28 February 2025

Platform HG Financing Plc

Platform Housing Group's Trading Statement for the Nine Months to December 2024

The following report provides a trading update for Platform Housing Group (Platform), covering unaudited high level performance outcomes.

Highlights

- Turnover growth of 14% to £285m (Dec-23: £249.9m), with 94.1% of revenues coming from core social housing activities (Dec-23: 93.9%)
- Operating surpluses up 14.2% to £76.2m (Dec-23: £66.7m): additional incomes reinvested in existing homes and services to customers
- Investment in existing homes up 141% to £44.4m (Dec-23: £18.4m)
- Arrears of 2.9% consistent with prior year (Dec-23: 2.9%)
- Credit rating of A+ (stable) with S&P affirmed shortly after quarter end

At or for the nine months to 31 December	2023	2024	Change
Turnover	£249.9m	£285.0m	14.0%
Social housing lettings turnover	£205.3m	£224.4m	9.3%
Operating surplus(1)	£66.7m	£76.2m	14.2%
New homes completed	713	732	2.7%
Investment in new homes	£243.8m	£230.5m	-5.5%
Investment in existing homes	£18.4m	£44.4m	141.1%
Share of turnover from social housing lettings	82.2%	78.7%	-3.4ppt
Social housing lettings margin(2)	31.7%	32.7%	+1.0ppt
Current tenant arrears(3)(4)	2.9%	2.9%	-
Gearing(2)(4)	45.1%	44.9%	-0.2ppt
EBITDA-MRI interest cover(2)	201%	132%	-69.0ppt

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://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1162672/Value_for_Money_metrics_Technical_note_guidance_2023.pdf
(3) Current tenant arrears includes all general needs tenants (this excludes shared ownership properties)
(4) Figures as at 31 December (as opposed to accumulated over the period to December)
(5) Investment in existing homes includes capital expenditure on maintenance and decarbonisation works

Elizabeth Froude, Platform's CEO commented:

"The Housing sector continues to face a difficult environment, whilst we try to support our customers with cost of living, improving the energy standards of existing homes and building much needed new homes. The chronic undersupply leaves many struggling to find a home and those who can't buy a home finding it difficult to afford high rents. We welcome the UK Governments objectives to tackle these issues and will continue to work with them to continue to provide quality, affordable and sustainable housing to those who need it most. Although we are a UK business, we are aware of the threat the wider global eco-political environment raises and take all possible actions to protect our supply chain and watch for new potential threats.

Our focus remains on delivering our corporate strategy objectives and we keep a tight focus on controllable costs to ensure we maximise the impact of our spending for the benefit of our customers, reflected in our social housing lettings margin of 32.7%. Our aim is to deliver a customer-first housing experience for a better future, however, we know that we can always improve what we do and that is why we ask our customers to tell us when we are not hitting the mark. Like many other housing associations, we continue to see high complaint volumes and are working on finding ways to reduce this. We continue to work with our customers to ensure our services are well received, and this is reflected in our satisfaction scores. We survey customers after every interaction we have with them and are pleased to report that satisfaction in these surveys has been increasing throughout the year, hitting a high of 82% in February 2025.

All of these pressures are showing in the increased operational costs across the sector and Platform are no different as we step up the investment in our existing homes each year and have a long road to go until we reach carbon neutral homes. This year so far that is an increase of £26m or 141%, this is strategically and morally the right thing to do, and we will continue to find ways to maximise our ability to achieve this. That said, both our operating surplus and social housing lettings margin still compare well to the prior year outturn and we continue to work to make our business a well-managed and stable environment for our investors and funders as well.

The coming year will undoubtedly be even harder, with increases to our core social housing rental income being limited by the lowest inflationary increase for three years and our costs growing at a faster rate, but we are hopefully setting ourselves out to continue to ride the tide well (social housing rental increases are restricted by the UK Government in line with September consumer price inflation plus one percent)."

Financial review

Turnover

In the nine months to 31 December 2024 total turnover increased by 14% to £285m (Dec-23: £249.9m). This was driven by growth in social housing lettings turnover, which increased by 9.3% to £224.4m (Dec-23: £205.3m), as a result of inflationary rental increases and a year-on-year increase in social housing units.

Turnover from shared ownership first tranche sales of £41.6m was higher than the prior year period, due to the timing of the development cycle (Dec-23: £28.2m). There were 448 shared ownership sales in the nine months to December (Dec-23: 280). Demand for shared ownership remained robust during the quarter in our areas of operation.

Turnover from all social housing activities, including shared ownership sales, of £268.3m (Dec-23: £234.7m) accounted for 94.1% (Dec-23: 93.9%) of Platform's total turnover in the period.

Surpluses and margins
Operating surpluses excluding fixed assets sales of £76.2m were up 14.2% on the prior year period (Dec-23: £67.7m) and operating surpluses including fixed asset sales increased by 12.9% to £79.8m (Dec-23: £70.7m). Surpluses from social housing lettings increased by 12.8% to £73.4m (Dec-23: £65m).

Operating margins were 26.8% excluding fixed asset sales (Dec-23: 26.7%), 28% including fixed asset sales (Dec-23: 28.3%) and 32.7% from social housing lettings (Dec-23: 31.7%). Operating surpluses remain broadly in line with the prior year position, as rental growth has helped to support investment into existing homes and improving services for customers.

Shared ownership sales surpluses were £5.8m (Dec-23: £4.1m), representing 7.3% of total operating surplus (Dec-23: 5.9%), with associated margins of 14.1% (Dec-23: 14.7%). Margins remain in line with the prior year and were supported by robust demand experienced in our areas of operation. The number of homes unsold was 86, of which 71 were reserved for purchase.

Opening unsold at April 2024	**222**
New completions	311
Transfers from other tenures	1
Sales	(448)
Unsold at September 2024	**86**
Of which reserved for purchase	71

Sales of fixed assets, which include subsequent staircasing sales of shared ownership homes and homes acquired under the 'right to buy' scheme, had surpluses and margins of £4.1m and 43% (Dec-23: £4m / 44%).

The overall net surplus after tax, which incorporates interest costs, was £40.6m in comparison to £36.7m in the prior year. The increase was supported by higher operating surpluses as highlighted above, net of a £5.2m increase in net interest costs due to a £250m sustainable bond issued in April 2024.

Outlook
Moving into the fourth quarter turnover is expected to continue to grow albeit at a slower rate, as new units come into management. Operating costs are expected to continue to be affected by investment into existing homes and customer services.

Development review

We continue to build in a customer-focused way, delivering homes that are high quality, affordable and sustainable. Where possible we are implementing our 'Platform Standard' specification on all new schemes. The specification delivers energy enhancements and thermal efficiencies with a fabric-first approach. We are now gas free on all new development opportunities and look to incorporate solar panels to offset costs to the customer wherever possible. We are delivering Octopus's 'Zero Bills' specification on a number of sites including our landmark Boots scheme in Nottingham and exploring opportunities for this to be included elsewhere. Despite the difficulties the Modern Methods of Construction (MMC) market has experienced, Platform remain committed to delivering MMC homes and are exploring several opportunities with providers.

Build cost inflation has stabilised somewhat and there has been an increase in market confidence overall, which has helped to support a consistent level of new development opportunities from both housebuilders and developers. This has been further helped by a level of political stability and Homes England announcing a 'top-up' of £500million to fund new affordable homes.

The development programme continues to progress well, despite some challenges which impact the pace of completions. Our main challenges remain the time it takes to negotiate and conclude highways section agreements with local authorities as well as a wide range of third-party agreements required to bring utilities to site. The impact on the pace of work has resulted in a slight decrease in year-on-year development expenditures, which were £231m (Dec-23: £244m), but is not expected to have a material effect on completions, which were slightly up to 732 (Dec-23: 713). Of the 732 completions, 203 (28%) were built for social rent, 218 (30%) for affordable rent and 311 (42%) for shared ownership. As at 31 December 2024, Platform owned a total of 49,823 homes (Dec-23: 48,858).

Outlook
Platform remains committed to developing in a prudent and sustainable manner, without compromising financial strength. We project that completions for the year to March 2025 will be broadly in-line with the prior year.

Platform does not invest in speculative land and has no material actual or expected impairment in development sites.

Treasury review

Ratings activity
Platform is rated A+ (stable outlook) by S&P and A+ (negative outlook) by Fitch. The rating with Fitch was affirmed in October 2023 and the rating with S&P affirmed in January 2025, shortly after the quarter end.

Debt and liquidity
Net debt was £1,526m (Dec-23: £1,406m). Net debt comprised nominal values of £1,121m in bond issues, £80m in private placements and £390m in term loan and revolving credit facilities, partially offset by cash and equivalents of £51m and non-cash accounting adjustments of £14m.

Platform's weighted average cost of finance was 3.57% (Dec-23: 3.44%).

Platform had liquidity as at 31 December 2024 of £556m (including undrawn committed facilities, short term investments and cash and cash equivalents), which is sufficient to meet all forecast needs until into 2026 (with new finance required at that point to maintain 18 months of liquidity in line with policy).

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 44.9% (Dec-23: 45.1%). Gearing has decreased in the last year as a consequence of the timing of cash flows related to development activities, with high cash receipts for sales activity and grant experienced, relative to expenditures.

EBITDA-MRI interest cover was 132% (Dec-23: 201%). The year-on-year movement is driven by a planned increase in investment into existing homes, combined with increases in interest expense due to the bond issuance in April 2024, as we push ahead with quality and sustainability improvements.

Outlook

Some upwards pressure in gearing and downwards pressure to interest cover is expected as Platform pushes ahead with its strategic development and sustainability objectives. However, such objectives will be completed in a controlled way, ensuring that these key credit ratios remain well within Platform's targets.

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