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Karbon Homes Limited
24 November 2023

Karbon Homes Group

24th November 2023

Karbon Homes Group trading update for the six-month period ending 30 September 2023

- Karbon Homes Group (KHG) is today issuing its consolidated trading update for the period ended 30 September 2023.
- These figures are unaudited and for information purposes only.

Highlights for the period ending 30 September 2023

- KHG own and manage **32,383 homes**
- Turnover for the period was **£98.0m** (2022: £84.2m)
- Operating surplus (including asset sales) for the period was **£26.3m** (2022: £22.7m)
- Overall operating margin (including asset sales) was **26.8%** (2022: 26.9%)
- Overall operating margin (excluding asset sales) was **25.0%** (2022: 24.6%)
- The surplus before tax for the period was **£21.9m** (2022: £13.7m)
- Gearing as at 30 September 2023 was **37.7%** (2022: 35.3%)
- Interest cover for the period was **218.3%** (2022: 211.6%)

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

We're pleased to publish our six-monthly results to September 2023, which highlights our continued positive performance in delivering our key strategic aims of providing as many good quality homes as we can, delivering an excellent customer service and shaping strong sustainable places for our communities. These results also recognise the hard work of our people across the organisation, who have remained committed to the delivery of our strategic aims through what has been a challenging macro-economic environment.

Since our previous set of half-year results, published in 2022, we've welcomed two new organisations to the Karbon family. 54North Homes joined the group in December 2022; a 3,000-home organisation which was the result of a merger between Leeds & Yorkshire Housing Association and our subsidiary York Housing Association.

In July 2023, a further 439 homes were acquired as a result of the transfer of engagements into Karbon Homes from South Tyneside Housing Ventures Trust (STHVT). These homes and teams are now fully integrated into the group and are part of the financial data presented here to September 2023. It is worth noting that the surplus before tax for the period ended 30 September 2023, includes £4.7m of goodwill adjustments, which reflect the differences between the fair values of the properties and loan facilities acquired, and their historic costs. There were no goodwill adjustments in the prior year 6-month results.

As we began this current financial year for 2023/24, using our position as an anchor institution to positively benefit our communities, continued to be a key focus. Many of our customers and communities continue to face ongoing pressures connected to the rising cost of living and we've continued to offer support, where possible, through our Money Matters services. For the first half of this year we've successfully generated additional benefits for our customers of over £2.8m, against our full year target of £4m.

We're also working hard to create new job opportunities for those living in our households, through our New Start work placement scheme and our apprenticeship programme, as well as assisting people back into education, with 298 customers engaged in these areas in the year to date.

Another key priority is ensuring our homes are safe, comfortable, and efficient. Currently, over 73% of our homes achieve an Energy Performance Certificate rating C or above and an ongoing programme of work is in place to bring the remaining homes up to EPC C.

The recent spotlight on damp and mould cases in the housing sector has put the issue into sharp focus for us. A number of robust systems and processes are in place to ensure we proactively identify any such issues in

our homes and to ensure any issues raised by our customers are dealt with promptly. We have also accelerated our stock condition survey works and have attempted to gain access to 100% of our homes.

In terms of the delivery of new homes, we're pleased to say that we have delivered 314 high quality and affordable new homes across the North East and Yorkshire in the period to the end of October 2023. This is despite some ongoing challenges within our supply chain, and is ahead of where we were at this time last year. We are optimistic about achieving close to our target of more than 700 new homes being delivered by the end of the financial year. Furthermore, almost 90% 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.

We've invested over £30.2m so far this year in the maintenance of our existing homes, across our planned, responsive and cyclical repairs programmes, with over 93% of our customers saying they were very or fairly satisfied with our repairs services overall. This is an excellent achievement and a concerted effort by the repairs, scheduling and customer service teams in working closely with our customers, has been an important factor in maintaining this KPI.

In recognition of the increased demand on our repairs service, our board has recently approved £1m of additional expenditure over the remainder of this and next financial year.

We're pleased to be maintaining strong performance in customer satisfaction, with two different benchmarking exercises placing us at top quartile performance on all perception Tenant Satisfaction Measures as at October 2023. Finally, we are also glad to report that rent lost due to voids is being contained within our target of 1.87% on a rolling 12-month basis.

On 31st July 2023, we published our third 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. The release of our ESG report, at the same time as our Annual Review and Financial Statements, was part of a commitment we made to ensure that our various stakeholders were provided with complete and timely information around our performance data. The releases can be found at our website, both in downloadable and interactive versions:

<https://www.karbonhomes.co.uk/about-us/corporate/>

We'll be holding our annual investor update in early January 2024, which will provide insight into our full year FY24 results and discuss future challenges and opportunities moving into 2024/25. The webinar on the 11th January 2024 will be hosted by our Group Chief Executive, Paul Fiddaman, with the opportunity for one to one meetings on both 11th and 15th January.

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),

andrew.thompson@karbonhomes.co.uk

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

Unaudited Financial Metrics

	30-Sep 2023	30-Sep 2022
	Actual	Actual
	£'000	£'000
Statement of Comprehensive Income		
Turnover	98,024	84,216

Operating Surplus (incl. asset sales)	26,285	22,656
Surplus before tax (Note 1)	21,853	13,727

Margins

Overall operating margin (incl. asset sales) (Note 2)	26.8%	26.9%
Overall operating margin (excl. asset sales) (Note 3)	25.0%	24.6%

Key Financial Ratios

Interest cover (EBITDA MRI) (Note 4)	218.3%	211.6%
Gearing (Note 5)	37.7%	35.3%
Return on Capital Employed (ROCE) (Note 6)	1.99%	1.93%

**30-Sep
2023**

Liquidity

24-month liquidity requirement (£'000) (Note 7)	188,350
Cash and undrawn facilities (£'000) (Note 8)	216,509
Unencumbered stock (no of properties)	8,620
Value of unencumbered stock (Avg of EUV and MV, £'000) (Note 9)	374,754
Loan security excesses (Avg of EUV and MV, £'000) (Note 10)	263,388

Credit Rating

S & P

A (positive): 18th May 2023

Notes:

- 1) Surplus before tax includes negative goodwill arising on acquisition of STHVT of £4.7m, (2022: £nil)
- 2) Overall operating margin (incl. asset sales), includes all activity but removes the benefits of any negative goodwill amortisation.
- 3) Overall operating margin (excl. asset sales) removes the gain or loss on disposal of housing properties and other fixed assets (as per RSH VFM Metric definition)
- 4) 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 and its calculation of 'non-sales adjusted EBITDA')
- 5) Gearing is defined as Group Net Debt / Group Housing assets at historic cost less depreciation (RSH VFM Gearing definition). Any fair value adjustments of loans are ignored within this calculation.

Karbon have chosen to include cash held in non ring-fenced investment accounts as available cash, Sept 2023: £11.3m (Sept 2022: £56.0m)

6) Return on capital employed is defined as Operating surplus (incl. asset sales) / Total assets less current liabilities

7) 24-month cashflow requirements

8) Cash, investments and undrawn RCF (Revolving Credit Facilities)

9) Value of stock not held by a lender or security trustee.

10) Value of excess security held with current lenders or security 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:

Andrew Thompson, Assistant Director: Treasury

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

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