



Midland Heart

Half Year Results 2022/23

Investors Presentation

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Agenda

- • Introduction
- • Operational performance
- • Statement of comprehensive income
- • Value for Money
- • Building safety
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- • Treasury dashboard
- • Development
- • 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.34,000 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.

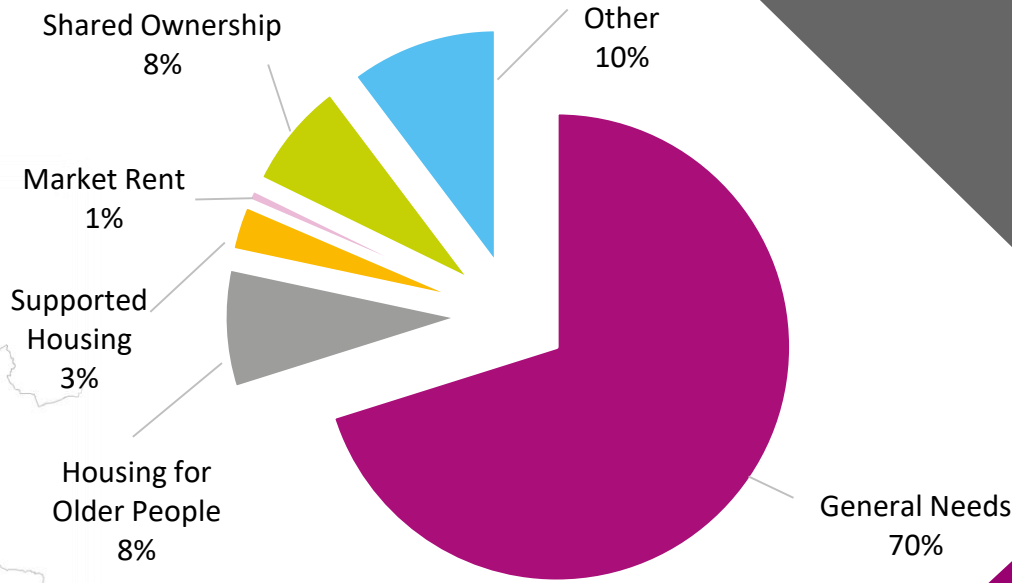
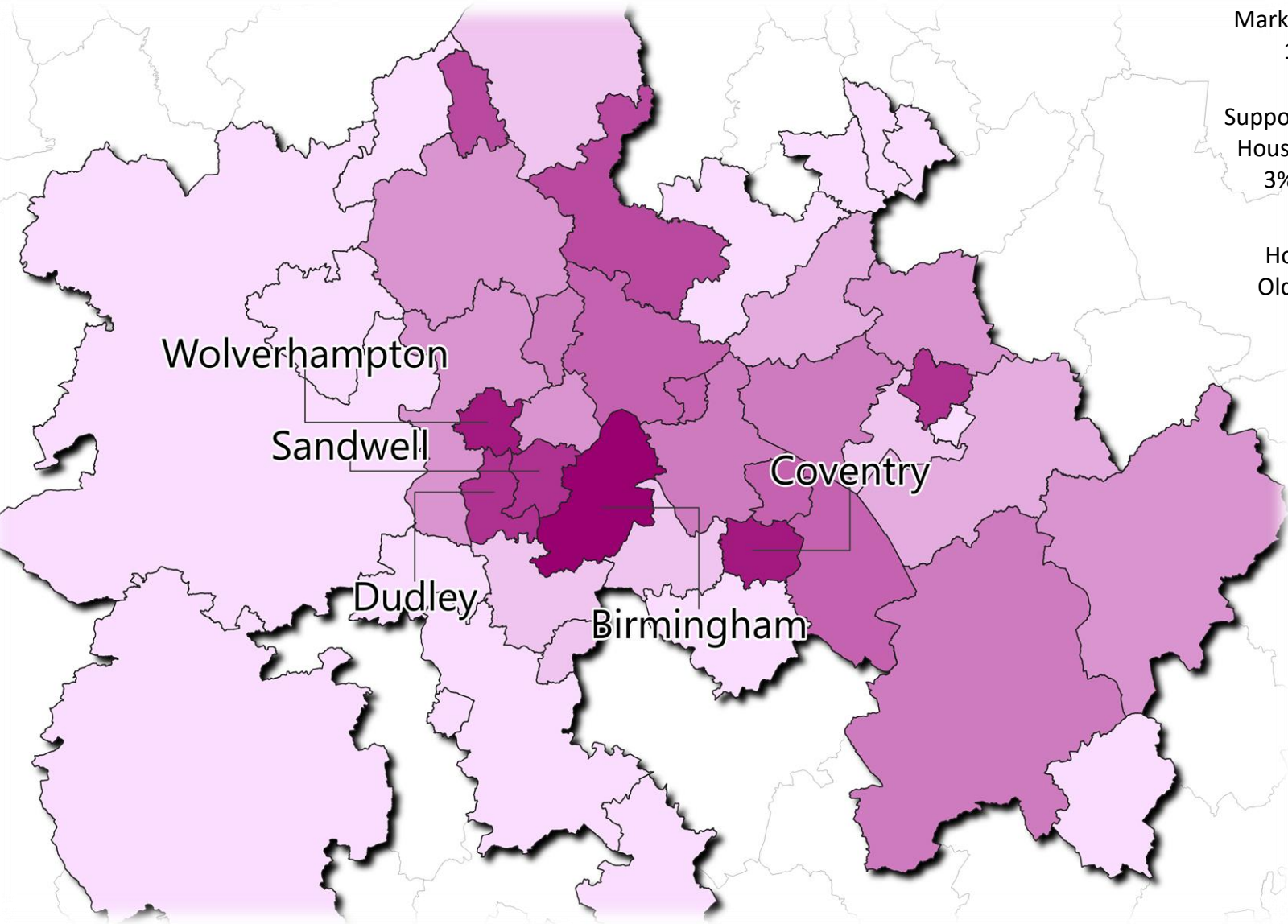


Net zero landlord by 2050

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



Our stock



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.

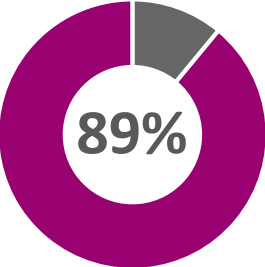


SAFE & STRONG

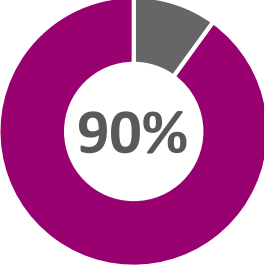
We will remain financially strong and maintain our focus on safety. We will spend money wisely, investing in the things that matter most to our customers.

Operational performance

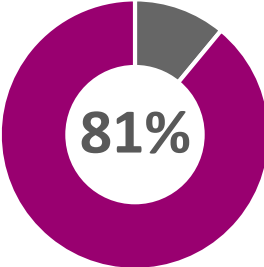
30 September 2022



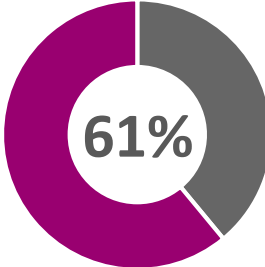
Customer satisfaction



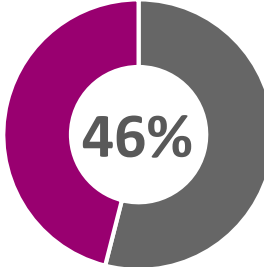
Repairs satisfaction



Colleague engagement



Properties at EPC C or above



1,842/4,000 new homes built



Re-let days
20.7



Void loss
1.24%



Arrears
4.74%



Regulatory grade
G1/V1

Statement of Comprehensive Income

	Sept 2022	Sept 2021	
	£'000	£'000	
Turnover	113,124	104,132	Increase due to rent increases and new build handovers, coupled with higher shared ownership sales
Operating expenditure	(81,897)	(72,279)	Increased maintenance and payroll costs as well as reflecting higher shared ownership sales
Surplus on disposals of property, plant and equipment	2,610	11,343	Lower due to one off stock sale (stock swap) in previous period
Surplus on revaluation of investment properties	-	-	
Operating surplus	33,837	43,196	
Interest receivable	875	136	
Interest and financing costs	(12,380)	(10,086)	Due to higher interest rates on our variable debt and the issue of retained bond in 2021/22
Surplus before tax	22,332	33,246	
Taxation	-	-	
Surplus for the year	22,332	33,246	
Movement in fair value cash flow hedged financial instruments	37,843	4,333	Due to market rises in interest rates
Total comprehensive income for the year	60,175	37,579	

Value for Money

Metric	Low quartile (all HA's 21/22)	Upper quartile (all HA's 21/22)	Midland Heart (2020/21)	Midland Heart (2021/22)
EBITDA MRI interest cover	1.15	1.97	2.14	2.74
Headline social housing cost per unit	£3,632	£4,621	£3,480	£3,693
Operating margin (SHL)	19.9%	29.3%	32.6%	30.2%
Operating margin (overall)	17.7%	26.6%	30.9%	28.8%
Gearing	40.2%	53.3%	28.9%	29.6%
Reinvestment %	5.5%	8.8%	6.4%	7.7%
ROCE	2.7%	3.9%	3.7%	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.
- A sprinkler retrofit programme in our Retirement Living schemes, delivering 8 in 2021/22 and a **further 6 planned for 2022/23**.

ESG update for 2022/23



Project 80 (our development that meets the Future Homes Standard) won the **Sustainability Award** at the CABA Built Environment Awards



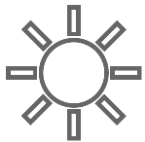
Published our **second ESG report**



Our net zero retrofit project (Havendale Close) was **highly commended** at the EEA Awards 2022



Started work on c.150 homes through the **Social Housing Decarbonisation Fund (Wave 1)**



Installed the **first solar PV** embedded into our re-roofing programme

We will also be publishing our gender and ethnicity pay gaps later this year.



Treasury dashboard

30 September 2022



Cash & Liquidity

Cash: £119m
Available facilities: £144m
Total: £263m



Drawn Debt

Outstanding loan balance: £640m



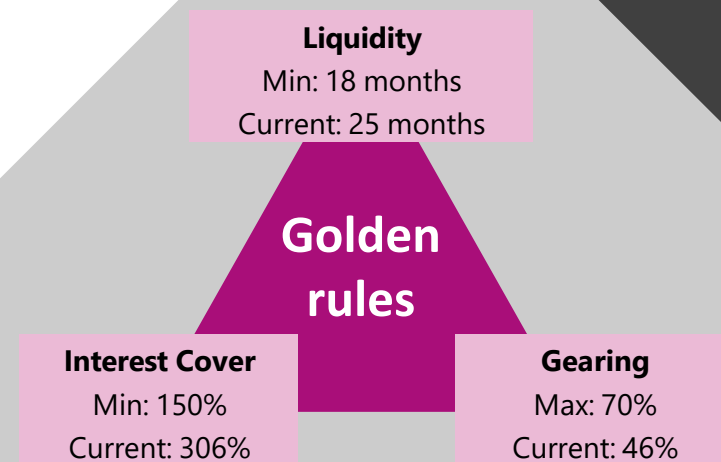
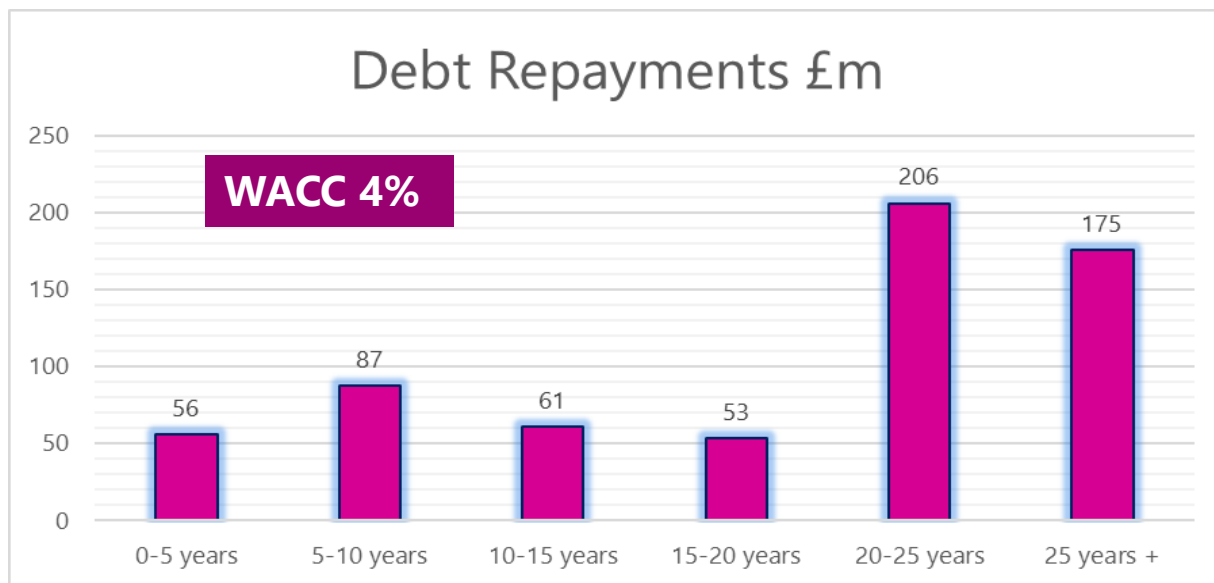
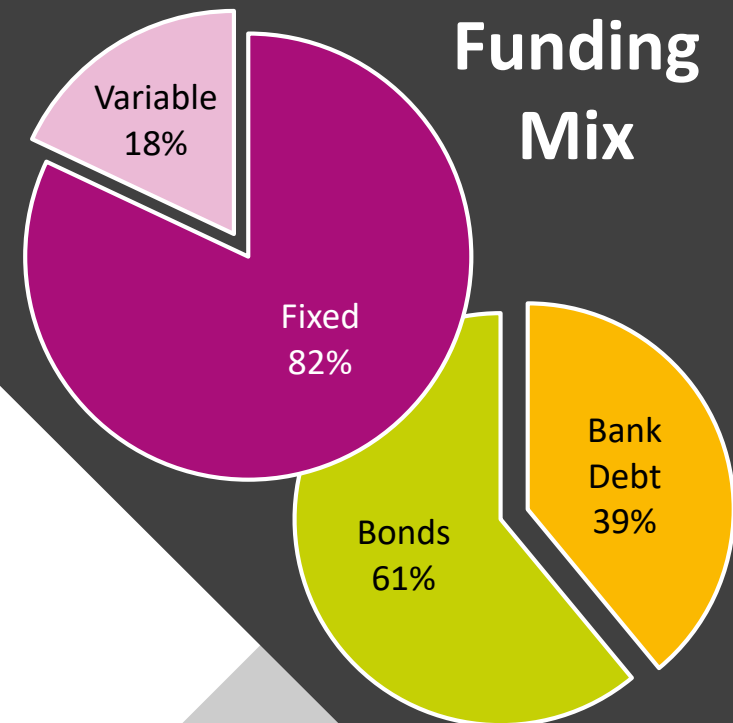
Unencumbered Assets

£700m
c8,300 units

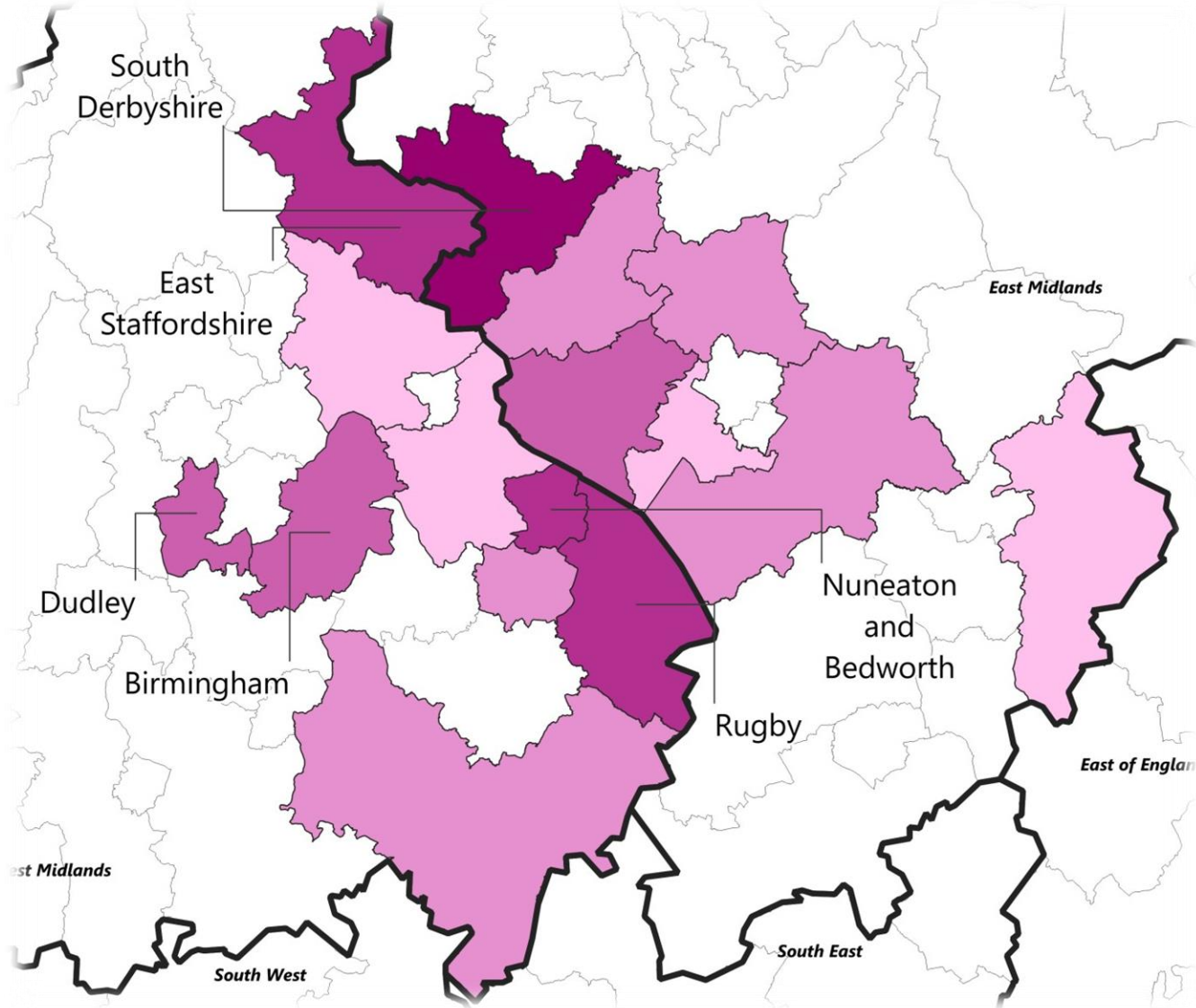


Swaps

£120m fully hedged and collateralised
by property/credit threshold
Gross MTM £9m



Housing Delivery Strategy



On target to deliver 4,000 new homes by 2025.

c650 social housing completions projected in 2022/23.

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

New Homes England Affordable Homes Programme successful bid until 2028.

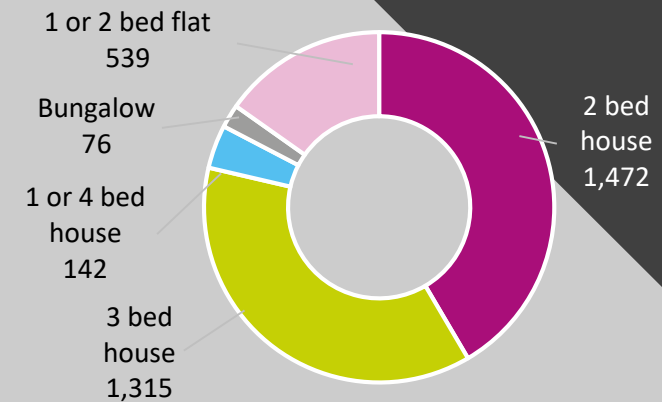
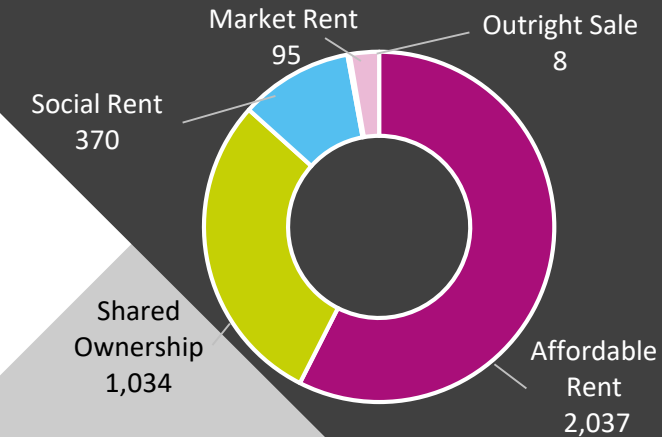
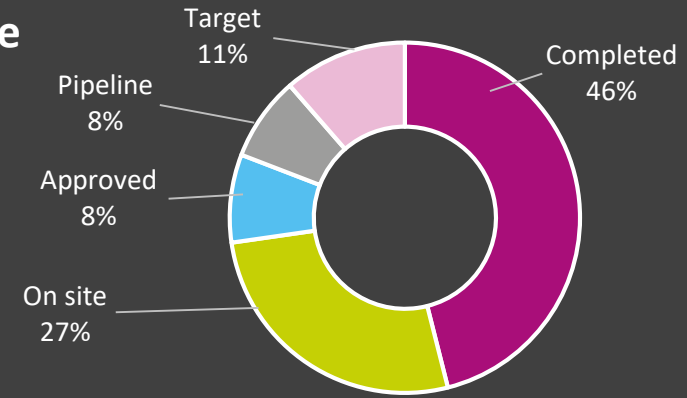
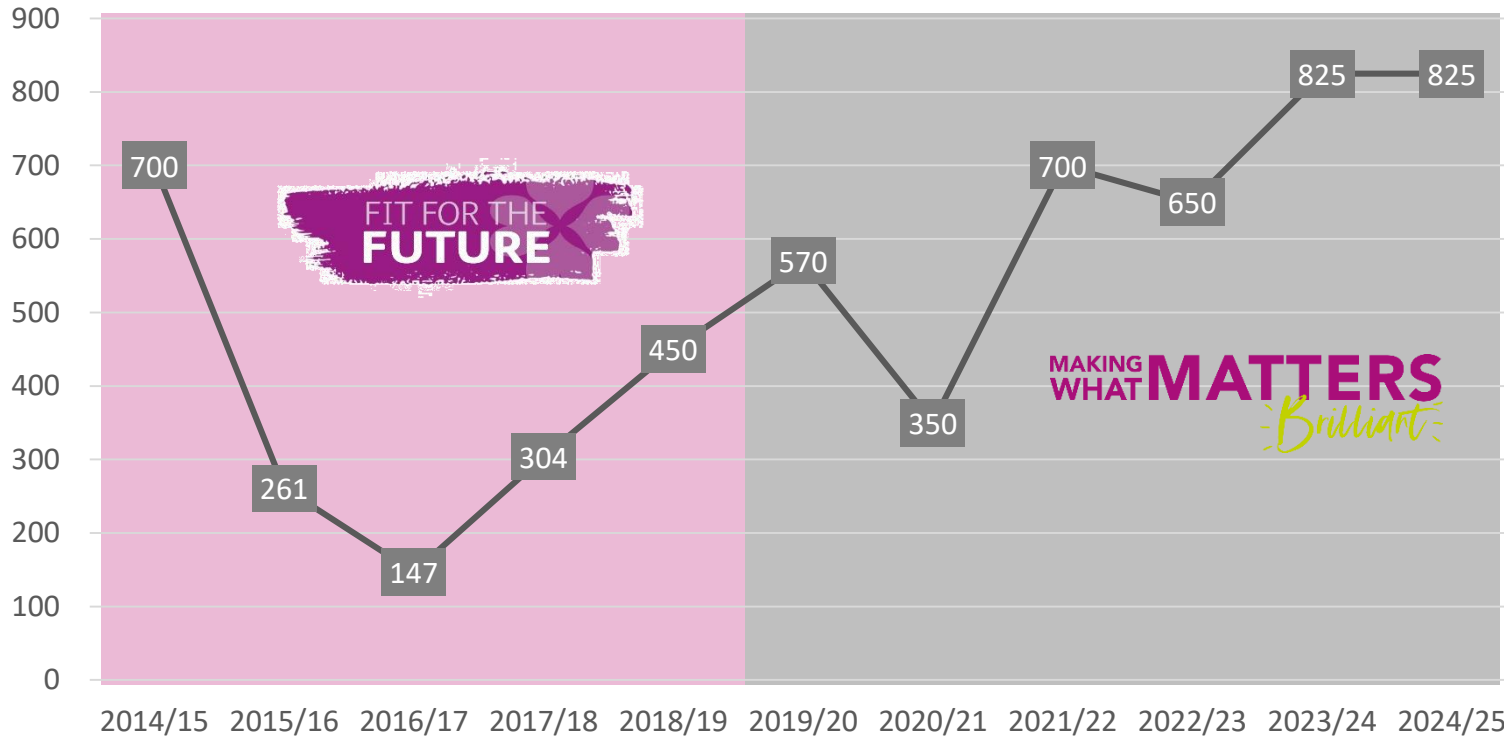
Virtually all EPC “B” rating for completed new homes.

Sold 102 first tranche share ownerships in the first half of 2022/23 with a surplus £1.5m

Development performance

Size and tenure of the 4,000 home target:

Development plan by number of units



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

