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ANNUAL INVESTOR CONFERENCE CALL FOR THE YEAR ENDED 31 MARCH 2024

Good morning everyone and welcome to the annual investor update conference call for Annington Limited. The call today will be presented by myself, Ian Rylatt, Annington's CEO and Stephen Leung, Annington's CFO.

The commentary we are going to give is primarily based on Annington's Consolidated Financial Statements for the year ended 31 March 2024, which were posted on our website in July.

I trust you will all have been able to access the Annual Report from our website and will have familiarised yourselves with its contents. The report and this telephone call contain forward looking statements which reflect our current views with respect to future events and anticipated financial and operating performance. Whilst they are made in good faith, any forward-looking statements made in this telephone call are subject to the same caveats as those in the note on page 2 of our Annual Report.

Starting with our headline financial performance:
Annington had another successful year, underpinned by rising rental income driving adjusted EBITDA up 10.9% to £214.9 million. The Group generated free cash flow of £311.0 million following a strong sales performance, and continued execution of a strategy of selling assets held outside the Married Quarter Estate that are non-core to the business.

Progress on our rental income:
The ONS reported UK residential rents rising 9.2% in the 12 months to March 2024 which represents the highest annual percentage change since the dataset began in January 2015. CBRE forecast further UK rental growth of 6.4% for 2024. These market trends continue to be successfully captured in the Group's market rent reviews.

As a reminder the Beacon Unit rent reviews of the MQE are undertaken in four broadly equal tranches and we've completed three of the reviews in this series. The December 2023 MQE Beacon Unit Rent Review, which covered the prior four years, delivered an uplift of 36.6%, increasing passing rent by circa £20 million with a further £9 million increase due to the Site Review. This compares to circa 28% for the December 2022 BURR, which covered the prior five years.

We expect future Beacon Unit reviews to continue to benefit from this high rental growth. The December 2024 BURR will also cover a four-year period, before a contractual fallow year in December 2025. It will then revert to five-year periods from December 2026 BURR onwards.

Moving to our sales performance:
After a period of steep base rate increases recent indicators show UK inflation is on a downward trajectory, evident in decreasing CPI rates to 3.2% in the 12 months to March 2024 down from 10.1% in the 12 months to March 2023. House price indicators have now moved into positive territory and CBRE forecast a 1.0% increase in UK house prices in 2024 and 15.0% between 2024 and 2028.

Annington operates at the more affordable end of the UK market and we are continuing to see sales demand with steady reservations and completions. The group sold 1,045 units in the year to 31 March 2024 of which over half were non-core units from the rental portfolio.

Portfolio valuation and debt:
As at 31 March 2024, Annington owned 38,497 residential property units. Of these, the MQE, which are units leased to the Ministry of Defence, comprised 36,720 units. In the year to March 2024 the MOD released 380 units from the MQE compared to 298 for the year to March 2023. In the current year we have so far received termination notices for 255 units of which 86 have now been released.
The Non-MQE comprised 1,777 units as at 31 March 2024, down from 2,442 at 31 March 2023.

The value of our investment properties at 31 March 2024 was £7.4bn, down from £7.8bn in March 2023 but in line with the £7.4bn in September 2023. Stephen will cover fair value movements in more detail later.

In February 2024 the Group repurchased £312 million of its Sterling 2025 bonds using free cash flow, in part funded by the proceeds received from non-core disposals. Subsequent to the year end the remaining £152 million Euro 2024 bonds were repaid.

Enfranchisement:
Following the judgment from the High Court in May 2023, Annington subsequently applied for, and was granted, permission to appeal. The hearing of the appeal was scheduled to take place between 23 and 25 July 2024. On 15 July 2024 the Group and the MOD jointly applied for the July hearing to be vacated in order that the Group's shareholders and the MoD could explore whether a mutually satisfactory resolution to the proceedings could be identified. On 17 July 2024 the Court of Appeal agreed to vacate the hearing. The hearing will be relisted for the first available date after 1 November 2024 which, after allowing for Court and Counsel availability, is likely to be sometime in 2025.

If the matter cannot be resolved, and the appeal proceedings are heard at a relisted date, there is also the potential of a further appeal following this to the Supreme Court and potentially after that to the European Court of Human Rights. In totality these appeals could take several years if no agreement is achieved. Additionally, if the notices are upheld, any decisions on the price payable for units subject to enfranchisement would also be capable of appeal. We will provide updates of any further developments.

Notwithstanding the current legal process, the Group reiterates its commitment to maintaining a positive, constructive and mutually beneficial working relationship with the MoD.

Next our progress on ESG:
The Group places great emphasis on the long-term sustainability of the homes it refurbishes, the places where it operates and how it improves outcomes for residents. Our refurbish, repurpose, and revive ethos presents a unique opportunity to reinvigorate homes that have been neglected and, in some cases, abandoned.

In the reporting period the Group focused on two priority topics for Climate Resilience – carbon emissions and clean energy. The Group has made increasing use of renewable energy sources, including ground source heat pumps and PV panels. Of note is the refurbishment of five former MQE homes at Devizes, Wiltshire where the properties have undergone a comprehensive range of energy efficiency upgrades, including the installation of air sourced heat pumps resulting in an EPC A rating. We were pleased that during the year 98% of the waste generated from the Group's refurbishment activities was diverted from landfill against a target of 95%.

The Group welcomes the recommendations of the Task Force on Climate-Related Financial Disclosures for understanding relevant climate-related risks and continues to use them as a reference point for moving towards the further guidance provided by IFRS S1 and S2.
Full details of progress made during the year can be found in Annington's ESG Performance Report which is published annually in the Autumn on our website.
And finally, we continue to monitor the impact of recent legislative changes including the Leasehold and Freedhold Reform Act 2024, and any further developments around Leasehold Reform, which was included as part of the new Government's agenda in the King's Speech.

I will now hand over to Stephen to discuss the results for the year.

Thank you, Ian

Reviewing our financial Performance in the year to 31 March 2024
As Ian mentioned, we continue to see our Beacon Unit Rent Review capture strong market rental growth.

Rental income for the financial year was £242.0 million, a £22.7 million or 10.4% increase on the prior year. The majority of our rental income continues to be from the MQE, which generated £221.9 million in the year, a £24.5 million or 12.4% increase on the prior year. This increase reflects the contribution from the Site Review rent adjustment agreed in December 2021, now effective for three of the four tranches into which the portfolio is divided, combined with Beacon Unit Rent Reviews which include the full year impact of BURR 22 and the first three months of the recently agreed BURR 23. In total these represent a £26.4 million increase in rent partially offset by a £1.9 million decrease resulting from releases of Units during the year.

Rent from the Group's Non-MQE Portfolio decreased from £21.9 million in 2023 to £20.1 million in 2024. This reflects the disposal of over 40% of the Non-MQE Portfolio, resulting in a net decrease in rent of £4.2 million. Offsetting this decrease, the renting of released units from the MQE portfolio have contributed an additional £1.5 million of rental income in the year and there has been a 7.8% increase in like-for-like rental income.

Turning to our profitability for the financial year
The Group uses Adjusted EBITDA to measure the normalised performance for the business. Adjusted EBITDA for the financial year was £214.9 million, a 10.9% increase compared to £193.8 million for the prior year. This increase is the result of a combination of factors but predominantly driven by the increase in gross rental income.

Property operating expenses totalled this year at £9.2 million vs £8.2 million in 2023, with the mix and nature of MoD properties released in the year giving rise to increased survey and investigation costs which have not been capitalised. Additionally, there has been an increase in holding and maintenance costs in the year due to the significant increase in disposals and associated void periods during the sales process.

Administrative expenses, including depreciation, were in line with prior year at £17.8 million.
The Adjusted EBITDA margin was 88.8% just ahead of last year's 88.3%. The high level of conversion of rental income into Adjusted EBITDA reflects the fact that we are not responsible for the maintenance of the MQE.

During the financial year, the Group incurred £3.2 million of exceptional costs in relation to the legal proceedings which arose as a result of the MoD's attempts to enfranchise several properties within the MQE.

Reviewing our sales during the year
The group sold 1,045 units in the year to 31 March 2024 with net proceeds of £264.0 million of which over half were from the rental portfolio. This included several bulk transactions covering 610 units for £151.7 million.

Profit on disposal of investment properties was £18.2 million being the amount by which the net sale proceeds exceed the March 2023 valuation.

Next, looking at our Balance Sheet
The Group's total assets amounted to £7.7 billion at 31st March 2024, in-line with £7.7 billion at 30th September 2023 and down from £8.1 billion at 31st March 2023.
CBRE continued as valuer of both the MQE and the Non-MQE Portfolios, following their appointment in 2021.

The carrying value of the Group's investment property portfolio at 31 March 2024 was £7.4 billion, in-line with the £7.4 billion at 30 September 2023. After allowing for disposals this is a 2% like-for-like increase over the six-month period.

In relation to the 31st March 2024 MQE valuation, CBRE were required to take into account the High Court's judgement that the MoD may enfranchise units within the estate and Annington's plans to appeal, reducing the valuation by 5% or £367m.

The Group uses Special Assumption Vacant Possession Value or "SAVPV" as a measure of what the properties would be worth were they to be released. MQE SAVPV was calculated by CBRE using market values for a representative sample of units, which were extrapolated over the total portfolio at the valuation date. This resulted in an SAVPV for the MQE of £10.0 billion, compared to £10.2 billion in September 2023. This equates to an average SAVPV of £273,000 per Unit and represents a 43.5% premium on Fair Value.

Financing
We continue to operate an unsecured debt strategy and a policy of retaining a BBB rating. Net debt at 30 March 24 was £3.7 billion with an LTV of 49.7%. The £100m RCF remains undrawn.

In February 2024, the Group repaid £312.3 million of the Sterling 2025 bonds for £300.6 million using free cash flow. After deducting related transaction costs, this left the Group with a gain of £10.6 million.

The cash balance at 31 March 2024 was £196.4 million which was used in part to repay the remaining £152 million Euro 2024 bonds on their maturity in July. We will continue to monitor the markets with regards to our remaining £169m 2025 bonds.

At 31 March 2024, the weighted average cost of debt was 3.75%, compared to 3.39% at 31 March 2023, with a weighted average life of 12.1 years.

The Group did not declare or pay a dividend during the year.

I will now hand back to Ian to wrap up.

Thank you Stephen.

So in summary,

Annington had another successful year with strong underlying market rental growth benefiting both our MQE and NON-MQE portfolios. The Group operates at the more affordable end of the UK housing market which has allowed for steady progress on unit sales which have been released and refurbished as well as the successful disposal of a significant portion of our rental portfolio that's been identified as non-core.

As Stephen summarised, this has allowed the Group to reduce it's debt balance by c. £460m. In addition, after a period of valuation falls the 31 March 2024 valuation showed a 2% like-for-like increase vs 30 September 2023, bringing our LTV down to 49.7%.

We are not able to take any questions on this call. If there are any clarification questions please submit them via our investor enquiries e-mail address available on our website (investorenquires@annington.co.uk).

Should you like to receive updates from the Group, please subscribe to our relaunched investor mailing list also available on our website.

A transcript of the call will be available on our website together with a link to a digital recording of the call which will be available for 7 days.

Many thanks.