



# Investor Trading Update

## Q2 2023/24



# Disclaimer

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*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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# Q2 Revenue Account Summary

- Rising costs of repairs and maintenance work, and high interest rates continue to create a challenging environment, although strong asset sales are mitigating the impact of rate rises
- The Group recorded a YTD operating surplus of £13.6m and is projecting a year end operating surplus of £26.8m, which is £2.3m above budget
- The operating margin (including fixed asset sales) is forecast to be 24% (22% YTD)
- The Group recorded a total YTD surplus of £3.5m and has projected a year end total surplus of £5.0m against a budget of £2.9m
- The projection meets all funder covenants with headroom
- High agency staff costs continue to challenge our care & support activities with the Group projecting a deficit of £2.0m in that operating area. To reduce losses in this area, the Group sold the Limewood Dementia Care Home in November. This sale will result in reduced deficits in care & support going forwards

		2023/24 Q2 YTD	2023/24 Projected	2022/23 Q2 YTD
<b><i>Statement of Comprehensive Income</i></b>				
<b>Total Income</b>	<b>£'000</b>	<b>63,478</b>	<b>113,133</b>	<b>49,771</b>
Social Housing Lettings Turnover	£'000	45,849	88,893	40,584
<i>% of Total Income from SHL</i>	%	72%	79%	82%
Sales of Assets Turnover	£'000	11,385	12,053	3,337
<i>% of Total Income from Sales Activities</i>	%	18%	11%	7%
Care Activities Turnover	£'000	3,225	6,336	3,032
<i>% of Total Income from Care Activities</i>	%	5%	6%	6%
Other Activities Turnover	£'000	3,019	5,851	2,818
<i>% of Total Income from Other Activities</i>	%	5%	5%	6%
<b>Operating Surplus</b>	<b>£'000</b>	<b>13,649</b>	<b>26,842</b>	<b>11,599</b>
<i>Operating Margin</i>	%	22%	24%	23%
<b>Total Surplus</b>	<b>£'000</b>	<b>3,499</b>	<b>4,982</b>	<b>3,793</b>
<i>Total Margin</i>	%	6%	4%	8%
<b><i>Key Financial Ratios</i></b>				
EBITDA Only interest coverage - Annual (projected)	Times		1.98x	
Gearing - Current	%	64%		

# Q2 Debt & Liquidity Summary

- Wrekin's liquidity position remains strong with access to liquid funds of £56m
- The Group has significant security headroom with excess of over £179m against existing facilities. In addition, work is ongoing to prepare unencumbered assets for charge (1,557 homes, c £91m estimated security value)
- Cash flow projections show that current agreed facilities are sufficient to fund the Group's development plans through to at least April 2025 (18 months)
- The majority of the Group's debt (71%) carries a fixed rate of interest limiting our exposure to the BoE interest rate rises
- The Group has successfully negotiated with its lenders to change our covenant calculation. The calculation is now an EBITDA only calculation and excludes major repairs, while the target has been raised from 110% to 135%

		2023/24	Security
		Q2 YTD	Headroom
<i>Liquidity &amp; Debt</i>			£'000
Drawn Debt	£'000	550,000	
Undrawn Debt	£'000	56,000	
<b>Total Facilities</b>	<b>£'000</b>	<b>606,000</b>	179,821
Cash	£'000	25,489	
Total WHG owned and managed properties	Homes	13,333	
Unencumbered security	Homes	1,557	
Estimated security value	£'000	91,402	91,402
<i>Total security headroom available</i>			<u>271,223</u>
YTD Cash flow from Operating Activities	£'000	24,145	
Cash conversion ratio		1 : 1.77	
<i>Being the amount of Operating Surplus that translates into Cash Flow from Operating Activities</i>			
Average cost of funds	%	4.31%	
Gearing	%	64%	
Debt to Revenue (projected full year)	Times	4.86	

# Q2 Development Summary

- Development delivery has slipped behind budget with some of our contractors struggling to deliver, especially where cost pressures are rising well above CPI
- Some requested variations on previously contracted scheme costs are being considered on a case-by-case basis
- In the year to date 178 new units have been delivered with 429 new homes for rent projected to be built in total in 2023/24
- The Asset Renewal Programme continues to subsidise development activity with 21 sales made in the year to date and a projection of 123 sales in total, generating proceeds of £10.7m
- The YTD sales have attracted higher than budgeted market values (£137k per home inc deposits v budget of £55k), thus reducing the Group's reliance on grant funding and debt financing to fund new delivery

		2023/24 Q2 YTD	2023/24 Projected
<b><i>Development &amp; Asset Sales</i></b>			
New homes completed	Number	178	429
Net development spend	£'000	30,973	63,895
Shared ownership sales	Number	10	
Homes unsold	Number	0	
<i>Of those, no of homes unsold for longer than 6 months</i>	<i>Number</i>	<i>0</i>	
Asset Renewal Sales	Number	21	123
Asset Renewal Sales income	£'000	2,877	10,672
<i>Average sales value per home</i>	<i>£'000</i>	<i>137</i>	<i>87</i>





# Key Contacts

For further information or queries please contact:

Jon Lamb, Executive Director of Finance

[jon.lamb@wrekin.com](mailto:jon.lamb@wrekin.com)

Richard Nowell, Head of Financial Planning & Treasury

[richard.nowell@wrekin.com](mailto:richard.nowell@wrekin.com)