

Investor Presentation

4 December 2018

ASTER

GROUP

Introduction,
strategic update and
governance

Chris Benn
Group Finance Director

- ☆ Strong operational performance
- ☆ Significant effect on customers
- ☆ £50m profit (16/17 - £44m), resilient business
- ☆ Increased development. Completions 17/18 (excluding JV's) = 839 v 16/17 = 723 (excluding JV's)
- ☆ Peers/Competitors – large developing housing groups outside London in the south. New for profit RP's



- ☆ Continue to focus on
 - maintaining assets
 - building new social housing properties
 - providing services to customers
- ☆ Vision – everyone has home.
- ☆ Balance risks v rewards.
- ☆ Rent regime certainty
- ☆ Exiting care and support



- ✧ De-regulation, continues to be a good thing for the sector.
- ✧ Growth strategy – merger opportunities, but not at any cost.
Development move east.
- ✧ Political uncertainty/Brexit – scenario testing/contingency planning.



- ☆ We assume a reasonably stable UK economy with stable inflation and interest rates.
- ☆ Brexit neutral except in the case of a hard Brexit –possible opportunities?
- ☆ Brexit strategy and mitigations
 - Brexit position paper looking at mitigations
 - Liquidity– increase liquidity by March 2019 by an additional 3 months
 - Delayed sales strategy either to reduce prices and sell, or immediately switch tenure
 - Other mitigations, cost reductions, asset sales.

- ☆ Board control through financial planning and scenario testing
- ☆ Board Living Business Plan – two additional plans per year with updated development data
- ☆ Property market
 - Board and Executive Board reports and KPI's
 - Open market sales – risk sharing through JV's
 - Investment Panel monitoring monthly
 - Void disposal programme, new development only committed once receipts are received
- ☆ Pension consultation on defined benefit schemes

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Risk Update

Chris Benn
Group Finance Director

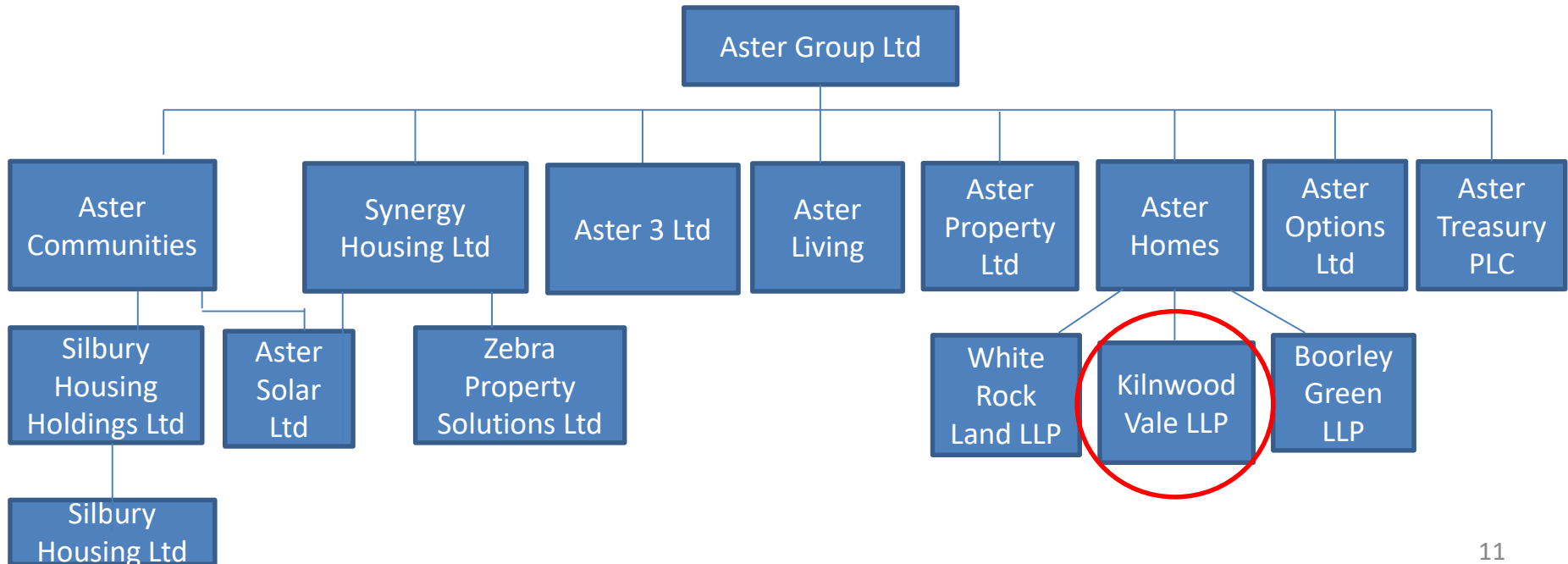
Rank	Risk Title	Risk Type
1	Operating Environment – Global and Economic (inc Brexit)	Hazard
2	Breach of Cyber Security	Operational
3	Void Disposal Pool Programme - Significant event/s impact on forecast Yr2 income	Financial
4	Landlord H&S compliance issue leading to HSE engagement	Operational
5	Reputational damage due to significant or sustained high-level crisis events.	Strategic
6	H&S compliance issue leading to HSE engagement	Operational
7	Reputational damage due to lack of positive influence from Aster within the sector	Strategic
8	Shareholders are disengaged from support of strategic decision making.	Strategic
9	Liquidity - the group has insufficient cash to meet its commitments including on-lending	Financial
10	Insufficient security available to support funding the Group strategy	Financial
11	Sales risk - sales delayed or fall in sales price	Financial



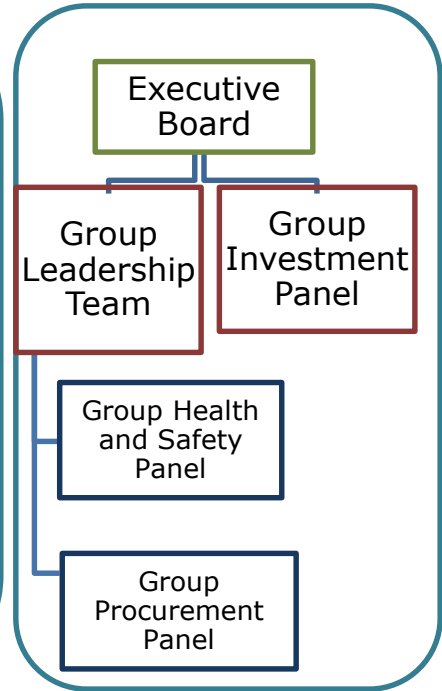
Governance

Chris Benn
Group Finance Director

- ☆ The Group continues to operate the “Overlap Boards” structure that it introduced in 2014.
- ☆ The Group structure remains the same, except for the new Kilnwood Vale LLP Joint Venture.



**All Companies above are supported by the Committees below and the Executive Board
(coherent governance and assurance is provided by the reporting lines outlined in the delegation matrix)**



- G1 & V1 regulatory position
- Monthly Board meetings
- Monthly business critical KPI's
- Quarterly performance reports
- Delegation matrix
- Altair review of governance structure

☆ **Overlap Boards**

- Chair - Andrew Jackson (Non-Executive Director (NED))
- Senior Independent Director – Mike Biles (NED)
- Caroline Wehrle (NED)*
- Steve Trusler (NED)
- Andrew Kluth (NED)
- Tracey Peters (NED)*
- Mike McCullen (NED)*
- Clive Barnett (Co-opted member)*
- Bjorn Howard (Executive Director)
- Michael Reece (Executive Director)
- Amanda Williams (Executive Director)

* Newly appointed

☆ **Executive Board**

- Bjorn Howard Group CEO
- Michael Reece Group Operations Director
- Amanda Williams Group Development Director
- Chris Benn Group Finance Director
- Dawn Fowler-Stevens Group Growth & Assurance Director
- Rachel Credidio Group People & Transformation Director
- Graeme Stanley Group Strategy Director

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Financial Performance

Hadyn Beazer
Deputy Finance Director

Group Results

March 2018

Aster Group P&L 31 March 2018

£'000s	2018 Actual	2018 Budget	Variance	2017 Stat Accts
Rent	152,142	153,297	(1,155)	148,436
Open Market Sales	935	-	935	4,031
Other	51,651	47,128	4,523	38,102
Income	204,728	200,425	4,303	190,569
Direct costs	(147,430)	(150,320)	2,890	(126,129)
Op. Profit	57,298	50,105	7,193	64,440
Increase in FV investment props	445	-	445	482
Share of profit in JVs	1,155	2,708	(1,553)	734
Interest	(23,848)	(22,599)	(1,249)	(25,248)
Profit after Interest	35,050	30,214	4,836	40,408
Sale of Assets	14,594	5,276	9,318	3,694
Profit for Year before tax	49,644	35,490	14,154	44,102

Profit Bridge - 2018

	£000	£000
Budgeted Net Profit		35,490
Turnover		
Rental Income (incl voids)	(661)	
Service charge income	(494)	
First Tranche sales	2,553	
Open market sales	935	
Other	1,970	
Cost of Sales		4,303
Employment Costs	274	
Response and Major Repairs	802	
Capitalised Major Repairs (Components)	4,987	
Service Charge Costs	(492)	
Property Depreciation & Impairment	(3,093)	
Business support costs	(2,442)	
Bad Debts	1,449	
First Tranche costs	1,889	
Open market sale costs	(796)	
Other	312	
		2,890
Increase in FV of investment properties		445
Share of profits in JVs		(1,553)
Interest		(1,249)
Profit from property asset sales		9,318
Actual profit before tax		49,644

Reported through other income (£5.7m):

- 380 1st tranche shared ownership £5.6m profit, 15.4% margin
- Open market sales (4 units sold, profit £0.1m)

Reported through asset disposals (£14.6m):

- 113 disposals through VDP & SOAP £11.6m profit
- 75 stair-casing £2.8m profit
- 45 right to buy/right to acquire £0.2m profit

JVs:

- White Rock 58 units and Boorley Green 35 units

Aster Group - Actual revenue by business

£'000s	Actual	Budget	Variance
Aster Communities	130,072	124,740	5,332
Synergy Housing	66,099	66,250	(151)
Zebra Property	76	75	1
Aster Homes	97,155	72,620	24,535
Aster Living	7,551	8,505	(954)
Aster Property	61,294	61,477	(183)
Silbury Housing	1,560	1,503	57
Other	529	586	(57)
	364,336	335,756	28,580
Consol Adj	(159,608)	(135,331)	(24,277)
Total	204,728	200,425	4,303

£'000s	Actual	Budget	Variance
Aster Group Ltd	10,339	-	10,339
Aster Communities	24,446	21,647	2,799
Synergy Housing	12,753	10,449	2,304
Zebra Property	175	16	159
Aster Homes	3,710	229	3,481
Aster Living	(214)	501	(715)
Aster Property	1,304	1,293	(11)
Silbury Housing	222	152	70
White Rock LLP	561	1,725	(1,164)
Boorley Green LLP	535	983	(448)
Other	(4,103)	(1,505)	(1,658)
Total	49,728	35,490	14,238

Aster Group Balance Sheet at 31 March

£000's	2018	2017
	Actual	Actual
Housing properties	1,473,779	1,365,719
Other Assets/(liabilities)	205,495	228,423
Total Net Assets	1,679,274	1,594,142
Loans & Long Term Liabilities	938,798	912,924
Revaluation Reserve	404,633	409,214
Accumulated Surplus	335,635	271,796
Other Reserves/Provisions	208	208
Total Capital	1,679,274	1,594,142
Completed Housing EUV-SH	1,377,510	1,270,710

£000's	2018	2017
	March	March
Cash flow from operating activities	126,003	114,637
Taxation (paid) / received	(39)	-
Investing activities:		
Acquisition/construction	(180,039)	(120,405)
Sale proceeds	26,297	10,580
Other	(1,025)	(7,433)
	(154,767)	(117,258)
Financing activities:		
Interest paid	(27,600)	(30,050)
New loans	50,000	100,000
Repayment of borrowings	(1,394)	(40,200)
	21,006	29,750
Increase / (Decrease) in cash	(7,797)	27,129

Historical trending

Historical financial performance

	UK GAAP	FRS 102	FRS 102	FRS 102	FRS 102
£'000s	2014	2015	2016	2017	2018
Turnover	151,803	157,656	160,145	165,786	167,459
First Tranche Shared Ownership	7,563	15,119	15,618	20,752	36,334
Open market sales	342	2,106	3,219	4,031	935
PFI Finance debtor	35,422	-	-	-	-
Turnover	195,130	174,881	178,982	190,569	204,728
Operating costs	(108,507)	(108,269)	(101,804)	(103,996)	(112,270)
First Tranche Shared Ownership	(4,873)	(14,276)	(14,831)	(19,177)	(30,742)
Open market sales costs	(300)	(1,834)	(3,149)	(3,047)	(796)
PFI operating cost	(35,422)	-	-	-	-
Operating Profit	46,028	50,502	59,198	64,349	60,920
Impairment	-	(49)	(3,144)	91	(3,622)
Operating Profit after impairment	46,028	50,453	56,054	64,440	57,298
Profit on disposal of PPE	768	96	1,982	3,694	14,594
Share of profit / (loss) in JVs	(219)	(600)	635	734	1,155
Increase in fair value of investment properties	-	2,539	482	482	445
Profit before interest and tax	46,577	52,488	59,153	69,350	73,492
Interest receivable	2,437	3,729	4,265	4,564	4,605
Interest payable	(18,927)	(26,288)	(28,251)	(28,624)	(27,482)
Other finance income/(costs)	(841)	(1,504)	(1,077)	(1,188)	(971)
Profit before tax	29,246	28,425	34,090	44,102	49,644
Tax	(78)	(15)	(100)	77	84
Profit for the year	29,168	28,410	33,990	44,179	49,728
Exceptional (cost)/ income	-	-	-	-	-
Statutory profit for the year	29,168	28,410	33,990	44,179	49,728

Historical financial performance

	UK GAAP	FRS 102	FRS 102	FRS 102	FRS 102
£'000s	2014	2015	2016	2017	2018
Total fixed assets	1,196,946	1,279,032	1,344,411	1,409,532	1,514,310
Current assets	80,508	98,769	94,559	113,374	126,625
Cash at bank	82,740	82,788	81,743	108,872	101,075
Creditors	(29,076)	(41,777)	(36,661)	(37,636)	(62,736)
Total assets less current liabilities	1,331,118	1,418,812	1,484,052	1,594,142	1,679,274
Creditors greater than 1 year	(690,159)	(777,499)	(808,442)	(875,104)	(905,596)
Pension liability	(30,272)	(37,652)	(33,773)	(37,820)	(33,202)
Net assets	610,687	603,661	641,837	681,218	740,476
Profit and loss reserve	58,333	209,558	250,953	294,654	353,566
Other reserves	552,354	394,103	390,884	386,564	386,910
Total reserves	610,687	603,661	641,837	681,218	740,476
EUV-Sh of completed social housing properties	1,131,697	1,233,820	1,097,310	1,270,710	1,377,510

		Aster Communities	Synergy
Interest cover	Actual	2.21	2.15
	Target >	1.00	1.00
Net worth	Actual	56%	57%
	Target <	75%	75%
		Mar-18	Mar-17
Cash		£m	£m
Short term deposits		35.1	45.1
Cash at bank and in hand		66.0	63.8
		101.1	108.9

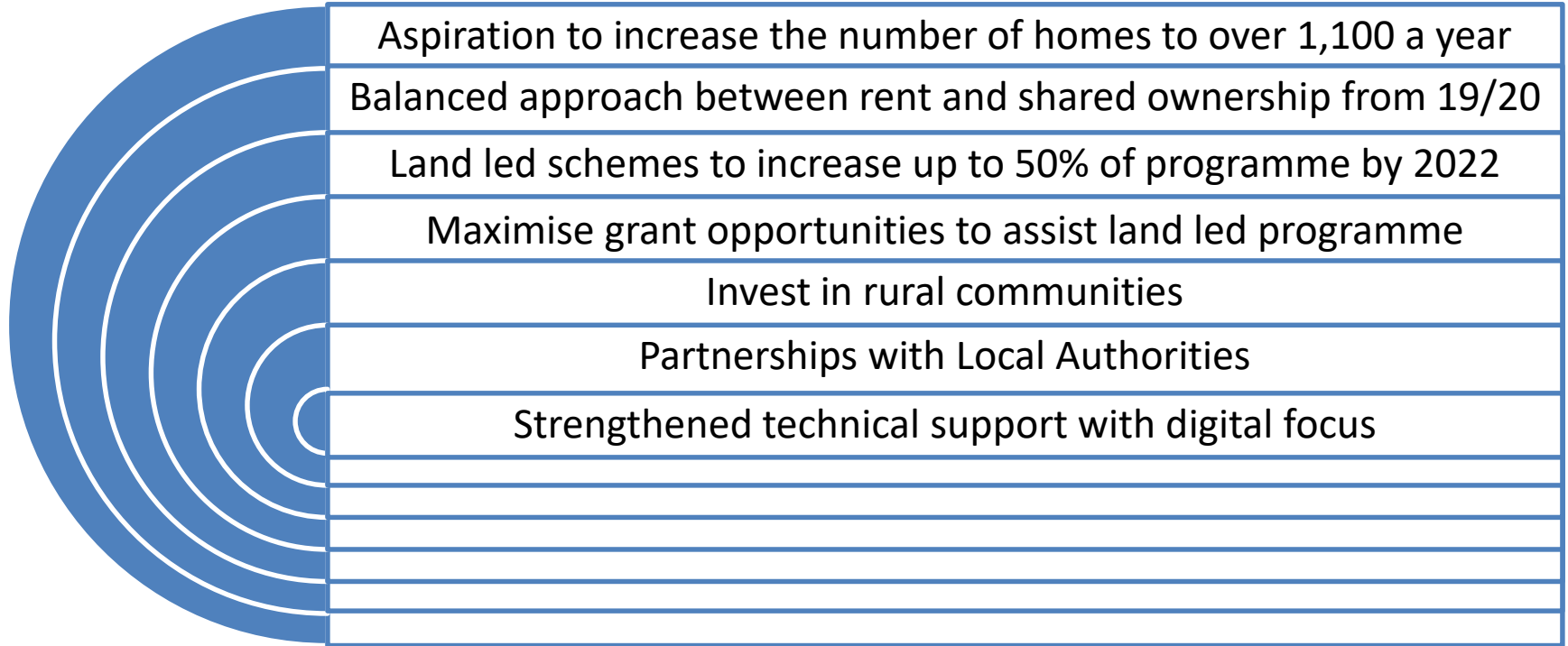
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Development
Update

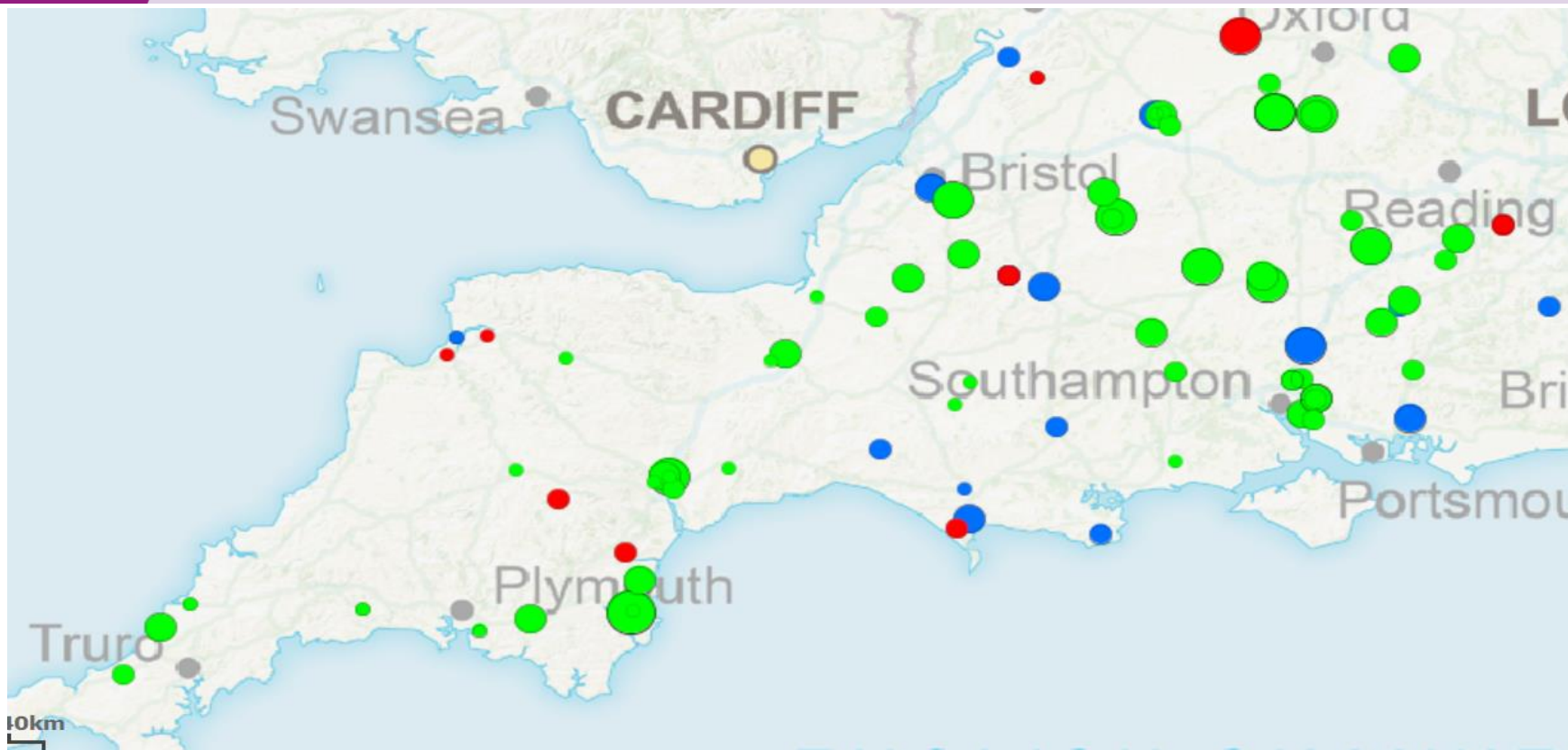
Paul Morgan
Director of Treasury

Development Strategy



- Maintain relationship with housebuilders
- Increased focus on land
 - New contracting partnership
 - Control on quality/delivery
 - Value engineered throughout
 - Range of contracting options
- Wider geographical cover
- Explore Partnership Opportunities
- Flexibility on tenure options with grant availability





Green: In contract/On site/Defects (74 sites)

Red and Blue: Approved schemes (21 sites)

Three LLP's - White Rock LLP, Boorley Green and Kilnwood Vale LLP

4 sites in the South West, 1 in Hampshire and 1 in West Sussex

1,450 homes including the affordable

120 homes forecast for 18/19

£48.3m of net profit forecast over life of projects to be shared 50/50

Long term partnership with common interest

LLP Board with equal representation

Linden Homes employed to deliver the schemes



Increased competition for land/premiums



High build prices – labour, availability and materials



Greater exposure on sales programme



Government policy changes



Market uncertainty (Brexit)





Stable and well established team

Embedded streamlined functions

Cultural leaders within the Aster Group

Skills and succession planning identified

Robust sales monitoring

Average sale time – 12 weeks versus a target of 26 weeks

Actual Sales - £36m in 17/18

Actual Staircasing £6m in 17/18

Average share consistent at early 40%, with 81% off plan sales rate.

- Internal Controls
 - Risk Map
 - Leadership Team
 - IP, ADE, Board
 - Team skills
 - Development and sales

- External Controls
 - Chair of NSG
 - Chair of NHF shared ownership steering group
 - Co-chair – Savills strategic sector group
 - Relationships with lenders
 - SO Chat hour

- Open 7 days and evenings
- Dominant web and social presence
 - Over 2,200 tracked calls from new users
 - 84% calls answered immediately
- Live Chat
 - Over 2,300 chats
 - 88% answered immediately
 - 98% answered within 0-10 secs
 - 1min 48sec average time on call

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Treasury

Paul Jeffries
Business Planning and
Treasury Manager

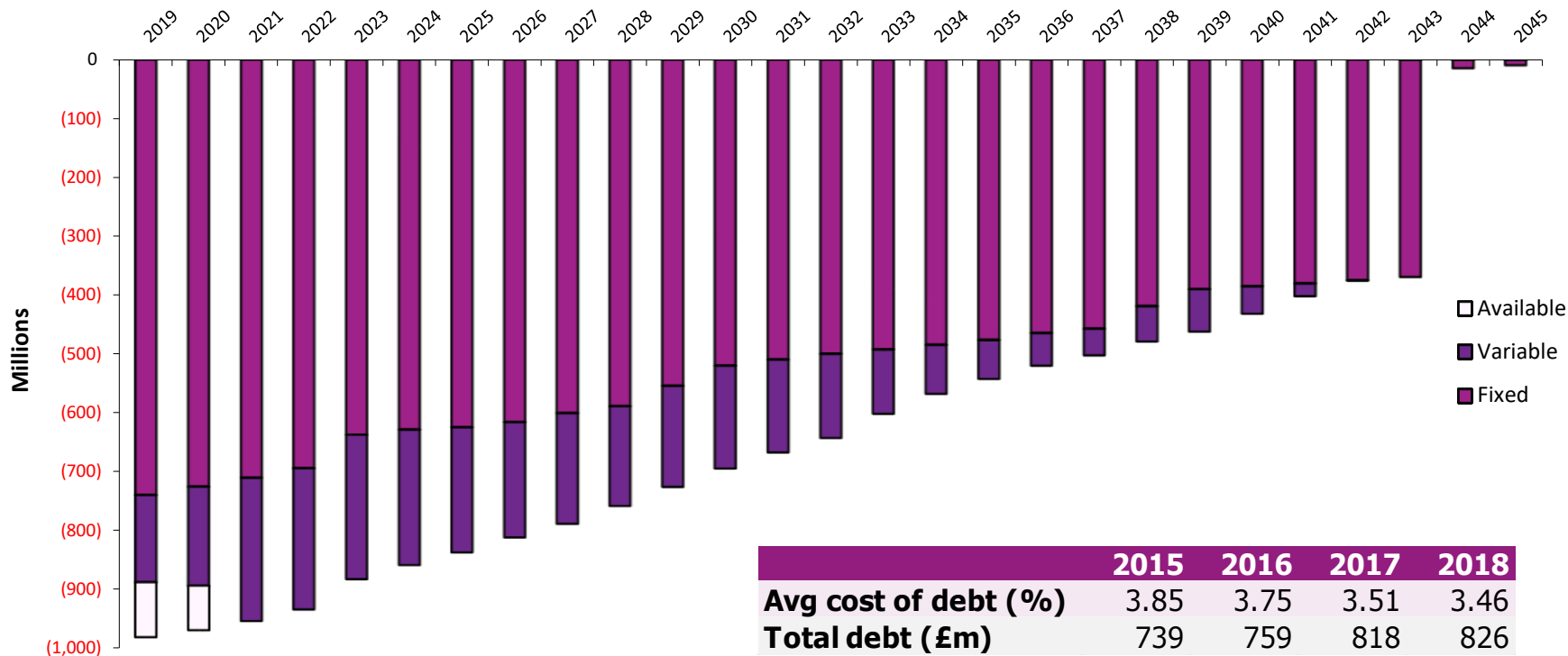
- Bond tap – May 2018
 - raised circa £61m @ all in cost of 3.35%
 - created £150m of retained bonds
- Sold £20m retained bonds @ 3.41% (19/11/2018)
- MORhomes
 - original sponsor and shareholder
 - in principle commitment to borrow £40m
- Bank revolver facilities agreed in principle

Including PFI

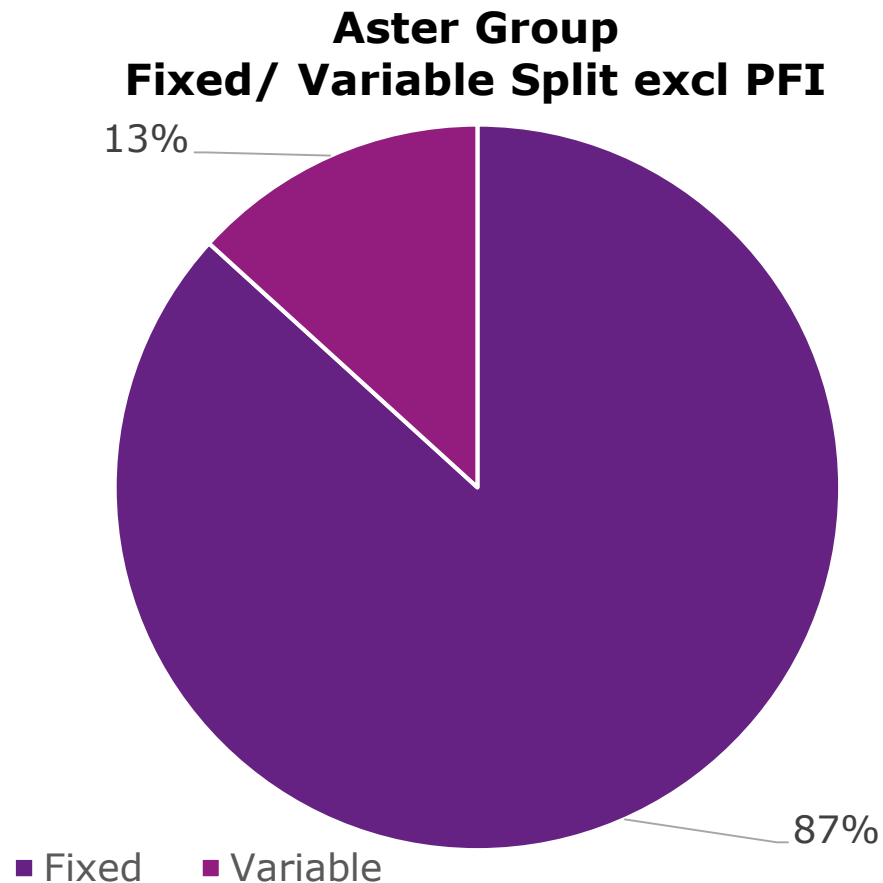
- £988m of facilities (including overdraft £2.5m)
- £868m drawn
- £120m available
- £101m cash

- Treasury Policy
 - sufficient committed facilities and cash for at least 12 months.
 - cash for 6 months of forecast spend.
- Margin call – Scenario of a fall 100bp's in the yield curve would lead to a cash collateral call of £6.5m. Nil at 31 March 2018

Total Group Maturity Profile



Hedging excl PFI as at 31 March 18



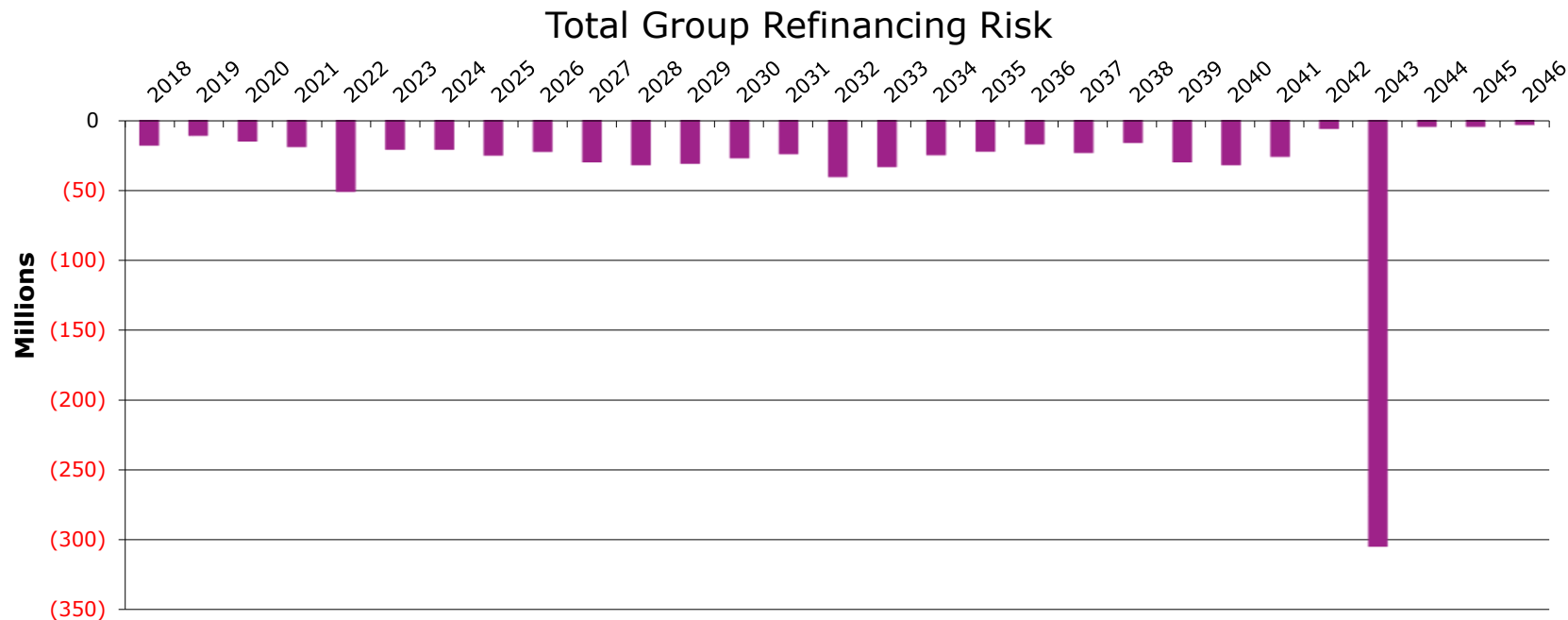
Fixed £717m

Variable £109m

Total £826m

Fixed Duration 12.4 years

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
<13% over five year period

- Asset Cover tests, all facilities have a 10% contingency.
- Open market value of properties 6 times EUV-sh security value
- Pro-active approach to ensure development properties are available for charging on a timely basis for funding.

- Mixed Funding strategy going forward
 - Bank RCF's
 - Retained Bond issuance
 - MORhomes MTN programme
- Maintain good liquidity. Brexit additional 3 months of liquidity



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
- ✧ Appendices

Thank you
Questions

- Housing (Operations)
- Asset Management



Operations update

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Focussing on...

- Population and demand
- Stock and customer profiles
- Our strategy
- Performance
- Welfare reforms

Population & demand...

- Population continues to increase
- Demand for all tenures is strong
- Average house price in South West is £258,000
- Average house price in South East is £329,000
- Average private sector rents in the South East are £1,043 pcm
- Average private sector rents in the South West are £986 pcm

Demand and prices

Proportion of Aster Stock	Area*	Population (2016-17 Growth)	Unemployment estimate - June 18	Avg. Dwelling Price (Sep17-18 Growth)	Avg. Weekly Social Rent (HAs) (2018)	Avg. Weekly Market Rent (2018)	Discount margin
30%	Dorset	770,689 (0.44%)	2.85%	£286,566 (1.97%)	£102	£220	54%
25%	Wiltshire	847,633 (0.97%)	3.30%	£288,273 (3.87%)	£104	£215	52%
23%	Hampshire	1,623,807 (0.47%)	3.23%	£265,020 (1.45%)	£111	£239	54%
17%	Somerset	1,203,125 (0.73%)	3.72%	£288,443 (3.47%)	£97	£202	52%
5%	Devon & Cornwall	1,611,590 (0.96%)	2.79%	£223,190 (2.73%)	£88	£175	50%
Total: 6,056,124							
Average across	South West	5,559,316 (0.77%)		£253,771	£94	£203	54%
	South East	9,080,825 (0.56%)		£321,326	£111	£264	58%
	UK	66,040,229 (0.60%)		£249,408 (3%)			

*Dorset includes Poole BC & Bournemouth BC. Wiltshire includes Swindon BC & Vale of White Horse. Hampshire includes
Sources: ONS, Land Registry, Hometrack

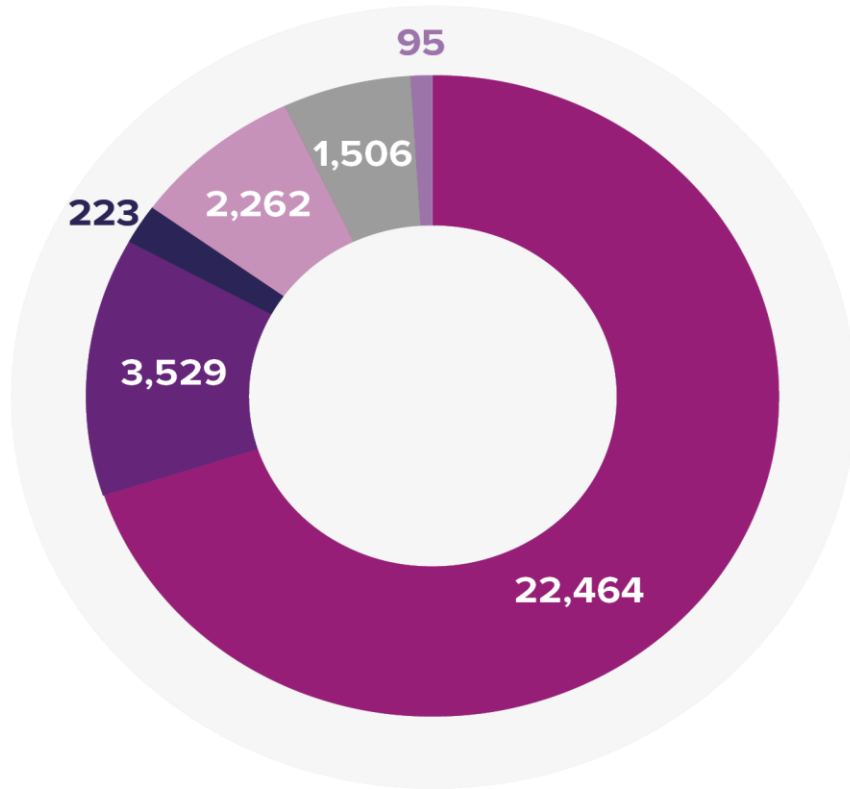
Landlord Strategy

- Customer focussed, easily accessible, good and safe landlord services
- Key components:
 - Our customers
 - Our homes
 - Digital evolution
 - Income maximisation

Housing Stock Profiles (30,079 units)

Stock Profiles

as at 30 SEPTEMBER 2018



General Needs

HOPS

Supported

Shared Ownership

Leasehold

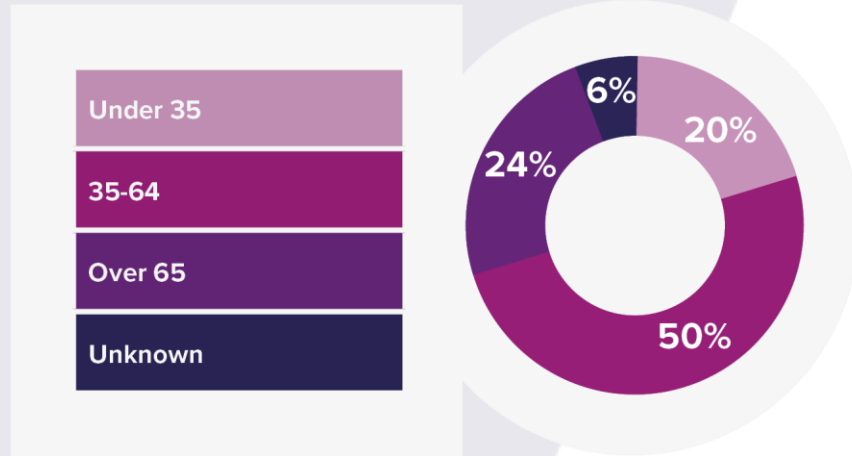
Private Rent

In addition we manage **284** properties on behalf of other organisations.

Customer Profiles

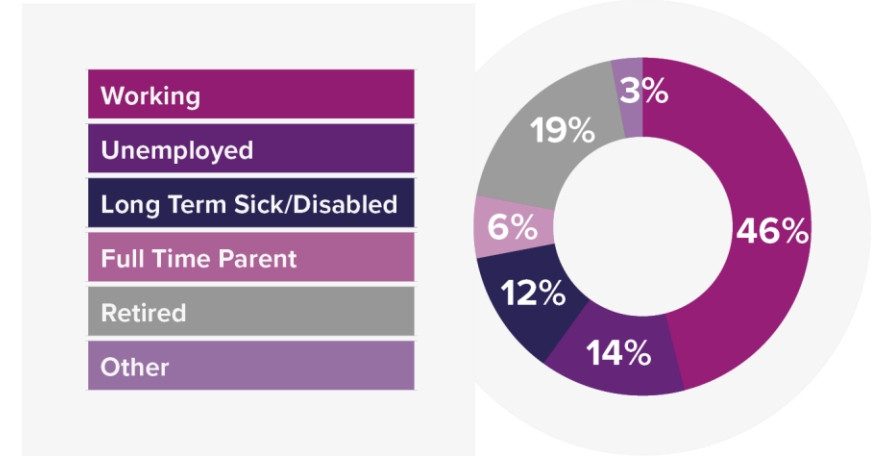
Age Breakdown

(All needs, all tenancy holders)



Economic Status

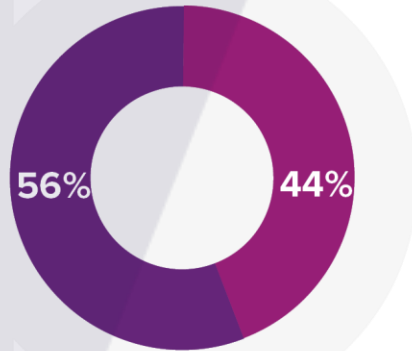
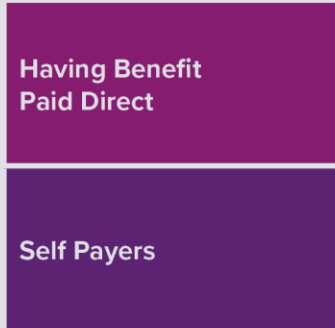
(not including unknown)



Customer Profile – Benefit Provision

The number of customers having their rent paid directly to us is falling as more customers go onto Universal Credit and become self-payers.

Source of Rental Income



This profile will change considerably as more working age customers move onto Universal Credit. It is anticipated that by 2024 between 20% and 30% of tenants will have their rent paid directly to us.

Performance

Key Performance Indicator	2016/17	2017/18	2018/19 YTD	2018/19 Target
Current tenant rent arrears (% of annual debit)	1.90%	1.95%	2.19%	3.00%
Former tenant rent arrears (% of annual debit)	1.31%	1.35%	1.31%	2.00%
Rent loss through voids (% of annual debit)	0.46%	0.78%	0.83%	0.76%
Rent collected as % of rent due	99.59%	99.25%	98.98%	99.6%
Re-let times (All standard relets) (days)	17.16 days	18.80 days	21.92 days	18 days

Customer Survey Results



Overall satisfaction with the service provided by Aster



Satisfaction with the way we support the community in which you live



Overall satisfaction with your neighbourhood as a place to live



Satisfaction with the way we deal with repairs and maintenance



Satisfaction that rent provides value for money

Source:
STAR (rolling 12 months at September 2018)

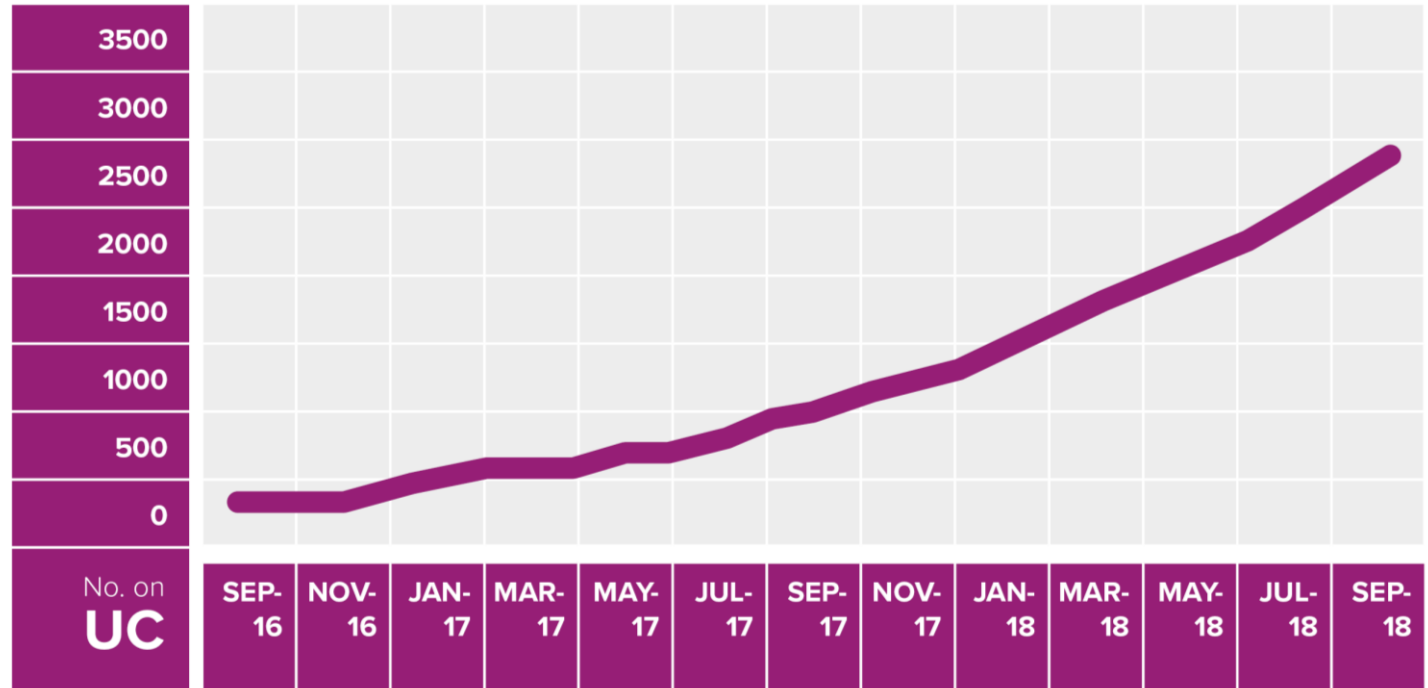
Our approach to Welfare Reform



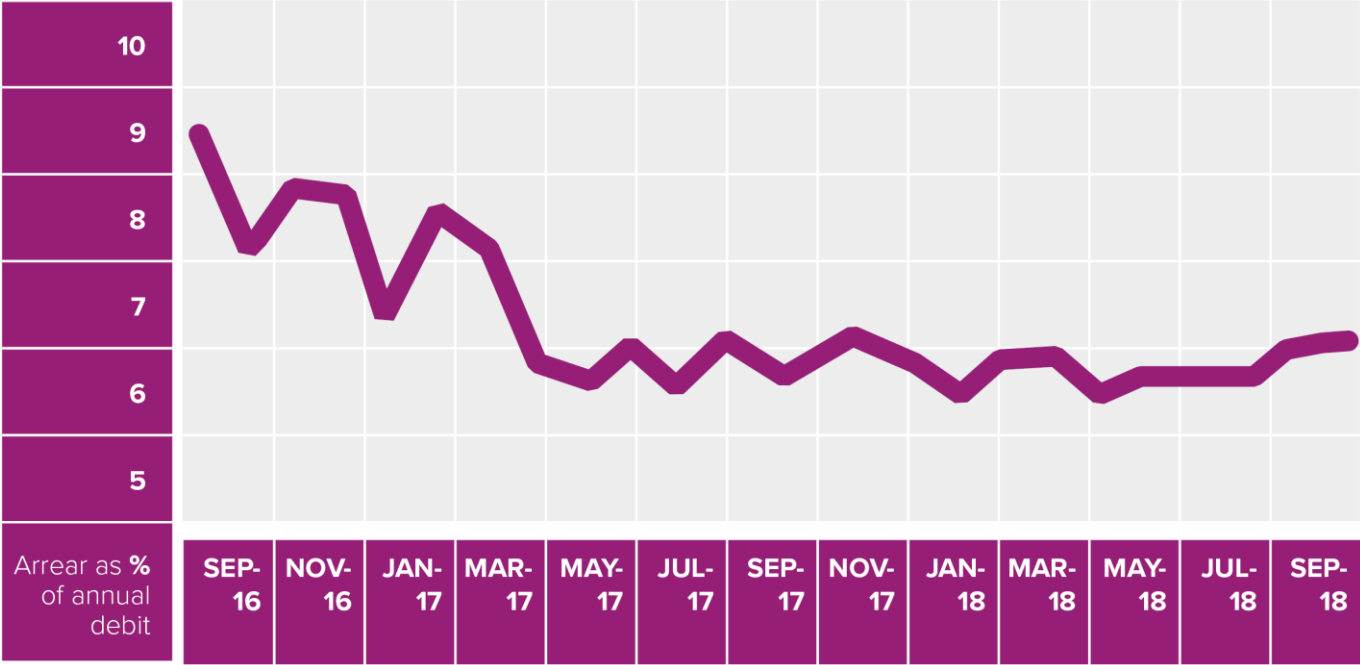
Welfare Reform: Partnership Working

- Trusted Partner Status with the DWP – since Feb 2016
- Using the DWPs “Portal” – 3rd landlord to be given access
- Aster is part of the Strategic Landlords Group within the DWP
- Working with the DWP on their plans to migrate all claimants to UC
- Excellent working relationships with local DWP offices and job centres developed and maintained

Universal Credit - Current Numbers



Universal Credit - Current Arrears



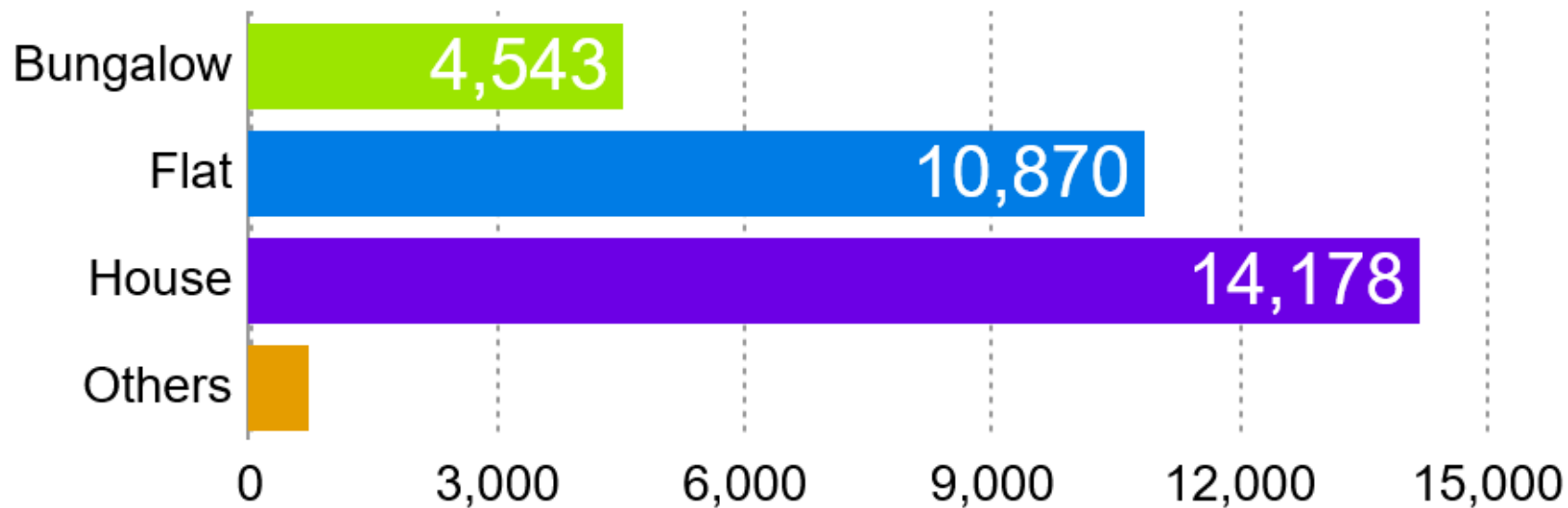
Priorities

- Operational and financial performance
- Customer satisfaction
- Creating capacity / efficiency
- Delivering Landlord Strategy
- Our digital work

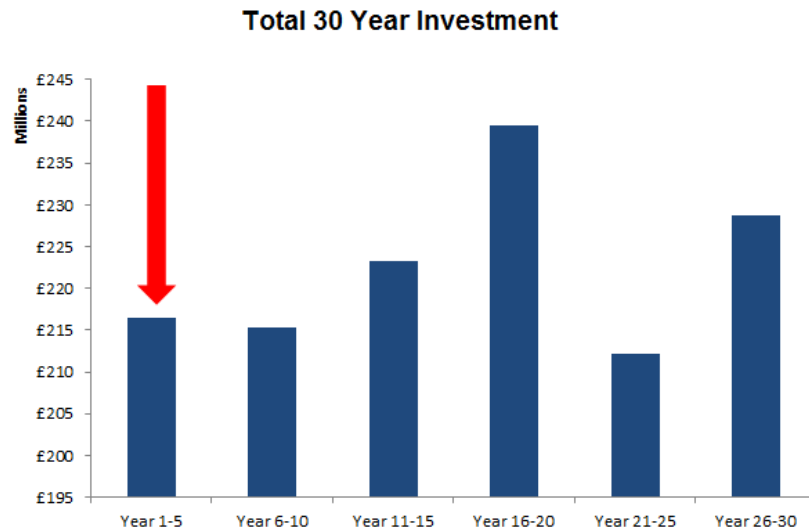
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Asset Management Update



- ☆ Investment in line with Savills stock condition survey report
- ☆ Key planned & cyclical programmes delivered
- ☆ Key performance indicators delivered
- ☆ Achieved £472K efficiencies
- ☆ Continue to deliver long term investment in housing stock





Safety First. Always.

- ✧ Independent review of management structure
- ✧ Strengthened health and safety team
- ✧ In-house fire safety specialists
- ✧ Active board scrutiny of H&S performance
- ✧ Increased focus on staff wellbeing



- ✧ Total property disposals of £14.2m
- ✧ £3.0m receipts from stock appraisals
- ✧ Land enhancement generated £1.1m
- ✧ Sale of commercial properties £2.1m
- ✧ Voids disposal generated £8.0m

