

Aster Group Investor Presentation

May 2018

Bjorn Howard, Group CEO
Chris Benn, Group Finance Director
Paul Morgan, Director of Treasury

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Overview

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Introductions

- Bjorn Howard Group Chief Executive Officer
- Chris Benn Group Director of Finance
- Paul Morgan Director of Treasury
- Paul Jeffries Treasury Manager (attending)

Agenda

- Introduction
- Overview & Strategy
- Areas of demand and value
- A simple development programme
- Stock and Operational Performance
- Historical Financial Performance
- Funding and Transaction

OPERATIONS

- **Stable Management Team – with key strategic goals**
- **Focus on corporate social responsibility**
- **Proven long term performance**

KEY POINTS

- **Large portfolio, diversified across South and South West England**
- **Over 29,000 units owned and managed**
- **High demand for social housing in main areas of operation**

METRICS

- **A+ (STABLE) rating from Standard & Poor**
- **SCP – A+**
- **Viability V1**
- **Governance G1**

VISION &
PURPOSE

- Everyone has a home
- We provide safety and security through our reliable landlord and independent living services and we supply a wide range of housing options in response to the housing crisis

PRIORITIES

Provide good and reliable services to our customers

Have a positive impact on our customers' lives

Creating as many homes as we can

Enabling people to live independently in their own homes

Ensuring our success through and innovative approach

Delivering our strategy quicker and better through growth

WE WILL ACHIEVE THIS THROUGH

- Providing good core services
- Enabling self-service
- Achieving our profit
- Looking after our homes
- Proactively managing assets

- Supporting our customers and communities where we know we can make a positive difference
- Concentrating on digital and financial inclusion
- Ensuring our local communities are places to be proud of

- Increasing the ratio of shared ownership homes
- Targeting investment
- Building to required standards
- Increasing our land led programme
- Generating cross-subsidy by building homes for sales

- Ensuring our customer offer is consistent
- Developing independent living services
- Supporting independence through assistive living services
- Exploring opportunities to expand our offer

- Being a great employer
- Developing our talent to succeed
- Facilitating digital transformation
- Raising our profile

- Delivering new homes and existing services
- Taking a proactive approach to partnership working
- Considering mergers and acquisitions
- Diversifying our services
- Achieving our profit and being financially strong

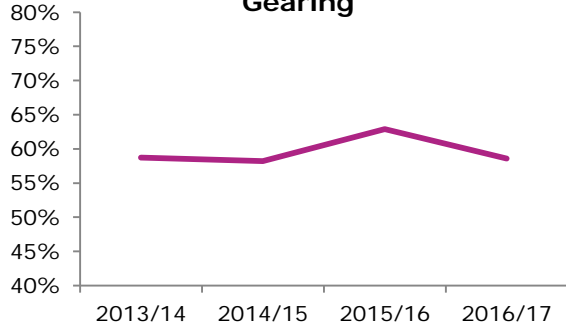
Aster has maintained a simple strategy towards growth

- Acquisitions and Partnerships
 - Seeking acquisitions where they make sense – geographically & financially
 - Centralised management and decision making – means Aster can move quickly when the opportunity arises

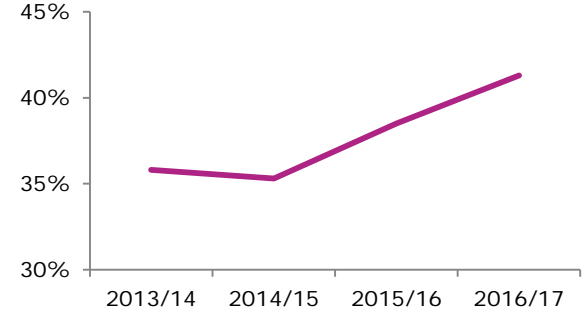
- Development Programme
 - Group sets the Business plan to develop
 - Set by the parameters:
 - Gearing threshold
 - Interest cover
 - Operating margin on social housing lettings >30%

- Track record developing social housing (limited Open Market Sales)

Gearing

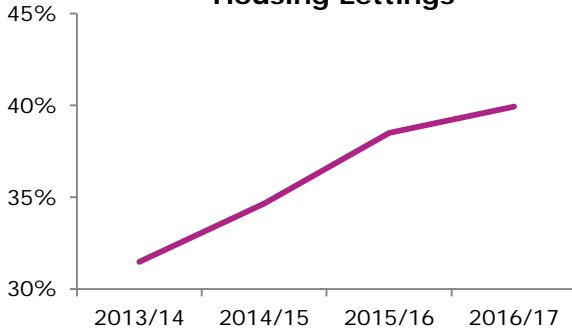


EBITDA MRI to Turnover

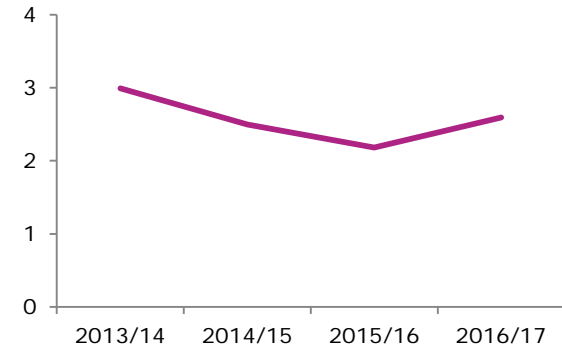


| | Mar 15 | Mar 16 | Mar 17 |
|--------------------------|--------|--------|--------|
| Turnover (£m) | 175 | 179 | 191 |
| Operating margin | 29.1% | 33.0% | 33.5% |
| EBITDA MRI (£m) | 62 | 70 | 79 |
| Fixed Assets (£m) | 1,279 | 1,344 | 1,410 |
| Reserves (£m) | 604 | 642 | 681 |
| Stock owned | 27,539 | 28,270 | 28,918 |

Operating Margin on Social Housing Lettings



EBITDA MRI Interest cover



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Overview



Andrew Jackson - Group chairman

Andrew brings an extensive knowledge of financial affairs, risk management, internal control structures and performance monitoring to the role of chairman. He is Group Chairman and he was chair of the Group Audit Committee and served on the Group Risk Committee. A chartered accountant, Andrew has held executive and non-executive directorships in a number of industries including energy and construction, working with the UK Atomic Energy Authority and Sir Alfred McAlpine. He has previously served on Aster Group's property maintenance and asset management division board.



Phillip Owens

Non-executive director and senior independent director



Steve Trusler

Non-executive director



Mary Watkins

Non-executive director



Sally Higham

Non-executive director



Andrew Kluth

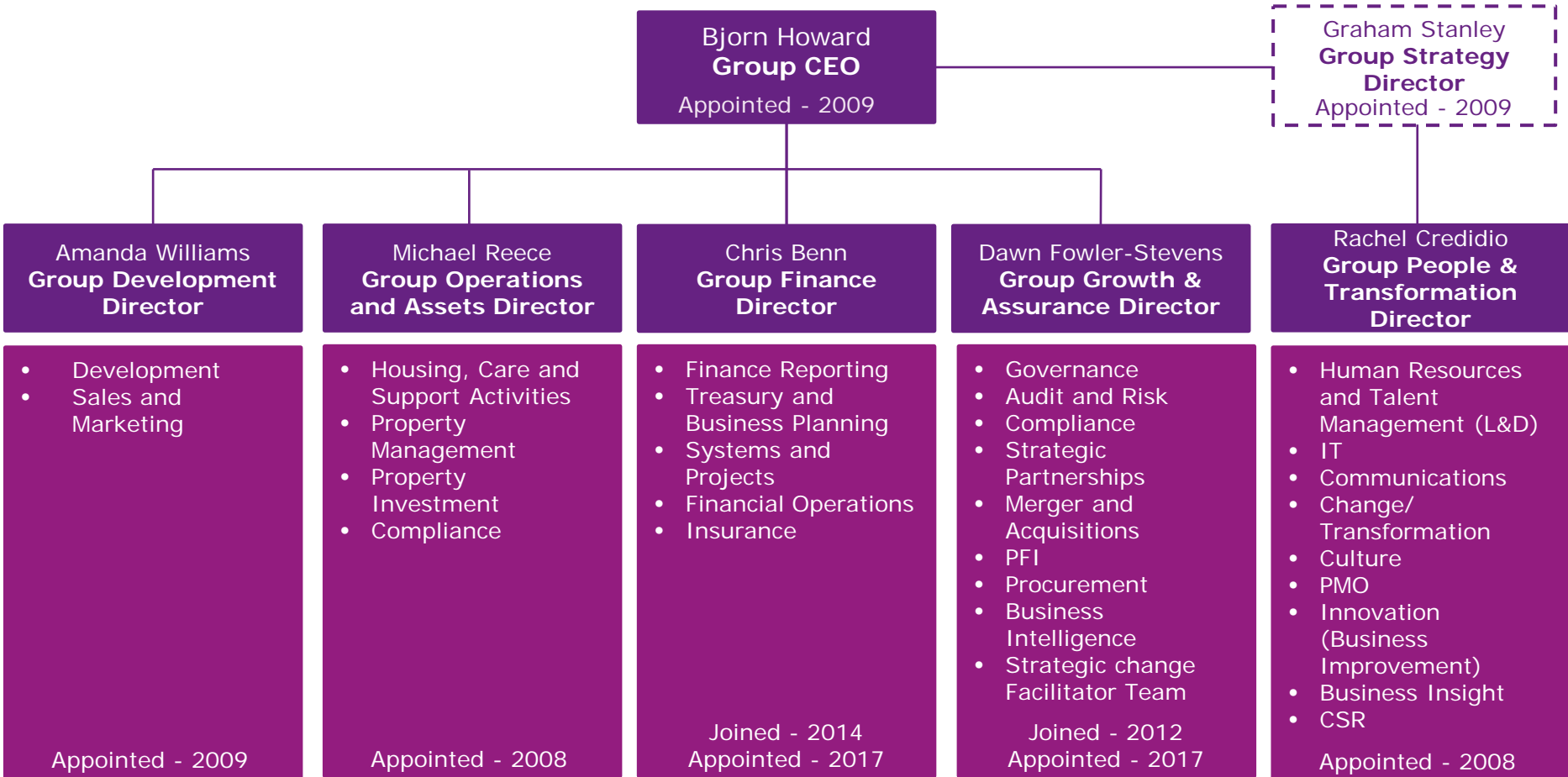
Non-executive director

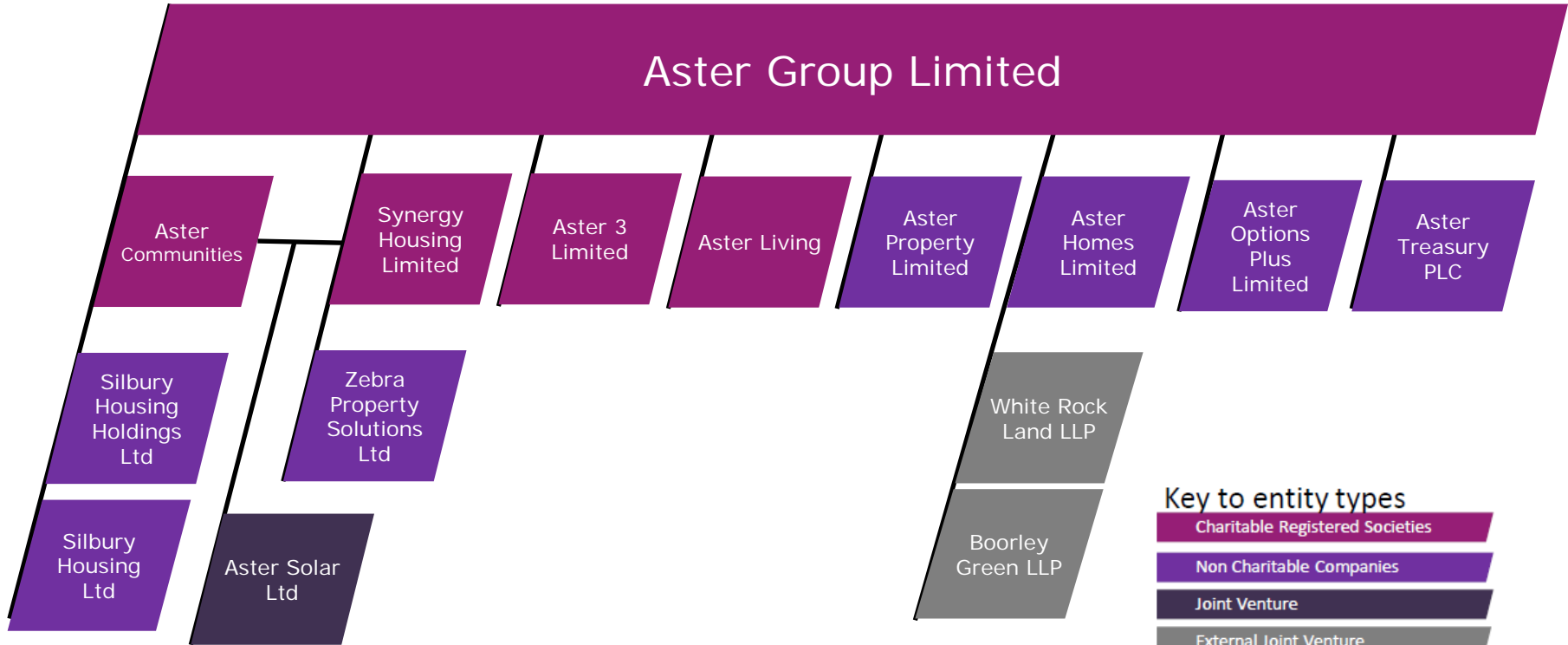


Mike Biles

Non-executive director

Executive Board Members are Bjorn Howard (Group CEO), Amanda Williams (Group Development Director) and Michael Reece (Group Asset and Operations Director)





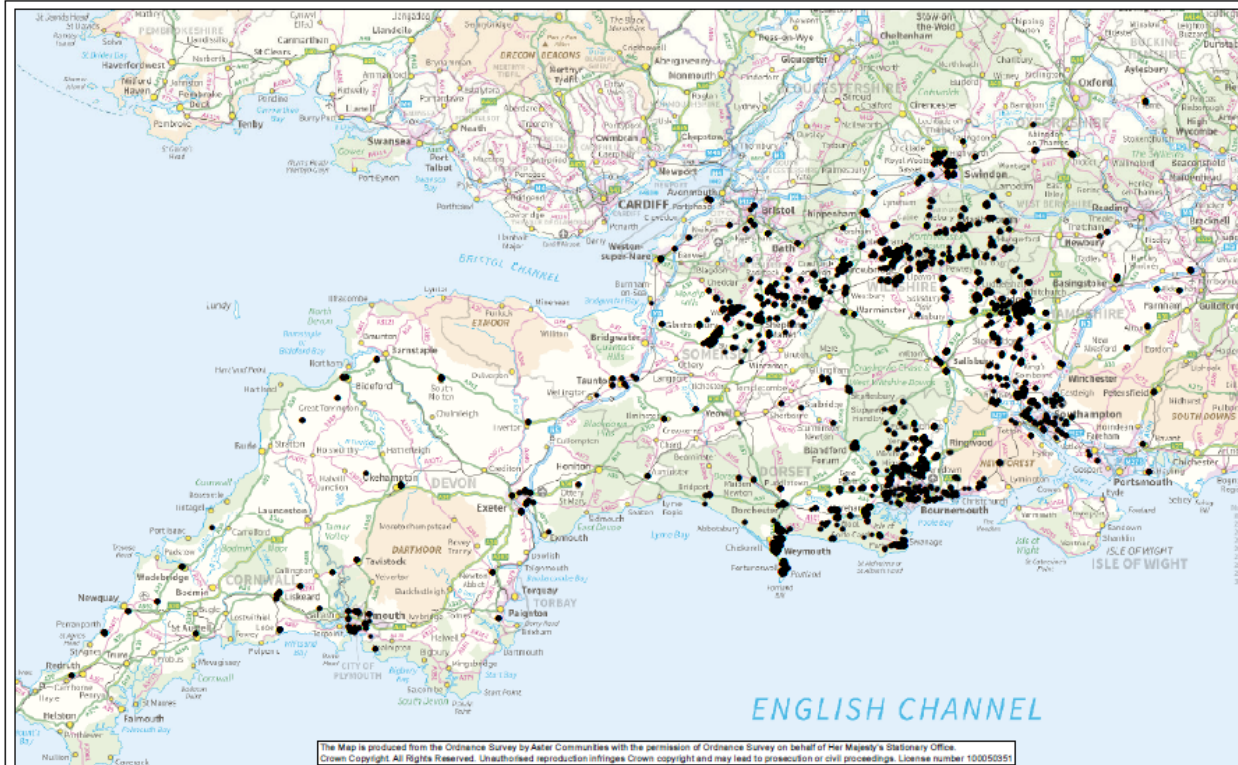
Key to entity types

- Charitable Registered Societies
- Non Charitable Companies
- Joint Venture
- External Joint Venture

Details of 7 dormant companies available on request

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Operating in areas of
demand and value



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| Proportion of Aster Stock | Area | Population (2015 – 16 Growth)* | Unemployment (2017)* | Avg. Dwelling Price (2016-17 Growth)** | Avg. Weekly Social Rent (RPs) (2017)** | Avg. Weekly Market Rent (2017)** | Discount margin |
|---------------------------|----------------------------------|--|----------------------|--|--|----------------------------------|-----------------|
| 32% | Dorset | 422,900 (0.5%) | 2.4% | £254,437 (6.4%) | £102 | £185 | 44% |
| 25% | Wiltshire | 492,200 (0.8%) | 2.9% | £274,981 (5.6%) | £101 | £192 | 47% |
| 22% | Hampshire | 1,365,100 (0.6%) | 2.5% | £313,252 (3.3%) | £111 | £214 | 48% |
| 17% | Somerset | 551,400 (0.9%) | 3.4% | £230,453 (5.8%) | £95 | £149 | 36% |
| 4% | Devon & Cornwall | 778,800 (0.9%) | 1.9% | £293,032 (3.5%) | £90 | £165 | 45% |
| - | <i>Average across South West</i> | <i>Total: 5,517,000 (0.8%)</i> | <i>3.3%</i> | <i>£250,816 (4.3%)</i> | <i>n/a</i> | <i>£177</i> | <i>n/a</i> |
| - | UK | <i>63,785,900 (0.8%)</i> | <i>4.4%</i> | <i>£225,047 (2.9%)</i> | <i>£97</i> | <i>£192</i> | <i>49%</i> |

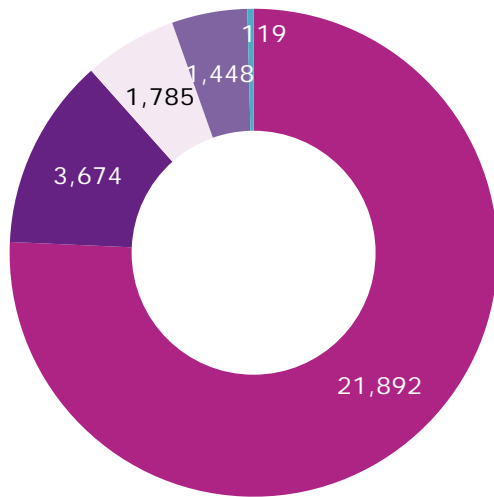
* Sourced from ONS and nomisweb.co.uk

** Sourced from the Land Registry and homes.co.uk

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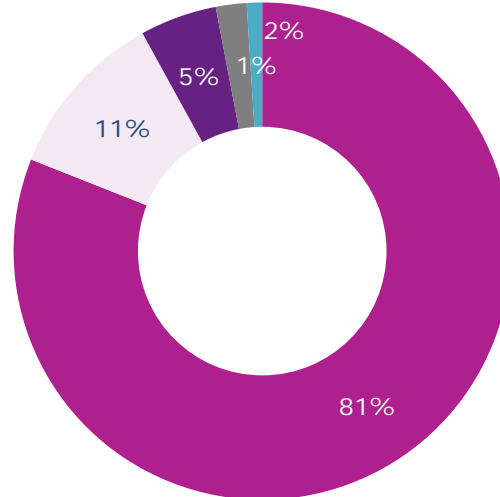
Stock and Operational
Performance

**Stock Profile
March 2017**



■ General Needs
■ Supported Housing
■ Shared Ownership
■ Leasehold
■ Non-social

**Group Revenue
Split March 2017**



■ Affordable Housing
■ First Tranche Sales
■ Care & Support
■ Leasehold
■ Outright Sales
■ Other Income

Aster own and manage over 29,000 properties

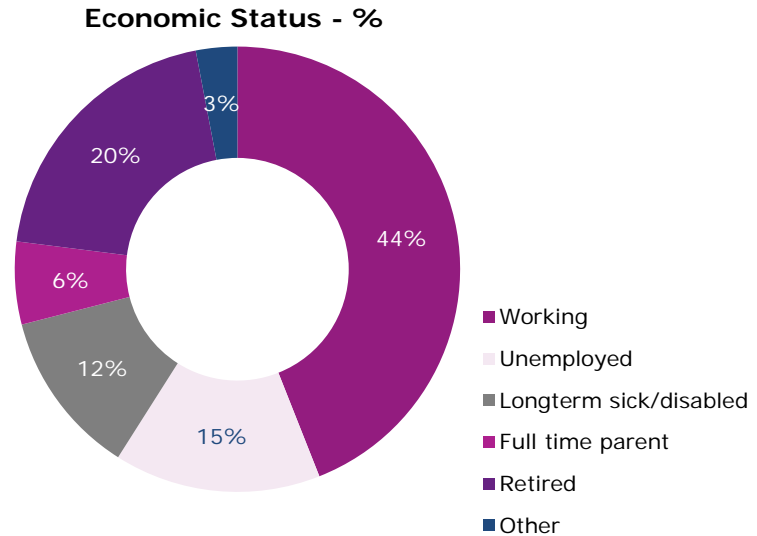
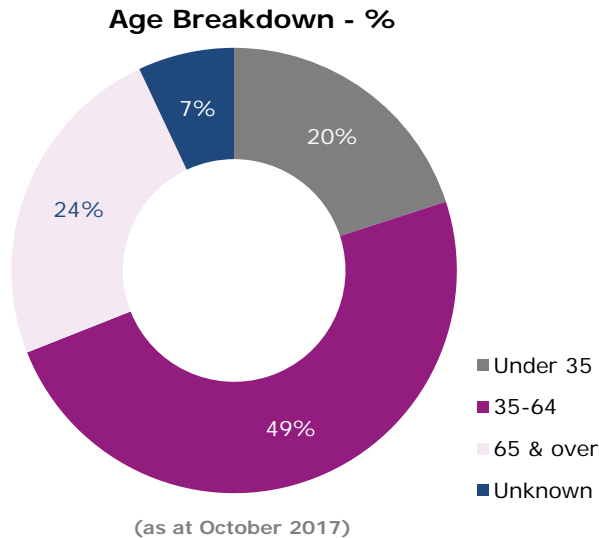
- 100% at Decent Homes Standard
- No towers blocks over 6 floors
- Majority of stock is General Needs

Valuation of properties at 31 March 2017 was £1.27bn (EUV)

Average age of property – 46 years

Aster focus on understanding their client base. Key to:

- Understanding our clients
- Managing welfare reform
- Efficient asset management



| Customer Survey | March 2017 |
|---|------------|
| Overall satisfaction with the service provided by Aster | 77% |
| Overall satisfaction with your neighbourhood as a place | 88% |
| Satisfaction that rent provides value for money | 90% |
| Satisfaction with the way we support the community in | 70% |

| Key Performance Indicator | 2015/16 | 2016/17 |
|---|---------------|---------------|
| Current tenant rent arrears | 1.94% | 1.90% |
| Former tenant rent arrears | 1.39% | 1.31% |
| Rent loss through voids | 0.40% | 0.46% |
| Rent collected as % of rent due | 99.3% | 99.59% |
| Re-let times (All standard relets) (days) | 19.15 days | 17.16 days |

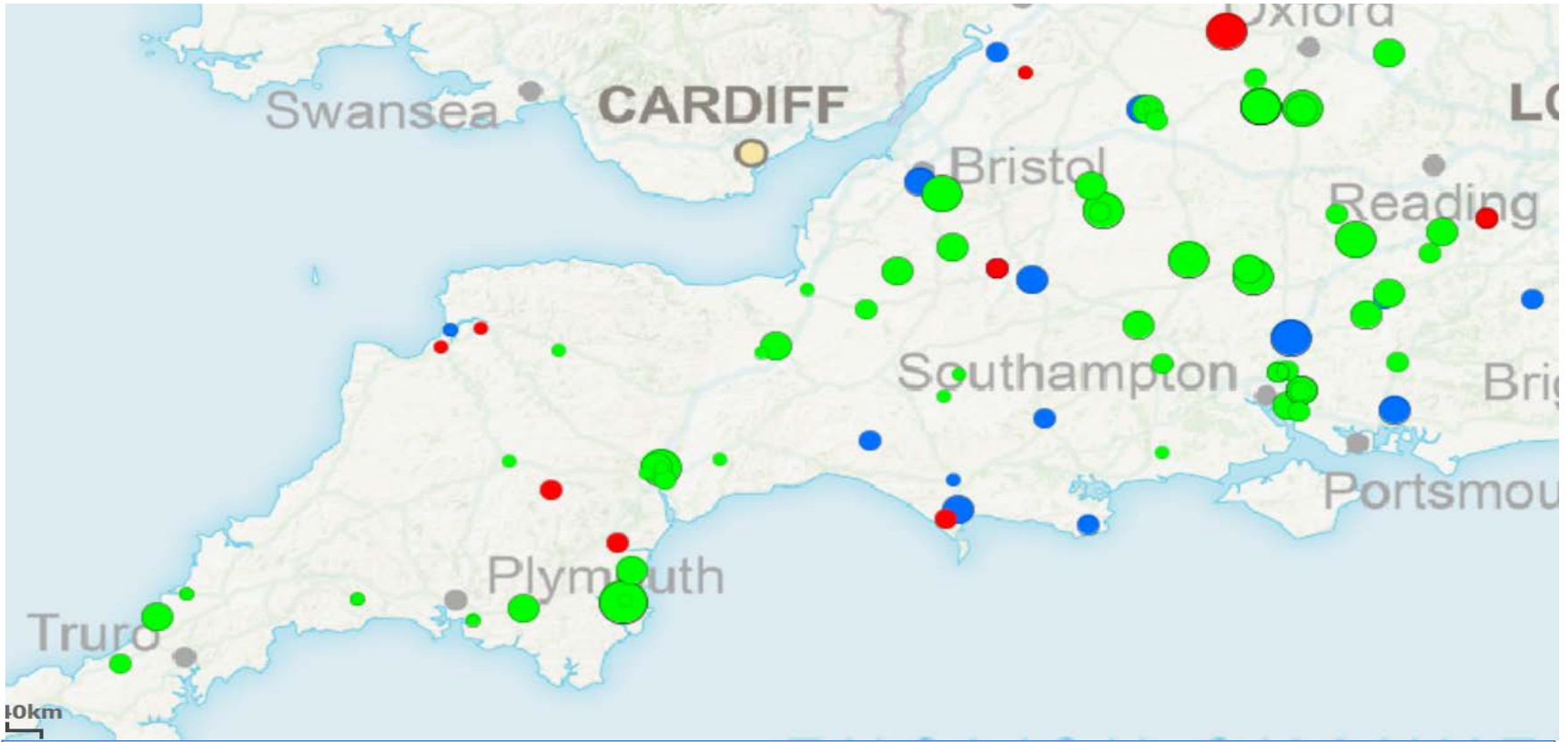
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A simple development
programme that adds
value

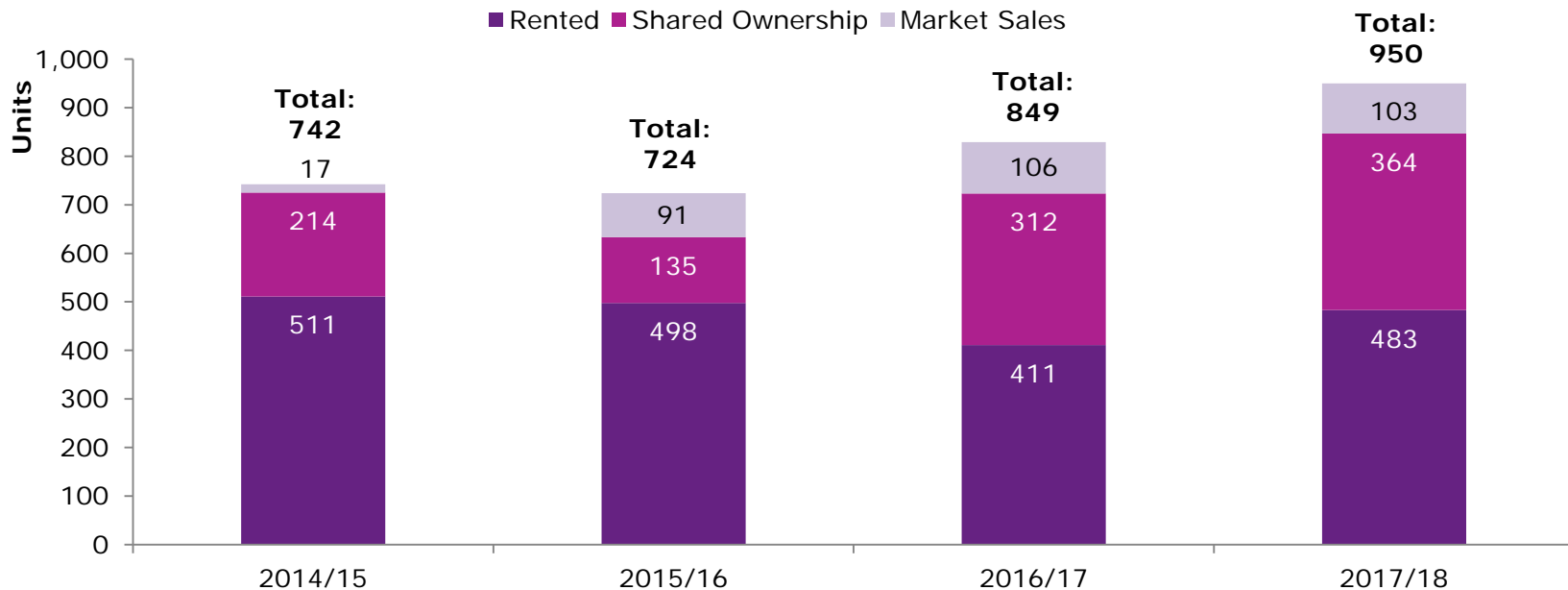
- A track record delivering social housing majority rented stock
- Budgets are set by the capacity of the business
- Internal target of gearing at 68%
- Focus on S106 sites with higher % of SO
- Increased focus on land
 - Control of tenure
 - Programme resilience
 - New contracting partnership
 - Existing land
- Wider geographical cover





Green: In contract/On site/Defects (74 sites)

Red and Blue: Approved schemes (21 sites)



| | 2014/15 | 2015/16 | 2016/17 |
|--------------------------|-------------|-------------|--------------|
| Development spend | £81m | £84m | £101m |
| Gearing | 58% | 63% | 59% |

Two LLP's - White Rock LLP and Boorley Green LLP

Share expertise and risk

4 sites in the South West and 1 in Hampshire

1,350 homes including the affordable

Long term partnership with common interest

LLP Board with equal representation

Linden Homes employed to deliver the schemes

- Strong performance on sales

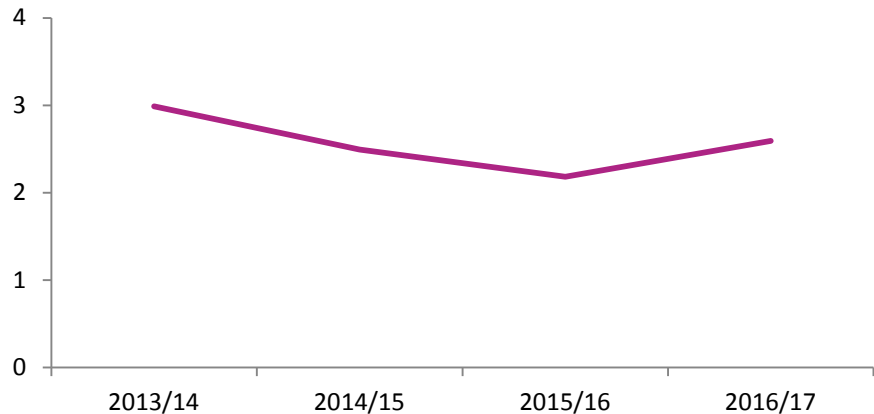


| | | | | |
|------------------------------------|------------|------------|------------|------------|
| No of Units Sold | 202 | 192 | 244 | 380 |
| Margin on 1st Tranche Sales | 6% | 5% | 8% | |

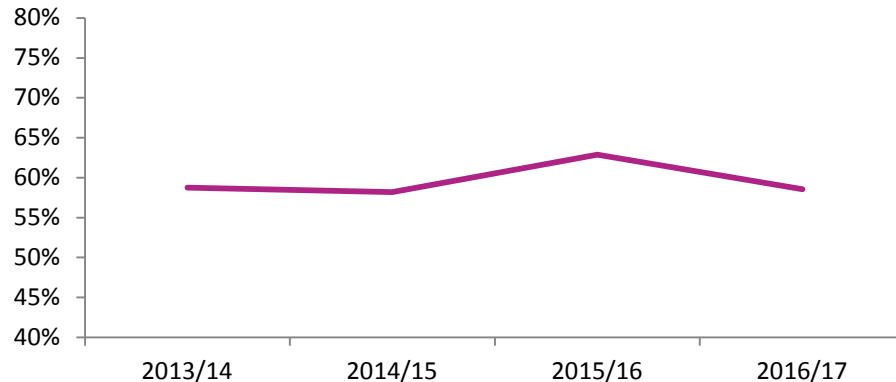
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Historical Financial
Performance

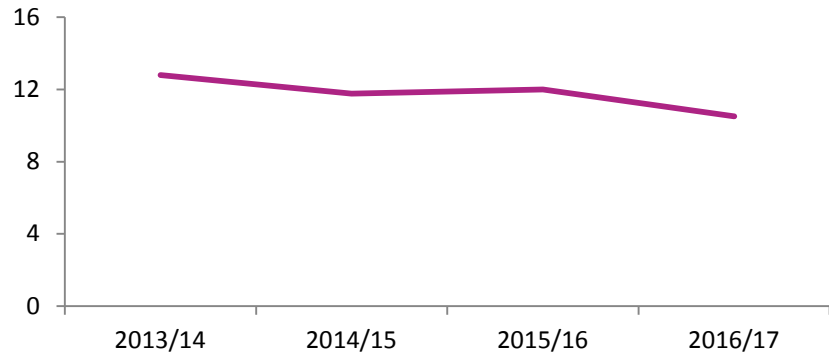
EBITDA MRI Interest cover



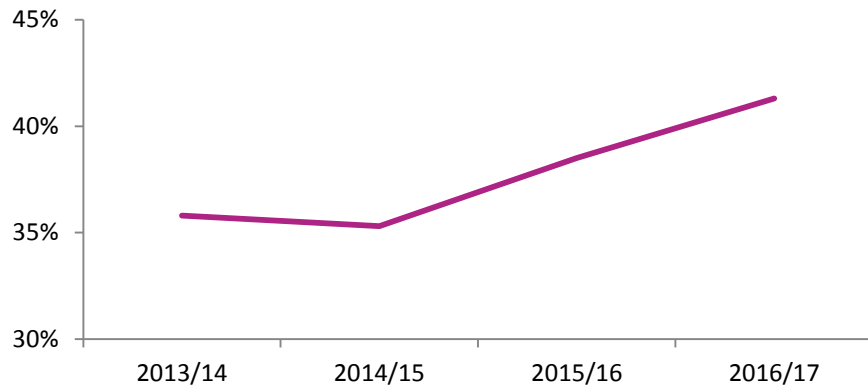
Gearing



Net Debt to EBITDA MRI



EBITDA MRI to Turnover



| | UK GAAP | UK GAAP | FRS 102 | FRS 102 | FRS 102 | % Increase vs. 2013 |
|---|------------|------------|------------|------------|------------|------------------------|
| £m | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Turnover | 139 | 152 | 158 | 160 | 166 | 19% |
| First Tranche Shared Ownership | 7 | 8 | 15 | 16 | 21 | |
| Open market sales | 1 | - | 2 | 3 | 4 | |
| PFI Finance debtor | 14 | 35 | - | - | - | |
| Turnover | 162 | 195 | 175 | 179 | 191 | 18% |
| Operating costs | (104) | (109) | (108) | (102) | (104) | 0% |
| First Tranche Shared Ownership | (5) | (5) | (14) | (15) | (19) | |
| Open market sales costs | (1) | (0) | (2) | (3) | (3) | |
| PFI operating cost | (14) | (35) | - | - | - | |
| Operating Profit | 38 | 46 | 51 | 59 | 64 | 68% |
| Impairment | (0) | - | (0) | (3) | - | |
| Operating Profit after impairment | 38 | 46 | 50 | 56 | 64 | 68% |
| Profit on disposal of PPE | 1 | 1 | - | 2 | 4 | |
| Share of profit / (loss) in JVs | - | (0) | (1) | 1 | 1 | |
| Increase in fair value of investment properties | - | - | 3 | - | - | |
| Profit before interest and tax | 38 | 47 | 52 | 59 | 69 | 82% |
| Interest receivable | 1 | 2 | 4 | 4 | 5 | |
| Interest payable | (17) | (19) | (26) | (28) | (29) | |
| Other finance income/(costs) | (1) | (1) | (2) | (1) | (1) | |
| Profit before tax | 21 | 29 | 28 | 34 | 44 | |
| Tax | (0) | (0) | (0) | (0) | - | |
| Profit for the year | 21 | 29 | 28 | 34 | 44 | 110% |
| Exceptional (cost)/ income | 179 | - | - | - | - | |
| Statutory profit for the year | 200 | 29 | 28 | 34 | 44 | |

| | UK GAAP | UK GAAP | FRS 102 | FRS 102 | FRS 102 |
|---|--------------|--------------|--------------|--------------|--------------|
| Em | 2013 | 2014 | 2015 | 2016 | 2017 |
| Total fixed assets | 1,066 | 1,197 | 1,279 | 1,344 | 1,410 |
| Current assets | 62 | 81 | 99 | 95 | 113 |
| Cash at bank | 23 | 83 | 83 | 82 | 109 |
| Creditors | (24) | (29) | (42) | (37) | (38) |
| Total assets less current liabilities | 1,127 | 1,331 | 1,419 | 1,484 | 1,594 |
| Creditors greater than 1 year | (601) | (690) | (777) | (808) | (875) |
| Pension liability | (29) | (30) | (38) | (34) | (38) |
| Net assets | 497 | 611 | 604 | 642 | 681 |
| Profit and loss reserve | 24 | 58 | 210 | 251 | 295 |
| Other reserves | 473 | 552 | 394 | 391 | 387 |
| Total reserves | 497 | 611 | 604 | 642 | 681 |
| | | | | | |
| EUV-Sh of completed social housing properties | 1,016 | 1,132 | 1,234 | 1,097 | 1,271 |

The logo for Astrer Group features the word "ASTER" in a large, white, serif font, with the word "GROUP" in a smaller, white, sans-serif font centered below it. The text is set against a background of two overlapping diagonal stripes: a darker purple stripe on the left and a lighter purple stripe on the right, both pointing towards the top right corner.

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Funding and Transaction

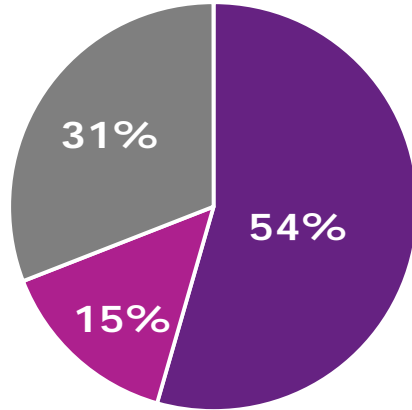
Aster maintain a simple treasury portfolio

- Banking debt – at legacy rates
- Aster Treasury Bond 2043
- Limited derivative exposure – i.e. £118m of swaps with MtM of £13m

Aster Group maintains clear treasury policies on:

| Risk Management | Policy |
|------------------------------|--|
| 1. Liquidity management | Minimum level of cash and undrawn debt |
| 2. Interest rates | Minimum and maximum fixed and variable debt |
| 3. Refinancing | Maximum drawn facilities repayable over 1 and 5 years |
| 4. Covenants | Interest cover and gearing headroom |
| 5. Counterparties | Bank deposits minimum rating and derivative counterparties monitored |
| 6. Maintenance of S&P rating | |

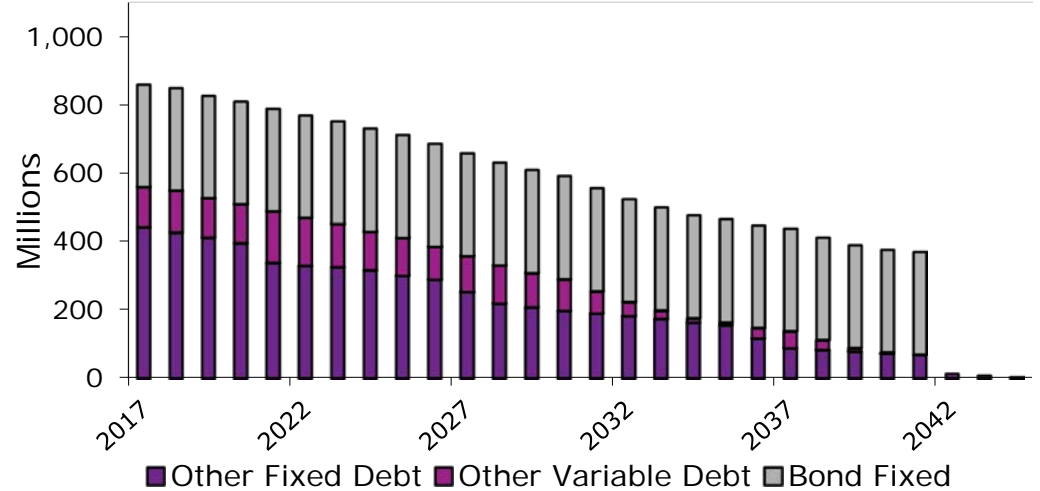
Current drawn debt profile



■ Fixed Debt ■ Variable Debt ■ Bond Debt

| Total Debt | |
|------------|-------|
| AHF | £50m |
| EIB | £100m |
| Bank Debt | £408m |
| Bond Debt | £250m |

Debt portfolio after bond tap



| | 2015 | 2016 | 2017 |
|----------------------|------|------|------|
| Avg cost of debt (%) | 3.85 | 3.75 | 3.51 |
| Total debt (£m) | 739 | 759 | 818 |

| Valuation of Bond security | | | | |
|----------------------------|------------------|--------------|---------------|--------------------|
| | | Units | Security (£m) | Supports debt (£m) |
| Synergy | EUV | | 16 | 15 |
| | MV-stt | | 151 | 131 |
| | Sub-total | 1,901 | 167 | 147 |
| Aster Communities | EUV | | 23 | 22 |
| | MV-stt | | 194 | 169 |
| | Sub-total | 2,660 | 217 | 191 |
| Total | EUV | | 39 | 37 |
| | MV-stt | | 345 | 300 |
| | Sub-total | 4,561 | 384 | 337 |

Source: JLL Estimate, March 2018

| Transaction Summary | |
|-----------------------------|---|
| Issuer | Aster Treasury Plc |
| Borrowers | Aster Communities, Synergy Housing Limited, Aster Group Limited |
| Guarantor | Aster Group Limited |
| Credit Rating | Rating – S&P A+ |
| Existing Bond | £250m |
| Transaction Size | Up to £200m including £150m of retained bonds |
| Maturity | 2043 |
| Use of Proceeds | General corporate purposes |
| Asset Cover Covenant | 105% EUV-SH, 115% MV-STT |
| Security | Assets of Aster Communities and Synergy Housing Limited |
| Bookrunners | Peel Hunt LLP |

- Ethical, not-for-dividend regulated business
- Robust and well-managed property portfolio with a proud heritage
- Proven track record of strong financial performance
- Highly professional boards working in partnership with an experienced and talented executive
- Solid operational performance with high levels of customer satisfaction and strong demand
- Well-balanced business development backed by a sector-leading approach to risk management
- Long-term business plan delivering meaningful social value and reliable financial returns

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Questions