Peabody Group including Peabody Trust, Catalyst Housing Limited, Peabody Capital PLC, Peabody Capital No.2 PLC

Trading update for the 6 months to September 30, 2022

This is an unaudited, consolidated trading update for Peabody Group including Catalyst Housing Limited, Town & Country Housing, Peabody Capital Plc and Peabody Capital No.2 Plc for the six months ending 30 September 2022.

On 1 April 2022 Peabody and Catalyst joined together, with Catalyst Housing Limited becoming a subsidiary of Peabody Trust. The joining together of the two organisations will create a responsive, locally focused organisation which will be better connected with customers. The scale of the organisation provides the scope to invest and innovate more in services, homes, communities, technology and people. The legal process continues to run to timetable, and it is expected that the transfer of engagements of Catalyst Housing Limited into Peabody Trust will complete in April 2023.

The combination of high inflation, higher and rising interest rates, labour and material shortages and an economic downturn represents a very challenging time for our customers, for our colleagues and for Peabody as a whole. We welcome the recent conclusion of the rent consultation process which provides a financial base from which we can now plan to meet those challenges. Our priority remains our customers and their safety. We will continue to allocate our resources accordingly and are actively taking steps to prioritise our investment as we respond to the challenging economic environment

Highlights for the Peabody Group

Highlights	6 months to September 2022	6 months to September 2021
Homes in management	104,540	67,732
Homes completed in the period	1,004	502
Turnover (£m)	515	346
Operating margin	27%	36%
Surplus for the period (£m)	85	87
Drawn debt (£m)	4,445	2,963
Available facilities (£m)	1,722	1,116
Cash (£m)	113	110

Eamonn Hughes, CFO of Peabody, made the following comments on the half-year results:

"Our trading performance continues to be in-line with expectations and remains robust despite challenging economic conditions. Arrears continue to hold at normal levels, and we are working hard to help our customers access all of the support available to them through the cost of living crisis. Our substantial investment in building safety, maintenance and placemaking activities has continued despite rising cost challenges. This resulted in an increase in capital expenditure and operating costs leading to an expected reduction in overall margin in the period. While lower than the corresponding period, sales margins are at budgeted levels, and we expect to achieve our target sales volumes for the full year.

Our liquidity position remains strong with access to substantial cash and undrawn facilities post-merger. We continue to lead the way on ESG, highlights in the last month include publishing our second report under the Sustainable Reporting Standard for Social Housing and holding a successful jobs fair."

Continuing investment in our existing homes

So far this year we have invested £65m in our existing homes including £34m on building safety despite the current challenges of inflation and labour and material shortages. We continue to aim to strike the right balance between completing the building safety programme and increasing regular investment in existing homes. Ensuring customers are safe and comfortable in their home is a priority and will continue to be so.

We also focusing our resources on damp, mould and condensation in our homes, with a dedicated team to help manage complex cases, as well as proactive reviews and audits, whilst piloting new approaches and utilising technology to help solve recurring problems. There is more to do, and we are committed to increasing planned investment in existing homes.

New homes development and sales

In response to the current economic environment, we are carefully managing our development programme and maintaining appropriate flexibility on the level of future spend and commitments. Our sales performance in the year to date has been positive, margins on completed sales are consistent with the second half of 2021-22 and our expectations. This includes completions on the first phase of our regeneration of Thamesmead. At the 30 September, we had sold or exchanged on more than three-quarters of the full year sales budget. We are monitoring closely the impact of rising mortgage costs and movements in market pricing on sales performance in what remains of this financial year.

Staircasing has continued to perform well, demonstrating the strength of the shared ownership product and our investment in Joint Ventures in recent years is also starting to provide benefits generating a surplus in the first half of the year

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

Unsold new homes – Peabody Group at 30 September 2022	**Reserved / exchanged**	**Available**	**Total**
3 - 6 months	21	67	88
Over 6 months	42	95	137

Funding and liquidity

We retain very strong access to liquidity, with £1.8 billion of cash and undrawn facilities to ensure that we can continue to operate and deliver for the benefit of our residents in challenging times. We continue to have very low gearing compared to the sector. Break costs associated with the merger incurred in the period were £6m, substantially lower than originally budgeted. We continue to have over 80% of our borrowing at fixed rates, giving good protection against expected interest rate rises. Our average borrowing cost is less than 4% demonstrating our ability to absorb increased borrowing costs on our remaining floating rate debt.

Ratings update

In October both S&P Global and Moody's put Peabody's ratings (A- S&P Global, A3 Moody's) on negative outlook, in response to their reassessment of the outlook for the UK sovereign to negative. Peabody continues to produce a robust financial performance with a low level of gearing, high liquidity and a strong balance sheet. We have built flexibility into our operations to respond to current economic challenges, with appropriate mitigating actions, underpinned by a robust business plan. We remain committed to holding a strong credit rating.

Peabody continues to have a G1 (Governance) and V2 (Viability) rating from the Regulator of Social Housing.

ESG

Peabody remains at the forefront of promoting ESG credentials for the sector. In October we published our second detailed report under the Sustainable Reporting Standard for Social Housing https://www.peabodygroup.org.uk/media/16377/esg_report_2022.pdf including information on both Peabody and Catalyst. We will shortly publish our revised Sustainability Strategy.

Board and executive changes

Zebrina Hanley will leave the Peabody Trust Board on 30 November 2022.
Matthew Martin and Ann Bentley will join the Board on 1 December 2022.

Elly Hoult will join the Peabody executive team early in the New Year. Ash Fox will step down from the Peabody executive team with effect from 30 November 2022 and Sarah Thomas in March 2023.

Statement of Comprehensive Income – Peabody Group

	6 months to September 2022	6 months to September 2021
	£m	**£m**
Turnover - from core operations	383	254
Turnover - from sales	132	92
Turnover	**515**	**346**
Operating costs	299	186
Cost of sales	121	80
Surplus staircasing/disposal of fixed assets	42	44
Operating surplus	**137**	**124**
Net interest costs[3]	66	37
JV Surplus	14	-
Surplus for the period[2]	**85**	**87**
Operating margin	27%	36%
Sales margin %	8%	13%
EBITDA - MRI %[1]	209%	323%

1 - operating surplus excluding depreciation and amortisation, less capitalised repairs / interest expense
2 - revaluations of investment properties are performed at year end only
3 – excludes £6m break costs incurred as a result of the merger process

Enquires

Please contact Anthony Marriott, Director of Treasury & Corporate Finance at anthony.marriott@peabody.org.uk