

London & Quadrant Housing Trust Trading Update for the period ending 31 December 2024

London & Quadrant Housing Trust ('L&Q') is today issuing its consolidated unaudited trading update for the nine months ended 31 December 2024 ('2024 Q3'). All statements of comprehensive income comparatives are to L&Q's consolidated unaudited prior year equivalent period being the nine months ended 31 December 2023 ('2023 Q3').

HIGHLIGHTS

- There are 109,686 homes owned or managed (as at 31 March 2024: 109,485)
- L&Q has completed 1,410 new residential homes (2023 Q3: 1,902)
- Turnover was £803m (2023 Q3: £761m)
- EBITDA¹ was £310m (2023 Q3: £244m)
- EBITDA margin² was 37% (2023 Q3: 29%)
- EBITDA margin (excluding sales)³ was 47% (2023 Q3: 39%)
- Gross sales EBITDA margin⁴ was 11% (2023 Q3: 11%)
- Net sales EBITDA margin⁵ was 3% (2023 Q3: 5%)
- EBITDA interest cover⁶ was 170% (2023 Q3: 134%)
- EBITDA social housing lettings interest cover⁷ was 151% (2023 Q3: 121%)
- Operating surplus was £342m (2023 Q3: £268m)
- Debt to assets⁸ was 40% (2023 Q3: 41%)
- Sales as a % of turnover¹⁰ was 22% (2023 Q3: 30%)

Commenting on the results Ed Farnsworth, Executive Group Director, Finance said:

"I'm pleased to present the first set of trading results as Executive Group Director, Finance. These results reflect continued delivery against our corporate strategy to provide better homes and services for our residents.

Year on year performance has improved resulting in an operating surplus of £342m (2023 Q3: £268m). Interest cover (measured on an EBITDA MRI basis) is 170% (2023 Q3: 134%). We expect this to reduce over the next quarter to our forward guidance level of 145-155% as we increase investment in our homes and services.

During the quarter, we announced the marketing of Metra Living, our private rented sector (PRS) business which consists of 3,147 homes in Greater London and an operational platform. The proposed sale will support our strategic objective to simplify our business, prioritise our core purpose as a social housing provider and invest even more in our existing homes and services. It will also ensure that private renters continue to receive services from a dedicated and specialist PRS provider.

We also 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 31 December 2024, fixed assets sales generated £102m of EBITDA (2023 Q3: £72m).

L&Q has reduced its investment in its development pipeline with a resulting reduction in completions. 1,410 (2023 Q3: 1,902) residential homes have been completed year to date. Housing associations play a vital role in solving the housing crisis. 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."

FORWARD GUIDANCE FOR THE YEAR ENDING 31 MARCH 2025

We project EBITDA to be slightly higher than previously reported at £350m - £370m (operating surplus between £410m - £430m). Gross capital expenditure is expected to be c.£635m (previous guidance c.£560m), and we are expecting to deliver c.2,600 residential homes in the financial year with 316 units scheduled to start in Q4 – c.80% of handovers are expected to be for social housing tenures.

Financial Metrics	Forward Guidance to 31 March 2025
EBITDA margin ²	32% - 33%
EBITDA margin (excluding sales) ³	26% - 28%
Gross sales EBITDA margin ⁴	5% - 7%
EBITDA interest cover ⁶	145% - 155%
EBITDA Social housing lettings interest Cover ⁷	145% - 155%
Debt to assets ⁸	c.44%
Gross debt to EBITDA ⁹	15x - 16x
Sales as a % of turnover ¹⁰	c.21%

HOUSING COMPLETIONS

L&Q, including joint ventures, has completed 1,410 (2023 Q3: 1,902) residential homes in the financial year to date. This comprises of 1,111 (2023 Q3: 1,236) completions for social housing tenures (79%) and 299 (2023 Q3: 666) completions for market tenures (21%). During that same time 384 new build residential homes commenced on site (2023 Q3: 351) with the majority of starts being later phases of existing developments.

DEVELOPMENT PIPELINE

L&Q, including joint ventures, is operating from 97 (2023 Q3: 144) active sites. L&Q has approved 556 (2023 Q3: 4) homes during the financial year bringing total homes in the approved development pipeline to 9,807 (2023 Q3: 12,717), 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 Q3: 84,752) strategic land plots (of which 65% are at Barking Riverside, a joint venture partnership between L&Q and the Mayor of London).

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 £2.3bn (2023 Q3: £2.6bn) of which £1.5bn (65%) is currently committed (2023 Q3: £2.2bn).

UNAUDITED FINANCIALS

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

Statement of Comprehensive Income

	2024 Q3 (£m)	2023 Q3 (£m)	Change
Turnover			
Non-sales	672	611	
Sales	131	150	
	803	761	6%
Operating costs and cost of sales			
Non-sales	(436)	(431)	
Sales	(125)	(143)	
	(561)	(574)	2%

Surplus on disposal of fixed assets and investments	102	72	
Share of profits from joint ventures	(2)	8	
Change in value of investment property	-	1	
Operating surplus	342	268	28%
Net interest charge	(168)	(159)	
Other finance income/ (costs)	(4)	(7)	
Disposal of business interest	(120)	-	
Taxation	-	-	
Surplus for the period after tax	50	102	(51%)

EBITDA and Net Cash Interest Paid

	2024 Q3 (£m)	2023 Q3 (£m)	Change
Operating surplus	342	268	
Change in value of investment property	-	1	
Amortised government grant	(20)	(19)	
Depreciation	78	77	
Impairment	-	(7)	
Capitalised major repairs	(90)	(74)	
EBITDA	310	244	27%
Net interest charge	(166)	(159)	
Capitalised interest	(16)	(23)	
Net cash interest paid	(182)	(182)	-

Statement of Financial Position

	2024 Q3 (£m)	31 March 2024 (£m)	Change (£m)
Housing properties	11,854	11,617	237
Other fixed assets	87	81	6
Investments	1,594	1,628	(34)
Net current assets	(27)	341	(368)
Total assets less current liabilities	13,508	13,667	(159)
Loans due > one year	5,339	5,516	(177)
Unamortised grant liabilities	2,002	2,020	(18)
Other long-term liabilities	396	410	(14)
Capital and reserves	5,771	5,721	50
Total non-current liabilities and reserves	13,508	13,667	(159)

Non-Sales Activities

	2024 Q3 (£m)	2023 Q3 (£m)	Change (£m)
Net rents receivable	626	562	64
Charges for support services	6	10	(4)
Amortised government grants	20	19	1
Other income	20	20	-
Turnover	672	611	61
Management costs	(62)	(60)	(2)

Service costs	(97)	(88)	(9)
Maintenance costs	(171)	(177)	6
Support costs	(6)	(9)	3
Depreciation & impairment	(78)	(73)	(5)
Other costs	(22)	(24)	2
Operating costs	(436)	(431)	(5)
Surplus on disposal of fixed assets	102	72	30
Change in value of investment property	-	1	(1)
Operating surplus	338	253	85

Arrears

Current tenant arrears for all tenures are at 5.47% (as at 31 March 2024: 5.31%).

Sales Activities

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

	2024 Q3 (£m)	2023 Q3 (£m)	Change (£m)
Property sales income	122	135	(13)
Land sales income	9	15	(6)
Turnover from sales (excluding JV's)	131	150	(19)
Cost of property sales	(110)	(126)	16
Cost of land sales	(2)	(8)	6
Operating costs	(13)	(12)	(1)
Impairment	-	3	(3)
Total costs (excluding JV's)	(125)	(143)	18
Operating Surplus (excluding JV's)	6	7	(1)
Joint venture turnover	54	104	(50)
Joint venture cost of sales	(53)	(92)	39
Joint venture operating costs	(3)	(4)	1
Impairment of investment in JV's	-	-	-
Share of profits from joint ventures	(2)	8	(10)

AVERAGE SELLING PRICE

The average selling price, including JVs, for outright market sales during the financial year to date was £406k (2023 Q3: £534k). The average selling price of first tranche shared ownership sales during the financial year to date was £408k (2023 Q3: £411k) with an average first tranche sale of 32% (2023 Q3: 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 Q3 (£m)	2023 Q3 (£m)	Change
Turnover	84	38	9	54	185	254	(69)
Cost of sales	(77)	(33)	(2)	(53)	(165)	(226)	61
Gross profit	7	5	7	1	20	28	(8)

Gross EBITDA margin	8%	13%	78%	2%	11%	11%	-
Operating costs	(7)	(3)	(3)	(3)	(16)	(15)	(1)
Operating surplus	-	2	4	(2)	4	13	(9)
Net EBITDA margin	-	5%	44%	(4%)	3%	5%	(2%)

UNSOLD STOCK

As at 31 December 2024, L&Q, including joint ventures, held 618 completed homes as unsold stock with a projected revenue of £86m. Projected revenue for shared ownership assumes a first tranche sale of 25%.

Of the total unsold stock, 19% has been held as stock for less than one month and 91% 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 422 and sold 670 shared ownership homes.

L&Q's forward order book excluding joint ventures consists of 58 exchanged homes with projected revenue of £8m and 139 reservations with projected revenue of £17m.

Tenure	Projected Revenue (£m)	No. of Homes	<1 Month	1-3 Months	3-6 Months	6-12 Months	>12 Months
Shared Ownership	67	563	114	58	15	224	152
Outright Sale (non-JV's)	12	28	1	12	4	8	3
Total excluding JV's	79	591	115	70	19	232	155
Outright Sale (JCA's)	-	4	1	2	-	1	-
Outright Sale (JCE's)	7	23	2	8	2	2	9
Total Joint Ventures	7	27	3	10	2	3	9
Total Unsold Stock	86	618	118	80	21	235	164

NET DEBT AND LIQUIDITY

As at 31 December 2024, net debt (excluding derivative financial liabilities) was £5,462m (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 £1,023m (as at 31 March 2024: £1,009m). Approximately 54% of L&Q's loan facilities and 63% of drawn loan facilities are at a fixed cost. L&Q has £495m of debt maturities within the next 12 months of which £235m is drawn.

UNENCUMBERED ASSETS

	2024 Q3	31 March 2024
No. of homes owned or managed	109,686	109,485
No. of social housing homes provided as collateral against debt facilities	(54,731)	(55,772)
No. of private rented homes provided as collateral against debt facilities	(1,296)	(1,295)
Total no. of unencumbered homes under management	53,659	52,418
% of homes under management held as collateral against debt facilities	51%	52%
Unencumbered asset ratio ¹²	46%	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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