



Midland Heart

Half Year Results 2023/24

Investors Presentation

Disclaimer

The information contained in this investor presentation including the presentation slides and any related speeches made or to be made by the management of Midland Heart Limited, any questions and any answers thereto, or any related verbal or written communications in respect thereof (the Presentation) has been prepared to assist interested parties in making their own evaluation of Midland Heart Limited and Midland Heart Capital plc (the Issuer) (together, Midland Heart).

This Presentation is believed to be in all material respects accurate, although it has not been independently verified and does not purport to be all-inclusive. Midland Heart does not undertake to update or revise this Presentation, which is neither recommendation nor advice. This Presentation and its contents are strictly confidential, are intended for use by the recipient for information purposes only and may not be reproduced in any form or further distributed to any other person or published, in whole or in part, for any purpose.

Failure to comply with this restriction may constitute a violation of applicable securities laws. By reading this Presentation, you agree to be bound by the following limitations.

Neither Midland Heart nor its representative directors, officers, managers, agents, employees or advisers nor any agent involved in any offering of any bonds by the Issuer or their respective affiliates, advisers or representatives, makes any representations or warranty (express or implied) or accepts any responsibility as to or in relation to the accuracy or completeness of the information in this Presentation (and no one is authorised to do so on behalf of any of them) and (save in the case of fraud) any liability in respect of such information or any inaccuracy therein or omission therefrom is hereby expressly disclaimed, in particular, if for reasons of commercial confidentiality information on certain matters that might be of relevance to a prospective purchaser has not been included in this Presentation.

No representation or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in this Presentation or any other information. Neither Midland Heart nor any other person connected to Midland Heart shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Presentation or any other information and any such liability is expressly disclaimed. This Presentation may include certain statements, estimates and projections prepared and provided by Midland Heart's management with respect to the anticipated future performance of Midland Heart and its group. Such statements, estimates and projections reflect various assumptions by Midland Heart's management concerning anticipated results and have been included solely for illustrative purposes. No representations are made as to the accuracy of such statements, estimates or projections or with respect to any other materials herein. [Financial results quoted are unaudited.] Actual results may vary from the projected results contained herein.

This Presentation is made to and is directed only at persons who are (a) "investment professionals" as defined under Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). Any person who is not a relevant person should not act or rely on this Presentation or any of its contents. Any investment or investment activity to which this Presentation relates is available only to and will only be engaged in with such relevant persons.

Agenda

- Introduction
- Development
- Operational performance
- Statement of comprehensive income
- Value for Money
- Building safety
- ESG update
- Treasury dashboard
- Summary



Executive Summary

Founded in 1925, we are a leading housing organisation in the Midlands that has successfully **consolidated thirteen Housing Associations** over a period of 50 years.

We own and manage **c.35,000 homes** and provide a range of quality services for **c.70,000 customers**.

Our purpose is to be a leading housing association, delivering homes and services across the Midlands that enable people to live independently.

We are committed to our founding charitable aims and focusing on delivering:



Core landlord service

We are focused on delivering a high-quality landlord function, with limited market sales development plans.



Building affordable homes

We will grow, modernise and concentrate our asset base through an ambitious new build programme alongside strategic stock acquisition and disposal.

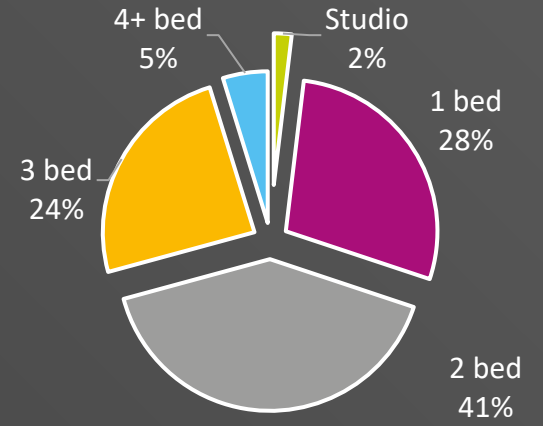
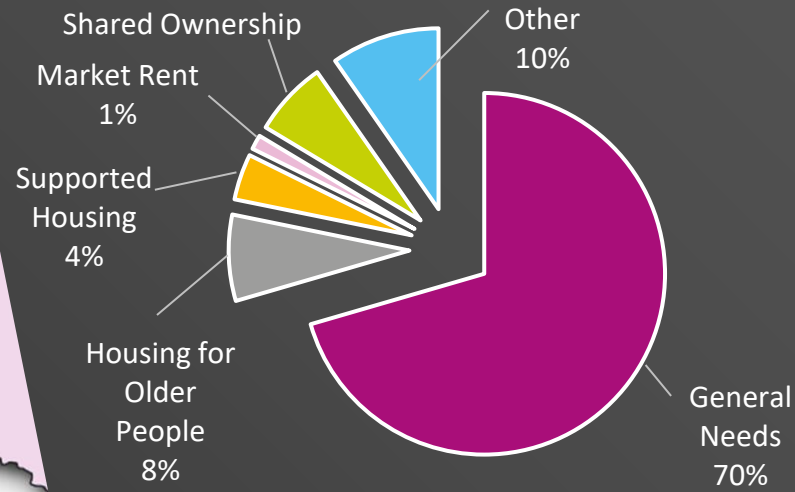
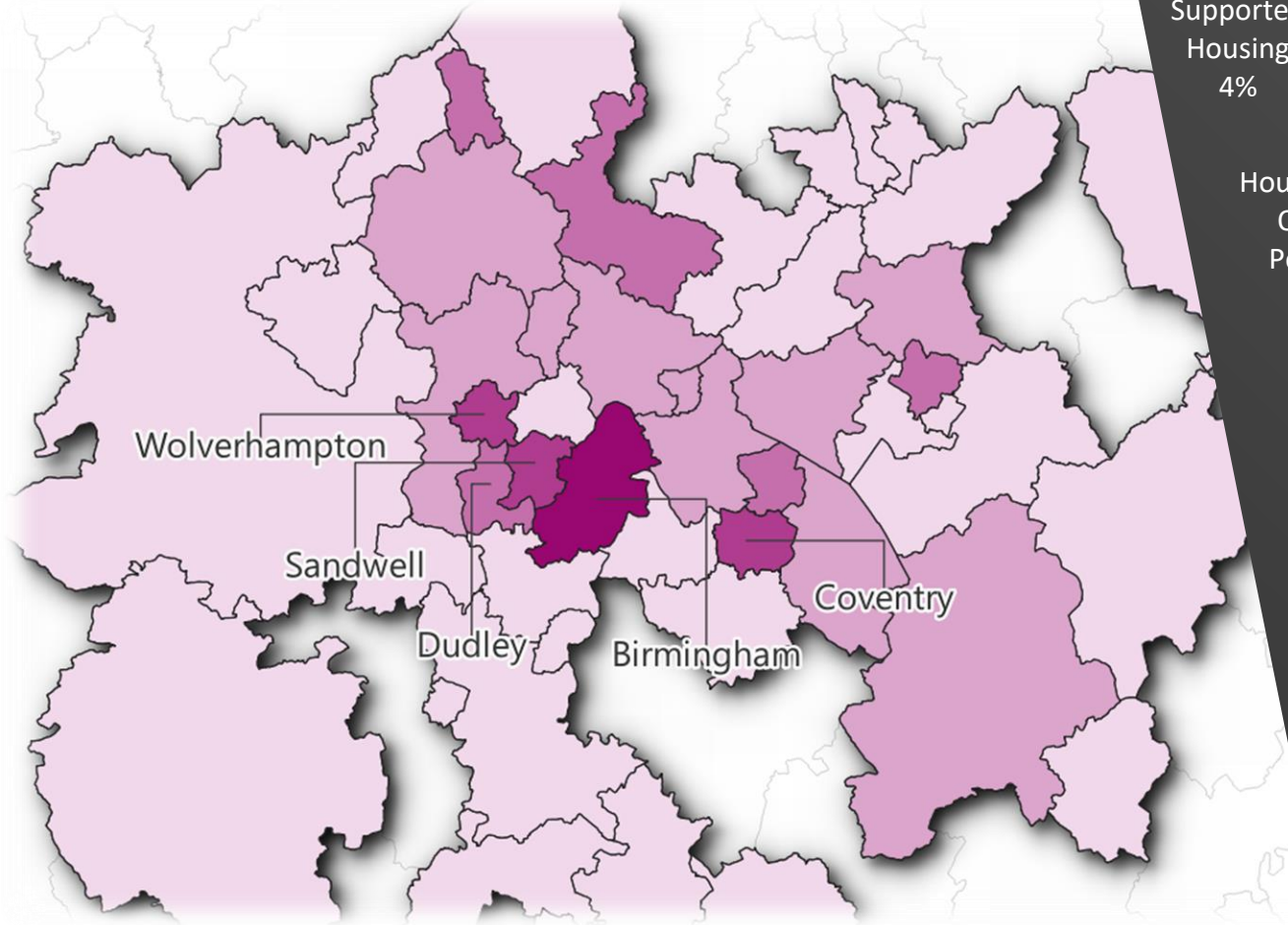


Net zero landlord by 2050

We are deeply committed to our ESG agenda and an early adopter of ESG and pay equality reporting.



Our homes



14,057
Flats



1,500
Bungalows



18,007
Houses

Top 5 Local Authorities	Total
Birmingham	37%
Coventry	12%
Wolverhampton	7%
Sandwell	5%
Dudley	4%
Total	65%

c35,000 properties in 50 LAs



30 September 2023

MAKING WHAT MATTERS

Brilliant



INVESTING IN HOMES

Investing in our homes is our customers' number one priority and will sit at the centre of everything we do.



SERVICE FIRST

Our customers have told us they expect a first-class service. We will ensure our service are responsive and we get things right first time.



GROWTH & PARTNERSHIPS

The Midlands needs more affordable homes. We are committed to building as many as we can over the next six years.



PEOPLE FOCUSED

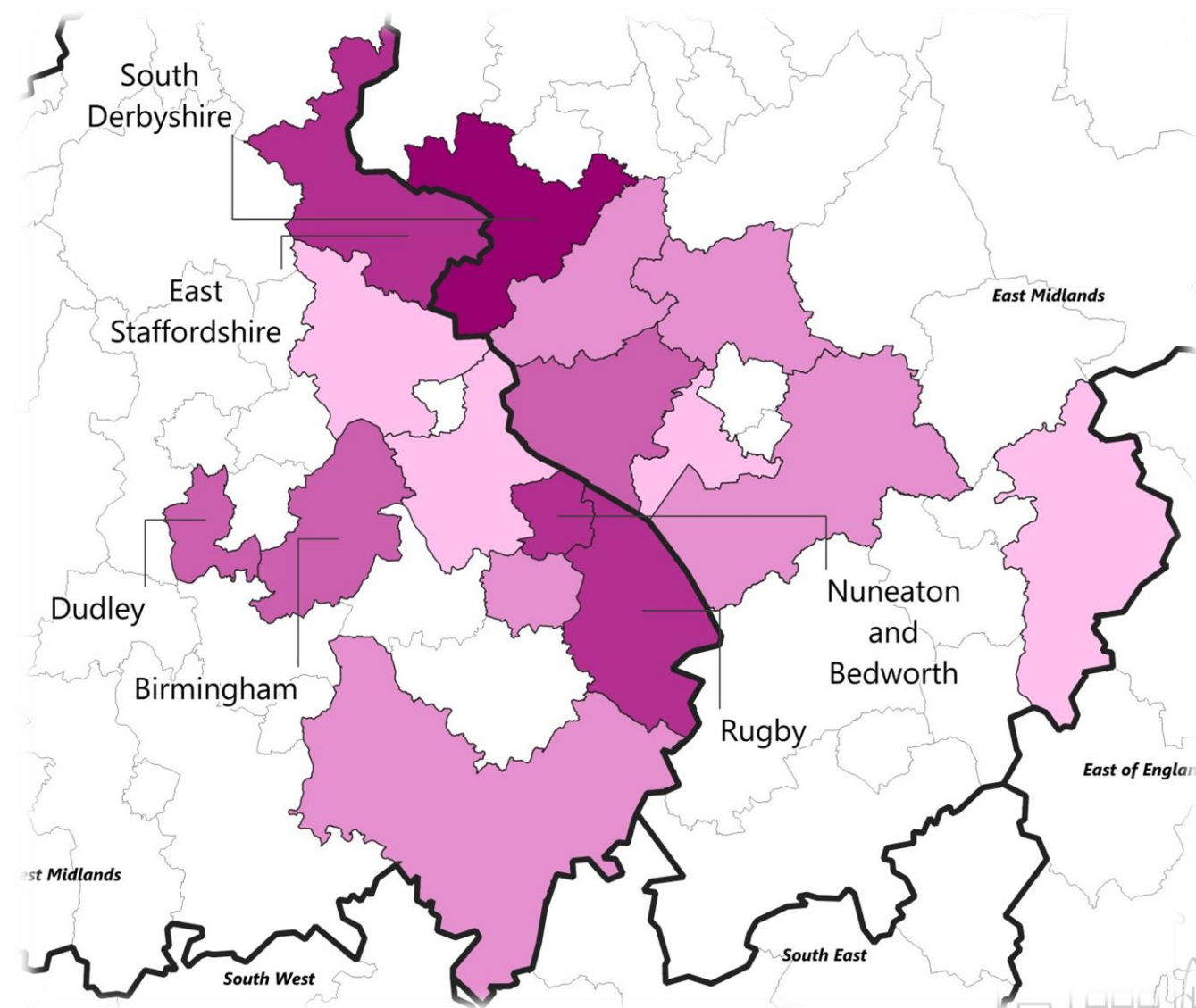
We want to be a truly great place to work and build your career. We will retain and attract the right people by rewarding, recognising and growing our colleagues.



SAFE & STRONG

We will remain financially strong and maintain our focus on safety. We will spend money wisely, investing in the things that matter most to our customers.

Housing Delivery Strategy



On target to deliver **3,750 new homes by 2025.**

253 new homes completed in 6 months period to September 2023

c700 social housing completions projected in 2023/24.

No outright sale or market rent homes in our development portfolio – growing through our core offering.

Secured additional funding from Homes England through the Affordable Homes Programme **2021-26.**

Virtually all EPC “B” rating for completed new homes.

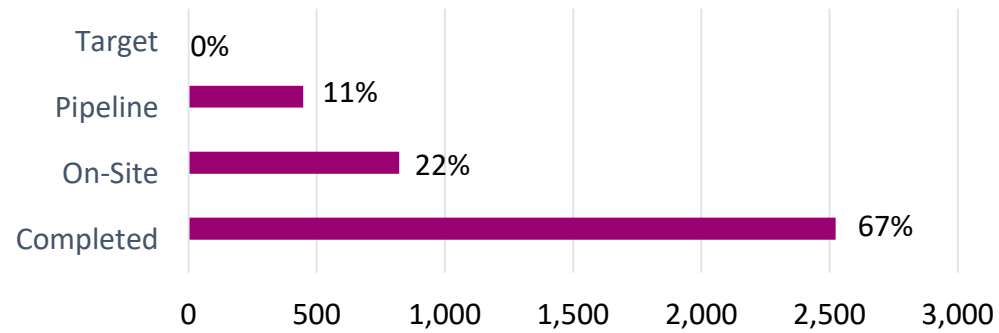
Sold **73 first tranche share ownerships** in the first half of 2023/24 with a surplus £1.49m.



Development performance

Housing Delivery Strategy

Route to 3,750



	Completed	On-Site	Pipeline	Target
■ Units	2524	822	447	0
■ Percentage	67%	22%	11%	0%

Geography

West Midlands **1,761**

East Midlands **2,032**

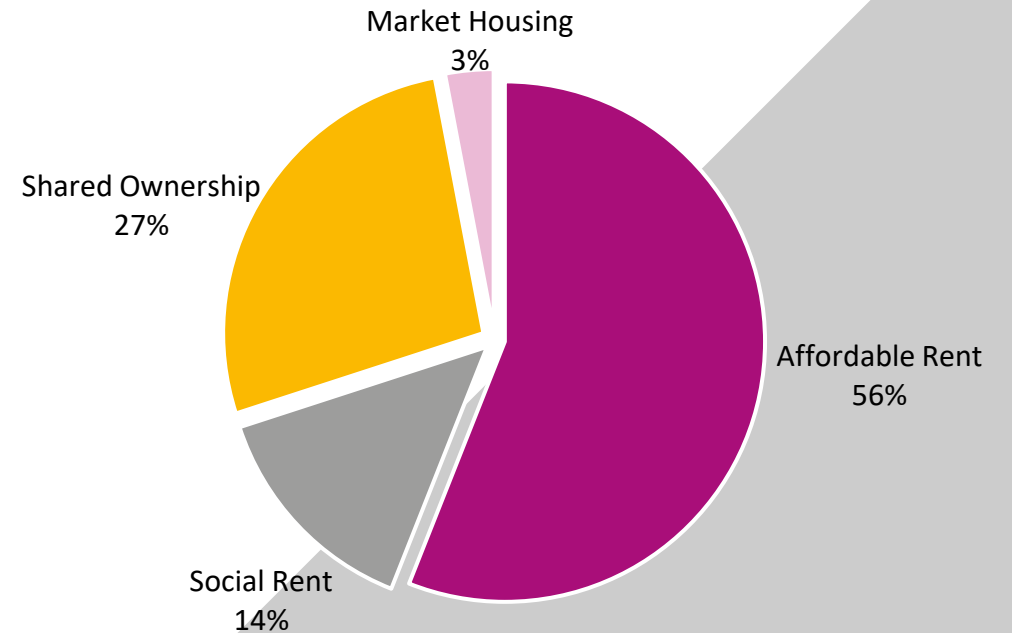
Archetype

Houses **84%**

Apartments **14%**

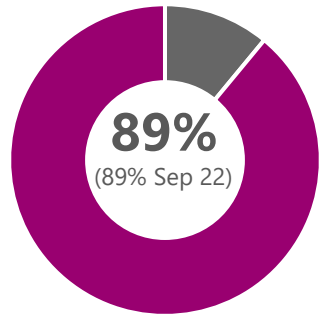
Bungalows **2%**

Completed, On-Site and Pipeline Units

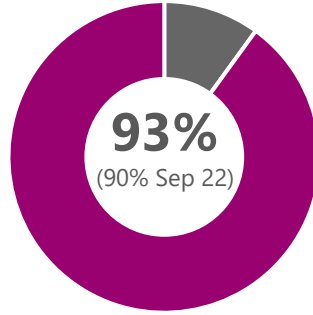


Operational performance

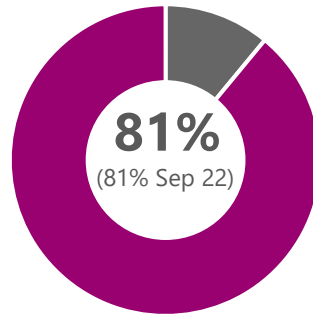
September 2023 half year results



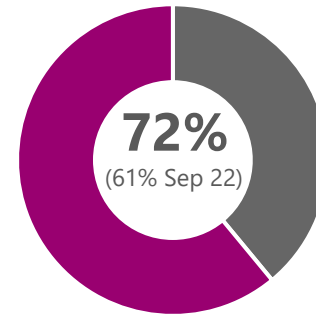
Customer satisfaction



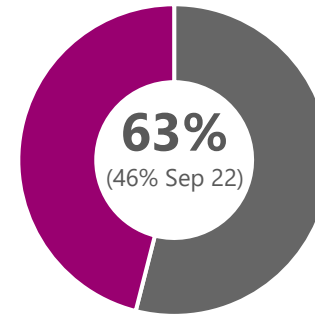
Repairs satisfaction



Colleague engagement



Properties at EPC C or above



2,524/4,000 new homes built



Re-let days

16.2 (20.7 Sep 22)



Void loss

0.96% (1.24% Sep 22)



Arrears

4.58% (4.74% Sep 22)



Regulatory grade

G1/V1 (G1/V1 Sep 22)



Statement of Comprehensive Income

	2022/23	Sept 2022	Sept 2023	
	£'000	£'000	£'000	
Turnover	221,127	113,124	114,317	Increase due to rent increases partly offset by lower income from property sales
Operating expenditure	(161,834)	(81,897)	(82,881)	Increased property investments due increased demand on repairs, partly offset by lower cost of sales from property sales.
Surplus on disposals of property, plant and equipment	4,014	2,610	2,967	
Operating surplus	63,307	33,837	34,403	
Interest receivable	2,606	875	2,041	Due to higher interest rates on our investments
Interest and financing costs	(25,502)	(12,380)	(13,282)	
Surplus before tax	40,821	22,332	23,162	
Taxation	(126)	-	(84)	
Surplus for the period	40,695	22,332	23,078	

Value for Money

Metric	Midland Heart (2022/23)	Midland Heart (2021/22)	Low quartile (all HA's 21/22)	Upper quartile (all HA's 21/22)
EBITDA MRI interest cover	2.37	2.74	1.15	1.97
Headline social housing cost per unit	£4,012	£3,693	£3,632	£4,621
Operating margin (SHL)	28.2%	30.2%	19.9%	29.3%
Operating margin (overall)	27.0%	28.8%	17.7%	26.6%
Gearing	29.3%	29.6%	40.2%	53.3%
Reinvestment %	6.7%	7.7%	5.5%	8.8%
ROCE	3.9%	3.9%	2.7%	3.9%



A1 credit rating



Strong EBITDA MRI interest cover (>200%)



SHL operating margin >30%



Low gearing



Low development risk (<3% units growth)



SH revenue >85%

Building Safety

- We continue to consistently **deliver on our statutory and regulatory compliance obligations** on Building Safety.
- **100%** of our properties that are subject to a Fire Risk Assessment, have an in-date fire safety certificate undertaken by a qualified assessor.
- We have minimal building safety exposure to buildings over 18m (**only 5**) with no cladding issues. We have completed Type 4 intrusion inspections on these buildings with no significant issues identified.
- We have a **Primary Authority Partnership Agreement** with West Midlands Fire and Rescue Service (WMFRS)

We have embarked on a number of initiatives to ensure we follow best practice guidance:



- We are preparing **case files** on the management of the buildings over 18m to provide the new Building Safety Regulator.
- We have installed **carbon monoxide detectors** in all properties with a live gas supply.
- Complete sprinkler retrofit programme in our Retirement Living schemes..



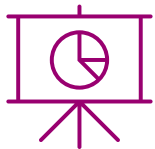
ESG update – progress to September 2023



Made considerable progress towards the conclusion of SHDF Wave 1



Purchased our first EV fleet vehicle



Placeshaping interventions in schemes; 26 in progress out of a target of 30 for year 5 of the programme



Enrolled a new cohort of degree and multi-skilled trade apprentices



Rolled out a new general needs EV policy to support tenants with EVs



c. £1.1million secured in additional funding for customers in the summer season. 99% of customers referred sustained their tenancy and 100% were satisfied with the service



Secured a Second Party Opinion from DNV Business Assurance Services UK Limited on our Sustainable Finance Framework to be formally launched in Q3 2023-24



Visit our investor hub to view our third ESG Report in compliance with the Sustainable Reporting Standard for Social Housing

Midland Heart innovation

Winner, Net Zero Initiative – Heating & Cooling 2023

- ✓ A UK domestic first, Demand Side Response pilot to test how storage heaters can be used to balance the electricity grid
- ✓ Partnership built with sector and industry leaders British Gas, part of Centrica and Glen Dimplex
- ✓ Rolled out in over 500 smart storage heaters, equivalent to 1MW of power
- ✓ Providing low carbon, maintenance free and easy to use heating systems
- ✓ New British Gas Dimplex Quantum Tariff developed as the UK's most advanced electric storage heating tariff (replacing Eco 7)

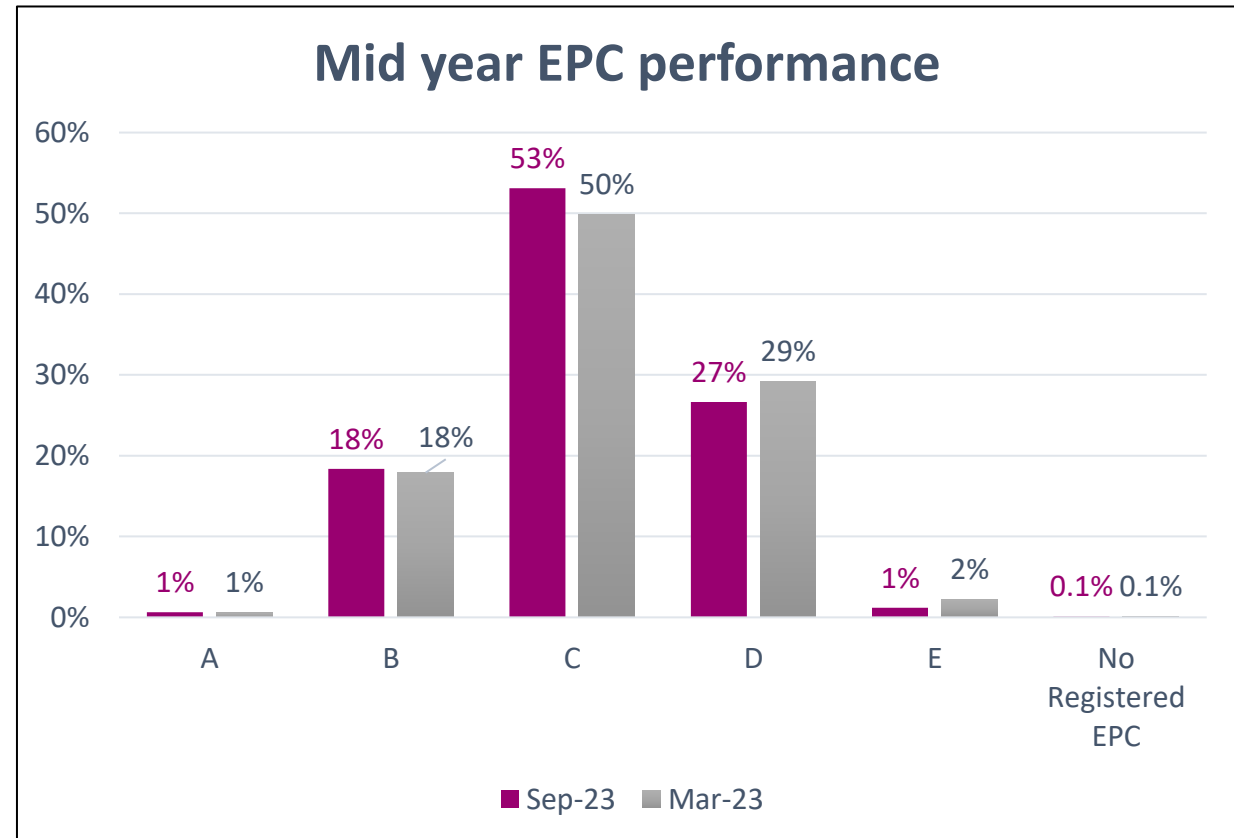


Second, Housing Association / Landlord of the Year 2023

- ✓ Showing how retrofit innovations making retrofit scalable
- ✓ Celebrating pioneering projects and lessons shared with the sector
- ✓ Evidencing value from strategic partnerships
- ✓ Delivering measurable social value impact to our tenants

Sustainability performance – mid year 2023

- Target EPC C in all our properties by 2030 - 72.1%
- Target EPC D in all our properties by 2025 – 98.9%
- Av. SAP at 72.2 up from 71.7 in March 2023
- Only c. 330 EPC Es remaining with no F or Gs recorded



Treasury dashboard

30 September 2023



Cash & Liquidity

Cash: £77m
Available facilities: £140m
Total: £217m



Drawn Debt

Outstanding loan balance: £630m



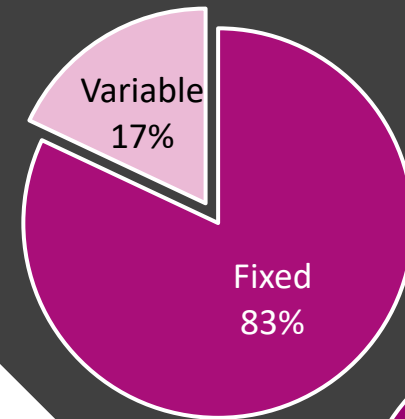
Unencumbered Assets

C£754m
c8,900 units

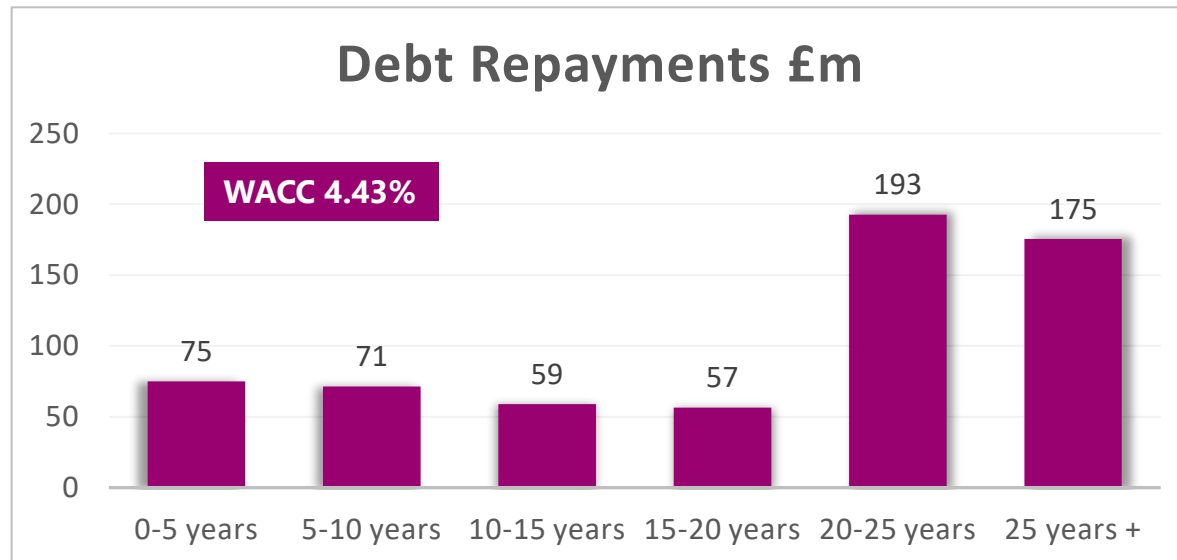
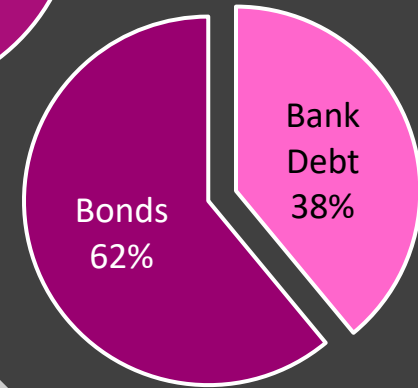


Swaps

£120m fully hedged and collateralised
by property/credit threshold
Gross MTM £7.4m



Funding Mix



Liquidity
Min: 18 months
Current: 31 months

Golden rules

Interest Cover
Min: 150%
Current: 278%

Gearing
Max: 70%
Current: 44%

Summary

MAKING WHAT **MATTERS**
Brilliant



Strong

Resilient performance
Strong track record in compliance



Simplified

Simple governance structure
Focus on core landlord services



Growing

Plan to deliver 4,000 homes by 2025



Conscious

Strong ESG credentials
Commitment to net zero

Q&A

