

# PARADIGM HOUSING GROUP LIMITED

## TRADING UPDATE

**Nine Months ended 31 December 2023**

The following trading update compares Paradigm Housing Group Limited's ("the Group") unaudited accounts for the nine months ended 31 December 2023 with the unaudited equivalent position for the nine months ended 31 December 2022.

### Overview

- An increase in rental income and a higher surplus on new home sales has been offset by lower surplus on existing homes and higher interest costs. As operating costs have been broadly consistent, the Group has seen an increase of £7.3m in the operating surplus.
- Rental income has increased due to the annual rent increase that was capped at 7%, along with additional homes delivered moving into operations.
- Operating costs remain broadly consistent, with inflationary pressures offset by reduced investment required to meet our EPC C targets for the year. Property lease costs have also reduced as we wind down our Private Sector Leasing activity.
- First tranche sales performed well with 161 homes sold in the nine months to 31 December 2023 (31 December 2022: 81 homes), resulting in an increase of £4.5m in the surplus.
- Sales of existing homes and staircasing volumes have dropped resulting in a decrease of £4.4m in the surplus.
- Our first jointly controlled operation commenced in September 2022 and has resulted in a surplus for the period of £0.3m.
- The Group continues to invest in our assets, spending £31.4m (31 December 2022: £16.9m) investing in and maintaining our existing homes and £98m on completing new homes delivering 354 homes (31 December 2022: 237) for rent or shared ownership.

**Nicola Ewen, Chief Financial Officer** said: "We have delivered a strong performance against a challenging economic background. Our rental income remains stable, and our operating margin remains strong enabling us to continue to deliver against our corporate plan objectives.

Our financial strength is a key driver in enabling us to continue to build new homes and invest in existing homes. We expect to deliver over 500 new homes by the end of the year and spend over £40m investing in and maintaining our homes.

We continue to provide support and help to our residents in these challenging economic times through both our customer support team and our hardship fund."

## Statement of Comprehensive Income

£'m	Nine months ending 31 December 2023	Nine months ending 31 December 2022	Movement
Turnover - rent, service charge & other income	86.9	79.9	7.0
Turnover - 1st tranche sales	23.0	12.5	10.5
<b>Total turnover</b>	<b>109.9</b>	<b>92.4</b>	<b>17.5</b>
Operating costs	(51.7)	(51.6)	(0.1)
Cost of 1st tranche sales	(16.3)	(10.2)	(6.1)
<b>Total operating costs</b>	<b>(68.0)</b>	<b>(61.8)</b>	<b>(6.2)</b>
Surplus on disposal of fixed assets	2.5	6.8	(4.3)
Gains from jointly controlled operations	0.3	0.0	0.3
<b>Operating surplus</b>	<b>44.7</b>	<b>37.4</b>	<b>7.3</b>
Net interest payable	(24.5)	(21.4)	(3.1)
Movement in fair value of investments	(0.4)	(1.3)	0.9
<b>Surplus to 31 December</b>	<b>19.8</b>	<b>14.7</b>	<b>5.1</b>

### Trading update

Turnover from rents and other income increased by 8.8% to £86.9m.

Turnover from 1st tranche property sales increased from £12.5m to £23.0m as the number of homes sold increased from 81 to 161 during the nine months ending 31 December 2023, in line with our development programme. The number of unsold homes at 31 December 2023 was 42 (31 December 2022: 26).

Operating costs remain broadly the same at £51.7m.

Cost of 1st tranche sales increased by 59.4% to £16.3m as a result of the increased number of homes sold.

As a result of the economic pressures facing our customers, we have seen a reduction in the number of existing homes sold and tenants purchasing additional shares (staircasing) resulting in a 63.9% reduction in the surplus on sale of fixed assets from £6.8m to £2.5m.

Our jointly controlled operation (a 208 home development with a mix of affordable rental homes, shared ownership homes and open market sale homes) commenced in September 2022, with the first outright sale homes being sold in September 2023. For the nine months ending 31 December 2023, the jointly controlled operation has seen 13 outright sales and generated a net surplus for the group of £0.3m.

We continue to see the impact of higher interest rates with 15.4% of our debt at floating rates as at 31 December 2023 (31 December 2022: 8.2%), resulting in 14.7% increase in net interest payable from £21.4m to £24.5m.

### Statement of Financial Position

£'m	As at 31 December 2023	As at 31 December 2022	Movement
Housing properties	1,599.6	1,505.0	94.6
Other assets	12.7	18.1	(5.4)
Investments	21.2	20.6	0.6
Net current assets	28.2	22.9	5.3
<b>Total assets less current liabilities</b>	<b>1,661.7</b>	<b>1,566.6</b>	<b>95.1</b>
Loans due in more than one year	908.4	843.5	64.9
Unamortised grant liability	45.2	37.7	7.5
Other long-term liabilities	14.7	15.4	(0.7)
Capital and reserves	693.4	670.0	23.4
<b>Total Funding</b>	<b>1,661.7</b>	<b>1,566.6</b>	<b>95.1</b>

### Investment & Debt Analysis

Housing properties have increased by £94.6m to £1,599.6m as at 31 December 2023. This is due to the £131.4m spent on building new homes and £13.1m of property improvements over the 12 month period, offset by depreciation and existing home disposals.

Group debt (net of loan premium costs) was £912.5m (31 December 2022: £847.3m) as we have drawn down £72.9m (net) on our revolving credit facility during 2023 and repaid £7.7m of borrowings. Undrawn facilities stand at £140.0m (31 December 2022: 134.1m).

We continue to build new homes with 367 homes across all tenures completed in the nine months to 31 December 2023 (31 December 2022: 237).

## Key performance statistics

	As at 31 December 2023	As at 31 December 2022
Surplus as % of turnover	18.0%	15.9%
Operating Margin (overall)	40.7%	40.5%
Operating Margin (excluding sales)	40.5%	35.4%
Rent loss % (voids as % of rent and service charge receivable)	0.92%	0.98%
Bad debt % (Bad debt charge as % of rent and service charge receivable)	0.53%	0.42%
Rent arrears (gross arrears as % of rent and service charges receivable)	3.24%	3.34%
Interest cover (operating surplus before interest payable, depreciation and amortisation as % of interest payable)	197.7%	198.2%
Gearing (total loans less cash as % of housing properties at cost)	56.3%	54.8%

For further information please contact:

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