



# Fixed Income Investor Presentation

March 2021

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# Presenting Team



**Bronwen Rapley**  
**Chief Executive**



**Mike Gerrard**  
**Executive Director**  
**of Finance**



**Sandy Livingstone**  
**Executive Director**  
**of Property**

# Key credit strengths

- **c.29,000 homes concentrated in the North West** – size and focus, enables an efficient use of resources and leverage in negotiations with key stakeholders
- **Focused on social housing with minimal non-core activity** – 97% of turnover from social housing activities (FY20) and limited exposure to market sales risk
- **A robust governance framework and highly regarded management team** – united and focused Board and Executive team with a wealth of experience
- **Strong asset management strategy with a measured plan to grow** – delivering 500 units p.a. within a clear and well defined development criteria
- **Ultra low gearing with strong financial metrics** – consistently low gearing of 23.2% with strong interest cover at 222% (FY20)<sup>1</sup> / and 2.5x Social Housing Lettings Interest Cover (FY 20)<sup>2</sup>
- **G1, V1, A1: top third party ratings** – a rare A1 (stable) Moody's Housing Association with top G1 / V1 ratings from the Regulator of Social Housing

(1) Onward Annual Report & Financial Statements 2020  
(2) Onward Group Limited, Moody's Credit Opinion 5 Feb 2021

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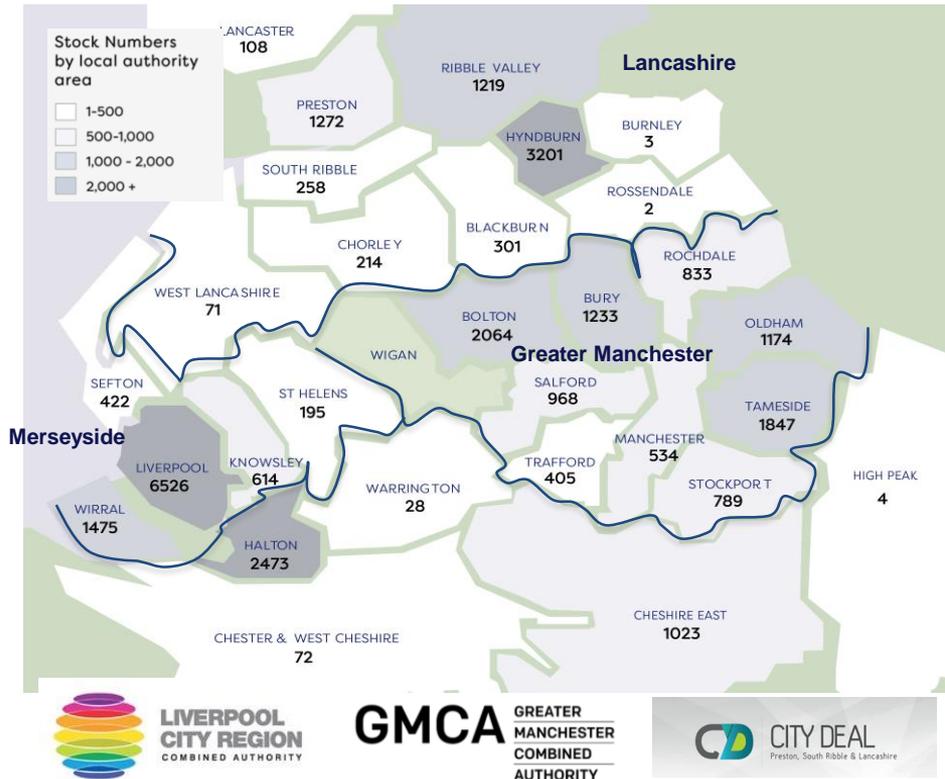
# Overview

# Our Journey: Leading a G1, V1, A1 organisation

- Top rated Housing Association with G1, V1 and A1 ratings
- Excellent governance underpins our success, with united and focused individuals on the Board and Executive teams
- Root and branch review of the organisation
- Prudent with money, ambitious about positive social impact



# A leading landlord in a strong economic region



- We serve 59,544 customers living in 29,084 homes **across the North West**
- Our stock is **concentrated in one region** and the majority of our homes are located within **boroughs that we know very well**
- We have **strong relationships with City Region Mayors** and other local government leaders and play a leading role in sector alliances
- Our density means that we can use our **detailed local knowledge** to achieve a **sector leading cost position**
- We are a **leading landlord in the North West** an area regarded nationally for our political stability, economic strength & good governance

# Our focused 5-year Corporate Plan

**We are focused on social housing**, with modest and measured non-core activity.

**We are all about making a positive social impact**, by providing good homes and services, promoting independence and resilience.

**Our new build programme is modest** and based upon a realistic assessment of need.

Our Corporate Plan has **three strategic objectives**:

1. Become the social landlord of choice
2. Improve our neighbourhoods
3. Grow where we can make a positive difference

**5-year Corporate Plan (2018-2023):** consolidate the organisation, provide good homes and services for independent customers and resilient communities.

**30-year Business Plan:** places our Corporate Plan cycle in a robust long-term context characterised by financial strength.



# Operational Performance

Adam Webb, Environmental Services Supervisor, Merseyside

# Steadily improving performance and satisfaction

- Since coming together as one organisation in 2018 we have tackled some legacy operational issues
- Steady progress in performance and customer satisfaction, we are committed to achieving at least Q2 performance across the board
- Despite Covid we have been successful in keeping services open, building homes, collecting rent and improving satisfaction

## Case study: Repairs and disrepair

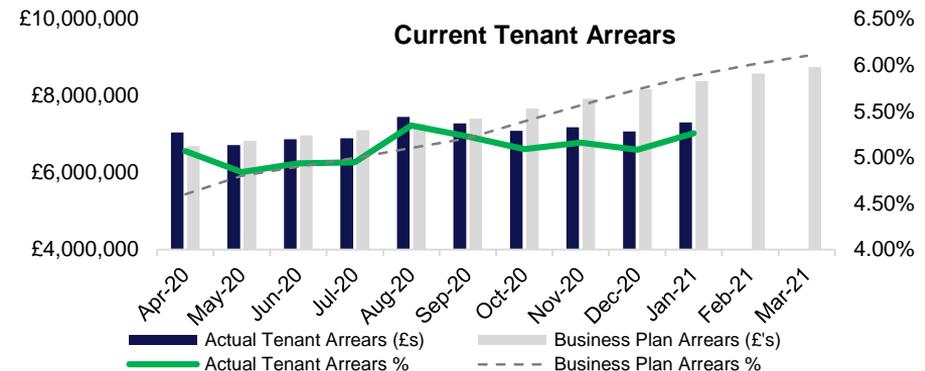
- We have kept repairs running since reopening in the summer, with safe systems of work and strong contract management
- Despite the challenges of 2020, we have dramatically reduced Work in Progress and improved customer satisfaction
- Root and branch reform of our disrepair team has resulted in almost all historic cases being resolved



# Effective management of rent collection

- There is a strong focus on rent collection at Onward with collection above the sector average since March 20 and **>99.9% for the past 4 years**
- Detailed knowledge of our customers and the proactivity of our Financial Inclusion team has underpinned **strong rent collection throughout the pandemic**, comparing favourably to peers (Onward arrears increased 6.5% vs sector average of c24%)<sup>1</sup>
- Our dedicated income support work has enabled **effective early identification** and support for people struggling with bills or moving into welfare
- We undertake **weekly reviews of risk indicators**, including failed payments and growth in universal credit claims

	Mar 18	Mar 19	Mar 20	Jan 21
Void loss %	1.7%	1.7%	1.6%	2.4%
Rent arrears %	5.3%	6.2%	6.4%	6.8%
Rent collection %	99.9%	100.2%	99.9%	99.9%
Housing Benefit income %	49.9%	46.7%	42.4%	39.5%
Universal Credit income %	2.1%	2.8%	4.3%	6.9%
Non-benefit income %	48.0%	50.5%	53.3%	53.6%



(1) 9mths to 31 Dec, Housemark COVID-19 Impact Monitoring Membership Report, Jan 2021

# Financial support for sustainable tenancies

- Our Financial Inclusion (“FI”) Team works with customers to get their finances right and **help them stay in their homes longer term**
- The FI Team handle referrals from across the organisation with a focus on assuring the financial health of our customers and providing targeted and often **intensive structured financial support**
- In 2019/20 the team **helped 1,010 customers with their finances** and **secured over £2.5m additional income**, of which **£652k has been direct income for Onward**. We are on track to do even more in the current year
- In the year to 31 Jan 2021 the FI Team has supported 815 customers since Apr 2020 and generated an **additional £2.1m for our customers** of which **£762k has been direct income for Onward**

# Helping Keeley secure a sustainable tenancy

## Identifying someone who needs help

Single parent Keeley, a student with a disabled child, was matched to a 2 bedroomed property. Her circumstances meant that she had to navigate complex benefit rules that could decide if she could afford the property.

## Our intervention

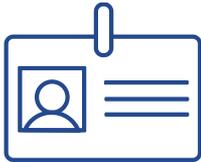
Our Financial Inclusion Specialists took the case on and identified discrepancies with how DWP had assessed Keeley's claim and the level of award. Keeley had accepted the first decision by DWP, leaving her unable to afford the property in the long term. Onward challenged the decision and Keeley secured a higher award and a backdated payment.

## The outcome

Our intervention enabled Keeley to secure the home for her family on a long-term basis she can afford.



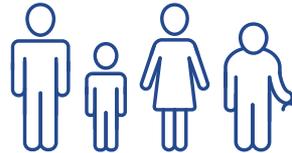
# Our response to Covid-19



## Safeguarding

### Our People

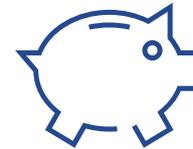
- No furlough
- Invested in colleague welfare
- Dedicated operational leadership



## Serving

### Our Customers

- Maintained core services and most other services
- 70,000 proactive calls
- Provided support to over 4,000 customers



## Strengthening

### Our Finances

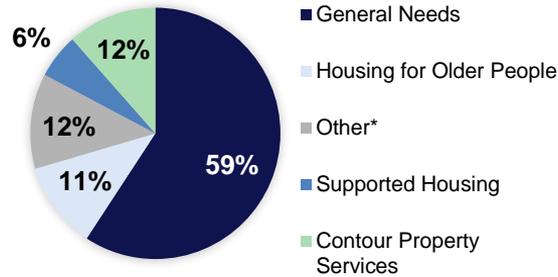
- Shared Ownership remained ahead of target
- Strong rent collection performance during 2020
- Delayed capex, with increased budget for catch up



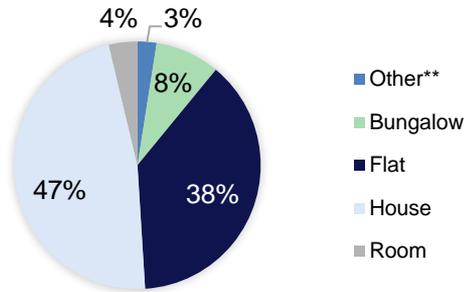
# Asset Management

# The Onward portfolio

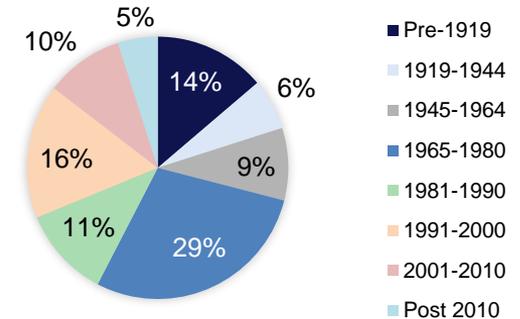
Units by tenure



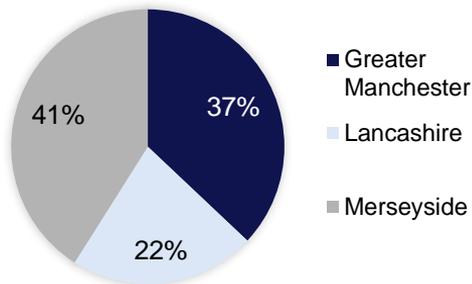
Units by type



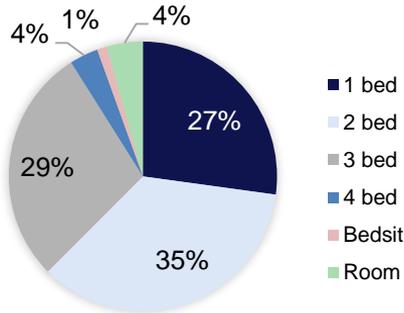
Units by construction year



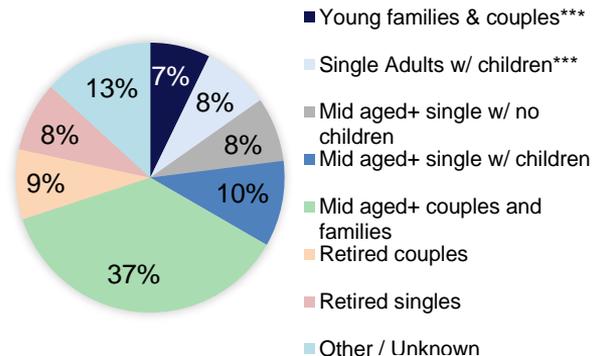
Units by region



Units by number of beds



Units by tenant type



Notes: Units owned and managed (units by tenure includes leasehold)

\* SO = 974, Leasehold = 1104, Affordable = 1743, Care Homes = 80, Market rent = 156, Private Retirement = 169

\*\* Bedsit = 241, Maisonette = 352

\*\*\* Aged below 35 years

# Comprehensive building safety approach

- Building safety is a core business function of Onward. We have invested heavily in our people and our homes, are in a strong position and have a clear future strategy

**Strong leadership via central strategy and assurance team, plus regional compliance teams**

**99.49% gas safety compliance as at Mar 2020, currently close to 100% - 24 overdue properties**

**c.£5.6m annual spend on compliance and health and safety (FY20)**

**100% of our assets have a Fire Risk Assessment (FRA) where required**

**Limited high rise exposure – we own 7 high rise buildings and timber frame buildings (most are houses)**

**No exposure to ACM cladding. HPL cladding being removed from three high rise blocks in Preston**

**We have spent c.£14m on Fire Risk over the last three years and intend to spend a further c.£8m in next three years**

**FRA actions are tracked and completed – 17,000 in 2017 and <1,000 now**

**We are already implementing our Fire Risk Strategy to deliver the Hackitt Report**

**Applying new technology to create 3D electronic plans to manage fire risk and retrofit**

# Our Portfolio Performs Well

- **Our portfolio performs well**
  - It compares favourably within the region
  - Annual void loss is half the regional average
  - Rents are in line with regional averages
- **We actively manage our portfolio and understand it**
  - High quality data – over 90% Stock Condition Survey carried by Savills
  - We use best practice tools – Asset Performance Evaluation Model (APE)\*, and void appraisal model (linked to energy performance)
  - Net present value maintained despite increase in compliance expenditure
- **Investment decisions** are linked to performance and consider financial and qualitative aspects
  - Social rent - maintaining viable and energy efficiency assets
  - Sheltered and supported accommodation – fit for the future
  - Large-scale regeneration where we have a significant holding



# Portfolio Management

- **We intervene** at a property or neighbourhood level when:
  - The property performs poorly
  - The property is no longer fit for purpose
  - The existing tenure is over supplied in the area
  - The cost to invest is prohibitive
- We will invest **to ensure continued demand**
  - To remodel some two bed traditional terrace properties into one bed with upstairs bathroom
  - Converting low demand social rent properties to low cost home ownership
  - Acquiring social housing properties from other landlords
- **Ethical disposals programme:** £1.3m sales (£0.9m gain) in 19/20 and £1.6m sales (£1.2m gain) in 18/19
- Case study: St Bernards Church Toxteth and Georgian properties in nearby Princess Park

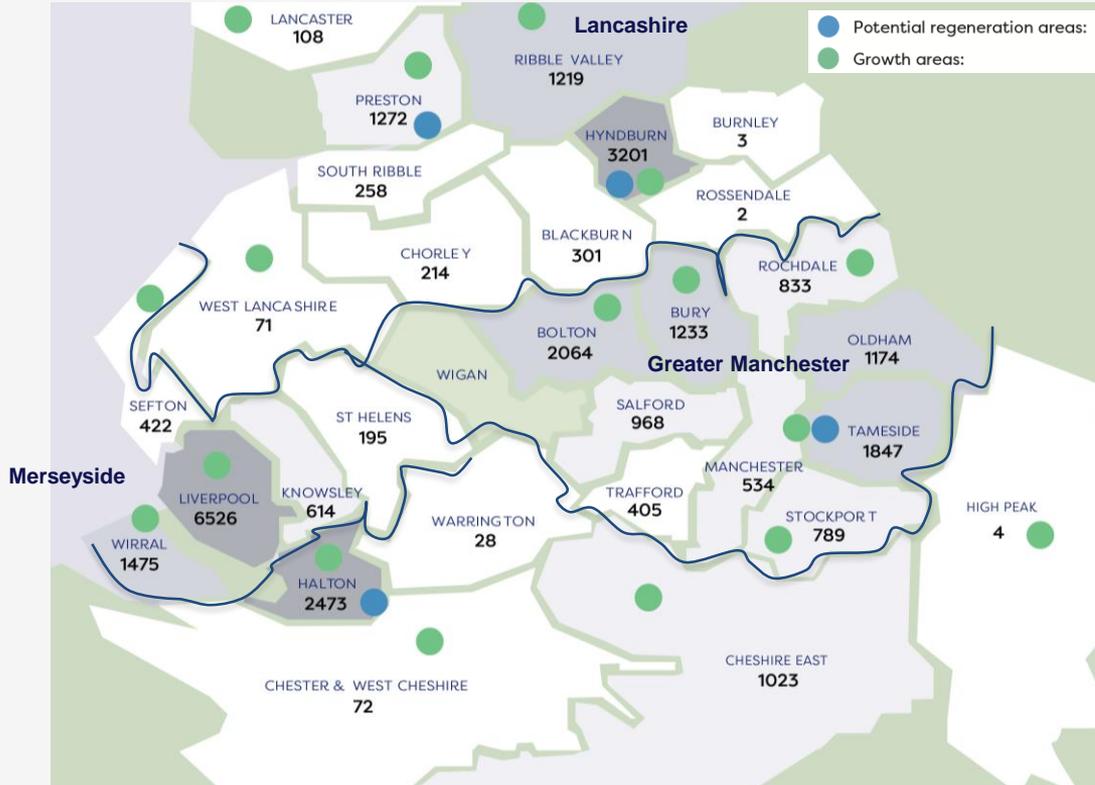


St Bernards Church Toxteth Liverpool



Georgian Property Princess Park, Liverpool

# Measured growth in places we know well



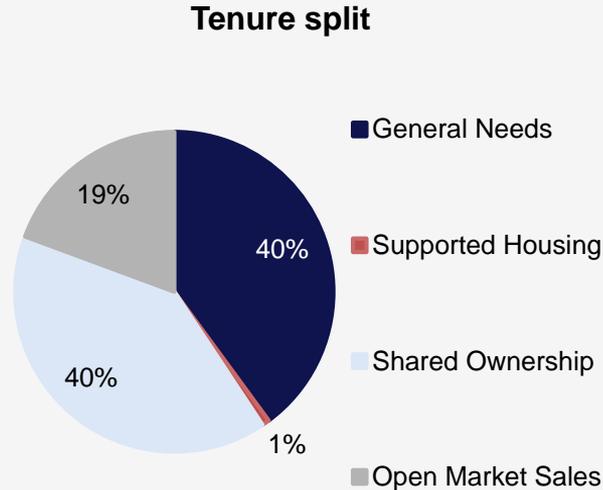
We plan to **deliver 500 new homes p.a.** and our focus is general needs affordable housing.

**Our objectives target areas with an established need,** which fit our values and are considered low risk.

**We take limited planning risk** and deliver via package deals where we control the quality and price, passing land and planning risk to our developers.

We have established an excellent **shared ownership record.**

# Low risk, steady growth



- **Due diligence approach** to understanding, the land, market, ground conditions and construction risk
- **Strong governance** sees most schemes approved by Development Committee and major ones approved by the Board
- A **strong pipeline of land** with planning approval is in place. S106 only provides around 10% of our new stock, because we prefer to **control quality directly**
- **Completions** in last five years have now surpassed 500 homes and **we are on site** building a further 500 homes
- The **focus on shared ownership** reflects Government priorities and customer demand and our **modest commercial programme** is ahead of target in terms of completions and sales



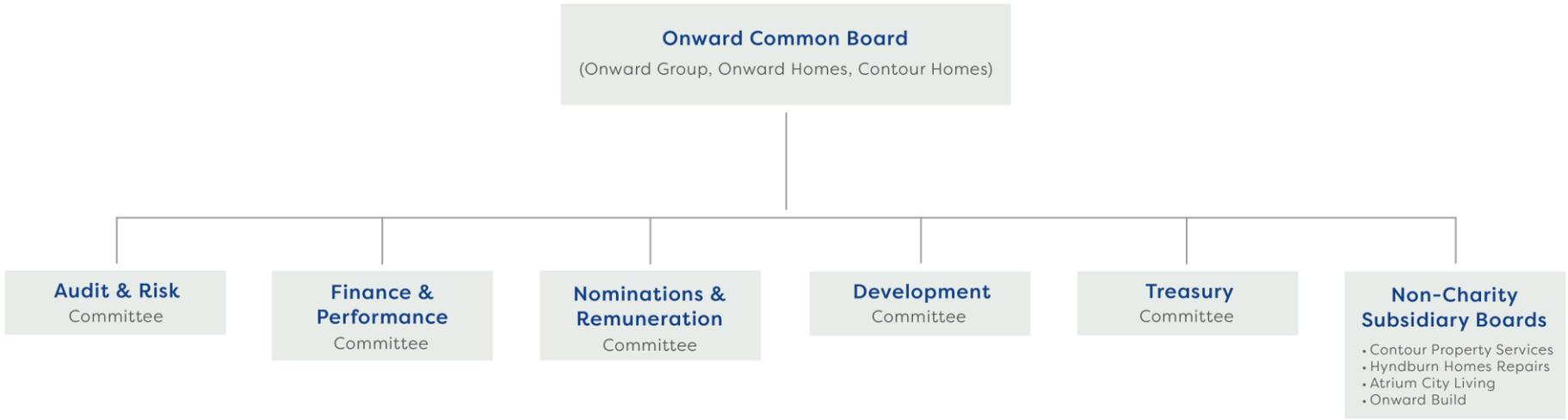
## Shared Ownership sales ahead of target

- Since the Onward Living sales brand was launched in April 2019, **80% of shared ownership homes have been reserved off-plan**
- Sales income in 2020/21 is **ahead of target** against business plan figures
- Market values have met original viability appraisals on all development, with **increases in market values** at re-valuation prior to sales launch
- The standard assumption sales rate at viability stages is usually 2-3 sales per month. The average across all developments is double this sales target



# Environmental, Social & Governance

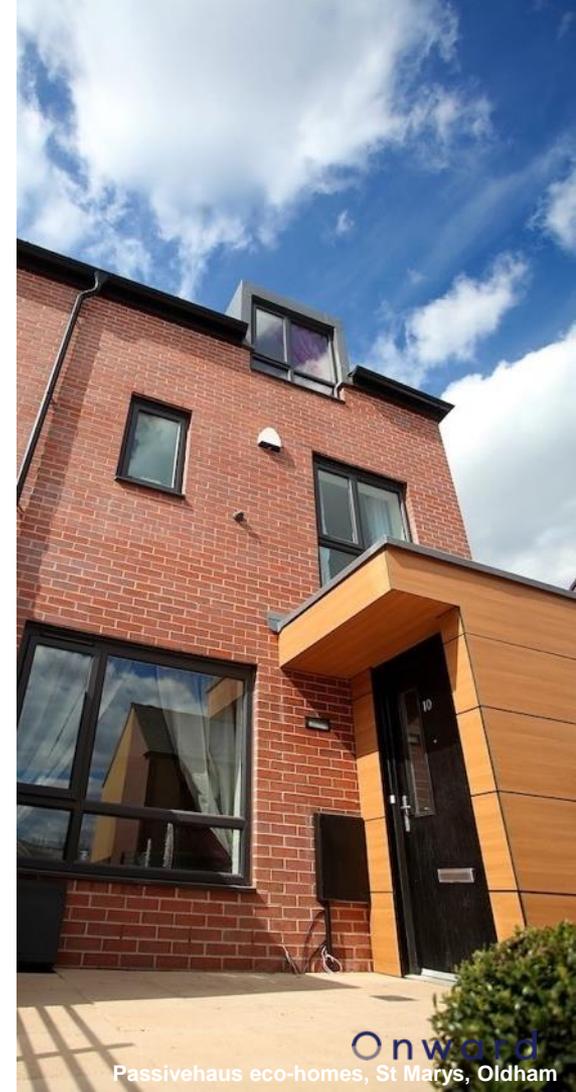
# Governing a G1 organisation



- Onward Common Board: Unitary board, 3 executives (inc. CEO) and 8 NEDs (inc. Chair)
- We operate as a **single business**, with a unitary Board of skilled and experienced leaders
- **NEDs are a majority** and serve for a maximum of 6 years e.g. the Chair's term expires September 2021
- Our Board takes a **strategic focus** and detail is explored through specialist committees
- Our journey of **consolidation is ending**, now we want to leverage our scale and financial strength for greater impact
- Our subsidiaries reflect our **growth strategy**, so they are tailored to deliver strategic goals in the most effective way

# A clear plan is in place to meet the Sustainability Reporting Standard

- Our core activity delivers **environmental and social impact** by providing affordable housing and additional support to meet the needs of residents
- Our **social investment budget** of £1million p.a. includes a team of social investment specialists, financial inclusion and tenancy support
- We **form partnerships** with well-run local organisations to maximise Value for Money (VfM) and positive impact in our communities
- We are preparing to adopt the emerging **Sustainability Reporting Standard** for performance on core ESG metrics. A comprehensive internal report is scheduled for Q4 2021



# Examples of progress on Sustainability Reporting Standard



## Theme 1: Affordability and Security

C2. Share, and number, of existing homes allocated to [different tenancies].

Our tenancy profile is focused on social rented housing, including support for older people and those with particular needs.

Social rented 20,436  
Supported housing 2,062  
Housing for older people 3,869  
Affordable rent 1,743  
Shared ownership 974  
Leasehold 5,252  
Market rent 156  
Total owned and managed 34,492



## Theme 2: Building Safety & Quality

C8. What % of homes meet the Decent Homes Standard?

99% of our homes meet the Decent Homes standard and all newbuilds are built to the Boiler Plus standard.



## Theme 4: Resident support

C12. What support services does the Housing Provider offer to its residents. How successful are these services in improving outcomes?

In 2019/20 our Financial Inclusion Specialists helped 1,010 customers with their finances, creating sustainable tenancies and securing over £2.5m additional income.



## Theme 7: Ecology

C20. How is the Housing Provider increasing Green Space and promoting Biodiversity on or near homes?

We own 20,000 trees and add a further 2,500 each year, reducing carbon and creating greener, healthier places.

# Environmental strategy

- **We are developing our long term Sustainability strategy**
- We have appointed an Environmental & Sustainability Manager and undertaking 5,000 EPCs this year to ensure we fully understand our portfolio and are training our staff
- We have purchased 'Intelligent Energy' software to develop our modelling to **achieve EPC C in the most cost-effective way**. This will inform our decisions on future investment strategies
- We are **working with combined authorities/city regions and RPs to develop retrofit solutions** we are preparing **'oven-ready' projects which will be eligible for grant funding** including the Social Housing Decarbonisation Fund



# We will deliver EPC C by 2030

## Our roadmap to 100% EPC C

- 72% of our homes are already at EPC C
- Looking at appraisal options for poor performing assets, including disposals, investment and change of use
- We are working with partners in government, social housing and industry to identify proven technology solutions and grant opportunities



We **plan to invest** slightly above the sector norm across the 30 years of the financial plan.

Our sustainability strategy will be in place by 2022

# Ambitious about social impact

Our social impact work focuses on finding sustainable long term answers for people facing homelessness, poverty and worklessness.

## Investing through established community networks

- Working with partners through 170 social investment projects with 10,000 residents in 28 communities
- Onward Community Fund has awarded £100,000 in grants to 35 projects

## Preparing people to work for years to come

- The Onward Employment Fund has helped 602 residents into employment, training and volunteering
- Our 1<sup>st</sup> Call training and mentoring project in Lancashire has helped 67 people find work, 19 move into further education or training and 12 secure volunteering roles
- We have supported 6,000 young people through projects focused on skills and training



1<sup>st</sup> Call Mentoring, Lancashire



## Tackling Homelessness

We worked with Liverpool Council and partners to secure funding for long term homes for 650 households in temporary accommodation during Covid.



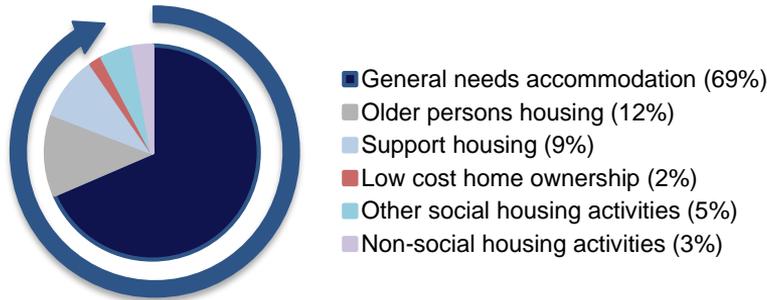
# Financial Performance & Treasury

# Summary of Financial Performance

We have **low gearing** and a **modest development programme** based on low planning risk

We have a **viable financial plan** and understand its drivers in detail

We are **modelling investment options** that align with our objectives



**97% of turnover from social housing activities**

Footnote: Cobalt left the group in 17/18, reducing turnover and surplus

£m	2018	2019	2020
<b>Turnover</b>	<b>168.9</b>	<b>146.8</b>	<b>155.8</b>
<b>Operating costs</b>	<b>(122.1)</b>	<b>(112.1)</b>	<b>(129.1)</b>
Housing asset disposal gain	1.6	2.8	3.0
Interest payable	(15.6)	(24.3)	(14.7)
<b>Surplus before tax</b>	<b>32.5</b>	<b>15.2</b>	<b>17.2</b>
Total Other Comprehensive Income	34.1	(3.9)	35.7
<b>Historic cost of housing properties</b>	<b>1,290.8</b>	<b>1,311.8</b>	<b>1,340.0</b>
Net current assets	100.1	27.3	12.3
<b>Loan balance</b>	<b>377.4</b>	<b>289.3</b>	<b>300.9</b>
Pension liability	0.9	35.1	13.6
Revenue reserves	356.7	352.8	388.5
Cash flow:			
<b>Operating activities</b>	<b>53.1</b>	<b>46.7</b>	<b>35.7</b>
Investing activities	(21.0)	(13.7)	(21.9)
Financing activities	(18.1)	(33.7)	(29.8)
Transferred to Cobalt	(19.5)	-	-
<b>Closing cash &amp; cash equivalents</b>	<b>47.6</b>	<b>46.9</b>	<b>52.8</b>

# Value for Money Metrics

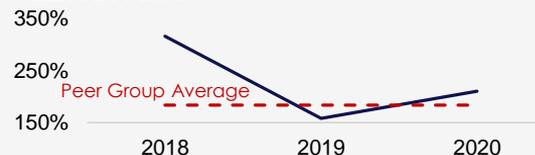
Financial Year End	2018	2019	2020	Peer Group Average
Reinvestment %	2.6%	3.3%	<b>4.3%</b>	<b>6.3%</b>
New supply delivered %: social housing	0.2%	0.3%	<b>0.5%</b>	<b>1.4%</b>
New supply delivered %: non-social housing	0.0%	0.0%	<b>0.0%</b>	<b>0.2%</b>
Gearing %	33.5%	23.7%	<b>23.2%</b>	<b>44.2%</b>
EBITDA-MRI %	316.0%	158.0%	<b>210.3%</b>	<b>171.6%</b>
Headline social housing cost per unit (£'000)	3.50	3.39	<b>3.56</b>	<b>3.58</b>
Operating margin % (social housing)	23.7%	24.0%	<b>20.2%</b>	<b>26.0%</b>
Operating margin % (overall)	24.7%	23.6%	<b>17.0%</b>	<b>22.3%</b>
Return on capital employed %: (overall)	3.7%	3.3%	<b>2.6%</b>	<b>3.7%</b>

Source: Value for money metrics and reporting 2019 (providers >20,000 units)  
Peer Group: Gentoo, Home Group, Karbon, Stonewater, Riverside, Thirteen Housing, Together Housing, Wakefield and District, Walsall Housing, WM Housing

## Gearing (%)



## EBITDA-MRI %



## Headline social housing cpu (£'000)



## Operating margin % (overall)



# Treasury strategy and risk management

We have **robust treasury policies and systems** in place with appropriate governance checks and balances

Our **treasury strategy** is the right approach to secure our viability and help deliver our objectives

We are guided by **golden rules** that focus on our operating margin and net cash requirement

We have a **risk management framework** and ultimate responsibility for setting, applying and managing risk appetite lies with the Board

- Increased revolving facility in July 2020 by £50m
- Plan to consolidate Contour borrowing into Onward Homes
- Intend to align covenants across the Group
- Plan to increase proportion of fixed rate debt through debut public bond issuance
- Intend to repay some of the more expensive debt within our existing portfolio

Indicative impact	Current	April 2021 Plan
Fixed debt	45%	65%
Average interest rate	3.7%	N/A
WAL	8	13

# Summary Terms

Summary Terms	
<b>Issuer</b>	Onward Homes Limited
<b>Issuer Rating</b>	A1 (Stable) (Moody's)
<b>Exp. Issue Rating</b>	A1 (Moody's)
<b>Format</b>	Senior, Secured, Reg S, Bearer, NGN
<b>Currency / Size</b>	GBP / expected £350m (with £100-150m retained)
<b>Tenor</b>	30 - 35 year
<b>Repayment</b>	Bullet
<b>Documentation</b>	Please refer to the Preliminary Admissions Particulars dated March 2021
<b>Asset cover</b>	1.05x EUV-SH, 1.15x MV-ST plus charged cash
<b>Denominations</b>	100k x 1k
<b>UoP</b>	General corporate purposes
<b>Listing</b>	International Securities Market of the London Stock Exchange
<b>Joint Bookrunners</b>	BNP Paribas, HSBC, Lloyds Bank Corporate Markets
<b>Governing Law</b>	English Law

# Rating Agency Opinion – “A1 (stable)”

“Very strong balance sheet with low debt, strong liquidity”

“Onward’s **exceptional debt metrics** are in part driven by the organisation’s **conservative historical strategy**. Unlike most of its rated UK peers, Onward’s strategy has not been focused on growth over the last few years”

“Because borrowing is driven by development of new homes and Onward had a **minimal development programme**, in addition to its high share of amortising debt, **the group’s debt has fallen to £301m** from £452m in fiscal 2017.”

“Strong interest cover ratios”

“... social housing lettings interest cover (SHLIC) of 2.5x in fiscal 2020 which is **in line with the A1-rated peer group median of 2.5x** (fiscal 2020) and **well above the overall rated peer median** of 1.3x (median: fiscal 2020). SHLIC will remain strong over the next three years, averaging 2.3x”

“... The CVIC ratio is also **expected to remain robust driven by the group’s stable operating cash flows**... CVIC for FY20 was 2.3x, up from 1.5x in fiscal 2019 (impacted by one-off breakage cost)”

“Conservative strategy with focus on social housing, moderate capital exposure”

“... **continued focus on low-risk social housing lettings, moderate development targets** with modest diversification into market sales”

“... **92% of Onward’s income was derived from social housing lettings compared to a rated peer median of 79% of income.**”

“... development ambition and [capex] will remain moderate compared to peers. **Net capex to turnover was 7%** compared to a rated peer median of 34%.”

“Supportive institutional frameworks”

“The operating environment for English HAs has improved under **more supportive policies** for social rent increases and capital grant.”

“Following 4 years of social rent reductions, **HAs now benefit from a return to inflation-linked rent increases from April 2020 for five years.**”

“In addition, the government has **committed to increased capital grant on more flexible terms for new social housing.**”

# Key credit strengths

- **c.29,000 homes concentrated in the North West** – size and focus, enables an efficient use of resources and leverage in negotiations with key stakeholders
- **Focused on social housing with minimal non-core activity** – 97% of turnover from social housing activities (FY20) and limited exposure to market sales risk
- **A robust governance framework and highly regarded management team** – united and focused Board and Executive team with a wealth of experience
- **Strong asset management strategy with a measured plan to grow** – delivering 500 units p.a. within a clear and well defined development criteria
- **Ultra low gearing with strong financial metrics** – consistently low gearing of 23.2% with strong interest cover at 222% (FY20)<sup>1</sup> / and 2.5x Social Housing Lettings Interest Cover (FY 20)<sup>2</sup>
- **G1, V1, A1: top third party ratings** – a rare A1 (stable) Moody's Housing Association with top G1 / V1 ratings from the Regulator of Social Housing

(1) Onward Annual Report & Financial Statements 2020  
(2) Onward Group Limited, Moody's Credit Opinion 5 Feb 2021

# Appendix

# Appendix: Recent financials

Financials: January 2021	£m
Turnover	127.5
Operating costs	(100.0)
Operating surplus	27.4
Operating Margin Overall (%)	21.5%
EBITDA-MRI Interest Cover (£m)	349.5%
Cash (£m)	32.3
Net Debt (£m)	280.9
Gearing (%)	26%
Housing Properties	1,092.0

# Appendix: Risk Management

## Risk Management

Onward balances strategic assessment of risk with detailed risk appraisals in each part of the business

Strategic risks are assessed through three layers:

1. Business-as-usual
2. COVID-related
3. Brexit-related

Robust stress testing and mitigation is in place, including:

- Detailed tracking of rent collection reflected in the financial plan

## Risk Management Framework

- Ultimate responsibility for setting, applying and managing risk appetite lies with the Board
- The Audit and Risk Committee provides assurance to the Board that there are adequate risk management arrangements in operation
- Responsibility for implementing the risk framework rests with the Chief Executive and Executive Team

## Select Key Risk Monitoring Examples

Key Risk	Mitigations
Delivery of the performance requirements of the responsive repairs and gas contracts	<ul style="list-style-type: none"> <li>• Performance management framework</li> <li>• Service Improvement plan agreed with contractors</li> <li>• Communication plan with customers to manage service expectations during the pandemic</li> <li>• Project completed to assess the potential impact of Brexit on our contractors</li> </ul>
COVID-19 challenges our ability to <ol style="list-style-type: none"> <li>a) Meet customer expectations</li> <li>b) Respond to economic downturn</li> <li>c) Deliver Corporate Plan and objectives</li> </ol>	<ul style="list-style-type: none"> <li>• Customer engagement to identify service expectations and create action plans</li> <li>• Performance against KPIs monitored on a regular basis and reported to Management and Board</li> <li>• Performance benchmarked against the sector, objective to achieve performance in line with peers</li> </ul>