AEQUUS

Aequus Group Strategic Business Plan 2024-30

Aequus Group Strategic Business Plan - 2024-30

VISION

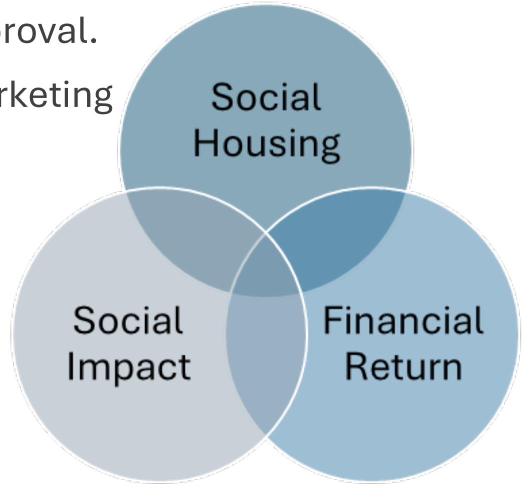
To create high quality homes that support vibrant communities and improve people's lives.

MISSION

To work collaboratively with our council and wider public sector partners to build high quality, energy efficient homes that offer a mix of social, affordable and open market sale housing that leaves a lasting positive impact and helps fund frontline services.

SHORT TERM OBJECTIVES

- We will use our expertise to support our public sector partners to unlock land for development
- We will provide fair land values recognising our social value outcomes
- We will develop the right mix of homes – the right home in the right place
- Our developments will be tenure blind
- Our new developments will be built to achieve EPC A energy efficiency ratings
- We will deliver policy compliant affordable housing on all developments as a minimum.
- We will seek to provide options for "local residents" to have a first opportunity to buy
- All our developments will commence as soon as possible after approval.
- We will recognise the support of our partners in all comms and marketing
- We will provide at least £1M of financial returns annually to support front line services.
- By year ending 2027 we will be delivering on 9 sites



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MEDIUM TERM OBJECTIVES

- We will create sustainable developments that support the councils core policies of tackling the climate and ecological emergencies.
- We will build quality homes that all meet nationally described space standards.
- We will target “zero” energy bills for at least 10 years working with energy suppliers.
- We will deliver affordable housing levels of up to 50% on each site
- We will deliver measurable social value and benefits to the local communities.
- We will provide at least £1.5M of financial returns annually to support front line services.
- We will be on delivering on 10 projects that incorporate 7 sales outlets.

LONG TERM OBJECTIVES

- We will deliver carbon neutral developments.
- We will work with a broad range of public sector partners to deliver new homes.
- We will deliver at least 100 completed residential units each year.
- We will provide at least £2M of financial returns annually to support front line services.
- We will offer a range of social value outcomes to create and support vibrant communities.
- Development of continuous pipeline that provides for 12 projects to be running at any one time with 7 sales outlets.

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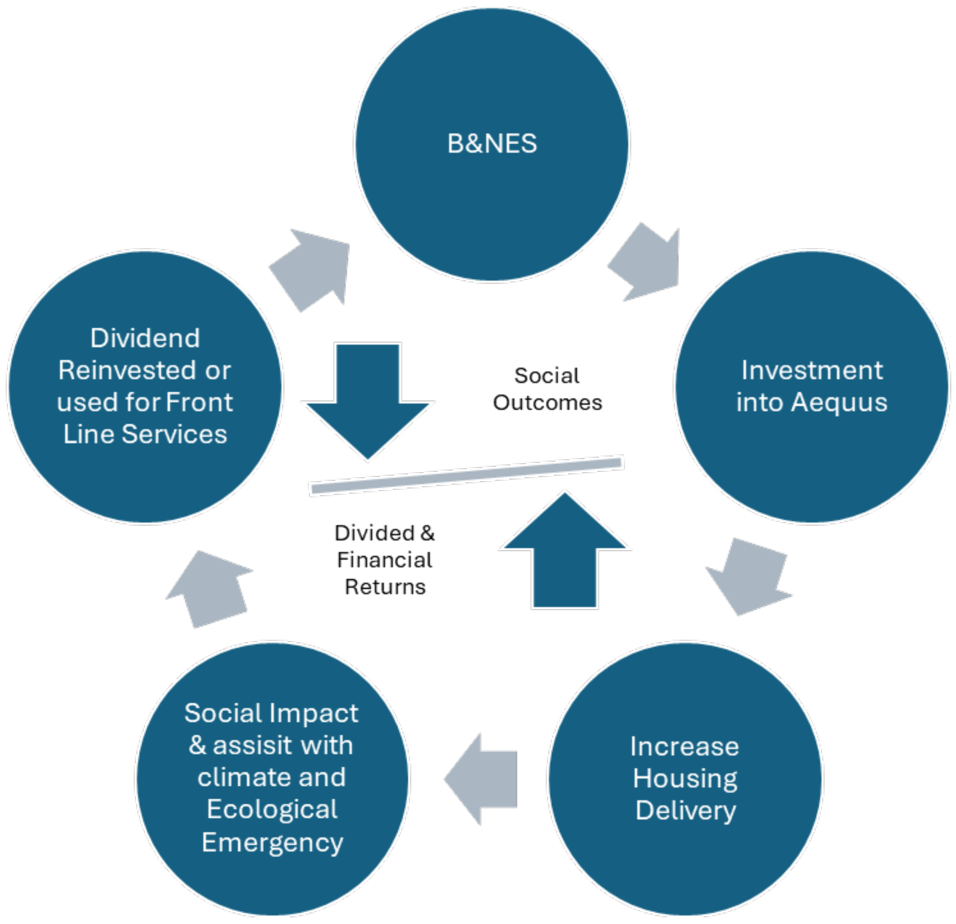

Our purpose

To support our Local Authority partners in the delivery of their aspirations and this is reflected in our key objectives.

The Council's investment in Aequus enables us to:

- Develop our pipeline
- Add value
- Deliver social and financial returns
- Increase the supply of much needed affordable housing in the region

The social outcomes and financial returns are a balance and dependent upon the blend of projects being undertaken and the investment made.

Company Analysis

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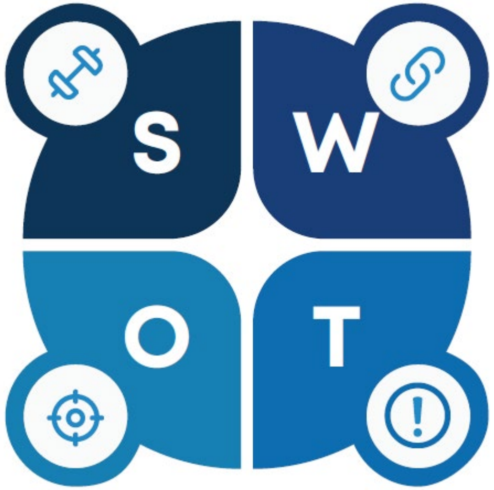
Strengths

- Quality of completed schemes
- Sustainable quality developer
- Financial position and credit strength when contracting with partners and supply chain
- Responsible asset holding landlord
- Supportive Board
- Cash position
- Teckal Company



Weaknesses

- Opportunity identification from Council Partners
- Process and sign off timescales
- Systems, process and resource alignment with growth potential
- Brand and business model awareness

Opportunities

- Pipeline conversion
- New Council Partnerships
- Alternative delivery model
- Public sector land availability
- Government housing policy and targets
- Increased social value outcomes leading to greater LA support

Threats

- Delays to pipeline
- Funding preconstruction and feasibility activity
- Market conditions
- Continued high interest rates
- Supply chain availability
- Changes to Council administration

Aequus Construction Ltd – Pipeline Analysis

- Over 1,000 units in the pipeline
- 38% affordable homes overall
- Pipeline categorised into 3 definitions and 11 stages of development
- Informs the financial forecast
- Scenario planning

Category Definition			
Description	Secured	Probable	Pipeline
Final Business Case (FBC) Approved	✓		
On Site or mobilisation			
Initial Business Case (IBC) has been approved		✓	
Progressing through planning			
Projects identified and progressing to IBC			✓

Probable Projects				
Project	Partner	Affordable Units	Sales Units	Total
Cottrell Court	B&NES	5		5
Milsom Street (2)	B&NES	9		9
Midland Road	B&NES	44	131	175
Bath Quays North	B&NES		96	96
Charborough Road	SG	13	23	36
Dolphin Square	NS	126		126
Walliscote Place	NS	19		19
Castlewood, Clevedon	NS	33	79	112
Total		259	329	588
		45%	55%	

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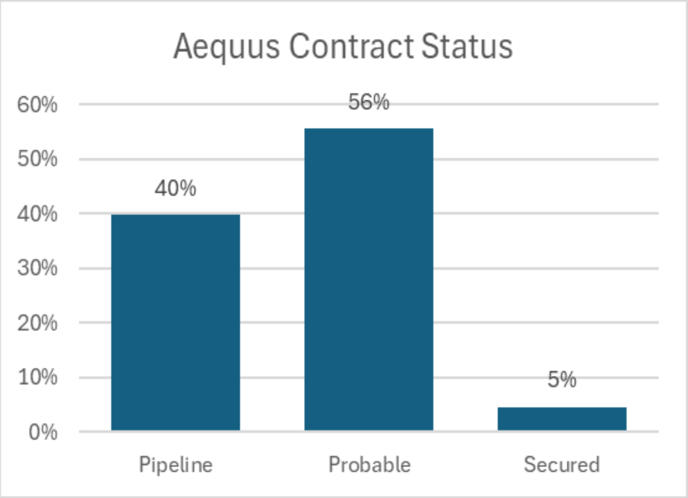
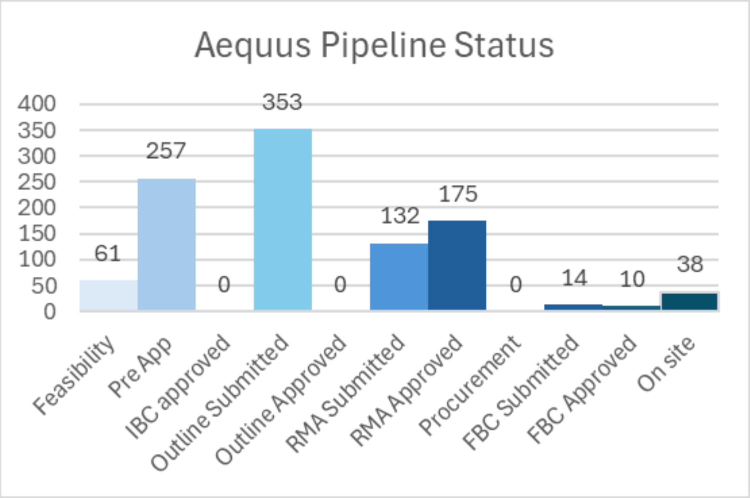
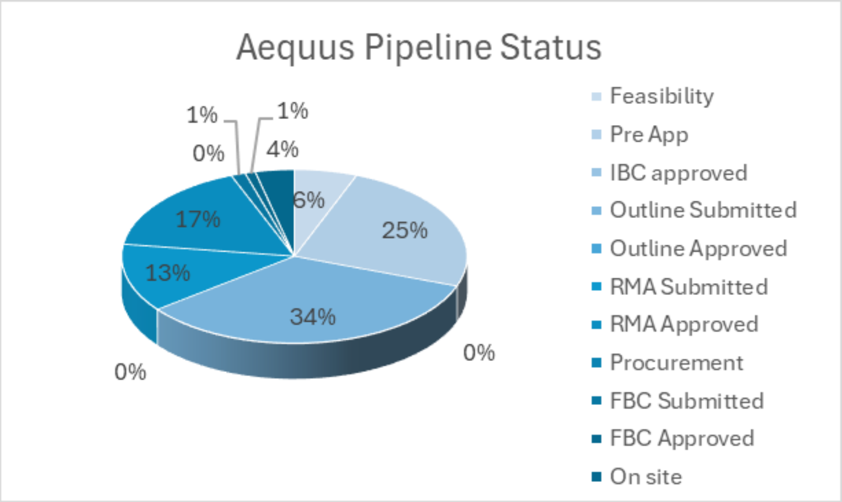






The Aequus total pipeline breakdown by contract status:

- Secured – 48 units, 5%
- Probable – 578 units, 56%
- Pipeline – 414 units, 40%

By development stage:

- On site – 38 units, 4%
- Full Business Case approved – 10, 1%
- Full Business Case Submitted – 14 units, 1%
- Reserved Matters Planning (RMA) application approved – 175 units, 17%
- RMA Submitted (or ready) – 132 units,13%
- Outline planning application submitted - 353 units, 34%
- Pre-application - 257 units, 25%
- Feasibility - 61 units, 6%

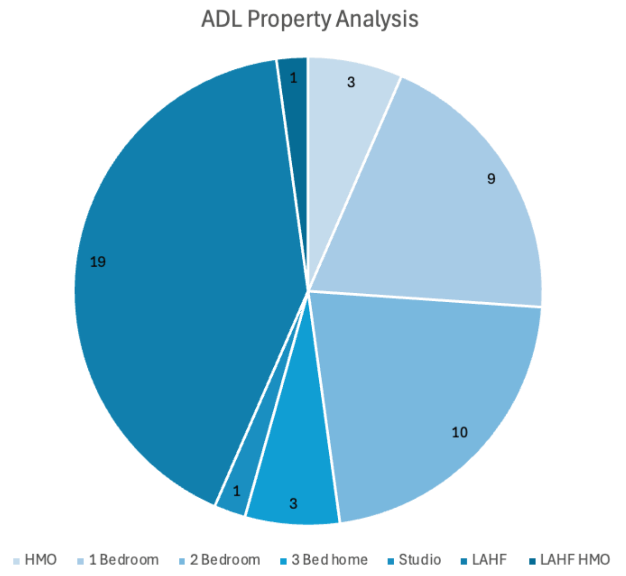
Aequus Developments Ltd Property Analysis

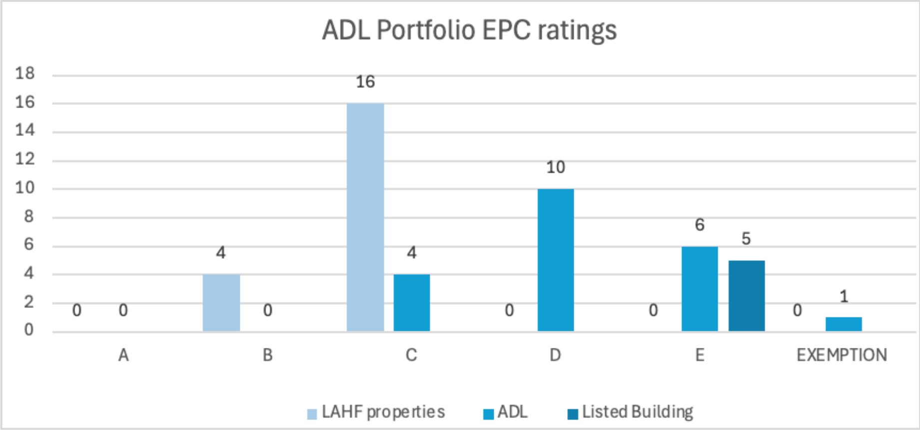
Aequus are dedicated to providing high-quality, reasonably priced rental homes in B&NES that align with the Council's vision of **'right home, right place.'** We own and manage:

- 46 properties
- 64 tenancies - 23 of which are allocated to LAHF

Energy Rating

- We are dedicated to improving property standards by ensuring compliance with new regulations
- Enhancing energy efficiency
- Reduce tenants' energy costs
- Increase the long-term value and sustainability of our properties
- By 2030, we will ensure all our properties are an EPC C wherever feasible





Financial Forecast

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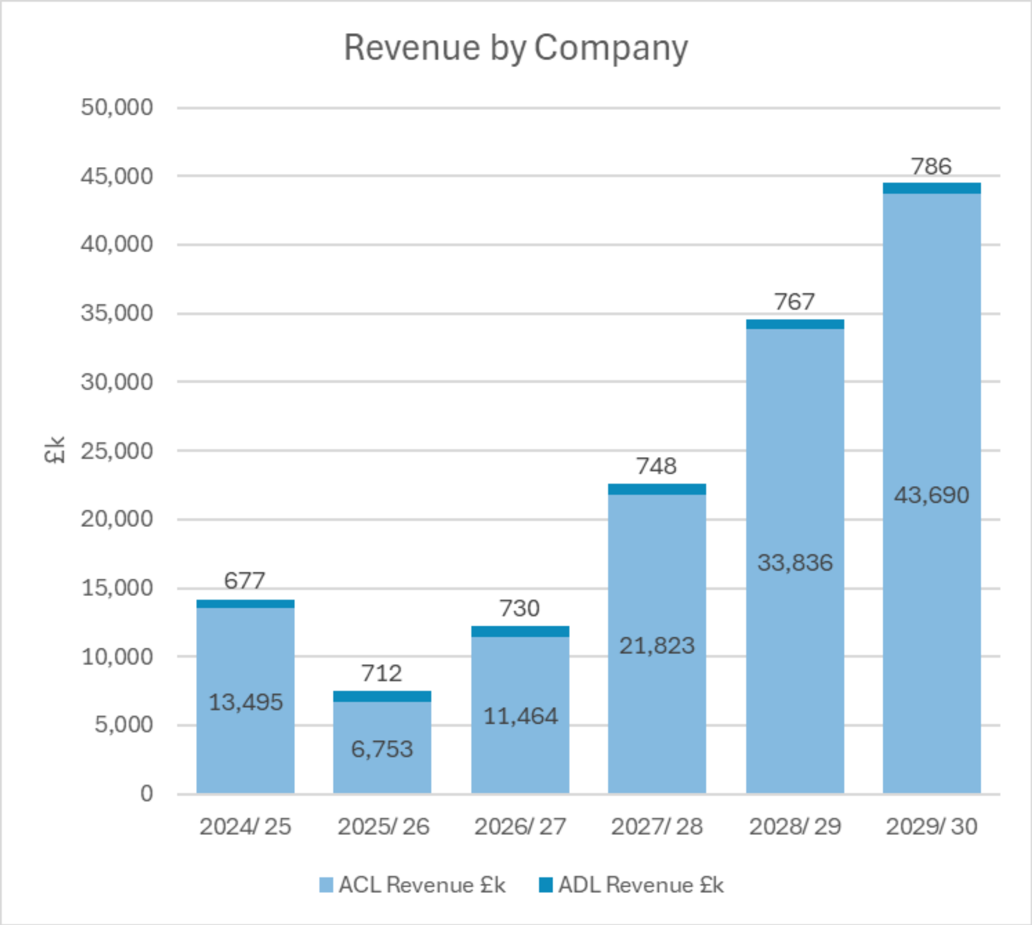
Financial Overview

- This business plan covers the period 2024 to 2027 however, we have extended key sections such as the objectives and financial forecast out to 2030 to demonstrate the trajectory of the business, it's ambition and the possible returns to our shareholder
- Group revenues are heavily influenced by ACL
- Drop in revenues 2024/25 reflects lack of secured work
- As key projects progress there is a steady increase
- Mixed tenure schemes accelerate growth potential but take longer to mature
- 55% (average) year on year increase
- ADL revenues increase marginally tracking inflation
- We remain open to opportunities to expand the ADL portfolio



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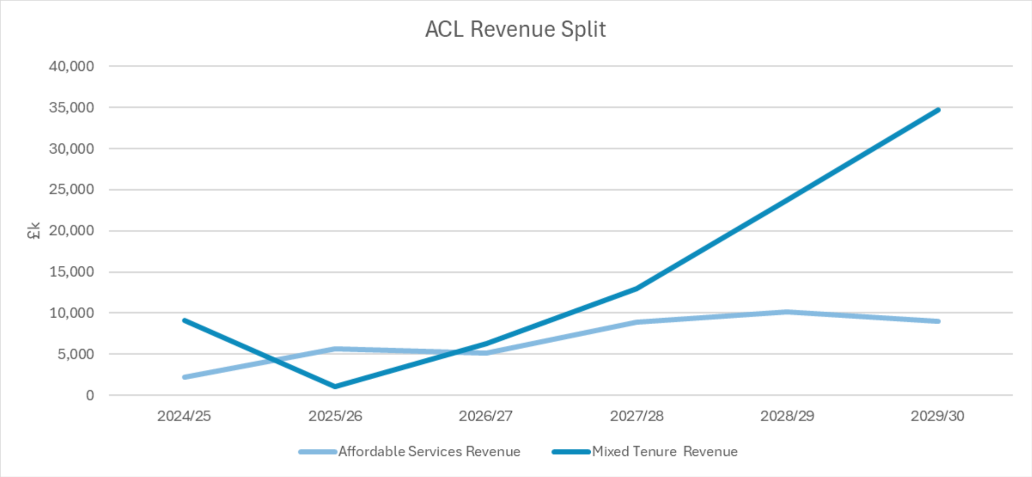
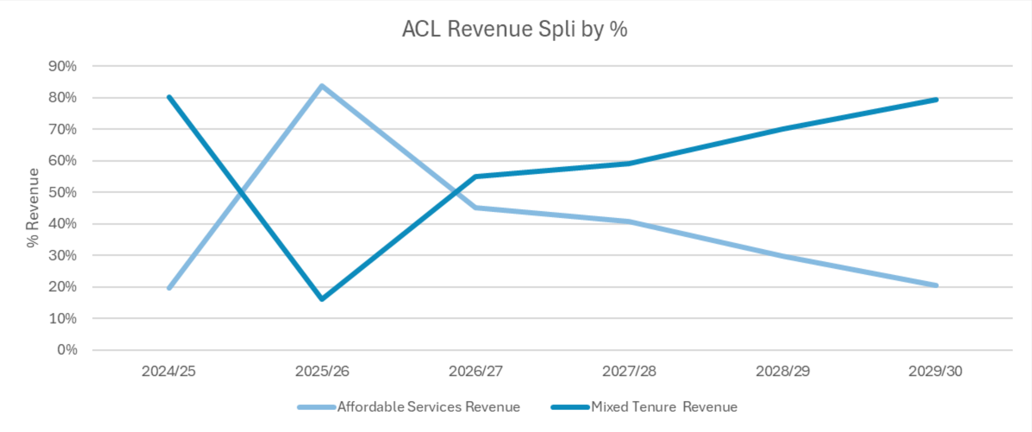
Revenue Analysis by Workstream

- Group revenues are heavily influenced by ACL and the portfolio mix between 100% affordable and mixed tenure schemes
- Short term activity is dominated by our affordable delivery programme
- This is gradually reversed as long-term mixed tenure schemes progress
- Our mixed tenure schemes are generally a larger scale and benefit from a higher GDV and therefore have a disproportionate impact on revenues
- Ideally 70/30 balance in favour of mixed tenure revenue
- Provides the platform to:
    - Deliver affordable homes at scale
    - Deliver financial returns to the shareholder
    - Support our overhead as nominal recovery from affordable projects





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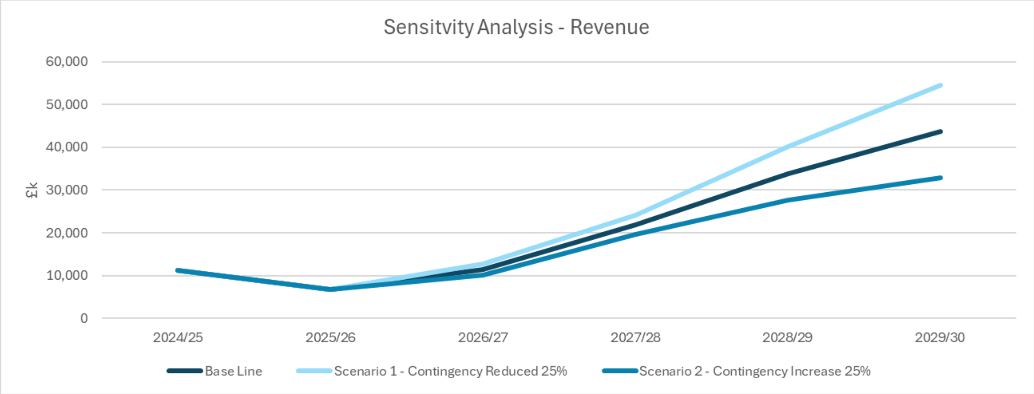
Sensitivity and Scenario Planning

- The ACL forecast has been developed from the pipeline which has subsequently been moderated by assessing the risk and or likelihood of project conversion
- This moderation has been expressed as volume contingency
- Factored into the forecast from FY 2026/27 until the end of the business plan period
- Volume contingency
    - 2026/27 - £5m
    - 2027/28 - £9m
    - 2028/29 - £25m
    - 2029/30 - £43m
- Two scenarios have been undertaken
    - Scenario ,1 Contingency reduced by 25% (more projects secured)
    - Scenario 2, Contingency Increased by 25 % (less projects secured)



Scenario Options Option Table	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue Forecast	**11,313**	**6,753**	**11,464**	**21,823**	**33,836**	**43,690**
Scenario 1 - Contingency Reduced 25%	11,313	6,753	12,714	24,073	40,086	54,440
Scenario 2 - Contingency Increase 25%	11,313	6,753	10,214	19,573	27,586	32,940
Gross Margin Forecast	**1,704**	**541**	**1,386**	**2,569**	**4,112**	**5,085**
Scenario 1 - Contingency Reduced 25%	1,704	541	1,549	2,862	4,924	6,483
Scenario 2 - Contingency Increase 25%	1,704	541	1,224	2,277	3,299	3,688

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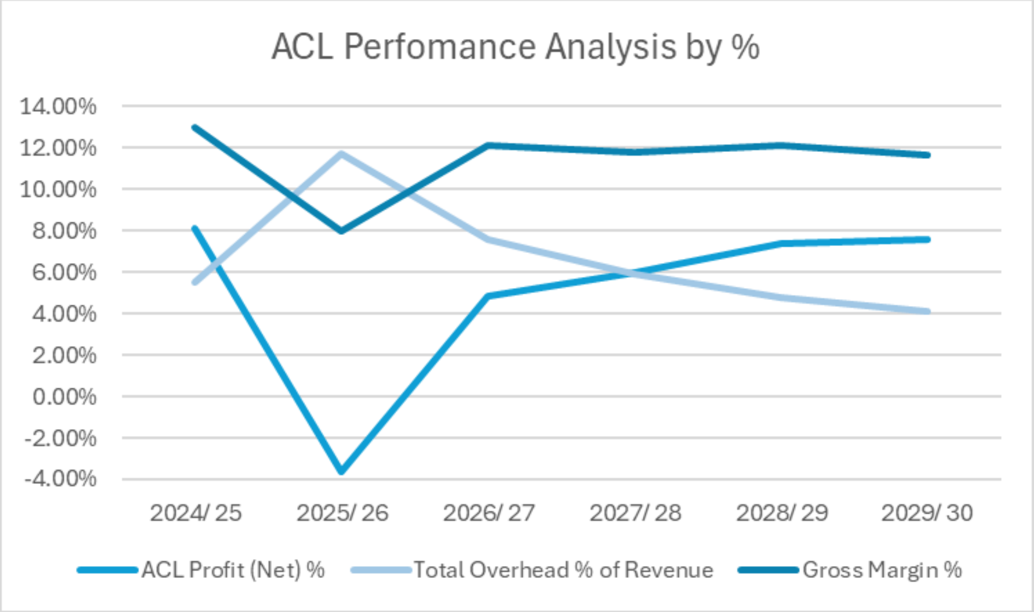
Overhead

- Control of our overhead cost is of paramount importance
- Needs to be reflective of the activity the business is managing
- Provide the right levels of:
    - Leadership
    - Financial management
    - Governance
- 2024/25 overhead percentage increases as revenues reduce
- As revenue builds overhead percentage reduces producing economies of scale
- Year-on-year reduction to 4.1%



Aequus Overhead decrease	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue £k	14,172	7,465	12,194	22,571	34,603	44,476
Total Overhead	783	877	927	1,329	1,653	1,821
Total Overhead % of Revenue	**5.5%**	**11.7%**	**7.6%**	**5.9%**	**4.8%**	**4.1%**

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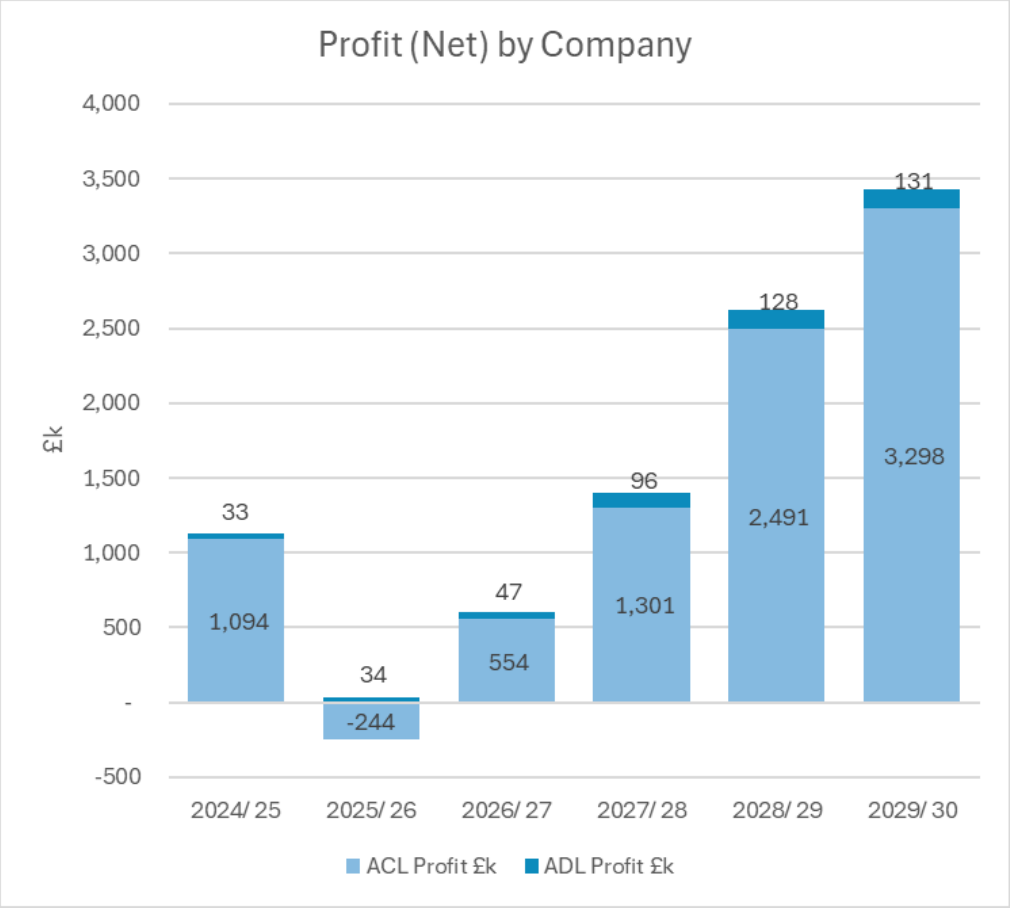
Profit Growth

- Margins associated with our mixed tenure schemes attract a higher return than that of our affordable projects
- Reflecting the nature of the risk profile
- Volumes increase with new mixed tenure developments
- Positive impact on the net margin position
- Affordable schemes will have a natural scale and therefore limit the growth of this workstream



Key Dependencies

- Bath Quays North – FBC sign off Q4 2025 SoS Q2 2026
- Midland Rd – FBC sign off Q3 2025 SoS Q3 2026
- Charborough Rd – Planning Q1 2025 FBC & SoS Q4 2025
- Milsom Street – Final approval Q4 2024 &SoS Q2 2025
- Dolphin Sq – Commitment to expend enabling works 2025/26
- Stall Street – Approval to proceed enabling units in 2026/27

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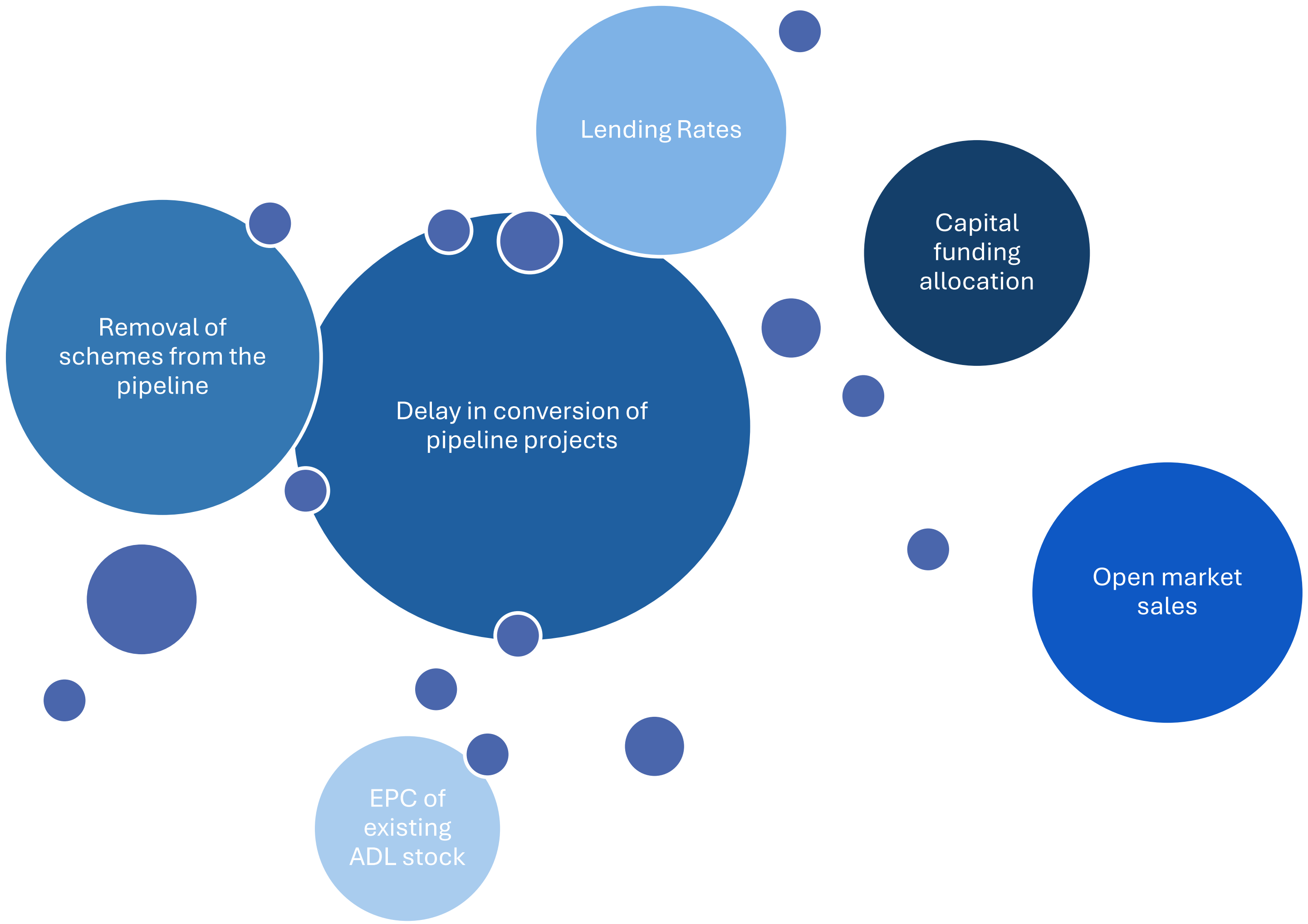
Key Risks



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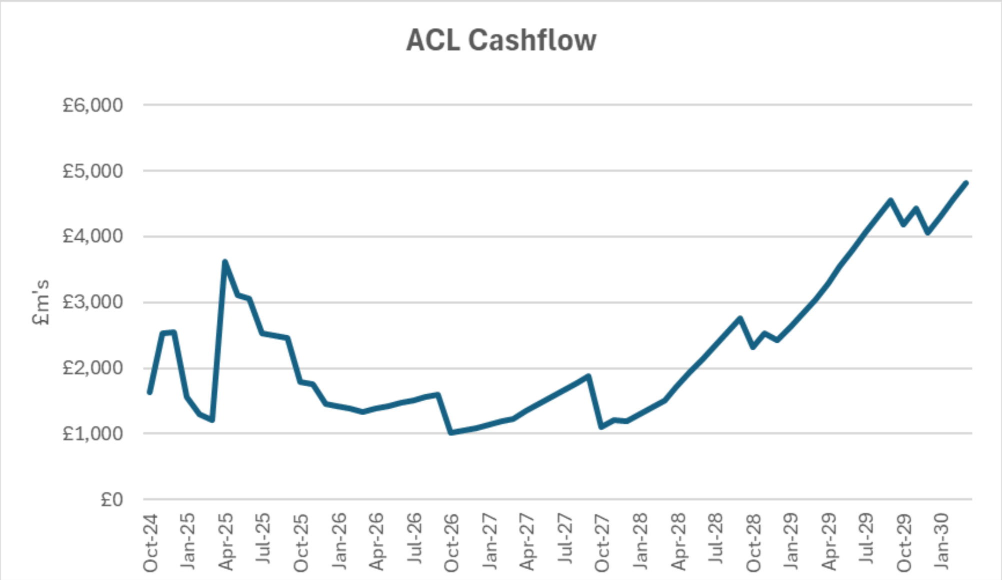
Cash Management

- We are mindful of the effective use of our cash
- The cashflow assumes:
  - Strategic plan is delivered
  - Dividends are paid to meet Council Returns



Capital Programme Loan Requirements

- Capital funding requirements are in line with the strategic plan and pipeline
- Moving to a fixed commercial interest rate that will be paid to the relevant Council for development loan funding
- Capital funding requirements have been calculated for the full potential of the pipeline and have not been moderated as the forecast

Capital Funding	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30
B&NES	2,000	2,250	10,000	36,000	23,000	7,000
South Glos			3,000	2,000		
North Somerset			5,000	7,000	4,000	
Total - Funding	**2,000**	**2,250**	**18,000**	**45,000**	**27,000**	**7,000**

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Strategic Forecast Summary

Aequus	Year 2025/26 Actual / Forecast	Year 2026/27 Actual / Forecast	Year 2027/28 Actual / Forecast	Year 2028/29 Actual / Forecast	Year 2029/30 Actual / Forecast
Revenue					
ACL	6,753	11,464	21,823	33,836	43,690
ADL	712	730	748	767	786
Revenue Total	7,465	12,194	22,571	34,603	44,476
Gross Margin					
ACL	541	1,386	2,569	4,112	5,085
ADL	127	142	157	161	165
Gross Margin Total	667	1,528	2,726	4,273	5,250
Gross Margin %	8.94%	12.53%	12.08%	12.35%	11.80%
Overhead					
ACL	784	832	1,268	1,620	1,787
ADL	92	95	61	33	34
Overhead Total	877	927	1,329	1,653	1,821
Overhead %	11.74%	7.60%	5.89%	4.78%	4.09%
Profit before Tax	**-209**	**601**	**1,397**	**2,620**	**3,429**
Overhead %	-2.80%	4.93%	6.19%	7.57%	7.71%

Shareholder Returns

Revenue Return to the Council	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
ADL Interest £k	380	365	364	363	363	363
ACL Interest (estimated) £k	0	0	250	500	500	500
Dividend £k	620	635	886	637	637	1,137
Total Revenue Return £k	**1,000**	**1,000**	**1,500**	**1,500**	**1,500**	**2,000**

Questions?