

MORhomes



Business Review
Quarter ending 31 March 2023



Summary

- Another encouraging quarter
 - Extensive marketing programme, building on S&P's affirmation of MORhomes' rating and outlook in December, notwithstanding the raft of downgrades and downward outlook revisions across both HAs and peers
 - Credit review undertaken post rent cap – no upgrades / downgrades resulting
 - Continuing credit / SLA renewals

- Other developments
 - 100% of loans fully secured by 31 Mar
 - New CEO announced:
 - Patrick Symington retiring
 - Deputy promoted
 - Seamless transition on 1 May

	Cumulative to Jun 2022	Jul 2022 to Mar 2023	Cumulative to Mar 2023
Shareholders ¹	66	1	67
Credit rated by MORhomes ^{2,4}	51	3	54
Standby Liquidity Agreements ³	28	2	29
Loans ⁴	22	1	23
Borrowing Entities ⁴	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 15 where loan drawdowns have been made.
4. Adjusted.



MORhomes' S&P rating

- S&P affirmed both A- rating and Stable outlook in December – an outcome which highlighted the inherent strength of the platform and its borrowers
- 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 Business Plans - 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	Orange
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 from review of borrower business plans

- **Social housing margins under pressure but effect mitigated**
- **Long-term investment in stock increasing – affects EBITDA ‘MRI’ measures**
- **Our HA borrowers 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**



Borrower Management Accounts to 31 December

- **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	-1.1%
Operating Surplus	3.1%
Operating Margin	25.1%
Net Debt	-7.1%
Net Financing Cost	-4.3%

MORhomes borrowers vs Peers – Dec 2022

- **MORhomes borrowers have margins significantly stronger than average**
 - Operating margin now over 5 percentage points stronger than industry average
 - EBITDA MRI margin even stronger

	MORhomes	Peer Group
Operating Margin	25.1%	19.5%
EBITDA Margin	35.9%	30.3%
EBITDA MRI Margin	28.1%	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 – Dec 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 at 1.5% vs 1.9% industry average
 - Gross arrears at 3.2%, well below industry average of 3.9%

	MORhomes	Peer Group
Unsold Units as % total stock	0.16%	0.26%
Unsold >6mths as % total stock	0.05%	0.11%
Void losses	1.5%	1.9%
Gross arrears	3.2%	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 March 2023

- Security position at 31 March 2023
 - Overall £542.4m (100%) charged
 - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
 - On average loans 30% 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	7%	A+	A1	-	AA-	1
Level 2	27	50%	AA-/A+/A	A2/A3	A+/A/A-	A+/A1	14
Level 3	20	37%	A+/A/A-	A3		A/A2	4
Level 4	3	6%	-	-		A-/A3	6
Level 5/fail	-	-	n/a	n/a	n/a	Total	25
Total	54	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 rating downgrades and downward outlook revisions amongst peers and Housing Associations

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

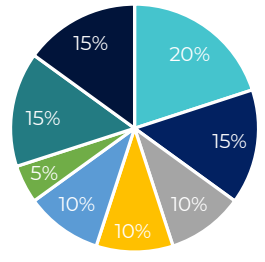
- 21 borrower groups (22 entities) with 23 loans at 31 Mar
 - Geographically diverse
 - Split between rated (1x AA-, 6x A+, 1x A, 1x A-) and unrated borrowers
 - Broken down between public and non-public ratings
 - Wide spread of unit sizes
 - Variety of different business models
 - Varying commitment to development

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

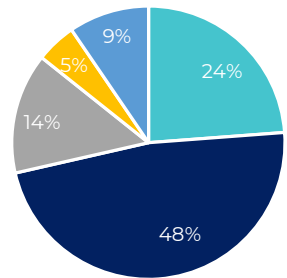
Lending Level	#	% of Loans	Total Loans
Level 1	1	3%	£19.3m
Level 2	13	60%	£323.6m
Level 3	6	26%	£139.5m
Level 4	2	11%	£60.0m

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

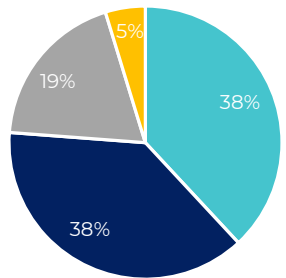
Geographic Location in UK



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 March 2023

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
Selwood Housing	£20m
Cornerstone Housing	£19.3m
Broadacres Housing Association	£16.1m
Broadland Housing Association	£15m
Rochdale Boroughwide Housing	£15m
North Devon Homes	£12.5m
Synergy Housing	£10m
Heart of Medway Housing Association	£10m
Hafod Housing Association	£10m