

L&Q Presentation to Investors

14 May 2024

L&Q

Investing in homes
and neighbourhoods



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L&Q Structure & Governance



Corporate Governance



Fiona Fletcher-Smith
Group Chief Executive



Waqar Ahmed
Executive Group Finance Director



Tom Nicholls
Executive Group Director HR



Matt Foreman
Executive Group Director Customer Service



Vicky Savage
Executive Group Director Development & Sales



Steve Moseley
Executive Group Director Governance, Strategy & Communications



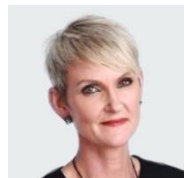
David Lewis
Executive Group Director, Property Services



Aubrey Adams
OBE
Group Chairman



Maria Da Cunha
Board Member



Dominique Kent
Board Member



Dr Louise Brooke-Smith
OBE
Board Member



Nigel Hopkins
Board Member

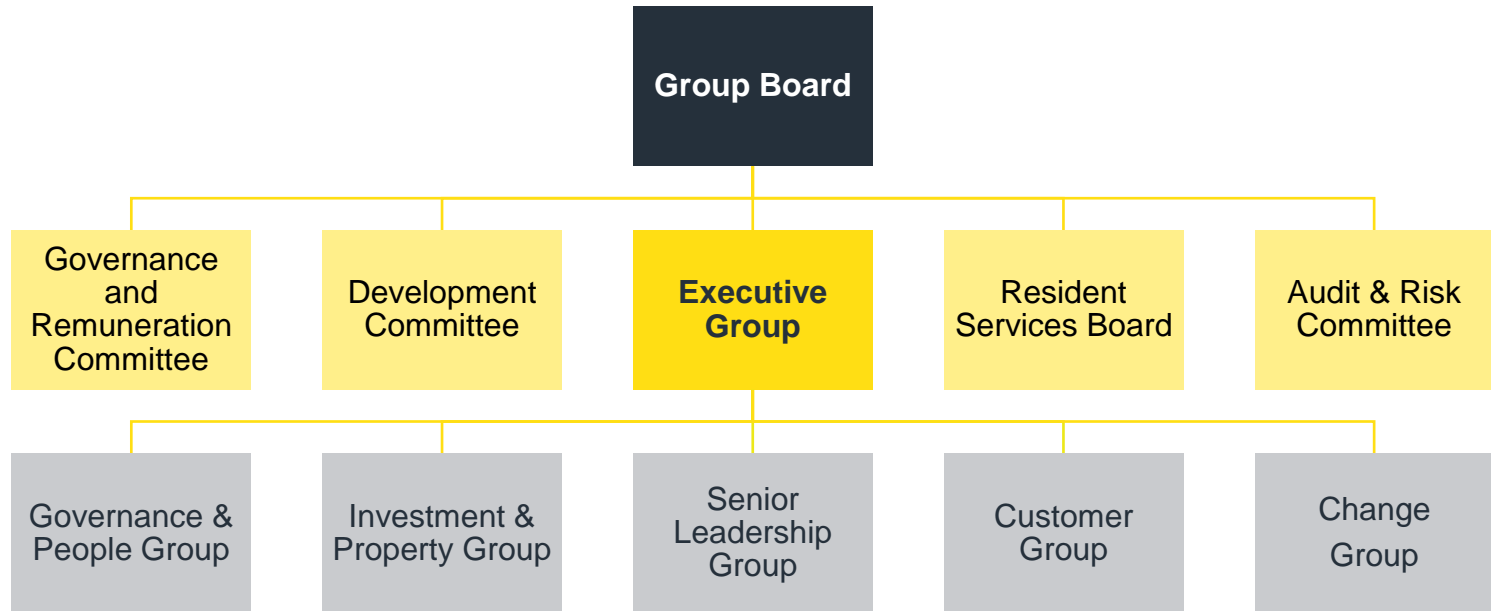


Fayann Simpson
OBE
Board Member

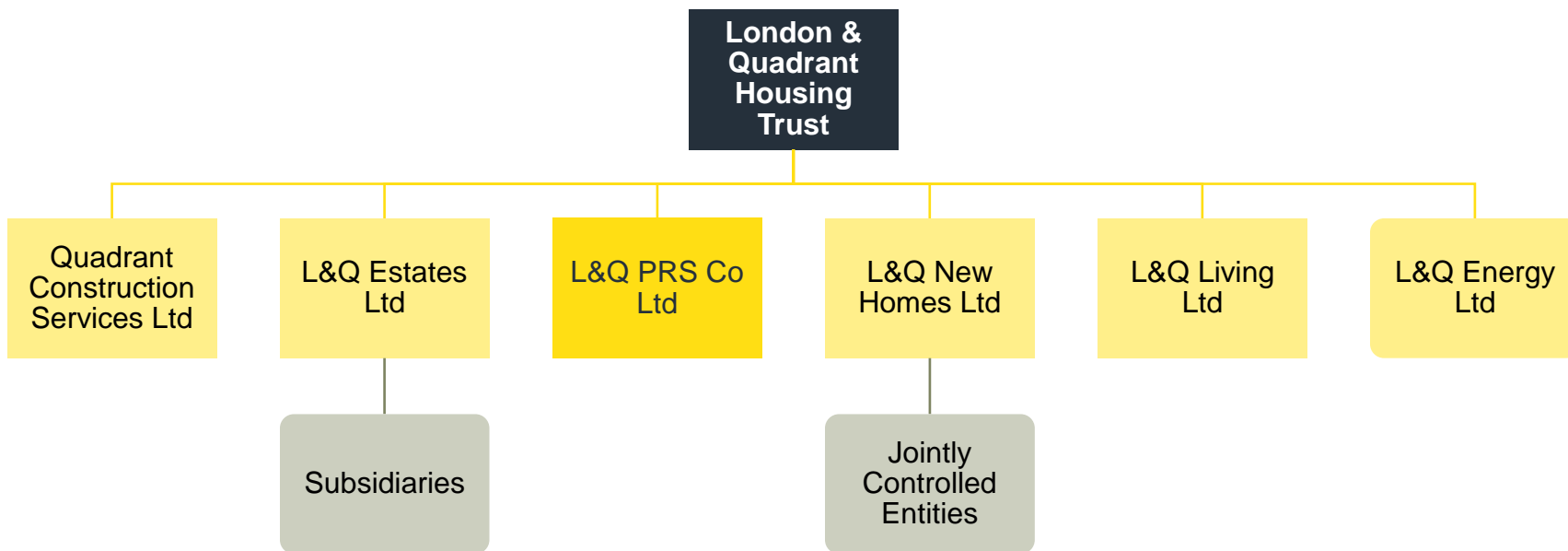


Raj Kumar
Board Member

Corporate Governance



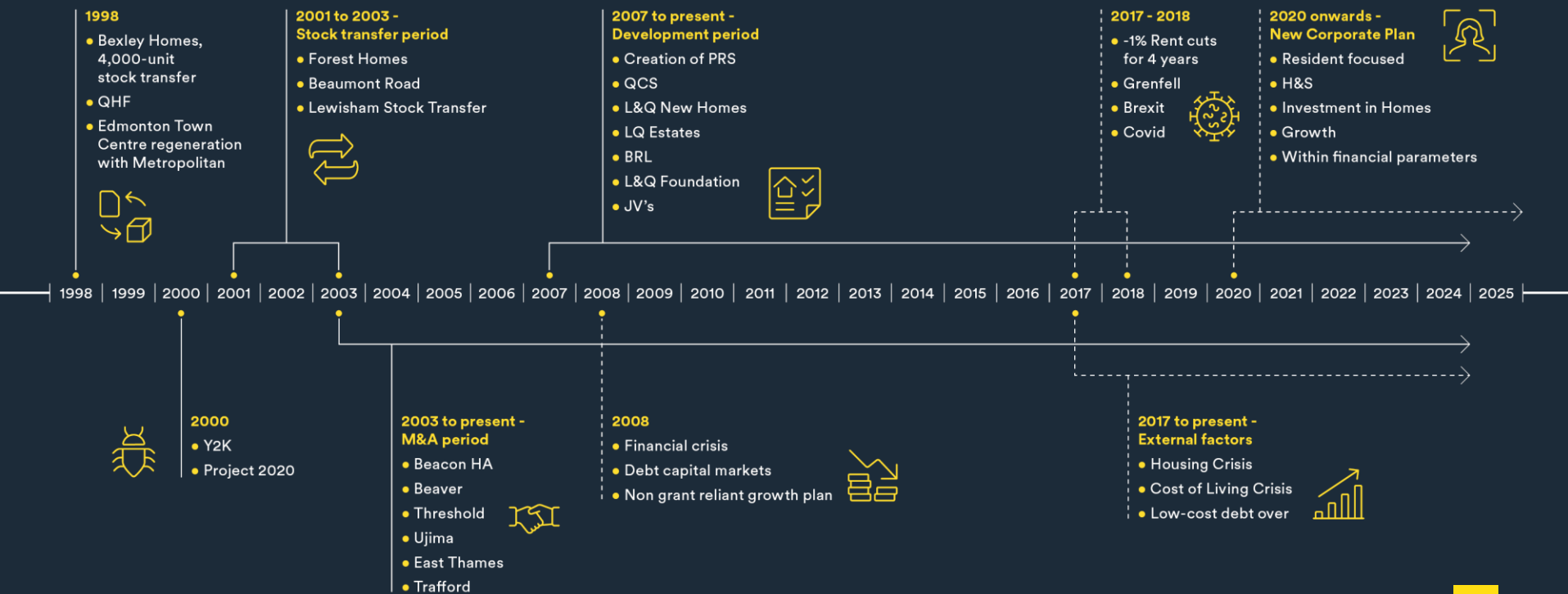
Summarised L&Q Group Structure



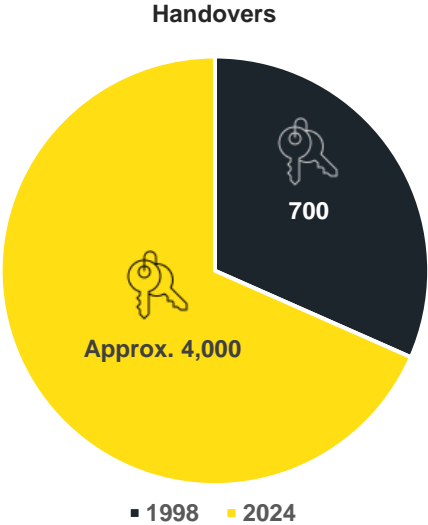
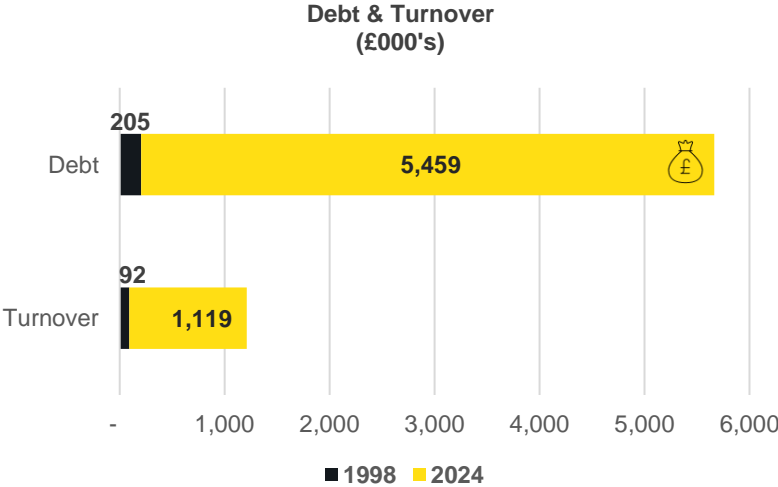
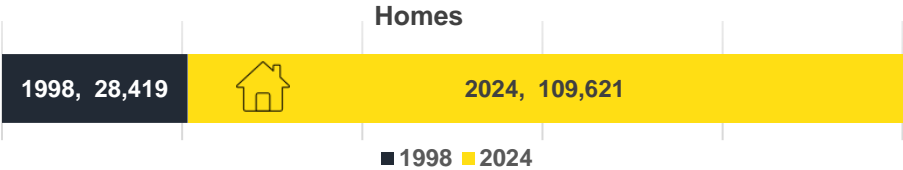
L&Q Strategy



Our journey over the last 25 years



Our journey over the last 25 years



Corporate Strategy



Service



Homes



People



Governance
and Assurance



Finance



Our Vision

Everybody deserves a quality home that provides them with the opportunity to live a better life



Our Purpose

To provide homes and neighbourhoods everyone can be proud of



Our Strategic Vision

We want to be known for delivering operational excellence in all we do

Our environmental, social and governance principles



Environmental

E

Our impact on the environment

We measure our impact on the environment in a number of areas, including:

- Climate action
- Resource efficiency
- Healthy places

Social

S

Our residents and the communities they live in

Our social impact focuses on our residents and the communities where they live, including:

- Providing affordable and secure homes
- Community investment
- Supporting our residents

Governance

G

How L&Q operates

L&Q's governance covers how we operate as a business, housing builder and landlord, including:

- Employee wellbeing
- Representative governance
- How we manage our supply chain

Our Operating Environment



Challenges

- Macro-economic conditions – persistent inflation, higher interest rates and lower mortgage availability
- Need to invest in existing stock – building safety, decarbonisation and maintenance of decent homes standard
- Regulatory – 7% rent cap, low grant rates and consumer standards.
- Housing ombudsman, damp and mould, Awaab's law.

Our position to respond

- Gain operating efficiencies and improve customer service via investment in new housing and finance management systems
- Procurement efficiencies via our Major works programme and in house construction team
- Focus on strategic geographical areas
- Optimise capital structure by derisking and deleveraging
- L&Q Foundation supporting residents through cost-of-living crisis, with 'Pound Advice' service.

The Future



PRS

Shared Ownership

Development

Business
Transformation

Stock Divestment

Geography

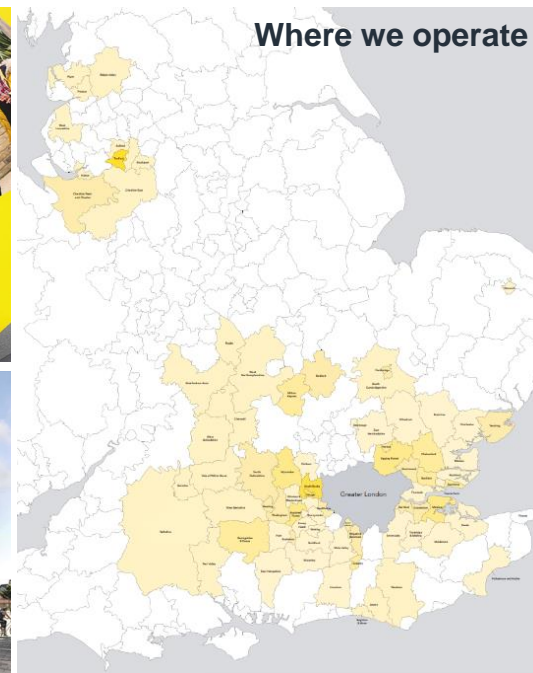
To maintain quality
& safe homes for
residents & tackle
the housing crisis

**Future
shape**
Our five-year corporate strategy

L&Q



Where we operate



L&Q Investment in Existing Homes





Major Works Investment Programme

- £3bn over 15 years
- 15 year partnership with 10 contractors
- Open book target cost model
- 6 year Asset Investment Plan approved by Board in March 2024
- Spending £140m this year then rising
- Investing £41m in decarbonisation
- Investment based on robust condition data
- Regulatory compliance and asset value
- Resident focus and social value key aims



Social Value

Achievements in 23/24

- Partners delivered in excess of £23m social return on investment through the Major Works Investment Programme
- 27 local people accessed employment directly with the partners
- 15 full-time equivalent jobs for disadvantaged people were accessed
- 860 weeks of apprenticeships completed
- £21m spent locally with SME's
- Partners have invested over £44,000 into community organisations and activities including
 - University Scholarships and mentoring for L&Q residents
 - Donations and support for food poverty programmes
 - School holiday provision for children and young people



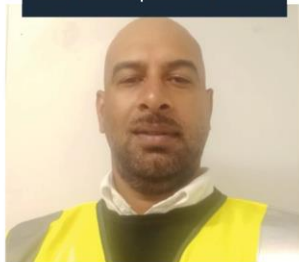
Good news stories from the Major Works Investment Programme



Resident thrilled with new wheelchair-friendly kitchen and bathroom



Yogesh lands a role with one of our partners



'Life changing' wet room installed for residents as part of Major Works Investment Programme



London students gain invaluable insight during work experience programme with Major Works Investment Programme partner



Summer football camp run by L&Q and Major Works Investment Programme partner



Romford school gifted laptops to help with children's homework



Harrow Scout Hut undergoes transformation



Mock interviews by Major Works partner sparks confidence for pupils



Major Works partner transforms resident's garden



Repairs Change Project

- A cost-effective repairs and maintenance service that responds to the needs of residents

This means...

- Improved diagnostic capability
- Optimised supply chain
- End-to-end repairs processes
- Channelling more work into planned programmes
- Digital workflows that improve tracking and visibility for residents

	Routine Repairs Small fixes, mainly carried out by the Direct Maintenance Team, that take no longer than a day
	Minor Works Medium-sized jobs to replace something that can't be fixed, and where there is no imminent major works planned to do this
	Major Works Large investment projects targeting multiple homes in the same location (e.g. replacing windows)
	Empty Homes A range of work to individual homes to make sure they're up to standard before being re-let
	Cyclical Maintenance Repeat works, such as external painting, designed to extend the life of an asset (e.g. painting windows)





Damp and Mould

- In 2023/24 we surveyed 5,300 homes, who reported damp and mould
- 98% within 20 days
- Treated / repaired 8,300 homes
- Fitted 17,500 remote sensors in homes
- Actively monitoring and proactively reattended
- Spend £6.5m each year
- Awaab's Law reduce times and increase costs



Building Safety

- Inspected the External Wall Systems of 1,465 of our buildings from the 2,205 in scope
- Inspections to be completed by March 2026
- Remediated 47 buildings, which includes all 32 high-risk ACM
- In progress of remediating a further 62 blocks, In total we will have remediated 213 blocks
- First two buildings requested for review by the Building Safety Regulator
- Numerous EWS1 and Letters of Comfort issued



L&Q Development



Our developments



Acton Gardens

3,500 homes, Joint Venture, Regeneration



Prime Point

477 homes, Greenwich Peninsula, In-house Build



Barking Riverside

20,000 homes, JV, Placemaking, In-house Build



Kew Bridge Rise

228 homes, Brentford, Joint Venture



New Union Wharf

399 homes, Isle of Dogs, Regeneration



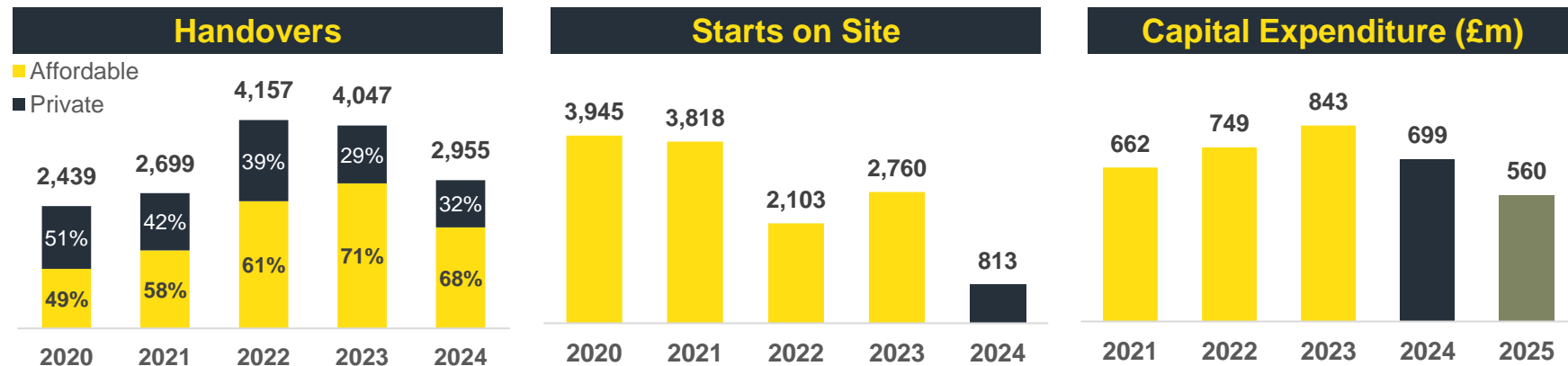
Lock 19

209 homes, Tower Hamlets, Mixed-use, In-house Build

Development & Sales Activities



- Gross capex and starts on site are reducing, supporting our message of a lower risk profile.
- Impact of provisions and impairments will reduce in-line with pipeline.
- Average sales price increased, and high levels of customer satisfaction.
- Multi-tenure sites and diversified procurement enables a flexible approach to changing market conditions.



L&Q Finance & Treasury





Finance & Treasury - Key Credit Highlights 2023/4

Home in
Management

↗ 109k
FY23: 108k

Turnover

↘ £1.1bn
FY23: £1.2bn

EBITDA
MRI

↗ £349m
FY23: £313m

EBITDA
MRI Margin

↗ 29%
FY23: 22%

Sales as
% of Turnover

↘ 35%
FY23: 48%

Total
assets

↗ £14bn
FY23: £13bn

EBITDA
Interest Cover

↘ 144%
FY23: 168%

Debt to
Assets

→ 40%
FY23: 40%

Moody's/
S&P / Fitch

→ A3/A-/A+
FY23: A3/A-/A+

Regulatory
Ratings

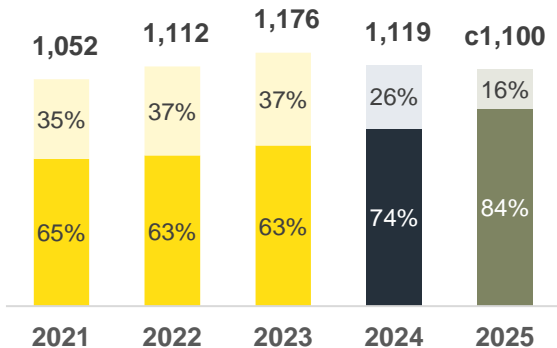
→ G1/V2
FY23: G1/V2

Our Financial Performance

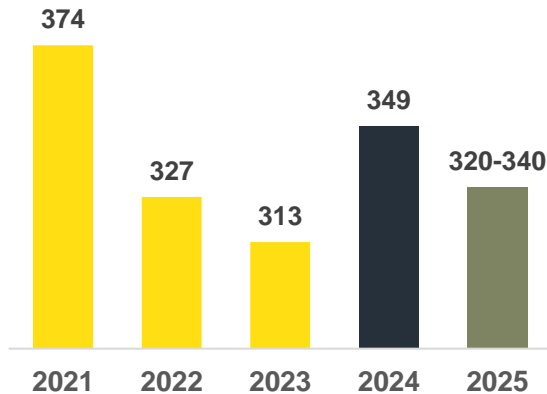


Turnover (£m)

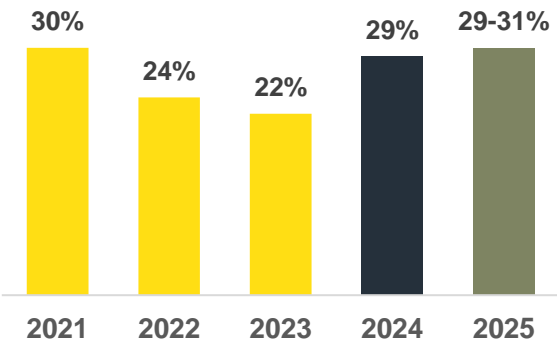
■ Sales Turnover ■ Non-sales Turnover



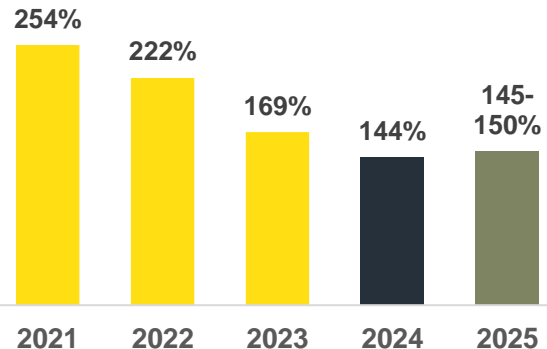
EBITDA (£m)



EBITDA Margin (%)



Interest Cover (%)

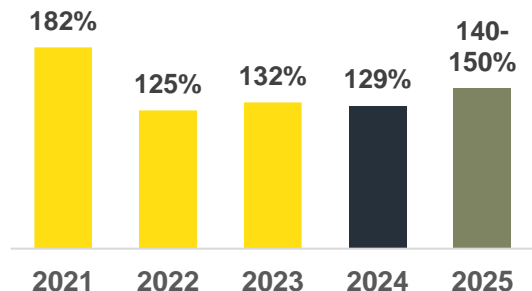


- Revenue growth on non-sales activities. With declining proportion of turnover from sales activities.
- EBITDA margin strengthening, and expected to continue to improve, reflecting efficiency and lower sales turnover as % of total turnover.
- Pressure on interest cover will remain in medium term, due to higher cost of debt.
- Impact of impairment and provisions for defects will reduce.

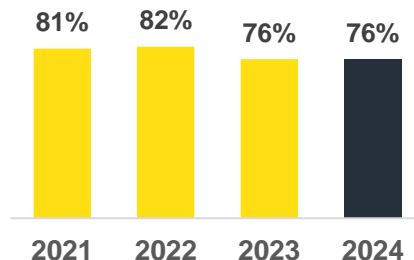
Affordable housing performance



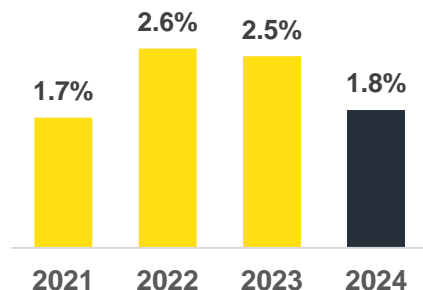
EBITDA SHL interest cover (%)



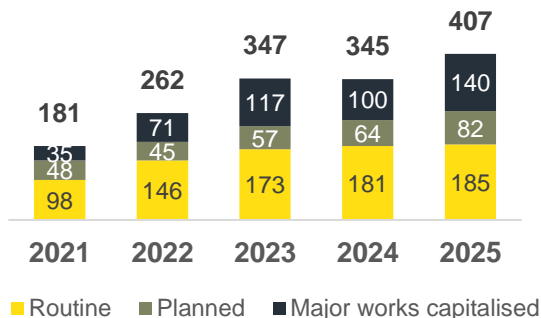
Customer Satisfaction (%)



Voids (%)



Maintenance Spend (£m)

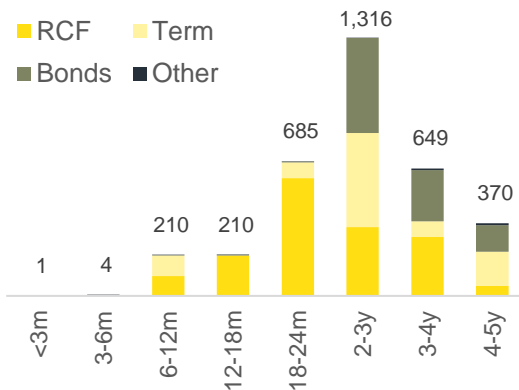


- Stable social housing lettings interest cover.
- Void rental loss recovered to pre-pandemic levels, through robust management.
- Material increase in investment in existing homes reflecting our priority. With higher proportion of planned and major works.
- Consistent high demand for properties.

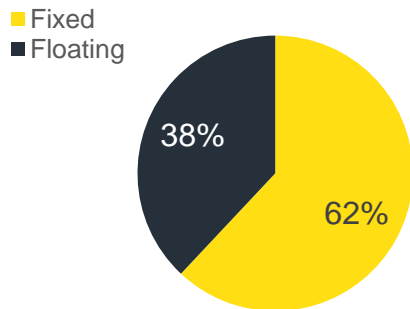
Treasury Summary



Debt Maturity Profile (£m)



Fixed vs Floating



- Term facilities due within 6-12 months are in the process of being refinanced.
- Fixed rate target of 60% - 70% supports the ability to deleverage at zero cost.
- Available liquidity to fund operations and investments, with available liquidity at c.£1.0bn, 30 months coverage.

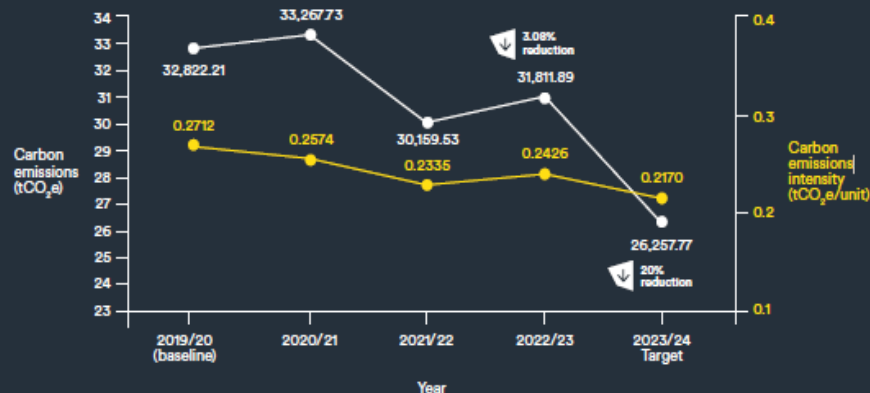
Objectives

- Review capital structure to ensure continuing support for corporate strategy.
- Retain 'A' range credit ratings where it is in our control.
- Support our sustainability strategy, publish interim targets and comply with our sustainability finance framework.



Reduce Scope 1 & 2 carbon emissions

Our Target: Reduce greenhouse gas emissions by 20% in relation to the 2019/20 baseline.



Build more affordable homes

Our target: 8,000 new homes built by 31 March 2024, of which 50% will be affordable.



New home built



2019/20

2,439

New homes built.
1,188 (49%) of these
were affordable.



2020/21

2,699

New homes built.
1,556 (58%) of these
were affordable.



2021/22

4,157

New homes built.
2,532 (61%) of these
were affordable.



2022/23

4,047

New homes built.
2,892 (71%) of these
were affordable.



Target: 2023/24

8,000

New homes built.
4,000 (50%) of these
to be affordable.



Improve energy efficiency of our existing homes

Our target: Average calculated SAP score of 72 or above (corresponds to low EPC band C rating) by 31 March 2024.



Note: 2019/20 data not reported.



Increase community investment

Our target: £10 million invested in communities driven by identified social need and measurable impact by 31 March 2024



2019/20 (baseline)

£2.5m



2020/21

£3.4m



2021/22

£3.4m



2022/23

£3.3m



Target: 2023/24

£10m



Credit Summary

- On of the largest Housing Associations in the UK, with strong Governance, Regulatory and legal framework.
- Geographical focus in London and Manchester, in areas of high demand. With clear strategy and track record of divesting from non-core geographies.
- Strong balance sheet, including stable debt and consistently strong operating cashflow generation and low gearing.
- Strong financial performance, underpinned by our main activity of stable and predictable affordable housing revenue streams.
- Strong management team with extensive experience of the housing sector.
- Strong external validation of performance – G1/V2 Regulatory Ratings, A3/A-/A+ Credit Ratings, and 100% CCQ rating.
- Lower development spend, coupled with asset divestment, will reduce debt burden.

L&Q