



MORhomes PLC

Published 12 April 2021

Business Review
Quarter ending 31 March 2021

*A Social Bond Issuer in
accordance with the Social
Bond Principles 2018, with new
Sustainable Bond Framework*

■ Strong performance over the quarter

- Two new borrowers - Housing Solutions and Calico Homes
- Increase in lending, up by £49.5m in the quarter, a rise of 12% to £457m
- Corresponding growth in the 2038 bond, with £438.2m now in issue
- Continued increase in Second Secured Debt (3.5% of loans), and in CoCo and borrower equity (combined 1.65% of loans)
- Expansion in the investor base, last two taps carried out on reverse enquiry
- Steady improvement in trading performance on the bond, spread now tightened by a further 10bps

■ Other developments

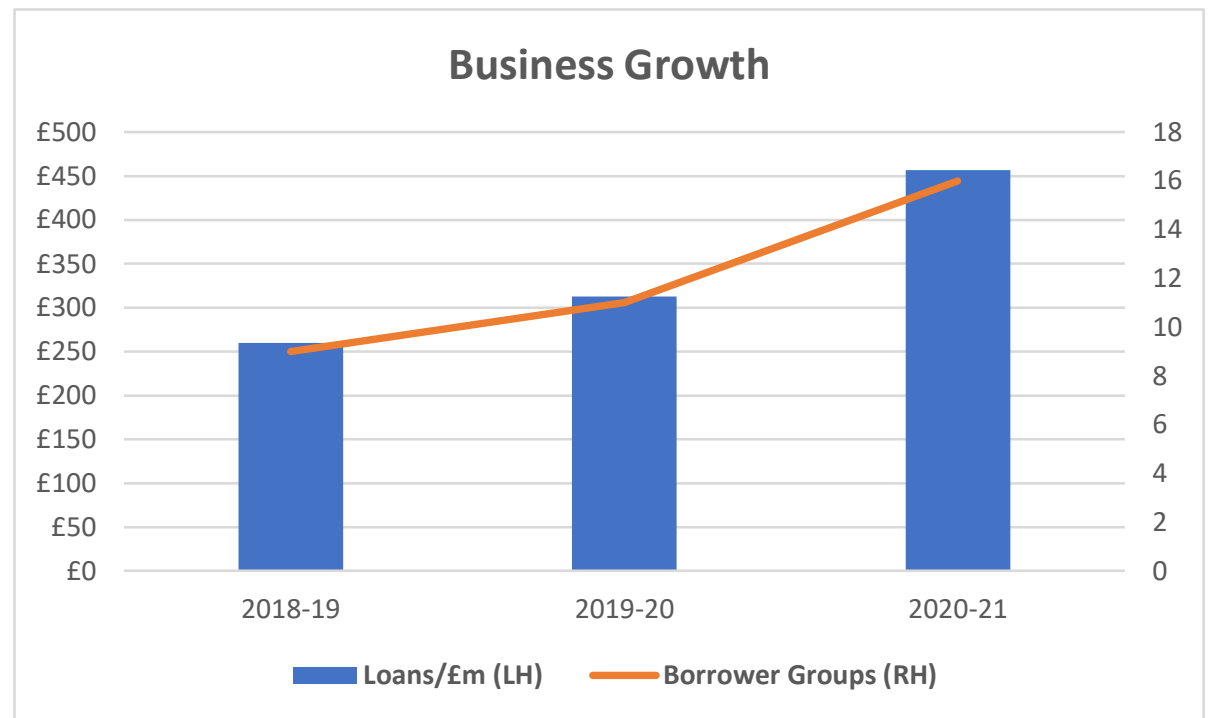
- Liquidity Facility Agreement extended in February
- New Second Secured Debt facility agreed in April
- Sustainable Bond Framework launched in February
- All 2019 and 2020 loans now secured, making 89% of total loans outstanding

The Growth in the platform



- Accelerating increase in borrower numbers, accelerating growth of loan volume

- Loans up 46% during the year (vs 20% growth previous year)
- Growth in borrowers tracks loans



Benefits of quarterly monitoring



Business / Operational Impact for Borrowers

Business areas affected	Latest update (Q1 2021)
Operational issues/ service delivery/ costs	Delivering service, efficiency improvements (long-term?)
Arrears	Initial increase now stabilized / reversed - manageable
Repairs service	Emergency/ safety delivered. Planning catch-up of backlog
Development programme	Some delay in delivery
Property sales	Benefitting from a buoyant market
Care business	Delivering service. Exceptional costs mostly funded by govt
Other business streams	No material issues

Borrower Financial Metrics

Financial metric	2020 Post-COVID v 2019
Overall credit score	Stable
Liquidity	Strongly favourable
Gearing	Small increase
Margins	No change
Interest cover	Slightly decline
Available security	Neutral

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

■ Successful tap issues growing loan book

- 6th Tap priced at G+160 via a reverse in January, for £21.7m nominal, another new borrower. Lowest issuance spread to date, 5bps inside bid, and lowest all-in borrower loan rate
- 7th Tap priced at G+154 via a reverse from a new investor in March, for £27.8m nominal, another new borrower and also new shareholder in the quarter. Once again, lowest issuance spread to date, 6bps inside bid
- Continuing flow of reverse enquiries which should support further downward spread momentum

■ Increasing appeal to borrowers, and growing momentum and pipeline

- 1 new shareholder in the quarter
- 2 new Standby Liquidity Agreements in the quarter

■ 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 Dec 2020	Jan to Mar 2021	Cumulative to Mar 2021
Shareholders ¹	62	1	63
Credit rated by MORhomes ²	41	0	41
Standby liquidity agreements ³	19	2	21
Loans	17	2	19
Borrowing entities	16	2	18
Borrowing groups	14	2	16

Notes

1. HA groups who are shareholders adjusted for mergers

2. Cumulative totals include those pending renewal

3. Cumulative total to Dec includes 8 where loan drawdowns have been made

- **First Social Bond in 2018**
 - Current 2038 bond is an accredited Social Bond, in line with ICMA principles
 - SPO provided by Sustainalytics
 - Listed on LSE’s Sustainability Bond Market

- **Continued leadership through launch of Sustainable Bond Framework in Feb 21**
 - Going forwards, new maturities will be accredited Sustainable Bonds, in line with ICMA Sustainability Bond Guidelines
 - SPO provided by Sustainalytics
 - Will be listed on LSE’s Sustainability Bond Market

- **Highly innovative approach**
 - Developed Sustainable Housing Assessment, using 11 questions aligned with the Sustainability Reporting Standard
 - Provides borrowers not only a consistent reporting format, but a peer comparison of their ESG performance
 - Going forwards, all borrowers for Sustainable Bonds must complete Sustainable Housing Assessment, independently validated by Ritterwald

- **Annual Social & Sustainability Impact Report**
 - Latest report released in Feb 21

- **Press release - <https://morhomes.co.uk/wp-content/uploads/2021/02/Press-release-MORhomes-Sustainable-Bond-Framework-11.02.2021.pdf>**

MORhomes borrowers vs Peers – Dec 2020



- **Far less impacted by sales activity than average**
 - Drop in unsold units >6 months more than double industry average
 - % unsold >6 months significantly lower than industry average
- **Voids significantly lower than average, arrears in line with average**
 - Voids losses stable at 1.4% vs 2.1% industry average
 - Gross arrears 3.8% (down from 4.1% in previous quarter), in line with industry average

	MORhomes	Peer Group
Change in unsold units >6mths (Sep 20 - Dec 20)	-43%	-21%
% unsold >6mths	30%	43%
Voids losses	1.4%	2.1%
Gross arrears	3.8%	3.8%

Note: Peer group = regulated English HAs

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

Progress on security charging - at 31 March 2021



■ Security position at 31 March 2021

- Loans in initial issue (£260m) - 100% secured
- Additional loans in 2019 (£52.5m) - 100% secured
- Additional loans in 2020 (£95m) - 100% secured
- Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
- On average loans 25% over-secured above minimum
- New loans 2021 (£49.5m) - these are the only loans still going through the charging process
- Overall £407.5m (89%) charged at 31 March

■ 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
 - Typically completed within 6 months, and additional fees payable if not

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

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

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		Public rating	#
Level 1	3	7.5%	-	A1	-		AA-	1
Level 2	18	45%	AA-/ A+/ A	A2	A		A+ / A1	10
Level 3	16	40%	A+/ A / A-	A3			A / A2	8
Level 4	3	7.5%	-	-			A- / A3	3
Level 5/fail	-	-	n/a	n/a	n/a		Total	22
Total	40	100%						

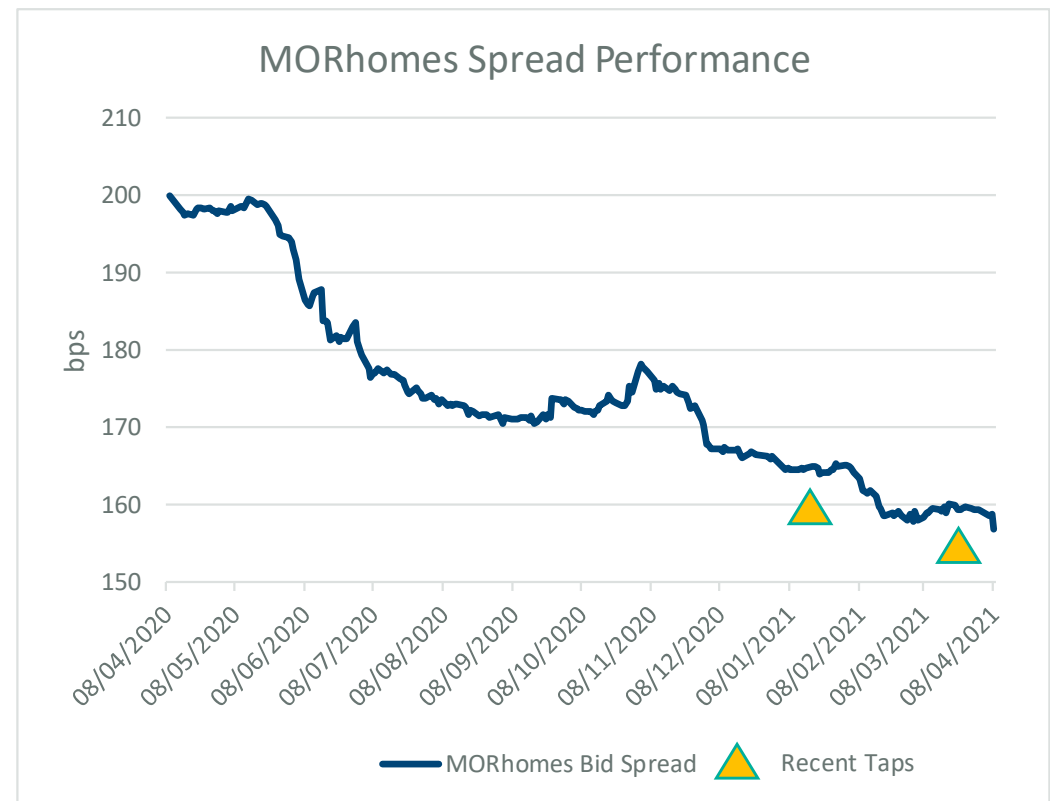
Shows strength of potential pipeline of MORhomes borrowers

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

■ Strong trading performance

- Secondary market spread tightened over 40bps in past year, 10bps since start of 2021
- Latest tap 46bps tighter than a year ago, and 3bps tighter than current secondary market spread



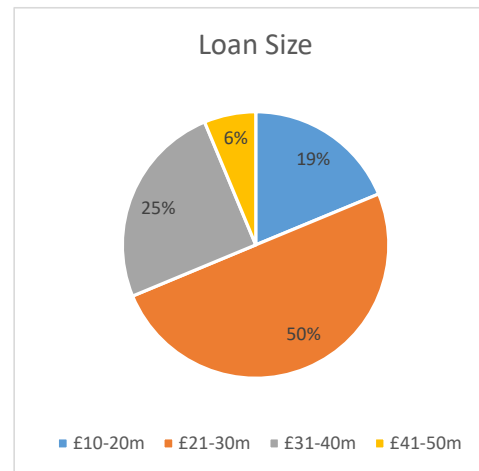
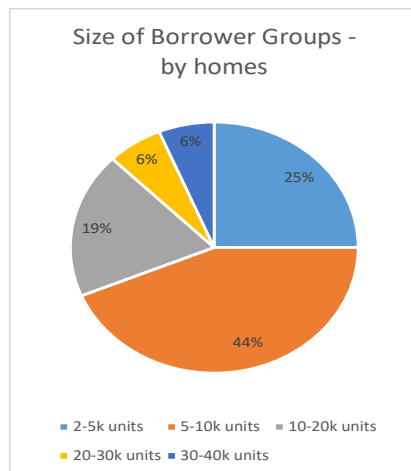
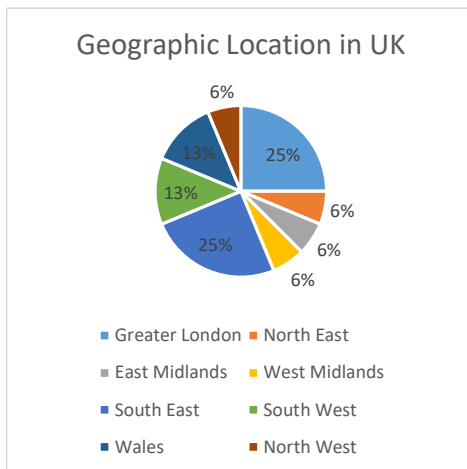
Analysis of MORhomes loans – diverse with strong internal credit ratings



- **16 borrower groups (17 entities) with 18 loans at 31 Mar**
 - Geographically diverse
 - Split between rated (1x AA-, 5x A+, 4x A) 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 during the quarter**

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	10	60%	£274.2m
Unrated	7	40%	£182.8m

Lending Level	#	% of Loans	Total Loans
Level 2	9	58%	£262.5m
Level 3	6	29%	£134.5m
Level 4	2	13%	£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 March 2021. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.