

# VIVID Housing Limited

July 24, 2025

This report does not constitute a rating action.

## Credit Highlights

### Overview

Enterprise profile	Financial profile
Very strong management and governance policies, offsetting relatively high exposure to sales risk.	Relatively strong financial indicators, despite high investments in existing homes and debt-funded development.
Flexible development plans and extensive stress testing against key performance and financial indicators, help to withstand macroeconomic and regulatory pressures better than many peers.	Cost containment, relatively stable investments in existing homes, and continued growth of rental portfolio support solid financial performance.
Demand for properties remains strong, evidenced by solid operational metrics.	Debt metrics stay relatively stable as VIVID continues its debt-funded development program.
Relatively large exposure to sales risk, with about one-third of operating income stemming from the development of homes that are sold on the open market, constraining the rating.	Liquidity position remains strong in our view.

**S&P Global Ratings believes VIVID Housing Limited's strong management and governance policies offset its relatively high exposure to sales risk.** We expect VIVID to maintain solid margins despite sizable sales activity through cost containment and relatively stable investments in existing homes. We forecast that a steady improvement in non-sales S&P Global Ratings-adjusted EBITDA will mitigate the negative effect of the group's projected debt increase such that VIVID's debt metrics will remain solid over our forecast horizon.

## Outlook

The stable outlook reflects our view that a steady increase in rental revenue and relatively stable investments in existing homes will mitigate the effect of cost pressures on VIVID's financial performance. We expect the expansion of EBITDA to support stable to gradually improving debt metrics through fiscal year ending March 31, 2028 despite continued debt-funded development.

### Downside scenario

We could lower the rating on VIVID if cost inflation or higher-than-expected investments in existing homes reduce the group's adjusted EBITDA margin, or if management deviates from its

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strategy such that new home developments increase significantly above our current expectations, leading to an even higher exposure to sales risk or the need to raise more debt. We could also lower the rating if we assess that the likelihood of support from the U.K. government, via the Regulator of Social Housing (RSH), reduces.

## Upside scenario

We could raise the rating on VIVID if its exposure to sales risk reduced. In combination with the prudent control of operating costs and investments in existing homes, this could result in materially stronger adjusted EBITDA margins. We could also consider an upgrade if VIVID's debt metrics strengthen, all else being equal.

## Rationale

### **Enterprise profile: Very strong management and solid operational metrics mitigate relatively high exposure to sales risk**

VIVID generates most of its earnings from the predictable and countercyclical social housing sector. The group owns and manages about 37,300 homes in southeast England, which is relatively affluent compared with the rest of the country. Demand for VIVID's properties remains strong, evidenced by solid operational metrics. The group's average social and affordable rents are relatively low, at roughly 50% of the average market rent in the region. VIVID's vacancy rates remain just below the sector average, and averaged 1.1% over the past three audited years.

Our very strong view of VIVID's management supports the rating. Even though about one third of the group's adjusted operating revenue stems from the initial sale of shared ownership and outright sales units, we continue to project a gradual strengthening of adjusted EBITDA margin, underpinned by the group's solid management of sales risk. We also consider that management is investing in internal systems to contain costs and reduce repairs turnaround to support financial metrics. Furthermore, we think VIVID's high-quality stock helps to contain pressure. More than 89% of the group's stock has obtained an energy performance certification of C or above. We acknowledge that investments in existing home remain high and VIVID continues to pursue debt-funded development, however we believe management maintains flexibility in VIVID's investment and development program to contain pressure on metrics if needed.

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

### **Financial profile: Remains strong despite high investments in existing homes and funding costs**

We forecast VIVID's adjusted EBITDA margin will improve as the group benefits from rental increases beyond inflation, additional units, and actions to contain costs. We still expect the margin to remain stable as VIVID continues to pursue development for sales activities and invest in existing homes. Based on recent survey data and cost inflation, we project VIVID's investments in existing homes will increase incrementally through fiscal year 2028. However, we expect investments to be supported by Social Housing Decarbonization Fund/Warm Homes Grants. We also expect VIVID to contain costs where possible such as through achieving efficiencies via internal technology systems and managing repairs to maintain stable margins.

We continue to view VIVID's debt metrics as solid. We project debt to increase relatively in line with prior expectations to fund the development of new homes. Over the forecast period, we

expect new unit handovers to peak in fiscal year 2026 as the group delivers on its strategic partnership with Homes England. We forecast debt-to-non-sales adjusted EBITDA to improve over our forecast period as the expansion of non-sales EBITDA offsets higher debt. Since funding costs remain high, we do not project a material improvement in interest cover. We expect management to continue to manage exposure to floating rate debt through hedging and to maintain interest cover of around 1.3x, in line with 'A' rated peers.

We assess VIVID's liquidity position as strong, with existing liquidity sources covering uses by about 1.8x over the next 12 months. This is based on our forecast of liquidity sources of about £990 million, which mainly include cash and undrawn available facilities, cash from operations (adding back the noncash cost of sales), and proceeds from asset sales and grant funding. Liquidity uses amount to almost £560 million and primarily include capex, as well as interest and principal payments. We also consider that VIVID has satisfactory access to external liquidity.

### Government-related entity analysis

We believe there is a moderately high likelihood that VIVID would receive timely extraordinary government support in case of financial distress. This leads to a one-notch uplift from the 'a-' stand-alone credit profile. Since the RSH's key goals include maintaining lender confidence and keeping funding costs low across the social housing sector, we consider it likely that the RSH would step in to prevent a default in the sector. We base this view on previous instances when the RSH mediated mergers or arranged liquidity support from other registered social housing providers in cases of financial distress, and we think this would also apply to VIVID.

## Key Statistics

### VIVID Housing Limited--Key Statistics

	--Year ended March 31--				
	2024a	2025e	2026bc	2027bc	2028bc
Number of units owned or managed	35,710	37,290	38,624	39,709	40,700
Mil. £					
Adjusted operating revenue	351.4	400.9	401.6	440.4	472.3
Adjusted EBITDA	118.6	135.1	146.5	160.2	168.2
Non-sales adjusted EBITDA	100.6	115.6	129.4	140.3	149.5
Capital expense	395.8	329.4	467.7	352.9	327.7
Debt	1889.6	2115.6	2372.9	2497.6	2587.4
Interest expenses	73.5	86.1	97.7	104.3	110.5
Adjusted EBITDA/ adjusted operating revenue (%)	33.8	33.7	36.5	36.4	35.6
Debt/ non-sales adjusted EBITDA (x)	18.8	18.3	18.3	17.8	17.3
Non-sales adjusted EBITDA/ interest coverage (x)	1.4	1.3	1.3	1.3	1.4

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario.

Adjusted--S&P Global Ratings adjusted.

## Rating Component Scores

### VIVID Housing Limited--Ratings Score Snapshot

Assessment	Score
Enterprise risk profile	3
Industry risk	3
Regulatory framework	3
Market dependencies	3
Management and Governance	2
Financial risk profile	3
Financial performance	3
Debt profile	4
Liquidity	3
Stand-alone credit profile	a-
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
- [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. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom](#), June 26, 2025
- [Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels](#), May 12, 2025
- [Non-U.S. Social Housing Providers Ratings History: April 2025](#), May 12, 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

- [United Kingdom](#), April 14, 2025
- [European Housing Markets: Better Housing Affordability Supports Recovery](#), Jan. 27, 2025
- [Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery](#), Jan. 14, 2025
- [The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities](#), Nov. 5, 2024
- [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 Detail (as of July 24, 2025)\*

<b><a href="#">Vivid Housing Ltd.</a></b>	
Issuer Credit Rating	A/Stable/--
<b>Issuer Credit Ratings History</b>	
07-Oct-2022	A/Stable/--
*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.	

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