

MORhomes



Business Review
Quarter ending 30 June 2024



Developments over the quarter

- Financial results for the year ended 31 March 2024 have been released and, as suggested at half-year, have come in well ahead of plan despite no new lending:
 - Pre-tax profit of £1.436m including gains on redemption, growing net assets by over 28%
 - Excluding gains on redemption, pre-tax loss more than halved from £129k to £59k – well ahead of plan despite no new lending
 - Underlying financial out-performance driven by strong management actions, reducing operating expenses by 18%
- Other developments
 - All borrowers continue to perform, making interest payments before MORhomes' interest payments
 - 100% of loans fully secured, 158% cover



Developments over the quarter - Mergers

- Mergers amongst our borrowers: during the quarter 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



Portfolio Performance

- Portfolio strength has been 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 – Mar 2024

- **MORhomes borrowers have margins significantly stronger than average**
 - Operating margin over 4 percentage points stronger than industry average
 - EBITDA MRI margin over 3 percentage points stronger than industry average
 - EBITDA margin over 2 percentage points stronger than industry average

	MORhomes	Peer Group
Operating Margin	20.9%	16.6%
EBITDA Margin	32.3%	29.6%
EBITDA MRI Margin	20.2%	16.5%

Notes

Peer group = Regulated English HAs.

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



Borrower Performance – Mar 2024

- **Less impacted by sales activity than average**
 - Unsold units as % of total stock well below industry average
 - Unsold >6 months as % of total stock also significantly below industry average
- **Voids and arrears lower than average**
 - Voids losses at 1.69% vs 1.80% industry average
 - Gross arrears at 3.05%, well below industry average of 3.50%

	MORhomes	Peer Group
Unsold Units as % total stock	0.25%	0.31%
Unsold >6mths as % total stock	0.07%	0.12%
Void losses	1.69%	1.80%
Gross arrears	3.05%	3.50%

Notes

Peer group = Regulated English HAs.

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



Security charging - 30 June 2024

- Security position at 30 June 2024
 - Overall £512.4m (100%) charged
 - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
 - On average loans 40% over-secured above minimum, with total asset cover of 158%
- 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



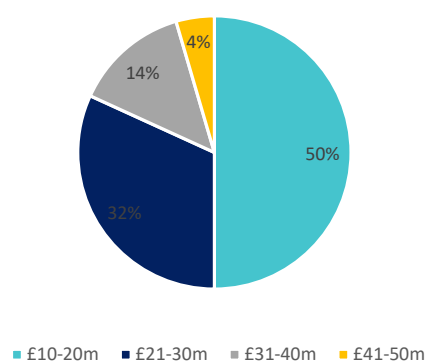
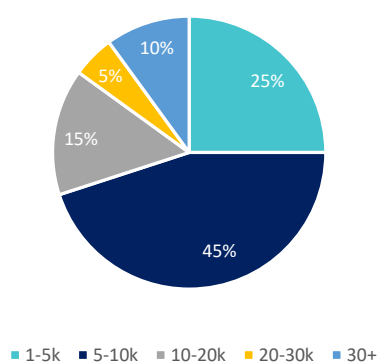
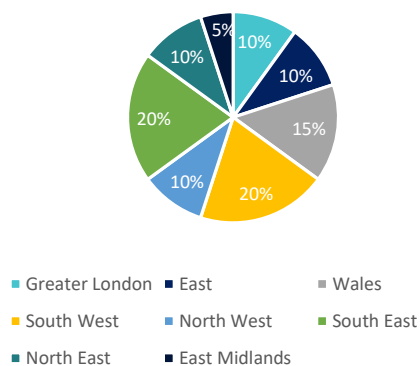
Analysis of MORhomes loans

- 20 borrower groups (21 entities) with 22 loans at 30 Jun 2024
 - Geographically diverse
 - Split between rated (1x AA-, 4x A+, 3x 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

Geographic Region in the UK

Size of borrower groups - units

Loan Size



Mix of borrowers (entities)

Public Rating	#	% of Loans	Total loans
Rated	8	48%	£244.2m
Unrated	13	52%	£268.2m

Lending Level

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	-	A



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

Loan portfolio – 30 June 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 (G1/V2)	£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

