

Paradigm & Settle Partnership (Project Sapphire): Information Memorandum to Investors

Building a better future...

settle.



...together

April 2025

DISCLAIMER

The information contained in this information memorandum prepared by the management of Paradigm Housing Group Limited and its subsidiaries and associates (together, 'Paradigm') and Settle Group and its subsidiaries and associates (together, 'Settle') or any related verbal or written communications in respect thereof (the Information Memorandum) has been prepared to assist interested parties in making their own evaluation of Paradigm and/or Settle. This Information Memorandum is believed to be in all material respects accurate, although it has not been independently verified and does not purport to be all-inclusive. This Information Memorandum and its contents are strictly confidential, are intended for use by the recipient for information purposes only and may not be reproduced in any form or further distributed to any other person or published, in whole or in part, for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws. By reading this Information Memorandum, you agree to be bound by the following limitations.

This Information Memorandum is not intended to be and should not be considered as, a recommendation by Paradigm and/or Settle, nor any other person, to proceed with a transaction. This Information Memorandum is not intended to be, and does not constitute, a prospectus, nor other disclosure document. It does not constitute an offer or invitation, or an invitation for an offer, for the sale or purchase of any financial product. Neither this Information Memorandum nor the information contained, or referred to in it, nor any other information supplied by or on behalf of Paradigm and/or Settle, forms the basis of any contract or any other legal obligation.

Neither Paradigm nor Settle (nor any constituent part of either) nor their respective representative directors, officers, managers, agents, employees or advisers, makes any representations or warranty (express or implied) or accepts any responsibility as to or in relation to the accuracy or completeness of the information in this Information Memorandum (and no one is authorised to do so on behalf of any of them) and (save in the case of fraud) any liability in respect of such information or any inaccuracy therein or omission therefrom is hereby expressly disclaimed, in particular, if for reasons of commercial confidentiality information on certain matters that might be of relevance to an interested party has not been included in this Information Memorandum.

No representation or warranty is given as to the achievement or reasonableness of any projections, estimates, prospects or returns contained in this Information Memorandum or any other related information. This Information Memorandum may include certain statements, estimates and projections prepared and provided by Paradigm and Settle 's management with respect to the anticipated future performance of Paradigm and/ or Settle. Such statements, estimates and projections reflect various assumptions by Paradigm and/ or Settle's management concerning anticipated results and have been included solely for illustrative purposes. No representations are made as to the accuracy of such statements, estimates or projections or with respect to any other materials herein. Actual results may vary from the projected results contained herein.

The recipient should conduct and rely solely on its own independent review, investigation and analysis (including obtaining independent expert advice) of the information contained or referred to in this Information Memorandum. The recipient is responsible for making its own independent judgments with respect to anything in this Information Memorandum.

Neither Paradigm nor Settle, nor any of their respective officers, board members, employees, affiliates, advisers and representatives and any other person connected to any of them shall be liable (whether in negligence or otherwise) for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Information Memorandum or any other information and any such liability is expressly disclaimed, to the maximum extent permitted by law.

Paradigm and/ or Settle may, in their absolute discretion, but without being under any obligation to do so, update or supplement this Information Memorandum at any time after its publication, in which case this Information Memorandum must be read subject to such update or supplement. However, Paradigm and Settle do not undertake to provide the recipient with access to any additional information, or to update this Information Memorandum or any additional information, or to correct any inaccuracies in this Information Memorandum or any additional information which may become apparent subsequently. Any update or supplement to this Information Memorandum, and any other information provided by Paradigm and/or Settle, is subject to the conditions of this disclaimer as if references in this disclaimer to this Information Memorandum or the information in it included such update, supplement or information. The information set out in this Information Memorandum has been prepared at 25 April 2025 or such other date as is indicated in this Information Memorandum.

The partnership of Paradigm and Settle, and any reference to designate appointments are all subject to ratification through the Joint Board Working Group and ultimately the individual Boards of Paradigm and Settle.

LARGER, AND LOCAL – ADDING THE ADVANTAGES OF SCALE

By collaborating, we can achieve more while staying local and efficient

Why Paradigm & Settle?

- Create an organisation of significant size and influence - the largest association in our area of operation
- Geographic footprint overlaps with similar stock types
- Alignment of values & strategies – focus on core social housing

Benefits

- Materially reduce corporate function costs per unit
- Create a development team with the capability for larger schemes
- Utilise existing IT investments to enhance efficiency and services
- Perform more repairs and investment work internally
- Enhance leverage with key stakeholders
- Increase resilience to future shocks with more options and capacity

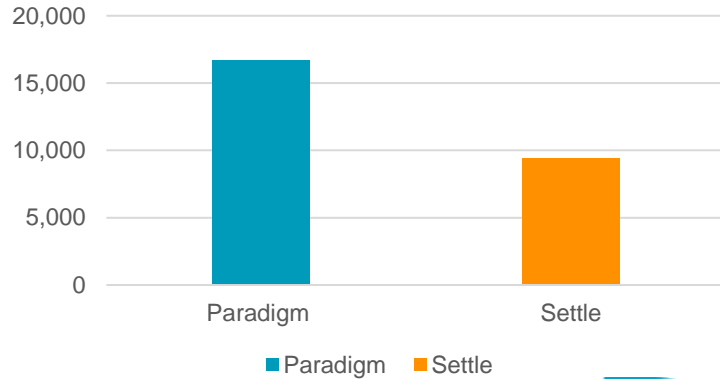
Ambition

- EPC-C by 2030 – NZC by 2050
- Improve residents' lives by using shared resources and advantages of scale to enhance homes and services
- Collaborate to regenerate estates and ensure housing meets future needs

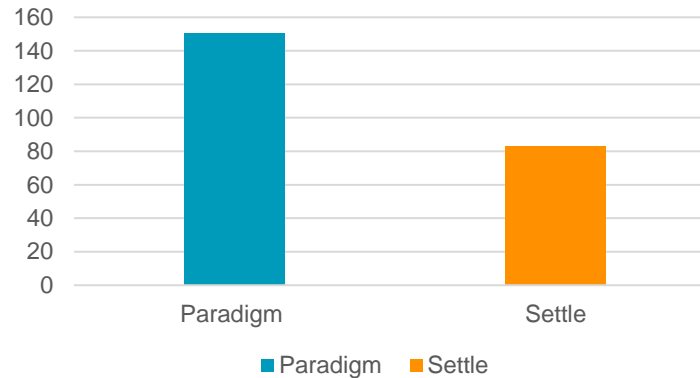
EXISTING ORGANISATIONS – AT A GLANCE

Similar profiles despite difference in size

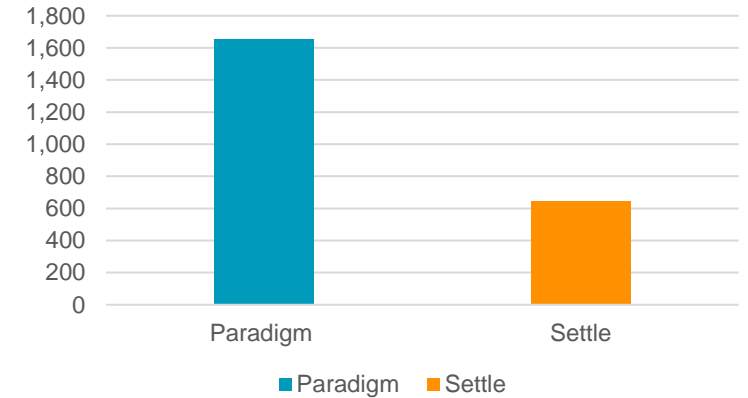
Units - 2024



Turnover - 2024 £m



Fixed assets - 2024 £m



- Predominately Bucks, Beds & Herts
- 82% GN Customer satisfaction
- 73% Turnover from Social Lettings
 - 86% EPC C or above
- 480 Average new homes 22-25
 - Regulatory status G1 / V1
- S&P A+ stable credit rating

2* Best Companies

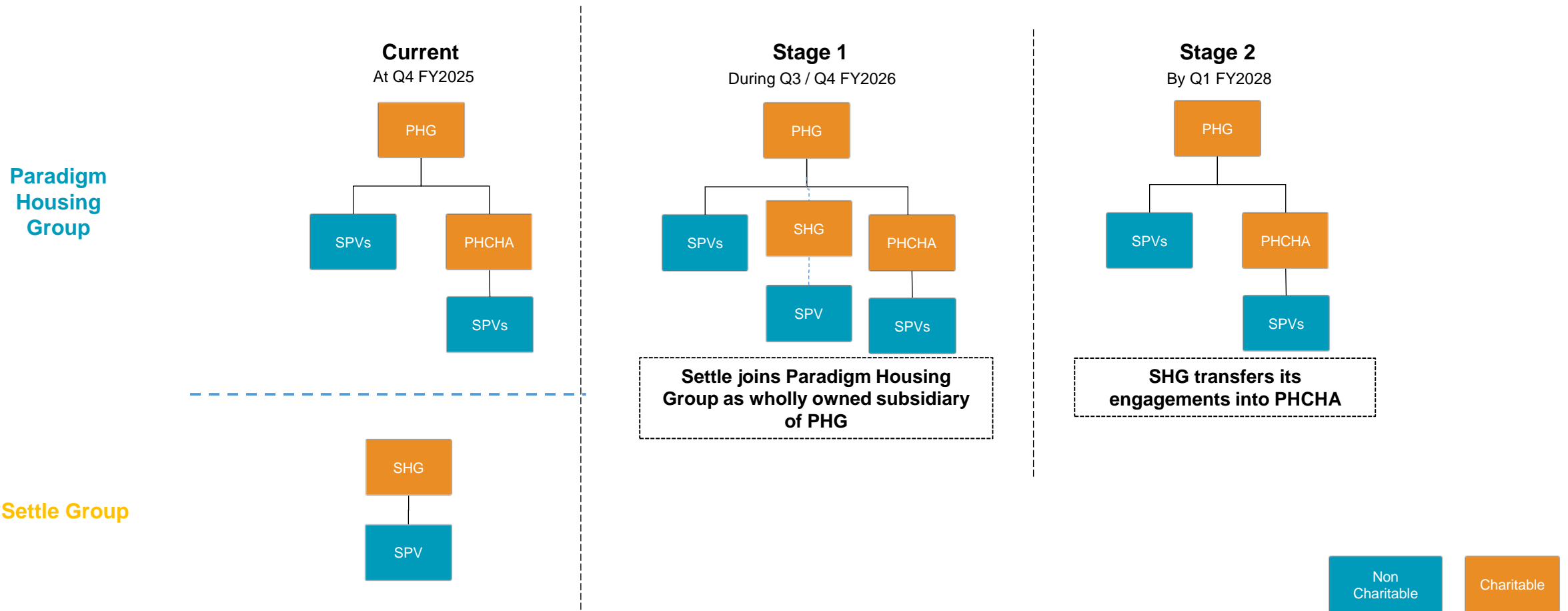


- Predominantly Herts & Beds
- 76% GN Customer satisfaction
- 81% Turnover from Social Lettings
 - 74% EPC C or above
- 212 Average new homes 22-25
 - Regulatory status G1 / V2

SHIFT Silver accreditation
UK Housing Award 2024
Recruitment/Retention campaign

PREFERRED GROUP STRUCTURE

Staged process to achieve simple group structure



VISION: LARGER, AND LOCAL

Remaining local and delivering the advantages of scale



Better for our residents – Deliver excellent services to our residents



Better for our homes - Deliver high quality, safe and secure homes



Better for growth - Deliver more affordable homes over time than we could alone



Better for our colleagues - Ensure we are an employer of choice



Better for our stakeholders - Make a positive contribution to the local area



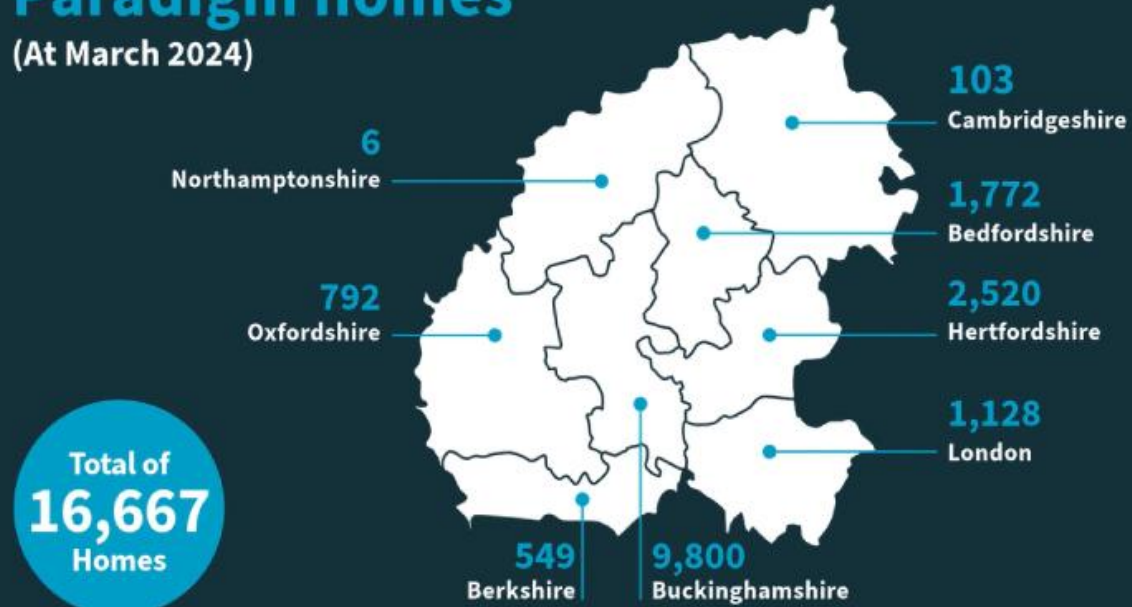
Better for our finances - Ensure we have the financial strength to deliver our objectives

GROUP GEOGRAPHY

Significant overlapping stock footprints

Paradigm homes

(At March 2024)



Settle homes

(At March 2024)



GROUP GEOGRAPHY

L&Q stock fits precisely into Paradigm's core area



Potential acquisition by Paradigm from L&Q in Paradigm's heartland leading to 13,267 homes in Buckinghamshire

GROUP GEOGRAPHY

Increased concentration within core areas



Core areas of Buckinghamshire, Bedfordshire and Hertfordshire

GOVERNANCE & MANAGEMENT – BOARD & COMMITTEE STRUCTURE

Key designate roles selected – Board and Execs to follow in Summer

Sapphire Board & Committee Structure
Designate Appointments (Chair and SID have been appointed)
Designate Board Member Selection by June 2025
Committee Structure:



Richard Moriarty
Chair



Sally Veitch
SID

Sapphire Executive Team
Designate CEO & CFO confirmed
Remainder of Executive Appointments to be announced in Mid-May
Executive Structure:



Matthew Bailes
CEO



Nicola Ewen
CFO

DUE DILIGENCE AND STAKEHOLDERS

DD not expected to raise any issues

Due diligence now in progress (commenced 16 April)

- The individual legal DD scopes were aligned and Finance DD jointly commissioned
- Self assessment on asset condition and compliance concluded no red flags
- Legal and Financial DD providers assessing data quality and financial planning assumptions

DD focus areas

- Data integrity
- Landlord H&S and Fire remediation
- Financial controls
- Operational performance – TSMs, CSAT, complaints, arrears, void relets

Communications and engagement strategy

- Strategy for key stakeholders was developed ahead of announcement
- Leads and responsibility identified for tiered stakeholders
- Proactive engagement with regulator – very supportive

APPROACH TO INTEGRATION

Staged process with clear and defined responsibilities

Principles:

- Integration owned and monitored by the Board and Executive with Leads identified for each workstream
- Clear efficiency targets for each area (with a focus on back office)
- Objectives aligned to the benefits of the merger (slide 4)
- Dedicated integration resources allocated to drive delivery
- Integration outcomes linked to strategic objectives



MANAGING RISK WHILST INTEGRATING



Strategic and Operational Risk Registers have been created to track the top risks of the merger process



The joint Board review the strategic risk register at each meeting



Joint Executive Team review on a weekly basis



Risk golden thread takes highest impact risks through to stress testing



Focus on operational performance and reducing number of new initiatives to create capacity to manage integration

COMBINATION INTEGRATION COSTS AND SYNERGIES

Realistic and achievable with expectation to outperform

- Efficiency Savings:
 - 70% of Settle management/maintenance costs to reduce to Paradigm's cost per unit by 2028 (100% by 2029)
 - Mainly driven by "back office" efficiencies and improved productivity
- Efficiencies identified for 2026 are assumed to be offset by redundancy costs.
- The proposals are realistic and achievable; it is expected that the combined Group will outperform, further enhancing financial resilience.

DEVELOPMENT ASPIRATIONS

- Delivering more together – combining our expertise
- 50-100 additional units p.a. (compared to standalone plans)
- Limited exposure to outright sale, Shared Ownership works well in area
- Majority of pipeline within 3-years identified
- 50/50% going forward SO/Rent - focus on core social housing

STOCK INVESTMENT

Prudent and realistic assumptions in the plan

- Paradigm 86% & Settle 74% EPC-C or above
- 100% Decent Homes Compliance
- c.£1.1bn of expenditure in business plan to:
 1. Replace components and improve energy efficiency - £815m
 2. Zero carbon - £320m (includes £36m to achieve EPC C by 2030)
- Committed regeneration schemes included in plans
- No assumed upside from grant, disposals or government funding - so a prudent estimate of cost

PARADIGM'S STOCK ACQUISITION FROM L&Q

Further concentration in Paradigm's core area enabling efficient management at scale

Rationale

Objective of the corporate plan that Paradigm should concentrate its operations within its core area

L&Q stock is in south Buckinghamshire - next to Paradigm's largest concentration of stock

L&Q homes are of similar types, in adjoining areas and largely constructed in a similar era to Paradigm's

Therefore able to deliver management efficiently at scale

Portfolio and funding

c.3,500 homes, 71% GN - the rest being affordable rent, sheltered, keyworker and leaseholders

100% debt funded initially, with strategic disposals planned from Paradigm's non-core areas.

CREDIT RATINGS

Strong credit rating a core focus for the joint boards

Sapphire credit highlights

- Paradigm currently rated A+ (Stable) by S&P (May 2024)
- Strong operating margins – Settle’s improvement plans have increased surplus generation in last six months with more opportunities in partnership to further improve
- Tight geography, will become largest in local area
- Low rise footprint with only 3 properties above 18m
- G1/V1 (Paradigm) G1/V2 (Settle) Regulatory Grading
- Focus on traditional social housing
- Strong liquidity

Combined group expectations

- Desired credit outcomes has made up much of the discussion in the Joint Board discussion
- Senior appointments allow for continuation of existing strong scores on governance and management measures within the S&P rating
- Expected to retain S&P rating for new group

SUMMARY AND RATIONALE FOR MERGER

Why?

- Create largest association in our area of operation
- Geographic overlaps, similar stock types, focus on core social housing

Benefits

- Material reduction in CPU of corporate functions
- Development department with enhanced capabilities
- Resilience to future shocks

Ambition

- Better for residents