



Fitch Rates A2Dominion's GBP1bn EMTN Programme and Proposed Notes 'A+(EXP)'

Fitch Ratings-London/Barcelona/Warsaw-26 October 2016: Fitch Ratings has assigned A2Dominion Housing Group Limited's (A2D) GBP1bn EMTN programme and its proposed bond issue expected ratings of 'A+(EXP)'. The final rating on the notes is contingent on the receipt of final documentation conforming to the information already received.

The expected ratings are aligned with A2D's Long- and Short-Term Issuer Default IDRs as the programme and the notes under the programme are expected to constitute unconditional, unsecured and unsubordinated liabilities of the issuer. As such they will rank equal with all other direct obligations of A2D and are therefore linked to its Long-Term IDR.

KEY RATING DRIVERS

Fitch views A2D's liquidity management as sound and believes that A2D will be able to provide sufficient liquidity coverage for its forthcoming issuance under the programme. The purpose of the programme is to raise funding for general corporate purposes, including the acquisition and development of housing properties of differing tenures, to diversify funding and to smooth the debt maturity profile. The first bond issue is likely to be for GBP250m, which may include a retained amount of up to GBP100m.

A2D is now one of the largest registered social housing providers in the south of England, with over 36,000 units in total in financial year to March 2016. A2D operates in London and throughout the south east of England across 79 local authorities.

A2D's ratings reflect secured cash flow from public funds and the control and regulation provided by the Homes and Communities Agency (HCA). The ratings also reflect continuing demand for social housing in the south of England where A2D operates, as well as continued cash flow from rented properties.

A2D reported improved performance in FY16 with turnover of GBP378m and a net surplus of GBP115m. Debt at FYE16 was just under GBP1.36bn. Turnover is forecast to rise to GBP505m in FY20 with the surplus peaking at GBP173m in the same year. Borrowing requirements over the next five years are fairly stable with total debt expected to peak at GBP1.55bn in FY17. A2D has developed over 9,700 units in the last nine years and its strategy for 2015-2020 is to develop a further 4,500-6,000 units.

RATING SENSITIVITIES

Changes to A2D's Long-Term IDR would be reflected in the ratings for the EMTN programme ratings and bonds issued under the programme.

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Applicable Criteria

Rating of Public-Sector Entities – Outside the United States (pub. 22 Feb 2016)

(<https://www.fitchratings.com/site/re/877128>)

Revenue-Supported Rating Criteria (pub. 16 Jun 2014) (<https://www.fitchratings.com/site/re/750012>)

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