

# Residential Secure Income plc

Factsheet - 31 March 2020



Residential Secure Income plc

## Overview

- Residential Secure Income plc (LSE: RESI) is a UK REIT listed on the premium segment of the Main Market of the London Stock Exchange with the objective of delivering secure inflation linked returns by investing in affordable shared ownership, retirement and local authority housing throughout the UK
- ReSI aims to make a meaningful contribution to alleviating the UK housing shortage by meeting demand from housing developers (housing associations, local authorities and private developers) for long-term investment partners to accelerate the development of socially and economically beneficial new affordable housing
- Targets secure, long-dated, inflation-linked dividend yield of 5.0% p.a. and a total return in excess of 8.0% p.a.<sup>1</sup>
- A well-performing £311m portfolio of 2,679 high quality properties

## Differentiators

- A Registered Provider of Social Housing - subsidiary, ReSI Housing Limited, enables acquisition of affordable housing, subject to s106 planning restrictions and those funded by government grant
- Managed by ReSI Capital Management, a wholly owned subsidiary of TradeRisks Limited. TradeRisks is a debt capital markets advisor and arranger to housing associations and local authorities, with a 19-year proven track record. At the beginning of March 2020, ReSI Capital Management and TradeRisks joined Gresham House, the specialist alternative asset management business which is listed on the London Stock Exchange and now has c.£3bn AUM
- Investments are limited to those with sufficient cash flows, counterparty credit quality and property security to support long-term investment grade debt

## Strategy

- Investment strategy delivers a secure income stream on housing portfolio, benefiting from:
  - Below market rents ensuring ongoing demand
  - Diverse income streams, with lower exposure to the economic cycle
  - Strong counterparty covenants and managers – shared ownership tenants, local authorities, large credit-worthy housing associations

## Recent news

- Total portfolio rent continues to be secure with 98% of April rent collected within the month in line with normal performance, with further rent to be received from Local Authorities who pay at the end of the month
- As of 29 April 2020, ReSI had 93 completed shared ownership homes, with 55 occupied, 26 reserved and moving to completion, and 12 currently available
- Three completions and four reservations have been transacted since 30 March 2020. This follows an initial slowing of activity as the country began to prepare for and subsequently entered lockdown, and indicates a gradual reversal of this trend with virtual viewings also increasing and shared ownership mortgages now available with LTVs of up to 95%
- The net rent on completed shared ownership homes is currently £498,000, with a further £274,000 on those reserved and moving to completion, or 0.5p per share in total
- Following the acquisition of ReSI Capital Management by Gresham House plc, ReSI is looking to leverage the increasing buying power of Gresham House to reduce certain fund operating expenses and hence reduce the Company's total expense ratio
- ReSI Housing was awarded 'Investment Partner' status by Homes England in March 2020, extending ReSI's access to government grant funding to include schemes outside London and bring forward much needed additional affordable housing at national level
- On 25 April 2020, Elaine Bailey joined the board of ReSI as an independent Non-Executive Director with Mike Emmerich stepping down as a Non-Executive Director on the same date

## NAV



1. These are targets only and not profit forecasts. There can be no assurance that the targets can or will be met and should not be taken as an indication of the Company's expected or actual future results. Accordingly, potential investors should not place any reliance on the targets in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all and should decide for themselves whether or not the target dividend yields are reasonable or achievable

2. As at 31 March 2020

3. Based on the NAV per Share of 106.9p and Share Price of 85.4p as at 31 March 2020 (as above)

4. Based on the target dividend per share (2020-2021) and the share price as at 31 March 2020

5. As set out at IPO

6. Social benefit over 25 years, per Social Profit Calculator

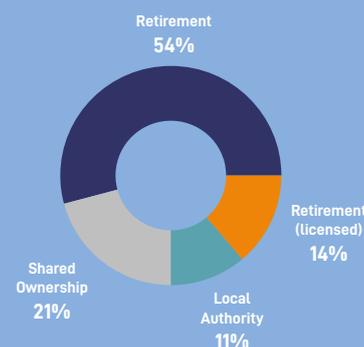
Capital at risk. Past performance is not a reliable indicator of future performance. Professional investors only.

## Fund information

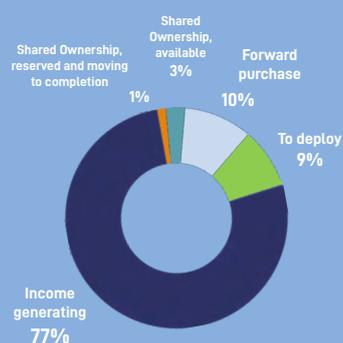
LEI	LAR763213800D24WA531
Ticker	RESI
ISIN	GB00BYSX1508

Units Owned	2,679
NAV <sup>2</sup>	£182.8m
NAV YTD Total Return	0.8p
Share Price	85.4p
Market Capitalisation	£146.1m
IFRS NAV p/share	106.9p
Discount to NAV <sup>3</sup>	20.1%
Ongoing Charges	1.5%
Dividend declared FY20	2.5p
Div Yield (prospective) <sup>4</sup>	5.9%
Target IRR (long term) <sup>5</sup>	8.0%
Social Value per share <sup>6</sup>	£4.27

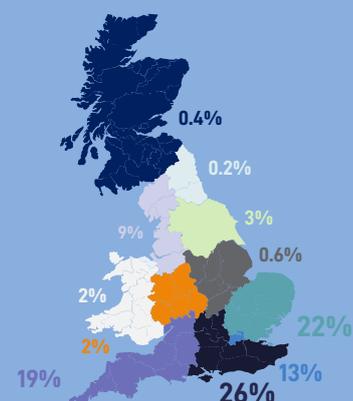
## Asset type



## Deployment status



## Portfolio by location



## Portfolio overview



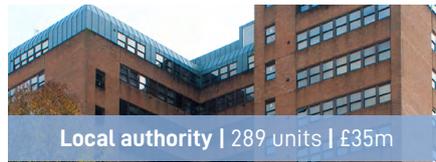
Shared ownership | 166 units | £65m

- Shared ownership will be the predominant focus of ReSI's ongoing investment
- Affordable home ownership through part-buy, part rent
- Shared owners purchase a c. 25% stake in a property and pay a below market rent on the remaining 75%
- Shared owners have the option to staircase (i.e. purchase a larger share in the property at the then market value), releasing bulk discounts to ReSI

### Social impact

#### Over 25 years - £209m<sup>1</sup>

- £209m of social impact, with Social Impact Ratio of £2.71, over 25 years<sup>1</sup>
- Opens door to home ownership
- Provides lifetime security of tenure
- Creates additional sub-market rental homes



Local authority | 289 units | £35m

- Leases directly to local authorities who have a statutory duty to house those at risk of homelessness
- Focus on areas with most need for accommodation and strong supply/demand dynamics
- Rent around market rent levels to minimise downside if local authority does not renew lease

### Social impact

#### Over 25 years - £168m<sup>1</sup>

- £168m of social impact, with Social Impact Ratio of £4.94, over 25 years<sup>1</sup>
- Houses homeless or those at risk of homelessness
- Institutional landlord ensures adequate accommodation standards



Retirement rental | 2,224 units | £211m

- Rental payments are de-linked to economy as tenants pay through pensions, housing benefits etc.
- Provides fit-for-purpose homes for retired people, allowing them to maintain their independence without care provision

### Social impact

#### Over 25 years - £354m<sup>1</sup>

- £354m of social impact, with Social Impact Ratio of £1.93, over 25 years<sup>1</sup>
- Supports independence for longer
- Frees up large family homes
- Avoids burdens and transaction costs of ownership with lifetime security of tenure (assured tenancy)

## COVID-19

As noted in its COVID-19 statement on 30 March 2020, the Company believes that its defensive portfolio is well positioned in the current crisis, with rental income primarily supported by residents' pensions or housing welfare subsidy systems, including leases to local authorities.

While the anticipated growth in unemployment and economic slowdown arising from the pandemic are unlikely to materially impact performance, the Company does expect some increase in void levels within the retirement portfolio and a delay in further expanding its shared ownership portfolio and hence a longer timeframe to continue to achieve full income generation.

First tranche sales within ReSI's shared ownership portfolio have continued to progress throughout the second quarter, with further encouragement provided through reservations and completions transacted throughout April.

In light of current market uncertainty created by COVID-19, the valuations have been reported on the basis of 'material valuation uncertainty' in line with recent RICS guidance.

1. Social impact over 25 years per one pound of investment. Source: Social Profit Calculator using methodologies accredited by Social Value UK and Social Value International

**Disclaimer:** Approved for issue in accordance with section 21 of the Financial Services and Markets Act 2000 by ReSI Capital Management Limited (authorised and regulated by the Financial Conduct Authority). This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. The document is intended for information purposes only and does not constitute investment advice. It is important to remember that past performance is not a guide to future performance. Furthermore, the value of any investment or the income deriving from them may go down as well as up and you may not get back the full amount invested. If you are in any doubt about the contents of this document or the investment to which it relates you should consult a person that specialises and is authorised by the FCA to advise on this type of investment. ReSI Capital Management Limited is a wholly owned subsidiary of TradeRisks Limited. TradeRisks Limited was acquired by Gresham House plc in March 2020 and is authorised and regulated by the FCA and SEC (since 2001 and 2002 respectively).

## Contact details - ReSI Capital Management / Gresham House

### Fund management

**Ben Fry**  
Fund manager, Head of Housing

**Alex Pilato**  
Managing Director, Housing & Capital Markets

### Board

**Rob Whiteman** Chairman  
**Robert Gray** Director & Audit Committee Chairman

**John Carleton** Director  
**Elaine Bailey** Director

### Key dates

Financial Year End: 30 September  
Interim: 31 March

### Dividends

June 2019	1.25p
September 2019	1.25p
December 2019	1.25p
March 2020 (declared)	1.25p

### Service providers

**Fund manager:** ReSI Capital Management  
**Administrator:** MGR Weston Kay  
**Auditor:** BDO LLP  
**Company secretary:** Praxis IFM  
**Corporate broker:** Jefferies  
**Depository:** Thompson Taraz  
**Legal adviser:** Cadwalader, Wickersham & Taft LLP  
**Tax adviser:** EY  
**PR:** FTI Consulting  
**Valuers:** Savills

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