Platform Housing Group Limited

Results for the year ended 31 March 2021

29 July 2021

platform housing group

Contents

2020/21 highlights

Robust performance in unprecedented environment

1 Operational highlights

Robust response to Covid-19 crisis with arrears in line with pre-Covid levels

Shared ownership sales up on prior year after difficult first quarter

Progress on digitalisation agenda

Reshaped board, executive and leadership teams, aligning capabilities to new 2021-26 Strategy

2 Strategic priorities

Strong focus on customer engagement, driven by technology and data intelligence

Creating economic, environmental and social value

A ‘People Matter’ culture, with focus on continuous improvement

Developing strategic partnerships to lead, create and influence

3 Financial highlights

Turnover +5% and operating surplus +4.8%
Continued focus on cost efficiency

Second A+ (stable) credit rating from Fitch and regulatory G1/V1 affirmed following in-depth assessment

Gearing down on prior year end at 41.9% and EBITDA-MRI interest cover up to 218%

Successful £350m debut own name bond, established £1bn EMTN programme

platform housing group

Corporate Strategy 2021-2026

Platform: A Truly Modern Housing Association

Our customers
- Customers at the heart of everything
- Improved service & engagement

Culture of people and Continuous Improvement
- Living our values
- Developing and diversifying workforce

Sustainability, Environmental and Social Value Creation
- Investing in and improving community impacts
- Sustainable methods of working

Platform: A Truly Modern Housing Association

Economic Value Creation
- Invest in growth
- Safeguard financial strength and resilience

Digital and Intelligence
- Improve service through data and analytics
- Empower customers and colleagues

Leader, Partner and Influencer
- Working closely with local and national partners
- Influence policy making

Platform: A Truly Modern Housing Association

A better future for our customers – ability to offer a more flexible service where we support the future needs of customers by improving their access to services and how they interact with Platform

Using technology – implementing systems to enable our services and using data to better understand customers

Setting the highest standards – going beyond Decent Homes through the establishment of a Platform Standard

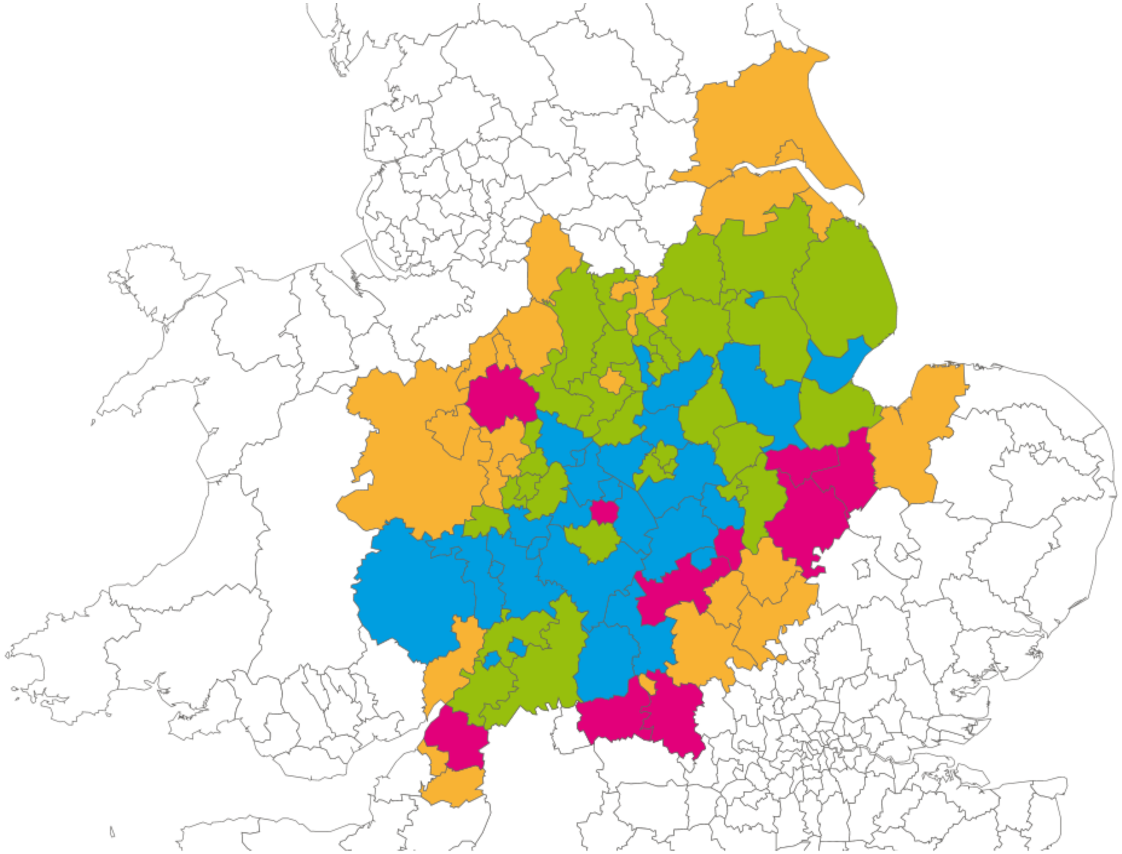
Sustainability, Environmental and Social Value Creation – sustainability reporting standard report published July 2021. Sustainable Finance Framework being established. Development of a Green Strategy that maps out road to net zero carbon

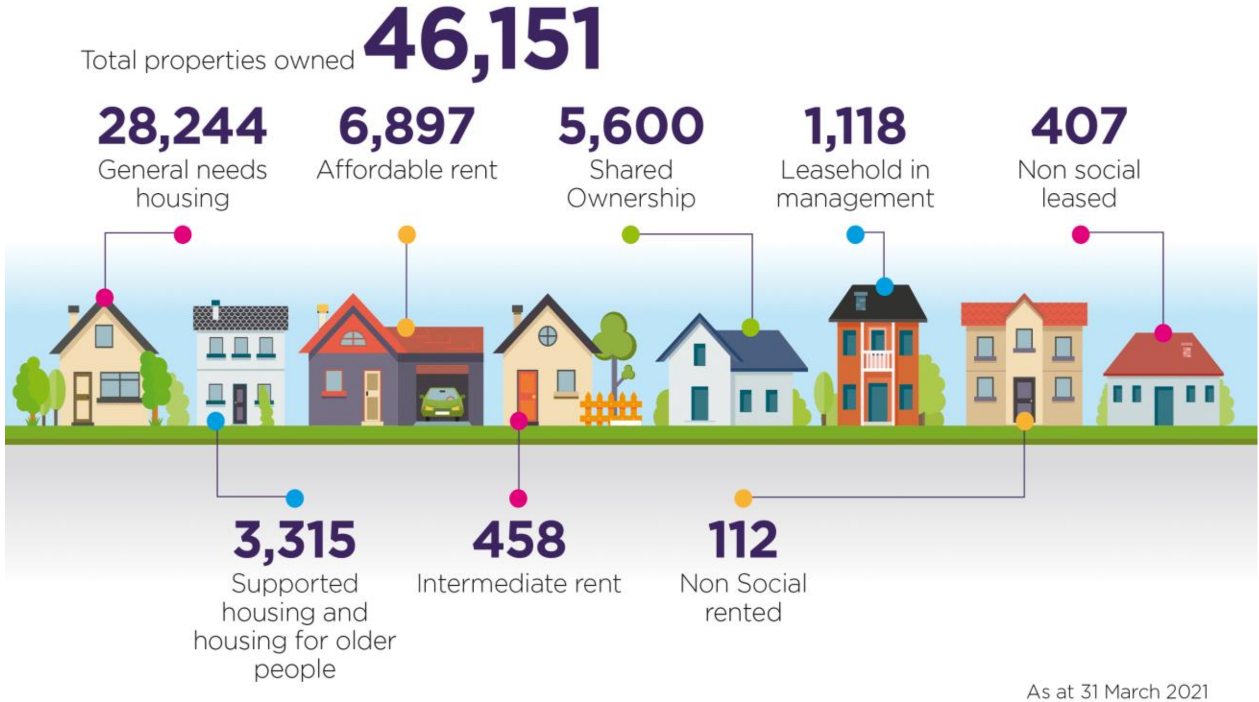
Financial Strength – complementing ambitions with a commitment to remain an A rated credit

Operational review

Our areas of operation and stock profile

- Existing and Opportunity Led Growth Only
- Existing and Priority Growth Area
- New and Opportunity Led Growth Only
- New and Priority Growth Area





As at 31 March 2021

platform housing group

COVID-19 update

Main impacts during the year

- Core services maintained – emergency repairs, health and safety compliance and estate management
- Use of the Furlough scheme in Q1 20/21 for 350 mainly maintenance colleagues
- Offices closed and working from home model implemented
- Building sites temporarily closed in Q1 20/21 and effects felt throughout the year
- Increased support for vulnerable residents and communities including housing a number of homeless people permanently
- Voids and arrears increased and re-lets slowed but were largely in line with pre-Covid by the year end
- Enhanced liquidity with £100m drawn from the CCFF

Projected effects for the year ahead

- Repairs and maintenance services expected to have an element of catch up, increasing costs in this area
- Strategic ambition to increase development output pushed back by a year, with 1,500 completions now expected in 2021/22
- Little impact expected to shared ownership sales as a result of the end of the 'stamp duty holiday'
- Increased levels of digital interaction with customers for lettings and sales activity
- Office rationalisation and increased home workers
- Expanded £1.4m wellbeing fund to support most vulnerable amongst our residents and communities
- Robust financial performance within Platform's Golden Rules

Environmental, social and governance (ESG)

Environmental

- Sustainability one of the key components of 2021-26 Corporate Strategy
- Group wide Green Strategy expected to be published this year
- Working with Anthesis to determine scope one, two and three green house gas emissions
- Currently ~70% of EPC's at C and above, ~95% at D and above
- Target to move all homes to EPC C and above by 2028

Social

- Core purpose to provide affordable, quality, sustainable housing
- 99% of our homes are affordable – no material private rented stock
- Platform rents are 63% of market rents in our areas of operation
- Strong commitment to the provision of affordable housing tenures to those most in need
- All homes developed in the year were for a social purpose, including 28% for social rent

Governance

- Early adopter of Sustainability Reporting Standard – our first report now available on the Platform website
- Board and executive team reshaped to align with new 2021-26 Corporate Strategy
- Credit rating affirmed with S&P (A+, stable), a new rating with Fitch published (A+, stable)
- KPMG appointed as external auditors
- Highest ratings for governance and financial viability, 'G1 / V1', affirmed by the Regulator of Social Housing in April 2021 as part of a scheduled IDA

Sustainability Reporting Standard Report - published 29th July 2021
Sustainable Finance Framework - in design

platform housing group

Brexit

Close board oversight of Brexit risks and opportunities, scenario analysis, stress testing and mitigation plans since 2016 including in latest iteration of business plan

Financial security

Liquidity strong with mid-2023 liquidity horizon and over 6,500 properties available to secure incremental financing

99% of debt fixed at year end largely eliminates interest rate volatility risk

Scenario planning

Ongoing stress testing to anticipate possible effects of economic distress (e.g. on housing values, bad debts and financing costs)

Strengthened business continuity capabilities

Development risk

Some inflationary pressures to costs noted

Creation of Investment Appraisal Panel to increase oversight of capital commitments

Procurement and operations

Worked with supply chain partners to agree mitigations and fully understand potential exposures. Limited exposure to non-UK eligible workers

Creation of new procurement strategy that incorporates the potential impacts of Brexit

platform housing group

Supporting customers

- Covid has impacted our customers' physical, mental and financial wellbeing
- Increased focus on supporting vulnerable customers
  - Increased proactive tenant support and rent collection
  - Introduced wellbeing fund and extended to £1.4m for year to March 2022

- A number of initiatives introduced to help manage arrears
  - Partnership with Stay Nimble to offer employment support and training
  - Self-assessment calculator developed to assist customers with eligibility to benefits and other schemes to maximise household income
  - Shift to earlier direct payments by DWP

- Year end arrears of 2.70% below pre-Covid levels

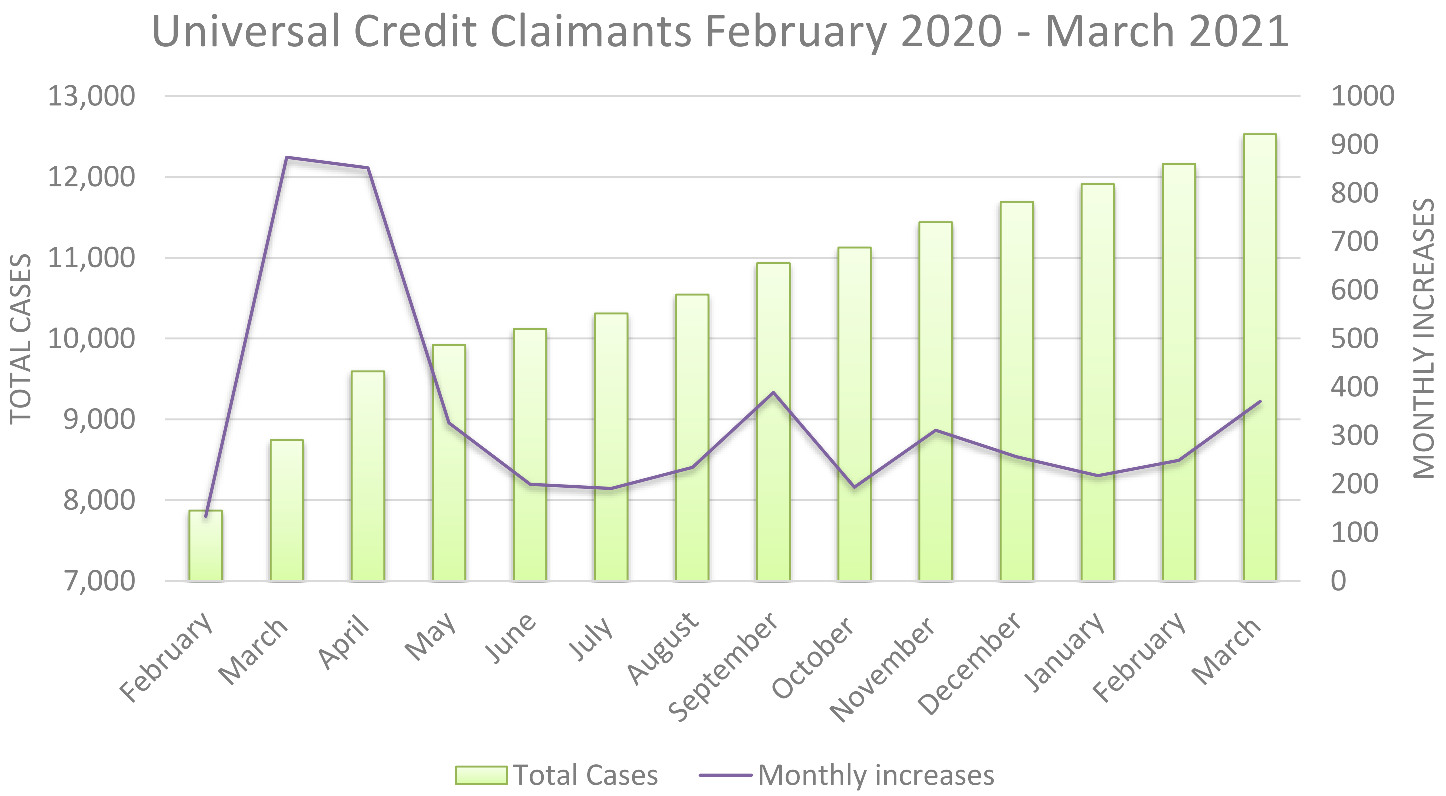
Recent evolution of arrears

	31 March 2020	30 June 2020	30 September 2020	31 December 2020	31 March 2021
Rent arrears	2.87%	3.01%	3.31%	3.12%	2.70%

See page 36 for notes, sources and defined terms

Universal Credit (UC)

- UC claimants increase due to continued national roll-out with some monthly acceleration due to Covid in March and April 2020
- 43% increase in UC claimants (12,530 at year end vs 8,743 in March 2020)
- Approximately 18,000 total cases expected after full roll-out



Enhancing the customer experience

Focus on supporting the 'resident voice'

- Customer Experience Panel, chaired by a customer and attended by the Board member lead for customers, focused on co-design of services and improving satisfaction
- Expansion of the Customer Experience Team with the goal of acting on feedback and improving satisfaction
- Developing an improved in-house survey tool to capture more informative data to better understand customers and enhance service provision
- Working with an external Customer Experience specialist to review and provide independent feedback on our existing customer experience journey
- Commitment to the National Housing Federation's 'Together with Tenants Charter'
- Participation in annual independent Institute of Customer Services survey
- Launching our 'Bring Your Best' cultural and behavioural change programme aimed at improving our interactions with our customers and the overall service that they receive
- Development of a High Level Action plan to focus on delivering improvements in customer satisfaction

platform housing group

Customer management

PlatformONE - ERP Project

- Project will transform residents' digital interactions with business
  - launched initial phases offering residents enhanced service and more customer insights
  - customer portal established with enhanced self service functionality for residents, over 5,000 signed up at year end
  - next phase will streamline lettings processes and deliver enhanced lettings and sales capabilities such as virtual tours

Voids

- Covid related factors increased void losses
  - slower property turnaround for re-let as safe working practices adopted
  - challenges with potential residents viewing properties
  - focused on reducing voids by using digital ways of working, with 95% of new tenancy sign-ups completed digitally by the year end

Recent evolution of voids performance

As at the year ended	31 March 2019	31 March 2020	31 March 2021
Number of void properties	550	550	422
Void losses (£000)	2,549	2,551	3,337
Void losses to social housing lettings turnover	1.3%	1.2%	1.5%

See page 36 for notes, sources and defined terms

Operations/asset management

- Capital repairs and maintenance activities lower due to access issues during lockdowns, slowing major repairs improvements and increasing revenue repairs costs
- Despite this, gas safety compliance dipped only marginally
- Redirected resources and expanded supply chain to tackle backlog created by first lockdown
- Programme to insource maintenance activities to Platform Property Care on track

Recent evolution of gas safety and fire risk assessment compliance

As at	31 March 2019	31 March 2020	30 September 2020	31 March 2021
Valid gas safety certificate (%)	99.8%	99.6%	99.2%	99.7%
Valid fire risk assessment (%)	n/a	99.0%	99.3%	100%

platform housing group

Development review

Development – background and strategy

Background

- Strong focus on social housing tenures
- Delivered ~5,500 homes over 4 years to March 2021
- Completions of 909 in year to March 2021
- Key strategic partner to Homes England with significant bid as part of 2021-26 programme
- Government policy towards ownership tenures and sustainable buildings

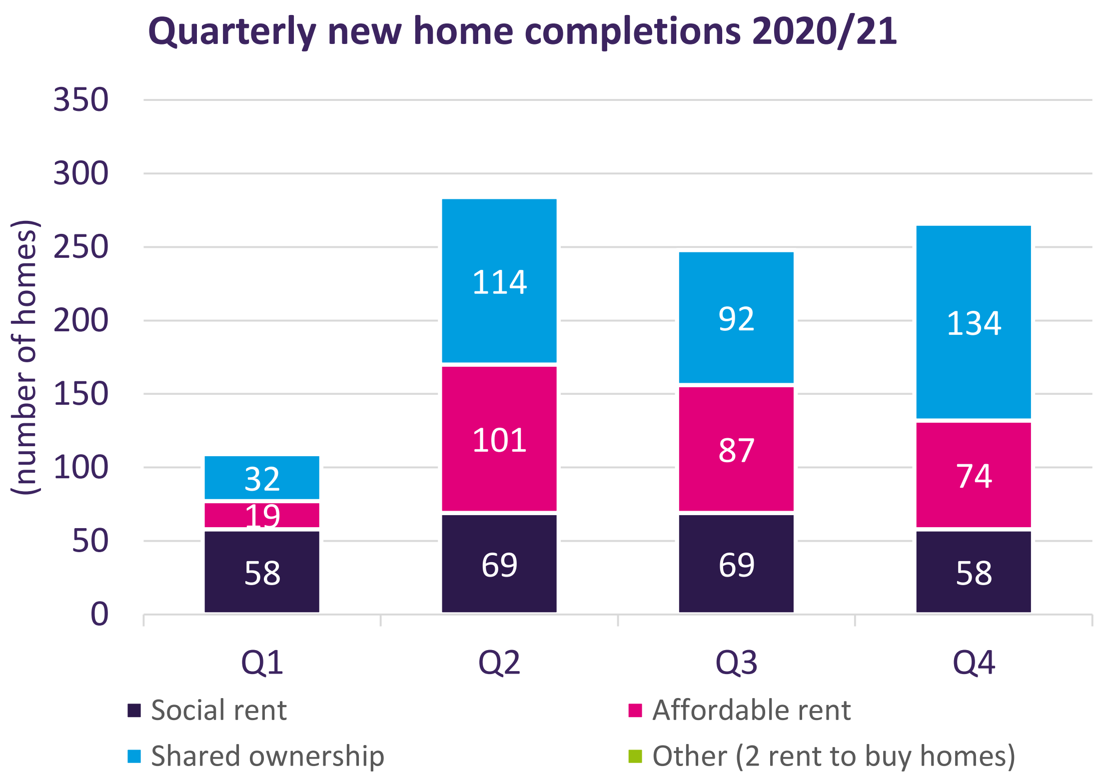
Strategy

- Current plan includes ~9,000 homes to 2026 of which ~4,500 from Homes England grant funded programme; aspiration to develop ~12,000 homes
- Social tenures remain key with non-social tenures increasing modestly
- New development leadership team to support growth, sales and delivery
- Increased focus on land-led development and carbon reduction

platform housing group

Home building programme

- Home building programme influenced by Covid
  - Many sites closed for part of the first lockdown
  - Reduced staff and social distancing slowed progress throughout the year
  - Increased lead times as the year progressed
- Completed 909 homes, all for affordable tenures and 28% for social rent
- Strong pipeline of over 5,000 homes over the next three years (of which ~ 3,000 committed)
- Significant bid to build ~4,500 homes as part of Homes England Affordable Homes grant funded 2021-26 programme with total cost ~£1.1bn and grant ~£250m



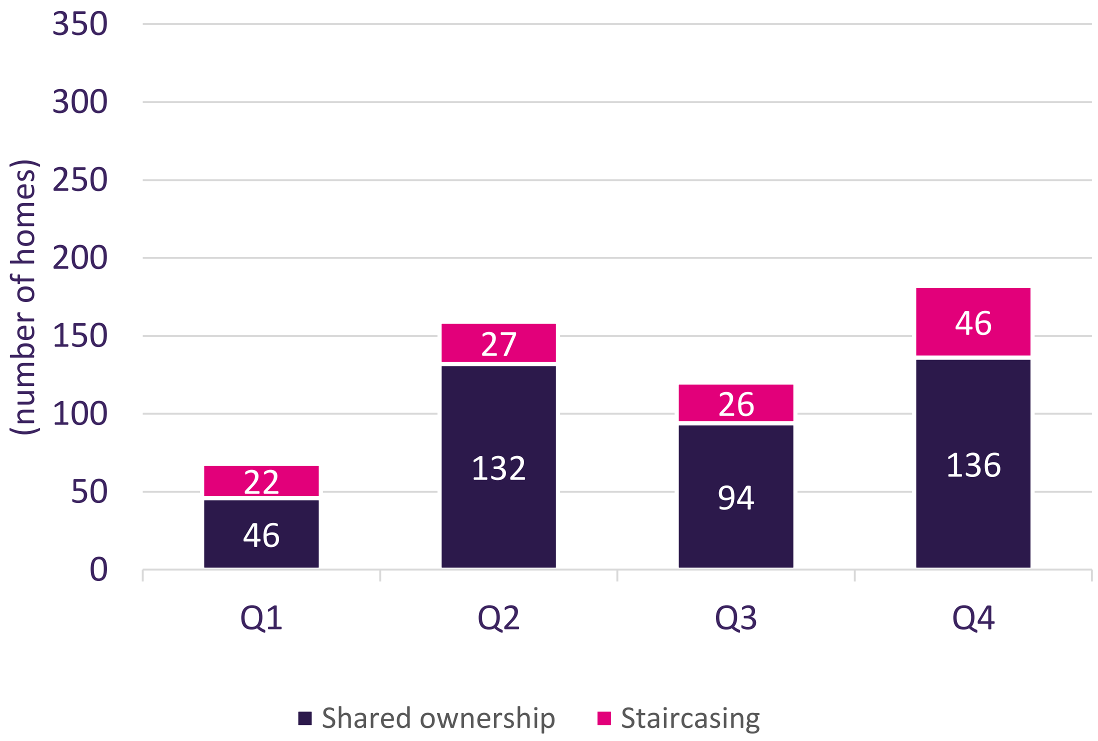
See page 36 for notes, sources and defined terms

Strong shared ownership market since lockdown eased

First tranche sales up 45 (12%) to 408
Staircasing sales up 33 (38%) to 121

Unsold stock down 35 (15%) to 206
of which 133 (65%) reserved

Quarterly shared ownership sales 2020/21



Recent evolution of unsold stock

	31 March 2020	30 September 2020	31 March 2021
Unsold stock	241	211	206

Shared ownership stock status (31 March 2021)

	Unsold	Reserved	Available
Total unsold	**206**	**133**	**73**
Unsold >6 months	**80**	**43**	**37**
Unsold <6 months	**126**	**90**	**36**

Financial review

Financial profile

- Turnover: continued focus on core social housing lettings, 83.5% of total turnover
- Margins: Efficient operations support leading operating margins and consistent reinvestment in new and existing stock
- Opportunity to capture further efficiencies in line with merger business case
- Strong credit metrics: High interest cover reflects strong margins and low borrowing costs
- Low gearing supports capacity for growth

Key metrics (change from 31 March 2020)

Average age of homes	35 years	(-)
Social housing lettings margin	42.9%	(+0.77ppt)
Reinvestment rate	8.0%	(-1.2ppt)
Average cost of debt	3.40%	(-0.4%)
EBITDA-MRI interest cover	218%	(+15ppt)
Gearing	41.9%	(-1.6ppt)

platform housing group

See page 36 for notes, sources and defined terms

Financial highlights

(figures in £m unless stated otherwise)	2019/20	2020/21	Change (%)
Total turnover	257.1	269.9	+5.0
Offices impairment	-	-5.9	n/a
Total costs of sales and operating costs	-160.4	-163.5	+1.9
Operating surplus (total)	96.7	100.5	+3.9
Social housing lettings turnover	215.1	225.3	+4.7
Operating surplus (social housing lettings)	90.6	96.6	+6.6
Overall surplus after tax (excluding pension actuarial adj.)	57.9	56.1	-3.1
Overall surplus after tax (including pension actuarial adj.)	76.2	37.6	-50.7
Capital expenditure on new homes	207.9	198.1	-4.7

(figures in £m unless stated otherwise)	12 months to 31 March 2020	12 months to 31 March 2021	Change (%)
EBITDA-MRI	113.3	120.2	+6.1

(figures in £m unless stated otherwise)	31 March 2020	31 March 2021	Change (%)
Net debt	1,076.2	1,094.4	+1.7
Housing properties net book value	2,471.7	2,609.9	+5.6

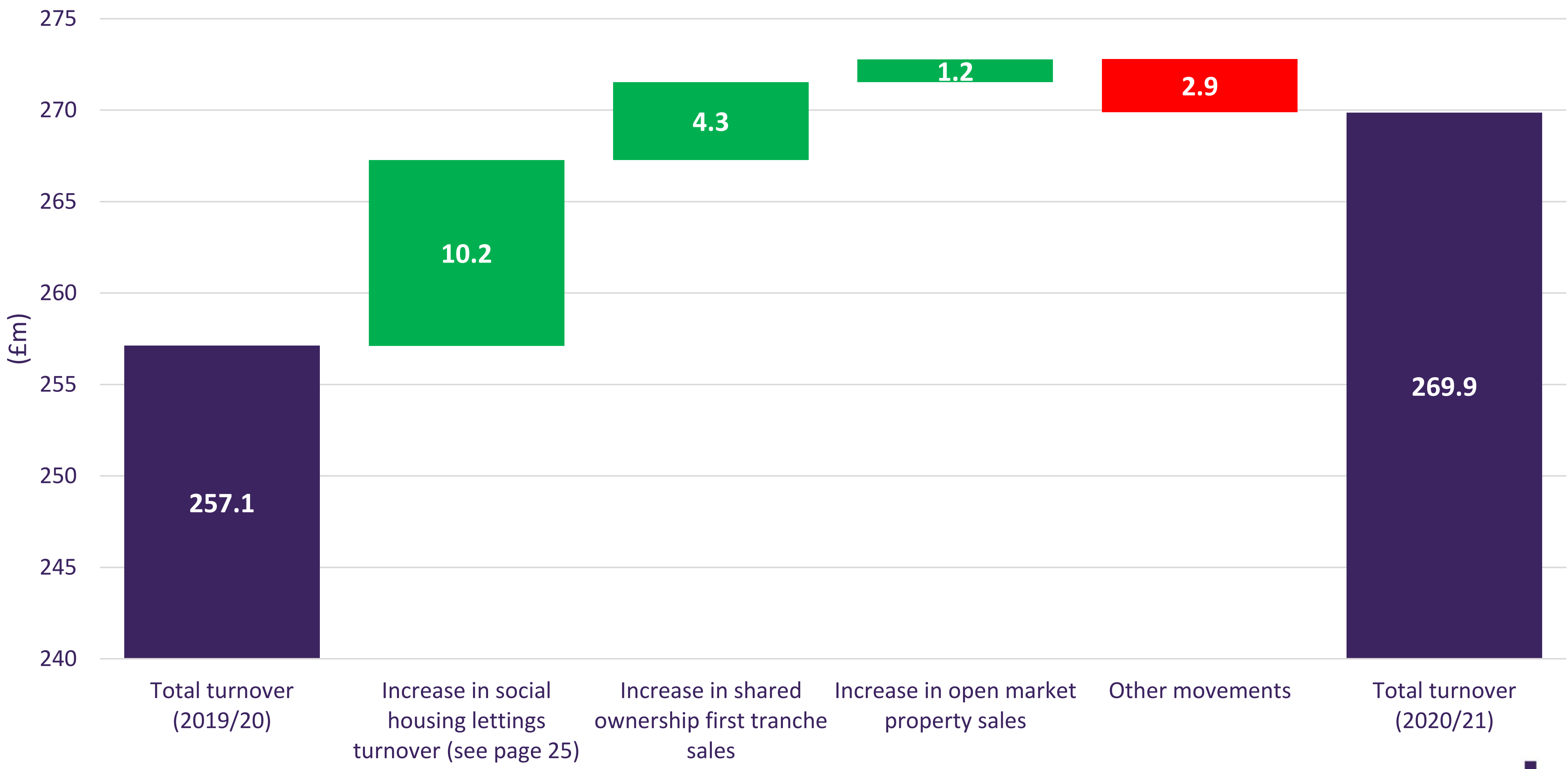
See page 36 for notes, sources and defined terms

Robust social housing lettings turnover performance

platform housing group

See page 36 for notes, sources and defined terms

Total turnover up 5.0% driven by social housing lettings



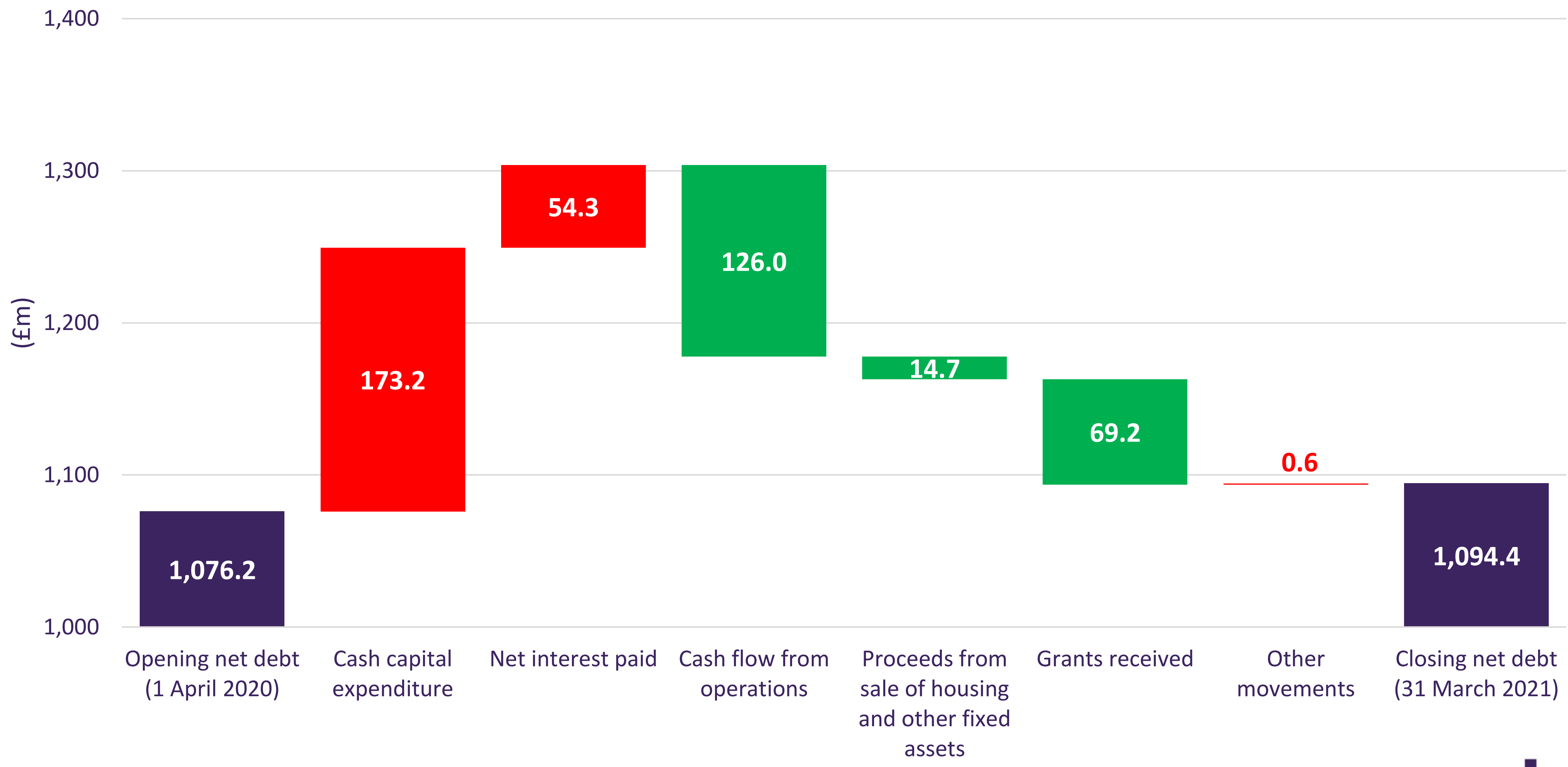
Our Golden Rules

- Golden Rules and financial guidelines approved by the Platform Board in May 2021
- To support the delivery of our strategy and our strong investment grade credit and regulatory ratings

Metric	Golden rules	2020/21 actual
Operating margin – social housing lettings	At least 35%	**42.9%**
Proportion of turnover from sales	No more than 25%	**12.8%**
EBITDA-MRI interest cover	At least 120%	**218%**
Gearing	Less than 50%	**41.9%**
Asset cover	At least 5% over minimum	**28%**
Liquidity horizon (committed and forecast cash flows)	At least 18 months	**27 months**

See page 36 for notes, sources and defined terms

Strong cash inflows meant minimal change in net debt



Treasury position significantly strengthened

Substantial liquidity and flexibility	Capital markets strategy	Strength and resilience
Cash & undrawn facilities >£700m Mid-2023 liquidity horizon >6,500 unencumbered properties	Debut £350m bond £1bn ESG-enabled EMTN programme established	A+ (stable) S&P rating re-affirmed New A+ (stable) rating with Fitch Highest regulatory ratings of 'G1 / V1're-affirmed after IDA in April 2021

Key treasury metrics (change from 31 March 2020)

218%
(+15ppt)
EBITDA-MRI interest cover

41.9%
(-1.6ppt)
Gearing

22 years
(+3 years)
Average life of drawn debt

3.40%
(-0.4ppt)
Average cost of drawn debt

99%/1%
(+/-22ppt)
Fixed/floating debt mix

See page 36 for notes, sources and defined terms

Treasury strategy

- Utilise EMTN programme
- Establish sustainable finance framework
- Continued commitment to sustained investor engagement
- Refinance high cost legacy debt as opportunities arise
- Optimise and harmonise bank facility covenants and security arrangements
- Maintain comprehensive treasury policies reflecting Group’s risk appetite

Risk	Current treasury policy
Liquidity	Minimum 18 month liquidity horizon from cash and undrawn committed financing
Interest rates	Minimum and maximum fixed and floating rate debt
Refinancing	No more than 25% of total drawn debt maturing in any 12 month period
Covenants	Maintain headroom to interest cover, gearing and asset cover covenants
Counterparty credit	Minimum deposit, lending and derivative counterparty credit ratings

platform housing group

Platform retains very strong RSH VfM metrics

RSH VfM metric	Platform peer group comparison (31 March 2021 data for peer group not yet available)					
	Lowest	Average (unweighted)	Highest	Platform March-20	Platform ranking March-20	Platform March-21
Reinvestment	3.5%	7.0%	10.2%	9.2%	3	8.0%
New supply (social housing units)	0.3%	1.8%	3.2%	3.2%	1	2.0%
New supply (non-social housing units)	0.0%	0.3%	1.4%	0.0%	1	0.0%
Gearing	28.1%	43.9%	53.3%	43.5%	7	41.9%
EBITDA-MRI interest cover	107%	166%	268%	203%	4	218%
Headline social housing cost per unit	£2,458	£4,260	£6,394	£2,458	1	£2,463
Operating margin (social housing lettings)	12.6%	31.0%	42.1%	42.1%	1	42.9%
Operating margin (total)	15.4%	25.9%	37.6%	37.6%	1	37.2%
Return on capital employed	2.5%	3.4%	5.1%	4.3%	3	4.1%

See page 36 for notes, sources and defined terms

Conclusion

platform housing group

Conclusion

1 2020/21 highlights

Robust response to Covid-19 crisis with strong turnover and surplus growth

A+ (stable) ratings from S&P and Fitch. Regulatory G1/V1 affirmed following in-depth assessment

Key credit metrics remain amongst the best in the sector – social housing lettings margin of 42.9%

Successful £350m debut own name bond

2 Strategic priorities

Strong focus on customer engagement, driven by technology and data intelligence

A 'People Matter' culture, with focus on continuous improvement

Creating economic, environmental and social value

Developing strategic partnerships to lead, create and influence

3 Outlook

End of Government covid-related initiatives and maintenance catch-up expected to affect performance

Platform well placed to weather these and maintain sector leading credit metrics

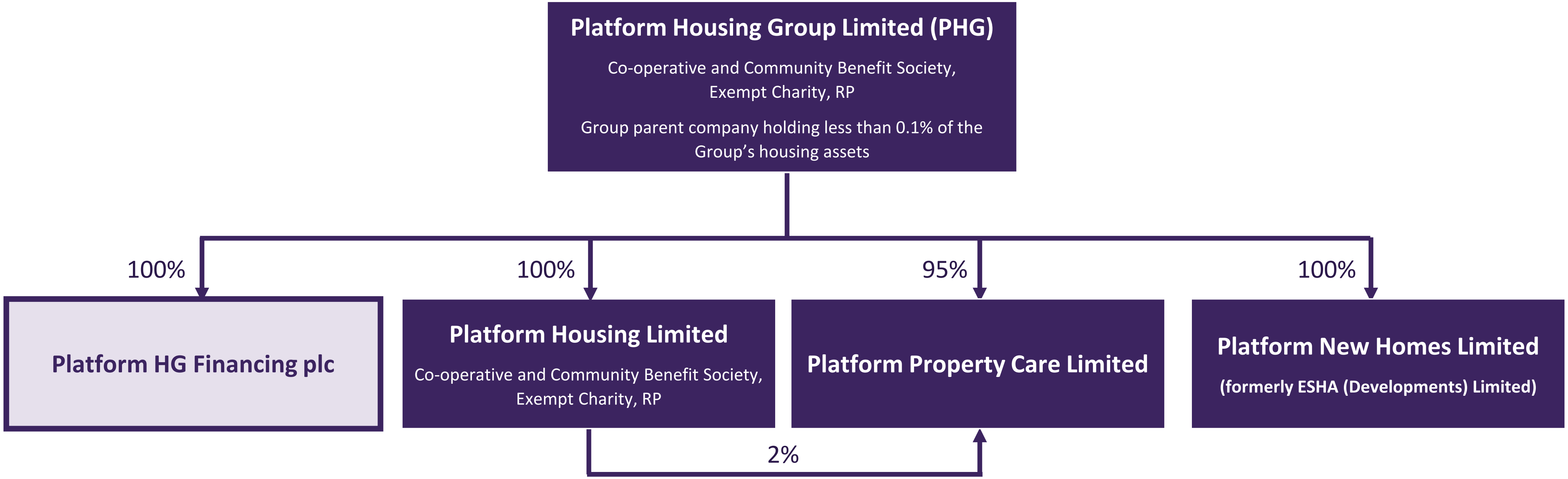
Commitment to affordable housing provision with ~1,500 homes completions projected

Inaugural issuance from £1bn EMTN programme expected during the year

platform housing group

Appendices

Platform's corporate structure



Financing company	Operating company holding more than 99.9% of the Group's housing assets	Property maintenance company	Construction and development services company

Associated companies not included in the chart above are as follows:

- Waterloo Homes Limited is a dormant company 100% owned by PHG
- Rooftop Housing Association Limited owns 3% of Platform Property Care Limited as part of a cost sharing arrangement

See page 36 for notes, sources and defined terms

Notes, sources and defined terms

Page number	Comments
	Financial data throughout this document relates to Platform Housing Group Limited
Page 13	Current tenant arrears relates to general needs tenants (primarily in social rental and affordable rental homes) and excludes shared ownership properties. It takes into account all tenant payment methods, The arrears figure is before provisions made for bad debts
Page 16	Number of void properties includes shared ownership stock
Page 20	The bid to Homes England (HE) as part of the 2021-26 Affordable Homes Programme is subject to approval by HE. The pipeline shown is as at June 2021.
Page 23	Figures for average age of homes, gearing and average cost of debt are as at 31 March 2021; figures for social housing lettings margin, reinvestment rate and EBITDA-MRI interest cover are for 12 months ended 31 March 2021. Average cost of debt is average cost of drawn debt determined on a nominal debt basis and excludes commitment fees and financing fees
Page 24	Operating surplus is before gains on disposal of property, plant and equipment and movements in the valuation of investment properties
Page 25	Year on year turnover changes attributable to rent increase and increase in social housing units are management estimates. The rent increase includes a £0.3m increase for service charges.
Page 27	Actual sales include turnover includes £2.3m that relates to homes built for, and sold at cost to Local Authority partners. The remainder is shared ownership sales. Golden rules for gearing and EBITDA-MRI interest cover covenants are calculated in reference to the tightest contained within funding agreements; the actuals presented are based on the Regulator for Social Housing's value for money metrics, which are less favourable
Page 29	Figures for gearing, average life of drawn debt, average cost of debt and fixed/floating debt mix are as at 31 March 2021; figure for EBITDA-MRI interest cover is for 12 months ended 31 March 2021. Average cost of debt is average cost of drawn debt determined on a nominal debt basis and excludes commitment fees and financing fees
Page 31	Sample of social housing providers includes Platform Housing, Bromford, Clarion, Guinness Partnership, Karbon Homes, Metropolitan Thames Valley, Midland Heart, Notting Hill Genesis, Optivo, Orbit, Peabody, Riverside, Sanctuary and Sovereign Housing; the sample of other social housing providers may evolve in future For more information on calculation of Regulator for Social Housing Value for Money metrics go to: https://www.gov.uk/government/publications/value-for-money-metrics-technical-note/value-for-money-metrics-technical-note-guidance-june-2020
Page 35	The remaining 3% shareholding in Platform Property Care Limited is held by Rooftop Housing Association (an organisation unrelated to Platform Housing) as part of a cost sharing arrangement. The structure excludes Waterloo Homes Limited, a dormant company

Disclaimer

These materials have been prepared by Platform Housing solely for use in publishing and presenting its results in respect of the year ended March 2021. For the purposes of this disclaimer, “materials” shall mean the results press release and related investor presentation slides dated 29 July 2021, the oral presentation of the slides by Platform Housing and related question-and-answer session and any materials distributed at, or in connection with, that presentation.

These materials do not constitute or form part of and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire securities of Platform Housing in any jurisdiction or an inducement to enter into investment activity. No part of these materials, nor the fact of their distribution, should form the basis of, or be relied on or in connection with, any contract or commitment or investment decision whatsoever. Neither should the materials be construed as legal, tax, financial, investment or accounting advice. This information presented herein 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.

These materials contain statements with respect to the financial condition, results of operations, business and future prospects of Platform Housing 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 Platform Housing’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 Platform Housing operates; the ability of Platform Housing to manage regulatory and legal matters; the reliability of Platform Housing’s technological infrastructure or that of third parties on which it relies; interruptions in Platform Housing’s supply chain and disruptions to its development activities; Platform Housing’s reputation; and the recruitment and retention of key management.

These materials contain certain information which has been prepared in reliance on publicly available information (the “Public Information”). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information’s accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. Platform Housing does not make any representation or warranty as to the accuracy or completeness of the Public Information.

These materials are believed to be in all material respects accurate, although it has not been independently verified by Platform and does purport to be all-inclusive. The information and opinions contained in these materials do not purport to be comprehensive, speak only as of the date of this announcement and are subject to change without notice. Except as required by any applicable law or regulation, Platform Housing expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any information contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such information is based.

None of Platform Housing, 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 materials. No representations or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in these materials or any other information. Neither Platform 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 “Platform” or “Platform Housing” means Platform Housing 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.