Residential Secure Income plc

31 March 2024

Gresham House
Specialist investment

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.

H1 24 results and outlook

Strong operational performance underpinned by contractual inflation linked income

- 6.5% rent review growth (includes shared ownership rent increases on 1 April 2024)
- EPRA adjusted earnings[1] of £4.5mn (H1 23: £4.1mn) with strong net growth across retirement and shared ownership delivering 117% H1 2024 dividend coverage
- Shared ownership rents increasing by average of 8.3% on 1 April 2024, set to underpin further earnings growth
- EPRA Net Tangible Assets ("NTA") total return of (3.2%) (H1 23: (13.7)%) to give 77.2p per share. NTA valuations continue to be impacted by increased gilt yields, down 2.1% like-for-like with 20bps outwards yield shift

Portfolio and operational insights

- Diversified portfolio of 2,996 homes worth £317mn
- 81mn reversionary surplus of vacant possession value compared to fair value (26% uplift)
- Portfolio focused on direct leases with pensioners and part homeowners
- Rent collection of over 99% for half year (H1 23: 99%)
- Shared ownership portfolio 100% occupied
- Record retirement occupancy of 96% continuing for half year (H1 23: 94%)

Strategic initiatives and retirement asset management programme

Local authority portfolio disposal:

- One asset sale completed at start of April for £5.6mn net of costs, ahead of the September 2023 valuation of £5.5mn
- Remainder of portfolio remains under offer with sale expected in H2
- Local authority portfolio sale is expected to reduce annualised dividend cover by (c.6%) but improve quality through the repayment of the floating rate revolving credit facility

Good initial progress on retirement portfolio asset management initiatives including:

- Improved re-letting times ensuring occupancy is maintained at the 96% levels achieved in H2 2023 despite the winter months generally seeing increased turnover, and allowing a focus on rent growth of 6.1%
- Portolio rationalisation has commenced, with the first 20 retirement properties (1% of portfolio) either old or under offer and progressing to completion

Outlook

- Strong rental inflation-linked growth expected to continue, underpinned by wage and pension growth, which will underpin ReSI plc's earnings growth
- Continued focus on operational improvements to the retirement portfolio including rationalising portfolio footprint, driving rents and reducing leakage
- Sale of remainder of local authority portfolio expected to complete in H2 2024
- Continuing to review options for further disposals which support maximising shareholder value, from which we would prioritise the return of capital
- Acute shortfall of more affordable homes with an estimated £34bn[4] of annual investment needed in the UK

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

Investment team

Mike Adams
Managing Director, Real Estate

Ben Fry
Fund Manager

Sandeep Patel
Finance Director

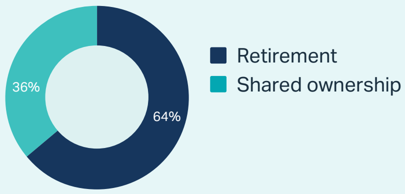
Fund information

LEI LAR763213800D24WA531
Ticker RESI
ISIN GB00BYSX1508
Launch date 12 July 2017

Key facts as at 31 March 2024

Homes owned 2,996
Gross valuation £317mn
Dividend yield (prospective - share price)[1] 7.7%
Ongoing charges (annualised) 1.5%
Share price 53.4p[1]
Market capitalisation £98.9mn[1]
Discount to NTA[2] 30.8%
EPRA NTA per share 77.2p
IFRS NAV per share 83.4p

Asset type

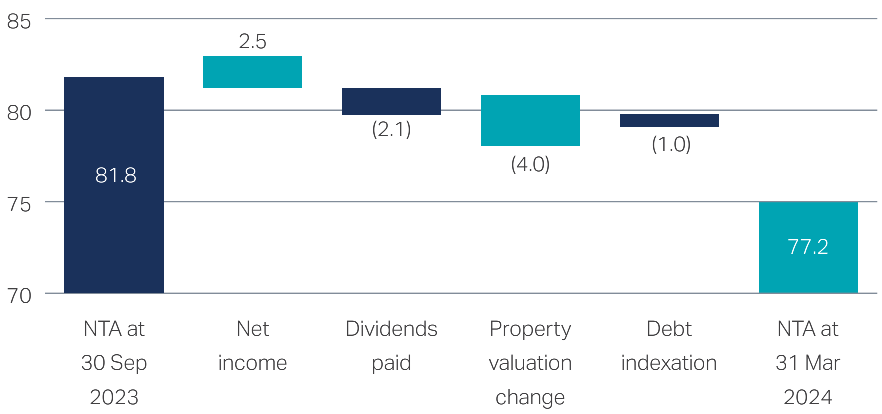


Source: Gresham House (as at 31 March 2024)

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

1. Based on the Share Price as at 2 April 2024
2. Based on the EPRA NTA per share of 77.2p and Share Price as at 2 April 2024 (as above)
3. Source: Gresham House, based on recent conversations with institutional investors and brokers
4. British Property Federation, and Legal & General 2022

EPRA NTA (p per share)



Why ReSI plc

ReSI plc delivers inflation-linked income, which is generated from affordable and secure rents[5] and supported by strong market drivers in shared ownership housing and independent retirement living[6]

Secure long-term inflation-linked income[5]

Dividends paid quarterly

ReSI plc's business model is:

Supported by:	Creating:	Executed by:
Strong market drivers[6]	**Measurable impact**	**Expert manager**
Ageing population, declining home affordability, supportive Government policy	Providing affordable high-quality, energy efficient homes for life, and addressing elderly loneliness	c.60-person housing team with 20-year track record in UK housing

ReSI plc's income is:

Diverse	**Asset-backed**	**Affordable**
2,996 households diversified across ages and stages of life	Underpinned by c.£400mn home value with 26% uplift from reversionary surplus[7] Subsidised shared ownership rents secured by homebuyers' stake	Low retirement rents (in line with Local Housing Allowance) paid from pensions and welfare c.£15mn Government grant supports subsidised rents for shared ownership[8]

5. ReSI plc maintained c.99% rent collection since January 2020. **100% rent collection is not guaranteed**
6. For further information regarding market drivers, please refer to the Market Drivers section in Residential Secure Income plc's Annual Report & Accounts 2023
7. ReSI plc Interim Results, as at 31 March 2024
8. Grant policy for future acquisitions may be subject to change

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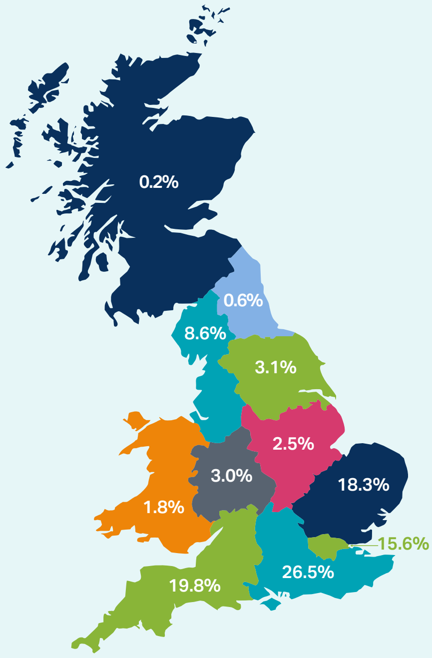
Portfolio by location



Board

Rob Whiteman, Chairman

Robert Gray, Senior Independent Director & Audit Committee Chairman

Elaine Bailey, Director

Key dates

Financial Year End: 30 September

Interim: 31 March

Dividends payment dates

September 2023 1.29p

January 2024 1.03p

March 2024 1.03p

July 2024 (declared) 1.03p

Service providers

Fund manager: Gresham House Asset Management

Administrator: MGR Weston Kay

Registrar: Computershare

Auditor: BDO LLP

Company secretary: Computershare

Corporate broker: Peel Hunt

Depositary: Indos Financial Limited

Legal adviser: Cadwalader, Wickersham & Taft LLP

Tax adviser: Evelyn Partners Group Limited

PR: KL Communications

Valuers: Savills

ReSI plc's porfolio focus

	Independent retirement living housing (£202mn GAV | 2,238 homes | 64% of portfolio)	Shared ownership housing (£115mn GAV | 758 homes | 36% of portfolio)
Driver	Growing and increasingly lonely older population	Huge untapped demand for affordable home ownership
Summary	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[9] allows total shared ownership housing costs to be c.30% below the level expected for renting an equivalent property in the private rented sector
Rent growth	Increase with RPI each year, capped at 6.0%	Increase contractually by RPI+ 0.5% each year
Secure income[5]	Rent income paid from pensions and welfare	Subsidised rents c.30% below market Homebuyer equity stake
ReSI plc advantages	Scale: UK's largest private independent retirement rentals business Specialist in-house 60-person team with over 20-year track record	ReSI Housing - a for-profit Registered Provider of Social Housing Unique 45-year, 1.1% coupon, RPI-linked USS debt facility

9. Grant policy for future acquisitions may be subject to change

Contact details

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Income is backed by secure tenancy but it is not guaranteed. The opinion expressed is that of the investment management team at the time of writing and is subject to change. Capital at risk. Past performance is not a reliable indicator of future performance. Performance is net of fees and costs. Forecasts are not a reliable indicator of future performance.

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