

Stonewater Limited

Half-Year Results  
2023-24





# Our Vision

For everyone to have the opportunity to have a place that they can call home.



# Contents

Chief Financial Officer's statement	4
Financial performance	5
Operational performance	6
Environmental performance	7
Change in Board and management	7





# Chief Financial Officer's statement

Against the backdrop of a continuing, challenging operating environment, high levels of inflation and increased costs, we're pleased to report that Stonewater remains financially strong through our first six months of trading in 2023-24. This strength allows us to continue to support our customers through the ongoing cost-of-living crisis.

These interim, unaudited results highlight our robust underlying performance, reflected in our improved key indicators on operating margin, sales margin and interest cover since the end of our previous financial year 2022-23.

The recent affirmation of our A credit rating by Standard & Poor's is positive news. We also retain the top regulatory scores of G1/V1 and have significant liquidity, with more than 85% of our debt at fixed rates – above the sector average of 80%. We maximise investment in existing and new homes to help customers tackle the cost-of-living crisis, making sure homes are affordable to live in.

Stonewater has a relatively young stock profile and we have an ongoing development programme of affordable homes. Although our plans have been moderated to reflect wider economic conditions, first tranche shared ownership sales increased compared to the same period last year and at a healthy margin.

We're continuing to grow as well through partnerships and home purchases. This has included 370 homes across the Thames Valley from another housing association and the announcement of a planned partnership with 1,600-home Mount Green Housing Association in Surrey and North Sussex.

Our journey to net zero-carbon by 2050 is also moving forward on several fronts. In July, we established a £200m sustainability linked loan, with a KPI-linked to our SHIFT score. We are currently rated as "Gold" in the SHIFT sustainability framework, with the aim of achieving SHIFT "Platinum" - which no other social housing provider currently holds. We will be making energy efficiency improvements to more than 800 homes across eight projects in the West Midlands and South West of England. In total we will be retrofitting approximately 1,050 homes over the next two financial years, using the £9m Decarbonisation Fund secured earlier in 2023.

In November, we'll hold our first event as part of Greenoak's Centre of Excellence, which teams at Stonewater and Greenoak are working on together to launch. Created as part of Greenoak becoming a subsidiary of Stonewater in early 2023, the Centre of Excellence will look at how the social housing sector can create a more sustainable, zero-carbon future, by holding events, webinars and, in future, looking to set up standards and processes which other organisations can follow.

Overall, I am proud of what our dedicated colleagues have achieved in the first half of 2023-24. Stonewater's Vision, for everyone to have the opportunity to have a place that they can call home, has never been more relevant. Providing affordable homes to people in housing need, managing and maintaining them so they're safe and fit for future generations, improving and investing in our communities, is our core purpose and our financial strength is the foundation on which we can achieve our aims.

**Anne Costain**  
Chief Financial Officer



I am proud of what our dedicated colleagues have achieved in the first half of 2023-24.

# Financial performance

Stonewater is pleased to report its consolidated financial results for the six months ended 30 September 2023 (2023-24 HY).

These figures are unaudited and for information purposes only.

## Statement of comprehensive income

	2023-24 HY Actuals £'000	2022-23 HY Actuals £'000	2022-23 Full Year Actuals £'000
Turnover from social housing lettings	115,526	101,840	203,434
Total turnover	133,361	117,705	238,977
Operating surplus*	35,593	41,175	65,767
Surplus after interest	12,182	21,430	26,163

\*The overall reduction in operating surplus is a combination of lower gains from asset disposal, specifically the sale of fewer staircasing units, and increased operational costs in areas such as salaries, service charges, and repairs & maintenance.

## Operating margins

	2023-24 HY Actuals	2022-23 HY Actuals	2022-23 Full Year Actuals
Overall operating margin %	24.9%	31.5%	24.6%
Operating margin on first tranche sales %	15.5%	16.0%	15.3%
Operating margin on asset disposal %	48.5%	52.3%	49.5%

## Key financial ratios

	2023-24 HY Actuals	2022-23 HY Actuals	2022-23 Full Year Actuals
EBITDA MRI interest cover <sup>1</sup>	145.3%	195.7%	139.4%
Social housing interest cover <sup>2</sup>	101.0%	142.0%	96.0%
Gearing <sup>3</sup>	49.2%	46.3%	52%

<sup>1</sup>The EBITDA MRI interest cover shown is calculated as (Operating surplus overall - Amortised government grant Interest receivable - Capitalised major repairs expenditure + Depreciation) / Net interest paid.

<sup>2</sup>The social housing letting interest cover is calculated as Operating surplus on Social housing lettings / Net interest paid.

<sup>3</sup>Gearing is calculated as (Short-term loans + Long-term loans - Cash and cash equivalents) / Housing properties at cost - work in progress.

Liquidity		2023-24 HY
Cash and undrawn facilities		£445m
18 month liquidity requirement		£231m

Ratings		2023-24 HY
S&P Credit rating		A (negative outlook) - affirmed (Nov 23)
RSH Regulatory rating		G1/V1 - affirmed (Nov 23)



# Operational performance

## Metrics

### Operational performance

	2023-24 HY Actuals	2022-23 HY Actuals	2022-23 Full Year Actuals
Overall customer satisfaction	82.5%	83.0%	83.6%
Gross arrears	5.3%	5.4%	5.5%
Void loss	1.3%	0.8%	0.9%
New homes	378 units	384 units	963 units
First tranche sales	135 units	112 units	259 units
Capital investment in new homes	£136.5m	£114.5m	£227.7m
Capital investment in existing homes	£11.5m	£10.7m	£32.1m



## Donations, grants, mergers and acquisitions

Stonewater has made £0.9m **donation** in June 2023 to its charity partner, the Longleigh Foundation.

Stonewater has received £10m of **grant** delivered under the SPP2 programme in the first quarter and will be receiving an additional £15m for the second quarter.

Stonewater has secured over £9m in Social Housing **Decarbonisation Fund** in the beginning of the year.

Stonewater has completed in August 2023 the **purchase of 370 properties** located across Thames Valley from another housing association.

Also in August 2023, Stonewater has announced a **partnership** with Mount Green Housing Association. Subject to lender and regulatory approval, we expect it to be effective by 31 March 2024. Mount Green owns and/or manages around 1,600 homes across Surrey and North Sussex.

Stonewater announced in October 2023 the **Transfer of Engagements** from Puttenham and Wanborough Housing Society and also Bristowe Housing Association for around 90 homes in total. Subject to lender and regulatory approval, we expect the two separate transactions to complete by 31 March 2024.



# Environmental performance

EPC Band ratings over the first half year period:

**332** new homes built to **EPC Band B** or above, which represents **88%** of all new homes built.

**40** homes were retrofitted to **C** or above.

Converted a **£200m** revolving credit facility to a sustainability linked loan in July 2023, with three KPIs including one linked to our SHIFT score.

We will be making energy efficiency improvements to more than **800 homes** across eight projects in the West Midlands and South West of England. In total we will be retrofitting approximately **1,050 homes** over the next two financial years, using the **£9m Decarbonisation Fund** secured in this fiscal year.

We are working out a methodology to set carbon reduction targets for the business in line with our Net Zero by 2050 target.

We are developing a Biodiversity and Water Strategy to outline our climate resilience and mitigate risks, such as flooding.



# Change in Board and management

**Gareth Lloyd** joined Stonewater on 27 March 2023 as Chief Information & Transformation Officer with responsibility for IT, Data, People and Communications.



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