



# Thrive Homes Investor Presentation

July 2021

# 1. Introduction



CEO  
Elspeth Mackenzie



Director of Resources  
Mark Farrar

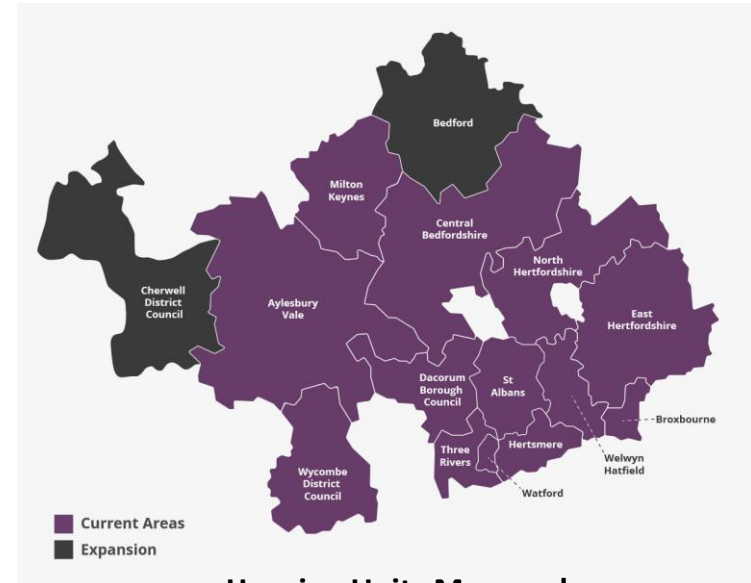
# 2. About Thrive

## Key Facts

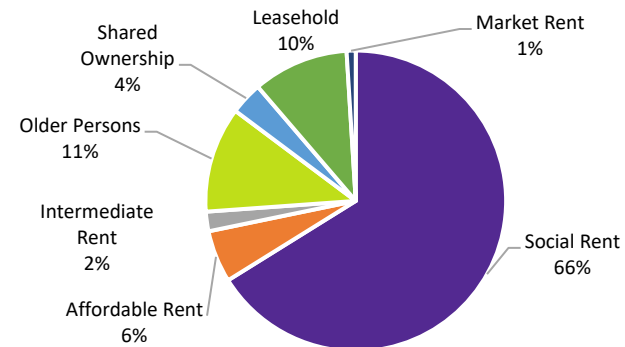
- 2008 stock transfer
- Community Benefit Society with Charitable aims
- 4,943 properties in Northern Home Counties area (high property value areas)
- S&P “A” (stable outlook)
- Social/Affordable housing focussed
- Investors in People Gold / Best Companies 2 Star

## During 2018-2020

- Built an average of 125 new homes per annum
- Started managing our first homes for others and built PRS portfolio – 50 units held in Thrive Living
- G1/V1 rating confirmed in December 2020
- Strong margins and improving VFM metrics



**Housing Units Managed**



**A Leading Provider of Social and Affordable Homes in Herts, Beds, Bucks and Oxfordshire**

# 3. Strategic Considerations

- Thrive exists to provide and manage housing to help people across communities secure a good quality, safe home that they can afford -providing the base that enables them to live comfortably and build their lives
- We have pursued our core purpose from our formation in 2018 when Thrive purchased Three Rivers DC housing stock -improving the condition of those homes, developing new homes for rent and sale through shared-ownership and expanding our area of operation to include adjacent home counties and the Oxford/Cambridge Arc. In 2021 Thrive achieved its first growth milestone of 5,000 homes
- While increasing opportunities for a range of customers to find a home, Thrive also recognises the importance of a sustainable business model
- To help to guide the business, we have developed principles that enable us to test whether what we are doing or the decisions that we make are consistent with the organisation that we aspire to be. These principles are categorised into the following 4 areas:
  - **Responsibilities to Customers**
  - **Responsibilities to Communities**
  - **Responsibilities as an Employer**
  - **Responsibilities to the Environment**

**These principles are agreed with Board and help guide the Strategy**

# 4. Strategic Framework

- ◆ Resilient with a strong financial base  
“to continue strong financial management that has supported recent growth”
- ◆ A fair deal for customers  
“to provide safe, affordable good quality homes”
- ◆ Growth  
“Sustainable organic growth”
- ◆ A good place to work  
“to attract and retain the right talent to deliver what the business needs”

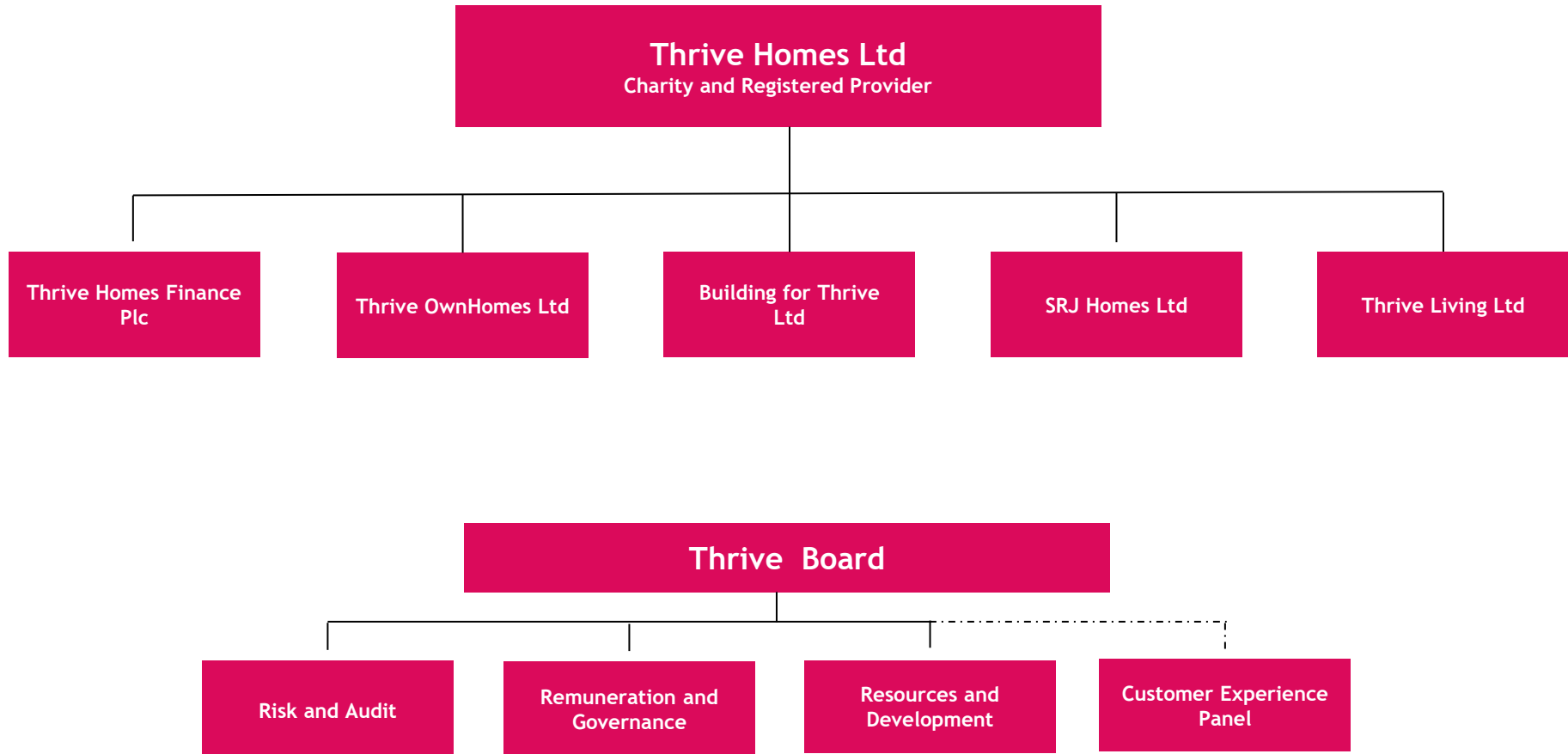
To become ‘a multi-price point landlord’

- ◆ These are the continuing themes for our strategic focus.
- ◆ The adopted framework isn’t timebound as we believe that this focus will be right for Thrive for many years to come.
- ◆ Board will be looking at progress against the themes each year and considering what is achievable given the operating environment.
- ◆ Our growth ambition continues but is tempered by the commitment to customers that’s enshrined in the document that Thrive will ensure a fair balance of its resources between new homes and maintaining existing homes to a good standard. Growth to continue at the top end of the recent range 100-150 units per annum.

The Strategic framework sets out our on-going approach to developing our business and informs Thrive’s detailed financial medium-term

# 5. Corporate Structure

Thrive has focused on establishing consistent standards of robust governance, effective risk management and a strong financial position



# 6. Thrive Combined Board



## **Kate McLeod (chair)**

Recently retired as CFO of the Royal Mencap Society with previous experience in a variety of Investment Management Firms.



## **Graham Olive (vice-chair)**

Over 30 years' experience in commercial banking in the UK and internationally.



## **Vic Baylis**

Previously Director of Customer Services at Westminster City Council with many years housing experience including establishing and chairing CityWest Homes.



## **Francesco Elia**

An accountant and interim management consultant, he over 10 years' experience in senior executive roles within a range of housing associations.



## **Jessica Friend**

An investment finance professional with over 17 years' experience in investment banking and regulatory finance. Currently a senior adviser for Ofgem.



## **Malcolm Green**

Previously a senior executive with BAE Systems with responsibilities for Real Estate activities in the company including residential regeneration schemes in collaboration with housing providers.



## **Rachel Harrison**

Global Finance and Operations Manager at the Centre for Public Impact. Previously Finance Director and Company Secretary for Wokingham Borough Council.



## **James Invine**

A sell-side equity research analyst at Société Générale with a focus on UK banking sector. He is a non-executive director at Fair4AllFinance and Trustee at the Limehouse Project.



## **Craig O'Donnell**

Head of Digital Innovation at Grosvenor and previously Chief Officer at Landsec, the UK's largest commercial property company.



## **Jamie Smith**

Group Financial Director for Vertas Group (facilities management). Previously worked as Deputy Chief Executive at Swan Housing Group and in a number of FD roles in the construction sector.

Strengthened Board - New Chair, 3 New Board Members

# 7. COVID-19

- ◆ Income has held up well – Arrears 3.4% below the FY target of 4%
- ◆ Thrive's agile working environment enabled an easy transition to home working
- ◆ Sales and lettings continued whilst applying the safe working practices developed in response to the pandemic
- ◆ Development sites continue to work and no major problems with labour or materials have been reported to date
- ◆ Thrive provided a responsive repairs service and carry out essential safety checks where access is provided
- ◆ Reprofitting major works programmes to external works with internal programmes moved to next year
- ◆ Operatives have good supplies of PPE (and as previously we are maintaining good forward supplies)
- ◆ Regular forecasting and scenario modelling taking place to understand potential impacts on metrics and cash



# 8. Risk Profile

## ◆ Health & Safety

- ◆ No cladding nor high rise considerations in current estate
- ◆ Building safety additional cost of £200k pa built into the MTP

## ◆ Revenue defensibility

- ◆ Low levels of rent loss through voids - 0.65%, no increase in numbers from prior years (Mar 2020 and Mar 2021 – 72 voids)
- ◆ 1,320 households on the waiting list (was 1,004)
- ◆ Universal Credit is now becoming the ‘norm’ and will underpin more and more of our income as the roll out continues.
- ◆ Shared Ownership High demand Continues

## ◆ Inflation risk – new build contracts all let on fixed price contracts

Thrive is financially strong and understands its risk profile

# 9. ESG - Environmental

- ESG: A co-ordinated framework that minimises the impact on the environment and promotes positive social outcomes
- Thrive already meets the criteria and has built ESG into its strategic framework. A working group led by the Resources Director has been set up to agree how to best report our performance internally and externally
- Thrive has adopted the ESG reporting Standard to measure its performance and provide data to stakeholders in ways that enable them to compare Thrive to other businesses. First report due this financial year.

## ● Performance and Targets

- 64% stock is rated SAP C or above
- Planned a further £9m for remainder to achieve SAP C - £900k pa
- 250 properties difficult to achieve SAP C – void conversion programme
- Thrive has a corporate Social Responsibility Statement prioritising Environmental Sustainability and Community Sustainability – awarded Planet Mark
- Our contracts include requirements for use of sustainably sourced materials in construction
- All new build properties are forecast to exceed EPC B standards
- CSR statement agreed by Board in December 2020

EPC Rating	% of Homes
A	0
B	8%
C	56%
D	33%
E or below	3%

# 10. ESG

## Social

- Average rental equivalent to 40% of local market rent. Rents capped at the LHA and affordability checks completed before letting
- CEP includes 2 Board members, independently chaired, reports twice year to the full Board
- Customer Experience measures developed by the CEP and reported to the Board – Overall satisfaction 75% Repairs Satisfaction 89%
- Thrive purpose is Affordable Housing which benefits our communities. In addition we have £125k GIVE grants

## Governance

- Board manages Governance within the NHF 2020 Governance Framework
- 100% of Board are NED
- Board members are allocated to Committees based on Skills Matrix
- G1/V1 grading
- 99.9% of homes meet DHS
- 0% homes have an outstanding FRA

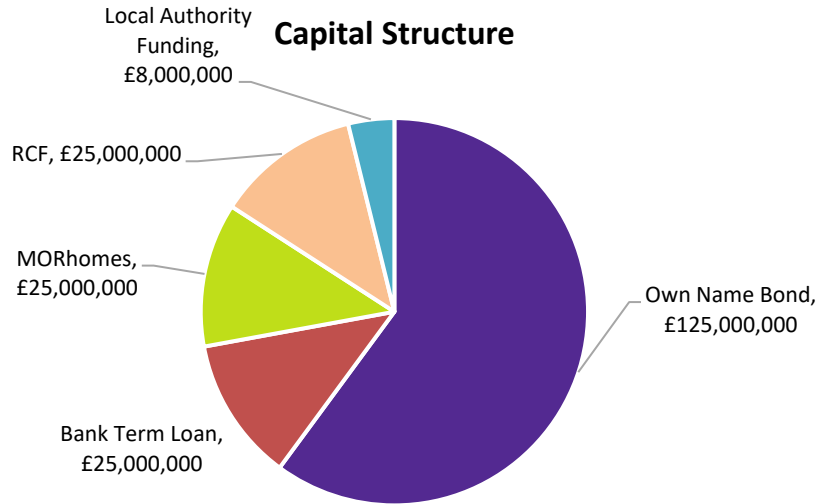
Board demographics	Metric
% Board is male	64% Male 36% Female
Avg age of Board	53
% BAME board members	Currently none

# 11. Funding Aims

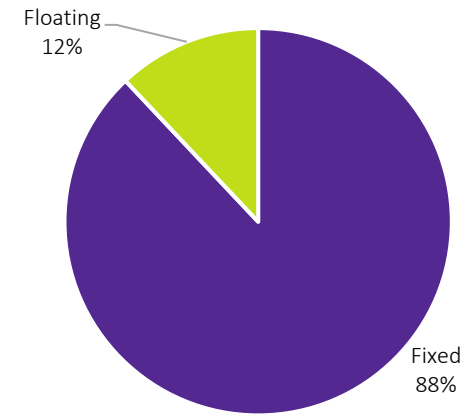
- ◆ **Diversification of Funding Sources and Financial Resilience:**
  - Thrive’s bond has provided stable long-term funding, seeking to bring in due course to benchmark size with a tap and part-sale
- ◆ **Cost efficient funding and Flexibility**
  - Deliver value for money for our customers by ensuring that we have sufficient liquidity and flexibility in funding our medium term plans
- ◆ **Facilitate delivery of our corporate strategy**
  - Thrive’s corporate strategy includes ongoing development of new homes along with investment in the existing asset base

Facilitate delivery of our Board Approved Medium Term Plan

# 12. Capital Structure & VFM



**Interest Exposure (Total Facilities)**



Value for Money Scorecard	2020	2019	Peer 2019	2018
Reinvestment	17.0%	14.7%	10.0%	17.1%
New supply of social housing units delivered	2.3%	1.8%	2.5%	1.2%
New supply of non-social housing units delivered	1.0%	0.4%	0.0%	0.0%
Gearing	75.8%	66.8%	50.8%	59.7%
Debt Per Unit	£36.1k	£33.3k	£30.0k	£26.9k
EBITDA MRI cover	187%	143%	229%	153%
Headline social cost per unit	£3,660	£4,177	£4,502	£4,344
Operating margin (social housing lettings)	37.1%	32.4%	34.4%	34.5%
Operating margin	35.6%	30.4%	32.1%	31.2%
Return on Capital Employed	4.5%	3.7%	4.6%	6.1%

# 13. Credit Rating



**On March 25, 2021, S&P Global Ratings affirmed its 'A stable outlook' long-term issuer credit rating on Thrive.**

*"(Thrive) delivered stronger financial metrics than our previous base case,"*

## Credit Themes

- Strong EBITDA MRI Margins
- Strong demand for shared ownership
- Strong rental demand due to large discounts to market rent
- No high-rise or cladding issues
- Strong levels of liquidity and fixed rate funding
- Development appetite continues to be in line with S&P expectations which quoted 425 units over a 3 year period

Thrive Homes Limited	2019	2020	2021E	2022E	2023E
Units under management (no.)	4,749	4,847	4,896	5,055	5,161
EBITDA/Revenue	30.8	39.1	39.8	32.6	38.2
Debt/EBITDA	18.8	14.0	13.4	15.5	15.2
EBITDA/Interest Coverage	1.3	1.8	1.9	1.6	1.7

# 14. Summary



- ✓ Strong management team supported by a engaged diverse board with a breadth of skills and expertise

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- ✓ G1/V1 regulatory rating

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- ✓ Operate in areas of strong demand and high values

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- ✓ Strong credit rating highlighting strong financial position

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- ✓ Strong risk management and clear response to Covid-19

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- ✓ ESG a key focus with a robust framework in place

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