

# Consent Solicitation Proposal, May 2020

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Sourcing – unless otherwise stated: LiveWest Financial Statements 2019, 2020 Consent Solicitation Memorandum and relevant Bond Prospectuses

# 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

# Contents

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- Introduction to the Proposal
- LiveWest Financing Overview
- Corporate Structure
- Proposal
- Comfort Package
- Voting Structure and Timeline
- Contacts

# Introduction to the Proposal

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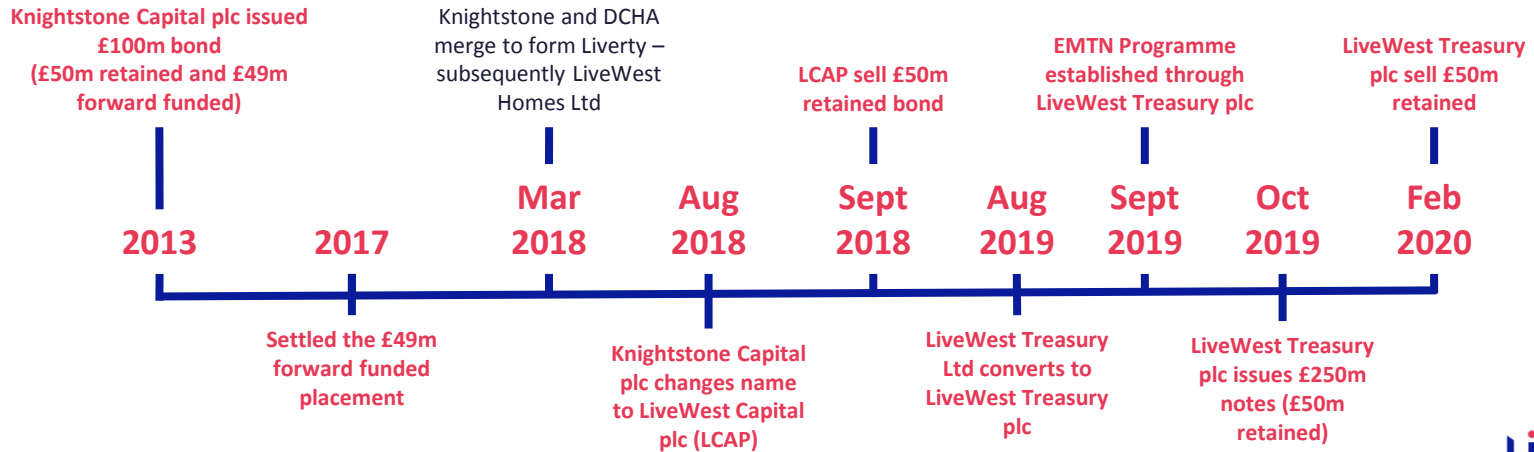
- On the 24<sup>th</sup> September 2019, as part of its plan to simplify its future financing structure LiveWest Treasury plc published its programme on the London Stock Exchange plc's International Securities Market
- LiveWest Treasury plc subsequently issued £250m 2.250% Oct-2043 secured notes on the programme
  - <https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/other/14239862.html>
- The programme is intended to be LiveWest's primary long term financing structure going forward
- Continuing with the strategy of simplifying the financing structure LiveWest is proposing to move the £100m 5.058% LiveWest Capital PLC bond ("LCAP bond") due 2048 onto the LiveWest Treasury plc programme via an Issuer Substitution
- The Issuer Substitution will require bondholder approval via a Consent Solicitation, with the security and covenant structure to be substantially aligned to the new programme
- The following presentation summarises the background, rationale and key impacts of the proposal

# LiveWest Financing Overview

## Company Overview

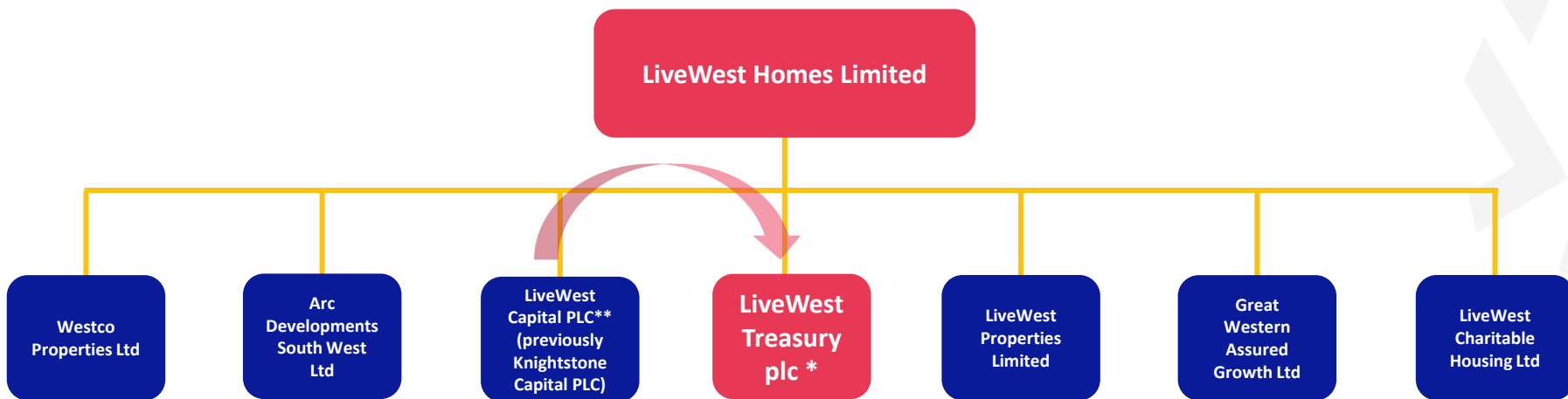
- South West of England focus, operating from Gloucestershire to the Isles of Scilly – operating in strong urban areas including Bristol, Exeter, Plymouth, Taunton, Truro
- Own and manage over 36,000 properties in just 24 Local Authorities
- High demand with house prices averaging 8.8 times salaries in the South West
- Over 1,000 affordable homes developed since merger
- Merger savings ahead of target and Integration progressing well
- Signed Homes England Strategic Partnership to provide 935 additional homes
- A2 (stable) Moody's rating
- G1 / V1 Regulatory Grading

## Capital Markets Timeline: £350m outstanding Capital Markets Debt



# 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

\*\* Bondholders to move to LiveWest Treasury plc

*Non-dormant companies only*

**LiveWest**

# Proposal (1/2): Rationale and key elements

- Rationale for the proposal: the rationale for the proposal is to simplify LiveWest's financing structure going forward and bring all public creditors into a pari passu structure under the LiveWest Treasury PLC programme
- The key elements of the proposal are:
  - I. To substitute the issuer from LiveWest Capital PLC to LiveWest Treasury plc
  - II. Release the security from LiveWest Capital PLC and assign security from the numerical apportionment pool in LiveWest Treasury plc to the substituting bondholders
  - III. Make other consequential changes to effect the alignment to LiveWest Treasury plc
- Bondholder engagement : LiveWest has engaged with a significant investor holding approximately 58% of the outstanding LiveWest Capital bond who has indicated they view the proposal as positive and intend to support the proposal



# Proposal (2/2): Impact

- Rating: Moody's have indicated to the company that the rating will remain A2
- Improvement on Asset Cover Test for bondholders (see below)
- Pari passu with and alignment to LiveWest Treasury Plc bondholders
- Numerical apportionment diversifies bondholders potential security
- LiveWest intends to issue all its public debt under the LiveWest Treasury Plc programme going forward, which could potentially include a tap of the current LCAP bond in the future subject to the proposal be implemented
  - LiveWest is not committing to tap the bond in the future but is highlighting that the proposal would facilitate the possibility
- Bondholders retain high 5.576% coupon
- Fee of 0.05% paid on the nominal to yes and no votes, once the proposal is passed and implemented

|                                 | Current   | Proposed  |
|---------------------------------|---|---|
| Covenants – Asset Cover Test    | 115% EUV-SH<br>125% MV-ST   | 120% EUV SH<br>130% MV-ST   |
| Covenants – Interest Cover Test | Operating Surplus / Net Interest > 0.90 (annual test)<br>Operating Surplus / Net Interest > 1.05 (3yr rolling test) | No interest cover test  |
| Security structure              | Specific Apportionment Basis – under this bond investors have specific assets pledged to them                       | Numerical Apportionment Basis – under this structure investors take a percentage of a large pool of LiveWest's assets |

# Comfort package and fee

|                    |   |
|--------------------|---|
| <b>Moody's</b>     | <ul style="list-style-type: none"><li>• Engaged and have reviewed the proposal</li><li>• Moody's have indicated to the company that they reviewed the documents and do not expect there to be a Rating impact as a consequence of the proposal</li></ul>  |
| <b>Legal</b>       | <ul style="list-style-type: none"><li>• Legal opinions obtained in relation to the validity and enforceability of the amended documents</li></ul>   |
| <b>Fee Payment</b> | <ul style="list-style-type: none"><li>• LiveWest is offering to pay a fee of 0.05% to voting bondholders that reflects the nature of the Proposal</li><li>• The same fee is being offered to all voting bondholders, subject to the proposal being implemented<ul style="list-style-type: none"><li>– Bondholders must vote by the Fee Deadline in order to be eligible for the fee</li></ul></li></ul> |

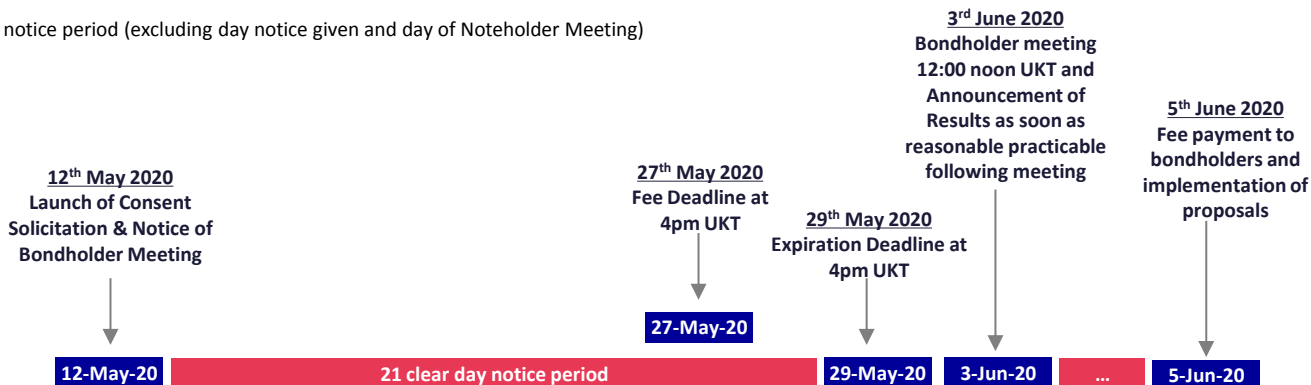
# Voting process and transaction timeline

## Voting Requirements

|   | First Meeting                                     | Adjourned Meeting                                |
|---|---|--|
| <b>Quorum Requirements</b><br><i>One or more person holding or representing in aggregate...</i> | More than 75% of the principal amount outstanding | At least 25% of the principal amount outstanding |
| <b>Voting Requirements</b>  | Majority consisting of not less than 75%          | Majority consisting of not less than 75%         |

## Indicative Consent Timeline

- 21 calendar day notice period (excluding day notice given and day of Noteholder Meeting)



# Contact Details

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