

Investor Update

bpha Limited

06 September 2023



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New CEO

Richard Hill

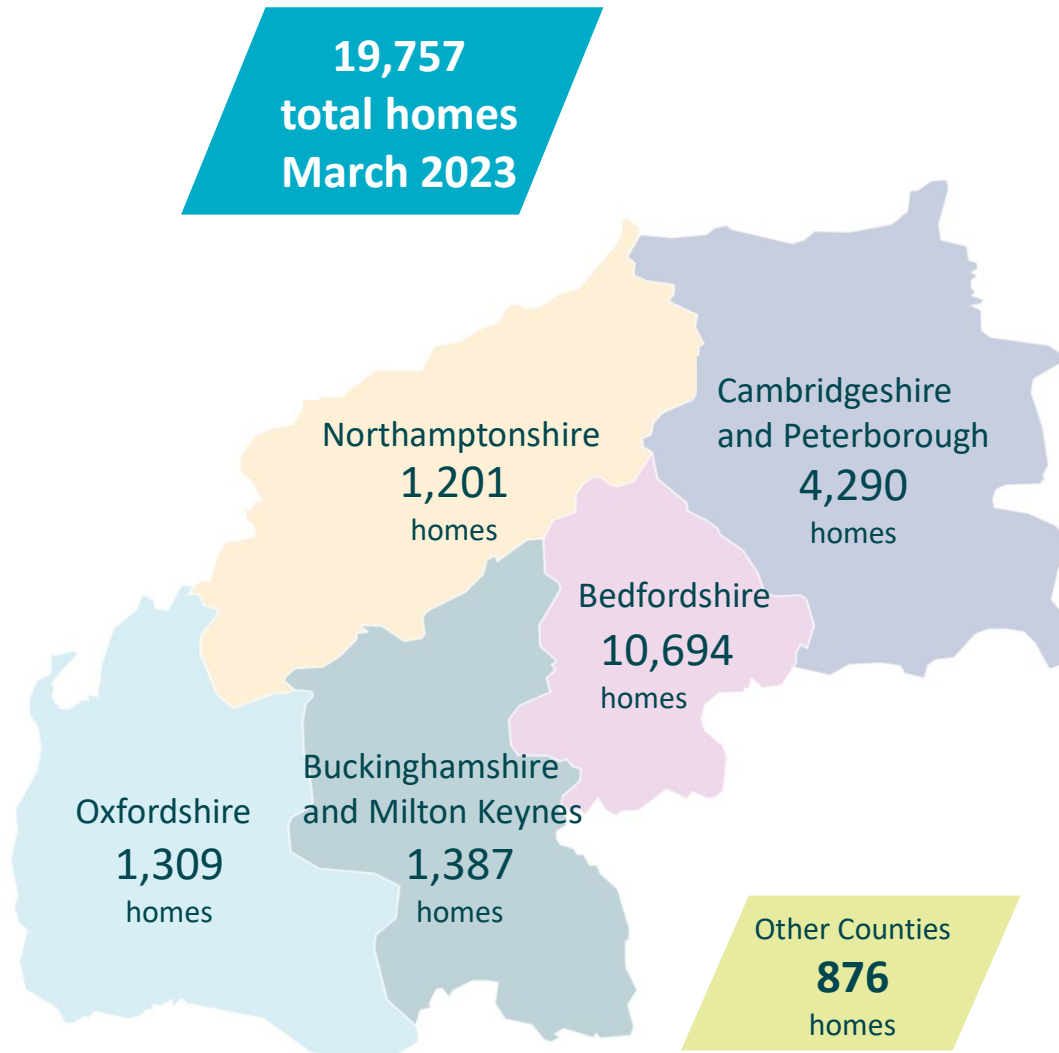
Chief Executive Officer

- 20 years' experience in Senior Leadership roles in housing
- Formerly CEO at Spectrum Housing Group and One Housing
- Held senior roles at the Homes & Communities Agency and Housing Corporation
- Chair of Phoenix Futures, drugs and alcohol rehabilitation charity



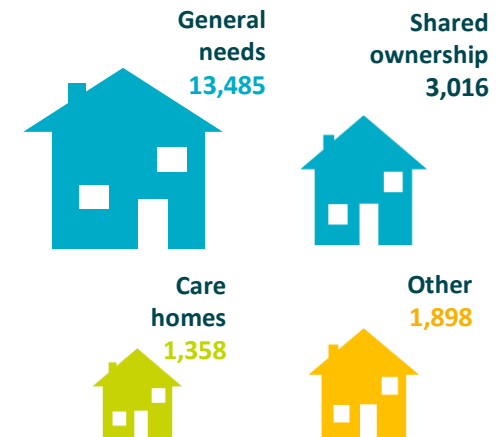
1. Executive Summary

bpha- core operating area



- Our core operating area is the strategically important Government designated growth area of the Oxford to Cambridge Arc
- Over the last financial year we developed 223 homes

Homes by tenure type



Customers at the forefront

“bpha will, through a better understanding of our customer as individuals, provide the right service at the right time to meet their housing needs and aspirations”

- Keeping the Customer Voice at the heart of our decisions
- The Place, our customer engagement community, helping shape activity including Project Vista and IHMS
- ‘One Vision’ integrating systems to provide one view of the customer and property, including live updates on progress of repairs and appointment reminders
- New complaints team to manage complaints through a customer lens from start to finish
- Cycle of Service - a way to review the impact of what we do on customers
- Community Hubs – supporting customers and communities in partnership with others
- Overall customer satisfaction scores increased to 77% during the year



Current operating environment

Changes in economic environment

- Reduction in cost base, a strategic restructure of the business to focus its resources
- Reduced development pipeline to reflect economic conditions
- Continuous stress testing to ensure business remains robust
- Strict internal liquidity targets
- Closure of defined benefit pension scheme reducing future risk

Consumer regulation changes including introduction of Tenant Satisfaction Measures (TSM)

New requirement to submit information to the Regulator of Social Housing to provide tenants with greater transparency about their landlord's performance

- New complaints team to manage complaints through a customer lens from start to finish
- Cycle of Service reviews carried out across the business to spotlight customer experience from start to finish and highlight opportunities for improvements
- Ongoing enhancements to our customer portal enhancing customer transparency and engagement

Asset quality & health and safety

Focus within the sector on the quality and safety of homes including damp and mould, legionella etc.

- Continued investment in our Customer Relationship Management (CRM) system and other systems such as Asprey Assets
- In house maintenance service providing a greater level of control and visibility
- Tower block refurbishment programme (Project Vista) on time and on budget

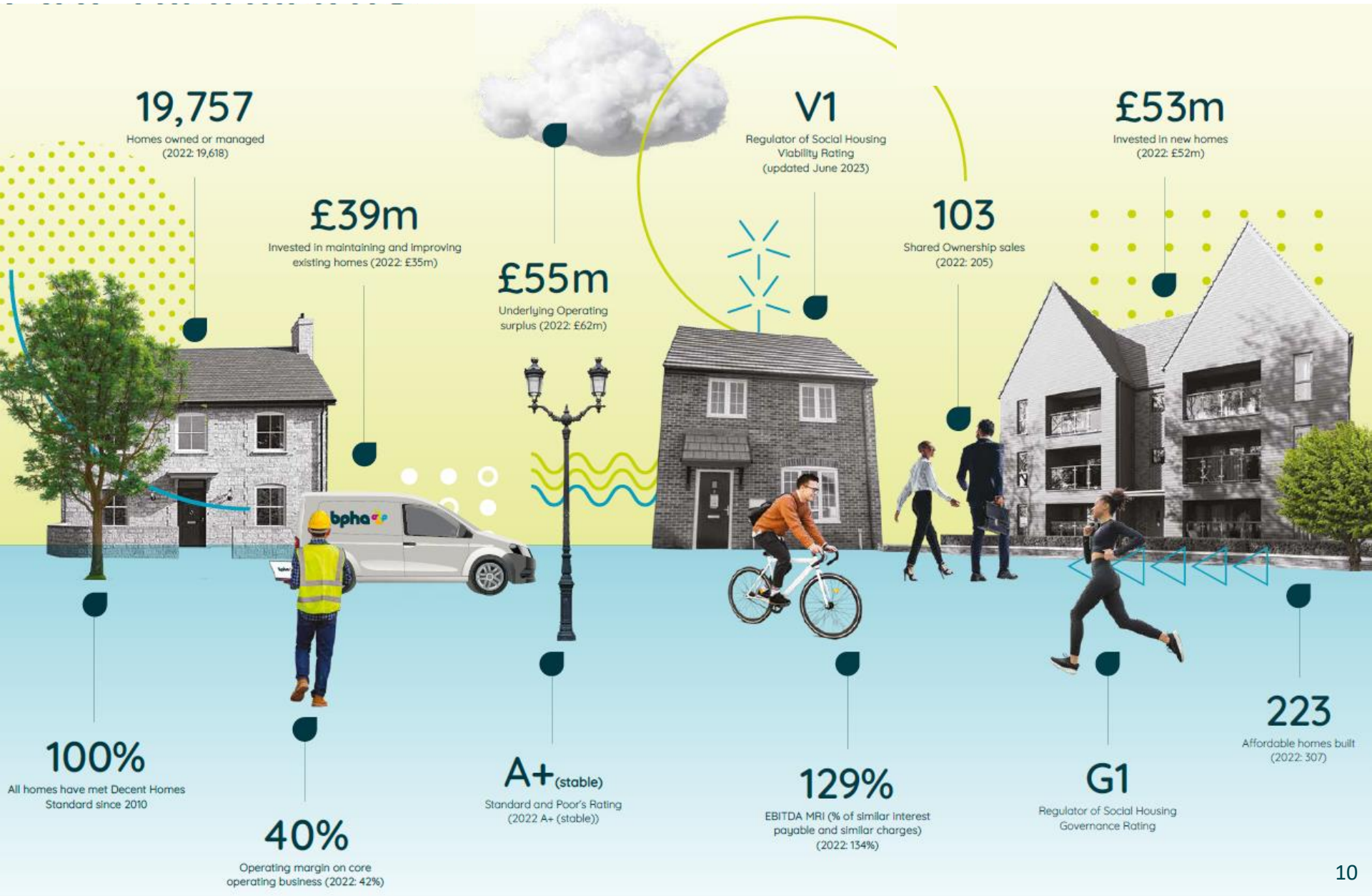
Technology and digital developments

Cyber security remains essential and continues to develop as technological advances promote risk

- Achieved Cyber Essentials Standard, actively pursuing Cyber Essentials Plus accreditations

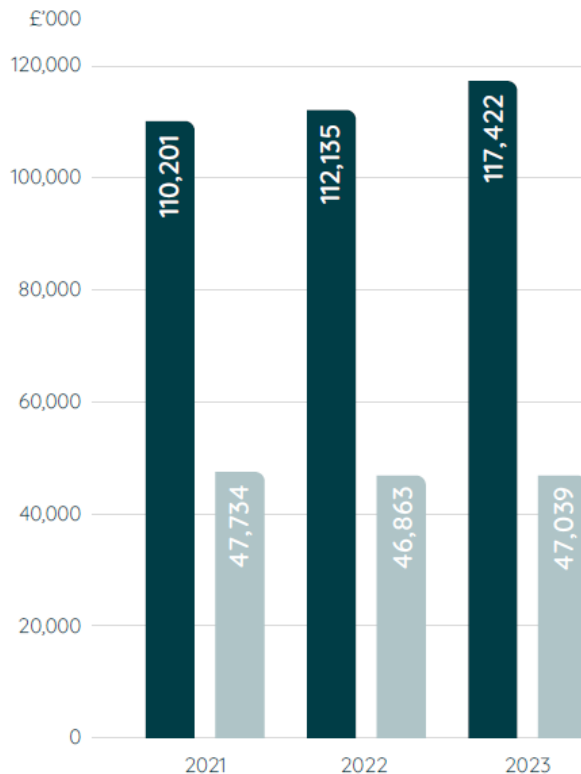
2. Financial Results

Financial highlights – March 2023



bpha financial results

The Core Operating Business



Key

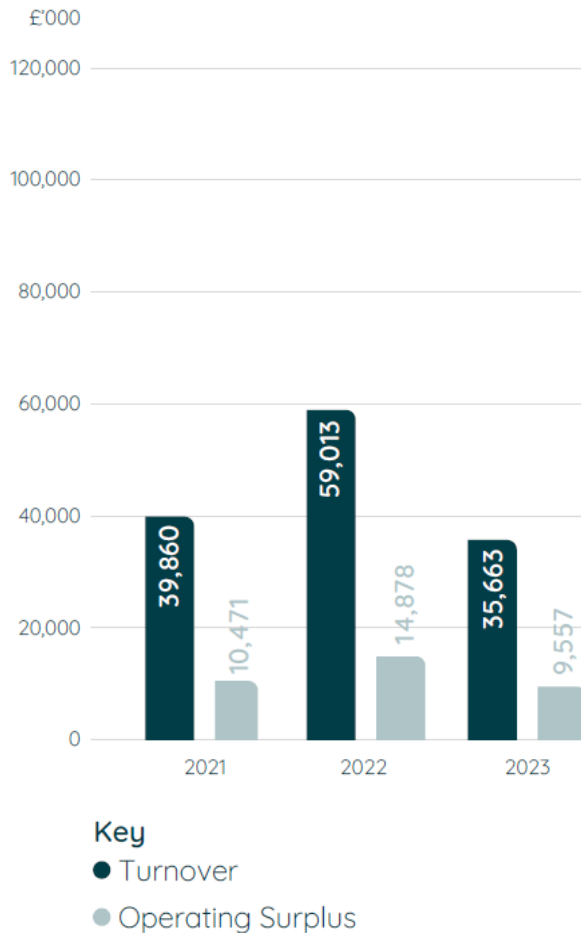
● Turnover

● Operating Surplus

- Our core operating business continues to perform strongly despite the ongoing uncertainty within the economy.
- The business is well placed to manage the 7% rent cap, with an early restructure of the business having taken place at the end of the financial year.
- The addition of 223 new homes and the rent increase at the start of the year increased turnover to £117m.
- Increased operating surplus of £47m comfortably exceeds net interest costs.
- Our core operating business achieved a margin of 40%, in line with our target.
- Our rental business is independent of our development and sales business, thus is less exposed to market factors.

bpha financial results

The Development and Sales Business



- Following an exceptional year in 2022, the development and sales business has seen reduced levels of activity with a turnover of £36m.
- First tranche shared ownership sales reduced to 103 sales (2022: 205).
- Fixed asset sales together with first tranche shared ownership sales, delivered a total surplus of £9.6m.
- Although our development programme continues to be delayed, due to external factors, we have the financial resources to ensure we can pursue our ambitious development programme whilst continuing to invest in our existing assets.
- Our development and sales business is more cyclical than our core operating business, neither business is dependent on each other.

bpha financial results



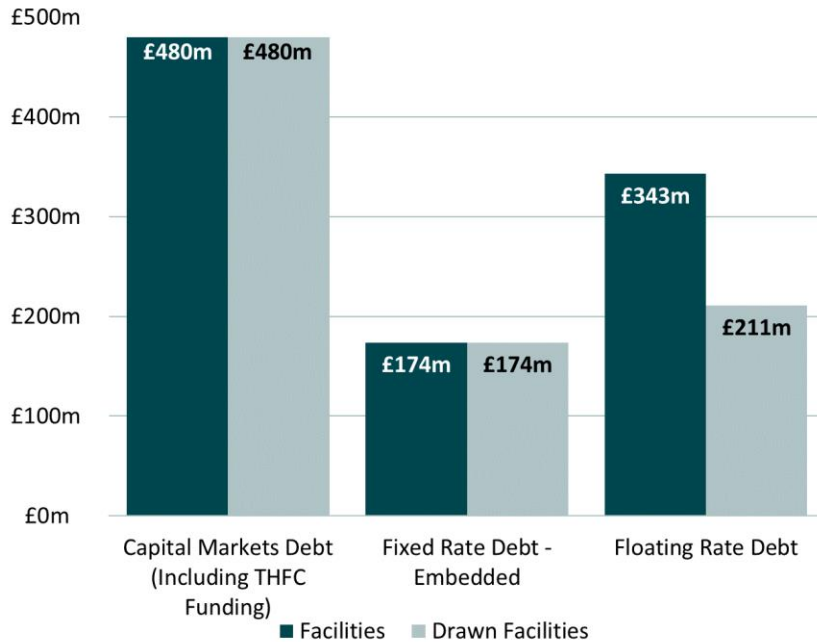
Strong cash generation and no reliance on sales

| | 2019 £'m | 2020 £'m | 2021 £'m | 2022 £'m | 2023 £'m |
|--|-------------|-------------|-------------|-------------|-------------|
| Group cash flow | | | | | |
| Net cash from operating activities | 60.0 | 58.7 | 60.2 | 64.2 | 62.7 |
| Net interest paid | (34.8) | (38.0) | (38.8) | (37.2) | (35.1) |
| Operating cashflow net of interest | 25.2 | 20.7 | 21.4 | 27.0 | 27.6 |
| Improvements to housing properties | (14.1) | (14.1) | (13.6) | (21.2) | (21.6) |
| Other items | (0.8) | (0.3) | 1.4 | (0.1) | (1.9) |
| Operating cashflow net of interest, capex & other | 10.3 | 6.3 | 9.2 | 5.7 | 4.1 |
| Proceeds from asset sales | 23.7 | 18.5 | 18.5 | 26.8 | 20.1 |
| First tranche shared ownership sales | 25.8 | 23.3 | 21.4 | 32.2 | 15.6 |
| Operating and sales cashflow | 59.8 | 48.1 | 49.1 | 64.7 | 39.8 |
| Development spend | (122.0) | (82.7) | (45.5) | (52.4) | (52.6) |
| Net movements in borrowings and deposits | 58.8 | 58.6 | 21.2 | (2.7) | 8.4 |
| Pension cessation costs | - | - | - | - | (9.7) |
| Swap breakage costs | - | - | - | (34.3) | (7.5) |
| Net cashflow after development activities | (3.4) | 24.0 | 24.8 | (24.7) | (21.6) |

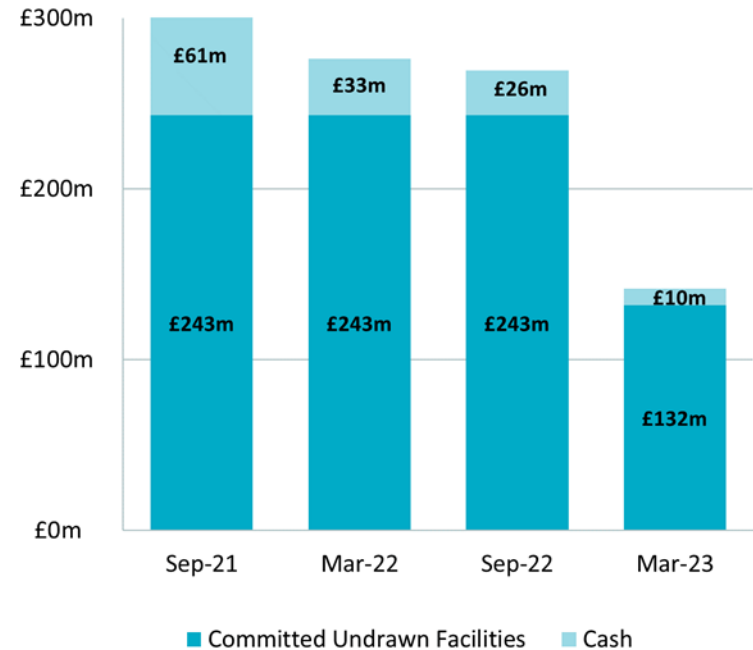
- Our operating cashflow net of capital repairs and maintenance expenditure continues to cover our interest costs comfortably contributing a cash surplus of £4.1m to bolster our development spend.
- During the year we also took the opportunity to close our defined benefit pension scheme with a pension cessation cost of £9.7m and terminated our last standalone derivatives at £7.5m.

Debt portfolio

Debt Facilities



Liquidity Headroom



£997m
Facilities

£865m
Drawn debt

76%
Of our loans
at fixed rates

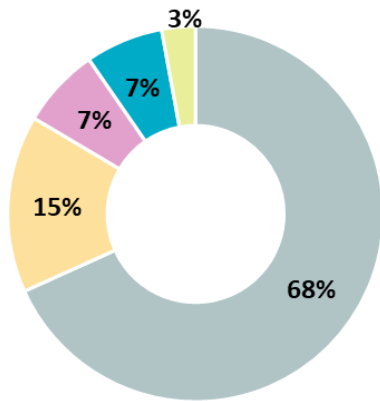
- During the year we reduced our level of undrawn facilities to reflect our reduced development pipeline.
- Our liquidity remains strong as all future committed developments can be funded from existing facilities.

3. Assets



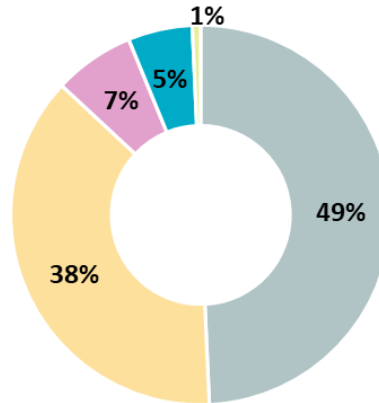
Asset strength

Homes by usage



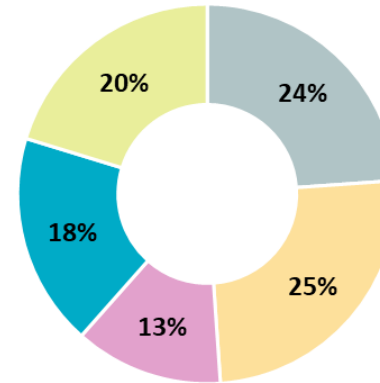
| | |
|------------------|-----|
| General Needs | 68% |
| Shared Ownership | 15% |
| Care Homes | 7% |
| Other | 7% |
| HomeBuy | 3% |

Homes by type



| | |
|-----------|-----|
| House | 49% |
| Flat | 38% |
| Care Home | 7% |
| Bungalow | 5% |
| Other | 1% |

Age profile of homes



| | |
|---------------|-----|
| 0 - 10 years | 24% |
| 11 - 20 years | 25% |
| 21 - 40 years | 13% |
| 41 - 60 years | 18% |
| 61+ years | 20% |

100%
of homes have met
decent homes
Standard since 2010

49%
of our homes are
under 20 years old

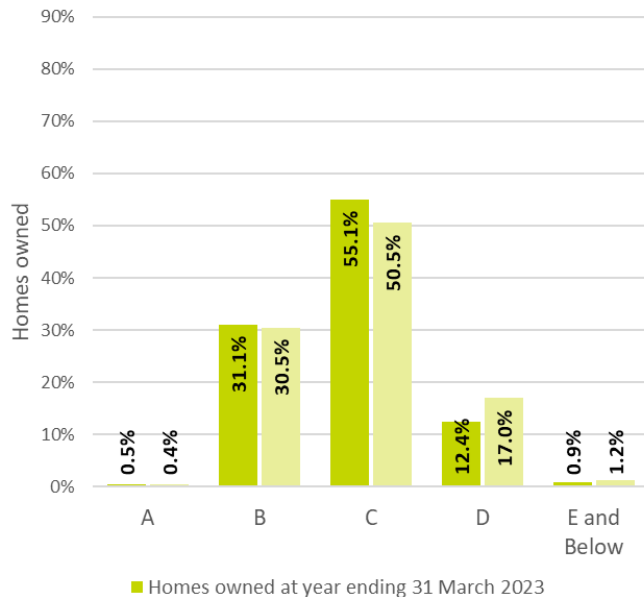
4
Fire officers
employed

- 20% annual stock condition survey
- Damp and Mould inspection and disrepair process in place
- Money Advice - Welfare fund where fuel poverty is identified
- Monitoring via Development and Assets Committee

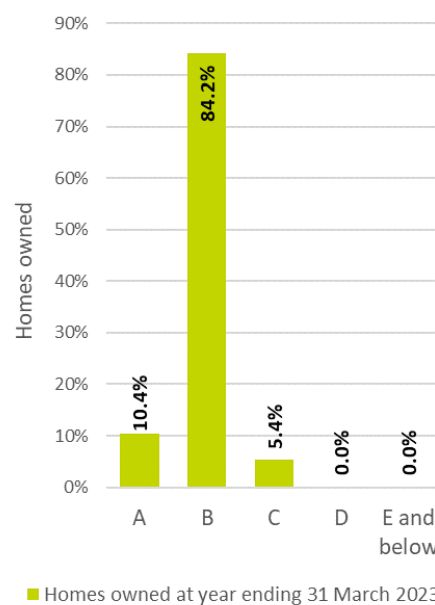
Sustainability

87% stock EPC rating C or above (2022:82%)

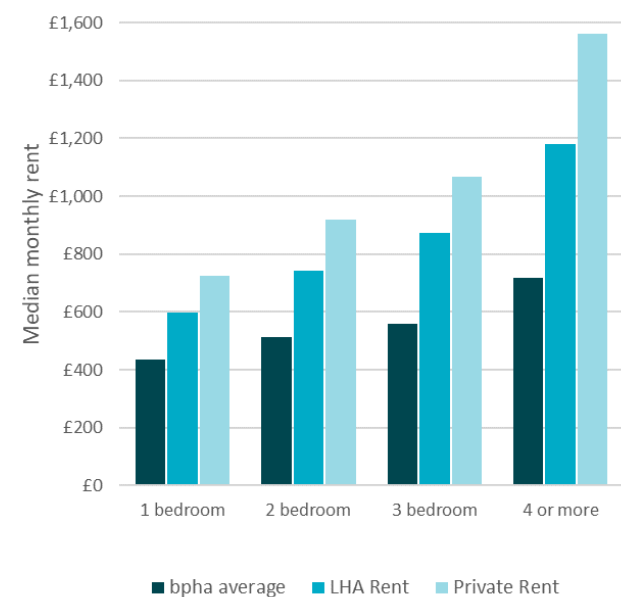
EPC ratings - existing homes



EPC ratings - new homes



Affordability of bpha rent



Our environmental strategy sets out to:

- Ensure all of our homes achieve at least band C by 2030
- Achieve SHIFT Gold
- Achieve carbon neutrality in homes by 2050

Our median rents on average across the portfolio are:

- 68% of the Local Housing Allowance (LHA)
- 56% of private sector rents

bpha's full Sustainability Report will be published in October 2023

In house maintenance service

- Responsive repairs and voids services- **successfully went live in October 2022 on schedule**
- Delivered over 8,000 repairs during the second half of FY2023- **popular with customers, 89% satisfaction** for their most recent repair
- Systems enhanced to ensure recurring cases of damp and mould highlighted within systems auto generating a specific repair and reporting process
- Progress monitored via Customer Committee
- Integrated with 'One Vision' providing customer accessibility



Expansion plans for 2023/24

- Mobilisation of Electrical Repairs underway
- 2023- Rollout of online diagnosis tools, repairs reporting and scheduling of repairs enabling customers to take digital control of their jobs and appointments
- Planned works to start in April 2024 following positive feedback, six months ahead of original plan

Project Vista- phase 1 sites

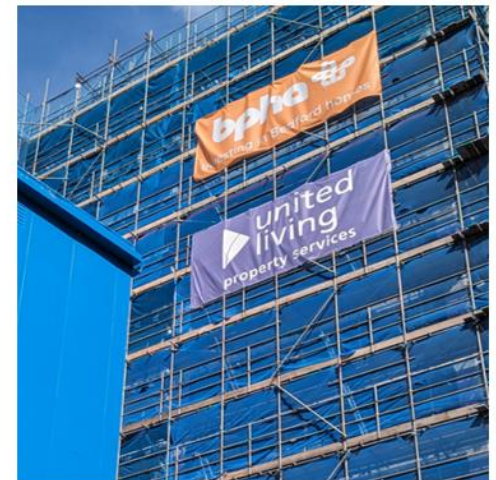
Ashburnham Court (55 flats) Project 1 - Complete

- Refurbished in just 18 months
- Good customer engagement with all residents kept within their homes during the project
- All new cladding systems 'A1' fire rated
- New district heating system installed, reducing CO2 and fire risk
- No accidents or incidents - work monitored by independent H&S consultant and Technical Advisor



Bury Court (90 flats) Project 2

- Work started on site December 2022 with completion expected in Spring 2024
- Brief similar to Ashburnham and will provide additional external wall insulation behind new rainscreen cladding
- Internal areas will also be improved with a new sprinkler system, fire alarm, ventilation, door entry and CCTV systems being provided



4. Development Update

Development update

- Development activity continues to be hindered by productivity challenges including:
 - Planning delays
 - Labour and material shortages
 - Procurement costs
 - Contractor insolvencies
- We achieved 223 completions during 2022/23.
- We continue to progress s106, Partnership and Joint Venture opportunities to contribute to a growing forward development programme.
- Plans continue to be developed for Bedford town centre regeneration scheme at Greyfriars.



Sales activity

- Demand for Shared Ownership has remained strong across our area of operation during the year despite the wider macro-economic conditions and significant increases in interest rates.
- Private rent inflation, lack of supply and the demise of Help to Buy is contributing to the strong demand for Shared Ownership.
- All new schemes continue to sell off-plan as a result of effective marketing campaigns and sales efforts.



Sales Performance 2022/23

- The Executive, Development and Assets Committee, Audit and Risk Committee and Board continue to monitor sales performance and exposure.
 - 103 sales completions achieved
 - £20.4m asset sales revenue



5. Conclusions

Summary

- Our core operating business remains robust and continues to deliver strong margins covering debt interest payments and capital expenditure on existing assets
- Strict development controls and a flexible pipeline help protect our business whilst maintaining agility to respond to market opportunities – our committed pipeline is fully funded
- Regular planned investment in our homes ensures asset value and compliance is maintained
- We are fully aware of the challenges for the sector presented by the current economic environment and the 7% rent cap
- We start from a position of strong operating and financial performance, however we recognise that for the next couple of years, we will need to focus on protecting core services and looking after our customers

If you have any questions, please email investors@bpha.org.uk

