

Research Update:

U.K. Social Housing Provider ClwydAlyn Housing Ltd. 'A' Ratings Affirmed; Outlook Stable

June 3, 2025

Overview

- We expect North Wales-based social housing provider ClwydAlyn Housing Ltd.'s financial metrics to remain steady, with income from additional units and generous grant funding partially offsetting increased debt and capital expenditure for development.
- While we continue to expect the group to ramp up development spend, we consider management maintains the flexibility to adjust its development program and scale back if pressures arise.
- We therefore affirmed our 'A' long-term issuer credit rating on ClwydAlyn and maintained the stable outlook.

Rating Action

On June 3, 2025, S&P Global Ratings affirmed its 'A' long-term issuer credit rating on U.K. social housing provider ClwydAlyn Housing Ltd. (ClwydAlyn). The outlook is stable.

At the same time, we affirmed our 'A' issue rating on the £400 million bond issued by PenArian Housing Finance PLC, ClwydAlyn's funding vehicle. We view PenArian Housing Finance as a core subsidiary of ClwydAlyn.

Outlook

The stable outlook reflects our view that ClwydAlyn's financial metrics will remain largely stable since modestly rising debt levels are balanced by gradually improving adjusted EBITDA from rent increases as well as rental income from new units.

Downside scenario

We could lower our rating if ClwydAlyn deviates from its current strategic direction and plans such that investments in existing homes or growth ambitions increase materially. This would likely result in weaker financial performance and nonsales adjusted EBITDA interest cover. We

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could also consider a negative rating action if we were to revise downward our view of the likelihood of the Welsh government providing extraordinary support in case of need.

Upside scenario

We could upgrade ClwydAlyn if we see evidence of management successfully delivering higher adjusted EBITDA than we currently expect, for example due to robust cost management and conservative planning and policies. We expect this would result in improved key financial metrics, all else being equal.

Rationale

The affirmation reflects our view that ClwydAlyn will continue to demonstrate fairly stable credit metrics. We project ClwydAlyn's expanding rental asset base, supported by the Welsh government's generous grant funding, to partly offset the effect of increased debt and continued investments in existing and new homes. We also expect management will maintain a balanced strategy with flexibility to reprofile investments as needed.

Enterprise risk profile: Underpinned by a continued focus on traditional social housing activities within the very supportive Welsh framework

We think ClwydAlyn benefits from generating most of its earnings in the predictable and countercyclical social housing sector, backed by its solid regional market position and zero exposure to sales. The group owns and manages more than 6,600 homes in North Wales, where we think economic fundamentals are weaker than in other U.K. regions. While we calculate social and affordable rent to market rent as fairly high compared with that of English peers, we think demand for ClwydAlyn's social housing properties will remain relatively solid despite the tight gap in average rent to market rent. ClwydAlyn maintains a strong presence in its operational area, and over the past three audited years the group's average vacancy rate was 2.8% of rent and service charge receivables, which is comparable to its peers.

While development is increasing above historical levels, we consider management prudently maintains flexibility in its pipeline by committing to development only when funding is secured. We expect ClwydAlyn's strong relationships with key stakeholders, including the Welsh Government, will continue to support its increasing investments in new and existing homes. We view generous government grants as a key factor contributing to metric stability. We consider ClwydAlyn's quality of stock to be solid, with a relatively steady profile of investment in existing homes. As of March 31, 2025, about 71% of the group's stock has an energy performance certificate (EPC) of 'C' or above, which is relatively in line with rated peers, and all new builds are at EPC A.

We assess the regulatory framework under which registered providers of social housing in Wales operate as very strong (see "[Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.](#)," published April 17, 2025, on RatingsDirect).

Financial risk profile: Stable financial metrics since increasing debt-funded development is partly offset by rent increases from additional units as well as the Welsh Government's strong grant funding

We expect the group will continue to demonstrate stable financial performance, with S&P Global Ratings-adjusted EBITDA margins hovering at about 20% through fiscal 2028. We project higher rents with additional units will support adjusted EBITDA growth, though incremental increases in investment in existing homes will mitigate the full benefit.

We expect adjusted EBITDA growth will moderate pressure from our forecasted increase in debt needed to fund the development of new units. While we project capital expenditure for development will exceed historical trends, we anticipate Welsh government grants will on average cover about 65% of development costs, moderating debt funding needs. We also consider the group's favorable cost of debt is locked in by the existing 3.2% bond coupon, which makes up about 80% of its total debt and supports interest coverage.

We expect ClwydAlyn to maintain strong liquidity and forecast sources of liquidity will cover uses by approximately 1.2x over the next 12 months. We project sources of about £99 million--from cash and investments, undrawn and committed revolving credit facilities, grant receipts, and cash from operations--against liquidity uses of about £86 million (mainly capital expenditure and debt service payments). We anticipate liquidity to improve modestly in the near-term due to further debt funding. In the absence of additional debt, we would expect ClwydAlyn to scale back capital expenditure to maintain strong liquidity. We continue to assess ClwydAlyn's access to external liquidity as satisfactory.

Government-related entity analysis

We think there is a high likelihood ClwydAlyn would receive extraordinary government-related support in the event of financial distress. This leads us to apply a two-notch uplift to the group's stand-alone credit profile to derive the issuer credit rating. This is based on our opinion that the Welsh government has the capacity to support public sector enterprises, and our view that ClwydAlyn plays an important role for the Welsh government in social housing provision. We also consider the group has a very strong link to the Welsh government because the government directly regulates the social housing sector, providing strong regulatory oversight.

Key Statistics

ClwydAlyn Housing Ltd.--Key statistics

Mil. £	--Year ended March 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Number of units owned or managed	6513	6596	7003	7282	7408
Adjusted operating revenue	55.8	60.3	63.8	68.4	72.3
Adjusted EBITDA	11.4	13.0	13.1	13.9	15.4
Non-sales adjusted EBITDA	11.4	13.0	13.1	13.9	15.4
Capital expense	59.7	61.5	78.4	38.7	31.7
Debt	271.4	272.8	292.1	298.5	310.8
Interest expense	8.8	9.4	9.8	10.6	11.1
Adjusted EBITDA/Adjusted operating revenue (%)	20.5	21.6	20.5	20.2	21.3

ClwydAlyn Housing Ltd.--Key statistics

	--Year ended March 31--				
Debt/Nonsales adjusted EBITDA (x)	23.7	20.9	22.3	21.6	20.2
Non-sales adjusted EBITDA/interest coverage(x)	1.3	1.4	1.3	1.3	1.4

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

Rating Component Scores

ClwydAlyn Housing Ltd.--Ratings score snapshot

Assessment	Score
Enterprise risk profile	3
Industry risk	2
Regulatory framework	2
Market dependencies	4
Management and governance	3
Financial risk profile	4
Financial performance	4
Debt profile	5
Liquidity	3
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

- [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	
ClwydAlyn Housing Ltd	
Issuer Credit Rating	A/Stable/--
Foreign Currency	A/Stable/--
PenArian Housing Finance PLC	
Senior Secured	A

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