16 August 2021

Platform Housing Group's Trading Statement for the quarter to June 2021

The following report provides a trading update for Platform Housing Group, covering our unaudited financial performance, development and treasury activities.

Highlights

- The last quarter saw the beginning of Covid-19 restrictions easing. The majority of our services continued to operate at near to full capacity
- Shared ownership first tranche sales performed strongly, with 158 sales achieved (Q1 20/21: 46)
- Strong turnover growth of 18.3% to £74.2m (Q1 20/21: £62.7m), predominately due to increases to shared ownership sales income
- Turnover growth excluding first tranche sales increased by 2.9% to £60.8m (Q1 20/21: £59.1) supported by increases to rental income
- Operating surpluses reduced by 1.4% to £27.4m (Q1 20/21: £27.8m) driven by pick up in maintenance expenditures and an increase in voids coming out of lockdown
- Outlook with Fitch Ratings (Fitch) improved to 'stable' from 'negative'
- Sustainable Finance Framework in progress to be used with £1 billion Euro Medium Term Note Programme

At or for the quarter ended 30 June	2021	2022	Change
Turnover	£62.7m	£74.2m	18.3%
Operating surplus(1)	£27.8m	£27.4m	-1.4%
New homes completed	109	396	263.3%(4)
Investment in new and existing homes	£51.9m	£51.7m	-0.4%
Share of turnover from social housing lettings	89.5%	77.9%	-11.6ppt
Social housing lettings margin(2)	48.33%	43.90%	-4.43ppt
Current tenant arrears(3)	3.01%	2.88%	-0.13ppt
Gearing(2)	42.24%	41.41%	-0.83ppt
EBITDA-MRI interest cover(2)	212%	218%	+6ppt

Notes
(1) Surplus excluding gains on disposal of property, plant and equipment
(2) Regulator for Social Housing Value for Money metric; for more information go to https://www.gov.uk/government/publications/value-for-money-metrics-technical-note/value-for-money-metrics-technical-note-guidance-june-2020
(3) Current tenant arrears includes all general needs tenants (this excludes shared ownership properties)
(4) Lockdowns impacted lower new home completions in Q1 20/21

Elizabeth Froude, Platform's CEO commented:
"In this last quarter we have begun to experience the end of Covid-19 restrictions and the first signs that freedoms maybe returning to normal for our customers, people and partners. Restrictions and isolations continue to have an impact on development and major repairs programmes, but we are seeing these effects fall away, with development completions in the quarter up significantly on the prior year. We also expect our colleagues to begin to return to our offices, albeit at a significantly reduced level as we begin to establish our new ways of working.

It is pleasing to report that our robust model continues to deliver strong turnover growth, which is expected to continue for the year ahead. We expect to see some pressure on surpluses and margins relative to the prior year as maintenance programmes experience an element of catch up. We have closed this quarter with higher levels of voids than desirable however we have an active remediation plan in place. This will not threaten our commitment to strong financial metrics or our desire to push ahead with both the provision of more affordable housing for those who need it most across the Midlands and investment in energy efficiency improvements to our existing stock.

I thank our investor base for their continued support and look forward to further engagement in the coming months in line with our commitment to pro-active and transparent investor relations."

Financial review

Turnover
In the year to 30 June 2021 total turnover grew 18.3% to £74.2m (Q1 20/21: £62.7m).

Social housing lettings turnover increased by 3.0% to £57.8m (Q1 20/21: £56.1m) as a result of inflationary rental increases and a year-on-year increase in social housing units.

Shared ownership first tranche sales performed strongly in the quarter. Turnover from these sales was £13.5m in the quarter, £9.8m higher than the prior year (Q1 20/21: £3.7m) which was affected by the first national lockdown.

Turnover from social housing activities of £71.7m (Q1 20/21: £60.4m) accounted for 96.6% (Q1 20/21: 96.3%) of Platform's total turnover in the period.

Surpluses and margins
Operating surpluses excluding fixed assets sales decreased by 1.4% to £27.4m (Q1 20/21: £27.8m) and operating surpluses including sales increased by 1.8% to £29.5m (Q1 20/21: £29.0m). Growth in surplus excluding sales was lower than turnover growth as a result of higher maintenance activity during the first quarter and a higher level of voids following the lockdown period. This also accounted for the decrease in social housing lettings margins to 43.9% (Q1 20/21: 48.3%).

Operating margins from all activities decreased by 6.5% to 39.8% (Q1 20/21: 46.3%). These margins are lower than social housing lettings as they incorporate a number of lower margin activities. These include shared ownership sales and maintenance activity provided to other charitable organisations at cost. Shared ownership margins of 18.4% were broadly in line with the prior year (Q1 20/21: 18.8%).

The overall surplus after tax, which takes into account (in comparison with operating surplus measures) interest costs, increased by 1.1% to £18.6m (Q1 20/21: £18.4m). Margins on surplus after tax decreased by 4.4% to 25.0% (Q1 20/21: 29.4%) due to the relatively higher maintenance activity and a higher proportion of sales turnover as outlined above.

Outlook
The projected performance for the year to March 2022 includes continued turnover growth in line with new units coming into management, inflationary rental increases (that occur later in the year for some properties) and further sales activity. Margins are expected to remain at similar levels, with some downward pressures caused by further catch up on maintenance expenditures and the end of Covid-19 related support measures such as the Job Retention (furlough) Scheme. In addition, active investment into our existing housing stock will continue and will be supported by public sector energy grants already confirmed for our use.

Development review

Home building programme
During the quarter our home building programme continued to recover from the effects of Covid-19, with restrictions and isolations affecting progress, but not preventing completions exceeding any of the previous four quarters. A total of 396 new homes were developed in the quarter (Q1 20/21: 109), of which 72 (18%) were social rent, 146 (37%) shared ownership, 165 (42%) affordable rent, 10 (2%) rent to buy and 3 (1%) commercial properties. At 30 June 2021, Platform owned a total of 46,488 homes (30 June 2020: 45,597).

Development expenditure on new homes was £48m in the quarter, £13m higher than the prior year (Q1 20/21: £35m). The market for shared ownership properties has remained strong in the quarter, with 158 properties sold on a shared ownership basis (Q1 20/21: 46) (no properties for outright sale were developed / available for sale). Unsold shared ownership units reduced in the quarter from 206 in March 2021 to 194 (June 2020: 228). Of the 194 unsold, 125 (64%) were reserved for purchase.

Outlook
Platform is targeting approximately 1,500 completions for the year to March 2022 and continues to look towards more land led housing development sites to support a growing building programme. We do not invest in speculative land and have no actual or expected impairment in our development sites.

Covid-19 is expected to have a diminishing impact on development activity, with some effects felt in the second quarter, before tapering away. The end of the stamp duty holiday is not expected to have a material impact on sales, with the majority of shared ownership purchases coming in below the threshold for Stamp Duty Land Tax. The changes to shared ownership announced by the Government as part of the 2021-26 grant funded Affordable Homes Programme are expected to have a positive impact on demand for the product.

Treasury review

Recent financing activity
Platform is currently in the process of establishing a Sustainable Finance Framework, which will enable the Group to issue green, social and sustainability linked bonds from its £1 billion Euro Medium Term Note ("EMTN") programme. It is expected that the EMTN programme, rated A+ by S&P and Fitch, will be utilised during this financial year.

Ratings activity
Platform's outlook provided by Fitch was amended to 'stable' from 'negative' in the quarter. The outlook is linked to the UK Sovereign outlook, which was revised to 'stable' as a result of stronger resilience of the UK economy and public finances to the pandemic shock (see 'Fitch Revises the United Kingdom's Outlook to Stable; Affirms at 'AA-' ', dated 18 June 2021 at www.fitchratings.com).

Debt and liquidity
At 30 June 2021 Platform's net debt was £1,095.8m (30 June 2021: £1,083.4m). Net debt comprised nominal values of £582.1m in bond issues, £80.0m in private placements and £530.3m in term loan and revolving credit facilities, partially offset by £86.7m in cash and cash equivalents and £9.9m in unamortised financing fees and other accounting adjustments.

Platform had sufficient liquidity as at 30 June 2021 (approximately £600m including undrawn committed facilities and cash and cash equivalents) to meet all its forecast needs until half way through 2023, taking into account projected operating cash flows, forecast investment in new and existing properties and debt service and repayment costs.

Financial ratios
Platform monitors its performance against various financial ratios, including Value for Money metrics reported to the Regulator of Social Housing and ratios it is required to comply with under its financing arrangements.

Gearing, measured as the ratio of net debt to the net book value of housing properties, was 41.4% at June 2021 (June 2020: 42.2%). Gearing was also comfortably within Platform's target of maintaining gearing below 50%.

EBITDA-MRI interest cover for the quarter to June 2021 was 218% (Q1 20/21: 212%). It remains well above Platform's guideline minimum (120%) and tightest financial covenant in its banking arrangements.

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