



Funder Update 2017/18

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Content

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- External Environment
- Strategy - Vision and Values
- Development
- 2018 Financials
- Treasury Structure
- 2018/19 Half Year



Credit Highlights



With over **40,000 homes** and **established in 1967**, Orbit is recognised as one of the UK's largest social housing providers



Financially robust association – strong liquidity position and interest coverage metrics, backed by a sizeable pool of unencumbered assets and sector leading ratings - HCA G1/V2 - Moody's A2



History of successful development with resilient internal controls supported by a sound risk management and compliance framework



Geographically diversified operating areas across the Midlands, East Anglia and the South-East - in areas of sustainable demand for housing



Proven leadership team with a mix of commercial and sector skills



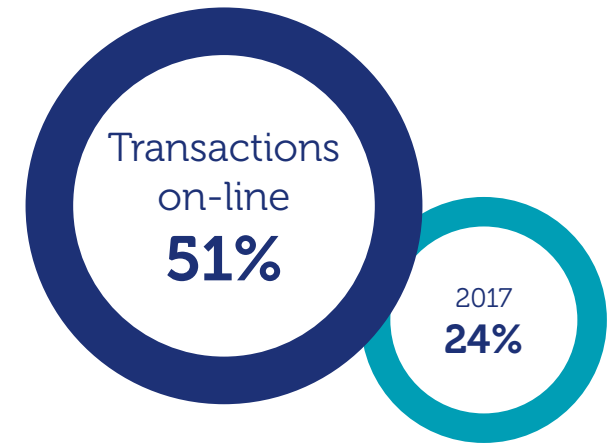
Performance on track to deliver vision to 2020 and beyond

National influencer

8,000 units developed since 2012

Strong track record

2018 Highlights



External Environment

Politics

- Unsettled and Brexit focused
- Devolved power to the regions
- Growing cross-party support to address the concerns of Universal Credit

Economy

- Slow growing with productivity remaining low
- Record low unemployment
- Wages continue to outstrip inflation

Housing

- Ambition to deliver 300,000 new homes a year
- Midlands and the North outperforming rest of the country
- Help to Buy extended to 2023

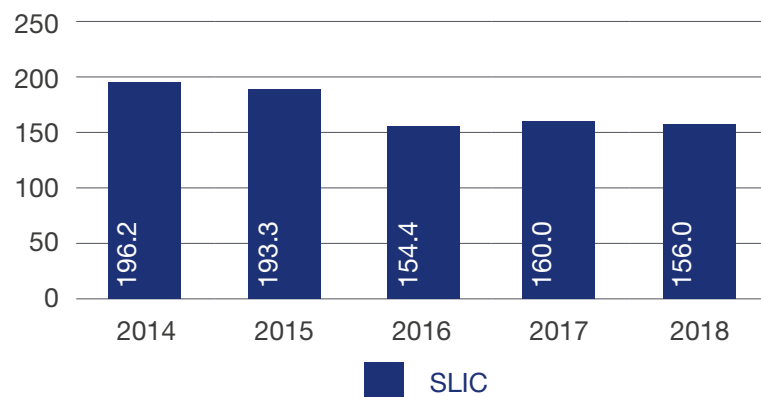
Sector

- Tightening of consumer regulation
- £2bn additional funding for affordable and social housing from 2021 onwards
- Local authority 'Housing Revenue Account' borrowing caps removed

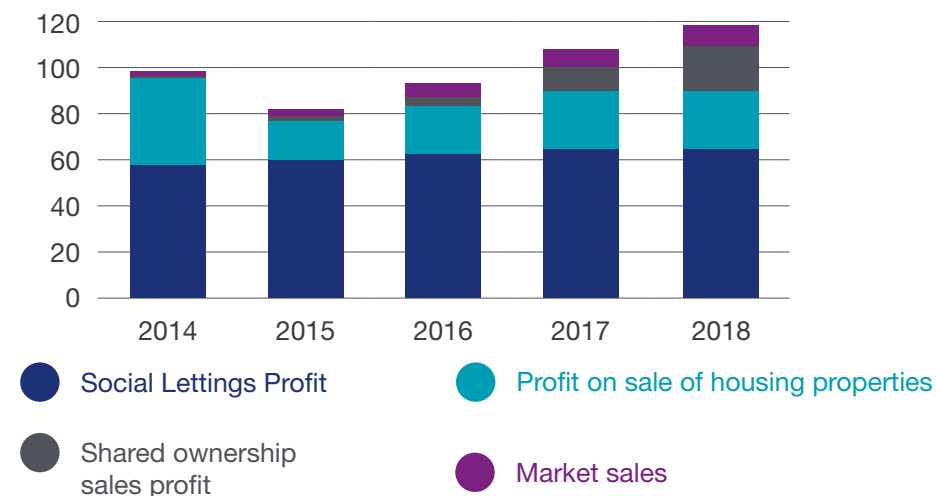
Clearly defined risk appetite

Risk Factor	Base plan limit	Actual 17/18 (from stat accts)
Profit from development sales and non social housing	< 35%	31%
Social lettings interest cover	> 1.33	1.56
Sales work in progress	< £230m	£116m
Available liquidity	> 24 months	36 months
Operating margin (Excluding property sales)	> 25%	25.4%

Social Lettings Interest Cover %



Operating Profit Contribution



Risk Metrics embedded in stress testing and reporting

2020 Vision

We lead in
building thriving
communities



Clear vision and focussed strategy



Profit for a purpose

2020 - 2025 Vision



Service



Property



Profit



People

Robust Risk Framework (Golden Rules)

Orbit Values

WE LEAD IN BUILDING THRIVING COMMUNITIES

ACHIEVING TOGETHER

DRIVEN 

INNOVATIVE 

RESPONSIBLE 

INVEST  

OUR VISION AND VALUES

Keep it up and don't forget, if you see any of your colleagues living our values, let us know on our dedicated Yammer group!

How have you been living our values?

DRIVEN

Thanks to all teams who got involved with Macmillan Coffee Morning recently, especially our Independent Living colleagues! Your drive meant we achieved great things for Macmillan – keep your eyes peeled on the Orb for an update of money raised and pics!

INNOVATIVE

The Tenancy Sustainment team has adopted an innovative new approach to helping our customers. We now coach customers to help themselves. Our six new coaching modules have been created to help customers to overcome barriers to employment, improve wellbeing, money management and life skills.

RESPONSIBLE

Income Services have recently influenced the Department of Works and Pensions to address the way in which new Universal Credit customer information is shared with them. This route for information sharing will then be rolled out nationally to other Housing providers – a huge well done to all involved.

INVEST

Community Investment recently worked with a customer who wanted to set up a local day care for children with special needs. With help from our repairs contractor Mitie, they invested in refurbishing the unused, dilapidated building into a fit-for-purpose, state-of-the-art nursery in just three weeks. A huge success!



Development Highlights

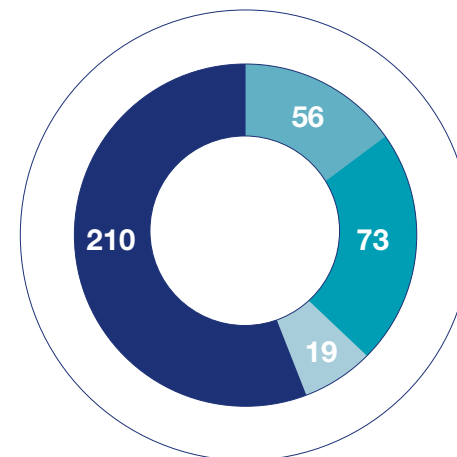
Saxon Gate,
Lichfield



Five Year Summary of Financial Highlights

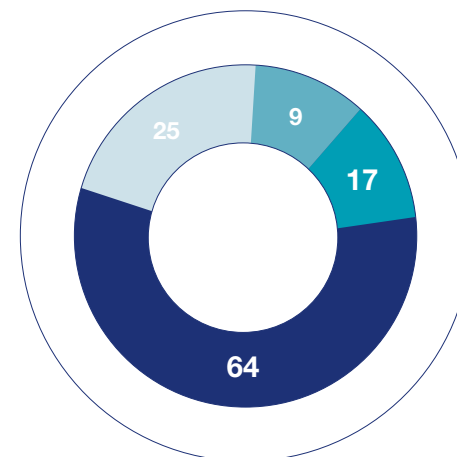
Statement of comprehensive income	2017-18 £m	2016-17 Restated £m	2015-16 Restated £m	2014-15 Restated £m	2013-14 £m
Turnover	357	333	301	250	221
Operating costs and cost of sale	(266)	(249)	(228)	(181)	(159)
Profit on sale of housing	25	23	20	15	36
Operating profit	116	107	93	84	98
Operating margin%	32.5%	32.1%	30.9%	33.6%	44.3%
Profit for the year	85	65	45	36	67
Statement of financial position					
Fixed assets	2,394	2,272	2,086	1,910	1,083
Creditors due after >1 year	1,957	1,928	1,816	1,691	752
Revenue reserves	573	487	423	377	373
Gearing %	48.4	49.3	47.6	45.9	39.3
Key indicators					
	2017-18	2016-17	2015-16	2014-15	2013-14
Properties	42,417	40,610	39,231	38,494	37,336
New homes built	2,030	1,788	1,750	1,521	865
Debt per unit (£k)	33.4	33.1	31.0	27.9	24.2
Months cash/secured loans available	36	36	14	18	30
Interest cover	3.09	3.07	2.95	2.86	3.44

Turnover by type £m



- Market Sale (16%)
- Shared Ownership (20%)
- Non Social and Other (5%)
- Social Housing Lettings (59%)

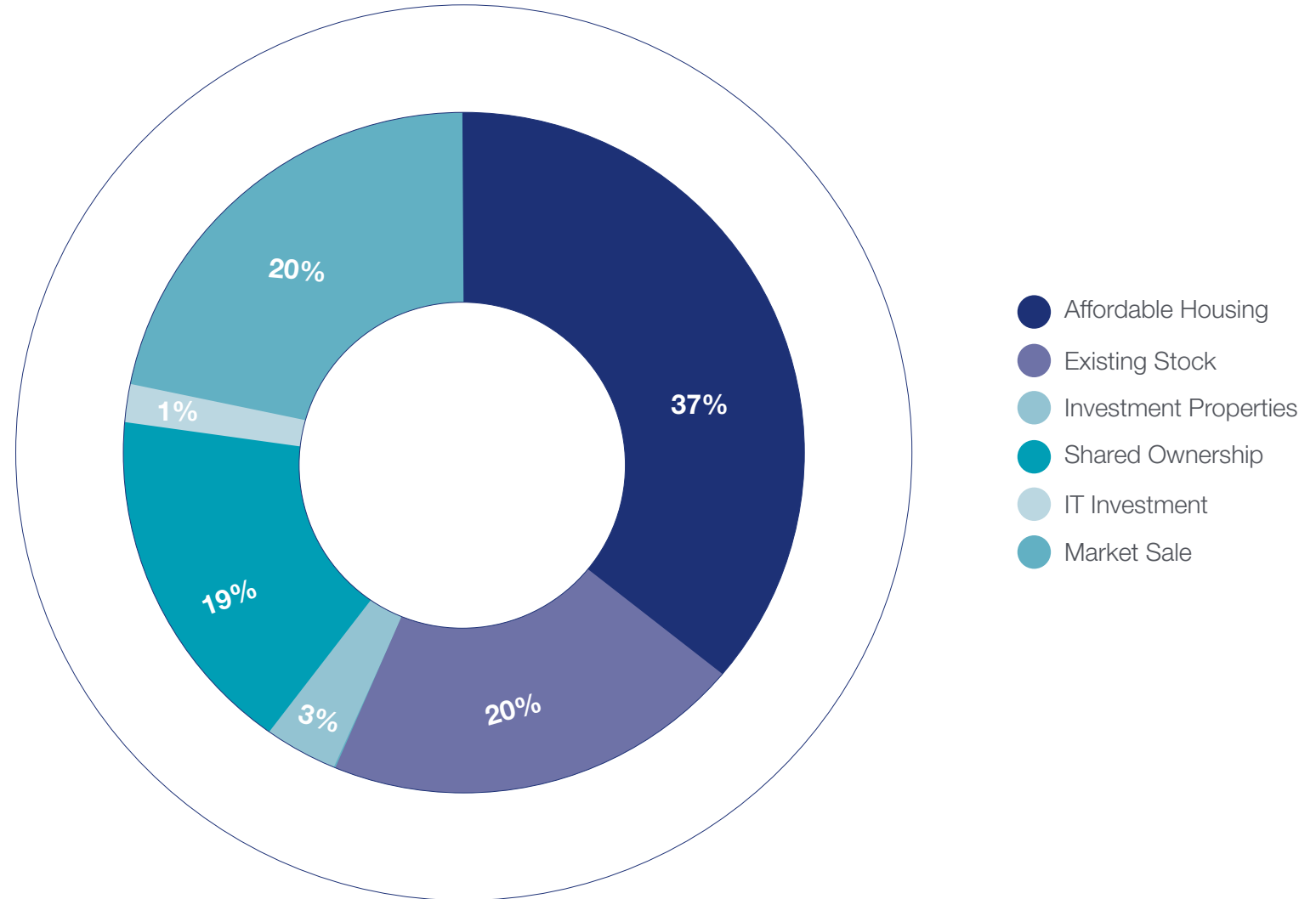
Profit by type £m



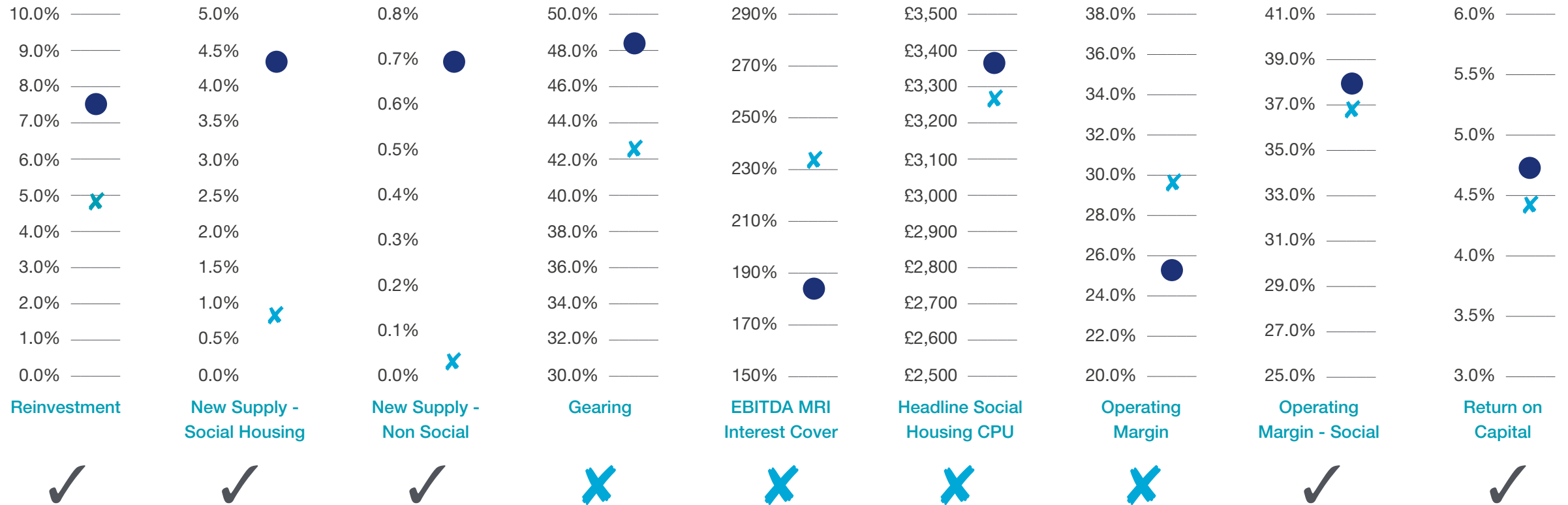
- Market Sale (8%)
- Shared Ownership (15%)
- Social Housing Lettings (56%)
- Sale of Housing (22%)

2018 Investment - £323m

Investment by type



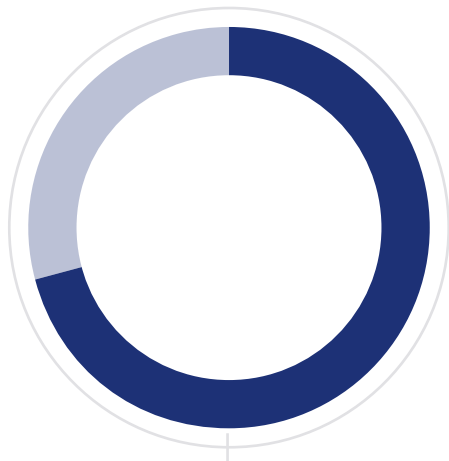
Value For Money Overview – FY17/18



- Orbit has outperformed the VFM metrics on 5 out of 9 metrics.
- Operating Margin is impacting by a higher level of market sales activity.
- EBITDA MRI Interest cover will be impacted by Orbit’s lower operating margins as a result of the scale of our property sales activity.

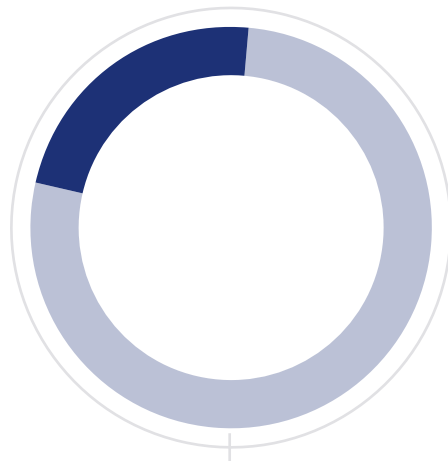
Capital Structure - Borrowing and Hedging 31 March 2018

Bank v Other debt



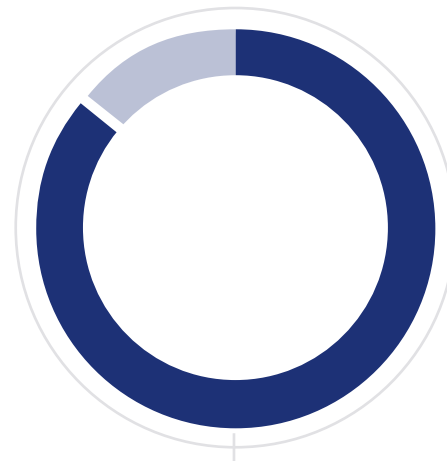
29% Bond & other debt
71% Bank debt

Total committed funding



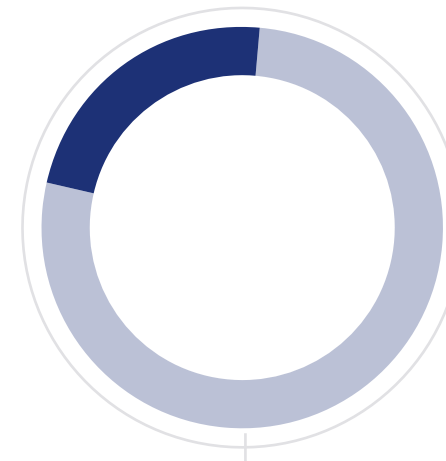
Undrawn debt £254m
Drawn debt £1,206m

Hedging mix %



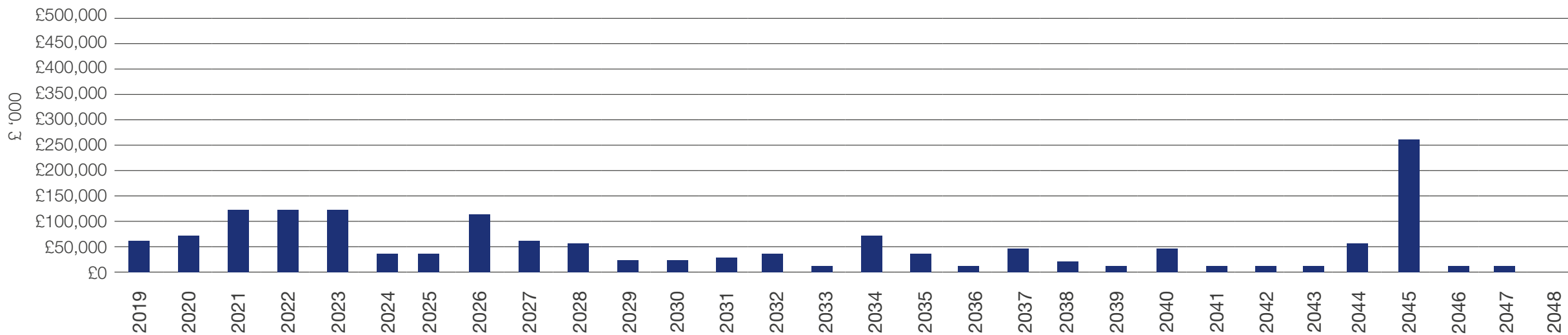
83% Fixed, embedded and standalone
1 RPI
16% Calibre and / cancellable

Available Liquidity



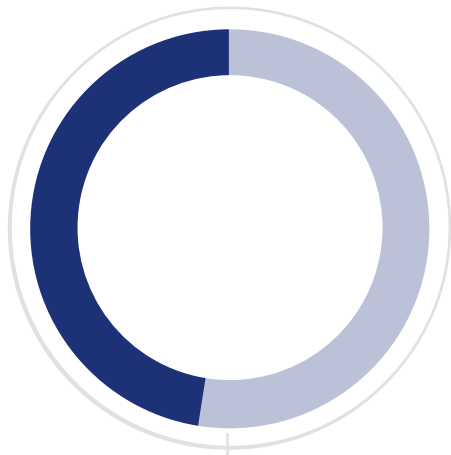
Undrawn committed £254m
Cash £50.7m

Debt maturity profile



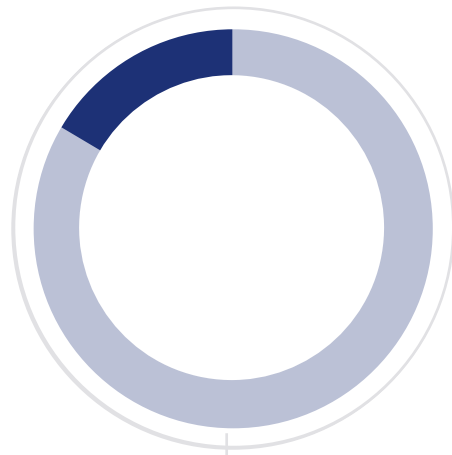
Capital Structure - Borrowing and Hedging Q2 2018-19

Bank v Other debt



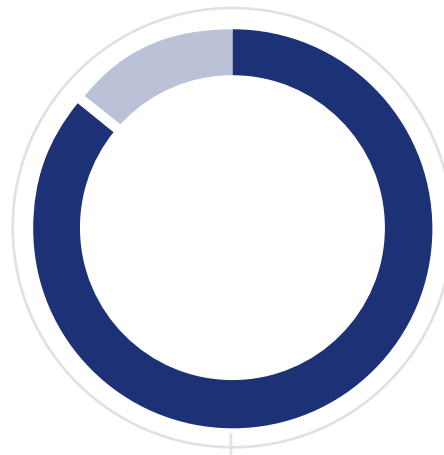
- 52% Bond & other debt
- 48% Bank debt

Total committed funding



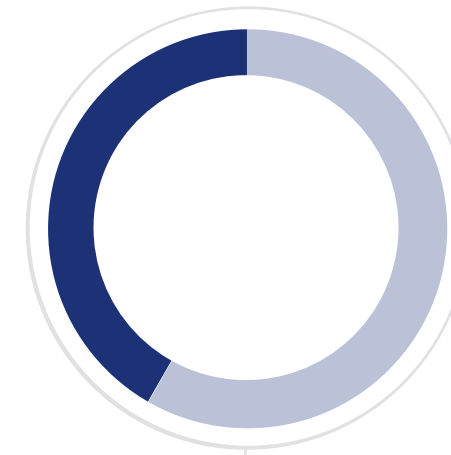
- Undrawn debt £215m
- Drawn debt £1,424m

Hedging mix %



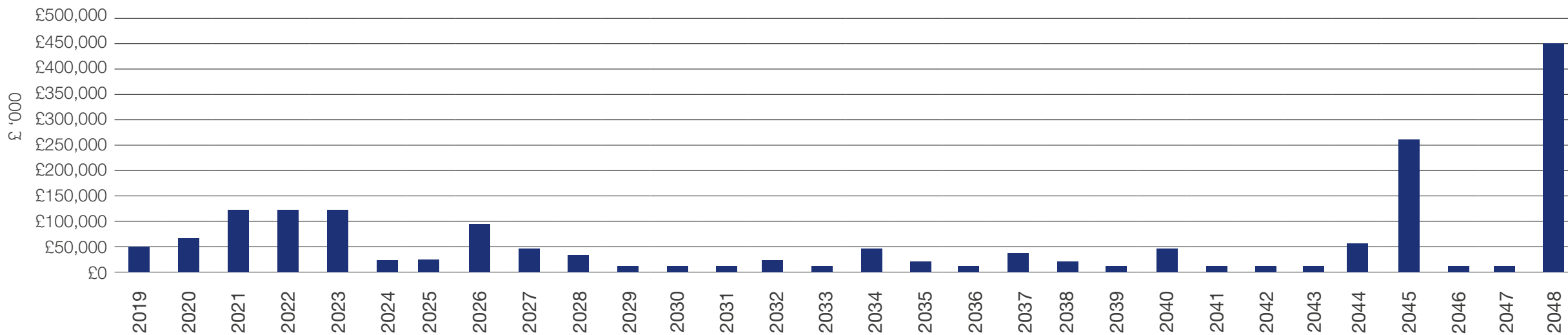
- 89% Fixed, embedded and standalone
- 1 RPI
- 10% Callable and cancellable

Available Liquidity



- Undrawn committed £215m
- Cash £170m

Debt maturity profile



Post Bond Security

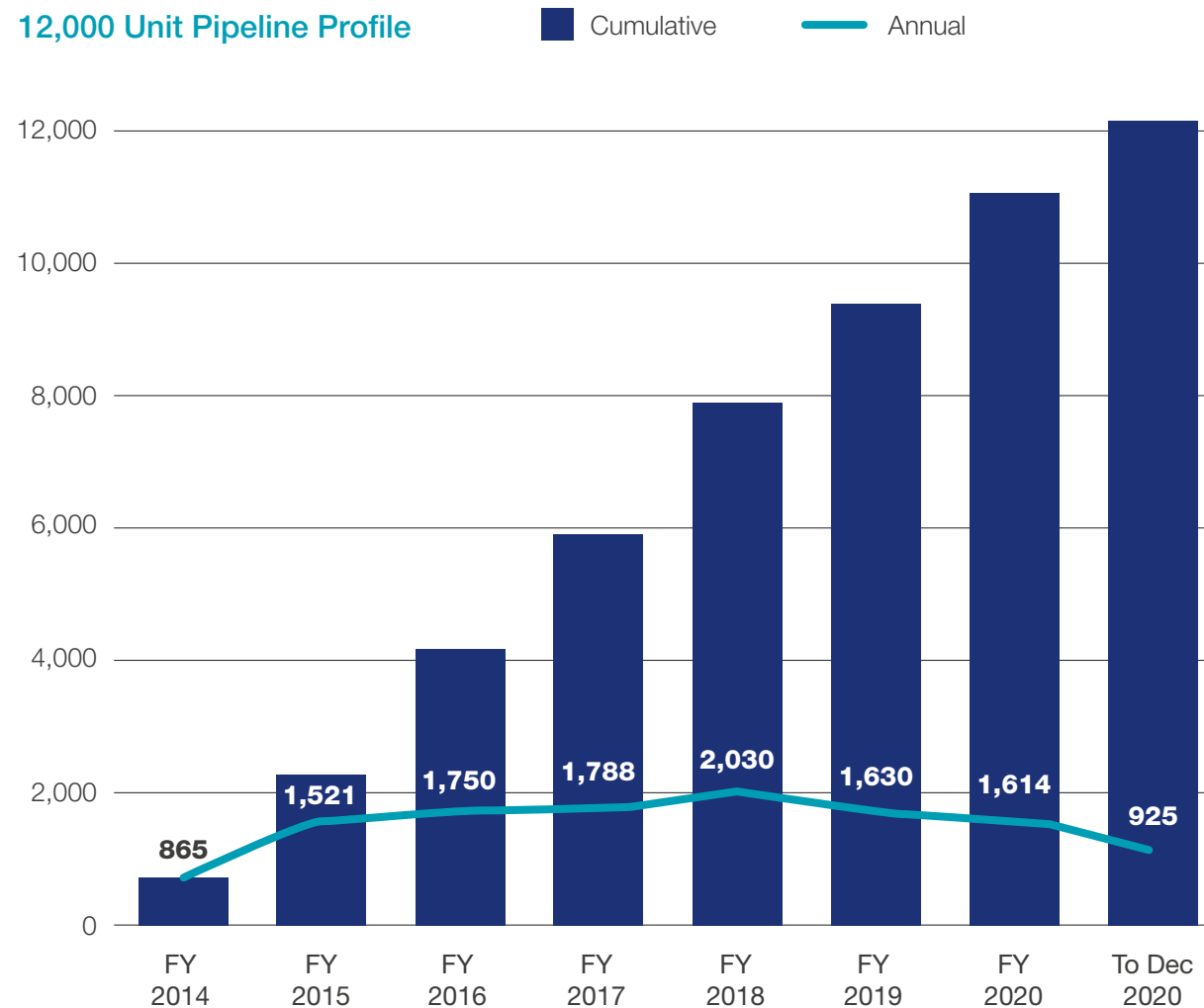
Security	Units	£m	%
Charged Security - Existing Loans/Bond	25,607	2,132	65%
Charged Security - Swaps	1,657	116	4%
Unencumbered	11,182	1,022	31%
Unable to Charge	4,912	-	-
Total	43,358	3,270	100

- Charged security valued on a mix of Existing Use Valuation (EUV) and Market Value Tenanted (MVT)
- Unencumbered property (£926m) is shown at an average of EUV and MVT
- Unable to charge – exercised RTB/RTA properties, fully staircased shared ownership, private retirement schemes

2018/19 half year

	Sep 18 £m	Sep 17 £m	2017/18 £m	2016/17 £m
Turnover	154	175	357	333
Cost of Sales	(34)	(46)	(101)	(94)
Operating Costs	(72)	(76)	(165)	(155)
Operating Profit	48	53	91	84
Margin % (exc. Sale of Housing)	31.2%	30.1%	25.5%	25.2%
Sale of Housing	11	12	25	23
Operating Profit	59	65	116	107
Margin	38.3%	36.9%	32.5%	32.1%
Units Sold				
Market Sale	61	92	692	209
First Tranche	143	383	225	529
Sold to others	56	8	8	42
Total Units sold	260	483	925	780

12,000 Unit Pipeline Profile



Conclusion

- Continuing progress towards the 2020 objectives
- Continuing investment in existing stock and core business
- Transformation embedded
- Focused cost control
- Proven track record in the delivery of new homes



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