

## **Sovereign Housing Association's Quarterly Performance Update covering the 6-month period to 30 September 2020**

### **2021 Q2 Trading update at 30 September 2020**

Sovereign has continued to operate strongly by tackling the direct and indirect effects of the pandemic head on. Even though the virus continues to impact the business operations, we are continuing to deliver on our prime objectives of providing a home for our residents and new homes for future residents. We have also been able to make considerable progress against our corporate objectives.

The results below reflect our commitment to keeping residents safe while still delivering services as closely as possible to normal, and our agility in responding quickly to changing circumstances. We will deliver fewer new homes than the 1,900 originally planned for this financial year, however our financial resilience remains strong.

### **Highlights**

- Sovereign completed 457 homes, 443 of which were affordable, in the six months to September 2020 (2019/20 Q2: 983) -53.5%
- We have 60,027 homes owned or managed, excluding commercial premises
- Turnover for the year to date was £195.7m (2019/20 Q2: £222.7m), -12.2%
- Operating surplus for the year to date was £73.7m (2019/20 Q2: £76.7m), -3.9%
- Net margin on sales was 15.4% (2019/20 Q2: 23.8%)
- The surplus for the year to date was £43.4m (2019/20 Q2: £50.4m), -13.9%
- £27.2m Land purchase at Clifton Down, Bristol

### **Performance update**

Sovereign's operational and financial performance has improved from Q1, with an additional 322 new homes completed during this quarter compared to 135 in the previous quarter, combining for a total of 457 new homes completed for the 6-month period. The surplus increased from £22.8m to £43.4m for the 6 months. Turnover and operating surplus are lower than last year primarily due to lower unit handovers reducing unit sales.

Sales performance improved in Q2 as we delivered 138 sales completions, compared to 54 in Q1 bringing our total for the 6 months to 192 sales completions. This was split between 179 (2019/20: 323) shared ownership first tranche sales (vs 2020/21 budget 395) and a further 13 open market sales in the six months to September. We achieved a net margin on all sales - including asset disposals of 15.4%. Buyer demand remains strong demonstrated by high levels of reservations since the market re-opened, of the 183 units of unsold stock, 82% are reserved.

Housing fixed assets stand at £3.9bn. The net interest expense for the period was £30.4m. Sovereign remains in a strong financial position with net debt of £1.8bn and available cash and committed liquidity facilities of £942m at the end of September 2020, which provide sufficient liquidity to support our short-to-medium term development plans.

### **Sovereign's latest Commercial Property Deal**

We are taking a more land-led approach to our development plans and we recently bought a shopping centre and the adjacent carpark, in the heart of Bristol, in a £27.2m deal from BlackRock UK Property Fund. This multi-tenanted Clifton Down shopping centre and its 350 vehicle carpark, is by far the biggest commercial property in Sovereign's portfolio. A local residential property and smaller surface car park has also been bought as part of the investment.

Note: Figures quoted in the update are based on unaudited management accounts which are subject to review and further adjustments, for example in the areas of pensions, investment property valuation and taxation.

## **Credit Rating**

Following our recent annual review, S&P Global Ratings has affirmed Sovereign's 'A+' rating and upgraded its outlook to "stable". In a recent research report, S&P stated that "Sovereign will continue to benefit from strong demand for its properties and deliver its ambitious development plan."

Responding to the news from S&P Mark Washer, chief executive of Sovereign, said:

"I am very pleased that we have had our A+ rating affirmed and that the outlook has been upgraded as well. This reflects the long-term commitment we have made to invest in our homes, to build new homes and to underpin all that we do with a new home and place standard. This demonstrates that a forward-looking and ambitious programme to improve our homes for customers and make all our homes more sustainable is also sound financial planning."

## **Investors in People**

We recently completed our Investors in People (IIP) assessment where we retained our Gold accreditation. This is a great achievement and recognition for Sovereign as only 17% of organisations achieve Gold in recognition of their high standards of people practices.

## **Executive Board changes**

Heather Bowman, Chief Operating Officer, is retiring at the end of November after almost 20 years with Sovereign and a long and distinguished career in housing. Heather joined Sovereign as Head of Supported Housing in 2001 and held several roles before joining the EB in 2009. During this time, she has played a massive role in making Sovereign one of the leading housing associations in the country today. Heather's focus has always been to ensure that all of our customers are at the heart of what we do, and that important legacy will live on after she leaves us.

Her successor will inherit a team that is in fantastic shape, ready to play its role in delivering Sovereign's exciting plans for the future. She will be replaced on an interim basis by Neil McCall, formerly of Clarion Housing Group, while a permanent successor is recruited.

## **Online Investor Forum**

We are holding our Annual Online Investor Forum on Wednesday 11 November 2020, 1.30-2.15pm.

For further information and to register for this event please contact [events@sovereign.org.uk](mailto:events@sovereign.org.uk) or follow the link below.

## **ENDS**

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