

# Aster Investor Update

*December 2021*

**Chris Benn**, Chief Financial Officer

**Jane Gallifent**, Director of Development and Sales

**Emma O'Shea**, Chief Operating Officer

**Angela Jamieson**, Deputy Finance Director

**Paul Jeffries**, Director of Treasury

# Agenda

1 Overview & Strategic Update

2 Development

3 Customer Services Strategy

4 Financial Performance

5 Treasury

6 Q&A



# Overview and Strategic Update

**Chris Benn**  
Chief Financial Officer

ASTER  
GROUP

# Aster Overview

## Robust 2020/21 Financial Results

*Increased turnover, improved operating margin, and lower gearing.*

## Low Market Risk Development Output

*88% of our completed homes in 2020/21 were for affordable tenures.  
Strong track record and future pipeline of shared ownership homes.*

## Strengthened Approach to Customer Experience

*Modernised approach to customer services.*

## Next Step in Our Growth Strategy

*Announced proposed partnership with London based Central & Cecil.*

## COVID-19 Response

*Overall customer satisfaction with responsive repairs at 90%.*

## ESG

*Early sector pioneer, recently launched our 2nd ESG Report.*

## Strategic Partnership

*£114m of grant to deliver 1,550 homes.*

**32,729**

Homes Owned and  
Managed

**Top 10**

UK's biggest HA  
builders

**A+ (Stable)**  
S&P rating

**G1 / V1**

Regulatory Grading

**97%**

Turnover from  
Social Activities

**29.2%\***

Operating Margin  
(SH)

**52.8%\***  
Gearing

**210.5%\***  
EBITDA-MRI  
Interest Cover

\*Source: Aster Group Annual Report 2020/21 as per VfM metrics

**Everyone**  
has a home

## What we do enables better lives

We provide safety and security through a range of housing and services.

We will continue to grow so we can maximise our impact.

Our strengths are our people and our culture.

## Strategic themes

**Providing** safe, well  
maintained homes  
and modern, reliable  
customer services.

**Building** as many  
homes as we can,  
offering a range of  
housing options.

**Empowering** our  
colleagues, customers  
and communities  
to thrive.

## Enablers

**Programme**  
Experience

**Financial Strength**  
and **Sustainability**

**Business**  
Growth

The **Aster** Way

# Housing sector

## External environment review



Government  
policy  
changes

Health and  
Safety

Recovery from  
Covid-19 &  
Brexit

Housing  
market  
uncertainty

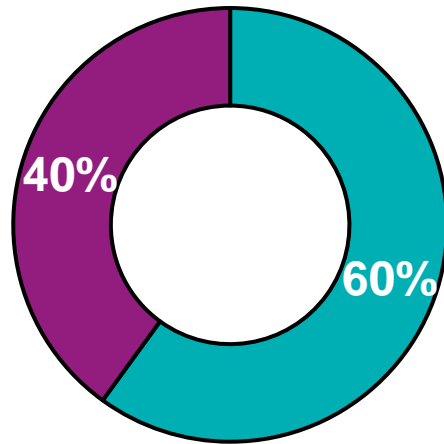
Net-zero  
carbon

Integration of  
CCHT

# Aster's Governance

Structured on the UK Corporate Governance Code

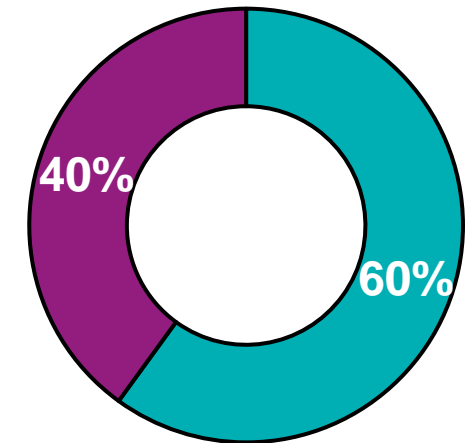
■ Non-Executive ■ Executive



10%

Board turnover in the last two years.

■ Male ■ Female



Overlapping board structure facilitates thinking and acting as one organisation with shared purpose and vision.

Emphasis on tenant experience via our Customer Scrutiny Panel made up of an independent panel of customers.

Enhanced Board Skills Vision by introducing DISC profiles

Refreshed committee membership with new appointments strengthening the breadth of skills and experience.



# Building Safety

Board committed to Safety Beyond Compliance

£9.8m invested in health and fire safety related work in 2020/21.

Stock Condition Survey.

Continuing our work to ensure all stock is at least EPC C or above.

Pledged to invest at least £270m in existing stock over the next 5 years.

# Aster Foundation

Creating social impact in places it is needed most

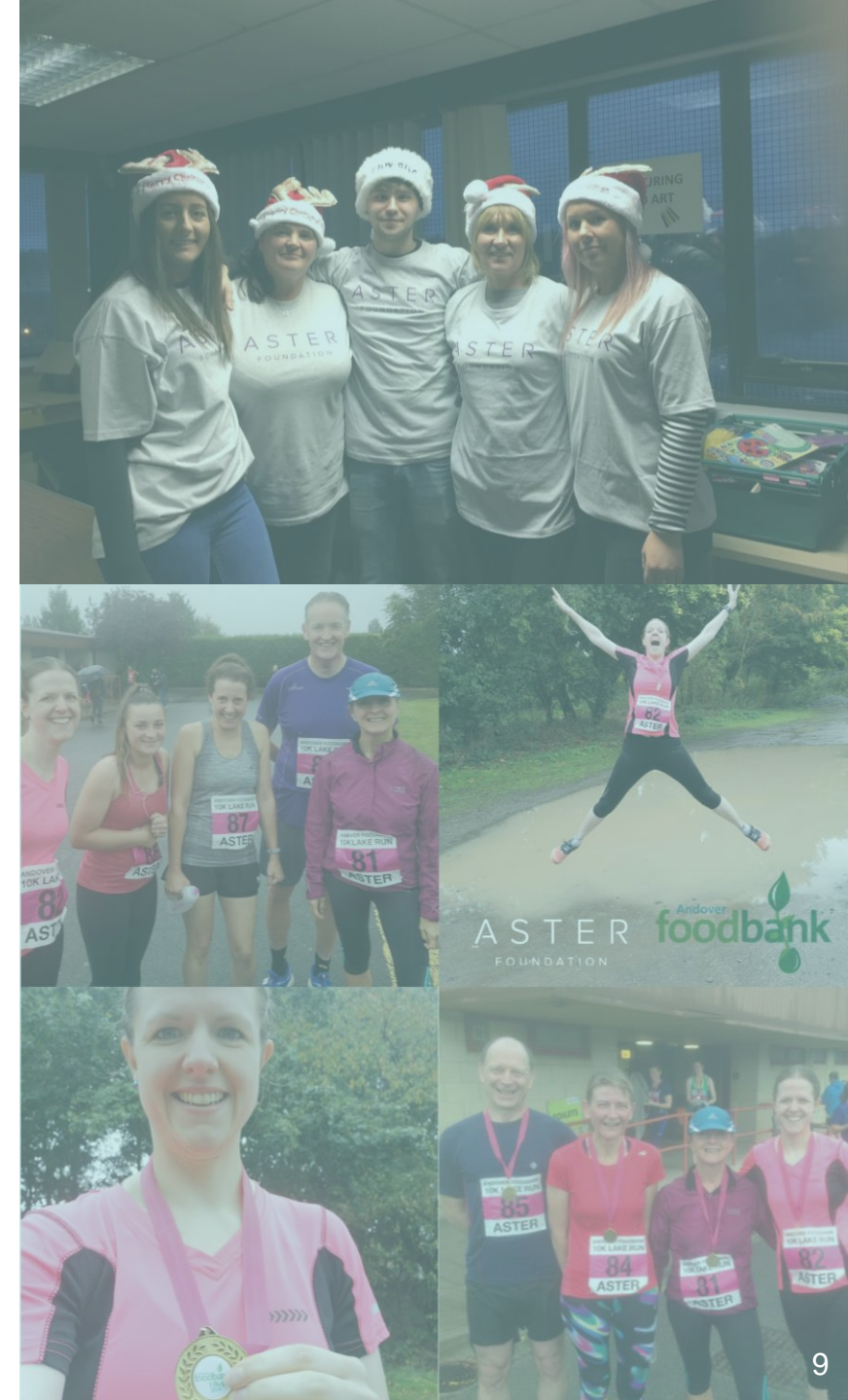
1,421

People trained in mental wellness and resilience during 2020/21

28

Long-term unemployed residents supported into employment during 2020/21

- Our social incubator for emerging entrepreneurs, **inc.**, is shortlisted for **'Innovator of the Year (Customer Services)'** at the 2021 UK Housing Awards.
- The Aster Foundation is also shortlisted for **'Best Foundation'** at the **Corporate Engagement Awards 2021.**
- **Charitable Incorporate Organisation**



# CCHT: The Business Case to Merge

Delivering hundreds of additional affordable housing solutions for the over-55s across London

- 1. Significant, sustainable increase in financial capacity to develop homes:** The combined business could deliver financial capacity, expressed in terms of development, of 11,927 homes over seven years. This is **700 homes of additional affordable housing development above the standalone Aster and CCHT plans.**
- 2. Efficiency savings:** Expected to generate recurring annualised savings in the long-term.
- 3. Maximisation of CCHT's security:** Available property security will be used by the Group to maximise borrowings under Aster's MTN program. Facilitates increasing the security used by CCHT from a maximum allowable debt of £148m to £291m.

**£291m**

Forecast combined  
Group income in 22/23

**10.6%**

Gearing in 2020/21 on  
Sector Scorecard calc

**4 care homes**

Accounting for only 7%  
of CCHT's total units

# KPI Summary

Continued growth with strong financial and operational roots

Chart 1: Reinvestment in Social Housing Properties

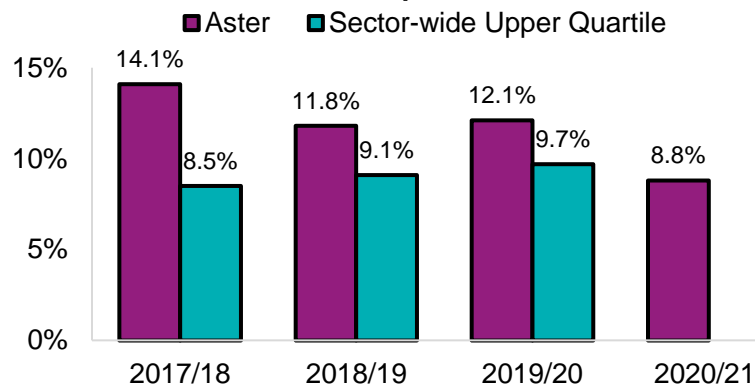


Chart 2: New social housing delivered as a proportion of total social units

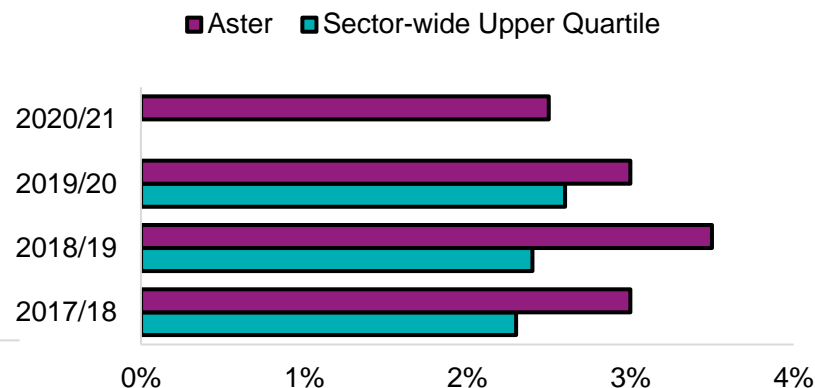


Chart 3: Gearing

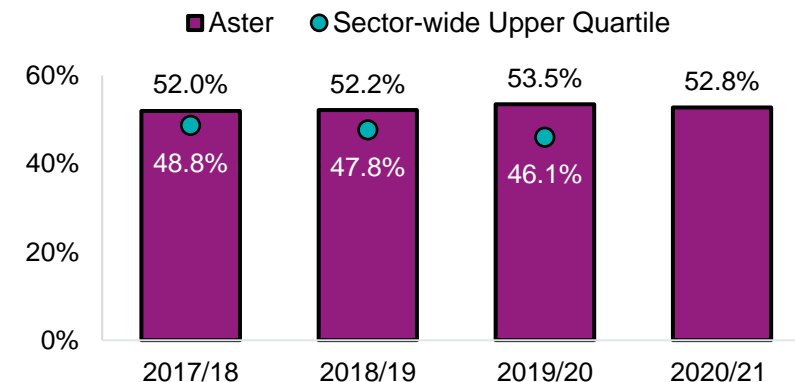


Chart 4: Operating Margin (Social Housing)

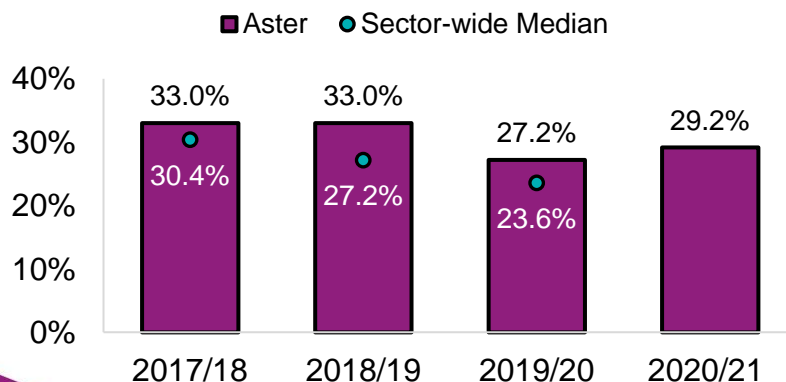


Chart 5: Return on Capital Employed

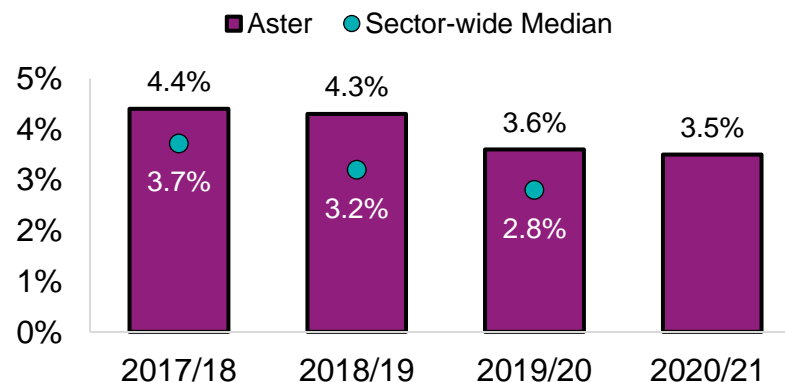
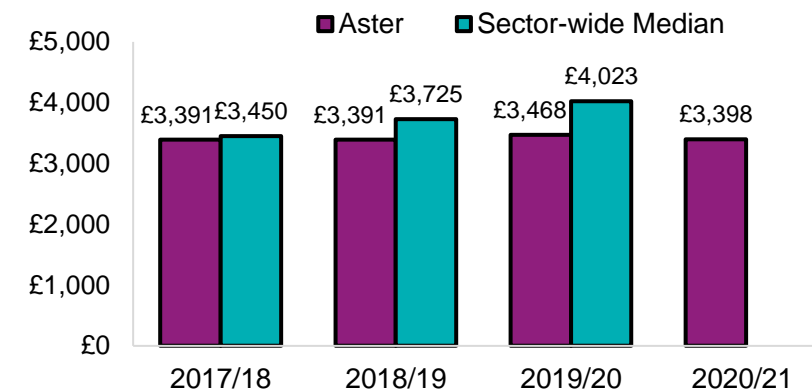


Chart 6: Headline Social Housing Cost Per Unit



Source: Housemark Sector Scorecard

# Development

**Jane Gallifent**

Director of Development and Sales

ASTER  
GROUP

# We will focus on:

A multi-pronged approach playing to our strengths



- Raising our external profile as a developer and build relationships making us the development partner of choice.
- Continue to promote shared ownership as a mainstream tenure.
- Monitor the housing market and develop our product offer to be able to respond to a change in market conditions and mitigate risk.
- Continue to support housing development in rural communities.
- Build upon the partnership opportunities with our local authorities (LA's) with the vision to develop better together.
- Delivering Strategic Partnership objectives with Homes England.

# We will aim to:

Continue our ambitious growth strategy

- Increase the number of affordable homes developed on land we have acquired and land already in the Group's ownership.
- Pursue land opportunities which may introduce open market sale, but underpinned by an approach to maximise grant to promote tenure flexibility.
- Ensure our offer is financially sound and based upon due diligence undertaken with our preferred partners, to ensure we secure the right sites at the correct price.
- Not be influenced by market competition from new players joining (registered providers/local authorities).



# Risks and Mitigants

## Risks

- Government policy changes (White Paper 'Planning for the Future' and First Homes).
- Increasing build costs – labour, materials & availability.
- Increased competition.
- Economy and housing market following COVID-19 and Brexit.
- Planning – resources (continual delays securing planning consents and planning condition sign offs).
- New Homes England funding programme delayed.

## Mitigants

- Utilising existing land holdings.
- Strong pipeline of land/S106 schemes in contract (pursuing local authority opportunities).
- Performance and risk profiling in place.
- Flexibility to change tenure.
- Focusing on areas with good sales rates.
- Access to government and local authority funds.

# Development Programme

A risk balanced construction and sale programme

Chart 1: Completed Development Units and Spend (2018/19 - 2020/21)

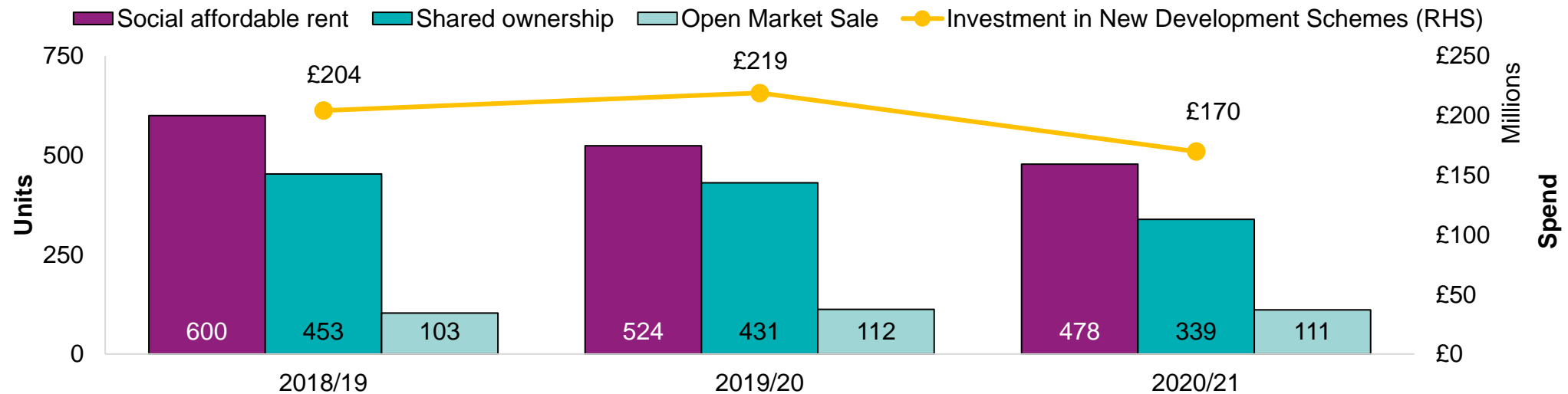
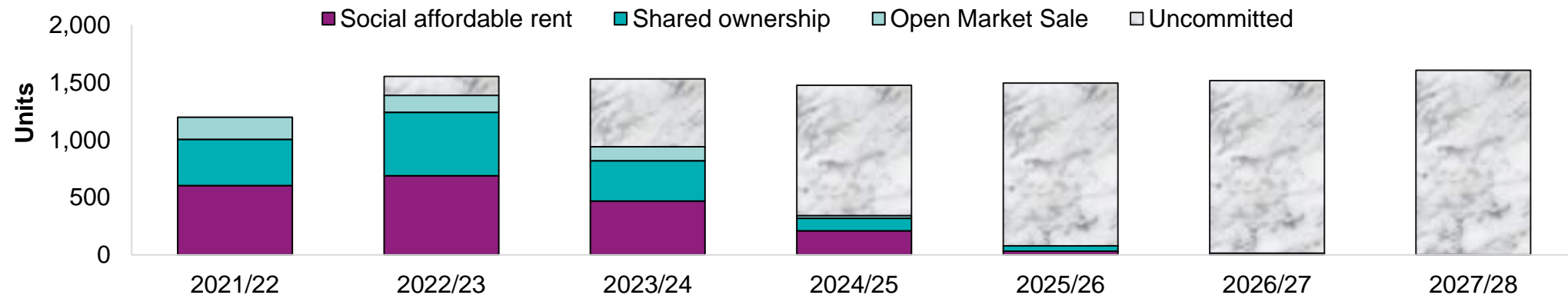


Chart 2: Development Programme (2021/22 – 2027/28)



# Development Areas

New Development growth areas are increasingly found eastwards



# CLT Partnerships

The Group's USP in adding value to the local community

- **A leading provider of CLT partnership developments.**
- 13 partnership schemes delivered to date.
- 147 new affordable homes.
- **Award-winning scheme in Appledore**, recognised for its' excellence and commitment to overcoming challenges to bring affordable housing to Appledore.
- **Strong CLT pipeline with 15 schemes set to deliver 275 homes.**
- Number of locations including Bishop's Caundle, Chawleigh, Longhope and Corfe Castle.



# Joint Ventures

Partnerships to further reduce sales risk

## Strategy

- Prioritising new opportunities with local authorities and appropriate developers.

## Existing Joint Ventures

- White Rock LLP, Boorley Green LLP & Kilnwood Vale LLP with 4 sites in the South West, 1 in West Sussex and 1 in Hampshire.

## Key Figures

- **1,436 homes.**
- Sales forecast in 21/22 – **181 homes, £37.2m income.**
- **£12.2m of profit forecast** over the life of the projects.

# Sales Summary

A market leader in shared ownership

359

Shared ownership New Build  
Unit Sales in 2020/21

Average share sold was 42%

4

Number of unsold shared  
ownership units over 12 weeks  
after completion  
(October 2021)

43%

Like-for-like sale enquiry  
level increase in August  
2021 vs. August 2020

30

YTD sales reservations per  
month

£30m

2021/22 YTD (end Oct 21) =  
£29.9m

6.3wks

Average sales time  
Vs  
Target of < 26 weeks

90%

Average off-plan  
reservations 2021/22

45.2%

Average share sale  
2021/22

# Sales KPIs

On track with our void disposal programme and SO sales

Chart 1: Number of reservations by month

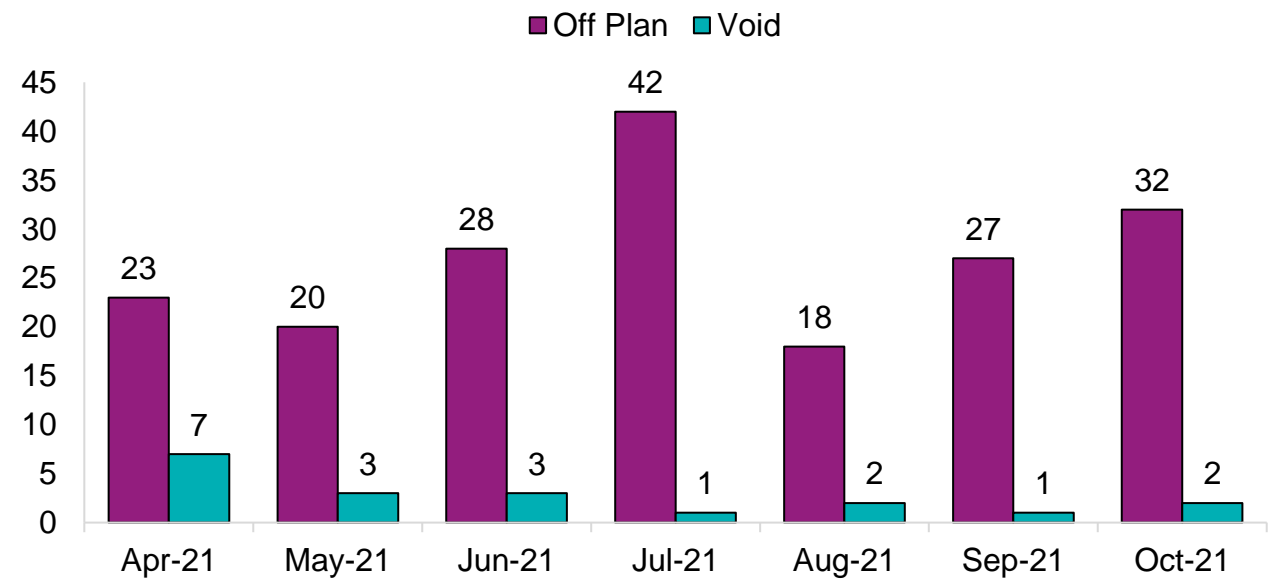
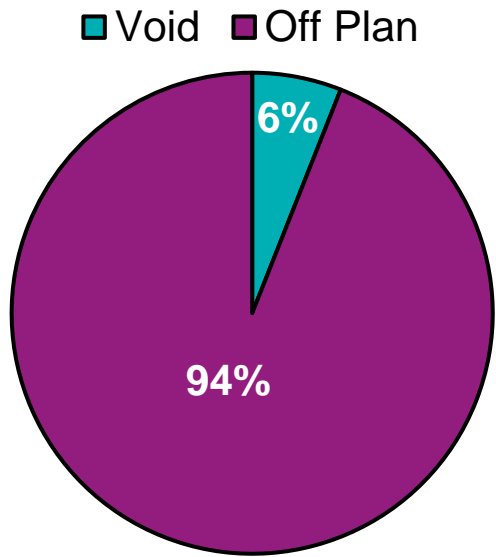


Chart 2: Oct-21  
Off plan reservations/voids



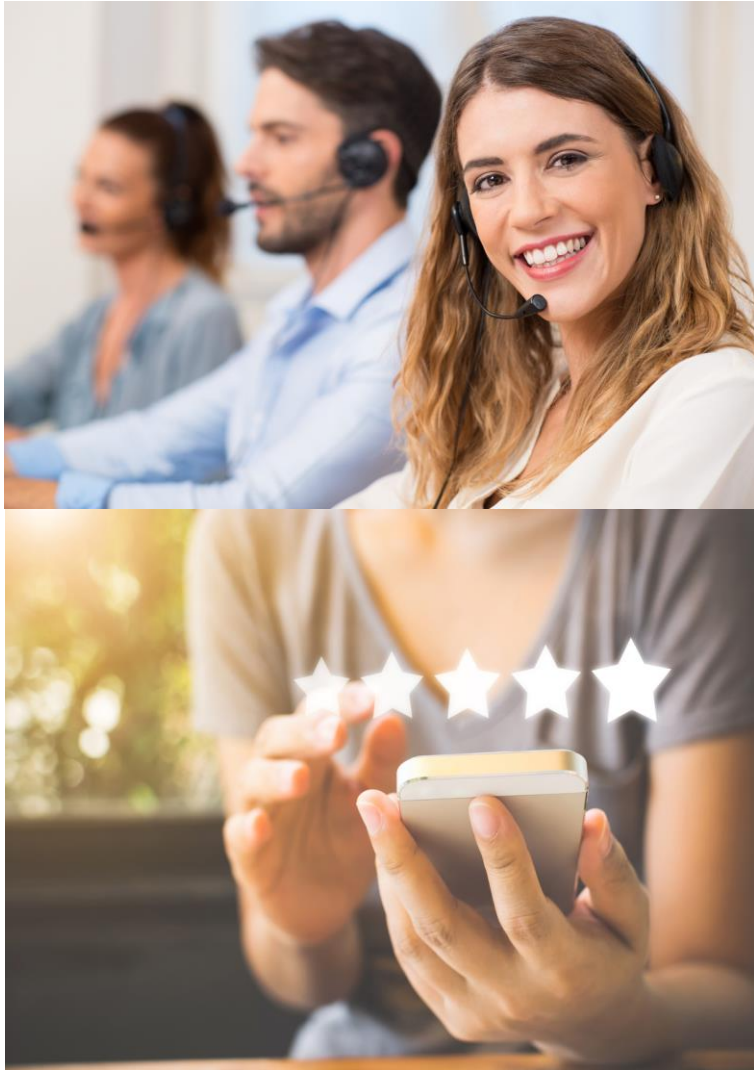
No of voids (units)	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
No of voids > 26 weeks	1	0	0	1	5	5	4
No of voids 12-26 weeks	4	8	6	5	0	0	3
No of voids < 12 weeks	6	1	1	3	2	1	7

# Customer Service Strategy – The Future of Customer Experience

**Emma O'Shea**  
Chief Operating Officer

ASTER  
GROUP

# Customer Operations



Customer expectations

Technology advancement

Increased expectations on social housing providers

Social housing White Paper

Wider macro-economic conditions

Increasing standards and expectations around health and safety

# Customer Voice

Using Customer Voice to co-design services and improve delivery.

## Customer Service

Providing safe, well maintained homes and modern reliable customer services.

### Connected Customer

Making it easy for our customers to contact us, expanding our digital self-service offer and organising our teams so we can better support our customers.

### Proactive Customer Services

Working together with our partners we will use data and technology to provide safe, well maintained homes and communities.

### Effective Customer Services

Modernising and simplifying the way we work so that we can deliver a quality service right first time that helps limit our environmental impact and improve efficiency.

## Customer Experience

Together we'll use insight, data and technology to design modern services that support sustainable communities and a customer first culture.

## Customer Focused Culture

Strengthening our culture of putting customers at the heart of everything that we do.

# Strategic highlights 2020/21...

## Digital channel shift

- More than 15,000 active MyAster portal users.
- Webchat launched, with so far 757 customers engaged.
- Launched pilots on several remote diagnostic technology.
- Digital receptions introduced.

## Operational performance

- High levels of customer satisfaction.
- COVID-19 recovery, with customer involvement in customer service priorities.
- Incomes and lettings performance.

## Customer Experience transformation programme launched

- First stage operating model completed.
- Mapped out customer lifecycles and identified all customer journeys.

# Strategic highlights 2020/21...

## Accreditation for sector leading Customer Voice approach

- TPAS accreditation for learning and on-going improvement.
- During 2020/21 – 11 policy consultations with 1,228 responses.
- Increasing levels of overall engagement – in 2020/21 over 3,750 customers engaged compared to around 1250 in 2019/20, and 800 in 2018/19.

## Institute of Customer Service membership – a year on

- 1st year anniversary of working in partnership with the Institute of Customer Service.
- Working towards ServiceMark accreditation, a national standard in customer service.
- Benchmarking (ServCheck and Business Benchmarking) completed
- Development of customer service learning offer.

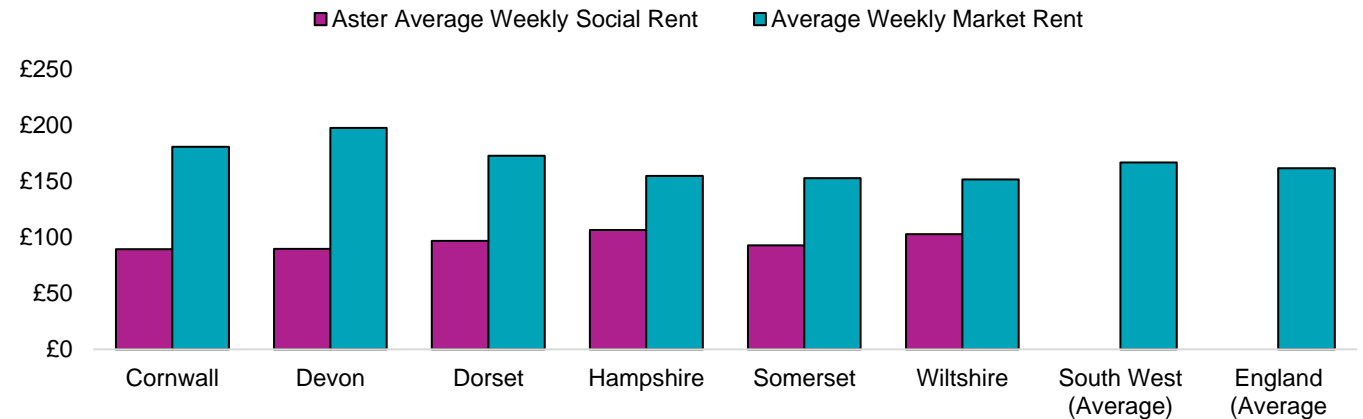
# Strong demand dynamics

Our geographical focus further strengthens our operations

Population growth exceeds England average across the majority of Aster's main operating areas:

Proportion of rented Aster stock	Area	Population Mid 2020 estimates	Population growth (growth from mid 2019)
33.2%	Dorset	379,791	0.34%
24.7%	Hampshire	1,389,206	0.48%
23.6%	Wiltshire	504,070	0.81%
15.1%	Somerset	563,851	0.29%
3.2%	Devon	810,716	1.04%
0.4%	Cornwall	573,299	0.65%
-	Average across South West	Total: 5,659,143	0.61%
-	England	56,550,138	0.47%

Aster average weekly rent is significantly below market rent – October 2021



Average house prices in Aster's main operating areas are above the England average – October 2021



# Performance highlights

Key Performance Indicator	2019/20	2020/21	2021/22 YTD	Target 2021/22
Current tenant rent arrears (% of annual debit)	2.20%	2.02%	1.97%	3.00%
Former tenant rent arrears (% of annual debit)	1.30%	1.15%	1.09%	2.00%
Rent loss through voids (% of annual debit)	0.70%	0.84%	0.84%	0.76%
Rent collected as % of rent due	98.9%	99.8%	99.5%	99.6%
Re-let times (All standard relets) (days)	17.1 days	23.8 days	26.8 days	18 days
Re-let times (General Needs) (days)	11.6 days	17.9 days	14.6 days	14 days
% ASB cases successfully resolved	97.4%	98.0%	96.1%	90.0%
% of complaints responded to within Housing Ombudsman Code	n/a	n/a	94.4%	90.0%

# Performance highlights

Key Performance Indicator	2019/20	2020/21	2021/22 YTD	Target 2021/22
Contact Centre - % first contact resolution	65.0%	62.3%	65.1%	70%
% properties with a valid gas servicing certificate	99.7%	99.8%	99.9%	100%
% properties with valid electrical safety report compliance	98.9%	99.2%	99.2%	100%
% compliance of properties where lift servicing is completed	n/a	98.9%	98.7%	100%
% compliance of properties with current Fire Risk Assessment	n/a	100.0%	99.6%	100%
% of all repairs completed on time	86.1%	80.0%	79.0%	90%
Average days to complete repairs	13.8 days	17.5 days	16.3 days	12 days
Repair appointments made & kept	79.0%	84.8%	85.6%	95%

# Financial Performance

**Angela Jamieson**

Deputy Finance Director

ASTER  
GROUP

# Financial Performance: 2020/21

Statement of Income (extract): Social housing income remains strong

£m	2021	2020
<b>Turnover</b>		
Social housing	176	163
First tranche shared ownership	41	47
Non-social housing	7	5
	224	215
<b>Operating costs</b>		
Social housing	(127)	(122)
First tranche shared ownership	(37)	(39)
Non-social housing	(3)	(2)
	(167)	(163)
Profit on asset sales	18	20
Impairment and fair value adjustment	(1)	-
<b>Operating Profit</b>	74	72
Other profit, including joint ventures	-	15
<b>Profit before interest and taxation</b>	74	87
Net finance expense	(28)	(27)
<b>Profit before taxation</b>	46	60

# Financial Performance: 2020/21

Statement of Financial Position (extract): A robust balance sheet

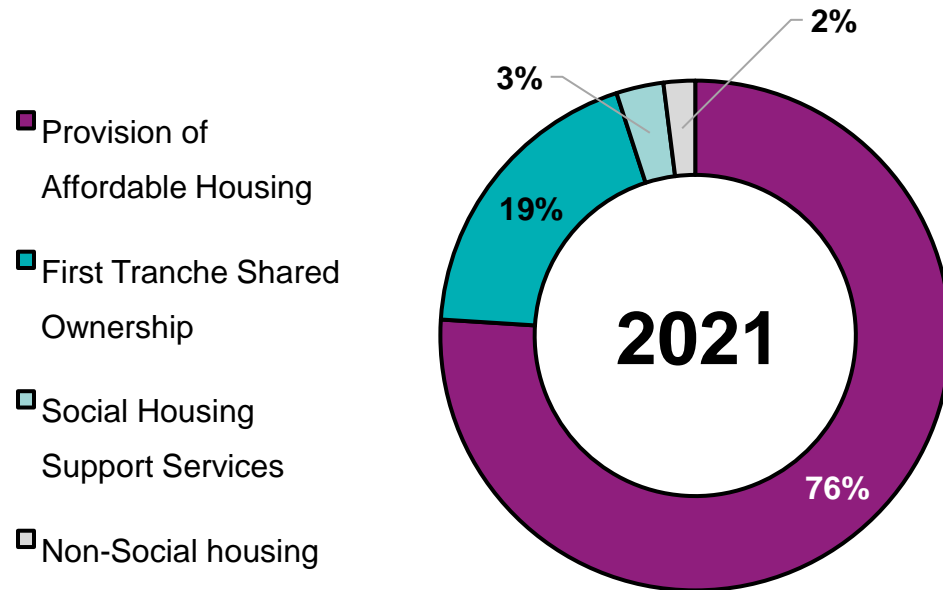
£m	2021	2020
<b>Non-current assets</b>		
Housing assets	1,821	1,733
Other fixed assets	22	24
Investment properties	18	17
Debtors: amounts falling due after more than one year	68	89
	1,929	1,863
<b>Current assets</b>		
Inventory	3	3
Debtors: amounts falling due within one year	38	27
Shared ownership properties held for resale	35	37
Cash and cash equivalents	207	148
	350	304
<b>Creditors: amounts falling due within one year</b>	(130)	(81)
<b>Net current assets</b>	153	134
<b>Creditors: amounts falling due after more than one year</b>	(1,152)	(1,115)
Pension liability	(41)	(32)
<b>Net assets</b>	888	850

# Low risk revenue generation

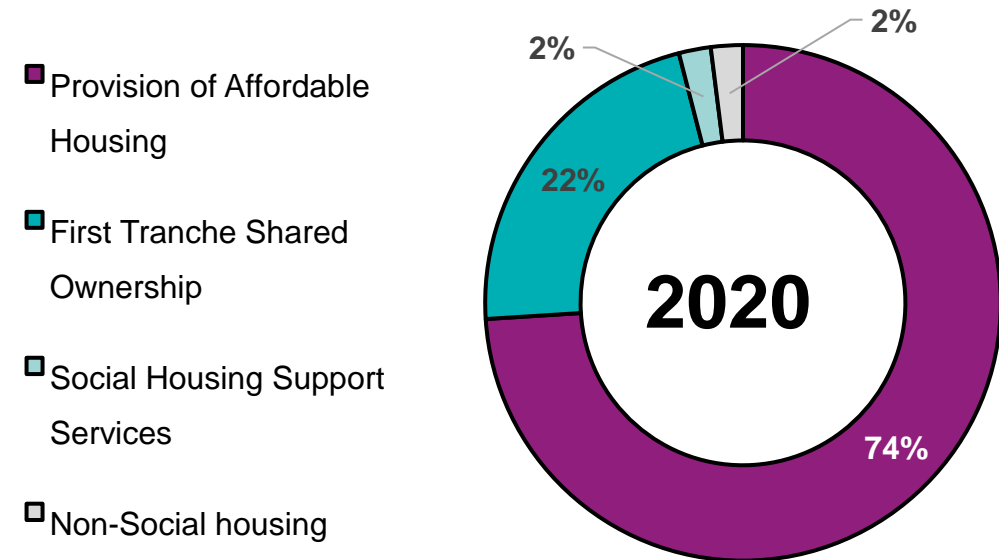
Aster has a core focus on the provision of affordable housing

- Deep local expertise and influence with over 95% of current stock concentrated across four counties.
- Successful shared ownership sale track record.
- Stable rental income with arrears at 2.0% in 2020/21.

**Chart 1: Group Revenue Split in 2020/21**



**Chart 2: Group Revenue Split in 2019/20**



# Interim Results: YTD Sept 2021

£m	Actuals	Budget	Variance
<b>Turnover</b>			
Social housing	91	91	-
First tranche shared ownership	27	21	6
Non-social housing	3	2	1
	121	114	7
<b>Operating costs</b>			
Social housing	(65)	(69)	4
First tranche shared ownership	(23)	(18)	(5)
Non-social housing	(2)	(1)	(1)
	(90)	(88)	(2)
Profit on asset sales	13	8	5
<b>Operating profit</b>	44	34	10
Other profit, including joint ventures	1	-	1
<b>Profit before interest and taxation</b>	45	34	11
Net finance expense	(14)	(13)	(1)
<b>Profit before taxation</b>	31	21	10

# Treasury

**Paul Jeffries**  
Director of Treasury

ASTER  
GROUP

# Treasury Update

Enhancing the resilience of the Group



- Completed the restructuring of the East Boro Housing Trust loan portfolio. Repaid final outstanding loan balance in June 2021.
- Transitioning historical loan agreements from LIBOR to SONIA is in progress. Most now agreed in principle for active transition.
- Looking at funding options for 2022.
- Updated Treasury Management Policy and TMS implementation.

# Debt and Security Portfolio

Prudent liquidity position underpinned by a mixed funding strategy

## Liquidity

- Total group facilities now at c. £1.54bn.
- £302.5m of committed loan facilities undrawn.
- Group holds c. £151.3m of free cash (November 2021).
- The Group has sufficient facilities to fund the full development programme until December 2023.
- Strong levels of unencumbered security available.

Chart 1: Fixed/Variable Debt at 30 Sep 2021

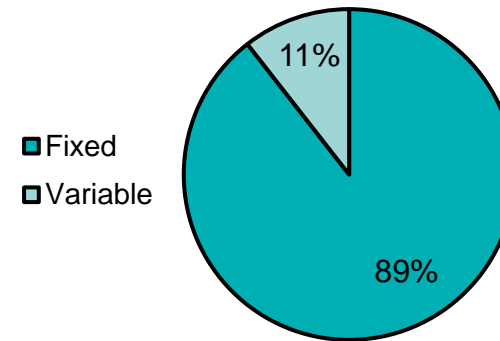


Chart 2: Group Security Position (Property Value) at 30 Sep 2021

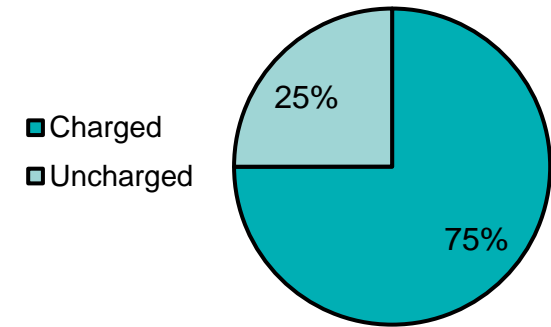
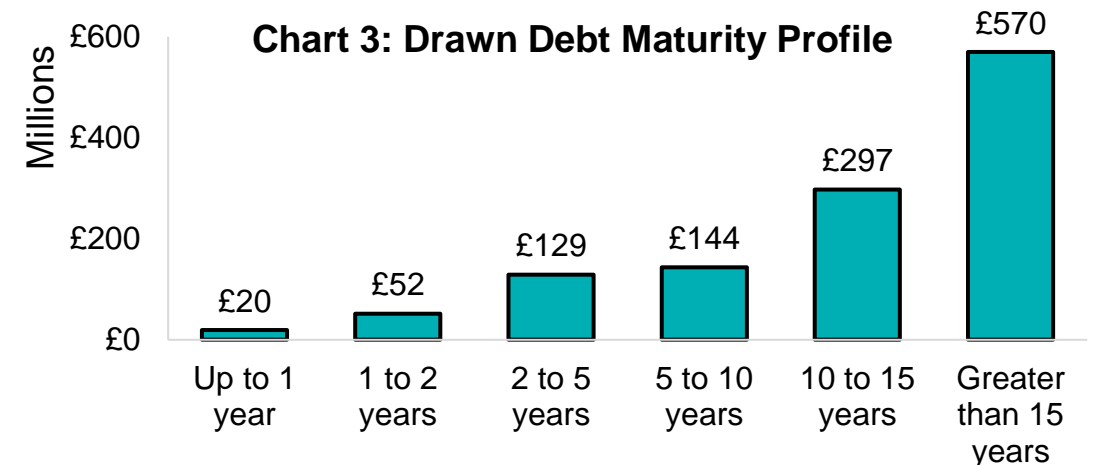


Chart 3: Drawn Debt Maturity Profile



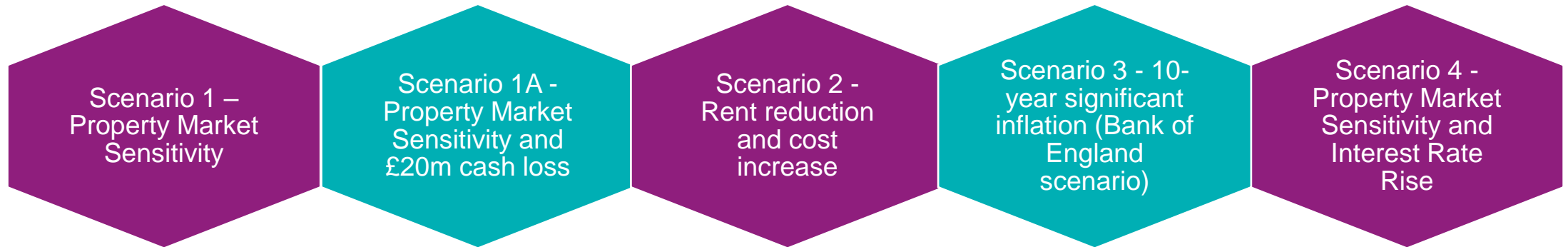
# Treasury Framework

## Our pillars for robust Financial Risk Management

- Performance is monitored continuously and reviewed quarterly by the Group Treasury Committee.
- Business plan continually stress tested on a wide range of scenarios.

Metric	Target / Threshold	Performance
Liquidity risk	> <b>12 months</b> of committed facilities to cover net forecast spend and; > <b>6 months</b> of cash to cover net forecast spend	Sufficient facilities to fund net forecast spend for 26 months and 7 months of cash coverage.
Covenant breach risk	Gearing - < <b>68%</b>  Interest Cover - > <b>150%</b> (based on operating surplus to net interest payable)	<b>50.4%</b> - Net debt to social housing assets basis.  <b>222.2%</b> - EBITDA MRI basis
Refinancing risk	< <b>15%</b> of total debt maturing in any one year < <b>35%</b> of total debt over five years	<b>£200m</b> of debt ( <b>17.4%</b> ) is repayable within five years
Security risk	Sufficient security to meet short term (12 months) funding requirements and sufficient security identified to meet the medium-term needs of the financial plan	Full compliance
Interest Rate risk	Between <b>50%</b> and <b>90%</b> of debt must be fixed rate	<b>89%</b> fixed rate
Counterparty risk	Minimum credit rating and defined limits for deposits, money market funds and derivatives.	Full compliance

# Rigorous Stress Testing



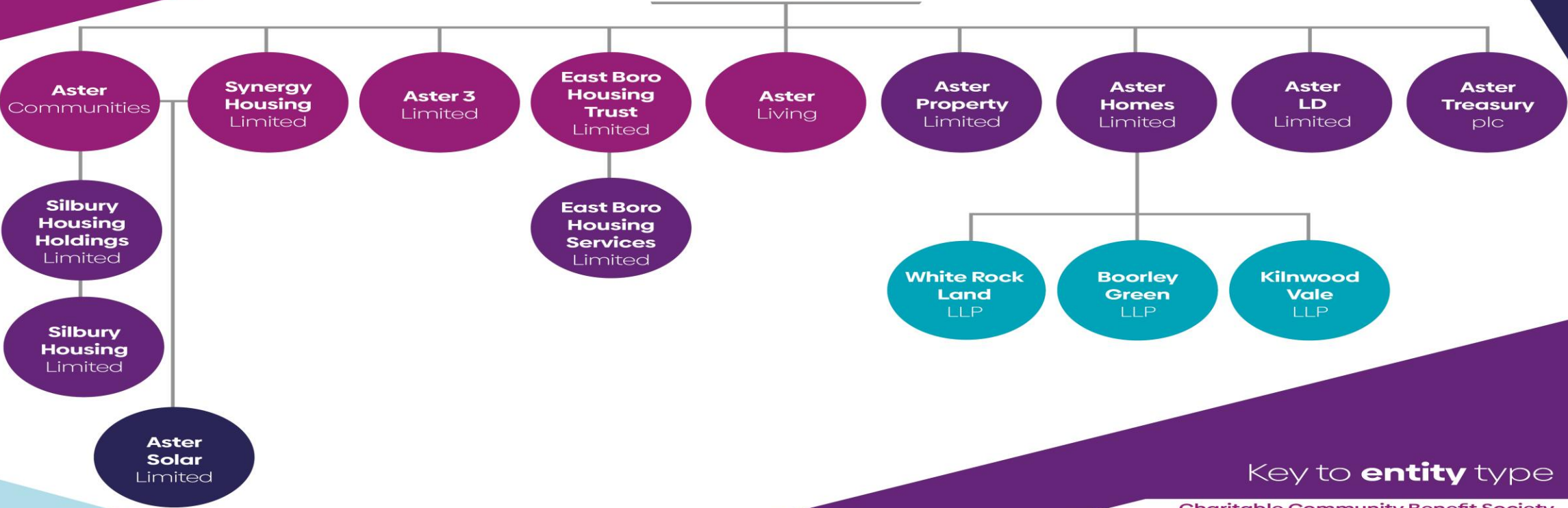
- No reduction in the Group's committed development pipeline needs to occur under any of the above scenarios.
- No group level covenants breached pre-mitigation; at an entity level sufficient mitigation ensures breaches are addressed.
- Monitored and approved at Executive Board and Overlap Boards level.
- Ad hoc scenarios test real world issues.

# Appendices

# Governance

## Our Group Structure

ASTER  
GROUP  
Limited



Key to **entity** type

Charitable Community Benefit Society

Non Charitable Company

Joint Venture

External Joint Venture

Not shown: Eight dormant companies - information is available on request.



# Joining forces to do more

## Expanding our footprint into London

- C&C manages around 1,850 homes in the capital, **focusing on providing housing and care for people aged over 55.**
- C&C will retain its brand and stock and there would be **no interruption to services for residents of either landlord.**
- Expanded capacity created by the partnership will also **enable us to invest more in new and existing homes than either organisation could alone.**



**“Partnering with Aster**  
would present a fantastic opportunity to  
invest more in our homes and residents,  
and meet the growing demand for over 55s  
housing and care in London and beyond.”

**Julia Ashley**  
Chief Executive



# Customer voice

- This year 3,750 customers gave us feedback during our consultations – more than the last two years combined!
- 11 policy consultations completed, with an average 29% response rate
- 30 consultations completed to improve our services, including:
  - ❖ Service recovery planning - a 40% response rate which helped prioritise and inform our strategic approach to handling impacts of Covid-19 on our repairs service
  - ❖ Planned improvements – a 72% response rate to determine the new kitchen worktop and cupboard range
  - ❖ Procurement and estates tender – a 49% response rate to inform the evaluation, interview and selection process for the grounds maintenance service
- Working with our involved customer panels to find new ways of working during the pandemic. Moving to virtual meetings has allowed them to be more dynamic, reduce travel and learn new digital skills.

# Wrap up results

## 2020 / 2021

**Customer satisfaction**  
Overall score



**Anti-social behaviour**  
Resolved



**Rent arrears**



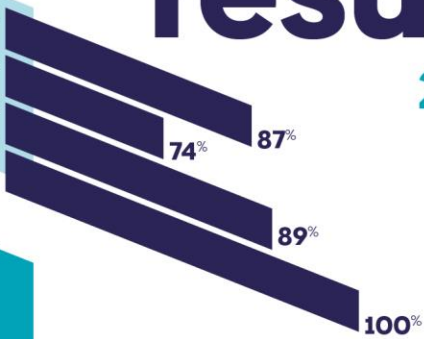
**2,493 financial wellbeing interactions**



**Increased customer income**

**Neighbourhood Repairs Service**

**Rent PFI**



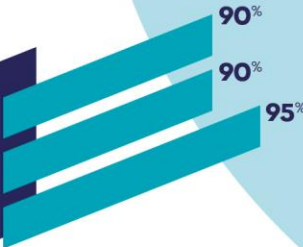
**Average re-let time**



**Service charge recovery rate**



**Overall service Knowledgeable and helpful Polite and friendly**



**Contact Centre**

**Customer satisfaction**



**planned & cyclical works completed**



**109,000 total jobs response completed**

**1,400 re-let properties delivered**



**250 new kitchens**



**7,949 estate jobs**



**Servicing to meet our legal obligations**



**6,000 full house electrical checks**



**377 heating upgrades**



**1,500 new roofs**

# 5 Year Performance Trend

Chart 1: Operating Profit including JV activities

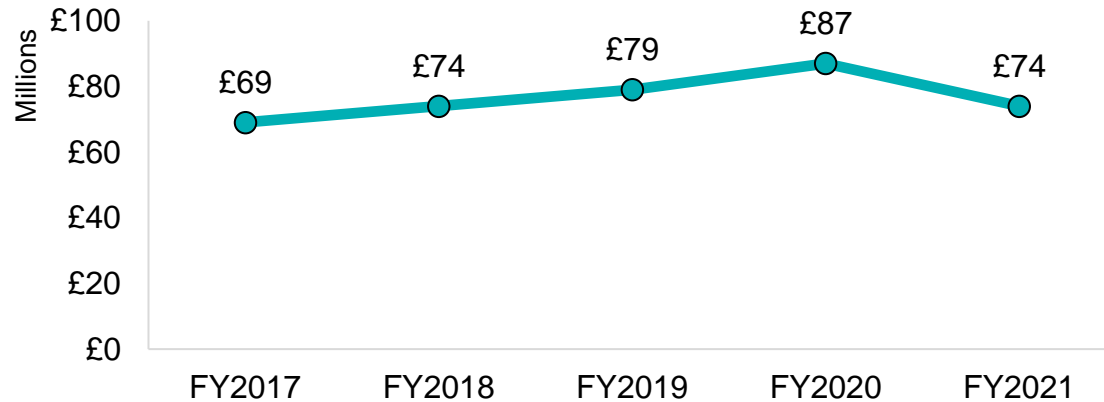


Chart 2: Cash Ratio [ Cash / Current Liabilities ]

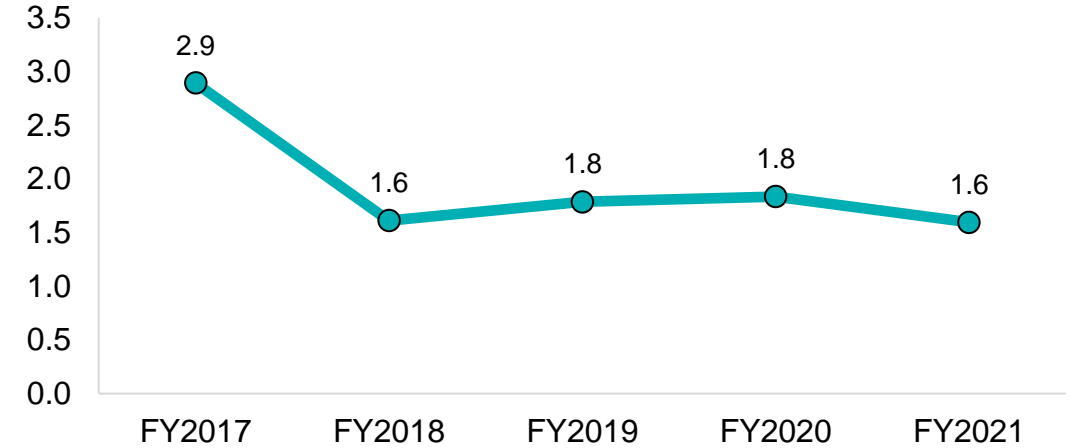


Chart 3: Net Assets

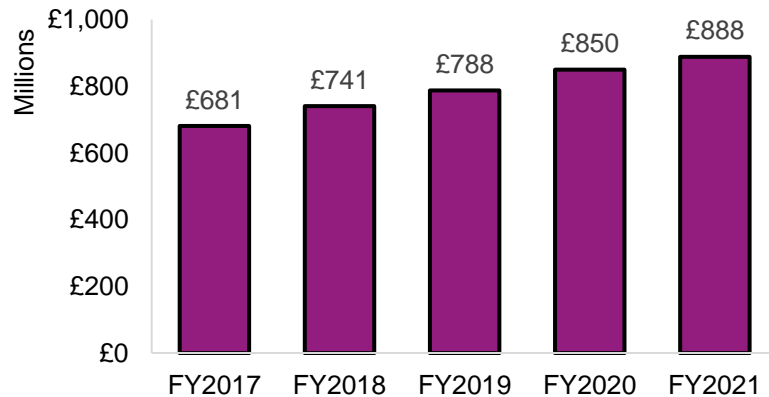


Chart 4: Total homes owned and managed

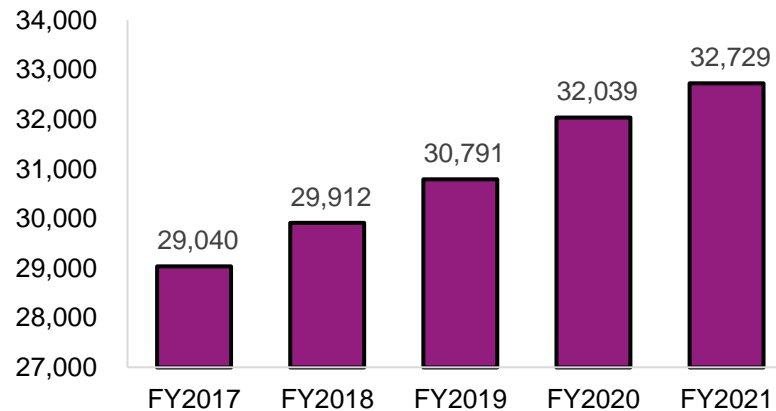
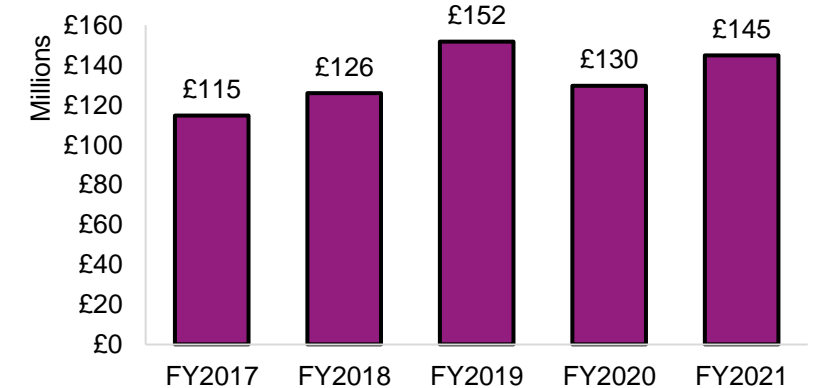


Chart 5: Net cash generated from operating activities



# Homes EPC data

## Energy efficiency rating

Existing homes - at 31 March 2021

**Very energy efficient** - low or no running cost

(92-100)	A	0.4%
(81-91)	B	21.6%
(69-80)	C	62.8%
(55-68)	D	15.1%
(1-54)	E-G	0.1%

**Not energy efficient** - higher running costs

## Environmental impact rating

Existing homes - at 31 March 2021

**Very energy efficient** - low or no running cost

(92-100)	A	0.8%
(81-91)	B	27.7%
(69-80)	C	42.8%
(55-68)	D	16.8%
(1-54)	E-G	11.9%

**Not energy efficient** - higher running costs

## Energy efficiency rating

New homes - 12 months to 31 March 2021

**Very energy efficient** - low or no running costs

(92-100)	A	0%
(81-91)	B	97%
(69-80)	C	3%
(55-68)	D	0%
(1-54)	E-G	0%

**Not energy efficient** - higher running costs

## Environmental impact rating

New homes - at 31 March 2021

**Very energy efficient** - low or no running cost

(92-100)	A	0.7%
(81-91)	B	96.4%
(69-80)	C	2.9%
(55-68)	D	0%
(1-54)	E-G	0%

**Not energy efficient** - higher running costs



# The impact of Universal Credit

We will continue to see an increase in the number of customers claiming Universal Credit:

**£233**

Average arrears of a UC  
customer

**£54**

Average arrears of a non-UC  
customer

The reasons for this include:

- A 5 week delay for payment for new claimants of Universal Credit
- The payment of Universal Credit's housing element to the customer

# % Universal Credit Claimants – HouseMark (as at 31 March 2021) v Current arrears

Chart 1: Known UC Claimants as % of Housing Stock

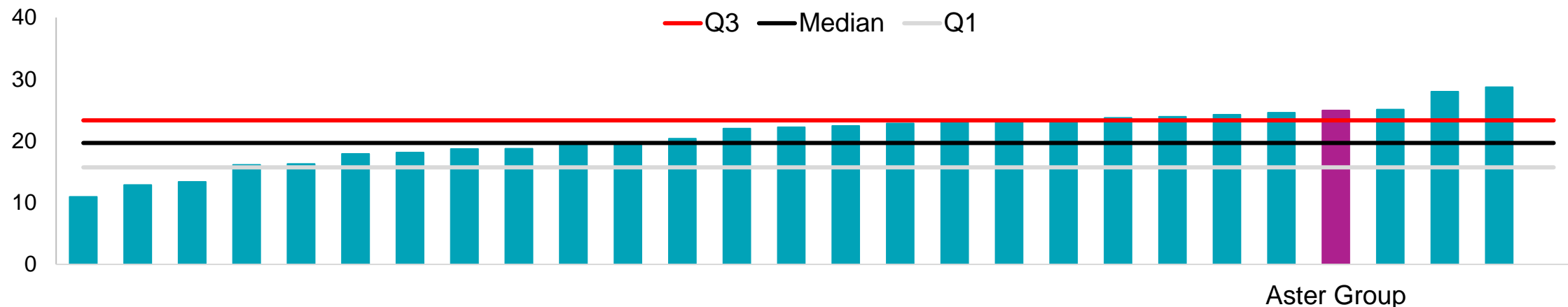


Chart 2: Arrears as % of Annual Debit

