



Aster Group Investor Presentation

December 2013

Bjorn Howard, Group Chief Executive
John Brace, Group Resources Director



Stronger together,
achieving more

Overview

Introducing Aster

What are we?

- Ethical business
- Not-for-dividend
- Regulated by the Homes & Communities Agency
- Social entrepreneurs

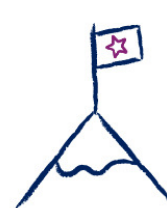
What do we do?

- Housing development
- Property maintenance
- Services

How big are we?

- Turnover = £150M
- Assets = £1B
- Homes = 27,000+
- Staff = 1,400+

Our values



We will be brave
and bold where
we can make a
positive difference



We will grow
our business



We will be
financially strong

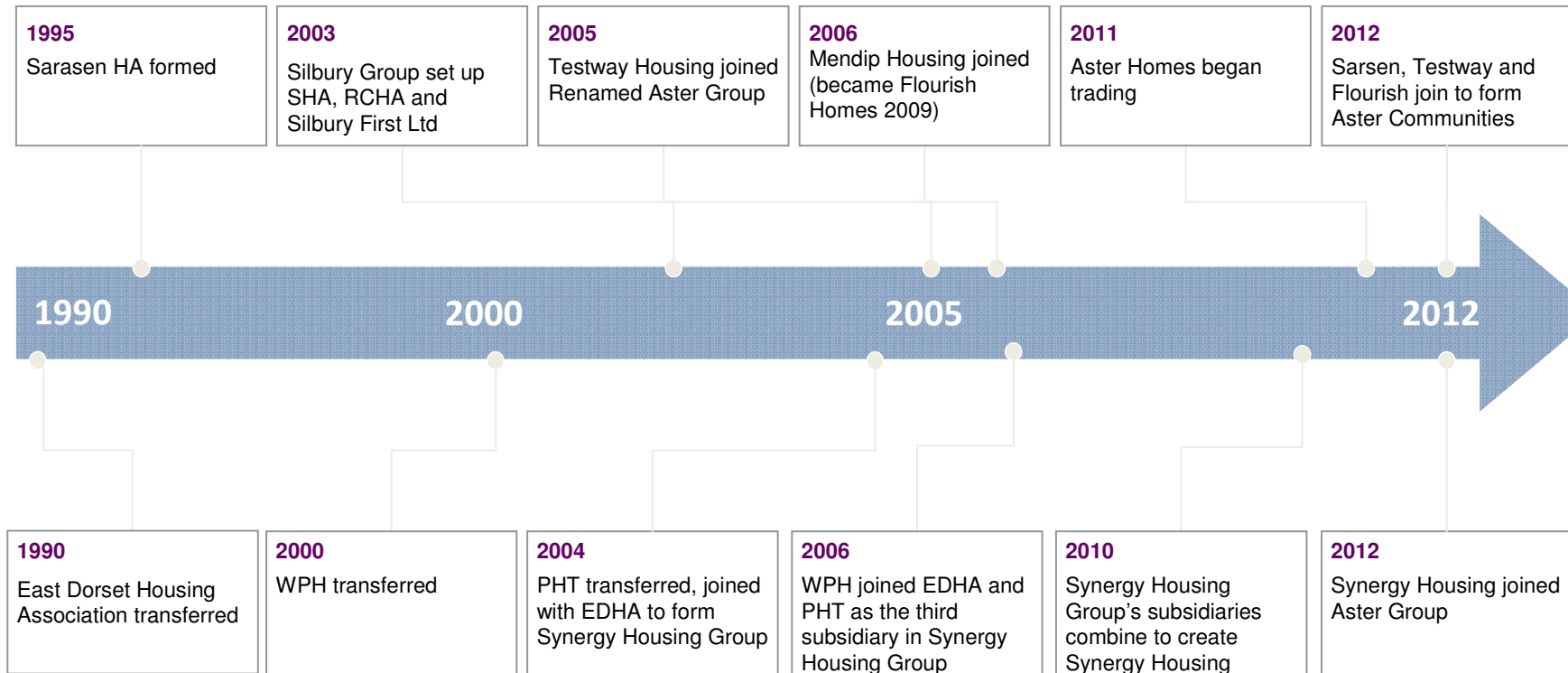


We will deliver
value and choice

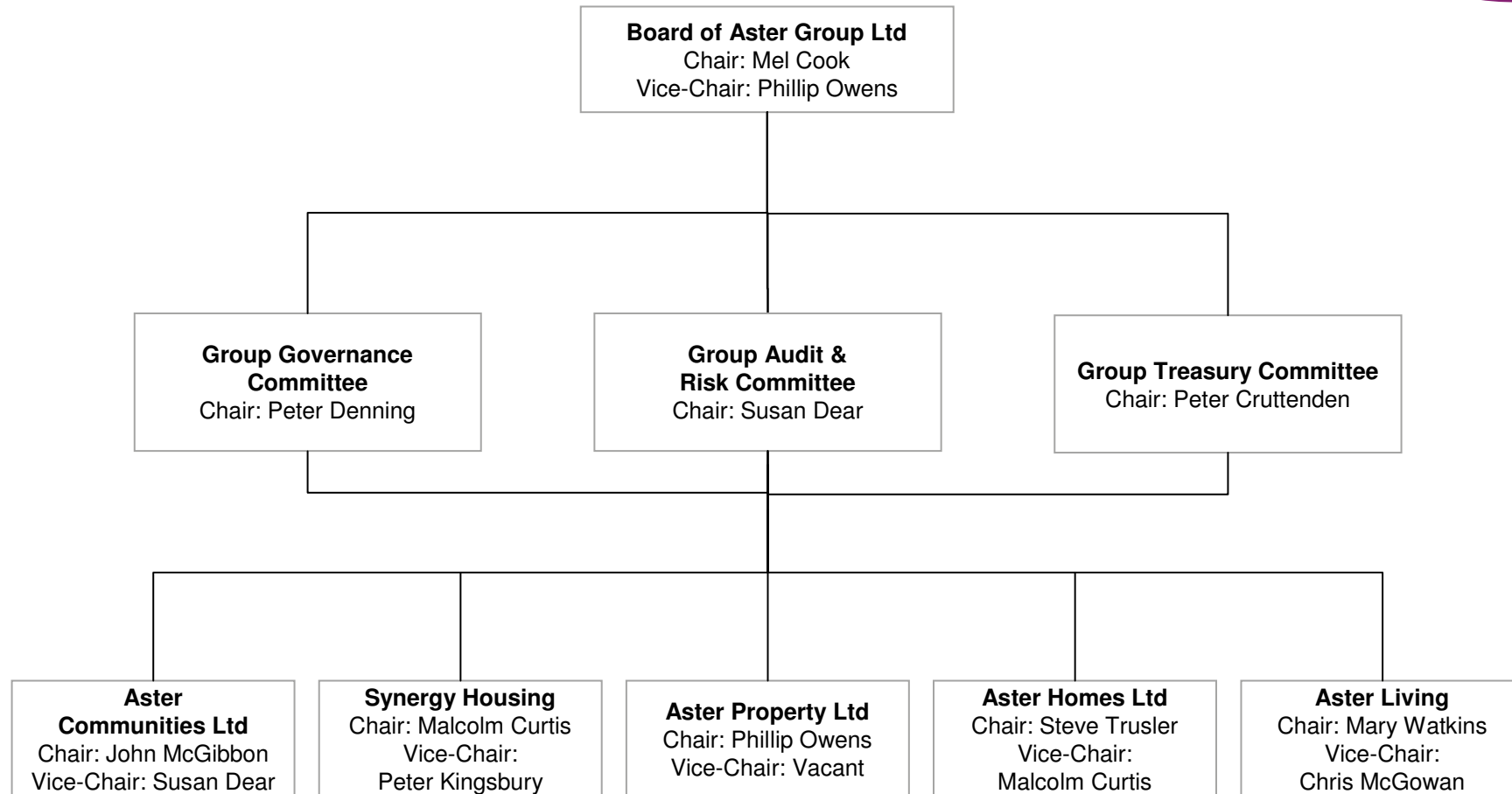
History



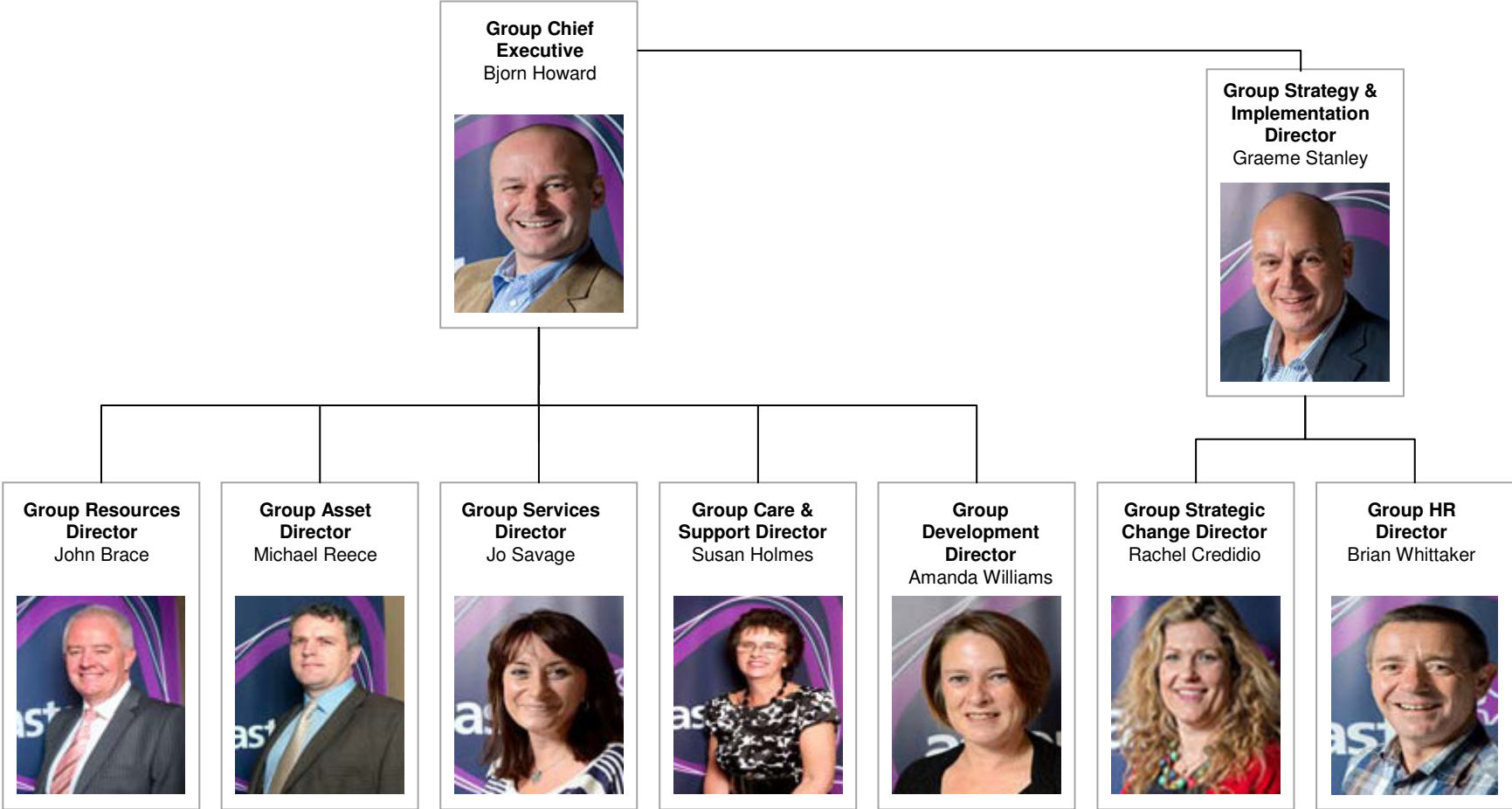
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Board and Committee structure



Group Leadership Team

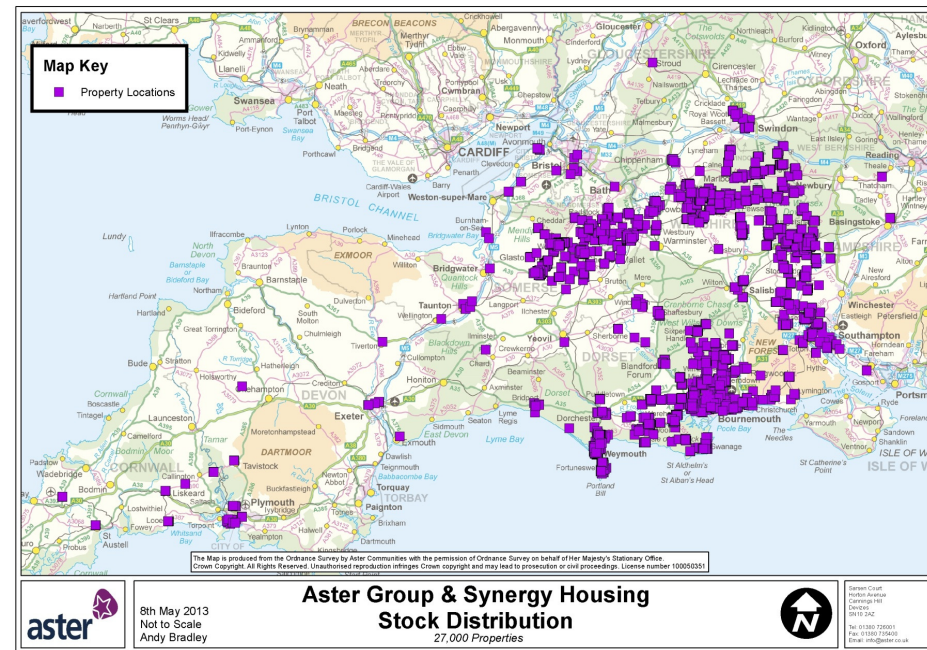
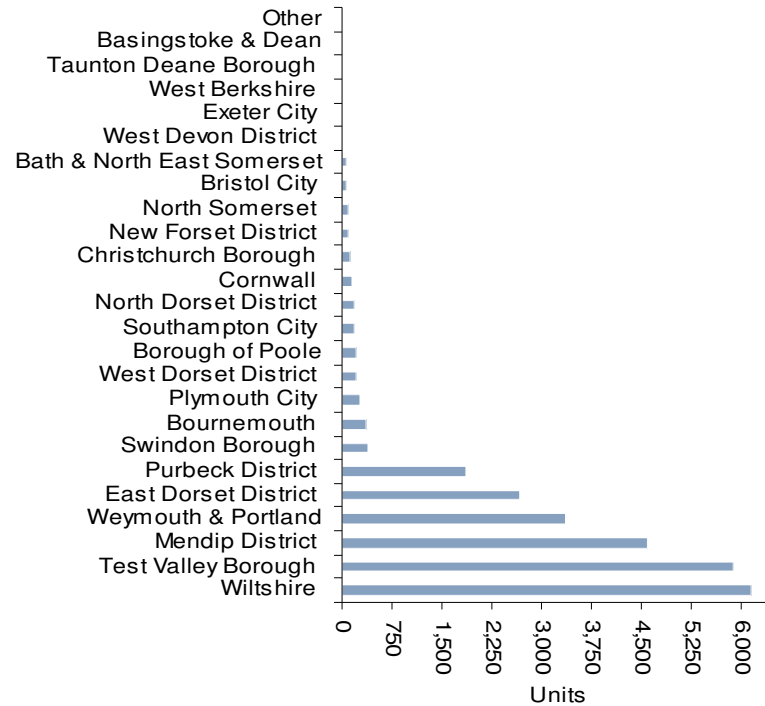




Business and Strategy

Where do we work?

We provide housing in 30 local authority areas

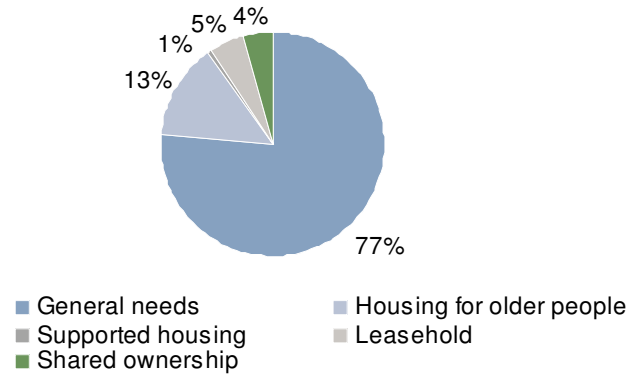


Housing profile

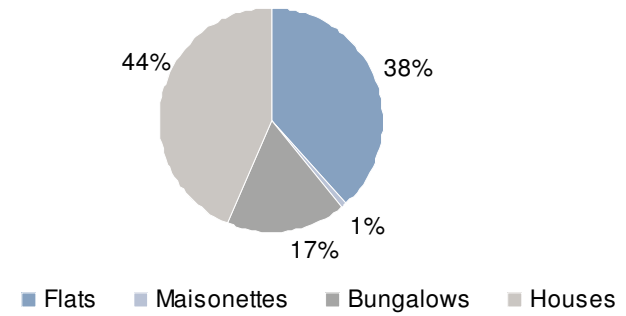


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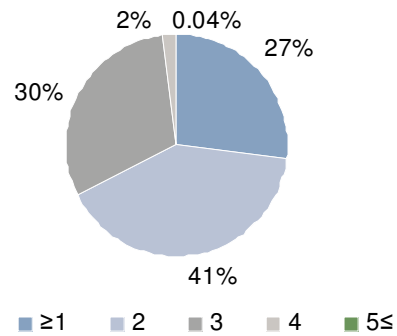
Stock split by usage



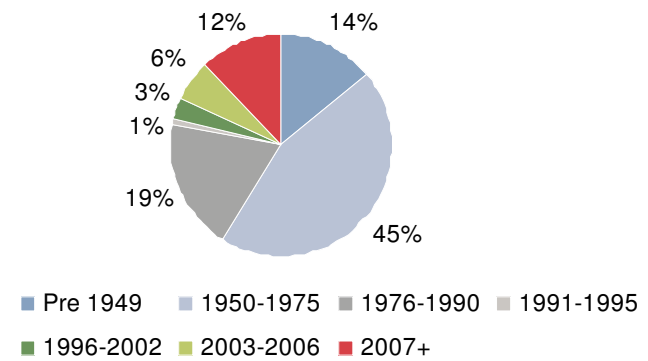
Stock split by property type



Stock split by number of rooms

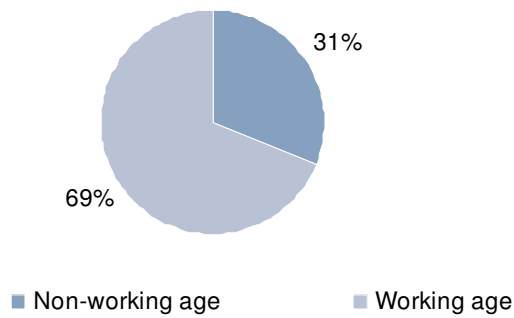


Stock split by age

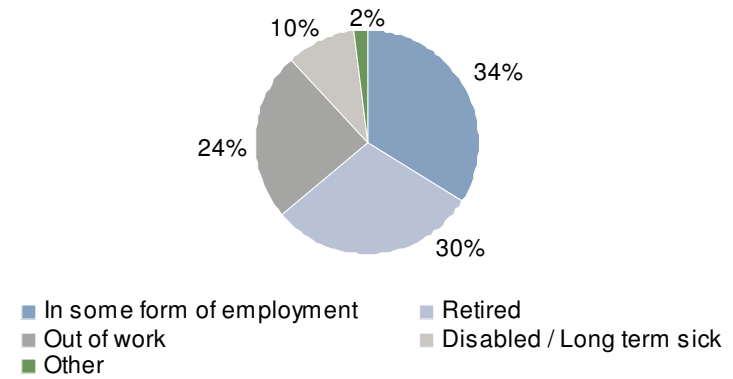


Customer profile

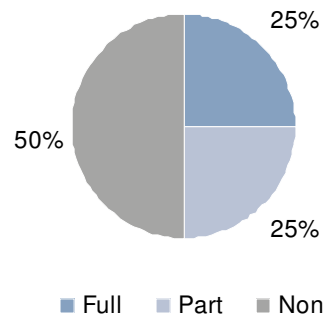
All customers by age



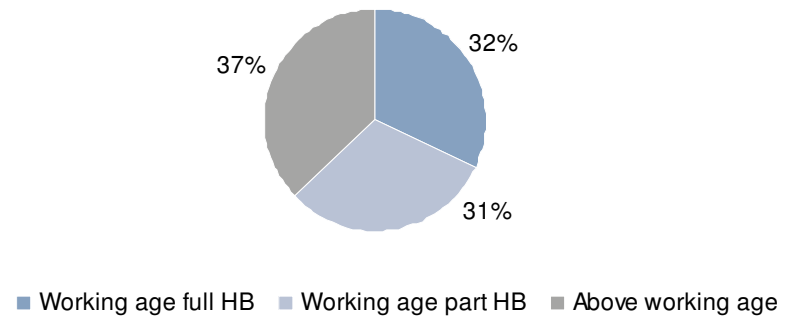
All customers by employment status



Working age customers by Housing Benefit status



Tenants by rental source

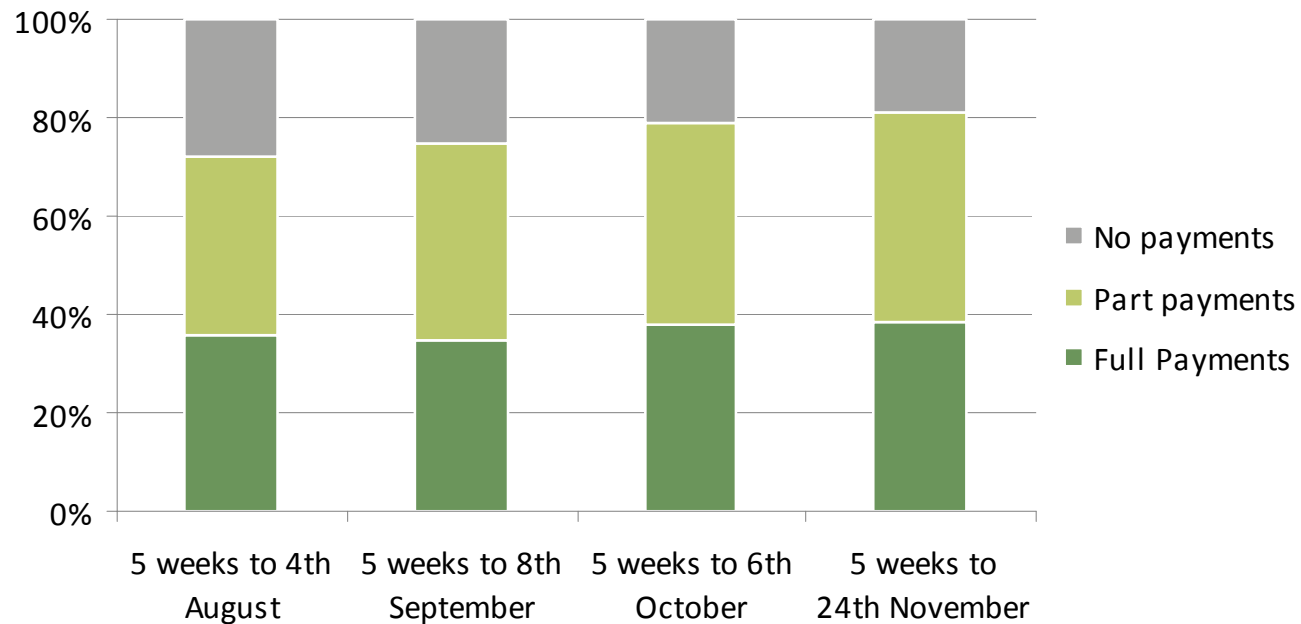


Welfare reform

Issue	What is it?	Impact on Aster
April 2013 Under Occupation Penalty (UOP)	Restricts Housing Benefit for those with spare bedrooms	<ul style="list-style-type: none"> • 1,829 (6.5%) customers having their Housing Benefit cut by an average of 10% due to the UOP • 83% of the total UOP is being paid by our affected customers
July 2013 Benefit Cap	A cap on all benefits to £500 per week for couples and single parent families and £350 for single people	<ul style="list-style-type: none"> • 50 (0.2%) customers having their total income from benefits cut by an average of 10% due to the benefit cap
February 2014 - 2017 Universal Credit	Single benefit payment paid direct to working age tenants which incorporates housing costs	<ul style="list-style-type: none"> • 9,000 (33%) customers to move to Universal Credit between 2014-17 (based on current estimations)

Welfare reform

% of UOP customers paying their rental contributions



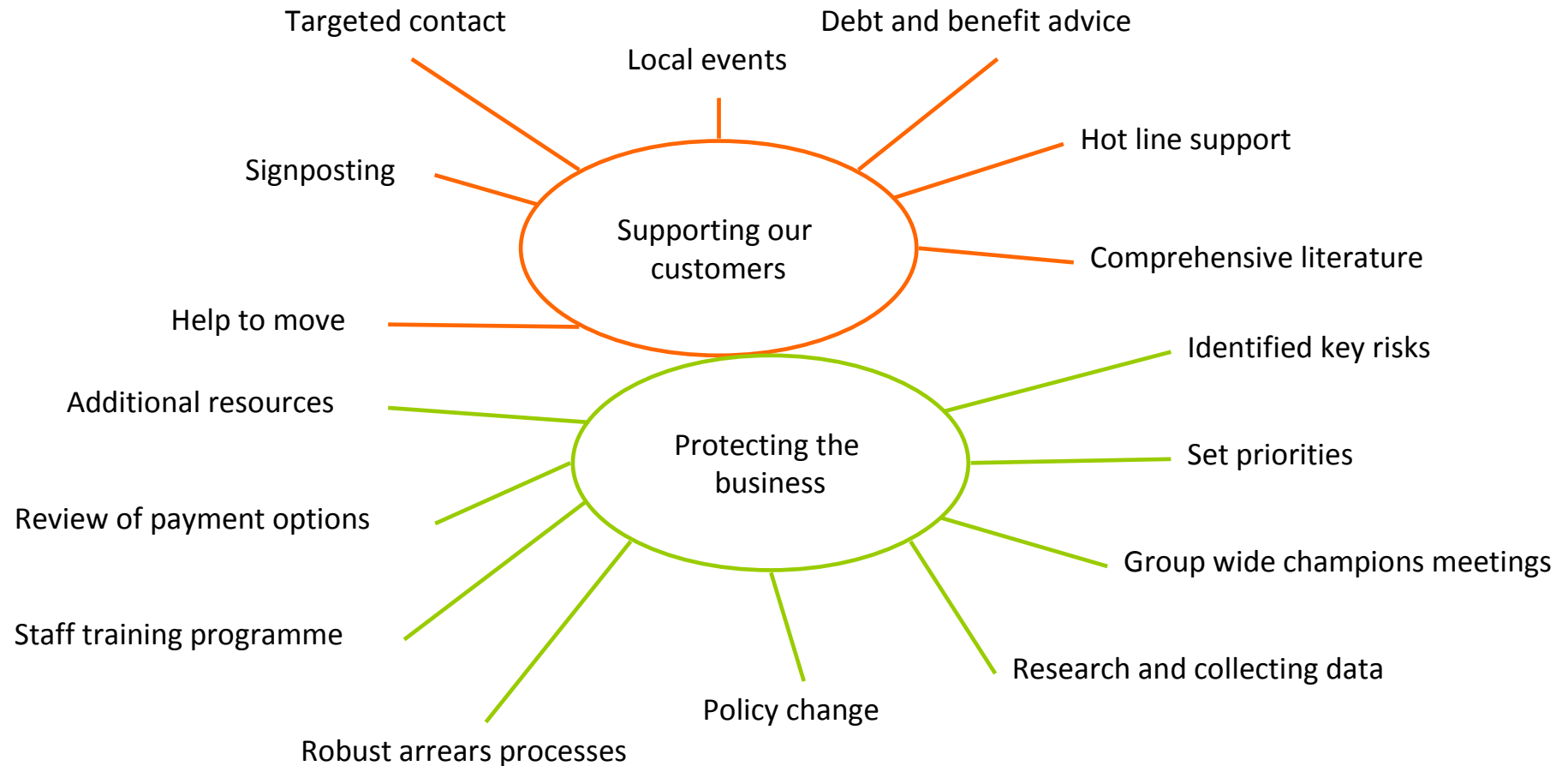
As we work with our customers affected by the UOP, we can see the number making no payments is reducing.

Welfare reform



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Our response



Managing demand

In collaboration with our local authorities we give choice to customers by allowing them to bid on our vacant properties

Average number of bids for vacant properties				
	1 bed	2 bed	3 bed	4 bed
Synergy	73	57	47	17
Aster Communities	107	162	110	66
Combined	98	110	79	42

Hard to let properties are defined as ones that have required more than two adverts to obtain a successful bid

General needs and Housing for Older People hard to let properties	
Synergy	0.06%
Aster Communities	0.08%
Combined	0.07%

Managing stock

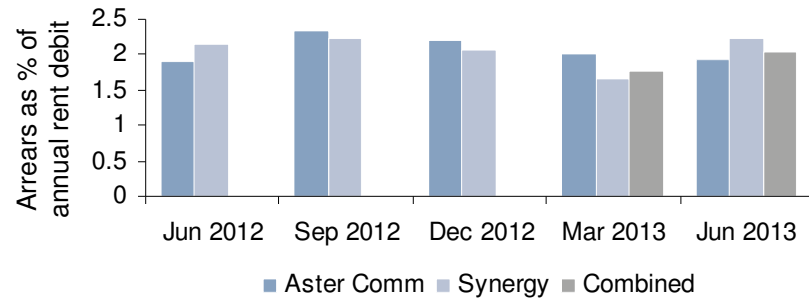
- Combined IT system allows joint monitoring
- Ongoing monitoring by Team Leaders and Managers
- Monthly reporting to Housing Leadership Team
- Quarterly reporting and monitoring to Group Leadership Team and Aster Communities and Synergy Boards
- Large and well organised in-house contractor
- Focus
 - efficiencies
 - delivery within budget
 - internal rather than external
 - proactive asset management

Debt provisions

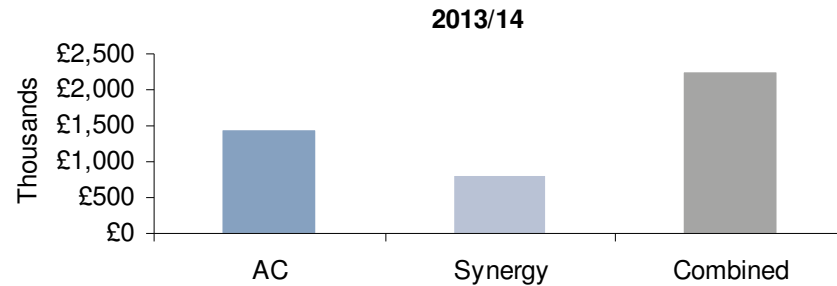


Arrears

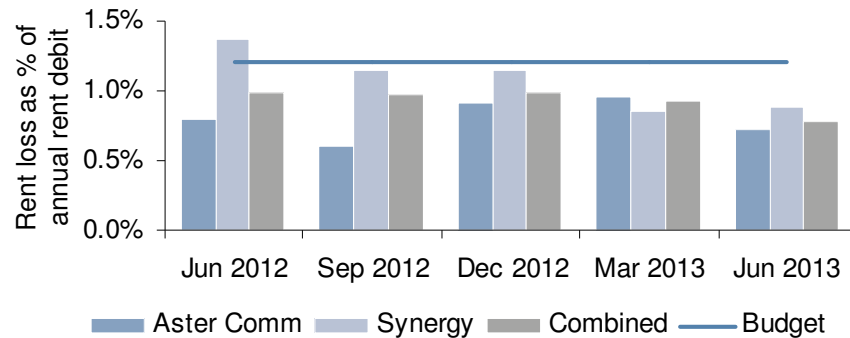
Owned general needs and older persons stock



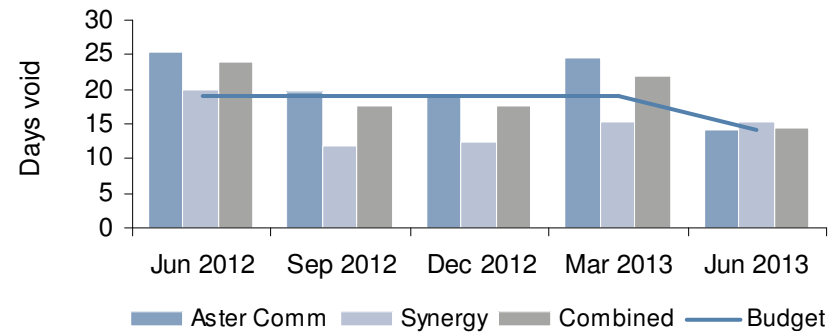
Bad debt provision



Rent loss due to voids all stock



Void re-let time General Needs



Tenant satisfaction



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The STAR Customer Survey

Question	% of Aster Communities & Synergy Housing customers who are satisfied with...	National comparator: Top Quartile figure
How satisfied are you with the landlord service we provide?	85.1%	85.2%
How satisfied are you with the overall quality of your home?	81.7%	80.8%
How satisfied are you with your neighbourhood as a place to live?	85.4%	81.1%
How satisfied are you that your rent provides value-for-money?	78.0%	81.8%
How satisfied are you that your service charges provide value-for-money?	67.0%	67.4%

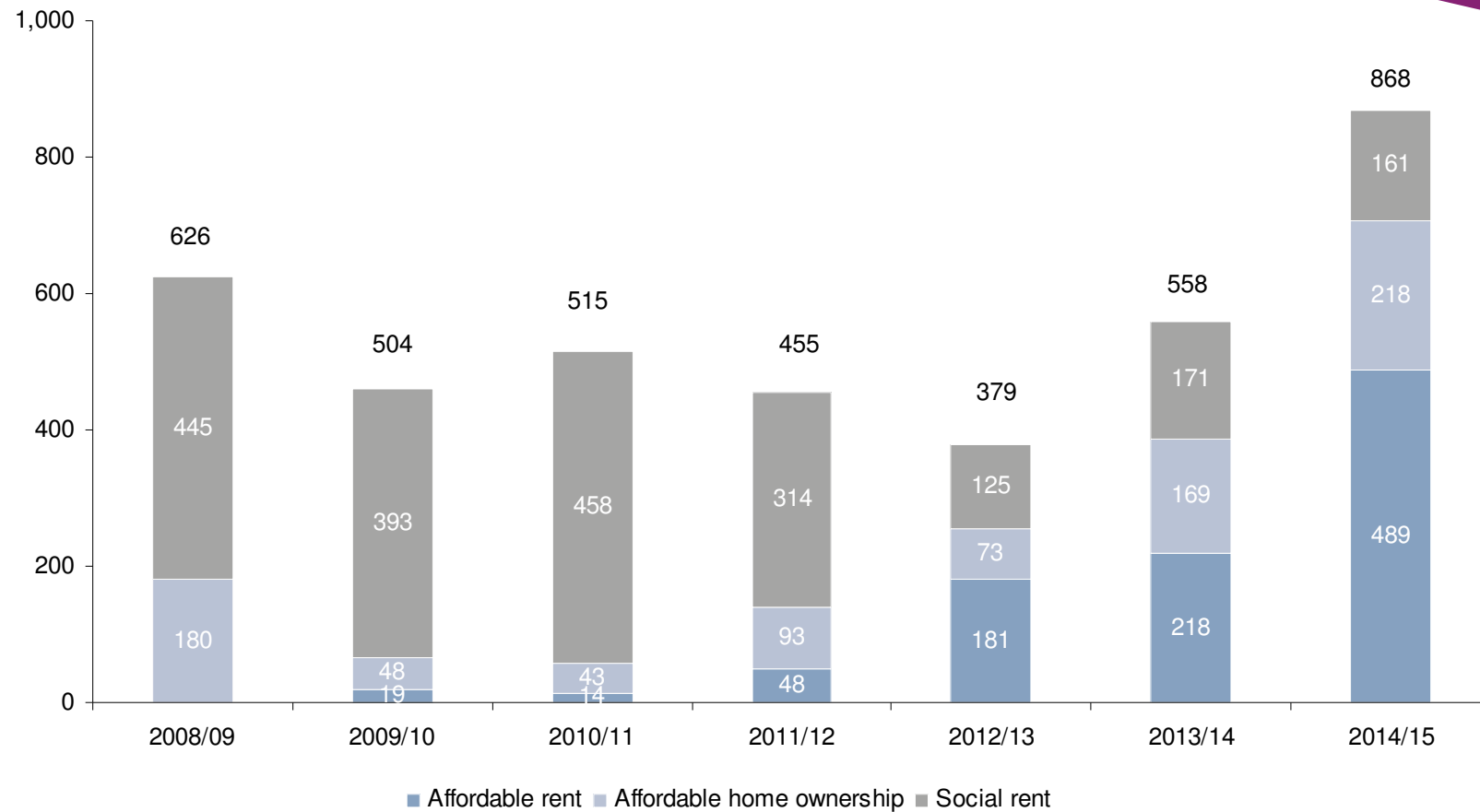
Source: Housemark

Development programme

- HCA programme - 712 affordable rent and 167 affordable home ownership across joint programme. Total 879 units with £12,747,706 of grant
- Other development with grant previously awarded – 184 Aster and 126 Synergy
- S106 – 642 units (estimated to March 15)
- Other development – 429 units
- Compare to historic development



Type of development by tenure



Development programme



Outright sale programme

- Committed – 18 units in Zebra currently on site/ in sales period together with contractual JV between Aster Homes/ Galliford Try for 43 units in Newton Abbott

Joint Venture

- Strategic JV with Galliford Try
- 20 units for outright sale per year over a 7 year construction programme
- Risk management – due diligence, Board involvement, professional advice, expertise of partnership, separate LLP vehicle, ability to stop development/ convert tenure

Risk management

- The Group's overall attitude to risk is set by the Group Board working with the Company Boards and Group Leadership Team
- The Group has a low tolerance for risk relating to:
 - Health & Safety and wellbeing of our customers
 - control of finances and assets
 - legislative compliance
- There is potentially higher appetite where benefits created by innovations outweigh the risks, these could include service improvements and increased efficiency and effectiveness. These will need to be within the agreed tolerance of the financial plan and must remain within the financial alarm bells
- Where possible the impact of risks will be reduced by ensuring that appropriate controls exist

Group Audit & Risk Committee



- Recommend a Risk Management Framework & Policy to the Group Board
- Review the Risk Management Framework annually and recommend changes
- Monitor the total risk appetite for the Group
- Report to the Group Board and recommend risk targets, limits and controls for different types of risk, referring higher level decisions to the Group Board
- Be ambassadors for Risk Management

Top 10 risks

Pos	Risk
1	Welfare Reform will have a significant effect on the Group
2	Lack of available funding to support development ambitions
3	Loan Covenants Breached leading to increased margins
4	Failure to ring fence public funds in Aster Communities and Synergy Housing
5	Change to the restructuring regime reduces our rental income
6	Pension costs increase above Financial Plan levels
7	Refinancing Risk - costs exceed expectations
8	Reduced rental stream / low inflation
9	Failure to comply with legal requirements
10	Systems Development Project fails to deliver specified improvements



Historical Financial Performance

Historic financial performance

I&E a/c

Aster Group £k (Synergy incorporated)	31/03/2010	31/03/2011	31/03/2012	31/03/2013
Turnover	116,234	119,251	129,371	140,887
Sales Income	5,288	3,850	5,087	7,477
PFI Finance Debtor		0		13,736
Cost of Sales	(5,657)	(4,439)	(4,669)	(5,768)
Operating Costs	(93,323)	(89,357)	(101,145)	(105,024)
PFI operating cost		0		(13,610)
Operating Surplus	22,542	29,305	28,644	37,698
Surplus on sale of properties not developed for outright sale	182	313	730	540
Surplus/(Deficit) on sale of other fixed assets	(17)	(57)	3	6
Interest receivable and other income	236	271	240	516
Interest payable and similar charges	(19,545)	(19,308)	(19,622)	(16,743)
Other finance income/(costs)	(1,218)	(1,089)	(384)	(777)
Surplus on ordinary activities before taxation	2,180	9,435	9,611	21,240
Tax on surplus on ordinary activities	(562)	(433)	2	(114)
Surplus for the year	1,618	9,002	9,613	21,126
Operating cost exceptional	(2,232)	2,832	0	
Exceptional item – gain on non-exchange transaction	0	0	0	178,924
Breakage Costs	0	0	(5,165)	0
Surplus for the year	(614)	11,834	4,448	200,050

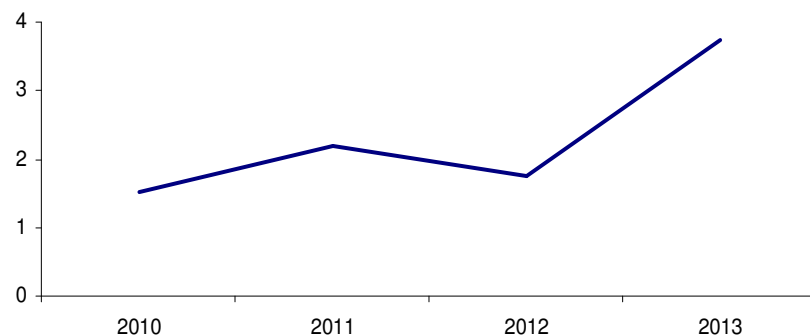
Historic financial performance balance sheet

Aster Group (£k) (Synergy incorporated)	31/03/2010	31/03/2011	31/03/2012	31/03/2013
Total Fixed Assets	878,431	939,405	986,313	1,066,378
Current Assets	21,476	20,939	43,137	62,256
Cash At Bank	7,747	14,131	16,315	22,531
Creditors	(20,739)	(21,840)	(24,083)	(23,800)
	886,915	952,635	1,021,682	1,127,365
Creditors more than 1 year	507,062	531,985	560,207	600,913
Pension Liability	35,312	17,822	26,458	29,225
Other Reserves	344,098	380,463	412,650	446,629
Free Reserves	443	22,365	22,367	50,598
	886,915	952,635	1,021,682	1,127,365

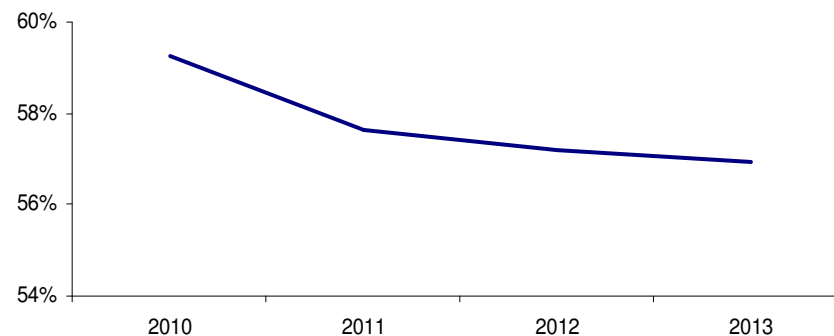
Selected ratios



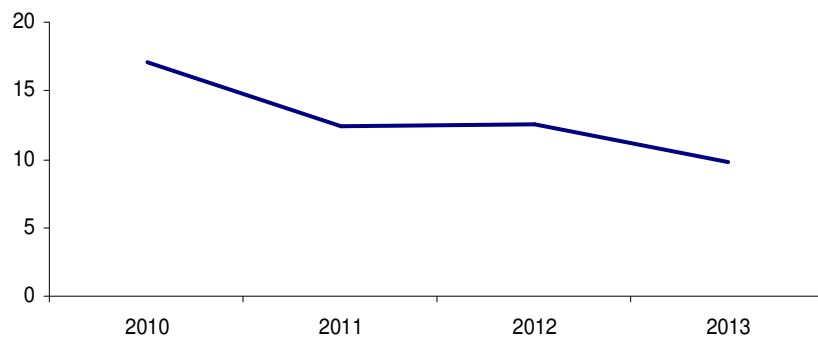
Interest cover



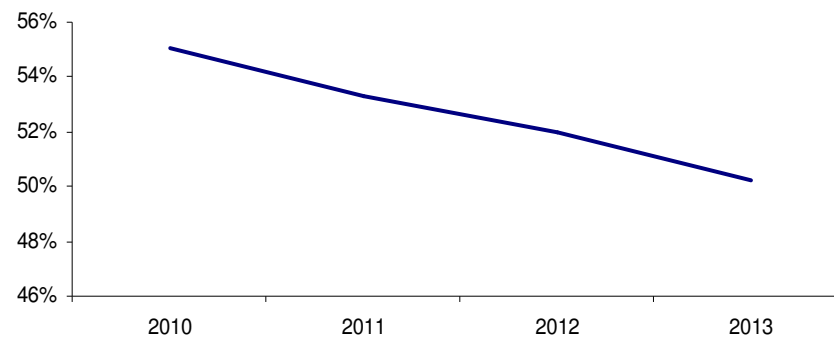
Gearing



Debt to EBITDA

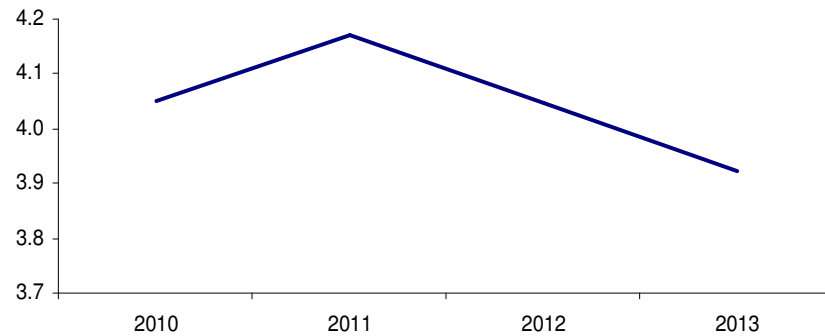


Net debt to total assets

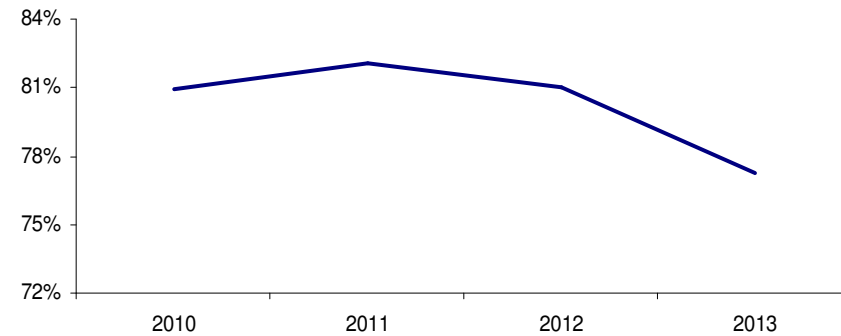


Selected ratios

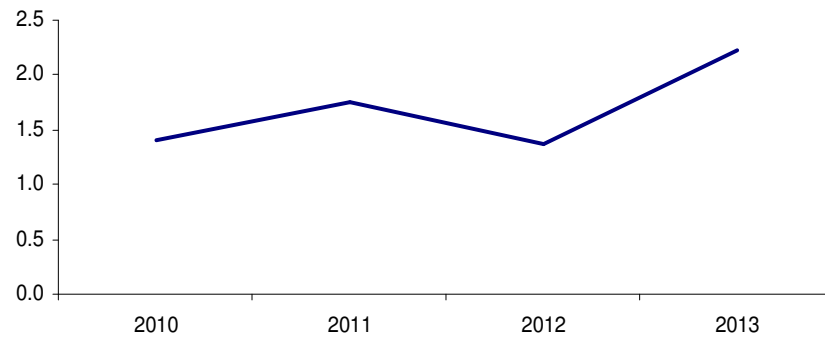
Net debt as a multiple of revenues



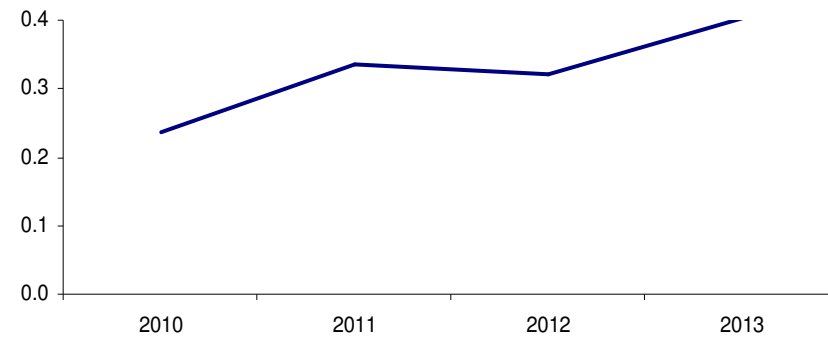
Turnover from social housing lettings v total



Profit from social housing lettings as multiple of interest

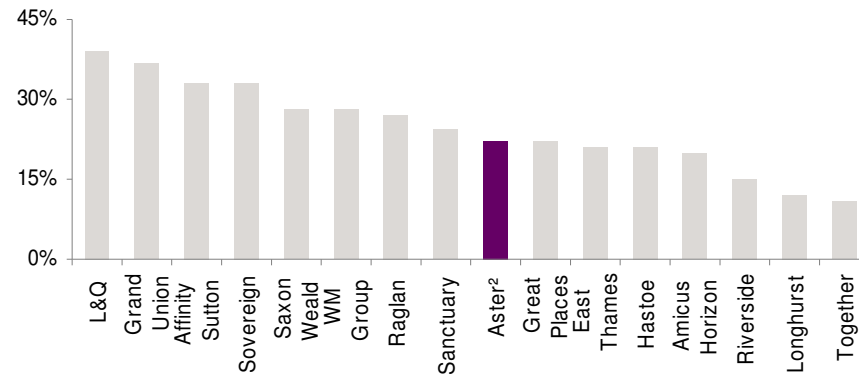


EBITDA/revenues

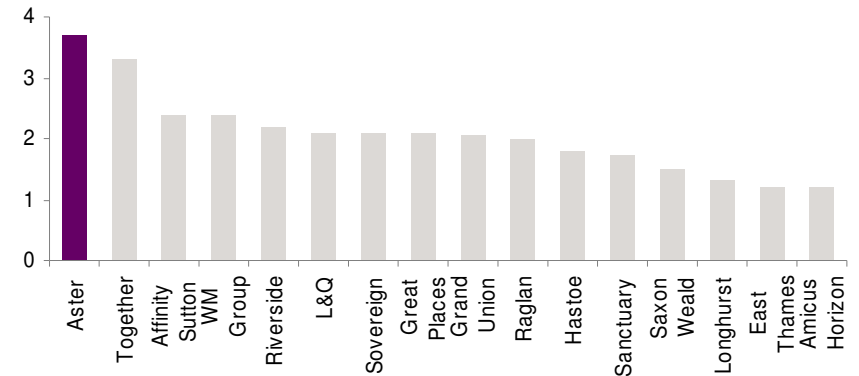


Aster vs. Peers¹

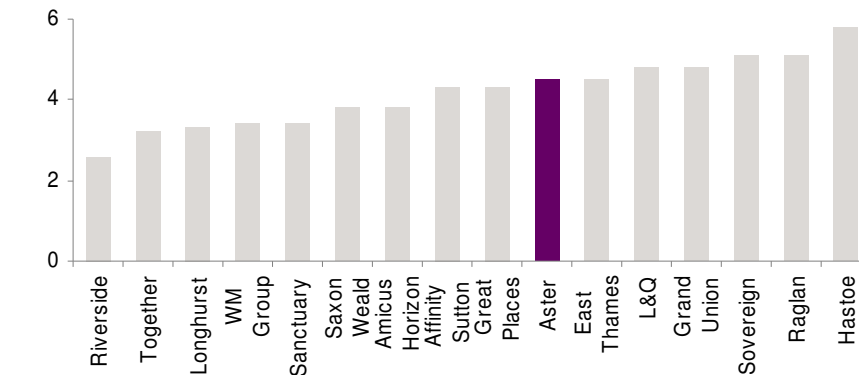
Operating Margin (%)



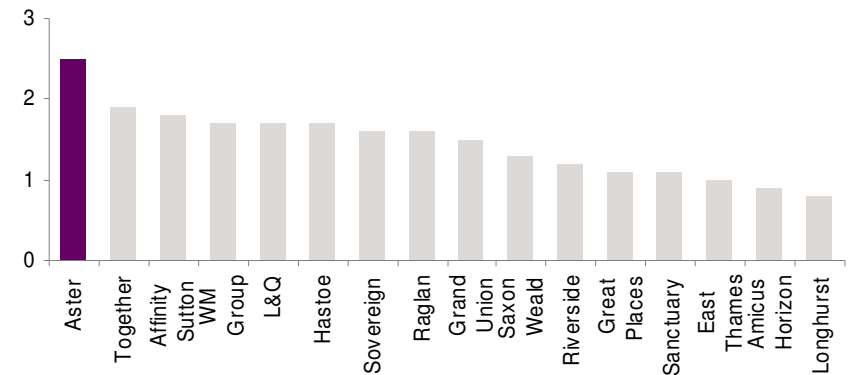
Recurrent Cash Interest Cover (x times)



Debt to Revenues (x times)



Social Housing Interest Cover (x times)

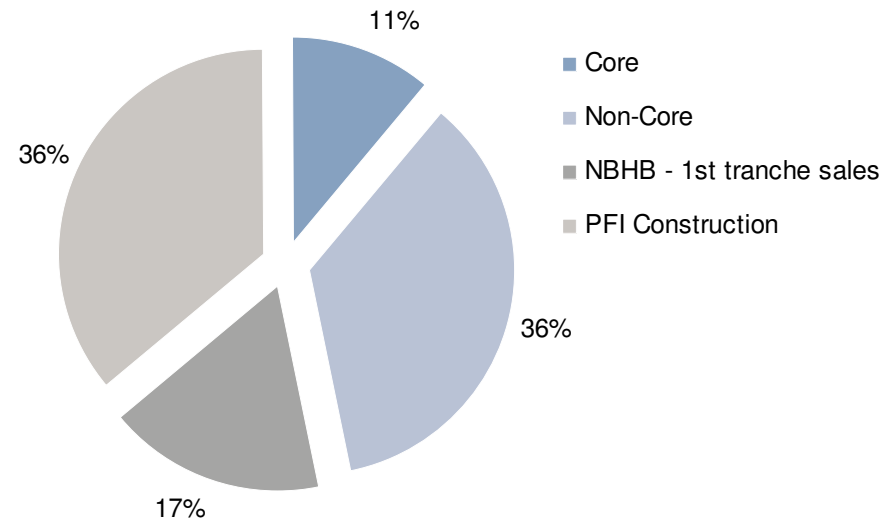


Source: Moody's, data refers to 2012 figures with the exception of Great Places, East Thames, Hastoe, Amicus Horizon and Longhurst whose figures are 2011, and Grand Union whose figures are 2013
 Note: 1) Aster is rated by S&P, above metrics have been calculated by Aster, following Moody's methodology
 2) Operating margin excluding PFI turnover would be 25%

Non core activities

	2013 Revenue (£k)
Social Housing - Other	
Housing services provided to third parties	1,796
Supporting People contract	1,645
Properties managed by agents	332
Community involvement and transform	43
Domiciliary care	5,836
Helpline/Telecare	1,314
Home improvements	3,078
First tranche New Build Home Buy	6,569
Other	549
Total	21,162
Non Social Housing	
PFI Construction	13,736
Garage lettings	2,113
Sewerage services	236
Open Market Sales of Properties	-
Other	881
Total	16,966

Social other & Non Social Turnover - Core / Non Core analysis



Key performance indicators



	2013	2012	Housemark Average 2012*
Percentage of rent collected (excluding arrears)	99.8%	99.6%	99.6%
Current tenant arrears as % of rent due	1.79%	2.11%	3.11%
Bad debts written off as % of rent due	0.80%	0.60%	0.46%
Homes meeting decent standard level	100%	100%	100%
Re-let time in days	22.2	21.1	26.1

Note: *This data is taken from Housemark (an organisation providing and publishing a benchmarking service of organisations providing social housing across the UK) covers around 450 organisations nationally.

Key Treasury Policies

Liquidity Policy

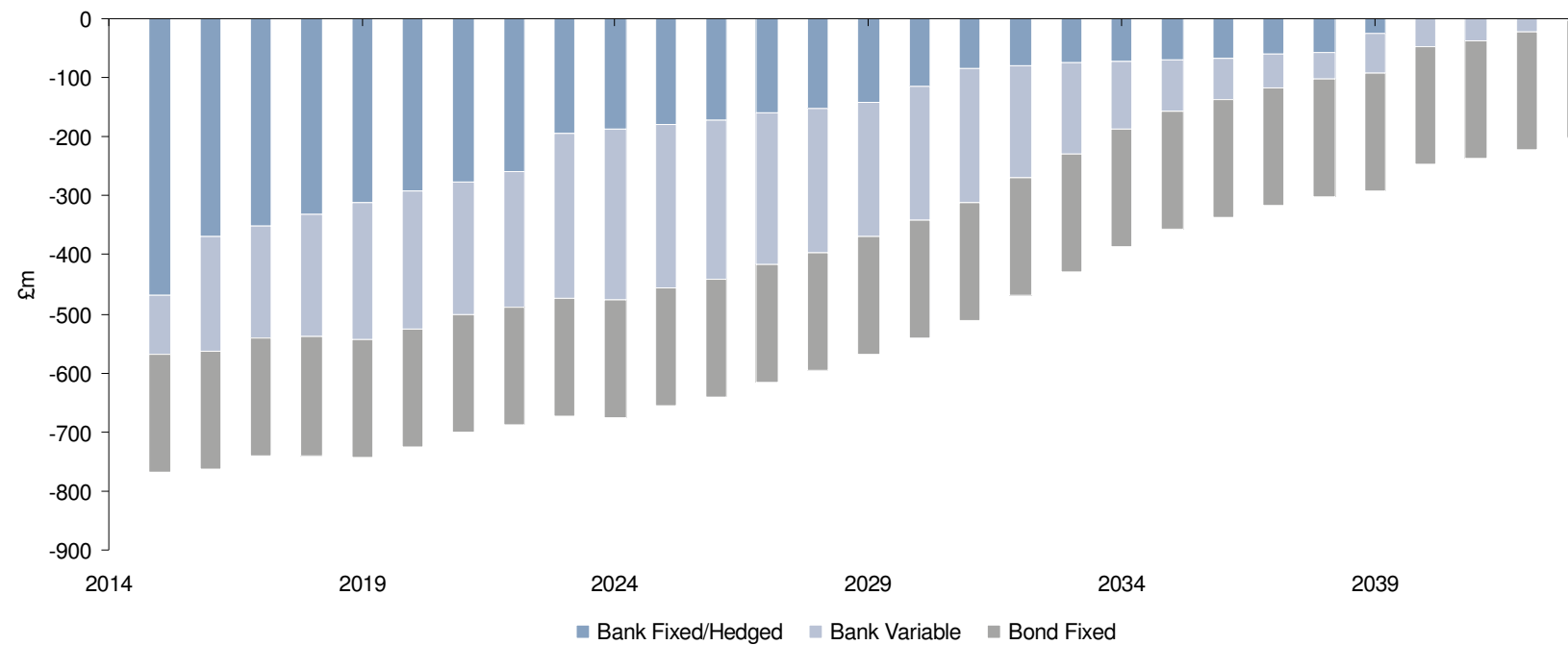
- Aster will maintain a minimum level of liquidity such that there is;
 - sufficient cash and committed loan facilities capable of immediate draw down to cover the next twelve months forecast cash requirement
 - sufficient cash to cover at least the next three months forecast cash requirement
 - and we ensure that we will not place over-reliance on any one counterparty, whether through cash holdings or available facilities

Counterparty Policy – Investments

- Short-term Cash Investments limited to a maximum of £20m subject to suitable credit rating – S&P Short term A1
- Triple AAA Money market funds limited to £20m
- Gilt Repo's (deposits secured by short-dated gilt) no limit

Debt profile split

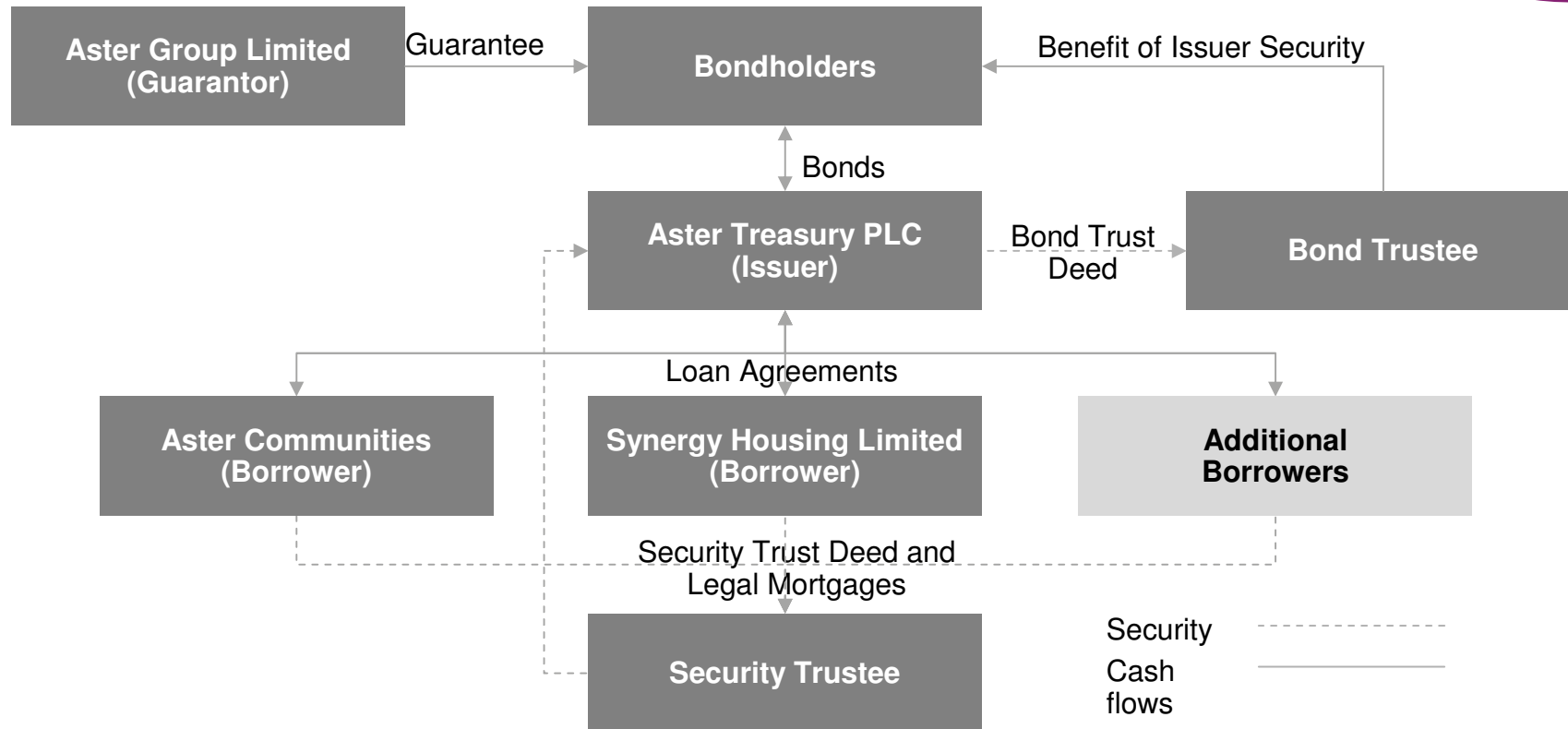
Existing Debt after Bond





Transaction

Structure of the Bond



Note: Any additional Borrowers must be a registered provider, industrial and provident society with charitable rules, and share in the cross guarantee.

Transaction Summary

Transaction Summary		
Issuer	Aster Treasury Plc	
Borrowers	Aster Communities, Synergy Housing Limited	
Guarantor	Aster Group Limited	
Credit Rating	AA-	
Transaction Size	£250m including £50m of retained	
Maturity	[30 years]	
Use of Proceeds	General corporate purposes	
Asset Cover Covenant	105% EUV-SH, 115% MV-STT	
Security	Assets of Aster Communities and Synergy Housing Limited	
Bookrunners	Royal Bank of Scotland	Committed to making markets and creating liquidity in the new bond
	Santander GBM	

Valuation and Security



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Valuation of Bond Security				
		Units	Security (£m)	Security after LTV (£m)
Synergy	EUV	177	10.6	10.1
	MS-STT	684	50.6	44.0
	Sub-Total	861	61.2	54.1
Aster Communities	EUV	1,052	41.5	39.5
	MS-STT	2,400	165.2	143.7
	Sub-Total	3,452	206.7	183.2
Total	EUV	1,229	52.1	49.6
	MS-STT	3,084	215.8	187.7
		4,313	267.9	237.3

Source: Savills, November 2013

Investor Portal



The screenshot shows the Aster Investor Portal website. At the top right is the Aster logo. Below it is a search bar with a 'Go' button and navigation links for 'About us', 'Careers', and 'Contact'. A main navigation bar contains links for 'Home', 'Our green ambitions', 'Projects & initiatives', 'Customers', and 'Media & publications'. The breadcrumb trail reads 'Home / About us / Investor relations'. The main content area is titled 'Investor relations' and includes a 'Welcome' message, 'Our performance' section with links to financial reports, 'Our regulatory judgements', 'Our credit rating', and 'Bond and Security Valuation information'. On the right side, there are two boxes: 'Contact details' listing John Brace and Amanda Williams, and 'Useful links' listing various internal documents. A sidebar on the left contains a 'Welcome' section and a list of navigation links. The footer contains copyright information and links for 'Policies', 'Disclaimer', and 'Privacy'.

- Aster values its ongoing relationships with all of its stakeholders
- We would therefore commit to speak to all our investors at least annually and will make arrangements to meet them all at least once every two years
- In addition, investors would be more than welcome to attend any of our corporate events

Credit highlights



- Very strong market position supported by a conservative management strategy and healthy operational performance
- High demand for social housing in main areas of operation
- Large portfolio, diversified across South and South West England, where Aster experiences high demand and low void levels
- Liquidity sources cover expected uses over the next 12 months by 2.4x
- Aster demonstrates prudent planning and budgeting process

Summary



- Ethical, not-for-dividend regulated business
- Robust and well-managed property portfolio with a proud heritage
- Proven track record of strong financial performance
- Highly professional boards working in partnership with an experienced and talented executive
- Solid operational performance with high levels of customer satisfaction and strong demand
- Well-balanced business development backed by a sector-leading approach to risk management
- Long-term business plan delivering meaningful social value and reliable financial returns



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