

Investor Presentation September/October 2019

<https://www.livewest.co.uk/about-us/for-investors>

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Sourcing – unless otherwise stated: LiveWest Financial Statements 2019 and associated Offering Materials

Our Presenting Team



Melvyn Garrett, Deputy Chief Executive and Executive Director of Finance

- Joined LiveWest in 2013 (then Devon and Cornwall Housing (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 (then Devon and Cornwall Housing (DCH))
- 25 years' finance experience including 10 years in corporate finance consultancy
- Previously Managing Director at TradeRisks specialising in treasury risk management

Agenda

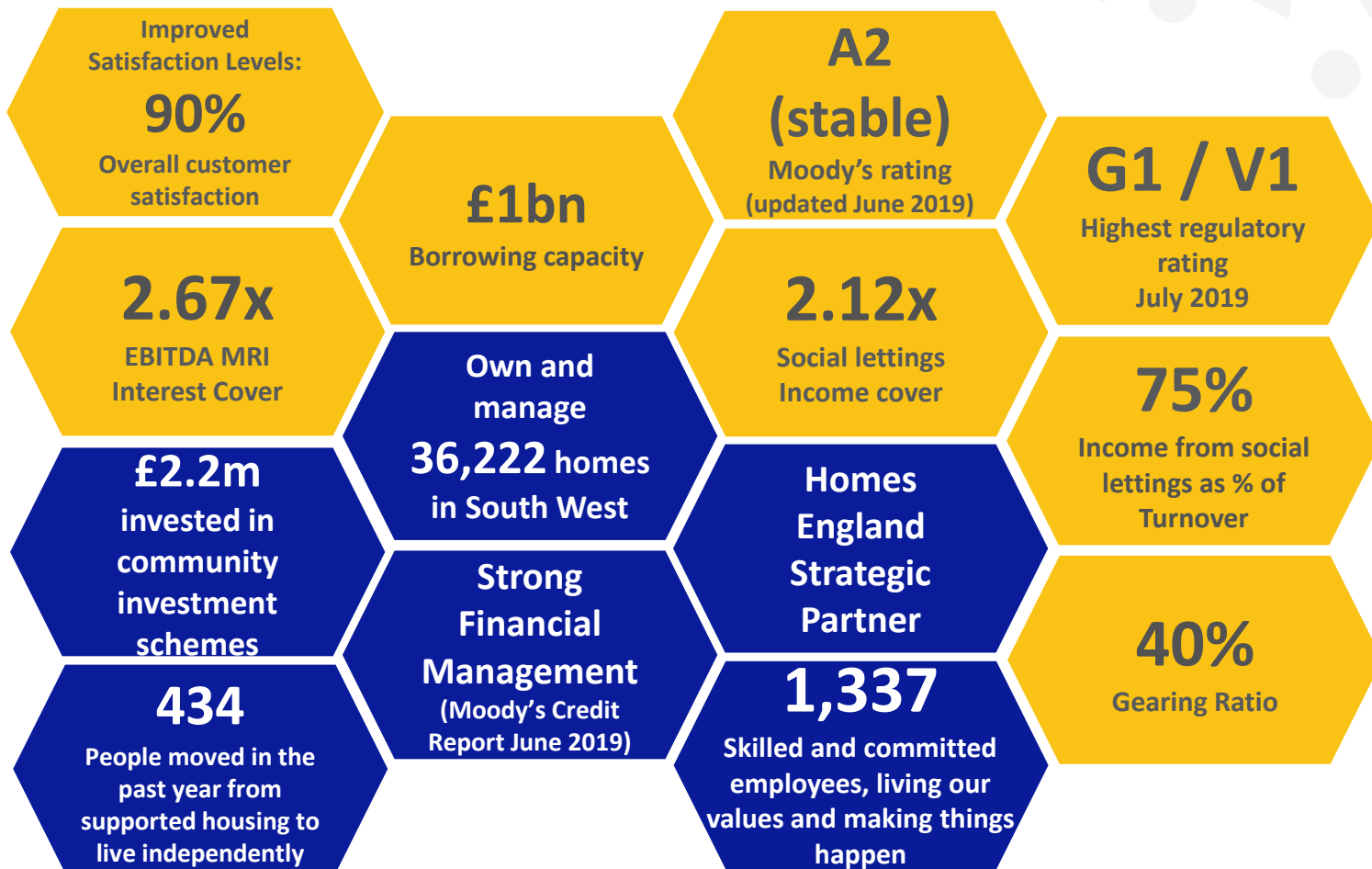
- Introduction to LiveWest
- Company Overview
- Operational Performance
- Business and Development Plan
- Financial Performance
- Treasury
- Transaction Overview

Introduction to LiveWest



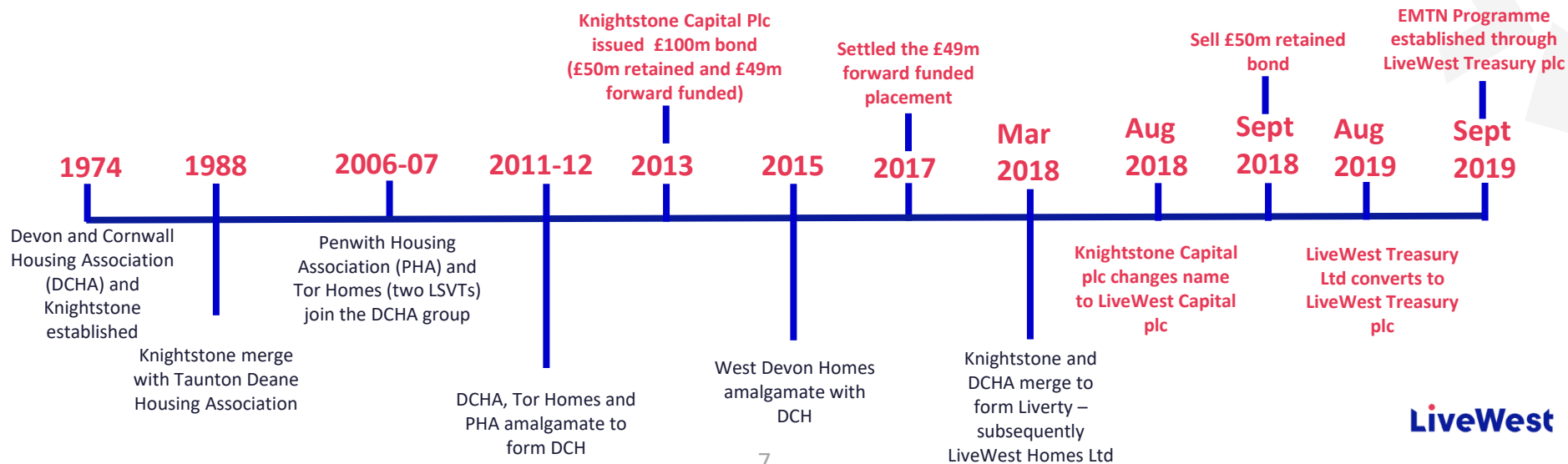
Daffodil Fields, Goldsithney, Cornwall

Company Highlights



Introduction

- Devon and Cornwall Housing (DCH) and Knightstone merged on 5 March 2018 to form LiveWest Homes
- South West of England focus, operating from Gloucestershire to the Isles of Scilly
- Own and manage over 36,000 properties in just 24 Local Authorities
- Operate in strong urban areas including Bristol, Exeter, Plymouth, Taunton and Truro
- High demand with house prices averaging 8.8 times salaries in the South West



Merger Achievements

- Over 1,000 affordable homes developed since merger
- Outperformed budget in 2018/19
- Merger savings ahead of target
- As a result efficiency targets increased from £12m by 2020/21 to £17m by 2022/23
- Integration progressing well
- Signed Homes England Strategic Partnership to provide 935 additional homes
- £200m of new financing (retained bond sale and revolving credit facilities)
- Transition to:
 - New management team
 - New brand

	2019	2018	2017
	LiveWest		
Social – owned and managed	33,734	33,021	32,127
Non-Social	2,488	2,418	2,418
Total	36,222	35,439	34,473
Turnover	£233m	£231m	£220m
Operating Margin (before asset disposals)	28%	27%	33%
Net Debt	£788m	£712m	£682m
Net Debt per Unit Owned	£22,518	£20,721	£20,213

Strategy

The LiveWest strategy is to take forward the key themes from our merger business case to:

1. Deliver 16,000 new homes over the next 10 years
2. Continue to deliver high-quality services, and ensure these are fit for the future:

We are 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

We are working with and empowering local communities: we invest in neighbourhoods making them stronger for the long term, building the foundations of a better future

We are directing resources to 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.

Company & Governance Overview



Tayberry Close, Stoke-Sub-Hamdon, Somerset

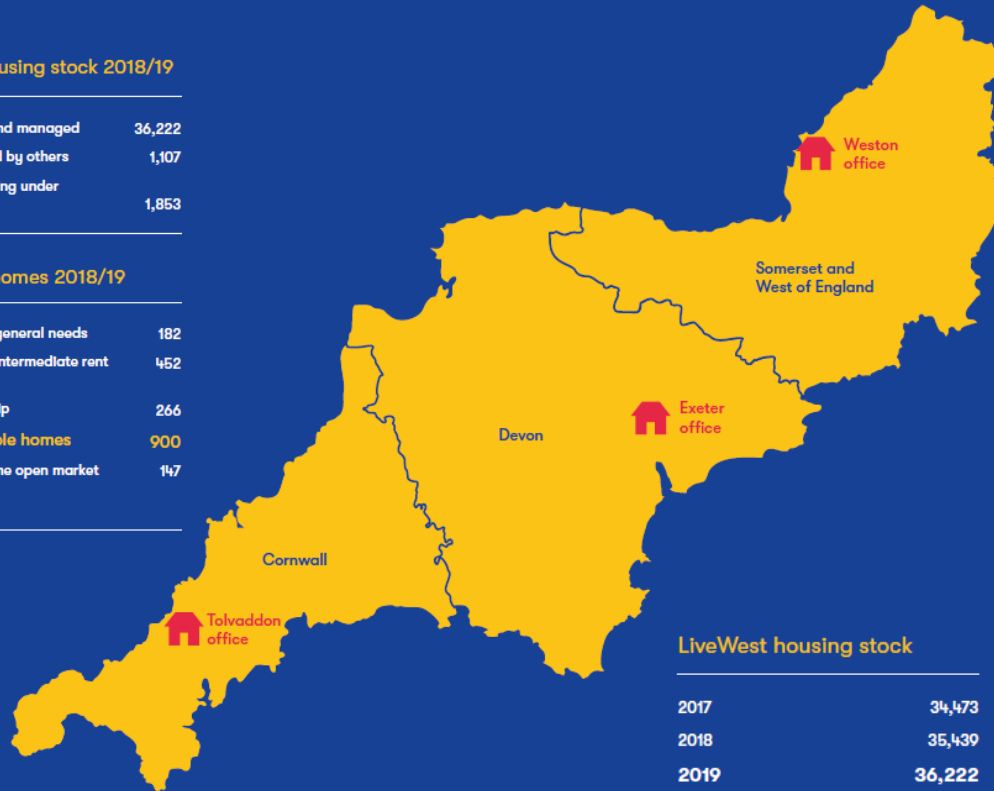
Area of Operation (Managed Housing Stock)

LiveWest housing stock 2018/19

Homes owned and managed	36,222
Homes managed by others	1,107
Affordable housing under development	1,853

Additional homes 2018/19

Social rented – general needs	182
Affordable and Intermediate rent – general needs	452
Shared ownership	266
Total affordable homes	900
Homes sold on the open market	147



LiveWest housing stock

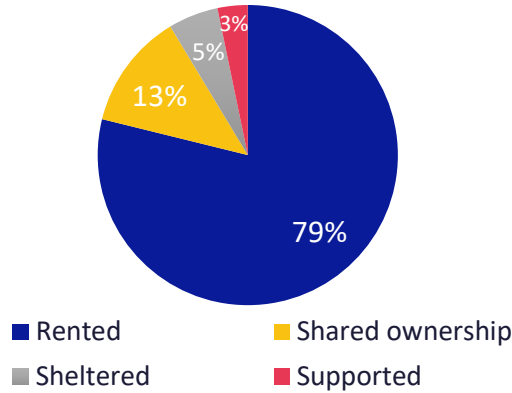
2017	34,473
2018	35,439
2019	36,222

Local Authority

Local Authority	Affordable Housing Completions 2018/2019	Affordable housing under development at 31/03/2019	Homes owned and managed
Bath and NE Somerset	26	25	958
Bristol	1	40	2,516
Cornwall	167	201	9,716
East Devon	142	328	1,581
Exeter	14	94	999
Mendip	6	24	1,054
Mid Devon	34	95	323
North Devon	66	131	928
North Somerset	33	-	1,615
Plymouth	81	125	3,070
Sedgemoor	33	37	1,087
South Gloucestershire	1	236	1,356
South Hams	70	106	3,797
South Somerset	38	110	789
Taunton Deane	108	60	1,623
Telgnbridge	27	30	808
Torbay	5	-	568
Torrifge	19	25	777
West Devon	10	39	1,883
West Somerset	-	18	209
Other	19	39	565
Total	900	1,853	36,222

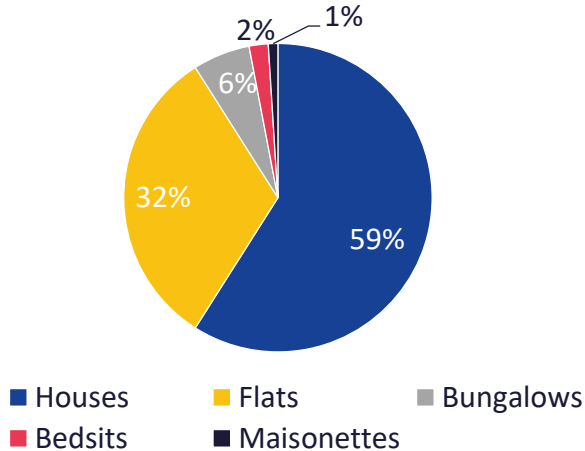
LiveWest: Stock Profile

Social Housing

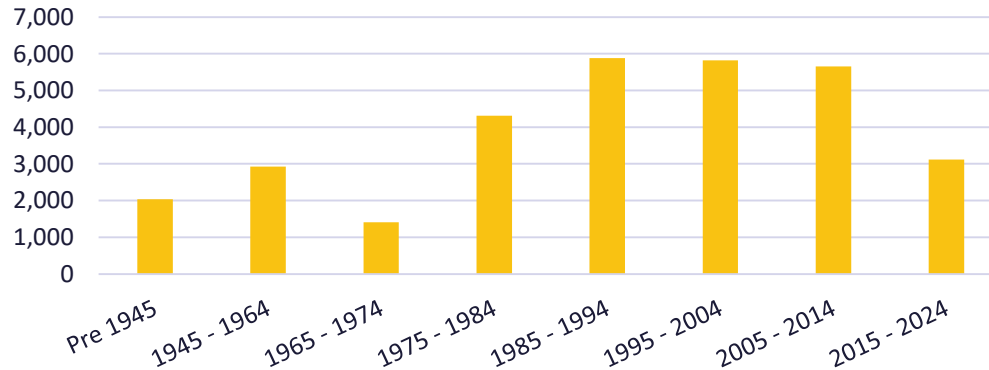


Rented	26,599
Sheltered	1,816
Supported	1,095
Shared ownership	4,224
Social Stock owned and managed	33,734
Non-Social	2,488
Total	36,222

Property Type

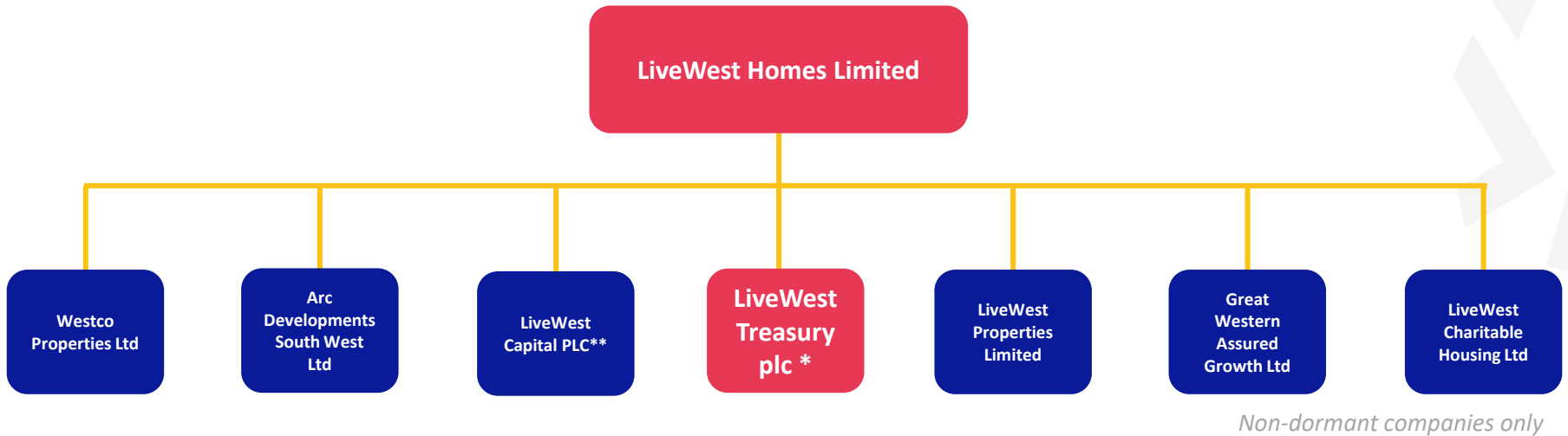


Stock Age Profile



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

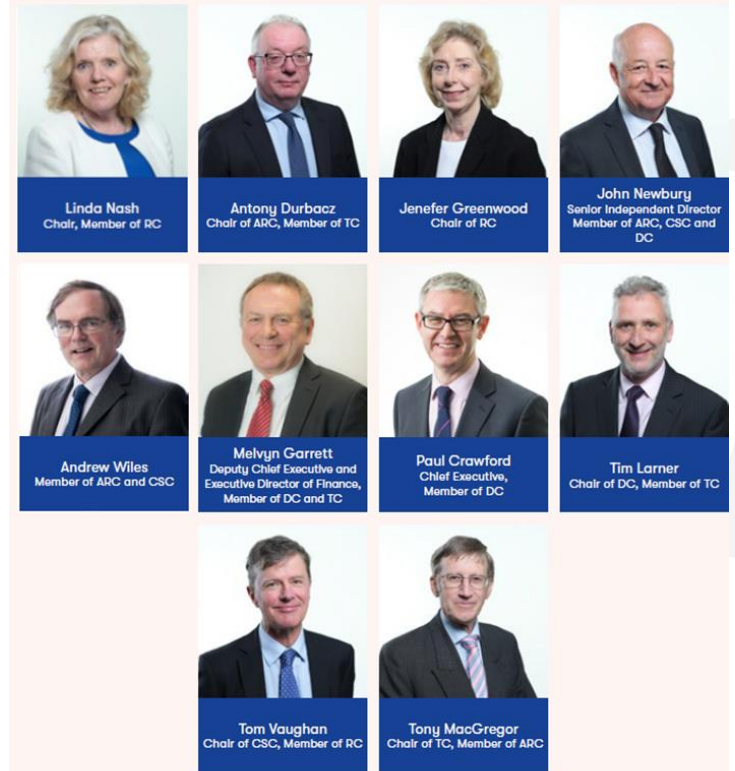


* Programme Issuing Entity

** £100m Bond issued by this entity

Board and Governance

- **Our board comprises:**
- Eight independent members, two executives:
 - Chair: Linda Nash
 - CEO: Paul Crawford
- Treasury and Development committees each include a specialist co-opted member
- Board experience includes: construction; national housebuilder; financial; regulator; housing sector



ARC = Audit and Risk committee

DC = Development committee

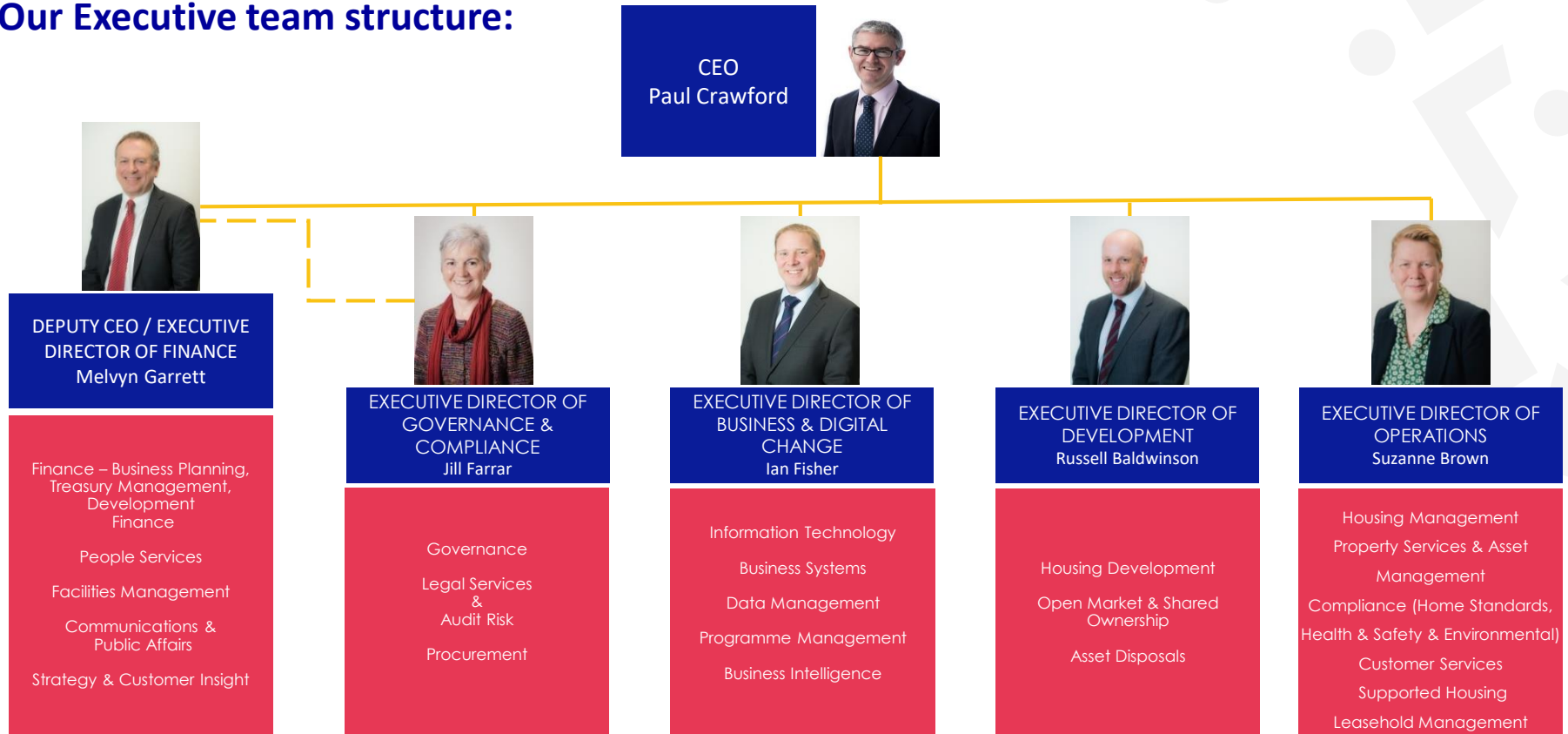
TC = Treasury committee

CSC = Customer Services committee

RC = Remuneration committee

Board and Governance

Our Executive team structure:



“LiveWest's management team demonstrate strong financial management, which is captured in their 'a' score for financial management.” Moody's Credit Rating Report June 2019

Operational Performance



Fort Gardens, Plymouth, Devon

Key Indicators

	March 2019	March 2018	March 2017
Management cost per unit	£1,052	£1,083	£1,051
Maintenance cost per unit	£1,701	£1,618	£1,600
Social housing interest cover	212%	228%	237%
Rent arrears	1.83%	1.90%	2.09%
Void rent loss	0.51%	0.51%	0.42%
Landlord Surplus %	33%	31%	33%
Operating surplus %	28%	27%	30%
Net Debt per unit owned	£22,518	£20,721	£20,213
Units developed (affordable)	900	812	829
Customer satisfaction	90%	89%	NR

- Management costs per unit in both 2018 & 2019 include one-off restructuring costs. If these were excluded the cost per unit in 2019 would have been <£1,000, a c.10% real reduction from 2017
- Total maintenance cost per unit reflects the planned investment across LiveWest
- Rent arrears % remains in the top quartile and has improved over the last 2 years despite Universal Credit recipients totalling more than 4,000
- Void rent loss performance remains top quartile
- Customer satisfaction is a key measure of us meeting our aim to deliver high quality services

LiveWest: ESG

- Average SAP rating: 71 vs National Average of 62:
 - Efficiency improvements are prioritised on lowest performers with a disposal plan where improvements are not possible
- Supported 1,400 customers with issues including family breakdown, mental health and benefit navigation – securing £1.6m in government payments
- Delivered Get Active project with Sport England – 4,700 participants
- 317 grants for community groups, reducing isolation, improving communal spaces
- 434 people moved on from supported housing to live independently
- 1,196 volunteer hours donated by LiveWest staff
- £2.2m invested in Community investment schemes in 2019
- Housing First – lead partner in Bristol and Cornwall

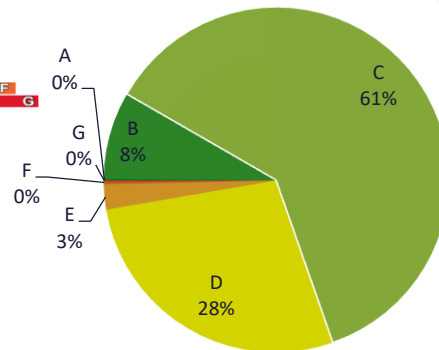
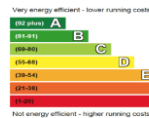


**Modular homes
have 20% lower
heating bills than
other new build**



Bridgwater Pilot Scheme
Mix of 12 traditional build and 25 modular homes
13 Affordable Rented and 24 Shared Ownership units

SAP ratings



Accreditations and Memberships



Armed Forces Covenant
Proudly supporting those who serve



Source LiveWest Financial Statements 2019

LiveWest Resident and Community Investment Annual Report April 2018 – March 2019

Ministry of Housing Communities and Local Government English Housing Survey Headline Report 2017-18

Rent Collection

	March 2019	March 2018	March 2017
Rent arrears	1.83%	1.90%	2.09%
Void rent loss (general needs)	0.51%	0.51%	0.42%
Tenants in receipt of Universal Credit	4,010	1,319	631
Average days to re-let	22.8	24.1	24.6

As at March 2019:

- £1m arrears balance of tenants on Universal Credit:
 - Represents 5.76% Rent arrears of tenants on Universal Credit (0.6% of Income from Social Housing Lettings)
- 44% of income received direct as Housing Benefit
- 14,947 Tenants on Housing Benefit of which 9,583 on full Housing Benefit

- **Improving arrears performance in spite of welfare reform measures:**

- Seven day waiting period scrapped, meaning first payment to be made in five weeks instead of six weeks
- Where a claimant migrates from Housing Benefit (HB) to Universal Credit, HB will continue to be paid for a two week period following the UC claim date – Some Local Authorities using Discretionary Housing Payments (DHP) to cover rent until UC is paid to claimant
- ‘Managed migration’ to UC for working aged tenants from January 2020 to December 2023

- **Controls/mitigators include:**

- Trusted Partner status with the Department of Work and Pensions
- Weekly monitoring of arrears and void performance
- Modelling the impact of Universal Credit on our income
- Financial Inclusion Strategy and action plan in place
- Mitigation plans in place for known welfare reform changes

Fire Safety

- Continued robust processes to assure effective landlord safety management
- Fire risk management:
 - **No buildings with ACMs (Aluminium Composite Materials)**
 - 10 blocks over six storeys and one of nine storeys
 - Structured response to Grenfell across the organisation
 - Supported Ministry of Housing, Communities, and Local Government (MHCLG) reporting requirements
 - Reviewed procedures with support of our fire brigade partners
 - Re-assessed all buildings where potential for additional risks was identified, any necessary actions implemented
 - Resources made available for any necessary works
 - Ongoing resourcing of fire risk management across the organisation
 - Retrofit of sprinkler systems based on tenant vulnerability
 - New developments include consultation with fire specialists at an early stage of our design process
- Business plan includes £23m provision for additional fire safety measures

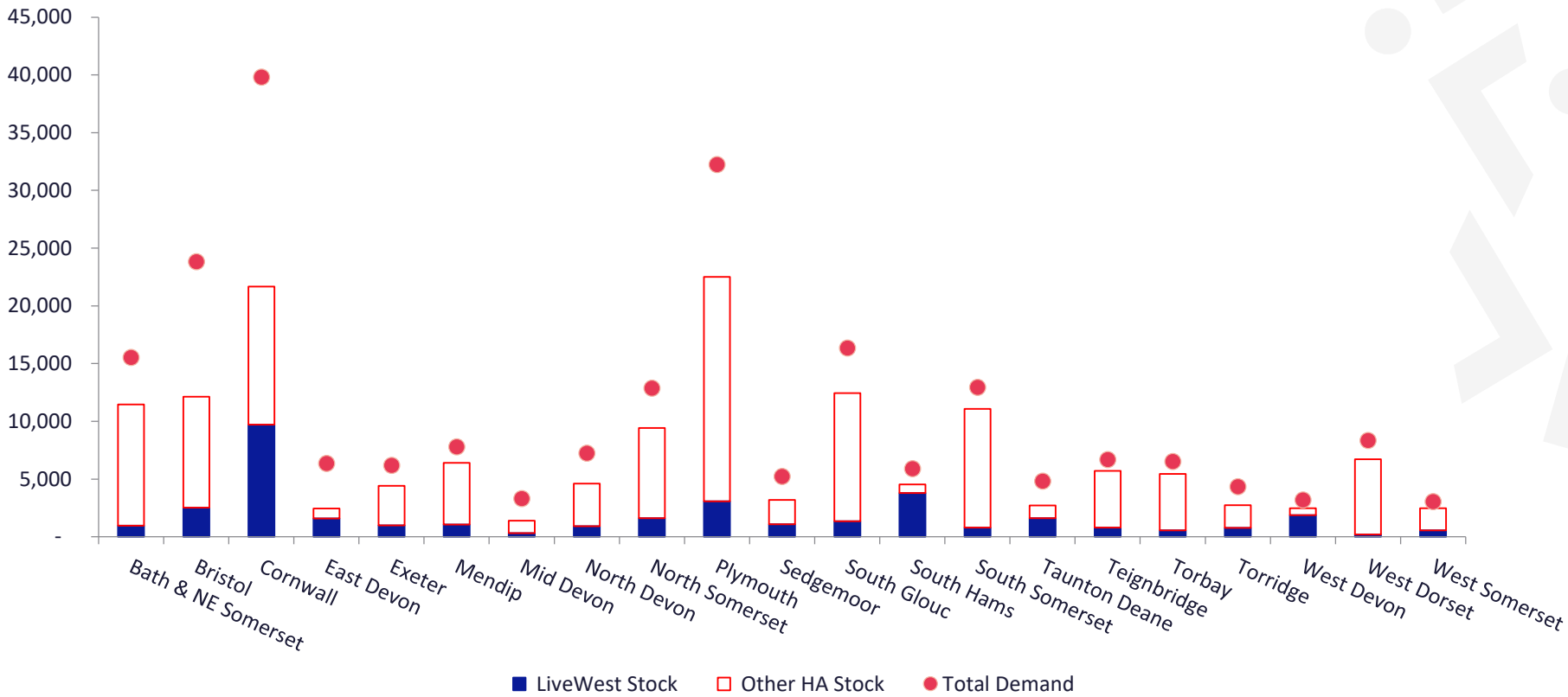
Nansledan, Newquay, Cornwall

Development Plan



Market Conditions (1)

Waiting Lists and Stock by LA



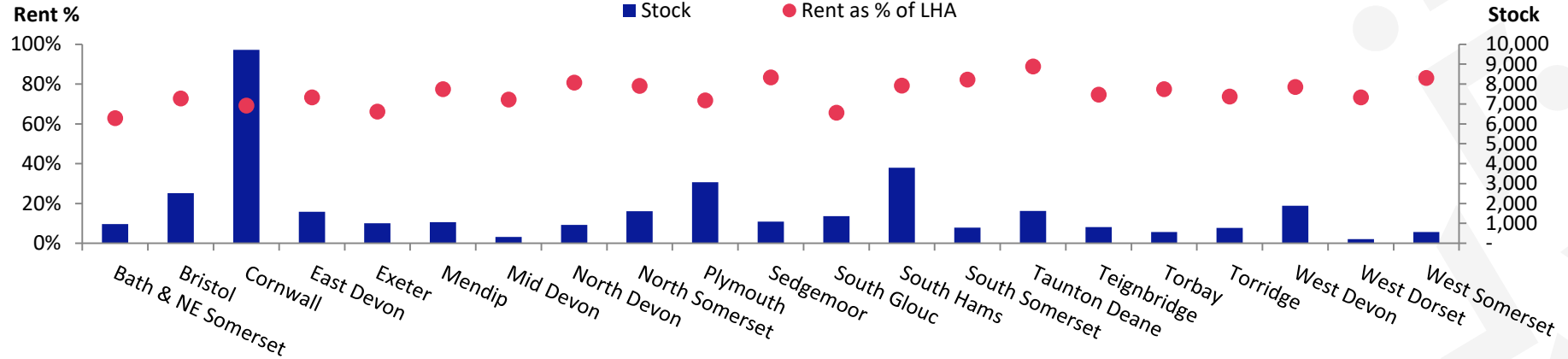
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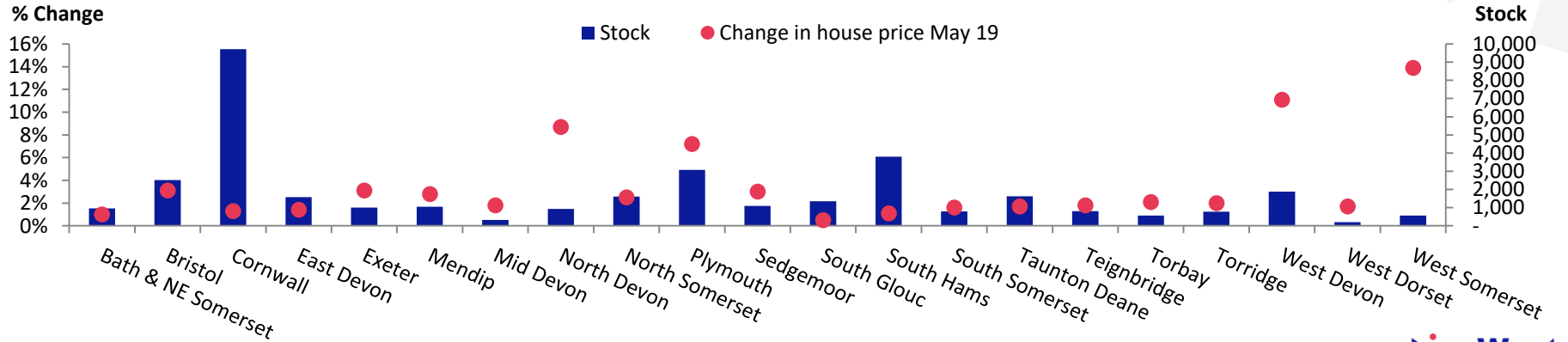
LiveWest Financial Statements 2019

Market Conditions (2)

Average rent as a % of LHA rate



Annual change in house prices by LA as at May 2019

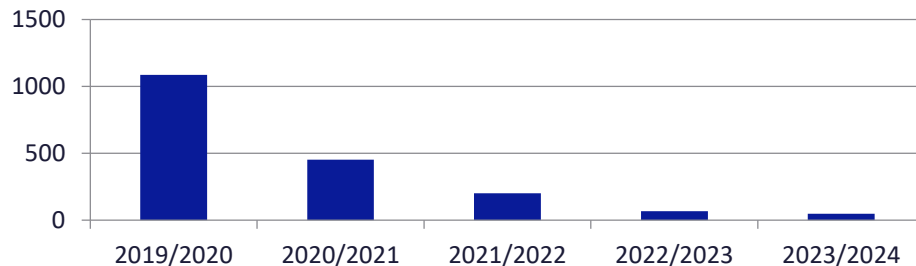


Source: <https://www.gov.uk/government/publications/uk-house-price-index-england-may-2019/uk-house-price-index-england-may-2019>

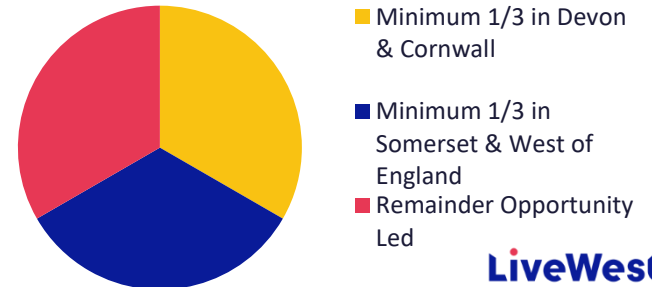
Development Strategy

- Build on a proven track record
- Business plan of at least 7,000 homes over the next 5 years and 16,000 homes over next 10 years
 - Over 90% affordable tenures (affordable rent, social rent, shared ownership)
 - Remainder open market sales as a means of creating financial capacity for investing in new affordable homes, along with control over s106 provision
 - 1,853 new affordable homes in contract as at 31 March 2019
- Open market focus on principal housing market areas: Bristol, Exeter, Plymouth, Truro and Taunton
- Homes England – Partnership with Sovereign to deliver a total of 2,275 new homes by March 2024. LiveWest is committed to deliver 935 of these homes with £46m grant
- Increasing focus on modern methods of construction, including modular homes

Delivery Profile - contracted units



Development target areas



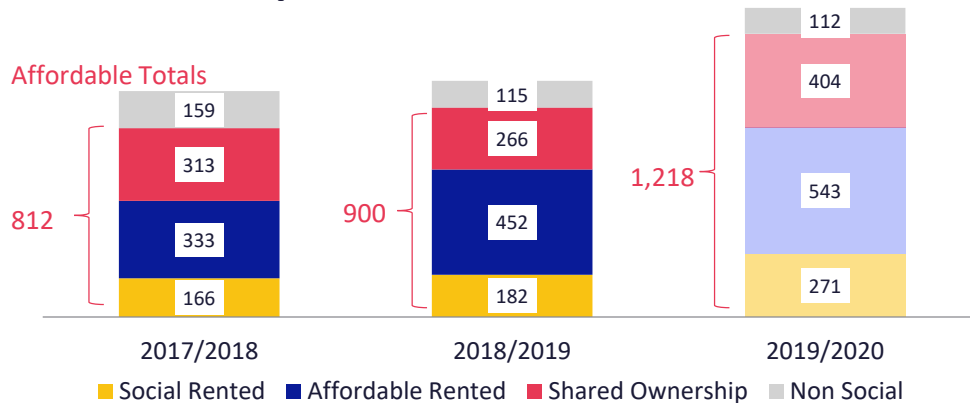
Development Risk Policy and Appraisal Criteria

- Investment appraisal – yield and profit margin targets set annually by the board and monitored by the Development Committee
- Internal Financial Framework Limit of 30% on the proportion of all sales (including shared ownership) to total turnover
- Impairment exposure limits to keep land holdings within risk limits
- Scheme approvals at board, Development Committee or officer level dependent on size and duration
- The Development Review Team has oversight of our housing market activity (sales and affordable units) on a monthly basis with quarterly reporting to the Development Committee
- Minimum 2 year liquidity policy (including uncommitted spend)
- Liquidity buffer to account for sales risk – equivalent to six months' sales delay and a 15% fall in values
- Contractor exposure limits
- Housing market scenario testing with early warning trigger levels

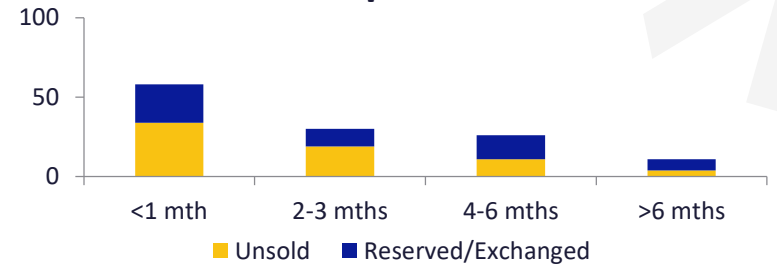
Development Track Record

- Affordable housing delivered through land led schemes and s.106
- Open market sites delivered through joint venture with house builders, or contractors for smaller sites
- Sales of open market and shared ownership homes totalled 399 units for the year (422 for the year to March 2018)
- At 31 March 2019 we had 125 shared ownership homes in stock (March 2018: 111) and 2 open market homes (March 2018: 28)

Homes developed



Shared ownership stock



Gross Development Spend (£m)	2019	2018
Housing Properties	115	85
Houses for sale	60	48

Waters Edge, Exmouth, Devon

36 home
development

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

Nansledan , Cornwall



133 Home Scheme

Duchy of Cornwall led Initiative providing a school and doctors surgery



64 Affordable rented

69 Shared Ownership

4 year development

Financial Performance



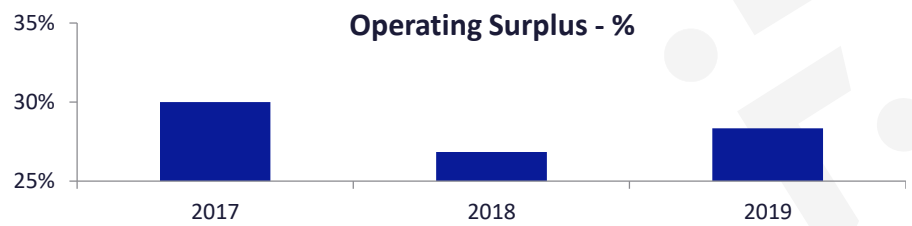
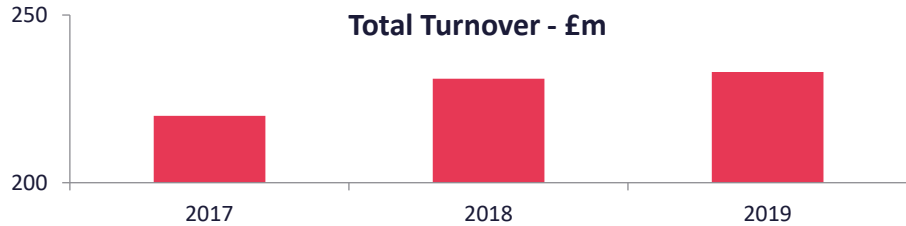
Tennyson Court ,Taunton

Financial Performance

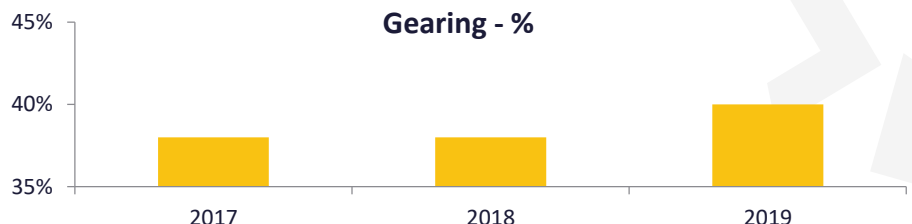
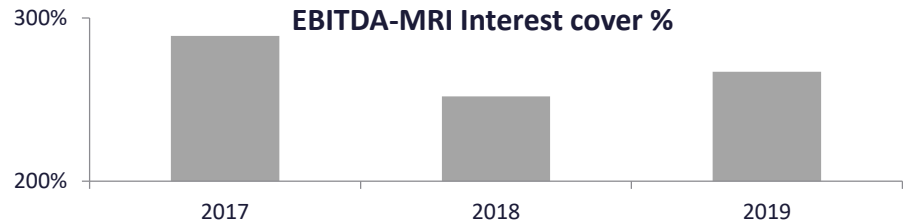
	2019	2018	2017
Landlord turnover - £m	175	171	168
Surplus landlord activities - £m	57	52	56
Landlord Surplus %	33%	31%	33%
1st tranche property sales - £m	22	23	23
Open market sales - £m	29	29	20
Total property sales - £m	51	52	43
Property sales % of turnover	22%	23%	20%
Total Turnover	233	231	220
Operating Surplus - £m (pre asset disposals)	66	62	66
Operating Surplus - £m (post asset disposals)	81	69	74
Operating Margin % (pre asset disposals)	28%	27%	30%
Net surplus - £m	56	45	52
Net surplus %	24%	19%	24%
Gearing %	40%	38%	38%
EBITDA-MRI Interest cover %	267%	252%	289%
Debt as multiple of turnover	3.44	3.09	3.10
Net Debt per unit owned	22,518	20,721	20,213

- Well positioned to continue to increase development, improve our service offerings and maximise the opportunities that will result from merger

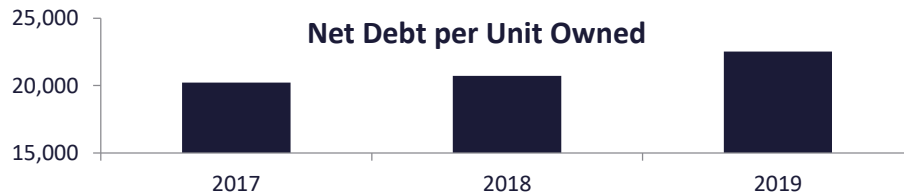
Financial Performance



- Operating surplus increased to £66m from £62m in 2018 largely as a result of efficiencies brought about by merger
- Value for money initiatives have maintained the underlying operating margin, and improved landlord margin in spite of welfare reform



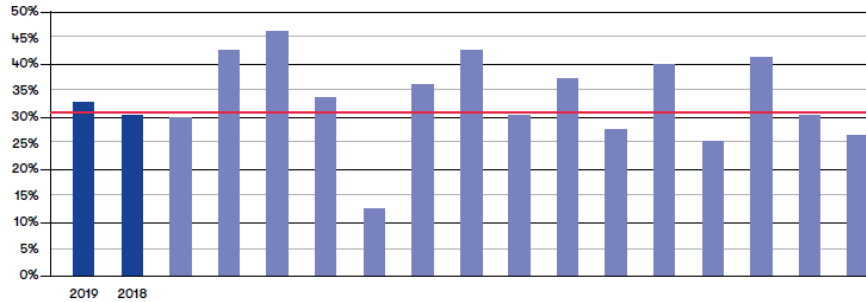
- Within 2018 interest costs are one off merger costs for lender consent of £0.7m and termination fees in respect of an uneconomic loan facility of £3.7m, affecting interest cover in that year
- Significant interest cover and gearing headroom compared with lenders covenants and internal targets



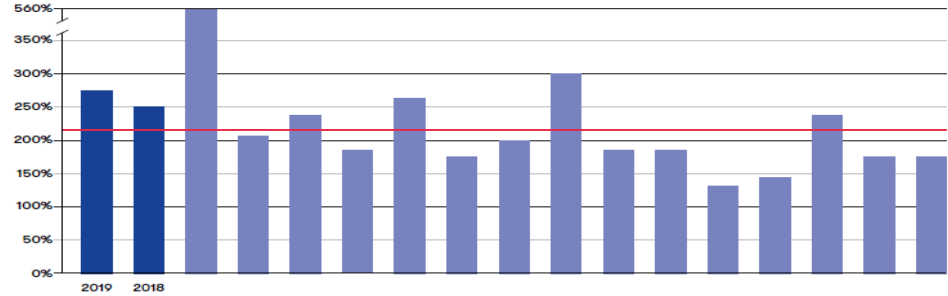
- Increased investment in land and work-in-progress has led to debt per unit of £23k, against £21k in 2018

Benchmarking

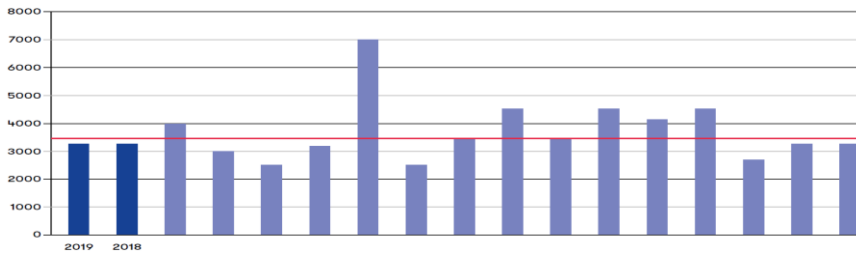
Operating margin – social housing lettings



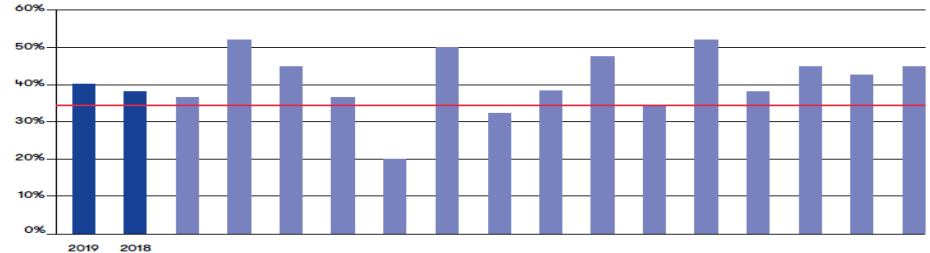
EBITDA – MRI Interest Cover %



Headline social housing Cost Per Unit (£)



Gearing %



■ LiveWest
 ■ Other UK rated housing associations
 — HouseMark median

- Comparing LiveWest against a selection of Moody's rated housing associations using HouseMark data
- Comprises of current A2 or higher rated associations

Treasury



Tarka View, Crediton, Devon

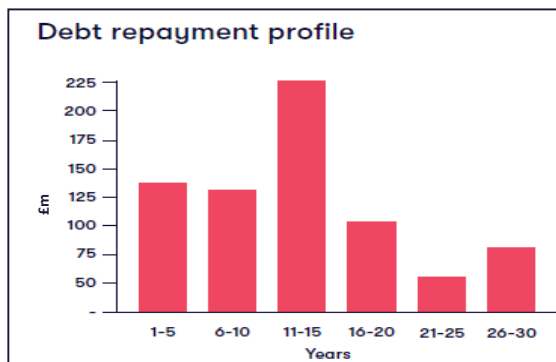
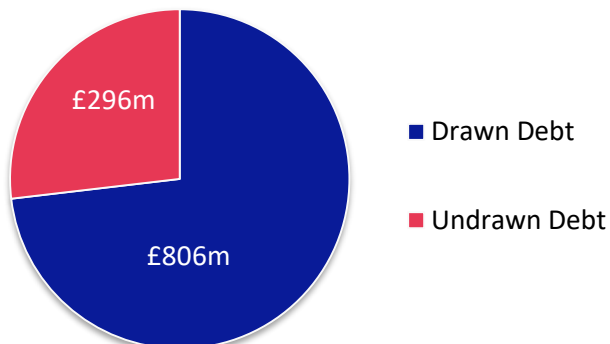
Debt Portfolio – March 2019

	Loans	Swaps	Net loans	%	Target range
Fixed	275	366	641	80%	60% - 90%
Floating	527	(386)	141	17%	0% - 40%
Index linked	4	20	24	3%	0% - 25%
Total Debt	806	-	806	100%	
Cash and liquid investments	(18)	-	(18)		
Net Debt	788	-	788		

- £106m MtM value Swaps
- MtM is fully secured (Including buffer against rate movement)
- Weighted Average Maturity of 11 years

Average cost of borrowing
3.16%

£1bn borrowing capacity



NAB Security Pool -		Total Value
Current	Units	£m
MV-STT	3,957	414.2
EUV-SH	5,897	325.5
Shared Ownership	823	48.8
Nil Value	140	-
Total	10,817	788.5

Treasury Policy

- Treasury Committee review and recommend policy and strategy to the board
- Treasury Policy reviewed annually
- Treasury Committee meet and monitor quarterly
- Business plan stress tested

Credit risk

- Approved list of counterparties
- Minimum credit rating criteria
- Maximum exposure levels

Liquidity risk

- Minimum 24 month liquidity + Liquidity Buffer
- Liquidity Buffer for 6 months sales delay + 15% fall in value

Interest rate risk

- Fixed/Variable/Index-linked targets
- Monitored against market conditions throughout the year by Treasury committee and Executive team

Margin call

- Free standing derivatives secured through charged property
- Policy requires sufficient security to cover fall in long term interest rates of 0.5%

“The group also has strong stress testing with quantified mitigating actions.”
Moody’s Credit Rating Report June 2019

Transaction Overview



Sherford, Plymouth, Devon

Transaction Terms

Indicative Transaction Overview	
Issuer	LiveWest Treasury plc
Initial Guarantor	LiveWest Homes Limited
Programme Rating	A2 by Moody's
Deal size	£250 million (with up to a £100m retained element)
Maturity	Long dated
Documentation	As per Programme Admission Particulars dated 24 September 2019
Asset Cover	105% EUV-SH / 115% MV-ST + Charged Cash
Information Covenants	Compliance Certificate, financial statements, meetings on request
Denominations	£100k+1k
Listing	London, International Securities Market
Bookrunners	Lloyds Bank Corporate Markets / MUFG / Santander
Note and Security Trustee	Prudential Trustee Company Limited
Target Market	MiFID II Professional and Eligible Counterparties only

Company Highlights

