Metropolitan Funding PLC

Thames Valley Housing Association (TVHA) unaudited results for the year ended 31 March 2019.

The TVHA group (trading as Metropolitan Thames Valley), one of the UK's leading providers of affordable housing and care and support services, announces unaudited results for the year ended 31 March 2019. These results may be subject to further adjustments, most notably in respect of pension costs and obligations.

Headlines

- Partnership of Metropolitan Housing Trust and Thames Valley Housing Association completed on 8 October 2018.
- £255m spent on new development (2018: £299m) as we continue towards our strategic goal of 2,000 units per year, despite a tougher than expected sales market.
- Business transformation continues with investment in customer services, the safety and condition of our properties and long-term resilience. Our integration plans remain on track.
- Turnover broadly flat at £411m (2018: £414m).
- Underlying Operating Surplus down 5.2% to £153m (2018: £162m) due to increased investment in infrastructure and properties. Reported Operating Surplus was £148m (2018: £162m).
- Underlying Total Surplus after tax was £89m (2018: £100m) after £83m of non-recurring, merger-related costs, incurred to deliver the partnership and to improve our financial resilience. Reported Total Surplus was £5.6m (2018: £100m).
- 1,037 new homes completed (2018: 940 homes) of which 907 (2018: 650) were affordable.
- Net debt £1,764m (2018: £1,597m) supporting our development strategy.
- S&P credit rating A- (stable outlook).

Geeta Nanda, Chief Executive of Metropolitan Thames Valley, commented:

"This was a landmark year in which we completed our partnership transaction in October 2018 to form the new group. Together, we are stronger and more resilient, with the capacity to do much more. Integration plans are on track and the Board remains confident in our ability to fulfil our strategic objectives.

"We have delivered a greater number of new homes together and continued to invest in our properties, driving up the standards of safety and quality in our homes. We remain committed to raising satisfaction levels by providing an improved service to our customers and focusing on what matters most to them.

"Housing operations continue to perform well and our sales performance remains solid, despite challenges in the market, particularly at higher price points.

Despite the short term impact of additional investment and reduced sales activity, we remain confident that the business is well positioned and financially strong to meet and deliver on the growth objectives of the partnership over the next few years."

Results overview

Housing operations (including supported housing) performed in line with expectations, although our increased investment in our properties and customer service, as we focus on what really matters to our customers, means that core Social Housing margins have been diluted by 2 ppts to 34% during the year. Operating costs rose by 7%, or £15m, as we increased our investment in the safety of our customers and the condition of our estate.

Sales margins are tracking at 15% for the year (2018: 17%) due to more sales on recently acquired sites, with a consequent dilutive impact on underlying operating profit margins. Underlying operating margins (which exclude one-off costs relating to the merger and the aborted sale of an investment) are 37% (2018: 39%).

Partnership

The completion of the Partnership has resulted in additional non-recurring costs of £5.3m (2017/18: Nil) which reflect advisory and restructuring costs, as well as directly related IT and property costs. In addition, there have been non-recurring funding break costs of c. £78m incurred through the lender consents process which was completed successfully, with the group benefitting from a fit-for-purpose covenant suite and more flexible borrowings and creating more than £800m of new borrowing headroom.

Liquidity remains strong at £549.1m (2017: £470.8m).

Customer Services (including Housing with Care and Support)

A key element of the strategic rationale for the merger was to improve the lives of our customers. Our Care & Support business is highly regarded. We won £1.2m of annualised new business during the year, and the business continues to make a positive financial contribution to the group while changing the lives of our most vulnerable customers. Core social housing revenues are up 1% to £320m with social housing margin at 34% (2018: 36%). Voids loss was 1.2% (2018 0.8%) while social rent arrears were 4.6% (2018:4.1%).

New homes development and sales

We delivered 1,037 (2018: 940) new units and invested £255m (2018: £299m) in building out our contracted developments. The future development pipeline has remained strong at 6,506 (2018: 6,533). The major regeneration of Clapham Park has moved forward significantly after obtaining planning approval to build more than 2,500 new homes and a wide range of community facilities.

Market conditions for new home sales deteriorated during 2018/19, especially in London, and remain slow as we come into the new financial year. Of our 431 first tranche sales (2018: 524), we sold an average equity share of 38% (2018: 41%), equating to an average unit market value of £363k (2018: £392k) at an average margin of 14% (2018: 22%). We sold 60 units (2018: 80 units) outright at an average selling price of £403k (2018: £367k) and an average margin of 18% (2018: 10%).

Staircasing and redemption receipts totalled £67m with 768 transactions at a 37% average margin (2018: £75.7m with 834 transactions at 42% average margin).

Debt and facilities

Net debt (excluding derivative financial instruments) at 31 March 2019 is up 10% at £1,764m (2018: £1,597m) supporting our development programme. Available liquidity (cash and committed secured undrawn facilities) is £ 549m (2018: £ 471m). Gearing ended the year at around 41% on a Historic Cost basis (2018: 39%) and interest cover was around 1.94 times (2018: 2.3 times) on an EBITDA MRI basis.

The Standard & Poor's credit rating for the combined entity was confirmed in December 2018 at A- (stable outlook).

The Board expects to announce full audited results for the year ended 31 March 2019 in July 2019.

Consolidated Statement of Comprehensive Income for the year ended 31 March 2019 (unaudited)			
	2019	**2018**	**%**
	£m	**£m**	
Revenue	411.2	414.3	(1)
Cost of sales	(71.8)	(72.7)	1
Operating costs	(227.0)	(212.2)	(7)
Surplus from disposal of fixed assets and investments	30.9	29.2	7
Share of Surplus from Joint Ventures	9.9	3.1	219
Underlying Operating Surplus	**153.2**	**161.5**	(5)
Non-recurring operating costs	(5.3)	-	-
Operating Surplus	**147.9**	**161.5**	(12)
Net interest payable	(72.4)	(66.2)	(9)
Other finance costs	(77.8)	0.1	-
Movements in fair value of investments and properties	7.9	3.7	109
Taxation	-	0.6	-
Total (Loss)/Surplus	**5.6**	**99.8**	-
Actuarial loss in respect of pension schemes	(24.4)	0.4	-
Change in fair value of hedged financial instruments	(5.0)	2.2	-
Total comprehensive income for the year	**(23.8)**	**102.4**	-

Metropolitan Thames Valley Consolidated Results

Consolidated Statement of Financial Position as at 31 March 2019 (unaudited)				
Housing properties	4,290.7	4,106.0	5
Investment properties and other fixed assets	91.3	88.3	3.4
Investments	262.5	287.6	(9)
Net current assets	94.6	124.0	(24)
Total Assets less current liabilities	**4,739.1**	**4,605.9**	3
Loans due to be repaid in more than one year	1,932.6	1,799.7	7
Pension liabilities	57.4	35.6	(61)
Other long-term liabilities	419.5	409.7	2
Capital and reserves	2,329.6	2,360.9	1
Total non-current liabilities and reserves	**4,739.1**	**4,605.9**	3

Consolidated Statement of Cashflows for the year ended 31 March 2019 (unaudited)			
Net cash from Operating Activities	198.5	139.0	43
Net cash from Investing Activities	(198.0)	(189.3)	5
Net cash used in Financing Activities	63.9	6.4	-
Net movement in cash and cash equivalents	**64.4**	**(43.9)**	**-**
Cash and cash equivalents carried forward	**223.0**	**158.5**	**41**

Sales revenue and margins (unaudited)	2019		2018	
	Revenue	**Margin**	**Revenue**	**Margin**
First Tranche	59.7	10%	79.4	27%
Outright Sales	24.9	18%	29.4	14%
Staircasing	43.5	36%	56.1	34%
RTB / RTA	3.2	40%	5.1	28%
Redemptions	23	38%	19.0	38%
Fixed Asset Sales	10.0	53%	10.8	13%

Outlook

Conditions remain challenging with a slow sales market, however the Board is confident in its plans for the year ahead, in which it aims to see growth in revenues and the restoration of total surplus towards pre-merger levels.

Enquiries:

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This information for investors is also available on our website:
https://www.metropolitan.org.uk/about-us/investing-in-metropolitan/

Notes

- Operating margin is operating surplus divided by turnover
- Net debt is borrowings (excluding derivatives) less cash and cash deposits
- Gearing is net borrowings divided by net housing properties at cost

- Interest cover is earnings before interest, tax and depreciation/amortisation less capitalised major repairs, divided by net interest costs
- Prior year comparative figures are the unadjusted aggregate of pre-partnership entity reported results

Disclaimer

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