Unaudited Preliminary Results

Year ended 31 March 2025

www.southernhousing.org.uk/investors

Contents

MOODY'S RATING	A3 (stable)	2023/24: **A3 (stable)**
FITCH RATING	A (negative)	2023/24: **A (stable)**
REGULATORY JUDGEMENT	G1/V2/C2	2023/24: **G2/V2**
OPERATING SURPLUS	£124m	2023/24: **£108m**
OPERATING MARGIN EXCLUDING SALES	13%	2023/24: **14%**
SURPLUS AFTER INTEREST	£11m	2023/24: **£3m**
TOTAL DEBT	£3,375m	2023/24: **£3,167m**
CASH & CASH EQUIVALENTS	£84m	2023/24: **£109m**
HOUSING ASSETS AT COST	£6,240m	2023/24: **£6,055m**
UNDRAWN COMMITTED FUNDING	£592m	2023/24: **£866m**
FIXED RATE DEBT PROPORTION	91%	2023/24: **89%**
WEIGHTED AVERAGE COST OF DEBT	4.21%	2023/24: **4.19%**
CAPITAL COMMITMENTS AT YEAR END	£325m	2023/24: **£531m**
TOTAL TURNOVER	£672m	2023/24: **£609m**
PROPERTIES EPC C OR BETTER	75%	2023/24: **74%**
NEW HOMES STARTED	127	2023/24: **348**
NEW HOMES COMPLETED	807	2023/24: **776**
NUMBER OF HOMES IN CONTRACT	2,609	2023/24: **3,256**

From **Sarah Smith, CFO**

This is my final update as Chief Financial Officer of Southern Housing before I step down in July. I'm pleased to confirm Tom Paul has been appointed as my successor. Tom brings extensive experience and a deep understanding of the sector, and I know the organisation will benefit from his leadership. We also welcome Troy Francis as our new Executive Director of Operations, following Jane Porter's retirement in April. Troy was previously our Corporate Director of Operations.

Reflecting on the past few months, I recently shared some personal thoughts in a blog post: 'To every woman who wants to lead – go for it' about the challenges women have faced in the world of finance and what still lies ahead. Jane was also featured in a national article, 'How Jane Porter helped to shape the modern housing sector', which recognised her leadership and the legacy she leaves behind. Most notably, Jane received a 'Lifetime Achievement Award at the Women in Social Housing Awards', an honour that reflects her long-standing commitment to the sector.

We've also welcomed a new resident Board member, Billy Brown, following an incredible response from our residents to our recruitment campaign with 224 residents applying for the role. Four of our 13 Board members are residents ensuring a resident voice in strategic decisions.

Financial performance

Our results show that we continue to have significant headroom against banking covenants, with modest gearing, low refinancing risk and strong liquidity. We currently have £592m in undrawn facilities and £84m in cash, giving us significant cover and flexibility to meet our commitments.

We ended the year with an operating surplus of £124m. This includes a £13m write-off of costs incurred in relation to the Centrium 1 block at Station Approach in Woking. Following an independent structural engineer's assessment, we rehoused all residents and are working with the developer, to determine how to resolve the structural issues. We expect to recover our costs and hope this will be in 2025/26.

Sales performance was strong, particularly in the final quarter ahead of the Stamp Duty increase in April 2025. However, ongoing delays in being able to register and then hand over new development schemes have pushed back the receipt of sales income and impacted our rental income.

We have increased investment in housing management and repairs to help improve the services residents need and expect. This has contributed to higher operating costs this year.

Integration and efficiencies

Following our merger in December 2022, our integration programme is nearing completion. With our core housing management system now live, remaining projects can progress at pace. To date, we have delivered £9m efficiencies and have identified a further £14m in cost efficiencies to be delivered in 2025/26. These efficiencies are principally coming from our back-office functions and including staff costs, insurance costs and IT costs. Further efficiencies are expected over the next three years following completion of integration. Our focus will move to transformation in 2025/26, particularly in our repairs service. Our first Strategic Plan[1] as Southern Housing completes in 2026. Tom is now working with the business and residents to create a new strategy for the following three years.

[1] www.southernhousing.org.uk/leaflets-and-publications/environmental-sustainability-strategy-23-26

Sustainability

I'm pleased to say we reached our target of having 75% of our homes at an EPC rating of at least C by March 2025. This milestone was set in our Environmental Sustainability Strategy[2] and reflects our continued investment in energy efficiency across our stock.

Building Safety and Tri Fire

As you may already be aware, in August 2024, the Institution of Fire Engineers (IFE) suspended a Tri Fire company director's membership following an investigation. In February 2025, the individual was expelled from the IFE following further undisclosed allegations. In light of this, we have reviewed all our affected buildings to ensure resident safety and compliance.

Tri Fire did not carry out any direct surveys for our occupied stock. In 50 cases forms were issued by Tri Fire based on surveys from another consultant. Replacement forms for these have been issued by the original consultants who did the survey work. Six unoccupied schemes were also surveyed by Tri Fire and require new forms, which are in the process of being replaced.

Development programme

We previously reported a number of our third-party contractors had gone into administration during 2023/24. As a result, we allowed additional costs in our long-term financial plan to cover these. You may have seen recent press coverage regarding Henley Construct Limited (HCL), where we were in contract with them to develop four schemes. We had submitted a claim against them for £36m for costs relating to our schemes under construction. Two of the sites have subsequently been remobilised with other developers and the other two are progressing through the tender process. The forecast cost increase, principally due to build cost inflation since the original tender was agreed, is £31m. However, we have been awarded additional grant of £21m from the relevant funding bodies which helps to mitigate the cost increases. We have not needed to impair these schemes. We continue to hold ample undrawn facilities to cover all our development commitments. I'm pleased to advise that no further contractors have entered administration since April 2024.

We've previously noted delays in occupying completed development schemes because of the significant paperwork burden. We've now registered four blocks with the Building Safety Regulator, and a further five are close to completion and no others outstanding

Tenant Satisfaction Measures

The Tenant Satisfaction Measures (TSMs) help us understand how well we're doing at providing quality homes and services. They cover a wide range of areas including repairs, safety, neighbourhood management, and complaints.

We'll publish the full suite of 2024/25 results in July, but we can already share our headline Overall Satisfaction score: 63% (2023/24 67%). This is a reduction from last year, but one we expect to improve as our integration completes and transformation plans take effect.

Our strongest scores continue to be in the areas of Fair and Respect 80% (2023/24 81%) and Safe Home 78% (2023/24 78%).

Regenerating the Four Courts, Hastings

You may have seen our plans for the Four Courts Estate in Hastings in recent press. The estate consists of four 17-storey blocks, built in the 1960s, comprising nearly 400 homes. These buildings now face significant challenges around fire safety and accessibility.

Instead of relying on short-term fixes, we're planning a 12-year programme to rehouse residents, demolish the blocks and replace them with at least the same number of homes. We know this is a major change for many of the residents who have lived in their flats for a long time. We have a comprehensive resident support programme which includes providing a dedicated resettlement officer to help with necessary moves.

The new homes will include a mix of flats, family homes, and specialist housing for older residents, expected to be delivered in low-rise buildings with better-designed outdoor spaces. Residents will have a direct say through a steering group and regular engagement. We're working closely with local MPs, councillors and community stakeholders to ensure the process is clear, open and transparent.

Looking ahead

Despite delays in development completions, we're on a clear trajectory of improving interest cover performance. Our funding position is strong, integration is nearly complete, and transformation work is beginning. As I prepare to hand over to Tom, I'm confident we have the right strategy, people and financial strength in place to continue delivering for our residents.

Sarah Smith
Chief Financial Officer

[2] www.southernhousing.org.uk/leaflets-and-publications/strategic-plan

Financial performance

Income and expenditure

	FY 2022/23 Audited £m	FY 2023/24 Audited £m	FY 2024/25 Unaudited £m
Total turnover	642	609	672
Rent, service charge & grant income	516	565	613
Initial sales	60	40	45
Open market sales	67	4	13
Fixed asset disposals	47	33	46
Operating surplus	136	108	124
Operating margin excluding sales	13%	14%	13%
Surplus after interest	40	3	11

Cashflows

	FY 2022/23 Audited £m	FY 2023/24 Audited £m	FY 2024/25 Unaudited £m
Cash from operations	320	207	211
Investing activities	(377)	(346)	(287)
Financing activities	16	102	67
Short term investments	0	0	13
Net change in cash	(42)	(37)	(22)
EBITDA MRI net cash interest cover (excluding sales)	74%	39%	27%

Balance sheet

	31.03.2023 Audited £m	31.03.2024 Audited £m	31.03.2025 Unaudited £m
Total social housing assets (historical cost)	5,778	6,055	6,240
Total debt	2,850	3,167	3,375
Cash & cash equivalents	146	109	84

- Operating surplus improved this year, driven principally by higher rental and sales income, additional revenue grant for remediation work and a reduction in staff costs
- Surplus after interest includes a £13m write-off of our Woking scheme costs. This has significantly reduced our EBITDA MRI cash interest cover, without it our interest cover would have been 37%
- Remediation and integration costs have also impacted our EBITDA MRI cash interest cover; without these investments our cover would have been 72%
- Higher spend on repairs and maintenance has also put pressure on our EBITDA MRI cash interest cover. We've increased investment in housing management and repairs to improve resident services
- Surplus after interest excludes movements in fair value. Results do not include any updates on fair value movements in derivatives, pension schemes or investments

Operating performance

General needs and HOPS[3] key operational indicators

	FY 2022/23 Audited	FY 2023/24 Audited	FY 2024/25 Unaudited
Vacant Homes available for lettings	0.6%	0.6%	0.7%
Overall rent arrears	4.7%	4.7%	4.3%

- We've analysed our arrears data and the areas posing the greatest risk and then prioritised these areas with pro-active account work. This has had a positive impact on arrears performance

[3] Homes for Older People

Property management

Expenditure*

	FY 2022/23 Audited £m	FY 2023/24 Audited £m	FY 2024/25 Unaudited £m
Routine maintenance	71	85	108
Planned maintenance	66	88	103
Major repairs	8	40	40
Capitalised repairs	70	95	106

- Our building safety programme is progressing as planned. So far, full remediation work is complete at 16 blocks, with a further 16 in progress. Another 46 blocks requiring partial remediation have also been completed
- We have 242 blocks requiring full remediation, including our 16 in progress blocks, and 136 needing partial remediation
- We're continuing our PAS9980 assessment programme with 203 fully clad blocks awaiting assessments, which may identify further remediation needs. 325 blocks with small areas of cladding are also awaiting surveys. The survey programme is on track to complete in 2026/27
- 75% of our homes now meet a minimum EPC C performance standard
- Responsive maintenance costs have increased this year. We've seen an increase in volume and the complexity of routine repairs, reflecting higher service expectations and needs. We insourced work previously delivered by a poorly performing contractor, leading in the short term to needing to use sub-contractors at higher cost. We also continue to see properties handed back in a poor state of repair which is adding cost and extending our void turnaround times. Void times and works costs are an initial focus for our transformation programme

*Including allocated overhead

Property development and sales

New homes

	FY 2022/23 Audited	FY 2023/24 Audited	FY 2024/25 Unaudited
Started in the period	952	348	127
Completed in the period	1,089	776	807
Sold in the period	498	286	427
In contract at the reporting date	3,936	3,256	2,609

Investment in new homes

	FY 2022/23 Audited	FY 2023/24 Audited	FY 2024/25 Unaudited
Spent during the period	365	257	285
Future spend in contract	665	531	325

New homes available for sale at the reporting date

	31.03.2023 Audited	31.03.2024 Audited	31.03.2025 Unaudited
Open market sales	40	27	21
Unsold over six months	36	26	21
Shared ownership first tranche	257	173	211
Unsold over six months	59	102	59

- The reduced number of starts on site and contracted expenditure reflects our decision last year to pause new development commitments
- New regulations, arising from the Building Safety Act require us to provide comprehensive evidence of compliance for high-risk buildings (those above 18m), generating a large demand for proofs and paperwork. We've made good progress with these requirements with four blocks registered, and a further five are due to complete shortly, no others are outstanding
- We haven't had any more contractors go into administration since April 2024
- Our impairment provision increased by £8.6m during 2024/25, from £30.2m to £38.8m. The movement is mainly due to increased scheme costs on properties for sale
- Fixed Asset Sales outperformed our projections this year. Some properties sold via auction sold for higher-than-average values

Funding and liquidity

Funding sources

LISTED OWN-NAME BONDS	31.03.2023 Audited £m	31.03.2024 Audited £m	31.03.2025 Unaudited £m
Optivo Finance plc 2.857% 2035	282	350	350
Southern Housing 2.375% 2036	250	300	300
Southern Housing 4.500% 2039	75	75	75
Optivo Finance plc 5.250% 2043	300	400	400
Southern Housing 3.500% 2047	300	300	300
Optivo Finance plc 3.283% 2048	250	400	380
Southern Housing 5.625% 2054	-	-	250
Sub-total	1,507	1,825	2,055
LONG-TERM FINANCE AGGREGATORS			
The Housing Finance Corporation	178	166	166
Affordable Housing Finance	150	150	150
Others	14	13	12
Sub-total	341	329	328
OTHER FACILITIES			
Bank term loans	486	402	303
Bank RCF drawings	469	605	688
Other	48	7	2
Sub-total	1,003	1,013	992
Total debt outstanding	2,850	3,167	3,375
Undrawn revolving credit facilities	1,239	866	592
Cash and cash equivalents	146	109	84
Total liquidity	1,385	975	676
COMMITTED FUNDING HEADROOM			
Liquidity coverage vs capital commitments	208%	184%	208%
Forecast next funding need	42 months	42 months	56 months

Interest rate risk management

	FY 2022/23 Audited	FY 2023/24 Audited	FY 2023/24 Unaudited
Weighted average debt cost	3.76%	4.19%	4.21%
% of net debt on fixed basis	88%	89%	91%
Derivative mark-to-market (£m)	14	13	13
Average fixed % over the next 5yrs	87%	90%	93%

Lender financial covenant headroom

	31.03.2023 Audited	31.03.2024 Audited	31.03.2025 Unaudited
Total debt outstanding (£m)	2,850	3,167	3,375
OF WHICH WITHOUT CORPORATE FINANCIAL COVENANTS			
Long term publicly listed bonds	1,507	1,825	2,055
Other debt	389	336	330
Drawn debt proportion with no interest cover covenants	67%	68%	71%
INTEREST COVER HEADROOM VS TEST THRESHOLD			
Actual interest cover (lender threshold > 125%)	203%	190%	190%
Earnings could fall by (£m)	80	50	60
Interest expense could rise by (£m)	64	40	48
GEARING HEADROOM VS TEST THRESHOLD			
Actual gearing (lender threshold < 70%)	46%	48%	49%
Debt could rise by (£m)	1,533	1,427	1,474
Assets could fall by (£m)	2,190	2,039	2,106

- The reduction in our liquidity reflects the tapering down of our development programme. Our available liquidity versus our capital commitments remains strong at 208%

Future key dates

Bond property security valuation reports
May & July 2025

Non-deal roadshow for bond investors
August 2025

Audited financial statements
By September 2025

Sustainability Reporting Standard ESG report
By September 2025

Sustainable bond Impact & Allocations report
By September 2025

Unaudited half-year summary results
November 2025

About Southern Housing

Southern Housing is registered in England with limited liability under the Co-operative and Community Benefit Societies Act 2014 (registration number 8983) and is a Registered Provider of Social Housing whose activities are regulated by the Regulator of Social Housing (registration number 5171). Southern Housing has charitable status but is exempt from registration with the Charity Commission.

About Optivo Finance PLC

Optivo Finance plc (company number 07933814) is a wholly owned subsidiary of Southern Housing and issuer of secured bonds listed on the London Stock Exchange, whose net proceeds it on-lends to Southern Housing for its general corporate purposes.

Bloomberg ticker

SOUHSG

Important Note

This publication 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 publication is neither recommendation nor advice. This is not an offer or solicitation to buy or sell any securities.

SOUTHERN
HOUSING

www.southernhousing.org.uk/investors