



NHF FINANCE CONFERENCE 16 MARCH 2023, 11.40

Is the social housing credit quality at risk?

Patrick Symington, CEO, MORhomes PLC



Background

- **21 Borrowers, £0.5bn+ loans**
- **Credit model to rate borrowers**
- **Annually updated – June FFR**
- **Special update - Jan 2023**
- **Comparison Jan 23 to Jun 22**
 - **Credit model scores**
 - **Business plan/ strategy**

MORhomes Credit Model

7 Financial metrics

5 years historical data

5 years forecasts

Unpublished confidential data based on regulatory returns

Gives overall credit score



Jan 23 v Jun 22

- Overall average credit score unchanged
- No individual HA significantly changed / no up- or downgrades

Significant adverse factors on plans*

Cost inflation	37%
Rent cap	26%
Interest rates	5%
Rent losses	5%
Investment in stock	5%

Mitigation measures adopted*

Reduce development	63%
Asset sales	47%
Managing major repairs spend	42%
Operating efficiencies	21%
Reduce discretionary spend	5%

*Percentage of HAs in sample exhibiting factors/ adopting measures

Net increase in units between 2023 and 2027

In June 2022 plans	7.2%
In Jan 2023 plans	5.2%
Change in net growth	-29%

Source: analysis of credit models and narrative business plans of borrowers in the sample



Individual metrics

Metric	Jan 23 v Jun 22	Traffic light
Overall EBITDA MRI margin/ interest cover	Down	Red
Social Housing EBITDA Interest Cover (unadjusted)	Slightly down	Yellow
Net Debt/ Unit	Slightly lower	Green
Liquidity	Maintained – strong*	Green
Unsecured stock	Up	Green

*Notes

EBITDA = earnings before interest, tax, depreciation and amortisation

MRI = adjusted for capitalised major repairs (“Major repairs included”)

Unadjusted = no adjustment for capitalised major repairs

*Sample average liquidity - 34 months

Based on MORhomes credit model metrics for borrowers in the sample



Conclusions

- **Social housing margins under pressure but effect mitigated**
- **Long-term investment in stock increasing – affects EBITDA ‘MRI’ measures**
- **HAs have responded by reducing development and increasing asset sales, which improves gearing**
- **Managing repairs spend remains an important issue**
- **Strong liquidity maintained**
- **Capacity to raise more finance improved**
- **Overall financial strength maintained**

Contacts

Patrick Symington, Chief Executive
07867 537373
patrick.symington@morhomes.co.uk

Andrew Morton, Deputy Chief Executive Officer & Chief Financial Officer
07498 581 246
andrew.morton@morhomes.co.uk

Alex Bubb, Graduate Financial Analyst
07494 751 842
alexander.bubb@morhomes.co.uk

Claire Jones, Executive Assistant
07876 134 390
claire.jones@morhomes.co.uk

