

# Creating connections that deliver sustainable growth

## Capital Markets Day

Hawkins & George at  
Finzels Reach, Bristol

27 September 2019



Investing in homes since 1912  
**grainger plc**

# Today's agenda

Originate

Invest

Operate

11am

Presentation

Approx. 12.30

Tour of Hawkins & George

Approx 1.30pm

Lunch at Left Handed Giant

# Creating connections that deliver sustainable growth

We deliver resilient growth through the connections that we make both in our business and in the community.

# Presentation agenda

Originate

Invest

Operate

- |  |                     |
|--|---------------------|
| 1. Introduction & creating connections             | Helen Gordon        |
| 2. Achieving a pipeline of leading investments     | Andrew Saunderson   |
| a) Securing the best schemes                       | Julia Bevan         |
| b) Working with Grainger - A partner's perspective | Gavin Bridge, Cubex |
| 3. Connecting with the public sector               | Mike Keaveney       |
| 4. Delivering a leading customer experience        | Anish Thobhani      |
| 5. CONNECT: enhancing returns through tech         | Vanessa Simms       |
| 6. Delivering sustainable returns                  | Helen Gordon        |
| 7. Q&A   |                     |

# The Grainger Team

Originate

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**Helen Gordon**  
Chief Executive



**Vanessa Simms**  
CFO



**Andrew Saunderson**  
Director of Investments



**Julia Bevan**  
Acquisitions Manager



**Michael Keaveney**  
Director of Land & Development



**Anish Thobhani**  
Director of Customer Operations



**Guest**  
**Gavin Bridge**  
Cubex Land

# Portfolio and pipeline overview

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## Operational portfolio and pipeline

OPERATIONAL PORTFOLIO  
8,878 units\*, £2.6bn\*

PIPELINE  
8,608 units, £1.9bn

Progress in the period

+£88m

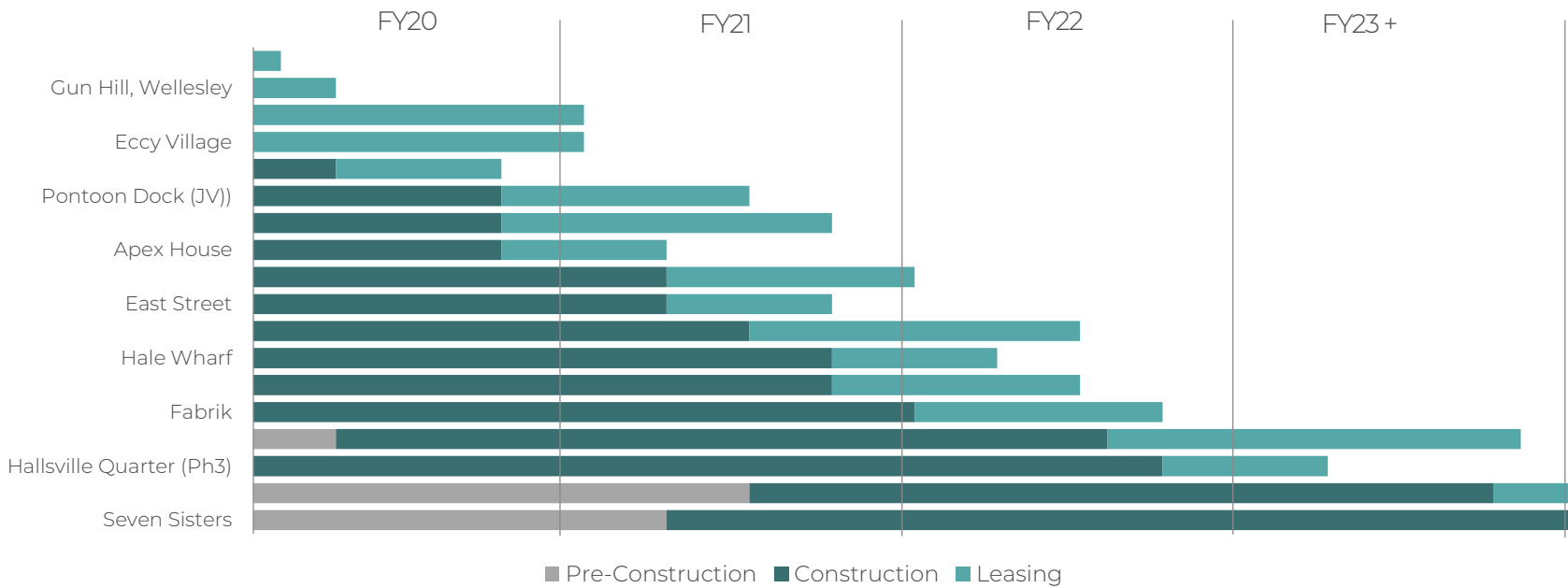
+£62m

+£230m



H2 19 completions at  
Clippers Quay, Hawkins &  
George and Gun Hill

## Secured pipeline delivery timing



\* HY19 operational portfolio plus pipeline completions to 31<sup>st</sup> Aug 19.

\*\*Indicative estimate of Grainger's unlevered 51% share based on c.3,000 units at an assumed £400k per unit.

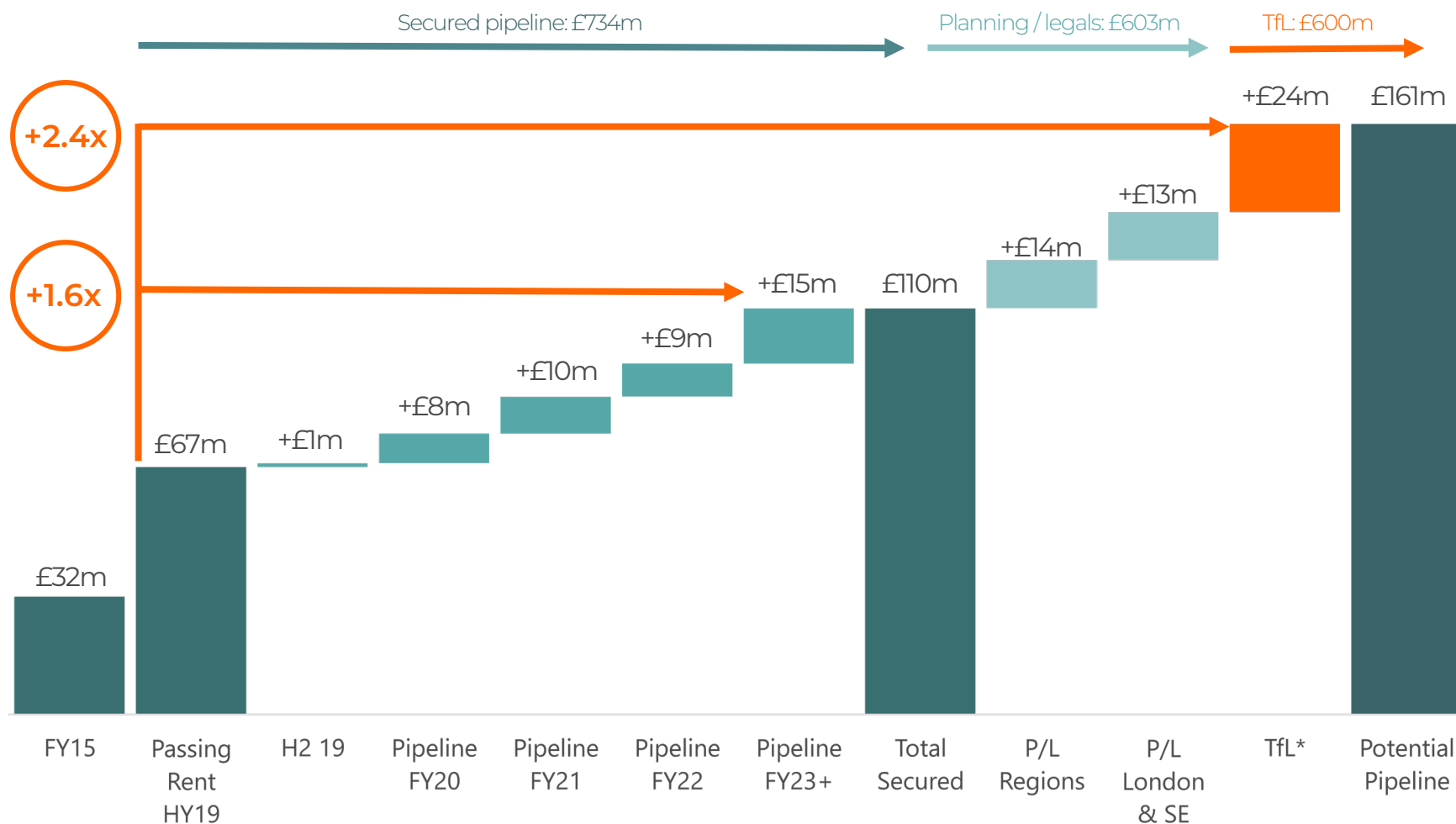
# Passing rent progression

## Dividend growth underpinned by NRI growth

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\*TfL Partnership – indicative estimate of Grainger’s unlevered 51% share based on c.3,000 units at an assumed £400k per unit and 4% NY. Assumption that rental growth from operational portfolio nets off against disposal of regulated tenancies.

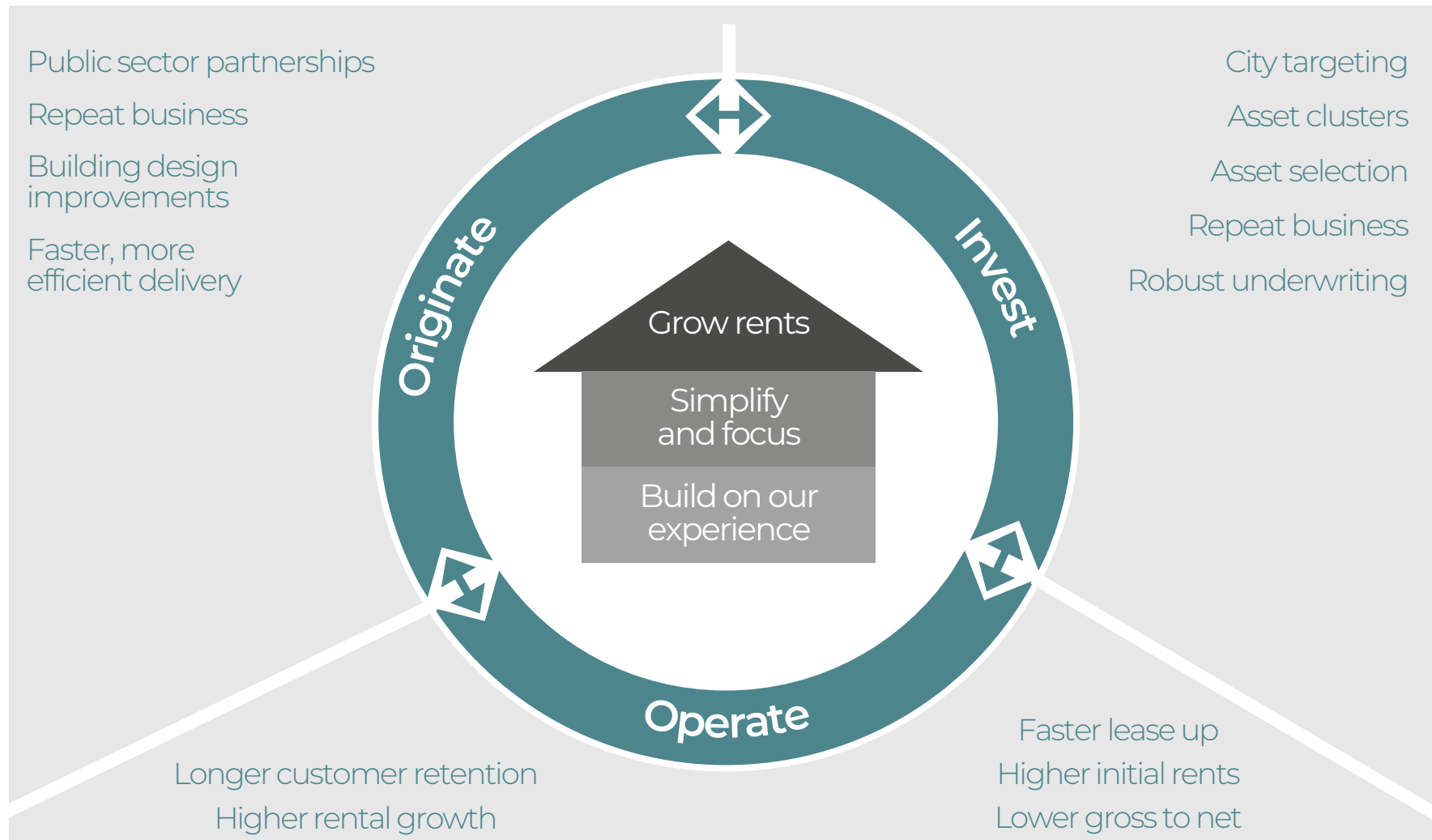
# Our business model

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## Designed to deliver sustainable returns





# Strong track record of delivery

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## We said... (in January 2016)

Target of £850m PRS investment by 2020

Grow net rental income

Improve margins (gross to net)

Reduce overheads

Lower LTV\*

Reduce cost of debt to 4%

Net rental income to cover costs by 2020

NRI to equal sales profits by 2020

50:50 portfolio split: PRS and Regulated Tenancies

Simplify the business

## We delivered...

Nearly double our investment target with £1.6bn to date (cumulative)

More than doubled NRI (HY19)

Gross to net reduced from 31% (FY15) to 26% (FY18)  
Doubled customer retention to 32 months

Reduced by 25% compared to FY15 to £27.9m (FY18)

Lowered from 45.5% (FY15) to 37.1% (FY18)

Lowered cost of debt to 3.2% (at period end, HY19)

NRI > cost, achieved in 2019

NRI > sales profit achieved in HY19

PRS 54% > Regulated Tenancies 46%

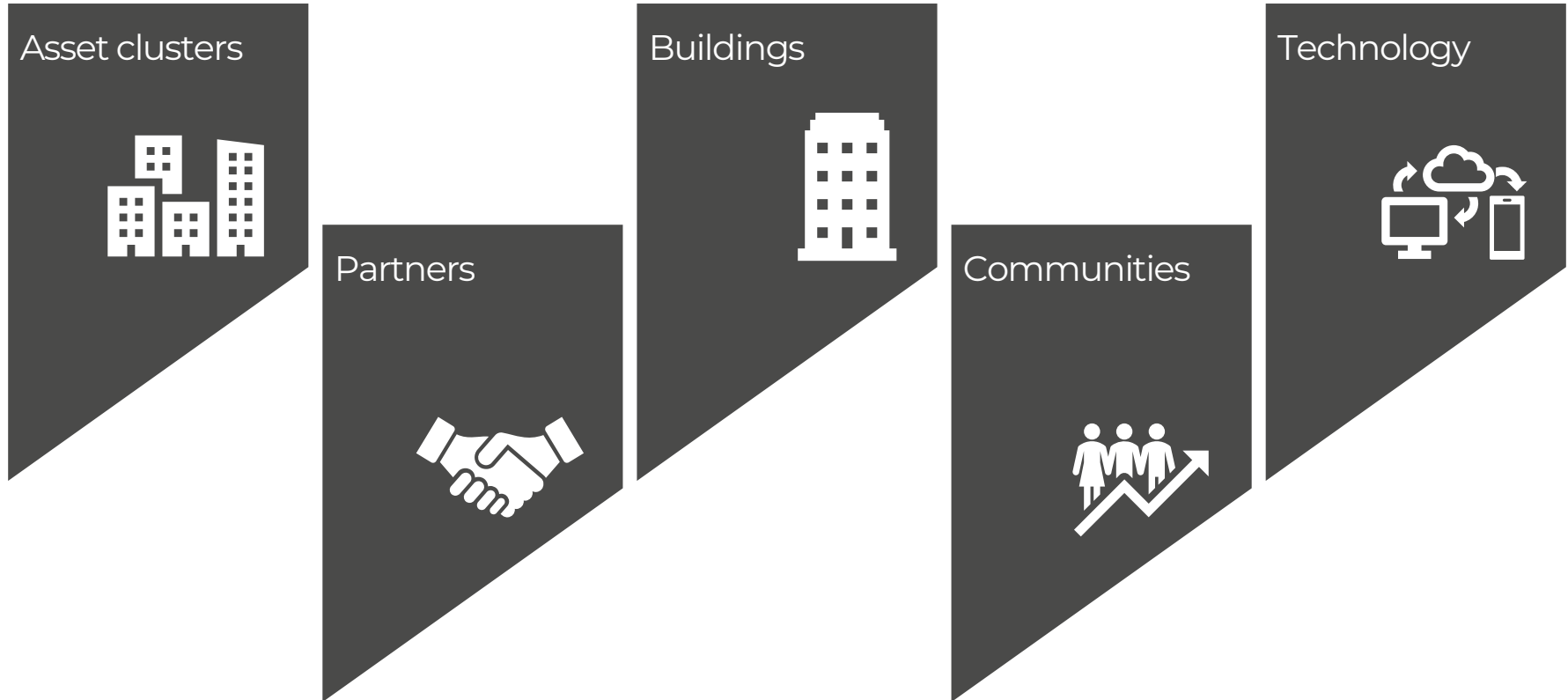
Non-core businesses sold  
Successful asset recycling programme  
Simple business model introduced

# Making connections that deliver sustainable returns

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Invest

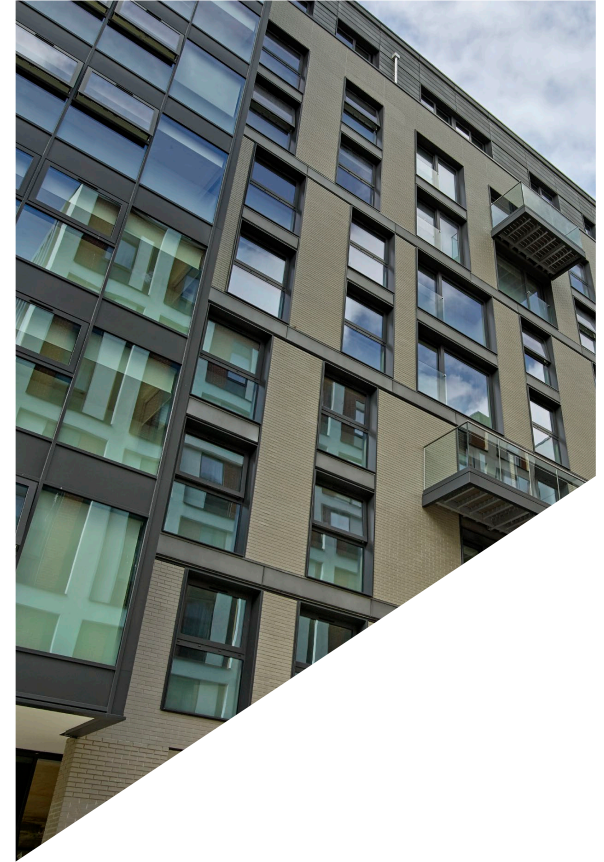
Operate



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# Achieving a pipeline of leading investments

Andrew Sanderson



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## Regular reports and analysis to inform investment decisions

City  
targeting

Demographic  
analysis

Macro economic  
analysis

Micro economic  
analysis

Supply  
analysis

Customer  
targeting

Competition  
tracking

Lifestyle trend  
analysis

## Topical research to monitor and analyse risks and opportunities, recent topics:

Digitisation

Modular  
construction

Political

Urbanisation

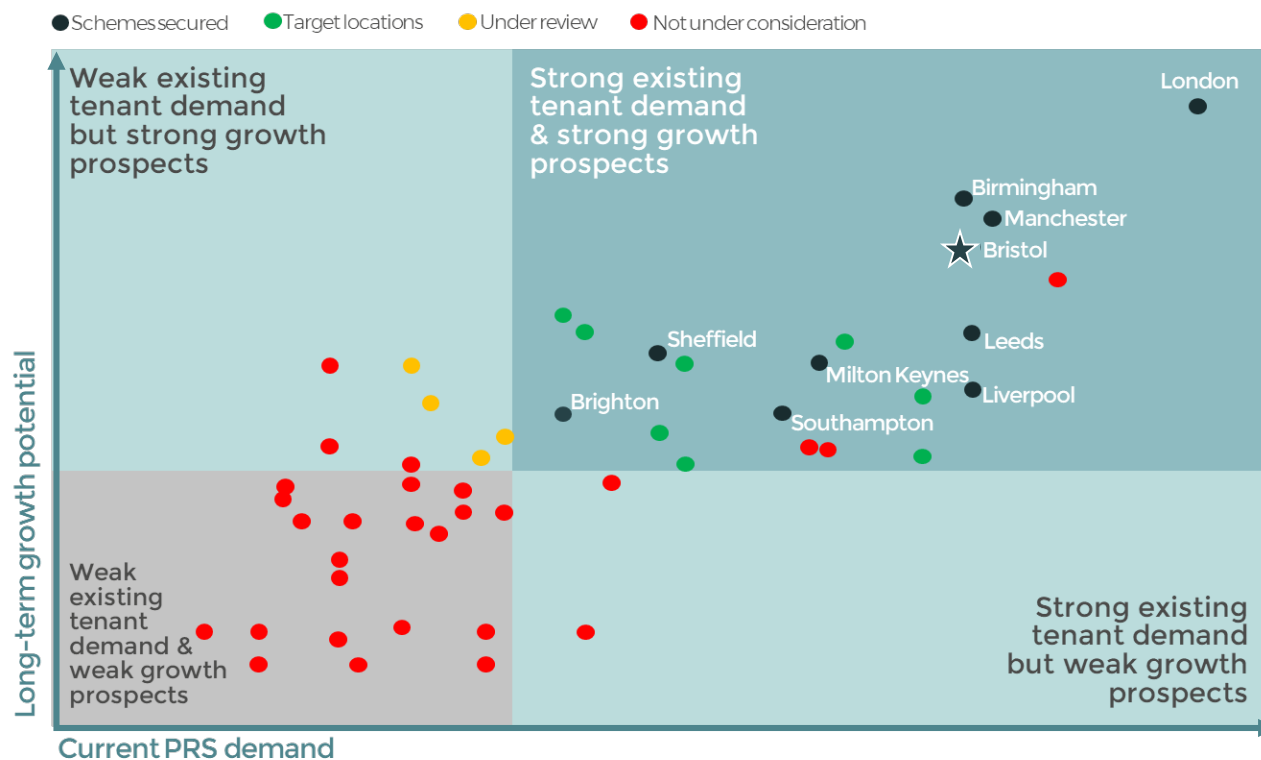
# Investing in strong rental growth markets

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Targeting the largest PRS locations with the best proven rental growth prospects



- Annual review of cities' investability
- Rigorous investment analysis
- City Champions
- Strong sourcing ability
- Robust underwriting

Analysed 62 cities

Using 22 economic indicators

Targeting 18 cities

Detailed rental market analysis

Secured investment in 10 cities

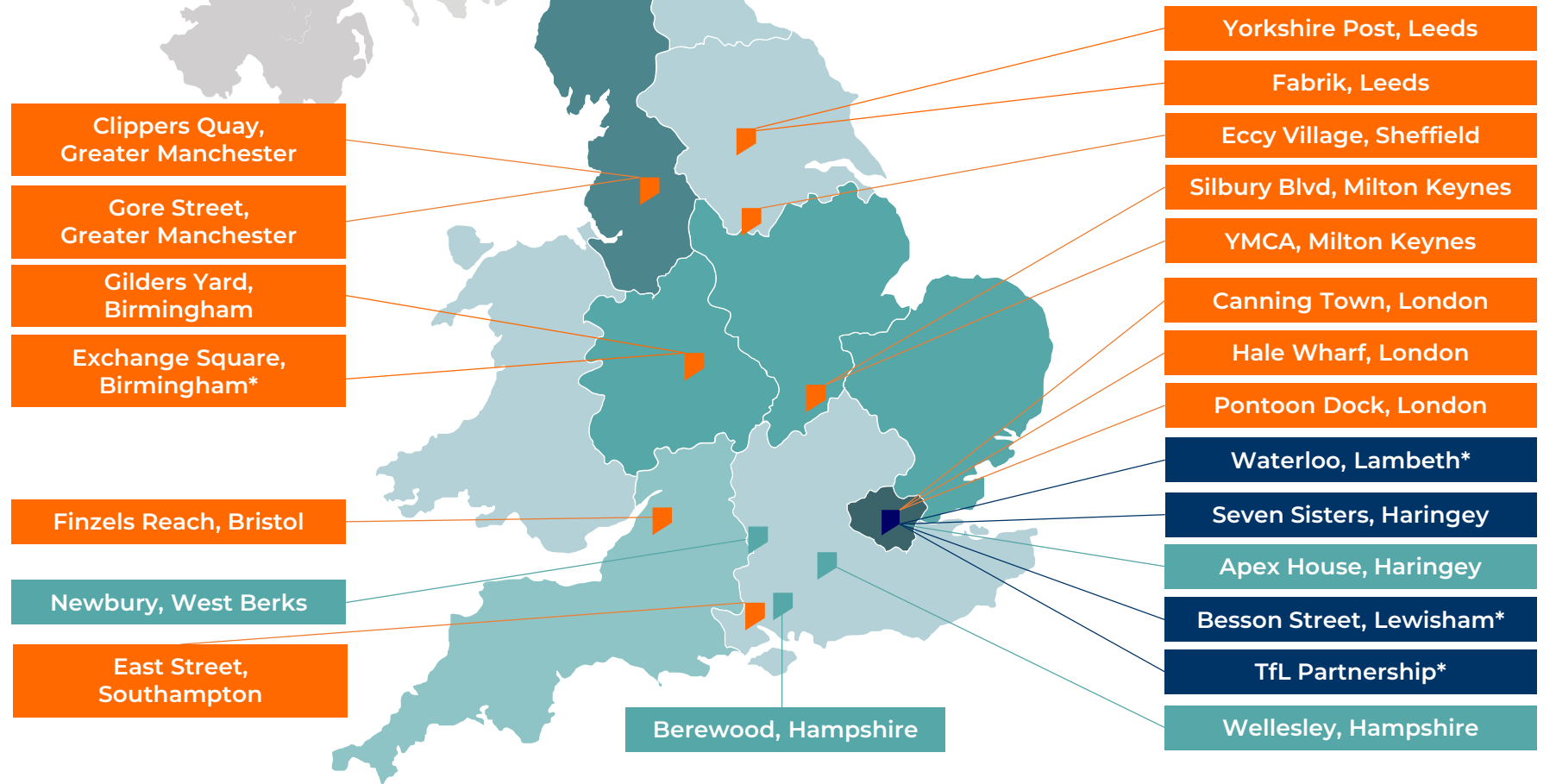
Proprietary data analysis

# A national opportunity

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\* In planning & legal pipeline

# Our East London Cluster

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Asset clusters



Abbeville Apartments,  
Barking  
100 units  
Operational

Argo Apartments,  
Canning Town  
134 units  
Operational

Millet Place,  
Pontoon Dock  
236 units\*  
Completing early 2020

Hallsville Quarter,  
Phase 3,  
Canning Town  
146 units  
Completing 2022

## Why?

Product  
diversification

Pricing  
tension

Lower  
operating costs

Higher rental  
growth

Total units:  
**616 homes**

\* Includes 82 affordable units

# Working with the right partners

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Partners



**Why?**

**Repeat  
business**

**Sourcing  
opportunities**

**Lower  
transaction costs**

**Faster  
transactions**

**Improved  
design**

**Smoother  
delivery**

Contractor  
/Developer  
Four schemes  
East London

**Bouygues  
& Linkcity**

Contractor  
Two schemes  
Manchester

**Sir Robert  
McAlpine**

Developer  
Two schemes  
Bristol

**Cubex**



# Sourcing acquisition opportunities

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## Trusted

- Grainger known as a trusted party
- Easy to do business with
- Expert in PRS



## Strong balance sheet

- Internally funded
- Financially sound
- Strong financial discipline



## City Champions

- Grainger key point person on each target city
- Responsible for local relationships
- Local knowledge expert

# Securing the best schemes

Julia Bevan  
Acquisitions Manager



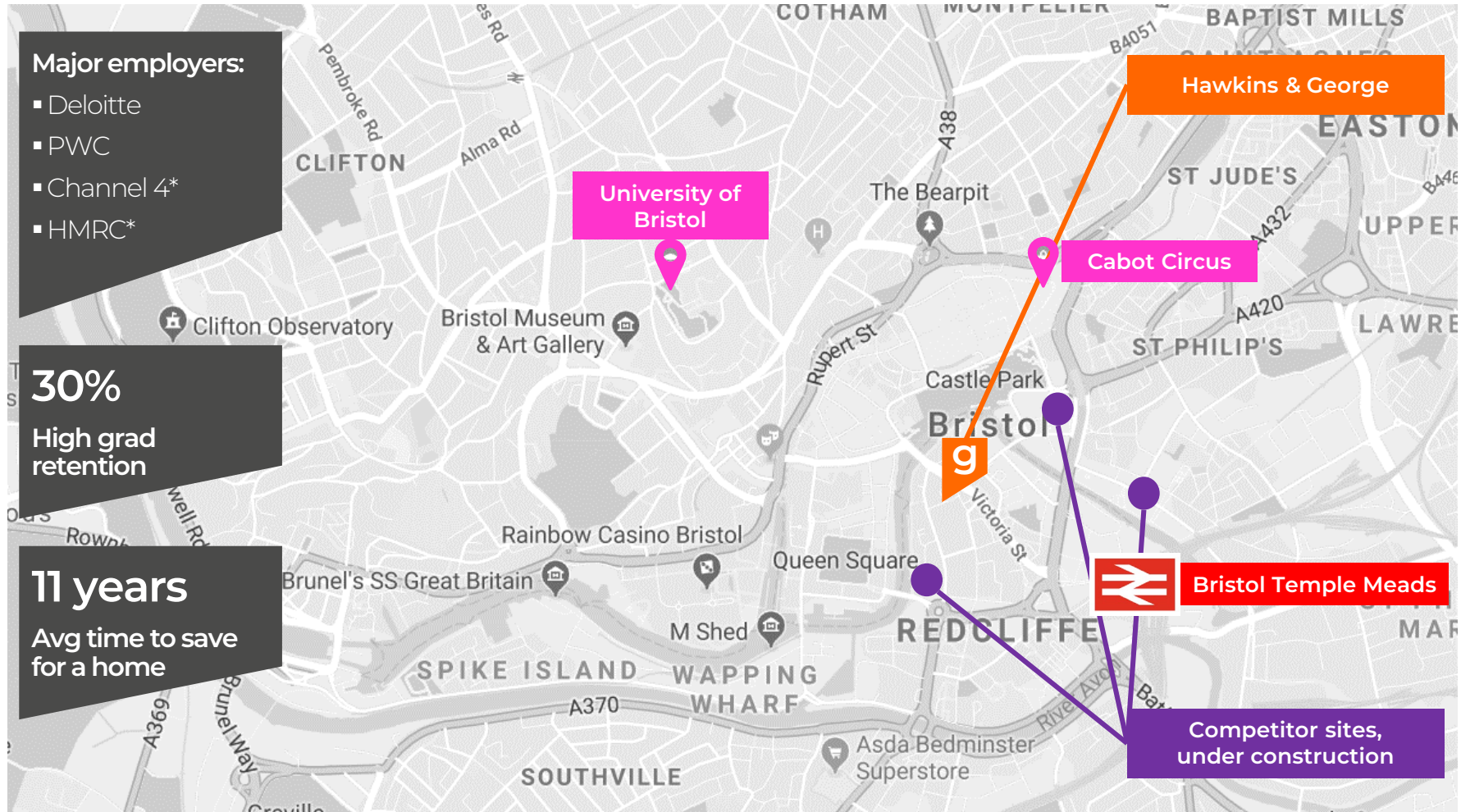
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# Why we are targeting Bristol

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\* New relocations to Bristol

# Hawkins & George

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## At Finzels Reach, Bristol



- Forward Funding project
  - 194 apartments
- **Developer:** Cubex
- **Contractor:** Willmott Dixon
- c.£46m acquisition secured in Nov 2016
- Completed in Summer 2019
- Fully let in 3.5 months





# Delivering sustainable growth

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## Connections

Local market knowledge



Delivery partner



Agent relationship



Customer insight



## Why?

We see more opportunities

We know more about the market

We understand our customers

## Delivers sustainable returns

Lower acquisition costs

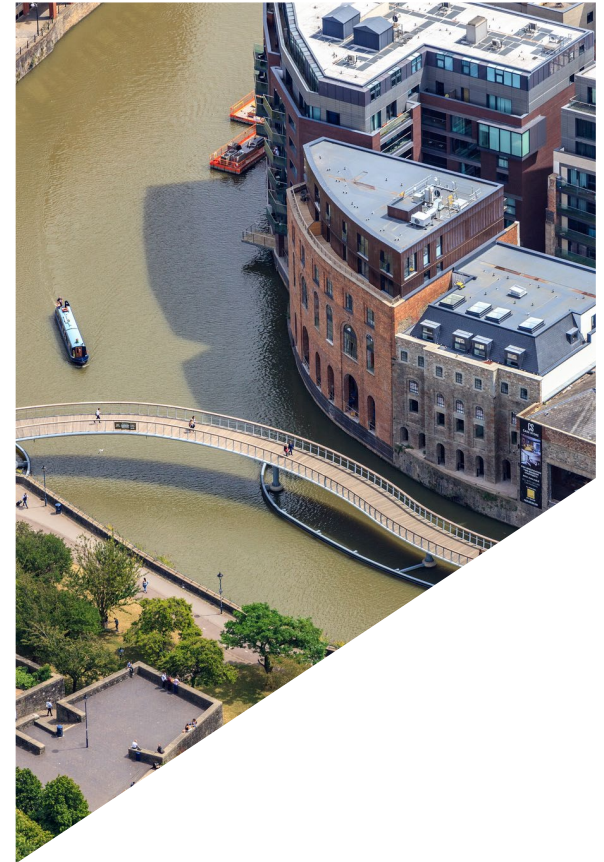
Better investment opportunities

Faster transactions

Better product

# Working with Grainger – A partner's perspective

Gavin Bridge, Cubex



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# Our success in partnering

Mike Keaveney  
Director of Land & Development



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# Our Partners

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London  
> 3,000 homes



Besson Street,  
London  
c.300 homes



London  
7 sites, 162 homes  
\*Completed\*



Wellesley,  
Hampshire  
c.3,850 homes



Hale Wharf,  
London  
108 homes



Pontoon Dock,  
London  
236 homes



Market Street, Newbury  
232 homes





# Partnership schemes – Progress on site

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Invest

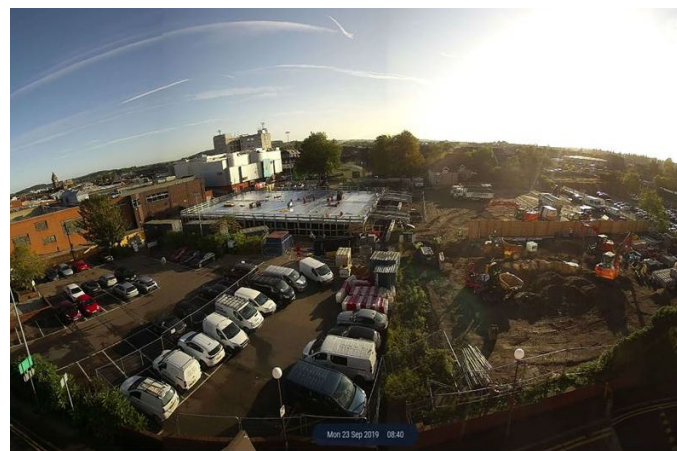
Operate



**Hale Wharf, Tottenham, London**  
Canal & River Trust



**Pontoon Dock, London**  
London Pension Fund Authority



**Newbury, West Berkshire**  
West Berks Council, Network Rail, GWR

# Partnerships delivering sustainable returns

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## Why focus on partnerships

- Supports growth in our pipeline
- Unlocks land opportunities
- Indicates trust, integrity and long term thinking
- Virtuous circle

## How do we deliver through partnerships?

- Analyse values
- Analyse needs
- Identify synergies
- Invest

## What are the benefits?

- Land opportunity
- Land value
- Fees
- Other partnerships – advocacy

# Case Study: TfL Partnership

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# LONDON



TRANSPORT FOR LONDON

MAYOR OF LONDON

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**TRANSPORT FOR LONDON**  
BUILD TO RENT PARTNERSHIP

# Our initial concept

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CONNECTED LIVING  
LONDON



TRANSPORT  
FOR LONDON

MAYOR OF LONDON

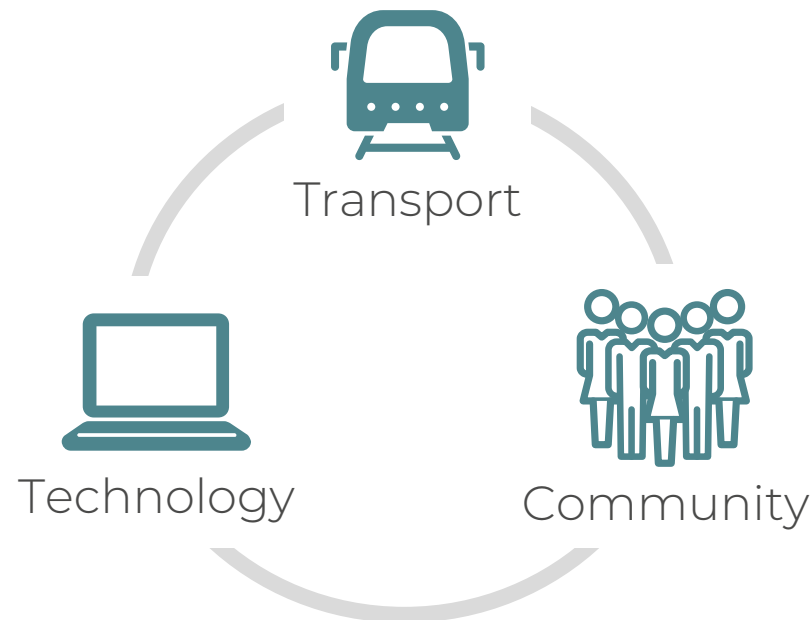
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# Three key areas of connectivity within the TfL PRS Partnership

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# Overview of the TfL Partnership

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## Our Shared Vision

To create quality rental homes for London in sustainable communities where people from all backgrounds are living, connecting and thriving.

## Our objectives

- Develop at least, 3,000 quality, well designed and sustainable homes in London by 2025
- Swift delivery with construction to begin by 2021
- Deliver secure and stable returns
- Lead innovation in the Build to Rent sub sector
- Be a leading ambassador for the BtR sub sector
- Deliver 40% affordable housing
- Expand the portfolio over the longer term



**TRANSPORT  
FOR LONDON**  
EVERY JOURNEY MATTERS

## An income-sharing model

Scale

**c.3,000**  
homes

Quick delivery

**< 5 years**  
targeted

# Seven initial seed sites within the TfL PRS Partnership

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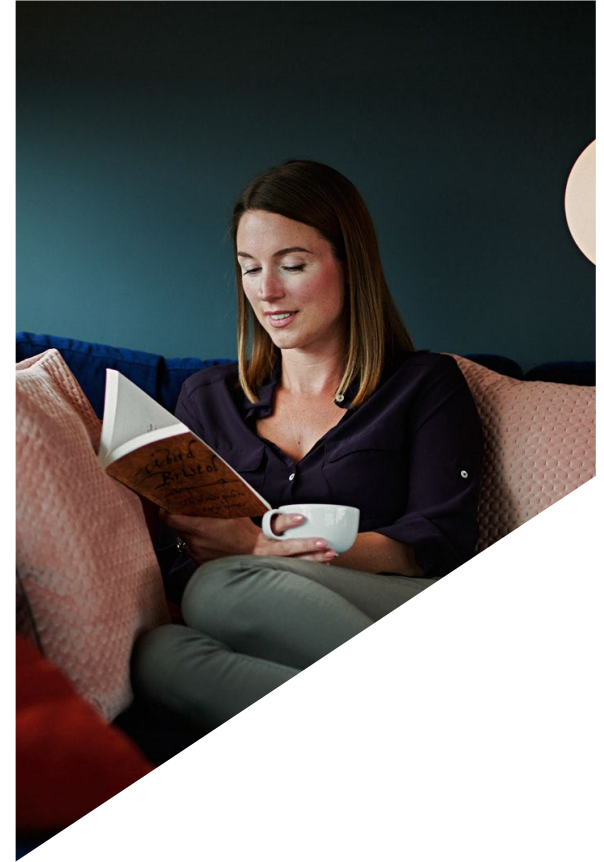
Invest

Operate



# Delivering a leading customer experience

Anish Thobhani  
Director of Customer Operations



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# “Welcome to your new home...”

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## Operational insight

- Amenity design
- Wayfinding
- Marketing
- Pre-leasing
- Viewings
- Lease negotiations
- Referencing
- Moving-in

**23,000**  
PRS customers

**1.6m**  
emails pa

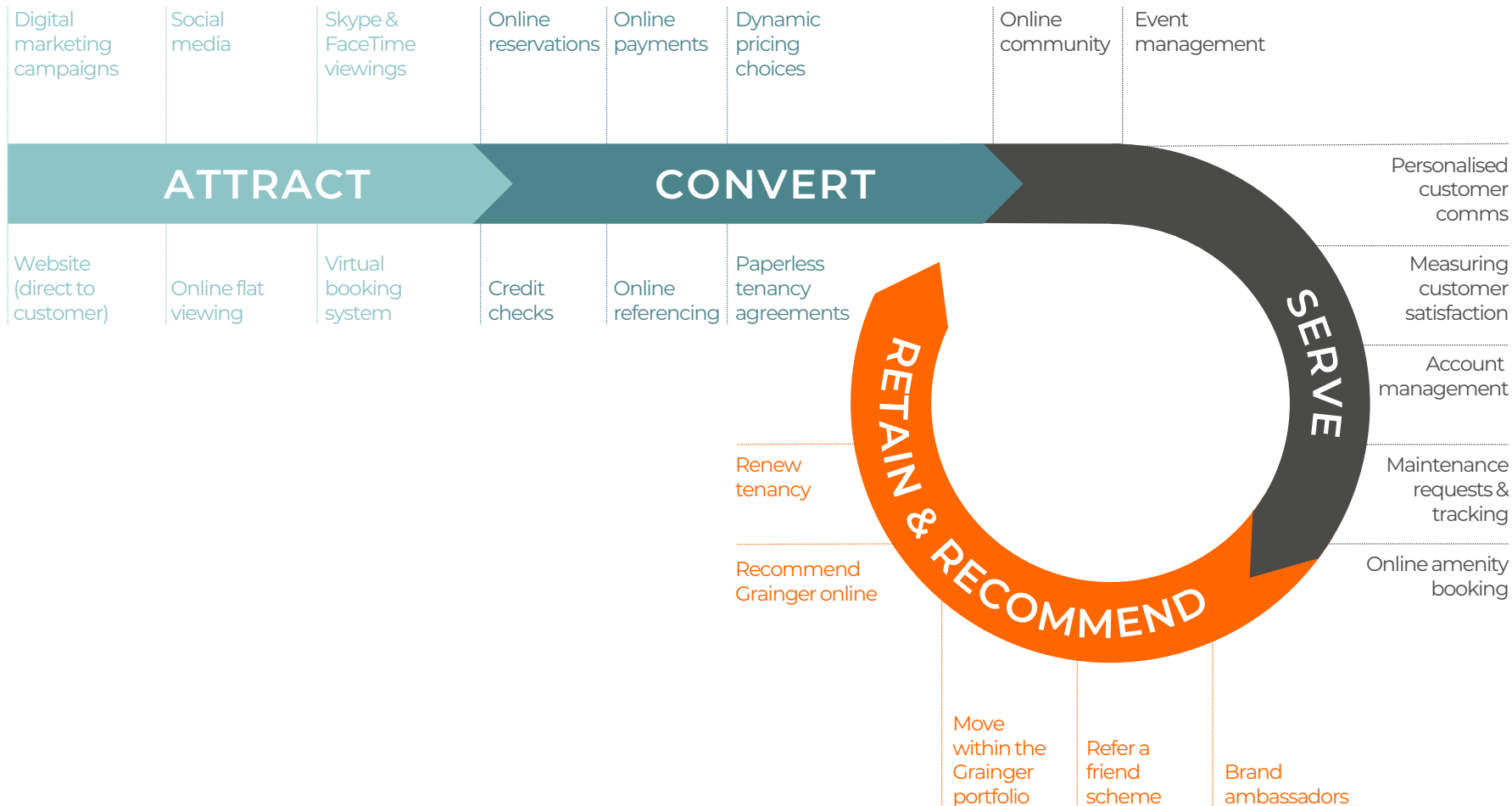
**140k**  
calls pa

# Making connections through the customer journey

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# Why we build a community

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- ▣ Lower churn
- ▣ Greater retention
- ▣ More referrals
- ▣ Lower voids
- ▣ Less marketing
- ▣ Lower costs
- ▣ Lower gross to net
- ▣ High satisfaction
- ▣ Maximise net rental income



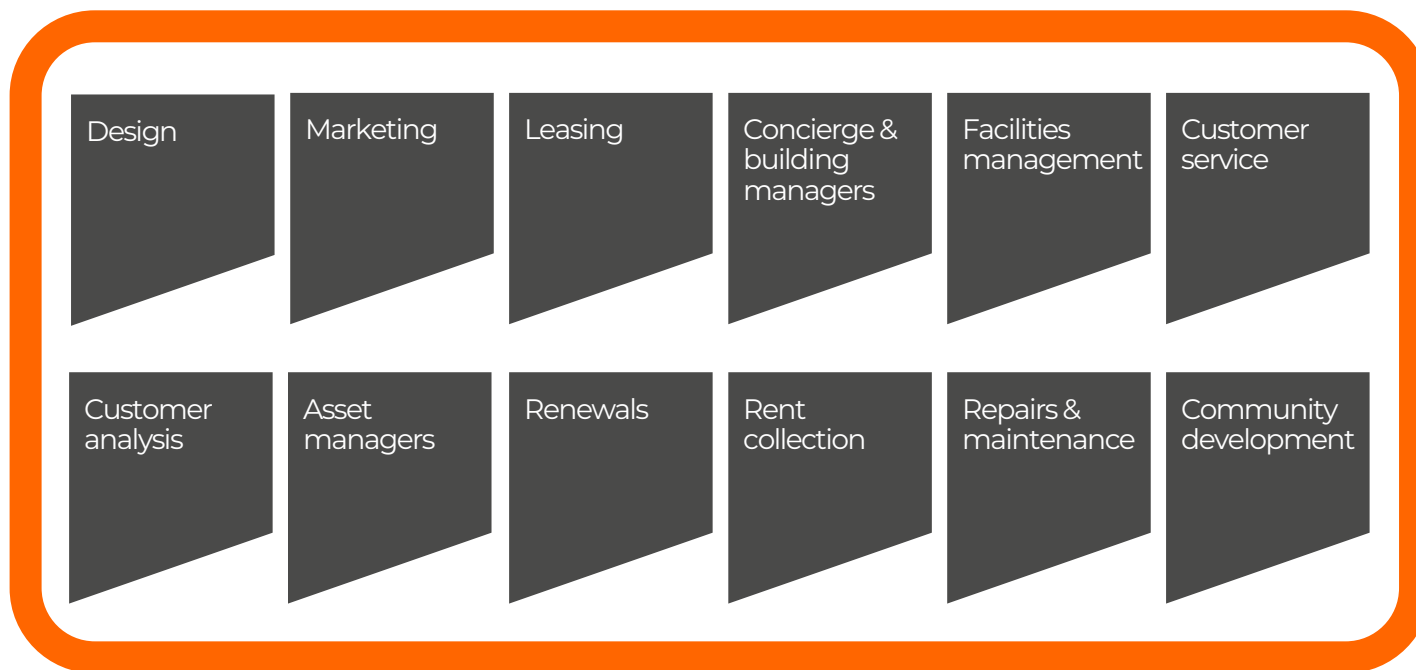
# Customer insight and feedback informing business decisions

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**Designing better buildings.  
Delivering better service.  
Delivering sustainable returns.**





# Case study: Hawkins & George

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## Asset overview

194

### Apartments

5 studios  
104 one beds  
85 two beds



### Amenities

Roof terrace and rooftop lounge  
Gym & co-working space

## Customer profile

28

### Average age

84% under 35

£50k

### Average household income

34%

### Previous address

34% previously lived within 5 miles



### Pet friendly

## Performance to date

60

### Leasing velocity

60 deals a month  
3.5 months to full lease up  
8-10 move-ins per week

1,890

### Customer leads

1,890 total enquiries  
10% deal conversion rate

7%

### Rents ahead of underwriting

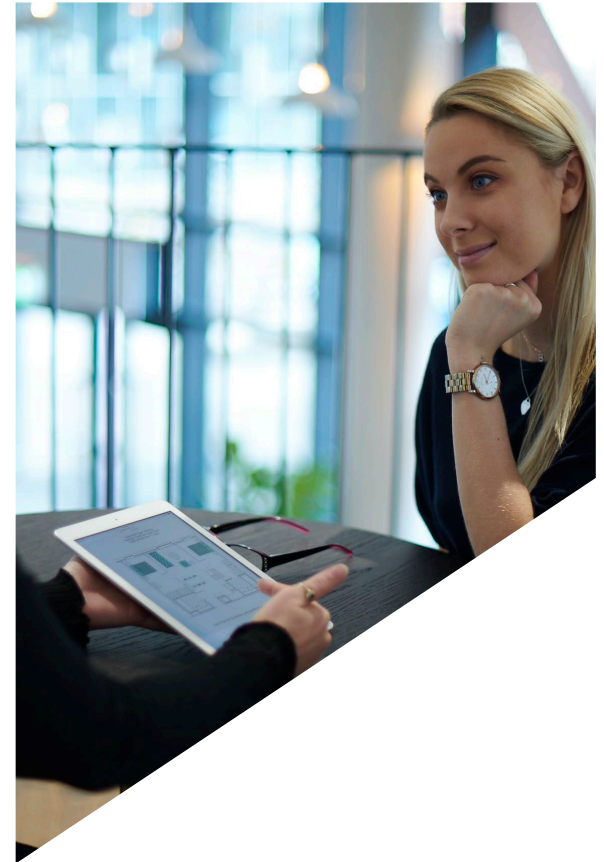
7% gross yield on cost achieved  
4.4% rents ahead of March '19 ERV  
c.£28 avg rent per square foot

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# CONNECT Platform

## Enhancing returns through technology

Vanessa Simms, CFO



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# CONNECT: the market leading PRS technology platform

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CONNECT will enable us to realise our transformational growth plans. It will bring together leading technologies with best-practice ways of working to improve outcomes for customers, colleagues and investors.

Customer  
experience



Operating  
efficiency



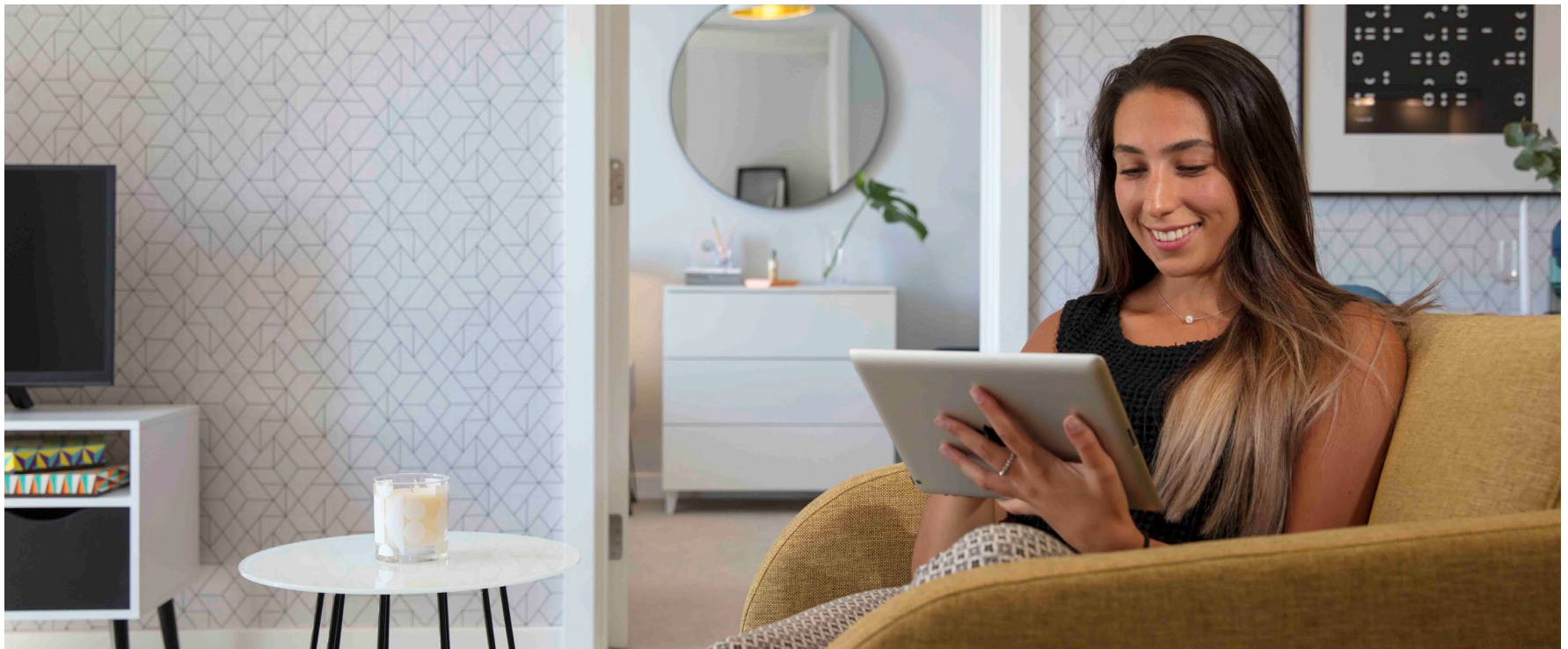
License to  
operate



# CONNECT

Making renting easy

The Online Leasing Journey 



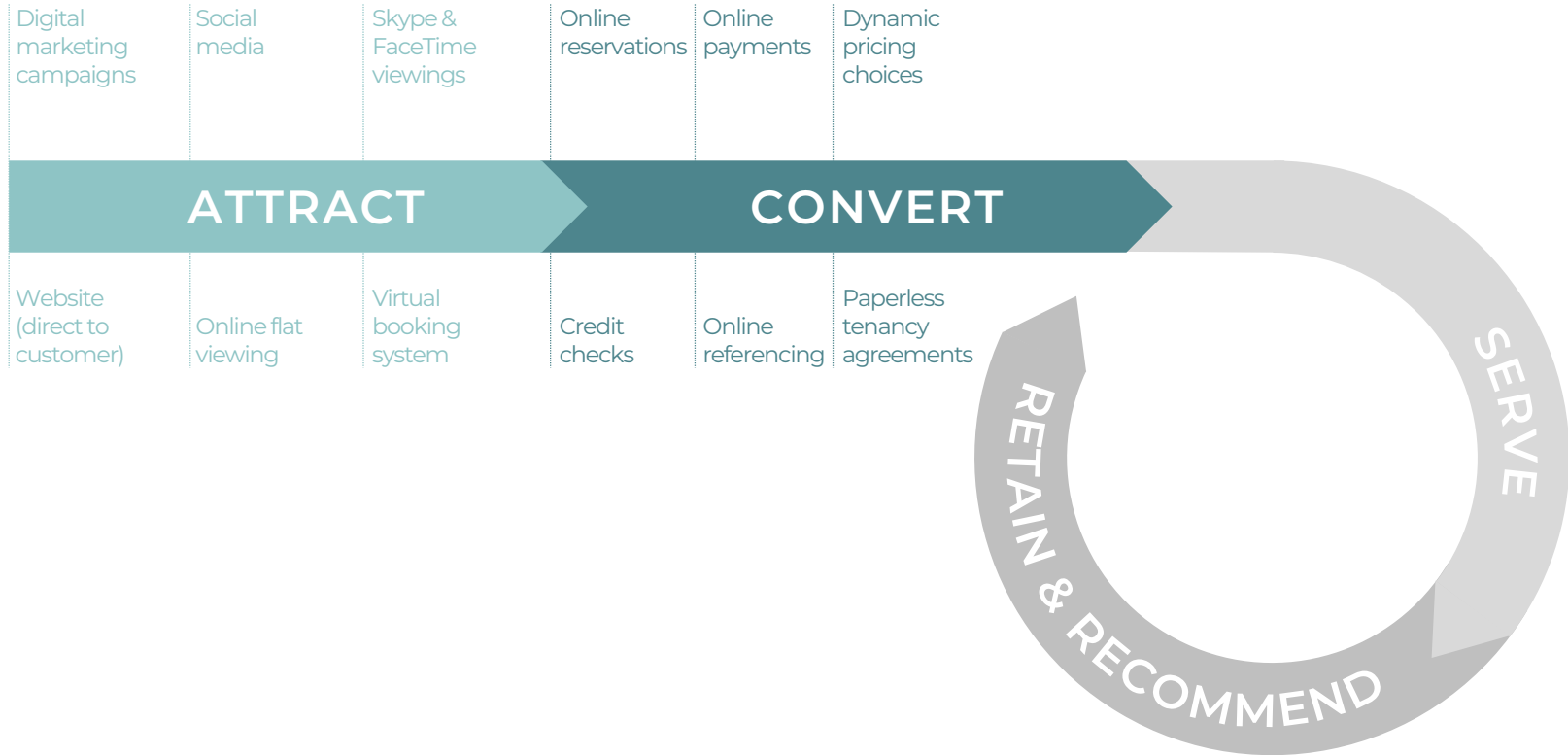


# The leasing journey

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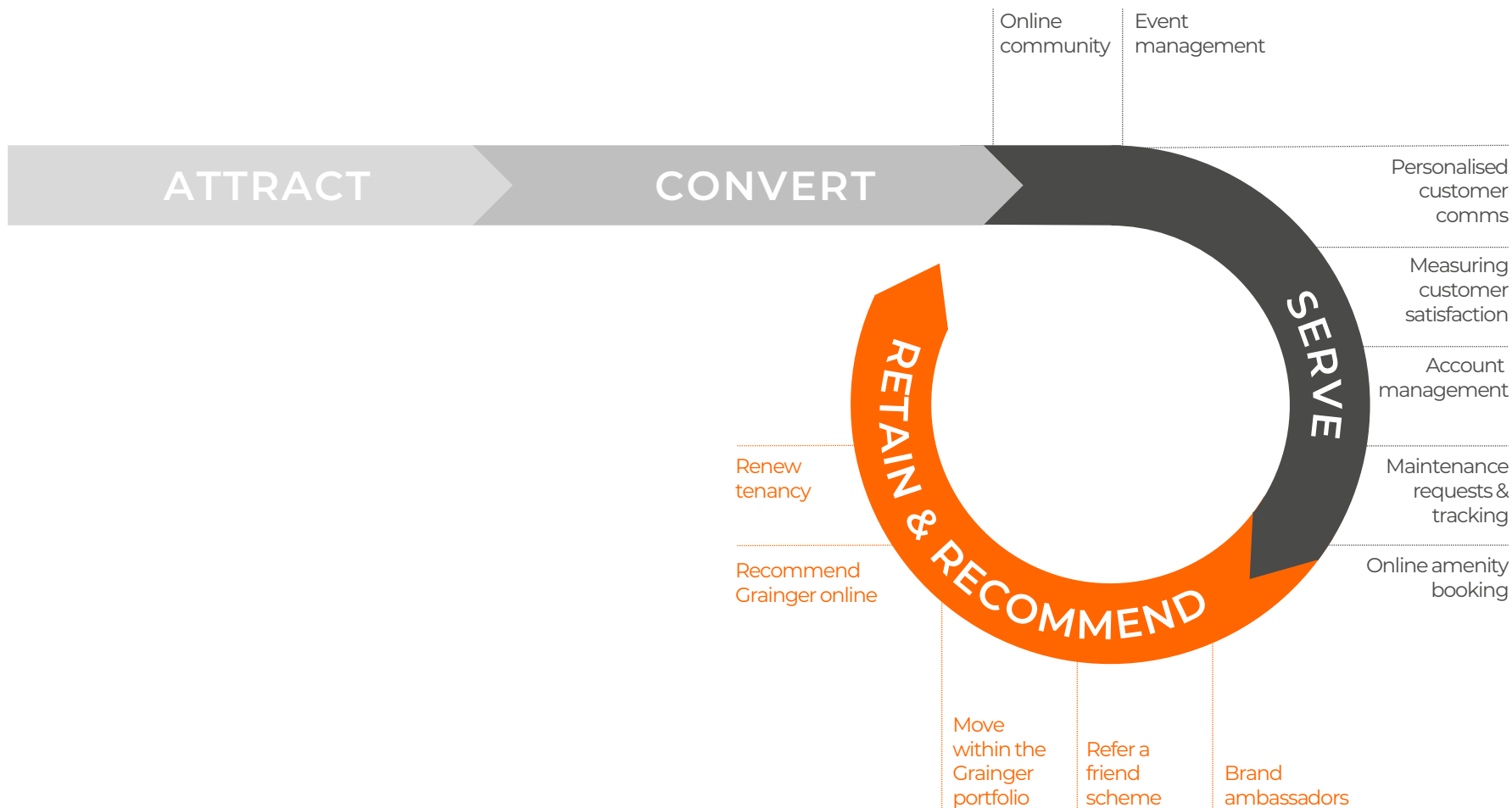


# CONNECT

Making renting easy

The MyGrainger App 





# Our platform components

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CONNECT is equipping all aspects of the business with the best software and technology available in each area of renting – underpinning our future success as the industry leader.

## Implementing 8 technology solutions



Customer Relationship Management



Online Leasing Journey



Revenue Optimisation



Customer Portal



Asset & Property Management



Financial Operations



Financial Planning & Analysis



Business Intelligence & Analytics

# Key benefits of CONNECT

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## 1. Customer experience

Delivering a differentiated experience through higher-quality, more consistent service levels, and better customer insight.

High satisfaction

Customer data and insight

Longer retention

## 2. Rent maximisation

Growing our rents by letting our properties faster (reducing void periods) and optimising the rents that we receive.

Lower voids

Faster lettings

Optimised revenue

## 3. License to operate

Enhancing our controls environment by increasing the number of risk controls; and enhancing these via automation & prevention.

Stronger Risk Controls

Greater Automation

## 4. Platform for growth

We will automate low-value high-volume work and increase productivity.

Operational leverage  
Minimal overhead inflation

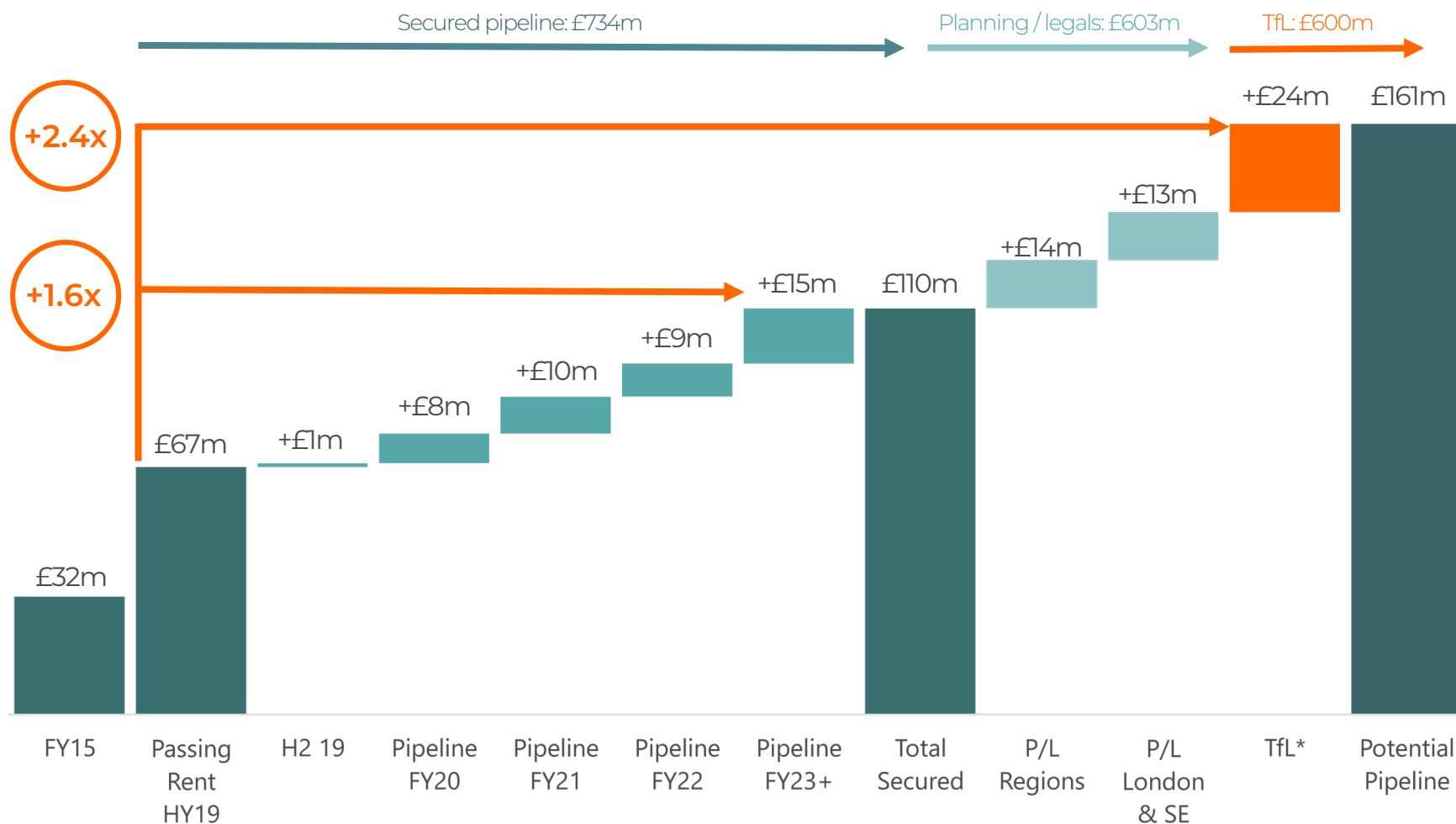
# Passing rent progression

## Dividend growth underpinned by NRI growth

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\*TfL Partnership – indicative estimate of Grainger’s unlevered 51% share based on c.3,000 units at an assumed £400k per unit and 4% NY. Assumption that rental growth from operational portfolio nets off against disposal of regulated tenancies.

# Summary & Take Aways

Helen Gordon



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## Creating connections that deliver sustainable growth



- ▀ Disciplined investment based on thorough research
- ▀ Significant future value to come through our investment pipeline
- ▀ City champions delivering exceptional opportunities
- ▀ Our partnership credentials give us access to a wider pool of investments
- ▀ Our customer operations deliver greater retention and increased revenue
- ▀ Technology enhances our service and returns, and enables us to scale



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# Thank you

## Q&A



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