

Bromford.

Released: 10 May 2021

RNS Number: 0597Y

Bromford Housing Group

10 May 2021

Bromford Housing Group trading update for the period ending 31 March 2021

- Bromford Housing Group (BHG) is today issuing its consolidated trading update for the year ending 31 March 2021 (2021 FY).
- The preliminary 2021 FY outturn is **unaudited** and is provided for information purposes only. The year-end audit is currently being undertaken and will include an impairment review and reflect fair value adjustments for properties, derivatives and pensions, which are not included in the unaudited figures, but are included in the 2020 FY audited comparators.
- Given the nature of the pandemic and the significant impact on development activity, a reforecast was approved by Board in October 2020 to reflect the revised annual projections for the business. Actual performance is therefore set out against this reforecast.

Highlights (Bromford Housing Group for the period ending 31 March 2021)

- BHG own and manage **44,962 homes** (44,480 as at 31 March 2020)
- BHG continue to benefit from a **G1 / V1** rating
- BHG have maintained credit ratings of Moody's A2 and S&P A+
- BHG have disposed of **307 homes** across six local authority areas outside of our core geographies, removing our presence from these local authority areas as part of our strategic focus on our core operating area
- Turnover for the period was **£266m** (2020 FY: £271m)
- Social housing turnover contributed to **85%** of total turnover (2020 FY: 78%)
- Operating surplus for the period was **£98m** (2020 FY: £97m)
- Operating margin on social housing lettings was **35%** (2020 FY: 32%)
- Overall operating margin (including asset sales) was **37%** (2020 FY: 36%)
- Overall operating margin (excluding asset sales) was **31%** (2020 FY: 30%)
- Net margin on shared ownership (first tranche) was **22%** (2020 FY: 26%)
- Net margin on outright sales was **16%** (2020 FY: 10%)
- The surplus after tax for the period was **£56m** (2020 FY: £49m)
- Net arrears as at 31 March 2021 was **1.9%** (2020 FY: 2.0%)
- Asset gearing as at 31 March 2021 was **38%** (2020 FY: 40%)
- Interest cover as at 31 March 2021 was **1.8x** (2020 FY: 1.7x)

Robert Nettleton, Chief Executive Officer, commented:

“The Covid-19 pandemic resulted in an unprecedented year of challenge and change for customers, colleagues and stakeholders. Our primary focus throughout the past year was on the safety and wellbeing of colleagues and customers.

Given the challenges, including the ability to deliver our full investment programme, we are very pleased to report that our customer advocacy improved by over 3% to 85.1% and arrears reduced to under 2%. We have achieved this whilst improving our social housing margin by 3% to 35% as a result of rent growth and operational synergies following our mergers.

We pro-actively resumed development activity after the first lockdown and are pleased to have completed over 900 new homes in the year, the vast majority of which are at social and affordable tenures. Whilst new home sales activity was down by 22% on the previous year as a result of the restrictions during the first three months of the financial year, we ended the year with only 45 completed homes unsold (2020 FY: 103 homes).

Our sustainability agenda continues to be a high strategic priority. During the year we established our baseline carbon emissions position and finalised our inaugural accredited Sustainability Finance Framework which will drive a number of initiatives including meeting SAP C ratings across all our homes by 2030.

As the UK’s successful vaccine rollout continues and further restrictions lift, we look forward to the future in which we will deliver our full investment programme, complete our catch-up repairs and retain our unwavering focus on enabling our customers to thrive.”

Imran Mubeen, Director of Treasury, commented

“We continue to place ESG at the forefront of our corporate and treasury activity, successfully achieving external accreditation for our Sustainability Finance Framework which will soon be published. We are especially proud of our new £75m revolving credit facility with SMBC which establishes our second Sustainability Linked Loan, the first in the sector linked to Governance, and generates interest savings as we successfully reduce our gender pay gap.

We have continued our pro-active approach to new funding and returned to the capital markets twice to leverage the low rate environment and generate £200m through new record low coupons, both on a deferred basis. This funding will be drawn in May 2021 and January 2022, providing us with the certainty of funding as we emerge from the pandemic to deliver more homes.

We end the year with over twice the level of required liquidity, with significant headroom continuing in our gearing and interest cover covenants for future borrowing, and with the affirmation of our dual credit rating platform across Moody’s and S&P (A2/ A+).”

Development: housing completions (31 March 2021)

Unit Type	Housing completions 31 March 2021
Social rent	392
Affordable rent	273
Shared ownership	210
Open market sales	27
Total	902

- BHG completed **902** new homes in the full year ending 31 March 2021 (875 affordable housing tenure and 27 open market sale). In the Board approved budget for the financial year ending 31 March 2022, we expect to complete over **1,200** new homes.
- BHG achieved **295** new home sales in the full year ending 31 March 2021 (258 shared ownership first tranche sales and 37 open market sales). BHG's proactive sales strategy through the pandemic with a revamp of the sales website to offer virtual viewings and sharper response times to enquiries enabled sales to recover towards pre-Covid levels by the end of the year. In the Board approved budget for the financial year ending 31 March 2022, we expect to achieve over **350** sales.

Development: pipeline

- In its latest Board approved business plan, BHG outlined an ongoing plan to deliver a further **c. 11,000 new homes** by 2029 under the remaining period of its New Homes Programme. In the pursuit of this 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. BHG are also in the process for applying for the Government's Affordable Homes Programme 2021 to 2026, which would further mitigate risk in the development strategy.

Unaudited Financial Metrics

Statement of comprehensive income	31 Mar 2021	31 Mar 2021	31 Mar 2020
	<i>Actual</i>	<i>Forecast</i>	<i>Actual</i>
Turnover from social housing lettings	£225m	£226m	£212m
Turnover	£266m	£262m	£271m
Operating surplus (including asset sales)	£98m	£98m	£97m
Surplus after tax	£56m	£56m	£48m

Margins	31 Mar 2021	31 Mar 2021	31 Mar 2020
	<i>Actual</i>	<i>Forecast</i>	<i>Actual</i>
Operating margin ¹ on social housing lettings ²	35%	35%	32%
Overall operating margin ³ (excluding asset sales)	31%	32%	30%
Overall operating margin ³ (including asset sales)	37%	37%	36%
Operating margin on shared ownership (first tranche) ⁴	22%	20%	26%
Operating margin on outright sales ⁵	16%	14%	10%

Key financial ratios	31 Mar 2021	31 Mar 2021	31 Mar 2020
	<i>Actual</i>	<i>Forecast</i>	<i>Actual</i>
EBITDA MRI/ net interest paid ⁶	1.8x	1.8x	1.7x
Social housing interest cover ⁷	1.6x	1.6x	1.7x
Asset gearing ⁸	38%	38%	40%
Net debt per unit ⁹	£24k	£24k	£24k

Liquidity	31 Mar 2021
	<i>Actual</i>
18 month liquidity requirement ¹⁰	£194m
Cash and undrawn facilities ¹¹	£501m
Liquidity ratio ¹²	2.6x
Unencumbered stock	9,142 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

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/>

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END