

Sovereign Housing Association's Quarterly Performance Update

Covering the 6-month period to 30 September 2019

The following report represents Sovereign Housing Association's quarterly update, covering our ongoing financial, development and operational performance, as well as the latest unaudited financials.

About Sovereign

Sovereign Housing Association is one of the largest housing associations in the country, owning and managing around 59,000 homes across the south of England. We provide good quality, affordable homes and services within successful, sustainable communities.

Sovereign is a leading provider of new affordable homes, delivering 1,900 new homes a year, with affordable tenures accounting for nearly 90% of the development programme, through section 106 opportunities, direct delivery through land-led developments and regeneration schemes.

While not-for-profit, Sovereign is a major business. The organisation has annual turnover of £402m, invests around £300m a year in new development and its asset base would be worth over £11bn on the open market. Investment is secured from government through loans and capital grant, supported by long-term debt and revolving credit facilities from a group of core relationship banks and investors.

Ratings	2020 Q2	2019 Q2	Outlook	Change
Regulator of Social Housing	G1/V1	G1/V1		-
S&P	A+		Negative	
Moody's	A2		Stable	

Half Year 2020 Trading Update

Highlights

- Sovereign completed 984 homes, (939 of which were affordable) in the first half of 2020 (2019 Q2: 796) +23.6%
- There are 58,901 homes in management (2019 Q2: 57,240)
- Turnover for the year to date was £212.2m (2019 Q2: £204.5m) +3.8%
- Operating surplus for the year to date was £77.4m (2019 Q2: £86.6m) -10.6%
- Net margin on all sales was 23.8% (2019 Q2: 27.5%)
- The surplus for the quarter was £50.4m (2019 Q2: £58.2m)

Performance Update

Sovereign delivered a solid operational and financial performance over the second quarter of 2019/20, achieving a surplus of £50.4m for this quarter period.

Sovereign continues to be one of the largest affordable housing tenure developers, re-affirming Sovereign's social purpose credentials. During the first half of the year, we completed 984 new homes of which 939 (95.4%) were of affordable housing tenure and invested £196.8m developing new homes.

We are making good progress towards securing a pipeline programme of 1,900 homes a year. Our level of property sales continues to perform well with 330 first tranche and open market sales completed in the first half of the year, however net margin on sales, in line with market conditions has reduced to 23.8% from 27.5%.

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.

The reduction in operating surplus was largely a result of an increase in responsive repairs and our increased focus on safety, primarily driven by electrical, testing and upgrade works.

Housing fixed assets stands at £3.8bn up from £3.5bn at 30 September 2018. With net debt of £1.8bn and available cash and committed liquidity facilities of £528m at the end of September 2019, providing sufficient liquidity to support Sovereign's future development plan.

Other material events subsequent to the end of September 2019:

- Our new CFO, Tracey Barnes, was appointed on 21 October 2019
- 29-year £375m (£125m retained) bond @2.475% all-in rate completed on 4 November 2019
- Credit ratings from S&P (A+) and Moody's (A2) were retained, maintaining Sovereign's position as one of the highest rated Housing Associations in the sector.

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