Futures Housing Group Ltd.

October 22, 2026

This report does not constitute a rating action.

Credit Highlights

Overview

Enterprise profile	Financial profile
Focus on traditional housing, strong demand, and solid risk management underpin enterprise risk profile.	We expect financial metrics to improve through fiscal 2029.
--Revenue streams are primarily countercyclical and predictable, with a portfolio of over 11,000 housing units and limited exposure to sales.	--Rental income, uplift from new units, and management's efforts to contain costs and pressure from high investments in existing homes support financial performance.
--Demand for properties in the East Midlands remains strong, evidenced by solid operational metrics.	--We forecast greater debt will fund development amid higher build costs and a shift in the timing of spend, though additional grants will temper funding needs.
--We consider management remains risk averse, stock quality is solid, and actions to contain costs support the rating.	--Liquidity position remains very strong.

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Our rating on Futures Housing Group Ltd. (FHG) reflects our expectation that the housing provider's financial metrics will improve over the medium term. That said, our negative outlook captures our view of the risk that management might not be able to implement its strategy and strengthen its metrics as we expect. With some additional investment over fiscal 2026 (ended March 31, 2026), extending into fiscal 2027, we consider there is now less headroom against the downside scenario. Over the past year, FHG identified additional fire safety expenditure and rather than defer this spend, management decided to complete the investment over fiscals 2026 and 2027. Like others in the sector, FHG also experienced higher demand for repairs over fiscal 2026 following the implementation of Awaab's Law.

To counterbalance the pressure from repairs, FHG has implemented plans to control costs, particularly linked to voids by reviewing lettable standard, scrutinizing expenditure, and centralizing management under the new Head of Voids. Management also has resources in place to ensure FHG is prepared to implement the coming phases of Awaab's Law. We still expect an improvement over our base case as we project FHG will benefit from rent increases and the uplift from new units. Additionally, we consider management is making a concentrated effort over fiscal 2027 to complete all stock condition surveys within five years to solidify data on stock. We

expect FHG will continue to develop new homes, even as management has modestly reduced the group's annual targets to help balance investments in existing homes.

We project debt will continue to increase over the forecast period as FHG funds development and higher build costs. At the same time, we consider that the recently secured grant funding in partnership with Homes England will help contain debt build-up. We believe that while FHG is implementing measures to help improve its credit metrics, further headwinds could thwart its financial recovery.

Outlook

The negative outlook reflects the risk that FHG's management is unable to contain costs and balance investments in new and existing homes so that credit metrics improve.

Downside scenario

We could lower the rating if management's efforts to control costs fail or FHG adopts a more aggressive strategy of accelerating investments in existing homes or increasing debt-funded development. Such actions would prevent the financial recovery we currently expect from materializing, with S&P Global Ratings-adjusted nonsales EBITDA interest coverage improving toward 1.2x in the medium term.

Upside scenario

We could revise the outlook to stable if FHG's management successfully executes according to its financial plans and navigates cost pressures such that the group's financial indicators show the clear gradual improvement trend that we project.

Rationale

Enterprise profile: Underpinned by predictable earnings and limited sales exposure as management takes steps to improve financial metrics

FHG benefits from generating most of its earnings in the predictable and countercyclical English social housing sector, with less than 15% of its adjusted operating income from sales activity related to shared ownership. The group owns and manages more than 11,000 homes in the East Midlands in England. Demand for FHG's properties remains strong, with its social and affordable rents at about 62% of the average market rent in the region. Over fiscals 2024 and 2025, FHG incurred higher costs related to void properties. However, given management's efforts to address this issue, the trend has turned more favorable. We still consider the group's vacancy rate of 1.5% on average over the last three audited periods to be on par with the sector average.

We believe management is committed to improving financial metrics despite some higher spend and additional investment incorporated over the last year. With updated standards, FHG identified additional fire safety spend related to sprinklers on two of its 11-to-18-meter buildings. Though not an immediate safety concern, FHG decided to complete the additional spend over the last and current years rather than delay it. In our prior forecast, we acknowledged that FHG had made provisions for potential updates to building safety standards and believe this identified spend was partially captured by such provisions. Headroom for further spend is, however, now limited. To avoid any additional unbudgeted increases, management aims to have all stock within

the last five years surveyed to supplement its investment plans. Currently, FHG has surveyed all stock within the past seven years but only approximately 80% within the past five. The group is also working to ensure all its stock carries the energy performance certificate (EPC). While carrying out those EPC surveys over fiscal 2027, FHG has paused additional decarbonization spend to strategize the most cost effective way of investment. As of Aug. 31, 2026, 72% of FHG's stock was at or above EPC C level. We think FHG is on track to achieve its 2030 decarbonization targets. Still, we expect spend, along with other cost increases, will weigh on FHG's financial metrics. We think FHG is managing risks and ensuring its development plan remains flexible to contain additional financial pressure, but we still see some execution risk.

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.," April 17, 2025, on RatingsDirect).

Financial profile: Financial metrics will improve gradually amid sizable investments in existing stock and debt-funded development

We project FHG's adjusted EBITDA margin will improve to about 20% by the end of our forecast period. Despite modestly weaker financial performance relative to our prior expectations, we expect FHG's adjusted EBITDA margin will still improve, supported by our assumptions that rental growth will exceed inflation and benefit from uplift from new units. While the timing of some investments in existing homes, such as decarbonization spend, has shifted, we expect FHG will execute investment in a way that supports its recovery toward the end of our forecast period.

We also project gradual improvement in debt metrics, in line with FHG's financial performance. FHG continues to increase debt to fund development. We note the housing provider has not increased its development ambitions but costs to build are higher. As announced in August 2026 FHG secured grant funding from Homes England to support its development pipeline, which we believe in turn helps buffer against higher costs. To preserve debt metrics, management also secured more favorable interest rates while refinancing its revolving credit facility with NatWest. We expect FHG's proportion of variable rate debt will increase with the group's new NatWest Social Loan and revolver borrowings, though management does have the option to fix rates. Ultimately, we expect debt metrics will improve from fiscal 2026 levels.

We forecast FHG's liquidity position will remain very strong based on our projection that sources will cover uses by approximately 3.1x over the next 12 months. We forecast liquidity sources of about £180 million, comprising cash, undrawn revolving credit facilities, asset sales, grant receipts, and cash from operations (adding back the noncash cost of sales) to cover liquidity uses of about £60 million (mainly capital expenditure and debt service payments). We consider the recent refinancing and treasury activity have pushed up FHG's liquidity ratio to above historical levels and expect FHG's liquidity position will moderate as the group deploys funds towards development. Also, we assume FHG will continue to have satisfactory access to debt capital markets.

Government-related entity analysis

We think there is a moderately high likelihood that FHG would receive timely extraordinary government-related support in the event of financial distress. This provides a one-notch uplift to the 'a-' stand-alone credit profile, leading to a long-term issuer credit rating of 'A'. Since one of the key goals of the Regulator of Social Housing (RSH) is to maintain lender confidence and low funding costs across the sector, we believe it is likely that the RSH would step in to try and prevent a default in the sector. We base this view on the RSH's history of mediating mergers and

arranging liquidity support from other registered providers in cases of financial distress, and think this would also apply to FHG.

Key Statistics

Futures Housing Group--Key statistics

	--Year ended March 31--				
Mil. £	**2025a**	**2026a**	**2027bc**	**2028bc**	**2029bc**
Number of units owned or managed	10,928	11,060	11,277	11,535	11,712
Adjusted operating revenue	75.7	75.7	77.5	82.7	88.1
Adjusted EBITDA	11.9	11.2	13.6	15.8	19.4
Non-sales adjusted EBITDA	10.9	11.2	13.1	15.3	18.8
Capital expense	53.6	52.6	50.6	35.5	45.0
Debt	292.9	328.9	365.9	380.9	394.0
Interest expense	11.4	11.8	13.5	14.6	15.3
Adjusted EBITDA/Adjusted operating revenue (%)	15.7	14.7	17.5	19.1	22.0
Debt/Nonsales adjusted EBITDA (x)	26.9	29.5	27.9	24.8	21.0
Non-sales adjusted EBITDA/interest coverage(x)	1.0	0.9	1.0	1.1	1.2

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

Rating Component Scores

Futures Housing Group--Ratings Score Snapshot

Assessment	**Score**
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	3
Management and Governance	2
Financial risk profile	4
Financial performance	5
Debt profile	5
Liquidity	2
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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- 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

Related Research

- Sector Review: U.K. Social Housing Stumbles Toward A Slow Recovery, Oct. 21, 2026
- United Kingdom 'AA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 9, 2026
- Economic Outlook Europe Q4 2026: Resilient Demand Meets Persistent Pressure, Sept. 23, 2026
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Ratings Hold Steady Despite Negative Bias, April 27, 2026
- Non-U.S. Social Housing Providers Ratings History: March 2026, April 27, 2026,
- U.K. Social Housing Brief: The Middle East War Weighs Only Modestly On Financial Recovery, April 2, 2026,
- European Housing Markets: Structural Pressures Persist, Forecasts Barely Shift, Feb. 3, 2026,
- Non-U.S. Social Housing Sector Outlook 2026: Headwinds Ease, Feb. 2, 2026,
- U.K. Autumn Budget Isn't Too Bad For Public Finance Sector, Dec. 1, 2025,
- Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers, Sept. 10, 2025,
- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025,
- Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K, April 17, 2025,
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024,

Ratings Detail (as of October 22, 2026)*

Futures Housing Group	
Issuer Credit Rating	A/Negative/--
Issuer Credit Ratings History	
10-Oct-2025	A/Negative/--
11-Oct-2024	A/Stable/--
11-Oct-2023	A+/Negative/--

*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

Ratings Detail (as of October 22, 2026)*

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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