the guinness partnership

Half Year Performance Update

for the 6 months to 30 September 2022

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£36.5m
total surplus

24.9%
Operating margin

249
new, affordable homes completed

Our Performance in 2022/23

The Guinness Partnership Limited (TGPL) is pleased to report our results for the six months to 30 September 2022. These results are based upon unaudited management accounts and operational performance reports.

Our Annual Financial Statements, our ESG report, and our Annual Report for the year to 31 March 2022, are available on our website.

Summary

In the six months to 30 September we have continued to deliver services and build new homes against a backdrop of economic uncertainty, rising interest rates, energy prices and high levels of inflation that have the potential to impact both our residents and our organisation. We continue to monitor and manage these risks as appropriate in order to maintain appropriate levels of financial resilience.

Performance highlights for The Guinness Partnership Limited for the six months to 30 September 2022 include:

- Turnover of £197.7m - £187.1m at September 2021
- Total surplus of £36.5m - £8.3m higher than at September 2021
- Operating surplus of £49.2 - £1.6m higher than at September 2021
- Operating margin of 24.9%
- Proceeds from sale of first tranche shared ownership homes of £17.7m, with a margin of 12% resulting in a surplus of £2.2m
- Surplus on sales of empty homes and shared ownership staircasing of £5.9m
- High levels of liquidity retained - £740m of undrawn loan facilities and cash
- Current tenant arrears of 4.00%
- 249 new affordable homes completed
- 693 affordable homes and homes for sale started on site

Key Financial Results
Half Year Performance Update for the 6 months to 30 September 2022

Financial Indicators	Q2 2022/23	Year Ending 31 Mar 2022	Q2 2021/22
Operating Surplus	£49.2m	£98.5m	£46.9m
Operating Margin	24.9%	21.5%	25.1%
Total Surplus	£36.5m	£47.1m	£26.3m
Net Margin	17.3%	20.4%	14.1%
EBITDA-MRI Interest Cover (tightest lender covenant)	179.8%	122.8%	165.2%
Gearing	40.8%	42.6%	42.8%
Available Liquidity	£740m	£892m	£987m

Detailed performance update

TGPL's reported operating surplus of £49.2m at the end of September is higher than that reported in 2021/22, whilst operating margin is slightly lower. Turnover has increased due to higher sales of first tranche shared ownership properties. Operating costs have also increased particularly in repairs and maintenance.

Net financing costs of £30.9m were incurred in the period on total drawn debt of £1.47bn.

There have been 139 shared ownership first tranche sales completing in the first six months of the year which have generated a surplus of £2.2m. Shared ownership staircasing has generated an additional surplus of £4.1m. We had 170 shared ownership and outright sale properties unsold at 30 September 2022, 112 of these had been unsold for less than three months.

Current tenant arrears have increased to 4.00% during the year from 3.67% as at 31 March 2022 but we have seen month-on-month reductions over the last three months. We are focusing on proactive debt management using a data led approach to identify customers at risk of arrears, and taking appropriate preventative measures. At the end of September 79% of our social rent tenants were in receipt of some form of welfare benefit.

During the period £163.5m has been invested in our development programme with a further £28m invested in existing homes. This includes building safety related expenditure of £8.6m.

Closing cash balances at the end of September were £36.9m. Our liquidity position remains strong with total available funds (undrawn loans and cash) of £740m which covers 48 months of projected cash flow.

£163.5m
invested on our development programme

£8.6m
building safety expenditure

5,500
new homes by March 2025

Development and business update

Our Corporate Strategy targets delivery of 5,500 new homes by March 2025 with a significant proportion delivered with the support of Homes England and GLA funding through Strategic Partnerships.

We are currently on site or in contract for over 4,500 of these homes with 324 (249 of these affordable homes) having been completed in the first six months of the year.

Under the GLA Strategic Partnership agreements, we have committed to deliver 1,750 homes under SP1 and have been allocated funding for a further 300 homes under SP2. Good progress is being made delivering our SP1 commitments.

Under the Homes England Strategic Partnership agreements, we have committed to deliver 2,800 homes under SP1 and have been allocated funding for a further 1,500 homes under SP2. At the end of September approximately 70% of the SP1 programme delivery was completed, on site or in contract.

In August we completed the transfer of our domiciliary care services from Guinness Care to City & County Healthcare Group. This included the TUPE transfer of 170 employees. In order to further simplify the Group and realise operational efficiencies it is planned to transfer the remaining Guinness Care operations into TGPL through a Transfer of Engagements in the second half of the year.

Credit and regulatory ratings

Our credit ratings with Standard & Poors and Moody's remained unchanged during the six month period at A- (stable) and A3 (stable) respectively.

Subsequent to the reporting period, on 25 October 2022, Moody's updated the outlook of TGPL's A3 credit rating from stable to negative. This was within a rating action taken by Moody's in respect of 64 sub-sovereign entities on 25 October 2022 and followed its UK sovereign action on 21 October 2022 which changed the outlook of the Government of the United Kingdom's sovereign bond rating from stable to negative.

On the 26 October 2022 the Regulator of Social Housing confirmed our regulatory ratings were unchanged at G1 for Governance and V2 for Viability.

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www.guinnesspartnership.com/about-us/for-investors/

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great service
great homes
a great place to work
and a great business

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