TRADING UPDATE FOR INVESTORS
YEAR ENDED 31 MARCH 2021

"Results for 2020/21 underline the financial resilience of our business model, and validate our decisions over a number of years to focus our investments in core social housing activity. This year we've also shown an operational resilience of which we're proud, with arrears down and extensive mobilisation of customer facing and social impact teams to help residents through the Covid-19 crisis.

Our operational track record, financial standing and ESG credentials enable us to continue sourcing long-term low-cost capital and attract strong partners to work with for investment in safe, high-quality and energy-efficient homes that deliver a vital counter-cyclical boost to our recovering economy.

Our priorities are clear. With requirements evolving, we're investing more in building safety and energy efficiency programmes. To keep our financial metrics where we want them, we're easing our pace of development growth and weighting future projects to affordable lettings rather than sales.

Finally, in keeping with our longstanding commitment to resident involvement, we're embracing consumer regulation and are excited to support the Regulator of Social Housing in delivering its widened remit in this area."

Sarah Smith, Chief Financial Officer
21 May 2021

Investment case highlights

- 45,000 homes
- Moody's A3 (stable) credit rating
- ESG transparency report published at optivoinvestors.co.uk
- G1/V1 regulatory judgement reconfirmed after 2020 in-depth assessment
- 2035, 2043 and 2048 secured GBP bonds listed on London Stock Exchange

Key financial indicators

Income & expenditure (£m)		*FY 2018/19*	*FY 2019/20*	*FY 2020/21 unaudited*
Total turnover		**314**	**322**	**331**
Of which:	*Non-sales turnover*	*285*	*291*	*285*
	Initial sales turnover	*29*	*31*	*46*
Operating surplus		**103**	**90**	**103**
Operating margin excluding sales		*29%*	*23%*	*25%*
Surplus after interest[1]		**61**	**46**	**53**

[1] Before fair value, tax and pension scheme movements

Balance sheet (£m)	*31.3.2019*	*31.3.2020*	***31.3.2021 unaudited***
Social housing assets (historic cost)	2,729	2,927	**3,080**
Investment properties (valuation)	157	147	**127**
Total debt [2]	1,281	1,485	**1,490**
Cash & cash equivalents	81	137	**87**

Residents' Resilience Project 2020/21

- 134,457 proactive support calls
- 2,288 seniors living alone contacted and supported
- 554 residents given access to digital devices
- 805 households given food and fuel support
- 2,444 food parcels delivered
- 3,493 residents given financial or employment support
- 1,246 people helped into jobs or training

Lettings

General needs and HOPS[3] key operational indicators	*FY 2018/19*	*FY 2019/20*	***FY 2020/21 unaudited***
Void rental losses	0.9%	1.6%	**1.1%**
Overall rent arrears	4.3%	4.3%	**4.1%**

We delivered a creditable general needs and HOPS lettings result, with both voids and arrears lower than this time last year in spite of the pandemic disruption.

Void losses in our student accommodation portfolio were higher however, with students vacating university halls when term-time learning went online, and holiday lettings affected by lockdown and travel restrictions. During the year we disposed of our direct-let student accommodation halls in Southampton and our former office in South London. We partly offset void losses through home working and saving on travel expenses.

Asset management

Expenditure on homes (£m)	*FY 2018/19*	*FY 2019/20*	***FY 2020/21 unaudited***
Routine maintenance	28	31	**28**
Planned maintenance	33	40	**49**
Major repairs	9	8	**7**

By focusing on essential repairs and maintenance and adopting safe working practices we avoided falling too far behind on our property upkeep.

Resident satisfaction	*FY 2018/19*	*FY 2019/20*	***FY 2020/21***
Service	96%	95%	**89%**
Repairs	97%	98%	**97%**
Neighbourhoods	91%	91%	**92%**

While services were affected by lockdown, the 89% service satisfaction score is still good.

[2] Excluding capitalised debt arrangement costs
[3] Housing for Older People

Development & sales

Investment in new homes (£m)	*FY 2018/19*	*FY 2019/20*	***FY 2020/21 unaudited***
Spent during the period	245	183	**208**
Future spend in contract	404	512	**498**

Number of new homes	*FY 2018/19*	*FY 2019/20*	***FY 2020/21 unaudited***
Started in the period	1,003	1,500	**1,002**
Completed in the period	985	838	**577**
In contract at the reporting date	2,096	2,558	**2,828**
Of which: Affordable rent	*1,082*	*1,225*	*1,764*
Shared ownership	*841*	*917*	*813*
Open market sales	*173*	*416*	*251*
Number of sites in contract	40	36	**41**

Number of new homes available for sale	*31.3.2019*	*31.3.2020*	***31.3.2021 unaudited***
Open market sales	0	0	**7**
Shared ownership first tranche	262	279	**250**
Of which unsold over six months	*27*	*83*	***106***

We rephased construction timetables due to lockdown and to accommodate safe working practices upon re-opening, and spent less on new homes than we expected at the start of the year. Sales performance was almost at pre-pandemic budget level and above our post-pandemic revised forecast. We target a further 1,000 starts in 2021/22.

Financing

Funding sources (£m)	*31.3.2019*	*31.3.2020*	***31.3.2021 unaudited***
Cash and cash equivalents	81	137	**87**
Available bank facilities	380	405	**640**
Retained bonds held:			
2035	-	-	**100**
2043	-	-	**0**[4]
2048	100	-	**-**

Key metrics	*31.3.2019*	*31.3.2020*	***31.3.2021 unaudited***
Interest rate profile:			
% of net debt on fixed basis	76%	85%	**91%**
Weighted average duration	10 years	13 years	**11 years**
Weighted average debt cost	4.24%	3.79%	**3.64%**
Derivative mark-to-market	£148m	£171m	**£136m**

[4] In September 2020 we agreed to increase our 2043 bond by £150 million notional. We entered into a forward purchase agreement with investors to sell £100 million for delivery in March 2022. We will retain £50 million for future sale. The new bonds will be created through updates to previous bond documentation to be published in the coming months.

We took steps to increase funding headroom by issuing a new 2035 bond in April 2020. In May we accessed the Bank of England's Covid Corporate Financing Facility (CCFF), which we've since rolled over to March 2022. In September we tapped our existing 2043 bond by £150 million selling part for settlement on a deferred basis to refinance CCFF.

We reduced our cost of capital through liability management steps in respect of a legacy aggregator finance arrangement.

And we improved the efficiency of our secured debt platform by creating a new Numerical Apportionment Security Trust Deed to support our future bond issuance.

External ratings

	31.3.2019	*31.3.2020*	***31.3.2021***
Regulator of Social Housing			
Governance judgement	G1	G1	**G1**
Financial viability judgement	V1	V1	**V1**
Moody's			
Rating	A2	A2	**A3**
Outlook	(stable)	(negative)	**(stable)**

In October Moody's updated our credit rating from A2 (negative outlook) to A3 (stable outlook) and again confirmed our rating after their decision to downgrade the UK sovereign credit rating. Moody's identify our profitable core business, market position, strong balance sheet and unencumbered asset position, financial policies, stress testing, grant flexibility and liquidity as credit strengths.

In 2020 the Regulator of Social Housing successfully completed our regulatory in-depth assessment on a virtual basis.

Investor calendar

Property security valuations for 2035 bond	by 31 May 2021
Property security valuations for 2043 & 2048 bonds	by 31 July 2021
Audited financial statements	July 2021
ESG Transparency Report	July 2021
Moody's annual review	Summer / Autumn 2021
Half-year end	30 September 2021
Half-year trading update	November 2021

We look forward to arranging investor meetings over the Summer after publication of our annual financial statements.

More information

https://optivoinvestors.co.uk/

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ABOUT OPTIVO

Optivo is registered in England with limited liability under the Co-operative and Community Benefit Societies Act 2014 (with registered number 7561) and is a Registered Provider of Social Housing whose activities are regulated by the Regulator of Social Housing (with registered number 4851). As such, Optivo has charitable status but is exempt from registration with the Charity Commission.

Optivo Finance plc (company number 07933814) is a wholly owned subsidiary of Optivo and is an issuer of GBP-denominated bonds listed on the London Stock Exchange.

IMPORTANT NOTE

This update contains certain 'forward-looking' statements reflecting, among other matters, our current views on markets, activities and prospects. Actual outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. No reliance should be placed on the information contained within this update. We do not undertake to update or revise such public statements as and when our expectations change in response to events. This update is neither recommendation nor advice. This is not an offer or solicitation to buy or sell any securities.