



MORhomes PLC

Published 30 October 2020

Business Review
Quarter ending 30 September 2020

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

Update on 3 month business performance



■ Impact of Coronavirus

- 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
- August interest receipts from borrowers all received in full well in advance of MORhomes interest payment
- No impact from remote working - all processes and systems working satisfactorily

■ Growth in the loan book and pipeline

- Successful tap issue, introducing a new borrower, priced in September 2020 for drawdown in October, building loan book by £30m to £377.5m (as of 2 October 2020)
- Subsequent to quarter-end, another tap priced and drawdown for another new borrower bringing loan book to £407.5m (as of 26 October 2020)
- Pipeline continuing to grow following hire of new Relationship Director in April
- 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 at 30 Sept., with the remaining loans issued in April 2020 secured by 15 Oct.
- On average, loans secured are 19% 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
- 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

■ Overall stable credit scores and portfolio remains strong

■ MORhomes' own credit rating not linked directly to sovereign

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

MORhomes borrowers vs Peers



- **Stronger than average liquidity, and getting stronger**
 - 28 months vs industry average of 25 months at June 2020
 - Increased by 3 months (from 25 months to 28 months) between March and June 2020

- **Significantly greater interest cover than average, and increased more than average**
 - 214% vs industry average of 143% at June 2020
 - Increased by 25% since March 2020, vs 8% industry average

- **Far less impacted by sales activity than average**
 - Reduction in sales of only 20% since March 2020, vs 54% industry average reduction
 - Number of unsold units has reduced significantly, both in absolute terms (17%) and relative to peers who have hardly any reduction in unsold units (just 1%)

	MORhomes Borrowers		Peer Group	
	Jun-20	Mar-20	Jun-20	Mar-20
Liquidity (months)	28	25	25	22
Interest cover	214%	171%	143%	132%
Qtrly change in SO & OMS Sales	-20%		-54%	
Qtly change in Unsold SO & OMS Units	-17%		-1%	

Note: Peer group = regulated English HAS

Source: <https://www.gov.uk/government/publications/quarterly-survey-for-q4-january-to-march-2019-to-2020>

- **Successful tap issues growing loan book**
 - 4th Tap priced in September for £30m nominal, drawdown in October, new borrower
 - 5th Tap priced and drawdown in October, also for £30m nominal, another new borrower

- **Increasing appeal to borrowers, and growing momentum and pipeline**
 - 5 new credits rated in last 4 months
 - 7 new Standby Liquidity Agreements in last 4 months

- **Impact of market volatility**
 - Increases attraction of MORhomes' model

- Rapid market access
- Predictable credit limits
- Standby liquidity agreements
- Standard documentation

	Cumulative to Jun 2020	Jul to Sep 2020	Cumulative to Sep 2020	Oct 2020	Cumulative to Oct 2020
Shareholders ¹	62	0	62	0	62
Credit rated by MORhomes ²	34	4	38	1	39
Standby liquidity agreements ³	11	5	16	2	18
Loans	15	0	15	2	17
Borrowing entities	14	0	14	2	16
Borrowing groups	12	0	12	2	14

Notes

1. HA groups who are shareholders adjusted for mergers
2. Cumulative totals include those pending renewal
3. Cumulative total to Oct includes 6 where loan drawdowns have been made

Progress on security charging - at 30 September 2020



■ Security position at 30th September 2020

- Loans in initial issue (£260m) - 100% secured
- Additional loans in 2019 (£52.5m) - 100% secured
- Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
- On average loans 19% over-secured above minimum
- New loans April 2020 (£35m) - 100% secured on 15 October, 6 months after drawdown
- Overall £312.5m (90%) charged at 30 September (100% of loans at 30 September were secured by 15 October)

■ 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
 - Typically completed within 6 months

For further detail see loan portfolio analysis schedule posted on our website
<https://morhomes.co.uk/investor-relations/>

APPENDICES



Analysis of MORhomes loans – diverse with strong internal credit ratings

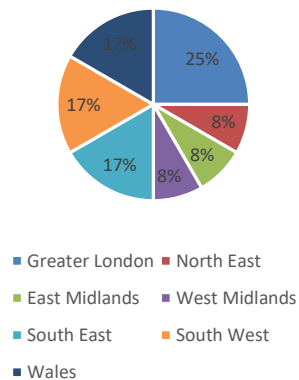


- **12 borrower groups (14 entities) with 15 loans (14 groups, 16 entities, 17 loans at 30 October)**

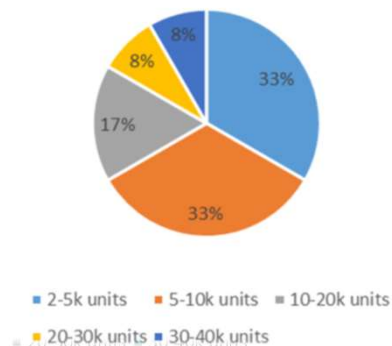
- Geographically diverse
- Split between rated and unrated borrowers
- Broken down between public and non public ratings
- Wide spread of unit sizes
- Variety of different business models
- Varying commitment to development

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	8	55%	£192.5m
Unrated	6	45%	£155.0m
Lending Level	#	% of Loans	Total Loans
Level 2	7	60%	£207.5m
Level 3	6	31%	£110.0m
Level 4	1	9%	£30.0m

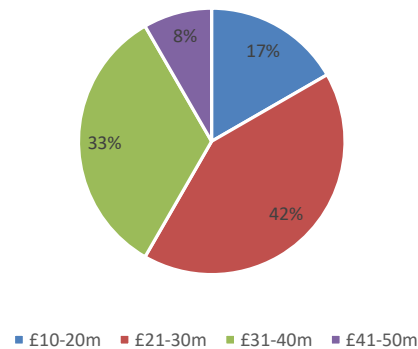
Geographic Location in UK



Size of Borrower Groups - by homes



Loan Size



Public rating of MORhomes portfolio (where available)

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

Data includes all borrowers as at 30 September 2020. Ratings as at 19 May 2020 (source: Chatham Financial, 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	3	8%	-	A1	-
Level 2	16	43%	AA-/ A+/ A	A2	A+ / A /A-
Level 3	15	41%	A+/A	A3	
Level 4	3	8%	-	-	
Level 5/fail	-	-	n/a	n/a	n/a
Total	37	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 20 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