

CREDIT OPINION

3 November 2025

Update



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RATINGS

ClwydAlyn Housing Limited

Domicile	United Kingdom
Long Term Rating	A3
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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ClwydAlyn Housing Limited (UK)

Update to credit analysis

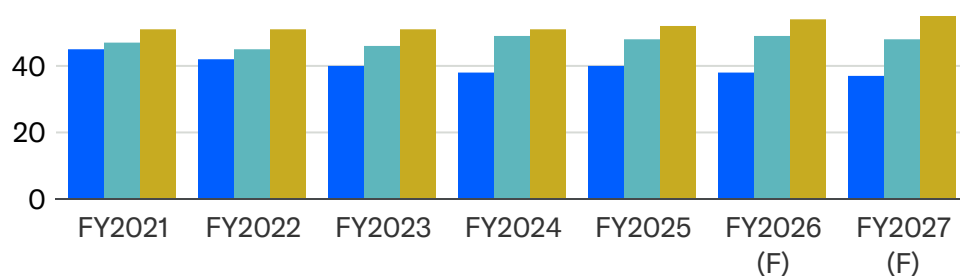
Summary

The credit profile of [ClwydAlyn Housing](#) (ClwydAlyn, A3 stable) reflects its focus on social housing lettings, which provides stable and predictable revenue, its strong market position in Wales and low gearing balanced against its weaker operating margins than peers. ClwydAlyn benefits from the strong regulatory framework governing Welsh housing associations (HAs) and our assessment that there is a strong likelihood that the government of the [UK](#) (Aa3 stable) would act in a timely manner to prevent a default.

Exhibit 1

ClwydAlyn has a relatively strong gearing compared to peers
Gearing at cost (%)

■ ClwydAlyn ■ A2 median ■ A3 median



Source: ClwydAlyn and Moody's Ratings

Credit strengths

- » Strong market position in Wales with a focus on low-risk social housing lettings
- » Strong debt metrics and simple debt structure
- » Supportive institutional framework in Wales

Credit challenges

- » Weak operating margins relative to peers
- » Higher development ambitions than peers

Rating outlook

The stable outlook reflects the fact that continued cost pressures will keep margins weaker than before the pandemic despite the above-inflation rent policy announced in September 2025.

Factors that could lead to an upgrade

Upward pressure on the ratings could result from a significant improvement in performance, supporting stronger interest cover ratios and operating margins. A material reduction in debt levels would also put upward pressure on the rating. An upgrade of the UK government's rating could also exert positive pressure on the ratings.

Factors that could lead to a downgrade

Downward pressure on the ratings could result from a prolonged weakening in operating performance or debt growing more quickly than forecasts. Lower support from the Welsh government for the sector or a dilution of the regulatory framework could also lead to downward pressure on the ratings. A downgrade of the UK government's rating could also exert negative pressure on the ratings.

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.)	6,240	6,296	6,390	6,513	6,591	7,187	7,498
Operating margin, before interest (%)	23.6	17.6	17.8	18.5	19.1	19.2	19.7
Net capital expenditure as % turnover	12.8	21.0	24.5	15.6	65.1	47.2	20.5
Social housing letting interest coverage (x times)	1.4	1.0	1.1	1.3	1.4	1.3	1.4
Cash flow volatility interest coverage (x times)	0.8	2.1	0.3	1.8	2.0	1.6	1.7
Debt to revenues (x times)	4.7	4.8	4.4	4.7	4.2	4.3	4.1
Debt to assets at cost (%)	44.5	42.2	40.5	38.1	40.1	37.6	37.3

Source: ClwydAlyn and Moody's Ratings

Profile

ClywydAlyn Housing is a small, though relatively large by Welsh standards, housing association operating in North Wales. It manages approximately 6,500 units. It focuses predominantly on low-risk social housing lettings with no exposure to market sales and it manages some care homes and supported housing.

Detailed credit considerations

ClwydAlyn's A3 rating combines (1) a baseline credit assessment (BCA) of baa1 and (2) a strong likelihood of that the UK government would act in a timely manner to prevent a default.

Baseline credit assessment

Strong market position in Wales with a focus on low-risk social housing lettings

ClwydAlyn's focus on low-risk social housing lettings, which accounted for 98% of turnover in fiscal 2025, provides stable and reliable cash flows. This is reflected in its strong cash flow volatility interest coverage (CVIC) at 2.0x. In addition, around half of its revenue is received from the government through housing benefits, care home fees funded by local authorities and contracts to provide supporting living services. This minimises the risk of rent arrears and bad debt.

The group structure is simple with the registered provider, a Special Purpose Vehicle through which it issues bonds, a subsidiary undertaking development activities and a joint venture with another Welsh housing association to deliver decarbonisation works.

Strong debt metrics and simple debt structure

The generous social housing grant regime in Wales supports stronger gearing metrics than rated peers. As of fiscal 2025, gearing stood at 40% compared to 52% for A3-rated peers. Similarly debt to revenue at 4.2x compares positively to A3-rated peers at 4.6x. We forecast gearing and debt to revenue to remain stable at around 38% and 4.2x respectively in the next three years as additional debt will be matched by the addition of new assets.

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.

Its low debt levels support a stronger social housing lettings interest coverage (SHLIC) than peers despite its weaker margins. In fiscal 2025, SHLIC stood at 1.4x compared to 1.0x for the median of A3-rated peers. We forecast SHLIC to remain stable over the next three years as the very gradual improvement in social housing letting margins will be absorbed by additional interest costs on new debt.

ClwydAlyn's debt structure is simple with no exposure to variable rate debt and almost no debt due within the next five years. After renegotiating its covenants to be based solely on EBITDA rather than EBITDA MRI, ClwydAlyn has sufficient headroom of 0.75x over its interest cover covenant of 1.3x. It also maintains strong additional borrowing capacity with unencumbered assets of £128 million, which is sufficient to cover its funding needs for the next five years. Available liquidity as of September 2025 covers 0.8x its net funding requirements for the next two years. However, we expect liquidity coverage to improve over the next years as ClwydAlyn secures additional facilities.

Supportive institutional framework in Wales

ClwydAlyn's credit quality benefits from the strong institutional framework governing Welsh HAs reflected in an Operating Environment score of a1 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

Welsh HAs are regulated by the Housing Regulation Team (HRT), a department of the Welsh Government. The HRT is responsible for protecting public investment in social housing as well as ensuring that HAs are financially viable and well-governed. The regulator maintains strong oversight through quarterly returns, long-term business plans, stress tests and regular interaction with senior management.

The operating environment for Welsh housing associations is supportive given the very high demand for social housing. The grant regime is more generous than in England and the Welsh government has demonstrated strong commitment to the sector for example by offering additional grants in 2022 and 2023 to mitigate the impact of inflationary pressures on development costs. There is also less policy volatility on rent settlement. The current rent policy was announced in September 2025 for 10 years from fiscal 2027. The maximum rent increase allowed is set at CPI+1% and similar to the previous settlement, should inflation fall between 3% and 5%, the maximum increase is set at CPI+0.5% and the decision reverts to the Welsh Minister if inflation exceeds 5%.

Weak operating margins relative to peers

ClwydAlyn's operating margin stood at 19% in fiscal 2025, slightly weaker than the median of 20% for A3-rated peers. This is driven by the high proportion of supported housing and care activities, which have lower margins than general needs social housing. Its margin declined in the last few years due to high cost inflation, a significant increase in spending on repairs and maintenance after the pandemic and sub-inflationary rent increases in Wales for fiscals 2024 and 2025. Whilst Welsh housing associations have generally lower margins than their English peers, ClwydAlyn remains committed to delivering efficiencies through reducing voids and consolidating its care activities.

We expect its operating margin to remain around current levels, averaging 20% over the next three years, due to the needs to invest in its existing stock. ClwydAlyn also needs to retrofit around 20% of its existing stock to reach EPC-C by 2030 in line with the Welsh government's targets although it is slightly ahead of rating peers.

Higher development ambitions than peers

ClwydAlyn has a large development programme and plans to build approximately 1,200 units over the next five years, equivalent to 17% of its current stock. This is the main constraint on its rating as English peers tend to have a much smaller development programme. That said, we do not expect its debt metrics to deteriorate significantly as ClwydAlyn will continue to receive grants from the Welsh government covering 63% of the development costs. ClwydAlyn will maintain its focus on social housing lettings with almost the entirety of its development programme for general needs and one extra-care scheme. However, a large development plan carries risks related to contractor failures and unexpected costs. In addition, construction standards are higher in Wales, which involves higher costs. For example, new build properties must achieve EPC-A.

Extraordinary support considerations

The strong level of extraordinary support factored into the ratings 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 housing associations agreeing to merge, which is more challenging in a weakened operating environment,

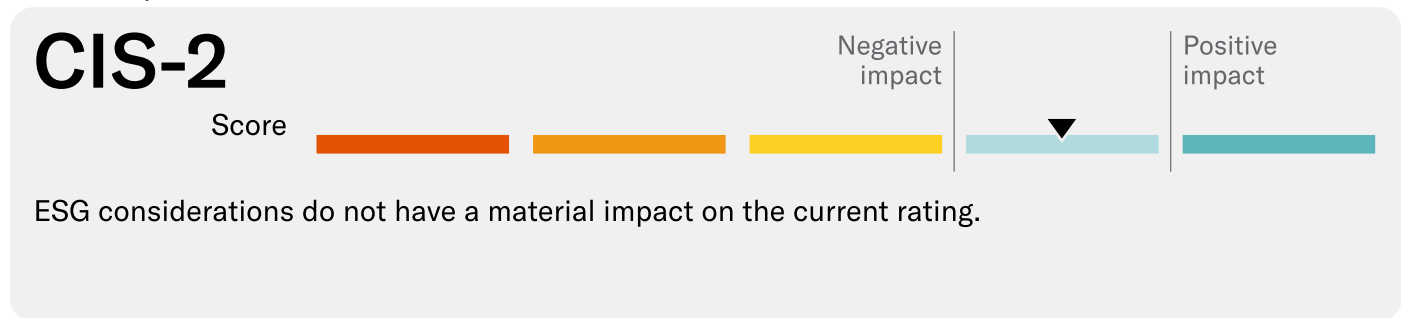
with high expenditure pressures and high borrowing costs. In addition, our assessment that there is a very high default dependence between ClwydAlyn and the UK government reflects their strong financial and operational linkages.

ESG considerations

ClwydAlyn Housing Limited's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

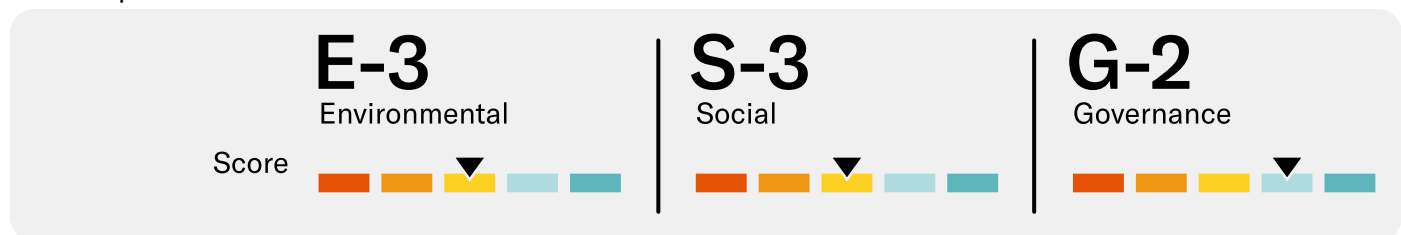


Source: Moody's Ratings

ClwydAlyn's **CIS-2** indicates that ESG risks have a limited impact on its rating. Although carbon transition risks and social risks are prevalent we consider that ClwydAlyn has the ability to effectively mitigate them through its strong governance and management practices, as well as additional support from the Welsh government. We also consider that the supportive regulatory framework for the sector offsets some ESG risks.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

ClwydAlyn has some exposure to environmental risks (**E-3**) related to the Welsh government's requirement to bring their housing stock to EPC-C by 2030. ClwydAlyn still needs to retrofit 20% of its housing stock to meet the required energy efficiency standards.

Social

ClwydAlyn 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

ClwydAlyn 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 baa1 is in line with the scorecard-indicated BCA.

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

Exhibit 5

ClwydAlyn

Fiscal 2025

ClwydAlyn			
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%	6,591	baa
Factor 3: Financial Performance			
Operating Margin	5%	19.1%	baa
Social Housing Letting Interest Coverage	10%	1.4x	baa
Cash-Flow Volatility Interest Coverage	10%	2.0x	baa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.2x	ba
Debt to Assets	10%	40.1%	ba
Liquidity Coverage	10%	0.8x	baa
Factor 5: Management and Governance			
Financial Management	10%	a	a
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			baa1
Assigned BCA			baa1

Source: ClwydAlyn and Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
CLWYDALYN HOUSING LIMITED	
Outlook	Stable
Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	A3
PENARIAN HOUSING FINANCE PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3

Source: Moody's Ratings

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