Bromford.

Released: 10 May 2022
RNS Number: 0597Y
Bromford Housing Group
10 May 2022

Bromford Housing Group trading update for the period ending 31 March 2022

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the year ending 31 March 2022 (2022 FY).

- The preliminary 2022 FY outturn is **unaudited** and is provided for information purposes only. The year-end audit is currently being undertaken and will reflect fair value adjustments for properties, derivatives and pensions, which are not included in the unaudited figures, but are included in the 2021 FY audited comparators.

- A reforecast was approved by Board in November 2021 to reflect the revised annual projections for the business. Actual performance is set out against this reforecast as well as prior year comparators where appropriate.

Highlights (Bromford Housing Group for the period ending 31 March 2022)

- BHG owns and manages **45,658 homes** (44,962 at 31 March 2021) having built **1,224** new homes in the year (2021 FY: 902)
- BHG continues to benefit from a **G1 / V1** rating
- BHG has maintained its S&P **A+** rating with its outlook upgraded from negative to stable in January 2022
- BHG has maintained its Moody's **A2** (stable) rating
- BHG has disposed of **368 homes** across three local authority areas outside of its core geographies, removing its presence from these local authority areas as part of its strategic focus on core operating area
- Turnover for the period was **£284m** (2021 FY: £266m)
- Social housing lettings turnover contributed to **79%** of total turnover (2021 FY: 82%)
- Operating surplus for the period was **£113m** (2021 FY: £99m)
- Operating margin on social housing lettings was **36%** (2021 FY: 35%)
- Overall operating margin (excluding asset sales) was **32%** (2021 FY: 31%)
- Net margin on shared ownership (first tranche) was **21%** (2021 FY: 22%)
- Net margin on outright sales was **19%** (2021 FY: 16%)
- The surplus after tax for the period was **£69m** (2021 FY: £62m)
- Net arrears as at 31 March 2022 was **1.9%** (2021 FY: 1.9%)
- Asset gearing as at 31 March 2022 was **37%** (2021 FY: 39%)
- Interest cover as at 31 March 2022 was **1.7x** (2021 FY: 1.9x)

Robert Nettleton, Chief Executive Officer, commented:

“We’re pleased to report a strong set of financial results in a year when the Covid pandemic continued to provide many challenges for our customers, colleagues and stakeholders. Our primary focus throughout the year continued to be the safety and wellbeing of our customers and colleagues.

Despite the challenging environment we substantially increased our development programme delivering 1,224 new homes enabling even more customers to thrive (2021 FY: 902 new homes). 1,201 of these homes were at social and affordable tenures and we are particularly pleased to have delivered even more homes for social rent with 444 completions (2021 FY: 377).

We have been working hard to reduce the backlog of repairs which had been caused by the restrictions of the pandemic. The backlog reduced significantly at the end of the year and we expect to be back to normal levels of service by the end of June. This backlog is the predominant factor in the reduction in our customer advocacy which, on a like for like basis reduced to 81% (2021 FY: 85%).

Our sustainability agenda remains at the heart of our strategy and business plan. During the year we progressed our net zero carbon targets bringing forward our target to have all homes to EPC C by two years to 2028. In addition, our long term financial plan now includes the full cost of achieving our net zero carbon target by 2050, and remains fully compliant with our funder covenants and Financial Framework. We delivered on our year one targets set out in our two sustainability linked loans and have invested the savings into further community projects to add even more social value for our customers.

As we emerge from Covid we look forward to a future in which we continue to deliver our investment programme in new and existing homes, complete our catch-up repairs and retain our unwavering focus on enabling our customers to thrive.”

Paul Walsh, Chief Finance Officer, added:

“Against the backdrop of an increasingly difficult operating environment with rising inflation, significant volatility in the supply and cost of materials, and growing challenges around the supply of labour, we continue to deliver a strong set of financial results within the parameters of our Financial Framework.

Our social housing and operating margins have improved to 36% and 32% respectively (2021 FY: 35% and 31%) as a result of rent growth and pro-active management of our operating costs. Our net surplus remains strong at £69m (2021 FY: £62m) boosted by the strategic disposal of 368 homes which completed our withdrawal from three local authorities as we continue to rationalise our operations to focus on core geographical areas. Our strong surplus allows us to self fund a significant proportion of the investment in our new and existing homes. We maintained net arrears of less than 2% through the close working with our customers from our unique neighbourhood coach and income management teams.

We have drawn £200m of new funding in the year from our deferred funding programme and we end the year with over twice the required level of liquidity; significant headroom continuing in our gearing and interest cover covenants for future borrowing; and affirmation of our dual credit rating platform across Moody’s and S&P (A2/ A+) with both ratings now on a stable outlook.”

Development: housing completions (31 March 2022)

Unit Type	Housing completions 31 March 2022
Social rent	444
Affordable rent	350
Shared ownership	392
Open market sales	23
MyPlace (supported)	15
Total	**1,224**

- We completed 1,224 new homes in the full year ending 31 March 2022 (1,201 affordable housing tenure and 23 open market sale). Pleasingly, one in five of those new homes (253) were completed by our internal construction company Bromford Developments Limited meaning we now build more new homes ourselves for our customers than ever before. In the Board approved budget for the financial year ending 31 March 2023, we expect to complete over 1,250 new homes.

- We achieved 392 new home sales in the full year ending 31 March 2022 (350 shared ownership first tranche sales and 42 open market sales). In the Board approved budget for the financial year ending 31 March 2023, we expect to achieve over 380 sales.

Development: pipeline

- In our latest Board approved business plan, we have outlined our ongoing plan to deliver a further c.12,000 new homes by 2030 under the remaining period of our New Homes Programme. A significant proportion of these homes will be built by our in-house construction team. In support of our development strategy, Bromford Housing Group Investments Limited has been established to deliver joint ventures with private developers on large, mixed tenure development to optimise commercial return with risk mitigation. In the year, we continued our strategic partnership with Homes England securing grant funding of £240m which will support the building of 4,000 homes by 2029.

Unaudited Financial Metrics

Statement of comprehensive income	31 Mar 2022 *Actual*	31 Mar 2022 *Forecast*	31 Mar 2021 *Actual*
Turnover from social housing lettings	£225m	£225m	£219m
Turnover	£284m	£281m	£266m
Operating surplus (including asset sales)	£113m	£109m	£99m
Surplus after tax	**£69m**	**£65m**	**£62m**

Margins	31 Mar 2022 *Actual*	31 Mar 2022 *Forecast*	31 Mar 2021 *Actual*
Operating margin[1] on social housing lettings[2]	36%	35%	35%
Overall operating margin[3] (excluding asset sales)	32%	31%	31%
Overall operating margin[3] (including asset sales)	40%	39%	37%
Operating margin on shared ownership (first tranche)[4]	21%	22%	22%
Operating margin on outright sales[5]	19%	15%	16%

Key financial ratios	31 Mar 2022 *Actual*	31 Mar 2022 Forecast	31 Mar 2021 *Actual*
EBITDA MRI/ net interest paid[6]	1.7x	1.7x	1.9x
Social housing interest cover[7]	1.8	1.8	1.8
Asset gearing[8]	37%	38%	39%
Net debt per unit[9]	£25k	£26k	£24k

Liquidity	31 Mar 2022 *Actual*
18 month liquidity requirement[10]	£248m
Cash and undrawn facilities[11]	£583m
Liquidity ratio[12]	2.3x
Unencumbered stock	9,586 homes

Credit ratings	
Moody’s	A2 (stable)
S&P	A+ (stable)

Notes:

[1]Operating surplus / Turnover

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

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

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

[5]Operating surplus on outright sales / Turnover from outright sales

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

[7]Operating surplus on Social housing lettings / Net interest paid

[8]Net debt / Housing assets at historic cost

[9]Net debt / Total units owned and managed

[10]18 month cashflow requirement – 20% of sales income + £25m

[11]Cash and undrawn RCF

[12]Cash and undrawn facilities / 18 month liquidity requirement

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:

Imran Mubeen, Director of Treasury

07711 221464

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