

**MORhomes**



**Business Review**  
**Quarter ending 30 September 2024**



## Developments over the quarter

- Financial results for the year ended 31 March 2024 released and, as suggested at half-year, came 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%
- Annual review of borrower credit undertaken – portfolio remains resilient
- 1 new shareholder and 1 new Standby Liquidity Agreement signed in quarter
- Other developments
  - All borrowers continue to perform, making interest payments before MORhomes' interest payments
  - 100% of loans fully secured, 161% cover



## 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 68% in 2024
  - Majority of ratings stable over time, with 5 upgrades since 2019 launch and 3 downgrades
  - Average credit score improved from 2.33 in 2019 to 2.22 in 2024 (where lower is stronger)
  - No Level 4 borrowers in 2024 vs 2 in 2022

Internal Credit Ratings (annual review)	2019	2020	2021	2022	2023	2024
% Level 1 + 2 (min 50%)	53%	60%	60%	62%	65%	68%
Average credit score (lower = better)	2.33	2.29	2.14	2.07	2.14	2.22
# Upgrades	1	0	2	0	1	1
# Downgrades	0	1	0	0	1	1
# Unchanged	8	11	14	20	18	18

## Borrower Performance – Jun 2024

- **MORhomes borrowers have margins significantly stronger than average**
  - Operating margin over 7 percentage points stronger than industry average
  - EBITDA MRI margin over 9 percentage points stronger than industry average
  - EBITDA margin 5 percentage points stronger than industry average

	MORhomes	Peer Group
Operating Margin	24.3%	16.6%
EBITDA Margin	34.6%	29.6%
EBITDA MRI Margin	25.7%	16.5%

### Notes

Peer group = Regulated English HAs.

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



## Borrower Performance – Jun 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
- **Arrears lower than average, voids fractionally higher**
  - Voids losses at 1.80% vs 1.70% industry average
  - Gross arrears at 3.02%, well below industry average of 3.70%

	MORhomes	Peer Group
Unsold Units as % total stock	0.19%	0.30%
Unsold >6mths as % total stock	0.06%	0.12%
Void losses	1.80%	1.70%
Gross arrears	3.02%	3.70%

### Notes

Peer group = Regulated English HAs.

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



## Security charging - 30 Sept 2024

- Security position at 30 September 2024
  - Overall £512.4m (100%) charged
  - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
  - On average loans 43% over-secured above minimum, with total asset cover of 161%
- 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	28	50%	AA-/A+/A	A2/A3	A+/A	A+/A1	12
Level 3	22	39%	A/A-	A3		A/A2	7
Level 4	2	4%	-	-		A-/A3	5
Level 5/fail	-	-	n/a	n/a	n/a	Total	25
Total	56	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

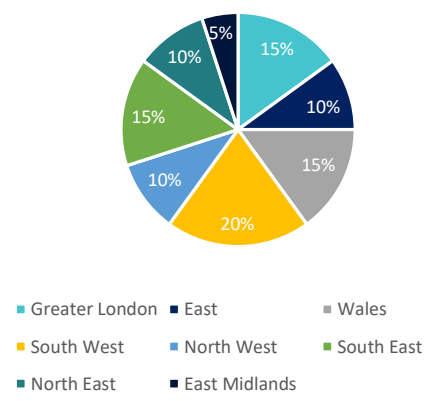




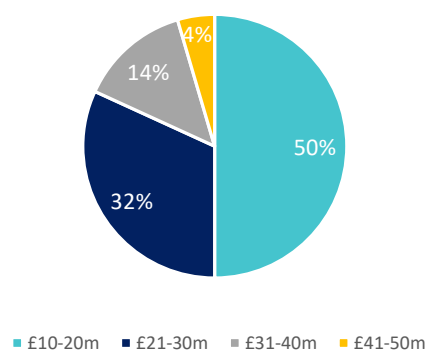
# Analysis of MORhomes loans

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

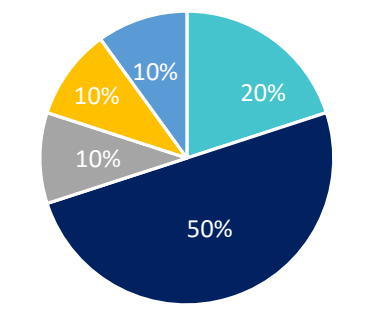
Geographic Region in the UK



Loan Size



Size of borrower groups - units



## 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	64%	£329.2m
Level 3	8	32%	£163.9m
Level 4	0	0%	£0.0m

## Public rating of MORhomes portfolio (where available)

S&P	Moody's	Fitch
AA-/ A+/ A/A-	A3	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 September 2024

Borrower (Regulatory Rating)	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
Places for People – Origin Housing (G1/V2)	£30m
Calico Homes (G2/V2/C2)	£27.8m
Thrive Homes (G1/V2)	£25m
Melin Homes (C/C)	£22.5m

Borrower (Regulatory Rating)	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/C1)	£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 involving borrowers is a borrower – concentration N/A

