

Research Update:

U.K. Social Housing Association East Midlands Housing Group Ltd. 'A' Ratings Affirmed; Outlook Stable

January 23, 2026

Overview

- While East Midlands Housing Group (EMH) is facing increasing costs to invest in existing homes, we expect the group will manage to slowly improve financial metrics thanks to its cost control and good understanding of its stock conditions.
- The group's contained new developments, combined with grants and expanding stock disposal, will also slow debt buildup.
- We therefore affirmed our 'A' long-term issuer credit rating on EMH. The outlook is stable.

Rating Action

On Jan. 23, 2026, S&P Global Ratings affirmed its 'A' long-term issuer credit rating on East Midlands Housing Group Ltd. (EMH). The outlook is stable.

We also affirmed our 'A' issue rating on the £350 million senior secured debt issued by EMH Treasury PLC, which we view as a core subsidiary of the group.

Outlook

The stable outlook reflects our view that EMH will achieve financial recovery through efficiently controlling costs and executing its asset disposal plan, which will result in a modest improvement in the group's financial indicators, with S&P Global Ratings-adjusted margin structurally above 20% and nonsales EBITDA interest coverage improving toward 1.2x.

Downside scenario

We could lower the rating on EMH if control over costs loosens or the group increases its debt-funded development on new homes. These actions would prevent the financial recovery that we expect.

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Upside scenario

We could raise the rating if management's strategy proved to be more prudent, resulting in clearly stronger financial metrics materially above our base-case expectations sustainably.

Rationale

The affirmation reflects our view that EMH's cost control will help manage pressure from higher investment in existing homes. The group's spending on repairs and maintenance has risen in the past two years resulting in weaker financial metrics, with the adjusted EBITDA margin below 20% and nonsales adjusted EBITDA interest coverage at about 1x. However, EMH's solid understanding of its stock conditions should help its ability to manage required investments. We also expect the group's receipt of grant funding and efforts to improve operational efficiency will further mitigate cost growth for repairs and maintenance. Moreover, EMH's moderate level of new developments and expanding its asset disposal program will contain its borrowing needs. As a result, we project the group's financial metrics will improve gradually by fiscal 2028 (year ending March 31).

Enterprise profile: A focus on traditional social housing activities and proactive cost management

We think EMH benefits from generating most of its earnings in the predictable and countercyclical social housing sector. We expect that the group will contain sales income at a low 7% of total adjusted revenue on average in the coming two-to-three years.

EMH owns and manages more than 22,000 homes in the East Midlands region of England. The demand for social housing properties in the area is strong, as seen with the group's average vacancy rate of 1.6% over the past three years. We consider this on par with the rest of the English social housing sector. We also think EMH's social and affordable rents, which we estimate to be about 61% of the market average rent across the area of operations, provide property affordability and support demand.

We consider EMH's management has prudently implemented measures to mitigate elevated investment in existing homes. This includes maintaining high flexibility of the new development pipeline and expanding the disposal program of uneconomical units. Also, we view positively that the group has good management on asset quality, as shown by strong stock condition data covering all of its homes within five years and low exposure to fire safety risks. It has also achieved good progress in increasing the number of homes achieving an Energy Performance Certificate level C or above to 73% of the stock from 65% a year ago, which is more aligned with that of peers. We think these factors will translate into a gradual financial improvement from the relatively weaker levels of the past two years.

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

Financial profile: Financial metrics will improve modestly despite increasing investment in existing homes

We expect EMH's adjusted EBITDA margins will improve to over 20% over the next two-to-three years, although its costs for repairs and maintenance are increasing. The group's secured grant funding will offset some of the costs. Also, we forecast higher rental revenue, supported by rent

increases that outpace cost inflation. Meanwhile, we think the group's initiatives to enhance cost efficiency in repairs, maintenance services, and care activities will help slow cost growth. As a result, our forecast adjusted EBITDA margin will slowly recover by fiscal 2028.

Our projected EMH's controlled level of debt-funded new development program will support its debt metrics in our view. We expect the group will continue to develop more new units but maintain moderate capital expenditure in the next two-to-three years to control debt buildup. The grant funding from Homes England and proceeds from asset disposals will further help reduce the needs for its additional borrowing. We therefore expect debt to nonsales adjusted EBITDA to modestly strengthen towards about 20.0x and nonsales adjusted EBITDA interest coverage to improve to about 1.2x over the next two-to-three years.

We view EMH's liquidity as strong. Its liquidity sources will cover uses approximately 2.1x in the next 12 months. We base this on our forecast of liquidity sources of about £250 million-- comprising cash, undrawn and available revolving credit facilities, fixed asset sales, grant receipts, and cash from operations (after adding back the noncash cost of sales)--that will cover liquidity uses of about £120 million (mainly capital expenditure and debt service payments). At the same time, we think the group has satisfactory access to external liquidity.

Government-related entity analysis

We think there is a moderately high likelihood EMH would receive timely extraordinary support from the U.K. government, through the Regulator of Social Housing (RSH), in case of financial distress. This provides a one-notch uplift from the stand-alone credit profile. One of the RSH's key goals is to maintain lender confidence and low funding costs across the sector, so we think the regulator would likely try to prevent a default in the sector. We base this view on RSH's previous mediating mergers or arranging liquidity support from other registered providers in cases of financial distress and think this would also apply to EMH.

Key Statistics

East Midlands Housing Group Ltd.--Financial statistics

(Mil. £)	--Year ended March 31--				
	2024a	2025a	2026bc	2027bc	2028bc
Number of units owned or managed	22,108	22,466	22,891	23,215	23,468
Adjusted operating revenue	144.9	149.8	159.0	165.5	163.3
Adjusted EBITDA	27.7	26.6	29.6	35.3	38.0
Nonsales adjusted EBITDA	24.0	26.5	28.0	33.5	37.2
Capital expense	91.3	82.7	97.8	84.2	71.4
Debt	596.5	615.7	650.7	700.7	725.7
Interest expense	25.8	27.6	28.3	30.2	31.9
Adjusted EBITDA/Adjusted operating revenue (%)	19.1	17.8	18.6	21.3	23.3
Debt/Nonsales adjusted EBITDA (x)	24.8	23.3	23.3	20.9	19.5

Nonsales adjusted EBITDA/interest coverage(x)	0.9	1.0	1.0	1.1	1.2
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a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available.

Rating Component Scores

East Midlands Housing Group Ltd.--Ratings Score Snapshot

	Assessment
Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and governance	3
Financial risk profile	4
Financial performance	4
Debt profile	5
Liquidity	2
Stand-alone credit profile	a-
Issuer credit rating	A

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "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

- [U.K. Autumn Budget Isn't Too Bad For Public Finance Sector](#), Dec. 1, 2025
- [Economic Outlook Europe Q1 2026: Germany's Fiscal Reawakening](#), Nov. 24, 2025
- [Non-U.S. Social Housing Providers Ratings Risk Indicators: Largely Stable](#), Nov. 17, 2025
- [Non-U.S. Social Housing Providers Ratings History: October 2025](#), Nov. 17, 2025

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- [United Kingdom](#), Oct. 13, 2025
- [Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers](#), Sept. 10, 2025
- [European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High](#), July 10, 2025
- [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 2025: Quality Maintenance Constrains Recovery](#), Jan. 14, 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

[East Midlands Housing Group Ltd.](#)

Issuer Credit Rating	A/Stable/--
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[EMH Treasury PLC](#)

Senior Secured	A
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