

# Residential Secure Income plc

31 December 2022

## Overview

Residential Secure Income plc (LSE: RESI) (ReSI plc) is a real estate investment trust (REIT) which aims to deliver secure, inflation-linked returns and has a focus on two sub-sectors in UK residential - independent retirement rentals and shared ownership - underpinned by an ageing demographic and untapped, strong demand for affordable home ownership.

ReSI plc's purpose is to deliver affordable, high-quality, safe homes with great customer service and long-term stability of tenure for residents.

ReSI plc achieves this through 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 affordable housing.

ReSI plc's subsidiary ReSI Housing Limited is authorised as a Registered Provider of Social Housing and holds our shared ownership portfolio.

## Quarterly highlights to 31 December 2022

### Operational performance reflecting defensive nature of assets

- Portfolio focused on direct leases with pensioners and part home owners
- Rent collection remains at 99% for the quarter
- Rental growth of 5.3% on 502 properties (15% of portfolio) representing 1.0% like-for-like growth
- 33 new-build shared ownership homes completed on 19 December 2022, with 28 already reserved
- 99% like-for-like shared ownership occupancy<sup>6</sup>
- Retirement occupancy continues at 94%<sup>7</sup> ahead of long-term average occupancy of c.93%

### Valuation decline driven by macro environment

- Driven by 5.4% reduction in like-for-like investment property values, representing 11p
  - 8p from 25bps discount rate increase
  - 3p caused by reduced inflation projections and expected lower receipts from staircasing

### Resilient balance sheet with long-term and low-cost debt

- 22-year average debt maturity
- 49% fixed with 19 years average maturity and 3.5% blended coupon
- 41% index linked with 25 years average maturity and 1.1% blended coupon and principal increasing with RPI + 0.5% (with a 0.5% floor and 5.5% cap)
- Loan-to-value ratio of 48% (41% at vacant possession value)

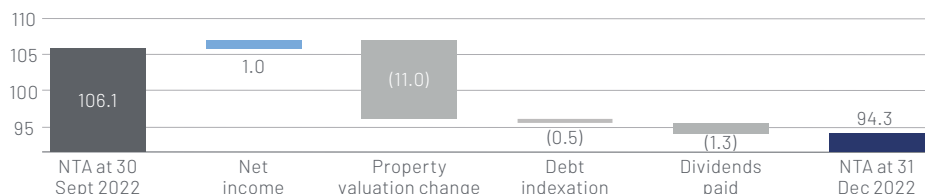
### Continued focus on dividend cover at 5.16p in FY 2023<sup>2</sup>

- Focus on improving dividend cover in FY2023 (97% FY22) despite headwinds from increasing interest cost on 10% of debt that is floating, and energy costs in our retirement communal areas

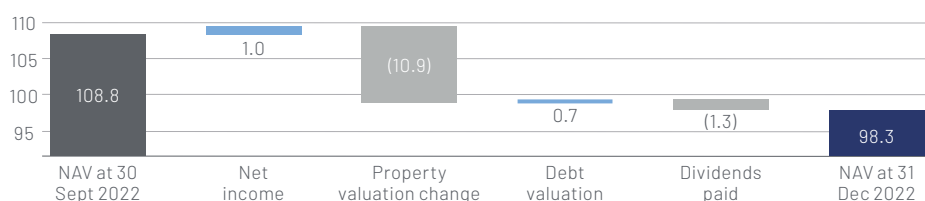
### Outlook

- 97% inflation-linked rents provides strong basis for future growth
- Accelerating tenanted shared ownership opportunities from housing associations<sup>8</sup>
- Institutional appetite for residential income generating assets remains strong<sup>9</sup>

## EPRA NTA (p per share)



## IFRS NAV (p per share)



Capital at risk. Past performance is not a reliable indicator of future performance. Performance is net of fees and costs.

## Fund managers



**Ben Fry**

Lead Fund Manager



**Brandon Holloway**

Deputy Fund Manager

## Fund information

LEI LAR763213800D24WA531

Ticker RESI

ISIN GB00BYSX1508

Launch date 12 July 2017

## Key facts as at 31 December 2022

Homes owned<sup>1</sup> 3,303

Gross valuation<sup>1</sup> £364mn

Dividend target FY23<sup>2</sup> 5.16p

Dividend yield (prospective - share price)<sup>3</sup> 6.6%

Target IRR (long term)<sup>2,4</sup> 8.0%

Ongoing charges (annualised)<sup>1</sup> 1.4%

Share price 78.6p<sup>3</sup>

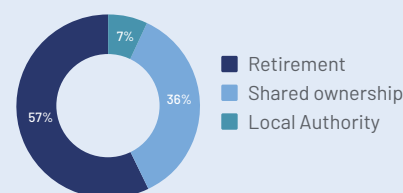
Market capitalisation £145.5mn<sup>3</sup>

Discount to NTA<sup>5</sup> 16.6%

EPRA NTA per share 94.3p

IFRS NAV per share 98.3p

## Asset type



Source: Gresham House (at 31 December 2022)

EPRA - European Public Real Estate Association  
IFRS - International Financial Reporting Standards

- Including committed acquisitions of £2mn
- These are targets only and not profit forecasts. Total return target is net of fees and charges
- Based on the Share Price as at 31 January 2023
- As set out at IPO
- Based on the EPRA NTA per share of 94.3p and Share Price as at 31 January 2023 (as above)
- At 31 December 2022, based on homes owned at the start of the quarter. 95% occupancy including new homes acquired in December 2022
- Twelve month trailing average
- Gresham House, based on recent conversations with housing associations and brokers
- Source: Gresham House, based on recent conversations with institutional investors and brokers




## Why ReSI plc?

ReSI plc delivers 97% inflation-linked income, which is generated from affordable and secure rents<sup>10</sup> and supported by strong market drivers in shared ownership housing and independent retirement living.<sup>11</sup>




### Secure long-term inflation-linked income<sup>10</sup>

5.16p FY23 target, paid quarterly<sup>2</sup>

### ReSI plc's business model is:

Supported by:	Creating:	Executed by:
 <p><b>Strong market drivers<sup>11</sup></b> Ageing population, declining home affordability, supportive Government policy</p>	 <p><b>Measurable impact</b> Providing affordable high-quality, energy efficient homes for life, and addressing elderly loneliness</p>	 <p><b>Expert manager</b> c.65-person housing team with 20-year track record in UK housing</p>

### ReSI plc's income is:

Diverse	Asset-backed	Affordable
 <p>3,303 households diversified across ages and stages of life<sup>1</sup></p>	 <p>Underpinned by c.£430mn home value with 19% uplift from reversionary surplus<sup>12</sup> Subsidised shared ownership rents secured by homebuyers' stake</p>	 <p>Low retirement rents (in line with Local Housing Allowance) paid from pensions and welfare c.£15mn Government grant supports subsidised rents for shared ownership<sup>13</sup></p>

## ReSI plc's portfolio focus

	Independent retirement living housing (£209mn GAV   2,238 homes   57% of portfolio)	Shared ownership housing (£130mn GAV   776 homes   36% of portfolio)
<b>Driver</b>	Growing and increasingly lonely older population	Huge untapped demand for affordable home ownership
<b>Summary</b>	Let to elderly residents with affordable rents and assured tenancies Provides fit-for purpose homes for retired people, allowing them to maintain their independence without care provision	Homebuyers acquire a share in a residential property and rent the remainder Helps house buyers acquire homes they would otherwise be unable to buy Capital grant funding from Government allows total shared ownership housing costs to be c.40% below the level expected for renting an equivalent property in the private rented sector
<b>Rent growth</b>	Increase with RPI each year, capped at 6.0%	Increase contractually by RPI+ 0.5% each year
<b>Secure income<sup>10</sup></b>	Rent income paid from pensions and welfare	Subsidised rents c.30% below market Homebuyer equity stake
<b>ReSI plc advantages</b>	Scale: UK's largest private independent retirement rentals business Specialist in-house 25-person investment team with over 20-year track record	ReSI Housing – a for-profit Registered Provider of Social Housing Unique 45-year, 0.9% coupon, RPI-linked USS debt facility

10. ReSI plc has maintained c. 99% rent collection since January 2020. 100% rent collection is not guaranteed

11. For further information regarding market drivers, please refer to the Market Drivers section in Residential Secure Income plc's Annual Report & Accounts 2022

12. ReSI plc financials, as at 31 December 2022

13. Grant policy for future acquisitions maybe subject to change

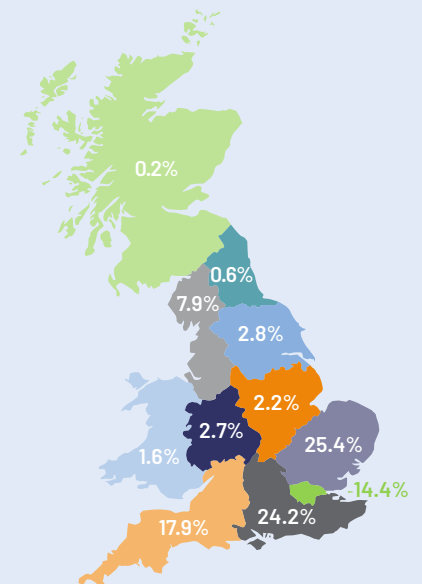
## Contact details

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## Portfolio by location



## Board

Rob Whiteman, Chairman

Robert Gray, Senior Independent Director & Audit Committee Chairman

John Carleton, Director

Elaine Bailey, Director

## Key dates

Financial Year End: 30 September

Interim: 31 March

## Dividends payment dates

July 2022 1.29p

September 2022 1.29p

January 2023 1.29p

March 2023 (declared) 1.29p

## Service providers

**Fund manager:** ReSI Capital Management, part of Gresham House

**Administrator:** MGR Weston Kay

**Registrar:** Computershare

**Auditor:** BDO LLP

**Company secretary:** Computershare

**Corporate broker:** Peel Hunt

**Depository:** Thompson Taraz

**Legal adviser:** Cadwalader, Wickersham & Taft LLP

**Tax adviser:** Evelyn Partners Group Limited

**PR:** KL Communications

**Valuers:** Savills

Income is backed by secure tenancy but is not guaranteed.

The opinion expressed is that of the investment management team at the time of writing and is subject to change.

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