S&P Global Ratings

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Research Update:

Paradigm Housing Group, Now Trading as SettleParadigm, Affirmed At 'A+' Following Merger; Outlook Negative

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Overview

- On Oct. 27, 2025, U.K.-based social housing provider Paradigm Housing Group Ltd. and Settle Group (Settle) merged, with Settle becoming a subsidiary.
- With most of the Paradigm stand-alone management team staying in position, we consider that the group has a good track record of containing costs and balancing business priorities and risks.
- Nonethless, we believe that the merger, in conjunction with a significant stock acquisition, has reduced headroom in the debt metrics relative to peers, prompting a lower assessment of the stand-alone credit profile to 'a' from 'a+'.
- We affirmed our 'A+' long-term issuer credit rating on Paradigm Housing Group Ltd. and removed the rating from negative CreditWatch.
- The negative outlook reflects our view that management's decision to pursue a large stock acquisition while merging with Settle could reduce the group's financial flexibility on a sustained basis if synergies are not achieved or growth ambitions become more aggressive.

Rating Action

On Oct. 29, 2025, S&P Global Ratings affirmed its 'A+' long-term issuer credit rating on Paradigm Housing Group Ltd. (SettleParadigm) and removed the rating from CreditWatch negative, where we placed it on March 25, 2025 (see "U.K.-Based Paradigm Housing Group 'A+' Ratings Placed On CreditWatch Negative On Proposed Merger With Settle Group"). The outlook is negative.

We also affirmed our 'A+' issue rating on the senior secured debt issued by Paradigm Homes Charitable Housing Association Ltd., which we consider a core subsidiary of the SettleParadigm group, and removed the CreditWatch on those ratings.

Outlook

The negative outlook reflects our view that management's decision to pursue a large stock acquisition while merging with Settle Group (Settle) could reduce SettleParadigm's financial flexibility on a sustained basis.

Downside scenario

We could lower our rating on SettleParadigm over the next 24 months if the group's management failed to achieve synergies following the integration of Settle. We could also lower the rating if the group were to pursue further growth prospects beyond our base-case assumptions, signally a materially higher risk appetite.

We could also lower our rating if we thought the U.K. government had become less likely to offer SettleParadigm timely and extraordinary support in case of need.

Upside scenario

We could revise the outlook to stable if SettleParadigm's integration of Settle aligns with our base-case assumptions. Under this scenario, we could expect the group's financials to strengthen in line with our forecast.

Rationale

We removed the rating from CreditWatch with negative implications and assigned a negative outlook to reflect our view that the merger could result in sustained reduced capacity in the absence of significant synergies. We assess that the combination of Paradigm and Settle, in conjunction with the anticipated London & Quadrant Housing Trust stock acquisition, has reduced the headroom in the combined group's debt metrics, prompting a downward revision of the stand-alone credit profile (SACP) to 'a' from 'a+'. Nevertheless, we continue to see SettleParadigm's management favorably, owing to its track record of appropriate cost containment and focus on low-risk activities. We furthermore consider that the combined group's area of operations supports strong demand, with void rates that are below the market average. We also continue to view the group's liquidity position as very strong, because we believe management's approach to liquidity remains unchanged, despite the upcoming stock acquisition.

Enterprise risk profile: The combined group maintains core social housing focus, benefitting from strong market demand

We assess SettleParadigm's market position as still very strong following the combination, with Settle bringing in a similar stock profile and geographic exposure. The group now manages and owns over 27,000 units, consisting primarily of social and affordable housing, supporting predictable and countercyclical revenue streams. As a combined group, SettleParadigm operates almost entirely across the east and southeast of England, with a small exposure to London and concentrations in Buckinghamshire, Hertfordshire, and Bedfordshire. The group's strong market position is underpinned by low average social-to-market rent below 60% and a three-year average vacancy rate of 0.8%, which we see as significantly lower than the market average.

Following the business combination, we continue to assess the group's management as strong, underpinned by a track record of proactive asset management and appropriate cost containment. Although we consider that the group's risk appetite has moderately increased alongside its growth ambitions, we consider this strategy to be focused on regional consolidation, which should support appropriate synergies. Our assessment is also underpinned by our view that the group will continue to scale its development pipeline appropriately, such that the group's adjusted EBITDA interest coverage should remain above 1.0x. We further view positively SettleParadigm's continued focus on core traditional social housing, with sales exposure primarily coming from shared ownership. As a result, we anticipate that exposure to more volatile revenue should remain below 20% through the end of fiscal 2028 (ending March 31, 2028).

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).

Financial risk profile: Debt metrics remain constrained, with operational efficiencies driving stronger margins

We anticipate that SettleParadigm's adjusted EBITDA margins will strengthen through fiscal 2028, bringing them in line with Paradigm on a stand-alone basis. The merger with Settle has weakened the group's underlying operating performance, given the new subsidiary's higher average cost per unit. We expect that the identified cost savings should deliver the strengthening laid out in our base case, although we expect some uncertainty regarding execution. We expect rental increases above inflation will support this recovery.

In our opinion, the combined group's debt metrics will remain constrained versus those of peers, which has prompted us to revised down our assessment of the SACP to 'a' from 'a+'. We expect that SettleParadigm's debt metrics will weaken in fiscal 2026, given the additional debt requirements for the stock acquisition and the lack of meaningful efficiencies generated at this stage. Although we expect that the combination of a moderate development pipeline and stronger adjusted EBITDA will support more robust debt metrics by the end of fiscal 2028, we continue to assess the combined group's capacity as reduced when compared with Paradigm on a stand-alone basis.

We assess SettleParadigm's liquidity position as very strong, with liquidity sources covering uses by approximately 2.1x over the next 12 months. We forecast liquidity sources of about £538 million--comprising cash, undrawn and available revolving credit facilities, asset sales, grant receipts, and cash from operating (adding back the noncash cost of sales). This will cover liquidity uses of about £253 million, mainly for capital expenditure and debt service payments. We have excluded capital expenditure relating to the upcoming stock acquisition, because we anticipate the group will ensure that appropriate facilities are in place before completing the transaction. We believe that SettleParadigm retains satisfactory access to external liquidity.

Government-related entity analysis

We believe there is a moderately high likelihood that SettleParadigm would receive timely extraordinary support from the U.K. government in the case of financial distress. Therefore, we apply a one-notch uplift from the group's SACP. In our view, the Regulator of Social Housing (RSH) would likely step in and try to prevent a default, given one of its key goals is to maintain lender confidence and low funding costs across the sector. We base this view on the RSH's previous record of mediating mergers or arranging liquidity support from other registered providers in cases of financial distress and we understand this would also apply to SettleParadigm.

Key Statistics

Table 1

Paradigm Housing Group Ltd.--Financial statistics *

	--Year ended March 31--				
Mil. £	2024 A	2025 A	2026 BC	2027 BC	2028 BC
Number of units owned or managed	27,014	27,474	31,030	31,349	31,724
Adjusted operating revenue	232.0	252.4	270.2	287.2	300.2
Adjusted EBITDA	59.3	68.4	76.9	88.3	97.8
Nonsales adjusted EBITDA	46.6	61.0	63.2	81.9	94.1
Capital expense	146.8	139.6	473.0	116.7	138.7
Debt	1,347.9	1,438.4	1,826.8	1,874.9	1,937.5
Interest expense	57.2	62.1	69.0	82.7	85.4
Adjusted EBITDA/Adjusted operating revenue (%)	25.6	27.1	28.5	30.8	32.6
Debt/Nonsales adjusted EBITDA (x)	29.0	23.6	28.9	22.9	20.6
Nonsales adjusted EBITDA/interest coverage(x)	0.8	1.0	0.9	1.0	1.1

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available. *Paradigm and Settle have been consolidated on a historical basis prior to the merger.

Rating Component Scores

Table 2

Paradigm Housing Group Ltd.--Ratings score snapshot

	Assessment
Enterprise risk profile	2
Industry risk	2
Regulatory framework	3
Market dependencies	2
Management and governance	2
Financial risk profile	3
Financial performance	3
Debt profile	5
Liquidity	2
Stand-alone credit profile	a
Issuer credit rating	A+

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "Methodology For Rating Public And Nonprofit Social Housing Providers," 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

- 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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- United Kingdom, Oct. 13, 2025
- U.K. Economic Outlook Q4 2025: Inflation And Labor Costs Are A Persistent Challenge, Sept. 23, 2025
- Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers, Sept. 10, 2025
- European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High, July 10, 2025
- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels, May 12, 2025
- Non-U.S. Social Housing Providers Ratings History: April 2025, May 12, 2025
- U.K. Social Housing Borrowing 2025: Focused On Containing Debt, April 24, 2025
- Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K., April 17, 2025
- United Kingdom, April 14, 2025
- European Housing Markets: Better Housing Affordability Supports Recovery, Jan. 27, 2025
- Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery, Jan. 14, 2025
- The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities, Nov. 5, 2024
- U.K. Social Housing Providers' Financial Capacity Shrinks On Investment Needs, Nov. 4, 2024
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024

Ratings List

Ratings List		
Ratings Affirmed; Outlook Action		
	To	**From**
Paradigm Housing Group Ltd.		

Ratings List

Issuer Credit Rating	A+/Negative/--	A+/Watch Neg/--
Paradigm Homes Charitable Housing Association Ltd.		
Senior Secured	A+	A+/Watch Neg

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.