

CREDIT OPINION

19 December 2025

Update



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RATINGS

Onward Group Limited

Domicile	United Kingdom
Long Term Rating	A1
Type	LT Issuer Rating - Dom 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.

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Onward Group Limited (UK)

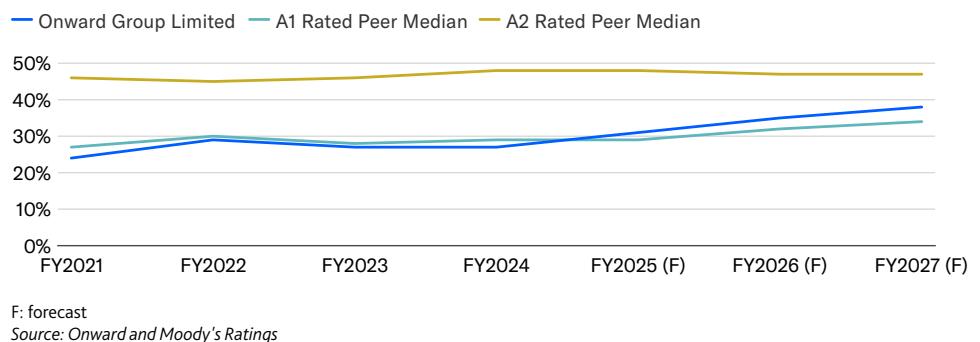
Update following outlook change to negative

Summary

The credit profile of [Onward Group Limited](#) (Onward, A1 negative) reflects its strong governance and low debt metrics than peers although those are expected to weaken in coming years to support its development programme. While low debt historically supported strong interest cover metrics relatively to peers, this will no longer be sufficient to offset the effect of weak margins on its social housing lettings as interest costs rise. Onward benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood that the government of [UK](#) (Aa3 stable) would act in a timely manner to prevent a default.

Exhibit 1

Onward's gearing is deteriorating compared to peers



Credit strengths

- » Strong governance and management
- » Strong albeit weakening debt metrics
- » Supportive institutional framework in England

Credit challenges

- » Very weak profitability weighs on interest cover metrics

Rating outlook

The negative outlook reflects risks that Onward's development plans will weaken its debt and interest cover metrics to levels closer to that of A2-rated peers as debt rises to fund new units. Onward's development ambition is unchanged at around 500 units per year, however higher construction costs and interest rates mean that we expect debt and interest cover metrics to weaken substantially over the next three years. Our assessment of liquidity coverage will also weaken as a result of higher projected cash needs.

Factors that could lead to an upgrade

An upgrade is unlikely given the negative outlook. However, we could return the outlook to stable if debt and interest cover metrics remain broadly stable. This could be as a result of a smaller development programme or higher government grant funding reducing debt requirements.

Factors that could lead to a downgrade

A downgrade of the ratings could result if Onward cannot arrest the anticipated increase in leverage and weakening interest covers. Additional factors that could contribute to a downgrade include further liquidity weakening or reduced government support and regulatory dilution.

Key indicators

Exhibit 2

Onward Group Limited	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.)	35,232	35,617	35,484	35,453	36,075	36,579	37,196
Operating margin, before interest (%)	17.5	13.4	9.8	12.2	12.6	11.3	13.5
Net capital expenditure as % turnover	11.0	28.1	11.2	16.6	39.5	50.2	42.8
Social housing letting interest coverage (x times)	3.6	0.5	1.9	1.7	1.4	1.2	1.5
Cash flow volatility interest coverage (x times)	4.0	0.6	2.8	2.4	2.2	1.2	1.9
Debt to revenues (x times)	2.9	2.5	2.3	2.0	2.3	2.6	2.8
Debt to assets at cost (%)	24.1	29.4	26.8	27.4	30.9	34.9	37.9

Fiscal 2023 and 2024 include a one-off pension exit cost of £0.7 and £1.5 million, respectively. Omitting this one-off cost in fiscal 2023, its CIVIC would have been 2.8x.

Source: Onward and Moody's Ratings

Profile

Onward Group Limited is a medium housing association operating in the north west of England. It manages approximately 36,000 units. It focuses predominantly on low-risk social housing lettings with a low exposure to market sales.

Detailed credit considerations

Onward's A1 rating combines (1) its baseline credit assessment (BCA) of a2 and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

Baseline Credit Assessment

Strong governance and management

Onward has limited treasury risks, which has reduced following a refinancing operation in October 2025. As of fiscal 2025, 35% of its debt is due within the next five years and 34% is at variable rate. We expect that once security charging is complete in March 2026, the share of variable rate debt will more than halve to 14%.

Onward has significant borrowing capacity supported by a very strong covenant headroom and a large unencumbered asset base. As of November 2025, interest cover stood at 3.0x against a minimum of 1.5x and gearing at 29% against a limit of 65%. In addition, Onward has sufficient unencumbered assets to cover more than two times its funding needs of the next five years.

Onward's focus on low-risk social housing lettings, which account for 91% of its turnover, generates stable and reliable cashflows. Its exposure to market sales is small at 5% of turnover in fiscal 2025 and only comprises first-tranche shared ownership. However, Onward plans to start developing for outright sales in fiscal 2028, which will increase risks, although the schemes remain uncommitted.

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.moodys.com> for the most updated credit rating action information and rating history.

Strong albeit weakening debt metrics

Onward has some of the strongest debt metrics among English HAs with debt to revenue of 2.3x and gearing of 31% as of fiscal 2025. However, debt metrics will weaken over the next three years as debt increases to fund development. Gearing will increase by 7 percentage points to 38% by fiscal 2027, weaker than the A1 peer median of 34.3%. Debt to revenue will average 2.9x over the next three years compared to 3.1x on average for A1 peers.

Onward plans to develop 2,700 units over the next five years (8% of its current stock), mostly for social rent. While its development programme is modest relative to peers, it is now much larger than a few years ago. As a result of the very large increase in construction costs over the last few years, debt needs are also now higher. As a result, net capital expenditures will rise materially to 47% of turnover over the next three years on average compared to 23% in the last three years. The new Affordable Homes Programme 2026-2036 may reduce debt requirements if grant rates increase relative to the previous programme.

Cash and undrawn facilities of £245 million as of November 2025 comfortably cover upcoming debt maturities. Onward's liquidity is sufficient to cover 1.2x its net funding needs for the next two years but has reduced over the last two years as a result of higher liquidity needs to fund investment.

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.

Very weak profitability weighs on interest cover metrics

Onward's operating margin is among the lowest of rated housing associations and is a key credit challenge. As of fiscal 2025, its operating margin stood at 13%, compared to 20% for the median of rated peers. Its low margin reflects the weak underlying profitability of its social housing lettings as well as low sales margins. Margins have been affected by a number of one-off costs associated with its savings programme. Onward has taken a series of action to reduce cost such as internalising its repairs and maintenance services, disposing of uneconomical properties or exiting one of its pension schemes. Cost saving measures are expected to generate approximately £8 million in savings per year by 2035, driving an improvement in operating margins to around 16% by fiscal 2028.

While interest cover metrics have historically been strong despite weak margins thanks to its low debt, we expect those to weaken relative to peers. As of fiscal 2025, Onward reported social housing lettings interest cover (SHLIC) of 1.4x, down from 1.7x in fiscal 2024. This is lower than the peer median of 1.9x. We expect SHLIC to average 1.4x over the next three years and remain weaker than the median of A1-rated peers of 1.7x. Similarly, cash-flow volatility interest coverage (CVIC) at 2.2x in fiscal 2025 is lower than the peer median of 2.6x. We expect CVIC to average 1.6x over the next three years for Onward, below the median for A1-rated peers at 2.2x.

Extraordinary support considerations

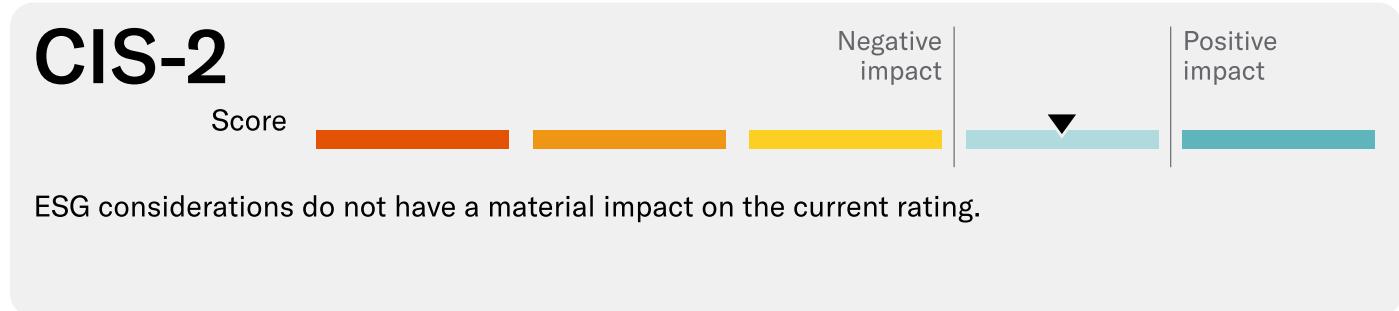
The strong level of extraordinary support factored into the rating reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised through sector regulators whose 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 Onward and the UK government reflects their strong financial and operational linkages.

ESG considerations

Onward Group Limited's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score

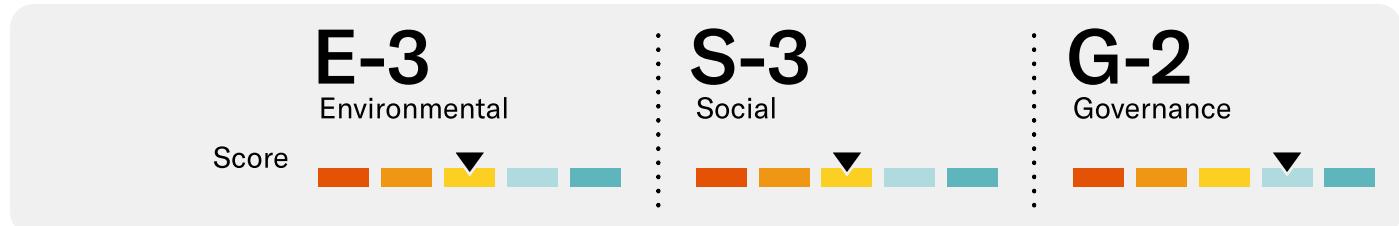


Source: Moody's Ratings

Onward's **CIS-2** indicates that ESG risks have a limited impact on its rating. Onward has exposure to carbon transition risks as a material proportion of its stock requires retrofit investment to meet energy efficiency requirements. Although social risks are prevalent, we consider that Onward has the ability to effectively mitigate them through its strong governance and management practices.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Onward has a material exposure to environmental risks (**E-3**), mostly carbon transition because 20% of its stock will need to be retrofitted to meet EPC-C by 2030, which will require significant capital spending.

Social

Onward has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety and quality of existing stock (responsible production risks) 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

Onward has limited governance risks (**G-2**). Its governance is stronger than rating peers, supported by a risk-averse strategy with limited market sales exposure and proactive de-risking in response to a weaker operating environment. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.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 a2 is close to scorecard-indicated BCA outcome.

The methodologies used in this rating are [European Social Housing Providers](#), published in July 2024 and [Government-Related Issuers Methodology](#), published in May 2025.

Exhibit 5

Onward Group Limited Fiscal 2025

Onward Group Limited		Sub-factor Weighting	Value	Score
Baseline Credit Assessment				
Factor 1: Institutional Framework				
Operating Environment	10%		a	a
Regulatory Framework	10%		a	a
Factor 2: Market Position				
Units Under Management	10%		36,075	a
Factor 3: Financial Performance				
Operating Margin	5%		12.6%	baa
Social Housing Letting Interest Coverage	10%		1.4x	baa
Cash-Flow Volatility Interest Coverage	10%		2.2x	a
Factor 4: Debt and Liquidity				
Debt to Revenue	5%		2.3x	a
Debt to Assets	10%		30.9%	baa
Liquidity Coverage	10%		1.2x	a
Factor 5: Management and Governance				
Financial Management	10%		a	a
Investment and Debt Management	10%		a	a
Scorecard - Indicated BCA Outcome				a3
Assigned BCA				a2

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
ONWARD GROUP LIMITED	
Outlook	Stable
Baseline Credit Assessment	a2
Issuer Rating -Dom Curr	A1
ONWARD HOMES LIMITED	
Senior Secured -Dom Curr	A1

Source: Moody's Ratings

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