

Metropolitan Housing Trust Ltd / Metropolitan Funding PLC

Thames Valley Housing Association (TVHA) trading update and unaudited consolidated financial results for the six months ended 30 September 2022

TVHA group (trading as MTVH), one of the UK's leading providers of affordable housing and care and support services, announces a trading update for the first six months (H1) of the financial year 2022/23.

Highlights

- Operating surplus of £69.8m (H1 2021: £70.4m);
- Total surplus of £34.8m (H1 2021: £31.8m).
- Operating margin of 35.3% (33.2%) for the first six months of the year
- Revenues at £198m (2021: £212m)
- Rent arrears of c.5.7% (March 2021 c 5.2%)
- £721m (March 2022: £750m) of available liquidity.
- Sales of 149 (2021: 229) units completed in the first half.
- Total fire safety spend £8.1m (FY 21 £23m).
- S&P Group rating of A- (Stable outlook), confirmed in December 2021, moved to A- (Negative outlook) following the UK sovereign downgrade in October 2022.
- Fitch Ratings confirmed TVHA as A (Stable) in October 2022.
- 107 new homes completed (H1 2021: 391) and on track to complete more than 525 new homes in the full year.
- The new Joint Venture with Countryside for the regeneration of Clapham Park, delivering nearly 2,500 homes in south London, was completed on 14 June 2022.
- A new 50:50 Joint Venture with Legal and General Affordable Homes was announced on 14 November 2022 targeting the delivery of over 2,500 shared ownership and affordable rent homes over the next seven years in London and the South-East.

Geeta Nanda, Chief Executive, commented:

“Despite an inflationary environment putting cost pressures on the organisation, this has been a robust half-year. Performance is in line with expectations and ensures we are an organisation with the resilience to continue investing in existing properties while building new homes. This stable position was underscored by the A rating awarded by Fitch Ratings and the A- rating from S&P Group.”

“Progress continues to be made at our flagship regeneration scheme at Clapham Park, South London, with construction works on the second phase of 520 new homes now underway. Meanwhile, delivery of new affordable homes has been boosted by the completion of a Joint Venture partnership with Legal and General Affordable Homes. It will deliver over 2,500 shared ownership and affordable rent homes over the next seven years in London and the South-East.”

“Following this reporting period, the government confirmed that social rents in the UK will be capped at 7%. With this clarity, we have committed to cap shared ownership rent increases at the same percentage.”

Board Membership Changes

The Board of THVH is regularly refreshed in line with the NHF Rules.

Gary Admans was appointed to the Board from his role as Independent Member on the Treasury Committee on 20 June 2022, following the retirement of Tania Brisby.

Helen Cope was appointed to the Board on 01 March 2022.

Results overview – Thames Valley Housing Group

Turnover from core social housing (ie excluding home sales) was up 3.6% compared to last year as the business benefited from a CPI +1% rent settlement. At the same time, some recent Care & Support contract wins have driven a 16% increase in non-housing social incomes. Revenues from home sales are down 49%. We sold 149 units in the first six months (compared to 229 in the same period last year. At 30 September 2022, we had 67 unsold units, of which only 42 are unsold over 90 days, with a sales value of £4.9m. While sales are currently in line with expectations, we remain well-placed if the sales market weakens.

Operating surplus (including profit from disposals) is £0.5m lower than the same period last year at £69.9m (2021: £70.4m). Operating costs are higher at £101.2m (2021: £99m) as we invest in fire safety and our existing stock, and operational improvements to front line customer focused activity, supported by increased headcount. Operating margin for the first six months is 2.1 ppts higher at 35.3% (2021 33.2%), due to the accretive effect of higher staircasing and redemption volumes.

Cashflow from operations through the first six months was £21.2m better than the corresponding period last year due to a reduction in the maturing debt repaid.

Investment in new development projects totalled £92.6m (2021: £83.7m) in the period to 30 September and £14.0m (2021: £23.8m) was spent on capitalised repairs to the

Thames Valley Housing Association (TVHA) Consolidated Results

existing estate. The organisation completed 107 homes during the first half of the year (2021: 391) and remains on track to deliver more than 525 new homes for the full year.

Underlying net interest costs (excluding mark to market movements on derivatives) are £1.4m higher than the same period last year as variable rates increase from historic lows. At 30 September 2022, we had £747m (2021: £750m) of available liquidity (both cash and committed facilities) and total debt of £1,908m (2021: £1,923m). Liquidity management remains a key focus to mitigate the impact of a wider economic downturn. At the same time, our relatively low gearing, at 38%, and over £350m of available security provides further resilience to shock.

Thames Valley Housing Association's Standard & Poor's credit rating was confirmed as A- (Stable outlook) in December 2021 (although following the UK Sovereign Rating downgrade in October 2022, the outlook was moved to Negative).

Fitch Ratings confirmed the organisation as A (Stable) in July 2022.

Outlook

This outlook statement is subject to uncertainty/unforeseen market and business interruption as a result of uncertainty over the direction of government policy. The economic environment remains challenging, with rising inflation and interest rates, supply chain and labour shortages, and concerns over energy supplies.

The core housing business continues to perform well despite the impact of higher inflation, interest rates and energy prices. Total revenue including home sales is expected to be around 5% lower than last year due to lower sales revenues. Operating surplus is expected to be in line with FY22.

Fire safety remains a risk to MTVH and the wider sector given the number of homes in ownership and management. The longer term impact of remediation obligations has led to a reduction in our capacity to develop new homes, particularly homes for sale.

We are continuing with our Safer Buildings programme driven by our desire to put customer safety first. We have completed the review of blocks over 18m and commenced a risk-based approach to the review of blocks under 18m, to determine the extent of any remediation requirements. We have access to NHBC and the government's Safer Buildings Fund where we meet qualification requirements, and we expect that developers/warranty providers will pick up the costs of remediation for newer buildings where this relates to construction defect.

The November 2022 Autumn Statement the Chancellor confirmed after months of speculation that Affordable Rents were to be capped at 7% for FY24, and that pensions and benefits would increase by CPI at 10.1%. Whilst this provides support for those on lower incomes, the squeeze on RP margins will remain as overhead costs continue to rise. This will impact on the level of service delivery and the number of completed new homes.

MTVH is early adopter of the Sustainability Reporting Standard for Social Housing as part of its wider Sustainability Strategy and reported for the first time this year. In

Thames Valley Housing Association (TVHA) Consolidated Results

In addition, MTVH has published a Use of Proceeds report as part of the Sustainable Financing Framework, and both reports are available on the Investors section of the corporate website.

TVHA will report results for the year ended 31 March 2023, trading as Metropolitan Thames Valley, in summer 2023.

Thames Valley Housing Association (TVHA) Consolidated Results

Consolidated financials

Statement of comprehensive income

£000's	FY21/22	H1	H1	PoP %
		30/09/2022	30/09/2021	
	Audited	Unaudited	Unaudited	
Rent and service charge income	310,135	160,946	155,415	3.6%
Care and support income	16,591	9,355	8,059	16.1%
Outright/first tranche sales	59,073	19,408	37,755	-48.6%
Fees and other income	20,125	8,132	10,781	-24.6%
Total turnover	405,924	197,841	212,011	-6.7%
Outright/first tranche cost of sales	-48,277	-15,579	-31,215	-50.1%
Operating costs	-193,803	-92,112	-99,477	-7.4%
Depreciation	-38,184	-20,019	-18,752	6.8%
Overheads	-30,401	-16,775	-14,558	15.2%
Profits on disposals	39,733	25,686	22,405	14.6%
Operating surplus	134,993	79,042	70,413	12.3%
Non recurring costs	- 12,893	- 9,134	0	0
Operating surplus	122,100	69,908	70,413	-0.7%
Net interest	-74,894	-39,772	-38,329	3.8%
Fair value movements and other instrument revaluations	-4,667	4,627	-331	-1496.0%
Exceptional items	-2,276	26	1	2907.9%
Profit before tax	40,263	34,789	31,754	9.6%

Statement of Financial Position

£000's	FY21/22	H1 30/09/2022	H1 30/09/2021	PoP %
	Audited	Unaudited	Unaudited	
Tangible fixed assets	4,720,114	4,767,209	4,681,132	1.8%
Homebuy and investments	204,451	206,406	259,672	-20.5%
Current assets	298,638	332,663	281,035	18.4%
Creditors – amounts falling due within one year	-315,697	-368,486	-343,902	7.1%
Total assets less current liabilities	4,907,506	4,937,792	4,877,937	1.2%
Creditors due after more than one year	2,304,855	2,272,696	2,291,932	-0.8%
Provisions and pension obligations	49,674	47,372	73,196	-35.3%
Reserves	2,552,977	2,617,724	2,512,809	4.2%
	4,907,506	4,937,792	4,877,937	1.2%

Thames Valley Housing Association (TVHA) Consolidated Results

Cashflow

£000's	FY21/22 Audited	H1 30/09/2022 Unaudited	H1 30/09/2021 Unaudited
Net cashflow from operations	95,681	44,804	44,375
Sales proceeds	82,144	21,408	41,458
Development expenditure	-161,238	-92,613	-83,666
Total net cashflow from operations	<u>16,587</u>	<u>-26,401</u>	<u>2,167</u>
Disposal proceeds	100,577	42,063	58,141
Major repairs	-44,606	-13,974	-23,846
Other	57,565	37,037	647
Net drawdown (repayment) of debt	-63,954	-9,557	-44,158
Net interest/fees	<u>-73,508</u>	<u>-40,544</u>	<u>-33,620</u>
Net cash movement in period	<u>-7,339</u>	<u>-11,377</u>	<u>-40,670</u>
Opening cash	113,473	106,134	113,473
Restricted cash	<u>45,423</u>	<u>44,414</u>	<u>45,210</u>
Closing cash	<u>151,557</u>	<u>139,172</u>	<u>118,013</u>

Enquiries

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This information for investors is also available on our website:

<https://www.mtvh.co.uk/about-us/investors/>

Notes

- 1) Operating margin is operating surplus/turnover
- 2) Thames Valley Housing Association (TVHA) is the parent of the group trading under the brand of Metropolitan Thames Valley (MTVH). Metropolitan Housing Trust (MHT) is a wholly owned subsidiary of TVHA and MHT owns 100% of the shares of Metropolitan Funding Plc.

Disclaimer

The information in this announcement of unaudited consolidated interim results has been prepared by the Thames Valley Housing Association group and is for information purposes only.

The unaudited results announcement should not be construed as an offer or solicitation to buy or sell any securities, or any interest in any such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

Thames Valley Housing Association (TVHA) Consolidated Results

This unaudited results announcement contains certain 'forward-looking' statements reflecting, among other things, our current views on markets, activities and prospects. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Actual outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events. Accordingly undue reliance should not be placed on forward looking statements.