

# whg QUARTERLY UPDATE

Q3 December 2022



## DISCLAIMER

*This publication of unaudited financial results is for information purposes only, to aid the funders and stakeholders of Walsall Housing Group Limited in coming to their own evaluation of the Group.*

*The information is believed to be in all material respects accurate, although its accuracy is not guaranteed. This information has not been independently verified and does not purport to contain all the information required by an investor to make an investment decision, and is not intended to provide the primary basis for any investment-related decision.*

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## KEY HIGHLIGHTS FOR THE PERIOD ENDED DECEMBER 2022

- whg continues to maintain G1/V1 regulator rating and meets all financial covenants with significant headroom
- In November '22 Moody's downgraded the government's credit rating which had an adverse impact on the ratings of the sector, with housing associations having their credit rating downgraded. whg has been regraded from A3 positive to A3 stable
- The ongoing full review of whg's funding portfolio has currently achieved:
  - £20m facility increase to Lloyds RCF to £50m expiring September 2027; and
  - Extension of the Scottish Widows £70.040m term loan to September 2062.
- whg has negotiated with the Banks the permanent removal of all major repairs spend from their interest cover covenant and now have a flat EBITDA covenant. In addition, we have retained the ability to permanently exclude the non-cash pension current service costs on our defined benefit scheme and permanently include Right to Buy/Right to Acquire surpluses.
- We expect to complete on the Santander 5 year RCF of £150m (which will represent a £50m increase in the current facility which matures in Oct '24) next Quarter. Once completed we plan to repay the £68.367m drawn balance.
- We expect to complete the uplift to MVSTT project for the Scottish Widows and Lloyds loans next Quarter. The latest valuation indicates the release from charge of approximately 1,600 properties and an increased security headroom of 15% on Scottish Widows and 10% on Lloyds.

## KEY HIGHLIGHTS FOR THE PERIOD ENDED DECEMBER 2022

- Turnover to December 2022 was £90.6m (2021: £92.2m)
- Operating surplus for the year to date was £32.6m (2021: £34.7m)
- Operating Margin was 21% (2021: 23%)
- Strong liquidity position with £248m at December 2022, providing 1.7 times cover for the next 18 months of forecast cash flow
- Debt capacity increasing from the Lloyds restructure exercise
- At the end of December 2022 166 new homes from developments have been completed along with 423 start on sites
- Shared ownership first tranche sales achieved 50 to December with income of £5.0m
- JV on-lending is currently £8m (September £12.3m), £4.25m has been repaid during the quarter

# FINANCIAL HIGHLIGHTS

# STRONG FINANCIAL PERFORMANCE TO DECEMBER 2022 WITH HEADROOM ON INTEREST COVER

		Dec 22 - 2023 Q3	Dec 21 - 2022 Q3	Comparative Movement
<b><i>Statement of Comprehensive Income (YTD)</i></b>				
<b>Total Income</b>	<b>£'000</b>	<b>90,598</b>	<b>92,195</b>	<b>-2%</b>
Social Housing Lettings Turnover	£'000	82,775	78,936	5%
Percentage Total Income from SHL	%	91%	86%	
Shared Ownership Sales	£'000	5,004	9,900	-49%
Percentage of Total Income from Sales	%	6%	11%	
<b>Operating Surplus</b>	<b>£'000</b>	<b>32,550</b>	<b>34,728</b>	<b>-6%</b>
Operating Margin	%	36%	38%	
<b>Total Surplus</b>	<b>£'000</b>	<b>19,007</b>	<b>21,340</b>	<b>-11%</b>
Total Margin	%	21%	23%	

## ***Key Financial Ratios***

EBITDA MRI interest coverage	Times	2.1x	2.2x
Covenant - Interest Coverage ( <i>target &gt;1.1x</i> )	Times	2.7x	2.9x
Net Debt Per Unit ( <i>target &lt;£25,000</i> )	£	14,124	15,040

Note 1: On completion of the new Santander RCF, gearing will be measured as HPAC and no longer ndpu.

Note 2: The EBITDA ratio hasn't been adjusted for pensions in Q3 above. This will be updated for year end.

# DEBT & LIQUIDITY

# GOOD LIQUIDTY LEVELS PROVIDE HEADROOM ON COMMITMENTS, WITH CAPACITY WITHIN THE BUSINESS FOR ADDITIONAL GROWTH



		2023 Q3	2022 Q3
<b><i>Liquidity &amp; Debt</i></b>			
Cash and undrawn facilities	£'000	248,107	173,088
18m cash requirement*	£'000	(146,474)	(134,996)
18m liquidity coverage	Times	1.7	1.3
Debt capacity	£'000	206,133	188,189
Unencumbered security	Homes	4,838	4,708
Cash flow from Operating Activities	£'000	57,512	46,521
Cash conversion ratio**	%	177%	134%
Debt	£'000	463,407	487,166
Average cost of funds	%	4.26%	4.69%
Gearing - Moody's methodology	%	47%	54%
Debt to Revenue	Times	3.8x	5.13x

\* Incorporating total net cash movements for the Group

\*\* Cash Conversion Ratio is the amount of Operating Surplus that translates into Cash Flow from Operating Activities



# DEBT MATURITY – DEBT MATURING IN NEXT 40 YEARS

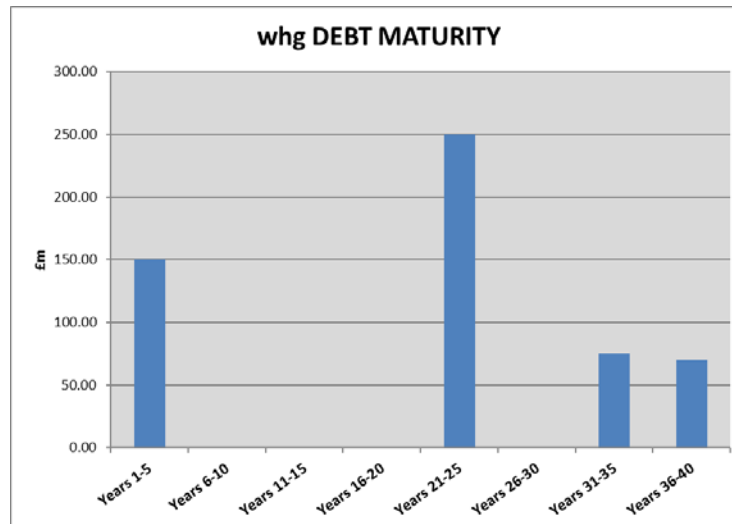


Financial year ending	Actual repayment date	Scottish Widows Term Loan	Lloyds RCF	Santander Term & RCF loan	Santander New RCF	Bond	bLEND	Closing Loan Balance
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Closing debt facility at 31 Dec '22		70,040	50,000	100,000	-	250,000	75,000	545,040
<b>Repayments</b>								
31-Mar-23	31-Jan-23			(100,000)	150,000			595,040
31-Mar-28	13-Sep-27 & 31-Jan-28		(50,000)		(150,000)			395,040
31-Mar-46	06-Oct-45					(250,000)		145,040
2053 - 2063	40 quarterly payments *	(70,040)						75,000
31-Mar-54	25-Mar-54						(75,000)	0

\* Payments on 31 Mar / 30 Jun / 30 Sep / 31 Dec

Following the refinancing of the Scottish Widows and Lloyds facilities the debt maturity of the overall loan portfolio has extended to 40 years as shown in the both the table above and graph opposite.

The table above shows the impact of the Santander facility both pre and post extension. The graph depicts the pre extension position only and will be updated on completion.



# DEVELOPMENT & SALES

## DEVELOPMENT & SHARED OWNERSHIP SALES

		2023 Q3	2022 Q3
<b><i>Development &amp; Sales (YTD)</i></b>			
New homes completed	Number	166	352
New home starts	Number	423	352
Shared ownership (first tranche) sales	Number	50	101
Shared ownership homes awaiting sale	Number	10	3
<i>Of which aged over 6 months</i>	<i>Number</i>	1	0
Shared ownership (first tranche) sales	£'000	5,004	9,900
<i>Shared Ownership (first tranche) net margin</i>	%	22%	19%

# FORWARD GUIDANCE TO YEAR END

## EXPECTED YEAR END FINANCIAL PERFORMANCE

		Forecast 2022-23	Actual 2021-22	Movement
<b><i>Statement of Comprehensive Income</i></b>				
<b>Total Income</b>	<b>£'000</b>	<b>121,843</b>	<b>120,560</b>	<b>1%</b>
Social Housing Lettings Turnover	£'000	109,938	105,694	4%
Percentage Total Income from SHL	%	90%	88%	
Shared Ownership Sales	£'000	7,470	10,728	-30%
Percentage of Total Income from Sales	%	6%	9%	
<b>Operating Surplus</b>	<b>£'000</b>	<b>41,274</b>	<b>40,533</b>	<b>2%</b>
Operating Margin	%	34%	34%	
<b>Total Surplus</b>	<b>£'000</b>	<b>23,670</b>	<b>20,801</b>	<b>14%</b>
Total Margin	%	19%	17%	

# CONTACT INFORMATION

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