

## London & Quadrant Housing Trust Trading Update for the year ending 31 March 2021

London & Quadrant Housing Trust ('L&Q') is today issuing its consolidated trading update for the year ended 31 March 2021 ('2021'). All comparatives are to L&Q's consolidated audited prior year equivalent period being the year ended 31 March 2020 ('2020').

### HIGHLIGHTS

- There are 118,181 units in management (as at 31 March 2020: 115,003)
- L&Q has completed 2,699 residential homes (2020: 2,439)
- Turnover was £1,051m (2020: £915m)
- EBITDA<sup>1</sup> was £382m (2020: £303m)
- EBITDA margin<sup>2</sup> was 31% (2020: 26%)
- EBITDA margin (excluding sales)<sup>3</sup> was 49% (2020: 42%)
- Gross sales margin<sup>4</sup> was 18% (2020: 17%)
- Net sales margin<sup>5</sup> was 10% (2020: 13%)
- EBITDA / interest cover<sup>6</sup> was 260% (2020: 193%)
- EBITDA social housing lettings interest cover<sup>7</sup> was 182% (2020: 137%)
- Operating surplus was £313m (2020: £279m)
- Debt to assets<sup>8</sup> was 41% (2020: 41%)
- Gross Debt / EBITDA<sup>9</sup> was 14.4x (2020: 18.5x)
- Sales as a % of turnover<sup>10</sup> was 47% (2020: 46%)

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

"L&Q's preliminary unaudited results show EBITDA at £382m, a 26% year-on-year increase and net debt at £5,385m, a £45m year-on-year decrease. We have delivered a material improvement in EBITDA margins, interest coverage and debt metrics that are ahead of Q3 guidance and reflect stronger than expected financial performance during the Covid-19 pandemic, particularly in relation to completions, sales and rent arrears.

Available liquidity at greater than £1.1bn demonstrates that we have been successful in implementing prudent measures to conserve cash flows. Our strong liquidity position leaves us well placed to address future external uncertainty that is supported by the strength of our balance sheet and the financial resilience and flexibility that we have demonstrated.

Despite the on-set of the Covid-19 pandemic, housing completions at 2,699 (2020: 2,439) are up 11% year-on-year of which 57% (2020: 49%) are for social housing tenures which further demonstrates our commitment to our social purpose and to lower our risk profile. While the pandemic has impacted our repairs and maintenance service, we invested £186m (2020: £231m) in our residents' homes including £25m (2020: £35m) implementing additional fire measures. The expectation, as reflected in our forward guidance for the year ending 31<sup>st</sup> March 2022 is that we divert a greater level of expenditure towards our resident's existing homes as we implement our five year corporate strategy that sets out how we will put our existing customers first, ensuring that their homes are safe, high quality and supported by excellent services in thriving communities."

### FORWARD GUIDANCE FOR THE YEAR ENDING 31ST MARCH 2022

The following assumes that current market conditions continue.

We project EBITDA to be in the range of £340m to £360m and gross capital expenditure<sup>11</sup> to be in the range of £900m to £1bn. Included within our EBITDA projections are c.£30m of costs assigned to conduct fire remedial and safety works. Our projections for surplus after tax are expected to be in the range of £230m to £250m. Net debt is expected to be in the range of £5.7bn to £5.8bn.

Financial Metrics	Forward Guidance to 31 March 2022
EBITDA margin <sup>2</sup>	26%
EBITDA margin (excluding sales) <sup>3</sup>	40%
Net sales margin <sup>5</sup>	11%
EBITDA interest cover <sup>6</sup>	233%
Social housing lettings EBITDA interest Cover <sup>7</sup>	152%
Debt to assets <sup>8</sup>	43%
Gross debt to EBITDA <sup>9</sup>	16x
Sales as a % of turnover <sup>10</sup>	48%

## HOUSING COMPLETIONS

L&Q, including joint ventures, has completed 2,699 (2020: 2,439) residential homes in the financial year. This comprises of 1,556 (2019/20: 1,188) completions for social housing tenures and 1,143 (2020: 1,251) completions for market tenures. During that same time 3,818 new build residential homes commenced on site (2020: 3,945).

## DEVELOPMENT PIPELINE

L&Q, including joint ventures, is operating from 185 (2020: 158) active sites. L&Q has approved an additional 1,994 residential homes during the financial year bringing total homes in the approved development pipeline to 32,482 (2020: 29,504), of which 64% are currently on site, representing a significant investment in new supply and affordable output. Of the homes approved in the development pipeline 60% are for social housing tenures and 40% are for market tenures. L&Q holds a further potential 81,568 (2020: 70,614) 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 £5.2bn (2019/20: £5.3bn) of which £4.5bn (85%) is currently committed (2020: £4.6bn).

## UNAUDITED FINANCIALS

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

### Statement of Comprehensive Income

	2021 (£m)	2020 (£m)	Change
<b>Turnover</b>			
Non-sales	683	645	
Sales	368	270	
	<b>1,051</b>	<b>915</b>	<b>15%</b>
<b>Operating costs and cost of sales</b>			
Non-sales	(488)	(504)	
Sales	(350)	(228)	
	<b>(838)</b>	<b>(732)</b>	<b>14%</b>
Surplus on disposal of fixed assets and investments	59	64	
Share of profits from joint ventures	37	25	

Change in value of investment property	4	7	
<b>Operating surplus</b>	<b>313</b>	<b>279</b>	<b>23%</b>
Net interest charge	(100)	(117)	
Other finance income/ (costs)	(2)	16	
Taxation	(1)	1	
<b>Pre-exceptional surplus for the period after tax</b>	<b>210</b>	<b>179</b>	<b>17%</b>

#### EBITDA and Net Cash Interest Paid

	2021 (£m)	2020 (£m)	Change
Operating surplus	313	279	
Change in value of investment property	(4)	(7)	
Amortised government grant	(24)	(24)	
Depreciation	97	91	
Impairment	30	24	
Capitalised major repairs	(30)	(61)	
<b>EBITDA</b>	<b>382</b>	<b>303</b>	<b>26%</b>
Net interest charge	(100)	(117)	
Capitalised interest	(48)	(42)	
<b>Net cash interest paid</b>	<b>(148)</b>	<b>(159)</b>	<b>(11%)</b>

#### Statement of Financial Position

	2021 (£m)	2020 (£m)	Change (£m)
Housing properties	10,855	10,555	330
Other fixed assets	78	81	(3)
Investments	1,590	1,622	(32)
Net current assets	512	926	(414)
<b>Total assets less current liabilities</b>	<b>13,061</b>	<b>13,184</b>	<b>(123)</b>
Loans due > one year	5,152	5,528	(376)
Unamortised grant liabilities	2,130	2,105	25
Other long term liabilities	342	324	18
Capital and reserves	5,437	5,227	210
<b>Total non-current liabilities and reserves</b>	<b>13,061</b>	<b>13,184</b>	<b>(123)</b>

#### Non-Sales Activities

	2021 (£m)	2020 (£m)	Change (£m)
Net rents receivable	630	590	40
Charges for support services	10	9	1
Amortised government grants	24	24	-
Other income	19	22	(3)
<b>Turnover</b>	<b>683</b>	<b>645</b>	<b>38</b>
Management costs	(59)	(64)	5
Service costs	(89)	(80)	(9)
Maintenance costs	(156)	(172)	16
Support costs	(13)	(10)	(3)
Depreciation & impairment	(121)	(103)	18
Other costs	(50)	(75)	25

<b>Operating costs</b>	<b>(488)</b>	<b>(504)</b>	<b>16</b>
Surplus on disposal of fixed assets	59	64	(5)
<b>Operating surplus</b>	<b>254</b>	<b>205</b>	<b>49</b>

## Sales Activities

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

	2021 (£m)	2020 (£m)	Change (£m)
Property sales income	277	177	100
Land sales income	91	93	(2)
<b>Turnover from sales (excluding JV's)</b>	<b>368</b>	<b>270</b>	<b>98</b>
Cost of property sales	(247)	(150)	(97)
Cost of land sales	(64)	(63)	(1)
Operating costs	(39)	(15)	(24)
<b>Total costs (excluding JV's)</b>	<b>(350)</b>	<b>(228)</b>	<b>(122)</b>
<b>Operating Surplus (excluding JV's)</b>	<b>18</b>	<b>42</b>	<b>(24)</b>
Joint venture turnover	218	263	(45)
Joint venture cost of sales	(178)	(228)	50
Joint venture operating costs	(3)	(10)	7
<b>Share of profits from joint ventures</b>	<b>37</b>	<b>25</b>	<b>12</b>

## AVERAGE SELLING PRICE

The average selling price, including JV's, for outright market sales during the financial year to date was £495k (2020: 612k) of which 63% were conducted under Help to Buy (2020: 74%). The average selling price of first tranche shared ownership sales during the financial year to date was £427k (2020: 387k) with an average first tranche sale of 33% (2020: 34%).

## SALES MARGINS

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

	Shared Ownership (£m)	Outright Sales (Non-JV) (£m)	Land Sales (£m)	Outright Sales (JV's) (£m)	2021 (£m)	2020 (£m)	Change
Turnover	66	211	91	218	586	533	53
Cost of sales	(54)	(193)	(64)	(178)	(489)	(441)	(48)
Gross profit	12	18	27	40	97	92	11
<b>Gross margin</b>	<b>18%</b>	<b>9%</b>	<b>30%</b>	<b>18%</b>	<b>18%</b>	<b>17%</b>	<b>1%</b>
Operating costs	(5)	(18)	(16)	(3)	(42)	(25)	(17)
Operating surplus	7	-	11	37	55	67	(12)
<b>Net margin</b>	<b>11%</b>	<b>2%</b>	<b>13%</b>	<b>17%</b>	<b>10%</b>	<b>13%</b>	<b>(3%)</b>

## UNSOLD STOCK

As at 31st March 2021, L&Q, including joint ventures, held 575 completed homes as unsold stock with a projected revenue of £116m. Projected revenue for shared ownership assumes a first tranche sale of 25%. Of the total unsold stock, 31% has been held as stock for less than one month.

L&Q's forward order book excluding joint ventures consists of 65 exchanged sales with projected revenue of £9m and 215 reservations with projected revenue of £49m.

Tenure	Projected Revenue (£m)	No. of Units	<1 Month	1-3 Months	3-6 Months	6-12 Months	>12 Months
Shared Ownership	46	377	134	73	78	60	32
Commercial units	2	1	0	0	0	0	1
Outright Sale (non-JV's)	38	91	21	2	13	0	55
<b>Total excluding JV's</b>	<b>86</b>	<b>469</b>	<b>155</b>	<b>75</b>	<b>91</b>	<b>60</b>	<b>88</b>
Outright Sale (JV's)	30	106	25	34	19	5	23
<b>Total Joint Ventures</b>	<b>30</b>	<b>106</b>	<b>25</b>	<b>34</b>	<b>19</b>	<b>5</b>	<b>23</b>
<b>Total Unsold Stock</b>	<b>116</b>	<b>575</b>	<b>180</b>	<b>109</b>	<b>110</b>	<b>65</b>	<b>111</b>

## NET DEBT AND LIQUIDITY

As at 31 March 2021, net debt (excluding derivative financial liabilities) was £5,385m (as at 31 March 2020: £5,430m) and available liquidity within the group in the form of committed un-drawn revolving credit facilities and non-restricted cash was at £1,159m (as at 31 March 2020: £606m). Approximately 54% of L&Q's loan facilities and 65% of drawn loan facilities are at a fixed cost.

## UNENCUMBERED ASSETS

	2021	2020
No. of units under management	118,181	115,003
No. of social housing units provided as collateral against debt facilities	(60,085)	(55,013)
No. of private rented units provided as collateral against debt facilities	(1,107)	(1,107)
<b>Total no. of unencumbered units under management</b>	<b>56,989</b>	<b>58,833</b>
% of units under management held as collateral against debt facilities	52%	49%
Unencumbered asset ratio <sup>12</sup>	44%	42%

## L&Q CREDIT RATINGS

As at date of trading statement release:

Rating Agency	S&P	Moody's	Fitch
Long-term credit ratings	A-/Stable	A3/Stable	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 / turnover from sales including joint ventures

<sup>5</sup> Operating surplus from sales / 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 future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.**

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