

Triple Point Social Housing

Q121 NAV and DPS

Positive Q121 return and increased DPS target

A quarterly NAV and dividend update from Triple Point Social Housing REIT (SOHO) shows the portfolio remaining resilient, continuing to increase in value with consistent rent collection. The FY21 DPS target is increased 0.4%, in line with CPI, and we forecast full cover by adjusted cash earnings.

Year end	Total income (£m)	Adj. earnings* (£m)	Adj. EPS* (p)	EPRA NTA per share (p)	DPS (p)	P/NAV (x)	Yield (%)
12/19	21.1	12.3	3.50	105.4	5.10	1.00	4.8
12/20	28.9	17.7	4.90	106.4	5.18	0.99	4.9
12/21e	33.9	21.8	5.41	108.8	5.20	0.97	4.9
12/22e	36.1	23.7	5.87	112.4	5.49	0.94	5.2

Note: *Adjusted earnings is a excludes property revaluation movements and amortisation of loan arrangement fees. There is no difference between basic and fully diluted EPS and NAV.

Consistently positive returns

Unaudited IFRS (and EPRA) NAV per share was 106.55p at 31 March 2021 (end-Q121), a slight increase on end-FY20 (106.42p). Including DPS paid, the Q121 NAV total return was 1.3%, continuing the consistently positive trend since IPO. A Q121 DPS of 1.3p has been declared for payment on or around 25 June to shareholders on the register at 28 May. The company is targeting paying four equal quarterly dividends for FY21, an aggregate 5.2p or 0.4% increase on (FY20: 5.18p), in line with the annual February increase in the UK consumer price index. The Q121 DPS is close to our previous forecast, adjusted to match the target. The consistency of returns reflects the 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, capable of delivering stable inflation-indexed dividend growth.

Positive outcomes driving demand

The chronic shortage of supported housing is widely forecast to increase yet compared with the alternatives of residential care or hospitals it improves lives in a cost-effective manner. It can also relieve pressures on the health service and, at both the national and local level, it is government policy to offer supported housing to more people. Private capital is crucial in meeting current and future needs, while the continued response of the lessees/approved providers to regulatory scrutiny, improving governance, operational performance and financial strength should be a positive factor for sustaining the security of contracted rents and long-term growth of the sector. Our forecasts include £75m of capital deployment in FY21, a mix of operational assets and new pre-let forward funding developments, including the c £15m of deployment announced year-to-date.

Valuation: Robust, attractive, growing income

The FY21e DPS of 5.20p represents a yield of 4.9%, with good prospects for indexed growth. Combined with robust rent collection, in our view this is attractive in a continuing low interest rate environment. The shares currently trade at slightly below NTA, in line with the average since IPO (c 0.96x) but below the peak (1.07x).

Real estate

18 May 2021

Price **105p**
Market cap **£423m**

Net debt (£m) at 31 December 2020 145.6

Gross gearing at 31 December 2020 (gross debt/gross assets) 31.5%

Shares in issue 402.8m

Free float 99%

Code SOHO

Primary exchange LSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	1.9	(2.2)	12.4
Rel (local)	2	(6.8)	(10.5)

52-week high/low	114p	94p
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Business description

Triple Point Social Housing REIT invests in primarily 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

Q121 DPS paid	25 June 2021
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Triple Point Social Housing REIT is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

Period ending 31 December (£m)	2017	2018	2019	2020	2021e	2022e	2023e
INCOME STATEMENT							
Total income	1.0	11.5	21.1	28.9	33.9	36.1	37.6
Directors' remuneration	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Investment management fees	(0.5)	(2.3)	(3.9)	(4.1)	(4.6)	(4.7)	(4.8)
General & administrative expenses	(0.4)	(1.9)	(1.8)	(2.2)	(2.2)	(2.2)	(2.3)
Total expenses	(1.1)	(4.5)	(6.0)	(6.6)	(7.1)	(7.3)	(7.4)
Ongoing charge ratio (OCR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit/(loss) before revaluation of properties	(0.0)	7.0	15.1	22.3	26.9	28.9	30.2
Change in fair value of investment properties	5.6	14.5	11.8	7.9	10.1	13.5	13.5
Operating profit/(loss)	5.6	21.5	26.9	30.2	36.9	42.4	43.6
Net finance income/(expense)	0.1	(1.6)	(3.2)	(5.6)	(6.3)	(6.4)	(6.4)
PBT	5.7	19.9	23.7	24.6	30.6	36.0	37.2
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.7	19.9	23.7	24.6	30.6	36.0	37.2
Adjusted for:							
Change in fair value of investment properties	(5.6)	(14.5)	(11.8)	(8.0)	(10.1)	(13.5)	(13.5)
EPRA earnings	0.0	5.4	11.9	16.6	20.6	22.4	23.7
Interest capitalised on forward funded developments	0.0	0.0	(0.1)	(0.1)	0.0	0.0	0.0
Amortisation of loan arrangement fees	0.0	0.0	0.5	1.2	1.2	1.2	1.2
Adjusted earnings	0.0	5.4	12.3	17.7	21.8	23.7	25.0
Basic & diluted average number of shares (m)	143.8	237.6	351.1	360.9	402.8	402.8	402.8
Basic & diluted IFRS EPS (p)	3.94	8.37	6.75	6.82	7.60	8.93	9.23
Basic & diluted EPRA EPS (p)	0.02	2.27	3.39	4.61	5.11	5.57	5.89
Basic & diluted adjusted EPS (p)	0.02	2.29	3.50	4.90	5.41	5.87	6.20
DPS declared (p)	1.00	5.00	5.10	5.18	5.20	5.49	5.80
Adj. EPS/DPS	0.02	0.46	0.69	0.95	1.04	1.07	1.07
BALANCE SHEET							
Investment properties	138.5	324.1	472.3	572.1	642.5	673.5	687.0
Other receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-current assets	138.5	324.1	472.3	572.1	642.5	673.5	687.0
Cash & equivalents	58.2	114.6	67.7	53.7	30.2	15.1	17.0
Other current assets	12.0	3.4	4.3	4.3	5.6	5.9	6.0
Total current assets	70.2	118.0	72.0	58.0	35.8	21.0	23.0
Trade & other payables	(5.9)	(9.0)	(8.1)	(5.0)	(12.3)	(12.9)	(13.2)
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	(5.9)	(9.0)	(8.1)	(5.0)	(12.3)	(12.9)	(13.2)
Bank loan & borrowings	0.0	(67.4)	(165.0)	(194.9)	(226.2)	(227.4)	(228.7)
Other non-current liabilities	(1.2)	(1.6)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Total non-current liabilities	(1.2)	(68.9)	(166.5)	(196.4)	(227.7)	(228.9)	(230.2)
IFRS net assets	201.7	364.2	369.7	428.7	438.3	452.7	466.6
EPRA net assets	201.7	364.2	369.7	428.7	438.3	452.7	466.6
Period-end basic & diluted number of shares (m)	200.0	351.4	350.9	402.8	402.8	402.8	402.8
Basic & diluted IFRS NAV per share (p)	100.8	103.6	105.4	106.4	108.8	112.4	115.9
Basic & diluted EPRA NTA per share (p)	100.8	103.6	105.4	106.4	108.8	112.4	115.9
CASH FLOW							
Net cash flow from operating activity	0.8	5.4	16.3	24.5	32.7	29.2	30.3
Cash flow from investing activity	(142.0)	(160.6)	(135.5)	(94.4)	(60.2)	(17.5)	0.0
Net proceeds from equity issuance	196.0	106.0	0.0	53.1	0.0	0.0	0.0
Net proceeds from C share issuance	0.0	46.6	0.0	0.0	0.0	0.0	0.0
Loan interest paid	(0.0)	(1.6)	(2.9)	(4.6)	(5.1)	(5.2)	(5.2)
Bank borrowings drawn/(repaid)	0.0	58.0	111.1	29.4	30.0	0.0	0.0
Share repurchase	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0
Dividends paid	0.0	(10.1)	(17.8)	(18.8)	(20.9)	(21.6)	(23.2)
Other cash flow from financing activity	0.0	(1.2)	(3.5)	(1.1)	0.0	(0.0)	(0.0)
Cash flow from financing activity	196.0	197.8	86.6	58.0	4.0	(26.9)	(28.4)
Change in cash	54.8	42.6	(32.6)	(11.9)	(23.5)	(15.1)	1.9
Opening cash	0.0	54.8	97.3	64.7	52.9	29.4	14.2
Closing cash (excluding restricted cash)	54.8	97.3	64.7	52.9	29.4	14.2	16.2
Restricted cash	3.4	17.3	3.0	0.8	0.8	0.8	0.8
Cash as per balance sheet	58.2	114.6	67.7	53.7	30.2	15.1	17.0
Debt as per balance sheet	0.0	(67.4)	(165.0)	(194.9)	(226.2)	(227.4)	(228.7)
Unamortised loan arrangement costs	0.0	(1.1)	(4.1)	(3.6)	(2.3)	(1.1)	0.2
Total debt	0.0	(68.5)	(169.1)	(198.5)	(228.5)	(228.5)	(228.5)
Net (debt)/cash excluding restricted cash	54.8	28.8	(104.4)	(145.6)	(199.1)	(214.3)	(212.3)
Net LTV (net debt/investment property)	N/A	NA	22.1%	25.5%	31.0%	31.8%	30.9%
Company gearing (gross debt/gross asset value)	0.0%	15.5%	31.1%	31.5%	33.7%	32.9%	32.2%

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

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