

CREDIT OPINION

16 February 2026

Update

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RATINGS

Peabody Trust

Domicile	London, United Kingdom
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Peabody Trust (United Kingdom)

Update following rating affirmation, outlook stable

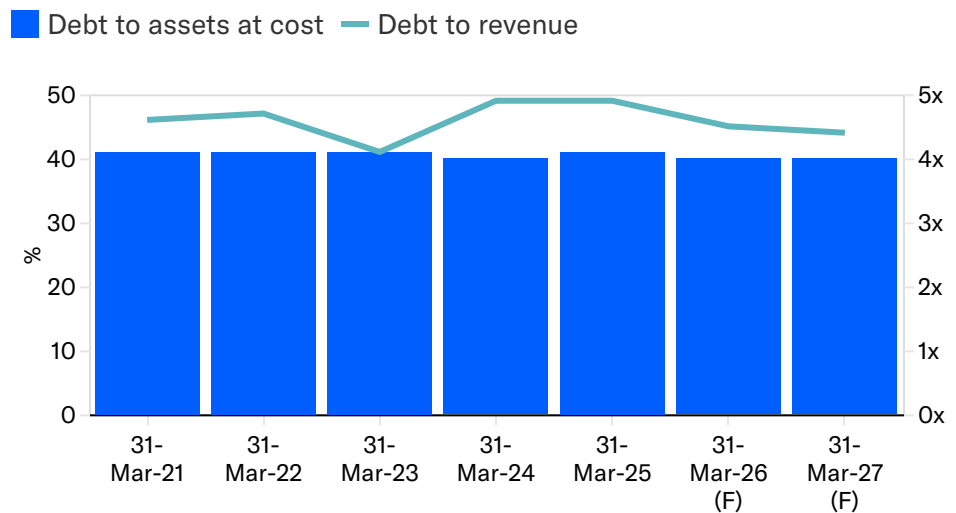
Summary

The credit profile of [Peabody Trust](#) (Peabody, A3 stable) reflects its scale as one of the largest housing associations in the UK, its strong debt metrics and its solid liquidity. Its credit profile also reflects weakened financial performance and risks relating to market sales. Peabody benefits from the strong regulatory framework governing English housing associations and our assessment that there is a strong likelihood that the government of the [United Kingdom](#) (Aa3 stable) would act in a timely manner to prevent a default.

Exhibit 1

We expect Peabody's gearing to remain strong, and debt to revenue to strengthen over the medium term

Debt to assets at cost (% , LHS) and debt to revenue (RHS), fiscals 2021 to 2027



Source: Peabody and Moody's Ratings

Credit Strengths

- » Large housing association with strong balance sheet and robust debt metrics
- » Solid liquidity
- » Supportive institutional framework in England

Credit Challenges

- » Weakened financial performance
- » High exposure to market sales

Rating Outlook

The stable outlook reflects our view that Peabody's financial performance will improve and its debt metrics remain broadly stable over the medium term.

Factors that Could Lead to an Upgrade

Upward pressure on the ratings may occur if financial performance is substantially better than expected, if there is a significant reduction in debt or a marked increase in government support for the sector.

Factors that Could Lead to a Downgrade

The ratings could face downward pressure if financial performance deteriorates further, debt growth is much higher than anticipated or if there is less government support for the sector.

Key Indicators

Exhibit 2

Peabody Trust							
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26 (F)	31-Mar-27 (F)
Units under management (no.)	66,257	66,916	105,531	106,917	107,139	108,683	109,951
Operating margin, before interest (%)	22.9	20.0	16.7	17.3	13.8	18.6	18.4
Net capital expenditure as % turnover	51.0	58.9	28.2	49.9	46.2	37.0	21.0
Social housing letting interest coverage (x times)	1.8	1.7	0.9	0.8	0.7	0.8	1.0
Cash flow volatility interest coverage (x times)	(1.3)	(0.5)	1.6	0.5	0.7	1.5	1.7
Debt to revenues (x times)	4.6	4.7	4.1	4.9	4.9	4.5	4.4
Debt to assets at cost (%)	40.6	40.9	40.1	40.9	41.9	42.0	41.0

Source: Peabody and Moody's Ratings

Profile

Peabody is one of the UK's largest housing associations, operating primarily across London and the Home Counties. It manages around 107,000 units. The group focuses predominantly on low-risk social housing lettings with high exposure to market sales, including joint ventures (JVs).

Detailed Rating Considerations

On 12 February, we affirmed the BCA and ratings of Peabody and maintained the stable outlook.

Peabody's A3 ratings combine: (1) its Baseline Credit Assessment (BCA) of baa2; and (2) a strong likelihood of extraordinary support coming from the UK government in the event that Peabody faced acute liquidity stress.

Baseline Credit Assessment

Large housing association with strong balance sheet and robust debt metrics

Peabody is one of the UK's largest not-for-profit housing associations, managing around 107,000 homes and serving approximately 220,000 residents across London and the Home Counties. The group's portfolio includes a significant proportion of unencumbered properties, with £3.9 billion of unused property security as of March 2025, supporting substantial borrowing capacity.

Gearing increased slightly to 42% in FY2025 (FY2024: 41%), remaining well below the A3 median of 52%. We expect gearing to fall below 40% from FY2028, reflecting Peabody's strategic focus on reducing development activity and prioritising investment in existing homes. Total debt is forecast to peak at around £5.3 billion in FY2026 and decline to £4.7 billion by FY2030, supported by fixed asset sales and reduced capital expenditure. Debt to revenue stabilised at 4.9x in FY2025 and is expected to decline as capital expenditure moderates.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Solid liquidity

Peabody maintains solid liquidity, underpinned by strict liquidity management practices. As of September 2025, the organisation's liquidity resources was above £1 billion, comprising £107 million in cash and £977 million in readily accessible, undrawn, secured credit facilities. This liquidity level comfortably exceeds 1.5 times the forecast cash requirement for the next two years.

Peabody also has access to an additional £380 million in extended, undrawn facilities, including a fully secured £100 million retained bond maturing in 2048 and £112 million in shelf facilities, of which £37 million relates to a committed NWF-backed facility requiring approval before drawdown. The organisation's liquidity policy mandates maintaining sufficient cash and committed credit facilities to cover 18 months of planned expenditures, a threshold that extends to three years when uncommitted facilities are considered.

Supportive institutional framework in England

The sector's credit quality benefits from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a2 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and regular programmed inspections for HAs with more than 1,000 units. The regulator has a strong track record of intervention in cases of mismanagement or financial stress.

The operating environment for English housing associations is supportive. Demand for social housing is very high and English housing associations retain some expenditure flexibility, with a track record of controlling costs to mitigate lower income. We recently upgraded the score to a2, reflecting recent credit-positive policy announcements that will provide greater revenue certainty and expenditure flexibility to the sector, including a 10-year rent settlement at CPI+1% and more generous funding for new and existing assets.

Weak financial performance

Operating margin declined to 14% in FY2025 (FY2024: 18%), partly due to £23 million in exceptional costs. The underlying margin, excluding exceptional costs, was 16%, reflecting continued high repairs and maintenance expenditure, building safety costs, and inflationary pressures. Performance was also affected by lower-than-expected market sales.

Social housing lettings interest coverage (SHLIC) was 0.7x in FY2025, below the A3-rated peer median of 1.0x, reflecting the higher repairs and maintenance expenditure and higher interest costs from increased debt. We expect that Peabody's SHLIC will improve to an average of 1.0x over the next three years, supported by a recovery in operating performance and limited growth in interest costs. At present, Peabody has not incorporated building safety grants into its projections, but does assume some level of contractor recovery, which is expected to support margin improvement.

High exposure to market sales

Peabody's strategy remains significantly tied to the cyclical housing market. Market sales, including joint ventures, accounted for 31% of total revenue in FY2025 and are expected to remain high, averaging 29% over the next three years. This reliance increases cash flow volatility, as reflected in the cash flow volatility interest coverage (CVIC) ratio, which declined to 0.5x in FY2024 from 1.6x in FY2023, primarily due to reduced market sales receipts. CVIC improved to 0.7x in FY2025, supported by positive working capital movements. Assuming successful delivery of planned market sales, CVIC is projected to exceed 1.0x over the next three years.

Peabody collaborates with commercial developers in joint ventures to mitigate risks associated with market sale schemes. The Thamesmead waterfront, its largest joint-venture, delivered in partnership with Lendlease, plans to create 15,000 homes of mixed tenure within the extensive 30-year Thamesmead regeneration scheme in southeast London, delivered over multiple phases. The scope of the plan will be contingent upon the proposed Docklands Light Railway (DLR) extension to Thamesmead by [Transport for London](#).

Extraordinary Support Considerations

The strong level of extraordinary support factored into the ratings reflects our view of the UK government's support for the housing association sector due to its political, economic and social importance. Extraordinary support for the sector is predominantly exercised

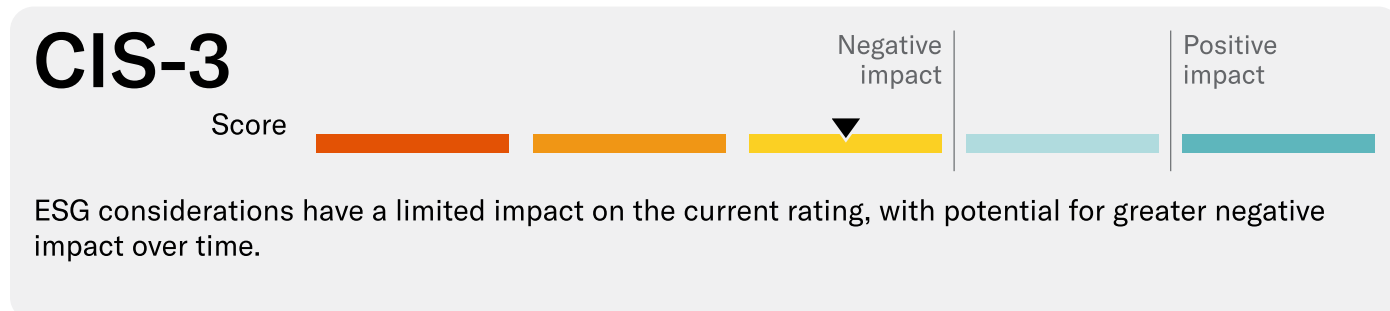
through sector regulators whose wide-ranging powers in cases of financial distress include facilitating mergers. However, this process can be protracted and is reliant on housing associations agreeing to merge, which is more challenging in a weakened operating environment, with high expenditure pressures and high borrowing costs. In addition, our assessment that there is a very high default dependence between Peabody and the UK government reflects their strong financial and operational linkages.

ESG considerations

Peabody Trust's ESG credit impact score is CIS-3

Exhibit 3

ESG credit impact score

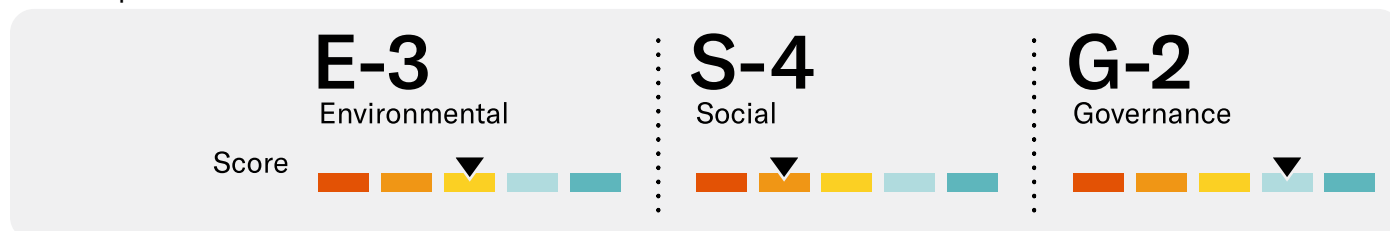


Source: Moody's Ratings

Peabody's **CIS-3** reflects our view that ESG risks have a materially negative impact on its rating. In particular, expenditure requirements related to carbon transition and building and safety will weaken margins and increase financing needs, as well as affordability constraints for low-income tenants, which have led to government-imposed sub-inflationary rent caps.

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Peabody has a material exposure to environmental risks (**E-3**), relating to a significant proportion of its stock requiring retrofit to meet energy efficiency standards by 2030 (carbon transition risks), leading to increased expenditure.

Social

Peabody is highly exposed to social risks (**S-4**) through sector-wide legislative requirements to improve the safety of existing housing stock (responsible production risks) for which Peabody has considerable expenditure requirements, which will weigh on its margins and interest coverage over the medium term. Peabody is also affected by cost of living or affordability pressures on social tenants (demographic and societal trends).

Governance

Peabody has limited governance risks (**G-2**). Its governance is fit for purpose, with strong financial management policies and processes, detailed reporting and a somewhat more complicated organisational structure due to significant joint ventures, but we consider this mitigated by the group's strong management and governance practices. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating Methodology and Scorecard Factors

The assigned BCA of baa2 is the same as the scorecard-indicated BCA outcome.

The methodologies used in this rating were [European Social Housing Providers](#), published in July 2024, and [Government-Related Issuers](#), published in May 2025.

Exhibit 5

Fiscal 2025 scorecard

Peabody Trust			
Baseline Credit Assessment	Sub-factor Weighting	Value	Score
Factor 1: Institutional Framework			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
Factor 2: Market Position			
Units Under Management	10%	107,139	aa
Factor 3: Financial Performance			
Operating Margin	5%	13.8%	baa
Social Housing Letting Interest Coverage	10%	0.7x	b
Cash-Flow Volatility Interest Coverage	10%	0.7x	b
Factor 4: Debt and Liquidity			
Debt to Revenue	5%	4.9x	ba
Debt to Assets	10%	41.9%	ba
Liquidity Coverage	10%	1.5x	a
Factor 5: Management and Governance			
Financial Management	10%	baa	baa
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			baa2
Assigned BCA			baa2

Source: Peabody and Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
PEABODY TRUST	
Outlook	Stable
Baseline Credit Assessment	baa2
Issuer Rating -Dom Curr	A3
Senior Secured MTN -Dom Curr	(P)A3
Senior Unsecured MTN -Dom Curr	(P)A3
PEABODY CAPITAL NO 2 PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3
PEABODY CAPITAL PLC	
Outlook	Stable
Senior Secured -Dom Curr	A3

Source: Moody's Ratings

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