

Investor Update December 2020



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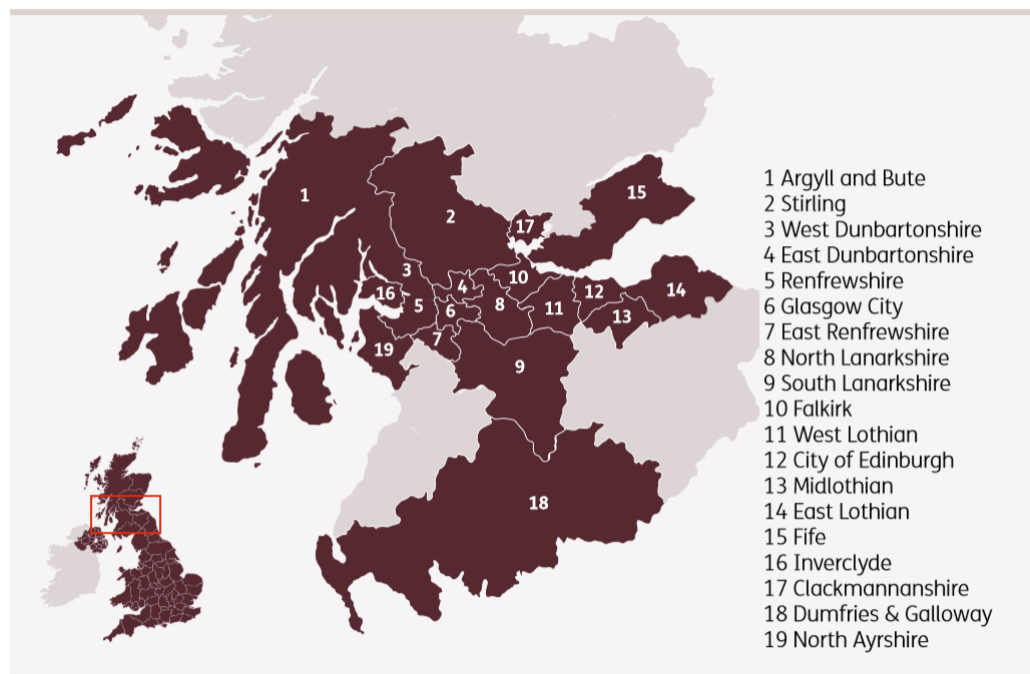
1. Agenda and introductions

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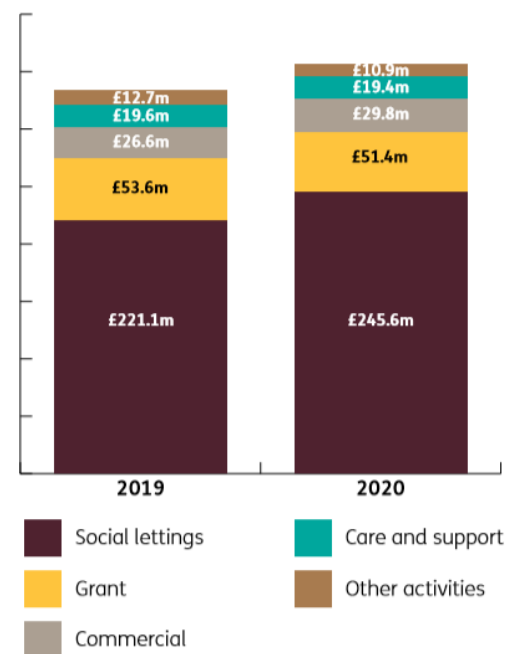
Wheatley Group and the Scottish Operating context

Wheatley Housing Group

- Scotland's largest and the UK's 4th largest housing group with over 93,800 homes owned and managed in Central and South-West Scotland
- Six Registered Social Landlords, a private sector letting business and a care provider
- Supportive government policy and grant funding regime



Sources of turnover



- 2019/20 results: Turnover £357.1m; EBITDA £120.0m
- Rated A+ Stable, S&P May 2020
- UK's largest developer of social rented homes 2017 – 2020

Tripled

Our EBITDA from £40m to £120m, as we have delivered efficiencies across the Group since 2015

Growth

Diversifying into the east and south-west of Scotland, improving the Group's financial metrics and strengthening its asset base

90%+

Customer satisfaction across our RSLs

A+ Stable

S&P affirmed our credit rating in May 2020

Grant funding

5,000 homes built /approved since 2015, the majority for social rent

12,000

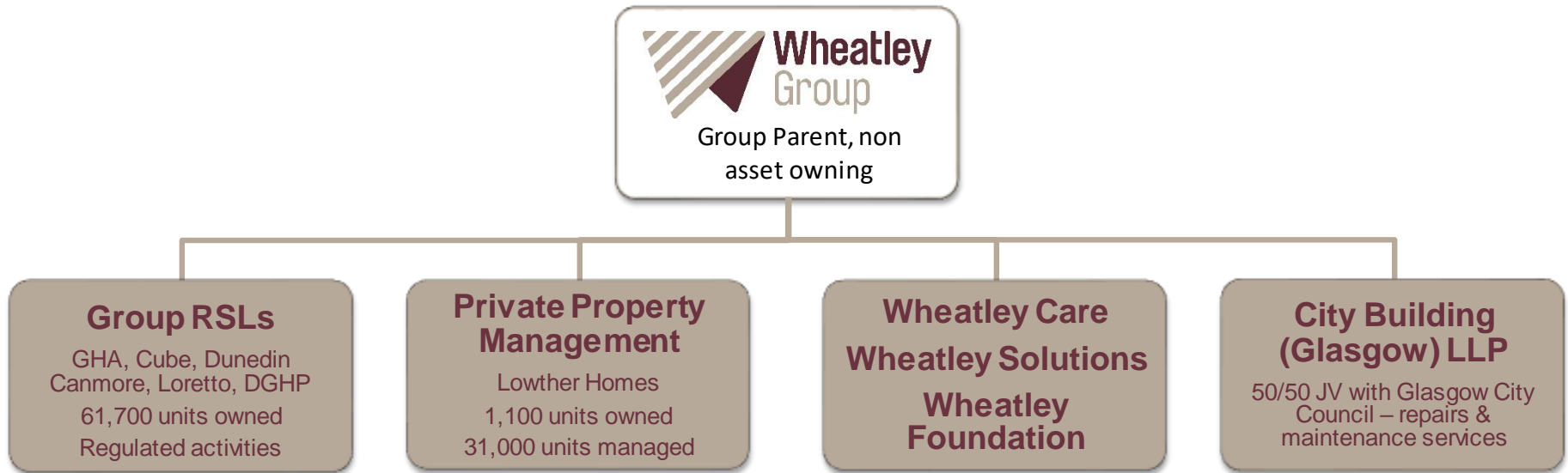
People helped by the Wheatley Foundation

No sales exposure

The Group benefits from a supportive grant regime in Scotland and operates a low-risk model of building homes for social & affordable rent only

GHA boosts Scottish economy by £2bn

Corporate structure & Governance



- Strong Group Parent oversight over subsidiaries
- Single Executive Team
- Group Board comprises of up to six subsidiary Chairs, up to eight Non-Executive Directors and the Group Chief Executive
- 4 key standing committees: Group Audit; Remuneration, Appointments, Appraisal and Governance; Strategic Development; New Build Development
- 25% tenant representation on all RSL Boards and 50/50 gender balance
- Funding structure in the Appendix

Scottish Operating Context

The structure and risk profile of the social housing sector in Scotland differs in a number of important respects from that in England, with Housing being a devolved matter:

- No Scottish government imposed rent regulation; rents are set by RSL Boards following tenant consultation on an annual basis
- No bedroom tax
- Right-to-Buy abolished under The Housing (Scotland) Act 2014
- New build grant levels remain substantial (benchmark £72k per social unit), resulting in a lower-risk business model for Scottish RSLs (no build-for-sale)
- Distinct regulatory environment; Scottish Housing Regulator
- DWP can continue to pay Housing Benefit directly to Scottish RSLs for UC claimants

Wheatley is a trusted partner of the Scottish government:

- Wheatley provides c10% of new build affordable homes in Scotland per annum
- Key member of Social Housing Resilience Group; secured govt. funding to deliver services in the pandemic
- S&P regard Scottish operating environment as a credit positive

The SHR is an independent body, established in 2011, with substantial powers of enforcement and a track record of intervention where necessary.

Wheatley is categorised by the SHR as a **systemically important landlord** due to asset numbers, level of turnover and size of development programme. Wheatley has an engagement plan in place with the SHR and meets with our lead regulator quarterly.



<https://www.housingregulator.gov.scot/landlord-performance/statistical-information>

Social Housing Charter since April 2012

- Full transparency on operational performance, including quality, VfM, housing standards and tenant consultation (on SHR website)
- Significant amount of data in public domain
- Established practice in the sector with Annual Assurance Statements introduced in April 2019
- RSLs have been subject to FOI (Scotland) Act since November 2019

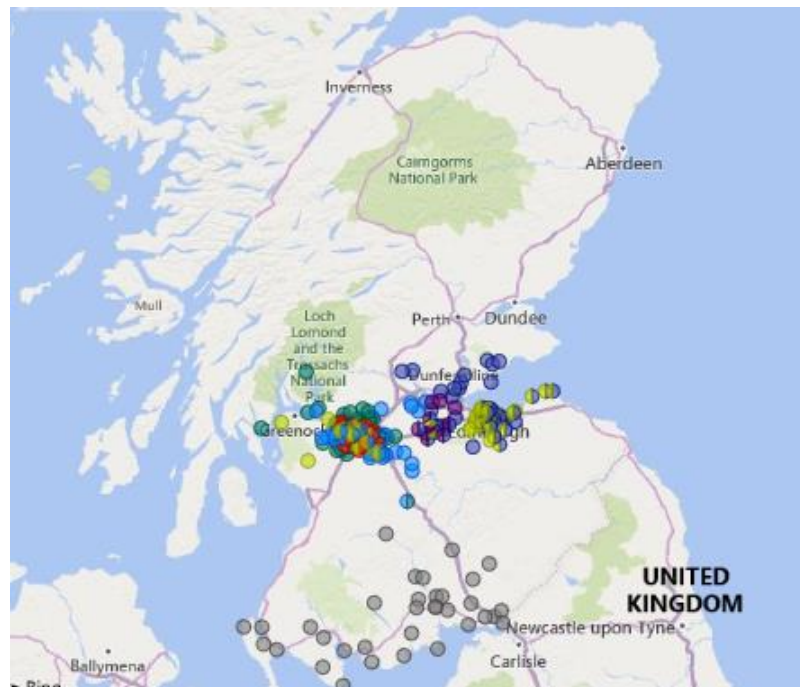
Annual statement on compliance with regulatory requirements:

- All relevant regulatory requirements set out in Chapter 3 of the Regulatory Framework;
- All relevant standards in the Scottish Social Housing Charter; and
- All relevant legislative duties

Wheatley Housing fully complies – the highest level

Asset strategy

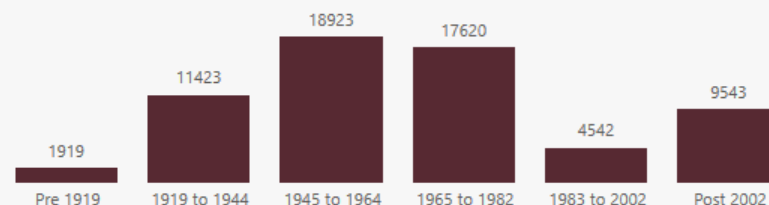
Overview of housing assets



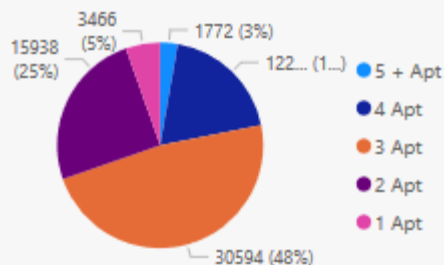
- 96.6% of our housing stock is for social rent
- The Scottish equivalent of Decent Homes Standard is the Social Housing Quality Standard (SHQS) – with Wheatley stock 100% compliant*
- Scotland introduced the Energy Efficiency Standard for Social Housing (EESH) in 2014. 98% of Wheatley properties meet this standard compared to a sector average of 88%

*DGHP stock not included in SHQS and EESH Group totals in 2019/20

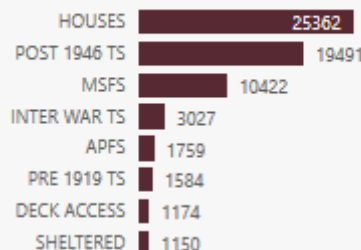
Stock by Build Year



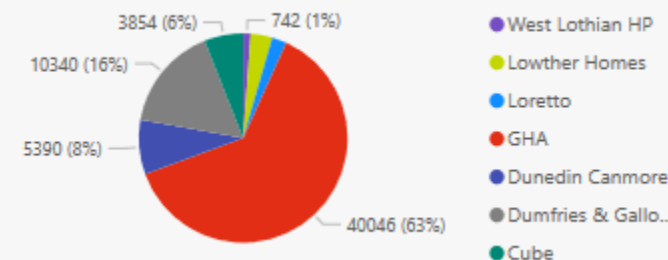
Stock by House Size



Stock by Type



Stock by Subsidiary



Investment in assets

We invested £66m on capital improvements to our existing homes in 2019/20 which included:

- Energy efficiency improvements (heating system upgrades and wall insulation fitted),
- 550 homes benefiting from lifecycle replacements of windows,
- Upgrading smoke and heat detectors in 11,000 homes and will complete this exercise in all Wheatley homes a year ahead of SG deadline
- installation of emergency lighting in our high-rise flats improving tenant safety



During the five years of our 2015-20 strategy we have invested £347m in existing homes.

The 2021-26 strategic plan includes £360m for improving, modernising and maintaining homes across the Group.

Our Green Investment plan targets achieving zero-carbon in 25% of our stock and in 100% of our corporate estate by March 2026.



Fire Safety

Wheatley has always been committed to tenant safety and this has been reinforced throughout the pandemic:

- We own 136 high rise blocks (all in Glasgow); none have ACM or similar cladding
- All high rise blocks have concierge services 24/7 – who remained in place throughout pandemic
- We have been recognised as an Fire Prevention Exemplar by Scottish Government's 'Building Safer Communities' for our Fire prevention and mitigation framework which includes our approach to high rise block inspections and fire risk assessments
- Daily, weekly and monthly inspections with formal quarterly reviews by the Scottish Fire and Rescue Service
- We have directly employed fire officers and safety experts since 2011
- We have increased Home Fire Safety Visits to over 3,000 homes p.a.
- We have reduced the number of accidental dwelling fires by 21% since 2017/18, and a further 10% reduction during this financial year
- We will complete the installation of wired smoke and heat detectors by June 2021, a year ahead of schedule
- We have prioritised investment in this area and have spent £22.2m on capital improvements and £2.4m on maintenance in relation to fire safety since March 2017



Development programme

Wheatley is the UK's largest developer of socially rented homes from 2017-2020 (Inside Housing).

Financial year	2015-16	2016-17	2017-18	2018-19	2019-20	1H20/21
Completions	721	498	815	907	802	245

Our in-house development team is comprised of over 30 housing professionals across our subsidiary RSLs – with strong Local Authority relationships and a track record for excellence.

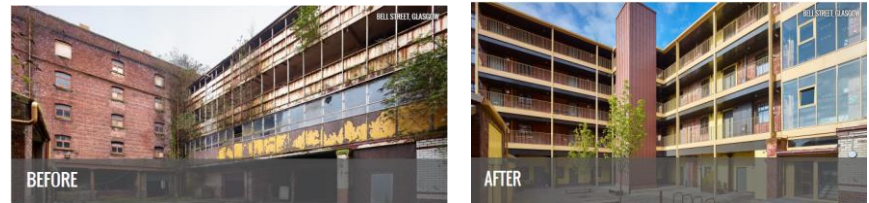
Our Group Development Committee oversees operational performance and approves development strategy and projects, manages and monitors counterparty risk and oversees financial and operational performance.

During the five years of our 2015-20 strategy we have invested £446m in new homes.

The 2021-26 strategic plan targets a delivery of 5,500 low carbon homes across a range of tenures.

Current contracted development commitments are £169m.

Case Study: Bell Street, Glasgow



Renovation of former horse stables in the Merchant City (built 1896) which had been vacant for over 40 years. Successfully converted into 52 one- and two-bedroom MMR flats, delivering 12 jobs and training opportunities.

Winner of *Renovation of the Year 2020* at the Scottish Homes Awards and *Top Affordable Housing Development* at the Scottish Design Awards

Case Study: Buckley Street, Glasgow



Category B listed former primary school vacated in 2014, lain derelict since with vandalism and was a blight on the area. Sympathetic conversion into 28 homes for social rent, exclusively for over 55's with additional supported accommodation for adults with autism. Kitchens were fitted by RSBI where over 50% of staff have a disability.

Winner of *Regeneration Project of the Year 2020* at the Scottish Homes Awards

Partnership update

Dumfries & Galloway Housing Partnership

- DGHP joined Wheatley Group in December 2019
- 10,300 homes – Scotland's second largest housing association (after GHA)
- Completed refinancing activity in December 2019, repaying legacy debt arrangements where all assets were secured and subject to restrictive covenants preventing material new build development
- S&P annual review in May 2020 highlighted the transaction as a credit positive
- New management team appointed
- Governance refresh with new Chair and additional non-executives now in place
- Major investment programme underway to address SHQS and EESSH compliance and to deliver on tenant promises
- Systems and staffing integration continue



New DGHP MD, Matt Foreman

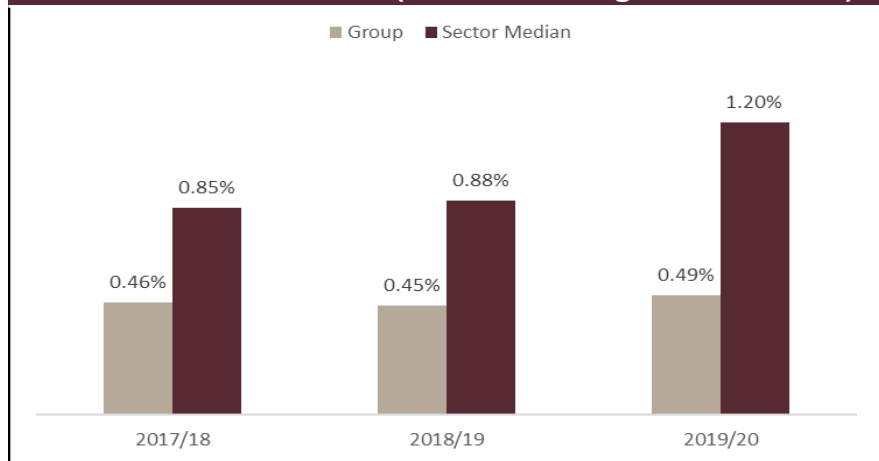


Wheatley Chair, Alistair McNish and Former DGHP Chair, Bill Robertson sign the constitutional partnership in December 2019

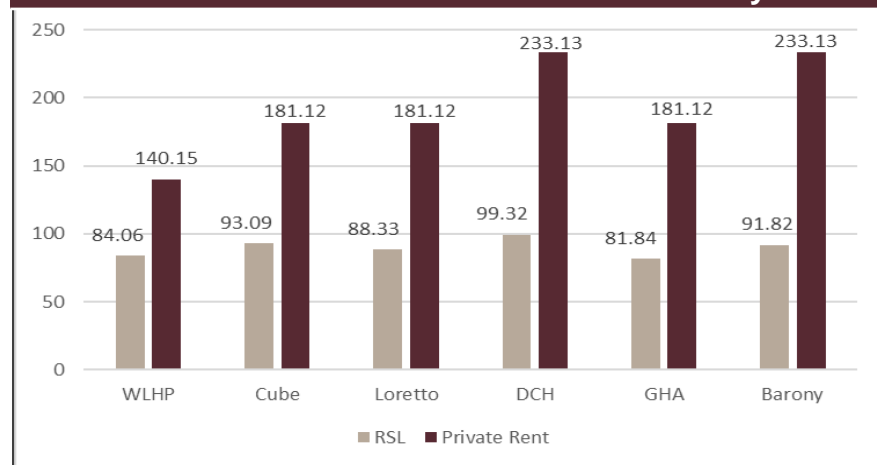
Performance Indicators & covid-19 update

Outperforming Scottish peers to 31/03/20

Rent loss due to voids (Social Housing Charter basis)



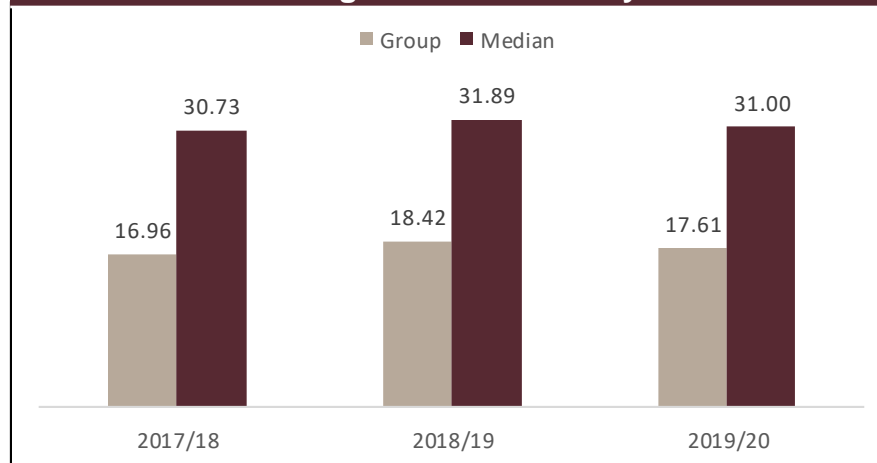
Private Rent vs. Social Rent in across Wheatley RSLs



Affordability (% income spent on rent)

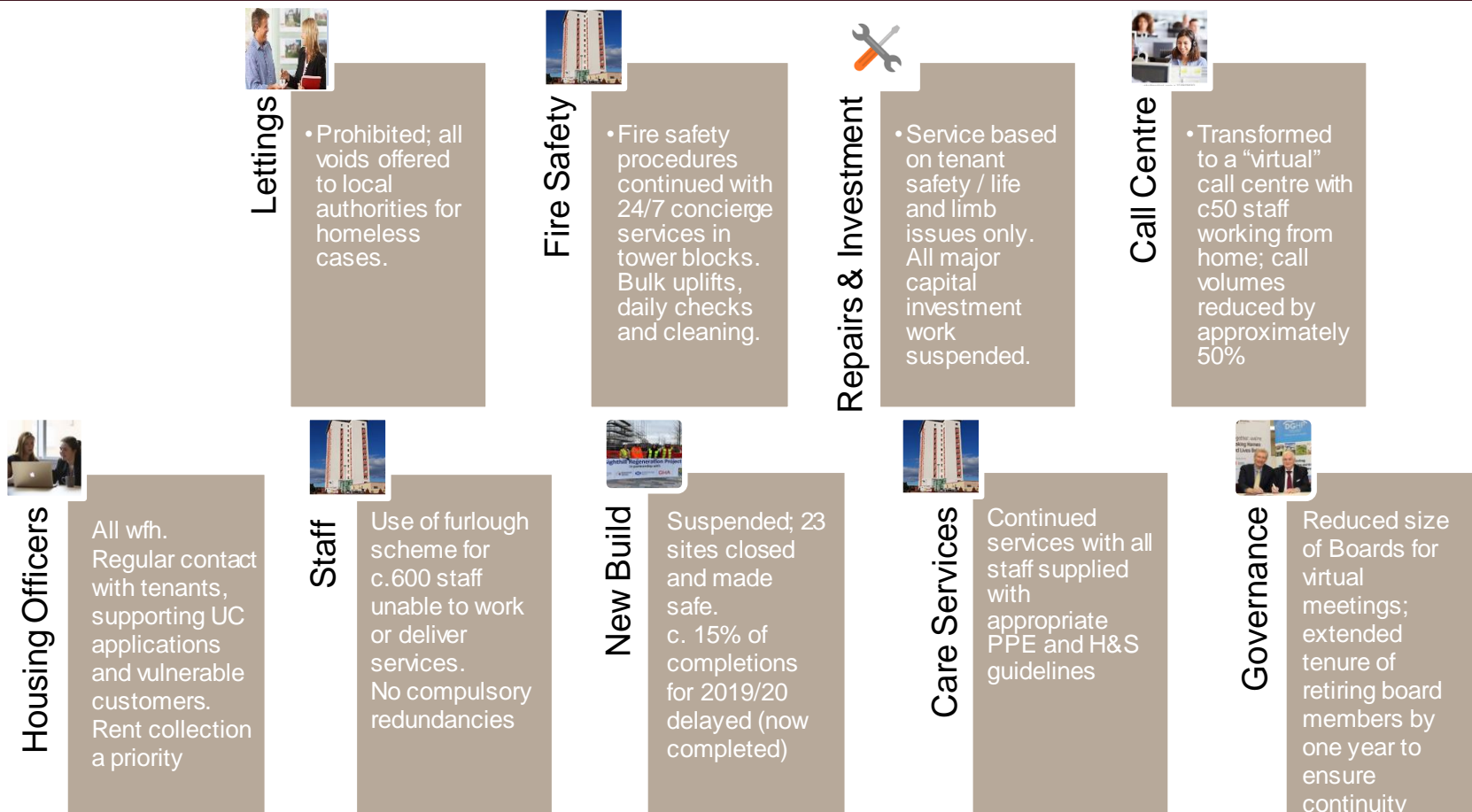
GHA	Bedsit	1 Bed	2 Bed	3 Bed
Single person	24.5%	27.8%		
Couple	16.3%	18.6%		
Single pensioner	22.3%	25.3%		
Pensioner couple	16.3%	18.6%		
Single parent			22.8%	
Small family				16.5%
Large family				14.4%

Average re-let time in days



Our temporary lockdown service model

March – July 2020

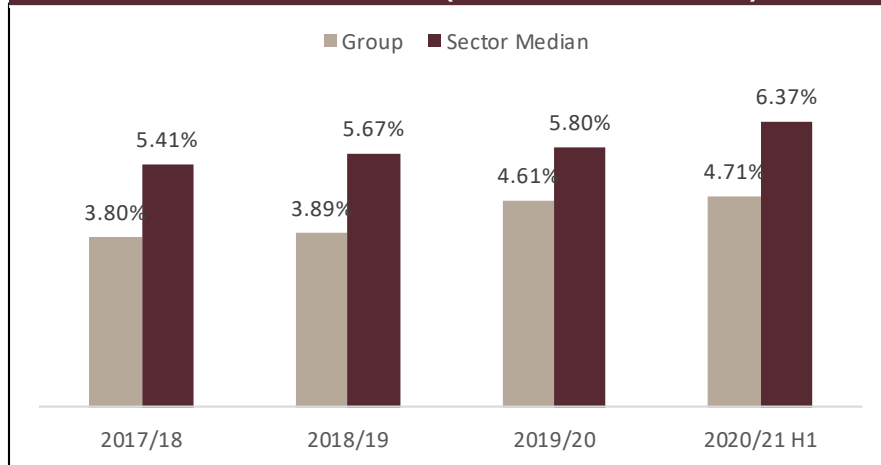


- Phased restart from July with customer and staff safety prioritised
- Construction now fully re-started (342 new build completions to end-November)
- Liquidity bolstered via acceptance to CCFF scheme for £150m note programme

Addressing Covid-19 impact

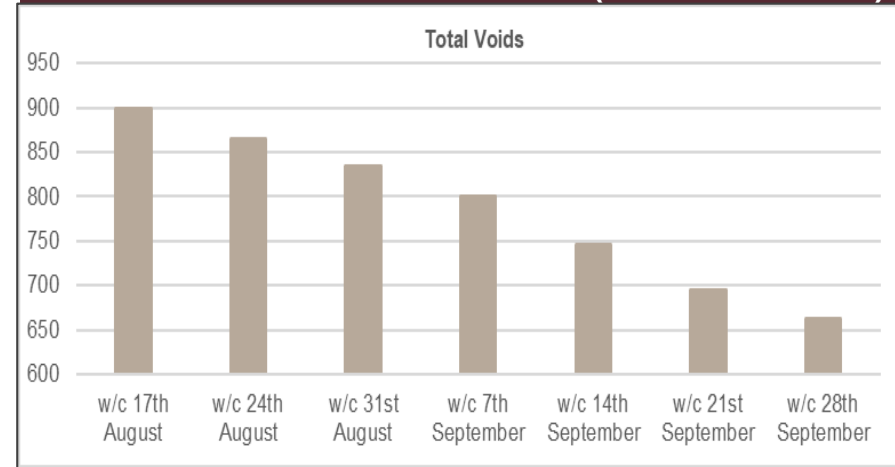
Arrears & voids

Gross Rent Arrears (incl. former tenants)



Source: Scottish Housing Regulator Annual Return on Charter & Wheatley Performance stats

Void reduction since remobilisation (632 in March 2020)



Source: Wheatley Performance stats

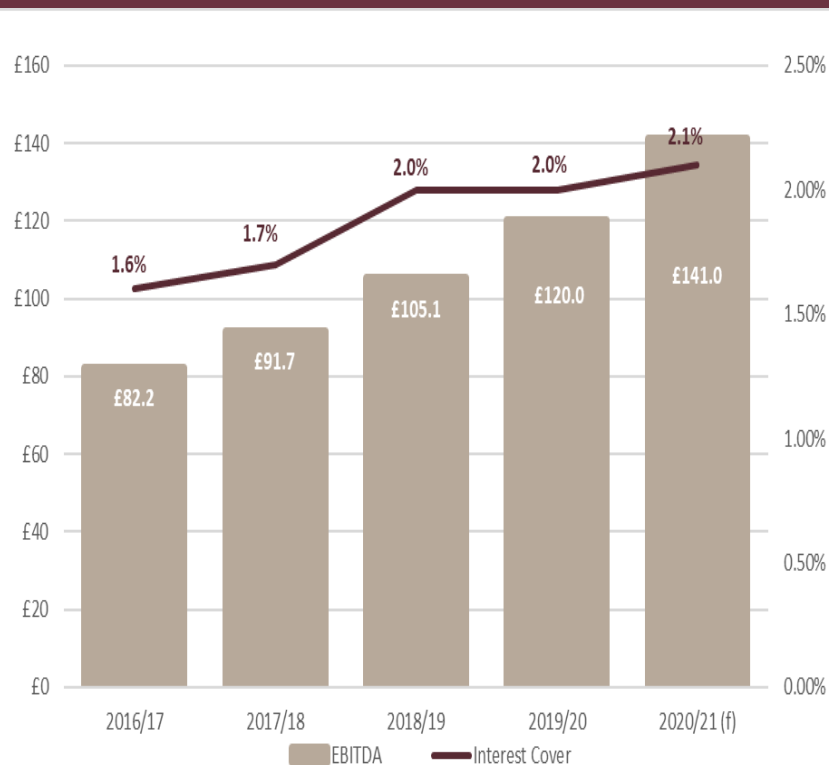
- Gross Rent Arrears as a percentage of rent due remain well below Scottish Social Housing Charter levels, with a marginal 0.10% increase against 31/03/20 level
- 14k tenants (23%) now in receipt of Universal Credit (an increase of 22% since April)
- Rent campaign, led by housing officers, to support customers and protect income
- Our housing officers have small patch sizes with an average of 200 customers
- Letting activity suspended by Scottish Government, with full remobilisation delayed until August with appropriate H&S guidelines for staff and customers
- Void repairs has been a key focus, reducing peak of 900 void properties back to pre-Covid levels within seven weeks of re-start; anticipate rent lost due to voids to be in-line with budget by FYE

Financial update

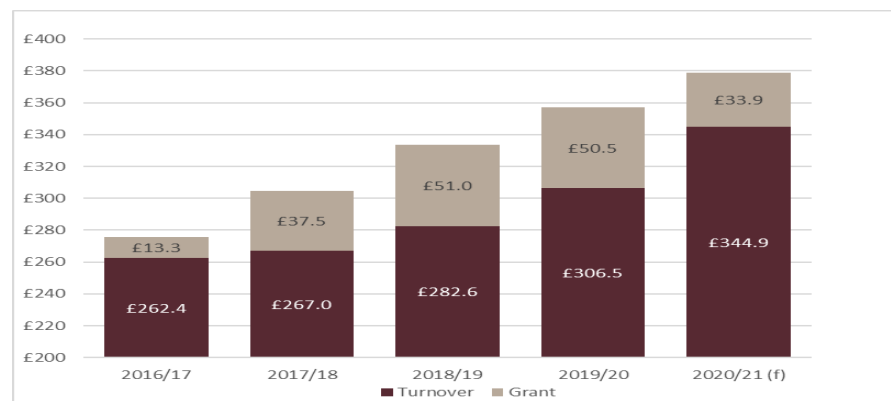
WHG Financial Performance (Group level)

- Financial position continues to improve year on year as a result of rental growth and operating efficiencies
- Strong forecast for 2020/21 due to lower expenditure in 2020/21 (construction & investment shutdown/ efficiencies from home-working) and maintenance of income (management of arrears / void rectifications)

Group EBITDA and interest cover



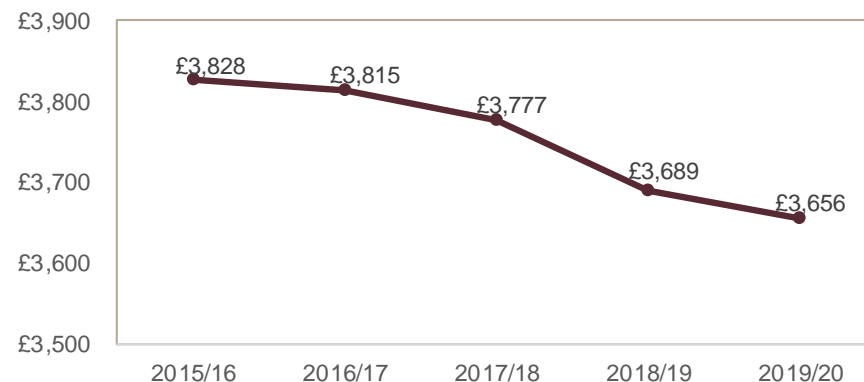
	2017/18 Actual £000m	2018/19 Actual £000m	2019/20 Actual £000m	2020/21 (f) Forecast £000m
Net Debt/EBITDA	11.5	11.0	11.4	9.7
Interest cover	1.7%	2.0%	2.0%	2.1%
Gearing	56.3%	56.0%	55.0%	54.8%
Operating Margin (Social Housing lettings)	28.6%	25.7%	31.4%	32.1%



WHG Financial Performance (Group level)

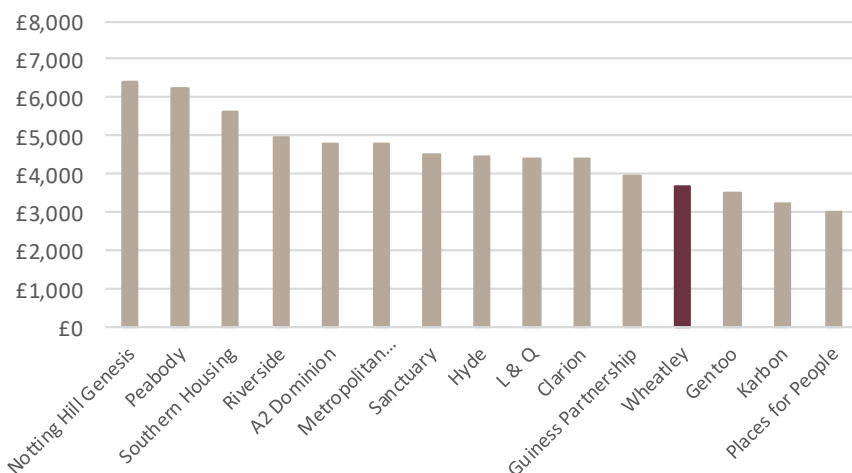
- Continuous improvement on cost per unit while maintaining tenant satisfaction > 90%
- Majority of Wheatley RSLs below lower quartile of Scottish comparators
- Operating costs compare positively with large UK peers

Social Housing Cost per unit



Source: Wheatley Group statutory accounts

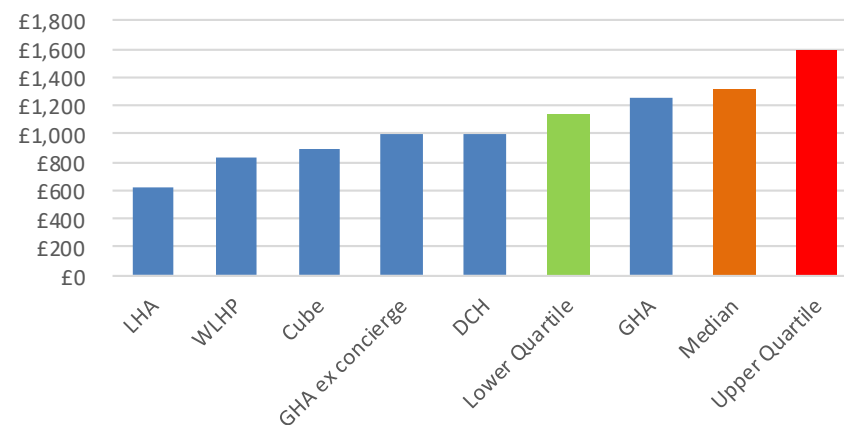
Operating Cost per unit (Social Housing)



Source: 2019/20 statutory accounts

Making homes and lives better

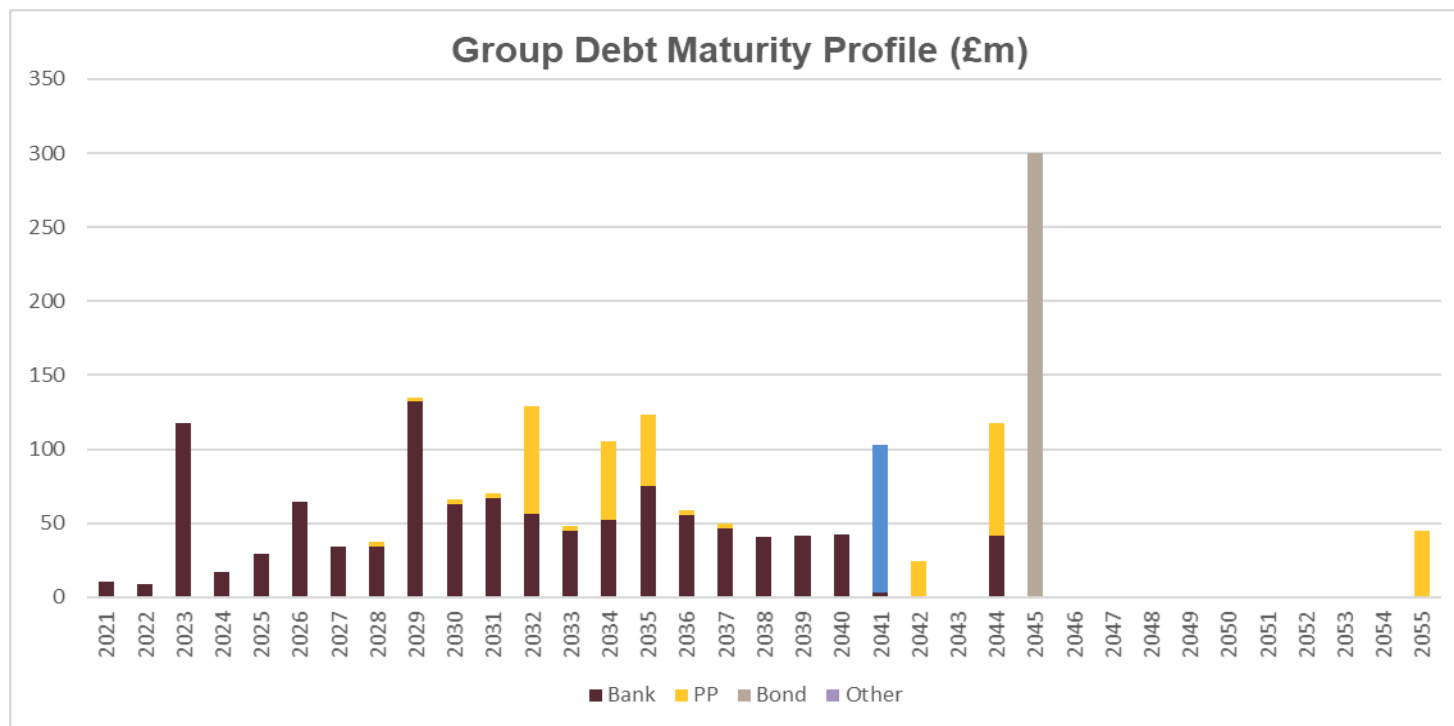
Management & Maintenance Admin costs per unit



Source: Scottish Housing Regulator comparison of Scottish RSL unit costs 2018/19

Funding & Treasury

A Strong and Diverse Funding Base

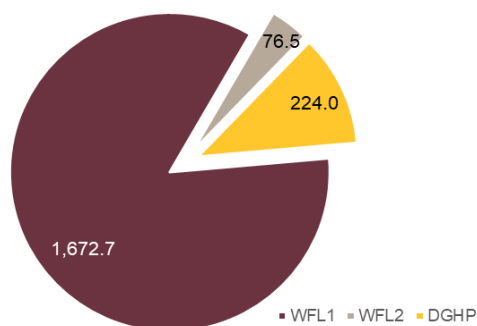


- Three borrowing vehicles; WFL1 (All RSLs except DGHP); WFL2 (Commercial activities); DGHP
- Public bond, GBP PP's, bank debt, bond aggregator funding, contingent efficiencies grant
- No foreign exchange exposure
- Completed refinancing of DGHP, reducing cost, extending term and removing legacy covenants in December 2019
- Completed restructure of RCFs in Syndicate, reducing cost and extending terms in April 2020

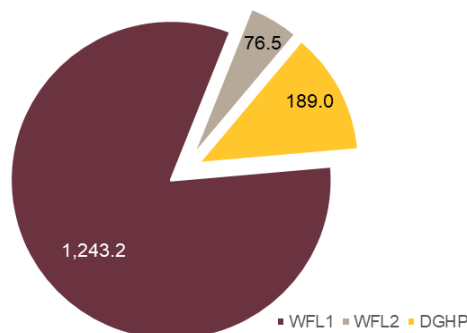
Funding, Liquidity and Asset cover

Golden Rules		Actual
Liquidity	<ul style="list-style-type: none"> Retain sufficient immediately available funds to meet cash requirements for the next 2 years Contracted development + 25% to be covered by cash and available facilities 	✓
Gearing	<ul style="list-style-type: none"> Not to exceed 70% 	55%
Interest cover	<ul style="list-style-type: none"> Minimum 25% headroom to covenant 	200%

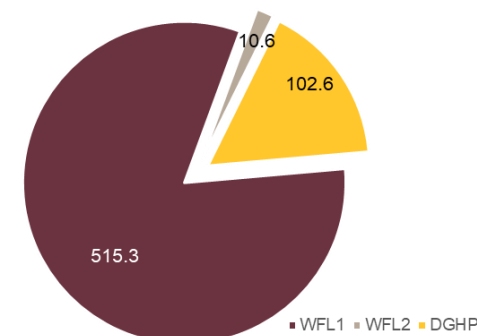
Total Committed Facilities - £1,973.2m



Total Drawn Facilities - £1,508.7m



Total Liquidity (undrawn & cash) - £628.5m



Hedging

Fixed : Floating percentage of drawn debt is 96% : 4%
 No stand-alone derivatives; all fixes are embedded
 Weighted average interest rate 4.89%

Asset Cover

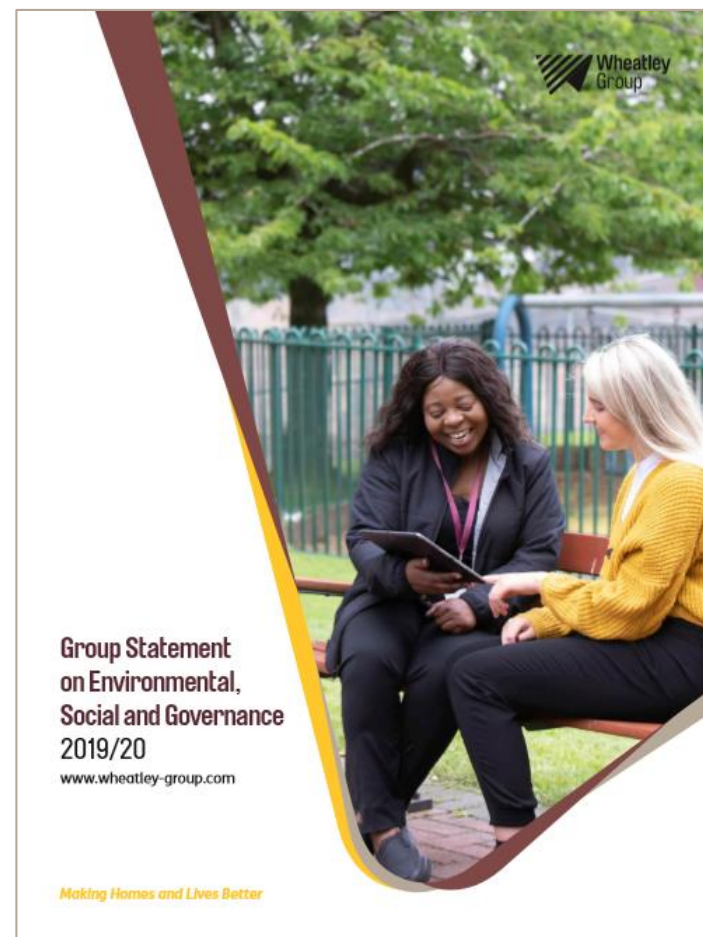
	£000m
Total asset value (loan security basis)	£2,553
Total secured assets	£2,263
Total unencumbered assets	£ 291 (13%)

ESG Reporting

ESG reporting

- We have reported outcomes on ESG measures since 2018/19
- Full detail available in our Group Statement – highlights include:

Energy Efficiency	Wheatley Group average 98% EESSH v. Scottish average 88%
Tackling fuel poverty	Scotland's largest owner of District Heating Systems
Rent affordability	No rents above Shelter's guideline of max. 35% of income
Digital inclusion	Enabled 5,000 customers to get online
Jobs, training and apprenticeships	901 created in 2019/20, with 64% filled by our customer base
Strong customer voice	25% of members are tenants who live in our communities
Homelessness	Significant contributor to address homeless crisis. Since the beginning of the pandemic we have provided 442 homes to local authorities, 300 homes to Housing First and 65% of lets (1,250 people) to the homeless since recommencement of letting



Credit Highlights

Tripled

Our EBITDA from £40m to £120m, as we have delivered efficiencies across the Group

Growth

Diversifying into the east and south-west of Scotland, improving the Group's financial metrics and strengthening its asset base

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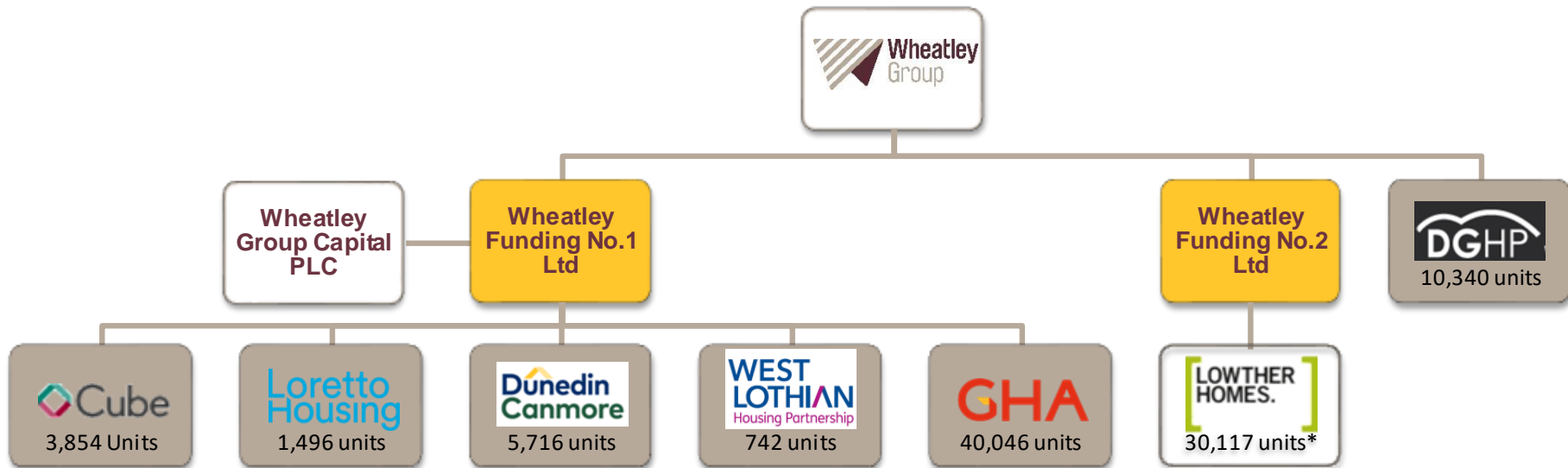
The Group benefits from a supportive grant regime in Scotland and operates a low-risk model of building homes for social & affordable rent only

GHA boosts Scottish economy by £2bn

Q&A Session

Appendix

Funding structure & Governance



Borrowers

Registered Social Landlords

Commercial subsidiary

- 3 borrowing arrangements in the Group at present
- The largest is the RSL Borrowing Group where borrowing raised by treasury vehicle Wheatley Funding No1 (including bond proceeds) is on-lent to RSL subsidiaries, with security pooled in a security trust deed with Prudential
- It is anticipated that DGHP will accede to this structure in the next 12-18 months
- Wheatley Funding No.2 funds our PRS vehicle (Lowther) and has a single loan at present

*Lowther owns 1,100 units and manages 28,937 properties

WHG Financial Performance (Group level)



Statement of Comprehensive Income	2018/19 Actual £000	2019/20 Actual £000	2020/21 Forecast £000
Group Turnover	282,583	306,536	344,885
Grant Income	50,969	50,521	33,934
Total Turnover	333,552	357,057	378,819
Operating Expenditure	(266,823)	(271,594)	(280,050)
Other Gains/(Losses)	(10,637)	229,343	
Operating Surplus	56,092	314,806	98,769
Operating Margin	20%	103%	29%
Share in profit in JV	50	29	
Gain (loss) on sale of fixed assets	1	667	
Net finance costs	(56,653)	(71,427)	(70,527)
Movement in fair value of financial instruments	(4,727)	549	
Surplus before tax	(5,237)	244,624	28,242

- Gains/Losses in 2019/20 include a gain of £240.9m from the partnership with DGHP

Wheatley Group Board



Prof. Paddy Gray
Non Executive Director



Shelia Gunn
Group Vice Chair



James Muir
Subsidiary Chair Director



Maureen Dowden
Subsidiary Chair Director



Jo Armstrong
Non Executive Director



Mary Mulligan
Subsidiary Chair Director



Martin Kelso
Non Executive Director



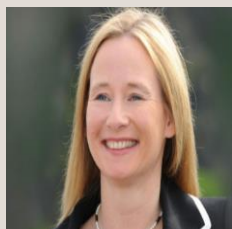
Alastair MacNish (OBE)
Group Chair



Peter Kelly
Subsidiary Chair Director



Jo Boaden
Non Executive Director



Angela Mitchell
Non Executive Director



John Hill
Subsidiary Chair Director



Bernadette Hewitt
Subsidiary Chair Director



Brian Duncan
Non Executive Director



Martin Armstrong
Director / Group CEO

Wheatley Executive Team



Martin Armstrong
Group Chief Executive



Tom Barclay
Group Director Property & Development



Steven Henderson
Group Director of Finance



Stephen Devine
Group Director of Repairs & Assets



Olga Clayton
Group Director of Housing and Care



Graham Isdale
Group Director of Corporate Affairs

