Bromford.

Trading update

For the six months ended September 2023

Contents

Introduction

Today we are issuing our consolidated trading update for the six months ended 30 September 2023.

This unaudited trading update continues to adopt the step change in the presentation of our results, as we disclose our sustainability performance alongside our financial performance. We report against the KPIs in our customer and sustainability frameworks as well as traditional financial metrics, communicating our performance by considering the impact we have on our people and places.

We are determined to make sustainability reporting more transparent, more open, and more regular. We focus on sustainability 'golden metrics' to give visibility of the actions we take to deliver truly sustainable outcomes. This is already helping us to co-create new linkages with funders and investors, and driving business and investment decisions with sustainability at the forefront.

The way we measure and report against sustainable outcomes is evolving over time to reflect our greater corporate understanding, updates in the policy landscape, and developments in technology. Our 'sustainability golden metrics' now include colleague sick days as a key measure of how we support the wellbeing of our colleagues, and continue to include a number of KPIs from our customer framework. We will add further customer-focused metrics as our reporting develops over time.

We are committed to the quality and integrity of our data, and recognise that our disclosures remain nascent and continue to evolve. We are reviewing the data quality of our Scope 1, 2 and 3 carbon emissions and are re-baselining our position. This will be presented, with a full external audit of the data, in our year-end update.

These results for 30 September 2023 are unaudited and are provided for information purposes only. The 30 September 2022 comparators are provided on a like-for-like basis.

Half-year highlights

G1/V1
Regulatory ratings

A+/A2
Credit ratings

Our S&P rating has been upgraded to A+ (stable) and de-linked from the UK sovereign

46,692
Homes owned and/or managed

472
Affordable homes built

No open market sale

£25m+
Investment in our existing homes

£153m
Turnover

86%
Social housing lettings contribution to total turnover

£54m
Operating surplus

34%
Operating margin on social housing lettings

41%
Asset gearing

2.2x
EBITDA MRI interest cover

Sustainability golden metrics

87.4%
Homes at EPC C or above

53%
Market-social rent differential

212
New social rent homes completed

89%
Customer advocacy

9:4
Board and executive male:female ratio

3.8%
Gender pay gap

3.9%
Ethnicity pay gap

9.4
Colleague sick days

99.5%
Decent Homes Standard

100%
Gas safety

100%
Fire safety

9
Complaints upheld by Ombudsman

0
Adverse regulatory findings

Key figures

Robert Nettleton
Chief executive officer

Key figures	30 Sep 23	30 Sep 22
Turnover	£153m	£141m
Social housing lettings turnover	86%	84%
Operating surplus (including asset sales)	£54m	£56m
Operating margin on social housing lettings	34%	35%
Overall operating margin (excluding asset sales)	31%	33%
Net arrears[1]	4.3%	4.0%*
Asset gearing	41%	39%
EBITDA MRI interest cover	2.2x	1.9x

*At 31 March 2023, as 30 September 2022 figure unavailable due to cyber incident

Sustainability	30 Sep 23
Number of new social rent homes	212
Homes at EPC C or above	87.4%
Gender pay gap[2]	3.8%

"

We have continued to focus relentlessly on our purpose and strategy and we are pleased to report a strong set of mid-year results given the significant challenges in the housing sector and the uncertainty in the wider economic and political landscape.

We are proud to report that our customer advocacy score has risen once again and is now at 89%; that we have invested over £25m in our existing homes and that we have delivered 472 new affordable, energy efficient homes.

Our 2023-2027 corporate strategy focuses on place, scale and sustainability. We have started development on our largest scheme delivered by our in-house team at Snow Capel in Gloucester where we will deliver 180 new homes, over 75% of which will be at affordable tenures.

We will be the architects of our own greener future and, independent of any government position, we will continue to set our own sustainability strategy. Earlier this month we re-committed to working towards our sustainability targets and continue to deliver our proactive decarbonisation programme with 87.4% of our homes now at EPC C or above.

We will continue to deliver against every aspect of ESG (environmental, social and governance), and creating social value has equal prominence with our ambition to be a net zero carbon organisation by 2050. Over 8,000 families are on waiting lists for social housing in just four of the 39 local authority areas we work in and we expect this number to grow. Providing new homes for aspiring customers has never been more important, and during the past six months we committed to our ambitious goal of building an additional 12,000 homes by 2031.

Disappointingly, we have had our first two cases of severe maladministration upheld by the Ombudsman – failing in one case to follow our process with a vulnerable customer, and in another to adequately address historic damp and mould issues. We are reflecting on the lessons learnt from these cases and are embedding these lessons into our delivery model to improve our service. As winter approaches, cases of condensation, damp and mould are likely to rise given customers' challenges with heating their homes and we expect to spend c.£4.5m for related works this year, of which £2.6m has already been invested.

We are now entering into the final phase of our transformation programme, with our Microsoft D365 powered enterprise asset management system due to go live in the second half of this financial year. With our corporate strategy focused on the core delivery of social housing, our mature operating model and systems, and our sector leading financial performance, we remain well placed to continue our growth journey and enable our existing and aspiring customers to thrive.

Unaudited financial metrics

Statement of comprehensive income	30 Sep 23 Actual	30 Sep 23 Budget	30 Sep 22 Actual
Turnover from social housing lettings	£132m	£132m	£119m
Turnover	£153m	£154m	£141m
Operating surplus (including asset sales)	£54m	£55m	£56m
Surplus after tax	£33m	£34m	£33m

Margins	30 Sep 23 Actual	30 Sep 23 Budget	30 Sep 22 Actual
Operating margin[3] on social housing lettings[4]	34%	36%	35%
Overall operating margin[5] (excluding asset sales)	31%	33%	33%
Overall operating margin[5] (including asset sales)	35%	36%	39%
Operating margin on shared ownership (first tranche)[6]	21%	18%	24%

Key financial ratios	30 Sep 23 Actual	30 Sep 23 Budget	30 Sep 22 Actual
EBITDA MRI interest cover[7]	2.2x	2.2x	1.9x
Social housing interest cover[8]	1.9x	2.0x	1.9x
Asset gearing[9]	41%	41%	39%

Liquidity	30 Sep 23 Actual
18 month liquidity requirement[10]	£235m
Cash and undrawn facilities[11]	£434m
Liquidity ratio[12]	1.9x*
Unencumbered stock (number of homes)	8,778
Unencumbered stock (debt capacity)	£700m

Credit ratings	30 Sep 23 Actual
S&P	A+ (stable)
Moody's	A2 (neg)

*Liquidity ratio is projected to increase to 2.8x when the £100m deferred private placement proceeds are drawn in November 2023 and the RCF base increases to £450m by January 2024.

Financial performance

Paul Walsh
Chief finance officer

86%
Social housing lettings contribution to total turnover

34%
Operating margin on social housing lettings

31%
Operating margin

We are pleased that after another challenging six months, our financial performance remains strong. In the face of persistently high inflation against a rent cap, we have maintained our surplus whilst investing over £25m in existing homes and delivering 472 new affordable homes.

We are determined to provide homes that our customers are proud to live in and at the same time, we are committed to financial discipline. The vast majority of our income is generated in our core business of social housing lettings, which makes up 86% of our turnover. At 34%, our social housing operating margin is amongst the highest in the sector, but we recognise that it is below budget. We have spent significantly more than budgeted on service delivery for our customers, most notably on tackling condensation, damp and mould, where we have already invested £2.6m against a full year budget of £1.8m.

We will continue to invest in our existing homes and will not compromise the safety and wellbeing of our customers. But at the same time, we are working hard to drive efficiencies in our business; our strategic cost review which focuses on general overheads and the benefits of in-sourcing will deliver £5m of savings by the end of the year, with 80% of the actions to embed these savings already actioned. When these efficiencies are delivered, we expect performance to meet the budgeted social housing operating margin of 36% by the year end.

We recognise our arrears remain high at 4.3% as customers cancelled their direct debits during last year's cyber incident. We have established a pathway to return to our normal operating levels of 2% - 3% by March 2025, having agreed manageable weekly repayment plans with customers which have already reduced our arrears from their peak of over 5%.

We continue to reflect strong performance in our shared ownership homes, with no exposure to outright sale homes in the period or for this financial year. Customers continue to purchase c. 40% of their home in the first tranche. We have achieved an operating margin on shared ownership first tranche sales of 21% against a budget of 18%, due to higher than expected sales values. At 30 September 2023, 47 homes were unsold, 27 of which were reserved or exchanged. Only two homes were unsold for over six months. Overall we are seeing high sales volumes, significant first tranche share purchase, and proceeds outperforming budgeted expectations.

We are now operating the financial, customer and sustainability frameworks that underpin our 2023-2027 corporate strategy. At 30 September 2023, we remain compliant with all of the golden rules in our frameworks which will provide the platform to continue investing in our existing homes and to deliver over 1,200 homes for the year.

Case study

Social: Community support seals approval for our biggest development

Plans for our biggest development to date were approved in July after receiving widespread support from community groups, councillors and the local MP.

Our plans to develop 180 homes at the Snow Capel site in Matson, Gloucester, between an existing development and the M5 were recommended for refusal by planning officers, but the sheer scale of support for the plans led to councillors opting to grant approval. The homes, which will be built by our in-house construction team, will be a mixture of 77 homes for social rent, 59 shared ownership and 44 for sale.

In addition to providing new homes for local families, the development will bring an estimated £30m boost to the economy. It will also provide employment opportunities, with at least 10 per cent of the construction workforce to come from the Matson community, and apprenticeships and training courses also on offer.

One of the local organisations to support the planning application was youth and community group, Together in Matson, which has operated in the neighbourhood for 30 years. It said: “We have great knowledge of both the community and the area that we work in and understand the issues they face. One of the most common problems we see daily is the lack of adequate housing. This in itself contributes to both physical and mental health issues within our community. We are delighted to see 75 per cent of this new development is affordable housing.”

Local MP Richard Graham said in a letter of support that demand for new affordable housing is high in the city. He said: “There is also considerable support from community organisations. Many have written in support for new and energy efficient housing, jobs, and the social value the scheme will provide. These outcomes are all important for Matson, which as you know, scores highly for low incomes and health deprivation.”

Speaking after the application was approved, our operations director Robin Smith said: “We’re delighted to have received permission to build these new homes at Matson. It’s a unique site, with a historic moat at its heart which will be preserved and enhanced as part of this development, but also with its opportunity to provide a life-changing affordable home for hundreds of people. This development will form a noticeable part of our plans to build 12,000 new homes by 2031 and to be the biggest builder of affordable housing in Gloucestershire.

We have listened to and worked with the local community in Matson to develop these plans and I can honestly say that in 35 years of working in the industry I have never had a scheme which has had so much local support. It’s going to provide job opportunities while the homes are being built, improved access to the area’s largest employer and the chance for lasting links with community groups. There’s still some work to do before we’re ready to start construction, but we’re hoping to start on site next year.”

Building new homes

We have completed **472** new homes during the period from 1 April 2023 to 30 September 2023, all of which are affordable tenure homes. Social rented homes represent almost half of the new homes delivered.

Due to the planned phasing of handovers on contracted schemes, we expect to realise more than **700** completions in the second half of the year, and are on track to deliver over **1,200** new homes by 31 March 2024. These will all be at affordable tenures with no open market sale homes.

Our wholly-owned construction company, Bromford Developments Limited (BDL), is scheduled to deliver **153** homes in 2023-24. We continue to purchase land and pursue in-house delivery at greater volumes moving forward. Plans were approved in July 2023 for our biggest development to date, where we will deliver **180** homes at the Snow Capel site in Gloucester. Development is also underway on other iconic sites including Delavale Road in Winchcombe (100 homes) and Douglas House in Cheltenham (71 homes).

We continue to pursue our development aspirations, with a plan for **12,000** new homes by 2031.

Our strategic partnership with Homes England is a core component of our development framework, with **£240m** of grant funding secured under wave two of the programme. In the first half of this financial year, approval was granted for **16** new schemes, six of which qualify for our strategic partnership. These six schemes will deliver **396** new homes and form part of the **1,200** homes already identified as part of the grant-funded programme.

212
Soical rent homes

126
Affordable rent homes

134
Shared ownership homes

12,000
homes by 2031

Sales performance and unsold homes

In the first six months to 30 September 2023, we sold **161** shared ownership homes against a budget of **180**. The average first tranche share is at **40%** and has generated a total of **£18m** of income.

We are on track to meet our full-year budget of **357** shared ownership home sales. We will have no homes for open market sale this year.

At the end of September 2023, we held **47** shared ownership homes in stock, of which **27** were reserved or exchanged. Only **two** of these homes had been held in stock for over six months.

Case study

Environmental: New development protects residents from flooding

The risk of a residential street flooding has been reduced after we completed work to clear a neglected watercourse next to one of our latest developments.

We're currently on site building 57 affordable homes at Pearl Lane, on the outskirts of Astley Cross in Worcestershire. The homes are a mix of affordable rent and shared ownership which are due to be completed in November and adjoin another piece of land that we bought shortly after buying the main development site, which has a culverted watercourse. And it became clear there were drainage issues with the land that we needed to resolve for the benefit of the nearby community.

Working with the North Worcestershire Water Management we investigated the issue to determine the cause of the problem and how best to resolve it.

Head of pre-construction Matt Batham said: "We believe the watercourse was culverted and buried away around 100 years ago so the owner at the time could use the entire field to grow crops. But the culvert was very narrow, only around 6 inches and over the years and decades it became clogged up with silt, restricting the space for the water to flow through the pipe.

This meant that after periods of heavy rainfall, the water would back up and flood into a nearby residential road to the north of the site. Depending on the scale of the flooding this could lead to residents being trapped in their homes for short periods. And with the Met Office predicting an increase in periods of heavy rain in the future, we knew we had to act to resolve the issue for the street's residents. We cleared the culvert of all the silt and dug a new channel at the top of the site to improve the flow of water through our land."

Kirsten Huizer, senior water management officer at North Worcestershire Water Management said: "There had been a flooding issue in the nearby road for a number of years. The work Bromford has done to clear the culvert and open up the section at the top of the site has really reduced the risk of flooding in the area."

Now, having eased the risk of flooding to neighbouring properties, we are working with North Worcestershire Water Management, Severn Trent Water and the Worcestershire Wildlife Trust to explore ways we can use our land to help address flooding issues which are happening further upstream. Potentially, this could involve daylighting the watercourse and restoring it to its natural condition, which could allow the land to cope with a greater volume of water than at present. Not only would this help alleviate the risk of flooding and make it easier to maintain the watercourse, but it would also bring benefits for wildlife and create an attractive area for residents of our newly built homes to enjoy.

Sustainability golden metrics

Sustainability continues to underpin everything we do and is embedded throughout our corporate strategy 2023-2027. It is now an integral part of our future reporting through our annual sustainability impact report alongside our annual report and accounts, trading updates and investor roadshow.

We have set out our performance against our sustainability golden metrics. We continue to review these KPIs to ensure they reflect the most important drivers of ESG outcomes. This period we have added colleague sick days as an additional sustainability golden metric as a key measure of colleague wellbeing.

We are committed to data integrity and quality and accept openly that we have made mistakes in our previous disclosures of Scope 1,2 & 3 emissions – so we are now working through this re-baseline, with a full third party audit, which will be completed and presented in our year end update.

Environmental	30 Sep 2023
Homes at EPC C or above[13]	87.4%
Scope 1,2 & 3 emissions	tbc

Social	30 Sep 2023
Market-social rent differential[14]	53%
Number of affordable homes completed	472
of which social rent homes	212
Customer advocacy	89%

Governance	30 Sep 2023
Board and Executive male:female ratio	9:4
Gender pay gap[2]	3.8%
Ethnicity pay gap[15]	3.9%
Colleague sick days	9.4
Landlord compliance:	
Gas safety	100%
Fire safety	100%
Decent homes	99.5%
Complaints upheld by Ombudsman	9*
Adverse regulator findings	Nil

* Two of which were 'severe' maladministration

Treasury and sustainability

Imran Mubeen
Director of treasury

2.2x
EBITDA MRI interest cover

£434m
Cash and undrawn facilities

87.4%
Homes at EPC C and above

It's been another successful period as we continue to unlock balance sheet capacity to drive new funding for investment in existing homes, new homes and our sustainability work. In challenging funding markets, we co-created an innovative pathway to new funding with LGIM, re-couponing our legacy private placement to release £50m of embedded value. This allowed us to access immediate cash proceeds without the weight of new legal documents, a full security charging cycle or an extended roadshow.

We returned to the market to issue a £100m sustainable private placement with UK and US investors. The bidbook was seven times oversubscribed and focused on shorter-dated tenors in an elevated rate environment. These deals were the first to be established from our updated 2023 sustainable finance framework, accredited by DNV. We look forward to publishing our first allocation report in 2024.

We expanded our revolving credit facility (RCF) portfolio to five banks, entering into our first deal with a European funder through a £75m sustainability-linked loan (SLL) with ABN AMRO. The sustainability themes focus on our customers and colleagues, with targets on coaching 1,400 customers into employment or training and reducing our colleague sick days to 6.5 days by 2028. This builds on our existing portfolio of SLLs which link to the energy efficiency of our homes and our gender pay gap. Our SLLs continue to drive the right discussions across our organisation, and provide the visibility, comparability and accountability which has become a hallmark of our pioneering approach to sustainable finance. 87.4% of our homes are now at EPC C or above, and our gender pay gap has reduced once again to 3.8%.

Over the next six months, we will be expanding our RCF base again to establish total available facilities of £450m. The new loans will be sustainability-linked, with a unique social or customer themed KPI for each facility. Importantly, our new loans will also focus more holistically on our decarbonisation strategy with an aspiration to re-baseline our Scope 1,2 & 3 emissions and set annualised targets, which will remain independent of any changes to government policy. We are committed to data integrity and quality and accept openly that we have made mistakes in our previous carbon disclosures – so we are now working through this re-baseline, with a full third party audit, which will be completed and presented in our year end update.

Our sector-leading credit ratings provide the platform to continue delivering for our current and aspiring customers. In an era marked by sector-wide downgrades, we were particularly pleased to have our S&P Global rating upgraded to A+ (stable), which is now de-linked from any negative changes to the UK sovereign rating.

Case study

Governance: Inclusion Week (25 September - 1 October 2023)

We exist to provide quality, affordable homes, because nothing is more important to an individual or a family than their home. But we care about all of the people who live in their homes as well, which is why we invest in building relationships with customers so they can thrive.

But to do that we have to ensure we provide a truly inclusive customer experience, so that every customer is able to fully engage and participate with us. We're committed to being an inclusive organisation and this autumn colleagues from across Bromford celebrated National Inclusion Week by taking part in a series of activities linked to this year's theme of Take Action, Make Impact.

The programme of events includes talks from Tulsi Vagjiani on body confidence and disability and Phil Campion on social mobility and mental resilience. There were also two sessions from Alexandra Duffy, training lead at Stonewall Housing, the UK's leading LGBTQIA+ homelessness charity. She revealed that around a quarter of everyone who experiences homelessness each year are LGBTQIA+ and talked about the work they do to support people but also shared advice on how other organisations like Bromford can help.

Alexandra also referred to a study of LGBTQ+ social housing residents carried out by HouseProud and the University of Surrey.

"There was a feeling from a third of residents that their neighbourhood didn't feel safe to live in as an LGBTQ+ person and that their landlord wasn't able to deal effectively with issues like harassment," she said. "I really think working in the housing sector this is something we can all do something about and take it seriously when someone's experience of antisocial behaviour may be linked to homophobia or transphobia and really empathise with them."

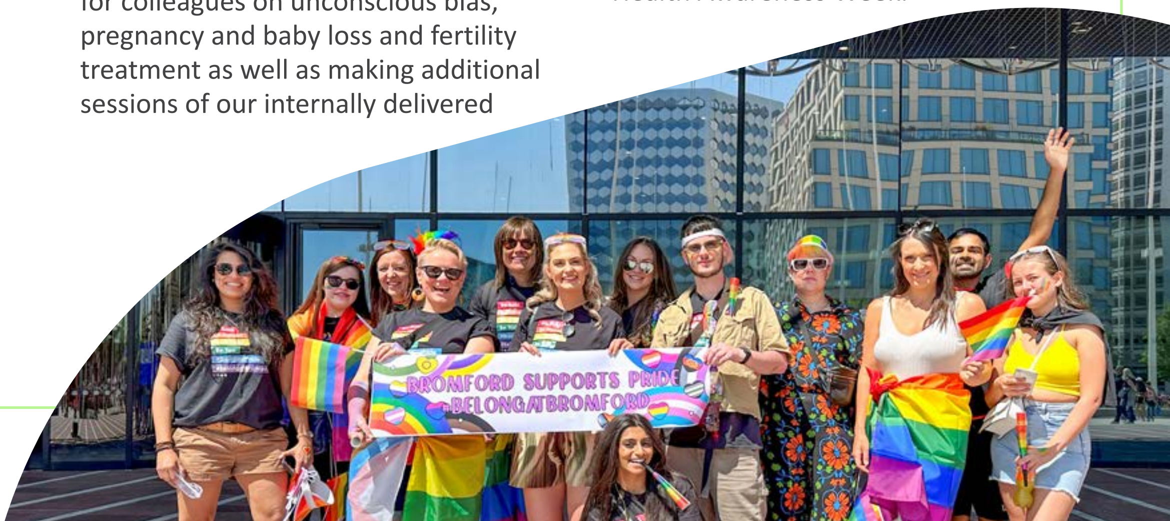
Kevin Bennett, director of localities and customer contact said: "It was a really good and insightful session around a subject that we want to make sure is on our agenda. For me there were a few things that really stood out from Alexandra's presentation, particularly around tackling marginalisation."

Ruth-Anne Eghan from Inclusive Employers ran a session on taking action to deliver an inclusive customer experience. She explained: "Inclusive customer service isn't a once and done activity, it should be embedded in your organisation's ways of working and provide an opportunity to bring your values and behaviours to life. And a good way of seeing how you might be more inclusive is by hearing people's stories, listening or watching videos of people talking about their experiences based off their protected characteristics. So, it's important to do that learning and connect with people from other backgrounds so you can understand this better."

In addition to the drop-in events during Inclusion Week we also launched new wellbeing guidance for colleagues on unconscious bias, pregnancy and baby loss and fertility treatment as well as making additional sessions of our internally delivered Unconscious Bias training available.

These form part of our ongoing work to ensure that Bromford is an inclusive place to work, which includes our annual equality, diversity and inclusion survey, which 60% of colleagues took part in this year. The results gave us an overall inclusion rating of 80%, an increase on the previous year, which reflects the work we have done over the past 12 months.

This is an area that we will continue to work on, with our chief champion groups which are led by senior leaders continuing to look at all aspects of EDI, including race and faith, disability and carers, LGBTQIA+, and age and gender issues and raising awareness of and celebrating events such as Black History Month, Diwali and Mental Health Awareness Week.



Notes

1. Current tenant arrears for general need and housing for older people customers, less expected housing benefit at the end of the year as a % of the annual rent receivable for the year
2. Difference between the median hourly pay of male and female colleagues reported on the Gender Pay Gap Service at a snapshot date of 5 April 2023
3. Operating surplus / turnover
4. General needs, supported housing, affordable rent and low cost home ownership tenures
5. Operating margin including asset sales includes all activity; operating margin excluding asset sales removes gain or loss on disposal of assets
6. Operating surplus on first tranche shared ownership sales / turnover from first tranche shared ownership sales
7. (Operating surplus + depreciation + amortisation – capitalised major repairs) / net interest paid
8. Operating surplus on social housing lettings / net interest paid
9. Net debt / housing assets at historic cost
10. 18 month cashflow requirement – 20% of sales income + £25m
11. Cash and undrawn RCF
12. Cash and undrawn facilities / 18 month liquidity requirement
13. Including both existing and new homes
14. The average social rent of our homes in our most recent (2022-23) SDR submission across our geographies as a percentage of the average market rent across our geographies taken from ONS data to March 2023 reported in June 2023 (private rental market summary statistics in England - Office for National Statistics (**ons.gov.uk**))
15. Difference between the median hourly pay of white and ethnic minority colleagues reported internally

This trading update contains certain forward looking statements about the future outlook for Bromford. These have been prepared and reviewed by Bromford only and are unaudited. Forward looking statements inherently involve a number of uncertainties and assumptions. Although the directors believe that these statements are based upon reasonable assumptions on the publication date, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual and audited outcomes and results to be materially different. Additionally, the information in this statement should not be construed as solicitation or recommendation to invest in Bromford's bonds.

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