



MORhomes PLC

Published 12 July 2021

Business Review
Quarter ending 30 June 2021

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

■ Positive audited results released for the year to 31 March 2021

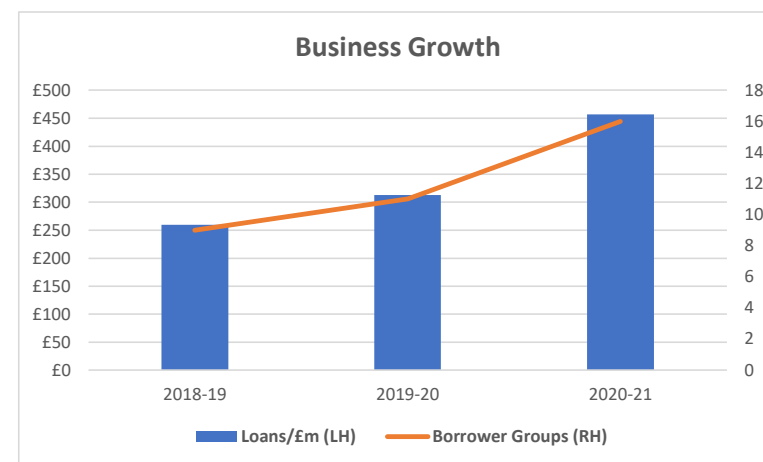
- Loans up 46% (prior year up 20%) to £457m, ahead of Business Plan
- 6 loans extended during the year, 5 new borrowers
- Bottom line financials better than Business Plan

■ Encouraging start to current financial year

- Continued growth in pipeline
- 2 new credit applications
- 3 credit renewals
- 2 Standby Liquidity Agreement renewals
- Continued expansion in the investor base
- Continued steady improvement in trading performance on the bond, spread tightened by a further 17bps in the quarter

■ Other developments

- New Second Secured Debt facility agreed in April
- All 2019 and 2020 loans now secured, making 89% of total loans outstanding



Borrower Management Accounts to 31 March



- On average, borrower performance for the year has been positive
 - Turnover and surplus better than budget
 - Margins better than budget
 - Net debt and net financing costs below budget

	Performance vs Budget
Turnover	0.7%
Operating surplus	8.3%
Operating margin	1.6%
Net debt	-6.4%
Net financing cost	-2.6%

MORhomes borrowers vs Peers – Mar 2021



- **Less impacted by sales activity than average**
 - Drop in unsold units >6 months slightly below industry average as industry starts to catch up
 - % unsold >6 months remains significantly lower than industry average, with an absolute figure of just 104 units unsold >6 months across our 17 borrowing entities
- **Voids significantly lower than average, arrears also below average**
 - Voids losses up fractionally at 1.5% vs 2.2% industry average
 - Gross arrears 3.2% (down from 3.8% in previous quarter), better than industry average

	MORhomes	Peer Group
Change in unsold units >6mths (Dec 20 - Mar 21)	-20%	-24%
% unsold >6mths	25%	35%
Voids losses	1.5%	2.2%
Gross arrears	3.2%	3.4%

Note: Peer group = regulated English HAs

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

Progress on security charging - at 30 June 2021



■ Security position at 30 June 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 20% 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 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
 - 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 / potential borrower credit ratings

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

Credit rated shareholders							Public rating	#
MORhomes Credit level	#	%	S&P	Moody's	Fitch			
Level 1	4	10%	-	A1	-		AA-	1
Level 2	20	48%	AA-/ A+ / A	A2 / A3	A+ / A		A+ / A1	10
Level 3	16	38%	A+ / A / A-	A3			A / A2	9
Level 4	2	4%	-	-			A- / A3	3
Level 5/fail	-	-	n/a	n/a	n/a		Total	23
Total	42	100%						

Shows strength of potential pipeline of MORhomes borrowers

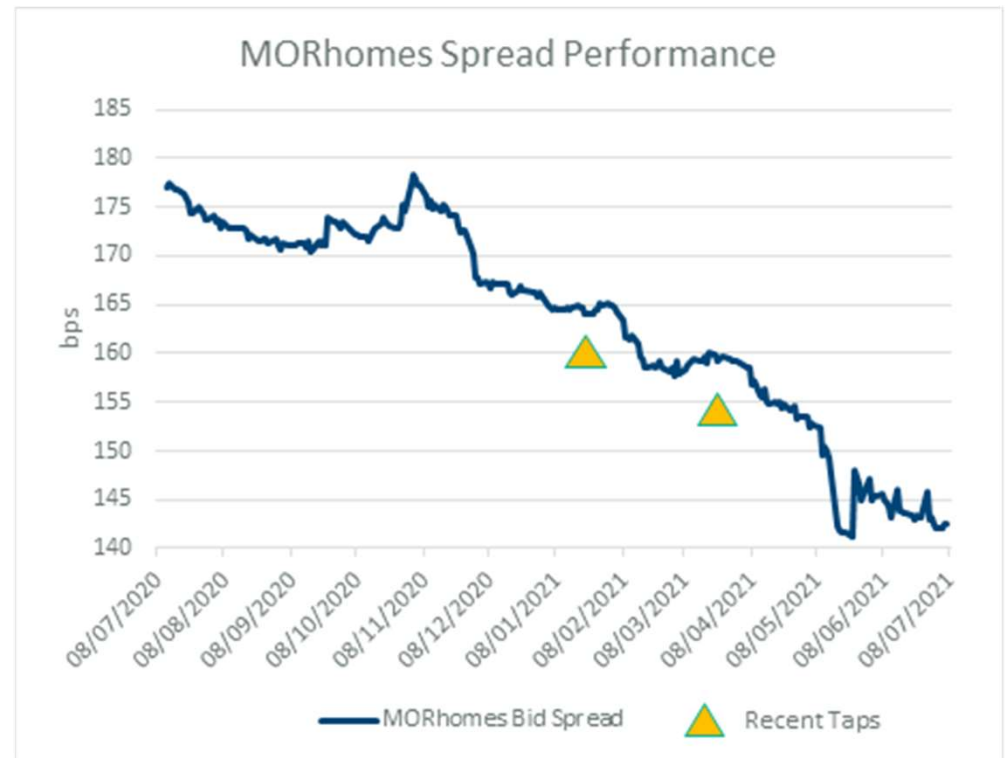
Shows underlying credit rating of MORhomes loans approximately equivalent to A+ / A (S&P, Fitch) or A2 / A3 (Moody's)

Agency ratings show range of credit ratings for 23 shareholders / potential borrowers 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

Trading Performance



- **Continuing strong trading performance**
 - Secondary market spread tightened over 16bps since end March
 - Latest tap 46bps tighter than a year earlier
 - Recent secondary trades materially tighter than current bid spread



Source: Chatham Financial

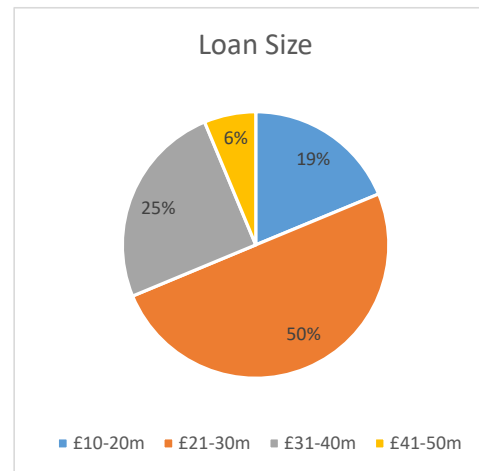
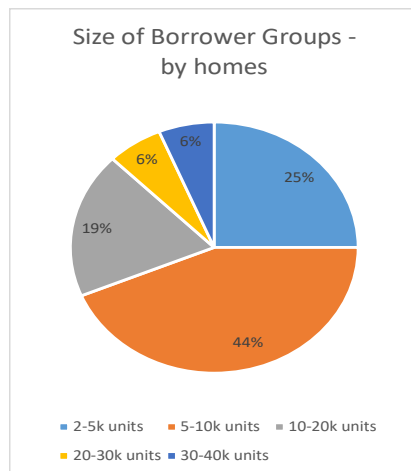
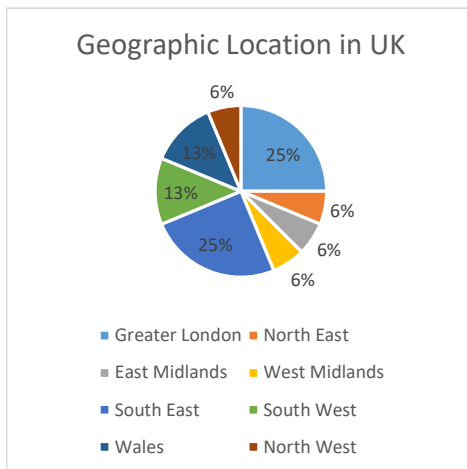
Analysis of MORhomes loans – diverse with strong internal credit ratings



- **16 borrower groups (17 entities) with 18 loans at 30 Jun**
 - 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	10	60%	£272.5m
Level 3	5	27%	£124.5m
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 30 June 2021. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.