

CREDIT OPINION

10 November 2025

Update

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RATINGS

NSAH (Alliance Homes) Limited

Domicile	United Kingdom
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Alliance Homes Limited (UK)

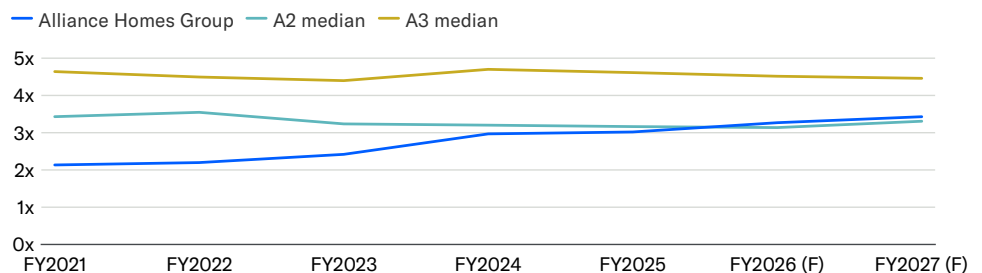
Update to credit analysis

Summary

The credit profile of [Alliance Homes Group](#) (Alliance, A2 stable) is supported by its focus on social housing lettings, solid liquidity and robust financial management that has preserved margins. This is balanced against the rapid deterioration of its debt metrics over the last two years that we expect to stabilise due a ramp up in asset disposals. Alliance benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood the government of the [UK](#) (Aa3 stable) would intervene in a timely manner to prevent a default.

Exhibit 1

Debt metrics have deteriorated and will now remain in line with A2 peers
Debt to revenue, x times, FY2021-FY2027 (F)



Source: Alliance and Moody's Ratings

Credit strengths

- » Robust financial management supports margins
- » Solid liquidity and strong covenant headroom
- » Supportive institutional framework in England

Credit challenges

- » Weaker debt metrics than peers
- » Moderate development plan will keep debt metrics elevated

Rating outlook

The stable outlook reflects broadly balanced risks. Debt metrics may deteriorate more than we currently expect if fixed asset sales are lower than expected, resulting in more debt to fund its development programme. At the same time, operating performance may improve faster than we currently expect if the productivity of repairs service continues to improve.

Factors that could lead to an upgrade

Upward pressure on Alliance's rating could result from a material reduction in debt and improvement in interest cover metrics or a significant increase in government support for the sector, especially significantly higher levels of capital grants.

Factors that could lead to a downgrade

Downward pressure on Alliance's rating could result from an increase in debt and interest cover metrics to levels that would no longer be consistent with A2-rated peers. A sustained deterioration in operating margins would also put downward pressure on the ratings as would lower government support for the sector or a dilution of the regulatory framework.

Key indicators

Exhibit 2

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26 (F)	31-Mar-27 (F)
Units under management (no.)	6,689	6,915	7,065	7,223	7,368	7,525	7,665
Operating margin, before interest (%)	23.0	21.9	17.6	19.0	21.4	19.2	21.0
Net capital expenditure as % turnover	(2.8)	64.5	47.1	72.5	34.0	53.8	36.2
Social housing letting interest coverage (x times)	2.6	2.4	1.5	1.4	1.6	1.4	1.4
Cash flow volatility interest coverage (x times)	5.3	3.6	4.3	2.5	3.5	1.8	2.3
Debt to revenues (x times)	2.1	2.2	2.4	3.0	3.0	3.3	3.4
Debt to assets at cost (%)	38.2	43.7	46.4	51.3	51.8	52.9	52.0

In FY2024, SHLIC and operating margin were affected by a pension exit cost of £0.5 million. Excluding this one-off cost, SHLIC would have been 1.5x and operating margin 20%.
Source: Alliance and Moody's Ratings

Profile

Alliance is a small housing association operating in North Somerset. It manages approximately 7,400 units. It focuses predominantly on low-risk social housing lettings with a moderate exposure to market sales and no outright sales exposure.

Detailed credit considerations

Alliance's A2 rating combines (1) a baseline credit assessment (BCA) of a3 and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

Robust financial management supports margins

While Alliance has faced significant inflationary pressures, a higher volume of repairs and maintenance as well as government interventions on rent increases in line with the sector, it has been able to preserve its margins thanks to robust cost control and strategic decisions.

Alliance's operating margin is in line with A2-rated peers at 21% in fiscal 2025. Alliances' margins have declined less than peers' in the last five years because of strategic decisions as well as strong financial management. Tight cost control and a push towards greater productivity of its repairs service have kept a lid on operating costs. Moreover, Alliance exited its low-margin care business in 2022 and now focuses on low-risk social housing lettings, which accounted for 72% of turnover in fiscal 2025, and shared ownership sales for which demand has remained strong in its area of operations.

Going forward, we expect margins to remain roughly stable, averaging at 21% over the next three years and remain in line with peers. While the age of its stock results in structurally higher demand for repairs, Alliance faces more limited expenditure needs than peers on decarbonisation. As of September 2025, 89% of its stock is at EPC-C or above compared with a median of 75% across rated UK HAs. In addition, fire safety works have been broadly completed with one 18+-meter block fully remediated and two others awaiting demolition. The demolitions are not yet reflected in the business plan and may result in one-off impairments.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Solid liquidity with strong covenant headroom

Alliance has strong liquidity and a substantial unencumbered asset base that support additional borrowing capacity of around £290 million as of September 2025, comfortably covering its funding needs for the next five years. It maintains significant liquidity above its golden rule of having at least 18 months of net cash flow requirement. As of September 2025, it had sufficient liquidity to cover 1.2x its net cash needs for the next two years, supported by £8 million of cash and cash equivalents and £64 million in undrawn revolving credit facilities.

Alliance now has strong headroom of 1.8x over its tightest interest cover covenant of 1.5x. The renegotiation of all its covenants to an EBITDA only basis, which concluded in November 2025, has significantly improved its covenant headroom. Spend on major repairs has increased materially due to fire safety remediation works as well as higher maintenance requirements due to its ageing of its stock.

Supportive institutional framework in England

The sector's credit quality benefits from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a2 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and regular programmed inspections for HAs with more than 1,000 units. The regulator has a strong track record of intervention in cases of mismanagement or financial stress.

The operating environment for English housing associations is supportive. Demand for social housing is very high and English housing associations retain some expenditure flexibility, with a track record of controlling costs to mitigate lower income. We recently upgraded the score to a2, reflecting recent credit-positive policy announcements that will provide greater revenue certainty and expenditure flexibility to the sector, including a 10-year rent settlement at CPI+1% and more generous funding for new and existing assets.

Weaker debt metrics than peers

Alliance has weaker gearing than peers at 52% compared to 48% for A2 peers, which in part reflects its history as a large-scale voluntary transfer (LSVT). Debt-to-revenue is in line with peers at 3.0x. Debt metrics have deteriorated rapidly with gearing increasing by more than 10 percentage points over fiscals 2022-25 as Alliance has maintained its development plans despite rising construction costs.

As a result, social housing letting interest coverage (SHLIC) deteriorated very rapidly from 2.6x in fiscal 2021 as a result of the decline in margins on its social housing lettings and the increase in interest costs. In fiscal 2025, SHLIC stands at 1.6x, in line with the median for A2-rated peers. We expect SHLIC to weaken against A2-rated peers to an average of 1.4x in the next three years due to additional debt drawdowns adding to the interest bill. Alliance assumes that interest rates will settle at around 3% by fiscal 2029.

That said, its debt structure is simple and refinancing risks are limited with no drawn debt due to mature in the next five years. Alliance has significantly decreased its exposure to interest rate risks with 15% of its debt at variable rates as of September 2025 down from 30% in fiscal 2022 after it gradually refinanced its RCF with a £100 million private placement.

Moderate development plan will keep debt metrics elevated

Alliance plans to deliver an average of 170 units annually over the next five years or around 12% of its current stock. It will maintain a strong focus on social housing with around 70% of units developed for rent and 30% for shared ownership. Debt will subsequently grow to fund its development, reaching £240 million in fiscal 2028 from £190 million in fiscal 2025. As a result, debt metrics will remain higher than peers with gearing reaching 52% in fiscal 2027 (A2 median: 48%) and debt to revenue 3.4x (A2 median: 3.3x).

That said, debt will peak much lower than previously planned as Alliance is planning to use receipts from a ramp up in fixed asset sales to fund some of its development spend.

However, there are risks that debt will increase beyond our current expectations if the timing of sales slips or if realised values are lower than expected. The number of units to be disposed remains small at 260 over five years and the programme focuses on older stock that is expensive to maintain and would be uneconomical to retrofit.

Extraordinary support considerations

The strong level of extraordinary support factored into the rating reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised

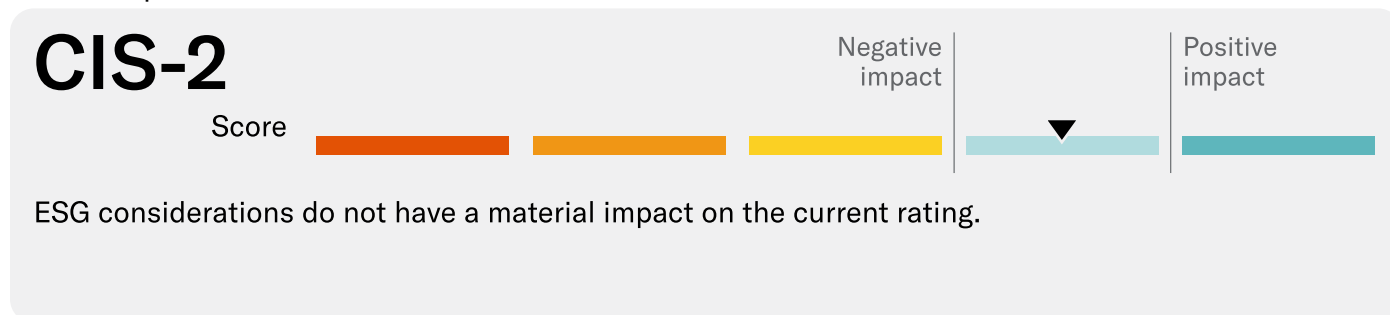
through sector regulators whose wide-ranging powers in cases of financial distress include facilitating mergers. However, this process can be protracted and is reliant on HAs agreeing to merge, which is more challenging in a weakened operating environment, with high expenditure pressures and high borrowing costs. In addition, our assessment that there is a very high default dependence between Alliance and the UK government reflects their strong financial and operational linkages.

ESG considerations

NSAH (Alliance Homes) Limited's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

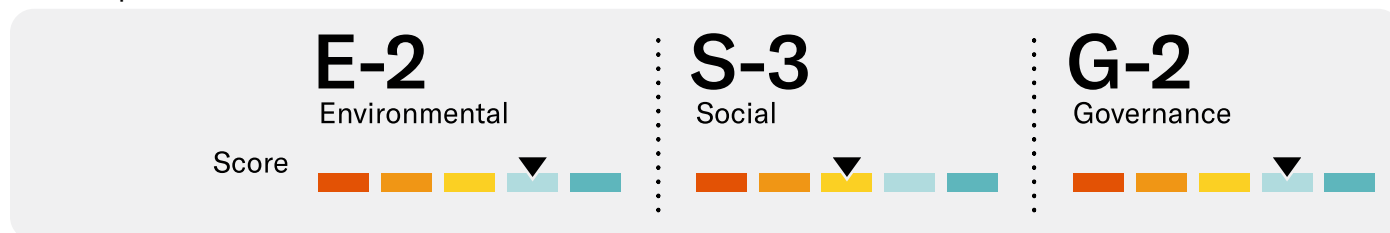


Source: Moody's Ratings

ESG considerations have a limited impact on Alliance's rating (**CIS-2**). Alliance has limited exposure to carbon transition risks as the majority of its stock already meets energy efficiency requirements, and although social risks are prevalent we consider that Alliance has the ability to effectively mitigate them through its strong governance and management practices.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Alliance has limited exposure to environmental risks (**E-2**). While English housing associations are required to bring their housing stock to EPC-C by 2030, the vast majority of Alliance's housing stock already meets the required energy efficiency standards.

Social

Alliance has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety and quality of existing stock (responsible production risks) and the vulnerability of the sector to tenant affordability considerations through the government's social rent policy. Those risks can materialise in the form of reduced operating margin and interest cover metrics.

Governance

Alliance has limited governance risks (**G-2**) given its sound and prudent risk management framework and practices in line with sector best practices including detailed reporting and a simple organisational structure. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of a3 is in line with the scorecard-indicated BCA outcome for fiscal 2025.

For details about our rating approach, please refer to our [European Social Housing Providers](#) rating methodology published in July 2024, and [Government Related Issuers](#) rating methodology published in May 2025.

Exhibit 5

Alliance Homes Group Fiscal 2025

Alliance Homes Group			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	7,368	baa
Factor 3: Financial Performance			
Operating Margin	5%	21.4%	baa
Social Housing Letting Interest Coverage	10%	1.6	a
Cash-Flow Volatility Interest Coverage	10%	3.5	aa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	3.0	baa
Debt to Assets	10%	51.8%	b
Liquidity Coverage	10%	1.2	a
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	a	a
Scorecard - Indicated BCA Outcome			a3
Assigned BCA			a3

Source: Alliance and Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
NSAH (ALLIANCE HOMES) LIMITED	
Outlook	Stable
Baseline Credit Assessment	a3
Issuer Rating -Dom Curr	A2

Source: Moody's Ratings

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