



PEABODY TRUST INVESTOR UPDATE

December 2021

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INTRODUCTION

A proud history, a vision for the future

- Formed in 1862, Peabody has more than 67,000 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
- At the forefront of promoting ESG credentials across the sector
- 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.

MERGER WITH CATALYST...

- Strong shared social purpose and passion for providing good quality affordable homes, care and support and supporting communities through our foundations
- Complementary geographies results in a stronger presence across many London boroughs

	 Peabody	 catalyst	 catalyst  Peabody
Number of homes	67,000	37,000	104,000
Number of residents	155,000 ¹	55,000	210,000
Geographic headlines	Predominantly London with concentrations in Kent and West Sussex (TCH) and Essex	Broadly even split between London and Home Counties. Recently added portfolio in Surrey and East Sussex (Rosebery)	Strong presence across South of England
Regulatory Judgement	G1 V2	G1 V2	-
Credit rating	A3 (Moody's) A- (S&P)	A- (S&P)	-
Community investment	£8m	£3m	£11m
Turnover 20/21	£630m	£298m	£928m
Homes built 20/21	1,176	305	1,481
Operating Surplus 20/21	£195m	£68m	£263m
Number of FTEs	2,847	1,116	3,963

Notes: 1. Provides care and support services to a further 16,000 customers

... WILL BRING STRONG BENEFITS

- The merger of Peabody and Catalyst together will create a new organisation with greater resilience, scale and local presence
 - **Be more local and connected:** to our customers and communities, with stronger local partnerships
 - **Invest and innovate more:** in better quality services and customer experience, homes, technology and people
 - **Influence national and local government:** reflecting the diverse experiences of over 200,000 customers to make a positive impact
- Greater ability to respond to changes in external environment such as building safety, zero carbon and increased regulation.
- Combined community foundations will have greater capacity and reach, with over £11 million investment per year
- Both housing associations have a strong track record of mergers: Catalyst with Aldwyck and Rosebery and Peabody with Family Mosaic and Town and Country



PEABODY'S PERFORMANCE



Stonelea & Thornbury, Waltham Forest

KEY DATA AT 31 MARCH 2021

Data represents a consistent, reliable performance year on year

FINANCIAL HIGHLIGHTS

Annual social rent subsidy

£477m

(2020: £450m)

Operating surplus

£195m

(2020: £197m)

Development pipeline

£1.4bn

(2020: £1.4bn)

Gearing (debt: assets at cost)

37%

(2020: 36%)

Credit rating

A3 A-*

Moody's
(2020:A3)

Standard
and Poor's
(2020: A)

* As at August 2021

Total Group assets

£8.3bn

(2020: £8.0bn)

Investment in new homes

£304m

(2020: £313m)

Available debt funding

£4.2bn

(2020: £4.0bn)

Regulatory rating

G1, V2

(2020: G1, V2)

Total Group turnover

£630m

(2020: £662m)

Investment in existing homes

£90m

(2020: £113m)

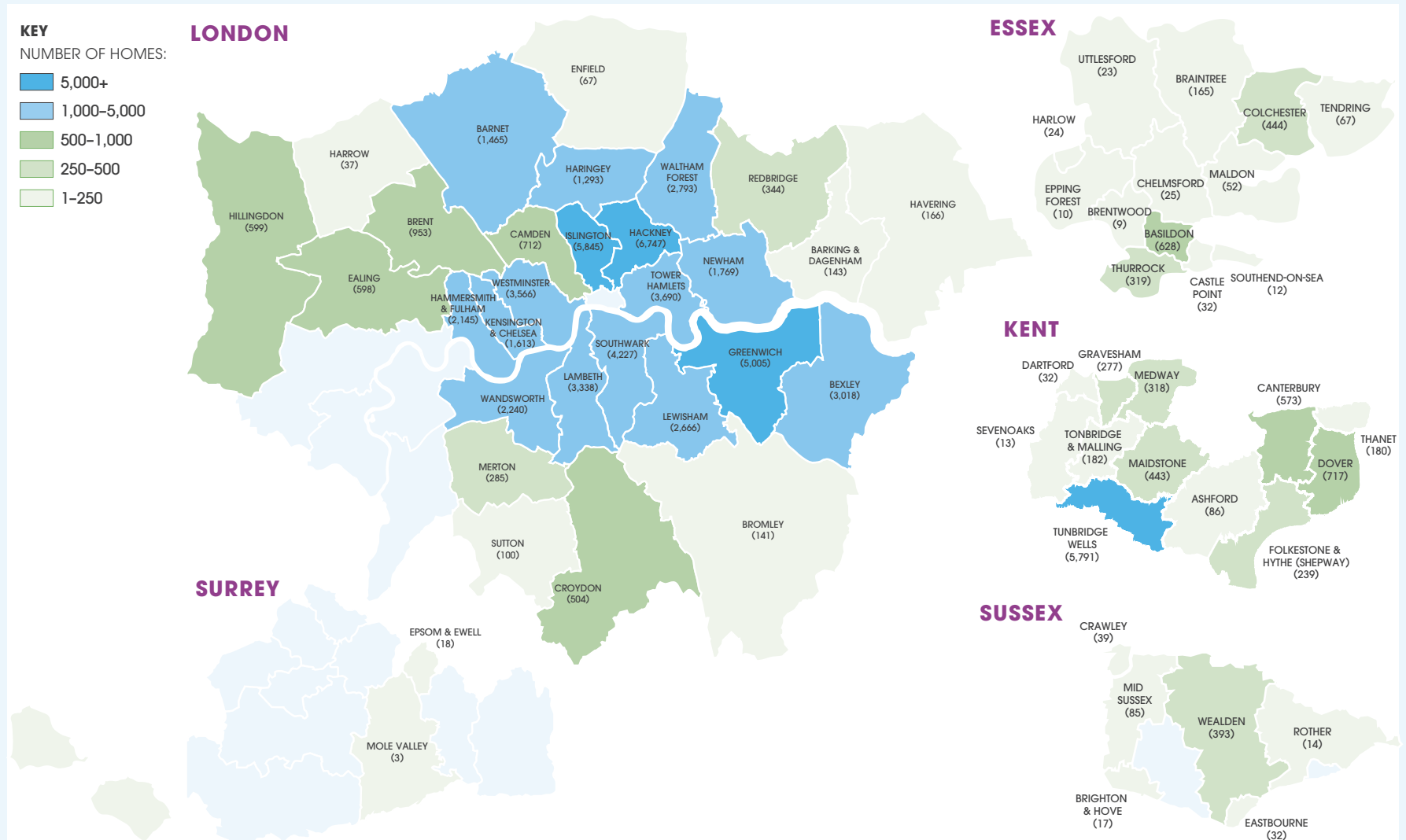
Unused property security

£2.8bn

(2020: £3.0bn)

GEOGRAPHICAL COVERAGE

Strategic importance in the heart of London and South East



SECTOR BACKDROP

Responsive to changes in the operating environment

Sector Issues

Changes in the law and regulation – e.g. building safety

Environmental pressures

Growing population underpinning housing demand

Political landscape and policy environment

Digital technology and transformation

Interest rates, inflation and house prices

Our Response

Early adopter in housing safety re Hackitt review. Building safety team, technical committee.

Peabody produced its 2021-2024 sustainability strategy in September. All new homes meet GLA environmental standards. Become net zero carbon in our new and existing homes by 2050 and in our day-to-day business.

Track record of mixed tenure development from a solid base, with JV partners to aid access to supply chain and resource, alongside benefitting from their expertise. Unlock the value of existing estates through regeneration - e.g. Thamesmead.

Proactively engaged, regular consultation and responding to policy makers and legislators. Peabody Index published on regular basis.

Multi-channel approach – digital back office, face to face for vulnerable residents.

Regular review and management of interest rate risk, liquidity golden rules, fixed price arrangements, selling off plan where appropriate, monthly stress testing.

BUILDING SAFETY AND MAINTENANCE

- We have aligned our aspirations on development to make sure that we can deliver on our first priority, the safety of existing residents
- Over the last 3 years, Peabody has incurred £84m of capital spend on fire safety works
- Peabody is focusing its efforts on fire safety work on a risk based approach over 5 years
- One of the first organisations to implement the recommendations of the Hackitt review of Building Regulations and Fire Safety
- We have also focused our asset management spend to where it is needed most
- Dedicated damp and mould project
 - Risk assessment for all properties available to tenants
 - Microsite for information and resources
- Increased focus on local service delivery model to help drive improvement in customer satisfaction

Satisfaction of repair work	2020-21	2019-20	2018-19
Satisfaction of last repair	85%	81%	81%
Satisfaction with quality of last repair	90%	89%	80%
Satisfaction with call handling	82%	88%	89%

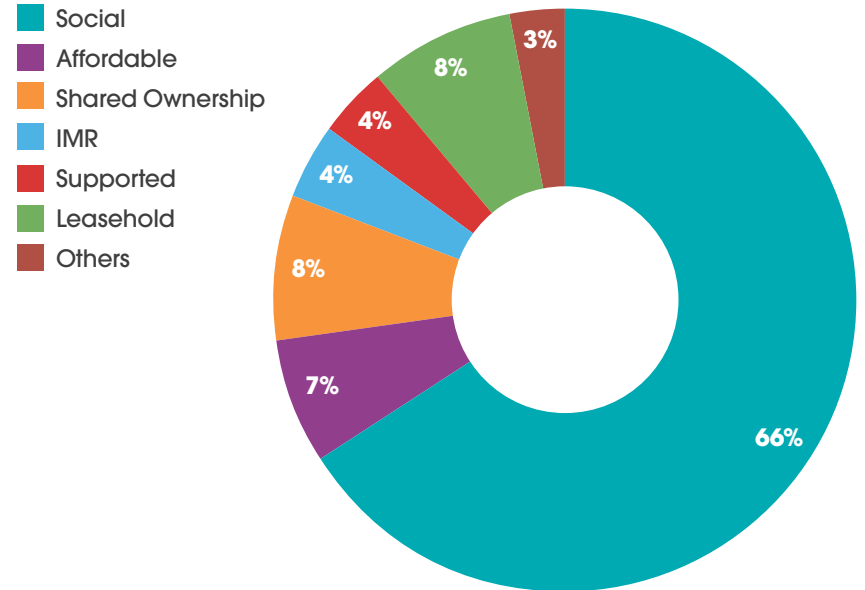


ESG - SOCIAL

Peabody published its first report under the Sustainability Reporting Standard for Social Housing in 2021

- 72% of our homes are let at social or affordable rent
- Peabody's average weekly rent is £120 per week, 60% lower than market rents for one and two bedroom homes
- £20m annual subsidy compared to target rents and £477m to market rates
- We built 1,176 new homes in 2020-21 of which 86% were affordable
- £8m contributed to the community foundation in the last year

Properties by tenancy



New Homes Built in 2020-21

	No.
Social Rent	183
London Affordable Rent	357
Intermediate Market Rent	115
Shared Ownership	374
Market Rent	3
Market Sale	144
Total	1,176

ESG – ENVIRONMENTAL

- Expanded our dedicated Sustainability team, with new leadership and strategy published in 2021
- Net carbon zero on operations by 2030 and within rented homes by 2050
- Average SAP rating 71.7 (March 2020 70.1)
- All new properties built to EPC B or above. Average SAP rating 86.4
- Vehicle fleet being converted to electric
- Programme to install EV charging points on estates
- Our Home Energy Advice service helped 200 residents save on average £144
- In the next two years we aim to offer advice sessions to at least 7,000 people to help reduce energy costs
- Full ESG report available [here](#)



EPC Ratings on properties

	No.	%
EPC A	222	0.3
EPC B	7,665	11.9
EPC C	38,856	60.3
EPC D	15,992	24.8
EPC E	1,492	2.3
EPC F	208	0.3
EPC G	35	0.1

ESG - GOVERNANCE

- Experienced board and executive management team with diverse skillset remains in place
- 10 board members
- 30% are women
- 20% identify as black, Asian or minority ethnic
- 2 resident main board members and resident representation on all committees
- Independent board reviews conducted through 2019 and 2020
- G1, V2 rating maintained with Regulator's In Depth Assessment completed in 2021
- Adopted the NHF Code of Governance

FINANCIALS



FINANCIALS - YEAR TO 31 MARCH 2021

Income and expenditure (£m)

	2020-21	2019-20
Turnover – Social Housing Lettings	438	425
Turnover – Other Income	65	69
Turnover – Market Sales and Shared Ownership	127	168
Total Group Turnover	630	662
Operating Costs	(380)	(377)
Cost of Sales	(106)	(128)
	144	157
Surplus on Sale of Fixed Assets/Staircasing	51	40
Operating Surplus	195	197
Net Interest	(78)	(74)
	117	123
Change in Value of Investment Properties	(7)	(9)
Gift on acquisition/Other	-	355
Surplus for the year	110	469

	2020-21	2019-20
Social housing lettings: turnover	70%	64%
Operating margin on social housing lettings	32%	32%
Overall operating margin before investment property valuation	31%	30%
Operating surplus before investment property valuation	£195m	£197m
EBITDA MRI interest cover*	207%	196%
Gearing	37%	36%
Debt: turnover	4.4 times	4.0 times

* EBITDA MRI is a measure of the level of net cash generated against interest payments. Basis of calculation is in line with lender definitions.

HALF YEAR TRADING

Income and expenditure (£m)

	2021	2020
Turnover – Net Rental Proceeds	228	221
Turnover – Other Income	26	27
Turnover – Market Sales and Shared Ownership	92	51
Total Group Turnover	346	299
Operating Costs	(186)	(174)
Cost of Sales	(80)	(41)
	80	84
Surplus on Sale of Fixed Assets/Staircasing	44	19
Operating Surplus	124	103
Net Interest	(38)	(36)
	86	67

- Positive experience in last 6 months – benefitting from strong market demand including stamp duty holiday
- Sales margins are consistent with expectations – and with the trading experienced in the second half of 2020-21.
- Surplus on fixed asset sales reflects focused management of stock and improved staircasing levels
- Some catch up in asset management costs – for works that could not be delivered in 2020.

FUNDING STRATEGY

- Simple and flexible funding structure
- Facilities largely held at Peabody Trust level
- Actively managed with fixed rate swaps broken in March 2021
- Contractual commitments for next 3 years covered
- 18 months cover with no new funds, no sales, committed development only
- All swaps embedded within loans
- Over 18,000 unencumbered assets with security value c£3bn

Funding

	30 Sept £m
Total Available	4,079
Drawn debt	2,963
Available To Draw	1,116
Available Cash	103
Total Available Facility And Cash	1,219
Fixed Rate %	72
WACC %	3.52

DEVELOPMENT STRATEGY

- Focus on delivering affordable/ social rented homes
- No additional development as a result of merger
- c.2,300 new homes p.a. across targeted geographies
- Existing development opportunities including Dagenham, Holloway and surrounding areas to London
- Emphasis on placemaking – long term stewardship delivering great places to live
- Flexibility on tenure mix



Holloway, Islington

RISK BALANCED CONSTRUCTION AND SALE PROGRAMME

- Close working relationship with GLA, Homes England and others to secure grant income for developing social housing, reducing reliance on market sale
- Flexible budgeting process with funds being released to support new projects, only when sales have been achieved
- Continue to utilise JVs when scheme and partner skills are appropriate
- Capital at risk thresholds set to withstand significant sales downturn



St John's Hill Phase 2, Wandsworth

THAMESMEAD

- Remains a 30-year project but delivery already:
 - Southmere including library is progressing with 1,600 homes
 - First 130 new homes complete this year, 434 next year to complete phase 1
 - Flagship scheme, establishing high quality place-making principles
 - The Reach – 66 homes
 - Cultural Infrastructure plan and Thamesmead Community Fund
- Green infrastructure framework – Living the Landscape to manage 250ha including 50,000 trees, 5 lakes and 7km of canals
- Waterfront JV with Lendlease has now appointed masterplanners
- Open to variety of funding options to deliver long-term transformational change



CONCLUSION



Amelia Street, Southwark

CONCLUSION

- Financially resilient, strong balance sheet with commitment to be A rated entity
- Experienced management team with track record of delivery
- Clear understanding of operating at scale
- Focused development pipeline with flexibility to manage economic downturns
- Strong ESG credentials with demonstrable commitment to clear reporting of performance
- Merger will further strengthen performance and allow focus on local services