

RNS Number: 7462T

Bromford Housing Group

18 November 2019

Bromford Housing Group trading update for the period ending 30 September 2019

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the six months ending 30 September 2019 (2019 HY).
- There have been no changes to the Group structure in the period, with Merlin Housing Society Limited (Merlin) and Severn Vale Housing Society (Severn Vale) joining the Group in FY 2018/19. The HY 2018 figure comparators include Merlin who joined the Group in July 2018, but not Severn Vale who joined the Group later in January 2019.
- These figures are **unaudited** and for information purposes only.

Highlights (Bromford Housing Group for the period ending 30 September 2019)

- BHG own and manage **42,944 homes** (42,735 as at 31 March 2019)
- BHG have maintained their **G1 / V1** rating further to a post-merger In Depth Assessment (IDA).
- BHG have entered into a strategic partnership with Homes England, securing **£66m** of grant funding
- BHG have disposed of **86 homes** in Newcastle under Lyme and Staffordshire Moorlands, effectively removing presence from these local authority areas as part of our strategic focus on our Top 4 areas
- Turnover for the period was **£137m** (2018 HY: £124m)
- Social housing turnover contributed to **79%** of total turnover (2018 HY: 78%)
- Operating surplus for the period was **£50m** (2018 HY: £46m)
- Operating margin on social housing lettings was **35%** (2018 HY: 41%)
- Overall operating margin (including asset sales) was **37%** (2018 HY: 37%)
- Overall operating margin (excluding asset sales) was **33%** (2018 HY: 34%)
- Net margin on shared ownership (first tranche) was **21%** (2018 HY: 21%)
- Net margin on outright sales was **15%** (2018 HY: 20%)
- The surplus after tax for the period was **£30m** (2018 HY: £28m)
- Asset gearing as at 30 September 2019 was **39%**
- Interest cover as at 30 September 2019 was **2.2x**

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

“It has been another successful period for the Bromford Housing Group as we pursue our new Corporate Strategy. We continue to focus on our core business of social housing which contributes to almost 80% of turnover and we are pleased to have delivered to budget once again. We have also rationalised our geographical focus, undertaking strategic disposals programmes to extricate from two local authority areas. We will undertake further stock rationalisation as we focus our delivery to our Top 4 areas.

We continue to pursue our ambition of delivering 13,100 new homes by 2028 and have de-risked our approach to development through our strategic partnership with Homes England and also through working with a number of leading developers through the Bromford Construction Partnership. We have completed 497

homes over the past six months and remain on track to meet this year’s delivery target. We are aware that market sales are down against budget due to a re-profiling our sales activity and we would expect to recover most of this in the period to 31 March 2020.”

Imran Mubeen, Head of Treasury, added:

“The period saw the expected regrade of our Moody’s rating to A2 to align with the development aspirations and associated borrowings in our new business plan. We continue to benefit from one of the strongest dual credit rating platforms in the sector, which we will pro-actively monitor and maintain through internal shadow credit rating on all future Group business plans. After the regrade, the strength of our credit profile and the headroom in our existing interest cover and metrics was once again realised in the issue of our third bond at sector leading rates in 18 months.

We continue to benefit from strong levels of liquidity and look forward to working with funders and investors to maintain this position. We continue to rationalise and optimise our existing loan book and we are also pro-actively pursuing our ESG agenda to issue ESG linked debt in the near future.”

Development: housing completions (2019 HY)

Unit Type	Housing completions 2019 HY
Social rent	121
Affordable rent	149
Shared ownership	181
Open market sales	46
Total	497

- BHG expect to complete more than **1,000** new homes for the financial year ending 31 March 2020; having completed **497** new homes in the financial year to date (451 of which represent affordable housing tenure and 46 open market sale).
- BHG entered into a strategic partnership with Homes England in April 2019, securing **£66m** of grant funding, enabling us to work together to achieve our ambitious development programme target. We are currently on track to deliver **c. 1,400** new homes committed through the partnership in the period to 31 March 2024.
- BHG have also launched the Bromford Construction Partnership, a collaboration worth £160m with four construction partners (EG Carter, Speller Metcalfe, Lovell and Galliford Try) to deliver up to 400 new homes per year and has entered into a partnership with Taylor Wimpey to deliver 455 new homes at the Innsworth site in Gloucestershire.

Development: pipeline

- BHG continue to 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

Statement of comprehensive income	30 Sep 2019	30 Sep 2019	30 Sep 2018
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Turnover from social housing lettings	£108m	£107m	£97m
Turnover	£137m	£147m	£124m
Operating surplus (including asset sales)	£50m	£52m	£46m
Surplus after tax	£30m	£28m	£28m

Margins	30 Sep 2019	30 Sep 2019	30 Sep 2018
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Operating margin ¹ on social housing lettings ²	35%	35%	41%
Overall operating margin ³ (excluding asset sales)	33%	31%	34%
Overall operating margin ³ (including asset sales)	37%	35%	37%
Operating margin on shared ownership (first tranche) ⁴	21%	17%	21%
Operating margin on outright sales ⁵	15%	15%	20%

Key financial ratios	30 Sep 2019
	<i>Actual</i>
EBITDA MRI/ net interest paid ⁶	2.2x
Social housing interest cover ⁷	1.8x
Asset gearing ⁸	39%
Net debt per unit ⁹	£24k

Liquidity	30 Sep 2019
	<i>Actual</i>
18 month liquidity requirement ¹⁰	£345m
Cash and undrawn facilities ¹¹	£601m
Unencumbered stock	10,182 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

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.

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