



MORhomes PLC

Published 24 January 2022

Business Review Quarter ending 31 December 2021

A Social & Sustainable Bond Issuer



As of 2021 MORhomes has received an MSCI ESG Rating of AA

Summary



■ Transformational quarter

- Outlook on S&P credit rating revised upwards in Dec from A- (Neg) to A- (Stable)
- Tap executed in Nov by reverse enquiry from new investor at G+130, 9bps inside bid - tightest ever issuance spread
- New 2051 Sustainable Bond issued in Nov
- 2 new borrowers
- 1 new shareholder
- 1 new credit application
- 1 credit renewal
- 2 new Standby Liquidity Agreements
- Continued expansion in the investor base

	Cumulative to Sep 2021	Oct to Dec 2021	Cumulative to Dec 2021
Shareholders ¹	65	1	66
Credit rated by MORhomes ^{2,4}	47	1	48
Standby liquidity agreements ³	23	2	25
Loans ⁴	18	2	20
Borrowing entities ⁴	17	2	19
Borrowing groups	16	2	18

Notes

1. HA groups who are shareholders adjusted for mergers

2. Cumulative totals include those pending renewal

3. Cumulative total to Dec includes 12 where loan drawdowns have been made

4. Adjusted

■ Other developments

- Interim accounts released showing 30% improvement at pre-tax level
- New longer-term liquidity facilities lasting up to 6 years - amount of £10m unchanged
- 97% of loans fully secured by 31 Dec

■ Since quarter-end

- Tap of 2051 Sustainable Bond completed, passing £500m lending and 20 borrowers

- **Outlook revised upwards from A- (Negative) to A- (Stable)**

- Regular annual review undertaken by S&P with Outlook revision released in December
- Unadjusted RAC ratio increased from 22.7% to 23.1% reflecting strength of capital structure
- Adjusted RAC ratio also increased from 1.5% to 2.2% due to growth in the book

“The outlook revision reflects our view that MORhomes will continue strengthening its business operations and its borrowers will maintain solid credit quality.”

- **Potential for upgrade in foreseeable future**

- S&P’s methodology penalises “startup” businesses (defined as less than 4 years old) with a downgrade of up to 2 notches from what their fundamental underlying rating would otherwise be:

“We continue to adjust the rating down because of our view that MORhomes will continue operating as a startup-like entity in the next 12-18 months.”

- **On average, borrowers continue to perform strongly**
 - While turnover slightly behind budget, surplus significantly better than budget
 - Margins better than budget
 - Net financing costs and net debt lower than budget

	Performance vs Budget
Turnover	-2.5%
Operating surplus	7.3%
Operating margin	1.8%
Net debt	-4.1%
Net financing cost	-2.1%

MORhomes borrowers vs Peers – Sep 2021



- **Less impacted by sales activity than average**
 - Unsold units as % of total stock significantly below industry average
 - Unsold >6 months as % of total stock also significantly below industry average
- **VOIDS significantly lower than average, arrears also below average**
 - Voids losses down fractionally at 1.5% vs 2.2% industry average
 - Gross arrears 3.5%, better than industry average

	MORhomes	Peer Group
Unsold units as % total stock	0.19%	0.26%
Unsold >6mths as % total stock	0.06%	0.10%
VOIDS losses	1.5%	2.2%
Gross arrears	3.5%	3.6%

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 December 2021



- **Security position at 31 December 2021**
 - All bar one loan fully secured
 - Overall £476.3m (97%) charged at 31 December
 - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
 - On average loans 24% over-secured above minimum

- **Security charging process**
 - 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	8%	-	A1	-		AA-	1
Level 2	24	50%	AA-/ A+ / A	A2 / A3	A+ / A / A-		A+ / A1	10
Level 3	18	38%	A+ / A / A-	A3			A / A2	7
Level 4	2	4%	-	-			A- / A3	5
Level 5/fail	-	-	n/a	n/a	n/a		Total	23
Total	48	100%						

Shows strength of potential pipeline of MORhomes borrowers

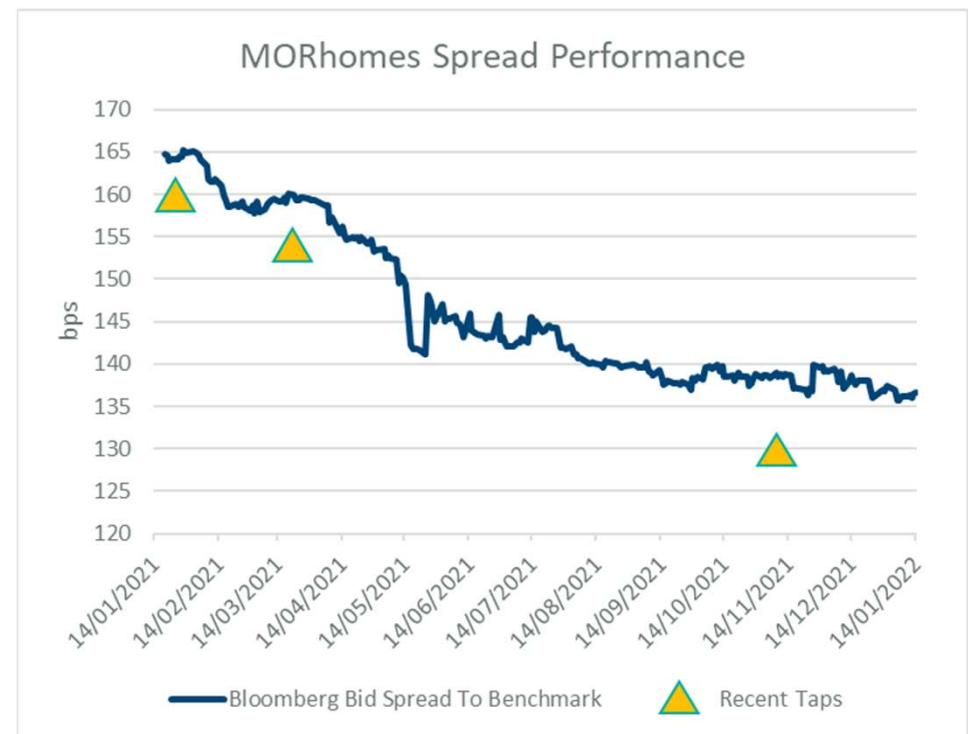
Shows underlying credit rating of MORhomes loans approximately equivalent to A+/A (S&P, Fitch) or A2/A3 (Moody's)

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



- **Trading performance of 2038s yet to reflect either recent issuance or subsequent upward revision to rating outlook**
 - Secondary market spread tightened fractionally, by another 1bp since end Sept, with a 28bps tightening in the past year
 - Most recent tap (done in Nov, prior to rating) 9bps tighter than screen price at the time and 7bps tighter than current screen price
 - Recent secondary trades materially tighter than current bid spread



Source: Chatham Financial

Analysis of MORhomes loans – diverse with strong internal credit ratings



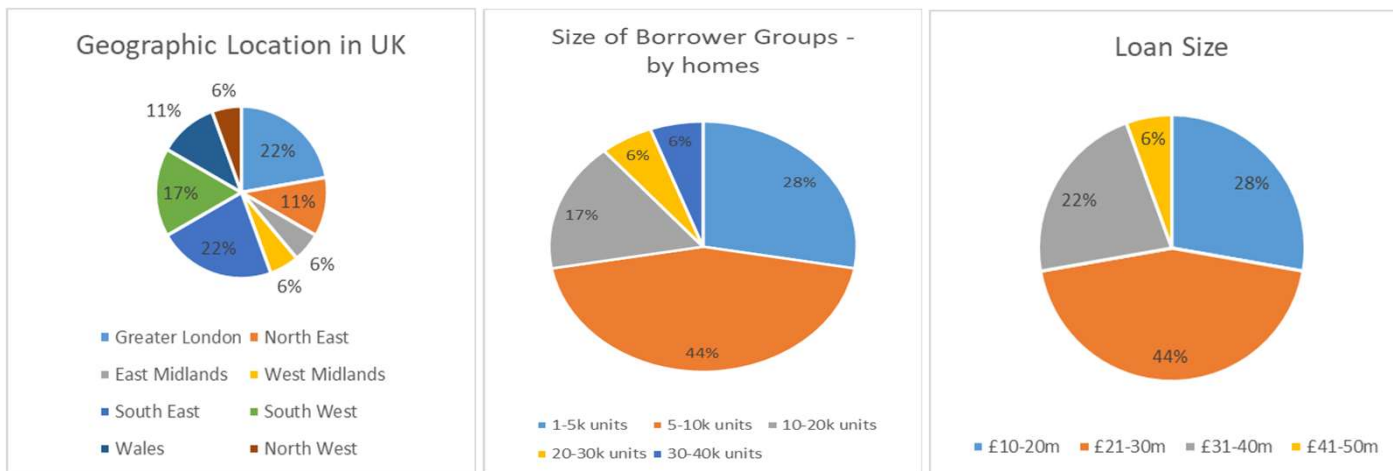
- **18 borrower groups (19 entities) with 20 loans at 31 Dec**
 - Geographically diverse
 - Split between rated (1x AA-, 5x A+, 2x A, 1x A-) and unrated borrowers
 - Broken down between public and non public ratings
 - Wide spread of unit sizes
 - Variety of different business models
 - Varying commitment to development

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	9	56%	£274.2m
Unrated	10	44%	£218.2m

Lending Level	#	% of Loans	Total Loans
Level 1	1	4%	£19.3m
Level 2	11	59%	£288.6m
Level 3	5	25%	£124.5m
Level 4	2	12%	£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 2021. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.

Loan portfolio as at 31 December 2021



Borrower	Nominal Loan
Local Space	£50m
POBL Homes and Communities	£40m
Wandle Housing Association	£40m
EMH Housing and Regeneration	£37.5m
Aster Communities	£30m
Eastlight Community Homes	£30m
South Yorkshire Housing Association	£30m
A2Dominion South	£30m
Origin Housing	£30m
Calico Homes	£27.8m

Borrower	Nominal Loan
Thrive Homes	£25m
Melin Homes	£22.5m
Housing Solutions	£21.7m
Cornerstone Housing	£19.3m
Broadacres Housing Association	£16.1m
North Devon Homes	£12.5m
Synergy Housing	£10m
Heart of Medway Housing Association	£10m
Hafod Housing Association	£10m