

Bromford.

Released: 11 05 2020

RNS Number: 4693M

Bromford Housing Group

11 May 2020

Bromford Housing Group trading update for the period ending 31 March 2020

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the year ending 31 March 2020 (2020 FY).
- The consolidated year end performance measures set out for 2020 FY reflect the first full year of trading for the new group inclusive of Merlin and Severn Vale. In FY 2019, Merlin performance reflected the full twelve month period to 31 March 2019 under merger accounting rules, but Severn Vale was accounted for under acquisition accounting rules with a fair value determination of assets and liabilities at 2 January 2019.
- The preliminary 2020 FY outturn are **unaudited** and for information purposes only. The figures are largely unaffected by the coronavirus outbreak. Further assessments are currently being undertaken to understand the impact of the lockdown, further extended periods of social distancing and the subsequent resumption to regular business activity and economic recovery.
- The 2020 FY year-end audit is currently being undertaken and will include an impairment review. The associated financial impact on 2021 FY is also being considered with a revised forecast reflecting a reduction in development in the short-term; a slow-down in planned maintenance; a reduced sales programme and an increase in arrears associated with self-payers.
- Further information on BHG's response to the coronavirus outbreak can be accessed via the previous update issued on 14 April 2020 (RNS Number 5428J) , available at the following link:

<https://www.bromford.co.uk/media/11220/bromford-responding-to-the-coronavirus-pandemic-rns.pdf>

Highlights (Bromford Housing Group for the period ending 31 March 2020)

- BHG own and manage **43,466 homes** (42,735 as at 31 March 2019)
- BHG have maintained their **G1 / V1** rating further to a post-merger In Depth Assessment (IDA).
- Turnover for the period was **£270m** (2019 FY: £257m)
- Social housing turnover contributed to **81%** of total turnover (2019 FY: 78%)
- Operating surplus for the period was **£99m** (2019 FY: £83m)
- Operating margin on social housing lettings was **33%** (2019 FY: 35%)
- Overall operating margin (including asset sales) was **37%** (2019 FY: 33%)
- Overall operating margin (excluding asset sales) was **30%** (2019 FY: 30%)
- Net margin on shared ownership (first tranche) was **23%** (2019 FY: 22%)
- Net margin on outright sales was **14%** (2019 FY: 19%)
- The surplus after tax for the period was **£53m** (2019 FY: £69m)^a
- Asset gearing as at 31 March 2020 was **39%**
- Interest cover as at 31 March 2020 was **1.6x**

^a 2019 FY includes a £21m one-off adjustment for the fair value acquisition of Severn Vale. This is not repeated in 2020 FY.

Robert Nettleton, Chief Executive Officer, commented:

“It has been a successful year for Bromford as we continue to focus on our purpose, our core business and our strategic objectives. Our social housing business continues to thrive contributing over 80% of our turnover, and during the year we disposed of our entire student portfolio. We have delivered over 1,000 new homes and have continued to de-risk the plan by further increasing our focus on affordable housing. Our in house delivery is supported by our partnerships with Homes England and a number of leading developers.

The outbreak of the coronavirus has presented us with new challenges which are likely to have a near term impact on development, sales and arrears. We are confident that we are well positioned to successfully respond to these challenges. Our business plan remains agile, with the ability to re-purpose our approach to tenure and we continue to benefit from low levels of WIP of circa £50m and limited outright sale exposure. We have also undertaken significant treasury activity again this year; maintaining strong levels of liquidity, in excess of half a billion pounds, through additional facilities including our inaugural ESG linked loan and a new deferred private placement that we are due to draw in August 2020. As a result, our shadow credit ratings affirm maintenance of our baseline ratings across a number of new and adverse scenarios associated with the current lockdown.

These are clearly challenging times for people. We will continue to focus firstly on the safety and wellbeing of our customers and colleagues as we continue to work through the outbreak and emerge to resume regular operations.”

Development: housing completions (31 March 2020)

Unit Type	Housing completions 31 March 2020
Social rent	310
Affordable rent	341
Shared ownership	318
Open market sales	58
Total	1,027

- BHG completed **1,027** new homes in the full year ending 31 March 2020 (969 of which represent affordable housing tenure and 58 open market sale). In the latest Board approved budget for the financial year ending 31 March 2021, before the impact of Covid-19, we expected to complete over **1,300** new homes.

Development: pipeline

- In its latest Board approved business plan, BHG outlined an ongoing plan to deliver a further **c. 12,000 new homes** by 2028 under the remaining period of 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

Statement of comprehensive income	31 Mar 2020	31 Mar 2020	31 Mar 2019
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Turnover from social housing lettings	£218m	£218m	£201m
Turnover	£270m	£280m	£257m
Operating surplus (including asset sales)	£99m	£97m	£83m
Surplus after tax	£53m	£49m	£69m

Margins	31 Mar 2020	31 Mar 2020	31 Mar 2019
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Operating margin ¹ on social housing lettings ²	33%	36%	35%
Overall operating margin ³ (excluding asset sales)	30%	30%	30%
Overall operating margin ³ (including asset sales)	37%	35%	33%
Operating margin on shared ownership (first tranche) ⁴	23%	18%	22%
Operating margin on outright sales ⁵	14%	16%	19%

Key financial ratios

31 Mar 2020

Actual

EBITDA MRI/ net interest paid ⁶	1.6x
Social housing interest cover ⁷	1.7x
Asset gearing ⁸	39%
Net debt per unit ⁹	£24k

Liquidity

31 Mar 2020

Actual

18 month liquidity requirement ¹⁰	£322m
Cash and undrawn facilities ¹¹	£545m
Unencumbered stock	10,768 homes

Credit ratings

Moody's	A2 (stable)
S&P	A+ (stable)

Notes:

¹Operating surplus / Turnover

²General Needs, Supported housing, Affordable rent and Low cost home ownership tenures

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

⁴Operating surplus on First tranche shared ownership sales / Turnover from First tranche shared ownership sales

⁵Operating surplus on outright sales / Turnover from outright sales

⁶(Operating surplus + Depreciation + Amortisation – Capitalised major repairs) / Net interest paid

⁷Operating surplus on Social housing lettings / Net interest paid

⁸Net debt / Housing assets at historic cost

⁹Net debt / Total units owned and managed

¹⁰18 month cashflow requirement – 20% of sales income + £25m

¹¹Cash 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 or recommendation to invest in Bromford's bonds.

For further information, please contact:

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

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