Metropolitan Funding PLC

Thames Valley Housing Association (TVHA) unaudited consolidated results for the year ended 31 March 2020.

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 consolidated results for the year ended 31 March 2020. These results may be subject to further adjustments, most notably in respect of pension costs and property valuations.

Headlines

- £465m total revenue, up around 13%.
- 1,022 new homes completed (2019: 1,037 homes) of which 781 (2019: 907) were affordable.
- Underlying Operating Surplus (before deducting non-recurring integration and pension costs) down 15% to £130m (2019: £154m) impacted by bad debt provision, asset impairment and property improvement costs.
- Reported Operating Surplus was £126m (2019: £149m).
- Strong liquidity position with around £611m of available cash and facilities.
- S&P credit rating A- (stable outlook).
- Successfully exited SHPS multi-employer scheme on 4 October 2019.
- RSH gradings confirmed as G1/V2
- New Chair, Althea Efunshile, CBE appointed 1 March 2020, upon Paula Kahn's retirement.

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

"The last year has been another successful period for MTVH as we deliver on our belief that everyone should have a home and the chance to live well. As a People-Powered organisation it is so important during these difficult times that we work with our customers, colleagues and communities to provide much needed support and secure homes.

"Our ambitious development programme saw over 1,000 new homes built and further expansion of our home-building partnerships, in addition to a new collaboration with Vistry to deliver 800 new homes in Cambridgeshire over the next 10 years.

"We have continued to prioritise improvements and maintenance of our existing homes, investing over £40m in the last year, reflecting our commitment to ensuring that all our homes are safe, warm and dry. We continue to assess our homes to ensure they meet government guidance and regulations in relation to building safety, as the safety of our residents and customers remains our number one priority. Consistent with this, we have established a Building Safety team which will move forward on ensuring the safety of customers in high rise blocks and address the industry-wide issue of building

certification, in line with the latest government guidance. This is particularly important to us following the serious fire at Worcester Park where we acted swiftly to put the safety of residents first and rehoused those impacted immediately.

"Our financial position remains strong, with £611m of available cash resources and sufficient security and access to capital to meet our objectives. This strong position was reinforced by the positive news in April that the Regulator of Social Housing had confirmed our compliant ratings, recognising our robust governance arrangements (G1) and stable financial position (V2).

"Clearly, there have been challenges over the last year that have impacted many organisations, including housing associations, which we have needed to respond to. Most significantly, the Covid-19 pandemic has required significant changes to how our organisation operates and I am incredibly proud of the agility colleagues have demonstrated in response to this unprecedented situation. Our number one priority throughout has been the safety and wellbeing of our customers, whom we have been able to support by maintaining many frontline services, especially in our Care and Support operations. With uncertainty around the Covid-19 pandemic and its longer term economic impact for the sector as a whole, we are working hard to assist our residents and stand ready, as a stable and well-run organisation, to play our part with the rest of the sector in tackling the national challenges which lie ahead".

"I would like to take this opportunity to thank my colleagues for all their efforts this year, which mean we are well-placed to meet the challenges ahead and to build on our solid foundations."

Results overview

Total Housing operations (including supported housing and market rent) were in line with expectations, with non-sales income representing 72% (2019: 79%) of turnover. Underlying Social Housing operating margin was 28% (2019: 34%), diluted by end of year provisions for bad debts. Sales revenue was £131m (2019: £85m) with an average sales margin of 16% (2019: 12%). We built 1,022 new homes (2019: 1,037 new homes) in the year, investing £281m (2019: £361m) in new housing.

Underlying operating margins are 28% (2019: 36%) with the dilution driven by higher sales volumes. Liquidity remains strong at £611m (2019: £549m). Drawn borrowings are £2.0bn (2019: £1.8bn).

Our partnership integration activities were completed during the year and we continue to deliver on the integration savings in respect of headcount and procurement. During the year the group left the SHPS multi-employer defined benefit scheme in order to better manage its specific pension risks. This led to the capping and crystallising of the orphan debt obligation and a one-off S72 settlement.

Operations review - Customer Services (including Care and Support)

Social housing letting revenue was £295m (2019: £288m), with unit growth offsetting the final year of the -1% rent settlement. Focussing on what matters to our customers, we invested £42m (2019: £35m) in property improvements, while our overall spend on fire safety was £16m (2019: £13m). Our total spend on the existing estate was £129m (2019: £118m) prioritising property compliance, condition and customer satisfaction issues. Social rent arrears closed the year at 4.82% (2019: 4.55%) after including an additional £3m provision for bad debts. Our average general needs re-let time improved from around 32 days in 2019 (weighted between MHT and TVH by unit stock) to 25 days on a combined basis in 19/20.

We won £2.5m in new or extended Care & Support contracts as we continue to build on our strong reputation, with 100% of our contracts rated by the CQC as “Good”. We continued to build on our strong arrears and voids performance and invested £3.7m (2019 £2.4m) in building stronger communities.

Operations review - New homes development and sales

First tranche revenues were £77m (2019; £60m) with margins improving as we sold out of poor-performing sites. We sold 600 First Tranche units at an average 15% margin (2019: 431 units at 10% margin). In addition we sold 111 outright sale units at an average margin of 17% (2019: 60 units at 15%).

Our post-sales team continued to perform well through a tougher market, staircasing 412 units at an average margin of 34% (2019: 437 units at 36%) and completing 234 Homebuy Redemptions at an average margin of 37% (2019: 331 completions at 38%). The future development pipeline remains strong at 6,344 units (2019: 6,506 units) as we held back on new commitments late in the year, as the COVID19 crisis began to emerge. During the year we completed the Clapham Park s106 agreement and the next phase is now ready to commence construction.

Debt and facilities

Net debt (excluding derivative financial instruments) at 31 March 2020 is £2.0bn up from £1.8bn. Available liquidity (cash and committed secured undrawn facilities) is up at £611m (2019: £ 541m). Gearing remains strong on the Historic Cost basis at 42% (2019: 41%). Interest cover was around 1.6 times (2019: 1.9 times) on an EBITDA MRI basis.

The Standard & Poor’s credit rating was confirmed in December 2020 at A- (stable outlook).

The Board expects to announce full audited consolidated results for the year ended 31 March 2020 later in the Summer.

Consolidated Statement of Comprehensive Income for the year ended 31 March 2020 (unaudited)						
		2020		**2019**		**%**
		£m		**£m**		
Revenue		465.0		410.8		13%
Cost of sales		-111.2		-71.8		55%

Metropolitan Thames Valley Consolidated Results

Operating costs	-257.9	-226.3	14%
Surplus from disposal of fixed assets and investments	28.7	31.2	-8%
Share of Surplus from Joint Ventures	5.7	9.9	-42%
Underlying Operating Surplus	**130.3**	**153.8**	-15%
Non-recurring operating costs	-4.5	-5.3	-15%
Operating Surplus	**125.8**	**148.5**	-15%
Net interest payable	-77.4	-72.2	7%
Other finance costs	-	-77.8	
Movements in fair value of investments and properties	-0.5	7.9	-106%
Taxation	-0.1	-0.7	
Total (Loss)/Surplus	**47.8**	**5.7**	839%
Actuarial loss in respect of pension schemes	-1.6	-47.4	-97%
Change in fair value of hedged financial instruments	-14.5	-5.0	290%
Total comprehensive income for the year	**31.7**	**-46.7**	-168%
Consolidated Statement of Financial Position as at 31 March 2020 (unaudited)			
Housing properties	4,420.6	4,290.7	3%
Investment properties and other fixed assets	101.5	91.3	11%
Investments	269.6	262.5	3%
Net current assets	30.8	101.1	-70%
Total Assets less current liabilities	**4,822.5**	**4,745.6**	2%
Loans due to be repaid in more than one year	1,896.2	1,932.6	-2%
Pension liabilities	77.3	57.4	35%
Other long-term liabilities	440.8	426.0	3%
Capital and reserves	2,408.2	2,329.6	3%
Total non-current liabilities and reserves	**4,822.5**	**4,745.6**	2%

Consolidated Statement of Cashflows for the year ended 31 March 2020 (unaudited)			
Net cash from Operating Activities	199.2	236.9	-16%
Net cash from Investing Activities	- 260.4	- 240.1	8%
Net cash used in Financing Activities	- 56.3	67.7	-183%
Net movement in cash and cash equivalents	- 117.5	64.5	-282%
Cash and cash equivalents carried forward	105.5	223.0	-53%

Sales revenue and margins (unaudited)	**2020**		**2019**	
	Revenue	**Margin**	**Revenue**	**Margin**
First Tranche	76.9	15%	59.7	10%
Outright Sales	54.3	17%	24.9	18%
Staircasing	47.6	34%	43.5	36%

RTB / RTA		11.8		28%		3.2		40%
Redemptions		16.9		40%		23.0		38%
Fixed Asset Sales		9.3		29%		10.0		53%

Outlook

Since the start of the new financial year and the lockdown under COVID19, the group has focussed on protecting is customers and employees through safe working practices, maintaining essential services, supporting customers in hardship and managing its cash resources. While there has been a small increase in arrears experience to date, it is well within our stress scenario. Construction was suspended on most of our sites but has now been largely restored and our major repairs programme has similarly been suspended. We have continued to take sales reservations throughout the lockdown period at sales rates similar to this time last year, particularly of Shared Ownership units. While there remains a completion risk to these reservations, there is little evidence so far of declining sales prices or lack of mortgage availability. We are closely monitoring the key performance metrics of the organisation to understand the impact of the lockdown, any further extended period of social distancing and the subsequent resumption to regular business activity. We anticipate that we will update the market in the early part of financial Q2, once the impact of COVID19 is clearer.

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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