27 May 2021

Platform Housing Group's Trading Statement for the year to March 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 continuation of the COVID-19 pandemic with a further surge in cases and a national lockdown. The majority of our services have remained operating at near to full capacity
- More shared ownership first tranche sales were completed in the quarter than in any of the previous three, with 136 sales achieved
- Financial performance remains robust, with annual turnover increasing by 5.5% to £271.2m (2020: £257.1m)
- Annual operating surpluses increased by 8.4% to £104.8m (2020: £96.7m)
- A multi-currency, ESG enabled £1 billion Euro Medium Term Note Programme was successfully established in the quarter
- Ratings of A+ were re-affirmed with S&P Global Ratings (S&P) and a new rating, also A+, assigned by Fitch Ratings (Fitch)
- The Regulator of Social Housing undertook a scheduled governance and viability assessment. The highest ratings of 'G1/V1' have been re-affirmed
- External audit services were tendered, with KPMG successfully being appointed

At or for the year ended 31 March	2020	2021	Change
Turnover	£257.1m	£271.2m	5.5%
Operating surplus(1)	£96.7m	£104.8m	8.4%
New homes completed	1,449	909	-37.3%
Investment in new and existing homes	£220.6m	£208.7m	-5.4%
Share of turnover from social housing lettings	83.67%	83.06%	-0.61ppt
Social housing lettings margin(2)	42.13%	44.49%	+2.36ppt
Current tenant arrears(3)	2.87%	2.72%	-0.15ppt
Gearing(2)	43.5%	41.9%	-1.6ppt
EBITDA-MRI interest cover(2)	203%	232%	+29ppt

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)

Elizabeth Froude, Platform's CEO commented:
"In this last quarter we have again seen a surge in COVID-19 cases and a further, hopefully last national lockdown. In spite of this we have continued to push forward with our ambitions to provide more affordable housing to those in the Midlands, whilst protecting our residents, staff and financial strength. It is pleasing to report that we delivered strong results for the year and are well placed to push ahead with our strategic ambitions.

"I'm delighted to report that during the quarter we finalised our five year Corporate Strategy for 2021-2026. Our strategy holds customers at the heart of everything we do, ensuring that we help to support our customers by providing services that are accessible at a time and in a manner that works for them, and working with customers to build communities where people are proud to live. In addition, we look to continue our focus on developing and maintaining affordable housing in a sustainable way, with the target of getting all of our homes to EPC 'C' or better by 2028.

"In order to support the Corporate Strategy, we are progressing the roll out of our Treasury Strategy, with the establishment of an ESG enabled EMTN programme. This programme will help fund our organisation over the next 3-5 years and we intend to start making use of the programme in the coming year.

"Throughout the period we continued letting and worked closely with customers adversely affected by hardship. As a consequence, we have been able to bring arrears and void levels into line with where they were before the outbreak of COVID-19.

"Our shared ownership sales programme had its strongest quarter of the year, with 136 new homes sold and a further 46 existing homes sold as part of further equity purchases. This level of performance looks set to continue, with large numbers of sales enquiries received towards the end of the quarter.

"I thank our investor base for their continued support and I am certain the consistency of our results reflects the stability of our organisation and sustainable approach to growth. In line with the publication of our Annual Accounts in July 2021, we will be issuing a full year audited results statement, accompanied by a presentation. I look forward to that engagement and hope to share in more detail our performance for the year and ambitions for the years ahead."

Financial review

Turnover
In the year to 31 March 2021 total turnover grew 5.5% to £271.2m (2020: £257.1m).

Social housing lettings turnover increased by 4.7% to £225.3m (2020: £215.1m) as a result of the first inflationary rental increases for four years, a year-on-year increase in social housing units and an increase in *other grants* due to furlough receipts.

Shared ownership first tranche sales performed strongly in the year. Turnover from shared ownership sales was £32.1m in the year, 15.3% higher than the prior year figure of £27.8m.

Total social housing turnover of £257.4m (2020: £243.0m) accounted for 94.9% (2020: 94.5%) of Platform's total turnover in the period.

Surpluses and margins
Operating surpluses excluding fixed assets sales increased by 8.4% to £104.8m (2020: 96.7m) and operating surpluses including sales increased by 5.8% to £113.7m (2020: £107.4m). Growth in surplus exceeded turnover growth as a result lower maintenance activity during the first period of lockdown. Turnover growth in combination with reduced maintenance expenditures also drove a 2.4% increase in social housing lettings margins to 44.5% (2020: 42.1%).

Operating margins from all activities increased by 0.1% to 41.9% (2020: 41.8%). These margins are lower than social housing lettings as they incorporate a number of lower margin activities. These include properties sold at cost to Local Authority partners, maintenance activity provided to other charitable organisations at cost and the provision of development services.

Shared ownership margins of 19.0% were 2.8% lower than the prior year (2020: 21.8%). This was as a result of proportionately more sales activity taking place in lower value areas.

The overall surplus after tax, which takes into account (in comparison with operating surplus measures) interest costs, increased by 4.8% to £60.7m (2020: £57.9m). Margins on surplus after tax decreased by 0.1% to 22.4% (2020: 22.5%) due to the consolidation of the Group's interest capitalisation policies (following amalgamation of Waterloo Housing Group Limited and Fortis Living Limited in December 2019).

Outlook
The performance noted for the year to 31 March 2021 is subject to adjustments that arise following audit. The projected performance for the year to March 2022 incorporates catch up on maintenance expenditures and adverse effects caused by the end of COVID-19 Government schemes such as Furlough. This will see operating metrics move more into line with those experienced before COVID-19.

Development review

Home building programme
During quarter four our home building programme was again affected by a surge in COVID-19 cases and another national lockdown. This affected work on site, contractors and supporting services, with reduced staff and social distancing slowing progress. Platform completed 267 new homes in the quarter, taking total completions for the year to 909 (2020: 1,449). These were all for affordable tenures – 28% for social rent, 31% for affordable rent and 41% for shared ownership. The quarterly completions of 267 were 73 homes fewer than the equivalent quarter from the prior year, with the shortfall influenced by the lockdown. At 31 March 2021, Platform owned a total of 46,151 homes (31 March 2020: 45,510).

Development expenditure on new homes was £47m in the quarter, £4m higher than the prior year (2020: £43m). In the year to 31 March 2021 expenditures were £198m, 5% lower than the prior year (2020: £208m). The reduction in completions noted above is not mirrored by an equivalent reduction in expenditures because COVID-19 has had a more significant effect on handovers in comparison to construction. In addition, there has been greater investment in purchasing larger sites in the current year in comparison to the prior year.

There were 136 properties completed for sale on a shared ownership basis in the quarter (2020: 82). In the year to 31 March 2021 sales have performed strongly. The first national lockdown had a significant impact on sales, however, appropriate safety measures have been introduced in combination with digital ways of selling, which has resulted in a robust performance for the rest of the year.

Shared ownership sales

	Year to March 2020	Year to March 2021
Quarter 1	80	46
Quarter 2	84	132
Quarter 3	117	94
Quarter 4	82	136
	363	**408**

Unsold shared ownership units reduced in the quarter from 209 in December 2020 to 206 in March 2021 (March 2020: 241 units). Of the 206 unsold, 133 were reserved for purchase.

Outlook
Platform continues to look towards more land led housing development sites across our operating area, to support our ambition to deliver 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 an impact on development in the first 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
During the quarter Platform successfully established a £1 billion multi-currency, ESG enabled, Euro Medium Term Note ("EMTN") programme rated A+ by S&P and Fitch. Funding from the programme will be used to develop affordable housing across the Midlands and to improve the energy efficiency of our existing homes.

Ratings activity
S&P re-affirmed our A+ (stable) credit rating during the quarter, reflecting our continuing credit strength and commitment to sustainable growth. In addition, we have obtained a second, new credit rating with Fitch, A+ (negative outlook). The outlook provided by Fitch is linked to the UK Sovereign outlook (which is negative) and not linked to Platform's future expected trading performance.

Debt and liquidity
At 31 March 2021, Platform's net debt was £1,094.4m (31 March 2020: £1,076.2m). Net debt comprised nominal values of £582.2m in bond issues, £80.0m in private placements and £630.7m in term loan and revolving credit facilities, partially offset by £188.6m in cash and cash equivalents and £9.9m in unamortised financing fees and other accounting adjustments.

Platform had sufficient liquidity as at 31 March 2021 (approximately £700m 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 needs to comply with under its financing arrangements.

Gearing, measured as the ratio of net debt to the net book value of housing properties, was 41.9% at 31 March 2021 (31 March 2020: 43.5%). Gearing was also comfortably within Platform's target of maintaining gearing below 50%.

EBITDA-MRI interest cover for the year to March 2021 was 232% (31 March 2020: 203%). It remains well above Platform's guideline minimum (150%) and tightest financial covenant in its banking arrangements (which is determined on a different basis, providing a slightly higher level of interest cover).

Both ratios have been favourably impacted by lower development and major repairs expenditures as a result of the COVID-19 pandemic. It is expected that both expenditures will increase in the coming year, which will increase gearing and reduce interest cover, but retain headroom to targets.

For more information please contact:

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