Trading update for the 6 months to September 30, 2021

This is an unaudited, consolidated trading update for Peabody for the six months ending 30 September 2021.

Trading highlights for the Group

Highlights	6 months to September 2021	6 months to September 2020
Homes completed in the period	502	501
Homes started in the period	801	390
Turnover (£m)	346	299
Operating surplus (£m)	124	103
Operating margin	36%	34%
Surplus for the period (£m)	87	67

Highlights	September 2021	March 2021
Homes in management	67,732	67,331
Drawn debt (£m)	2,963	2,911
Available facilities (£m)	1,116	1,278
Cash (£m)	110	127

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

"This is a strong financial performance for the first half of the year, with overall operating margin continuing to be in line with pre-pandemic levels. We expect the trading environment to become more difficult in the second half of the year as we absorb increasing repairs and maintenance costs, but we have built a strong base level of performance to date and expect full year performance to be in line with budget for key metrics.

We are making good progress on our fire and building safety programmes. By closely managing all our expenditure, we are prioritising the safety of our residents and improving the quality of our housing stock and continue to direct resources to building safety spending, planned improvement works and responsive repairs activity. This includes catching up on works we were unable to undertake in 2020 due to Covid restrictions.

As expected, operating costs are higher than in the same period last year. The increase in revenue is largely due to the volume of completions of new build sales in the first half of the year. Rent arrears, which are in line with expectations, are being carefully managed and monitored.

Our balance sheet has strengthened over the period and we retain strong liquidity, with £1.2 billion of cash and undrawn facilities in place to fund our pipeline of new affordable homes. We continue to have very low gearing compared to the sector whilst our interest cover, including capitalised repairs, is healthy at 323%.

We have also continued to make significant progress in development and place-making, having started work on over 800 new homes in the last 6 months. We completed the first 130 new homes in South Thamesmead and submitted planning applications to deliver over 2,000 affordable homes at Dagenham and Holloway.

In the last six months Peabody has remained at the forefront of ESG in the sector through publishing our first ESG report, a refreshed sustainability strategy and completing two sustainable linked loans."

Building safety

We have kept up with increased demand for responsive repairs as customer confidence has returned following the periods of national lockdown. Investment in our stock continues to be a priority informed by stock condition data and is progressing well despite some delivery challenges linked to supply of labour and materials. We have continued to prioritise the safety of our residents by proactively investigating and remediating our highest priority buildings while also maintaining a 95% compliance rate for completing all new Fire Risk Assessments within one month.

Progress of Development programme

Our development programme is making good progress. We carefully manage risk through continuous evaluation of the pipeline and by maintaining flexibility on the mix of tenures within schemes.

In May 2021 we completed our acquisition of the 45-acre land site comprising the former Ford Stamping and Tool Operations site in the London Borough of Barking and Dagenham. Our vision is to build more than 3,000 new homes on this site over several years and the planning process for this is underway. The acquisition cost was largely funded through our strategic partnership with the Mayor of London.

Our sales portfolio is under constant review. Trading has been steady throughout the last six months, with buyers taking advantage of the Stamp Duty holiday whilst available and margins at consistent levels with those seen in the second half of 2020-21. At 30 September 2021 the value of unsold units was £42.9m (£48.9m as at 31 March).

Unsold new dwellings	**Reserved / exchanged**	**Available**	**Total**
3 - 6 months	30	53	83
Over 6 months	25	77	102

Ratings update

On 29 November Moody's reaffirmed our A3 (stable) rating, and we have an A- (stable) rating from S&P Global. These ratings reflect the continuing strength of the Peabody balance sheet, its low level of gearing, strong liquidity and the robust business plan. We remain committed to holding a credit rating within the A band.

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

ESG section

Peabody remains at the forefront of promoting ESG credentials for the sector. In September as an early adopter we published our first detailed report under the Sustainable Reporting Standard for Social Housing (https://www.peabody.org.uk/media/15382/esg-report-2021-final.pdf) as well as our Sustainability Strategy (https://www.peabody.org.uk/about-us/our-performance/sustainability). We remain committed to improving both our reporting and our performance under a number of ESG related criteria. We also completed two sustainability linked loans in the last six months, which support our continuing delivery of new affordable homes, with metrics linked to improving the energy efficiency of homes, increasing electric vehicle charging points on Peabody estates and a fellowship scheme to support grassroots organisations in our communities.

Merger with Catalyst Housing

On 30 July 2021 Peabody and Catalyst Housing announced proposals to join together to create a better, locally focused organisation which would deliver significant benefits for residents, providing the scope to invest and innovate more in services, homes, communities, technology and people. The process to complete this by 1 April 2022, with Catalyst Housing joining Peabody Group as a subsidiary, remains on track.

Brendan Sarsfield stepped down as Chief Executive on 30 September 2021. Ian McDermott took over as Chief Executive on secondment from Catalyst Housing with effect from 1 October 2021 and will assume the full permanent role on 1 April 2022.

Statement of Comprehensive Income

	6 months to September 2021 £m	6 months to September 2020 £m
Turnover - from core operations	254	248
Turnover - from sales	92	51
Turnover	**346**	**299**
Operating costs	186	174
Cost of sales	80	41
Surplus on staircasing and disposal of fixed assets	44	19
Operating surplus	**124**	**103**
Net interest costs	37	36
Taxation	-	-
Surplus for the period[3]	**87**	**67**
Operating margin	36%	34%
Sales margin %	13%	20%
EBITDA - MRI %[1]	323%	311%

Statement of Financial Position

	September 2021 £m	March 2021 £m
Housing properties	7,159	7,004
Other tangible fixed assets[3]	551	557
Other investments	134	141
Net current assets	236	143
Total assets less current liabilities	**8,080**	**7,845**
Capital and reserves	3,471	3,382
Loans > one year	2,729	2,678
Other long term liabilities	1,880	1,785
Reserves and long term liabilities	**8,080**	**7,845**
Gearing %[2]	36%	34%

1 - operating surplus excluding depreciation and amortisation, less capitalised repairs / interest expense

2 - net debt / non-current assets

3 - revaluations of investment properties are performed at year end only

Enquires

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