Peabody Trust

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This report does not constitute a rating action.

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Credit Highlights

Overview

Enterprise profile	Financial profile
Peabody Trust (Peabody)'s planning on stock investment has reduced its financial headroom, but its credit quality remains underpinned by a strong market position and focus on traditional social housing activities.	We project that the improvement in Peabody's financial metrics will be gradual from a weak level in fiscal 2025.
--Peabody's focus on social and affordable housing rental, and relatively contained exposure to more cyclical sales activities, should provide a stable and predictable revenue.	--Peabody's substantial investment needs in existing homes will keep its financial performance subdued.
--Demand for Peabody's properties should remain high, supported by significantly lower average general needs rents than market rents in its areas of operations across London and Southeast England.	--Reduced targets for new home development and continued disposals of noncore assets will moderate debt intake, but the debt burden will remain high.
--Management is actively taking actions to mitigate cost pressures, but the positive impacts need time to fully materialize.	--We estimate the group's liquidity will remain very strong, backed by large undrawn facilities.

Peabody's large investment program in existing properties will mute the financial improvements in the medium term. The group underperformed in fiscal 2025 (ended March 31, 2025) resulting in adjusted EBITDA margin dipping below 10%. Spending will continue to be high, however, covering building safety works and investment in energy efficiency, as well as ongoing repairs and maintenance. We expect management's cost-saving initiatives could only slightly offset the cost pressures.

The debt burden remains high, despite property sales and reduced new developments. S&P Global Ratings observed that the group's development sales activities have progressed more slowly than expected, which would delay its plan to lower debt. Also, while the group’s noncore and void property disposals will help fund investments, the timing of receiving cash proceeds from property sales is uncertain, as they are subject to external market conditions. The group is scaling back its development of new homes which will slow debt buildup, but we project the debt level will remain high.

Outlook

The stable outlook reflects our view that the group will effectively execute its measures to contain investments in existing and new homes in line with our base-case assumptions. At the same time, we anticipate that Peabody Trust will generate funds through new home sales and asset disposals, which should lead to a gradual recovery of credit metrics.

Downside scenario

We could lower the rating on Peabody Trust if management loosens control over investments in new or existing homes, or if unfavorable market conditions hinder its plans to sell properties. We consider that this could prevent or slow a recovery of the group's financial metrics, such that S&P Global Ratings-adjusted EBITDA margin falls toward 10% or adjusted nonsales EBITDA interest coverage stays below 0.5x on a sustained basis.

Furthermore, we could lower the rating if we revise downward our view of the likelihood of extraordinary support to Peabody Trust from the U.K. government in the event of financial distress.

Upside scenario

We could raise the rating on Peabody Trust if management successfully navigates the risks associated with investment in existing homes, resulting in a sustained material improvement of performance with adjusted nonsales EBITDA interest coverage recovering toward 1x.

Rationale

Enterprise profile: Underpinned by a robust market position in London and a strong focus on social and affordable rented properties

Peabody Trust is one of the largest housing associations in England. With more than 108,000 units in its portfolio across London and Southeast England, it should have more financial and operational resources than most peers to absorb external shocks and fund its investments. We think demand for its properties will remain high because its average general needs rent--about 39% of the prevailing market rent--is low compared with that of peers. We consider the group's average vacancy rate of 1.5% over the past three years is on par with the sector average in England.

Peabody will remain focused on the social and affordable housing rental sector, where revenue is more predictable and less cyclical than sales activities. In our view, the group will limit its exposure to market sales in tandem with its ongoing plan to reduce new home development. We project exposure to sales income, including that generated by joint ventures, will be contained to less than 25% of the group's adjusted revenue on average over the next two to three years.

The group's plan to catch up on investing in its existing properties is constraining its financial capacity. The group is increasing visibility in the stock conditions by progressing to achieve all its stocks surveyed within five years from the current 80% level. While this will enhance the group's ability to plan investment for its housing portfolio, the required investment level remains high, reflecting the group's larger exposure than peers in the rest of the country to high rises in London. The group's continued plan to reduce development targets will help balance the cost pressures. It is also proactively generating more resources to accommodate the large investment in existing homes, through generating cost efficiencies and divesting noncore and void assets. However, the outcome of these actions has been below our previous expectations and depends on external market conditions. We expect they need time to materialize, which will prolong the recovery time of the financial metrics.

We assess the regulatory framework under which registered providers of social housing in England operate as strong (see "Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.," April 17, 2025).

Financial profile: Management's actions should support a gradual recovery of credit metrics

We forecast that the group's high level of investment in existing homes will limit the improvement of the financial performance, leading to the adjusted EBITDA margin reaching a relatively modest 15% only by the end of fiscal 2028. The spending will remain substantial in the next two to three years to remediate its high-rise blocks and achieve its goal for the remaining approximately 20% of its stocks to be at Energy Performance Certificate C or above by 2030. We project that the group's rent increases will outpace inflation, and together with potential grant funding and recoveries, will help support an improvement of the margins from the currently weak level.

The group's plan to lower the debt burden will require time. Although the group is reducing its overall development program, the current level of capital expenditure remains high so as to complete the committed schemes before dropping off in fiscal 2028. We forecast the group's elevated debt levels ,despite growing adjusted EBITDA, will weigh on its debt metrics, with the adjusted nonsales EBITDA interest coverage remaining below 0.7x and debt to adjusted nonsales EBITDA exceeding 30x through fiscal 2028.

We view Peabody Trust's liquidity as strong. The group's liquidity sources cover its uses by approximately 1.4x in the next 12 months. We forecast liquidity sources of about £1.5 billion, which comprise cash, undrawn and available revolving credit facilities, fixed asset sales, grant receipts, and cash from operations (after adding back the noncash cost of sales). This will cover liquidity uses of about £1.1 billion--mainly capital expenditure and debt service payments. At the same time, we believe Peabody Trust retains strong access to external liquidity, if needed.

Government-related entity analysis

We think there is a moderately high likelihood that Peabody Trust would receive timely extraordinary support from the U.K. government in the case of financial distress. This provides a two-notch uplift from the stand-alone credit profile. Since one of the key goals of the Regulator of Social Housing (RSH) is to maintain lender confidence and low funding costs across the sector, we think it is likely the RSH would intervene to try and prevent a default in the sector. We base this view on previous instances where the RSH has mediated mergers or arranged liquidity support from other registered providers in cases of financial distress, and we think this would also apply to Peabody.

Key Statistics

Peabody Trust--Financial statistics

	--Fiscal year ended March 31--				
Mil. £	**2024 A**	**2025 A**	**2026 BC**	**2027 BC**	**2028 BC**
Number of units owned or managed	108,823	108,902	109,580	110,099	110,323

Peabody Trust--Financial statistics

	--Fiscal year ended March 31--				
Mil. £	**2024 A**	**2025 A**	**2026 BC**	**2027 BC**	**2028 BC**
Adjusted operating revenue	972.0	1,011.0	1,078.8	1,142.3	1,227.3
Adjusted EBITDA	143.0	89.0	143.3	160.1	194.5
Nonsales adjusted EBITDA	128.0	78.0	130.4	145.7	177.4
Capital expense	513.0	359.0	547.9	469.4	288.9
Debt	4,835.0	5,079.0	5,364.0	5,434.4	5,398.6
Interest expense	223.0	237.0	234.9	242.3	242.8
Adjusted EBITDA/Adjusted operating revenue (%)	14.7	8.8	13.3	14.0	15.8
Debt/Nonsales adjusted EBITDA (x)	37.8	65.1	41.1	37.3	30.4
Nonsales adjusted EBITDA/interest coverage(x)	0.6	0.3	0.6	0.6	0.7

a--Actual. e--Estimate. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. N.A.--Not available.

Rating Component Scores

Peabody Trust--Ratings score snapshot

Enterprise risk profile	3
Industry risk	2
Regulatory framework	3
Market dependencies	2
Management and governance	4
Financial risk profile	4
Financial performance	5
Debt profile	6
Liquidity	2
Stand-alone credit profile	bbb-
Issuer credit rating	BBB+

S&P Global Ratings bases its ratings on nonprofit social housing providers on the seven main rating factors listed in the table above. Our "Methodology For Rating Public And Nonprofit Social Housing Providers," published on June 1, 2021, summarizes how the seven factors are combined to derive each social housing provider's stand-alone credit profile and issuer credit rating.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | General: Methodology For Rating Public And Nonprofit Social Housing Providers, June 1, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- United Kingdom, Oct. 13, 2025
- U.K. Economic Outlook Q4 2025: Inflation And Labor Costs Are A Persistent Challenge, Sept. 23, 2025
- Regulatory Framework And Systemic Support Assessments For Nonprofit Social Housing Providers, Sept. 10, 2025
- European Housing Markets: Strong Demand And Weak Supply Will Keep Prices High, July 10, 2025
- U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom, June 26, 2025
- Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels, May 12, 2025
- Non-U.S. Social Housing Providers Ratings History: April 2025, May 12, 2025
- U.K. Social Housing Borrowing 2025: Focused On Containing Debt, April 24, 2025
- Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K., April 17, 2025
- Non-U.S. Social Housing Sector Outlook 2025: Quality Maintenance Constrains Recovery, Jan. 14, 2025
- The Autumn Budget Kicks Off A Funding Regime Revision For U.K. Public Sector Entities, Nov. 5, 2024
- U.K. Social Housing Providers' Financial Capacity Shrinks On Investment Needs, Nov. 4, 2024
- Cyber Risk Brief: U.K. Public Sector Is Increasingly Under Threat, Oct. 24, 2024

Ratings Detail (as of November 05, 2025)*	
Peabody Trust	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	BBB+
Senior Unsecured	BBB+
Issuer Credit Ratings History	
01-Jul-2025	BBB+/Stable/--
07-Oct-2022	A-/Negative/--
20-Aug-2021	A-/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.