

Business Update

July 2023



Disclaimer

For the purposes of the following disclaimer, references to “the presentation” shall mean the information contained herein (and any printed copies of the same) and any related speeches made or to be made by the management of Walsall Housing Group Limited and its subsidiaries (the “Group”), any questions and answers thereto or any related verbal or written communications in respect thereof (the “Presentation”).

The information contained in the Presentation (including any accompanying materials) and furnished on you, has been prepared by the Group on a confidential basis and solely for information purposes.

Statements in the Presentation, including those regarding possible or assumed future or other performance of the Group, industry growth or other trend projections may constitute forward-looking statements and as such involve risks and uncertainties that may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no representations are made as to the accuracy or reasonableness of such forward-looking statements or that all assumptions relating to such forward-looking statements have been considered or stated or that any projections, targets, estimates or forecasts contained therein will be realised. They speak only as at the date of the Presentation and the Group does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise. None of the Group nor any other person connected to the Group 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 the Presentation or any other information and any such liability is expressly disclaimed.

Neither the Group nor anyone else is under any obligation to update or keep current the information contained in the Presentation. The information in the Presentation has not been independently verified, does not purport to be all-inclusive, is provided as at the date of the Presentation and is subject to change without notice. No reliance should be placed on the information or any projections, targets, estimates or forecasts and nothing in the Presentation is or should be relied on as a promise or representation as to the future. No statement in the Presentation is intended to be a profit estimate or forecast. None of the Group, nor its directors, officers, employees, affiliates, advisers or representatives makes any representation or warranty, express or implied, or accepts any responsibility as to or in relation to the accuracy, validity or completeness of the information or opinions contained in the 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. The Presentation does not constitute legal, tax, accounting or investment advice.

This Presentation should not be construed as an offer or solicitation to buy or sell any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

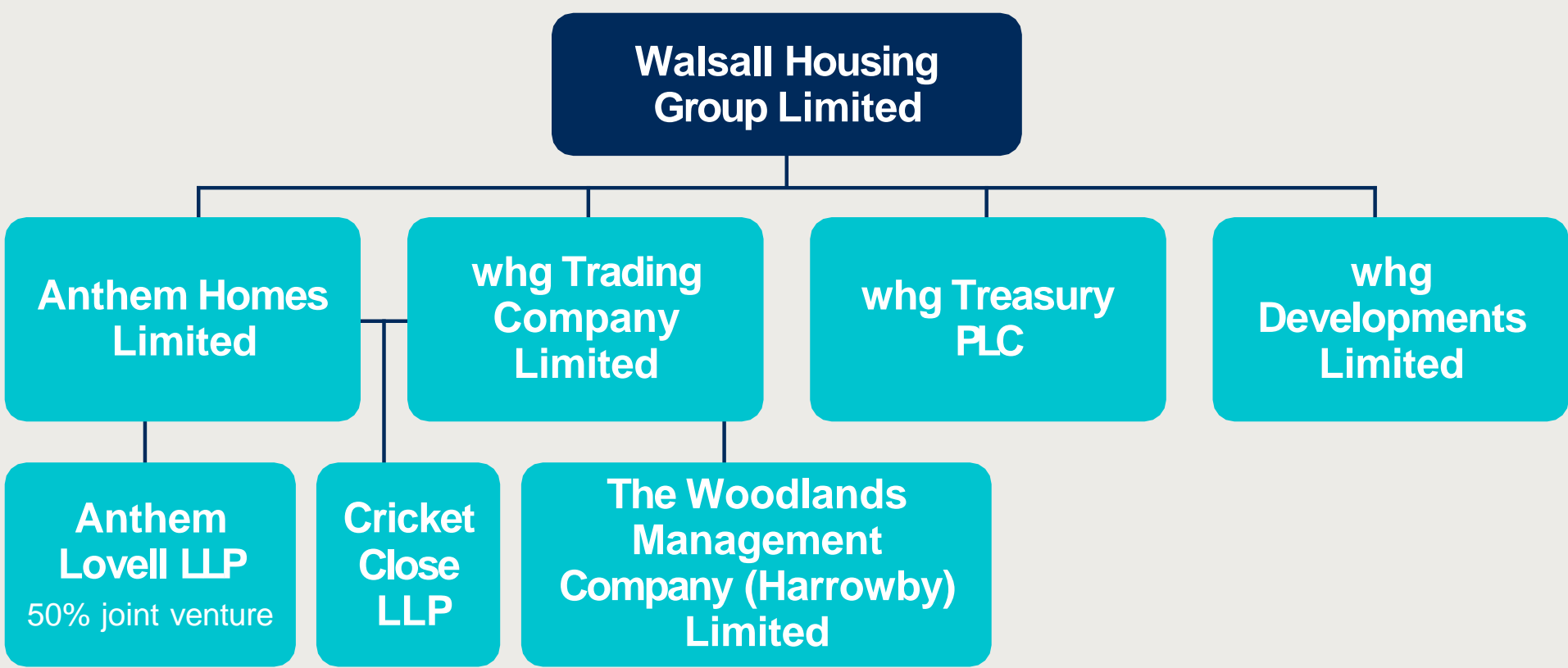
No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. The distribution of the Presentation in certain jurisdictions may be restricted by law and persons into whose possession the Presentation or any document or other information referred to herein comes should inform themselves about and observe any such restrictions.

Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Presentation and any materials distributed in connection with the Presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Group does not accept any liability to any person in relation to the distribution or possession of this presentation in or from any jurisdiction.

About us

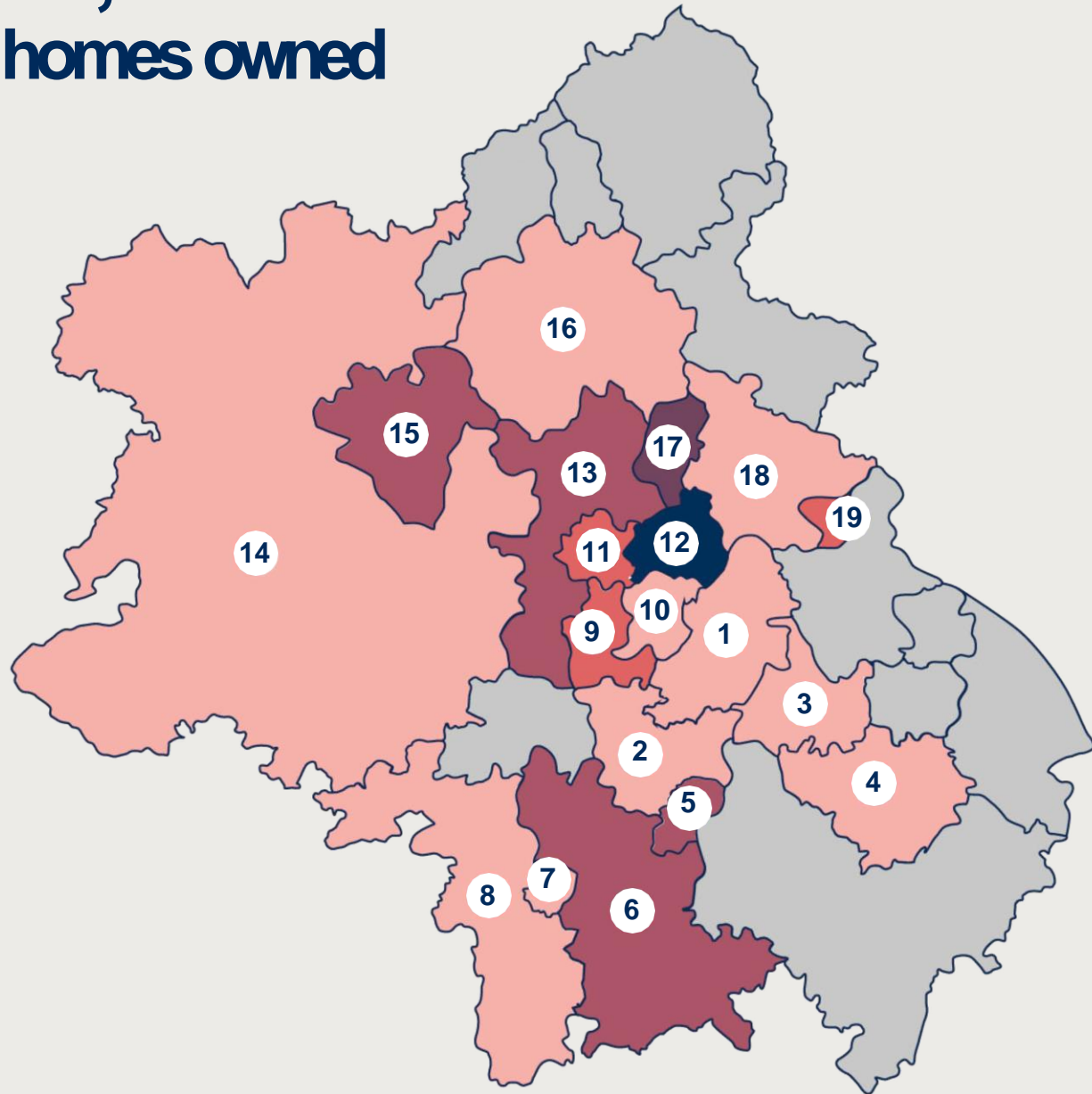
About us

- + Formed in 2003, we are among the largest and most successful providers of high quality affordable homes in the Midlands, with an annual turnover of more than £120m.
- + We started life in Walsall as a stock transfer, where most of our customers live and it is still the place that anchors us.
- + **whg** has a core focus on affordable tenures with 96% of our accommodation being for Social and Affordable Rent and experience across a variety of tenure types.
- + We are a purpose-driven organisation and so use our resource and influence to help create sustainable and resilient communities.
- + Alongside our core landlord service, our range of award-winning customer support services help reduce the impact of poverty, tackle health inequalities and enhance the long-term wellbeing and resilience of our communities.
- + We have successfully delivered 4,158 new homes since 2003.



Where we operate

21,437
homes owned



- 1 Birmingham 61 homes
- 2 Bromsgrove 12 homes
- 3 Solihull 47 homes
- 4 Warwick 34 homes
- 5 Redditch 102 homes
- 6 Wychavon 179 homes
- 7 Worcester 46 homes
- 8 Malvern Hills 13 homes
- 9 Dudley 55 homes
- 10 Sandwell 11 homes
- 11 Wolverhampton 97 homes
- 12 Walsall 20,140 homes
- 13 South Staffordshire 154 homes
- 14 Shropshire 1 home
- 15 Telford and Wrekin 113 homes
- 16 Stafford 48 homes
- 17 Cannock Chase 227 homes
- 18 Lichfield 40 homes
- 19 Tamworth 57 homes

- + whg operates in 19 local authority areas across the West Midlands, each with high levels of demand for our services
- + We are proud champions of our great region, playing an active role in its future prosperity through regeneration, place shaping and community investment.

Local authority area	whg units	% total	Waiting list
Walsall	20,140	93.9%	13,728
Cannock Chase	227	1.1%	1,096
Wychavon	179	0.8%	2,030
South Staffordshire	154	0.7%	1,029
Other	737	3.4%	57,976

whg’s vision, values and strategy

Our vision

‘Dedicated to the success of our people and places’

Our corporate plan 2020-24

- Aim 1 – Deliver high quality homes and services for our customers
- Aim 2 – Be an exceptional place to work that attracts, develops and retains talent
- Aim 3 – Grow and extend our services, our reach and our range
- Aim 4 – Promote health and prosperity where we can make a difference
- Aim 5 – Deliver a strong business, fit for today and prepared for tomorrow

Our values



Accountable

Taking responsibility



Courageous

Trying new things



Trustworthy

Being honest in everything we do



One Team

Achieving great things by working together



Excellent

Striving to be the best

An established developer with a steady growth plan

- + Strategic Delivery Partner for the Shared Ownership and Affordable Housing Programme 2016/21 (SOAHP 16/21) WAVE 2 providing grant for 1,000 new homes
- + Average grant rate secured at the outset was £38.7k per home which increased to £46.4k per home through negotiation with Homes England and other funding partners
- + Our corporate plan target is for 2,000 new homes so delivery of a further 1,000 is through section 106 agreements and land led sites.

The Mews, Tettenhall

A recently completed development of 17 superbly appointed shared ownership homes in a particularly sought after area.



Shelley Road shops, Willenhall

Vacant for over 10 years and consists of shops, maisonettes and garages.

Submitted an application to provide 9, two and three bedroomed homes for affordable rent.



Royal Wolverhampton old hospital site

An old hospital building which closed in 1997. The site will deliver 192 homes including 123 homes for affordable rent and 31 for shared ownership.



First 'prior approval permission' for us at Beechwood House, Willenhall

We received prior planning approval in February '23 to convert one of our commercial premises into 14, one and three bedroom apartments for affordable rent.



Credit strengths

External validation



**Consistent G1/ V1
grading year on year**

Re-affirmed through Stability
Check – 15 November 2022.



Our carbon footprint baseline assessment
and decarbonisation roadmap has been
completed this year.

Ritterwald accreditation is in progress and
is aimed to complete by Sept '23.

MOODY'S

whg is rated A3 stable

- + The only one of Moody's A3 rated housing associations that is 'stable'
- + We achieved an improved 'financial management' score from 'baa' to 'a' last year
- + We are working towards an improved 'Investment and Debt Management' score.

Cautious financial risk appetite



Financial risk is controlled through:

- + the Golden Rules Framework which Moody's say are "**broader and more stringent**" when compared to peers; and
- + close monitoring of Regulator and Moody's metrics.

10

Operating update

Operating update 22/23

Challenging operating environment

Inflation backdrop



Controls:

- + Reduction in headcount and non-pay costs
- + Secured extra grant from Homes England and reduced number of homes being delivered
- + Active treasury management to maintain Interest Cover Ratio headroom.

Weakening housing market



Controls:

- + Interest cover ratio is not reliant on profit from property sales to reach 110% covenant
- + Monthly reporting on homes unsold to allow corrective action to be taken on timely basis.

Rents and service charges



Controls:

- + Board approved full rent increase (7%); and
- + Full cost recovery approach for service charges so some areas increased by more than 7%.

Building safety and fire safety

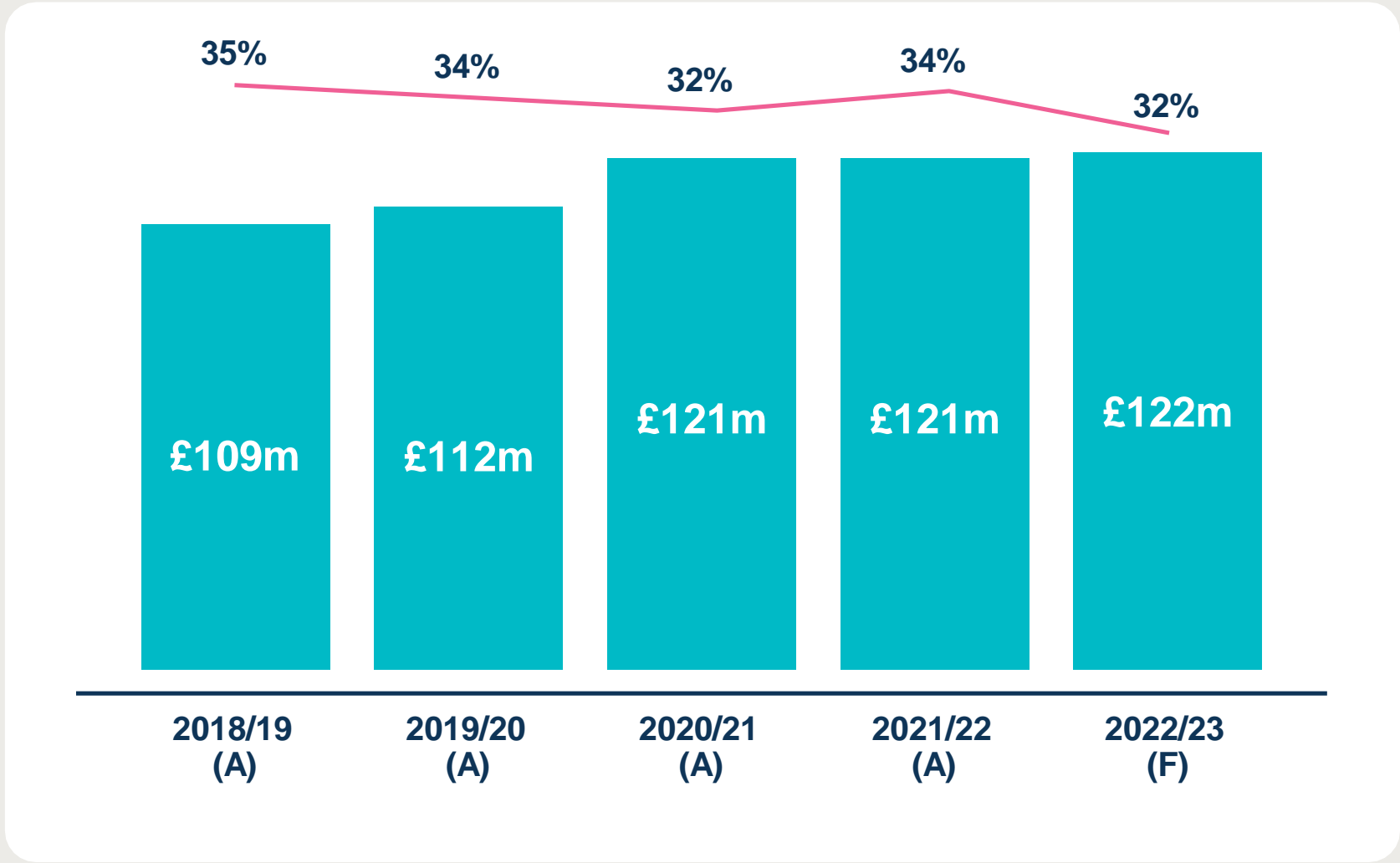


Controls:

- + Business plan fully funds all compliance related works for building safety and fire safety.

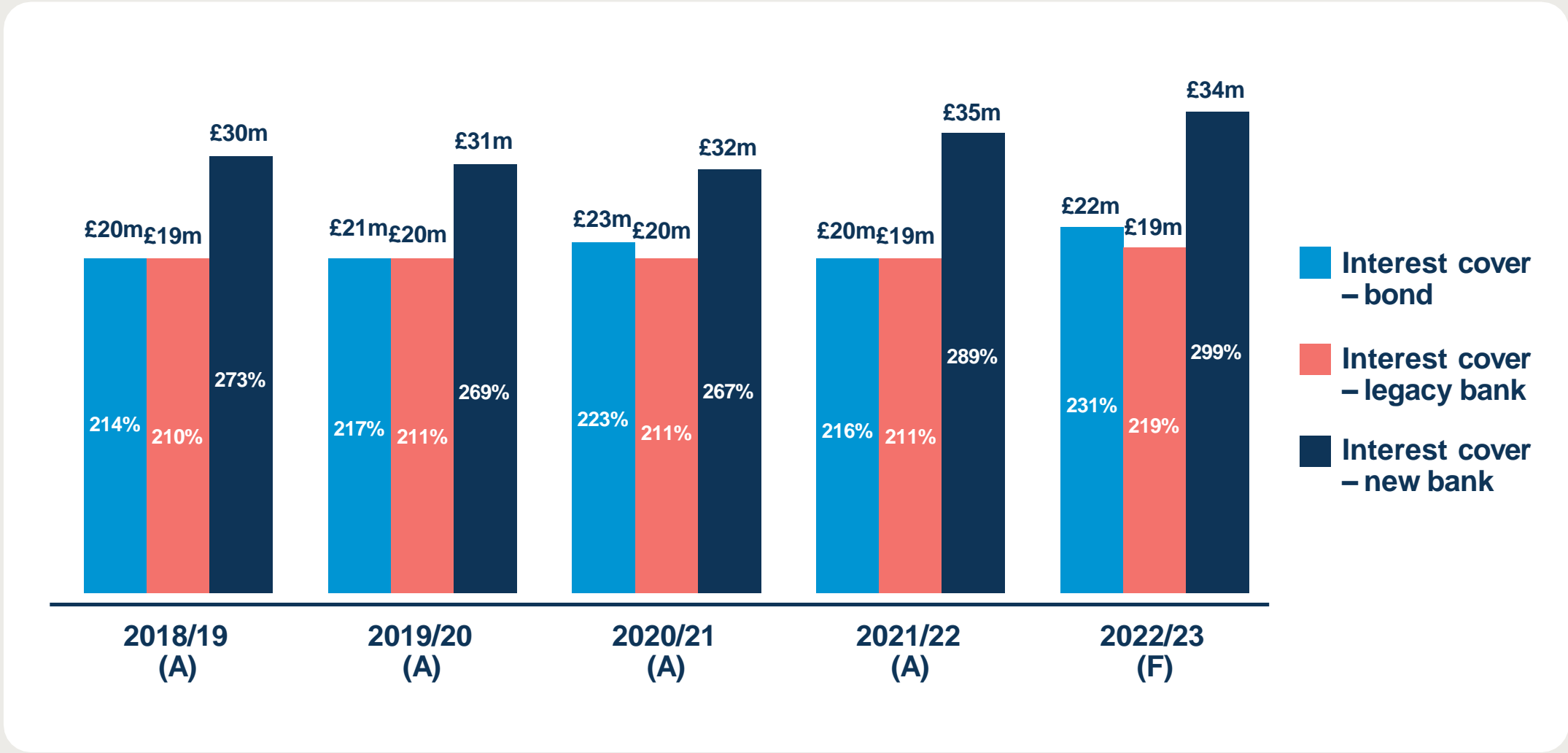
Robust and consistent financial performance

Turnover (£) and operating margin (%)



+ Maintained strong operating performance, slight reduction in new plan on operating margin.

Interest cover ratios (%) and headroom (£)

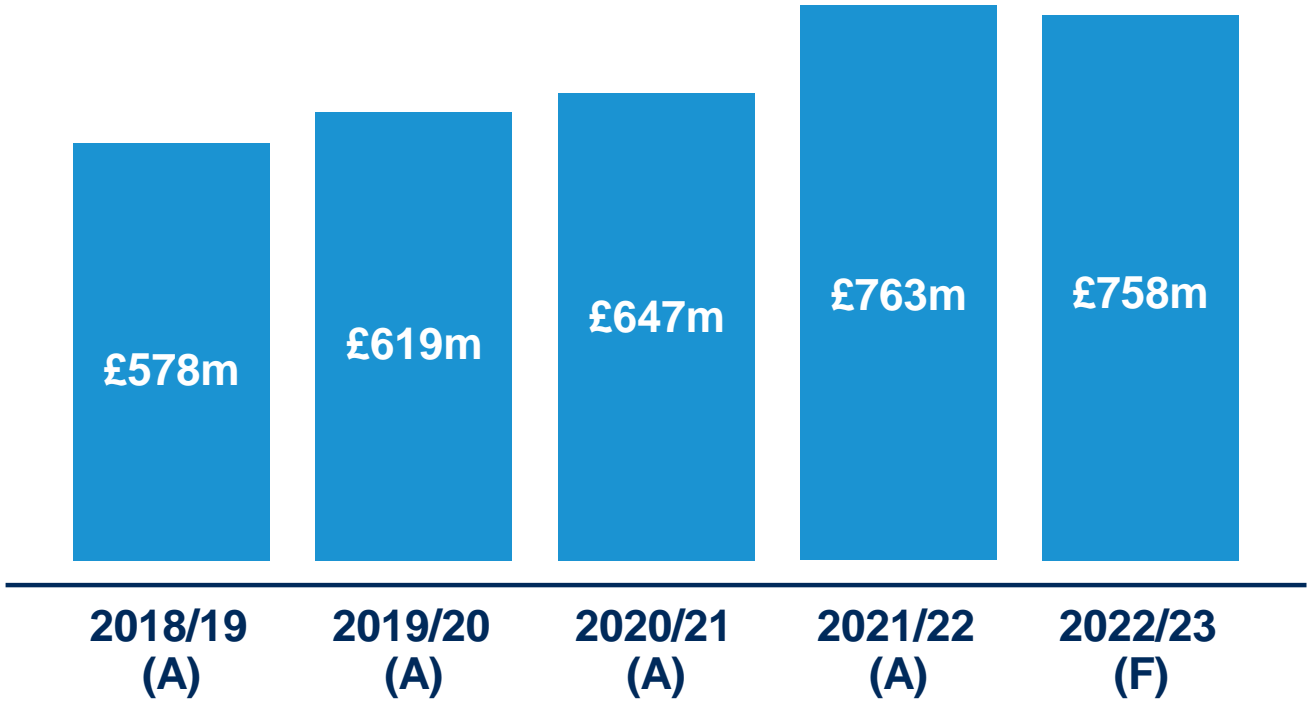


+ Switch from legacy bank to new bank covenant during 22/23

+ Strong and consistent ICR performance, ICR not weakening, supported by active treasury management.

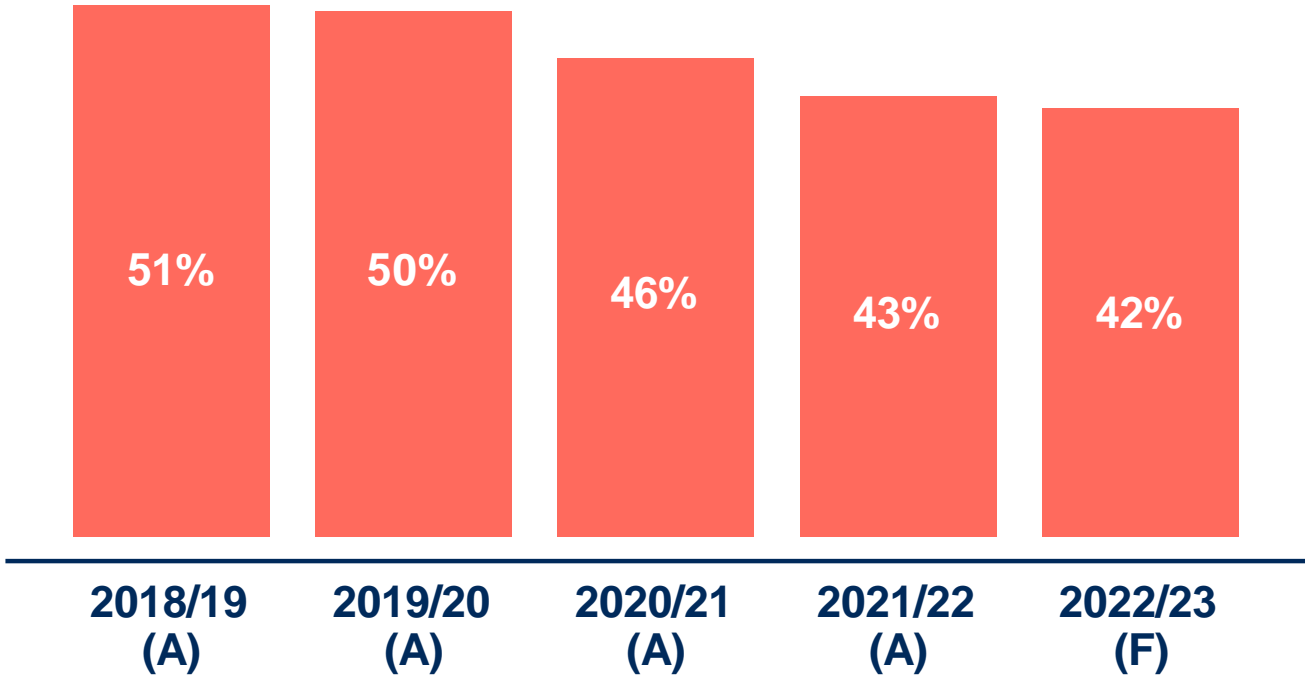
Robust and consistent financial performance (continued)

Net assets



+ Continued strengthening of asset base.

Gearing: HPAC (%)



+ Gearing improving year on year.

Robust and consistent financial performance

Regulator of Social Housing value for money metrics

	March 2022	2022 weighted average*	March 2021	2021 weighted average
Reinvestment	10.30%	6.30%	11.60%	5.70%
New supply delivered (SH units)	2.00%	1.60%	1.60%	1.40%
New supply delivered (NSH units)	0.02%	0.18%	0.02%	0.22%
Gearing (NBV of housing properties)	57.90%	47.00%	57.90%	47.20%
EBITDA MRI interest cover	137%	128%	160%	151%
Headline SH cost per unit (£k)	£3.82	£4.60	£3.33	£4.15
Operating margin (SHL)	28.70%	25.30%	35.70%	28.30%
Operating margin (overall)	26.60%	19.60%	27.40%	22.30%
Return on capital employed (ROCE)	5.10%	2.90%	5.90%	3.10%

Strong performance on the regulator metrics when compared to sector weighted average.

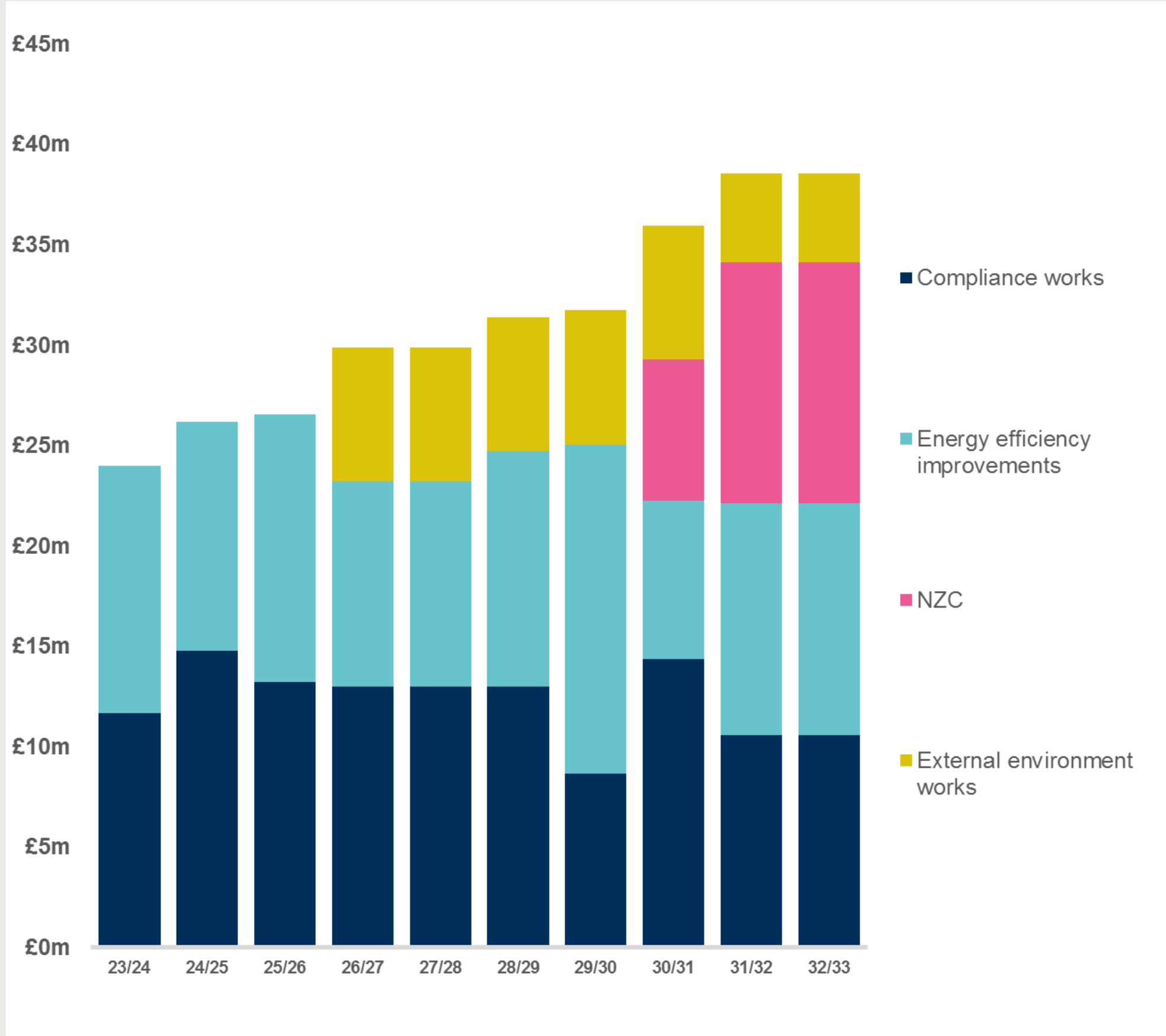
SH = Social housing; NSH = Non-social housing; NBV = Net book value; SHL = Social housing lettings

***2022 Weighted Average is published by the Regulator of Social Housing**

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1140708/Value_for_money_metrics_and_reporting_-_Annex_to_Global_Accounts_2022.pdf

Investment update

Investment in existing homes



Current fully funded investment programme

Business plan fully funds:

- + Health and Safety related works
- + Building regulations compliance
- + Fire safety regulations compliance
- + Decent Homes regulations (cyclical replacement of key components such as kitchens and bathrooms)
- + Energy efficiency works (e.g. EPC-C by 2030, windows, roofing, insulation, boilers etc.)
- + Partial Net Zero Carbon costs commencing 2030
- + Works to maintain the external environment around our homes (communal areas outside flats, parking areas, fencing, pathways etc.).

Investment in existing homes (continued)

Tenant perception survey	2 methods of whg's data collection		Benchmark sources
	Automated calls and on-line	Person to person calls (in-house)	Housemark*
Satisfaction that landlord keeps communal areas clean and well-maintained	72%	75%	68%

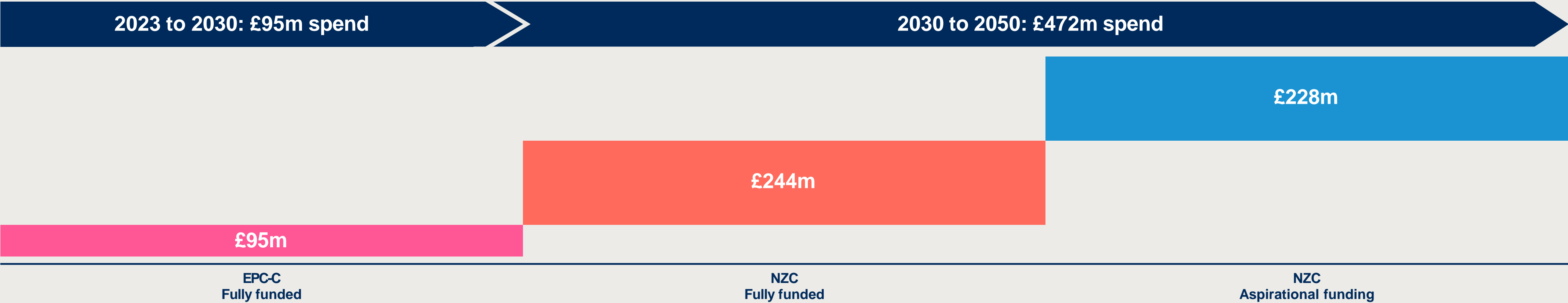
Investment aspiration: communal areas and external environment works

- + **whg** has strived for 85% as a minimum satisfaction level in the current corporate plan
- + New target for next corporate plan not yet been set
- + We want to continue to aim for high satisfaction levels.

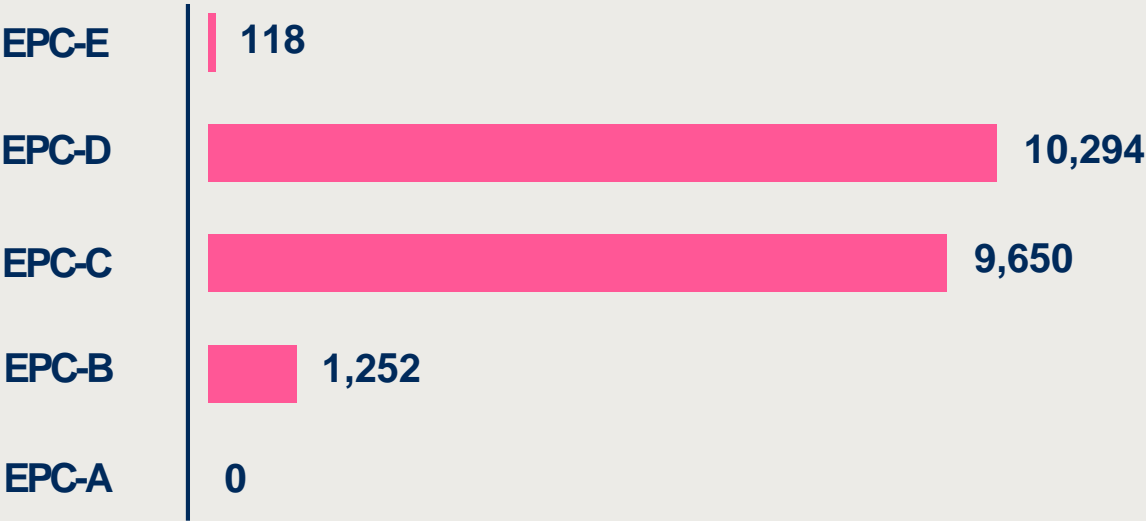
*Housemark is the social housing sector-wide recognised benchmarking data source with national membership.

Investment in existing homes (continued)

EPC-C and net zero carbon (NZC)



Current homes EPC grades



Business plan fully funds all work required to move all homes up to EPC-C by 2030.

Business plan currently includes a proportion of NZC costs from 2030 to 2050 (£244m).

These figures are based on prudent business plan assumptions that ensure cash flows do not break trigger points or golden rules and assumes a CPI flat rent settlement post April 2025.

Investment in our sustainability strategy

Aim 1

Transform our places to be fit for the future



Climate change mitigation and energy efficiency; Biodiversity; Circular Economy

Investment aspiration:

Open spaces; More land led development; recycling education and facilities.

Aim 2

Inspire our people and influence our communities



Community and customer engagement; Local Skills and Employment

Investment aspiration:

Creation of more Apprenticeship roles to boost local skills and employment.

Aim 3

Incorporating sustainability standards and strengthening regulatory compliance



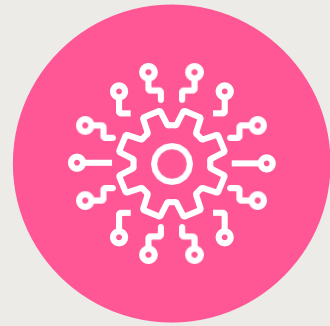
Regulatory compliance; Sustainable Procurement; Sustainable Finance

Investment aspiration:

Creation of new team with specialist skills and expertise to implement a new framework for data collection, monitoring, reporting and governance.

Other investment requirements

IT



- + Move systems to Cloud based solutions to reduce storage costs
- + Increase use of artificial intelligence and robotic technology to improve efficiency in processing and reduce cost.

Culture and training



- + Training for our senior leaders and all levels of management throughout the organisation
- + Develop our employment offer
- + Deliver immersive training materials.

Grant funded activity



- + **whg** incurs costs to deliver social prescribing (engaging people in non-clinical activities and services in their community in order to promote health and wellbeing and reduce health inequalities), and employment and training services
- + Grant income notifications are not always timely therefore we carry the cost of these services each year, not knowing how much will be funded until the year end.

Building safety and fire safety



- + Replacement of old CCTV systems in our blocks. These systems have helped customers feel more secure in their homes, increased satisfaction and increased the desirability of our homes leading to increased letting rates
- + **whg** also incurs more costs each year to deal with rubbish removal as fly tipping is a problem on some estates. Keeping our areas clean is a priority for us to maintain customer satisfaction.

Treasury update

Treasury metrics

1. Interest cover

- a. Headroom on bond 110% covenant
Golden rule: **130%** Trigger: **135%** Current: **232%**
- b. Trigger and golden rule (a) still complies if all profit from property sales is removed
Current: **177%**
- c. Social housing lettings interest cover
Golden rule: **1.5x** Trigger: **1.6x** Current: **1.8x**



2. Sales exposure

- a. Turnover from sales as a % of total turnover
Golden rule: **20%** Trigger: **15%** Current: **14%**
- b. Capital committed to open market sales
Golden rule: **£20m** Trigger: **£17.5m** Current: **£9m**



3. Security

- a. Asset cover for charged homes
Golden rule: **7.5%** Trigger: **10%** Current: **15%**
above covenant above covenant above covenant
- b. Encumbered plus unencumbered homes as a percentage of debt requirement
Golden rule: **110%** Trigger: **115%** Current: **145%**



4. Liquidity

- a. Cash plus undrawn facility balances
Golden rule: **minimum £20m** Trigger: **minimum £30m** Current: **£290m**
- b. Liquidity period
Golden rule: **minimum 18 months** Trigger: **minimum 24 months** Current: **57 months**



5. Development exposure

- a. Net development costs as a % of turnover
Golden rule: **75%** Trigger: **70%** Current: **49%**



6. Gearing

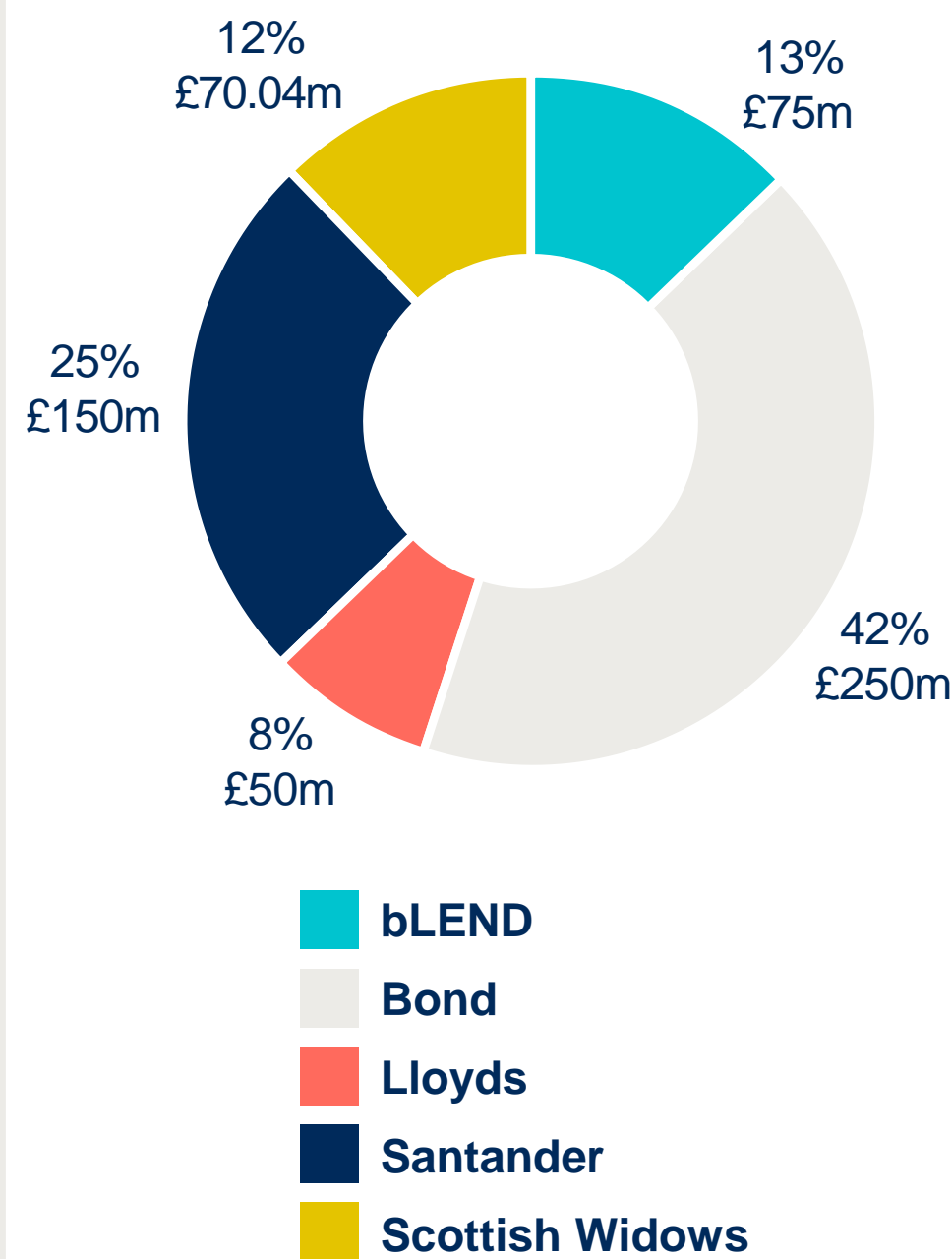
- a. HPAC to be maintained below funder's 65% covenant
Golden rule: **60%** Trigger: **55%** Current: **42%**



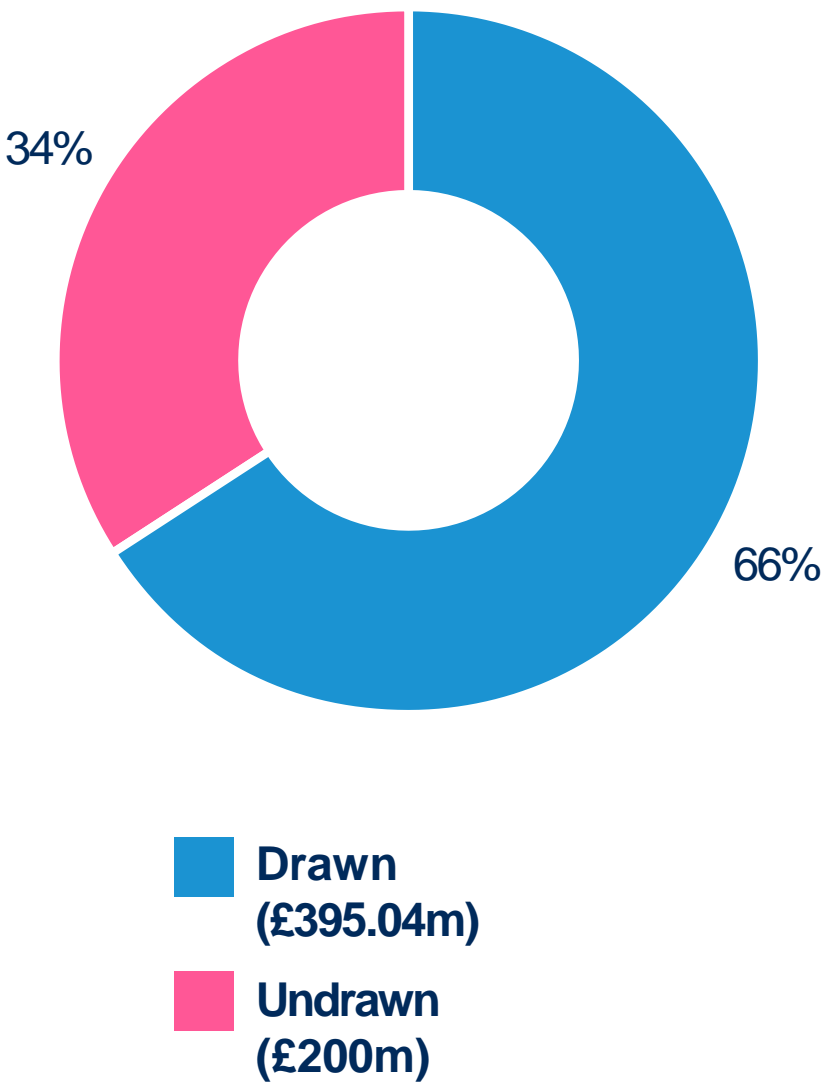
‘Trigger’ is defined as an early warning sign that the golden rule is near being breached to allow mitigation strategies to be developed and implemented on a timely basis.

Treasury update

Total facilities (£595.04m)



Drawn vs Undrawn



Key treasury metrics

- + Weighted average cost of capital of 4.20%
- + Weighted average maturity c. 19yrs 8 months
- + 100% of drawn debt fixed
- + RCFs account for 34% of facilities
- + 57 month liquidity coverage
- + 6,681 unencumbered assets (estimated £333m EUV-SH; £584m MV-STT).

Key treasury objectives

- + Construct and formulate a Sustainable Finance Framework
- + Retain our A3 credit rating as a minimum
- + Continue to maintain our strong liquidity position.

Key credit highlights

G1 / V1 Regulatory grading	A3 stable Moody's rating
Provider of c.22,000 homes across 19 local authority areas	
Purpose-driven organisation with strong regional presence and detailed understanding of local market	
Significant demand across all geographic regions with significant waiting lists in core operating areas	
Clear social purpose with 88% turnover from social housing lettings	
Strong financial and operating performance with cautious financial risk appetite and robust treasury performance	
A proven leadership team with a mix of commercial and sector skills	
Established developer with strong track record and steady growth plan	
Clear investment aspirations aligned to corporate objectives and sustainability strategy	

£122m turnover (22/23)	29% operating margin (22/23)	£758m net assets (22/23)	42% gearing (HPAC) (22/23)	418 completions (21/22)	51% EPC C and above
------------------------------	------------------------------------	--------------------------------	----------------------------------	-------------------------------	------------------------