

Residential Secure Income plc

Factsheet - 30 September 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's purpose is to increase the provision of affordable housing by providing long-term capital to developers, housing associations and local authorities. This allows affordable, high quality, safe homes to be delivered while ensuring long-term stability of tenure for residents, and attractive, secure income for shareholders
- Targets secure, long-dated, inflation-linked dividend yield of 5.0% p.a. and a total return in excess of 8.0% p.a.¹

Why affordable and social housing?



Stable, long term, inflation-linked rents

Rent payments rise each year, typically in-line with inflation, offering a secure income stream and potential growth in the assets' value over time.



Supply/demand imbalance from historic undersupply

The National Housing Federation estimate that 145,000 affordable homes are required each year to clear the current backlog of people that need a home and meet future demand, but only c.50,000 have been delivered per year over the last 10 years.



Diversified, diversifying income stream

Affordable residential rents offer diversified counterparty risk, through large numbers of residents and shared owners, resulting in lower overall counterparty risk compared to other real estate investments such as commercial real estate.



Reducing development appetite from traditional providers

94% of affordable housing is currently delivered by not-for-profit housing associations, who are increasingly needing to focus their investment on energy efficiency initiatives, health and safety, and fire safety, meaning new sources of funding are required to deliver affordable housing.



Below market rents ensure ongoing demand

While the UK does not build enough homes to meet rising demand, the homes that are built are increasingly out of reach for middle and lower income households meaning ever increasing demand for affordable homes.

Why ReSI?



Wholly owned Group, Registered Provider of social housing

Investing via a Registered Provider (ReSI Housing Limited), allows ReSI plc to hold and manage regulated affordable housing assets, including grant-supported and Section 106 schemes.²



Sustainable investment approach maximises social impact

ReSI's shared ownership Customer and Environmental Charters drive best practice for the shared ownership sector.



Secure rents underpinned by pensions, housing welfare or shared owner stakes

Residents in retirement rental homes pay from their pensions and savings, the local authority housing portfolio is leased to Luton Borough Council and shared owners have ownership stakes in their homes, providing a secure rental income stream.



Long-term investment grade equivalent debt.

ReSI has long-term debt with a weighted average life of 23 years and a weighted average cost of 2.6%. This debt strategy is used most commonly by infrastructure funds and other secure income sectors.



19-year track record in financing and advising social housing

The fund manager's direct parent company, TradeRisks Limited, has been active within the social housing sector for over 19 years as a funding arranger and advisor and, over the last three years, as an investor through ReSI.

Summary of FY20 Annual Results

- Robust performance through COVID-19:
 - Operating profit before property disposals and change in fair value up 10.3% to £9.9m (FY19: £9.0m)
 - 4.9p recurring income per share, supporting the 5 pence dividend declared
 - 99% of rent collected during the year, demonstrating defensive characteristics of the portfolio
 - Retirement occupancy average of 91% compared to 93% in the prior year
 - Shared ownership delayed, but now 64% occupied with a further 21% reserved
- Acquisition of 162 shared ownership homes
- Unique £300m 45-year debt facility with 0.46% coupon arranged in July 2020, delivering 300bps yield pick-up on shared ownership
- Good visibility and plan to fully cover dividend from net rental income:
 - Deploy remaining £32m to get to target leverage of 50%
 - Occupy remaining shared ownership homes
 - Address retirement portfolio voids
- Gresham House brings robust central platform and allows ReSI to reduce costs through greater combined buying power

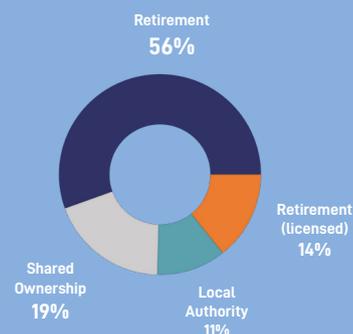
Capital at risk. Past performance is not a reliable indicator of future performance.

Fund information²

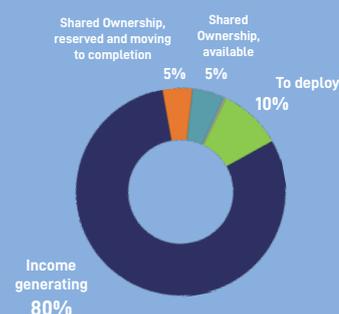
LEI	LAR763213800D24WA531
Ticker	RESI
ISIN	GB00BYSX1508

Homes owned	2,708
NAV ²	£179.6m
NAV YTD Total Return	1.4p
Recurring YTD income	4.9p
Share Price	89.8p
Market Capitalisation	153.6m
IFRS NAV p/share	105.0p
Discount to NAV ³	14.5%
Ongoing Charges	1.6%
Dividend declared FY20	5.0p
Div Yield (prospective) ⁴	5.6%
Target IRR (long term) ⁵	8.0%

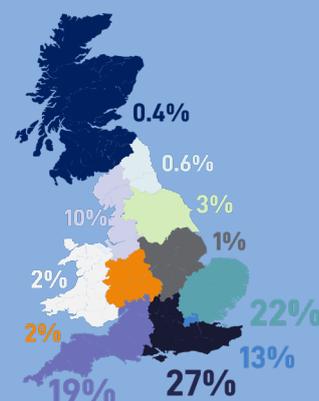
Asset type



Deployment status



Portfolio by location



NAV (pence per share)



- 0.7p recurring net rental income
- 0.4p of valuation gain, primarily from the shared ownership portfolio as more of ReSI's homes became occupied
- 1.4p of one off shared ownership facility set up costs fully expensed in quarter, equivalent to 2 basis points per annum over the 45 year facility

Portfolio overview



- 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

- Shared ownership opens the door to home ownership
- Provides lifetime security of tenure
- Creates additional sub-market rental homes



- 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 levels to minimise downside if local authority does not renew lease

Social impact

- Provides homes to those who are homeless or at risk of homelessness
- Savings to local authorities versus bed and breakfasts of £200 per week per unit⁷
- ReSI acts as an institutional landlord, ensuring standards of accommodation are maintained



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

Social impact

- Living with peers helps address loneliness, the largest health problem for an elderly population
- Frees up large family homes
- Renting avoids the burdens and transaction costs of ownership and provides lifetime security of tenure through assured tenancy

Notes

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 30 September 2020

3. Based on the NAV per Share of 105.0p and Share Price of 89.8p as at 30 September 2020 (as above)

4. Based on the target dividend per share (2020-2021) and the share price as at 30 September 2020

5. As set out at IPO

6. A Section 106 is a legal agreement between an applicant seeking planning permission and the local planning authority, which is used to mitigate the impact of your new home on the local community and infrastructure

7. Social Impact Report, Social Profit Calculator, 2019

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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

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

Service providers

Fund manager: ReSI Capital Management, part of Gresham House
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: Smith & Williamson
PR: Kaso Legg
Valuers: Savills

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