



# Investor Update

November 2018



# Overview

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# A2Dominion Group – A Reminder

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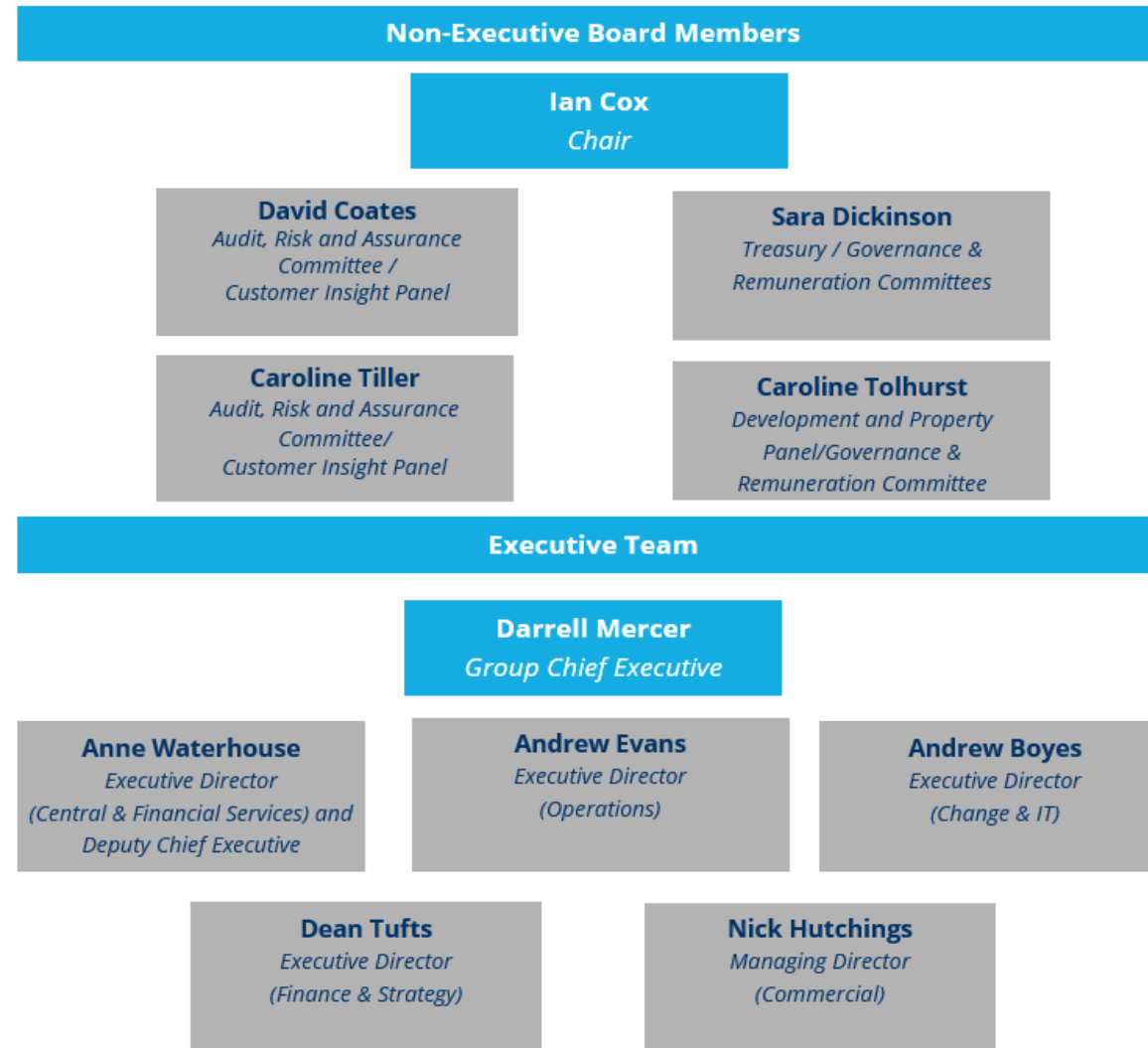
- Over 37,000 units in London and the South East
  - Social/affordable
  - LCHO
  - Supported/sheltered
  - Student accommodation
  - Private rented and private sale
- Working across 81 local authorities, with schemes in development pipeline exceeding 300 units in 11 LAs.
- Member of the G15
- A major developer and facilities manager with long track-record
  - Around 7,800 units in development pipeline (2,000 through Joint Ventures)
- Compliant grades G1 / V2 HCA rating
- 99.2% of units compliant with Decent Homes standard
- Circa 930 staff operating from 4 key offices

# Key Strategic Changes 2017/18

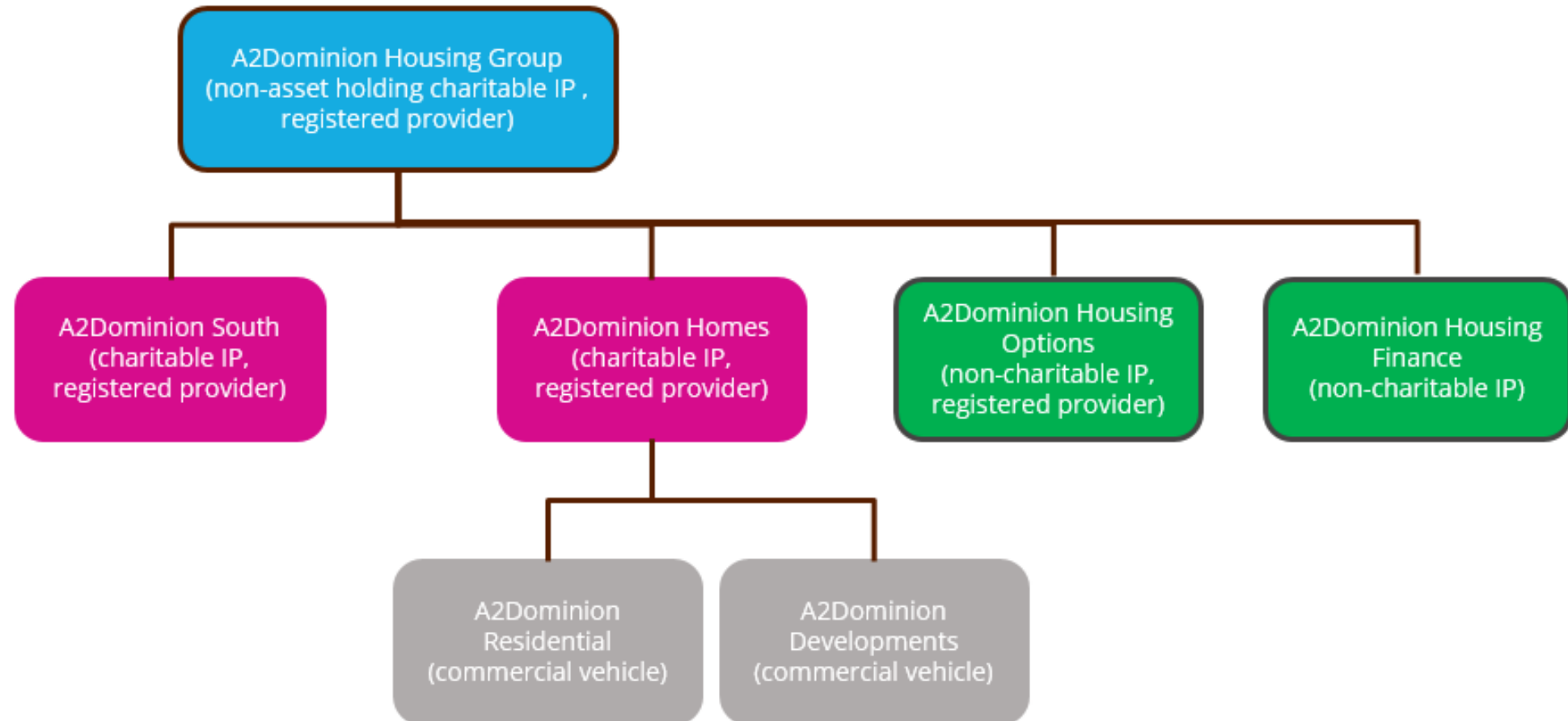
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- Board Consolidation
  - Ian Cox appointed new Group Chair with effect from 01/08/17
  - Anne Waterhouse appointed to the Board and appointed Deputy Chief Executive
- Entered partnership talks with Radian
  - Subsequently mutually agreed that partnership not viable due to respective ongoing “change” programmes.
- Embedding our “Fit for the Future” change programme:
  - New premises secured with dedicated personnel.
  - Procurement process for new IT system completed.
  - £20m investment over 3 years.
- Overhaul of employee reward system
  - Alignment of employee performance to business strategy.

# Governance



# Group Structure



# Achievements in 2017/18

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- Delivered 954 new homes with a variety of tenures – affordable and private rented, shared ownership and private sale.
- Formed Strategic Partnership with the GLA to provide 1,900 affordable homes as part of the 2016/21 London Affordable Homes programme.
- Achieved total efficiency savings of £11.2m in 2018 as a result of procurement activity and long term efficiency savings.
- Secured £5.8m for our customers in extra housing benefits, grants and charity payments.
- Post March 2018 - Arranged new loan facilities of approx.£235m with four new lenders to the Group – two £50m RCF bank facilities, one £60m unsecured FRN, and an uncommitted facility of \$100m for a future note issue.
- Several Awards:
  - Hana Awards 2018: Winner of Best Risk Management
  - Evening Standard New Homes Award 2018 : Highly Commended for Queens Wharf Hammersmith
  - Oxfordshire Property Awards 2018: Winner of Best Housing Development.
  - What House? Awards 2017: Winner of Best Sustainable Development.

# Financial Performance 2018

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- Operating Surplus of £100.2m for 2017/18 (2016/17: £119.9m), Net Surplus of £92.5m before adjusting items (2016/17: £84.1m), Operating margin of 28.9% (2016/17: 28.6%).
- Sales (of both new and existing properties) contributing profit of £63.5m (2016/17: £45.0m) for reinvestment in new and existing homes:

	2017/18	2016/17
Sale of Fixed Assets	£13.4m	£13.7m
First Tranche Sales	£5.2m	£ 6.1m
Outright Sale	£3.7m	£26.4m
Joint Ventures	<u>£41.2m</u>	<u>(£1.2m)</u>
Totals	£63.5m	£45.0m

- £24.7m spent on planned and major repairs (of which £12.0m capitalised)
- Good performance against financial covenants:
  - Interest cover: A2D South - 241% (limit > 110%)  
A2D Homes - 286% (limit > 110%)
  - Gearing: A2D South – 50%, (limit < 80%)  
A2D Homes – 43% (limit < 65%)



# Financial Performance – Half Year Unaudited Results – September 2018

## Management Accounts Consolidated Statement of Comprehensive Income

	6 Months to 30-Sep-18 £m	6 Months to 30-Sep-17 £m
<b>Turnover</b>	<b>197.8</b>	<b>133.2</b>
<i>Rent</i>	111.2	109.2
<i>Sales</i>	73.9	11.6
<i>Social Housing Grant Amortisation</i>	8.3	7.9
<i>Other Income</i>	4.4	4.5
<b>Operating Surplus</b>	<b>52.2</b>	<b>56.3</b>
<b>Operating Margin</b>	<b>26.4%</b>	<b>42.3%</b>
Share of Joint Venture Surplus	2.4	16.7
Interest	(23.5)	(26.0)
<b>Surplus for the Period</b>	<b>31.1</b>	<b>47.0</b>

## Management Accounts Consolidated Statement of Financial Position

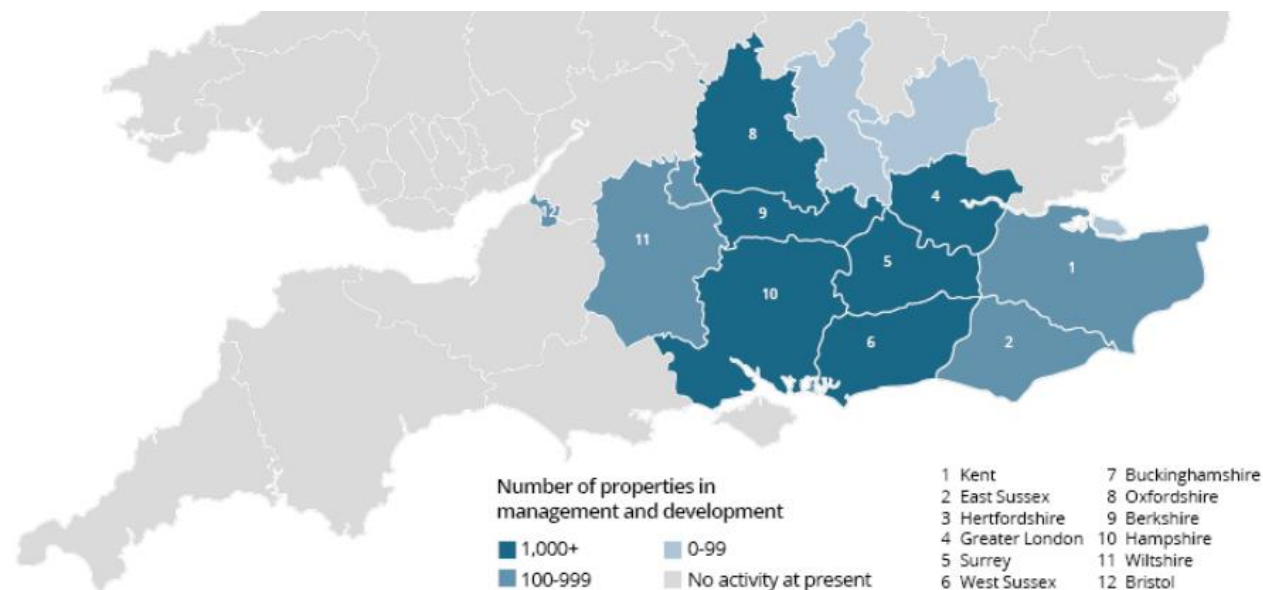
	Sep-18 £m	Mar-18 £m
Fixed Assets	3,243.0	3,174.6
Current Assets	652.1	568.2
Creditors	(2,925.4)	(2,803.5)
<b>Net Assets</b>	<b>969.7</b>	<b>939.3</b>
Revenue Reserves	962.6	932.6
Other Reserves	7.1	6.7
<b>Net Equity</b>	<b>969.7</b>	<b>939.3</b>

# Stock

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# Stock Profile & Geography

- 37,248 units owned and managed spread across 81 local authorities
- In regions of
  - high property value, &
  - high market rents
- Continued strong demand
  - 141 applications/bids on average per property let (2017: 109)

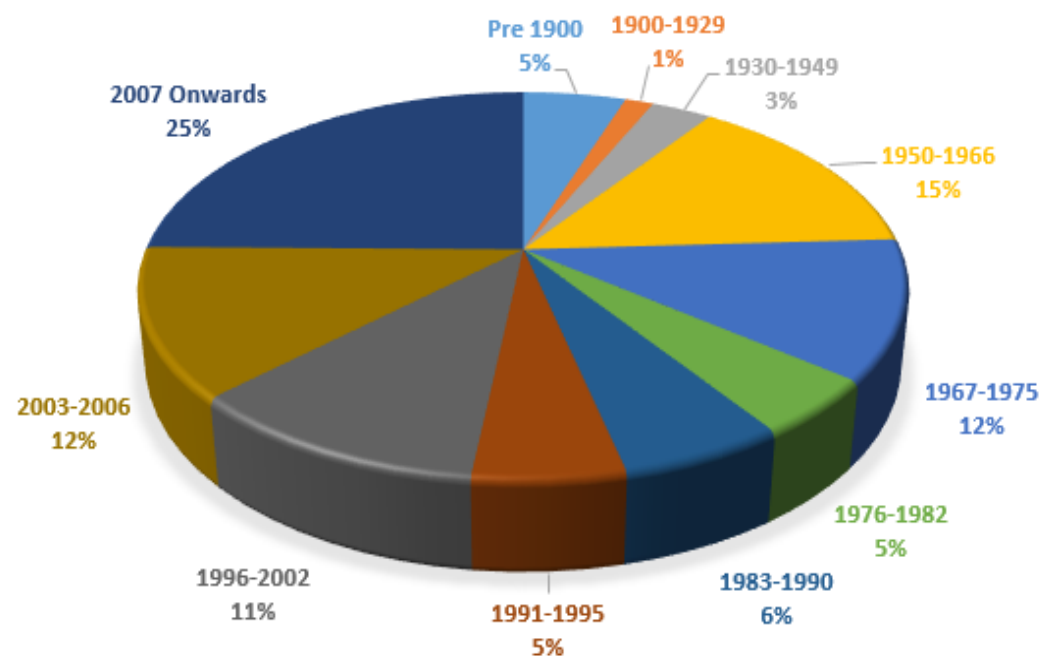


# Stock Type & Age

	2018	2017
<b>Social housing</b>		
General needs/affordable	18,341	18,259
Supported / housing for older people	2,291	2,293
Shared ownership	3,775	3,835
Key worker	2,698	2,697
Temporary accommodation	451	452
Social housing – other	1,339	1,334
Managed for others	5,799	5,475

	2018	2017
<b>Non-Social housing</b>		
Market Rented	1,105	1,009
Student Accommodation	1,456	1,378
Managed for others	0	0

	2018	2017
<b>Social and non-Social housing</b>		
Total owned	31,456	31,257
Total managed for others	5,799	5,475
<b>Grand Total</b>	<b>37,255</b>	<b>36,732</b>



# Benchmarking

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# Performance Indicators

Operational performance area	Performance indicator	Target performance 2018	Actual performance 2018	Actual performance 2017
Provide new quality homes and places	Sales receipts against projection	£57.9m	£57.6m	£129.8m
	New homes completed over past two years	1,800	1,708	1,881
Customer led services	Satisfaction with Customer Services Centre	>85%	82.5%	82.8%
	Satisfaction with responsive repairs service	>85%	86.2%	83.0%
	Repair chaser calls	<25%	18.5%	33%
	Rental arrears – general needs homes	<3.52%	3.35%	3.52%
Invest in homes and local communities	No. of homes refurbished (planned works)	1,363	622	692
	Decent Homes compliance	100.0%	99.2%	98.6%
	No. of homes with a valid gas safety record	100.0%	99.8%	99.8%
Strengthen our business	Interest cover (excluding sales and surplus from joint venture)	>120%	172.0%	180.5%
	Results vs. budget – net surplus	> Budget	Yes	Yes
	Staff turnover	<13.0%	14.5%	15.1%
	Staff sickness levels	<7.0 days	4.8 days	6.6 days

# Operating Efficiencies

	2018	2017	g15 average
Overall social housing cost per unit (£)	3,551	3,748	4,725
Management cost per unit (£)	1,151	1,083	1,299
Service charge cost per unit (£)	739	748	660
Maintenance cost per unit (£)	858	1,115	1,096
Major repairs cost per unit (£)	346	272	1,039
Other social Housing costs per unit (£)	457	531	631
Rent collected	99.6%	100.4%	99.8%

# Welfare Reform

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# Welfare Reform Update

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- The Welfare Reform working group continues to monitor and report regularly on the effects of welfare reform and the effectiveness of A2D's action plans:
  - Number of tenants affected by the bedroom tax is 862 (2017: 862);
  - General needs rent arrears at March 2018 were 3.35% (2017: 3.52%);
  - The number of general needs tenants paying via direct debit has increased to 33.73% (2017: 30%, 2016: 26.83%);
  - Tenancy sustainment team helped tenants secure £4.0m in Housing Benefit from applications and renewals received;
  - Phased roll out of Universal Credit is continuing – currently 946 live UC claims, all of which are being actively monitored;
  - A2D awarded Trusted Partner status by DWP to help claimants manage direct payment of their rent.
- Key challenges for the future include:
  - Accelerated rollout of UC in local authorities;
  - Specific UC issues including '5 week no payment' & sanctions on claimants;
  - Increases in tribunals, Employment and Support Allowance (ESA) appeals and council tax complications.

# Direct Payment of Benefits / Paying Relationship

Tenure	% of tenancies receiving HB
General needs/affordable	48.87%
Supported/housing for older people	67.80%
Shared ownership	1.45%
Key worker	0.97%
Temporary accommodation	36.26%
Market Rented	1.94%
Student Accommodation	0.0%
<b>Total HB Tenants</b>	<b>31.63%</b>

- 62.7% of A2D's rental income is paid directly by residents
- 81.1% of residents pay all, or part of their rent





# Development Plan

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# Development Activities & Track Record

- A2Dominion has a strong track record in developing property. In the last 10 years we have developed around 9,500 units.
- In-house developer keeps direct costs low.
- Strong relationships with LAs and other developers/house builders.

Year	Social Rent	Intermediate/ Private Rent	Shared Ownership	Private Sale	Other	Totals
2008/9	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	268	196	330	0	<b>1,127</b>
2016/17	322	182	71	179	0	<b>754</b>
2017/18	221	148	101	406	78	<b>954</b>
<b>Totals</b>	<b>4,343</b>	<b>932</b>	<b>2,061</b>	<b>1,985</b>	<b>324</b>	<b>9,645</b>

# Development Strategy & Bids

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- Strategy for 2015 – 2020 is to develop between 900 and 1,200 units each year.
- Emphasis on location and ROI rather than quantity.
- Tenure split to be 40% Private Sale, 20% Shared Ownership, 20% Affordable Rent and 20% Private Rent.
- Regional split of 50% London and 50% South East (outside London).

## Grant Secured (2015-18 programme)

- GLA: 290 Rented, 60 Shared Ownership
- HCA: 135 Rented, 19 Shared Ownership
- Total grant secured: £18.1m

## Grant Secured (2018-21 programme)

- GLA: We have formed a strategic partnership with the GLA, agreeing to deliver 60% of affordable homes across our London programme, securing over £70m of grant funding to provide 1,900 affordable homes.
- HCA: 120 Shared Ownership homes
- Total grant secured: £73.8m

## Grant Secured (specialised programmes)

- Homes England: 37 bed spaces for vulnerable adults in Oxford, total grant secured £1.7m

# Development Controls



- The board and management team have put controls and appraisal checks in place to manage the risk of this activity.
- A2D approaches development with the following guiding principles:
  - Affordable Housing development in London/South East requires capital subsidy;
  - The subsidy must be provided from surpluses generated elsewhere in the Group;
  - 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.

# Development & Sales Summary

		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Units developed for rent</b>						
Social and affordable	Approved	160	196	157	235	316
	Blue Sky	0	0	30	78	0
Market rent	Approved	337	0	211	0	0
	Blue Sky	0	0	30	78	0
<b>Total</b>	<b>Approved</b>	<b>497</b>	<b>196</b>	<b>368</b>	<b>235</b>	<b>316</b>
	<b>Blue Sky</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>156</b>	<b>0</b>
<b>Units sold</b>						
Shared ownership - first tranche	Approved	79	205	172	78	225
	Blue Sky	0	0	30	78	0
Private sale	Approved	355	217	50	420	372
	Blue Sky	0	0	63	159	0
JV Sales	Approved	99	379	396	74	473
<b>Total</b>	<b>Approved</b>	<b>533</b>	<b>801</b>	<b>618</b>	<b>572</b>	<b>1070</b>
	<b>Blue Sky</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>237</b>	<b>0</b>

Note - Both approved and blue sky developments are incorporated into the base case business plan.



# Market Rent Update

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- The key objective for A2D's market rent programme is to achieve a commercial return for social reinvestment purposes.
- In addition, the flexibility in market rent compared to social tenures will assist A2D to better manage the financial risk of the overall property portfolio.
- A2D has continued to add to its market rent portfolio, with a further 226 units developed or acquired during 17/18.
- Current PRS portfolio has achieved 15.3% growth in value over the financial year.
- Target of a further 180 – 240 PRS units each year.
- Target yield is 5.5% gross and 3.5% net on average across the portfolio, net yield FYE 2018 was 4.6%.
- To be developed in A2D core areas and/or in locations that are within a 20 mile radius of a key worker management office.

# Market Rent Development Activities – Scheme Update

Current Committed Schemes	Area	Cost £m	Value £m	Completed	FY 2019	FY 2020	FY 2021	FY 2022	Total
Commercial Rd	London	29.2	39.9	95					95
Harbourside	Bristol	10.4	13.9	46					46
Gun Wharf	London	4.8	4.9	15					15
Green Man Lane	London	23.6	25.3	63					63
City Wharf	London	36.9	36.8	65					65
The Panorama	Ashford	13.1	14.9	111					111
Sinclair House, Ealing	London	3.7	3.6	11					11
Centenary Quay	Southampton	18.8	18.5	110					110
Hibiscus House	Feltham	3.8	4.3	21					21
Maternity Hospital	Ashford	11.3	14.3	59					59
Cannons Gate	Bristol	23.8	31.4	101					101
City Rd	Winchester	1.5	2.2	8					8
London Road, Hounslow	London	10.8	11.2	40					40
High Street, Hounslow	London	0.9	1.0	5					5
Uxbridge Road, Ealing	London	4.0	3.6	10					10
<b>Subtotal</b>		<b>196.6</b>	<b>225.8</b>	<b>760</b>					<b>760</b>
Redcliff	Bristol	71.8	7.6*	27	101	118			246
Keybridge House	London	101.3	n/a	0	159				159
Geron Way	London	17.1	n/a	0	51				51
Brooklands	Ashford	27.1	n/a	0			73	26	99
York Rd	London	74.1	n/a	0			128		128
Longley House	Crawley	17.2	n/a	0				83	83
Simon House	Oxford	12.5	n/a	0			30		30
Gibbs House	Oxford	18.4	n/a	0				60	60
<b>Total</b>		<b>339.5</b>		<b>787</b>	<b>311</b>	<b>118</b>	<b>231</b>	<b>169</b>	<b>1,616</b>
* Partial valuation based on completed units only (cost based on entire scheme)									

# Debt, Cash & Treasury Management

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# Debt Portfolio Summary

- Over 52% of our current drawn debt portfolio is bank loans, with margins ranging from 0.225% (plus LIBOR) to 6.52% (fixed).
- Weighted average margin on drawn loan facilities, at Mar 2018, is 4.64%.
- 19,386 properties are charged to lenders.
- Over 10,000 housing properties are unencumbered, of which 7,600 are available to be charged.

As at 31 March 2018	Facility size	Drawn	%
Total loans	£1,126.1m	£795.7m	51.8%
Total bonds (including "Club" bonds)	£739.0m	£739.0m	48.2%
<b>Total debt</b>	<b>£1,865.1m</b>	<b>£1,534.7m</b>	
Less Cash		(£126.1m)	
<b>Net Debt</b>		<b>£1,408.6m</b>	
Variable rate borrowing		£167.8m	11.0%
Index Linked		£2.2m	0.1%
<i>Fixed rates &gt; 12 months</i>		£1,163.0m	75.8%
<i>Variable with ISDA swaps &gt; 12 months</i>		£201.7m	13.1%
<b>Total</b>		<b>£1,534.7m</b>	<b>100.0%</b>

# Asset Values & Security

	Units
Units owned	31,439
Housing units owned	30,094
Charged to lenders	19,386
<b>Unencumbered units</b>	<b>10,708</b>
Average EUV-SH value (March 2018)*	£105,000*
Average MV-T value	£162,000

- All social housing stock is valued annually, on EUV-SH basis, the total value of which is currently £2.4bn.
- Non-social housing is valued at Fair Value – currently £438m.
- Total value of our completed stock at MV-VP is £8.8bn.
- Properties are charged to lenders on either EUV-SH or MV-T basis
- The estimated value of unencumbered properties at EUV-SH is £1.1bn\*

\*Note – EUV-SH values are based on March 2018 figures. Average EUV-SH value is of unencumbered housing units.

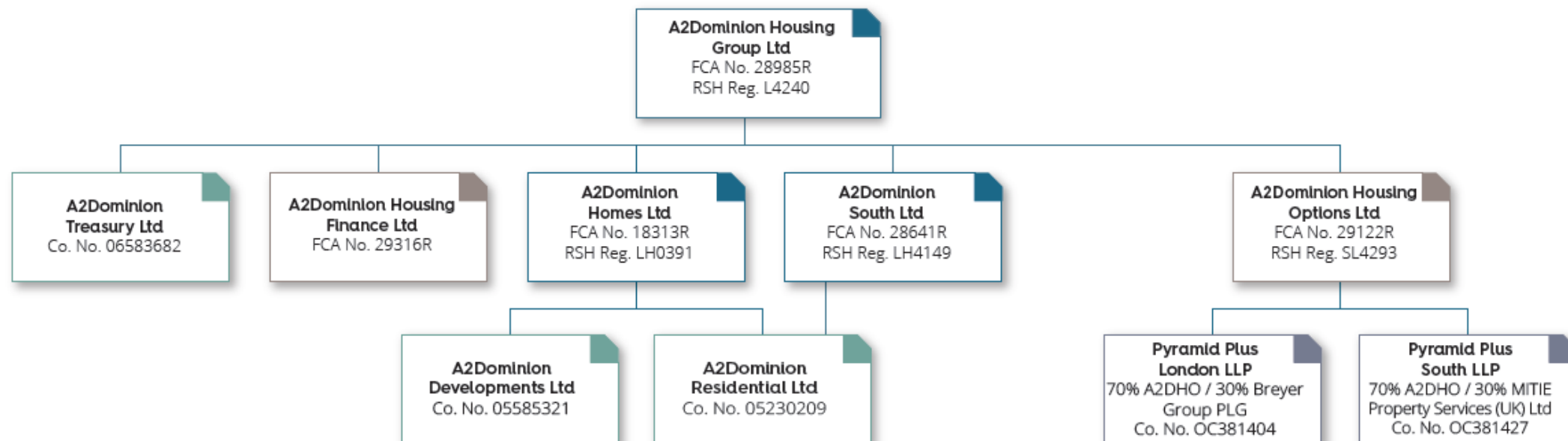


# Appendices

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# i. Group Structure

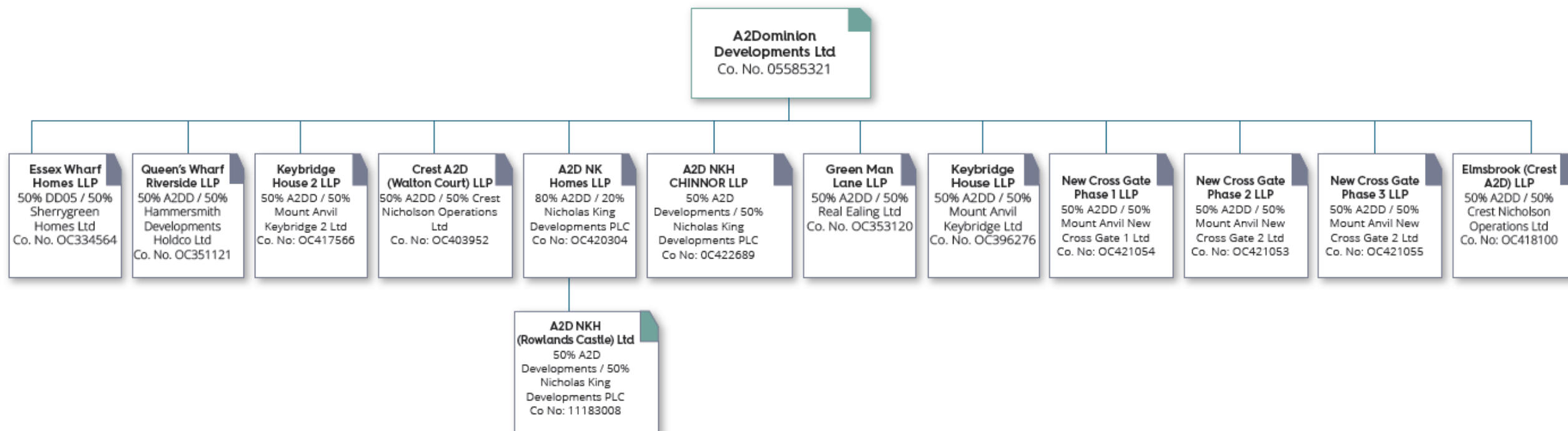
- Charitable Co-operative & Community Benefit registered society
- Non-charitable Co-operative & Community Benefit registered society
- Non-charitable company
- Joint venture



## ii. Group Structure - JVs

 Non-charitable company

 Joint venture



### iii. Dormant Entities

