



Investor Update

November 2022

Rob Griffiths – Deputy CEO & CFO

Rachel Challinor – Director of Governance

Peter Stubley – Head of Treasury

Presenter biographies



Robert Griffiths | Deputy Chief Executive and Chief Financial Officer

- Rob became Deputy Chief Executive in 2015 and has been the Group's Chief Financial Officer since 2006, having joined the organisation in 1994. Rob leads the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management
- Elsewhere, Rob is the Chair of the Housing Statement of Recommended Practice Working Party (SORP) and in 2016 was appointed as a member of the Financial Reporting Councils Technical Advisory Group. More recently, in February 2018, Rob was appointed as an employer representative to the Social Housing Pension Scheme (SHPS)



Rachel Challinor | Director of Governance and Company Secretary

- Rachel has worked for the Group since 2016, having spent eight years in a variety of governance roles, both in and out of the sector
- Prior to governance, Rachel spent a number of years working in the commercial finance sector and commercial lending



Peter Stubley | Head of Treasury, Planning and Compliance

- Peter is a Chartered Accountant and Corporate Treasurer and has been with Longhurst Group in various finance roles since 2007

Agenda

1. Introduction

2. Environmental, Social and Governance

3. Operational and Financial Review

4. Development Programme

5. Financial Results

6. Treasury and Financial Plans

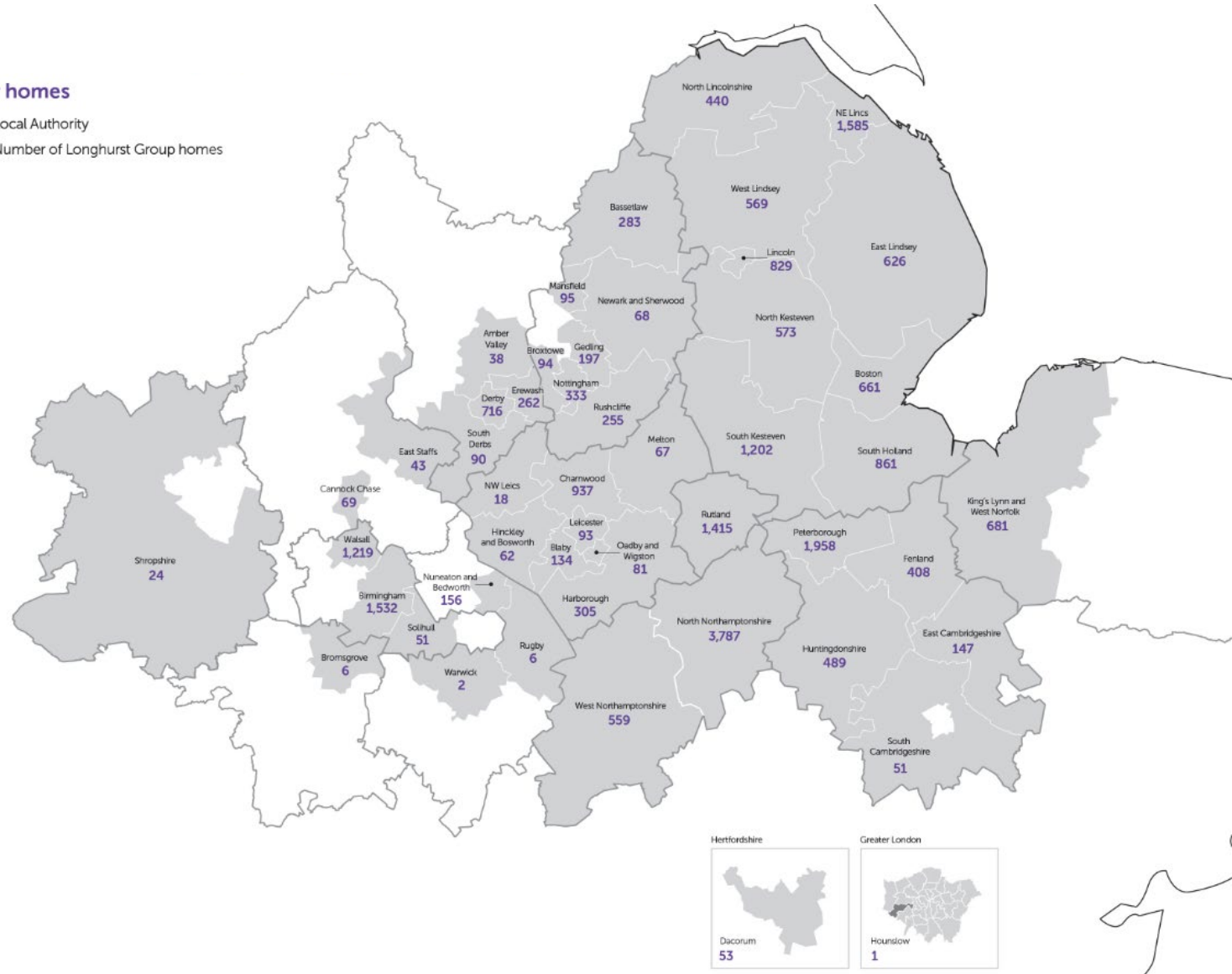
Overview

- Longhurst Group Ltd ("The Group") is one of the leading housing groups in the Midlands and East of England, providing more than **24,000 homes**
- Strong track record in delivering our development programme, forecasting circa **750 completions each year**
- The Group is guided by our core set of shared values, our vision is to **improve the lives of our customers and communities**
- Committed to maintain our consistent credit performance which is currently **Moody's A3 (Negative)** and a recently confirmed **G1/V2** status following an in depth assessment by the Regulator of Social Housing.

Our homes

Local Authority

24 Number of Longhurst Group homes



Longhurst Group in numbers



24,342

Houses owned
and managed



48

Local authorities
we work in



1,200+

Number of
colleagues



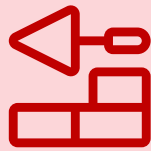
£156.13m

Our turnover



£1.26bn

Our portfolio value



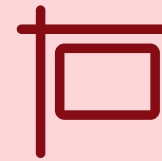
£79.5m

Investment in
new homes



75%

Customer
satisfaction



679

New homes
completed

External assessments



MOODY'S

Credit rating

- Moody's credit opinion published October 2022 with the credit profile of Longhurst Group Ltd has changed to A3 (Negative) from A3 (Stable).

Rating action

- Reflects the sector's high exposure to weakening economic conditions including high inflation, the risk of a housing market downturn and rising interest rates
- An outlook period typically lasts 12–18 months.



Regulator of
Social Housing

Regulation

- Following an in depth assessment (IDA) the Regulator of Social Housing published in November 2022 that Longhurst Group Ltd achieved rating of G1 for governance and V2 for financial viability.



Homes England

Development compliance

- Passed all Homes England Scheme Audits.

Current sector challenges

Economic effects

Inflation

- Experiencing high inflation throughout cost categories but particularly repair and development costs

Cost of living

- While the Group has a great starting point for arrears at under 2% at September 22, pressures on our customers and colleagues are anticipated as incomes struggle to keep up with the inflation individuals are experiencing

Interest rates

- As the Bank of England raises the base rate the cost of borrowing increases

Government rent cap

- 7% cap, 4% below potential rises and below the prevailing level of inflation

Building safety

- Fire safety and decent homes with a recent particular focus on mould and damp

Environmental targets

- EPC and net zero targets



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ESG Commitments

Building sustainable developments

- We are committed to ensuring our developments incorporate sustainability throughout our organisation
- All future developments will be EPC-B or above

Investing in our communities and supply chain

- We seek to continuously improve our engagement as an organisation to support the prosperity of both our employees and the local community we build in
- Proud to be a diverse and equal rights employer
- Acknowledge our responsibilities to ensure credibility throughout our supply chain

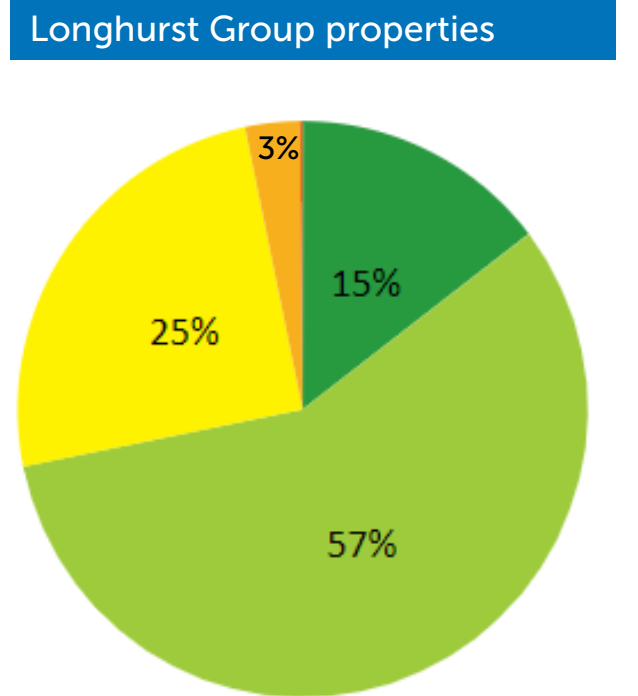
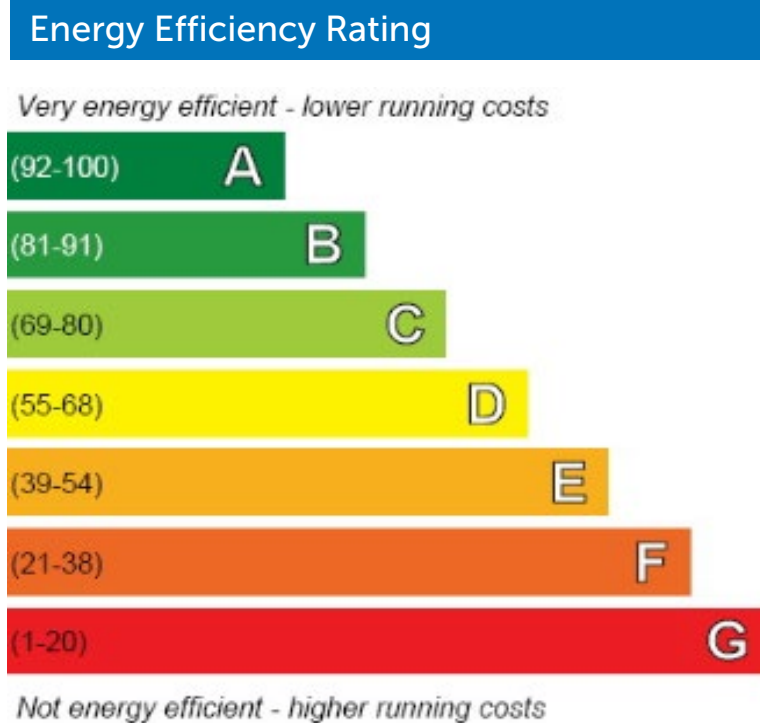
Incorporating ESG standards and strengthening regulatory compliance

- The delivery of our policy will be supported by aligning our objectives to 'The Good Economy Sustainability Reporting Standard for Social Housing'
- Annual disclosure to report on our Scope 1, 2 and 3 emissions as a minimum

Measuring our environment impact

Property performance

- 28% of stock currently below EPC C, majority of Ds only just below C
- Working with Savills to develop our environmental strategy for existing homes and profile sustainable investment needed to improve our properties and maintain them for the future
- Applied to Wave 2 of the Social Housing Decarbonisation Fund



Our social influence

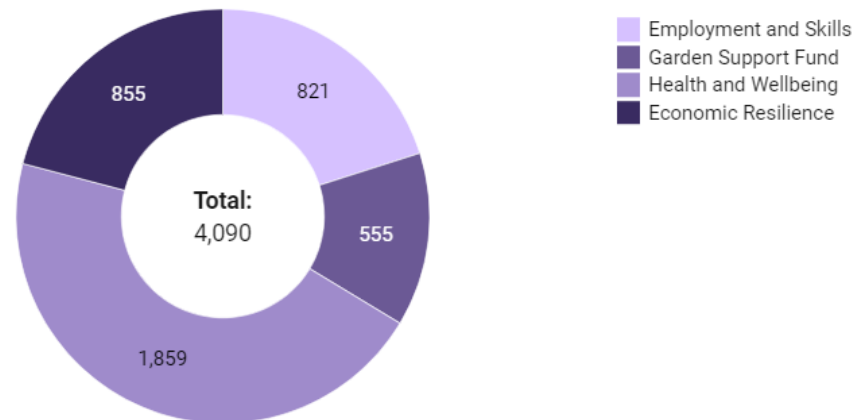
Focus our strengths and our resources into two clear areas

- Supporting people with their Health and Wellbeing
- Enhancing people's Economic Resilience

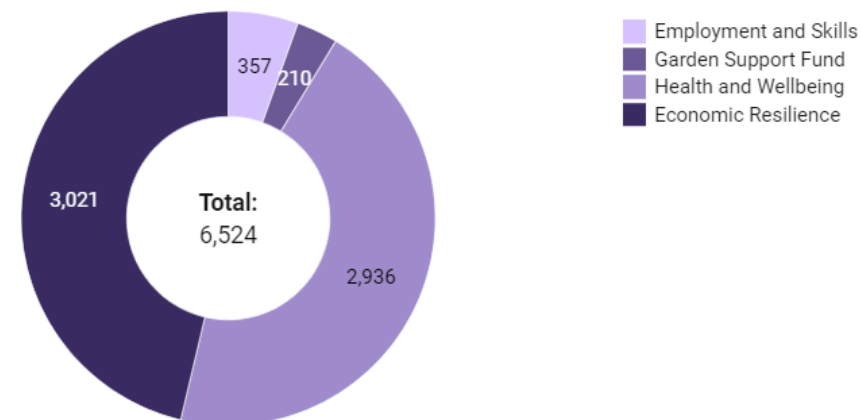
In delivering this strategy, our aim is to be renowned for

- Focusing on our customers and communities
- Delivering an integrated housing, care and support offer
- Providing the homes people want, where they are needed
- Building and maintain great partnerships
- Our people and culture

Social impact in £'000



Number of outcomes



**calculated using a blended and proportionate approach to identify social value, which has included HACTs, UK Social Value Bank and Insight tools, alongside unit cost data bases and a range of publicly available financial proxies*

Alison praises Longhurst Group's Employment and Skills Service for helping her find her perfect job

A single mum of two who lives on the Beechdale estate has praised our Employment and Skills Service for helping her secure an apprenticeship in her dream field.

Alison Pember was referred to the service by our Tenancy Sustainment Officer Rachel Antoine having recently gained her Level 2 Diploma in Early Years Childcare, but her college didn't offer Level 3.

With two young children, Alison wanted her next step to fit around her childcare needs, which is when Rob Friday, Employment and Training Advisor stepped in to help.

She added: "How I was taught to write a CV, it wasn't as good as how Rob helped me do it. I was told that a sentence Rob put on my CV was the reason I got offered the job within minutes of the interview. He supported me a lot with getting birth certificates and other documents to prove my right to work. He also sourced me a laptop to help with my apprenticeship work."

"I'm immensely thankful to Rob. I'd 100 percent recommend getting in touch with Rob and the team if you need some help."



"I just didn't really know where to turn or who to go to."

Our board



Jenny Brown
Group Board Chair
- Appointed in 2019



Angie Morris
Chair of People, Remuneration
and Nominations Committee
- Appointed in 2019



Gabriel Behr
Chair of Keystone
Developments
- Appointed in 2019



Damien Régent
Chair of Audit and Risk
Committee
- Appointed in 2022



Patricia Brandum
Chair of Development and
Asset Investment
Committee
- Appointed 2016



Clive Barnett
Chair of Finance and Treasury
Committee, Chair of Libra 1 and
2 Boards - Appointed 2016



Peter Hay CBE
Non-Ex Director
- Appointed in 2022



Parmjit Dhanda
Non-Ex Director
- Appointed in 2016



Philip Morris
Non-Ex Director
- Appointed in 2022



Chris Tyson
Non-Ex Director
- Appointed in 2022

Executive Team



Julie Doyle
Chief Executive

As Chief Executive of Longhurst Group, Julie Doyle has ensured a strong platform for future success by reshaping the organisation, achieving considerable value for money savings and delivering substantial growth.



Rob Griffiths
Deputy Chief Executive & CFO

Rob became Deputy Chief Executive in 2015 and has been the Group's Chief Financial Officer since 2006, having joined the organisation in 1994. He leads the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management.



Marcus Keys
Executive Director of Growth and Development

Marcus joined Longhurst Group in May 2019 and is responsible for increasing our mixed tenure development across the Midlands and East of England and securing further growth and joint venture opportunities with public and private sector partners.



Louise Platt
Executive Director of Housing, Care and Support

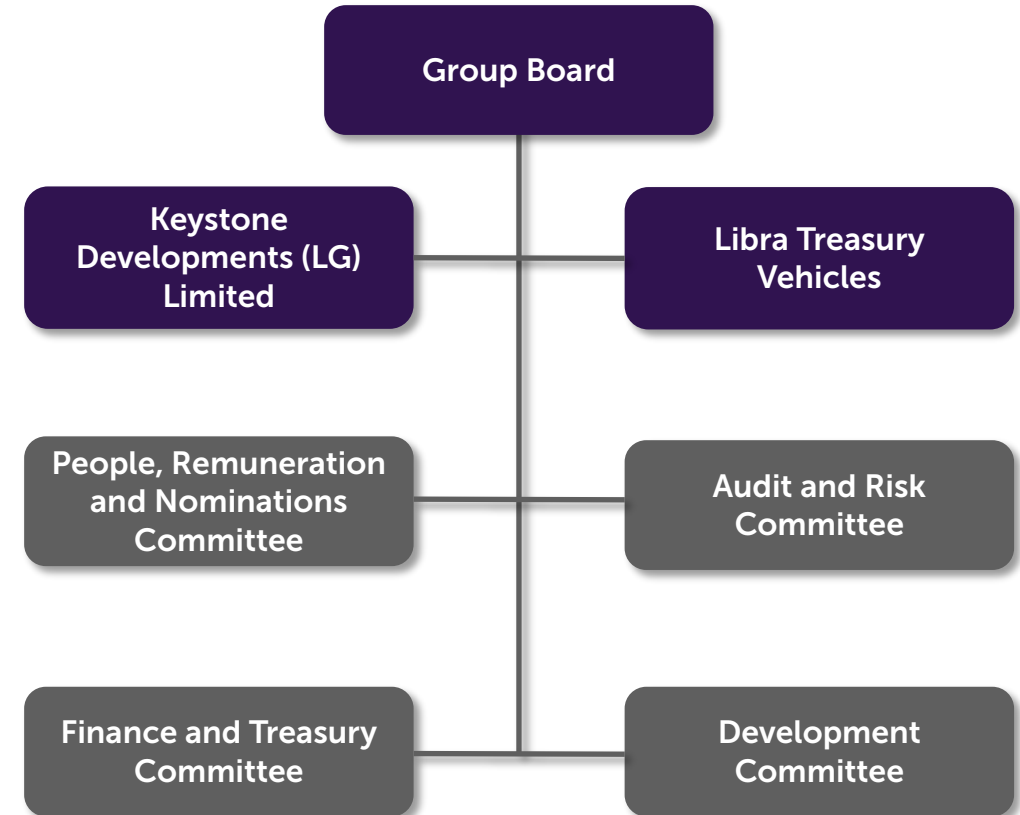
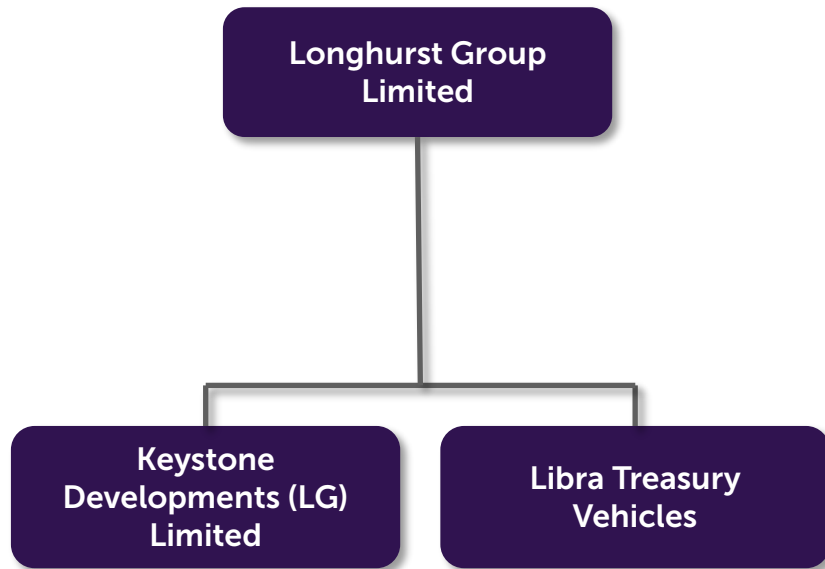
Louise's executive career started in commercial service organisations before joining the housing sector where she has worked for over 13 years, helping Axiom Housing Association achieve excellent ratings for governance and viability.



Lynn Stubbs
Executive Director of People and Performance

Lynn joined Longhurst Group in 1996 to lead on performance and quality initiatives within the organisation. Lynn was previously Director of Business Services at Spire Homes, responsible for operational areas such as property and customer services, customer and community involvement, along with quality assurance, regulation and marketing and communications.

Organisation and Board Structure



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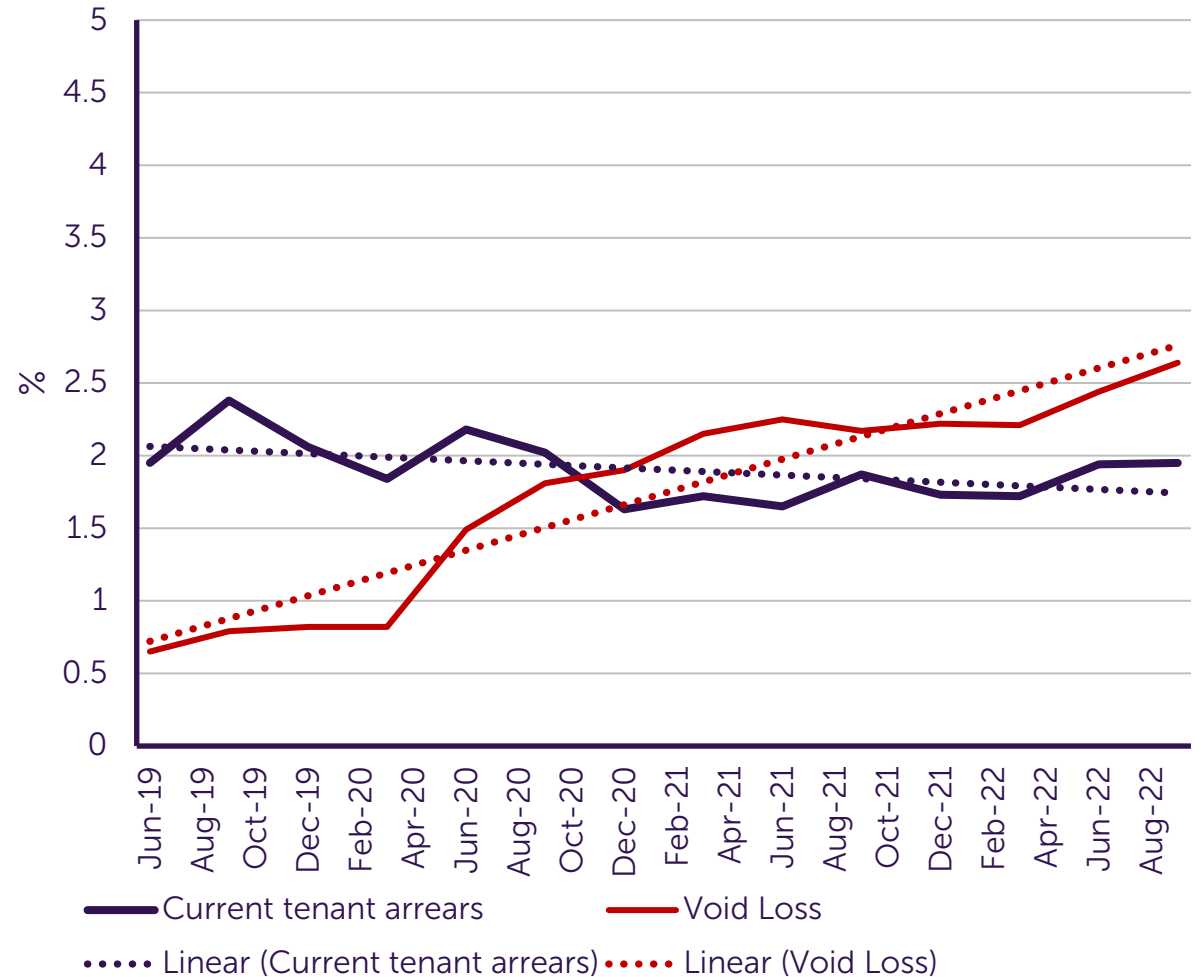
Operational performance

Arrears

- Arrears performance remains strong
- The management of arrears has been further strengthened to ensure any negative impacts are minimised

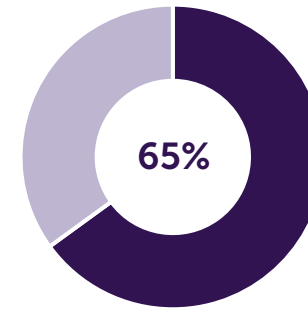
Voids

- Significant increase in void losses due to issues with void repairs WIP. New contractors are now in place to assist in the void recovery plan
- Increase in losses across all tenures.

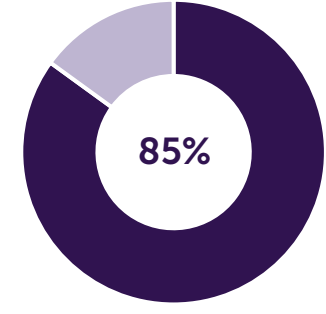


Customer feedback

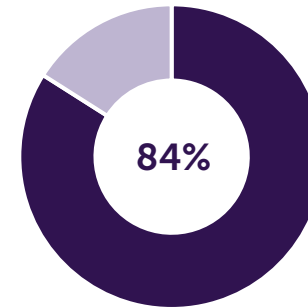
- Higher number of formal complaints received (2,057 in 21/22) as seen throughout the sector
- Expansion of team to address, resolve and learn from a customer complaints
- Mobilisation workshops with our new contractors ensure that our expectations, timescales and the importance of a high-quality complaints service have been understood and agreed from the outset
- Set up a dedicated in-house contact centre where customers can report their repairs, enabling a more efficient process for our customers but also allows increased information collection for repair orders



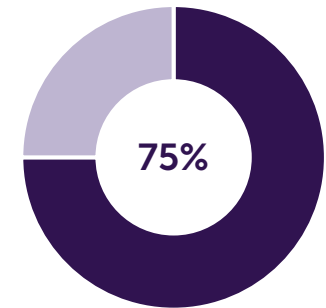
Formal complaints responded to within target



Non-emergency general repairs completed right first time



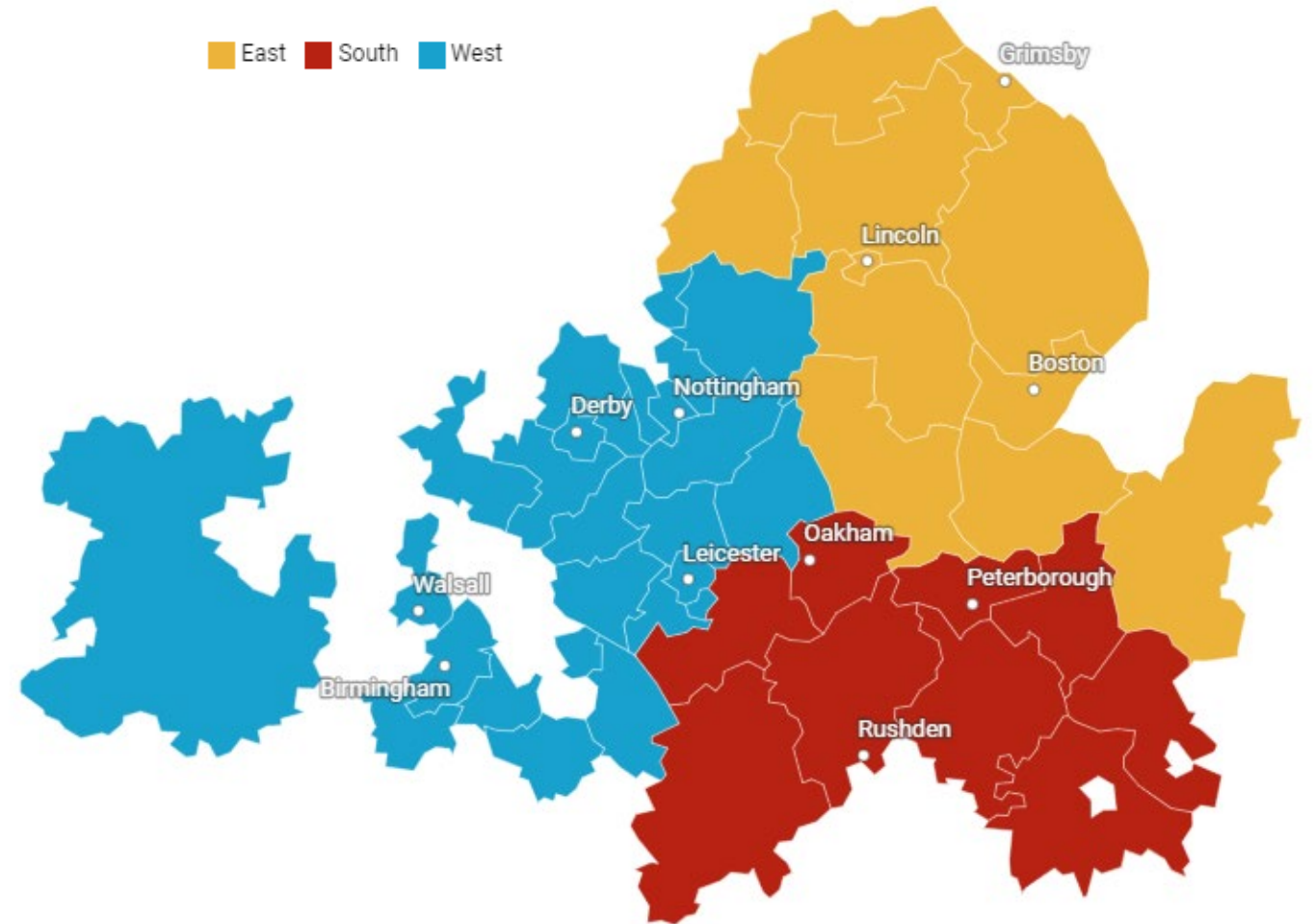
Emergency (general) repairs completed on time



Customers satisfied with overall service

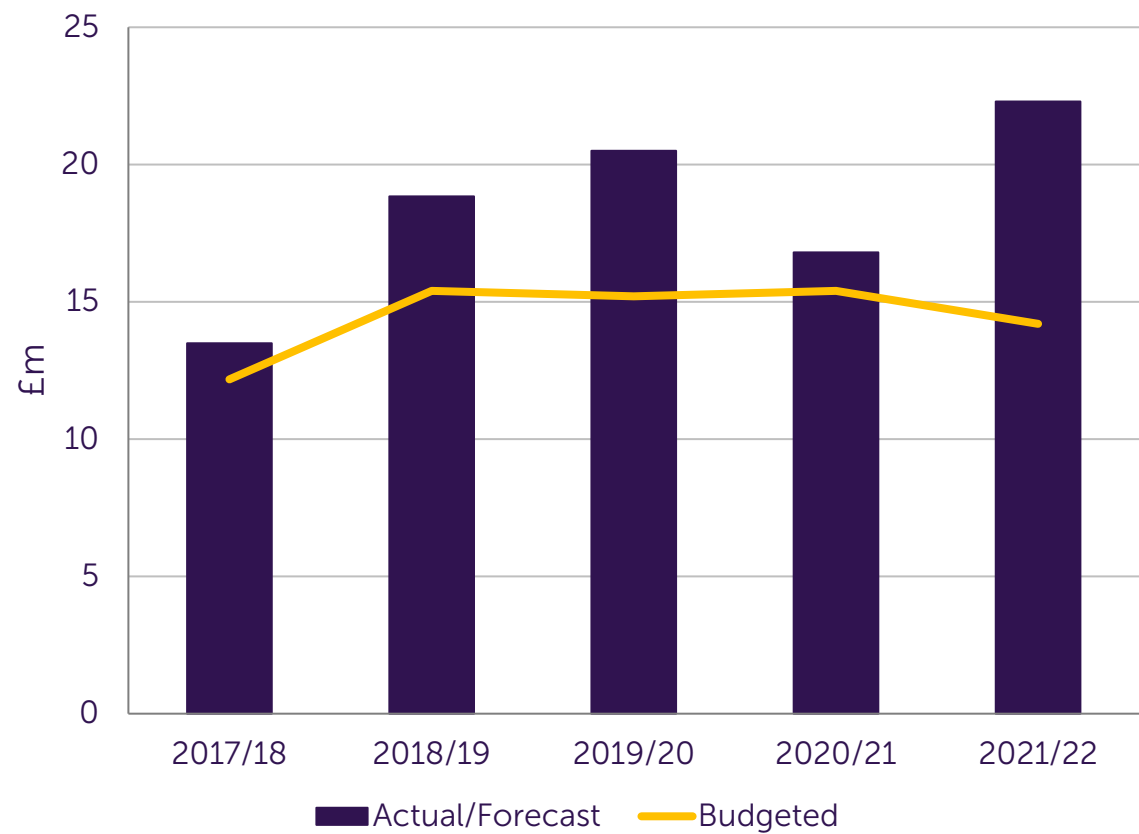
Repairs re-procurement

- Three contractors appointed from July 2022, 1 per region – mitigating risk and providing a more local focus
- Contractual levers to deliver savings and efficiencies over the contract's life (return on initial investment)
- Collaboration across all three contractors with the scope to widen and deepen the relationships as they mature
- Robust performance mechanisms built in to support effective contract management
- Call handling and diagnosis brought in house to focus on improving customer satisfaction
- Void recovery plan to tackle outstanding backlog and bring properties back into rent

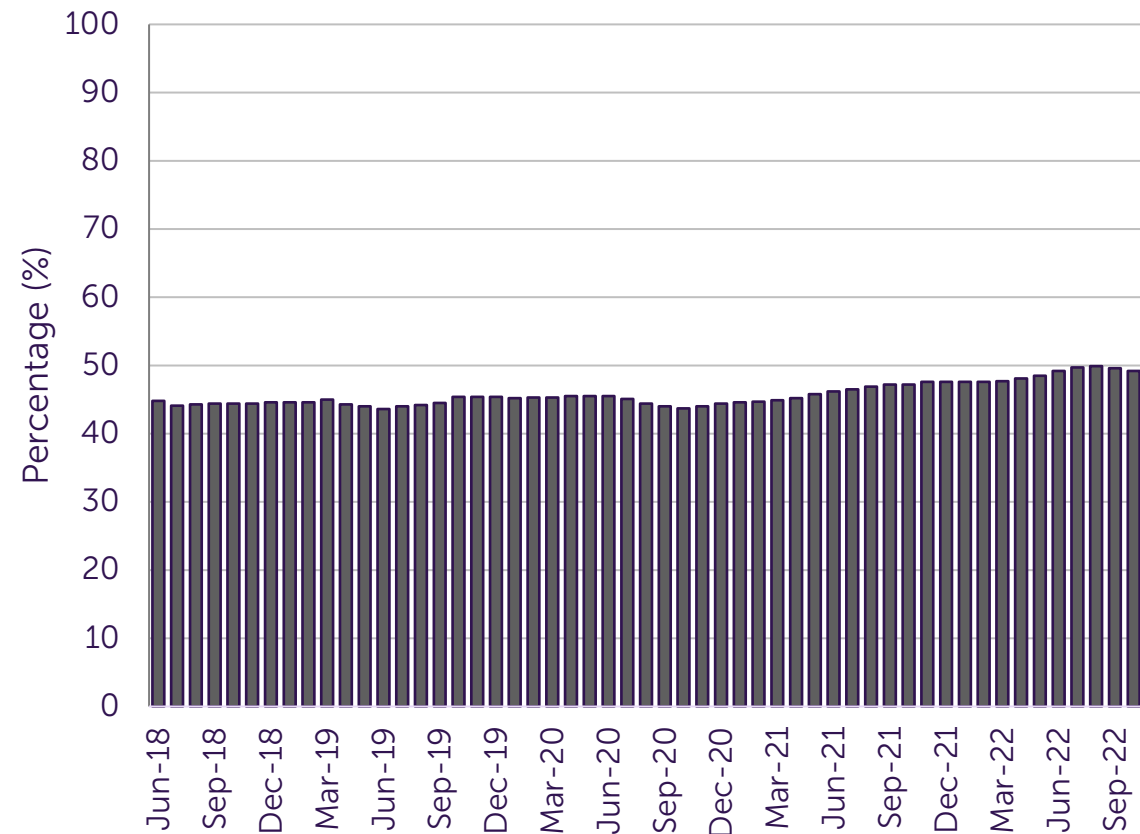


Property sales performance

First Tranche Sales Performance



First Tranche % (3 month rolling average)

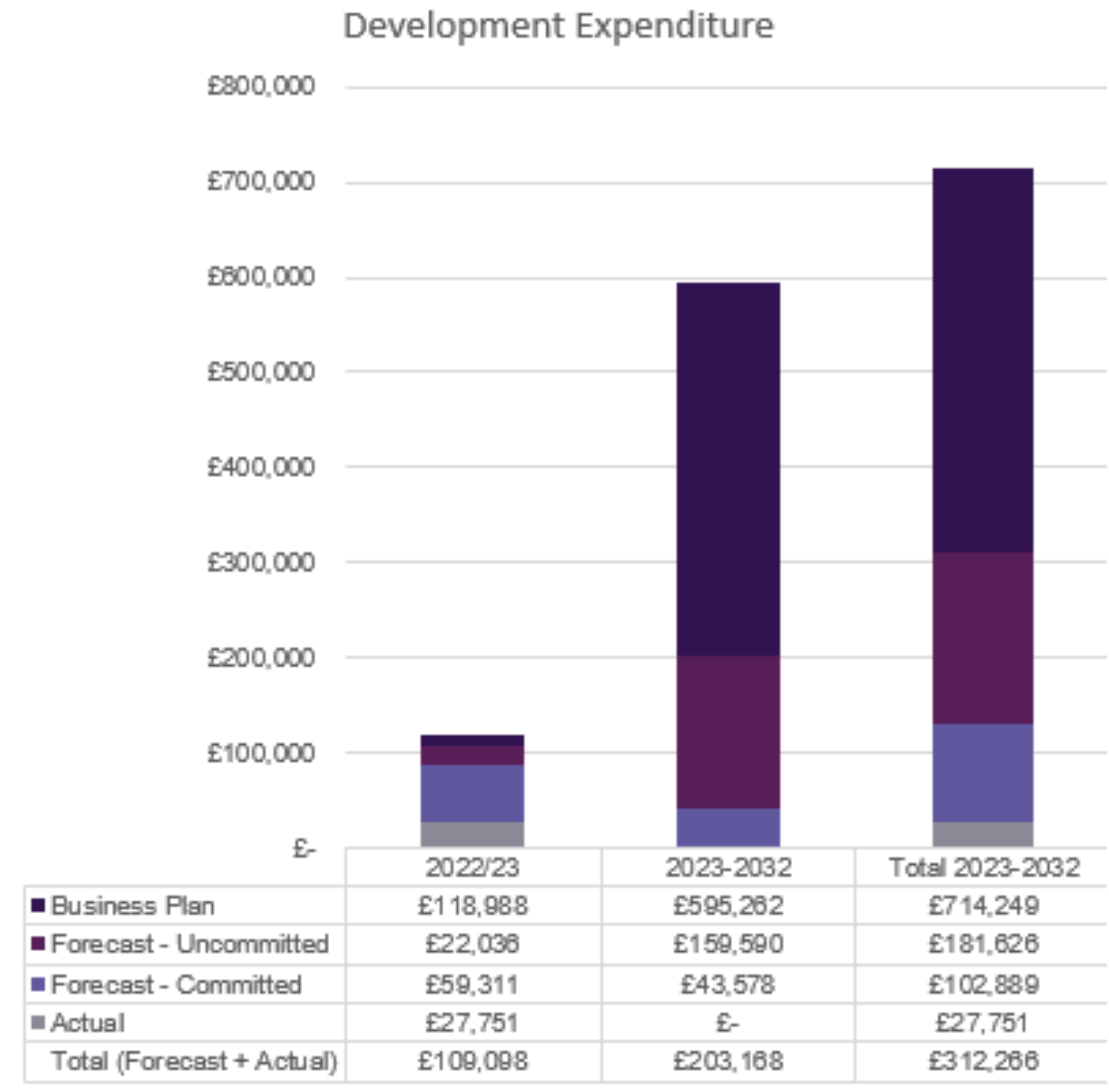


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Development – future plans

- £714m development spend forecast within the business plan
- Only £123.6m is currently committed expenditure, giving flexibility and resilience within the business plan
- £109.6m included as grant, the majority being for Strategic Partnership 2
- 3,898 property completions forecast over the first seven years of the current business plan
- Bid for long term SP contract successful – 1,850 grant funded units with start on site before March 2026 and complete by March 2028.



As reported to the Longhurst Group Development Committee 8 September 2022

Development strategy

Improving Lives 2025

- Accessibility and Space Standards:
 - Increase in minimum space standards being achieved
 - Building for Life assessments undertaken
 - Aftercare team restructured to include customer feedback and supply chain added value and social agenda

Geography

- Focus maintained on core 19 local authorities

Asset Maximisation

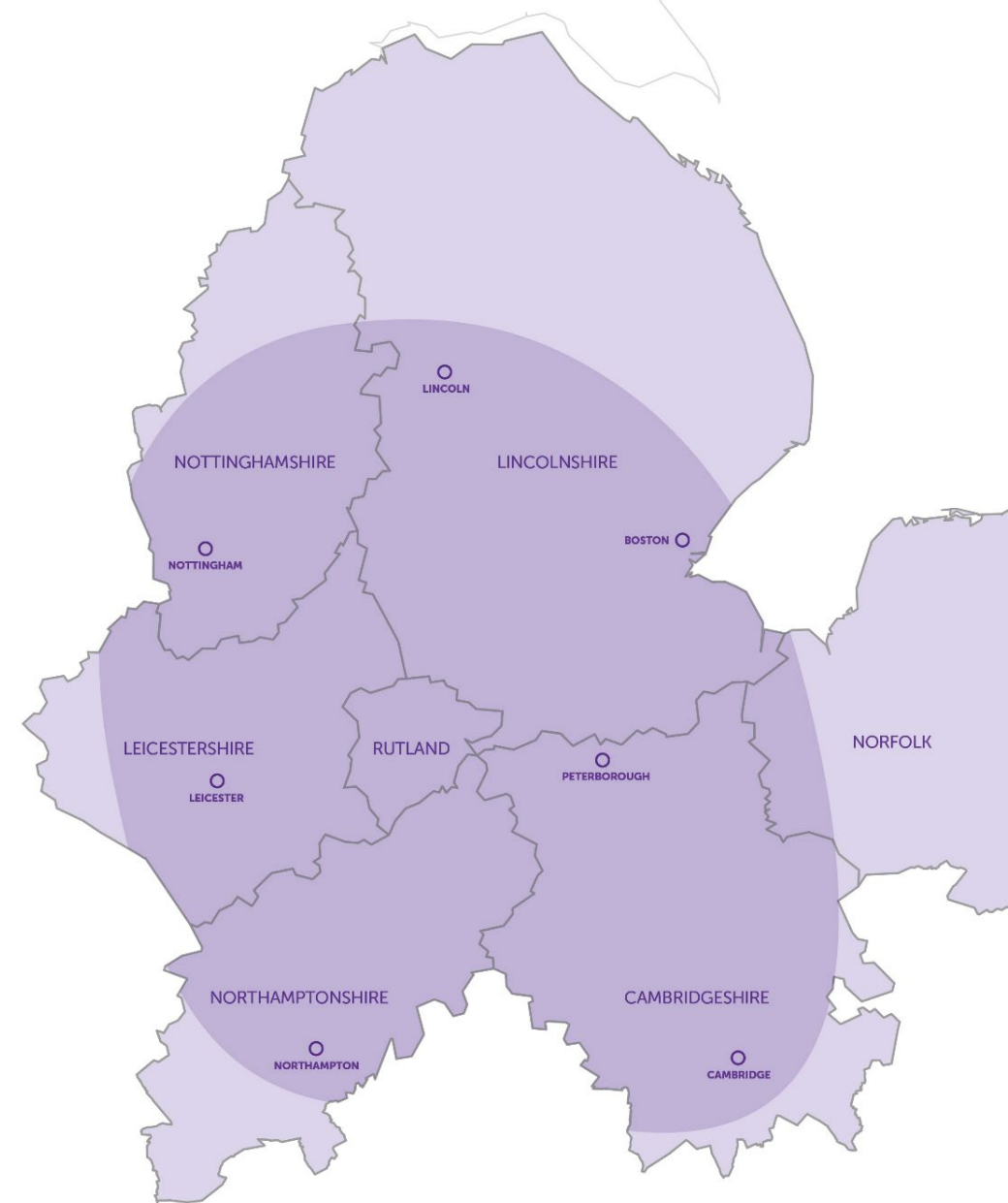
- Strategy approved in February 2022
- Social Housing Decarbonisation fund bid
- Asset disposal >£2.8m

Performance Measurement

- Implement a new ICT system for the complete development process, data analytics to help drive future decision making

Partnership Working

- Procurement of new legal panel: six partners and revised pricing
- Re-procurement of Blue Skies frameworks: Works and Services



Huntingdon development built using modern methods of construction

We're delivering the 56 home California Meadows development on California Road in the town using a modern method of construction (MMC)

This involves timber-framed panels being manufactured in factory conditions before being transported to the site and craned into place

The panels are built using sustainably-sourced timber and are delivered to site as complete wall panels with insulation and external cladding

Burmor Construction is the contractor working on this development on behalf of Longhurst Group and its Director, Patrick Burke, added: "We've been really excited to work on this innovative project with Longhurst Group, delivering affordable homes using a factory-produced MMC system and including sustainable technology such as ground source heat pumps



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Value for Money metrics

Metric	LG 2021/22	LG 2020/21	Peer 1 2021/22	Peer 2 2021/22	Peer 3 2021/22	Peer 4 2021/22	Peer 5 2021/22
Reinvestment	6.0%	5.9%	6.3%	7.7%	7.0%	9.4%	7.5%
New supply delivered	2.8%	1.4%	1.4%	2.3%	1.7%	2.8%	2.7%
Gearing	49.1%	50.3%	48.6%	29.6%	50.9%	49.4%	38.0%
EBITDA MRI interest cover	126.9%	117.9%	103.0%	274.0%	139.6%	143.5%	175.0%
Social housing cost per unit	£4,159	£4,212	£5,412	£3,693	£4,141	£3,560	£3,550
Operating margin social housing lettings	27.1%	28.1%	22.2%	30.2%	37.0%	28.3%	36.0%
Operating margin overall	23.8%	23.5%	23.0%	28.8%	25.2%	24.3%	32.0%
Return on capital employed	3.0%	3.0%	2.3%	3.9%	4.2%	2.8%	3.9%

Value for Money metrics track the sector scorecard, peers independently selected based upon geography, stock size and comparable business activity

Audited Financial Statements to 31 March 2022

- Increase in Turnover in 2021/22 due to increase in first tranche sales
- Market housing sales now predominantly through Evera JV
- Increase in operating costs due to repairs contract issues and also due to departmental restructures and agency costs incurred to cover vacancies and illness

	2022 £'000	2021 £'000
Turnover	156,134	152,775
Cost of sales	(20,323)	(21,113)
Operating costs	(98,579)	(95,802)
Surplus on disposal of fixed assets	3,106	2,098
Operating surplus	40,338	37,958
Surplus on disposal of other assets	334	0
Share of (deficit)/surplus from associated undertakings	(225)	457
Interest receivable	274	311
Interest and financing costs	(29,758)	(30,200)
Changes in fair value of investments	2	4
Movement in fair value of investment properties	585	44
Surplus before taxation	11,550	8,574
Taxation on surplus	133	(91)
Surplus for the financial year	11,683	8,483
Other comprehensive income		
Actuarial loss in respect of pension schemes	(69)	(11,524)
Cashflow hedge reserve movement	3,321	3,618
Movement in fair value of financial instruments	4,928	2,082
Total comprehensive income for the year	19,863	2,659

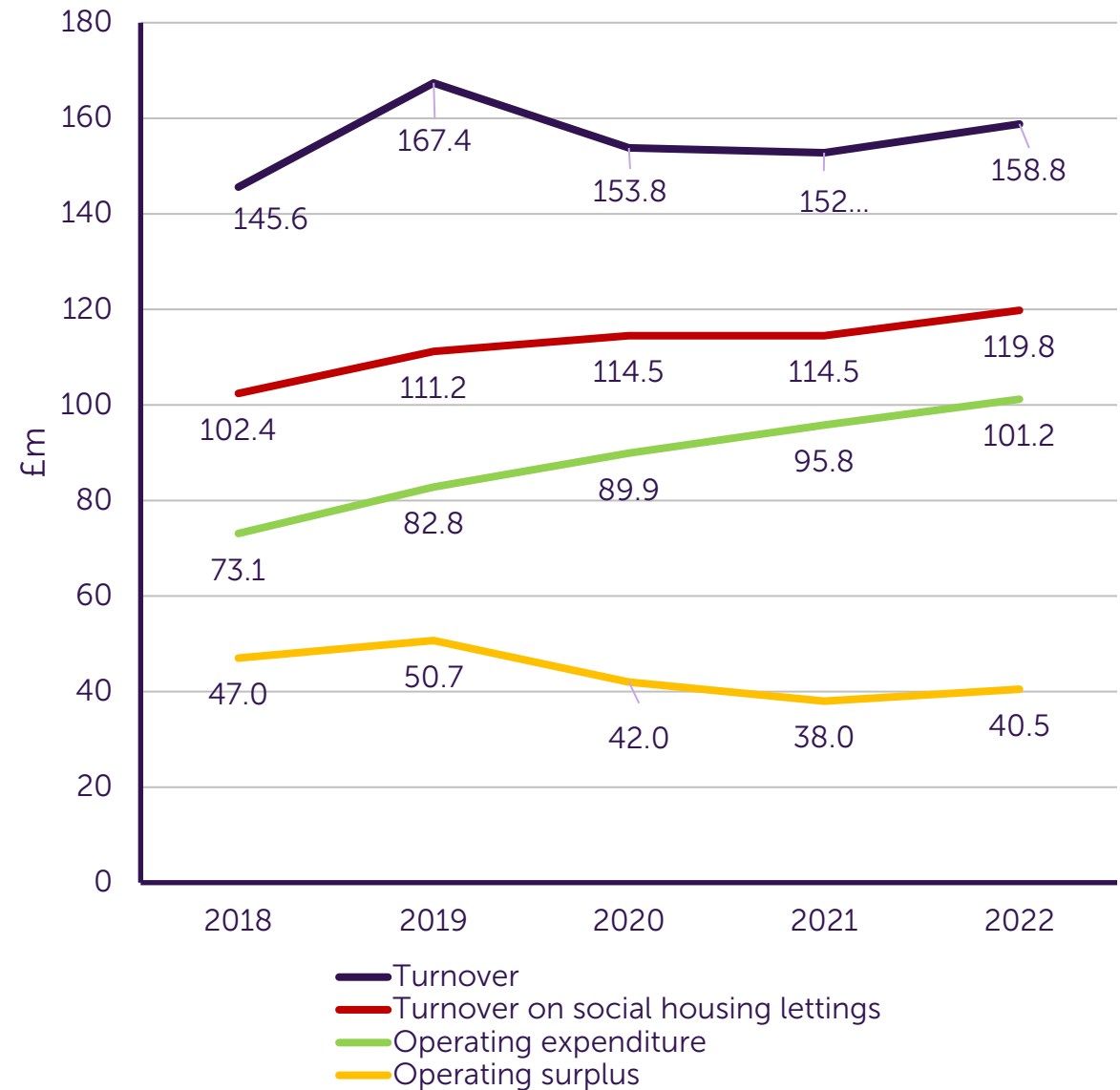
Q2 Trading Update

- Reduced Turnover due to increase in void losses September 2021
- Increased surplus on disposal of Fixed Assets compared to 2021 due to sales price between 20% to 40% in excess of their appraised values
- Increase in Operating costs reflecting increased investment in repairs and overall inflation
- Increase in interest costs following retained bond sale in April 2022 and August 2022 and also increase in interest rate from LIBOR to Sonia

	6 Months to Sep 22 £'000	6 Months to Sep 21 £'000
Turnover	81,325	81,622
Cost of sales	(10,016)	(11,898)
Operating costs	(50,426)	(48,643)
Operating surplus	20,883	21,081
Surplus on disposal of fixed assets	2,857	1,671
Share of (deficit)/surplus from associated undertaking	(158)	59
Interest receivable	399	191
Interest and financing costs	(15,312)	(14,960)
Changes in fair value of investments	-	-
Movement in fair value of investment properties	-	-
Surplus before taxation	8,669	8,042
Taxation on surplus	-	(17)
Surplus for the financial period	8,669	8,025

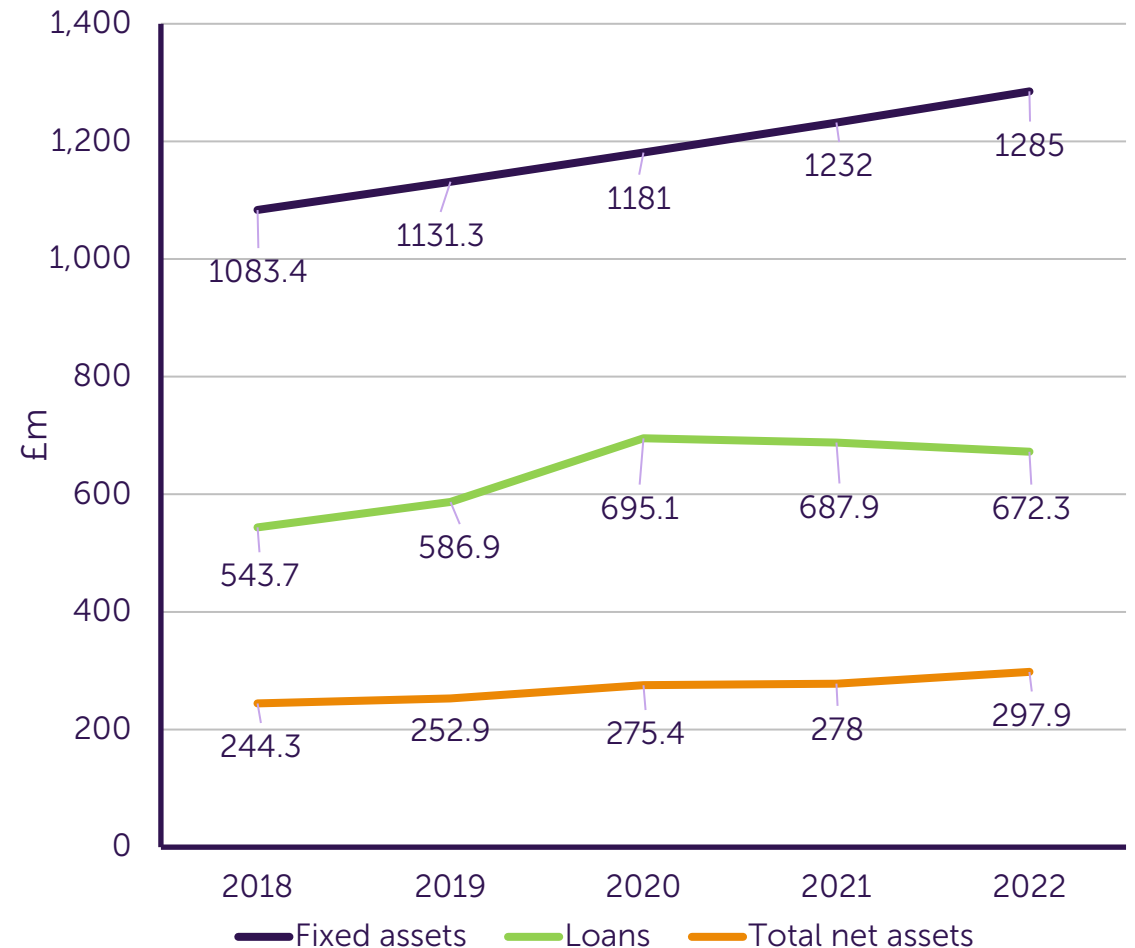
Financial Performance 2018 to 2022

- Turnover increased by 9% (+£13.2m) from 2018
- Turnover on social housing lettings increased by 17% (+£17.4m) from 2018
- Operating surplus decreased by 13.8% (-£6.5m) from 2018
- The Group's operating expenditure has risen by 38.4% (+£28.1m) from 2018
- Axiom Housing Association joined the group in July 2017, which is contributing to the increase in turnover from this point



Financial strength 2018 to 2022

- Net book value of fixed assets held on the balance sheet has risen 18.6% (+£201.6m) from 2018
- The Group's total net assets held on the balance sheet have risen 21.9% (+£53.6m) from 2018
- Loans and debt recorded on the Group's accounts have risen 23.7% (+£128.6m) from 2018
- The Group has a total insured rebuild value for property owned of £3.5bn



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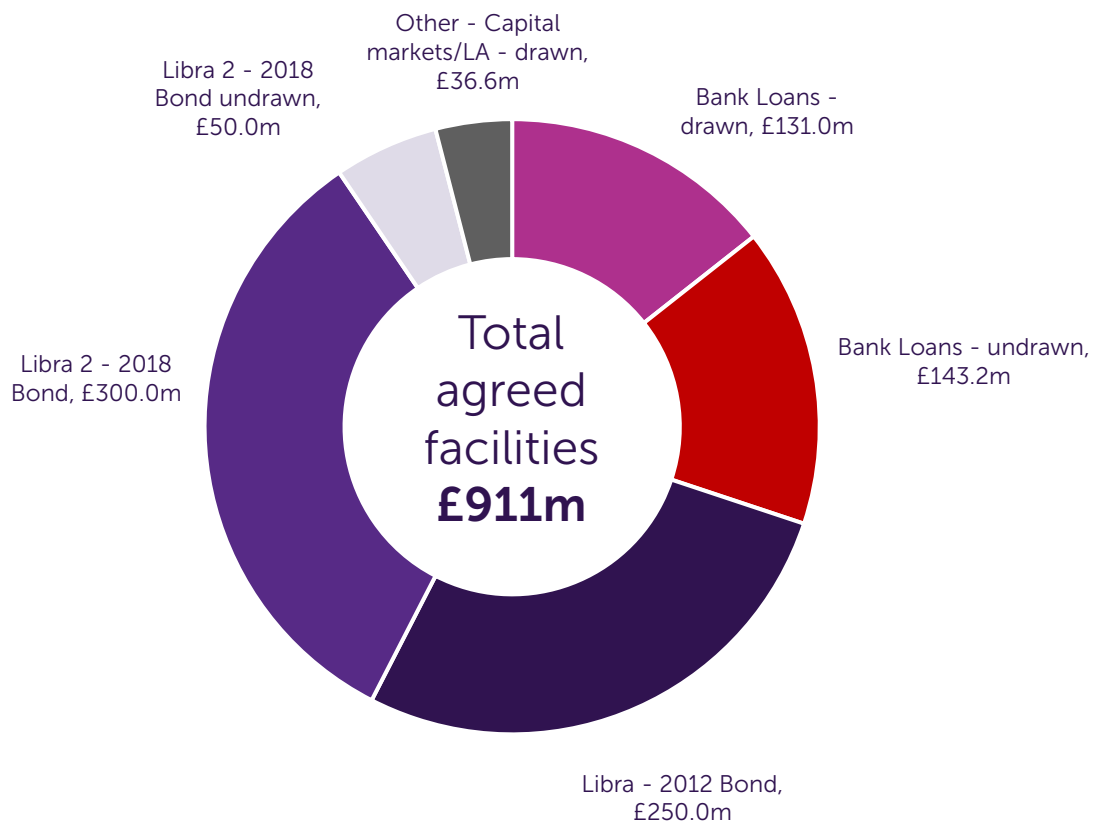
Golden rules

- The Group's consolidated financial plan has undergone a thorough and robust review of the key assumptions
- Extensive stress testing of the business plan has been undertaken with the Executive Team and the Group Board
- Scenario comparisons to the base plan were produced and how the Group could mitigate any adverse effect to the business plan these were then presented to the Group board
- We monitor performance monthly against business plan KPIs as part of our financial management reporting

	Q2 Actual	2021/22 Actual	Financial Golden Rules		Loan Covenant
			Amber	Red	
Loan gearing	49.7%	49%	62%	64%	64.4%
Interest cover EBITDA -MRI	183.8%	126.9%	130%	115%	110%
Operating margin - SHL	29.6%	27.1%	35%	32%	N/A
Operating margin	25.7%	23.8%	30%	26%	N/A
Liquidity	21 mths	27 mths	21 mths	18 mths	N/A

Treasury policy

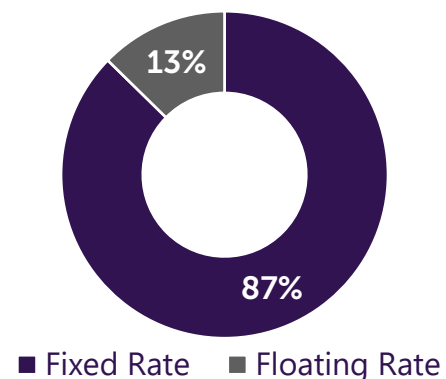
Loans Drawn/Undrawn



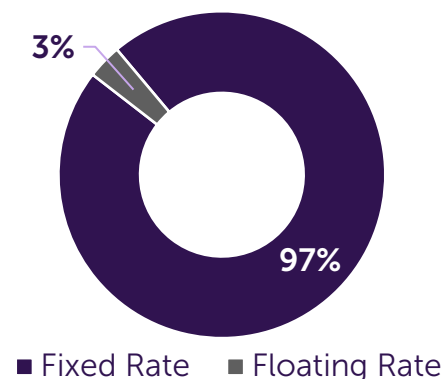
Outstanding Debt Balance



Fixed/Floating excluding Derivatives



Fixed/Floating including Derivatives



Data as at 30 September 2022

Property security



Secured

PORTFOLIO ANALYSIS | AFFORDABLE HOUSING

PORTFOLIO	No. of Properties	No. of Titles	No. of Funders	Loan Amount	Valuation	Headroom %
	23,731	4,134	8	£925M	£1,762M	29%

Unsecured

UNCHARGED STOCK ANALYSIS | AFFORDABLE HOUSING

No. of Titles	No. of Properties	EUV-SH	MV-T
791	5,631	£267M	£255M

Data as at 30 September 2022

Update highlights

- A **leading housing provider** across the Midlands and East of England
- Over **24,000 homes** owned or managed
- An **experienced, highly effective** and well established management team
- Ever **strengthening** financial profile
- **Strong track record** in delivering our development programme
- A commitment to an **environmentally sustainable** approach
- Strong **focus on social housing**
- Committed to our aim of **improving lives**
- Highly regarded by both Moody's and the Regulator
 - Rated **A3 (Negative)** by Moody's
 - Rated **G1/V2** by The Regulator of Social Housing

