EDISON

Civitas Social Housing

Strong financial and social returns continuing

Company update

Real estate

H120 results showed strong year-on-year growth in rental income and earnings. Dividend cover is increasing and full cover is in sight, with debt facilities in place to fund further portfolio growth as the company gears its existing equity. Through its investment adviser, the company continues to work closely with housing associations, other counterparties and the regulator to raise performance and delivery standards that will benefit all stakeholders over the longer term.

Year end	Net rental income (£m)	Adj earnings* (£m)	EPRA EPS* (p)	EPRA NAV/ share* (p))	DPS (p)	P/NAV (x)	Yield (%)
03/18	18.6	9.1	1.44	105.5	4.25	0.94	4.3
03/19	35.7	22.6	3.63	107.1	5.00	0.93	5.0
03/20e	46.7	29.8	4.80	108.0	5.30	0.92	5.3
03/21e	52.2	33.6	5.41	109.9	5.40	0.91	5.4

Note: *EPRA earnings and NAV are fully diluted.

Strong income growth and increasing DPS cover

H120 revenues increased by 45% year on year, driven by acquisitions and rent indexation, and EPRA earnings and diluted EPRA EPS increased by just over 40%. DPS paid (up 6% year on year) was 87% covered by earnings and the period-end run rate was 96%. With debt facilities in place to fund further portfolio growth, full cover is within reach. Rent indexation also supported property valuations and EPRA NAV increased modestly to 107.3p (FY19: 107.1p) despite dividend distributions and a drag from acquisition costs. Our estimates are slightly reduced by assumed slower investment, in line with the H120 experience. We continue to expect DPS growth, in line with inflation, with run-rate full cover (on the increased DPS) achieved during the next 12 months.

Supporting sector growth and development

The chronic shortage of specialist supported housing (SSH) homes is forecast to increase, yet compared with the alternatives of residential care or hospitals it is widely recognised to improve lives in a cost-effective manner. SSH funding comes 100% from central government via local authorities, with cross-party support. Civitas continues to work closely with its housing association partner providers to help them develop and mature and is actively engaged with the regulator, which has raised sector-wide concerns over corporate governance and/or financial viability. It has supported the establishment of a sector community interest company (CIC) to bring together housing associations and pool industry skills, expertise, and best practice. Most of Civitas's housing association partners are profitable and it continues to operate as normal with those that are subject to regulatory notices and judgements, actively engaging with them to help effect any changes that may be necessary to allay the regulator's concerns.

Valuation: Attractive yield and NAV discount

Despite recent share price strength, compared with a peer group of long income investors in social housing and healthcare property, Civitas shares provide an above-average prospective yield and trade at a larger discount to EPRA NAV.

17 January 2020

Price	**99.5p**
Market cap	**£619m**

Net debt (£m) at 30 September 2019	181.0
Net LTV	21.5%
Shares in issue	622.5m
Free float	99%
Code	CSH
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	12.3	14.1	(4.3)
Rel (local)	11.3	7.1	(14.6)
52-week high/low		104p	77p

Business description

Civitas is the leading listed UK social housing REIT. Its investment objective is to provide an attractive level of income, with the potential for capital growth, from investing in a diversified portfolio of fully developed social homes, particularly specialist supported housing for vulnerable adults.

Next events

Q320 NAV update	Late Jan/early Feb 2020

Analyst

Martyn King +44 (0)20 3077 5745

financials@edisongroup.com

Edison profile page

Civitas Social Housing is a research client of Edison Investment Research Limited

Strong financial and social returns continuing

This report updates on the financial and operational progress of the company since our detailed initiation note published in June 2019 following publication of the FY19 results.

The six months to September 2019 (H120) saw strong year-on-year growth in income and cash flow, driven by the growing portfolio and consumer price inflation (CPI)-linked rental growth. Dividends paid increased by 6% and were 87% covered by EPRA earnings. The company estimates a period-end run rate of 96% and a full-year contribution from recent acquisitions and continuing planned investment should see cover soon reach 100%, consistent with our revised estimates.

Operationally, Civitas has continued to leverage its position as the leading provider of supported social housing, playing a hands-on role in bringing about direct improvements to its counterparties, particularly its housing association partners. It continues to work closely with these counterparties and engage with the regulator of social housing (RSH) to help address the sector risks identified by the RSH to the benefit of all stakeholders.

The company also continues to deliver a strong positive social return, providing much-needed private investment capital to housing associations so they may provide and manage additional care-based quality accommodation to some of the most vulnerable in society, improving tenant life outcomes in a cost-effective manner. Independent analysis indicates that Civitas created £114m of social value in the year to 31 March 2019, including £59m of direct cost savings for the public purse.

Strong H120 income growth and increasing dividend cover

Exhibit 1: Summary of H120 financial results

Year to 31 March (£m)	H210	H119	H120/H119	2019
Revenue	22.7	15.7	45.0%	35.7
Total expenses	(4.9)	(4.4)	10.8%	(9.6)
Operating profit/(loss) before revaluation of properties	**17.8**	**11.3**	**58.4%**	**26.1**
Change in fair value of investment properties	3.2	6.9		3.7
Operating profit/(loss)	**21.0**	**18.2**	**15.5%**	**29.7**
Net finance expense	(3.4)	(1.1)		(3.5)
Change in fair value of interest rate derivatives	(0.2)	0.0		
C share amortisation	0.0	(6.5)		(6.4)
PBT	**17.4**	**10.6**	**65.0%**	**19.9**
Tax	0.0	0.0		0.0
IFRS net earnings	**17.4**	**10.6**	**65.0%**	**19.9**
Adjust for:				
Change in fair value of investment properties	(3.2)	(6.9)		(3.7)
Finance costs associated with C share financial liability	0.0	6.5		6.4
EPRA earnings	**14.3**	**10.1**	**41.2%**	**22.6**
Basic IFRS EPS (p)	2.80	3.02		4.67
Diluted EPRA EPS (p)	**2.29**	**1.63**	**41.1%**	**3.63**
DPS declared (p)	**2.65**	**2.50**	**6.0%**	**5.00**
Investment portfolio	833.5	673.9	23.7%	820.1
Diluted EPRA NAV per share (p)	**107.3**	**107.8**	**-0.5%**	**107.1**
Net cash/(debt)	(181.0)	(7.3)		(161.3)
Net LTV*	21.5%	1.1%		19.5%

Source: Civitas data, Edison Investment Research. Note: *Net debt as a percentage of investment property at fair value.

The key financial highlights of the interim results were:

- Revenues increased by 45% compared with H119, primarily driven by acquisitions but also rent indexation to CPI. With a period-end annualised rent roll of £46.5m, recent acquisitions are yet to fully contribute.
- Total expense growth was well below the rate of growth of revenues and the investment portfolio value. Investment advisory fees were lower than in the prior year period (c £3.1m versus c £3.2m) reflecting the change to average IFRS NAV as the base for calculation compared with the previous use of average NAV on the higher portfolio basis. General and administrative expenses increased to c £1.7m compared with c £1.1m and included c £0.3m of items identified by the company as non-recurring including prior period fees, consultancy fees, offshore administration fees, and abortive project costs.
- Demonstrating scale economies from the growth of the portfolio, the EPRA cost ratio (recurring EPRA costs as a percent of EPRA revenues) reduced to 21.6% (H119: 28.2%; FY19: 27.0%). The ongoing charge ratio (recurring costs as a percentage of average net assets) was 1.37% (FY19: 1.36%).
- Rent indexation continued to drive the external portfolio valuation while yield compression had a smaller impact than in H119. The gross revaluation gain was c £7.0m or c 0.8% of the opening fair value of the portfolio. The net revaluation movement of £3.2m reported in the income statement included adjustment for lease incentives and the straight line recognition of fixed rent increases as well as for acquisition costs written off.

Exhibit 2: Revaluation movement

£m unless stated otherwise	H120	H119	FY19
Gross property revaluation	7.0	13.9	21.1
Gross property revaluation as % opening fair value	0.8%	2.7%	4.1%
Adjust for:			
Acquisition costs written off	(2.7)	(2.6)	(10.9)
Change in straight line rent recognition adjustment	(0.2)	(0.2)	(0.5)
Change in debtor for lease incentive	(1.0)	(4.2)	(6.0)
Income statement revaluation movement	**3.2**	**6.9**	**3.7**

Source: Company data, Edison Investment Research

- The increase in net finance expense compared with H119 reflects the debt taken on to grow the portfolio as Civitas moves towards its target 35% gearing.
- EPRA earnings increased by more than 40% to £14.3m and diluted EPRA EPS increased to 2.29p.
- Two quarterly dividends of 1.325p each were paid during the period, in line with the target for the year of 5.3p (FY19: 5.0p). Dividends paid were 87% covered by EPRA earnings during the period and the company estimates a period-end run rate of 96%. With a full-year contribution from recent acquisitions and continuing planned investment, Civitas expects cover to soon reach 100%.
- At 30 September 2019 (H120) the Civitas investment portfolio was independently valued at £842m (the balance sheet value of £833m is adjusted for lease incentives). During H120, Civitas acquired eight SSH properties and including the £2.7m of acquisition costs, acquisition investment in the period was £10.2m. At c 35% the acquisition cost ratio appears high (including full land transfer tax we would expect c 6.8%) and we understand that a portion of the H120 costs relate to the determination of acquisition costs in respect of previously agreed transactions.
- EPRA NAV per share increased slightly from end-FY19, from 107.1p per share to 107.3 per share.
- We calculate end-H120 net LTV (net debt as a percentage of investment property assets measured on an IFRS basis) of 21.5% or 27.1% on a gross basis (ie before adjusting gross

debt for cash balances). On the company definition (gross borrowings as a percentage of gross assets on a portfolio basis) gearing was 24%.

Driving sector improvements to benefit all stakeholders

Given its greater complexity and granularity and the continuing strong demand for general needs social housing, SSH has not generally been the focus of the longer-established housing associations and sector growth has been led by 40–50 more specialist providers that have been established in the past 10 years or so. These have typically utilised lease-based structures to provide the capital for growth and, in many cases being newer and smaller associations, inevitably have relatively thin capital bases and less sophisticated management and governance structures. Prompted by the financial distress of First Priority Housing Association in early 2018, the RSH has been closely monitoring the sector and has raised a number of concerns. In some specific cases it has issued regulatory judgements, primarily in relation to corporate governance and/or financial viability. Against this backdrop, the company's investment adviser, Civitas Housing Advisors (CHA), has taken an active role, working in close consultation with its sector partners (housing associations, care providers, local authorities) and with the RSH to promote the delivery of as many improvements as possible. Alongside its ongoing dialogue with the RSH, the actions that have been taken by Civitas include:

- **Supporting the establishment of a new not-for-profit CIC**, the Social Housing Family CIC. The CIC is governed by a board of experienced non-executive directors and chaired by CHA director Paul Bridge, although it is independent of CHA (and Civitas) and is funded by the sector. It intends to bring together a group of housing associations active in the SSH sector, providing a platform for the pooling of sector skills and resources to be able to support the performance and delivery of group members. Specifically, it is hoped the CIS will support housing associations in addressing the concerns of the RSH. Auckland Home Solutions, a leading housing association partner of Civitas accounting for 20% of the rent roll at end-H120, is the first housing association to join the group.
- **Assisting in the recruitment of new housing association board members and executives**, to strengthen corporate governance and leadership.
- **Rolling programmes of housing association and performance seminars,** hosted quarterly by Civitas**.**
- **Assisting housing associations with business planning reviews.**

We believe current regulatory interventions in the fast-developing SSH segment are primarily aimed at identifying, assessing and making clear the risks so that these may be adequately managed as a means to safeguarding this financial resilience and maintaining the operational standards of the sector. Importantly, we believe the regulator recognises the important role played by private capital in supporting the much-needed growth and sustainable development of the sector. It is important to note that Civitas continues to operate as normal with those of its housing association partners that are subject to regulatory notices and judgements, with no material impacts on its ability to collect rents due, while it engages with them to help effect any changes that may be necessary to allay the regulator's concerns. Research undertaken by CHA shows the company's housing association partners are mostly generating increased net financial surpluses from their core activities. Westmoreland Supported Housing and Trinity Housing Association have been loss making but have implemented corrective business plans.

Portfolio update

At 30 September 2019 (H120) the Civitas investment portfolio was independently valued at £842m (the balance sheet value of £833m is adjusted for lease incentives). With an annualised rent roll of

£46.5m the valuation reflects a net initial yield of 5.28%, similar to end FY19. The portfolio has been assembled at a cumulative cost (excluding acquisition expenses) of £764m with an average acquisition yield of 5.9% (or 5.6% after acquisition costs). The weighted average unexpired lease term was 23.9 years at end-H120, slightly down from 24.4 years at end-FY19, reflecting the passage of time.

The portfolio comprised 599 individual properties, fully let to 15 different registered providers that manage SSH homes for more than 4,000 tenants on behalf of 160 different local authorities.

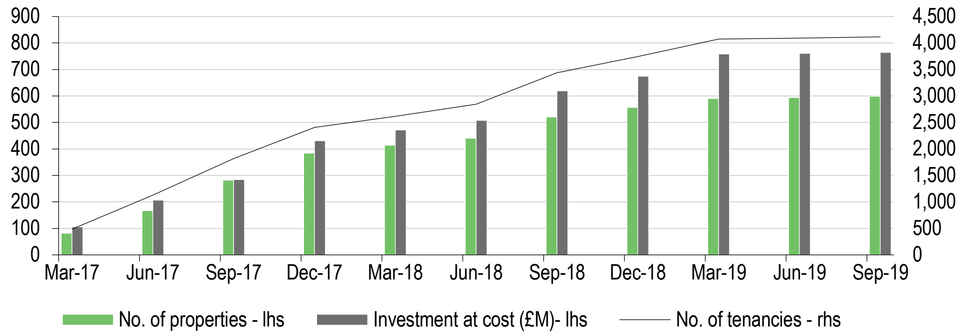
Exhibit 3: Portfolio summary

	30-Sep-19	31-Mar-19
Capital deployed (before acquisition costs)	£764m	£758m
External fair valuation	£842m	£827m
Weighted average unexpired lease term	23.9 years	24.4 years
Contracted annualised rent roll	£46.5m	£45.6m
Net initial yield	5.28%	5.27%
Number of properties	599	591
Number of tenancies	4,114	4,072
Number of local authorities	160	157
Number of registered providers	15	15
Number of care providers	114	113

Source: Civitas

Civitas has grown its portfolio strongly since IPO and by comparison, the pace of growth in H120 (eight assets and £10.2m of investment including acquisition costs) was relatively modest. The company indicates it was awaiting the completion of new debt facilities before committing to new acquisitions although we suspect the very active role that the investment adviser has played in supporting existing housing association partners to evolve and develop their business models may also have had an impact. With additional debt facilities now in place (see page 7), Civitas expects the pace of investment to pick up.

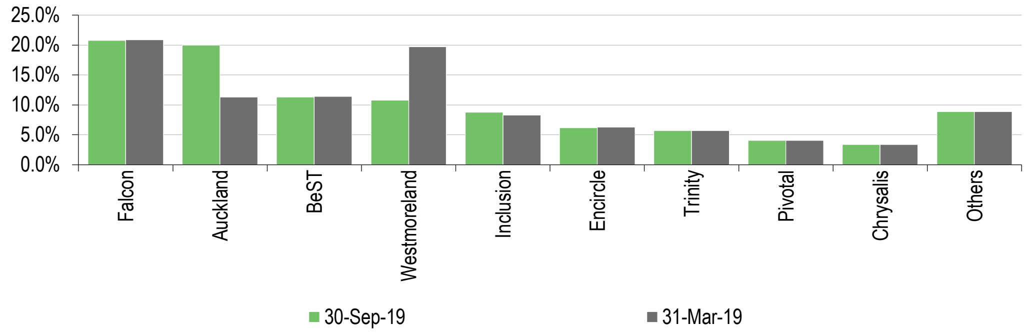
Exhibit 4: Strong asset growth since IPO



Source: Civitas

The portfolio is geographically diversified around major conurbations, with around one-third of the properties purpose built or repurposed and two-thirds well located community properties that have been adapted on a bespoke basis for long-term use by residents. The list of housing associations with which Civitas has chosen to work provides further diversification and has been assembled with the aim of establishing a housing association counterparty in each geographic area and to have several others in reserve to provide for contingencies. In some circumstances this approach facilitates the reassignment of leases from one housing association to another that may be better placed to undertake the management of the assets and meet the needs of tenants.

Exhibit 5: Spread of housing association counterparties (by share of rent roll)



Source: Civitas. Note: Data at 30 September 2019.

The spread of housing association counterparties (by share of rent roll) is shown in Exhibit 5. Unrelated to any changes in the composition of the portfolio, during H120 the share of rent roll accounted for by Auckland Home Solutions increased from 11.3% to 20.0% while that of Westmoreland Supported Housing reduced from 19.7% to 10.8%. We believe this change is likely to reflect a re-assignment of leases related to Westmoreland's ongoing actions to improve its financial performance and corporate governance in response to concerns by the RSH, which in September enforced the appointment of three additional board members to support the process of change. Civitas welcomed the board changes and said that it remained supportive of the Westmoreland board and confident the new appointments would help it in meeting its objectives. It also said Westmoreland had continued to meet its financial obligations to Civitas and produce rental income as expected.

Further investment plans

Civitas plans further portfolio growth as it gears up its existing equity resources, targeting a gearing level of up to 35%. It has identified a number of potential investment transactions matched to its current available debt resources and these represent part of a wider pipeline of opportunities for which additional debt facilities are under negotiation.

The £60m NatWest debt facility agreed in September (of which £20m had been drawn at end-H120) has been allocated to:

- Honouring existing commitments to counterparties, including a mix of investment in new properties to be acquired as well as existing properties that are being extended to meet demand.
- Working with local authority partners to create bespoke high acuity schemes where Civitas is instrumental in selecting the properties, determining adaptions, then on-boarding care providers and/or housing associations. Civitas is preparing to take delivery of a new property in Wales that will provide state of the art quality care provision to 49 residents with acute learning disability, mental health, brain injury and degenerative illnesses.
- Maintaining a conservative cash buffer, targeted at c £30, and supporting share repurchases while this remains accretive. Share repurchases commenced in early October 2019 and to date the company has acquired 815k shares, held in treasury, at a cost of c £694k or an average 85.2p per share. Although relatively modest in scale, the repurchases are accretive and underline the board's confidence in the published NAV.

Aimed at the wider pipeline opportunity, additional borrowing of £80m is under advanced negotiation and the company expects completion during the first three months of 2020. Including the £40m undrawn from the NatWest facility at end-H119 this will take total additional debt funding capacity to £120m with the company targeting 5.5–6.0% yield (excluding acquisition costs).

Financials

Our forecasts assume further significant growth in income-earning property assets, although compared with our estimates published in June, the amount of capital committed is lower and occurs at a slower pace. We nevertheless expect a good level of EPRA earnings growth, further DPS growth and for run-rate dividend cover to be achieved in FY20 with increasing dividend cover in FY21. We also anticipate capital growth during the forecast period, driven by CPI-linked rental growth with a partial offset from property acquisition costs and an increasing NAV per share.

Our key forecasting assumptions are:

- £43m of capital deployment by end-FY20 and an additional £80m by end-FY21 at an average yield (before acquisition costs) of 5.7% (5.4% after), adding £7m to rent roll (£46.5m at end-H120). The assumed acquisition yield compares with the average 5.9% (before acquisition costs) achieved since IPO. The lower assumed yield reflects investor demand for SSH assets and market-wide yield tightening.
- Including assumed CPI-based rent indexation of 1.8% pa, we forecast an end-FY20 rent roll of £49.4m and £54.9m at end-FY21, although the full benefit is not seen in the income statement until FY22.
- We have assumed acquisition costs of 5.8%, although the actual outcome will depend on the size, structure and complexity of the transactions.
- We have assumed 2% pa growth in general and administrative expenses and investment advisory fees in line with the scaled fee schedule, since March 2019 applied to IFRS NAV (previously applied to the portfolio basis NAV). The marginal fee rate, applicable to average net assets of more than £500m and up to £1bn is 0.8% pa. On this basis we expect the total expense ratio (or total expenses as a percentage of average IFRS net assets) to be broadly flat in FY20 (1.37% compared with 1.36% in FY19) and then fall towards 1.3%.

Forecast revisions

Our previous forecasts had assumed slightly greater and faster gearing-up of the existing equity base than now seems likely, with £170m of debt funded acquisitions in FY20. With assumed investment of £123m by end-FY21 our revised forecasts indicate a slower build-up of rental income and earnings but the impact on DPS growth is minimal (Exhibit 6). We expect DPS to be covered on a run-rate basis over the next 12 months and on an annual basis for FY22.

Exhibit 6: Forecast revisions

	Net rental income (£m)			EPRA earnings (£m)			EPRA EPS (p)			EPRA NAV/share (p)			DPS (p)		
	New	Old	% chg	New	Old	% chg	New	Old	% chg	New	Old	% chg	New	Old	% chg
03/20e	46.7	50.3	(7.2)	29.8	32.7	(8.7)	4.80	5.25	(8.7)	108.0	108.0	(0.0)	5.30	5.34	(0.7)
03/21e	52.2	56.8	(8.1)	33.6	36.5	(7.9)	5.41	5.86	(7.8)	109.9	111.3	(1.3)	5.40	5.46	(1.1)
03/22e	55.6	N/A	N/A	35.7	N/A	N/A	5.74	N/A	N/A	113.0	N/A	N/A	5.50	N/A	N/A

Source: Edison Investment Research

Debt facilities

Civitas increased its debt facilities by £60m in H120 to £272.5m, of which £228.4m was drawn at the period end. The new £60m facility arranged in September is a five-year term facility with National Westminster Bank that has the potential to be extended by a further £40m. Other debt facilities comprise a £52.5m 10-year fixed-rate facility and two floating-rate revolving credit facilities of a shorter-term nature. The average cost of debt at end-H120 was 2.63%. All covenants on the facilities were comfortably met during the year.

The additional £80m debt facility under negotiation will contribute towards moving gearing on a portfolio basis towards the 35% level targeted by the company (H120: 24%), defined as gross borrowings as a percentage of gross assets on a portfolio basis. To ease comparison across the sector, our calculation of net LTV represents net debt as a percentage of investment property assets measured on an IFRS basis. At H120 this was 21.5% or 27.1% on a gross basis (ie before adjusting gross debt for cash balances). Assuming a similar differential between portfolio gearing and gross LTV on an IFRS basis is maintained, our forecast c 35% gross LTV for end-FY21 suggests the company may still have further borrowing headroom to meet its 35% portfolio gearing target.

Exhibit 7: Debt portfolio summary

Lender	NatWest	Scottish Widows	Lloyds	HSBC
Facility	Loan notes	Loan notes	RCF*	RCF*
Facility size	£60.0m	£52.5m	£60m	£100m
Drawn at end-H120	£20.0m	£52.5m	£56m	£100m
Term	5 years+1+1**	10 years	3 years +1***	3 years +1 +1**
Cost	2.71% fixed****	2.99% fixed	1.50% margin over LIBOR	1.70% margin over LIBOR

Source: Civitas. Note: *RCF is revolving credit facility. **Facility may be extended for one year at the option of Civitas. ***Facility may be extended by one year and then a further year at the option of Civitas. ****Comprises 2.00% interest margin and 0.71% swap cost.

Valuation

Based on targeted quarterly DPS payments amounting to 5.34p for the current year, Civitas offers a yield of 6.1%, while trading at c 20% discount to H120 (IFRS and EPRA) NAV per share.

We calculate an EPRA NAV total return since the 18 November 2017 IPO to 30 September 2019 (H120) of 20.3%, or an average annualised 6.7% pa. This does not allow for reinvestment of dividends. Our forecasts for FY20–FY22 imply an average annualised return of 6.4% pa over the period, with FY20–FY21 returns held back slightly by assumed property acquisition costs. DPS paid represents around three-quarters of our forecast return and capital growth the balance. The capital growth results from our assumption that CPI rental income uplifts will feed through to property values (ie unchanged property yields) with a further benefit from gearing. Given the prospect for continued low interest rates and low investment returns generally, the forecast level of returns from Civitas, substantially income based, appears attractive.

Exhibit 8: EPRA NAV total return

	Reported data				Forecast data			
	FY18*	FY19	H120	From IPO to end-H120	FY20e	FY21e	FY22e	FY20/FY22
Opening EPRA NAV per share (p)	98.0	105.5	107.1	98.0	107.1	108.0	109.9	107.1
Closing EPRA NAV per share (p)	105.5	107.1	107.3	107.3	108.0	109.9	113.0	113.0
Dividends paid (p)	3.0	5.0	2.7	10.7	5.3	5.4	5.5	16.2
EPRA NAV total return	10.8%	6.2%	2.6%	20.3%	5.8%	6.8%	7.8%	20.6%
Annualised compound total return				6.7%				6.4%

Source: Civitas, Edison Investment Research. Note: *18 November 2016 to 31 March 2018.

In Exhibit 8 we show a share price performance and valuation comparison with a group of companies that we would consider to be the closest peers to Civitas. The group includes Triple Point Social Housing and Residential Secure Income, which invests in affordable shared ownership, retirement and local authority housing (but not SSH), primary healthcare investors, PHP and Assura, and care home investors, Target Healthcare and Impact Healthcare. The peers are all focused on stable, growing, income returns, with the potential for capital appreciation, from investment in properties let on long leases to tenants whose income is provided, to differing degrees, by government funding. However, the peer group remains quite differentiated in terms of lease terms, which will naturally influence valuation levels. UK primary healthcare leases benefit from the security of being directly or indirectly backed by government, although the majority of rents are subject to open market rent reviews rather than indexed to inflation. For the care home investors, the lease counterparties are the care home operators, and rents are generally linked to RPI.

Civitas shares have a higher yield than the peer group average and its P/NAV remains well below the average. The one year share price performance still shows the effects of the regulatory intervention in the SSH market earlier in 2019, which primarily raised concerns about tenant covenant strength. The share price and the valuation have begun to improve again in recent months but there is still plenty of further potential is investors become more confident about the evolution of the SSH sector, the robustness of the Civitas income stream and its ability to further grow and diversify its portfolio to achieve full dividend cover.

Exhibit 9: Peer comparison

	Price (p)	Market cap. (£m)	P/NAV* (x)	Yield** (%)	Share price performance			
					1 month	3 months	12 months	From 12m high
Assura	78	1882	1.46	3.5	1%	6%	44%	-3%
Impact Healthcare	109	348	1.03	5.7	1%	-1%	6%	-5%
Primary Health Properties	160	1949	1.49	3.5	4%	14%	40%	0%
Residential Secure Income	100	171	0.92	5.0	4%	9%	14%	0%
Triple Point Social Housing	102	356	0.97	5.0	12%	11%	-1%	-3%
Target Healthcare	122	556	1.13	5.4	3%	5%	12%	-1%
Average			1.17	4.7	4%	7%	19%	-2%
Civitas Social Housing	**101**	**625**	**0.94**	**5.3**	**13%**	**16%**	**-2%**	**-4%**
UK property index	1,932			3.5	2%	5%	19%	-2%
FTSE All-Share Index	4,260			4.4	2%	7%	13%	0%

Source: Company data. Refinitiv. Note: Prices at 17 January 2020. *Based on last reported EPRA NAV. **Based on trailing 12 month DPS declared.

Exhibit 10: Financial summary

Period ending 31 March (£'000s)	2018	2019	2020e	2021e	2022e
INCOME STATEMENT					
Revenue	18,606	35,738	46,716	52,221	55,568
Directors' remuneration	(205)	(163)	(168)	(168)	(168)
Investment advisory fees	(5,773)	(6,457)	(6,169)	(6,184)	(6,321)
General & administrative expenses	(2,915)	(3,022)	(3,110)	(2,834)	(2,890)
Total expenses	(8,893)	(9,642)	(9,447)	(9,185)	(9,379)
Total recurring expense ratio (TER)		1.36%	1.36%	1.35%	1.35%
Operating profit/(loss) before revaluation of properties	9,713	26,096	37,269	43,035	46,189
Change in fair value of investment properties	30,633	3,652	8,264	11,843	17,684
Operating profit/(loss)	40,346	29,748	45,533	54,878	63,873
Net finance expense	(628)	(3,484)	(7,437)	(9,424)	(10,484)
C share amortisation	(2,792)	(6,400)	0	0	0
PBT	36,926	19,864	38,096	45,455	53,389
Tax	0	0	0	0	0
Net profit	36,926	19,864	38,096	45,455	53,389
Adjusted for:					
Change in fair value of investment properties	(30,633)	(3,652)	(8,264)	(11,843)	(17,684)
C share amortisation	2,792	6,400	0	0	0
EPRA earnings	9,085	22,612	29,832	33,612	35,705
Average number of shares (m)	350.0	425.4	622.1	621.6	621.6
Average diluted shares (m)	633.1	622.5	622.1	621.6	621.6
Basic IFRS EPS (p)	10.55	4.67	6.12	7.31	8.59
Diluted EPRA EPS (p)	1.44	3.63	4.80	5.41	5.74
DPS declared (p)	4.25	5.00	5.30	5.40	5.50
EPRA EPS/DPS	0.34	0.73	0.90	1.00	1.05
BALANCE SHEET					
Investment properties	516,222	820,094	884,085	980,568	998,252
Other receivables	0	6,824	8,079	8,193	8,307
Total non-current assets	516,222	826,918	892,164	988,761	1,006,559
Trade & other receivables	3,315	5,723	7,196	7,996	8,378
Cash & equivalents	249,608	54,347	46,600	43,355	46,103
Total current assets	252,923	60,070	53,796	51,351	54,481
Trade & other payables	(10,176)	(15,324)	(9,595)	(10,661)	(11,170)
C shares	(298,752)	0	0	0	0
Total current liabilities	(308,928)	(15,324)	(9,595)	(10,661)	(11,170)
Bank loan & borrowings	(90,822)	(205,156)	(265,245)	(346,445)	(347,645)
Total non-current liabilities	(90,822)	(205,156)	(265,245)	(346,445)	(347,645)
Net assets	369,395	666,508	671,120	683,006	702,224
Basic EPRA NAV	369,395	666,508	671,120	683,006	702,224
C shares	298,752	0	0	0	0
Fair value of interest rate derivatives	0	0	180	180	180
Diluted EPRA NAV	668,147	666,508	671,300	683,186	702,404
Period-end basic number of shares (m)	350.0	622.5	621.6	621.6	621.6
Period end diluted number of shares (m)	633.1	622.5	621.6	621.6	621.6
Basic IFRS NAV per share (p)	105.5	107.1	107.9	109.8	112.9
Diluted EPRA NAV per share (p)	105.5	107.1	108.0	109.9	113.0
CASH FLOW					
Net cash flow from operating activity	8,057	23,335	36,479	43,188	46,203
Cash flow from investing activity	(483,898)	(302,577)	(61,877)	(84,640)	0
Net proceeds from equity issuance	343,000	(56)	0	0	0
Net proceeds from C share issuance	295,960	0	0	0	0
Loan interest paid	(417)	(2,958)	(6,031)	(8,224)	(9,284)
Bank borrowings drawn/(repaid)	92,457	115,990	60,000	80,000	0
Share repurchase			(694)	0	0
Dividends paid to ordinary shareholders	(10,073)	(17,591)	(32,883)	(33,569)	(34,171)
Dividends paid to C shareholders	0	(9,966)	0	0	0
Other cash flow from financing activity	(1,761)	(2,374)	(1,111)	0	0
Cash flow from financing activity	719,166	83,045	19,282	38,207	(43,455)
Change in cash	243,325	(196,197)	(6,117)	(3,245)	2,748
Opening cash	0	243,325	47,128	41,011	37,766
Closing cash (excluding restricted cash)	243,325	47,128	41,011	37,766	40,514
Restricted cash	6,283	7,219	5,589	5,589	5,589
Cash as per balance sheet	249,608	54,347	46,600	43,355	46,103
Debt as per balance sheet	(90,822)	(205,156)	(265,245)	(346,445)	(347,645)
Unamortised loan arrangement costs	(1,635)	(3,291)	(3,202)	(2,002)	(802)
Total debt	(92,457)	(208,447)	(268,447)	(348,447)	(348,447)
Net (debt)/cash excluding restricted cash	150,868	(161,319)	(227,436)	(310,681)	(307,933)
Net LTV (IFRS valuation basis)	n.m.	19.5%	25.5%	31.4%	30.6%

Source: Civitas data, Edison Investment Research

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