

Research Update:

U.K. Social Housing Provider Platform Housing Group 'A+' Rating Affirmed; Outlook Stable

January 21, 2025

Overview

- We expect that, despite the recent weakening of its debt metrics, Platform Housing Group Ltd.'s low cost of debt relative to peers will result in balanced interest coverage through to fiscal 2027.
- Rental increases beyond inflation should largely offset the group's growing cost base and support its S&P Global Ratings-adjusted EBITDA margin at about the current level.
- We continue to assess Platform's management as strong, underlined by its low risk appetite.
- We therefore affirmed our 'A+' long-term issuer credit rating on Platform. The outlook is stable

Rating Action

On Jan. 21, 2025, S&P Global Ratings affirmed its 'A+' issuer credit rating on U.K.-social housing provider Platform. The outlook is stable.

At the same time, we affirmed our 'A+' issue rating on Platform HG Finance PLC's senior secured bonds and its £1 billion senior secured euro medium-term note (EMTN) program. Platform HG Finance PLC was set up for the sole purpose of issuing bonds and lending the proceeds to the group, and we view it as a core subsidiary.

Outlook

The stable outlook reflects our view that, despite weakening ratios stemming from higher operating and investment costs, Platform's S&P Global Ratings-adjusted debt to EBITDA should remain reasonably resilient, while the group will benefit from lower-than-peers' cost of debt.

Downside scenario

We could lower the rating if Platform's S&P Global Ratings-adjusted EBITDA weakened beyond what we currently anticipate. This could happen because of, among other reasons, increased

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development or higher investment aspirations. We could also lower the rating if our view of Platform's management were to weaken, for example as a result of a higher risk appetite.

Upside scenario

We could raise the rating on Platform if the group were to contain costs beyond our current expectations, resulting in a structurally stronger S&P Global Ratings-adjusted EBITDA margin. Under this scenario, we would expect a more robust debt profile.

Rationale

The rating affirmation reflects our view that the group's financial metrics will remain broadly stable, following a recent weakening from higher costs. Adjusted EBITDA margins should remain structurally above 20%, with performance now mostly stable, after a large uptick in capitalized repairs. Despite its continued debt accumulation, we believe the group's low cost of debt relative to peers will support adjusted EBITDA interest coverage at close to its current level. We expect Platform's management will remain risk averse when considering open market opportunities, focusing instead on traditional social housing activities. We continue to assess the group's liquidity position as very strong.

Enterprise profile: Management remains risk averse, with limited exposure to volatile revenue streams

Platform's revenue streams largely comprise rental income from core social housing, which is both predictable and countercyclical. The group owns and manages over 49,000 units spread across the English Midlands, the majority of which are social and affordable tenures. The group experiences solid demand for its properties as seen in vacancy rates of 1.6%, on par with the sector average. Platform benefits from low average social and affordable rents that are around 65% of average market rent.

Our positive view of Platform's management reflects its low risk appetite and high expertise across the executive team and board. While we think Platform's proactive approach to capital asset investment has pressured its metrics in the short term, we understand its aim is to build a stronger asset base as part of a longer term strategy. We believe that despite moderate debt accumulation, the group has maintained a cost of debt lower than relevant peers, which helps contain further pressures on its debt metrics. We believe that management's current risk appetite will keep Platform's exposure to more volatile open market activities below 20% of revenues.

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 performance: Pressures from the large cost base are somewhat mitigated by rental increases

Due to higher operating costs and a large capital investment program, Platform's S&P Global Ratings-adjusted EBITDA margin will likely weaken through to fiscal 2026 and remain mostly flat thereafter. We forecast that Platform will benefit from rents once again exceeding underlying inflation, helping contain most of the cost pressures from demand-led repairs and capital works.

We have lowered our assessment of Platform's debt profile as weaker S&P Global Ratings-adjusted EBITDA has been feeding through to the group's adjusted EBITDA interest coverage and ratio of debt to non-sales adjusted EBITDA. We do, however, assess that the group's cost of debt is relatively low compared to peers, supported by minimal volatility thanks to low exposure to variable rate debt. As a result, we expect Platform's debt metrics will remain broadly stable at their current level through to fiscal 2027, despite continued debt accumulation.

We forecast Platform's liquidity will remain very strong with sources to uses of liquidity at 2.1x for the next 12 months. We estimate the group's liquidity sources will total £775 million, comprising cash, undrawn and available facilities, asset sales, grant receipts, and cash from operations (adding back the noncash cost of sales). We forecast liquidity uses of just under £375 million primarily comprised of committed capital expenditure and payments for debt servicing. Platform has an established track record of accessing the debt capital markets, and as such we continue to view the group's access to external liquidity as satisfactory.

Government-related entity analysis

We see a moderately high likelihood that Platform would receive timely extraordinary government support from the U.K. government in case of financial distress. However, this is currently neutral to our rating on Platform. 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 think it likely that the RSH would step in to try and prevent a default in the sector. We base this view on previous instances of the RSH mediating mergers or arranging liquidity support from other registered providers in cases of financial distress, and we assume this would apply to Platform.

Selected Indicators

Table 1

Platform Housing Group Ltd.--Financial statistics

Mil. £	--Year ended Mar. 31--				
	2023a	2024a	2025bc	2026bc	2027bc
Number of units owned or managed	48,082	49,182	50,298	51,529	52,706
Adjusted operating revenue	294.9	331.7	362.7	392.2	421.0
Adjusted EBITDA	94.5	87.1	94.3	93.0	102.4
Nonsales adjusted EBITDA	88.6	81.0	89.3	86.3	94.5
Capital expense	225.9	275.4	297.0	304.3	303.6
Debt	1,405.3	1,501.3	1,608.2	1,755.9	1,873.3
Interest expense	47.3	49.1	54.2	56.8	62.7
Adjusted EBITDA/Adjusted operating revenue (%)	32.1	26.3	26.0	23.7	24.3
Debt/Nonsales adjusted EBITDA (x)	15.9	18.5	18.0	20.3	19.8
Nonsales adjusted EBITDA/interest coverage(x)	1.9	1.7	1.6	1.5	1.5

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available.

Ratings Score Snapshot

Table 2

Platform Housing Group Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and governance	2
Financial risk profile	3
Financial performance	4
Debt profile	4
Liquidity	2
Stand-alone credit profile	a+
Issuer credit rating	A+

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "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: Group Rating Methodology, July 1, 2019
- 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, July 17, 2024
- U.K. Social Housing Borrowing 2024: Borrowing Capacity Remains Constrained, March 6, 2024
- Non-U.S. Social Housing Sector Outlook 2024: At A Turning Point?, Nov. 29, 2023
- Regulatory Framework Assessment: Social Housing Providers In The U.K. Benefit From Strong Regulatory Frameworks, Oct. 23, 2023

Ratings List

Ratings Affirmed

Platform Housing Group Ltd.

Issuer Credit Rating A+/Stable/--

Platform HG Financing PLC

Senior Secured A+

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 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/sourceid/504352>. Complete ratings information is available to RatingsDirect subscribers at 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. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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