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Vistry Group PLC
15 January 2025

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Trading update

Vistry Group PLC ("Vistry" or the "Group") is issuing a scheduled trading update for the year ended 31 December 2024 ("the Period"), ahead of publication of its full year results on 26 March 2025.

FY24 highlights

· Group adjusted profit before tax is expected to be c. £250m (FY23: £419.1m), in-line with the revised company guidance announced in December
· Total completions up c. 7% to c. 17,200 (FY23: 16,118) with adjusted revenues expected to be up c. 9% to £4.4bn (FY23: £4.0bn)
· More than 220 new partner deals with over 70 partners agreed in FY24, with more than 70 deals agreed in Q4
· Group net debt position as at 31 December 2024 of c. £180m (31 December 2023: £88.8m), £20m lower than revised guidance, with the increase on prior year reflecting higher than expected finished stock and work in progress
· Strong pipeline of attractive new land and development opportunities secured in the year totalling 16,500 (FY23: 15,288) mixed tenure units

Outlook

· Group continues to believe the Partnerships market remains very attractive and is committed to its asset light, high returns Partnerships strategy
· Group is working well with new and existing partners and progressing a wide range of development opportunities
· Group has a strong forward sales position totalling £4.4bn (31 December 2023: £4.5bn)
· Increased cash generation and continued capital discipline is a primary focus for FY25 with the Group targeting a significant reduction in stock and work in progress
· Confident of rebuilding underperforming regions in the former South Division in FY25, with new operational leadership already in place
· Market conditions in FY25 for both Partner Funded and open market sales remain uncertain, with the outcome of the Government's spending review and transition to a new Affordable Homes Programme important for unlocking a step up in momentum in the Partner Funded market, and a recovery in consumer confidence key to open market sales growth
· The Group expects to make year on year progress in both profit and cash generation in FY25 and will provide an update on its medium-term targets with the full year 2024 results announcement scheduled for 26 March 2025

Full year performance

Total units were up c. 7% on prior year at c. 17,200 (FY23: 16,118) including c. 3,200 (FY23: 2,781) from JVs. Partner Funded units increased by c. 18% to c. 12,600 (10,722), with open market units decreasing by c. 15% to c. 4,600 (5,396). The mix for the full year was 73% Partner Funded and 27% open market.

The Group expects total adjusted revenue to be up by c. 9% in the year to £4.4bn (FY23: £4.0bn), with the total average selling price remaining stable at c. £275k (FY23: £276k). The Group's sales rate for FY24 was up 11% on prior year, averaging 1.07 (FY23: 0.96) sales per site per week.

Group adjusted profit before tax is expected to be c. £250m (FY23: £419.1m), in line with the revised company guidance issued in December when the Group highlighted a number of factors that adversely impacted expectations on profits for FY24 including:

- the delay to a number of partner agreements which are now expected to complete in FY25
- the decision not to proceed with a number of anticipated land transactions with other housebuilders and developers where we considered that the commercial terms had become unattractive
- some delay to open market completions

Overall, we saw good levels of demand from the Partner Funded market during 2024 albeit with some slowdown in activity in Q3 ahead of the Autumn Budget. In the year, we signed more than 220 new agreements with over 70 partners, including more than 70 agreements with 35 partners in Q4 2024 including Registered Providers, Local Authorities and PRS providers.

The open market has remained constrained throughout the year primarily reflecting mortgage affordability. The Group has supported its open market sales strategy during the year with incentives of up to c. 5% of open market sales price.

The Group experienced neutral build cost inflation in FY24 with increases in some areas offset by reductions in others.

The Group's net debt position as at 31 December 2024 is expected to be c. £180m (31 December 2023: £88.8m), £20m lower than revised guidance. Average month-end net debt for FY24 was c. £535m (FY23: £459.4m) with the increase reflecting the accumulation of work in progress due to delayed completions and lower than expected sales rates.

Securing high quality Partnership opportunities

During 2024 the Group secured a strong pipeline of attractive new land and development opportunities totalling 16,500 (FY23: 15,288) mixed tenure units across 61 sites. The Group is well positioned for land in FY25 with more than 90% of the land secured for targeted FY25 completions.

Recent development opportunities secured by the Group include:

- a partnership with Homes England for the regeneration of a former city hospital in Birmingham which will deliver 750 mixed tenure new homes, including 263 affordable homes
- a development in Longbridge, Coventry, delivering 688 new homes, of which 250 will be affordable homes for Bromford Housing and 215 will be PRS homes for Sigma Capital Group. The homes will be built using timber frame from Vistry Works and will feature air source heat pumps, PV panels and wastewater recovery systems
- the pre-sale of 285 additional affordable homes to Notting Hill Genesis as part of the final phase of our Fresh Wharf development in East London
- a joint venture with Clarion Housing at our Sherford development in Cornwall which will deliver 1,200 new homes,

of which 50% will be affordable and PRS.

High quality housing
Vistry is committed to delivering high quality homes and excellent customer service. The Group was awarded a 5-star HBF Customer Satisfaction rating for the fifth consecutive year in 2024 and for the year to date, the Group's HBF 8-week Customer Satisfaction score is 94.6%. We are pleased to report that Vistry employees have been awarded more than 70 quality awards during 2024 including 42 NHBC Pride in the Job awards, 13 Premier Guarantee awards and 8 LABC awards. The Group's Construction Quality Review score averaged 4.5 (FY23: 4.5) in FY24 with the Average Reportable Items per inspection at 0.20 (FY23: 0.21).

South Division cost issues
On 8 October 2024, the Group reported it had become aware of cost issues identified in its South Division. An update on 8 November 2024, following both an independent and internal review process, stated that the expected impact to adjusted profit before tax from the adjustments identified in the review in the South Division would total £105m in FY24, £50m in FY25 and £10m beyond FY25.

As part of the process all sites across the Group's other five divisions were reviewed and no systemic issues were found outside the South Division. There were a number of small value adjustments from the detailed site cost value reconciliations (CVRs) carried out across the other five divisions which, in aggregate, resulted in an £8m reduction to the Group's adjusted profit before tax in FY24.

The Group implemented a series of control enhancements across the Group during Q4 2024 including a tightening of procedures around the monthly site cost reviews, and an investment in increased commercial assurance. Whilst these control enhancements have been applied group-wide, the Board remains confident that the significant issues identified in the South Division have not existed elsewhere in the Group.

Reorganisation
A review of the Group's operational structure has been completed with the objective of reducing reporting lines and enabling the CEO to get closer to the business whilst ensuring the Group is well positioned to execute upon its Partnerships strategy.

The Group's divisional structure has been consolidated from six divisions into three larger divisions, each being led by an Executive Chair reporting directly to the CEO. The three Executive Chairs are all former Divisional Chairs and have extensive Partnerships experience. They are members of the Executive Leadership Team (ELT) and are supported at a divisional level by newly appointed Divisional Commercial Directors, Divisional Operational Directors and Divisional Finance Directors. The Group retains 26 operating regions.

Capital allocation
The Board believes that investing in our Partnerships business to deliver growth, whilst maintaining a strong balance sheet, remains the most attractive use of capital, with the Group continuing to secure attractive new development opportunities throughout FY24 and into FY25.

Alongside this investment, the Board remains committed to the capital distribution via a share buyback programme announced with the half year results in September 2024 consisting of an ordinary distribution in respect of the H1 24 adjusted earnings of £55m and a special distribution of £75m. The timing of the completion of this programme, which was previously expected to complete in May 2025, remains under review and will be confirmed with our full year results.

Outlook
We continue to believe the Partnerships market remains very attractive and are committed to our asset light, high returns Partnerships strategy.

Increased cash generation together with continued capital discipline is a primary focus for FY25. Working capital levels were higher than expected at the year end reflecting a slower open market sales rate than forecast and a resulting build up in stock. The Group is targeting a significant reduction in stock and work in progress levels in FY25 and will adjust build rates in line with changes in market conditions.

A significant amount of work has been done to understand and address the issues faced in our former South Division and with new operational leadership in place, we are confident we will make rapid progress in stabilising the affected regions within this business area in FY25.

The Group has a strong forward sales position totalling £4.4bn (31 December 2023: £4.5bn).

We are working closely with our affordable and PRS partners in aligning their future programme requirements with opportunities. We are progressing a good range of partner transactions for FY25 and expect to see overall partner demand at similar levels to FY24. We are supportive of the Government's drive to address the shortage of affordable housing and are encouraging early clarity on rent settlement and meaningful investment in the funding programme for affordable housing to accelerate the supply of housing, provide certainty to the supply chain and support economic growth.

The open market remains constrained with a recovery in consumer confidence key to open market sales growth. For FY25 we are assuming open market demand to be at a similar level to FY24. The Group launched a new national consumer marketing campaign on Boxing day and is pleased to have seen an uplift in enquiries across the business over the past couple of weeks.

For FY25, based on current market expectations, the Group is expecting low single digit build cost inflation. We will look to mitigate this where possible through our benefits of scale and visibility of revenues, as well as through efficiency gains. In addition, we expect the impact from increased Employer National Insurance contributions to be c. £5m in FY25, increasing to an annualised cost of c. £7m from FY26.

The Group expects to make year on year progress in both profit and cash generation in FY25 and will provide an update on its medium-term targets with the full year 2024 results announcement scheduled for 26 March 2025.

Conference call at 08:30am today
There will be a call for analysts and investors at 8:30am today hosted by Greg Fitzgerald (Executive Chair and CEO) and Tim Lawlor (CFO). To join the call please register at https://storm-virtual-uk.zoom.us/webinar/register/WN_F9xiJgXaQGuVWIIC-zWOyw
UK Dial-in details:
United Kingdom: +44 208 080 6591
Webinar ID: 863 1736 8805

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