CREDIT OPINION
15 December 2025

Update

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RATINGS

Orbit Group Limited

Domicile	United Kingdom
Long Term Rating	A3
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.

Contacts

Lenaic Couderc +44.20.7772.1799
Analyst
lenaic.couderc@moodys.com

James Boachie-Yiadom +44.20.7772.5298
Sr Ratings Associate
james.boachieyiadom@moodys.com

Jeanne Harrison +44.20.7772.1751
Vice President - Senior Credit Officer
jeanne.harrison@moodys.com

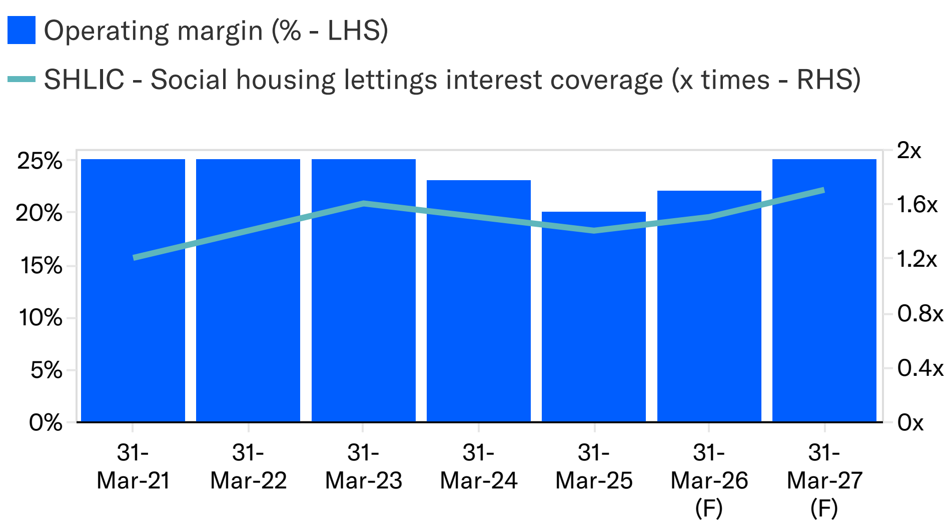
Orbit Group Limited (UK)

Update to credit analysis

Summary

The credit profile of Orbit Group Limited (Orbit, A3 stable) reflects its strong financial performance, improving debt metrics and robust risk management practices. Counterbalancing its strengths are its sizeable development programme and high, albeit declining, exposure to market sales. Orbit benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood that the government of the UK (Aa3 stable) would act in a timely manner to prevent a default.

Exhibit 1
Financial performance will recover in 2026 on cost control and lower sales exposure



Source: Orbit and Moody's Ratings

Credit strengths

» Strong debt metrics and robust liquidity

» Good financial performance supported by strong governance

» Supportive institutional framework in England

Credit challenges

» High albeit declining exposure to market sales

Rating outlook

The stable outlook reflects broadly balanced risks. The operating environment has become more supportive, particularly on rent policy and grant funding for new development. The decline in outright sales exposure and stock densification strategy will support margins and interest cover and demonstrate that risk appetite is now lower. This is balanced against sustained financial pressures from rising tenant and regulatory demands to invest in its existing stock.

Factors that could lead to an upgrade

Upward pressure on the rating could result from a significant improvement in operating performance, a continued reduction in debt, a reduction in market sales exposure and/or a significant increase in government support for the sector.

Factors that could lead to a downgrade

Downward pressure on the rating could result from a prolonged weakening in operating performance or debt growing more quickly than forecast. Lower government support for the sector or a dilution of the regulatory framework could also lead to downward pressure on the rating.

Key indicators

Exhibit 2

Orbit Group

	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.)	45,702	46,529	47,429	46,300	46,922	48,204	47,520
Operating margin, before interest (%)	25.4	25.2	25.1	22.7	19.7	22.0	25.1
Net capital expenditure as % turnover	14.6	50.3	10.2	29.2	35.7	33.4	41.7
Social housing letting interest coverage (x times)	1.2	1.4	1.6	1.5	1.4	1.5	1.7
Cash flow volatility interest coverage (x times)	1.4	0.5	2.3	1.5	2.1	2.5	2.9
Debt to revenues (x times)	4.8	4.2	3.8	4.3	4.3	4.4	4.1
Debt to assets at cost (%)	48.6	48.8	47.1	47.5	48.3	49.5	47.3

Fiscal 2021 includes one-off loan breakage costs of £15.9 million. Excluding this one-off cost, SHLIC would have been 1.5x.
Source: Orbit and Moody's Ratings

Profile

Orbit is a large UK housing association, operating primarily across the Midlands, East and South East England. It manages around 47,000 units. The group provides social housing lettings and has a high exposure to market sales (shared ownership and outright sales).

Detailed credit considerations

Orbit's A3 rating combines: (1) a baseline credit assessment (BCA) of baa1 and (2) a strong likelihood that the UK government would act in a timely manner to prevent a default.

Baseline credit assessment

Strong debt metrics and robust liquidity

Orbit has stronger debt metrics than peers. As of fiscal 2025, outstanding debt totalled £1.7 billion, equivalent to 4.3x revenue (A3 peer median: 4.6x) and 48% of assets (A3 peer median: 52%). This is down from 49% and 4.8x in fiscal 2021.

Gearing will now remain around current levels rather than decline as we previously expected because a greater portion of the development programme will be funded by debt as Orbit pulls away from outright sales. Moreover, Orbit has reversed its previous cuts on development and now plans to continue developing around 1,200 units annually rather than the previous cuts to 850. There are some risks that gearing will increase further if shared ownership sales and asset disposals, which are still planned to fund a significant portion of development, lag behind plans. Orbit plans to dispose of 2,500 units over the next five years to densify its stock. The proceeds will in part be used to acquire stock from other HAs.

Refinancing risks are rising, with 27% of drawn debt due to mature within the next five years. However, Orbit maintains strong levels of liquidity with £442 million in available cash and undrawn committed facilities as of September 2025, covering more than 1.3x its two-year net cash needs. This reflects its more conservative liquidity policy than the sector best practices, requiring a minimum of 21 months in cash and committed facilities to cover its net cash needs. Orbit has strong additional borrowing capacity with £1.4 billion in unencumbered assets.

Good financial performance supported by strong governance

Orbit's operating margin is broadly in line with its peers at 20% in fiscal 2025 compared to 19% for the median of A3-rated HAs. Its margins weakened over the last three years from around 25% due to rising maintenance costs. Orbit also provisioned £3.6 million of one-off building safety costs in fiscal 2025, which lowered its operating margin by 0.9 percentage points.

Orbit's high exposure to market sales dilutes its overall margins. Margins on sales fell to 11% from 14% in fiscal 2024, driven by a large drop in margins on outright sales to 7% while shared ownership margins remained resilient. We expect overall operating margins to improve to around 22% in fiscal 2026, supported by cost control and a reduction in low-margin outright sales.

Orbit has proactively responded to sector challenges, including increased regulatory scrutiny, inflation, and building safety requirements. As a result, it has limited fire safety liabilities remaining with only five high-rise buildings left to remediate before 2029 and has made good progress on retrofitting its stock to EPC-C with 88% of its stock meeting the criteria as of fiscal 2025 compared to 75% for the median of rated HAs.

Orbit's interest coverage is stronger than peers, with social housing lettings interest coverage (SHLIC) and cash flow volatility interest coverage (CVIC) at 1.4x and 2.1x respectively as of fiscal 2025. This is above the A3 peer medians of 1.1x and 1.5x. Orbit has low treasury risks with 88% of its debt fixed after swaps. We expect SHLIC to gradually improve to 1.7x supported by limited debt drawdowns and stable operating performance. Orbit's exposure to market sales can create volatility in operating cash flows particularly as it unwinds its outright sales programme, posing risks to CVIC.

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.

High albeit declining exposure to market sales

Orbit has one of the largest exposure to market sales among rated HAs, highlighting its higher risk appetite than peers. In fiscal 2025, sales accounted for 24% of its turnover, including 11% from outright sales and 13% from first-tranche shared ownership sales.

Orbit's risk appetite is reducing with the board approving a pause on new outright sales development from 2025. Orbit has also recently lowered its golden rule to limit market sales to 30% of turnover from 40%, though this is still higher than most in the sector. This will result in a gradual fall in its exposure to outright sales to less than 4% of turnover by fiscal 2030. Exposure to market sales will remain high at around 25% but will be concentrated in shared ownership, a tenure we see as less risky given strong ongoing demand.

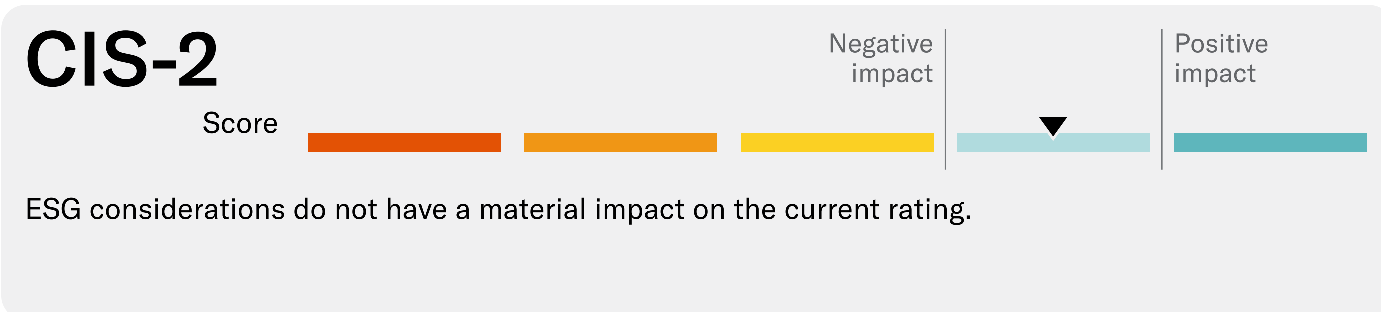
Extraordinary support considerations

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 Orbit and the UK government reflects their strong financial and operational linkages.

ESG considerations

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

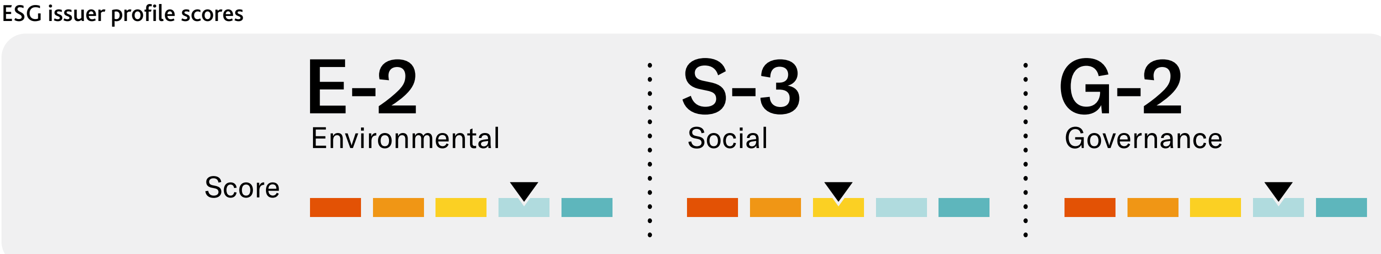
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

ESG risks have a limited impact on Orbit's ratings (**CIS-2**). Orbit faces limited carbon transition risks as the majority of its stock already meets required energy efficiency standards. Its high social risks are mitigated by its strong governance and management. In addition, the supportive regulatory framework for the sector also mitigates ESG risks.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental
Orbit has limited exposure to environmental risks (**E-2**). While housing associations have to improve the energy efficiency of their existing housing stock, Orbit has a low exposure to this risk as the vast majority of its housing stock already meets the required efficiency standards.

Social
Orbit has 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
Orbit has limited governance risks (**G-2**) given its sound and prudent risk management framework and practices in line with sector best practices including detailed reporting and a simple organisational structure. 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 Moodys.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 baa1 is in line with the scorecard-indicated BCA outcome.

The methodologies used in this rating are European Social Housing Providers, published in July 2024, and Government-Related Issuers, published in May 2025.

Exhibit 5

Orbit Group

Fiscal 2025

Orbit Group			
Baseline Credit Assessment	**Sub-factor Weighting**	**Value**	**Score**
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	46,922	a
Factor 3: Financial Performance			
Operating Margin	5%	19.7%	baa
Social Housing Letting Interest Coverage	10%	1.4x	baa
Cash-Flow Volatility Interest Coverage	10%	2.1x	a
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.3x	ba
Debt to Assets	10%	48.3%	ba
Liquidity Coverage	10%	1.3x	a
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	a	a
Scorecard - Indicated BCA Outcome			**baa1**
Assigned BCA			**baa1**

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
ORBIT GROUP LIMITED	
Outlook	Stable
Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	A3
ORBIT CAPITAL PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454