

Metropolitan Funding PLC

Metropolitan Housing Trust (MHT) trading update and unaudited results for the year ended 31 March 2016

MHT, one of the UK’s leading providers of affordable housing and care and support services, announces unaudited results for the year ended 31 March 2016. Current year figures and comparatives are stated in accordance with FRS102.

Highlights

- Turnover up around 2% (2015: £230.4m)
- Adjusted* operating surplus up around 6% (2015: £84.9m)
- Adjusted* operating margin up around 1.5 ppts (2015: 36.9%)
- Adjusted* total surplus up around 28% (2015: £60.4m)
- £250m debut AA- rated bond issued
- More than £550m of available liquidity (2015: £293m)

* Adjusted figures are stated before a £9.4m exceptional charge related to pension deficit reduction scheme obligations pursuant to the triennial valuation of the SHPS Pension scheme.

Brian Johnson, Chief Executive of Metropolitan commented:

“This has been an excellent year for Metropolitan. We issued our first public bond and have stepped up our investment plans, increasing our development pipeline by 27% to 3,410 units at 31 March, with a further 1,100 units approved for acquisition post-year end. We are set to deliver on our plans for two of our major regeneration schemes in Barnet and Lambeth which demonstrate our commitment to increasing London’s affordable housing supply. Surplus and margins are up on 2015 as we continue to focus on cost control, process efficiency and value for money. With our new In House repairs contractor, Metworks, and a number of systems improvements implemented this year, we remain confident in the outlook for 2016/17 and, with more than £550m of available funds, we are well placed to deliver on our growth strategy.”

Results overview

Turnover is around 2% higher than 2015, with Lettings revenue (excluding supported housing) increasing as a result of improved voids and arrears performance, as well as rent inflation. Care & support revenue (which includes supported housing) was broadly flat year on year. Revenue from first tranche sales almost doubled year on year but this was matched by a fall in outright sales and other revenues. Adjusted* operating surplus is up around 6%, largely driven by an improvement in our Lettings performance.

Adjusted* operating margin is anticipated* remain one of the top performing in the sector at around 38.4% (2015: 36.9%).

Metropolitan Housing Trust (“MHT”) Consolidated Results

During the year we completed on the 1,800 unit Roundshaw stock swap in South East London which, allied with our strong staircasing performance, increased surplus from asset sales by more than 75% compared to 2015 (2015: £13m). Redemption profits and Joint Venture income were also up over 90% (2015: £7m). Net interest and related finance costs were up slightly year on year (2015: £48m) reflecting the higher levels of total debt. Adjusted* total surplus for the year is up around 28% (2015: £60.4m). Total surplus is up around 12% (2015: £60.4m)

Housing Development and Investment

We delivered 371 (2015: 456) new units and invested £114m (2015: £113m) in our development pipeline, which increased 27% from 2,690 units last year to 3,410 at 31 March 2016. We also spent a record of £58m (2015: £34m) in maintaining and improving our existing estate. Our £250m debut bond issue has provided us with the funding resources to meet our ambitious development targets over the next five years and beyond, as well as to scale up the investment in our flagship regeneration project at Clapham Park in Lambeth.

Debt and Facilities

Net debt (excluding derivative financial instruments) at 31 March 2016 was down over 3% (2015: £896m), notwithstanding the drawdown of £150m under bond issue. Available liquidity (cash and committed secured undrawn facilities) is over £550m (2015: £293m). Gearing ended the year at around 62% (2015: 57%) and interest cover was around 2.8 times (2015: 2.7 times)

The Board expects to announce full audited results for the year ended 31 March 2016 towards the end of July 2016.

Enquiries

Please contact Donald McKenzie, Head of Corporate Finance, on 0203-535-4434 or at donald.mckenzie@metropolitan.org.uk

This information for investors is also available on our website:

<https://www.metropolitan.org.uk/investors/>

Notes

- Operating margin is operating surplus/turnover
- Net debt is borrowings (exc derivatives) plus cash and cash deposits
- Gearing is gross debt /general reserves and grant
- Interest cover is total surplus before interest, tax, depreciation/amortisation, / interest costs

Disclaimer

The information in this Preliminary Results announcement has been prepared by the Metropolitan Housing Trust group and is for information purposes only.

Metropolitan Housing Trust (“MHT”) Consolidated Results

The Results announcement should not be construed as an offer or solicitation to buy or sell any securities issued by the Parent, the Issuer or any other member of the Group, or any interest in any such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

This unaudited preliminary announcement contains certain ‘forward-looking’ statements reflecting, among other things, our current views on markets, activities and prospects. Actual and audited outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events.