

London & Quadrant Housing Trust Trading Update for the period ending 30 June 2024

London & Quadrant Housing Trust ('L&Q') is today issuing its consolidated unaudited trading update for the three months ended 30 June 2024 ('2024 Q1'). All statement of comprehensive income comparatives are to L&Q's consolidated unaudited prior year equivalent period being the three months ended 30 June 2023 ('2023 Q1').

HIGHLIGHTS

- There are 109,632 homes owned or managed (as at 31 March 2024: 109,485)
- L&Q has completed 353 new residential homes (2023 Q1: 701)
- Turnover was £273m (2023 Q1: £242m)
- EBITDA¹ was £110m (2023 Q1: £67m)
- EBITDA margin² was 39% (2023 Q1: 27%)
- EBITDA margin (excluding sales)³ was 49% (2023 Q1: 37%)
- Gross sales EBITDA margin⁴ was 20% (2023 Q1: 5%)
- Net sales EBITDA margin⁵ was 11% (2023 Q1: (7%))
- EBITDA interest cover⁶ was 179% (2023 Q1: 119%)
- EBITDA social housing lettings interest cover⁷ was 148% (2023 Q1: 108%)
- Operating surplus was £112m (2023 Q1: £68m)
- Debt to assets⁸ was 40% (2023 Q1: 40%)
- Sales as a % of turnover¹⁰ was 24% (2023 Q1: 23%)

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

"L&Q's Q1 trading results demonstrate that progress is being made against our strategic objectives to divert a greater level of expenditure towards our residents' existing homes through our £3bn major works investment programme and to lower our risk profile.

In the year to date we have invested £76m (2023 Q1: £77m) in our maintenance programme to improve the safety, comfort and quality of our homes and services. Given the strategic prioritisation of our existing homes, our development programme continues to retract as demonstrated by declining approvals, housing starts and completions. Our pipeline consists of 10,506 homes (Q1 2023: 13,897) and in the year to date we have completed 353 new residential homes (Q1 2023: 701) of which 67% (Q1 2023: 75%) are for social housing tenures.

Alongside reducing investment in our development pipeline, we are delivering on other opportunities to create capacity to invest in our existing homes and to provide responsive and reliable services that offer the best value for residents. This is reflected by EBITDA from fixed asset sales at £26m (Q1 2023: £14m) and by the unconditional sale of L&Q Estates, L&Q's strategic land business, to Urban & Civic as announced on 23 July 2024. The sale completed on 6 August 2024. L&Q were advised by Rothschild & Co and L&Q and L&Q Estates were jointly advised by Clifford Chance LLP and Shakespeare Martineau LLP."

FORWARD GUIDANCE FOR THE YEAR ENDING 31 MARCH 2025

L&Q's forward guidance is unchanged from our last trading statement. We project operating surplus between £410m - £430m and EBITDA in the range of £320m to £340m. We forecast gross capital expenditure¹¹ to be c. £560m, the peak in our medium-term projections. We expect to deliver c. 2,600 new residential homes of which c. 80% is expected to be for social housing tenures.

<i>Financial Metrics</i>	Forward Guidance to 31 March 2025
EBITDA margin ²	29% - 31%
EBITDA margin (excluding sales) ³	20% - 25%
Gross sales EBITDA margin ⁴	<8%
EBITDA interest cover ⁶	145% - 155%
EBTDA Social housing lettings interest Cover ⁷	140% - 150%
Debt to assets ⁸	<38%
Gross debt to EBITDA ⁹	<15x
Sales as a % of turnover ¹⁰	< 25%

HOUSING COMPLETIONS

L&Q, including joint ventures, has completed 353 (2023 Q1: 701) residential homes in the financial year to date. This comprises of 238 (2023 Q1: 523) completions for social housing tenures (67%) and 115 (2023 Q1: 178) completions for market tenures (33%). During that same time 228 new build residential homes commenced on site (2023 Q1: 10) with the majority of starts being later phases of existing developments.

DEVELOPMENT PIPELINE

L&Q, including joint ventures, is operating from 106 (2023 Q1:124) active sites. L&Q has approved 0 (2023 Q1: 92) homes during the financial year bringing total homes in the approved development pipeline to 10,506 (2023 Q1: 13,897), of which 70% are currently on site. Of the homes approved in the development pipeline 59% are for social housing tenures and 41% are for market tenures. L&Q holds a further potential 83,198 (2023 Q1: 83,050) 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 £2.4bn (2023 Q1: £3.0bn) of which £1.8bn (75%) is currently committed (2023 Q1: £2.5bn).

UNAUDITED FINANCIALS

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

Statement of Comprehensive Income

	2024 Q1 (£m)	2023 Q1 (£m)	Change
Turnover			
Non-sales	218	199	
Sales	55	43	
	273	242	13%
Operating costs and cost of sales			
Non-sales	(138)	(141)	
Sales	(49)	(46)	
	(187)	(187)	0%
Surplus on disposal of fixed assets and investments	26	14	
Share of profits from joint ventures	-	(1)	
Change in value of investment property	-	-	
Operating surplus	112	68	65%
Net interest charge	(58)	(49)	
Other finance income/ (costs)	(1)	(4)	
Taxation	-	-	
Surplus for the period after tax	53	15	253%

EBITDA and Net Cash Interest Paid

	2024 Q1 (£m)	2023 Q1 (£m)	Change
Operating surplus	112	68	
Change in value of investment property	-	-	
Amortised government grant	(6)	(7)	
Depreciation	26	26	
Impairment	-	-	
Capitalised major repairs	(22)	(20)	
EBITDA	110	67	64%
Net interest charge	(57)	(49)	
Capitalised interest	(4)	(8)	
Net cash interest paid	(61)	(57)	(7%)

Statement of Financial Position

	2024 Q1 (£m)	31 March 2024 (£m)	Change (£m)
Housing properties	11,629	11,550	79
Other fixed assets	84	81	3
Investments	1,643	1,627	16
Net current assets	346	381	(35)
Total assets less current liabilities	13,702	13,639	63
Loans due > one year	5,532	5,516	16
Unamortised grant liabilities	2,031	2,020	11
Other long-term liabilities	372	389	-17
Capital and reserves	5,767	5,714	53
Total non-current liabilities and reserves	13,702	13,639	63

Non-Sales Activities

	2024 Q1 (£m)	2023 Q1 (£m)	Change (£m)
Net rents receivable	205	183	22
Charges for support services	2	3	-1
Amortised government grants	6	6	-
Other income	5	7	-2
Turnover	218	199	19
Management costs	(19)	(20)	1
Service costs	(30)	(28)	(2)
Maintenance costs	(54)	(58)	4
Support costs	(3)	(3)	-
Depreciation & impairment	(26)	(26)	-
Other costs	(7)	(6)	-1
Operating costs	(139)	(141)	2
Surplus on disposal of fixed assets	26	14	12
Change in value of investment property	-	-	-
Operating surplus	105	72	33

Arrears

Current tenant arrears for all tenures are at 5.24% (as at 31 March 2024: 5.31%).

Sales Activities

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

	2024 Q1 (£m)	2023 Q1 (£m)	Change (£m)
Property sales income	46	43	3
Land sales income	9	-	9
Turnover from sales (excluding JV's)	55	43	12
Cost of property sales	(41)	(41)	-
Cost of land sales	(2)	-	2
Operating costs	(6)	(5)	(1)
Impairment	-	-	-
Total costs (excluding JV's)	(49)	(46)	-3
Operating Surplus (excluding JV's)	6	(3)	9
Joint venture turnover	12	14	(2)
Joint venture cost of sales	(11)	(13)	2
Joint venture operating costs	(1)	(2)	1
Impairment of investment in JV's	-	-	0
Share of profits from joint ventures	-	(1)	1

AVERAGE SELLING PRICE

The average selling price, including JVs, for outright market sales during the financial year to date was £417k (2023 Q1: £414k). The average selling price of first tranche shared ownership sales during the financial year to date was £406k (2023 Q1: £401k) with an average first tranche sale of 32% (2023 Q1: 32%).

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)	2024 Q1 (£m)	2023 Q1 (£m)	Change
Turnover	31	15	9	12	67	57	10
Cost of sales	(28)	(13)	-2	(11)	(54)	(54)	0
Gross profit	3	2	7	1	13	3	10
Gross EBITDA margin	10%	13%	78%	8%	19%	5%	14%
Operating costs	(3)	(1)	(2)	(1)	(7)	(7)	0
Operating surplus	0	1	5	0	6	(4)	110
Net EBITDA margin	0%	7%	56%	0%	9%	(7%)	16%

UNSOLD STOCK

As at 30 June 2024, L&Q, including joint ventures, held 785 (Q1 2023: 1,382) completed homes as unsold stock with a projected revenue of £113m. Projected revenue for shared ownership assumes a first tranche sale of 25%.

Of the total unsold stock, 6% has been held as stock for less than one month and 89% 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 125 and sold 248 shared ownership homes.

L&Q's forward order book excluding joint ventures consists of 16 exchanged homes with projected revenue of £3m and 203 reservations with projected revenue of £27m.

Tenure	Projected Revenue (£m)	No. of Homes	<1 Month	1-3 Months	3-6 Months	6-12 Months	>12 Months
Shared Ownership	86	696	27	175	143	20	331
Outright Sale (non-JV's)	16	42	9	6	2	2	23
Total excluding JV's	102	738	36	181	145	22	354
Outright Sale (JCA's)	-	1	-	1	-	-	-
Outright Sale (JCE's)	11	46	13	12	3	7	11
Total Joint Ventures	11	47	13	13	3	7	11
Total Unsold Stock	113	785	49	194	148	29	365

NET DEBT AND LIQUIDITY

As at 30 June 2024, net debt (excluding derivative financial liabilities) was £5,522m (as at 31 March 2024: £5,456m) and available liquidity within the group in the form of committed un-drawn revolving credit facilities and non-restricted cash was at £954m (as at 31 March 2024: £1,009m). Approximately 54% of L&Q's loan facilities and 62% of drawn loan facilities are at a fixed cost. L&Q has £315m of debt maturities within the next 12 months.

UNENCUMBERED ASSETS

	2024 Q1	31 March 2024
No. of homes owned or managed	109,632	109,485
No. of social housing homes provided as collateral against debt facilities	(54,385)	(55,772)
No. of private rented homes provided as collateral against debt facilities	(1,295)	(1,295)
Total no. of unencumbered homes owned or under management	53,952	52,418
% of homes under management held as collateral against debt facilities	51%	52%
Unencumbered asset ratio ¹²	45%	45%

L&Q CREDIT RATINGS

As at date of trading statement release:

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

Notes:

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

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

³ EBITDA from non-sales activities / turnover from non-sales activities

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

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

⁶ EBITDA / net cash interest paid

⁷ EBITDA from social housing lettings / net cash interest paid

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

⁹ Gross debt / EBITDA

¹⁰ Sales turnover (including joint ventures) / (turnover plus turnover from joint ventures)

¹¹ Capitalised development expenditure + acquisition of investment property + purchase of other fixed assets

¹² 100% 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.

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