



# MORhomes PLC

Published 28 April 2020

---

Business Review  
Quarter ending 31 March 2020

*A Social Bond Issuer in  
accordance with the Social  
Bond Principles 2018*

## Update on 3 month performance

---



### ■ Impact of the Coronavirus lock down

- Increased governance oversight: monthly meetings of board and credit committee
- Review of all borrowers - no change to credit levels as a result of performance
- No impact on Remote working - all processes and systems working satisfactorily

### ■ Growth in the loan book

- Successful tap issue, introducing a new borrower, in April 2020 building loan book to £347.5m
- Options for further growth with Second Secured Debt Facility in place
- Equity and CoCo maintained at a minimum of 1.65% of loans, Second Secured Debt at 3.5%

### ■ Progress in securing loans

- Initial loan portfolio now 100% charged
- On average, 19% over-secured (above minimum asset cover)
- Overall 96% loans charged (31 March 2020)

### ■ Social Impact report published Feb 2020

<https://morhomes.co.uk/wp-content/uploads/2020/02/MORhomes-Social-Impact-Report-2019.20-2.pdf>

- **All borrowers reviewed in March**
  - Individual interviews with management
  - Operational and financial response to COVID-19 assessed
    - Operational responses robust
    - Financial risks mitigated,
    - Impact of COVID-19 being modelled
    - All borrowers have good liquidity
  - Report considered by Credit Committee and Board in April
  
- **Maintaining continuous credit monitoring**
  - Working closely with all borrowers
  - Year end information due 15<sup>th</sup> May
    - Business plans due by end June
    - Quarterly management accounts monitored
    - Periodic “covid-19” updates
  - Obligation to notify any material adverse impact in future plans
  
- **Credit ratings (‘Lending Levels’) unchanged for all borrowers**

## Progress of the Business



### ■ Successful tap issues growing loan book

- 3<sup>rd</sup> Tap executed in April for £35m nominal
- Loans now risen by £85.5m in 7 months

### ■ Increasing appeal to borrowers

- 1 new shareholder
- 4 new credits rated
- 5 new Standby Liquidity Agreements

### ■ Impact of market volatility

- Increases attractions of MORhomes model
  - Rapid market access
  - Predictable credit limits
  - Standby liquidity agreements
  - Standard documentation

|   | Cumulative to Dec 2019 | Jan to Apr 2020 | Cumulative to Apr 2020 |
|---|------------------------|-----------------|------------------------|
| Shareholders <sup>1</sup>                 | 61                     | 1               | 62                     |
| Credit rated by MORhomes <sup>2</sup>     | 29                     | 4               | 33                     |
| Standby liquidity agreements <sup>3</sup> | 6                      | 5               | 11                     |
| Loans                                     | 13                     | 2               | 15                     |
| Borrowing groups                          | 11                     | 1               | 12                     |

#### Notes

1. HA groups who are shareholders adjusted for mergers

2. Cumulative totals include those pending renewal

3. Cumulative total includes 4 where loan drawdowns have been made

## Progress on security charging - at 31 March 2020

---



### ■ Security position at 31<sup>st</sup> March 2020

- Loans in initial issue (£260m) - 100% secured
- Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
- On average loans 19% over-secured above minimum
- New loans (£52.5m)
  - £40m (76%) secured using new faster processes
  - Remainder on course to be charged within 6 months of drawdown
- Overall £300m (96%) charged

### ■ Security charging process

- For new loans and all future loans max 12 months unsecured
  - Commitment now incorporated in updated programme memorandum
- Processes in place to speed up security pledging
  - New loan Oct 19 now secured and demonstrated process can be completed in a few weeks

For further detail see loan portfolio analysis schedule posted on our website

<https://morhomes.co.uk/investor-relations/>

## Borrower management accounts - December 2019



### Almost all outcomes favourable to budget

- Operating surplus and net profit up
- Operating margin, EBITDA margin and interest cover all favourable
- Turnover is down due to some falling behind on property sales. However this highlights that surplus budgets are not necessarily dependent on property sales. Unsold units monitored and not a cause for concern overall
- Cash and debt indicators favourable to budget
- All borrowers have at least 15 months available liquidity, average 24 months

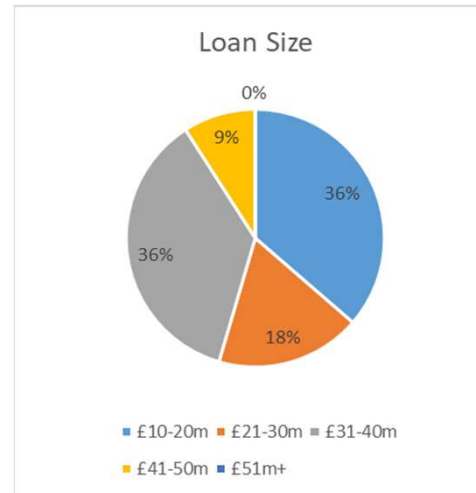
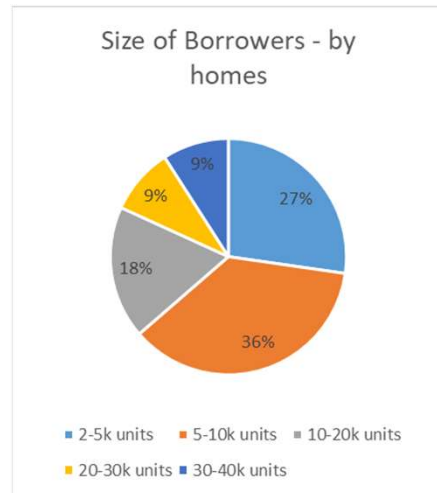
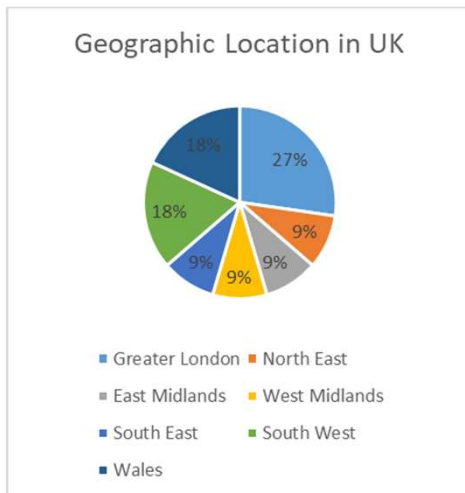
| <b>Total (11 borrowers)</b>          | <b>Actual</b> | <b>Budget *</b> | <b>Variance to Budget</b> |
|--------------------------------------|---------------|-----------------|---------------------------|
| <b>9 months to Dec 2019</b>          | <b>£m</b>     | <b>£m</b>       | <b>£m</b>                 |
| <b>Turnover</b>                      | 815           | 876             | - 61                      |
| <b>Operating Surplus</b>             | 217           | 216             | 1                         |
| <b>Profit before Tax</b>             | 127           | 112             | 15                        |
| <b>Other data</b>                    |               |                 |                           |
| <b>Depreciation &amp; Impairment</b> | 82            | 88              | 6                         |
| <b>Amortisation of SHG</b>           | 25            | 25              | - 0                       |
| <b>Capitalised repairs</b>           | 37            | 53              | 16                        |
| <b>Net Financing Costs</b>           | 135           | 135             | 0                         |
| <b>Ratios</b>                        |               |                 |                           |
| <b>Op Margin - %</b>                 | 27%           | 25%             | 2%                        |
| <b>EBITDA Margin %</b>               | 34%           | 32%             | 2%                        |
| <b>EBITDA MRI Margin %</b>           | 29%           | 26%             | 3%                        |
| <b>EBITDA MRI Interest Cover</b>     | 176%          | 168%            | 8%                        |
| <b>Cash Deposits</b>                 | 354           | 287             | 67                        |
| <b>NetDebt</b>                       | 4,636         | 4,752           | 116                       |
| <b>Units (no.'s)</b>                 | 143           | 143             | - 0                       |
| <b>Net Debt per unit</b>             | 32.5          | 33.2            | 1                         |
| <b>Forecast Liquidity (months)</b>   | 24            |                 |                           |

# Analysis of MORhomes loans – diverse with strong internal credit ratings



- **11 borrowers with 13 loans (before last tap)**
  - Geographically diverse
  - Split between rated and unrated borrowers
  - Broken down between public and non public ratings
  - Wide spread of unit sizes
  - Variety of different business models
  - Varying commitment to development

| Mix of borrowers |   |            |             |
|------------------|---|------------|-------------|
| Rating           | # | % of Loans | Total loans |
| Rated            | 5 | 54%        | £167.5m     |
| Unrated          | 6 | 46%        | £145.0m     |
| Lending Level    | # | % of Loans | Total Loans |
| Level 2          | 6 | 66%        | £207.5m     |
| Level 3          | 5 | 34%        | £105.0m     |



**Public rating of MORhomes portfolio (where available)**

| S&P     | Moody's | Fitch |
|---------|---------|-------|
| AA-/ A+ | -       | A+    |

Data includes all borrowers as at 31 March 2020. Ratings as at 17 Jan 2020 (source: JCRA, rating agencies). Geographic location refers to Head Office. Borrower homes from 2019 accounts.

## MORhomes shareholder credit ratings



Analysis of number of credit cleared shareholders by lending level and how MORhomes lending levels map across to public ratings

| Credit rated shareholders |    |      |         |         |        |
|---------------------------|----|------|---------|---------|--------|
| MORhomes Credit level     | #  | %    | S&P     | Moody's | Fitch  |
| Level 1                   | 2  | 7%   | -       | A1      | -      |
| Level 2                   | 14 | 47%  | AA-/ A+ | A2      | A+     |
| Level 3                   | 13 | 43%  | A+      | A3      | A+ / A |
| Level 4                   | 1  | 3%   | -       | -       | -      |
| Level 5/fail              | -  | -    | n/a     | n/a     | n/a    |
| Total                     | 30 | 100% |         |         |        |

Shows strength of potential pipeline of MORhomes borrowers

Shows underlying credit rating of MORhomes loans approximately equivalent to A+/A (S&P, Fitch) or A2/A3 (Moody's)

Agency ratings show range of credit ratings for 19 shareholders who have been rated by MORhomes and also have agency ratings (as at Nov 2019).