

**MORhomes**



**Business Review**  
**Quarter ending 31 December**  
**2022**



## Summary

- Another encouraging quarter
  - S&P affirmed MORhomes' rating and outlook in December, notwithstanding the raft of downgrades and downward outlook revisions across both HAs and peers
  - Spreads peaked in October but had come in by over 40bps by end December
  - Rent cap at maximum 7% consulted on
  - Continuing credit and SLA renewals

- Other developments
  - 94% of loans fully secured by 31 Dec
  - Increased to 96% by 4 Jan

- Financials
  - Interim accounts (to 30 Sept) released:
    - Bottom line better than budget

	Cumulative to Jun 2022	Jul 2022 to Dec 2022	Cumulative to Dec 2022
Shareholders <sup>1</sup>	66	0	66
Credit rated by MORhomes <sup>2,4</sup>	51	1	52
Standby Liquidity Agreements <sup>3</sup>	28	1	29
Loans <sup>4</sup>	22	1	23
Borrowing Entities <sup>4</sup>	21	1	22
Borrowing Groups	20	1	21

### 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.



## MORhomes' S&P rating

- S&P affirmed both A- rating and Stable outlook – an excellent outcome given widespread downgrading of peers and HAs generally:
  - 3 rating downgrades (S&P – 3)
  - 67 downward outlook revisions (S&P – 16; Moody's – 40; Fitch – 11)
- S&P positive about MORhomes' business position
  - “Prudent risk management”
  - “We do not expect borrowers' creditworthiness to deteriorate”
  - Liquidity assessment revised to “strong”
  - “Will maintain market share”
- Strong capital structure coming into its own
- 20+ borrowers a good spread of risk



## Borrower Management Accounts to 30 September

- **On average borrowers continue to perform strongly, generally outperforming budget**
  - While on average turnover was slightly behind budget, margin and surplus were both significantly better than budget
  - Net financing costs and net debt both lower than budget

	Performance vs Budget
Turnover	-1.8%
Operating Surplus	13.6%
Operating Margin	15.7%
Net Debt	-4.3%
Net Financing Cost	-4.3%

## MORhomes borrowers vs Peers – Sep 2022

- **MORhomes borrowers have margins significantly stronger than average**
  - Operating margin now over 6 percentage points stronger than industry average (vs 4 percentage points last quarter)
  - EBITDA MRI margin even stronger

	MORhomes	Peer Group
Operating Margin	26.2%	19.5%
EBITDA Margin	37.0%	31.2%
EBITDA MRI Margin	29.8%	21.0%

### Notes

Peer group = Regulated English HAs.

Source: <https://www.gov.uk/government/publications/2022-global-accounts-of-private-registered-providers>



## MORhomes borrowers vs Peers – Sep 2022

- **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 and arrears lower than average**
  - Voids losses stable at 1.4% vs 1.8% industry average
  - Gross arrears stable at 3.1%, well below industry average of 3.9%

	MORhomes	Peer Group
Unsold Units as % total stock	0.15%	0.26%
Unsold >6mths as % total stock	0.04%	0.10%
Void losses	1.4%	1.8%
Gross arrears	3.1%	3.9%

### Notes

Peer group = Regulated English HAs.

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



## Progress on security charging - at 31 December 2022

- Security position at 31 December 2022
  - Overall £507.4m (94%) charged (£522.4m / 96% at 4 January)
  - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
  - On average loans 31% over-secured above minimum
- Security charging process
  - Max 12 months unsecured
- 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 / potential borrowers							
MORhomes Credit level	#	%	S&P	Moody's	Fitch	Public rating	#
Level 1	4	8%	A+	A1	-	AA-	1
Level 2	26	50%	AA-/A+/A	A2/A3	A+/A/A-	A+/A1	13
Level 3	20	38%	A+/A/A-	A3		A/A2	5
Level 4	2	4%	-	-		A-/A3	6
Level 5/fail	-	-	n/a	n/a	n/a	Total	25
Total	52	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 25 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

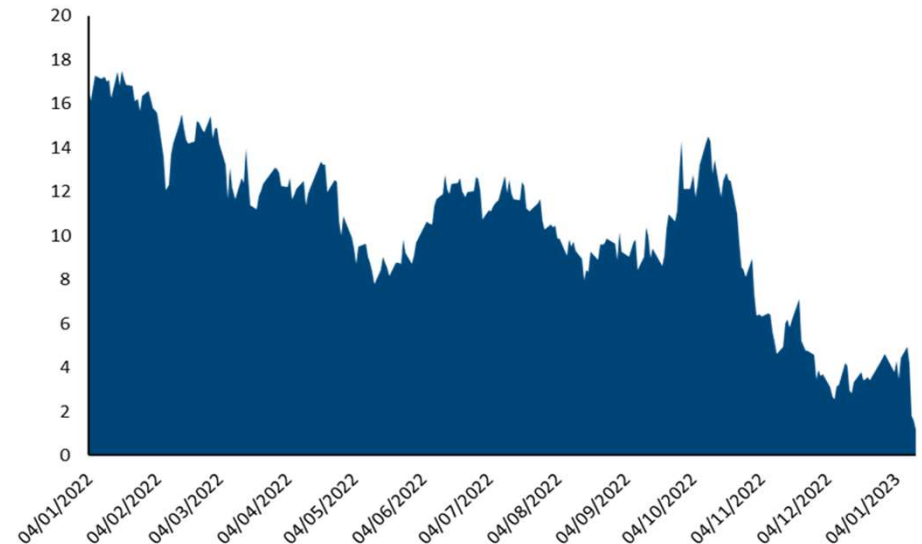




## Trading Performance

- Relative trading performance of 2038s remains strong, with MORhomes now comparable with many own-name issuers
- Most recent tap (done in Aug, prior to rating) at low single digit premium despite market conditions
- Affirmation of A- rating and Stable outlook issued on 16 December. This provides the foundation for significant further relative tightening when put in the sector context of:
  - 3 rating downgrades (S&P – 3)
  - 67 downward outlook revisions (S&P – 16; Moody's – 40; Fitch – 11)

MORhomes 2038 - Tier 3 differential



Tier 3 = basket of similarly-rated HAs  
Source: Chatham Financial



## Appendix



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

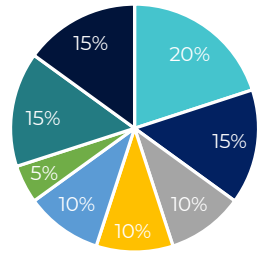
- 21 borrower groups (22 entities) with 23 loans at 31 Dec
  - Geographically diverse
  - Split between rated (1x AA-, 5x A+, 2x A, 1x A-) and unrated borrowers
  - Broken down between public and non-public ratings
  - Wide spread of unit sizes
  - Variety of different business models
  - Varying commitment to development

Mix of borrowers			
Public Rating	#	% of Loans	Total loans
Rated	9	51%	£274.2m
Unrated	13	49%	£268.2m

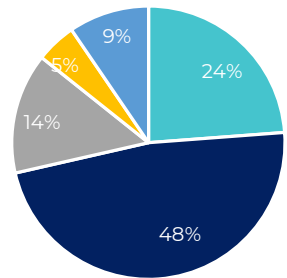
Lending Level	#	% of Loans	Total Loans
Level 1	1	3%	£19.3m
Level 2	13	60%	£323.6m
Level 3	6	26%	£139.5m
Level 4	2	11%	£60.0m

Public rating of MORhomes portfolio (where available)		
S&P	Moody's	Fitch
AA-/A+ / A	-	A / A-

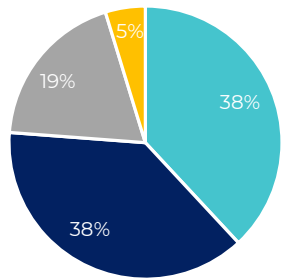
Geographic Location in UK



Size of borrower groups - units



Loan Size



- Greater London ■ South West ■ North East
- East ■ North West ■ East Midlands
- Wales ■ South East
- 1-5k ■ 5-10k ■ 10-20k ■ 20-30k ■ 30-40k
- £10-20m ■ £21-30m ■ £31-40m ■ £41-50m



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 31 December 2022

Borrower	Nominal Loan
Local Space	£50m
POBL Homes and Communities	£40m
Wandle Housing Association	£40m
EMH Housing and Regeneration	£37.5
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
Selwood Housing	£20m
Cornerstone Housing	£19.3m
Broadacres Housing Association	£16.1m
Broadland Housing Association	£15m
Rochdale Boroughwide Housing	£15m
North Devon Homes	£12.5
Synergy Housing	£10m
Heart of Medway Housing Association	£10m
Hafod Housing Association	£10m