



Investor Presentation

September 2022

Nicholas Harris Chief Executive Officer

Anne Costain Executive Director, Finance

Isabelle Kirk Assistant Director – Treasury

Adam Masters Assistant Director – Environment and Sustainability

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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.

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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.



Isabelle Kirk
Assistant Director – Treasury

Isabelle is a qualified accountant who has worked for Stonewater in the Finance team for seven years. She has worked mainly in the financial reporting team delivering the statutory and management accounts. Before joining Stonewater Isabelle worked in the NHS and a private accountancy practice.



Anne Costain
Executive Director, Finance

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.



Adam Masters
Assistant Director – Environment and Sustainability

Adam has been working within sustainability in housing for over 10 years. Adam previously worked for the Guinness Partnership and has been leading Stonewater's sustainability ambitions for over six years. He has extensive knowledge of the built environment having studied Architecture and Environmental Design before focussing solely on Sustainability.

Key Credit Highlights

A+ (S&P) Credit Rating	G1 / V1 Regulatory Rating		
Provider of c.35,000 homes to c. 76,000 customers			
National presence and wide geographic diversification across 132 Local Authorities			
High quality stock: average age of 27 years and only 16 buildings 6 storeys and above			
402 homes in management from Legal & General at 31 March 2022			
SHIFT Gold rating accreditation for our Environmental Management System			
Clear social purpose with 83% revenues from social housing lettings			
Ambitious development programme, key strategic partnerships and low exposure to market sales			
326 1st tranche sales in 2021/22, surplus of £7.0m			
836 homes handed over in 2021/22; 568 rented, 263 shared ownership and 5 open market			
£225m Group Turnover	24% Operating Margin*	49% Gearing	£2.2bn Housing Properties**

Note: Figures as at March 2022

* excluding surplus on disposal of fixed assets. One off additional donations to Longleigh Foundation made of £2.2m in year

** 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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Stonewater

- Founded in 1960s Raglan and Jephson, both traditional Housing Associations merged in 2015 to form Stonewater, offering good quality, affordable social housing for people whose needs are not met by the open market
- Strategy concentrated around sustainable customer-centred services, quality homes and neighbourhoods and maximising value
- Operating in 132 Local Authority Areas across England, with no presence in London
- Successfully delivered 5,000 homes since formation – aiming to provide 1,500 new homes per year from 2022-23



Crouch Hill Close
Holwell

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Operational Update and Performance

Cost of Living Crisis

- The cost of living crisis will hit social housing tenants hard
- In 2016 Stonewater established its charity partner, the Longleigh Foundation, for the support of residents and our communities through hardship grants, and projects and research grants
- Donate c.£2m per annum
- Longleigh has established “Circles of Support” : supports customers with their economic, emotional and physical wellbeing through partner charities
- Inflation is impacting costs and we are in close contact with all our partners to support them where we can, while protecting operating surplus and capital costs

**Longleigh**
Foundation

A grant-making partner for the social housing sector



Rent Cap and Energy

Rent Cap

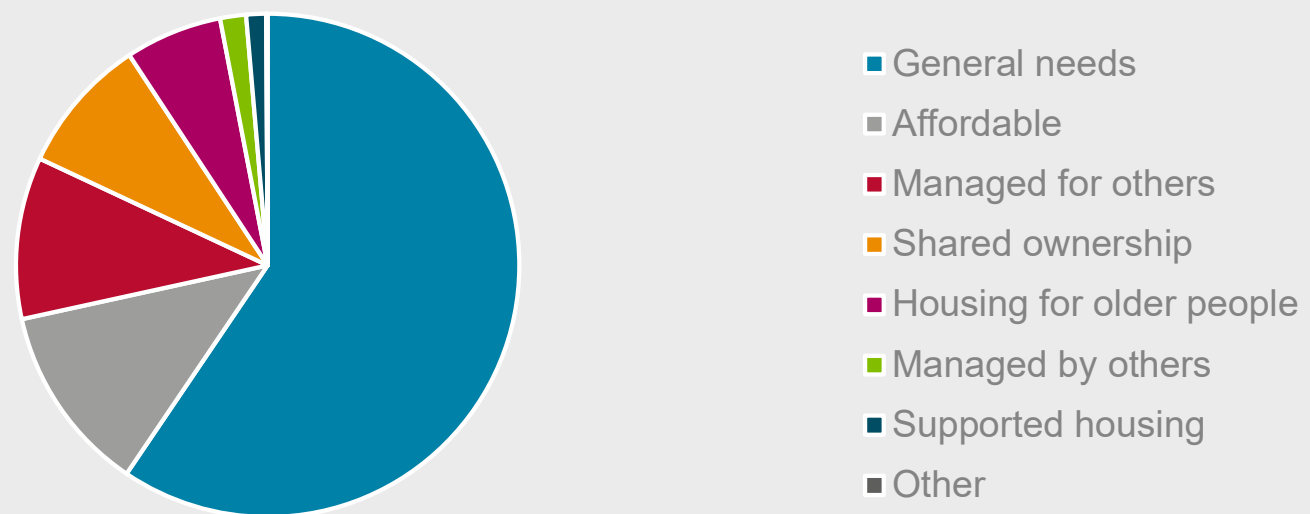
- Stonewater will respond to the rent cap consultation issued by the Department for Levelling Up, Housing and Communities, options have been proposed for a 3%, 5% or 7% rent cap
- We have been scenario testing for a period of time
- New lets and shared ownership will be excluded from the cap

Energy Costs

- Stonewater has taken the decision to recover increased energy costs through service charges
- Approximately 65% of customers are on fixed service charges, so any increase will not impact them until April 2023

Homes Profile

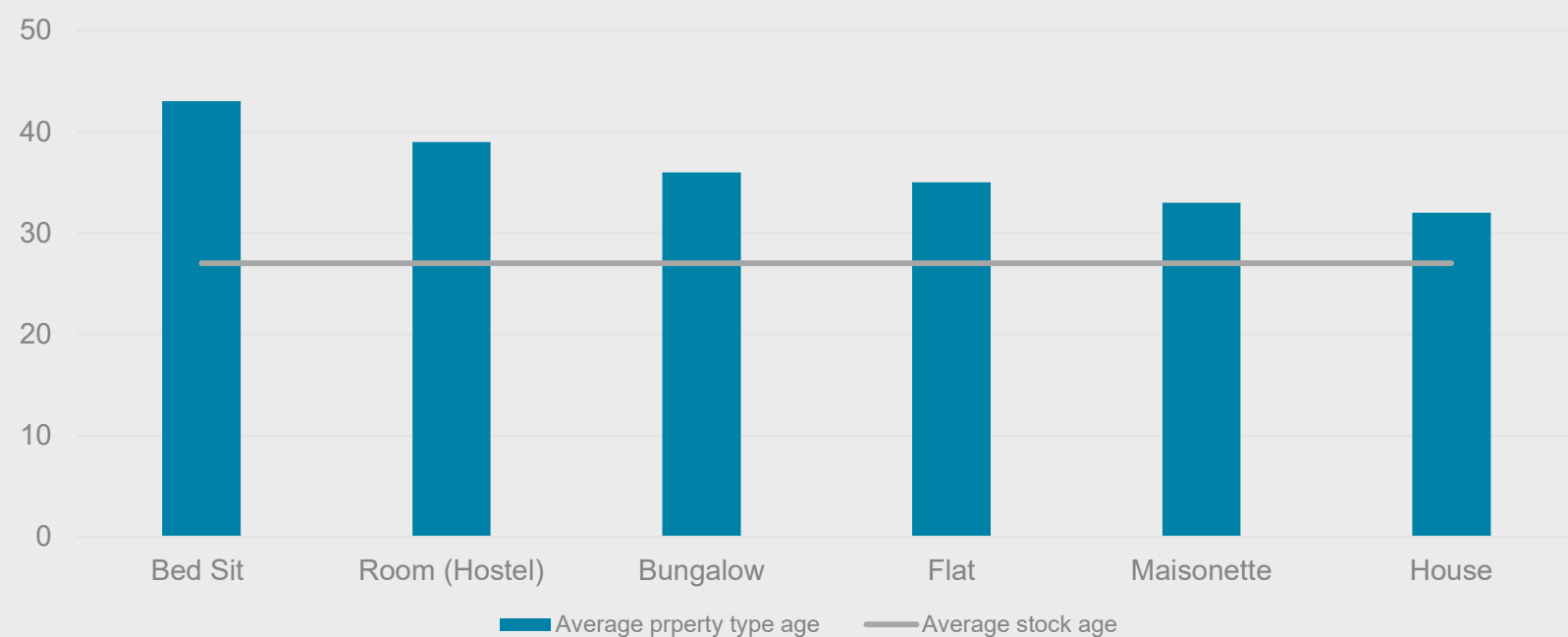
Split of our 35,433 units*



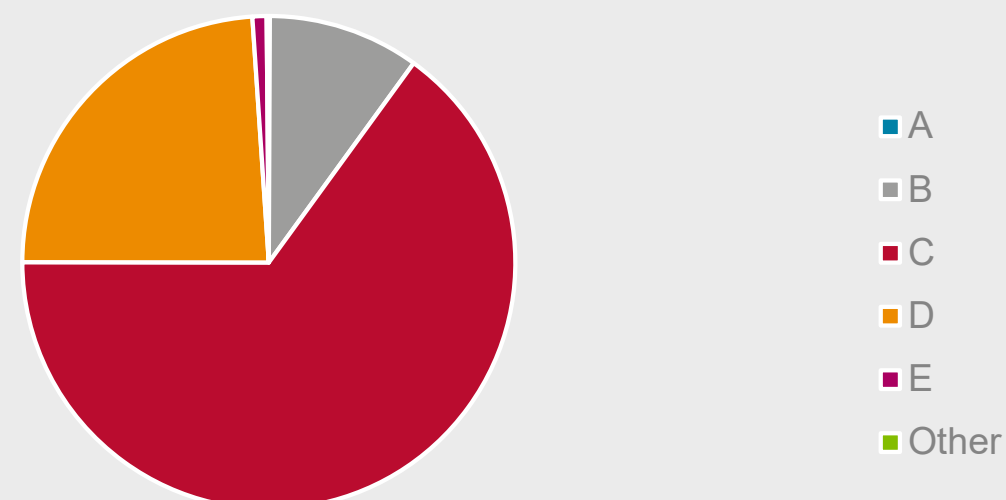
Property Type**



Property Age Profile**



EPC Rating Breakdown***



Sources:

* Annual Report and Accounts 2021/22

** Statistical Data Return 2022 (excludes privately owned houses, but includes leasehold flats)

*** ^ December 2021 SAP Scores

Future Operations

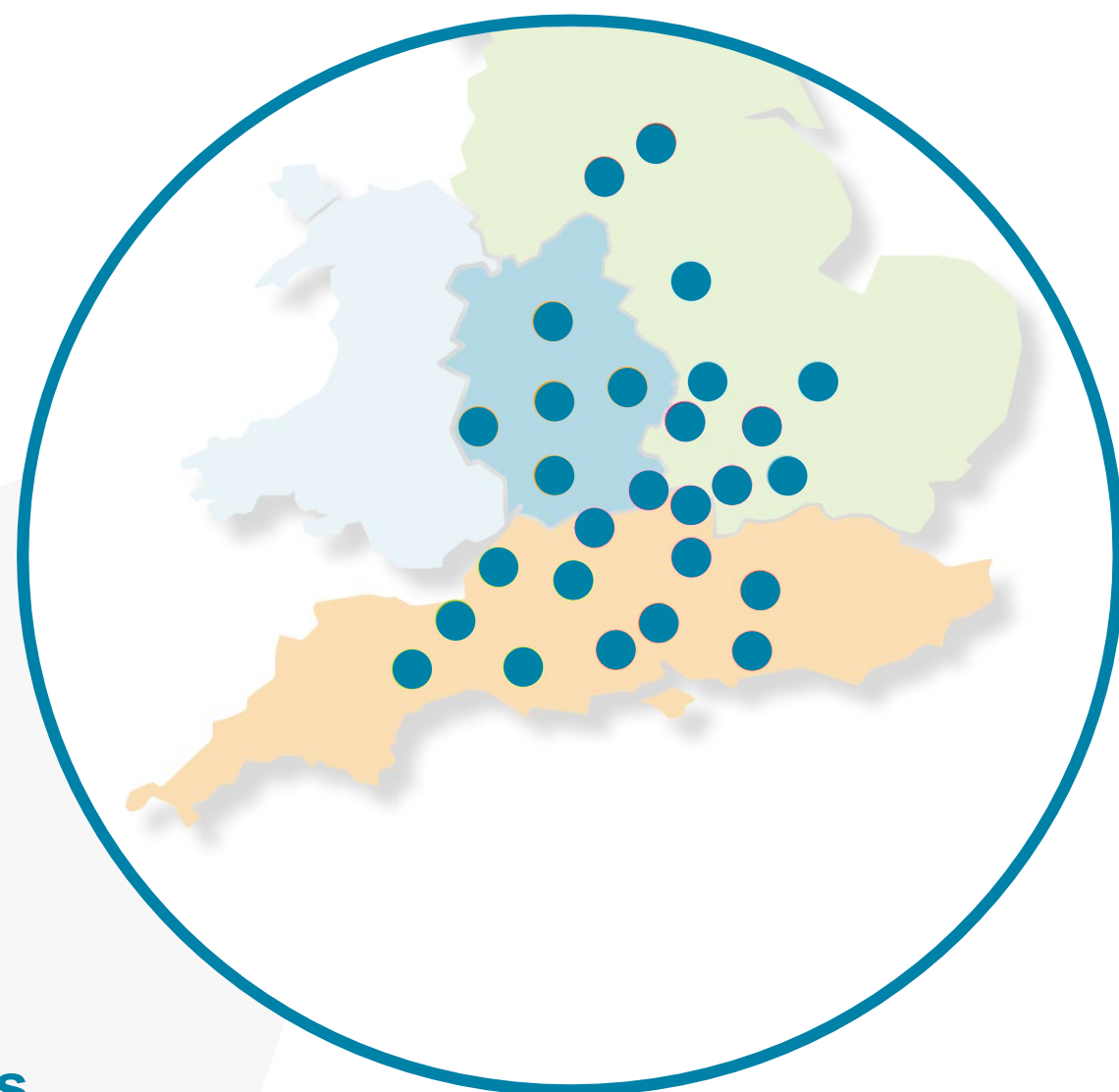
- Proposed partnership announced in June 2022 with **Greenoak Housing Association** to complete by 31 December 2022
- Greenoak owns and / or manages around 550 homes across Surrey and East and West Sussex
- The partnership will create a new national **Centre of Excellence** for zero carbon development and retrofit
- Pilot schemes for direct service provision and apprenticeship opportunities
- The partnership supports Stonewater's strategic plan ambition of managing 50,000 homes by 2030



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Investment in 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 from 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

JV and Managing assets of other RPs

- Stonewater has only engaged in a small way with developing property for open market sale. Stonewater worked in partnership with Halsall Construction on a small Joint Venture project at Gypsy Lane in Exeter - all units have now been sold with an average of 1 week sales time from handover
- In addition, we are engaged in a management contract with Legal and General Affordable Homes

Health and Safety

- Comprehensive checks on all blocks over six storeys
 - **no ACM cladding identified**
- **Limited** (16 blocks) **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
- Fire safety works are budgeted at £1.3m for 2022-23, with an additional £0.5m per annum forecast for 2 years from 2023-24



Health and Safety Cont'd

- Stonewater is fully compliant with current legislation across the entire portfolio with no outstanding actions resulting from these assessments
- 99.56% gas compliance - 94 properties outside Gas Safety Requirements as at 14th September 2022 - all with agreed action plan to rectify
- 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

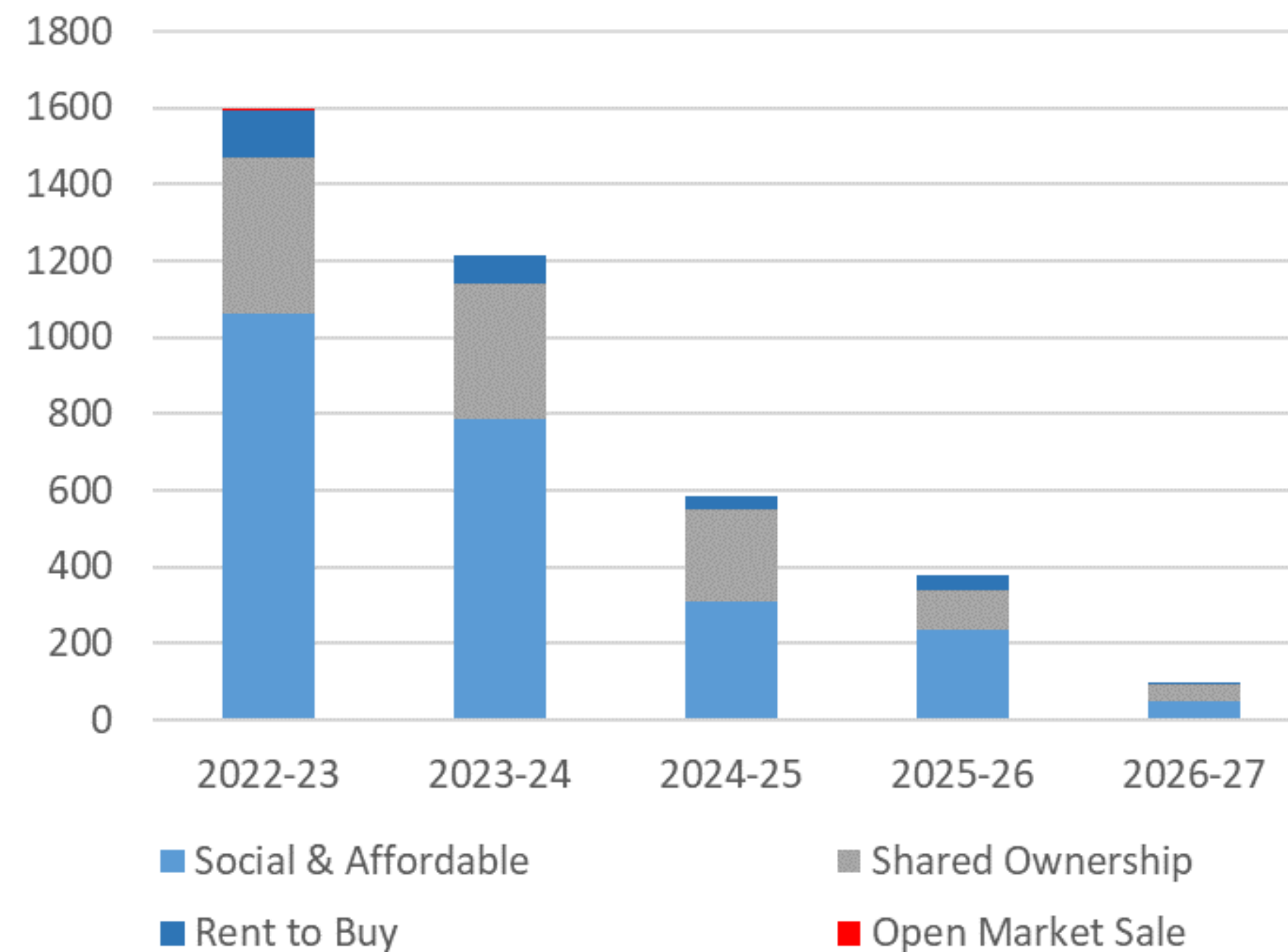


Warren Farm, Ampthill, Bedford

Development Plan

- A development plan to deliver 7,500 units by 2028
- 95% of which are affordable tenures
- 51% of which is currently contractually committed (by unit numbers)

Committed Development Spend



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Sustainability and ESG

Environmental Performance

Environmental and Sustainability Strategy

Financing:

- Early adopter of Sustainable Reporting Standards (SRSs) for HAs
- Sustainable Finance Framework published June 2021 with second party opinion from ISS
- Established an EMTN programme in July 2021 and issued £250m sustainability bond in September 2021
- 2022 ESG report published August 2022 with second party opinion from ISS
- Successful in bidding for funding through Wave 1 of the Social Housing Decarbonisation Fund with Herefordshire and West Yorkshire councils, and will bid for Wave 2



Strategy Cont'd

Environmental and Sustainability Strategy

Reduce our net carbon emissions:

- Have no homes with an EPC rating below Band C [SAP 69] by 2030
- Develop a credible strategy for reducing our carbon emissions
- Estimated costs of EPC B by 2045 upgrade on stock included as a stress test in Business Plan
- Developing a standard for net zero (operational emissions) new homes on land led developments
- Delivered non carbon heating in all land led schemes since April 2021



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

Key ESG Events 2021/22

- Awarded 3rd place in the **Top 30 Sustainable Housing Associations** by Digital Housing
- Achieved **SHIFT Gold rating** accreditation for our Environmental Management System and ranked 3rd out of 40 SHIFT accredited landlords
- Became a front runner in the social housing sector by moving to a **hybrid working model**, reducing office carbon footprint by **50%**
- Our partnership with the **Community Forest Trust** has seen **5,016 trees** planted this year
- **Improved the EPC rating of 2,447** homes to achieve a minimum **EPC Band C** rating
- Secured **£650,000 in Social Housing Decarbonisation Funding**
- Launched our new **Environmental and Fuel Engagement Strategies**
- Approved the development of a **larger Sustainability team** to drive improvements across the business
- Delivered **fuel poverty and energy awareness training** to 250 frontline colleagues
- Developed our online **Energy Hub** to support customers with energy advice and information about reducing costs
- Successfully issued a **£250m Sustainable Bond** in September 2021

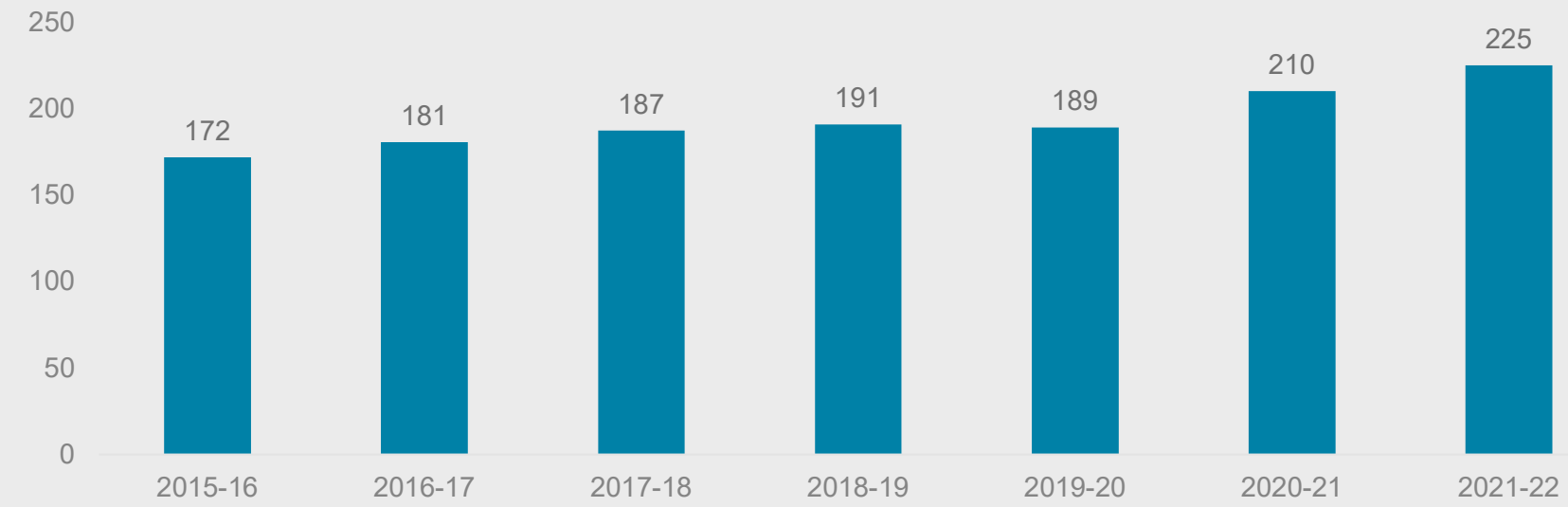


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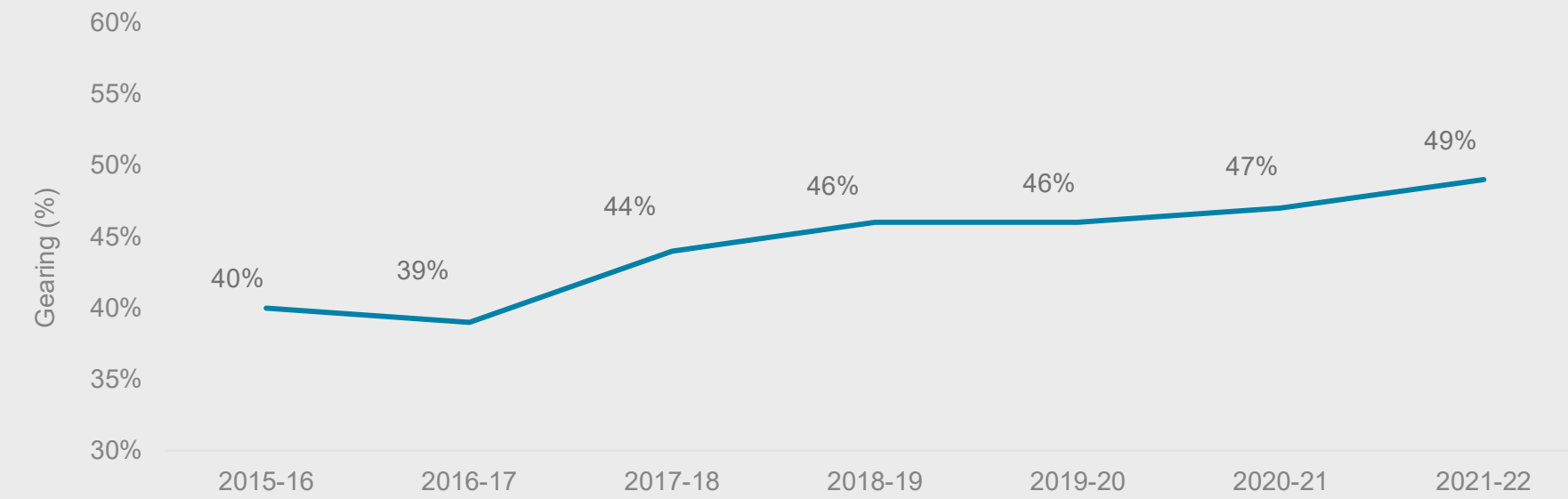
Financial Performance

Our Performance

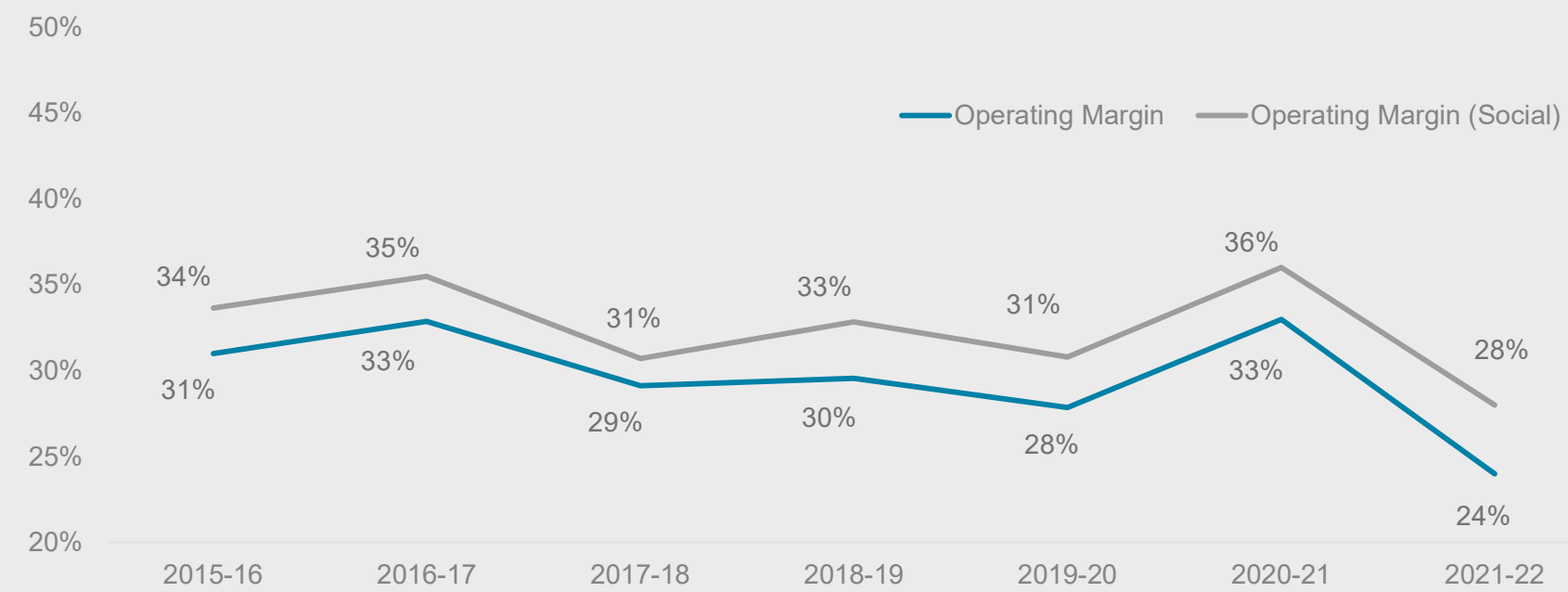
Turnover



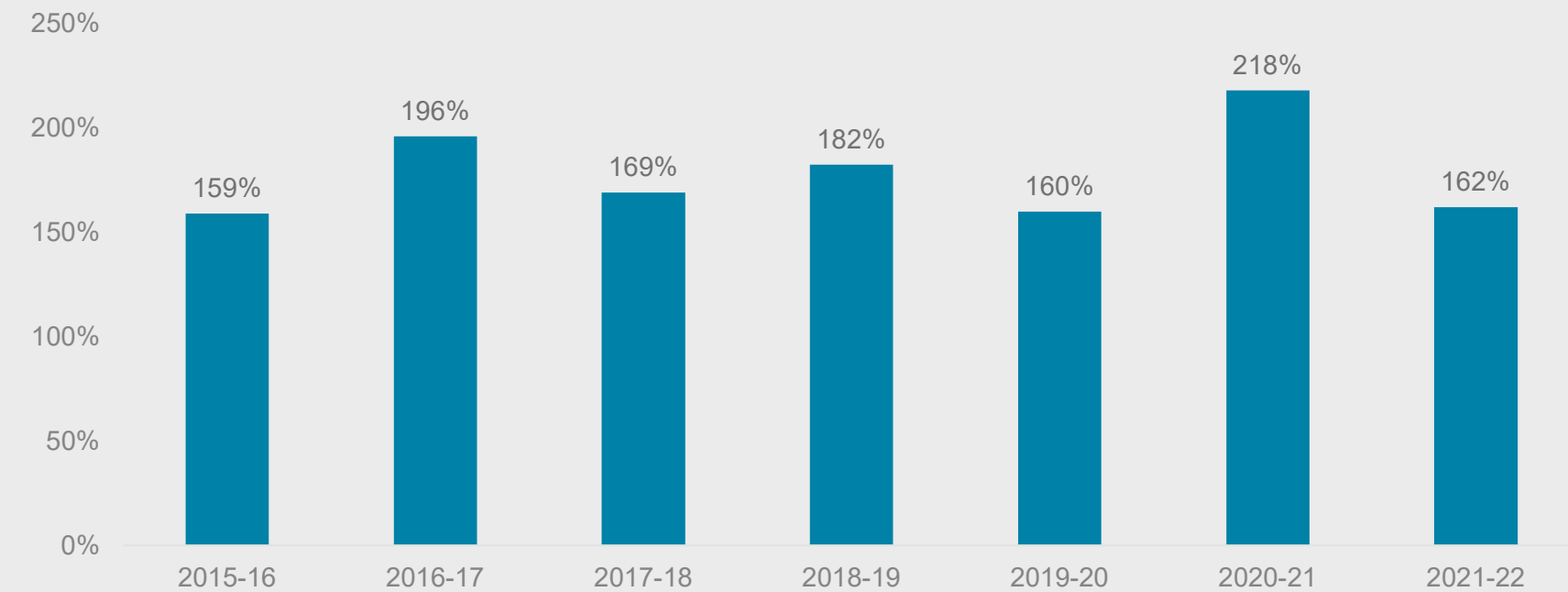
Gearing



Operating Margin (%)



EBITDA MRI Interest Cover (%)



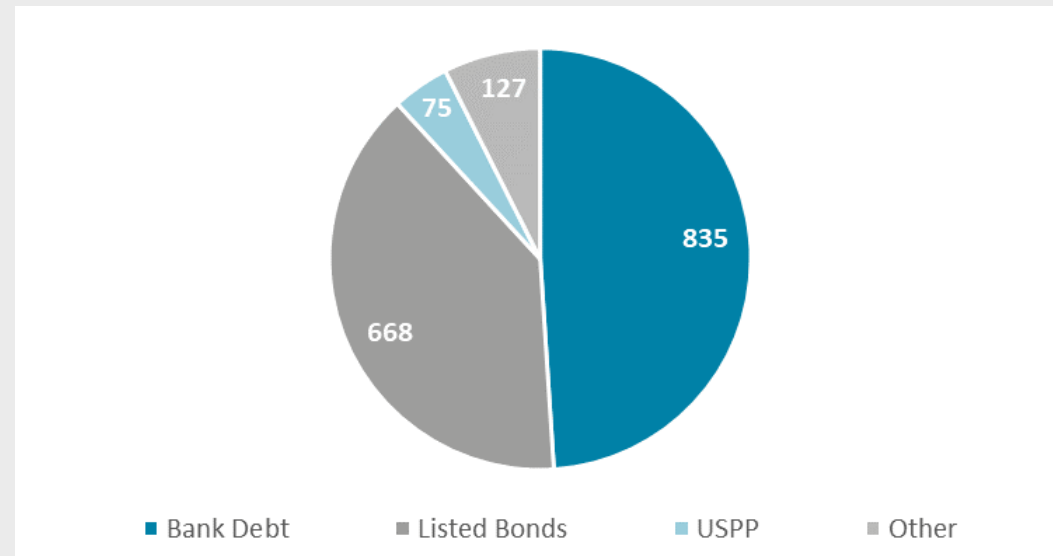
Sources:
- Annual Report and Accounts 2021/22

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Treasury Management

Sources of Liquidity

Balanced and Diverse Loan Book

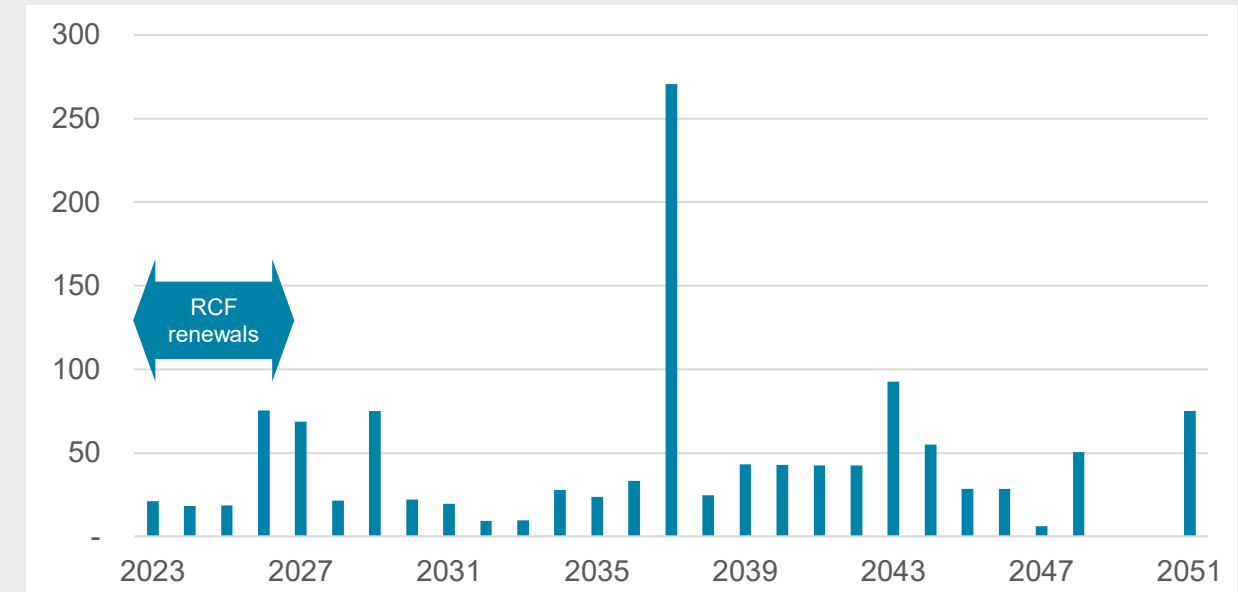


- Stonewater has a 3.375% retained bond, maturing November 2045. £72m remaining
- £1.0bn EMTN Programme is live and readily accessible

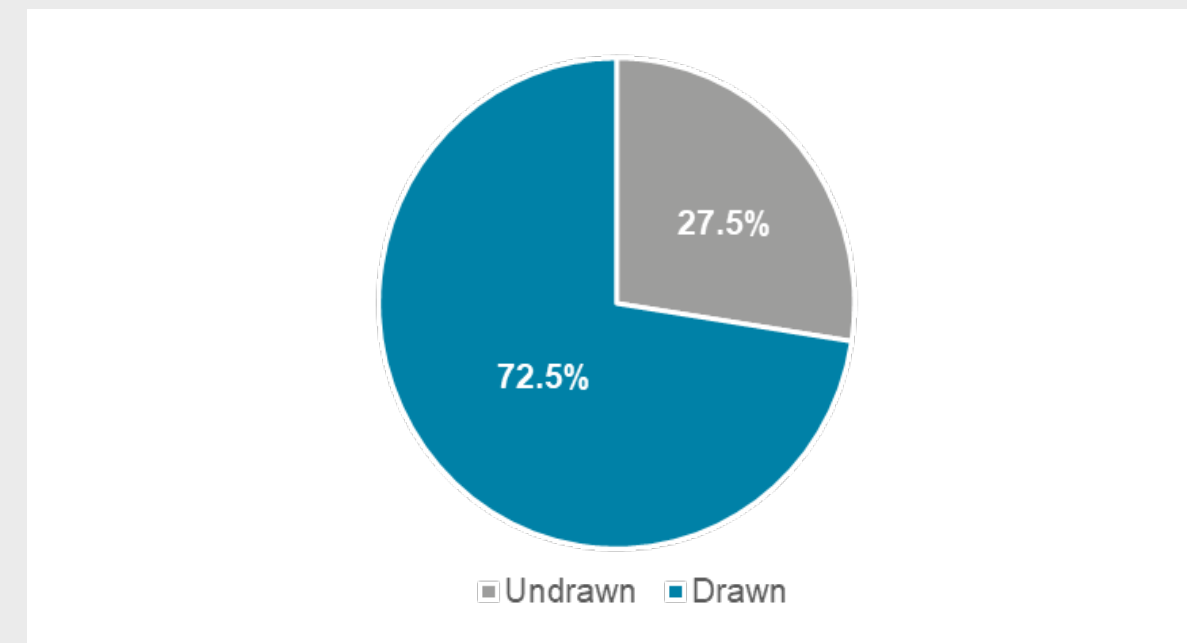
Measure (£m)	Mar 19	Mar 20	Mar 21	Mar 22
Total Loan Facilities	1,151.8	1,286.0	1,509.3	1,719.2
Undrawn Committed Facilities	234.3	320	417.8	472.2
Cash Balances	102.7	94.6	129.1	130.5
Restricted cash	5.4	4.6	4.6	6.4
Cash and Committed Facilities exceeding Group's contracted obligations	115	110	122	131
Derivative Exposure	99.9	119.0	74.1	42.7

Sources:
- Internal Treasury Management System as of March 2022

Debt Maturity Profile



Drawn and Undrawn Facilities – March 2022



Liquidity Policy

Cash Management and Liquidity Funding

- Cash management strategy ensures security and liquidity for the group maintaining:
 - 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
 - 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 9 lenders and own-name bonds
- Cash and committed facilities exceed the Group's contracted obligations by £231m – currently all committed development is fully funded

Security Overview

	Units	Value
Properties Charged For Current Facilities	18,982	£1,450m
Properties Charged For Bond Issuances	9,321	£939m
Unencumbered Properties *	2,955	£266m
Total Security	31,258	£2,655m

* Unencumbered properties are in the process of getting ready for charging

	Units
Total Security	31,258
Potentially chargeable assets	714
Managed for others (unable to charge)	3,461
Total owned and managed accommodation	35,433



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



The Harding family in their new home in Wincanton, Somerset

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Appendix

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 has undertaken a Business Transfer Agreement, with its assets, liabilities and open contracts being transferred to Stonewater Developments Limited

Benefits of the restructure

- Simplification, modernisation and standardisation of covenants
- More insulation against economic volatility as a larger entity
- Larger entities giving scalability for future debt programmes
- Greater on-lending flexibility

