FitchRatings

Public Finance
Government-Related Entities
United Kingdom

Platform Housing Group Ltd

The revision of Platform Housing Group Ltd's (Platform) Outlook to Stable from Negative reflects a similar change on the rating of its sponsor, the UK (AA-/Stable/F1+).

In Fitch Ratings' view, support from the state for Platform has 'Strong Expectations'. This combined with a Standalone Credit Profile (SCP) assessed at 'a', which is two notches below the sovereign, leads to a one-notch uplift. Continuing high demand for social and affordable housing and ongoing cash flow from rented properties continues to support Platform's credit, despite a challenging economic environment within the sector.

Key Rating Drivers

Support Score Assessment: Strong Expectations: We assess extraordinary support from the UK, as one with 'Strong Expectations', if necessary, as reflected in a score of 20 points out of 60 under our *Government-Related Entities Rating Criteria*. We assess both responsibility to support factors – decision making and oversight and precedents of support – as 'Strong', reflecting the sector's highly regulated nature and history of non-financial intervention to prevent default.

We assess one incentive to support factor – preservation of government policy role – as 'Strong' and one – contagion risk – as 'Not applicable', considering default would have little impact on cost of debt for the sponsor, but limiting access to markets for the sector could have a profound impact on continued provision of the service and delivery of a public policy mission.

Standalone Credit Profile - 'a': Platform's SCP reflects the combination of a 'Stronger' risk profile and a financial profile that we assess as similar to peers in the 'bbb' category. Platform continues to have strong financials, with net debt/EBITDA expected to remain at between 9.6x and 10.9x throughout the rating case. We expect net debt to increase to about GBP1.9 billion by the fiscal year ending in March 2028 (FY28), from GBP1.3 billion in FY23 driven by investment in existing housing stock and development of new units.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Issuer Profile Summary

At end-March 2023, Platform owned and managed about 48,000 housing units, making it one of the largest social housing registerd providers in the UK. The ratings reflect Platform's moderate debt, stable debt metrics and strong liquidity, which we expect to remain stable despite the company's revised, yet still ambitious development plans to deliver 8,000 homes over the next five years.

Financial Data Summary

(GBPm)	2023	2028rc
Net adjusted debt/EBITDA (x)	10.8	9.6
EBITDA/gross interest coverage (x)	2.5	1.9
Operating revenue	296	503
EBITDA	119	197
Net adjusted debt	1,279	1,896
Total assets	3,173	-

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Applicable Criteria

Government-Related Entities Rating Criteria (January 2024)

Public Policy Revenue-Supported Entities Rating Criteria (January 2024)

Related Research

UK Social Housing Is Broadly Stable, Despite Declining Margins (December 2023)

UK Registered Providers of Social Housing - Sector Overview 2022 (December 2022)

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Rating Synopsis

Platform Housing Group Ltd Rating Derivation

Summary	
Government LT IDR	AA-
GRE Standalone Credit Profile (SCP)	a
Support category	Strong expectations
Notching expression	Bottom up +1
Single equalisation factor	No
GRE LT IDR	A+
GRE Key Risk Factors and Support Score	
Responsibility to support	10
Decision making and oversight	Strong
Precedents of support	Strong
Incentives to support	10
Preservation of government policy role	Strong
Contagion risk	N/A
Support score	20 (max 60)
Standalone Credit Profile	
Risk profile	Stronger
Revenue risk	Stronger
Expenditure risk	Stronger
Liabilities and liquidity risk	Stronger
Financial profile	bbb
Qualitative factors adjustments	Neutral
GRE SCP	a

Distance \ Support score	>=45	35-42.5	30-32.5	20-25	15	12.5	<=10
SCP > IDR	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap	S-A/Cap
0	0	0	0	S-A	S-A	S-A	S-A
-1	0	0	0	+1/S-A	S-A	S-A	S-A
-2	0	0	0	**+1**	S-A	S-A	S-A
-3	0	0	-1	+1	S-A	S-A	S-A
-4	0	-1	-2	+1	S-A	S-A	S-A
-5	0	-1	-2	+2	+1	S-A	S-A
-6	0	-1	-2	+3	+2	+1	S-A
-7	0	-1	-2	+4	+2	+1	S-A
-8	0	-1	-2	+4	+3	+1	S-A
-9	0	-1	-2	+5	+3	+1	S-A
-10	0	-2	-3	+5	+3	+1	S-A

Stylized Notching Guideline Table: refer to GRE criteria for details

Analytical Outcome Guidance Table

Risk profile	Financial profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome	aaa	aa	a	bbb	bb	b

Government LT IDR	GRE SCP	GRE LT IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC+	ccc+	CCC+
CCC	ccc	CCC
CCC-	ccc-	CCC-
CC	cc	CC
C	c	C
RD	rd	RD
D	d	D

LT IDR – Long-Term Issuer Default Rating; GRE – Government-related entity
Source: Fitch Ratings

The ‘a’ SCP is driven by our assessment of a ‘Stronger’ risk profile and a ‘bbb’ financial profile, and comparison with peers in the sector.

We view Platform as a government-related entity in the UK, with a support score of 20 points. This results in a bottom-up approach, with a one-notch uplift to the SCP to arrive at the Long-Term Issuer Default Rating (IDR) of ‘A+’.

Platform’s Short-Term ‘F1+’ IDR reflects the combination of a ‘Stronger’ revenue risk and a strong liquidity ratio.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of the sovereign, combined with net debt/EBITDA below 9x in our rating case, could lead to an upgrade of Platform’s IDRs.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A sovereign downgrade, deterioration of net debt/EBITDA to above 11x on a sustained basis or an adverse change to the assessment of the key rating factors could result in a downgrade.

Issuer Profile

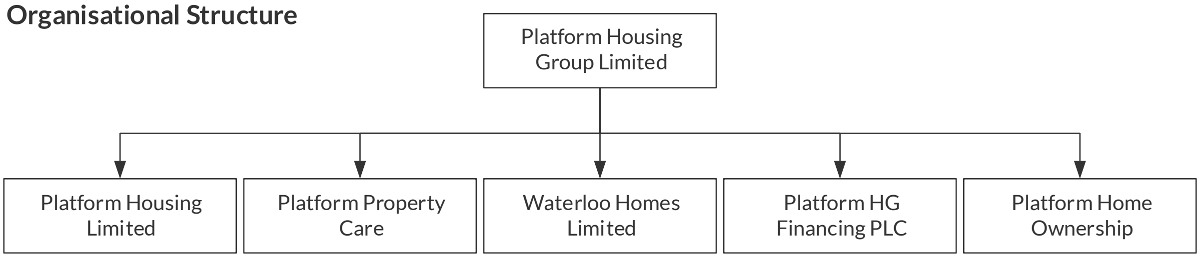
Platform is predominantly a social landlord, and is one of the largest registered providers (RPs) operating across the Midlands in centre of the UK. Platform has strong strategic relationships with Homes England and local authorities in the areas in which they operate. Platform owns and manages around 48,000 properties.

Platform intends to increase development to at least 1,500 homes a year in the coming years, across a mix of tenures under its development programme. Development will be concentrated in core the counties of Worcestershire and Leicestershire, as well as targeted growth areas of Warwickshire, Gloucestershire, Oxfordshire, Northamptonshire, Herefordshire, Derbyshire and Lincolnshire.

Platform Housing Group Ltd is the parent of the group and a charitable RP. Platform Housing Limited is a community benefit society – a type of not-for-profit legal organisation – and is the landlord entity of the group that holds all social tenancies and provides all landlord services.

Platform Property Care is responsible for repairs and maintenance within the group, managing most properties’ requirements excluding major repairs. Platform Home Ownership is a development vehicle, and Waterloo Homes Limited is dormant. Platform HG Financing is a treasury special purpose vehicle (SPV) for the group and the issuing entity for their Euro Medium-Term Note (EMTN) programme.

Organisational Structure



Source: Fitch Ratings

Support Rating Factors

Summary

Responsibility to support		Incentives to support			
Decision making and oversight	**Precedents of support**	**Preservation of government policy role**	**Contagion risk**	**Support score**	**Support category**
Strong	Strong	Strong	N.A.	20 (max 60)	Strong Expectations

Source: Fitch Ratings

Decision Making and Oversight

Platform is a private not-for-profit social housing registered provider. As such, it is not under the ownership of the UK government due to its structure and status; in strict terms there is no legal owner, with all surpluses reinvested to provide social housing. We consider the regulatory framework for English social housing as having a robust legal basis, and the overseeing Regulator of Social Housing (RSH) as maintaining sound control and tight monitoring of RPs. The regulator's history of oversight and (non-financial) intervention in (rare) cases of distress is a key factor behind the sector's solidity. In the event of financial distress, a transfer of assets and liabilities to another RP within the sector under the direction of the RSH is likely.

RPs are required to submit their multi-year business plans (which include a development plan, an operating plan, and a means of financing) for regulatory assessment. Stress-testing is also reviewed by the regulator as part of an 'in-depth assessment' (IDA), an evaluation of the risks it faces – financial, market, liquidity, etc. – and the management team's ways of dealing with them. Platform's latest IDA was assessed at G1/V1, both compliant and in line with peers.

The RSH can place a poorly performing RP under supervision and make statutory appointments to the board (this applies to both not-for-profit, and for-profit, providers). In some extreme cases, it can direct an independent statutory inquiry, which could result in an RP being required to transfer its assets to another one to protect the interests of tenants and other relevant parties, rather than an encouraged merger.

The UK government sets rent policy for all affordable and socially rented assets, which was capped for FY24 at a 7% increase but returned to increase by consumer prices index (CPI)+1% in FY25. We assume the government will maintain this rent standard, but this could be changed dependent on the decisions of government. This demonstrates strong control over operational activity.

Precedents of Support

Platform receives financial support through grants from Homes England at varying levels for social, affordable and shared ownership development. This is on an ongoing basis to support additional subsidised housing, not to finance debt or prevent default.

The RSH periodically publishes regulatory judgements on individual RPs. These judgements comprise a viability report and a governance report, which are conducted by means of an IDA of the individual RP.

Fitch considers the support mechanisms the RPs can benefit from, or have benefitted from, via their sponsor, the UK. Policy influence is supportive of registered providers' financial stability, with very few entering financial difficulties and none reaching a default scenario. Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances.

Although the RSH does not provide a direct guarantee for RP borrowers, and the UK government does not own the entities, the RSH can use its statutory powers to intervene when there are serious concerns about the performance of an RP. For example, the RSH can oblige a weaker provider to merge with a financially stronger one to prevent default and loss of services. This was the case with Sanctuary's rescue merger of Swan in February 2023. Also, Cosmopolitan Housing Association's merger with Sanctuary in March 2013 showed that the regulator's support was also available for entities involved in non-social housing activity.

The RSH did provide direct financial support to an RP for the first time in FY23, but at very small amount (less than GBP1 million) and provided a loan in the year for another struggling provider. This demonstrates that in times of difficulty the RSH can intervene if it sees fit.

Fitch has also factored in the financial involvement of the government in terms of the provision of housing benefit and housing grants (from relevant local authorities and Homes England); the RPs' important public policy mission; and ensuring that the government's co-financed public assets remain in the sector.

Preservation of Government Policy Role

Social housing is a crucial public service. There would be no immediate impact on the service in case of default, but there would be a medium-term impact on the provision of service as RPs rely on external financing for their maintenance capex and new investments. In the unlikely event of financial default, other RPs can act as substitutes with only temporary disruption to their service, and in the medium-term diminished service provision due to reduced financial resilience and access to finance.

Fitch considers that reduced access to the capital markets to raise funds – the consequence of a default – would have an impact on the level of services provided to tenants, particularly with regard to non-essential maintenance and capex on safety and energy-efficiency. We consider that RPs are of significant political and economic importance for the country and that they have a counter-cyclical role for the economy, as demonstrated by their continued strong performance throughout the Covid-19 pandemic. RPs are important for the delivery of the UKs net-zero agenda, shouldering much of the economic effect for decarbonising existing housing stock. This would not be possible without strong access to capital markets, which could be affected by a default.

Contagion Risk

Default would have only a minimal impact on either the availability or cost of domestic financing of the UK. Fitch considers that if a default occurred, it would be treated as an isolated case of mismanagement or viability concerns; as such, this should not affect the sector at large. However, it could cause questions about the role of the regulator and sponsor.

Standalone Credit Profile Assessment

Platform's SCP reflects a 'Stronger' risk profile, underpinned by 'Stronger' revenue risk, expenditure risk and liabilities and liquidity risk, and a 'bbb' financial profile. The positioning at 'a' is in line with stronger peers in the sector.

Risk Profile Assessment

Summary

Revenue risk	Expenditure risk	Liabilities and liquidity risk	Operating environment score	Risk profile
Stronger	Stronger	Stronger	aa	**Stronger**

Source: Fitch Ratings

Revenue Risk: Stronger

Demand Assessed as Stronger

Demand for social and affordable housing across England remains very strong, with more than 1 million applicants still on the waiting list and macroeconomic factors making market rents more unaffordable for many. Platform's provision of social and affordable homes continues to deliver a key public policy mission for the UK government when spending power for both customers and government is diminished.

The wide geographic spread of Platform's properties in the UK significantly limits risk of value fluctuation in specific regions. Due to the high levels of demand for low-cost accommodation across the country there is no concern about demand for Platform's social, affordable or market-rate housing. Current economic conditions are limiting development both in the social and market sectors, which have maintained property prices due to constraints on supply.

Platform has built a growing number of shared-ownership properties and expects this to be an important facet of its operations (in FY23 first-tranche sales accounted for roughly 12% of operating revenue). Platform has had no issues with the sale of shared-ownership properties due to high demand in the areas they are developing. Platform receives thousands of enquiries a year regarding shared ownership with consistent cash flow expected in the medium term.

Pricing Assessed as Stronger

Fitch views the pricing characteristics of Platform as 'Stronger' as it can increase social rents in line with inflation +1% (with the exception of April 2023 when that was a 7% cap) and is allowed to develop for sale, both privately and through shared ownership. This should enable Platform to cover rising costs and to cross-subsidise development. Fitch also considers that a rent increase within the legal cap should not affect demand. Platform's average weekly rents for affordable and social properties remain around 65%, or below, of market rent, providing scope for increases.

Rents returned to CPI+1% for five years from 1 April 2020, after a 1%-a-year reduction in social housing rents for four years from April 2016. This has brought some relief for the sector after the significant reduction in turnover in the four years from 2016 as a result of the rent cut – estimated by RPs at about 12% by 2020 and 2021.

Platform can switch tenures of developed units, if required, to meet increases in costs. Platform anticipates cross-subsidisation through shared-ownership sales, which should offer some flexibility on pricing. Fitch believes there is limited risk for shared-ownership sales, given strong countrywide demand, with further stimulus provided by government policies. The predominant funding sources will continue to be cash flow from core operations and Housing England grants, supported by surpluses from shared-ownership sales. Homes England has confirmed Platform as a strategic partner for the 2021-2026 programme and will receive more than GBP250 million in grants to build almost 4,750 homes by 2026.

Revenue Breakdown Excluding Non-Cash Items, 2023

	(GBPm)	% of operating revenue
Social lettings	243	82
Other social	35	12
Market rent	1	0
Other operating revenue	16	5
Operating revenue	**296**	**100**
Interest revenue	4	-
Capital revenue	54	-
Memo: Non-cash operating revenue	0	-

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Expenditure Risk: Stronger

Platform has well-identified cost drivers and low potential volatility in major items. Platform Property Care (PPC), which provide repairs and maintenance, enables Platform to continue reinvesting in existing stock at competitive rates. The Direct Labour Operation (DLO) factors into the staffing costs for Platform and inflates them slightly compared to peers. Platform's staff costs are broadly in line with peers that also undertake repairs in-house, at around 38%.

Core components of Platform's cost base are construction-related, property maintenance and staffing. A large proportion of construction-related costs are controlled through fixed-price build contracts with major contractors following a tender process. Delayed development schemes result in time-related cost increases. Property maintenance costs and responsive repair costs are controlled though Platform Property Care. In FY23 the level of repair started to rise both as catch-up was required after the pandemic, and because tenants expect a higher quality of services due to awareness and consumer regulation.

The availability of land and of construction companies to build is a considerable constraint. The UK has a solid network of construction companies, some of them world-renowned, with the financial strength and knowledge to build large social housing projects. Large registered providers, such as Platform, operating in more than one area in the UK also have great negotiating power over construction companies that may be interested in longer-term cooperation with a large investment partner. Platform works with large and SME construction partners.

Platform has very limited exposure to fire safety costs, budgeted at GBP 34.5 million for capital and operating in the next five years. This is very low compared to several rated peers and this is primarily due to the types of property owned by Platform, with very few high-rise blocks that require significant remediation, unlike the G15 organisations (the G15 is a group of the largest RPs based primarily in London) of a similar size.

Investment Planning

Fitch assesses investment planning as 'Stronger'. Platform has adequate mechanisms for capital planning and funding, and has demonstrated generally effective management. The RSH closely monitors these mechanisms through the 30-year financial forecast returns it requires, and regulatory judgements. Debt maturity is well within the expected economic life.

The group carries out regular planned stock condition surveys. On average, all stock is inspected on a rolling five-year basis internally, and externally validated on a sample basis. New surveys are budgeted for annually and include new units. The stock condition survey influences the asset-management strategy and future planned programmes. Platform requires properties to be maintained at a higher than Decent Homes Standard – the minimum standards that social homes are required to meet since the early 2000s. To maintain this standard, Platform has budgeted to invest GBP55,000 per property in the next 30 years.

To finance their investment programmes, UK registered providers have strong ongoing cash flow from the social rental aspect of their business, as well as high levels of liquidity provided by the financial markets. Most registered providers have revolving credit facilities, bank loans, private placements (PPs) or public bonds to finance development on long-term arrangements that are often not fully drawn.

Platform continues to pursue a land-led development strategy, which gives it more control over delivery. Acquiring sites for development enables Platform to build to a higher standard, the 'Platform Standard', and ensure that homes are sustainable.

Platform has partnered with Homes England to deliver approximately 4,750 homes with GBP250 million in grant funding. Platform has begun development using a modular strategic partner (which helps meet the requirements for modular development) to meet grant funding obligations. Platform expects up to 25% of development to be modular, allowing for greater development, potentially lower costs, faster delivery and improved EPC ratings.

On average, 44% of funding of new units is from external funding (loans), 41% from surpluses, and 15% from government grants. Fitch expects total commitments to be met by EMTN issuances, undrawn loan facilities, cash, social housing grants, projected proceeds from first-tranche sales of shared-ownership properties, and the sale of properties.

Expenditure Breakdown Excluding Non-Cash Items, 2023

	(GBPm)	% of operating expenditure
Staff costs	68	38
Routine and planned maintenance costs	60	34
Major repairs	12	7
Other operating expenditure	38	21
Operating expenditure	**177**	**100**
Interest expenditure	48	-
Capital expenditure	253	-
Memo: Non-cash operating expenditure	42	-

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Liabilities and Liquidity Risk: Stronger

Debt Characteristics

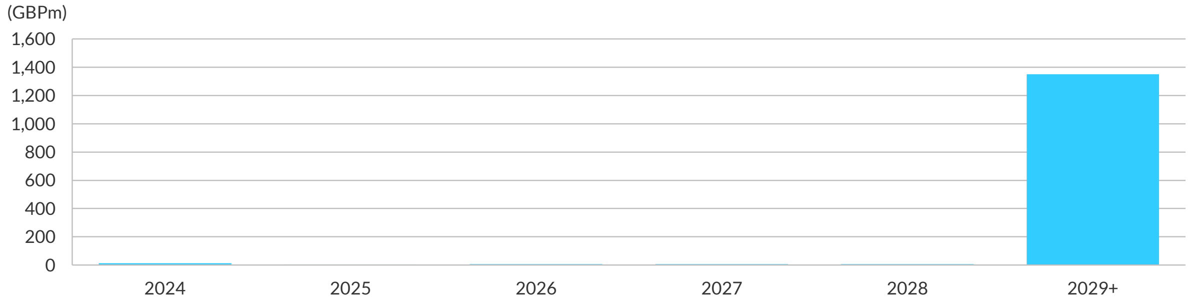
Platform at FYE23 had about GBP1.5 billion drawn debt and has since issued a GBP250 million bond. Platform operates in a fully developed financial market (UK) with full access to banks, debt capital markets and PPs. Above 90% of net debt (99%) is fixed-rate, limiting exposure to fluctuations in the capital markets. The weighted average life of debt is 23 years due to long-dated bonds, loans and PPs.

Platform has no off-balance-sheet risks. Platform owns several subsidiaries; however, all debt raised in these entities is non-recourse, with all equity and debt obligations of Platform provided upfront and included in its accounts.

Liquidity Characteristics

The sector has general access to finance, with institutional investors and banks widely available. Platform currently has GBP2 billion agreed debt, with significant additional unallocated charged security available to issue under the EMTN programme. The sector currently has around GBP140 billion in outstanding debt, with Platform a major borrower. Platform has a liquidity policy that stipulates minimum cash holdings of GBP10 million and minimum cash and available facilities that are sufficient to finance the following 18 months of projected net cash requirements. Platform has credit ratings with Fitch and S&P, using both to access the market on a consistent basis. Platform also has access to GBP250 million in capital grant funding for its development programme.

Financial Debt Maturity Profile, End-2023



Source: Fitch Ratings, Platform Housing Group Ltd

Debt and Liquidity Analysis

	End-2023
Total debt (GBPm)	1,393
Cash and liquidity available for debt service (GBPm)	118
Undrawn committed credit lines (GBPm)	410
Debt in foreign currency (% of total debt)	
Fixed rate (% of total debt)	99
Short-term debt (% of total drawn debt)	1.0
Issued debt (% of total debt)	68
Apparent cost of debt (%)	3.5
Weighted average life of debt (years)	23.0

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Financial Profile Assessment

Fitch's rating case expects Platform's operating turnover to average GBP432 million in FY24-FY28 (FY23: GBP296 million) with EBITDA averaging at GBP164 million a year (FY23: GBP119 million). In its rating case Fitch forecasts Platform's net debt to increase to about GBP1.9 billion by FYE28 from GBP1.3 billion at FYE23. However, in relation to Fitch-calculated EBITDA net debt is expected to be maintained at about 10x.

Fitch believes Platform will continue to demonstrate strong financial performance in the medium term. Strong demand for low-cost housing, expected cost efficiencies and cross-subsidisation from shared-ownership sales should enable Platform to maintain consistent cash flow and sufficient revenue to service debts and support its development plan.

Platform developed more than 1,000 units in FY23 (FY22: 1,171) and it aims to develop up to 7,800 units in the next five years. The tenure is split into 15% social, 33% affordable housing, 47% shared ownership, and the remainder divided between elderly care and a small number of market-sale properties.

Platform has maintained low net adjusted debt/EBITDA, which our rating case forecasts on average at about 10x. We expect leverage to decrease gradually throughout the rating case, as the reduction in development plan filters through.

The secondary metrics are fairly stable throughout the rating case. Fitch expects Platform's EBITDA/debt service coverage to average 1.9x in FY24-28 (FY23: 2.0x) and EBITDA/gross interest coverage to average 2.1x across the rating horizon (FY23: 2.4x). Liquidity coverage ratio in FY24 (5.9x) also shows limited volatility as it is fairly similar to historical values.

No adjustment was made to the financial profile ('bbb') assessment due to the relative stability of these ratios and because they are similar to the assessment of the primary metric. As such, we use the primary leverage as the key determinant.

Financial Profile Guidance Table

	Primary metric	Secondary metrics		
	Leverage ratio (x)	Debt service coverage ratio (x)	Gross interest coverage ratio (x)	Liquidity coverage ratio (x)
aaa	X ≤ 0	X ≥ 3	X ≥ 10	**X ≥ 5**
aa	0 < X ≤ 4	2 ≤ X < 3	6 ≤ X < 10	3 ≤ X < 5
a	4 < X ≤ 8	**1.4 ≤ X < 2**	4 ≤ X < 6	1.8 ≤ X < 3
bbb	**8 < X ≤ 12**	1 ≤ X < 1.4	2 ≤ X < 4	1.2 ≤ X < 1.8
bb	12 < X ≤ 18	0.6 ≤ X < 1	**1 ≤ X < 2**	0.8 ≤ X < 1.2
b	X > 18	X < 0.6	X < 1	X < 0.8

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

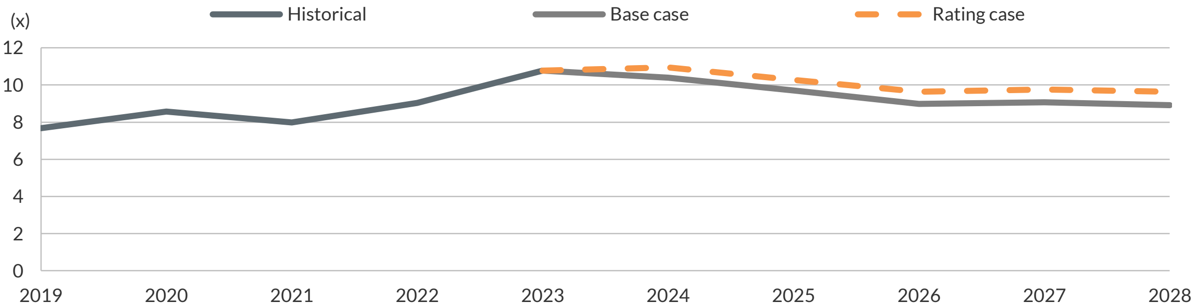
Fitch's Base and Rating Cases – Main Assumptions and Outcomes

Assumptions	Five-year historical average	2024 - 2028 average	
		Base case	Rating case
Operating revenue growth (%)	4.3	11.6	11.2
Transfers from public sector growth (%)	-	-	-
Operating expenditure growth (%)	9.5	11.4	11.6
Net capital expenditure (average per year; GBPm)	-152	-210	-210
Apparent cost of debt, 2023 (%)	3.5	4.3	4.3

Outcomes	2023	2028	
		Base case	Rating case
EBITDA (GBPm)	119	208	197
Net adjusted debt (GBPm)	1,279	1,852	1,896
Net adjusted debt/EBITDA (x)	10.8	8.9	9.6

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Net Adjusted Debt/EBITDA - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Additional Risk Factors Considerations

Asymmetric Risk Considerations

Management and Governance	Accounting Policies, Reporting and Transparency	Country Risk and Legal Regime	Asymmetric Risk Impact (notches)
Neutral	Neutral	Neutral	No

Source: Fitch Ratings

We assess all asymmetric risk attributes as 'Neutral' due to a strong regulatory framework, transparent reporting of information and a risk averse debt structure. The debt is mostly fixed rate (99%) and vanilla in issuance (sterling bonds and bank debt). The RSH assesses governance and management at the highest level, G1. Platform operates under English law, considered strong, and the Country Ceiling is 'AAA'. Information quality is strong, with external publications internally and externally audited.

Peer Analysis

Peers

	Support Category	Risk Profile	Financial Profile	Issuer SCP	Notching Expression	Issuer LT IDR
Platform Housing Group Ltd	Strong expectations	Stronger	bbb	a	Bottom up +1	A+
Great Places Housing	Strong expectations	Stronger	bbb	a	Bottom up +1	A+

Source: Fitch Ratings, Platform Housing Group Ltd

Platform's closest peers in terms of number of housing units owned are Hyde Housing Association Limited and A2Dominion. Platform is based in the Midlands, whereas many peers in our portfolio operate in London and the north-west.

Platform's net adjusted debt/EBITDA is most comparable to those providers that have an SCP at 'a', in particular Great Places, which also is based outside of London. Platform remains one of the few in sector that Fitch expects to continue developing in the next five years, alongside VIVID. Platform is well placed, but has weaker leverage metrics than Gentoo and more in line with Great Places.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Appendix A: Financial Data

Platform Housing Group Ltd

(GBPm)	2019	2020	2021	2022	2023
Income statement					
Operating revenue	269	252	265	292	296
Operating expenditure	-171	-161	-169	-207	-219
Interest revenue	1	1	0	0	4
Interest expenditure	-44	-50	-54	-57	-48
Other non-operating items	11	15	14	14	16
Taxation	0	0	0	0	0
Profit (loss) after tax	67	58	56	43	49
Memo: Transfers and grants from public sector					
Balance sheet summary					
Long-term assets	2,373	2,532	2,666	2,800	3,003
Stakes (equity investment)					
Stock	30	36	39	27	33
Trade debtors	19	20	18	17	20
Other current assets					
Total cash, liquid investments, sinking funds	153	84	189	278	118
Total assets	2,574	2,671	2,912	3,121	3,173
Long-term liabilities	1,646	1,583	1,739	1,998	1,926
Trade creditors	6	9	8	12	26
Other short-term liabilities	74	155	203	90	115
Charter capital					
Reserves and retained earnings	848	925	962	1,021	1,106
Minority interests					
Liabilities and equity	2,574	2,671	2,912	3,121	3,173
Net equity	848	925	962	1,021	1,106
Debt statement					
Financial debt - senior	1,162	1,160	1,283	1,439	1,393
Subordinated debt					
Finance leases					
Total debt	1,162	1,160	1,283	1,439	1,393
Other Fitch-classified debt					
Adjusted debt	1,162	1,160	1,283	1,439	1,393
Unrestricted cash, liquid investments, sinking funds	153	84	189	278	114
Net adjusted debt	1,009	1,076	1,094	1,161	1,279
EBITDA reconciliation					
Operating balance	99	92	96	85	77
+ Depreciation	33	34	35	44	42
+ Provision and impairments	0	0	6	0	0
+/- Other non-cash operating expenditures/revenues	0	0	0	0	0
= EBITDA	131	126	137	129	119

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Appendix B: Financial Ratios

Platform Housing Group Ltd

	2019	2020	2021	2022	2023
Income statement ratios (%)					
Operating revenue annual growth	12.3	-6.2	5.1	10.1	1.2
Operating expenditure annual growth	22.7	-5.9	5.4	22.3	5.5
EBITDA/operating revenue	48.8	49.8	51.7	44.0	40.2
Personnel costs/operating expenditure	30.3	36.5	40.6	35.2	38.2
Total transfers from public sector/operating revenue and ad-hoc transfers					
Balance sheet ratios (%)					
Current assets/adjusted debt	17.3	12.0	19.1	22.3	12.3
Current assets/total assets	7.8	5.2	8.4	10.3	5.4
Total assets/adjusted debt	221.6	230.3	226.9	216.9	227.8
Return on equity	7.9	6.2	5.8	4.2	4.4
Return on assets	2.6	2.2	1.9	1.4	1.5
Debt and liquidity ratios					
Net adjusted debt/EBITDA (x)	7.7	8.6	8.0	9.0	10.8
EBITDA/debt service coverage (x)	1.7	1.7	1.0	0.8	2.0
EBITDA/gross interest coverage (x)	2.7	2.4	2.5	2.3	2.5
Liquidity coverage ratio (x)	4.2	5.4	3.3	4.5	13.9
Net adjusted debt/operating revenue (%)	374.7	426.4	412.5	397.5	432.8
Net adjusted debt/equity (%)	119.0	116.4	113.8	113.7	115.6
Debt in foreign currency/total debt (%)					
Debt at floating interest rates/total debt (%)					
Short-term debt/total debt (%)	1.8	7.7	8.8	0.6	1.0
Issued debt/total debt (%)	29.5	30.8	51.2	66.5	68.6

Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

Appendix C: Fitch's Rating-Case Scenario

Platform Housing Group Ltd

(GBPm)	2024rc	2025rc	2026rc	2027rc	2028rc
Cash-adjusted income statement					
Operating revenue	343	387	453	474	503
Operating revenue annual growth (%)	16.2	12.8	17.0	4.8	6.0
Operating expenditure	-214	-242	-286	-294	-306
Operating expenditure annual growth (%)	21.1	12.9	18.3	3.0	4.0
EBITDA	129	146	167	180	197
Interest revenue	1	0	2	1	1
Interest expenditure	-53	-67	-79	-91	-106
Financial balance	-52	-66	-78	-90	-105
Net capital expenditure	-219	-159	-203	-237	-231
Capital injection and other cash-items	0	0	0	0	0
Dividend paid	0	0	0	0	0
Other cash-items (net)	0	0	0	0	0
Net debt movement	133	129	213	248	247
Change in cash	-8	50	100	100	108
Debt and liquidity					
Adjusted debt	1,526	1,655	1,869	2,116	2,363
Memo: Non-cash movement in adjusted debt	0	0	0	0	0
Unrestricted cash	110	160	259	360	467
Net adjusted debt	1,416	1,496	1,609	1,757	1,896
Financial and liquidity ratios (x)					
Net adjusted debt/EBITDA	10.9	10.3	9.6	9.8	9.6
EBITDA/debt service coverage	1.9	2.0	1.7	1.9	1.8
EBITDA/gross interest coverage	2.5	2.2	2.1	2.0	1.9
Liquidity coverage ratio	5.9	1.8	1.7	2.8	3.3

rc - Fitch's rating-case scenario: a through-the-cycle scenario that incorporates a combination of revenue, cost or financial risk stresses
Source: Fitch Ratings, Fitch Solutions, Platform Housing Group Ltd

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.