

# Analysing The Creditworthiness Of Welsh Housing Associations

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**S&P Global**  
Ratings

# What Is A Credit Rating

## What It *Is*

- A forward-looking *opinion* about the ability and willingness of an issuer, such as a corporation or government, to meet its financial obligations in full and on time
- Strives to be globally comparable across sectors
- Incorporates views on the relative likelihood of default that are applied to entities (issuers) and securities (issues)
- One of many inputs available to investors as part of their decision-making process

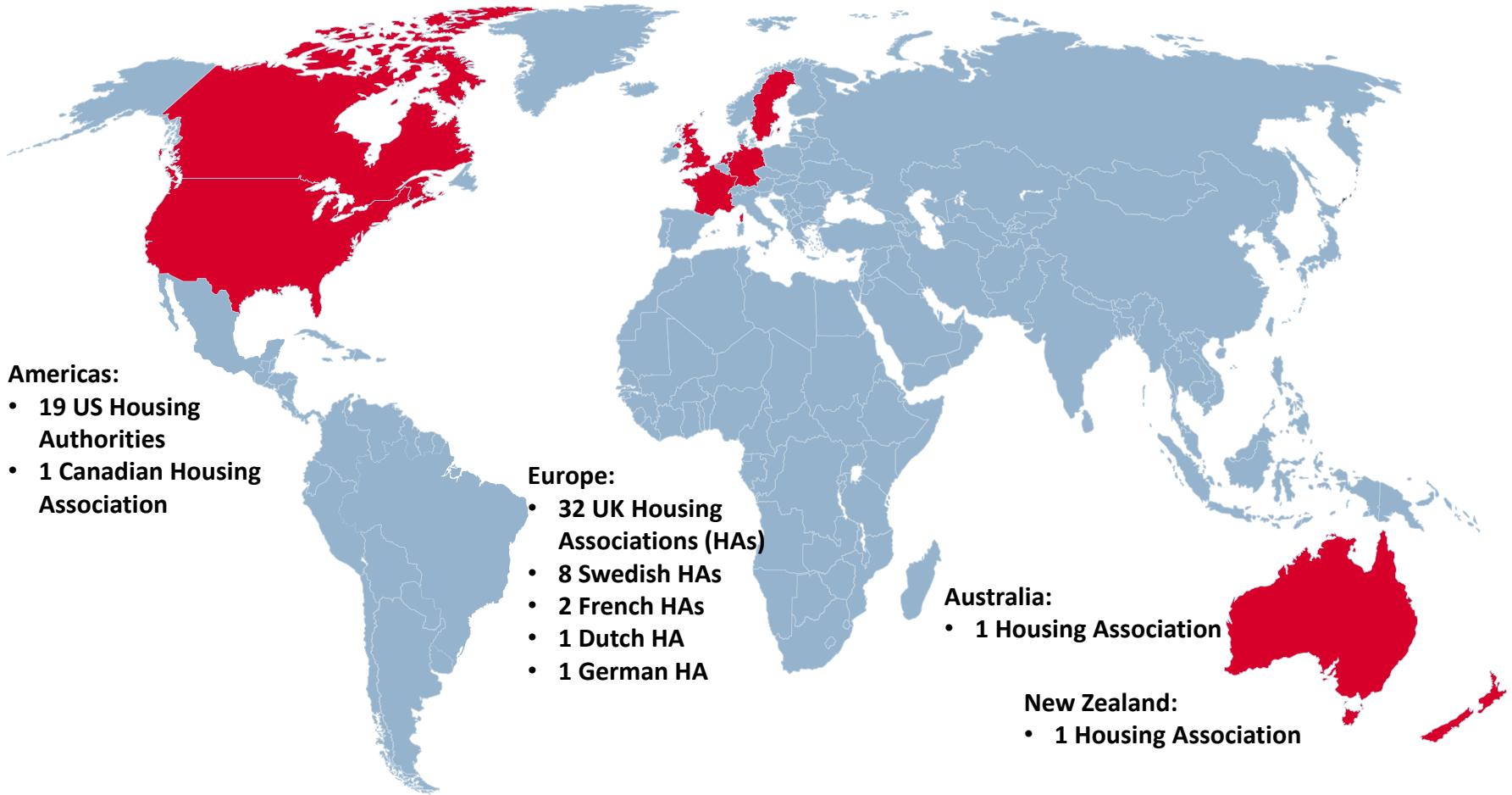
## What It *Is Not*

- A guarantee of credit quality or default probability
- Investment advice or recommendation (buy, sell or hold)
- A measure of liquidity or price
- A way of defining “good” or “bad” companies
- An audit of the company

# Our Rating Categories

Investment Grade	AAA	Extremely strong capacity to meet financial commitments. Highest rating.
	AA	Very strong capacity to meet financial commitments.
	A	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
	BBB	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
	BBB-	Considered lowest investment grade by market participants.
Speculative Grade	BB+	Considered highest speculative grade by market participants.
	BB	Less vulnerable in the near term, but faces major ongoing uncertainties and exposure to adverse business, financial and economic conditions
	B	More vulnerable to adverse business, financial and economic conditions, but currently has the capacity to meet financial commitments.
	CCC	Currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments.
	CC	Highly vulnerable; default has not yet occurred, but is expected to be a virtual certainty.
	C	Currently highly vulnerable to non-payment, and ultimate recovery is expected to be lower than that of higher rated obligations.
	D	Payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed or similar action taken.

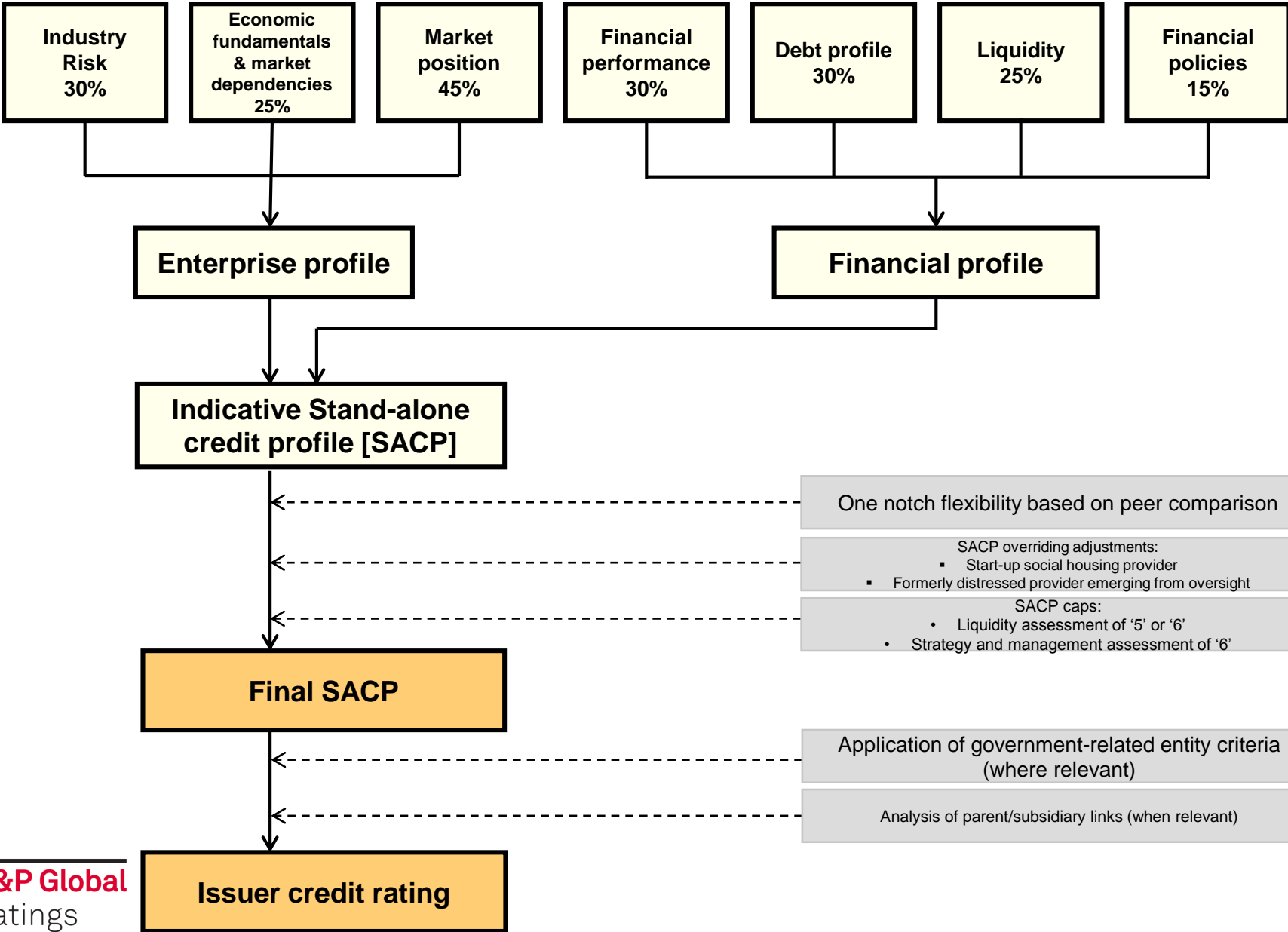
# S&P Social Housing Ratings Universe



# U.K. Social Housing Ratings as of 22 June 2018

Entity Name	Issuer Credit Rating	Outlook	Standalone Credit Profile
Local Space Ltd.	AA-	Stable	aa-
Richmond Housing Partnership	AA-	Negative	aa-
Aster Group Ltd.	A+	Stable	a+
bpha Ltd.	A+	Stable	a+
Bracknell Forest Homes Ltd.	A+	Stable	a+
Cross Keys Homes Ltd.	A+	Stable	a+
East Midlands Housing Group Ltd.	A+	Stable	a+
Housing & Care 21	A+	Stable	a+
Housing Solutions Ltd.	A+	Stable	a+
Link Group Ltd	A+	Stable	a+
Sanctuary Housing Association	A+	Stable	a+
Sovereign Housing Association Ltd.	A+	Stable	a+
Town & Country Housing Group	A+	Stable	a+
London & Quadrant Housing Trust	A+	Negative	a+
Bromford Housing Group	A+	Negative	a
Catalyst Housing Ltd.	A+	Negative	a
Chelmer Housing Partnership	A+	Negative	a
Hyde Housing Group Ltd.	A+	Negative	a
Lincolnshire Housing Partnership	A+	Negative	a
Metropolitan Housing Trust Ltd.	A+	Negative	a
Notting Hill Genesis	A+	Negative	a
The Guinness Partnership	A+	Negative	a
Wheatley Housing Group Ltd.	A+	Negative	a
Colne Housing Society Ltd.	A	Stable	a-
Thrive Homes Ltd.	A	Stable	a-
Apex Housing Association Ltd.	A	Negative	a-
Home Group Ltd.	A	Negative	a-
Pennaf Limited	A	Stable	bbb+
GreenSquare Group Ltd.	A-	Stable	bbb+
Places for People Group Ltd.	A-	Stable	bbb+
Swan Housing Association Ltd.	A-	Stable	bbb+
Gentoo Group Ltd.	BBB+	Positive	bbb-

# S&P Rating Methodology



# Welsh Sector Update – Social Housing Sector

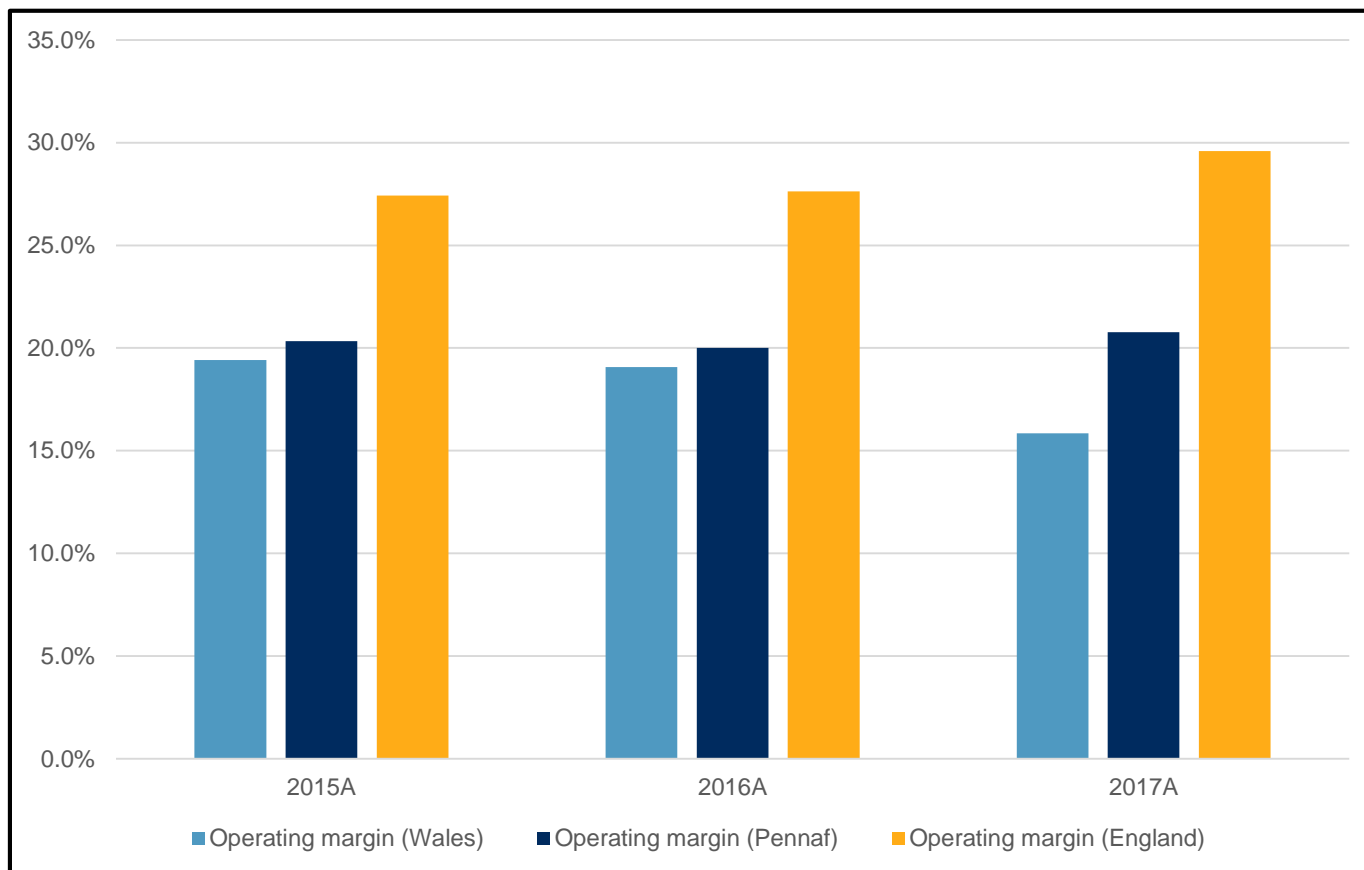
**Credit strengths:** Rent policy in Wales more supportive of creditworthiness

- Higher Grant funding - about 60% of the cost of affordable homes
- The Welsh Government's commitment to deliver 20,000 affordable homes by 2021
- Stronger ties with The Welsh Government – higher likelihood of support expectation

**Credit weakness:** Economy less dynamic, GVA per capita lowest in the U.K.

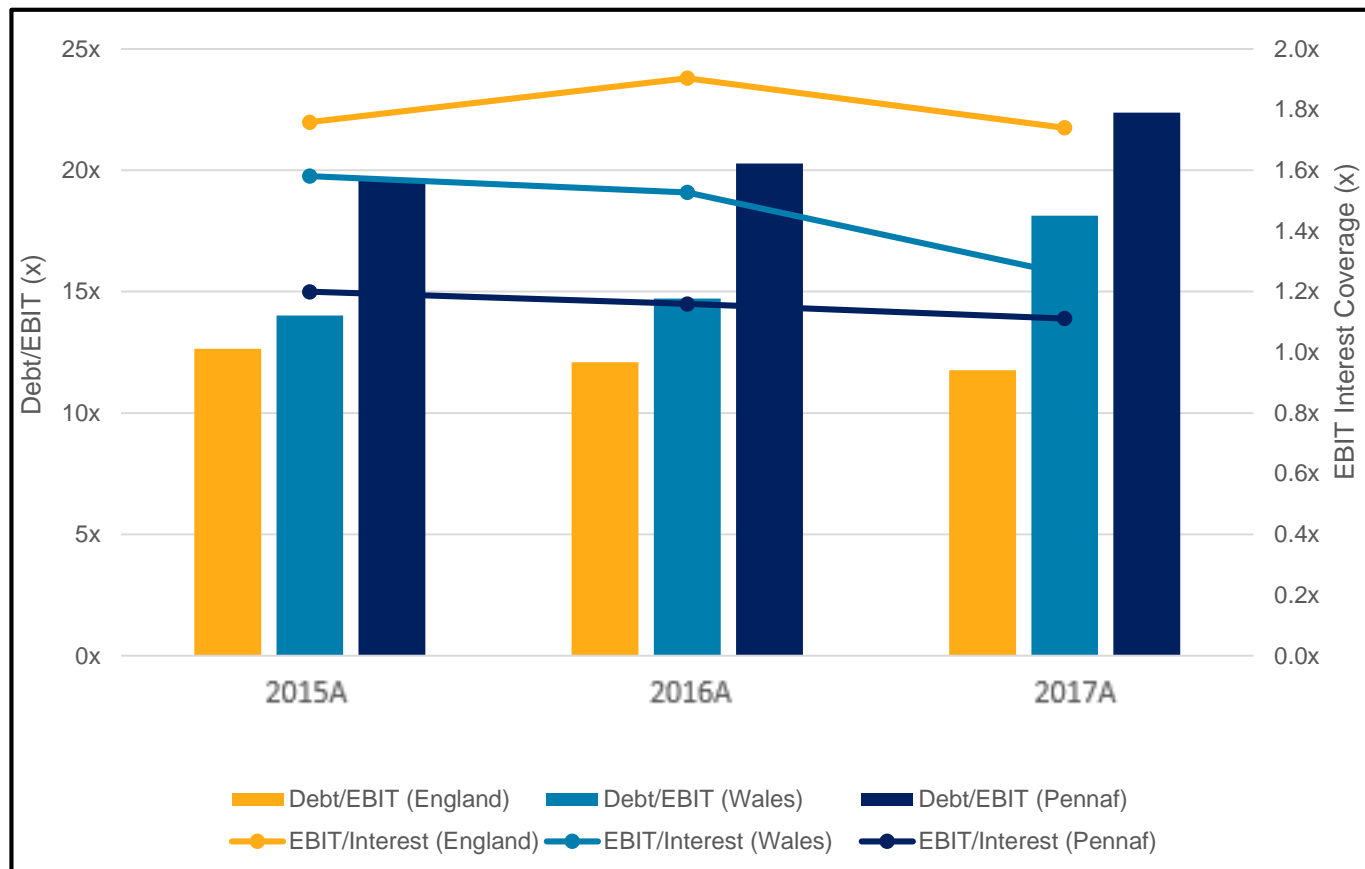
- On the other hand, economic growth is picking up--expected to exceed 2.5% unemployment lower than rest of U.K.
- Welfare reforms – Universal Credit a key concern
- Lower profitability and higher leverage compared to England

# Welsh Sector Update – Lower Operating Margins

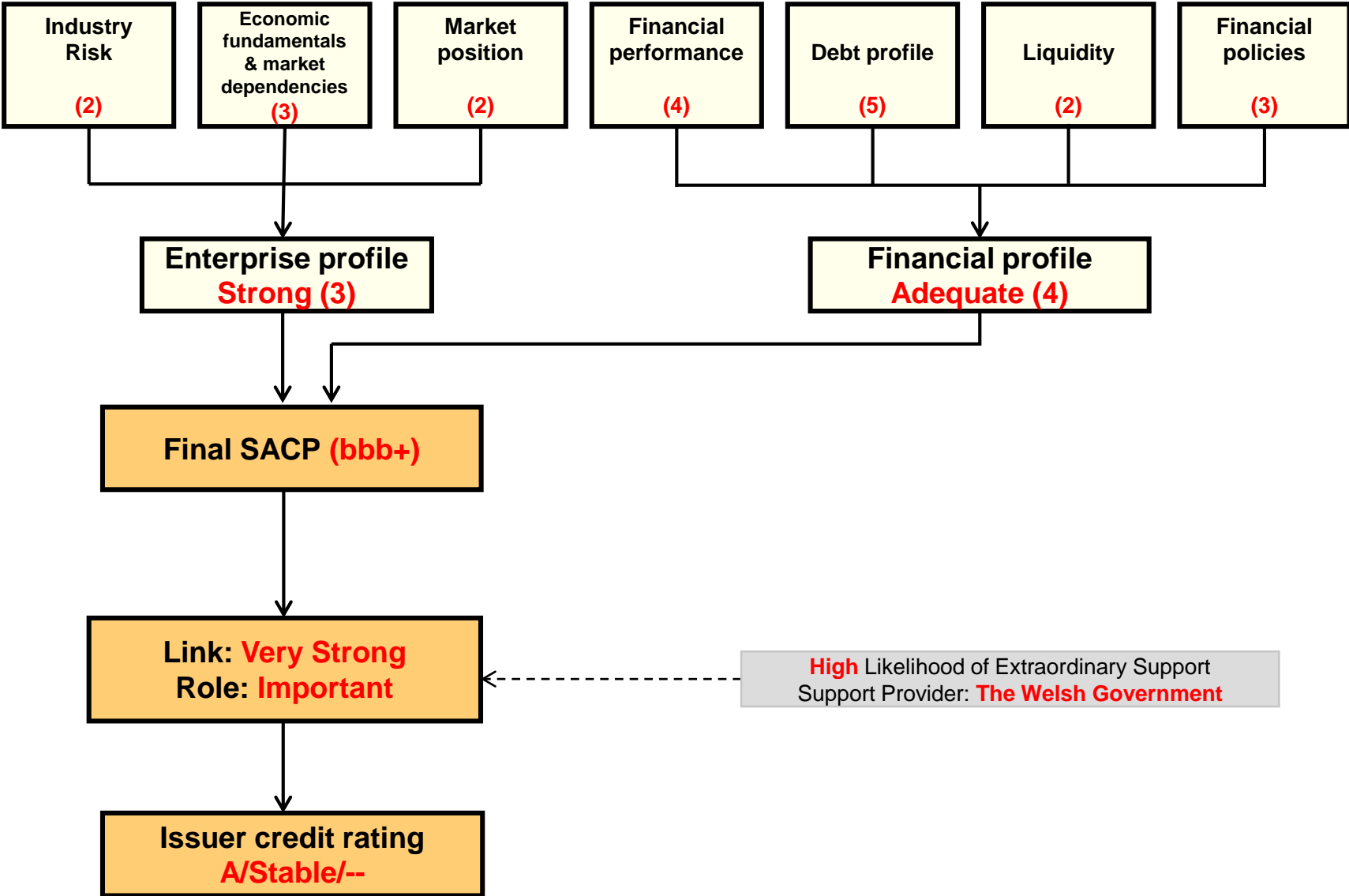




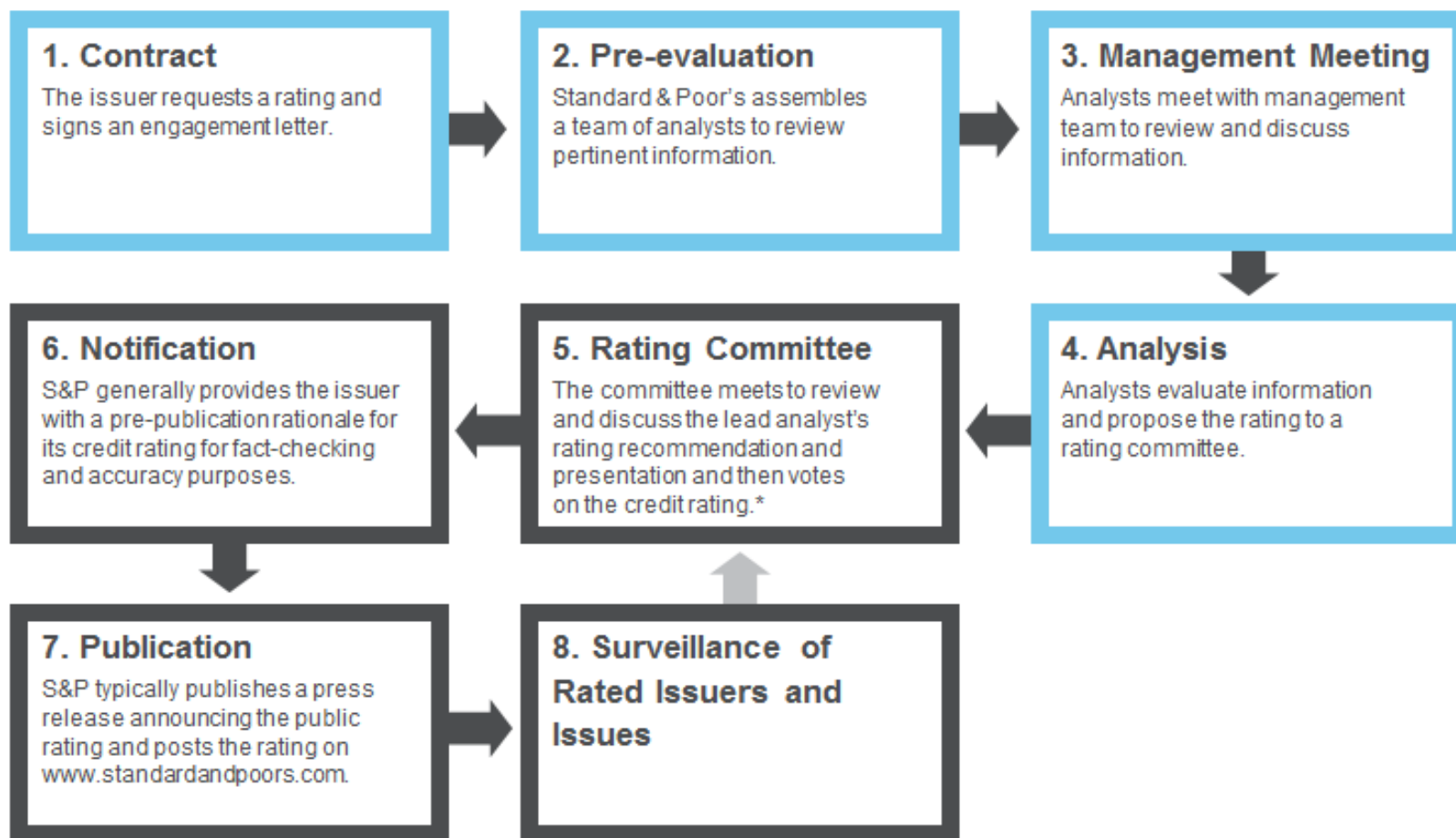
# Welsh Sector Update – Higher Debt Burden



# S&P Rating Methodology – Pennaf Group



# Rating Process



\*S&P may allow for an appeal only if the issuer can provide new and significant information to support a potentially difficult rating conclusion.

# Thank You and Questions?



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Ratul Sood is an Associate Director in the International Public Finance group. Based in London, he covers social housing providers, higher education / Universities and local authorities in the UK, and the Netherlands. He joined S&P in 2012 and has worked at S&P Capital IQ until 2015 as a Financial Analyst.

Ratul holds a masters degree in Finance from Imperial College Business School and a Bsc (Hons) in Economics from the University of Bath. He is also a CFA charter holder.

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