Aster Group re-issues its unaudited Trading Update for a minor typographical error correcting the gearing metric in the financial indicator table.

ASTER GROUP

Trading Update – 30 September 2024

6 November 2024

Aster Group issues its unaudited Group trading update for the six months ended 30 September 2024, with comparatives to the audited financial statements for the 12 months ended 31 March 2024.

Highlights:

- During another challenging period, we have achieved profit before tax of £18.6m for the six months, with operating profit performing in line with budget.
- We have continued to deliver against our ambitious development pipeline, with 402 new homes added to our portfolio comprising of 353 affordable homes and 49 homes developed through our joint venture model. We've seen good build progress at our first two wholly owned developments in London; Silvertown and Southall. Looking ahead our pipeline is healthy having been successful in securing both land and developer led opportunities, adding to our contracted pipeline of 2,946 homes. This includes the first community land trust (CLT) on Portland and our new partnership agreement to deliver new energy efficient CLT homes in Totnes.
- First tranche sales have performed well, with us achieving first tranche sales of £18.3m (146 properties) at an average sales percentage of 38%. The property sales market remains challenging for all first tranche, open market and joint venture sales.
- We invested £51.8m in our homes in the first half of the year and use data and technology to inform our planned works and repairs service to make sure our homes are comfortable and safe for our customers. This compares to full year spend last year of £106.2m. We have continued to adopt a proactive approach to preventing condensation and mould in our customers' homes. Our 'Home Health Checks' help customers avoid issues returning, as well as repairing any issues that have occurred.
- We have always run the group with a focus on costs and this year embarked on driving some significant, recurring efficiency savings in the things that we do. In the first six months we have achieved annualised recurring savings of over £2.4m, above our target, with more to come in the second half of the year.
- In line with our customers' expectations and to deliver best value for money, our Customer Services Modernisation Programme is progressing well. This includes measures to drive up standards, improve digital self-serve options and streamline our repairs. During the period, we saw over 1,400 more people register for our online platform – MyAster – taking it to over 24,000 users. We also facilitated over 5,000 Live Chats to help manage customer queries in a timely manner.
- Customer Voice runs throughout our business and we're constantly finding ways to connect with our customers to understand their needs to help co-design, shape, adapt and improve our services.

- Our Financial Wellbeing Team has continued to support our customers. This is reflected in demand for the service, with nearly 1,300 referrals across the Group to help customers manage their finances and unlock benefits available to them.
- Further to us successfully integrating Enham Trust's central, housing and maintenance services into our Group, our work with the charity has moved at pace. So far this year, we've invested £2.0m in the organisation to bring its infrastructure and properties up to the standard required. Together we're stronger both in terms of our financial strength and in our ability to create and deliver a vision for Enham's future to be a place where everyone in the community can live, work, and enjoy life.
- We recently released our fifth Environmental, Social and Governance (ESG) report covering the 12 months to 31 March 2024, benchmarking our delivery against the Sustainability Reporting Standard (SRS) for social housing as well as the United Nation's Sustainable Development Goals (SDGs). ESG is embedded across our Group and is being developed through our sustainability roadmap and wider sustainability strategy.
- Further to receiving £500,000 from Wave 2 of the Social Housing Decarbonisation Fund (SHDF) in April 2023, which we matched to create a £1.1 million programme, we've improved the energy efficiency of over 100 of our customers' homes in Dorset, Somerset and Wiltshire. The project has exceeded delivery targets meaning we have been able to add more homes to the project and secure additional funding for their delivery. Looking ahead we are bidding for more funding for the newly named Warm Homes: Social Housing Fund.
- We launched our refreshed Asset Management Strategy which is focused on making sure our homes are of the best possible quality, are safe and delivering best value for money for our customers and our business. This strategy helps us identify which homes are unsustainable and therefore may be considered for inclusion in our disposals programme, profits from which are reinvested into building new and improving other existing homes.
- We're committed to developing an inclusive and supported employment offer that attracts and retains talented people, so our customers receive the best possible experience every step of the way. We've developed the People and Culture plan, a strategic framework designed to foster a high-performance, inclusive, and adaptable workforce that aligns with our corporate priorities and the changing external landscape.
- Our focus on diversity and inclusion has been reflected in maintaining our Silver Award in the 2024 Talent Inclusion and Diversity Evaluation (TIDE) benchmarking. Our award-winning wellbeing programme continued to receive positive recognition and in May we were the first UK employer to be re-accredited as 'Menopause Friendly'.
- The Aster Foundation continues its efforts to enable the better lives of our communities by combatting the causes and effects of poverty. So far this year, 1,217 people have been positively impacted by the Aster Foundation's programmes, which is on track for this point in the year. Some successes to date include gaining funding to deliver our 'Hampers to Help' initiative which aims to support those in fuel poverty through the winter months, as well as our volunteering programme which will develop ten green spaces, sensory gardens and wellbeing areas for those living in sheltered accommodation through the year.

Financial and operating performance

Unaudited profit before tax for the six months ended 30 September 2024 was £18.6m. Housing properties (net of depreciation) have increased to £2,430m from £2,383m at 31 March 2024.

Consolidated Statement of Comprehensive Income (£000)	**6 months Sept 2024**	**12 months March 2024**
Turnover	158,586	313,733
Operating costs	(130,123)	(261,972)
Surplus on sale of housing property, plant and equipment	8,885	24,610
Operating profit	**37,348**	**76,371**
Profit on disposal of other property, plant, equipment and intangible assets	-	532
Donations received	-	198
Reversal/(Impairment) of housing assets	(38)	(3,288)
Share of (loss)/profit in joint ventures	(1,305)	(1,102)
Increase in fair value of investment properties	-	598
Net finance expense	(17,397)	(32,248)
Profit before tax and gain on acquisition	**18,608**	**41,061**
Gain on acquisition	-	6
Profit before tax for the period	**18,608**	**41,067**

Financial indicators	**6 months Sept 2024**	**12 months March 2024**
Operating margin (excluding surplus on sale of housing property, plant and equipment) [1]	17.9%	15.5%
Social housing operating margin[2]	22.8%	21.4%
EBITDA MRI interest cover[3]	152.1%	125.9%
Gearing[4]	53.0%*	52.2%

*This figure has been updated.

The Group's revenue continues to focus on low-risk affordable housing with the majority of rent increases at 7.7% in line with the rent standard from 1 April 2024. Rent arrears have been tightly managed and remained strong at 1.95% (March 2024: 2.0%) against a target of 2.5% of associated revenue. Void losses for the Group's general needs and sheltered stock remained at 0.7% for the period (March 2024: 0.7%), compared to the target of 0.8%.

Demand for routine repairs continues to increase and despite challenges, we're pleased to report that our overall customer satisfaction remained at 77% as at September 2024, the same as last year.

Our overall operating margin was 17.9%, an increase from 15.5% in the 12-month period to 31 March 2024. During the six-month period to 30 September 2024, we have continued to see high demand for response repairs, as well as additional investment in our housing stock. Overall the Group spent £51.8m on maintaining our stock, slightly lower than budget due to the phasing and related underspend on planned works. This compares to a full year spend last year of £106.2m. The Group continues to face cost challenges which have been tightly controlled, with savings and efficiencies seen across the business. As we approach the winter months, we have a full plan prepared in readiness for the usual predicted uplift in demand and spend on maintenance and repair services and, as usual, this is expected to lead to a reduction in full year margins from the September levels.

Sales of shared ownership homes and open market sales homes (predominantly delivered through joint ventures) totalled 195 units for the period ended 30 September 2024 (March 2024: 462). We continue to see strong demand for shared ownership properties, however sales for the six-month period have been slightly slower and for a lower average share, than seen in previous years. For the six-month period we achieved first tranche sales of £18.3m (146 properties) at an average sales percentage of 38%. The average reservation rate for the six-month period is 32 properties per month and average sales time for such properties was 14 weeks from property handover to completion, against a target of 26 weeks. As at 30 September 2024 the Group had 118 completed shared ownership homes available for sale (March 2024: 117), of which 67 were reserved (March 2024: 67) and 13 were older than 26 weeks (March 2024: 18).

Other asset sales are performing behind budget for the period, with the Group seeing lower average sales values for these properties and slower than expected sales due to current market conditions, in the first six months of the year.

Debt and liquidity

Net debt during the period has increased to £1,266m from £1,222m at 31 March 2024, funding our development program. Liquidity at 30 September 2024 was £296m (31 March 2024: £341m), consisting of committed and available undrawn facilities of £241m and cash and cash equivalents of £55m. In addition to this, the Group holds £190m of retained bonds.

Development

We completed 402 homes, comprising of 353 affordable homes and 49 homes developed with our joint venture partner. We have a strong pipeline of schemes and have been successful securing both land and developer led opportunities, adding to our contracted pipeline of over 2,900 homes.

The Group has seen a steady programme of homes completing so far this year. We continue to build a strong forward pipeline of new homes through land led, community led development and developer led schemes with 11 contracted sites within the first half of 24/25 across the South West, South East and Inner London. Aster Group have strong relationships with national and regional housebuilders, particularly concentrating on those who deliver a quality product.

Our Homes England Strategic Partnership, which will deliver 1,500 homes, is progressing well with all homes identified for the programme. During 24/25, we are forecasting to claim £45m of funding through the Strategic Partnership, with over 500 homes starting on site and completing over 250 new grant funded homes.

We continue to find the planning system our biggest challenge and experience long delays in both achieving planning consent and clearing planning conditions; nitrate neutrality also continues to have a significant impact.

Post balance sheet event – March 24

With reference to the post balance sheet event note, note 45 in the March 24 Group accounts, on 1 April 2024, all four of our Local Government Pension Schemes (LGPSs) closed to future accrual. As a result, the group will be required to remeasure the assets and liabilities of these schemes on a cessation basis which is expected to result in a settlement loss in the year to 31 March 2025, however, the final amount will not be known until final cessation payments have been confirmed by the funds. No adjustments have been recognised in relation to the cessation of these schemes in the results to 30 September 2024.

Board and executive team changes

Aster Group Ltd: The members of the Executive Board are Bjorn Howard, Chris Benn, Rachel Credidio, Dawn Fowler-Stevens, Emma O'Shea and Amanda Williams.
There were no changes to the Board during the six-month period to 30 September 2024.

Aster Treasury plc: There were no changes to the membership of the Board.

Aster Group credit rating and governance

Aster Treasury plc is rated A (Stable outlook) by Standard and Poor's (December 2023) and G1/V1 by the Regulator of Social Housing (July 2023).

Notes:

[1] Demonstrates the profitability of operating assets before exceptional expenses. Defined as operating profit, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

[2] Demonstrates the profitability of social housing operating assets before exceptional expenses. Defined as operating profit derived from social housing activities, excluding surplus on sale of property, plant and equipment, as a percentage of total turnover.

[3] Seeks to measure the level of surplus generated compared to interest payable. It is a key indicator for liquidity and investment capacity. EBITDA MRI is Earning before interest, tax, depreciation, amortisation, excluding profit on disposal of property, plant and equipment, but including the cost of capitalised major repairs (major repairs included). Interest includes the group's interest payable plus interest capitalised during the year but excluding interest on the net pension liabilities.

[4] Calculated as net debt (loans less cash) as a proportion of social housing assets. Shows how much of the social housing assets are made up of debt, and the degree of dependence on debt finance. It also sets out the potential capacity for further borrowing which can be used to fund the future development of new housing.

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https://www.aster.co.uk/corporate/about-us/investor-relations

corporation tax, fair value of investment properties, fair values relating to business combinations, balance sheet reclassifications between fixed and current asset housing stock and defined benefit pension costs such as interest and current service cost adjustments. The group does not anticipate these adjustments will have a material effect on the outputs.

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