

## **Metropolitan Funding PLC**

### **Metropolitan Housing Trust (MHT) unaudited results for the year ended 31 March 2018**

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 2018.

#### **Headlines**

- Partnership with Thames Valley progressing to plan
- £232m spent on new development (2017: £190m)
- Business transformation continues with investment in customer services, properties and long-term resilience
- Turnover up around 11% to £295m (2017: £266m)
- £14m increased investment in infrastructure and properties driving Operating surplus down around 12% to £103m (2017: £117m)
- Total surplus before tax down around 18% to £65m (2017: £80m)
- 623 new homes completed (2017: 832 homes)
- Net debt £1,075m (2017: £958m) in line with our development strategy
- S&P credit rating maintained as A+ (negative outlook)

Geeta Nanda, Chief Executive of Metropolitan, commented:

“This has been another solid year for Metropolitan. During the year, we invested significantly in the condition of our properties and enhanced the effectiveness of our repairs service. We aim to raise our customers’ satisfaction levels by focusing on what matters most to them and have restructured our team in order to deliver an improved service to customers.

“In January 2018 we announced the start of formal discussions with Thames Valley Housing to form a partnership. Together, we will be stronger and more resilient, with the capacity to do much more. Our plans are progressing as anticipated and we reaffirm our expectation that the transaction will complete in the autumn of 2018.

“Our sales performance continues to be strong, although there has been softening of the market in central London, especially at the higher end.”

#### **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 35% (16/17: 44%). Sales at price points below the Help to Buy threshold were in line with our expectations and we achieved budgeted sales rates for our shared ownership product. Our exposure to price points above £600k remains limited but we did experience lower sales rates than we originally budgeted.

## Metropolitan Housing Trust (“MHT”) Consolidated Results

Our increased investment in stock condition and customer service as we focus on what really matters to our customers means that Operating surplus margins have been diluted. Operating costs rose by 9.5%, or £13m, as we increased our investment in the safety and condition of our estate as well as a business-wide upgrade of our IT infrastructure. Around £6m of this, including the IT costs, will be non-recurring.

Liquidity remains strong at £284m (2017: £420m).

### **Customer Services (including Housing with Care and Support)**

During the year we restructured our teams to improve service delivery and the customer experience, which is one of our primary business objectives. Total lettings income was up 0.4% year on year at £215.4m (2017: £214.7m), with higher volumes offsetting the 1% rent deflation obligation. Social housing lettings margin is 33% (2017: 40%) down by 7 ppts, reflecting our increased investment in the condition and safety of our stock. Care and Support (including supported housing) total revenues were £53m (2017: £59m) as we continue to focus our service on the quality of care provision while maintaining our profitability. Our surplus from post-sales transactions (staircasing and loan redemption activities) for the year was £17m (2017: £18.4m).

### **New homes development and sales**

We delivered 623 (2017: 832) new units and invested £232m (2017: £190m) in our development pipeline, which increased 1% to 5,870 (2017:5,803). The major regeneration of Clapham Park has moved forward significantly with Lambeth Council approving Metropolitan’s new development proposal to build more than 2,500 new homes and a wide range of community facilities.

Of our 313 first tranche sales (2017:276), we sold an average equity share of 42% (2017: 41%), equating to an average unit market value of £319k (2017: £317k) at an average margin of 24% (2017: 33%). We sold 61 units (2017: 12 units) outright at an average selling price of £271k (2017: £235k) and an average margin of 8% (2017: 11%).

### **Debt and facilities**

Net debt (excluding derivative financial instruments) at 31 March 2018 is up 12% at £1,075m (2017: £958m) in line with our development programme. Available liquidity (cash and committed secured undrawn facilities) is £284m (2017: £420m). Gearing ended the year at around 65% (2017: 59%) and interest cover was around 2.4 times (2017: 3.1 times).

Our Standard & Poor’s credit rating was renewed in July 2017 at A+ (negative outlook).

The Board expects to announce full audited results for the year ended 31 March 2018 in July 2018.

## Metropolitan Housing Trust (“MHT”) Consolidated Results

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018				
	2018	2017	%	
	£m	£m		
Revenue	295.0	265.7	11.0%	
Cost of sales	(53.6)	(25.9)	106.9%	
Operating costs	(157.1)	(143.5)	9.5%	
Surplus from disposal of fixed assets and investments	18.5	20.8	(11.1%)	
<b>Operating Surplus</b>	<b>102.8</b>	<b>117.1</b>	<b>(12.2%)</b>	
Share of Surplus from Joint Ventures	1.2	3.8	(68.4%)	
Surplus on asset sales	1.4	4.9	(71.4%)	
Net interest payable	(43.6)	(47.0)	(7.2%)	
Other finance costs	2.7	(1.6)	(268.8%)	
Movements in fair value of investments and properties	0.8	2.5	(68.0%)	
Taxation	0.0	0.0	0.0%	
<b>Total Surplus</b>	<b>65.3</b>	<b>79.7</b>	<b>(18.1%)</b>	
<b>Consolidated Statement of Financial Position as at 31 March 2018</b>				
Housing properties	2,927.0	2,791.4	4.9%	
Other fixed assets	62.6	59.8	4.7%	
Investments	164.4	173.2	(5.1%)	
Net current assets	73.0	101.9	(28.4%)	
<b>Total Assets less current liabilities</b>	<b>3,227.0</b>	<b>3,126.3</b>	<b>3.2%</b>	
Loans due to be repaid in more than one year	1,168.4	1,096.7	6.5%	
Unamortised grant liability	317.5	343.2	(7.5%)	
Pension liabilities	29.8	34.4	(13.4%)	
Other long-term liabilities	0.9	9.8	(90.8%)	
Capital and reserves	1,710.0	1,642.2	4.1%	
<b>Total non-current liabilities and reserves</b>	<b>3,227.0</b>	<b>3,126.3</b>	<b>3.2%</b>	

Consolidated Statement of Cashflows for the year ended 31 March 2018				
Net cash from Operating Activities	57.3	48.1	19.1%	
Net cash from Investing Activities	(119.8)	(24.2)	395.0%	
Net cash used in Financing Activities	46.9	(102.0)	(146.0%)	
<b>Net movement in cash and cash equivalents</b>	<b>(15.6)</b>	<b>(78.1)</b>	<b>(80.0%)</b>	
<b>Cash and cash equivalents carried forward</b>	<b>88.6</b>	<b>104.2</b>	<b>(15.0%)</b>	

Sales revenue and margins	2018		2017	
	Revenue	Margin	Revenue	Margin
First Tranche	42.2	24.1%	34.8	32.8%
Outright Sales	23.4	7.8%	2.8	10.9%
Staircasing	24.1	40.9%	26.6	40.5%
RTB / RTA	5.1	27.7%	4.4	29.3%
Redemptions	19.1	38.1%	23.0	38.0%
Fixed Asset Sales	10.8	13.1%	30.6	15.9%

## Metropolitan Housing Trust (“MHT”) Consolidated Results

### **Enquiries:**

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This information for investors is also available on our website:

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

### **Notes**

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

### **Disclaimer**

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