

Research Update:

U.K. Social Housing Provider ClwydAlyn Housing Ltd. Outlook Revised To Negative; 'A' Rating Affirmed

June 22, 2026

Overview

- North Wales-based social housing provider ClwydAlyn Housing Ltd.'s financial metrics will likely weaken as the group increases investment in existing homes to meet the updated Welsh Housing Quality Standard (WHQS).
- In addition, ClwydAlyn will require more debt to fund new builds and manage working capital following shifts in timing of grant receipts for development from the Welsh government.
- We affirmed our 'A' long-term issuer credit rating as management is taking actions to contain these financial pressures and we believe the Welsh government remains supportive.
- We have revised our outlook to negative, reflecting that ClwydAlyn has limited headroom to absorb further increased investment in existing homes or to absorb delays in grant receipts, which could result in further debt needed for development.

Rating Action

On June 22, 2026, S&P Global Ratings revised its outlook on U.K. social housing provider ClwydAlyn Housing Ltd. (ClwydAlyn) to negative from stable. At the same time, we affirmed our 'A' long-term issuer credit rating.

We also 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 negative outlook reflects our view that ClwydAlyn's financial metrics are under pressure from higher investment in existing homes and shifts in timing of the receipt of grants for development.

Downside scenario

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We could lower our rating in the next 12-24 months if financial metrics weaken further, such that EBITDA interest coverage falls below 1.0x on a sustained basis. This could happen if investments in existing homes are higher than anticipated or if ongoing support from the Welsh government does not sufficiently back capital expenditure, resulting in ClwydAlyn requiring further debt to manage cash flows and fund development. We 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 revise the outlook to stable if ClwydAlyn is able to navigate its updated investment in existing homes and grant receipt profiles without further downside impact on its financial metrics.

Rationale

The outlook revision to negative reflects our view that ClwydAlyn's financial metrics are under pressure from higher investments in existing homes and shifts in timing of receipt of grants for development. We project ClwydAlyn's investments in existing homes to increase over the forecast period, driven by updates to WHQS, decarbonization programs, and improved stock condition survey data. We believe the Welsh government remains supportive of investments in existing homes. However, following Senedd (Wales' parliament) elections in May 2026, no future funds, such as the optimized retrofit program grant, are confirmed yet. Absent any additional grants, our base-case expectation is that S&P Global Ratings-adjusted EBITDA margins will weaken below 20% relative to historical levels of slightly above that. We also expect higher debt over our forecast period as the timing for grant distribution for development from the Welsh government has shifted. While the level of the grants has not reduced, ClwydAlyn will no longer receive grants for development upfront, but rather spread across three payments, resulting in new working capital needs. ClwydAlyn has reprofiled and modestly reduced its development to contain debt buildup. Still, there will be peaks over the forecast that strain financial metrics. We expect ClwydAlyn to take action to balance investments in existing and new homes and preserve liquidity, but the group has limited headroom for any further deterioration in financial metrics.

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

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 6,700 homes in North Wales, where we think economic fundamentals are weaker than in other U.K. regions. ClwydAlyn maintains a strong presence in its operational area. Even though we view the difference in average rent to market rent as lower than for English peers, we think demand for ClwydAlyn's social housing properties will remain relatively solid. We anticipate a reduction in vacancy rates toward 2.0%, following the sale in late 2025 of Merton Place, ClwydAlyn's one nursing home which inherently had longer void turnaround periods. This is an improvement from the group's past three-year average vacancy rate of 2.8% of rent and service charge receivables.

We believe ClwydAlyn is taking steps to manage the risks around its asset investment and development programs to limit pressure to financial metrics. The generous government grants received upfront were a key factor contributing to the stability of metrics historically.

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Management is aware of strain from not only its development program but also investments in existing homes. To manage risks ClwydAlyn is carrying out extensive stock condition surveys to back investment plans with additional data. We consider ClwydAlyn's quality of stock to be solid, and, as of March 31, 2026, about 80% of the group's stock had 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'. However, we acknowledge updates to asset investment and development plans represent challenges to manage.

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.](#)," April 17, 2025).

Financial risk profile: Metrics to weaken due to higher investments in existing homes and debt

We expect higher investments in existing homes to adhere to WHQS and carry out decarbonization works will keep S&P Global Ratings-adjusted EBITDA margins below 20% over the forecast horizon, from historical levels of just above 20%. We expect rents under updated 2026-2036 rent settlement and uplift from additional units, alongside cost containment, will help support margins above 15%.

We project that alongside lower adjusted EBITDA, higher debt will weaken debt metrics. We still anticipate Welsh government grants will cover over 60% of development costs. However, as receipt of the grants is no longer upfront, ClwydAlyn will require additional debt to fund its development pipeline. As a result, we forecast debt to nonsales EBITDA above 20x and for interest coverage to weaken from historical levels of about 1.3x, though remain above 1.0x.

We expect ClwydAlyn to maintain strong liquidity and forecast sources of liquidity will cover uses by approximately 1.5x over the next 12 months. We project sources of about £119 million--from cash and investments, undrawn and committed revolving credit facilities and Welsh Principality Building Society bank loan debt, grant receipts, and cash from operations--against liquidity uses of about £79 million (mainly capital expenditure and debt service payments). We understand ClwydAlyn will seek additional sources of liquidity to execute development and manage working capital as the group adjusts to new deployment timing of grants. 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--				
Number of units owned or managed	6,591	6,765	6,938	7,264	7,402
Adjusted operating revenue	61.7	66.5	67.5	72.0	76.2
Adjusted EBITDA	13.3	13.1	11.4	13.6	14.0
Non-sales adjusted EBITDA	13.3	13.1	11.4	13.6	14.0
Capital expense	73.6	59.3	71.0	47.2	36.1
Debt	270.9	299.4	329.9	344.9	359.9
Interest expense	9.4	9.7	11.4	12.4	13.1
Adjusted EBITDA/Adjusted operating revenue (%)	21.6	19.8	16.9	18.9	18.4
Debt/Nonsales adjusted EBITDA (x)	20.4	22.8	29.0	25.3	25.6
Non-sales adjusted EBITDA/interest coverage(x)	1.4	1.4	1.0	1.1	1.1

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	5
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

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- [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: Ratings Hold Steady Despite Negative Bias](#), April 27, 2026
- [Non-U.S. Social Housing Providers Ratings History: March 2026](#), April 27, 2026
- [United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable](#), April 10, 2026
- [U.K. Social Housing Brief: The Middle East War Weighs Only Modestly On Financial Recovery](#), April 2, 2026
- [Economic Outlook Europe Q2 2026: Global Shock Leaves Recovery Uncertain](#), March 25, 2026
- [Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers](#), Sept. 10, 2025
- [European Housing Markets: Structural Pressures Persist, Forecasts Barely Shift](#), Feb. 3, 2026
- [U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom](#), June 26, 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
- [Non-U.S. Social Housing Sector Outlook 2026: Headwinds Ease](#), Feb. 2, 2026
- [U.K. Autumn Budget Isn't Too Bad For Public Finance Sector](#), Dec. 1, 2025
- [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; Outlook Action

	To	From
ClwydAlyn Housing Ltd		
Issuer Credit Rating	A/Negative/--	A/Stable/--
Ratings Affirmed		
PenArian Housing Finance PLC		
Senior Secured	A	

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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