



# MORhomes PLC

Published 11 July 2022

Business Review  
Quarter ending 30 June 2022

*A Social & Sustainable Bond Issuer*



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

- **Another encouraging quarter**
  - The spread on MORhomes’ bonds has continued to outperform other issues in the HA sector following the upward revision of the credit outlook from S&P in December
  - Continuing growth in pipeline from both existing shareholders and potential new shareholders
  - 2 new credit applications
  - 2 new Standby Liquidity Agreements
  
- **Other developments**
  - 97% of loans fully secured by 30 Jun
  
- **Since quarter-end**
  - Annual report released (31 March y/e):
    - Financial position consolidated

	Cumulative to Mar 2022	Apr to Jun 2022	Cumulative to Jun 2022
Shareholders <sup>1</sup>	66	0	66
Credit rated by MORhomes <sup>2,4</sup>	49	2	51
Standby liquidity agreements <sup>3</sup>	26	2	28
Loans <sup>4</sup>	22	0	22
Borrowing entities <sup>4</sup>	21	0	21
Borrowing groups	20	0	20

**Notes**

1. HA groups who are shareholders adjusted for mergers
2. Cumulative totals include those pending renewal
3. Cumulative total to Mar includes 14 where loan drawdowns have been made
4. Adjusted

- **On average borrowers continue to perform strongly, with performance against budget generally improving in the final quarter**
  - Turnover, margin and surplus all meaningfully better than budget
  - Net financing costs and net debt both lower than budget

	Performance vs Budget
Turnover	1.5%
Operating surplus	2.7%
Operating margin	1.0%
Net debt	-5.8%
Net financing cost	-0.6%

- **MORhomes borrowers have margins significantly stronger than average**
  - Operating margin 2.5 percentage points stronger than industry average
  - EBITDA and EBITDA MRI margins even stronger

	MORhomes	Peer Group
Operating margin	24.9%	22.4%
EBITDA margin	35.6%	31.5%
EBITDA MRI margin	27.0%	24.4%

Note: Peer group = regulated English HAs

Source: <https://www.gov.uk/government/publications/2021-global-accounts-of-private-registered-providers>

- **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 below industry average
  
- **Void and arrears lower than average**
  - Void losses 1.7% vs 1.9% industry average
  - Gross arrears down from 3.5% in Sept 21 to 3.0% now, well below industry average

	MORhomes	Peer Group
Unsold units as % total stock	0.17%	0.28%
Unsold >6mths as % total stock	0.08%	0.09%
Void losses	1.7%	1.9%
Gross arrears	3.0%	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 2022

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- **Security position at 30 June 2022**
  - All loans >6 months old fully secured
  - Overall £507.4m (97%) charged
  - 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	25	49%	AA-/ A+/ A	A2 / A3	A+ / A / A-		A+ / A1	10
Level 3	20	39%	A+/A / A-	A3			A / A2	7
Level 4	2	4%	-	-			A- / A3	6
Level 5/fail	-	-	n/a	n/a	n/a		Total	24
Total	51	100%						

Shows strength of potential pipeline of MORhomes borrowers

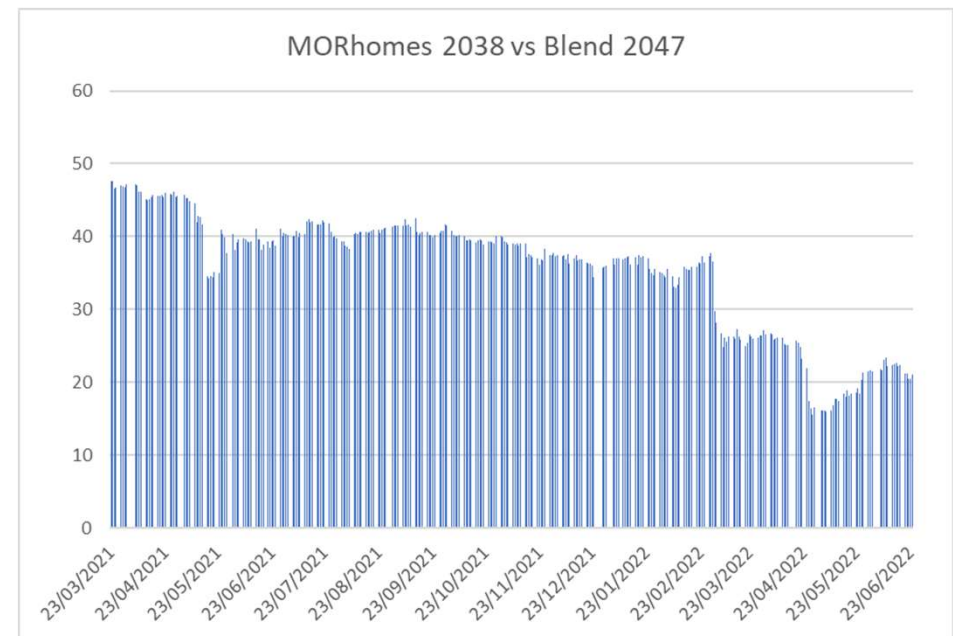
Shows underlying credit rating of MORhomes loans approximately equivalent to A+/A (S&P, Fitch) or A2/A3 (Moody's)

Agency ratings show range of credit ratings for 24 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



- **Relative trading performance of 2038s continuing to improve following upward revision to rating outlook - scope for further relative tightening and rating improvement**
  - S&P - *“The outlook revision reflects our view that MORhomes will continue strengthening its business operations and its borrowers will maintain solid credit quality.”*
  - S&P - *“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.”*
  - Most recent tap (done in Nov, prior to rating) 9bps tighter than screen price at the time



Source: Chatham Financial





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

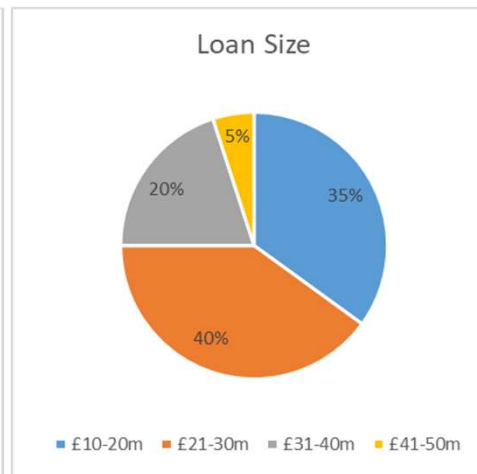
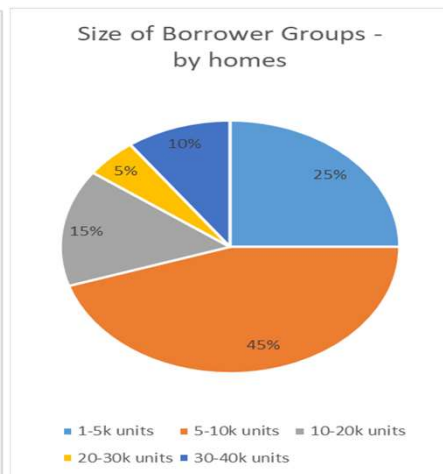
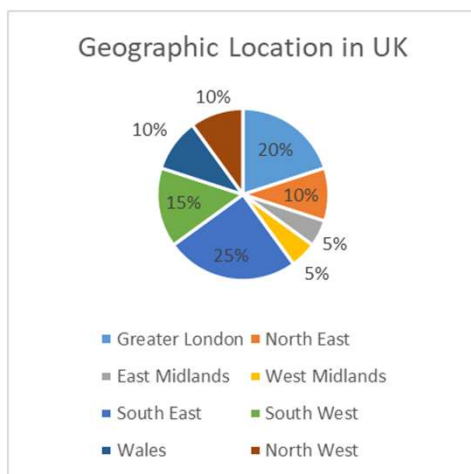


- **20 borrower groups (21 entities) with 22 loans at 30 Jun**
  - Geographically diverse
  - Split between rated (1x AA-, 5x A+, 2x A, 1x A-) and unrated borrowers
  - Broken down between public and non public ratings
  - Wide spread of unit sizes
  - Variety of different business models
  - Varying commitment to development

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	9	52%	£274.2m
Unrated	12	48%	£248.2m

Lending Level	#	% of Loans	Total Loans
Level 1	1	4%	£19.3m
Level 2	12	58%	£303.6m
Level 3	6	27%	£139.5m
Level 4	2	11%	£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 2022. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.

## Loan portfolio as at 30 June 2022



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
Thrive Homes	£25m

Borrower	Nominal Loan
Melin Homes	£22.5m
Housing Solutions	£21.7m
Cornerstone Housing	£19.3m
Broadacres Housing Association	£16.1m
Broadland Housing Group	£15m
Rochdale Boroughwide Housing	£15m
North Devon Homes	£12.5m
Synergy Housing	£10m
Heart of Medway Housing Association	£10m
Hafod Housing Association	£10m