S&P Global
Ratings

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Research Update:

U.K.-Based Social Housing Provider Notting Hill Genesis Affirmed At 'A-'; Outlook Negative

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Overview

- We believe the strategic decision by Notting Hill Gensis (NHG) to divest its entire private rental portfolio over the next two years will support the group's debt-reduction ambitions, while the group faced initial delays in the disposals of its stock outside of London.
- In our view, NHG's cost-control efforts will help offset some of the pressures on its financial performance stemming from the sale of the group's high-margin market-rent business, alongside elevated levels of investments in existing stock.
- If this plan is executed successfully, we estimate that NHG's S&P Global Ratings nonsales adjusted EBITDA-to-interest coverage will remain close to 1x through fiscal 2028 (ending March 31, 2028).
- We therefore affirmed our long-term issuer credit rating on NHG at 'A-'. The outlook is negative, reflecting the risk associated with the execution of the asset disposal and cost-control plans, while investment pressures remain.

Rating Action

On Sept. 26, 2025, S&P Global Ratings affirmed its 'A-' long-term issuer credit rating on U.K. social housing provider Notting Hill Genesis (NHG). The outlook is negative.

We also affirmed our 'A-' long-term issuer credit rating on NHG's subsidiary, Notting Hill Home Ownership Ltd. (NHHO). The outlook is also negative.

We affirmed our 'A-' issue ratings on all seven bonds and the £2 billion senior unsecured medium-term note program issued by NHG. We also affirmed the 'A-' issue rating on the £250 million bond, due 2039, issued by the treasury vehicle GenFinance II PLC, considered a core subsidiary of the group.

Outlook

The negative outlook reflects the execution risk in relation to NHG's asset disposal plans and cost controls, which could result in the group's financial metrics failing to recover as projected in our current base case.

Downside scenario

We could lower the rating in the next 12-24 months if NHG is unable deliver on its asset disposal program and control costs; or if NHG materially increases investments in new homes. This could result in the group's interest coverage remaining substantially below 1x on a sustained basis. In our view, this would also indicate a more aggressive strategy than what we currently assume.

Upside scenario

We could revise the outlook to stable if NHG manages to successfully implement its current strategy.

Rationale

The affirmation reflects our view that higher proceeds from fixed asset disposals would support a significant reduction in NHG's debt levels, particularly in the final year of our forecast horizon and thereafter, supporting our view that interest coverage would recover on a sustained basis. While most of the disposal proceeds would go toward debt repayment, we assume that a part would be used to fund the modest increase in the group's net capital expenditure.

In our view the group's interest coverage would remain close to 1x over our forecast horizon, though this recovery is slower than we previously anticipated (see "U.K.-Based Social Housing Provider Notting Hill Genesis Outlook Revised To Negative; 'A-' Rating Affirmed," Sept. 13, 2024). This is mainly owing to the projected strain on the group's nonsales adjusted EBITDA following the sale of its high-margin private rent business.

We believe, however, that this plan is subject to execution risks.

Enterprise profile: Underpinned by NHG's large asset base, with operations mainly across London and contained exposure to sales

NHG benefits from generating most of its earnings in the predictable and countercyclical social housing sector, supported by a solid market position and generally cautious approach to sales risk.

In our view, NHG's large asset base increases the group's resilience to withstand external shocks relative to smaller peers. NHG owns and manages more than 67,000 homes concentrated mainly across London. In our view, demand for the group's core services remains solid, supported by the significant gap between NHG's average rent for general needs and the market rent, which we estimate to be just below 40%, lower than that of peers. The strong demand for NHG's properties is also evident in the group's average vacancy rate of 1.4% over the past three years, which is slightly below the sector average in England.

The management continues to prioritize investments in existing stock and remains committed to its strategy to reduce debt. As part of this strategy, the group decided to sell all its market-rent portfolio over the next two years, amid some initial delays in its stock rationalization program.

In relation to the group's investments in existing assets plans, we note the steady progress to achieve EPC C energy ratings for its housing stock, with about 80% currently compliant at this level. We view this as a more favorable position than the sector average. Furthermore, we understand that fire and remediation costs, which remain a key management focus, continue to be elevated. However, we acknowledge that the overall envelope of spending remains largely unchanged compared with our last review.

Financial profile: Underpinned by the projected reduction in debt and robust liquidity

We anticipate that the higher proceeds from fixed-asset disposals would support a significant reduction in debt, particularly in the final year of our forecast horizon and thereafter, supporting our view that interest coverage would recover on a sustained basis following a projected dip in fiscal 2028. Over our forecast horizon, we project the group's interest coverage will average about 0.9x.

We project the sale of NHG's high-margin business will, however, weigh on the group's financial performance in the latter years of our forecast horizon. We assume rent increases will exceed costs, which we expect to partly contain the pressure on adjusted EBITDA. But the lower nonsales EBITDA in the latter years of our forecast horizon could hamper the recovery in the group's interest coverage.

We understand that the group entered into an agreement with the Greater London Authority (GLA) to use a portion of its recycled capital grant funding for retrofit works in exchange for developing new homes. We estimate the higher grants utilized for investments in existing stock and some delays in spend to result in more favorable margins for fiscal 2025 than previously projected. We continue to factor into our analysis the costs related to the large fire safety provision that NHG booked in fiscal 2024, which will continue to weigh on the group's financial performance.

We forecast NHG's liquidity position will remain very strong, supported by our view that NHG will continue to have strong access to debt capital markets. We estimate the group's liquidity sources will cover uses by approximately 2x in the next 12 months. This is based on our forecast of liquidity sources exceeding £1.4 billion, comprising cash, undrawn and available revolving credit facilities, large asset sales, grant receipts, and cash from operations (adding back the noncash cost of sales). These sources will cover liquidity uses of just under £730 million, primarily for capital expenditure and debt service payments. We view the increase in the group's net capital expenditure as modest and a result of the group's agreement with GLA to develop more homes along with reprofiling of certain schemes that might have been brought forward in the planning timeline.

Government-related entity analysis

In our view, there is a moderately high likelihood that NHG would receive timely and extraordinary government-related support in case of financial distress. This leads us to apply a two-notch uplift to the stand-alone credit profile to derive the issuer credit rating. Since one of the key goals of the Regulator for Social Housing (RSH) is to maintain lender confidence and low funding costs across the sector, we think it is likely that the RSH would try to 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 we think this would also apply to NHG.

Key Statistics

Notting Hill Genesis--Key statistics

	--Year ended March 31--				
Mil. £	**2024a**	**2025e**	**2026bc**	**2027bc**	**2028bc**
Number of units owned or managed	67,636	68,032	66,720	63,235	62,360
Adjusted operating revenue	699.6	707.8	760.7	745.2	692.9
Adjusted EBITDA	110.0	127.0	140.8	125.1	105.1
Non-sales adjusted EBITDA	98.1	122.4	134.8	121.4	101.8
Capital expense	296.3	361.5	284.5	185.3	157.1
Debt	3,585.0	3,634.8	3,550.1	3,250.1	2,591.1
Interest expense	155.6	164.0	158.0	141.7	122.2
Adjusted EBITDA/Adjusted operating revenue (%)	15.7	17.9	18.5	16.8	15.2
Debt/Non-sales adjusted EBITDA (x)	36.5	29.7	26.3	26.8	25.5
Non-sales adjusted EBITDA/interest coverage(x)	0.6	0.7	0.9	0.9	0.8

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

Rating Component Scores

Notting Hill Genesis -- Ratings score snapshot

	Assessment
Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	2
Management and Governance	3
Financial risk profile	4
Financial performance	5
Debt profile	6
Liquidity	2
Stand-alone credit profile	bbb
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: Group Rating Methodology, July 1, 2019

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels, May 12, 2025
- Non-U.S. Social Housing Providers Ratings History: April 2025, May 12, 2025
- U.K. Social Housing Borrowing 2025: Focused On Containing Debt, April 24, 2025
- Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K., April 17, 2025
- United Kingdom, April 14, 2025
- European Housing Markets: Better Housing Affordability Supports Recovery, Jan. 27, 2025
- 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
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Notting Hill Genesis	
Notting Hill Home Ownership Ltd.	
Issuer Credit Rating	A-/Negative/--
Notting Hill Genesis	
GenFinance II PLC	
Senior Secured	A-