



Investor Presentation

May 2021

Nicholas Harris Chief Executive Officer

John Bruton Deputy Chief Executive and Executive Director, Finance

Jonathan Layzell Executive Director, Development

Anne Costain Corporate Finance Director

Disclaimer

The information set out below (“the Update”) contains certain ‘forward looking’ statements about the future outlook for Stonewater and its subsidiaries reflecting, among other matters, our current views on markets, activities and prospects (financial or otherwise). Statements in the Update, including those regarding possible or assumed future performance of Stonewater (including any unaudited financial results) or the sectors in which Stonewater operates, should be treated with caution as they involve risks and uncertainties that may cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements.

Such statements are a correct reflection of Stonewater’s views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Certain financial results quoted in the Update are unaudited. No reliance should be placed on the information contained within this Update. We do not undertake to update or revise the information contained in this Update following any future audit or as and when our expectations change in response to events.

Presenting Team



Nicholas Harris
Chief Executive Officer

Nicholas became CEO in 2016, having previously been CEO of Raglan Housing Association. Before this, he was CEO at Raven Housing Trust and Group Operations Director for Swaythling Housing Group. He has extensive experience in the social housing sector and local authorities, and considerable knowledge in socio-economic regeneration matters.



Jonathan Layzell
Executive Director, Development

Jonathan has worked in the affordable housing sector for more than 15 years, operating at Executive level since 2016. He has an extensive background in developing and delivering new homes, with a particular personal interest in rural housing and the long term sustainability of rural communities.



John Bruton
Deputy Chief Executive and Executive Director,
Finance

Before the formation of Stonewater, John had been Director of Finance at Raglan since 2001. Previously, he was Financial Controller at Metropolitan Housing Partnership, and did audit and advisory work at KPMG. He is a Chartered Accountant and has a postgraduate degree in mathematics.



Anne Costain
Corporate Finance Director

Anne is a qualified Chartered Accountant and Corporate Treasurer, who joined Stonewater after working as Interim Director of Resources at Thrive, following seven successful years moving through senior roles at Radian Housing Association. Before making the move to housing, Anne worked for SME, Fortune 500 and FTSE 250 manufacturing companies.

Key Credit Highlights

| A+ (S&P) Credit Rating | G1 / V1 Regulatory Rating | | |
|---|---------------------------------|-----------------------|---------------------------------------|
| Provider of 33,271 homes to over 70,000 customers | | | |
| National presence and wide geographic diversification across 137 Local Authorities | | | |
| High quality stock: Average age of 27 years and only 4 buildings over 6 storeys | | | |
| Proven and consistently strong financial and operational performance | | | |
| Clear social purpose with 90.6% revenues from social housing lettings | | | |
| Ambitious development programme, key strategic partnerships and low exposure to market sales | | | |
| Digital transformation programme, significantly transforming customers' digital journey | | | |
| Financially robust organisation with a strong balance sheet and effective approach to risk management | | | |
| £189m Group Turnover | 28% Operating Margin* | 46% Gearing | £1.9bn Housing Properties** |

Note: Figures as at March 2020

* excluding surplus on disposal of fixed assets

** Housing properties less depreciation

Gearing Sector scorecard definition – “The proportion of borrowing (offset by cash and cash equivalents) in relation to the size of the association’s housing properties at cost”



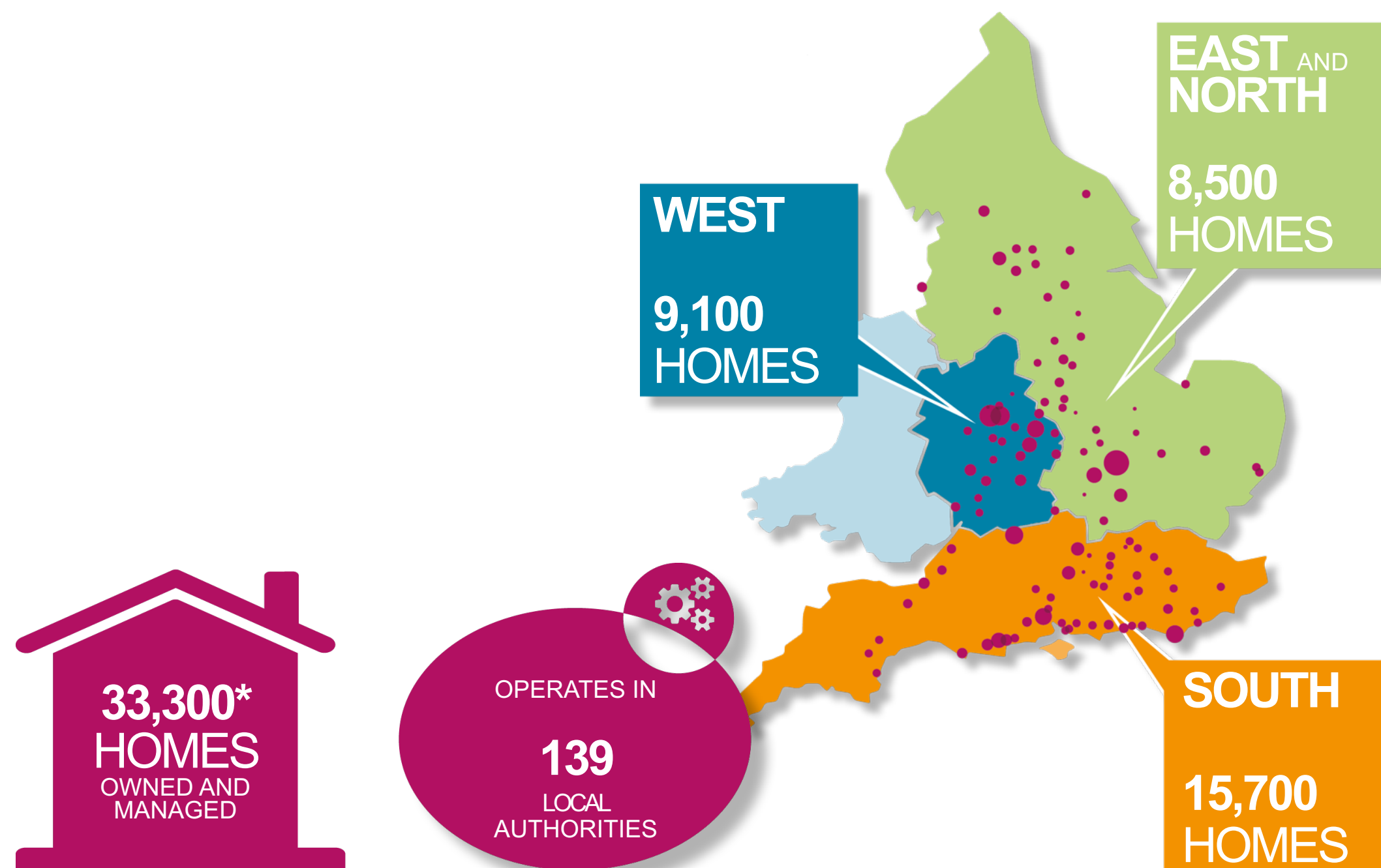
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|------------------------------------|----|
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Overview of Stonewater

- One of the UK's largest national housing associations operating in **139 Local Authority Areas**
- Owns and manages around **33,300 homes*** in England for **over 70,000 customers**, providing homes predominantly for rent and shared ownership with negligible outright sale activities and no exposure to the London market
- **Founded in 2015**, following the merger between Raglan and Jephson Housing Associations and offering good quality, affordable social housing for people whose needs are not met by the open market
- **A+ credit rating** from S&P and **G1/V1** regulatory grading following IDA as at 31/03/2021
- Strategy concentrated around **customer experience, growth and influence, and business excellence**
- **Measured growth in development** - 1 in every 200 homes in England were built by Stonewater in the period 2016-19
- Successfully delivered approximately **2,500 units over the last four years** – aiming to provide at least **1,000 new homes in 21/22 with 1,500 new homes every year from 22/23**

* As at 31 March 2020 - all tenure types



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Operational Update and Performance

Executive Director Group



Nicholas Harris
Chief Executive Officer



John Bruton
Deputy Chief Executive and
Executive Director, Finance



David Blower
Executive Director,
Corporate Services

David has worked in the industry since 1993 and is passionate about creating high performing cultures. Initially building his career in finance, he held a number of senior posts before moving into this wider role on the formation of Stonewater in 2015.



Sue Shirt
Executive Director,
Customer Experience

Sue has 30 years' housing experience, operating at an executive level in a range of organisations for the last 18 years. Her focus is to ensure that the customer remains central to decision making.



Patrick Chauvin
Executive Director, Assets,
Homes

Patrick is a highly experienced property and asset management professional. He has held senior positions within the Housing sector, including Director of Asset Services at Amicus Horizon and Head of Strategic Portfolio at Circle.



Jonathan Layzell
Executive Director,
Development

About our Board



Sheila Collins
Chairman

Length of service: 2 years



Nicholas Harris
Chief Executive Officer



Anne Dokov
Chair of Governance & People
Challenge & Assurance Panel
Chair of Nominations &
Remuneration Committee

Length of service: 8 years



Jennifer Bennett
Chair of Value Creation
Challenge & Assurance
Panel

Length of service: 3 years



Claire Kearney

Length of service: 3 years



Hugh Shields
Chair of Risk &
Assurance Committee
Chair of Stonewater
Funding plc

Length of service: 2 years



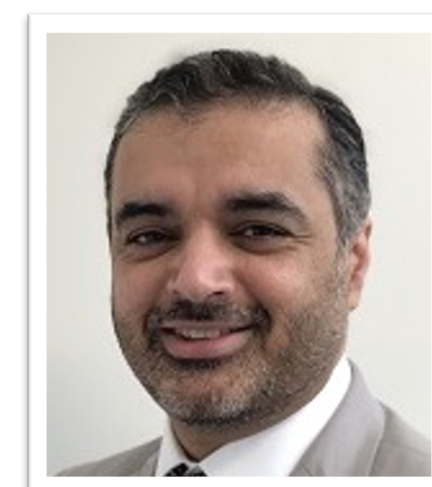
Doug Wright
Chair of Assets & Development
Challenge & Assurance Panel
Chair of Stonewater
Developments Limited
Chair of Stonewater
Procurement Limited
Chair of Stonewater
Commercial Limited

Length of service: 8 years



Juliana Crowe
Chair of Customer
Experience Challenge
& Assurance Panel

Length of service: 8 years



Tariq Kazi

Length of service: 3 years



Andrew Lawrence
Chair of Finance
Challenge &
Assurance Panel

Length of service: 2 years



Chris Edis

Length of service: 1 year

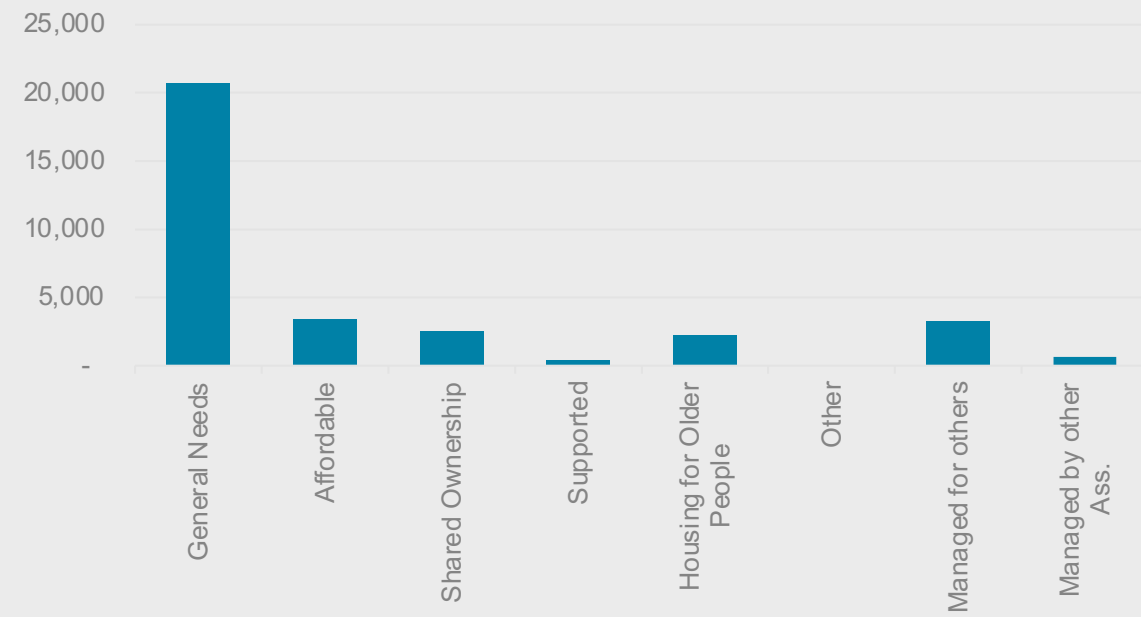


Angus Michie

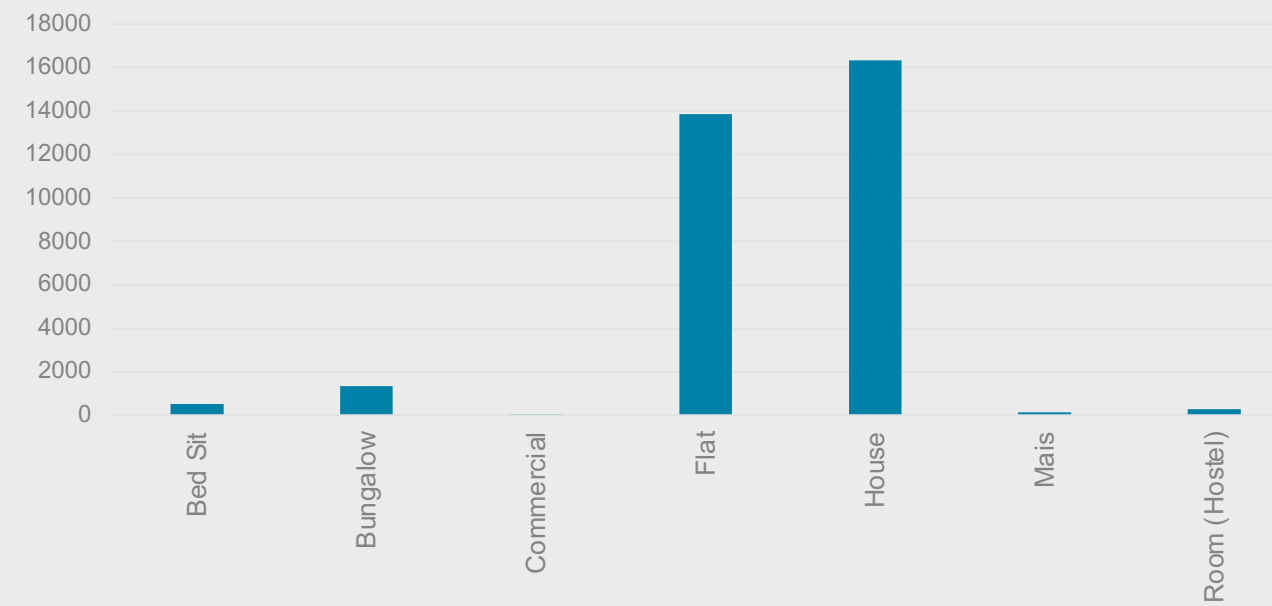
Length of service: 1 year

Homes Profile

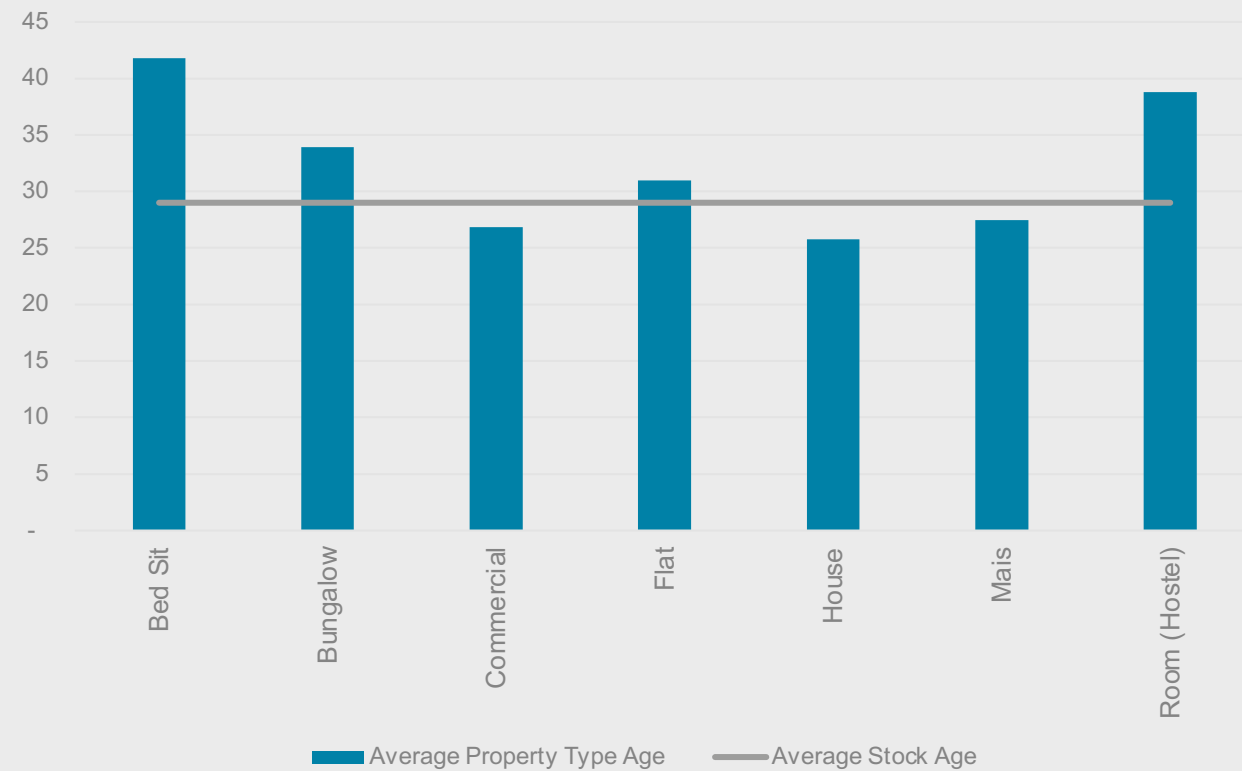
Split of our 33,271 units* * As at March 2020



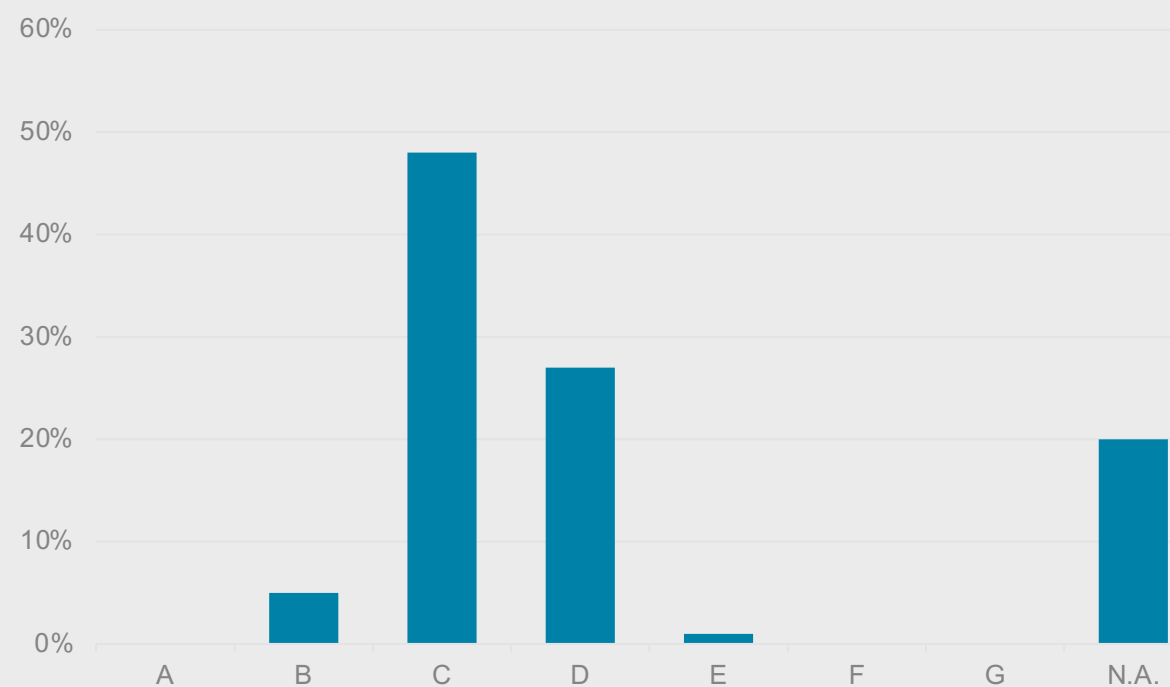
Property Type* *excludes privately owned houses, but includes leasehold flats



Property Age Profile* *excludes privately owned houses, but includes leasehold flats



EPC Rating Breakdown



The Impact of COVID-19

- Weekly Board meetings, Executive meeting several times a week
- Income team given additional resource
- Proactive approach with customers, deferred and flexible payment plans
- Weekly Covid report covering emergency repairs, gas compliance, income collection



84.5%

Customer Satisfaction
(19/20 77.93%)



5.31%

Gross Arrears
(4.82%)



20 weeks

Shared Ownership Handover to Sales
Completion (12 weeks)



25.85 days

Re-let Times
(36.65 days)



99.86%

Gas Compliance
(99.97%)



0.59%

Void Loss
(0.95%)

Fire Safety

- Comprehensive checks on all blocks over six storeys – no ACM cladding identified
- Limited exposure to high-rise buildings (18m/six storeys):
 - no leased blocks with landlord responsibilities
 - none in the development pipeline
- Fire Risk Assessments and other statutory risk checks have been undertaken on all eligible properties
- Stonewater is fully compliant with current legislation across the entire portfolio with no outstanding actions resulting from these assessments
- No properties outside Gas Safety Requirements
- All lifts inspected and asbestos surveys carried out in all offices and communal areas
- Stonewater employs a qualified, dedicated team to oversee Health & Safety Compliance
- 4 homes required remedial works to meet Decent Homes Standards at 31 March. These works have now been completed
- Fire safety works are budgeted at £860k for 2021-22, with an additional £400k per annum forecast for 4 years from 2022-23



Queensway, Southampton



Warren Farm, Ampthill, Bedford

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Sustainability

Environmental Performance

Environmental and Sustainability Strategy

Development of new affordable and sustainable housing:

- Build 6,250 new homes in the five-year period until March 2024
- Develop 1,500 new homes every year from 2022/23
- Develop strategies for sustainable procurement, sustainable waste management and water management

Reduce our net carbon emissions:

- Develop a credible strategy for reducing our carbon emissions
- Have no homes with an EPC rating below Band C [SAP 69] by 2030
- Reduce our office carbon footprint by 33% to 81.5 tons per annum and our business mileage carbon footprint by 33% to 482 tons per annum by March 2022; compared to the financial year 2019/20
- Estimated costs of EPC B by 2040 upgrade on stock included as a stress test in Business Plan

Sponsored research by Institute for Public Policy Research (IPPR) into decarbonisation of social housing

Energy Superhub Oxford – installing 60 ground source heat pumps with smart thermostats

Passivhaus, offsite construction methods, heats pumps and renewable technologies

Partnership with Community Forest Trust to plant 5 trees for each home built plus 1 tree per home on site

Linking ESG to our Financing Activity

Early Adopter of HAs **Sustainable Reporting Standards (SRS)**

- Production and publication of ESG linked KPIs standard across HA sector
- First ESG report published in November 2020

Development of our **Sustainable Finance Framework**

- Detailing our use of funds and sustainable story
- Highlighting alignment to the UN SDGs

Advanced dialogue with **Second Party Opinion Provider**

- Independent verification of our financing framework

Sustainability Linked Loans

- £125m of RCFs with ESG targets which if achieved lead to lower margins – targets cover number of tree planted, number of low carbon heating systems installed and properties upgraded to EPC C or above.

Silver **SHIFT rating**

- An independent assessment and accreditation scheme that measures Stonewater against challenging environmental targets



A Stonewater customer in the edible garden at our Orchid Acre Close development in Somerset



Stonewater colleagues taking part in a tree conservation event, in partnership with the Community Forest Trust

ESG Case Study

Blackbird Leys, Oxford

- Part of the Energy Superhub Oxford Project, which aims to eliminate 10,000 tonnes of CO2 per year
- Stonewater has partnered with Kensa Contracting install innovative low carbon heating solutions in 56 of its homes at Blackbird Leys
- The Kensa 'Shoebox' ground source heat pumps will integrate smart controls and a time-of-use tariff
- Aiming to roll technology out to 300 homes in Oxford over the next 2 years
- Residents will benefit from clean, renewable heat, at a lower cost



Pilot ground source heat pump project

**Nominated for
Climate Change
Retrofit Project
of the year by
Inside Housing**

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Investment in New Homes

Areas of Focus



Strategic Growth Areas

- Organic Growth is underpinned by Development Strategy with aim to grow its asset base to 1,500 handovers per annum by 2022-23.
- Opportunities are mixture S106 and land and build opportunities delivered as part of Strategic Partnership with Homes England and the Guinness Partnership.

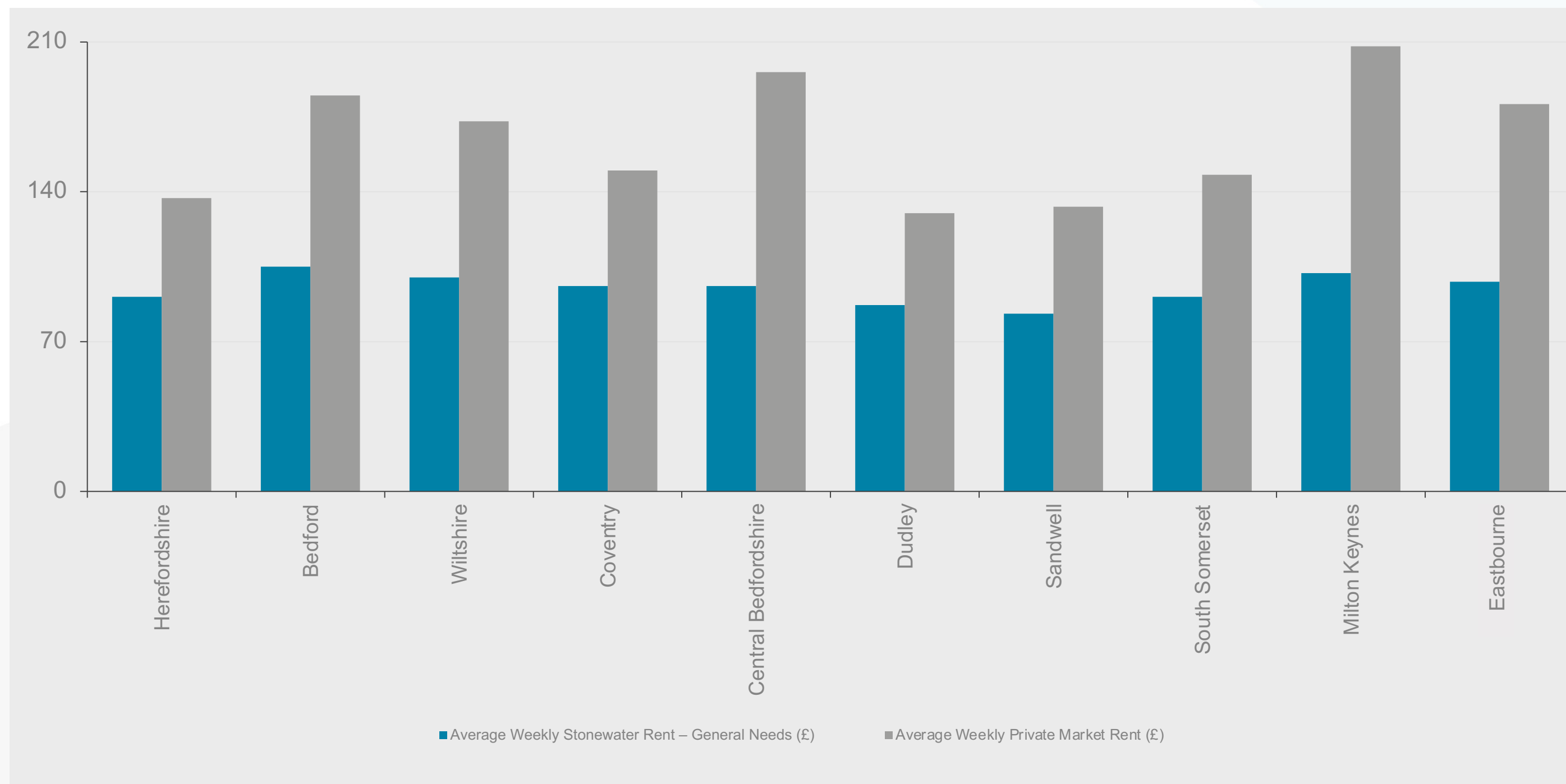
Projects approval process and basis

- Each new development is scrutinised using a framework of delegation, looking at demand, costs, rent levels and financial viability.
- VfM underpins our approach to delivering new homes and financial viability of individual schemes based on set parameters is an important element of approval process.
- Executive Asset Approval Scheme panel has delegated authority from the Board for new development projects for schemes up to £15m. Above this level, new projects are scrutinised by our Assets and Development Challenge and Assurance Panel or Stonewater's Board.

JV and Managing assets of other RPs

- Stonewater is only engaged in a small way with developing property for open market sale. Stonewater is working in partnership with Halsall Construction on a small Joint Venture project at Gypsy Lane in Exeter.
- In addition, we are engaged in a management contract with Legal and General Affordable Homes.

Demand Dynamics

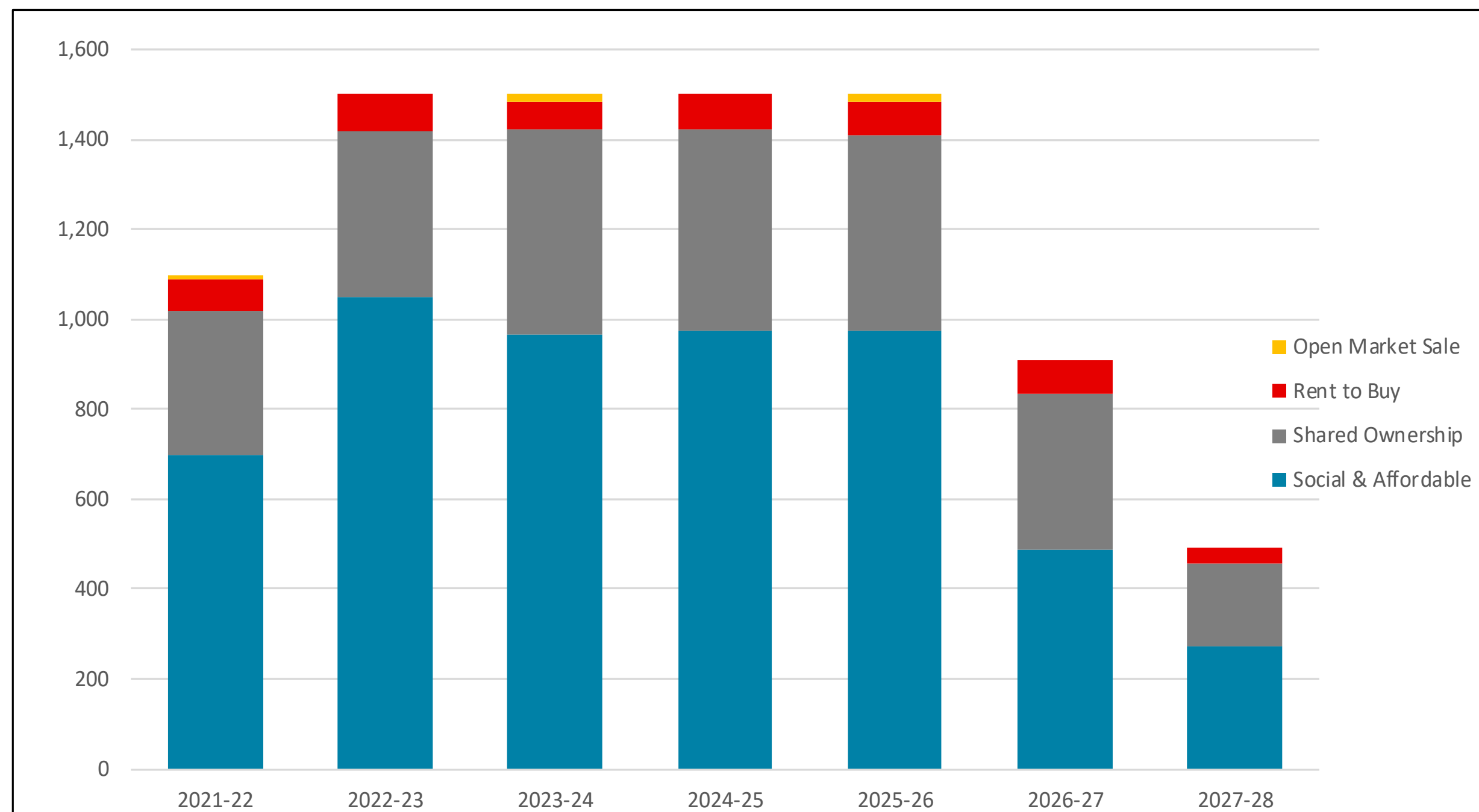


41% discount to market rent on average for Stonewater General Needs properties

Source: Statistical data return, 2018-2019

Development Plan

A development plan to deliver 6,250 units in the 5 years to March 2024 – 94% of which are affordable tenures and 39% of which is currently contractually committed (by unit numbers)



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Financial Performance

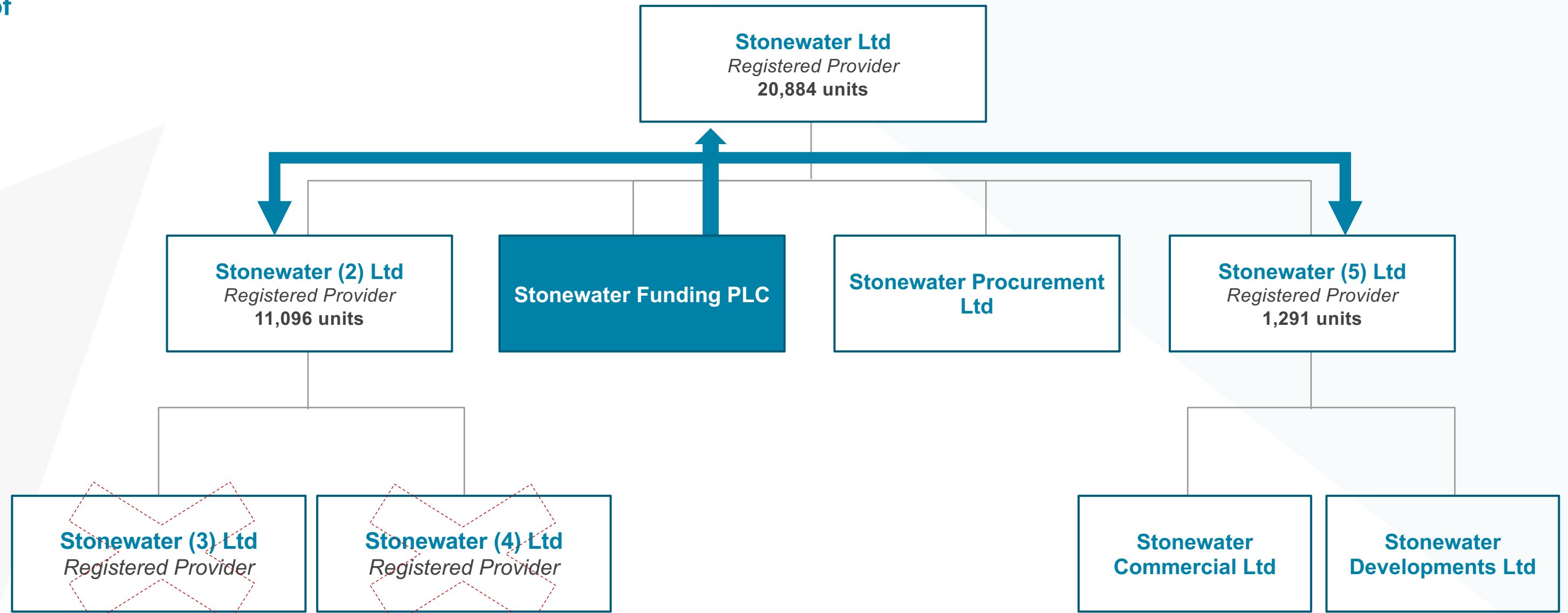
New Corporate Structure

Corporate reorganisation took place as of 31 March 2021



- S3 & S4 assets and liabilities have been transferred to Stonewater Limited by means of a Transfer of Engagements
- Stonewater Procurement will be undertaking a Business Transfer Agreement, with its assets, liabilities and open contracts being transferred to Stonewater Developments Ltd

Benefits of the restructure

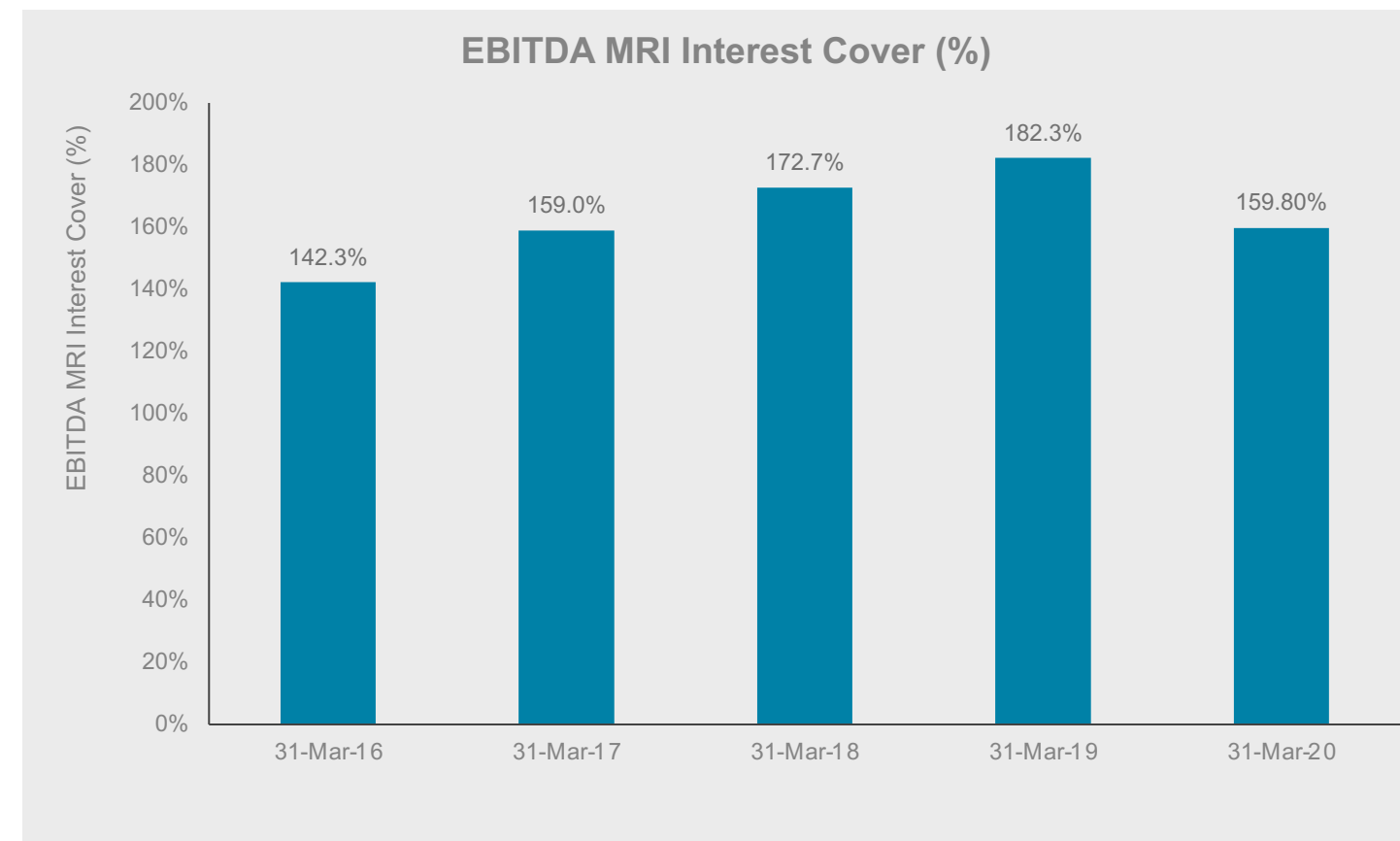
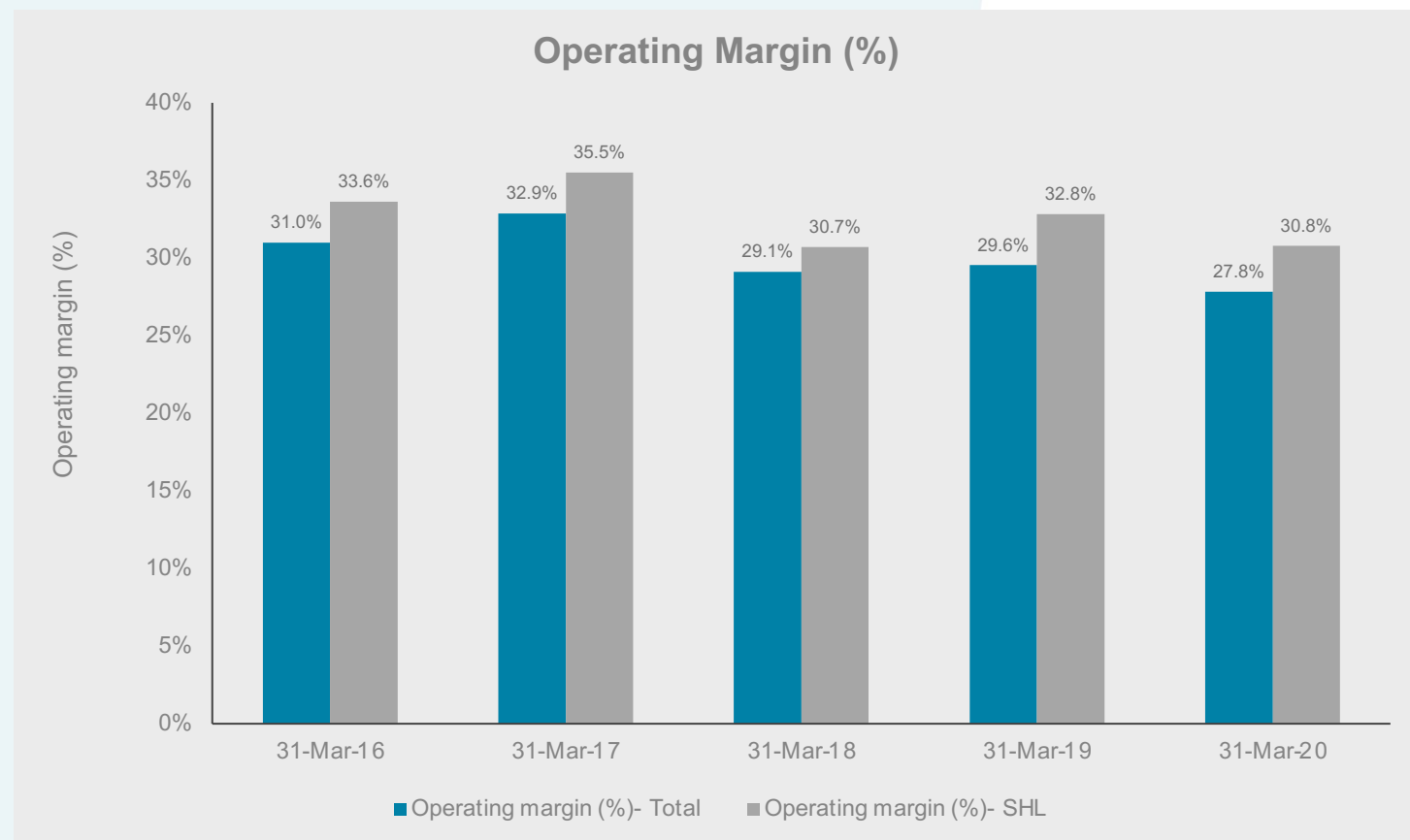
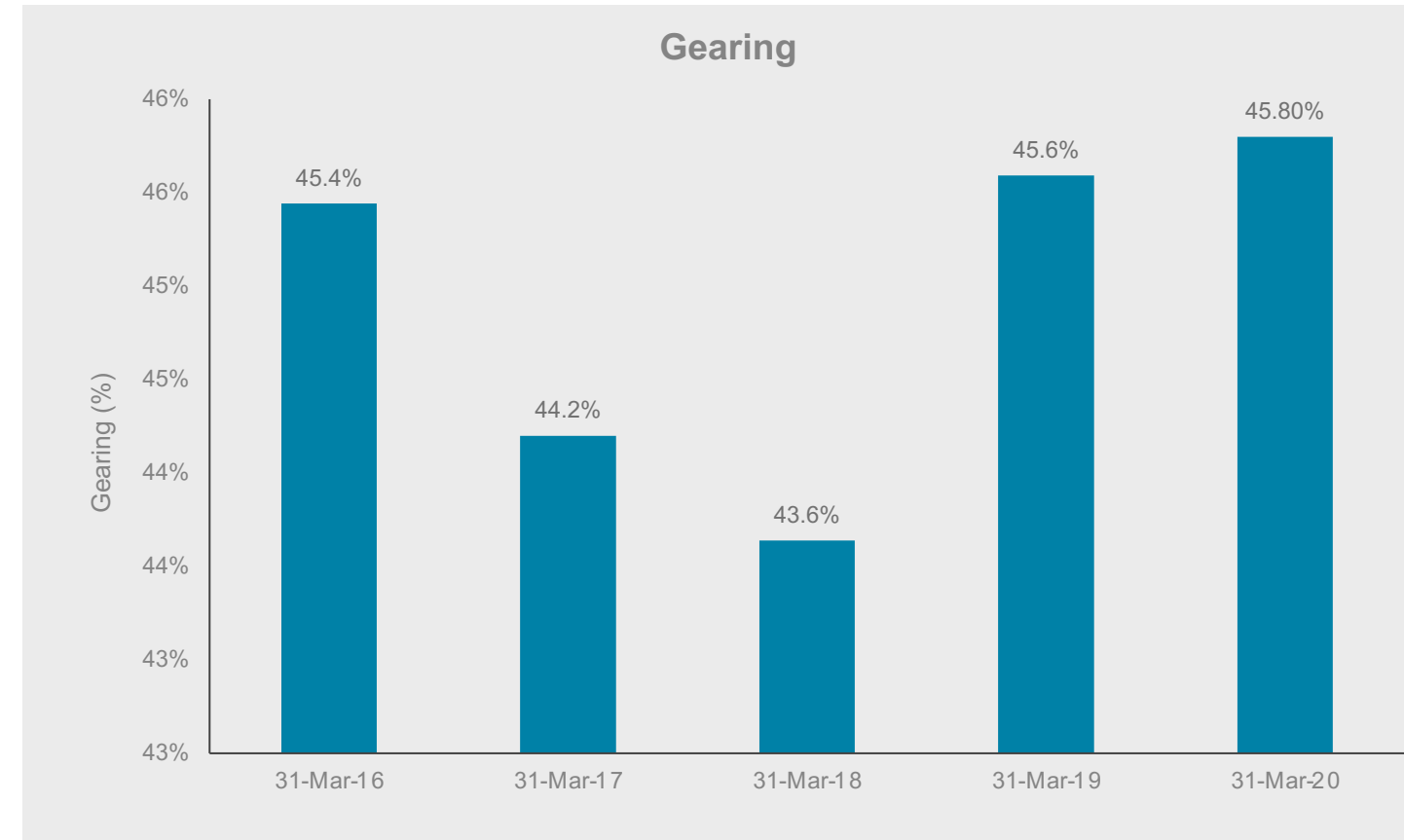
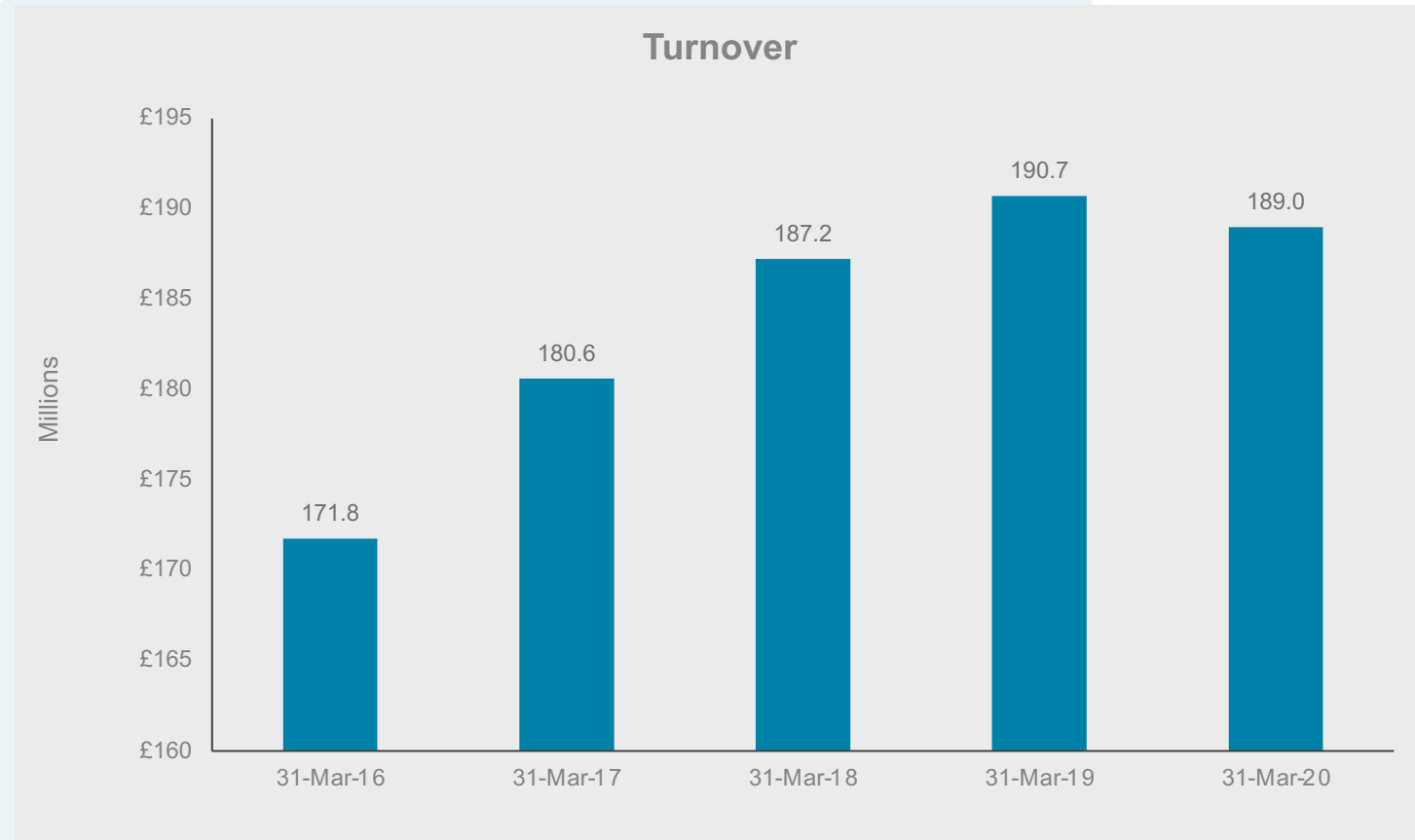
- Simplification, modernisation and standardisation of covenants
- Larger entities giving scalability for future debt programmes
- Greater on-lending flexibility



Structure Change

 New bond on-lending and inter-co guarantees
  Represents the old structure

Our Performance

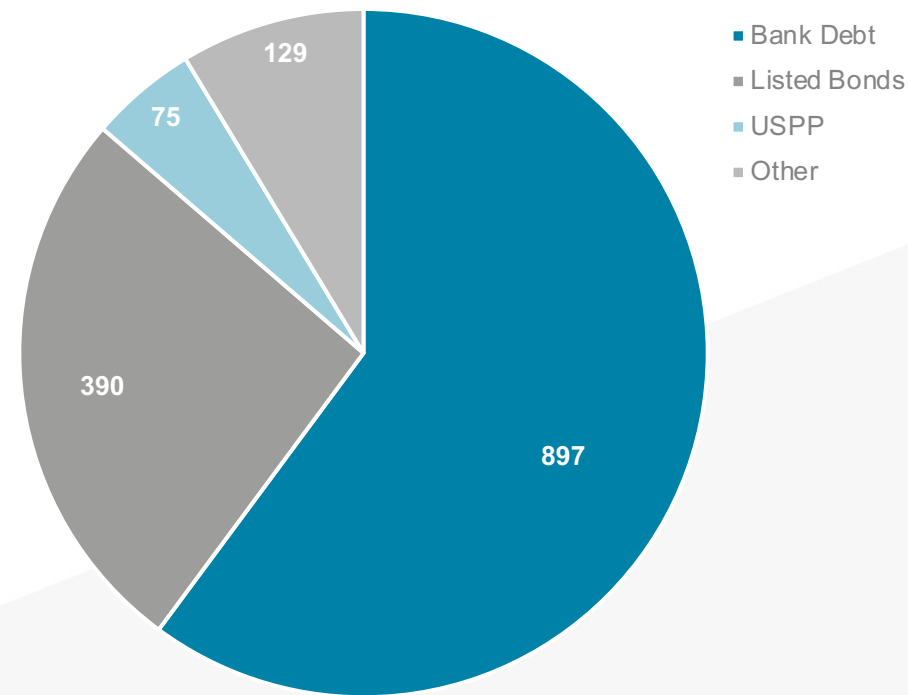


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Treasury Management

Sources of Liquidity

Balanced and Diverse Loan Book

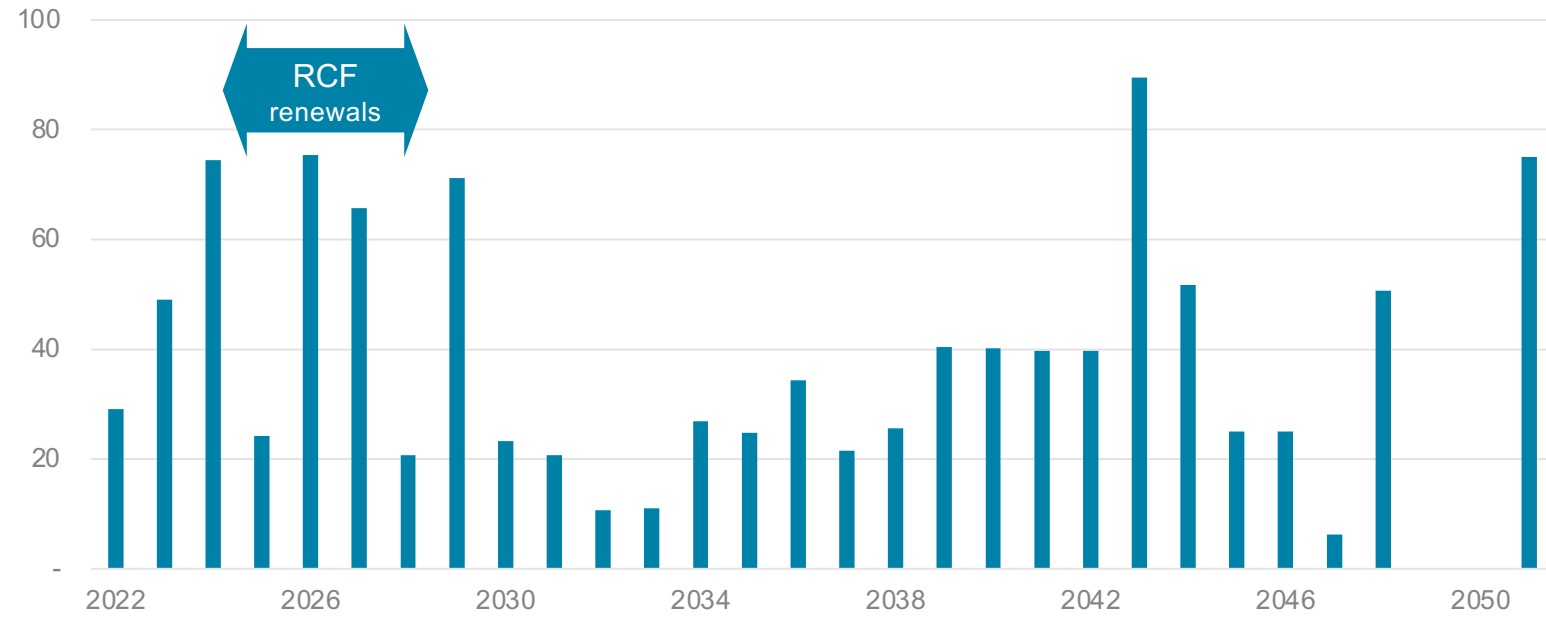


Stonewater has a 3.375% retained bond, maturing November 2045. £28m of the bonds have been sold on a deferred basis, and settle in September 2021. £72m remain.

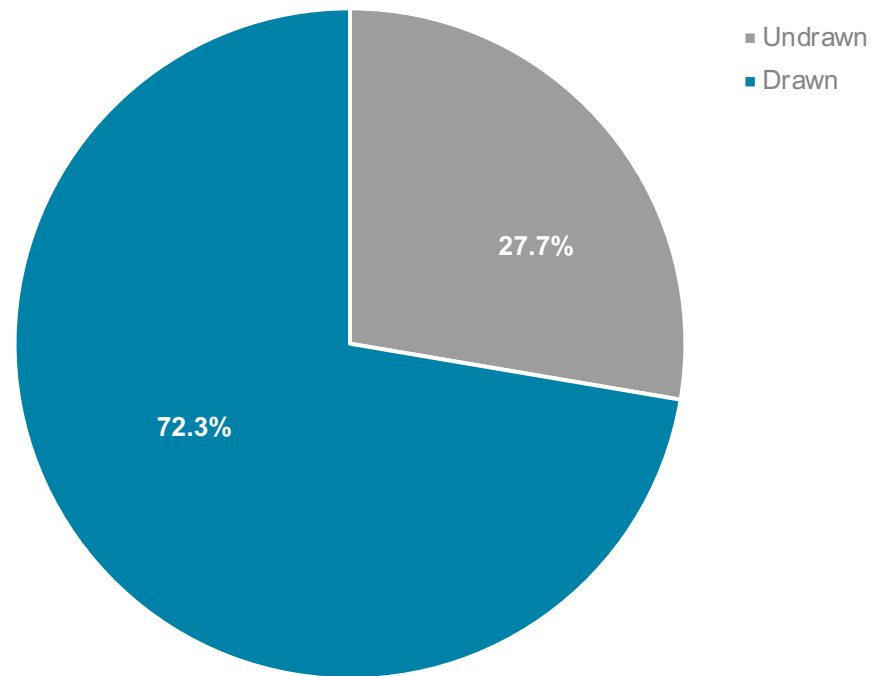
| Measure (£m) | Mar 19 | Mar 20 | Mar 21 |
|--|---------|---------|---------|
| Total Loan Facilities | 1,151.8 | 1,286.0 | 1,509.3 |
| Undrawn Committed Facilities | 234.3 | 320 | 417.8 |
| Cash Balances | 102.7 | 94.6 | 129.1 |
| Restricted cash | 5.4 | 4.6 | 4.6 |
| Cash and Committed Facilities exceeding Group's contracted obligations | 115 | 110 | 122 |
| Derivative Exposure | 99.9 | 119.0 | 75.3 |

Sources of Liquidity (cont.)

Debt Maturity Profile



Drawn and Undrawn Facilities – March 2021



Liquidity Policy

Cash Management and Liquidity Funding

- Cash management strategy ensures security and liquidity for the group maintaining:
 - i. A minimum level of cash and undrawn committed facilities to cover committed development plans net of grant and contracted sales for a minimum of 18 months, with additionally, sufficient unencumbered assets for the full contracted development cashflows
 - ii. Liquidity and highly certain cashflow to cover a minimum of 1.25x 12 months debt service and capital expenditure
- Ensuring there are sufficient safe counterparties for surplus cash, with exposure limits based on short-term credit rating
- Maintaining a cash position equivalent to at least 3 months net cash requirements
- Ensuring bank deposits are short-term or instant access
- Increasing use of money market funds
- Funding achieved from 15 lenders and own-name bonds. RCFs increased by c. £100m in 2020-21
- Cash and committed facilities exceed the Group's contracted obligations by £122m – currently all committed development is fully funded

Security Overview

| | Units | Value |
|---|---------------|----------------|
| Properties Charged For Current Facilities | 15,863 | £1.430m |
| Properties Charged For Bond Issuances | 8,386 | £728m |
| Unencumbered Properties* | 5,750 | £300m |
| Total Security | 29,980 | £2,458m |

*Excludes difficult-to-charge properties. No value has been attributed to these.



Celebrating the opening of a new development of 60 affordable homes in Fairford, Gloucestershire



The Harding family in their new home in Wincanton, Somerset