



Investor Presentation
August 2020

Agenda

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General and Covid-19 Update



General & Covid-19 Update

Organisation of Work:

- Complete working from home
 - acted very quickly, so very little incidence of coronavirus
 - reaped benefit of significant investment in IT in previous year
- Furloughed 18% of staff in 4 phases

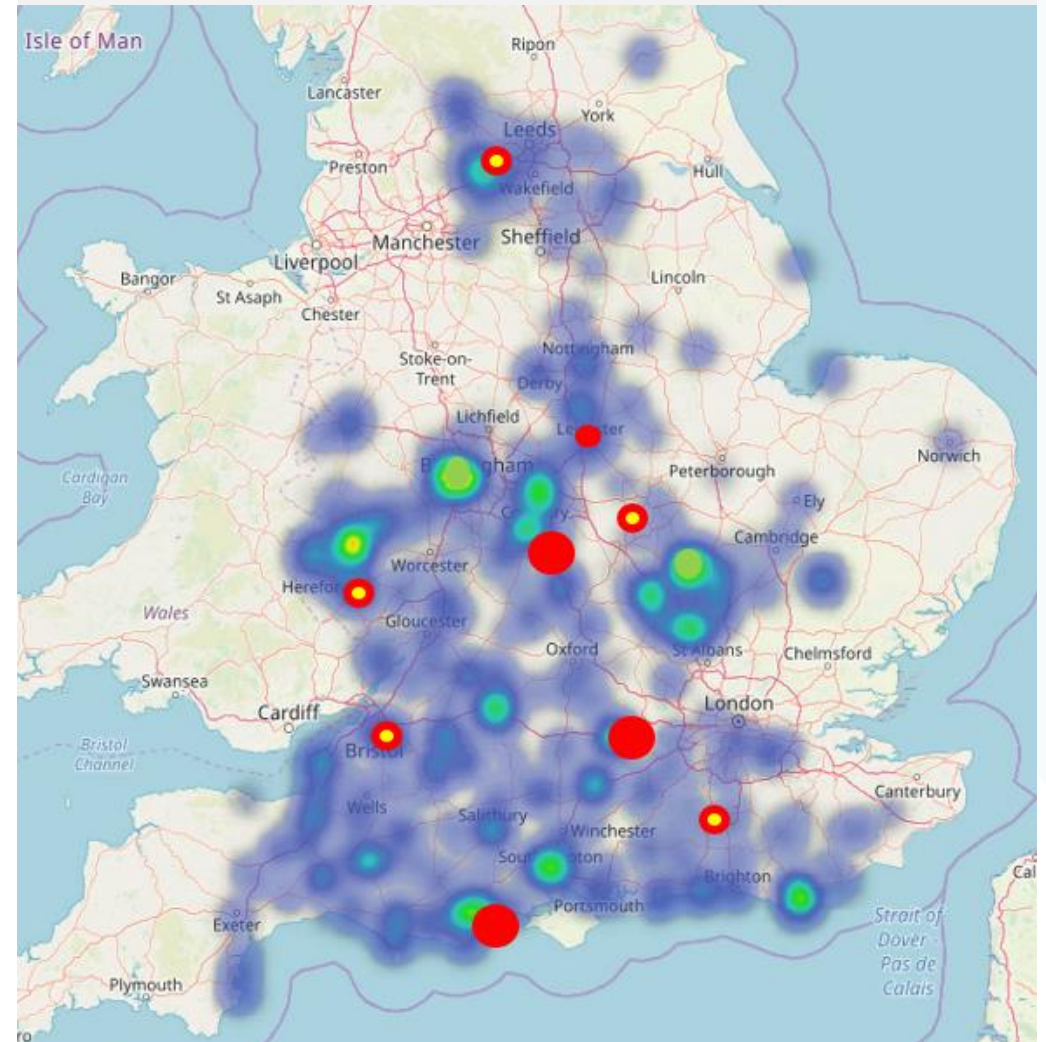
Remobilisation:

- Assets and Development staff remobilised early so they can resume when activity picks up
- Will not return in same form – rationalise offices:
 - 3 hubs + Leicester

Governance:

- Regular Board & Committee meetings
- Executive Directors meet regularly
- Crisis Management Team

Stonewater Stock – Heat Map
Location of Offices ● Hubs ● Other



Operational Delivery Through COVID

Week 19 – 4/8/20

Gas Compliance: (4/8) 73 overdue for inspection – 67 COVID related

Customers with reported COVID symptoms: 0.07% 22 live cases

Void Loss: 0.62% - compared to 1.3% Plan assumption - due to continued lettings / few terminations

Week 15 - 13/07

Income Collection: 99.68%

Gross Arrears: 5.14%

Development Update

Ongoing Management:

Continue to approve new schemes – with up-to-date Red Book values

47 of 52 developments are back on site in some form, with dates set for 3 others

Originally furloughed all Development Officers – now bringing back within new working structures

Prior to Covid 19 planning delays were the main constraint

Final 2019-20 figures:

Handovers	654	106 handovers in March
Starts on site	816	38% Land & Build
Exch of contracts	1254	57% Land & Build

S/O Sales	181	late dip below 203 Budget
S/O Surplus	£3.0m	slightly over Budget
Grant Receipt	£41.1m	

Current Shared Ownership Market:

March - May: 34 sales vs 94 expected / budgeted

674 sales enquiries in first 10 weeks of 2020-21

Review by JLL shows no need to impair

Mortgage terms: strong availability, unprecedented narrow differential over standard mortgage

Longer-term projections – see Business Plan section and Stress-testing



Management & Strategy



The Board

The Board consists of eleven experienced Non-Executive Directors and one Executive Director

Each RP has the same Board



Sheila Collins
Chairman



Nicholas Harris
Chief Executive
Officer



Anne Dokov
Chair of Governance &
People Committee



Jennifer Bennett
Chair of Business Design &
Technology and Managed Services
Committees



Claire Kearney



Andrew Lawrence
Chair of Finance
Committee



Hugh Shields
Chair of Risk &
Assurance Committee



Chris Edis



Doug Wright
Chair of Assets & Development Committee
Chair of Stonewater Developments Limited
Chair of Stonewater Commercial Limited
Chair of Stonewater Procurement Limited



Juliana Crowe
Chair of Customer
Experience Committee



Tariq Kazi



Angus Michie

Executive Director Group

The Executive Director Group (EDG) consists of the Chief Executive and five Executive Directors, each with functional responsibilities, and manages the day-to-day running of Stonewater.



Nicholas Harris
Chief Executive Officer
 CEO of Raglan Housing Association from 2010 until Stonewater merger in 2015. Previous to this, he held the CEO position at Raven Housing Trust for seven years and Group Operations Director for the Swaythling Housing Group for 7 years



Jonathan Layzell
Executive Director Development
 Jonathan is responsible for the strategic delivery of Stonewater's housing development programmes including the implementation of innovative affordable rental and shared ownership schemes



Sue Shirt
Executive Director Customer Experience
 Sue has 30 years of housing experience, operating at an executive level in a range of organisations for the last 16 years



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 practised audit and advisory work at KPMG



David Blower
Executive Director Corporate Services
 David is Stonewater's Corporate Services Director, having previously been Jephson Group Finance Director since 2005. Previous to this he held a number of senior finance positions at Orbit Housing Group and has worked in the sector since 1993



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

Future Strategy

Stock Acquisition:

- Acquisition of 731 homes from Southern Housing
 - Smooth contractual completion despite COVID-19
 - Augmenting own development with cost-effective units

Managing on Behalf of Third Parties

Legal and General Affordable Homes

- Management and maintenance of 35 homes at the end of 2019-20

Other Partnerships

- Examining key-worker accommodation for an NHS Trust



Regulatory Framework

Grant Availability

- SPP 2 response awaited
- Possible new programme

Universal Credit

- At end of May, 6,731 customers on Universal Credit
- Expected spike at the end of October due to the ending of furlough. Estimate of a further 3,350 customers by the end of the financial year
- Proactive account management and prudent financial planning is used to mitigate the potential impact

Decent Homes Standards

- 58 properties (0.21% of estate) fail – half due to Coronavirus or shielding, most of remainder waiting for new safe working practices to be developed for internal works

ESG

- Energy efficiency: Aim for all homes to be minimum of EPC C rating by 2030 – ahead of Government target





Financial Results and Business Plan



2019-20 Financial Performance

	2019-20	Var to Budget	2018-19
Turnover before 1st Tranche Sales	171.6		170
Op Costs before 1st Tranche Sales	-122.2		-118.3
Op surplus before 1st Tranche Sales	49.3	-2.1	51.8
Surplus on 1st Tranche and OM Sales	3.2	0.3	4.7
Surplus on disposal of FA	28.4	5.4	9.4
Operating Surplus	80.8	3.6	65.8
Net Interest	-33.2	2.9	-42
Surplus before fin instruments	47.6	6.5	23.8
Movt in non-hedged fin instruments	-5.3	-5.3	-1.4
Movt in hedged fin instruments	-13.8	-13.8	10.6
Pension Adj	17.3	17.3	-17.8
Comprehensive Income for Year	45.8	4.7	15.2

- **Operating Surplus:** variance to Budget: rent shortfall from delayed handovers, and higher repair costs, offset by lower staff costs and surplus on variable service charges
- **Surplus on Asset Sales:** reflects Voluntary Right to Buy programme and strong staircasing
- **Operating Margin:** 27.7% (compared to 28.0% Budget and 29.6% prior year)
- **Social Housing cost / unit (inc capital costs):** £3,094 Lower Quartile (vs £3,131 2018-19)
- **Pension Liability:** SHPS £16m, Dorset £4m

Interest Cover: 3.18 (1 year), 2.52 (3 years); Gearing 40%

2020-21 Business Plan - Assumptions

- **Business Plan approved** on 22nd May
Reflects COVID-19 situation but development flexibility means we can flex either way
- **Stress-testing** shows resilience to scenarios with deeper recession / slower recovery and worse sales
- **Plan is to be reviewed quarterly**



Assumptions:

Conservative changes to original 2020-21 Budget, to reflect unprecedented uncertainty, particularly:

- Development – 3 months delay in handovers
- 6 months of no shared ownership sales (sales £12m, down from £36m, surplus £1.1m vs £6.3m)
- **Budgeted S/O margin** 14% L&B, 20% s106 but Business Plan reduces these by 10%
- No trade sales, void sales halved
- Arrears – half of self-payers in arrears – additional £5m not recovered

Costs

- Overhead savings of £2m (Inc. furloughing)
- Responsive repairs – 3 mths emergency service
- Cyclical, planned & Retirement Living re-brand cost delay of £3.5m
- Capital repairs delays of £6m
- No further environmental / cladding costs

Changes reduce surplus by £10m vs Budget.

2020-21 Business Plan - Development

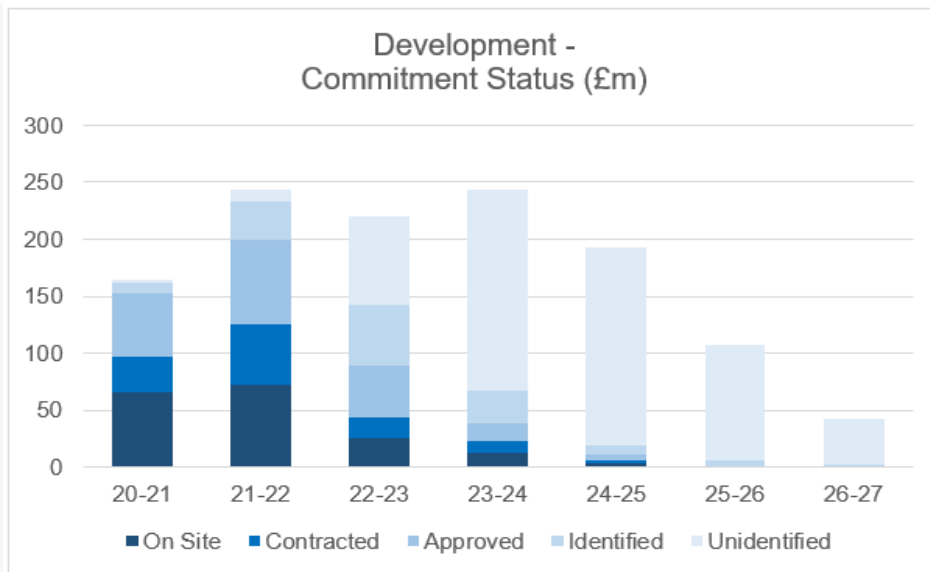
New Development Programme:

2020-21 Spend: £164m
(Original budget £220m, Oct 19 Plan £292m)
(2019-20 £138m)

Programme reaches 1,500 units in year 4
(previously year 2)

6-year total 6,782 units compared to 6,952

Very **flexible** programme: able to respond to alternative outcomes



Flexibility in development plan:

Only £300m of £1.2bn programme is contracted.

Uncertainty in timing:

- Site activity levels
- Planning and legal hurdles

Gives ability to respond to market.

2020-21 Plan: Stress-Testing

Because of unprecedented uncertainty, we have subjected plans to wider rigorous stress-testing

The Plan is resilient

- Development can be maintained during the Extended COVID-19 stress
- The test-to-destruction “Reverse Stress” worst case can be remedied

Stress	Required Remedies			Definition of Stress
	Gearing	Int Cover	Other	
Extended Covid Stress <i>Stress 1</i>	S1			Voids & Bd Debts increased / extended Development handovers further delay Shared ownership values -20% (identified) No asset sales in year 1 Capitalisation of dev costs & interest reduced
	S2			
	S3			
	S4			
	S5			
Extended Covid Stress plus Reverse Stress <i>Stress 4</i>	S1			3% Voids, 2.5% Bad Debts, yrs2-10 Libor rises to 7%, yrs 5-10 Repairs & dev costs +5% yrs2-6, +2.5% yrs7-10 No Shared Ownership sales yrs1-2 No efficiencies/savings years 1-10
	S2			
	S3			
	S4			
	S5			
Covenant breach				

Note: Remedies modelled only for covenant breaches



Financing & Liquidity



Funding

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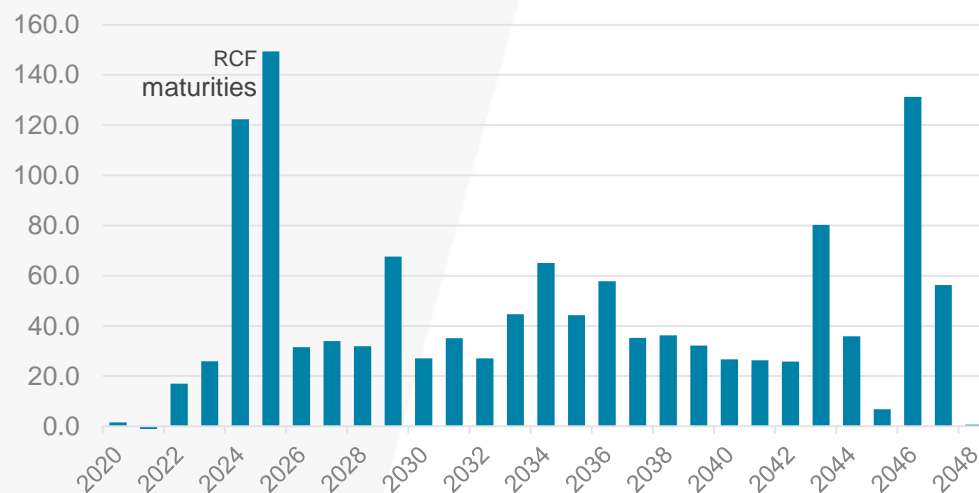
Limited funding requirement:

- £108m Deferred bond proceeds in 2021
- USPP has opened up new investor base
- S3 requirement can be met from bLEND, additional RCF's
- All RCF's renewable in 2024-25

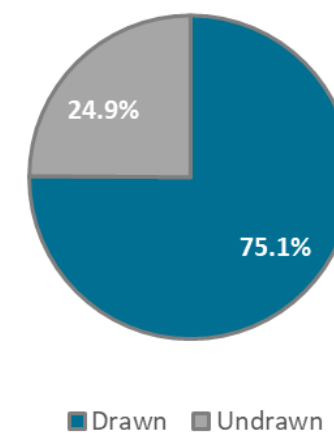
Funding Need by Company

£m	20-21	21-22	22-23	23-24	24-25
S1		30	40	36	31
S2			50	60	
S3	15	15	20	20	
S4					
S5				10	
Group	15	45	110	126	31

Debt Maturity Profile



Drawn & Undrawn Facilities March 2020



Treasury and Liquidity

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Treasury Management Policy

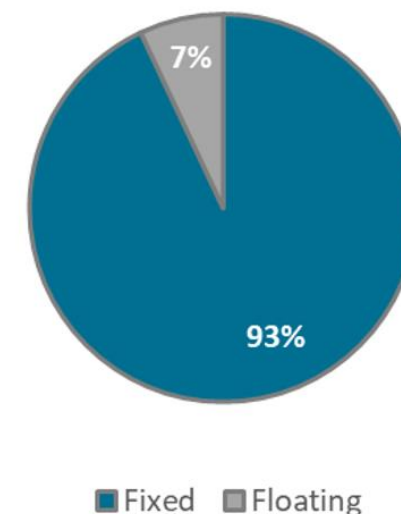
- Policy approved annually by the Board provides a strategy for:
 - Borrowing and subsequent debt management
 - Investment of surplus funds
 - Relationships with bankers, lenders and advisors

Cash Management and Liquidity

- Maintains minimum level of cash and undrawn committed facilities:
 - i. Liquidity to cover committed development plans net of grant
 - ii. Liquidity and highly certain cash flow to cover 1.25x 12 months debt service and capital expenditure
- Sufficient safe counterparties for surplus cash, with exposure limits
- Maintaining a cash position equivalent to at least 3 months net cash requirements

Measure (£m)	Mar-20
Total Loan Facilities	1286
Undrawn Committed Facilities	320
Available Cash Balances	90
Cash and Committed Facilities exceeding Group's contracted obligations after grant	108
Cash and Committed Facilities (incl PP and deferred bonds) exceeding Group's contracted obligations after grant	286
Derivative Exposure	119

Fixed v Floating March 2020



Liquidity

- End of May £65m of available cash and £306m of available facilities
- In addition:
 - £73m USPP closed on 17 June
 - £75m Deferred bond sale closing March 2021
 - £28m Deferred bond sale closing Sept 2021