FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Notting Hill Genesis at 'A-'; Outlook Stable

Fri 17 Oct, 2025 - 10:10 ET

Fitch Ratings - London - 17 Oct 2025: Fitch Ratings has affirmed Notting Hill Genesis's (NHG) Long-Term Issuer Default Rating (IDR) at 'A-' and Short-Term IDR at 'F1'. The Outlook on the Long-Term IDR is Stable.

Fitch views NHG as a government-related entity (GRE) of the UK (AA-/Stable), leading to our 'Strong Expectations' of support from the state. This, combined with a 'bbb+' Standalone Credit Profile (SCP), which is four notches below the sovereign rating, leads to a one-notch uplift to arrive at the Long-Term IDR. Continuing high demand for social and affordable housing and ongoing cash flow from rented properties continue to support NHG's credit, despite a challenging economic environment.

KEY RATING DRIVERS

Support Score Assessment 'Strong expectations'

Our 'Strong Expectations' of extraordinary support for NHG are reflected in a support score of 20 points out of a maximum 60, under Fitch's GRE Rating Criteria. This reflects a combination of responsibility-to-support and incentive-to-support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Strong'

NHG is a private, not-for-profit social housing registered provider (RP) in the UK and has no legal owner. All surpluses are reinvested to provide social housing. We consider the regulatory framework for English social housing to be robust, and the 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.

Precedents of Support 'Strong'

NHG receives ongoing financial support through grants from Homes England and the Greater London Authority for social, affordable and shared ownership development. This is to support additional subsidised housing, not to finance debt or prevent default. Fitch takes into account the support mechanisms RPs can benefit from, or have benefited from, the UK. Policy influence is supportive of RPs' financial stability. Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Social housing is an important public service. We see no immediate impact on the service from an NHG default, as other RPs could act as substitutes, with only temporary disruption to the service. However, there would be a medium-term impact on the provision of service by reducing RPs' access to external financing for maintenance capex and new investments, and by weakening their financial resilience.

Contagion Risk 'Not Strong Enough'

A default would have a minimal impact on the availability or cost of domestic financing for the UK. Fitch considers that an NHG default would be treated as an isolated case of mismanagement or viability issues. Consequently, this should not affect the sector as a whole.

Standalone Credit Profile

NHG's 'bbb+' SCP reflects a combination of a 'Stronger' risk profile and a financial profile assessed in the 'bb' category, with forecast leverage on average at 14x during the five years to FY30 (financial year ending March 31) under our rating case (FY25: 19.5x).

Risk Profile: 'Stronger'

NHG's 'Stronger' risk profile reflects a combination of the following assessments.

Revenue Risk: 'Stronger'

Revenue risk is driven by high demand for social and affordable housing in the UK, and factors in NHG's market-rate activity with high prices in the regions in which it operates. It has a strong core revenue base from social housing lettings (76% in FY25), with the rest from developments for sale, market rent and first-tranche shared ownership sales.

Social rent increases are governed by the Rent Standard, which allows for annual increases capped at CPI plus 1% from April 2026 to March 2036. NHG's exposure to market risk is limited, with most market activity conducted through joint ventures and special-purpose companies to mitigate risks. The diverse revenue streams and robust regulatory framework support NHG's 'Stronger' revenue risk

Expenditure Risk: 'Stronger'

NHG has well-identified cost drivers and low volatility in major items, with staff costs stable at 18% of cash opex, in line with strong peers'. There are no material supply constraints on labour or resources. NHG continues to focus on investment in existing homes and building safety, with planned GBP800 million investments over 10 years. Development activity is modest, with a target of 500 new homes a year, sharply lower than previous plans. The group is prioritising asset disposals and investment in its current stock to support financial resilience and reduce debt.

Liabilities and Liquidity Risk: 'Stronger'

NHG has a low-risk, long-dated debt portfolio and robust access to finance with long-term average debt maturity of 12 years. It has GBP3.6 billion in debt, including eight public bonds totalling GBP2.3 billion. As of March 2025, 91% of debt was fixed-rate, minimising interest-rate risk, and all foreign-currency exposure is fully hedged. At FYE25, NHG had GBP586.1 million in available liquidity (GBP550 million undrawn committed facilities and GBP36.1 million cash). A new GBP250 million bond issued in April 2025 has increased liquidity to GBP836.1 million. NHG also has over 17,000 unencumbered properties with a security value of GBP3.3 billion, providing further financial flexibility.

Financial Profile 'bb'

NHG's performance has been affected in recent years by sector challenges, including increased building safety spend, decarbonisation requirements and higher investment in existing stock to meet regulatory standards. In response, NHG has taken strategic actions to limit developments and accelerate the disposal of non-core assets, including the full sale of its market rent portfolio, to strengthen financial resilience. The restrained development programme helps to stabilise cash flow but also limits EBITDA growth, which continues to weigh on leverage metrics.

We expect NHG's operating revenue to average about GBP721 million for FY26-FY30, with EBITDA averaging GBP210 million a year. We expect net adjusted debt/EBITDA to average about 14x during the rating case. In FY25, NHG reported operating revenue of

GBP710 million (FY24: GBP714 million), with EBITDA of GBP185 million (FY24: GBP194 million). Net debt at FYE25 was about GBP3.6 billion (FY24: GBP3.5 billion).

Fitch will continue to monitor the progress and timing of planned disposals, as well as the delivery of efficiency savings and their impact on our financial profile assessment.

Other Rating Factors

We assess all asymmetric risk attributes at 'Neutral' due to a strong regulatory framework, transparent reporting of information and a risk-averse debt structure. Debt is mostly fixed-rate and vanilla (sterling bonds and bank debt). Governance and management are assessed by the regulator, and most RPs have compliant ratings of either G1 or G2. NHG operates under English law, which is strong, and the UK Country Ceiling is 'AAA'. Information quality is strong, with external publications internally and externally audited.

Short-Term Ratings

NHG's 'F1' Short-Term IDR at the higher of two possible outcomes mapping to a Long-Term IDR 'A-', reflecting its strong liquidity metrics.

PEER ANALYSIS

With around 68,000 homes, NHG is a close peer to Metropolitan Thames Valley Housing Group (about 57,000 homes) and Hyde Housing Association Limited (about 50,000 homes), all operating in London and the south-east with comparable operating models and sector challenges.

Issuer Profile

As of 31 March 2025, NHG owned or managed 68,032 housing units, maintaining its position as one of the largest RPs in England.

KEY ASSUMPTIONS

Fitch's rating case is a 'through-the-cycle' scenario that incorporates a combination of revenue, cost and financial risk stresses. It is based on FY21-FY25 historical figures and FY26-FY30 assumptions;

Base case

- Stable operating revenue, supported by rent increases and disposal of revenue-generating portfolio

- Stable opex as increases to repairs and maintenance year-on-year are offset by reduction in developments

- Average capex of GBP255 million a year

Rating case

- 50bp stress to social rental revenue

- 100bp stress to non-social activity

- 100bp stress to operating costs

RATING SENSITIVITIES

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

-A sustained deterioration of net debt/EBITDA significantly above 18x on a sustained basis.

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

-An upgrade of the sovereign, or a sustained improvement in net debt/EBITDA below 12x in the medium term, could lead to an upgrade.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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 https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

NHG is credit-linked to the UK.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
GenFinance II PLC				
senior secured	LT	A-	Affirmed	A-
Notting Hill Genesis	LT IDR	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
	LC LT IDR	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable
	LC ST IDR	F1	Affirmed	F1
senior secured	LT	A-	Affirmed	A-

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Public Policy Revenue-Supported Entities Rating Criteria (pub. 12 Jan 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub. 18 Jul 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

GenFinance II PLC	UK Issued, EU Endorsed

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