



# MORhomes PLC

Published 12 October 2021

## Business Review Quarter ending 30 September 2021

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

## ■ Encouraging performance continued through H1

- Continued growth in pipeline
- 2 new shareholders
- 5 new credit applications in quarter
- 3 credit renewals in quarter
- 2 new Standby Liquidity Agreements
- Continued expansion in the investor base
- Continued steady improvement in trading performance on the bond, spread tightened by a further 5bps in quarter

	Cumulative to Mar 2021	Mar to Sep 2021	Cumulative to Sep 2021
Shareholders <sup>1</sup>	63	2	65
Credit rated by MORhomes <sup>2,4</sup>	40	7	47
Standby liquidity agreements <sup>3</sup>	21	2	23
Loans <sup>4</sup>	18	0	18
Borrowing entities <sup>4</sup>	17	0	17
Borrowing groups	16	0	16

**Notes**

1. HA groups who are shareholders adjusted for mergers
2. Cumulative totals include those pending renewal
3. Cumulative total to Mar includes 10 where loan drawdowns have been made
4. Adjusted

## ■ Other developments

- MSCI ESG rating\*: upgraded to AA (leader)
- Increasing diversity: 1 Board rotation and 3 new Credit Committee members
- Annual review of borrower credit ratings, scores broadly stable, no changes required
- All loans fully secured by 8 October

\* <https://morhomes.co.uk/msci-esg-ratings-disclaimer/>

- **On average, borrowers have started the new financial year strongly**
  - Turnover and surplus better than budget
  - Margins better than budget
  - Net financing costs increased less than net debt

	Performance vs Budget
Turnover	1.7%
Operating surplus	13.8%
Operating margin	1.9%
Net debt	2.5%
Net financing cost	0.4%

## MORhomes borrowers vs Peers – Jun 2021



- **Less impacted by sales activity than average - borrowers now back at pre-pandemic rates**
  - Drop in unsold units >6 months significantly greater than industry average
  - % unsold >6 months very significantly lower than industry average, now below the March 2020 pre-pandemic level, with an absolute figure of just 90 units unsold >6 months across our 17 borrowing entities
- **Voids significantly lower than average, arrears also below average**
  - Voids losses down fractionally at 1.4% vs 2.2% industry average
  - Gross arrears 3.4%, better than industry average

	MORhomes	Peer Group
Change in unsold units >6mths (Mar 21 - Jun 21)	-13%	-2%
% unsold >6mths	21%	38%
Voids losses	1.4%	2.2%
Gross arrears	3.4%	3.5%

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 September 2021

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- **Security position at 30 September 2021**
  - All loans fully secured by 8 October (all bar one loan fully secured by 30 September)
  - Overall £435.3m (95%) charged at 30 September
  - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
  - On average loans 28% over-secured above minimum
  
- **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

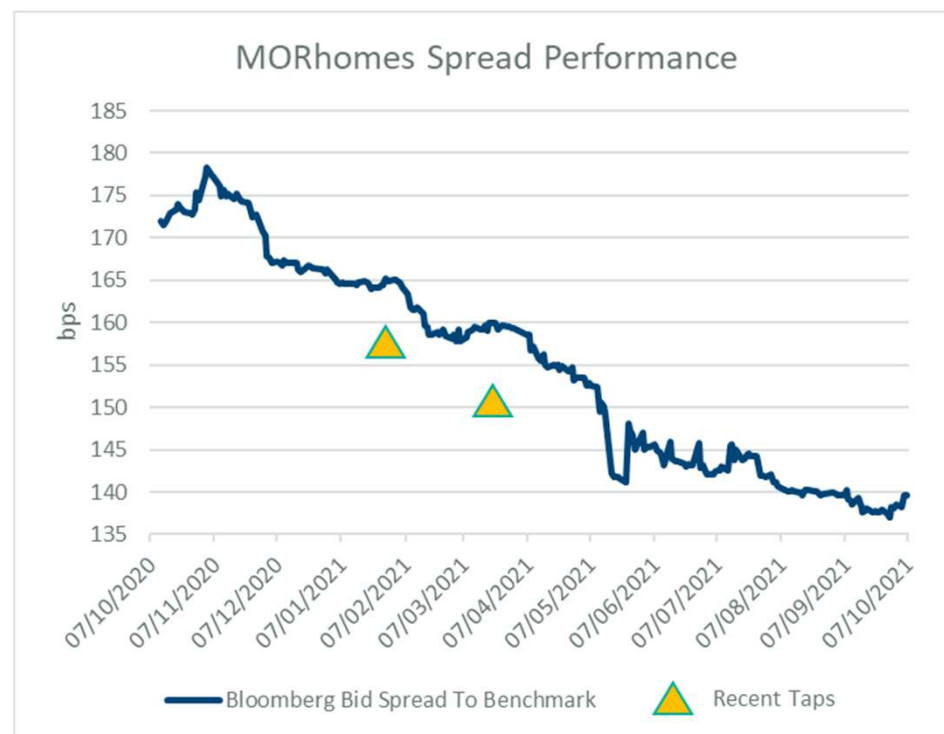
Credit rated shareholders							Public rating	#
MORhomes Credit level	#	%	S&P	Moody's	Fitch			
Level 1	4	9%	-	A1	-		AA-	1
Level 2	24	51%	AA-/ A+/ A	A2 / A3	A+ / A		A+ / A1	10
Level 3	17	36%	A+/A / A-	A3			A / A2	8
Level 4	2	4%	-	-			A- / A3	4
Level 5/fail	-	-	n/a	n/a	n/a		Total	23
Total	47	100%						

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

- **Continuing strong trading performance**
  - Secondary market spread tightened by another 5bps since end June, with a 33bps tightening in the past year
  - Most recent tap 46bps tighter than a year earlier
  - Recent secondary trades materially tighter than current bid spread



Source: Chatham Financial





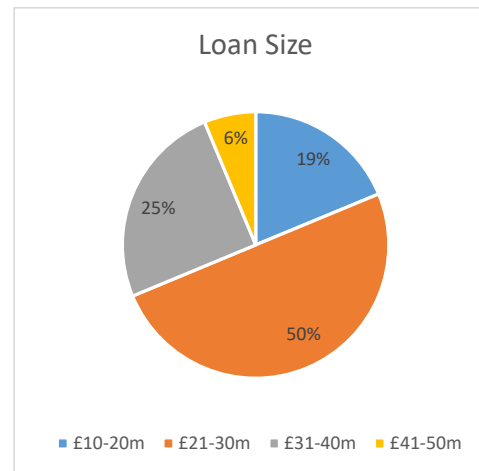
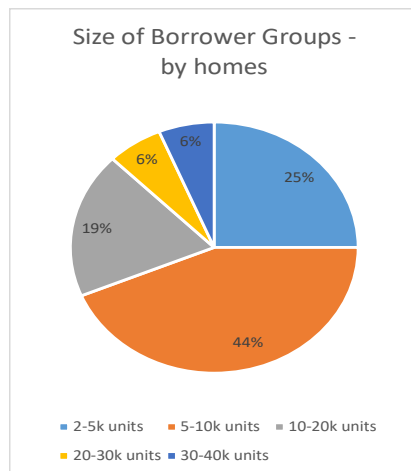
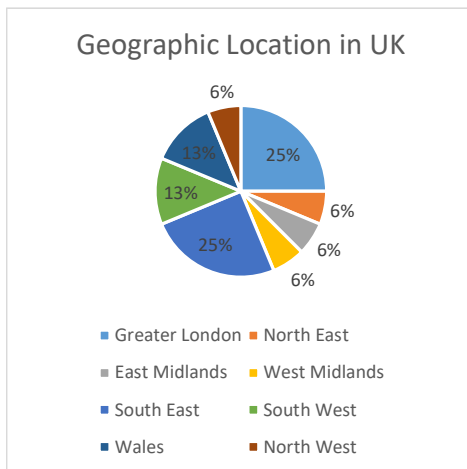
# Analysis of MORhomes loans – diverse with strong internal credit ratings



## 16 borrower groups (17 entities) with 18 loans at 30 Sep

- 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

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 September 2021. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.