

RNS Number: 9884R

Bromford Housing Group

11 November 2021

Bromford Housing Group trading update for the period ending 30 September 2021

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the six months ended 30 September 2021 (2021 HY).
- These figures are **unaudited** and for information purposes only.

Highlights (Bromford Housing Group for the period ending 30 September 2021)

- BHG owns and manages **45,047 homes** (44,641 as at 30 September 2020)
- BHG continues to maintain its **G1 / V1** ratings and **A+ / A2** credit ratings
- BHG has disposed of **359 homes** across **four** local authority areas outside of its core geographies, removing its presence from these local authority areas as part of a strategic focus on our core operating area
- Turnover for the period was **£142m** (2020 HY: £129m)
- Social housing turnover contributed to **79%** of total turnover (2020 HY: 85%)
- Operating surplus for the period was **£64m*** (2020 HY: £46m)
- Operating margin on social housing lettings was **36%** (2020 HY: 35%)
- Overall operating margin (including asset sales) was **45%*** (2020 HY: 35%)
- Overall operating margin (excluding asset sales) was **33%** (2020 HY: 32%)
- Net margin on shared ownership (first tranche) was **23%** (2020 HY: 26%)
- Net margin on outright sales was **18%** (2020 HY: 14%)
- The surplus after tax for the period was **£42m*** (2020 HY: £25m)
- Asset gearing as at 30 September 2021 was **38%** (2020 HY: 38%)
- Interest cover as at 30 September 2021 was **1.9x** (2020 HY: 2.1)

**Performance metrics are higher as all of the strategic disposals for the financial year ending 31 March 2022 completed by 30 September 2021, delivering £11m of operating surplus for the period. These performance metrics are therefore expected to normalise for the full year position as no further significant strategic disposals are expected before 31 March 2022.*

Commenting on the results, Robert Nettleton, Chief Executive Officer, said:

“We are pleased to report a strong set of financial results alongside our continued clear purpose of enabling customers to thrive in what has been a challenging operating environment.

Alongside our financial results we are pleased to have maintained a customer advocacy rating of over 80%. We have focussed heavily on Covid catch up repairs and addressing issues of condensation, damp, and mould which have affected around 0.5% of our homes. We have continued to focus on ensuring our homes are safe and have completed our work to be compliant with the Fire Safety Act ahead of schedule.

We are very pleased to maintain our status as a strategic partner of Homes England, securing a further £240m of grant funding to deliver 4,000 new grant funded affordable homes. This will continue to support our overall delivery of 11,795 new homes by 2029, and further de-risks our new homes plan with over 90% of our new

homes now at affordable tenure, and significantly more social rent. We have delivered 502 new homes in the period, slightly down on our plan due to the operating environment challenges.

We continue to pursue our ESG strategy; with over 84% of our homes already at EPC C, we continue to proactively identify further carbon reduction measures and have increased our fleet of electric vans to 72. As part of a broader Equality, Diversity and Inclusion agenda, we have partnered with a number of other leading housing associations to launch a Future Leaders Programme to support and mentor colleagues from minority backgrounds.

With rising inflation, the road to decarbonisation, fire safety and an ever-increasing focus on our existing homes, coupled with continued growing demand for affordable housing, the sector has a number of challenges to address over the coming years. We continue to deliver a focussed Corporate Strategy with strong financials to meet these challenges with the rigour and purpose they deserve.”

Paul Walsh, Chief Finance Officer, said:

“I am delighted to have presided over my first half year period as CFO.

We have continued to deliver a strong financial performance within the parameters of our Financial Framework. Our social housing margin has grown to 36%, with efficiencies in our operating model and rent inflation successfully offsetting the rise in catch up repairs.

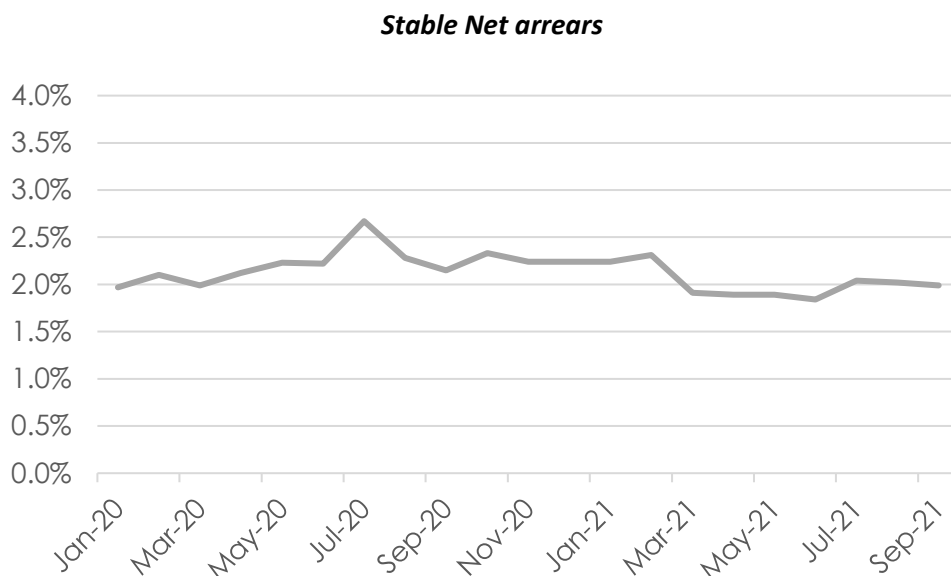
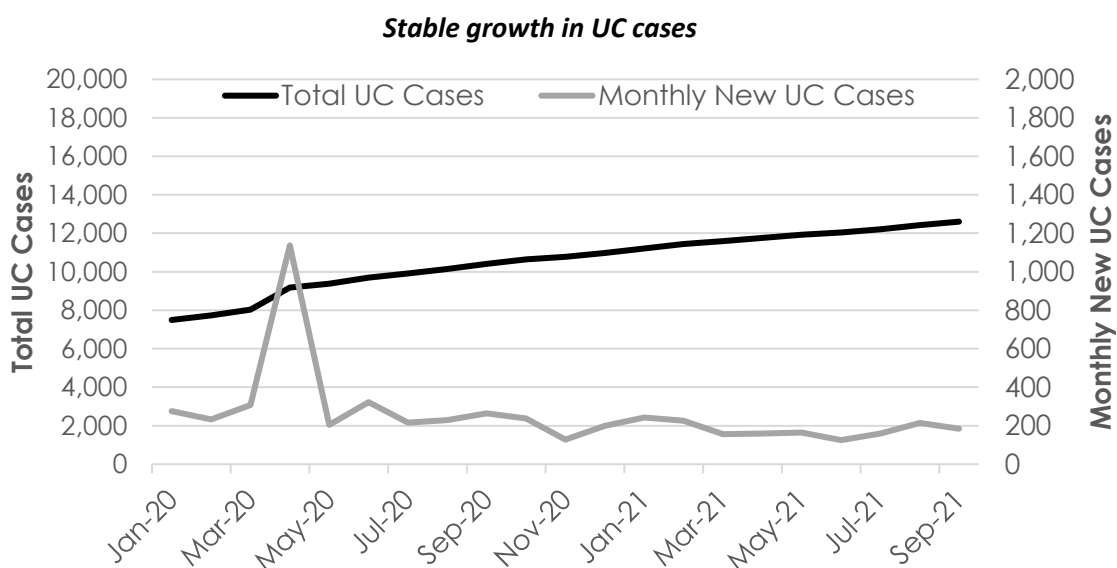
We continue to deliver a strong operational performance, maintaining net arrears of 2% through proactive engagement with customers from our neighbourhood coaches and income collection colleagues. We have also seen improvements in voids at 1.45%.

We are delighted with our sales performance; delivering the full year budget of outright sales in the first half of the year. Importantly, we haven’t built up a significant level of work in progress. At 30 September, we held only 65 unsold units of which only 18 units have remained unsold for over six months, five fewer than at 31 March 2021. We have also disposed of a further 359 homes across four local authority areas outside of our core geographies, effectively meeting our target for the year as expected by September, and at higher values than budgeted and driving up our year-on-year surplus by £18m.

Our strong levels of liquidity (2.5x when we draw our deferred funding) continues to serve our new homes aspiration, and our inaugural Sustainable Finance Framework will form the basis of our first sustainable bond when we return to the capital markets.”

Continued strong rent collection:

- BHG had **c.12,600** Universal Credit (UC) cases at 30 September 2021 (72% of the total 17,500 expected cases after full roll-out).
- The base number of new monthly UC cases has continued at circa 200 across April to September 2021.
- Net arrears have continued to reflect strong rent collection performance and are stable at 2021 HY at **2.0%**.
- BHG’s continued active management with pre-emptive action to support customers through transition has resulted in consistent, strong levels of rent collection.



Development: housing completions and pipeline (2021 HY)

Unit Type	Housing completions 2021 HY
Social rent	186
Affordable rent	127
Shared ownership	166
Open market sales	23
Total	502

- BHG expects to complete over **1,200** new homes for the financial year ending 31 March 2022; having completed **502** new homes in the first half of the year (479 of which represent affordable housing tenure and 23 open market sale).
- BHG continues to plan to deliver **11,795 new homes** by 2029 under its New Homes Programme. In the pursuit of this development strategy, BHG continues to engage in discussions to explore joint venture arrangements with third parties to optimise commercial return with risk mitigation.

Sales: performance and unsold stock (2021 HY)

Unit Type	Sales 2021 HY
First Tranche Shared Ownership	133
Open market sales	36
Total	169

- BHG has completed **169** sales in 2021 HY; reflecting **25** more homes and generating **£9m** additional turnover than budgeted. BHG expects to complete **340 - 380** sales for the financial year ending 31 March 2022.
- BHG holds **65** unsold units at 30 September 2021, which is comparable to the position at 31 March 2021. BHG only holds **18** units which have remained unsold for over six months, **five** fewer than at 31 March 2021.

Unaudited Financial Metrics

Statement of comprehensive income	30-Sep-21	30-Sep-21	30-Sep-20
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Turnover from social housing lettings	£112m	£113m	£110m
Turnover	£142m	£134m	£129m
Operating surplus (including asset sales)	£64m	£55m	£46m
Surplus after tax	£42m	£33m	£25m

Margins	30-Sep-21	30-Sep-21	30-Sep-20
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Operating margin ¹ on social housing lettings ²	36%	37%	35%
Overall operating margin ³ (excluding asset sales)	33%	34%	32%
Overall operating margin ³ (including asset sales)	45%	41%	35%
Operating margin on shared ownership (first tranche)	23%	20%	26%
Operating margin on outright sales ⁵	18%	15%	14%

Key financial ratios	30-Sep-21	30-Sep-21	30-Sep-20
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
EBITDA MRI/ net interest paid ⁶	1.9x	1.8x	2.1x
Social housing interest cover ⁷	1.8x	1.9x	1.8x
Asset gearing ⁸	38%	38%	38%
Net debt per unit ⁹	£25k	£25k	£24k

Liquidity	30-Sep-21
	<i>Actual</i>
18 month liquidity requirement ¹⁰	£272m
Cash and undrawn facilities ¹¹	£584m
Liquidity Ratio ¹²	2.2x
Liquidity Ratio including deferred funding ¹³	2.5x
Unencumbered stock	8,169 homes

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

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

¹²Cash and undrawn facilities / 18 month liquidity requirement

¹³Cash and undrawn facilities (including deferred funding) / 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 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/>