



Paragon Asra

**PA Housing**

# Investor Update

November 2020

**Lead contact**

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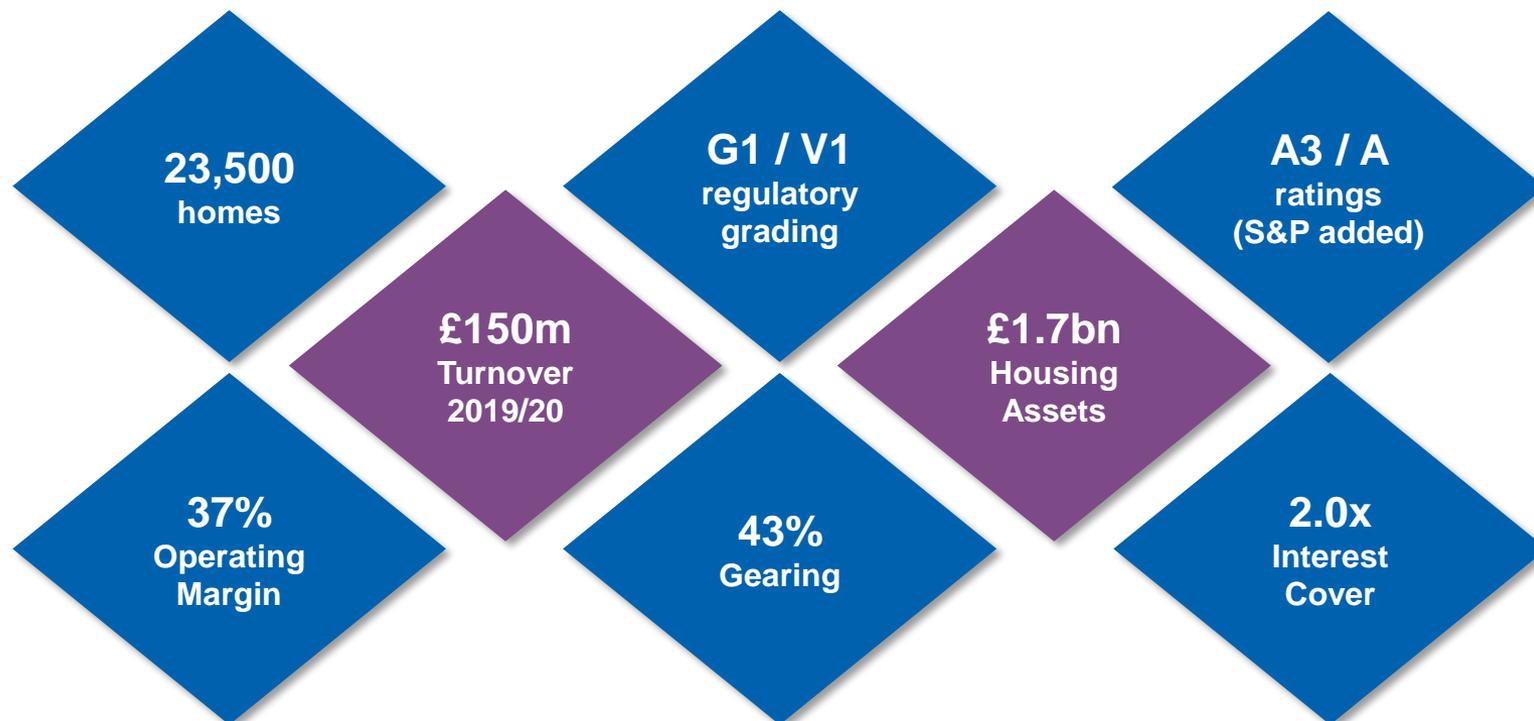
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# PA Housing Overview

## Key Credit Highlights



- Traditional general needs provider operating across London, Surrey and the East Midlands
- Growing shared ownership portfolio with no private sales aspirations
- Organic growth plan of 6,000 homes over 10 years
- Paragon issued a £250m bond in 2015, £25m retained element sold in 2019

Steve Amos



Dilip Kavi



Katherine Lyons



Rahul Jaitly



Chris Cheshire



Kathleen Harris-Leighton



Kim Francis



Seetle Patel



Andrew Carrington



Anne Turner



Curtis Juman



Hattie Llewelyn-Davies



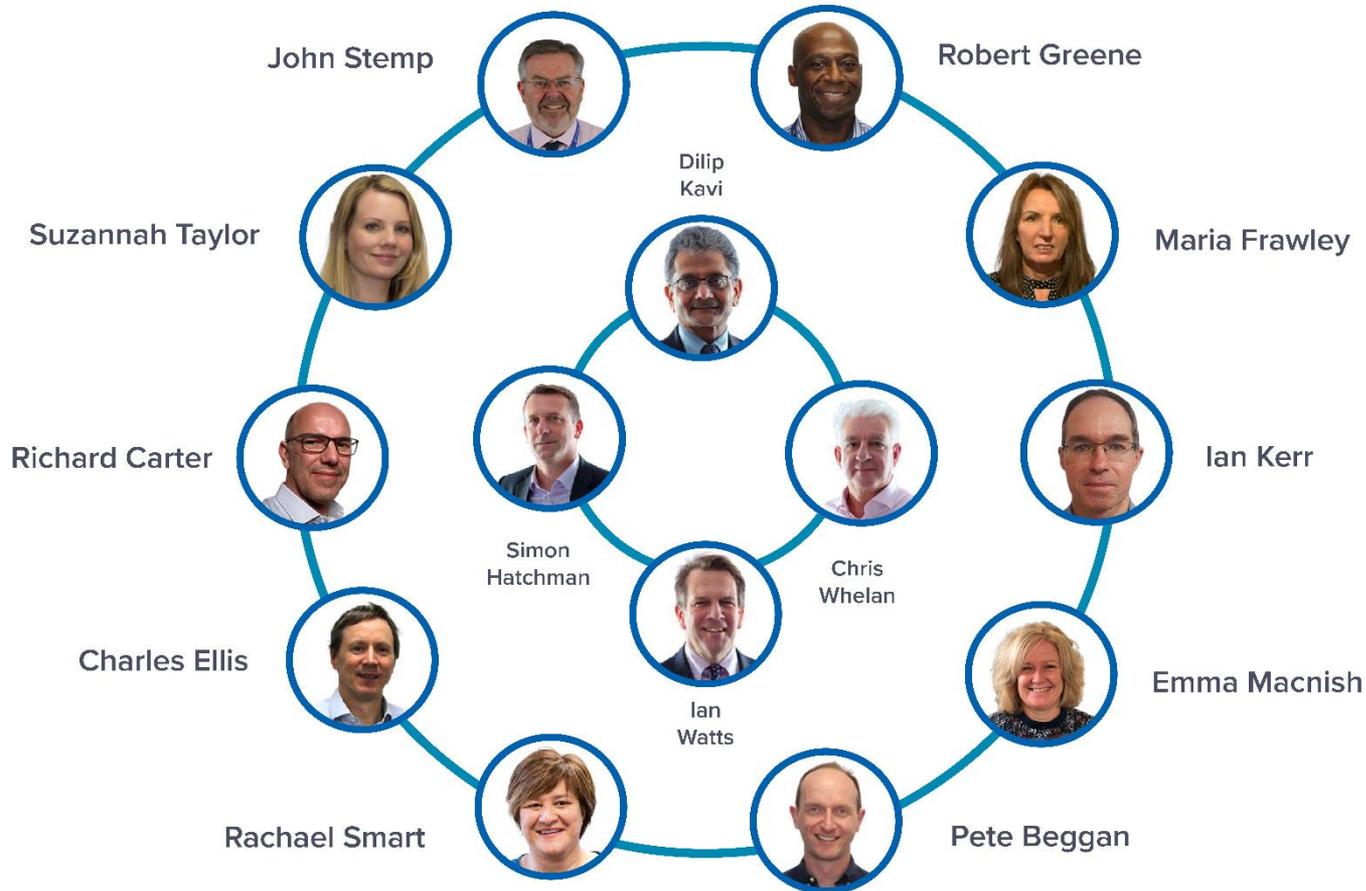
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**PA Housing**

*Our Board*



# PA Housing Senior Management Team

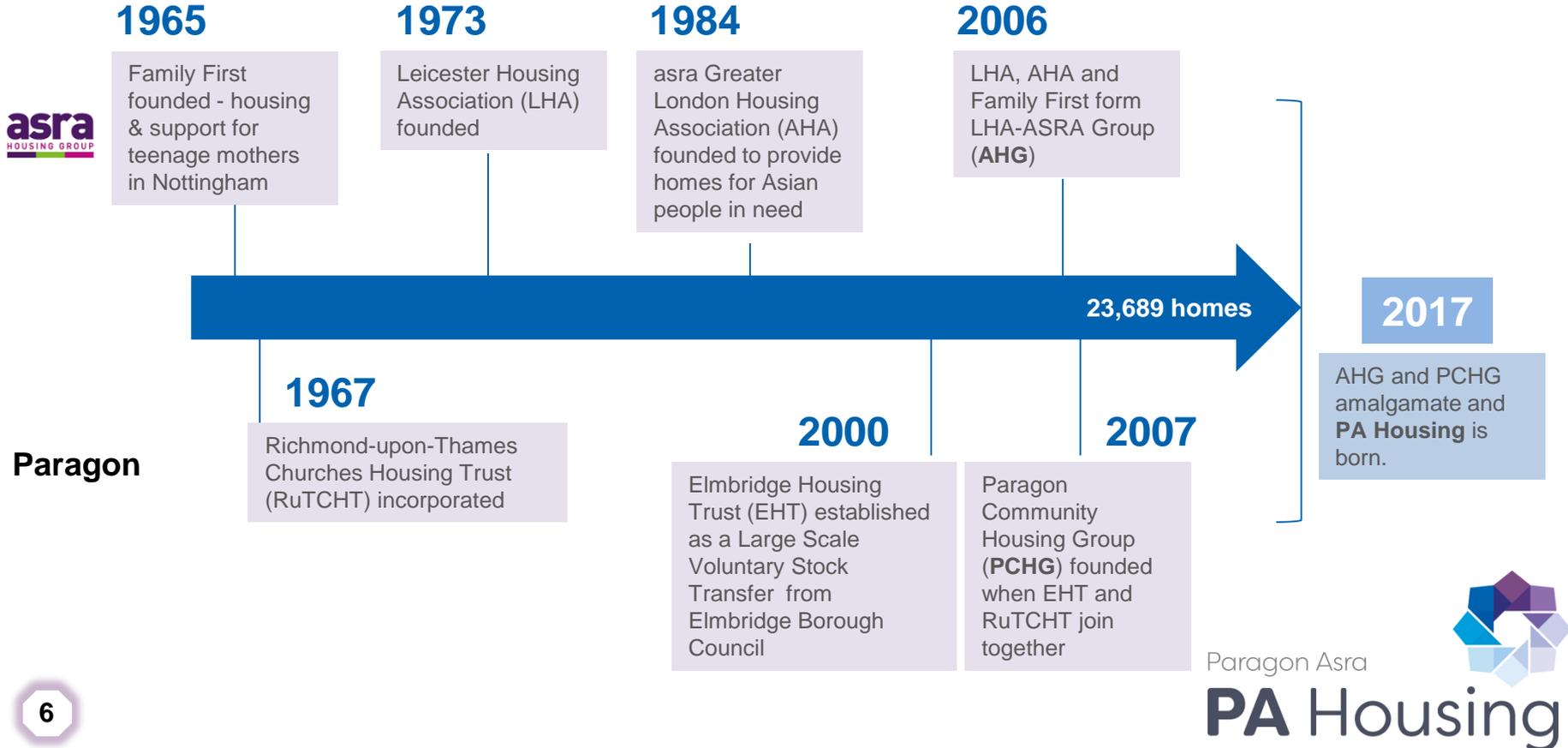
## *Senior Management Team*



# Where We've Come From

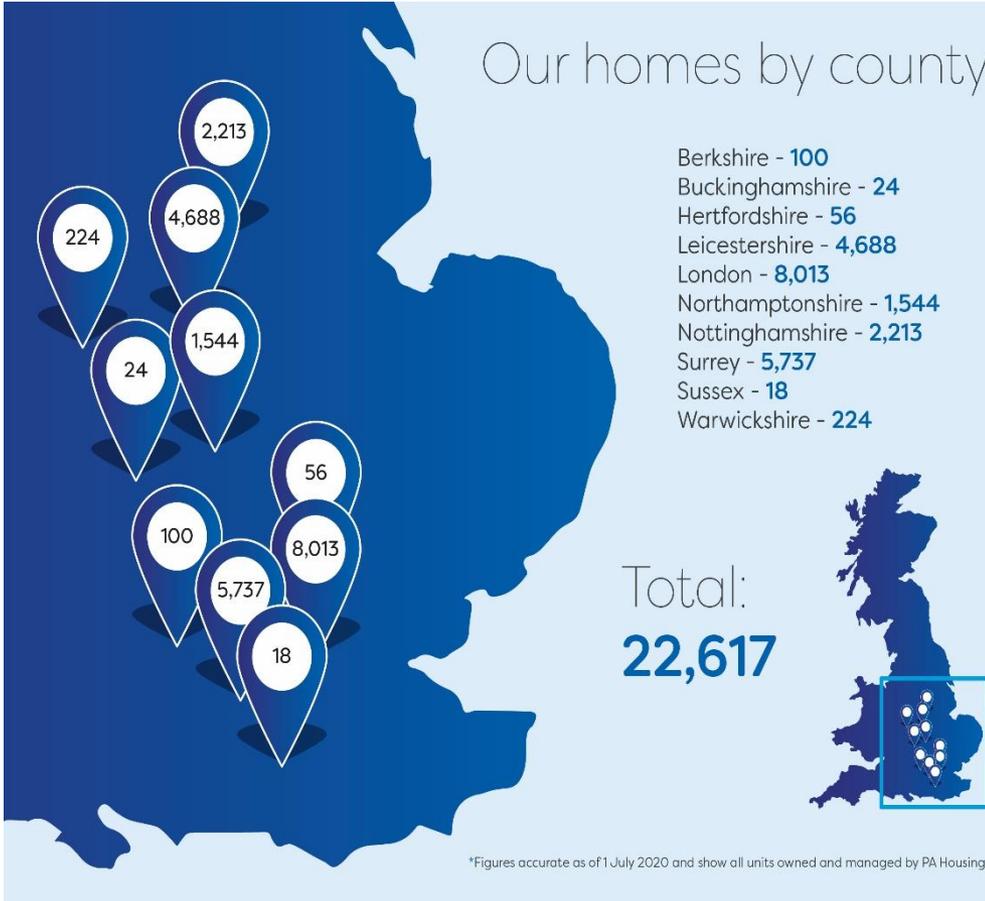
## Our Heritage – celebrating equality, diversity and inclusion

Asra (Hindi word for 'shelter') was created as a Black and Minority Ethnic organisation: this history and legacy, and EDI more widely, remain at the core of PA

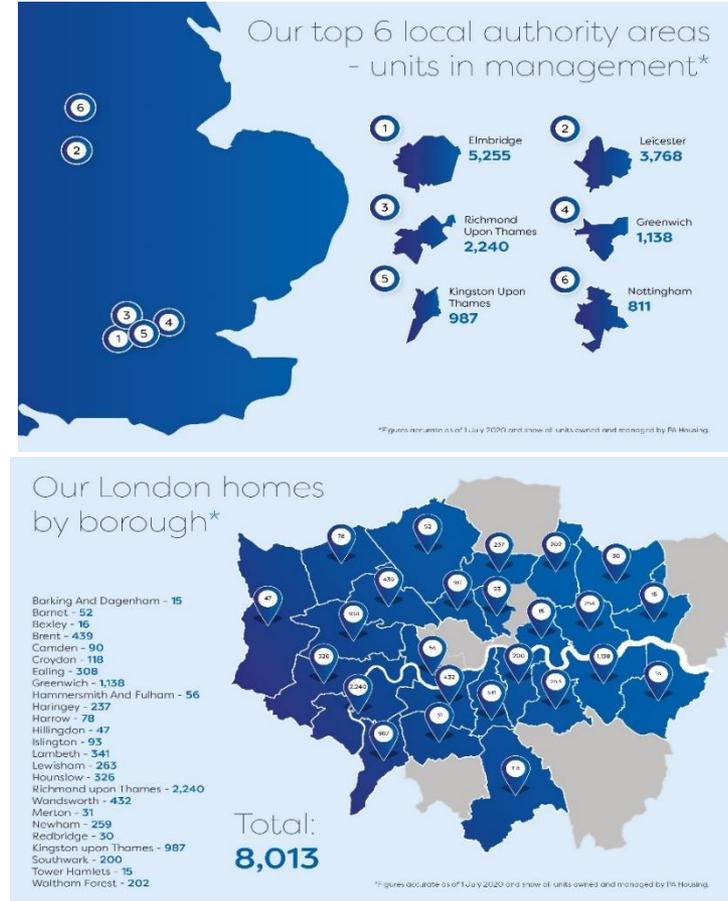


# Areas of Operation

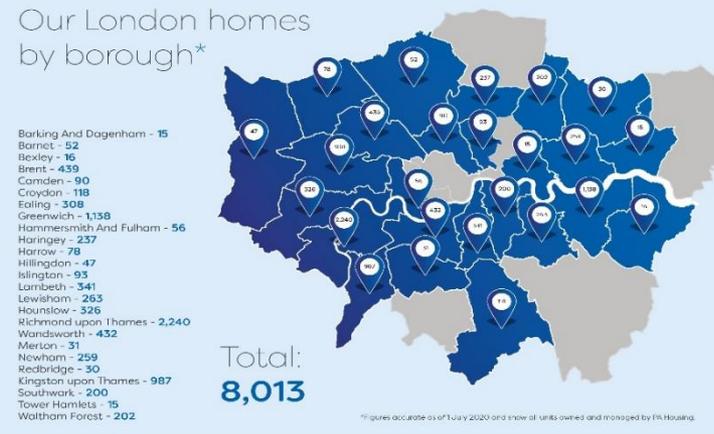
## Our homes by county



## Our top 6 local authority areas - units in management\*



## Our London homes by borough\*



# Where We're At

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- Three successful years since PA was formed
- Simple governance structure, further health check undertaken
- Consistent improvements in customer service
- Robust financial performance
- New homes c.300 pa; pipeline 1,000+ across 30 sites
- Maintained regulatory and credit ratings
- Four new Board members
- Recruited Assistant Directors through succession planning route
- Navigated COVID-19 challenges
- New 3 year Corporate Plan
- Equality, diversity & inclusion challenges embraced, more to do
- Board focus on people safety and financial viability

# New Corporate Plan 2020-2023

## *Our Strategic Objectives and Goals*

Our approach for the next three years is underpinned by six clear objectives, each with measurable goals.

1. Providing great services to customers
2. Positive relationships in our neighbourhoods
3. Sustainability strategy to deliver net zero-carbon before 2050
4. Increase construction of affordable and social homes
5. Maximise our capacity to deliver
6. Our People – delivering the plan

## *Our Vision*

To connect with customers in every community we serve, providing quality homes and services, creating places where people thrive and are proud to live.





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# Business Operations



# Highlights of Last 12 Months

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- PA New Housing Service – Team Purple
- Property Health and Safety - Fire Safety
- Tenancy Sustainment
- Community Investment - employment, health and well being.
- PA response to COVID 19
- Stock Investment and Maintenance – no compromise approach
- Sustainability Strategy - PA approach

# Maintenance Services Improved

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- Focus on addressing lower satisfaction rates and historic delivery issues in London
- Mixed economy of in-house and external contractors – mitigating performance risk
- Resident scrutiny of services and feedback used to reshape delivery methods
- DLO service in Midlands expanded, plan to expand repairs services further in 2021
- Digitalisation – 10,200 active users of 'My PA' raising 735 repairs a month

London  
satisfaction  
rate up from  
68% to 91%

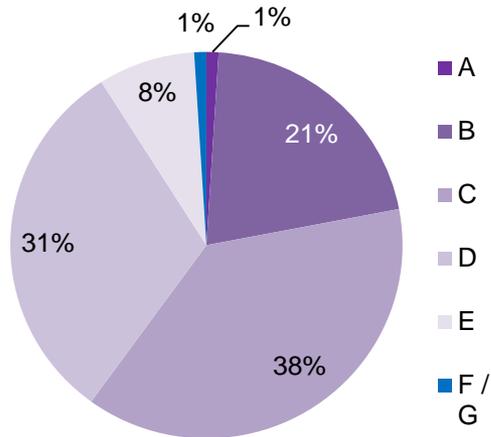
DLO delivers  
300+ voids  
per annum

Emergency  
Repairs 99.4%  
Routine  
Repairs 94.3%

Repairs  
service  
satisfaction  
86%

# Energy Efficiency

## EPC ratings



- Rolling programme of refreshing EPCs across the stock.
- £230m additional investment in business plan.
- Target 10,500 most poorly performing properties for improvement to EPC C by 2035.
- Invest in estate infrastructure e.g. recycling facilities, biodiverse planting, electric vehicle charge points.
- Upgrades through First Time Central Heating and Green Homes Voucher schemes

## Case study: Thames View House, Walton

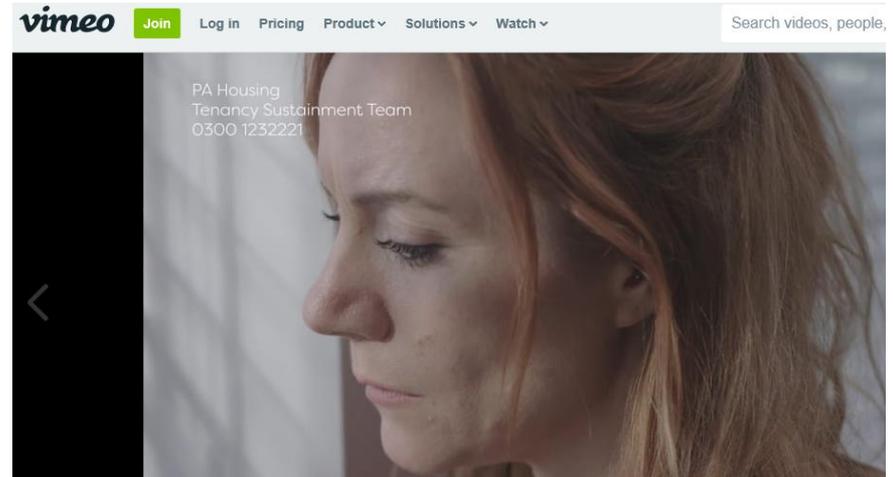


- 35% additional carbon reduction above Building Regs
- Efficient centralised heating plant
- Solar panels
- 50% of parking spaces enabled for EV charging
- Biodiverse planting including 48 new trees
- Improvements to local park and public transport

# ESG activities



Sustainability Reporting Standard for Social Housing to be launched 10 November 2020



The *Naumann* Initiative



Sustainability Strategy

Properties, People, Partners

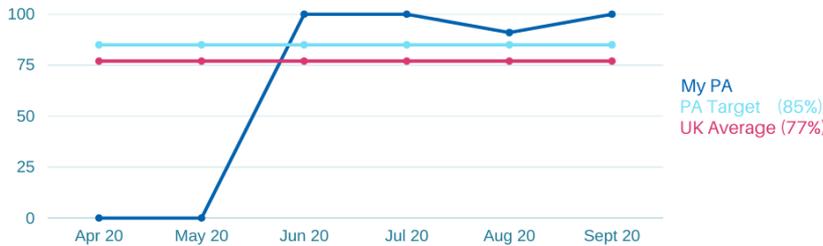


# Digital Services

## My PA

Quarterly Performance Q2 Jul - Sep '20

**My PA CSAT: No data for Apr & May 20**



## Repairs:

- Wates: 14%
- Fortem: 10%
- DLO: 22%

**12.5%:** Total repairs raised online  
Apr-- June 2020

## Registered Users:

Region	PAH	My PA
London	20.32%	22.07%
Midlands	37.51%	51.59%
South East	40.83%	25.07%

**52%**

Of properties with at least one My PA registered tenant.



% customers registered vs non registered

Registered  
43%



Non registered  
57%

**10895**

No. Customers registered on My PA

## Payments:

JUL - SEP '20

**3841**

Average number of  
monthly payments

**£3.7m**

RENT PAYMENTS MADE ON MY PA

**£319.72**

Average payment amount



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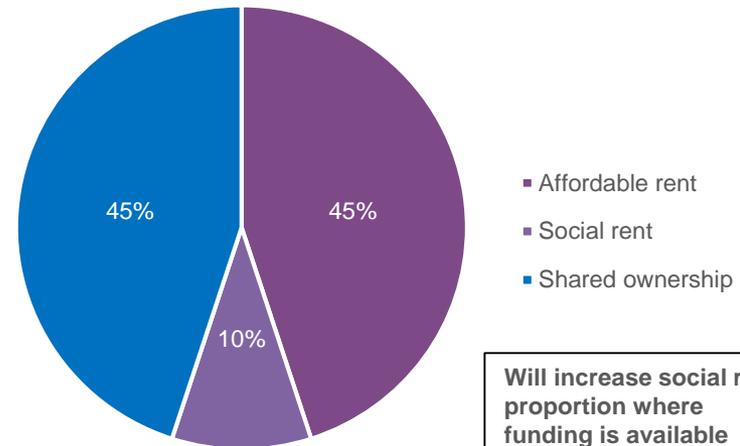
# Development and Sales

# Development Programme

## Split by Location



## Split by Tenure



Will increase social rent proportion where funding is available

## Projected Programme and Considerations

- Targeting 6,000 new homes 2020 to 2030
- Limited Central London activity
- Maintaining geographic diversification
- Supply and demand fundamentals remain positive
- Mortgage availability remains strong in our localities although some current delays (COVID and EWS)
- Close monitoring by Board and Exec
- Liquidity impact of a depressed sales environment rigorously tested and monitored

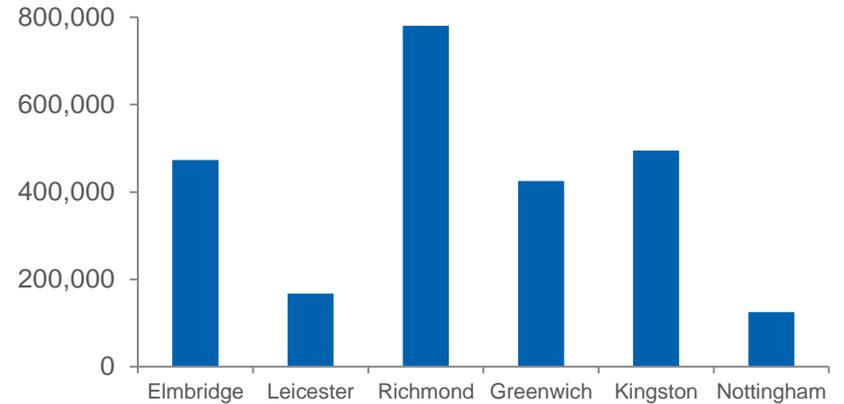


# Demand for Homes in Key Localities

## PA Units

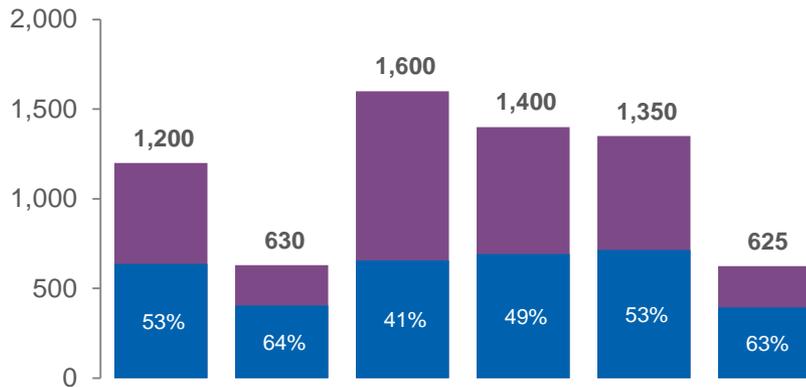


## Median Terraced House Price (£s)



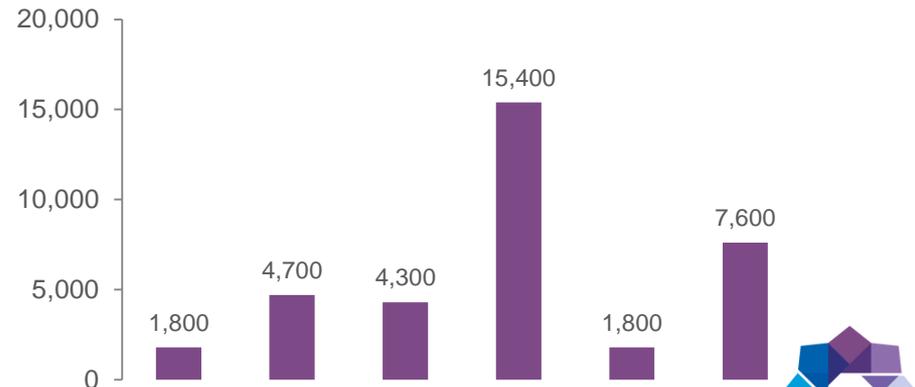
Source: ONS

## Median Two Bedroom Monthly Rent vs PA Average (£s)



Source: VOA

## Waiting List Numbers



Source: Local Authorities

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# Current Programme Activity

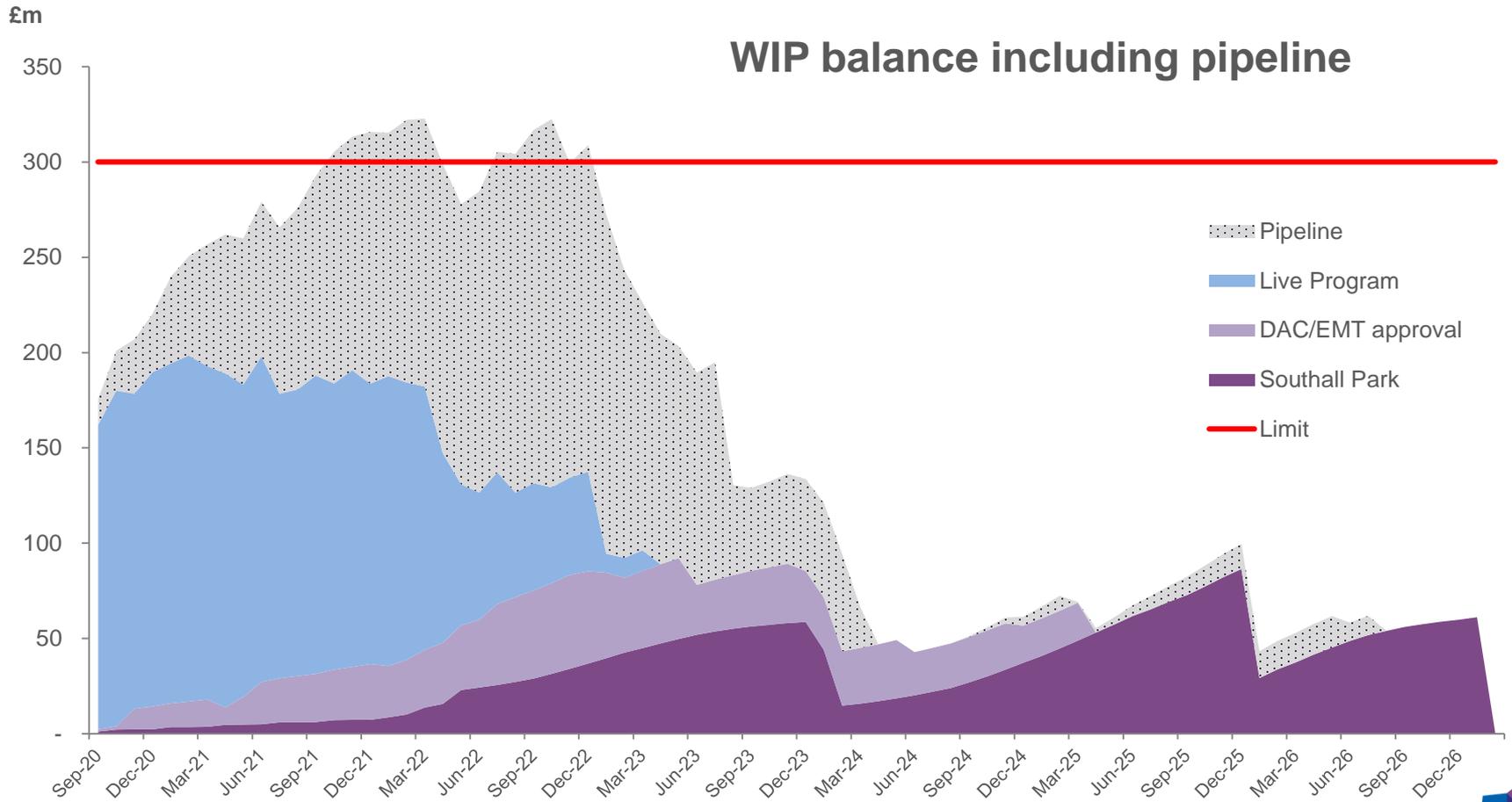
## Location of Schemes in Contract

Croydon	195 units
Wandsworth	95
Southwark	70
Guildford	69
Greenwich	63
Kingston	62
Woking	54
Brent	40
Lewisham	33
Merton	22
Elmbridge	21
Sutton	16
Lambeth	12
<b>Total</b>	<b>762</b>

## Sites Acquired

South East	542 plots
London	260
<b>Total</b>	<b>802</b>

# Development WIP



# Impact of Covid-19 Completions

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Financial Year	Target	Actual / Projected
2019/20	406	249
2021/22	500	300 Projected
2022/23	550	450 Projected

- Initially 70% of sites closed late March 2020
- All reopened by late July
- Productivity significantly reduced circa 30% down
- Significant material shortages on restart and ongoing
- Skilled labour shortages still e.g. lift installations

# Select Case Studies



## Sandra & Radnor, East Molesey

- Scheme cost £13.5m
- 50 mixed tenure units incl. 6x SSR flats with office



## Trinity Walk, Woolwich

- Regeneration in partnership with RB Greenwich
- Scheme cost £18.7m
- 85 rented and 20 shared ownership units



## Derby Road, Nottingham

- Office conversion
- Scheme cost £1.25m
- 8 rented units



## Pool Road, West Molesey

- Scheme cost £22m
- 55 rented and 20 shared ownership units



# PA Shared Ownership

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- Areas where we know the market well
- High demand areas
- Some London Boroughs and Surrey only
- Good local authority relationships
- No large single sites
- Diversified smaller sites
- Excellent customer service

# Sales

	Unsold as at 28 Sep 2020	Reserved	Available	Number of sales since 1 April 2019	First Tranche Sales Value
Trinity Walk Phase 1,2,3	18	4	14	1	£1,918,650
Battersea Quarter Battersea	3	3	0	0	£543,750
Queens Road Weybridge	1	0	1	0	£112,500
Gwynne Road Battersea	2	2	0	0	£365,250
Gresham Road Brixton	4	1	3	3	£616,500
Lombard House Croydon	4	4	0	3	£577,250
Dairy Crest Walton	2	2	0	0	£182,500
Balham High Road, Balham	1	1	0	0	£112,500
Blagdon House, New Malden	5	5	0	4	£528,750
Osiers South Putney	14	7	7	5	£2,529,350
Hurst Park, East Molesey	5	2	3	3	£740,000
Rivernook Farm, Walton	1	1	0	5	£118,750
Radnor East Molesey	20	15	5	6	£3,142,250
Cross Lane Haringey	8	0	8	0	£1,164,000
<b>TOTALS</b>	<b>88</b>	<b>47</b>	<b>41</b>	<b>30</b>	<b>£12,652,000</b>

# Homes England and GLA

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- Well regarded by both bodies
- On target to meet all programme commitments
- 2016-21 Homes England Target 208 units
- 2016-21 GLA Target of 640 units
- Includes Sep 2019 New GLA allocation £21.14m for 193 units
- New bid Sep 2020 £12.89M for 412 units
- New 2021-2026 Bid Round - £12bn

# Delivery considerations

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## Challenges

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- Market Conditions
- Future trading relationships and materials
- Labour availability and skills
- Planning changes
- Housing land supply
- Government focus back on home ownership
- Undertaking property valuations and sales times

## Opportunities

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- Increased size of team inc. Midlands
- In-house technical support
- Focus on skills development
- New money through 2021-2026 programmes
- Some Local Authority funding available
- Access to land improving
- Contractors keen for work over 12 - 18 month contracts
- Covid recovery starting to drive innovation



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# Finance / Treasury update



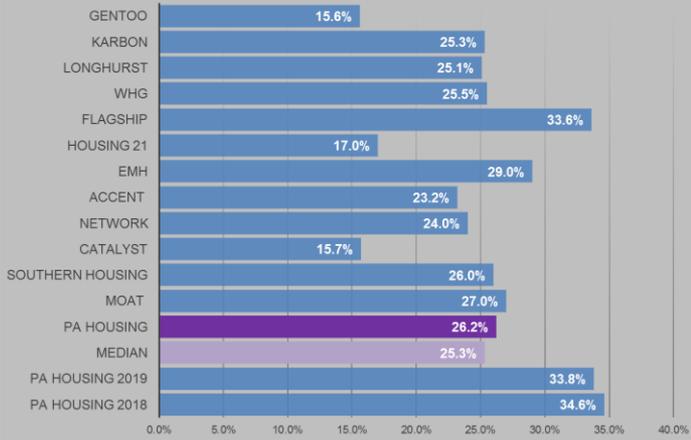
# Financial Results – Headlines

	19/20	18/19	17/18
<b>Turnover</b>	£150m	£160m	£165m
<b>of which Sales</b>	£8m (5%)	£11m (7%)	£19m (12%)
<b>Operating Surplus</b>	£55m	£62m	£65m
<b>Operating Margin</b>	37%	39%	40%
<b>Social Housing Lettings Margin</b>	26%	33%	36%
<b>Net Surplus</b>	£29m	£39m	£33m
<b>Free Cash</b>	£11m	£15m	£20m
<b>Housing Assets</b>	£1.736bn	£1.642bn	£1.637bn
<b>Debt</b>	£796m	£709m	£689m

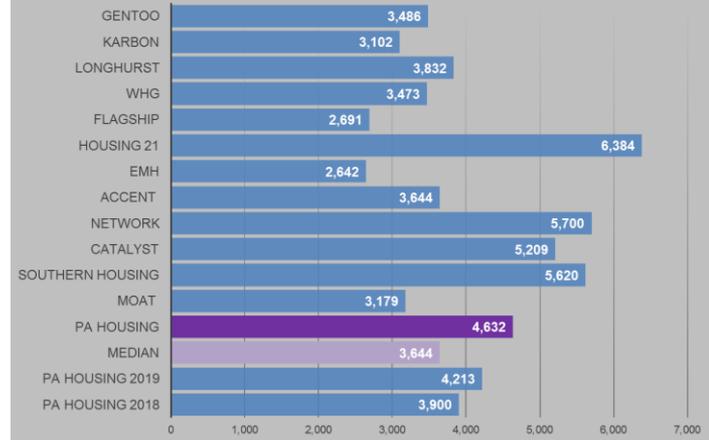
- All golden rules met
- Planned maintenance investment up by £5m
- Dedicated ESG section in accounts
- Some COVID impacts at year end
- Upward pressure on void rent loss
- £185m bank facilities completed March 2020

# VFM metrics – Trend and Benchmarking

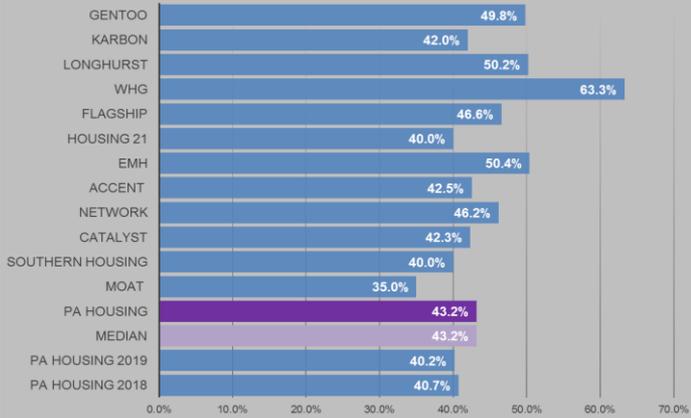
## Operating Margin: Overall



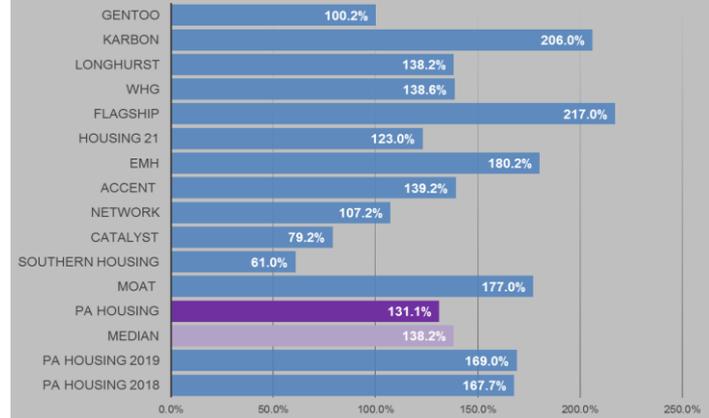
## SH Cost per Unit



## Gearing

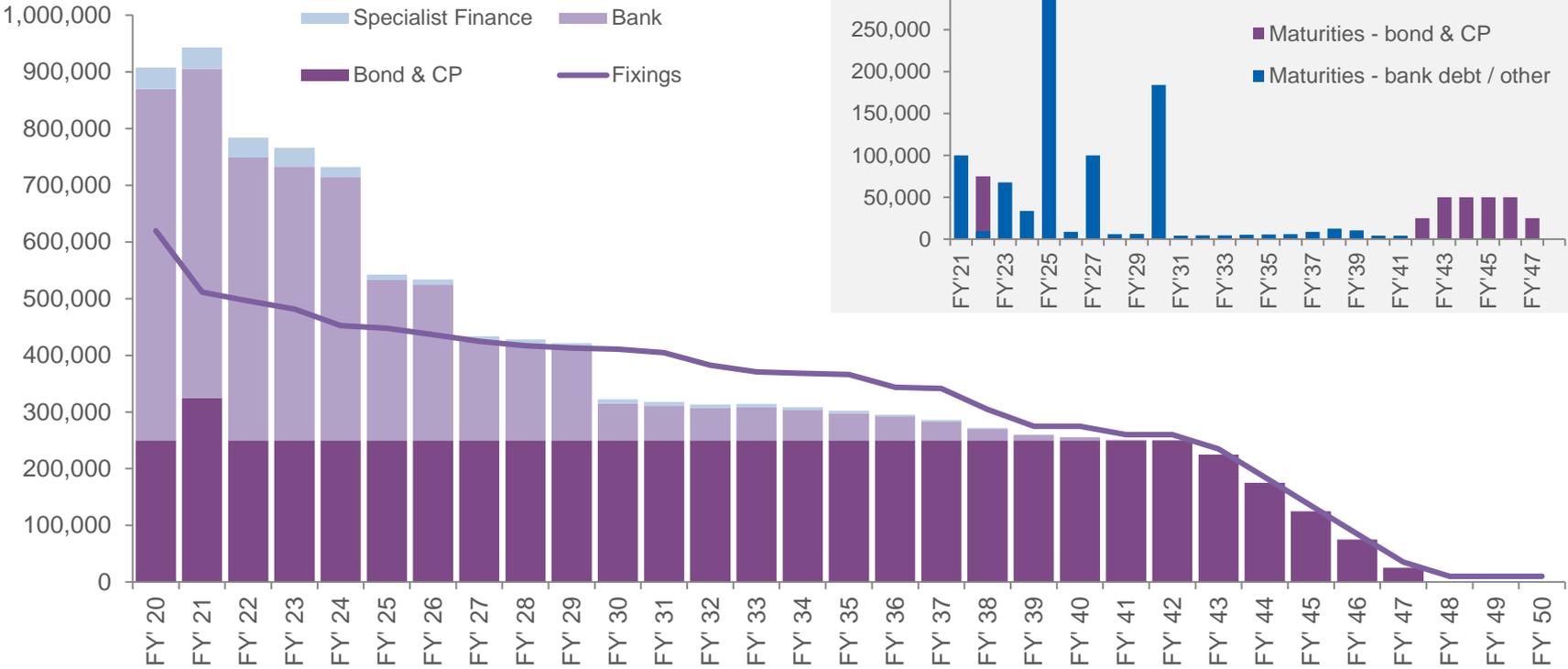


## EBITDA

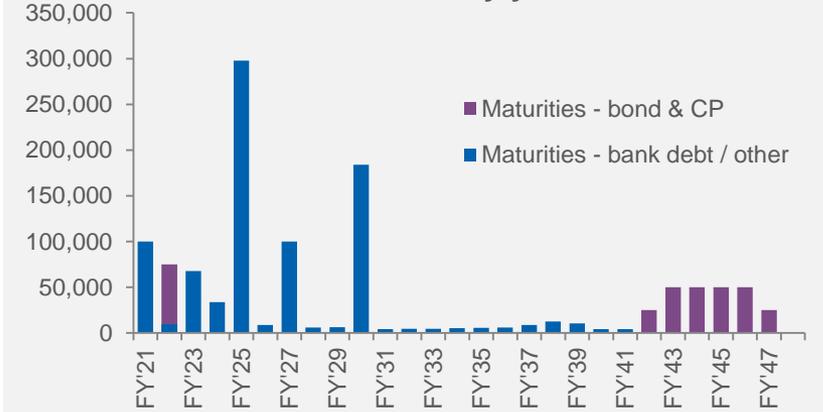


# Current Debt Maturity Profile £k

Drawn debt: maturity profile



Maturities by year



# Security Position

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Current secured	£1.0bn
Current excess secured	£0.6bn
Uncharged	£0.6bn
LSVT uplift	£0.2bn
New build estimated by year 10	£0.3bn
Indexation @ 1% pa to year 10	£0.3bn
<b>Equals capacity</b>	<b>£3.0bn</b>
<i>Capacity minus 25%</i>	<i>£2.3bn</i>

# Closing Summary

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- PA is a traditional general needs HA with a conservative Board
- We have a steady growth plan which will not over-stretch us financially
- Our financial resilience is well established and extensively tested
- Our treasury position is tightly controlled and supported by appropriate policy limits
- Shared ownership is a product which works well for us in the right locations
- We continue to focus on excellent customer service
- We have a strong ESG narrative and are fully committed to keeping investors informed
- We see ourselves as a low risk organisation and we are seeking long-term relationships