

MORhomes PLC

Published 30 July 2020

Business Review
Quarter ending 30 June 2020

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

■ Impact of the Coronavirus lock down

- Continuing heightened oversight: monthly meetings of board and credit committee
- In-depth data received from borrowers as at 30 June with first post-Covid figures
- Review of all borrowers - overall stable position, notwithstanding one downgrade to credit levels
- No impact on Remote working - all processes and systems working satisfactorily

■ Growth in the loan book and pipeline

- Successful tap issue, introducing a new borrower, in April 2020 building loan book to £347.5m
- Pipeline growing following hire of new Relationship Director in April
- 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
- Overall 90% loans charged (1 July 2020), with the remaining loans only issued in April 2020
- On average, loans secured are 21% over-secured (above minimum asset cover)

■ Annual Report published Jul 2020

<https://morhomes.co.uk/wp-content/uploads/2020/07/Morhomes-PLC-Annual-Report.pdf>

■ Annual review of all borrowers completed in July

- Returns received from borrowers incorporating data to 30 June 2020 - the first available post-Covid figures
- Business plans now include forward view of Covid impact, and on average:
 - Adjusted EBITDA margins have improved slightly
 - There has been a noticeable increase in liquidity
 - There remains significant capacity in uncharged property stock
 - Interest cover remains strong at 165%
- Report considered by Credit Committee in July

■ Continuously enhancing credit monitoring

- Additional forward-looking dimensions have been added to monitoring:
 - Stock condition / fire safety - costs included within plans
 - Climate change - awaiting further guidance from government

Lending Level	Maximum Permitted % of Loans	Actual % of Loans
Level 3 + Level 4	50%	40%
Level 4	20%	9%

■ Overall stable credit scores and portfolio remains strong

- One precautionary downgrade to borrower credit ratings ('Lending Levels') applied
- Borrower has actually strengthened liquidity significantly, so not an underlying concern
- Borrower shows some short-term deterioration in some metrics
- Borrower remains within its (now lower) credit limit

■ MORhomes' own credit rating not linked directly to sovereign

- **Successful tap issues growing loan book**
 - 3rd Tap executed in April for £35m nominal

- **Increasing appeal to borrowers**
 - 2 new credits rated
 - 1 new Standby Liquidity Agreement

- **Impact of market volatility**
 - Increases attraction of MORhomes’ model
 - Rapid market access
 - Predictable credit limits
 - Standby liquidity agreements
 - Standard documentation

	Cumulative to Mar 2020	Apr to Jun 2020	Cumulative to Jun 2020
Shareholders ¹	62	0	62
Credit rated by MORhomes ²	32	2	34
Standby liquidity agreements ³	10	1	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

■ Security position at 30th June 2020

- Loans in initial issue (£260m) - 100% secured
- Additional loans in 2019 (£52.5m) - 100% secured (as at 1 July 2020; 76% at 30 June)
- Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
- On average loans 21% over-secured above minimum
- New loans April 2020 (£35m) - on course to be charged within 6 months of drawdown
- Overall £312.5m (90%) charged (as at 1 July 2020; 86% at 30 June)

■ Security charging process

- For new loans and all future loans max 12 months unsecured
 - Commitment incorporated in programme memorandum
- Processes in place to speed up security pledging
 - Oct 19 loan 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/>

On average all outcomes favourable to budget

- Borrowers across the board appear to have taken action to address liquidity, with cash balances higher than budget and net debt lower than budget
- There is some variability in results between borrowers on other metrics
- Overall there has been an increase in available liquidity, average now 25 months (up from 24 months per December 2019 management accounts)

	Average Performance vs Budget
Turnover	1%
Operating Surplus	3%
Profit before Tax	135%
Op Margin - %	1%
EBITDA	2%
EBITDA Margin %	0%
EBITDA MRI	7%
EBITDA MRI Margin %	2%
EBITDA MRI Interest Cover	15%
NetDebt	4%
Net Debt per unit	4%

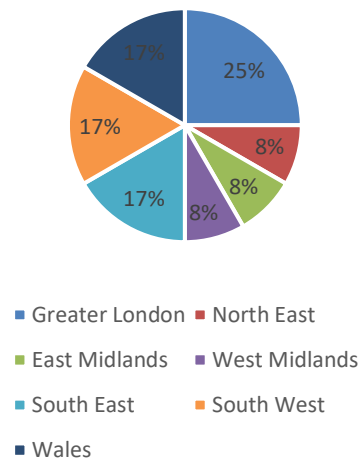
Analysis of MORhomes loans – diverse with strong internal credit ratings



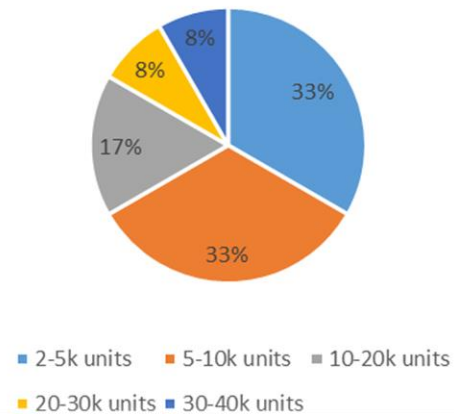
- **12 borrower groups (14 entities) with 15 loans**
 - Geographically diverse
 - Split between rated and unrated borrowers
 - Broken down between public and non public ratings
 - Wide spread of unit sizes
 - Variety of different business models
 - Varying commitment to development

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	6	55%	£192.5m
Unrated	6	45%	£155.0m
Lending Level	#	% of Loans	Total Loans
Level 2	6	60%	£207.5m
Level 3	5	31%	£110.0m
Level 4	1	9%	£30.0m

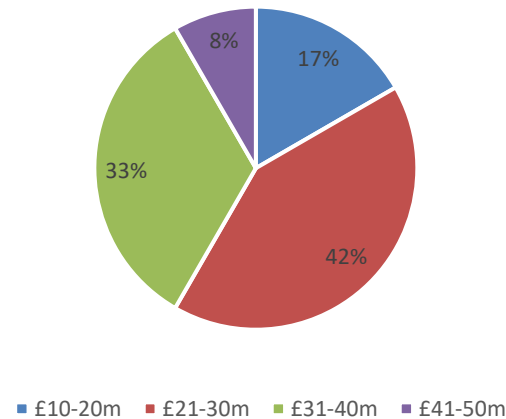
Geographic Location in UK



Size of Borrower Groups - by homes



Loan Size



Public rating of MORhomes portfolio (where available)

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

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	6%	-	A1	-
Level 2	15	44%	AA- / A+	A2	A+ / A /A-
Level 3	14	41%	A+ / A	A3	
Level 4	3	9%	-	-	
Level 5/fail	-	-	n/a	n/a	n/a
Total	34	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 May 2020). Where shareholders are rated by more than one agency, only one rating is incorporated. Small samples merged to preserve borrower anonymity