Trading Update

For the year ended March 2023

Bromford.

Introduction.

Bromford is today issuing its consolidated trading update for the year ended 31 March 2023 (2023 FY).

This year's unaudited trading update marks a step change in the way we are presenting our results, as we start to disclose our sustainability performance alongside our financial performance.

This reflects a strategic change in how we communicate our performance to consider our impact on our people and places, as well as traditional financial metrics. It also includes customer-centric metrics, and sees both our customer and sustainability KPIs positioned alongside our financial ones.

This approach reflects our determination to make sustainability reporting more transparent, more open and more regular, alongside a focus on sustainability 'golden metrics' that provide greater visibility of activity and actions that drive truly sustainable outcomes. This will in turn help us to co-create with funders and investors new linkages, and ultimately make business and investment decisions with sustainability front and centre, and with customers at the heart of everything we do.

Measuring and reporting sustainable outcomes remains dynamic and nascent. We expect our sustainability reporting to evolve over time to reflect greater corporate understanding, updates in the policy landscape and developments in technology.

The preliminary 2023 FY outturn is unaudited and is provided for information purposes only. The year-end audit is currently underway and will reflect fair value adjustments for properties, derivatives and pensions. The 2022 FY audited comparators are provided on a like for like basis.

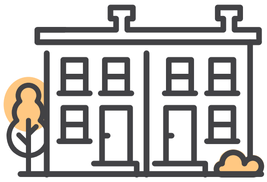
A reforecast was approved by our Board in November 2022 to reflect the revised annual projections for the business. Actual performance is set out against this reforecast as well as prior year comparators where appropriate.

Full-year highlights.

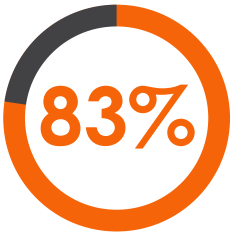
We own and manage

46,450

homes



Social housing lettings turnover contributed to



of total turnover

Credit Ratings

A2/A+

Key updates:

- We had our **G1 / V1** regulatory ratings reaffirmed in September 2022 following a regulatory In Depth Assessment
- We have maintained our Moody's **A2** and S&P **A+** credit ratings
- We own and manage **46,450** homes (2022 FY: 45,658)
- We have completed a record year of development building **1,265** new homes (2022 FY: 1,224)
  - of which **554** new homes are social rent
  - and **one in five** homes built in house
  - just **one** home unsold for over six months
- We delivered our first factory-built homes through **modern methods of construction** at the 28-home site of Stockwells in Moreton-in-Marsh
- We have stepped up investment in our existing homes to **c.£50m** for the second year running
- We have secured **£3.5m** from the Social Housing Decarbonisation Fund to improve the energy efficiency of our homes. We will contribute a further **£20.3m** as we invest a total of **£23.8m** to bring all of our existing homes to EPC C or above by 2028*
- We have increased our customer advocacy score to **83%** (2022 FY: 79%)

* Where economically viable

Key figures:

Margins and financial ratios	22/23	21/22
Turnover	£290m	£284m
Social housing lettings turnover	83%	79%
Operating surplus	£107m	£115m
Operating margin on social housing lettings	34%	36%
Overall operating margin (excluding asset sales)	31%	32%
Net arrears[1]	4.0%	1.9%
Asset gearing	40%	38%
EBITDA MRI interest cover	1.9x	1.7x
Gender pay gap	6.5%	7.2%
Homes at EPC C or above	87%	86%
Scope 1, 2, and 3 CO2 emissions	111,765t	113,198t

Robert Nettleton, chief executive officer, said:
"Our year-end results reflect our continued operational and financial strength during a period that saw significant challenges to our sector and the wider economy. Against a backdrop of rising inflation and unpredictable financial markets, a continued cost-of-living crisis and uncertainty over social housing rents, our priority has always been the wellbeing of our customers and our people. So we are proud that our customer advocacy score has increased by 4% to 83%; that we retained our top G1/V1 ratings from the Regulator of Social Housing; and that we delivered a record year for development with 1,265 new homes, all of which are affordable and almost half of which are social rent. We are particularly pleased to see our first factory-built homes installed at our Stockwells' site as we continue to innovate and employ modern methods of construction.

It was also a year that presented some unexpected challenges as we fell victim to a cyber incident. We were able to respond quickly to implement our business continuity plan and ensure seamless service to our customers. Our arrears peaked at 5% as customers cancelled their direct debits during the incident, but we have already improved performance to 4% with a pathway established through agreed repayment plans as we return to our normal operating levels of 2% - 3%.

We now look to the future with optimism, and a new financial year that marks the launch of our new 2023-2027 corporate strategy which puts place, scale and sustainability at the fore. We will continue to focus on the delivery of our core business of social housing. We will continue to invest in our existing homes so they remain safe and sustainable for our customers as we embrace the new tenant satisfaction measures.

We will build 12,000 new homes by 2031, over 90% of which will be affordable tenure, and we will ensure our customers' homes are located in places that enable them to thrive."

Financial performance.

34%

Operating margin on social housing lettings

1.9x

EBITDA MRI interest cover

£455m

Cash and undrawn facilities

Operating surplus for the twelve months ended 31 March 2023 was £107m. In the prior year, operating surplus for the same period was £115m, but included a gain on disposal of £11m as we sold 368 homes as part of our stock rationalisation strategy across core geographies. With our strategic disposals well progressed, our ongoing disposal activity was much smaller this year and we generated a gain on disposal of £2m. Adjusting for these movements, the year on year operating surplus grew marginally from £104m to £105m.

Paul Walsh, chief finance officer, said:
"We are pleased that in the face of strong economic headwinds, our financial resilience has enabled us to continue to invest in much-needed new homes and the maintenance of our existing ones, ultimately helping our customers and communities to thrive.

As we continue to focus on our core business of social housing, we are delighted to have delivered a social housing operating margin at the leading edge of the sector and in line with our reforecast of 34%. Whilst this is lower than last year's performance, reflecting the sector's challenge of a rent uplift in the year of 4.1% against double digit inflation across our cost base, our margins will continue to benefit from a £5m strategic cost review that is now firmly embedded in the business. The reduction in margin also reflects our pro-active investment in our existing homes as we work to bring outstanding repairs to below 6,000 in line with pre-Covid levels. We stepped up our overall investment in our existing homes to c.£50m for a second year in a row and we continue to profile over £2bn of investment in our existing homes over the life of the business plan.

Our sales performance was particularly strong with 357 homes sold, generating income of £3.7m above forecast. We only have one home unsold for over six months, and our margin on shared ownership sales exceeded forecast at 27%.

We have responded to future pressures created by the rent cap and rising inflation, re-imaging our business plan through several iterations to once again maintain our A2 /A+ credit ratings. We continue to enjoy significant covenant headroom and the financial capacity to meet the investment needs of our existing and new homes programmes."

Unaudited Financial Metrics

Statement of comprehensive income	31 March 2023 Actual	31 March 2023 Forecast	31 March 2022 Actual
Turnover from social housing lettings	£240m	£239m	£225m
Turnover	£290m	£286m	£284m
Operating surplus (including asset sales)	£107m	£103m	£115m
Surplus after tax	£64m	£61m	£69m

Margins	31 March 2023 Actual	31 March 2023 Forecast	31 March 2022 Actual
Operating margin[2] on social housing lettings[3]	34%	34%	36%
Overall operating margin[4] (excluding asset sales)	31%	31%	32%
Overall operating margin[4] (including asset sales)	37%	36%	41%
Operating margin on shared ownership (first tranche)[5]	27%	24%	18%
Operating margin on outright sales[6]	13%	15%	22%

Key financial ratios	31 March 2023 Actual	31 March 2023 Forecast	31 March 2022 Actual
EBITDA MRI interest cover[7]	1.9x	1.9x	1.7x
Social housing interest cover[8]	1.7x	1.7x	1.7x
Asset gearing[9]	40%	40%	38%

Liquidity	31 March 2023 Actual
18 month liquidity requirement[10]	£233m
Cash and undrawn facilities[11]	£455m
Liquidity ratio[12]	2.0x
Unencumbered stock (number of homes)	8,851 homes
Unencumbered stock (debt capacity)	£700m

Credit ratings	
Moody's	A2 (negative)
S&P	A+ (negative)

CASE STUDY

Social: Helping our customers through the cost of living crisis

In June 2022 we formed our Cost of Living Working Group to help customers who were struggling in the face of rising inflation impacting on the price of food, fuel and utilities.

The group includes a range of colleagues from across the business, is chaired by homelessness lead Hazel O'Halloran, and reports into our Customer Forum with visibility at Executive and Board level.

In the three months to the end of March 2023, we recorded over 3,000 cost of living conversations with customers with over 2,500 positive interventions and actions to support our customers.

These interventions have resulted in access to food bank vouchers, referrals to internal income management advisors, referrals to external partners for Household Support funds, Warmer Homes Discount Scheme and other resources. In the six months to the end of March 2023, our income management colleagues helped secure £250,000 of additional income for customers.

Our efforts have been appreciated by customers, including one who messaged a colleague after we provided her with food bank vouchers:

"I really appreciate the support and kindness you've shown me. I went to the food bank and it wasn't as scary as I thought, the support from you doing that was huge," she said.

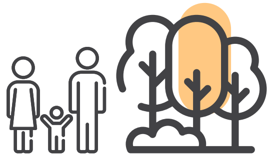
"It meant everything and we needed it more than I can explain. They even gave me some washing powder when I've been using washing up liquid to do all our clothes just to be able to clean them.

"I know sometimes your job is going to be hard but you've shown me kindness and no judgement when lots of people can be quite mean about things so I just don't talk to them. Even though you have a job to do, having the humanity that you have makes a difference - honestly. And the fact that you speak to me honestly and give me the facts in black and white really helps because I know exactly where I stand with it all."

It's a view shared by a neighbourhood coach, Nina Pearce, who added: "It's really encouraging to think what can be achieved in the future as we continue to access all local resources and work collaboratively with other organisations to help customers thrive."

Building new homes.

1,265
new homes



554
new social rent homes

Pipeline of
12,000
homes by 2031

We completed a record **1,265** new homes in the twelve months ending 31 March 2023, all affordable housing tenure, with just under half of our new homes delivered for social rent. We remain one of the largest developers of social rented homes in the country.

Our wholly-owned construction company, Bromford Developments Limited (BDL), continues to play a significant role in the group's development activity, building **232** new homes. We expect to continue to deliver at least **one in every five** homes through BDL.

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 Board approved budget for the financial year ending 31 March 2024, we expect to complete almost **1,250** new homes, all at affordable housing tenure with no new market sale homes.

Development: housing completions (31 March 2023)

Unit type	Housing completions 31 March 2023
Social rent	554
Affordable rent	348
Shared ownership	363
Total	**1,265**

Sales performance and unsold stock

We had another record year of new home sales in the twelve months ending 31 March 2023. We sold **357** new homes, of which **350** were shared ownership first tranche sales and seven were open market sale. This sales activity generated turnover of **£3.7m** above forecast.

We held **74** unsold homes at 31 March 2023, of which **40** were reserved and **four** were exchanged. Importantly, **59** of the **74** homes were only completed in March 2023. We hold just **one** home which remains unsold for over six months.

In the Board approved budget for the financial year ending 31 March 2024, we expect to sell **350** shared ownership homes and have no exposure to market sale.

CASE STUDY

Environmental: Our first factory-built homes arrive on site in Gloucestershire

The first of our factory-built homes at our ground-breaking development in Gloucestershire began to be craned into place in February.

All 28 of the new homes we are building at Stockwells in Moreton-in-Marsh have been built in sections by our modern methods of construction (MMC) partner ilke Homes, one of the country's leading modular homebuilders, at their Yorkshire factory. The modules were then transported to Gloucestershire and craned into place over the course of a six-week period.

Millie Nicholls, regeneration project manager at Bromford said: "It's been so exciting to see the first of these modular homes being lowered into place here in Moreton-in-Marsh."

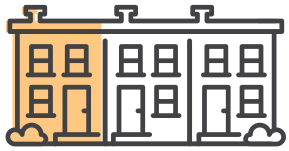
"With high energy prices continuing to fuel the cost-of-living crisis, it's never been more important to build energy efficient affordable housing. Not only will customers benefit from living in A-rated homes which require less energy to run, it is another step for us to making sure all of our homes have at least a C Energy Performance Certificate rating by 2028."

In addition to being built in modules offsite, the finished homes will also benefit from additional sustainable features such as solar panels, battery storage and air source heat pumps, making them some of the most energy efficient in the country. And working in partnership with Octopus Energy, two of the new properties will become our first zero-bills homes, making them even more affordable for customers.

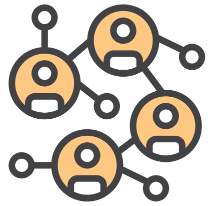
We appointed ilke Homes and Hadley Group as our preferred MMC providers in summer 2022 following a public sector tender process, to find partners to ensure we meet the obligations of our Homes England partnership to deliver 25% of new homes using MMC. Over the course of the next few years we aim to deliver hundreds of these homes which are more energy efficient, produce lower carbon emissions and are quicker to deliver.

Sustainability golden metrics.

87%
Existing homes EPC C and above



27%
Proportion of our new lettings in the year let to the homeless



6.5%
Gender pay gap

Sustainability underpins everything we do and is embedded throughout our new corporate strategy 2023-2027. It will also be an integral part of our future reporting through our annual sustainability impact report alongside our annual accounts, trading updates and investor roadshow. We have set out our performance against the sustainability golden metrics below. We will continue to review these KPIs to ensure they reflect the most important drivers of ESG outcomes.

Environmental	**31 March 2023**
Homes at EPC C or above[13]	87%
Scope 1 Scope 2 Scope 3 Total CO2 emissions[14]	5,533t 1,438t 104,794t 111,765t
Social	
Market-social rent differential[15]	54%
Number of affordable homes completed	1,265
of which social rent homes	*554 (44%)*
Proportion of our rented homes let to the homeless[16]	27%
Customer advocacy	83%
Governance	
Board and Executive male:female ratio	9:4
Gender pay gap[17]	6.5%
Ethnic pay gap[18]	4.4%
Landlord compliance: Gas safety Fire safety Decent homes	 100% 100% 99.99%
Complaints upheld by Ombudsman	9*
Adverse regulator findings	Nil

* No adverse or severe maladministrations identified

Imran Mubeen, director of treasury, said:
"We have taken feedback on board from our recent investor roadshow and have now institutionalised golden metrics across the ESG pillars in our internal and external reporting. That includes this trading update as we strive for even more visibility and accountability as we reduce our carbon emissions, drive social value, safeguard our compliance record and create a more diverse and inclusive organisation.

We have updated our Sustainable Finance Framework to align to the latest ICMA and LMA principles and reflect our 2023-2027 corporate strategy. Our accredited framework and the second iteration of our sustainability impact report will be published over the coming months.

Our pioneering approach to sustainability-linked finance is paying dividends. Our existing sustainability linked loans have delivered a reduced gender pay gap of 6.5% and driven our existing homes portfolio to 87% at EPC C or above. We have taken the analysis of our Scope 1, 2 and 3 emissions through a step change this year as we target overall emissions per home of 3.0 tonnes by 2027. We have also started to more carefully articulate socially driven KPIs, with an aspiration to have 30% of new lettings each year offered to homeless families in our communities.

We remain committed to all future funding being sustainable, and we are likely to issue our new capital markets funding in the next 12 months. We are also extending and expanding our revolving credit facilities with new offers already in place to meet our future liquidity requirements, with each new facility having a unique sustainability link."

CASE STUDY

Governance: Gender pay gap linked loan and female career accelerator

In 2021, we agreed the first loan in the sector to be linked to a governance target, and the first anywhere to link to the gender pay gap. The more effectively we reduce the gender pay gap, the lower the interest rate we pay on the loan.

The loan with SMBC initiated important dialogue across our business: with a gender pay gap at the time of over 8%, how could we introduce new initiatives to support female colleagues enhancing their careers, so that we remained true to our corporate strategy of enabling people to thrive?

This led to a number of new initiatives, including the roll-out of our inaugural Female Career Accelerator Programme, a three-month programme of career coaching sessions, weekly activities, videos, and an on-line platform of e-learning to embed learning.

Our Gender Pay Gap loan and Female Accelerator Programme have together been shortlisted for a national award at the Women in Housing Awards 2023. Eight colleagues have completed the programme under our first cohort, and a further eight started in March 2023. It has provided the perfect platform to empower our female colleagues and we will now roll it out annually.

Cohort 1 attendee Daisy Beck, After Care Manager in New Homes, said: “This programme was very much about positive self-reflection and learning about the skills that you’ve already got and how you apply them. One of the things I took away was the language that I used and changing the negative self-talk. I have kept that network so we can all keep in touch. I would encourage any woman within our business to go on it because it wasn’t so much what position you’re in now, it was about how can you be a better version of yourself.”

Imran Mubeen, director of treasury, said: “Sustainability-linked loans are more than just about the savings. When they work well they create the right discussions which lead to new initiatives to improve the lived day to day experience of our people. The focus and visibility around performance drives accountability across a range of stakeholders including our funders, rating agencies, our Regulator, our Board, and most importantly our colleagues and customers. It means we continue to ask ourselves, are we doing enough to create a level playing field to enable all of our colleagues to thrive.”

We have reduced our gender pay gap to 6.5% but know we have more work to do.

Notes and Contact information.

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. Operating surplus / Turnover
3. General Needs, Supported housing, Affordable rent and Low cost home ownership tenures
4. Operating margin including asset sales includes all activity; operating margin excluding asset sales removes gain or loss on disposal of assets
5. Operating surplus on First tranche shared ownership sales / Turnover from First tranche shared ownership sales
6. Operating surplus on outright sales / Turnover from outright 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. Scope 3 emissions do not include emissions from employee commuting, employee working from home, waste from our offices, water use or our supply chain
15. The average social rent of our homes in our most recent (2021-22) SDR submission across our geographies as a percentage of the average market rent across our geographies taken from ONS data to September 2022 reported in December 2022 (Private rental market summary statistics in England - Office for National Statistics (**ons.gov.uk**))
16. Number of new lettings in the year let to households who have been assessed by the Local Authority as homeless immediately before letting as a percentage of total lettings of rental homes (general needs and older people) allocated to Local Authorities in the year
17. Difference between the median hourly pay of male and female colleagues reported on the Gender Pay Gap Service in April 2023 at a snapshot date of 5 April 2022
18. Difference between the median hourly pay of white and BAME colleagues reported internally in April 2023 at a snapshot date of 5 April 2022

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.

For further information, please contact:

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