

**MORhomes**



**Business Review**  
**Quarter ending 31 March 2024**



## Developments over the quarter

- As stated at half-year, financial results expected to be well ahead of plan despite no new lending
- Mergers amongst our borrowers: over the last three months two mergers – already announced – were completed while a further merger is in progress. They are:
  - Origin (borrower) completed its merger with Places for People on 16 April 2024
  - Pobl (borrower) completed its merger with Linc-Cymru on 1 April 2024
  - Melin is progressing a potential merger with Newport City Homes.
- The mergers are not expected to have adverse implications for debt portfolio quality
  - There was no consolidation in the number of loans
  - There has been no downgrade in credit levels
- MORhomes has a transparent credit process for managing the risk of mergers
  - This is set out in the appendix to the presentation
- Other developments
  - All borrowers continue to perform, making interest payments before MORhomes' interest payments
  - 100% of loans fully secured, 154% cover



## Governance

- As part of regular Board rotation, a recruitment exercise was completed during the quarter:
  - Charles Tilley retired from the Board on 31 March 2024
  - Replaced by Mike Hinch from 1 April 2024:
    - Current Group Chief Executive of Newlon Housing Trust
    - Qualified accountant and MBA
    - Will become Chair of Audit & Risk Committee following completion of 2024 year-end accounts
- This has left the board with the following composition:

Director	Other Directorships Include:
Neil Hadden, Chair	Chair, Golden Lane
Malcolm Cooper, SID	Morgan Sindall; Southern Water; Local Pensions Partnership Investments; Custodian REIT
Geraldine Howley OBE	Chair, Chartered Institute of Housing; Chair, Housing Partnership UK&I; Chair, GEM Programme; Together Group
Jane Pilcher	Loughborough Building Society
Anjila Thomas	ING Bank UK Branch
Mike Hinch	CEO, Newlon Housing Trust; Tottenham Hotspur Foundation
Andrew Morton, CEO (exec)	Alexandra Palace Trading



## Portfolio Performance

- Portfolio strength is gradually improving – despite the challenges facing the sector:
  - Last 5 new borrower ratings:
    - 1x Level 1 (strongest) - our first ever
    - 3x Level 2
    - Only 1x Level 3
  - % rated Level 2 (equivalent S&P A+) or better increased from 53% in 2019 to 65% in 2023
  - Majority of ratings stable over time, with 4 upgrades since 2019 launch and 2 downgrades
  - Average credit score improved from 2.33 in 2019 to 2.14 in 2023 (where lower is stronger)

Internal Credit Ratings (annual review)	2019	2020	2021	2022	2023
% Level 1 + 2 (min 50%)	53%	60%	60%	62%	65%
Average credit score (lower = better)	2.33	2.29	2.14	2.07	2.14
# Upgrades	1	0	2	0	1
# Downgrades	0	1	0	0	1
# Unchanged	8	11	14	20	18

## Borrower Performance – Dec 2023

- **MORhomes borrowers have margins significantly stronger than average**
  - Operating margin and EBITDA MRI margin over 6 percentage points stronger than industry average
  - EBITDA margin over 4 percentage points stronger than industry average

	MORhomes	Peer Group
Operating Margin	23.0%	16.6%
EBITDA Margin	33.8%	29.6%
EBITDA MRI Margin	23.3%	16.5%

### Notes

Peer group = Regulated English HAs.

Source: <https://www.gov.uk/government/publications/2023-global-accounts-of-private-registered-providers>



## Borrower Performance – Dec 2023

- **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 1.63% vs 1.80% industry average
  - Gross arrears at 3.37%, well below industry average of 3.70%

	MORhomes	Peer Group
Unsold Units as % total stock	0.20%	0.29%
Unsold >6mths as % total stock	0.07%	0.13%
Void losses	1.63%	1.80%
Gross arrears	3.37%	3.70%

### Notes

Peer group = Regulated English HAs.

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



## Security charging - 31 March 2024

- Security position at 31 March 2024
  - Overall £512.4m (100%) charged
  - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
  - On average loans 37% over-secured above minimum, with total asset cover of 154%
- 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/>



## 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	29	53%	AA-/A+/A	A2/A3	A+/A/A-	A+/A1	14
Level 3	19	35%	A/A-	A3		A/A2	4
Level 4	3	5%	-	-		A-/A3	6
Level 5/fail	-	-	n/a	n/a	n/a	Total	25
Total	55	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 at time of MORhomes rating 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





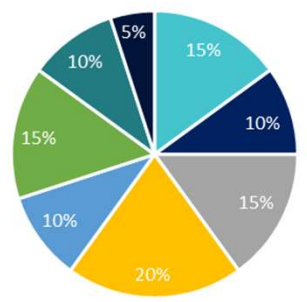
## Appendix



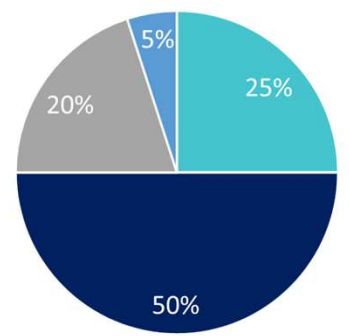
# Analysis of MORhomes loans

- 20 borrower groups (21 entities) with 22 loans at 31 Mar 2024
  - Geographically diverse
  - Split between rated (1x AA-, 4x A+, 2x A, 1x BBB+) 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

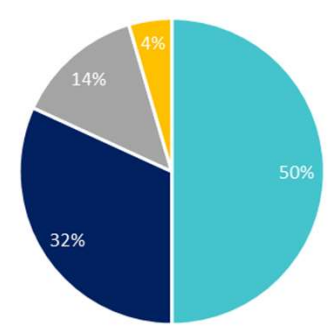
Geographic Region in the UK



Size of borrower groups - units



Loan Size



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

Mix of borrowers (entities)			
Public Rating	#	% of Loans	Total loans
Rated	8	48%	£244.2m
Unrated	13	52%	£268.2m

Lending Level	#	% of Loans	Total Loans
Level 1	1	4%	£19.3m
Level 2	13	61%	£315.3m
Level 3	6	29%	£147.8m
Level 4	1	6%	£30.0m

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



Data includes all borrower Groups as at 31 March 2023. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.

## Loan portfolio – 31 Mar 2024

Borrower	Nominal Loan
Local Space (G1/V1)	£50m
POBL Homes and Communities (C/C)	£40m
Wandle Housing Association (G1/V2)	£40m
EMH Housing and Regeneration (G1/V2)	£37.5m
Aster Communities (G1/V1)	£30m
Eastlight Community Homes (G1/V1)	£30m
South Yorkshire Housing Association (G3/V3)	£30m
Origin Housing (G3/V3)	£30m
Calico Homes (G1/V2)	£27.8m
Thrive Homes (G1/V2)	£25m
Melin Homes (C/C)	£22.5m

Borrower	Nominal Loan
Housing Solutions (G1/V1)	£21.7m
Selwood Housing (G1/V2)	£20m
Cornerstone Housing (G1/V1)	£19.3m
Broadacres Housing Association (G1/V2)	£16.1m
Broadland Housing Association (G1/V2)	£15m
Rochdale Boroughwide Housing (G3/V2)	£15m
North Devon Homes (G1/V2)	£12.5m
Synergy Housing (G1/V1)	£10m
Heart of Medway Housing Association (N/A)	£10m
Hafod Housing Association (C/C)	£10m



## Appendix - Merger Policy

- When mergers happen, the following process is followed:
  - MORhomes will determine whether a Lending Level Reassessment Event has occurred
  - If so, the MORhomes credit level will be reviewed:
    - Still within credit limit = no impact
    - Exceeds credit limit (either due to merger involving 2 different MORhomes borrowers, or due to the MORhomes credit level weakening) = 6 - 18 months interest reserve
    - Where 2 or more borrowers combine:
      - Exceeds maximum 12% portfolio concentration = 12 - 36 months interest reserve
      - Exceeds 25% portfolio concentration (> 6 months) = prepay down to 25% on demand

NOTE: Only one party to each of the 3 mergers referenced above is a borrower – concentration N/A

