

**MORhomes**



**Business Review**  
**Quarter ending 31 December 2024**



## Developments over the quarter

- New £13.2m loan extended to Soho Housing during the quarter:
  - Executed at a record issuance spread of G+115
  - Placed with 3 investors following strong investor demand
- S&P rating affirmed as A- (Neg) during the quarter, with S&P noting “the relatively strong creditworthiness of MORhomes’ borrowers”, and saying:
  - “We view the company's risk management policies as sophisticated; it assesses credit risk effectively and closely monitors the asset quality of its lending portfolio.”
- Financial results for the half-year ended 30 September 2024 released:
  - Pre-tax loss of £68k
  - Strong cost control maintained with costs on track
- 1 new credit application undertaken in quarter
- Other developments
  - All borrowers continue to perform
  - 97% of loans fully secured (all bar Dec 24 loan to Soho Housing), 160% cover



## MORhomes' S&P rating

- S&P affirmed A- rating in December – an outcome which highlighted the inherent strength of the platform and its borrowers
- S&P positive about MORhomes' capabilities and portfolio:
  - “We view the company’s risk management policies as sophisticated”
  - “It assesses credit risk effectively and closely monitors the asset quality of its lending portfolio”
  - “relatively strong creditworthiness of MORhomes’ borrowers”
  - Match-funding policy “ensures that the company will not form significant funding or liquidity gaps”
  - “MORhomes’ liquidity assessment remains strong”
- Outlook remains negative due to recent short-term industry-wide reduction in long-term borrowing / skew towards short-term borrowing



## Portfolio Performance

- Portfolio strength has been gradually improving – despite the challenges facing the sector:
  - Last 6 new borrower ratings:
    - 1x Level 1 (strongest) - our first ever
    - 3x Level 2
    - 2x 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 – Sep 2024

- **MORhomes borrowers have margins significantly stronger than average**
  - Operating margin over 11 percentage points stronger than industry average
  - EBITDA MRI margin also over 11 percentage points stronger than industry average
  - EBITDA margin over 8 percentage points stronger than industry average

	MORhomes	Peer Group
Operating Margin	27.9%	16.6%
EBITDA Margin	37.7%	29.6%
EBITDA MRI Margin	28.2%	16.5%

### Notes

Peer group = Regulated English HAs.

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



## Borrower Performance – Sep 2024

- **Less impacted by sales activity than average**
  - Unsold units as % of total stock now slightly lower than industry average following Origin merger with Places for People
  - Unsold >6 months as % of total stock still significantly below industry average
- **Arrears significantly lower than average, voids fractionally higher**
  - Voids losses at 1.78% vs 1.70% industry average
  - Gross arrears at 3.14%, well below industry average of 3.90%

	MORhomes	Peer Group
Unsold Units as % total stock	0.26%	0.28%
Unsold >6mths as % total stock	0.09%	0.13%
Void losses	1.78%	1.70%
Gross arrears	3.14%	3.90%

### Notes

Peer group = Regulated English HAs.

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



## Security charging - 31 Dec 2024

- Security position at 31 December 2024
  - Overall £512.4m (97%) charged
  - Only loan extended in Dec 2024 is not yet 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 160%
- 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
Level 1	4	7%	A+	A1	-
Level 2	28	50%	AA-/A+/A	A2/A3	A+/A
Level 3	22	39%	A/A-	A3	-
Level 4	2	4%	-	-	-
Level 5/fail	-	-	n/a	n/a	n/a
Total	56	100%			

Public ratings breakdown					
Public rating	AA-	A+ / A1	A / A2	A- / A3	Total
# with that rating	1	12	7	5	25

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





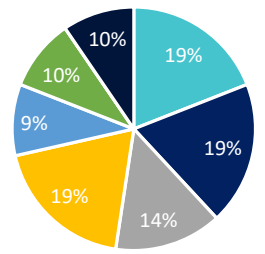
## Appendix



# Analysis of MORhomes loans

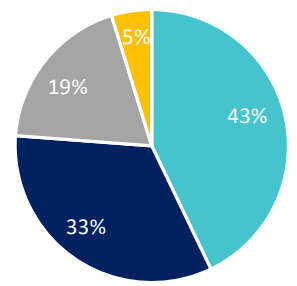
- 21 borrower groups (22 entities) with 23 loans at 31 Dec 2024
  - Geographically diverse
  - Split between rated (1x AA-, 3x A+, 3x A, 1x A-) and unrated borrowers
  - Broken down between public and non-public ratings
  - Wide spread of unit sizes
  - Variety of different business models
  - Varying commitment to development

Geographic Region in the UK



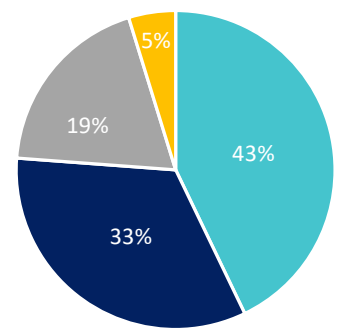
■ London   
 ■ East   
 ■ Wales   
 ■ South West  
■ North West   
 ■ South East   
 ■ North East   
 ■ Yorkshire

Loan Size



■ Under £20m   
 ■ £21-30m   
 ■ £31-40m   
 ■ £41-50m

Size of borrower groups - units



■ 0-5k   
 ■ 5-10k   
 ■ 10-20k   
 ■ 20-30k

Mix of borrowers (entities)			
Public Rating	#	% of Loans	Total loans
Rated	8	46%	£244.2m
Unrated	14	54%	£281.4m

Lending Level	#	% of Loans	Total Loans
Level 1	1	4%	£19.3m
Level 2	13	62%	£329.2m
Level 3	8	34%	£177.1m
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 December 2024. Ratings source: Chatham Financial, rating agencies. Geographic location refers to Head Office.

## Loan portfolio – 31 December 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
Soho Housing (N/A)	£13.2m
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

