

Investor Presentation

September 2018

Melvyn Garrett *Deputy Chief Executive and Executive Director of Finance*

Andrew Hart *Director of Corporate Finance*

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Sourcing – Unless otherwise stated: LiveWest Financial Statements 2018, Knightstone Group Financial Statements March 2017, DCH Annual Report and Financial Statements March 2017 and associated Offering Materials

The Presenting Team



Melvyn Garrett, Deputy Chief Executive and Executive Director of Finance

- **Joined LiveWest in 2013 (then DCH)**
- **Previously Europe, Middle East and Africa Finance and Operations Director at Motorola Mobility**
- **Previously held finance, strategy and chief executive positions in the transport, electronics and distribution sectors; with eight years spent in the USA**

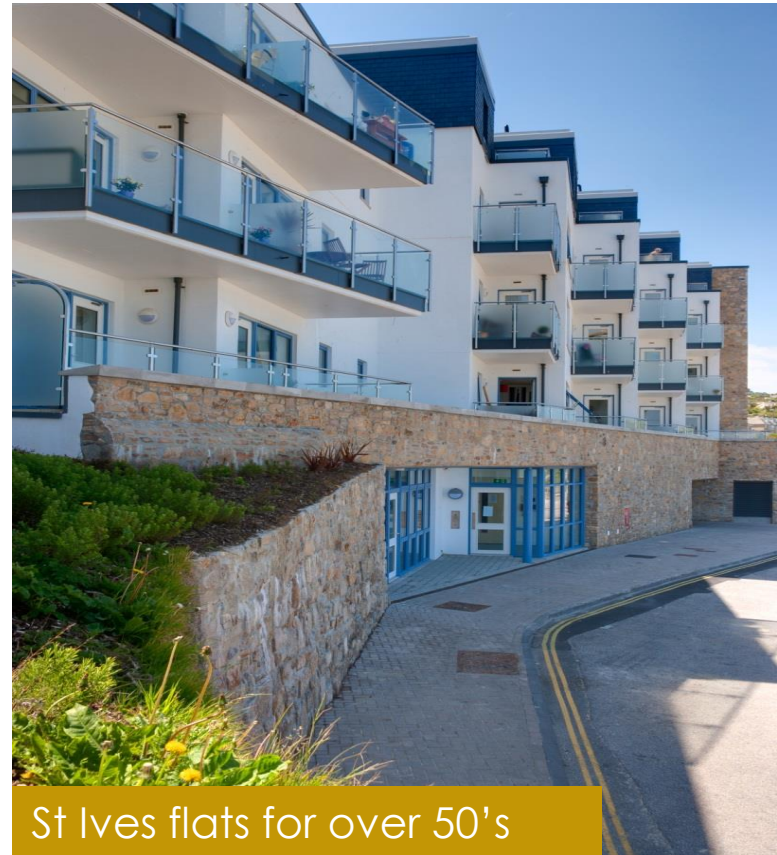


Andrew Hart, Director of Corporate Finance

- **Joined LiveWest in 2014**
- **24 years finance experience including 10 in Corporate Finance Consultancy**
- **Previously Managing Director at TradeRisks specialising in treasury risk management**

Agenda

1. Introduction to LiveWest
2. Company Overview
3. Operational Performance
4. Financial Performance
5. Business & Development Plan
6. Treasury



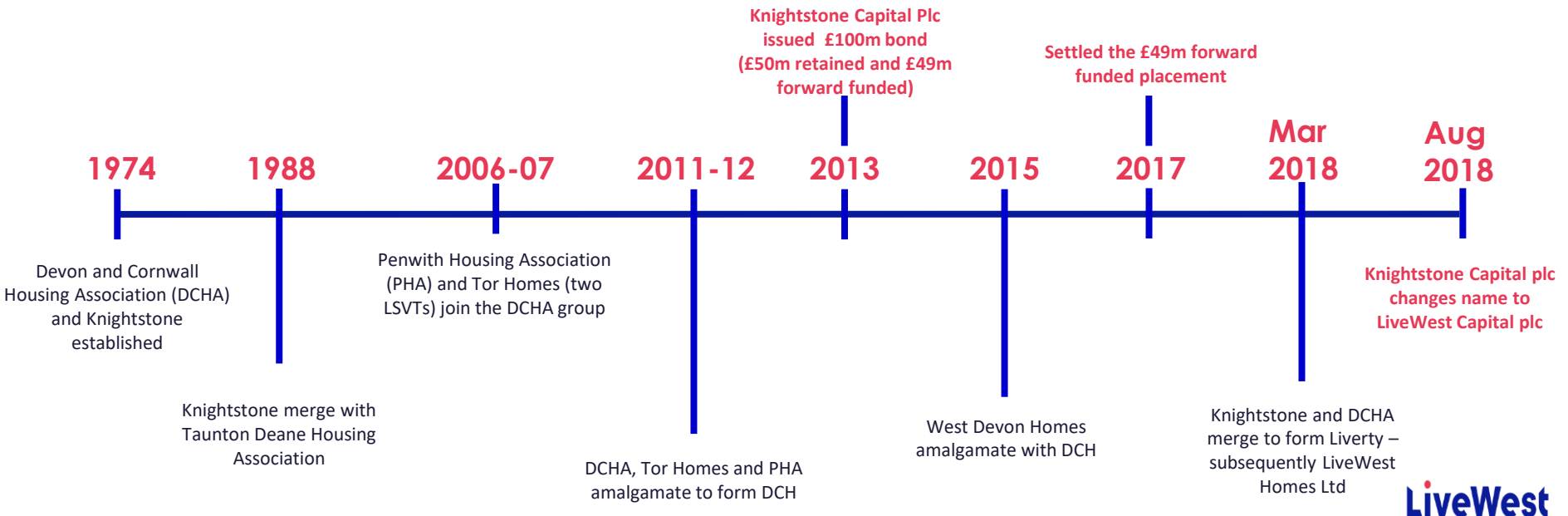
Introduction to LiveWest



Waters Edge, Exmouth

Introduction

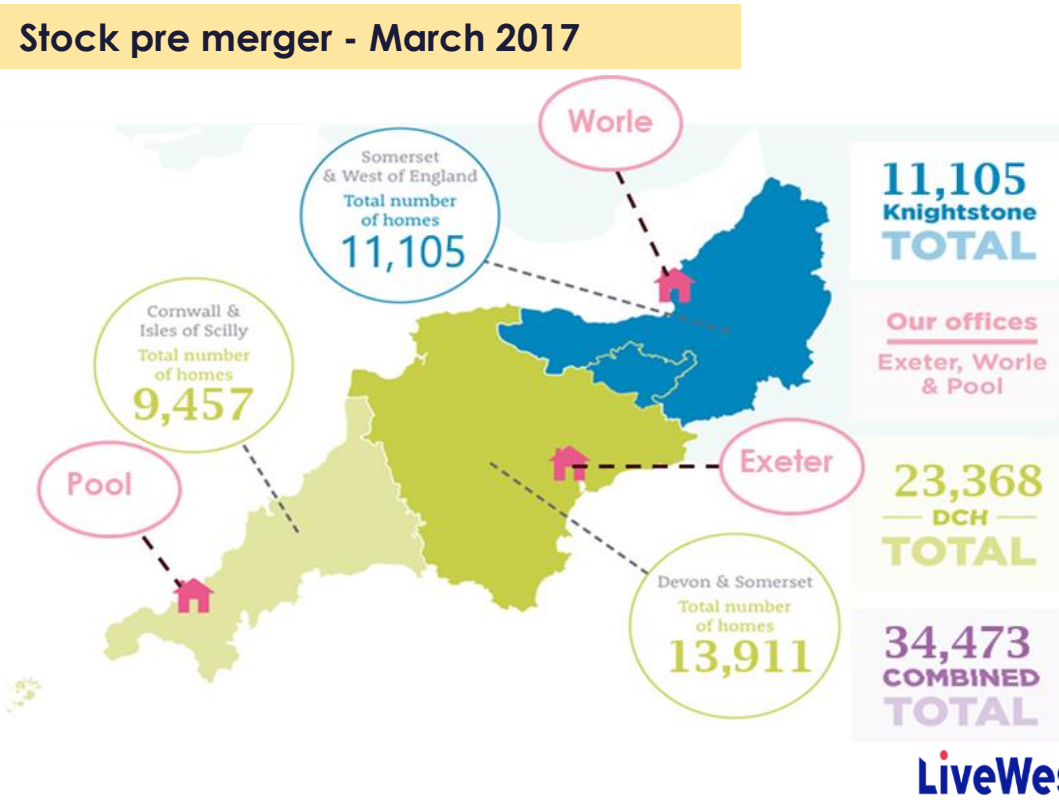
- Devon and Cornwall Housing (DCH) and Knightstone merged on 5 March 2018 to form LiveWest Homes
- LiveWest:
 - Operates from Gloucestershire to the Isles of Scilly
 - Owns and manages more than 35,000 properties in just 20 Local Authorities
 - Operates in strong urban areas including Bristol, Exeter and Plymouth.
 - High demand with house prices averaging 8.8 times salaries in the South West



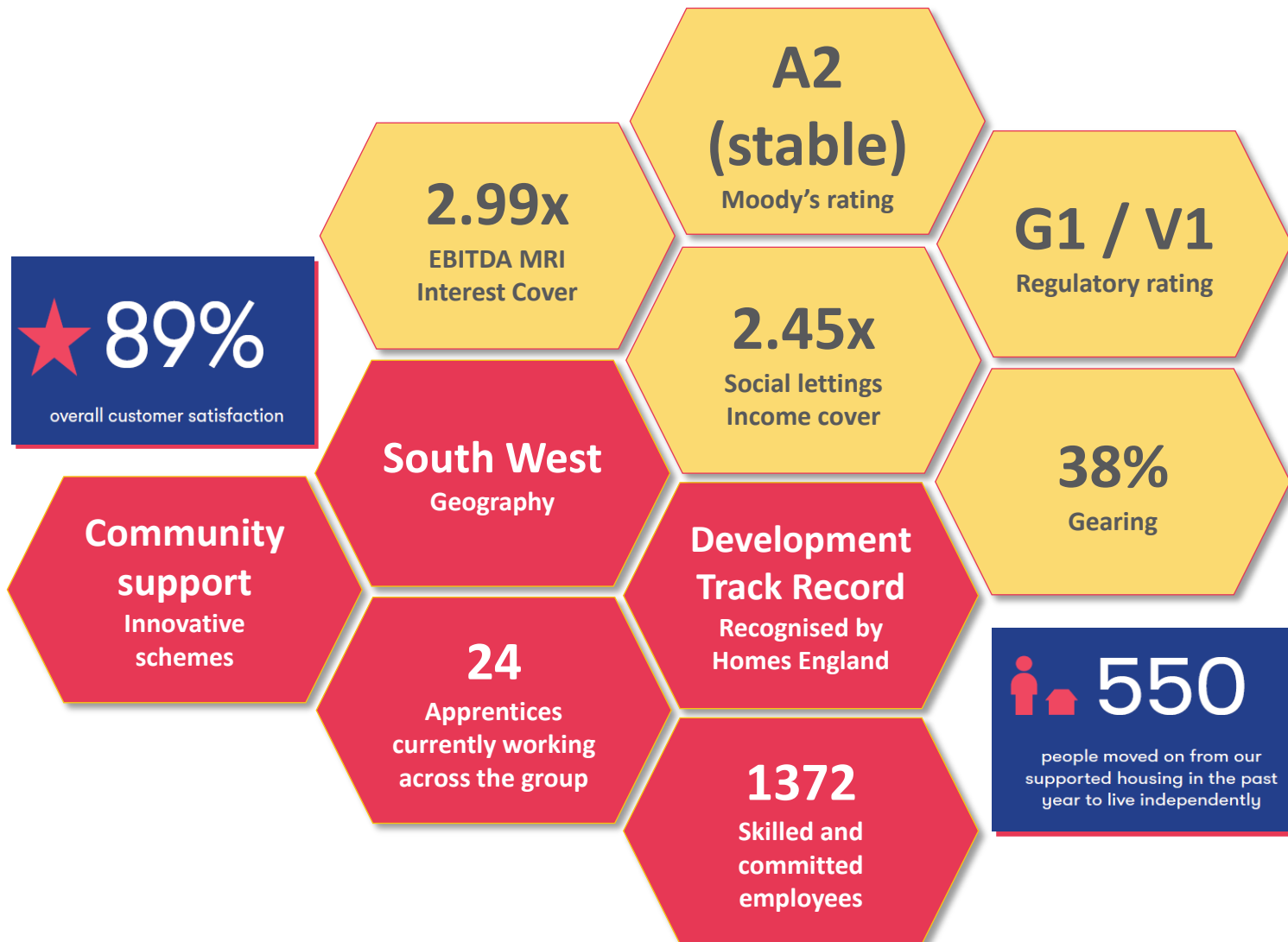
Reasons for the Merger

- Complementary geographical fit
- Cultural similarities, with a shared heritage
- Compatible growth ambitions
- Opportunities for efficiencies through performance and cost management
- Untapped potential in Knightstone; low gearing, high interest cover and yet limited growth in past 10 years

	2017		2017	2018
	DCH	KHA	LiveWest	
Social – owned and managed	21,765	10,362	32,127	33,021
Non-Social	1,603	743	2,418	2,418
Total	23,368	11,105	34,473	35,439
Turnover	140,626	79,239	219,865	230,626
Operating Margin	34%	33%	33%	33%
Net Debt	424,408	257,546	681,954	712,195
Net Debt per Unit Owned	19,270	21,986	20,213	20,738



Company Highlights

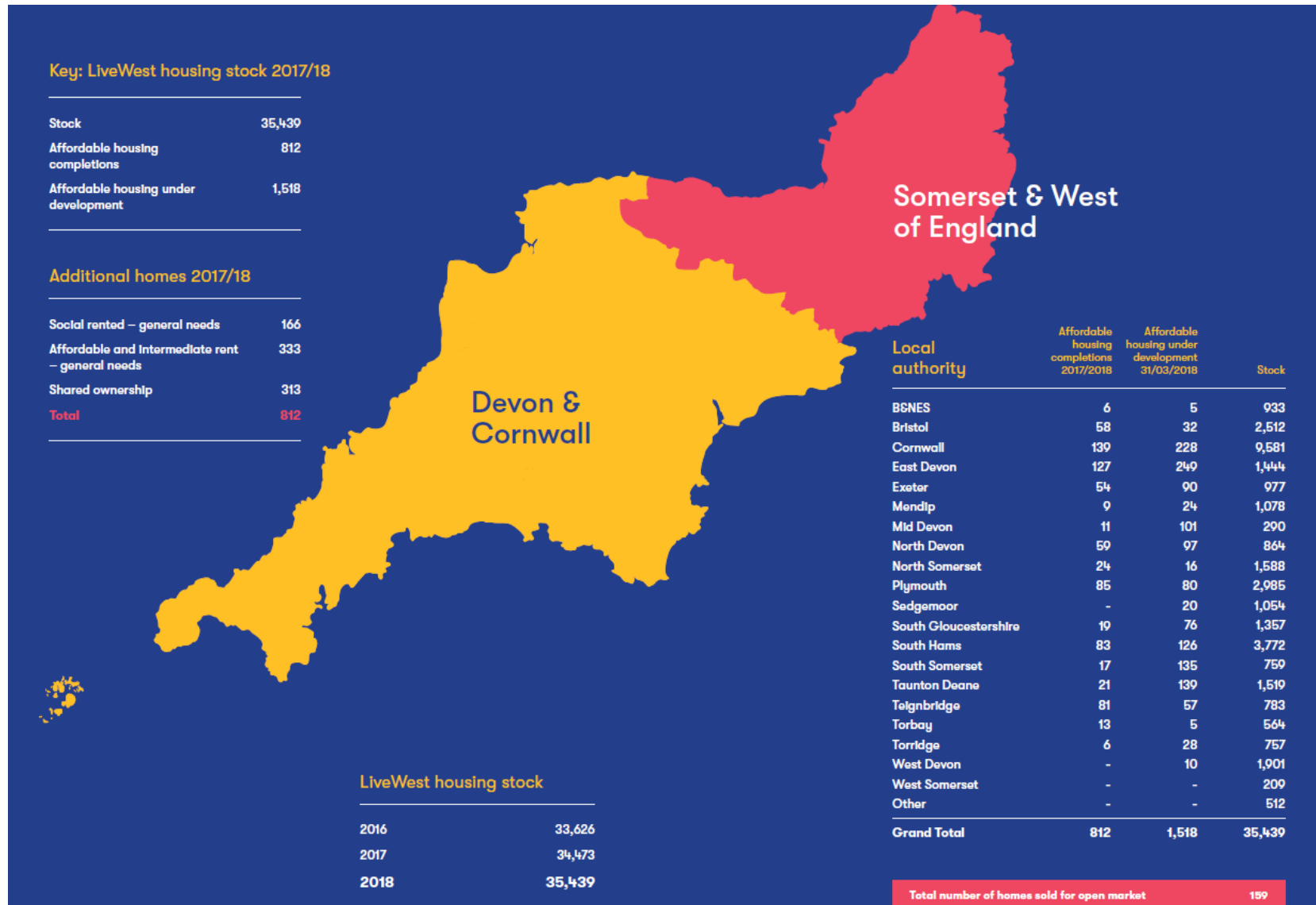


Company overview



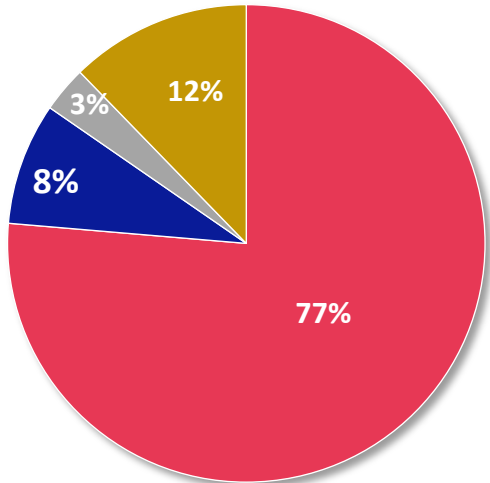
Newton Ferrers, South Hams

Area of Operation (managed housing stock)



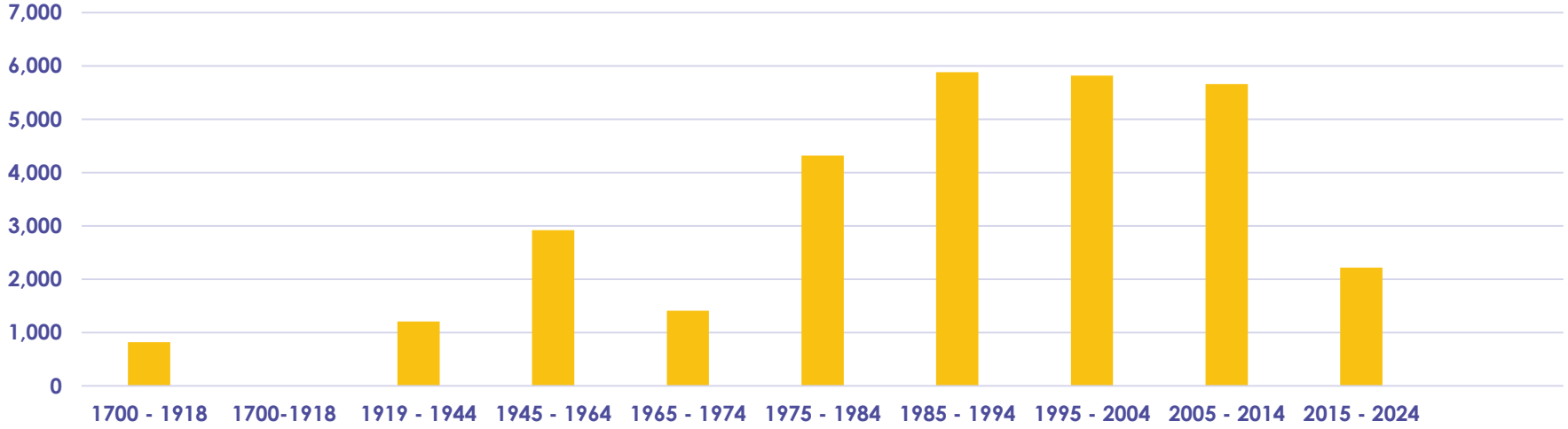
LiveWest: Stock by Tenure Type

■ Rented
 ■ Sheltered
 ■ Supported
 ■ Shared ownership



Rented	25,210
Sheltered	2,732
Supported	1,028
Shared ownership	4,051
Social Stock owned and managed	33,021
Non-Social	2,418
Total	35,439

Stock Age Profile



Board & Governance

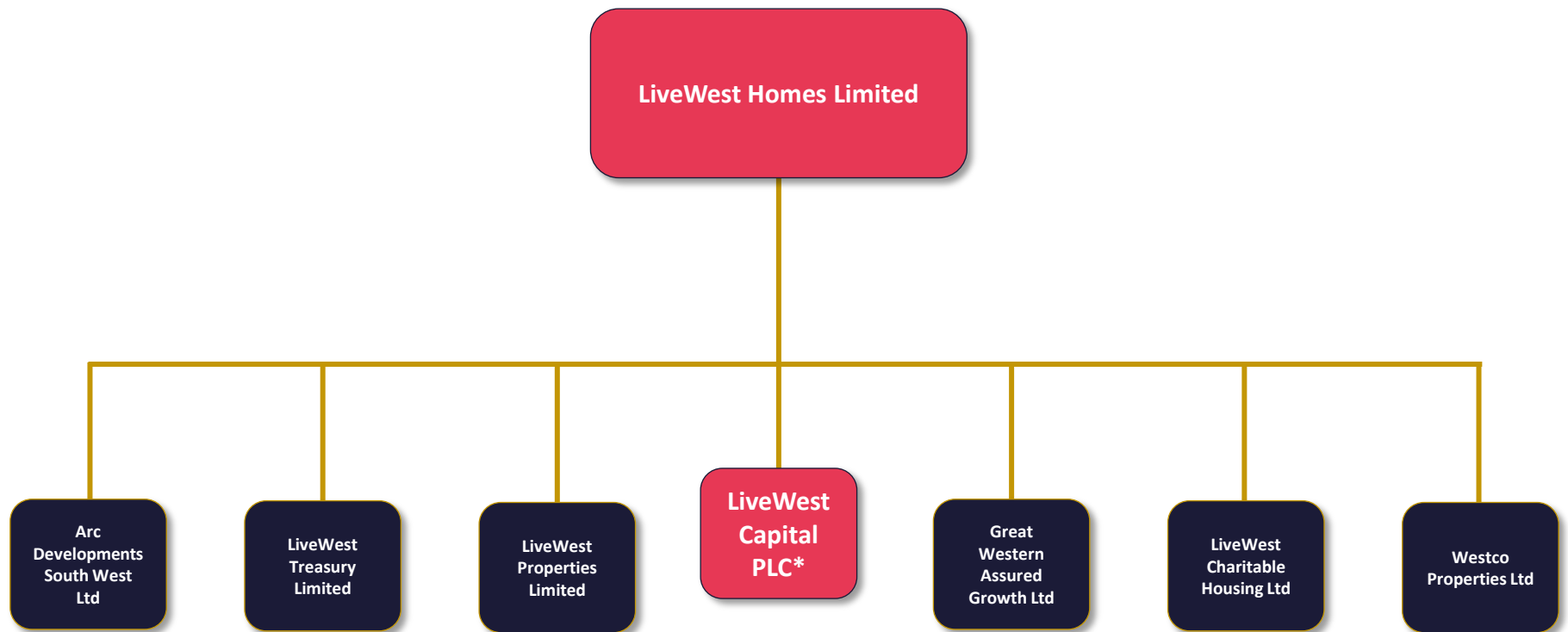
- Board comprises up to 12 members:
- 10 independent members, 2 executives
 - LiveWest board is led by Linda Nash, formerly Knightstone
 - LiveWest CEO is Paul Crawford, formerly DCH
- 2 vacancies held – skills required to be reviewed later in the year
- Treasury Committee includes specialist banking co-opted member

 <p>Andrew Wiles Member of ARC and CSC</p>	 <p>Antony Durbacz Chair of ARC, Member of TC</p>	 <p>Jenefer Greenwood Chair of RC</p>	 <p>John Newbury Senior Independent Director Member of ARC, CSC and DC</p>
 <p>Linda Nash Group Chair, Member of RC</p>	 <p>Melvyn Garrett Deputy Chief Executive and Executive Director of Finance, Member of DC and TC</p>	 <p>Paul Crawford Chief Executive, Member of DC</p>	 <p>Tim Larnar Chair of DC, Member of TC</p>
 <p>Tom Vaughan Chair of CSC, Member of RC</p>	 <p>Tony MacGregor Chair of TC, Member of ARC</p>		

ARC = Audit and Risk Committee DC = Development Committee TC = Treasury Committee
 CSC = Customer Services Committee RC = Remuneration Committee

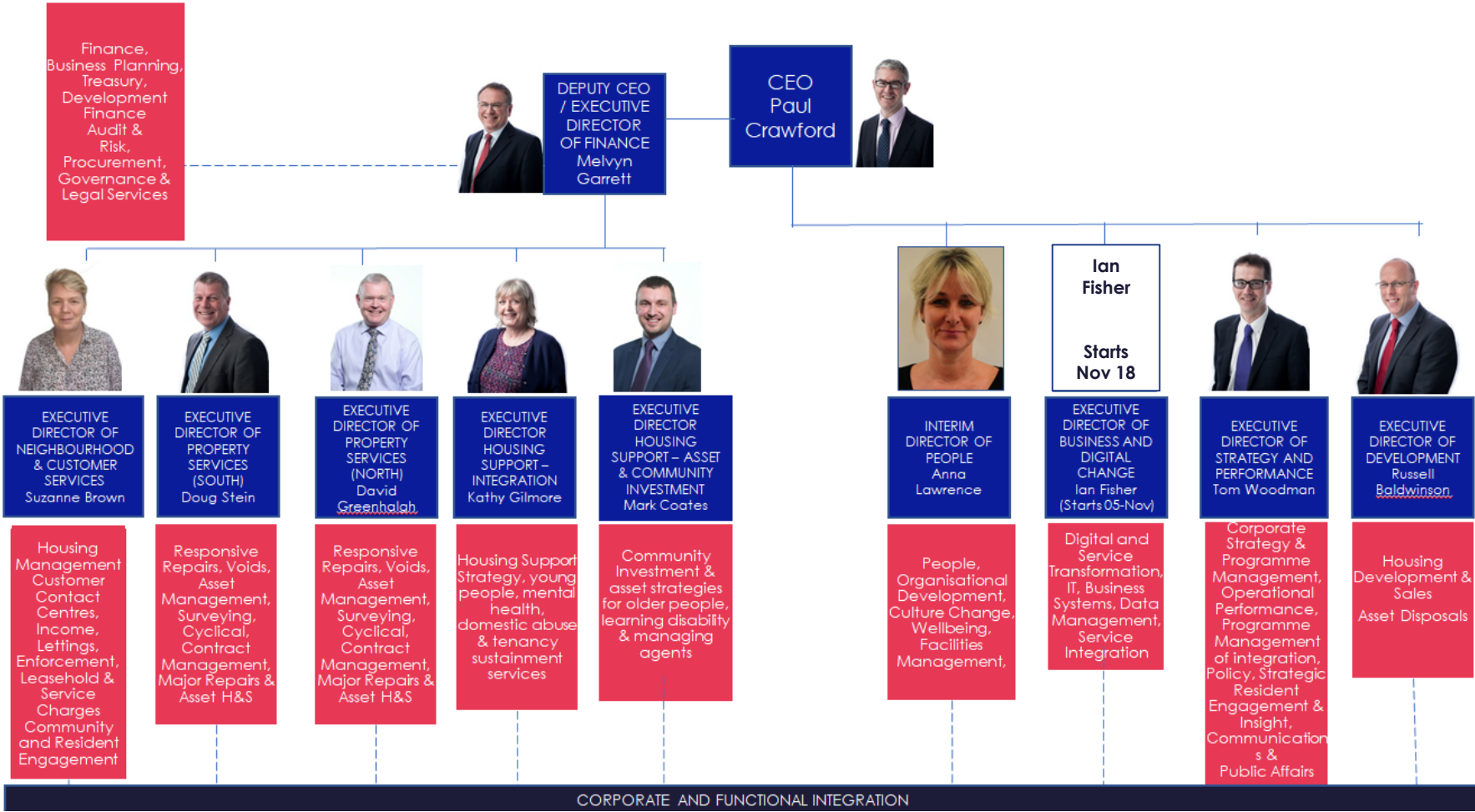
Corporate Structure

- Only one Registered Provider in the group, LiveWest Homes Limited
- A programme of rationalisation of subsidiaries is anticipated, with the aim of simplifying the structure further over time



* Issuing Entity

Board & Governance



Strategy

Our initial LiveWest strategy is to take forward the key themes from our merger business case, to:

1. Deliver a substantial yet considered increase in the number of new homes
2. Continue to deliver high-quality services, and ensure these are fit for the future:
 - ✓ more than just a landlord, we invest in empowerment and support services that add value to our work, improve people's life chances and sustain communities
 - ✓ working with and empowering local communities we invest in neighbourhoods making them stronger for the long term, building the foundations of a better future
 - ✓ direct resources to the services and communities where there is greatest need, where we can make the biggest impact, and where community investment makes the most substantial difference to customer satisfaction and our overall service offer
3. Ensure the financial and organisational resilience that underpins our ambitious plans

All this whilst creating significant social value for customers and the broader community

Operational Performance



Fort Gardens, Plymouth

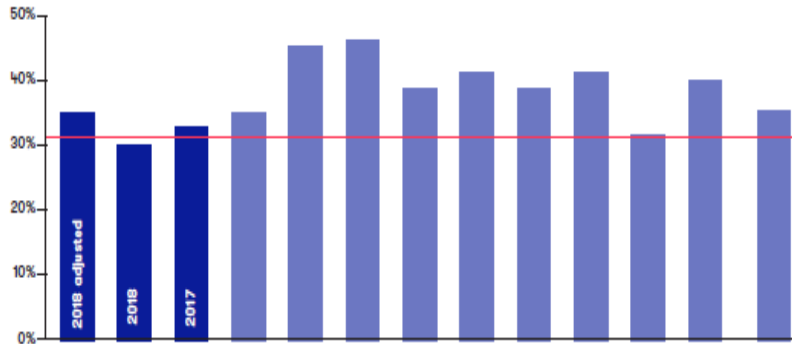
Operational Indicators

		March 2018	March 2017
Management cost per unit	Total	£1,083	£1,051
	Underlying	£1,033	
Maintenance cost per unit		£1,618	£1,600
Social housing interest cover		245%	224%
Rent arrears		1.90%	2.09%
Void rent loss		0.51%	0.42%
Landlord Surplus %		35%	33%
Operating surplus %		33%	33%
Net Debt per unit owned		20,738	20,313
Units developed (affordable)		812	829
Units developed (total)		954	999

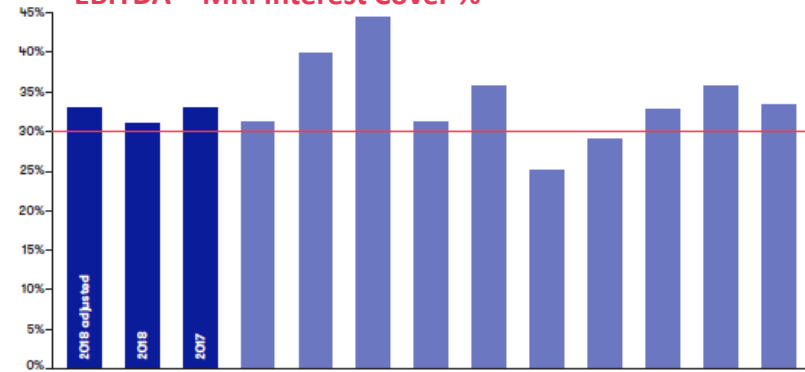
- Management and maintenance costs – are key areas for improvement through delivery of the merger business case
- Rent void loss and arrears – stable picture in spite of welfare reform
- Customer satisfaction will be a key measure of us meeting our aim to deliver high quality services

Operational Indicators - Benchmarking

Operating margin – social housing lettings

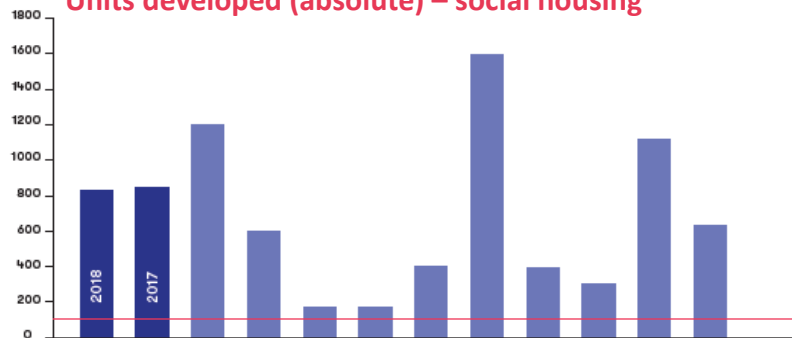


EBITDA – MRI Interest Cover %

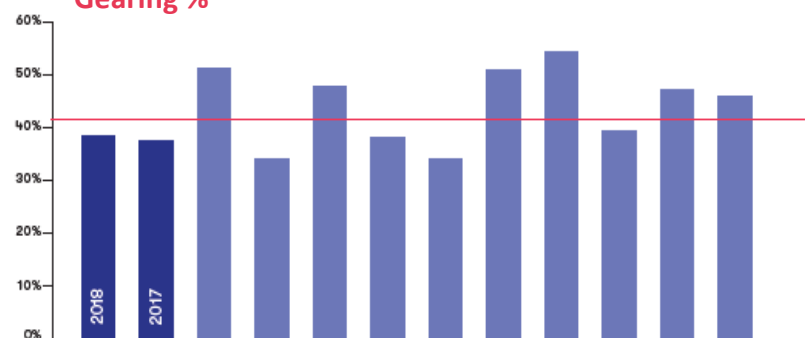


■ LiveWest
 ■ Other UK Moody's rated housing associations
 ■ HouseMark median

Units developed (absolute) – social housing



Gearing %



- Comparing LiveWest against a selection of Moody's rated housing associations using HouseMark data
- Comprises of current A2 or higher rated associations with the benchmark group consisting of:
 - Clarion Housing Group Limited
 - Stonewater Limited
 - Orbit Group Limited
 - Bromford Housing Group Limited
 - Midland Heart Limited
 - Sanctuary Housing Association
 - Flagship Housing Group Limited
 - Moat Homes Limited
 - Southern Housing Group Limited
 - Sovereign Housing Association Limited

Sector Considerations

Welfare Reforms

	July 2018	March 2018	March 2017
Rent arrears	1.73%	1.90%	2.09%
Void rent loss	0.50%	0.51%	0.42%
Tenants in receipt of Universal Credit	1,793	1,319	631

- Improving arrears performance in spite of welfare reform measures:
 - 7 day waiting period scrapped, meaning first payment to be made in 5 weeks instead of 6 weeks
 - Where a claimant migrates from Housing Benefit (HB) to Universal Credit, HB will continue to be paid for a 2 week period following the UC claim date – Some Local Authorities using Discretionary Housing Payments (DHP) to cover rent until UC is paid to claimant
 - Previous proposal to limit HB to Local Housing Allowance (LHA) levels for all social housing, including proposal to limit HB for single claimants to Shared Accommodation Rate (SAR) have been scrapped
 - Decision to bar 18-21 year olds from receiving HB implemented in April 2017 was scrapped in March 2018

Grenfell Tower

- Continued robust processes to assure effective landlord safety management
- Fire Risk Management:
 - Structured response to Grenfell across the organisation
 - Supported DCLG reporting requirements
 - Reviewed procedures with support of our Fire Brigade partners
 - Re-assessed all buildings where potential for additional risks were identified, any necessary actions implemented
 - Resources made available for any necessary works
 - **No buildings with ACMs (Aluminium Composite Materials)**
 - Ongoing resourcing of fire risk management across the organisation

Financial Performance



Tennyson Court ,Taunton

Financial Performance

	FRS102				UKGAAP
	2018	2017	2016	2015	2014
Underlying performance					
Landlord turnover - £m	171	168	166	151	136
Surplus landlord activities - £m	59	56	49	50	47
Landlord Surplus %	35%	33%	30%	33%	35%
1st tranche property sales - £m	23	23	17	12	12
Open market sales - £m	29	20	14	14	14
Total property sales - £m	52	43	31	26	26
Property sales % of turnover	23%	20%	15%	14%	15%
Total Turnover	231	220	205	187	174
Operating Surplus - £m	76	73	57	54	53
Operating surplus %	33%	33%	28%	29%	30%
Net surplus - £m	56	52	24	28	32
Net surplus %	24%	24%	12%	15%	18%
Gearing %	38%	38%	36%	37%	38%
EBITDA-MRI Interest cover %	299%	289%	264%	275%	270%
Debt as multiple of turnover	3.09	3.10	3.00	3.27	3.43
Net Debt per unit owned	20,738	20,213	18,793	18,882	18,101

- 2018 underlying operating surplus excludes non-recurring costs of £5.3m and one off merger costs £1.7m.
- Within interest costs are one off merger costs for lender consent of £0.7m and termination fees in respect of an uneconomic loan facility of £3.7m
- Value for money initiatives have maintained the underlying operating margin, and improved social housing letting surplus margin in spite of welfare reform
- Significant interest cover and gearing headroom compared with lenders covenants and internal targets
- Well positioned to continue to increase development, improve our service offerings and maximise the opportunities that will result from merger

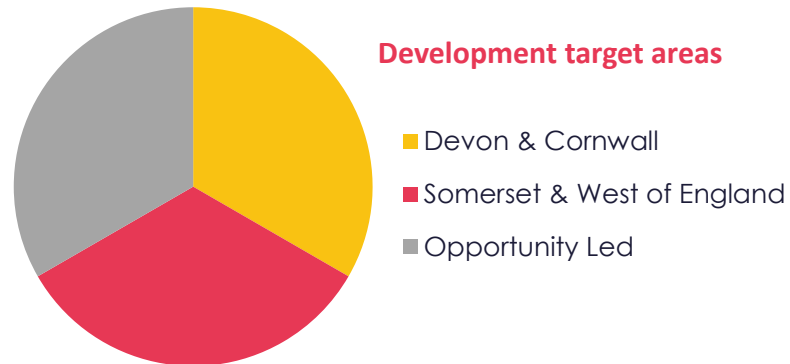
Business & Development Plan



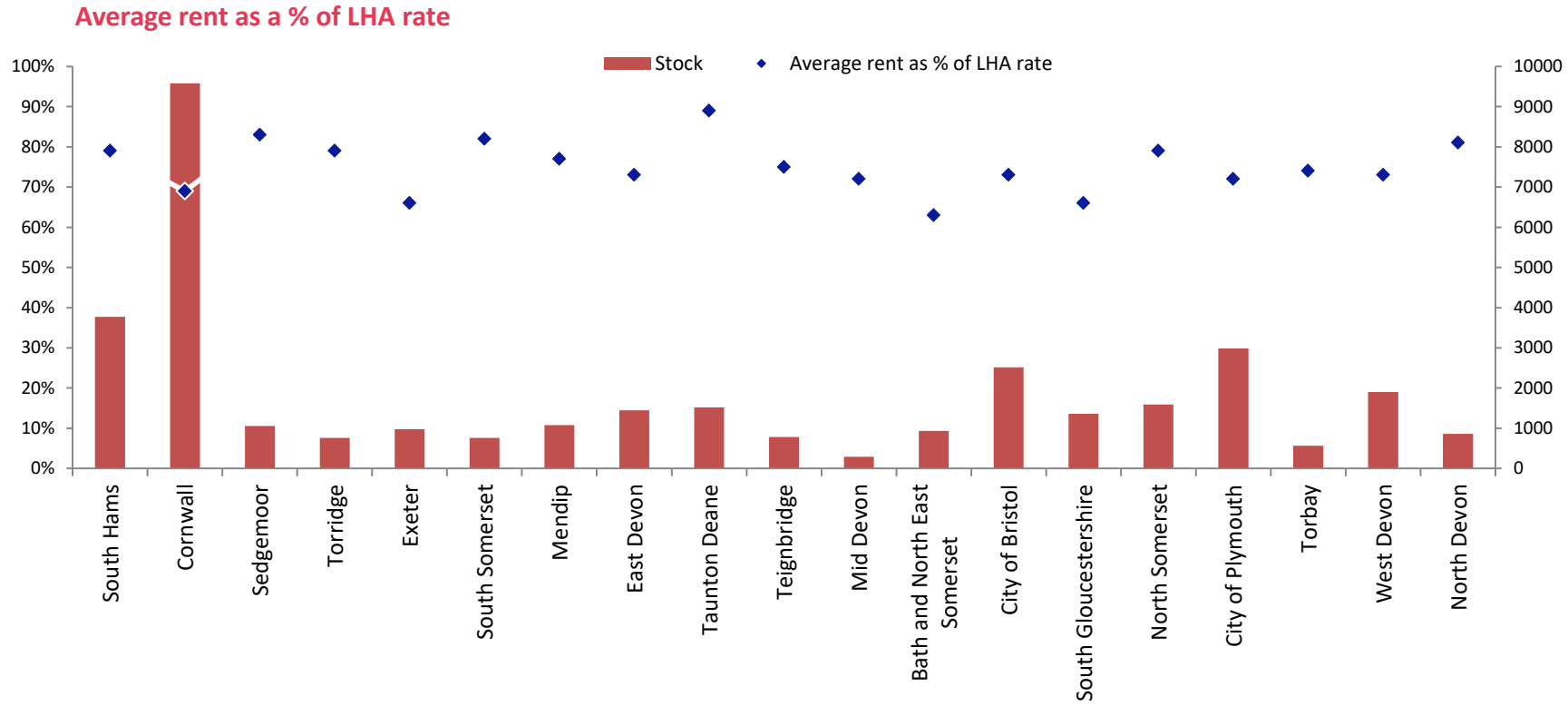
Tayberry Close, Somerset

Development Strategy

- 16,000 homes over next 10 years
- Focus on principal housing market areas, Bristol, Bath, Exeter, Plymouth, Truro and Taunton
- Affordable housing delivered through land led schemes and s.106
- Open market sites delivered through joint venture with either house builders or contractors or own build for sites up to 100 homes
- Focus on sites with outline planning permission or conditional subject to planning as well as longer term strategic opportunities
- Homes England – Partnership with Sovereign to deliver a total of 2,275 new homes by March 2022. LiveWest committed to 935 of these homes.
- Investment appraisal – yield and profit margins set annually by the board



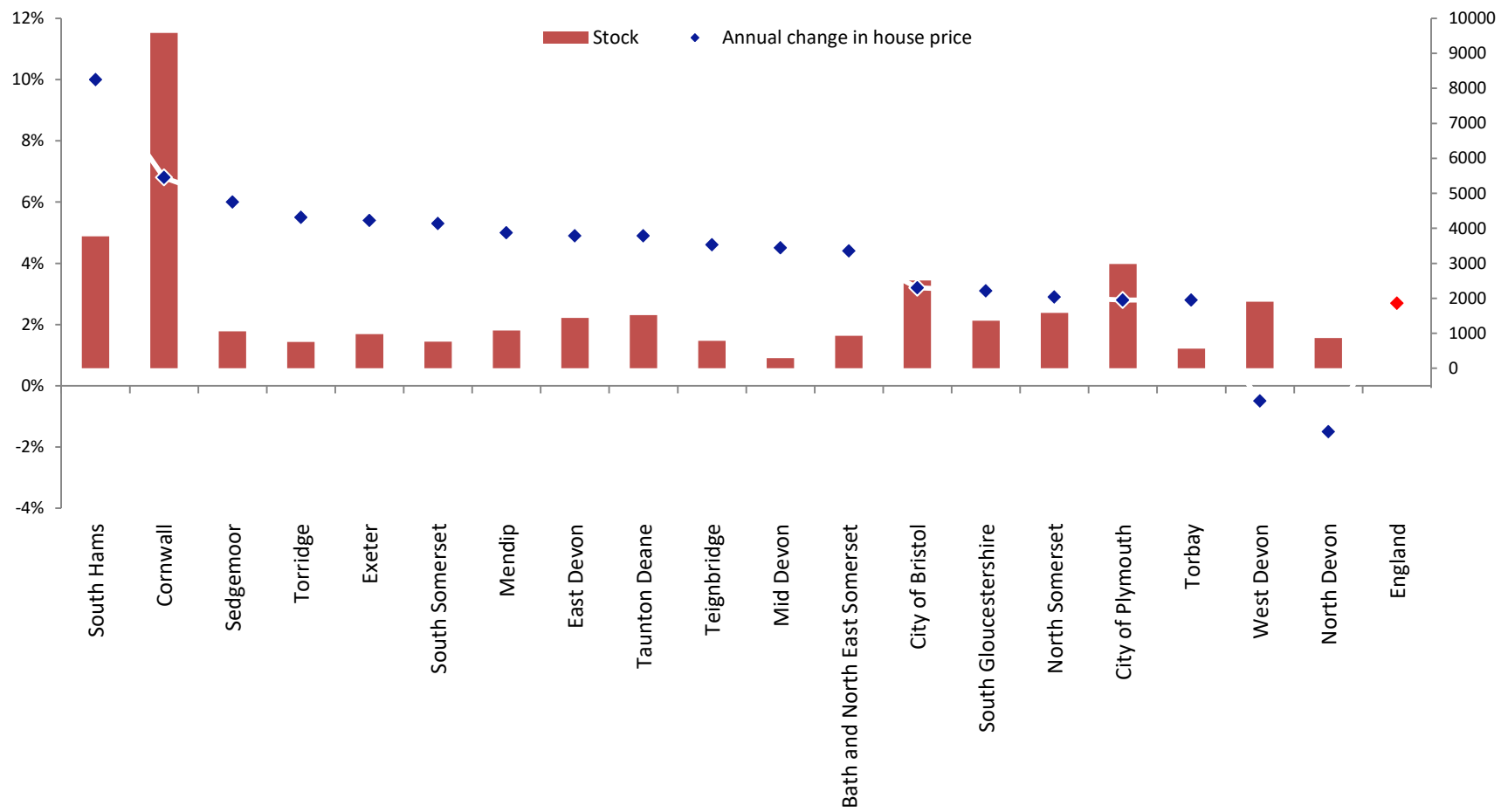
Market Conditions



Source: <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2018-to-march-2019>
 LiveWest Financial Statements 2018

Market Conditions

Annual change in house prices by LA as at June 2018



Source: <https://www.gov.uk/government/publications/uk-house-price-index-england-june-2018/uk-house-price-index-england-june-2018>
 LiveWest Financial Statements 2018

Waters Edge, Exmouth



36 Unit
Scheme



Cross subsidising social housing with open market sales allowed us to double the affordable provision on the site from 9 to 18 homes



10
Rented



18
Outright
Sale



8
Shared
Ownership



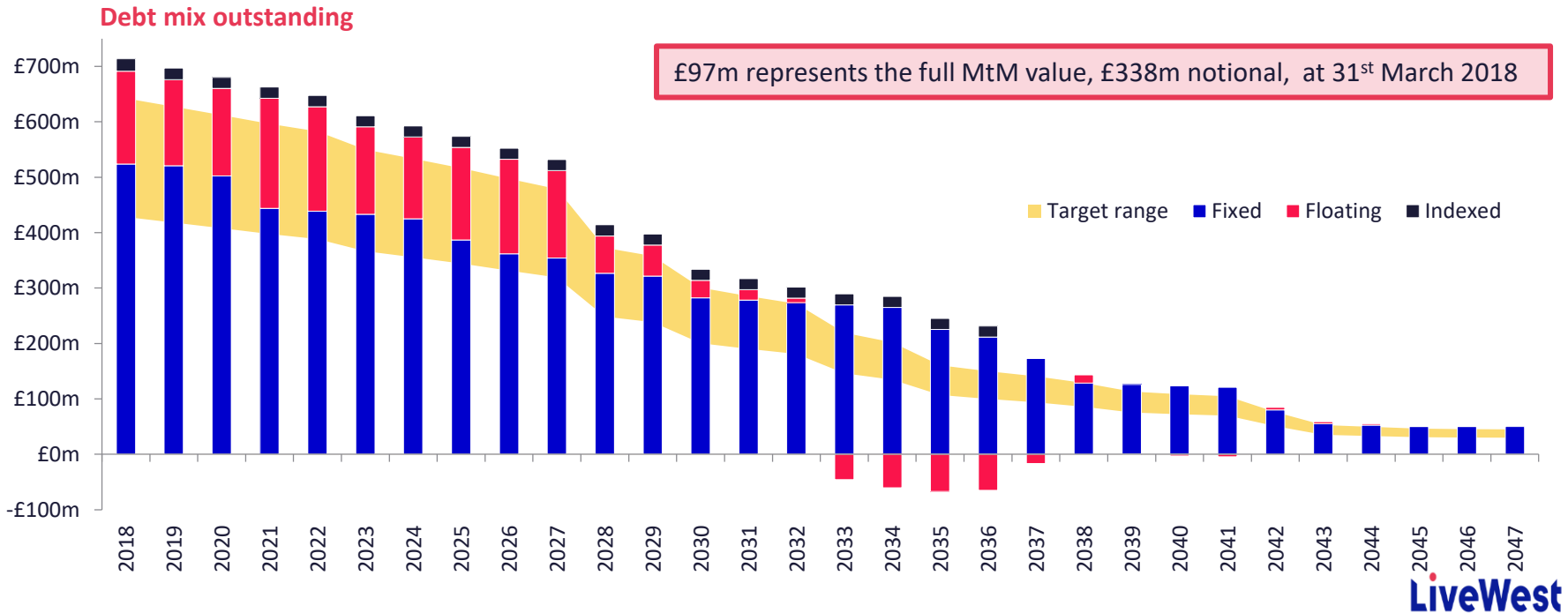
Treasury



Tarka View, Crediton

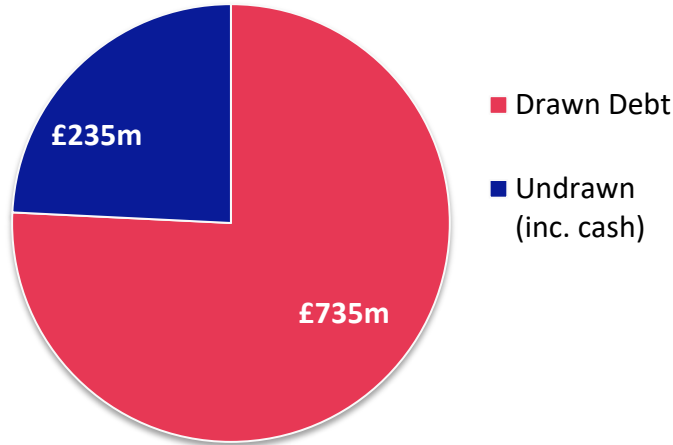
Debt Portfolio – March 18

	Loans	Swaps	Net loans	%	Target range
Fixed	216	318	534	73%	60% - 90%
Floating	513	(338)	175	23%	0% - 40%
Index linked	6	20	26	4%	0% - 25%
Total Debt	735	-	735	100%	
Cash and liquid investments	(23)	-	(23)		
Net Debt	712	-	712		

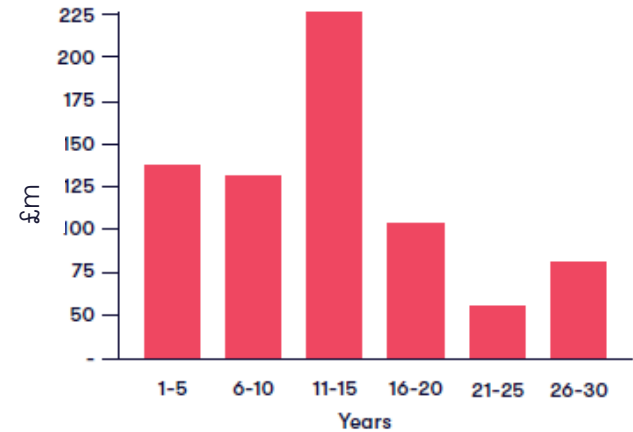


Capacity & Liquidity

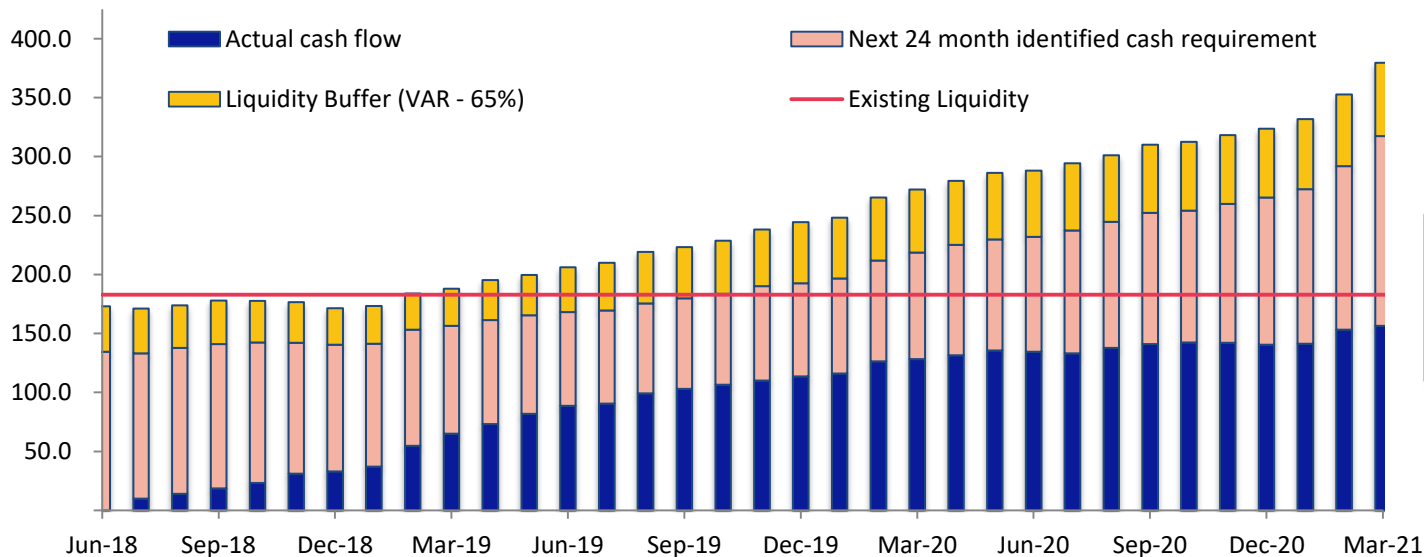
Funding portfolio



Debt repayment profile



Liquidity



Average cost of borrowing 3.15%

Transaction Terms

Structure	
Issuer	LiveWest Capital plc (formerly Knightstone Capital Plc)
Rating	A2 (stable) by Moody's
Transaction	Sale of retained secured bonds due October 2048
Coupon	5.576%
Size	Up to £50 million
Total deal size	£100 million
Repayment	Bullet
Asset Cover	115% EUV-SH / 125% MV-ST
Interest Cover	Operating Surplus/Net interest payable to exceed 90% in the same financial year and 105% for a three financial year period
Denominations	£100k+1k
Listing	UKLA
Use of proceeds	General corporate purposes

Please refer to the Knightstone Capital PLC Prospectus dated 27th September 2013 for further detail

Capacity for Future Borrowing

- In addition to the £235m cash and fully secured undrawn loans, LiveWest has unencumbered assets of £869m to secure against future borrowing
- This capacity significantly exceeds the business plan requirement
- In addition new units will be developed in the business plan period and there is excess security that could be released from existing loans

	£m	£m
Cash and fully secured undrawn loans		235
Unsecured values		
General Needs	698	
Shared Ownership	171	
New borrowing capacity		869
Total capacity		1,104

Company Highlights

