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FitchRatings

Places for People Group Limited

Key Rating Drivers

Ratings Affirmed: Fitch Ratings' affirmation of Places for People Group Limited's (PfPG) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'A' with Stable Outlook reflects Fitch's expectation that PfPG's credit profile will remain strong enough over the five-year forecast period to support the ratings at their current levels, and a single-notch downgrade of the UK sovereign IDR would not automatically result in a downgrade of PfPG's IDRs.

Fitch views PfPG as a government-related entity of the UK. Its rating is driven by its 'a-' Standalone Credit Profile (SCP), reflecting 'Stronger' revenue defensibility, operating risk, and financial profile assessments. Under Fitch's *Government-Related Entities Rating Criteria*, PfPG has a score of 12.5 points, and is therefore rated on a bottom-up plus-one basis, capped at the sponsor minus one. This leads to a Long-Term IDR at 'A'.

'Stronger' Revenue Defensibility Assessment: This is based on 'Stronger' demand and pricing characteristics. There is high demand for social housing in the UK, and any change in the rents that PfPG is able to charge is unlikely to materially affect demand. Fitch assesses pricing as 'Stronger' despite a lack of flexibility in setting social and affordable rents. PfPG has flexibility over pricing for its non-core activities, such as leisure management, which it uses to cross-subsidise the core business. It has well-diversified revenue streams compared to sector peers.

'Stronger' Operating Risk Assessment: This is based on our assessments of operating costs, resource management, and capital planning. PfPG has well-identified cost drivers with low potential volatility in major items. It expects to spend GBP400 million over the next 10 years to bring the Energy Performance Certificate (EPC) rating of its stock portfolio in line with government requirements for the sector. There are no material supply constraints on labour or resources, and PfPG has flexibility over the timing and scale of its development plans.

'Stronger' Financial Profile Assessment: We expect EBITDA to grow more rapidly than debt over the five-year rating case, and despite sector challenges in recent years, leading to improved leverage metrics and strong liquidity, even with PfPG's sizeable development plan. Net adjusted debt /EBIDTA returns to below 11x (FYE22: 14.5x) by the fourth year of our rating case, in line with the lower end of 'A' category peers.

Returns from PfPG's diversified operations and from the development programme in previous years drive the growth in EBITDA. It has also realised economies of scale due to its size, and efficiencies through its recent merger activity.

Rating Sensitivities

Positive Rating Action/Upgrade: A sustained improvement in net debt/EBITDA towards 10x in the medium term.

Negative Rating Action/Downgrade: A multi-notch downgrade to the sovereign's ratings, deterioration of net debt/ EBITDA to above 12x on a sustained basis, or an adverse change to our assessment of key rating factors.

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

PfPG owned or managed around 230,000 housing units (including around 70,000 social and affordable) at end-March 2022, which makes it one of the largest registered providers in England

Financial Data Summary

Places for People Group Limited

(GBPm)	2022	2027rc
Net adjusted debt/EBITDA (x)	14.5	10.2
EBITDA/gross interest coverage (x)	1.5	1.9
CFADS/gross interest coverage (x)	1.5	1.9
Operating revenue	850	917
EBITDA	214	325
Net adjusted debt	3,099	3,308
Total assets	5,789	--

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Places for People Group Limited

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (April 2023)

Government-Related Entities Rating Criteria (September 2020)

Related Research

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

Global Housing and Mortgage Outlook 2023

Rent Caps Could Pressure UK Social Housing Sector Credit Quality (September 2022)

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Issuer Profile

PfPG is a registered provider of social housing in the UK, with a strong presence in England and Scotland. It owns and manages more than 230,000 properties and provides homes to about half a million customers via a range of tenures. The largest concentration of its homes is in north-west England, where it owns and manages more than 35,000 properties across almost forty local authorities.

PfPG was established in Preston in 1965, as North British Housing Association (NBHA). In the 1970s, NBHA set up a subsidiary with charitable status to support people using its housing services. A few years later, North British Landscapes was created to look after the housing association's maintenance and landscaping needs. PfPG was officially formed in 1999, and Bristol Churches Housing Association joined soon afterwards, expanding PfPG's operations to the South West. Since then PfPG has continued to grow and diversify its operations, primarily through merger activity.

The Group has developed both broad business activity experience, and a supply chain to take development from strategic land through to construction and management. PfPG operates in multiple markets, including affordable and supported housing; development; property management; leisure management; and fund management. This diversification differentiates it from other providers in the social housing sector. However, PfPG anticipates future growth will be focused on its core regulated business. The group comprises more than 20 legal entities and is simplifying its structure. On 31 March 2023 it completed the transfer of engagements of four housing association subsidiaries to Places for People Living+ Limited.

Since 2018, PfPG has been a strategic partner of Homes England, the non-departmental public body that funds new affordable housing in England. PfPG received GBP74 million of funding through the 2016-2023 Affordable Homes Programme to help build new homes for affordable rent, social rent, and shared ownership. At end-March 2022 it had constructed 1,042 affordable homes as part of the programme, and begun building a further 637. In September 2021, Homes England awarded PfPG a further GBP250 million in funding as part of its 2021-2026 programme, which was one of the largest allocations in the sector. PfPG will use this to construct a further 4,400 affordable homes in the seven years to 2028.

In November 2022, the Regulator of Social Housing (RSH) confirmed PfPG's G1 grade for governance, and regraded its financial viability to V2 from V1. Both grades are compliant, with G1 being the highest grade for governance. The viability regrade was part of a wider trend in the sector; between November 2022 and end-January 2023, 46 registered providers were regraded to V2 from V1, in response to wider economic pressures faced by the sector, and is not indicative of particular viability issues at individual providers.

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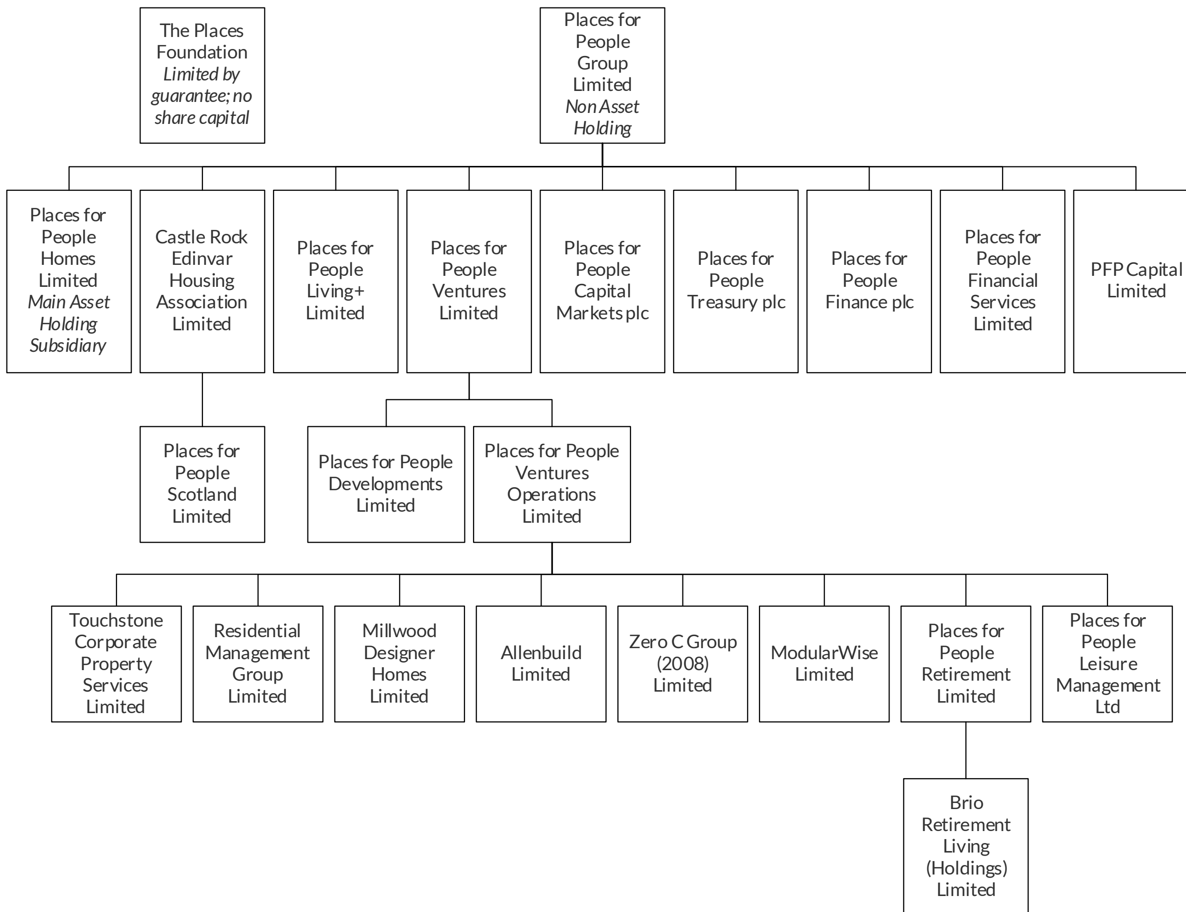
Group Structure Diagram



Note: The diagram depicts PfPG's principal subsidiaries and interests. It does not include every group entity.
Source: Fitch Ratings

Support Rating Factors

Places for People Group Limited - Assessment of Support

Status, ownership, and control	Support track record	Socio-political implications of default	Financial implications of default	GRE score
Strong	Moderate	Moderate	Weak	12.5

Source: Fitch Ratings

Status, Ownership and Control: Strong

As a private, not-for-profit registered provider, PfPG is not owned by the UK government; in strict terms it has no legal owner. The social housing regulatory framework is robust, and the regulator has broad oversight and control of the sector. The regulator's record of monitoring and intervention in rare cases of distress is a key feature of the sector. In the event of financial distress, we expect a transfer of assets and liabilities to another registered provider under the direction of the RSH.

The RSH periodically publishes regulatory judgements on individual registered providers. These judgements comprise a viability report and a governance report, which are conducted by means of an in-depth assessment (IDA) of the registered provider. The IDAs evaluate the risks the registered provider faces — financial, market, liquidity, etc. — and the management team's methods of dealing with them. Stress-testing is also reviewed by the regulator as part of the IDA. Registered providers are required to annually submit their multi-year business plans (which include a development plan, an operating plan and a funding plan) for regulatory assessment, and RSH carries out annual stability checks on the whole sector. PfPG received compliant G1/V2 assessments in November 2022.

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Support Track Record: Moderate

Registered providers ensure public assets that were previously co-financed by the government remain in the sector. Policy influence is moderately supportive of their financial stability, and regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances. The RSH can use its statutory powers to intervene when there are serious concerns about the performance of a registered provider, but it does not provide a direct guarantee for registered provider borrowers, and the government does not have any ownership in the entities. Fitch believes that registered providers facing difficulties would be forced to merge with larger or financially stronger entities, as has occurred a few times in the past decade.

Regulatory intervention ranges from merely ensuring continuation of activities while a substitute is found to actively seeking to prevent a default and ensure continued financial viability of the registered provider. The RSH can place a poorly performing provider under supervision and make statutory appointments to the board. In some extreme cases, it can direct an independent statutory inquiry, which could result in a registered provider being required to transfer its assets to another provider to protect the interests of tenants and other relevant parties. Cosmopolitan Housing Association's merger with Sanctuary Housing in March 2013 showed that the regulator's support was also available for entities involved in non-social housing activity.

Fitch has factored in the government's financial involvement in the social housing sector in its assessment of support track record. The government pays Housing Benefit or Universal Credit to low-income individuals and families, which indirectly funds around half of registered providers' revenue sector-wide. In some circumstances the benefits are paid to a provider from the state. More than half of PfPG's tenants receive Housing Benefit or Universal Credit.

The government provides capital grants via Homes England, local mayors, councils, or other GREs on an ongoing basis to support development (not to finance debt or prevent default). In 2020, Homes England announced a GBP12 billion Affordable Homes Programme, which aims to provide up to 180,000 new homes nationally, supporting starts on site between 2021 and 2026. PfPG is a strategic partner of Homes England under this programme.

Socio-Political Implications of Default: Moderate

In the unlikely event of financial default, other registered providers can act as substitutes with only minor or temporary disruption to the service offered by PfPG.

Fitch considers registered providers to be of significant political and economic importance for the country. They have a counter-cyclical role in the UK economy, as demonstrated by their continued strong performance through the Covid-19 pandemic. A default by PfPG would lead to reduced access to the capital markets to raise funds, but Fitch believes this would have only a very limited impact on the level of services provided to tenants. It is likely that PfPG's would scale down its development plan to adapt to its new financing capacity.

Financial Implications of Default: Weaker

Default would have only a minimal impact on the availability and cost of domestic financing for other registered providers, given the number of borrowers in the market and the relative size of each.

Fitch believes that a default would be treated as an isolated case of mismanagement or viability issues and should therefore not affect the whole sector.

Standalone Credit Profile Assessment

Places for People Group Limited - Assessment of SCP

Revenue defensibility	Operating risk	Leverage ratio (x), 2027rc	Liquidity profile assessment	Asymmetric risks	SCP
Stronger	Stronger	10.2	Neutral	Neutral	a-

Source: Fitch Ratings

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Revenue Breakdown (Excluding Non-Cash Items), 2022

	(GBPm)	% of operating revenue
Social housing lettings	392	46
Other SH activities	43	5
Non-SH activities	415	49
Operating revenue	**850**	**100**
Interest revenue	9	-
Capital revenue	122	-
Memo: Non-cash operating revenue	0	-

Source: Fitch Ratings, Places for People Group Limited

Expenditure Breakdown (Excluding Non-Cash Items), 2022

	(GBPm)	% of operating expenditure
Staff costs	216	34
Routine maintenance	47	7
Planned maintenance	17	3
Other recurring expenditure	356	56
Operating expenditure	**636**	**100**
Interest expenditure	143	-
Capital expenditure	304	-
Memo: Non-cash operating expenditure	53	-

Source: Fitch Ratings, Places for People Group Limited

Revenue Defensibility: Stronger

This assessment is based on 'Stronger' demand and pricing characteristics. There is sustained high demand for social housing nationally, and any change in the rents that registered providers are able to charge is unlikely to materially affect demand. Fitch assesses pricing as 'Stronger' despite a lack of flexibility in setting social and affordable rents. The UK government sets the threshold for annual social rent increases via the Rent Standard, but we believe the regulatory framework aims to maintain compensation for services at a level that supports the solvency of the sector. PfPG has flexibility over pricing for its non-social housing lettings activity, which it uses to cross-subsidise the core business. A significant share of its revenue is generated from non-social housing activity, for example through its management of leisure facilities.

Demand: Stronger

In 2022 there were more than 1.2 million households on local authority waiting lists in England[1]. In the 12 months to September 2022, the ratio of average house price to average income was 8.3[2], a figure which has grown steadily in the past 25 years. The population of the UK is projected to increase by 3.2% in the 10 years to mid-2030[3]. Given the acute shortage of affordable homes in the UK, and the growing population, we expect that demand for social housing will increase. High demand is unlikely to be affected by current economic pressures; social housing is counter-cyclical to the UK economy, meaning that demand strengthens in a downturn.

High demand for PfPG's affordable homes is demonstrated by consistently high occupancy levels – 99.5% in the financial year ending 31 March 2022 (FY22). 56% of all PfPG's tenants receive Housing Benefit or Universal Credit to pay either part or all their rent, which enhances the stability and predictability of cashflow. In FY22, rental arrears were maintained at 3.2%. Fitch expects arrears to increase given the challenging economic environment and acute pressures on households, but this may be mitigated by more tenants being supported by benefits. We do not expect increased arrears to materially reduce revenue, and PfPG's business plan assumptions remain prudent.

Outright sales activity is more exposed to market risk, and economic pressures may lead to a decline in demand. Volatility in the mortgage market, rising interest rates, and the ongoing cost-of-living crisis have all contributed to pressures on affordability, and Fitch forecasts a 5%-7% fall in prices in the year to December 2023[4]. However, affordability constraints support high demand for shared ownership homes. The end of a number of government incentive schemes (Help to Buy, stamp duty holidays, etc.) means that for many, shared ownership is one of the few remaining accessible routes to homeownership. In FY22, 15.1% of PfPG's turnover was from outright sales, and 3.9% was from shared ownership first tranche sales.

Pricing: Stronger

Social rent increases are governed by the Rent Standard. The current Rent Standard applies from April 2020 to March 2025 and allows for annual increases capped at the Consumer Prices Index (CPI) plus 1%, where the CPI rate is taken

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1124296/LT600.ods
[2] ONS: Housing Affordability in England and Wales: 2022
[3] ONS: National Population Projections for England, January 2022
[4] 2023 Global Housing and Mortgage Outlook - Mid-Year Update

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from the previous September. This was due to remain in place until 2025. In November 2022, the government announced a 7% cap on social rent increases, to be applied from April 2023 for one year. Fitch expects inflation to fall to 5.0% in 2023[5], so we expect rent increases to return to CPI+1% from FY24 even if a cap remains in place. Although the cap is likely to be significantly below inflation, large parts of PfPG's operating costs (e.g. staff costs and depreciation) do not grow in line with inflation. We therefore believe that the cap will continue to support solvency in the sector and has no impact on our Stronger assessment of pricing.

PfPG's non-social activities have higher exposure to market risk, but they offer flexibility over pricing. Therefore, when kept within reasonable levels, Fitch views market activities as credit positive; they allow PfPG to set its own prices, and collect revenue sufficient to cover all costs for these parts of its portfolio, within a market environment. This supports the 'Stronger' assessment of pricing characteristics. PfPG has additional flexibility because, if needed, a portion of its affordable stock can be rented at market rates. The only legal obligation that registered providers have to provide affordable tenures is when they have agreed to rent out to customers from a local authority's waiting list, and when units have been contracted as part of a Section 106 agreement (a legal agreement between a local authority and developer.)

PfPG generates material revenue through leisure-management activities. Leisure facilities were severely affected by the pandemic, when most were forced to close. PfPG was supported by local authority funding and central government's furlough scheme, and the function recorded a small profit in FY22. PfPG anticipates future growth to be focused on its core, regulated business.

PfPG has a variety of revenue streams, which are both cyclical and counter-cyclical. It can support debt servicing in different parts of the economic cycle, which limits market exposure but offers flexibility beyond the constraints of the Rent Standard.

Operating Risk: Stronger

We assess operating risk, which covers operating costs, resource management, and capital planning, as 'Stronger'. PfPG has well-identified cost drivers and low potential volatility in major items. It expects to spend GBP400 million over the next 10 years to bring its stock portfolio to EPC rating C or above, in line with government requirements for the sector. There are no material supply constraints on labour or resources. PfPG has material capex in its medium-term development plans but has flexibility to scale back committed schemes, defer uncommitted schemes, and to switch tenure from sale to market rent or affordable rent, supported by grant funding.

Operating Costs: Stronger

PfPG, along with the wider sector, faces significant cost pressures as a result of inflation, with the UK recording double-digit CPI between September 2022 and March 2023. Some costs have increased at levels above inflation, particularly construction labour and materials, and energy. Two of PfPG's important cost items – staff costs and depreciation – are not linked to inflation, which mitigates the risk.

PfPG does have flexibility to curtail some discretionary expenditure, or reduce spending on non-essential works. However, reducing repairs and maintenance work is not sustainable and drives up future costs. Over the past few years many providers have shifted their focus from growth and new development to prioritising investment in existing stock. We expect this trend to continue in the current economic environment, as it is increasingly difficult to deliver new homes alongside improving the quality of existing stock. The sector has had to respond to changes in fire safety regulations, new government decarbonisation requirements, maintenance backlogs following the Covid-19 lockdowns, and several high-profile maladministration findings from the Housing Ombudsman relating to damp and mould.

The UK government has set a target for the social housing sector to reach 'net zero' carbon emissions by 2050, and an additional target for all properties to attain an EPC rating of C or above by 2030. PfPG anticipates spending GBP400 million over the 10 years to 2030 to bring its portfolio to EPC C and above. The government has committed to a GBP3.8 billion Social Housing Decarbonisation Fund (SHDF) over 10 years to improve the energy performance of social rented homes, and PfPG has been awarded GBP3.0 million through this scheme.

The sector faces significant costs related to building and fire safety. In the aftermath of the Grenfell disaster[6] there have been, and will continue to be, major changes in regulation relating to building safety, particularly around cladding,

[5] Global Economic Outlook – June 2023
[6] On 14 June 2017, a fire in the 24-storey Grenfell Tower block of flats in North Kensington, West London, caused 72 deaths. More than 70 others were injured and 223 people escaped. It was the deadliest fire in the UK since 1988 and the worst UK residential fire since the Second World War.

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building complexity, sprinklers and fire doors. The costliest remediation work is for high-rise buildings (above 18 metres). PfPG only manages fifty high-rise buildings, none of which has ACM cladding (banned following the Grenfell fire), which limits its exposure to fire-safety costs. PfPG expects to spend about GBP15 million a year in the medium term, and spent GBP16.5 million in FY22.

In FY22 PfPG also spent GBP133.1 million on capital improvements and repairs, including GBP65.1 million on capital improvements, such as fire safety measures and new kitchens, bathrooms, windows and doors, and GBP44.5 million on reactive and responsive maintenance.

Resource Management: Stronger

There are no supply constraints for labour or resources in terms of amount, cost, or timing. The sector continues to feel the residual impacts of Brexit on the supply of maintenance workers, and on the cost and availability of construction materials. This has been exacerbated by the extremely high inflationary environment. We expect this to lead to higher operating costs across the sector, which has been factored into our financial assessments, but we do not foresee any material supply constraints. As one of the largest registered providers in the UK, PfPG is well positioned to negotiate competitive contracts.

PfPG's largest inflexible operating cost is for staff, which makes up around 35% of operating cash outflows, in line with peers. The recruitment and retention of high-quality staff has been increasingly difficult following the tightening of the labour market post-pandemic. There was already high demand across the sector for experienced staff not only in construction and maintenance, but also in specialist areas, such as development, IT, and other central functions. However, rising interest rates for businesses combined with the higher cost of living for individuals may reduce the number of vacancies in the labour market and ease staffing pressures. This should help to keep the proportion of staff costs stable.

Capital Planning & Management: Neutral

PfPG benefits from a clear capital planning process. The RSH closely monitors capital plans through the 30- year financial return submitted annually, and the IDAs undertaken every three to four years. Only committed development is included in the plan, and this generally covers the next 18-24 months. There is little risk of cost overrun as the construction processes are well established and planned. PfPG is a strategic partner of Homes England for its 2021-2026 Affordable Homes Programme, which provides certainty over grant funding for an extended time.

PfPG built 1,775 homes in FY22; 1,022 were for affordable tenures, and of these, 298 were shared ownership first tranche sales. PfPG aims to build a further 10,000 in the next decade as part of its framework agreement with Countryside Properties plc. It signed its first development agreement in FY22 – a GBP230 million scheme to build 800 homes, including 240 affordable properties for rental and shared ownership, together with community facilities, new parkland and allotments.

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Financial Profile: Stronger

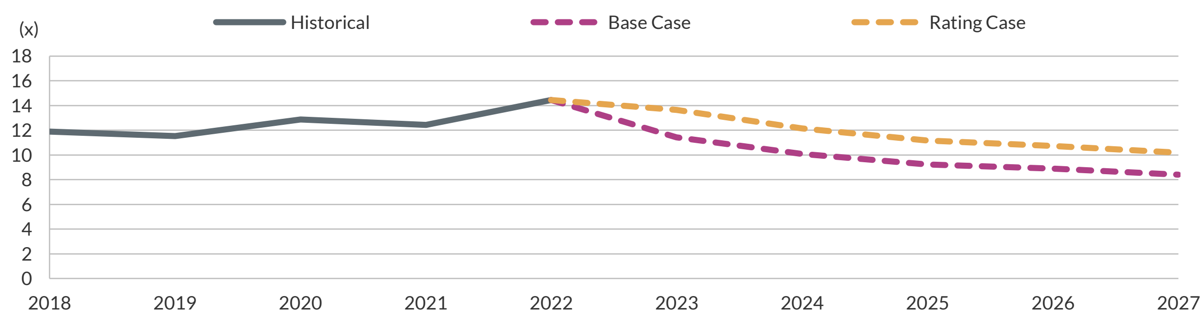
Fitch's Base and Rating Cases - Main Assumptions and Outcomes

Assumptions	Five-Year Historical Average	2023 - 2027 Average Base Case	2023 - 2027 Average Rating Case
Operating revenue growth (%)	1.3	2.2	1.5
Transfers from public sector growth (%)	-	-	-
Operating expenditure growth (%)	1.6	-1.8	-1.4
Net capital expenditure (average per year; GBPm)	-114	-167	-167
Apparent cost of debt, 2022 (%)	5.0	4.9	4.9

Outcomes	2022	2027 Base Case	2027 Rating Case
EBITDA (GBPm)	214	368	325
CFADS (GBPm)	214	368	325
Net adjusted debt (GBPm)	3,099	3,090	3,308
Net adjusted debt/EBITDA (x)	14.5	8.4	10.2
Net adjusted debt/CFADS (x)	14.5	8.4	10.2

Source: Fitch Ratings, Places for People Group Limited

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



Source: Fitch Ratings, Places for People Group Limited

Asymmetric Risk and Other Considerations

Asymmetric Risk Considerations

Debt structure and contingent liabilities	Management and governance	Legal and regulatory	Information quality	Macro risks: country ceiling and legal regime	Liquidity profile assessment	Overall asymmetric risk and liquidity profile assessment
Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	**Neutral**

Source: Fitch Ratings

Debt and Liquidity Analysis

PfPG's board and management take a prudent approach to managing risk and debt. The debt repayment profile is smooth in the long term, and there is limited refinancing risk. PfPG generates surpluses, has good access to the debt capital markets, and has high-value assets on its balance sheet. Its treasury policy requires sufficient liquidity for a minimum of 18 months forward commitments, and at 31 March 2022 it had almost GBP900 million in undrawn facilities, and around GBP1 billion total available liquidity.

PfPG's debt is similar to sector peers in that it is spread across bonds, a revolving credit facility and term loans with limited near-term maturity. PfPG is one of the few registered providers with unsecured debt; around 70% of its total debt is unsecured. It also holds some debt in foreign currency, although this is fully hedged through swaps. PfPG

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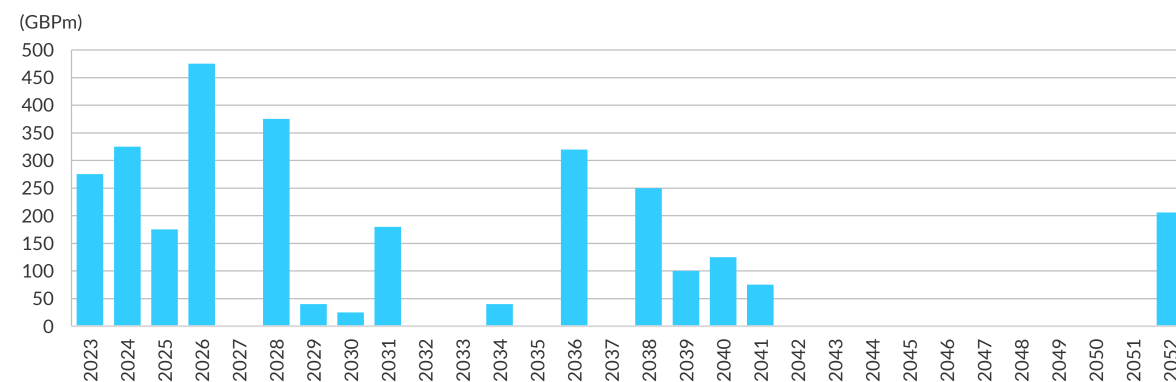
expects to fund a significant amount of development through grant funding, having been awarded GBP250 million through its strategic partnership with Homes England.

In FY22, PfPG issued a 14-year, GBP300 million sustainability bond with a 2.5% coupon. This followed the publication of its Sustainable Finance Framework in 2021, which focuses on affordable housing, green buildings, and energy efficiency. The issuance lengthened PfPG's maturity profile and locked in the attractive rates on offer for unsecured intermediate bond financing.

Since then, the economic environment has changed rapidly, characterised by significant market volatility and rising inflation. This has led to a sharp increase in interest rates, higher gilt yields, wider spreads on public bonds, and consequently a slowdown in bond issuance. However, the issuance that did take place in the sector in 2022 was over-subscribed, demonstrating continued demand from investors.

Direct Debt Maturity Profile



Source: Fitch Ratings, Places for People Group Limited

Debt Analysis

	End-2022
Direct debt (GBPm)	2,986
Debt in foreign currency (% of direct debt)	0.0
Fixed rate (% of direct debt)	80.0
Issued debt (% of direct debt)	46.4
Apparent cost of debt (%)	4.9
Weighted average life of debt (years)	9.4

Source: Fitch Ratings, Places for People Group Limited

Liquidity

(GBPm)	
Cash and liquidity available for debt service, end-2022(a)	111
Undrawn committed credit lines, end-2022 (b)	984
EBITDA, 2023 (c)	225
Debt service,2023 (d)	401
Cash operating expenditure, 2023 (e)	590
Liquidity cushion, 2023 (x): (a+b+c-d)/e	1.6

Source: Fitch Ratings, Places for People Group Limited

Short-Term Rating Derivation

PfPG's Short-Term 'F1+' IDR is the higher of two options mapping to an 'A' Long-Term IDR, reflecting the combination of 'Stronger' revenue defensibility and strong liquidity cushion and coverage ratios.

Debt Ratings

PfPG has several special purpose vehicles (SPVs) that are rated by Fitch, including Places for People Treasury plc, Places for People Homes Limited, and Places for People Finance plc. They issue debt on the capital markets and are rated in line with the group, at 'A', with long-term senior unsecured ratings for all three, and a long-term senior secured rating for Places for People Homes Limited.

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Peer Analysis

Peers

	Sponsor	GRE score	Leverage (x), rc	SCP	IDR	Rating Approach
Places for People Group Limited	United Kingdom	12.5	10.2	a-	A	Bottom-up +1
A2Dominion Housing Group Limited	United Kingdom	12.5	10.6	a-	A	Bottom-up +1
Gentoo Group Limited	United Kingdom	12.5	7.2	a+	A+	Bottom-up +1, capped at govt -1
Great Places Housing Group	United Kingdom	12.5	10.8	a	A+	Bottom-up +1
GreenSquareAccord Limited	United Kingdom	12.5	10.5	a-	A	Bottom-up +1
Hyde Housing Association Limited	United Kingdom	12.5	9.8	a	A+	Bottom-up +1
London & Quadrant Housing Trust	United Kingdom	12.5	10.3	a	A+	Bottom-up +1
Metropolitan Thames Valley Housing Group	United Kingdom	12.5	10.8	a-	A	Bottom-up +1
Network Homes Limited	United Kingdom	12.5	12.8	a-	A	Bottom-up +1
Notting Hill Genesis	United Kingdom	12.5	12.9	a-	A	Bottom-up +1
Origin Housing Limited	United Kingdom	12.5	12.4	bbb+	A-	Bottom-up +1
Platform Housing Group Ltd	United Kingdom	12.5	8.9	a	A+	Bottom-up +1
Southern Housing	United Kingdom	12.5	9.7	a-	A	Bottom-up +1
The Riverside Group Limited	United Kingdom	12.5	12.1	a-	A	Bottom-up +1
VIVID Housing Limited	United Kingdom	12.5	11.0	a	A+	Bottom-up +1

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Places for People Group Limited

PfPG is unique in the sector in terms of the diversification of its revenue streams into leisure management. Unlike most other providers in Fitch's portfolio, it has a national geographic footprint, with property in all four regions of the UK. We take these factors into account when comparing PfPG with peers in the social housing sector.

PfPG has a concentration of stock in north-west England, similar to the footprint of Great Places Housing Group, which has also grown through merger activity in recent years; it completed its merger with Equity Housing Group in 2022 and expects to merge with Mosscare St Vincent's Housing Group Limited in October 2023. Both PfPG and Great Places have 'Stronger' assessments for revenue defensibility and operating risk. Great Places has historically maintained lower leverage than PfPG, with average net adjusted debt/EBITDA of 9.4x between FY18 and FY22, compared to 12.6x for PfPG. The average across the five-year rating cases for Great Places and PfPG are 10.2x and 11.6x, respectively. Great Places' IDR is one notch higher than PfPG's, at 'A+'.

The extent to which PfPG has diversified its revenue streams is unusual, but there are providers where the proportion of revenue generated from social lettings is similar to that of PfPG (43% in FY22). A2Dominion Housing Group Limited (A2D) and Notting Hill Genesis (NHG) both also have a relatively low proportion of revenue from social lettings (42% and 50%, respectively) due to increased market-related activity in recent years. A2D's leverage is very similar to PfPG's, and both have 'a-' SCPs leading to 'A' IDRs. NHG's leverage metrics are slightly higher, with net adjusted debt/ EBITDA remaining slightly above 12x throughout the rating case. NHG also has an 'a-' SCP and 'A' IDR, with its deteriorating financial profile reflected by a Negative Outlook.

ESG Considerations

ESG factors are not a significant risk for this issuer.

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Appendix A: Financial Data

Places for People Group Limited

(GBPm)	FY18	FY19	FY20	FY21	FY22
Income statement					
Operating revenue	754	827	867	817	850
Operating expenditure	-570	-626	-677	-621	-688
Interest revenue	13	11	17	10	9.40
Interest expenditure	-123	-141	-144	-139	-142.80
Other non-operating items	50	13	28	13	12
Taxation	-14	-10	-2	-5	-6
Profit (loss) after tax	110	73	89	74	34
Memo: Transfers and grants from public sector	0	0	0	0	0
Balance sheet summary					
Long-term assets	4,518	4,549	4,910	4,942	5,134
Stock	387	448	434	408	416
Trade debtors	30	30	25	37	28
Other current assets	91	127	117	103	100
Total cash, liquid investments, sinking funds	171	125	208	108	111
Total assets	5,196	5,278	5,694	5,597	5,789
Long-term liabilities	4,287	4,251	4,688	4,491	4,462
Trade creditors	5	17	18	15	11
Other short-term liabilities	416	449	328	394	528
Charter capital	0	0	0	0	0
Reserves and retained earnings	489	562	662	700	790
Minority interests	-1	-1	-2	-2	-3
Liabilities and equity	5,196	5,278	5,694	5,597	5,789
Debt statement					
Short-term debt	124	142	34	133	254
Long-term debt	2,580	2,559	2,909	2,745	2,732
Finance leases	228	227	226	224	223
Subordinated debt	0	0	0	0	0
Total debt	2,932	2,928	3,169	3,102	3,209
Unfunded pension liabilities	0	0	0	0	0
Other Fitch-classified debt	0	0	0	0	0
Adjusted debt	2,932	2,928	3,169	3,102	3,209
Unrestricted cash, liquid investments, sinking funds	171	125	208	108	111
Net adjusted debt	2,762	2,804	2,961	2,994	3,099
EBITDA reconciliation					
Operating balance	185	201	190	195	162
+ Depreciation	48	42	41	46	53
+ Provision and impairments	0	0	0	0	0
+/- Other non-cash operating expenditures/revenues	0	0	0	0	0
= EBITDA	232	243	230	241	214

Source: Fitch Ratings, Fitch Solutions, Places for People Group Limited

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Appendix B: Financial Ratios

Places for People Group Limited

	FY18	FY19	FY20	FY21	FY22
Income statement ratios					
Operating revenue growth (annual % change)	-5.1	9.6	4.8	-5.8	4.1
Operating expenditure growth (annual % change)	-10.5	9.9	8.1	-8.3	10.8
EBITDA/operating revenue (%)	30.8	29.4	26.6	29.5	25.2
Personnel costs/operating expenditure (%)	39.8	39.4	35.7	36.4	34.0
Total transfers from public sector/operating revenue and ad-hoc transfers (%)	0.0	0.0	0.0	0.0	0.0
Balance sheet ratios					
Current assets/adjusted debt (%)	23.1	24.9	24.8	21.1	20.4
Current assets/total assets (%)	13.1	13.8	13.8	11.7	11.3
Total assets/adjusted debt (%)	177.2	180.2	179.7	180.4	180.4
Return on equity (%)	22.6	13.1	13.6	10.6	4.3
Return on assets (%)	2.1	1.4	1.6	1.3	0.6
Debt ratios					
Net adjusted debt/EBITDA (x)	11.9	11.5	12.9	12.4	14.5
EBITDA/gross interest coverage (x)	1.9	1.7	1.6	1.7	1.5
Net adjusted debt/operating revenue (%)	366.1	339.0	341.6	366.7	364.6
Net adjusted debt/equity (%)	564.8	498.5	447.3	427.4	392.1
Debt in foreign currency/total debt (%)	0.0	0.0	0.0	0.0	0.0
Debt at floating interest rates/total debt (%)	15.4	19.7	0.0	0.0	0.0
Issued debt/total debt (%)	42.0	42.9	39.2	40.0	46.4
Liquidity ratios					
Liquidity cushion (x)	1.1	1.1	1.4	1.8	1.5
Coverage ratio (x)	9.7	10.4	13.2	22.3	14.4

Source: Fitch Ratings, Fitch Solutions, Places for People Group Limited

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Appendix C: Fitch's Rating Case Scenario

Places for People Group Limited

(GBPm)	FY23rc	FY24rc	FY25rc	FY26rc	FY27rc
Cash-adjusted income statement					
Operating revenue	816	887	946	917	917
Operating revenue growth (annual % change)	-4.0	8.8	6.6	-3.0	0.0
Operating expenditure	-590	-631	-654	-611	-593
Operating expenditure growth (annual % change)	-7.1	6.8	3.7	-6.5	-3.1
EBITDA	225	256	292	306	325
Other funds available for debt service	0	0	0	0	0
CFADS	225	256	292	306	325
Interest revenue	3	1	4	2	1
Interest expenditure	-147	-151	-157	-165	-169
Financial balance	-144	-150	-154	-163	-168
Net capital expenditure	-58	-143	-284	-168	-180
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	59	14	230	127	134
Change in cash	82	-23	84	101	111
Debt and liquidity					
Adjusted debt	3,268	3,282	3,512	3,638	3,772
Memo: Non-cash movement in adjusted debt	0	0	0	0	0
Unrestricted cash	192	169	253	354	464
Net adjusted debt	3,075	3,113	3,259	3,285	3,308
Financial and liquidity ratios					
Net adjusted debt/EBITDA (x)	13.7	12.1	11.2	10.7	10.2
Net adjusted debt/CFADS (x)	13.7	12.1	11.2	10.7	10.2
EBITDA/gross interest coverage (x)	1.5	1.7	1.9	1.9	1.9
CFADS/gross interest coverage (x)	1.5	1.7	1.9	1.9	1.9
Liquidity cushion (x)	1.6	0.1	-	-	-
Liquidity coverage ratio (x)	11.1	2.1	-	-	-

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, Places for People Group Limited

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