FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms A2Dominion Housing Group at 'A'; Outlook Negative

Fri 17 Oct, 2025 - 11:40 ET

Fitch Ratings - London - 17 Oct 2025: Fitch Ratings has affirmed A2Dominion Housing Group Limited's (A2D) Long-Term Issuer Default Ratings (IDR) at 'A' and its Short-Term IDRs at 'F1+'. The Outlooks on the Long-Term IDRs are Negative.

A2D is a government-related entity (GRE) of the UK (AA-/Stable), leading to our 'Strong Expectations' of state support. This underpins a one-notch uplift from its 'a-' Standalone Credit Profile (SCP), which is three notches below the sovereign ratings, to arrive at the 'A' Long-Term IDRs. Continuing high demand for social and affordable housing and cash flow from rented properties support its credit profile, despite a challenging economic environment.

KEY RATING DRIVERS

Support Score Assessment 'Strong expectations'

Our 'Strong Expectations' of extraordinary support from the UK to A2D are reflected in a support score of 20 out of a maximum 60, under our GRE Rating Criteria. This reflects a combination of responsibility-to-support and incentive-to -support factors assessment as below.

Responsibility to Support

Decision Making and Oversight 'Strong'

A2D is a private, not-for-profit social housing registered provider (RP) in the UK and has no legal owner. All surpluses reinvested to provide social housing. We consider the regulatory framework for English social housing as having a robust legal basis, and the Regulator of Social Housing as maintaining sound control and tight monitoring of RPs. The regulator's history of oversight and non-financial intervention in rare cases of distress is a key factor behind the sector's solidity.

Precedents of Support 'Strong'

A2D receives financial support through grants from Homes England and the Greater London Authority for social, affordable and shared ownership development. This is to support additional subsidised housing, not to finance debt or prevent default. Fitch takes into account the support mechanisms RPs can benefit from, or have benefited from, through the UK. Policy influence is supportive of the financial stability of RPs. Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Social housing is a key public service. We see no immediate impact on the service from a A2D default, as other providers could act as substitutes, with only temporary disruption to the RP service. However, there would be a medium-term effect on the provision of service by reducing RPs' access to external financing for maintenance capex and new investments and by weakening their financial resilience.

Contagion Risk 'Not Strong Enough'

Default would have a minimal impact on the availability or cost of domestic financing for the UK. Fitch considers that an RP default would be treated as an isolated case of mismanagement or viability issues. Consequently, this should not affect the sector as a whole.

Standalone Credit Profile

A2D's 'a-' SCP reflects a combination of a 'Stronger' risk profile and a financial profile assessed in the 'bbb' category, with forecast leverage to average 11.7x over the five years to FY30 (financial year ending March 31).

Risk Profile: 'Stronger'

A2D's 'Stronger' risk profile reflects a combination of assessments as detailed below.

Revenue Risk: 'Stronger'

A2D is supported by consistent affordable and social rental income, plus shared ownership sales in a large and profitable market. These socially regulated activities offer stable cash flow in a counter-cyclical environment. A2D's core business focuses on owning and managing affordable homes, throughout London and the south-east.

Demand for social housing remains strong in these areas. Any change in the rents charged by A2D is unlikely to materially affect demand. The UK government sets the threshold for annual social rent increases, but the company has flexibility over pricing from its non-social housing lettings activity, which it uses to cross-subsidise the core business.

Expenditure Risk: 'Stronger'

A2D has a well-defined and stable cost structure with specific fixed costs, including reasonable staff costs across group operations, at about 23% of cash opex, in line with some of its strongest peers. There are no material supply constraints on labour or resources. Like many in the sector, A2D experienced a big increase in its responsive repair costs in FY25. In FY25, A2D spent GBP 91.4 million on responsive repairs, planned maintenance and major works on its social housing stock, including GBP 40.2 million on day-to-day repairs and voids.

Liabilities and Liquidity Risk: 'Stronger'

A2D has a low-risk, long-dated debt portfolio and strong access to finance and liquidity. It has about GBP1.4 billion in drawn debt as of March 2025, with total facilities of GBP1.8 billion. A2D operates in a fully developed financial market, accessing banks, debt capital markets and private placements. Ninety per cent of debt is at fixed rates, limiting exposure to interest rate volatility. The weighted average cost of funds is 4.57%. Debt maturities are well spread, with an average life exceeding six years.

Financial Profile 'bbb'

Fitch assesses A2D's financial profile at 'bbb'. Its performance in FY25 continued to reflect sector pressures, including increased spending on building safety, major repairs and reinvestment in existing stock. It has responded by scaling back development activity, implementing annual efficiency savings, and continuing its disposal of non-core assets, including a phased disposal of its private rental portfolio. This has resulted in leverage improving to 13.5x in FY25 after consistently exceeding 16x over the past five years (FY24: 18x).

We expect A2D's operating revenue to average about GBP345 million a year between FY26 and FY30, with annual EBITDA averaging GBP105 million. We expect net adjusted debt/EBITDA to improve towards about 11x, in line with low 'a' SCP category peers and to average about 12x over the five years to FY30.. In FY25, A2D's operating revenue was GBP411 million (FY24: GBP384 million), with EBITDA of GBP104 million (FY24: GBP84 million). Net debt at FYE25 was about GBP1,396 million. We are maintaining the credit on Negative Outlook, due to uncertainty over capital receipts from asset disposals, which will affect leverage.

Other Rating Factors

We assess all asymmetric risk attributes at 'Neutral', due to a strong regulatory framework, transparent reporting of information and a risk-averse debt structure. Debt is mostly fixed-rate and vanilla in nature (sterling bonds and bank debt). Governance and management are assessed by the regulator; A2D currently has a non-compliant governance assessment, but this is driven by their customer rating and it has an improvement plan in place. A2D operates under English law, which is strong, and the UK Country Ceiling is 'AAA'. Information quality is strong, with external publications internally and externally audited.

Short-Term Ratings

A2D's Short-Term 'F1+' IDR is the higher of two options mapping to an 'A' Long-Term IDR, reflecting the combination of 'Stronger' revenue defensibility and strong liquidity cushion and coverage ratios.

Debt Ratings

The bonds' rating is aligned with A2D's 'A' Long-Term IDR as the notes constitute direct, unconditional, unsubordinated and rank pari passu among themselves. They rank equally with all other direct obligations of A2D. These are issued by A2D Funding II plc, an SPV of A2D.

PEER ANALYSIS

A2D's closest peers are Metropolitan Thames Valley Housing Group (MTVH) and The Riverside Group Limited, all of which share a 'Stronger' risk profile. MTVH and A2D mainly operate in London and the south-east, while Riverside is focused on London and the north-west. Both are significantly larger than A2D, managing about 60,000 units or more. We also consider international peers, with the closest considered to be Sia Habitat due to its size and standalone credit quality.

Issuer Profile

A2D is a large RP of social housing in the south of England, with about 38,000 units (excluding garages and community centres). It is a member of the G15 group of London's largest housing associations.

KEY ASSUMPTIONS

Fitch's rating case is a 'through-the-cycle' scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on FY21-FY25 historical figures and FY26-FY30 assumptions;

Base case

- Operating revenue CAGR of -3.1%, due to disposal of assets and reduced developments

- Opex CAGR of -5.1%, with increases to repairs and maintenance offset by reduction in developments and portfolio size

- Lower average capex of GBP61 million a year to FY30 due to fewer developments

Rating case

- 50bp stress to social rental revenue

- 100bp stress to non-social housing activity

- 100bp stress to operating costs

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-A failure to reduce net debt/EBITDA below 12x on a sustained basis.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-A return to a Stable Outlook would be driven by net debt/EBITDA falling sustainably below 12x in our rating case.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

A2D is credit-linked to the UK.

References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
A2Dominion Housing Group Limited	LT IDR	A Rating Outlook Negative	Affirmed	A Rating Outlook Negative
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	A Rating Outlook Negative	Affirmed	A Rating Outlook Negative
	LC ST IDR	F1+	Affirmed	F1+
senior unsecured	LT	A	Affirmed	A
A2D Funding II plc				
senior unsecured	LT	A	Affirmed	A

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Public Policy Revenue-Supported Entities Rating Criteria (pub. 12 Jan 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub. 18 Jul 2025)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

A2D Funding II plc	UK Issued, EU Endorsed
A2Dominion Housing Group Limited	UK Issued, EU Endorsed

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