platform housing group

Results for the 6 months ended 30 September 2022

29 November 2022

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Highlights

- Overall **turnover growth** of 1% and 6.7% in core lettings operations
- Affordable housing completions - **c500 new homes** into management
- **Shared ownership sales** values and margins up, volumes down due to development cycle
- Enhanced investment in properties as quality increased; maintenance division affected by **labour availability** and **cost inflation**
- **Sustainability Strategy**: next evolution
- **Robust and stable plan** and well identified mitigations for all scenarios

Operational Update

Macroeconomic environment

- **Inflation (income) -** inflation linked rental income (4.1%) contributing to year on year turnover growth
- **Inflation (costs) -** significant cost inflation experienced in maintenance and development activities
- **Labour market** – additional recruitment to maintenance division beginning to have an impact but shortages persist, pushing up costs
- **Housing market** – limited exposure, shared ownership demand robust in areas of operation, prices up year on year and demand resilient
- **Rate rises** – minimal impact to date as 99% of drawn debt on fixed terms / WAL ~ 23 years; favourable impact on shorter dated treasury investments
- **Cost of living crisis** – seen in applications to Wellbeing Fund; arrears not significantly affected to date

Macroeconomic update – rent cap

- Social housing rent inflation: usual increase of September CPI + 1% for the following year
- Rents from April 2023 onwards would have risen at 11.1%
- Cap of 7% imposed by UK Government
- Limited impact on strategic objectives

Supporting customers, welfare benefits and arrears

- Cost of Living Working Group established to analyse the impacts on customers, colleagues and business
- In half year £0.8m paid out of £1.75m Well-being Fund, helping c3,000 customers with essential items (food, energy bills, clothing)
- Wellbeing Fund extended to £2m for 2022/23 in response to cost of living crisis acceleration
- Advice on benefits: c3,000 customers supported and £1.2m generated in additional benefits
- Colleagues (excluding leadership team) supported over the winter months with one-off £500 payment
- Current tenant arrears 3.02% at September 2022 in line with prior year figure of 2.96%

Recent Evolution of Arrears

	30 September 2020	30 September 2021	30 September 2022
Current tenant arrears	3.32%	2.96%	3.02%
Universal credit arrears	6.4%	3.32%	3.15%

See page 31 for notes, sources and defined terms

Customers | voids

- Improvement in voids as recruitment into maintenance division helped to clear backlog
- Number of homes handed back returning to pre-covid levels; may see consolidations rise again as family’s move back in together due to the cost of living crisis
- Focussed marketing efforts on small numbers of long-term void in period had favourable impact
- Reduction in long term voids has impacted re-let days of 66 (Sep-21: 54)

Recent evolution of voids performance

As at or for the year ended	30 September 2020	30 September 2021	30 September 2022
Number of void properties (including unsold shared ownership homes)	620	667	451
Void losses (£000)	1,758	1,805	1,689
Void losses to social housing lettings turnover	1.6%	1.6%	1.4%

See page 31 for notes, sources and defined terms

Operations | Asset Management

- Improvement in quality of void properties: Platform Lettable Standard enhanced
- Recruitment drive in prior year affecting backlog: over 50% down in the last three months
- Backlog expected to be cleared by March 2023
- Repairs satisfaction improvement: 89% (Sep-21: 85%)
- Stonewater contract commenced April 2022: an additional c5,500 jobs completed in half year: average repairs satisfaction of 94%
- Maintenance division continues to be adversely affected by cost inflation and labour shortages, costs up
- Greenification of fleet commenced: 40 electric vans purchased

Operations | Asset Management continued

- Gas safety and Fire Risk Assessment compliance remains high
- Fire assessment actions low level and planned to be implemented in next 18 months
- All fire risk actions fully provided for in existing business plan and covered by ‘business as usual’ budgets
- EWS1 and internal inspections of mid and low rise buildings expected to be complete by March 2023: to date no material remedial works identified
- Internet of things pilot to help identify damp and mould, allowing preventative strategy

Recent evolution of gas safety and fire risk assessment compliance

As at or for the year ended	31 September 2020	31 September 2021	31 September 2022
Valid gas safety certificate	99.2%	99.9%	99.9%
Valid fire risk assessment	99.3%	100%	100%

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Environmental, social and governance (ESG)

Introducing the Sustainability Strategy

Net zero carbon standards for our homes

MMC and smart technologies

Enable low-carbon travel for colleagues and maintenance fleet

Retrofit programme managed by dedicated Retrofit Team

Build sustainable communities and encourage sustainable lifestyles

Sustainability linked finance

Next steps: action plan and targets established by financial year end

CO2 measurement and reporting

- Partnership with Anthesis for second year to map evolution in carbon efficiency
- Scope 1, 2 and 3 measured
- Plan to reduce all three included in Sustainability Strategy
- Majority of emissions come from scope 3: our homes and developments
- Retrofit programme and commitment to EPC B and above for new builds to create pathway to net zero
- Long Term Financial Plan includes provision to get homes to net zero

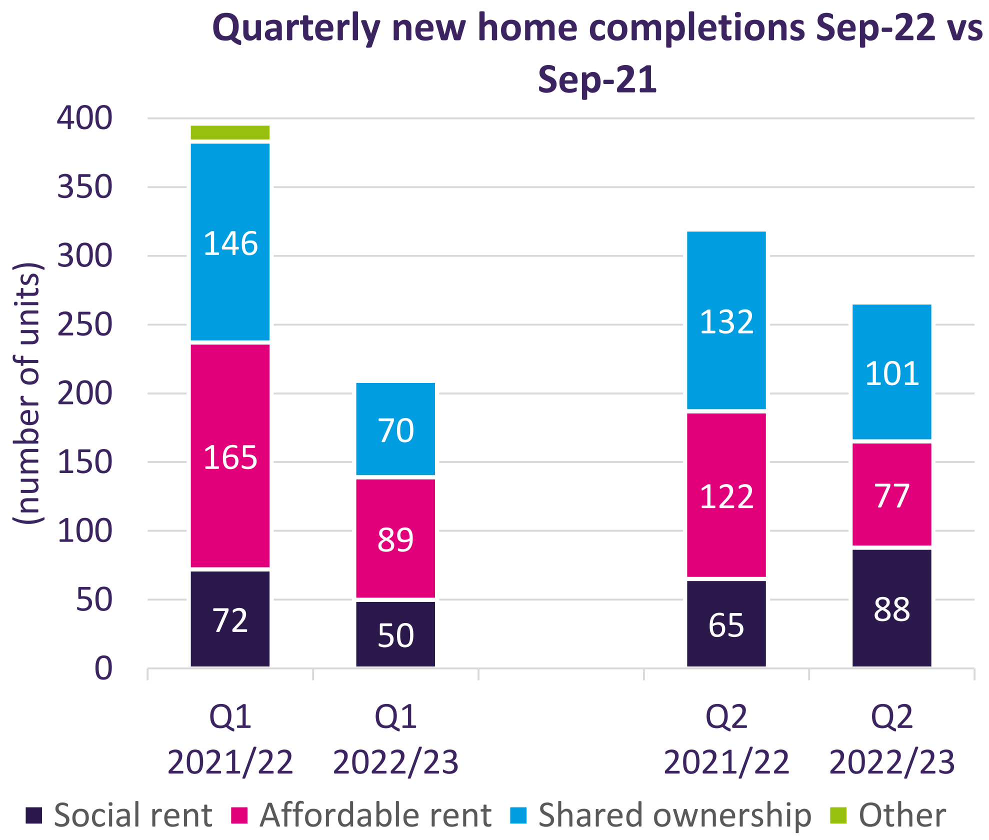
Retrofitting Programme

- New Retrofit Team established to develop net zero carbon plans for homes
- Programme based on principles of fabric first, future proofing and no fossil fuels
- Ambitious grant bid submitted to Social Housing Decarbonisation Fund (Wave Two) to support c1,000 retrofits
- Live energy efficiency assessment supported by Parity Projects to complement existing EPCs, now in place for c95% of all homes
- Analysis of 'live' portfolio suggests higher number of homes above EPC C ~75% and 70% fewer homes EPC D and below

Development Update

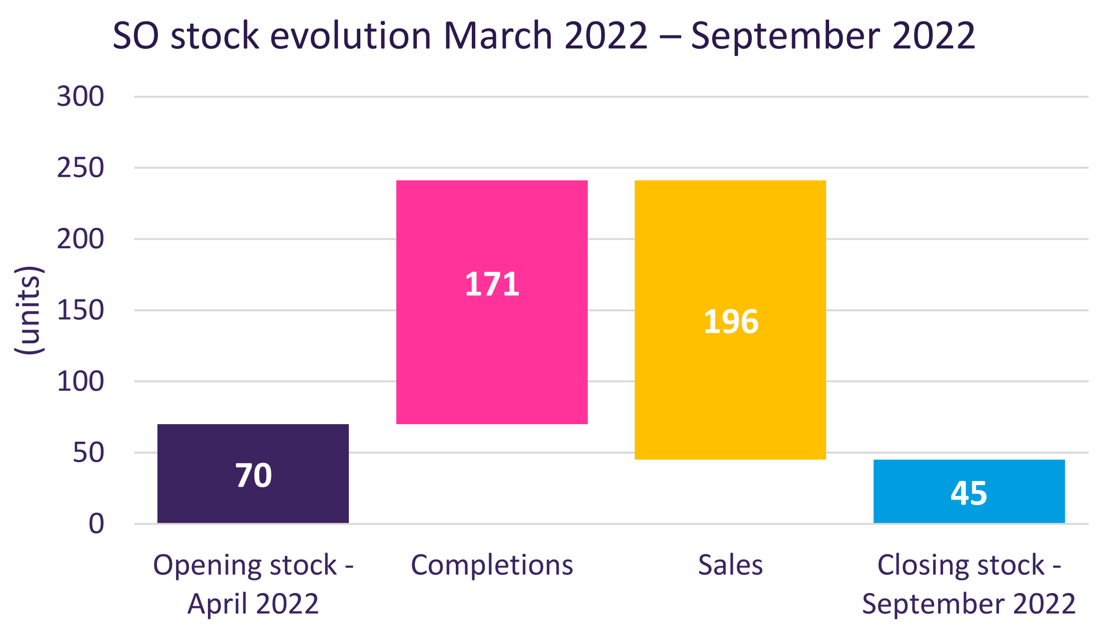
Development Update

- Focus on affordable tenures and land led schemes to control quality, affordability and sustainability
- 475 completions in the half year (Sep-21: 715)
- Pace of building affected by land led transition, planning delays and increase in quality control
- Controls framework reviewed
- Cost inflation to construction materials
- Strong pipeline: 2,405 units in contract and a further 799 approved by the Board
- Completions of 1,100 – 1,200 projected for the year to March 2023



Strong housing market in areas of operation

171 total shared ownership (SO) sales (Sep-21: 322)

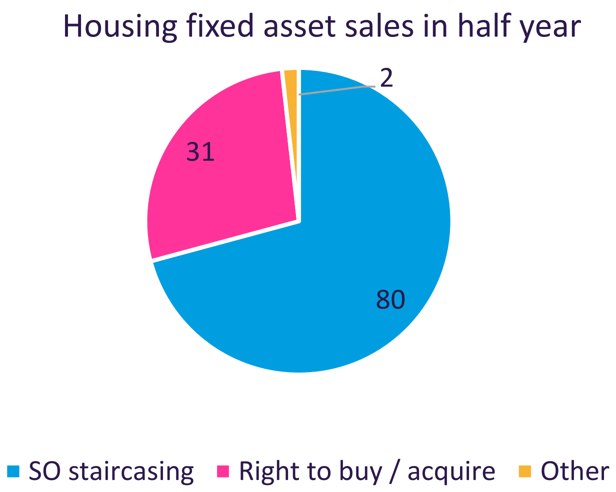


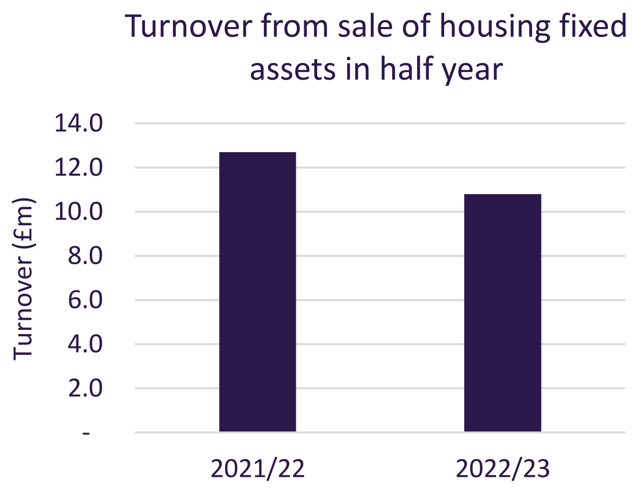
Unsold homes of 45 (March 2022: 70) supported by earlier and more targeted marketing

Shared ownership stock status (30 September 2022)

	Unsold	Reserved	Available
Total unsold	45	39	6
Unsold >6 months	15	10	5
Unsold <6 months	30	29	1

- 113 fixed asset housing sales (2020/21: 156)
- Turnover £10.8m (2020/21 : £12.7m): margins of 45% (2020/21 : 40%)

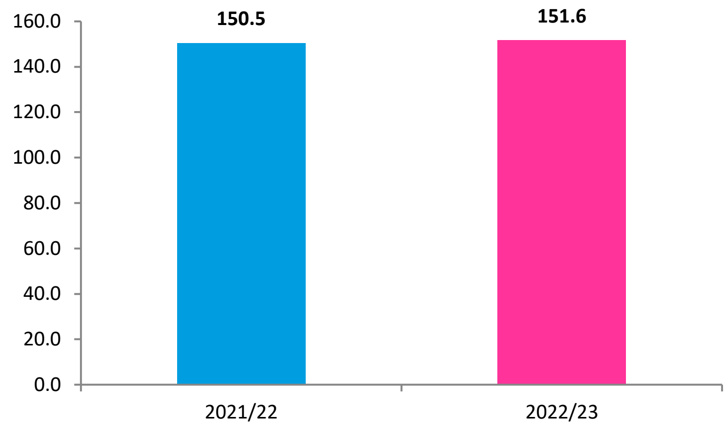




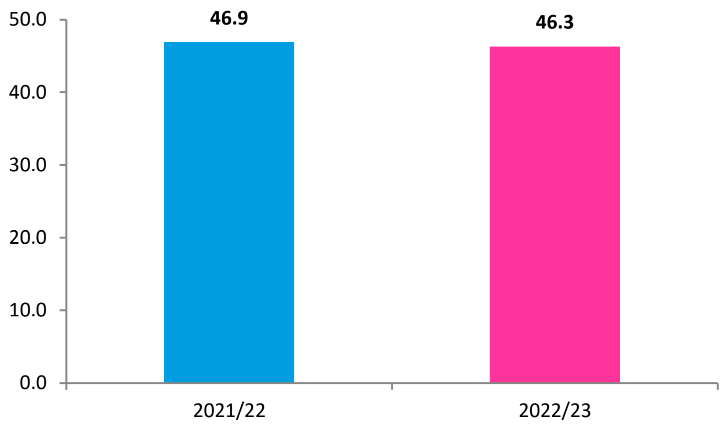
Financial Performance

Financial Performance | Historical Performance

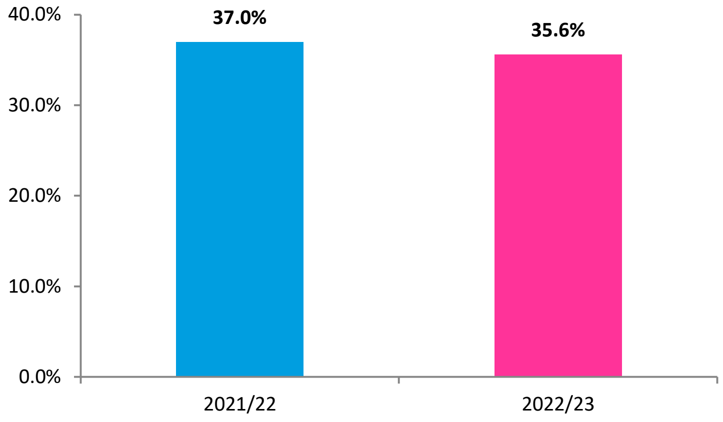
Turnover (£m)



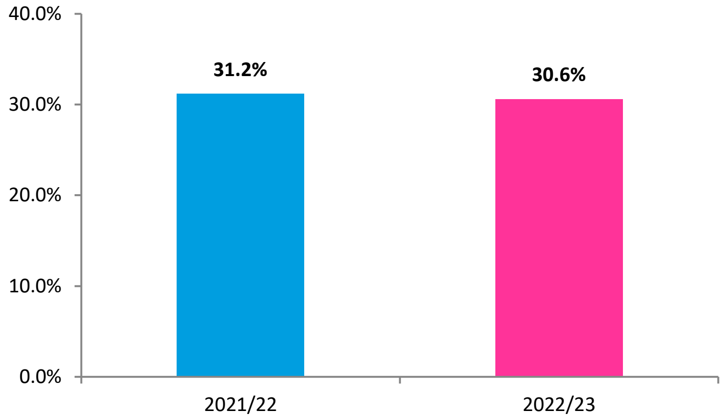
Operating Surplus (£m)



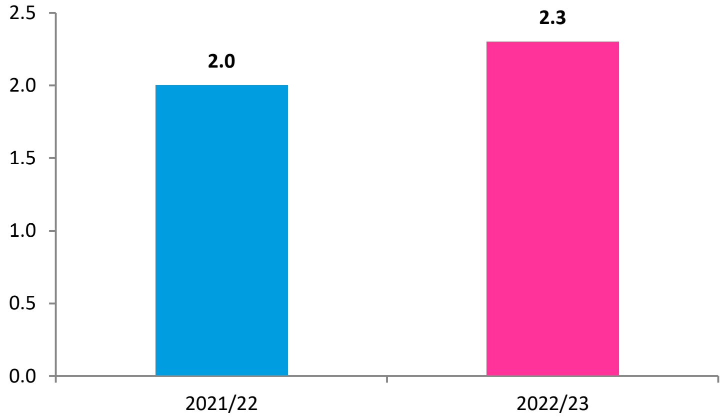
Social Housing Lettings Margin (%)[1]



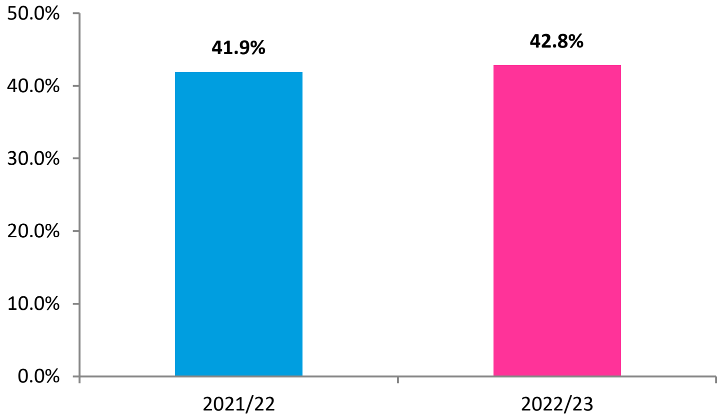
Operating Margin (%)[1]



EBITDA MRI (x)[1]



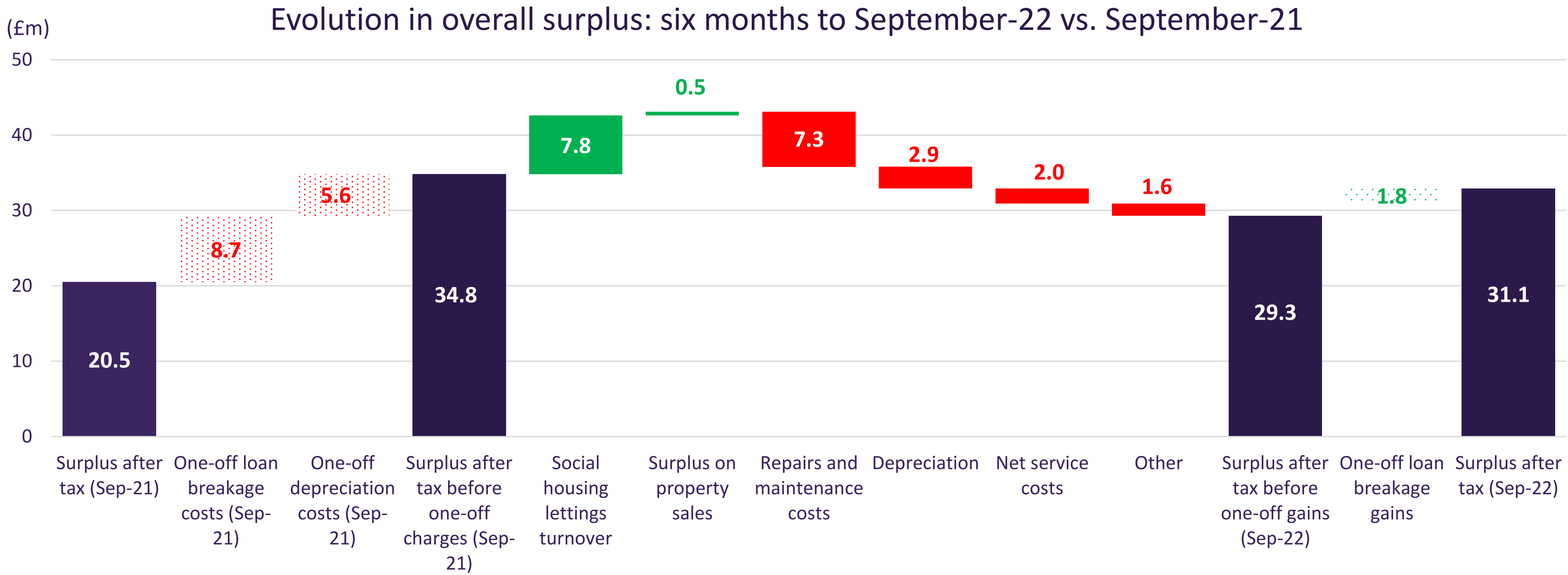
Gearing (%)[1]



1. Calculated in accordance with the Regulator of Social Housings Value for Money Metrics Methodology

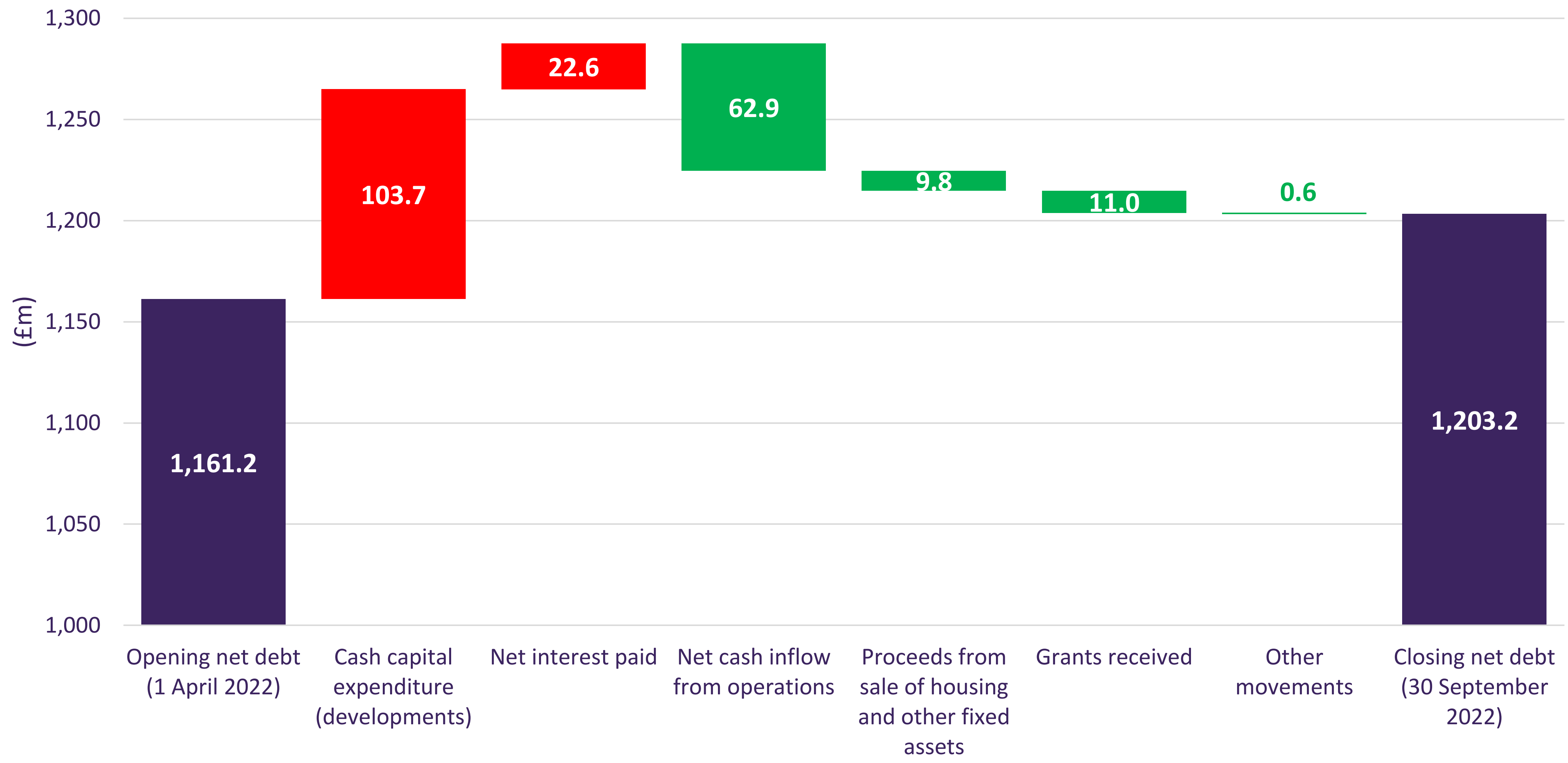
Total turnover growth facilitated by core lettings activity

Surplus after tax reconciliation



See page 31 for notes, sources and defined terms

Strong cash inflows – net debt evolution in half year



Results for the six months ended 30 September 2022.
platformhg.com/investor-centre

Treasury Overview

Robust Treasury Position

Substantial liquidity and flexibility	Treasury strategy	Strength and resilience
Cash & undrawn facilities >£590m 2025 liquidity horizon 14,200 unencumbered properties	Long term DCM funding focus £165m bank facilities voluntarily prepaid to save interest & optimise covenants	S&P A+ (stable) Fitch A+ (negative) Highest regulatory ratings 'G1 / V1'

Key treasury metrics (change from 30 September 2022)

228%
(+31ppt)
EBITDA-MRI interest cover

42.8%
(+0.9ppt)
Gearing

23 years
(+1 year)
Average life of drawn debt

3.30%
(-0.02ppt)
Average cost of drawn debt

99%/1%
(-)
Fixed/floating debt mix

Treasury | Golden Rules

Financial Golden Rules set to support the delivery of strategy whilst maintaining strong investment grade credit and regulatory ratings

Metric	Golden rules	H1 2022/23 actual
Operating margin – social housing lettings	At least 35%	**35.6%**
Proportion of turnover from sales	No more than 25%	**13%**
EBITDA-MRI interest cover	At least 120%	**228%**
Gearing	Less than 55%	**42.8%**
Asset cover	At least 5% over minimum	**58%**
Liquidity horizon (committed and forecast cash flows)	At least 18 months	**36 months**

Retained very strong RSH VfM metrics

RSH VfM metric	Platform peer group comparison						
	Lowest	Average (unweighted)	Highest	Platform March-21	Platform ranking March-21	Platform March-22	Platform ranking March-22
Reinvestment	4.0%	7.3%	9.5%	8.0%	2	7.9%	4
New supply (social housing units)	0.6%	1.8%	2.8%	2.0%	2	2.5%	4
New supply (non-social housing units)	0.0%	0.1%	0.6%	0%	1	0%	1
Gearing	29.6%	45.0%	54.1%	41.9%	3	42.3%	5
EBITDA-MRI interest cover	98%	159%	274%	218%	4	188%	4
Headline social housing cost per unit (£'s)	2,855	4,038	5,451	2,463	1	2,855	1
Operating margin (social housing lettings)	12.3%	28.2%	37.0%	42.9%	1	35.2%	4
Operating margin (total)	13.0%	24.3%	32.0%	37.2%	2	30.2%	2
Return on capital employed	2.5%	3.2%	4.2%	4.1%	3	3.3%	6

See page 31 for notes, sources and defined terms

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Conclusion

Highlights

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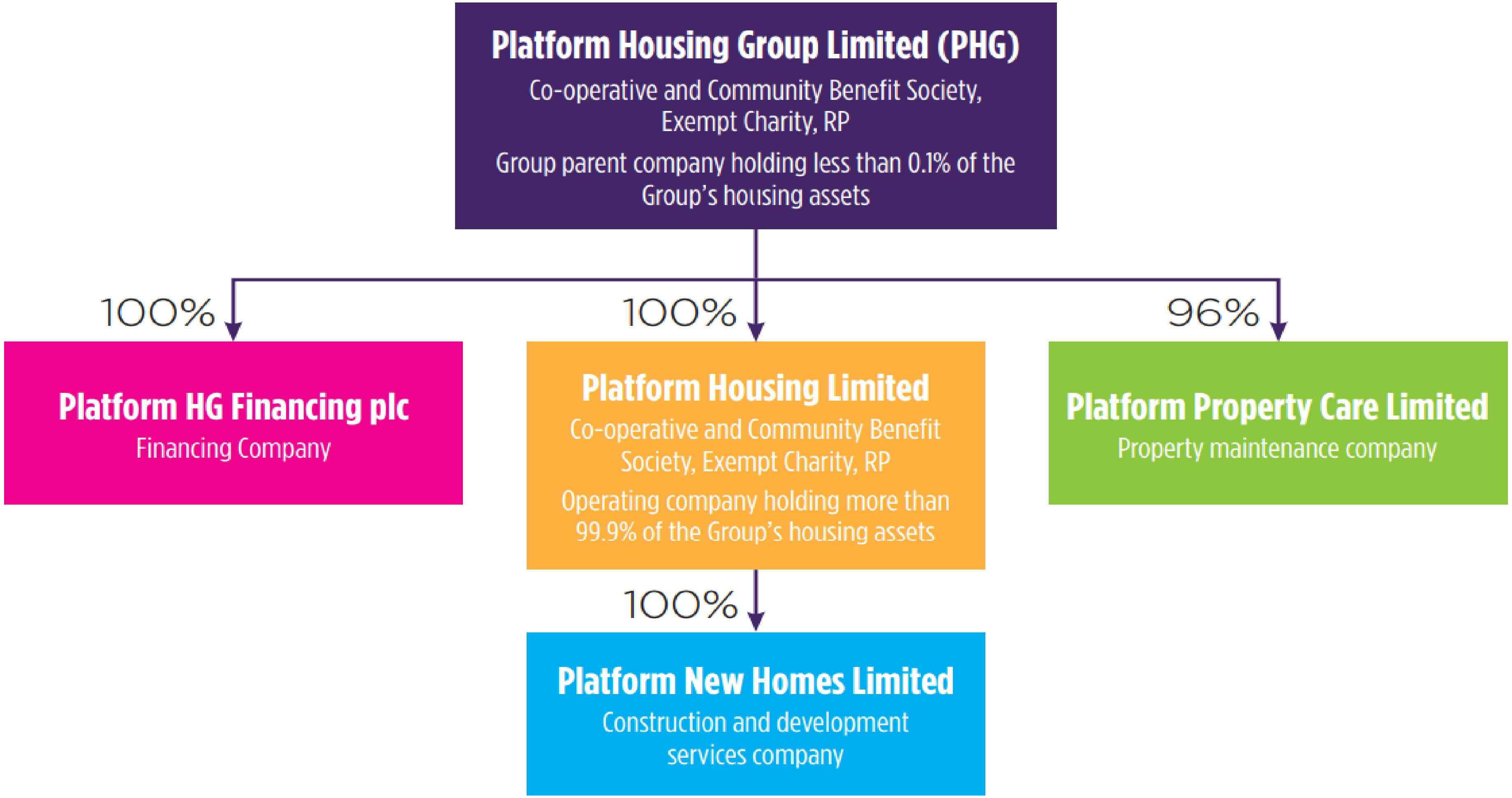
Appendices

Corporate Structure



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Notes, sources and defined terms

Page number	Comments
	Financial data throughout this document relates to Platform Housing Group Limited
Page 7	Current tenant arrears relate to general needs tenants primarily in social and affordable rented homes and includes shared ownership properties. It takes into account all tenant payment methods, The arrears figure is before provisions made for bad debts.
Page 8	Number of void properties includes shared ownership stock
Page 21	Surplus on property sales includes sales of shared ownership homes and housing fixed assets
Page 26	Sample of social housing providers includes Platform Housing, Bromford, Citizen, Guinness Partnership, Home Group, Jigsaw Homes, Longhurst, Midland Heart, Optivo, Orbit, Riverside, Sanctuary, Sovereign Housing and Stonewater. The sample of peers is based on those with similar operating models, geography and size. We may evolve the make-up of the sample in future. For more information on calculation of Regulator for Social Housing Value for Money metrics go to: https://www.gov.uk/government/publications/value-for-money-metrics-technical-note/value-for-money-metrics-technical-note-guidance-june-2020
Page 30	The remaining 3% shareholding in Platform Property Care Limited is held by Rooftop Housing Association (3%) and Stonewater Limited (1%) (organisations unrelated to Platform Housing) as part of a cost sharing arrangement An. Structure excludes dormant company, Waterloo Homes Limited 100% owned by Platform

Summary of Key Financial Metrics

	Platform Housing Group Limited	
As at or for six months ending 30 September	2021	**2022**
Turnover (£m)	150.5	**151.6**
Operating surplus (£m)	46.9	**46.3**
Operating margin	31.2%	**30.6%**
Operating margin – social housing lettings	37%	**35.6%**
EBITDA-MRI interest cover[1]	2.2x	**1.9x**
Gearing ratio[1]	41.9%	**42.8%**
Housing & other net assets (£m)	2,949	**3,015**
New homes completed	715	**475**
New homes investment (£m)	93	**103**
Reinvestment[1/2]	8%	**7.9%**
Void rent loss/turnover	1.6%	**1.4%**
Bad debts/turnover[3]	0.7%	**-0.2%**

[1]Value for Money metric in accordance with the English Regulator for Social Housing
[2]As at March 2021 and 2022

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