



TRADING UPDATE FOR INVESTORS SIX MONTHS TO 30 SEPTEMBER 2021

“The first half of 2021/22 saw us delivering a steady operational performance with profits ahead of budget due to seasonality in our planned repairs and maintenance expenditure. We expect full-year profits broadly around original budget level. We’re looking forward to continuing our planned maintenance programme in line with budget in the second half of 2021/22 and delivering new homes in line with our development plans.

We maintained our strong financial position with our Moody’s A3 (stable) credit rating reconfirmed and £736m committed liquidity (H1 2020: £788m) to cover our £421m development commitments (H1 2020: £583m). We also published our second annual ESG transparency report at www.optivoinvestors.co.uk.”

*Sarah Smith, Chief Financial Officer
16 November 2021*

Key financial indicators

<i>Income & expenditure (£m)</i>	<i>FY 2020/21 audited</i>	<i>H1 2020/21 unaudited</i>	<i>H1 2021/22 unaudited</i>
Total turnover	332	154	175
<i>Of which: Non-sales turnover</i>	<i>301</i>	<i>146</i>	<i>150</i>
<i>Initial sales turnover</i>	<i>31</i>	<i>8</i>	<i>25</i>
Operating surplus	104	54	55
<i>Operating margin excluding sales</i>	<i>24%</i>	<i>31%</i>	<i>26%</i>
Surplus after interest¹	51	30	32

This year we have budgeted for significant one-off fire safety remediation works costs and this continues to weigh on our operating margins. We expect to see compression to our operating margin over the full year as planned repairs and maintenance costs are, as last year, expected to be more heavily weighted towards H2.

<i>Balance sheet (£m)</i>	<i>31.3.2021 audited</i>	<i>30.9.20 unaudited</i>	<i>30.9.21 unaudited</i>
Social housing assets (historical cost)	3,083	2,972	3,152
Investment properties (valuation) ²	132	147	132
Total debt ³	1,490	1,492	1,524
Cash & cash equivalents	87	98	74

¹ Before fair value, tax and pension scheme movements

² Investment properties are revalued annually

³ Excluding capitalised debt arrangement costs

Cash flows (£m)	FY 2020/21 audited	H1 2020/21 unaudited	H1 2021/22 unaudited
Cash from Operations	141	45	59
Investing activities	(154)	(66)	(79)
Financing activities	(38)	(18)	8
Net change in cash	(51)	(39)	(13)

Key strategic indicators

Resident satisfaction	FY 2020/21 audited	H1 2020/21 unaudited	H1 2021/22 unaudited
Service	89%	89%	88%
Repairs	97%	98%	97%
Neighbourhoods	92%	93%	90%

Our service score at 87.8% was almost in line with our 2021/2022 target of 88%. Results now out for 2020/21 show us once again top performer in our peer group for customer satisfaction.

We supported 156 residents into employment in H1. We exceeded our target for the proportion of our own staff that were satisfied with us as an employer.

Lettings

General needs and HOPS⁴ key operational indicators	FY 2020/21 audited	H1 2020/21 unaudited	H1 2021/22 unaudited
Void rental losses	1.1%	1.7%	1.0%
Overall rent arrears	4.1%	4.5%	4.1%

Void losses from our social lettings portfolio were better than budgeted. We saw higher than expected voids from our commercial portfolio, driven mainly by student accommodation. Over the last year student accommodation has been impacted by the move to online study, lockdown measures and travel restrictions. Our position for the new academic year is a significant improvement, though there remains room for improvement, with 92% occupancy at the end of September.

Overall rent arrears are in line with other recent periods and are within acceptable levels. A large proportion of rent arrears can be attributed to residents who receive Universal Credit and we've been considering the likely impact of the end of the £20 uplift. Our Financial Inclusion Team continues to do a great job in providing information and helping residents on a wide range of financial matters including energy advice.

Asset management

Expenditure on homes (£m)	FY 2020/21 audited	H1 2020/21 unaudited	H1 2021/22 unaudited
Routine maintenance	28	10	13
Planned maintenance	48	18	19
Major repairs	7	7	8

Our maintenance costs were behind budget in H1 as access to some properties remained restricted. However, we expect an acceleration in maintenance activity in H2. Our surveys show that 97% of our residents are satisfied with the repair work we carry out.

⁴ Housing for Older People

Development & sales

<i>Investment in new homes (£m)</i>	<i>FY 2020/21 audited</i>	<i>H1 2020/21 unaudited</i>	<i>H1 2021/22 unaudited</i>
Spent during the period	190	76	112
Future spend in contract	498	583	421

<i>Number of new homes</i>	<i>FY 2020/21 unaudited</i>	<i>H1 2020/21 unaudited</i>	<i>H1 2021/22 unaudited</i>
Started in the period	1,002	193	211
Completed in the period	577	89	262
In contract at the reporting date	2,828	2,828	2,800
Number of sites in contract	41	37	41

<i>Number of new homes available for sale</i>	<i>31.3.2021 unaudited</i>	<i>30.9.2020 unaudited</i>	<i>30.9.2021 unaudited</i>
Open market sales	7	8	1
Shared ownership first tranche	250	258	172
Of which unsold over six months	106	208	95

Supply chain issues in terms of materials and labour have been a feature of recent months across our industry as well as many others. Our full-year target to start construction of 815 new homes in 2021/22 remains unchanged.

There was only one property available for sale on the open market at the end of H1 and all together there have been 12 open market sales year-to-date.

Financing

<i>Funding sources (£m)</i>	<i>31.3.2021 audited</i>	<i>30.9.2020 unaudited</i>	<i>30.9.2021 unaudited</i>
Cash and cash equivalents	87	98	74
Available bank facilities	640	690	684
Retained bonds held:			
2035	100	100	0
2043	0	0	0 ⁵
2048	0	0	0

<i>Key metrics</i>	<i>31.3.2021 audited</i>	<i>30.9.2020 unaudited</i>	<i>30.9.2021 unaudited</i>
Interest rate profile:			
% of net debt on fixed basis	96%	94%	92%
Weighted average duration	11 years	12 years	12 years
Weighted average debt cost	3.64%	3.79%	3.62%
Derivative mark-to-market	£136m	£174m	£124m

⁵ In September 2020 we announced we would tap our 2043 bond by £150 million notional and we expect to complete documentation for this shortly, increasing the 2043 bonds to £300 million notional. At the same time we announced a forward purchase agreement with investors to sell £100 million notional amount (raising £151 million proceeds) of the newly created bonds for delivery in March 2022. After documentation is complete, we will deliver £100 million notional bonds to settle the forward purchase agreement and retain £50 million notional bonds to sell in due course.

We completed the sale of £100m of our 2035 retained bond in August. We used proceeds to repay legacy bank facilities and improve the security efficiency of our debt.

We're due to receive £151m proceeds from our 2043 bond tap in March 2022 in order to repay our Bank of England Covid Corporate Financing Facility borrowings.

We are in compliance with all financial and non-financial covenants.

External ratings

	31.3.2021	30.9.2020	30.9.2021
Regulator of Social Housing			
Governance judgement	G1	G1	G1
Financial viability judgement	V1	V1	V1
Moody's			
Rating	A3	A2	A3
Outlook	(stable)	(negative)	(stable)

Moody's carried out their annual review in August this year and have reaffirmed our rating of A3 (stable outlook). Moody's cited our profitable core business, market position, strong balance sheet and unencumbered asset position, financial policies, stress testing, development flexibility and liquidity as credit strengths.

Investor calendar

Financial year end	31 March 2022
Full year trading update	May 2022
Audited financial statements	July 2022
Investor update meetings	August 2022
Property security valuations for listed bonds	by 31 May 2022 (2035 bond) by 31 July 2022 (2043 & 2048)

More information

<https://optivoinvestors.co.uk/>

Tariq Kazi

Director of Corporate Finance

tariq.kazi@optivo.org.uk

020 8036 2293

ABOUT OPTIVO

Optivo is registered in England with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 7561) and is a Registered Provider of Social Housing whose activities are regulated by the Regulator of Social Housing (with registered number 4851). As such, Optivo has charitable status but is exempt from registration with the Charity Commission.

Optivo Finance plc (company number 07933814) is a wholly owned subsidiary of Optivo and is an issuer of GBP-denominated bonds listed on the London Stock Exchange.

IMPORTANT NOTE

This update contains certain 'forward-looking' statements reflecting, among other matters, our current views on markets, activities and prospects. Actual outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. No reliance should be placed on the information contained within this update. We do not undertake to update or revise such public statements as and when our expectations change in response to events. This update is neither recommendation nor advice. This is not an offer or solicitation to buy or sell any securities.