**Housing 21**

**Trading update for the six months ended 30 September 2021**

Housing 21 is today issuing a trading update for the six months ended 30 September 2021 which includes various financial and operational information. The financial information is unaudited and provided for information purposes only.

Commenting on Housing 21’s performance in the first half of the current year, Andy Howarth, Chief Financial Officer, said:

“The first half of 2021/22 has seen a return to more normal operating conditions with the effects of the Covid pandemic moderating compared to last year. Our development programme is back on track and performing in line with expectations. Surplus is on budget and we expect this steady performance to continue to the end of the year.”

**Highlights**

* We completed a net 404 properties in the period taking our overall property portfolio to 21,951 owned and/or managed properties (31 March 2021: 21,547)
* Turnover increased 11.5% to £109.3 million (2020: £98.0 million)
* Operating surplus(1) was down 15.7% to £16.6 million (2020: £19.7 million)
* Gearing as at 30 September 2021 was 34.4% (31 March 2021: 34.8%)(2)
* EBITDA-MRI interest cover(3) was 128% (2020: 222%)
* Liquidity horizon currently extends to February 2024

Notes

1. Operating surplus includes first tranche and outright sales of newly developed properties but excludes other gains on property sales.
2. Gearing calculated using the Regulator of Social Housing’s gearing metric; adjusting for the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited, gearing was 31.9% (31 March 2021: 32.2%).
3. EBITDA-MRI interest cover is in respect of the 6 months ended 30 September.

**Conference call for the credit community to be hosted by**

Tony Tench, Deputy Chief Executive; and Andy Howarth, Chief Financial Officer

**29 November 2021, 2.00pm** (UK time)

and will also be available from 9.00am today by clicking on the ‘Investors presentation’ tab at

[Housing 21 - Housing 21 - Investors corporate reports](https://www.housing21.org.uk/corporate/investors/corporate-reports/)

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| **To join the roadshow:** | URL: [https://dealroadshow.com](https://dealroadshow.com/)Entry code: HOUSE21Direct link: <https://dealroadshow.com/e/HOUSE21> |
| **If you are unable to join via the roadshow, you may dial into one of the numbers opposite to connect to a Live Operator** | +44 203-925-3582or +44 333-016-4329Conference ID: 83933 |
| **Investor enquiries**andy.howarth@housing21.org.uk  | **Media enquiries**communications@housing21.org.uk  |

**Disclaimer**

These materials have been prepared by Housing 21 solely for use in publishing and presenting its results in respect of the six months ended 30 September 2021. For the purposes of this disclaimer, "materials" shall mean the results press release and related investor presentation slides dated 29 November 2021, the oral presentation of the slides by Housing 21 and related question-and-answer session and any materials distributed at, or in connection with, that presentation.

These materials do not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire securities of Housing 21 in any jurisdiction or an inducement to enter into investment activity. No part of these materials, nor the fact of their distribution, should form the basis of, or be relied on or in connection with, any contract or commitment or investment decision whatsoever. Neither should the materials be construed as legal, tax, financial, investment or accounting advice.

These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Housing 21 that are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Housing 21's control.

**Operating review**

The first half of 2021/22 has seen a return to more normal operating conditions with performance in line with budgets and performance plans. Our care services have seen a gradual increase in activity to over 38,000 hours of care per week delivered to our residents, which is still c 1,000 hours less per week at this time last year.

Void performance has improved since 31 March 2021 across both Retirement Living and Extra Care with 415 units void at period end (31 March 2021: 456 units) and we continue to expect total void levels to return to pre-Covid levels by March 2022. Total voids (re-let and major repairs) were 2.6% during the six months ended 30 September 2021.

Comparisons clearly show the impact of the Covid-19 pandemic on performance in the prior year period, particularly on development completions and sales, maintenance activity and care services.

We continue to be at the forefront of the housing sector for energy efficiency with 96% of our properties achieving at least EPC C as at 30 September 2021 (31 March 2021: 91%). We expect to reach 100% minimum EPC C performance by April 2022, significantly ahead of the government’s 2030 target. 25% of our properties are at EPC B level and all new developments from 2020/21 onwards are expected to achieve this higher standard.

**Financial review**

*Turnover, costs and surpluses*

A summary of financial performance for the six months ended 30 September 2021 compared to the same period in the prior financial year is set out below.

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| --- | --- | --- | --- |
| **6 months ended 30 September** | **2020** | **2021** | **Change** |
|  | **£m** | **£m** |  |
|  |  |  |  |
| **Turnover** | **98.0** | **109.3** | **11.5%** |
| Social housing lettings | 72.1 | 74.0 | 2.6% |
| Shared ownership first tranche sales | 3.3 | 10.6 | 221.2% |
| Other social housing activities | 3.0 | 3.7 | 23.3% |
| Care services | 17.6 | 19.2 | 9.1% |
| Other non-social housing activities | 2.0 | 1.8 | (10.0)% |
|  |  |  |  |
| **Operating costs and costs of sale** | **(78.3)** | **(92.7)** | **18.4%** |
|  |  |  |  |
| **Operating surplus** | **19.7** | **16.6** | **(15.7)%** |

Turnover increased 11.5% to £109.3 million (2020: £98.0 million) primarily reflecting increased shared ownership sales, higher care income from contractual price increases and the effect of new schemes coming onboard.

Overall costs increased ahead of turnover, by 18.4% to £92.7 million (2020: £78.3 million) driven particularly by development cost of sales, linked to the increase in activity (shared ownership sales of 81 units versus 26 in the prior year) and higher care costs. Care service costs have increased but are fully recovered from residents via their service charge. It also reflects the rebound to more normal levels of repairs and maintenance activities relative to the prior year period. Depreciation has also increased from the on-boarding of new schemes.

A number of the drivers of growth in both revenue and costs were driven by the effects of the Covid 19 pandemic on performance particularly in the prior year period.

*Development*

In the six months ended 30 September 2021, development spend amounted to £34 million.

Seven schemes were completed which added 404 properties (217 rent; 187 shared ownership) to our property portfolio. A further four schemes are expected to complete by 31 March 2022, bringing total completions for the year to nearly 700. We have another six schemes on-site, comprising 321 units (217 rent; 80 shared ownership; and 24 outright sale) for completion by March 2023. At least six more schemes are expected to commence construction by 31 March 2022.

*Treasury and financing*

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **30 September 2021** |
|  |  |  |
| Gross debt | £673m | £662m |
| Cash | £233m | £208m |
| Net debt | £440m | £454m |
| Housing property value | £1,262m | £1,319m |
| Gearing | 34.8% | 34.4% |
| Cash and undrawn committed facilities(1) | £221m | £197m |
| Liquidity horizon | October 2023 | February 2024 |

Notes

1. Cash for these purposes includes only unrestricted cash

At 30 September 2021, Housing 21 had net debt of £454 million (31 March 2021: £440 million) and gearing, as measured using the Regulator of Social Housing’s (RSH) value for money gearing metric, of 34.4% (31 March 2021: 34.8%). However, including the value of private finance initiative and public private partnership assets, primarily within Oldham Retirement Housing Partnership Limited (debt associated with these projects is included in the RSH gearing calculation), gearing was 31.9% (31 March 2021: 32.2%).

Our liquidity at 30 September 2021 was sufficient to meet all forecast financing needs until February 2024, taking into account projected operating cash flows, forecast investment in new and existing properties, debt service costs and maturities and forecast grant receipts.

However, we continue to actively manage our treasury portfolio and in the near future we expect to repay a high cost legacy loan and terminate early one of a small number of derivatives held by the organisation. These initiatives are expected to utilise approximately £80 million in cash.

**Standard & Poor’s credit rating**

On 23 July 2021, S&P published the updated rating for Housing 21 as ‘A-’ with a stable outlook.

Andy Howarth, Chief Financial Officer for Housing 21 commented:

“The rating recognised the impact that the move to social rents will have on our financial metrics, but the strength of our core business is also recognised with a stable outlook. Our strategy is to continue to deliver high quality housing solutions to older people of modest means. We have excellent satisfaction scores in all our properties and our integrated care services are rated higher than our peers. With a high level of demand for our homes and services we are confident that we have a robust business model supported with a strong investment-grade rating.”

**Outlook**

Our operating surplus was consistent with budget for the six months ended 30 September 2021 and we expect the 2021/22 full year operating surplus also to be consistent with budget and slightly below the outturn for the year ended 31 March 2021 of £35.8 million.