

RNS Number : 5547Q
Karbon Homes Limited
19 June 2020

Karbon Homes Group

19th June 2020

Karbon Homes Group trading update for the period ending 31 March 2020

- Karbon Homes Group (KHG) is today issuing its consolidated trading update for the period ended 31 March 2020.
- These figures are **unaudited** and for information purposes only.

Highlights for the period ending 31 March 2020

- KHG owns and manages **27,197 homes**
- Karbon Homes Limited maintained its **G1/V1 status** from the Regulator for Social Housing, following a stability check in Nov 2019
- Turnover for the period was **£135.6m** (2019: £129.4m)
- Operating surplus (including asset sales) for the period was **£38.6m** (2019: £33.5m)
- Operating surplus (excluding asset sales) for the period was **£34.3m** (2019: £31.8m)
- Overall operating margin (including asset sales) was **28.5%** (2019: 25.9%)
- Overall operating margin (excluding asset sales) was **25.3%** (2019: 24.6%)
- The surplus before tax for the period was **£22.2m** (2019: £6.2m)
- Gearing as at 31 March 2020 was **41.6%** (2019: 43.8%)
- Return on capital employed for the period was **4.0%** (2019: 3.6%)

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

'We are pleased to publish our draft 2019/20 results. This is the second year of our 5-year strategy which includes our aim to build more than 500 new affordable homes per annum.

'We are excited to have delivered 534 new affordable homes in this financial year, surpassing our target.

'During the year we have continued our focus on delivering excellent customer experience and are proud of the recent survey results which gave us a +50 net promoter score.

'Finally, we continue to invest in our communities, expanding our services and focussing on those who need our help most. This has been increasingly important in the context of the Covid-19 pandemic.

'All of this means we are well on track to continue to deliver against our three strategic aims of Homes, Customer and Place.'

'Nevertheless, we know that the impacts of Covid-19 are going to be felt within our communities for some time. On the 27th May 2020, S&P Global revised our credit rating from A+ (negative) to A (stable), citing their assumptions around the potential economic downturn in the North East of England as a major factor in their decision. Whilst we are disappointed with the rating change, this does not impact our 30 year business plan or strategy.

S&P recognises KHG's continuing strengths, including 'low industry risk', low 'exposure to market sales', a 'management team with extensive experience in the social housing sector', and a 'very strong liquidity position'.

We have run various stress test scenarios and are confident that we have the financial strength to sustain our business operations throughout lockdown and recovery, despite the on-going uncertainty as a result of the pandemic.

This, combined with a very strong liquidity position, allows us to continue with our mission to provide a strong foundation for life.'

Unaudited Financial Metrics

	31-Mar 2020	31-Mar 2019
	Actual £'000	Actual £'000
Statement of Comprehensive Income		
Turnover	135,559	129,426
Operating Surplus (including asset sales)	38,622	33,538
Surplus before tax	22,161	6,152
Margins	%	%
Overall operating margin (incl.asset sales) (Note 1)	28.5	25.9
Overall operating margin (excl.asset sales) (Note 2)	25.3	24.6

Key Financial Ratios

EBITDA MRI Interest cover (Note 3)	229.0	206.2
Gearing (Note 4)	41.6	43.8
ROCE (Note 5)	4.0	3.6

31-Mar

2020

Liquidity

24 month liquidity requirement (£'000) (Note 6)	102,271
Cash and undrawn facilities (£'000) (Note 7)	186,396
Unencumbered stock (no of properties)	5,111
Value of unencumbered stock (average of EUV and MV, £'000) (Note 8)	181,389
Loan security excesses (average of EUV and MV, £'000) (Note 9)	211,539

Credit Rating

S & P	A (stable)
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Notes:

- 1) Operating margin including asset sales includes all activity
- 2) Operating margin excluding assets removes gain or loss on disposal of assets
- 3) Earnings before interest, tax, depreciation and amortisation, major repairs included is defined as: (Operating surplus - Disposal of assets + Depreciation - Amortisation - Capitalised major repairs + interest received) / Interest paid
- 4) Gearing is defined as: Group Net Debt / Group Housing assets at historic cost less depreciation (RSH VFM Gearing definition), differs to Karbon's banking gearing calculation which is defined as Net Debt/Housing assets at historic cost, and informs our internal Golden Rules
- 5) Return on capital employed is defined as Operating Surplus (incl asset sales) / Total Assets less current liabilities
- 6) 24 month cashflow requirements
- 7) Group Cash and Deposits of £50.8m and undrawn Revolving Credit Facilities of £135.5m
- 8) Value of stock not held by a lender or security trustee, at average £35k per unit
- 9) Value of excess security held with current lenders or Prudential Trustees
- 10) Further unaudited operational performance and financial metrics are available at <https://www.karbonhomes.co.uk/corporate/>

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

For further information, please contact:

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<https://www.karbonhomes.co.uk/corporate/>

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