18 May 2020

Residential Secure Income plc

HALF-YEAR RESULTS

DEFENSIVE PORTFOLIO BACKED BY SECURE INCOME STREAMS POSITIONED TO MITIGATE NEAR-TERM MARKET VOLATILITY

Residential Secure Income plc ("ReSI" or "the Company") (LSE: RESI), which invests in affordable shared ownership, retirement and local authority housing, today announces its interim results for the six months to 31 March 2020.

Alex Pilato, Chief Executive of ReSI Capital Management Limited, the Fund Manager, commented: "In the half-year to 31 March 2020, ReSI's focus has been on both growing and moving the shared ownership portfolio towards full income generation. We have been encouraged by continued interest in our shared ownership homes despite the countrywide lockdown, and, together with the continued strong momentum in sales we have seen since April, this provides a positive endorsement of our strategy to grow our exposure to this structurally supported sector.

"Understandably the COVID-19 pandemic has created uncertainty at both a macroeconomic and real estate level. While the situation is still ongoing, early signs are that our expectations about the Company's resilience are accurate. We have a defensive portfolio which has been positioned to survive through economic stress and generates rental income from sources that are largely decoupled from the wider economy. Nevertheless, we continue to work closely with property managers and lessees to ensure we are as well placed as possible to minimise the impact on the Company's business, while prioritising the safety and wellbeing of our staff and residents."

Financial highlights

- IFRS Net Asset Value ("NAV") Total Return of 0.7 pence per share for the period; this comprises 2.8 pence recurring income, offset by 2.1 pence of one-off valuation reduction
- Earnings per share increased 8.3% to 1.3 pence (31 March 2019: 1.2 pence), reflecting continued progress in growing rental income from the shared ownership portfolio
- Marginal 0.4% decline in portfolio valuation since year end due primarily to a 1.5% (£3.3 million) reduction in the net present value of cashflows in the independent retirement rental portfolio caused by the onset of COVID-19 and an industry-wide clarification from HMRC that from 1 November 2018 VAT became chargeable on property managers' salaries. This was offset by a 10% (£2.7 million) valuation gain in the shared ownership portfolio as it progresses towards full income generation
- In light of COVID-19, valuations have been reported on the basis of 'material valuation uncertainty' in line with recent RICS guidance
- Small reduction in IFRS NAV to 106.9 pence per share (30 September 2019: 108.6 pence per share)
- Annualised net rental income increased 4.5% to £11.7 million (31 March 2019: £11.2 million), representing a 5% net yield on capital deployed to income producing assets
- 86.3% of rental income is subject to contractual inflation-linked rental uplifts
- £108.0 million of predominantly long term, low cost asset level drawn debt (30 September 2019: £108.2 million) reflecting a gearing ratio of 36.4%. Stress testing has shown a large amount of headroom on all covenants due to the long-term nature of the ReSI's assets and strong cash flows

Affirmation of full year dividend target

- Affirmation of full year dividend target of 5 pence per share with two quarterly dividends of 1.25 pence already paid

NAV movement for the six months to 31 March 2020

	£m	Pence per share*
Net Asset Value as at 30 September 2019	185.7	108.6
Net Income for period	2.4	1.3
Valuation change	(1.0)	(0.6)
Dividend paid	(4.3)	(2.5)
Net Asset Value as at 31 March 2020	182.8	106.9

*Please note that values do not sum to total due to rounding differences

Progress on growing secure income streams and full income generation on shared ownership assets within a diverse portfolio delivering significant social benefit

- Completed the acquisition of 59 shared ownership units at Clapham Park. ReSI has now deployed £302 million since IPO, amassing a portfolio of 2,679 homes comprising: 166 shared ownership homes, 289 authority housing units and 2,224 Retirement Rental homes, across 656 unique locations
- 93 shared ownership homes completed, with 88% of these either occupied or reserved and 12 currently available, with continued and increasing sales momentum into the second half
- The portfolio continues to generate significant social impact which is calculated at £731 million over the next 25 years by the Social Profit Calculator, representing £4.27 per share, through subsidised rents, wellbeing improvements to tenants, fiscal savings and wider economic benefits
- Awarded Investment Partner status by Homes England, the UK government public body that funds new affordable housing in England, extending ReSI's access to government grant funding to include schemes outside London and bring forward much needed additional Affordable Housing at national level
- In April 2020, Elaine Bailey joined the board as an independent Non-Executive Director, with Mike Emmerich stepping down as a Non-Executive Director on the same date

Continued COVID-19 resilience

- 99% of April rent collected, following 99% in Q1 2020
- Sales momentum of shared ownership assets has continued into the second half, despite the COVID-19 backdrop, with three shared ownership completions and four reservations transacted since 31 March 2020
- 14% of the second 73 homes at Clapham Park, now due for completion in Q2 2020, are already reserved
- The main impact of COVID-19 continues to be a likely reduction in tenants starting new leases in the Company's retirement portfolio, which will be offset in part by a reduction in voluntary terminations of leases and those entering care homes
- Expectation remains that debt service payments will be unaffected. 90% of ReSI's debt is long term with a weighted average life of 19.3 years; only £14.5 million needs to be refinanced before 2043
- Strong liquidity and balance sheet position with £5 million of cash and positive cashflows in all operating units.

Acquisition of ReSI's Fund Manager, Residential Capital Management Limited ("RCM"), by Gresham House plc

- On 5 March, RCM and its parent company, TradeRisks Limited, were acquired by Gresham House plc, the specialist alternative asset management business, which is listed on the London Stock Exchange's Alternative Investment Market (AIM) and has £3.2 billion of assets under management
- RCM will benefit from Gresham House's robust central platform that includes distribution, investor relations, compliance, reporting and risk capabilities
- RCM's core management team will continue to run day-to-day operations, continuing to utilise TradeRisks' significant debt financing expertise to deliver superior returns
- ReSI will seek to leverage the buying power of Gresham House to reduce certain fund operating expenses and hence reduce the Company's total expense ratio

Robert Whiteman, Chairman of Residential Secure Income plc, commented:

"The wide-reaching consequences of COVID-19 are unprecedented in modern times and will likely impact the UK economy for the foreseeable future. The fact that ReSI's rental income is primarily supported by residents' pensions or housing welfare subsidy systems, including leases to local authorities, and our ongoing belief that increased unemployment is unlikely to have a material impact on performance were key factors in the Board's decision to reaffirm ReSI's divided target for the year. We continue to believe that the main impact of the COVID-19 crisis will be an increase in void levels within the retirement assets and a previously announced delay in expanding the Company's shared ownership portfolio.

"We are extremely proud of the Social Value our portfolio provides and believe that the role we have to play in the housing sector will be even more important, given that the country's significant supply demand gap will most likely become more acute as a result of COVID-19. Unfortunately, the economic impact of the countrywide lockdown will cause reductions in housing delivery, through construction sites closing and financial pressures on developers, which when coupled with a reduction in household earnings and increased unemployment, can only mean an increase the demand for social housing.

"Since the onset of the COVID-19 crisis, ReSI's overriding priority has been, and remains, the safety of its residents, staff and delivery partners."

A copy of the interim results presentation slides are available to download on ReSI's website: https://www.resi-reit.com/company-documents

FOR FURTHER INFORMATION, PLEASE CONTACT:

ReSI Capital Management Limited +44 (0) 20 7382 0900
Ben Fry
Alex Pilato

Jefferies International Limited +44 (0) 20 7029 8000
Stuart Klein
Tom Yeadon

FTI Consulting +44 (0) 20 3727 1000
Richard Sunderland resi@fticonsulting.com
Claire Turvey
Richard Gotla