Serving people better every day

Presentation to MTVH investors

October 2020

Welcome

Althea Efunshile CBE, Chair

MTVH Board


Althea Efunshile, CBE ›
Chair


Lesley-Anne Alexander, CBE ›
Customer Services Committee Chair


Stuart Beevor ›


Gurpreet Gujral ›


Kathryn Davis ›
Treasury Committee Chair


Michael Dunn ›
Audit and Risk Committee Chair


Grainia Long ›
Remuneration & Nomination Committee Chair, Property Committee Chair, and Senior Independent Director


Geeta Nanda, OBE ›
Chief Executive


Ian Johnson ›
Chief Financial Officer


Ingrid Reynolds ›
Development Committee Chair


Jerry Piper ›

- New Board members
  - Tania Brisby (1 Oct 2020)
  - Davinder Dhillon (1 Jan 2021)
  - Nigel Ingram (1 Jan 2021)
  - Ofei Kwafo-Akoto (1 Jan 2021)
- Selected based on their respective skills and experience in finance, treasury, property and maintenance, and law
- Replacing Paul Bridge who retired in Sept 2020 - and Kathryn Davis, Stuart Beevor and Jerry Piper who retire at the end of Dec 2020

Introduction

Geeta Nanda OBE, CEO

Metropolitan Thames Valley

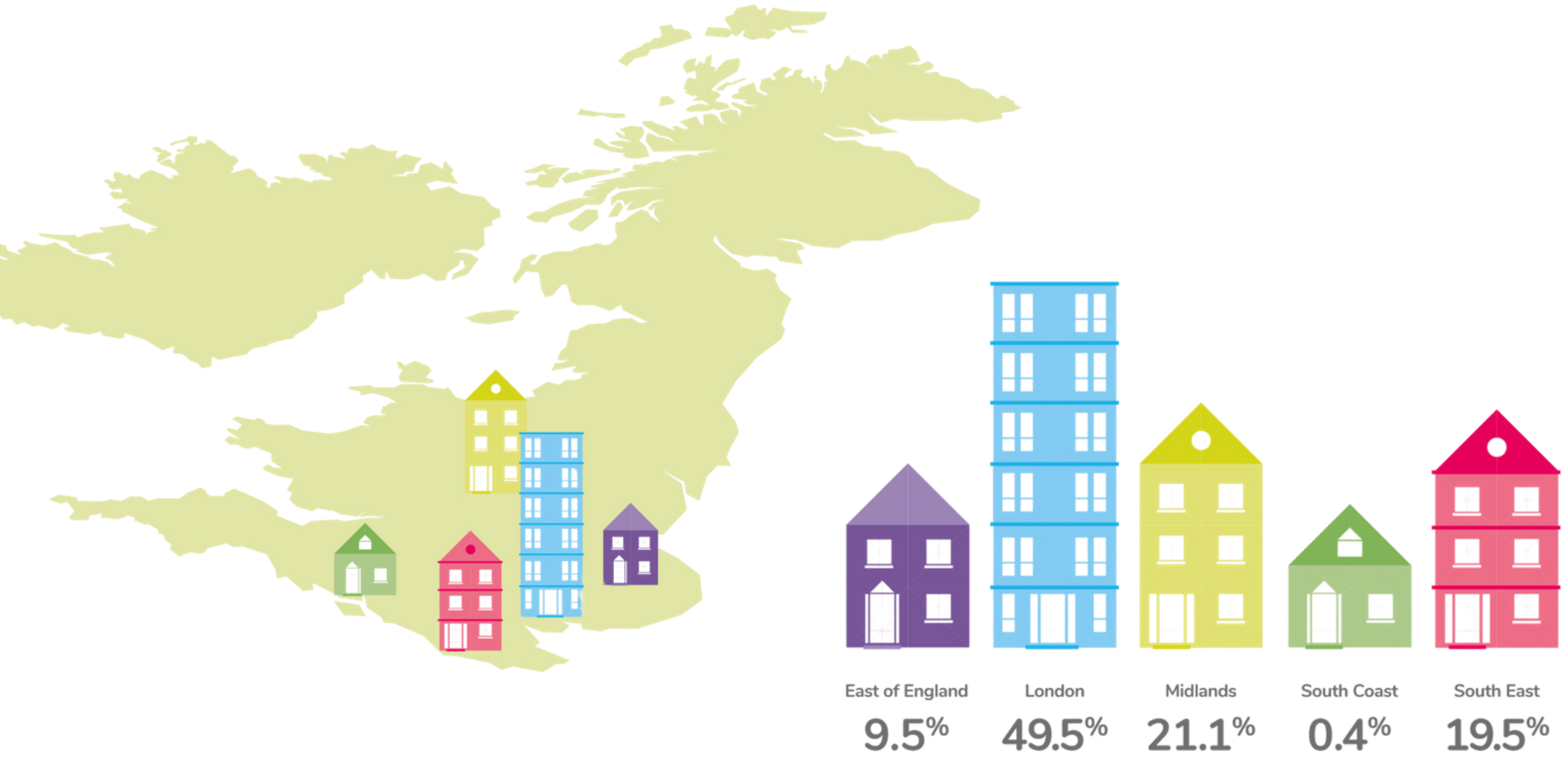
Metropolitan Thames Valley is one of the UK's leading providers of affordable housing and care and support services.

Our vision is that everyone should have a home and the opportunity to live well.

Where we operate

We own, manage and administer more than 57,000 homes

Housing stock by region



Housing stock by tenure

Rented **57%**

Shared ownership **15%**

Supported **10%**

Other (inc leaseholders) **18%**

Covid-19

- The safety and wellbeing of customers is our top priority
  - Coronavirus Support Hub: 600 customers supported to date
  - More than 7,700 proactive calls to at-risk customers
  - MTVH Online: households now active 22.2% (13.2% pre-Covid)
  - Arrears: social rent 5.1% (4.8% pre-Covid) / shared ownership 2.95% (1.7% pre-Covid)
  - Social rent households on UC 27% (8,711 claims in total, up by 38% since February 2020)

Covid-19

- All development sites re-opened, with no slippages on completions
- Voids: 0.91% (0.75% pre-Covid)
- Colleagues
  - Move to home working
  - Agile resourcing of priority areas
  - Black Lives Matter
  - People Engagement Survey: 83% 'engagement index' score vs 76% overall benchmark
  - Assimilations complete
  - Supporting colleague well-being
- Careful consideration of new investment following lockdown

Building safety

- New Safer Buildings team
  - 43 blocks above 18m in total (MTVH freeholder at 27 of these)
  - Intrusive surveys carried out at 10 blocks
  - Programme to survey 48 buildings by April 2021
  - £4.5m net spend expected this year
  - Applying to Building Safety Fund
- Worcester Park
  - First licence agreed with St James for external remedial works
  - Richmond House planning permission granted

Development

- Target to deliver 13,400 new units over the next 10 years
- Strategic Asset Management Plan
- 1,023 homes built, 930 starts on site in 2019/20
- 111 homes sold for market sale, 600 for shared ownership in 2019/20
- Stock rationalisation
  - 500 homes sold with £180m in revenue over five years
- Sales activity in the year to date
  - 431 reservations, averaging 17 a week (against a budget of 12)

ESG

- Environmental, Social and Governance agenda
- Working with G15 members to establish credentials for funding
- Registered with The Good Economy to be an early adopter of ESG metrics
  - Target of early 2021 for reporting
- SECR and Section 172 statement published in annual report
- Research: MTVH social tenancies contribute £713m to UK economy
- G1 governance rating re-affirmed by Regulator of Social Housing

Watch our latest SO Resi video

Development and Sales / Financial performance

Ian Johnson, CFO

Sales programme: current position

- 2020/21 forecast sales – 517 units, revenue £109.6m and net profit £17.8m
- Sales monitored
  - Weekly sales reporting
  - Internal triggers designed to manage risks
  - Options Group reviews stock holding and makes recommendations to Executive Team
  - Board approved mitigating actions
- Bulk unit sales to investor – B4 at Clapham Park already completed c. 33% of sales revenue
- Sales exposure across multiple sites but 70% from five sites of which 40% relates to Clapham Park
  - c. 67% of units are shared ownership
  - Sales rates remain high
  - Tenure flexibility allows for conversion to rent without suffering losses

Sales programme: risk mitigations

- £397m of development spend currently committed over next 5 years, in comparison with available liquidity of £771m
- 10-year development programme reduced by c. 1,700 units to 13,400
- 10-year dev. spend cut by £0.9bn to £4.5bn, 5-year spend cut by £0.4bn to £1.9bn
- Same risk profile (40% sales revenue max) but focus on reducing future interest costs in order to create SH interest cover headroom
- Geographically well-dispersed sales exposure
- Diversified product type
    - Predominantly small scale sites
    - Mortgage availability remains strong
    - Predominantly priced below the Help to Buy threshold
    - 67% Shared Ownership and 33% outright sale
    - No inner London exposure
- Joint ventures to share majority of outright sale risk going forward

2019/20 financial results at a glance

	2019	2020
Operating margin	36%	27%
Letting margin	34%	28%
Gearing	41%	41%
Turnover	£411m	£465m
Surplus for the year	£6m	£49m
Adjusted operating surplus	£154m	£131m
Operating Surplus	£149m	£127m

2019/20 performance at a glance

6,914
Homes development pipeline

More than
3,000
Number of customers supported into employment and training

180
Stonewall Top 200 Employer Rating

£2.5m
New annual business income in care and support

G1
Governance rating from the Regulator of Social Housing

£272m
Invested in acquiring new land and building new homes

86%
Proportion of repairs fixed first time

V2
Viability rating from the Regulator of Social Housing

1,023
New homes delivered

£129m
Investment in existing stock

2019/20 financial results: headlines

- Total revenue £465m (up around 13%)
- Underlying operating surplus down 15% to £131m (2019: £154m) impacted by bad debt provisions, asset impairment and property improvement costs
- Reported operating surplus was £127m (2019: £149m)
- Operating margin 28% (2019: 36%) - dilution driven by higher sales volumes
- Sales revenue was £131m (2019: £85m) - average sales margin of 16% (2019: 12%)
- Non-sales income representing 72% (2019: 79%) of turnover
- Strong liquidity position with around £611m of available cash and facilities
- 1,023 new homes completed (2019: 1,037 homes) of which 791 (2019: 907) were affordable
- S&P credit rating A- (stable outlook)
- Successfully exited SHPS defined benefit multi-employer scheme October 2019

2019/20 operational review

- Social housing letting revenue was £295m (2019: £288m)
- Unit growth offset the final year of the -1% rent settlement
- Increased focus on customers:
    - Invested £42m (2019: £35m) on property improvements
    - Fire safety spend £15m (2019: £13m)
- Total spend on the existing estate was £129m (2019: £118m) prioritising property compliance, condition and customer satisfaction issues.
- Social rent arrears 4.82% (2019: 4.55%) - includes a £3m Covid bad debts provision
- Average general needs re-let time improved from 32 days in 2019 (weighted between MHT and TVH by unit stock) to 25 days on a combined basis in 19/20
- We won £2.5m in new or extended Care and Support contracts
- 100% of our contracts rated by the CQC as “Good”
- Invested £3.7m (2019 £2.4m) in building stronger communities

2020/21 outlook

- Home sales rates running well ahead of expectations, albeit on some low-margin sites and underpinned by bulk sales
- Operating cost base under control with savings across a number of overhead lines
- Some risks to non-social lettings revenues and arrears
- Restoring original planned works programme
- Reappraising pipeline schemes but ready to consider new investments

Stress-testing and sensitivity analysis

- Business plan and development programme tested against changes in key underlying assumptions:
  - CPI: Inflation affects income and costs
  - LIBOR: increase in funding costs
  - HPI: fall in house prices inflation (short and long term)
  - Delays in building programme (delivery and sales)
  - Bad debts (rent loss)
  - Inability to source land and building opportunities
  - Escalation in build costs
  - Welfare reforms (inc. rent caps) and other changes in policy (‘Right to Buy’)
- Assumptions tested individually and in multi-variable scenarios, measuring impact on surplus, net debt and key credit metrics:
  - Limited sensitivity of key metrics to changes in individual assumptions
  - Maintenance of significant covenant headroom under the various scenarios

Treasury policy overview

- Conservative, risk-averse treasury policy
- Prudent golden rules:
  - Gearing and interest cover covenants
  - Cash and liquidity
- Management of key risks: counterparts, re-financing, legal and regulatory, market and exchange rate
- Appropriate mix of fixed and variable interest rate debt
- Average life of book c. 15 years
- Monitoring reports reviewed quarterly by the Board and Treasury Committee

Treasury objectives

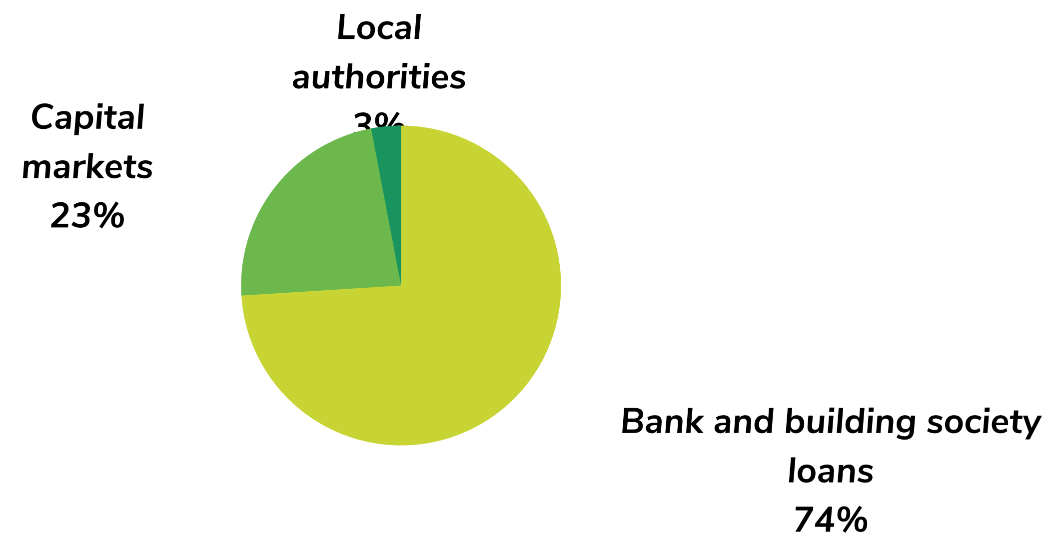
- To deliver on the incremental 2020/21 liquidity requirements c. £225m
- Accepted as part of the Bank of England CCFF Programme
- Discussions with lenders to meet longer term liquidity requirements
- Migration of existing LIBOR based debt to SONIA
- Funding the Entrust defined benefit pension scheme deficit
- On-going review of the corporate structure to ensure it remains fit for purpose
- ESG - Environmental, Social and Governance agenda

Treasury liquidity and debt analysis

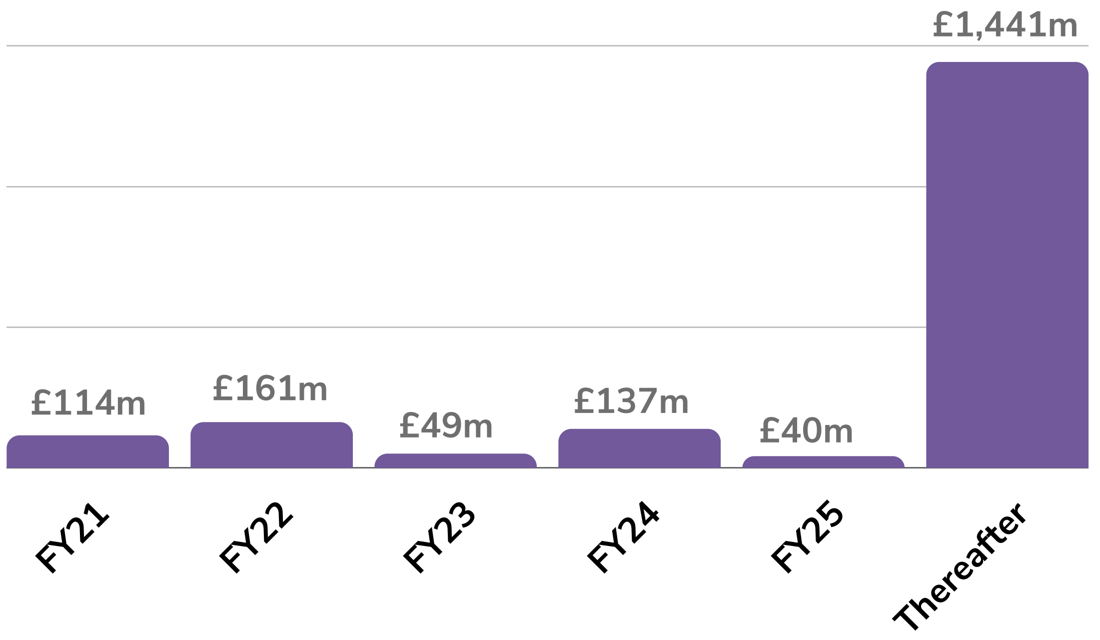
- Weighted average maturity of c. 15 years.
- Weighted average interest rate of c. 4.3%
- Proportion of hedged fixed rate debt c. 83%
- Cash and short-term deposits c. £40m
- Undrawn committed facilities of c. £731m available within 48 hours

Breakdown of debt by type (facilities drawn)

Total: £1,923m



Debt maturity schedule



In conclusion

- MTVH is now one organisation
- The Board strategy is to focus on the safety and quality of our assets, and de-risk the development strategy
- MTVH continues to generate strong margins and remains in a strong financial position
- MTVH is highly liquid (both in terms of cash and secured facilities) and has a large pool of unsecured security to support future borrowings

Any questions?

Metropolitan Thames Valley

Appendices

Metropolitan
Thames Valley

MTVH Executive Team

Geeta Nanda
Chief Executive Officer

Ian Johnson
Chief Financial Officer

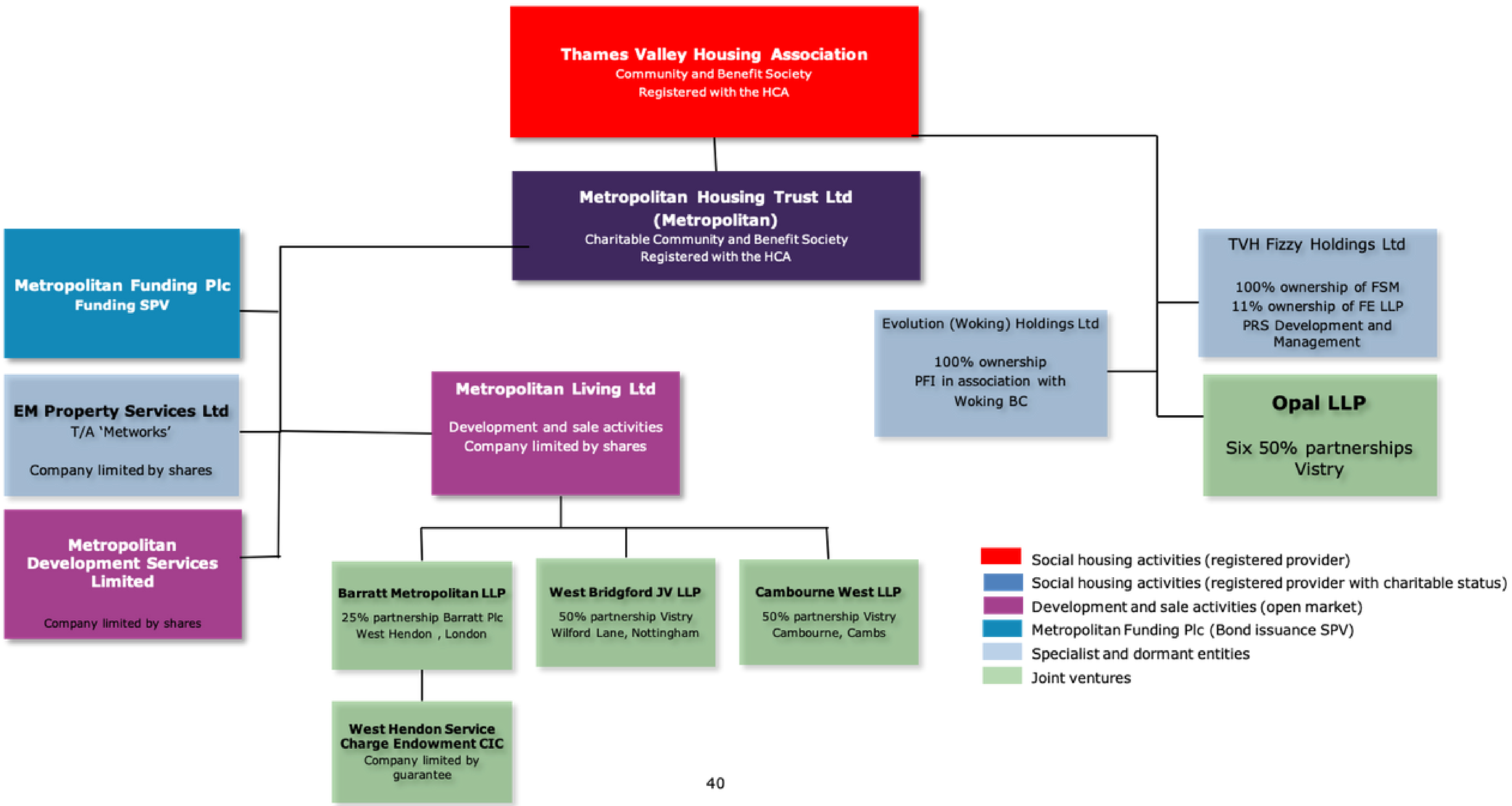
Ann Gibbons
Executive Director, Customer Services

Jane Long
Executive Director, Corporate Services

Guy Burnett
Executive Director, Development

Mark Everard
Executive Director, Property

MTVH group structure

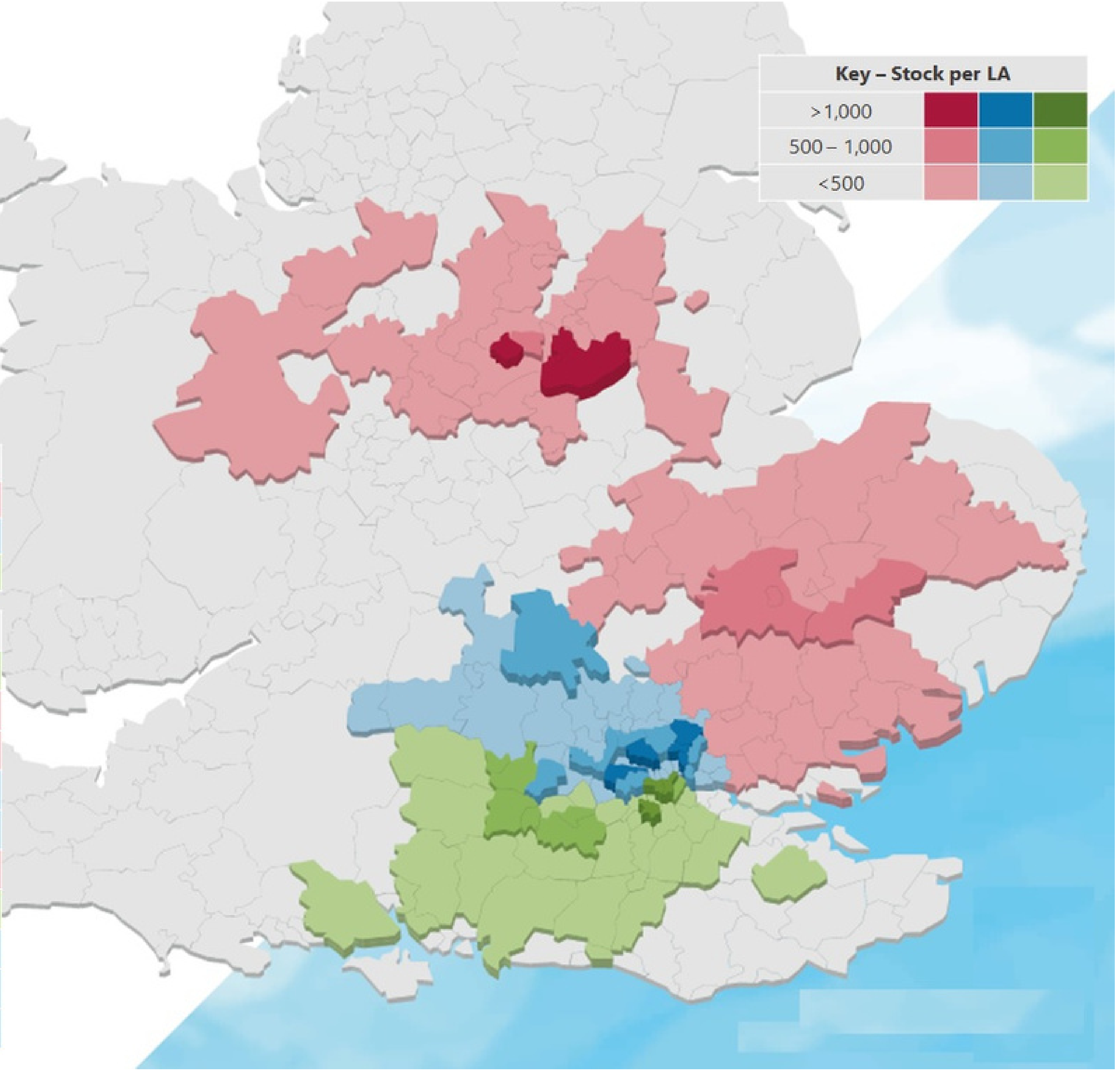


MTVH operating regions

As illustrated in the map, our business is split into three key operating regions; **Midlands & Cambridge** (identified as red), **North London** (identified as blue) and **South London** (identified as green).

Total Owned / Managed Stock by Region	
Midlands	15,192
North (London)	21,368
South (London)	19,013

Top 10 Boroughs by Owned / Managed Stock	
Lambeth	6,827
Rushcliffe	4,376
Derby	2,638
Brent	2,450
Haringey	2,412
Nottingham City	2,228
Sutton	2,212
Enfield	1,883
Hackney	1,535
Barnet	1,064



Stress-testing and sensitivity analysis summary

	Potential impact									
Adverse change to:-	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Bad debts (increase)	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Cash calls from lenders	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Welfare reform	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
HPI (sales price fall)	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
CPI (inflation, incl. Rents)	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
LIBOR (funding costs increase)	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Delay (time to handover / sale)	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
HPI 20% fall & delay	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
HPI 20% fall, delay & Libor increase	🟡	🟡	🟡	🟢	🟢	🟢	🟢	🟡	🟡	🟡
Covid (HPI fall,libor, delay in all sales & income)	🟡	🟡	🟡	🟢	🟢	🟡	🟡	🟡	🟡	🟡

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