



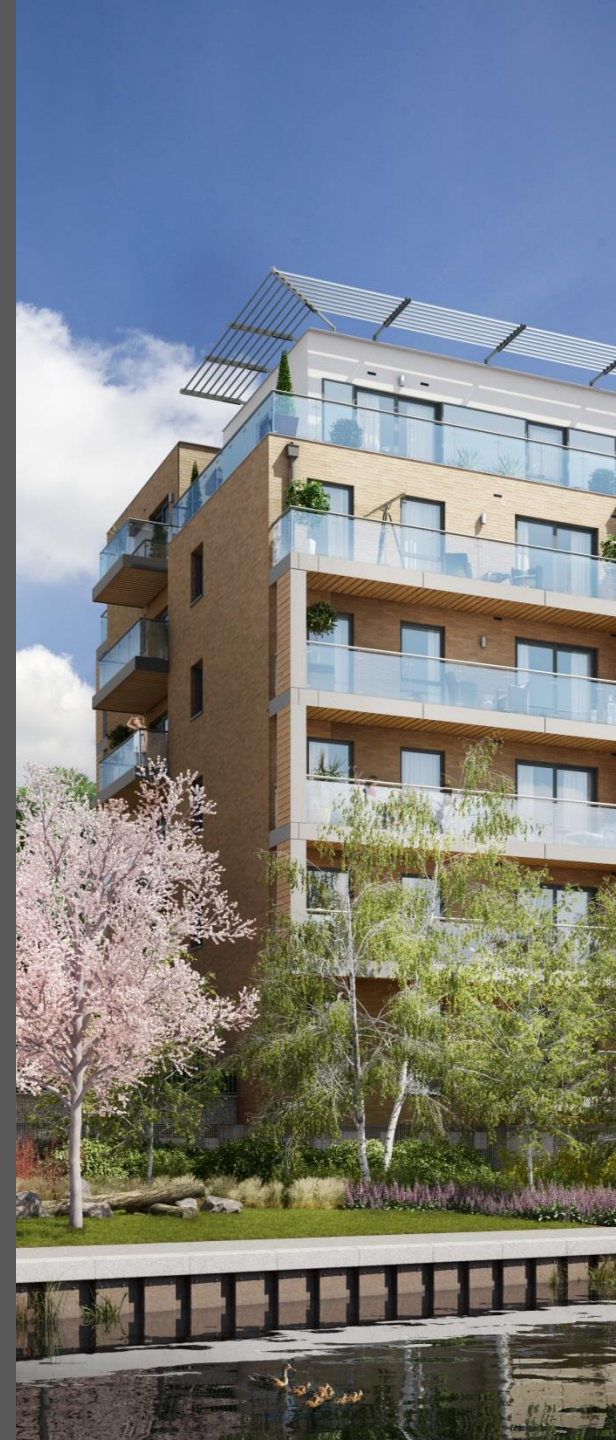
## Unsecured Bond Roadshow Presentation

October / November 2016

Dean Tufts – Executive Director (Finance & Strategy)  
Jill Green – Group Treasurer



INVESTORS  
IN PEOPLE | Gold



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Gunmakers Wharf, Bow



# GROUP OVERVIEW AND STRUCTURE

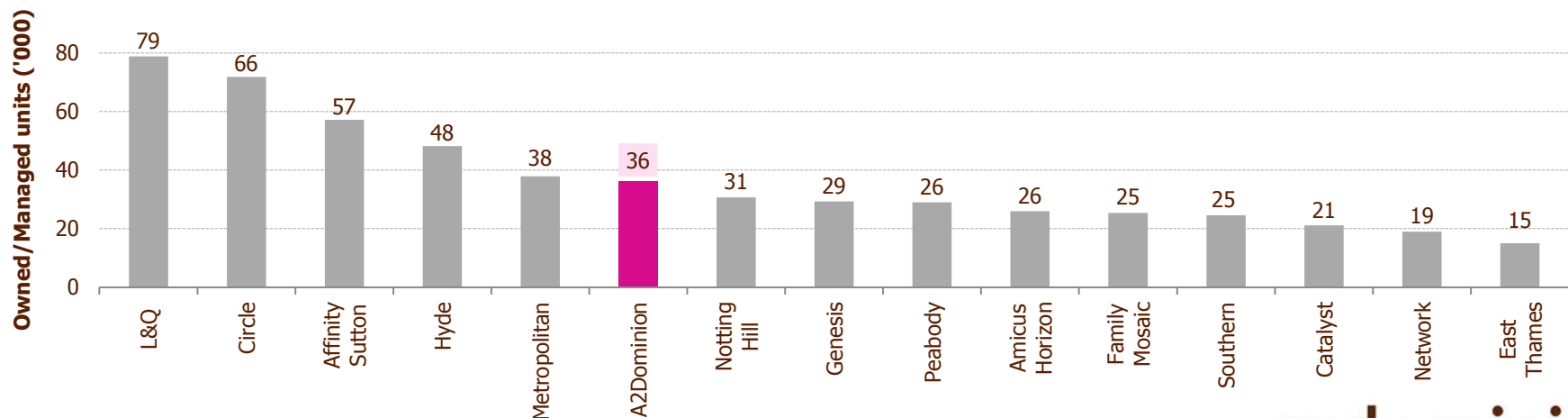
# A2DOMINION GROUP

- **One of the largest UK Housing Associations**

- A property portfolio of over 36,000 homes across London and the South East
- A+ rated by Fitch (stable outlook)
- Member of the g15 (see below)
- Regulated by the HCA with a G1 / V1 rating

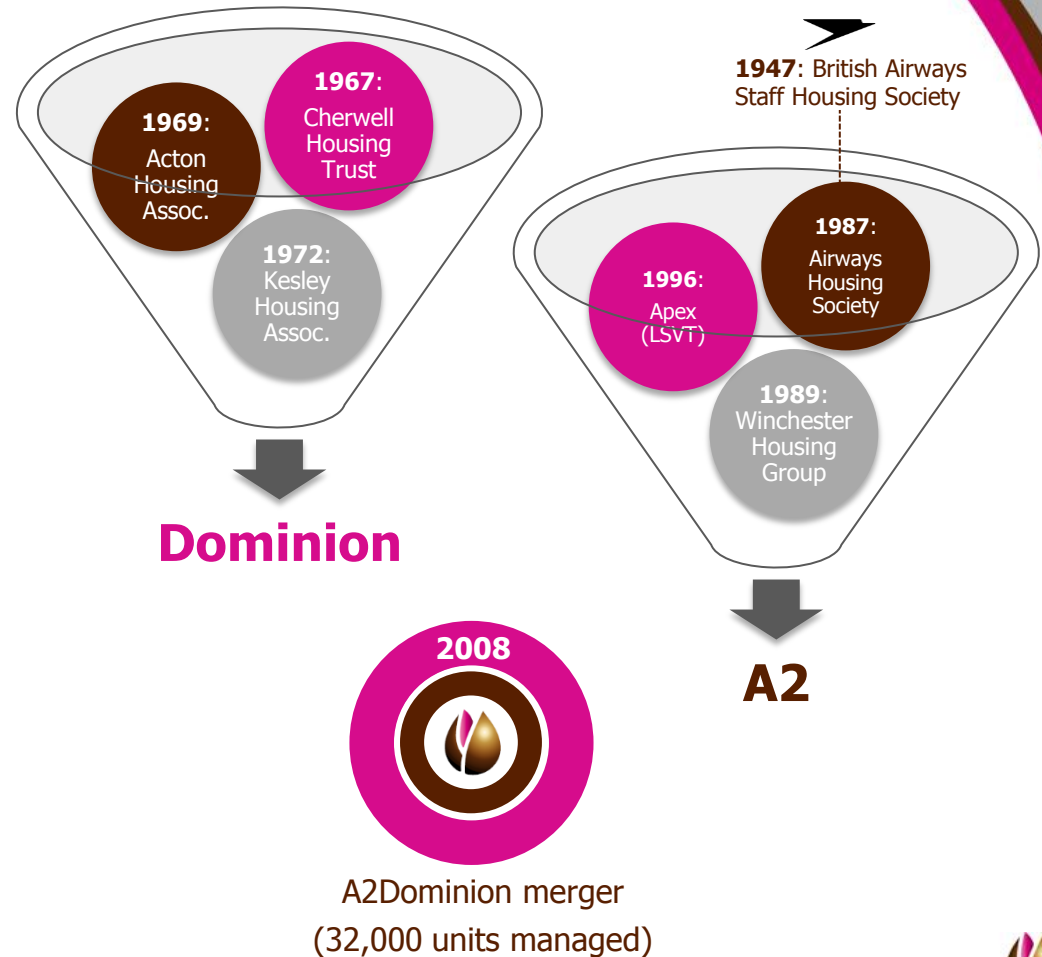
- **Social purpose achieved through provision of affordable housing**

- Social
  - Social/affordable
  - Low cost home ownership
  - Supported/sheltered
- Market
  - Student accommodation
  - Private rented
  - Private sale



# GROUP HISTORY

- **Over 65-years of history**
  - Originally established as the British Airways Staff Housing Society in 1947 for the development of properties for British Airways staff workers
  - The A2Dominion Group in its present form was created in October 2008 as a result of the merger between A2 Housing Group and Dominion Housing Group.



# GROUP STRATEGY

- **SOCIAL: Focused on core objectives**
  - Provide new quality homes
  - Deliver customer led services
  - Invest in homes and local communities
- **MARKET: Development strategy**
  - Aim to develop up to 1,500 units per annum
  - In line with government strategy but with reducing reliance upon HCA grant
  - Developing whole sites to deliver multi tenure schemes
  - “Profit for Social Purpose” to achieve our charitable aims
- **Partnership strategy**
  - A strategic approach to determining who we work with, why we work with them, what resources we need and where to invest
  - Identifying key local authority and private sector partners
  - Stock rationalisation process undertaken to support this strategy

Core objective: to maintain our financial strength

# SIMPLIFIED GROUP STRUCTURE

**Parent Holding Company:**  
RP<sup>1</sup>

**A2Dominion  
Housing Group Ltd**

Issuer

## 100% Subsidiaries:

Asset owning RPs  
Subject to covenants

**A2Dominion  
South**

Units owned<sup>2</sup>: 14,458  
Unencumbered units<sup>2</sup>: 4,518

**A2Dominion  
Homes**

Units owned<sup>2</sup>: 13,996  
Unencumbered units<sup>2</sup>: 4,982

**A2Dominion  
Housing Options**

Units owned<sup>2</sup>: 724  
Unencumbered units<sup>2</sup>: 724

## 100% Market- Activity Subsidiaries:

**A2Dominion  
Developments Ltd**

Units in development

**A2Dominion  
Residential Ltd**

Units owned<sup>2</sup>: 491  
Unencumbered units<sup>2</sup>: 491

## Joint Ventures:

**Essex  
Wharf  
Homes LLP**

**Green Man  
Lane LLP**

**Keybridge  
House LLP**

**Queen's  
Wharf  
Riverside  
LLP**

**Crest A2D  
(Walton  
Court) LLP**

**Pyramid  
Plus London  
LLP**

**Pyramid  
Plus  
South LLP**

 Charitable Co-operative & Community Benefit registered society

 Non Charitable Co-operative & Community Benefit registered society

 Non charitable company

 Joint venture

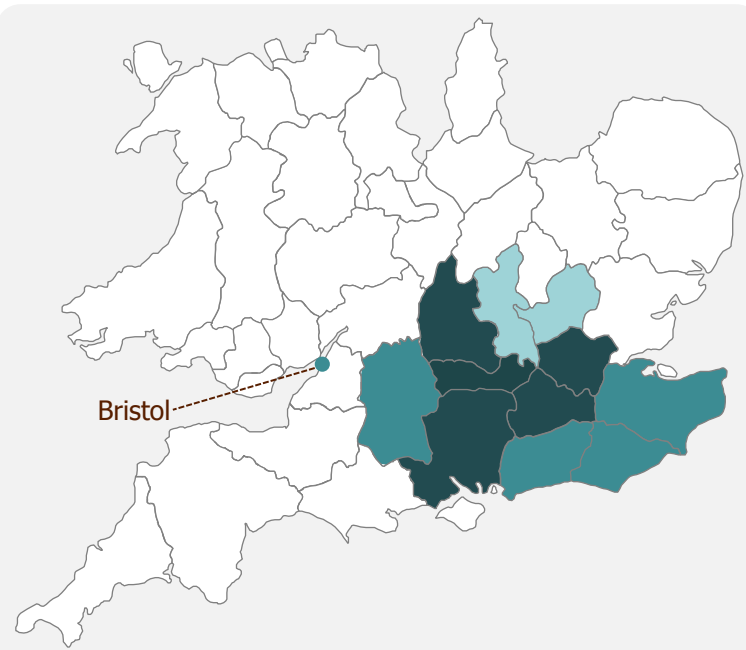
Note: <sup>1</sup>'RP' - a private registered provider of social housing regulated by the HCA. <sup>2</sup> Housing units owned



# OUR HOMES

**No. Properties under management/development**

1,000+  
100-1,000  
0-100



## Top 10 Local Authorities

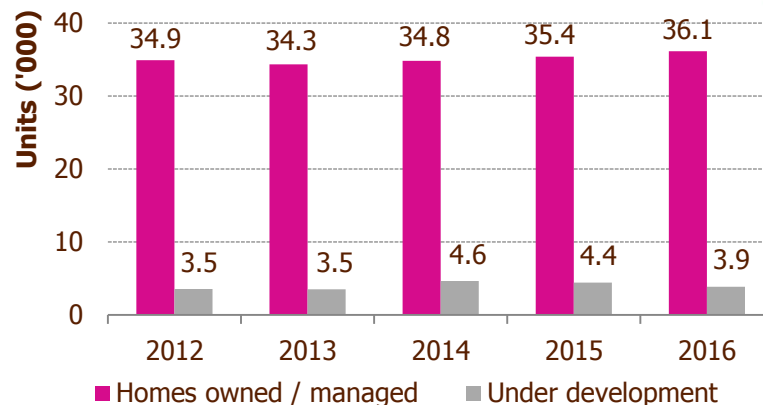
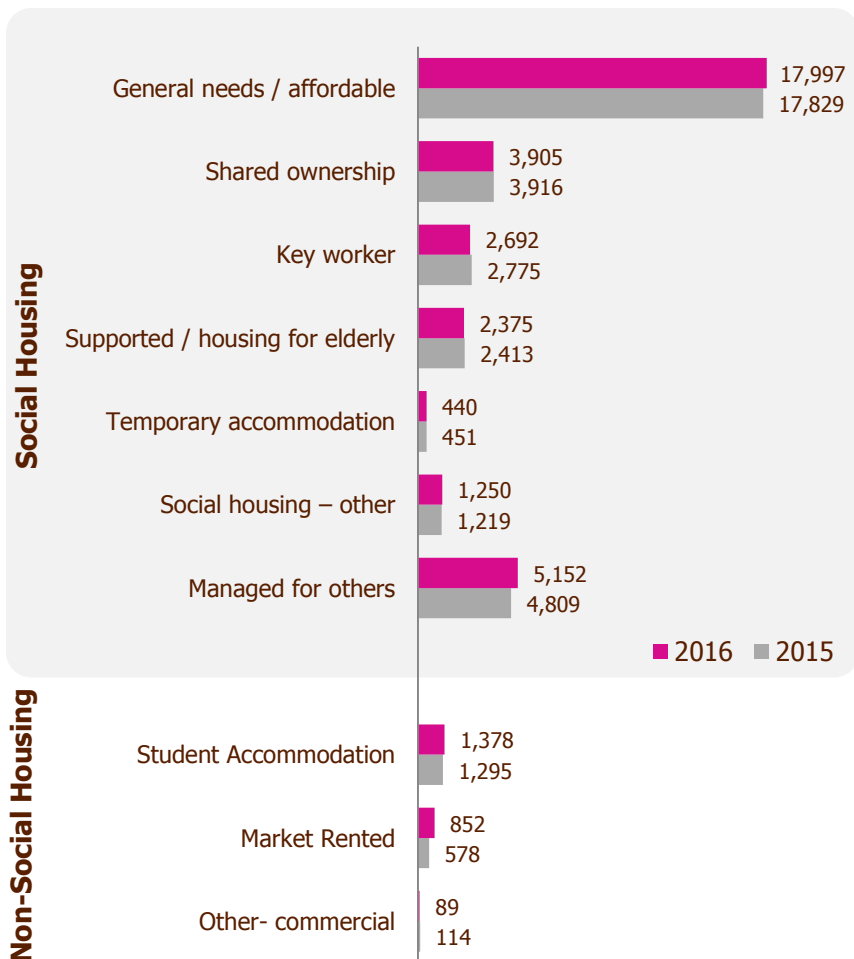
Local Authority	A2D Rental £m	Rental % total	Housing units owned <sup>1</sup>	Households on Waiting list <sup>2, 5</sup>	Av. market rent <sup>2, 3, 4</sup> £ pcm	Av. A2D rent <sup>2, 3, 5</sup> £ pcm	Av. RP rent <sup>2, 3, 5</sup> £ pcm
1 Spelthorne	32.4	17.1%	6,292	1,224	1,052	475	466
2 Ealing	17.9	9.5%	2,907	10,607	1,462	508	505
3 City of Westminster	14.4	7.6%	1,250	4,562	2,442	668	512
4 Oxford City	13.8	7.3%	2,561	2,240	1,029	450	453
5 Hounslow	12.2	6.5%	2,000	8,504	1,384	514	493
6 Hillingdon	10.3	5.5%	1,694	3,567	1,081	516	495
8 Hammersmith & Fulham	9.5	5.0%	1,150	518	1,762	544	512
7 Bromley	7.4	3.9%	1,200	3228	1,054	499	463
9 Harrow	6.4	3.4%	880	762	1,169	508	522
10 Winchester	5.9	3.1%	1,080	2,157	871	464	453
<b>Ranked 11 – 25 total</b>	<b>39.2</b>	<b>20.7%</b>					

London-based local authorities

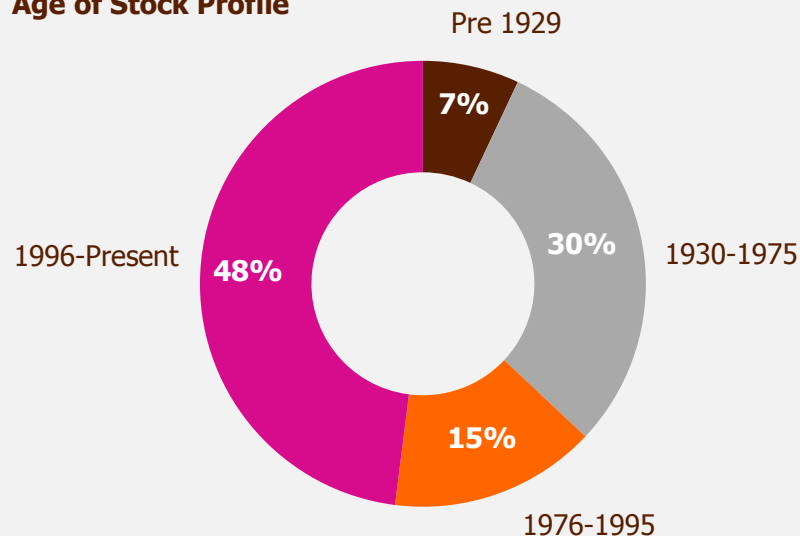
Sources: <sup>1</sup> 2016 A2D Annual report. <sup>2</sup> www.gov.uk. Note: <sup>3</sup> Average rent figures are for self-contained general needs units. <sup>4</sup> Average market 2-bed rent recorded in 12 months to Mar-2014. <sup>5</sup> Data as of 2016 statistical data return to ONS



# STOCK PROFILE



## Age of Stock Profile



# EXPERIENCED LEADERSHIP



**Darrell Mercer**

*Group Chief Executive*

35 years experience in the housing sector

Previously Assistant Director of Housing for the London Borough of Islington

Former CEO of Acton Housing Association and Dominion Housing Group



**John Knevett**

*Group Commercial Officer and Deputy Chief Executive*

Over 30 years experience in the housing sector

Extensive experience as a structural and civil engineer

Previously CEO of A2 Housing Group



**Andrew Boyes**

*Executive Director Change & IT*

Over 25 years experience in IT working with housing, insurance, retail and distribution

An IT Director since 1998, holding three other IT Director roles at insurance firms Castle Cover Ltd and RIAS Plc. and convenience retailer Alldays Plc



**Kathryn Bull**

*Executive Director Projects*

Over 10 years experience in the housing sector

Previously Group Director of Risk & Planning at Dominion Housing Group and then Executive Director (Corporate Services) at A2Dominion



**Andrew Evans**

*Executive Director Operations*

25 yrs service delivery experience in the public and private sectors

Previously Group Operations Director for A2D for 12 years and Spelthorne HA's Deputy Chief Executive

Member of the Institute of Management



**Dean Tufts**

*Executive Director Finance & Strategy*

Qualified Chartered Accountant with 25 years+ experience in the housing sector

Previously Dominion Housing Group Finance Director having worked at Acton Housing Association

Associate of the Institute of Chartered Accountants in England and Wales



**Anne Waterhouse**

*Executive Director Central & Fin. Services*

Qualified Chartered Accountant with over 15 years finance experience

Previously Deputy Group Finance Director at Dominion Housing Group Executive Director (Financial Services) at A2Dominion



**Nicholas Yeeles**

*Executive Director Commercial London*

Over 20 years experience in the social housing sector with a focus on business development

Previously Chief Executive of Cherwell Housing Trust, part of Dominion Housing Group

Has previously held various executive posts and worked as a freelance consultant

# BOARD & COMMITTEE OVERSIGHT



**Derek Joseph**

Chair

30 years experience in the housing sector

Significant knowledge of social housing finance and governance

Former director of the HACAS Group Plc and Tribal Treasury Services

Voluntary director of the charities Homeless Int'l and the London Housing Federation



**David Coates**

Finance and treasury professional in the retail sector for 25 years+

Finance Director of Sainsbury's and Debenhams. Previously Group Finance Director at New Look



**Caroline Tolhurst**

30 years+ experience in the property & investment mgmt. sector

Company Secretary at NewRiver and Grosvenor for 10yrs. Compliance Officer at Knight Frank



**Terence Cook**

An A2D Resident and previously Chair of A2D's Customer Services Committee

Founder of residents forum, currently working at Hampshire CC



**Caroline Tiller**

Over 30 years housing experience

Previously Chief Exec. of Central & Cecil Housing Trust. Prior to that, held director positions in large and medium sized HAs



**Ian Cox**

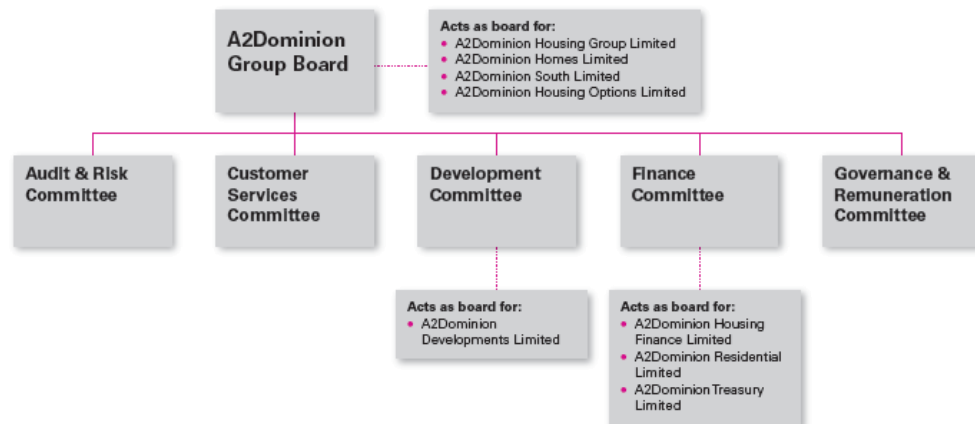
Over 35 years experience in the industry

Currently a Managing Partner and shareholder of Cox Development Partners developing mixed-use projects



**Sara Dickinson**

20 years experience having worked as Group Financial Controller for Sage Group and Finance Director of eBookers. Currently Finance Director for Costa Coffee



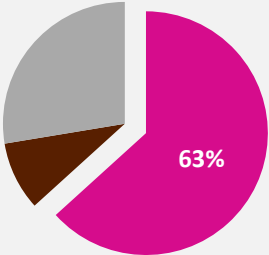
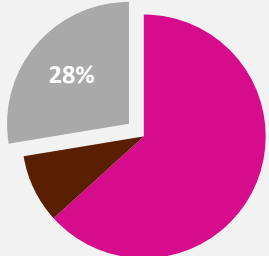




# OPERATING OVERVIEW

Elmsbrook, North West Bicester

# OPERATIONAL OVERVIEW

Surplus	Activity	Overview
	Social Housing Letting	<ul style="list-style-type: none"> <li>• Providing general needs, shared ownership, keyworker and supported housing</li> <li>• 33,811 owned and managed units as at March 2016</li> <li>• Operating surplus of £71.5m from Social Housing Lettings in FY16</li> <li>• Overall operating margin on social housing activities was 33.3%</li> </ul>
	Other Social Housing Activities	<ul style="list-style-type: none"> <li>• Includes first tranche sales on shared ownership properties and some management services and community activities</li> <li>• £10.9m surplus from first tranche sales of 196 units, with a small loss (£0.6m) on other activities</li> </ul>
	Non-Social Housing Activities	<ul style="list-style-type: none"> <li>• Non-social housing activity includes development for sale, market rented housing and student accommodation</li> <li>• 852 private rent units and 1,378 units of student accommodation</li> <li>• Contribution to surplus was £31.2m in FY16</li> <li>• Development for sale activity generated an operating margin of 25.4% selling 330 units in the year</li> </ul>



# REGULATION

- **Rent reduction**

- 1% rent reduction applied to regulated rents from 1 April 2016
- Impact over 4 years reduces surplus; no anticipated impact on debt serviceability
- Business plan modelled using only CPI increases from 2020

- **Right to buy**

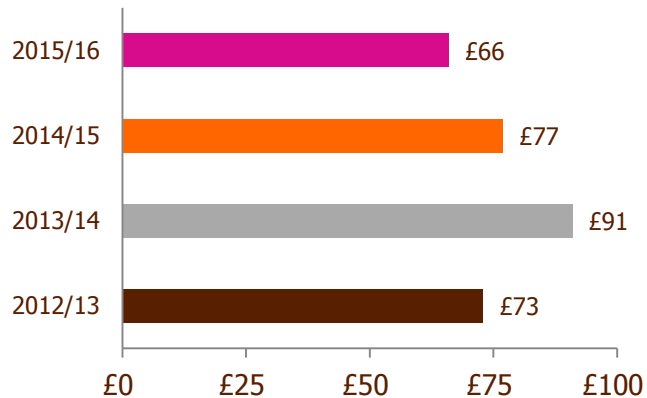
- Project group is developing internal policies/ procedures as details of policy emerge
- Expected to be cash positive due to high value of properties in areas of operation

- **Welfare Reform**

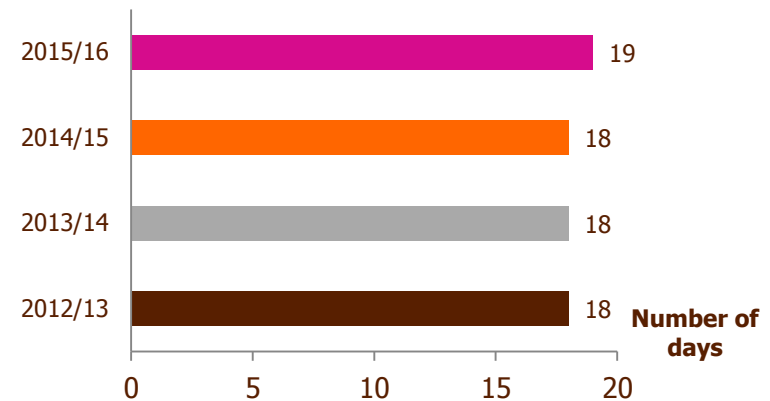
- Working Group monitors & report regularly on the effectiveness of our action plans
- Housing Benefit Cap
  - ▶ Reduction in cap to £23k (London) and £20k (outside London) from Nov-16
  - ▶ Estimate 300 residents affected, with no material ongoing financial impact
- Under-occupation
  - ▶ Estimate 875 tenants affected, reduced from over 2,000 in 2012
- Universal Credit
  - ▶ Delayed roll-out of UC, limited impact to date
  - ▶ Individual cases (currently around 125) are actively monitored
  - ▶ As at Mar-16, 82% of residents had a paying relationship with A2D

# KEY PERFORMANCE INDICATORS

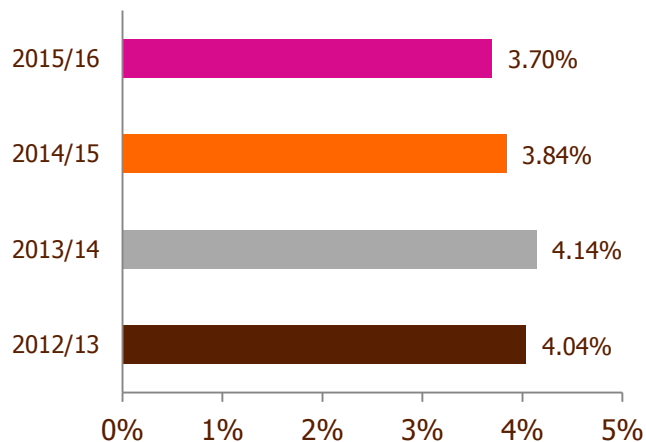
Rent void loss per home- social housing activities



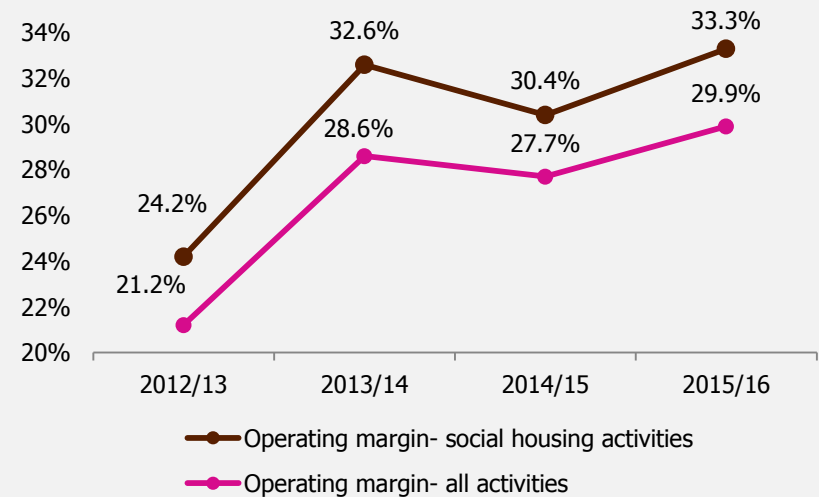
Re-let times- general needs homes



Current rental arrears- general needs homes



Operating Margin





Queen's Wharf Riverside, Hammersmith Bridge

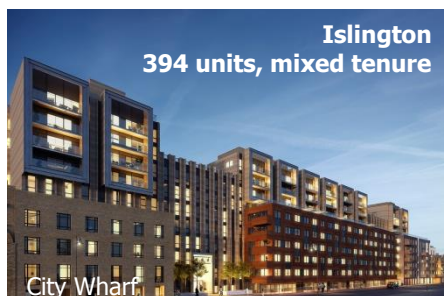


# DEVELOPMENT PLANS

# DEVELOPMENT TRACK RECORD

- A2Dominion has a strong track record in developing property
- In the last nine financial years we have developed over 9,700 units
- In-house developer keeps direct costs low
- Strong relationships with LAs and other developers / house builders

Year	Social Rent	Intermediate Rent	Shared Ownership	Private Sale	Other	Totals
2007 / 08	962	30	661	96	18	<b>1,767</b>
2008 / 09	820	0	626	78	29	<b>1,553</b>
2009 / 10	719	165	224	73	72	<b>1,253</b>
2010 / 11	664	134	137	131	41	<b>1,107</b>
2011 / 12	432	35	386	247	1	<b>1,101</b>
2012 / 13	387	0	130	119	0	<b>636</b>
2013 / 14	141	0	121	216	103	<b>581</b>
2014 / 15	304	0	69	206	0	<b>579</b>
2015 / 16	333	0	196	330	268	<b>1,127</b>
<b>Totals</b>	<b>4,762</b>	<b>364</b>	<b>2,550</b>	<b>1,496</b>	<b>532</b>	<b>9,704</b>





# DEVELOPMENT STRATEGY

- Aim to develop up to 1,500 units per annum
- Emphasis on location and ROI rather than quantity
- Tenure split to be:
  - 40% Private Sale
  - 20% Shared Ownership
  - 20% Affordable Rent
  - 20% Private Rent
- Regional split of 60% London and 40% South East (outside London)

## CONTROLS

- The board & management have put checks & controls in place to manage market risk
- A2D approaches development with the following guiding principles:
  - Affordable Housing development in London/South East requires internal capital subsidy
  - Maintaining A2D's financial strength, requires a limit to the level of subsidy
  - There must be a balance between growth in Affordable Housing and the need to maintain and improve financial strength



# DEVELOPMENTS

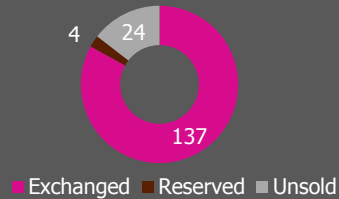
## JV Projects

JV Partner: Mount Anvil



Queen's Wharf – Hammersmith 2017

165 units - Private sale

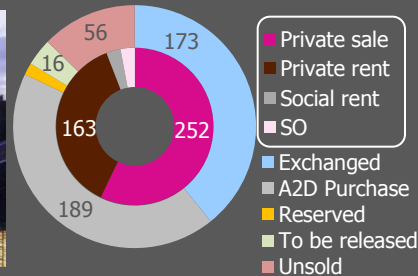


■ Exchanged ■ Reserved ■ Unsold

JV Partner: Mount Anvil



Newbridge House – Vauxhall 2017-19



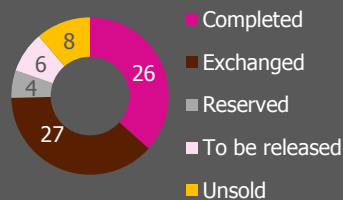
■ Private sale  
■ Private rent  
■ Social rent  
■ SO  
■ Exchanged  
■ A2D Purchase  
■ Reserved  
■ To be released  
■ Unsold

JV Partner: Rydon Construction Grp.



Green Man Lane – Vauxhall 2017 Q3

71 units - Private sale<sup>1</sup>



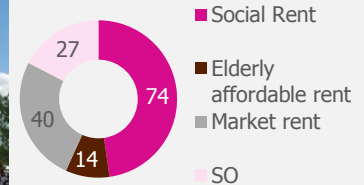
■ Completed  
■ Exchanged  
■ Reserved  
■ To be released  
■ Unsold

## A2D Projects

The Lamptons



Hounslow 2016



■ Social Rent  
■ Elderly affordable rent  
■ Market rent  
■ SO

Elmsbrook



NW to Bicester Eco Town

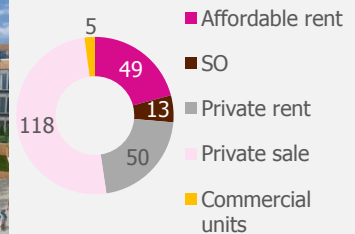
393 homes and associated infrastructure (including energy centre and school) to be built in 4 phases up to 2019

Phase 1: Complete  
Phase 2: On site

Geron Way



North London Mid 2018

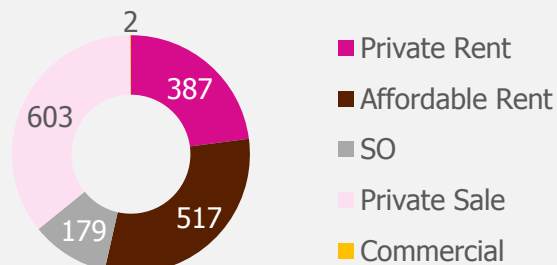


■ Affordable rent  
■ SO  
■ Private rent  
■ Private sale  
■ Commercial units

# POST-DEVELOPMENT STRATEGY

- Optionality:
  - **Private Rent**
  - Private Sales
  - Shared Ownership
  - Social Housing

Current contracted development



## Private Rent:

- The flexibility offered by private rent compared to social tenures assists A2D in managing the financial risk of the overall property portfolio
- 271 private rent units developed or acquired during 2015/16
- Current private rent stock is valued at £221m (MV-T value)
- Target of a further 725 private rent units over a five year period to FY2021
- Target yield is 6% gross and 4% net on average across the portfolio
- To be developed in A2D core areas and/or in locations that are within a 20 mile radius of a key worker management office





West End Lane



# FINANCIAL OVERVIEW

# FINANCIAL PERFORMANCE 2016

- Net Surplus of £114.5 million for 2015/16 (compared to £73.2 in 2014/15)
- Operating margin of 29.9% (2014/15: 27.7%)
- Strong sales (of both new and existing properties) contributing profit of £55m (2014/15: £25.7m) for reinvestment in new and existing homes:

	<b>2015/16</b>	<b>2014/15</b>
Sale of Fixed Assets	£15.3m	£6.5m
First Tranche Sales	£10.9m	£4.6m
Development for sale	<u>£28.8m</u>	<u>£14.6m</u>
Totals	£55.0m	£25.7m

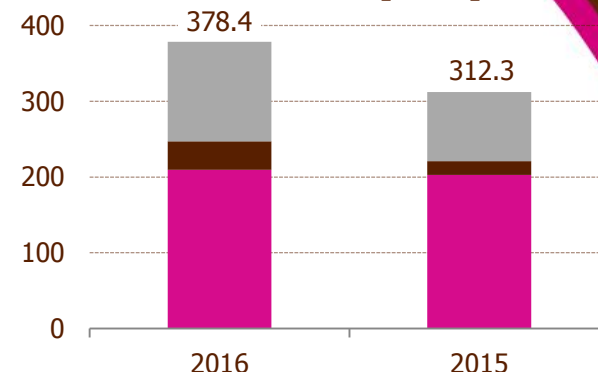
- £37.8m spent on planned and major repairs (of which £20.1m capitalised)

# OPERATING PERFORMANCE

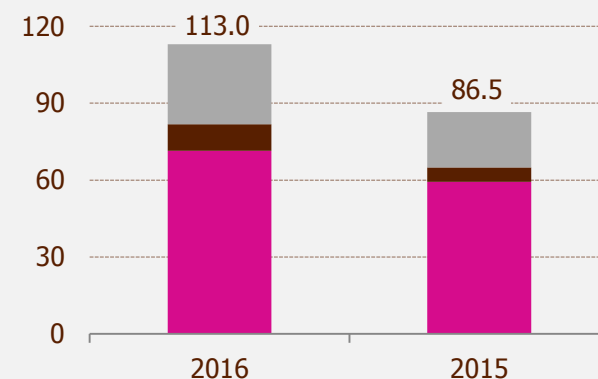
	2016 £m	2015 restated £m
<b>Group Turnover</b>	378.4	312.3
Operating costs and cost of sales	(265.4)	(225.8)
<b>Operating Surplus</b>	113.0	86.5
<i>Operating margin</i>	29.9%	27.7%
Share of jointly controlled entity surplus	2.7	2.3
Surplus on sale of fixed assets	15.3	6.5
<b>Net interest charge</b>	<b>(47.3)</b>	<b>(48.0)</b>
Change in fair value investments	0.1	0.9
Movement in fair value of financial instruments	1.9	0.9
Movement in fair value of investment properties	30.1	28.2
Taxation	(0.5)	(3.1)
Non-controlling interest	(0.8)	(1.0)
<b>Net Surplus for the year</b>	<b>114.5</b>	<b>73.2</b>

- Social housing letting
- Other social housing activities
- Non social housing activities

## Turnover (£m)



## Surplus (£m)

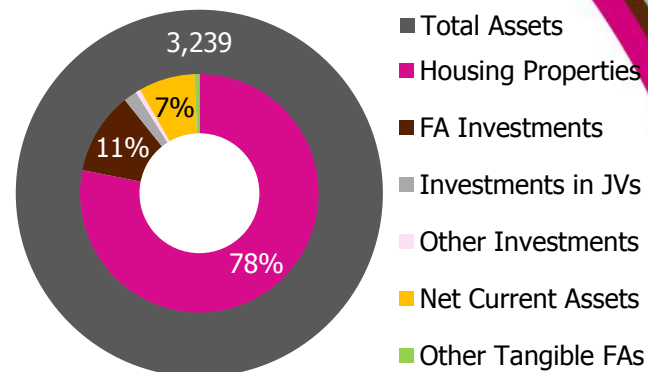




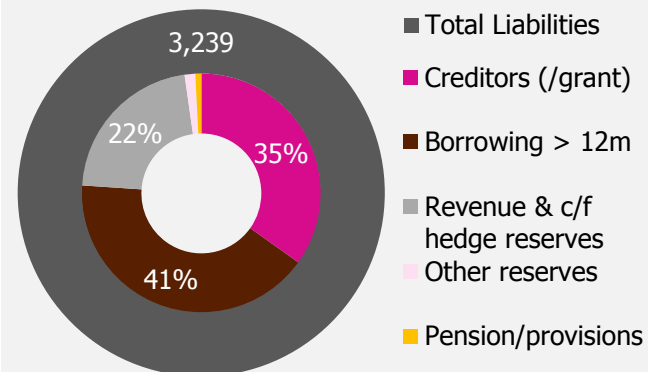
# FINANCIAL POSITION

	2016 £m	2015 restated £m
<b>Fixed assets</b>		
Housing Properties	2,530.6	2,480.5
Other fixed assets	462.2	379.5
	<b>2,992.8</b>	<b>2,860.0</b>
<b>Current assets</b>		
Properties for sale	201.2	243.2
Debtors	106.1	97.6
Investments	8.0	9.0
Cash & cash equivalents	37.3	29.4
	<b>352.6</b>	<b>379.2</b>
<b>Creditors falling due &gt;12m</b>		
Loans and borrowings	1,335.3	1,332.8
Deferred capital grant	1,011.0	1,023.5
Other creditors falling due > 12m	117.8	111.5
	<b>2,464.1</b>	<b>2,467.8</b>
<b>Creditors falling due &lt;12m</b>	105.5	111.7
<b>Provisions for liabilities and charges</b>	26.2	22.9
<b>Net assets / capital &amp; reserves</b>	<b>749.6</b>	<b>636.8</b>

## Assets (£m)



## Liabilities (£m)





City Wharf, Wenlock Basin



# TREASURY STRATEGY



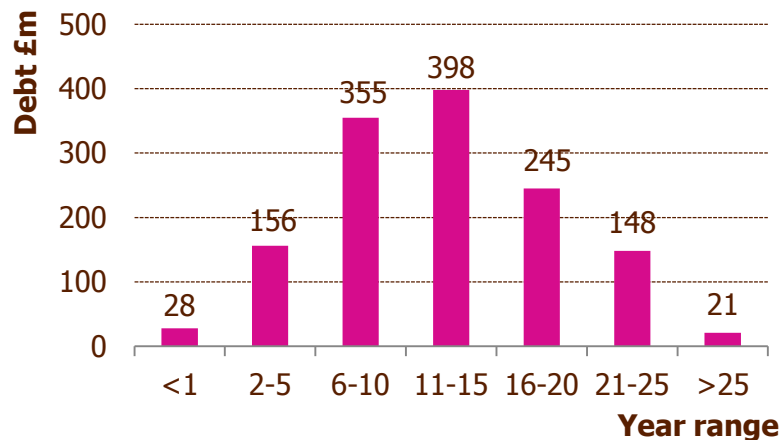
# TREASURY STRATEGY

- **Funding growth of the business**
  - Aim is to fund the whole group, using the strength of the core asset-owning RPs
- **Limited reliance on sales**
  - Policy: sufficient available funding to cover all committed expenditure for at least 18 months, without the need for sales income – monitored monthly
- **Managing liquidity risk**
  - Monthly cashflow forecasts for four to five years
  - Sensitivity analysis on sales delays, with a minimum cash buffer of £100m
  - Stand-by revolving credit facilities in place and available to draw
  - Board determined internal on-lending caps
  - Unsecured borrowing allows movement of funding throughout the group
- **Interest rate and covenant risk management**
  - Policy: minimum fixed rate ratio of 50% (89% fixed at March 2016)
  - Mix of embedded fixed rates and standalone swaps
  - CSAs include threshold limits
  - Gearing and interest cover covenants within asset-owning RPs only
  - Internal limits set inside bank covenant limits
- **Maintain access to public markets**
  - Clear and open dialogue with investors and rating agencies

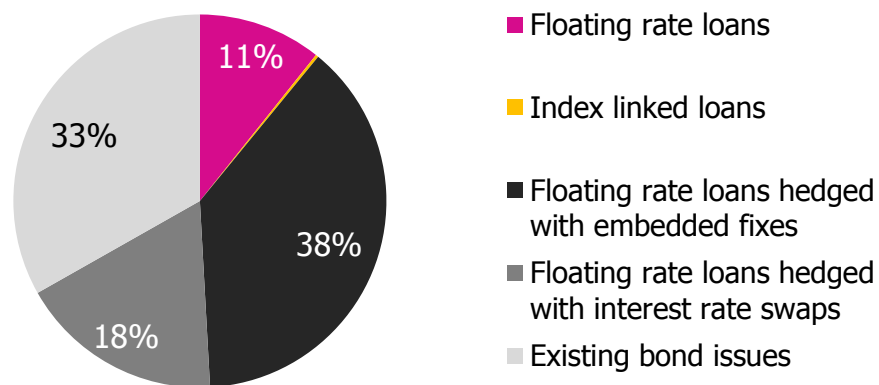


# CAPITAL STRUCTURE

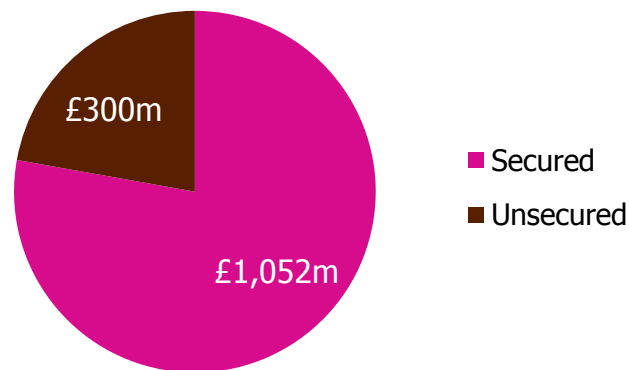
## Debt Maturity Profile



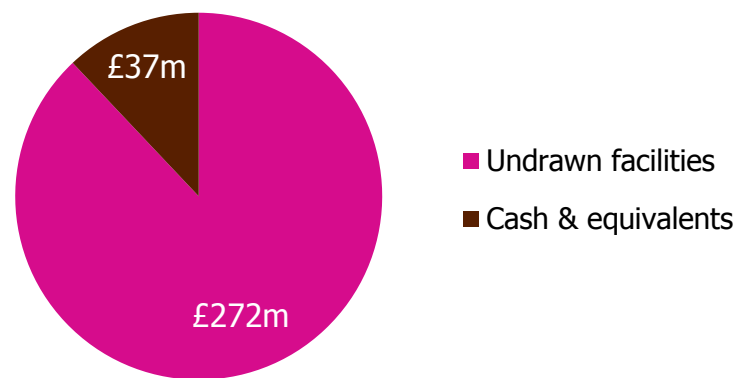
## Fixed vs Floating Mix



## Secured vs Unsecured<sup>1</sup>



## Available Liquidity<sup>1</sup>







# **BOND OFFERING**

# BOND ISSUE

▪ <b>Issuer</b>	<b>A2Dominion Housing Group Limited</b>
▪ <b>Status</b>	Senior Unsecured obligation of the Issuer
▪ <b>Expected Bond Credit Rating</b>	A+ (Fitch)
▪ <b>Size</b>	£250m (including up to £100m retained)
▪ <b>Minimum denomination</b>	£100k + £1k
▪ <b>Maturity</b>	Intermediate tenor
▪ <b>Early Redemption</b>	Higher of par and Gilts +0.50%
▪ <b>Financial Covenant</b>	130% group-wide unencumbered asset test based on EUV-SH valuation <sup>1</sup> (Unencumbered housing units: over 10,000 as of 31 <sup>st</sup> March 2016)
▪ <b>Listing</b>	London
▪ <b>Bookrunner</b>	Lloyds Bank



# CLOSING REMARKS