FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Vivid Housing Limited at 'A'; Outlook Stable

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Fitch Ratings - London - 24 Sep 2026: Fitch Ratings has affirmed VIVID Housing Limited's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'A'. The Outlooks are Stable.

The affirmation of VIVID reflects a stabilisation in its financial profile. VIVID's ratings are driven by its Standalone Credit Profile (SCP), which remains at 'a-', reflecting a 'Stronger' risk profile and 'bbb' financial profile. Continuing high demand for social and affordable housing, and cash flow from rented properties support the ratings, despite a challenging economic backdrop.

VIVID remains one of the strongest credits among Fitch-rated English social housing organisations, with high liquidity, experienced management and sector-leading operating margins. It has flexibility over the pace of its major development programme and associated debt requirements.

KEY RATING DRIVERS

Support Score Assessment 'Strong expectations'

We have 'Strong Expectations' of extraordinary support for VIVID from the UK (AA-/Stable), reflecting a support score of 20 out of a maximum 60 under Fitch's Government-Related Entities (GRE) 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'

Providers of social housing in the UK hold a special legal status, with no shareholders. They are effectively charitable organisations set up for the sole purpose of social housing provision and regulated by the UK government. Registered providers are not owned by the UK government due to their structure and status. In strict terms, they have no legal owner, with all surpluses reinvested to provide social housing.

We consider the regulatory framework for English social housing as having a robust legal basis, with the Regulator of Social Housing maintaining sound control and tight monitoring of registered providers. 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'

Registered providers receive 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, rather than finance debt or prevent default. Fitch takes into account the support mechanisms registered providers can benefit from, or have benefited from, through their sponsor, the UK government. Policy influence is supportive of the financial stability of registered providers.

Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances. VIVID has received about GBP280 million in grant funding across its current development plan from Homes England and has recently been approved for a further GBP350 million.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Social housing is a key public service. We see only temporary disruption to the service provided by VIVID in the event of a default as other registered providers can act as substitutes. However, we would expect it to reduce other registered providers' access to finance and financial resilience over the medium term, leading to diminished service provision. This is because registered providers rely on external financing for maintenance capex and new investments.

Contagion Risk 'Not Strong Enough'

Default would have a minimal impact on the availability or cost of domestic financing for the UK, or other government-related entities in general. It could have an impact on the cost of financing for the social housing sector. However, Fitch believes that a default is likely to be treated as an isolated case of mismanagement or viability concerns.

Standalone Credit Profile

VIVID's 'a-' SCP reflects a combination of a 'Stronger' risk profile and a financial profile that we assess at the lower end of the 'bbb' category.

Risk Profile: 'Stronger'

VIVID's 'Stronger' risk profile reflects the following combination of assessments:

Revenue Risk: 'Stronger'

VIVID is supported by consistent affordable and social rent income, with a shared-ownership sale portfolio in a large and profitable market. These socially regulated activities offer stable cash flow in a counter-cyclical environment. In financial year to 31 March 2026 (FY26), VIVID received 73% of revenue from social housing lettings (limited by the rent standard), 11% from shared ownership sales and other social activities, and 15% from non-social activities (including market sales). This diversity of revenue streams, with a strong social core, allows for a 'Stronger' assessment. We expect VIVID to maintain compensation for services at a profitable level.

Expenditure Risk: 'Stronger'

VIVID has well-identified cost drivers and low potential volatility in major items. Staff costs are the most inflexible expenditure item, and comprise 29% of operating costs, similar to strong peers. VIVID is ahead of peers in fire safety remediation, which considerably limits risk to cost inflation in this area. It has consistently demonstrated its ability to control costs, with sector-leading operating margins for social housing lettings of over 40%. VIVID has strong development and investment controls, with a consistent record of delivery. Its GBP350 million grant funding from Homes England will allow it to deliver 1,500 homes annually for the next five years.

Liabilities and Liquidity Risk: 'Stronger'

VIVID has about GBP2.2 billion net debt. It operates in a fully developed financial market in the UK, in a reserve currency (sterling) with strong relationships with banks and full access to debt capital markets and private placement investors. Eighty-five percent of net debt is at fixed rates, limiting exposure to fluctuations in capital markets. The weighted average life of debt is about 13 years, due to long-dated bonds and loans. VIVID has strong liquidity, with about GBP700 million in undrawn revolving credit facilities at FYE26, and a GBP2 billion EMTN programme, of which over GBP600 million is secured and available to issue.

Financial Profile 'bbb'

We expect net debt/EBITDA to be maintained at about 12x through the rating case. This is similar to the previous year's and demonstrates reliable financial planning. The stable ratios reflect strong operating margins alongside an ambitious development programme. VIVID outperformed our expectations in leverage in FY26 due to lower capex. We expect a catch up in spending for FY27.

Fitch expects revenue to increase to about GBP580 million in FY31 from GBP382 million in FY26, driven by increases in social rents and a strong rise in unit numbers for rental and sale, despite external economic pressures. We expect EBITDA to peak at GBP259 million in FY31, a sharp rise from GBP173 million in FY26 but following a similar trajectory of historical performance. This results in fairly stable net debt/EBITDA, despite an increase in net debt to GBP2.8 billion from about GBP2.2 billion for the same period.

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, and most registered providers have compliant ratings of either G1 or G2 (VIVID's governance rating was recently revised to G1). VIVID operates under English law, which we consider to be strong, and the UK's Country Ceiling is 'AAA'. Information quality is strong, with external publications internally and externally audited.

Short-Term Ratings

VIVID's Short-Term IDR of 'F1+' is the higher of two possible outcomes mapping to its Long-Term IDRs of 'A', reflecting its strong liquidity metrics.

Debt Ratings

Fitch rates VIVID's debt issuance, which are unconditional, unsubordinated obligations and rank equally with all other debt in the group, in line with its 'A' Long-Term IDRs. These include private placement issuance and a GBP2 billion EMTN programme. The EMTN programme is issued by Peninsular Capital PLC, a wholly owned subsidiary of VIVID.

All debt proceeds are used to develop new units, invest in existing units or refinance existing obligations.

PEER ANALYSIS

VIVID is one of the strongest registered providers within Fitch's rated portfolio. The closest geographic peer is Southern Housing (A-/Stable). However, due to Southern's large London portfolio it has struggled with fire safety spending leading to weaker financial metrics than VIVID. As a result, VIVID has a higher rating than Southern.

Issuer Profile

VIVID is a registered provider of social housing in southern England, primarily near the coast, with a portfolio of about 38,500 homes.

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 FY22-FY26 historical figures and FY27-FY31 assumptions:

Base case

- Operating revenue CAGR of 9.1%, considering rent increases and increased stock from development

- Cash operating costs CAGR of 8.7%, due to increases in repairs and maintenance alongside development costs

- Total average capex of GBP319 million offset by GBP88 million capital revenue a year

Rating case

- A 50bp stress on all revenue

- A 50bp stress on staff costs

RATING SENSITIVITIES

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

-- A multi-notch sovereign downgrade, which we consider to be unlikely, or a deterioration of net debt/EBITDA to above 12x on a sustained basis

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

-- An improvement in net debt/EBITDA structurally towards 10x in our rating case

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for VIVID.

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.

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 TYPE	RATING	RATING ACTION	PRIOR
PENINSULAR CAPITAL PLC				
senior unsecured	LT	A	Affirmed	A
senior secured	LT	A	Affirmed	A
VIVID Housing Limited	LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	ST IDR	F1+	Affirmed	F1+
	LC LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	LC ST IDR	F1+	Affirmed	F1+
senior secured	LT	A	Affirmed	A

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

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

Public Policy Revenue-Supported Entities Rating Criteria (pub. 10 Jul 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

PENINSULAR CAPITAL PLC	UK Issued, EU Endorsed
VIVID Housing Limited	UK Issued, EU Endorsed

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