

## London & Quadrant Housing Trust Trading Update for the period ending 31 December 2023

London & Quadrant Housing Trust ('L&Q') is today issuing its consolidated unaudited trading update for the nine months ended 31 December 2023 ('2023 Q3'). All statement of comprehensive income comparatives are to L&Q's consolidated unaudited prior year equivalent period being the nine months ended 31 December 2022 ('2022 Q3').

### HIGHLIGHTS

- There are 109,349 homes owned or managed (as at 31 March 2023: 108,326)
- L&Q has completed 1,902 new residential homes (2022 Q3: 3,007)
- Turnover was £761m (2022 Q3: £793m)
- EBITDA<sup>1</sup> was £244m (2022 Q3: £215m)
- EBITDA margin<sup>2</sup> was 29% (2022 Q3: 22%)
- EBITDA margin (excluding sales)<sup>3</sup> was 39% (2022 Q3: 33%)
- Gross sales EBITDA margin<sup>4</sup> was 11% (2022 Q3: 14%)
- Net sales EBITDA margin<sup>5</sup> was 5% (2022 Q3: 7%)
- EBITDA interest cover<sup>6</sup> was 134% (2022 Q3: 159%)
- EBITDA social housing lettings interest cover<sup>7</sup> was 121% (2022 Q3: 117%)
- Operating surplus was £268m (2022 Q3: £241m)
- Debt to assets<sup>8</sup> was 41% (2022 Q3: 39%)
- Sales as a % of turnover<sup>10</sup> was 30% (2022 Q3: 47%)

### Commenting on the results Waqar Ahmed, Group Director, Finance said:

"L&Q's Q3 trading results are broadly in line with themes set out in our Q2 trading statement. We are investing in our maintenance programme to address damp and mould, fire safety, energy efficiency and wide-ranging estate improvements. We are also progressing our multi-year transformation programme to deliver a simplified target operating model and improve the service we deliver to our residents.

Market conditions continues to impact sales across all tenures. However, with the end of help to buy, demand for shared ownership remains strong and we have maintained first tranche sales at 32% despite higher interest rates impacting affordability for purchasers. Whilst the outright sales market remains subdued, our exposure continues to decline. On a look-forward basis, capital expenditure is expected to peak this financial year and fall thereafter. This means that risk and future earnings volatility within the development pipeline continues to be substantially absorbed."

### FORWARD GUIDANCE FOR THE YEAR ENDING 31 MARCH 2024

We project EBITDA to be at the lower end of the previous guidance of £370m to £390m. This has a corresponding impact on EBITDA metrics with the lower forecast relating to the deferral of fixed asset sales and expected reduced volume of new home sales in the period. As a result guidance on sales as a % of turnover has reduced slightly to c.35% (previous guidance at c.36%). Gross capital expenditure<sup>11</sup> is expected to be c.£725m (unchanged), and we are expecting to start close to 900 new homes (previous guidance 700) and deliver 3,000 residential homes (unchanged) in the financial year. Net debt position is expected to be c.£5.3bn (unchanged).

Financial Metrics	Forward Guidance to 31 March 2024
EBITDA margin <sup>2</sup>	29% - 31%
EBITDA margin (excluding sales) <sup>3</sup>	40% - 42%
Gross sales EBITDA margin <sup>4</sup>	13% - 15%
EBITDA interest cover <sup>6</sup>	150% - 160%
EBITDA Social housing lettings interest Cover <sup>7</sup>	125% - 135%
Debt to assets <sup>8</sup>	c.38%
Gross debt to EBITDA <sup>9</sup>	14x - 15x
Sales as a % of turnover <sup>10</sup>	c.35%

## HOUSING COMPLETIONS

L&Q, including joint ventures, has completed 1,902 (2022 Q3: 3,007) residential homes in the financial year to date. This comprises of 1,236 (2022 Q3: 1,980) completions for social housing tenures (65%) and 666 (2022 Q3: 1,027) completions for market tenures (35%). During that same time 351 new build residential homes commenced on site (2022 Q3: 1,974) with the majority of starts being later phases of existing developments.

## DEVELOPMENT PIPELINE

L&Q, including joint ventures, is operating from 144 (2022 Q3: 182) active sites. L&Q has approved 4 (2022 Q3: 1,045) homes during the financial year bringing total homes in the approved development pipeline to 22,481 (2022 Q3: 28,345), of which 84% are currently on site. Of the homes approved in the development pipeline 57% are for social housing tenures and 43% are for market tenures. L&Q holds a further potential 84,752 (2022 Q3: 76,337) strategic land plots.

The future projected cost of the entire development pipeline (including work in progress and developments not yet committed or on site) that extends until the financial year ending 31 March 2040 is estimated at £2.6bn (2022 Q3: £4.0bn) of which £2.2bn (85%) is currently committed (2022 Q3: £3.4bn).

## UNAUDITED FINANCIALS

The unaudited financials exclude further adjustments that are subject to audit review.

### Statement of Comprehensive Income

	2023 Q3 (£m)	2022 Q3 (£m)	Change
<b>Turnover</b>			
Non-sales	611	553	
Sales	150	240	
	<b>761</b>	<b>793</b>	<b>(4%)</b>
<b>Operating costs and cost of sales</b>			
Non-sales	(431)	(425)	
Sales	(143)	(222)	
	<b>(574)</b>	<b>(647)</b>	<b>11%</b>
Surplus on disposal of fixed assets and investments	72	73	
Share of profits from joint ventures	8	24	
Change in value of investment property	1	(2)	
<b>Operating surplus</b>	<b>268</b>	<b>241</b>	<b>11%</b>
Net interest charge	(159)	(103)	
Other finance income/ (costs)	(7)	-	
Taxation	-	-	
<b>Surplus for the period after tax</b>	<b>102</b>	<b>138</b>	<b>(26%)</b>

## EBITDA and Net Cash Interest Paid

	2023 Q3 (£m)	2022 Q3 (£m)	Change
Operating surplus	268	241	
Change in value of investment property	1	2	
Amortised government grant	(19)	(19)	
Depreciation	77	76	
Impairment	(7)	(7)	
Capitalised major repairs	(74)	(78)	
<b>EBITDA</b>	<b>244</b>	<b>215</b>	<b>13%</b>
Net interest charge	(159)	(103)	
Capitalised interest	(23)	(32)	
<b>Net cash interest paid</b>	<b>(182)</b>	<b>(135)</b>	<b>(35%)</b>

## Statement of Financial Position

	2023 Q3 (£m)	31 March 2023 (£m)	Change (£m)
Housing properties	11,589	11,354	235
Other fixed assets	85	88	(3)
Investments	1,611	1,569	42
Net current assets	437	174	263
<b>Total assets less current liabilities</b>	<b>13,722</b>	<b>13,185</b>	<b>537</b>
Loans due > one year	5,594	5,124	470
Unamortised grant liabilities	2,032	2,065	(33)
Other long-term liabilities	379	381	(2)
Capital and reserves	5,717	5,615	102
<b>Total non-current liabilities and reserves</b>	<b>13,722</b>	<b>13,185</b>	<b>537</b>

## Non-Sales Activities

	2023 Q3 (£m)	2022 Q3 (£m)	Change (£m)
Net rents receivable	562	509	53
Charges for support services	10	9	1
Amortised government grants	19	19	-
Other income	20	16	4
<b>Turnover</b>	<b>611</b>	<b>553</b>	<b>58</b>
Management costs	(60)	(61)	1
Service costs	(88)	(78)	(10)
Maintenance costs	(177)	(173)	(4)
Support costs	(9)	(10)	1
Depreciation & impairment	(73)	(77)	4
Other costs	(24)	(26)	2
<b>Operating costs</b>	<b>(431)</b>	<b>(425)</b>	<b>(6)</b>
Surplus on disposal of fixed assets	72	73	(1)
Change in value of investment property	1	(2)	3
<b>Operating surplus</b>	<b>253</b>	<b>199</b>	<b>54</b>

## Arrears

Current tenant arrears for all tenures are at 5.21% (as at 31 March 2023: 5.67%).

## Sales Activities

The cost of sales is inclusive of capitalised interest and overhead costs:

	2023 Q3 (£m)	2022 Q3 (£m)	Change (£m)
Property sales income	135	221	(86)
Land sales income	15	19	(4)
<b>Turnover from sales (excluding JV's)</b>	<b>150</b>	<b>240</b>	<b>(90)</b>
Cost of property sales	(126)	(180)	54
Cost of land sales	(8)	(26)	18
Operating costs	(12)	(23)	11
Impairment	3	7	4
<b>Total costs (excluding JV's)</b>	<b>(143)</b>	<b>(222)</b>	<b>79</b>
<b>Operating Surplus (excluding JV's)</b>	<b>7</b>	<b>18</b>	<b>(11)</b>
Joint venture turnover	104	228	(124)
Joint venture cost of sales	(92)	(197)	105
Joint venture operating costs	(4)	(7)	3
Impairment of investment in JV's	-	-	-
<b>Share of profits from joint ventures</b>	<b>8</b>	<b>24</b>	<b>(16)</b>

## AVERAGE SELLING PRICE

The average selling price, including JVs, for outright market sales during the financial year to date was £534k (2022 Q3: £528k). The average selling price of first tranche shared ownership sales during the financial year to date was £411k (2022 Q3: £393k) with an average first tranche sale of 32% (2022 Q3: 36%).

## SALES MARGINS

The cost of sales is inclusive of capitalised interest and overhead costs but excludes impairment:

	Shared Owner- Ship (£m)	Outright Sales (Non-JV) (£m)	Land Sales (£m)	Outright Sales (JV's) (£m)	2023 Q3 (£m)	2022 Q3 (£m)	Change
Turnover	96	39	15	104	254	468	(214)
Cost of sales	(90)	(36)	(8)	(92)	(226)	(403)	177
Gross profit	<b>6</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>28</b>	<b>65</b>	<b>(37)</b>
<b>Gross EBITDA margin</b>	7%	6%	45%	12%	<b>11%</b>	<b>14%</b>	<b>(3%)</b>
Operating costs	(6)	(3)	(2)	(4)	(15)	(30)	15
Operating surplus	-	-	5	8	13	35	(22)
<b>Net EBITDA margin</b>	-	-	29%	8%	<b>5%</b>	<b>7%</b>	<b>(2%)</b>

## UNSOLD STOCK

As at 31 December 2023, L&Q, including joint ventures, held 909 completed homes as unsold stock with a projected revenue of £131m. Projected revenue for shared ownership assumes a first tranche sale of 25%.

Of the total unsold stock, 4% has been held as stock for less than one month and 90% is for shared ownership, a tenure where we would expect to continue to show a higher comparative level of unsold stock due to bulk handovers in short time periods and limitations to pre-sale meaning gradual sales rates. In the year to date, L&Q has handed over 563 and sold 752 shared ownership homes.

L&Q's forward order book excluding joint ventures consists of 58 exchanged homes with projected revenue of £8m and 248 reservations with projected revenue of £31m.

Tenure	Projected Revenue (£m)	No. of Homes	<1 Month	1-3 Months	3-6 Months	6-12 Months	>12 Months
Shared Ownership	108	820	23	48	13	445	291
Outright Sale (non-JV's)	18	57	11	8	9	2	27
<b>Total excluding JV's</b>	<b>126</b>	<b>877</b>	<b>34</b>	<b>56</b>	<b>22</b>	<b>447</b>	<b>318</b>
Outright Sale (JCA's)	-	-	-	-	-	-	-
Outright Sale (JCE's)	5	32	-	3	7	6	16
<b>Total Joint Ventures</b>	<b>5</b>	<b>32</b>	<b>-</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>16</b>
<b>Total Unsold Stock</b>	<b>131</b>	<b>909</b>	<b>34</b>	<b>59</b>	<b>29</b>	<b>453</b>	<b>334</b>

## NET DEBT AND LIQUIDITY

As at 31 December 2023, net debt (excluding derivative financial liabilities) was £5,578m (as at 31 March 2023: £5,294m) and available liquidity within the group in the form of committed un-drawn revolving credit facilities and non-restricted cash was at £939m (as at 31 March 2023: £1,222m). Approximately 54% of L&Q's loan facilities and 62% of drawn loan facilities are at a fixed cost. L&Q has £100m of debt maturities within the next 12 months.

## UNENCUMBERED ASSETS

	2023 Q3	31 March 2023
No. of homes under management	109,349	108,326
No. of social housing homes provided as collateral against debt facilities	(56,213)	(56,924)
No. of private rented homes provided as collateral against debt facilities	(1,295)	(1,295)
<b>Total no. of unencumbered homes under management</b>	<b>51,841</b>	<b>50,107</b>
% of homes under management held as collateral against debt facilities	53%	54%
Unencumbered asset ratio <sup>12</sup>	44%	45%

## L&Q CREDIT RATINGS

As at date of trading statement release:

Rating Agency	S&P	Moody's	Fitch
Long-term credit ratings	A-/Negative	A3/Negative	A+/Negative

## Notes:

<sup>1</sup> Operating surplus – change in value of investment properties – amortised government grant + depreciation + impairment – capitalised major repairs +/- actuarial losses/gains in pension schemes

<sup>2</sup> EBITDA / (turnover + turnover from joint ventures – amortised government grant)

<sup>3</sup> EBITDA from non-sales activities / turnover from non-sales activities

<sup>4</sup> Gross profit from sales + impairment / turnover from sales including joint ventures

<sup>5</sup> Operating surplus from sales + impairment / turnover from sales including joint ventures

<sup>6</sup> EBITDA / net cash interest paid

<sup>7</sup> EBITDA from social housing lettings / net cash interest paid

<sup>8</sup> Net debt (excluding derivative financial liabilities) / total assets less current liabilities

<sup>9</sup> Gross debt / EBITDA

<sup>10</sup> Sales turnover (including joint ventures) / (turnover plus turnover from joint ventures)

<sup>11</sup> Capitalised development expenditure + acquisition of investment property + purchase of other fixed assets

<sup>12</sup> 100% less (loans due after more than 1 year + derivative liabilities + unamortised grant liability) / total assets less current liabilities

**This trading update contains certain forward-looking statements about the future outlook for L&Q. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.**

For further information, please contact:

**[investors@lqgroup.org.uk](mailto:investors@lqgroup.org.uk)**

James Howell, Head of External Affairs

020 8189 1596

**[www.lqgroup.org.uk](http://www.lqgroup.org.uk)**

**END**