

## Karbon Homes Group

16th December 2022

### Karbon Homes Group trading update for the six-month period ending 30 September 2022

- Karbon Homes Group (KHG) is today issuing its consolidated trading update for the period ended 30 September 2022.
- These figures are unaudited and for information purposes only.

#### Highlights for the period ending 30 September 2022

- KHG own and manage **29,828 homes**
- Turnover for the period was **£81.0m** (2021: £76.6m)
- Operating surplus (including asset sales) for the period was **£22.7m** (2021: £24.9m)
- Overall operating margin (including asset sales) was **26.9%** (2021: 30.7%)
- Overall operating margin (excluding asset sales) was **25.3%** (2021: 30.8%)
- The surplus before tax for the period was **£13.7m** (2021: £15.4m)
- Gearing at 30 September 2022 was **35.3%** (2021: 35.5%)
- Return on capital employed for the period was **1.93%** (2021: 2.17%)

Commenting on the results, Scott Martin, Executive Director of Resources, said:

We're pleased to publish our six-monthly results to September 2022 and re-assure our stakeholders that we continue to maintain a positive performance and deliver on our organisational aims of providing as many good quality homes as we can, delivering an excellent customer service and shaping strong sustainable places for our communities. We are immensely proud of our people and the results of their hard work and dedication are outlined in our annual report to 31 March 2022.

Our performance in the previous year laid strong foundations for our first six months in FY2022/23, as we looked to use our position as an anchor institution to positively benefit our communities. This will continue to be extremely important as our customers face increasing pressures around the rising cost of living. Our main priority is ensuring the homes we provide are safe, comfortable and efficient. At the moment, almost 79% of our homes are rated at EPC C or above and we'll continue to work hard to increase that.

The recent spotlight on damp and mould cases in the housing sector is a focus for us, and we have a number of robust systems and processes in place to ensure we proactively identify any damp and mould problems in our homes, as well as promptly respond to any issues customers raise. We've set out our approach to tackling this on our website.

In terms of the delivery of new homes, we're pleased to say that we have delivered 296 high quality and affordable new homes across the north in the period to the end of November 2022. This is despite the challenges faced surrounding materials and labour shortages within our supply chain. Furthermore, almost 94% of our customers were very or fairly satisfied with the quality of their new home in this period, which is a great achievement for us and our various construction partners against this challenging backdrop.

From an existing home point of view, we've invested over £21.8m so far this year across our planned, responsive and cyclical repairs programmes, with almost 93% of our customers saying they were very or fairly satisfied with our repairs services overall.

This work has helped us maintain our strong performance in customer satisfaction with a Net Promotor score of +47 along with a positive impact on our occupation and rent collection rates, with both these metrics above 99% in the year to date too.

On 4 October 2022, we published our second annual ESG Report against the Sustainability Reporting Standard for Social Housing. The report provides an overview of the variety of work we deliver and our impact across Environmental, Social and Governance areas.

We hope that you find this summary information about our performance useful, but we want to also stay in touch with our stakeholders by holding our annual investor update in early January 2023, as well as offering the opportunity for one-to-one meetings where preferable.

In January, we'll want to tell you more about what is on the horizon for us as FY22/23 comes to an end, provide assurances around how we're dealing with the challenges posed by the UK Governments rent cap of 7% and protecting the interests of our customers and communities at the same time.

The webinar will be hosted by our Group Chief Executive, Paul Fiddaman, with further details to be released soon.

To register an interest in this event or in a one-to-one meeting with us, please get in touch with Andrew Thompson (AD Treasury), at [andrew.thompson@karbonhomes.co.uk](mailto:andrew.thompson@karbonhomes.co.uk)

### Our unaudited 6 monthly Group results and other key indicators are displayed below

#### Unaudited Financial Metrics

	<b>30-Sep 2022</b>	<b>30-Sep 2021</b>
	Actual	Actual
	£'000	£'000
<b>Statement of Comprehensive Income</b>		
Turnover	80,982	76,647
Operating Surplus (including asset sales)	22,656	24,910
Surplus before tax	13,727	15,414
<b>Margins</b>		
Overall operating margin (incl. asset sales) (Note 1)	26.9%	30.7%
Overall operating margin (excl. asset sales) (Note 2)	25.3%	30.8%
<b>Key Financial Ratios</b>		
Interest cover (EBITDA MRI) (Note 3)	217.9%	277.4%
Gearing (Note 4)	35.3%	35.5%
Return on Capital Employed (ROCE) (Note 5)	1.9%	2.2%
	<b>30-Sep 2022</b>	

## Liquidity

24-month liquidity requirement (£'000) (Note 6)	198,094
Cash and undrawn facilities (£'000) (Note 7)	210,554
Unencumbered stock (no. of properties)	7,318
Value of unencumbered stock (Avg of EUV and MV, £'000) (Note 8)	293,390
Loan security excesses (Avg of EUV and MV, £'000) (Note 9)	250,411

## Credit Rating

Standard & Poors (S&P) A (stable): 24th May 2022

### Notes:

- 1) Operating margin including asset sales includes all activity
- 2) Operating margin excluding asset sales removes the gain or loss on disposal of housing properties
- 3) Earnings before interest, tax, depreciation and amortisation, major repairs included is defined as: (Operating surplus - Disposal of assets - Outright sales and first tranche SO surpluses + Depreciation & impairment - Grant amortisation - Capitalised major repairs) / Interest paid (reflecting the 'S&P global methodology for rating public and non-profit social housing providers', published 1st June 2021)
- 4) Gearing is defined as Group Net Debt / Group Housing assets at historic cost less depreciation (RSH VFM Gearing definition).  
Karbon have chosen to include cash held in non ring-fenced investment accounts as available cash, Sept 2022: £56.0m (Sept 2021: £83.7m)
- 5) Return on capital employed is defined as Operating Surplus (incl. asset sales) / Total Assets less current liabilities
- 6) 24 month cashflow requirements
- 7) Cash, investments and undrawn RCF (Revolving Credit Facilities)
- 8) Value of stock not held by a lender or security trustee.
- 9) Value of excess security held with current lenders or Prudential Trustees

### Disclaimer:

This trading update contains certain forward looking statements about the future outlook for Karbon Homes Group. These have been prepared and reviewed by Karbon only and are unaudited. Forward looking statements inherently involve a number of uncertainties and assumptions. Although the Directors believe that these statements are based upon reasonable assumptions on the publication date, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual and audited outcomes and results to be materially different. Additionally, the information in this statement should not be construed as solicitation/recommendation to invest in Karbon's bonds

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