EDISON

Triple Point Social Housing REIT

H122 results

Resilience based on strong fundamentals

Real estate

In H122, index linked rent increases and acquisitions supported a continuation of consistent positive returns for Triple Point Social Housing REIT (SOHO). Its borrowings are long term and at fixed rates, and provide scope for further external growth. If adopted, a cap on social housing rent increases would compound the inflationary pressures on operator lessee margins but SOHO's revised investment policy provides it with additional flexibility to manage the effects.

Year end	Total income (£m)	EPRA earnings* (£m)	EPRA EPS* (p)	NAV**/ share (p)	DPS (p)	P/NAV (x)	Yield (%)
12/20	28.9	16.6	4.61	106.4	5.18	0.68	7.2
12/21	33.1	19.4	4.82	108.3	5.20	0.66	7.2
12/22e	37.2	18.6	4.62	115.7	5.46	0.62	7.6
12/23e	39.1	22.7	5.63	122.5	5.62	0.59	7.8

Note: *Excludes revaluation movements and other non-recurring items. **EPRA net tangible assets per share.

Continued strong returns in H122

H122 NAV per share increased 3.2% and including DPS paid the accounting total return was 5.7%. The resilience of the sector and SOHO's business model was underlined by the re-affirmation of its investment grade credit rating. For its lessees, the approved providers (APs) of specialised social housing (SSH), inflation is more of a challenge. Most costs are reimbursed by central government, via local authorities, but not all. This creates pressure on lessee margins, a key factor in SOHO's H122 rent collection dipping to 96%. Details are yet sparse on government plans to cap increases in rents paid by social housing tenants. As proposed, it may limit increases to 3–7%, for one or two years, and it may include SSH. If adopted it would squeeze AP margins further and may challenge their ability to pay inflation indexed rents to landlords such as SOHO, but we believe this can be managed.

A current and growing demand to be met

Sector resilience is based on a current and growing shortage of SSH, the social benefit it creates for some of the most vulnerable in society, and the value for money it represents versus the alternatives of residential care or hospitals. The recent changes to SOHO's investment policy and restrictions allow for leases that are linked to central housing benefits as well as inflation. The two have been correlated over the medium term and on the same time scale SOHO's income should not be materially affected, although it is linked to CPI and uncapped. Among near peers, rents are commonly capped at 4%, maintaining growth at a sustainable level. Changes to our forecasts are mostly driven by acquisition timing, with adjusted earnings c 4% and 2% lower in FY22 and FY23 but with DPS remaining fully covered on a reported basis in FY23.

Valuation: Consistent returns at a discount to NAV

Our FY22 DPS estimate of 5.46p represents a yield of 7.6%, with inflation enhancing the prospects for further growth, while accounting returns have been consistently positive. The shares trade at a c 35% discount to end-H122 NAV.

4 October 2022

Price	**72p**
Market cap	**£290m**

Net debt (£m) at 30 June 2022	222.4
Gross gearing at 30 June 2022 (gross debt/gross assets)	36.8%
Shares in issue	402.8m
Free float	98.5%
Code	SOHO
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(12.5)	(18.6)	(22.8)
Rel (local)	(6.8)	(14.8)	(16.7)
52-week high/low		100p	70.6p

Business description

Triple Point Social Housing REIT invests primarily in newly built and newly renovated social housing assets in the UK, with a particular focus on supported housing. The company aims to provide a stable, long-term income, tracking inflation with the potential for capital growth.

Next events

FY22 year-end	31 December 2022

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Triple Point Social Housing REIT is a research client of Edison Investment Research Limited

Resilience based on strong fundamentals

A key driver of SOHO's successful performance record has been the growing demand for specialised supported housing, and this is forecast to continue. The Personal Social Services Research Unit has predicted growth of 30% in the demand for specialised supported housing in England by 2030. This is reinforced by data published in 2021 from the National Audit Office in its report on the adult social care market in England, which forecasted a 29% increase in adults aged 18 to 64 requiring some form of care by 2038, compared to 2018, with faster increases in demand projected for adults with learning disabilities (49%).

In the near term, inflation is a challenge to AP lessees and, although it is uncertain whether the social housing rent cap, if adopted, will be applied to SSH, it is worth considering the potential impacts, as we do below.

With most costs driven formulaically as a percentage of net assets, and all debt at fixed cost, SOHO itself is effectively insulated by rising inflation and interest rates. Meanwhile the additional flexibility introduced by recently approved changes to its investment policy and restrictions allow the group to offer greater alignment and proportionate risk and benefit allocation with its APs, of particular relevance in the current macroeconomic environment.

Consultation on social housing rent ceiling

The UK government, through the Department of Levelling Up, Housing and Communities, has launched a consultation, lasting for six weeks to 12 October 2022, on the introduction of a temporary cap on the increases in social housing rents that may be applied by APs of social housing to their tenants. The draft under consultation would apply for one year commencing 1 April 2023, although the government is seeking views on whether it should apply for two years. The social housing rent policy in place since 2019 has permitted rent increases of CPI +1% pa and it was intended that this would remain in place until 2025. It was based on a CPI inflation forecast of around 2% for 2022 and 2023, well below the July 2022 level of 10.1%. This is creating significant pressure on those living in social housing and the cap is intended to protect tenants and taxpayers alike. The government is seeking views on the options of introducing the cap at a level of 3%, 5% or 7% pa. It is unclear whether this would apply to SSH but we nonetheless expect rental growth applied by landlords across the sector to be in line with any cap introduced, providing support to APs, and protecting residents during a challenging period.

While protecting tenants from potentially much higher rent increases, the proposals would leave APs with reduced resources to invest in much needed new supply, quality and energy efficiency enhancements to existing homes, and services to tenants. The consultation will provide input from across the sector on how best to balance this trade-off.

All funding for accommodation that meets the strict requirements for SSH comes from the welfare budget of the central government and is distributed via the local authorities that commission the services. Of the funding by government, rent costs (including service charges) are a much smaller element (typically c 15%) than is the cost of care provision (typically c 85%), provided separately. SSH rents are initially set on a bespoke basis, primarily determined by the extent of adaptation that is required for the homes to meet the care needs of residents, as well as location. Inflation is already putting pressure on APs and although much of this is met by housing benefit claims to local authorities, they must meet some of it themselves. During H122, rent collection for SOHO dipped from a normal 99–100% to 96%, reflecting issues with two (of 26) AP lessees. SOHO is working with the APs to understand and help to address and resolve these issues, but it is clear the sharp

rise in inflation is a factor, along with additional maintenance requirements and administrative delays in collecting housing benefits from local authorities.

SOHO's contractual rents are c 92% index-linked to CPI (the balance to RPI) and only c 4% are capped. Assuming the cap on social rent increases to tenants is introduced, and applies to SSH, in cases where APs face distress from a mismatch with the indexed property rents that they pay, it seems reasonable to expect that they will seek support from landlords like SOHO. However, it remains premature to say if this will be the case. In any case, the revisions to SOHO's investment policy and restrictions that were overwhelmingly supported by shareholders at the AGM in May already provide the flexibility to enter into new leases with upward-only rents linked to central housing benefit policy and this could be extended to existing leases. Publicly available data show that general needs social housing rent increases have historically at least matched CPI inflation over the medium term and on a similar timeframe this seems unlikely to have any material impact on rent growth. We also note that uncapped, inflation-linked, long-term leases[1] are in a minority among SOHO's peers and that while it means that at times rents may lag inflation, it does usefully support tenants, covenant strength and the security of income.

Enhanced investment flexibility

In addition to allowing for leases to be indexed to inflation, the approved changes to investment policy and restrictions removed the minimum term on new leases (previously at least 15 years), and allowed for SOHO to selectively take on the cost of funding maintenance capex.

The changes were a response to the strong growth and evolution of the SSH market in recent years with the aim of supporting APs to address the issues identified by the Regulator of Social Housing (RSH). These RP governance structures, operational efficiency and the financial strength of some specialist registered providers, particularly in relation to the potential risks posed by long index-linked leases. The RSH continues to be very much focused on the SSH sector and is currently engaged with a number of APs including nine (of currently 26) SOHO lessees[2] that it deems non-compliant. In the current environment there is increased focus on the financial strength of APs and ways of risk sharing between them and landlords.

Shorter leases and linking rent increases to central housing benefit policy as a potential alternative to CPI should go some way to addressing the points raised by the regulator, enhancing the ability of APs to respond to a potential rent cap or any future material change in housing benefit policy.

SOHO already has a pipeline of identified acquisitions incorporating the new lease terms and, supported by independent valuation advice from Jones Lang LaSalle, expects the financial returns on these to be consistent with its existing income and capital return targets. We do not expect shorter leases to have any material impact on the cash flows that underpin these returns as these are supported by the positive demand-supply balance in the sector as well as the relatively young age of current and prospective residents. A young resident can be expected to live in their home for many years and the commissioning local authority has no incentive to move them from either a care or financial perspective. SOHO expects the changes to unlock additional acquisition opportunities with a wider range of AP lessees, which it expects will increase to 29 in total upon the deployment of existing capital resources.

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[1] SOHO's weighted average lease term or WAULT was 25.9 years at end-H122.

[2] Encircle, MySpace, Inclusion Housing, BeST, Parasol Homes, Pivotal, Hilldale, Auckland and Falcon.

All borrowing is fixed rate

All SOHO's £263.5m of drawn debt is long term and fixed rate, with a well-spread average maturity of 11.1 years and blended cost of 2.74%. This leaves the company unaffected by interest rate increases and the strongly positive spread between this fixed funding cost and the portfolio EPRA topped-up net initial yield of 5.29% is now 'locked-in' and will grow as rents increase.

Significantly, in a move that appears very well timed, in August 2021 SOHO put in place £195m of fixed-rate, interest-only loan notes through a private placement with Barings and MetLife Investment Management clients and repaid all its £130m debt that had been drawn under its flexible, floating rate revolving credit facility (RCF). The issue was facilitated by the assignment of an Investment Grade Long-term Issuer Default Rating of 'A-' with a stable outlook, and a senior secured rating of 'A' by Fitch. The credit rating applies to all SOHO's long-term fixed-rate debt and was recently re-affirmed. In February 2022 SOHO reduced the RCF facility size from £160m to £50m, all undrawn, significantly lowering the fees payable on non-utilised balances that apply[3] until December 2023 when the facility matures. Drawn balances under the RCF carry a margin of 1.85% over the benchmark SONIA rate. The H122 results include a c £2.0m non-cash write-off of loan arrangement fees outstanding that would otherwise have been amortised on an annual basis.

The end-H122 gross loan to value (LTV) ratio was 36.8% and, allowing for cash held of £41.1m, the net LTV was 31.0%. Allowing for existing commitments, SOHO says that it had £26m of the cash available for investment in income-generating acquisitions at end-H122, of which a little over £3m has since been deployed. We allow for a further £20m in our forecasts, with gross gearing[4] to remain within the company's 35–40% target.

With a pipeline of potential acquisitions of c £87m, SOHO expects full deployment of available capital by the end of October in homes that are newly adapted or built to add needed capacity to the sector.

Strong social impact and ESG credentials

SOHO's strategy is built on providing a positive social outcome while generating attractive financial returns to investors. It recently published its March 2022 'impact report' (available at www.triplepointreit.com), produced independently for the company by specialist social impact consultancy The Good Economy (TGE). The report verifies the quality of SOHO's portfolio across a range of measures and TGE estimates that SOHO's portfolio generated a total social value of £105.8m during the 12 months to 31 December 2021. This includes £84.8m of fiscal savings for public budgets[5] and £21.0m in respect of social impact through improved outcomes for residents. From these values, and using the total amount invested by SOHO, TGE calculated the social return on investment (SROI) ratio to be 2.74 as of December 2021. This means that for every £1 invested, SOHO is expected to generate £2.74 in social value over the duration of the investment.

At the same time as generating enhanced outcomes for residents and cost savings for taxpayers, SOHO is strongly focused on upgrading the environmental performance of its portfolio. Around 70% of its property units already meet government targets with an EPC rating of 'C' or better. All new investment now meets the government targets and SOHO has launched a strategic retrofit

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[3] 40% of the 1.85% margin attached to the facility. Drawn balances pay the margin plus the variable SONIA benchmark rate.

[4] Gross borrowings as a percentage of gross assets.

[5] The fiscal savings arise from the significantly lower cost associated with SSH compared with the alternatives of residential care or long-stay hospitals. Mencap data estimate the saving compared with long-stay hospitals at c £2,000 per person per week and c £200 per week compared to residential care.

programme, led by a new housing operations director, to bring every existing property up to a C rating by 2025, well ahead of the 2030 deadline. A pilot programme was launched earlier in the year, with SOHO setting aside up to £3.4m to be spent alongside available grant funding. It is now in discussions with a nationwide contractor, seeking agreement of the scope, quality and process (the homes are all occupied by vulnerable residents) of the required works.

Consistently positive returns

The H122 accounting/NAV total return of 5.7%[6] continues the trend of consistently positive returns on a quarterly and annual basis since SOHO's initial public offering (IPO) in August 2017. This strong performance reflects the vital role of portfolio properties in the provision of an essential service, that has delivered visible cash flows that have little direct correlation to the wider property market or economy. From IPO to end-H122, the aggregate NAV total return has been 37.4% or an annual average of 6.7%. Measured from the start of 2018, the first full year of trading, the annual return is 7.6%. Dividends have increased each year since IPO and represent c 62% of returns. The FY22 DPS target of 5.46p represents an increase of 5.0% versus FY21, closely tracking the February 2022 annual rate of change in the CPI index of 5.5%.

Exhibit 1: NAV total return history

	FY17	FY18	FY19	FY20	FY21	H122	Cumulative since IPO
Opening NAV per share (p)	98.00	100.84	103.65	105.37	106.42	108.27	98.0
Closing NAV per share (p)	100.84	103.65	105.37	106.42	108.27	111.80	111.8
DPS paid (p)	0.00	4.75	5.06	5.17	5.20	2.67	22.8
Annualised NAV total return (%)	7.3	7.5	6.5	5.9	6.6	5.7	37.4
Compound annual average return (%)							6.7

Source: Triple Point Social Housing REIT, Edison Investment Research

Summary of H122 performance

The underlying H122 results were generally consistent with our expectations, although slower capital deployment than we assumed will have an impact in H222. Indexed rent uplifts and acquisitions drove top-line performance, the benefit of which was masked by a full period of higher borrowing costs associated with the refinancing undertaken in H221, the non-cash, non-recurring write-off of previous loan arrangement fees, and expected credit losses associated with the dip in rent collection. The positive underlying performance was reflected in portfolio valuation and net asset value growth.

During the period, SOHO acquired 10 additional properties for £12.0m (including acquisition costs), providing an additional 71 units (homes) and increasing the number of AP lessees by two to 26. It also sold four properties for c £1.5m during the period, and has exchanged contracts on two more since the period-end, where the underlying investment cases have changed.

As at end-H122, the portfolio comprised 493 properties with 3,421 units and showed a broad geographic diversification across the UK as well as by lessee.

[6] Change in IFRS NAV per share during the period with dividends paid added back (but not assuming reinvestment of dividends).

Exhibit 2: Summary of H122 financial performance

£m unless stated otherwise	H122	H121	H122/H121	FY21
Rental & other income	18.3	15.9	15.0%	33.1
Expected credit loss	(0.5)	0.0		0.0
Total expenses	(3.9)	(3.4)	13.0%	(6.9)
EPRA cost ratio	21.3%	21.5%		20.9%
Operating profit before revaluation of properties	**14.0**	**12.5**	**11.7%**	**26.2**
Change in fair value of investment properties	17.1	0.7		9.0
Operating profit	31.1	13.2		35.2
Recurring net finance expense	(4.2)	(2.8)	51.2%	(6.8)
Non-recurring write-off of loan arrangement fees	(2.0)	0.0		
PBT & net profit	**24.9**	**10.5**	**137.7%**	**28.4**
Adjusted for:				
Change in fair value of investment properties	(17.1)	(1.2)		(9.0)
EPRA earnings	**7.8**	**9.2**	**-15.6%**	**19.4**
Amortisation of loan arrangement fees	0.6	0.5		1.3
Written off loan arrangement fees	2.0	0.0		
SOHO adjusted earnings	**10.4**	**9.7**	**6.4%**	**20.7**
Change in fair value of held for sale properties				N/A
Edison adjusted earnings				20.7
Shares outstanding (m)	402.8	402.8	0.0%	402.8
Average shares outstanding (m)	402.8	402.8	0.0%	402.8
Basic & diluted IFRS EPS (p)	6.19	2.60		7.05
EPRA EPS (p)	**1.94**	**2.30**	**-15.6%**	**4.82**
SOHO adjusted EPS (p)	**2.57**	**2.42**	**6.4%**	**5.14**
DPS (p)	**2.73**	**2.60**	**5.0%**	**5.2**
Dividend cover (EPRA earnings)	**0.71**	**0.88**	**-19.6%**	**0.93**
Dividend cover (adjusted earnings)	**0.94**	**0.93**	**1.3%**	**0.99**
IFRS portfolio at fair value	669.6	596.2		641.8
Gross borrowings	(263.5)	(198.5)		(263.5)
Cash	41.6	28.2		52.5
Net assets	450.3	428.7		436.1
IFRS & EPRA NTA per share (p)	**111.8**	**106.4**	**5.0%**	**108.3**
NAV total return (%)	**5.8**	**2.4**		**6.6**
Gross gearing (gross debt/gross assets) (%)	36.8	31.5		37.6
Net LTV (net debt/portfolio valuation) (%)	33.3	28.7		33.0

Source: Triple Point Social Housing REIT historical data, Edison Investment Research

Comparing H122 to H121, unless stated otherwise, we note that:

- Annualised contracted rents increased to £37.4m from £33.4m (end-FY21: £35.8m), driven by acquisitions and rent indexation, predominantly to CPI, and rental and other income during the six-month period increased by c 15% to £18.3m.
- A c £0.5m expected credit loss reflected the dip in rent collection to 96% from the normal 99% or 100%.
- Total expenses grew at a lower rate than income and excluding the expected credit loss the EPRA cost ratio was slightly lower at 21.3% versus 21.5% (FY21: 20.9%). Investment management fees of c £2.4m (+4%) tracked the increase in net assets to which they are linked, while other administrative expenses increased by 34% to c £1.4m (+34%), including an impact from inflation.
- Operating profits before property revaluation increased c 12%, including the impact of expected credit losses.
- The increase in finance costs reflected higher average borrowing and the August 2021 refinancing of floating rate debt into long-term fixed-rate debt. Although this increased the average cost of debt at the time, it has protected SOHO from the subsequent significant rise in interest rates.

- Reported EPRA earnings (-16%) were negatively affected by the non-recurring loan arrangement fee write-off. Excluding this, EPRA earnings increased c 6% to £9.8m from £9.25m (H221: £10.2m). SOHO's adjusted 'cash' earnings also increased c 6% to £10.4m.
- DPS declared of 2.73p was in line with the annual 5.46p target (+5%) and was 0.71x covered by reported EPRA earnings and 0.94x covered by adjusted earnings. On a run rate basis,[7] adjusted earnings covered DPS 100%.
- The net change in the fair value of investment properties was £17.1m, with the gross gain driven by rent indexation and some yield tightening during H122. The EPRA 'topped-up' net initial yield of 5.29% compared with 5.27% at end-FY21 and was unchanged on H121.
- Compared with end-H121, both IFRS and EPRA NTA per share increased 5.0% to 111.8p and increased by 3.2% versus end-FY21. Adjusting for dividends paid, the H122 NAV total return was c 5.7%.

Forecasts

On an underlying basis, excluding the c £2m non-cash, non-recurring write-off of loan arrangement fees, our FY22e EPRA and adjusted earnings are reduced by c £0.7m and £1.0m respectively, primarily the result of slower capital deployment than we previously assumed. FY23e EPRA and adjusted earnings are each modestly lower, by £0.1m and £0.4m, respectively.

We forecast DPS to be substantially covered by adjusted earnings in FY22 and fully covered, on a fully deployed basis, in FY23.

Exhibit 3: Key forecasts and revisions

	New forecast		Previous forecast		Change		Change	
£m unless stated otherwise	**FY22e**	**FY23e**	**FY22e**	**FY23e**	**FY22e**	**FY23e**	**FY22e**	**FY23e**
Total income	37.2	39.1	38.1	39.9	-0.8	-0.8	-2.2%	-1.9%
Expected credit loss	(0.5)	0.0	0.0	0.0	-0.5	0.0		
Total expenses	(7.8)	(8.1)	(7.7)	(8.1)	-0.1	0.0	1.0%	0.0%
Net finance expense	(10.4)	(8.4)	(9.1)	(9.1)	-1.3	0.7	14.1%	-7.4%
EPRA earnings	**18.6**	**22.7**	**21.3**	**22.8**	**(2.7)**	**(0.1)**	**-12.5%**	**-0.4%**
Amortisation of loan arrangement fees	1.2	1.2	1.5	1.5	-0.3	-0.3	-22.5%	-20.0%
Loan arrangement fees written off	2.0	0.0	0.0	0.0	2.0	0.0		
Adjusted earnings	**21.7**	**23.9**	**22.8**	**24.3**	**(1.0)**	**(0.4)**	**-4.4%**	**-1.7%**
EPRA EPS (p)	4.62	5.63	5.28	5.65	-0.7	0.0	-12.5%	-0.4%
Adjusted EPS (p)	**5.40**	**5.92**	**5.65**	**6.02**	**-0.3**	**-0.1**	**-4.4%**	**-1.7%**
DPS declared (p)	5.46	5.62	5.52	5.69	-0.1	-0.1	-1.1%	-1.1%
EPRA DPS cover (x)	0.85	1.00	0.96	0.99				
Adjusted DPS cover (x)	**0.99**	**1.05**	**1.02**	**1.06**				
EPRA NTA per share (NAV) (p)	115.7	122.5	115.4	120.8	0.2	1.7	0.2%	1.4%
NAV total return (%)	11.9	10.6	11.7	9.4				

Source: Edison Investment Research

Our key forecasting assumptions include:

- FY22 investment commitments of £35m (including acquisition costs), of which £12m in H122, compared with c £41m previously. We assume an average 5.9% net initial yield on acquisition.
- Like-for-like rental growth of c 4% through 2022 and 5% through 2023.
- We have assumed no additional provision for credit losses beyond that reported for H122.
- We expect SOHO to fund acquisitions from existing drawn fixed-rate debt/cash resources although it has the flexibility to draw on its £50m RCF if required. Forecast interest costs increase in FY22 with a full year of the new financing arrangements but are unchanged in FY23.

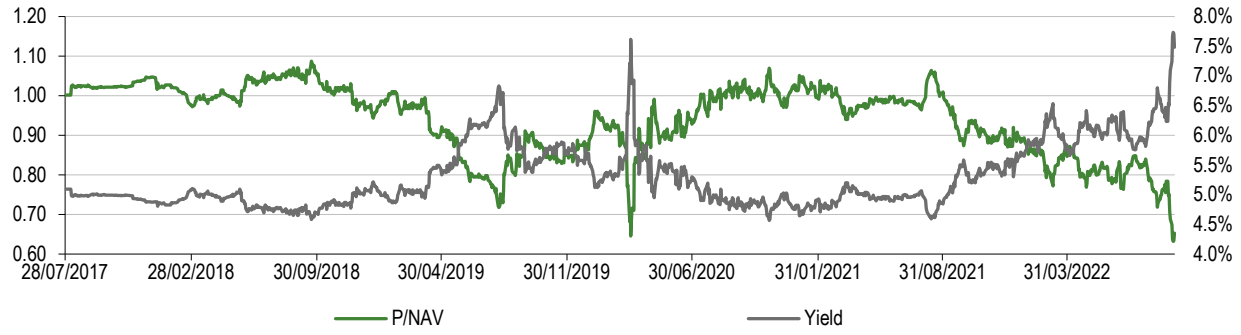
[7] The run rate basis annualises current EPRA earnings.

- Management fees develop in line with average net assets at a 0.9% pa marginal rate. Other expenses increase with inflation.
- Gross property revaluation is assumed to broadly follow like-for-like rental growth. Our forecasts leave room for modest valuation yield widening, which may prove to be conservative.

Valuation

The key driver for valuation is the predictable long-term, inflation-linked cash flows that are reflected in progressive DPS growth and consistent positive accounting total returns. The targeted FY22 aggregate DPS of 5.46p (+5% vs FY21) represents a yield of 7.6%, while the shares are trading at a c 35% discount to end-H122 NAV per share of 111.8p, which compares with an average c 6% discount since IPO and a peak premium of c 7%. The P/NAV and yield ratios are again at the levels that were only briefly in place during the peak of pandemic uncertainty.

Exhibit 4: P/NAV and yield history since IPO



Source: Refinitiv prices at 5 September 2022, company NAV and DPS data

In Exhibit 5 we show a share price performance and valuation comparison with a group of companies that we would consider to be the closest peers to SOHO. The peers are all focused on stable, growing income returns, with the potential for capital appreciation, from investment in social/healthcare properties let on long leases to tenants whose income is provided, to differing degrees, by government funding. Over the past one and three years, the group average share price performance has been ahead of the broad UK property index. Within the peer group, the share price performance diverges significantly and the SSH investors, SOHO and Civitas, have seen a weaker performance than the peer group average, reflected in lower P/NAV ratios, and above average yields.

Exhibit 5: Peer valuation and performance comparison

	WAULT (years)	Price (p)	Market cap. (£m)	P/NAV* (x)	Trailing yield** (%)	Share price performance			
						1 month	3 months	12 months	3 years
Assura	12	54	1607	0.89	5.5	-15%	-16%	-24%	-25%
Civitas Social Housing	22	65	393	0.58	8.6	-8%	-13%	-27%	-24%
Home REIT	24	90	270	0.81	6.1	-22%	-19%	-18%	N/A
Impact Healthcare	20	100	405	0.86	6.5	-13%	-15%	-11%	-8%
Primary Health Properties	11	112	1500	0.96	5.7	-17%	-17%	-26%	-16%
Residential secure Income	N/A	107	198	1.01	4.8	-4%	6%	6%	17%
Target Healthcare	27	90	557	0.80	7.5	-17%	-17%	-21%	-21%
Average	**19**			**0.85**	**6.4**	**-14%**	**-13%**	**-17%**	**-13%**
Triple Point Social Housing	**26**	**72**	**290**	**0.65**	**7.3**	**-12%**	**-16%**	**-24%**	**-23%**
UK property sector index		1,280				-16%	-18%	-29%	-26%
UK equity market index		3,774				-6%	-5%	-6%	-4%

Source: Company data. Refinitiv. Note: Prices at 3 October 2022. *Based on last published EPRA NAV/NTA. **Based on 12-month trailing DPS declared.

Exhibit 6: Financial summary

Period ending 31 December (£m)	2018	2019	2020	2021	2022e	2023e
INCOME STATEMENT						
Total income	11.5	21.1	28.9	33.1	37.2	39.1
Expected credit loss	0.0	0.0	0.0	0.0	(0.5)	0.0
Directors' remuneration	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Investment management fees	(2.3)	(3.9)	(4.1)	(4.6)	(4.8)	(5.0)
General & administrative expenses	(1.9)	(1.8)	(2.2)	(2.1)	(2.7)	(2.7)
Total expenses	(4.5)	(6.0)	(6.6)	(6.9)	(7.8)	(8.1)
Operating profit/(loss) before revaluation of properties	7.0	15.1	22.3	26.2	29.0	31.1
Change in fair value of investment properties	14.5	11.8	7.9	9.0	32.9	26.8
Operating profit/(loss)	21.5	26.9	30.2	35.2	61.8	57.9
Net finance income/(expense)	(1.6)	(3.2)	(5.6)	(6.8)	(10.4)	(8.4)
PBT	19.9	23.7	24.6	28.4	51.5	49.5
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	19.9	23.7	24.6	28.4	51.5	49.5
Adjusted for:						
Change in fair value of investment properties	(14.5)	(11.8)	(8.0)	(9.0)	(32.9)	(26.8)
EPRA earnings	5.4	11.9	16.6	19.4	18.6	22.7
Interest capitalised on forward funded developments	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Amortisation of loan arrangement fees	0.0	0.5	1.2	1.3	1.2	1.2
Loan arrangement fees written off	0.0	0.0	0.0	0.0	2.0	0.0
Company adjusted earnings	5.4	12.3	17.7	20.7	21.7	23.9
Basic & diluted average number of shares (m)	237.6	351.1	360.9	402.8	402.8	402.8
Basic & diluted IFRS EPS (p)	8.37	6.75	6.82	7.05	12.78	12.29
EPRA EPS (p)	2.27	3.39	4.61	4.82	4.62	5.63
Basic & diluted company adjusted EPS (p)	2.29	3.50	4.90	5.14	5.40	5.92
DPS declared (p)	5.00	5.10	5.18	5.20	5.46	5.62
EPRA EPS/DPS (x)	0.45	0.67	0.89	0.93	0.85	1.00
Company adj. EPS/DPS	0.46	0.69	0.95	0.99	0.99	1.05
EPRA cost ratio	39.0%	28.3%	23.3%	20.9%	21.0%	20.6%
EPRA NTA total return	7.5%	6.5%	5.9%	6.6%	11.9%	10.6%
BALANCE SHEET						
Investment properties	324.1	472.3	572.1	641.3	684.4	711.8
Other receivables	0.0	0.0	0.0	2.3	2.6	2.6
Total non-current assets	324.1	472.3	572.1	643.6	687.0	714.4
Cash & equivalents	114.6	67.7	53.7	52.5	43.9	45.3
Other current assets	3.4	4.3	4.3	3.9	3.8	4.0
Total current assets	118.0	72.0	58.0	56.4	47.7	49.2
Trade & other payables	(9.0)	(8.1)	(5.0)	(3.7)	(5.7)	(5.9)
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	(9.0)	(8.1)	(5.0)	(3.7)	(5.7)	(5.9)
Bank loan & borrowings	(67.4)	(165.0)	(194.9)	(258.7)	(261.7)	(262.9)
Other non-current liabilities	(1.6)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Total non-current liabilities	(68.9)	(166.5)	(196.4)	(260.2)	(263.2)	(264.4)
IFRS net assets	364.2	369.7	428.7	436.1	465.8	493.3
EPRA net assets	364.2	369.7	428.7	436.1	465.8	493.3
Period-end basic & diluted number of shares (m)	351.4	350.9	402.8	402.8	402.8	402.8
Basic & diluted IFRS NAV per share (p)	103.6	105.4	106.4	108.3	115.7	122.5
Basic & diluted EPRA NTA per share (p)	103.6	105.4	106.4	108.3	115.7	122.5
CASH FLOW						
Net cash flow from operating activity	5.4	16.3	24.5	24.7	30.0	31.2
Cash flow from investing activity	(160.6)	(135.5)	(94.4)	(61.4)	(9.1)	(0.6)
Net proceeds from equity issuance	106.0	0.0	53.1	(0.0)	0.0	0.0
Net proceeds from C share issuance	46.6	0.0	0.0	0.0	0.0	0.0
Loan interest paid	(1.6)	(2.9)	(4.6)	(5.6)	(7.2)	(7.2)
Bank borrowings drawn/(repaid)	58.0	111.1	29.4	65.0	0.0	0.0
Share repurchase	0.0	(0.4)	0.0	0.0	0.0	0.0
Dividends paid	(10.1)	(17.8)	(18.8)	(20.9)	(21.7)	(22.0)
Other cash flow from financing activity	(1.2)	(3.5)	(1.1)	(2.7)	(0.4)	0.0
Cash flow from financing activity	197.8	86.6	58.0	35.7	(29.4)	(29.3)
Change in cash	42.6	(32.6)	(11.9)	(1.0)	(8.5)	1.4
Opening cash	54.8	97.3	64.7	52.9	51.9	43.4
Closing cash (excluding restricted cash)	97.3	64.7	52.9	51.9	43.4	44.7
Restricted cash	17.3	3.0	0.8	0.6	0.6	0.6
Cash as per balance sheet	114.6	67.7	53.7	52.5	43.9	45.3
Debt as per balance sheet	(67.4)	(165.0)	(194.9)	(258.7)	(259.6)	(260.8)
Unamortised loan arrangement costs	(1.1)	(4.1)	(3.6)	(4.8)	(3.9)	(2.7)
Total debt	(68.5)	(169.1)	(198.5)	(263.5)	(263.5)	(263.5)
Net (debt)/cash excluding restricted cash	28.8	(104.4)	(145.6)	(211.6)	(220.1)	(218.8)
Net LTV (net debt/investment property)	NA	22.1%	25.5%	33.0%	32.2%	30.7%
Company gearing (gross debt/gross asset value)	15.5%	31.1%	31.5%	37.6%	35.9%	34.5%

Source: Triple Point Social Housing REIT historical data, Edison Investment Research forecasts

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