



**Investor
Update
February
2022**

OFFICIAL

Contents



- Group overview
- Sustainability / ESG Update
- Half year update (to 30 September 2021)
- Development plan
- Treasury and funding update



**Group
overview**



OFFICIAL

Highlights



- Home Group is a housing association with a difference, “**building homes, independence and aspirations**”. Strong **social purpose** with a **focus on sustainability**;
- Founded in the North East in the 1930s and in operation for **over 80 years**, Home Group houses over **110,000 people** in over **55,000 properties** in ownership and management, achieving **91% customer satisfaction**;
- The Group is **geographically diversified** operating in c. 200 of the UK’s local authority areas.
- Strong third party assessment of Home Group: continues to be rated **G1:V1** by the Regulator of Social Housing – **IDA in June 2021 and Stability check Dec 2021**;
- Turnover in excess of **£400 million**, a gearing ratio of **43%** and a **strong surplus**;
- Considered development track record responding to market conditions;
- **Strong risk management** evidenced through well managed **COVID-19 response**, and ongoing review of **development commitments**;
- We have a proven experienced leadership team, with a mix of commercial and sector skills;
- Influential relationships with key stakeholders including central and local government;
- **Great Place to Work** - Home Group ranks **7th** in the UK best super large workplace rankings (highest ranking not-for-profit).

> **55,000**
properties

G1:V1 rating

A- S&P Rating
(Aug 2021)

Turnover >
£400m*

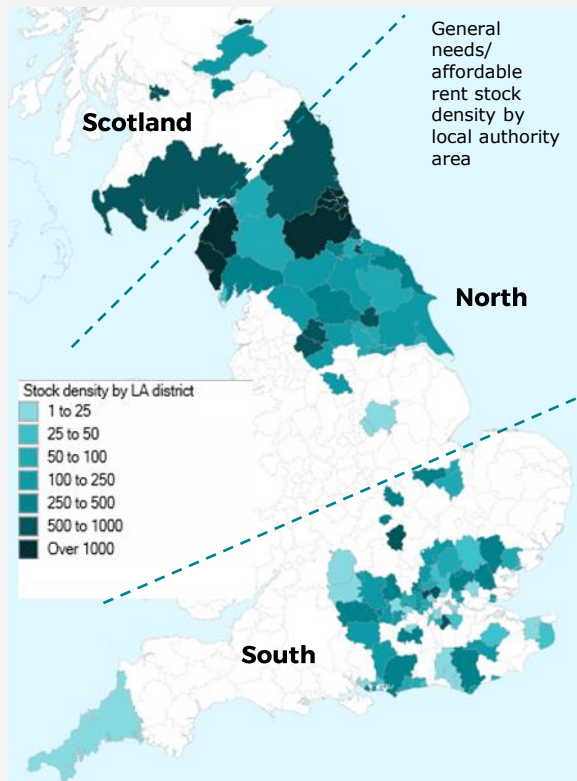
Operating
surplus **£69m***

Gearing:
43%*

*Year ended 31
March 2021



Geography



Home Group own and manage over 55,000 properties:

- >50% of stock located in 14 Local Authority areas;
- Geographic coverage provides strong mitigation against local market / economic conditions.

Head office based in Newcastle:

- Regional directors of operations (North, South and Scotland) are based in Leeds, London and Edinburgh.

Geographic strategy is developed based on factors including:

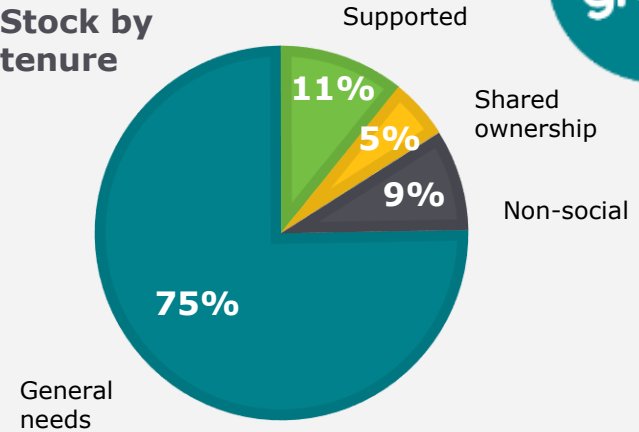
- Existing areas of operation;
- Relationship with local authorities;
- Supply and demand;
- Development and regeneration opportunities.

Current housing stock

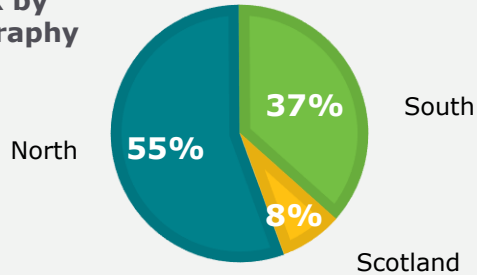


Residential units as at 31 March 2021	Owned	Managed only	Total owned and/or managed
General needs	41,643	30	41,673
Supported housing	5,820	175	5,995
Shared ownership	2,840	43	2,883
Total social units	50,303	248	50,551
Market/Mid-market rent	489	-	489
Leasehold	4,352	-	4,352
Total units	55,144	248	55,392

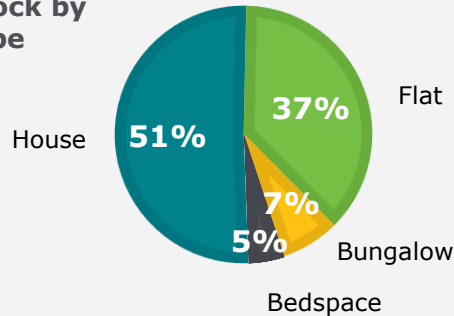
Stock by tenure



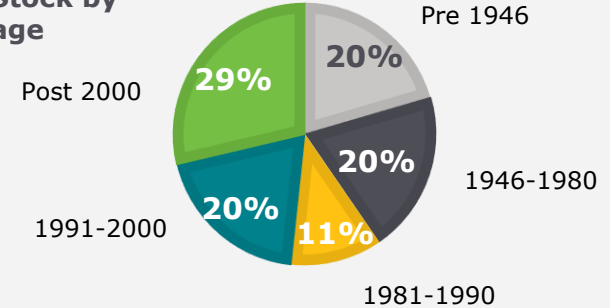
Stock by geography



Stock by type



Stock by age



Delivering against our strategy



Delivering on our customer promise

Our customer promise includes six pledges to our customers. This was developed with our customers, and customers assess how well we are delivering against each part of the promise. We promise to: care about you; deliver a reliable repairs service; help communities to grow; provide a safe place to live; tell you where your money goes; and work together with customers and partners.

Building the right homes in the right places

We are making a step change in house building, by pioneering new markets and building more truly affordable homes with a range of ways for our customers to buy or rent them. The homes we build are high quality and our customers are involved in the design process. We are entering new markets, with different tenures. The surplus we make from selling houses will be used to build more homes for affordable rent, to regenerate existing stock, and provide an integrated housing and health offer.

Market leaders in new models of care (NMC)

We are adapting our model and shifting our place within the health and social care market. We are delivering care services that truly make a difference by focusing on where we can deliver a long-term impact for customers to help relieve pressure on the NHS and social care. We will focus on the needs of the individuals we serve, specifically using our expertise in mental health and learning disabilities. We will deliver quality care and the right home for our most vulnerable customers, including those with highly complex needs through our Transforming Care services.

Being 20% more efficient

We are re-engineering the way we work. Working more efficiently and productively enables us to free up resources to support our strategic priorities and ensure the sustainability of the business. This goal is supported by our value for money strategy which drives us to be more cost effective and do more with less while ensuring high quality delivery.

Building safety



- We have **very low exposure** to buildings **exceeding 18m** in height (**25 buildings**). Stock is predominantly houses or low rise flats;
- Continued **focus** from **Executive Team and Board** on importance of **building safety**;
- **Building safety team** being formed with a **new, dedicated Executive Director of Building Safety** to lead incorporating maintenance compliance, health and safety and the technical buildings teams with increased resourcing. Will include the future legislatively required building safety managers;
- A **steering group** including the **Executive Director of Operations** and **Executive Director of Development** was established in 2021. **New Executive Director of Building Safety** will join this group;
- **Overall aim: streamline and align** activity / decision making whilst **improving governance / visibility**;
- **Core Safety Activity** – some increase in core fire risk assessment activity, both in volume and scope, alongside the resulting follow on works linked to the Fire Safety Act;
- **Major Projects** – A number of buildings have been identified for wall system and other remediation works that are better delivered as a single encompassing major project;
- **Change Focus** – We are assessing every aspect of safety related activity in consideration of new and upcoming legislation such as the Building Safety Bill. This includes new roles (building safety managers), revising our H&S Board Committee paper structure, an asset system and data review by our IS and PMO teams and improving our customer engagement activity focused on this important area;
- We anticipate **some increase in building safety works** over the next 3-5 years across the three areas mentioned. These will then reset to a new baseline as the transitional period comes to an end.



**Sustainability
/ ESG update**

Sustainability at Home Group



- Since our formation in 1935 as The North Eastern Housing Association we stated our intention was driven by a social and ethical purpose;
- Our values mean that our approach to becoming an even more sustainable business is caring, commercial, accountable and energised;
- As an organisation, we are acting on four key areas:

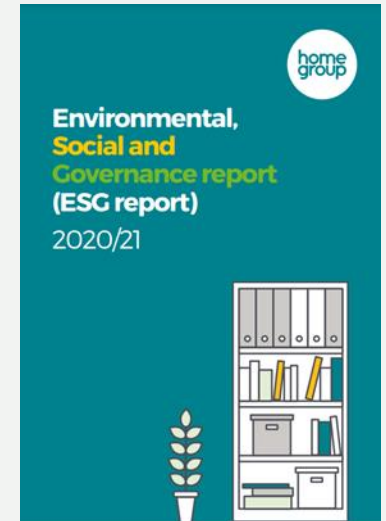
Our existing homes.

Our new homes

Our offices and operations

Our supply chain

- We have established a sustainability steering group, featuring colleagues from across the business, with dedicated roles related to energy and the environment and others with a keen interest in reducing our environmental impact;
- We are an early adopter of the Sustainability Reporting standard, and in November 2021 published our first ESG report, based on the 2020/21 financial year.

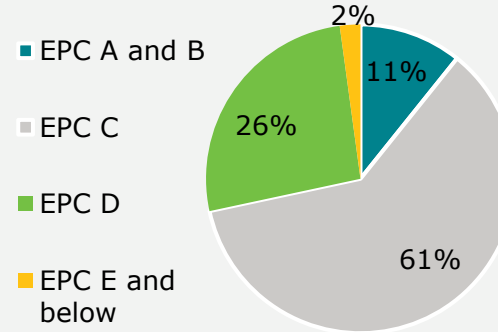


Environmental

- Sustainable Homes Index For Tomorrow (SHIFT) silver accredited;
- Full ISO14001 accredited demonstrates effective Environmental Management Systems;
- Executive led sustainability group established;
- Innovation Village and other pilots testing renewable, low carbon technologies;
- Founder members of the Greener Futures Partnership;
- Sustainability focus through office rationalisation and agile working;
- Investment in new and existing homes improving overall sustainability;
- Average SAP score above sector average. Tackling lowest EPC rated homes is a priority;
- In 2020/21 we proactively called 7,300 customers who we considered to be at risk of fuel poverty.



EPC Ratings



72% of existing social homes had an EPC rating of C+

Sector Average of 71%

EPC C by 2030 and developing response to net zero carbon by 2030

New Homes built to be fit for the future – exploring use of MMC such as offsite construction

Responding to the future home standard, installing only renewable heating systems by 2025

Social

- We are, at our core, a social business with charitable objectives;
- Over 97% of our social housing rents are at / below Local Housing Allowances, saving £97m p.a.
- Each year, we work with c. 20,000 vulnerable customers in our supported and health services;
- Our customer promise puts customers at the heart of what we do;
- Home Group Fund supports customers in hardship or facing emergency situations;
- Customer satisfaction: 91%;
- Accredited Living Wage Foundation Rate employer;
- National Large Apprenticeship Employer of the Year; 120 apprentices p.a. with 80% retention.



Rent discount from LHA varies between 16% (West Cumbria) to 57% (NW London)

100% FRA

99.1% valid gas certificates

99.9% Decent Homes Standard

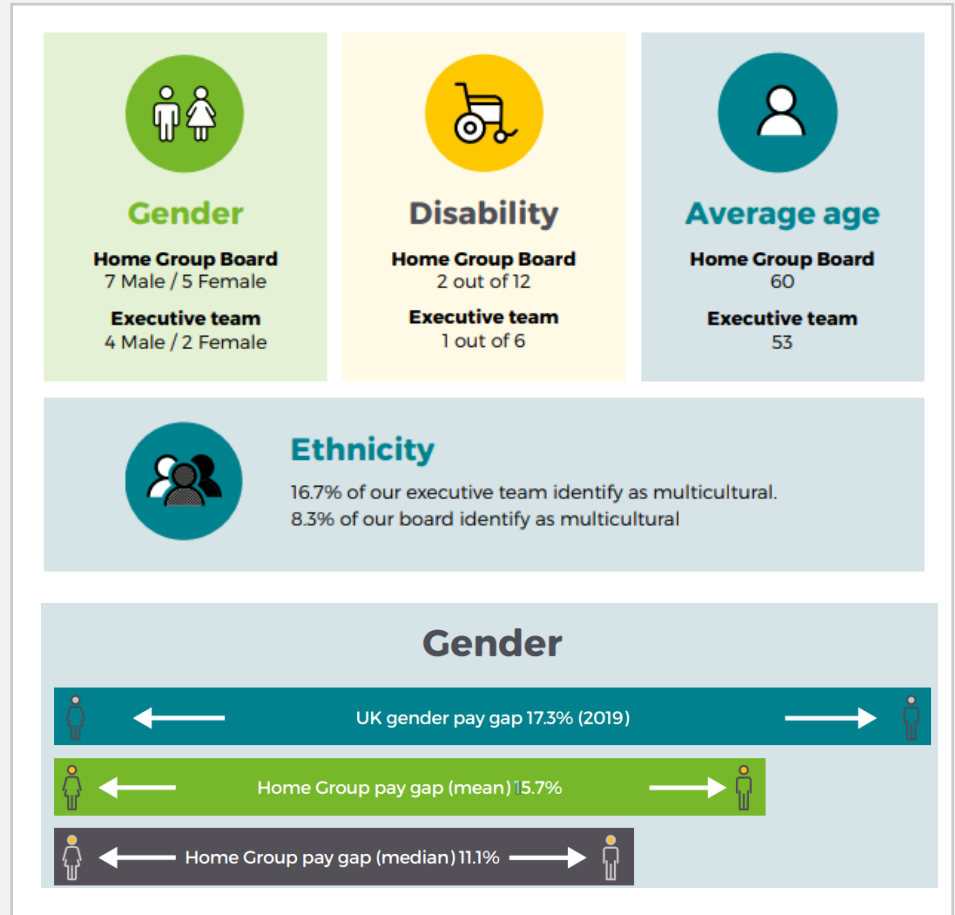
Apprenticeships: Each year Home Group employs around 120 apprentices – 64% from disadvantaged & diverse groups and 80% stay in jobs at Home Group

Financial Inclusion: In 2020/21 4,050 customer referrals received supporting customers with issues caused by financial pressures

Resident Voice: Customer Engagement one of Home Group's core priorities
"Insight to Action" model utilised

Governance

- Robust internal control and governance frameworks in place;
- Effective Board and Committee structure including dedicated Governance Committee;
- Rated G1/V1 by Regulator of Social Housing – reaffirmed in June 2021;
- Compliant with National Housing Federation Code of Governance 2015 and approved 2020 Code with effect from April 2021;
- Diverse and skilled Board and Committee membership;
- Maximum tenure for Board 9 years (3+3+1+1+1);
- Board skills matrix regularly reviewed and informs Board recruitment.



A large teal circular graphic that serves as a background for the main title text.

Half year update to 30 September 2021

Half year highlights



Surplus before tax of £18.6 million, slightly ahead of expectations

Liquidity (undrawn facilities and cash) of £416.4 million

Delivery of 406 new homes, of which 192 are affordable tenures

Strong operational performance, with reduction in voids and arrears

Standard & Poor's reaffirmed rating at A- (stable outlook)

Regulatory grading from Regulator of Social Housing remains G1 V1

Published first ESG report in line with Sustainability Reporting Standard

Commenced major net zero retrofit pilot scheme in the North West

Figures in this section are for the six months ended 30 September 2021 (unaudited)



Key financials



Key financial indicators	6 months ended 30 September 2021	6 months ended 30 September 2020
Turnover £000	211,200	192,478
Operating surplus £000	37,485	39,878
Operating margin (Overall)	15.5%	18.8%
Operating margin (Social housing lettings)	22.3%	26.9%
Surplus before tax £000	18,604	19,963
Gearing	42.7%	45.2%
Interest cover (EBITDA MRI)	190.7%	239.4%
Net debt £million	1,099	1,126
Net debt per unit £	21,746	22,224



Development



- 406 new build homes handed over in H1 (2020 H1: 421);
- Build completions slightly behind expectation with material and contractor labour shortages contributing to delays;
- We are working closely with contractors to ensure timely delivery of new homes.

	6 months ended 30 September 2021	6 months ended 30 September 2020
Number of homes handed over		
Social/affordable rent	151	188
Affordable home ownership	41	30
Outright sale	121	130
Joint ventures	93	73
Total	406	421



Sales



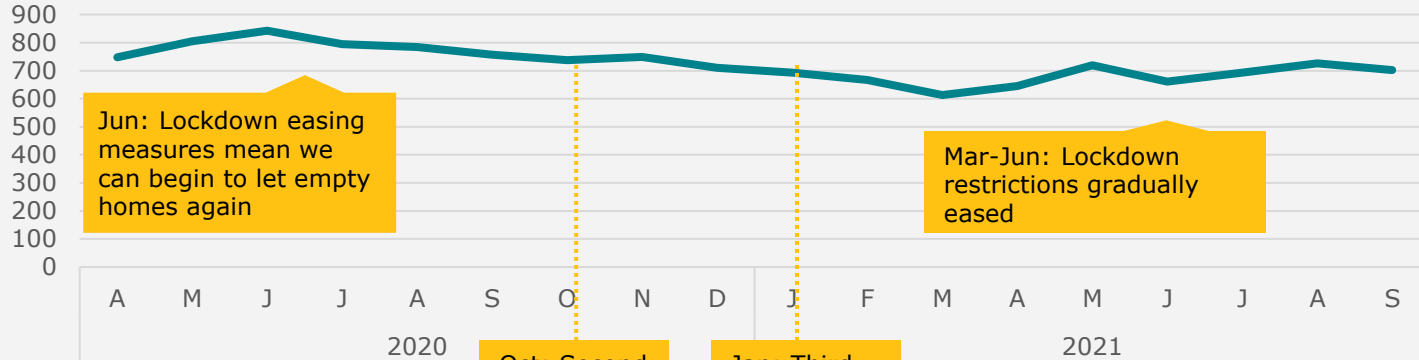
- 312 sales completed in H1 (2020 H1: 213);
- Continuing good levels of interest on sales sites;
- We held 237 completed homes for sale at end September 2021 (Sept 2020: 331).

	6 months ended 30 September 2021	6 months ended 30 September 2020
Number of sales completions		
Affordable home ownership	88	79
Outright sale	95	73
Joint ventures	129	61
Total	312	213

Operational performance

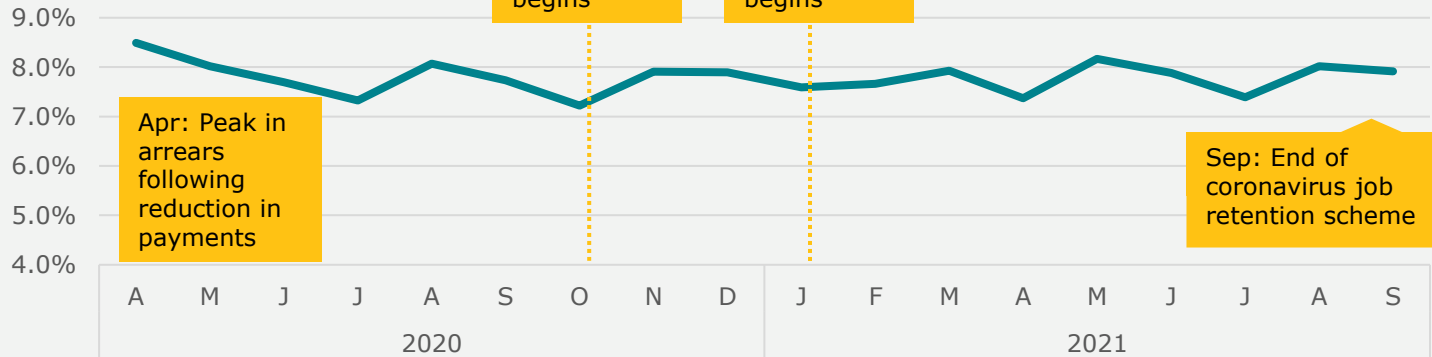


Number of un-let homes



702 empty homes at end September from a peak of 843

Gross rental arrears



Arrears reduced to 7.9% at end September from a peak of 8.5%

The Home Group logo is a teal circle containing the words "home group" in white, lowercase, sans-serif font. The background of the entire image is a photograph of a multi-story brick building under construction, completely encased in a complex network of silver metal scaffolding. Several construction workers wearing hard hats and safety vests are visible on different levels of the scaffolding. The sky is blue with some light clouds. In the foreground, there is a dirt and debris-covered ground with some construction materials and a worker in a yellow vest pushing a wheelbarrow.

home
group

**Development
plan**

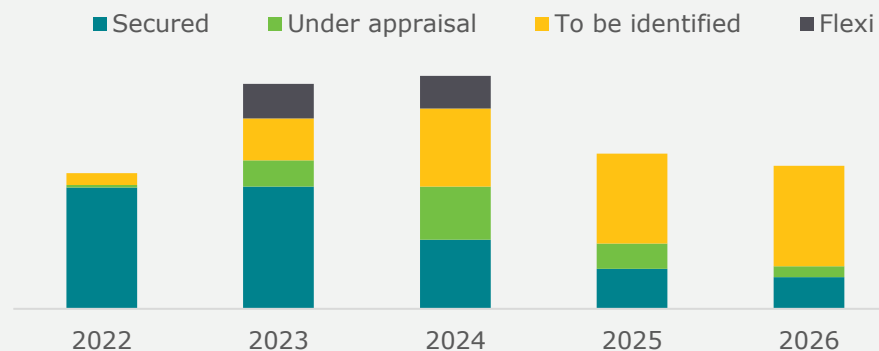
OFFICIAL

Development



- In 2020/21 we delivered 1,018 new homes, 552 of which were affordable.
- 53% of our development pipeline is intended to be **affordable homes** added to our existing stock.
- 21% of the development pipeline is intended to be homes for **outright sale**, the proceeds of which help to subsidise development of affordable homes;
- The remaining 26% is homes that will be delivered by our **joint ventures** or through a **flexi-rent scheme**, enabling us to limit our exposure while generating further proceeds for reinvestment;
- We maintain a **diverse geographical spread** which helps balance the Group's exposure to regional differences in market performance;
- Strategic partnership with **Homes England, the GLA and Scottish Government** and a multiple delivery mechanism enable us to manage and monitor risk.

Development pipeline



57% of the development pipeline is uncommitted which we will only commit to if conditions are right

Development risk management

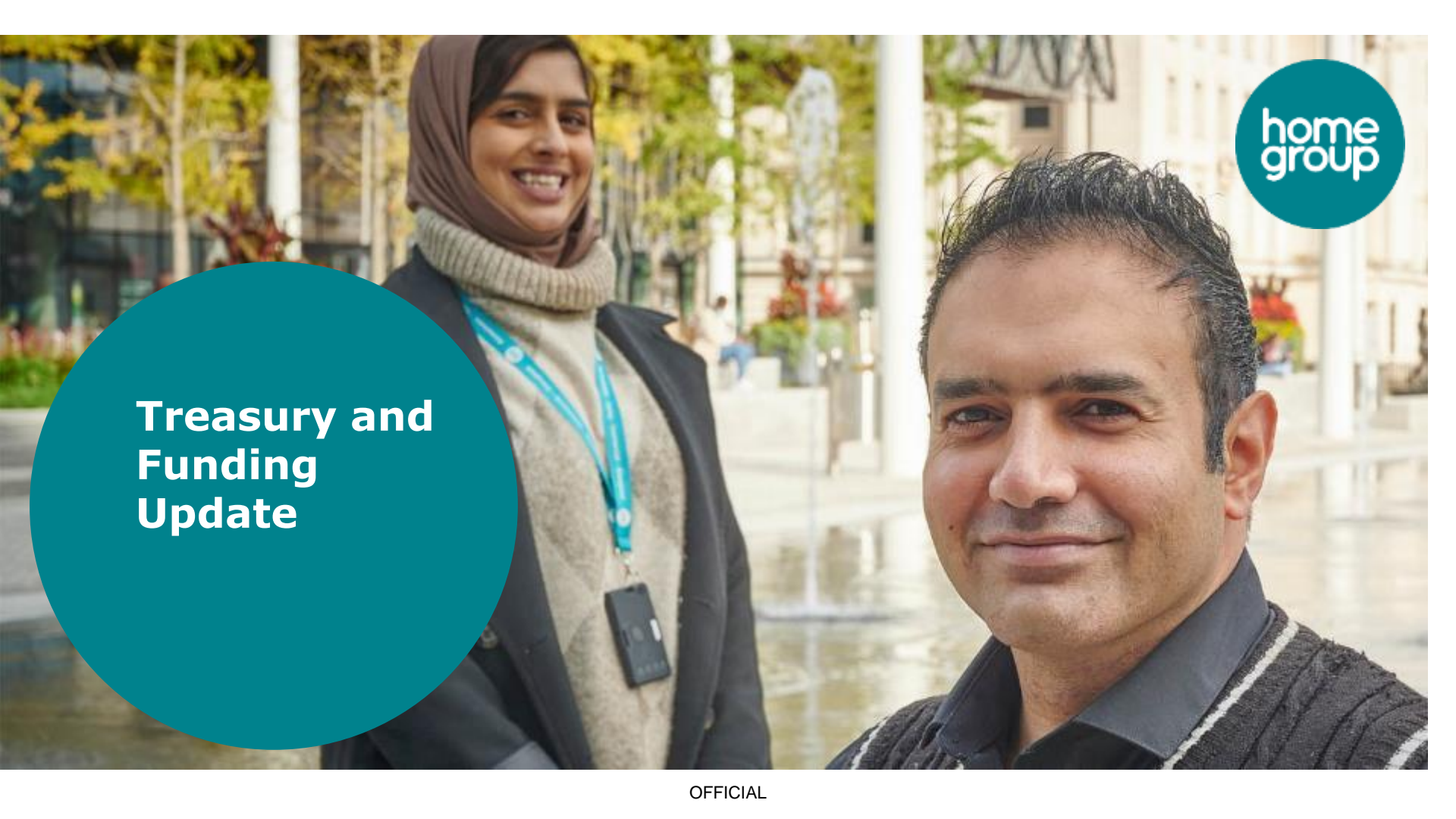


We recognise that exposure to the property sales market is a key business risk which we manage carefully:

- Ability to **slow down or halt** construction activity **evidenced during Covid pandemic** and validating previous approach to development risk management;
- **Demonstrable caution** exercised by Board during periods of uncertainty;
- **Strong liquidity** maintained to protect against reduction in sales income in the event of a property market slowdown;
- **Significant amounts of uncommitted spend** in the plan providing real **flexibility to react to market conditions**;
- Mitigation plans include **conversion of sales properties to rental units** in the event of a sustained property market slowdown or collapse;
- Spreading of development risk with **limits on level of exposure** to individual development partners;
- Sales sites are **carefully evaluated** before the decision is taken to proceed;
- Integrated **development management systems (Pamwin and Power BI)** allow us to monitor performance real time.



**Treasury and
Funding
Update**



Capital structure and borrowing



Committed facilities

Undrawn,
£376.8m



Drawn,
£1,144.9m

Security

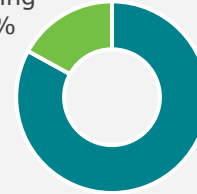
Uncharged,
£2.0bn



Charged,
£2.4bn

Fixed/Floating split

Floating
17%



Fixed
83%

Liquidity position (Dec 21): £377m undrawn facilities plus £6m cash balance.

Policy is to maintain liquidity to cover at least 18 months' cash requirements.

Significant pool of unencumbered assets (£3.0bn MV-VP; £2.0bn MV-STT) to support future growth strategy.

Valuation is based on an internal assessment using market data as at Sep 21.

No fixed standalone derivatives are currently in place, only fixed rate debt and fixings using embedded options within loan arrangements. Policy is to aim to maintain 65-80% of borrowings on a fixed rate basis. Data as at 31 Dec 21.

Debt maturity profile (£m)



Disclaimer



The information contained in this presentation including the presentation slides and any related speeches made or to be made by the management of Home Group, any questions and any answers thereto or any related verbal or written communications in respect thereof (the **Presentation**) has been prepared to assist interested parties in making their own evaluation of Home Group.

This presentation is believed to be in all material respects accurate, although it has not been independently verified by Home Group and does not purport to be all-inclusive. This Presentation and its contents are strictly confidential, are intended for use by the recipient for information purposes only and may not be reproduced in any form or further distributed to any other person or published, in whole or in part, for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws. By reading this Presentation, you agree to be bound by the following limitations.

Neither Home Group nor any of their representative directors, officers, managers, agents, employees or advisers accepts any responsibility as to or in relation to the accuracy or completeness of the information in this Presentation (and no one is authorised to do so on behalf of any of them) and (save in the case of fraud) any liability in respect of such information or any inaccuracy therein or omission therefrom is hereby expressly disclaimed, in particular, if for reasons of commercial confidentiality information on certain matters that might be of relevance to a prospective purchaser of Home Group bonds has not been included in this Presentation.

These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Home Group that are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Home Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which Home Group operates; the ability of Home Group to manage regulatory and legal matters; the reliability of Home Group's technological infrastructure or that of third parties on which it relies; interruptions in Home Group's supply chain and disruptions to its development activities; Home Group's reputation; and the recruitment and retention of key management. No representations are made as to the accuracy of such forward looking statements, estimates or projections or with respect to any other materials herein. Actual results may vary from the projected results contained herein. Neither Home Group nor any other person connected to them shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Presentation or any other information and any such liability is expressly disclaimed.

Disclaimer (continued)



The information presented herein is an advertisement and does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (withdrawal) Act 2018 (the **UK Prospectus regulation**) and/or Part VI of the Financial Services and Markets Act 2000. This Presentation does not constitute or form part of, and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for, bonds in any jurisdiction or an inducement to enter into investment activity. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

The distribution of this Presentation and other information in certain jurisdictions may be restricted by law and persons into whose possession this Presentation or any document or other information referred to herein comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Presentation and any materials distributed in connection with this Presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. Home Group do not accept any liability to any person in relation to the distribution or possession of this presentation in or from any jurisdiction.

None of Home Group, its advisers nor any other person shall have any liability whatsoever, to the fullest extent permitted by law, for any loss arising from any use of the materials or its contents or otherwise arising in connection with the Presentation. No representations or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in the Presentation or any other information. Neither Home Group nor any other person connected to it shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from these materials or any other information and any such liability is expressly disclaimed.

Any reference to "Home Group" means Home Group Limited and its subsidiaries from time to time and their respective directors, board members, representatives or employees and/or any persons connected with them.