

## Buy Now, Paid Lots

by Matt Connor

Over recent years, the acronym 'BNPL' has dominated headlines due to the stratospheric rise of companies such as Klarna and Clearpay offering consumers a modern spin on a type of credit that was made popular in the twentieth century, instalment plans. Headlines associated with Buy Now, Pay Later have overwhelmingly been negative as regulators look to crack down on loose lending amid the cost-of-living crisis.

In this week's Global Matters Weekly we focus on 'BNPL' stocks; high dividend-yielding companies within our UK Equity portfolio that you can Buy Now, (and be) Paid Lots.

Our first example is Vistry Group, the UK's 'Large Housebuilder of the Year' with an estimated dividend yield of 8.8% that has grown by over 7% per annum over the last five years<sup>1</sup>. This impressive yield is coupled with an attractive valuation, trading at only 0.8x of its book value for a business that delivers double-digit return on equity.

In its latest results, Vistry delivered exceptional financial performance, growing revenue by 23% and doubling adjusted operating profit. It has since commenced a share buyback programme. The current housing market backdrop of high demand and lack of supply is overwhelmingly encouraging for Vistry, who have seen the positive momentum continue into this year and have already guided that pre-tax profit will be at the top-end of market forecasts, as a result of price increases outstripping build cost inflation.

An inflation beating dividend yield, high cash generation, and strong Environmental, Social and Governance (ESG) credentials sounds too good to be true, especially in the current high inflationary environment.

However, Diversified Energy Co ticks all those boxes with an estimated dividend yield of just shy of 12%, having grown 13% per annum over the last three years with cash conversion of 93% and a \$15m investment in reducing emissions<sup>2</sup>.

Diversified Energy owns, operates, and retires natural gas wells in the United States (US) and produces enough natural gas to meet 5.5% of daily residential US demand<sup>3</sup>. Whilst on the surface a producer of natural gas may not seem like the best ESG candidate, it is the cleanest fossil fuel and Diversified Energy has a sustainability focus at the core of its business. The company performs asset management on existing oil and gas wells, preventing additional environmental impact of drilling new wells as well as removing a large financial liability of retiring wells from the States where it operates. Diversified Energy also recently invested to focus on leak detection and well retirement, exceeding its State-obligated targets by 70% for the latter.

As rampant inflation is at the forefront of investor's minds and with yields on cash and gilts dwarfed by inflation, high-yielding and undervalued companies may provide investors with attractive returns from both an income and capital appreciation perspective.

### Sources

1 <https://www.vistrygroup.co.uk/sites/vistrygroup/files/Vistry/reports-and-presentation/2022/vistry-group-plc-full-year-results-2021-press-release-2-mar-2022.pdf>

2 [https://d1io3yog0oux5.cloudfront.net/\\_06be946258a3f3c0090041739934098b/dgoc/db/556/4557/file/DEC\\_2021\\_ANNUAL\\_REPORT\\_LOWRESWEB.pdf](https://d1io3yog0oux5.cloudfront.net/_06be946258a3f3c0090041739934098b/dgoc/db/556/4557/file/DEC_2021_ANNUAL_REPORT_LOWRESWEB.pdf)

3 [https://d1io3yog0oux5.cloudfront.net/\\_06be946258a3f3c0090041739934098b/dgoc/db/556/4564/file/Diversified\\_ESG\\_Report\\_2021\\_Final\\_Website.pdf](https://d1io3yog0oux5.cloudfront.net/_06be946258a3f3c0090041739934098b/dgoc/db/556/4564/file/Diversified_ESG_Report_2021_Final_Website.pdf)



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