



# MORhomes PLC

Published 20 January 2021

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Business Review  
Quarter ending 31 December 2020

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

## Update on 3 month business performance



- **Credit Rating Re-affirmed**
  - Regular annual review undertaken by S&P and report issued in December
  - Rating re-affirmed as A-. MORhomes “building a stronger market share and continues to attract shareholders”
- **Impact of Coronavirus - outlook positive**
  - Continuing heightened oversight: monthly meetings of board and credit committee
  - Overall borrower position remains stable, and with a positive outlook
  - No impact from remote working - all processes and systems working satisfactorily
- **Growth in the loan book and pipeline - lowest issuance spread so far, via reverse inside bid price**
  - Two successful tap issues drawdown in October, both new borrowers, building loan book by £60m to £407.5m
  - Subsequent to quarter end, further tap priced in January for £21.7m for another new borrower
  - Pipeline continuing to grow following hire of new Relationship Director in April 2020
  - Equity and CoCo maintained at a minimum of 1.65% of loans, Second Secured Debt at 3.5%
- **Progress in securing loans**
  - All loans other than those extended in the quarter now 100% charged
  - Overall 85% loans charged at 31 December
  - On average, loans secured are 19% over-secured (above minimum asset cover)
- **Half-Year Report published Dec 2020** - bottom line ahead of budget  
<https://morhomes.co.uk/wp-content/uploads/2020/12/2020-09-30-Interim-Accounts.pdf>

## Update on COVID Impact



### Business / Operational Impact for Borrowers

| Business areas affected                     | Latest update (Jan 2021)                                  |
|---|---|
| Operational issues/ service delivery/ costs | Delivering service, efficiency improvements (long-term?)  |
| Arrears                                     | Increased but stabilized                                  |
| Repairs service                             | Emergency/ safety delivered. Planning catch-up of backlog |
| Development programme                       | Some delay in delivery                                    |
| Property sales                              | Market buoyant  |
| Care business                               | Delivering service. Exceptional costs funded              |
| Other business streams                      | No material concerns                                      |

### Borrower Financial Metrics

| Financial metric     | 2020 Post-COVID v 2019                               |
|----------------------|--|
| Liquidity            | Strongly favourable                                  |
| Gearing              | Slightly unfavourable (pre-COVID business expansion) |
| Margins              | No change  |
| Interest cover       | Slightly unfavourable                                |
| Available security   | Neutral  |
| Overall credit score | Stable   |

Note: See MORhomes presentation to CHC Virtual Finance Conference for further information – available at <https://morhomes.co.uk/investor-relations-menu/#Announcements>

## MORhomes borrowers vs Peers – Sept 2020



- **Far less impacted by sales activity than average**
  - Growth in sales of 95% since March 2020, vs industry average 4% reduction
- **VOIDS significantly lower than average, arrears roughly in line with average**
  - Voids losses 1.4% vs 2.2% industry average
  - Gross arrears 4.1% vs 4.0% industry average

|  | MORhomes | Peer Group |
|--|----------|------------|
| Change in SO & OMS Sales (Mar 20 - Sep 20) | 95%      | -4%        |
| Voids losses                               | 1.4%     | 2.2%       |
| Gross arrears                              | 4.1%     | 4.0%       |

Note: Peer group = regulated English HAs

Source: <https://www.gov.uk/government/collections/quarterly-survey-of-private-registered-providers>

### ■ Successful tap issues growing loan book

- 4<sup>th</sup> Tap priced in September for £30m nominal, drawdown in October, new borrower
- 5<sup>th</sup> Tap priced and drawdown in October, also for £30m nominal, another new borrower
- Subsequent to quarter end, 6<sup>th</sup> Tap priced via a reverse on 19 January with drawdown on 26 January, for £21.7m nominal, another new borrower. Lowest issuance spread to date, well inside bid, and lowest all-in borrower loan rate

### ■ Increasing appeal to borrowers, and growing momentum and pipeline

- 3 new credits rated in the quarter
- 3 new Standby Liquidity Agreements in the quarter, with a 4<sup>th</sup> signed just after quarter-end

### ■ Impact of market volatility

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

Note: Standby Liquidity Agreements put in place all the documentation a borrower needs in order to be able to access the market at a time of their choosing to benefit from advantageous market conditions

|   | Cumulative to Sep 2020 | Oct to Dec 2020 | Cumulative to Dec 2020 |
|---|------------------------|-----------------|------------------------|
| Shareholders <sup>1</sup>                 | 62                     | 0               | 62                     |
| Credit rated by MORhomes <sup>2</sup>     | 38                     | 3               | 41                     |
| Standby liquidity agreements <sup>3</sup> | 16                     | 3               | 19                     |
| Loans                                     | 15                     | 2               | 17                     |
| Borrowing entities                        | 14                     | 2               | 16                     |
| Borrowing groups                          | 12                     | 2               | 14                     |

#### Notes

1. HA groups who are shareholders adjusted for mergers

2. Cumulative totals include those pending renewal

3. Cumulative total to Dec includes 6 where loan drawdowns have been made

## Progress on security charging - at 31 December 2020

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### ■ Security position at 31 December 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
- New loans October 2020 (£60m) - these are the only loans still going through the charging process
- Overall £347.5m (85%) charged at 31 December

### ■ 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

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

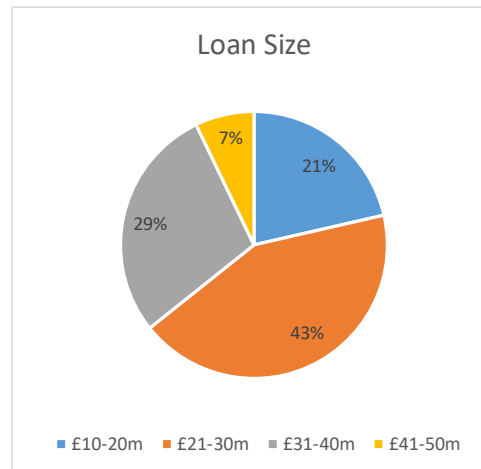
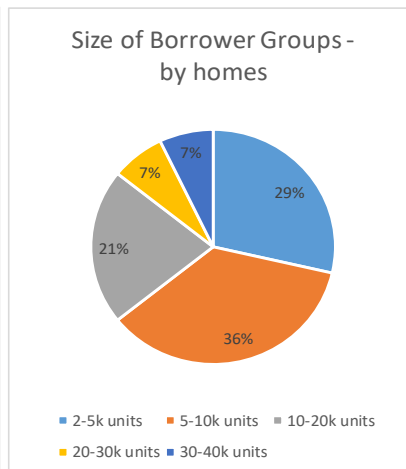
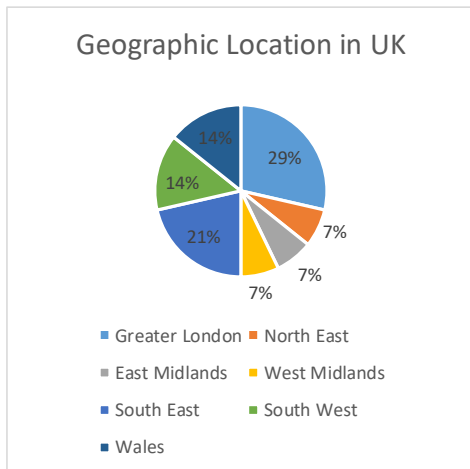


- **14 borrower groups (16 entities) with 17 loans at 31 Dec**
  - Geographically diverse
  - Split between rated and unrated borrowers
  - Broken down between public and non public ratings
  - Wide spread of unit sizes
  - Variety of different business models
  - Varying commitment to development
- **One borrower group combined 2 separate loans after quarter end**

| Mix of borrowers |   |            |             |
|------------------|---|------------|-------------|
| Public Rating    | # | % of Loans | Total loans |
| Rated            | 9 | 62%        | £252.5m     |
| Unrated          | 7 | 38%        | £155.0m     |

| Lending Level | # | % of Loans | Total Loans |
|---------------|---|------------|-------------|
| Level 2       | 9 | 64%        | £262.5m     |
| Level 3       | 5 | 21%        | £85.0m      |
| Level 4       | 2 | 15%        | £60.0m      |



| Public rating of MORhomes portfolio (where available) |         |       |
|---|---------|-------|
| S&P   | Moody's | Fitch |
| AA- / A+ / A  | -       | A     |

Data includes all borrower Groups as at 31 December 2020. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.



## 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  | 7.5% | -            | A1      | -     |
| Level 2                   | 18 | 45%  | AA- / A+ / A | A2      | A     |
| Level 3                   | 16 | 40%  | A+ / A / A-  | A3      |       |
| Level 4                   | 3  | 7.5% | -            | -       |       |
| Level 5/fail              | -  | -    | n/a          | n/a     | n/a   |
| Total                     | 40 | 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 22 shareholders who have been rated by MORhomes and also have agency ratings. Where shareholders are rated by more than one agency, only one rating is incorporated. Small samples merged to preserve borrower anonymity