Metropolitan Funding PLC

Thames Valley Housing Association (TVHA) unaudited consolidated results for the year ended 31 March 2021.

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 2021. These results may be subject to further adjustments, most notably in respect of pension costs and property valuations.

Headlines

- Operating Surplus up 9% to £138m (2020: £127m).
- Total Revenue £446m, down 4% (2020: £465m).
- 923 new homes completed (2020: 1,022 homes) of which 704 (2020: 781) were affordable.
- Strong liquidity position with around £790m of available cash and facilities.
- Net debt to EBITDA 10.5x (2020: 12.1x).
- S&P credit rating A- (stable outlook).
- RSH grading confirmed as G1/V2.
- Appointment of new Board members Tania Brisby, Davinder Dhillon, Nigel Ingram and Ofei Kwafo-Akoto.

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

"The safety and wellbeing of our customers and colleagues has been our number one priority throughout global pandemic which has dominated the 2020/21 financial year. Consistent with our strategy of "Serving People Better Every Day", we moved quickly to maintain essential frontline services, particularly across our Care and Support schemes which serve some of the most vulnerable people in society. We also focussed on maintaining full services to our NHS keyworker accommodation schemes, which are designed to give frontline healthcare workers comfortable and secure homes near to the hospitals where they work.

Reported operating surplus rose 9% to £138m while underlying Social Housing margin rose by 4 percentage points to 32%. Sales revenue was £109m (down 17%) as we sold 531 new homes (2020: 711 homes). The average selling price of our homes was £321k for Shared Ownership (down 5%) and £430k for outright sale (down 12%), both driven by geographic sales mix. Meanwhile the sales market continues to perform in line with our expectations. The Group is well-funded with £0.8bn of available liquidity.

Despite disruption from Covid 19 and Brexit to the construction sector we built 923 new homes, and our pipeline is set to deliver a further 6,000 over the next five years. We also maintained our commitment to the quality of existing properties, with £42m invested in people's homes – including improvements such as replacing bathrooms and kitchens and installing new boilers. Our money advice team also worked with customers proactively through the year to support those undergoing financial stress, such that our concerns around arrears at this time last year did not materialise, with rental arrears rates ending the year just under 5%.

“Building safety continued to be an area of focus for us during the year, with our dedicated Safer Buildings team delivering a programme of surveys across more than 50 of our tallest blocks. This work is ongoing, as we identify and address risk across our properties, in line with government guidelines. The challenges faced by leaseholders trying to sell or re-mortgage their properties or concerned by the prospect of incurring costs for fire safety work on their buildings, has caused great anxiety for many homeowners across the country. We continue to work to support residents affected in this way, and to urge government to take action to help resolve these challenges.”

Results overview

Total Housing operations (including supported housing and market rent) were in line with expectations, with non-sales income representing 76% (2020: 72%) of turnover. Underlying Social Housing operating margin was 32% (2020: 28%). Sales revenue was £108m (2020: £131m) with an average sales margin of 10% (2020: 16%). We built 923 new homes (2020: 1,022 new homes) in the year, investing £158m (2020: £281m) in new housing.

Underlying operating margins are 31% (2020: 28%) driven by the return to an indexed rent roll. Liquidity remains strong at £790m (2020: £611m). Drawn borrowings are £1.9bn (2020: £2.0bn).

Our partnership integration activities are complete and we continue to deliver on the integration savings in respect of headcount and procurement.

Operations review - Customer Services (including Care and Support)

Social housing letting revenue was £299m (2020: £295m), with underlying rental income up 3.2% in line with the inflation settlement. We invested £42m (2020: £42m) in property improvements, while our overall spend on fire safety was £21m (2020: £16m). Our total spend on the existing estate was £127m (2020: £129m) prioritising property compliance, condition and customer satisfaction issues. Social rent arrears closed the year at 4.98% (2020: 4.82%) as a result of proactively contacting vulnerable customers offering support and financial advice and assisting new claimants on to Universal Credit. Our average general needs re-let time improved from around 32 days in 2020 (weighted between MHT and TVHA by unit stock) to 27 days 2021.

In line with our commitment to improve the lives of our customers, we invested £3.6m (2020 £3.7m) in building stronger communities.

Operations review - New homes development and sales

First tranche revenues were £44m (2020; £77m) with margins diluted as we sold down long-term stock units on some lower-margin sites outside London. We sold 380 First Tranche units at an average 14% surplus margin (2020: 600 units at 15% margin). In addition we sold 151 outright sale units at an average underlying margin (net of post-planning remediation costs) of 10% (2020: 111 units at 17%). As at 31 March 2021, MTVH held 262 unreserved completed units (2020: 183).

During the year we completed 370 staircasing transactions which delivered £16.5m of operating surplus at a 37% margin (2020: £16.0m at 34% from 412 completions). In addition, we completed 206 Homebuy loan redemption transactions, achieving £5.8m of operating surplus at a 38% margin (2020: £6.2m at a 40% margin from 234 completions). Surplus derived from Right to Buy disposals fell by £2.5m to £0.9m as a result of the completion of the extended Right to Buy pilot scheme in the East Midlands at the end of last year.

The future development pipeline remains strong at 6,914 units (2020: 6,344 units) despite the impact of the COVID19. At Clapham Park we are now out to tender seeking a Joint Venture partner with whom to deliver futures sales phases, with the next social phase under construction.

Debt and facilities

Net debt (excluding derivative financial instruments) at 31 March 2021 is £1.9bn (2020: £2.0bn) following a year of strong cash generation boosted by a good sales market and some delayed development spend. Available liquidity (cash and committed secured undrawn facilities) is up at £790m (2020: £611m). MHT covenant gearing reduced on the Historic Cost basis to 38% (2020: 42%). Interest cover was around 1.68 times (2020: 1.6 times) on an EBITDA MRI basis.

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

Consolidated Statement of Comprehensive Income for the year ended 31 March 2021 (unaudited)

	2021	2020	%
	£m	£m	
Revenue	445.8	465.0	-4%
Cost of sales	-96.1	-111.2	-14%
Operating costs	-241.2	-257.6	-6%
Surplus from disposal of fixed assets and investments	24.5	28.8	-15%
Share of Surplus from Joint Ventures	5.0	5.7	-12%
Underlying Operating Surplus	**138.0**	**130.7**	6%
Non-recurring operating costs	-	-4.1	
Operating Surplus	**138.0**	**126.6**	9%
Revaluation of Investments	3.0	-0.5	-700%
Net interest payable	-74.9	-77.3	-3%
Movements in fair value of financial instruments and investment property	-4.3	0.7	-714%
Movement in fair value of financial assets	-0.7	-0.7	-
Surplus before Tax	**61.1**	**48.8**	25%
Taxation	-	0.3	-
Surplus for the Year	61.1	49.1	24%
Actuarial loss in respect of pension schemes	-48.2	43.7	-210%
Change in fair value of hedged financial instruments	12.4	-14.6	-185%
Total comprehensive income for the year	**25.3**	**78.2**	-68%

Metropolitan Thames Valley Consolidated Results

Consolidated Statement of Financial Position as at 31 March 2021 (unaudited)						
Housing and Investment properties		4,592.1		4,489.1		2%
Other fixed assets		36.0		29.9		21%
Investments		262.0		271.1		-3%
Net current assets		-267.8		-6.1		4309%
Total Assets less current liabilities		**4,622.3**		**4783.9**		-3%
Loans due to be repaid in more than one year		2,066.7		2,297.8		-10%
Pension liabilities		75.7		31.1		143%
Capital and reserves		2,479.9		2,455.0		1%
Total non-current liabilities and reserves		**4,622.3**		**4,783.9**		-3%

Consolidated Statement of Cashflows for the year ended 31 March 2021 (unaudited)						
Net cash from Operating Activities		273.2		172.6		58%
Net cash from Investing Activities		-162.7		-206.7		-21%
Net cash used in Financing Activities		-59.7		-83.5		-29%
Net movement in cash and cash equivalents		50.8		-117.6		-143%
Cash and cash equivalents carried forward		156.3		105.5		48%

Sales revenue and margins (unaudited)		2021				2020		
		Revenue		Margin		Revenue		Margin
First Tranche		43.8		14%		76.9		15%
Outright Sales		64.9		10%		54.3		16%
Staircasing		44.4		37%		47.6		34%
RTB / RTA		2.8		32%		11.8		29%
Redemptions		15.5		37%		16.9		37%
Fixed Asset Sales		10.6		13%		9.8		33%

Outlook

Uncertainty relating to the twin effects of Covid and Brexit still occupy our planning however the sales market continues to perform well and overheads and housing operating costs remain under control. The withdrawal of HM Treasury incentives and support, including SDLT holidays and furlough may adversely impact the outturn, as well as some indications that construction and property cost increases will run ahead of underlying inflation as the economy recovers. Notwithstanding these risks we remain confident in the resilience of our plans.

We expect to publish the audited results in July 2021.

Enquiries

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This information for investors is also available on our website:
https://www.mtvh.co.uk/about-us/investors/

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

Metropolitan Thames Valley Consolidated Results

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