

The background of the slide is composed of three geometric sections: a dark purple triangle on the left, a medium purple triangle in the center, and a white triangle on the right. The triangles are separated by diagonal lines.

ASTER

GROUP

Welcome

Aster Investor Meeting

November 2019

Introducing Aster

Introductions

- | | |
|-------------------|--------------------------------|
| • Chris Benn | Group Finance Director |
| • Angela Jamieson | Deputy Finance Director |
| • Jane Gallifent | Development and Sales Director |
| • Paul Morgan | Director of Treasury |
| • Paul Jeffries | Assistant Director of Treasury |

Agenda

- Introductions
- Strategic & Operational update
- Governance and Risk
- Development
- Financial Performance
- Treasury
- Stress testing
- Q&A



Overview and Strategic Update

Chris Benn
Group Finance Director

A quick reflection...

- Another record year for us in 2018/19
- Continued investment in our stock
- Maintained lead sector position in shared ownership





OPERATIONS

- An experienced management team – with key strategic objectives
- Focus on corporate social responsibility
- Proven long term performance

KEY POINTS

- Large portfolio, diversified across South and South West England
- Over 30,000 units owned and managed
- High demand for social housing in main areas of operation

METRICS

- Rating from Standard & Poor's A+ (negative Outlook)
- SCP – A
- Viability V1
- Governance G1

VISION,
PURPOSE AND
CULTURE

- **Everyone has a home**
- **We improve people's lives. We provide safety and security through our reliable landlord services and we supply a wide range of housing options in response to the housing crisis. Our strengths are our people and ethical approach**
- **The Aster Way will support us to develop an even fairer and more inclusive culture, which balances our social purpose and the need to work more commercially**

PRIORITIES

WE WILL ACHIEVE THIS THROUGH

Customer Focus

- Improving customer satisfaction
- Managing our homes proactively
- Using modern digital solutions
- Maximising our income and managing the impact of Welfare Reform

Change Agent

- Working across the priorities of digital and financial inclusion, health and wellbeing and independent living
- Acting as a catalyst to change communities for the better

Housing Options

- Maintaining a strong programme of affordable rented homes
- Supporting housing development in rural communities
- Promoting shared ownership as a mainstream tenure
- Building more new homes through our land-led schemes
- Forging new strategic partnerships

Strategy Growth

- Increasing our financial capacity
- Enhancing our social impact
- Ensuring growing the business never compromises our existing services
- Supporting the delivery of new homes by working with partners and through mergers and acquisitions

Future Proof

- Being known and trusted
- Being prepared
- Being connected
- Being digital
- Being the best we can be

- Acquisitions and Partnerships
 - Seeking acquisitions where they make sense – geographically & financially
 - Centralised management and decision making – means Aster can move quickly when the opportunity arises
- Development programme
 - Financial plan stretches development programme safely
 - Set by the parameters:
 - Net worth, Interest cover, Security, Sales risk
 - Operating margin on social housing lettings >30%

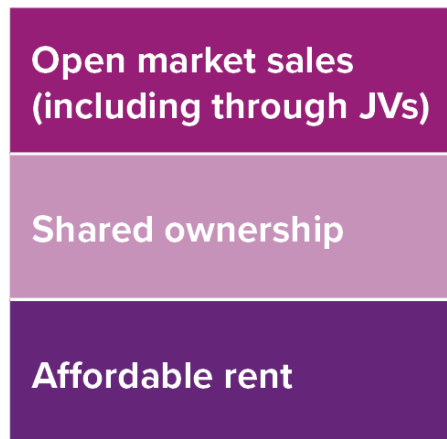
Business critical KPIs

	Target/Limit	Performance - March 19	Position
Profitability – YTD net profit before tax (£000s)	£52,703	£54,977	Ahead of target
Cash availability – secure funding to enable delivery of financial plan and business initiatives	18 months	19 months	Ahead of target
Financial plan metrics – sales exposure to open market sales	50%	27.8%	Within threshold
Unplanned reduction in income – net % profit margin generated from open market sales	11.00%	11.50%	Ahead of target
Health and safety - % gas servicing compliance	100%	99.99%	Within tolerance
Business interruption - % service continuity plans up to date	100%	100%	On target
Total no. of regulatory interventions	0	0	On target

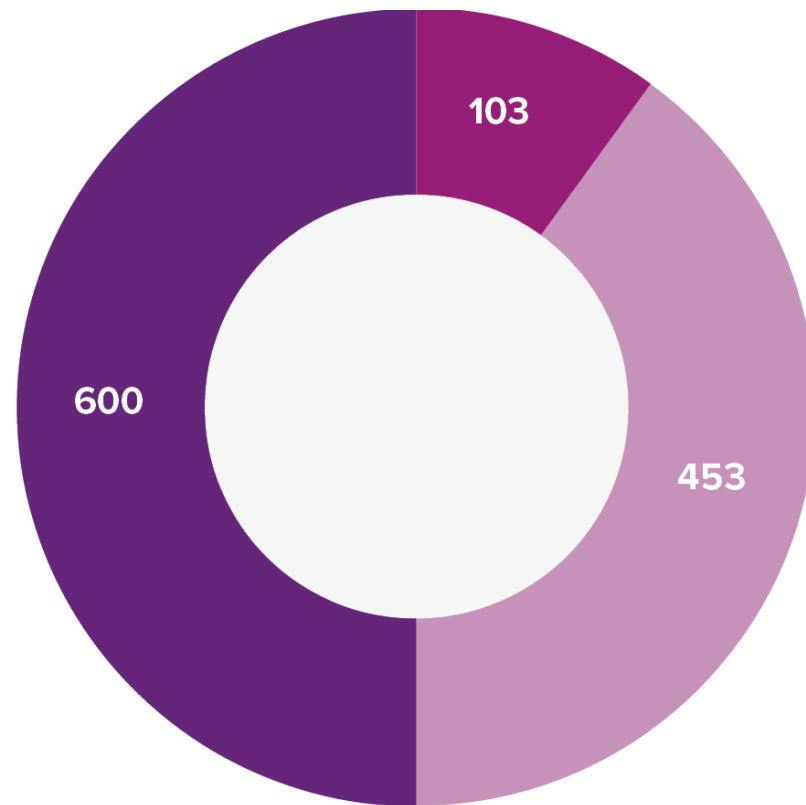




- We invested over £52 million on repairing and maintaining our stock
- 100% of our homes met the Decent Homes Standard
- Safety remains our number one priority
- Managing our assets
- Systems
- Pensions



Total units developed 1,156



Board changes - Executives

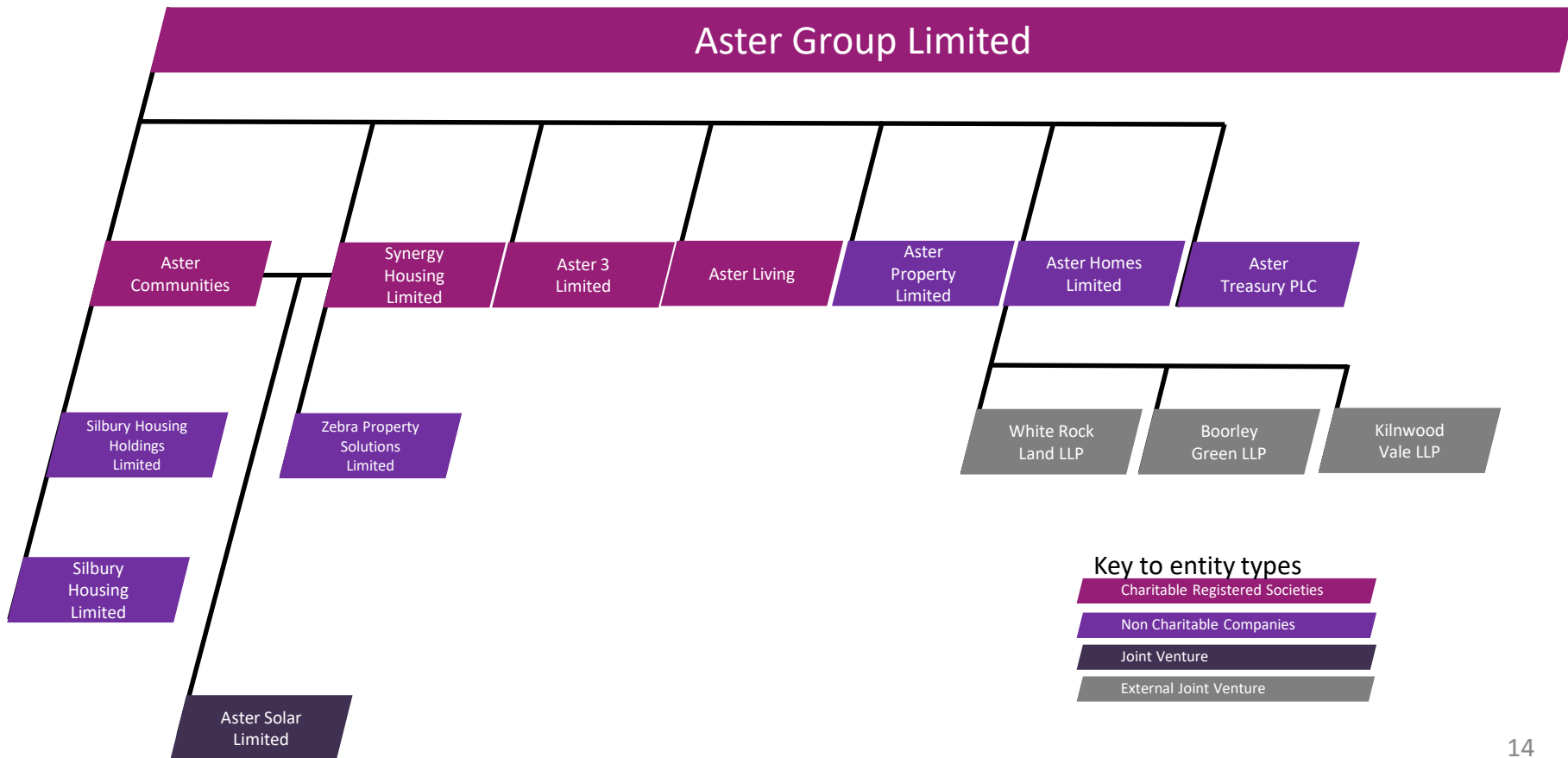
- Michael Reece, Group Operations Director, steps down
1 October 2019

Board changes – Non-Executives

- Various non-executive Board changes

Board changes – Non-Executives

- Andrew Jackson, Group Chair, retired 30 September 2019
- Mike Biles appointed as Group Chair, 1 October 2019



Strategic	<p>Operating Environment – Global and Economic (incl. Brexit)</p> <p>Reputational damage due to significant or sustained high-level crisis events</p> <p>Reputational damage due to lack of positive influence from Aster within the sector</p> <p>Shareholders are disengaged from support of strategic decision making</p>
Financial	<p>Sales risk – sales delayed or fall in sale price</p> <p>Liquidity – the group has insufficient cash to meet its commitments including on-lending</p> <p>Insufficient security available to support funding the Group strategy</p>
Operational	<p>Loss of income/failure of compliance due to lack of understanding of management companies</p> <p>Breach of Cyber Security</p> <p>Landlord H&S compliance issue leading to HSE engagement</p>



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Development Update

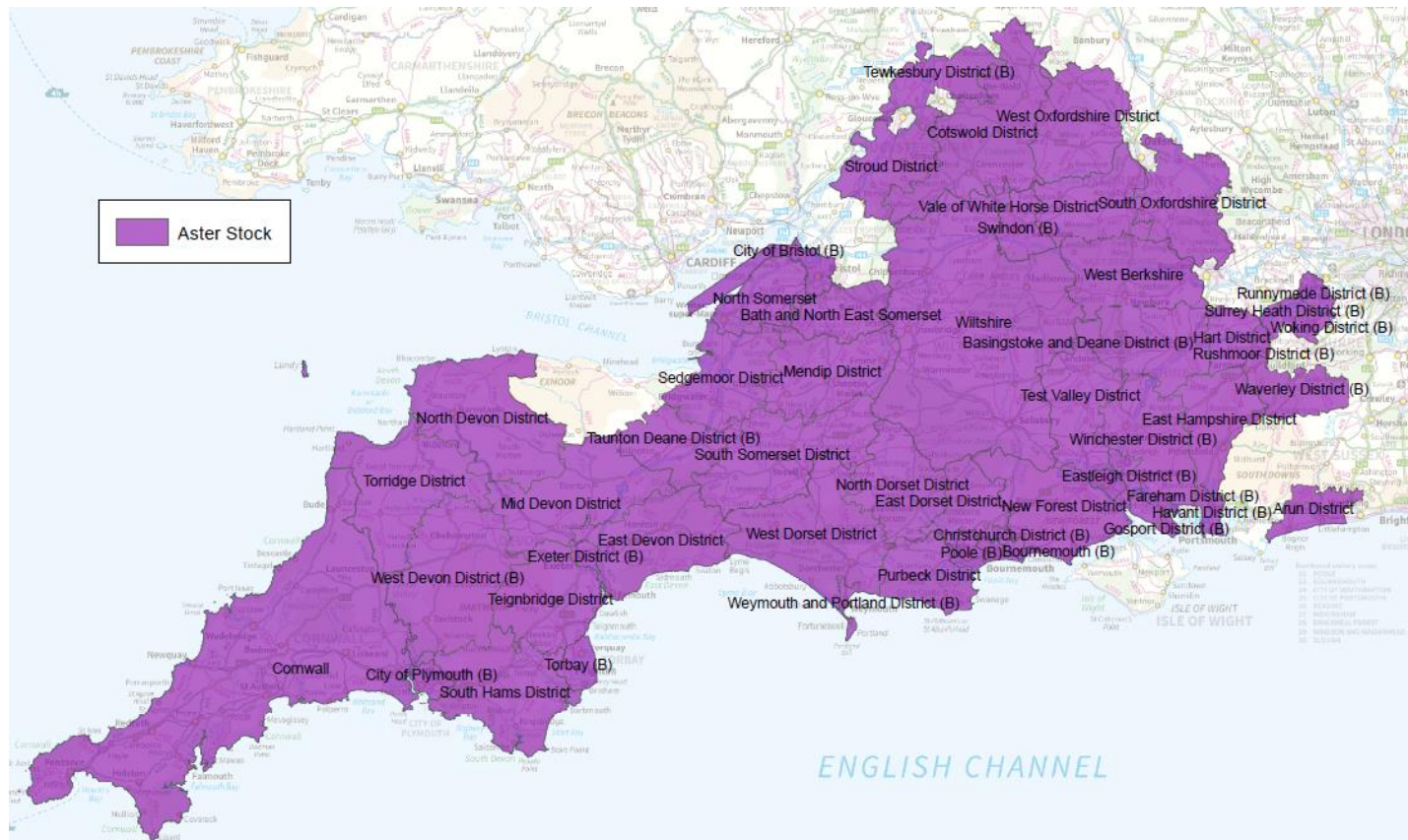
Jane Gallifent
Development and Sales
Director

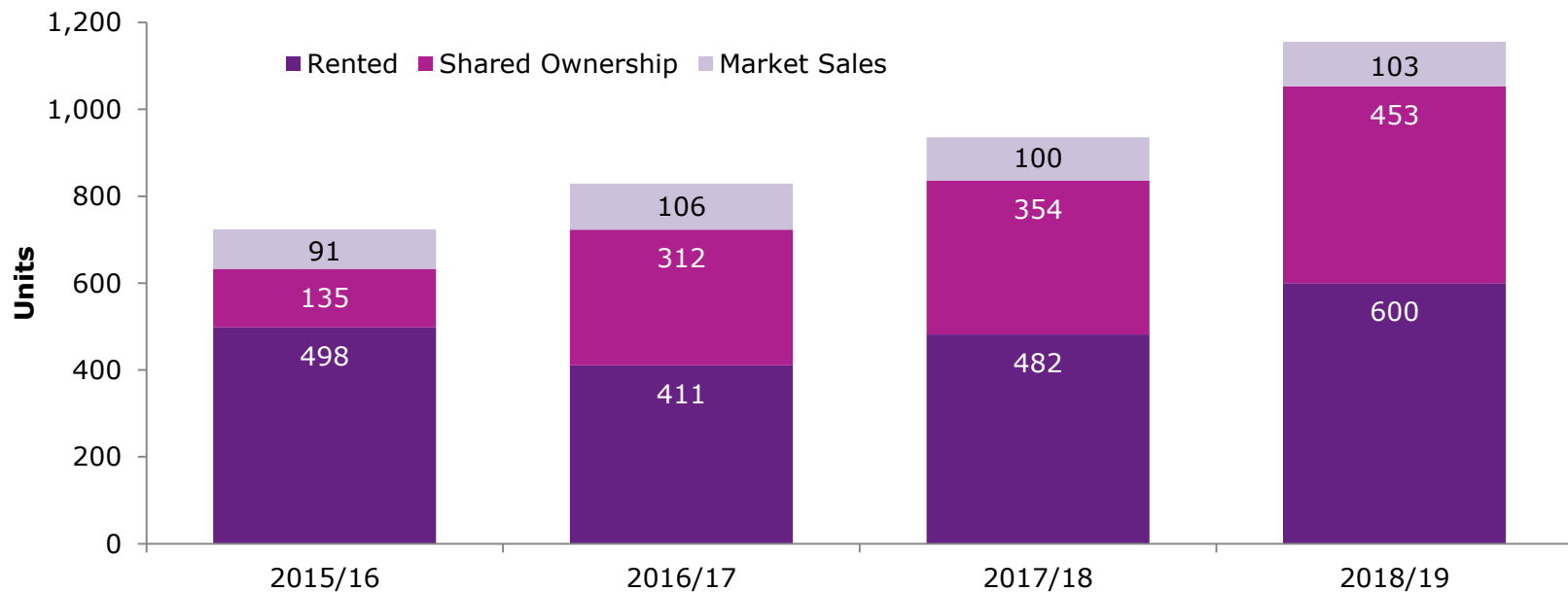
- Retain external profile in market place
- Influence key stakeholders and raise Aster's profile
- Balanced programme of rent and S/O
- Build upon our now established land led programme
- Focus on locations with good sales rates
- Predominance of market sale through JVs
- Pursue strategic partnership opportunities

- Increasing stock holding in new growth areas
- Contractual pipeline of S106 homes
- Continued focus on land acquisition
- Land led pipeline
- Conditional planning consent
- Control of tenure and quality
- Strong partnership collaboration
- Secure financial backing (CME Flex)



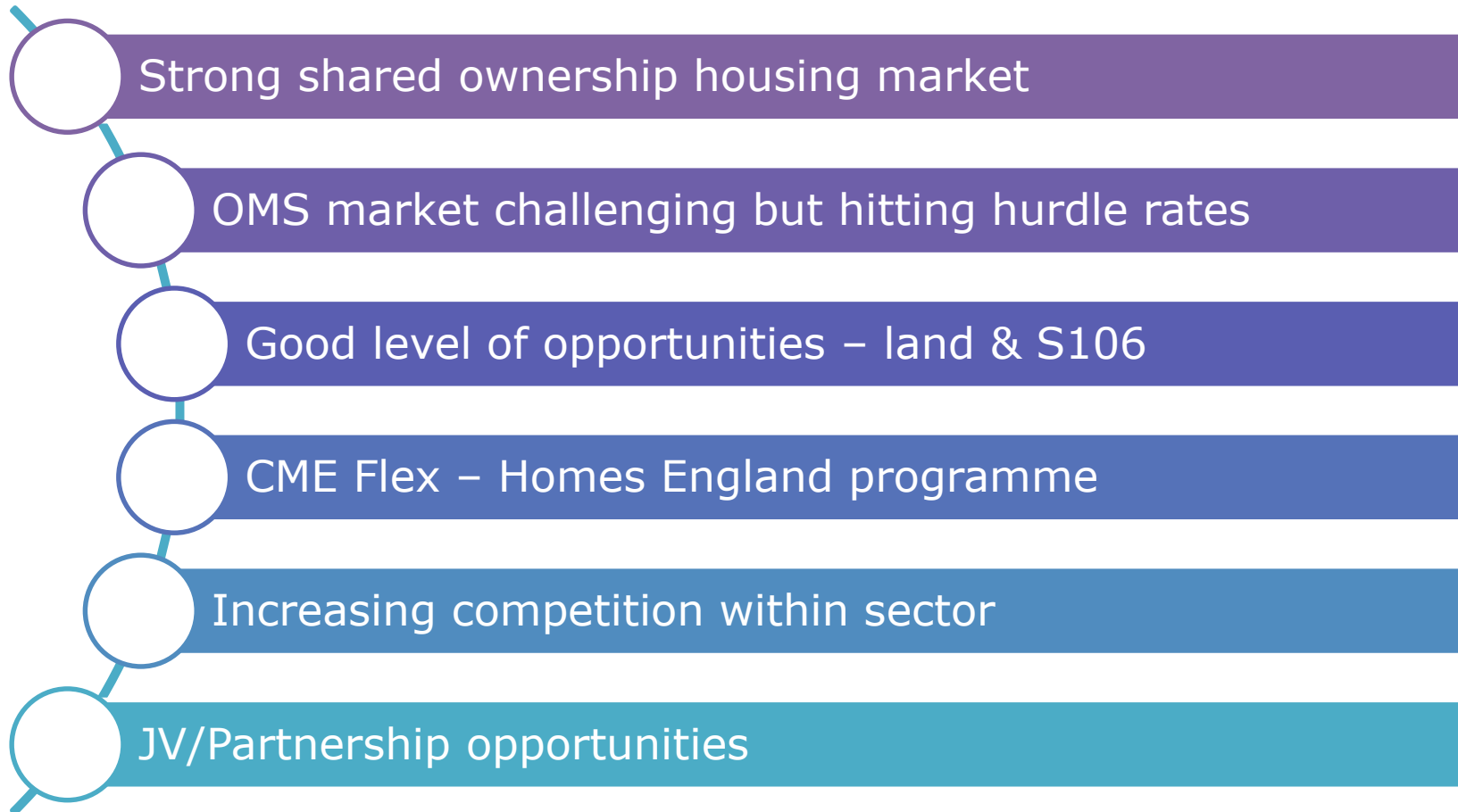
Aster operating Local Authorities





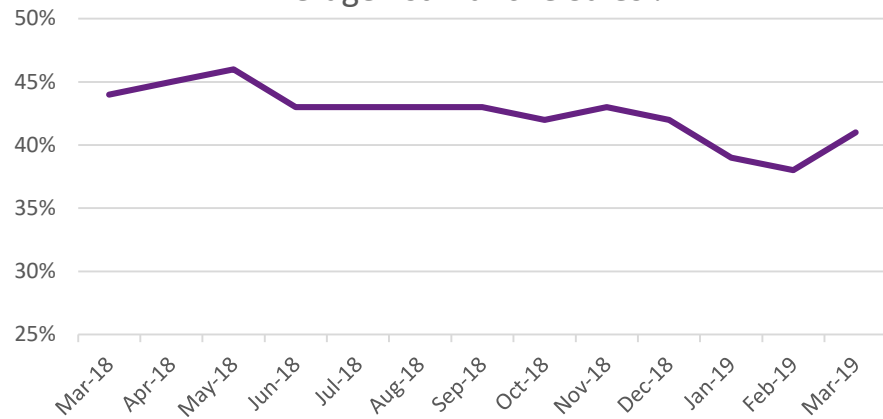
Development expenditure	£84m	£118m	£180m	£178m
Gearing	63%	59%	60%	56%

- 3 x LLPs with Galliford Try (Linden Homes)
 - White Rock LLP, Boorley Green LLP & Kilnwood Vale LLP
- 4 sites in the South West, 1 in West Sussex and 1 in Hampshire
- 1,480 homes
- No change from last year – plenty of opportunities

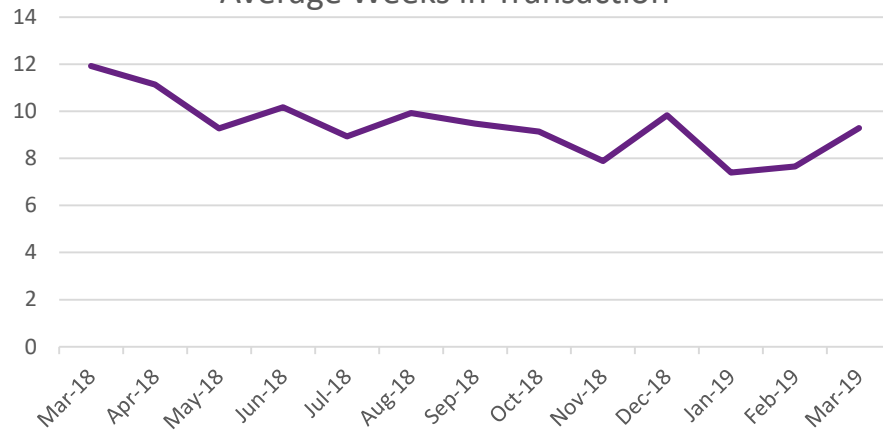


- Average SO 1st tranche share consistent at 40-41%
- Seeing strong demand through consistent reservations
- Continuing the customer led service in terms of:
 - Opening hours
 - Modes and method of communication
 - Shared ownership market leader
- 28 lenders in the market with very competitive offers:
 - Skipton and Virgin – 95% LTV with a 2.81% interest rate
 - Other lenders rates are shifting to compete
- Success in new areas and new markets such as Sussex and Surrey

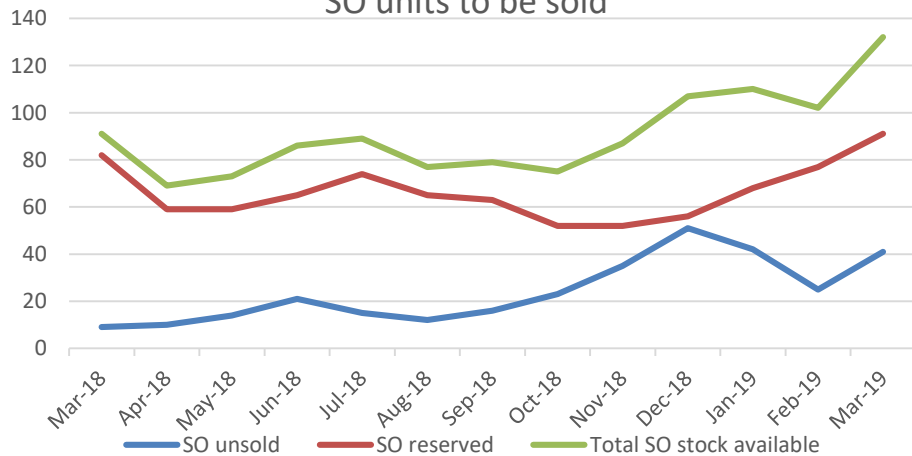
Average 1st Tranche Sales %



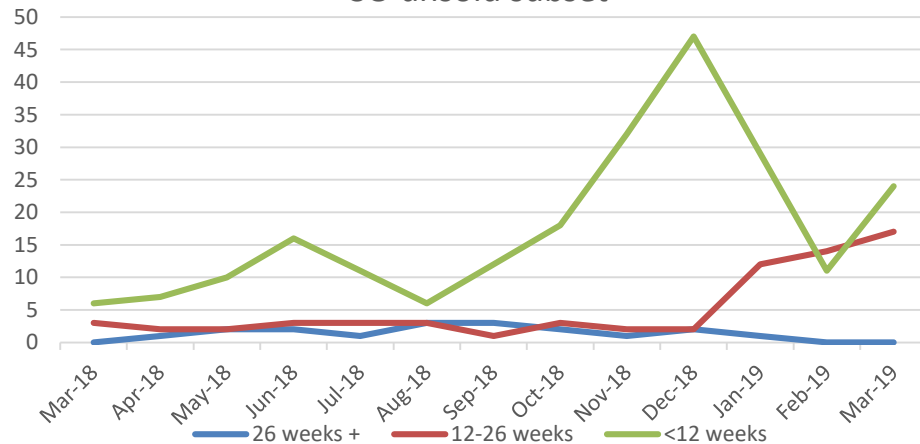
Average Weeks in Transaction



SO units to be sold



SO unsold subset



Key risks



Government policy changes and uncertainty



Increasing build costs – labour, materials & availability



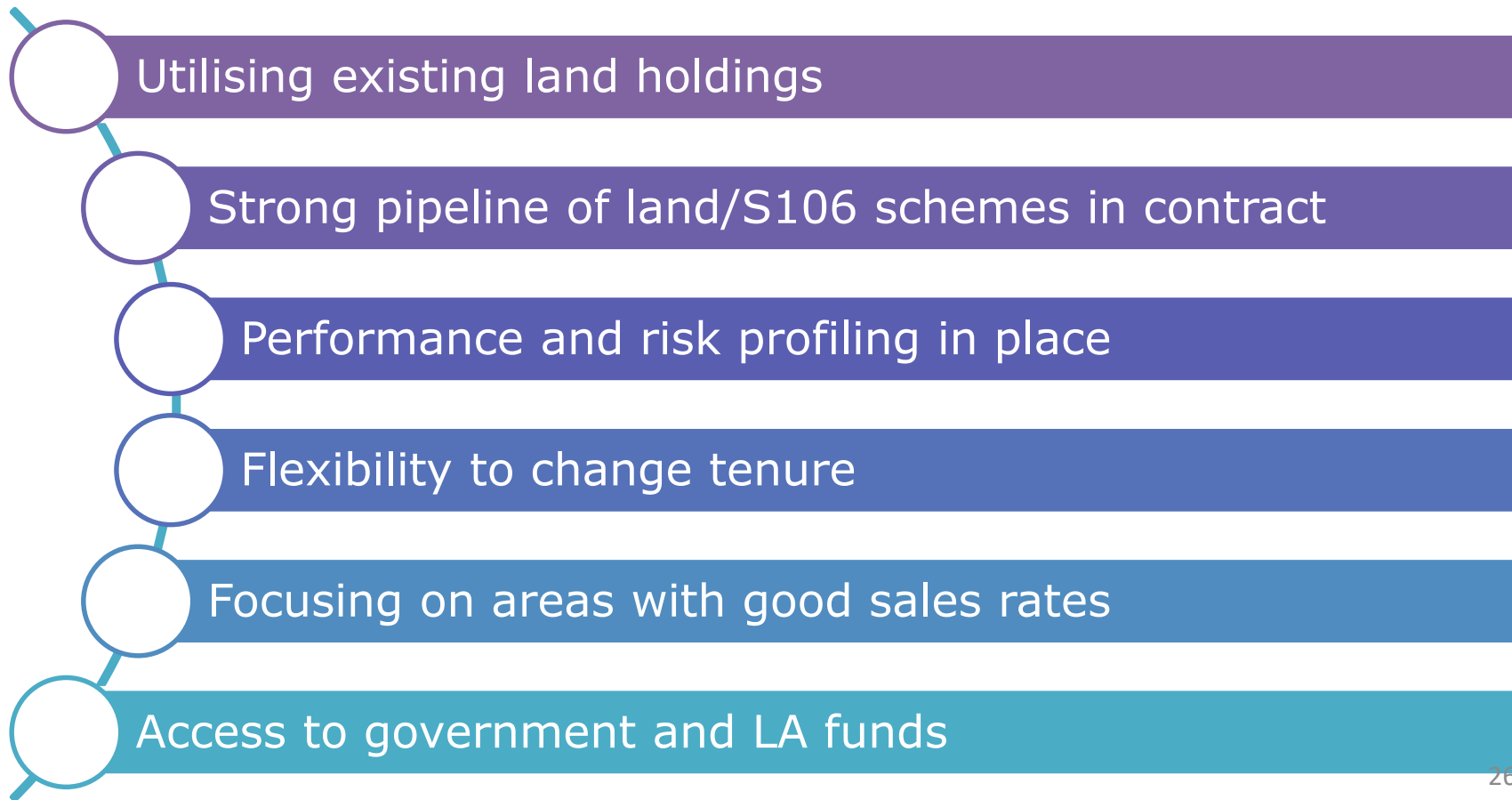
Increased competition; heated market



Housing market stagnation/collapse



Planning – resources (applications and condition sign offs)







Financial Performance

Angela Jamieson
Deputy Director of Finance

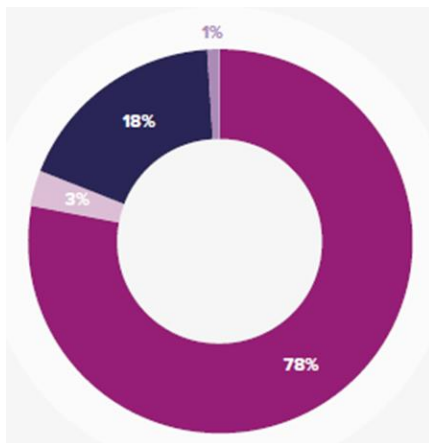
Aster Group 2018/19 results

£000s	2019	2018	Variance	Budget
Rent	154,319	152,142	2,177	154,492
Shared ownership sales	42,237	36,334	5,903	39,480
Other income	15,380	16,252	(872)	14,880
Turnover	211,936	204,728	7,208	208,852
Management costs	(28,053)	(29,652)	1,599	(30,102)
Property costs	(75,414)	(68,991)	(6,423)	(75,318)
Shared ownership costs	(34,867)	(30,742)	(4,125)	(32,323)
Other costs	(14,255)	(18,045)	3,790	(12,166)
Surplus on sale of assets	17,638	14,594	3,044	14,612
Operating Profit	76,985	71,892	5,093	73,555
Net interest	(24,516)	(23,848)	(668)	(23,152)
Share of joint venture profit	1,183	1,155	28	2,300
FV mvt in investment properties	1,325	445	880	0
Profit before tax for Year	54,977	49,644	5,333	52,703

Profit for the Year 2018	£000s	£000s	Operating Costs	
		49,644	Employment Costs	401
Rental Income	3,316		Other Management Costs	1,198
Void Loss	(36)		Maintenance Costs	(5,649)
Service Charge Income	(1,103)		Service Charge Costs	(450)
Shared Ownership Sales	5,903		Bad Debts	697
Open Market Sales	1,272		Depreciation	(1,021)
Other	<u>(2,144)</u>		Shared Ownership Costs	(4,125)
		7,208	Open Market Costs	(1,188)
			Impairments	3,622
			Other	1,356
			Surplus on sale of assets	3,044
				(2,115)
			Net Interest	(668)
			Share of joint venture profit	28
			FV Movements	<u>880</u>
			Profit for the Year 2019	54,977

Revenue split 2019...

2018



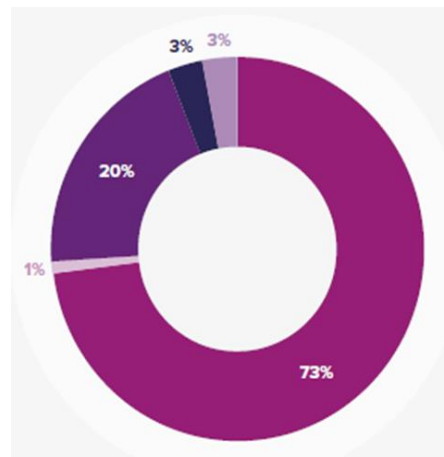
Provision of affordable housing

First tranche shared ownership

Care & Support income

Other income

2019



Provision of affordable housing

Outright sales

First tranche shared ownership

Care and support income

Other Income

Aster revenue by business...

£000s	March 19	March 18	Increase/ (decrease)
Aster Communities	138,346	130,071	8,275
Synergy Housing	67,140	66,099	1,041
Aster 3 Limited	1,108	-	1,108
Aster Homes Limited	86,793	97,618	(10,825)
Aster Living	4,661	7,551	(2,890)
Aster Property Limited	64,728	61,294	3,434
Aster Group Limited	21,336	19,493	1,843
Other	1,891	2,165	(274)
	386,003	384,291	1,712
Consolidation adjustment	(174,067)	(179,563)	5,496
Total	211,936	204,728	7,208

£000s	March 19	March 18	Increase/ (decrease)
Aster Group Ltd	9,631	9,156	475
Aster Communities	16,374	24,423	(8,049)
Synergy Housing	16,577	12,753	3,824
Aster 3 Limited	9,454	0	9,454
Aster Homes	2,613	3,604	(991)
Aster Living	(66)	(214)	148
Aster Property	551	1,274	(723)
Silbury Housing	269	273	(4)
White Rock LLP	485	620	(135)
Boorley Green LLP	937	535	402
Kilnwood Vale LLP	(239)	-	(239)
Other	(1,609)	(2,780)	1,171
Total	54,977	49,644	14,154

Included in shared ownership sales

- 409 (2018: 380) first tranche shared ownership (Profit £7.4m)

Included in other income

- 10 (2018: 4) open market sales (Profit £0.2m)



Reported through £17.6m surplus on sale of assets:

- 88 (2018: 75) stair-cased properties (surplus £2.2m)
- 29 right to buy and 5 right to acquire (surplus £0.4m)
- Other disposals (total proceeds £19.8m) including void disposal, stock option appraisal, commercial and land (surplus £15.0m).

Balance sheet

£000s	March 19	March 18
Housing Assets	1,585,672	1,473,779
Other Fixed Assets	41,757	40,531
Other Non Current Assets	82,360	81,435
	1,709,789	1,595,745
Debtors	29,375	18,416
Properties Held for Sale & inventories	31,931	26,774
Cash	131,986	101,075
	193,292	146,265
Current Liabilities	(73,918)	(62,736)
Net Current Assets	119,374	83,529
Total Assets less Current Liabilities	1,829,163	1,679,274
Loans and Long Term Liabilities	(995,884)	(905,596)
Pension Liabilities	(45,015)	(33,202)
	(1,040,899)	(938,798)
Net Assets	788,264	740,476
Profit and Loss Reserve	407,899	353,566
Revaluation Reserves	399,582	404,633
Other Reserves	(19,217)	(17,723)
	788,264	740,476

£000s	March 19	March 18
Cash flow from operating activities	151,831	152,102
Taxation (paid) / received	(75)	(39)
Investing activities:		
Acquisition/construction housing	(178,022)	(180,039)
Purchase other assets	(2,618)	(2,055)
Other investing activities	(1,187)	1,228
	(181,827)	(180,866)
Financing activities:		
Interest paid	(34,045)	(27,600)
New loans	124,861	50,000
Repayment of borrowings	(29,834)	(1,394)
	60,982	21,006
Increase / (Decrease) in cash	30,911	(7,797)

		Aster Communities	Synergy
Interest Cover	Actual	195%	217%
=PBT / Interest	Target>	100%	100%
Net Worth	Actual	58%	59%
=(Net Debt + Pension Deficit) /EUV-SH Housing Stock	Target<	75%	75%

Consolidated 5 year P&L

£000s	2019	2018	2017	2016	2015
Rent	154,319	152,142	148,436	143,436	137,793
Shared ownership sales	42,237	36,334	20,752	15,618	15,119
Other income	15,380	16,252	21,381	19,928	21,969
Turnover	211,936	204,728	190,569	178,982	174,881
Operating costs	(117,722)	(113,066)	(107,043)	(104,953)	(110,103)
Shared ownership costs	(34,867)	(30,742)	(19,177)	(14,831)	(14,276)
Impairment	0	(3,622)	91	(3,144)	(49)
Surplus on sale of assets	17,638	14,594	3,694	1,982	96
Operating Profit	76,985	71,892	68,134	58,036	50,549
Net interest	(24,516)	(23,848)	(25,248)	(25,063)	(24,063)
Share of joint venture profit	1,183	1,155	734	635	(600)
FV mvt in investment prop.	1,325	445	482	482	2,539
Profit before tax for Year	54,977	49,644	44,102	34,090	28,425

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Treasury

Paul Morgan
Director of Treasury

- S&P credit rating – A+ rating maintained. Outlook updated to negative.
- Two retained bond issues - £40m nominal (£49m proceeds)
- £40m from MORhomes sector aggregator
- Completed £60m of new revolvers
- Completed covenant transition to FRS102

- Including PFI as at 31 March 2019

£1,123m of facilities

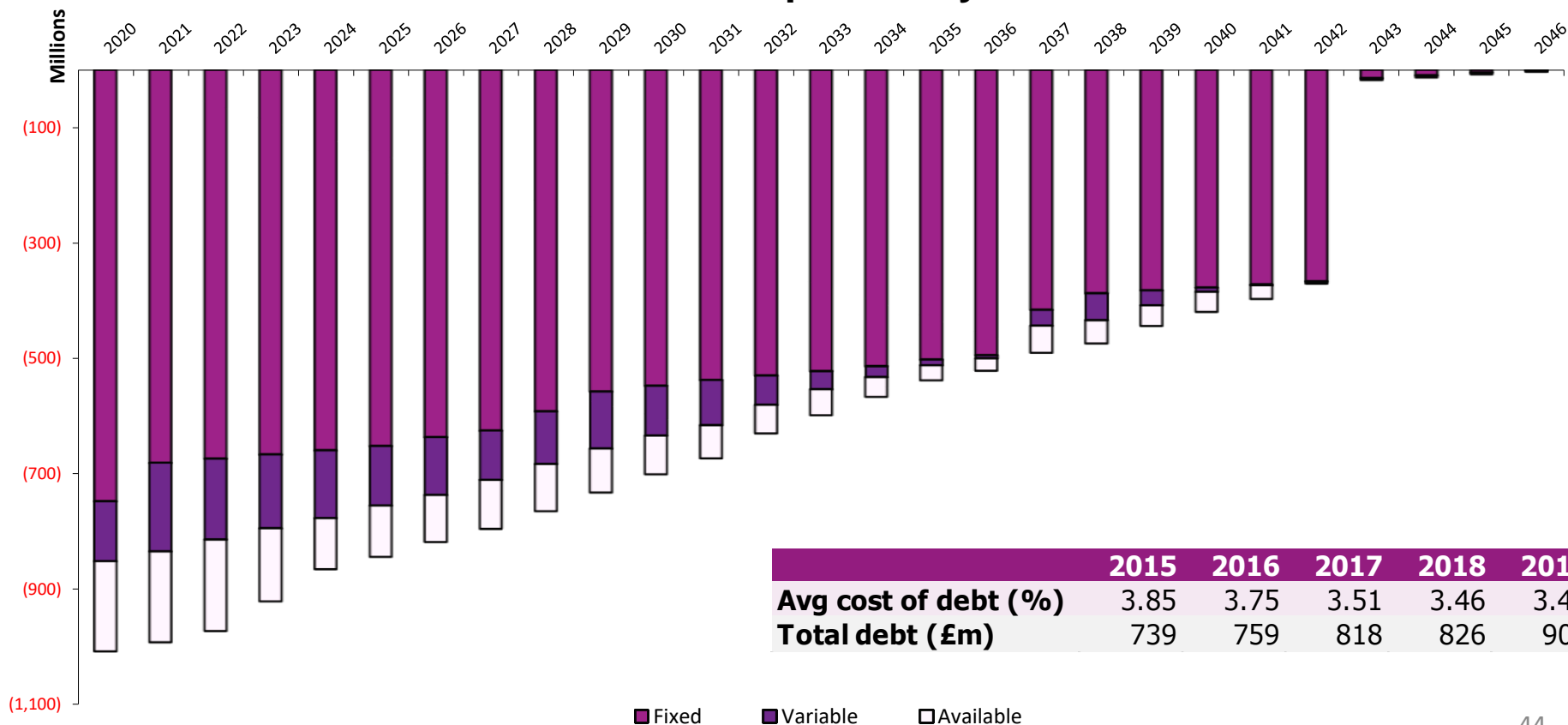
£947m drawn (incl. PFI)

£173m available

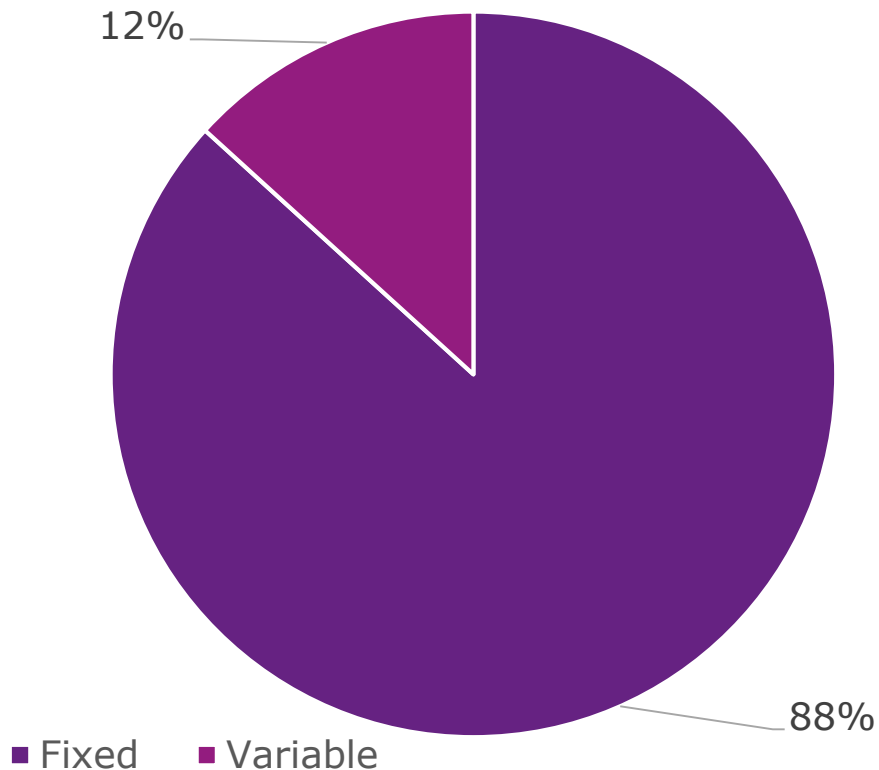
£132m cash, £2.5m overdraft

- Policy – sufficient committed facilities for at least 12 months and available cash for 6 months of committed spend. (Temporary extension to 15 months covering Brexit risk)
- Cash position as at 31 March 2019 – £132m
- Undrawn committed facilities of £173m (£136m available for immediate drawdown)
- Cash margin call – nothing as at 31 March 2019, further fall in the yield curve of 100bp's would lead to further call of £9.2m

Total Group Maturity Profile



Fixed/ Variable Split excl PFI

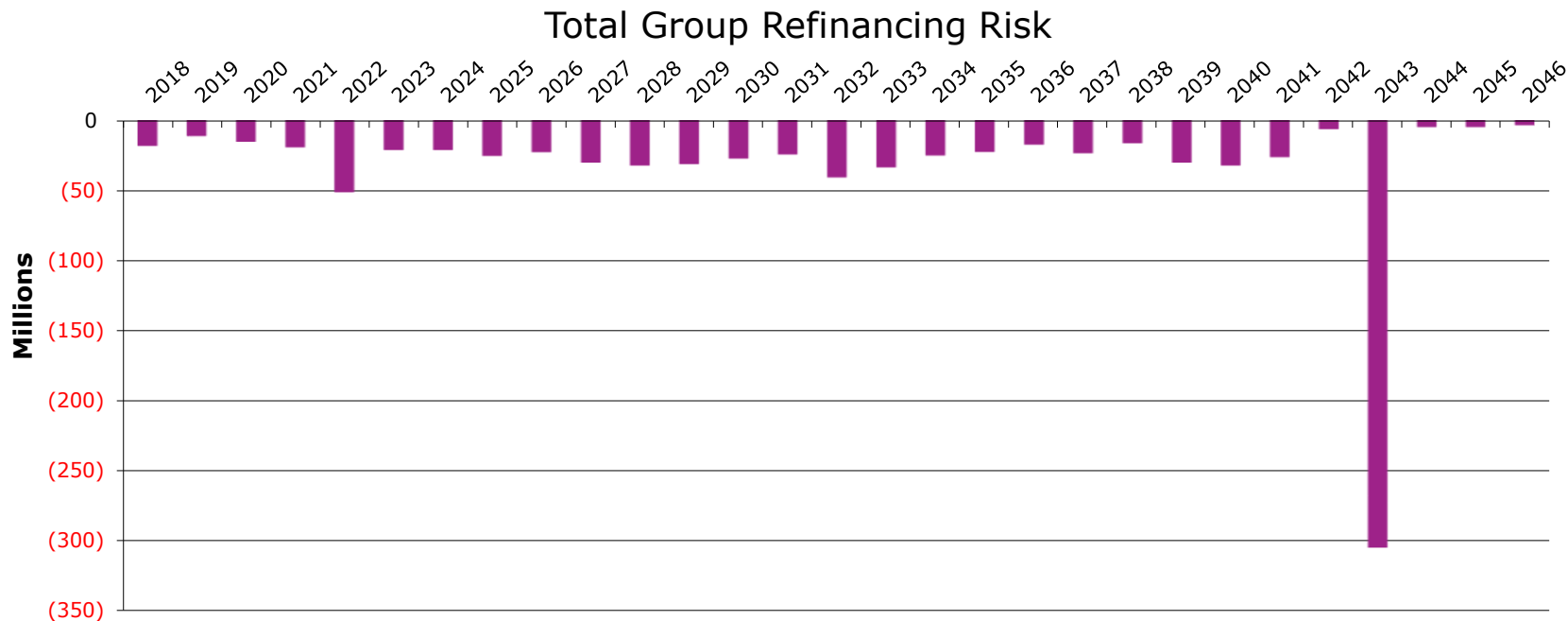


Fixed £799m

Variable £109m

Total £908m

Re-financing Risk (existing debt excl PFI)



Group Policy (debt repayable):

<15% in 12 month period
<35% over five year period

Group Actual (debt repayable):

<1.6% in 12 month period
<14% over five year period

- Group has £279m after LTV of surplus security (EUV-sh 105% and MV-t basis 115%) versus drawn debt
- Total Group unencumbered assets are £221m (based on a £50k valuation average)
- 10% contingency of all funding facilities
- Pro-active approach to ensure development properties are available for charging on a timely basis for funding

- Considering unsecured funding options
- Sale of retained bonds
- Considering funding options for raising debt in 2020



Stress testing

Paul Jeffries

Assistant Director of
Treasury

Internal Assurance

Regulation – Governance and Viability Standard

Macro Environment

1. Property market downturn
2. Property market downturn with a £10m cash loss
3. Property market downturn with interest rate rise
4. Further rent regime changes
5. 10 year significant inflation (Bank of England scenario)

1. BREXIT
2. Change of Government
3. Interest rate sensitivity

The scenarios can be mitigated using a combination of factors which include a reduction of:

- generic development units
- cost savings
- sales generating liquidity and/or additional funding

- Group Board
 - Financial plan
 - Financial plan updates

- Group Investment Panel
 - Development metrics
 - Sales risk model

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Summary

Chris Benn

Group Finance Director

- Experienced Board and Executive Team
- Strong financial performance to date
- Well placed to meet the future challenges and risks

Thank you
Questions