



Building homes, **independence** and **aspirations**

Trading update for the six months
ended 30 September 2021

Home Group Limited (Home Group) issues its unaudited Group trading update for the six months ended 30 September 2021 with comparatives to the unaudited results for the six months ended 30 September 2020.

These figures are provided for information purposes only.

Half Year Highlights

- Home Group own and manage over 55,000 homes across 199 local authority areas with 50% of stock within 12 local authorities, primarily affordable tenures.
- Continued delivery of our mission of Building Homes, Independence and Aspirations.
- Delivery of 406 new homes in the six months to 30 September 2021 of which 192 are affordable tenures and we expect to complete c. 1,200 homes this financial year.
- Strong operational performance with rented arrears and rented voids lower than at 1 April 2020. Gross arrears reduced from 8.5% at April 2020 to 7.9% at September 2021. The number of rented properties available to let fell from a peak of 843 in June 2020 to 702 in September 2021.
- First Environmental, Social and Governance report produced in line with Sustainability Reporting Standard for Social Housing covering 12 months to 31 March 2021.
- Surplus before tax of £18.6 million slightly ahead of expectations.
- Liquidity of £416.4 million.
- Regulatory grading from Regulator of Social Housing (RSH) reaffirmed at G1 V1 following in depth assessment published 30 June 2021.
- S&P reaffirmed rating at A- (stable outlook) in August 2021.
- Commenced a major net zero retrofit pilot scheme in the North West.

Commenting on the results, **John Hudson, Chief Financial Officer** said:

"The first half of 2021/22 saw us deliver a surplus before tax of £18.6 million – slightly ahead of expectation and slightly lower than the equivalent period in 2020/21. We have seen increased spend on maintenance this year reflecting catch-up of repairs work deferred during periods of lockdown, increasing contractor and material costs and additional building safety works. We expect this to continue in the second half of the year. In terms of the full year to 31 March 2022 we expect surplus before tax to be broadly in line with our budget.

Our operational performance in the first half of the year has been good with both voids and arrears at lower levels than at the start of the pandemic in April 2020.

Our financial inclusion team continues to provide excellent support to our customers facing financial hardship, including those in fuel poverty. This is an increasing challenge for many of our customers as energy prices increase and we recognise our role in mitigating fuel poverty through improving the energy efficiency of our homes, providing customers with energy advice and lobbying to raise the profile of this key issue.

We were delighted to publish our inaugural ESG report demonstrating our sustainability credentials and improving disclosure to our key stakeholders.

We continue to have influential relationships with key stakeholders including central and local government given our scale and strategic importance, and these relationships are central to our future growth aspirations as both a provider of social housing and provider of care and support services which provide a lasting difference to our customers lives."

Key Financials

Key Financial Indicators	6 months ended 30 September 2021	6 months ended 30 September 2020
Turnover (£000)	211,200	192,478
Operating surplus (£000)	37,485	39,878
Operating margin (Overall)	15.5%	18.8%
Operating margin (Social housing lettings)	22.3%	26.9%
Surplus before tax (£000)	18,604	19,963
Gearing	42.7%	45.2%
Interest cover (EBITDA MRI)	190.7%	239.4%
Net debt per unit (£)	21,746	22,224

Overall turnover increased by 9.7% to £211.2 million reflecting rent increases which applied from 1 April 2021, new affordable rented housing, and higher volumes of house sales. The operating margin on social housing lettings has reduced from 26.9% to 22.3% with additional income more than offset by higher maintenance costs and higher depreciation charges. This has contributed to the reduction in the overall operating margin which is also influenced by the higher proportion of turnover from development for sale in the six months to 30 September 2021 compared to the same period the previous year.

Surplus before tax is £1.3 million lower than in 2020 with good performance in our development joint ventures and higher surpluses from the sale of previously rented properties compensating for the reduction in operating surplus from the core business.

Gearing and net debt show improvement from 2020 as additions to housing properties have been funded from operating cash flows, making borrowings £28.7 million lower at 30 September 2021 than at 30 September 2020.

Treasury and financing

As at 30 September 2021 net debt was £1,099 million (as at 30 September 2020: £1,126 million) and available liquidity in the form of committed, undrawn facilities and cash was £416.4 million (as at 30 September 2020: £402.1 million). The proportion of drawn debt that was fixed at 30 September 2021 was 81.1%. We continue to have a substantial pool of unencumbered properties available to charge as security against future borrowings.



Development and sales

	6 months ended 30 September 2021	6 months ended 30 September 2020
Development	No. of homes	No. of homes
Social/affordable rent	151	188
Affordable home ownership	41	30
Outright sale	121	130
Joint ventures	93	73
Total homes handed over	406	421

In the six months to 30 September 2021, we and our joint venture partners have delivered 406 homes, 192 of which were affordable. We are currently expecting to deliver c.1,200 new homes this financial year. Build completions in the first six months are slightly behind expectation with material shortages and contractor labour shortages contributing to some delays. We are actively monitoring our delivery pipeline for indications of delays and working closely with our contractors and partners to ensure timely completion of new homes.

	6 months ended 30 September 2021	6 months ended 30 September 2020
New build sales	No. of homes	No. of homes
Affordable home ownership	88	79
Outright sale	95	73
Joint ventures	129	61
Total sales completed	312	213
Homes held for sale as at 30 September	237	331

Sales performance in the six months to 30 September 2021 has been satisfactory and we continue to see good levels of interest on our sales sites.

As at 30 September, we held 237 completed homes available for sale. This represents a 28% reduction compared to the position at 30 September 2020 as we have deliberately sought to reduce the amount of properties held for sale.



Asset management

	6 months ended 30 September 2021 £'000	6 months ended 30 September 2020 £'000
Maintenance		
Routine maintenance	23,224	21,048
Planned maintenance	10,905	8,326
Major repairs expenditure	2,789	1,867
Capitalised works	11,753	1,709
Total spend on improving and maintaining homes	48,670	32,951

Total maintenance spend in the six months to 30 September 2021 is almost 48% higher than the equivalent period in 2020. Access issues during the pandemic slowed maintenance activity considerably in 2020 and there has been some catch up in 2021. We are also experiencing cost pressures from contractors and on material and component prices.

Spend to date includes £1.9 million in relation to building safety works and we currently expect to spend £8.6 million on building safety works in total this year. Following proactive surveys of our properties we have identified additional works in the current financial year.

Sustainability

We're acutely aware of the need to reduce our carbon footprint and are fully behind the UN's goal to stabilise the amount of human-induced greenhouse gases in the atmosphere. We have developed a 30-year strategic plan to help us to drive towards our sustainability goals (which support the UN's goal and the UK Government's 2050 net zero target).

We have started a major net zero retrofit pilot scheme in the north west, which looks at the most effective way to retrofit at the scale needed to ensure our 55,000 homes reach their optimum Energy Performance Certificate (EPC) ratings. This pilot follows a unique two-year research project called Gateshead Innovation Village, in which we built 42 homes using several different types of modern methods of construction in-order-to find the most effective and environmentally friendly way to build homes to scale for the long term.

We, together with 4 other registered providers, are founder members of The Greener Futures Partnership - a pioneering partnership based on the shared ambitions to lower emissions, reduce fuel poverty and improve living conditions for customers by creating sustainable, affordable, healthier and safer homes.

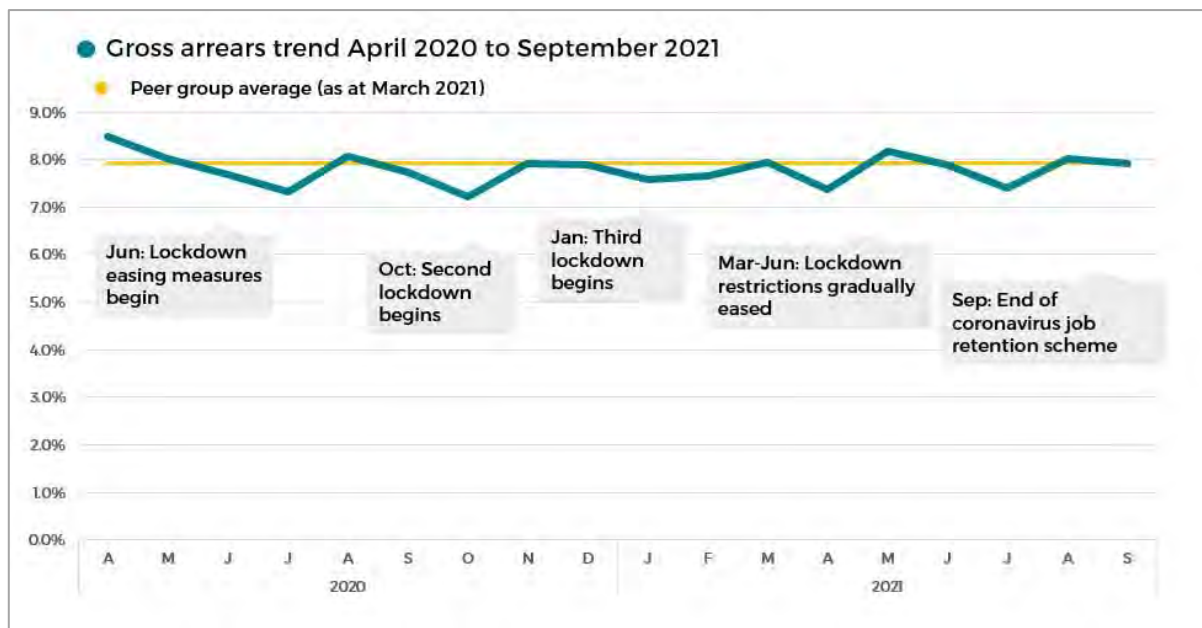
We have recently published our first report under the Sustainability Reporting Standard for Social Housing and a copy of this report can be found at:

<https://www.homegroup.org.uk/media/30xf1zai/environmental-social-governance-esg-2020-2021.pdf>

Highlights from the report include:

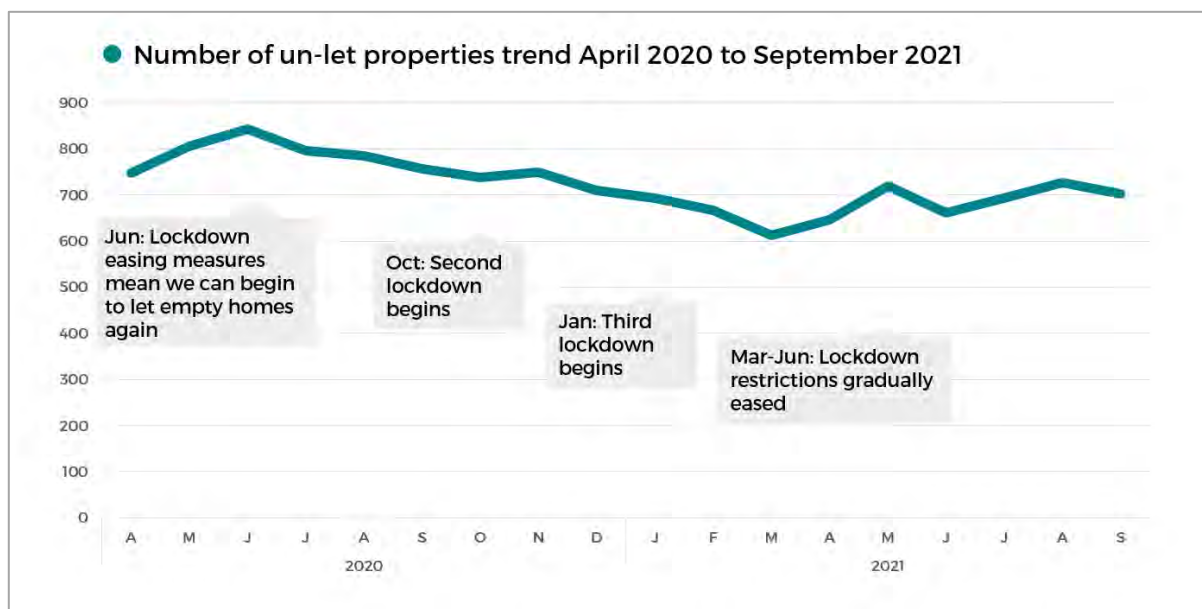
- Over 98% of our general needs and affordable rented homes have rents which are equal to or lower than local housing allowance.
- Our continued strong customer engagement programme resulted in almost 3,800 of our customers providing us with feedback.
- 70% of our homes have an Energy Performance Certificate (EPC) rating of C or above and our new build programme targets homes rated B or above.
- Details of our enhanced staff wellbeing offer which supported our colleagues through the pandemic which was recognised in our annual Great Place to Work survey where we were 7th in UK for super large employers.

Operational performance



We have seen a decline in the amount of gross arrears owed by our rented and supported customers since the start of the pandemic in contrast to the sector trend of a slight increase across the same period. Gross arrears fell from 8.5% at April 2020 to 7.9% at September 2021.

Household budgets remain strained due to the rising cost of living, and our financial inclusion team continue to work with customers who are experiencing financial pressures, helping them to claim benefits they are entitled to.



The number of available rented properties to let at 30 September 2021 was 702 (30 September 2020: 757). We have seen rising numbers of empty properties during periods of lockdown, particularly in the first national lockdown when we were unable to let homes, and as third national lockdown restrictions were eased, we saw higher number of customers moving out. More recently we have experienced challenges with maintenance contractor performance due to availability of resource and materials. We expect the number of empty properties to reduce in the second half of the year as we work through a backlog of void repair works needed.

Summary financial statements

	6 months ended 30 September 2021 £'000	6 months ended 30 September 2020 £'000
Summary income and expenditure		
Turnover	211,200	192,478
Cost of sales	(37,973)	(28,890)
Operating expenditure	(140,538)	(127,392)
Surplus on disposal of housing properties	4,797	3,682
Operating surplus	37,485	39,878
Share of profit in joint ventures and associates	1,711	137
Interest receivable	1,144	1,466
Interest payable	(21,736)	(21,518)
Surplus before taxation	18,604	19,963

	At 30 September 2021 £'000	At 30 September 2020 £'000
Summary balance sheet		
Housing properties	2,571,970	2,492,836
Properties held for sale	136,237	176,438
Investments	82,606	94,144
Cash and cash equivalents	36,630	38,320
Loans and borrowings	(1,135,897)	(1,164,602)
Deferred capital grant	(827,942)	(813,262)
Other assets and liabilities	(161,218)	(138,607)
Net assets	702,386	685,267

Contact Information

For further information, please contact:

Steve Hallowell
Director of Treasury and Investor Relations
07736 097160
steve.hallowell@homegroup.org.uk

Steve Heywood
Media Manager
steve.heywood@homegroup.org.uk



Disclaimer

These materials have been prepared by Home Group Limited solely for use in publishing and presenting its results in respect of the six months ended 30 September 2021.

These materials do not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire securities of Home Group Limited in any jurisdiction or an inducement to enter into investment activity. No part of these materials, nor the fact of their distribution, should form the basis of, or be relied on or in connection with, any contract or commitment or investment decision whatsoever. Neither should the materials be construed as legal, tax, financial, investment or accounting advice. This information presented herein does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (withdrawal) Act 2018 (the UK Prospectus regulation) and/or Part VI of the Financial Services and Markets Act 2000.

These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Home Group Limited that are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Home Group Limited's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which Home Group Limited operates; the ability of Home Group Limited to manage regulatory and legal matters; the reliability of Home Group Limited's technological infrastructure or that of third parties on which it relies; interruptions in Home Group Limited's supply chain and disruptions to its development activities; and the recruitment and retention of key management. No representations are made as to the accuracy of such forward looking statements, estimates or projections or with respect to any other materials herein. Actual results may vary from the projected results contained herein.

These materials contain certain information which has been prepared in reliance on publicly available information (the "Public Information"). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. Home Group Limited does not make any representation or warranty as to the accuracy or completeness of the Public Information.

These materials are believed to be in all material respects accurate, although it has not been independently verified by Home Group Limited and does not purport to be all-inclusive. The information and opinions contained in these materials do not purport to be comprehensive, speak only as of the date of this announcement and are subject to change without notice. Except as required by any applicable law or regulation, Home Group Limited expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any information contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such information is based.

None of Home Group Limited, its advisers nor any other person shall have any liability whatsoever, to the fullest extent permitted by law, for any loss arising from any use of the materials or its contents or otherwise arising in connection with the materials. No representations or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in these materials or any other information. Neither Home Group Limited nor any other person connected to it shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from these materials or any other information and any such liability is expressly disclaimed.

Any reference to "Home Group Limited" means Home Group Limited and its subsidiaries from time to time and their respective directors, board members, representatives or employees and/or any persons connected with them.