Metropolitan Funding PLC

Metropolitan Housing Trust (MHT) trading update for the nine months ended 31 December 2017

MHT, one of the UK’s leading providers of affordable housing and care and support services, announces a trading update for the first nine months of the financial year 2017/18.

Headlines

- Business transformation continues with investment in customers, properties, and long-term resilience.
- We continue to make good progress in formal discussions with Thames Valley Housing to form a partnership.
- Operating margins tracking around 6% lower than this time last year reflecting lower sales margins and increased investment in our assets and customer service.

Geeta Nanda, Chief Executive: “In October 2017, we set a new ambition, to move from turnaround to transformation - and work to get right what matters most to our people; our customers, colleagues and communities.

“To this end, we have reshaped our structure by establishing two new Directorates focused on serving our customers and maintaining our properties. In common with many of our peers, we have accelerated our spend on stock condition improvements, causing a non-recurring expense of around £5m in this financial year.

“In January 2018 we announced the start of formal discussions with Thames Valley Housing to form a partnership. Metropolitan and Thames Valley Housing are two likeminded organisations with complementary strengths. We both have strong track records of investing in communities and are excited by the potential to reach more people and change more lives for the better. Together, we will be stronger and more resilient, with the capacity to do much more.

“Despite a slower market for higher value properties, especially in London, our overall performance is strong and we are confident for the outlook in the full year”.

Results overview

Housing operations (including supported housing) continue to perform well. Sales margins are tracking around 17% for the year (2016/17: 27%) due to more sales on recently-acquired sites, with a consequent dilutive impact on overall operating profit margins which are 32% year to date (16/17: 38%). Sales at price points below Help to

Buy remain in line with our expectations. While our exposure to price points above this remains limited, sales rates are slower than last year.

Operating surplus margins have also been diluted as a result of our increased investment in stock condition and customer service as we focus on what really matters to our customers.

Liquidity remains strong, in excess of £280m. The Group has no direct exposure to Carillion plc.

Outlook

Looking forward, full year revenues are expected to be around 12% higher than last year with a total underlying surplus (ie excluding fair value and MTM adjustments) expected to be in the range £63m-£68m (2016: £75.6m). We remain on track to complete around 650 new homes for the full year.

The Board has also decided to accelerate around £30m of capital improvements over the next two years while remaining committed to the development programme previously announced, which will deliver around 1,000 homes a year.

Enquiries

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This information for investors is also available on our website: https://www.metropolitan.org.uk/about-us/investing-in-metropolitan/

Notes

Operating margin is operating surplus/turnover

Disclaimer

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