

# Investor Presentation

October 2024



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# Today's presenters

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**Joe Reeves**

Executive Director of  
Finance & Growth



**John Drozd**

Director of  
Corporate Finance

# Agenda

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**Our centenary year:  
celebrating 100 years of  
delivering for our residents**



# Our history

Our centenary year: celebrating 100 years of delivering for our residents



**1925**

**Small scale Home Improvement Society COPEC with 200 homes in Birmingham**

**2025**

**Leading Housing Association with strong regional influence: over 35,000 affordable homes in the Midlands**



# Our organisation

- We have been at the forefront of social housing for a **century**.
- From our origins of a small number **philanthropists** who in November 1924 founded Copec to deal with back-to-back housing in Birmingham.
- We have become a major social enterprise in excess of **35,000** homes providing a range of quality services for 70,000 customers.

We remain committed to our founding charitable aims, focused on delivering:



### Core landlord service

We are focused on delivering a high-quality landlord function, with no market sales development plans.



### Delivering affordable homes

We will grow, modernise and concentrate our asset base through an ambitious new build programme alongside strategic stock acquisition with no market sales exposure in our business plan.



### Net zero landlord by 2050

We are deeply committed to our sustainability agenda and we are an early adopter of the SRS and SLL.





# Our corporate plan



# Corporate plan driving our performance



# Anticipating change: strategic assessment



## Government

New government & regional mayor

Rent settlement

Awaab's Law

Employment rights

Decent homes 2



## Economy

Lower Inflation and interest rates starting to fall

Rising costs of material and labour

Recruitment challenges



## Regulator

New Social Housing Act and consumer regulations in force

TSMs in place

High profile Ombudsman

Building safety regulator being established



## Tenants

Significant scrutiny

Damp and mould, disrepair complaints – higher investment needed

Building safety continued focus

# Our view of the operating environment

Key areas	Midland Heart		Sector <sup>1</sup>	
<b>Building Safety</b>	Only 5 buildings + 18m 100% compliance TSMs	●	High rise and poor quality, particularly in London	●
<b>Rent Settlement</b>	CPI only in business plan	●	CPI+1% in business plan	●
<b>Macro Economy</b>	Prudent economic assumptions in business plan	●	Assumptions less prudent	●
<b>Service Scrutiny e.g. Ombudsman</b>	IHO maladministration rate 50%	●	National IHO maladministration rate 73%	●
<b>Professionalisation</b>	First cohort ready to go c65 colleagues only	●	Most have not identified scale of challenge	●
<b>Awaab's Law</b>	Prepared, recruiting more surveyors	●	Most have not begun to assess	●
<b>Decarbonisation</b>	Over 1/3rd properties pre-1914	●	More modern stock potentially easier to retro-fit	●

**//** *We are well placed to accommodate our operating environment due to strong governance, coupled with financial strength.* **//**

# Strategic approach: Simplification and Investment

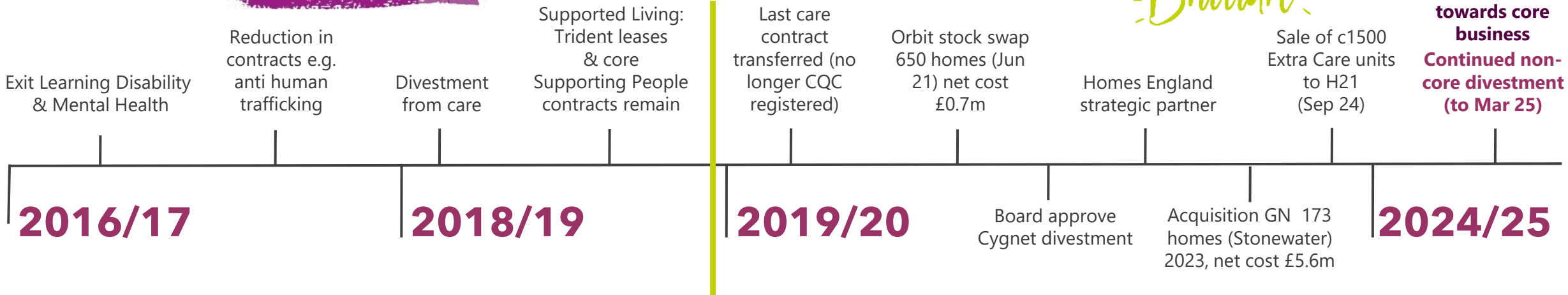
- We have spent the last decade moving to a primarily **general needs** organisation, providing **affordable rented homes**.
- We have a measured process to consolidate our footprint, **moving away from non-core activity**.
- We have undertaken general needs **stock swaps** - consolidating our footprint in the Midlands.
- **Facilitating** rather than delivering **Supported Living**.



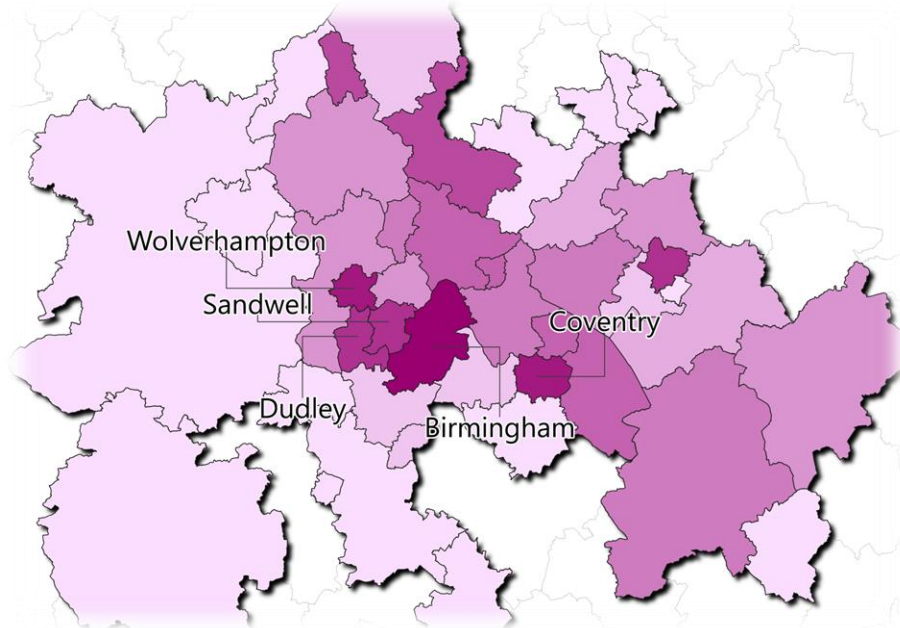
**FIT FOR THE FUTURE**

**MAKING WHAT MATTERS**  
*Brilliant*

Our strategic approach is centred on simplification towards core business  
**Continued non-core divestment (to Mar 25)**



# Our homes portfolio



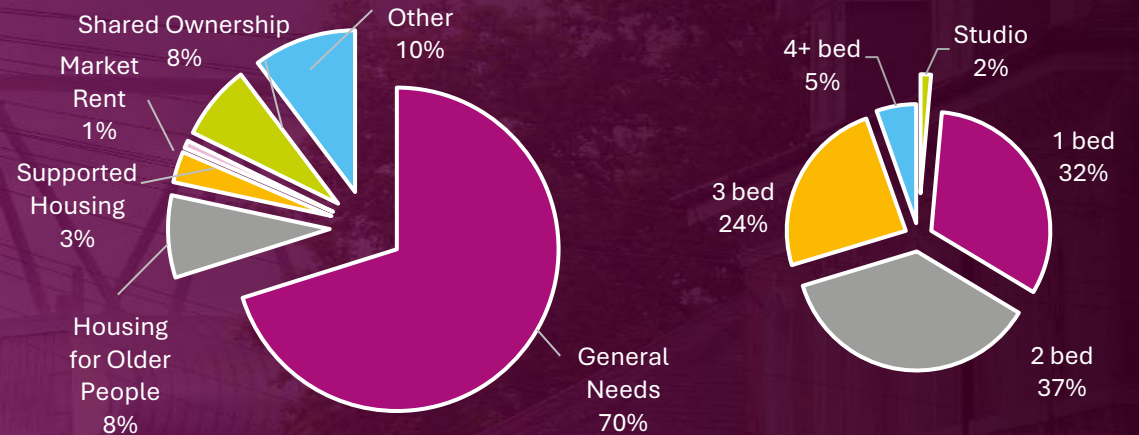
**35,459** properties in c50 local authorities

**39%** of GN rented stock pre first world war

**2/3** of properties in 5 local authorities

We operate in **7** of the most deprived wards in England

## Core business



## We have a concentrated geography in the Midlands

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

Rent/Average Earnings 19.0% (GN properties)

Demand: Over 50k actively bidding for our properties

# Our next Corporate Plan (2026-30)

## Key priorities - investing in existing homes, energy efficiency, new build, digital services and being a great place to work

- Tenant insights and the new consumer regulations
- Strategic disposals and the focus on quality
- Modernisation - tackling our ageing homes
- New homes delivery strategy
- Financial capacity
- Simplification and consolidation of systems
- Professionalisation, culture and behaviours

- Remain financially strong
- Capacity to remain independent
- Deliver on our tenants' priorities.
- Ride external shocks e.g. rent cuts, financial crisis/austerity, COVID & Brexit.
- Continued investment in our homes is a key priority for our tenants





**Our focus on customers**

# Service First - objectives and measures

Measure	2021/22	2022/23	2023/24	2024/25 Target
Customer satisfaction	89%	89%	89%	85-90%
Repairs satisfaction	91%	91%	92%	90-95%

- ✔ Tackling anti-social behaviour through engaging with tenants on improving security arrangements and CCTV systems across **74** schemes.
- ✔ Going live with repairs online. More than **6,000** repairs have now been raised via the tenant app, around **11%** of jobs raised.



## Intervention schemes

- Delivering **balanced** and **sustained** communities
- **£5.8m** invested
- **150** schemes tackled over a 5-year period
- **1,250** tenant positively impacted
- Safety and security satisfaction: **54% to 80%**
- Tenancy turnover: **reduced by 70%**
- Safeguarding and wellbeing concerns: **dropped 66%**
- **8%** gain on positive contribution to neighbourhoods through TSMs



# My Voice and Tenant Impact

**c13,000**

Satisfaction Surveys

**583**

Building Safety Surveys

**79**

My Voice Tenant Meetings

**1,477**

Tenants told us what matters most to help shape our new **Corporate Plan priorities**

**1,120**

Fed back on cost of living impact

**141**

Tenant Estate Inspections

**11**

Local Community Events



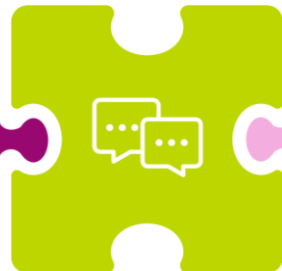
well established, developed in 2021

**My Area**



Estate Champions Resident & Committee Meetings  
Building Safety Consultations

**My Feedback**



Customer led Service Reviews  
In Depth Scrutiny

**My Scrutiny**



Delivery of action plans  
Audits of Consumer Regulation

**My Impact**



Surveys  
Consultations  
Mystery Shopping

**My Experiences**



Special Interests groups  
Task & Finish Groups



**New Equality Testing Programme**



**Audit & Assurance**



**Building Safety**



**Rent Setting**



**Low-Cost Homeowners**



**Contributing to the local neighborhood**



# Localised Communications

- Worked to identify how we could improve tenant engagement on everyday services
- Pilot around six of our schemes
- Utilising telephony dialler for proactive, specific local messages inc. ASB, fly-tipping and repairs – 5,700 text messages in 5 months
- Rolling out across rest of operating area

## The results

26% 

gain in feeling that we make a positive neighbourhood contribution

11% 

gain in feeling we treat people with fairness and respect

16% 

gain in tenants feeling informed



# Investing in Homes Objectives & Measures

Measure	2021/22	2022/23	2023/24	2024/25 Target
<b>Property investment spend</b>	£26.4m (£67.6m over 3 years)	£29.5m (97.1m over 4 years)	£39.9m (£137.0m over 5 years)	£120m over 6 years
<b>Void loss %</b>	1.29%	1.09%	0.98%	1.00%
<b>EPC (Energy Performance Certificate) ratings</b>	89% are at a minimum of EPC rating D, of which 55% are at EPC rating C.	98% are at a minimum of EPC rating D, of which 68% are at EPC rating C.	99.7% are at a minimum of EPC rating D, of which 77% are at EPC rating C.	100% of properties at a minimum of EPC rating D.



WIP jobs started at 7603 and ended the year at 6892 (9% fall)



Completed a record 1,086 new bathrooms, 868 kitchens, 152 roofs, and replaced 416 windows.



Significantly improved the EPC ratings of our properties during 2023/24 with 77% at EPC C or above.



Spent £1.3m on refurbishing more of our Retirement Living schemes.



We continued our intervention programme by improving overall property conditions.



Completed all 150 schemes identified at the start of the corporate plan, spending £0.9m in 2023/24.



We achieved our lowest ever void loss at 0.98%.



# HomeChecker

Providing on the ground assurance and a clear visibility of our homes



Launched in **2022** to highlight any unreported safeguarding concerns during property visits



Properties scored from **1-4** in terms of risk



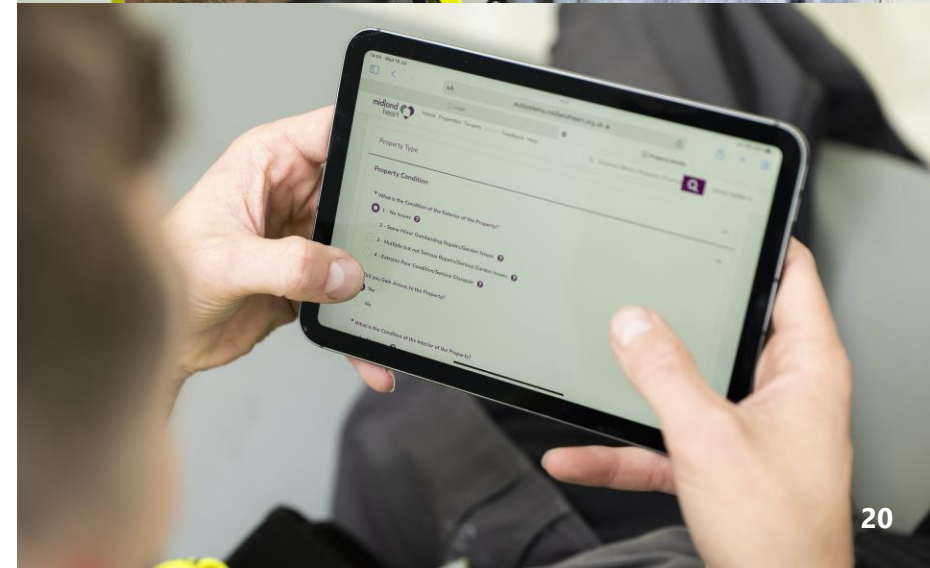
**95,000** forms completed in past 12 months



**92** high risk cases highlighted



Action plans undertaken to address our concerns



# People Focused Objectives & Measures

Measure	2021/22	2022/23	2023/24	2024/25 Target
Voluntary turnover	16.8%	14.9%	13.1%	<15.0%
Time lost due to sickness	2.8%	2.3%	2.6%	<3.0%
Colleague engagement	80%	81%	79%	>80%



Our colleague engagement score remains consistently high at circa 80%



Our work on equality, diversity and inclusion (EDI) has been recognised by the Inclusive Employers Standard where we were awarded the bronze standard on first time of entering.



We reported our lowest gender pay gap in the seven years of reporting.



We continued to invest in our people and grow our talent.



We fully utilise the apprenticeship levy.



# We are a nationally recognised employer

- Our colleague engagement score remains consistently high at circa 80%
- We reported our lowest gender pay gap in the seven years of reporting; recognising our ongoing work to reduce the gap
- We fully utilise the apprenticeship levy with 25 early careers apprentices
- We've seen a 12% reduction in mental health related absence since delivering support to our colleagues
- In 2024 we made the Sunday Times Best Places to Work List for the first time
- Our diversity and inclusion work has been recognised in our first year of entering the Inclusive Employers Standard

*"Being a great place to work is central to our corporate strategy"*

  
THE SUNDAY TIMES  
**T** Best Places  
to Work 2024



# Our operating performance

# Safe & Strong Objectives: Building Compliance



## We have a Primary Authority Partnership Agreement with West Midlands Fire and Rescue Service (WMFRS)

- The development of a standardised automatic fire detection alarm matrix for our buildings
- Currently zero enforcement notices issued by fire authorities
- A partnership approach e.g. Fire Safety concerns, External Wall System inspections through joint visits, installation of smoke and carbon monoxide alarms, fire door inspection programme, installation of Premises Information Boxes, sharing of building plans, Way Finding signage, processes & agreed to report life critical fire safety defects
- Registered all high-risk residential buildings with WMFRS, Leicestershire and Staffordshire Fire Rescue Services
- Developed in partnership our Resident Engagement Strategies ensuring they are tailored to each in scope



# Cyber security - extensive third-party assurance

- Strong Microsoft Secure Score - 80%
- As well as investing in underlying tech infrastructure, we have undertaken extensive third-party assurance:
  - Orange Cyber Audit
  - BDO IT security and Phishing Controls
  - Numerous EY Audits
  - Penetration Tests
  - No significant findings, key actions complete & road map in place.Monitored through ARC & annual update to Board

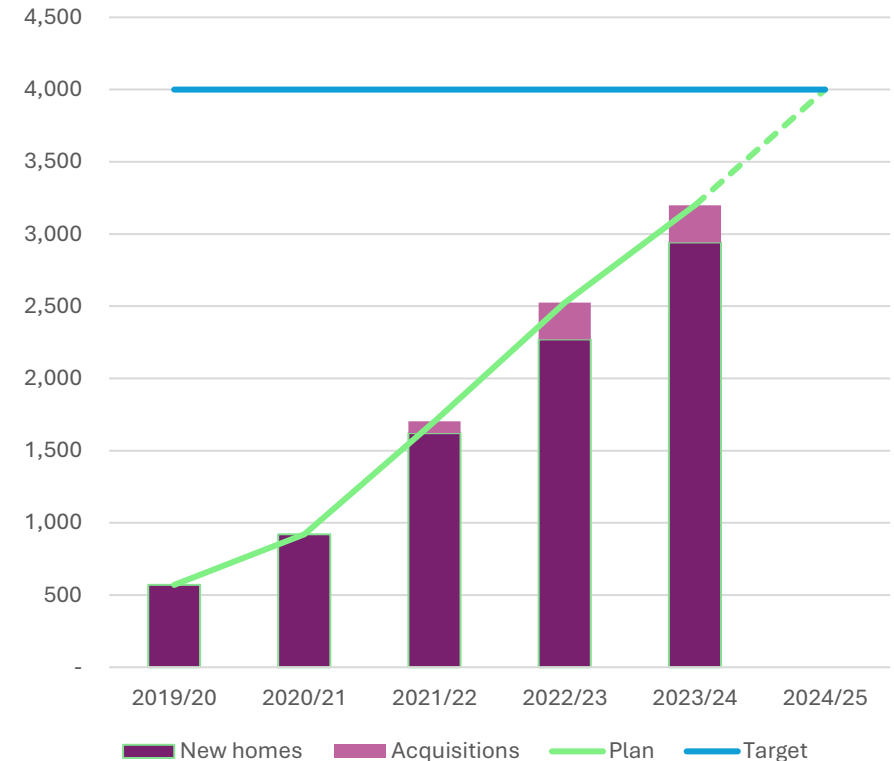


- Working towards Cyber Essentials Plus accreditation. Large scale Cyber Colleague Change Programme to raise awareness across the business.
- Backed by communications, we undertake quarterly phishing tests, annual penetration and emergency response planning tests. All reported into A&RC and Board.
- 24-7 SOC provision

# Our new homes strategy

- ✓ On target to deliver **4,000 build and acquire new homes** by 2025.
- ✓ **809 social housing completions required** in 2024/25.
- ✓ **No outright sale or market rent** homes in our current development portfolio – growing through our core offering.
- ✓ **Strategic Partner** with Homes England securing **£112.9m** of funding.
- ✓ This year's shared ownership first tranche surplus was **£2.07m**, continuing our successes from 2022/23. There were 143 shared ownership sales which generated sales receipts of £13.8m.
- ✓ Staircasing surplus on Shared Ownership **£2.5m on 57 units**.
- ✓ Grant received to date **£35m**.

## New homes: 2019 - 2025



Housing Delivery Strategy to **build and acquire 4,000** between 2019/20 and 2024/25



# Our commitment to sustainability

# Our deep commitment to ESG

## Our strategic commitment

- Low carbon key priority of Making What Matters Brilliant
- Our Carbon Reduction Plan to 2025
- Embedded corporate targets
  - EPC D by 2025
  - EPC C by 2030
  - Net zero carbon emissions by 2050
- Fully costed Retrofit Strategy to EPC C by 2030



## Transparent performance reporting



Early adopter of the Sustainable Reporting Standard for Social Housing



Alignment with financial standards for sustainability-related disclosures



Embedded UN Sustainable Development Goals



Alignment with a 'Paris Proof' science-based pathway to net zero by 2050



Annual impact reporting of sustainability linked finance

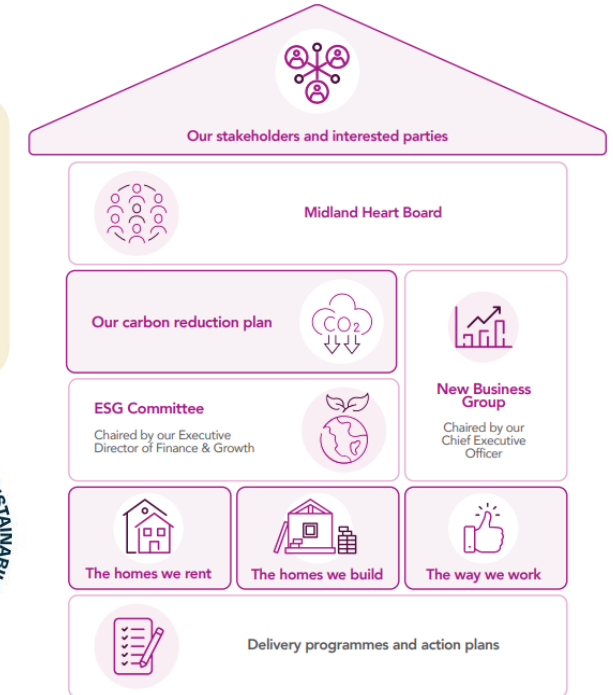


SHIFT environment verification of energy & carbon reportable metrics

# Governance of ESG

## Installing robust ESG Governance

- ESG Governance Framework including the Executive Board chaired ESG Committee and New Business Group
- Exec sponsors of the homes we rent, the homes we build and the way we work
- Quarterly Board reporting of key indicators
- Sustainability linked financing instruments
- Received Second Party Opinion from DNV on our first Sustainable Finance Framework
- SHIFT assessment benchmarking and environmental reporting verification partnership
- HACT social value impact / return on investment partnership



## Board Diversity



# Our commitment to sustainability & low carbon

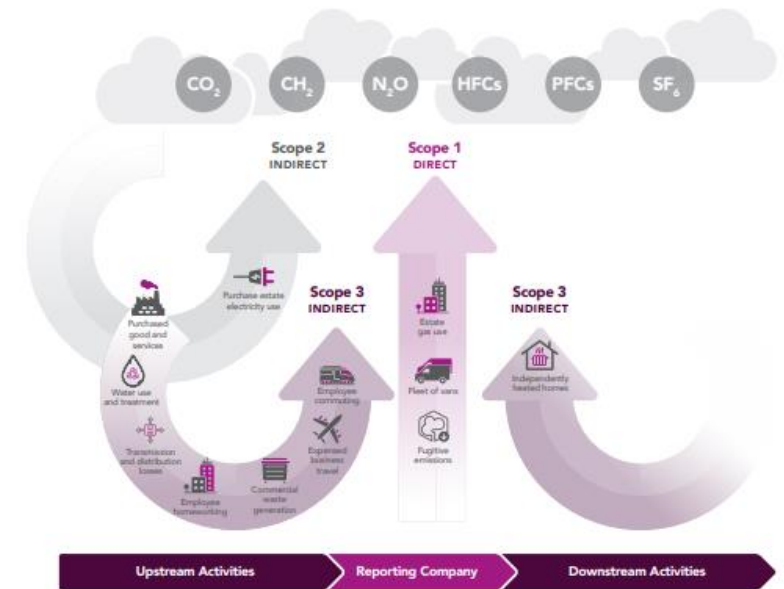
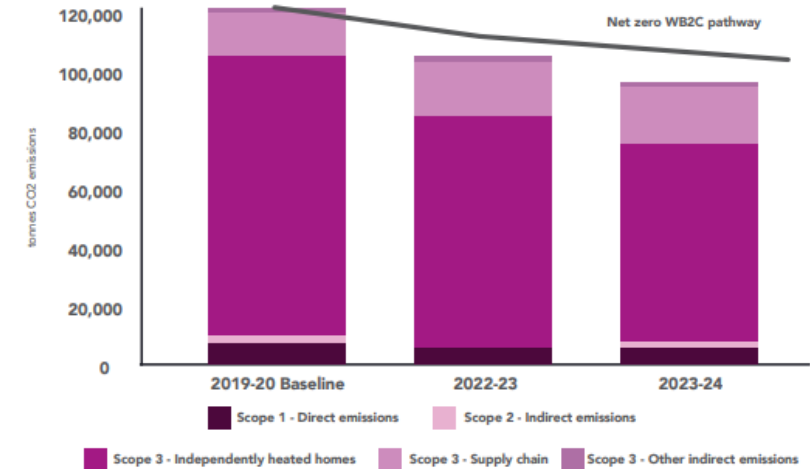
- ✓ **£5.8m** investment evidenced through successfully uplifting homes to EPC C or above
- ✓ **99%** EPC D or above ahead of 2025
- ✓ **77%** EPC C or above ahead of 2030
- ✓ **c25,000** tonnes CO2e total reduction since 2019
- ✓ **Below 2°C** pathway maintained
- ✓ **C115 tonnes** CO2e avoided: REGO certified electricity in our offices

**EPC D or above**  
2022/23/24 - 99.7%  
Target 100%  
March 2025

**EPC C or above**  
2022/23/24 - 77.0%  
Target 100%  
March 2030

● 2021/22
● 2022/23
● 2023/24

## Pathway to net zero



# Reducing fuel poverty case study

- The West Midlands has the highest proportion of 'energy poor' households of any English Region (19.5%)
- 45% of tenants are most concerned about paying their energy bills
- Of those that are Asian/ Asian British or of Mixed ethnicity, this rises to 60%
- They feel a modern home includes effective central heating systems

**Case study**  
**92 Crompton Road, Handsworth**

**Challenge**

- Victorian property, c100 years old, end terrace, EPC E.
- Hard to heat property, thermally inefficient, and old heating sources.

**Works completed**

- Incremental investment has improved the EPC rating to B – loft insulation, new roof, energy efficient boiler, removal of secondary heating, low energy lightbulbs.

**Result**

- Significant improvement in overall thermal comfort.
- Energy efficient boiler installed, low energy lighting and removal of secondary heating results in lower fuel bills.
- Energy generation through solar PV reducing fuel bills.

	100mm loft insulation	Boiler upgrade	Remove secondary heating	Install low energy lighting	Re roof, solar PV and 305mm loft insulation
A					
B					
C					
D					
E	Start				
F					
G					

- ✓ £5.8 million investment evidenced through successfully uplifting homes to EPC C or above
- ✓ £72m retrofit delivery plan to 2030 fully costed in business plan
- ✓ 6,352 tonnes CO<sub>2</sub>e reduction by moving from EPC E, F & G to EPC D or above since 2021
- ✓ Combined c£4.6m in WMCA bids through SHDF Wave 1 & 2.1
- ✓ £20k worth of fuel vouchers issued
- ✓ 91% of tenants were satisfied with our retrofit works (2023-24)

# Our Commitment to Social Value



**£5.8m**

Neighbourhood investment through the intervention programme since 2019



**c3,500**

Tenants engaged to shape what we do



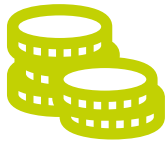
**2,845**

Referrals to money advice



**54%**

Ratio of general needs rent to market rent



**£2.6m**

Maximised tenant income through the Money Advice Team



**0.98%**

Lowest ever void loss



**100%**

TSMs Building safety



**£92k**

Secured Donations for tenant hardship





# Our financial performance

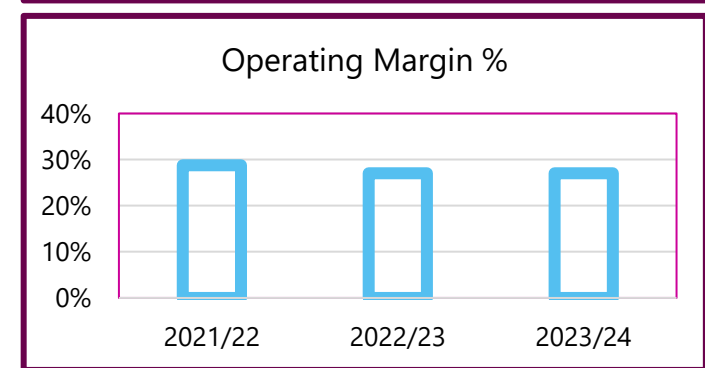
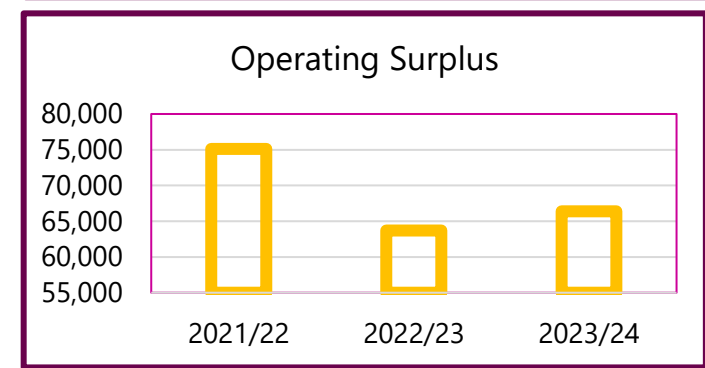
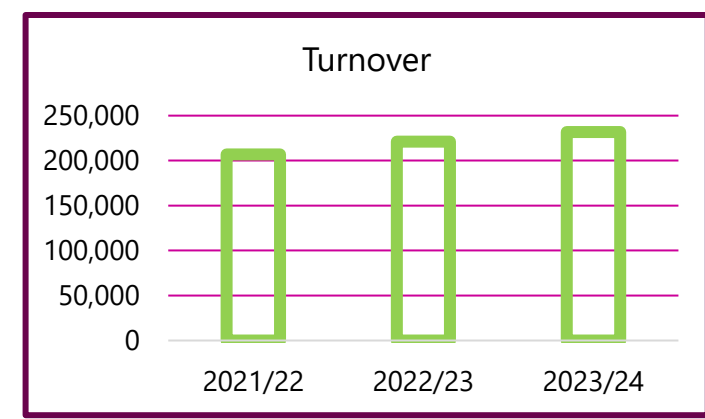
# Our Sector Leading Financial Performance 2023/24

	2023/24	2022/23
	£'000	£'000
Turnover	231,894	221,127
Operating expenditure	(169,192)	(161,834)
Surplus on disposals of property, plant and equipment	4,252	4,014
Surplus on revaluation of investment properties	(587)	410
<b>Operating surplus</b>	<b>66,367</b>	<b>63,717</b>
Interest receivable	3,644	2,606
Interest and financing costs	(27,998)	(25,502)
<b>Surplus before tax</b>	<b>42,013</b>	<b>40,821</b>
Taxation	(241)	(126)
<b>Surplus for the year</b>	<b>41,772</b>	<b>40,695</b>
Movement in fair value cash flow hedged financial instruments	4,562	28,446
Actuarial gain/(loss) on defined benefit scheme	(4,718)	(4,140)
<b>Total comprehensive income for the year</b>	<b>41,616</b>	<b>65,001</b>

Increase of £10.8m due to 7.0% rent rise, CPI increase capped by Government

Downward valuation of market rent properties

MTM movements due to increased interest rates



# Safe & Strong Financial Objectives & Measures

Our goal is to maintain our financial strength by adhering to our golden rules of interest cover, gearing and liquidity

<b>A1</b> Moody's		<b>G1/V1</b> Regulator	
Interest Cover <b>303%</b> Target >150%	EBITDA - MRI <b>196%</b>	Operating Margin <b>27%</b>	
Gearing <b>43%</b> Target <70%	Liquidity <b>41 months</b> Target >18 months	Arrears <b>4.35%</b> Target <4%	



- ✓ Strong financials retaining a sector leading **A1 stable Moody's** credit rating
- ✓ Immediate availability of **£303m** of cash & undrawn facilities plus **£75m** retained bond
- ✓ **G1/V1** rating
- ✓ Maintained a **robust financial plan** capable of withstanding realistic downside scenarios
- ✓ **Strong** VFM metrics

# Our VFM performance 2023/24

Metric	Lower quartile (all HA's 22/23)	Upper quartile (all HA's 22/23)	Midland Heart (2022/23)	Midland Heart (2023/24)
EBITDA MRI interest cover	0.87	1.69	2.37	<b>1.96</b>
Headline social housing cost per unit	£4,082	£5,847	£4,012	<b>£4,612</b>
Operating margin (SHL)	14.4%	25.5%	28.2%	<b>28.1%</b>
Operating margin (overall)	12.0%	23.0%	27.0%	<b>27.0%</b>
Gearing	33.4%	53.7%	29.3%	<b>30.5%</b>
Reinvestment %	4.3%	9.4%	6.7%	<b>9.3%</b>
ROCE	2.2%	3.6%	3.3%	<b>3.4%</b>



A1 credit rating



Strong EBITDA MRI interest cover (>175%)



SHL operating margin >27%



Low Gearing



Low development risk (<3% units growth)



SH revenue >85%



# Our treasury overview

# Our Treasury Profile 2023/24



## Cash & Liquidity

Cash: £39m  
Available facilities:  
£264m  
Total: £303m



## Drawn Debt

Outstanding loan  
balance: £635m



## SWAPS

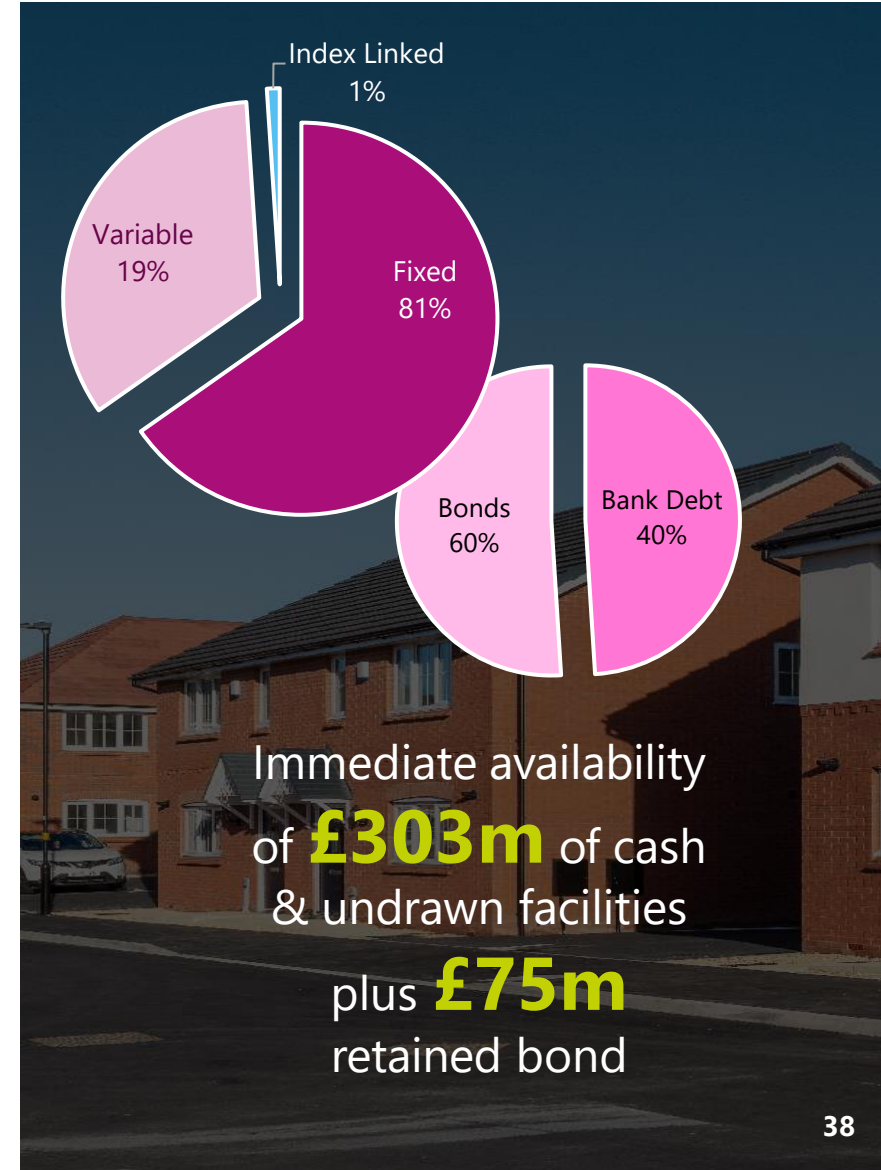
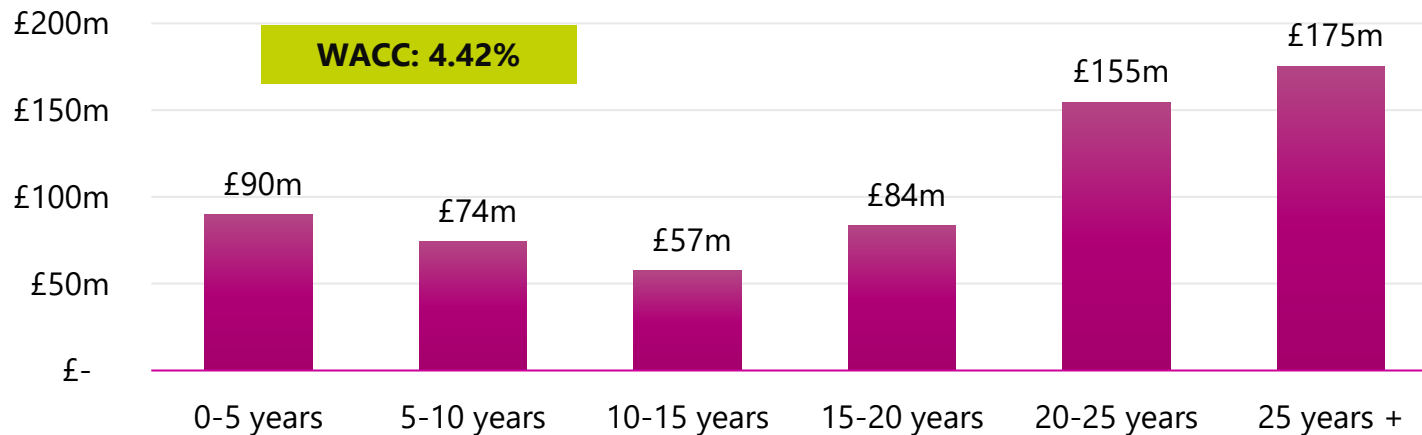
£120m fully hedged  
and collateralised by  
property/credit  
threshold  
Gross MTM £14m



## Unencumbered Assets

£472m (MVT)  
7,051 units

## Debt Repayments



# Sustainable Linked Loans (SLL)

- ✓ SLL targets agreed for £200m RCF over life of loans with margin reductions based on performance
- ✓ SLL Framework approved with second audit opinion by DNV

**£200m**

Sustainable linked Loans



Number of new homes built with an energy performance certificate rating of "B" or above

2024/25 Target  
**700 units**

The percentage of Energy performance certificate rating of "C" or better.  
(Homes for which the Borrower has responsibility and not including new builds)

2024/25 Target  
**80%**

Number of customers referred to the money advice team for an appointment

2024/25 Target  
**3,000**

Governance Rating by Regulator

2024/25 Target  
**G1**

# 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