

Anchor Trading Statement for six months to 30 September 2021

Unaudited trading update for the six months to 30 September 2021 for Anchor Hanover Group, trading as Anchor

Anchor, the largest operator of social housing for older people and sixth largest residential care home operator in England, announces its trading highlights and unaudited financial results for the first half of the 2021/22 financial year.

“Our focus in the first half of this financial year continues to be on ensuring that we achieve the ‘Four Mores’ of our strategic plan – More and better homes, More opportunities for colleagues, More influential for older people, and More efficient – alongside our Covid-19 recovery plan.”

“We are on track to meet our plan to deliver new affordable and energy efficient homes and have seen recovery in occupancy in established care and housing services in line with our expectations during the period. We have also completed the corporate refinancing that will underpin delivery of our strategic plan in a sustainable way.”

“We recognise that our achievements as a group would not be possible without the efforts of our skilled and dedicated colleagues, and I would like to thank them for their continued work. Availability of a suitably qualified and experienced workforce is crucial to achieving quality services for residents, high levels of regulatory compliance and occupancy and therefore a sustainable and successful business. We have therefore taken the decision to apply the Living Wage Foundation rates of pay across all current National Living Wage roles across the Group from 1 December 2021 and we commit to gaining Living Wage Employer Accreditation by May 2022.”

Sarah Jones, Chief Financial Officer

2 December 2021

Highlights

- Recovery in occupancy and operating margin in line with Covid-19 recovery plan
- Good consumer demand for new retirement housing
- Delays to planned works programme due to supply chain constraints with some contractors
- Strong liquidity with £300m in undrawn available loan facilities and cash available to fund the strategic plan
- Gearing at a low level for the sector at 21.9% (March 21: 19.7%)
- Interest cover including capitalised repairs (EBITDA MRI) strong at 4.5x (March 21: 2.4x), flattered by delays to planned works programme

- A+ stable rating from S&P; G1/V1 rating from the Regulator of Social Housing
- Executive Board strengthened by several new appointments.

Financial Highlights

| | Figures in £m | 6 months to 30 Sept 2021 | FY to 31 March 2021 |
|--|---------------|-----------------------------|------------------------|
| Turnover | | 253.8 | 528.2 |
| Operating surplus before exceptional items | | 34.8 | 47.9 |
| <i>Operating margin before exceptional items %</i> | | 13.7% | 9.1% |
| EBITDA MRI | | 46.4 | 56.2 |

Commentary

Operations

Whilst Covid-19 is still with us, keeping Anchor's customers, colleagues, and contractors safe remains our priority. Government support has continued into this financial year. Local Authorities' grants to support the cost of managing Infection Control, Rapid Testing and Sustainability along with the provision of free personal protective equipment has ensured our services remained as safe as possible.

Occupancy in both Care Homes and Housing increased over the period, and operations overall achieved an operating surplus ahead of expectations.

Occupancy in care homes recovered strongly and closed the period at 84.1% (31 March 2021: 78.2%). Voids in housing reduced from 842 to 693 units, maintaining our typically high levels of occupancy in comparison with the housing sector closing the period at 98.2% (31 March 2021: 97.7%).

In common with much of the sector, we experienced delays to our planned works programme due to supply chain and capacity constraints with some contractors. We proactively managed this by deferring some works and bringing forward others where supplier capacity allowed. Health and safety compliance works were completed as required.

Applying Living Wage Foundation rates to all National Living Wage roles across the group is an important response to both recognising the contribution of colleagues in delivering high quality services, but also sustaining those services through the immediate challenges of the employment market and preparing for growth.

The inevitability of the increase is marked by a government commitment that National Living Wage rates will match Living Wage Foundation rates by FY25. Early adoption therefore drives a strategic advantage in achieving sustainable and profitable services in the longer term.

Development

We plan to build 5,700 affordable and energy efficient homes over a balance of tenures over 10 years. The Board has approved a pipeline of 1,654 units to date, of which just over 55% are shared ownership, 39.5% are affordable or social rent, with the remainder as outright sales.

Demand for completed properties was strong in the period, boosted by the relaxing of Covid-19 restrictions and the stamp duty land tax holiday that ended in June 2021.

Liquidity

Liquidity is strong following our debut public bond issue in July 2021 with £300m in undrawn available loan facilities and cash available to fund the development programme. Gearing was 21.9% at the end of the period, remaining at a low level for the sector. Interest cover including capitalised repairs (EBITDA MRI) was strong at 4.5 times, albeit that was flattered by delays to planned works that are anticipated to be undertaken in the second half of the year.

Credit and Regulatory ratings

Anchor maintains a rating of A+ stable from S&P which was issued in March 2021. This rating reflects the group's strong balance sheet position and robust business plans set out within a strong risk control framework.

The group remains G1/V1 compliant under the Regulator of Social Housing's Governance and Viability assessments.

Executive Board Changes

Two new Executive Directors have joined Anchor this year.

John Westwood joined Anchor in June 2021 as Executive Director for Property and Assets, a newly created role responsible for all property services and strategic asset management. John has nearly 30 years' experience in the property industry, for the past six years as Executive Director of Asset Management at NHS Property Services, a property company owned by the Department of Health and Social Care.

Suki Jandu joined Anchor in November 2021 as Executive Director for Housing Services, responsible for rented and homeownership housing services, including extra care. He oversees the customer contact centre and the services provided by Anchor on Call. Suki has extensive social housing experience and was formerly Group Executive Director of Customer Experience and Assets at Futures Housing Group. He is also a Group Audit Committee Member at Riverside.

Mark Curran, Executive Director of Development, will be retiring in December 2021. Oliver Boundy will succeed Mark in January 2022 joining from Southern Housing Group where he is Executive Director – Development and Growth.

Unaudited Financial Statements for the Six Months to September 2021

All comparatives are to Anchor's consolidated audited year end results to 31 March 2021.

Group Statement of Comprehensive Income

| Figures in £m | Six Months Ended 30 September 2021 | Year Ended 31 March 2021 |
|---|--|-----------------------------|
| Turnover from ongoing operations | 244.0 | 482.6 |
| Turnover from property sales | 9.8 | 45.6 |
| Turnover | 253.8 | 528.2 |
| Operating costs from ongoing operations | (211.9) | (451.4) |
| Cost of Sales – property sales | (9.0) | (32.6) |
| Surplus on disposal of fixed assets | 1.9 | 3.7 |
| Operating Surplus before exceptional items | 34.8 | 47.9 |
| Net interest costs | (16.5) | (17.8) |
| Refinancing costs | | (40.3) |
| Taxation | - | (0.2) |
| Surplus for the period | 18.3 | (12.0) |
| Operating margin excluding property contribution | 13.2% | 6.5% |
| Operating margin before exceptional items | 13.7% | 9.1% |
| Operating margin | 13.7% | 8.8% |
| EBITDA MRI ¹ | 46.4 | 56.2 |
| EBITDA MRI – Interest cover ² | 4.5x | 2.4x |

1. Group operating surplus including property proceeds less Amortisation of social housing grant, less Government capital grants taken to income, add back Depreciation and Impairment attributed to Retirement housing to let and Residential care homes, less improvements to existing properties capitalised
2. EBITDA MRI including property proceeds, divided by Interest and financing costs less Interest receivable

Group Statement of Financial Position

| Figures in £m | As at 30 September 2021 | As at 31 March 2021 |
|-------------------------------|-------------------------|---------------------|
| Tangible fixed assets | 1,206.4 | 1,227.4 |
| Other investments | 1.2 | 2.6 |
| Total long-term assets | 1,207.6 | 1,230.0 |
| Properties held for sale | 190.0 | 146.6 |
| Cash | 82.3 | 150.2 |
| Other current assets | 45.2 | 54.0 |
| Total current assets | 317.5 | 350.8 |
| Loans | (502.7) | (538.4) |
| Finance lease obligations | (99.5) | (99.4) |
| Grants | (242.4) | (245.3) |
| Pension liabilities | (12.9) | (12.9) |
| Other liabilities | (101.0) | (142.8) |
| Total Liabilities | (958.5) | (1,038.8) |
| Total net assets | 566.6 | 542.0 |
| Reserves | 566.6 | 542.0 |
| Gearing ³ | 21.9% | 20.5% |

3. Net debt divided by historical cost of completed properties

Anchor Hanover Group

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