

**RNS Number: 8244G**

**Bromford Housing Group**

**15 May 2019**

### **Bromford Housing Group trading update for the year ending 31 March 2019**

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the year ended ended 31 March 2019 (2019).
- Merlin Housing Society Limited (Merlin), became a Registered Provider subsidiary of BHG on 2 July 2018. Severn Vale Housing Society (Severn Vale) joined BHG on 2 January 2019 as transfer of engagements into Merlin.
- The consolidated year end performance measures set out in this document are provided for BHG inclusive of Merlin and Severn Vale. Merlin performance reflects the full twelve month period to 31 March 2019 under merger accounting rules. Severn Vale is accounted for under acquisition accounting rules with a fair value determination of assets and liabilities at 2 January 2019. Comparative metrics for 31 March 2018 (2018) are provided on the same basis of consolidation.
- These figures are **unaudited** and for information purposes only.

### **Highlights (BHG for the period ending 31 March 2019)**

- BHG own and manage **42,735 homes**
- Turnover for the period was **£257m** (2018: £221m)
- Social housing lettings turnover contributed to **76%** of total turnover (2018: 85%)
- Operating surplus (including asset sales) for the period was **£85m** (2018: £89m)
- Operating margin on social housing lettings was **35%** (2018: 40%)
- Overall operating margin (including asset sales) was **33%** (2018: 40%)
- Overall operating margin (excluding asset sales) was **31%** (2018: 35%)
- Net margin on shared ownership (first tranche) was **22%** (2018: 22%)
- Net margin on outright sales was **19%** (2018: n/a)
- The surplus after tax for the period was **£56m** (2018: £64m)
- Asset gearing as at 31 March 2019 was **39%**
- Interest cover as at 31 March 2019 was **2.0x**

### **Commenting on the results, Lee Gibson, Chief Financial Officer, said:**

“It has been a busy and successful year for the Bromford Housing Group. Merlin and Severn Vale are now fully integrated into the Group and we are pleased to now deliver the Bromford proposition to over 40,000 households. We are proud of our customer advocacy results which remain high at 89%.

We are delighted with our preliminary year end results. We have out-performed the consolidated Group budget on a number of key metrics including turnover, operating surplus and overall margin. The operating surplus has reduced slightly year-on-year, reflecting the ongoing investment we are making in our business transformation programme and neighbourhood coaching model which will ultimately drive an improved customer experience and longer term operational efficiencies and financial savings.

We have refreshed our New Homes Plan and are now targeting c.13,100 new homes by 2028, with a greater focus on social and affordable homes than in the previous plan. We delivered over 1,200 homes in the financial year and have been appointed as one of Homes England’s strategic partners with a grant award of £66m. This, combined with our continuing financial strength, will help us to make an even bigger impact in the communities where we work.”

**Imran Mubeen, Head of Treasury, added:**

“The Group now benefits from strong levels of liquidity, having successfully raised over £0.5bn of new funding in the financial year. We followed our £300m debut public bond with our inaugural £100m private placement in the US market and a new £100m RCF. We were delighted to bring new investors to Bromford.

The Group’s low leverage with significant headroom against key funding covenants, and the strength of our financial performance present effective capacity for future borrowings. We are delighted to have maintained our leading dual sector credit ratings following the recent mergers (Moody’s A1, S&P A+) and remain committed to maintain two credit ratings moving forwards.”

**Development: housing completions (31 March 2019)**

Unit type	Housing completions 31 March 2019
Social rent	270
Affordable rent	490
Shared ownership	442
Open market sales	34
<b>Total</b>	<b>1,236</b>

- BHG completed **1,236** new homes in the full year ending 31 March 2019. We expect to complete over **1,000** new homes for the financial year ending 31 March 2020.

**Development: pipeline**

- BHG plan to deliver **c. 13,100 new homes** by 2028 under its New Homes Programme. In the pursuit of this development strategy, BHG are engaging in discussion to explore joint venture arrangements with third parties to optimise commercial return with risk mitigation.

## Unaudited Financial Metrics

	31 Mar 2019	31 Mar 2019	31 Mar 2018
<b>Statement of comprehensive income</b>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Turnover from social housing lettings	£196m	£190m	£187m
Turnover	£257m	£251m	£221m
Operating surplus (including asset sales)	£85m	£82m	£89m
Surplus after tax	£56m	£44m	£64m

	31 Mar 2019	31 Mar 2019	31 Mar 2018
<b>Margins</b>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Operating margin <sup>1</sup> on social housing lettings <sup>2</sup>	35%	36%	40%
Overall operating margin <sup>3</sup> (exc asset sales)	31%	30%	35%
Overall operating margin <sup>3</sup> (inc asset sales)	33%	33%	40%
Operating margin on shared ownership (first tranche) <sup>4</sup>	22%	20%	22%
Operating margin on outright sales <sup>5</sup>	19%	17%	n/a

	31 Mar 2019
<b>Key financial ratios</b>	<i>Actual</i>
EBITDA MRI / net interest paid <sup>6</sup>	2.0x
Social housing interest cover <sup>7</sup>	1.8x
Asset gearing <sup>8</sup>	39%
Net debt per unit <sup>9</sup>	£22k

	31 Mar 2019
<b>Liquidity</b>	<i>Actual</i>
18 month liquidity requirement <sup>10</sup>	£249m
Cash and undrawn facilities <sup>11</sup>	£545m
Unencumbered stock	11,177 homes

<b>Credit ratings</b>	
Moody's	A1 (negative)
S&P	A+ (negative)

Notes:

<sup>1</sup>Operating surplus / Turnover

<sup>2</sup>General Needs, Supported housing, Affordable rent and Low cost home ownership tenures

<sup>3</sup>Operating margin including asset sales includes all activity; operating margin excluding assets removes gain or loss on disposal of assets

<sup>4</sup> Operating surplus on First tranche shared ownership sales / Turnover from first tranche shared ownership sales

<sup>5</sup>Operating surplus on outright sales / Turnover from outright sales

<sup>6</sup>(Operating surplus + Depreciation + Amortisation - Capitalised major repairs) / Net interest paid<sup>6</sup>

<sup>7</sup> (Operating surplus on Social housing lettings) / Net interest paid<sup>6</sup>

<sup>8</sup>Net Debt / Housing assets at historic cost

<sup>9</sup> Net debt / Total units owned & managed

<sup>10</sup> 18 month cashflow requirement - 20% of sales income + £25m

<sup>11</sup>Cash and undrawn RCF

This trading update contains certain forward looking statements about the future outlook for BHG. These have been prepared and reviewed by Bromford only and are unaudited. Forward looking statements inherently involve a number of uncertainties and assumptions. Although the Directors believe that these statements are based upon reasonable assumptions on the publication date, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual and audited outcomes and results to be materially different. Additionally, the information in this statement should not be construed as solicitation/recommendation to invest in Bromford's bonds

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<https://www.bromford.co.uk/investorrelations/>

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