RNS Number: 9877E

Bromford Housing Group

11 November 2020

Bromford Housing Group trading update for the period ending 30 September 2020

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the six months ending 30 September 2020 (2020 HY).

- Steve Dando was appointed Chair of the Board on 1 April 2020, having previously served on the Board since 24 November 2015.

- There have been no changes to the Group structure in the period.

- These figures are **unaudited** and for information purposes only.

Highlights (Bromford Housing Group for the period ending 30 September 2020)

- BHG own and manage **44,641 homes** (44,480 as at 31 March 2020)
- BHG continue to maintain their **G1 / V1** rating
- BHG have disposed of **69 homes** in two non-core local authorities
- Turnover for the period was **£129m** (2019 HY: £137m)
- Social housing turnover contributed to **85%** of total turnover (2019 HY: 79%)
- Operating surplus for the period was **£46m** (2019 HY: £50m)
- Operating margin on social housing lettings was **35%** (2019 HY: 35%)
- Overall operating margin (including asset sales) was **35%** (2019 HY: 37%)
- Overall operating margin (excluding asset sales) was **32%** (2019 HY: 33%)
- Net margin on shared ownership (first tranche) was **26%** (2019 HY: 21%)
- Net margin on outright sales was **14%** (2019 HY: 15%)
- The surplus after tax for the period was **£25m** (2019 HY: £30m)
- Asset gearing as at 30 September 2020 was **38%**
- Interest cover as at 30 September 2020 was **2.1x**

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

"These are clearly challenging and uncertain times for people. We have and continue to focus on the safety and wellbeing of our customers and colleagues as we deliver our strategy and work through the impact of the coronavirus outbreak.

We are proud to announce another period of strong performance. We continue to focus on our core business of social housing, which met budget and contributed to 85% of our turnover for the period. Our dedicated neighbourhood coaching model is effectively managing rent collection. Whilst we saw a natural peak in arrears following a spike in UC applications at the onset of the national lockdown, we have worked with our customers and supported them through transition to effectively bring net arrears back down to pre-Covid levels of c.2%. We will continue to provide pro-active support to customers as government support for household income reduces and employment is expected to rise. We will also continue to operate regular Executive meetings to anticipate and respond to new developments and changing government policy surrounding Covid-19."

Lee Gibson, Chief Finance Officer, said:

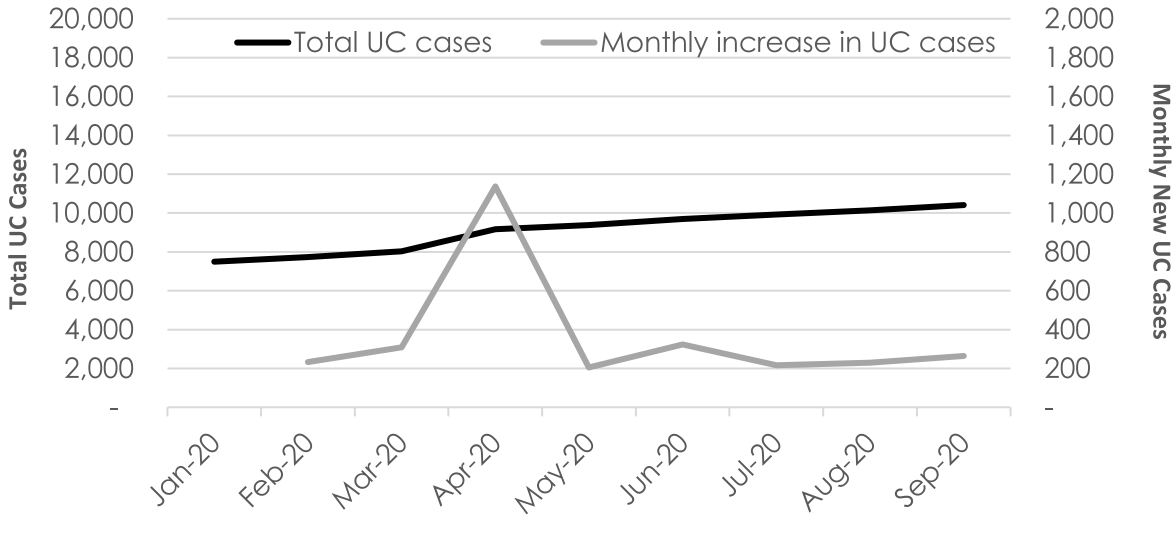
"Our pro-active approach to development saw us back on all land led and partner sites by the end of June 2020 and we are on track to deliver 1,000 new homes by the year-end, circa 90% of which will be social and affordable tenures. As lockdown restrictions created a break in our sales activity, we anticipated a lower sales out-turn for the period and for the year. This is the key driver for our operating surplus being under budget for the period. We have revamped our sales strategy with a new digital platform offering virtual viewings, and are pleased that sales have now returned to pre-Covid levels of c.30 homes a month. This has allowed us to avoid any inventory build up with 72 unsold units across shared ownership and market sale at 30 September 2020; 39 of which are now sold or reserved leaving 33 units unsold versus 116 at 31 December 2019. We expect the improvement in sales to continue for the rest of the year as we deliver closer to budgeted levels."

Imran Mubeen, Head of Treasury, added:

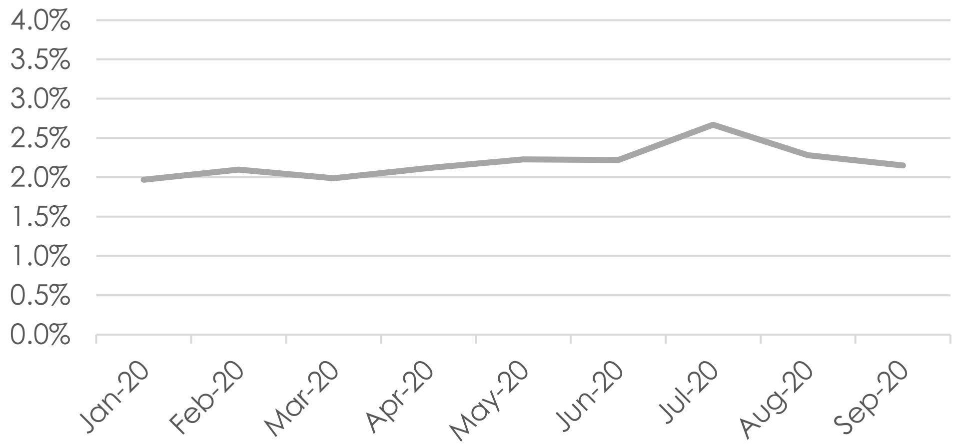
"We are delighted to have once again maintained our Moody's rating despite the current market uncertainty and the agency's recent downgrade of the sovereign. Our strong liquidity position reflects our pro-active approach in securing future funding to leverage the low rate environment. We are delighted to have issued a further £200m of funding in the period through two new deferred deals at record low coupons, which will support our future development aspirations. We have further optimised our loan book and are pleased to be introducing a fourth RCF provider to support our liquidity requirements. This new loan will also build on the success of our inaugural SLL established earlier in the year, and we look forward to launching our ESG framework by the year end."

<u>Rent collection during Covid-19:</u>

Rise in Universal Credit (UC) cases



Net arrears



- BHG had **c.10,400** UC cases at 30 Sept 2020 (60% of the total 17,500 expected cases after full roll-out).

- The base number of new UC cases monthly is 200-300 but there was a significant spike in April 2020 with 1,100 new UC cases due to Covid-19.

- Pre Covid-19 net arrears were c.2.0%. There was a rise to a peak of 2.7% in July 2020 following the lag from the rise in UC applications.

- Active management with pre-emptive action to support customers through transition has seen a reduction with performance now closer to pre-Covid. The bad debt cost for 2020/21 is not expected to be material to the budgeted operating surplus of c.£100m.

<u>Development: housing completions and pipeline (2020 HY)</u>

Unit Type	**Housing completions 2020 HY**
Social rent	59
Affordable rent	130
Shared ownership	83
Open market sales	11
Total	**283**

- BHG expect to complete approximately **1,000** new homes for the financial year ending 31 March 2021; having completed **283** new homes (272 of which represent affordable housing tenure and 11 open market sale) with a further **550** new homes approved and contracted in the financial year to date.

- BHG continue to plan to deliver **c. 12,000 new homes** by 2029 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

Statement of comprehensive income	30 Sep 2020 *Actual*	30 Sep 2020 *Budget*	30 Sep 2019 *Actual*
Turnover from social housing lettings	£110m	£110m	£108m
Turnover	£129m	£138m	£137m
Operating surplus (including asset sales)	£46m	£54m	£50m
Surplus after tax	**£25m**	**£34m**	**£30m**

Margins	30 Sep 2020 *Actual*	30 Sep 2020 *Budget*	30 Sep 2019 *Actual*
Operating margin[1] on social housing lettings[2]	35%	36%	35%
Overall operating margin[3] (excluding asset sales)	32%	31%	33%
Overall operating margin[3] (including asset sales)[A]	35%	40%	37%
Operating margin on shared ownership (first tranche)[4]	26%	22%	21%
Operating margin on outright sales[5]	14%	12%	15%

[A] *Lower overall operating margin due to timing of gains on disposal, with a lower gain in the period expected to recover by 31 March 2021.*

Key financial ratios	30 Sep 2020 *Actual*
EBITDA MRI/ net interest paid[6]	2.1x
Social housing interest cover[7]	1.8x
Asset gearing[8]	38%
Net debt per unit[9]	£24k

Liquidity	30 Sep 2020 *Actual*
18 month liquidity requirement[10]	£282m
Cash and undrawn facilities[11]	£560m
Unencumbered stock	10,913 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

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.

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