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CREDIT OPINION
28 February 2025

Update

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RATINGS

Places for People Homes Limited

Domicile	United Kingdom
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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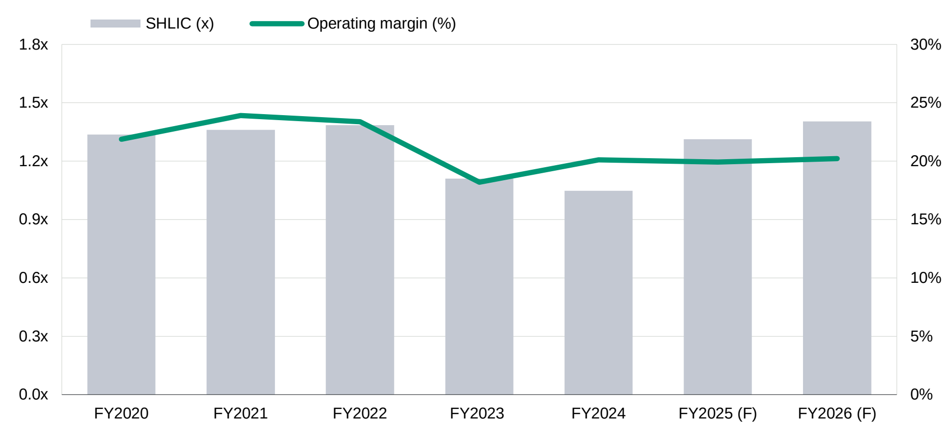
Places for People Homes Limited (UK)

Update to credit analysis

Summary

The credit profile of Places for People Homes Limited (PfP, A3 stable) reflects its large and diverse operations and its strong liquidity. This is counterbalanced by relatively higher gearing than peers and a higher proportion of non-social housing income anchoring its operating performance. The rating further takes into account our assessment that there is a strong likelihood that the government of the United Kingdom (UK, Aa3 stable) would act in a timely manner to prevent a default.

Exhibit 1
PfP's profitability is expected to remain stable
Social housing letting interest cover (x, LHS), operating margin (%, RHS), FY2020-FY2026 (F)



F: Forecast
Source: PfP, Moody's Ratings

Credit Strengths

» One of the largest providers of social housing in the country with diverse operations

» Solid liquidity position and unencumbered assets

» Supportive institutional framework in England

Credit Challenges

» Profitability anchored by non-social housing activities

» Relatively high gearing

Rating Outlook

The stable outlook reflects our expectation that its interest covers will recover from a relatively low point in FY2024, against stable debt metrics and strong liquidity and debt capital market access.

Factors that Could Lead to an Upgrade

Upward pressure on the ratings could result from a significant improvement in operating performance, a material reduction in debt or a significant increase in government support for the sector, especially significantly higher levels of capital grants.

Factors that Could Lead to a Downgrade

Downward pressure on the ratings could result from a prolonged weakening in operating performance, debt growing more quickly than forecasts, weaker liquidity or a failure to adapt strategies and risk appetite to mitigate against weaker economic conditions. Lower government support for the sector or a dilution of the regulatory framework could also lead to downward pressure on the ratings.

Key Indicators

Exhibit 2

PfP Homes

	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25 (F)	31-Mar-26 (F)
Units under management (no.)	206,941	217,297	228,500	237,902	243,248	251,576	252,782
Operating margin, before interest (%)	21.9	23.9	23.4	18.2	20.1	19.9	20.2
Net capital expenditure as % turnover	23.1	12.8	22.9	39.3	50.2	46.5	45.0
Social housing letting interest coverage (x times)	1.3	1.4	1.4	1.1	1.0	1.3	1.4
Cash flow volatility interest coverage (x times)	1.4	1.3	1.6	1.2	0.1	0.5	1.0
Debt to revenues (x times)	3.7	3.8	3.8	4.0	4.4	3.8	4.0
Debt to assets at cost (%)	59.0	58.9	58.6	58.5	58.3	57.1	58.3

F: Forecast
Source: PfP, Moody's Ratings

Detailed Rating Considerations

PfP's rating combines (1) its Baseline Credit Assessment (BCA) for the entity of baa2 and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

Baseline Credit Assessment

One of the largest providers of social housing with diverse operations

PfP, a major UK social housing landlord, manages more than 240,000 units of varying tenures, with only a third being social housing. It operates over 20 companies and has significant non-housing income, primarily from leisure facilities and outright sales (although reduced in FY2024). PfP's operations are far more wide-ranging than most of its rated peers, with only 48% of turnover over FY2025-30 coming from social housing, as opposed to a median of 80% for rated housing associations. This is nonetheless an improvement compared to 42% in FY2020 as PfP has exited some of its activities, especially on market rent, to increase its focus on social housing lettings.

The group's diversification provides some counterbalance to any weaknesses in particular markets and can strengthen relationships with local authorities. The long-dated contract-based income from local authorities for leisure management, whilst being commercial activities, provide relatively stable cash flows for the group.

The group's strategy incorporates continued growth primarily through mergers and new development. PfP's development strategy is focused on placemaking and regeneration with an aim to develop mixed-tenure communities and serve a wide range of tenants and tenant needs.

Solid liquidity position and unencumbered assets

PfP maintains a strong liquidity position underpinned by its liquidity policy, in line with peers, requiring sufficient liquidity for a minimum of 18 months forward commitments. As of November 2024, immediately available liquidity stood at almost £911 million, covering 0.8x the forward looking two-year cash need.

PfP plans to build around 14,300 new units by FY2029, with 50% from socially rented units, 49% market sales (including shared-ownership) and 1% supported housing. To deliver this development pipeline and increased capital investment in its existing stock, PfP's net capex will average 40% of turnover over the next three years, in line with the A3 peer median.

PfP has approximately £3.3 billion of unencumbered assets it could utilise for additional secured borrowing of £2.8 billion, which compares well to its funding needs. This is a significant increase from last year, following a treasury refinancing exercise, where the HA issued unsecured debt to repay secured debt.

Supportive institutional framework in England

The sector's credit quality will continue to benefit from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a3 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and regular programmed inspections for HAs with more than 1,000 units. The regulator has a strong track record of intervention in cases of mismanagement or financial stress.

The operating environment for English housing associations remains supportive. Demand for social housing is very high and English housing associations retain some expenditure flexibility, with a track record of controlling costs to mitigate lower income. The UK government confirmed that for fiscal 2026, rent increases within the English sector will be pegged at the September Consumer Price Index (CPI) plus 1%. A consultation is ongoing to extend the policy out to at least fiscal 2031, which would provide more certainty to the sector.

Profitability anchored by non-social housing activities

PfP's profitability is expected to remain in line with peers, anchored by non-social housing activities, despite its high social housing letting operating margins. PfP's operating margin increased slightly to 20% in FY2024, from 18% the year before, driven by improved margin on outright sales despite a lower amount of sales, halved compared to FY2023. Outright sales were limited due to high mortgage rates. PfP expects outright sales to recover in FY2025 in line with the sector as mortgage rates decrease.

Social housing letting operating margin decreased to 36% from 41% the year before, but remains well above peers. The decrease was mainly due to increased spend on repairs and maintenance, driven by heightened demand of repairs, unlikely to decrease. The group invested in its repairs team, decreasing patches to tackle its backlog. PfP is also investing in a new scheduling system to boost productivity. PfP benefits from a good understanding of its stock as close to 88% of its social housing units were recently surveyed, helping inform repairs and maintenance budgets.

Interest covers will be negatively impacted by the expected debt increase. Social Housing Letting Interest Coverage (SHLIC) decreased to 1x in FY2024 due to the decrease in social housing letting margin and an increase in net interest payments, but remained in line with the A3 peer median. Cash flow volatility interest cover (CVIC) will continue to be contingent on the timely realisation of market sales surpluses, given PfP's high market sales exposure. CVIC decreased to 0.1x in FY2024 driven by the drop in outright sales, and significantly below the A3-rated peer median of 1.4x.

PfP's covenant headroom has decreased due to the increased spend on repairs. The headroom will remain tight, a credit negative.

Relatively high gearing combined with some complexity in debt portfolio

PfP will retain a relatively high level of indebtedness relative to peers, a credit challenge. The group's debt stood at £3.7 billion in FY2024, an increase from the previous year. Gearing slightly decreased but remains high at 58% in FY2024 compared to A3-rated peer median of 51%, while debt to revenues is at 4.4x below the A3-rated peer median of 4.7x.

Debt is projected to reach £5.3 billion by FY2027 to fund development plan. Part of the increase is due to the merger with Origin in FY2025, who held £0.6 billion of debt - PfP refinanced all of Origin's bank debt in September 2024. Despite the increase in debt, growth in reserves will keep gearing stable at 58% over the next three years. Due to its sizeable turnover generation across different business streams, debt to revenues will remain strong compared to peers, averaging 3.9x over the next three years, compared to the A3-rated peer median of 4.4x over the same period.

PfP has some complexity in its debt structure including foreign currency-denominated debt, mark-to-market exposure, and unsecured borrowing. In order to mitigate the risk of fluctuations in its foreign currency borrowing (USD, JPY, HDK, AUD and EUR), the group uses standalone currency interest rate swaps, which had a negative mark-to-market value of £16.9 million as of November 2024. While the debt portfolio is more complex than some of its peers, the diversification of its investor base does widen its access to capital.

PfP continues to benefit from strong demand from investors, despite issuing unsecured debt, a relatively unique feature for the sector as most peers borrow on a secured basis. As of March 2024, unsecured borrowings constituted 88% of total borrowings.

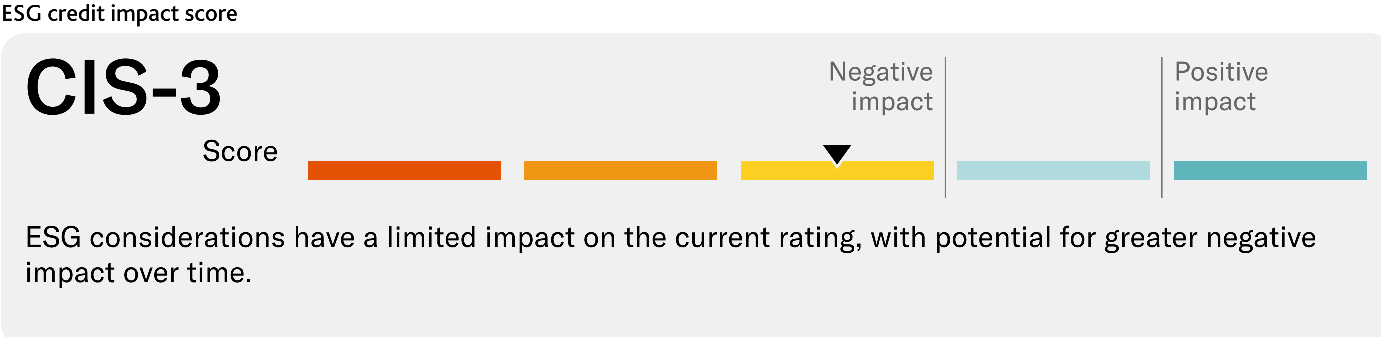
Extraordinary Support Considerations

The strong level of extraordinary support factored into the rating reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised through sector regulators whose wide-ranging powers in cases of financial distress include facilitating mergers. However, this process can be protracted and is reliant on HAs agreeing to merge, which is more challenging in a weakened operating environment, with high expenditure pressures and high borrowing costs. In addition, our assessment that there is a very high default dependence between PfP and the UK government reflects their strong financial and operational linkages.

ESG considerations

Places for People Homes Limited's ESG credit impact score is CIS-3

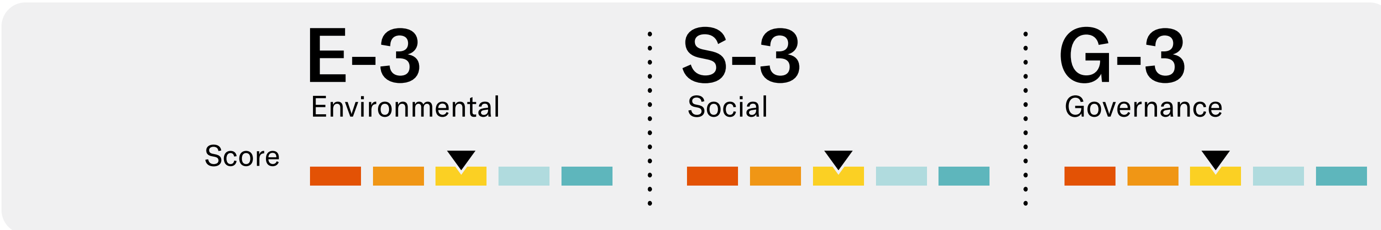
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

PfP's **CIS-3** reflects our view that ESG risks have a materially negative impact on its rating. In particular, expenditure requirements related to the carbon transition and building safety will weaken margins and increase financing needs, as well as affordability constraints for low-income tenants which have led to government-imposed sub-inflationary rent caps. Higher risk appetite than peers will weaken credit quality.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

PfP has a material exposure to environmental risks (**E-3**) relating to a significant proportion of its stock requiring retrofit to meet energy efficiency standards by 2035 (carbon transition risks), leading to increased expenditure.

Social

PfP has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety and quality of existing stock (responsible production risks) and the vulnerability of the sector to tenant affordability considerations through the government's social rent policy. Those risks can materialise in the form of reduced operating margin and interest cover metrics.

Governance

PfP has higher governance risks than most of the sector (**G-3**) due to somewhat weaker management track record than peers, with historically more opportunistic strategies than peers, which has led the organisation to engage in a very diverse range of businesses, a relatively more complex debt structure and more complex organisational structure.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating Methodology and Scorecard Factors

The assigned BCA of baa2 is in line with the suggested BCA of baa2.

The methodologies used in this rating were European Social Housing Providers, published in July 2024, and Government Related Issuers, published in January 2024.

Exhibit 5
FY2024 scorecard

PfP Homes			
Baseline Credit Assessment	**Sub-factor Weighting**	**Value**	**Score**
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	243,248	aaa
Factor 3: Financial Performance			
Operating Margin	5%	20.1%	baa
Social Housing Letting Interest Coverage	10%	1.0x	baa
Cash-Flow Volatility Interest Coverage	10%	0.1x	b
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.4x	ba
Debt to Assets	10%	58.3%	b
Liquidity Coverage	10%	0.8x	baa
Factor 5: Management and Governance			
Financial Management	10%	ba	ba
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			**baa2**
Assigned BCA			**baa2**

Source: PfP, Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
PLACES FOR PEOPLE HOMES LIMITED	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3
Senior Secured -Dom Curr	A3
Senior Unsecured	A3
Bkd Other Short Term -Dom Curr	(P)P-2
PLACES FOR PEOPLE TREASURY PLC	
Outlook	Stable
Bkd Senior Unsecured	A3
PLACES FOR PEOPLE CAPITAL MARKETS PLC	
Outlook	Stable
Bkd Sr Unsec MTN -Dom Curr	(P)A3
Bkd Other Short Term -Dom Curr	(P)P-2

Source: Moody's Ratings

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