

RNS Number: 8244G

Bromford Housing Group

8 November 2018

Bromford Housing Group trading update for the period ending 30th September 2018.

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the six months ended 30 September 2018 (2018 HY).
- Merlin Housing Society Limited (Merlin), became a Registered Provider subsidiary of BHG on 2 July 2018.
- The consolidated performance measures set out in this document are inclusive of the full six months of Merlin's performance to 30 September 2018, as the year end results will be consolidated on a full twelve-month basis under merger accounting rules. Comparative metrics for 30 September 2017 (2017 HY) are also shown on a consolidated basis in the same manner.
- These figures are unaudited and for information purposes only

Highlights (Bromford Housing Group for the period ending 30th September 2018)

- BHG own and manage **37,274 units** (as at 31 Mar 2018)
- Turnover for the period was **£124m** (2017 HY: £108m)
- Social housing turnover contributed to **c.80%** of total turnover
- Operating surplus for the period was **£46m** (2017 HY: £50m)
- Operating margin on social housing lettings was **41%** (2017 HY: 42%)
- Overall operating margin was **37%** (2017 HY: 46%)
- Net margin on shared ownership (first tranche) was **21%** (2017 HY: 35%)
- Net margin on outright sales was **20%** (2017 HY: n/a)
- The surplus for the period was **£28m** (2017 HY: £35m)
- Asset gearing as at 30 Sep 2018 was **33%**
- Interest cover as at 30 Sep 2018 was **2.73x**

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

"Bromford is delighted to announce another set of solid results, out-performing the consolidated Group budget on a number of key metrics including our operating surplus and operating margin. The surplus has reduced slightly year-on-year, reflecting the ongoing investment we are making in our business transformation programme and neighbourhood coaching model which will ultimately drive an improved customer experience and longer term operational efficiencies and financial savings.

The performance of the core social housing business has been further enhanced by the addition of Merlin to the Group. The year-on-year increase in turnover reflects the successful completion of almost 600 new residential homes and we are on course to meet our target of 1,300 for the financial

year. We continue to develop a modest number of homes for open market sale in line with regional demand in the Midlands and South West geography.

The Group continues to benefit from low leverage (asset gearing 33%) and significant headroom against key funding covenants, demonstrating our capacity for additional borrowing to fund our New Homes Plan aspiration of 14,000 homes over a ten-year period.

We were delighted to see the strength of our financial performance reflected in the issue of our £300m debut public bond. We were also pleased to retain our sector leading credit ratings (Moody's A1, S&P A+) which were assessed again following the merger with Merlin."

In a joint statement, CEO Philippa Jones and CEO designate Robert Nettleton, said:

"The new organisation allows us to combine our financial strength to make an even bigger impact in the communities where we work.

The newly-shaped Bromford will enable us to build the crucial homes to help solve the UK's housing crisis and, even more importantly, allow us to extend the benefits and expertise of our newly-combined teams, including our neighbourhood coaching approach, to even more people and communities.

Against the backdrop of this organisational change, we are pleased to have out-performed budget for the first half of the year. We look forward to continued strong performance as we approach the financial year end in 2019 which will hopefully see the addition of Severn Vale into the group as we grow to managing over 40,000 homes."

Development: housing completions (2018 HY)

Unit type	Housing completions 2018 HY
Social rent	98
Affordable rent	259
Shared ownership	207
Open market sales	33
Total	597

- BHG expect to complete more than **1,300** new residential units for the financial year ending 31 March 2019; having completed **597** residential units in the financial year to date (564 of which represent social housing tenure and 33 open market sale).
- BHG expect to commence a total of **c.1,100** new residential units in the financial year ending 31 March 2019, with **387** new residential units having already commenced in the six months to 30 September 2018.
- BHG are pleased to confirm that customers have taken up residency in our inaugural retirement living scheme School Gardens, Tan Lane, Stourport.

Development: pipeline

- BHG plan to deliver c. **14,000 new homes** over a ten-year period 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 2018 Actual	30 Sep 2018 Budget	30 Sep 2017 Actual
Turnover from social housing lettings	£97m	£96m	£95m
Turnover	£124m	£120m	£108m
Operating surplus	£46m	£43m	£50m
Surplus after tax	£28m	£25m	£35m

Margins	30 Sep 2018 Actual	30 Sep 2018 Budget	30 Sep 2017 Actual
Operating margin ¹ on social housing lettings ²	41%	40%	42%
Overall operating margin ³ (including asset sales)	37%	36%	46%
Operating margin on shared ownership (first tranche) ⁴	21%	21%	35%
Operating margin on outright sales ⁵	20%	14%	N/A

Key covenants	30 Sep 2018 Actual
EBITDA MRI / net interest paid ⁶	2.73
Social housing interest cover ⁷	2.39
Asset gearing ⁸	33%
Net debt per unit ⁹	£20k

Liquidity	30 Sep 2018 Actual
18 month liquidity requirement ¹⁰	£234m
Cash and undrawn facilities ¹¹	£515m
Unencumbered stock	9,783 units

Credit ratings

Moody's	A1 (negative)
S&P	A+ (negative)

Notes:

¹Operating surplus / Turnover

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

³All activity

⁴ Operating 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 paid⁶

⁷ (Operating surplus on Social housing lettings + Depreciation + Amortisation + Capitalised major repairs) / Net interest paid⁶

⁸Net Debt / Housing assets at historic cost

⁹ Net debt / Total units owned & managed

¹⁰ 18 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 info in this statement should not be construed as solicitation/recommendation to invest in Bromford's bonds

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