



DELIVERING INCLUSIVE GROWTH - across the Scottish Borders

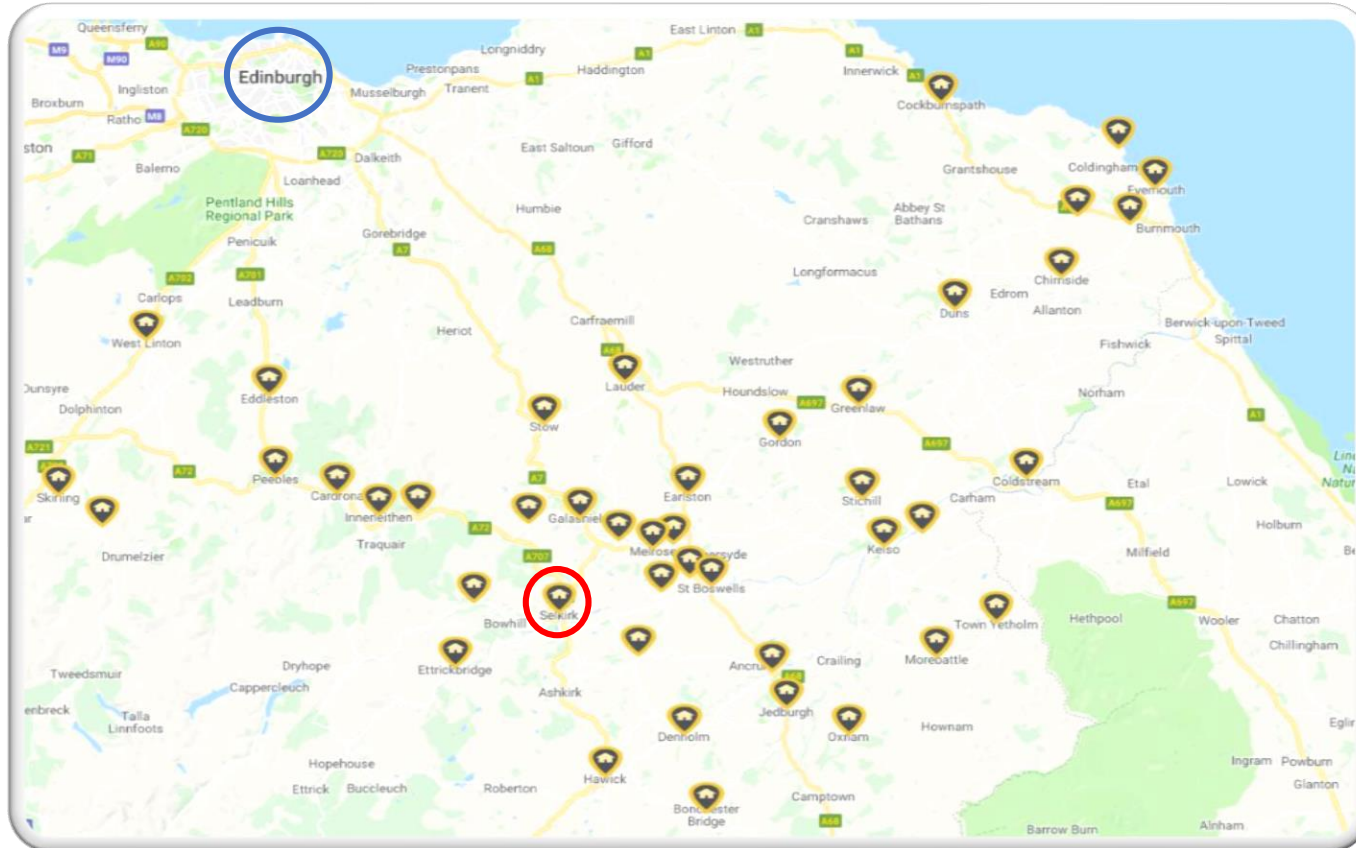
## Private Placement Experience

Alan A Brown Director of Finance

12 November 2019

# Overview

- EHA provides high quality affordable rented homes for tenants throughout the Scottish Borders, as well as some care and sheltered housing
- Head office is in **Selkirk**, an hour outside of **Edinburgh**
- Presence in over 150 sites in almost 50 settlements across the Scottish Borders



# What is a Private Placement

- Investor & Borrower deal directly
- Normally Pension Funds
- Low risk investments - match member profile
- Fixed rate - bullet point - long term

# Preparation



- What's the money for?
- Amount & Term
- Talk to other RSLs
- Run it past the SHR
- Timing & Resources
- Board - Sub Committee

Key to your “story”

Split Draw Downs

We learnt a lot

Investor will take references

Involves a lot of both

Decision delegation

# Advisors

- Consultants Guides and advises
- Lawyer Legal & security - security trust
- Lead Agents Sources investors - presentation
- Investor Council Acts for investor - unusual
- Stock Valuers Normal
- Security Trust Loan is portable



# Timetable

- Oct 18 Tender & appoint consultants
- Nov 18 Consultants to Board – Working Party set up
- Nov 18 Lead Agent tender document
- Dec 18 Lead Agent shortlist – Working Party meets 1<sup>st</sup> time
- Jan 19 Lead Agent interviewed & appointed - Visits Selkirk
- April 19 Prospectus (presentation) sent out
- 8 May 19 Visit to London
- 29 May 10 Bids received
- 30 May 19 Decision & Price Fixing
- 10 July 19 First Draw Down

# Security & Valuations

- Runs parallel - Time consuming - Start early
- Clear titles - Development Dept - Bits of land - Records
- Section 75 - EUV < MV-ST
- Council - Waive conditions
- Have more than you need lined up

# Post Lead Agent Appointment



- Visited - looked round area & stock
- Weekly conference calls - EHA/Consultants/Lead Agent/Lawyer
- Worked on Presentation (Prospectus)
  - Powerpoint - 45 Pages
  - Joint EHA Lead Agent production
- Selects probable investors - issues prospectus
- Practice the presentation



# Presentation – Part 1

- **Overview** – This is the “story” - context
  - Selling point – Border Railway
  - History
  - Corporate Values
  - Objective & Strategy
- **Governance**
  - Group Structure
  - Executive & Board
  - Regulation in Scotland & Risk

# Presentation – Part 2

- **Property Management** All information already available
  - Rent levels - Size/Type/Age - Tenancy length- Welfare Reform
  - PIs - good ones & bad ones
- **Development Programme** Ability to deliver
  - Homes completed past & projected - Case Studies
- **Financial Performance**
  - Past 3 years - FYVP
  - Metrics in FYVP - Op Margin, Net Debt to historic cost , etc

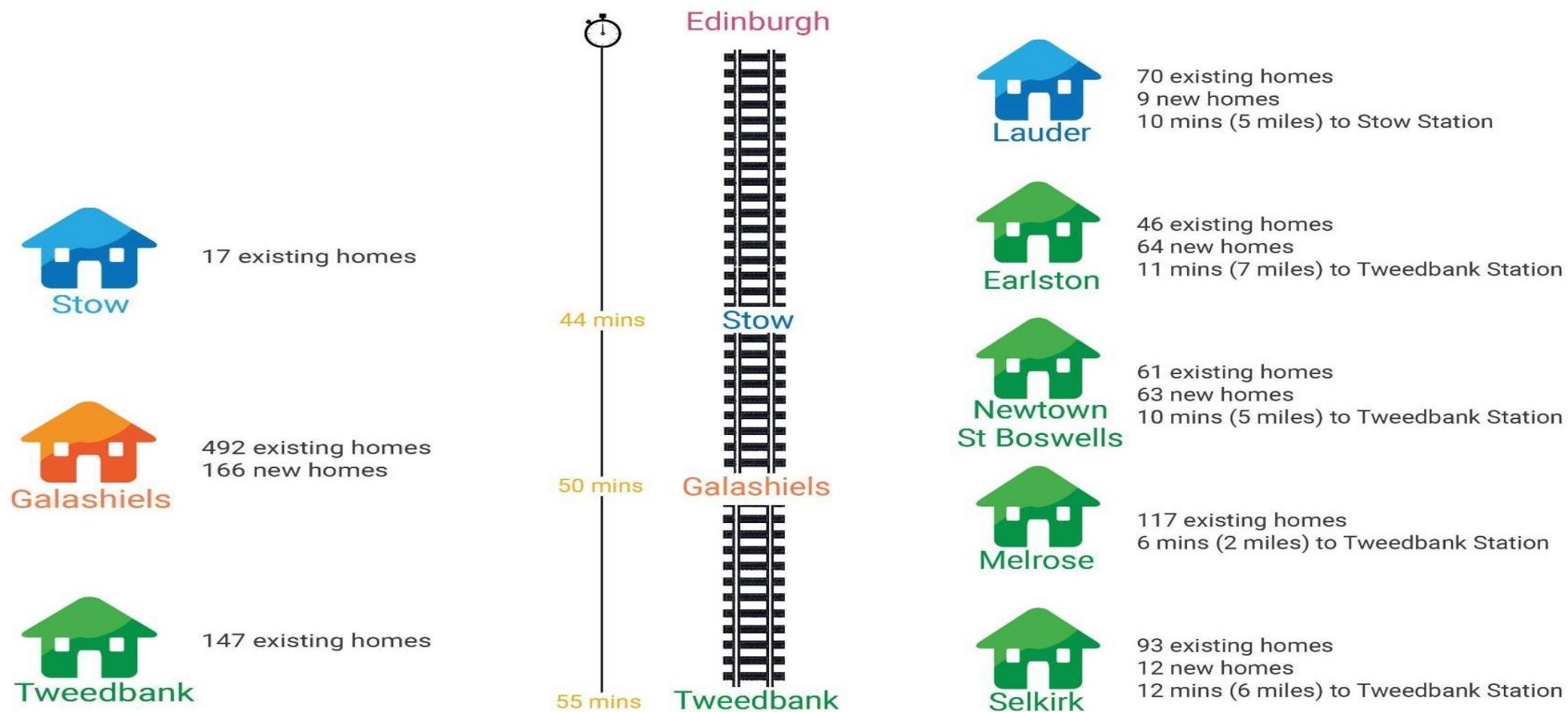
# Presentation – Part 3

- Funding & Treasury
  - Existing Debt Maturity
  - Funding Requirement - Use & source of funds
- PP Offer                      £, Term, Asset & Interest Cover, Timetable
- Security Info                Type, Age, Value of stock
- Conclusion                 EHA are a good investment
- Appendix                    3 year Historic I&E and BS

Photographs, Graphics, Charts, Tables, Colour

# Borders Railway

## The Borders Railway Line



# Pre-Visit Questions - Sample



- How long does it take from one end of stock to the other
- Average housing prices in main area of operation
- Demand statistics such as waiting lists, bid per property
- Business plan covenant performance
- Development Plan breakdown, on-site ready, land bought, etc
- Average Social Housing Rent as % of market rent in main area

Business plan, AFS, Treasury Policy, Stress testing, Subsidiary

# Visit & Presentation



- 7 Potential Investors
  - 1 Bank, 1 Insurance, 1 Company Pension, 4 Pension Companies
- CEO, DFCS, DPA & Lead Agent
- About an hour a session
- Ranged from 1 person to 7
- Asked questions - Each session was different
- Clearly assessing us the business managers



# Post Presentation & Bids



- More questions
  - Borders economy & housing market
  - FRS 102, Component Accounting, Pension Movements
  - Discontinued Operation
- 4 Bids – 3 Rejections
  - Too small
  - Security issues when ran through their model
  - Reckoned they couldn't compete on price

# Bids & Closing the Deal

- Bids contained
  - Price, amount and term
  - Usual Covenants - Interest & Asset Cover
  - Other Covenants - mergers, S/O in security, derivatives
- Rejected 2 – 1 on price & 1 on Scottie Covenants
- Lead Agent asked other 2 – move on price - overnight
- Working Party met & made a decision
- At noon the deal was struck

# Summary

- Preparation - Board & Advisors
- Preparation - Security
- Preparation – Prospectus
- Preparation – Visits & Presentation

Question & Comments?



The Weaving Shed, Ettrick Mill,  
Dunsdale Road, Selkirk, TD7 5EB



Main Switchboard: 01750 725 900  
Customer services: 03000 200 217



[enquiries@eildon.org.uk](mailto:enquiries@eildon.org.uk)



[www.eildon.org.uk](http://www.eildon.org.uk)



[www.facebook.com/EildonHousing](https://www.facebook.com/EildonHousing)



Follow us on twitter - [@EildonHousing](https://twitter.com/EildonHousing)