Fixed Income Investor Update

November 2022

PA Housing overview

Geographically Diverse Portfolio

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

Focus on traditional general needs social housing

- Established 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

External Credentials

- Rated A3 / A- by Moody's and S&P and G1 / V2 by the Regulator

Experienced and Diverse Senior Management Team

- New Chair recently appointed

23,000+ homes

A3 / A- Moody's / S&P

G1 / V2 regulatory grading

£169m Turnover

22% Operating Margin (SHL)**

£1.8bn Housing Properties

49% Gearing**

103% EBITDA-MRI Interest Cover**

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Source: FY 2021/22 Annual Report and Financial Statements
** As per Regulatory VfM metrics, including additional fire safety remediation expenditure

2023 Corporate Plan: Emerging themes

- **Economic environment** lens over at least next 18 months
- **Customer services** relentless focus – customer-centric service design
- **Existing assets** investment capacity and delivery
- **Review new build** scale and tenure mix
- **Net zero carbon** journey
- Becoming a truly **data-led organisation**
- Provision of **information to customers**
- Giving **our people** compelling reasons to work for PA

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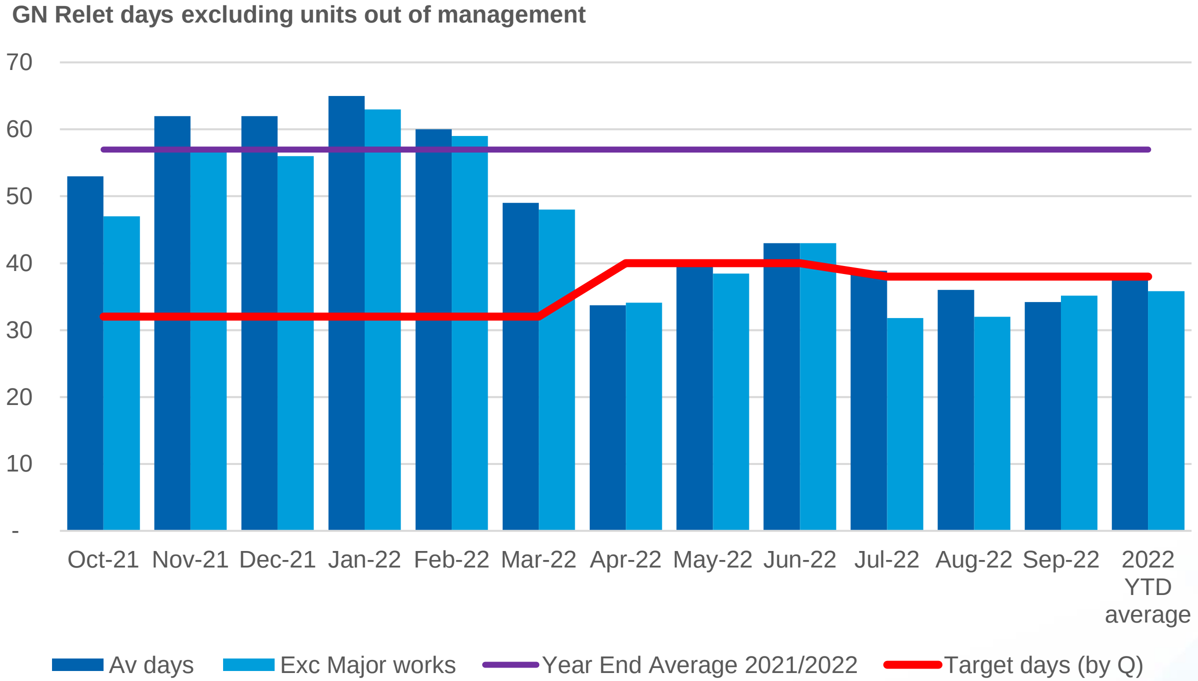
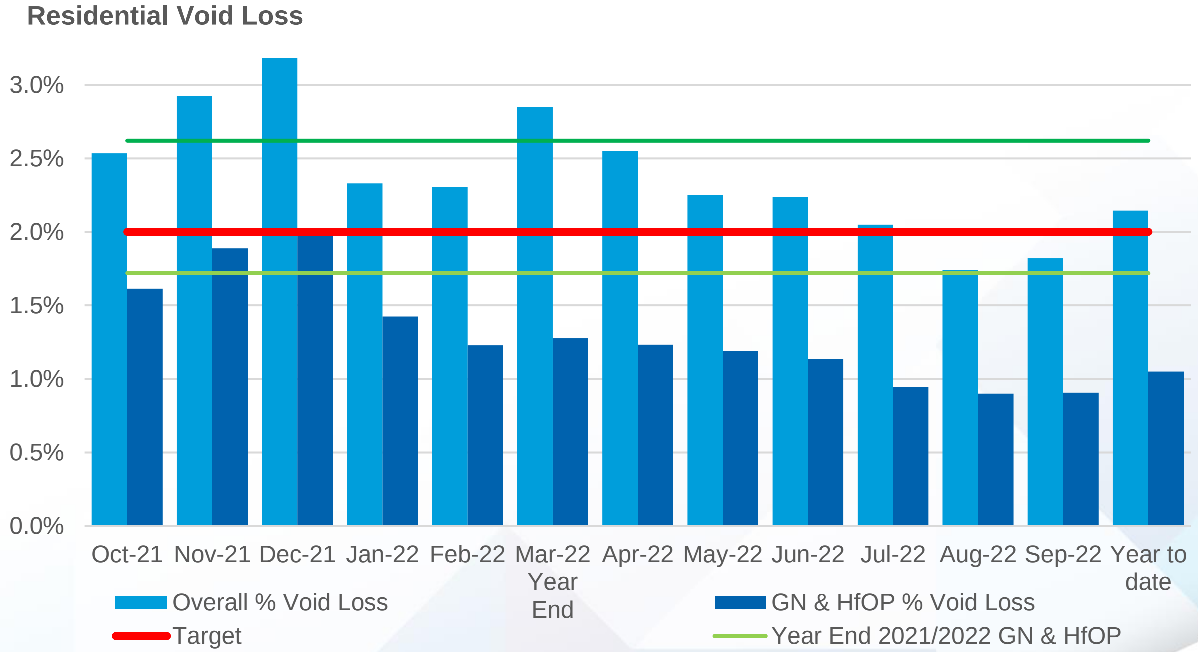
Operational Update

Balham Bowls Club, Wandsworth

Relets and Void Loss





Performance

- Average 38 days to relet a home requiring major work (36 days to relet a home that excludes major work)
- Performing to target, improved by 19 days on 2021/22
- No issues letting homes as high demand in areas of operation
- Improved cross departmental working across maintenance and lettings
- Dedicated voids maintenance team, making better use of the notice period to reduce relet times, with improved contractor performance

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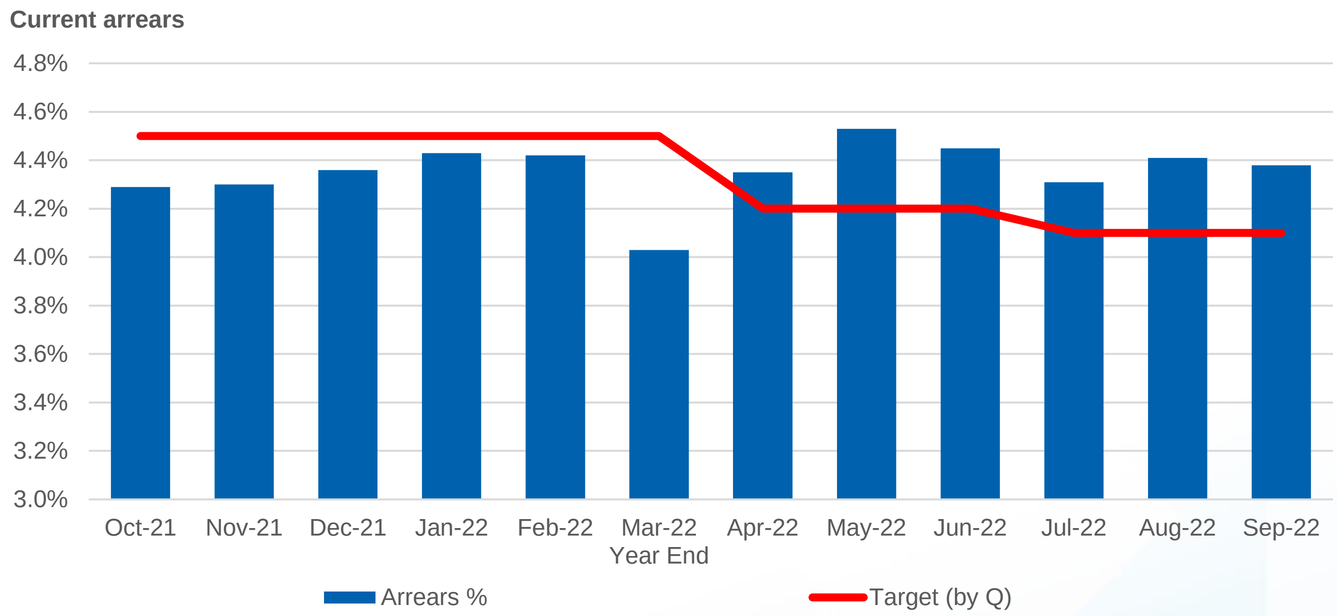
Current Arrears & Rent Collection



Performance

- Trend slightly up in the year but gained ground recently. Arrears at 4.4% against target of 4.1%
- £2.8m in tenancy sustainment gains has been achieved YTD and 1,400 customers supported.

Risk management

- Income team continues to target the main Local Authorities that have increasing arrears – Greenwich, Mansfield, Elmbridge and Leicester
- Review of tenancy sustainment casework, to ensure the team is prioritising housing related benefit support.

Future Actions

- To help support the increasing case load of the tenancy sustainment team we are working in partnership with Lightning Reach, an online portal that supports residents with benefit and grant claims.
- Pivoting to an **Income First** approach to customer contact, ensuring we are being proactive to customers' needs and maximising PA's income

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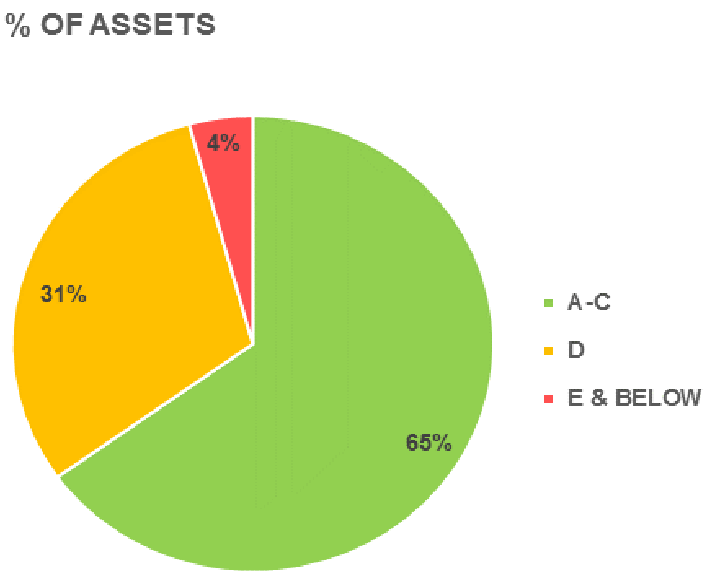
Energy Performance



Performance

- 65% of homes at EPC band C or above, including 13% at B or better.
- Improving position through data validation; updated stock condition surveys and completing planned programmes including roof, window and door replacements and heating upgrades

Outlook

- Budget costs of £2.5m for energy performance works planned over two years from 2023/24 to 2024/25
- Short term capacity for additional works intrinsically linked to current economic uncertainty (including level of rent increase cap)

Future Actions

- Bid for Social Housing Decarbonisation Fund Wave 2 funding to improve the energy performance of 100 homes by:
  - Completing retrofit assessments to identify suitability for energy improvement works and funding.
  - Developing a two year programme including projected costs
  - Reviewing budget requirements to assess affordability
  - Developing PA's colleague and resident engagement approach
- Continue data validation and stock condition surveys
- Complete planned programmes and the two retrofit pilot projects

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Fire Improvement Summary

Assessing our buildings

- Fire Risk Assessment programme consists of **1,617** blocks, **120** managed by third party managing agents
- All FRAs for higher and medium risk blocks carried out by accredited consultants
- A desktop review has been completed to all buildings of **2+** storeys to confirm if an External Wall / PAS 9980 assessment is required
    - Of 1,974 blocks, 358 need an EW survey, 317 completed, 41 in progress
    - Of 317, 277 require no remediation, 40 require works
- For **81 high-rise** blocks of **6+** storeys: 77 are complete, 4 are in progress and 17 require works

Major Fire Projects

- Six schemes: Elmgrove Point, Wolsey Building, Canada Court/Clifton, Newlife Apartments and Visram House
- Total estimated cost of remediation £65m - potential net cost £30m (after Building Safety Fund (£8m) and contractor claims)
- Remediation timeframe – start late 2022, complete 2025. Potential risk that timeframes lengthen due to limited number of subject matter experts and legal claim process
- Two major projects completed in 2022, Independent Living scheme (Surrey) and higher risk block (Leicester)

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Development and Sales Update

Sydenham Police Station, Southwark

Completions

- Material availability and associated delays
- Key labour shortages
- Transport and delivery issues
- Price pressures
- Insolvency cover
- PI cover

Financial Year	Target	Actual / Projected
2020/21	400	302 Actual
2021/22	450	318 Actual
2022/23	437	406 Projected

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2021-2026 Development Strategy

Split of Future Programme	
London	45%
South East	35%
Midlands	20%

By Tenure	
Affordable/Social Rented	55%
Shared Ownership	45%
Market Sale	0%

Current on Site and Identified Programme

	Rent	Shared Ownership	Total
South East	321	271	545
London	907	602	1,519
Midlands	166	48	214
Total	**1,394**	**871**	**2,278**

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Homes England and GLA

- Well regarded by both bodies
- On target to meet all programme commitments:
  - 2016-21 Homes England Target: 296 units
  - 2021-26 Homes England Target: 1,400 units (£91m grant)
  - 2016-23 GLA Target: 2,352 units (£91.1m grant)
  - 2021-26 GLA Target: 1,455 units (£182m grant)
- Extra GLA grant support in inflationary environment
- Strategic Partnership with Accent 2021-2026
- Southall Gateway grant confirmed by GLA £36.6m but likely to increase to £41m – 516 homes

Shared Ownership

- Areas where we know the market well and high demand
- Some London Boroughs and Surrey only
- Good Local Authority relationships
- Avoid large single sites, focus on diversified smaller sites
- Excellent customer service
- Commercial approach driven by recently arrived new Head of Sales

YTD performance to 30 September 2022:

- 87 Sales – Value £13.4m, profit £2.8m, margin 21%
- Staircasing strong at £3.25m

- Sales delays driven by:
    - Mortgage market volatility
    - Mortgage fit
    - Mortgage offer delays
    - Revised documentation delays
    - Affordability issues
    - Solicitor capacity

Time Unsold (as at 30 Sept 2022)	Reserved	Available	Total
Unsold < 3 months	1	0	1
Unsold >3 months < months	10	2	12
Unsold > 6 months < 12 months	13	42	55
Unsold > 12 months	15	12	27
Total	**39**	**56**	**95**

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Example Schemes

Scheme: Southall Gateway, Ealing
Cost: £201m
No. of Units: 516
Phase 1 - 94 units - £46.3m
100% Affordable to include social rent, shared ownership and London Living Rent

Scheme: Broadoaks, West Byfleet
Cost: £12m
No. of Units: 54
Mixed tenure scheme comprising 36x rented and 18x shared ownership homes in Surrey

Scheme: 340a Clapham Road, Battersea
Cost: £3.4m
No. of Units: 12
Small 100% shared ownership in a location which has experienced extensive regeneration with associated value uplifts

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Outlook

Challenges:

- Market conditions and build price inflation
- Existing schemes – more money please
- Materials availability
- Labour availability and skills
- Planning uncertainty
- Planning appeal timelines
- Housing land supply
- Sales times and the mortgage market
- New GLA/HE funding conditions
- Contractor viability

Opportunities:

- Midlands growth now advancing
- Development geography spreads risk
- PA focus on same quality homes across the programmes
- Lots of new grant money through 2021-2026 programmes
- Some Local Authority funding available
- Contractors seem keen for work over 18 -24 month contracts but what is the future
- Strong demand for new homes to rent and buy

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Finance / Treasury / ESG Update

Fairfield Road, Croydon

2021/22 Results

	2022	2021	2020
Turnover	**£169m**	£157m	£150m
Of which SO sales	**£20m (12%)**	£12m (8%)	£8m (5%)
Operating surplus	**£47m**	£41m	£55m
Operating margin	**28%**	26%	37%
- ex. fire safety	**32%**	28%	37%
SH lettings margin	**22%**	25%	26%
- ex. fire safety	**27%**	26%	26%
Sales margin	**30%**	31%	42%
Net surplus	**£36m**	£16m	£29m
Housing assets	**£1.953bn**	£1.829bn	£1.736bn
Debt	**£988m**	£877m	£796m

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Half year 2022/23 results

	Actual £m	Budget £m	Variance £m
Rent and service charges income	73.4	74.1	(0.7)
Shared ownership first tranche sales	13.4	14.9	(1.5)
Other income	1.3	1.4	(0.1)
Amortisation of Social Housing Grant	2.7	2.8	(0.1)
Turnover	**90.8**	**93.2**	**(2.4)**
Core operating costs	(52.4)	(49.2)	(3.2)
Depreciation	(10.7)	(10.3)	(0.4)
Cost of first tranche sales	(10.6)	(11.9)	1.3
Surplus on fixed asset disposals	3.0	3.3	(0.3)
Operating surplus	**20.1**	**25.1**	**(5.0)**
Net interest	(15.9)	(15.3)	(0.6)
Total comprehensive income	**4.2**	**9.8**	**(5.6)**

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Looking ahead: 18m forecast assumptions

- 3% rent increase cap
- Cautious on service charge increases
- Tracking market view on SONIA
- Assuming a sales downturn – volumes and prices
- Slow down development spend where feasible
- Energy costs remain high and no govt support beyond March
- Repairs and maintenance further cost pressures
- Planned maintenance ‘must do’ budgeting
- Void loss static
- Increasing arrears / bad debts
- Delivering overhead savings

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Implications

- Strong liquidity with £350m in place (excluding retained bonds) and 81% of drawn debt is hedged
    - c.30 months depending on rate of development spend
    - £100 retained bonds trading well below par – do not offer value
    - Bank lenders remain highly supportive
- Pessimistic planning scenarios
- Inevitable service delivery impacts BUT aim to mitigate where possible
- Golden rules on pause, Board setting interim targets
- Running with reduced capacity but remaining compliant
- Release investment when sustained improvement to trading conditions is evident
- Longer-term strategic questions around growth vs existing homes, desired levels of capacity, journey towards renewable energy etc

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ESG update

- Annual ESG report on our website. 21/22 highlights:
- 61% of homes at EPC C or better, progression targets in place
- 2,100 residents helped to sustain their tenancies, £4.4m claimed on their behalf
- Warm Welcome energy voucher scheme, £120k to 3,600 residents
- 167 residents supported into employment
- Including 35 residents who started their own business with £7k of grant funding
- Capped service charge increases at 4.1%
- First EDI Strategy launched
- 25% of managers from non-white background, targeting 35% by 2024/25
- £107m of 2021 sustainable bond proceeds allocated

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