Investors' Merger Update November 2024

Housing Plus Group

The Wrekin Housing Group

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Section 1

Overview

Organisations – At a Glance

Housing Plus Group

19,842 total homes owned and managed

G1/V2 (15 November 2023)

82% Turnover – Social Housing Lettings

£126m – Turnover

£835m – Total Housing Properties at cost

178 units – Delivered in 2024

The Wrekin Housing Group

14,016 total homes owned and managed

G1/V2 (29 November 2023)

78% Turnover – Social Housing Lettings

£116m – Turnover

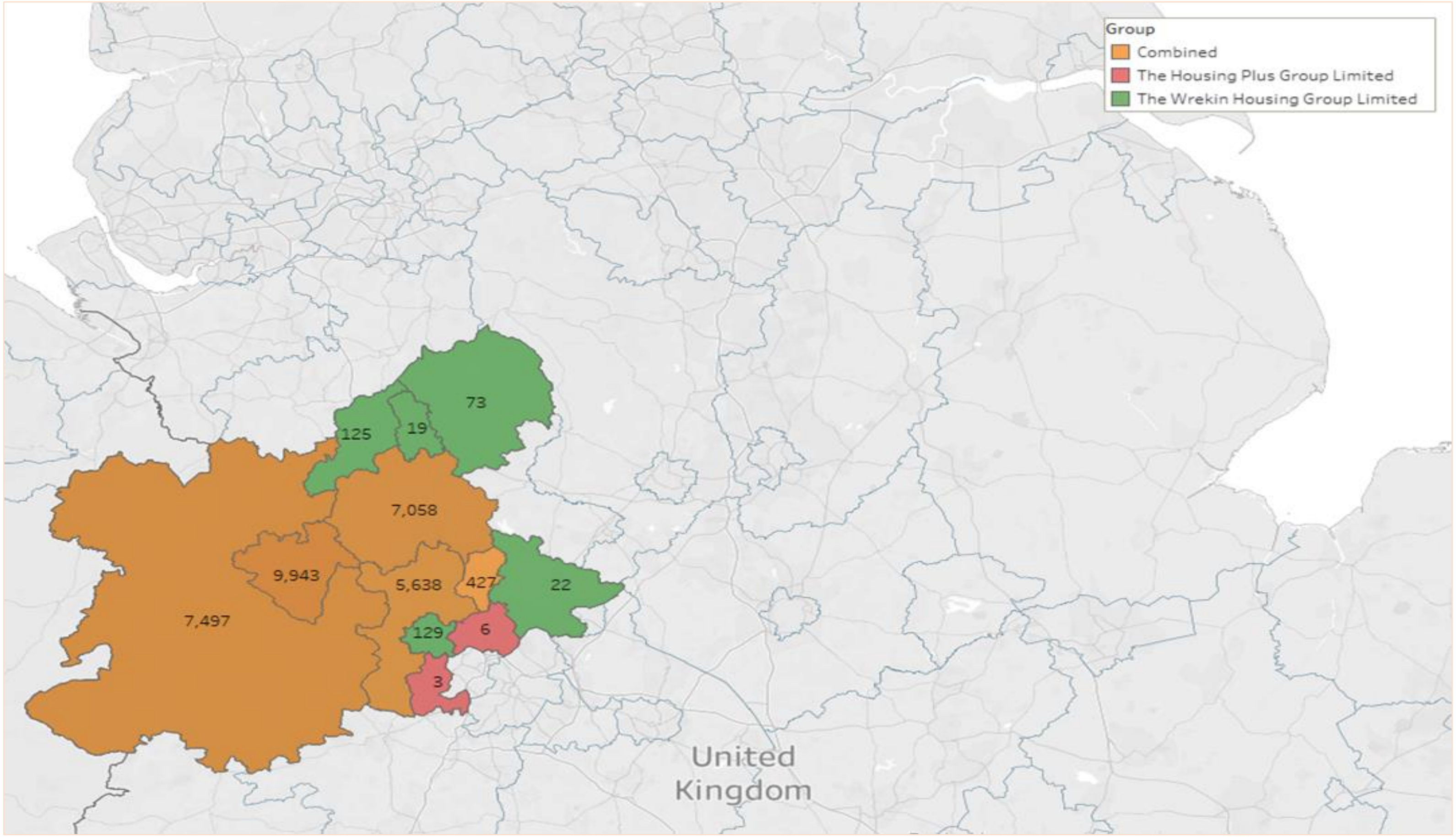
£963m – Total Housing Properties at cost

316 units – Delivered in 2024

A rating – S&P

Sources: The Wrekin Housing Group Limited 2024 Financial Statements & The Housing Plus Group 2024 Financial Statements

Complementary Geographies



- Similar geographic footprint, offering clear potential for operational efficiencies.
- Working together will optimise the reach, efficiency, effectiveness and impact of the combined group.

Delivering More Together

The combined baseline business plan demonstrates the scale of the merged business that will have:

- Stock of ~34,000 homes in ownership and management
- Turnover of ~£250.0m (of which more than 80% will be derived from social housing lettings)
- Net operating cashflow (excluding sales) in excess of £50.0m
- Residential property assets at historic cost of over £1.9bn
- A debt portfolio of almost £1.0bn

The merger will create a business that will:

- Have a higher degree of resilience and robustness than the partners could achieve independently
- Provide the opportunity for releasing significant economies of scale in the operational management of the business that will generate capacity for further investment in customer services, investment in existing homes, and the development of new homes

Delivering More Together

We believe that this is a 'destination merger' fundamentally repositioning the legacy business to be fit for the long- term future, for the benefit of current and future customers.

Ours will be: -

- Top 3 trusted, community embedded housing, care and support provider in the West Midlands
- Resilient business with extra capacity, attractive to investment market.
  Better able to manage headwinds
- Vibrant, inclusive employer of choice, attracting, valuing, growing and retaining talent
- Delivering great homes and services, driven by what matters to our customers
- The top RP developer in the sub-region and a top 20 RP developer nationally
- An innovative partner– first choice for local authorities, funders, Homes England, developers and land owners
- Top 40 housing association, influencing policy locally, regionally and nationally

Delivering More Together

- The merger will deliver more investment in new and existing homes and a better service offer that will make a real difference to current and future residents and communities
- The new organisations would also be a catalyst for change, further partnership and accelerating delivery in Staffordshire, Telford and Wrekin and Shropshire.
- The key Board approved areas for evaluation as success measure for decision on the merits of merger, are: -
- Place based leader,
- Doing more for customers and communities,
- Great place to work
- Resilience and capacity

Customer Benefits

- More new homes
- More investment in kitchens, bathrooms, heating
- More improvements in communal and community areas
- More options to move across the geography
- More community hubs, taking support closer to customers
- More resilient care services
- More accessible and diverse care and support
- More opportunities in employment, apprenticeship, training
- Better money advice, ABS and complaints services
- Betters repairs service, designed with customers
- Brilliant basics in housing managements
- Greater customer voice and influence

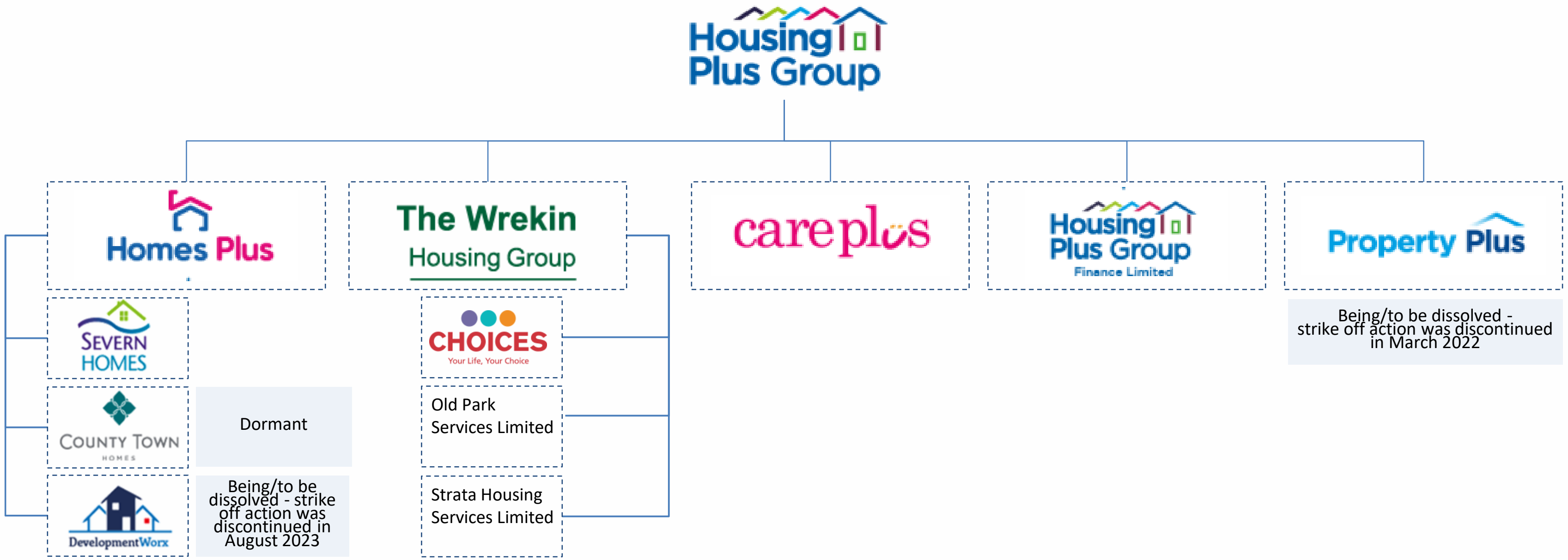
Merger Efficiency Savings

The primary areas where operational efficiency gains can be made in a merger are as follows:

- Rationalisation of corporate governance and management infrastructures
- Consolidation of back-office service and support functions
- Transition to a single ICT infrastructure including architecture, hardware platform(s), middleware, software, and client applications
- Procurement efficiencies (arising from scale of operations and including insurance)
- Identification and implementation of a single target operating model including removal of duplication in management and supervision structures
- Rationalisation of maintenance services including removal of duplication in management and supervision structures
- Consolidation of professional services provision (i.e., external audit, internal audit, legal advice, HR support, pensions advice, treasury advice, stock valuation, and stock condition surveys)
- Rationalisation of the corporate office infrastructure

Corporate Structure

- The initial **Phase 1** group structure is depicted in the below, which shows The Wrekin Housing Group becoming a subsidiary within Housing Plus Group – the existing subsidiaries of Wrekin will continue to reside within The Wrekin Housing Group.



- The group structure that will follow as **Phase 2** is to be determined but is likely to involve legal consolidation (either by way of transfer of engagements or statutory amalgamation) of the two housing associations. This is likely to occur within a two-year period

Governance & Management

- Wayne Gethings, current Chief Executive of The Wrekin Housing Group, has been appointed as the Chief Executive Designate of the new Housing Plus Group. Executive consultation on the Assimilation Policy and draft structure is underway – expected to be concluded late November 2024
- Catherine Dass has been appointed the Chair Designate of the new Housing Plus Group and Debbie Griffiths as Senior Independent Director and Vice Chair. The Board assimilation has been completed and the designate Board are:

- From existing HPG
  - Catherine Dass (Chair designate)
  - Graeme Betts
  - Andrew Burns
  - Jason Burt
  - Sarah Watson

- From existing Wrekin
  - Debbie Griffiths (designate VC/SID)
  - Alan Hawkesworth
  - Alan Yates
  - Kevin Morgan
  - Louise Burns
  - Simon Whitfield
  - Wayne Gethings (CEO designate)

- The designate Board brings diversity of background, including experience in commercial/not for profit/public and charity sectors
- Strong skill sets include Strategy and leadership, Change and performance management, Customer (including lived experience), Landlord H&S, Audit/risk/assurance, Legal & regulation, Finance & Treasury, Strategic HR, Care commissioning/delivery, Data and digital, Strategic asset management, Strategic Development and delivery, Strategic in-house property services, Property investment appraisal and Environmental sustainability.

Stakeholder engagement

- Customer influence will be central to the culture of the new organisation.
- Wrekin and HPG each have a strong commitment to customer engagement and empowerment; the merger business case demonstrates our commitment in action. We each have a strategic plan in place up to 2025 and the successor strategy would be co-created with our customers
- Over 3.3k customers have responded to our partnership consultation. Of this representative sample around 77% actively support or are neutral about the proposal
- Customer priorities have driven the areas for additional investment in homes and services
- Colleagues too are supportive, recognising the material gains for customers and therefore that this merger is the right path.
- Our key local authority partners are positive given our ability to improve capacity, resilience and delivery

Section 2

Financial & Operational Performance

Historical Financial Performance

	HPG 2022/23	HPG 2023/24	Wrekin 2022/23	Wrekin 2023/24
Turnover	£111.3m	£126.1m	£103.0m	£115.8m
Operating Surplus	£26.4m	£32.2m	£21.4m	£31.8m
Operating Margin (Operating Surplus/Turnover)	23.7%	25.5%	20.8%	27.5%
EBITDA MRI (VfM)	117%	120%	136%	161%
Housing Properties at Cost	£801m	£835m	£896m	£963m

Value for Money Performance

We are committed to improving services and supply and to achieve this, value for money in the new organisation would remain a strategic objective. We will have a clear integration plan overseen by non-executives and we will embed a strong value for money culture to make sure that we drive the intended gains of our merger.

HPG and Wrekin performance outcomes against the scorecard metrics are shown below

	HPG YE 2023	HPG YE 2024	Wrekin YE 2023	Wrekin YE 2024
Reinvestment	5.60%	6.10%	10.0%	9.7%
New Supply (Social)	0.82%	0.73%	3.6%	2.4%
New Supply (Non-Social)	0.08%	0.38%	0.0%	0.0%
Gearing	63%	62%	66.6%	66.3%
EBITDA MRI Interest Cover	117%	120%	136.4%	161.4%
Headline Social Housing Cost Per Unit	£4,060	£4,294	£4,427	£4,627
Operating Margin (Overall)	20%	22%	21.5%	26.0%
Operating Margin (SHL)	20%	23%	21.2%	25.6%
Return On Capital Employed	3.67%	4.36%	2.7%	3.7%

Asset Management

Third party validation of the combined SCS data across the new business by end of 2025 to create a 'stake in the ground' assurance of future investment plans. Timely investments that account for proposed corporate plans.	100% stock condition surveys completed by March 2025, and 100% new EPC and Retrofit Assessments by 2030 Financial funds made available to ensure delivery.	Data aligned, cleansed and merged into comparable data set with agreed unit costs . Aligning unit costs will allow for stock age, profile age and previous spend (Sweating).
A strong supply chain with commercially beneficial long-term partnerships across key delivery areas.	The balance between outsourced and in-house delivery is periodically tested against VFM principles.	Tenants have a clear understanding of the investment plans for their homes. Investment linked to repairs – replace versus repair
Skilled Stock Investment Workforce with the right 'skills' for the job e.g. Retrofit Assessment and Works Third party accreditation	Asset renewal policy to renew poorly performing stock with new safe, comfortable affordable new homes.	Single point of stock investment accountability.

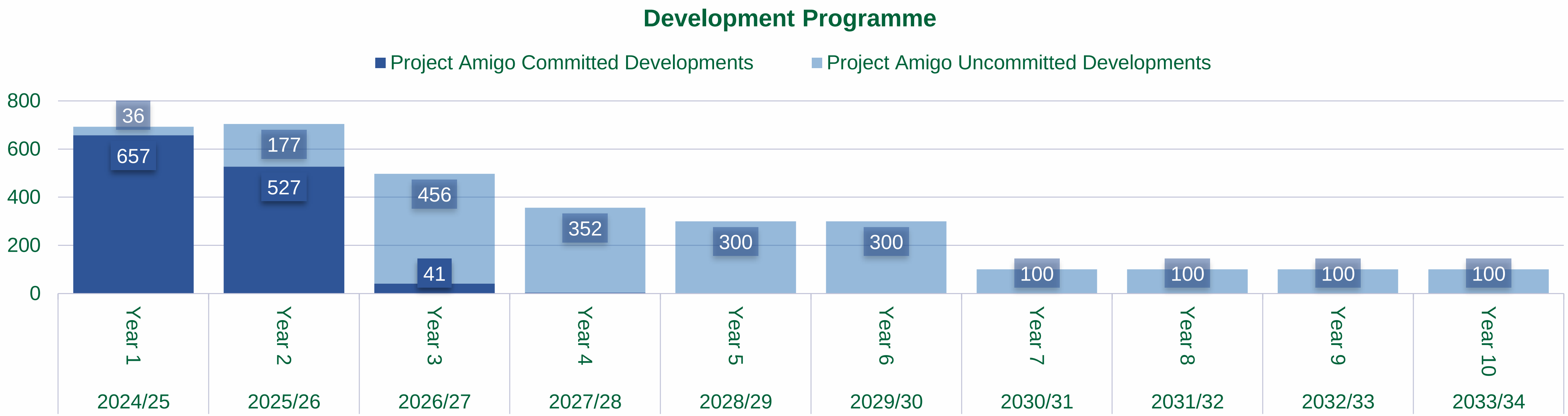
Using complete and robust stock condition data, the merged organisation will deliver the required investment programme in line with the asset strategy and Decent Homes Standard

The FBC business plan has been constructed using the baseline business plan consolidation, which has been developed using each partner's board approved business plan for 2024/25. These plans include:

- Existing committed/uncommitted development & investment into existing homes
- EPC C expenditure across all stock by 2030 (~£25.0m)
- Net Zero Carbon investment for both partners (~£570m profiled between 2030-2050 [inclusive of inflation])

Development

- The combined development programme of both organisations is profiled over the next 10 years for the combined group below. It projects the delivery of 3,250 homes during the period – 62% of the current plan is uncommitted.
- The composition of the assumed programme is heavily skewed towards affordable housing (90.34%), alongside shared ownership (5.14%) and a small proportion of market sale / market rent (4.52%). The market sale component does not extend beyond 2025/26.



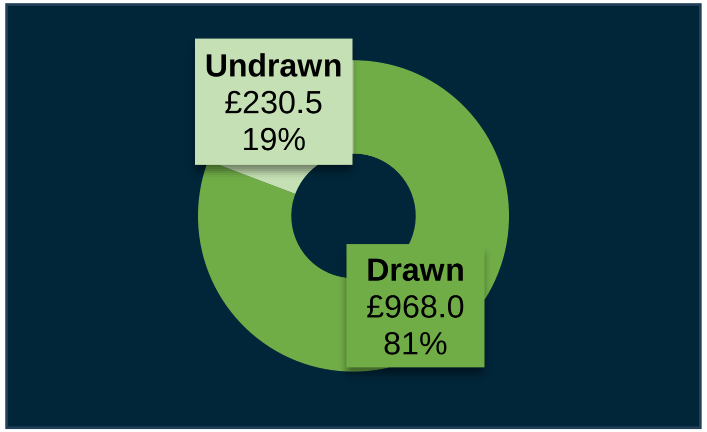
Section 3

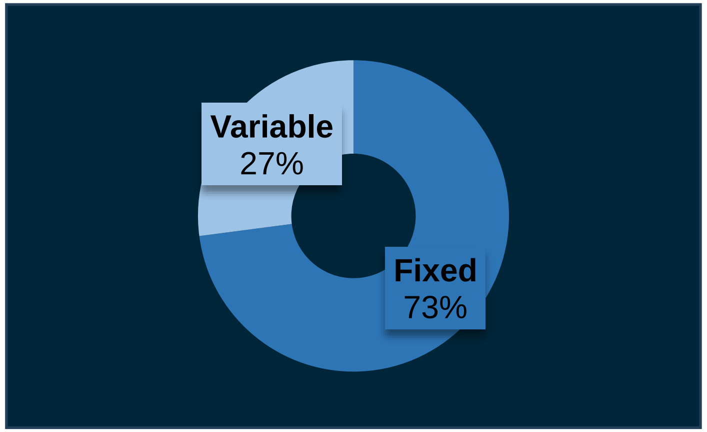
Treasury

Project Amigo – Aggregated Treasury Profile

- Wrekin and HPG combined treasury profile totals c.£1.2bn.
- 81% of the portfolio is drawn, providing strong liquidity
- 68% of the total committed facilities comes from the banking market.
- 32% of facilities come from Debt Capital Markets.
- A large portion of DCM debt is sourced through Wrekin's £250m Public Bond.
- On Drawn Debt, 73% of interest is paid on a fixed rate basis

£m(notional)	Project Amigo	HPG	Wrekin
Term Debt	£356.0	£215.0	£141.0
RCFs	£455.0	£125.0	£330.0
Debt Capital Markets/PP	£380.0	£130.0	£250.0
Other	£7.5	£7.5	£0.0
Total	**£1,198.5**	**£477.5**	**£721.0**





Data as of 30 June 2024, updated for key treasury activity completed to date

Section 4

Summary & Timeline

Summary

- Creation of a stronger, more robust and more resilient business with the potential to unlock significant additional financial capacity to drive future growth
- Similar geographic footprint, offering clear potential for operational efficiencies. Working together will optimise the reach, efficiency, effectiveness and impact of the combined group.
- Top 40 housing association with ~34,000 homes in ownership and management, influencing policy locally regionally and nationally and focused in the West Midlands
- An organisation that will deliver great homes and services, driven by what matters to our customers
- An organisation with turnover of c. £250m and with a c. £1.8bn asset base (Housing Properties at Cost)
- Merger completion expected in January 2025, subject to lender consents.

Housing Plus Group

The Wrekin Housing Group