making strong progress towards its FY25 gross margin target of 25%, with FY21 gross margin[4] expected to be in excess of 22% (FY20: 17.6%), as previously guided.

Housebuilding operated from an average of 143 active sites in FY21 and expects this to be at a similar level in FY22.

Vistry Partnerships
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 41% to 2,088 (FY20: 1,479) units.

The average selling price of mixed tenure units in the year was £229k (FY20: £204k). Partnerships operated from an average of 33 active mixed tenure sites in FY21 and expects this to increase to c. 40 for FY22.

Partnerships is firmly on track to deliver its FY22 operating margin target of at least 10% with operating margin in FY21 increasing to over 9% (FY20: 6.7%).

Sustainability
The Group's purpose is to deliver sustainable homes and communities across all sectors of the UK housing market and in 2021 we launched our sustainability strategy, outlining our three priority areas: Our People, Our Operations, and Our Homes & Communities.

In 2021, we laid the foundations to meet our long-term sustainability targets in particular, through our commitment to setting science-based targets and signing up to 'Business Ambition for 1.5°c'. We developed our road map to deliver net zero carbon homes and completed the first of 54 homes at our development at Europa Way in Leamington Spa achieving net zero carbon on regulated emissions[5]. In December we agreed a new Sustainability Linked Revolving Credit Facility with the interest payable on the facility being determined, in part, by our ability to meet three Sustainable Performance Targets. In addition, FY22 will be the first year when executive remuneration will be linked to meaningful and measurable sustainability metrics.

Land
In the year, Housebuilding grew its land bank securing 7,641 (FY20: 6,281) plots across 38 (FY20: 31) developments. As a result, the business has a strong deliverable pipeline including all of the land required for forecast FY22 completions and 85% of the land required for FY23 completions secured.

Partnerships is investing in its owned land bank to support continued strong growth in mixed tenure completions and in the year secured 4,131 (FY20: 2,371) plots on 23 (FY20: 11) sites for mixed tenure development. It is also well positioned with all of the land required for forecast FY22 mixed tenure completions and 75% of the land required for FY23 mixed tenure completions secured.

Strategic land is a key component of the Group's land supply, and as at 31 December 2021 the Group had a total of c. 40,000 (31 Dec 2020: 34,053) strategic plots. In the year, we are pleased to have secured options over 7,721 (FY20: 2,856) strategic land plots across 12 (FY20: 10) developments.

Balance sheet
The Group had a net cash position of c. £234m as at 31 December 2021 (31 December 2020: net cash of £38.0m). This significant increase has been driven by the strong financial performance and continued discipline in working capital management at an individual business level.

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[4] Adjusted basis to include the proportional contribution of joint ventures
[5] Regulated emissions are those associated with space heating, hot water, lighting and ventilation

The Group expects to carry an average month end net debt position in FY22 of no greater than £100m (FY21: £120m) as we build for FY22 completions and we expect net cash as at 31 December 2022 to be a similar level to 31 December 2021.

Outlook

The Group starts FY22 in a strong position and our sites have returned to work efficiently following the break, with no significant impact from Covid-related absence to date. Total Housebuilding and Partnership mixed tenure forward sales as at 31 December are up 24% to £1.94bn (31 December 2020: £1.56bn), with 54% of total forecast units for FY22 already secured.

Pursuing its strategy of controlled volume growth and maximising returns, Housebuilding is in great shape to deliver further improvement in profitability this year with a gross margin target of 23% for FY22. The business has clear targets of 25% for both gross margin and return on capital employed by FY25.

Vistry Partnerships is making excellent progress with this strategy of rapidly growing higher margin mixed tenure revenues and fully expects to deliver on its FY22 targets of at least £1bn revenue, a 10% plus operating margin, and a return on capital employed in excess of 40%. Medium term, the business sees a clear trajectory to deliver c. £1.6bn revenues and an operating margin in excess of 12%.

With balance sheet strength the Board is committed to prioritising investment in the business to support the Group's growth strategy, pursue a sustainable two times dividend cover policy, and return any excess capital generated in the future to shareholders via either a share buyback or special dividend.

Forward sales (£m)	**31 December 2021**	**31 December 2020**
Housebuilding		
- Private	554	533
- Private JVs (100%)	245	176
- Affordable	432	389
- Affordable JVs (100%)	118	119
Total Housebuilding	**1,349**	**1,217**
Partnerships		
- Mixed tenure	309	145
- Mixed tenure JVs (100%)	282	200
Total Partnerships mixed tenure	**591**	**345**
Total development	**1,940**	**1,562**
Total partner delivery	**740**	**800**
Total Group	**2,680**	**2,362**

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.

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