

Peabody Trust Trading Update for the period ending 30 September 2020

This is an unaudited, consolidated trading update for Peabody for the six months ending 30 September 2020.

Trading Highlights for the Peabody Group

The results for the period are shown for the Peabody Group:

	6 months to September 2020	6 months to September 2019
Homes completed in the period	501	447
Unit starts in the period	390	442
Turnover (£m)	299	318
Operating Surplus (£m)	103	105
Operating margin	34%	33%

Commenting on the results Eamonn Hughes, CFO, said:

“Despite the prevailing economic environment, Peabody continues to deliver a resilient financial performance with an operating margin that is broadly in line with the same period last year.

We have experienced an increase in rent arrears but this has been managed closely and is within business planning assumptions. A reduction in sales revenue compared to the same period last year is due to the make-up of completions in the period, and sales remain on target for the year. We achieved a sales margin of 20% and this supports our investment in our social purpose. Through strong partnerships we continue to prioritise social rented homes and investment in our existing homes and neighbourhoods.

Reduced revenues are more than offset by lower operating costs, which reflect the level of our asset management activities due to the Pandemic. Operating costs and major investments are expected to increase as our programme of post-lockdown catch-up on investment continues.

Liquidity is strong, with £1.6 billion in available facilities and cash to fund our pipeline of affordable homes whilst gearing remains at a low level for the sector. Interest cover including capitalised repairs (EBITDA-MRI) is also strong at 311%.”

Covid-19

As set out in our statement from April this year, we implemented our business continuity plans early in the pandemic and entered these unprecedented times with a strong financial and liquidity position.

We have nevertheless seen the impact on our organisation across a number of areas including:

- Our arrears on current rents are higher than our usual levels, increasing in line with applications for universal credit before reducing over a period of weeks as people receive their entitlements. Throughout this period our arrears have always remained at manageable levels and currently sit just below 2% of rent charged year-to-date. We do remain concerned

that the statutory 5 week wait for universal credit causes unnecessary hardship for our residents.

- We have continued to sell new build properties, making use of our existing virtual sales platform for new homes. Our development sites were shut for a limited number of weeks but re-opened in a covid-safe way and have remained open since early Summer.
- We continue to invest in creating great places, including in Thamesmead which has enormous potential as a sustainable new town for London and the South East, and on high quality developments such as the award winning Fish Island joint venture in East London.
- We have sourced significant levels of PPE for our employees who require it, particularly those in our care & support operations and other customer facing and estate based roles.
- We continue to focus on resident wellbeing, with dedicated teams mobilised to support residents through this difficult time. As part of supporting our residents in the 6 months to 30 September we had made over 21,000 resident calls, and delivered thousands of emergency food and medication packages from our community hubs. We continue to align our efforts with local authorities, voluntary and community organisations, and other partners to provide ongoing support to our residents and their communities.

Fire Safety

Peabody puts resident safety first, prioritising fire safety improvements and remedial measures in the property management programme. We are taking a prioritised approach to our investigations so that we address the highest risk buildings first, making sure that our buildings meet both the requirements of the new regulatory regime but also current government guidance. We are a member of the post Hackitt 'early adopters' group.

Development Programme

We continue to progress with our development programme using a prudent, risk-based approach through our land holdings across London and the South East. Flexibility in the tenure mix allows a balanced portfolio of development sites with a diversified risk profile that can respond to market requirements

The value of completed and unsold homes at 30 September (£68m) was broadly in line with 31 March (£62m). The number of dwellings unsold after over 3 months as at 30 September 2020 for the group, was as follows:

	Reserved/ exchanged	Available	Total
3-6 months	14	1	15
Over 6 months	80	58	138

Liquidity

Peabody has continued to strengthen its funding and liquidity position over the last 6 months, despite the impact of Covid with a key focus on flexibility. As a result, we have been able to respond to changes in our spending profile whilst managing interest costs prudently. As at 30 September

2020 Peabody had £4.3 billion of total funding to finance our delivery of affordable homes. £1.5 billion was available to draw plus available cash of £55m.

Credit and Regulatory ratings

On 24 September 2020, S&P Global confirmed Peabody's rating at A stable. Peabody continues to hold an A3 stable rating with Moody's. Both ratings reflect the group's strong balance sheet, relatively low level of gearing and robust business plans.

Peabody remains G1/V2 compliant under the Regulator of Social Housing's Governance and Viability assessments.

Sustainability Reporting Standard (ESG)

Peabody played a key role in the inception of the project to develop standardised ESG reporting criteria for social housing providers and has continued to support the project through to the publication of the Sustainability Reporting Standard for Social Housing which was published in November.

We are an early adopter of the Standard and remain committed to improving our reporting and performance under the criteria, particularly in respect of key areas on sustainability and diversity.

Directorate Change

On 13 November we announced that the Chief Executive Brendan Sarsfield would be stepping down in Summer 2021. The recruitment process for his successor has begun.

Unaudited Financial Statements and key metrics for the six months to September 2020

Statement of Comprehensive Income

	6 months to September 2020 £m	6 months to September 2019 £m
Turnover – from core operations	248	243
Turnover – from sales	51	75
Turnover	299	318
Operating costs & cost of sales	215	233
Surplus on disposals of fixed assets	19	20
Operating Surplus	103	105
Net interest costs	36	38
Taxation	-	-
Surplus for the period¹	67	67
Operating margin	34%	33%
Sales margin %	20%	23%
EBITDA - MRI ²	311%	234%

Statement of Financial Position

	September 2020 £m	March 2020 £m
Housing Properties	6,977	6,739
Other tangible fixed assets ¹	540	556
Other investments	72	65
Net current assets	305	423
Total assets less current liabilities	7,894	7,783
Capital and reserves	3,370	3,303
Loans > one year	2,746	2,778
Other long term liabilities	1,778	1,702
Reserves and long term liabilities	7,894	7,783
Gearing ³	36%	36%

1. Revaluations of investment properties are performed at year end only

2. Operating surplus excluding depreciation and amortisation, less capitalised repairs / interest expense

3. Net debt / non-current assets

Disclaimer

The information set out above (“the Update”) contains certain forward-looking statements about the future outlook for Peabody Trust and its subsidiaries (together “the Peabody Group”). Statements in the Update, including those regarding possible or assumed future performance of the Peabody Group, or the sectors in which Peabody operates, should be treated with caution, as although based on reasonable assumptions, they involve risks and uncertainties that may cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements. Further, the information is provided as at the date of this Update and no obligation is accepted to update the information, except as required by law or regulation. The Update should not be construed as an offer or solicitation to buy or sell any securities issued by Peabody Capital PLC or Peabody Capital No.2 PLC, and nothing in this Update should be construed as a recommendation or advice to invest in any such securities

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