

**CREDIT OPINION**

4 December 2024

Update

Send Your Feedback

**RATINGS**

**Bromford Housing Group Limited**

Domicile	United Kingdom
Long Term Rating	A2
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.

**Contacts**

Zoe Jankel +44.20.7772.1031  
VP-Sr Credit Officer  
zoe.jankel@moodys.com

Sinan Li +44.20.7772.8652  
Ratings Associate  
sinan.li@moodys.com

Sebastien Hay +34.91.768.8222  
Associate Managing Director  
sebastien.hay@moodys.com

**CLIENT SERVICES**

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

# Bromford Housing Group Limited (UK)

## Update to credit analysis

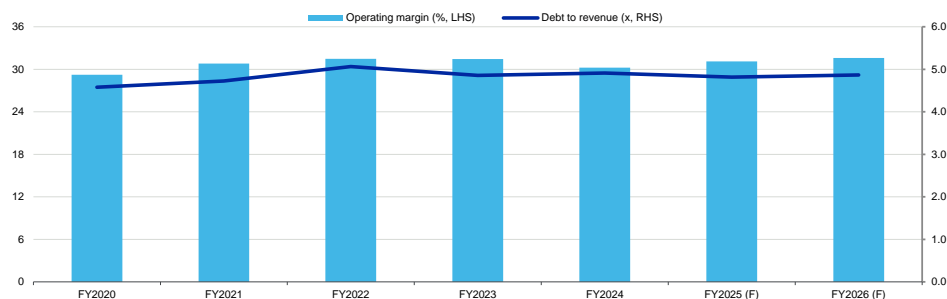
### Summary

[Bromford Housing Group's](#) (Bromford, A2 stable) credit profile reflects its strong and consistent financial management, financial performance and liquidity, as well as its large development programme. It also incorporates our assumption of 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

**Bromford's operating margin is set to slowly strengthen which will support debt growth, as reflected in a stable debt to revenue metric over the medium term**

Operating margin (%) and debt to revenue (x), FY2020-2026



F: Forecast.  
Source: Bromford, Moody's Ratings

### Credit strengths

- » Strong and consistent financial management and performance
- » Strong and risk-averse investment and debt management with ample liquidity
- » Supportive institutional framework in England

### Credit challenges

- » Increased borrowing, although debt ratios are expected to remain stable
- » Large development programme, although moderate levels of exposure to market sales

## Rating outlook

The stable outlook reflects our view that Bromford's financial performance will remain strong and its debt metrics will not worsen materially over the medium term.

## Factors that could lead to an upgrade

Upward pressure on Bromford's ratings could result from a material reduction in debt, a significant increase in government support and/or an upgrade of the UK government's rating.

## Factors that could lead to a downgrade

Downward pressure on Bromford's ratings could result from a prolonged weakening in operating performance or debt metrics. Lower government support for the sector, a downgrade of the UK government's rating or a dilution of the regulatory framework could also lead to downward pressure on Bromford's ratings.

## Key indicators

Exhibit 2

### Bromford Housing Group

Bromford Housing Group	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.)	43,977	44,470	45,140	45,986	46,841	47,888	48,876
Operating margin, before interest (%)	29.2	30.8	31.5	31.4	30.2	31.1	31.6
Net capital expenditure as % turnover	51.1	29.2	38.1	62.7	65.3	54.4	44.1
Social housing letting interest coverage (x times)	1.4	1.5	1.6	1.6	1.9	1.7	1.6
Cash flow volatility interest coverage (x times)	1.4	2.2	2.2	2.1	2.1	2.3	1.9
Debt to revenues (x times)	4.6	4.7	5.1	4.9	4.9	4.8	4.9
Debt to assets at cost (%)	45.9	45.2	43.9	45.8	47.4	46.5	46.2

F: Forecast.

Source: Bromford, Moody's Ratings

## Detailed credit considerations

The credit profile of Bromford, as expressed in its A2 stable rating, combines (1) its Baseline Credit Assessment (BCA) of a3, and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

In June 2024, Bromford announced its intention to merge with [Flagship Housing Group](#) (A2 stable), which would make the merged organisation one of the largest housing associations in England, managing around 80,000 units. We expect that formal completion will occur by April 2025.

## Baseline credit assessment

### Strong and consistent financial management and performance

Bromford has executed consistently its financial strategy, managed risk effectively and controlled its cost base, leading to stable and strong financial performance. Bromford has maintained its operating margin over the past five years, despite the rent cut, disruption posed by the COVID pandemic, increased building safety costs and high inflation over the past three years. In fiscal 2024, Bromford's operating margin decreased marginally to 30% from 31% in fiscal 2023 due to increased spending on repairs and maintenance, particularly on damp and mould cases. Its operating margin remains much stronger than A2-rated peers median at 24% in fiscal 2024.

Contributory factors to its strong operating margin include: effective control of its cost base through in-house repairs and maintenance services, disposals of uneconomic stock, decent margins achieved on its market sales tenures, very limited fire safety works required

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

due to the characteristics of its housing stock (c.70% are houses), and cost efficiencies implemented after its merger with Merlin in 2018.

We expect its operating margin to slowly improve over the medium term to 32% by fiscal 2027, as additional rental income from new units materialise. Alongside limited fire safety costs, Bromford also has a high proportion of stock at EPC-C or above (89%), with a low level of expenditure required to meet the target of 100% of stock at EPC-C or above by 2030 (around £16 million over the next five years, which represents around 5% of its fiscal 2024 turnover). Bromford aims for close to all its homes to achieve a minimum of EPC C by 2028, two years ahead of the 2030 deadline.

Bromford's social housing letting interest coverage (SHLIC) was maintained at 1.9x in fiscal 2024 and is above the A2 peer median of 1.6x. Bromford's forward looking three year average SHLIC is expected at 1.6x, in line with A2-rated peer medians, driven by improvements in the SHL operating margin against rising interest burden as debt increases.

The group structure is simple, with two registered providers - Bromford Housing Association and Merlin Housing Association - that own and manage the group's housing stock, a development vehicle, design and build vehicle and another company that will be used for joint venture development.

### **Strong and risk-averse investment and debt management with continued ample liquidity**

Bromford has a low risk debt profile, with 98% of its debt portfolio fixed, and only £75 million, or less than 5% of its drawn debt, due for refinancing within the next five years. Its liquidity policy is conservative, stipulating the need to keep immediately available facilities covering 1.5 times 18 months' expected committed and uncommitted expenditure, after incorporating a £25m contingency and a 20% slippage in forecast sales income. It also maintains an additional £6 million buffer above its net mark-to-market position on callable standalone swaps. It has strong liquidity coverage of 1.8x of its net two year spending requirements as of September 2024, with a solid base of revolving credit facilities of £450 million. Its covenant headroom, particularly its interest cover headroom, will continue to be strong at over 180bps on its tightest covenant in fiscal 2025.

In addition, as of September 2024, Bromford had chargeable assets valued at £558 million under MVT and £130 million under EUV, which can provide an additional £609 million in borrowing capacity. This compares favorably to Bromford's five-year net funding requirement of £489 million.

### **Supportive institutional framework in England**

The sector's credit quality benefits 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 by undertaking biennial In-Depth Assessments (IDAs) for large and complex HAs. The regulator has a strong track record of intervention in cases of mismanagement or financial stress with powers to provide financial assistance and/or make manager appointments where there has been a breach of regulatory standards.

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 currently ongoing to extend the policy out to at least fiscal 2031, which would provide more certainty to the sector.

### **Increased borrowing, although debt ratios are expected to remain stable**

Bromford will continue to increase its debt levels over the medium term to fund its development programme and spending on existing stock. Bromford's drawn debt totaled over £1.5 billion in FY2024 or 4.9x turnover, weaker than the A2-rated peer median of 3.6x. Its total debt is projected to increase to £2.0 billion by fiscal 2027. The increase in debt will be offset by rental income growth, with its debt to revenue metric expected at a stable average of 4.9x over the next three years.

We expect debt to asset at cost to remain stable over the medium term at around 47%, as debt growth keeps pace with the increase in asset levels and reserves - this is also a reflection of the limited number of units developed for market sale (including both outright sales and shared ownership) - at only 33% of its five year development programme.

**Large development programme, but only moderate exposure to market sales**

Bromford plans to deliver approximately 6,600 units over the next five years, including fiscal 2025, equating to approximately 14% of its total stock. Within this, Bromford plans to deliver over 4,400 homes for social rent and 2,200 homes for market sale (mostly shared ownership) by fiscal 2029, much of these attracting grant funding through its strategic partnership with Homes England. Its exposure to market sales will remain moderate over the medium term, at around 14% of turnover on average over fiscal 2025 to 2027, and the majority of this exposure relates to first tranche shared ownership for which Bromford has a strong history of performance with an average margin of 22% over the past three years. Over this period, first tranche shared ownership is expected to account for 10% of turnover on average, with only 4% of turnover from outright sales.

Bromford also retains flexibility within its development programme - only around 30% of its total development spend from fiscal 2025 to 2029 is committed and therefore can be flexed depending on market conditions.

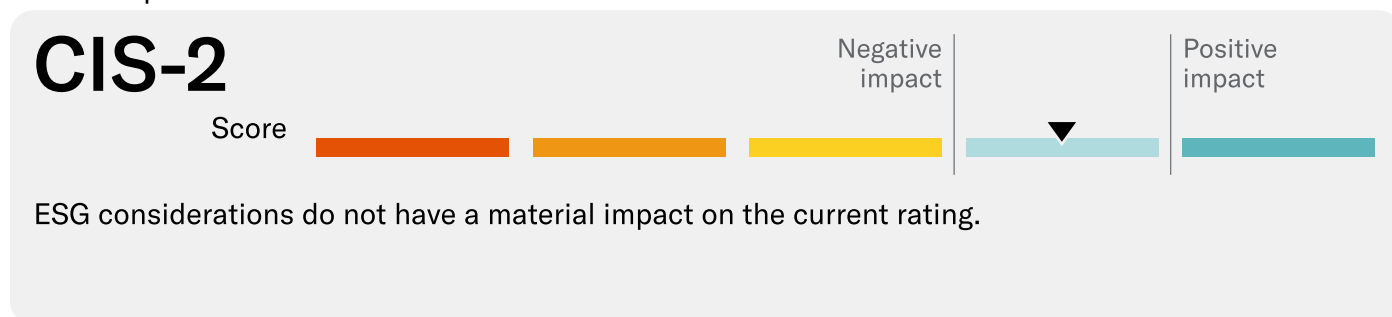
**Extraordinary support considerations**

The strong level of extraordinary support factored into the rating reflects the wide-ranging powers available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. However, the process can be protracted and is reliant on HAs agreeing to merge, which could be more challenging in a weakening operating environment. Recent history has shown that the UK government is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between Bromford and the UK government reflects their strong financial and operational linkages.

**ESG considerations**

**Bromford Housing Group Limited's ESG credit impact score is CIS-2**

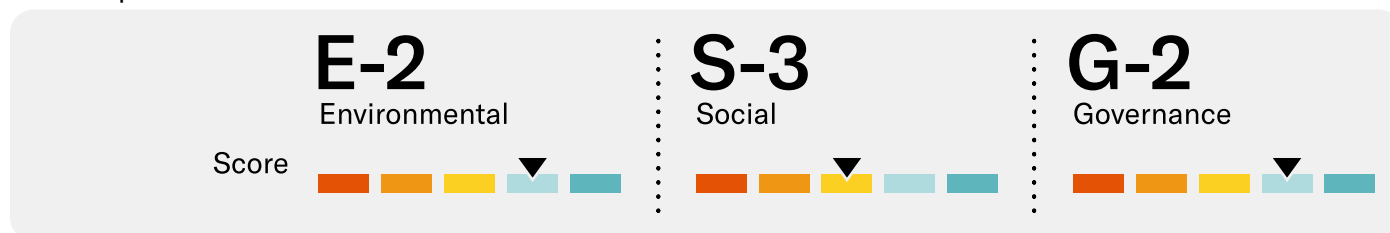
Exhibit 3  
ESG credit impact score



Source: Moody's Ratings

Bromford's CIS-2 reflects that ESG risks have a limited impact on its rating. Bromford has low exposure to carbon transition risks as the majority of its stock already meets energy efficiency requirements, and, although social risks are prevalent, we consider that it has the ability to effectively mitigate them through its strong governance and management practices. We also consider that the supportive regulatory framework for the sector offsets some ESG risks.

Exhibit 4  
ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Bromford has limited exposure to environmental risks (**E-2**). English housing associations have the legislative requirement to improve the energy efficiency of their existing housing stock by 2035 (carbon transition risks), leading to increased expenditure. However, we assess that Bromford has a low exposure to this risk as the vast majority of its housing stock already meets the required efficiency standards.

### Social

Bromford has material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety of its existing housing stock (responsible production risks) which weights on expenditure and operating margins, and the impacts of cost of living or affordability pressures on social tenants (demographic and societal trends) which led to the UK government capping social rent increases below inflation in fiscal 2024 in England, which will also have a negative impact on margins.

### Governance

Bromford has limited governance risks (**G-2**). Its governance is fit for purpose with strong financial management policies and processes, detailed reporting and a simple organisational structure. The regulatory framework also supports good governance in the sector.

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 a3 is line with the scorecard-indicated BCA outcome.

The methodologies used in this rating are [European Social Housing Providers](#), published in July 2024 and [Government Related Issuers](#), published in January 2024.

Exhibit 5

### Fiscal 2024 scorecard

Bromford Housing Group			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
<b>Factor 1: Institutional Framework</b>			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
<b>Factor 2: Market Position</b>			
Units Under Management	10%	46,841	a
<b>Factor 3: Financial Performance</b>			
Operating Margin	5%	30.2%	a
Social Housing Letting Interest Coverage	10%	1.9	a
Cash-Flow Volatility Interest Coverage	10%	2.1	a
<b>Factor 4: Debt and Liquidity</b>			
Debt to Revenue	5%	4.9	ba
Debt to Assets	10%	47.4%	ba
Liquidity Coverage	10%	1.8	a
<b>Factor 5: Management and Governance</b>			
Financial Management	10%	a	a
Investment and Debt Management	10%	a	a
<b>Scorecard - Indicated BCA Outcome</b>			<b>a3</b>
<b>Assigned BCA</b>			<b>a3</b>

Source: Moody's Ratings

## Ratings

Exhibit 6

Category	Moody's Rating
<b>BROMFORD HOUSING GROUP LIMITED</b>	
Outlook	Stable
Baseline Credit Assessment	a3
Issuer Rating - Dom Curr	A2

Source: Moody's Ratings

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454