

Research Update:

# U.K. Social Housing Provider Plymouth Community Homes Ltd. 'A+' Rating Affirmed; Outlook Positive

January 20, 2025

## Overview

- We project U.K. social housing provider Plymouth Community Homes Ltd. (PCH) will ramp up debt-funded development of new homes and increase investments in existing assets, based on its 2024-2029 growth strategy.
- We expect management will continue to adhere to prudent financial policies to support credit metrics amid pressure from investments.
- We therefore affirmed our 'A+' rating on PCH.
- The outlook remains positive because we believe PCH could sustain strength relative to peers through cost controls and higher revenue from core operations.

## Rating Action

On Jan. 20, 2025, S&P Global Ratings affirmed its 'A+' long-term issuer credit rating on U.K. social housing provider Plymouth Community Homes Ltd. (PCH). The outlook is positive.

## Outlook

The positive outlook reflects our view that PCH's credit metrics could remain significantly stronger than peers'.

## Downside scenario

We could revise the outlook to stable if investments in existing homes, cost pressures, or debt-funded portfolio expansion result in credit metrics performing in line with or weaker than our current projections.

### PRIMARY CREDIT ANALYST

**Colleen Sheridan**  
London  
+44-20-7176-0561  
colleen.sheridan@spglobal.com

### SECONDARY CONTACT

**Karin Erlander**  
London  
+ 44 20 7176 3584  
karin.erlander@spglobal.com

### ADDITIONAL CONTACT

**Sovereign and IPF EMEA**  
SOVIPF  
@spglobal.com

## Upside scenario

Over the next 12 months we could raise our rating on PCH if the group maintains adjusted EBITDA margins close to 20% and debt-to-nonsales EBITDA around 10x; as well as sustained strength in interest coverage and liquidity. This could result from higher revenue from core operations and prudent cost controls mitigating the pressure from increased investments in existing and new stock.

## Rationale

The rating affirmation reflects our view that PCH's credit metrics will remain strong compared with those of its English housing peers. This is despite PCH's higher investments and debt levels than in our previous forecast. We project metrics to weaken relative to fiscal 2024 (ended March 31, 2024). We anticipate PCH will manage pressure from increased investments in existing homes and greater funding needs for development to maintain relatively strong debt metrics, liquidity, and modest financial performance.

## Enterprise profile: Underpinned by strong demand for services; predictable earnings with limited exposure to sales risk; and prudent management.

PCH owns and manages roughly 16,300 homes (including over 1,700 leaseholders) in and around Plymouth in Southwest England and retains a solid presence in its area of operations, owning more than 60% of the social rental units in Plymouth. We see strong demand for its properties, evidenced by its solid operational metrics. The group's average social and affordable rents is about 50% of the average market rent in the area, and the vacancy rate, 0.5% on average over the past three years, is significantly lower than the sector's.

PCH benefits from generating most of its earnings in the predictable and countercyclical English social-housing sector. We believe PCH will continue to focus on low-risk social housing activities. With increased development expected, we project sales activity will grow incrementally over our forecast period through 2027, yet remain less than 10% of the group's adjusted operating revenue. We expect sales exposure to be contained to the sale of first tranche shared ownership following underperformance in the group's small open market sales joint venture, which will result in a write-off in fiscal 2025.

We take a positive view of PCH's ability to maintain relatively strong metrics despite challenges in the sector, and we expect management to continue to adhere to conservative financial policies. We believe the group's plans will be data driven, supplemented by recent stock condition surveys. Over the last year PCH completed stock condition surveys on over 50% of its stock, with the remaining surveys to be completed in the upcoming year. We expect the group to promptly address any area highlighted in survey work, as demonstrated with its carbon-monoxide-detector remediation over the last year. We anticipate PCH will continue to carry out regeneration projects without major setbacks while tackling maintenance and repairs and focusing on energy efficiency.

We assess the regulatory framework under which registered providers of social housing in England operate as strong (see "Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong Regulatory Frameworks," published Oct. 23, 2023, on RatingsDirect).

**Financial profile: Increasing investments in existing homes, alongside greater funding needs for development, will weaken debt metrics to levels that, nevertheless, will remain solid in comparison to those of peers.**

Following strong performance in fiscal 2024, we project S&P Global Ratings-adjusted EBITDA margins will weaken in fiscal 2025 and remain below 20% over the next two years as PCH combats higher costs related to responsive repairs and implements its asset investment program. After contract and supply delays in fiscal 2025 and with a fully staffed asset team, we expect investments in existing homes to pick up. That said, we anticipate PCH will look to target efficiencies and implement new technology and working practices to compensate for heightened investment and future regeneration projects.

We project weaker financial performance, combined with increased debt to fund development, will push debt to non-sales-adjusted EBITDA over 10x and nonsales EBITDA interest coverage closer to 2x. We understand that PCH's ambition is to develop and grow its portfolio by 10% over the next five years. We anticipate that the group will ramp up operational capacity over fiscal 2026 to deliver roughly 300 units annually on average, as opposed to its previous target of 200 handovers a year. We expect increased capital expenditure, funding, and delivery of new homes will be weighted more to the latter end of the of the five-year program in fiscal 2027 and beyond. We view interest rate risk as limited with minimal variable debt required until the next funding need in fiscal 2027.

PCH's liquidity position remains a credit strength. We expect liquidity sources to cover uses by about 3.3x over the next 12 months. This is based on our forecast of about £143 million liquidity sources comprising cash, undrawn and available revolving credit facilities, grant receipts, asset sales, and cash from operations (adding back the noncash cost of sales) that will cover liquidity uses of about £43 million (mainly capex, interest, and principal payments). We also assume PCH will continue to have satisfactory access to debt capital markets.

**Government-related entity analysis**

We believe there is a moderately high likelihood that PCH would receive timely extraordinary government-related support in case of financial distress. This is neutral to the rating on PCH. As one of the key goals of the Regulator of Social Housing (RSH) is to maintain lender confidence and low funding costs across the sector, we believe it is likely that the RSH would step in to try and prevent a default in the sector. We base this view on previous records of the RSH mediating mergers or arranging liquidity support from other registered providers in cases of financial distress, and think this would also apply to PCH.

**Key Statistics**

Table 1

**Plymouth Community Homes Ltd.--Key statistics**

Mil. £	--Year ended March 31--				
	2023a	2024a	2025bc	2026bc	2027bc
Number of units owned or managed	16,180	16,378	16,540	16,690	16,977
Adjusted operating revenue	76.6	82.7	92.2	94.4	101.5

Table 1

**Plymouth Community Homes Ltd.--Key statistics (cont.)**

Mil. £	--Year ended March 31--				
	2023a	2024a	2025bc	2026bc	2027bc
Adjusted EBITDA	11.0	17.5	17.0	17.4	16.5
Non-sales adjusted EBITDA	10.0	17.1	15.7	16.2	14.6
Capital expense	11.9	39.6	39.0	34.6	53.4
Debt	122.0	125.0	144.3	147.8	181.3
Interest expense	4.0	5.2	5.5	5.7	6.7
Adjusted EBITDA/Adjusted operating revenue (%)	14.4	21.2	18.5	18.4	16.2
Debt/Non-sales adjusted EBITDA (x)	12.2	7.3	9.2	9.1	12.4
Non-sales adjusted EBITDA/interest coverage(x)	2.5	3.3	2.8	2.9	2.2

a--Actual. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario.

**Ratings Score Snapshot**

Table 2

**Plymouth Community Homes Ltd.--Ratings score snapshot**

Assessment	Score
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	1
Management and Governance	2
Financial risk profile	3
Financial performance	5
Debt profile	2
Liquidity	1
Stand-alone credit profile	a+
Issuer credit rating	A+

S&P Global Ratings bases its ratings on non-profit social housing providers on the seven main rating factors listed in the table above. S&P Global Ratings' "Methodology For Rating Public And Nonprofit Social Housing Providers," published on June 1, 2021, summarizes how the seven factors are combined to derive each social housing provider's stand-alone credit profile and issuer credit rating.

**Related Criteria**

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers, June 1, 2021

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery, Jan. 14, 2025
- The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities, Nov. 5, 2024
- U.K. Social Housing Providers' Financial Capacity Shrinks On Investment Needs, Nov. 4, 2024
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Ratings Pressure Has Eased, Oct. 31, 2024
- Non-U.S. Social Housing Providers Ratings History: October 2024, Oct. 31, 2024
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 18, 2024
- European Housing Markets: Better Days Ahead, published July 17, 2024
- U.K. Social Housing Borrowing 2024: Borrowing capacity remains constrained, March 6, 2024
- Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong Regulatory Frameworks, Oct. 23, 2023

## Ratings List

### Ratings Affirmed

---

#### Plymouth Community Homes Ltd.

---

Issuer Credit Rating A+/Positive/--

---

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings). Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.