

RNS Number : 5918I  
Karbon Homes Limited  
14 December 2020

**Karbon Homes Group**  
14th December 2020

Karbon Homes Group trading update for the period ending 30 September 2020

- Karbon Homes Group (KHG) is today issuing its consolidated trading update for the period ended 30 September 2020.
- These figures are **unaudited** and for information purposes only.

Highlights for the period ending 30 September 2020

- KHG own and manage **26,546 homes**
- Turnover for the period was **£67.9m** (2019: £66.1m)
- Operating surplus (including asset sales) for the period was **£20.8m** (2019: £20.3m)
- Overall operating margin (including asset sales) was **31%** (2019: 31%)
- Overall operating margin (excluding asset sales) was **30%** (2019: 30%)
- Net margin on shared ownership (first tranche) was **30%** (2019: 20%)
- The surplus before tax for the period was **£12m** (2019: £12m)
- Gearing as at 30 September 2020 was **48%** (2019: 44%)
- Return on capital employed for the period was **2%** (2019: 2%)

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

"The past six months has seen an unprecedented situation across the UK as a result of the Covid-19 pandemic. During this time, our focus has been on the health and wellbeing of our colleagues, customers and those living in our communities.

As a landlord, we recognised the vital role we could play in offering local support during this very challenging time. We immediately identified our most vulnerable customers (over 7,000) and contacted them to see if they needed any assistance from us.

We are also incredibly proud to have increased the volunteers for our Silver Talk service that provides a regular weekly call to those customers who are experiencing isolation or loneliness. There are now 360 customers receiving a weekly call and we're receiving really positive feedback.

We know many customers have been struggling financially during this period and our Money Matters Team has offered a range of money advice to 3,245 customers in this six-month period to 30<sup>th</sup> Sept 2020. This builds on our performance during the year to 31<sup>st</sup> March 2020, where we provided advice to over 5,300 tenants, helping them to access an additional £6.5m of income.

Providing financial support locally was also important and so we invested over £120k to 104 charities and community groups who were delivering vital support and services during the pandemic.

Towards the end of March, we prioritised all emergency and essential repairs and maintenance activity with 11,652 emergency and out of hours repairs completed in this six-month period. As restrictions eased, we carefully reintroduced more services with detailed risk assessments and Covid-safe measures in place to protect both colleagues and customers. We have continued to keep customers updated with any changes to our services with regular communication and our Customer Relationship Team have been there to help throughout.

We believe our response to Covid-19 has helped us achieve high levels of customer satisfaction and we achieved a Net Promoter Score of +52 at the end of September 2020.

Despite the heavy restrictions across the UK, we are still making very good progress on our plan to build high quality affordable housing, and have delivered 139 new homes in the first six months of this financial year.

We are expecting to be able to deliver on our business plan aim of 475 new homes this year as our building and construction partners re-group in the second half of the year.

We were also very pleased to have issued our £100m retained bonds in June 2020, thus providing Karbon with excellent liquidity to support our strategy in the years ahead.

We, therefore, look forward to continuing successes in delivering new homes whilst continuing to drive operating efficiencies and strong financial results.

Finally, we are pleased to update that, as of 9th Dec 2020, both boards of Karbon Homes Limited and Byker Community Trust have agreed to progress towards formal partnership arrangements, building on the existing strong relationship between the two organisations. This process is due to complete in readiness for the beginning of the next financial year 2021/22.

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

## Unaudited Financial Metrics

	<b>30-Sep 2020</b>	<b>30-Sep 2019</b>
	Actual £'000	Actual £'000
<b>Statement of Comprehensive Income</b>		
Turnover	67,865	66,088
Operating Surplus (including asset sales)	20,809	20,339
Surplus before tax	11,742	11,959
<b>Margins</b>		
Overall operating margin (incl. asset sales) (Note 1)	31%	31%
Overall operating margin (excl. asset sales) (Note 2)	30%	30%
Operating margin on shared ownership (first tranche) (Note 3)	30%	20%
<b>Key Financial Ratios</b>		
Interest cover (EBITDA MRI) (Note 4)	281%	296%
Gearing (Note 5)	48%	44%
Return on Capital Employed (ROCE) (Note 6)	2%	2%

**30-Sep**

2020

**Liquidity**

24-month liquidity requirement (£'000) (Note 7)	98,508
Cash and undrawn facilities (£'000) (Note 8)	285,643
Unencumbered stock (no of properties)	4,497
Value of unencumbered stock (Avg of EUV and MV, £'000) (Note 9)	160,443
Loan security excesses (Avg of EUV and MV, £'000) (Note 10)	123,702

**Credit Rating**

S & P

A (stable): 27th May 2020

**Notes:**

- 1) Operating margin including asset sales includes all activity
- 2) Operating margin excluding assets sales removes gain or loss on disposal of assets
- 3) Operating surplus on First tranche shared ownership sales / Turnover from first tranche shared ownership sales
- 4) (Operating surplus + Depreciation + Amortisation - Capitalised major repairs) / Net interest paid
- 5) 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
- 6) Operating Surplus (incl. asset sales) / Total Assets less current liabilities
- 7) 24-month cashflow requirements
- 8) Cash and undrawn RCF (Revolving Credit Facilities)
- 9) Value of stock not held by a lender or security trustee, at average £35k per unit

## 10) Value of excess security held with current lenders or Prudential Trustees

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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