

Bromford.

Investor Update

May 2019

Robert Nettleton Chief Executive Officer

Lee Gibson Chief Financial Officer

Imran Mubeen Head of Treasury

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The Presenters.



Robert Nettleton – Chief Executive

- Robert became Chief Executive of Bromford in November 2018, after being appointed as Chief Executive Designate in July 2018
- Robert was previously Chief Executive of Merlin from 2014
- At Merlin Robert led the organisation to double its operating margin and quadruple surpluses
- Prior to joining Merlin, Robert was Chief Executive at Coastline Housing. Under Robert's leadership Coastline achieved Investors in People Gold status and a 92% customer satisfaction rating



Lee Gibson – Chief Financial Officer

- Lee joined Bromford Housing Group in May 2016, before which he was a Divisional Finance Director at Serco Group plc
- His career in finance and accounting spans over 20 years, having worked for blue chip organisations such as Hewlett-Packard and Atos
- Lee is also a fellow of the Chartered Institute of Management Accountants



Imran Mubeen – Head of Treasury

- Imran joined Bromford Housing Group in March 2017
- He trained at PwC where he specialised in Corporate Finance for Infrastructure transactions across social housing, health and education projects
- Imran acted as Lead Adviser on a number of large scale social housing and regeneration deals, securing >£1bn of senior funding and equity investment
- Imran is also a Chartered Accountant

Agenda.

- | | | |
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Bromford Housing Group.
*We invest in homes and relationships
so people can thrive.*

Bromford Housing Group.

Key Updates

42,735
Homes Owned

G1 / V1
Affirmed Regulatory Rating

A new corporate strategy focusing on our core business and core geographies

Successfully completed partnerships with Merlin and Severn Vale

Strengthened regional dominance with over 42,000 homes across Central and South West England

A revised new homes programme to reflect our enhanced size and new geography

A new holistic approach to risk management to serve our larger Group

A projected delivery of over 1,000 new homes

£257m
Turnover

31%
Operating Margin

195%
EBITDA-MRI Interest Cover

£2bn+
Total Fixed Assets



Introduction and Overview.

Introduction to BHG.

- Bromford Housing Group (BHG), was formed in **1963** to meet growing demand for housing across Central England
- Since then, BHG has grown organically through delivery of new homes and mergers
- Following the successful partnerships with Merlin (July 2018) and Severn Vale (January 2019), BHG are now a **top 15** housing association in the UK by number of homes
- BHG focus remains on providing sub-market rented and shared ownership homes, across its operating areas that now span Central and South West England



Our Strategy.

A new Corporate Strategy has been published to cover the next stages of our growth

With a strategic focus on delivering the following goals **by 2023**:

1. Our relationships with customers

- Led through our Neighbourhood coaching model
- Maintaining a **1 : 175** coach to tenant ratio

2. Homes that enable customers to thrive

- Focus on delivering high quality homes
- Ensuring low running costs and energy efficient: **min. D, 35% C**

3. Growing the business to enable even more customers to thrive

- **13,140 new homes** over ten years (50% in Glos. and S. Glos.)

4. Keeping Bromford future ready

- ProgrammeOne: generating **£28m of savings** by 2023

5. Enabling colleagues to thrive



Our Geographies.

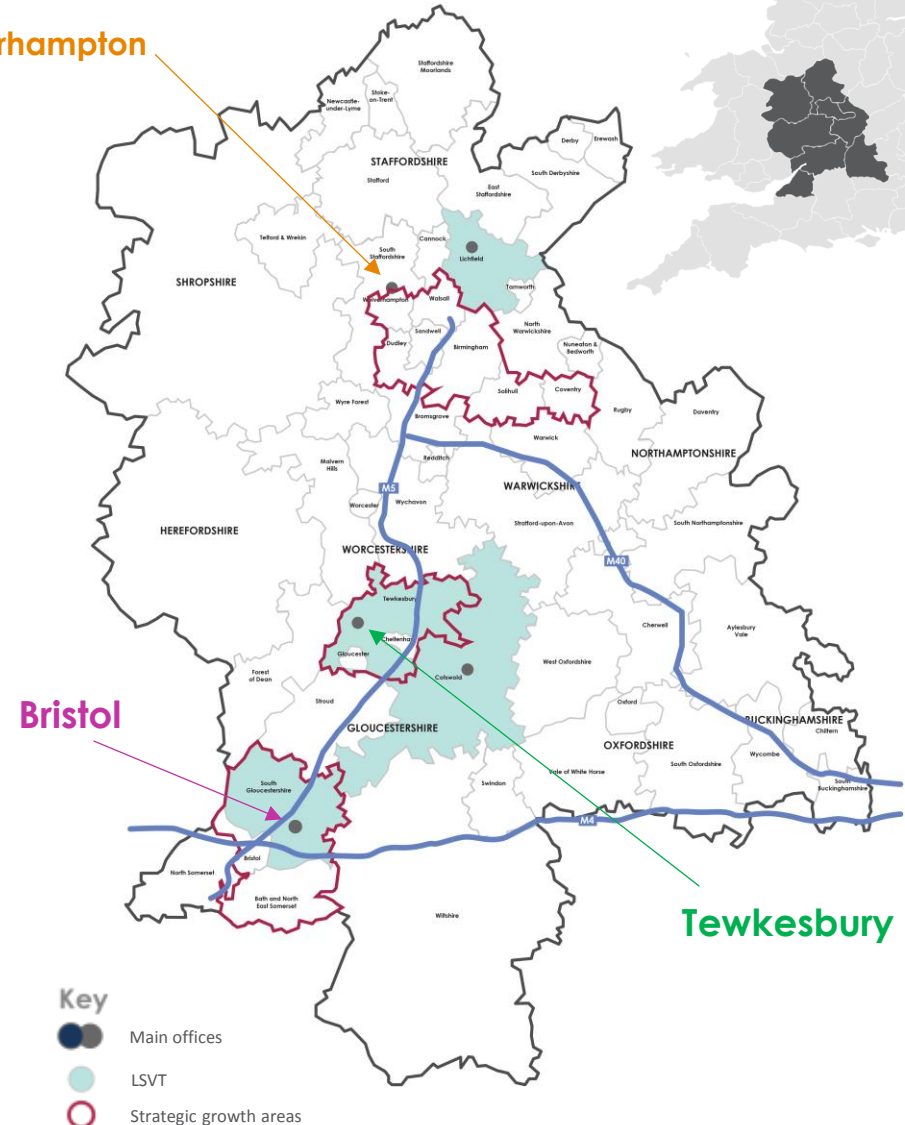
Focusing on our core geographies

- As well as focusing on our core businesses, we will also be focusing on our core geographies
- At present, over **50%** of our homes are in just **four areas**:

Top 4 Areas	% of Total Homes
1. South Gloucestershire	20
2. Cotswold	13
3. Lichfield	12
5. Tewkesbury	10
Total Homes in Top 4 Areas	55%

- We will shift to a smaller number of our areas:
 - From 51 to a targeted **40 areas**
 - Achieved through disposals of just **c.700 (1.8%)** of our homes
- Allowing us to focus even more on the **relationships** where we have most homes and provide an even better service

Wolverhampton



Bristol

Tewkesbury

Key

● Main offices

● LSVT

○ Strategic growth areas

Bromford.

Our Business.

The new Corporate Strategy focuses on defining our business areas:

1. Core business


- Social and affordable rent
- Shared ownership
- Neighbourhood coaching



Core to what we do

2. Value-adding Activities

- Market sale in mixed tenure
- Supported housing for the elderly



Activities that are considered only where they strengthen our core business

3. Non-core business

- Market rent
- Student accommodation
- Care
- Commercial



We will not pursue new business in these areas



Governance and Management.

For Sale
Plot: 11
0800 085 2499
www.bromfordhomes.co.uk
Bromford

Our Group.

A simple and transparent corporate structure

- BHG is governed by a Group Board and separate subsidiary Boards
- All subsidiaries are 100% owned and controlled by BHG
- Merlin has joined the Group as a subsidiary RP and Severn Vale has been amalgamated into Merlin
- There are two charitable Registered Providers (RP) in the Group: these are the two main asset-holding entities



The Group Board.

The Board consists of nine, experienced Non-Executive Directors



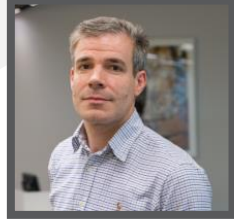
Jonathan Simpson-Dent
Chair

- CEO for Williams Lea Tag (EMEA)
- Experienced CEO, notably leading the MBO buyout of Homeserve plc to create Evander Group



Vivienne Horton
Vice-Chair & Senior NED

- Chief Executive of Macclesfield Borough Council
- Previously Director of Risk at Standards for England
- Chair of Remuneration & Nominations Committee



Steve Dando
Chair of Treasury

- CFO of Punch Taverns plc
- Previously held senior finance roles with Courtaulds plc



Richard Penska
Chair of Audit and Risk

- Assistant Director of Corporate Services at North Somerset Council
- Previously held positions within electricity supply industry and DHSS



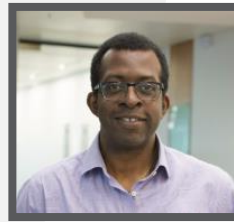
Helen Adlard

- Former ED of the IPC & planning lawyer with an in depth knowledge of housing development
- Previously spent several years in business management



Richard Bird

- Former Divisional Managing Director at Taylor Woodrow
- Involved in housing and development industry for over 40 years



Oke Eleazu

- MD of Think Outside In & COO of Bought By Many
- Previously a Director at Bupa, advisor at Fusion Universal and Director at Catch the Ball Productions



Balvinder Heran

- Director of ICT for Hounslow Council
- Previous ICT experience at Stratford District Council



Neil Rimmer

- Founder of a retirement village development and MD of a care home group
- 25 years commercial experience and strong background in tech

Two Executive Directors



Robert Nettleton
Chief Executive



Lee Gibson
Chief Financial Officer

The Leadership Team.



Sara Thomson – Chief Risk Officer

- Responsible for all aspects of enterprise wide risk management, assurance, governance and independent oversight and reporting to the Board - Sara reports directly to the Audit and Risk Committee
- Over 20 years experience in investment, retail banking and consultancy, holding senior leadership roles in risk and business management



Paul Coates – Executive Director of Customer Experience

- Leads our customer experience, including our unique localities approach to asset based community development
- Former Managing Director at One Housing Group and Director of Operations at Homes in Sedgemoor, as well as Peer Reviewer for both the Improvement and Development Agency and Chartered Institute of Housing



Nick Cummins – Executive Director of Integration and Transformation

- Oversees all integration and transformation projects, ProgrammeOne, and the recent partnership with Merlin and merger with Severn vale
- An experienced Director of customer and housing services, previously with Hull City Council



Martyn Blackman – Executive Director of New Homes

- Responsible for the delivery of Bromford's development and asset management activity
- Previously led Aster's development programme delivering 1,000 homes a year including hundreds of properties for shared ownership and private sale



Bromford.

School Gardens.
Retirement Living



Enjoy later life more

- 40 one & two bedroom apartments
- Social and leisure facilities
- Care & support if you need it

01299 393 442

Bromford.
www.schoolgardens.co.uk

School Gardens.
Retirement Living



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Bromford.

Homes Profile.

Homes Profile.

General needs	33,393	78%
Shared ownership	3,603	8%
Supported and other	5,739	14%
Total Homes¹	42,735	100%



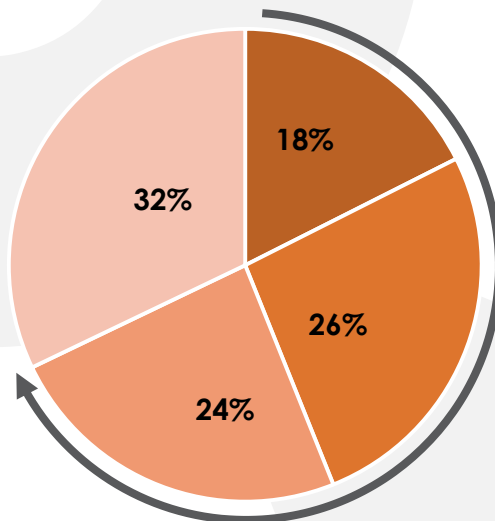
Lion Street, Rugeley



The Stables, Telford

Average Age: 31 years

- <10 years
- 11-25 years
- 26-50 years
- 50+ years

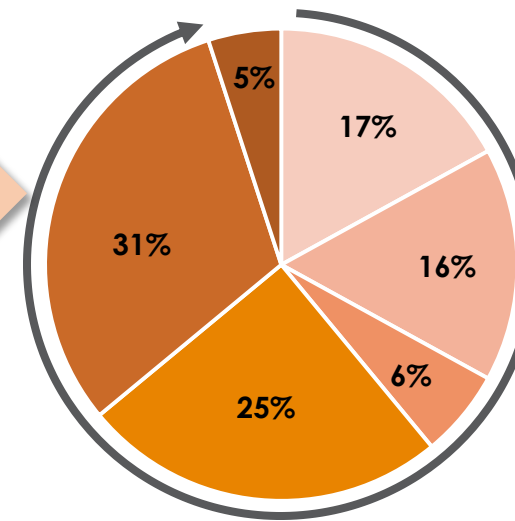


95% Homes 1,2 or 3 bed

68% < 50 years

Property Type

- Flat - 1 Bedroom
- Flat - 2 or 3 Bedrooms
- House - 1 Bedroom
- House - 2 Bedrooms
- House - 3 Bedrooms
- Other



Homes.

Valuation

- Social Housing properties represent over **80%** of the stock owned
- With an average EUV-SH valuation of above **£60,000 per unit** and an average MV-STT valuation of **£115,000 per unit**
- Unencumbered assets; **11,177 homes** (31 March 2019)

Decent Homes Standard

- **100%** of homes consistently meet the Standard
- Continued focus upon the energy efficiency of our properties with a target for **all homes to be D or above** and **35% C or above**

Fire safety

- Fire Risk Assessments and other statutory risk checks all compliant
- All blocks of over 4 storeys inspected
- No at-risk cladding materials
- Only two blocks above six storeys:
 - Sprinkler retro fit project already completed on these two blocks pre-Grenfell
 - Total cost of retro fit **<£500k**

SME briefings for Board

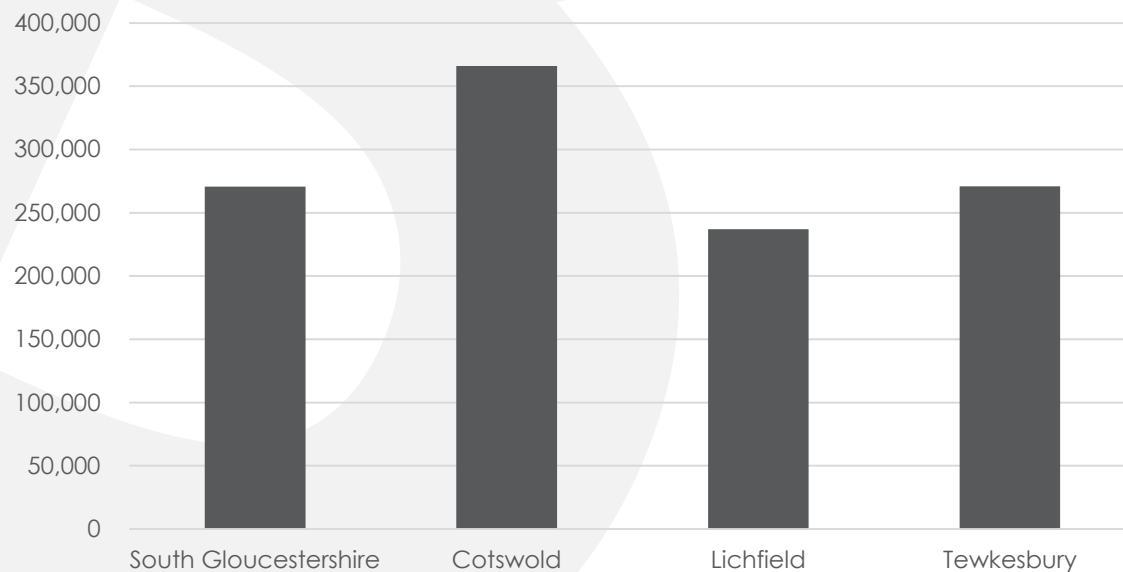
- Fire safety
- Electric and gas
- Lifts



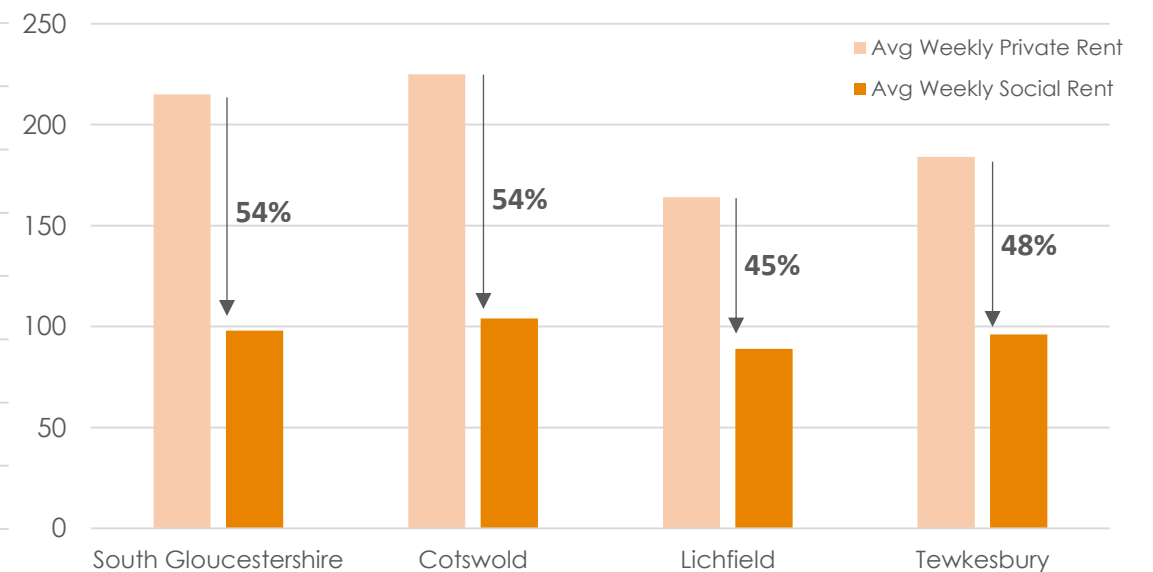
Demand Dynamics.

We operate in areas with very high demand for affordable housing

Average Dwelling Prices¹



Social-Market Rent Differential^{2,3}



	South Gloucestershire	Cotswold	Lichfield	Tewkesbury	Top 4 Areas
% of Total Homes	20%	13%	12%	10%	55%
Waiting List	4,054	1,846	1,725	2,098	21,037

¹ <https://www.gov.uk/government/publications/uk-house-price-index-england-march-2018/uk-house-price-index-england-march-2018> (2018)

² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies-table-704> (2017)

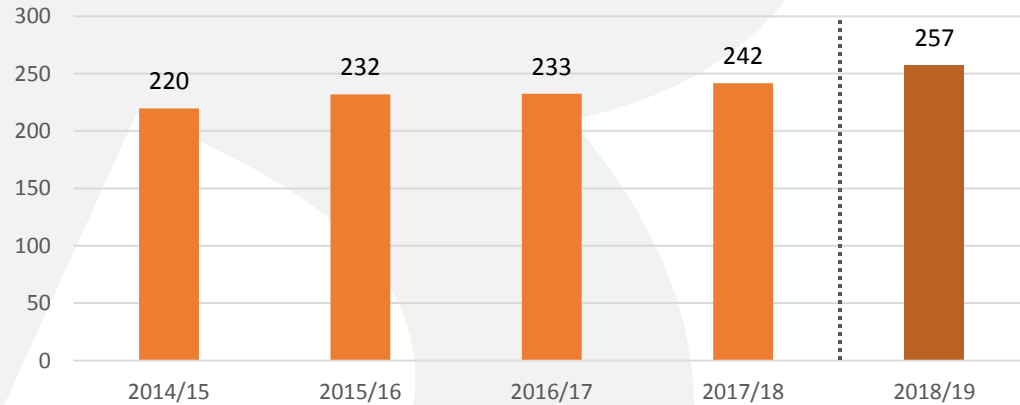
³ <https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2017-to-march-2018-all-tables> (2018)



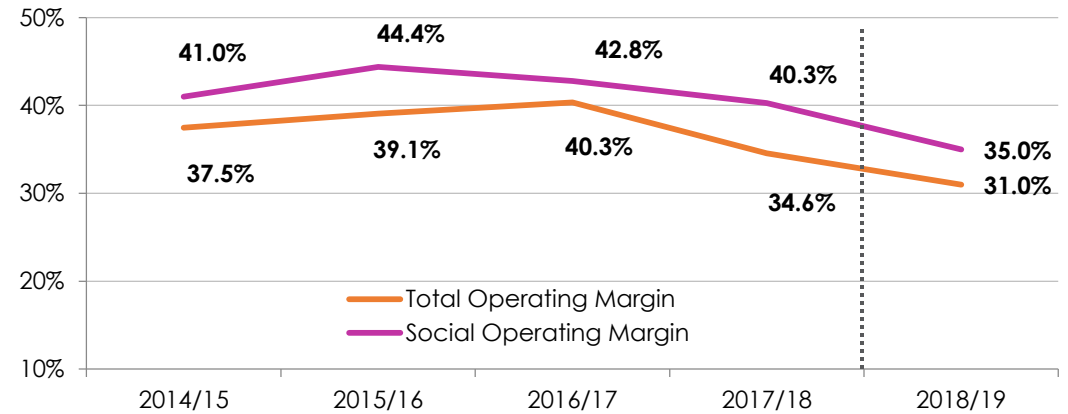
**Operational and
Financial Performance.**

Our Performance.

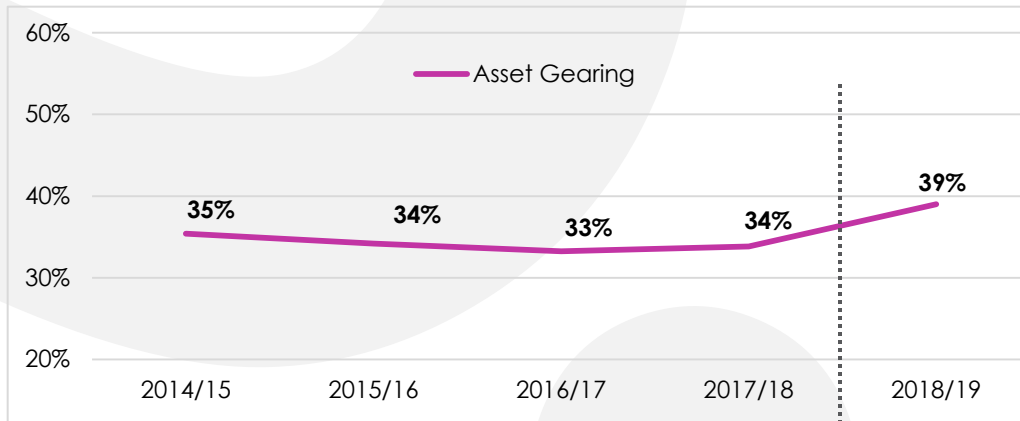
Turnover¹ (£m)



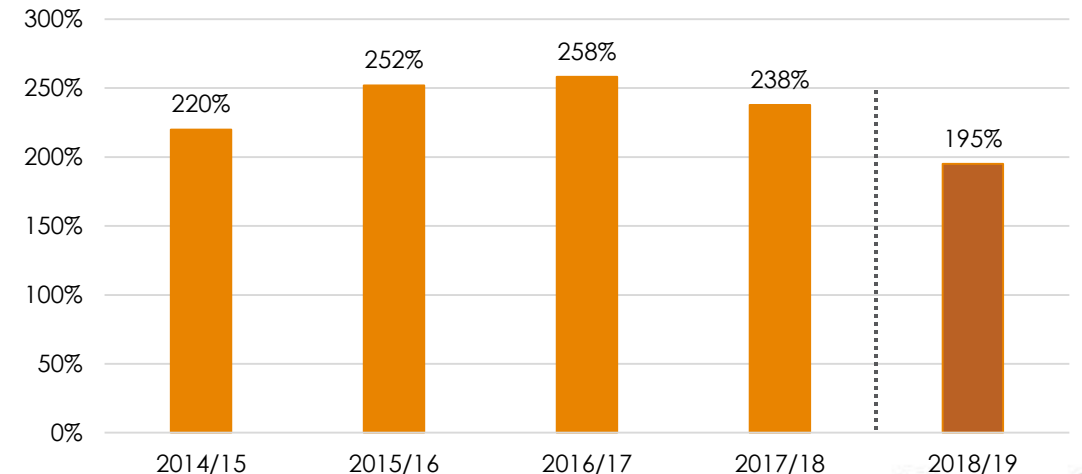
Operating Margin¹



Asset Gearing¹



EBITDA-MRI Interest Cover¹



¹ Simple consolidation approach used to reflect historic performance of Bromford, Merlin and Severn Vale up to and including 2017/18. Full consolidation and stat accounting approach used to reflect 2018/19 performance of the new combined Group. 2018/19 figure is presented on an unaudited basis.

Sector Scorecard.

Consistently strong operational performance

Benchmark Group
All UK HAs with
>30,000 homes

Performance Metrics ¹	2013/14	2014/15	2015/16	2016/17	2017/18	2017/18	2018/19
	Previous UK GAAP	FRS102	FRS102	FRS102	FRS102	Rank (out of 18)	FRS102
Operating Margin (overall)	33.3%	37.5%	39.1%	40.3%	34.6%	4 th	31%
Operating Margin (social)	37.8%	41.0%	44.4%	42.8%	40.3%	2 nd	35%
Headline Social housing cost per unit (£000s)	3.77	3.21	3.10	3.02	3.13	4 th	3.07
EBITDA MRI – Interest Cover ²	194%	220%	252%	258%	238%	6 th	195%
Asset Gearing %	37%	35%	34%	33%	34%	2 nd	39%
New supply delivered (Social housing units) %	1.9%	1.5%	1.5%	1.5%	2.6%	2 nd	2.8%

Our Financial Framework.

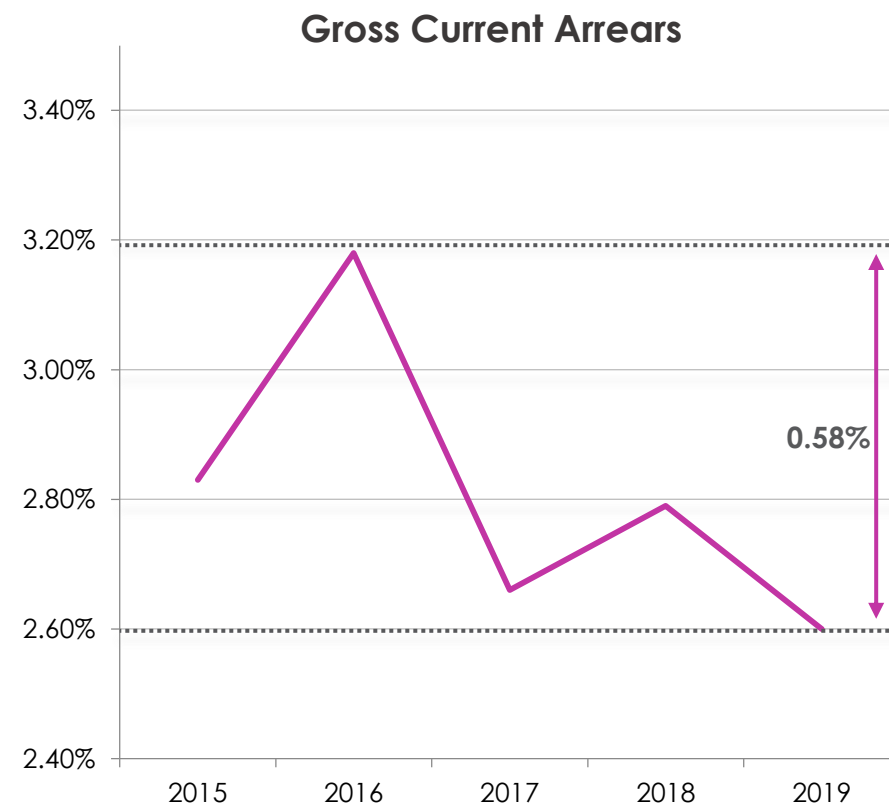
We are using a new set of Golden Rules to support the delivery of our new strategy, which form a key part of our Financial Framework

Golden Rules	Rule	Aspiration
1. Operating Margin	25%	> 38%
2. SH Operating Margin	30%	> 45%
3. EBITDA-MRI Interest Cover	1.50x	> 2.10x
4. Asset Gearing	50%	< 45%
5. Net debt per unit	£37,000	< £34k
6. Liquidity Headroom above policy	£100m	-
7. Level of ORS, SO and land not developed	£150m	-
8. Sales as a % of Total Revenue	30%	< 28%

Rent Collection.

A structured customer affordability framework has contributed to well-controlled arrears and consistently strong income metrics

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	<i>Partial Universal Credit roll-out</i>					
Gross Current Arrears 1,2	3.27%	2.83%	3.18%	2.66%	2.79%	2.60%
Void loss ¹	0.77%	0.72%	0.77%	0.92%	0.84%	0.68%
Re-let days ¹	18	14	18	25	23	24
Number of Evictions	-	-	107	90	112	110



Welfare Reform.

Impact on performance has been limited, contained and well-managed

- UK government have issued a series of changes to Housing Benefit introduced from April 2013
- BHG is committed to helping its local communities in managing the changes introduced by Welfare Reform
- Despite the changes, rent arrears continue to decrease for Bromford

Under-occupancy charge – Introduced 2013

1,481 cases – just 4% of total BHG homes

Benefit cap – Introduced 2013

190 cases – less than 1% of total BHG homes

Universal Credit – Phased roll-out 2016-21

Currently **4,900 cases** – just c.11% of total BHG homes

Prudent financial planning used to manage potential impact

Expected to impact a total of **17,100 tenants**, resulting in a projected loss of income of **1.6%**, which we have provided for in our business plan

Customer Satisfaction.

We're here to inspire people to be their best

'With the right home and the right relationship, our customers can achieve amazing things ¹'





**Investing in
New and Existing Homes.**

Investing in New Homes.

A Revised New Homes Plan

- The partnerships have led to a revised new homes plan to reflect:
 - The development programmes of the **three partners**
 - The **geographic focus** of our new Group Strategy
 - The focus on **Core Business** – social and affordable rent
- Before the partnerships:
 - The legacy Bromford programme amounted to 10,000 homes over ten years
- Following the Merlin partnership:
 - The combined programme initially aimed to deliver over 14,100 homes over ten years
- To reflect our new corporate strategy, this initial programme has been revised as follows:

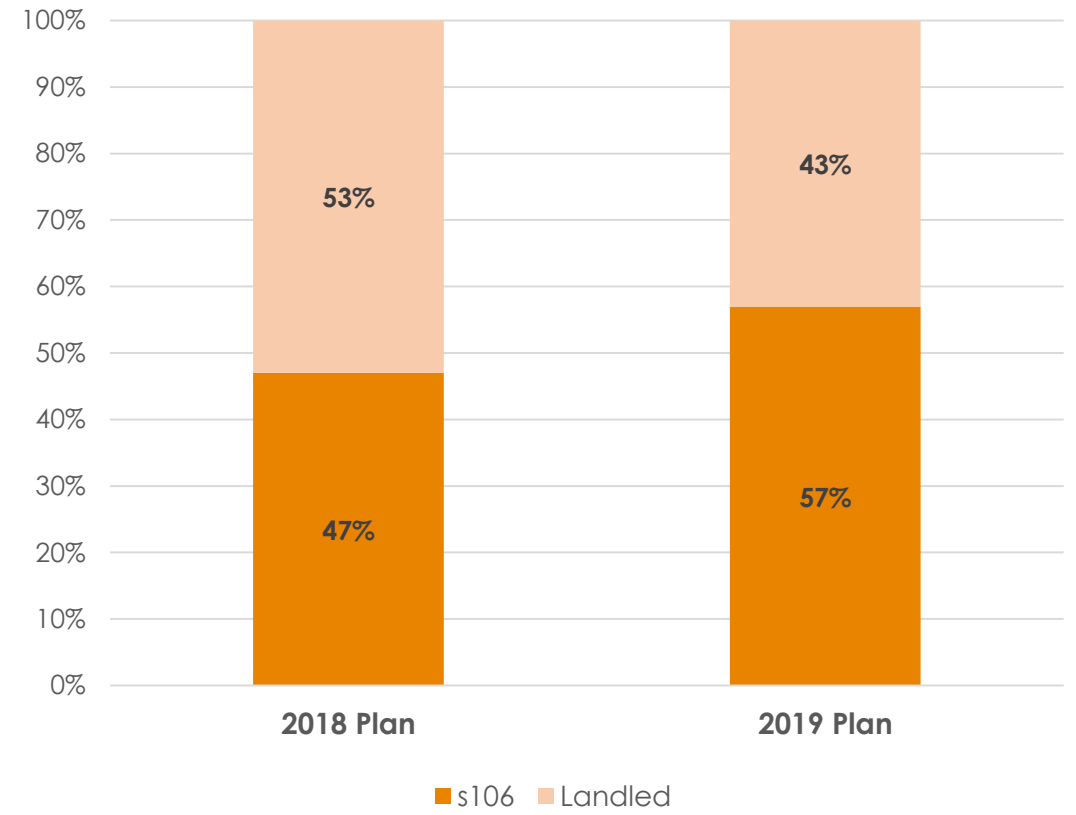
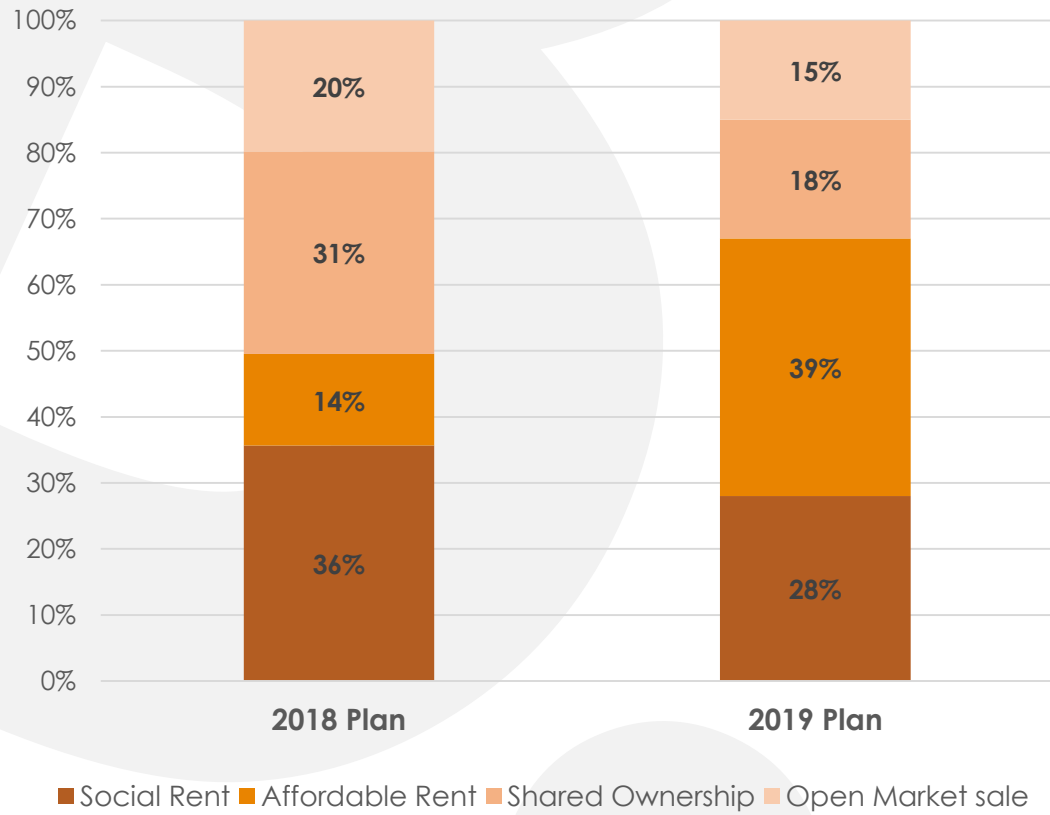


1,236
New homes
delivered in
2018/19

	Revision
Number of homes	Deliver 13,140 homes by 2028
Re-focus to our Core Business	Number of homes for sale reduced to 15% from 20% And proportional increase in social and affordable rent
Managing risk	Proportion of land-led schemes reduced to 43% from 53%

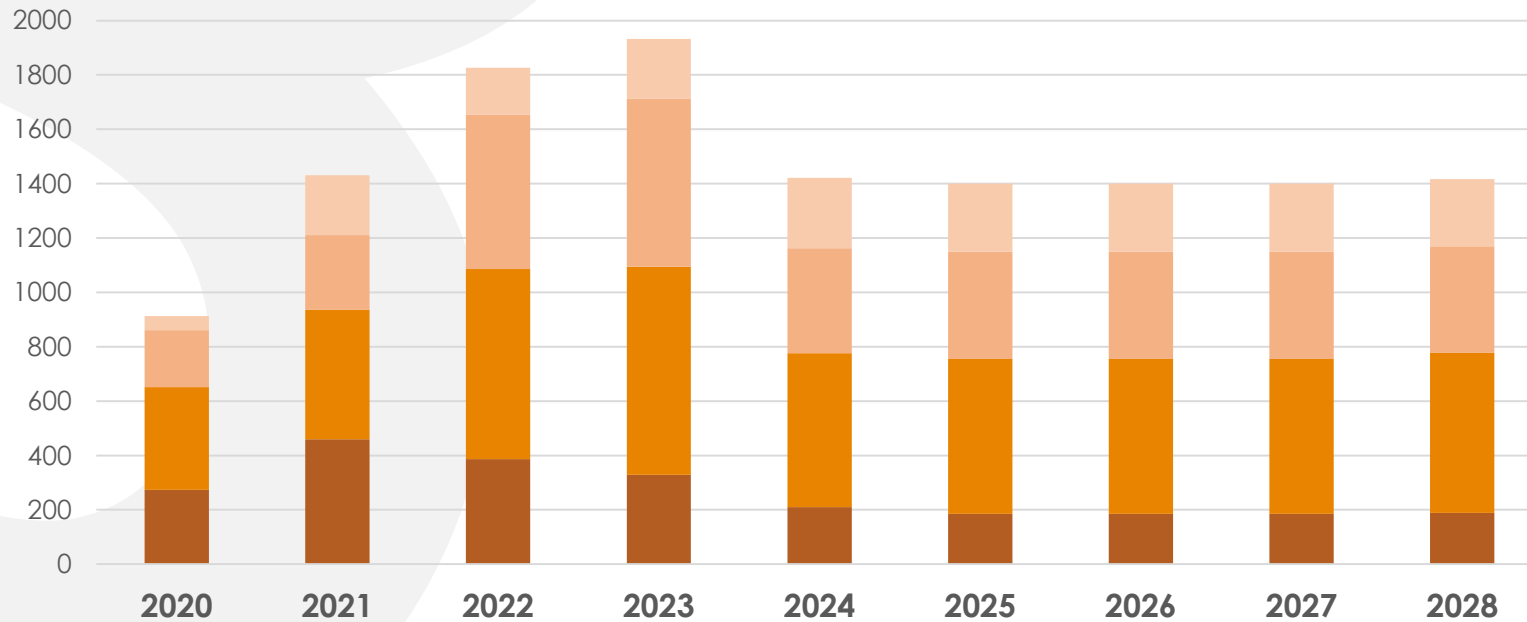
The Revised New Homes Plan.

A development plan to deliver over 13,140 homes by 2028



The Revised New Homes Plan.

A development plan to deliver over 13,140 homes by 2028



	<u>% of Plan</u>
Outright sales	18%
Shared ownership	15%
Affordable rent	39%
Social rent	28%

S106	619	728	1,134	1,233	755	742	742	742	764
Land led	294	703	692	699	666	658	658	658	653
Total completions	913	1,431	1,826	1,932	1,421	1,400	1,400	1,400	1,417
% committed:	61%	22%	8%	<1%	<1%	-	-	-	-
ORS / SO % revenue	21%	24%	29%	28%	27%	29%	29%	29%	28%

Investing in Existing Homes.

Customer satisfaction and safety is at the heart of our asset management strategy

During 2019...

16,000+

Separate pieces of improvement work were completed

Over £70m

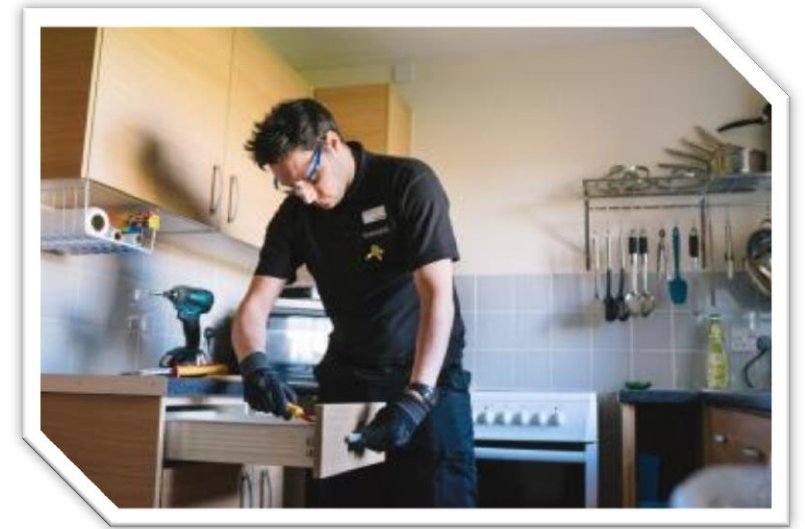
Was **invested** in BHG's properties

£836m

Budgeted investment in existing homes over the next ten years

- A clear and up-to-date asset management strategy ensures timely
 - Replacement of windows, kitchens, bathrooms and roofs
 - Installation of more effective and fuel-efficient heating systems
 - Installation of insulation, modernised electrical wiring, improved areas of hard landscaping, and upgraded sewerage treatment plants

The **30-year business plan** is also updated at least **three times a year**, ensuring sufficient funds are made available to maintain and improve quality of customers' homes





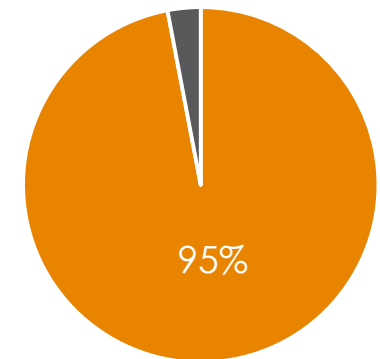
Treasury & Financing.

Treasury Management.

- BHG adopts a prudent approach to risk associated with treasury management and will only enter into treasury transactions for the purposes of controlling and managing funding and risk
- This is reflected in the sector-leading credit ratings held by BHG, of **A1 / A+** from Moody's and S&P
 - **Both of which are based on the latest business plan that is displayed within this document**
- The BHG Treasury Policy was also recently reviewed with BHG's treasury advisors (JCRA) to optimise the policies and procedures
- Core priorities include
 - **Liquidity risk**
 - **Counterparty credit risk**
 - **Interest rate risk**
 - **Refinancing risk**
 - **Legal/regulatory risk**
 - **Operational risk**

Rate risk	Minimum	Maximum
Fixed	60%	95%
Floating	5%	40%

Fixed vs. Variable – Mar 2019



■ Fixed ■ Variable

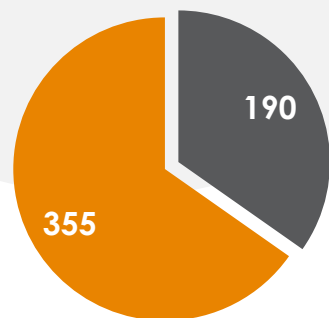
Liquidity Policy.

A prudent approach to liquidity management

BHG operates to a policy to maintain the following minimum levels of liquidity:

- (i) Sufficient liquid funds to cover:
 - **18 months** cash-flow requirement (committed and uncommitted) plus
 - **20%** sales slippage plus
 - **£25m** opportunity fund
- (ii) Maintain a minimum cash balance of **£25m**
 - **£10m** of which must be available same day ¹

Liquid Funds £m



■ Undrawn
■ Cash

2.2x Liquidity Ratio

Forecasts	Cash flows	Frequency
Medium term	36 month cash flow schedule based on monthly management accounts showing cashflow requirement	Monthly
Long term	30 year cash flow schedule based on the latest Board approved 30 year financial plan showing annual cashflow requirement to be included in Annual Treasury Strategy	At least 3 times a year

BHG monitors organisational cash balances on a **daily basis** and prepares the cash flow forecasts as per **above**

¹ £10m must be split evenly between two counterparties and available on same day basis.

¹ Remaining £15m must be available within 2 days, held across at least 3 counterparties with a minimum overall amount per counterparty of £5m

Treasury Overview.

A well managed and diverse debt portfolio ¹

- **£1.47bn (£1.57bn May 2019)** total facilities across the group, including:
 - 6 bank lenders
 - 9 private institutional investors
 - Public bond and other long-term facilities
- **95%** Fixed Rate
- Average cost of funds of **4.05% (3.97% May 2019)**
- **£355m** of undrawn facilities from 3 counterparties

Latest hedging position

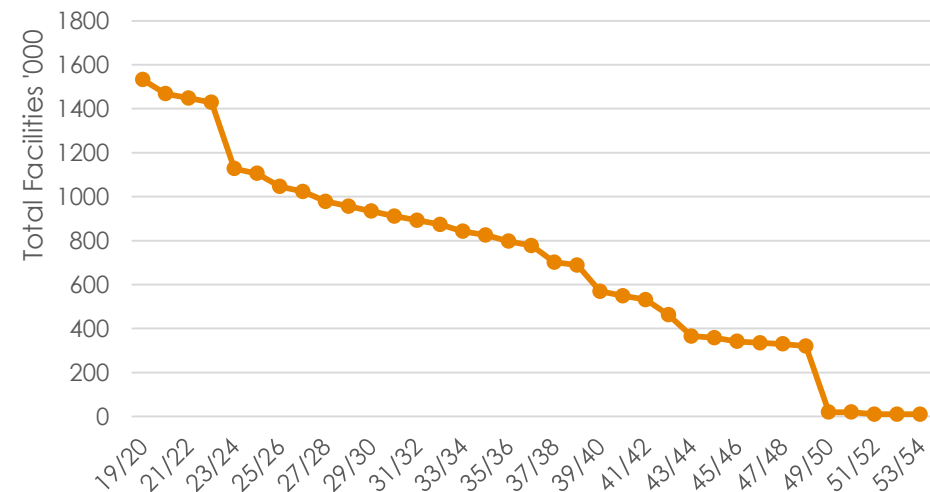
- Callable MtM on ISDAs as at 31st Mar 2019. Callable **£(6.2m)** and Secured **£35.3m**
- Swaps are reviewed monthly/more frequently in volatile periods
- BHG follows a policy to maintain **at least £15m** security headroom on the callable amount

Managing refinancing risk

- BHG seeks to manage its exposure to refinancing risk by avoiding projected facilities maturing in any one year **exceeding 15%** of the total loan portfolio and **35% over a five-year period**

Well defined repayment profile

- Weighted average life of **over 19 years**



Bromford and ESG.

Committed to ensure that Bromford thrives as a Social organisation with Energy Efficient and Sustainable assets to safeguard its long term future and viability

Social Housing Properties represent > 80% of stock

1,202 New Social housing supply delivered in 2018

Target for all homes to have SAP C

Installation of more effective & fuel-efficient heating systems

Upgrades to insulation, electricals, landscaping & sewerage treatment plants

Phase 1 expects to deliver 181 new energy efficient homes

Case Study: Cross Street South, Wolverhampton



A multi award winning eco project, this ground breaking innovative development boasts 5 awards including the prestigious National Homes and Communities Agency 'Academy Award for Low Carbon Development'. There is a communal heating system powered by a wood chip boiler, low energy lighting and dual flush toilets. This, in addition to living roofs (using alpine sedum) and rainwater collection systems means that customers' utility bills average 70% less than their previous homes

Credit Ratings.

Committed to dual credit rating platform

Current Rating:

- **S&P A+** negative outlook (May 2019)
- **Moody's A1** negative outlook (Nov 2018)
- **Proactive engagement with rating agencies:**
 - Regular dialogue and review throughout mergers with Merlin and Severn Vale
 - Regular review of updated combined Group business plans
 - Most recent review of May 2019 business plan which includes:
 - Wave 2 Homes England funding
 - Phased disposals of market and commercial rents
 - Interest payable including new USPP funding

"We view Bromford's liquidity position as exceptional on the back of a £300 million bond issuance completed in April 2018 and a £100 million private placement, due to be drawn in May 2019."

S&P Report April 2019 Report

"Maintains strong management practices and well-documented procedures. Management places high importance on the liquidity of its funds"

Moody's Report November 2018

Bromford Housing Group.

Key Updates

42,735
Homes Owned

G1 / V1
Affirmed Regulatory Rating

A new corporate strategy focusing on our core business and core geographies

Successfully completed partnerships with Merlin and Severn Vale

Strengthened regional dominance with over 42,000 homes across Central and South West England

A revised new homes programme to reflect our enhanced size and new geography

A new holistic approach to risk management to serve our larger Group

A projected delivery of over 1,000 new homes

£257m
Turnover

31%
Operating Margin

195%
EBITDA-MRI Interest Cover

£2bn+
Total Fixed Assets