EDISON

Triple Point Social Housing REIT

Company outlook

Strong rental growth mitigating challenges

Real estate

13 April 2023

Triple Point Social Housing REIT's (SOHO's) FY22 results were robust. Indexed rent growth compensated for higher debt costs and expected credit losses, and the DPS target was met. Income and dividends have grown each year since listing, while the company has generated strong social returns. We expect progress in FY23 despite a continuation of credit losses, for which SOHO has set out a path to recovery. Sector issues raised by the regulator continue to generate uncertainty despite a positive response and good performance from many lessees, and tangible progress at others. This seems unrecognised in the share price.

Year end	Total income (£m)	Adjusted earnings* (£m)	Adjusted EPS* (p)	NAV**/ share (p)	DPS (p)	P/NAV (x)	Yield (%)
12/21	33.1	20.7	5.14	108.3	5.20	0.44	10.8
12/22	37.4	20.3	5.03	109.1	5.46	0.44	11.4
12/23e	40.9	21.5	5.33	113.8	5.46	0.42	11.4
12/24e	41.8	25.9	6.44	117.8	5.70	0.41	11.9

Note: *Excludes revaluation movements and non-recurring items and adds back non-cash loan fee amortisation. **Throughout this report, NAV is EPRA net tangible assets per share.

Strong revenue growth offset FY22 challenges

SOHO is focused on regulated specialised supported housing (SSH), with care and support provided by similarly regulated providers. It is the level of care that defines SSH and differentiates it from other supported housing. Demand for SSH remains strong and outstrips supply as it is widely recognised to generate strong social benefits and fiscal savings compared with alternatives. Income growth of 13% (indexation and acquisitions) supported FY22 earnings. Adjusted earnings were just 2% lower despite two lessees (out of 27 in total), accounting for an aggregate c 17% of rent roll, falling into arrears in H2 through a combination of inflationary cost issues, operational challenges and regulatory issues. Most lessees are performing as expected. We have reduced FY23e adjusted earnings growth to c 6% versus c 18% and assume flat DPS as cover builds from 92% to 98%. FY23e EPRA NTA falls by 7%. As arrears fall away, we expect strong growth in FY24.

Strong regulation is a positive for sustainability

The regulator continues to focus on governance issues, operational performance and compliance with housing benefit rules across the sector. Its requirement that providers demonstrate long-term financial risk management plans that adequately capture unforeseen risks during their long lease terms has required significant effort. Landlords have responded and SOHO's proposed new lease clause will more effectively share the risks with providers, aimed at helping them address these regulatory concerns. Meanwhile, the benefits of strong regulation to the long-term stability of the social housing sector and the improvements that most providers are achieving in response to the issues raised by the regulator seem to be overlooked.

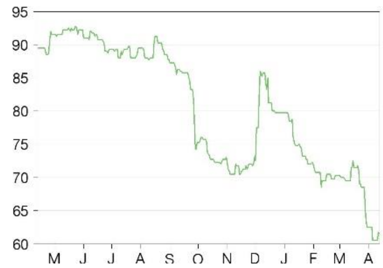
Valuation: Reflects very significant risk

The FY23e yield is more than 11%. We estimate that even a c 20% decline in FY24 income would support a fully covered DPS of more than 3p, or a yield of c 7%.

Price	**48p**
Market cap	**£193m**

Net debt (£m) at 31 December 2022	233.8
Gross gearing at 31 December 2022 (gross debt/gross assets)	37.4%
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	3.7	(19.6)	(48.4)
Rel (local)	3.1	(19.3)	(48.9)
52-week high/low		95p	42p

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, inflation-linked income with the potential for capital growth.

Next events

NAV and dividend update	Expected May 2023

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Edison profile page

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

Significant valuation discount despite strong financial and operational performance

Triple Point Social Housing REIT (SOHO) is a leading investor in supported housing with a focus on specialised supported housing or SSH (almost 90% of rent roll). SSH provides homes for some of the most vulnerable in society, typically those with mental, physical and learning disabilities or autism, and for whom the alternative would often be care homes or long-stay hospitals. With this in mind, in the broader supported housing sector, SSH is differentiated by the need for high levels of care and support, often spanning decades, and requiring accommodation that is suitably adapted to the residents. These are key factors that underpin the housing benefit for residents that is exempt from the normal housing benefit caps. In specific circumstances, supported housing may similarly qualify for exempt rents although the level of support and property adaption is generally lower. There has been significant coverage of failings in some parts the supported housing sector (eg provided for homelessness or asylum seekers), particularly in cases where the accommodation has not been commissioned by a local authority and where regulation is light. This has been connected with instances of inadequate support, poor quality housing and inappropriate housing benefit claims.

There is a chronic shortage of all forms of social housing including SSH, and it is widely expected that the demand will continue to increase, driven by greater penetration of the existing population in need and the further growth of that population, primarily driven by improved post-natal care and increased life expectancy.

SOHO has built a strong record of financial and operational performance while generating significant social benefits. Properties are let to approved providers (APs)[1] on long-term, indexed leases (with a weighted average unexpired lease term of c 25 years). Given the essential nature of SSH, the sector is not closely correlated with the broader commercial or residential property sectors. The accounting total return has averaged 6.1% pa since listing.

The portfolio benefits from high levels of regulation of both its lessees and those that provide care and support. All SOHO's SSH properties are leased to registered providers (RPs)[1] that are regulated by the Regulator of Social Housing (RSH). Care and support within these properties is delivered separately by care providers regulated by the Care Quality Commission (CQC). Across the whole portfolio, more than 98% of APs are subject to specialist regulation and more than 92% of care is delivered by CQC-registered providers.

For those living in supported accommodation that meets the strict requirements, rents are typically claimed through housing benefit, exempted from the normal social housing rent caps and paid directly to the AP. This exemption similarly applies to the government's temporary 7% cap on general needs social housing rent increases from 1 April 2023, and will provide significant inflation protection to APs. SOHO intends to voluntarily cap its rent increases at the same level.

Driven by excess demand for supported housing, rent collection – including through the pandemic – had been strong across the portfolio until the second half of 2022. However, due to two lessees (My Space and Parasol Homes, 7.9% and 9.6% of rent roll, respectively) falling into arrears in respect of a part of their rents, 91.8% of rent due in 2022 was collected. The other 25 of SOHO's 27 lessees recorded no material arrears. We discuss the issues with these two APs and SOHO's plans to restore rent collection below (page 9).

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1 In this report the term approved provider describes all SOHO's lease counterparties including registered providers (RPs). The term registered provider specifically refers to those entities that are registered with and regulated by the RSH.

Indexed rent growth is significantly mitigating the near-term decline in rent collection, yet the shares continue to trade at an unusually high dividend yield and low price to NAV ratio, in both absolute and relative terms. We believe that investor concern about the ability of APs across the sector to sustainably meet their lease obligations, especially during a period of high inflation, and address the issues raised by the RSH are key issues, which we discuss below. In our opinion, these concerns ignore government support for the SSH funding model as well as the operational, financial and governance progress made by most APs.

For readers unfamiliar with the sector, we provide an overview of its workings and the regulatory framework on page 16.

SOHO is an impact investor

Alongside the FY22 results, SOHO published its 2022 independent social impact report, available on the company's website, prepared by specialist social impact consultancy The Good Economy. It estimates that SOHO's portfolio generated a total social value of £128.4m in the year to 31 December 2022, including £101.0m of fiscal savings for public budgets and £27.4m in respect of social impact through improved outcomes for residents, and that the company generates £3.30 of social value for every £1 of annual investment.

The fiscal savings arise from the lower cost associated with SSH compared with the alternatives of residential care or long-stay hospitals. Mencap-commissioned research (*Funding supported housing for all*, April 2018) estimated the average rent cost of SSH accommodation (including service charges) at £232 per week within an overall average weekly cost of SSH (including the cost of the care package at an average of £1,337 per week) at £1,569. This compared with its estimate of the average cost of registered care (residential care) at £1,760 per week or £3,500 per week for in-patient hospital care. Its findings are consistent with National Housing Federation data, which estimated the annual saving resulting from SSH for people with learning difficulties and mental disabilities at £15,500 or c £300 per week.

As part of its broader environment, social and governance (ESG) focus, the company has chosen to make voluntarily disclosures within the framework of The Task Force on Climate-related Financial Disclosure. To meet the climate change challenge, SOHO has adopted a property retrofit programme, which continues to progress well. Each property within a pilot scheme has been reviewed to assess the suitability of the proposed upgrade works and costings. The initial focus will be on ensuring that properties are insulated and airtight, reducing energy consumption with minimal disruption to residents, and will also include the installation of a range of new technologies and systems, including air source heat pumps and solar PV panels. SOHO is working with a single contractor and retrofit designer and is in the process of agreeing how to implement the proposed physical works in the pilot projects.

Investing in a structurally supported sector

There is a high level of underlying demand from local authority and NHS commissioners for high-quality SSH and residential care accommodation across the UK, much of which continues to be unmet. Independent forecasts predict that demand is likely to increase over many years with the shortage of supply increasing. Based on current trends, the National Housing Federation estimates an annual shortfall in supported housing units of c 47,000 by 2024/25. Demand drivers include the longer life expectancy of those requiring care and government policy to promote care in the community. The latter recognises that compared with the alternatives of residential care or hospitals, SSH is widely accepted to improve lives in a cost-effective manner. As a result, it has received cross-party government support over the past 20 years, recently reflected in the continuing exemption from the general needs social housing rent cap, increased spending on health and social care 'to protect the vulnerable' and additional grant funding (£1bn next year and £1.7bn the year after) for social care, in part aimed at freeing up 13,500 NHS beds.

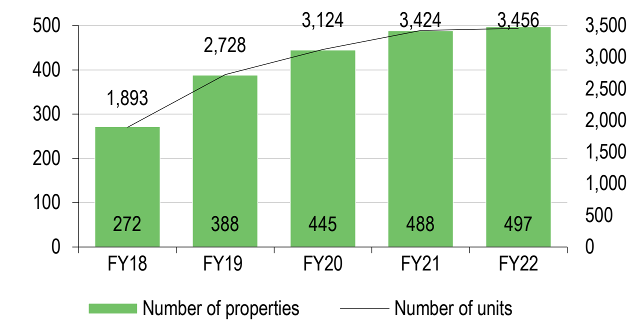
Through long-term leases, landlords such as SOHO are an important source of capital for APs to increase the stock of available homes. However, the cost of capital has increased, making it more difficult for landlords to raise funds for investment. Meanwhile, after a period of very strong growth, many APs have been focused on addressing the concerns of the RSH, including building up financial surpluses and balance sheet strength.

Focused on specialised supported housing

Since listing in August 2017, SOHO has invested c £602m in a portfolio of almost 500 homes, now valued at c £669m. With a focus on bringing new capacity to the sector, 62% of the homes were new to the sector at the point of acquisition and can provide accommodation for nearly 3,500 individuals. The portfolio is leased to 27 different approved providers with a weighted average unexpired lease term of more than 25 years, while residents are supported by more than 120 different care providers.

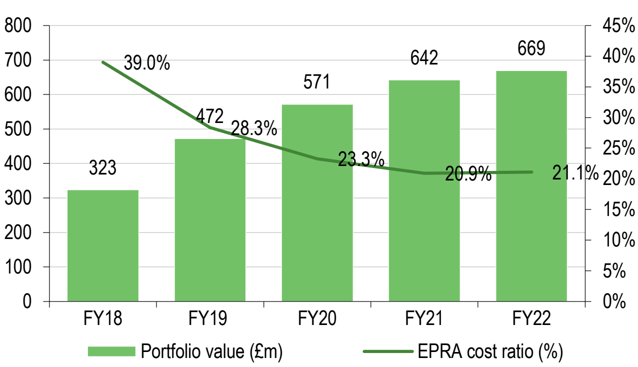
During FY22, SOHO acquired 14 properties for a total investment cost of £20.3m. Six properties were sold due to changes in the underlying investment case.

Exhibit 1: Portfolio growth has created new homes



Source: Triple Point Social Housing data

Exhibit 2: Growth has generated cost efficiency



Source: Triple Point Social Housing data

As at end FY22, SSH represented 88.5% of portfolio rent roll with the balance accounted for by registered care or children's services (4.1%) and supported housing (7.1%).

All SSH properties are leased to RPs, regulated by the RSH. In each of these, a care provider, regulated by the CQC, provides care to residents independently of the RP, which is responsible for providing housing management services. Data provided to SOHO by lessees show that the average care hours received by residents in SSH accommodation are over 40 hours per week, well above the levels expected for properties to qualify for exempt rents, with 49% of residents receiving more than 50 hours of care per week.

In addition to the SSH properties, a further 3.8% of properties by rent roll are leased to care providers that are regulated by the CQC, such that more than 92.3% of the portfolio have care and support provided by a CQC-registered care provider.

Including some non-SSH properties that are also regulated by the RSH and two properties that are regulated by Ofsted, 98.4% of the portfolio is subject to specialist regulation, protecting the quality of care provided to residents, housing standards and the financial, governance and operational management of operators. The remaining two lessees, accounting for 1.6% of rent roll, are community interest companies where regulation is administrative only.

Exhibit 3: Portfolio regulation

Regulator	Lessees	Properties	Rent roll (%)
Regulator of Social Housing	18	460	94.3
Care Quality Commission	5	29	3.8
Ofsted	2	2	0.3
Total specialist regulation	**25**	**491**	**98.4**
Community interest groups/charities	2	6	1.6
Total portfolio	**27**	**497**	**100**

Source: Triple Point Social Housing

Accounting return of 6.1% pa since listing

SOHO has delivered positive accounting/NAV total returns[2] each year since listing in August 2017 to the end of FY22. Dividends have also increased each year and have been the main component of returns (c 70%). This strong performance reflects the vital role of portfolio properties in the provision of an essential service; secured by long-term lease and care arrangements; providing good visibility of income with little direct correlation to the wider property market or economy; and capable of delivering stable inflation-indexed dividend growth. Aggregate NAV total return over the period was 37.4% or an annual average of 6.1%. NAV return has also been positive on a quarterly basis with the exception of Q422 (-1.0%), when yield widening had a negative impact on property values. Widening of the valuation net initial yield[3] to 5.49% from 5.39% at end Q322 was significantly less than for the broad property sector, mitigated by long, indexed lease terms. Broad UK commercial sector property values were c 15% lower in the second half of 2022.

Exhibit 4: Positive accounting return each year since listing

	FY17*	FY18	FY19	FY20	FY21	FY22	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	109.06	109.1
DPS paid (p)	0.00	4.75	5.06	5.17	5.20	5.40	25.6
Dividend return	0.0%	4.7%	4.9%	4.9%	4.9%	5.0%	26.1%
Capital return	7.3%	2.8%	1.7%	1.0%	1.7%	0.7%	11.3%
NAV total return	7.3%	7.5%	6.5%	5.9%	6.6%	5.7%	37.4%
Average annual return							6.1%

Source: Triple Point Social Housing REIT, Edison Investment Research. Note: IFRS NAV data, consistent with the quarterly reporting. *Annualised return from August 2017.

Dividend cover (on an adjusted earnings basis[4]) has increased steadily as the company has built scale. FY22 cover reduced to 0.92x (FY21: 0.99x), primarily because of the full-year impact of SOHO's well-timed refinancing of borrowings at a fixed (but increased) cost in late 2021 and the charge for expected credit losses. We forecast cover to increase in FY23, with indexed rent growth offsetting a further increase in credit charges and for DPS to be well covered in FY24 as the credit charges fall away. SOHO will announce its target for FY23 with its first quarterly update. Perhaps prudently, we have assumed a flat FY23 DPS with growth resuming in FY24.

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

3 The EPRA net initial yield at end FY22 was 4.6% including adjustment for lease incentives.

4 Adjusted earnings is provided by the company as a guide to cash earnings, as a basis for dividend decisions. In FY22, adjusted earnings of £20.3m included a positive adjustment to EPRA earnings of £19.3m in respect of non-cash loan fee amortisation expenses.

Exhibit 5: Dividend history

	FY17	FY18	FY19	FY20	FY21	FY22	FY23e	FY24e
DPS declared (p)	1.00	5.00	5.10	5.18	5.20	5.46	5.46	5.70
Adjusted earnings per share (p)	0.02	2.29	3.50	4.90	5.14	5.03	5.33	6.44
Dividend cover (x)	0.02	0.46	0.69	0.95	0.99	0.92	0.98	1.13
EPRA earnings per share (p)	0.02	2.27	3.39	4.61	4.82	4.78	5.11	6.21
EPRA earnings cover (x)	0.02	0.45	0.67	0.89	0.93	0.88	0.94	1.09

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

Inflation is having a positive impact on rental income

SOHO's leases are all linked to inflation (93% CPI and 7% RPI) without caps and subject to annual reviews. The sharp rise in the headline rate of inflation since the middle of 2021 has taken a little time to work through to annual rent adjustments, but in 2022 the weighted average uplift was 6.7% (FY21: 1.0%).

Exhibit 6: Year-on-year increase in CPI

Source: Office for National Statistics

To assist APs in an inflationary environment while continuing to deliver attractive income growth for shareholders, SOHO will voluntarily cap rent increases to 7% for 2023.

While the government has capped the increase in general needs rent increases from 1 April 2023 to 7%, supported living homes are exempted. This means that the housing benefit for those living in supported housing should increase to cover rent increases. Housing benefit claims are handled by the AP, and it is important that they have the skills and resources to engage effectively with local authorities to access the available funding. Where appropriate, the investment manager's housing team works closely with APs in such matters.

No interest rate risk

All of SOHO's debt is fixed rate with a blended annual running cost of 2.74% and term to maturity of more than 10 years (first maturity in 2028). The facilities amount to £263.5m, all of which is drawn. Rising interest rates had no impact on FY22 earnings, although interest expense did increase versus FY21 as a result of the full-year impact of a refinancing completed in August 2021 and a £2m non-cash, non-recurring write-off of capitalised loan amortisation fees on the early termination of a floating rate revolving credit facility.

The refinancing in late 2021 was well timed. The fixed cost of borrowing compares favourably with current market rates. Meanwhile, the spread between this fixed funding cost and the portfolio yield of 5.59% is now 'locked-in' and will grow as inflation-linked rents increase.

Exhibit 7: Debt portfolio

Lender	MetLife (Tranche A)	MetLife & Barings (Tranche A)	MetLife (Tranche B)	MetLife & Barings (Tranche B)
Facility type	Loan notes	Loan notes	Loan notes	Loan notes
Facility size	£41.5m	£77.5m	£27.0m	£117.5m
Drawn	£41.5m	£77.5m	£27.0m	£117.5m
Term	10 years		15 years	
Maturity	2028	2032	2033	2036
Cost	Fixed: 2.924%	Fixed: 2.403%	Fixed: 3.215%	Fixed: 2.786%

Source: Triple Point Social Housing

Calculated as gross debt divided by gross assets, end-FY22 gearing was 37.4%, below the company's target of a maximum 40%.

There is significant covenant headroom in the debt facilities, while uncommitted cash of £13m and £75m of unencumbered properties provides additional flexibility.

In August 2022, Fitch Ratings reaffirmed SOHO's investment-grade, long-term issuer default rating of 'A-' with a stable outlook and a senior secured rating of 'A' for the group's existing loan notes.

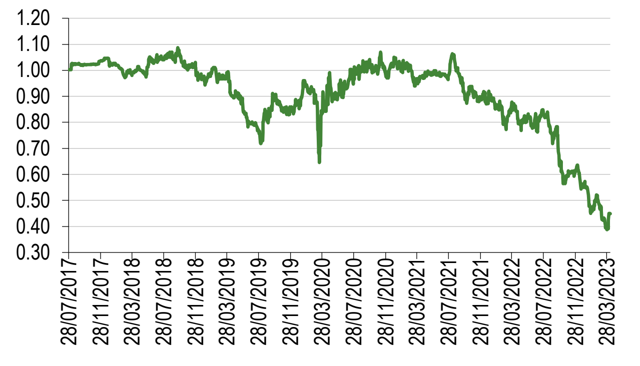
Actively seeking to enhance shareholder returns

Despite operating in a structurally supported sector and generating consistently positive returns, in common with close peers that invest in social housing assets, SOHO's share price has fallen significantly since late 2021. The board has committed to addressing this and creating shareholder value.

Exhibit 8: Trailing dividend yield

Source: Refinitiv prices, company DPS data, Edison Investment Research

Exhibit 9: Trailing P/NAV



Source: Refinitiv prices, company NAV data, Edison Investment Research

The real estate investment trust (REIT) sector in general has been negatively affected by rising interest rates and general political and economic uncertainties. For SOHO, having traded at or around NAV for much of the time from listing up to late 2021 (the main exception being at the height of pandemic uncertainty in 2020), its shares have fallen by around 50% during the past year, underperforming the UK property sector and the broader UK equity market. With NAV and DPS continuing to increase during this period, the shares have traded at an increasingly wide discount to NAV (c 50%) and an unusually high yield of more than 11%. The board is actively engaged with shareholders and is committed to addressing the wide discount. It is considering accretive share buybacks and the potential sale of a portfolio of properties, conditional on it having no material impact on the group leverage position, using the proceeds to optimise shareholder value in the most efficient way. Despite the share price performance, the company has continued to receive strong shareholder support, with 99.99% of votes cast at the AGM in May 2022 in favour of the continuation of the company. The next such vote will be held in 2027.

Sector risks and investor concerns

In this section, we explore some of the issues we believe are suppressing the current valuation of the shares, although our list may not be exhaustive. These include the robustness of APs, their ability to maintain indexed lease payments and their ability to respond to regulatory concerns. Stemming from this is the potential for pressure on income and property valuations. While to us these concerns appear significantly less insoluble than is reflected in the share price valuation, we note the complexity of the sector. In this respect, it is important to recognise the differences between SSH and some other forms of exempt supported housing such as homelessness, where regulation is fragmented and where, in some cases, it can be more challenging to establish the basis for exempt rent status. This is especially the case where the provision has not been commissioned by local authorities. For readers less familiar with the sector, we provide an overview of the supported housing sector and its regulatory process on page 16.

Regulation benefits stakeholders across the sector

The social housing sector has traditionally had a low financial risk profile, in part due to the ongoing monitoring presence of the RSH and the fact that much of the rent is funded by central government through housing benefit and, latterly, universal credit.

The RSH seeks to identify potential issues in the sector and is active in resolving these. Historically, in a small number of cases where an AP has faced financial or other challenges, the regulator has typically helped to facilitate a solution, preventing any general loss of confidence across the sector. This may involve a strengthening of corporate governance, assisting with moving properties to a different provider that may be better placed to manage them, or a financial merger.

Most of the larger lease-focused registered providers of SSH have been issued with regulatory judgements or notices[5] and deemed non-compliant. In all cases, this in part reflects the concerns of the regulator in respect of managing the potential risks inherent in the lease-based model of provider funding.[6] Other issues raised by the RSH include governance, operational and financial performance, partly the consequence of the rapid growth of the sector and the ability of organisational structures and resources to keep pace. As one of the leading private sector investors in the supported housing sector, working with some of the fastest-growing providers, 10 of SOHO's 27 APs, accounting for 80% of rent roll, are the subjects of regulatory judgements or notices. It is important to stress that there has been only minimal impact on rent collection or property valuations, other than with recent developments at My Space and Parasol. In large part, this reflects the investment manager's active management of the portfolio, reassigning leases when required to providers that are better placed to operate the properties or are financially stronger. As has been demonstrated, quality properties, in the right locations, adequately adapted and supporting an appropriate level of care, are attractive to alternative providers in their efforts to meet the strong and growing need for accommodation.

The investment manager has supported APs in addressing the specific concerns of the RSH and there has been significant progress at many providers in improving governance (eg more experienced, independent boards) and operational performance (eg in settling housing benefit claims). Regulatory concerns about the lease-based model of funding adopted by most providers of SSH has been a more challenging issue. We believe that the RSH's concerns are less about the lease model itself and are more about how providers can demonstrate their ability to manage the

5 Regulatory judgements represent the regulator's view on a provider's compliance with governance and the viability requirements. For providers with less than 1,000 units, the RSH may publish a regulatory notice if there is evidence that a provider is in breach of regulatory requirements.

6 Whereby long leases (typically 25 years at inception) provide the capital required by APs to increase their provision of SSH.

potential risks that may arise over the long lease term. This is crucial in maintaining the stability of the sector and its ability to sustainably deliver this vital service. SOHO's hopes that its proposed new lease clause (discussed below) will make a significant impact towards providers achieving regulatory compliance. For those deemed non-compliant by the RSH, there are clear signs of progress being made in terms of governance, management and financial strength, although there is more work to be done.

My Space (7.9% of contracted rent)

In December 2022, the RSH noted that My Space (MS) was subject to regulatory intervention or enforcement action, both in relation to its governance and financial viability, and that it was in the process of serving an enforcement notice, published in January 2023. The enforcement notice directed MS to undertake certain actions within clearly specified timeframes. These actions are focused on resolving MS's solvency position, ensuring its rents are compliant with government policy for social housing rents and that MS becomes compliant with regulatory standards. The RSH also believes that MS has failed to manage its affairs with the appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight required to ensure its viability is maintained and that social housing assets are not put at undue risk.

MS is focused on providing homes to vulnerable individuals with over 1,000 social housing units under management (as at 30 September 2022). It is differentiated in that it is both a housing association and an integrated care provider and, without knowing the specifics, we suspect that this business model may have complicated its ability to satisfy the RSH that a large share of its portfolio qualifies for the exempt rents claimed and complies with the rent standard. SOHO acquired its 34 properties in 2018 and we believe that a majority fall within the supported housing category referred to on page 4. SOHO notes that the MS operating model is not common for its tenants.

To establish the downside risk, SOHO requested the company's independent valuer, Jones Lang LaSalle, to determine the potential negative impact of MS entering administration. The valuers have estimated this to be up to 38% of the value of the properties let to MS or 2.4% of SOHO's total portfolio valuation as of 30 September 2022. Although not specified, we would expect this to take account of potential new lease incentives or reduced rent levels that a property transfer may incur.

The company is seeking to move its properties away from MS and has already identified a potential alternative AP, subject to due diligence in respect of its suitability to provide a suitable level of service to residents. In our forecasts we anticipate the properties to become income generating by the middle of 2023.

Parasol Homes (9.6% of contracted rent)

SOHO says that Parasol Homes continued to pay some of the rent due in the latter half of 2022, but not all, because of operational issues that it is working to address. The investment manager has been engaging consistently with Parasol and believes that it has taken meaningful steps to address the underlying causes behind the build-up in arrears. It expects to agree a plan with Parasol by around the end of Q123 that will see rent payments increase over the course of the year with a repayment plan for outstanding arrears. In our forecasts we anticipate that rental payments increase through 2023 and that the properties will become fully income generating from the beginning of 2024.

Key performance factors for SSH

Residents living in accommodation that meets the strict criteria for SSH are able to claim uncapped (exempt) housing benefit, paid to the AP. Where the system works well, the rent income of the AP will match their lease obligations. The sector does not uniformly perform well and below we list some of the key factors to consider, including qualifying for exempt rents and the operational performance of APs. Data provided by the company indicate that it performs well on each of these.

- **Is a high level of care and support being provided?** Although the level of support is not specifically stated, this is one of the key requirements for SSH. On average, the residents in SOHO properties receive more than 40 hours of care and support per week. With its focus on SSH, 49% of residents receive more than 50 hours per week.
- **Allied to the care and support needs, has the property been appropriately designed or structurally altered to meet those needs?** Almost by definition, the level of care provided in SOHO's SSH homes requires significant, bespoke adaptions to its properties, and to a lesser degree its supported housing homes. 62% of homes were new to the sector at the point of acquisition including 9% of homes where the development was forward funded by the company.
- **As a result of the above, are the rents claimed on behalf of residents set at an appropriate level that represents value for money?** Based on the investment manager's database, rents are benchmarked against those for similar properties and care needs in the same locality, aiming to be in line with the median.
- **How well are voids being managed?** Void space is inevitable for a number of reasons, most obviously when a new home is carefully building occupancy based on the compatibility and care needs of prospective residents. Most voids are covered by care providers (as part of their arrangements with local authorities) or vendors. However, there are certain circumstances where this not the case, such as operational inefficiencies or where the care provider changes and the housing association is unable to fill available space in a timely manner (for which a rent-free period can be extended while a new care provider is identified).

  How effective is the collection housing benefit on behalf of residents? Delays in the housing association formally executing on the setting 'agreed' rents in respect of properties newly commissioned by local authorities are not uncommon. The process can be complex and sometimes bureaucratic. Once the service has been commissioned, the local authority housing benefit department must process the claim, ensuring that it is a level that it deems reasonable.

Seeking enhanced flexibility and risk sharing

At the AGM in May 2022 shareholders approved changes to SOHO's investment policy allowing it to agree more flexible leases with APs, ensure that it kept pace with developments in the sector and remained in a position to engage with the strongest counterparties on the best projects. It also reflected a desire to assist lessees to address some of the concerns raised by the RSH. Restrictions on the minimum term on new leases (currently at least 15 years) were removed, SOHO was authorised to selectively take on the cost of funding maintenance capex, and it was provided with the flexibility to enter into new leases with upward-only rents linked to inflation or central housing benefit policy.

Building on these changes, the company has begun work on a new lease clause that it hopes to include in all of its existing RP leases following ongoing consultation with stakeholders, including the RSH. The aim is to address some of the general risks raised by the RSH in relation to long leases by increasing the risk sharing between SOHO and its RPs by providing protection against factors that are beyond their control. This may be a change in government funding policy or other circumstances where the income that RPs are able to generate from a property is reduced. In some such circumstances, the clause allows for the RP to agree a new rent level that is reflective of the revised circumstances. Should the new rent level not be acceptable to the company, it has the ability to re-assign or terminate the lease. This clause has been developed in close consultation with a selection of SOHO's RPs and has been discussed with the RSH. The external portfolio valuers have indicated that there is unlikely to be any negative impact on SOHO's portfolio and initial conversations with lenders have been positive. Subject to shareholder feedback, the company hopes to be able to begin to roll out the clause with all its RPs in the second quarter of FY23.

Portfolio valuation reflects cash flow

There are many factors that contribute to a relatively higher cost of SSH properties compared with general needs social housing or ordinary residential properties. These are related to the highly specialised nature of the accommodation compared with general needs. These may include the need for 24-hour staffing, the installation and monitoring of CCTV, the need for and monitoring of enhanced fire and safety equipment, bespoke adaptions and/or construction design, higher levels of wear and tear, and the long lead time often needed to securely place tenants.

The independent external valuation methodology is explained in detail in note 14 of the 2022 annual report. It follows the income approach and is based on the value of long-term expected cash flows, on a property-by-property basis, over the term of the leases. It also includes a terminal value, which considers the likely ability of the properties to continue to generate rent through supported housing occupation, as distinct from a reversion to vacant possession value.

Key inputs, on a property-by-property basis, include:

- The long-term rate of CPI, assumed to be 2.0%.
- The discount rate applied to the rental flows.

The average discount rate used by the valuer at end-FY22 was 6.82% (FY21: 6.63%). All other things being equal, without the increase in discount rate over the year the portfolio valuation would have been higher and would have reduced the IFRS valuation net initial yield, which on a reported basis was 5.49%.

Exhibit 10 provides the company's analysis of the valuation sensitivity to alternative discount rates and CPI assumptions.

Exhibit 10: Portfolio valuation sensitivity

	Change in discount rate		CPI inflation	
	-0.5%	+0.5%	+0.25%	-0.25%
Increase/(decrease) in the fair value of properties (£m)	50.5	(36.9)	21.0	(20.2)
Increase/(decrease) as a percentage of portfolio value	7.5%	-5.5%	3.1%	-3.0%

Source: Triple Point Social Housing

The valuation methodology recognises the very strong likelihood that many residents will remain in occupation of their homes for decades, reflecting their age, their high acuity care and support needs, the bespoke nature of their adapted environment, and the potential negative impact on their wellbeing from moving them to a new home. Similar factors apply to increased risk sharing arrangements, which should have no material impact on long-term cash flows and valuation.

Recent financial performance

The FY22 results showed good growth in rental income versus FY21, driven by acquisitions and indexed rental growth. This broadly offset a full-year impact of fixed (higher rate) borrowing costs, reflecting a full year impact of the 2021 refinancing, inflationary expense growth, and expected credit losses. Excluding the credit losses, adjusted earnings would have been above our forecast.

EPRA NTA reflected late year widening in the portfolio valuation yield, not reflected in our forecast as we had been waiting for publication of the results to update this.

Exhibit 11: Summary of FY22 financial performance

£m unless stated otherwise	FY22	FY21	FY22/FY21	Edison FY22e
Rental & other income	37.4	33.1	13.0%	37.2
Expected credit loss	(2.1)	0.0		(0.5)
Administration expense	(3.2)	(2.4)	33.2%	(3.0)
Investment management fees	(4.7)	(4.6)	3.3%	(4.8)
Recurring net finance expense	(7.2)	(5.5)	31.1%	(7.2)
Adjusted earnings	**20.3**	**20.7**	**-2.1%**	**21.7**
Amortisation of loan arrangement fees	(1.0)	(1.3)		(1.2)
EPRA earnings	**19.3**	**19.4**	-0.8%	**20.6**
Change in fair value of investment properties	8.3	9.0		32.9
Non-recurring write-off of loan arrangement fees	(2.6)	0.0		(2.0)
IFRS earnings	**24.9**	**28.4**	**-12.3%**	**51.5**
Basic & diluted IFRS EPS (p)	6.18	7.05		12.78
EPRA EPS (p)	4.78	4.82	-0.8%	4.62
SOHO adjusted EPS (p)	**5.03**	**5.14**	**-2.1%**	**5.40**
DPS (p)	**5.46**	**5.20**	**5.0%**	**5.46**
Dividend cover (EPRA earnings)	**0.88**	**0.93**		**0.85**
Dividend cover (adjusted earnings)	**0.92**	**0.99**		**0.99**
IFRS portfolio at fair value	669.1	642.0	4.2%	683.7
Gross borrowings	(263.5)	(263.5)	0.0%	(263.5)
Cash	30.1	52.5		43.9
Net assets	439.3	436.1	0.7%	465.8
IFRS & EPRA NTA per share (p)	109.1	108.3	0.7%	115.7
NAV total return	5.7%	6.6%		11.8%
Gross gearing (gross debt/gross assets)	37.4%	37.6%		35.9%
Net LTV (net debt/portfolio valuation)	35.0%	33.0%		32.2%

Source: Triple Point Social Housing reported data, Edison Investment Research FY22 forecast

In particular we highlight:

- Net rental & other income increased 13% to £37.4m (FY21: £33.1m) including the impact of acquisition in H122 and, on a full year basis, in FY21. Annualised contacted rent roll increased to £39.0m from £35.8m, building in some additional reported rental income growth for FY23.
- The expected credit loss of £2.1m is part driven by accounting rules and part by the company's judgement relating to that part of rent arrears that may not be recovered. The driver of gross rent receivables during the latter of FY22 was My Space and Parasol.
- Investment management fees, based on average NAV, were little changed. Other administrative expenses increased to c £3.2m (FY21: c £2.4m). The EPRA cost ratio was 21.1% (FY21: 20.9%).
- Adjusted net finance expenses (which excludes recurring loan fee amortisation and an exceptional write-off) increased to £7.2m (FY21: £5.5m). The November 2021 refinancing fixed interest costs at 2.74%, highly attractive in current market conditions, and lengthened duration, with a full impact in FY22. IFRS finance costs include a £2.6m non-recurring write-off of loan arrangement fee and recurring amortisation of £1.0m.
- Adjusted earnings were slightly lower (£20.3m vs £20.7m) or EPS of 5.0p versus 5.1p. Adjusted earnings covered DPS (+5%) 0.92x and cover on an EPRA basis was 0.88x.
- Including investment property revaluation gains of £8.3m in addition to the loan fee adjustments above, IFRS earnings were £24.9m. IFRS and EPRA NTA per share were 109.1p (+0.7%).

Forecasts

FY23 will benefit from strong indexed rent growth but we expect this to be more than offset by expected credit loss charges. We expect a significant earnings recovery in FY24 (no previous forecast) as rent recovery normalises. We have assumed no property purchases or sales and no share repurchases.

The company indicates that it will voluntarily cap rent growth at 7% in FY23, in line with the temporary government cap on general needs rent increases, even though SSH is exempted from this. SOHO is seeking to balance rental growth with the near-term inflationary pressure being experienced by APs. Although we anticipate the headline year-on-year rate of CPI increase will have fallen below 7% by year end, the average annual rate should remain above this, and we forecast 7% like-for-like rental growth in FY23. For FY24 we forecast 3.5%.

Partly offsetting growth in rental income, we forecast additional credit losses of £3.8m.

For the properties currently leased to My Space (c £3.0m of rent pa) we assume no collection in H123 but normal collection from H223 onwards as the situation is resolved. Most likely this will be through a reassignment of the leases, potentially including lease incentives and/or a reduction in rents, for which we have assumed £0.6m pa or a 20% rent reduction.

For the properties leased to Parasol (c £3.6m of rent pa) we assume part-payment of rents (50%) during H123, increasing to almost 90% in H223 before normalising from the beginning of 2024. Very conservatively we do not forecast recovery of back rents (we estimate a cumulative c £3m) although this remains SOHO's aim.

Our forecasts imply a little over 90% rent collection for FY23 in aggregate (H123 is significantly lower than H223) and our forecast £3.8m credit loss charge represents a full write-off of uncollected rent.

We forecast little change in investment management fees, linked to average NAV, but we forecast administration expenses to increase, with inflation but also additional expenses related to rent recovery and lease reassignments. With all debt at fixed rates, there is no change to our forecast net finance expense.

Our NAV forecasts include some further property yield widening, by c 20bp to c 5.65%.

Exhibit 12: Summary of forecast changes

	Reported	New forecast		Previous forecast		Change		Change	
£m unless stated otherwise	**FY22**	**FY23e**	**FY24e**	**FY23e**	**FY24e**	**FY23e**	**FY24e**	**FY23e**	**FY24e**
Total income	37.4	40.9	41.8	39.1	N/A	1.7	N/A	4.5%	N/A
Administrative expenses	(4.7)	(4.7)	(4.8)	(5.0)	N/A	0.3	N/A	-6.4%	N/A
Investment management fees	(3.2)	(3.7)	(3.9)	(3.1)	N/A	-0.7	N/A	21.4%	N/A
Expected credit loss	(2.1)	(3.8)	0.0	0.0	N/A	-3.8	N/A		N/A
Net finance expense	(7.2)	(7.2)	(7.2)	(7.2)	N/A	0.0	N/A	0.0%	N/A
Adjusted earnings	**20.3**	**21.5**	**25.9**	**23.9**	**N/A**	**(2.4)**	**N/A**	**-10.0%**	**N/A**
Amortisation of loan arrangement fees	(1.0)	(0.3)	(0.3)	1.2	N/A	-1.5	N/A		N/A
EPRA earnings	19.3	21.2	25.7	25.1	N/A	(3.8)	N/A	-15.4%	N/A
EPRA EPS (p)	4.78	5.27	6.37	5.63	N/A	-0.4	N/A	-6.4%	N/A
Adjusted EPS (p)	**5.03**	**5.33**	**6.44**	**5.92**	**N/A**	**-0.6**	**N/A**	**-10.0%**	**N/A**
DPS declared (p)	**5.46**	**5.46**	**5.70**	**5.62**	**N/A**	**-0.2**	**N/A**	**-2.9%**	**N/A**
EPRA DPS cover (x)	0.88	0.96	1.12	1.00	N/A		N/A		N/A
Adjusted DPS cover (x)	**0.92**	**0.98**	**1.13**	**1.05**	**N/A**		**N/A**		**N/A**
EPRA NTA per share ('NAV')	109.1	113.8	117.8	122.5	N/A	-8.7	N/A	-7.1%	N/A

Source: Edison Investment Research forecasts, Triple Point Social Housing FY22 reported data

Valuation

Despite SOHO delivering low volatility and consistently positive accounting returns, the FY22 DPS of 5.46p now represents a yield of more than 11%, while the shares are trading at a more than 50% discount to FY22 NAV.

Exhibit 13 shows a comparison of a selected group of companies that we would consider to be the closest peers to SOHO, investing in housing and healthcare properties. Share prices across the group have been negatively affected by rising bond yields in recent months, along with the broader REIT sector. The shares of the companies investing in the social housing sector have underperformed the narrow peer group and the property sector.

SOHO shares offer a noticeably higher yield than the average with a significantly lower P/NAV ratio, despite its track record of positive financial and operation performance and delivery of material social benefit.

Exhibit 13: Peer valuation and performance comparison

	Price	Market cap	P/NAV*	Yield**	Share price performance			
	(p)	(£m)	(x)	(%)	3 month	1-year	3-years	5 years
Assura	52	1532	0.86	5.9	-11%	-23%	-34%	-12%
Civitas Social Housing	57	346	0.51	9.9	-5%	-36%	-43%	-44%
Impact Healthcare	97	401	0.87	6.8	-8%	-20%	1%	-6%
Primary Health Properties	106	1411	0.94	6.2	-8%	-29%	-33%	-3%
Residential secure Income	67	124	0.71	7.7	-19%	-38%	-25%	-26%
Target Healthcare	77	477	0.75	8.8	-10%	-33%	-27%	-27%
Average			0.77	7.5	-10%	-30%	-27%	-20%
Triple Point Social Housing	48	197	0.45	11.1	-18%	-48%	-45%	-51%
UK property sector index	1,314				-7%	-31%	-14%	-27%
UK equity market index	4,230				-1%	0%	31%	6%

Source: Company data, Refinitiv. Note: Prices at 12 April 2023. *Based on last reported EPRA NAV. **Based on trailing 12-month DPS declared.

The average trailing yield of the peer group excluding Civitas and SOHO is c 7%. We estimate that SOHO could withstand an almost 20% reduction in our forecast FY23 income while still generating a fully covered DPS of c 3.4p, or a yield of 7%.

Exhibit 14: Dividend sensitivity to income

£m unless stated otherwise	FY23e
Market cap	193.3
Dividends required to generate 7% yield (A)	13.5
Minimum DPS required to generate 7% yield (p)	3.4
Adjusted earnings required for full divided cover	13.5
Forecast adjusted earnings (B)	21.5
Forecast income	40.9
Maximum reduction in forecast adjusted earnings to cover dividend at 7% (A-B)	7.9
As a % of forecast income	19%

Source: Edison Investment Research

Corporate summary

SOHO listed in August 2017 and trades on the Premium Segment of the Main Market. It invests in a diversified portfolio of social housing assets in the UK, with a particular focus on supported housing with the aim of delivering an attractive and predictable long-term inflation-protected income return to shareholders with the potential for capital growth. It also seeks to deliver a positive social return, providing much needed private investment capital to support the delivery of additional, care-based, quality accommodation to some of the most vulnerable in society, improving tenant-life outcomes in a cost-effective manner.

Managed by Triple Point Investment Management

The external investment adviser to SOHO is Triple Point Investment Management LLP, part of Triple Point Group. Triple Point Group manages over £3bn of private, institutional and public capital through specialist teams in the areas of real estate, debt, infrastructure and venture capital, and has been investing in the social housing sector for more than five years. The investment manager has continued to add to its 24-strong housing team, which is focused on monitoring the performance of portfolio properties, lessees and care providers.

The fees payable to the investment manager are calculated quarterly in arrears and are based on a sliding scale percentage of net asset value adjusted for uncommitted cash balances net of borrowings. The marginal management fee reduces at higher levels of NAV providing an enhanced benefit to shareholders from growth in the portfolio. There are no performance-related, acquisition, exit or property management fees. 25% of the annual fee due to the investment manager (net of any tax liability) is paid in shares rather than cash, implemented on a half-yearly basis.

Exhibit 15: Management fee schedule

Basic NAV, excluding net cash balances	Annual management fee
Up to and including £250m	1.0%
Above £250m and up to and including £500m	0.9%
Above £500m and up to and including £1bn	0.8%
Above £1bn	0.7%

Source: Triple Point Social Housing REIT

Chris Phillips has been non-executive chairman since SOHO listed. He has more than 35 years' experience of real estate and listed companies and is currently also the current non-executive chairman of Places for People, the UK's leading registered social landlord. The other directors are Paul Oliver, Professor Ian Reeves CBE, Peter Coward and Tracy Fletcher-Ray. Paul Oliver will retire from the board in June 2023 and Cecily Davis will join the board with effect from May 2023.

Detailed biographies can be found on the company's website.

A summary of exempt supported housing

Supported housing encompasses a wide range of housing that combines accommodation with support for people with different needs, such as older people, people with disabilities and people with complex needs. Exempt accommodation is a category of supported housing that is exempt from locally set caps on housing benefit, recognising that housing costs are higher for those requiring care in suitably adapted properties. Specialised supported housing (SSH) is a particular type of exempt supported social housing, designed to provide care-based accommodation to some of the most vulnerable in society, and subject to different rules. We discuss SSH separately below.

For exempt accommodation, while housing costs are covered, subject to the claimant's personal circumstances, by the uncapped level of housing benefit, the housing benefit cannot be used to fund the cost of care, support or supervision. Where the resident is ineligible for a state-funded care package, providers must fund the care they provide, generally through charitable or commissioned funding, providers' surpluses, or by charging the resident a service charge. The level of care that should be provided is not clearly defined but is expected to be 'more than minimal'. This lack of definition about care requirements is a cause of uncertainty as to whether all currently claimed rent exemptions are valid.

It is the level of care involved that defines SSH. It typically includes those with acute long-term or lifelong care needs relating to mental, physical and learning disabilities, and autism, but may also include those suffering from domestic abuse, substance abuse and homelessness. It is common for care to be provided by a third party, contracted directly with the commissioning local authority. The care provider, in turn, secures a suitable property. Care costs and housing costs, including property service charges, are paid separately to the care provider and the property provider (by-passing the home resident).

All housing benefit for approved SSH schemes comes from central government and is distributed via the local authorities that commission the services, while the level of rent that an individual living in SSH may claim is set on a bespoke basis according to their needs. To fall within the exempt rent legislation, SSH homes must fulfil several criteria including:

- the accommodation provided must be designed or structurally altered for residents who require specified services or support to live independently in the community;
- the accommodation must be provided on a not-for-profit basis, by a housing association, local authority, registered charity or voluntary organisation;
- the accommodation must offer a high level of support that is equivalent to the services or support provided in a care home, for residents whose only alternative would be a care home or hospital. This requirement also extends to the housing association or other property provider, which is expected to provide levels of support or supervision above that provided in general housing services; and
- the accommodation must be delivered without public subsidy.

The regulatory framework

There is no single central regulator of supported accommodation. If the accommodation is provided by a housing association, in most cases it will be registered with the Regulator of Social Housing (RSH) as a 'registered provider' and will be subject to the associated regulatory requirements. Through this framework, the RSH seeks to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs.

In summary, the objectives of the RSH are to:

- protect social housing assets;
- ensure providers are financially viable and properly governed;
- maintain the confidence of lenders to invest into the sector;
- encourage and support the supply of social housing;
- ensure that tenants are protected and have opportunities to be involved in the management of their housing; and
- ensure value for money in service delivery.

In seeking to meet these goals, the RSH has set 'economic standards' and 'consumer standards'. And proactively seeks assurance that the economic standards are being met by providers. The consumer standards (eg ensuring that homes are safe and meet suitable standards) are currently monitored on a reactive basis but the RSH has become increasingly active in this area and there are moves to broaden its authority to intervene more directly.

The three economic standards are:

- Governance and liability – how well the organisation is run and is it financially viable.
- Value for money – does the provider make the best use of its resources.
- The rent standard – are rents set in accordance with government policy for social housing rents (and in the case of SSH, in particular, to ensure that rents qualify as 'exempt').

The regulatory judgements (applicable to RPs with more than 1,000 units) and notices (applicable to RPs with less than 1,000 units) that are published by the RSH represent its official view of an RP's compliance with the governance and financial viability standards. These range from 1 to 4 (eg G1/V1 or G4/V4), with 1–2 representing levels of compliance and 3–4 levels of non-compliance. Regulatory notices are issued in response to an event of regulatory importance (for example, where an RP is found to have breached a consumer standard that has or may cause serious harm) that it needs to make public.

Sensitivities

We see the key sensitivities as:

- The failure of one or more APs to meet its long-term lease obligations. This would negatively affect near-term income until or unless the properties can be reassigned to an alternative AP. Reassignment may include changes to the lease terms and may also include the grant of lease incentives.
- Significant changes in the way the sector is funded would have the potential to materially affect investors such as SOHO. There is currently no indication that this likely given the widespread recognition that the current system offers value for money, providing care at a lower cost than the alternatives while generating clearly enhanced outcomes for those in need.
- Access to debt capital and the cost of debt are important factors. All SOHO's debt is fixed with an average maturity of more than 10 years with a blended interest rate of 2.74%, well below asset yields and this gap will increase with rent indexation. The first maturity is not until 2028.
- Market-wide valuation yields for SSH properties have tightened from c 7% in 2015 and the end-FY22 valuation net initial yield of the SOHO portfolio was 5.49% compared with 5.28% at end-FY21. The increase in yields over the past year has been much less than for the broad UK commercial sector, reflecting long indexed leases and the essential nature of the real estate. Increasing yields negatively affect NAV and the loan to value ratio, although recurring income from existing assets would be unaffected and cash yields on acquisitions would improve.

Exhibit 16: Financial summary

Period ending 31 December (£m)	2020	2021	2022	2023e	2024e
INCOME STATEMENT					
Total income	28.9	33.1	37.4	40.9	41.8
Expected credit loss	0.0	0.0	(2.1)	(3.8)	0.0
Directors' remuneration	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Investment management fees	(4.1)	(4.6)	(4.7)	(4.7)	(4.8)
General & administrative expenses	(2.2)	(2.1)	(2.9)	(3.4)	(3.5)
Total expenses	(6.6)	(6.9)	(7.9)	(8.4)	(8.7)
Operating profit/(loss) before revaluation of properties	22.3	26.2	27.5	28.7	33.1
Change in fair value of investment properties	7.9	9.0	8.3	20.0	13.0
Operating profit/(loss)	30.2	35.2	35.7	48.7	46.1
Net finance income/(expense)	(5.6)	(6.8)	(10.8)	(7.5)	(7.5)
PBT	24.6	28.4	24.9	41.2	38.7
Tax	0.0	0.0	0.0	0.0	0.0
Net profit	24.6	28.4	24.9	41.2	38.7
Adjusted for:					
Change in fair value of investment properties	(8.0)	(9.0)	(8.3)	(20.0)	(13.0)
Loan arrangement fees written off	0.0	0.0	2.6	0.0	0.0
EPRA earnings	16.6	19.4	19.3	21.2	25.7
Interest capitalised on forward funded developments	(0.1)	0.0	0.0	0.0	0.0
Amortisation of loan arrangement fees	1.2	1.3	1.0	0.3	0.3
Company adjusted earnings	17.7	20.7	20.3	21.5	25.9
Basic & diluted average number of shares (m)	360.9	402.8	402.8	402.8	402.8
Basic & diluted IFRS EPS (p)	6.82	7.05	6.18	10.23	9.60
EPRA EPS (p)	4.61	4.82	4.78	5.27	6.37
Basic & diluted company adjusted EPS (p)	4.90	5.14	5.03	5.33	6.44
DPS declared (p)	5.18	5.20	5.46	5.46	5.70
EPRA EPS/DPS	0.89	0.93	0.88	0.96	1.12
Company adjusted EPS/DPS	0.95	0.99	0.92	0.98	1.13
EPRA cost ratio	23.3%	20.9%	21.1%	20.5%	20.8%
EPRA NTA total return	5.9%	6.6%	5.7%	9.4%	8.4%
BALANCE SHEET					
Investment properties	572.1	641.3	667.7	688.3	701.9
Other receivables	0.0	2.3	2.9	2.9	2.9
Total non-current assets	572.1	643.6	670.6	691.2	704.8
Cash & equivalents	53.7	52.5	30.1	30.9	33.6
Other current assets	4.3	3.9	4.3	3.3	3.4
Total current assets	58.0	56.4	34.4	34.2	36.9
Trade & other payables	(5.0)	(3.7)	(3.1)	(4.1)	(4.2)
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Total current liabilities	(5.0)	(3.7)	(3.1)	(4.1)	(4.2)
Bank loan & borrowings	(194.9)	(258.7)	(261.1)	(261.3)	(261.6)
Other non-current liabilities	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Total non-current liabilities	(196.4)	(260.2)	(262.6)	(262.9)	(263.1)
IFRS net assets	428.7	436.1	439.3	458.5	474.4
EPRA net assets	428.7	436.1	439.3	458.5	474.4
Period-end basic & diluted number of shares (m)	402.8	402.8	402.8	402.8	402.8
Basic & diluted IFRS NAV per share (p)	106.4	108.3	109.1	113.8	117.8
Basic & diluted EPRA NTA per share (p)	106.4	108.3	109.1	113.8	117.8
CASH FLOW					
Net cash flow from operating activity	24.5	24.7	25.7	30.6	33.2
Cash flow from investing activity	(94.4)	(61.4)	(18.3)	(0.6)	(0.6)
Net proceeds from equity issuance	53.1	(0.0)	0.0	0.0	0.0
Net proceeds from C share issuance	0.0	0.0	0.0	0.0	0.0
Loan interest paid	(4.6)	(5.6)	(7.2)	(7.2)	(7.2)
Bank borrowings drawn/(repaid)	29.4	65.0	0.0	0.0	0.0
Share repurchase	0.0	0.0	0.0	0.0	0.0
Dividends paid	(18.8)	(20.9)	(21.7)	(22.0)	(22.7)
Other cash flow from financing activity	(1.1)	(2.7)	(0.6)	(0.0)	0.0
Cash flow from financing activity	58.0	35.7	(29.6)	(29.2)	(30.0)
Change in cash	(11.9)	(1.0)	(22.2)	0.8	2.6
Opening cash	64.7	52.9	51.9	29.7	30.5
Closing cash (excluding restricted cash)	52.9	51.9	29.7	30.5	33.1
Restricted cash	0.8	0.6	0.4	0.4	0.4
Cash as per balance sheet	53.7	52.5	30.1	30.9	33.6
Debt as per balance sheet	(194.9)	(258.7)	(261.1)	(261.3)	(261.6)
Unamortised loan arrangement costs	(3.6)	(4.8)	(2.4)	(2.2)	(1.9)
Total debt	(198.5)	(263.5)	(263.5)	(263.5)	(263.5)
Net (debt)/cash excluding restricted cash	(145.6)	(211.6)	(233.8)	(233.0)	(230.4)
Net LTV (net debt/investment property)	25.5%	33.0%	35.0%	33.9%	32.8%
Company gearing (gross debt/gross asset value)	31.5%	37.6%	37.4%	36.3%	35.5%

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

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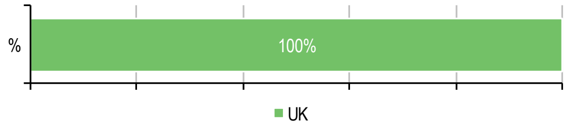
Revenue by geography



Leadership team

Non-executive chairman: Chris Phillips

Chris has extensive experience of real estate and listed companies. He was managing director of PB Securities, the UK subsidiary of Prudential Bache, for three years, before joining Lombard Odier as the managing director of its London broking business. He then joined Colliers International and, after heading its residential consultancy business, became the first managing director of Colliers Capital UK (Colliers commercial real estate property fund). Having served on the board of Places for People for 14 years, 10 of them as chair, Chris stood down from the role in January 2021. His other roles include chairman of London & Newcastle 2010 Holdings, director of Shetland Space Centre and chairman of Nova Innovations.

Managing partner and asset originator, Triple Point: James Cranmer

James Cranmer joined Triple Point, the company's delegated investment manager, in 2006 as co-managing partner, to establish its flagship leasing business, Triple Point Lease Partners, now one of the UK's most active providers of operating lease finance into local authorities and NHS hospital trusts. He has more than 20 years' experience in structured, asset and vendor finance, and has been responsible for over £1bn of funding to local authorities and NHS hospital trusts, FTSE 100 and medium-sized companies.

Managing partner and fund manager, Triple Point: Ben Beaton

Ben Beaton joined Triple Point, the company's delegated investment manager, in 2007 to lead the sourcing and execution of a broad spectrum of investments including renewable energy, long leased infrastructure and property bridge lending. He has established himself as an industry leader in matching capital with investment opportunities, building innovative products for investors and offering attractive and flexible funding solutions to a range of businesses in both the public and private sectors.

Principal and head of investment, Triple Point: Max Shenkman

Max joined the investment manager in 2011 and has led investments across the product range. He has arranged both debt and equity funding for a number of property-backed transactions in the social housing, infrastructure and agricultural sectors. Max has led over £150m of investment into supporting housing assets for the group. Before joining the investment manager, Max was an associate in the debt capital markets team at Lazard where he advised private equity clients on both the buy and sell side.

Principal shareholders	(%)
BlackRock Investment Management	18.3
East Riding Pension Fund	8.2
Investec Wealth & Management	7.2
Evelyn Partners Investment Management	4.9
Nottingham County Council Pension Fund	4.8
MFS Investment Management	4.7

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