INVESTOR UPDATE

OCTOBER 2020 – VIRTUAL MEETING

accent

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INTRODUCTIONS

ACCENT'S EXECUTIVE TEAM

PAUL DOLAN

CHIEF EXECUTIVE

- Chief Executive with successful track record of delivering transformational business change.
- Led not for profit and commercial businesses and managed stakeholders through complex change
- Former Chief Executive of Johnnie Johnson Housing Trust and Sadeh Lok Housing Group.

MATTHEW SUGDEN

EXECUTIVE DIRECTOR OF GOVERNANCE AND BUSINESS ASSURANCE

- Experienced general counsel and company secretary
- Streamlined Accent's governance from over 50 companies to 7
- Implemented one of the first virtual group structures in the sector

SARAH IRELAND

EXECUTIVE DIRECTOR OF DEVELOPMENT AND GROWTH

- Senior roles in private and public sector with extensive experience in leading on development projects in the Oxford Cambridge growth corridor including the Cambridgeshire and Peterborough Combined Authority.
- Former senior land manager at Taylor Wimpey and Director of Bushmead Homes.
- Former Director of Development and sales at bpha
- Former Executive Director and Board Member at bpha

CLAIRE STONE

EXECUTIVE DIRECTOR OF CUSTOMER EXPERIENCE

- Over 30 years experience of operational and strategic leadership in the housing sector.
- Experience spanning housing management, FM service delivery, asset management, employment & training and both rural and urban regeneration.
- Delivered a transformational change programme for the Customer Experience directorate, co-created with customers, which was launched in summer 2019.

DAVID ROYSTON

EXECUTIVE DIRECTOR OF FINANCE AND ICT

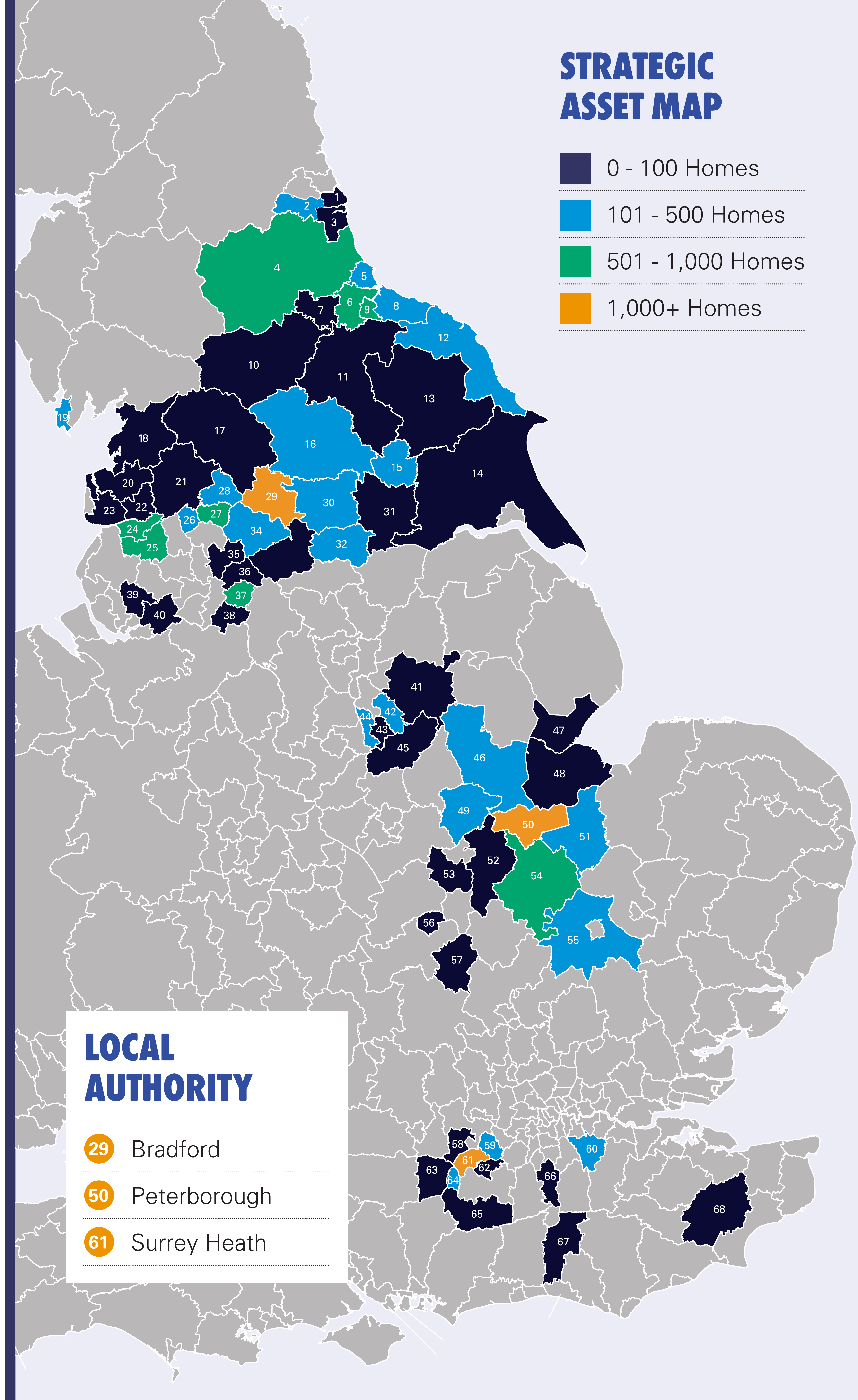
- An influential accountant with portable skills.
- Senior and director finance roles in public and private sector organisations, including Anchor Trust.
- Led on Accent's record breaking public bond issuance and associated refinancing.
- Implemented FRS102, new covenants and consolidation of Accent's three separate RP's into single RP.

The purpose of today is to give you an update on our business, the team and our strategy:

OVERVIEW AND STRATEGIC UPDATE

ACCENT GROUP OVERVIEW

- £100m turnover
- Over 90% turnover from social housing lettings
- A strong balance sheet, with housing assets of over £704m (EUV - SH)
- Low gearing <54%, debt per unit of £19.8k, coupled with c.4,000 unencumbered assets
- Strong EBITDA-MRI interest cover of 2.04x
- Financial strength recognised externally
  - A+ rating from S&P
  - G1/V1 from the regulator



OVERVIEW AND STRATEGIC UPDATE

WE DELIVER AGAINST STAKEHOLDER PRIORITIES WHILST ENSURING BUSINESS RESILIENCE AND FINANCIAL STRENGTH

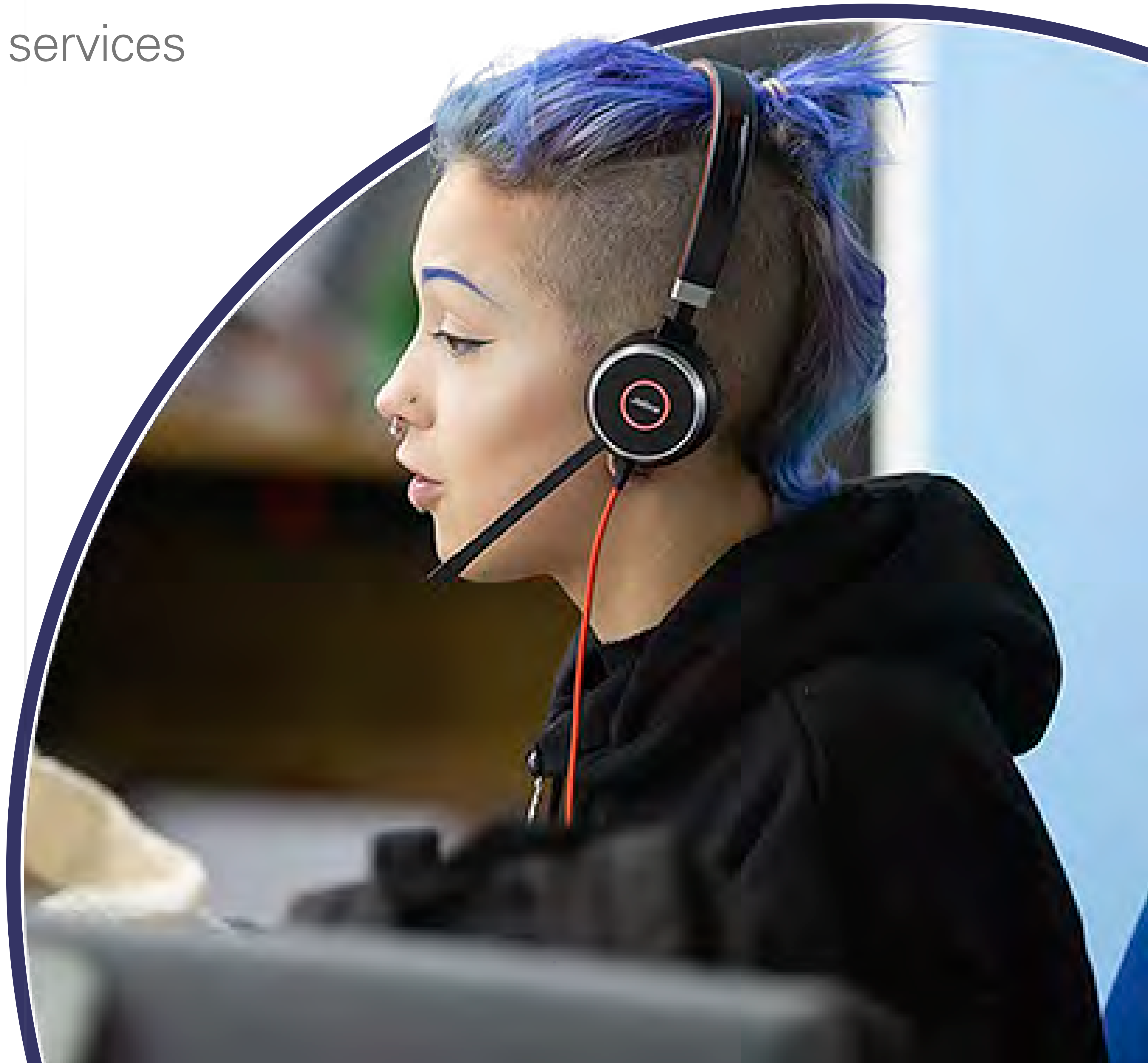
Our aims are:

- A personalised service experience, with customers at the heart of the business
- A significant increase in the number of new homes delivered
- A culture which ensures Accent is recognised as an excellent employer and business partner
- Sector leading value for money, enabling greater investment in homes and services

OVERVIEW AND STRATEGIC UPDATE

Delivery highlights:

- Strong, independent assurance received around our governance arrangements
- Sector leading bond issue, supporting increased investment in growth and services
- Strengthened our operating model to align with our strategy
- Increased our skills and organisational capacity
- Enhanced our service offer to customers - 13% increase in customer satisfaction - UKCSI score up from 58.3 to 66.1
- Employee satisfaction score increased from 65.1 to 74.3 (UKCSI)
- Transformed employee engagement - Best Companies 1 Star
- 58 in the Sunday Times Top 100 Not for Profit Organisations to Work For in 2020.
- 165 new homes completed during 2019/20



GOVERNMENT AND RISK MANAGEMENT

GOVERNANCE AND RISK MANAGEMENT

- Altair Governance Review
- Update on previous review undertaken in January 2018
- Strong performance
- Reiterates sector leading approach
- Effectiveness of new board and committee structure – very clearly evident
- Board have approved new committee structure

Future Plans

- Consolidate and drive improvement on virtual meeting platform
- New Altair succession planning implemented across all NEDs
- Will link into revised annual appraisal approach
- Improved training and development offer – delivered virtually – driven by new L and D team

GOVERNANCE AND RISK MANAGEMENT

- External Internal Audit by Mazars – Strong Assurance around Strategic Risk Management and Treasury within Accent
- Improvements to mapping risk appetite through performance indicators
- Plan Ahead Team
  - Role around risk management
  - Covid-19 and Brexit
  - Scenario planning
    - Best
    - Worst
    - Most Likely
  - Flow into corporate business planning and strategic/operational risk registers
- Pro-active development of mitigating action plans

CUSTOMER EXPERIENCE AND OPERATIONS

CUSTOMER EXPERIENCE AND OPERATIONS

- The Accent Partnership implemented – resetting the landlord/tenant dynamic
- Customer focused and values based recruitment to new structure
- UKCSI customer satisfaction score increased from 58.3 to 66.1
- Twelve months on from launch of Accent Partnership opportunities for efficiencies around digitisation and self-serve
- Enhanced online offer and self service - MyAccount and Let's Move
- Remunerated National Scrutiny Group - reporting to the Customer Experience Committee
- Investment in insight resources and real-time feedback, understanding the customer journey
- Modernised platforms for resident engagement, building the Accent 500 community
- Multi-skilled, omni-channel contact centre
- Accelerated introduction of our new income strategy – behavioural and insight led
- Optimised resources to target customers most in need of support or intervention

CUSTOMER EXPERIENCE AND OPERATIONS

ROBUST RESPONSE TO CV19 & RECOVERY PLANS

- Agility and autonomy built into the operating model launched in summer 2019 meant pivoting the service to a home based model was easily achieved and has been sustained
- This delivery model future proofs service delivery in the event of further national or local lockdown
- Proven ability to manage a variety of lockdown scenarios, prioritising sustaining services and customer safety through COVID-19 safe working practices for contractors and colleagues
- Local lockdowns remain focussed on curtailing social interaction. To date not extended to tradespeople entering homes. We are tracking all high risk areas, even those outside our area of operation, to provide an early warning of any changes.
- Supported our main contractors via supplier support agreements throughout lockdown and have set our expectations for prioritising our performance recovery
- Low impact on customers. Data shows that sadly 10 residents died of COVID-19 and 36 reporting that the virus is present at the end of September
- Interim customer safety policy approved by board. Sustained over 99% gas safety checks throughout. All safety workstreams are now operational with all contractor operatives unfurloughed
- Weekly tracker for key recovery metrics; income, lettings, repairs and safety KPIs reporting to the Plan Ahead team (forum of senior leaders to oversee impact of, and recovery from CV19)
- Planned programmes (revenue programme started 1/8 and capital programme 1/9) recast to realistic start dates. All preliminary works completed in advance of start dates. Progress being monitored closely.
- Frontline service resumption from 22 June 2020 and fully operational from 1st September, aligned to the end of shielding status for older and vulnerable people.
- Recovery phase focusses on three priority areas; repairs, empty homes, income collection

CUSTOMER EXPERIENCE AND OPERATIONS

ROBUST RESPONSE TO CV19 & RECOVERY PLANS

Repairs

- All five main contractors have productivity targets to complete all outstanding routine repairs by November
- Two northern regions will be up to date this month (October)
- Focus on East and South where backlog is highest and additional resources are being mobilised to sustain recovery
- No evidence of operative shortages due to CV19 to date and no issues with access from customers in any region

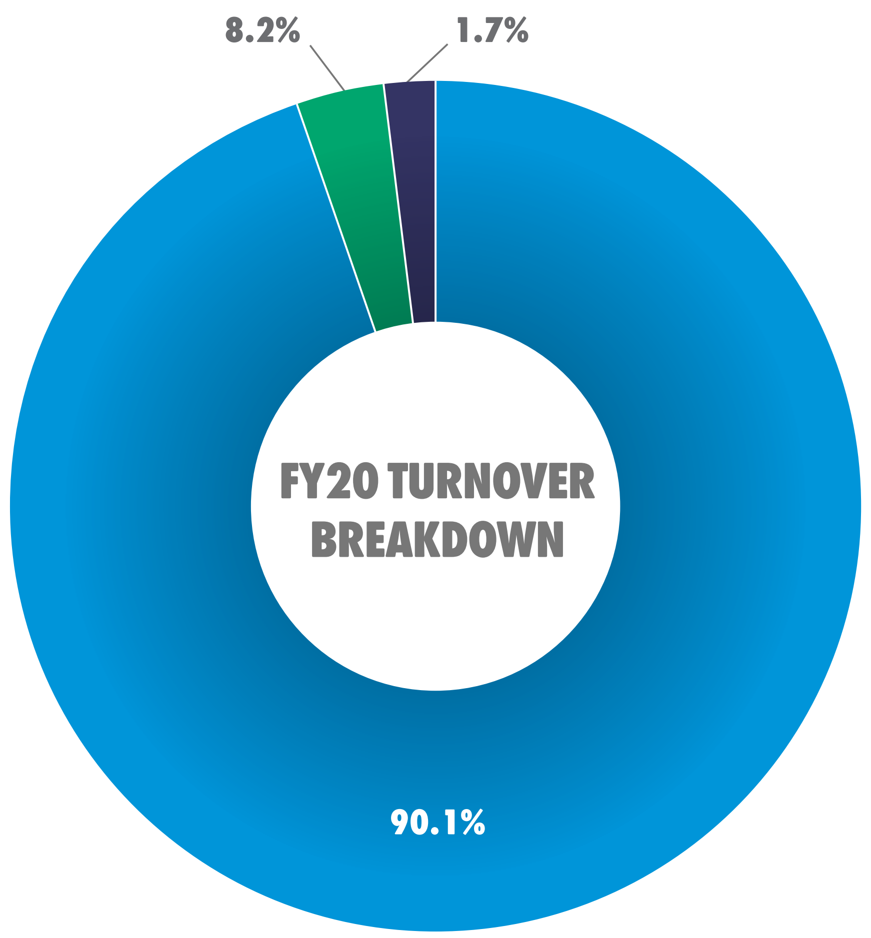
Empty Homes

- Homes marketing teams remained operational via digital viewings and pre-allocated homes
- House moves were stalled during lockdown with main impact on older person homes due to shielding
- Nearly 30% of empty homes are in independent living or extracare homes for older people
- Recovery plan in place to let a target number of homes per week will be met across all tenures by end November

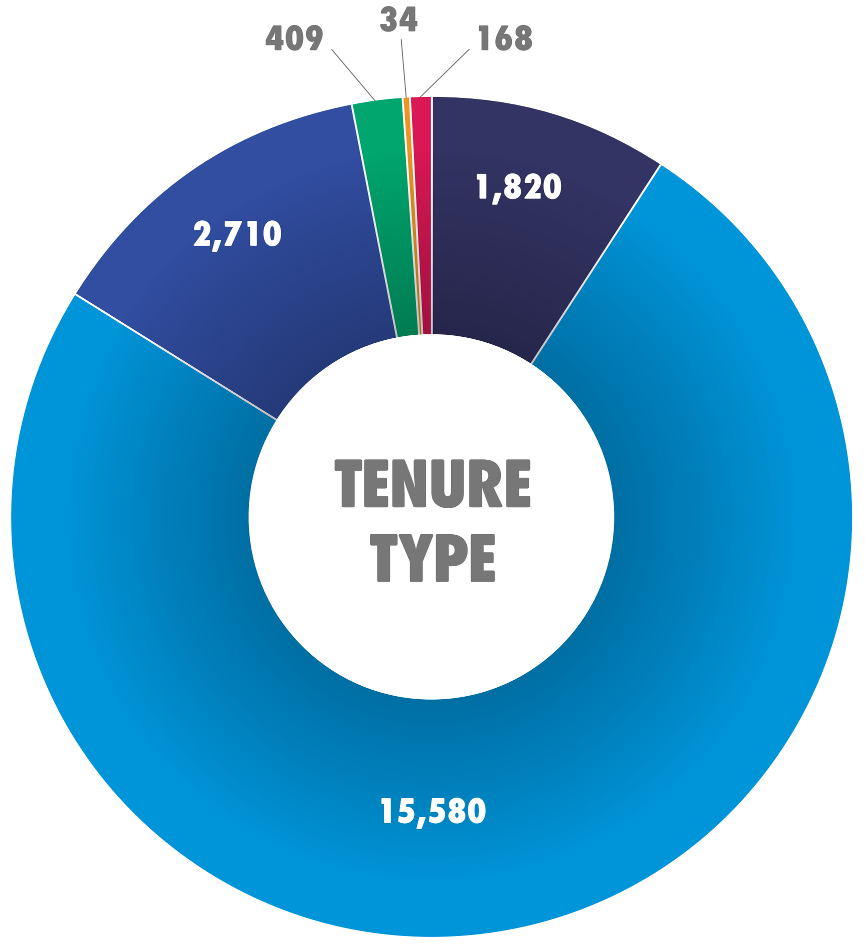
Income

- September saw a reduction in current tenant rent arrears over a 4 week trend
- UC claims increased in the early weeks of lockdown by c.600 claimants but levelled out to normal levels during the summer
- Both UC and self-payer arrears reduced during September
- £100K hardship fund set up to use as leverage to promote a positive payment culture
- To date customers have received £20k arrears reductions from the fund after they pay £51k in rent and arrears payments.
- Plans to extend this concept are being considered as we assess the impact of the end of the furlough scheme.

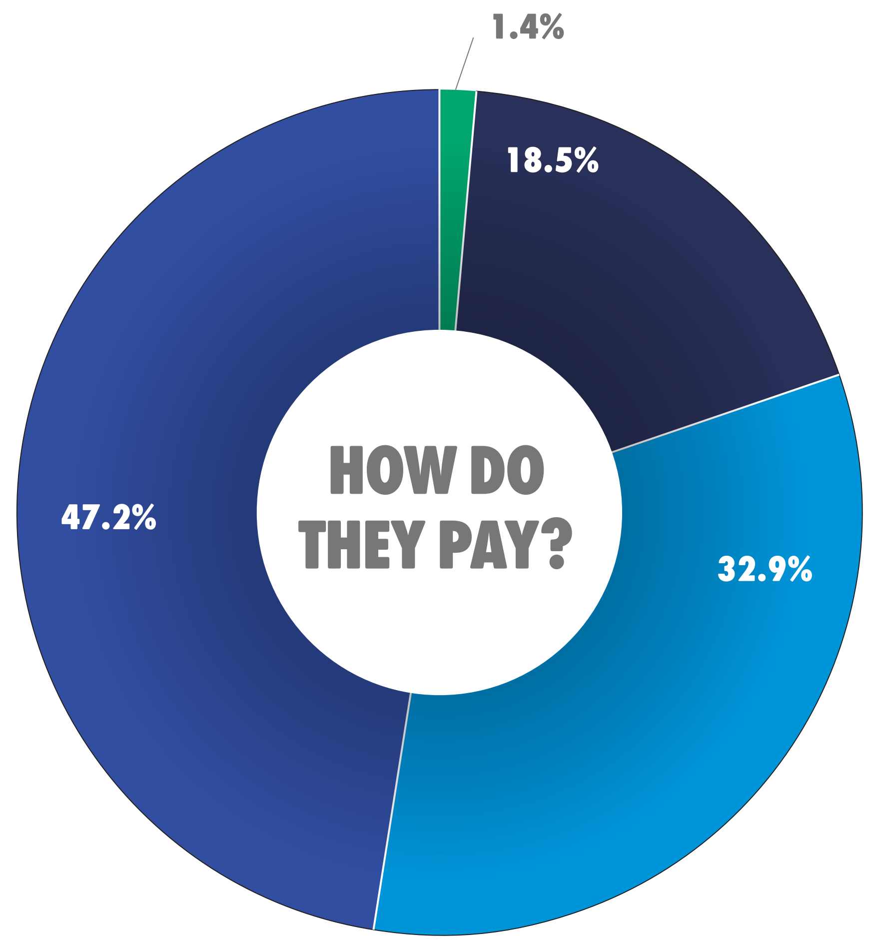
CUSTOMER EXPERIENCE AND OPERATIONS



Social Housing Lettings	
Other Social Housing Activities	
Non-Social Housing Activities	



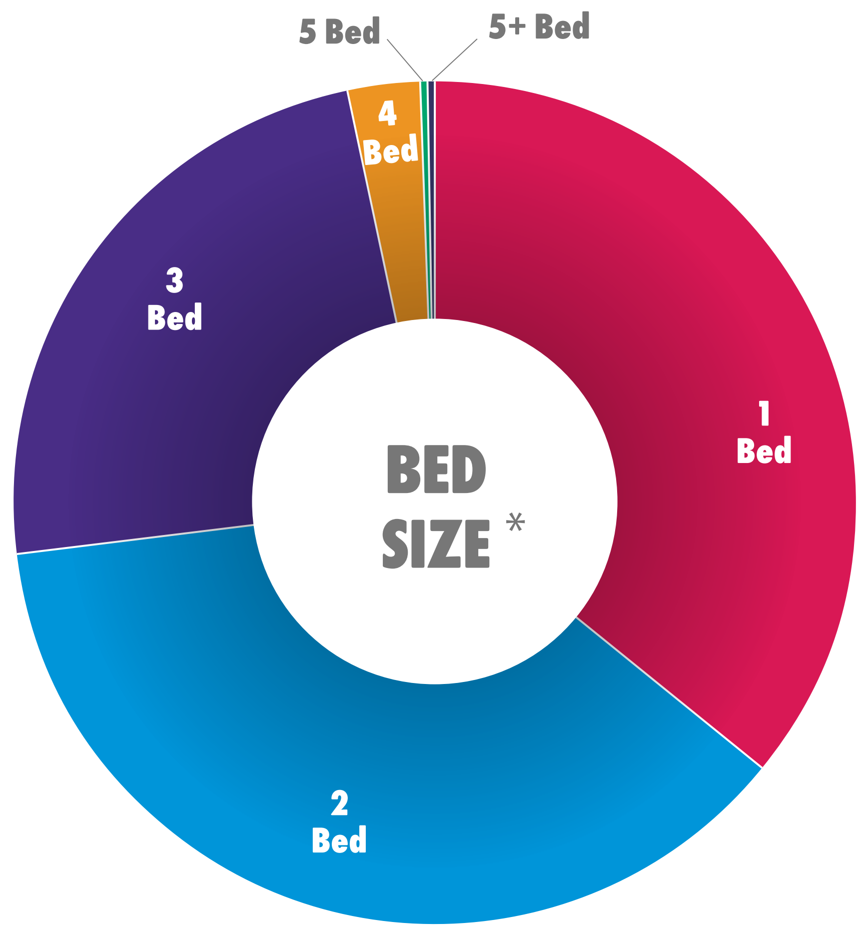
Older Person's Accommodation:	1,820
General Needs:	15,580
Leasehold, Freehold & Shared Ownership:	2,710
Supported & Temporary Housing:	409
Market Rent:	34
Intermediate Rent:	168
	20,721



Universal Credit:	3,841
Housing Benefit:	6,813
Self Funded:	9,780
Empty*	287
	20,721

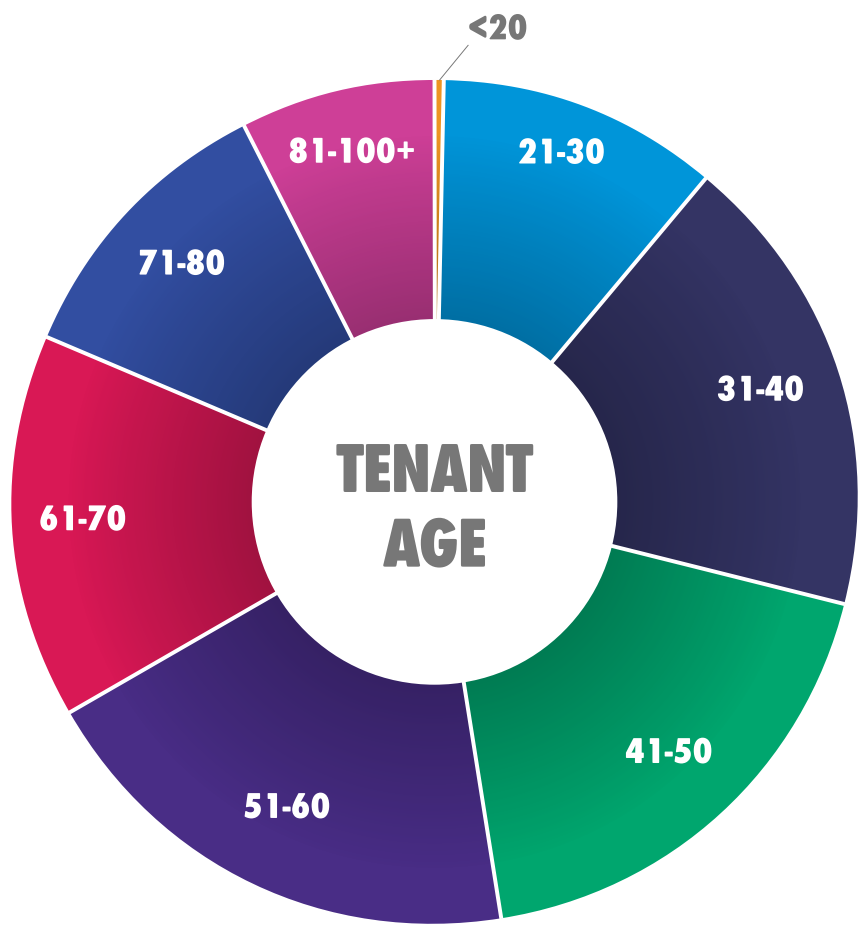
* Empty property at year-end impacted by lockdown

Yorkshire:	19%
North East:	17%
North West:	22%
South:	20%
East:	22%



1 Bed:	7,403
2 Bed:	7,722
3 Bed:	4,939
4 Bed:	595
5 Bed:	48
5+Bed:	14
	20,721

* All amounts as at FY20



<20:	57
21-30:	2,035
31-40:	3,586
41-50:	3,546
51-60:	3,971
61-70:	2,980
71-80:	2,165
81-100+:	1,438
Unknown:	943
	20,721

CUSTOMER EXPERIENCE AND OPERATIONS

DIGITAL

- New Head of Digital Transformation developing a Digital Strategy to improve customer experience and deliver operational efficiencies:
  - Development of a customer App
  - Improving data and information usage
  - Innovative robotic automation
  - A digital inclusion programme
- A robust, secure, up to date digital infrastructure, enabled COVID-19 mobilisation of the entire workforce to working from home in 10 days
- Effective use of cloud technology to quickly deploy collaboration tools
- External security audit finds we have “substantial” controls in place
- New governance for effective project delivery with clear service roadmaps
- Development of new tools to streamline key processes, for customer safety and planned maintenance forecasting

DEVELOPMENT AND SALES ACTIVITIES

DEVELOPMENT & SALES ACTIVITIES

LAUNCH OF OUR NEW SALES BRAND 'HOMEMADE HOMES' IN 2019/20 WE COMPLETED 32 NEW BUILD SHARED OWNERSHIP SALES:

www.homemadehomes.com

- In 2019/20 we completed 32 new build shared ownership sales
- The average first tranche sales percentage achieved was 39% netting £3.1m
- At the start of 2020/21 we had 54 new build homes that were either sold subject to contract or available for shared ownership sale with an average OMV of £335K.
- At the beginning of lockdown we had 31 shared ownership homes available for sale all of these are now reserved and progressing towards completion. Only 12 further shared ownership homes will be completed and handed over during this financial year
- Homes are actively marketed off-plan, with reserve lists of interested parties and virtual viewings. 6 months lag allowed for in appraisals

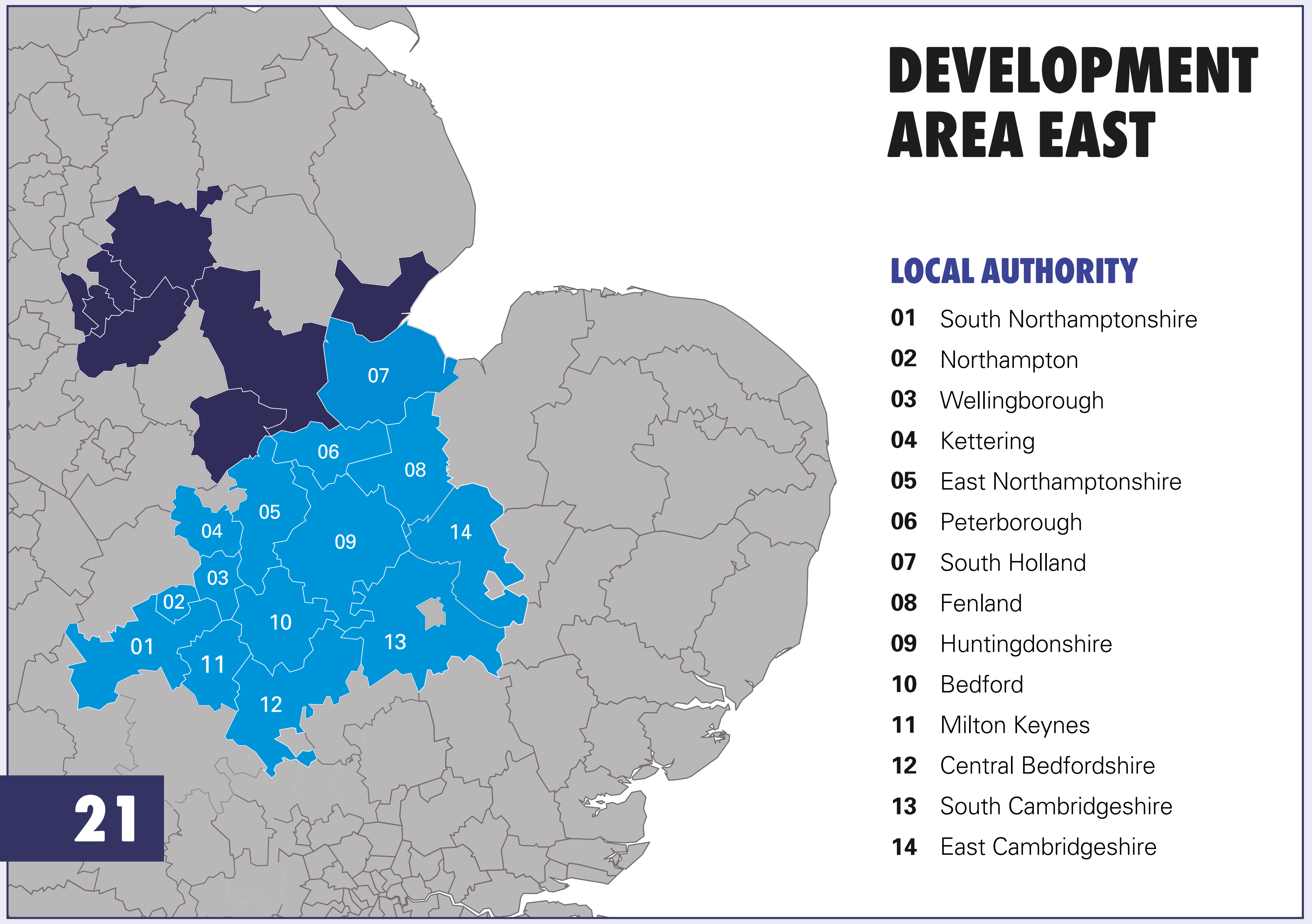
DEVELOPMENT & SALES ACTIVITIES

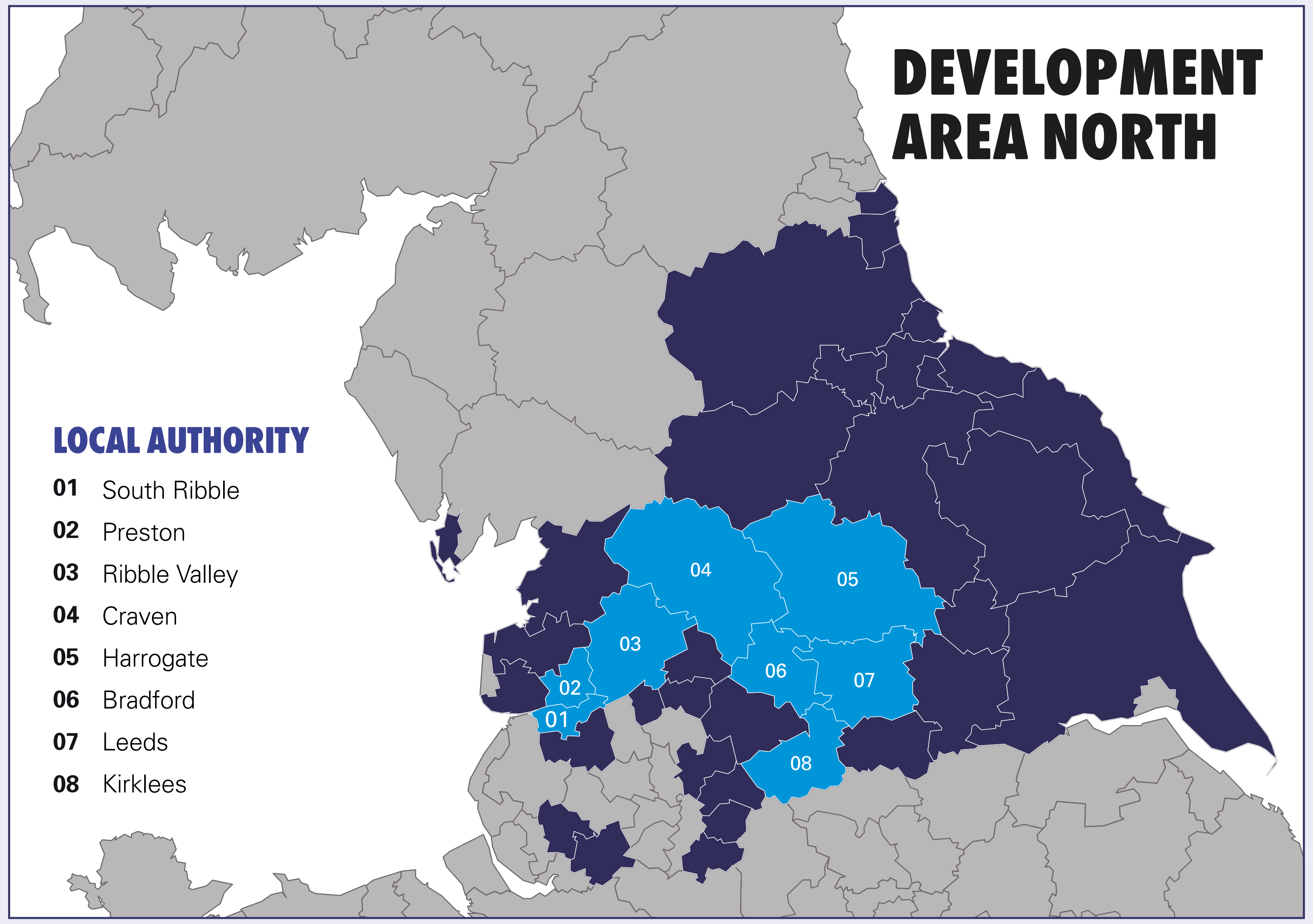
THE DEVELOPMENT AND GROWTH STRATEGY WILL FOCUS ON THE DELIVERY OF NEW HOMES IN THE FOLLOWING AREAS:

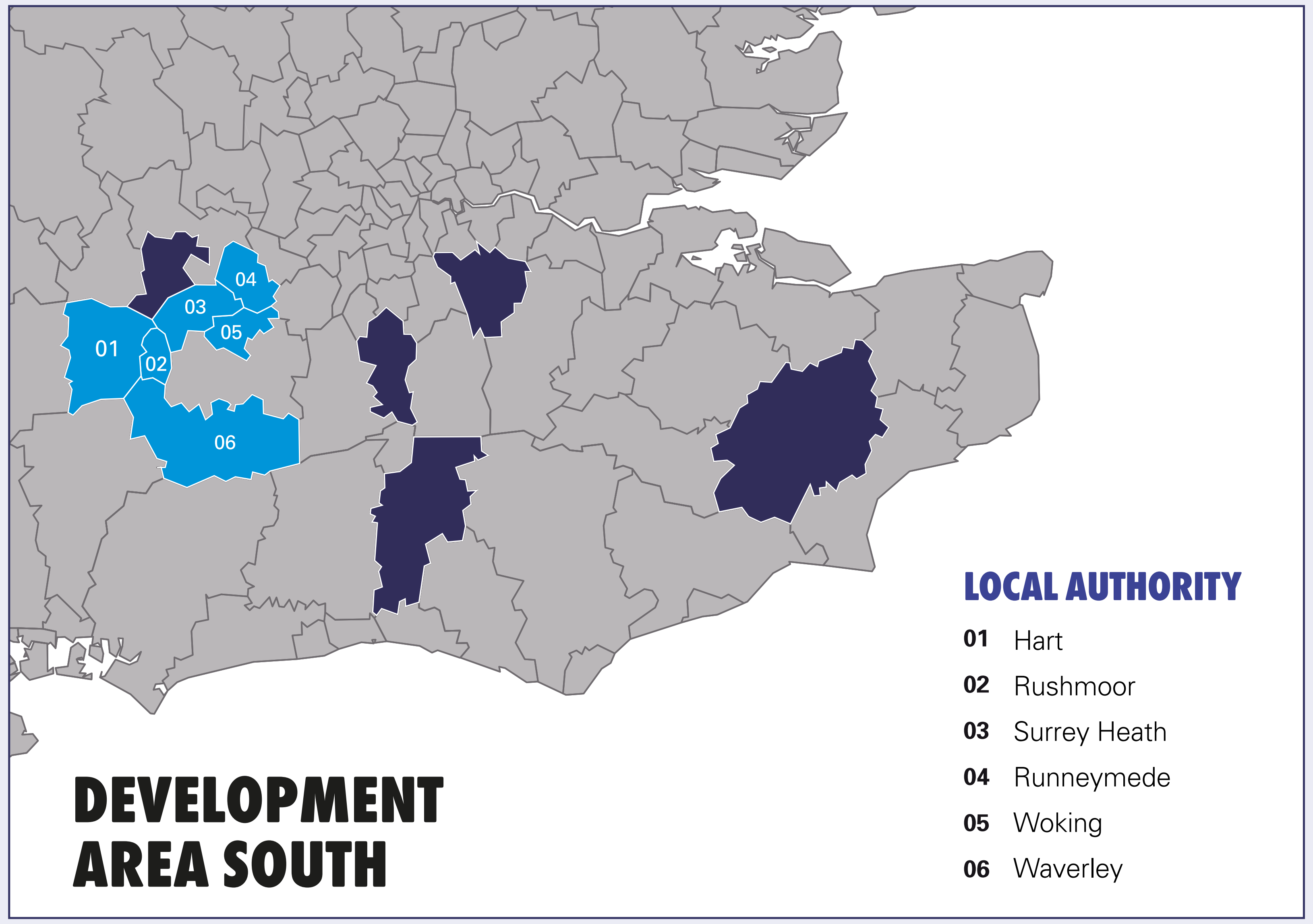
- Geographical focus in areas of high demand in housing market areas in which Accent has stock
- The new homes that we build will make Accent a stronger and more sustainable organisation
- No development planned in London

AREAS WHERE WE HAVE HOMES

FOCUS FOR DEVELOPMENT







DEVELOPMENT & SALES ACTIVITIES

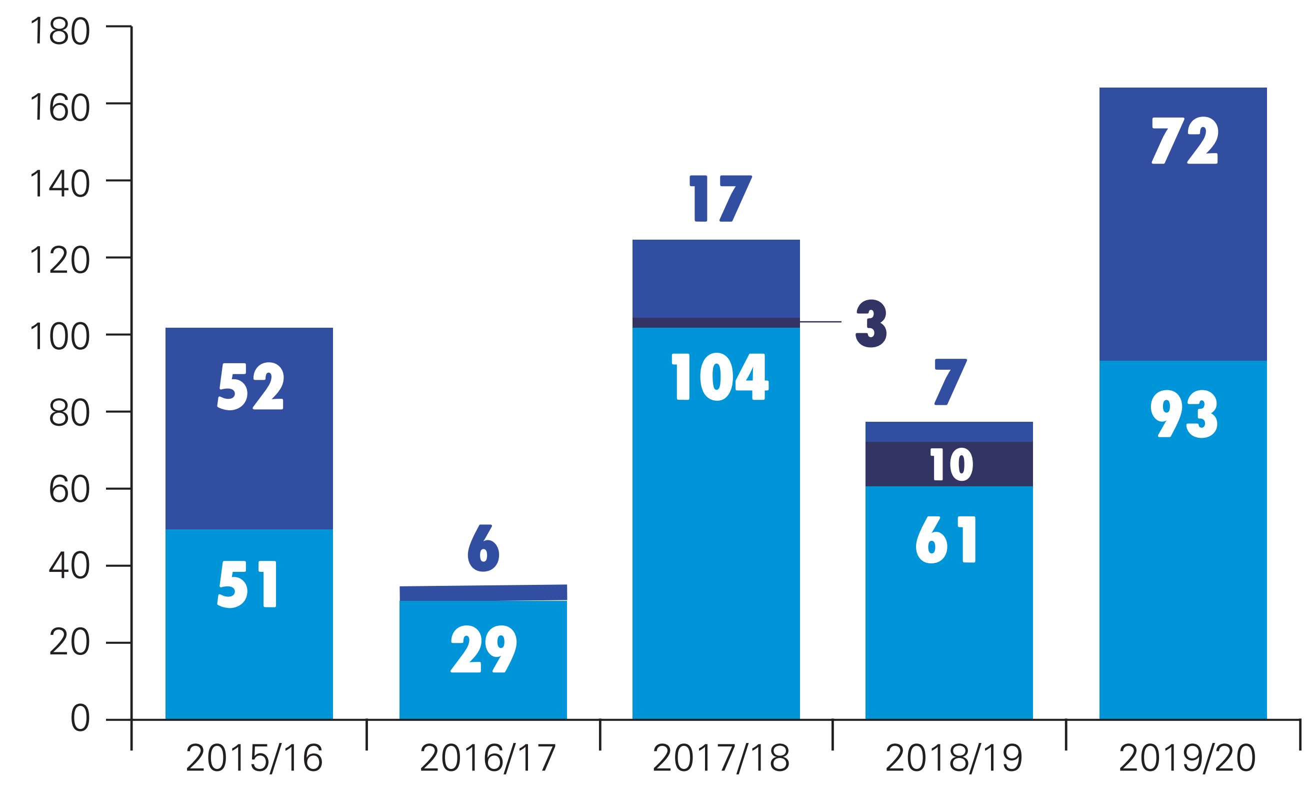
TRANSITIONING FROM A SMALL S106 DEVELOPMENT PROGRAMME TO A LARGER LAND LED APPROACH

- Currently in contract to deliver 507 new homes on 13 active sites
- Our Capital Investment Committee have approved a further 9 schemes which will deliver 317 homes, progressing towards contract during the autumn
- 500 of the total 824 homes (60%) will be delivered on land purchased by Accent of which 485 are part funded by Homes England with both SOAHP and WAVE funding totalling £20.8m
- All schemes with shared ownership are subject to multi-variant sensitivity analysis at the time of approval
- We have developed a set of ‘Early Warning Indicators’ in relation to contractor behaviour and housing market intelligence

DEVELOPMENT & SALES ACTIVITIES

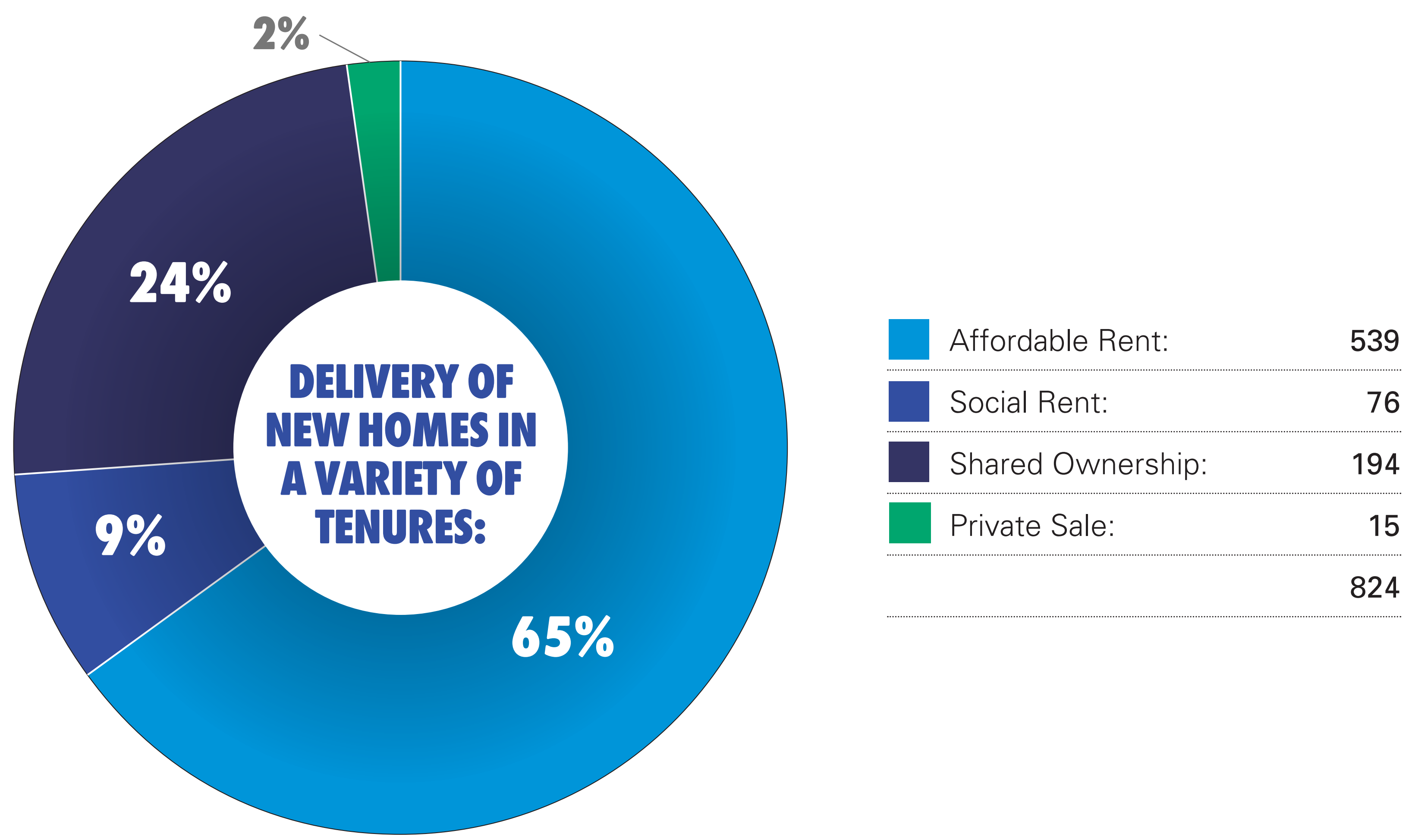
COMPLETED UNITS TENURE:

Completions	2015-16	2016-17	2017-18	2018-19	2019-20	Total	
Affordable Rent	51	29	104	61	93	338	67%
Intermediate Rent	0	0	3	10	0	13	3%
Shared Ownerhsip	52	6	17	7	72	154	30%
	103	35	124	78	165	505	100%



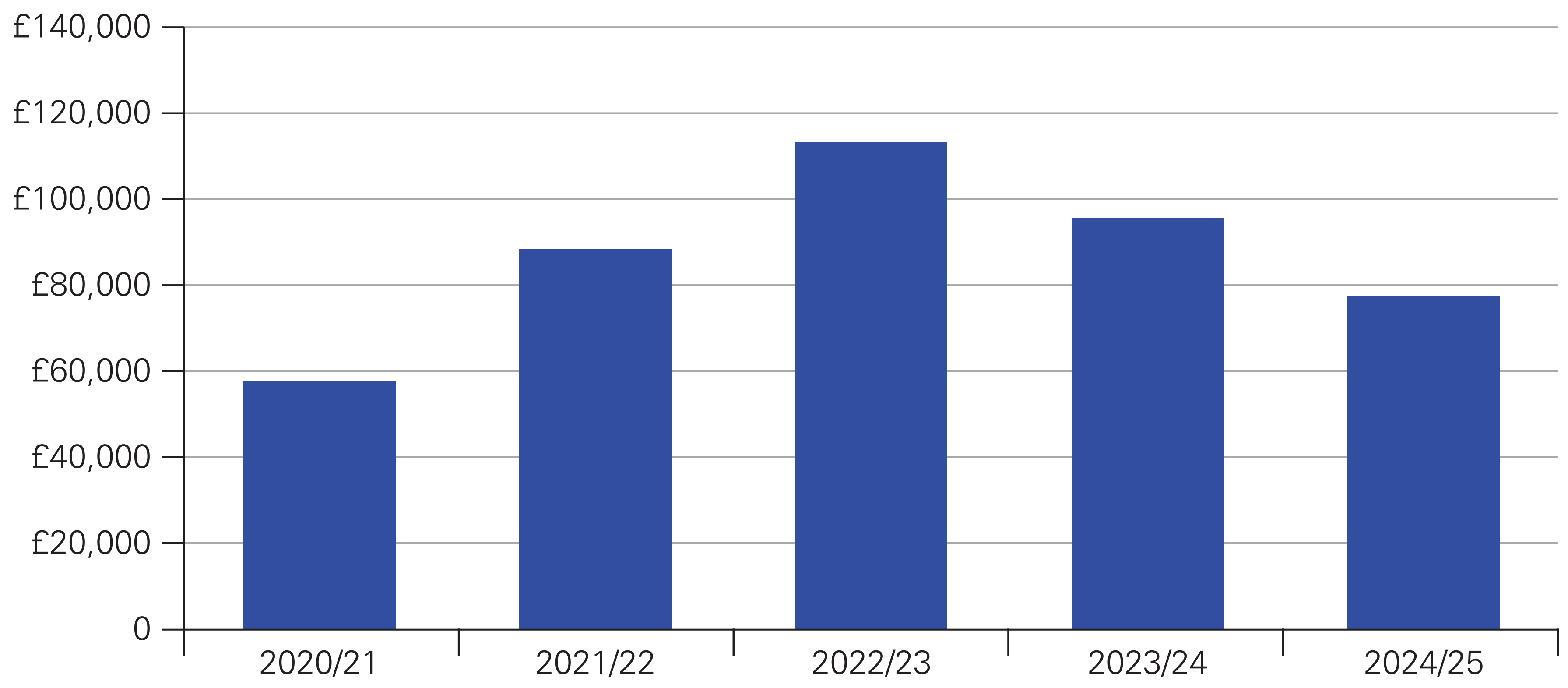
DEVELOPMENT OF A BALANCE SHEET ENHANCING PIPELINE OF NEW HOMES:

Programme: starts on site 2020/21	East	North	South	Total
Committed (in contract, on site)	447	60	0	507
Not committed (approved not yet in contract)	227	40	50	317
%	82	12	6	824

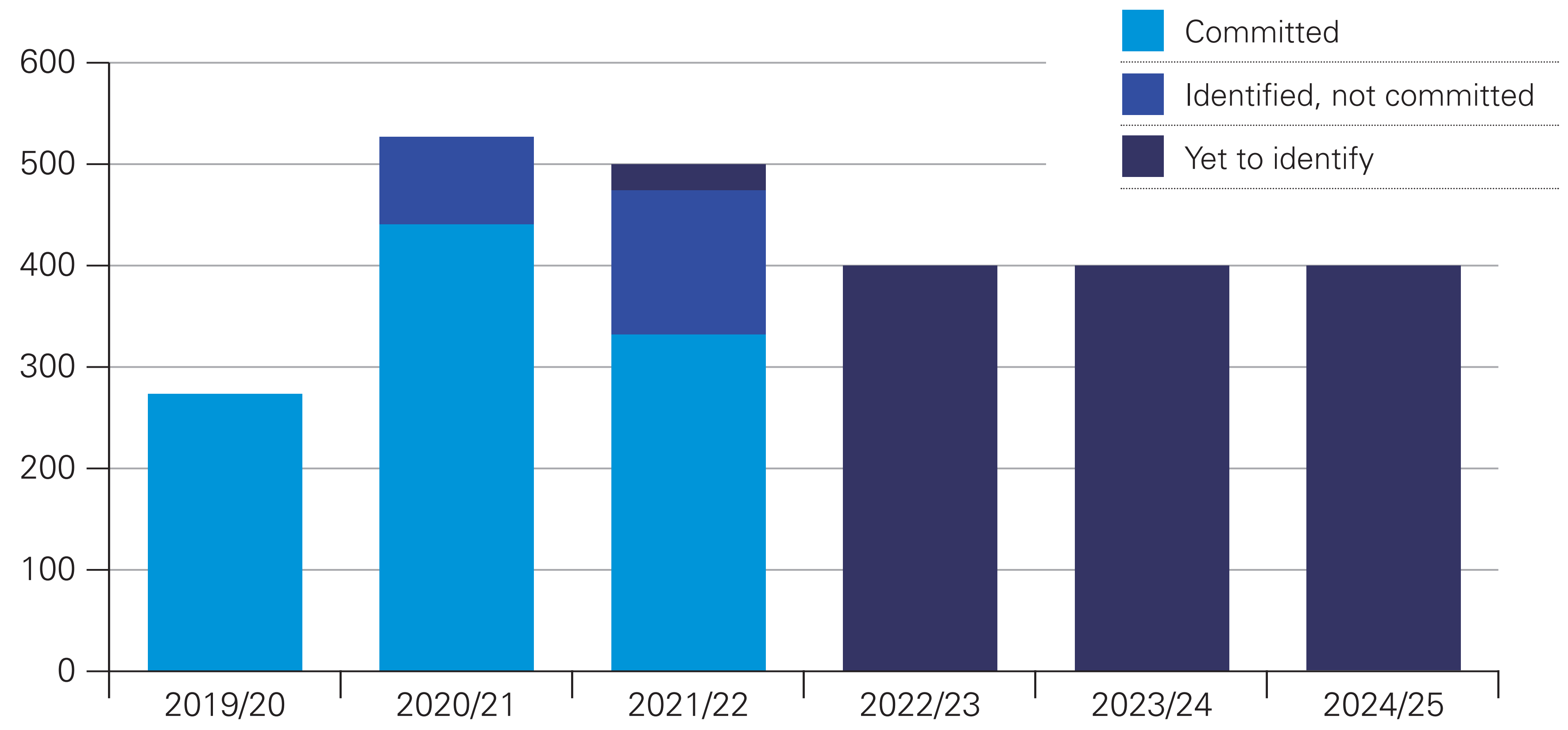


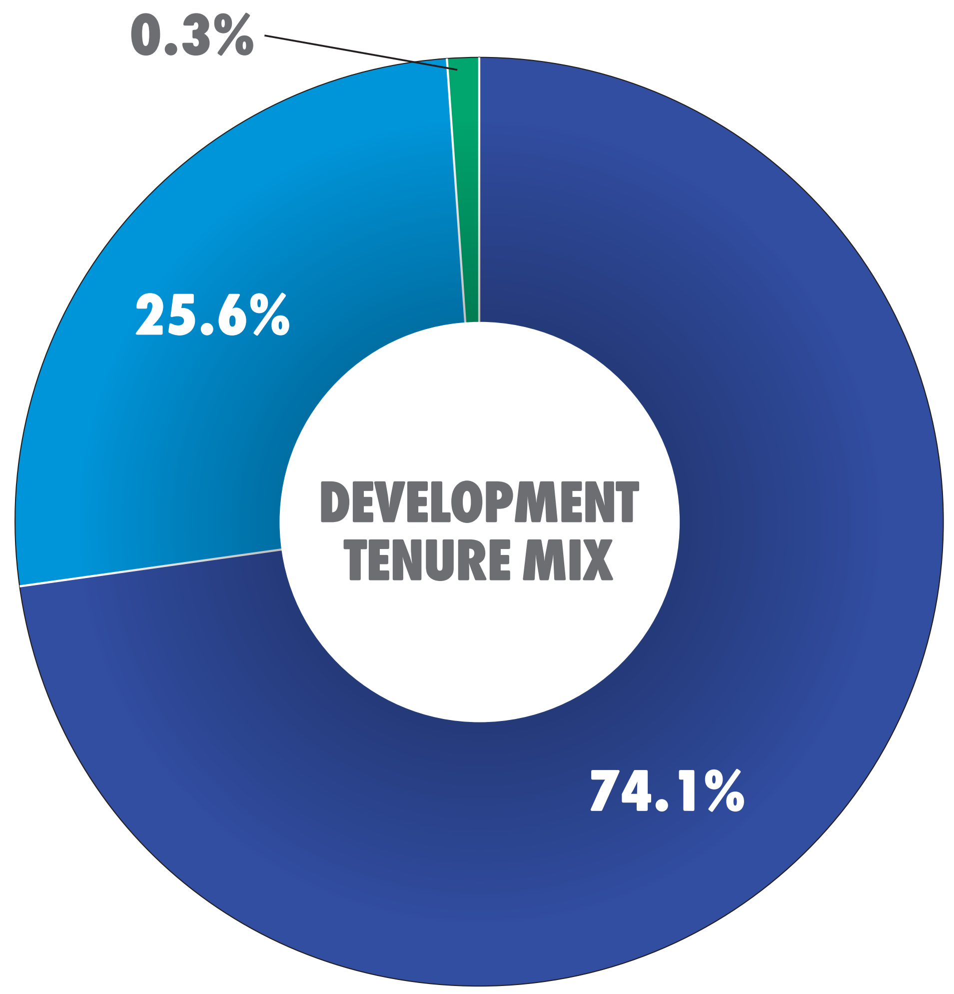
DEVELOPMENT & SALES ACTIVITIES

DEVELOPMENT CAPEX - £000'S



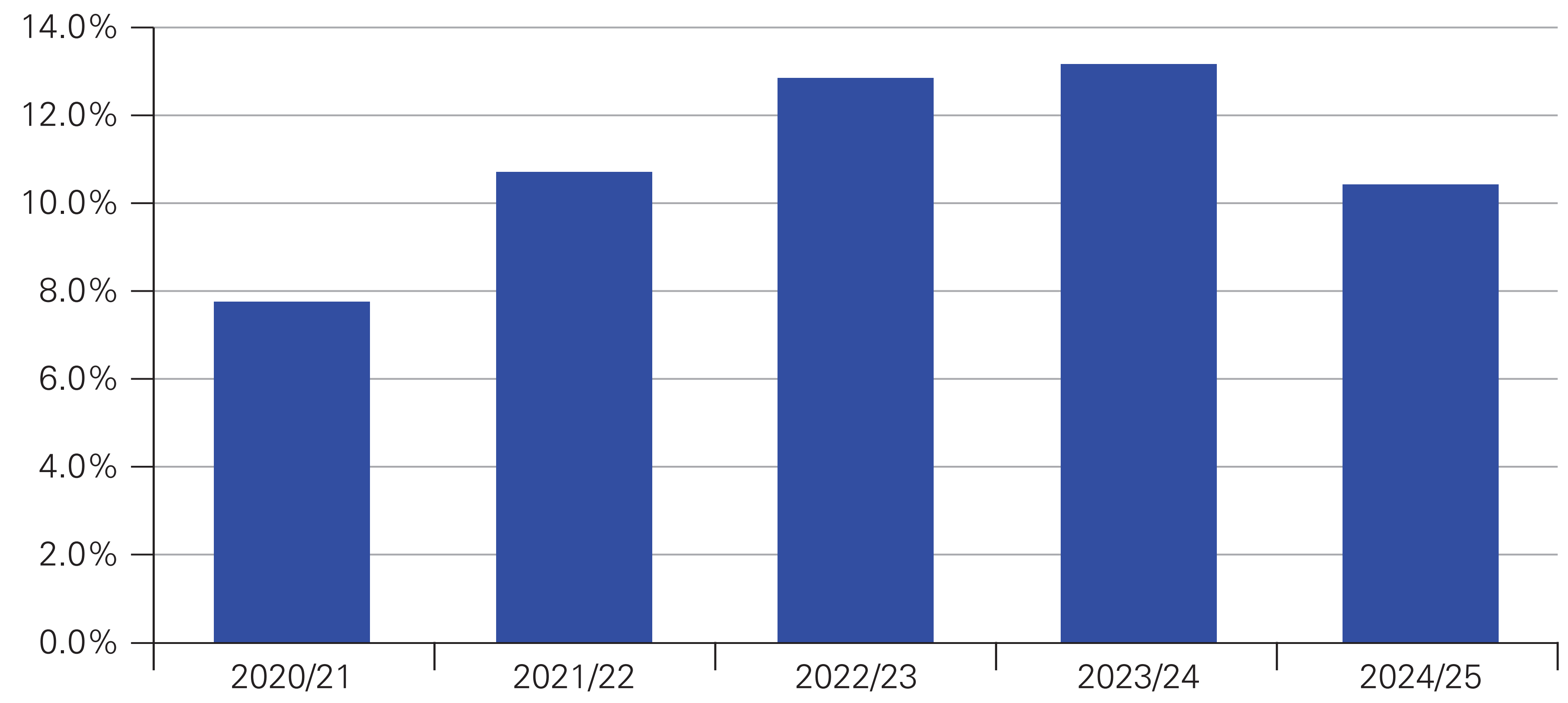
DEVELOPMENT PROFILE - STARTS ON SITE





Affordable Rent	3,333
Shared Ownership	1,152
Outright Sale	15

SALES AS A PERCENTAGE OF TURNOVER



STRATEGIC ASSET REVIEW

REGENERATION OF EXISTING ASSETS - RIPLEYVILLE

- Strategic Asset Review – Scope; asset performance; housing markets; demand and affordability; zero carbon agenda; influence; future demographics
- Balance of investment between new build homes and our existing assets
- Ripleyville consists of 164 apartments constructed in the 1970's non standard construction Wimpey 'no fines'
- Scheme had the largest negative NPV when assessed in Savills "SHAPE" model (Social Housing Asset Performance Evaluation)
- Options Appraisals approved by Capital Investment Committee October 2019 – proposal supported by Homes England
- Consultation with our customers concluded in March 2020 – response rate 79% of which 87% expressed preference for redevelopment of the existing scheme

SUSTAINABILITY STRATEGY

Currently scoping our sustainability strategy, objective is to create great, affordable homes to live in.
Strategy will include, by mid 2021:

For existing homes:

- All homes improved to EPC band D by end of 2020/21
- Improved energy performance – target EPC band C minimum (by 2030, implementing SAVA software to derive a reliable estimate of cost)
- Fabric first approach
- Reduce reliance on fossil fuel
- Pilot retrofit projects

For customers:

- Reduce fuel poverty
- Promote lower fuel cost/smart meter opportunities

For new homes:

- New homes achieve EPC band B (very few C)
- Develop new design standards, e.g. working from home space and external charging points
- Affordable Homes Programme 2021 to 2026 prospectus requires adoption of at least 25% MMC within development programme

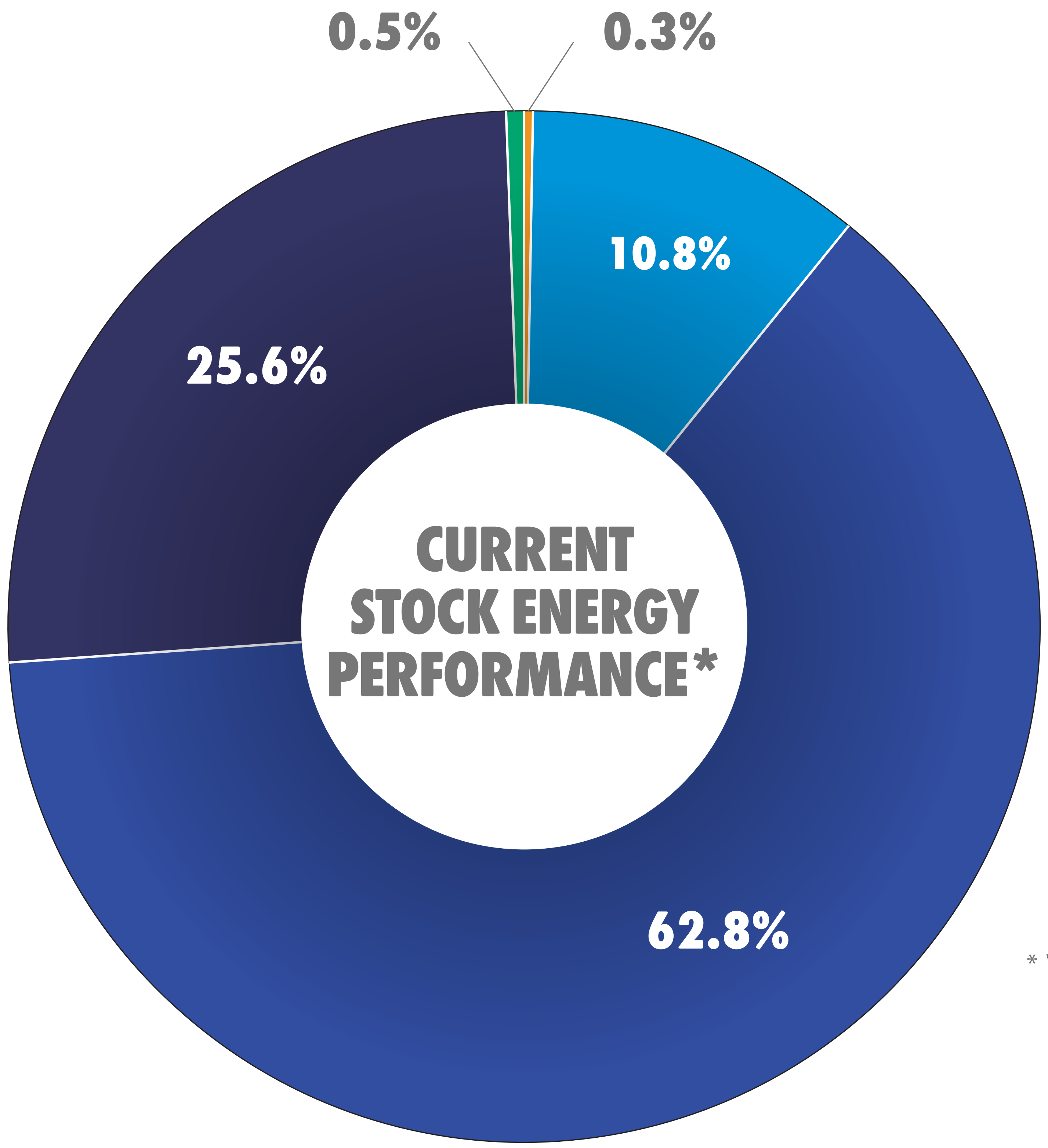
For operational activity:

- Reduce carbon footprint
- Less office space and travel
- Digitalise services and deliver virtually

Examples of Social Initiatives:

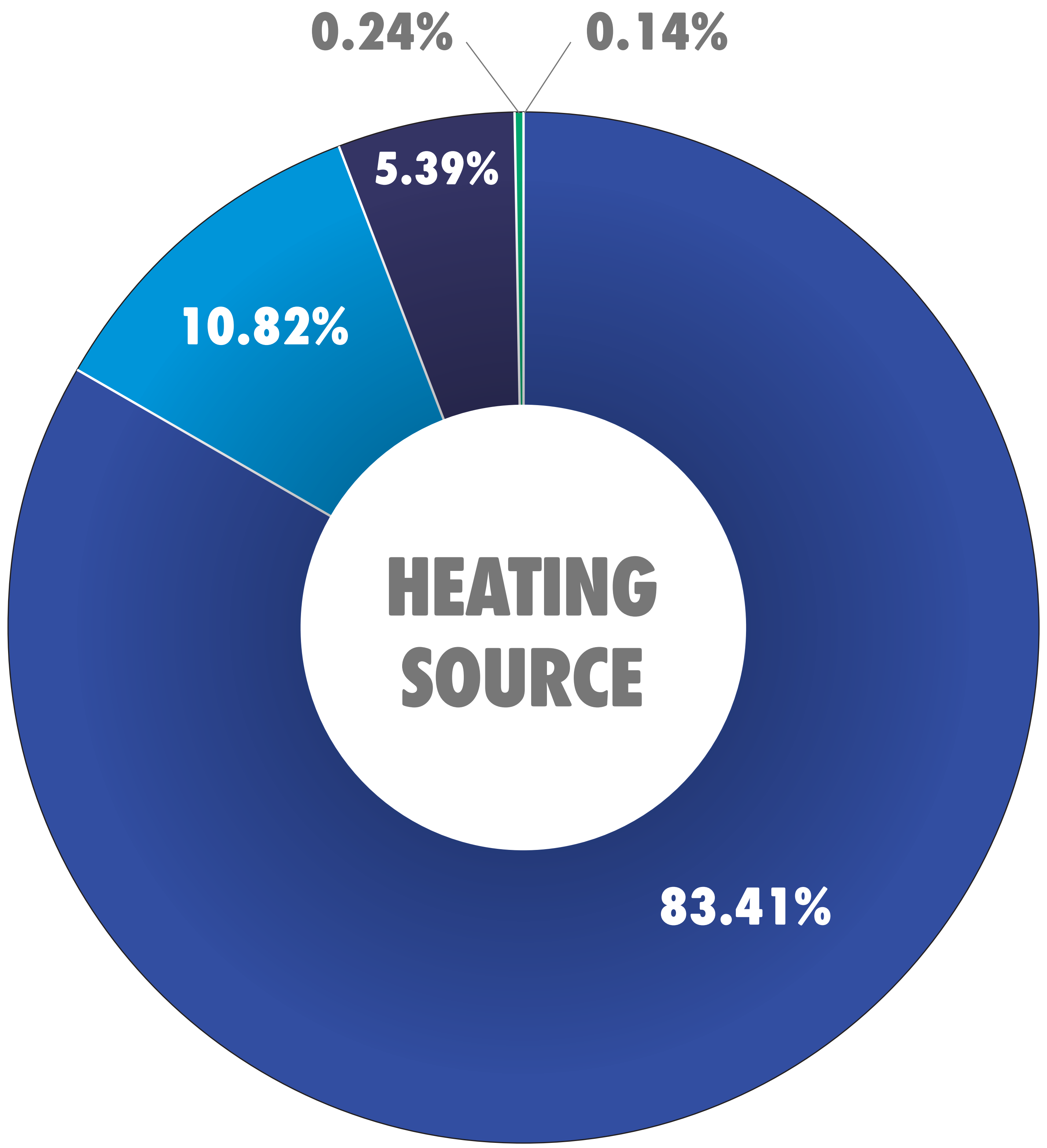
- Competitive appliance rentals with AO
- Employability services with another HA
- Supporting the street homeless with "Simon on the Streets"
- With the Crisis charity on a Renting Ready scheme to provide training for first time tenants
- Making Money Count – web based financial inclusion initiative

SUSTAINABILITY STRATEGY



EPC Rating: A	53
EPC Rating: B	1,894
EPC Rating: C	10,956
EPC Rating: D	4,468
EPC Rating: E or below	88

* Where Accent retains repairing responsibility



Gas Boilers:	83.41%
Electric:	10.82%
Gas Community Heating:	5.39%
Heat Pump:	0.24%
Other:	0.14%

FINANCIAL RESULTS

FINANCIAL RESULTS FY20 v FY19

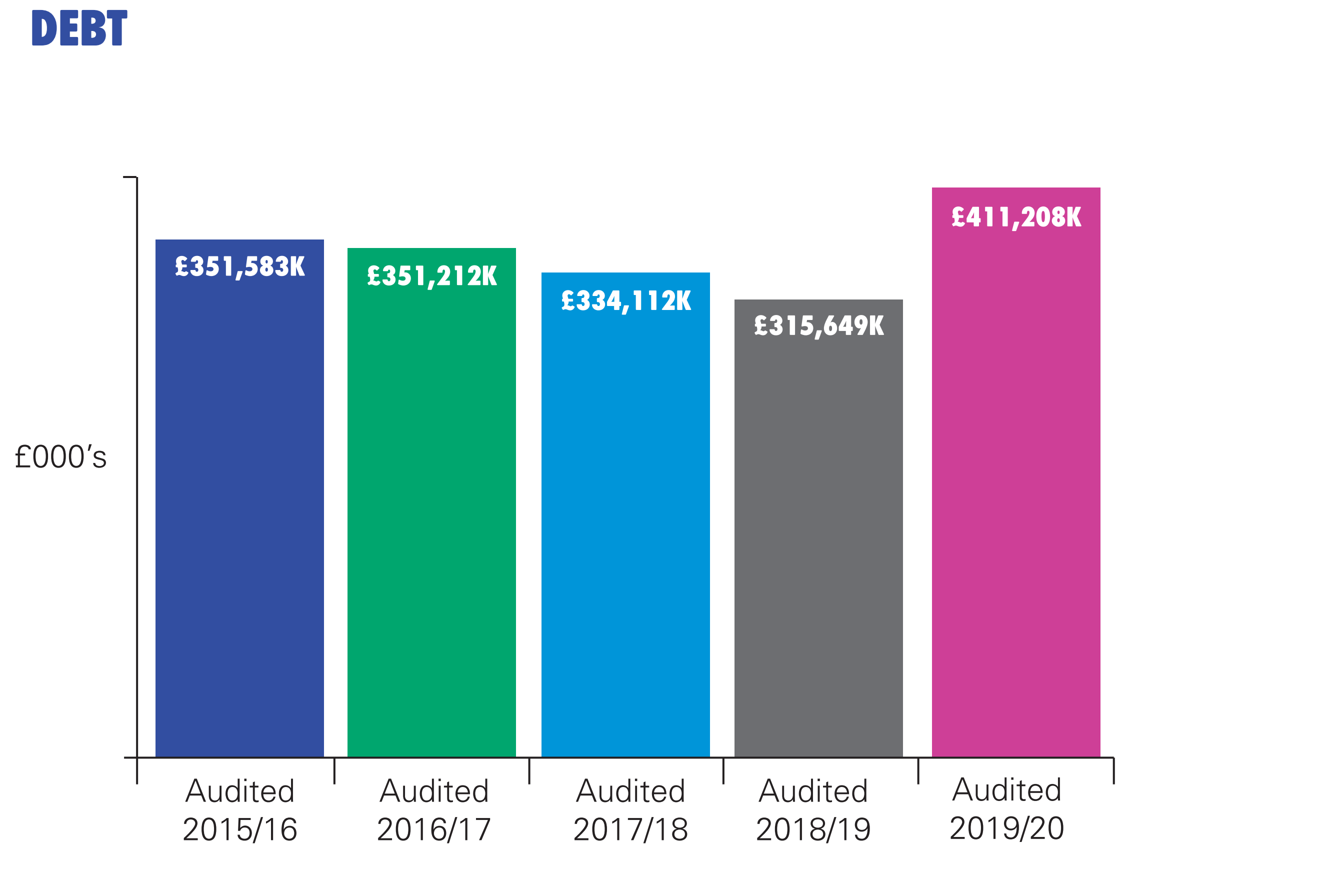
- Operating surplus £24m, up from £22.9m, attributable to:
  - Grant recognised on delivery of 165 new units under our development strategy
  - Surplus on delivering first tranche sales
  - Gain on pensions, management decision to address cost of AGPS
  - Offset by increased R&M investment
  - Last year of 1% Rent cut
  - Decision to redevelop Ripleyville and carry out fire safety works to the two low rise tower blocks
  - Increased H&S spend by £1.9m to a total of £3.6m
  - Additional depreciation following 2019 revaluation gain
- Small deficit of £1.8m pre tax – completely in line with budget expectations
- Deficit wholly attributable to Nationwide break costs/fees of c £12.8m
- Limited impact from COVID-19 on these results

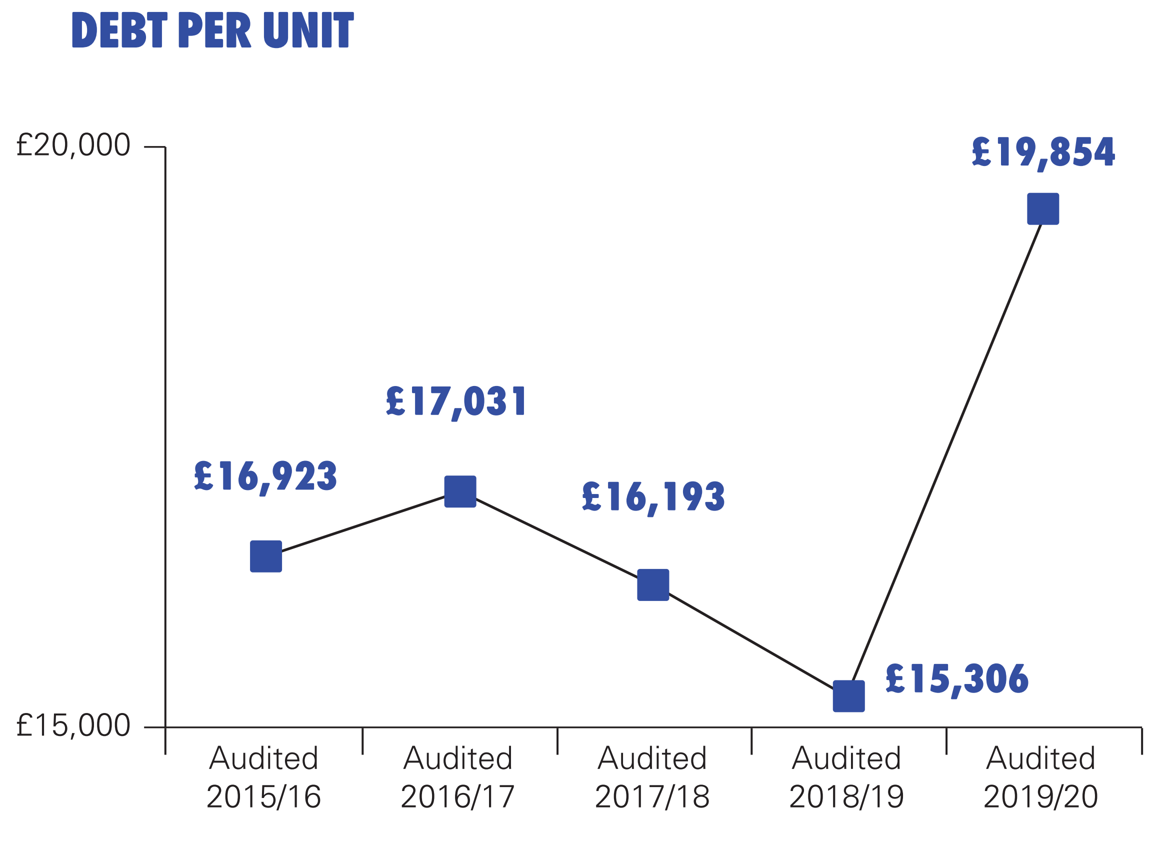
5 Year Summary Financials		Audited 2019/20	Audited 2018/19	Audited 2017/18	Audited 2016/17	Audited 2015/16
Turnover	£'000's	£100,496	£94,934	£96,058	£94,152	£101,415
Overall Operating surplus	£'000's	£23,996	£22,894	£30,256	£33,371	£35,970
Overall Operating Margin %	%	23.9%	24.1%	31.5%	35.4%	35.5%
EBITDA MRI interest cover	times	2.04x	1.94x	2.67x	2.23x	2.28x
Interest cover (social housing lettings surplus/interest payable)	times	1.30x	1.40x	2.02x	1.93x	1.87x
Indebtedness (inc finance leases)	£'000's	£411,208	£315,649	£334,112	£351,212	£351,583
Gearing	%	53%	47%	56%	58%	60%

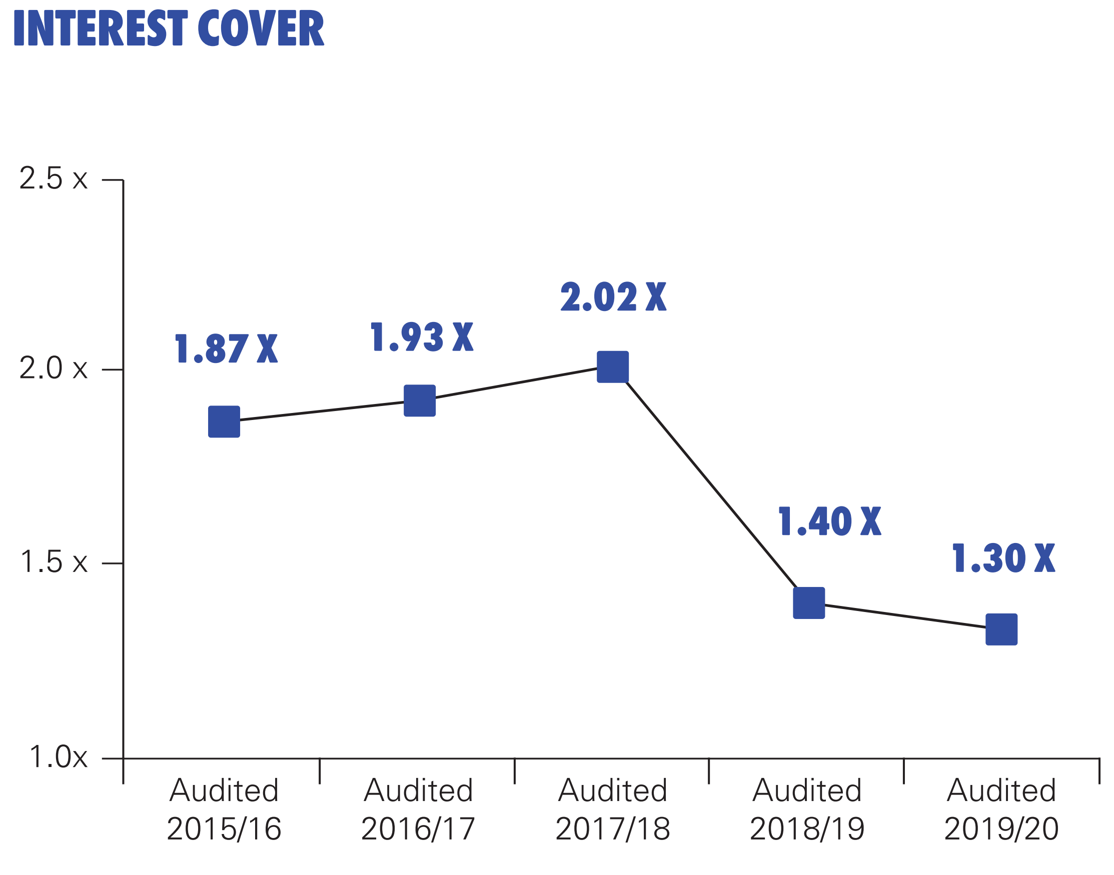
FINANCIAL RESULTS FY20 v FY19

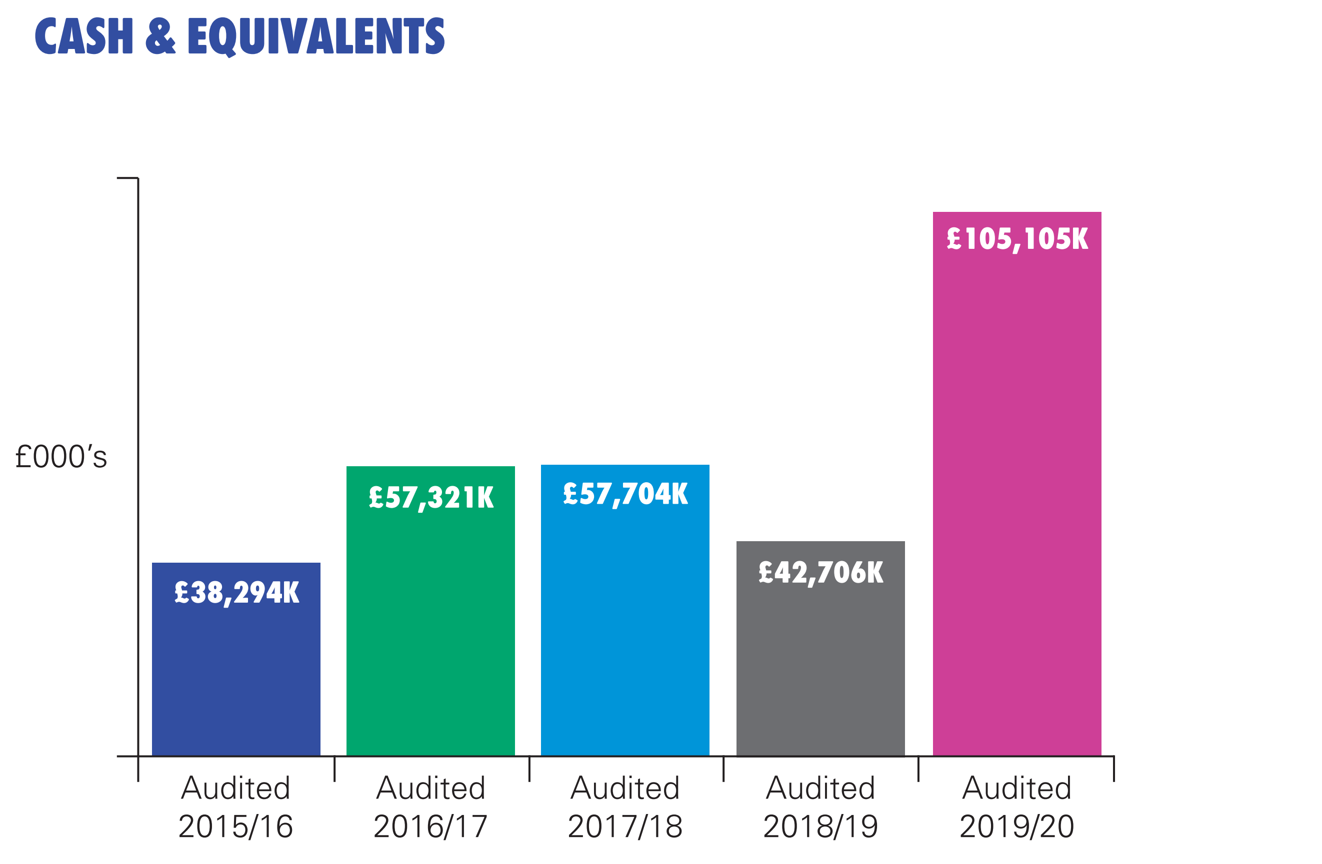
- Overall operating margin steady at 23.9% for FY20 compared to 24.1% for FY19
- Margin would be over 30% for FY20 if ignore impact of rent cut and pro-active asset management decisions
- EBITDA-MRI as a % of Turnover slightly down at 25.8% for FY20 compared to 28.9%
- Net current tenant arrears 2.3% up slightly from 1.96% - UC claimants, COVID-19 impact yet to be fully seen
- Voids and bad debts also steady at 1.6%, up from 1.4% of turnover
- Cost per unit up to £3,644 from £3,513 wholly due to increased investment in R&M
- Gross debt / EBITDA up from 12.9x to 16.2x – reflective of bond issue
- EBITDA / Interest expense improved to 1.9x from 1.7x

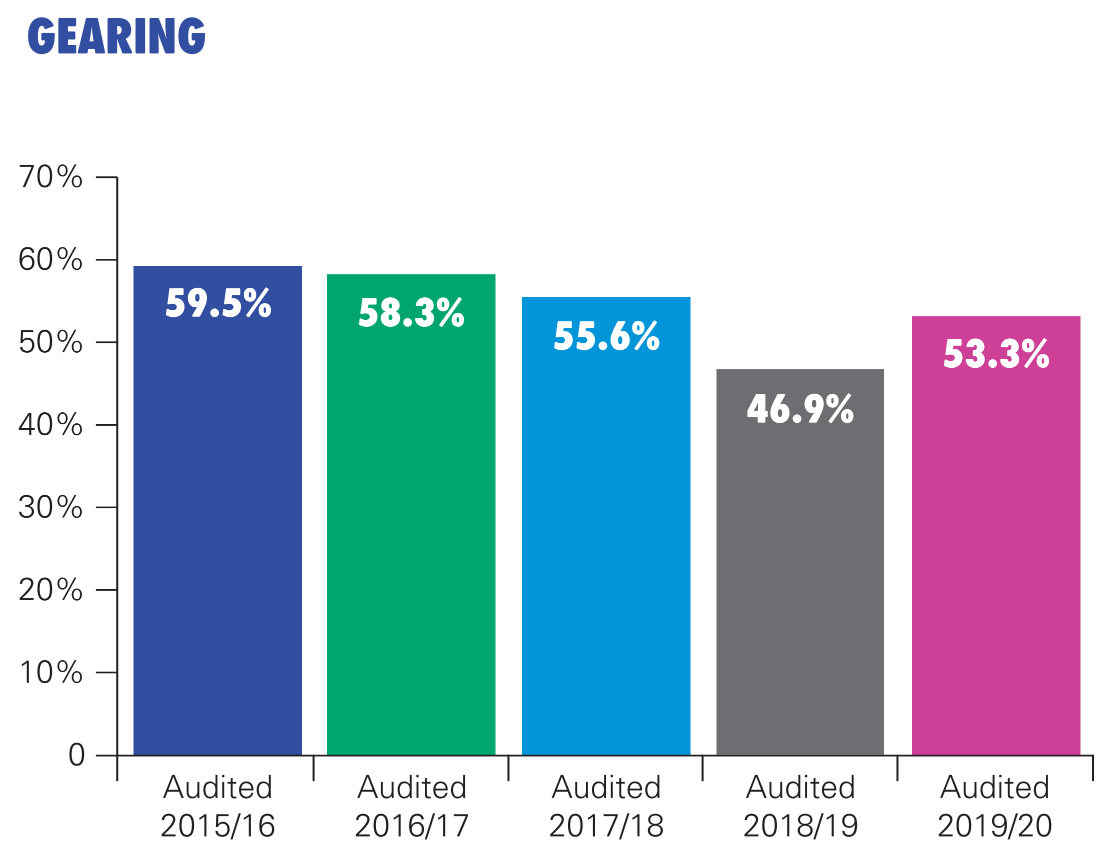
FINANCIAL METRICS

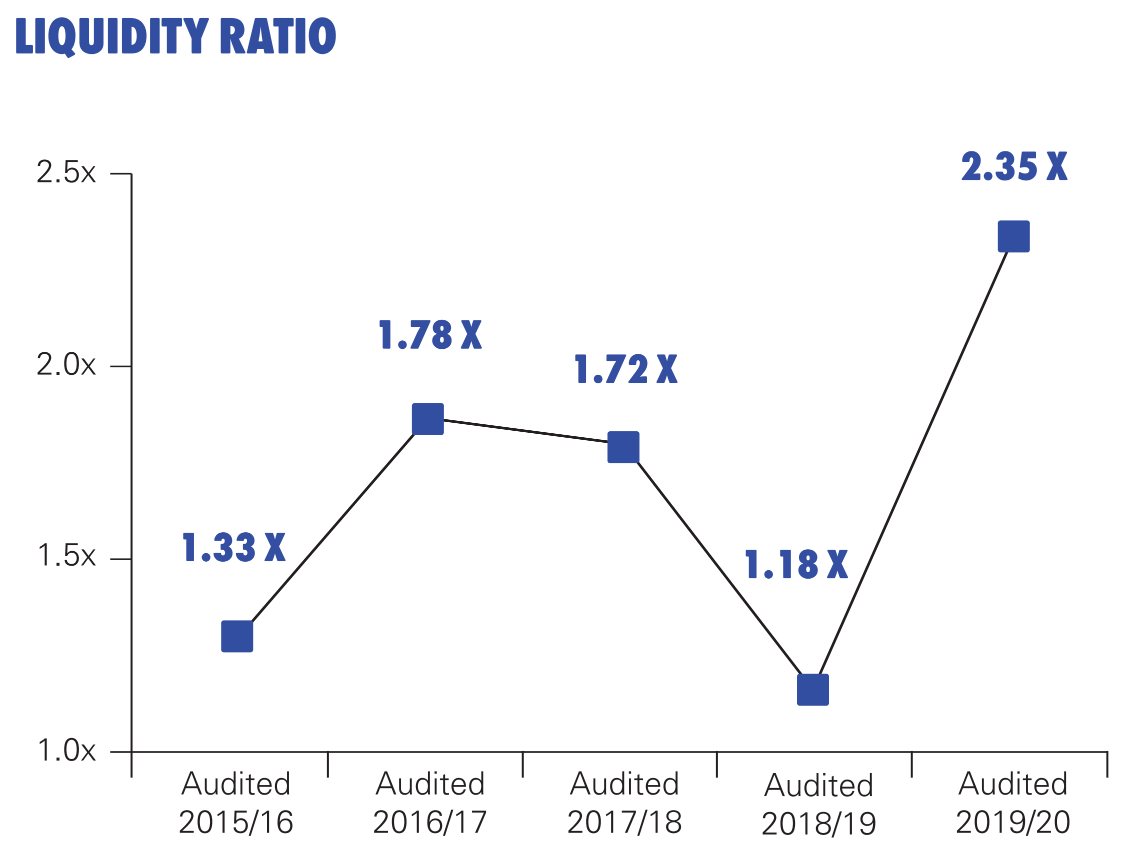












TREASURY

- Strong liquidity position, current and forecast - £105m March 2020
- 86.2% fixed interest at March 2020, average duration c 22 years
- WACOD down to c 3.5% from c 4.3% post refinancing work
- Gearing 51.7%, over £200m headroom on tightest covenant
- Income Cover 153.7%, c £7m headroom on tightest covenant
- Undrawn facilities, fully secured and drawable - £50m
- Retained Bond - £125m
- Treasury Policy and Strategy updated, reflects re-financing & financial plan
- Good levels of excess and unencumbered security:
  - Excess security with bank funders estimated at c £45m on borrowing of £235m
  - Excess security on £225m bond was c £16m at inception
  - Ex Nationwide security of c £239m, currently being prepared for use
  - Estimated value of unencumbered is c £82m

BUSINESS PLANNING

- Approved in March, same day as COVID-19 declared global pandemic
- Additional stress testing presented to May Board demonstrated Accent’s resilience in face of pandemic – initial impact assessment
- Plan incorporating our view of post COVID-19 environment approved at September Board
- Key headline within new plan is one of “balanced investment”
- Investment in sustaining and raising quality of existing homes, reflecting results of stock condition survey
- Development focus on rent and SO units – working to secure good grant levels
- 400 units p.a. is ambition, with negligible open market sales risk
- Good liquidity and capacity for additional fund raising
- At 31 March 2020 capex only £29m out of £104m is contractually committed, hence fully covered by cash and agreed facilities

BUSINESS PLANNING – GOLDEN RULES

UPDATED TO REFLECT FINANCING AND OPERATING ENVIRONMENT:

1. **Interest cover** – should not fall below 110%
2. **Gearing** – should not exceed 70% (debt per unit rule removed - no longer a bank covenant)
3. **Underlying business is cash positive** – in each 3 year rolling period
4. **Operating Margin** – medium term aim is to be in the 25%-30% range (new rule)
5. **Cash** – is sufficient to ensure funds can cover the forecasted net cash outflow on a rolling six-month forward looking basis
6. **Liquidity** – is sufficient to ensure funds can cover forecasted net cash outflow on a rolling eighteen-month forward looking basis
7. **Development expenditure risk** – development expenditure will not exceed available funds and facilities
8. **Development sales risk** – revenues from sales (from private units and first tranche shared ownership combined) will not exceed 20% of group turnover (new rule)

CONCLUSION

- Our geographical spread diversifies risk
- Over 90% of turnover is from social housing lettings
- 20,721 properties give us critical mass
- Strong balance sheet – housing assets of over £704m at EUV-SH
- Significant liquidity with £50m undrawn, fully secured facilities and c £100m in cash
- Low gearing of c 53% and debt per unit of £19.8k
- Significant unencumbered assets for use as security
- Strategic focus on customer experience and investing in digital technology to enable and create efficiency
- A+ and G1 / V1 rated
- Prudent and sustainable development strategy, negligible exposure to market sales risk


Q&A