Peabody Group Trading Update (including Peabody Trust, Peabody Capital PLC, Peabody Capital No.2 PLC)

Peabody Group announces the following unaudited information ahead of its Annual Report for the year ended 31 March 2023 to be published during the Summer.

Throughout the last 12-months, our priority has remained our residents and their safety despite the challenging economic environment of high inflation, rising interest rates and labour and material shortages. Margins have also been put under pressure by these factors. But financial performance during the year including from sales activity, has enabled us to continue to invest in our existing homes. We have and will continue to allocate our resources accordingly while realigning our organisation to get closer to residents through locally focused services.

Turnover and sales performance

Peabody's turnover for the year exceeded £1.1bn. Over £300m of this related to market sales or first tranche shared ownership sales of new homes, all built to a high energy efficiency EPC B standard. Our rents remain substantially below market levels at an average of £127 per week and an annual subsidy of over £600m. The impact of inflation on our underlying cost base has inevitably led to pressure on margins.

Our sales performance was above expectations both in terms of the number and value of homes sold. This reflects the importance of our land-led development activity, focusing on location and the quality of the homes we offer for sale. It is also important in helping to fund the development of new social rent homes. We continue to closely monitor the impact of pricing, changing building requirements and the cost of mortgages on our current development schemes as we respond to the challenges that the sector faces.

Staircasing has continued to perform well, generating around £81m to be reinvested back into improving the quality of our homes. This demonstrates the strength of the shared ownership product.

The performance of sales and staircasing during the year has enabled us to make the investment in our residents' homes that is needed to provide high quality, safe, energy efficient homes for the future.

Investment in our existing homes

We now have over 107,000 homes under management within the Peabody Group. In the 12 months to 31 March 2023, we invested £179m in our existing homes including £66m on building safety. The building safety programme will continue through 2023-24. This substantial investment in existing homes has seen us focus on making our homes safer and more energy efficient. We have also continued to invest in our proactive response to potential issues of damp, mould and condensation in people's homes.

We secured £25m from the Government's Social Housing Decarbonisation Fund (SHDF) which, together with our match funding of £25m, will enable us to improve over 6,500 homes, making them more energy efficient, installing better insulation, better ventilation and replacing doors and windows.

Over 75% of our homes are currently rated EPC C or above, but there is much more to do. Further details will be published shortly in our Sustainability Strategy, but we estimate that the cost of getting

Peabody homes to achieve EPC B could well exceed £1bn by 2050 and will constrain future development capacity.

Investment in new homes

We invested over £550m in our new homes programme during the last year completing 2,399 new homes and starting 2,376 homes. Across the Group we completed 604 homes at Social Rent, 251 for London Affordable Rent, 158 at Affordable Rent and 861 for shared ownership, with an additional 525 market sale homes generating a cross subsidy.

However, in the face of the challenges of increased costs, along with many of our peers, we have reprofiled delivery of new homes with our partners to ensure we do not take on an undue level of risk in the future. We are prioritising investment in improving our existing homes, buildings and services but will continue to bring new homes forward to help tackle the supply and affordability crises. We have a pipeline of new homes and a commitment to deliver these. We use our own balance sheet, external partnerships, cross-subsidy from sales, and some public investment to do this.

Development and sales

Our unsold completed homes remain at low levels and continue to be subject to tight monitoring.

Unsold new homes – Peabody Group at 31 March 2023	**Reserved / exchanged**	**Available**	**Total**
3 - 6 months	19	59	78
Over 6 months	60	95	155

Liquidity

We retain very strong access to liquidity, with £1.7 billion of cash and undrawn facilities. This ensures we can continue to operate and deliver for the benefit of our residents in challenging times. Limited levels of amortisation mean that our liquidity will remain strong over the next 18 months and beyond. During the year we acted decisively to protect ourselves from further increases in interest rates with £286m in new hedging at an average tenor of 6 years and an interest rate of 3.7%. Our gearing remains very low for the sector, and we continue to have around 80% of our borrowing on fixed rates. We retain over 34,000 unallocated or unencumbered properties across the Group with a security value of around £4bn.

Ratings and certification

We are rated G1, V2 by the Regulator of Social Housing. We continue to hold an A3 negative outlook rating from Moody's and an A- negative outlook rating from S&P Global. During the year we achieved our second Ritterwald Certified Sustainable Housing accreditation, with frontrunner status in two categories.

Transfer of engagements

The transfer of engagements of Catalyst Housing Limited into Peabody Trust completed on 3 April 2023. This was followed by a similar exercise for Rosebery Housing Association Limited into Town & Country Housing on 4 April. This consolidation of our structure allows us to move into the next phase of transformation. We're now getting closer to residents through a locally focused approach to service delivery, with more locally based teams alongside better use of data and technology across our operations.

Note: Figures quoted in the update are based on unaudited management accounts, which are subject to review and further adjustments.

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