Building homes, independence and aspirations

Trading update for the six months ended 30 September 2024

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Home Group Limited (Home Group) issues its unaudited Group trading update for the six months ended 30 September 2024 with comparatives to the unaudited results for the six months ended 30 September 2023.

These figures are provided for information purposes only.

Half Year Summary

- Home Group supports over 125,000 customers across more than 56,000 homes, with over 90% of those homes being affordable tenures.
- Operates across 184 local authority areas in England and Scotland, with 51% of stock within 12 local authorities.
- Provides care and support services for over 14,000 customers, including people with mental and physical health issues.
- Surplus before tax for the six months ended 30 September 2024 of £24.1 million.
- Undrawn, committed borrowing facilities and cash of £298.7 million at 30 September 2024.
- Standard and Poor's (S&P) reaffirmed rating at A- (stable outlook) in August 2024.
- Rating from Regulator of Social Housing at G1 V2 following publication of result of In Depth Assessment in March 2024.
- Delivery of 684 new homes of which 446 are affordable tenures.
- Proactive management in reducing un-let rented properties, resulting in a void percentage of 1.42% compared to 1.52% in September 2023
- Publication of our 4th annual ESG (Environments, Social and Governance) report under the Sustainability Reporting Standard for Social Housing.

Commenting on the results, **Helen Meehan, Chief Financial Officer** said:

"During the first half of 2024/25 we have continued to see signs of recovery in our business environment and have delivered a surplus before tax of £24.1 million which represents a 17% increase year on year. The outturn for the second half of the year will again be challenging as we continue to experience higher maintenance costs reflecting our commitment to improve and maintain our customers' homes. Some maintenance spend planned in the first half of the year will now happen in the second half of the year, and we anticipate an increase in the volume of repairs in the winter period. However, we are still aiming to achieve our full year budgeted surplus.

In August 2024 we were once again really pleased to have our Standard & Poor's (S&P) rating reaffirmed at A – with a stable outlook. S&P recognised that we have consistently demonstrated a derisked development plan with lower exposure to the property market. S&P also recognised that there is flexibility within our plans to mitigate cost and investment pressures should we need to and that we have strength in our levels of available liquidity. This ability to be flexible is crucial to delivering the best outcomes for our customers.

We remain committed to increasing the number of affordable homes we own and manage, and our delivery programme is focussed on delivering the right mix of homes for customers. During the first half of 2024/25 we have delivered almost 450 homes for social and affordable rent or affordable home ownership which represents a 42% increase on the same period last year. Our development activity continues to be subject to robust risk management and we will only proceed with schemes that meet our target development key performance indicators.

We continue to be focussed on delivering our customer promise, and we are transitioning to a regional model of service delivery which will allow us to work more locally, driving an increased focus on working with local partners and ultimately bringing us closer to better understanding the customers and communities we serve. Customers are at the heart of what we do, and through our wide-ranging customer engagement and scrutiny activities, our customers can measure how we are performing and hold us to account."

Key Financials

Key Financial Indicators	6 months ended 30 September 2024	6 months ended 30 September 2023
Turnover (£000)	256,466	247,351
Operating surplus (£000)	50,967	44,054
Operating margin (Overall)[1]	18.5%	16.6%
Operating margin (Social housing lettings)[1]	24.8%	24.9%
Surplus before tax (£000)	24,108	20,533
Gearing[1]	43.7%	42.9%
Interest cover (EBITDA MRI)[1]	146.4%	156.1%
Net debt per unit (£)	24,609	23,283

Overall turnover increased by 3.7% to £256.5 million (2023: £247.4 million) reflecting rent increases of 7.7% which we applied from 1 April 2024 and an increase in contract income for support services, partly offset by a reduction in revenue from new build sales.

Our operating surplus to the end of September was £51.0 million (2023: £44.1 million), reflecting an overall operating margin of 18.5% (2023: 16.6%). The improvement in overall operating margin reflects a change in the mix of activities with a higher proportion of turnover being generated from the social housing lettings which has consistently delivered a margin of c.25%. We have also seen improvements in margins on shared ownership sales and within the contracting side of our business which contribute to the overall improvement.

Our surplus before tax is £24.1 million (2023: £20.5 million), an increase of 17% in comparison to the previous year. However, we remain mindful of the economic climate we operate in and the challenges we could face for the remainder of the year. We expect our maintenance spend will increase, reflecting our commitment to keeping repair timescales in line with customer expectations, an increase in the volume of repairs during winter and our zero tolerance approach to damp and mould. We also expect some operational spend that was planned for the first half of the year to move into the second half of the year.

Gearing has increased by 0.8% and net debt per unit by 5.7%. This reflects the Group's net debt increasing to £1,278.5 million (2023: £1,192.6 million). Borrowings, together with capital grant and net cash from our operating activities enable us to continue to invest in our existing properties and in new affordable homes.

Additional borrowings, albeit lower than planned, have increased interest payable by £3.5 million in the six months to 30 September 2024 compared to the same period last year. The increase in interest, combined with an increase in capital maintenance costs, is a key contributor to a reduction in interest cover (EBITDA MRI) to 146.4% (2023: 156.1%). We do continue to have significant headroom against all our lender covenants with our tightest group interest cover covenant at over 200% with minimum permitted cover of 100%.

[1] Value for Money metric as defined by the Regulator of Social Housing

Treasury and financing

As at 30 September 2024 drawn borrowings were £1,334.8 million (2023: £1,230.6 million) and available liquidity in the form of committed, undrawn facilities and cash was £298.7 million (2023: £355.5 million).

The proportion of drawn debt that was fixed as at 30 September 2024 was 74.0% (2023: 77.8%).

During the first half of the year we completed the residual £25.0 million security on a £50.0 million facility extension renegotiated before year end. We have also renegotiated the term of an existing £40.0 million revolving credit facility in Home in Scotland. The renegotiated facility extends the term and includes a fixed rate loan of £20.0 million as part of the overall facility.

We continue to have a substantial pool of unencumbered properties available to charge as security against future borrowings.

Asset management

Maintenance	6 months ended 30 September 2024 £'000	6 months ended 30 September 2023 £'000
Routine maintenance	29,489	26,413
Planned maintenance	14,175	13,498
Major repairs expenditure	4,045	5,825
Capitalised works	26,070	19,931
Total spend on improving and maintaining homes	73,780	65,667

Total maintenance spend in the six months to 30 September 2024 is 12% higher than the equivalent period in 2023, which is a product of us fulfilling our customer promise of providing a safe place to live and delivering a reliable repairs service. The increase in spend in the first half of the year reflects an increase in both the volume of repairs and the costs associated with delivering our maintenance services. We are committed to keeping repair timescales in line with customer expectations.

Investment in our existing homes through our planned maintenance, major repairs and capitalised works programmes is informed by our stock condition information which we continue to refine through our programme of stock condition surveys. We expect to complete over 8,000 surveys this year delivered by our in-house team and third-party surveyors.

Awaab's Law was introduced in July 2023 as part of the Social Housing (Regulation) Act. This legislation effectively inserts into social housing tenancy agreements a term that will require landlords to comply with new requirements, to be set out in detail through secondary legislation. Whilst we await this, we have proactively reviewed our internal processes, structures, and systems, along with how we deliver our services, and are now making required changes to ensure we can respond within the timescales set out.

The total spend on improving and maintaining homes includes £3.2 million (2022: £3.2 million) of building safety costs. It is fundamental that we provide our customers with a safe place to live, and we proactively manage our fire safety risks.

Development and sales

Development	6 months ended 30 September 2024 No. of homes	6 months ended 30 September 2023 No. of homes
Social/affordable rent	239	283
Affordable home ownership	207	30
Outright sale	98	47
Joint ventures	140	123
Total homes handed over	684	483

So far this year we and our joint ventures have delivered 684 new homes, 446 of which were affordable. Build completions are ahead of expectation which has provided additional homes to sell which enabled us to deliver higher sales income than expected at the half year. We continue to work closely with our contractors and partners to ensure timely completion of new homes. We have seen greater positivity in the sales market, and this has in part contributed to the volume of completions to date.

The majority of the homes delivered have been across longer term projects, but we have seen a number of s106 and additionality opportunities, with shorter horizons, contribute to new homes delivered in the first half of the year. We expect this trend to continue, particular on the s106 front and we are also in ongoing conversations in England and Scotland concerning the availability and deployment of grant.

The targeted increase in affordable homeownership has been a significant contributor to the increased delivery compared to Sept 2023 with a positive spread of homes across our regions.

Our development activity is subject to a robust risk management framework with projects closely managed by our regional teams and subject to scrutiny at our Development Committee and Board. Schemes will only proceed if target development KPIs are achieved, and their performance is monitored throughout the project lifecycle.

New build sales	6 months ended 30 September 2024 No. of homes	6 months ended 30 September 2023 No. of homes
Affordable home ownership	119	62
Outright sale	78	81
Joint ventures	94	94
Total sales completed	291	237
Homes held for sale as at 30 September	207	58

Following the increase in delivery of affordable home ownership we have seen also seen a significant increase in sales activity and in turn completions. Our outright sale activity has remained consistent with the previous financial year however we have seen strong demand for the shared ownership product with sales completions for this product up almost 100% when compared to the same period last year. Promising activity levels can be reported across all our regions of operation and reservation levels have been consistently higher than usual over the last 6 months. These reservations will be realised as legal completions over the coming 6 months.

Linked to the increased delivery programme over the past six months, our homes held for sale has seen a significant increase when compared to this time last year. The majority of homes held for sale (169) are shared ownership tenure, with the remainder (38) being outright sale. Of the 207 held for sale 131 are within our reserved/exchanged sales pipeline currently and expected to legally complete over the next 3 months.

Sustainability

We are a founding member of the Greener Futures Partnership which is creating a sector-leading approach to sustainability. Representing approximately 10% of the social housing market, we will collaboratively improve the energy efficiency and affordability of homes across the social housing sector by addressing the green agenda and enhancing our customers' living conditions.

We are now into the fifth year of our 30-year road map to green our business, homes and communities, and continue to build on the foundations which will help us achieve our longer-term goals, working towards the UN's goal and the UK Government's 2050 net zero target.

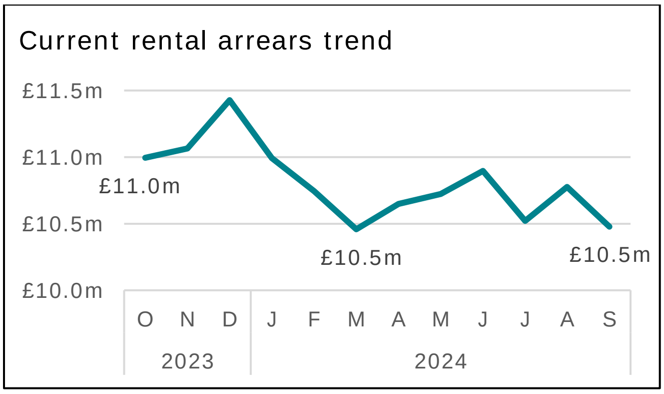
Following the success of our Wave 1 retrofit project in Cumbria in 2022/23, we were successful in securing Wave 2 funding from the Social Housing Decarbonisation Fund (SHDF) during 2023/24. We plan to retrofit 1,000 homes over the next two years by adopting a fabric first approach to improving the energy efficiency of these homes. We will also install solar PV panels where this is considered appropriate, bringing in learning from Wave 1.

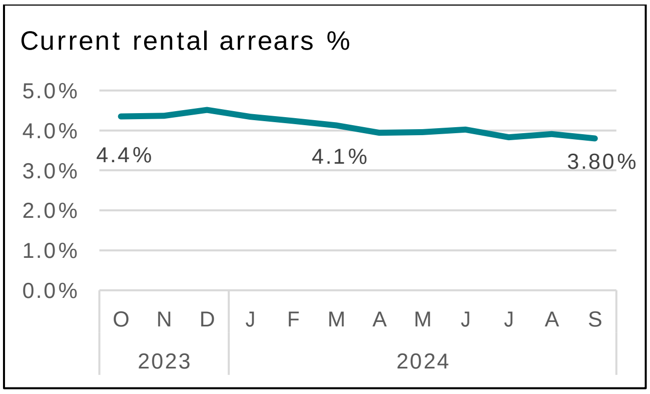
We were an early adopter of the Sustainability Reporting Standard for Social Housing and have published our fourth report for 2023/24. A copy of this report can be found at: Home Group ESG England report 2024

Highlights from the report include:

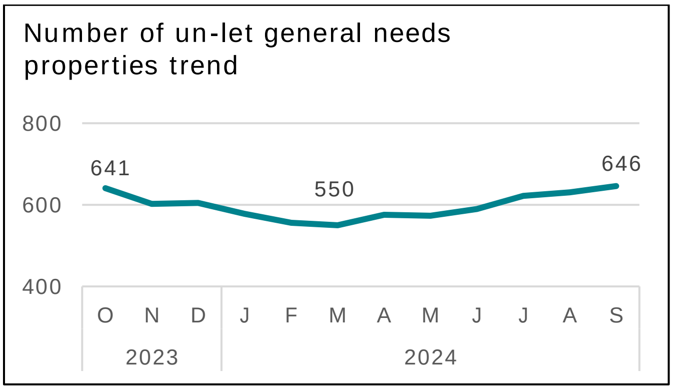
- Over 70% of our existing homes are rated EPC C or above and 100% of our new build homes are rates EPC B or above.
- Overall satisfaction score for 2023/24 of 66.9% (Home Group | Tenant Satisfaction Measures (TSMs)).
- We continue to engage with our customers, asking over 3,700 customers their views, listening to what they said and acting on their ideas.
- Each year, we employ around 120 apprentices and 70 of these annual apprentices are exclusively for our customers who have been long-term unemployed.
- Our median gender pay gap has fallen from 11.1% in 2021 to 9.3% in 2024. This compares to the UK average gender pay gap of 14.3%

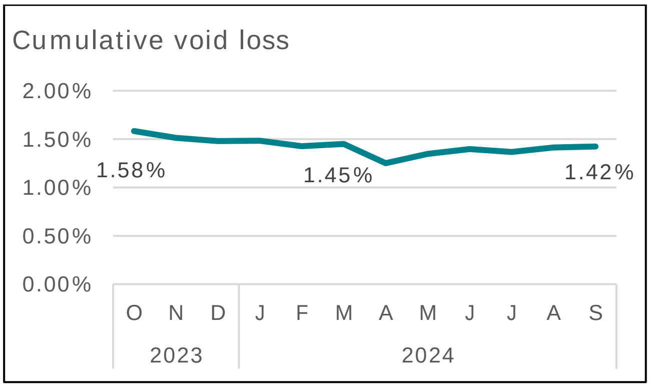
Operational performance





Our rental arrears performance continues to be strong at £10.5 million, with arrears already back to March 2024 levels despite significant rental increments this year. We currently have over 3,500 non pensionable housing benefit customers migrating to universal credit before the year end and expect this will be compounded by the expected seasonal peak in Q3. However, due to the introduction of our in-house predictive analytics and account allocation tool, we expect to achieve our year-end target of reducing arrears to £10.0 million.





We expect void performance to be in line with March 2024 levels by year end. During the first half of the year, we have seen a temporary increase in re-let times as we transitioned our maintenance model in the north-west from a contractor led approach to a direct work force. By embedding the appropriate management and delivery team, and through the implementation of a focussed turn-around plan, we are now beginning to see an increase in the number of voids being made available to let week on week. We have a strong pipeline of customers ready to move into those available properties once the void works are completed.

Summary financial statements

Summary income and expenditure	6 months ended 30 September 2024 £'000	6 months ended 30 September 2023 £'000
Turnover	256,466	247,351
Cost of sales	(29,430)	(39,664)
Operating expenditure	(179,491)	(166,693)
Surplus on disposal of housing properties	3,422	3,060
Operating surplus	**50,967**	**44,054**
Share of profit in joint ventures and associates	1,218	1,643
Interest receivable	2,804	2,229
Interest payable	(30,880)	(27,393)
Surplus before taxation	**24,108**	**20,533**

Summary balance sheet	At 30 September 2024 £'000	At 30 September 2023 £'000
Housing properties	2,927,846	2,778,884
Properties held for sale	66,153	115,171
Investments	79,756	83,851
Cash and cash equivalents	56,223	38,012
Loans and borrowings	(1,334,757)	(1,230,591)
Deferred capital grant	(958,507)	(928,194)
Other assets and liabilities	(7,966)	(53,393)
Net assets	**828,746**	**803,740**

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