AozoraStep

Exit Vistry Group: Uncertainties I didn't account for

Company:	Vistry Group (VTY LN)	**Market Cap:**	£2bn
Industry:	Housebuilder (66% partnership)	**Net Debt:**	£500mio (average)
Country:	UK	**Revenue:**	£3.45bn*
Date:	21st January 2024	**Net Income:**	£170mio (8.9%)*
Dividend:	-	**Free cash flow:**	£170mio (8.9%)*
Entry:	£2.1bn	**Exit:**	£2bn (-5%)

*estimated 2024 figures

Why exit Vistry?

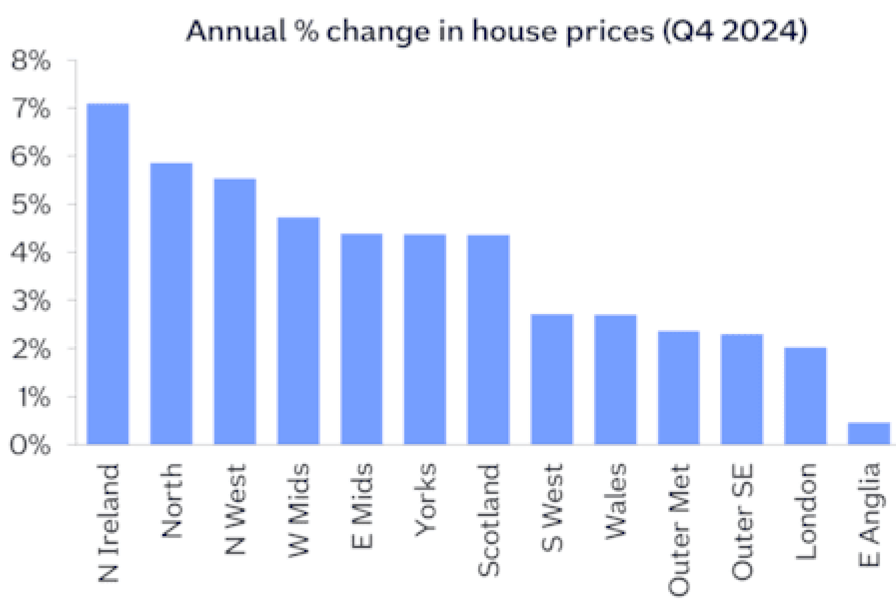
- Affordability issues in London and South England remain…
- …Higher stamp duty from April could further slowdown this market segment
- …Build cost inflation can impact margins if house prices stop rising[1]
- Uncertainty on direction of mortgage rates, as natural gas prices could spike in the summer refill season, limiting BOE's ability to cut rates
- Councils' financial positions are weak, leading to delays and cancellations of housebuilding projects[2]
- Management has not bought shares, which they've done in the past when the valuation was this low
- Short positions reached a new all-time high[3]
- The Labour government has become very quiet when it comes to housebuilding, and instead launched an AI focus and regulatory reforms to boost growth

[1] https://otp.tools.investis.com/clients/uk/taylor_wimpey1/rns/regulatory-story.aspx?cid=229&newsid=1901204
[2] https://www.southwark.gov.uk/news/2025/two-thirds-councils-fear-collapse-housing-budgets
[3] https://shorttracker.co.uk/company/GB0001859296/

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com

A combination of factors makes investment case riskier

My main argument for investing in Vistry Group has mainly been the extremely favourable demographics due to 1% population growth from 3rd world migration, which especially boosts demand for affordable housing. The 50% share price decline due to a one-off miscalculation of building costs appeared like an attractive entry point, in particular as the Labour government plans to build 370k houses a year (vs. 200-250k currently) with a focus on affordable houses. However, since November, the local councils and housing associations have struggled to get projects off the ground due to a worsening financial situation – mostly related to higher fire remediation costs and other refurbishment cost hikes. On top of that, the affordability issue that has been lingering around for a while finally became reality with house price inflation undershooting mid-single digit % build cost rises in London and the South of England. When the UK government then had very little headroom left in their self-imposed fiscal rules amidst higher bond yields[4], it became clear that the government would not be able to boost the housing sector with more funding support or changes in taxes. Given all the other bullet points mentioned above, the outlook for the UK housebuilding sector is simply too uncertain.



Source: https://www.nationwidehousepriceindex.co.uk/reports/strong-end-to-the-year-for-uk-house-prices

[4] https://x.com/EdConwaySky/status/1877025723254292725

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com

Legal Disclaimer

The contents of this publication have been prepared solely for the purpose of providing information about AozoraStep Capital LLP and the services and products it is intending to offer, which are targeted for professional investors only. The opinions and views expressed are those of AozoraStep Capital LLP, may change without notice and should not be construed as investment, tax, legal or other advice. AozoraStep Capital LLP does not guarantee the completeness and accuracy of the information provided and all content can become out of date. Products or services mentioned in this publication are subject to legal and regulatory requirements in applicable jurisdictions and may not be available in all jurisdictions. Accordingly, persons are required to inform themselves and observe any such restrictions. In respect to investments described in this document, past performance is not a guide to future performance. The value of investments and the income of any financial instruments mentioned in this document may fall as well as rise and may have tax consequences. The performance of the investment strategy of AozoraStep Capital LLP is based on a personal track record of its managing partner and approved by Sedulo for the time period Q1 2019 - Q1 2021 and by HiCloud Accounting for the time period 2020 - 2024, only with further examinations being done on an occasional basis. AozoraStep Capital LLP is currently not authorized and regulated by the FCA, and therefore, is not allowed to provide financial products and services. AozoraStep Capital LLP is registered in England and Wales with registered number OC436835. Registered Office: 21 Knightsbridge, London SW1X 7LY, United Kingdom. Reproduction or distribution of any materials obtained in this publication or linking to this publication without written permission is prohibited.

21 Knightsbridge, London SW1X 7LY
www.aozorastep.com · david@aozorastep.com