

MORhomes



Business Review
Quarter ending 30 June 2023



Summary

- Annual Report and Financial Statements for the year ended 31 March 2023 released:
 - Both operating expenses and pre-tax result better than budget despite market slowdown
 - Pre-tax loss almost halved from prior year, well on path to profitability
 - Post balance sheet gain of £268k to be included in 2023/24 financial statements
 - Maintaining financial strength, supporting credit rating
- Sustainability Impact Report released – 4,494 energy-efficient new homes funded across 65 local authorities
- Other developments
 - 100% of loans fully secured, 149% cover
 - New CEO in place:
 - Patrick Symington retired
 - Deputy (Andrew Morton) promoted
 - Seamless transition on 1 May

	Cumulative to Jun 2022	Jul 2022 to Jun 2023	Cumulative to Jun 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 Jun 23 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 Management Accounts to 31 March

- **Performance of our borrowers reflected some of the pressures in the sector**
 - On average turnover was slightly behind budget
 - Surplus was significantly behind budget.
- **But borrowers are adapting to offset the impact**
 - Net financing costs and net debt were both favourable to budget.
 - Resulting in PBT favourable to budget.

	Performance vs Budget
Turnover	-2.0%
Operating Surplus	-8.7%
Profit before tax	5.1%
Net Debt	4.7%
Net Financing Cost	4.5%



MORhomes borrowers vs Peers – Mar 2023

- **MORhomes borrowers have margins significantly stronger than average**
 - Operating margin now over 2.5 percentage points stronger than industry average
 - EBITDA margin even stronger
- **Reflecting the strong credit metrics applied on new borrowing on the platform**

	MORhomes	Peer Group
Operating Margin	22.1%	19.5%
EBITDA Margin	33.4%	30.3%
EBITDA MRI Margin	23.5%	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 – Mar 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 1.62% vs 2.00% industry average
 - Gross arrears at 3.01%, well below industry average of 3.60%

	MORhomes	Peer Group
Unsold Units as % total stock	0.21%	0.30%
Unsold >6mths as % total stock	0.05%	0.10%
Void losses	1.62%	2.00%
Gross arrears	3.01%	3.60%

Notes

Peer group = Regulated English HAs.

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



Progress on security charging - at 30 June 2023

- Security position at 30 June 2023
 - Overall £542.4m (100%) charged
 - Asset cover minimum 105% (EUV-SH valuation) or 115% (MV-ST)
 - On average loans 33% over-secured above minimum, with total asset cover of 149%
- 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

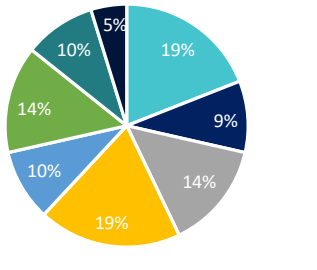
- 21 borrower groups (22 entities) with 23 loans at 31 Mar
 - Geographically diverse
 - Split between rated (1x AA-, 6x A+, 1x A, 1x A-) and unrated borrowers
 - Broken down between public and non-public ratings
 - Wide spread of unit sizes
 - Variety of different business models
 - Varying commitment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

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

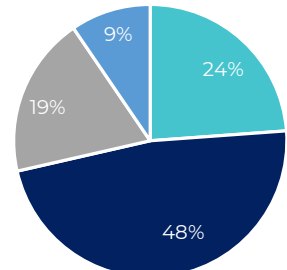
Lending Level	#	% of Loans	Total Loans
Level 1	1	3%	£19.3m
Level 2	13	60%	£323.6m
Level 3	6	26%	£139.5m
Level 4	2	11%	£60.0m

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

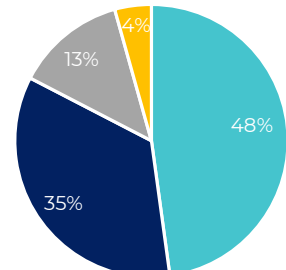
Geographic Region in the UK



Size of borrower groups - units



Loan Size



- Greater London
- East
- Wales
- South West
- North West
- South East
- North East
- East Midlands

- 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 30 June 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

The credit standing of all borrowers is reviewed regularly and there have been no changes to any borrower's credit rating with MORhomes in the past 12 months.

