

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

London & Quadrant Housing Trust ('L&Q') is today issuing its consolidated unaudited trading update for the six months ended 30 September 2024 ('2024 Q2'). All statement of comprehensive income comparatives are to L&Q's consolidated unaudited prior year equivalent period being the six months ended 30 September 2023 ('2023 Q2').

### HIGHLIGHTS

- There are 109,902 homes owned or managed (as at 31 March 2024: 109,485)
- L&Q has completed 950 new residential homes (2023 Q2: 1,350)
- Turnover was £540m (2023 Q2: £506m)
- EBITDA<sup>1</sup> was £201m (2023 Q2: £150m)
- EBITDA margin<sup>2</sup> was 36% (2023 Q2: 27%)
- EBITDA margin (excluding sales)<sup>3</sup> was 45% (2023 Q2: 35%)
- Gross sales EBITDA margin<sup>4</sup> was 13% (2023 Q2: 11%)
- Net sales EBITDA margin<sup>5</sup> was 4% (2023 Q2: 6%)
- EBITDA interest cover<sup>6</sup> was 164% (2023 Q2: 127%)
- EBITDA social housing lettings interest cover<sup>7</sup> was 145% (2023 Q2: 116%)
- Operating surplus was £217m (2023 Q2: £158m)
- Debt to assets<sup>8</sup> was 40% (2023 Q2: 40%)
- Sales as a % of turnover<sup>10</sup> was 22% (2023 Q2: 30%)

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

"L&Q's Q2 unaudited results reflects delivery against our stated strategic objectives to lower our risk profile and create capacity for greater investment in our existing residents' homes, to ensure their ongoing safety, comfort and environmental performance.

The Q2 results include the accounting impact of the sale of L&Q Estates which completed on 6th August. We're immensely proud that since acquiring L&Q Estates in 2017, we've enabled the delivery of over 11,300 new homes, of which 1,800 have been built by L&Q. This deal simplifies our business and has generated additional cash revenue which will be reinvested into our existing homes and services.

This deal also aligns with a longer-term ambition to concentrate in our core areas of Greater London and Greater Manchester rather than the wider South and Midlands. This will allow us to focus our resources on areas where housing need is the greatest, and where we are in the strongest position to provide responsive, local services that offer the best value for residents. We continue to rationalise stock that is either outside of our core geographies or uneconomic to maintain for the safety and comfort of our residents. As at 30th September 2024, fixed assets sales generated £58m of EBITDA (2023 Q2: £30m).

Investment in our development pipeline continues to reduce in line with our objective to derisk our business. Our development pipeline is estimated at £2.4bn (2023 Q2: £2.8bn) of which £1.9bn (78%) is currently committed (2023 Q2: £2.3bn). We are seeking opportunities to continue to deliver affordable housing where it does not divert from our strategic aim to derisk and invest in our existing homes. During Q2, Barking Riverside Limited, a joint venture partnership between L&Q and the Mayor of London, submitted a new Outline Planning Application that could see up to 20,000 new homes and green spaces delivered on the site of a former power station at Barking in east London.

## FORWARD GUIDANCE FOR THE YEAR ENDING 31 MARCH 2025

We project operating surplus between £410m - £430m and EBITDA in the range of £320m to £340m. We forecast gross capital expenditure<sup>11</sup> 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>	<b>Forward Guidance to 31 March 2025</b>
EBITDA margin <sup>2</sup>	29% - 31%
EBITDA margin (excluding sales) <sup>3</sup>	20% - 25%
Gross sales EBITDA margin <sup>4</sup>	c4%
EBITDA interest cover <sup>6</sup>	145% - 155%
EBITDA Social housing lettings interest Cover <sup>7</sup>	140% - 150%
Debt to assets <sup>8</sup>	<38%
Gross debt to EBITDA <sup>9</sup>	<15x
Sales as a % of turnover <sup>10</sup>	< 25%

## HOUSING COMPLETIONS

L&Q, including joint ventures, has completed 950 (2023 Q2: 1,350) residential homes in the financial year to date. This comprises of 746 (2023 Q2: 904) completions for social housing tenures (79%) and 204 (2023 Q2: 446) completions for market tenures (21%). During that same time, 472 new build residential homes commenced on site (2023 Q2: 228) with the majority of starts being later phases of existing developments.

## DEVELOPMENT PIPELINE

L&Q, including joint ventures, is operating from 100 (2023 Q2: 149) active sites. L&Q has approved 554 (2023 Q2: 2) homes during the financial year bringing total homes in the approved development pipeline to 10,520 (2023 Q2: 10,782), of which 66% are currently on site. Of the homes approved in the development pipeline 56% are for social housing tenures and 44% are for market tenures. L&Q holds a further potential 25,480 (2023 Q2: 83,062) 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 Q2: £2.8bn) of which £1.9bn (78%) is currently committed (2023 Q2: £2.3bn).

## UNAUDITED FINANCIALS

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

### Statement of Comprehensive Income

	<b>2024 Q2</b>	<b>2023 Q2</b>	<b>Change</b>
	<b>(£m)</b>	<b>(£m)</b>	
<b>Turnover</b>			
Non-sales	445	405	
Sales	95	101	
	<b>540</b>	<b>506</b>	<b>7%</b>
<b>Operating costs and cost of sales</b>			
Non-sales	(290)	(288)	
Sales	(90)	(94)	
	<b>(380)</b>	<b>(382)</b>	<b>(1%)</b>
Surplus on disposal of fixed assets and investments	57	30	
Share of profits from joint ventures	(1)	4	
Change in value of investment property	-	-	
<b>Operating surplus</b>	<b>217</b>	<b>158</b>	<b>37%</b>

Net interest charge	(116)	(103)	
Other finance income/ (costs)	(3)	(4)	
Disposal of business interest	(119)		
Taxation	-	-	
<b>(Loss)/Surplus for the period after tax</b>	<b>(21)</b>	<b>51</b>	<b>(141%)</b>

#### EBITDA and Net Cash Interest Paid

	2024 Q2 (£m)	2023 Q2 (£m)	Change
Operating surplus	217	158	
Change in value of investment property	-	-	
Amortised government grant	(13)	(13)	
Depreciation	52	56	
Impairment	-	(4)	
Capitalised major repairs	(55)	(42)	
<b>EBITDA</b>	<b>201</b>	<b>150</b>	<b>34%</b>
Net interest charge	(114)	(103)	
Capitalised interest	(8)	(15)	
<b>Net cash interest paid</b>	<b>(122)</b>	<b>(118)</b>	<b>(3%)</b>

#### Statement of Financial Position

	2024 Q2 (£m)	31 March 2024 (£m)	Change (£m)
Housing properties	11,760	11,617	143
Other fixed assets	82	81	1
Investments	1,606	1,628	(22)
Net current assets	153	341	(188)
<b>Total assets less current liabilities</b>	<b>13,601</b>	<b>13,667</b>	<b>(66)</b>
Loans due > one year	5,488	5,516	(29)
Unamortised grant liabilities	2,019	2,020	(1)
Other long-term liabilities	393	409	(16)
Capital and reserves	5,701	5,722	(21)
<b>Total non-current liabilities and reserves</b>	<b>13,601</b>	<b>13,667</b>	<b>(66)</b>

#### Non-Sales Activities

	2024 Q2 (£m)	2023 Q2 (£m)	Change (£m)
Net rents receivable	414	371	43
Charges for support services	5	6	(1)
Amortised government grants	13	13	-
Other income	13	15	(2)
<b>Turnover</b>	<b>445</b>	<b>405</b>	<b>40</b>
Management costs	(41)	(40)	(1)
Service costs	(64)	(57)	(7)
Maintenance costs	(113)	(121)	8
Support costs	(5)	(6)	1
Depreciation & impairment	(52)	(47)	(5)
Other costs	(15)	(17)	2
<b>Operating costs</b>	<b>(290)</b>	<b>(288)</b>	<b>(2)</b>

Surplus on disposal of fixed assets	57	30	27
Change in value of investment property	-	-	-
<b>Operating surplus</b>	<b>212</b>	<b>147</b>	<b>65</b>

## Arrears

Current tenant arrears for all tenures are at 5.40% (as at 31 March 2024: 5.31%)

## Sales Activities

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

	2024 Q2 (£m)	2023 Q2 (£m)	Change (£m)
Property sales income	87	90	(3)
Land sales income	9	11	(2)
<b>Turnover from sales (excluding JV's)</b>	<b>96</b>	<b>101</b>	<b>(5)</b>
Cost of property sales	(79)	(82)	3
Cost of land sales	(2)	(7)	5
Operating costs	(9)	(5)	(4)
Impairment	-	-	-
<b>Total costs (excluding JV's)</b>	<b>(90)</b>	<b>(94)</b>	<b>4</b>
<b>Operating Surplus (excluding JV's)</b>	<b>6</b>	<b>7</b>	<b>(1)</b>
Joint venture turnover	27	68	(41)
Joint venture cost of sales	(26)	(61)	35
Joint venture operating costs	(2)	(3)	1
Impairment of investment in JV's	-	-	-
<b>Share of profits from joint ventures</b>	<b>(1)</b>	<b>4</b>	<b>(3)</b>

## AVERAGE SELLING PRICE

The average selling price, including JVs, for outright market sales during the financial year to date was £372k (2023 Q2: £516k). The average selling price of first tranche shared ownership sales during the financial year to date was £409k (2023 Q2: £403k) with an average first tranche sale of 32% (2023 Q2: 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 Q2 (£m)	2023 Q2 (£m)	Change
Turnover	61	26	9	27	<b>123</b>	169	(46)
Cost of sales	(55)	(24)	(2)	(26)	<b>(107)</b>	(150)	43
Gross profit	6	2	7	1	<b>16</b>	19	(3)
<b>Gross EBITDA margin</b>	10%	4%	78%	4%	<b>13%</b>	<b>11%</b>	<b>2%</b>
Operating costs	(4)	(2)	(3)	(2)	<b>(11)</b>	<b>(8)</b>	<b>(3)</b>
Operating surplus	<b>2</b>	-	<b>4</b>	<b>(1)</b>	<b>5</b>	<b>(4)</b>	<b>(9)</b>
<b>Net EBITDA margin</b>	3%	(4%)	44%	(4%)	<b>4%</b>	<b>(7%)</b>	<b>(3%)</b>

## UNSOLD STOCK

As at 30 September 2024, L&Q, including joint ventures, held 652 completed homes (2023 Q2: 1,166) as unsold stock with a projected revenue of £95m (2023 Q2: £176m). Projected revenue for shared ownership assumes a first tranche sale of 25%.

Of the total unsold stock, 12% 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 246 and sold 480 shared-ownership homes.

L&Q's forward order book excluding joint ventures consists of 25 exchanged homes with projected revenue of £4m and 185 reservations with projected revenue of £25m.

Tenure	Projected Revenue (£m)	No. of Homes	<1 Month	1-3 Months	3-6 Months	6-12 Months	>12 Months
Shared Ownership	72	586	58	9	145	135	239
Outright Sale (non-JV's)	14	31	14	2	11	1	3
<b>Total excluding JV's</b>	<b>86</b>	<b>617</b>	<b>72</b>	<b>11</b>	<b>156</b>	<b>136</b>	<b>242</b>
Outright Sale (JCA's)	-	1	-	1	-	-	-
Outright Sale (JCE's)	9	34	9	9	2	3	11
<b>Total Joint Ventures</b>	<b>9</b>	<b>35</b>	<b>9</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>11</b>
<b>Total Unsold Stock</b>	<b>95</b>	<b>652</b>	<b>81</b>	<b>21</b>	<b>158</b>	<b>139</b>	<b>253</b>

## NET DEBT AND LIQUIDITY

As at 30 September 2024, net debt (excluding derivative financial liabilities) was £5,442m (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 £1,042m (as at 31 March 2024: £1,009m). Approximately 53% of L&Q's loan facilities and 63% of drawn loan facilities are at a fixed cost. L&Q has £320m of debt maturities within the next 12 months.

## UNENCUMBERED ASSETS

	2024 Q2	31 March 2024
No. of homes owned or managed	109,902	109,485
No. of social housing homes provided as collateral against debt facilities	(53,771)	(55,772)
No. of private rented homes provided as collateral against debt facilities	(1,295)	(1,295)
<b>Total no. of unencumbered homes owned or under management</b>	<b>54,836</b>	<b>52,418</b>
% of homes under management held as collateral against debt facilities	50%	52%
Unencumbered asset ratio <sup>12</sup>	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:**

<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.**

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