

CREDIT OPINION

21 October 2025

Update



Send Your Feedback

RATINGS

Sovereign Network Group

Domicile	London, United Kingdom
Long Term Rating	A3
Type	LT Issuer Rating - Fgn 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.

Contacts

Lenaic Couderc +44.20.7772.1799
Analyst
lenaic.couderc@moody's.com

James Boachie-Yiadom +44.20.7772.5298
Sr Ratings Associate
james.boachieyiadom@moody's.com

Jeanne Harrison +44.20.7772.1751
Vice President - Senior Credit Officer
jeanne.harrison@moody's.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Sovereign Network Group (UK)

Update to credit analysis

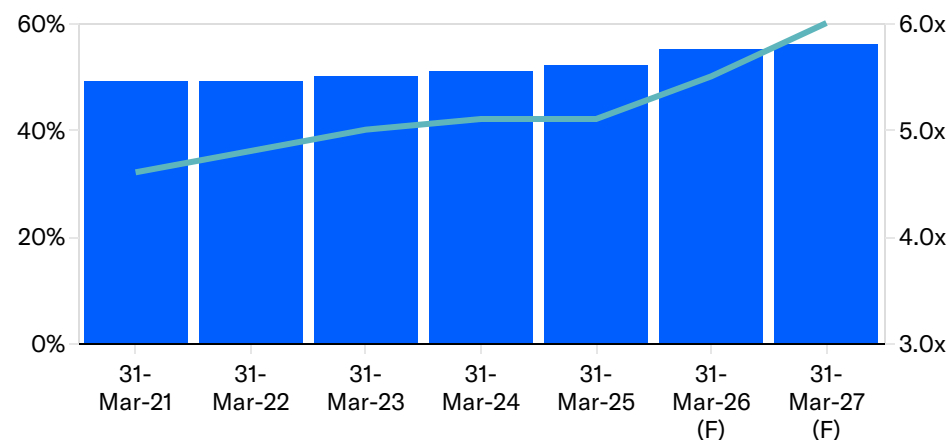
Summary

The credit profile of [Sovereign Network Group](#) (SNG, A3 stable) reflects its large size, solid operating margins and good financial management. The ratings also incorporate its high indebtedness and large development programme. SNG benefits from the strong regulatory framework governing English housing associations 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

Higher leverage expected as SNG ramps up housing delivery
Gearing (LHS) and debt to revenue (RHS)

■ Gearing — Debt to revenue



Prior to fiscal 2024, Sovereign Housing Association only.
Source: SNG and Moody's Ratings

Credit strengths

- » Good financial performance though interest covers are now weaker than peers
- » Supportive institutional framework in England

Credit challenges

- » High leverage to increase further
- » Substantial development ambitions with a moderate exposure to market sales

Rating outlook

The stable outlook balances the gradual recovery in margins that will support a stabilisation of interest cover metrics albeit at low levels against SNG's ambitious development that will lead to a gradual deterioration in debt metrics.

Factors that could lead to an upgrade

Upward pressure on the ratings could result from a significant improvement in operating performance, a material reduction in debt and a strengthening in interest cover metrics or a significant increase in government support for the sector.

Factors that could lead to a downgrade

Downward pressure on the ratings could result from a prolonged weakening in operating performance and/or debt growing more quickly than forecasts with interest cover falling from their already low levels. Lower government support for the sector or a dilution of the regulatory framework would also put to downward pressure on the ratings.

Key indicators

Exhibit 2

Sovereign Network Group							
	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.)	60,355	61,023	62,026	84,586	84,182	84,740	86,919
Operating margin, before interest (%)	30.1	27.7	23.3	21.2	20.0	20.5	21.8
Net capital expenditure as % turnover	14.3	47.2	52.6	57.2	66.7	87.3	72.0
Social housing letting interest coverage (x times)	1.5	1.4	1.2	1.0	0.8	0.8	0.7
Cash flow volatility interest coverage (x times)	2.0	1.8	2.4	1.4	1.5	1.0	1.3
Debt to revenues (x times)	4.6	4.8	5.0	5.1	5.1	5.5	6.0
Debt to assets at cost (%)	49.3	49.3	49.5	50.9	52.3	55.0	56.3

Prior to fiscal 2024, Sovereign Housing Association only.

Source: SNG and Moody's Ratings

Profile

SNG is a large housing association operating across London and the South of England. It manages approximately 84,000 units. It focuses predominantly on low-risk social housing lettings with a moderate exposure to market sales and some activity in market rent.

Detailed credit considerations

SNG's A3 ratings combine (1) a Baseline Credit Assessment (BCA) of baa2 and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

Baseline credit assessment

Good financial performance though interest cover metrics are now weaker than peers

Following the merger of Sovereign and Network Homes in 2023, SNG is among the largest housing associations in England managing close to 85,000 units across London and the South West. Its sizeable balance sheet supports a higher capacity to absorb shocks than smaller housing associations and grants it robust market position, strong political influence and a competitive edge in development opportunities. As a member of the G15 organisation, SNG also collaborates with other large London-based housing associations to shape housing policy.

SNG's operating margin stood at 20% in fiscal 2025, in line with the median of A3-rated peers. In line with the rest of the sector, margins have reduced due to high cost inflation, a significant increase in spending on repairs and maintenance and past government interventions on rent policy. We expect margins to recover gradually thanks to inflation-linked rent increases and as merger efficiencies start to materialise but remain lower than before the pandemic due to structurally higher expenditure growth. Moreover, SNG still faces fire safety remediation costs on its high-rises of £14 million annually on average over the next three years. That said, SNG has made

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.

more progress than most peers in addressing fire safety with over 56% of its remediation works having already been completed and the rest to be completed by fiscal 2028.

SNG's social housing lettings interest coverage (SHLIC) stood at 0.8x in fiscal 2025, below the 1.1x median for A3-rated peers. SHLIC declined in line with the operating margin in recent years and was also negatively affected by the merger as Network had weak interest cover metrics. We expect SHLIC to remain below 0.8x over the next three years due to higher interest costs associated with SNG's planned increase in leverage. This is in contrast to rating peers for which SHLIC will gradually recover as most HAs have cut development spending to limit debt growth.

Supportive institutional framework in England

The sector's credit quality benefits from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a2 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and regular programmed inspections for HAs with more than 1,000 units. The regulator has a strong track record of intervention in cases of mismanagement or financial stress.

The operating environment for English housing associations is supportive. Demand for social housing is very high and English housing associations retain some expenditure flexibility, with a track record of controlling costs to mitigate lower income. We recently upgraded the score to a2, reflecting recent credit-positive policy announcements that will provide greater revenue certainty and expenditure flexibility to the sector, including a 10-year rent settlement at CPI+1% and more generous funding for new and existing assets.

High debt to revenues with strong additional borrowing capacity

SNG's debt metrics are weaker than peers. As of FYE 2025, its total outstanding debt was £4.1 billion, equivalent to 5.1x revenue (A3 peer median: 4.5x) and 52% of its assets (A3 peer median: 52%). We forecast that debt metrics will gradually deteriorate over the next five years, reflecting SNG's ambitious development programme and the need to invest in its existing stock, particularly for retrofitting.

Its debt structure is relatively low risk with 15% of drawn debt due for refinancing within the next five years and around 12% of its debt at variable rates. SNG has strong additional borrowing capacity with unencumbered assets of £2.2 billion as of June 2025, enough to cover the next five years of net funding needs. Its covenant headroom is sufficient with 94 basis points over its tightest interest cover covenant. SNG renegotiated and simplified its covenants as part of its merger to be based solely on EBITDA rather than EBITDA MRI, which strengthened its headroom.

SNG has decent liquidity with cash and undrawn facilities available within 48 hours of over £1 billion as end-September 2025. This is sufficient to cover 0.8x projected net funding requirement over the next two years. We expect liquidity to remain adequate but remain weaker than peers given that SNG's liquidity rules include 75% of market sales receipts.

Substantial development ambitions with a moderate exposure to market sales

SNG has a moderate development plan with around 2,300 units to be delivered annually over the next five years, representing around 15% of its current stock. As a result, its net capital expenditure will remain much higher than peers at 67% of turnover on average over the next five years compared to 28% for the median of A3-rated peers.

Its development plan is split between low-risk social housing lettings and market sales, including 29% of shared ownership units and 14% outright sales. Its appetite for market sales is higher than peers with a golden rule of a maximum of 35% of turnover. In fiscal 2025, sales accounted for 13% of its turnover, mostly first-tranche shared ownership, and are projected to increase to 19% in fiscal 2026 driven by a higher exposure to outright sales.

The majority of its outright sales are delivered through joint ventures (JVs) with housebuilders or have already been sold to developers, mitigating some of the risks associated with the property market exposure of outright sales. We also note that SNG has been able to maintain good sales margins of 15% on average over the past three years.

Extraordinary support considerations

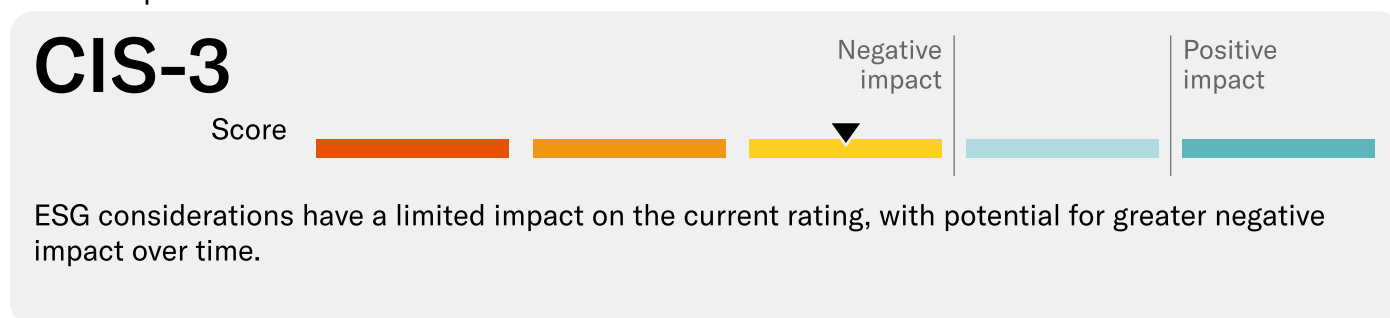
The strong level of extraordinary support factored into the rating reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised through sector regulators whose wide-ranging powers in cases of financial distress include facilitating mergers. However, this process can be protracted and is reliant on HAs 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 SNG and the UK government reflects their strong financial and operational linkages.

ESG considerations

Sovereign Network Group's ESG credit impact score is CIS-3

Exhibit 3

ESG credit impact score

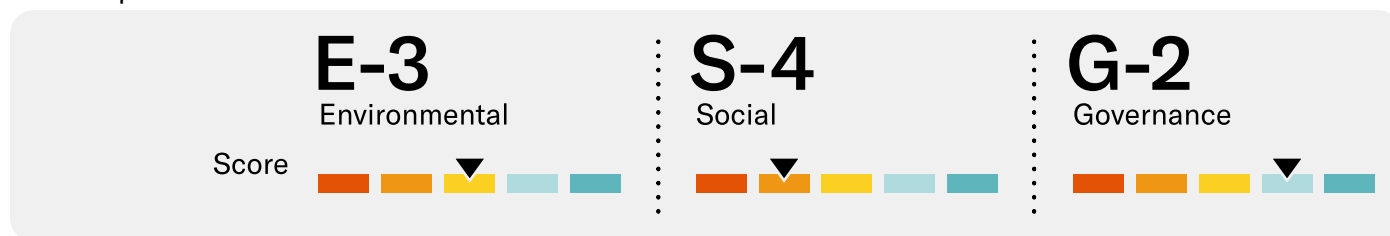


Source: Moody's Ratings

ESG risks have a material impact on SNG's ratings (**CIS-3**), mostly as a result of expenditure requirements related to carbon transition and fire safety.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

SNG has some exposure to environmental risks (**E-3**), mostly carbon transition because over a quarter of its stock will need to be retrofitted to meet EPC-C by 2035, which will weigh on its margins.

Social

SNG has a material exposure to social risks (**S-4**) due to legal requirements to improve the safety of its existing stock 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

SNG's governance is robust (**G-2**) with clearly identified policies and golden rules shaping its management of risk. Management and the Board are responsive to adverse events.

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 baa2 is in line with the scorecard-indicated BCA outcome in fiscal 2025.

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

Sovereign Network Group

Fiscal 2025

Sovereign Network Group			
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%	84,182	aa
Factor 3: Financial Performance			
Operating Margin	5%	20.0%	baa
Social Housing Letting Interest Coverage	10%	0.8x	b
Cash-Flow Volatility Interest Coverage	10%	1.5x	baa
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	5.1x	b
Debt to Assets	10%	52.3%	b
Liquidity Coverage	10%	0.8x	baa
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			baa2
Assigned BCA			baa2

Source: SNG and Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
SOVEREIGN NETWORK GROUP	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating	A3
SOVEREIGN HOUSING CAPITAL, PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3
Senior Unsecured MTN -Dom Curr	(P)A3

Source: Moody's Ratings

© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moody.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454