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RATING ACTION COMMENTARY

Fitch Downgrades A2Dominion Housing Group Limited to 'A-'; Outlook Stable

Tue 13 Oct, 2026 - 10:53 ET

Fitch Ratings - London - 13 Oct 2026: Fitch Ratings has downgraded A2Dominion Housing Group Limited's (A2D) Long-Term Issuer Default Ratings (IDRs) to 'A-' from 'A' and Short-Term IDRs to 'F1' from 'F1+'. The Outlooks on the Long-Term IDRs are Stable.

The downgrade reflects deterioration in A2D's leverage metrics and slower recovery than expected. A2D's rating is driven by its Standalone Credit Profile (SCP), which we have revised down to 'bbb+' from 'a-'. The Stable Outlook reflects our expectation that A2D's credit profile will remain commensurate with the 'A-' rating over the five-year forecast period.

A2D is a government-related entity (GRE) of the UK (AA-/Stable), leading to our 'Strong expectations' of state support. This underpins a one-notch uplift from its 'bbb+' SCP, which is four notches below the sovereign ratings, to arrive at the 'A-' Long-Term IDRs. Continuing high demand for social and affordable housing and cash flow from rented properties support its credit profile, despite a challenging economic environment.

KEY RATING DRIVERS

Support Score Assessment 'Strong expectations'

Our 'Strong expectations' of extraordinary support from the UK to A2D underline a support score of 20, out of a maximum 60, under Fitch GRE criteria. This reflects a combination of responsibility-to-support and incentive-to-support factor assessments as below.

Responsibility to Support

Decision Making and Oversight 'Strong'

A2D is a private, not-for-profit social housing registered provider (RP) in the UK. Its structure and status mean it has no legal owner, with all surpluses reinvested to provide social housing. We consider the regulatory framework for English social housing to have a robust legal basis and expect the Regulator of Social Housing to maintain tight control and close monitoring of RPs. 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'

A2D receives financial support through grants from Homes England and the Greater London Authority for social, affordable and shared ownership development. The state does not provide financial support for debt funding or to prevent default. Fitch takes into account the non-financial support mechanisms in the UK that A2D can benefit from, including regulator intervention on required mergers. Policy influence is supportive of RPs' financial stability. Regulatory restrictions on government support are unlikely to prevent timely intervention in exceptional circumstances.

Incentives to Support

Preservation of Government Policy Role 'Strong'

Social housing is a major public service. We see only temporary disruption to service in the event of default as other RPs could act as a substitute. However, we would expect it to have a knock-on effect on external financing for other RPs for maintenance capex and new investments, leading to diminished service provision in the medium term.

Contagion Risk 'Not Strong Enough'

A default by A2D would have a minimal impact on the availability or cost of domestic financing for the UK. Fitch considers that a default would be treated as an isolated case of mismanagement or viability concerns. As a result, this should not affect the sector's long-term sustainability at large.

Standalone Credit Profile

A2D's 'bbb+' SCP reflects a combination of a 'Stronger' risk profile and a financial profile assessed in the 'bb' category, with forecast leverage to average 13.3x over the five years to FY31.

Risk Profile: 'Stronger'

A2D's 'Stronger' risk profile reflects a combination of assessments as detailed below.

Revenue Risk: 'Stronger'

A2D benefits from stable social and affordable rental income and strong housing demand in London and south-east England. These socially regulated activities offer stable cash flow in a counter-cyclical environment. In FY26, revenue from social-housing lettings accounted for 76% of operating revenue, up over the prior year as development activity reduced and exposure to market sales declined. Other social revenue, including shared-ownership first-tranche sales, contributed 7%, while non-social activities, including market rent and development for sale, contributed 16%.

The increasing contribution from A2D's core social-housing lettings business reduces its exposure to market sales. Strong demand, together with pricing flexibility from non-social lettings, supports the 'Stronger' revenue-risk assessment.

Expenditure Risk: 'Stronger'

A2D has a well-defined and stable cost structure with specific fixed costs, including reasonable staff costs across group operations, at about 28% of cash opex in FY26. It has no material supply constraints on labour or resources. Like many in the sector, A2D experienced a big increase in its repair costs in FY26 with maintenance costs remaining under pressure from inflation and supply-chain challenges.

Cost flexibility has improved as development activity winds down, with no new social housing supply delivered in FY26. This leads to a sharp fall in combined development and land sales turnover, reducing exposure to construction cost inflation and overruns. Life-cycle costs are well-identified and flexible in timing, and we expect A2D to continue prioritising investment in existing homes in the medium term.

Liabilities and Liquidity Risk: 'Stronger'

A2D has a low-risk, long-dated debt portfolio and strong access to finance and liquidity. At FYE26 (year end March), it had GBP1.4 billion drawn debt, of which about 94% was fixed rate, limiting interest-rate risk. The weighted average cost of funds was 4.6%, and average debt life was six years. At FYE26, A2D reported GBP185.5 million of cash and GBP383.7 million of committed undrawn facilities, providing substantial coverage of debt due within one year.

Financial Profile 'bb'

A2D's 'bb' financial profile reflects high leverage and a slower recovery than expected. Net adjusted debt/EBITDA was 14.3x in FY26, below an average of about 17.9x during

FY21-FY24, but above Fitch's previous FY26 rating-case forecast. Lower development activity reduced both revenue and associated costs, but these cost reductions and operating-efficiency savings were insufficient to offset the revenue decline and continued spending on repairs, and reinvestment in existing homes. Consequently, leverage exceeded Fitch's expectations despite a reduction in net adjusted debt.

A2D aims to improve leverage by limiting development, delivering operating efficiencies and disposing of non-core assets, including its private-rental portfolio. Lower development expenditure reduces funding requirements, while asset-disposal receipts support debt reduction and operating efficiencies support EBITDA. However, lower development-related income and continued investment in existing homes constrain the pace of improvement. The forecast remains sensitive to the timing and amount of asset-disposal receipts. Under Fitch's rating case, leverage is expected to average 13.5x over the five years under our rating case within the 'bb' category

Short-Term Ratings

A2D's 'F1' Short-Term IDR is the higher of two possible outcomes for an 'A-' Long-Term IDR, reflecting its strong liquidity metrics.

PEER ANALYSIS

A2D's closest peers are Metropolitan Thames Valley Housing Group (MTVH) and The Riverside Group Limited, both share the same 'Stronger' risk profile. MTVH and A2D mainly operate in London and the south-east, while Riverside is focused on London and the north-west. Both are much larger than A2D, managing about 60,000 units or more and have 'bbb' SCPs and 'A-'IDRs.

Issuer Profile

A2D is a large RP of social housing in London and southern England, with managed 39,361 homes at FYE26, of which 31,225 were owned.

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 broadly flat as rental growth is offset by disposals and lower development sales

-Opex broadly flat, as lower sales costs and efficiency savings are offset by higher staff, repairs and maintenance costs

-Average net capex of GBP28 million a year

Rating case:

- 50bp compounded stress to social rental revenue, 200bp stress to non-social housing activity

- 50bp compounded stress to non-staff opex

- 30% haircut to unrealised FY27 receipts and 15% thereafter

RATING SENSITIVITIES

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

-A sustained deterioration of net adjusted debt/EBITDA above 18x or an adverse change in the assessment of risk profile attributes

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

-A sustained improvement in net adjusted debt/EBITDA below 12x in the medium term

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for A2D.

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
A2Dominion Housing Group Limited	LT IDR	A- Rating Outlook Stable	Downgrade	A Rating Outlook Negative
	ST IDR	F1	Downgrade	F1+
	LC LT IDR	A- Rating Outlook Stable	Downgrade	A Rating Outlook Negative
	LC ST IDR	F1	Downgrade	F1+
senior unsecured	LT	A-	Downgrade	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

A2Dominion Housing Group Limited	UK Issued, EU Endorsed

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