



Peabody Trust Investor Update October 2020

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Introduction

A proud history, a vision for the future

- Formed in 1862, Peabody has more than 66,000 homes across London and the South East with c133,000 residents
- Strategic importance to London with a presence in 29 boroughs. Believed to be largest landlord in 5 boroughs and top 3 in 13
- A clear vision for the future, investing in homes and safety, improving services and developing new social housing
- Our mission – to help people make the most of their lives

Our values

Ambitious

We're ambitious for our customers, for our communities and each other.

Caring

We're caring in the way we work, and how we treat the people we work with.

Collaborative

We work collaboratively with each other, and with partners to deliver more.

Empowering

We support and empower our customers and colleagues to help them realise their potential.

Trusted

We're trusted to keep our promises. We do what we say we will.

Peabody – Key data at a glance

Strong financial and operational foundations

Key performance indicators

Operating surplus¹

£197m

(2019: £173m)

¹ before revaluation of investment property

Development pipeline

£1.4bn

(2019: £1.1bn)

Gearing
(debt: assets at cost)

36%

(2019: 35%)

Credit rating

A3 A

Moody's
(2019: A3)

Standard
& Poor's
(2019: A)

Total Group assets

£8.0bn

(2019: £6.8bn)

Investment
in new homes

£313m

(2019: £365m)

Available debt funding

£4.0bn

(2019: £3.1bn)

Regulatory rating

G1,V2

(2019: G1,V2)

Total Group turnover

£662m

(2019: £565m)

Investment in
existing homes

£113m

(2019: £84m)

Unused
property security

£3.0bn

(2019: £2.5bn)

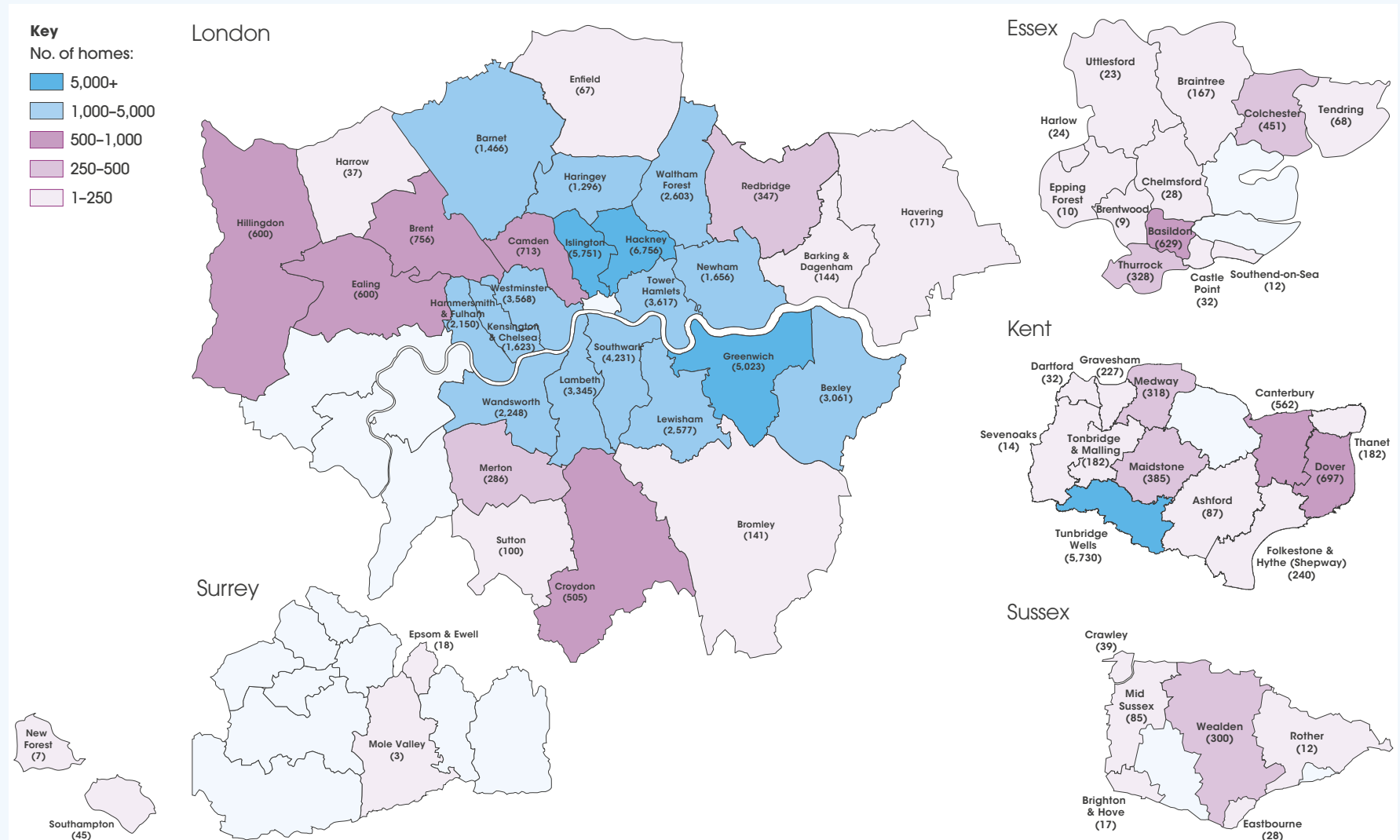
Employment and
apprenticeships investments

£1.4m

(2019: £1.0m)

Geographical Coverage

Strategic importance in the heart of London and South East



Peabody Strategy

To help people make the most of their lives

Our four priorities

- Develop and deliver reliably good modern services
- Build and maintain the best quality developments
- Work with local communities and build long-term partnerships
- Grow and use our position of influence to create positive change



Sector Backdrop

Responsive to changes in the operating environment

Sector Issues

- Political landscape and policy environment
- Interest rates, inflation and house prices
- Growing population underpinning housing demand
- Digital technology and transformation
- Changes in the law and regulation
- Environmental pressures
- Covid-19

Our Response

- Proactively engaged, regular consultation and responding to policy makers and legislators
- Regular review of borrowing needs, efficiencies in operating costs, stress testing of financials in real time. Use of technology to sell homes
- Development from a solid base, with JV partners to manage risk. Unlock the commercial value of Thamesmead
- Multi-channel approach – digital back office, face to face where residents need us to be
- Early adopter in housing safety re Hackitt review. Building safety team, technical committee
- All new London homes meet GLA environmental standards

Response to Covid-19

Well prepared to respond in a timely manner to Covid-19

- Business continuity and pandemic response plans activated 21 February
- Financially prepared – strong liquidity, detailed monitoring of cash flow and performance
- Development: Reduced activity at sites but sales on target for the year
- Arrears and voids: Refocused tenant support and rent collection team has held arrears in check
- Employment: Limited number of staff furloughed
- Above activities support financial stability

3 key priorities

- Protect our teams, residents and care & support customers
- Continue providing essential services
- Proactively inform, engage & support most vulnerable communities

Peabody actions

- 21,000 resident calls
- More than 2,100 emergency food parcels and medication packages delivered
- 700,000 items of PPE sourced and distributed
- More than £100,000 donated to small charities

Building Safety update

- Early adopter in implementing recommendations of Hackitt review
- Planned programme of works being delivered
- New building safety team with technical committee to monitor building safety programme
- £32m spent on safety related improvement works to assets in 2019/20 (£19m previous year)
- £15m revenue spend on fire safety in 2019/20 (£8m previous year)



Environmental, Social, Governance



Lea Bridge Road, Waltham Forest

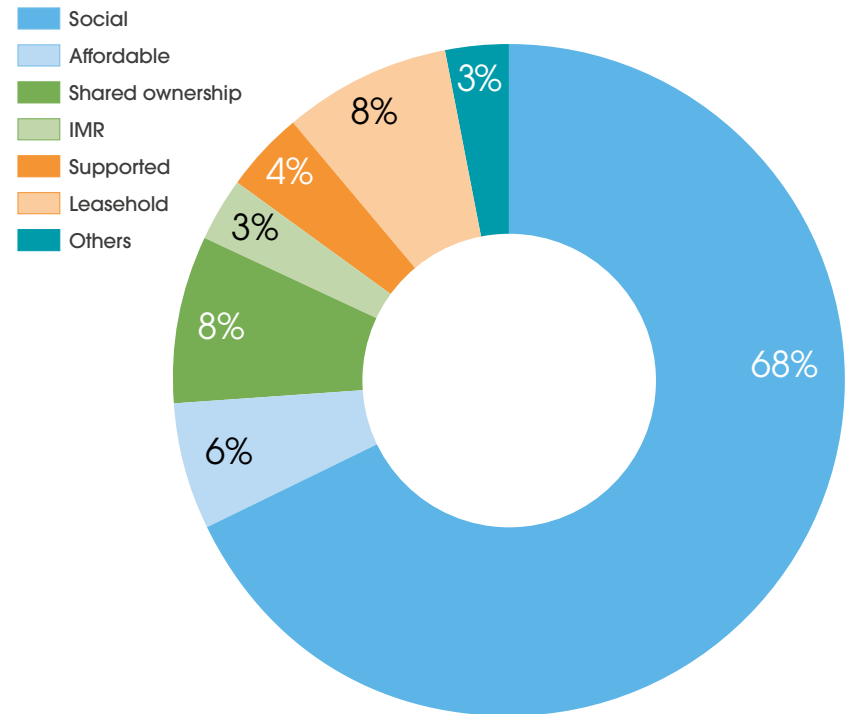
Social rents, subsidy and investment

A rent portfolio that meets our charitable and strategic objectives

- Significant proportion of social and supported rents. 87% at affordable/supported tenures
- £25m annual subsidy where rents are below target rent
- Subsidy against average market rent is c. £450m annually
- £9m discretionary investment in communities in 2019-20 through the Community Foundation

Tenure mix by number of properties

Properties by tenancy



Based on Peabody Trust financial statements to 31 March 2020 (excludes TCH)

Positive social change

A unique, influential voice in London and South East

- Strong brand, large scale and unique insight into the lives of ordinary Londoners gives credibility and influence
- Distinctive and credible voice in discussions with Central Government, the GLA, local authorities, think tanks and policy forums
- Supported 1,100 people into jobs and apprenticeships in 2019/20
- 78,000 hours of community activities



Peabody Index Bulletin



Tracking pay and employment for low-income Londoners

September 2020

Creeping dangers loom for capital's workers amid sluggish post-lockdown economic climate

Our latest Peabody Index Bulletin, which is currently tracking the economic impact of Covid-19 among low-income Londoners, has found the capital experiencing a slower economic recovery from lockdown than the rest of the UK. Our findings show that London has experienced a higher rate of job losses and a slower increase in job vacancies since June.

The government's Job Retention Scheme and other employment support packages have saved many from hardship. Yet, as these schemes are phased out, there are serious concerns about the long-term impact on those with low incomes. In London, the sectors which are growing look likely to fail to match the loss of jobs in sectors such as retail and hospitality roles. Our survey of more than 1,000 Peabody residents finds that just 13% of those who have lost their job since March 2020 have found a new one.

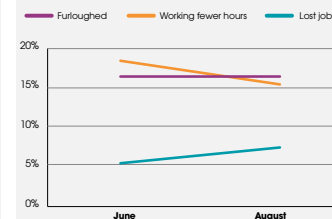
We are especially concerned about the threat of widening inequality in London, highlighting the need for the government's Levelling Up agenda to apply to areas within cities as well as across regions. Our latest data show increasing unemployment and hardship among social housing residents as they face rising costs of living and a higher inflation rate compared with other households in the capital. As such, we're looking into how best to prepare the London economy for its post-lockdown recovery. Although employment support schemes saved many from hardship during the initial lockdown, targeted support will be needed longer term.

To prevent widening inequality, we're asking the government to join our support for:

- Pivoting the Job Retention Scheme towards a sector-focus, increasing help for specific occupations where new jobs are increasingly scarce.
- A co-ordinated reskilling programme, focusing on those not covered by the Kickstart Scheme and sectors where job losses are concentrated, such as hospitality and retail.

Index measures – updated for each bulletin

Figure 1 Change in employment trends (Source: Peabody working age resident survey, 2020)



38%

of our working residents have either lost their job, been furloughed or are working fewer hours as a result of the lockdown. The proportion furloughed has remained stable at 16%. The number working fewer hours has declined, but increasing numbers have lost their job.

0.4%

Inflation in cost of living for London social housing residents in August, down from 0.7% in June 2020. This is higher than the 0.1% seen for other London households and 0.2% seen across the UK as a whole.

18%

of our residents report being in a desperate financial situation. Those who have lost their job are almost four times more likely to report being in a desperate financial situation compared with those who have been furloughed.

14%

of our residents fear someone in their household will lose their job in the coming months.

A sustainable organisation

Committed to managing our environmental impact

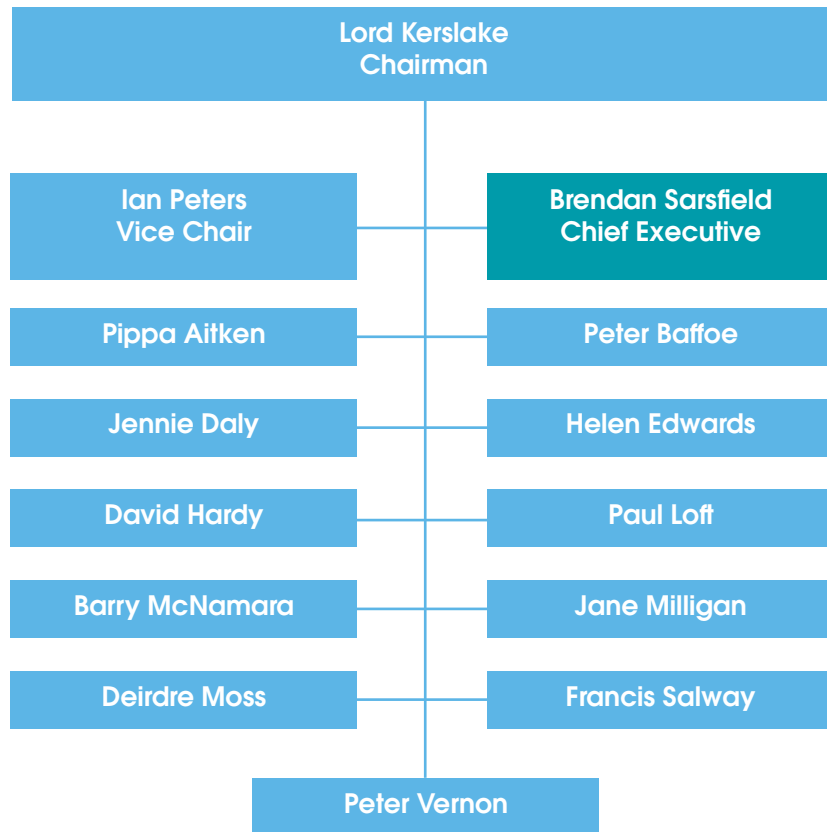
- New homes average EPC rating of B
- Net zero in day to day business operations by 2030
- Net zero carbon in rented homes by 2050
- Increase recycling rates in purpose-built flats
- In Thamesmead, Living in the Landscape



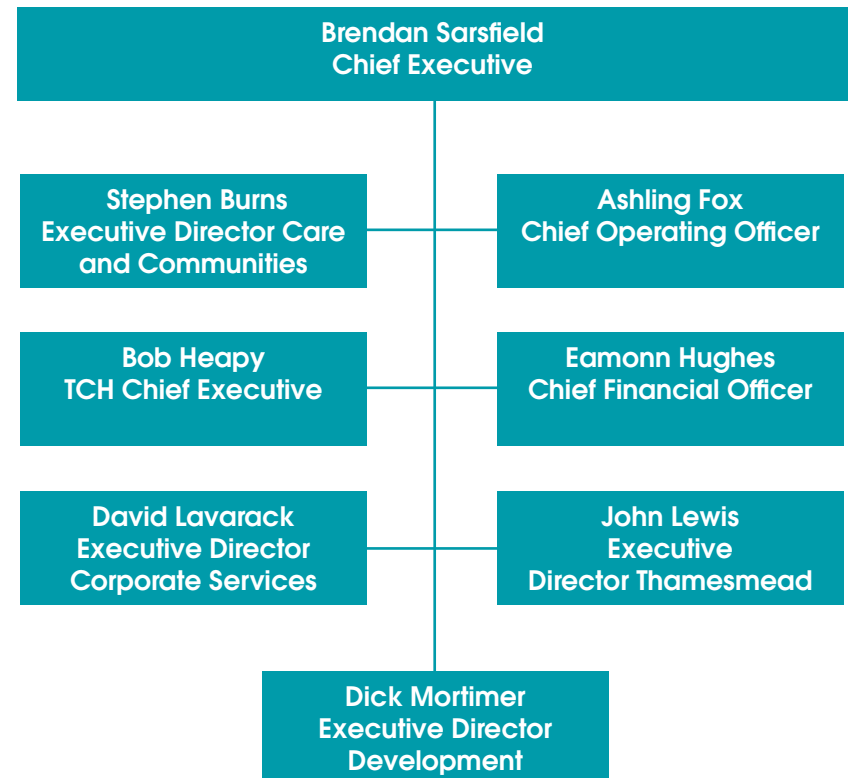
Peabody Governance

Stable leadership team with strong governance and risk management

Combined Group Boards



Management



Financials



Pioneer House, Chelmsford

Financial Performance: 2019-20

Peabody Group

Social housing lettings remain strong

Income and expenditure (£m)

	2019/20 £'000	2018/19* £'000
Turnover – Social Housing Lettings	425	375
Turnover – Other Income	69	58
Turnover – Market Sales and Shared Ownership	168	132
Total Group Turnover	662	565
Operating Costs	(377)	(322)
Cost of Sales	(128)	(94)
	157	149
Surplus on Sale of Fixed Assets/Staircasing	40	24
Operating Surplus	197	173
Net Interest	(74)	(60)
	123	113
Change in Value of Investment Properties	(9)	35
Gift on acquisition/Other	355	-
Surplus for the year	469	148

* 2018/19 trading figures exclude TCH which joined the Peabody Group on 9 May 2019

Financial Performance: 2019-20

Key Financial Indicators

Strong metrics and investment proposition

	Policy/Target	2019/20	2018/19*
Social Housing Income: Turnover	>50%	64%	66%
Operating Margin on Social Housing Lettings	>30%	32%	32%
Overall Operating Margin	>30%	30%	31%
EBITDA MRI Interest Cover	200%	196%	222%
Gearing	<50%	36%	35%
Net Debt: Turnover	<4.0x	4.0x	3.7x

* 2018/19 trading figures exclude TCH which joined the Peabody Group on 9 May 2019

- Margins maintained despite impact of 1% rent reduction
- Clear headroom on EBITDA MRI despite additional spend on assets re fire safety
- Gearing is low for the sector

Financial Planning/Stress Testing

Detailed and extensive stress testing

We test a range of scenarios including:

- 1 Recession with 16% house price fall. Main costs stable (2% real rate p.a.) but major repair costs increase by 4% real rate p.a.
- 2 High Costs with house price fall of 16%: Inflation increases to 7% over 5 years, rent cap at 5%. Voids and bad debts treble
- 3 House Price Crash: 2 year delay in sales, property prices fall 20%. LIBOR increases by 1% over current assumptions
- 4 Sustained stagflation: 10% rental arrears of which 25% written off. Property prices fall 20%, maintenance costs up 3% real rate p.a. in year 1, 2% in years 2 and 3
- 5 Covid 19 and no EU trade deal: 20% arrears of which 25% written off. Property prices fall by 33% over 3 year period. 6-month delay in all sales. Maintenance costs as in stress 4
- 6 Sustained inflation and higher interest costs

Real time scenarios run with executive management and board

Mitigating actions include:

- 1 Reduce development expenditure - eliminate uncommitted and unidentified schemes
- 2 Over the short term, capital major repairs/ focused on essential works
- 3 Target sales of void properties
- 4 Reduce discretionary spend e.g. communities

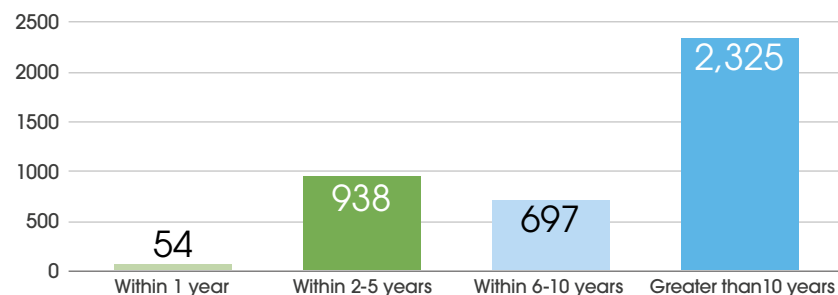
Funding and Liquidity

Simple and flexible funding structure

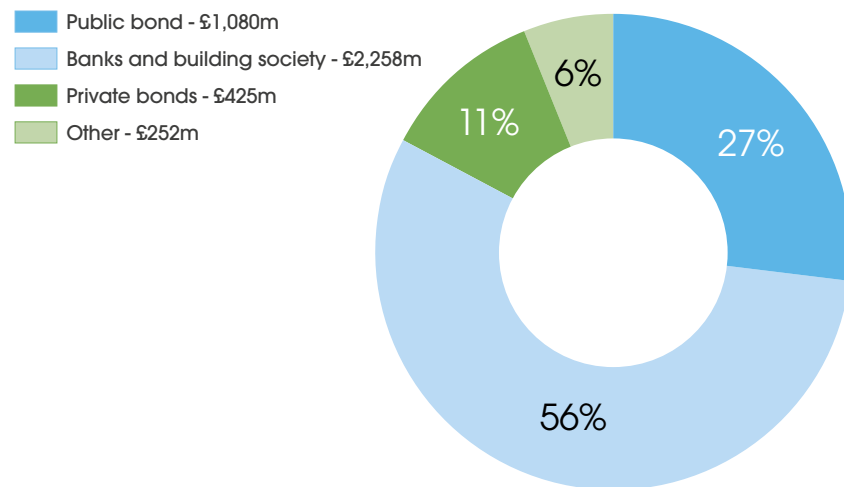
- Total facilities now at circa £4.0bn
- Facilities largely at Peabody Trust level
- Contractual commitments for next 3 years covered
- 18 months cover with no new funds, no sales, committed development only
- All swaps are embedded within loan facilities
- Over 18,000 unencumbered units with security value of c. £3.0 bn (MVT)

Total Facilities £m (31 March 2020)	4,015
Drawn (£m)	2,759
Available (£m)	1,256
Cash in Bank (31 March 2019) (£m)	186
Total Facility Available (£m)	1,442
Fixed Rate Debt Proportion	74%
Average WACC	3.90%

Facility profile



Available Debt Facilities



Development (inc Thamesmead)

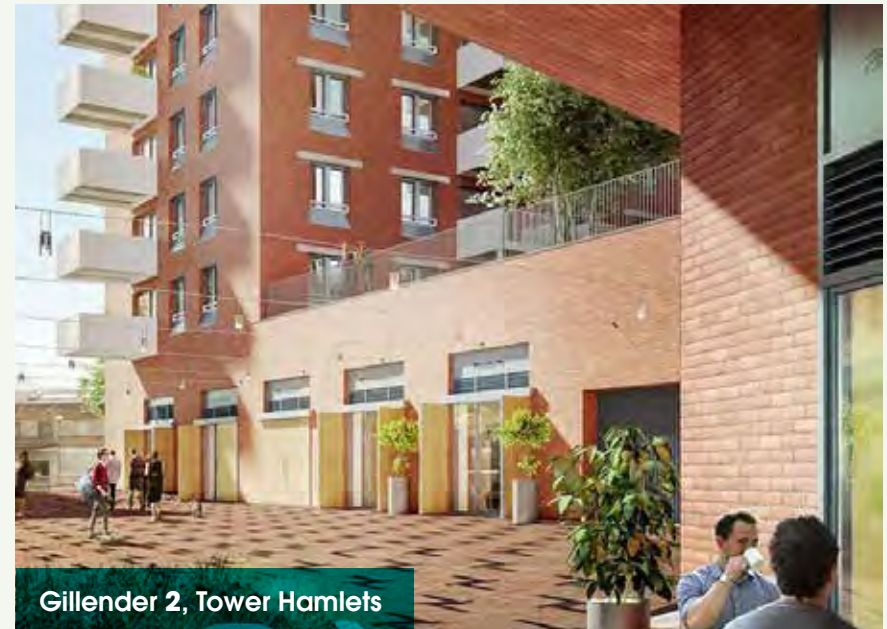


Fish Island Village, Tower Hamlets

Development Plan

Proven track record of development programme delivery

- Control over Peabody land holdings and Thamesmead development ensures future supply at lower risk
- Opportunity led approach with limited committed development. New land opportunities where values are expected to increase
- Building and investing in placemaking with a focus on long term stewardship and great places to live
- London focused with potential for some delivery in Essex and Kent/Sussex
- Flexibility on tenure mix, but broadly 1/3 split between market sale, shared ownership and social rent – variable within years



Risk Balanced Construction & Sale Programme

Development balanced with strong risk management

- Balanced programme with diversified risk profile, employing a range of procurement routes including risk-share partnerships e.g Gillender 2, S106, infill sites, and existing land holdings
- Capital-at-risk thresholds set to withstand significant sales downturn
- Achievement of sales targets continue to be monitored throughout year as gateway to releasing funds
- Performance to date through Covid has held up



St John's Hill Phase 2, Wandsworth

Thamesmead: Capacity for 20,000 New Homes



A bright future for Thamesmead

A patient investor improving Thamesmead now and for the future

- Patient and staged: A 30-year project for Peabody
- Waterfront Joint Venture - 11,500 homes
- Open to a variety of funding options for staged investment plan
- We have delivered at Thamesmead with The Reach (66 new affordable homes for rent and shared ownership), window replacement in towers, public realm improvements and community engagement
- More to come including Southmere Phase 1 (1,600 new homes, library, better public spaces)



Summary



Wharf Road, Islington

Summary

Strong platform to build on a rich heritage

- Financially resilient, strong balance sheet and commitment to 'A' grade investment proposition
- Opportunity to develop up to 2,500 homes p.a. in a risk controlled, opportunity led flexible approach
- Managing challenging economic backdrop with performance in line with forecast
- Strong, stable, experienced management team have a strong track record of delivery
- Committed to ESG reporting criteria and improvement in performance

