



Paragon Asra

PA Housing

Molesey Park, East Molesey, Surrey



Fixed Income Investor Update

February 2022



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Presenting team



Dilip Kavi – Chief Executive

Dilip has led PA (and previously, Paragon) since 2011. He has worked in the housing association sector since 1995, including senior roles at other HAs and as a regulator. His earlier career was in the automotive industry.



Simon Hatchman – Resources Director

Simon joined asra in 2016, shortly before the creation of PA. He has worked in the housing association sector since 1995, including roles at several HAs, as a regulator and working for a lending intermediary.



Chris Whelan – Development and Sales Director

Chris joined Paragon in 2007 and has worked in housing for over 30 years, having moved across from the construction sector in 1991. Chris also oversees our corporate health and safety frameworks

Walton Green, Walton-on-Thames, Surrey



Introduction & Overview

PA Housing overview

Geographically Diverse Portfolio

- Over 23,000 homes across London, Surrey and the East Midlands

Significant Housing Demand in Operating Areas

- Average PA rent to market rent is ~47%* in top six local authority areas

Core Focus on Affordable Housing

- Growing shared ownership portfolio, no private sales aspirations

ESG is at the Core of PA Housing

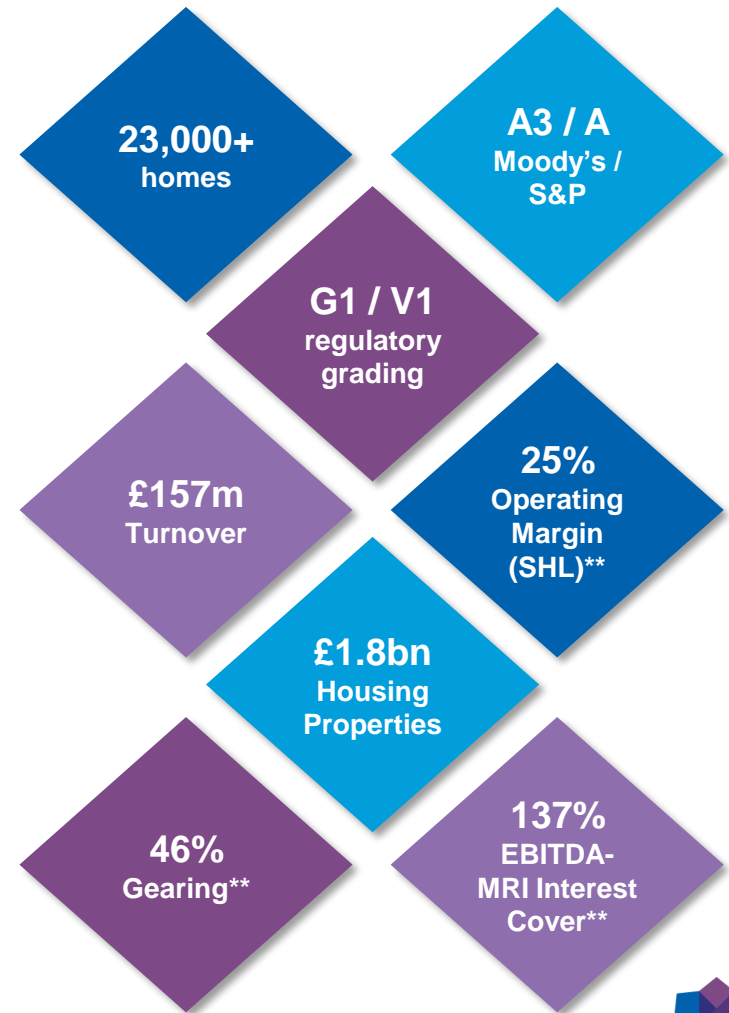
- Issued debut Sustainability bond in 2021 & an early adopter of SRS

Strong External Credentials

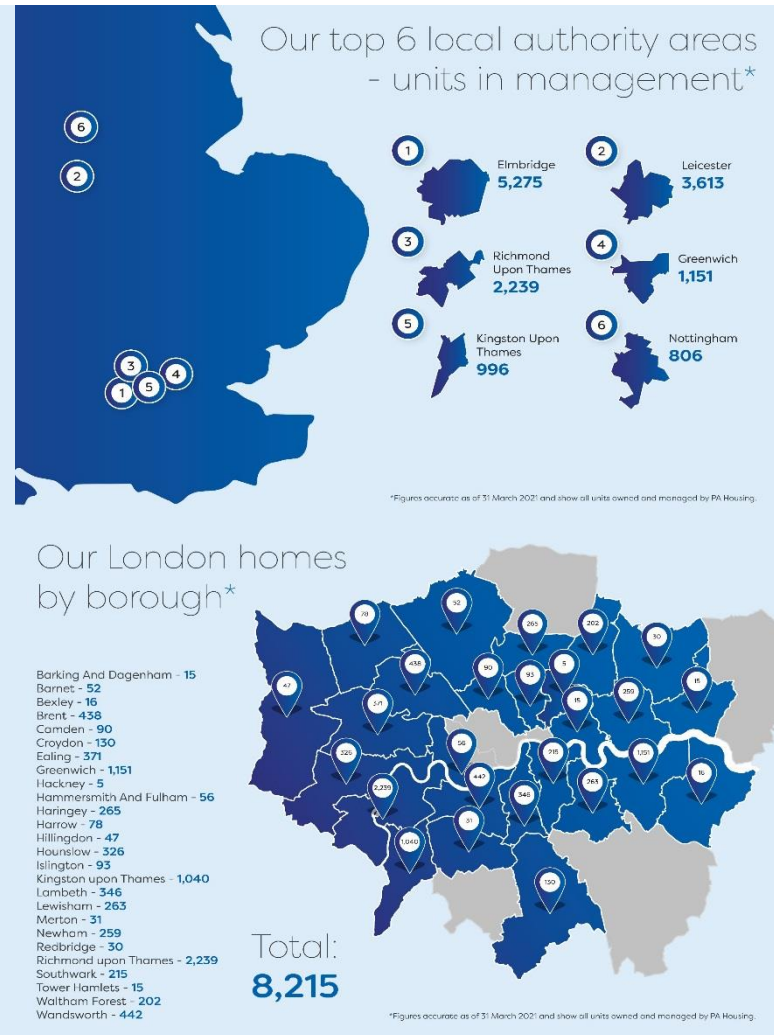
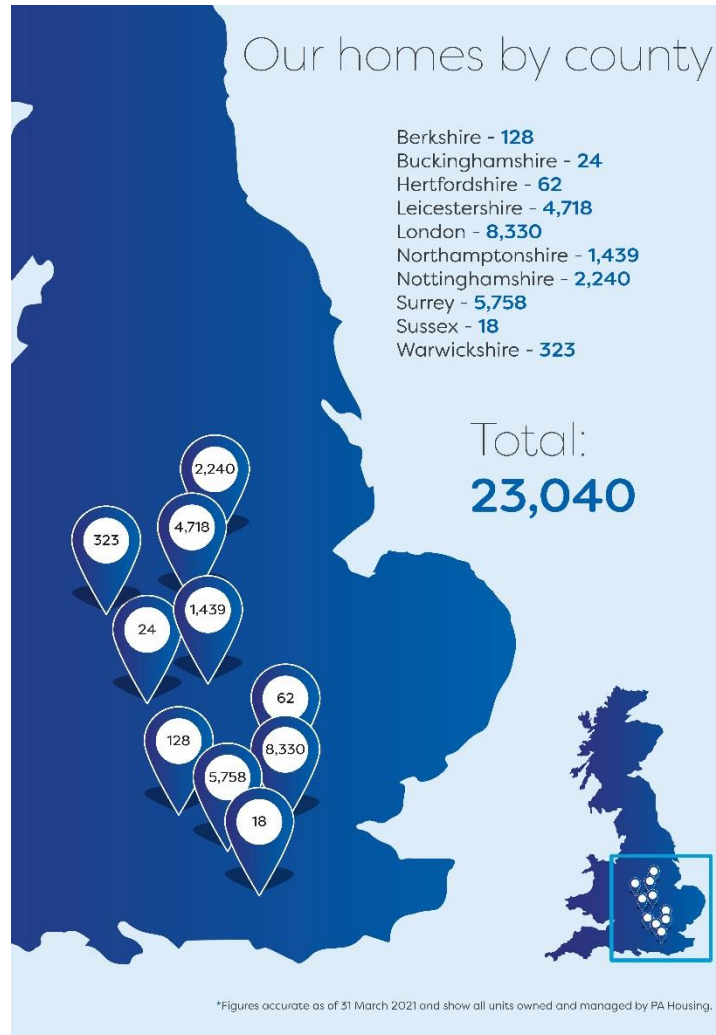
- Rated A3 / A by Moody's and S&P and G1 / V1 by the Regulator

Experienced and Diverse Senior Management Team

- Longstanding Executive team and diverse Board member experience



Focussed areas of operation



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.



ESG is at the core of PA



- First ESG report published August 2021
- Available on Investor Relations page
- Includes Sector Reporting Standard metrics



- New [EDI Strategy](#) approved Nov 21
- Covers four pillars: Communities, employees, partnerships and running the business
- Includes thought leadership ambitions



- 7 of 9 roles converted into longer term apprenticeships
- Untapped talent pool around data and IT
- Developed thinking around neurodiverse recruitment

Lombard House, Croydon, London



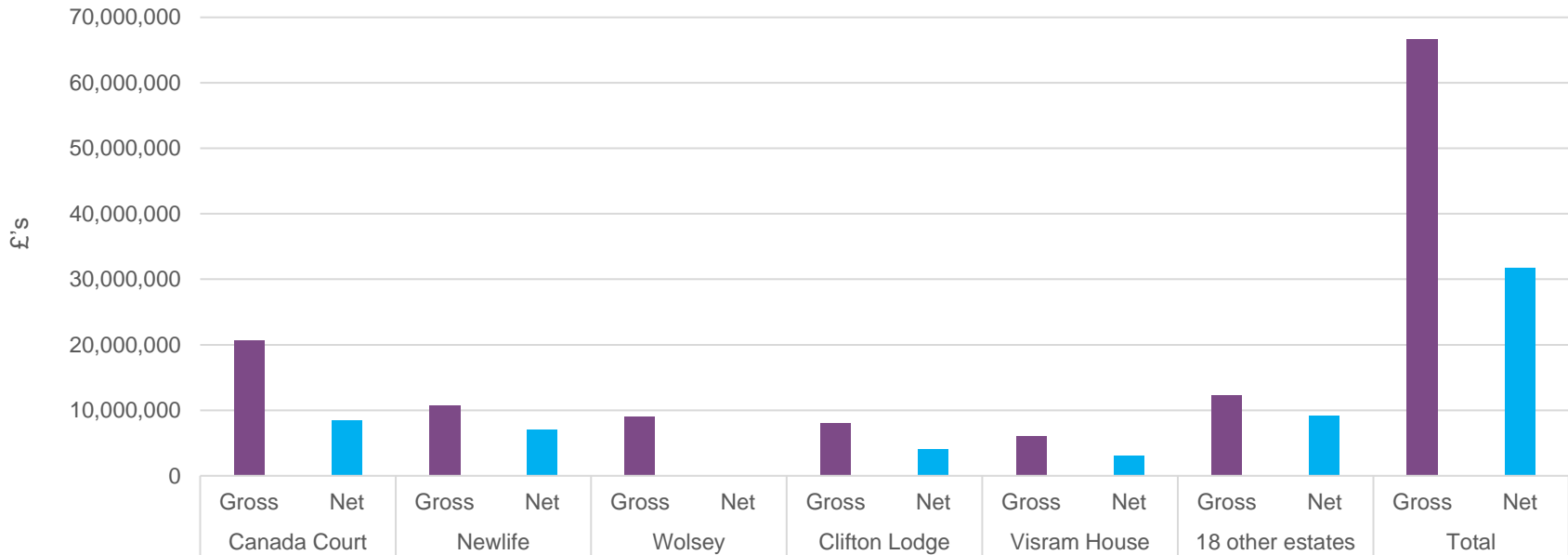
Operational Update

Operational performance FY 2021/22

- **Rent collection:** Steady improvement throughout FY 2021/22 and within target (Dec 21: 4.4% arrears)
- **Empty homes:** COVID impact being worked through, core re-let times improving (Dec 21: 57 days)
- **Repairs:** Increased demand, some contractor challenges particularly around labour availability
- **Maintenance:** > 90% of budget programme to be delivered
- **Building safety:** Relentless focus continues
- **Tenancy sustainment:** FY target exceeded by December - £3.2m gains for >1,500 residents
- **Contact centre hubs:** Additional resources to improve call answering
- **Complaints:** Higher volumes but improving performance on response times (Dec 21: 70% in target)
- **Satisfaction:** An area of improvement - new leadership in place to focus on this (Dec 21: 60% perceptual; 73% transactional)

	FY 2020/21	FY 2019/20	FY 2018/19
Gross Rent Arrears	4.6%	4.4%	3.7%
Void Rent Loss (core social)	2.8%	2.1%	1.0%
Re-Let Time (general needs)	85	56	29

Fire safety



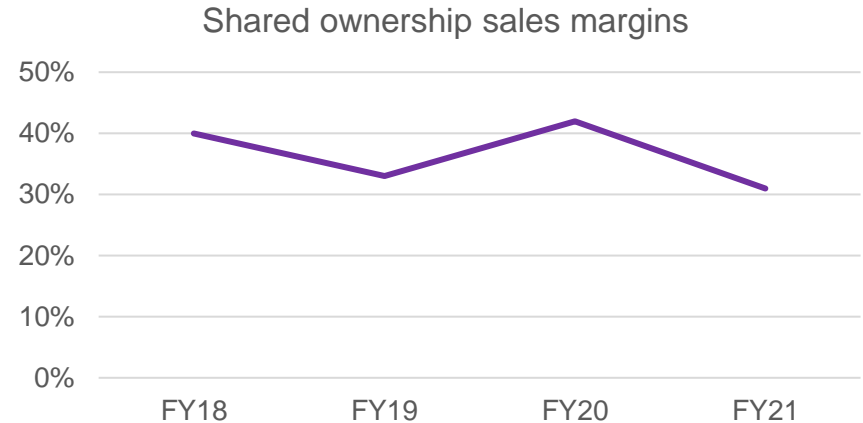
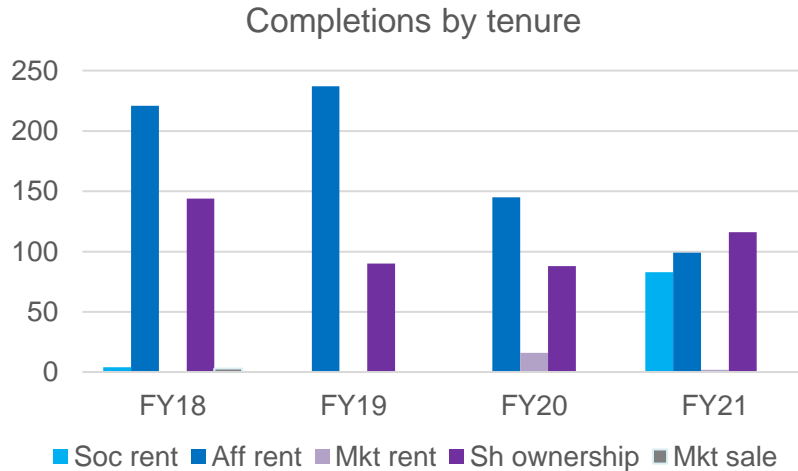
- Building Safety Fund applications submitted
- Liaising with original builders where possible to pass on costs – slow but steady progress
- Board aims to deliver works as quickly as possible for residents – bank lenders supportive

Two Six Six, Balham, London



Development & Sales

Development & sales track record



- 1,600 completions projected over three years from FY 2021/22, of which 20% will be for social rent
- Recent Strategic Homes Partnership allocations include £182m from the GLA and £89m from Homes England
- Includes 1,091 social rent homes - allows increase from 10% to 30%, of our target to deliver 6,000 homes over 10 years
- Affordable rent will comprise a further 25%, with the balance of 45% from shared ownership
- **Zero** market sale plans (subject to engineering out of market sale units at a scheme in Ealing)
- Our shared ownership sales margin continues to outperform G15 peers* (FY 2020/21):
 - Optivo 20%
 - L&Q 17%
 - MTVH 14%
 - Hyde 9%
 - NHG 7%
 - Catalyst 2%
 - Southern -4%

Development completions

- Future pipeline remains on track to meet our 6,000 homes target 2020-2030.
- Impact of COVID has been on completions, more than starts on site, or on the securing of sites.

Financial Year	Target	Actual / Projected
2020/21	400	302
2021/22	450	333 Projected
2022/23	500	524 Projected

- COVID has impacted our completions due to the following factors:
 - Material delays
 - Labour shortages
 - Transport issues
 - Price pressures
 - Insolvency cover
 - PI cover
- As at 31 January 2022, 178 total shared ownership homes were unsold, of which 66 are reserved and 75 were handed over from development in Q3 21/22
- Demand remains strong – with speed of sales at some sites driven by mortgages, affordability criteria and solicitor capacity

Example schemes



Malgavita, Southall
£13.3m
63 x London AR



Burlington Road, New Malden
£17.9m
19 x AR; 33 x SO; 2 x commercial



Thames View House, Walton
£27.5m
45 x AR; 52 x SO; nursery



Southall Gateway, Ealing
£185m
150 x SR; 150 x SO;
150 x Rent to Buy
Current approval
includes 80 x mkt sale
but aiming to convert
to rent / SO

Market conditions & outlook

Challenges

- Market conditions and build price inflation
- Materials availability
- Labour availability and skills
- Planning changes and LPA staff
- Planning appeal timelines
- Housing land supply
- Sales times
- New GLA / HE funding conditions

Opportunities

- Increased size of the development team including the Midlands
- Diverse development geography spreads risk
- PA focus on skills development
- Lots of funding through 2021-2026 programmes
- Some Local Authority funding available
- Access to land improving as we build the new business team
- Contractors keen for work over 18 -24 month contracts
- Strong demand for new homes to rent and buy



Finance & Treasury

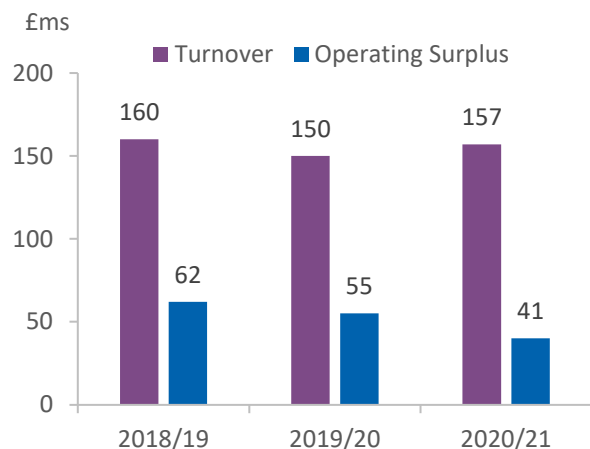
HY 2021/22 results

- Turnover is up, driven by a combination of rent inflation, higher unit numbers and higher sales activity
- Core operating cost increases primarily relate to additional building safety investment
- Capital maintenance increased year-on-year, with the FY 21/22 budget being delivered
- Asset disposal surpluses remain buoyant, driven by continued strong shared ownership staircasing transaction levels
- Liquidity is high and interest costs are largely fixed following the 2021 bond issue

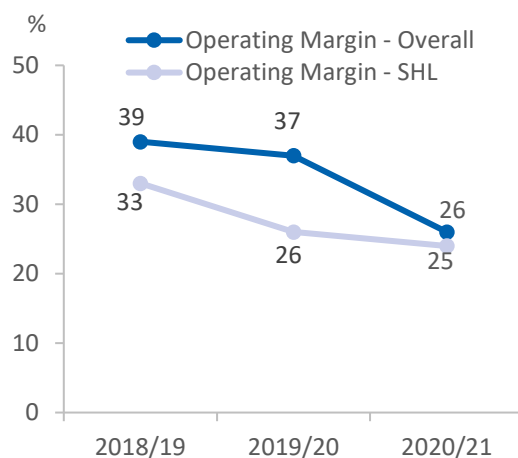
	HY 2021/22	HY 2020/21
Turnover (£m)	82.9	75.5
of which shared ownership sales (£m)	9.4	4.6
Core operating costs (£m)	(47.0)	(39.3)
Cost of sales (£m)	(6.3)	(3.2)
Operating surplus (£m)	24.1	23.4
Operating margin	29%	31%
Shared ownership sales margin	33%	30%
Liquidity (£m)	442	176

Historic Financial Performance

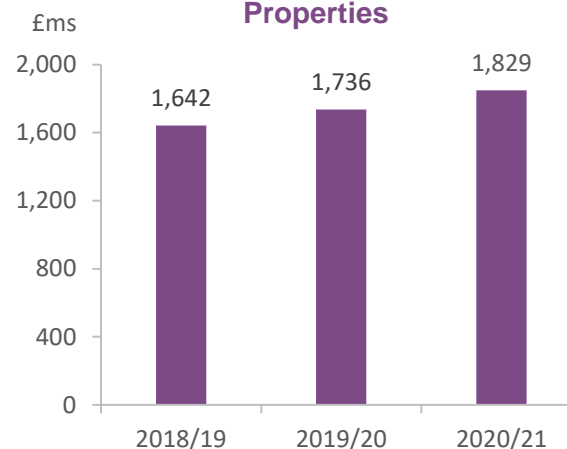
Turnover & Operating Surplus



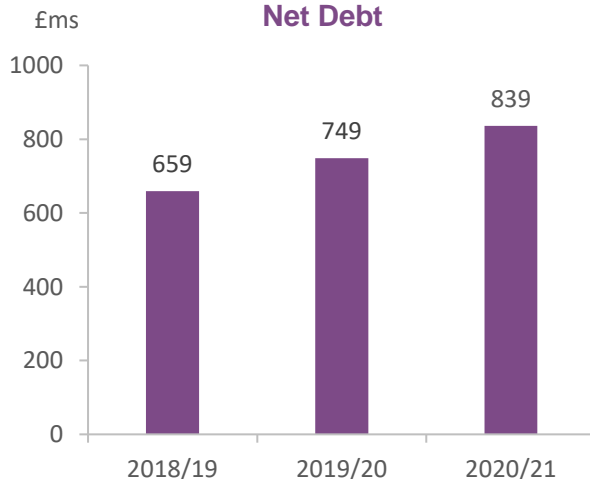
Operating Margin



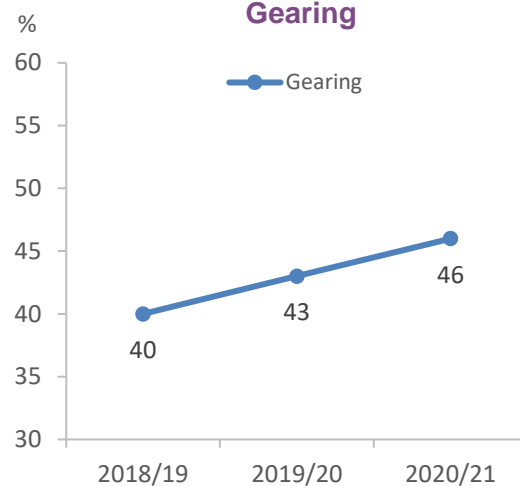
Tangible Fixed Assets – Housing Properties



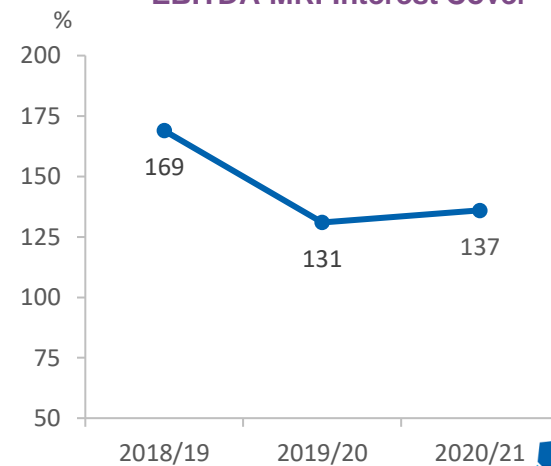
Net Debt



Gearing



EBITDA-MRI Interest Cover



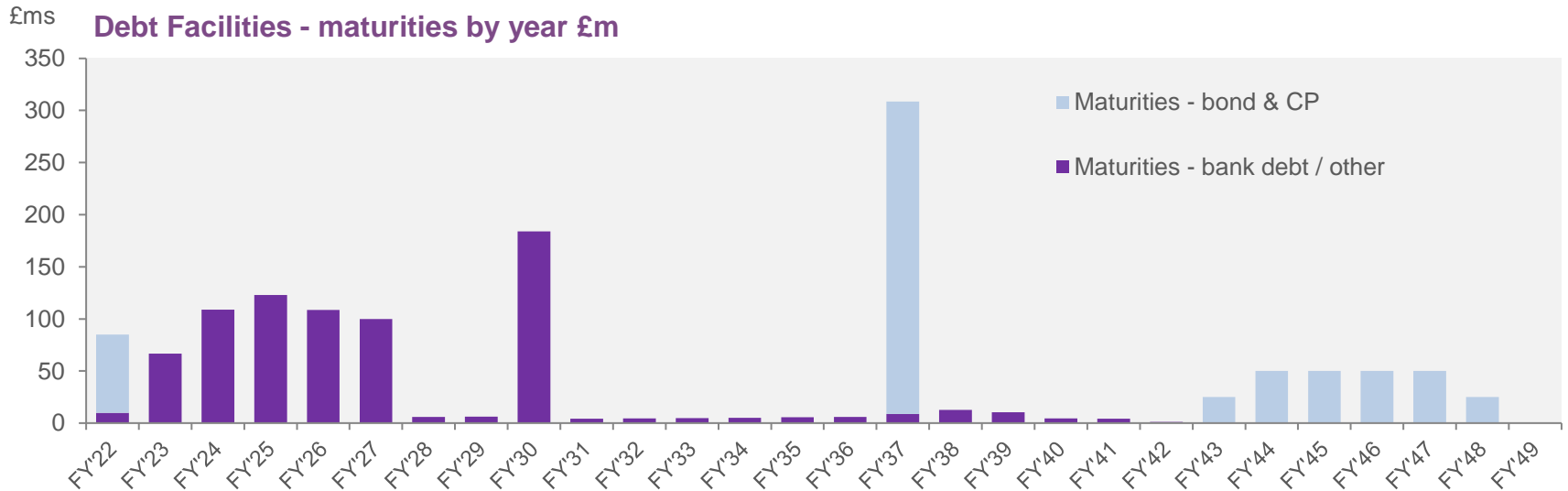
Financial golden rules

Rigorous Board review within context of Covid and fire safety:

- **No change** to rules which remain well matched to PA's medium to long term strategic outlook
- **Accepted** short term deviation on operating margin and interest cover to meet immediate challenges
- **Reinvestment** of free cash into fire safety remediation projects
- **Opportunity** to consider moderation of sales turnover following significant recent SHG allocations
- **Improvement** to longer-term debt related metrics arising from insertion of SHG allocations

Financial Golden Rules	Target / Limit	HY 2021/22 Performance
Operating Margin (SHL)	>30%	22%
As above ex. fire safety		26%
Free Cash	>£10m	£4m (6 months)
Interest Cover	150%	136% (ex. FS)
Gearing	<55%	50%
Hedging of Debt	>50%	92%
Liquidity	>18 months	26 months
Social Housing Grant	Zero BP reliance	Yes
Property Sales Exposure	<25% of turnover	11%

Debt and security



- Security charging strategy in place out to 2030
- Legal status of unencumbered stock well understood – further £100m ‘harder to charge’ pool not included below

Security availability

Unencumbered	£250m
Deeds of Variation	£100m
Over-secured	£300m
New build	+£150m pa (expected)

Blagden Road, New Malden, London



Appendix



Our Board



Anne Turner



Curtis Juman



Kathleen Harris Leighton



Kim Francis



Rahul Jaitly



Katherine Lyons



Andrew Carrington

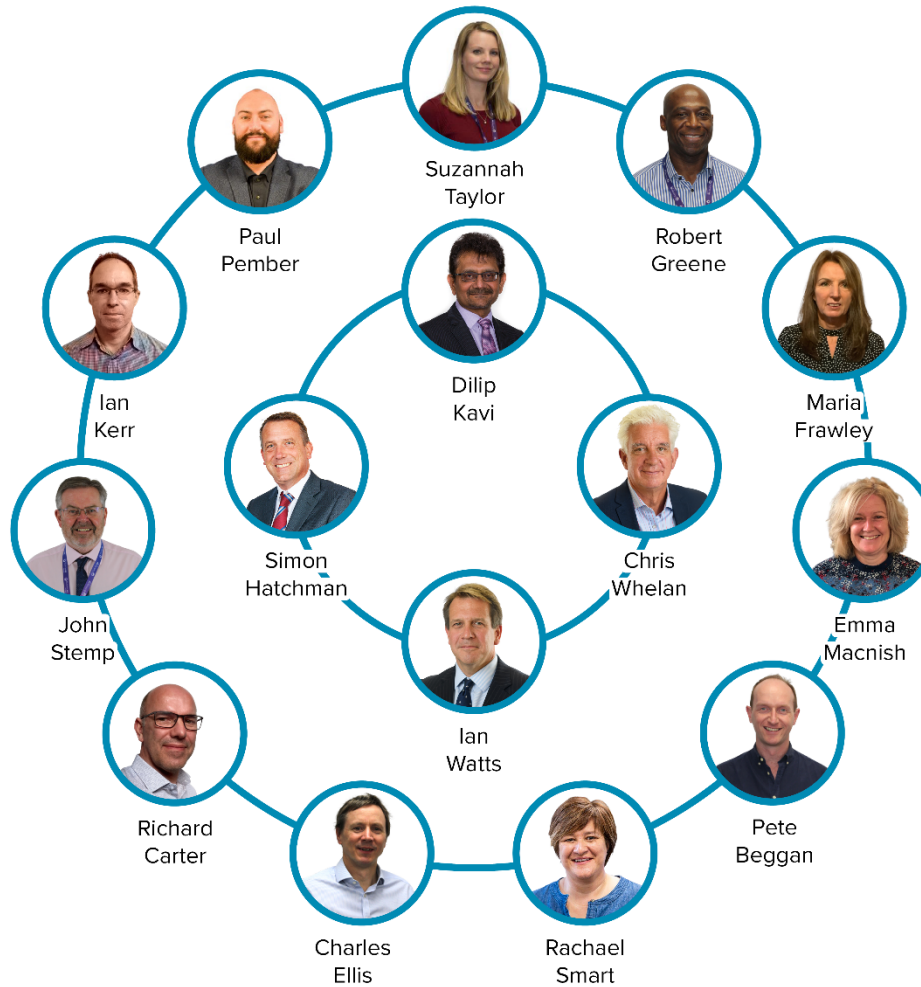


Steve Amos



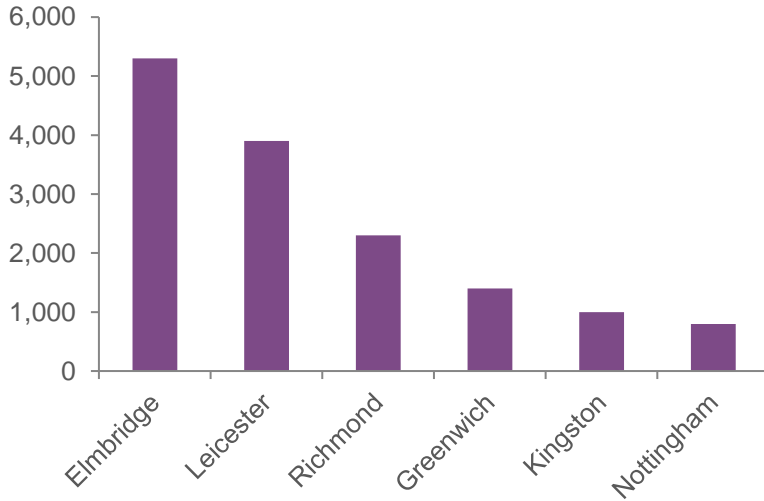
Dilip Kavi

Senior Management Team

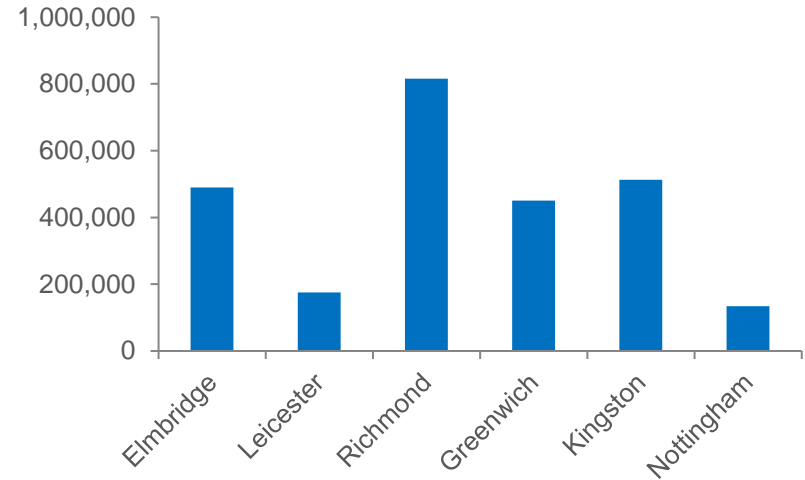


Demand for Homes in Key Localities

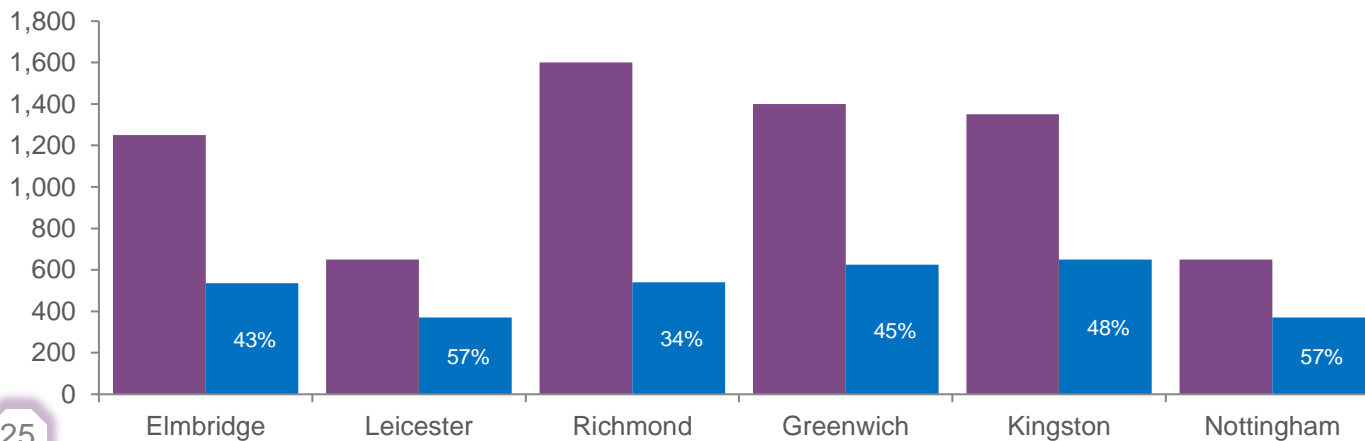
PA Units



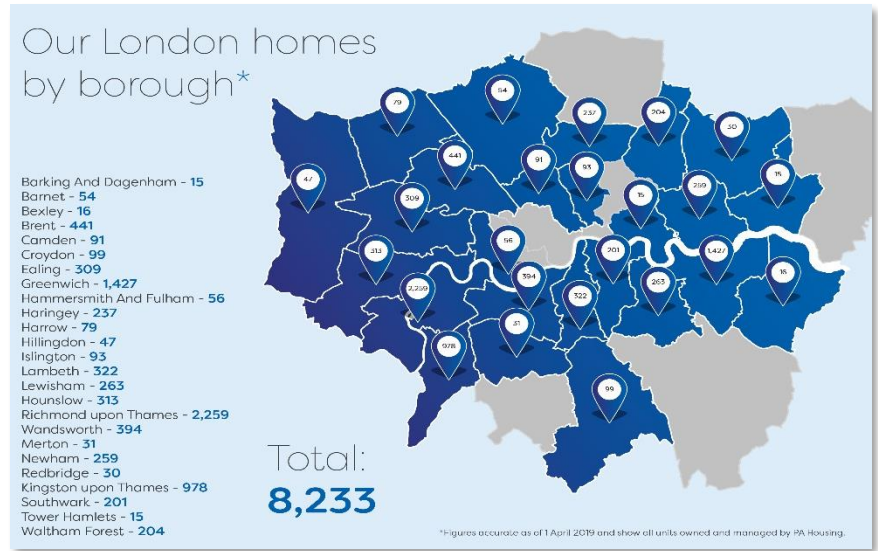
Median Terraced House Price (source: ONS)



Median 2 Bedroom Monthly Rent vs PA Average (source: Valuation Office Agency)



Areas of Operation



Waiting list numbers

