Q2 / 2023–2024

Trading update

Key metrics

Moody's rating

A3 stable

October 2023

Regulatory judgement

G1/V2

November 2023

Properties EPC C+

78%

Interest cover EBITDA

205%

Q2 2023/24

Handovers

239

Q2 2023/24

Customer satisfaction

84%

Deputy Chief Executive and CFO summary

Rob Griffiths,
Deputy CEO and CFO,
Longhurst Group

Overall, the Group's results for the first six months were in line with budget for this stage of the financial year.

Operationally, we continue to see an increase in demand on repairs and maintenance services, and as a result we have brought in additional contractor resource to help alleviate the backlog of repairs jobs.

Performance on shared ownership sales has remained buoyant during the first six months of the year. Our surplus on first tranche sales is ahead of budget which has been achieved through fewer sales than had been budgeted through to the end of September.

The reduction in sales in the first six months against budget is due to delays in the handover of properties from the strategic partnership development programme.

1 Financial performance

A net surplus of £6.4m was achieved to the end of September 2023, which is aligned with the business plan for this stage in the financial year.

Income and expenditure

	Q2 2023/24 £m	Q2 2022/23 £m
Turnover	**83**	81
Cost of sales	**(5)**	(10)
Operating costs	**(58)**	(50)
Operating surplus	**20**	**21**
Surplus on sale of properties not developed for outright sale	**1**	3
Interest receivable	**1**	—
Interest payable and financing costs	**(16)**	(15)
Corporation tax I&E	**—**	—
Net surplus	**6**	**9**

The slight increase in turnover is the net impact of increased Social Housing Lettings turnover and decreased income from shared ownership first tranche sales, which exceeded the business plan significantly in the prior year.

The Group's increased operating costs reflect the current economic environment and our investment in property repairs and maintenance, with the rise in cost inflation impacting on our operating margin.

Key performance indicators

	Q2 2023/24	Q2 2022/23
Operating surplus	**24%**	26%
SHL surplus	**24%**	30%
Sales income as % of turnover	**9%**	16%
Interest cover EBITDA	**205%**	212%
Interest cover EBITDA MRI	**133.5%**	186.5%
Gearing	**52%**	49%

Our level of gearing has increased due to the renewal of a revolving credit facility with the inclusion of £25m additional sustainability-linked funding, and the final £50m sale in April 2023 in relation to the forward sale of £100m bonds, netting off against facilities maturing and being repaid.

Funding

	Q2 2023/24	Q2 2022/23
Drawn debt	**£759m**	£718m
Undrawn facilities (secured)	**£170m**	£193m
Undrawn facilities (to be secured)	**—**	—
Cash	**£52m**	£83m
Weighted average debt cost	**4.3%**	4.4%
% of net debt fixed	**96%**	97%
Derivative mark-to-market (liability)	**£0.7m**	£1.5m

Forecast outturn

- Increased expenditure in relation to responsive, void and planned maintenance is forecast to have an adverse impact on the surplus and key performance metrics in the second half of the financial year.
- Interest cover EBITDA is forecast to remain at 205 percent for the year.

2 Operational performance

Q2 results

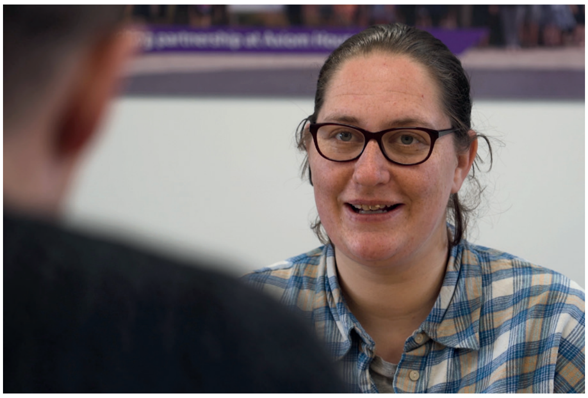
	Q2 2023/24	Q2 2022/23
Void rental losses	**2.99%**	2.64%
Rent arrears	**1.86%**	1.95%

Q2 summary

Void loss
Our void loss is a key area of focus for the 2023/24 financial year and, although heightened, has reduced since the start of the financial year and is forecast to reduce further.

Arrears performance
Our arrears performance continues to be strong, though we recognise the impact of the current economic environment on our customers. Our Community Investment Team provides a wide range of services that support the economic resilience, health and wellbeing of our customers and the wider community.

Care and support services
During the 2023/24 financial year we have reduced our Care and Support activity, most notably exiting the delivery of Care and Support in the West Midlands which will have a favourable impact on our financial performance.



ABOVE
Longhurst Group customer Alison Pember is now on the road to her dream job, thanks to our Employment and Training Advice service, part of our Community Investment programme.

3 Repairs and maintenance

Q2 results

	Q2 2023/24 £m	Q2 2022/23 £m
Responsive maintenance	**8**	6
Void maintenance	**3**	2
Planned maintenance	**5**	4
	16	12

Q2 summary

Investment in existing homes
Our continued increased investment in our existing homes demonstrates our commitment to providing the homes people want, where they're needed, with 99.7% of our homes meeting the Decent Homes Standard.

Energy efficiency upgrades
The Group submitted an application to the Social Housing Decarbonisation Fund (SHDF) in Autumn 2022. The application was successful, with £6m of funding secured from the SHDF. We'll spend a total of £14m upgrading 581 homes over the next two years.

Comprehensive stock survey
We're committed to having a complete picture of the condition of our homes, with a 100 percent stock condition survey commencing in 2024.

ABOVE
The Group's £6.3m grant from the Social Housing Decarbonisation Fund (SHDF) was confirmed in March 2023, allowing us to upgrade the energy efficiency of 581 of our existing homes.

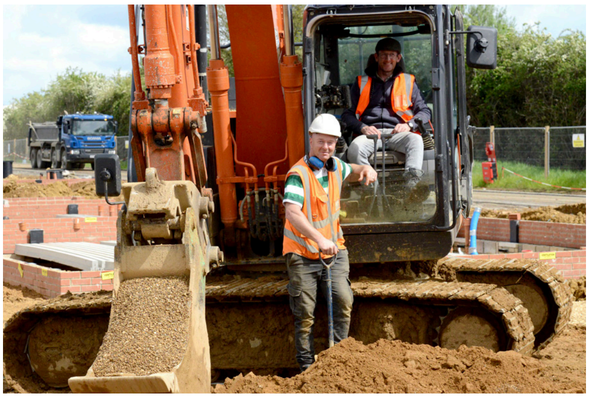
4 Property development

Q2 summary

Handovers
We achieved 239 handovers to the end of September 2023 (2022/23: 234), with our focus firmly on quality over quantity.

Shared ownership first tranche sales
Although challenges with finding contractors who can complete work to the required standard has caused some delays, our financial performance on shared ownership first tranche sales has exceeded the business plan.

We continue to see high demand for shared ownership properties, with many properties being sold off-plan and a current average first tranche share of 43.8 percent.



ABOVE
Our development at Bourne, Lincolnshire will provide 120 homes on affordable tenures for local people.

5 Environmental, Social and Governance (ESG)

Q2 summary

ESG report 2022/23
Our 2022/23 ESG report has been released, which focuses on our progress across the 12 ESG themes outlined within the Sustainability Reporting Standard for Social Housing.

Reducing fuel bills for our customers
We're ensuring that as many of our new-build properties as possible are developed to EPC C or above, to minimise climate impact and maximise energy efficiency for our customers.

The Group has set a target of ensuring all homes have a minimum EPC band C by 2030, currently 78 percent, to help reduce our carbon footprint and fuel poverty.

ABOVE
All 56 of the homes at our California Meadows development under construction in Huntingdon, Cambridgeshire will benefit from energy-efficient heating provided by Ground Source Heat Pumps (GSHPs).

Longhurst Group

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