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Proposed Aster Treasury Senior Secured Bond Rated 'AA-'

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- We are assigning a 'AA-' senior secured debt rating to the proposed £250 million bond to be issued by Aster Treasury PLC, a special-purpose vehicle.
- The rating reflects the rating on the issuer's parent, U.K. housing association Aster Group Ltd., which guarantees the bond.

LONDON (Standard & Poor's) Dec. 3, 2013--Standard & Poor's Ratings Services today assigned its 'AA-' rating to the proposed senior secured bond to be issued by Aster Treasury PLC (the issuer), a special-purpose vehicle and subsidiary of U.K. housing association Aster Group Ltd.

The 'AA-' rating on the bond reflects the rating on Aster Group, which guarantees the bond. Any change in the rating on Aster Group is therefore likely to affect the rating on the bond. According to the bond documentation, we understand that the guarantor irrevocably and unconditionally guarantees punctual payment of the principal and interest on the bonds. We consider that the wording of the guarantee is sufficient to meet our criteria for allowing the rating on the bond to reflect the rating on the guarantor.

The proceeds of this bond issue will be onlent to Synergy Housing Ltd. and Aster Communities, which are both registered housing associations and subsidiaries of the Aster Group. They will use the proceeds to further the group's activities, in particular the development of new social housing.

The 'AA-' rating on Aster Group Ltd., the parent of the entities forming the Aster group, is based on its stand-alone credit profile (SACP), which Standard

& Poor's assesses at 'a+'. It is also based on our opinion that there is a moderately high likelihood that the U.K. government, working through the Homes and Communities Agency (HCA), would provide timely and sufficient extraordinary support to Aster in the event of financial distress.

In accordance with our criteria for government-related entities (GRES), we base our view of the likelihood of extraordinary government support on our assessment of Aster's important role for the U.K. government and its public policy mandate, and its strong link with the U.K. government. The U.K. government has a track record of providing extraordinary support within the sector.

Aster's SACP is supported by its very strong enterprise profile. Its relatively large portfolio of about 27,000 units is diversified across south and southwest England, where Aster experiences high demand for its social housing and achieves low void levels. Constraints include exposure to U.K. government decisions on the sector, particularly relating to changes in the payment of housing benefit and other welfare reforms. The SACP also reflects Aster's strong financial profile. Aster plans to increase its debt over the coming years, although we believe that improving EBITDA margins are likely to offset the effect of higher debt on its credit profile.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Guarantee Criteria--Structured Finance, May 7, 2013
- Public And Nonprofit Social Housing Providers: Methodology And Assumptions , July 11, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

Related Research

- Aster Group Ltd., Nov. 25, 2013

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