**17 August 2022**

## Platform Housing Group's Trading Statement for the Quarter to June 2022

The following report provides a trading update for Platform Housing Group (Platform), covering unaudited financial performance, development and treasury activities.

Highlights

- Social housing lettings turnover growth of 6.6% to £61.6m (June-21: £57.8m)
- High demand for shared ownership sales: margins up 3.7% to 22.1% (June-21: 18.4%) and unsold stock down by 131 to 63 (June-21: 194)
- Marginal reduction in turnover due to the timing of shared ownership completions driving overall turnover reduction of 2% to £72.8m (June-21: £74.2m)
- High cost inflation experienced in maintenance and development activities
- Operating surpluses reduced 15.6% to £23.1m (June-21: £27.4m), driven by reduction in sales activity and increased maintenance costs
- Arrears performing well, little impact noted from the end of UK Government support measures
- Outlook margins for the year to March 2023 are expected to be in line with those recorded in the quarter

| At or for the quarter ended 30 June | 2021 | 2022 | Change |
|---|---|---|---|
| Turnover | £74.2m | £72.8m | -2.0% |
| Social housing lettings turnover | £57.8m | £61.6m | 6.6% |
| Operating surplus(1) | £27.4m | £23.1m | -15.6% |
| New homes completed | 396 | 209 | -47.2% |
| Investment in new and existing homes | £51.7m | £57.4m | 11.1% |
| Share of turnover from social housing lettings | 77.9% | 84.6% | +6.7ppt |
| Social housing lettings margin(2) | 43.9% | 36.1% | -7.8ppt |
| Current tenant arrears(3)(4) | 2.9% | 2.9% | - |
| Gearing(2)(4) | 41.4% | 43.1% | +1.7ppt |
| EBITDA-MRI interest cover(2) | 282% | 235% | -47ppt |

Notes
(1) Surplus excluding gains on disposal of property, plant and equipment
(2) Regulator for Social Housing Value for Money metric; for more information go to https://www.gov.uk/government/publications/value-for-money-metrics-technical-note/value-for-money-metrics-technical-note-guidance-june-2020
(3) Current tenant arrears includes all general needs tenants (this excludes shared ownership properties)
(4) Figures as at 30 June (as opposed to accumulated over the quarter to June)

Elizabeth Froude, Platform's CEO commented:
"As we start another financial year the background environment continues to be inflationary and we have seen this crystalising in the cost of all channels of expenditure for our homes. The shortage of labour and materials has made it a slower start to the year than we would have wanted, but we are now starting to see

work backlogs and development activity catching up. However, given the higher costs of all elements in this area we have also seen the spend figures coming in higher than anticipated.

That said our Social Housing Operating Margin remains among the best in the sector and all business activities are still in a strong place with voids declining, development starts picking up and sales remaining strong in both margin and percentages of first tranche.

We do however remain vigilant to the difficult times ahead and maintain a watching brief on all controllable costs to mitigate any erosion on our budgeted targets."

**Financial review**

*Turnover*
In the quarter to 30 June 2022 total turnover reduced by of 2% to £72.8m (June-21: £74.2m).

Social housing lettings turnover increased by 6.6% to £61.6m (June-21: £57.8m) as a result of inflationary rental increases and a year-on-year increase in social housing units.

Turnover from shared ownership first tranche sales was £7.3m in the quarter (June-21: 13.4m), with scheme completions down on the prior year.

Turnover from all social housing activities of £69.2m (June-21: £71.7m) accounted for 95.1% (June-21: 96.1%) of Platform's total turnover in the period.

*Surpluses and margins*
Operating surpluses excluding fixed assets sales decreased by 15.6% to £23.1m (June-21: £27.4m) and operating surpluses including sales decreased by 11.5% to £26.1m (June-21: £29.5m). Surpluses from social housing lettings decreased by 12.4% to £22.2m (June-21: £25.4m).

Operating margins were 31.7% excluding fixed asset sales (June-21: 36.9%), 35.9% including sales (June-21: 39.8%) and 36.1% from social housing lettings (June-21: 43.9%).

Operating surpluses and margins were adversely affected by higher maintenance expenditures and void losses. Maintenance expenditures have been affected by a shortage of labour availability, impacting sub-contractor costs, cost inflation and higher voids maintenance costs as work continues to reduce the number of void properties. Revenue maintenance costs have increased by 59% to £18.2m (June-21: £11.4m).

Shared ownership sales surpluses were £1.6m, representing 6.2% of total operating surplus (June-21: £2.5m / 8.4%), with associated margins of 22.1% (June-21: 18.4%).

Staircasing sales of shared ownership properties, where a customer buys a further stake in their homes, experienced robust surpluses and margins of £1.3m and 44% (June-21: £1.5m / 42%), with total sales of 34 (June-21: 41).

The overall net surplus after tax, which incorporates interest costs, was £13.9m (June-21: £18.6m), with the year-on-year variance driven by the items outlined above, in combination with an increase to interest costs of £1.3m.

*Outlook*
For the year to March 2023 turnover is expected to grow in line with new units coming into management and inflationary rental increases. Operating costs are expected to continue to be adversely affected by higher maintenance costs. Overall margins are expected to be in line with those for this quarter.

**Development review**

Developments during the quarter experienced some delays due to supply chain disruption and planning delays. There are some indications that materials shortages are beginning to soften but building costs continue to rise along with inflation. Most new build schemes on site are fixed price contracts, providing some protection from increased costs in the short term, however, cost increases are putting pressure on contractors and requests for increased build costs both leading up to entering contract and whilst on site continue to be experienced.

There were 209 homes completions in the quarter (30 June 2021: 396). Completions are down on the prior year due to timing, with relatively higher completions expected in the coming quarters. Of these, 50 (24%) were built for social rent, 89 (43%) for affordable rent and 70 (33%) for shared ownership. Development expenditures were £55m in the quarter (31 December 2020: £48m). At 30 June 2022, Platform owned a total of 47,281 homes (30 June 2021: 46,488).

There were 77 shared ownership sales in the quarter (30 June 2021: 158). The number of unsold units at the end of the quarter was 63 (June 2021: 194), of which 51 were reserved.

*Outlook*
We are committed to developing in a prudent and sustainable way and will not compromise financial strength. As such development cost inflation, which is expected to persist in the short/medium term, may affect the scale of our programme. In spite of this the projected delivery for our identified and on-site programme for the year remains unchanged at 1,100 to 1,200 homes.

Shared ownership sales are expected to pick up in the remainder of the year, with targets unchanged following the first quarter. There are currently no signs that the unfavourable economic conditions are adversely affecting demand for shared ownership homes. The cost of living squeeze may have a detrimental impact on demand going forwards, however, it is also possible that those looking to buy a home on an outright basis might be drawn towards shared ownership when budgets are tighter.

The Group does not invest in speculative land and has no actual or expected material impairment in development sites.

**Treasury review**

*Recent financing activity*
Platform completed the restructure of a £235m revolving credit facility (RCF) with Lloyds Bank in the quarter. As part of the restructure the facility was linked to sustainability targets that centre on the energy efficiency of Platform's new and existing homes, and the proportion of employees enrolled in apprenticeship programmes. If these targets are achieved Platform will benefit from a margin reduction on that RCF borrowing.

*Ratings activity*
Platform is rated A+ (stable outlook) by both S&P and Fitch.

*Debt and liquidity*

Net debt was £1,198m (June-21: £1,096m). Net debt comprised nominal values of £882m in bond issues, £80m in private placements and £490m in term loan and revolving credit facilities, partially offset by cash and equivalents of £240m and non-cash accounting adjustments of £14m.

Platform's weighted average cost of finance was 3.28% (30 June 2021: 3.69%), benefitting from the low all-in rates achieved on the two capital markets transactions in September 2021 (£250m sustainability bonds) and December 2021 (£50m retained bonds) 2021.

Platform had sufficient liquidity as at 30 June 2022 (over £775m including undrawn committed facilities and cash and cash equivalents) to meet all its forecast needs until 2024 whilst maintaining 18 months of liquidity (in line with policy), taking into account projected operating cash flows, forecast investment in new and existing properties and debt service and repayment costs.

*Financial ratios*

Platform monitors its performance against various financial ratios, including Value for Money metrics reported to the Regulator of Social Housing and ratios it is required to comply with under its financing arrangements.

Gearing, measured as the ratio of net debt to the net book value of housing properties, was 43.1% at 30 June 2022 (30 June 2021: 41.4%). Gearing has increased in the last year due to new funding required for development expenditures. Gearing was comfortably within Platform's target of maintaining gearing below 50%.

EBITDA-MRI interest cover was 235% (30 June 2022: 282%). The movement from the prior year is largely driven by increases to maintenance costs due to high inflation. The ratio remains well above Platform's target minimum (120%).

*Outlook*

Gearing and EBITDA-MRI interest cover ratios are expected to remain well within Platform's targets. Some upwards pressure in gearing and downwards pressure to interest cover is expected as Platform pushes ahead with its strategic development and maintenance objectives.

For more information please contact:

**Investor enquiries**
Ben Colyer – +44 7918 160990 / +44 1684 579 566
investors@platformhg.com

**Media enquiries**
media@platformhg.com

These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Platform Housing that are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Platform Housing's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which Platform Housing operates; the ability of Platform Housing to manage regulatory and legal matters; the reliability of Platform Housing's technological infrastructure or that of third parties on which it relies; interruptions in Platform Housing's supply chain and disruptions to its development activities; Platform Housing's reputation; and the recruitment and retention of key management. No representations are made as to the accuracy of such forward looking statements, estimates or projections or with respect to any other materials herein. Actual results may vary from the projected results contained herein.

These materials contain certain information which has been prepared in reliance on publicly available information (the "Public Information"). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. Platform Housing does not make any representation or warranty as to the accuracy or completeness of the Public Information.

These materials are believed to be in all material respects accurate, although it has not been independently verified by Platform and does not purport to be all-inclusive. The information and opinions contained in these materials do not purport to be comprehensive, speak only as of the date of this announcement and are subject to change without notice. Except as required by any applicable law or regulation, Platform Housing expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any information contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such information is based.

None of Platform Housing, its advisers nor any other person shall have any liability whatsoever, to the fullest extent permitted by law, for any loss arising from any use of the materials or its contents or otherwise arising in connection with the materials. No representations or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in these materials or any other information. Neither Platform nor any other person connected to it shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from these materials or any other information and any such liability is expressly disclaimed.

Any reference to "Platform" or "Platform Housing" means Platform Housing Group Limited and its subsidiaries from time to time and their respective directors, representatives or employees and/or any persons connected with them.