



Investor Presentation

August 2018

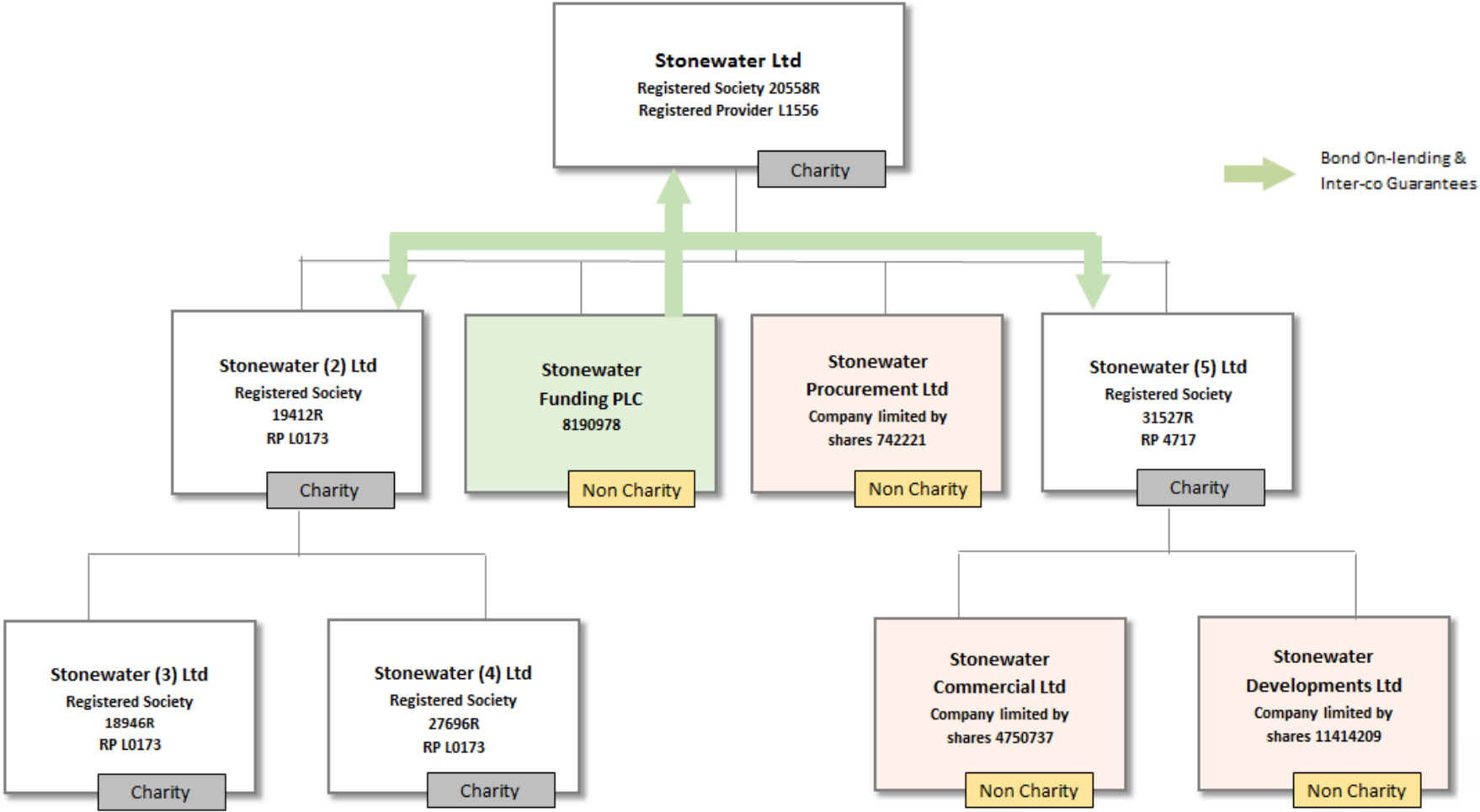
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Summary

- Stable management; robust performance
- 31,000 units / £187m turnover / £1.7 billion assets
- Geographically diversified
- Predominantly regulated activities
 - Social Rent and Shared Ownership
 - Pilot programme of market sale / rent
- Ambitious - scalable development programme
- Promising policy trend – challenging economy
- Financially stable, strong liquidity

Company Structure

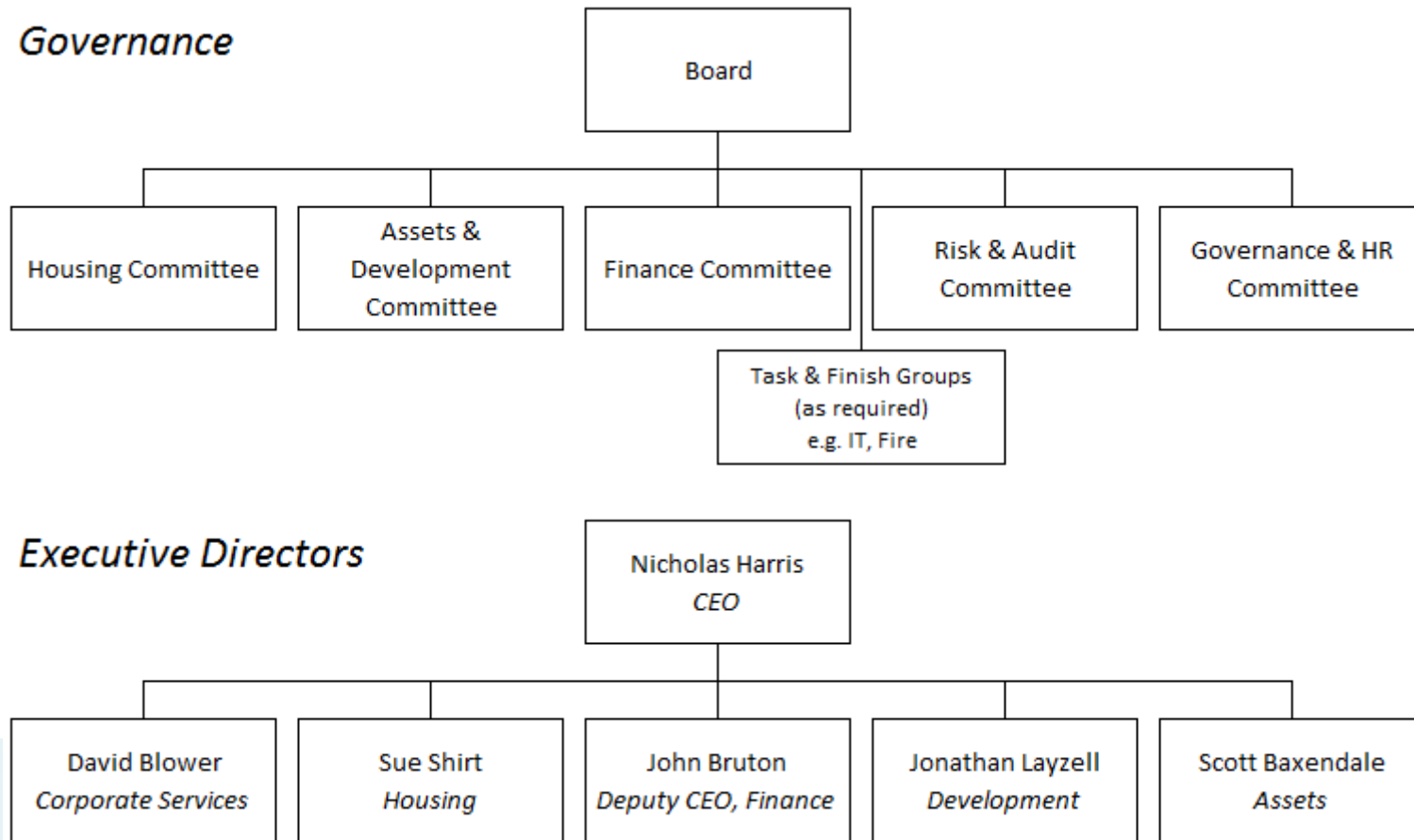


Structure & Governance

Simple single management

- 5 RP's but simple structure & governance
 - Common boards, single decision-making
- Settled governance
 - In-Depth Assessment Jan 2017
 - G1 / V1 re-affirmed Dec 17
- Stable management team

Management Structure



Executive Director Group



Chief Executive Officer - Nicholas Harris

CEO of Raglan Housing Association since January 2010. Previous to this, he held the CEO position at Raven Housing Trust for seven years and Group Operations Directors for the Swaythling Housing Group for seven years.



Executive Director - Development – Jonathan Layzell

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



Deputy Chief Executive and Executive Director – Finance – John Bruton

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 practiced audit and advisory work at KPMG.



Executive Director – Housing - Sue Shirt

Sue has 29 years of housing experience operating at an executive level in a range of organisations for the last 13 years.



Executive Director – Corporate Services – David Blower

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.



Executive Director – Assets – Scott Baxendale

Scott has 29 years experience in the housing sector with extensive knowledge of change management and performance improvement.

Strategic Plan 2018-22

Nine Targets

Customer experience	Effective service
	Retirement Living
	Supported Housing
Growth & Influence	Provide more homes
	Broader range of tenures
	Thought leader
Business Excellence	Critical KPI's: Income & Compliance
	Invest in people
	Resource efficiency

Strategic Priorities 1

Key Board Priorities

- **Growth**
 - Inorganic
 - **Development** – new grant programmes; shift to own land & build development from s106
- **Value for Money**
 - **Finance** – focus on margin
 - **Procurement** - new maintenance and estate management contracts

Strategic Priorities 2

- Working in partnership with customers
 - Involvement, insight, incentives
- Digital transformation
 - Improving workforce agility
 - Most effective service, “always on”
- Charitable support through Longleigh Foundation
 - Customer engagement & community development
 - Services for older & vulnerable residents

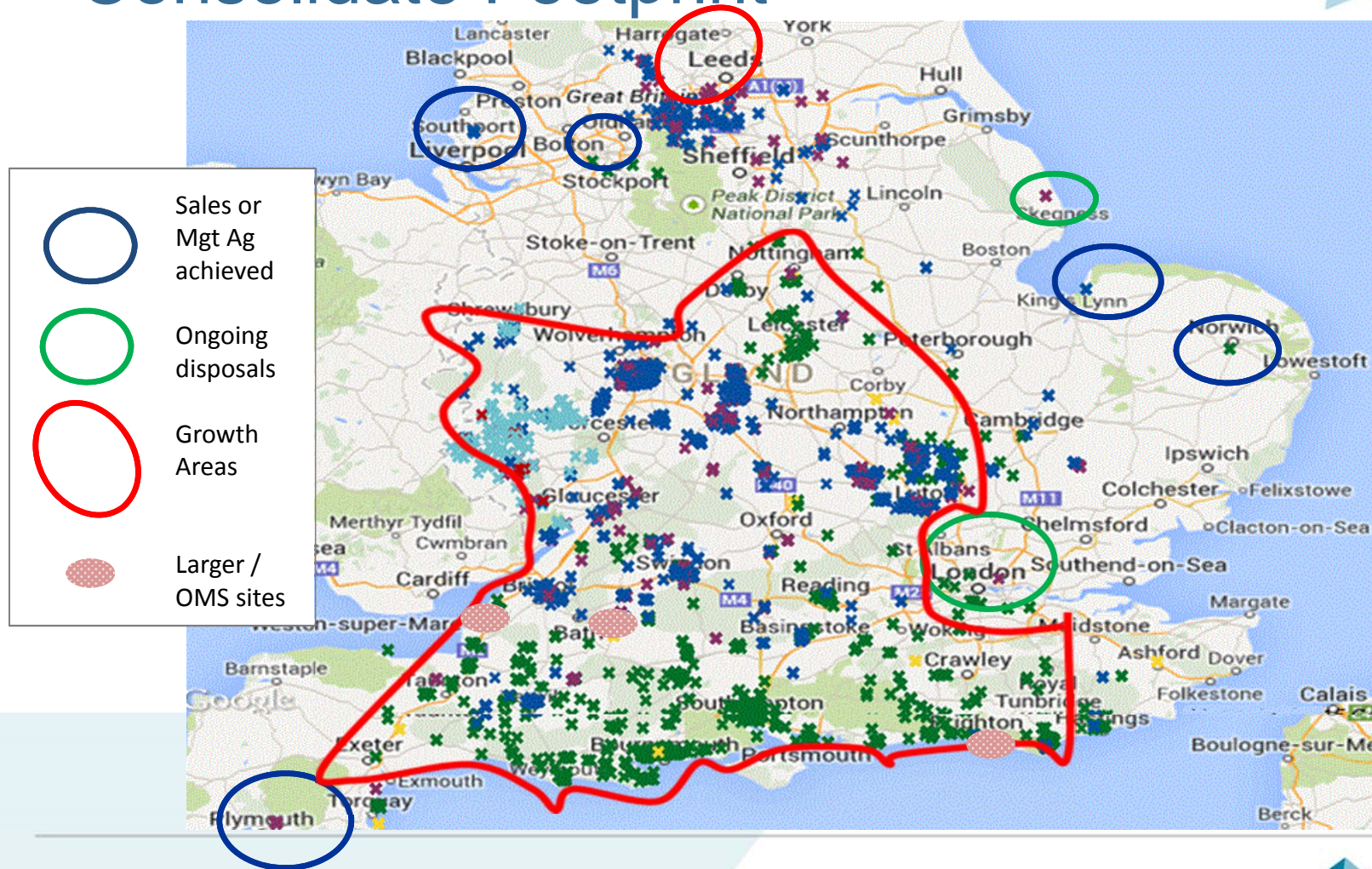
Operating Environment

Promising policy trend – challenging economy

- Supportive Government Policy & Regulation
 - Rent settlement
 - £2bn Government investment
 - New / increased grant programmes
 - Labour housing policy
- Markets & Brexit
 - Inflation & interest rates
 - Housing & development markets

Strategic Growth

Consolidate Footprint



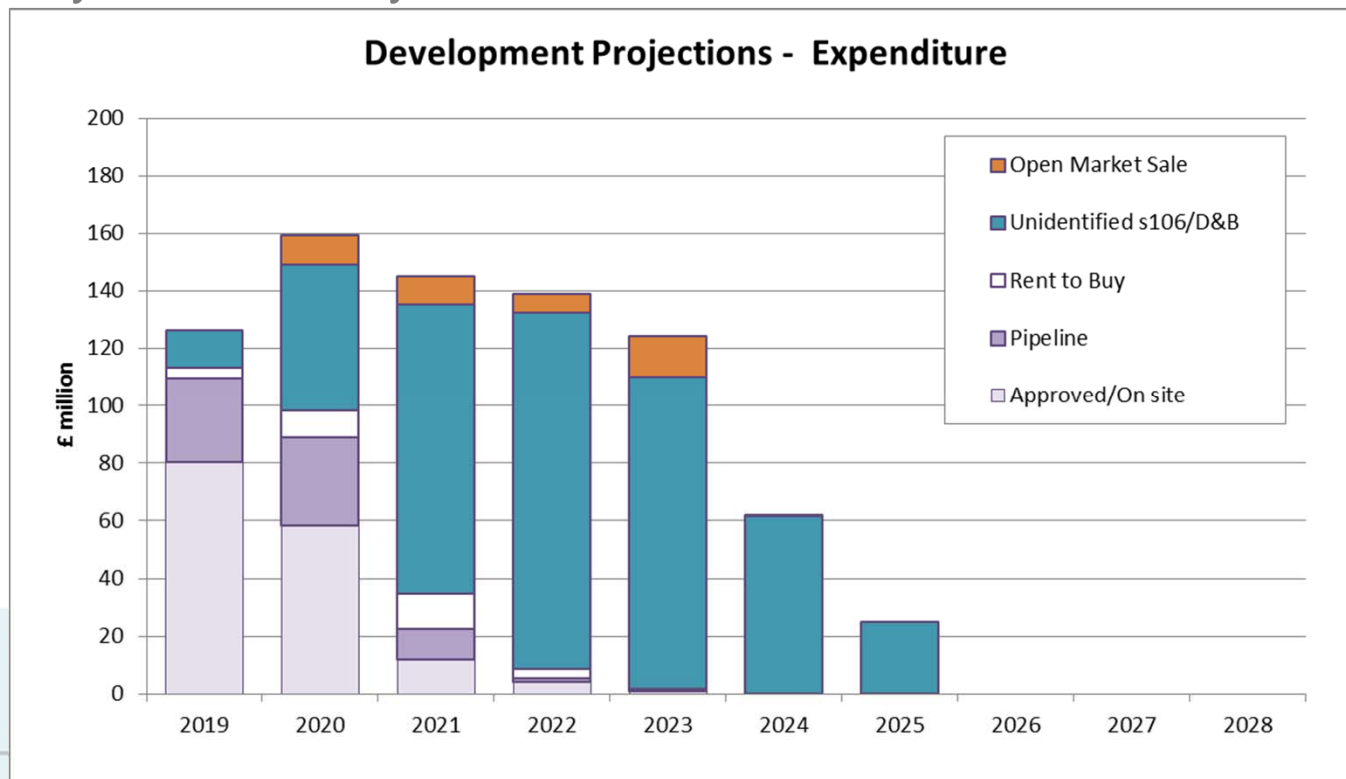
Development

Responsive to market and economic drivers

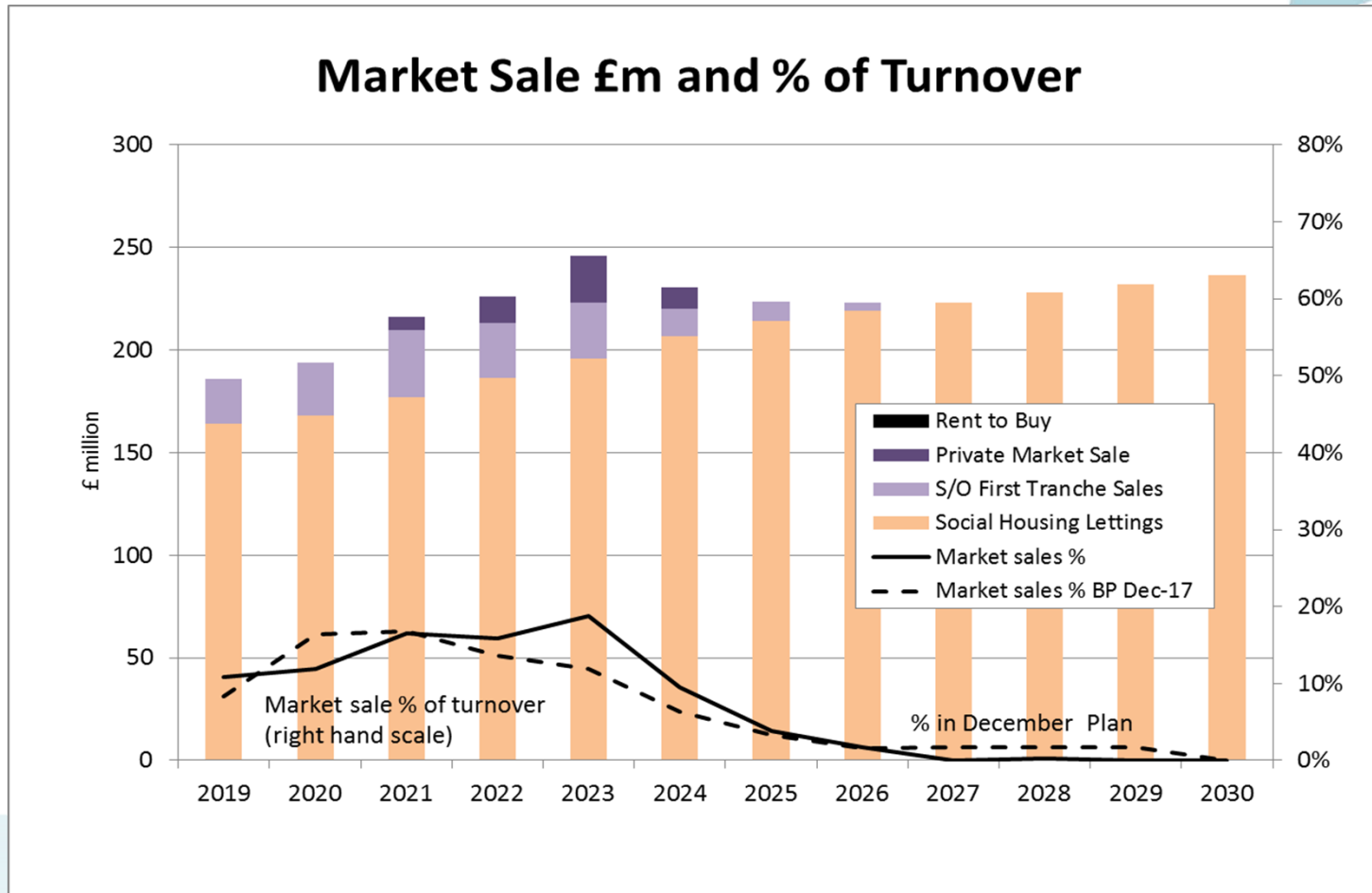
Business Plan: 5,500 over 5 years

Only ever 2 years committed

Capacity increased by rent settlement and low / fixed rate funding



Low Risk Business Model



Risk

New Risk Priorities

EXCEPTIONAL RISKS	
1	National policy volatility
2	Growth
3	Long term finance
4	Cyber security
STRATEGIC BUSINESS RISKS	
5	Digitalisation (to include future operating model)
6	Leadership
7	Recruitment and retention of skilled staff
8	Value for Money
9	Health & safety (inc fire)
10	Procurement

Value for Money

Efficiency: Value for Money

- 2017-18 savings: £3.6m one-off and £7m ongoing
 - Employee T&C's, offices, treasury
- 2018-19:
 - New standard from Regulator
 - Savings from:
 - Retender of contracts: kitchens, lifts, estate services & compliance
 - Negotiation of disposals & land purchases
 - IT revenue costs
 - Treasury savings from cash management
 - Volunteering / social value of Retirement Living activities

Operating Performance

Key KPI's

Overall Customer Satisfaction % Month	
Jun-18	78.1%
Mar-18	79.8%
Dec-17	80.6%
Sep-17	80.4%
Jun-17	80.2%
Target	82.2%

Gross Arrears % Quarter end	
Jun-18	4.70%
Mar-18	4.29%
Dec-17	4.28%
Sep-17	4.47%
Jun-17	4.68%
Target	3.41%

Core Arrears % Quarter end	
Jun-18	3.67%
Mar-18	3.28%
Dec-17	3.31%
Sep-17	3.48%
Jun-17	3.37%
Top Quartile	2.58%

Rent Received as % of Rent Due YTD	
Jun-18	95.7%
Mar-18	99.4%
Dec-17	98.6%
Sep-17	98.7%
Jun-17	98.4%
Target	99.5%

Ave Re-let time (days) YTD	
Jun-18	30.8
Mar-18	70.1
Dec-17	70.3
Sep-17	60.5
Jun-17	46.2
Target	40

Void Loss % of Rent YTD	
Jun-18	89.00%
Mar-18	1.87%
Dec-17	2.20%
Sep-17	2.25%
Jun-17	1.97%
Target	1.25%

Ave Cost of Responsive Repairs YTD	
Jun-18	n/a
Mar-18	£112.07
Dec-17	£83.81
Sep-17	£119.02
Jun-17	£129.37
Target	n/a

Number Non-Gas Compliant Quarter end	
Jun-18	2
Mar-18	0
Dec-17	5
Sep-17	3
Jun-17	1
Target	0

Group Financial Performance

Operating performance 2017-18

- Turnover +4% to £187.2m
- Surplus +37.9% to £39.0m (*Operating Surplus £54.4m*)
- Performance against Covenants:

	Stonewater Ltd		Stonewater (2)		Stonewater (3)	
	Actual	Covenant	Actual	Covenant	Actual	Covenant
Gearing	69%	85%*	37%	65%*	30%	50%*
Interest Cover	201%	95 / 110%	270%	110%	363%	95 / 105%

** S Ltd based on reserves, S2&3 based on historic cost*

S2's interest cover benefits from a one-off surplus from trade sales.

2018 Business Plan

Projections:

- Operating margin: 34% over 10 years
- Op cashflow: £60m rising to ave £90m+ (Yr 5 on)
- Development programme
 - 5,500 homes over 5 years (subject to ongoing approval)
- Projected credit measures
 - SHL interest cover: 127%) averages over 1st
 - Debt-to-Turnover: 4.3) 5 years
- Limited financing requirement

Treasury & Funding

Funding at 30th June 2018:

- Group facilities: £1,074m, £860m drawn
- Cash: £97m
- Liquidity covers: Contractual commitments 2.5x
2-year net approvals 2.8x

Policy: Cash & undrawn facilities > contracted development

5-year funding programme:

- £250m bond structure – issued fully retained
- EIB £100m facility - still approved in principle
- Participating in MORhomes

Treasury & Funding 2

Fixed Interest: 97%

- policy 50-100%

Standalone swaps Mark-to-Market: £92m (31st July18)

- Collateral: unsecured threshold £39m, property £53m
- £30m of 2022 and 2041 swaps closed out in June
 - at £2.4m accounting profit / £0.8m economic gain

Uncharged & excess security covers future needs:

- Current charging pipeline: £240m in process
£200m remains

And finally

To summarise:

- Continuity of management (executive & Board)
- Out-performed Budget for 2017-18
- Good relationship with Regulator
- Positive trend in Government policy
- Conservative business model
- Scalable development

Appendix 1: Comprehensive Income

Statutory accounts, Business Plan presentation

INCOME & EXPENDITURE	2015-16	2016-17	2017-18
	£m	£m	£m
Rent and Service Charges	155.1	159.3	162.8
Less: Voids	-1.8	-2.6	-3.4
Amortised Government Grant	6.8	7.1	7.2
Income from Social Housing Lettings	<u>160.1</u>	<u>163.8</u>	<u>166.6</u>
Sales receipts	9.4	15.0	20.6
Other Income	2.3	1.8	0.0
Turnover	<u>171.8</u>	<u>180.6</u>	<u>187.2</u>
Management and Service Costs	51.8	45.4	48.2
Responsive & Planned Maintenance	30.5	33.1	37.7
Bad Debts	0.6	1.2	1.5
Property Depreciation	23.5	26.0	28.1
Other Costs	0.0	0.0	0.0
Total Operating Costs	<u>106.4</u>	<u>105.7</u>	<u>115.5</u>
Costs of Sales	8.7	12.1	15.5
Other Social Housing Activities Costs	3.5	3.5	1.8
Operating Surplus	<u>53.2</u>	<u>59.3</u>	<u>54.4</u>
Surplus on Sale of Properties	5.9	9.9	15.6
Surplus Before Interest	<u>59.1</u>	<u>69.2</u>	<u>70.0</u>
Net Interest	-31.0	-32.2	-33.4
Movement in FV	-2.2	-8.7	2.4
Retained Surplus	<u>25.9</u>	<u>28.3</u>	<u>39.0</u>
Actuarial Gains/Mvmt in FV of Hedged Inst	-5.9	4.7	15.7
Total Comprehensive Income	<u>20.0</u>	<u>33.0</u>	<u>54.7</u>
Capitalised Components	16.4	10.6	13.1

Appendix 2: Group Balance Sheet

BALANCE SHEET	Mar-16	Mar-17	Mar-18
	£m	£m	£m
Fixed Assets	1,631.6	1,666.5	1,700.4
Current Assets			
Properties held for sale	9.2	12.4	11.2
Debtors	10.2	11.7	16.3
Cash & ST Inv	61.4	41.9	112.4
	80.8	66.0	139.9
Creditors <1yr	-39.5	-51.2	-73.6
Net Current Assets	41.3	14.8	66.3
Total Assets less CL	1,672.9	1,681.3	1,766.7
Represented by:			
Creditors >1yr	1,501.2	1,480.6	1,513.6
Provisions & Other Liabs	19.7	16.4	14.4
Pension Liabilities	5.0	4.4	4.0
Cashflow hedge reserve	-99.2	-95.3	-80.0
I&E Reserve	246.2	275.2	314.7
Reserves & LT Liabilities	1,672.9	1,681.3	1,766.7

Appendix 3: Consolidated Business Plan

INCOME & EXPENDITURE	2018-19	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m	£m
Rent and Service Charges	163.0	166.9	175.3	185.0	194.1
Less: Voids	-2.1	-1.7	-1.8	-1.9	-1.9
Amortised Government Grant	7.1	7.1	7.3	7.4	7.4
Income from Social Housing Lettings	168.1	172.4	180.8	190.5	199.6
Sales receipts	21.5	25.5	39.3	39.4	50.5
Other Income	2.3	2.4	2.4	2.5	2.6
Turnover	191.8	200.2	222.6	232.4	252.7
Management and Service Costs	55.0	59.6	59.0	59.2	59.8
Responsive & Planned Maintenance	32.4	30.5	32.2	33.9	36.0
Bad Debts	1.6	1.7	1.8	1.9	1.9
Property Depreciation	25.4	27.3	29.9	32.2	34.6
Other Costs	0.0	0.0	0.0	0.1	0.0
Expenditure from Social Housing Lettings	114.5	119.2	122.8	127.2	132.3
Costs of Sales	17.7	21.5	32.8	31.2	39.8
Other Social Housing Activities Costs	0.0	0.0	0.0	0.0	0.0
Operating Surplus	59.7	59.5	66.9	74.0	80.6
Surplus on Sale of FA Properties	6.4	7.8	7.8	8.5	8.8
Surplus Before Interest	66.0	67.3	74.7	82.5	89.4
Net Interest	-34.0	-33.4	-35.5	-37.6	-41.6
Movement in FV	1.0	1.0	1.0	1.0	1.0
Retained Surplus	33.0	34.9	40.2	45.9	48.8
Actuarial Gains/Mvmt in FV of Hedged Inst	6.5	6.5	6.5	6.3	6.1
Total Comprehensive Income	39.5	41.4	46.7	52.2	54.9
Capitalised Components	15.1	14.8	11.9	24.4	25.2